

BACKGROUND REPORT NO. 2

**Economic Conditions and Character
City of Goleta, California**

Introduction

This planning report describes the economy and the economic conditions of the City of Goleta, California. This report is prepared as a part of the City of Goleta general plan process.

The economy of a city can be examined from two perspectives. First, a city is an economic place that provides jobs, goods, and services to both its residents and residents of other areas within the vicinity and region. Second, the economy of a city can be viewed from the perspective of the people who reside in a city in terms of what forms of economic activity they engage in and how well the economy benefits them. This report examines the economy of the City of Goleta from both perspectives.

Detailed information on the City of Goleta as a discrete place has not been available up to this point in time. However, the area which is now the City of Goleta has, historically, been the economic center of the Goleta Valley and there is information available for this larger area. For example, while there is no data readily available on the number and types of jobs within the City of Goleta, this information is available for the Goleta Valley. Whether a job is in the city itself is important to the city government, especially as it relates to tax generation, since it is only that part of the economy which the city and its general plan can directly address. However, the location of jobs is less important to the city's residents who usually think of the local economy in more general terms. Also, while there are significant activities that occur outside the City of Goleta, the City is the economic center of this area and the city's general plan will affect the heart of the area's economy.

This report draws heavily from the UCSB Economic Forecast Project reports to provide an overview of the area as a place of economic activity. The report also draws from the US Census of Population to describe the city's economy from the perspective of its residents.

Due to the size of this report, it contains a Table of Contents unlike most of the other Background Reports.

Table of Contents

DATA LIMITATIONS, TERMINOLOGY AND PARAMETERS.....	3
PLANNING IMPLICATIONS OF THE ECONOMY	5
DISTRIBUTION OF EMPLOYMENT IN THE GOLETA VALLEY.....	6
ECONOMIC STRUCTURE BY PLACE OF EMPLOYMENT	7
ECONOMIC STRUCTURE AND TRENDS IN COMPARISON TO OTHER AREAS	11
ECONOMIC BASE OF THE GOLETA VALLEY	16
ECONOMIC STRUCTURE BY PLACE OF RESIDENCE	19
ECONOMIC STRUCTURE BY OCCUPATION AND PLACE OF RESIDENCE	24
LABOR FORCE PARTICIPATION.....	26
INCOME LEVELS.....	30
POVERTY LEVEL	36
HOUSING PRICES.....	40
MIGRATION PATTERNS OF WEALTHY PEOPLE	43
RETIRED PEOPLE.....	47
PLANNING IMPLICATIONS FOR GOLETA	50

Data Limitations, Terminology and Parameters.

Economic information is available from a variety of sources. Two of the most prominent sources are employment data generated by the State and various data generated from the US Census of Population. For the Goleta area, another significant source of economic data and analysis is the University of California at Santa Barbara Economic Forecast Project (EFP). The Santa Barbara County Association of Governments (SBCAG) also prepares reports that address economic conditions. Most of the SBCAG reports rely on these other sources of information to support their analysis.

The primary source of information regarding employment patterns by place of employment is the State Employment Development Department, although this data is most frequently made available through reports of the California State Department of Finance. Employers generate this information from the payment of unemployment insurance to the State for their employees. This information is tracked and is reported by the State on a monthly basis. It has two significant limitations.

The first limitation is that not all workers in the economy are covered by unemployment insurance and such additional workers needs to be added by estimates. The workers tracked by the State through unemployment insurance are usually referred to as “wage and salary” employees and they do not include self-employed people or others who may not be covered by unemployment insurance. Such other employees may constitute as much as 10% of an area’s work force.

The second limitation of this data is that it is not reported by the State on a detailed basis for areas smaller than counties. Fortunately in the Goleta area, the UCSB Economic Forecast project does access this information and makes it available on a sub-county basis for Santa Barbara County and neighboring counties.

The Forecast Project prepares annual reports on Santa Barbara County which includes a breakout of the data for the South Coast (the coastal area of the county), and north county (inland areas). In addition, the Forecast Project prepares an annual report for the Goleta Valley, which is defined as the zip codes 93117, 93106, 93111, 93118 and 93160. This area combines the City of Goleta, UCSB, Isla Vista, and most of the area between the City of Goleta and the City of Santa Barbara. It is similar in scope to both the Goleta Census Place and the area included in the County’s Goleta Community Plan when these areas are combined with Isla Vista and the Santa Barbara Airport property. Unfortunately, there is no specific breakout for just the incorporated area of the city and such an analysis would require significant “original” work with the raw data from various sources.

Employment data is usually reported by economic sector or type of industry. Traditionally, the standard format was the Standard Industrial Code (SIC) which classified various industry and economic activities into sector. In recent years the SIC has been replaced by the NAICS system which is similar in format but does have some differences in how some sectors are classified. For ease of discussion, data from these two systems have been merged in order to compare trends over time.

The UCSB Economic Forecast Projects Reports are comprehensive economic analyses of these geographic areas prepared by trained and skilled economists familiar with the economics of the region. These reports include a broad range of data ranging from estimates of Gross Regional Product (not generally available for counties or sub areas of counties) to real estate market trends. This report is not intended to duplicate or compete with those analyses of economic conditions in the area. Instead, this report draws on the Forecast Project's reports to summarize information and to offer a look at these conditions with attention to its implications for planning. Members of the public interested in economic conditions of the area are encouraged to review these reports directly.

The US Census of Population provides detailed information regarding the economic characteristics of the city's residents. The Census is the primary source of information on the economy from the perspective of the residents of the city. It includes both data regarding employment and income for Goleta residents. The limitations associated with this data are addressed in the background report entitled "Characteristics of Population", which stated that the total number of workers or people is based on an estimate allocating population between unincorporated area and city area where the city limits split a census block. In reviewing the Census data it should be noted that data related to income is reported on the basis of the preceding full year. Thus income data in the 2000 Census is for 1999.

Different areas are addressed in this report. The term "**Goleta Valley**" as used in the text or on figures represent the area described above that the UCSB economic forecast project uses to report its data. It basically is the area west of Santa Barbara including the City of Goleta, Isla Vista, UCSB campus and Hope Ranch, the Santa Barbara Airport Property. Most of the data relating to place of employment and other economic data generated by the Forecast Project uses this area as the base area for reporting. Data from the US Census is reported on the basis of areas defined by the Census. The **City of Goleta** includes the census blocks (or portions there of that make up the current incorporated area of the city. The **Goleta Census Defined Place** (CDP) includes the City of Goleta and most of the area between the City of Goleta and the City of Santa Barbara, including Hope Ranch. Unlike the term "Goleta Valley", it does not include Isla Vista (which is its own CDP), the UCSB campus and the Santa Barbara Airport. The term "City of Goleta" always refers to the area now within the incorporated

City of Goleta, even though the City may not have yet been formed for the year the data is reported.

In addition, the Santa Barbara County Association of Governments prepares various reports and data that will be used here.

Planning Implications of the Economy

In general, the economic well being of a community is one of the primary objectives of city planning. This includes increasing economic opportunity and enhancing the income and assets of residents, as well as producing income to support the government services and facilities.

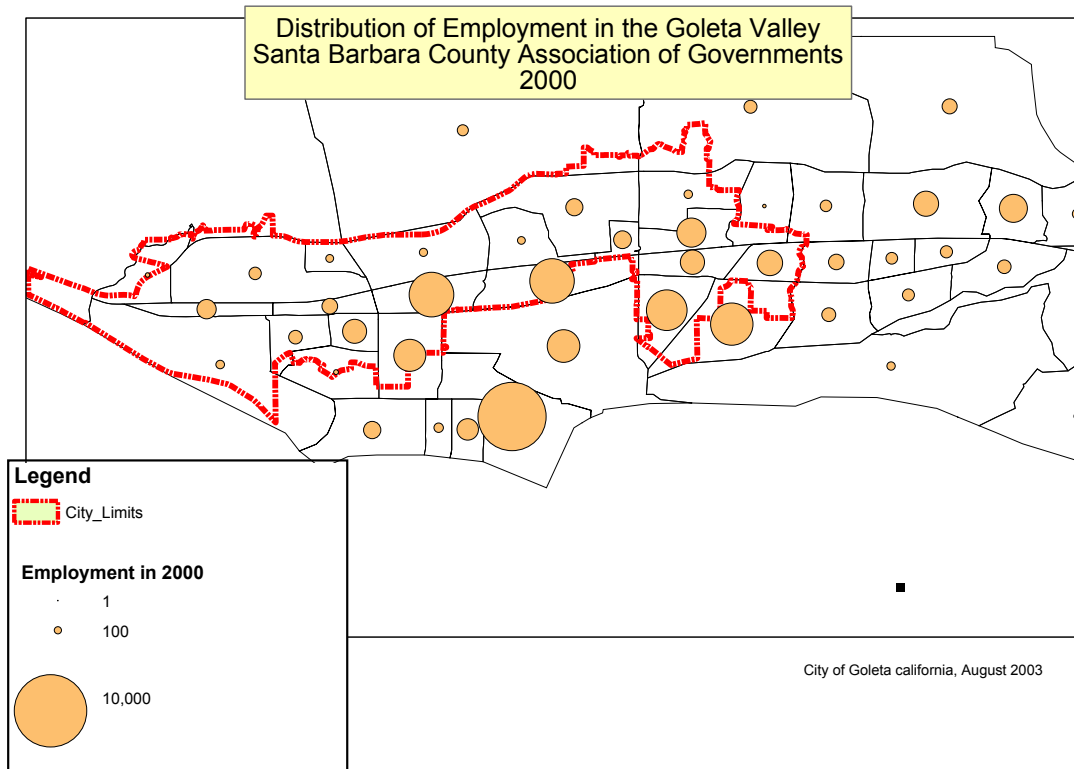
The most direct implications a city economy has on planning is that economic activities require space to occur. The economy influences location of and amount of area that is needed to be planned and zoned for commercial and industrial uses.

More indirectly, the quantity and quality of community services and various community amenities affects the appeal of the community for various economic activities. Conversely, growth in economic activities can impact the availability and quality of services and amenities.

Distribution of Employment in the Goleta Valley

The Santa Barbara County Association of Governments prepares estimates of current employment by geographic areas, known as Transportation Analysis Zones (TAZ), to assist transportation planning in the county. Map 1 illustrates the distribution of employment according to these estimates. These estimates indicate that approximately 50% of all jobs in the area are in the City itself. Adding the adjacent airport area and UCSB increases this total to 75%, leaving only 25% of the employment of the area to be found between the City of Goleta and the City of Santa Barbara.

Map 1

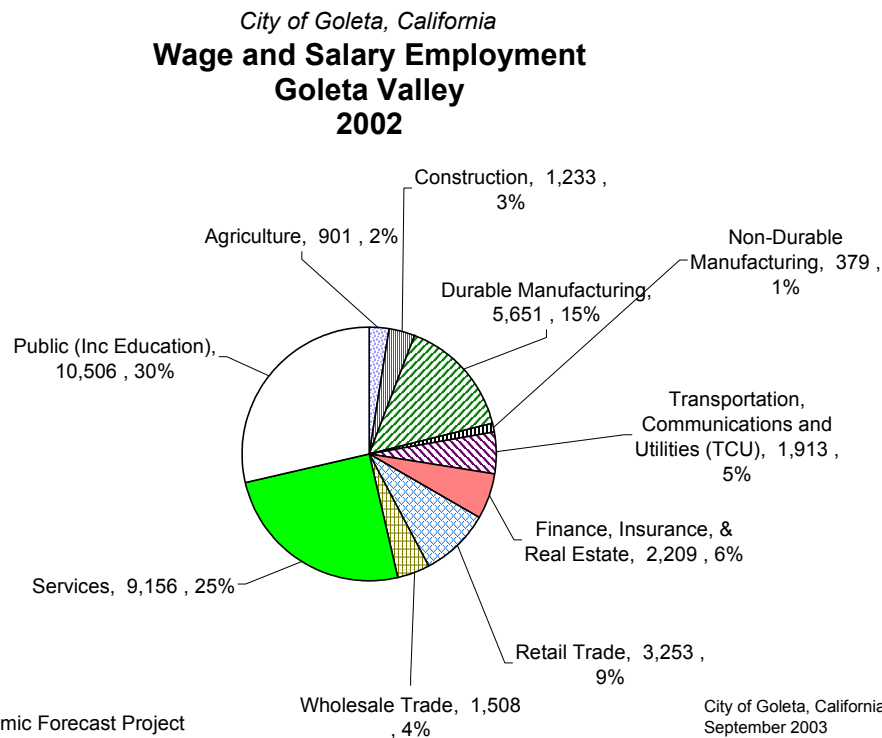


Economic Structure by Place of Employment

As illustrated in Figure 1, the economic structure (in terms of employment) of the Goleta Valley is influenced by jobs in the public sector which comprise nearly one third of the total wage and salary employment in the area. (For Figures 1 through 10, the term “Goleta Valley” refers to the area used by the UCSB Economic Forecast Project for analysis).

The predominant source of this employment is the University of California at Santa Barbara, located just outside the city limits of Goleta to the south. UCSB is the largest employer in the county, employing 9,528 people in April of 2003. The next largest employer in the county, employing 5,300, is Vandenberg Air Force Base located near Lompoc in the north county area.¹ As the largest employer in the county, UCSB employment patterns are not only important for the greater Goleta community but other South Coast communities and the county itself.

Figure 1



The next largest economic sector is services, comprising one-quarter of all jobs in the area. The largest employer in this sector is the Bacara Resort and Spa.

¹ UCSB Economic Forecast Project, Economic Outlook 2003: Santa Barbara County, April 2003, page 87.

Located within the city limits of the City of Goleta, the Bacara employs 752 people and is the 24th largest employer in the county. It is the largest tourist related employer on the South Coast and the second largest in the county as a whole—behind the Chumash Casino in Santa Ynez. Another large employer in the services sector is Cottage Hospital employing 266 people in 2003. Manufacturing comprises 16% of total wage and salary employment and is composed almost entirely of durable goods. The largest employer in this sector is Raytheon Electronic Systems, the county’s fourth largest employer and the county’s largest private sector employer.² Raytheon is also located in the City and employs 1939 people in 2003.

Figure 2

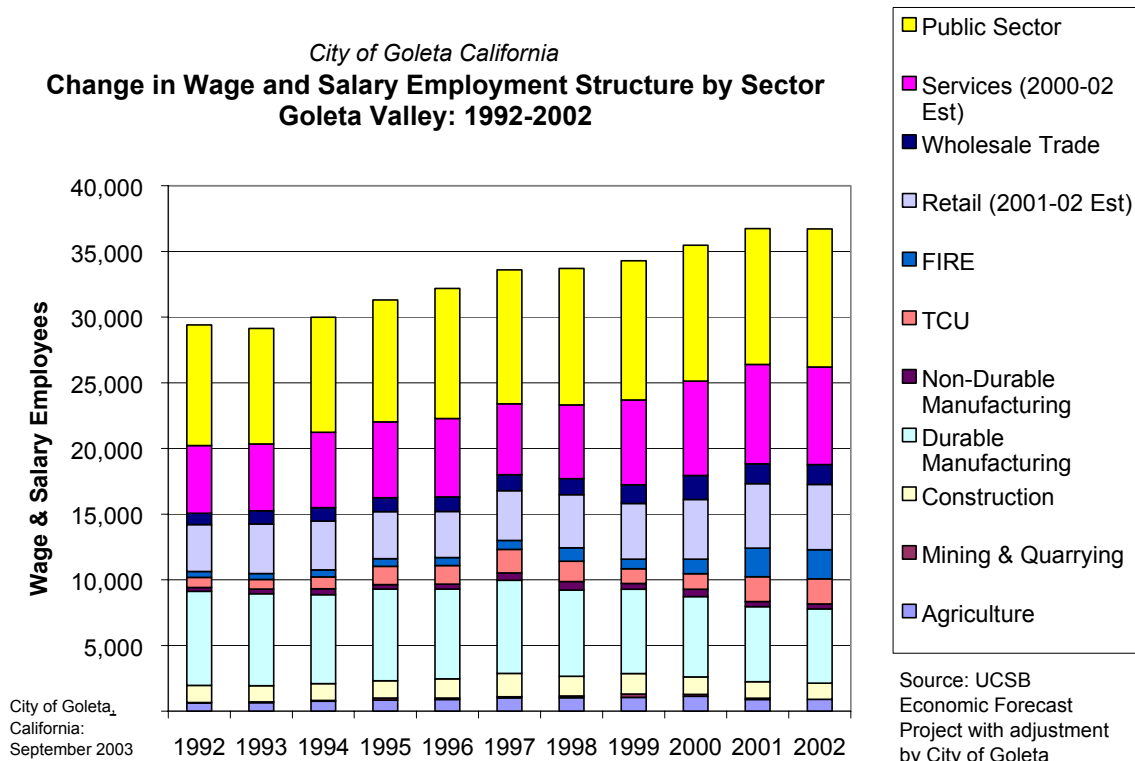


Figure 2 illustrates trends in employment by sector in the Goleta Valley over the last decade.³ Total employment grew from 29,407 in 1992 to a peak of 36,840 in

² The third largest employer is Santa Barbara County, which also has some of its employees located in the Goleta Valley.

