


# REPORT

**DATE:** June 7, 2012

**TO:** Executive/Administrative Committee (EAC)  
Regional Council (RC)

**FROM:** Hon. Glen Becerra, President 

**SUBJECT:** Phase II: Southern California Economic Recovery & Job Creation Strategy

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## RECOMMENDED ACTION:

Authorize staff to develop Phase II of the Southern California Economic Recovery & Job Creation Strategy in partnership with member cities, counties, business leaders, organized labor, and other key stakeholders. In addition, authorize the Executive Director to execute contracts with necessary professional service providers to assist staff in implementing the activities summarized below.

## EXECUTIVE SUMMARY:

*In June, 2011, the Southern California Economic Recovery & Job Creation Strategy (“Strategy”) was approved by the Regional Council. The Economic Strategy identifies opportunities for SCAG to partner with member cities, counties, business leaders, organized labor, environmental groups, and other key stakeholders to create jobs to reduce or remove high-priority economic challenges and provide solutions to expedite Southern California’s economic recovery. Phase II continues this effort by outlining additional activities that focus on the areas of reforms, advocacy, cluster analysis and economic impact analysis. At their May 22, 2012 meeting, the Greater Land Use and Economic Council review the below plans and recommend support.*

## STRATEGIC PLAN:

This item supports SCAG’s Strategic Plan, Goal 1: Improve Regional Decision Making by Providing leadership and Consensus Building on Key Plans and Policies.

## BACKGROUND:

At the May 6, 2010 SCAG General Assembly, economic advisors provided information about the severe economic challenges facing the cities, counties, and residents of Southern California. They noted that Southern California had lost more than 1 million jobs in our communities, impacting our residents, the economic vitality of our cities/counties, and affecting the region’s global competitiveness. Their remarks included a dim prospect for significant regional economic growth before 2016 unless there was a concerted leadership effort to reduce impediments for creating jobs and stimulating economic investments through incentives.

At the subsequent May 7, 2010 Regional Council Board Retreat, it was concluded that SCAG should identify areas where the agency could be helpful by partnering with cities, counties, economic associations, and other agencies or groups to reduce impediments to regional economic growth and develop a better understanding of the common regional economic objectives established by the cities and counties in the SCAG region. Kern and San Diego Counties were to be included due to the interconnectivity of Southern California’s economy.

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It was suggested that a regional growth strategy be developed in the context of the continuing recession that has affected both Southern California and the nation. Economists agreed that the recovery will be slow and challenging and that some industries have permanently changed, but there was another issue facing our region and state; other states and regions are conducting sophisticated business recruitment efforts to extract businesses out of Southern California.

As a metropolitan planning organization with a focus on transportation, understanding the economic drivers and trends of Southern California is important and is linked to developing a successful Regional Transportation Plan as all of the major industries of Southern California depend on an efficient transportation system.

Apart from data and information provided by the economists engaged by SCAG, the Strategy also received substantial input in the development phase from SCAG's Global Land Use & Economic (GLUE) Council, the Southern California Leadership Council (SCLC), and the Jobs 1st Alliance. SCAG has retained and collaborated with leading business and economic experts to interview business leaders, understand the challenges to expanding business and growing jobs in the region, and sought input on which of the myriad of challenges were common economic impediments across the region to job growth and investment in local communities.

## **Accomplishments to Date:**

### *December 2, 2010 Road to Recovery Economic Summit*

In partnership with the Southern California Leadership Council (SCLC) 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*

SCAG developed a template for local officials to voluntarily support their efforts that Southern California communities are committed to working together to keep businesses within California. The Business Friendly Principles are voluntary and indicate predictability for business investment. Their participation supports the goal to find ways to reduce or remove economic impediments to economic growth. To date, 170 cities and six (6) counties have since adopted "Business Friendly Principles" at SCAG's request.

### *County Economic Reports*

SCAG's independent 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. Their recommendations were reviewed by an independent peer review panel of economic experts.

