

SAN DIEGO PROMISE ZONE

EQUITABLE DEVELOPMENT PLAN



TABLE OF CONTENTS

01 / INTRODUCTION & BACKGROUND	3
02 / ECONOMIC LANDSCAPE	6
03 / IMPROVING ECONOMIC ACTIVITY	8
04 / STRATEGIES THAT RESPOND TO SDPZ	10
05 / COLLABORATIVE PARTNERS	14
06 / APPENDICES	15

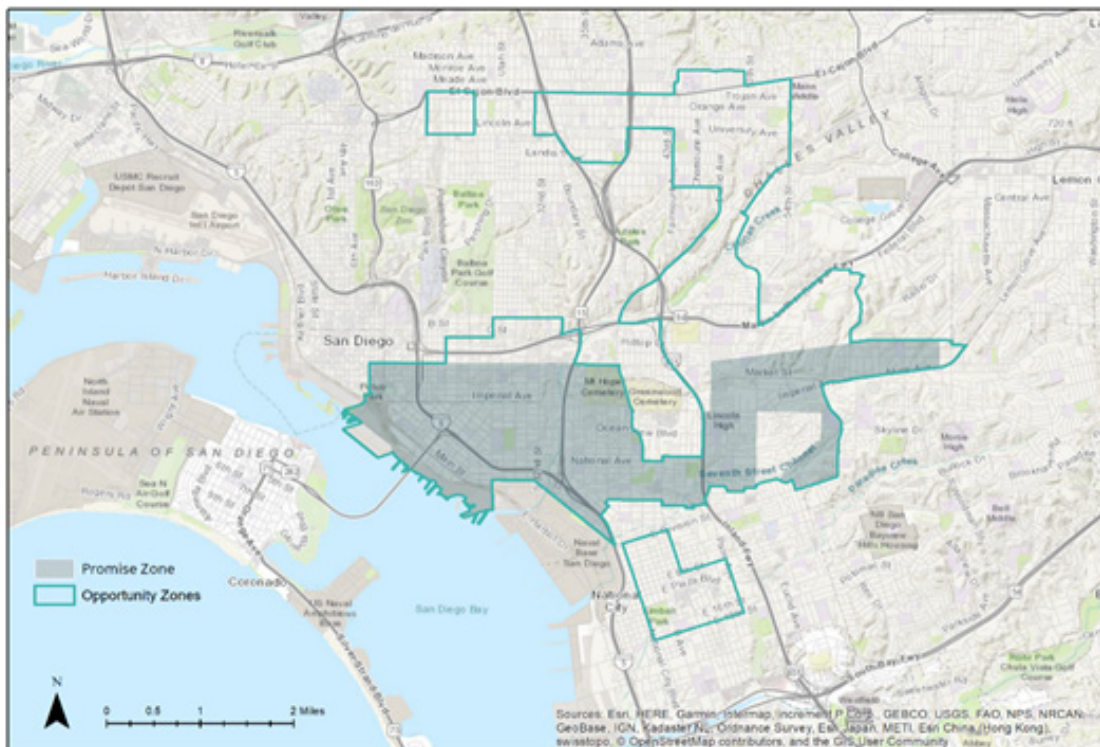
INTRODUCTION

The San Diego Promise Zone (SDPZ) is a geographic area comprising three City of San Diego Community Plan Areas: Barrio Logan, Southeastern, and Encanto Neighborhoods. Historically disadvantaged and suffering a lack of economic investment, these SDPZ neighborhoods have long been characterized by their relatively high unemployment, high poverty, and low educational attainment rates. With a higher share of minorities and immigrants, the culturally-rich communities within the SDPZ also possess unique barriers to economic growth.

The SDPZ is roughly bounded by the San Diego Unified Port District to the west; downtown San Diego and State Route 94 to the north; National City to the south; and the City of Lemon Grove to the east. All 19 SDPZ census tracts were certified by the IRS as Opportunity Zones in 2018. Tax benefits provided to those who invest capital gains in property and projects within an Opportunity Zone are designed to promote economic growth and job creation in these economically distressed communities.

The SDPZ is home to 86,790 residents, which represents 2.6 percent of the region's total population. Since 2012, the SDPZ's population has grown by 4.3 percent, slower than the regional growth rate of 5.9 percent.¹