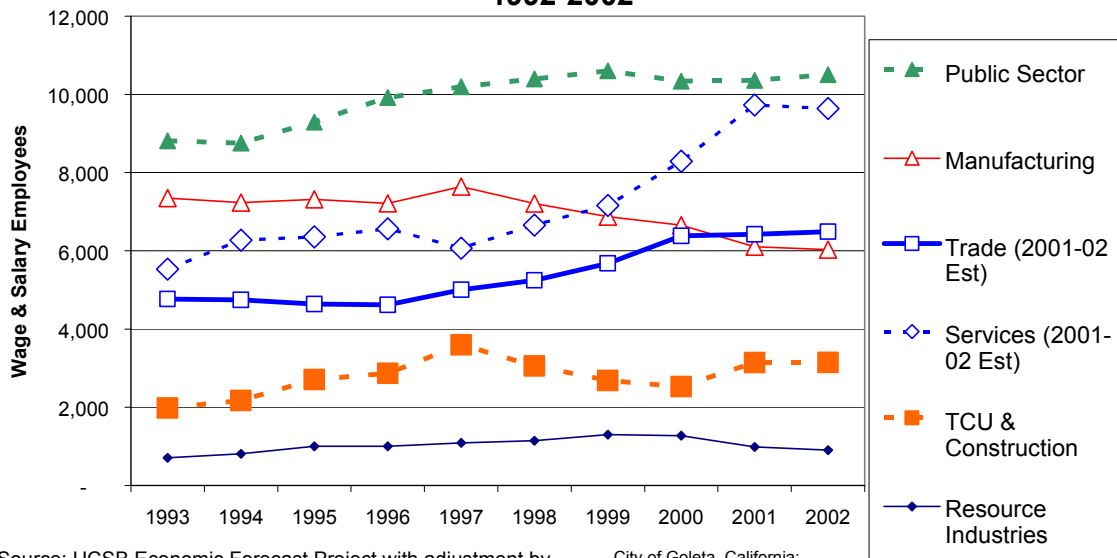
³ Data for services and retail trade in 2001 and 2002 were adjusted significantly from the UCSB EFP source of data in order to avoid distortion due to changes in how employment is classified. Prior to 2001 the SIC system classified some types of employment as retail that the new NAICS system of classifying employees classifies as service employment (telephone conversation with Dan Hamilton UCSB-EFP on September 26, 2003). This change probably affected as may as 1700 employees. While similar changes occurred in other sectors, the net number of shifts between sectors was probably not significant and no adjustment from the source data was made to the figures.

2001 with an estimated⁴ slight decline to 36,710 in 2002. This equals an average growth rate of 2.2 percent per year, or 24 percent for the decade.⁵

The composition of the economic structure of the area has changed, with services growing substantially relative to the other sectors. Notably, manufacturing is less important today than that sector was a decade ago.

Figure 3

City of Goleta California
Trends in Wage and Salary Employment by Sector
Goleta Valley
1992-2002



Source: UCSB Economic Forecast Project with adjustment by City of Goleta. City of Goleta, California: September 2003

Figure 3 tracks these changes by sector in more detail, combining several sectors for ease of understanding. The combinations include both manufacturing sectors, agriculture, mining and quarrying into resource based sectors and both trade sectors into one. Services include both services and finance, insurance and real estate sectors, and the small TCU and construction sectors were grouped together. As noted, services saw substantial growth through the decade almost doubling from 5,529 jobs in 1993 to 9,636 in 2002 (after a decline from a peak of 11,465 in 2001)—averaging 6.4% per year.⁶ Most of these increases in services seemed to be driven by tourism, particularly the development of the Bacara

Only the data presented in Figures 2 and 3 were adjusted for this change. The remaining figures which are based on comparing local employment with other areas was not adjusted since the data for these other areas was affected by the same types of changes.

⁴ 2002 is an “estimate” by the Forecast project since the referenced work was printed prior to final numbers being available from the state.

⁵ The percent change from year to year ranged from a decline in 1993 and 2002 of 0.1% in each of those years to a high of 4.6% in 2001 (other high increases occurred in 1995 [4.2%] and 1998 [4.1%]).

⁶ After adjusting for change in classification System from SIC to NAICS.

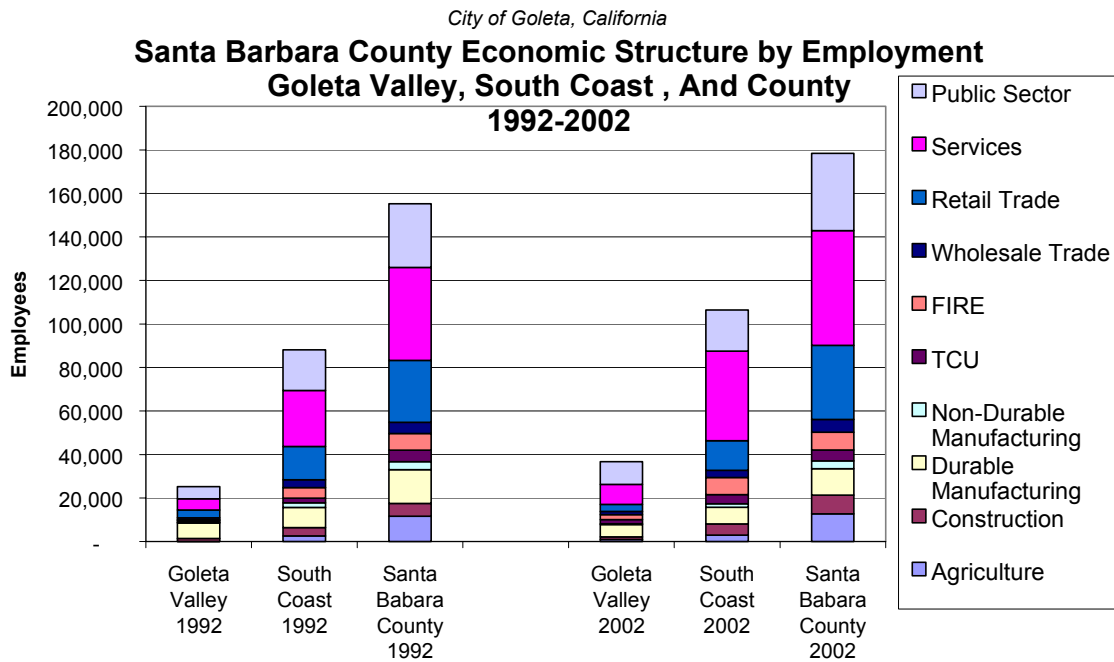
resort, and newer technology and intellectual services. Public sector employment, dominated by UCSB, grew from 8810 in 1993 to 10,506 in 2003. During the early part of the decade, (1994 to 1998), growth in this sector averaged 4.4 % per year, with growth declining since then.

Significantly, manufacturing sectors declined gradually through the decade from 7374 in 1993 to 6030 in 2002 (from 26% of Non Agricultural Wage and Salary Employment to 17%)— slipping from second to third largest employment sector in this area. The trade sector, in contrast, saw very rapid growth through the middle part of the decade.

Economic Structure and Trends In Comparison to Other Areas

Figure 4 compares the economic structure of the Goleta Valley to both the south part of the county and the entire county over the past decade. While the Goleta Valley represented about 22%, or just over one out of four jobs, of the South Coast employment in 1992, the Valley increased its share of employment to 34%, or one out of three jobs, in the area. Similarly, the Goleta Valley also increased its share of total county employment from 13% to 20% (28,848 wage and salary employees in 1992 to 36,709 in 2002).

Figure 4



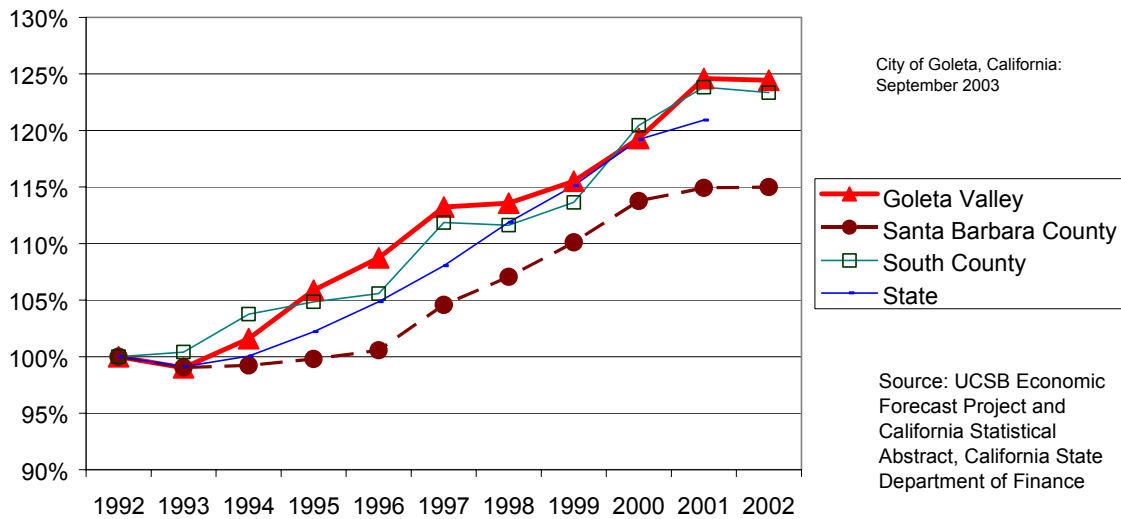
Source: UCSB Economic Forecast Project

City of Goleta, California: September 2003

Figure 5 shows the index of growth for each of these areas since 1992. The index allows a direct comparison of growth in each of these areas. The slope of the index line shows the cumulative percent change since 1992. Figure 5 compares growth of these three areas with the state average and demonstrates that the Goleta Valley has outpaced all of the other areas in job growth. While the county tracked closely to the state, the South Coast had more job growth, in a more cyclical fashion, with growth spurts in 1994, 1997 and 2000. According to the UCSB 2002 estimate, all three Santa Barbara areas are having their lowest growth year since 1993.

Figure 5

City of Goleta, California
**Employment Growth in Goleta Valley Compared to County
 Total Non-agricultural Wage and Salary Employment
 Index 1992=100%
 1992-2001**



Employment is just one aspect of an economy. There are other important characteristics that may not be captured in this measure. A better measure of total activity is a gross regional product that estimates all economic transactions (including payrolls that are reflected in the employment oriented data described above). Although this measure is frequently not available even at the county level for most areas, it is available in this area as calculated by the UCSB Economic Forecast Project. Figure 6 compares the Forecast Project's estimates of Gross Regional Product for the Goleta Valley, South Coast, and the county with the Gross State Product. Since the index computed on Figure 6 is based on GRP measured in 1996 dollars, the data is adjusted for inflation.

As illustrated, UCSB EFP estimated that the Goleta Valley grew significantly faster than the other areas during the early part of the decade, only to slow to the pace of the other areas later in the decade.

Figure 6

City of Goleta, California
**Index of Gross Regional Product
 State, County and Goleta Valley
 1999-2004**

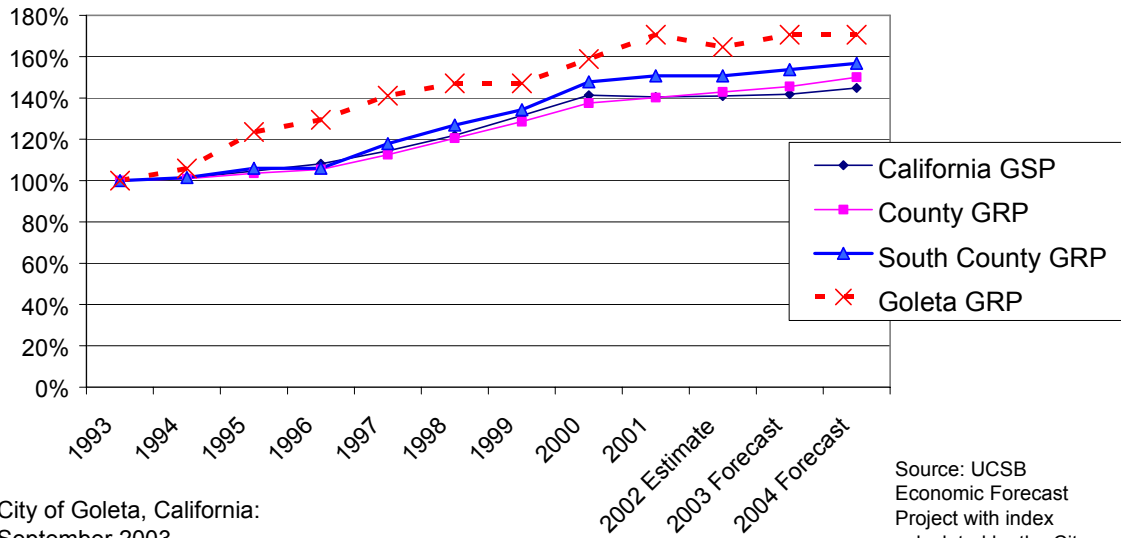


Figure 7 examines the shift in various sectors in more detail, comparing the percent of employment in each sector in 1992 and 2002 for each area. As can be seen, the public employment and services sectors significantly increased their share of Goleta Valley employment with manufacturing notably declining in employment. Change in the structure of the other two areas was significantly different. In the south county, services showed a very significant increase in its share of total employment, but the public sector actually lost its share, decreasing the total reliance of the area on this sector in general and on UCSB in particular.

Figure 7

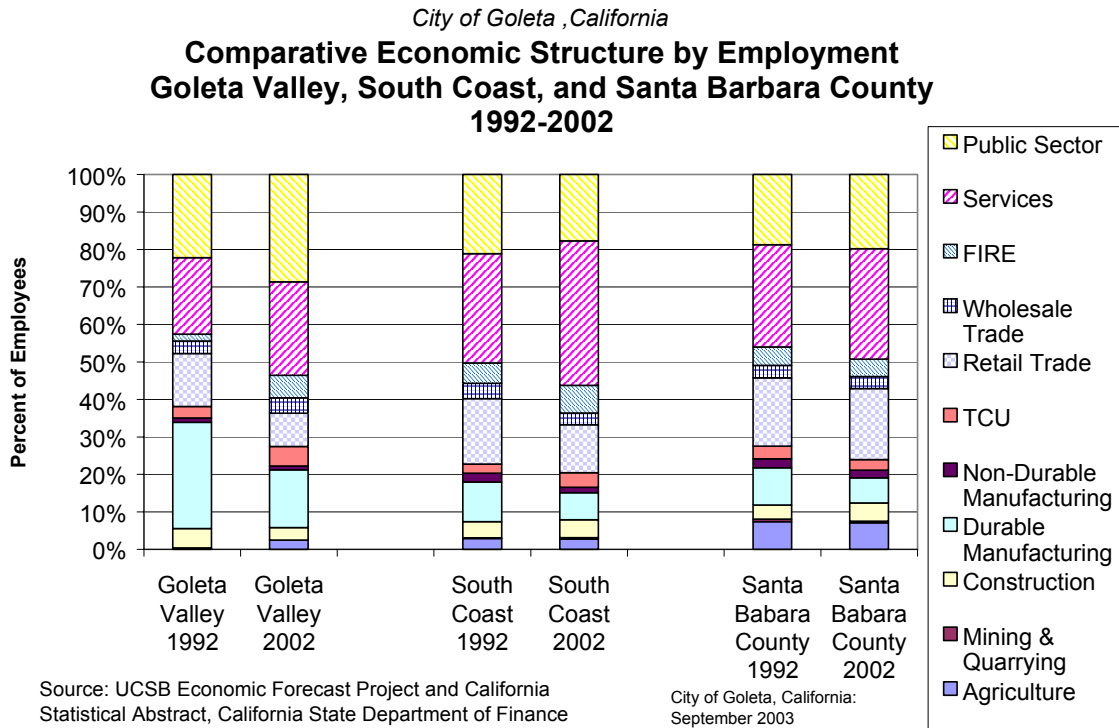
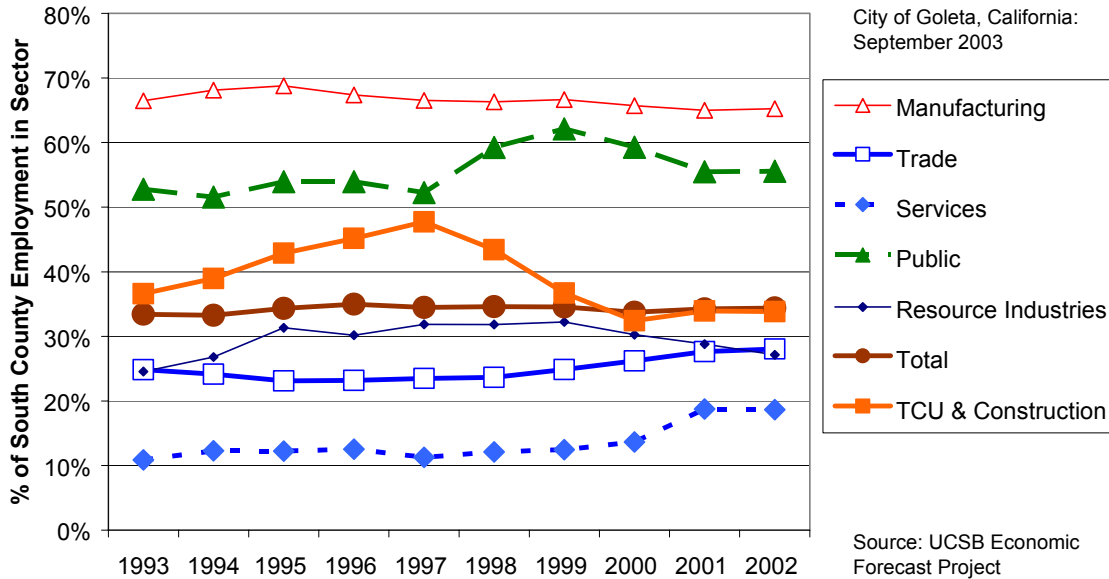


Figure 8 tracks the change in each sector of the Goleta Valley economy as a proportion of total employment in that sector in the South Coast part of the county. For example, Goleta Valley employment represented 65% of the south county's employment in manufacturing, indicating the strong role that the area has in the South Coast economy in this sector. The proportion of South coast manufacturing employment found in the Goleta Valley rose to nearly 70% in 1995, then gradually declined by 2002 to almost 65%. Goleta Valley Public Sector employment is also very strong accounting for more than half of the South Coast employment. The Goleta Valley share of Public sector employment rose sharply between 1997 and 1999 followed by a decline. Transportation, Communications and Utilities (TCU) rose sharply in the early part of the decade and then declined. Over the decade services increased its share of South Coast employment rising from 12.5% to 18.6%. Trade grew in share from 23.2% to 28.1%. Only in the services sector was this pattern significantly different, with the Goleta Valley gaining in its overall share.

