

## VIII. Prosperity, Demographics and Economic Development

### Overview

The draft Land Use Element for the City's General Plan has a wonderfully concise overall vision for Long Beach: "**A City That Thrives.**" The document provides a series of "ideal snapshot[s] of how Long Beach might evolve in the future." The very first snapshot is: "Shared Economic Prosperity."

Why prosperity? Because to be successful, cities need to enjoy a certain level of prosperity. That doesn't mean Beverly Hills prosperity; it means a city where the quality of life makes residents think: We love living here; we love raising our families here; this is home. A prosperous city is a livable city – safe, stable, vibrant and welcoming for all its residents.

Local government can't by itself create prosperity, but it can – and should – help create the setting where prosperity can occur. There's a pretty common agreement on what that setting should be: economic opportunity, safe streets, great schools, thriving neighborhoods, working infrastructure and a quality environment. Helping to create that setting is a city's core mission.

That core mission requires a city to focus on what's most important. The most important tasks for local government involve the word public: public safety, public works, public parks, public libraries and public health. Public safety agencies of police and fire protect lives and property. Public works maintain the roads, bridges and utilities that are the infrastructure that allows cities to function well. Public parks and recreation create a better quality of life. Public libraries create and sustain a literate community. Public health ensures the health of individuals and the entire community. These core functions create and sustain the setting that allows the private sector to grow and create jobs and opportunities for residents.

This is what economic development is about: improving the economic well being of a community. It is the function that unites the private, public and nonprofit sectors in the common goal of shared economic prosperity. Prosperity – economic vitality – is the foundation for any city's success. A city with economic vitality – a prosperous city – is "A City That Thrives". It's a city that creates economic opportunity and one that can fully support the core functions of local government. Helping to create that vitality – that prosperity – is the role of economic development.

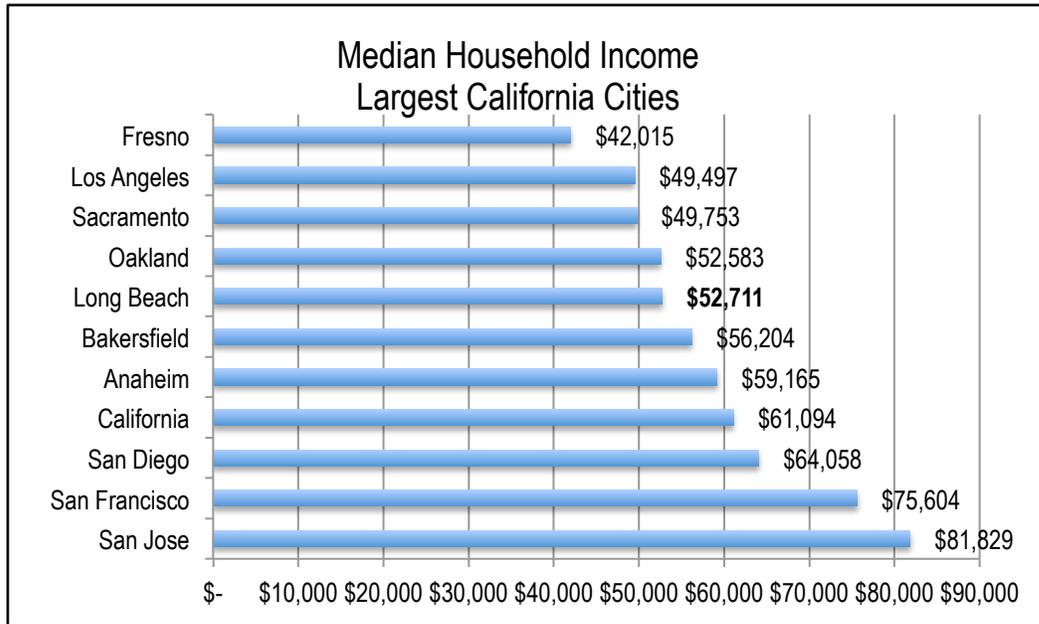
### Measuring Prosperity in Long Beach

Let's start at the beginning. If a successful city is a prosperous city, how prosperous is Long Beach? And how does it compare with other California cities? There are three pretty good gauges: median household income, employment and poverty.

