REPORT

DATE: February 1, 2007

TO: Community, Economic, and Human Development (CEHD) Committee

FROM: Regional Comprehensive Plan (RCP) Taskforce
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SUBJECT: Economy Chapter of the Regional Comprehensive Plan – Initial Performance Outcomes and Strategy

EXECUTIVE DIRECTOR'S APPROVAL:

RECOMMENDED ACTION:

Release the Economy Chapter preliminary performance outcomes and strategy for the Regional Comprehensive Plan for review and input, and direct staff to make technical refinements.

BACKGROUND:

The development of the RCP has proceeded through several stages, including process design and approach, policy compilation and review, and development of preliminary action plans. The process calls for the crafting of specific quantified performance outcomes as a central feature in each chapter. The outcomes represent the region's desired future position amongst a range of factors. Subsequent to defining these outcomes, the planning process will focus on crafting strategies to assure that the outcomes are achieved.

The RCP Task Force has engaged in in-depth discussion and actions surrounding the Economy chapter. This has included the creation of a policy paper that has guided what the chapter should undertake as its main outcomes and strategies in March 2005. This memo presents preliminary outcomes approved by the RCP Task Force consistent with the previously approved policy paper.

Below are preliminary outcomes, as they relate to the Task Force's initial policy paper. These outcomes will be made more specifically quantifiable pending further input on the chapter.

Outcomes

1. Employment/ Prosperity – Growth in the region's regional economic prosperity should be shared broadly by residents through the region.

2. Income- A higher percentage of wage earners will earn sufficient income to cover basic needs.

3. Green Economy - The region will derive a significant percentage of its total economic activity from sustainable economic practices, including but not limited to development of alternative fuels, conversion technologies, sustainable agriculture, etc.

Strategy
The region will achieve these outcomes in the following way:
1. Continue and augment implementation of the 2% Strategy
2. Develop and maintain the region's key infrastructure
3. Attract, retain, educate, and train a diverse labor force.
4. Target public assistance for desirable job market

As with other RCP Chapters, performance outcomes for the Economy chapter are of prime importance, and as such, should clearly and succinctly state the region's key, measurable objectives. Performance outcomes should be limited in number (2-4 per chapter), and should be both ambitious and achievable.

The RCP Task Force has recommended approval for the preliminary outcomes described above. Pending action from the CEHD Committee, staff will seek input from cities, counties, sub-regions, other regions, and various other stakeholders and experts on whether these outcomes are appropriate, achievable and a good representation of the policy priorities of the region.

In approximately 6 months (July 2007), staff will present a full final draft of the Economy Chapter for consideration by the Task Force, CEHD, and the Regional Council. The final RCP is scheduled to be adopted along with the Regional Transportation Plan (RTP) in December 2007.

FISCAL IMPACT:

Work performed for the Regional Comprehensive Plan is included in the current year SCAG Overall Work Program (07-035.scgs1).

Reviewed by:
Division Manager

Reviewed by:
Department Director

Reviewed by:
Chief Financial Officer

This Draft RCP Economy and Education Chapter, as presented, is preliminary and has not been subject to formal approval of the SCAG Regional Council or any Committee. The draft Chapter is based on the discussions of the RCP Task Force and is being made available at this time for information and for suggestions.

Draft Economy and Education Chapter[1]

May 2005

Regional Comprehensive Plan Task Force

OVERARCHING THEME STATEMENT

A bold new strategy is needed to ensure the SCAG region economy flourishes in the future. The first step is to identify the actions we as a region can take to improve our attractiveness to enterprise and create jobs that will enable all the region's workers to meet basic needs. The Compass Growth Visioning principles--in particular livability, prosperity, and sustainability--can serve as the foundation for this new economic strategy. In order to satisfy the prosperity and sustainability criteria, ~~regional [local~~ government~~?]~~ policies must be developed that enable business to be profitable and competitive regionally, nationally and internationally while at the same time ensuring sufficient growth in employment and incomes to alleviate poverty and meet the needs of all who participate in the economy. Community planners and businesses should be encouraged to provide a variety of housing to meet the needs of all income levels; housing should be located near jobs; and environmental justice must be ensured. Governments and private sector organizations in the SCAG mega-region must think strategically as they develop plans for their future.