Figure 8

City of Goleta, California
**Goleta Valley Employment as a Percent of South County by Sector
 1993-2002**



Economic Base of the Goleta Valley

Economic analysis sometimes divides local economies into two parts. One part earns revenue or income to the area from other areas, usually referred to as the economic base or basic sectors of the area (also sometimes called “export” sectors). The second are those sectors that provide goods and services to the area itself, usually referred to as non-basic sectors. In theory, since basic sectors earn income for the area that supports the non-basic sectors, growth in the basic sectors increases total economic activity. The relationship between basic sectors and non-basic sectors is usually expressed by means of a multiplier effect. A dollar earned by a basic sector is used to buy goods and services from other sectors which, in turn, may purchase other services. Basic sector dollars may be earned either directly by the basic activity or indirectly through payrolls and profits. The same dollar earned by an export sector may be turned over several times in the local economy. The amount of such turn over,, which may be expressed in dollars or indirectly converted to jobs—i.e. a basic job supports so many non-basic jobs, is the multiplier effect in the economy

Although a full economic base study is beyond the scope of this report, it is possible to generally identify the significant basic sectors and the scope of their role in the economy. This is done by calculating an index of concentration, sometimes known as the location quotient. An index of concentration compares the amount of economic activity (usually measured in employment) in a large benchmark area. The calculation used here is to divide the percent of the population employed in the Goleta Valley in a sector by the percent of population employed in that sector statewide.⁷ A value of one indicates that the distribution of economic activity in a sector is the same as the average for the state. If the value is higher than one it indicates that the sector is concentrated in the area and probably depends on other areas for support, in addition to the local area, and therefore is a basic activity. The value of the index above one indicates the strength of that basic role in the economy.⁸

A value less than one is an indication that the sector is underrepresented in the area and is likely to be, on the whole, a non-basic activity.⁹ In such cases, especially when the index is very low, it may indicate an economic drain from the

⁷ Alternatively, the same result is achieved by dividing the percent of state population that resides in the Goleta Valley into the percent of statewide employment in a sector that is located in the Valley.

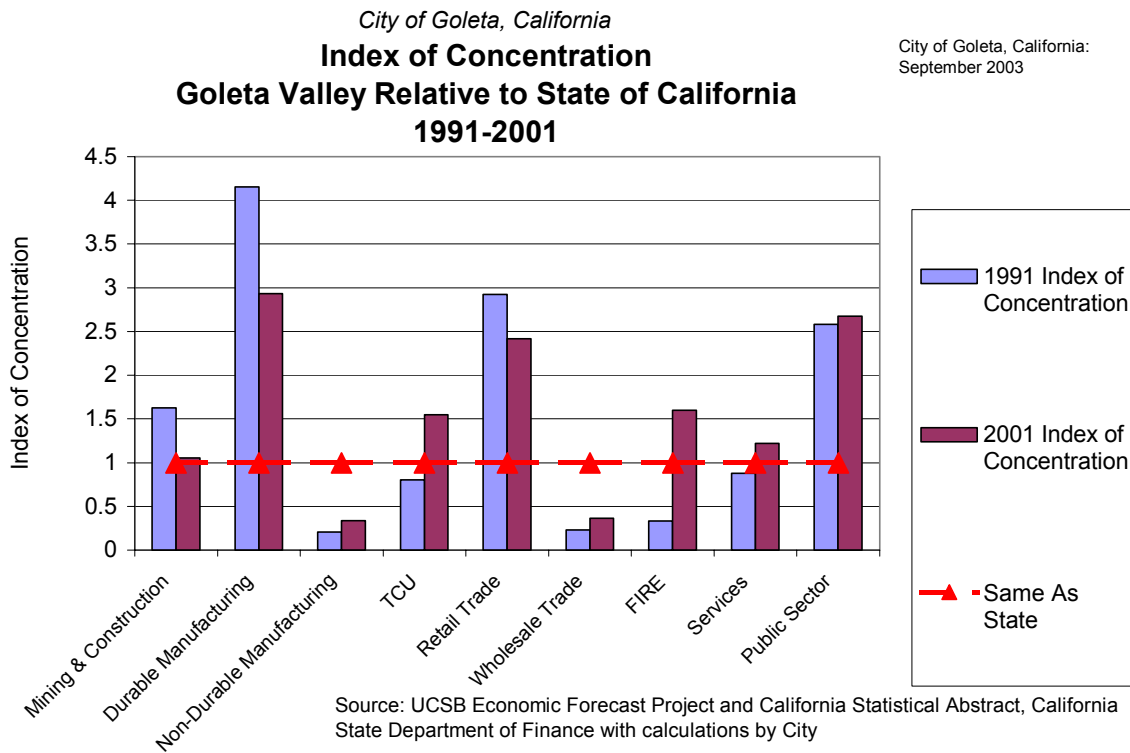
⁸ This is only a crude measure of “basic” intended only identify overall patterns. It is not intended to be a substitute for a more complete analysis of basic- non-basic patterns of activities.

⁹ It is very possible for a business to have all export related activities and still be part of a sector that is “underrepresented” in the area. This is especially true in a sector such as non-durable manufacturing which combines export activities such as wine making with local activities such as bakeries.

area. For example, if retail sales are low, it means that retail trade is going to other areas and there may be some opportunity to recapture it locally.

Figure 9 calculates the index of concentration for economic sectors in the Valley relative to the state in 1991 and 2001. As indicated, three sectors were basic in 1991 and 2001—durable manufacturing, retail trade, and public sector employment—all by significant degrees. However, two of these sectors declined, durable manufacturing and retail trade. As measured by the index, three other sectors grew to become “basic” in this definition—transportation, communications and utilities (TCU); finance, insurance and real estate (FIRE); and services. While the growth in TCU and FIRE is noteworthy, the economic significance of this trend is not very significant since these are relatively small sectors (see Figure 1). In contrast, the growth in services is particularly significant given the size and character of the sector which includes a wide range of activities that serve both the local area and export services.

Figure 9

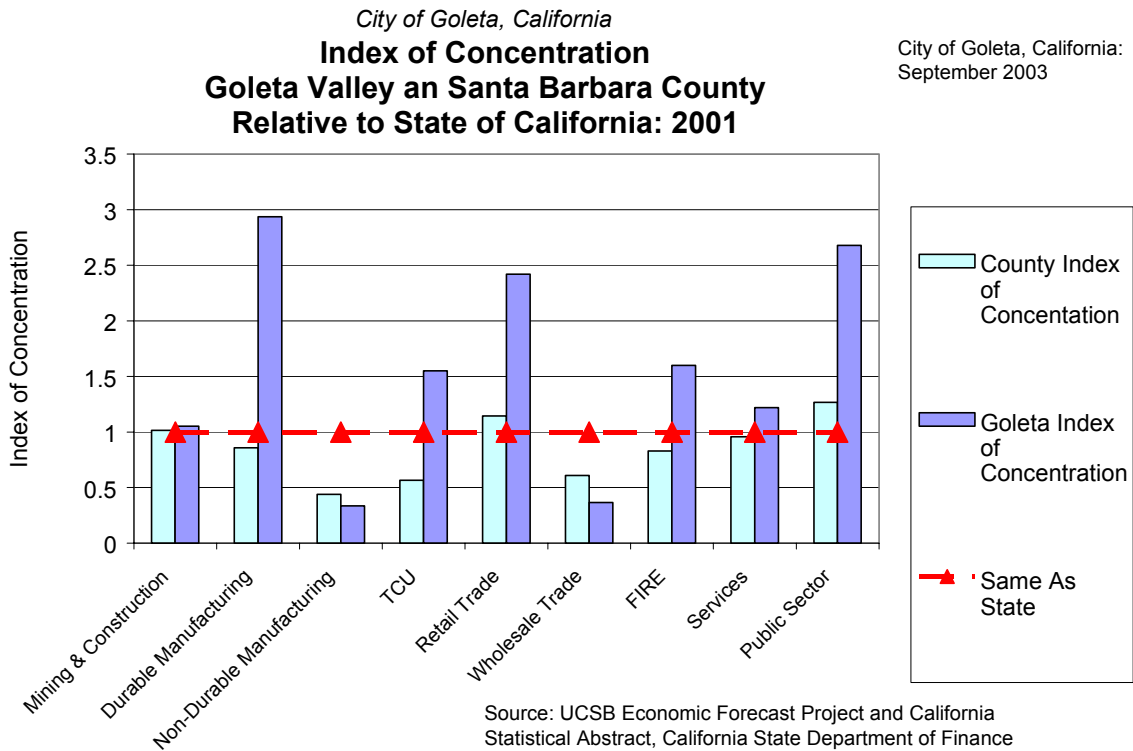


Traditionally, basic economic services were sectors such as manufacturing and resource activities which generally produced tangible goods in one area and shipped them to another. Services were generally more locally oriented and were not commonly basic activities. However, the shift to the information oriented economy over the last couple of decades changed that pattern dramatically. Many services are now provided over large areas and even internationally. This has made economic base analysis more difficult since these

“basic” are included in economic reporting with activities that are still very local in character. This tends to make the increase in this sector as shown on Figure 8 very important, even though the magnitude of this change is not large.

Figure 10 compares the index of concentration in the Goleta Valley with the county. It is particularly noteworthy that the structure of the county economy is very close to the state as a whole, with very little concentration. As might be expected in a smaller area, the Goleta Valley economy is more focused around a few sectors—particularly durables, retail trade and public sector—relative to the county as a whole.

Figure 10



Economic Structure by Place of Residence

Figure 11 presents the employment structure of the City of Goleta by place of residence. The figure identifies the economic sectors in which Goleta residents work. While the classification of sectors in this figure is similar to the classification used to classify workers by place of work used by the UCSB EFP for the Goleta Valley, there are some differences. First the Census data presents more detailed information—with the sectors more finely divided. For example the Census divides service employment—identified by the cross hatch patterns—into “sub-sectors.” Census data also reports education separate from the public sector while the SCSB data combines these sectors. The Census is available by small geographic areas (as small as block groups) making it possible to estimate employment for the City of Goleta itself and areas within the city.

37% of the city’s working residents are employed in the service sectors. Health, professional and recreation services comprise 25% of the total. The “other services” sector makes up the remaining 12% and generally includes lower paid activities such as personal and food services. Educational services and public administration together compose 18% of the employment of Goleta residents

Figure 11

City of Goleta, California
Employment Structure of City of Goleta by Residence: 2000

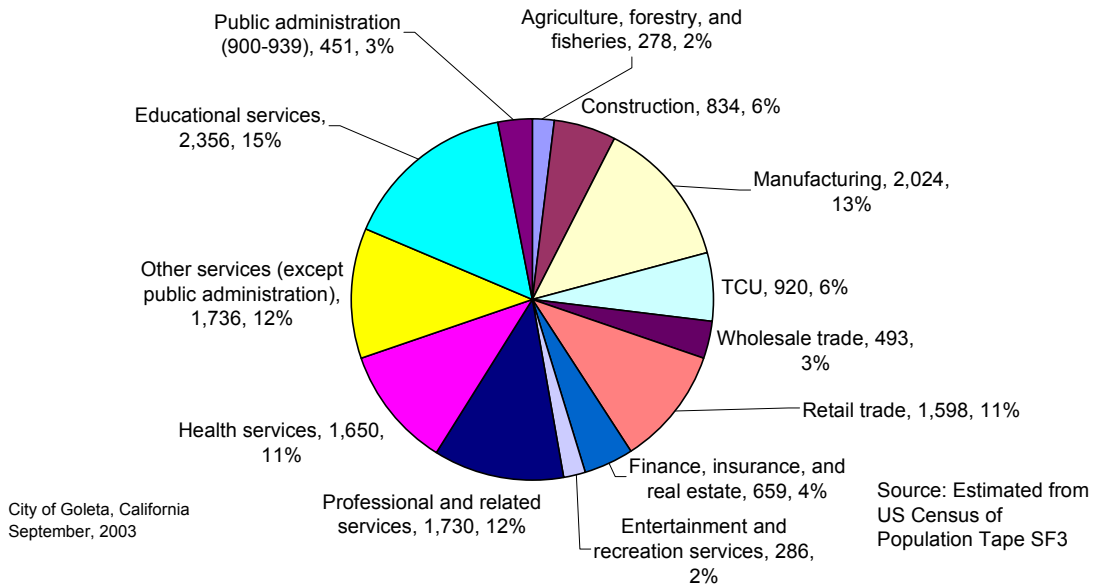
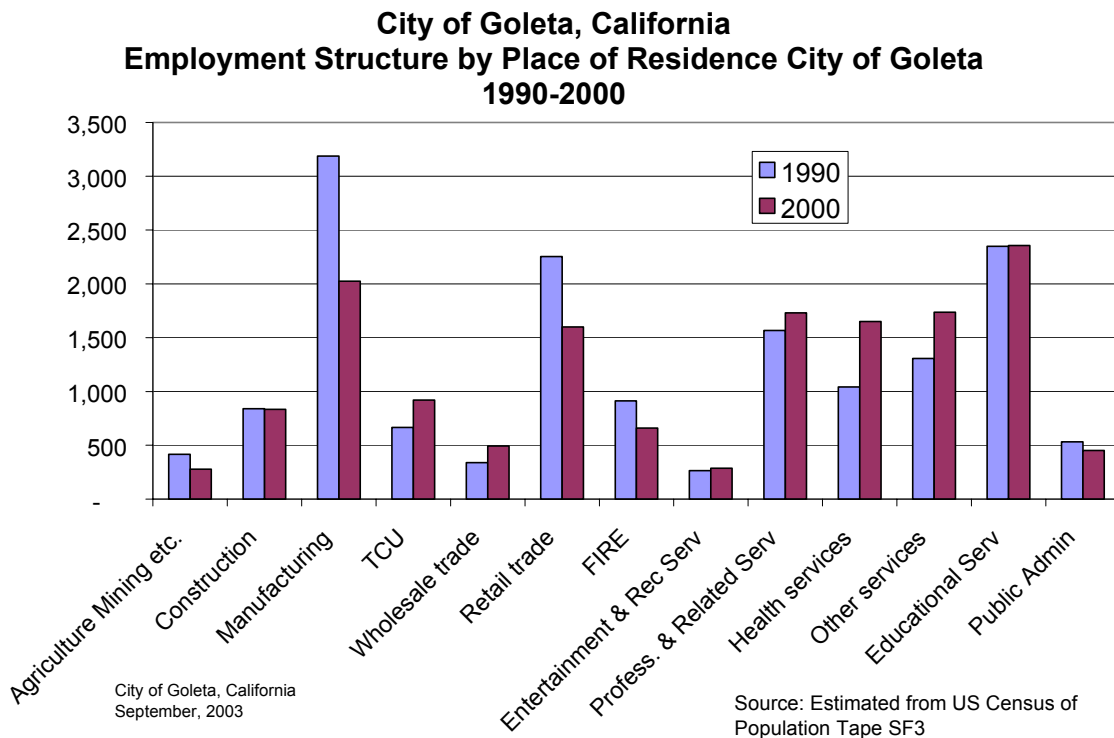


Figure 12 describes the change in employment by place of residence that has occurred in the city by each sector since 1990.¹⁰ The change illustrated here is similar, but with significant differences, in overall pattern to that for the Goleta Valley (Figure 3). In both cases manufacturing experienced a significant decline. Total employment in services grew substantially in both cases. The public sector (including education) declined slightly in the City while it grew in the general area, although overall public employment patterns were relatively stable in both. Retail employment was less notable by place of work and by place of residence. This illustrates the connection between the employment opportunities provided by the Valley to the residents of the community itself. The general economy provides opportunities which are reflected in the employment of residents, but the ways the residents respond to those opportunities vary, creating some variation between the Valley and the city.