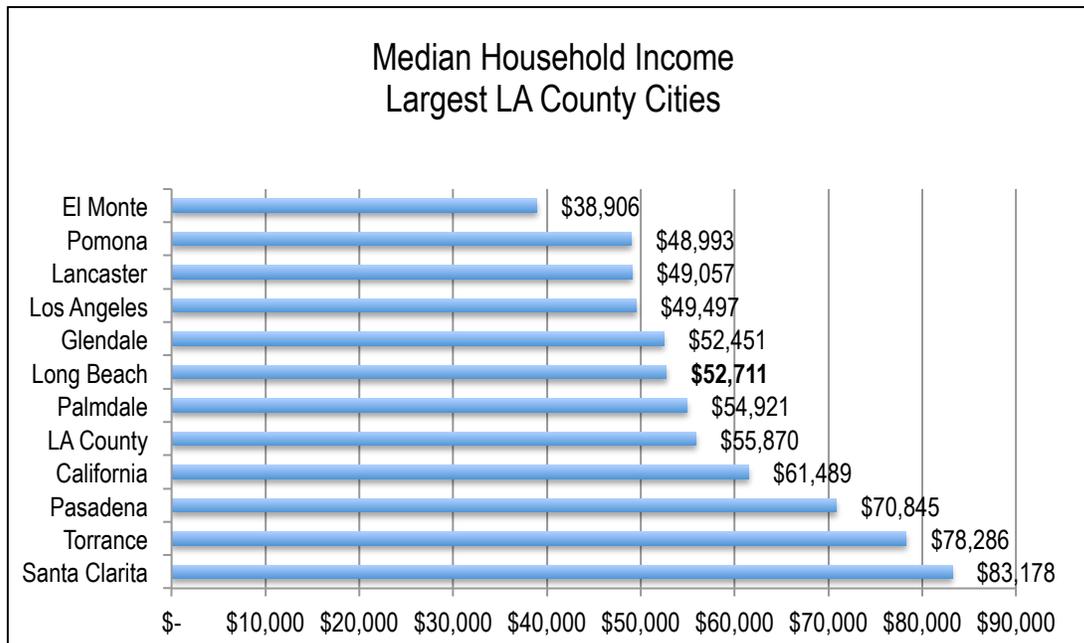
#### *Median Household Income*

Median household income is the amount of income that divides the income distribution into two equal groups, half above that amount, and half below that amount. It's a measure adopted by the

U.S. Census for community comparisons. Here's a chart that compares Long Beach with the California level plus the ten largest cities in the state.<sup>1</sup>



Here's a chart that compares Long Beach with the ten largest cities in Los Angeles County.<sup>2</sup>



In terms of the state's largest cities, Long Beach falls in the middle of the pack. Oakland, Sacramento and Los Angeles have similar income levels – and all have an income level **less** than

<sup>1</sup> American Community Survey, U.S. Census, 2014 data.

<sup>2</sup> Ibid.

the California median. San Jose, which leads the group, has a median household income that is 55% greater than Long Beach's.

In terms of LA County's largest cities, Long Beach again is in the middle, but below the median level for the County and for the state. The California statewide number is 16.7% higher than Long Beach's. The cities of Torrance, Pasadena and Santa Clarita are respectively 35%, 49% and 59% higher.

### *Employment*

Employment is another good indicator of prosperity. When we look at employment, we look at two gauges. One is the number and percentage of Long Beach residents who are employed or unemployed – that's the labor force, which is around 245,000. The second is the *number of jobs in Long Beach*. They are two different things.

The number and percentage of Long Beach residents who are employed (or unemployed) is an indicator of the regional economy – particularly because 66% of the City's labor force *is employed outside the City*.<sup>3</sup> That means the employment and unemployment rates for Long Beach reflect the percentage of the City's labor force that is employed or unemployed *somewhere*, whether in Long Beach, Torrance, Santa Ana or Los Angeles. A declining unemployment rate is a good thing – but it doesn't mean there are actually more jobs generated by Long Beach firms.

A better indicator of the vitality of the City's economy is the *number of jobs in Long Beach* – because that's how many jobs Long Beach businesses, nonprofits and government entities generate.

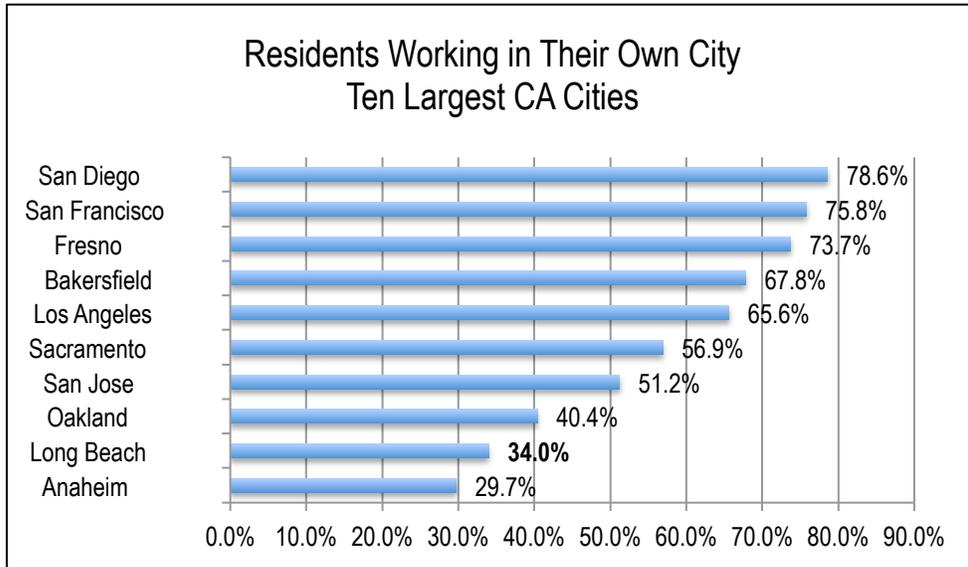
#### *About those Unemployment Numbers . . .*

The local media reports on Long Beach unemployment each month using data from California's Employment Development Department (EDD). But EDD actually makes a disclaimer about city numbers because they are derived using data manipulation. Says EDD: "Since this assumption is untested, caution should be employed when using these data." In other words, better than a guesstimate but maybe not that much better.

