

Costco Expanding in Two South County Locations

RETAIL: Distribution, Packaging Hub Compatible With Area's Food Cluster By **MIKE ALLEN**
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COSTCO WHOLESALE CORP.

CEO: James Sinegal.

Revenue: \$77.9 billion in fiscal year 2010; \$71.4 billion in 2009.

Net income: \$1.3 billion in 2010; \$1 billion in 2009.

No. of local employees: 3,600.

Headquarters: Issaquah, Wash.

Year founded: 1976.

Stock symbol and exchange: COST, Nasdaq.

Company description: Operator of 580 membership warehouse retail stores worldwide, including 424 in the U.S. and Puerto Rico.

Costco Wholesale Corp., the world's third largest retailer, is expanding two of its San Diego area operations, opening a new packaging facility and distribution center in Otay Mesa, and expanding an optical laboratory in National City.

In December, the retailer that's based in Issaquah, Wash., purchased a new, 300,000-square-foot warehouse site in Otay Mesa. It is in the process of moving its packaging operations in National City there.

Once that relocation is completed, Costco said it will expand its optical manufacturing operations in National City. The actions will result in the creation of several hundred new jobs, the company said.

"Both of these businesses have been growing for us, and we needed a lot more space so it made sense to move the packaging out (of National City)," said Richard Chavez,

senior vice president of Costco Wholesale Industries. “Now we have a facility that should last about 10 years.”

Costco purchased the plant at 2222 Enrico Fermi Drive near the Otay Mesa border crossing in December for \$17.8 million. The warehouse had previously been used by a Japanese electronics manufacturer.

Costco plans to use much of the plant for packaging both food and non-food items. It will also operate a distribution center at the site, serving the Western U.S., Western Canada, Mexico and Hawaii.

Conversions at Facilities

Costco’s National City facility at 1001 W. 19th St., about half the size of the Otay Mesa plant, is now used 80 percent for packaging and 20 percent for optical, he said.

The company is still refitting the Otay Mesa plant, and should start operations there in the first week of May, Chavez said. Initial staffing will be about 175, but it could rise to about the 200-employee range within a year, Chavez said.

As space is vacated in National City, Costco will expand its optical glass manufacturing there. Chavez said that part of Costco’s services is booming, and that the site is one of the largest in the West for optical work.

About 400 employees are now working in the optical lab, he said.

The jobs that Costco is creating generally are higher paying than offered by other retailers, and usually start at \$11 hourly but can get to about \$20 within five years, he said.

Cindy Gompper-Graves, chief executive officer for the South County Economic Development Council, said having Costco locate a packaging plant and distribution hub in Otay Mesa provides further evidence of the area’s growing food cluster.

Food Production Center

According to a study done for the SCEDC, the Otay area has 38 businesses that are engaged in either food manufacturing or food distribution, and employ about 1,500 workers. The biggest companies in the area are Delimex Inc., Circle Foods LLC and Cantare Foods.

“When you have a Circle Foods and Delimex here already and a supplier to Costco, and then have Costco come here and set up a distribution center, that’s a good thing,” Gompper-Graves said. “When you’re building a cluster, you’re looking for both input and output.”

For its latest fiscal year ended Aug. 29, Costco Wholesale reported net income of \$1.3 billion on revenue of \$77.9 billion, compared with net income of \$1 billion on revenue of \$71.4 billion in the prior fiscal year.

The company has 580 warehouse stores worldwide including 424 in the U.S. and Puerto Rico, and 12 in San Diego County.