BOARD OF DIRECTORS POLICY AGENDA

Friday, December 7, 2007
10 a.m. to 12 noon
SANDAG Board Room
401 B Street, 7th Floor
San Diego

AGENDA HIGHLIGHTS

- **DRAFT 2007 REGIONAL ECONOMIC PROSPERITY STRATEGY**

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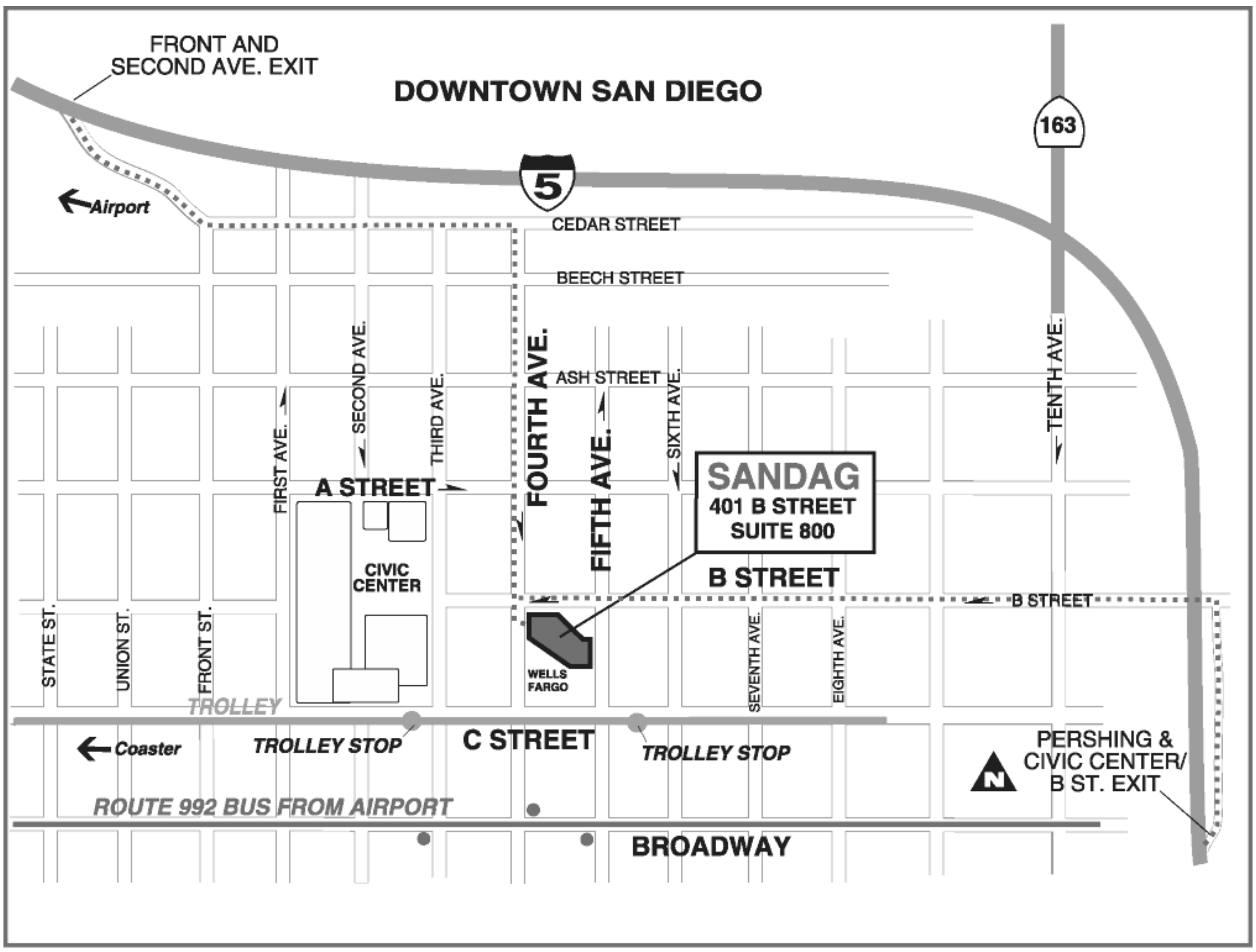

BOARD OF DIRECTORS POLICY AGENDA

Friday, December 7, 2007

ITEM #		RECOMMENDATION
1.	PUBLIC COMMENTS/COMMUNICATIONS/MEMBER COMMENTS Members of the public shall have the opportunity to address the Board on any issue within the jurisdiction of SANDAG. Anyone desiring to speak shall reserve time by completing a "Request to Speak" form and giving it to the Clerk of the Board prior to speaking. Public speakers should notify the Clerk of the Board if they have a handout for distribution to Board members. Speakers are limited to three minutes. Board members also may provide information and announcements under this agenda item.	
	REPORTS (2 through 3)	
+2.	DRAFT 2007 REGIONAL ECONOMIC PROSPERITY STRATEGY (Marney Cox) The Regional Economic Prosperity Strategy is an extensive analysis of our regional economy and its performance. It identifies the demographic and economic challenges facing the San Diego region, and promotes a regionwide strategy to meet these challenges and improve the competitiveness of our local economy. The Board of Directors is asked to discuss the recommendations of the Regional Economic Prosperity Strategy.	DISCUSSION
3.	CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION: Potential initiation of litigation pursuant to subdivision (c) of Section 54956.9: (One potential case)	
4.	UPCOMING MEETINGS The next Board Business meeting is scheduled for Friday, December 21, 2007, at 9 a.m. The next Board Policy meeting of the SANDAG Board of Directors is scheduled for Friday, January 11, 2008, at 10 a.m.	INFORMATION
5.	ADJOURNMENT	

+ next to an agenda item indicates an attachment

BOARD OF DIRECTORS
DECEMBER 7, 2007

AGENDA ITEM NO. 07-11-2
ACTION REQUESTED – DISCUSSION

DRAFT 2007 REGIONAL ECONOMIC PROSPERITY STRATEGY

File Number 2001100

Introduction

The Regional Economic Prosperity Strategy is an extensive analysis of our regional economy and its performance. The purpose of the report is twofold: first, it is an evaluation framework for measuring progress and comparing our region against its competitors to identify economic strengths and weaknesses. Second, it strives to achieve a consensus on the essential parts of a long-term economic vision with recommended actions for infrastructure investments and public policy support to strengthen the region's economic foundation.

During the July 2007 Board meeting staff presented a summary of the draft Prosperity Strategy, including comments received. Because a full agenda limited discussion at the July meeting, the Board requested staff bring the item back for further consideration.

The purpose of this Board report is to summarize the Prosperity Strategy's findings and review the recommended actions, including adjustments made to reflect comments received. Staff is proposing to work with the Prosperity Strategy Working Group to complete the report during January and February 2008 and return to the Board in March 2008 for action to accept it as an updated element of the SANDAG Regional Comprehensive Plan (RCP).

Discussion

Prosperity Strategy Summary

The Regional Economic Prosperity Strategy identifies the demographic and economic challenges facing the San Diego region, and promotes a regionwide strategy to meet these challenges and improve the competitiveness of our local economy.

<u>What is our region's most important economic challenge?</u> According to the Prosperity Strategy Working Group, one of our most significant and insidious challenges has been with us for some time. **Over the past three decades the rate of increase in the region's standard of living has not kept pace with the nation's. If these past trends continue, the nation's standard of living will double in about 35 years, yet it will take twice as long for San Diego's standard of living to double.**

Our research shows that this has been occurring for two reasons: first, the San Diego region has been adding proportionately more jobs at the low end of the pay scale than jobs in the middle or at the high end. Second, this "unbalanced job growth" has been made worse by a widening gap between wages received at the high and low ends of the pay scale. These two trends combined with a relatively high rate of inflation (high cost of living) are responsible for the low rate of growth in the region's standard of living.

One of the primary objectives of the Prosperity Strategy is to reverse this decades old trend of slow economic growth and get our standard of living rising on par with or at a rate greater than the nation's.

What caused this problem? The Prosperity Strategy points out that although all businesses and industries contribute to economic growth, it is important to distinguish between those industries that are primarily local serving and those that sell their products and services nationally and internationally. This latter group of businesses, collectively referred to "traded clusters," set the pace for economic growth. More importantly, the pace of economic growth set by traded clusters can vary depending on the make up of the particular cluster. San Diego, for example, has invested heavily in infrastructure that supports companies in those traded clusters that have set a slow pace for economic growth and prosperity.

Our research shows that our region has a long track record of investing public resources in those traded clusters offering low wage jobs that require low or minimal amounts of education and training. Public funds and facilities have been used to invest heavily in low value-added industries, such as tourism, entertainment, the uniformed military, and retail trade, without compensating investments for high value-added industries. Specifically, public funds have been used to help construct infrastructure that support these low-paying jobs, including Mission Bay, Balboa Park, the San Diego Zoo, the Wild Animal Park, Sea World, Legoland, the Convention Center, and cruise ship terminals. Uniformed military infrastructure includes shipyards, submarine bases, air bases, and training facilities. At times, public funds are used to pay for infrastructure requirements in retail centers, auto malls, and sports facilities. The aggregate investment in these areas has diversified the economic base and helped provide sufficient job growth to keep our unemployment rate one of the lowest in the nation, but the investment also has contributed to the unbalanced job growth.

Our region has provided the companies in select groups of traded clusters with world class infrastructure; providing them with the foundation to be competitive and successful worldwide. In turn, these low wage clusters are setting a slow pace of economic growth in the region; think of it as a "rate of return" on our public investments.

Furthermore, these low wage traded clusters are not likely to disappear anytime soon; more likely they will continue to grow because the region continues to invest and create new capacity.