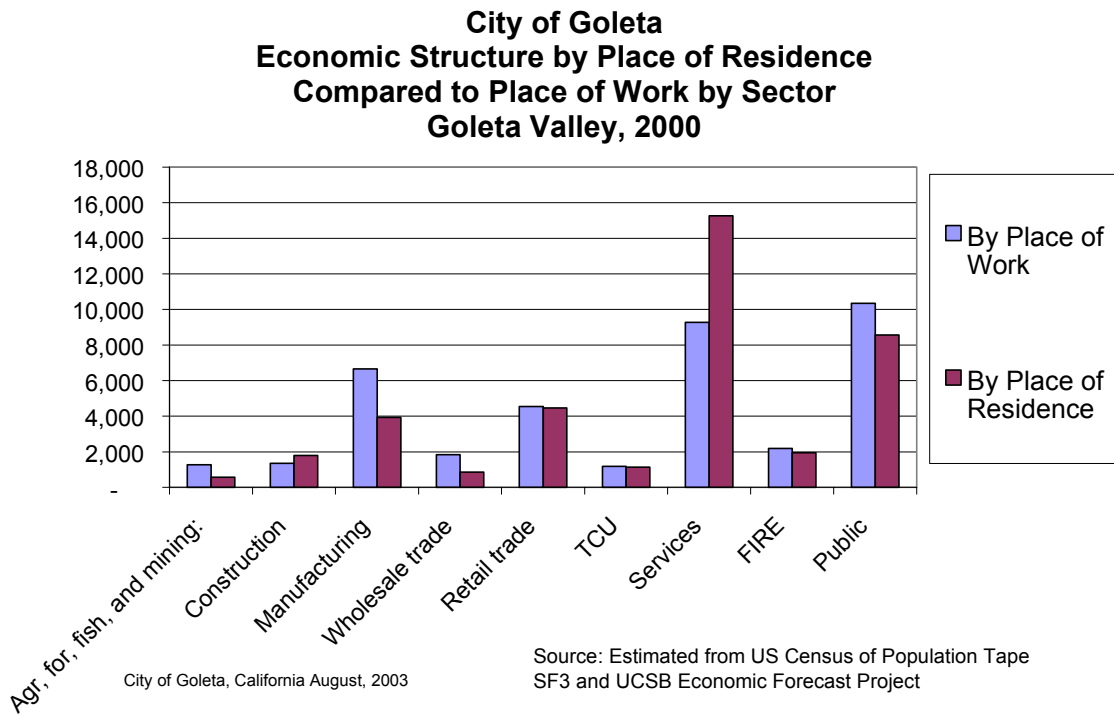
Figure 12



¹⁰ Unfortunately the data is formatted differently between the 1990 and 2000 census requiring some combination of sectors, losing some of the detail that is available in the 2000 census itself. Also, the boundaries of the two census blocks groups may be somewhat different and the data should only be used to illustrate the change, not define it precisely.

Figure 13 provides a direct comparison between employment by residence and by place of work for the entire Valley.¹¹ As noted, in most sectors there is a close relationship between the two. However, there is more employment offered in manufacturing and the public sector than there are workers to fill those positions, while the reverse is true in the service industries. On a net basis this means that more people commute into the area for manufacturing employment than would commute out. The reverse would be true for services.

Figure 13



¹¹ Unlike the other figures in this section, the place of residence data is for the entire Goleta Valley (The Census Places of Isla Vista and Goleta, and the census block group for the airport) in order to be comparable to the data by place of work.

Figure 13 compares the employment sectors of the local area by place of residence with other areas. (For Figures 13 through 26 Goleta CDP refers to the Goleta Census Defined Place and is similar to, but not identical, to the area referred to above as the “Goleta Valley.” The Goleta CDP does not include Isla Vista, The UCSB Campus or The Airport, but does include Hope Ranch.) For ease of reading, many sectors have been combined. While City of Goleta sectors closely resemble the averages for the county, state and nation, with somewhat more employment in the public sector, the employment pattern is quite different from the City of Santa Barbara, neighboring Isla Vista and Montecito. The City of Santa Barbara has significantly more service workers than either the City of Goleta or the Goleta area.

Figure 13

Source: From US Census of Population Tape SF3

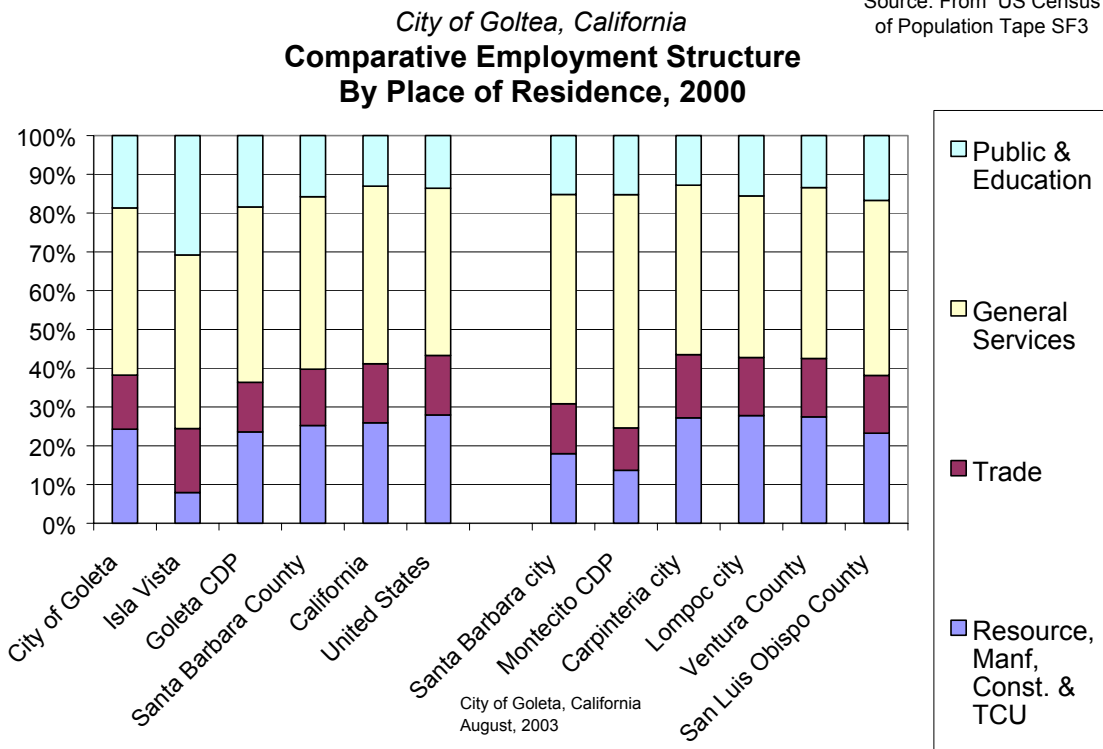
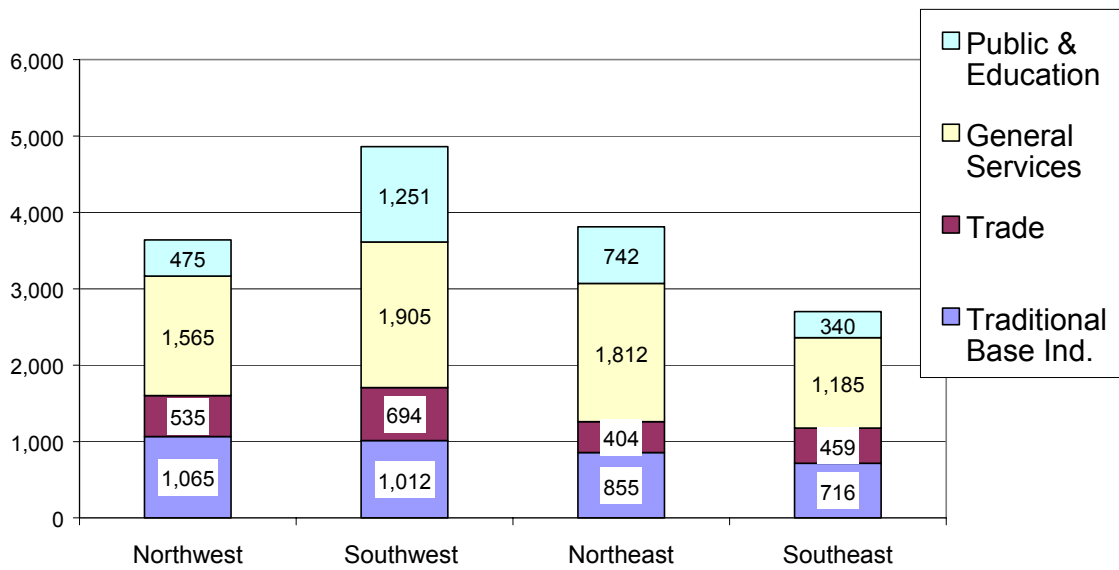


Figure 14 identifies the distribution within the city of the working residents of the city by the sectors in which they worked.¹² Public sector workers tend to reside in the Southwestern area of the city, probably due to its close proximity to UCSB. In contrast, the Southeastern area has relatively few public sector employees. Employment in the traditional base industries (manufacturing, agriculture, TCU and construction) is fairly evenly spread out through the city.

Figure 14

City of Goleta, California
Employment Structure by Area of Residence
2000



City of Goleta, California August, 2003

Source: Estimated from US Census of Population Tape SF3

¹² See the report on Characteristics of Population for an identification of these four areas of the city and a discussion of the methodology used to estimate population data between areas of the city.

Economic Structure by Occupation and Place of Residence

There are two ways to look at the work force. First, as the above has done, is to look at the type of industries people work in. The other way is to look at what they do; or by their occupation. A planner may work in the public sector, the service sector, or in the construction industry. A retail store has sales clerks, managers, accountants etc.

Figure 15 portrays the occupations held by the residents of the City of Goleta. 42% of the city's residents are managers or in professional occupations, while 27% are in what, traditionally, would be considered "blue collar" occupations.

Figure 15

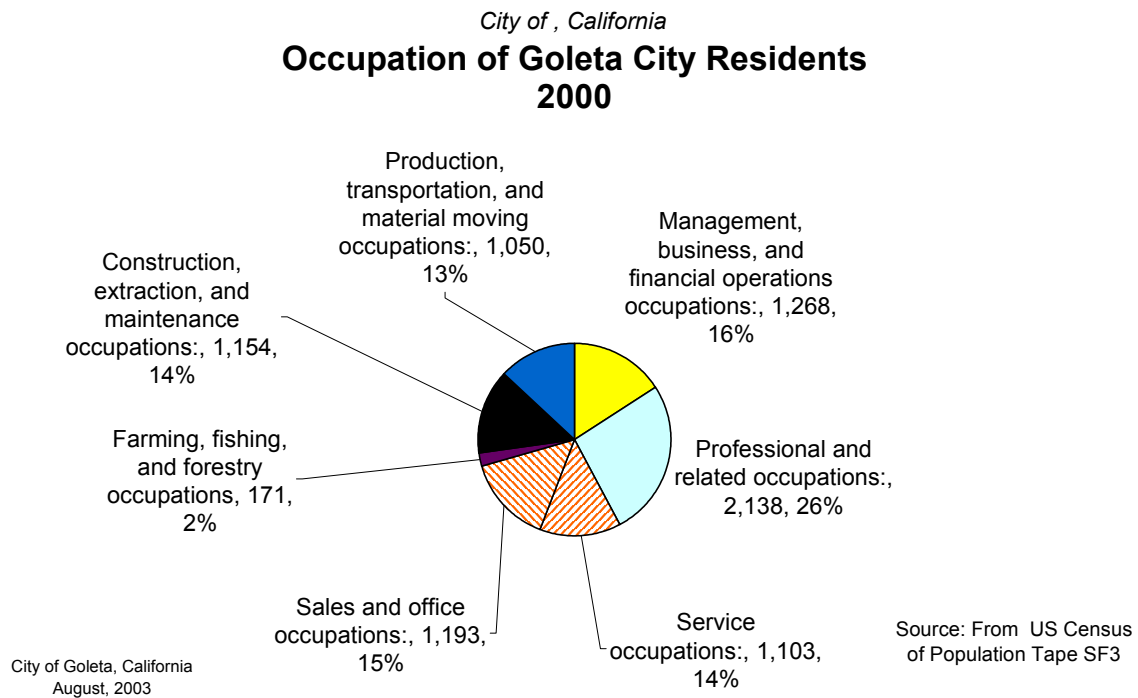


Figure 16 and Table 1 compares this occupational structure with other areas. The City of Goleta and its surrounding area has a relatively high proportion of people in the managerial and professional occupations and relatively fewer in the lower paying sales and service occupations than the county, state or national averages. In contrast, neighboring Isla Vista has a large share of the lower paying occupations, apparently reflecting the high concentrations of students in this area who work while they are in school.

Figure 16

**City of Goleta, California
Occupation by Place of Residence
2000**

Source: From US Census of Population Tape SF3

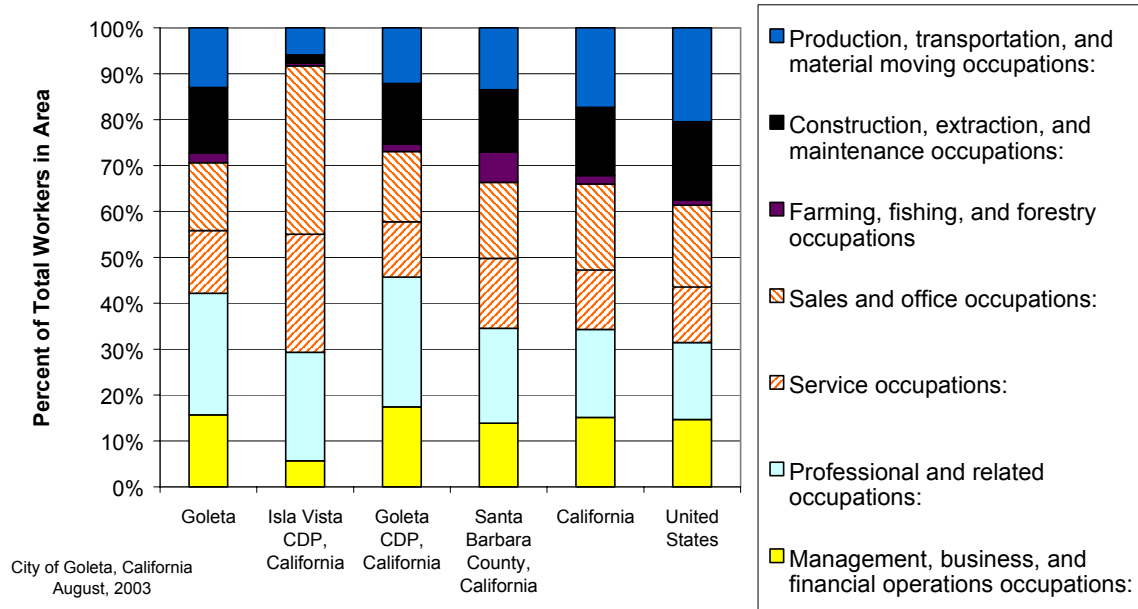


Table 1

	Goleta	Isla Vista CDP, California	Goleta CDP, California	Santa Barbara County, California	California	United States
	22.7%	29.3%	24.6%	18.8%	18.8%	16.7%
Higher Paid	15.3%	62.4%	14.8%	17.3%	17.3%	15.9%
Lower Paid	15.8%	8.3%	14.5%	18.4%	18.6%	20.6%

Labor Force Participation

Since not all residents work, the degree of participation in the labor force is an important characteristic of population. Labor force participation is usually expressed in terms of the percent of the population over 16 years old who participate in the labor force which includes both employed and unemployed people. Labor force participation rates are usually reported separately for males and females. As indicated on Figure 17, the labor force participation rates for Goleta City residents are relatively high for both sexes. For males it is higher than the county, state and national averages. For females it is higher than all of the areas identified.

