

SOUTHLAND REGIONAL ECONOMIC VITALITY CONVERSATION

convened by
California Center for Regional Leadership
&
Los Angeles Area Chamber of Commerce

on behalf of
Governor Schwarzenegger's Cabinet



CALIFORNIA CENTER FOR
REGIONAL LEADERSHIP



Los Angeles Area
Chamber of Commerce



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ECONOMIC VITALITY CONVERSATION

January 6, 2004 State of the State Address: *"We must restore the state's business climate. Creating and retaining jobs - and the businesses that provide them - must be a priority of this Legislature. Jobs provide a solid foundation for families. Jobs add revenues to the state budget. Jobs give stability to our society. Jobs. Jobs. Jobs. The more jobs the better.*

-- Governor Schwarzenegger

Sunne Wright McPeak

Secretary

Business, Transportation & Housing Agency

Through state-level Economic Vitality Conversations, the Governor and the Cabinet are reaching out to solicit the best ideas on how state government can support economic recovery in the short-term and competitiveness in the global economy in the long-term. But California is also a state of regional economies. Therefore, the Administration also seeks advice and guidance from an outstanding array of business, labor, civic and community leaders on how to support the unique and particular needs of our diverse economic regions. Building and sustaining strong economies is a shared responsibility. Through a series of Regional Economic Vitality Conversations, we are also asking for the partnership of the regional private sector, local governments and regional agencies to ensure that we all play a part in securing future prosperity and quality of life for all Californians.

Nick Bollman

President & CEO

California Center for Regional Leadership

We are very pleased to join Secretary McPeak and other Cabinet members in sponsoring these Regional Economic Vitality Conversations. This is one of thirteen such conversations we will host across the state over Spring/Summer 2004. They are not only historic in reaching out to develop new strategies for economic success, but are a testament to what is becoming a hallmark of this new Administration: engaging Californians with state government in partnership to secure a better future.

George Kieffer

Chairman

Los Angeles Area Chamber of Commerce

The Los Angeles Chamber is delighted to have hosted the first Regional Economic Vitality Conversation with Secretary Sunne Wright McPeak and seventy of our region's leading business and civic leaders. The Chamber applauds the Schwarzenegger Administration's efforts to reach out for the best and brightest ideas and assistance on economic recovery and strategy. We look forward to continue to work in partnership with the Administration to promote and support the growth of the greater Los Angeles economy.

ECONOMIC VITALITY CONVERSATION

The California Center for Regional Leadership, in cooperation with partner organizations, is conducting a series of Regional Economic Vitality Conversations around the state with representatives from Governor Schwarzenegger's Administration and a diverse group of regional business and civic leaders. The purpose of the Conversations is to generate, gather, discuss and promote ideas to stimulate California's short-term economic recovery, while improving long-term economic competitiveness and comparative advantage. Addressing both region-specific and statewide issues, the intent of this Conversation was to solicit the best ideas from the Los Angeles region's leaders to bring to the Governor and his Cabinet for consideration. The following represents a summary of the input, in reference to four key questions posed to meeting participants.

Q1 What state actions will have the most immediate positive impact on California's economic recovery?

Understand and Cultivate the Los Angeles Regional Economic Base

- Retain and grow the economic base (the "economic driver" industries). Focus particularly on growing industry sectors among them, while also attending to the needs and interests of place-based industries, such as homebuilding and a wide variety of service industries.
- Play to strengths, minimize weaknesses. Analyze the needs of comparative advantage industries and attractors for investment capital. Growing industry sectors in the Los Angeles region include aerospace/defense, apparel/textiles, trade/logistics, and motion picture/TV/music production.
- Understand the links between competitiveness and various community "quality of life" factors, especially for economic base industries that could relocate elsewhere. These factors include a skilled workforce, the cost and supply of housing, and the efficiency of transportation systems.

- Recognize the vital economic links within industry clusters in the Los Angeles region as well as with other California regions.

Address Workers' Compensation

- Pass legislation to reform the workers' compensation system, based on a consensus among business and labor groups. This could produce billions of dollars of new capital for immediate reinvestment back into the economy (to hire workers or buy capital equipment, or both).

Retain Critical Industries

- Retain critical industries, while acknowledging that global competition puts some California jobs at risk. Understand that many global trends and forces are beyond California control, and urge federal government leadership to address the "job loss" question.

Retain Critical Industries, Cont'd.

- Focus on preserving jobs that are already here, particularly high-paying ones such as those associated with the Los Angeles Air Force Base.
- Assess legislation or regulations that may have led industries to move to other states. Ensure that economic consequences are factored into regulatory decision making.