Revised Economic Policy Statements

Regional Economic Goals

1. Income targets for 2030 should be phrased in terms of desired growth rates of real income and meeting basic needs.
2. Growth in the region's economic prosperity should be shared broadly by residents throughout the region.

Regional policy makers need to be concerned with five major categories of competitive resources:

a. A competitive work force
b. Efficient infrastructure
c. Quality of life
d. The "business climate"
e. Business leadership

Attracting, retaining, educating and training a diverse labor force has become an increasingly important objective for regional economies. More emphasis needs to be put on this objective given the low level of educational achievement of much of our work force and working age youth. The ability to attract workers (and firms) is dependent upon critical infrastructure investment that can create good schools, mitigate congestion and crime problems, and create world class recreational opportunities.

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[1]Based on the Revised Economy Chapter of the 1996 RCP&G, the 2004 RTP, Southern California Compass, and the "Southern California Regional Strategy for Goods Movement: A Plan for Action" (March 2005)

For the region to remain globally competitive and at the same time locally self-reliant, significant new investment will be required to expand capacity in order to benefit from the strong growth in international trade expected. Quality of the environment must also be respected.

Governments and private sector organizations must develop global trade logistics infrastructure support facilities that will help local businesses remain competitive and assist the region in attracting ~~foreign~~ investment. Public investment is necessary to attract private investment, as well as to maintain and improve the quality of life. Quality of life, in turn, includes a safe and healthy environment, ~~al amenities~~, adequate resources to combat crime, community and domestic cultural resources, affordable housing, and efficient transportation systems.

Rules and regulations are a factor in business location . . . Southern California cannot ignore the implications of permit processes on location decisions. State and local government must have flexibility to meet needs in order to bring businesses and jobs into the community. SCAG should explore ways to assist cities in mitigating delays caused by permitting. Speeding up the permit process is a real need in view of the housing crisis.

~~The new economy makes impractical and inappropriate the old hierarchical, big company-dominated (leadership) structures of the past. It will require a new kind of business leadership—drawing from the region's increasingly diverse economic and demographic base~~.
The new economy requires a new kind of business leadership--drawing from small and medium-size business and the region's increasingly diverse economic and demographic base.

The region must increase its share of employment in those industries and service sectors where wages and salaries will be higher than average and where growth nationwide and internationally is expected to be strong. This could include the emerging information-driven industries which typify the fast-growth, high-wage arenas that will define the nation's economic future. However, everyone who participates in the economy should be able to meet his or her basic needs on a sustained basis for the common good. The new model should include jobs designed to meet environmental goals. It should also include industries with a defined career ladder that do not necessarily require advanced education (e.g., logistics). FedEx and UPS are examples of this type of industry.

A state-of-the-art strategy to energize basic industry will require collaboration and cooperation through industrial clusters . . . The first step is to increase awareness of both the private and the public sector in the region as to what efforts are already under way supporting industry cluster formation.

Fundamental fiscal reform at the state and local level--involving sales, property, and income taxes--will be required in order to meet the capital investment needs of the region's economy~~.~~ ~~The paramount importance local government accords sales tax revenue places a premium on tax generating retail business rather than on wealth-generating basic industry.~~ State fiscal reform--including curbing state government's ability to hijack local school and transportation funds--is most urgent. At the local level, de-emphasis of sales tax is needed.

It is the responsibility of SCAG and other regional organizations, in cooperation with regional businesses, to ~~achieve~~ facilitate buy-in at the subregional, city, and county levels to the need for

expanding the region's economic base. City management and . . . local elected officials must become active partners in the regional economic strategy.

Economic Policy in the 2004 Regional Transportation Plan

"The 2004 RTP boosts regional employment economic vitality through transportation infrastructure investments funded through the private sector and backed by user fees . . . This regional strategy, if successful, will become a powerful economic development tool that will generate jobs, increase per capita wealth and restore economic competitiveness and social equity. In the long run, private sector infrastructure investments can revitalize the SCAG Region's economy and enhance its global economic position . . . Moreover, the economic benefits from private investments of this magnitude will not be confined to the SCAG Region; positive State and national economic impacts will also be generated."