Figure 17

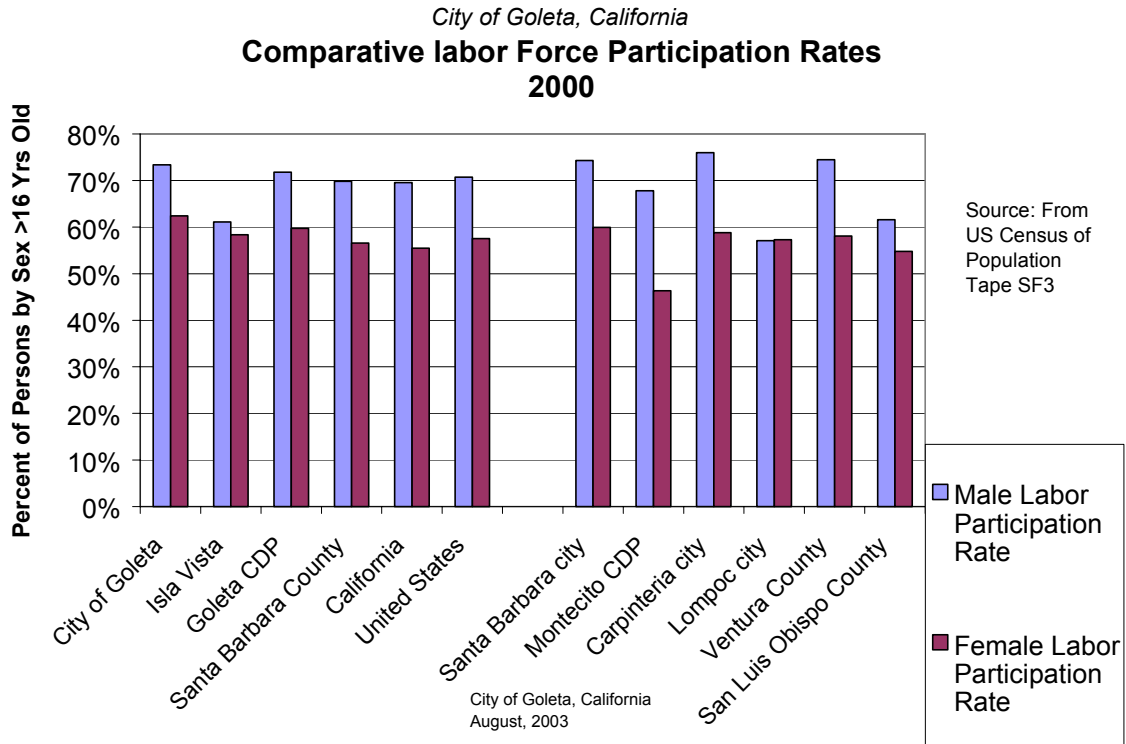


Figure 18 reports the labor force participation found in various areas of the City. It reports both sexes together. As noted, labor force participation tends to be higher in the western, as opposed to the eastern parts of the City.

Figure 18 also presents the unemployment rate found in the City at the time the Census was taken. As noted, the unemployment rate, while a bit higher in the Southeastern area of the City was low for the City as a whole.

Figure 18

City of Goleta,
California
September, 2003

City of Goleta, California
Labor Force Participation by Area
Persons Over 16 Years Old
2000

Source: Estimated from
US Census of Population
Tape SF3

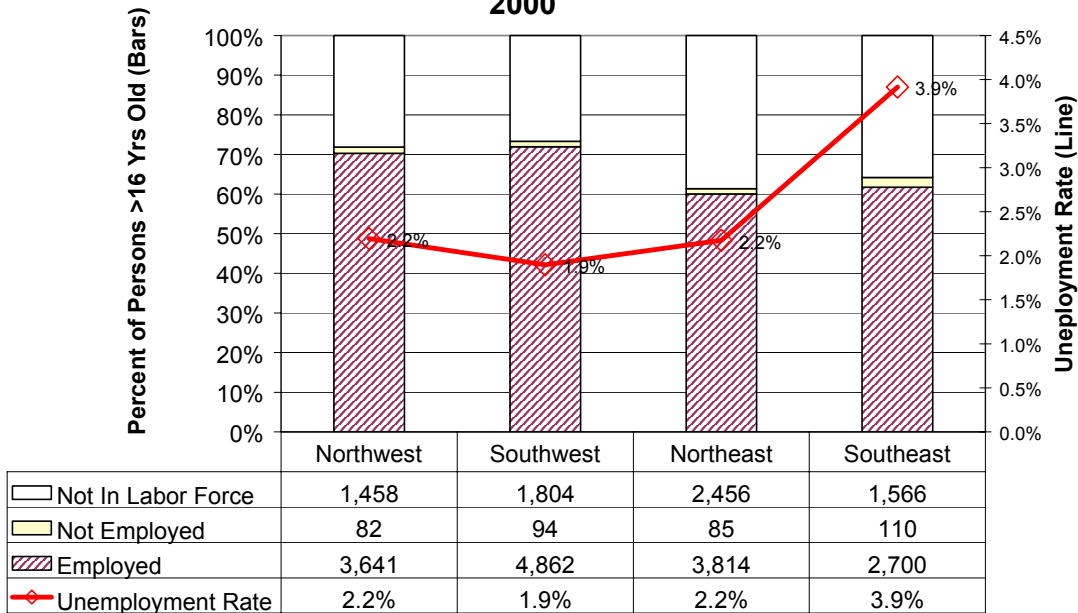


Figure 19 provides additional insight into labor force participation. It compares the percent of married couple families where both the husband and wife are employed; or what is thought of as two income families. The City of Goleta again has the highest percent of these families of all the areas compared, significantly higher than the state and national averages.

Figure 19

City of Goleta, California
**Percent of Married Couple Families
 with Husband And Wife Working
 2000**

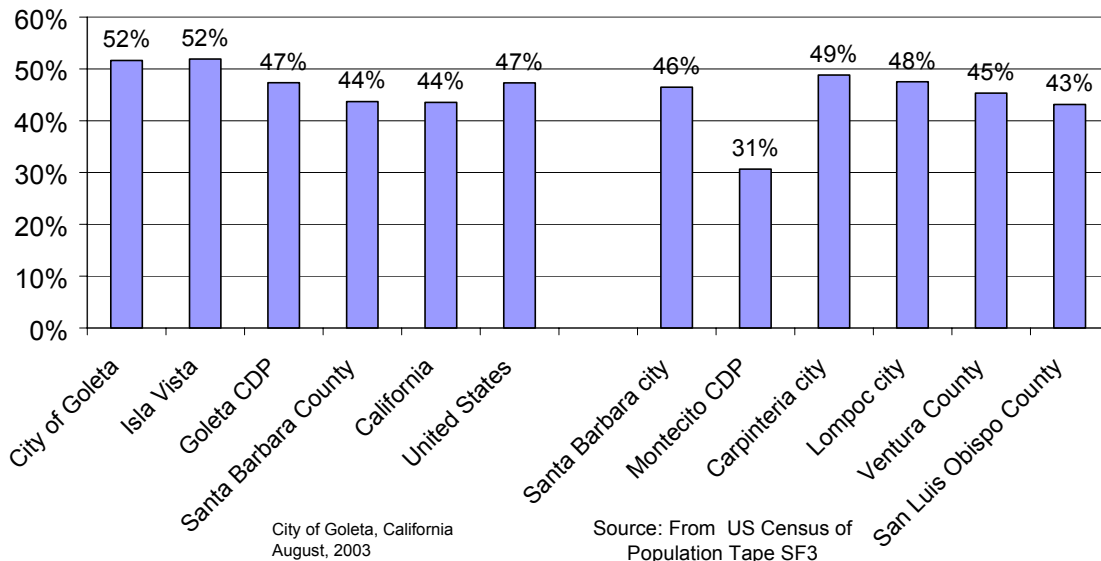
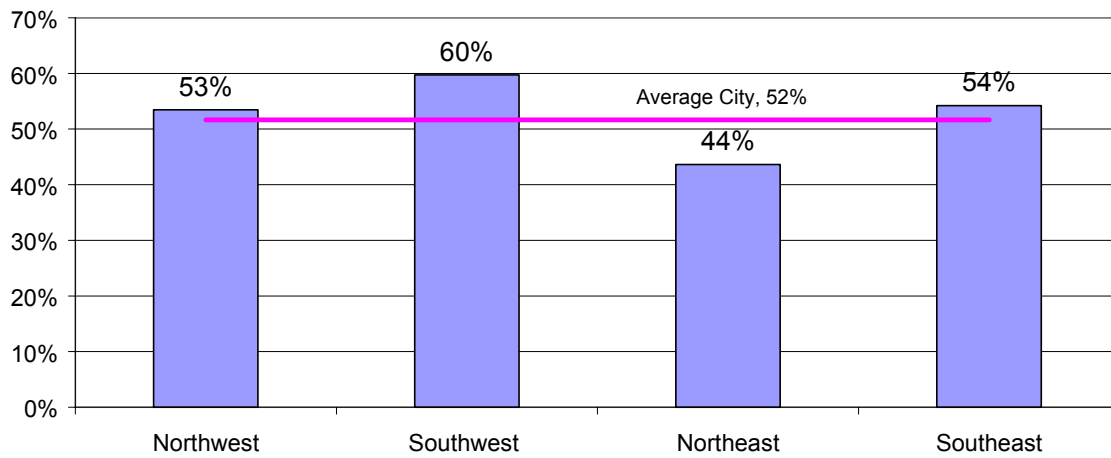


Figure 20 compares this statistic within the city itself. While the city (which has a high rate relative to other areas) averages 52%, this ratio drops to 44% in the Northeast and rises to 60% in the Southwest. The lowest rate within the city (44%) is about the same as the county and state averages.

Figure 20

City of Goleta, California
**Percent of Married Couple Families Where Husband and
Wife Both Worked
2000**



City of Goleta, California August, 2003

Source: Estimated from US Census of Population Tape SF3

Income Levels

The purpose of economic activity is to benefit people. The customary way to measure the success of an economy in this regard is to measure income levels. Income levels can be measured on the basis of the income to households, or the income to families, or on a per capita basis. Figure 21 compares all three of these approaches between the City of Goleta and other areas on the basis of median incomes. Especially in comparison to the County overall median income, the residents of the City of Goleta generally enjoy relatively high incomes, significantly higher than state or national medians. The same is true for residents of the larger Goleta Valley area. Of the areas compared, only the Montecito area has higher income levels, although, Ventura County has relatively high levels too.

Figure 21

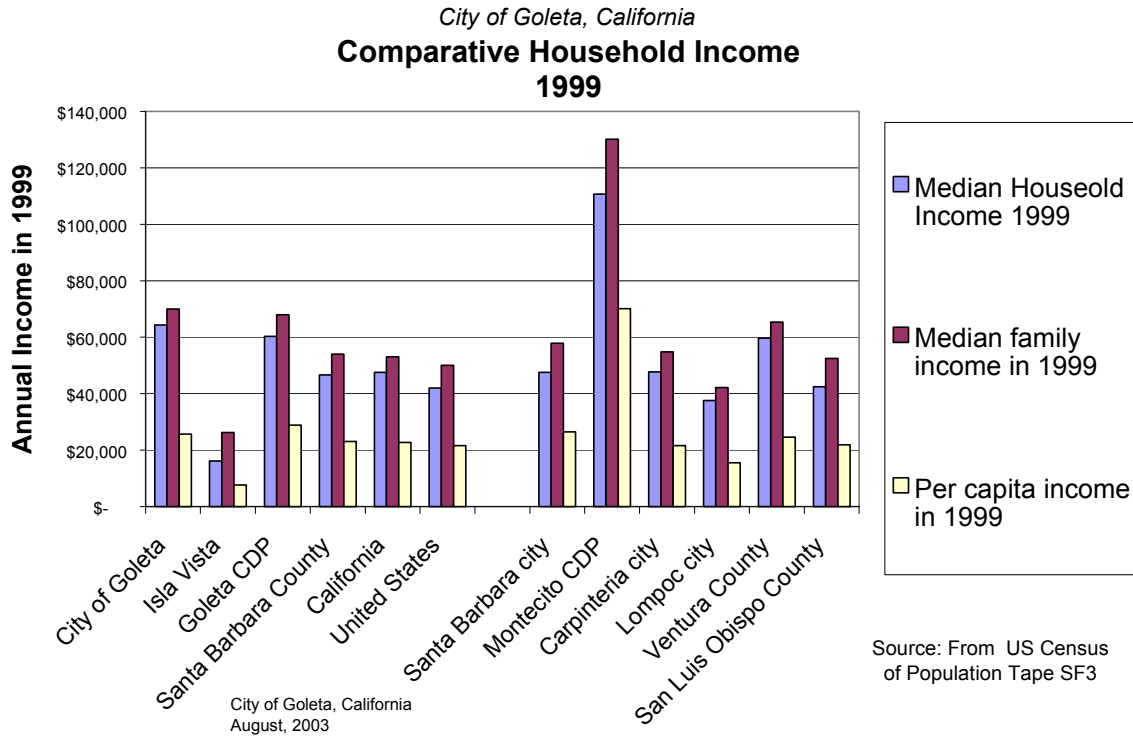
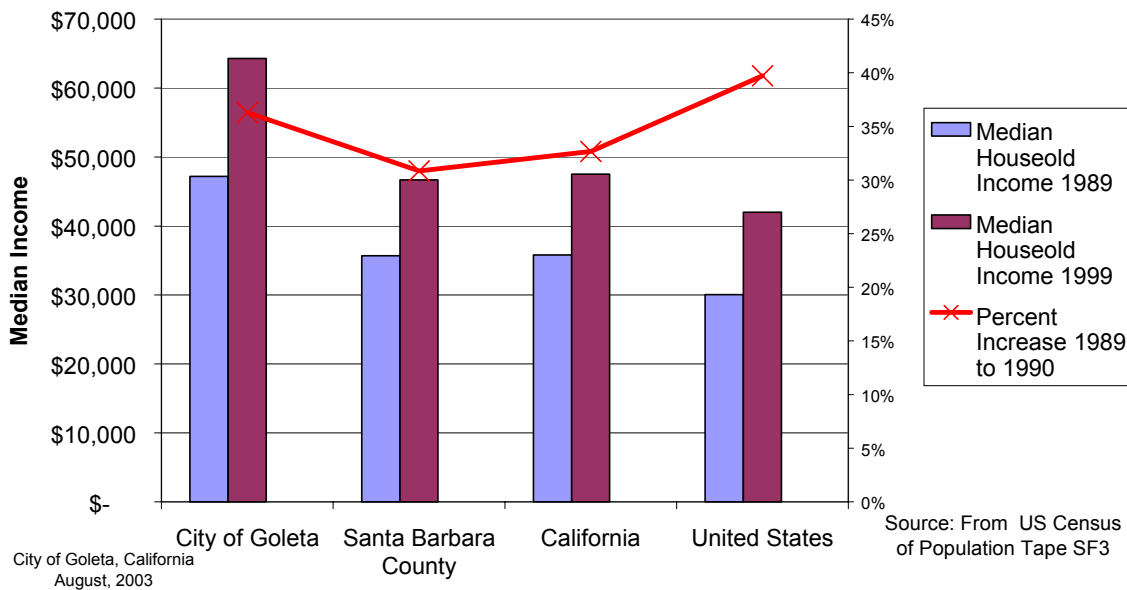


Figure 22 shows that this income picture has improved over the last several decades as measured by the US Census of Population. Median household incomes increased significantly more over the decade in the Goleta Valley than the county or state, but not as much as the national median in rate, although substantially more in amount.

Figure 22

City of Goleta, California
**Increase in Median Household Income
 1989 to 1999 by Area**



Income distribution in the City however is uneven as is illustrated on Map 2 and Figure 23. Map 2 shows relatively high median incomes are present in a few areas in the Northeast and the central south (the new development at Storke Ranch). In contrast, Old Town has relatively lower median incomes.

Map 2

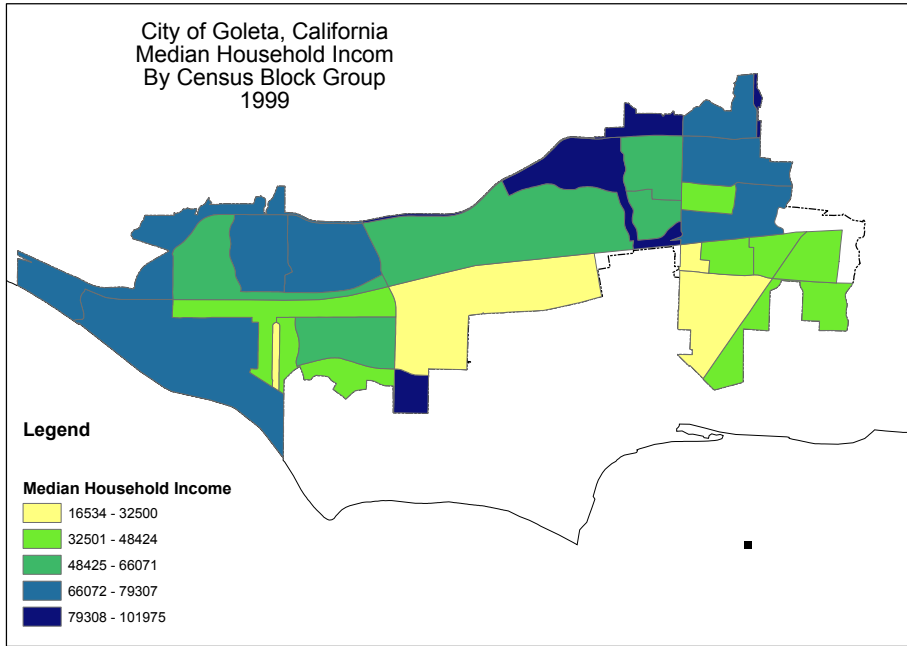


Figure 23

City of Goleta, California
Average Incomes by Area
1999

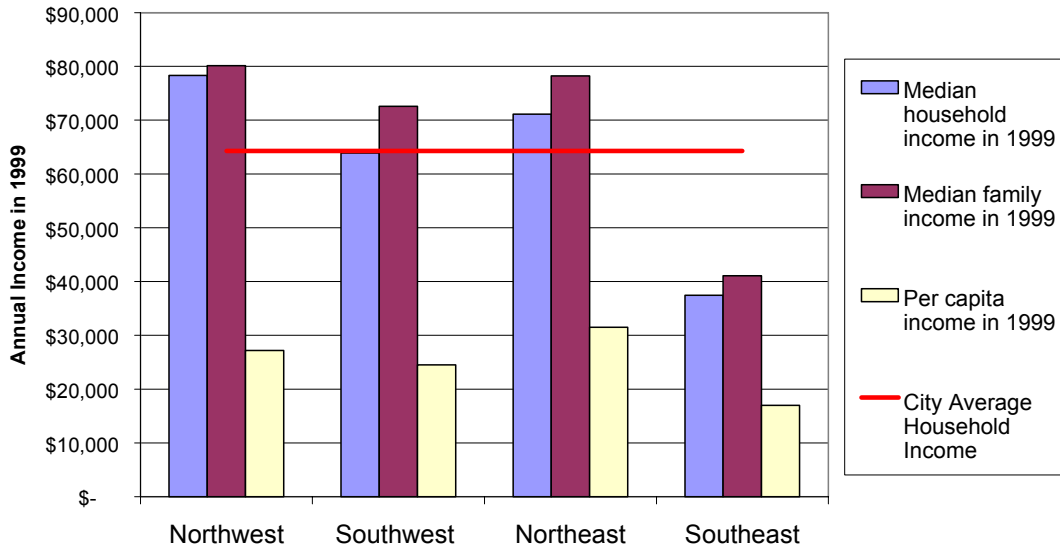


Figure 23 shows this distribution at a more summarized level. While three of the four areas show relatively high income levels, the Goleta Old Town area has somewhat lower median income levels.

