

# ECONOMIC FORECAST

Presented By

CALIFORNIA COMMUNITY COLLEGES

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## A Tale of Two Recoveries

**February 17, 2021**

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# LA County Economic Development Corporation

## Economic Forecast 2021

*February 17, 2021*



DREXEL UNIVERSITY

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# Context

## Largest Economic Shock Since The Great Depression

- After a year of COVID and trillions of dollars in federal rescue packages, 10.1 million Americans remain unemployed and job growth is slowing.
- Small business has been devastated, with tens of thousands closing - many for good.
- Black & Latino unemployment and business closures are more severe.

## Largest Economic Opportunity for Cities Since the New Deal

- The Biden Administration and narrow Democratic majorities in congress have vowed to spend trillions to ensure a swift and equitable rescue and recovery.
- The Administration's Build Back Better agenda entails a sweeping economic modernization plan with generation-defining potential.

## To Lead, Cities Must Coordinate

- Cities will get a lot of money but it will be diffuse and uncoordinated. Leaders across cities must prepare to effectively receive and deploy federal investments in a way that leverage their unique strengths.
- During The New Deal just over half of the population was urban, today it is well over 80%. A proportional COVID recovery is an urban recovery, but it must also be a coordinated recovery.

# Federal Government: Election Implications

The new national leadership will likely put forth a sweeping relief and recovery package with substantial countercyclical investments in infrastructure, healthcare, small business, innovation, and human capital.

## Senate Leadership

- Chuck Schumer (Majority Leader)
- Leadership of key committees (Finance, Budget, Appropriations)

## House Leadership

- Nancy Pelosi (Speaker)
- Jim Clyburn (Majority Whip)

## Biden-Harris White House / Cabinet

- Janet Yellen (Treasury)
- Marcia Fudge (Housing and Urban Development)
- Pete Buttigieg (Transportation)
- Gina Raimondo (Commerce)
- Jennifer Granholm (Energy)
- Marty Walsh (Labor)

# Sequence of Relief and Recovery **Legislation**

*On top of December's package, there will be a "one-two punch" of Federal relief, with recovery legislation sequenced for different purposes.*

**December:** \$900B relief package

- \$600 direct payments
- Unemployment insurance extension
- \$284B in small business relief, mostly PPP
- \$20 billion for vaccine distribution

**February - March:**  
\$1.9 trillion American Rescue Plan

- \$1400 direct payments
- Unemployment insurance extension
- \$350B in State and local government aid
- \$170 B in educational relief
- \$160B vaccination program
- \$50B in small business relief

**TBD 2021:**  
Large Stimulus Package

**Countercyclical investments in:** (i) innovation, (ii) infrastructure and (iii) human capital

# \$1.9 trillion relief plan

*President Biden announced his relief bill on Jan 14. Key provisions for local economic development are:*

- **\$350 billion in state & local relief grants.**
- **\$170 billion for educational relief** including: \$130 billion for **k-12 reopening** and an equity **challenge grant**; \$40 billion for **university relief fund**.
- **\$50 billion for small business relief** including: \$15 billion in **flexible grants** to over 1 million small businesses; \$35 billion for a **low interest loan fund**, similar to the 2010 SBLF.
- **\$20 billion in relief grants** for hardest hit public transit agencies



# Likely Stimulus: **Innovation**

*President Biden proposed a \$300 billion R&D investment over 4 years, including:*

- **Competitive grants** through the NIH, NSF, DOE, university research grants, and new Advanced Research Projects Agencies (ARPA) for health, defense, and climate
- Scaled up **Small Business Innovation Research (SBIR)** program
- Striking **domestic manufacturing** partnerships for COVID vaccine as the start of reshoring manufacturing across multiple sectors.
- Creating **50 new technology hubs** in under-resourced communities to commercialize cutting-edge research



# Likely Stimulus: Infrastructure

*Infrastructure is a focal point of Build Back Better agenda, with a proposed \$2 trillion investment including:*

- **Transit and Rail:** High quality transit options for cities over 100,000
- **Power Sector:** Carbon-pollution-free by 2035
- **Buildings:** Upgrade 4 million buildings and weatherize 2 million homes
- **Housing:** Spur construction of 1.5 million homes
- **Broadband:** Invest \$2 billion in rural infrastructure
- **Auto Industry:** Called for electrification of federal fleet & 500,000 EV charging stations
- **Environmental Justice:** Target clean energy investments in disadvantaged communities



# Likely Stimulus: **Human Capital**

*President Biden has proposed \$50 billion in high quality workforce training programs, including:*

- Funds will help connect municipalities, unions, tribal governments, community colleges, HBCUs, and others so they can **identify in-demand skills and modernize training programs**
- The House Relaunching America's Workforce Act recommended \$2 billion to relaunch the **Trade Adjustment Assistance Community College and Career Training (TAACCCT)** competitive grant program
- Federal grant-in-aid funding through the Department of Labor for a **workforce training program**



# Likely Stimulus: **Community Redevelopment**

*Executive Actions & tucked-away funding sources allocate unprecedented community development funds. More will likely follow:*

- **\$3 billion** in supplemental appropriations to **Treasury's CDFI Fund** in December relief package.
- **\$3 billion** to **EDA for bottom up economic development** in President Biden's American Rescue Plan.
- **\$1.3 billion** released through **CDBG-DR** to Puerto Rico by **executive action**.
- Will there be money for commercial corridors & main streets?
- Will there be money for Large scale reclamation of vacant land?



# Coordinated Deployment To Ensure **The Recovery Is Inclusive**

## SMALL BUSINESS RELIEF

Ensure that Black-, Asian-, and Latino-owned businesses are not overlooked by PPP distribution channels as they were in previous rounds by building a PPP PREP program.