### *Southern California Economic Recovery & Job Creation Strategy*

With input from member cities and counties, public and private sector leaders, 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 regional priorities that help 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.

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## “Beat the Canal”

With the expansion of the Panama Canal set to open in 2014, SCAG has partnered with the Jobs 1st Alliance, the ports and other key stakeholders to increase the awareness of the possible threat to the Region’s economy from diverted cargo and identify specific identify 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 that identified the employment benefits of the plan from construction expenditures, as well as the economic benefit from an improved transportation system through 2035.

## Legislative Activities

SCAG initiated several bills in the last session that addressed the Board approved goals of the Strategy. One bill was enacted that extended the entertainment tax credit for one year, thus continuing to compete with other states to keep the revenues/jobs from the entertainment industry within the region. Unfortunately, due to the state budget crisis, the legislature did not move forward on other proposed bills that provided for innovative infrastructure financing tools for local municipalities, CEQA streamlining and expedited project delivery.

This state legislative session, there are several bills that SCAG in concert with key stakeholders are working together that implement the approved Strategy. The SCAG State Legislative Matrix ([http://scag.ca.gov/committees/pdf/rc/2012/may/rc052012\\_StateFedLegUpdate.pdf](http://scag.ca.gov/committees/pdf/rc/2012/may/rc052012_StateFedLegUpdate.pdf)) lists those bills such as: CEQA streamlining are included on pages 1-3, financing tools for cities/counties/business on pages 5-7 (examples: support SB 2656, SB 214, SB 475, SB 1151, and 1156), and transportation project delivery on pages 9-13 of the Matrix.

Regarding pending federal legislative accomplishments, SCAG has actively worked with Southern California and national stakeholders on pending policy federal legislation:

[http://scag.ca.gov/committees/pdf/rc/2012/may/rc052012\\_StateFedLegUpdate.pdf](http://scag.ca.gov/committees/pdf/rc/2012/may/rc052012_StateFedLegUpdate.pdf).

The SCAG matrix comparing policy provisions currently in conference regarding H.R. 4348 & MAP-21 (S. 1813) addresses environmental project streamlining on pages 5-6, financing tools on pages 2-3, and new national freight goods movement policy on pages 3-5. Should Congress not enact these provisions in the current session (the bill expires June 30<sup>th</sup>), SCAG would seek their inclusion in the next congressional session.

## **Phase II of the Strategy**

Given the continuing economic challenges facing Southern California, the adoption of the Regional Transportation Plan (with its first ever Sustainable Communities Strategy) and the growing opportunity for even greater partnership between business, labor, and local government, 2012 is the time for SCAG—working with its partner organizations—to develop Phase II of the Southern California Economic Recovery & Job Creation Strategy.

With this in mind, the proposed additional steps in implementing the Economic Recovery Strategy would have the following focus areas as outlined below:

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1. **Reforms** – Emphasis will be placed on uniting the region behind a select list of critical business and economic reforms that are necessary for economic recovery, job creation, and the sustained fiscal wellbeing of our region. These opportunities for reform will be at the federal, state, and local levels, and will take the shape of both legislative and regulatory reforms. Examples of possible actions that SCAG would support with cities, counties, business, labor, and environmental stakeholders include:
  - a. ***Project Streamlining & Expediting*** (i.e. Process Reforms, Modernizing CEQA, etc.)  
SCAG’s economic team will continue to assess economic impacts of transportation investments and cost of delays in the transportation arena, including the economic impacts of project acceleration, project certainty, and implications for the Southern California Economic Recovery & Job Creation Strategy.
  - b. ***Infrastructure Finance*** (i.e. P3’s, Private Equity, New Form of Tax Increment Financing, etc.)
  - c. ***Business Retention & Attraction*** – Reforms necessary to protect and grow our region’s key economic clusters (i.e. Film & Television Tax Credit, Goods Movement Tax Credit, incentives/credits for foreign investors, etc.)
  
