



SOUTHERN CALIFORNIA
ASSOCIATION of GOVERNMENTS

THIRD ANNUAL
ECONOMIC
2012
SUMMIT



SOUTHERN CALIFORNIA
LEADERSHIP COUNCIL



ACCELERATING

SOUTHERN CALIFORNIA'S
ECONOMIC RECOVERY



Thursday, December 6, 2012
The Westin Bonaventure Hotel

www.scag.ca.gov/economicsummit

Program

- 9:00 am** **Registration and Networking**
- 10:00 am** **Welcome Remarks and Introduction**
Hon. Glen Becerra, SCAG President, City of Simi Valley
Jessie Knight, Co-Chair, Southern California Leadership Council;
Chairman & CEO, San Diego Gas & Electric
- 10:15 am** **Introduction of Distinguished Guests**
Senator Curren Price
Senator Roderick Wright
Assemblymember Brian Nestande
Assemblymember Donald Wagner
- 10:30 am** **Hon. John Chiang, California State Controller**
- 10:45 am** **Regional Economic Update**
Prominent Economists will be reviewing the economic data presented at the inaugural SCAG Economic Summit in 2010, the Southern California Economic Recovery and Job Creation Strategy in 2011, and the current state of the economy in the six counties in Southern California. Topics will include:
• Regaining Lost Jobs and an Update on the Economic Recovery
• Expedited Project Delivery: Accelerating Economic Benefits
• Industry Clusters: A Report on the Top Industry Clusters in the SCAG Region
• Identifying Local Best Practices
- 11:30 am** **Key Recommendations & Open Discussion**
Moderated by Frank Mottek, Anchor, KNX 1070 News Radio
Summit participants will be invited to join an open discussion about recommendations on how to expedite job growth and increase economic opportunities.
- 12:00 pm** **Working Lunch**
Lunch will be served at noon while discussion continues
- 1:30 pm** **Wrap-Up, Measuring Progress & Next Steps**
- 2:00 pm** **Summit Adjournment**

Accomplishments To Date



DECEMBER 2, 2010 ROAD TO RECOVERY ECONOMIC SUMMIT

In partnership with the Southern California Leadership Council and other business leaders, SCAG conducted a successful December 2, 2010 economic summit attended by over 300 business and community leaders to review the information prepared by the late Jack Kyser, SCAG Chief Economic Advisor and his team of experts.



BUSINESS FRIENDLY PRINCIPLES

To demonstrate that Southern California communities are committed to working together to keep businesses within California and find ways to reduce or remove economic impediments to economic growth, 170 cities and counties have since adopted "Business Friendly Principles" at SCAG's request.



COUNTY ECONOMIC REPORTS

SCAG's Economic Advisors prepared detailed reports identifying the key economic drivers, industries and challenges for each county in the SCAG region. The reports were generated from data analysis and interviews with key business and economic development leaders in each county.



SOUTHERN CALIFORNIA ECONOMIC RECOVERY & JOB CREATION STRATEGY

With input from member cities and counties, public and private sector leaders, and labor leaders, SCAG's team of economic advisors consolidated the information from the county reports to prepare the Southern California Economic Recovery & Job Creation Strategy that included a common set of priorities for the region that helps businesses, public agencies and communities improve their economic viability with immediate and long-term recommendations. The Strategy was adopted by SCAG's Regional Council at its June 2, 2011 meeting.



"BEAT THE CANAL"

With the expansion of the Panama Canal set to open in 2014, SCAG has partnered with Jobs 1st Alliance to increase awareness of the possible threat to the SCAG Region's economy from diverted cargo and identify specific obstacles to implementing funded goods movement projects.



2012-2035 REGIONAL TRANSPORTATION PLAN/SUSTAINABLE COMMUNITIES STRATEGY ECONOMIC ANALYSIS

SCAG's Economic Advisors prepared a comprehensive economic analysis on the 2012-2035 Regional Transportation Plan/Sustainable Communities Strategy that identified the employment benefits of the plan from construction investments, as well as the economic benefit from an improved transportation system.



