

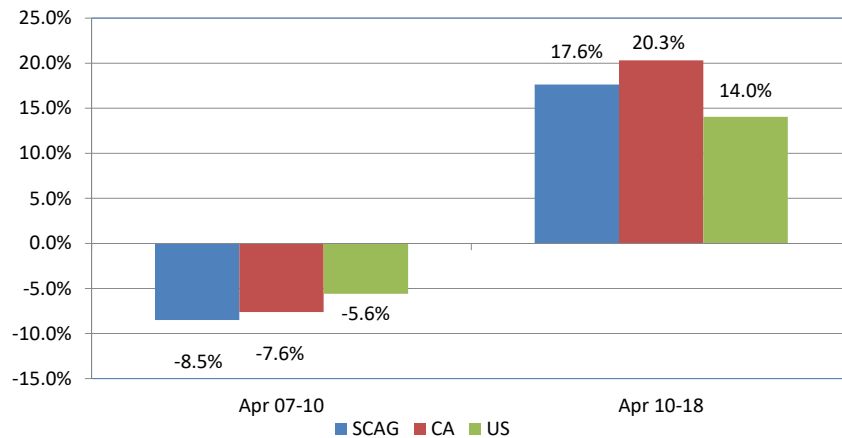
## SCAG Region Economic and Housing Trends: Impact on the Region and the Middle Class

Stephen Levy, CCSCE  
SCAG-USC Demographic Workshop  
June 11, 2018

### A Strong Upturn Following A Deep Recession

- Job growth outpacing the nation
- Good news on unemployment
- Record levels of port and airport activity
- A more mixed picture on sectors and wages

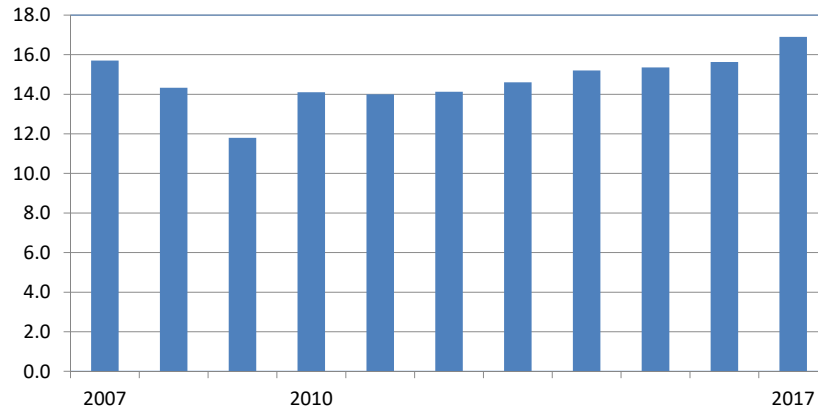
## Non-Farm Job Growth



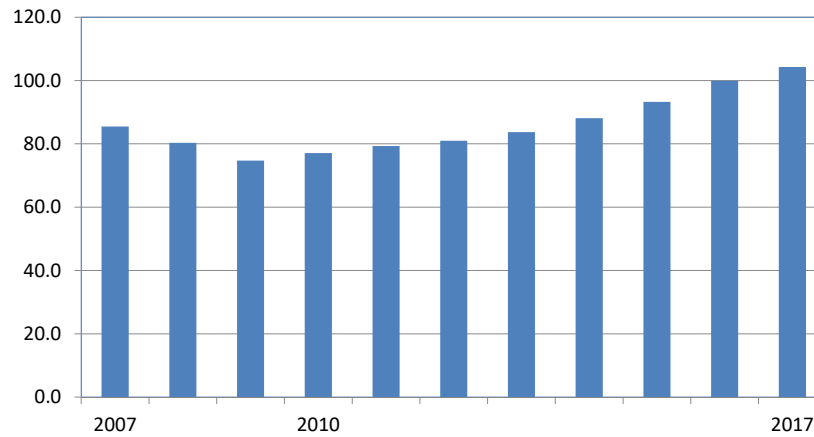
## Labor Force Trends April 2007—April 2018

- The region added nearly 600,000 workers
- While the number of unemployed residents fell by 55,000
- And the unemployment rate of 4.7% in April 2007 became 11.9% in April 2010 and then fell to 3.8% in April 2018.