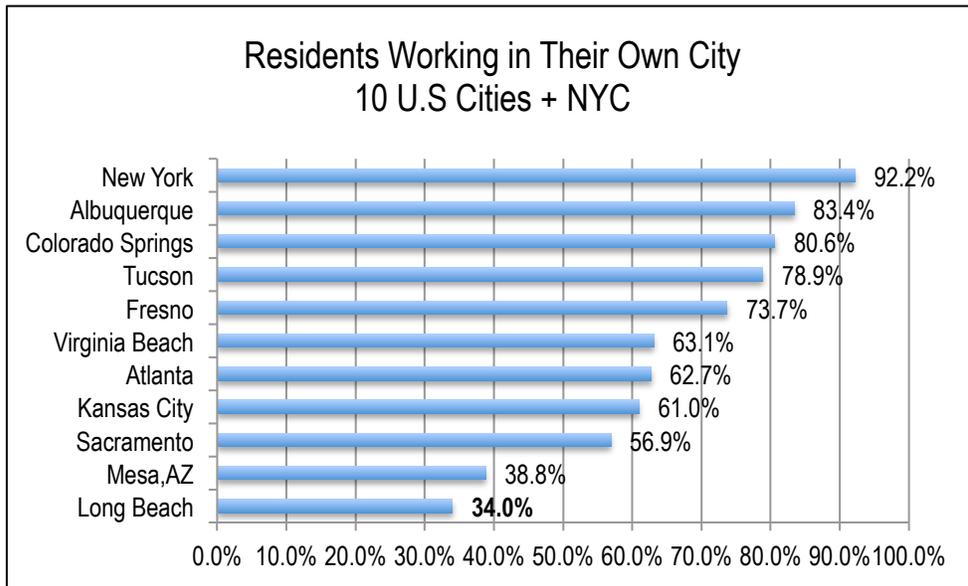
Remember that 66% of the City's labor force is employed outside the City. That means Long Beach is more of a bedroom community than an employment center. A "bedroom community" means a majority of residents commute to other cities for their jobs. Long Beach is an employment center to an extent – with major assets such as the Port – but not as much as you would expect based on its population. Here is a chart showing the percentage of residents who work in their own city for the ten largest cities in California.<sup>4</sup>

<sup>3</sup> U.S. Census, American Community Survey, 2015.

<sup>4</sup> Ibid.



Here is a chart of U.S. cities closest in size to Long Beach (either smaller or larger) that shows the percentage of residents who work in their own city. The chart also includes New York City (just for fun), because its percentage is the highest of any U.S. city – not surprisingly.<sup>5</sup>



Long Beach is 9<sup>th</sup> among the ten largest California cities and at the bottom of U.S. cities of comparable size.

What is the target number of jobs for Long Beach? The City has defined the level in its General Plan, the comprehensive planning effort that California requires all cities to have and update. A 2014 memorandum to Councilmembers on the Economic Development and Finance Committee

<sup>5</sup> Ibid.

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outlined the City’s goal for jobs in Long Beach: “As an operational goal, the General Plan seeks to provide at least 1.35 jobs for every household in the City. Currently, with approximately 153,154 jobs and 163,794 households, the City’s ratio is less than one job for every household.”<sup>6</sup>

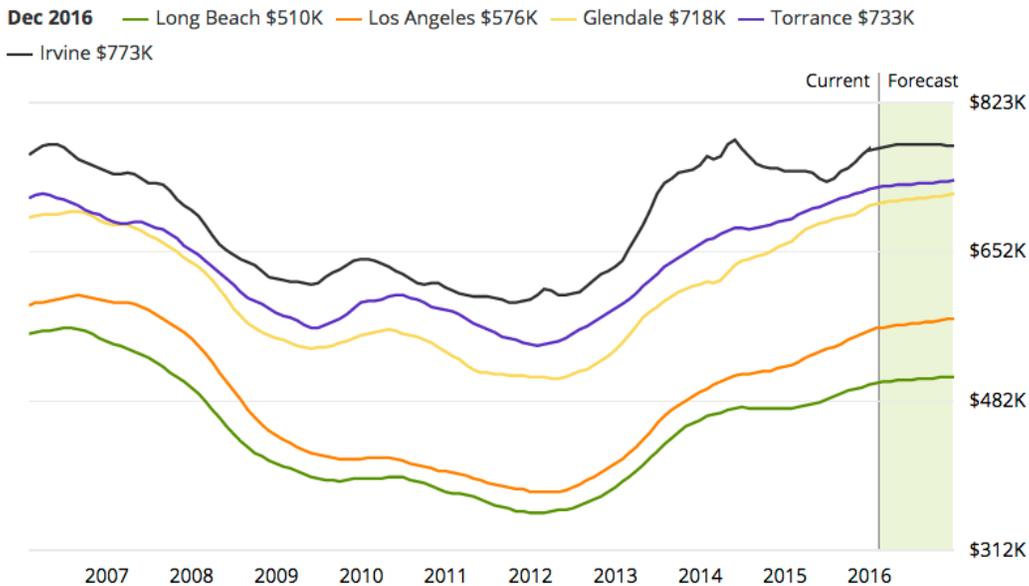
The following table summarizes the numbers:

Households in Long Beach	163,794
Goal: Jobs per household	1.35
Goal: Total Jobs	221,122
Current # of jobs	153,154
Surplus/Deficit in Jobs	-67,968
% Increase Need for Target	44.4%

To reach its goal, the City has to add 67,968 jobs. That means increasing Long Beach jobs by 44.4%. It would take an extraordinary push to add 67,968 jobs to the Long Beach economy.

*Residential Home Values*

Another indicator of community prosperity is the value of residential homes. It’s a pretty accurate gauge because it is both real-time and market-driven. Here is a chart from Zillow that compares Long Beach median home prices since 2007 with the city of Los Angeles and other large cities in the Los Angeles County sub-regions of the South Bay, San Fernando Valley and Orange County:



The Long Beach residential home value is 11.5% lower than Los Angeles, 29% lower than Glendale, 30.4% lower than Torrance and 38.1% lower than Irvine.

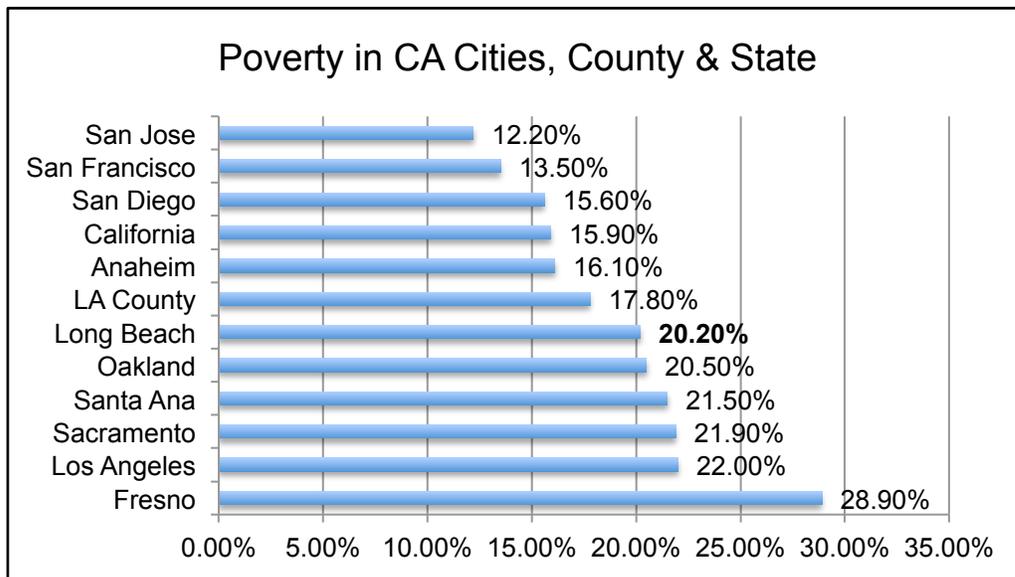
<sup>6</sup> “Long Beach Sales and Use Tax and Economic Development,” Memorandum to Economic Development and Finance Committee, Long Beach City Council, October 17, 2014 p. 15.

Additional information on housing in Long Beach and its role in economic development can be found in section VII. Major Assets and Economic Development, p. 22-29.

### Poverty

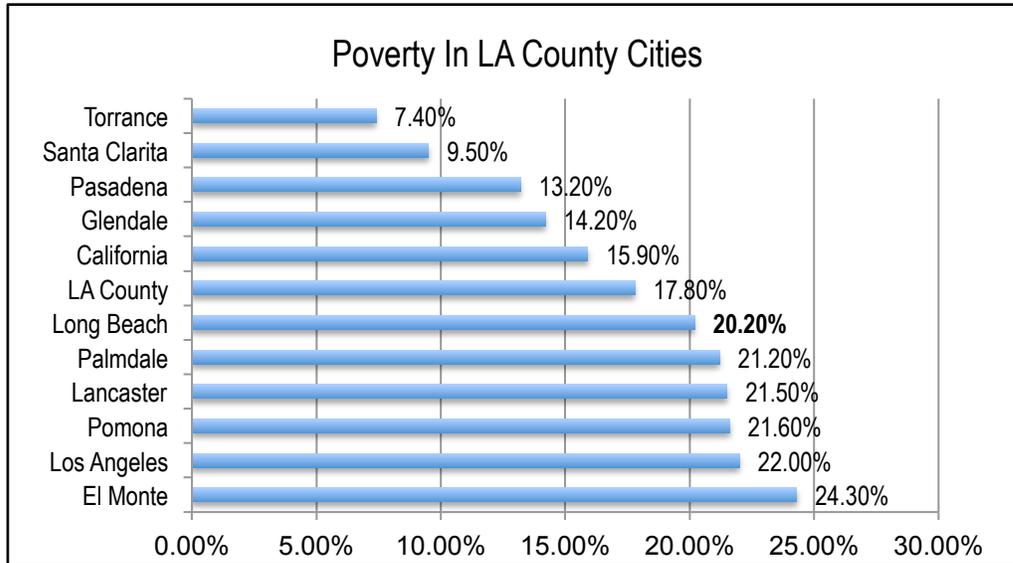
Every city has some amount of poverty – even the most prosperous. The level of poverty is another indicator of the relative prosperity of any city. As would be expected, more prosperous cities have a lower percentage of people in poverty; less prosperous cities have a higher percentage.