PHASE II OF THE SOUTHERN CALIFORNIA ECONOMIC RECOVERY AND JOB CREATION STRATEGY

Phase II expands upon the original plan by outlining additional activities that focus on areas such as reforms, advocacy, industry cluster analysis and economic impact analysis. To highlight the importance of getting Southern California's economy back on track, the Regional Council unanimously approved on July 5, 2012 to encourage its 191 member cities and six counties to adopt a version of the California Film Commission's Model Film Ordinance and Best Practices, making a clear and explicit expression of support for the entertainment industry, which is one of Southern California's most important and touchstone industry clusters.

Unemployment At A Glance

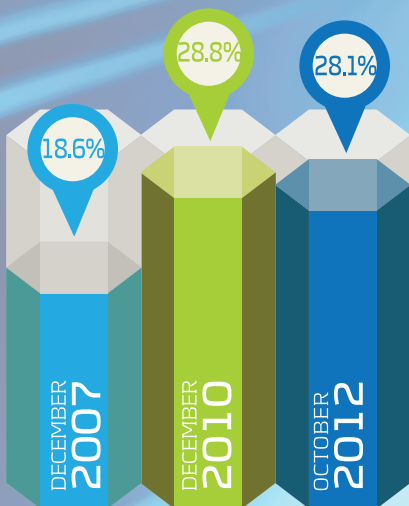
Between December 2007 and July 2009 the six counties that encompass Southern California experienced the deepest and longest recession since the 1930s with 1 million jobs lost. Even though the recession technically ended over three years ago, California continues to have the third highest unemployment rate in the nation with 1.8 million out of work including nearly 900,000 in the region.

Two years ago, at the Southern California Association of Governments (SCAG) inaugural Economic Summit, lead Economist Jack Kyser along with a team of economic advisors compared the pre-recession to post-recession unemployment numbers in the region, State of California and U.S. The purpose was to determine the number of jobs that would need to be created to return to peak level employment in each county.

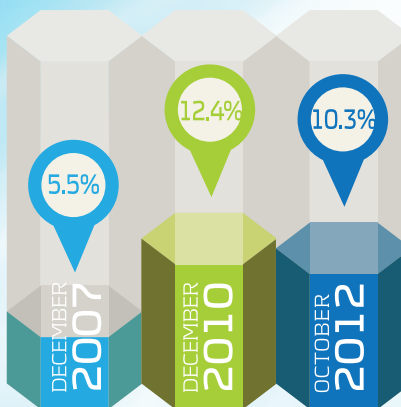
This year's summit includes a comparison of three time periods: 2007 (pre-recession), 2010 and 2012. As shown in the graphs to the right, unemployment levels are below their peak. However, none have returned to the level prior to the Great Recession.

Unemployment Throughout the SCAG Region ..