FIGURE 1 / CITY OF SAN DIEGO PROMISE ZONE & OPPORTUNITY ZONES

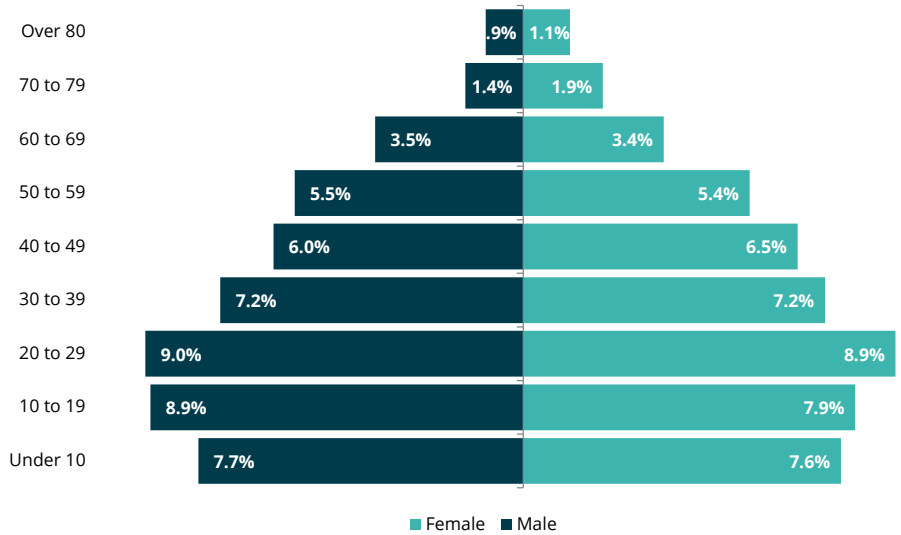


AGE

With a median age of 28.7, the SDPZ's population is significantly younger compared to the region, which has a median age of 35.4. Although the SDPZ's median age has increased slightly in recent years, the largest share of the population – 17.9 percent – is between 20 and 29 years old.ⁱⁱ

i The SDPZ, with a higher share of the population under the age of 30, has historically been plagued by above average youth unemployment rates.

FIGURE 2 / POPULATION BY AGE & SEX, 2017



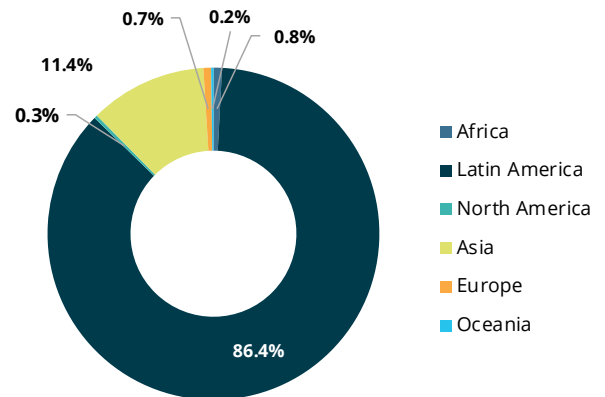
Source: ACS 5-year estimates, 2017

RACE & ETHNICITY

The San Diego region is a “majority-minority” region, meaning no single race or ethnic group makes up more than 50 percent of the population. This is in stark contrast to the SDPZ, however, where the Hispanic population represents 73 percent of the population.ⁱⁱⁱ

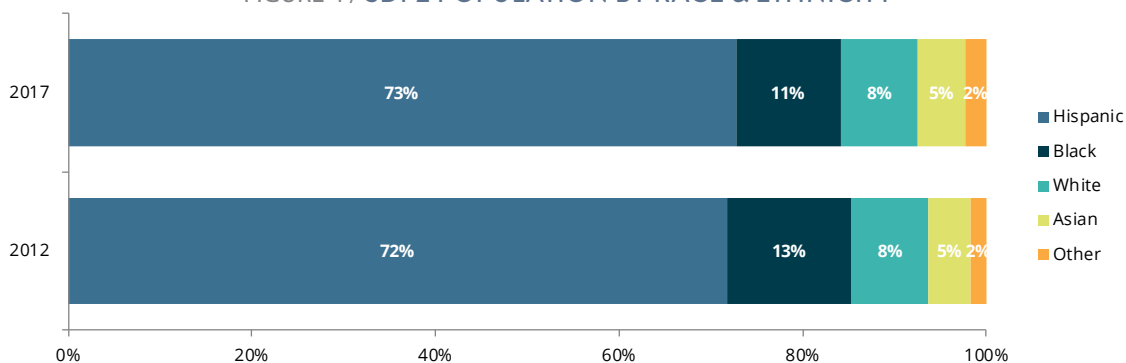
Since 2012, the SDPZ's Hispanic population has seen the greatest absolute growth, increasing by nearly 3,400 people, or approximately 5.7 percent. Additionally, approximately 35 percent of SDPZ residents are foreign-born with the highest share – 86 percent – originating from Latin America. More specifically, a full 83 percent of the immigrant population in the SDPZ is from Mexico.

FIGURE 3 / SDPZ FOREIGN-BORN POPULATION BY PLACE OF ORIGIN



Source: ACS 5-year estimates, 2017

FIGURE 4 / SDPZ POPULATION BY RACE & ETHNICITY



Source: ACS 5-year estimates, 2017

35%
of SDPZ's
population is
foreign-born

POVERTY & EDUCATIONAL ATTAINMENT

According to the U.S. Department of Housing and Urban Development's 2019 Choice Neighborhoods data mapping tool, the "Neighborhood Poverty" for the SDPZ is almost 40 percent (39.83%).^{iv} Poverty in the SDPZ is more than double state and regional rates. Poverty thresholds are defined by the federal government and vary by family size, but don't account for area differences in cost of living. In 2017, the federal poverty threshold for a family of four was \$25,750 in 2019. In San Diego, poverty is disproportionately concentrated in the SDPZ. Across the 19 SDPZ census tracts, the estimated household **median income** in 2017 was \$37,156, compared to \$74,535 in the City of San Diego as a whole.