## COVID PUBLIC HEALTH INVESTMENTS

Black-, Asian-, & Latino-owned Logistics firms should play a key role in transporting vaccine, and a wide variety of healthcare providers can benefit from contracts coming from federal spending focused on getting the virus under control.

## INNOVATION

Tech transfer funding (i.e. SBIR), centers of excellence, and the prioritization of HBCUs can and should support new Black- & Latino-owned firms in professional services sectors. These funds should also be directed to help grow existing firms that are branching into new science, engineering and advanced manufacturing materials.

## INFRASTRUCTURE

Investments in public transit, large construction projects, and climate-focused infrastructure presents a huge opportunity for Black-, Latino-and Asian-owned firms to grow. These firms need the proper resources to insure against risk and access public contracts for big projects. Implementing best practices, like those developed by LA Metro, can help.

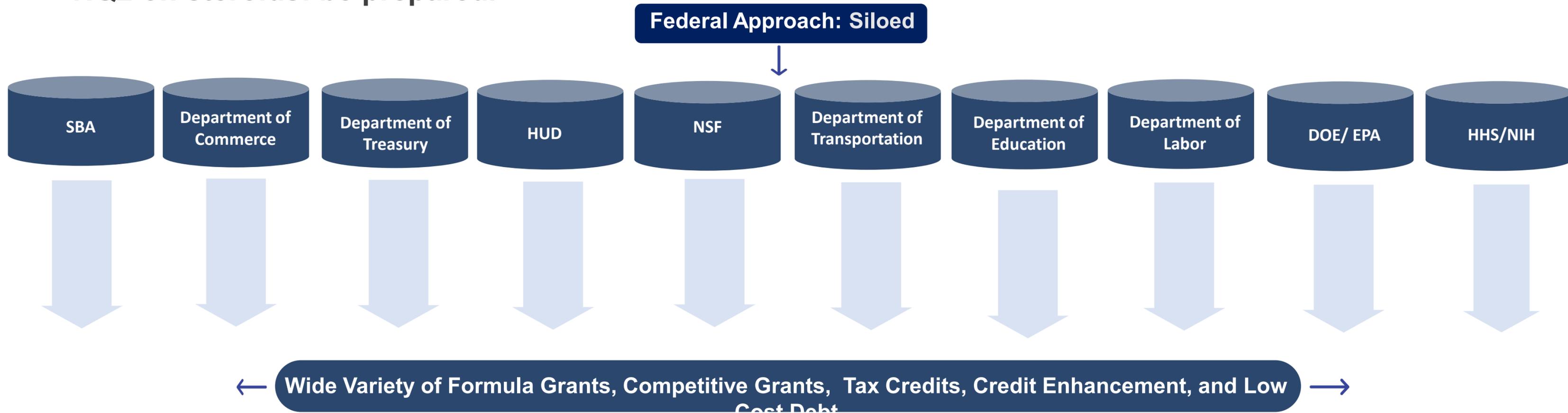
## HUMAN CAPITAL

Skills training and workforce modernization will provide an opportunity to create a new generation of Black, Asian, and Latino entrepreneurs, local care should be taken to develop strategies across the continuum of workforce training so these entrepreneurs start firms in high growth, high wage, sectors.



# New Investment, Old Distribution Channels: **Recovery Centers Needed**

There will be a federal stimulus in the trillions of dollars, on the scale of FDR's New Deal. **This is Amazon HQ2 on steroids: be prepared.**



## Local Priorities: Recovery Center Needed

- Local Government**  
Local government has convening power and will receive block grant.
- Civic Organizations**  
Community and civic organizations will be necessary to make sure local communities are supportive of metro priorities.
- Quasi-Public Organizations**  
Quasi-public organizations have the muscle memory and capacity to deploy funds, some will also receive federal funds directly
- Anchor Institutions**  
Educational and medical institutions have unique priorities and experience navigating federal funding
- Private Capital**  
Private capital will play a key part in leveraging the impact of local and federal funds
- Businesses**  
Small and large firms will be key recipients and amplifiers of the economic recovery.
- Philanthropy**  
Local philanthropy will be necessary for leveraging the impact of federal recovery dollars

# Institutional Coordination is Necessary

Infrastructure spending can lead to transformative investments if locally coordinated in Philadelphia.



# I. Next Steps For **Establishing Priorities**

*Many metros are poised to leverage the new flow of Federal investments -- if they organize internally to prepare for the coming funds.*

- Declare metro plans and priorities
- Align local priorities with the key local actors, and the form and timing of federal resources
- Focus on projects that leveraging federal resources with local capacity building investments
- Build a **priority projects pitch deck** modeled off of Amazon HQ2 that connects local planning and federal advocacy efforts



# How Other Cities Are Organizing

Business and Philanthropic leaders in several cities and metropolitan areas have developed concrete, actionable, **strategies for the deployment of federal funds.**

Identified 3 major innovation initiatives around smart manufacturing, health innovation and water technologies and supportive efforts around STEM talent, digital equity, capital access and innovation districts.

## Cleveland Innovation Project



Developed 10 year Jobs Plan with major commitment to grow jobs in the central city, catalyze a surge in Black- and Brown-owned businesses and qualified workers and spur innovation hubs around life sciences, location sciences, advanced manufacturing and Fin Tech.

## Greater STL Inc.



Focused on accelerating the regeneration of commercial corridors located in disadvantaged communities through a network of chambers, banks, CDFIs, anchor institutions, merchant associations, community development corporations and the Urban League.

## Cincinnati Regeneration Alliance



Mayors in **Birmingham**, **Dayton** and **Louisville** are beginning to sort out structure of Command Centers and connections with public authorities and private and civic sector institutions.

**Thank You!**

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**LAEDC40**

Los Angeles County Economic Development Corporation

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