Here is a chart of poverty for the ten largest cities in the state, plus LA County and California. Long Beach falls in the mid-range, with a poverty rate similar to that found in Oakland, Santa Ana, Sacramento and Los Angeles. The Long Beach rate exceeds the LA County rate by 13.5% and the California rate by 27%.<sup>7</sup>



Here is a chart of poverty in the ten largest cities in Los Angeles County. Again, Long Beach falls near the middle, similar in poverty rate to Palmdale, Lancaster, Pomona and Los Angeles.

<sup>7</sup> American Community Survey, 2014. The percentage comparison is the percentage difference (increase or decrease) between poverty rates, not the numerical difference between the rates.



Poverty in Long Beach has been an issue for decades. Poverty is a corrosive socioeconomic problem that exacerbates many other issues, such as public safety. An important and reasonable economic development goal for Long Beach would be to reduce poverty in the City to that of the overall County level.

### Prosperity and Income Inequality

Another factor to consider in evaluating the economic vitality of a region or city is income inequality. High and rising income inequality has become a policy issue at the federal, state and local levels. Regionally, efforts have been made to address the issue, including raising the minimum wage in Long Beach, Los Angeles, Pasadena and LA County. California has also now increased the minimum wage statewide.

Research by the Brookings Institute<sup>8</sup>, based on U.S. Census data, has examined inequality in U.S. metropolitan areas and large cities. The Brookings analysis looks at the difference between high-income households – those earning more than 95% of all other households – and low-income households – those earning only 20% of all other households. The ratio of the two – termed the “95/20 Ratio” – is the measuring tool. The higher that number, the greater the inequality.

Here is a table of the 15 largest metropolitan areas in the nation (2014), with the LA-Long Beach-Anaheim area having the 7<sup>th</sup> highest level of inequality of the 100 largest metro areas in the nation:

<sup>8</sup> “City and Metropolitan Inequality on the Rise,” Alan Berube and Natalie Holmes, Brookings Institute, January 14, 2016.

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Rank	Metro Area	Household Income, 2014		95/20 Ratio
		20th percentile	95th percentile	
1	Bridgeport-Stamford-Norwalk, CT	\$31,333	\$558,970	17.8
2	New York-Newark-Jersey City	\$23,853	\$282,359	11.8
3	San Francisco-Oakland-Hayward	\$31,761	\$353,483	11.1
4	New Orleans-Metairie	\$18,173	\$196,658	10.8
5	McAllen-Edinburg-Mission, TX	\$12,760	\$136,570	10.7
6	Boston-Cambridge-Newton	\$27,883	\$293,653	10.5
<b>7</b>	<b>Los Angeles-Long Beach-Anaheim</b>	<b>\$23,743</b>	<b>\$243,771</b>	<b>10.3</b>
8	Miami-Fort Lauderdale-West Palm Beach	\$19,775	\$202,461	10.2
9	New Haven-Milford	\$22,652	\$221,661	9.8
10	Houston-The Woodlands-Sugar Land	\$24,758	\$240,711	9.7
11	Memphis	\$18,350	\$177,790	9.7
12	Springfield, MA	\$19,175	\$184,905	9.6
13	Fresno	\$17,821	\$171,584	9.6
14	Providence-Warwick	\$21,242	\$204,465	9.6
15	Philadelphia-Camden-Wilmington	\$24,261	\$230,312	9.5

Among America's 50 largest cities (2013 data), Long Beach ranked 22<sup>nd</sup> in income inequality – just about the middle of the pack.

Among California cities on that list, Long Beach was 4<sup>th</sup> of the eight cities with a ratio of 9.9 – very similar to those of San Jose, Fresno and Sacramento. San Francisco, the second city in the nation in terms of income inequality, had a ratio of 12.5, which is 26% greater than Long Beach's ratio. The income level of the 95<sup>th</sup> percentile in San Francisco was a whopping \$423,171 – a number driven by tech industries both in the city (primarily biotech) and in nearby Silicon Valley. San Francisco's 95<sup>th</sup> percentile income level was 2.2 times that of Long Beach's! (The rank number in Column One of the table represents their national ranking.)