What should we do? The Prosperity Strategy points out that our region needs a more balanced approach in our public investment strategies, identifying and investing in public resources in areas that support traded clusters offering higher paying jobs and that require higher levels of education, skill, and training. In other words, our region's actions, through public policies and capital investments, have in the past influenced the demand and supply of production inputs, through business retention, expansion and attraction, which in turn have influenced the rates of productivity, economic growth, and income in the region.

Putting our region on a new economic growth track that sustains its upward momentum depends on our ability to connect companies in our high value added traded clusters to world-class infrastructure and supportive public polices. Our strategy to accomplish these objectives is ambitious, yet simple. The Prosperity Strategy's recommended actions call for infrastructure investments and public policy support to strengthen our economic foundation, creating a state of economic "readiness" so the region can take advantage of economic opportunities as they occur.

These focused investments and public policies will provide an economic foundation capable of raising the pace of economic growth, allowing the local economy to continue to reinvent itself, and influence the quality and balance of job opportunities available in the region. Many of these new jobs will provide middle income wages and an opportunity for a rising standard of living for all our residents.

Proposed Adjustments to Recommended Actions

The Prosperity Strategy identified nine strategic goals and 26 recommended actions to address its shortcomings or unrealized potential. Comments on the report have been solicited and received from the public, local jurisdictions and agencies, non-governmental organizations, the SANDAG Board of Directors, and other stakeholders in regional development. Below is a summary of the adjustments proposed for two of the Strategic Goals to reflect the comments received; the discussion focuses only on the adjustments. For a full reading of the recommended actions please refer this report's attachment.

Strategic Goal 1: Increase the housing supply sufficient to stabilize prices

Recommended actions to achieve this goal include increased construction of multifamily units in Smart Growth Opportunity Areas (SGOAs) identified in the RCP, streamlining of permitting and regulatory requirements, and reforming the state-local government fiscal relationship.

Proposed adjustments to recommended action: Local jurisdictions can make a substantial contribution to easing the problem of housing supply and affordability by taking proactive steps to encourage construction of multifamily housing in SGOAs. These areas, which were identified with input from local jurisdictions, either have, or could be equipped with, public facilities and services necessary to support multifamily housing construction (either for rent or for ownership). Local jurisdictions could undertake advance planning and impact analysis of new housing in such areas, even before private landowners submit development proposals. If the proposals are consistent with approved plans, jurisdictions could expedite environmental review and construction permitting.

These SGOAs target where the region's jurisdictions would like growth and development to occur. Streamlining the process would achieve two important objectives. First, reducing the amount of time it takes to get a unit on the market would alleviate some of the demand pressure that occurs early in growth cycles that pushes up home prices. This streamlined process would not necessarily bring more units to the market, but it would allow the units to be brought to the market much more quickly, in order to alleviate upward pressure on prices from the rising demand.

Second, streamlining the residential construction process so units are available early in the real estate cycle would provide an added benefit of freeing up financial resources. The quicker a developer can plan, construct, and sell a unit, the faster those funds can be used to develop additional units to meet the market demand. Again, this would not necessarily result in more units being built, but the units would be built and available earlier in the real estate cycle to meet the rising demand and limit upward pressure on prices.

In addition, regional infrastructure service providers, in cooperation with local jurisdictions, can undertake advance planning and construction of water, transportation, and other facilities needed to support multifamily housing construction within the SGOAs.

Strategic Goal 6: Continue to diversify the sources of water for the region, with particular emphasis on reclamation/reuse, desalination, and conservation

Recommended actions to achieve to this goal include implementation of the long-range master plan prepared by the San Diego County Water Authority (CWA), cooperative programs to encourage water conservation, a commercially viable desalination plant, public acceptance of reclaimed water for domestic consumption, and responsiveness to effects of climate change, which has the potential to significantly affect the region's water supply.

Proposed adjustments to recommended action: The current drought conditions in the state have reminded us that the region is heavily dependent on imported water and more work is required to improve the reliability of this resource. The CWA is making plans to manage the looming water shortage, should it occur.

To complement the CWA's short term management plans, local, state and federal elected officials should consider creating a competitive water market within the state. A water market would need to consider water resources throughout the state, including the Central Valley Project, which is currently controlled by the Federal Government and prevents the state from considering a statewide water policy. For example, the Central Valley Project is not willing to equally share in the burden of reducing water supplies to their primarily agricultural customers over the coming year should the drought continue, forcing the other portions of the state's system to absorb a greater share of the possible cutback. Greater control of our state's water supply combined with a flexible water market that can be tapped into during water shortages would help water authorities throughout the state, such as CWA, provide a more reliable service.

A water market would enable owners of water rights, primarily in agricultural areas, to sell water to other users, primarily in urban areas, at a market-determined price. From a broad economic perspective, transferring water from agricultural to urban use may make sense. Agricultural production in the state consumes between 50 and 70 percent of the water and contributes between 2 and 6 percent to the state gross product. Transfer agreements, such as those established by the CWA and Imperial Irrigation District, attempt to increase economic return from water use. A statewide water market would provide a more efficient mechanism for allocation among users.

Next Steps

Staff is proposing to work with the Prosperity Strategy Advisory Working Group to complete the report during January and February 2008 and return to the Board of Directors in March 2008 for action to accept the Prosperity Strategy as an updated element of the SANDAG RCP.

GARY L. GALLEGOS
Executive Director

Attachment: 1. Strategic Goals and Recommended Actions section, *Preparing for Global and Regional Collaboration: San Diego Regional Economic Prosperity Strategy*

Key Staff Contact: Marney Cox, (619) 699-1930, mco@sandag.org

Attachment 1

PREPARING FOR REGIONAL AND GLOBAL COLLABORATION

DRAFT

VOLUME I

SAN DIEGO'S REGIONAL ECONOMIC PROSPERITY STRATEGY

MAY 2007

STRATEGIC GOALS AND RECOMMENDED ACTIONS

STRATEGIC GOALS AND RECOMMENDED ACTIONS

Leadership – Rising to the Challenge

Our region's future economic prosperity depends upon a timely response to the challenges we face and our ability to take advantage of the opportunities they offer. The Regional Economic Evaluation and Prosperity Strategy Working Group has proposed a strategy that addresses our challenges and builds on our strengths. The *Strategy* is ambitious, yet simple: Identifying strategic goals and making recommended actions that call for infrastructure investment and public policy support in order to strengthen the region's economic foundation; providing our existing industries, emerging growth companies, and universities and research institutions that create new enterprises with the resources to be competitive in the global economy of the 21st Century.

Above all, in light of the evidence complied in Volume II of this study, which shows a widening income distribution gap, these recommended actions are designed to expand and create high and middle-income job opportunities that will provide a path to prosperity and a rising standard of living for our region's residents.

How does a region go about carrying out a regional strategy? There may be as many answers to this question as there are regions. The San Diego region has chosen to rely on existing organizations and agencies to implement the *Prosperity Strategy*. The *Strategy* contains a set of strategic goals, with suggested ways to achieve them, in the form of recommended actions. The agencies and/or organizations most responsible for carrying out the recommended action are identified and asked to take on the responsibility of implementation and achieving results. This process ensures a broad-based collaborative approach and minimizes the problems that arise when a new organization or agency is formed to oversee the implementation of the recommended actions.

This organizational structure to implement the recommended actions and move the region forward has generally proved to be successful. As part of its *Prosperity Strategy* implementation responsibilities, SANDAG has been keeping track of progress, or in some cases lack of progress. The Advisory Group's evaluation of the 10 recommended actions from the 1998 *Prosperity Strategy* concluded that "Reasonable Progress" had been made on five of the actions; "Little Progress" had been made on three of the actions; and "No Progress" had been made on one of the actions. One of the recommended actions contained multiple objectives and received a split score; some parts received a "Reasonable Progress" score and other parts received a "Little Progress" score.

Making progress on the recommended actions illustrates the commitment and effort on the part of the many agencies and organizations involved. Significant accomplishments since 1998 include: the collaborative effort to restructure and diversify the local economy; securing and diversifying the region's sources of water; the expansion and improved access to venture capital investment resources; and the willingness of voters in the region to tax themselves to pay for transportation infrastructure improvements. On the downside, the Advisory Group determined that little or no progress had been made in: making housing more affordable; providing a hazardous waste storage and disposal site;

improving access to adequate air service capacity for passengers and cargo; and increasing the capacity at our international land ports of entry. More information on the Advisory Group's evaluation of the region's progress can be found in Volume II *Evaluating the Competition and Assessing Our Strategic Position*.

The recommendations below are focused on the economy and are not meant to be comprehensive. For a more comprehensive evaluation of the region, SANDAG has produced the Regional Comprehensive Plan, of which the *Prosperity Strategy* is a part. The information and recommended actions in the 2007 *Prosperity Strategy* will be integrated into the Comprehensive Plan when it is updated.

▶ Strategic Goal 1

Increase the housing supply sufficient to stabilize prices.

Recommended Actions

1.1 Emphasize the construction of attached units near employment centers and transportation corridors such as the Smart Growth Opportunity Areas illustrated in SANDAG's Regional Comprehensive Plan in order to identify where and how our region would prefer to accommodate growth (lead organizations: SANDAG and local jurisdictions).

1.2 Streamline the permit process and regulatory requirements imposed upon developers in order to eliminate excessive review time, cost, and inefficiency (lead organizations: local jurisdictions).

1.3 Reform the state-local government fiscal relationship to help achieve sound, sustainable growth. (lead organizations: jurisdictions, League of California Cities, California State Association of Counties).

