

*The 2013-2018 Annual Update*

*November 2014*

*Comprehensive Economic Development Strategy*

*Presented by*

*County of Orange*

**ORANGE COUNTY WORKFORCE INVESTMENT BOARD**



## **Introduction**

The Orange County Workforce Investment Board (OCWIB) is appointed by the Orange County Board of Supervisors, and the OCWIB's responsibilities include overseeing the Comprehensive Economic Development Strategy (CEDS) for Orange County. Operating as the designated coordinator of local workforce development, the OCWIB has developed the CEDS to provide valuable information on Orange County's economic environment and emphasize potential plans for developing and growing the county economy.

The most recent iteration of the Orange County CEDS was completed in 2013, which identified 71 "Red-Zone" regions throughout the county characterized by both low income and low employment. The 2013 CEDS also outlined five new goals backed with action strategies to achieve greater economic prosperity through 2018. The purpose of this document is to describe changes in Orange County's economic climate related to new developments in 2014, provide an update on the status of previously-identified Red-Zone tracts, and illustrate the progress Orange County has made in achieving its five-year targeted CEDS goals over the past year.

## Red-Zone Analysis: 2014 Update

Orange County's Red-Zones are cities or census tracts with abnormally high unemployment rates or per capita income levels far below the standard. A given city or tract is considered a Red-Zone in this analysis if one of two conditions are met: the unemployment rate is at least 2 percent above the United States average employment, or the area's per capita income is only 80 percent of the United States average. Using the most current results from the 2012 American Community Survey, we have reevaluated each city and tract's Red-Zone status. Although the general regions have changed little since 2013, the total number of Red-Zones has increased in recent months at the tract level, signifying greater need for localized investments.

### Red-Zones by City

Although many tracts within the city of Anaheim are still struggling, unemployment in Anaheim has improved significantly enough in the short-term to put the city in aggregate out of the red. The two-year average unemployment fell from 13 percent in the 2013 CEDs to 11.7 percent in the current overview, enough to place Anaheim below the Red-Zone threshold of 11.9 percent. One city, San Juan Capistrano, transitioned into a Red-Zone area over the past year, reaching an average unemployment of 12.2 percent. Santa Ana, Garden Grove, Westminster, and Stanton have all retained their current Red-Zone status, showing areas in need of ongoing support. Stanton is the only city in 2014 that has both an unemployment rate and per capita income level meeting Red-Zone designation levels (13.9 percent unemployment, and \$18,979 per capita income). Garden Grove also fulfilled both Red-Zone criteria last year, but this year is only designated due to its per capita income.

### Red-Zones by Tract

At the tract level, Orange County has a total of 78 tracts simultaneously fulfilling both criteria versus the 71 denoted in last year's CEDS report. Garden Grove saw the greatest net improvements, with four tracts moving out of Red-Zone status, while Anaheim gained the most new Red-Zones. The full breakdown of new and returning Red-Zones by tract can be found in the appendix.

Red-Zone Tracts	2013	2014
Anaheim	19	22
Buena Park	1	2
Costa Mesa	1	3
Fullerton	4	6
Garden Grove	14	10
Huntington Beach	1	1
La Habra	0	2
Orange	2	1
Placentia	2	2
Santa Ana	18	18
Stanton	4	5
Westminster	5	6

Source: OCBC Analysis of American Community Survey Data

Fifty-seven census tracts are still considered Red-Zones carried over from 2013 to 2014, while 21 tracts are considered new Red-Zones for 2014. The majority of these newly-designated tracts are in Anaheim, Santa Ana, Costa Mesa, Westminster, and La Habra. However, 14 tracts from last year's analysis have moved out of Red-Zone status this year – Garden Grove and Santa Ana together accounted for nine eliminated Red-Zones, showing that both historically low-income regions are making solid short-term improvements. Although Garden Grove's net Red-Zones fell by 4, Santa Ana had no net change in its number of Red-Zone tracts, signifying that Santa Ana Red-Zones are being redistributed rather than addressed holistically. Of the 57 Red-Zone tracts retained between 2013 and 2014, 33 have shown improvement in reduced unemployment rates or increased per capita income.

In short, the number of Red-Zones has generally increased since last year, but the majority of Red-Zones are improving, moving closer to breaking free of their Red-Zone status. Despite improvements at the city level, Anaheim remains an important "danger zone" for Orange County to monitor, and targeted investments in the coming years will help the city improve its standings. Moving forward, Orange County cities need to adopt Red-Zone reducing policies that take a citywide approach to improving the quality of employment offered. The following section will introduce how the CEDS aims to guide cities toward mitigating the spread of Red-Zones.

## CEDS Goals and the Current Orange County Economic Climate

When Orange County selected its five overarching goals for the 2013-2018 CEDS, it targeted the relationship between workforce, infrastructure, and low-income residents as its chief areas to advance in tandem. Preparing residents of all income levels for new jobs and enabling them to utilize a multitude of travel methods to reach them is the fundamental approach used to increase regional prosperity. The initial goals put forth by the CEDS are as follows:

- *Goal 1: Advance the Lives of Red-Zone Residents*
- *Goal 2: Provide World-Class Education and Workforce Opportunities*
- *Goal 3: Plan and Develop State-of-the-Art Infrastructure*
- *Goal 4: Promote Competitive and Growing Clusters*
- *Goal 5: Improve Orange County's Economic Competitiveness in a Global Economy*

The original 2013-2018 CEDS document describes the specifics of these five goals in greater detail. Although the goals themselves have not changed since last year, the climate in which they can be achieved has already seen significant changes. 2014 thus far in Orange County has been characterized by:

- Employment improvements for several key industry sectors, including Construction, Health Care and Information Technology
- Housing prices returning near pre-Recession levels
- An ongoing state of drought throughout the region raising fears of a threatened water supplies
- Major progress on new transit-related infrastructure projects, particularly in low-income regions
- New groundwork increasing the economic viability of alternative fuel vehicles

Additionally, there are several exciting new developments supporting CEDS implementation that have already launched this year. In this update, we hope to mention these and other changes in brief to summarize how Orange County is able to adapt to the shifting economic climate while keeping the CEDS goals on track for achievement.

## Orange County Economic Overview: 2013 to Present

How has Orange County's economic climate changed since the beginning of 2013? The following overview sets the stage for discussion on new CEDS-supporting activities that have emerged in 2014 by highlighting where Orange County has improved in four areas – employment, economic development, housing, and infrastructure – since the previous January. We find that the changes and expectations for 2014 thus far are generally optimistic, characterized by falling unemployment, a booming housing market, and positive forecasts for growth made by Orange County businesses.

### Demographics

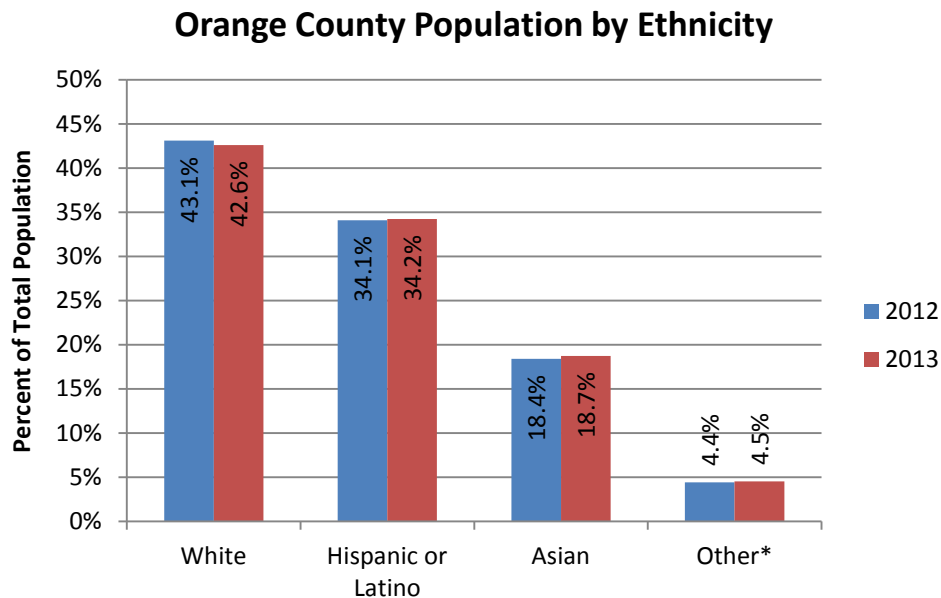
#### Average Age and Diversity of Population Increases Year-over-Year

New population estimates debuting in September 2014 show that Orange County's population is leaning toward an older average age, consistent with forecasts describing Orange County's trend of aging residents. 12.8 percent – equal to nearly 400,000 residents – were above the age of 65 in 2013 versus only 11.9 percent in 2012. Simultaneously, residents under the age of 25 fell from 34.2 percent to 33.5 percent just over the span of one year.

Population by Age		
	2012	2013
<b>Total</b>	3,055,745	3,114,363
<b>5 and Below</b>	6.3%	6.1%
<b>5-9</b>	6.5%	6.4%
<b>10-14</b>	6.9%	6.6%
<b>15-19</b>	7.2%	6.9%
<b>20-24</b>	7.3%	7.4%
<b>25-29</b>	7.1%	7.1%
<b>30-34</b>	6.7%	6.8%
<b>35-39</b>	6.8%	6.5%
<b>40-44</b>	7.5%	7.3%
<b>45-49</b>	7.5%	7.3%
<b>50-54</b>	7.2%	7.3%
<b>55-59</b>	6.0%	6.4%
<b>60-64</b>	5.1%	5.1%
<b>65-69</b>	3.7%	4.1%
<b>70-74</b>	2.7%	3.0%
<b>75-79</b>	2.1%	2.2%
<b>80-84</b>	1.7%	1.7%
<b>85 and Above</b>	1.7%	1.8%

Source: U.S. Census Bureau, Population Estimates Program

The prevalence of ethnic groups also showed slight increases since last year, with the White population of Orange County falling from 43.1 percent of the total to 42.6 percent. As consistently forecasted, the coming years will see increasing diversity of ethnicities throughout the Orange County region.



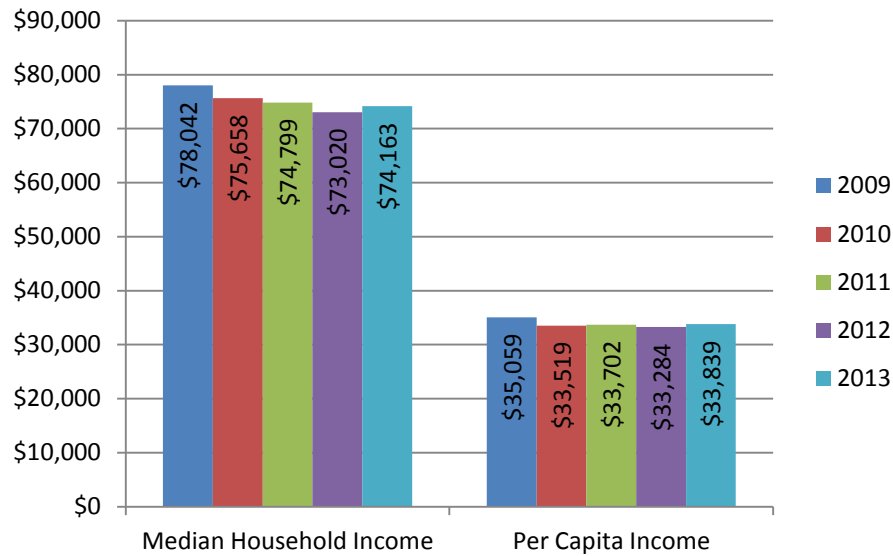
\* Includes African American, American Indian, Native Hawaiian, and Two or More Races.

Source: U.S. Census Bureau, Population Estimates Program

#### Declining Income Measures Reversed and Recovering

Orange County is widely regarded as a high-earning region of opportunity, but the years during and after the Recession saw gradual reductions in the average resident's earning power. Median household income fell by as much as \$5,000 from 2009 to 2012. The latest American Community Survey results show that Orange County has turned the corner and is regaining ground in both its median household and per capita income – reaching \$74,163 and \$33,839 in 2013 respectively.