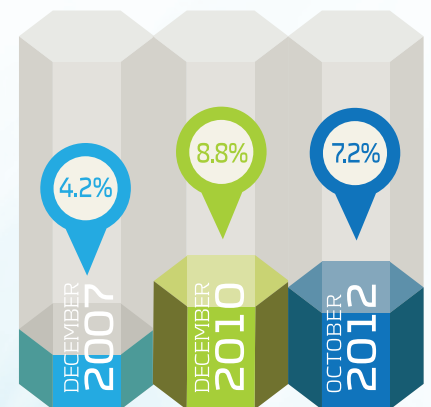
IMPERIAL



LOS ANGELES

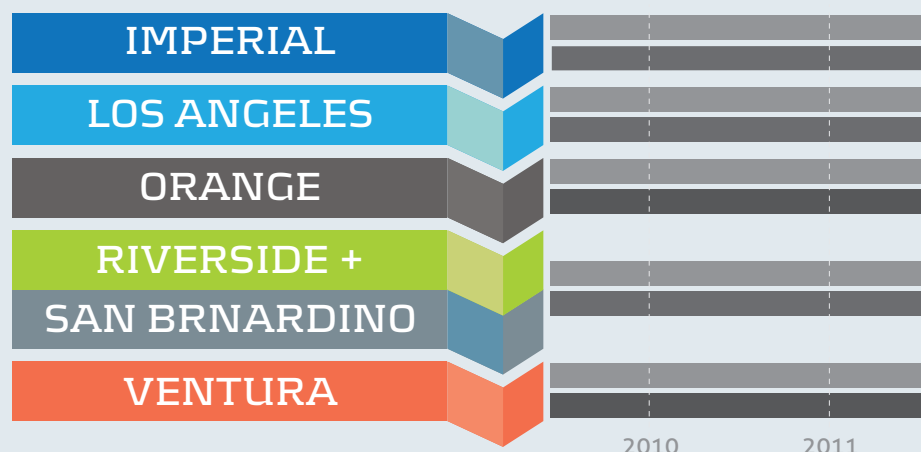


ORANGE



Recovering Lost Jobs In SCAG Region

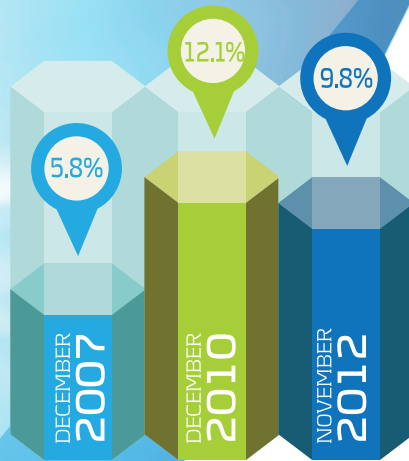
In the fall of 2012, the economic team once again reviewed and analyzed the current economic indicators and employment trends to estimate a probable timeline for economic recovery by each county. The region is experiencing economic growth and job creation, but the rate is slow, uneven and inconsistent. The graph below outlines the projected best and worst case time frames for each county to return to pre-recession unemployment levels. Note the difference between Kern County where the recovery range is between 2013 and 2015 compared to Los Angeles County whose recovery date could reach as far out as 2020.