A shortage in the supply of housing units has contributed significantly to high home prices, which are a major impediment to business attraction and retention and thus greater economic prosperity in the San Diego region. Between 1990 and 2004, the growth of population in San Diego has outpaced the growth in the number of housing units. In 2003, less than 15 percent of homes were affordable to households earning the median income, and the percentage of homes affordable to median income earners has continued to fall. This was a substantial decline from 1998, when over 43 percent of homes were affordable to median-income households. At the start of 2007 the median price of a housing unit was close to $500,000. Availability of affordable housing is a fundamental determinant of a family's quality of life, as well as the region's economic growth and prosperity. High housing prices force the region's residents to spend more of their household budget on housing, leaving less available for discretionary spending. Lack of affordable housing makes it difficult to recruit new workers to the region, which is important at a time when a large proportion of older workers reach retirement age. Higher housing prices also translate into higher land values, increasing the pressure to convert limited industrial and R&D lands to residential use. Proposals to address the affordable housing problem through the elimination or expansion of programs such as developmental impact fees, inclusionary housing and density bonuses are insufficient to address the affordability problem of all workforce housing, as suggested by the discrepancy between the median price of a home and the median income of a household.

Yet, left unaddressed, a by-product of unaffordable housing and limited product type will be a spreading housing market, also known as urban sprawl. In fact, according to SANDAG's most recent Regional Growth Forecast Update, it is estimated that between 2004 and 2030, approximately 93,000 households will be "exported" to find homes in Riverside County, Imperial County, and Baja California and commute to work in San Diego County. Ultimately, increasing the supply of housing and the productivity of available land, thereby increasing the affordability of local housing units, creates a more competitive housing market. This leaves home buyers who would otherwise commute from outside the region with a more viable opportunity to live and work locally.

Because it will take some time to unravel the affordable housing problem, it will be necessary for this region to work closely with its neighbors to the north, east, and south to meet the transportation needs of those who choose to live outside the region, but travel to San Diego for work, recreation, and other destinations. SANDAG has addressed the issue from the development side by endorsing the Smart Growth Incentive Program. In addition, SANDAG should address the issue of inter-regional commuting in its Regional Transportation Plan.

Emphasize the construction of attached units near employment centers and transportation corridors such as the Smart Growth Opportunity Areas illustrated in SANDAG's Regional Comprehensive Plan in order to identify where and how our region would prefer to accommodate growth.. Increasing housing supply is the most effective way to moderate the trend of large home price increases. Implementation of this strategy will require a cooperative and concerted effort by all local jurisdictions, the development industry, and non-profit organizations to encourage and facilitate construction of high-density housing and the required infrastructure improvements and public services. To prevent urban sprawl, it will be necessary to increase average housing density to achieve greater housing production. This would require local jurisdictions to amend their general plans to accommodate smart growth and increasingly dense development. Currently, the public sector approaches this issue by subsidizing the development of affordable units. However, government programs that are designed to produce a small number of subsidized units with below-market prices or rents are helpful to a very limited spectrum of the housing market, but woefully inadequate to address the broad affordability issue.

An initial step has been undertaken by SANDAG's Regional Comprehensive Plan (RCP), which identifies potential smart growth areas that can support increased housing density, coupled with access to transit and major transportation corridors. SANDAG's TransNet Smart Growth Incentive Program will encourage smart growth development by providing funding required for infrastructure improvements in Smart Growth Opportunity Areas.

Streamline the permit process and regulatory requirements imposed upon developers in order to eliminate excessive review time, cost, and inefficiency. This strategy will require jurisdictions to evaluate their regulatory and permit process and increase their efficiency where necessary, to ensure that they are not indirectly reinforcing affordability problems in the region. Currently, the processing time between application and permit is too long and costly, and makes homes more expensive. This inefficiency increases the cost of the permit and regulatory process, and the cost is eventually passed on to the consumer through a higher home price. Also, the region's jurisdictions employ different requirements and regulations, complicating the building permit process. This creates disincentive to build housing in areas where the process is more complex, and thus, more costly than other cities. Local jurisdictions should engage collaboratively to create a more efficient and uniform building permit process, modeling after similar projects, such as the Silicon Valley's, *Smart Permit* process. In addition, SANDAG is currently preparing a study that can help developers and homebuyers realize cost savings from providing levels of parking appropriate to smart growth developments. The study will provide recommended parking standards suitable for smart growth areas; currently most parking requirements are tailored to suburban developments.

Reform the state-local government fiscal relationship to help achieve sound, sustainable growth. One reason for the skyrocketing home prices throughout the state is that insufficient property taxes discourage local governments from approving new home development. It costs cities more to provide services and maintain facilities for households than they realize in local? taxes, the revenue source used to pay for and sustain public services and facilities. At the same time local governments are motivated by the desire to increase sales tax revenues, so they skew their land-use decisions toward retail uses and away from housing and other uses that do not generate sales taxes. Indeed, many local governments statewide employ cut-throat and predatory competitive practices against their neighboring cities to lure retail establishments to their city. Cities do not employ the same tactics to lure housing, yet in most urban areas in the state there are housing shortages.

The current tax system is an impediment to sustainable communities. It restricts the freedom of local governments to manage their own affairs and thereby destabilizes local governments. It impedes home construction and encourages cities to compete among themselves for the weakest contributors to economic prosperity – retail outlets.

If government is going to "incentivize" the behavior of its governmental institutions, as its fiscal polices are doing in a de facto manner for retail establishments today, the incentive needs to be in-line with its overall goals and objectives, such as making affordable workforce housing available. At minimum, local jurisdictions working through their representative advocacy groups such as the League of California Cities need to work with the state to balance the "fiscalization of land use" impacts, moving towards making cities fiscally ambivalent over using land for retail or housing purposes. Jurisdictions must revise their general plans to facilitate the types of development that the workforce needs to increase the overall standard of living in the region.

▶ Strategic Goal 2

Produce a goods movement strategy for the San Diego region and establish broad support for international "free trade" policies at the federal and state level.

Recommended Actions

2.1 Produce a goods movement strategy for the San Diego region that is integrated into the goods movement network in southern California and the nation to ensure that we can take advantage of the economic growth gains that flow from free trade. (lead organization: SANDAG).

2.2 Actively support free trade policies by engaging in the national debate over international trade to better represent the interests of the San Diego region. (lead organizations: San Diego Regional Economic Development Corporation, San Diego Regional Chamber of Commerce, San Diego World Trade Center).

2.3 Develop a comprehensive plan to meet the region's long-term air service needs, ensuring access to adequate air passenger and cargo service, that can be integrated into and adopted as part of SANDAG's Regional Transportation Plan (lead organizations: San Diego Regional Airport Authority, SANDAG).

2.4 Increase processing capacity and reduce wait times at San Diego's international land ports of entry without jeopardizing security, to take advantage of the cross-border economic growth opportunities. (lead organizations: Caltrans, SANDAG, San Diego Dialogue, U.S. Customs and Border Protection, Mexico's Secretariat of Foreign Relations through the Consulate General of Mexico),

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Nearly 200 years ago, economist David Ricardo demonstrated the benefits of trade through the principle of comparative advantage and the "economic growth gains" that can flow from trade through the application of "exchange" and "specialization." The benefits from trade are as valid today as they were 200 years ago. The underlying point for economists is that free trade stimulates economic growth, usually by increasing productive resources and/or technological change. In practice, these increases are triggered by the spur of competition when countries liberalize trade.

The principle of comparative advantage, implemented through exchange and specialization, is the same whether the trading partners are individuals, cities, counties, states, or countries. In other words, would our lives be better if each of us individually grew all of our food, made all of our clothes, pumped and refined all of our oil and gas, built our own houses, and made all of our own movies? These are rhetorical questions, but the point is that pure self-sufficiency is a recipe for a "Stone Age" standard of living. Instead, to improve our standard of living we "trade" our output for the goods and services that we are not especially adept at producing, and the result is a higher standard of living for all involved.

Locally, when it comes to public infrastructure and polices that would facilitate and support free global trade and economic growth , the San Diego region is behind. Generally speaking, there are five ways to get goods, services, information, and people in and out of the region and to access global marketplaces: through airports, water ports, rail, highways, and electronically. Our evaluation of San Diego's strategic position shows that we are poorly endowed in four of these five "trade" -related infrastructure categories. Our best link to the increasingly global marketplace is electronically, through both wired and wireless networks.

The movement of goods across international borders by air, sea, and land is anticipated to be an increasingly important ingredient for achieving economic growth and a rising standard of living for both the regional and national economies. The following recommended actions are designed to focus and increase our region's support for free trade polices and access to global marketplaces.

Produce a goods movement strategy for the San Diego region that is integrated into the goods movement network in southern California and the nation to ensure that we can take advantage of the economic growth gains that flow from free trade. In the face of rising global competition and opportunities, San Diego needs a goods movement strategy that addresses how our economy can best be connected to the southern California mega-region and the global economy. Through this understanding we can better identify which infrastructure investments will provide the greatest return in economic growth. SANDAG has completed some of this work already, producing a draft Goods Movement Action Plan, under the guidance of the Freight Working Group. Following federal guidelines in the Safe, Accountable, Flexible, Efficient Transportation Equity Act – Legacy for Users (SAFETEA-LU), SANDAG is employing a systems approach to identify current and future needs for the region's goods movement system and how these potentially separate systems can work together as one integrated system. The federal initiatives also place emphasis on planning for inter-regional and international trade corridors, identifying infrastructure requirements necessary to support both the regional and national supply chains, and preparation of a plan of finance for freight infrastructure separate from other transportation. To move toward implementation, as a first step, SANDAG's Goods Movement Action Plan needs to be completed, integrated, and adopted as part of the Regional Transportation Plan.