Figure 24 looks at income distribution in more detail. It compares income levels between areas by various income groups. The city's high median incomes is not due to a high concentration *(as in the case of Montecito) of high income people, but rather a high concentration of people in what might be considered upper middle income groups. In fact, the proportion of the population in the higher income groups actually is low relative to the county (including the City of Santa Barbara) and state averages. Hope Ranch apparently gives the Goleta Valley a relatively higher proportion of upper income groups.

Figure 24

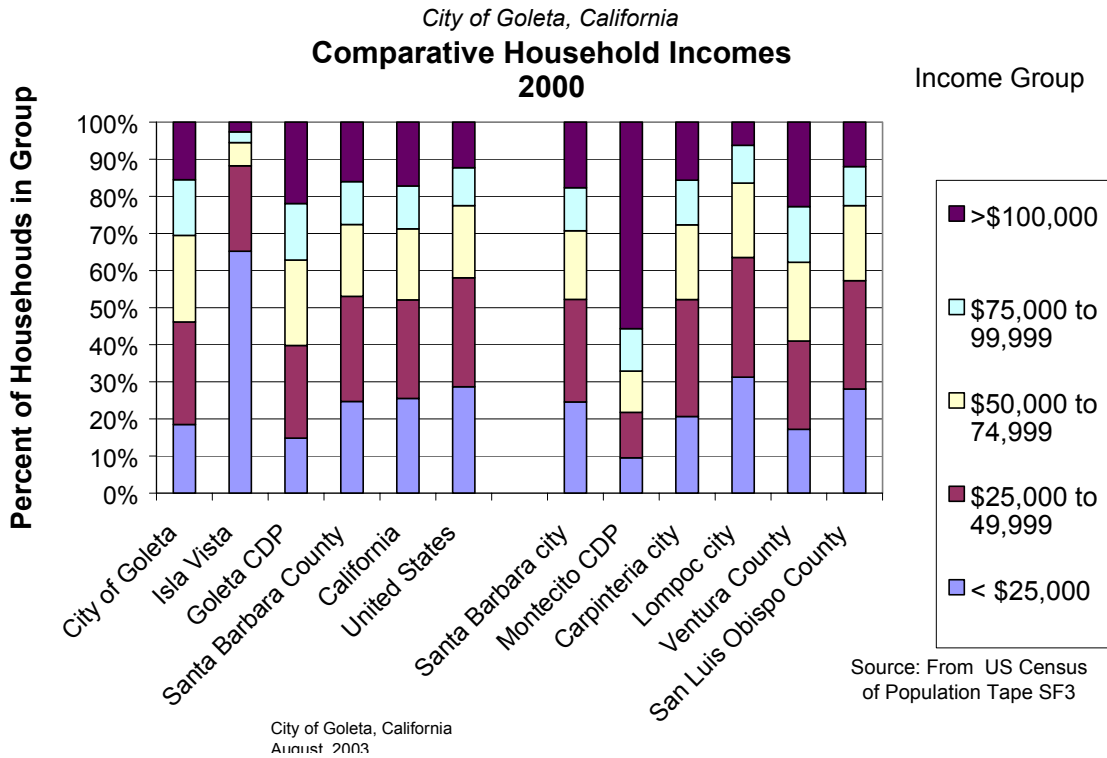
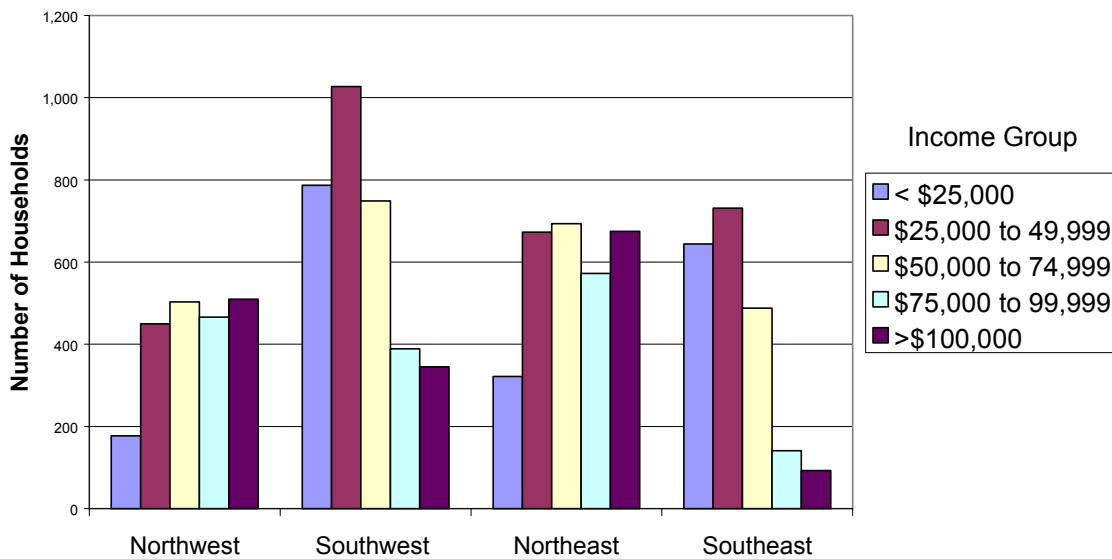


Figure 25 examines income patterns within the City, comparing and contrasting the four geographic areas. While the pattern between the areas is similar to that shown in Figure 24 for the average data above (with Old Town having somewhat lower incomes), the analysis by income group shows that the northern areas have relatively higher concentrations in the two higher income groups than the southern areas.

Figure 25

City of Goleta, California
Household Income by Area
2000



City of Goleta, California August, 2003

Source: Estimated from US Census of Population Tape SF3

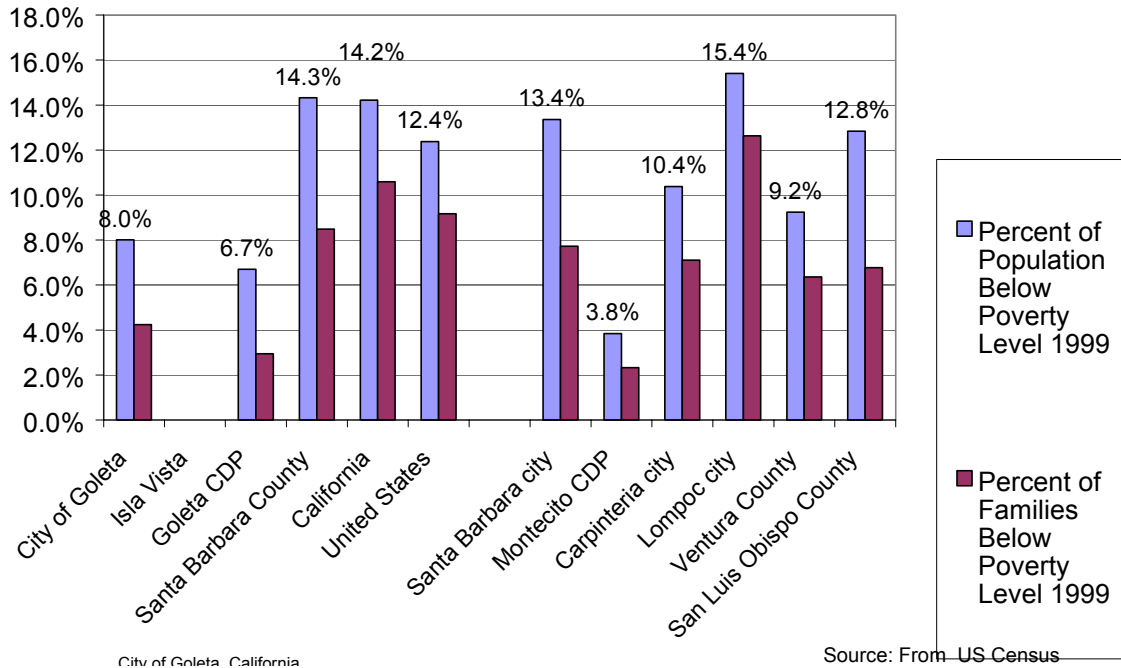
These high median incomes and this income profile indicate a relatively successful economy for the area. Since the area has a high labor force participation, this success is closely related to employment, especially two wage income families.

Poverty Level

Even in the best economies, some people are left behind. Figure 26¹³ identifies the most severe cases, people who have income levels below the poverty level. The economy of the area is more successful in reaching most of its people than the county, state or national averages, as well as the other areas compared. Again these low percentages of low income people are a hallmark of a successfully performing economy, especially when it is noted that the area does include a larger number of population groups which do not enjoy these same benefits in other areas. (See Characteristics of Population).

Figure 26

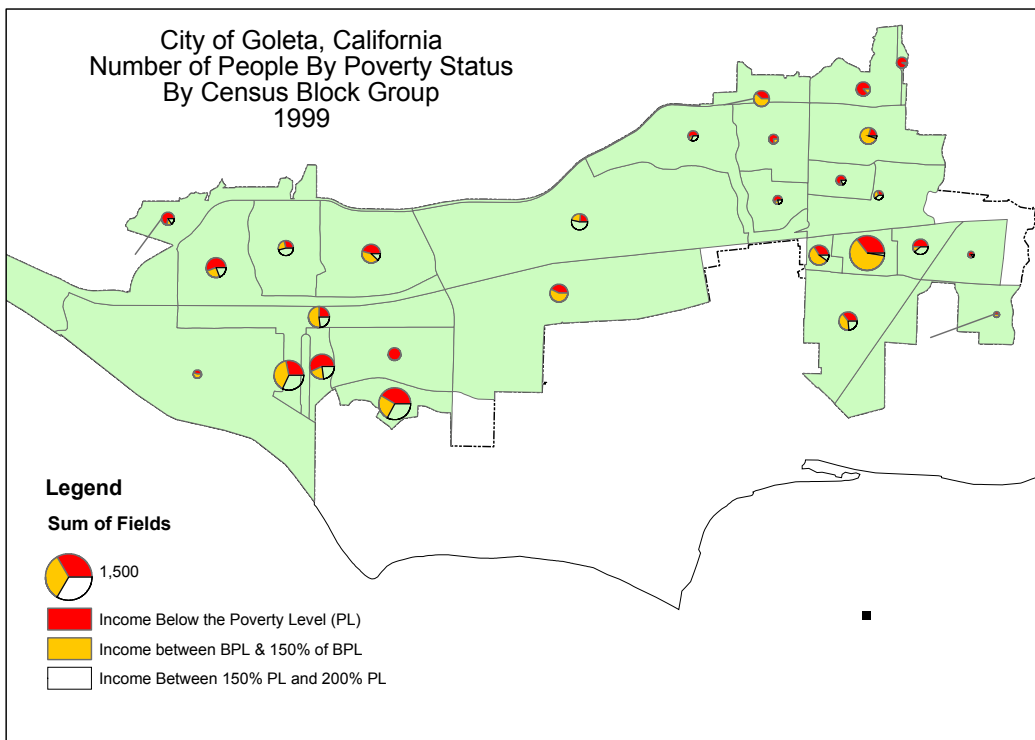
City of Goleta, California
Comparative Poverty Status of Persons and Families
1999



¹³ Data for Isla Vista is excluded to better compare other areas. 63% of the Isla Vista population have incomes below the poverty level, probably due to the high proportion of students in that area.

As might be anticipated from the other income data, low income people with incomes below the poverty level in the community are not evenly spaced throughout the city. The southern areas generally have higher concentrations of not only people below the poverty level, but people near the poverty level as illustrated on Map 3. The size of the circle indicates the total number of people who have incomes below 200% of the poverty level. The slices in each pie represents the proportion of those people in each of three groups—below the poverty level, between 100% of the poverty level and 150% and those between 150% and 200%.

Map 3



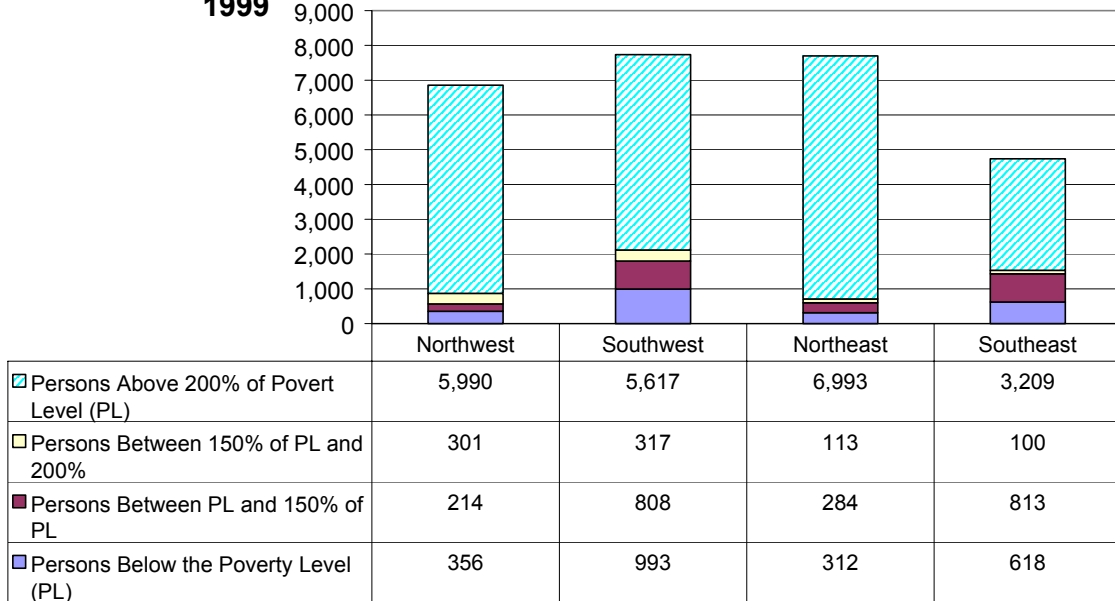
City of Goleta, August 2003

Source: 2000 US Census of Population--Tape SF3

Figure 27 shows the distribution of poor people relative to the general population in each of the four geographic areas of the city. It shows that more of these groups of people live south of Highway 101 than north.