## Los Angeles Customs District (Millions of TEUs)



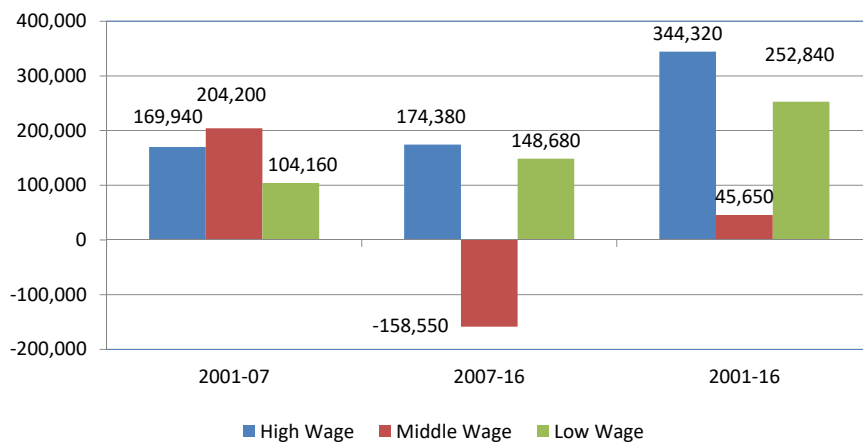
## Passengers at SCAG Region Airports (Millions)



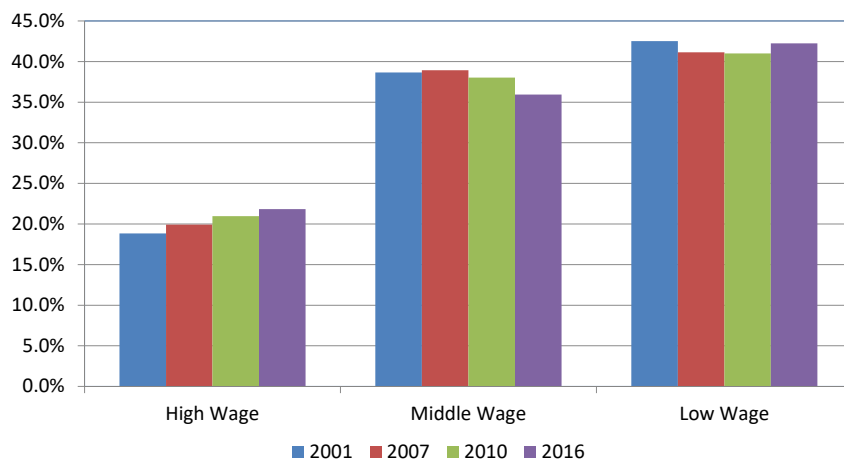
## Examining Occupational Job and Wage Trends

- A high level look at the wage groups:
  - Low (Up to \$15 an hour in 2017)
  - Middle (From \$15 to \$30 an hour)
  - High (Above \$30 an hour)
- Looking at broad occupational groups and a few detailed examples
- Note: Most low wage jobs paid under \$13 an hour in 2017

