Rebuild better
A framework for equitable recovery in greater Los Angeles

Amy Liu, Brookings Metropolitan Policy Program | @amy_liuw
LAEDC Annual Economic Forecast | February 17, 2021
1. The vision for rebuilding better
2. Structural trends impacting this vision
3. Principles for action
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3. Principles for action
A vision for equitable recovery

“In the wake of the COVID-19 crisis, local leaders will rebuild better, generating higher-quality jobs and wealth creation opportunities in their local economies that advance racial inclusion.”

– Rebuild Better
Brookings, 2020
Greater Los Angeles entered the COVID-19 recession among the nation’s “superstar” metros, as defined by innovation jobs.

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Metro area</th>
<th>Absolute number of innovation industry jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>New York</td>
<td>210,256</td>
</tr>
<tr>
<td>2</td>
<td>San Jose</td>
<td>209,245</td>
</tr>
<tr>
<td>3</td>
<td><strong>Los Angeles</strong></td>
<td><strong>201,820</strong></td>
</tr>
<tr>
<td>4</td>
<td>Seattle</td>
<td>193,771</td>
</tr>
<tr>
<td>5</td>
<td>Boston</td>
<td>169,356</td>
</tr>
<tr>
<td>6</td>
<td>San Francisco</td>
<td>163,895</td>
</tr>
<tr>
<td>7</td>
<td>Dallas</td>
<td>108,926</td>
</tr>
<tr>
<td>8</td>
<td>Washington, DC</td>
<td>86,230</td>
</tr>
<tr>
<td>9</td>
<td>San Diego</td>
<td>85,613</td>
</tr>
<tr>
<td>10</td>
<td>Chicago</td>
<td>83,502</td>
</tr>
</tbody>
</table>

Source: Brookings, "The case for growth centers," 2019
The region also entered the pandemic recession making some inroads towards growth, prosperity, and inclusion.

Source: Brookings, “Metro Monitor,” 2021
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### Jobs 2009-2019

- 53 largest metros: 18%
- Los Angeles: 17%
- New York: 16%
- Seattle: 23%

**29/53 of very large metro areas**

### Output per capita 2009-2019

- 53 largest metros: 15%
- Los Angeles: 22%
- New York: 19%
- Seattle: 29%

**6/53 of very large metro areas**

Source: Brookings, “Metro Monitor,” 2021
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**Median earnings 2009-2019**

- 53 largest metros: 10%
- Los Angeles: 8%
- New York: 5%
- Seattle: 21%

**Source:** Brookings, “Metro Monitor,” 2021

29/53 of very large metro areas

6/53 of very large metro areas

33/53 of very large metro areas
Meanwhile, the region’s earnings gap by race widened slightly while the neighborhood income gap decreased dramatically.

**Racial inclusion in Greater Los Angeles, 2009-2019**

\[ \uparrow +$121 \]

increase in white people/people of color median earnings gap

Rank: 19\textsuperscript{th} / 53

**Geographic inclusion in Greater Los Angeles, 2009-2019**

\[ \downarrow -$3,681 \]

increase in top/bottom neighborhoods median household income gap

Rank: 1\textsuperscript{st} / 53

Source: Brookings, “Metro Monitor,” 2021
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COVID-19 and public health restrictions have devastated the greater Los Angeles economy

-9% decrease in jobs since January
48/53 of very large metro areas

Source: Brookings, “Metro Recovery Index,” January 2021
COVID-19 and public health restrictions have devastated the greater Los Angeles economy.

-9% decrease in jobs since January
- 48/53 of very large metro areas

6% pt. increase in unemployment since January
- 50/53 of very large metro areas
No industries were spared, although workers in restaurants, leisure, and hospitality were most hard-hit.