Generally, higher levels of educational attainment are correlated with lower poverty rates. However, even those who possess a bachelor's degree in the SDPZ have relatively high poverty rates, with 12.7 percent of bachelor's degree holders living in poverty – more than double the rate for the region.^v

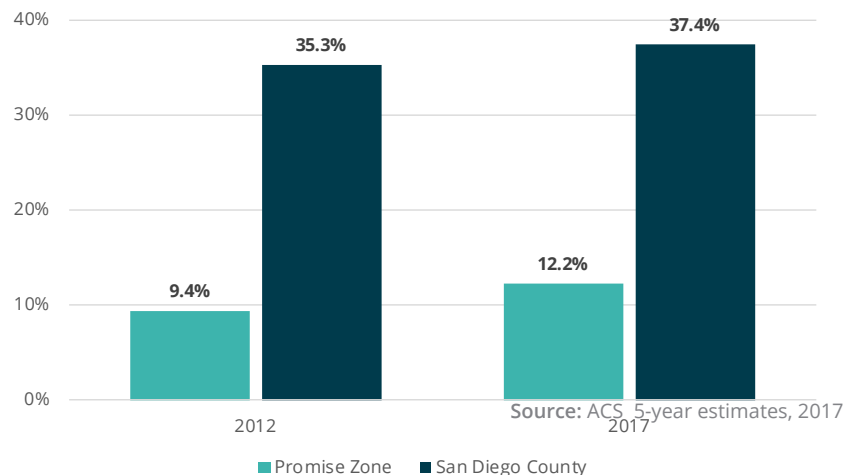
SDPZ residents have much lower rates of educational attainment than the residents in the San Diego region. Roughly 12 percent of the population over the age of 25 has obtained a bachelor's degree or higher compared to 37 percent region wide. Furthermore, severe disparities exist when looking at educational attainment by race and ethnicity. In the SDPZ today, more than XX percent of the Hispanic population has no higher than a high school education. For the black population, educational attainment rates are currently XX.

TABLE 1 / POVERTY RATE BY AGE & EDUCATIONAL ATTAINMENT LEVEL, 2017

	SDPZ	SAN DIEGO	CALIFORNIA
Under 18 years	45.7%	17.1%	20.8%
18 to 34 years	25.8%	16.1%	17.3%
35 to 64 years	28.1%	10.8%	11.9%
65 years and over	25.8%	9.0%	10.2%
Less than high school graduate	37.1%	23.4%	24.4%
High school graduate	24.0%	14.2%	15.0%
Some college, associate's degree	21.3%	10.4%	10.5%
Bachelor's degree or higher	12.7%	5.2%	5.2%
Overall poverty rate	32.3%	13.2%	15.1%

Source: ACS 5-year estimates, 2017

FIGURE 5 / SHARE OF POPULATION POSSESSING A BACHELOR'S DEGREE OR HIGHER, 2012, 2017



Source: ACS 5-year estimates, 2017

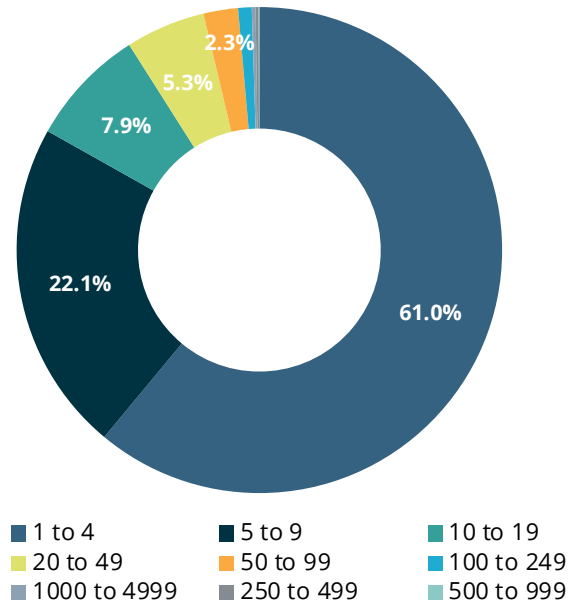
Source: ACS 5-year estimates, 2012 & 2017

A decade after the Great Recession, San Diego's overall economy is thriving, but the SDPZ has not benefitted from the prosperity experienced elsewhere in the region. Businesses have not grown at the same rate as they have in the larger region.^{vii}

The economy of the SDPZ is characterized primarily by locally-serving, small businesses. With more than 2,300 businesses in operation today, more than 83 percent employ fewer than 10 people and an estimated 250 – 400 of *known* businesses are home-based. With regards to the distribution of businesses by sector, nearly 21 percent are in manufacturing and another 15 percent are in transportation and warehousing – a complementary industry to manufacturing. Aside from manufacturing, which is goods-producing and export-oriented in nature, the highest concentrations of industries are largely locally-serving or population-driven industries such as public administration, retail, education, and accommodation and food services.^{viii}