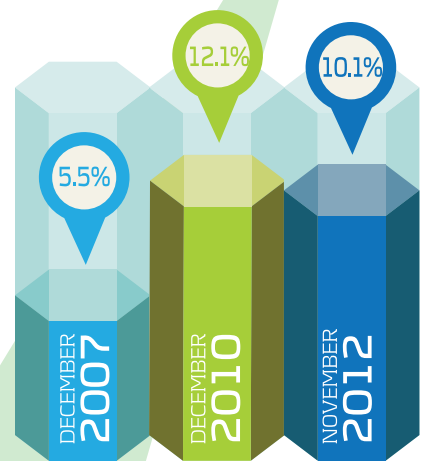
UNITED STATES



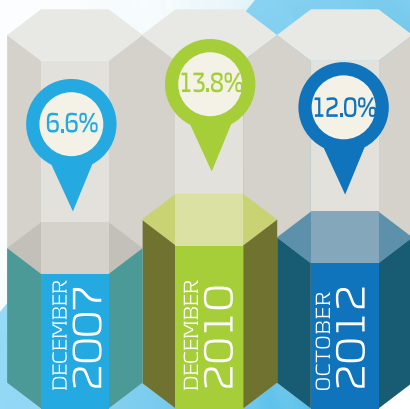
CALIFORNIA



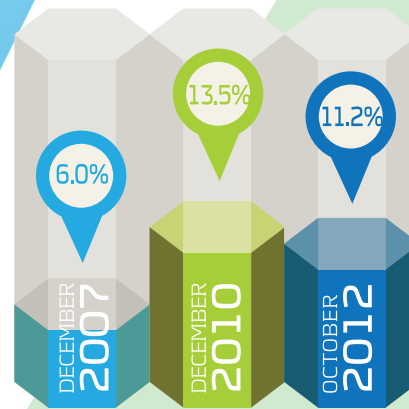
SCAG REGION



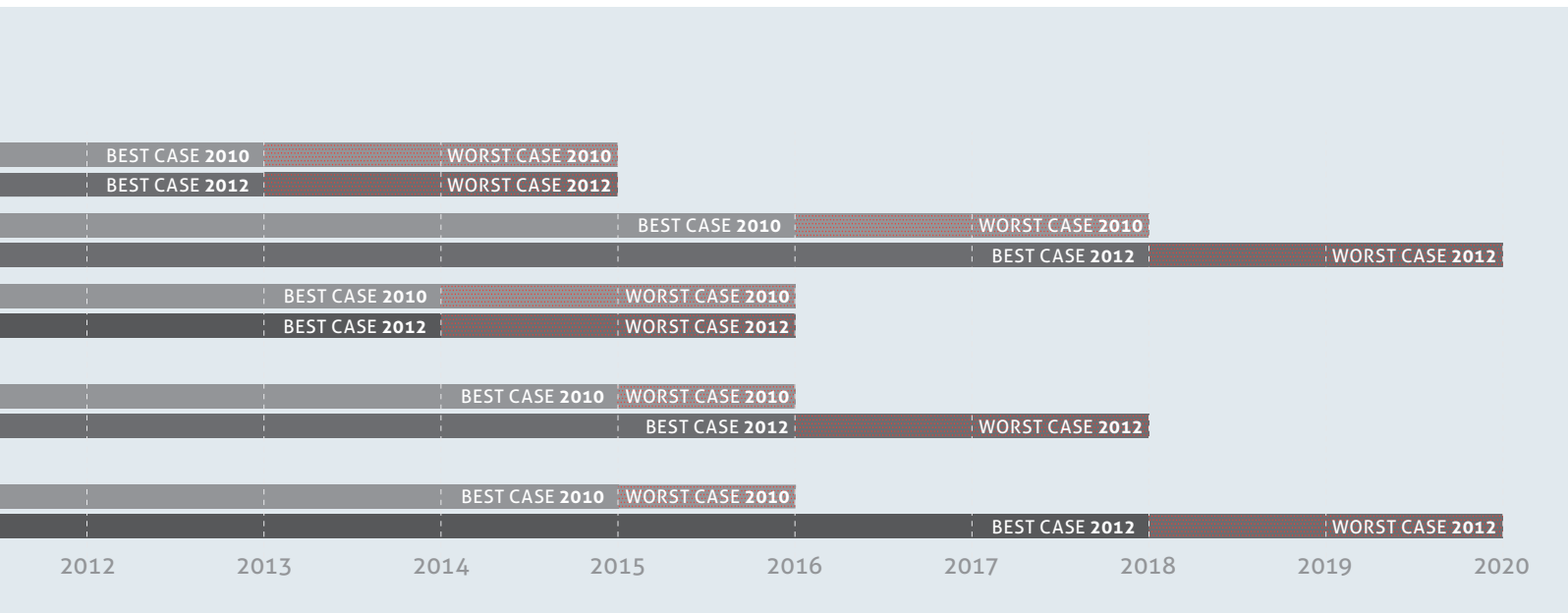
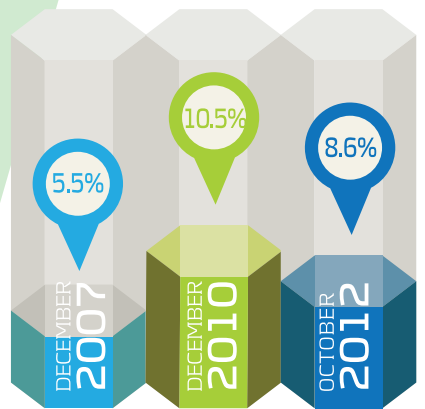
RIVERSIDE



SAN BERNARDINO



VENTURA



Industry Clusters of Southern California

The six counties of Southern California including Los Angeles, Orange, San Bernardino, Riverside, Ventura and Imperial encompass 191 cities and more than 18 million residents in an area of more than 38,000 square miles. The region has a diverse and dynamic workforce of almost 9 million with a gross regional product of \$886 billion, larger than that of Turkey, Switzerland or Indonesia.

In the current economic climate, the region faces challenges in preparing an educated and skilled workforce that is able to compete in the global marketplace, in allocating sufficient resources to maintain or deliver critically-needed infrastructure under strained budgets, in fostering a climate of technological innovation and product development and in pursuing sustainable growth in the face of economic realities.

To better focus and tailor policy and economic development efforts, we need to examine how industries and regions compete, succeed and prosper, and deploy methods that will allow comparison of our regional performance against that of other regions.

What are Industry Clusters?

Clusters are geographic concentrations of firms, suppliers, support services, infrastructure, and so on, which form in specific locations. This geographic clustering enables firms to compete and collaborate more efficiently, increasing demand for their supplier industries, encouraging the growth of specialized local infrastructure, developing a pool of specialized labor, and, through rivalry and proximity, spurring innovation and new advancements.

Why are They Important?

Industry clusters can illustrate why location still matters in an increasingly global economy. Businesses succeed in specific locations because their connections to a specially skilled local workforce, as well as the availability of strong local suppliers in proximity to one another, generates business advantages that can neither be imitated, nor replicated elsewhere by low-cost competitors.