Actively support free trade policies by engaging in the national debate over international trade to better represent the interests of the San Diego region. Although foreign trade policies are generally set at the federal level, their effects are regional. As part of the southern California mega-region, global trade is becoming an increasingly larger part of our economy. Of the nation's imports, 43 percent of all container goods and 12 percent of all imports from Mexico flow through southern California's land and sea ports. Locally, trade through the San Diego Customs District totaled nearly $40 billion during 2004. Locally, the growth in trade has been rapid; between 1991 and 2004 exports rose by 142 percent and imports increased by 259 percent, far outpacing the 50 percent growth our Gross Regional Product (a measure of the total value of goods and services produced in the San Diego region).

Although economists have had 200 years to explain the benefits of free trade to the public, there exist significant public reservations concerning these benefits. Public surveys have shown that the discussion over the benefits of free trade need to shift to jobs and production and away from the consumption aspects, that is, away from stressing that trade allows consumers to buy more and varied goods at lower prices. Business and trade advocacy groups and organizations are best able to implement this recommended action, including the San Diego Regional Economic Development Corporation, the San Diego Regional Chamber of Commerce, and the San Diego World Trade Center. To build broad public support for free trade it may be necessary to broaden the topics discussed, for example linking labor and environmental issues with trade negotiations. Other areas include multilateral negotiations to deal with investment policy, competition policy, electronic commerce, and better enforcement of intellectual property rights.

Develop a comprehensive plan to meet the region's long-term air service needs, ensuring access to adequate air passenger and cargo service that can be integrated into and adopted as part of SANDAG's Regional Transportation Plan. Air service is playing an increasingly important role as a facilitator of economic growth in the local and state economy. As much as 60 percent of the value of goods exported out of the state is shipped by air, much of it in the cargo bays of wide-body passenger planes. These goods represent less than one percent of the total tonnage, meaning that most products shipped by air are lightweight and high-value. Typically, the higher the value or price of a good the greater the skill required to produce the good and the higher the wages paid to the workers. In this way, access to adequate air cargo service capacity provides an opportunity to increase the number of businesses offering mid- and high- paying jobs. Today, Lindbergh Field offers limited air cargo service, shipping about half of what a comparable-sized region exports by air. An estimated 80 percent of the region's air cargo is trucked out of the region to depart from alternative airports, adding to shipping time and exacerbating freeway congestion. According to the San Diego County Regional Airport Authority, investments in airport improvements at Lindbergh Field, such as additional gates and taxiway extensions, are needed to meet the forecast increase from

209,000 annual operations in 2004 to 300,000 annual operations expected between 2021 and 2030. The aviation activity forecast prepared by the Airport Authority shows that between 2015 and 2022, existing runway capacity at Lindbergh Field will begin to constrain growth in air traffic, and that sometime between 2021 and 2030, no further air service growth will be accommodated. The lead times necessary to plan, process and make adjustments at Lindbergh Field are significant. Immediate action is required to avoid infrastructure capacity constraints that would hinder economic growth opportunities in the San Diego region.

With the failure of an advisory vote regarding joint military-public use of the Marine Corps Air Station (MCAS) Miramar, supported by the Airport Authority on the November 2006 ballot, it is of utmost importance to develop an alternative approach to meet the region's long-term need for air service, both passenger and cargo. As part of the goods movement strategy implementation, all remaining air service options should be explored, including maximum utilization of Lindbergh Field and the other airports in the region, and cooperation with airports in surrounding regions, such as March GlobalPort and Tijuana International Airport.

Increase processing capacity and reduce wait times at San Diego's international land ports of entry without jeopardizing security to take advantage of the cross-border economic growth opportunities. The San Diego region shares its southern border with the Municipalities of Tijuana and Tecate in Baja California, Mexico. The San Ysidro, Otay Mesa, and Tecate border crossings link this binational region and are the gateways for a growing economic relationship that provides a competitive advantage in the global economy. SANDAG and Caltrans, working together, need to complete SR 905, the principal east-west transportation link providing access to the Otay Mesa Port of Entry, and move forward on establishing a process and financial strategy to build SR 11 and a third Port of Entry.

Both the San Ysidro and Otay Mesa ports of entry stand out compared to the rest of the United States-Mexico border crossings. The San Ysidro-Puerta México Port of Entry (POE) is the busiest international land crossing along the United States-Mexico border, if not the busiest in the Western Hemisphere. In 2005, more than 17 million private vehicles, nearly 10 million pedestrians, and more than 100,000 buses crossed at the San Ysidro POE from Mexico. The Otay Mesa-Mesa de Otay POE continues to accommodate the third highest dollar value of trade among all southern border POEs. In 2006, this POE handled $28.6 billion worth in 1.4 million trucks that transported goods in both directions.

The volume of cross-border vehicle and pedestrian crossings has been increasing, along with an increase in border delays in the last several years, especially in the northbound direction. Also, since September 11, 2001, the U.S. Customs and Border Protection has stepped up security measures at the POEs. Longer and unpredictable waits are influencing the ability and desire to cross the border. Delay hinders the ability of border regions like San Diego to support the kind of businesses, such as Maquiladora plants, that depend on reliable logistics for the production and distribution of traded goods. In an increasingly just-in-time manufacturing economy, unpredictable wait times for trucks at the border are kinks in the supply chain that act as a deterrent to trade and the potential growth in cross-border economic investment opportunities. Cross-border traffic also generates significant income for retailers, hotels, and recreation businesses on both sides of the border. However, rising wait times discourages some from making these types of trips, further inhibiting economic growth.

Inadequate infrastructure capacity, in which investments are failing to keep up with the increase in trade and security requirements at the principal border crossings between San Diego County and Baja California, currently creates traffic congestion and delays that cost the U.S. and Mexican economies an estimated US$6 billion in gross output in 2005. Fully 51,325 jobs are sacrificed because of the reduction in output. In fact, traffic congestion and delays are bad enough today that nearly 60 percent of the cross-border travelers surveyed said they would be willing to pay a $3 toll to cross at a potential new East Otay Mesa Port of Entry if it provided a faster way to cross the border. Similarly, interviews with the trucking industry revealed that investment potential has been curbed due to increasing delays at the border.

Budget constraints at the federal level have limited the ability for the federal government to contribute to border infrastructure needs. Where funds are available, long lead times are required between project design and funding allocation. Under these conditions, SANDAG, working together with Caltrans, the U.S. Customs and Border Protection, and representatives from Mexico, needs to pursue innovative financing mechanisms such as Public-Private Partnerships to help fund improvements necessary to reduce border wait times. Public-Private Partnerships present a way to attract private capital to build needed public infrastructure. Typically these infrastructure investments depend on the ability to generate a revenue stream, such as a toll road would generate, to pay for using private sector funds. This allows the public sector to build infrastructure that would otherwise not be built and pay for that infrastructure with user fees (tolls).

▶ Strategic Goal 3

Invest in needed energy infrastructure in order to achieve a balanced and diverse energy supply portfolio and ensure delivery of reliable and competitively priced energy.

Recommended Action

3.1 Update the *Regional Energy Strategy* to provide the region with a clear direction and schedule for meeting the new energy source requirements (lead organizations: SANDAG, San Diego Gas & Electric, California Center for Sustainable Energy [formerly the San Diego Regional Energy Office]).

3.2 Monitor the State of California's *Nuclear Power Plant Assessment* (AB 1632) and similar legislation to keep informed on the role of nuclear power to meet future energy needs and advancements in nuclear technology, and waste disposal (lead organization: SANDAG).

The most recent *Regional Energy Strategy* (RES) was prepared by the San Diego Regional Energy Office (SDREO) and adopted by the SANDAG Board of Directors in 2003. The *Strategy* was incorporated into the SANDAG Regional Comprehensive Plan (RCP) in 2004. The RES describes a vision of the energy future for the San Diego region. This vision includes reduction in energy consumed per person; use of an efficient and balanced energy supply, including renewable sources; and transmission interconnects to other regions. The *Regional Energy Strategy* also contains specific goals, such as targets for in-county electric power generation.

Update the *Regional Energy Strategy* to provide the region with a clear direction and schedule for meeting the new energy source requirements. The San Diego region should actively participate in furthering energy resource diversification, periodically review progress in meeting diversification targets, with emphasis on demand reduction and use of renewable energy as well as generation and transmission, and make such information available to the general public. A close collaboration among SANDAG, SDG&E, and the California Center for Sustainable Energy (CCSE) is necessary to achieve this goal, including addressing specific land use conflicts when siting needed energy infrastructure. The RES is an excellent forum in which to address the economy's energy policy and planning.

The RES has served as the energy policy blueprint for the region, similar to the state's *Integrated Energy Policy Report* (IEPR), which is prepared by the California Energy Commission (CEC). Significant changes in the energy policy landscape have occurred since the last RES plan was developed and adopted. Particularly, state minimum renewable energy requirements, climate change laws and mandates, and state priorities on conservation, energy efficiency, and clean distributed generation (such as solar panels and wind power) over large-scale fossil-fuel power plants. These changes in energy policy should serve as a framework for the update of the region's energy plan.

The decision to undertake the 2003 RES came at a time when the State of California had removed the investor-owned utilities (IOU) from long-term resource planning. As the RES was in development, the state changed course and again required San Diego Gas & Electric (SDG&E) and other IOUs to conduct long-term resource planning. This resulted in two distinct energy plans for the region; the RES supplying a vision and policy direction for meeting future needs through increased renewable, distributed and energy-efficient resources, and the SDG&E long-term procurement plan (LTPP) outlining how the utility will ensure adequate energy supply to meet future consumer demand and state requirements. SDG&E's LTPP emphasizes the need for a diverse portfolio of supply- and demand-side options, as well as transmission, in order to balance lowest cost with reduced volatility and risk. SDG&E is required to update this plan every two years and should continue to seek input from SANDAG, the California Center for Sustainable Energy, and other stakeholders when planning and implementing energy infrastructure, as should SANDAG during the RES update. Due to the competing interests in this area it is essential to coordinate the two planning strategy efforts in order to reach as close agreement between the documents as possible.