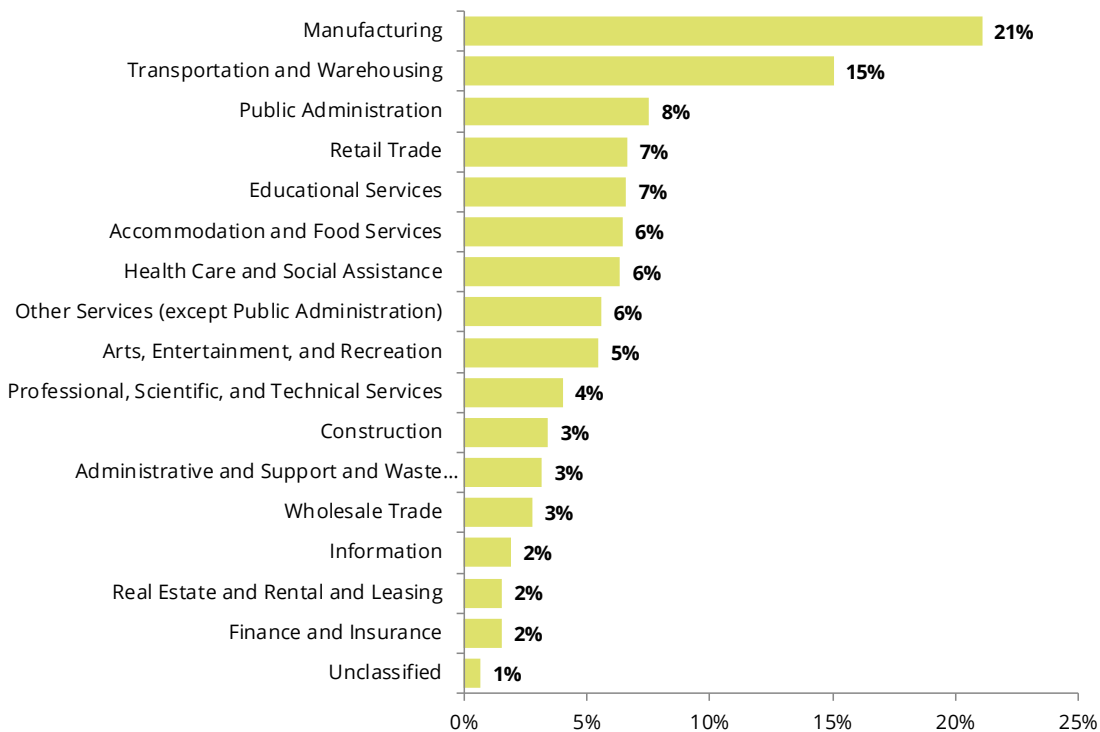
83% of firms in the SDPZ have fewer than 10 employees

FIGURE 6 / SDPZ BUSINESSES BY SIZE



Source: ReferenceUSA, 2019

FIGURE 7 / SDPZ BUSINESSES BY SECTOR



Source: ReferenceUSA, 2019



**MICRO-
ENTERPRISES**

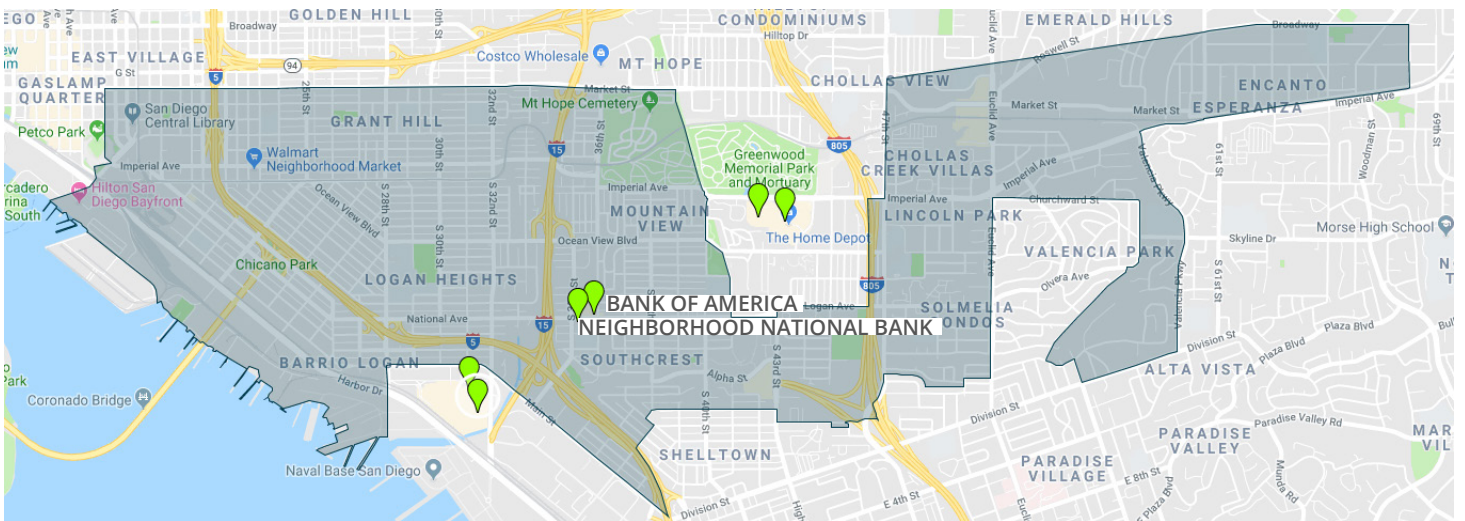
Micro-enterprises, those employing fewer than five people, are at the core of the SDPZ’s business ecosystem. Employing roughly 10.8 percent of the SDPZ’s total workforce, micro-enterprises account for more than half – or 50.8 percent – of all businesses. In regard to business distribution by sector, micro-enterprises are heavily skewed toward locally-serving or population-driven industries such as other services, healthcare and social assistance, retail trade, and professional, scientific, and technical services. As expected, the majority – 65 percent – of micro-enterprises are earning less than \$500 million in annual sales, with only a small share – 12 percent – earning more than one million dollars in annual sales.^{ix}