### Orange County Income Measures, 2009-2013



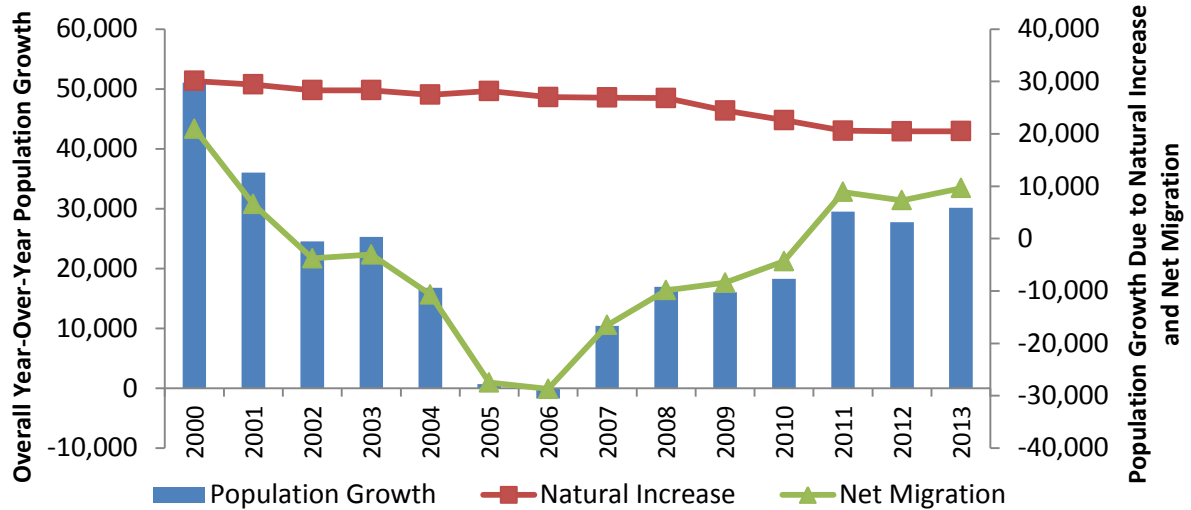
Source: American Community Survey

#### Higher Net Migration Rates Spurn Population Growth

After nearly ten years of negative net migration growth, Orange County has regained positive net migration growth in the current decade, reaching an overall population increase of 25,807 since 2010. For 2013, over 9,500 net migrants have added to population growth, maintaining the higher inflows seen beginning in 2011. As Orange County’s economy improves, migration inflows are expected to continue to increase.



### Orange County Population Growth, 2000-2013



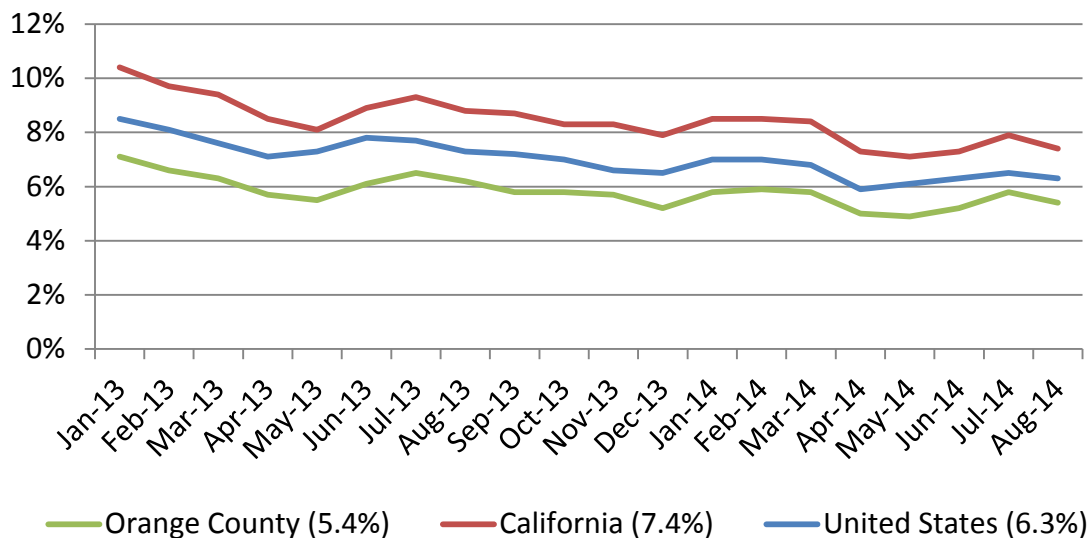
Source: California Department of Finance

## Employment Overview

### Unemployment Inches Down Toward Pre-Recession Levels

At the beginning of 2013, Orange County’s unemployment rate of 7.1 percent in January was the turning point of breaking free from the high rates seen during the Great Recession and its “lagging recovery”. Within one year, Orange County’s unemployment had greatly accelerated, falling to 5.8 percent in January (a 1.3 percent improvement) and reaching 5.4 percent as of August 2014. Unemployment averaged 3.9 percent in 2007 and 5.2 percent in 2008. In overall employment terms, Orange County is well on its way to recovering wholesale from the painful job losses of recent years.

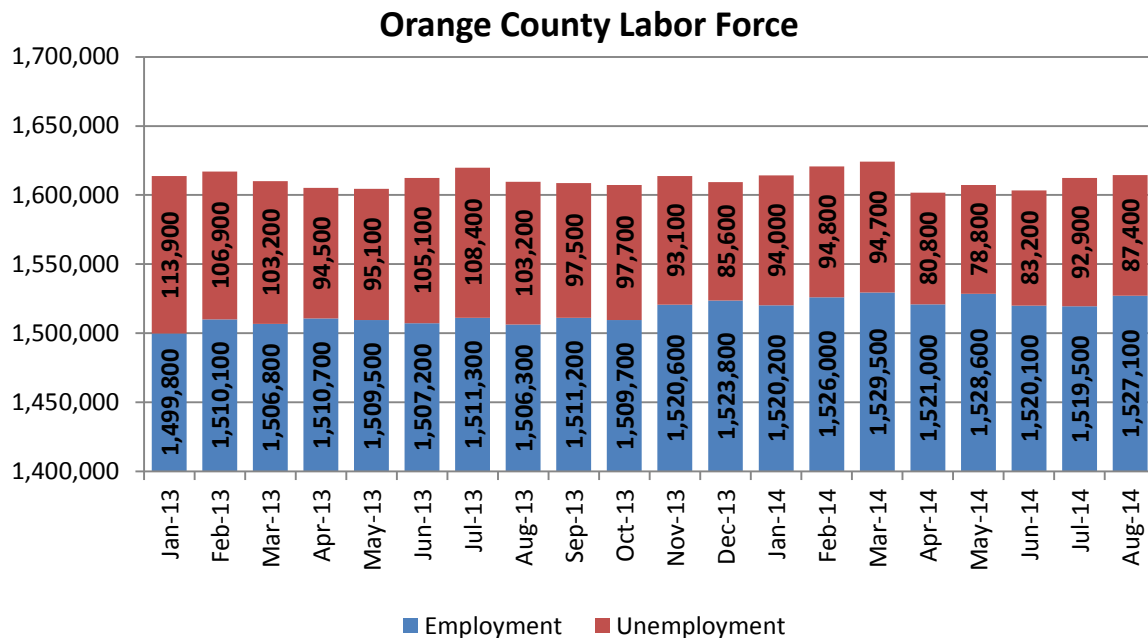
### Unemployment Rate, January 2013 - August 2014



Source: California Employment Development Department

**Labor Force Levels Hold Steady While Total Unemployment Drops by over 25,000**

Orange County’s total labor force has generally stayed around the 1.61 million mark through 2013. More currently, the total force in August 2014 was 1,614,600 – an improvement of over 5,000 participants since the previous August. Of this total, only 87,400 were considered unemployed, a significant reduction of 15,800 since August 2013 and a 26,500 improvement over January 2013’s total unemployed.



Source: California Employment Development Department

**Industry Employment Bright Spots Include Construction, Hospitality, and Professional Services**

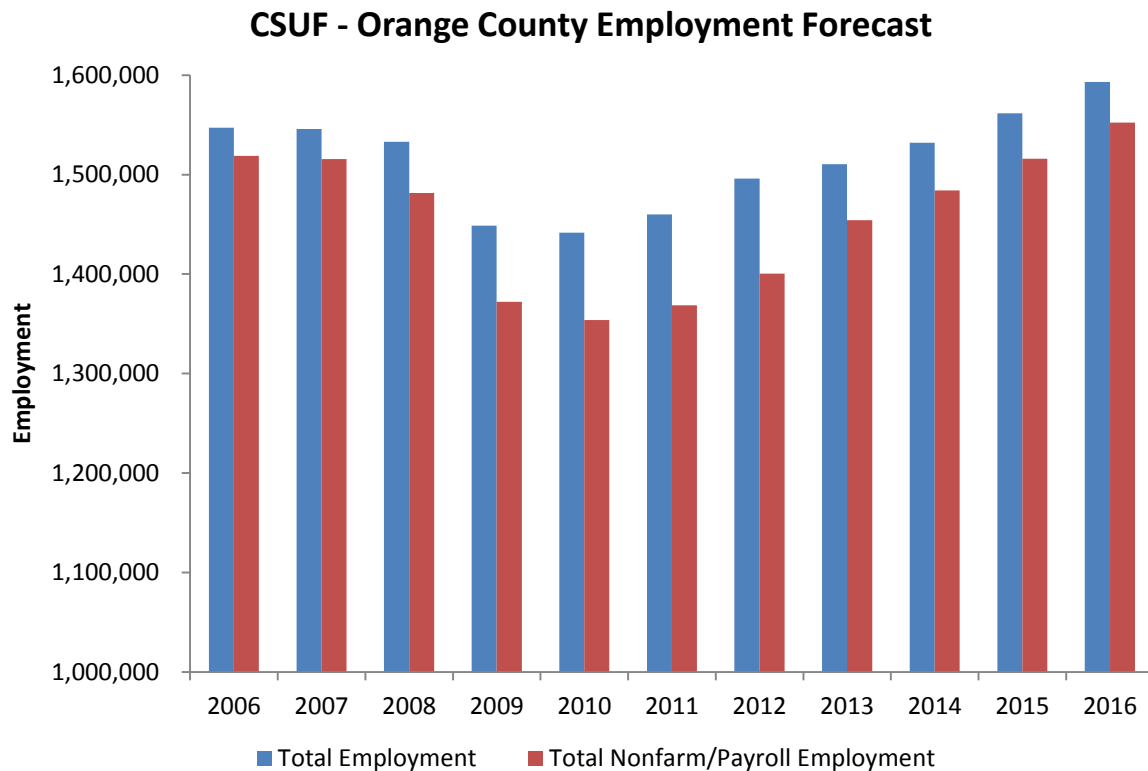
The three largest industries in Orange County have not changed since 2013 – Professional Services, Leisure & Hospitality, and Education & Health are still Orange County’s largest sectors by volume, each providing over 180,000 jobs in 2014. Expanding Construction employment is perhaps the most welcome improvement as the county resumes many urban development projects, experiencing 11 percent growth from January 2013 to January 2014. Construction in Orange County has soared even further ahead in August 2014, increasing by 15 percent since January 2013. Numerically, the greatest job expanders were Professional Services (11,400 increase from January 2013 to January 2014) and Leisure & Hospitality (17,100 from January 2013 to August 2014). Only Nondurable Goods Manufacturing and Government employment have actively declined from January 2013 to August 2014.

Orange County Industry Employment	January 2013	January 2014	August 2014
<b>Mining and Logging</b>	500	500	600
<b>Construction</b>	72,800	80,700	84,000
<b>Durable Goods Manufacturing</b>	114,100	115,500	115,900
<b>Nondurable Goods Manufacturing</b>	43,100	41,800	42,400
<b>Wholesale Trade</b>	77,900	79,800	79,800
<b>Retail Trade</b>	145,300	146,400	146,100
<b>Transportation, Warehousing &amp; Utilities</b>	27,800	27,300	28,200
<b>Information</b>	24,900	25,500	26,100
<b>Financial Activities</b>	111,100	111,000	109,100
<b>Professional &amp; Business Services</b>	257,200	268,600	271,100
<b>Educational &amp; Health Services</b>	178,000	183,100	186,500
<b>Leisure &amp; Hospitality</b>	179,300	185,800	196,400
<b>Other Services</b>	44,300	46,000	48,000
<b>Government</b>	146,600	147,500	136,100

Source: California Employment Development Department

#### Total Employment Recovery Expected in 2015

California State University Fullerton (CSUF) has calculated employment estimations by industry through 2016, reported here by total employment and total nonfarm employment. Many Orange County residents have transitioned to contracted or entrepreneurial work since the Great Recession, but the gap is slowly narrowing, indicating that full-time employment is making a comeback. Nonfarm employment is predicted to equal 2007 levels sometime between 2015 and 2016, while total employment (including self-employed and contracted workers) will be healthily above 2007 employment levels at some point partway through 2015.



Source: OCBC Analysis of CSUF Economic Forecast 2015

#### Industry Employment Gradually Returning to Pre-Recession Levels

The California EDD provides details on Orange County's most recent industry growth comparing pre-Recession employment to the present. Only Leisure & Hospitality and Education & Health Services have experienced employment increases since 2007, but several other industries are quickly approaching their pre-Recession employment levels, including Professional & Business Services and Transportation, Warehousing & Utilities. Construction's employment increase of 9.19 percent from 2013 to 2014 is among the greatest year-over-year employment change, further reinforcing this dramatic shift to new development and expansion in Orange County for 2014.