At the state level, the California Public Utilities Commission (CPUC) regulates the IOUs and sets requirements for achieving energy efficiency savings. In 2006, the CPUC set a statewide energy-saving goal for the IOUs of 2,332 gigawatt hours (GWh), of which 1,828 GWh was achieved. SDG&E's energy-saving target was set at 281 GWh, of which it achieved 111 GWh. The state also has assessed progress to date on meeting renewable energy requirements. The CEC's 2006 update to the *Integrated Energy Policy Report* (IEPR), reports that progress has been slow in achieving state law for using renewable energy to meet 20 percent of demand by 2010 and a state goal of 33 percent by 2020. CEC reports that the three investor-owned utilities – Pacific Gas and Electric, Southern California Edison, and SDG&E – have entered into contracts for nearly 4,000 megawatts (MW) of renewable capacity. However, only 242 MW of those contracts represent new facilities that are on line and delivering electricity at this time. To meet the goal of 20 percent by 2010, the investor-owned utilities will need to add 1,500 MW of renewable generating capacity. Only one percent of SDG&E's purchases came from renewable resources in 2002, and since then it has made the most progress in increasing its renewable energy purchases in the state, reaching 5.2 percent in 2005. Much more progress must be made to meet the 20 percent goal by 2010.

In addition to in-region renewable power, the options for achieving state renewable energy requirements include upgrading existing transmission lines, siting of new lines, utilizing lines currently used predominantly for fossil-fuel based power, or a combination of the above. SDG&E has proposed to the CPUC that the Sunrise Power Link transmission line be built to address the region's renewable power needs. During its review of the Sunrise Power Link, the CPUC conducts assessments of the proposed line, as well as alternate scenarios for meeting the region's needs for power. The CPUC expects to make a final determination on the Sunrise Power Link in January 2008. In light of the state law requiring renewable energy to meet 20 percent demand by 2010, the region must continue to aggressively pursue viable options for renewable energy wherever possible.

According to SDG&E, peak demand for energy will continue to grow at an estimated rate of about 100 megawatts (MW) per year. Even after state-mandated energy efficiency programs, demand-reduction programs, and implementation of the California Solar Initiative, the energy needs of the region will require significant investment in additional local power plants and transmission lines.

Monitor the State of California's *Nuclear Power Plant Assessment* (AB 1632) and similar legislation to keep informed on the role of nuclear power to meet future energy needs and advancements in nuclear technology, and waste disposal. SANDAG should keep abreast of the California Energy Commission's assessment of the state's two nuclear power plants, Diablo Canyon and the San Onofre Nuclear Generating Station. The assessment will examine the effects of major disruptions to the two power plants, including a seismic event or plant aging, as well as costs and impacts of accumulating spent nuclear fuel. The assessment will also evaluate major issues related to the future role of nuclear power plants in the state. SANDAG should also monitor the U.S. Department of Energy's research and development on next-generation nuclear technology and waste disposal. Some energy experts indicate that reduced dependence on foreign oil as well as clean energy must involve increased use of nuclear energy, while ensuring safe disposal of nuclear waste. Implementing any nuclear program would require a focus and reliance on scientific data in an effort to achieve ambitious energy goals.

▸ Strategic Goal 4

Prepare the labor force to be competitive for jobs created by the San Diego economy and better able to adapt to changing work and skill requirements.

Recommended Actions

4.1 Connect school district databases regionwide to track and assess student performance to better ensure a match between education and skill requirements and attainment. (lead organizations: San Diego County Board of Education and all school districts in the region).

4.2 Explore new approaches to providing education and training opportunities to workers employed by temporary staffing agencies to improve the efficiency and effectiveness of job turnover and transition. (lead organizations: San Diego Workforce Partnership and temporary staffing agencies).

4.3 Develop programs that would prepare older workers for the opportunity to remain actively employed (lead organizations: community colleges and university extension programs).

A region's economic prosperity depends foremost on the availability of a knowledgeable and skilled workforce. Keeping our region *competitive* in the global economy requires that our workers have the education, training and skills to be *competitive* in the global marketplace. The San Diego region will experience major changes and shifts in its population over the next 30 years, which in turn will affect its labor force. We are growing and are expected to add nearly one million people; we are becoming more ethnically diverse, the Hispanic and Asian populations will nearly double and the non-Hispanic White population will shrink by more than 1 percent; our median age is increasing and we are living longer, the number of seniors will double; the number of octogenarians will nearly triple; and an increasing number of us are using temporary employment agencies to find jobs throughout our careers. The following recommended actions are intended to develop and increase the productivity of the region's human capital.

Connect school district databases regionwide to track and assess student performance to better ensure a match between education and skill requirements and attainment. We live in an increasingly knowledge-based economy where disparities in education and training are likely the most significant sources of the long-term increase in economic inequality. This problem is caused by our skill mix not keeping up with the technology that our capital stock requires.

Our region's demographic changes, in both size and diversity, bring with them challenges. One of the most threatening trends, locally and statewide, is the potential mismatch between the education requirements of the new economy and the amount of education its future population is likely to have. For example, our economy continues to shift to service-oriented industries whose workers are at least twice as likely as a manufacturing employee to have graduated from high school. In fact, the fastest growing service-oriented industries have the highest share of employees with college degrees. The problem is that education trends locally and statewide are not keeping pace and this trend is expected to worsen because projected population growth is concentrated among groups that have typically attained lower levels of education or inadequate skills.

Reversing this trend will test the public's commitment to education. As a first step, to help restore the public's trust, school districts in the San Diego region need to collaborate to create a database to track and assess individual student performance. A regional and computerized database that is diagnostic and performance based can be designed to keep track of what works and what does not work. A centerpiece of this diagnostic database should be accurate middle and high school student drop-out rates.

Explore and test new approaches to providing education and training opportunities to workers employed by temporary staffing agencies to improve the efficiency and effectiveness of job turnover and transition. The growing importance of temporary staffing agencies in the region's economy presents an opportunity to promote education and training of workers, who are looking for work and may be unemployed, changing jobs or considering changing careers or industries. Temporary staffing agencies' detailed knowledge of the market's demand for people and skills can be combined with public and non-profit organizations' programs for general education and worker training, not only to help supply workers with the needed knowledge and skills, but also to help individual workers adjust to a changing market. A pilot program needs to be developed to test the viability and effectiveness of this strategy. As one way to organize the pilot program, the San Diego Workforce Partnership could use one or more of its career centers to establish a close working relationship with one or more temporary staffing agencies.

Develop programs that would prepare older workers for the opportunity to remain actively employed. Between 1990 and 2000, the median age of San Diego's population increased from 31 to 33.2 years. By 2030, SANDAG's Regional Growth Forecast projects that the median age will increase to 38.9 years. An aging population requires special services, such as health care, and reduces the need for services for the young, such as primary education. It is anticipated that many workers reaching retirement age will in fact remain in the workforce, although they may do so in different capacities or even in different industries. Implementation of this action will come from the education community, led by the community colleges, identifying strategies and programs that provide opportunities for older workers who wish to remain in the labor force to acquire new skills or to apply their current skills to new tasks.

▶ Strategic Goal 5

Reserve existing and vacant *prime* employment land for light industrial and research and development uses and establish a redevelopment process that would renew and retain existing industrial lands for similar uses in the future.

Recommended Actions

5.1 Update the *Employment Lands Inventory* and request that all jurisdictions keep the on-line inventory up-to-date to maintain timely and accurate data on land availability (lead organizations: SANDAG, local jurisdictions).

5.2 Identify vacant lands to be reserved for future employment use, specifically light industrial and research and development, to provide an opportunity for growth in our region's traded employment clusters. (lead organizations: local jurisdictions, economic development agencies/organizations).

5.3 Adopt local land use policies to reserve developed prime industrial land and establish an industrial land redevelopment process to retain the integrity of its clustered location and its productive and market value. (lead organizations: local jurisdictions).

5.4 Identify compatible areas for potential co-location or co-development of jobs and housing to clarify where this should occur and where it should not occur. (lead organizations: SANDAG, local jurisdictions).

The San Diego region has a limited supply of *prime* industrial land, which is suitable for immediate development or redevelopment for employment use, while traded cluster industries, many of which are in high technology sectors such as biotechnology and communications, require space for expansion or for start-up operations. A 2001 study by SANDAG and the San Diego Regional Economic Development Corporation found that of the nearly 15,000 acres of designated employment land in the region, only 1,420 acres were immediately available for development. Vacant employment land is also being developed at a faster rate than they are being made ready for use. Between 1995 and 2000, 3,196 acres of employment land were developed in the region, while only 1,040 acres were added to the inventory. The shortage of employment land is affected by the rapid rise in housing prices, creating incentives for landowners to convert land designated for non-residential to residential uses.

An example of a pro-active policy to reserve the supply of prime industrial land is the City of San Diego's "Economic Prosperity Element" of the General Plan. This element proposes to reserve "prime industrial land," which supports employment in traded cluster industries, and provides guidelines for the conversion or co-location of compatible development on such land. Other cities in the region should consider and adopt similar policies.

The following actions are recommended to assure that land suitable for the region's key cluster industries will remain available.

Update the *Employment Lands Inventory* and request that all jurisdictions keep the on-line inventory up-to-date to maintain timely and accurate data on land availability. SANDAG should update its previous work on the *Employment Lands Inventory*, prepared with input from local jurisdictions and intended to provide information on the type and location of available lands ready for development, particularly for light industrial and research and development use. Local jurisdictions should provide at least quarterly information on changes in existing and planned land use which will be incorporated into the updated *Employment Lands Inventory*.