## Not Much Growth in the Middle (Growth in Jobs)



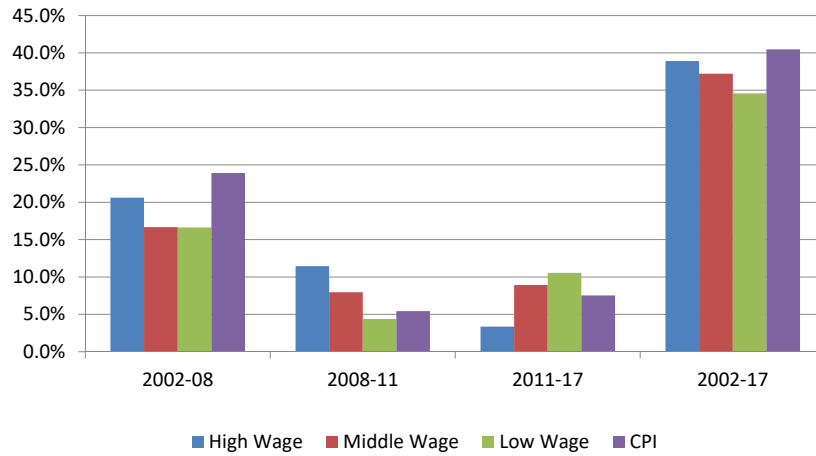
## Share of Jobs by Wage Group



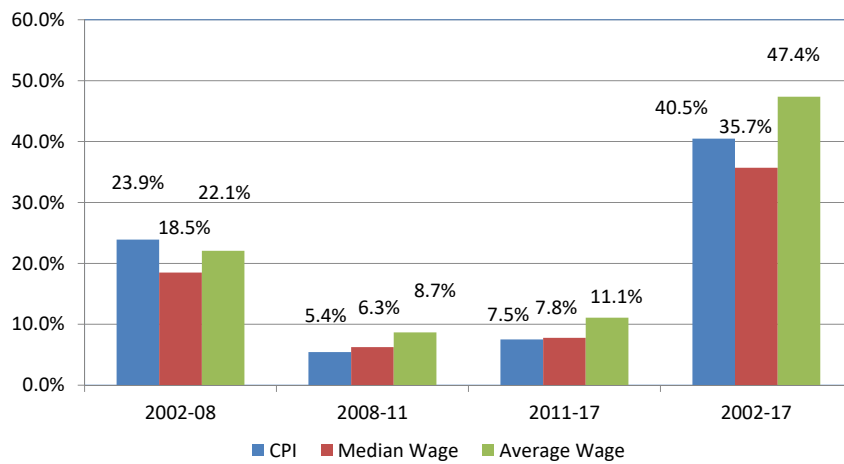
## Wage Trends Show Interesting and Some Unexpected Results

- Median wage growth has slightly lagged inflation for the past 15 years
- There was not much difference among the wage groups
- Low wage workers have seen larger wage gains since minimum wages went up
- The big finding is that average wages have outpaced inflation meaning that within each group the higher wage earners have seen larger wage gains.

## Median Wage Growth Compared to Inflation



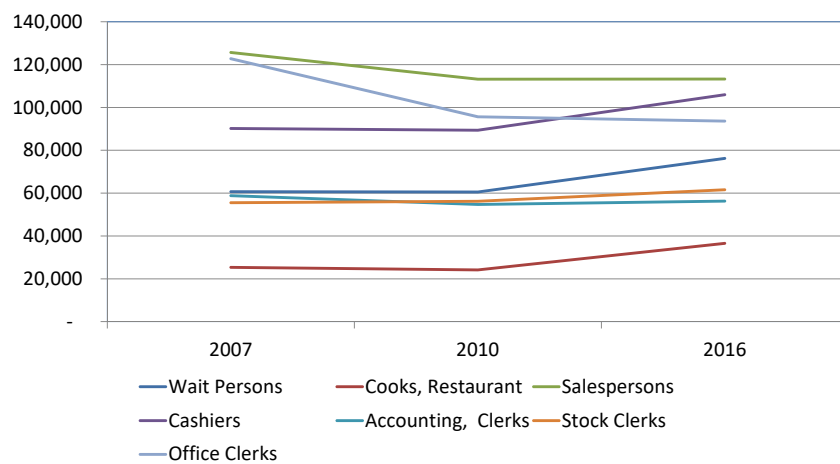
## Growth in Median and Average Wages Compared to Inflation