Orange County Industry Employment Change Since 2007		Vs. August 2014		Vs. September 2013		Vs. October 2007	
Industry	Sept. 2014	Actual Change	Percent Change	Actual Change	Percent Change	Actual Change	Percent Change
<b>Civilian Labor Force</b>	1,619,300	4,400	0.27%	10,600	0.66%	7,000	0.43%
<b>Civilian Employment</b>	1,537,500	10,300	0.67%	26,300	1.74%	-8,700	-0.56%
<b>Civilian Unemployment</b>	81,800	-5,900	-6.73%	-15,700	-16.10%	15,800	23.94%
<b>Total, All Industries</b>	<b>1,485,100</b>	<b>12,100</b>	<b>0.82%</b>	<b>28,100</b>	<b>1.93%</b>	<b>-43,800</b>	<b>-2.86%</b>
<b>Total Nonfarm</b>	<b>1,482,400</b>	<b>12,100</b>	<b>0.82%</b>	<b>28,200</b>	<b>1.94%</b>	<b>-41,400</b>	<b>-2.72%</b>
<b>Mining and Logging</b>	600	0	0.00%	100	20.00%	0	0.00%
<b>Construction</b>	86,700	2,700	3.21%	7,300	9.19%	-15,900	-15.50%
<b>Durable Goods Manufacturing</b>	114,600	-1,300	-1.12%	400	0.35%	-10,700	-8.54%
<b>Nondurable Goods Manufacturing</b>	41,700	-700	-1.65%	-1300	-3.02%	-11,900	-22.20%
<b>Wholesale Trade</b>	80,000	200	0.25%	900	1.14%	-7,400	-8.47%
<b>Retail Trade</b>	146,200	0	0.00%	2,100	1.46%	-15,100	-9.36%
<b>Transportation, Warehousing &amp; Utilities</b>	28,700	400	1.41%	1100	3.99%	-800	-2.71%
<b>Information</b>	26,000	-100	-0.38%	800	3.17%	-4,800	-15.58%
<b>Financial Activities</b>	109,100	100	0.09%	-3,300	-2.94%	-11,900	-9.83%
<b>Professional &amp; Business Services</b>	272,400	1,400	0.52%	7,100	2.68%	-3,800	-1.38%
<b>Educational &amp; Health Services</b>	188,000	1,700	0.91%	5,100	2.79%	36,900	24.42%
<b>Leisure &amp; Hospitality</b>	195,200	-1,300	-0.66%	4,000	2.09%	19,800	11.29%
<b>Other Services</b>	46,600	-1,200	-2.51%	1000	2.19%	-1,300	-2.71%
<b>Government</b>	146,600	10,200	7.48%	2900	2.02%	-14,500	-9.00%
<b>Civilian Unemployment Rate</b>	<b>5.10%</b>	<b>-0.30%</b>	<b>-</b>	<b>-1.00%</b>	<b>-</b>	<b>1.00%</b>	<b>-</b>

Source: California EDD

### OC Wages Rising Rapidly Post- Recession

Unlike employment, annual salaries in Orange County have almost universally increased since 2007. Overall pay levels have increased by 11 percent since 2007 and by 3.4 percent since last year. Management, Information and Manufacturing have all demonstrated the greatest salary increases since 2007, each reflecting over 22 percent in salary growth. Health Care and Transportation & Warehousing are the only two industries that saw a year-over-year decline in salary levels. However, Manufacturing and Professional Services have maintained steady wage growth since 2013, appreciating by 5.1 and 7.2 percent respectively.

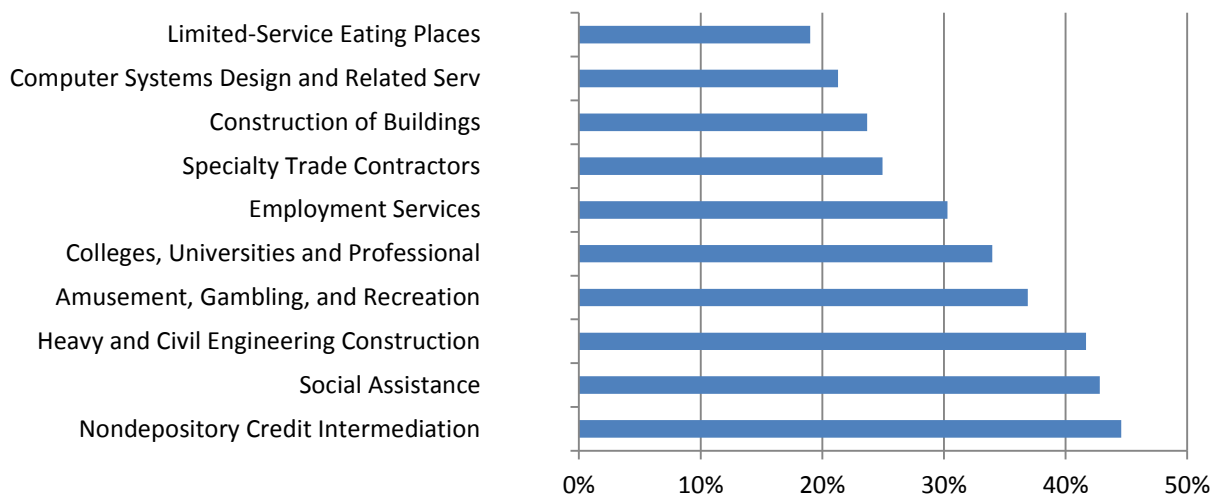
Orange County Industry Salary Change Since 2007		Vs. Q1 2013		Vs. Q1 2007	
Industry	Q1 2014	Actual Change	Percent Change	Actual Change	Percent Change
<b>Total, All Industries</b>	<b>\$57,200</b>	<b>\$1,872</b>	<b>3.4%</b>	<b>\$5,668</b>	<b>11.0%</b>
<b>Agriculture, Forestry, Fishing &amp; Hunting</b>	\$23,920	\$208	0.9%	(\$572)	-2.3%
<b>Construction</b>	\$60,632	\$2,392	4.1%	\$4,836	8.7%
<b>Manufacturing</b>	\$74,152	\$3,588	5.1%	\$14,040	23.4%
<b>Wholesale Trade</b>	\$79,924	\$1,092	1.4%	\$5,460	7.3%
<b>Retail Trade</b>	\$33,124	\$156	0.5%	(\$156)	-0.5%
<b>Transportation and Warehousing</b>	\$48,256	(\$4,212)	-8.0%	\$5,564	13.0%
<b>Information</b>	\$94,120	\$4,160	4.6%	\$20,072	27.1%
<b>Finance and Insurance</b>	\$108,680	\$2,340	2.2%	\$11,908	12.3%
<b>Real Estate and Rental and Leasing</b>	\$69,004	\$4,888	7.6%	\$9,464	15.9%
<b>Professional and Technical Services</b>	\$88,712	\$5,980	7.2%	\$16,536	22.9%
<b>Management of Companies and Enterprises</b>	\$118,508	\$8,632	7.9%	\$29,068	32.5%
<b>Administrative and Waste Services</b>	\$38,220	\$1,040	2.8%	\$5,720	17.6%
<b>Educational Services</b>	\$36,244	\$1,404	4.0%	\$2,964	8.9%
<b>Health Care and Social Assistance</b>	\$46,176	(\$208)	-0.4%	\$364	0.8%
<b>Arts, Entertainment, and Recreation</b>	\$30,732	\$572	1.9%	\$4,368	16.6%
<b>Accommodation and Food Services</b>	\$20,488	\$156	0.8%	\$1,404	7.4%
<b>Other Services, Ex. Public Admin</b>	\$33,072	\$728	2.3%	\$4,056	14.0%

Source: California EDD

*OC's Fastest Growing Industries Include Construction, Caretaking, and Computing*

The fastest growing industries in Orange County since January 2010 are service-oriented, with significant job growths shown in the following industries: Credit Intermediation at over 45 percent, Computer System Design at 21 percent, and College Employment with over 35 percent growth. Notably, two of the ten employment growth areas are Construction related – Construction of Buildings, and Heavy & Civil Engineering Construction – growing by over 20 percent and 40 percent respectively.

### Ten Fastest Growth Industries by Percent Growth



■ Percent Growth (Jan 2010 - June 2014)

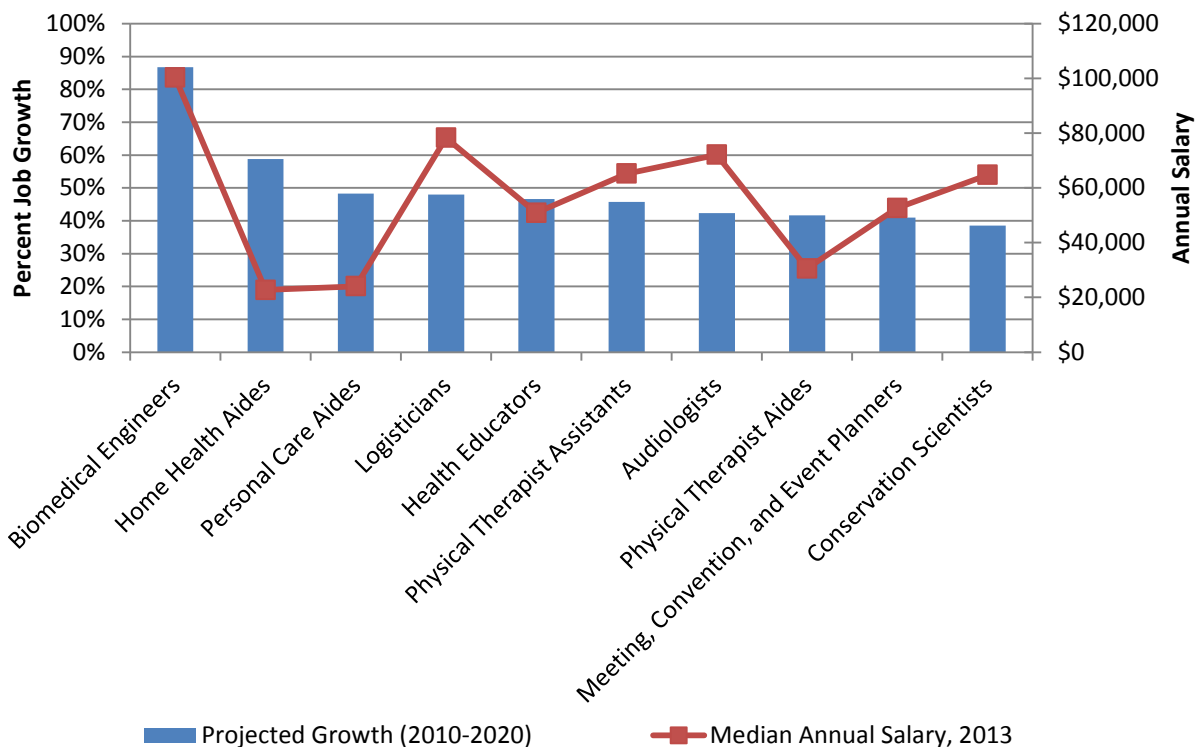
Source: California EDD

#### OC's Fastest Growing Occupations Predominately Sciences and Health Care

The California EDD's predictions also include occupation-level data, and the following graph shows the top ten fastest-growing occupations according to the EDD's predictions. In terms of job growth rate, the fastest-growing occupations are driven by many high-paying scientific, medical, and business positions. In fact, over half of the top occupations by projected percentage growth are related to Health Care.



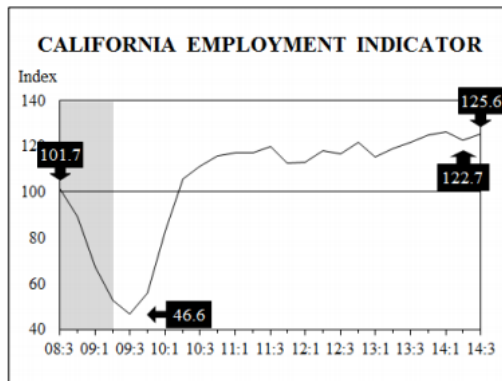
### Average Salaries of Fastest Growing Occupations



Source: OCBC Analysis of California EDD Data

#### Aggregate Employment Indicator Trending Higher, Possibly Reaching Seven-Year High in Q4 2014

Overall, the employment situation in Orange County is looking up, and is in-line with statewide employment expansions. Chapman University’s Employment Index Indicator Index combines variables such as movements in the lagged values of real GDP, real exports, the S&P 500 and the State’s total construction spending to illustrate the overall quality of hiring activity in California. Chapman University forecasted a California Employment Indicator Index score of 107.9 in the first quarter of 2013, and favorable conditions throughout last year have led to today’s index of 125.6.