**Employment growth by sector**

LA county, 2020

<table>
<thead>
<tr>
<th>Sector</th>
<th>Employment Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information</td>
<td>-19,500</td>
</tr>
<tr>
<td>Financial activities</td>
<td>-2,100</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-22,900</td>
</tr>
<tr>
<td>Other services</td>
<td>-27,000</td>
</tr>
<tr>
<td>Leisure and hospitality</td>
<td>-132,300</td>
</tr>
</tbody>
</table>

Source: LAEDC 2021 Economic Forecast Highlight Report
However, in a sign of a split recovery, workers employed in digital industries will fare well while those in local services will struggle.

**Employment growth by sector**

LA county, 2022(f)

- Information: +16,500
- Financial activities: +4,400
- Manufacturing: -4,500
- Other services: -18,700
- Leisure and hospitality: -56,200

*Source: LAEDC 2021 Economic Forecast Highlight Report*
The high demand for workers with digital skills can be a platform for inclusion, leading to higher wages.
However, Black and Hispanic talent in greater Los Angeles are under-represented in high-demand, well-paying tech occupations.

Racial representation in computer & math occupations
LA metro area, 2019

- Share of Black workers: 4% (Computer & math occupations), 6% (Labor force)
- Share of Hispanic workers: 17% (Computer & math occupations), 44% (Labor force)

Source: Brookings analysis of 2019 ACS data
Meanwhile, there is a demand for density, with high-wage and low-wage services jobs clustering the most at the neighborhood scale.

*Source: Brookings, “The Great Real Estate Reset: A data-driven initiative to remake how and what we build,” December 2020*
As the region considers the opportunity for job density, the Los Angeles office market remains soft across neighborhood types.

**Office vacancy rates**
LA metro area, 2019

<table>
<thead>
<tr>
<th>Region</th>
<th>9.5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downtown (most vacant submarket)</td>
<td>14.1%</td>
</tr>
<tr>
<td>Koreatown</td>
<td>13.5%</td>
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Office vacancy rates
LA metro area, 2019

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- Downtown (most vacant submarket): 14.1%
- Koreatown: 13.5%

Change in small businesses open
LA metro area, January 2020-21

<table>
<thead>
<tr>
<th>Month</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>-34%</td>
</tr>
</tbody>
</table>

45th rank among 50 very large metros

Black, Hispanic, and immigrant business owners are uniquely vulnerable, as seen at the beginning of the pandemic.

Percent change in business ownership by demographic

United States, February 2020-April 2020

- White: -17%
- Black: -32%
- Hispanic: -36%
- Immigrant: -41%

Small business recovery favors prosperous neighborhoods, exacerbating pockets of concentrated advantage and disadvantage

54% of new businesses during the recovery were in prosperous zip codes

Source: Economic Innovation Group, “Distressed Community Index,” 2018
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Across the country, local leaders are adopting these principles of action to pursue a quality, equitable economy.

- Set goals
- Pursue a holistic agenda (quality jobs, people, and places)
- Build institutional capacity
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Leaders in the San Diego region set region-wide goals for achieving an inclusive economy

- Train 20,000 locally-produced skilled workers per year
- Create 50,000 quality jobs in small businesses and start-ups
- Create 75,000 newly thriving households, all by 2030

<table>
<thead>
<tr>
<th>Talent providers</th>
<th>Local employers</th>
<th>Community</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cajon Valley Union School District</td>
<td>AECOM</td>
<td>Central San Diego Black Chamber of Commerce</td>
</tr>
<tr>
<td>CSU San Marcos</td>
<td>NAVWAR</td>
<td>City of San Diego</td>
</tr>
<tr>
<td>MiraCosta Community College</td>
<td>San Diego Gas &amp; Electric</td>
<td>Neighborhood House Association</td>
</tr>
<tr>
<td>UC San Diego</td>
<td>Teradata</td>
<td>San Diego &amp; Imperial Counties Labor Council</td>
</tr>
</tbody>
</table>

Photo courtesy of the San Diego Regional EDC
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To grow good jobs, the Cincinnati business community is scaling minority-owned businesses

- Identified 67 high-potential MBEs
- Positioned them to generate $1.5 billion in aggregate annual revenues
- Created over 3,500 new jobs

Program elements

- Rigorous, competitive selection process focused on growth businesses
- Regional and national subject-matter experts
- Customized, intensive wrap-around services and TA
- Access to local, regional, national capital providers
- Access/intros to new client opportunities
Related, in Birmingham, the mayor and coalition of CEOs launched VITAL, a program to improve annual corporate spending with MWDBEs.