Industry clusters can be utilized in a variety of ways:

- Connect groups of private sector firms for their mutual benefit;
- Foster communication between the public and private sectors; and
- Used as a vehicle for organizing public policy.

The Relationship to Southern California's Economy

Southern California has a specialized concentration of industry clusters that, overall, give the region a competitive advantage. Trade, entertainment, hospitality and tourism are just some amongst the vast number of clusters in Southern California that employ hundreds of thousands of individuals and contribute hundreds of billions of dollars into the region's economy.

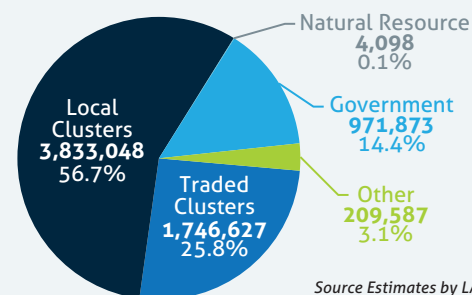
Cluster Types

Local Industry Clusters: Provide goods and services to the population of the local region, such as eating establishments and local medical services, and have limited exposure to other markets.

Traded Industry Clusters: Comprised of industries that are more highly concentrated in a few regions, and that provide the potential for wealth creation through exports.

Natural Resource Clusters: Comprised of industries that are located where the natural resources that support them are found.

Employment in 2011 SCAG Region



Source: Estimates by LAEDC

Largest Traded and Local Industry Clusters in SCAG (By employment, 2011)

Traded Clusters	Employment	LQ
Trade ¹	269,609	1.3
Business Services	267,661	0.9
Entertainment	180,503	3.2
Hospitality and Tourism	131,897	1.1
Education and Knowledge Creation	124,863	1.0
Financial Services	89,840	0.8
Fashion ³	77,528	2.8
Processed Food	56,916	0.8
Biomedical ²	56,265	1.6
Aerospace	52,278	2.0
Analytical Instruments	50,336	1.9
All Other Traded Clusters	388,931	
Total Traded Cluster Employment	1,746,627	1.1
Local Clusters	Employment	LQ
Health Services	668,661	0.9
Local Commercial Services	613,128	1.1
Local Hospitality Establishments	573,926	1.0
Real Estate, Construction, and Development	426,497	1.0
Local Retail Clothing and Accessories	240,388	1.0
All Other Local Clusters	1,310,447	
Total Local Cluster Employment	3,833,048	1.0
Natural Resource Clusters	4,098	0.1
Government	971,873	0.9
Other	209,587	2.3
Total Regional Employment	6,765,263	

¹ Includes Transportation and Logistics and Distribution

² Includes Biopharmaceuticals and Medical Devices

³ Includes Apparel, Footwear, Jewelry and Precious Metals, Leather and Related Products, and Textiles

Sources: CA EDD; BLS; Estimates by LAEDC

Economic Benefits of Accelerating Five Years of Projects

Benefits

In April of 2012, the Southern California Association of Governments unanimously approved the 2012–2035 Regional Transportation Plan/Sustainable Communities Strategy (2012–2035 RTP/SCS).

The 2012–2035 RTP/SCS is a long-range plan that improves overall mobility, reduces greenhouse gases and enhances the quality of life for the region's residents and will create approximately 500,000 jobs per year over the life of the plan by increasing the global competitiveness of Southern California.

But with the region's economy in a slow recovery, how can transportation investments accelerate Southern California's Economic Recovery?

Question





Transportation projects face many hurdles to faster project delivery methods, including funding availability challenges, environmental review process issues, and other process uncertainties such as agency coordination. Many opportunities exist for transportation project delivery streamlining and expediting (such as "Breaking Down Barriers," "America Fast Forward," Process Reforms, Updating CEQA, etc.). According to Caltrans, the average major transportation project takes 17 years to complete. What are the economic benefits of accelerating the building of these projects faster, adding construction jobs now and increasing the region's competitiveness sooner? In short, what is the real cost of delay?