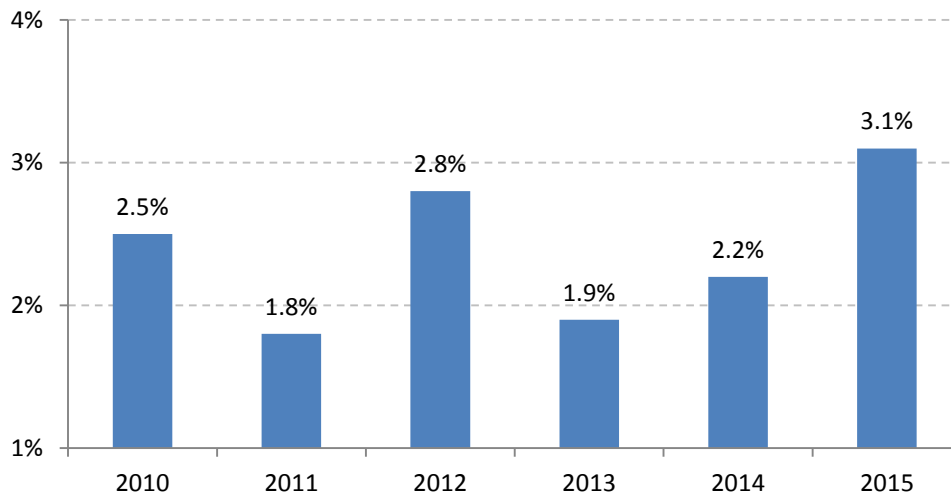
Source: Chapman University

## Economic Development

### OC GDP to Recover From Slowed 2013 Growth

Real GDP growth estimates for Orange County appear mostly positive, with relatively stable recovery predicted through 2015. Chapman University estimates 3.1 percent year-over-year improvements by 2015, roughly on par with the estimates of CSUF (which forecasted 1.7 percent GDP growth in 2013 and 2.5 percent in 2014).

### Orange County Real GDP - Annual Percent Change

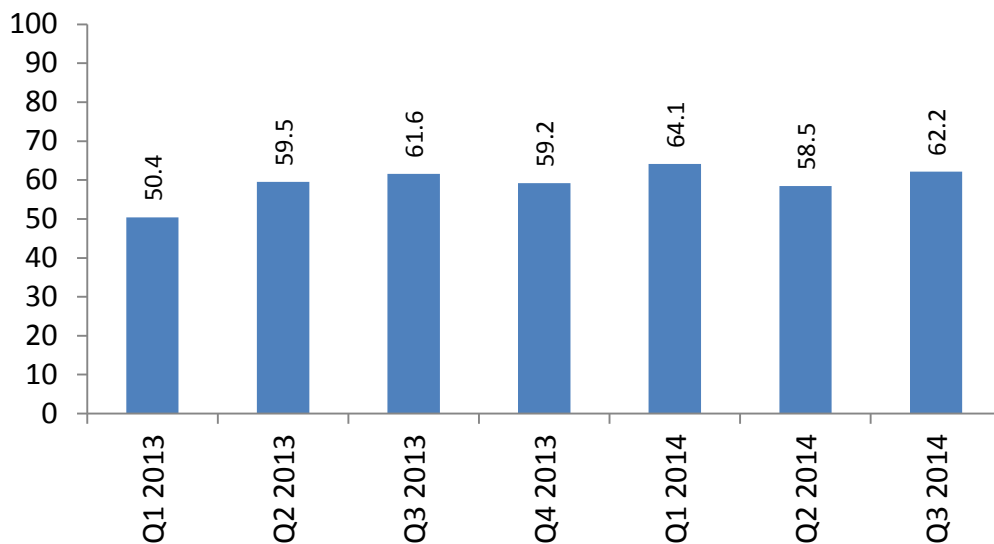


Source: Chapman University Economic Forecast 2014 Midyear Update

### Manufacturing in OC Tends Toward Expansion, Business Expectations Remain Positive but Tempered

The Orange County Composite Index is the aggregate result of purchasing manager surveys on manufacturing conditions in Orange County collected by Chapman University. A value of 50 for the composite index shows a general expansion of the manufacturing economy of the county, and a value below 50 shows a decline. Early 2013 results show that Orange County’s manufacturing was on the cusp of beginning expansion, and the index has since maintained an 8-to-10 point lead on Q1 2013’s score of 50.4, showing steady improvements in the manufacturing climate.

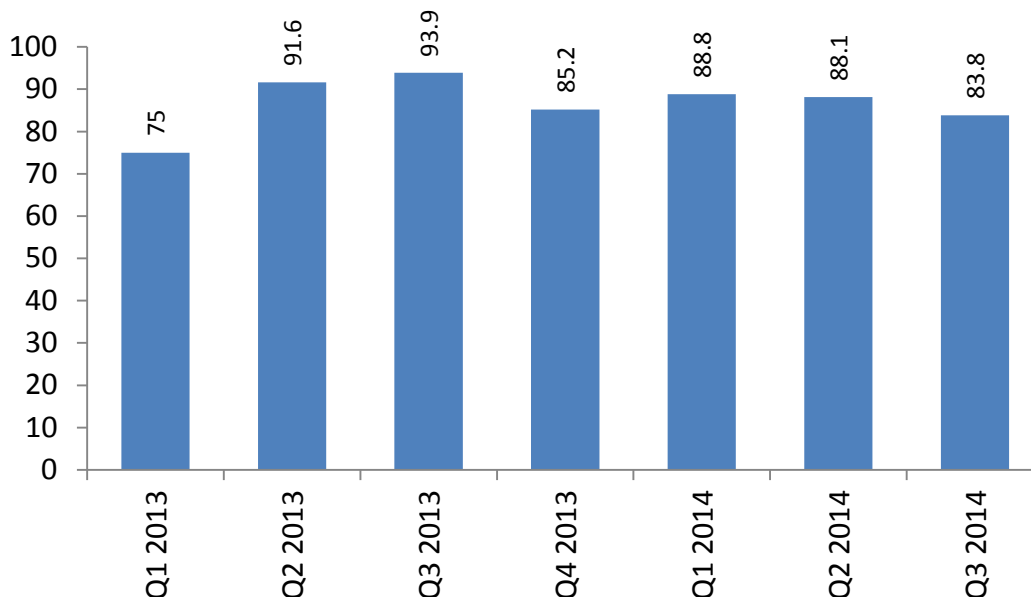
### Orange County Manufacturing Composite Index



Source: Chapman University

The Orange County Business Expectations Survey (OCBX) is a gauge of future business expectations by surveyed Orange County firms and collected by Cal State University Fullerton. Just as in the Manufacturing Composite Index, a value above 50 shows a general expansion of executive faith in the county’s ability to grow, and a value below 50 shows a decline. Q2 2013 was the turning point for Orange County’s expectations – while 75 was already well above the 50-point threshold for positive growth, the current score of 83.8 shows even greater belief that Orange County is in a state of steady recovery.

### Orange County Business Expectations - OCBX

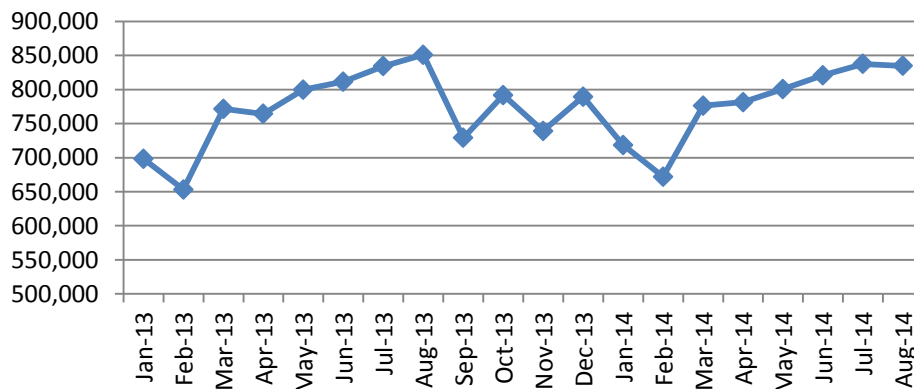


Source: Cal State Fullerton

#### Travel Rates through SNA Show Only Minor Improvement

Orange County’s own travel hub of John Wayne Airport is a key measure of Orange County’s tourism industry. The majority of months in 2014 have shown slight year-over-year improvements in the number of travelers recorded per month, but there were some slight declines during peak travel months; January 2014 saw a 20,000-passenger improvement over January 2013, but riders have declined by over 16,000 comparing the current and previous August.

### John Wayne Airport - Total Passengers

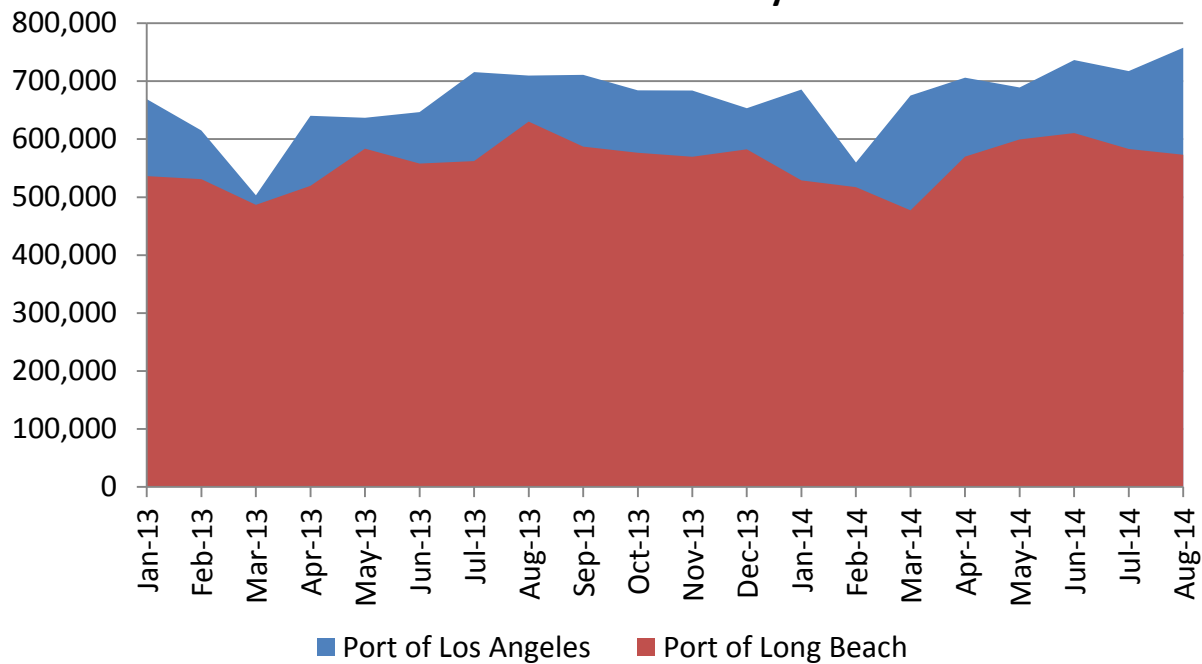


Source: John Wayne Airport

#### Port Activity Strong in Los Angeles, Lagging in Long Beach

This indicator shows the total number of TEUs (20-foot-equivalent units or 20-foot cargo containers) loaded inbound, loaded outbound and current empty at the ports of Long Beach and Los Angeles. The Port of Los Angeles had a combined container activity total of 757,702 in August 2014, a year-over-year increase of over 48,000, but the Port of Long Beach declined by over 57,000 since last August. Despite this net decline in overall port activity, both ports are tracking ahead of January 2013, with over 125,000 more containers shipped through both ports.

**Port of Long Beach & Port of Los Angeles  
Total Container Activity**



Source: Port of Long Beach, Port of Los Angeles

*Commercial Space Showing Fewer Vacancies, Higher Rents in 2014*

Orange County office space in general is priced at a premium, a trend that has continued over the past year. The average office rent rate in Orange County appreciated by 12 cents per square foot since Q1 2013, and is forecasted to reach a rate of \$2.08 by Q1 2015. Similarly, industrial space is showing steady growth since the previous year, and is shrinking vacancies faster than Orange County offices are, with a decline of 0.75 percentage points since Q1 2013.

Orange County Office and Industrial Climate	Q1 2013	Q2 2014
Office Vacancy	13.35%	12.69%
Office Rents	\$1.88	\$2.00
Industrial Vacancy	4.52%	3.77%
Industrial Rents	\$0.58	\$0.62

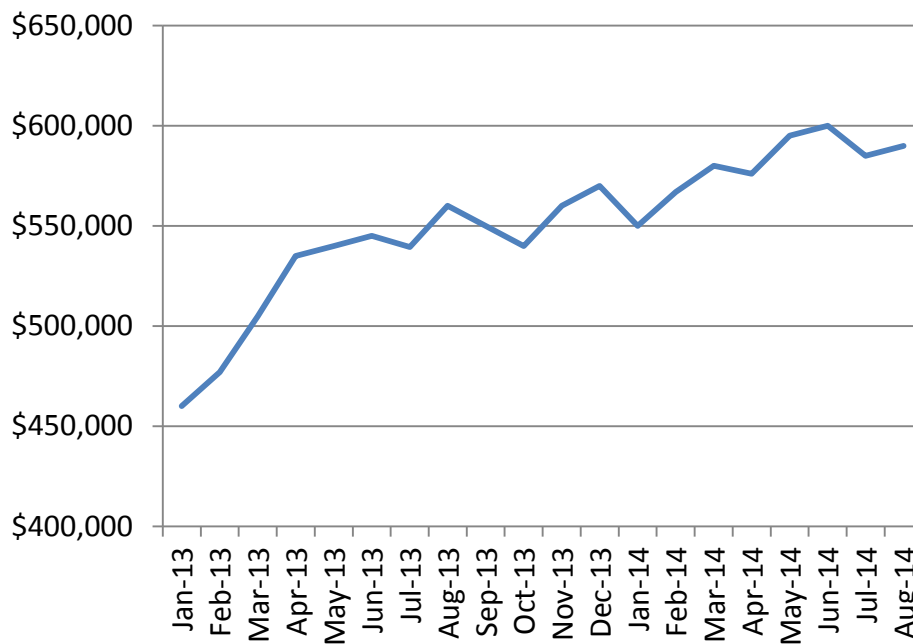
Source: Voitco

## The Housing Market

### Median Home Prices Peaked at \$600,000 in 2014, Approaching Pre-Recession Values

Housing value has leapt forward rapidly throughout 2014, surpassing all median home prices for the county since 2008. Orange County’s median home price in August 2014 was \$590,000, a drastic increase since January 2013’s median of \$460,000 and just \$10,000 short of the year’s high of \$600,000 in June 2014. Prices are continuing on their upward trajectory, and may climb even higher by year’s end.

