2005
Indicators of Sustainable Competitiveness:
A Quality of Life Index for San Diego
Introduction

Every region has a combination of assets that make it unique and livable. What these assets are and how they can be improved and deployed is the subject of constant discussion and study among civic-minded leaders.

One way for a region to evaluate its assets is to benchmark their performance against other similar regions. To the extent that these assets are similar from region to region, it is important to understand where we rank among our competitors. It is also important to understand our progress relative to others in maintaining them.

In order to measure the strength of our assets, we must determine what factors or indicators have the most effect on the ability of the region to compete. In California and elsewhere, a network of organizations and agencies have rallied around a set of regional “quality of life” indicators that measure competitiveness by looking at three distinct aspects that woven together represent a region’s quality of life. These regional “quality of life” indicators are centered on the “Three Es” of Economy, Equity and Environment, which take into account the quality of the natural environment, the working environment and the quality of the social and cultural opportunities available to all residents.

San Diego first evaluated its regional competitiveness using the Three Es in 2001. The San Diego Association of Governments (SANDAG) and the San Diego Regional Economic Development Corporation (EDC) worked with a group of civic and business leaders to conduct a study that resulted in the release of a “Sustainability Index” for San Diego. This report is an update of the previous study, allowing us to determine if we’ve made progress as a region and giving us some objective inputs to consider as we set priorities for the future.

We must collaborate as a region and work toward a set of shared values and a common vision of what constitutes “quality of life.” This is important for a number of reasons: regions can no longer afford to engage in one-issue at a time strategic planning. Our efforts must be broad and comprehensive to sustain forward momentum; regions must perform well in all three areas. Consistently performing poorly in one of the “E” areas will eventually affect and bring down one or both of the other “E” areas. Overall, quality of life is more than the sum of the three components and represents the synergistic effects of the three areas working together.

That’s where a balanced performance in all three areas becomes a factor and the lack of balanced performance will likely result in a continuation of the status quo that puts the region’s quality of life at risk.

Helping local leaders understand and evaluate San Diego’s competitive position and whether it is sustainable is the purpose of this report. But we realize that our region competes with the world. For example, the technology companies that we appreciate so much, and that have given so much back to San Diego, operate in a global marketplace. This is where there is the greatest threat to our regional prosperity. For these companies and industries to continue to invest in San Diego, the value of our regional assets must outweigh the costs or burdens of doing business in San Diego. The data in the following pages will illustrate our strengths and weaknesses compared to our peer competitor regions. The challenge is to take the information and use it to drive decision-making and the allocation of scarce resources.

What’s the risk if we do not act? Over the long run, our “competitive position and quality of life” is not sustainable. Forward-thinking leaders are beginning to realize that the pressure to act on single issues is beginning to rise, resulting in initiatives such as the living wage, universal health care, state-sponsored early childhood education and subsidized housing. This is not a value statement about the efforts, but it is an observation that this is the trend toward providing solutions.
This report is an update on where San Diego currently stands in relationship to 18 competitor regions and the United States average.

The formal designations of the competitor regions in the 2005 study are:

Atlanta-Sandy Springs-Marietta ____________ Georgia
Austín-Round Rock ______________________ Texas
Boston-Cambridge-Quincy ________________ Massachusetts-New Hampshire
Dallas-Ft. Worth-Arlington ________________ Texas*
Denver-Aurora ___________________________ Colorado
Miami-FT. Lauderdale-Miami Beach __________ Florida
Minneapolis-St. Paul-Bloomington __________ Minnesota-Wisconsin
Orange County ___________________________ California
Phoenix-Mesa-Scottsdale ________________ Arizona
Portland-Vancouver-Beaverton ____________ Oregon-Washington
Raleigh-Cary ______________________________ North Carolina
Sacramento-Arden-Arcade-Roseville __________ California
Salt Lake City ____________________________ Utah*
San Francisco-Oakland-Fremont ______________ California
San Jose-Sunnyvale-Santa Clara ____________ California
Seattle-Tacoma-Bellevue ___________________ Washington
Tampa-St. Petersburg-Clearwater ____________ Florida
Washington-Arlington-Alexandria ____________ Virginia-Maryland-West Virginia

*New to this year’s study.