Identify vacant lands to be reserved for future employment use, specifically light industrial and research and development, to provide an opportunity for growth in our region's traded employment. Local jurisdictions, economic development agencies, and organizations need to identify vacant lands in their community to be reserved for future employment use.

Adopt local land use policies to reserve developed prime industrial land and establish an industrial land redevelopment process to retain the integrity of its clustered location and its productive and market. Local jurisdictions should adopt policies to reserve developed prime industrial and R&D land from being converted to non-employment uses, except in context of compatible co-location. Such policies may be incorporated in local General Plans, zoning ordinances, or land development policies.

Identify compatible areas for potential co-location or co-development of jobs and housing to clarify where this should occur and where it should not occur. Local jurisdictions need to identify areas appropriate for co-location or co-development of jobs and housing where such uses may complement and further the objectives of smart growth policies. SANDAG has found that from 80 to 85 percent of employment land uses are compatible with housing. SANDAG should build on this finding and work with local jurisdictions to identify potential areas for co-location and incorporate them in the Regional Comprehensive Plan.

- **Strategic Goal 6**

Continue to diversify the sources of water for the region, with particular emphasis on reclamation/reuse, desalination, and conservation.

Recommended Actions

6.1 Implement the long-range plan for water source diversification adopted by the San Diego County Water Authority (CWA) to assure reliable sources of water for the region (lead organization: CWA).

6.2 Undertake cooperative programs to increase water conservation and acceptance of reclaimed water for domestic use to help the region meet its goals of water source diversification (lead organizations: CWA, local water districts, local jurisdictions).

6.3 Assess the need to integrate potential effects of global climate change in planning for the region's future water supply to better prepare the region for those effects (lead organizations: CWA, research institutions at local universities).

Of the 645,000 acre-feet (AF) of water consumed in the service area of San Diego County Water Authority (CWA) in 2005, approximately 79 percent was supplied by the Metropolitan Water District (MWD). Since 1990, CWA has imported from 75 to 95 percent of the region's water supply from MWD (CWA, *Regional Water Facilities Master Plan*, 2004). A key goal of the CWA and also of the 1998 *Prosperity Strategy* recommendation is to diversify the sources of water used in the service area, which accounts for most of the San Diego region. Continued and cooperative efforts will be necessary to implement the goals of water source diversification.

The 2003 water transfer agreement between CWA and the Imperial Irrigation District (IID) secured a key alternative source of water, which will account for 22 percent of water used in the service area by 2020. Additionally, supplies from CWA's All American Canal Lining and Coachella Canal Lining projects will account for nine percent of the region's supply by 2020. However, in order to meet the region's growing demand for water and also to maintain diverse sources of supply, additional work is needed to increase, reclamation (or reuse), seawater desalination, and conservation.

The San Diego region has already made substantial investment in water reclamation. The City of San Diego has constructed two reclamation facilities – North City Water Reclamation Plant (NCWRP) and South Bay Water Reclamation Plant (SBWRP). NCWRP has capacity to produce up to 24 million gallons per day (MGD) of recycled water, but existing beneficial reuse, consisting mostly of irrigation and some industrial purposes, total only about 6 MGD (City of San Diego, *Water Reuse Study* [2006]). The SBWRP produces from 5 to 6 MGD of recycled water that is then disposed through the ocean outfall, without application for domestic or industrial reuse. Thus, although the region has substantial capacity to produce recycled water with adequate quality, actual demand for recycled water has not matched that capacity. None of the recycled water is currently used as potable water, due to lack of public acceptance.

The following actions are recommended to further diversify water supply for the region.

Implement the long-range plan adopted by the San Diego County Water Authority to assure reliable sources of water for the region. The San Diego County Water Authority (CWA) has prepared the *2005 Urban Water Management Plan*, which identifies a diverse mix of water resources to be developed over the next 25 years. CWA should implement the goals of this plan, with periodic updates to respond to changing conditions.

Undertake cooperative programs to increase water conservation and acceptance of reclaimed water for domestic use to help the region meet its goals of water source diversification. Unlike the IID Transfer Agreement, actions to secure additional local sources of water, particularly conservation and domestic use of reclaimed water, will require cooperation of water users (households and businesses), local water agencies, and, local jurisdictions. That is, future success in the diversification of water sources will require concerted action by the region's public and private organizations, as well as the CWA. In particular, substantial effort will be needed to obtain public acceptance of recycled water as an additional source of domestic potable water, as was successfully implemented in Singapore.

Assess the need to integrate potential impacts of global climate change on the region's water supply to better prepare the region for those effects. Scientific studies indicate that global climate change – or even cyclical changes in climate – could severely affect the availability and quality of the water supply in the southwestern United States. The CWA and research institutions in the region need to conduct appropriate studies to monitor the potential impacts of global climate change on the region's future water supply and quality.

▶ Strategic Goal 7

Increase the facilities and resources necessary to provide regionwide opportunities for all children to receive preschool education.

Recommended Actions

7.1 Determine the best way for the San Diego region to implement a universal preschool education program to help increase the educational success rate of each child. (lead organization: San Diego County Office of Education).

7.2 Pursue a legislative program to qualify military families for state-subsidized preschool in order to expand the reach of current preschool opportunities in the state and the region (lead organization: current supporters of AB 170 [Saldaña], including the San Diego Unified School District (sponsor); San Diego County Office of Education and San Diego Regional Chamber of Commerce).

Many studies have shown the economic benefits of investment in preschool education. For example, a 2005 study conducted by RAND estimated that investment required to make preschool available to every 4-year old in California would generate $2 to $4 in benefits for every dollar spent. The benefits identified by the study include reduced need for special education, less grade repetition in K-12, less youth and adult crime, and a more productive workforce. High quality preschool education represents one of the best opportunities for investment in human capital. However, enrollment in preschool education has been limited both in this region and elsewhere, due to lack of facilities, qualified teachers, and funding. Among 25 comparative metro areas, San Diego ranks 18th in the proportion of 3- and 4-year olds enrolled in nursery or preschool in 2000. San Diego's proportion declined slightly between 1990 and 2000 (to 58.4 percent), while that of the nation increased (to 64.4 percent).

Determine the best way for the San Diego region to implement a universal preschool education program to help increase the educational success rate of each child. The San Diego County Office of Education (SDCOE) should continue its efforts in advocating an increase in preschool enrollment and identifying resources to be applied to this goal. The SDCOE should investigate methods to standardize the content of publicly funded preschool learning experiences. The intent of this recommendation is to provide public preschool opportunities that co-exist with privately funded options, thus setting 100 percent enrollment as the metric for success.

The *San Diego County Preschool for All draft Master Plan* was approved in December 2005 and was developed with funds from the David and Lucille Packard Foundation and the First 5 Commission of San Diego. The draft *Master Plan* outlined the guiding principles toward achieving preschool for all, identified barriers to achieving the goal, and tasked itself to find strategies to address those issues. The San Diego County Office of Education is currently working collaboratively with the First 5 Commission of San Diego to provide free, voluntary, quality preschool in six local communities. This effort should be continued and expanded. The First 5 Commission of San Diego is responsible for allocating San Diego County's Proposition 10 funding. Proposition 10, also known as the California Children and Families Act of 1998, added a tax to tobacco products to fund programs promoting the health and well-being of children from prenatal to age five. The funding is granted to local agencies for programs such as parenting education, stipends for childcare providers, health and developmental assessments, and school readiness programs in communities with low performing schools. The Preschool for All initiative falls under the banner of school readiness.

Despite the acknowledged benefits of preschool education, lack of funding is the primary impediment to increasing enrollment. Although public funding would make economic sense, because of a high benefit-cost ratio, it is likely that a variety of sources will be required, including charitable contributions and the participation of businesses and nongovernmental organizations.

Pursue a legislative program to qualify military families for state-subsidized preschool in order to expand the reach of current preschool opportunities in the state and the region. The San Diego Unified School District (SDUSD), along with other named supporters, should continue to support the current proposed legislation (AB 170, Saldaña) to expand the reach of current preschool opportunities by amending the existing regulations for providing state funds. Currently, many military families are not eligible for state-subsidized preschool if their Basic Housing Allowance (BHA) is paid directly to private property managers providing on- and off-base housing. In this situation, the BHA is calculated as income and places many military families above the income ceiling for free state preschool. If the BHA is paid through traditional military-run programs, the allowance is not considered income. The non-traditional payment of BHA to private property managers denies subsidized preschool to military families who had previously qualified for these services. The Saldaña measure would exclude the BHA when determining eligibility for state preschool in an amount equivalent to the lowest allowance rate for the military housing area in which the individual lives. The San Diego region's public and private organizations, including the San Diego County Office of Education and the San Diego Regional Chamber of Commerce, should provide additional support to this legislation. This issue could be addressed concurrent with or prior to implementing the larger agenda of the Strategic Goal, achieving a universal preschool education program in the region.

- **Strategic Goal 8**

Reduce the public costs imposed on businesses and assure that activities funded by public expenditures and regulations meet their objectives and are efficiently and effectively implemented to help keep the region competitive.

Recommended Actions

8.1 Establish a competitive bidding and contracting process for providing public services modeled on the California Performance Review and the City of San Diego's managed competition initiative, to help ensure services are provided in a cost-effective manner (lead organizations: local jurisdictions).

8.2 Explore and implement alternative ways for meeting public facility and service standards to minimize the need for raising taxes and fees to pay for new infrastructure (lead organizations: major infrastructure and service providers in the region, including SANDAG, Caltrans, San Diego County Water Authority and water districts, San Diego Gas & Electric, and the San Diego County Regional Airport Authority).