**Orange County Median Home Prices**

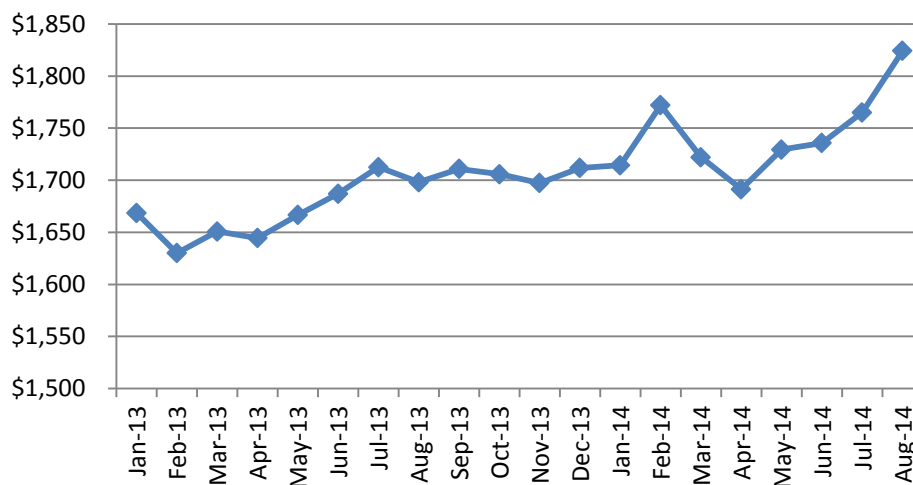


Source: DQNews.com

### Average Apartment Rents in Orange County surpass \$1,800 per Month

Average apartment rents for Orange County have spiked with housing price growth, with an average of \$126 higher rents in August 2014 compared to the previous August and \$156 higher rates than January 2013. As in previous years, the cities of Irvine and Huntington Beach play a major role in pushing up the height of countywide average rent, while Anaheim and Garden Grove maintain average rates generally far below the county average.

### Orange County Average Apartment Rent Rate

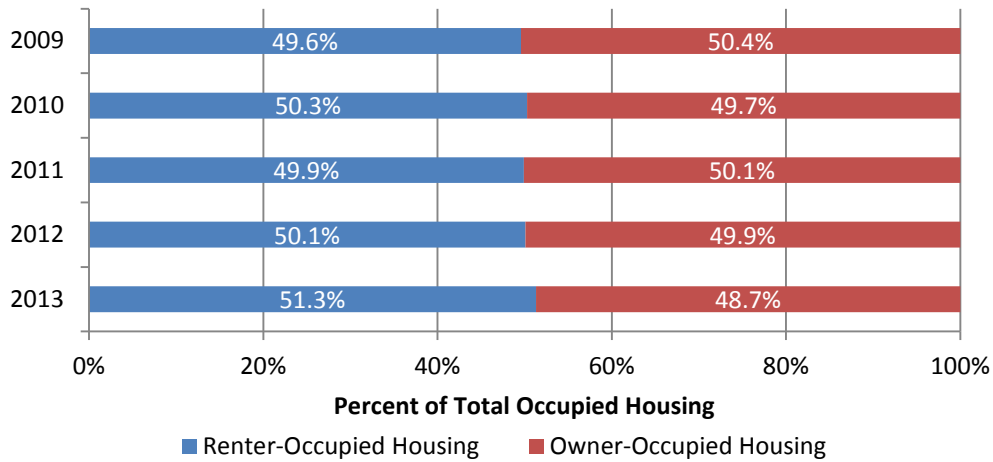


Source: RentBits

### More Renters than Owners are Occupying OC Housing, Surpassing Recession Levels

High housing prices encourage many OC residents to rent living space, but 2013 brought a higher ratio of renters occupying housing than seen in previous years. Only 6.2 percent of Orange County’s total housing was vacant in 2013, showing increasing utilization and repurposing of houses abandoned during the Recession.

### Renter vs. Owner Occupied Housing

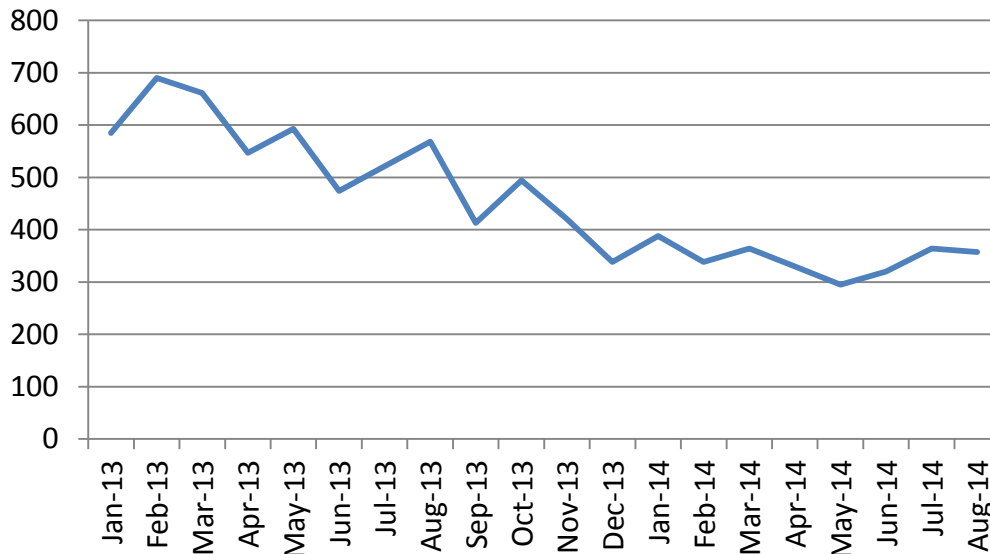


Source: U.S. Census Bureau

### Foreclosures Reduced by Over 200 per Month Since 2013

Property Radar’s assessment of Orange County’s housing market shows that residents are taking greater care and responsibility in maintaining their Orange County mortgages. Foreclosures in August 2014 fell to 357, a 228-case decline since January 2013.

### Orange County Foreclosures

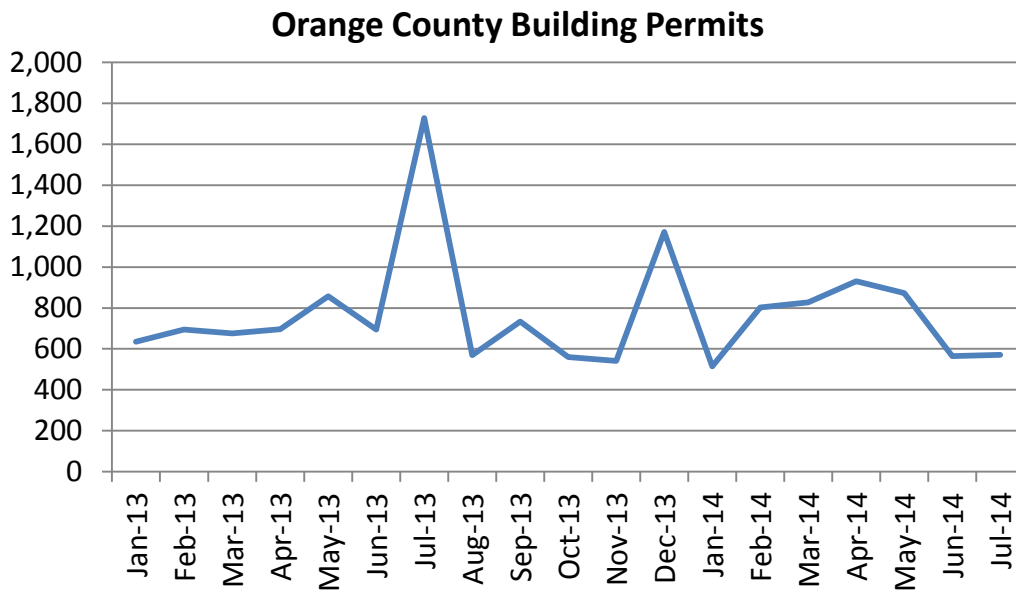


Source: Foreclosure Radar

### Permits Show Intermittent Spikes and Steady Levels of Expansion



The number of residential building permits in Orange County receded significantly in January 2014 but saw ample growth over the following three months, reaching a 2014 high of 931 permits in April. Although no month in 2014 thus far has matched the major expansions made in July 2013, 2014 has generally seen slight improvements year-over-year in permit activity. At the city level, Irvine continues to lead the county’s permit activity typically comprising 45 to 50 percent of total permits issued in the county in a given month.



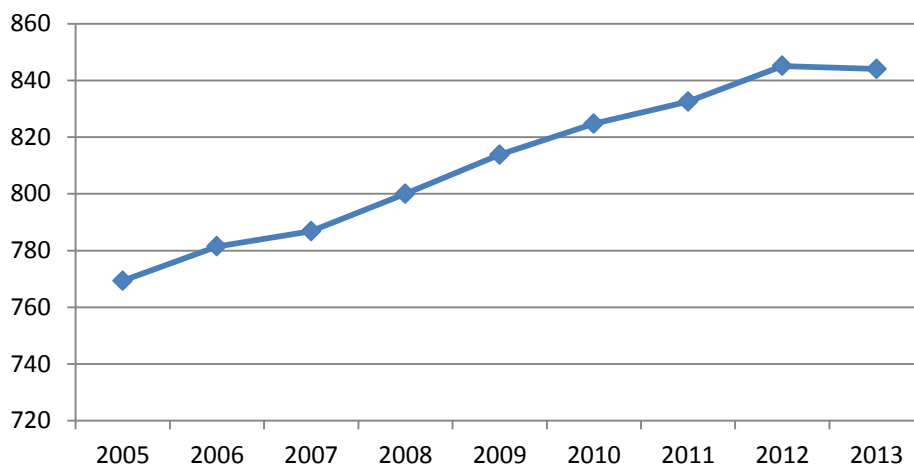
Source: U.S. Census Bureau

## Education

### API Scores Slipping in OC

The Academic Performance Index (API) measures the academic performance of individual schools based on the results of statewide testing. Orange County has steadily improved its API results year-over-year since 2005, but the trend reached a plateau in 2013, falling by 1 point year-over-year to a 2013 total of 844. Individual school districts have also shown mixed results for 2013 – only 2 out of 15 high school districts have improved their API scores from 2012 to 2013.