Indicators of Sustainable Competitiveness: A Quality of Life Index for San Diego

Economic Element
1. Standard of Living
   – Real Per Capita Income
2. Business Investment/State Business Climate
   – Venture Capital Share of GMP
   – IPO funds as a share of GMP
   – State Business Climate
3. Investment in Goods
   – Equivalency of Toluene and Benzene released into the air and water
4. Transportation
   – Average Commute Time
5. Childhood Education
   – Percent of children under 5 enrolled in preschool or nursery school
   – Fourth grade proficiency in mathematics

Environment Element
1. Air Quality
   – Number of days not meeting EPA standards
2. Habitat Preservation
   – Protected lands as a share of weighted urban lands
3. Investment in Waste Management and Water Supply
   – Per Capita Outlays on Sewerage
   – Per Capita Outlays on Solid Waste
   – Per Capita Outlays on Water Utilities
4. Hazardous Substances
   – Equivalency of Toluene and Benzene released into the air and water

Equity Element
1. Income Distribution
   – Ratio of average to median household income
2. Housing Affordability
   – Housing Opportunity Index
3. Investment in Public Transportation Infrastructure
   – Per Capita Outlays on Public Transit
4. Transportation
   – Average Commute Time
5. Childhood Education
   – Percent of children under 5 enrolled in preschool or nursery school
   – Fourth grade proficiency in mathematics

Figure 2: Sustainable Competitiveness Index Elements

Sustainable Competitiveness Index Elements

What Are We Measuring?

The Three E’s are unifying values on which we can base a framework for evaluating where we stand in relation to our competitors and our past performance. We all inhabit the same landscape, breathe the same air and drink the same water (Environment). Wherever and however we earn a living, the economies of our cities and suburbs are interdependent and they succeed or fail as one (Economy). Our lives are more than our work or work setting. They are embedded in far-reaching community networks that extend across social, racial, economic, physical, political and international boundaries (Equity).

Each indicator within the three main index elements was chosen for the following reasons: its perceived importance to its respective element; its availability for all regional markets and its ability to be measured; and the ability of public or private actions to influence the direction of the indicator over time. The indicators are listed in Figure 2.

Some of the indicators provide a snapshot of current conditions such as air quality, real per capita income and housing opportunities. Others provide a forward-looking perspective, such as patents, venture capital investments, initial public offerings and capital facility investments. Forward-looking indicators account for 12 of the 21 indicators included in the study.

It would be easy to stack the deck in San Diego’s favor by including indicators like weather. Average temperatures and days of sunshine are easily counted, and they no doubt greatly influence a community’s overall desirability as a place to live. While we can’t take (full) credit for the weather, we are accountable for being good stewards of the environment. There is a relationship between quality of life and air quality and that indicator is included in the Environment element. The Index focuses on issues that can be influenced through a collaborative, community wide effort.
FACT San Diego ranked fourth in the number of acres of protected land to every 10 acres of urbanized land, with a ratio of 14.2.

FACT San Diego ranked 13th in the weighted educational status of the population aged 25 and older. The raw data shows the region is steadily improving in the percentage of the population with a bachelor’s degree or higher.

FACT You can also look at individual region scores against the study average and their divergence from the U.S. score.

FACT San Diego's seventh place ranking on the 2005 income distribution score was up from 15th in 2001 indicating that salaries have risen in middle- and lower-wage jobs.

FACT San Diego ranked first in the 2005 Sustainability Index, with an overall score of 11. It moved up four spots in the rankings from 2001, primarily due to improvements in the Environment and Balance elements. Following Seattle in the top five are Denver, Portland and Raleigh (tied for third) and Austin. The bottom five in the 2005 Index are Sacramento and Tampa (tied for 16th), Orange County, Washington D.C., and United States (20th).

FACT San Diego improved over its 2001 performance but improvements in many of our competitor regions left our ranking unchanged. Although the data show that our strengths offset our weaknesses, it is often a subjective reaction that influences a site selection or relocation decision. Weighing San Diego’s substantial regional assets against high housing costs is at the decision-maker’s discretion.

FACT Typically, the worst performing indicators affect the relative strength of those indicators that are performing well. This makes balance between the three elements a desirable attribute. The sums of the three element scores for each region were averaged with the variance to calculate a Balance element score.

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How Do We Compare?

San Diego rates high in most of the Environment indicators and in other important measures of business success like venture capital funding, initial public offerings and patenting. Capital investment in sewerage, water utilities and sea and inland ports is also good in comparison to other areas. Income distribution has also improved relative to other regions. The Equity element remains the area most in need of improvement. Indicators in that element with a negative impact included traffic congestion, cost of housing, public transit investment and elementary school proficiency in mathematics.

Have We Improved?

San Diego showed mixed results or no improvement in 67 percent of the indicators in 2005 compared to its scores in 2001. Per capita income, toxic releases, business investment, traffic congestion and capital investment in air transport, sewerage and public transit all remained the same or declined. Air quality was down slightly after years of showing improvement. Housing affordability suffered as the median price of homes nears the $500,000 level.