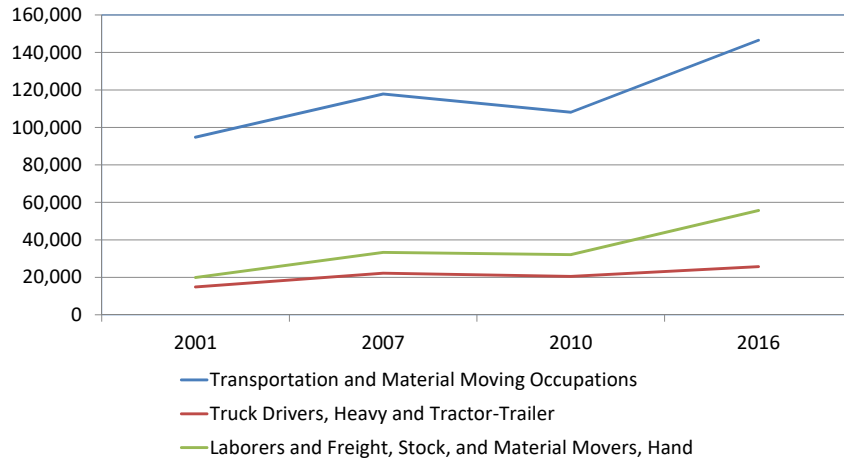
## A Very Brief Look at Automation

- Studies suggest job change not net loss. The challenge is handling the transition impacts
- The timing is uncertain
- There is debate over whether low or middle wage jobs are most at risk but the middle is definitely at risk
- Recent trends are interesting but not indicative necessarily of the future

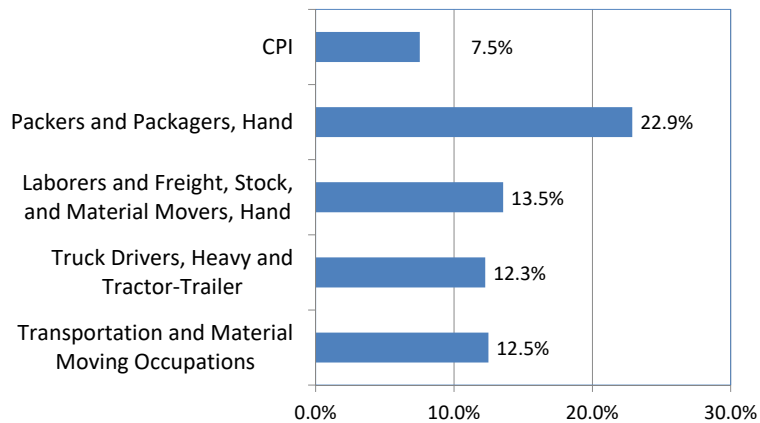
## Los Angeles County Trends



## Logistics Jobs Riverside-SB Metro



## Median Wage Growth Compared to Inflation Riverside-SB 2011-2017





## Policy Implications

- For economic prosperity broadly based and responding to automation
- **THE BOTTOM LINE IS THAT WE ARE ALL IN THIS TOGETHER. THOSE GOALS CAN ONLY BE ACHIEVED IF WE DO ALL OF THE THREE STRATEGIES ON THE FOLLOWING CHARTS**

## Regional Prosperity Strategies from HUD Funded Upward Mobility Project

**Strategy 1: Improve career pathways** from low and moderate wage work to middle wage jobs. Prepare residents for success.

**Strategy 2: Grow the economy.**

**Strategy 3: Upgrade working conditions and the safety net,** particularly for workers in existing low-wage and moderate-wage jobs.

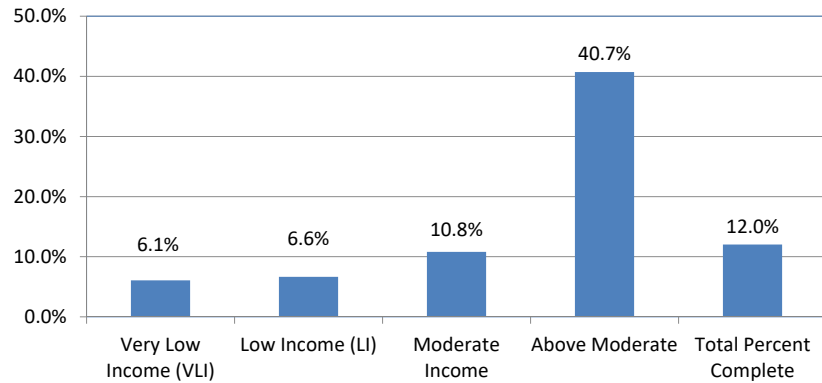
## McKinsey Automation Report Policies

- Ensuring robust demand growth and economic dynamism is a priority: history shows that economies that are not expanding do not generate job growth.
- Midcareer job training will be essential
- Another priority is rethinking and strengthening transition and income support for workers caught in the crosscurrents of automation.
- Two perspectives, same conclusions