The median priced San Diego home is \$656,600, almost three times the national average.^x A severe shortage of housing units has led to a “housing crisis.”^{xi} According to the San Diego Housing Commission’s 2017 Report on Addressing the Housing Affordability Crisis, San Diego Housing Production Objectives 2018-2028, “Housing affordability impacts 100 percent of low-income residents and a large portion of moderate-income households. Roughly 70 percent of moderate-income households cannot afford home ownership, and more than 30 percent cannot afford rent.”^{xii}



**HOUSING SHORTAGE AND
LACK OF AFFORDABLE
HOUSING OPTIONS**

FIGURE 8 / MAP OF SDPZ BANKS



Recent rezoning, vacant land along high traffic corridors, and a central location that is well-served by public transit are existing conditions that can be built upon to enhance economic vitality of the SDPZ. The City of San Diego and its Promise Zone partners are working to improve the quality of life and accelerate revitalization, which includes a goal to strengthen the business base of the SDPZ by offering support for small businesses, entrepreneurs, and self-employed residents by providing small business owner training and removing barriers to start-up/expansion capital.

32%

of residents
speak English less
than “very well”

SMALL BUSINESSES DRIVE ECONOMIC GROWTH

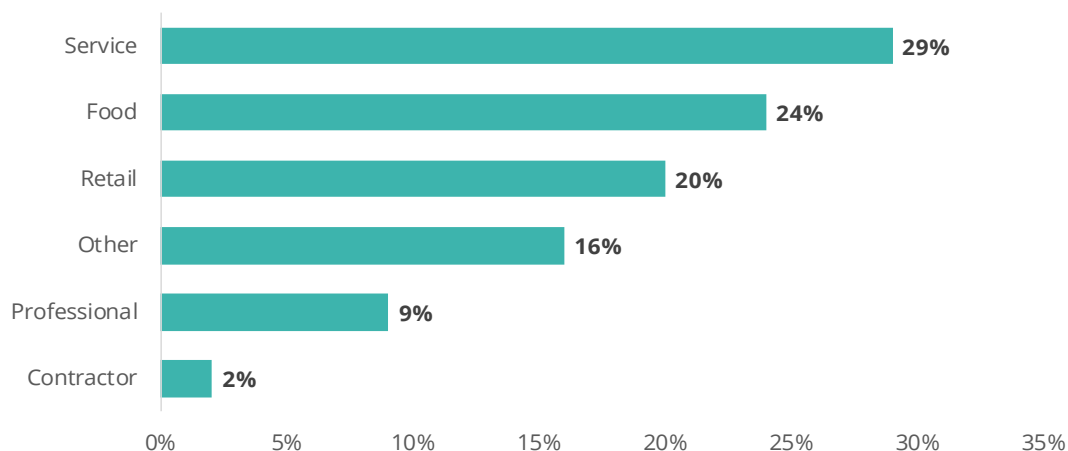
Small businesses have the potential to create jobs. Nationwide, almost half (47.3%) of all jobs in 2016 were created by businesses with fewer than 500 employees, and almost a sixth (16.6%) were created by businesses with fewer than 20 employees.^{xiii} Further, a recent study indicates that a company's age, rather than its size is strongly correlated with job growth. Specifically, this study found that startups “account for only 3% of employment but almost 20% of gross job creation.”^{xiv}

Regionally, small businesses – those with fewer than 100 employees – represent 98 percent of San Diego's firms and employ nearly 60 percent of the workforce. A regional survey of more than 522 small businesses, found that more than two-thirds of small businesses are in local-serving industries and nearly one-quarter have operated for more than 20 years. This regional survey found that most small businesses are primarily engaged in business-to-business (B2B) sales or direct to consumer sales, with most having local customers within the county.

In the SDPZ, a survey was conducted in late 2018 to better understand the specific needs of businesses and entrepreneurs, especially businesses without storefronts, as these populations are not typically surveyed. As part of this effort, data were collected from 129 small business owners and 101 prospective business owners in the SDPZ's 92102, 92113, and 92114 zip codes. Respondents were given the choice of taking the survey in English or Spanish. Surveys were conducted via door-to-door interviews using iPads, direct email invitation, at community centers, and targeted social media solicitations.

Nearly three-quarters (74%) of SDPZ business owners surveyed own their business alone and most (71%) work from home. The businesses are primarily in the service (29%), food (24%), and retail (20%) sectors, with few respondents reporting owning professional or contractor businesses. Revenues vary widely, with median monthly revenue of \$1,500.