Rank	City	Household Income, 2013		95/20 Ratio
		20th percentile	95th percentile	
2	San Francisco, Calif.	\$24,815	\$423,171	17.1
9	Los Angeles, Calif.	\$18,332	\$229,310	12.5
13	Oakland, Calif.	\$19,493	\$236,205	12.1
<b>22</b>	<b>Long Beach, Calif.</b>	<b>\$19,854</b>	<b>\$195,675</b>	<b>9.9</b>
25	San Jose, Calif.	\$32,018	\$310,325	9.7
26	Fresno, Calif.	\$15,895	\$152,045	9.6
27	Sacramento, Calif.	\$18,282	\$173,466	9.5
32	San Diego, Calif.	\$26,719	\$236,093	8.8

Income inequality has an impact on how we view the prosperity of a city. Income inequality may also have an impact on a city's diversity

## The Demographics of Diversity

Long Beach prides itself on its diversity – and rightfully so. In 2015 WalletHub lists Long Beach as the 2<sup>nd</sup> most diverse city in the nation. Priceconomics lists Long Beach as the 5<sup>th</sup> most diverse.

But diversity is complicated – and depends (as so much does) on how it's defined. According to Brown University's American Community Project, which is regarded as one of the most comprehensive looks at diversity in American cities, the most diverse city in America is . . . Irvine.

How is that possible? How can Irvine be more diverse than Long Beach? Because there's *citywide diversity* – meaning, how diverse a city is based on a roll up its entire population – and then there's *neighborhood diversity* – meaning, how diverse are each of its neighborhoods. The relationship of those numbers – the citywide and the neighborhood – results in what Brown terms an "Integration/Segregation Index", which it believes is a more realistic measure of overall diversity for a city.

Here's a table using the Brown data that compares the twelve largest California cities (and so Irvine is not listed) and includes the three indices and ranks the cities by the overall Integration/Segregation Index. Long Beach ranks 8<sup>th</sup> on the Integration/Segregation Index:<sup>9</sup>

Rank	City	Citywide Diversity Index	Neighborhood Diversity Index	Integration/Segregation Index
1	Sacramento	73.8	66.5	10.1
2	Stockton	71.6	64.3	9.2
3	San Bernardino	57.8	52.6	6.8
4	Fresno	66.5	58.4	6.6
5	Riverside	63.1	55.8	6.3
6	Anaheim	61.9	53.9	5.2
7	San Francisco	67.1	56.5	4.3
<b>8</b>	<b>Long Beach</b>	<b>70.5</b>	<b>58.7</b>	<b>4.3</b>
9	San Jose	69.1	56.6	3.1
10	Santa Ana	36.7	30.7	0.4
11	San Diego	67.6	51.9	-0.6
12	Los Angeles	65.8	46.7	-4.5

So where does Long Beach stand among the 100 most populous cities in the U.S. when you look at the Integration/Segregation Index – the overall score? According to the Brown analysis, Long Beach is no longer the 6<sup>th</sup> most diverse city in the nation, it is the 27<sup>th</sup>.

Does this mean Long Beach is not a diverse city? Absolutely not. But it does mean that at the neighborhood level, the City is not as diverse as it could be.

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<sup>9</sup> American Community Project, Brown University, 2015.

## Recommendations

To fully become “A City That Thrives” Long Beach needs to focus its attention on creating additional economic vitality and prosperity in the City. That means concentrating on doing all the basic chores of local government – public safety, public works, public parks, public libraries, public health, etc. – and doing them well. It also means focusing on economic development. The City re-established an economic development function in 2012 and adopted a “holistic approach to economic development”. As stated in a May 2014 report to Council:

“Central to this approach is the belief that every department and employee has a role in promoting economic development in the City, whether it is facilitating permits and inspections, enhancing customer service, solving problems, or making our neighborhoods and business corridors look better. The involvement of our community partners is also an essential ingredient for success.”<sup>10</sup>

Those sentiments are certainly true. What also is true is that Long Beach needs to actively address a substantial deficit in jobs and a persistently high level of poverty. That requires a greater focus and commitment that is strategic, not tactical; long term, not short term; and consistent, not sporadic. Recommendations to generate additional economic vitality are provided in other sections of this report.

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<sup>10</sup> Economic Development Report, City of Long Beach, May 2014, p. 2.