8.3 Improve the linkage between infrastructure investments and SANDAG's Regional Comprehensive Plan to achieve regionwide smart growth goals and objectives (lead organizations: SANDAG, Caltrans, and other infrastructure providers in the region, such as the San Diego County Water Authority, the San Diego County Regional Airport Authority, the San Diego Unified Port District, and San Diego Gas & Electric).

Upon his election, Governor Schwarzenegger called for an exhaustive audit of state operations to uncover waste, fraud, and abuse. He also called for a transformation of state government – blowing up the boxes along the way – to return power and authority to the residents of the state. As a way to act on these assertions the Governor produced the California Performance Review (CPR) to examine state operations and recommended reforms. Locally, City of San Diego Mayor Jerry Sanders led a successful effort to get city residents to vote for a managed competition initiative to help provide cost effective public services.

As the CPR report points out, increasing the performance of government is difficult. Leon Panetta, who served California and the nation in Congress, and later as director of the Office of Management and Budget and as President's Clinton's Chief of Staff, offered the following remarks on implementing CPR: my experience is that nobody in any bureaucracy likes to change their turf. That is just a hard reality. If change happens, it occurs in one of two ways. It happens by crisis, which we saw with September 11. We would not have a Homeland Security Agency if not for September 11. Or it happens by leadership. With his advice in mind, and using the CPR as a guide for identifying possible statewide initiatives to reform and improve government programs, actions, and effectiveness, the following recommended actions were developed to be in line with the CPR.

Establish a competitive bidding and contracting process for providing public services modeled on the California Performance Review and the City of San Diego's managed competition initiative, to help ensure public services are provided in a cost-effective

manner. Many governments – including the State of California and the City of San Diego – have recognized that introducing competition into providing external (to residents and taxpayers) and internal (to city departments) services is an effective strategy for improving quality and productivity. Using market forces to improve the bottom line recognizes that most public service agencies operate as monopolies – exclusive providers of the services. For example, when service agencies have the authority to set policy and service standards, they tend to adopt standards favoring themselves over their customers. Separating responsibilities for delivering services from setting procurement standards helps to prevent this conflict. Implementation of this action at all levels of government will provide the public with the confidence that the public sector has a way to judge the efficiency and reliability of the services and to choose the most cost-effective provider. Neither the public nor the private sector is innately more efficient and reliable than the other but competition will bring the best in both out to serve the customer: residents of the San Diego region.

Explore alternative ways to meet public facility and service standards to minimize the need for raising taxes and fees to pay for new infrastructure. Some long-time Californians call for a return to the state's "golden era" of major infrastructure investment, which has had a lot to do with shaping California. Many believe that, historically, the state's prosperity is due to the state's vision and commitment to build three grand systems: aqueducts, highways, and universities. The systems were, and still are, the cornerstones of the states economy and society.

Traditional supply-side infrastructure planning made sense in the 1950s when these sectors were in their infancy, California was growing rapidly, and there was a broad consensus supporting growth. But today, the environment has changed. Not all citizens view the state's economic and demographic growth as desirable. State and local residents resist building to meet projected demands of a growing population on at least two grounds: they don't want their taxes raised and they don't want facilities built in their backyards. In short, the context in which the state or regions plan and fund capital infrastructure investments is vastly different now than during the eras of former Governors Earl Warren and Pat Brown.

Most infrastructure agencies do not explore alternative forms of service delivery or identify non-capital alternatives for meeting future needs. Strategic infrastructure planning poses some basic questions, such as: Are there ways to meet infrastructure needs without investing in new capital equipment? For example, is the only way to accommodate more roadway trips to widen existing or build new freeways? It may be possible to manage the demand for existing infrastructure in ways that encourage its most efficient use and thereby minimize the need for new investment. This sort of demand management contrasts with traditional planning approaches, which focus almost exclusively on increasing the supply of infrastructure. Generally, supply-oriented planning forecasts infrastructure needs based on per capita estimates of consumption. These per capita estimates, in turn, are based on historic patterns of infrastructure use. Demand management, in contrast, begins with consumers' willingness and ability to pay for services. It recognizes that the demand for infrastructure is dynamic, and it seeks to control the key drivers of that demand to make the most efficient use of existing resources. This strategy can best be implemented by the major infrastructure providers, applying non-traditional strategies of meeting demand.

Improve the linkage between infrastructure investments and SANDAG's Regional Comprehensive Plan to achieve regionwide smart growth goals and objectives. Our region spends billions annually to maintain, operate, and construct infrastructure facilities. Given the amount of money we invest annually on infrastructure, expenditure plans should be consistent with the overall long-term vision or strategic plan for supplying and delivering services. Today, however, most infrastructure planning is done without a coordinated "vertical" or "horizontal" framework that prioritizes and synchronizes the annual expenditures of capital improvement programs to meet the goals of the longer-term strategic plans that form the basis of facility master plans. With notable exceptions, most infrastructure programming and planning is not coordinated or prioritized with respect to regional plans. A broader prioritization of infrastructure expenditures requires that a regional framework be established, based on regionwide goals, such as those contained in SANDAG's Regional Comprehensive Plan, that can be incorporated into and addressed as part of the evaluation of infrastructure projects.

Local jurisdictions, acting together as SANDAG, have endorsed and adopted resolutions of support for an urban form that channels much of the region's future growth into existing urban (primarily incorporated) communities, preserving and protecting the lifestyle and sensitive environment of our rural (primarily unincorporated) areas. For example, over time, if the RCP goals and objectives are implemented, then an increasing proportion of the growth will occur as redevelopment and urban infill. To adequately prepare for this change, the urban form and design goals in the RCP should be universally embraced to help ensure that infrastructure is in place prior to or concurrent with the land use decisions that implement the urban form goals. Major transit infrastructure investments, for example, need to be supported by land uses that can provide the rider ship to justify the investment.

In this way, strategic planning and visioning drive the capital decision making process. In the absence of a unified strategic vision, the budget process paints a large part of the "big picture" for infrastructure planning by default. Each infrastructure provider develops its own vision of the region's future from various board actions, administration edicts, and overall climate of opinion and builds its capital budget from individual construction project proposals. This project-based budgeting, using an annual snapshot or limited horizon, attempts to replace the big picture.

▶ Strategic Goal 9

Monitor and report on the region's progress in meeting the challenges and goals identified in *Evaluating the Competition and Assessing our Strategic Position* and *San Diego's Regional Economic Prosperity Strategy*.

Recommended Actions

9.1 Conduct periodic updates of both the evaluation of current conditions and the recommended strategies to achieve economic prosperity, to provide elected officials and community leaders with information to help them make informed decisions and take actions to address our future challenges. (lead organization: SANDAG).

9.2 Review monitoring efforts conducted by SANDAG and other organizations for additional information, insight, and directions for future action to identify opportunities for collaboration and coordination (lead organization: SANDAG).

The objective is to measure progress toward regional goals with respect to standard of living, income, education, infrastructure investment, and other indicators of economic prosperity. To this end, SANDAG should undertake the following actions.

Conduct periodic updates of both evaluation of current conditions and the recommended strategies to achieve economic prosperity, to provide elected officials and community leaders with information to help them make informed decisions and take actions to address our future challenges. As it has done in the past, SANDAG should periodically update the evaluation of San Diego's economic condition and prosperity, review progress toward goals identified in the *Regional Economic Prosperity Strategy*, and revise or identify new goals and actions as necessary. In this update, SANDAG should solicit input from a broad range of public and private organizations engaged in regional economic development.

Review monitoring efforts conducted by SANDAG and other organizations for additional information, insight, and directions for future action to identify opportunities for collaboration and coordination. The *Regional Economic Prosperity Strategy* should also review other evaluation and monitoring studies conducted by SANDAG and others, such as *Indicators of Sustainable Competitiveness*, prepared in association with the San Diego Regional Economic Development Corporation, and the monitoring report of the *Regional Comprehensive Plan*. Although these studies emphasize different perspectives extending beyond economic issues, they provide valuable insight into the status of the region and its future direction.

In addition, the San Diego Regional Economic Development Corporation (EDC) is launching the "Partnership for the Global Economy," which will bring an essential and valuable private-sector perspective to region-wide planning, providing input from those who make critical decisions on where their companies will locate and expand. The current initiative builds upon a highly successful initiative in 1999 that helped to catalyze the regional focus on creating the Rady School of Management at UCSD, High Tech High, and other K-12 workforce investment initiatives, capital formation initiatives now led by BIOCOM and CONNECT, and the EDC's leadership on TransNet, which has added more than $14 billion of future funding for the region's transportation infrastructure. SANDAG should strongly support the Partnership for the Global Economy and use its outcomes to augment *San Diego's Regional Economic Prosperity Strategy*.

San Diego Regional Economic Prosperity Strategy

Preparing for Regional and Global Collaboration

SANDAG Board Policy Meeting

December 7, 2007

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San Diego Regional Economic Prosperity Strategy

Here's the Deal

- This can be, "A Big Deal!"
- Dean Calbreath (S.D. Union 11/18/07): San Diego is the area that employees would most like to relocate to for a Dream Job. The headline said, "Dream City out of reach without any dream jobs."

2

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San Diego Regional Economic Prosperity Strategy

Here is what we have done:

Job Growth in San Diego Region between

1990 -2004 by income range

- Top 1/3 of Income Range 20,280 Jobs
- Mid 1/3 of Income Range 57,310 Jobs
- Bottom 1/3 of Income Range 158,400 Jobs

3

San Diego Regional Economic Prosperity Strategy

Bottom Line: Leaders of the San Diego Region must “Balance” the investment of dollars into areas that will expand and attract higher paying jobs.

4

San Diego Regional Economic Prosperity Strategy

To Expand and Attract Higher Paying Jobs, we need improved, reliable, and expanded infra-structure (Water, Energy, Goods Movement)

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San Diego Regional Economic Prosperity Strategy

To attract new industries, or to help provide for expansion of current companies, we need to increase the inventory of affordable housing.