### Countywide API Score



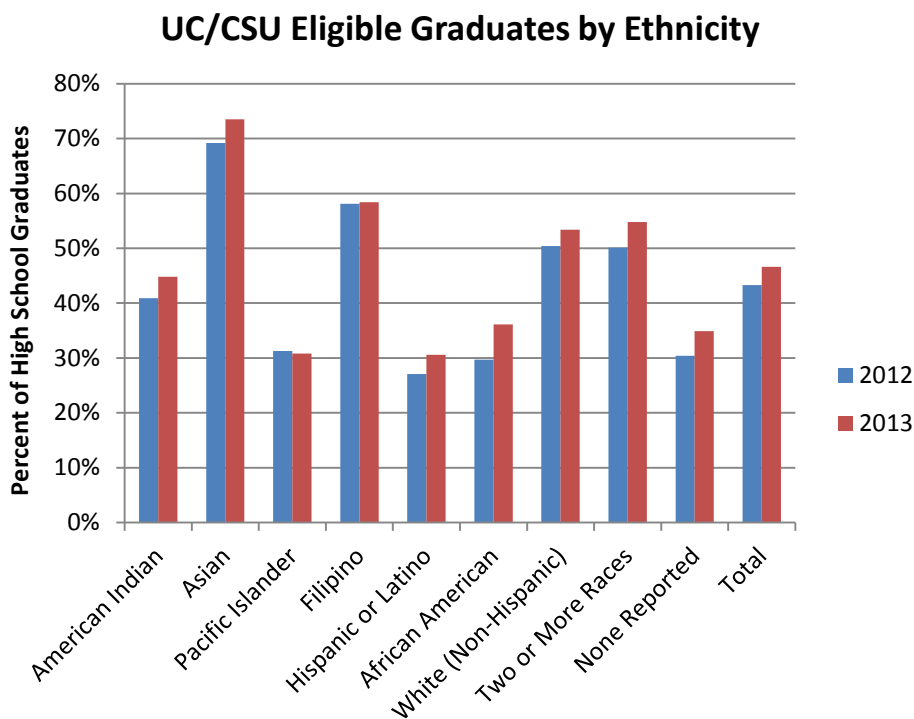
API Score by School District			
	2012	2013	Change
<b>Irvine Unified</b>	926	925	-1
<b>Los Alamitos Unified</b>	922	922	0
<b>Laguna Beach Unified</b>	923	918	-5
<b>Capistrano Unified</b>	883	874	-9
<b>Placentia-Yorba Linda Unified</b>	871	873	2
<b>Brea-Olinda Unified</b>	876	871	-5
<b>Saddleback Valley Unified</b>	871	868	-3
<b>Tustin Unified</b>	868	867	-1
<b>Newport-Mesa Unified</b>	842	840	-2
<b>Huntington Beach Union High</b>	847	838	-9
<b>Orange Unified</b>	839	838	-1
<b>Fullerton Joint Union High</b>	826	833	7
<b>Garden Grove Unified</b>	821	820	-1
<b>Anaheim Union High</b>	781	777	-4
<b>Santa Ana Unified</b>	755	743	-12

Source: California Department of Education

*OC Graduates are Increasingly College-Ready across the Majority of Ethnicities*

46.6 percent of Orange County high school students were eligible for entry into the UC/CSU university systems during the 2012-2013 school year – a 3.3 percent improvement over the previous year, and a

significant 8.3 percent improvement compared to the 2009-2010 session. Excluding Pacific Islanders, all ethnic groups saw an increase in eligibility rates since the previous school year, showing that students from all backgrounds in Orange County are becoming better prepared to enter higher academia.



Source: California Department of Education

Language Learners Continue Steady Increase OC Enrollments

Orange County’s percentage of English Language Learners enrolled in the 2013-2014 school year was 26.1 percent, the highest among neighboring counties and the state as a whole. This represents a notable 1.5 percent increase since the previous year, and shows the increasing need for fluency preparedness for success in high school.

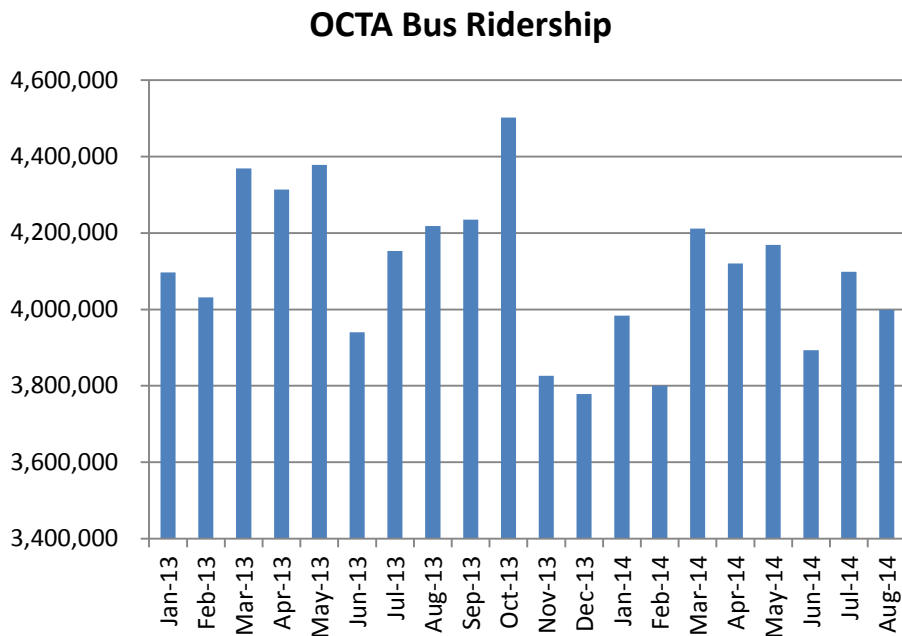
High School English Language Learners			
	Year	Orange County	California
<b>Total Enrollment</b>	2013	501,801	6,226,989
	2014	500,487	6,236,672
<b>Number of English Learners</b>	2013	123,290	1,349,503
	2014	130,570	1,413,114
<b>Percent English Language Learners</b>	2013	24.60%	21.70%
	2014	26.10%	22.70%

Source: California Department of Education

## Transportation Infrastructure

### Bus Ridership in Steady Decline

Orange County Transportation Authority (OCTA) bus ridership levels have been drastically reduced since 2008. Although fiscal year 2011-2012 showed some growth, the following two years have shown slight declines. Ridership in August 2014 is just short of 4 million, a decline of over 217,000 since the previous August and a 96,000 decline since January 2013.

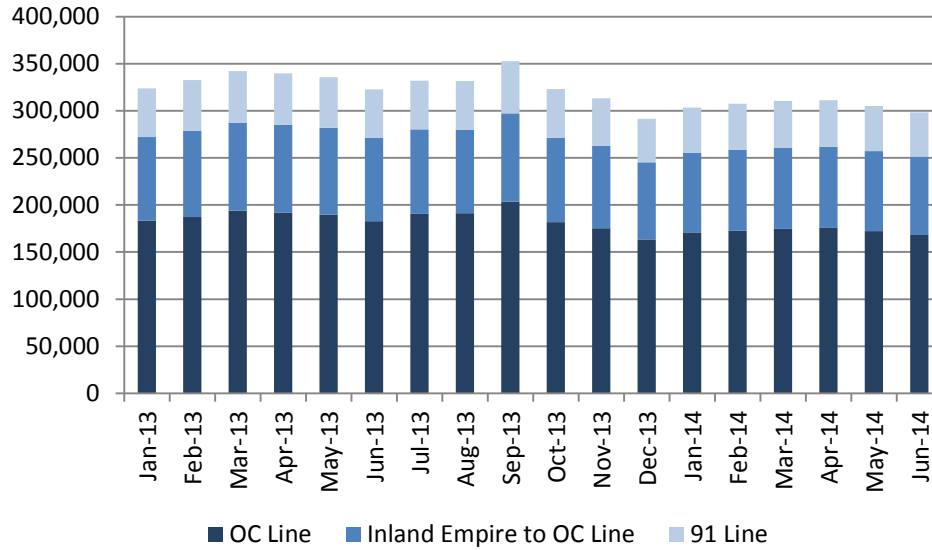


Source: Orange County Transportation Authority

### Metrolink Usage Falling in 2014 after Significant Growth in 2013

Despite great improvements throughout 2013 on all three major Orange County lines, Metrolink ridership growth has stagnated since October 2013. The past nine months on record have seen declining ridership rates, ending June 2014 with 298,282 combined riders – a decline of nearly 25,000 since the previous June.

### Monthly Average Metrolink Ridership

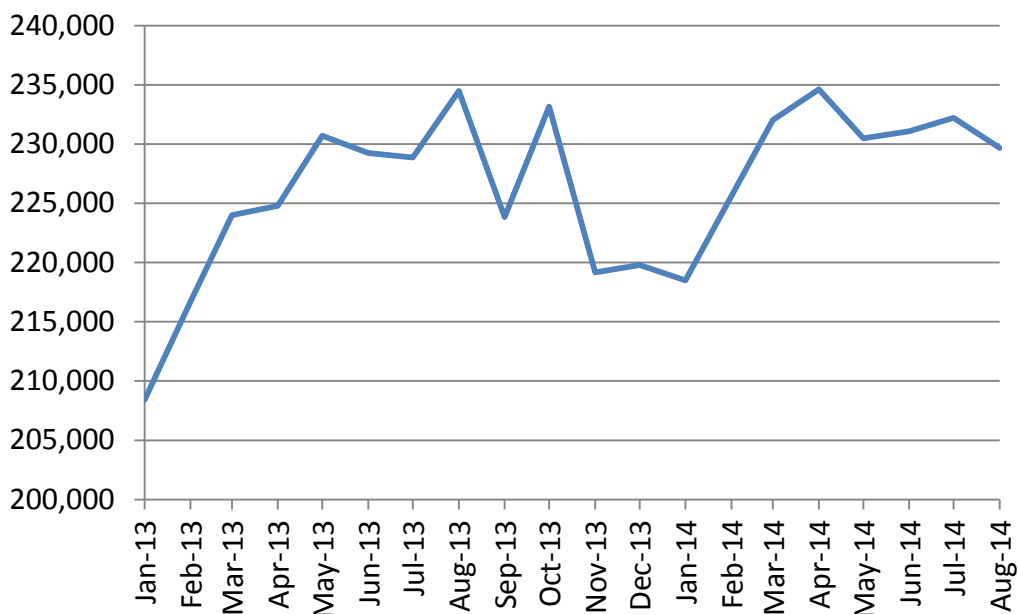


Source: Southern California Regional Rail Authority

#### Toll Road Activity Greatly Improved since January 2013

Drivers utilizing the Foothill and San Joaquin toll roads have trended upward through 2013. Combined, the roads have seen roughly 2.1 percent increases in usage from 2013 to 2014 thus far. August 2014 transactions on both Foothill and San Joaquin are both significantly higher than at the beginning of 2014, gaining 21,266 more daily transactions than in January 2013.

### Average Daily Transactions, Foothill / Eastern & San Joaquin Toll Roads



Source: TheTollRoads.com

### Summary

Transit is Orange County’s weakest link in 2014, characterized by declining bus and train usage. However, Orange County is doing well in many other facets of economic wellness, paving the way for greater infrastructure investment with rising construction employment, high building permit activity, and increased faith in Orange County’s stability over the course of 2014. In the next section, this update will review new activities taking place in Orange County amid its climate improvements, showing the overall progress the region is making toward achieving its CEDS benchmarks for the rest of the decade.

## Supporting Red-Zone Investment

### A Healthier Employment Climate

The CEDS' first goal for Orange County through 2018 is to target economically disadvantaged neighborhoods, fostering full-time employment opportunities and improving educational outcomes to better prepare the local workforce for emerging job areas. Encouraging business interaction is just as important in this process as educators are, and only by working together can they create clear pathways to career success for low-income residents throughout Orange County. So far, Orange County had made great strides in reducing unemployment countywide; over 100,000 residents were unemployed on average in 2013, and 2014 has averaged only 88,300 unemployed citizens to-date. This has led to an unemployment rate of 5.5 percent on average in 2014, down 0.7 percentage points from last year. For Red-Zones, unemployment rates have also generally decreased year-over-year.

### EDA Projects in the Pipeline

The Economic Development Administration has continued to provide investments for Orange County to study and pursue new ways to enrich the lives of residents living in Red-Zone regions. In the Orange County Five Year CEDS (2013-2018) there are numerous projects listed for the cities of Santa Ana, Westminster, and Fullerton. These potential CEDS Projects and CEDS' Goals supporting activities are still in development and may be revised or added to over the next year:

#### CITY OF SANTA ANA

##### 1. Fixed Guideway Project/Go Local Funding

The cities of Santa Ana and Garden Grove in cooperation with the Orange County Transportation Authority (OCTA) are proposing to build a Fixed Guideway (Streetcar) Transportation system between the Santa Ana Regional Transportation Center (SARTC) and a new transportation center in Garden Grove. The system would provide transit service for commuters traveling from the train station to employment and activity centers in the heart of Orange County and to residents and visitors wanting to circulate throughout the area. The proposed streetcar project would service Santa Ana's historic downtown which includes government offices, federal, state and local courthouses, unique businesses, and artists' village, several colleges and a variety of organizations that cater to the community's needs. The most recent cost estimate assumes the street car alternatives would cost up to \$212 million to build and the TSM/best bus alternative would cost roughly \$14.5 million. Funding would come from a variety of sources including Renewed Measure M, Orange County's half-cent tax for transportation, as well available state and federal transportation funding sources.

## 2. Continue to support SARTC Master Plan

The Santa Ana Regional Transportation Center (SARTC), known to many as the Santa Ana train station or depot, serves more than 500,000 rail trips each year and is one of the busiest train stations along the Los Angeles to San Diego rail line. It is a key focal point of transportation in Orange County, combining Amtrak and Metrolink rail services, local, regional, interstate and international bus service and taxi services all in one location. SARTC is close to four freeways and only minutes from John Wayne Airport, Disneyland, Main Place Mall, Bowers Museum, Historic Downtown Santa Ana and more.

The existing train station is marked by a beautiful building with historic inspirations, however, the building which was constructed in 1985 isn't able to effectively serve the higher level of demand expected in the future. Across from the existing site on the east side of the tracks is County-owned land offering the possibility to expand the station and its services, with the objective to blend existing and new uses.