## Appendix: Prosperity & Demographics and Economic Development

### Jobs per Household

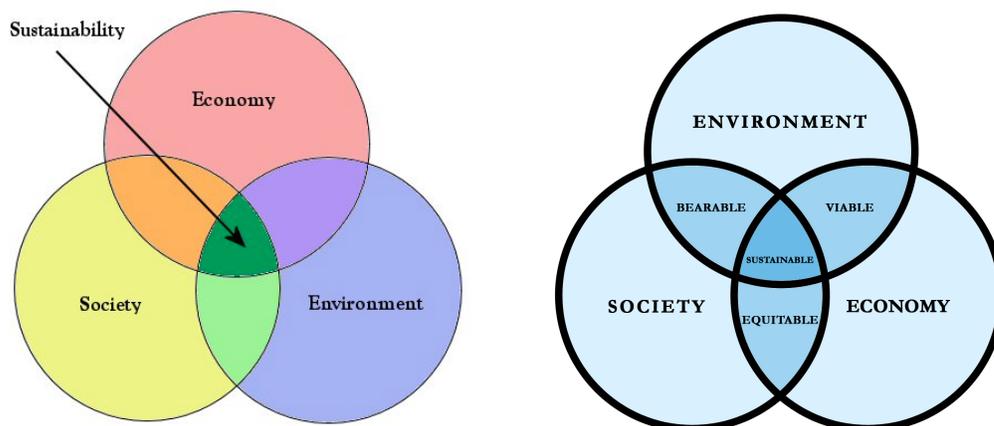
A key indicator for economic prosperity is the Jobs Per Household ratio. This ratio measures the balance between jobs and households and indicates where people live and where people work. A ratio of 1:1 – or 1.0 – means there is at least one job for each household. Cities with ratios below 1.0 are considered to have a job deficit and housing surplus. Cities with ratios above 1.0 are considered to be job rich.

The Long Beach target is 1.35, per the General Plan; that means 1.35 jobs per household. Is that the right number? For years there’s been ongoing discussions about what is the right number among urbanists and planners. The American Planning Association (which is THE organization for city planners) issued a report entitled “Jobs-Housing Balance”.<sup>11</sup> The report describes the ratio as “a planning tool that local governments can use to achieve a roughly equal number of jobs and housing units (or households) in a jurisdiction.” Academic studies reviewed in the report indicated that acceptable ranges of jobs-housing ratios were between 1.30 and 1.70. That puts the Long Beach target of 1.35 in the acceptable range.

What is the target for other cities? For San Jose it’s 1.3<sup>12</sup>; for Seattle, it’s 1.56<sup>13</sup>. FYI, there is no state-mandated target – cities are on their own in setting a goal.

The Jobs Per Household ratio is also a key indicator of sustainability, a concept of increasing importance to cities. Sustainability is typically defined as meeting the needs of the present without compromising the needs of the future, and usually focuses efforts and metrics on the core issues of community, social equity, environmental stewardship and prosperity.

Here are two Venn diagrams that illustrate the interconnection of key factors in the sustainability equation – one is a bit more detailed:



<sup>11</sup>“Jobs-Housing Balance”, Jerry Weitz, APA Planning Advisory Service Report No. 516.

<sup>12</sup> San Jose General Plan 2040.

<sup>13</sup> Seattle Comprehensive Plan, 2005.

The core components of sustainability – the economy, environment and society – are obviously fundamental components of any city and influencing outcomes requires major and sustained policy initiatives in all three sectors. Cities are grappling with this issue and its various manifestations – including jobs/housing balance. The effort can be daunting and frustrating, because sustainability requires a significant, ongoing and integrated effort that can tax the resources and commitment of any jurisdiction; as a result, sustainability efforts in cities often wander off into smaller projects: so rain barrels, victory gardens, composters, etc. – and a focus on any term that uses “green” as an adjective, such as: green jobs, green tech, etc. etc.

One of the groups most interested in the Jobs per Household ratio in terms of sustainability is the Southern California Association of Governments (SCAG). SCAG is the nation's largest metropolitan planning organization, representing six counties, 191 cities and more than 18 million residents. Under federal law, SCAG is designated as a Metropolitan Planning Organization (MPO) and under state law as a Regional Transportation Planning Agency.

What are the benefits of a good jobs-housing balance? SCAG notes all of these:<sup>14</sup>

- Reduced driving and congestion
- Fewer air pollution emissions
- Lower costs to businesses and commuters
- Lower public expenditures on facilities and services
- Greater family stability
- Higher quality of life

The reasons are simple. The more residents work in their own city, the shorter the commutes. Shorter commutes mean less driving, less pollution, less cost, more time at home, less stress, etc. That's why the whole idea of a “sustainable city” is tied to an appropriate jobs-household balance.

How does Long Beach compare? As part of its planning activities, SCAG estimated the 2020 amounts for population, households and employment for every city (191!) in its area. Here are the numbers for the 15 cities in Los Angeles County that SCAG estimates will have a population over 100,000 in 2020:<sup>15</sup>

Rank	City	Population	Households	Employment	Ratio
1	Burbank	112,400	46,000	102,300	2.22
2	Pasadena	143,400	58,400	124,400	2.13
3	Torrance	150,800	57,800	109,100	1.89
4	Santa Clarita	201,100	70,100	108,700	1.55
5	Pomona	168,500	43,400	57,000	1.31
6	Glendale	198,900	75,200	98,200	1.31
7	Los Angeles	3,991,700	1,455,700	1,817,700	1.25
8	El Monte	124,300	30,400	37,100	1.22