Prioritize Infrastructure / Construction Projects

- Understand that transportation/logistics is not only a “quality of life” issue for the Los Angeles regional economy (movement of people and goods), but a significant opportunity for creating a large number of well-paying, good benefit jobs that will employ the growing workforce support in need of jobs: young Latinos and others with relatively less experience and limited job skills. In light of the state transportation funding crisis, we need creative financing mechanisms.
- Use the Los Angeles region hospital bed shortage as another opportunity to simultaneously address social and economic needs: prioritize construction of hospitals for short-term economic stimulus.



Support Manufacturing Jobs

- Reassess Manufacturing Investment Tax Credit expiration. Consider establishing a new tax credit based on quality job-creation performance.

Promote California

- Capitalize on Governor Schwarzenegger’s capacity to market the state of California - through media and optimism. Because of his background, this is a special opportunity for the region’s entertainment and tourism industries.
- Build the image that California is back in business. Re-engage the business community to “own” problems and work to solve them.

Q² What state actions will result in the most significant long-term improvement to California's economic competitiveness and comparative advantage?

Link Housing, Transportation, and Land Use Investments



- Address the housing shortage and affordability crisis. Supply is not keeping up with demand in Los Angeles. While mid-income workers are moving out from the urban core for more affordable ownership housing, density is increasing within the core for low-income workers who crowd into limited rental housing.
- Promote infill housing, especially along transit corridors. Incentivize projects linking housing, transportation and land use investments. Coordinate strategies in expending resources.
- Enact legislation to remove obstacles to building multi-family housing, especially attached, ownership housing. Incentivize mixed-use developments along commercial corridors. To retain control, local jurisdictions will need to plan collaboratively for a housing supply that matches population projections.
- Improve the state-regional housing element and regional housing needs process.
- Promote school modernization and new school construction as centers of communities, with joint use of facilities.

Invest in Education, Workforce, and Research and Development

- Invest in our education system for the future of California. California ranks 34th out of 50 in the country in terms of K-12 spending. The large pool of unemployable, low-skill workers will continue to grow if we do not invest adequately in K-12 education. Emphasize math, science, and arts education.
- Prioritize investments in workforce training and retraining through K-12 and community colleges.



ECONOMIC VITALITY CONVERSATION

Invest in Education, Workforce, and Research and Development, Cont'd.

- Target individuals out of the workforce but also those already working who need to upgrade their skills.
- Invest in science and technology to compete nationally and internationally for industries such as nanotech. Nurture initial investments in cutting-edge fields.

Invest in Infrastructure and Planning

- Keep people and goods moving through continued infrastructure investments and improvements that are vital to maintain a growing economy. An “integrative” planning ethic, cross-jurisdictional collaboration, and public involvement to build political support are critical to successful infrastructure investment.



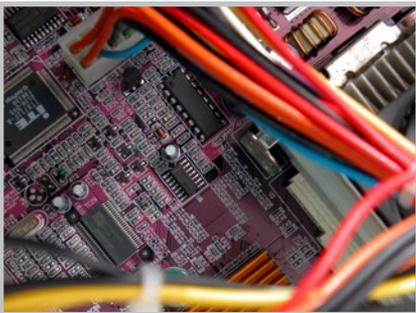
Cultivate Small Business

- Access \$1 billion federal/state/local procurement markets. Support and collaborate with the fastest growing segment of minority and women-owned small businesses.

Q³ Given the inherited current-year state budget deficit, funding constraints for next year's budget, and the inevitable impacts on all state agencies, departments, and operations; what additional ideas can we offer to address the budget deficit problems?

Re-evaluate Revenue Sources

- Consider non-traditional sources for infrastructure investment and create links between trade and infrastructure – e.g., “user pays” customs revenues to support rail system investments.
- Get California’s fair share of transportation dollars from the federal government.
- Reassess Proposition 13, which cut property taxes, directly affecting education system revenues and school districts’ ability to manage resources, and which discourages housing production.



Analyze Cutbacks

- Analyze fully the benefits and costs of state transportation funding cutbacks, which have short- as well as long-term consequences. Balance regional economic benefits of big-ticket transportation projects.

Assess Incentives

- Consider economic and regulatory incentives to local governments, such as through reform of CEQA and brownfield redevelopment statutes.



Q4 How do we best structure an effective partnership between the regions and the state around economic strategy?

Play to Strengths and Leverage Partnerships

- Maintain and continue evolving dialogue on the economy by engaging crosscutting industry- and region-based networks. Support the work of regional industry cluster intermediaries such as the Entertainment Industry Development Corporation.
- Encourage successful ongoing initiatives such as the California Regional Economies Project, a collaboration between CALWIB and the Economic Strategy Panel, offering a database of real-time economic information on industry clusters of opportunity.
- Develop A-Teams around industry-sectors to use local knowledge to retain companies and jobs.
- Make regional and local Economic Development Corporations direct allies of the State.



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