The objectives of the SARTC expansion are to:

- Provide a transportation center where people can easily transfer between services
- Fit in well with the surrounding community, history and culture
- Create an attractive, sustainable transportation center with low maintenance costs
- Provide parking and support facilities for each service offered at SARTC
- Include supporting commercial, retail and/or residential uses, if feasible
- Ensure that passenger safety and security are adequately addressed
- Support and encourage pedestrian and bicycle use

In order to accommodate the growing transportation demand tied to the current and future services at SARTC, conceptual designs have been developed to:

- Accommodate planned Metrolink service increases
- Improve bus circulation
- Incorporate the proposed streetcar project
- Facilitate transit-oriented development
- Integrate well with the surrounding community, the city's history and its cultural setting

The SARTC Master Plan improves access to the station, updates the station's facilities and creates convenient linkages among Metrolink and Amtrak rail services, buses, and the proposed streetcar. It also improves access for cars, pedestrians and bicyclists and creatively incorporates the planned Santa Ana Boulevard grade separation into a multi-modal corridor.



### 3. Bristol Street Widening- Utilizing State and federal funding sources for remaining segments

The Bristol Street Widening project is estimated to have a total investment of \$300 million. The first segment spanned from St. Andrew Place to McFadden Avenue was completed in 2002 for a total cost of \$44.9 million. The second segment spanned from Elm Street to Memory Lane was completed in 2003 for a total cost of \$4.3 million. The third segment spanned from Pine Street to Third Street was completed in 2009 for a total cost of \$19.8 million. Phase I of the project funded as part of the OCTA cooperative agreement which spans from McFadden Avenue to Pine Street increased the street from four to six lanes was completed in 2011 and had a total cost of \$52.6 million. Phase II under this agreement which spans Third Street to Civic Center Drive is currently under construction and has an estimated cost of \$47 million.

### 4. Grand Avenue Widening

The City of Santa Ana is proposing to widen Grand Avenue between First and Fourth Streets to improve traffic operations in the project area and to provide for a provide a curb-to-curb pavement width consistent with the City of Santa Ana General Plan Circulation Element and County of Orange's Master Plan of Arterial Highways Widening of Grand from First to Seventeenth streets is a long-term priority that will be carried out in phases. For the first phase, the Public Works Agency is acquiring property between First and Fourth streets, with acquisitions expected by June 2013 and construction expected in summer 2013, The project includes widening from two to three lanes in each direction, raised landscape medians and sidewalk improvements.

### 5. Continued development of the Station District

The project calls for development of approximately 114 rental units and 24 for sale units on a total of approximately six acres of land. Of the rental units, all but two (manager units) will be available to persons at or below 50% of the adjusted median income (AMI); and of those, 20% of the units will be offered to residents at 30% below AMI. This amount of affordability exceeds that required by State law, as well as the requirements imposed for state tax credit financing. The term of affordability will be for 55 years. Additionally, five of the for-sale units will be offered at 120% AMI.

Both phases of the rental components are expected to be completed by first quarter 2013. The first phase of the Station District affordable housing project (R1) includes 74 podium apartment units (including retail and child care components). The second phase of the rental project (R2) includes 25 new construction units and approximately 10 rehabilitated structures, containing 15 units. The 24 unit for-sale project is anticipated to commence construction in 2013, and be completed within 18 months.

## 6. Creation of Free Wireless Internet Network for City

Municipal wireless network is a concept that has been introduced in Santa Ana in the past. An in-depth evaluation study of the City's current internet connectivity shows the City with several "dead spots" that receive limited or no service to that area. A citywide or regional wireless network would help alleviate several of these dead-spots and help residents and businesses in the City. The City is in support of partnering with other Orange County cities to create a regional wireless internet network.

## 7. Development Opportunity of city owned parking structure on Third and Broadway by the Artists Village.

The City constructed the 440-space parking garage located on 3rd Street and Broadway in the early 1980s. The three-level garage is situated on approximately 61,243 square feet of land area and encompasses approximately 146,000 square feet of building area. The 3rd Street Garage is not currently encumbered by any debt.

The construction costs for this public parking garage were funded by a tax-exempt bond. A portion of the bond debt service payment obligations on the bond were funded with assessments imposed on property owners within a defined district.

The City's Planning and Building Agency has determined that the parking garage is at the point of functional obsolescence. In turn, the City's Community Development Department and Public Works Agency have been evaluating the costs associated with making the necessary design, drainage and structural improvements versus the costs associated with demolishing and replacing the existing garage. However, this effort has been constrained by the lack of available funds to take on the improvements.

The land value supported by vacant land is estimated at \$2.25 million. However, any developer of the property will be required to replace the 440 existing parking spaces, and the costs are estimated at \$13.3 million. Thus, the replacement parking costs are estimated to exceed the property's fair market value by \$11.08 million.

It should be noted that it may be possible for a prospective developer to create a joint use plan for some of the parking spaces. However, unless the developer is relieved of the obligation to provide any parking spaces to serve the new development, the replacement parking costs for the existing spaces far exceed the costs a developer would be willing to incur to reuse the site.

Based on the preceding analysis, a third party analysis of the site concluded that the City cannot currently anticipate receiving any proceeds from the sale of the 3rd Street Garage Building property. In fact, in order to attract development to the properties it would be necessary to provide financial assistance to prospective developers in the following approximate amount:

The 3rd Street Garage Site would require direct financial assistance in the range of \$11.08 million to render the property financially feasible for new development.

#### 8. YMCA Building development opportunity

The YMCA Building is located on approximately 27,331 square feet of land area. The main building includes 44,468 square feet of gross building area (GBA) and there is a secondary building that includes 1,250 square feet of GBA. The total GBA equals 45,718 square feet.

The YMCA Building is listed on the National Register of Historic Places. This designation imposes limitations on the exterior physical modifications that may be undertaken. In addition, the YMCA Building can only be demolished if no feasible alternatives to demolition are identified during a 240-day environmental review.

The YMCA Building does not currently meet the City's Building Code standards for occupancy. As such, this City-owned property is currently unoccupied. Studies commissioned by the City in the past have concluded that substantial improvements would be required to bring the building back to a usable condition.

The value supported by the YMCA Building in turnkey condition is estimated at \$5.58 million. Comparatively, the cost to retrofit the building is estimated at \$7.3 million. Thus, there is an approximately \$1.72 million gap between the building's value and the costs required to bring the building to a usable state.

Based on the preceding analysis, a third party analysis of the site concluded that the City cannot currently anticipate receiving any proceeds from the sale of the YMCA Building property. In fact, in order to attract development to the properties it would be necessary to provide financial assistance to prospective developers in the following approximate amount:

The YMCA Building Site would require approximately \$1.72 million in direct financial assistance to render the building financially feasible for reuse

The following are CEDS supportive activities:

#### 9. Continue to Support Investment in the Santa Ana Enterprise Zone

The City's business attraction and retention efforts rely heavily on the support and continuation of the City's Enterprise Zone program. Businesses that locate in the City's Enterprise Zone can take advantage of State tax credits and deductions that are not available to businesses located outside of an Enterprise Zone. Elimination of the City's Enterprise Zone would further hurt economic investment in the City.

10. Continue to support education with emphasis on STEM (Science, technology, engineering, and mathematics) through WORK Center programs.

The City would like to continue to support the CEDS goal #2 to support education with an emphasis on STEM (Science, technology, engineering, and mathematics) through the City's workforce training one-stop center (WORK Center)

11. Focus WORK Center Job training efforts on emerging clusters, such as Energy, Environment and Green Technologies, and Biotechnology/Nanotechnology.

The City would like to continue to support the CEDS goal #4 to focus training efforts on emerging clusters through the City's workforce training one-stop center (WORK Center).

12. Continue to support training of City's youth to obtain careers in digital media (Seeds to Trees Digital Media Academy)

This initiative serves 20 Santa Ana youth per year who are in need of academic and/or professional development and provide them with opportunities to grow through training, mentoring, employment, and workshops. The focus is on gaining knowledge and experience of the following digital media: Digital Music, Graphic Design, Marketing, Script Writing, Video Production, and Website Design. Training of the youth is done by qualified instructors from the Rancho Santiago Community College District.

13. Expanding the City's Government Access Channel in order to train youth to develop skills in video production and broadcasting as well as produce video content promoting small business development.

This proposed concept is to take advantage of the opportunity to produce video content and broadcast on the City's government access channel 3 (CTV3) which is accessible to 25,000 cable subscribers. CTV3 is also streamed via the Internet and available to any with web access. The opportunity would be for Santa Ana youth interested in developing skills in video production and broadcasting.

14. Promote and support the City's Climate Action Plan

The City of Santa Ana is developing a comprehensive Climate Action Plan. The goal of the Plan is to create an environmentally friendly future and to make the City a better place in which to live and work. Many of the strategies and measures that will be implemented will reinvest in the community through benefits such as improved air quality, reduced energy and water use, reduced traffic congestion, and other environmental improvements.

## CITY OF WESTMINSTER

## 1. Regional Park and Trail System

The Department of the Navy recently abandoned a railway spur that served as a connecting supply line between the Union Pacific line that runs along Hoover Street and the Naval Weapons Station in Seal Beach. This now vacant corridor, approximately three miles long and 70 feet across, provides an excellent opportunity to increase the City's open space by developing this area as a linear park. By incorporating this area in the City's already planned park improvements, this open space would complete a planned loop of connecting bike paths and walking trails, providing a regional park bordering three Orange County cities.

## 2. Westminster Water System Replacement/Storm Drain System

The City of Westminster is requesting funding to retrofit and expand the City's drainage system to be able to effectively reach the County's regional flood control channels. In addition, funds are also needed to replace some of our aging major Water Distribution System lines, which have caused water main breaks throughout the year. Funds are also needed to better equip our drinking water wells to properly function during emergencies and power outages. These elements are essential to the City's efforts to ensure the availability of clean drinking water to area residents in the event of emergencies, and to ensure the structural integrity and capacity of the City's storm drain system. This project will also have a large impact on the quality of water at our local beaches by relining existing aged drainage system (Corrugated Metal Pipes) and screening off trash before it enters catch basins which lead to the ocean.

## 3. Regional Arterial Reconstruction

Bolsa Avenue, within Little Saigon, is one of the busiest major arterials in the County. Servicing over three million visitors each year, it connects unincorporated County business areas with the well-known Little Saigon region of Westminster, Garden Grove, and Santa Ana. The Little Saigon area is an international tourist destination that attracts visitors from as far away as Southeast Asia and Europe. This area is also frequently visited by State tourists coming from as far north as San Jose and as far south as San Diego. This coupled with its close proximity to and use as a cut through for traffic from the I-405 and SR-22 freeways seeking neighboring cities, denotes this thoroughfare's importance as a vital regional arterial. The City is requesting funding in order to complete needed improvements to alleviate congestion of the nearby freeways and to ensure the continued safe operation of this arterial which serves over 40,000 vehicles per day.

## CITY OF FULLERTON

### California State University, Fullerton

#### Support of CEDS Goal | Potential Projects

In the coming years California State University, Fullerton plans to explore economic development initiatives revolving around knowledge commercialization, business retention & attraction, business training and support, and joint public-public or public-private initiatives.

In order to support these efforts California State University, Fullerton will seek appropriate federal, state, and local investment in infrastructure, operations, and faculty/student research projects. Support of these efforts will be coordinated with local and regional governments and aligned with the County's Comprehensive Economic Development Strategy (CEDS) and allow for job growth and retention in North Orange County to support the entire region.

California State University, Fullerton has also committed to active engagement in the CEDS implementation process, including participation as a key member of The Orange Economic and Workforce Development Network. The University will also maintain its designated seat on the Orange County Workforce Investment Board/CEDS Committee.

## CITY OF HUNTINGTON BEACH

One new project on the horizon is centered in Huntington Beach. The Center for Entrepreneurship & Leadership at Golden West College is a new endeavor to support workforce and economic development. The Center for Entrepreneurship & Leadership at Golden West College will provide both leadership development and enterprise development for small business, social enterprise and micro enterprise for the Oak View community, as well as for other residents and future leaders in Huntington Beach. The program is a collaborative efforts of the Oak View Renewal Partnership, a 501(c)(3) nonprofit organization and Golden West College. This Center will support the CEDS goals #1 and #2 to advance lives of red zone residents living in the Oak View community, as well as citizens throughout Huntington Beach who will have access to the available programs and opportunities.

Although no new Orange County projects were awarded by the EDA since the past year, a number of new projects were awarded in neighboring counties since the original CEDS submission that may have Orange County impacts, including:

- \$371,399 in Local Technical Assistance funds to the University of Southern California, Los Angeles, California, to support the development of an investment operations strategy for EDA's Seattle Regional Office. This project will provide a summary of economic trends, opportunities, and challenges within this 8 state region and result in a Knowledge Sharing Training forum for best practices. This investment is part of a \$560,191 project.
- \$200,000 in Economic Adjustment Assistance-IMCP funds to the University of Southern California, Los Angeles, California, to develop a manufacturing strategy for the state of California by assessing the existing industrial ecosystem. This project will identify gaps and opportunities, and leverage existing assets and comparative advantages, while forging new partnerships between the public and private sector and educational institutions. The resulting state-wide strategy will expand, strengthen and enhance advanced manufacturing. This investment is part of a \$440,578 project.