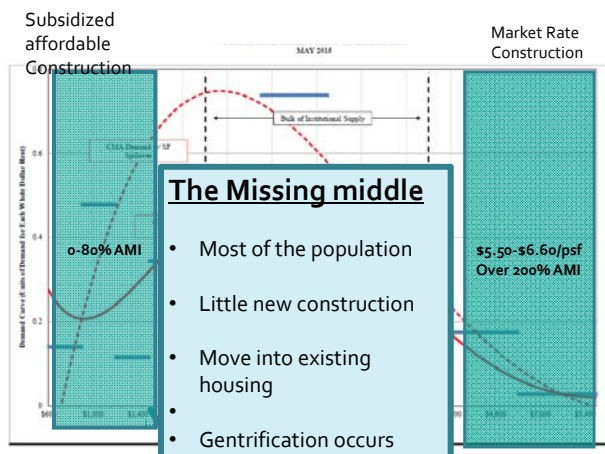
## Housing Cost Increases Affect Our Take on Recovery and the Middle Class

- Rents increasing faster than wages during the recovery: home prices rising even faster
- And a large shortfall of housing built compared to demographic demand
- And most new housing is priced for more affluent residents

## % of SCAG RHNA Goal by Income



## “Bar Bell” Effect and the Missing Middle We build subsidized affordable...and luxury



20 Years Ago 120% AMI was “Market” in Bay Area  
Now everyone paying higher % of income for too few choices

## Sample CASA proposals for Missing Middle: Missing Middle Density Bonus

**Problem:** Missing middle housing currently cannot amortize impact fees or inclusionary over small number of units.

**Action Plan:**

- 35% -50% density bonus including in low density zones
- 20% units would be sold or rented between 100% and 150% of median
- More small MF projects get exceptions and waivers critical in low density zoned areas
- Cap/reduce mitigation and housing fees for MM projects, convert fees to PSF not per unit

**Impact:**

- More MM and family housing in more housing projects that become more feasible due to MM focus
- More ownership opportunities in smaller more affordable homes
- Add greater variety of families and incomes in high opportunity exclusive neighborhoods
- Allows more MM units to be built without subsidy-concentrate subsidy on 30-120% AMI

## #2: Carrots and Sticks to Create Missing Middle Housing

**Problem:** Cities resistant to zoning changes to allow more MM housing

**Action Plan: Carrots and Sticks to Create more MM housing**

- Fund cities to modify their zoning to allow MM, reward with additional State/Regional \$
- Require for Housing Element Certification in at least 20% of land zoned to preclude these types, especially near transit
- Add category to RHNA (120-180% AMI)

**Impact:**

- If 20% of Bay Area land now zoned for 1.5MM single family homes were zoned to allow 3 homes  
an increase of 600,000 homes by 2040
- Better geographic distribution of housing throughout all cities/neighborhoods
- Improved access to high opportunity places for families today precluded by income
- Cities choose the places to increase density by 2x-3x and can focus on transit or other areas with carrots as rewards and sticks as requirement

## Workforce and Housing Share the Same Policy Reality

**WE ARE ALL IN IT TOGETHER**

**WHAT WORKS BEST ARE POLICIES FOR ALL GROUPS AS WE ARE  
SHORT OF SKILLED WORKERS AND HOUSING AND NEED TO  
HELP RESIDENTS WHO WILL REMAIN WITH LOW INCOMES**

**IN THESE CASES SILOS (MY PEOPLE ARE THE ONLY PEOPLE WHO  
COUNT) ARE THE ENEMIES OF PROGRESS**