2. **Advocacy Strategy** – Once SCAG’s legislative and regulatory reform agenda has been identified and adopted by the Regional Council and supported by partner stakeholders, an advocacy strategy designed to provide the support necessary to achieve passage of the reform agenda is critical to its success and would include:
  - a. ***Engaging Southern California’s State and Federal Legislators*** – The Southern California delegation to the State Legislature (both Senate and Assembly) will be briefed about the components of SCAG’s State legislative and regulatory reform agenda and asked to support it. SCAG business stakeholder partners would communicate which legislators are supporting the approved Southern California Economic Recovery & Job Creation Strategy and which legislators are not. This same approach will also be applied to our Southern California delegation to Congress.  
  

*Proposed Next State Legislative Session*

    - ✓ Hold fall Legislative reception in Sacramento to present package of further job creation, financing tools, and project streamlining bills.  

*Proposed Federal Legislation in Next Congress*

    - ✓ See website for Appendix L of the approved Strategy, which provides detailed recommendations for further actions on expediting projects (“Breaking Down Barriers”), which was prepared by OCTA and is supported by all stakeholders, and Appendix M of approved Strategy for detailed financing mechanisms for expediting projects (“America Fast Forward” Financing Innovation), which was prepared by Metro.
  - b. ***Engaging Southern California Labor Partners*** – SCAG has collaborated with labor partners to provide better information on job creation opportunities, but more can be done.
  - c. ***Marshaling Southern California’s Collective Strength*** – By briefing, asking for support, and coordinating with the collective strength of the officials of the 191 member cities, 6 counties, and dozens of public sector and private sector strategic partners (i.e. business, industry, labor, environmental, public health, education, etc.), SCAG would communicate the collective political and public policy strength of our region on the proposed actions listed above.

- d. **Local Participation** – Staying in line with a core philosophy of “local control”, SCAG and its member cities, counties, and agencies would continue to find new and innovative ways to do more with a “self-help” approach. The Phase II Economic Recovery & Job Creation Strategy includes a continuation of a strong plan for local participation. For example, Phase I of the Strategy included a model Resolution on “Principles of Business Friendliness” that local governments could adopt. By the end of 2011, 170 cities and counties in the SCAG Region (out of a total of 197) had formally adopted this resolution. The opportunity in Phase II of the Strategy will be to take this one step further so that SCAG is working with local governments to convert these “Principles of Business Friendliness” into specific actions that can be voluntarily taken at the local level to help ignite economic activity and job creation.
3. **Economic Clusters** – Collectively, the economy of Southern California is large, complex, and extremely diverse. Within the broader economy, however, there are key economic job clusters that, because of their size and/or wider impact, are important drivers of the overall economy (i.e. goods movement, film and entertainment, high tech, traditional manufacturing, construction, health care, leisure industries, etc.). Identifying, protecting, and growing these economic clusters needs to be a key component of the Proposed Phase II of the Southern California Economic Recovery & Job Creation Strategy.
4. **Economic Impact Analysis** – SCAG has used considerable independent economic analysis resources to augment current and planned economic analysis efforts (such as the approved 2012-2035 RTP/SCS and Southern California Economic Recovery & Job Creation Strategy). The Phase II Strategy will include additional economic work on documenting the economic benefits and job impacts of the RTP/SCS (Construction Jobs, Network Benefits, Amenity Benefits, and Health Benefits), as well as a case study/key interview look at who is benefiting from the projected Accessibility and Transportation Commuting benefits. The goal is to set a “standard practice” for economic impact, cost benefit, and job creation analysis to be included as part of the process for developing future SCAG policies, plans, and programs.

## **Conclusion**

To support implementation of the above objectives, SCAG will need to engage a team of prominent economic advisors and specialists. It is recommended that the need to Executive Director be authorized to retain support for the above activities. The Executive Director will provide regular updates to the Executive Administration Committee and the Regional Council on approved support services.

## **FISCAL IMPACT:**

Funding for the Phase II: Southern California Economic Recovery & Job Creation Strategy is included in the 2012-2013 OWP.

## **ATTACHMENT:**

None