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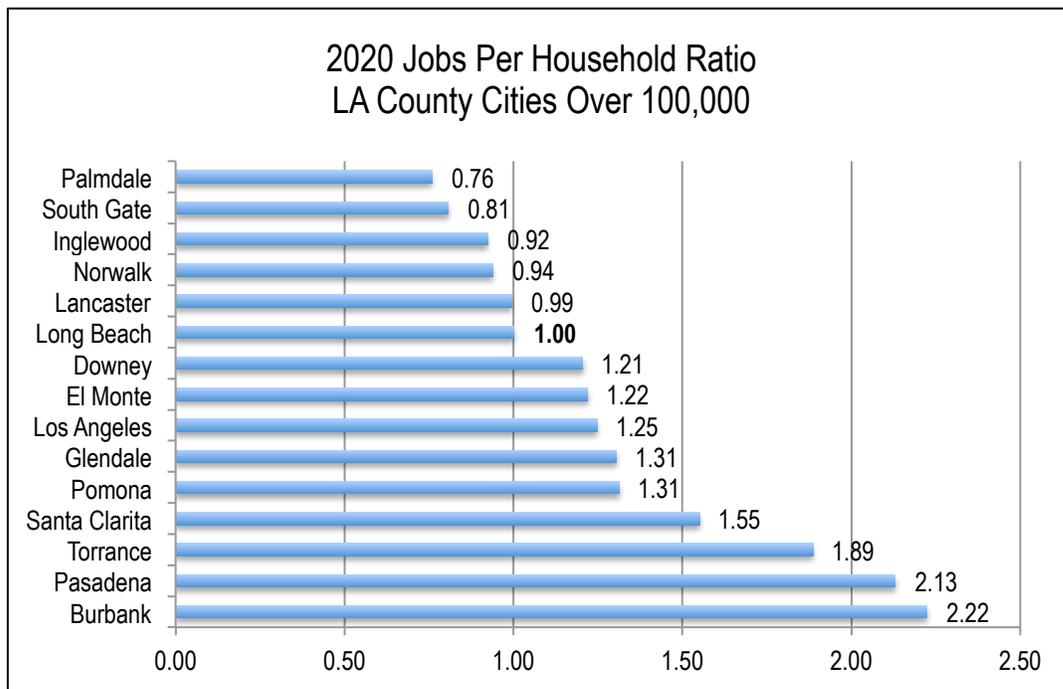
<sup>14</sup> “The New Economy and Jobs-Housing Balance in Southern California,” Southern California Association of Governments, April 2001, pp. 19-20.

<sup>15</sup> Ibid.

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9	Downey	116,200	35,000	42,200	1.21
<b>10</b>	<b>Long Beach</b>	<b>491,000</b>	<b>175,600</b>	<b>176,000</b>	<b>1.00</b>
11	Lancaster	174,800	52,200	51,900	0.99
12	Norwalk	109,100	27,400	25,700	0.94
13	Inglewood	111,900	37,900	35,000	0.92
14	South Gate	101,200	24,800	20,000	0.81
15	Palmdale	179,300	51,300	38,900	0.76

Here is a chart focusing just on the Jobs Per Household Ratio:



Long Beach, with a ratio of 1.00 is 10<sup>th</sup> on the list, with a ratio similar to those of Lancaster, Norwalk and Inglewood. Cities with a ratio over 1.50 get gold stars. Burbank (2.22) and Pasadena (2.13) are in the “lights out” category. FYI, SCAG identifies the ideal job/housing ratios for the region to be 1.25, or just below the American Planning Association target of 1.30.

As noted earlier, Long Beach, based on its Jobs per Household target, has a shortfall of nearly 68,000 jobs. That’s a big number and represents a significant challenge. Of course, one solution to the challenge would be to simply make the Jobs per Household target lower. For example, if it were reduced to the SCAG target of 1.25 (which is also the projection for the City of Los Angeles for 2020), the shortfall would decline to 51,589 jobs. If it were reduced to 1.00, the shortfall would be only 10,640 jobs. Voila! Instantaneous progress! The following tables summarizes what changing the ratio would mean:<sup>16</sup>

<sup>16</sup>“Long Beach Sales and Use Tax and Economic Development,” Memorandum to Economic Development and Finance Committee, Long Beach City Council, October 17, 2014 p. 15.

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Changing Jobs Per Household Ratio to 1.25

Households in Long Beach	163,794
Goal: Jobs per household	1.25
Goal: Total Jobs	204,793
Current # of jobs	153,154
Surplus/Deficit in Jobs	-51,589
% Increase Need for Target	33.7%

Changing Jobs Per Household Ratio to 1.00

Households in Long Beach	163,794
Goal: Jobs per household	1.00
Goal: Total Jobs	164,794
Current # of jobs	153,154
Surplus/Deficit in Jobs	-10,640
% Increase Need for Target	7.6%

Is it "cheating" to adjust the number lower? Or just realistic? That's for policymakers to consider and decide.