FIGURE 9 / TYPE OF BUSINESS OWNED



PROSPECTIVE BUSINESS OWNERS

Prospective SDPZ business owners report planning business primarily in the service and food sectors, and the majority plan to operate their business out of their home. The biggest challenge facing one half of them is they have no idea how to get their business started or where to even go for advice. Half also feel they don't have enough money to get started and many have concerns over a loss of income while getting started. The expected amount of money required to start varies, depending on where they are in the process. Overall, the median amount needed is \$15,000 while those who have already started saving to start a business anticipate needed a median of \$2,500 more to go before they can start. Many anticipate funding the start up from savings or borrowing from non-profits, with most other forms of financing often not being considered.

Small businesses provide potential pathway out of poverty for low-income residents, who can take advantage of area business resources to establish and repair credit, create savings, and build assets. In addition to full-time endeavors, part-time home-based businesses or “side gigs” provide low-income residents with the potential to generate supplementary income, which is especially important given San Diego’s high cost of living and lack of affordable housing. The following strategies are aligned with evidence-based recommendations in anti-poverty work, and are designed implemented together, using the strengths of CDFIs and place-based nonprofits to enhance the lending ecosystem by providing a comprehensive and complementary suite of lending products and training.

STRATEGY #1

PROVIDE BASIC FINANCIAL EDUCATION IN BOTH ENGLISH AND SPANISH TO RESIDENTS AT TRUSTED AND ACCESSIBLE NEIGHBORHOOD LOCATIONS.

Given the proportion of the SDPZ population that speaks Spanish, the lack of educational attainment, and the lack of neighborhood mainstream financial institutions, exacerbated by some residents’ distrust of unknown organizations, it makes sense to provide basic financial education, such as credit education, counseling, and coaching, at accessible and trusted locations throughout the SDPZ. Prospective and existing small business owners seeking capital within the SDPZ, often have poor credit. Providing basic financial education will benefit residents and empower them to understand how taking steps to improve their credit can result in them paying less interest, and down the road will better position them for asset-building opportunities such as small business or home ownership. start a business anticipate needed a median of \$2,500 more to go before they can start. Many anticipate funding the start up from savings or borrowing from non-profits, with most other forms of financing often not being considered.

STRATEGY #2

ADVOCATE FOR AND/OR PROVIDE AFFORDABLE SMALL DOLLAR LOANS TO HELP LOW-INCOME RESIDENTS ESTABLISH AND BUILD CREDIT AND AVOID HIGH-COST PAYDAY LOANS AND PAWN SHOPS.

Families that are unbanked often turn to fringe financial service providers such as payday lenders and non-bank check cashers. These fringe financial service providers often charge much higher interest rates and can be extremely costly for those with limited incomes. A 2008 study by the Brookings Institute estimated that using non-bank check casher could cost a worker more than \$40,000 during her lifetime.^{xv} Residents who use fringe financial service providers also do not receive consumer protections that are available in the banking system.

STRATEGY #3

INCREASE COLLABORATION AMONG PARTNERS, INCREASING AWARENESS OF AND ACCESS TO EXISTING RESOURCES.

Greater cross-collaboration among resources and agencies will build upon existing partner trust and networks. Targeted marketing campaigns with clear, linguistically-appropriate messaging will help Collaborative partners reach new audiences. Paid advertising in both English and Spanish on sites such as Yelp will directly compete with area payday lenders and check cashing services, allowing low-income residents to retain a greater portion of their earnings. A longer-term outgrowth of this Collaborative strategy is to develop a single client-facing portal, that is useable by Collaborative Partner staff and clients on the front-end and seamlessly redirects clients to individual partners' systems on the back end. This type of system investment would benefit both area service providers and residents and could be a mechanism to integrate with or expand to other areas of lending (e.g., first-time homebuyer loans for low-to-moderate income residents).

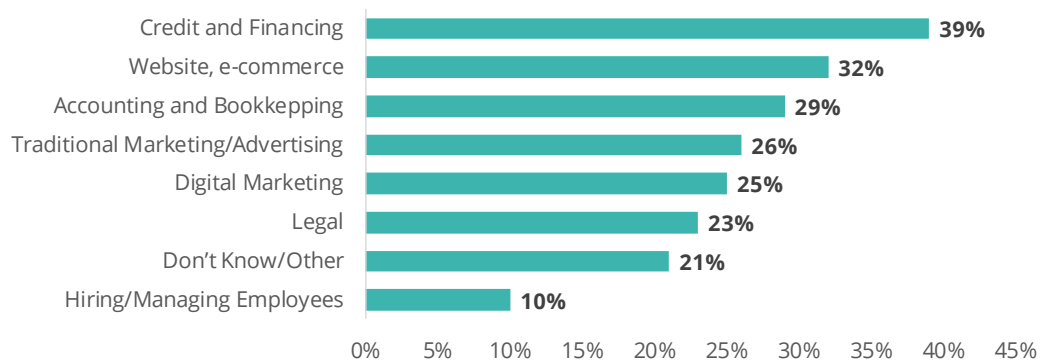
STRATEGY #4

EXPAND ACCESS TO FLEXIBLE CAPITAL FOR SMALL BUSINESS OWNERS.