Figure 27

City of Goleta California
Poverty Status by Area in City
1999



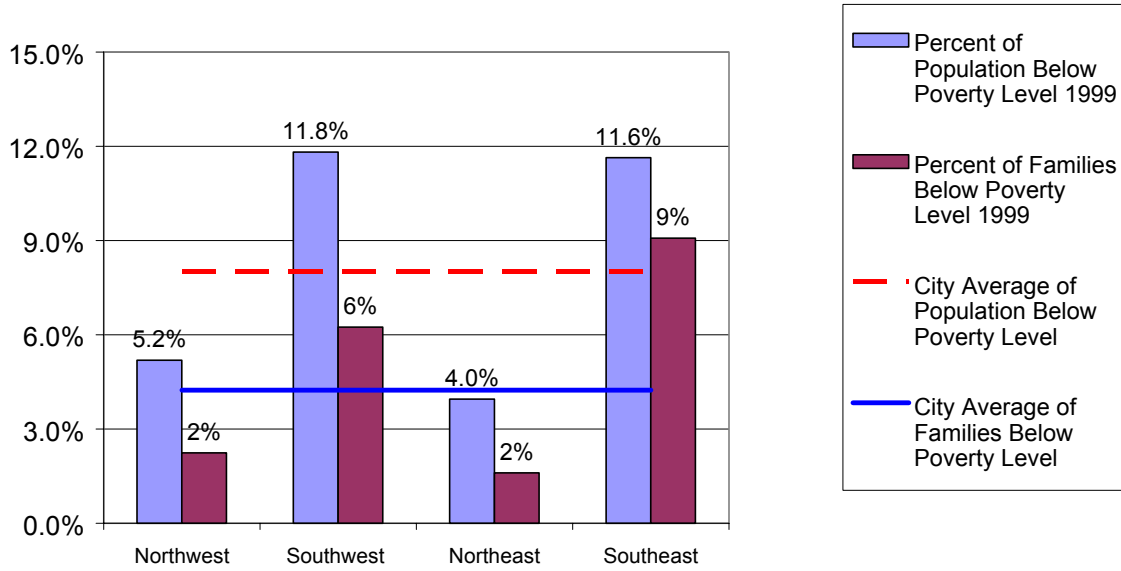
City of Goleta, California September, 2003

Source: Estimated from US Census of Population Tape SF3

While the distribution of people with incomes below the poverty level is concentrated in a few areas, Figure 28 shows that even in these areas the poverty rate, as measured by the percent of all people with incomes below the poverty level, is still substantially below the county average of over 14% and below the state average of 12.4%.

Figure 28

City of Goleta, California
Percent of Persons and Families Below Poverty Level
1999



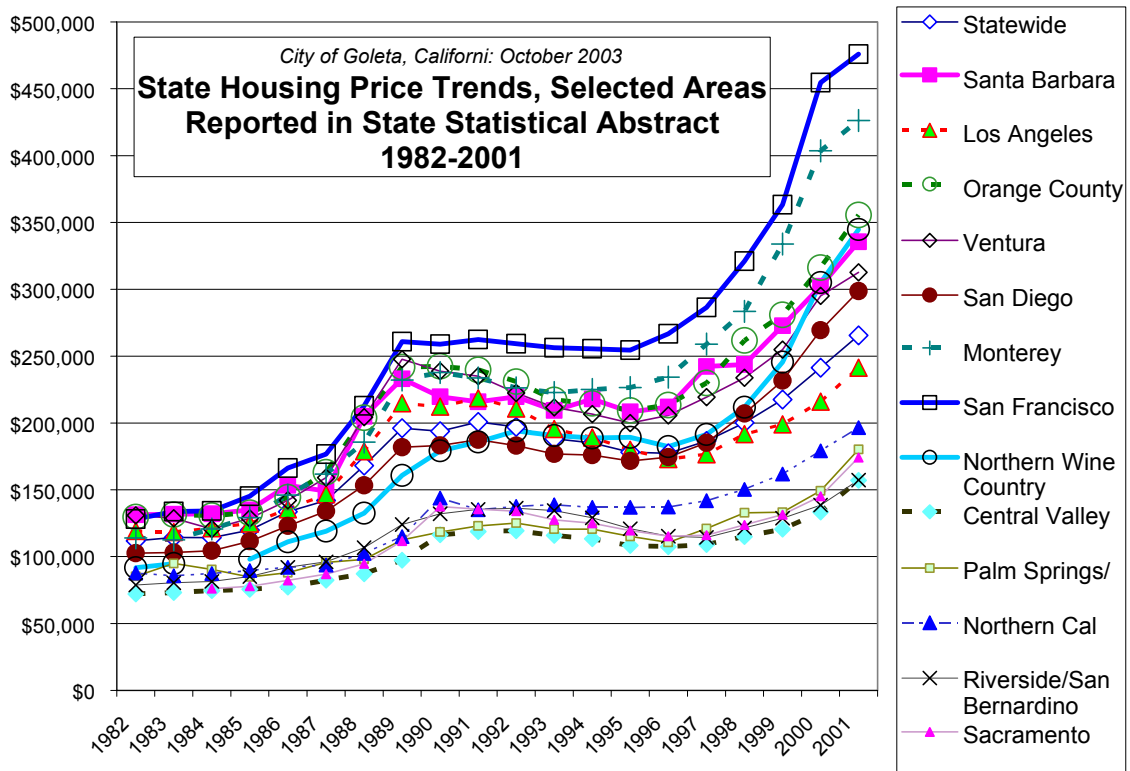
City of Goleta, California August, 2003

Source: Estimated from US Census of Population Tape SF3

Housing Prices

An important economic asset in an area is the value of its housing stock. Conversely high housing prices are also considered by many to be an economic constraint since it may hinder the attraction of new employees to an area. Similarly, high housing prices may prevent lower income people from enjoying this benefit from economic activity since they may not be able to afford home ownership.

Figure 29



While the increase in housing costs in the Santa Barbara area has been dramatic in the area during recent years, the pattern of increase is similar to other California areas, as is shown on Figure 29. The State of California Statistical Abstract issued by the State Department of Finance on the web reports housing prices for numerous areas of the state.¹⁴ This figure portrays various housing market areas and for Santa Barbara it includes the entire county and not just the South Coast. Figure 29 graphically portrays that information.¹⁵ Several things

¹⁴ http://www.dof.ca.gov/HTML/FS_DATA/stat-abs/toc.htm.

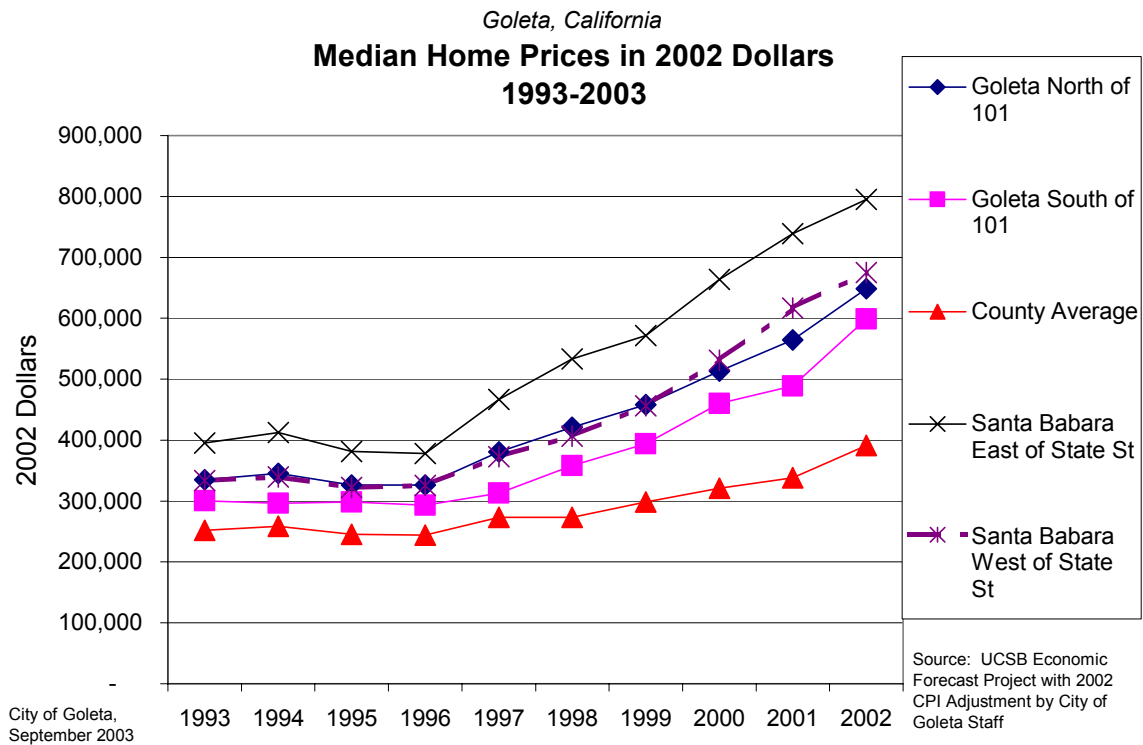
¹⁵ Figure 29 includes all places reported on the web site in order to show the full range of areas in the state, even though it does make “busy” graph. The state data identifies the areas as regions that generally follow counties. See the web site for specific definitions of the areas shown

are apparent on the figure. While the range of increase varies from area to area, housing prices in the state follow a clear pattern. Housing prices are cyclical experiencing rapid increases and leveling off to declining at different times. The increases in Santa Barbara County are consistent with several other areas of the state.

Santa Barbara County has the fourth highest housing costs of the areas shown as of 2001,¹⁶ following San Francisco, Monterey, and Orange County. The San Diego area, Ventura and costs are just under the Santa Barbara area.

Figure 30 shows the increase in current dollars in housing prices in the more immediate Santa Barbara area since 1993.¹⁷ Goleta Valley prices are increasing significantly faster than the county average, but are consistent with the prices in the City of Santa Barbara. Price increases in the northern part of the Goleta area track very closely with prices in the area east of State Street.

Figure 30



This rapid increase in housing prices is usually considered a problem that needs to be addressed. Indeed, it is a problem for people seeking to enter the area or

¹⁶ As noted above the South Coast cost of housing increased faster than the county average as presented on figure 30. Other areas portrayed on the Figure 29 would have similar “hot spots” above the average for the particular housing market areas.

¹⁷ Figures 29 and 30 can not be directly compared since figure 30 is in 2002 dollars and is therefore adjusted for inflation while figure 29 is not. Also the data are from different sources and methodologies may vary.

for employers seeking to recruit employees. It is also a significant economic problem for people seeking to purchase homes who currently rent. Another background report will examine housing values and costs from this perspective.

However, in many other economic contexts, high housing values is an economic benefit and may be a reflection of a successful economy and an area with a high quality of life. Areas with a high quality of life and successful economies attract people who compete for housing, bidding up the value.

To most people, the house is the most important asset. Increases in home value therefore enhance the wealth of homeowners by increasing their equity in this asset. Such increases provide many economic benefits, the most important of which is a form of security that would be difficult to replicate with other forms of investment.

There often is a close relationship between housing prices and economic growth. Declining and stagnant economies usually have declining or stagnant housing prices, while growing economies tend to stimulate housing prices.

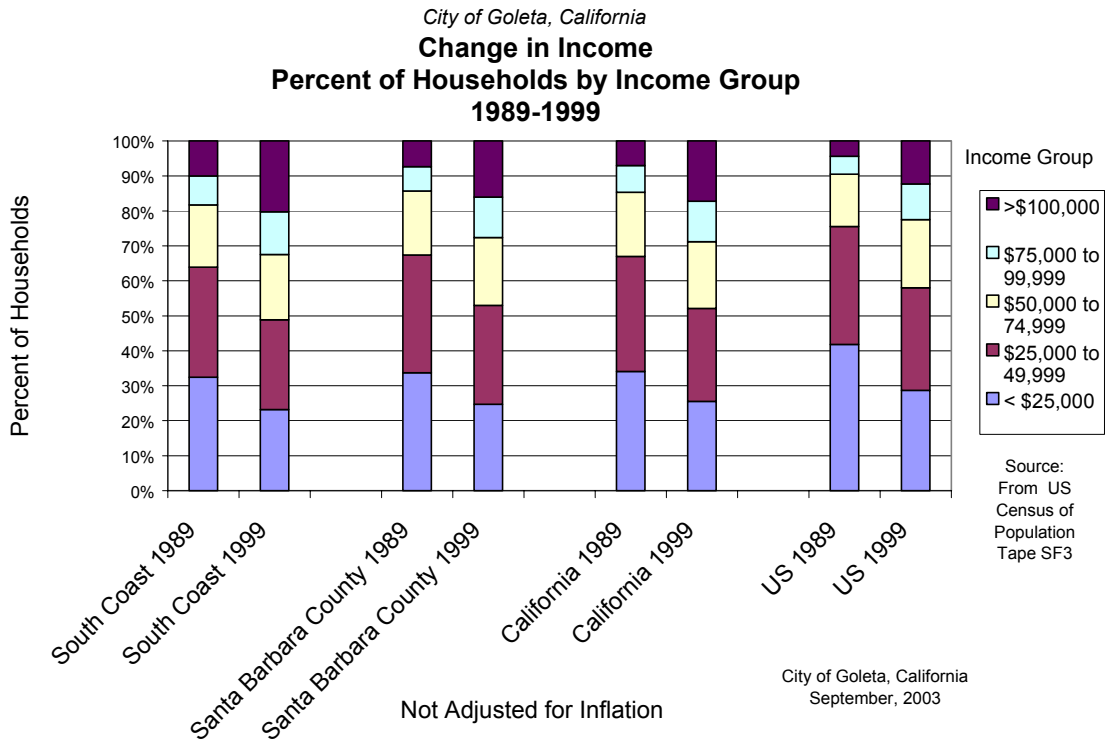
Migration Patterns of Wealthy People

One of the economic base sectors of the Santa Barbara area is the wealth of people who reside in the region, notably in the Montecito and Hope Ranch areas. These people generally accumulated their wealth in other areas, but now spend significant parts of that wealth in the local economy—contributing to the local economy as a basic sector. While this is probably an important part of the economy, standard economic data do not capture this activity well and its effects are spread out through the service, retail and real estate sectors of the regional economy.

The income data presented above reflects some of the economic characteristics of these people.¹⁸ This section of this report will compare migration patterns by income group.

Figure 31 compares the change in income structure for the South Coast of Santa Barbara County with the State and Nation.

Figure 31



¹⁸ The wealth of these people is reflected in the data for Montecito and the Goleta CDP which includes Hope Ranch. The inclusion of Hope Ranch along with the City of Goleta in the Goleta CDP accounts for much of the differences in income data when comparing the data for the city itself with the broader area.

As shown, the South Coast region has doubled its proportion of all households who earn more than \$100,000 per year, increasing from 10% to 20% (not adjusted for inflation). Relative to the nation, there is a substantially higher concentration of people in this upper income group. (12% in the nation compared to 20% on the South Coast). While the region also has a higher concentration than the county and state averages, (16% and 17% respectively), this concentration is not as dramatic.

However, as shown on Figure 32, the number of households in various upper income groups is growing (unadjusted for inflation) much slower than these groups are growing in the state. Further, the State growth in these groups is less than the nation. The State and the nation are catching up to the South Coast in the proportion of the total households who have incomes in the upper income groups. Nationwide these groups are growing twice as fast as they are on the South Coast.

Figure 32

City of Goleta, California

**Percent Increase in Number of Households in Upper Income Groups
1989-1999**

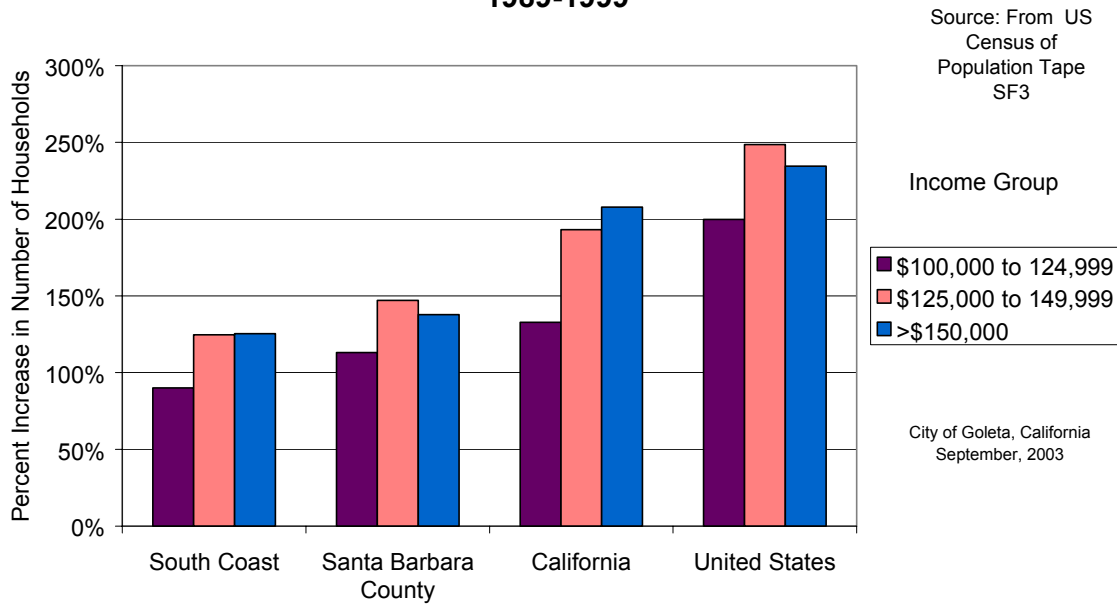
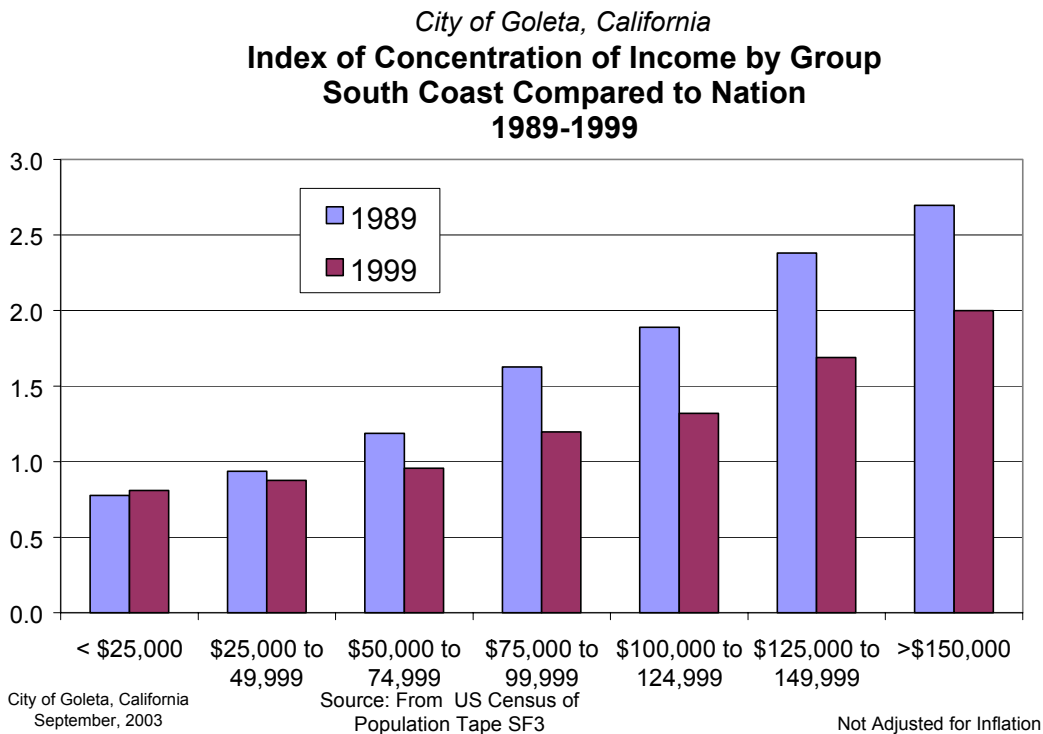


Figure 33 examines the relative growth of these income groups in the South Coast and the nation between 1989 and 1999. It calculates the index of concentration for the South Coast based on the nation. The percent of all households in each group in the South Coast is divided by the percent of all households in each group for the nation. An index of one indicates that the South Coast has the same concentration of households in this group as the nation. This calculation is made separately for 1989 based on the 1990 Census and 1999 based on the 2000 Census. The first bar for each income group is the calculation for 1989 while the second bar is the calculation for 1999. Comparing the two bars compares how the concentration changed over the ten years for that income group.