### Participating companies

<table>
<thead>
<tr>
<th>Company</th>
<th>President/CEO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama Media Group</td>
<td>Tom Bates</td>
</tr>
<tr>
<td>Protective Life Corporation</td>
<td>Rich Bielen</td>
</tr>
<tr>
<td>Hoar Construction</td>
<td>Turner Burton</td>
</tr>
<tr>
<td>Shipt</td>
<td>Kelly Caruso</td>
</tr>
<tr>
<td>Alabama Power</td>
<td>Mark Crosswhite</td>
</tr>
<tr>
<td>Mayer Electric</td>
<td>Nancy Goedecke</td>
</tr>
<tr>
<td>Altec Inc.</td>
<td>Lee Styslinger, III</td>
</tr>
<tr>
<td>Encompass Health</td>
<td>Mark Tarr</td>
</tr>
<tr>
<td>Regions Financial Corporation</td>
<td>John Turner</td>
</tr>
<tr>
<td>Blue Cross Blue Shield</td>
<td>Tim Vines</td>
</tr>
<tr>
<td>University of Alabama (UAB)</td>
<td>Dr. Ray Watts</td>
</tr>
<tr>
<td>Birmingham Business Journal</td>
<td>Joel Welker</td>
</tr>
</tbody>
</table>

### Black representation gap in business ownership

Birmingham metro area, 2018

- Share of Black population
  - Business owners: 3%
  - Total population: 28%

On skills, Virginia is incentivizing unemployed workers to gain skills for high-demand jobs, working with community colleges and employers. A new nonprofit partnership with 20 of the state’s leading businesses and 23 of the state’s community colleges. Workers are paid $1,000 to attend community college programs to reskill for high-demand industry jobs.
On quality places, Portland has created community investment trusts that enable residents to co-own, and benefit from, new redevelopments

A model developed and launched in Portland by nonprofit Mercy Corps that offers affordable, communal real-estate ownership opportunity to residents ($10-$100 per month per investor).

Photos courtesy of Mercy Corps and the Community Investment Trust
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The Indy Chamber embeds the value of economic and racial inclusion across their programs

The chamber of commerce for Indianapolis utilizes nontraditional economic development approaches, such as inclusive employer incentives, a reentry entrepreneurship development initiative, and a rapid response hub for small businesses and MWBEs.

Photos courtesy of the Indy Chamber
Portland Means Progress is a new public-private partnership to build a more racially inclusive economy.

A collaborative city-wide initiative that supports creating more work experiences for Black and brown youth, buying from small local businesses owned by people of color, and establishing better workplaces with DEI trainings for staff and leadership.

Photos courtesy of Portland Means Progress
COVID-19 Metro Recovery Watch

For more insights, visit https://www.brookings.edu/interactives/metro-recovery-watch/

Actionable Ideas for Economic Recovery in American Cities
This series of essays offers promising recovery responses for local and state leaders to support job creation and quality business growth, advance job preparation and wage gains, and invest in vibrant, connected communities—all while advancing racial inclusion.

View the ideas here »

Spotlight on Local Recovery Efforts
This series of case studies, informed by our local partners, lifts up and provides detailed information on novel or promising approaches, practices, and policies that can set the stage for a more equitable COVID-19 economic recovery and for longer-run inclusive economic growth.

View the recovery efforts here »

Metro Recovery Index
This interactive dataset presents a variety of recent, updated data to provide a picture of the impact of the COVID-19 crisis for large and mid-sized metropolitan areas across the country. The Index’s data tracks the labor market, the real estate market, and other areas of economic activity.

View the Index here »