Providing small businesses with the access to the flexible capital that they need to grow their businesses and create jobs is an important way that nonprofits working in the SDPZ can support a stronger local economy. Flexible capital is highly sought out by small businesses. In fact, 14 percent of all small businesses cited financial stability and cash flow as their most significant challenge. Among the few who have applied for financing, most used it to purchase equipment, build inventory, or cover start-up costs. Perhaps most startling is the fact that one in three business owners have no knowledge of any finance options available to them.

The biggest challenge SDPZ business owners reported facing is credit/financing. Among the few who have applied for financing, many found only expensive options or were declined due to bad credit or income requirements. One in three (35%) business owners have no knowledge of any finance options available to them. Few (12%) have ever applied for business financing mainly because they think their business is too small or they have credit issues.

FIGURE 10 / CHALLENGING AREAS REQUIRING SUPPORT

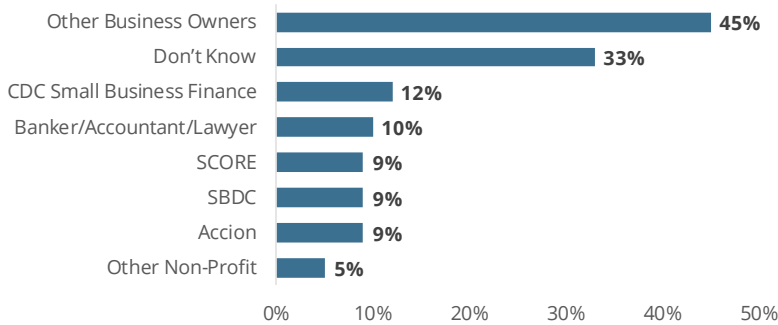


STRATEGY #5

PROVIDE WORKSHOPS OR SEMINARS ON TOPICS OF INTEREST AT ROTATING LOCATIONS THROUGHOUT THE SDPZ.

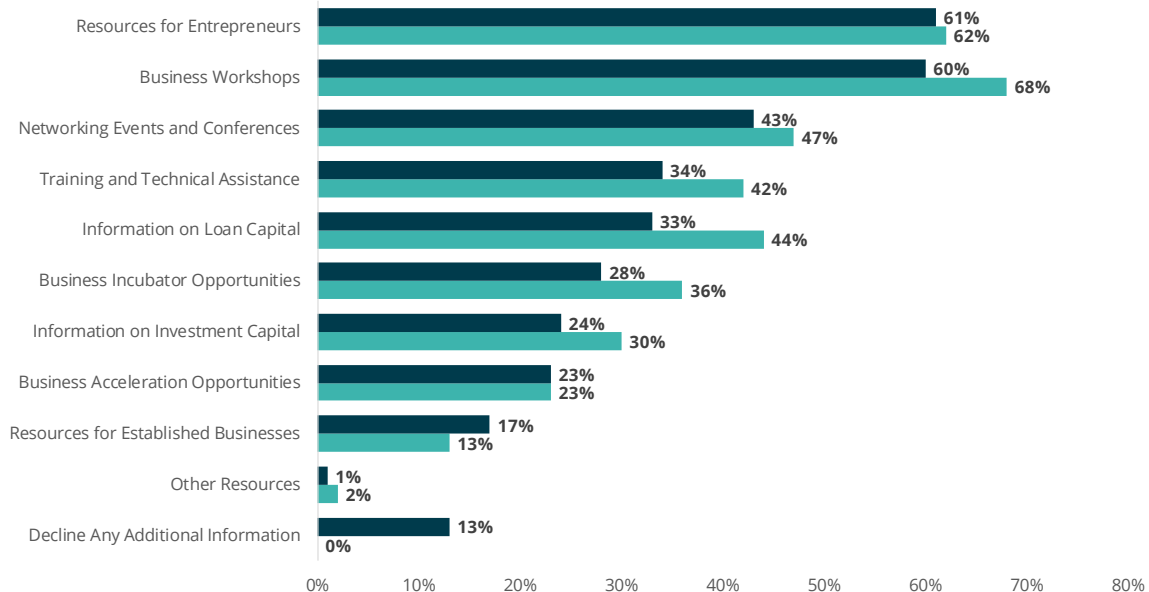
More than anyone else, business owners rely on each other for business advice, but a full third don't know who to consult with regarding their questions. To address low resource utilization, awareness, and promote the exchange and sharing of business advice, existing neighborhood assets should be utilized to host educational and networking events catered to current and prospective business owners; designating these spaces will allow for and encourage the sharing of knowledge and individual experiences. Understanding that business owners are most inclined to trust one another, there is still an educational opportunity for presentations by local, trusted organizations within the SDPZ community to provide greater insight regarding existing business resources. Plus, rotating locations will increase the likelihood that home-based business owners are reached and are able to access educational resource that will allow them to contribute to the local economy.

FIGURE 11 / WHERE SDPZ BUSINESS OWNERS GO FOR ADVICE



The needs and interests expressed by SDPZ small and home-based business owners provide insight into potential investments that could improve the economic vitality in the SDPZ.