The fuel excise tax rate should be adjusted to maintain historical purchasing power. Further, fuel tax revenue needs to be maximized through pay-as-you-go and debt financing. Pursue user-fee supported project financing for major regional investments where applicable. Public-private partnerships are desirable because they conserve public funds for other uses. With such partnerships, the cost of building transportation infrastructure is borne by those who benefit most directly—the users of the facilities.

Economic Policy in the Southern California Goods Movement Policy Paper

Background
One-third of all waterborne freight container traffic at U.S. ports is handled by the Ports of Los Angeles and Long Beach. Fifty to seventy percent of the freight coming into these two ports is headed for destinations outside the region . . . Southern California provides these services to the nation while enduring substantial local burdens, including traffic congestion, air pollution, noise, public health impacts, visual blight, and freight-related safety incidents. These burdens are not compensated, thus forming an effective subsidy for lower-priced goods in other states . . . The national purpose served by Southern California's goods movement system points to the need for strong federal assistance in addressing the problem.

The federal government should explore ways to compensate the region for the services it provides, and should take legislative action to allow the region to pursue innovative funding strategies to build the needed infrastructure.

Improvements to the goods movement system should not come at the expense of other transportation system investments . . . Other sources of public and private funds must be tapped (homeland security, environmental protection, defense funds, user fees, and growth in customs fees, among others). The freight logistics industry is an important provider of jobs in the region. It employs more than 600,000 people, or 8 percent of total regional employment. SCAG's projections show that the industry will almost double its employment size by 2030, reaching more than one million jobs, representing 10 percent of total regional employment.

Given current limits on local and state finances, innovative methods will be needed to procure and pay for these system improvements. Both the Federal and State governments must act to support innovative procurement and public-private funding mechanisms. Policy makers have the responsibility to enhance innovative financing opportunities so that public funds can better support critical goods movement projects. ~~(Note: The Goods Movement Policy Paper contains a list of innovative financing arrangements that involve local borrowers and the state and federal governments. While these are not strictly economic policy measures they are included here because they involve financial activities that are related.)~~

Three types of initiatives are currently being implemented by public and private sector goods movement stakeholders in southern California:

- Operating enhancements
- Environmental mitigations/enhancements, and
- System/physical enhancements.

Each category includes both short-term actions – generally, those that will have an effect immediately, or within about the next five years – and longer-term actions.

RCP Task Force General Comments on Goods Movement Policy

Goods movement: how do we make it work? Some see increased goods movement resulting in less wealth at the cost of large air quality impacts, etc. Impacts of ports are felt on a number of freeways (e.g., 710, 110). Are such effects sustainable? How do we reduce impacts on those who don't see offsetting wealth benefits? Bottom line for many is: "how big is big enough?"

Southern California Compass: Growth Visioning and Economic Policy

Background

Among the strategies and principles for managing growth crafted by the Growth Visioning Subcommittee the ones most relevant to economic policy are Mobility, Prosperity, and Sustainability. Much of what the Compass project has to say in these areas is covered in the revised overarching theme statement and the sections above, but it may be worthwhile to rephrase it in Growth Visioning terms.

Under "**Mobility**" the following recommendations appear:

- Encourage transportation investments and land use decisions that are mutually supportive.
- Locate new housing near existing jobs and new jobs near existing housing.

The "**Prosperity**" principle is stated as "Enable Prosperity for all people." ~~virtually the same as statement #2, above, from the Economy chapter of the RCP&G.~~ Under this principle we find:

- Provide in each community a variety of housing types to meet the needs of all income levels.
- Support local and state fiscal policies that encourage balanced growth.

The "**Sustainability**" principle has to do with accommodating growth while avoiding development of sensitive open space resources. Sustainability includes:

- Developing strategies to accommodate growth that use resources efficiently, eliminate pollution, and significantly reduce waste; and
- Focusing development in urban centers and existing cities.