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San Diego Regional Economic Prosperity Strategy

To qualify our residents for improved jobs, we need more and improved education and training.

7

San Diego Regional Economic Prosperity Strategy

We need to protect the inventory of "Employment Lands" throughout the region.

8

San Diego Regional Economic Prosperity Strategy

Included in our recommendations:

- We endorse additional transmission to the San Diego Region
- We endorse Free Trade
- We propose keeping updated on Nuclear Energy to generate electricity

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San Diego Regional Economic Prosperity Strategy

The Goals and Recommended Actions are not necessarily more work for SANDAG and the SANDAG Staff. Rather, they are strategies that we recommend the Region's Leadership, public and private, focus on in the years ahead to raise the quality of life for our residents.

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San Diego Regional Economic Prosperity Strategy

Remember

This is an, “Economic Document” for, “Economic Prosperity” for the residents of our region. That was, and is, our focus as we present it to you today for your comments.

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Prosperity Strategy Key Finding:

Standard of living not keeping pace with the state or nation

- Unbalanced job growth and increasing wage disparity
- High cost of living eroding purchasing power

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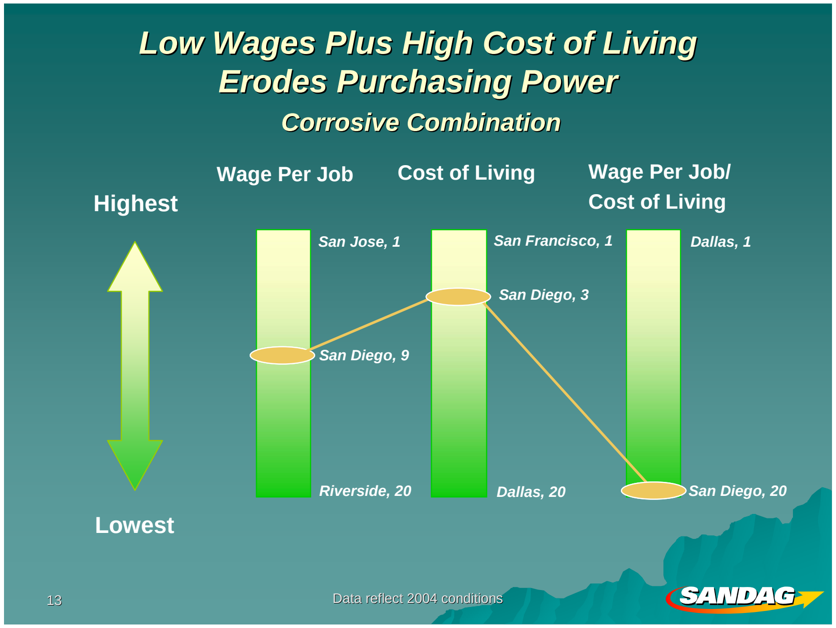
Low Wages Plus High Cost of Living
Erodes Purchasing Power
Corrosive Combination
Wage Per Job
Cost of Living
Wage Per Job/
Cost of Living
Highest
Lowest
San Jose, 1
San Diego, 9
Riverside, 20
San Francisco, 1
San Diego, 3
Dallas, 20
Dallas, 1
San Diego, 20
13
Data reflect 2004 conditions
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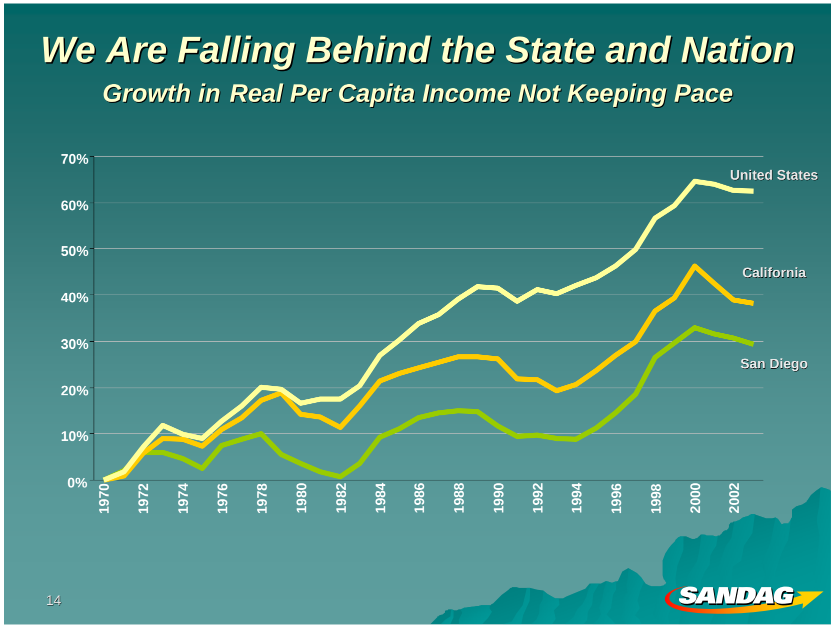
We Are Falling Behind the State and Nation
Growth in Real Per Capita Income Not Keeping Pace
70%
60%
50%
40%
30%
20%
10%
0%
1970
1972
1974
1976
1978
1980
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1996
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2000
2002
United States
California
San Diego
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Creating 8 Times More Low than High Paying Jobs

Unbalanced Job Growth Affects Distribution of Wages

	1990-2004 Growth ($2004)		
Compensation Category / Median Wage ($2004)	Average Salary Increase	Real Salary Growth ’90-’04	Job Growth
Highest Paying Jobs (Top 1/3) / $79,800	**$19,977**	**33.4%**	**20,280**
Mid Level Paying Jobs (Middle 1/3) / $51,000	**$8,208**	**19.2%**	**57,310**
Low Level Paying Jobs (Lowest 1/3) / $24,500	**$2,000**	**8.9%**	**158,400**

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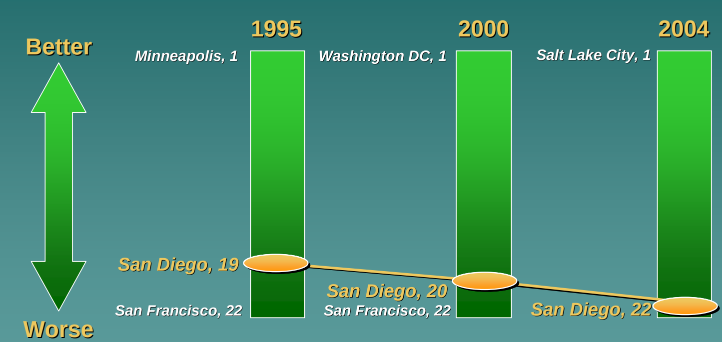
San Diegans Forced to Spend More on Housing

Always One of the Lowest Housing Opportunity Indices



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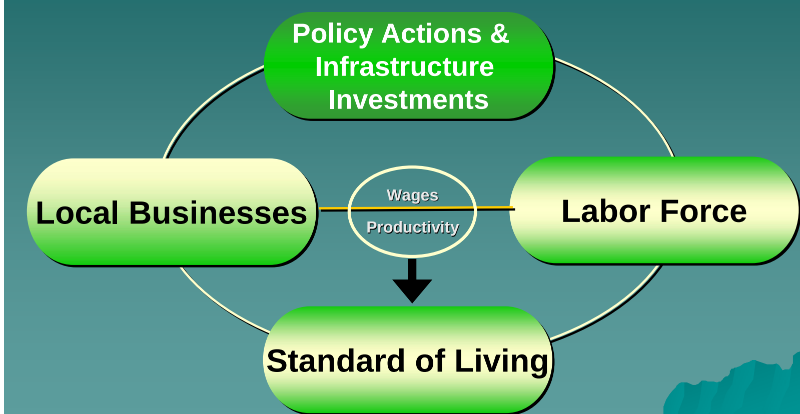
Proposed Strategy to Address Major Challenges

San Diego Regional Economic Prosperity Strategy



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All Strategic Goals Address Major Challenges

High Cost of Living and Unbalanced Job Growth

- Increase housing supply to stabilize prices
- Goods movement strategy & action plan
- Reliable/cost-effective energy and water supplies
- Improve education/workforce development
- Reserve prime employment land
- Improve government efficiency and effectiveness
- Monitor and report on progress

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Proposed Adjustments to Recommended Actions

- Housing
- Water supply

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Strategic Goal: Increase the Supply of Housing Sufficient to Stabilize Prices

Initial Recommended Actions:

- Construct units in Smart Growth Areas
- Streamline Permit Process
- Remove Fiscal Disincentives

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Adjustments Affect Timing & Capital Efficiency

Pre-approve residential development in Smart Growth Opportunity Areas (Master EIRs)

- Better match supply with demand to stabilize prices
- More efficient use of capital

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Strategic Goal: Continue to Diversify Sources of Water

Initial Recommended Actions:

- Source Diversification
- Increase conservation & use of reclaimed water
- Assess and plan for effects of climate change

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Adjustments Affect Water Sources and Uses

- 100% use of reclaimed water
- Establish competitive water market in California

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Should Public and Private Leaders Endorse the Following Immediate Actions?

- Pre-approve residential development
- Construct a third border crossing to reduce wait times
- Construct additional energy transmission capacity
- Protect prime industrial land in General and community plans
- Establish a clean-tech business park in south county with regional investments
- Approve desalination plant in Carlsbad
- Insist on 100% use of reclaimed water

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"…the difference between wanting and having is doing."

-Hon. Phil Monroe

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Prosperity Strategy's Call to Action

- Create a state of economic "readiness"

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San Diego Regional Economic Prosperity Strategy

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