FIGURE 10 / CHALLENGING AREAS REQUIRING SUPPORT



STRATEGY #6

EXPAND ACCESS TO ENTREPRENEURSHIP TRAINING & ACCELERATOR PROGRAMS FOR LMI POPULATIONS.

Despite the number of entrepreneurship training and Accelerator programs in the region, there are few that operate within the SDPZ. Many prospective business owners don't know where to turn for assistance. Providing entrepreneurship training programs in languages besides English, especially Spanish, will be essential for increasing participation and generating successful outcomes.


 SPOTLIGHT

ACCION ACADEMY FOR ENTREPRENEURIAL SUCCESS (AAES)

AAES is a 10-week program that provides practical, hands-on training and one-on-one business counseling to empower individuals interested in becoming entrepreneurs. In addition to receiving access to multiple business resources and experts for building a thriving business, participants who complete the program are guaranteed a business loan of up to a \$5,000 to cover start-up costs. Over the last five years, AAES provided more than 250 low-to-moderate individuals with training and resources to prepare, launch, and operate successful

JCNI launched an innovative diversity-focused business hub, designed to create jobs for low-to-moderate income residents. In partnership with our Operating Partner, CONNECT, a 501(c)(3) nonprofit with more than 30 years' experience providing world-class accelerator programming, we have launched the CONNECT ALL @ the Jacobs Center business accelerator. By increasing small business owners' access to professional support services, the accelerator will assist entrepreneurs and small business owners to scale their business. In return for receiving no-cost business acceleration services and up to 6-months of free access to coworking space, founders will commit to hire low-to-moderate income City of San Diego residents for the jobs that are created as their businesses grow. The goal of the accelerator is to generate at least 75 new, full-time jobs resulting from the first three years of operation.


 SPOTLIGHT

CONNECT ALL @ THE JACOBS CENTER

ACCION SAN DIEGO

With 25 years' experience, Accion is a mission-based microlender embedded in the San Diego small business ecosystem. As a nonprofit that is dedicated to connecting entrepreneurs with the accessible financing and resources it takes to create or grow healthy businesses, Accion has disbursed more than \$39M, increasing the capacity of 3,100 small businesses. Accion's small business loans range from \$300 to \$75,000 and we offer wrap-around support services and resources, such as free business counseling and educational business resource events, in addition to capital.

LOGAN HEIGHTS COMMUNITY DEVELOPMENT CORPORATION (LOGAN HEIGHTS CDC)

The mission of Logan Heights Community Development Corporation is strengthening individuals, families and neighborhoods through social and economic development, including access to affordable housing, healthy food, and equitable educational opportunity. Logan Heights CDC works with residents and businesses to lead efforts around community empowerment, economic growth, educational opportunity and development of affordable housing across the sub-communities of Grant Hill, Logan, Memorial, Sherman and Stockton, which together form Greater Logan Heights. We work to ensure these traditionally underserved neighborhoods have readily available business resources, and an entrepreneurially friendly atmosphere encourages new business to the service which translates to new job opportunities and economic stability for local residents. Our Career and Financial Advancement Center (CFAC) bundles employment services, financial coaching services and income support services in a lifespan approach to asset building and assisting families to increase their net worth and quality of life.

SAN DIEGO & IMPERIAL SMALL BUSINESS DEVELOPMENT CENTER (SBDC) REGIONAL NETWORK

SBDC is primarily funded by the US Small Business Administration (SBA), the California Governor's Office of Business and Economic Development (Go-Biz), and other local funders. The SBDC provides no cost one-on-one business advising and training workshops to help small businesses start and grow. The SBDC Network is hosted by Southwestern College in National City, with additional service locations located throughout the county and a new location in Encanto on the second floor of the Jacobs Center for Neighborhood Innovation. We have over 40 expert advisors to help guide businesses in start-up process, acquiring debt capital (loans), managing a business, marketing, digital media, acquiring angel or venture capital, and much more.

THE JACOBS CENTER FOR NEIGHBORHOOD INNOVATION (JCNI)

JCNI is a place-based nonprofit with a mission to foster a thriving community envisioned and realized by its residents. Previously the operating arm of the Jacobs Family Foundation, JCNI received a 501(c)(3) public charity advanced determination ruling from the IRS in 2016. Over the past 20 years, JCNI has developed more than 25 acres of blighted and vacant land into assets that benefit the community, including a community center, an outdoor amphitheater, a shopping center, affordable housing, and park/recreation spaces. JCNI recently launched a business accelerator to serve our city's diverse low-to-moderate income (LMI) founders. JCNI's proven dedication to neighborhood revitalization, significant marketing expertise, and experience as a trusted convener make us well-suited for the role of an intermediary that coordinates efforts, provides backbone support, attracts resources, and promotes visibility of Collaborative activities. JCNI is one of six Implementing Partners for the federally-designated San Diego Promise Zone. To date, JCNI's work has created more than 500 jobs and supported more than 30 businesses.

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THANK YOU TO OUR PARTNERS

ACCION

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COMMUNITY DEVELOPMENT CORPORATION

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