The amount of concentration declined over the decade in each of the upper income groups and the amount of decline greater in the upper income groups than in the lower groups. However, South Coast households still show a significant presence in each of the income groups above \$100,000.¹⁹

Figure 33

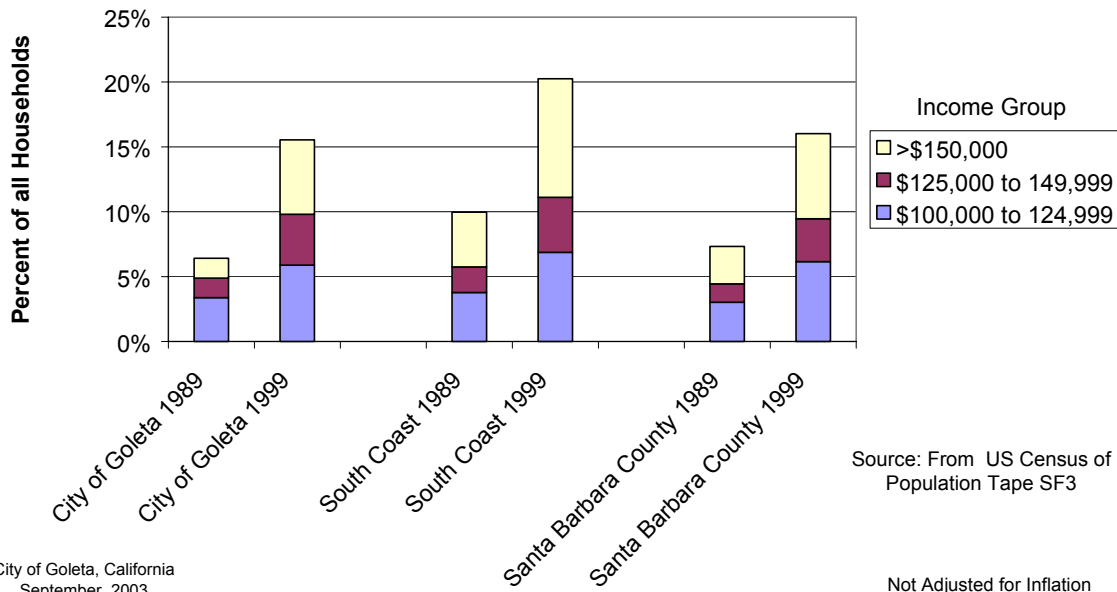


¹⁹ In reviewing this table it should be remembered that most of the population is in the income groups under \$100,000, so significant reduction in concentration in those groups do not significantly affect the concentration in the lower groups.

Figure 34 compares the growth in upper income groups (households earning more than \$100,000 per year) in the area of the City of Goleta with the South Coast and Santa Barbara County. As noted the City of Goleta had generally lower proportions of these income groups in 1989 than the south coast and somewhat less than the county. Most significantly Goleta had very few households earning more than \$150,000 in 1989 relative to both the South Coast average and the county. Over the decade the City had substantial growth in these income groups in general and the upper most income groups in particular (the number of households in the \$150,000 and above bracket increased by almost 300% in the area of the City of Goleta). The effect of this growth was to narrow the gap between the area of the city and the South Coast and the county. In 1999 these income groups “caught up” with the county averages, but lagged somewhat behind the South Coast (especially in the over \$150,000 bracket).

Figure 34

City of Goleta, California
Growth in Upper Income Groups in Santa Barbara County
1989-1999



City of Goleta, California
 September, 2003

Retired People

Another significant source of income to the area is retirement income. Figure 35 shows the distribution of households with retirement income in different areas of the city, while figure 36 shows the average (mean) income for those households in each area.

Figure 35

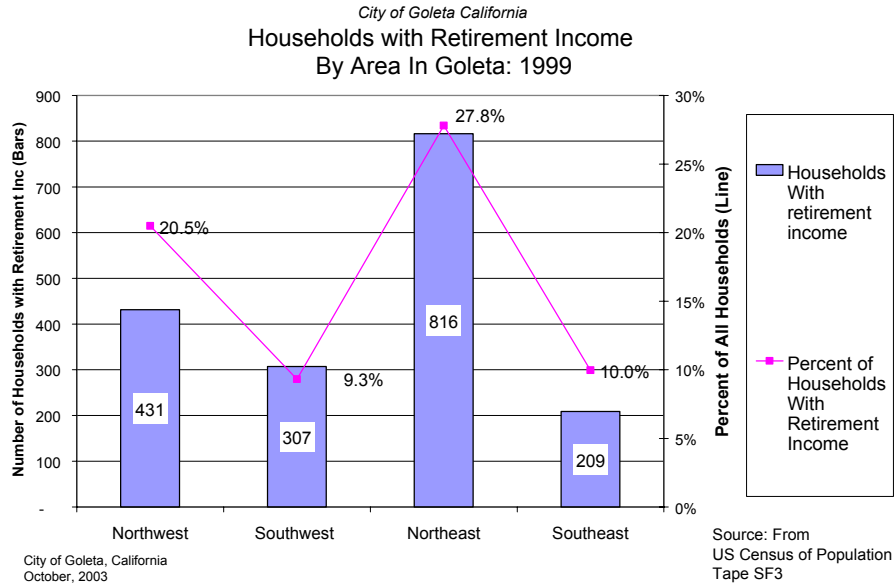


Figure 36

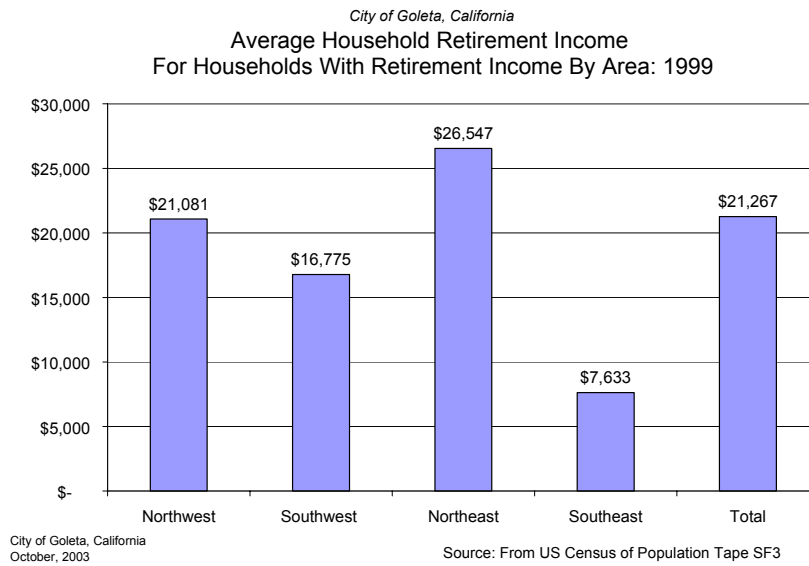
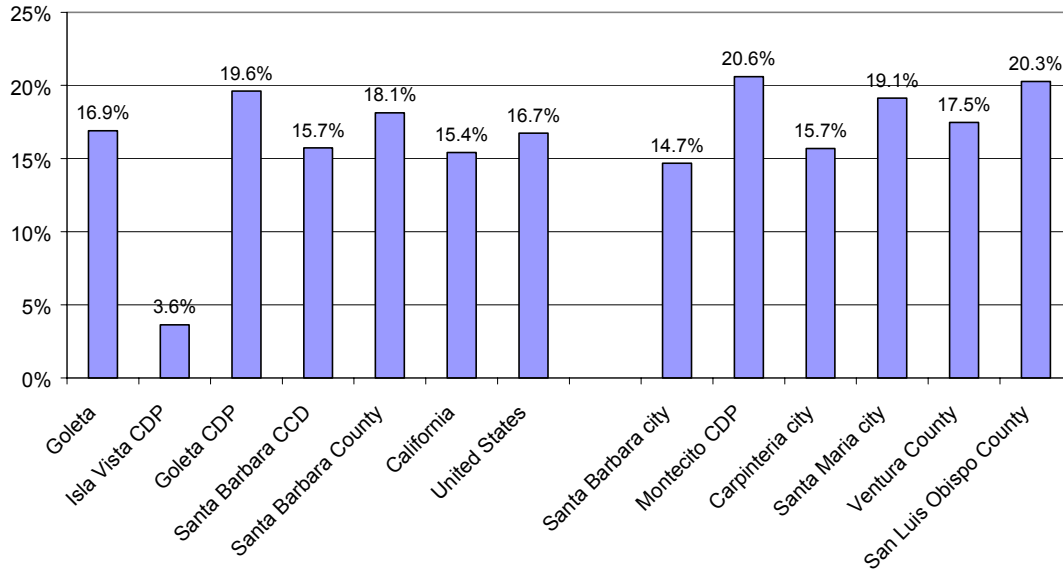


Figure 37 compares the percent of households with retirement income with other areas. The City of Goleta has a lower proportion of these households than the surrounding area in the Goleta Valley, but has roughly the same proportion as the national average. The area which includes the Cities of Goleta, Santa Barbara, the Montecito census place, and associated unincorporated areas (the area designated as the Santa Barbara County Census Division [CCD])) has a lower percentage of these households than the County average. The Montecito area and San Luis Obispo County has over one out of five of all its households receiving retirement income.

Figure 37

City of Goleta, California
**Percent of Households with Retirement Income
 By Area 1999**

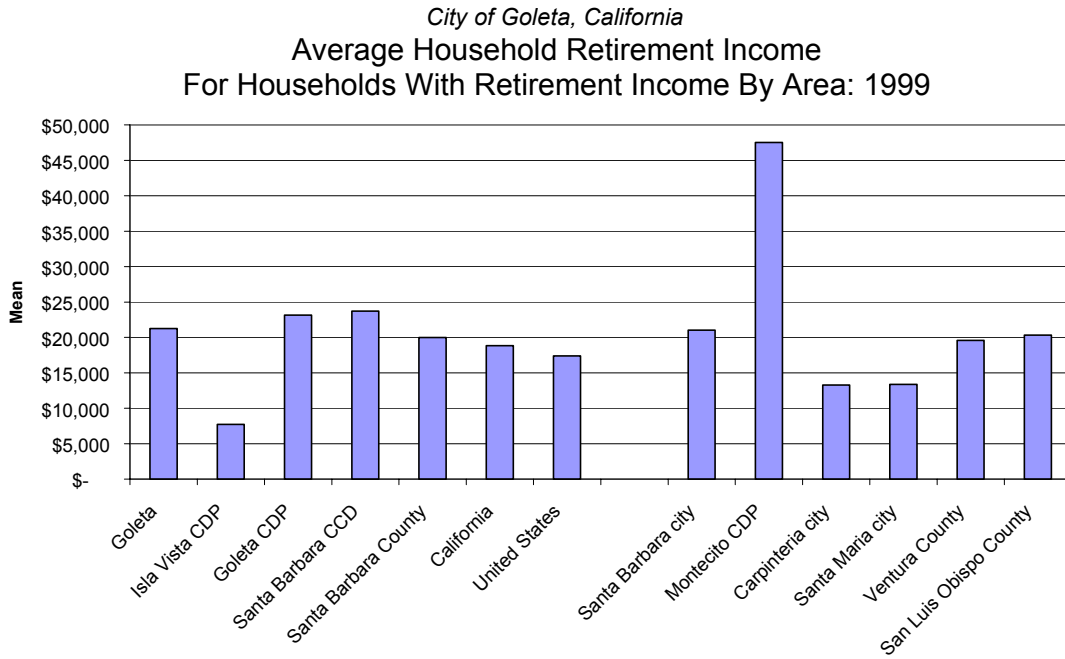


City of Goleta, California
 October, 2003

Source: From US Census of Population Tape SF3

Figure 38 compares the average (mean) income of all households in various areas. While the average for the City of Goleta is less than the immediately surrounding areas, the average is higher than the county, state, and national averages.

Figure 38



City of Goleta, California
 October, 2003

Source: From US Census of Population Tape SF3

Planning Implications for Goleta

The economy of the Goleta Valley is very successful in providing relatively high income levels for the city residents. While the city's Plan will need to be careful in conserving the features of the economy that provide these benefits, this data does not indicate a high priority for measures to aggressively improve economic conditions.

The City of Goleta and its immediate vicinity is an important place of economic activity for the entire South Coast. The city and its immediate vicinity provide a significant share of the South Coast and county's basic economic activity in the form of educational services, intellectual services, tourism and manufacturing. Three of these four sectors are growing. The role of durable manufacturing is decreasing both in magnitude and economic impact. However, it does remain a very important part of the economy--the largest sector in the city and the second largest in the area. In contrast the decline in manufacturing employment has been compensated for by an increase in service employment and trade.

These shifts in the economy are changing the economic character of the city and its role. The growth in service employment appears to be driven by two very different influences—a growth in intellectual services and tourism. The proximity to UCSB will probably continue to stimulate intellectual services activity. The general environmental appeal of the area and the presence of the airport in specific will probably continue to stimulate tourism in the area. UCSB also provides a high quality labor force for both of these aspects of the service industry in the form of its students who can serve the tourism sub-sector while students and the intellectual sub-sector as graduates.²⁰

The addition of new large scale, regional retail outlets in the area has made the city more of a retail trade center than it was in 1990. The success of these outlets will likely stimulate more interest among such enterprises in locating in the city.

While the character of the economy appears to be changing, most of the commercial/industrial zoning in the city is in manufacturing zones. 12.6% of the total zoned area is industrial zoning compared to 5.6% for commercial uses. A large portion of the industrial zoning is not well suited for service oriented office uses unaffiliated with manufacturing activities. As interest in the area increases for retail trade, additional rezoning will probably be requested.

²⁰ See background report number 1 for a more detailed look at the role of UCSB students in the labor force.

The past success of the economy has benefited city residents who generally enjoy high average incomes and a generally good quality of life. These benefits are earned by city residents by their active (above average) participation in the labor force. Their access to good jobs is generally enhanced by high level of education found in the City.²¹ However, this success is not uniform and there are significant segments of the community who lag behind. While segments of this group of people can be found in all areas of the city, the southern portions of the city tend to have more of these residents. The general plan should explore ways to increase the growing economic opportunities for these groups. (A somewhat unique limitation for the access of the lower income groups to increasing employment opportunities in the area is the competition with UCSB students for many of these jobs).

Since the growth pressures exerted by the key economic sectors will probably continue, the General Plan will need to address how the city should respond to these economic stimuli. The response will need to be developed in the context of the vision the community has for itself and other features of the community that are addressed in other background reports. Particular care should be given to ensuring that the management of economic growth enhances and does not detract from the community's high quality of life, and provides economic benefits to all segments of the community

²¹ See the background report on the characteristics of population.