Methodology

SCAG engaged prominent economists from throughout the SCAG region to answer the question. Without focusing

on how the projects were moved forward, the economic team developed methods to analyze the impacts to the economy of moving a 5 year tranche of the 2012–2035 RTP/SCS forward 5 years. Investments planned for 2021–2025 were added to the investments committed in 2016–2020. And the benefits the plan achieved in 2025, air quality, greenhouse gas reduction, mobility, were assumed to be realized in 2020. The team used the REMI TranSight Model to analyze the results, the same economic impact model that was used to estimate the economic benefits of the SCAG 2012–2035 RTP/SCS.

Quick Figures

	JOB PER YEAR	5 YEAR GDP TOTAL
CONSTRUCTION JOBS 	102,143	\$35.1B
NETWORK BENEFITS 	120,639	\$71.2B
OPERATIONS 	83,654	\$49.8B
CONSTRUCTION COST SAVINGS <div> <div> \$1.25B– \$1.95B <i>per year average</i> </div> <div>  </div> <div> \$6.8– \$9.9B <i>5 year period</i> </div> </div>		

Benefits of Accelerated Project Delivery

Construction – Job Creation

- Accelerating transportation projects by five years will lead to 102,143 jobs brought forward per year. These jobs will be created sooner in an industry crucial to Southern California's economic recovery.

Network – Infrastructure Enhancement Leads to Enhanced Employer/Employee Match, Improved Goods Movement

- Infrastructure enhancement leads to an expeditious and enhanced economic competitiveness with 120,639 jobs created per year.

Operations – Impact of Improved Transportation System Saves Residents Time, Money Sooner

- The reduction in travel time, emissions, fuel consumption and vehicle operating costs will lead to an additional 83,654 jobs per year. In addition, an increase in road safety and preservation of system infrastructure.

Construction Cost Savings

- Advancing five years of projects results in a decrease in construction cost by \$1.25–1.95B (or 5–9% of construction cost). Savings can be reinvested in additional transportation infrastructure and services.

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2013 State Legislative Priorities

- ➔ **Project Streamlining & Expediting:** Support legislation directed at CEQA modernization and process reform that expedites project delivery and the creation of jobs. For example, concurrent rather than consecutive environmental review, and expedited judicial review of challenges to environmental rulings.
- ➔ **Financing & Community Investment:** Support legislation to expand use of innovative finance structures to spur new opportunities for economic development, community reinvestment, and the development of transportation projects and infrastructure investment, including Public-Private Partnerships (P3s), Private Equity finance, and flexibility of local government to adopt alternate financing structures such as Infrastructure Financing Districts and local, targeted finance authorities.
- ➔ **Cap & Trade:** Support legislation that ensures the revenues generated from the implementation of the Cap & Trade program are allocated to transportation improvements that result in the reduction of pollution and GHG emissions commensurate with the transportation sector's impact in causing these emissions.
- ➔ **'MAP-21' Implementing Legislation:** Support state legislation that ensures funding under the new federal surface transportation reauthorization law, MAP-21 (Moving Ahead for Progress in the 21st Century), is invested in transportation projects that improve air quality and expand the capacity of the entire transportation system from state highways to intercity rail.
- ➔ **Vote Threshold for Local Government to Approve Local Tax Measures:** Require a 55% voter approval threshold for the creation, extension or increase of a local tax measure to fund local infrastructure projects. The current threshold requires a 66.6%, or super-majority, approval rate.
- ➔ **International Trade and Ports:** Support legislation that will increase exports congruent with President Barack Obama's National Export Initiative (NEI) to double exports and create two million jobs over five years. In addition, prevent the loss of international trade-related jobs in the Southern California region that are at jeopardy from the expanded investments by East and Gulf Coast Ports and the Panama Canal. Suggested/Recommended ideas include providing tax credit certificates to exporters and importers and re-establishing the California Export Finance Office (CEFO).
- ➔ **Triple Bike Racks:** Support legislation that allows public buses to increase the bike rack length to allow for the transport of three bikes. Current regulations limit the capacity at two bikes and do not support the public's request for additional active transportation options.
- ➔ **Criminal Justice Realignment:** Support legislation that clarifies local governments' challenges and concerns with implementing criminal justice realignment.
- ➔ **Affordable Housing:** Support legislation that provides alternative sources of funding or structures for development of affordable housing.
- ➔ **Water Bond:** Support legislation that invests in water infrastructure that establishes a sufficient and reliable source of water to the Southern California region, which comprises approximately half of the state's population and commerce.



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