San Diego did show an improvement in one third of the indicators, including adult education attainment, income distribution and capital facilities investment in solid waste management, highways and water utilities.

San Diego will not be able to compete for high-wage jobs and investment if the indicator scores for the Three E's continue to fall or remain flat. Elected officials, public policy makers and regional stakeholders must work together to address the issues that are affecting San Diego’s ability to grow and prosper.

The Economic Element reflects a region’s ability to sustain economic prosperity. As in 2001, San Diego ranked in the middle of its competitors on economic issues. We can do better.

The Environment Element examines factors that help an area maintain a high environmental quality. San Diego improved its already excellent standing from 2001 by moving up two spots to tie for first place this year. Our best effort.

The Index identifies our competitors and measures quality-of-life indicators that can be influenced by civic initiatives to make this region a more inviting place to live, work and play.
The Equity Element measures the equilibrium of opportunity for a region’s residents. San Diego moved up slightly from its ranking in 2001, despite the spiraling cost of housing. That shows some progress, but much more improvement is needed. Our most pressing issue.

Economic Element

Business Investment and State Business Climate – A new indicator, state business climate, was added to Business Investment this year. State business climate was taken from the 2004 version of the Small Business Survival Index, published annually by the Small Business & Entrepreneurship Council in Washington, D.C. The index rates the business climate in the 50 states and the District of Columbia, for a total of 51 rankings.

Investment in Goods Movement Infrastructure – The name of this component under the Economic Element was changed from Capital Facilities Investment in the 2001 study. The type of data reported – U.S. Census Bureau figures on per capita local government investment in airports, highways and sea and inland ports – was unchanged.

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Equity Element

Environment Element

Environment Element – Water quality was dropped in this study as an Environment indicator because the U.S. Environmental Protection Agency stopped releasing MSA-level data on it. In its place were added hazardous substances and habitat preservation.

Hazardous Substances – This indicator is a calculation of toxic equivalency potential, which indicates the risk to humans from the release of a chemical based upon the risk posed by a reference chemical, in this case benzene (carcinogenic) and toluene (non-carcinogenic). The indicator used air and water emissions data from the U.S. EPA and equivalence factors from Environmental Defense of New York.

Habitat Preservation – This component used U.S. Geological Survey guidelines to weight habitat areas for the degree of protection afforded them. For example, a national park, a national recreation area and a wildlife management area would be assigned decreasing weights of 100%, 80% and 20%, respectively. The sum of the weighted habitat acreage was then compared to 10-acre increments of urbanized land.

Investment in Waste Management and Water Supply – The name of this component under the Economic Element was changed from Capital Facilities Investment in the 2001 study. The type of data reported – U.S. Census Bureau figures on per capita local government investment in sewerage, solid waste (trash) management and water utilities – was unchanged.

Equity Element

Investment in Public Transit – The name of this component under the Equity Element was changed from Capital Facilities Investment in the 2001 study. The type of data reported – U.S. Census Bureau figures on per capita local government investment in public transit – was unchanged.

Transportation Congestion – The name of this indicator was changed from Average Commute Time in the 2001 study. The source, the U.S. Census Bureau’s American Community Survey, was changed from the previous study because ACS was seen as more standardized and also is updated at regular intervals. Because the 2005 source was different, historical comparison was made to data from the 2000 national census. As in the previous study, total time this year was calculated by summing one-way commute time for the morning drive with one-way time plus 20% for the evening drive.

Childhood Education – The name of this indicator was changed from Early Childhood Education in the 2001 study to reflect the inclusion of fourth grade math proficiency. To acknowledge the long-term importance of math education, data was taken from the National Assessment of Educational Progress, also known as “The Nation’s Report Card.” The scores reported are the summed percentages of students who ranked “proficient” or “advanced” in mathematics. In the absence of MSA-level data, a region’s score was assigned from the score of the respective state the region is located in.

The percentage of the population under 5 enrolled in pre-school or nursery school represents a change in methodology for this year’s study. The American Community Survey of the U.S. Census Bureau was used as the source for greater consistency and regular updates. Historical comparison data was taken from the 2000 national census. In the 2001 study, the percentage of 3- and 4-year-olds enrolled in early childhood education programs was used. Fourth grade math proficiency and pre-school enrollment were equally weighted in calculating the overall scores for this indicator.
economy
environment
equity

San Diego Regional Economic Development Corporation

530 B Street, Seventh Floor
San Diego, CA 92101
619-234-8484 phone / 619-234-1935 fax
info@sandiegobusiness.org
www.sandiegobusiness.org

401 B Street, Suite 800
San Diego, CA 92101
619-699-1900 phone / 619-699-1905 fax
www.sandag.org