#### *Educational Involvement for Parents*

Programs for minority and low-income communities are also taking new steps in 2014 to motivate parents to become meaningfully involved in educational success for their children. The Latino Educational Attainment (LEA) initiative reports several new accomplishments in 2014 supporting this goal:

- Completing the final year of a longitudinal study demonstrating that LEA has made a positive impact in student performance and increased parental knowledge about the California education system.
- Creating an LEA manual that guides how to teach LEA principles and expand outreach to communities of disadvantaged parents.
- Updating the "Ten Educational Commandments" to include the Common Core State Standards and the Next Generation Science Standards, preparing parents and students for the latest advances in the public education system.

#### *Career Technical Education for Skill-Building in Red-Zone Regions*

Adult workers with access to affordable retraining programs can more seamlessly adapt to high-wage high-demand careers, and transitional training is essential to help Red-Zone residents improve their lives. The Oak View Renewal Partnership (OVRP) has partnered with Golden West College (GWC) to design and implement a targeted business incubator to aid the growth of small service-oriented businesses, sole proprietorships, and improved workplace skills for disadvantaged residents in the Huntington Beach area. The proposed "HUB Center" is open to all, but tailored specifically to addressing the job needs of low-income residents from the Oak View neighborhood of Huntington Beach and GWC

students. Benefits of the HUB Center are not limited to those that establish new businesses – even participants who do not eventually create new businesses will gain job-applicable experience that can improve their employability or business acumen in their already-existing small businesses. For all participants, the HUB Center is an excellent opportunity to gain improved business and workplace skills leading to increased lifetime earning potential and significant economic benefits for the community and region. The full program is expected to roll out in 2015.

## Education and Workforce Opportunities

### Career Pathways Partnership Targets the 21<sup>st</sup> Century Workforce

The CEDS aims to help create a cutting-edge workforce throughout Orange County that relies on a quality education system improving career preparedness. The bridge between employers and educators is once again particularly important for Orange County to achieve this goal – retaining high-skill graduates in the region is only possible if the jobs opportunities they've been trained for are available at home.

May 2014 saw an exciting new project for career readiness through the efforts of the Orange County Department of Education. The Orange County Career Pathways Partnership (OCCPP) was awarded \$15 million by the California Department of Education to form new career pathways programs in K-12 schools throughout the region with a special emphasis on high-tech, high-growth career track preparation. Students in the pathway programs will participate in career exploration and on-the-job training that prepare them to earn certificates, associate degrees, baccalaureate degrees, and advanced degrees in three target sectors: Health Care/Biotechnology; Engineering/Advanced Manufacturing and Design; and Information Communication Technology/Digital Media. The goal of this initiative is to enroll 17,000 Orange County students in career pathways within these sectors by 2017-18.

### IT Cluster Competitiveness Project Continues to Perform

Initiated in 2013 and moving forward with ongoing implementation in 2014, The Orange County IT Cluster Competitiveness Project is funded as a Type A project (New and Untested Idea) by the U.S. Department of Labor Workforce Innovation Fund. The project tackles the observed disconnect between the skills businesses need and the availability of IT education and training programs that effectively train for in-demand skills. The Orange County Business Council is facilitating an employer-led strategic planning effort that ensures business and education stakeholders work together to address emerging and longer-range workforce needs of industries in which IT skills are a critical element to company success. WestEd will be completing its evaluation of successful grant implementation in June 2015. Some major accomplishments achieved through the grant in 2014 include:

- **Newly Developed IT Curriculum Available to OC Businesses** - As one of the pilot projects produced via OCBC's IT Cluster Competitiveness Program, a new set of IT curriculum developed by Brandman University is now available to Orange County businesses and their employees. Included in the curriculum are new certificate based courses focusing on four specific disciplines which include mobile applications, business process analytics, cloud computing, and IT security.



- Veterans IT Pipeline Initiative** - Also developed in conjunction with OCBC’s IT Cluster Competitiveness Program, Saddleback College has established a streamlined system that connects Orange County businesses with Veterans in order to fill IT jobs. The Veterans IT Pipeline Initiative is designed to increase the pipeline of qualified IT veteran applicants; enhance career, academic, and supportive services for veterans seeking IT related careers; and create a centralized resource for businesses seeking to hire veterans for IT positions.
- Online Internship Matching** - The Online Internship Matching website is live and ready for employers, schools and students. Employers can be matched with hundreds of interns in a multitude of IT occupations using this centralized online tool, available at [www.ocinternship.com](http://www.ocinternship.com).

**Infrastructure and New Capacity in OC**

Measure M2 Highway Projects Moving Forward

Based on the success of M1, Measure M2 was passed in November 2006 by 70% of Orange County voters to continue with transportation investments funded by the local half cent sales tax for another 30 years, financing road improvements and new transit centers from 2011 to 2041. Of the 40 projects proposed through 2022, seven have been completed so far, with three more scheduled to be completed by the end of 2014. The table below describes the six projects completed and to be completed in 2014. The Anaheim Regional Transportation Intermodal Center (ARTIC) is a particularly major milestone for Anaheim, serving as a central access point for Metrolink, Amtrak, OCTA buses, Anaheim Resort Transportation, shuttles, taxis, and charter buses. A full list of Measure M2 projects and their estimated completion dates is located in the appendix.

Measure M2 Projects of 2014			
Project	Stage	Description	Completion Date
G	Construction	SR-57 (NB), Orangethorpe to Yorba Linda	End of 2014
R	Construction	Sand Canyon Grade Separation	End of 2014
R,T	Construction	Anaheim Regional Trans Intermodal Center	End of 2014
G	Completed	SR-57 (NB), Yorba Linda to Lambert	Complete
O	Completed	Placentia Grade Separation	Complete
O	Completed	Kraemer Grade Separation	Complete

Source: Orange County Transportation Authority

OCTA’s New Balanced Budget Gains Approval

In June 2014, the Orange County Transportation Authority (OCTA) outlined its 2014-2015 budget that covers all projects and programs administered by OCTA, including sustaining bus and rail service levels, closing out Measure M1, continuing Measure M2 improvements and operating the 91 Express Lanes. The budget is allocated to provide:

- \$429 million for bus operations
- \$297 million for streets and roads improvements
- \$176 million for freeway projects
- \$121 million for Metrolink service, rail and station projects in Orange County
- \$11 million for motorists and taxi services

### Drought Measures and the State of Emergency

In response to the record-setting dry year of 2013, Governor Brown declared a drought emergency in January 2014 and asked that all Californians voluntarily reduce their water use by 20 percent. The harsh reality of drought conditions has spurred renewed interest in expanding Orange County's water reserves and protecting the public from shortage. In May, the Orange County Grand Jury released an investigative report on water supply and reliability titled *Sustainable and Reliable Orange County Water Supply: Another Endangered Species?* and required the Orange County Water District (OCWD) and the Metropolitan Water District (MWD) to review and address their findings. The Grand Jury asks that "...Orange County water suppliers with significant public support should immediately select, expedite and execute seawater desalination projects with sufficient total capacity to replace up to 40% of OC's imported water." Both organizations filed responses to the Grand Jury's recommendations agreeing "...with the spirit of the recommendations..." but requiring further research before implementing.

OCWD is prepared to introduce an additional 30 million gallons per day (MGD) of ultra-pure water to the system in early 2015, when OCWD will begin operating its Initial Expansion of the Groundwater Replenishment System (GWRS). Currently, the GWRS produces 70 MGD. The \$143 million Initial Expansion will create an additional 31,000 acre-feet per year (AFY) of new water supplies to serve north and central Orange County. This brings the total production of the GWRS to 103,000 AFY, enough water for 850,000 people.

The state of Orange County's water access and supply sources may have further-reaching ramifications on infrastructure investment throughout the five-year CEDS period and should be closely monitored for further developments.

## **Advancements in Global Competitiveness**

### New State-Level Incentives Play to Orange County's Strengths

The CEDS calls for Orange County to harness its unique strengths while establishing a business-friendly economic environment that can match up favorably with other states and countries. A new law implemented on July 1, 2014 allows businesses to obtain a partial exemption of sales and use tax on certain manufacturing and research and development equipment purchases by companies engaged in manufacturing or biotechnology research and development. Although this is a statewide initiative, both key industries are critical players in Orange County's long-term growth plan and the county stands to greatly benefit from the law relative to its peers. The Sales Tax Exemption law allows businesses to exclude the first \$200 million in equipment purchases from the state share of sales tax (4.19%).

Additionally, the New Employment Credit (NEC) supports the Orange County CEDS' Red-Zone targeted employment efforts by granting incentives to employers who hire residents for work in low-income neighborhoods. The credit is available from 2014 through 2021 to qualified taxpayers hiring full-time employees paid experience-commensurate wages in a designated census tract or economic development area. In order to be allowed a credit, the qualified taxpayer must have a net increase in full-time employees in California, determined on an annual full-time equivalent basis.

### Emerging Alternative Fuel Opportunities Developing in Orange County

In 2013, the California Workforce Investment Board awarded the Orange County Workforce Investment Board (OCWIB) a \$248,000 grant for developing a greater presence in the alternative fuels and advanced transportation cluster, through California's Regional Industry Cluster of Opportunity (RICO) program. The grant deliverable is a cluster investment diagnosis and strategic action plan that identifies fruitful areas of investment that improve alternative fuel infrastructure and workforce training in advanced transportation, detailing the employer parties involved in implementation and timelines required for chosen investment areas.

In Orange County's subsequent stakeholder meetings held in 2014 to determine the direction of the grant, the county chose alternative fuel infrastructure and alternative fuel workforce development as their broad areas of investment, paving the way for new fuel types to reach commercial viability in Orange County. Hydrogen fuel cell vehicles have made their commercial debut in Orange County this year through the efforts of Hyundai, with a hydrogen fueling station network developing far ahead of its neighboring regions.

## Progress Toward Performance Standards

The CEDS has identified four benchmarks of progress for Orange County to meet from 2013 to 2018: jobs created after implementation of the five-year CEDS plan, number of investments undertaken in the region, number of jobs retained in the region, and private sector investments made post-implementation. Each standard had made significant progress even in the CEDS period's first year, highlighted by new job growth and major new investments coming to fruition in 2014.

### Jobs Created

**Orange County is aiming to create 50,000 cumulative new jobs in the region from June 2013 through June 2018**, and thus far is showing good progress in growing overall employment. As of August 2014, the total Orange County labor force has grown by 2,400 while total employment has increased by 19,900.

Orange County Population	June 2013	August 2014
<b>Civilian Labor Force</b>	1,612,200	1,614,600
<b>Civilian Employment</b>	1,507,200	1,527,100

Source: California Employment Development Department

### Red-Zone Investments

During CEDS implementation, **Orange County must undertake at least two Red-Zone specific economic investment projects involving infrastructure and transit-transportation centers.** Orange County has no shortage of new transit-focused projects enabling low-income resident access to everything the county has to offer, and several major projects are already nearing completion within the CEDS timeframe.

Anaheim’s ARTIC project is set to launch before the end of 2014, a 16-acre transportation gateway that will bring considerable new transit options to the city with the greatest number of Red-Zone tracts in the county. ARTIC “...will serve as a hub for Orange County and the region, a landmark where freeways, major arterials, bus routes and Orange County’s backbone rail system converge.” This state-of-the-art transit center encourages the growth and coverage of Orange County transit as the number of Metrolink and Amtrak trains serving Anaheim and local and express bus routes increase.

Additionally, the Santa Ana/Garden Grove fixed guideway project proposes a new street car system to travel along an east-west corridor between the Santa Ana Regional Transportation Center (SARTC) and a new multi-modal transit hub on Harbor Boulevard in Garden Grove. The system would provide transit service for commuters traveling from the train station to employment and activity centers in the heart of Orange County and to residents and visitors wanting to circulate throughout the area. Approximately \$12 million in Project S and additional funds have been awarded to the Santa Ana/Garden Grove team. The team anticipates the environmental clearance to be completed in 2014, and construction to begin in 2017.

Both are funded in part by Measure M2 funds – These and other projects through the half-cent sales tax are set to propel Orange County’s infrastructure needs forward and adequately fulfill this CEDS goal.

#### Construction, Manufacturing and Finance Employment

By June 2018, **Orange County is targeting 5,000 new jobs in each of the Construction, Manufacturing, and Financial Services clusters.** Construction employment has increased by over 6,000 since June 2013, but Manufacturing has only expanded by 500 jobs and Financial Activities jobs have actually decreased by over 4,000. The rebound in Construction is a healthy boon to Orange County’s infrastructure growth, but more efforts will need to be made to open up training and employment opportunities for Manufacturing and Finance, both of which experienced harsh declines during the recent Recession.

Orange County Employment	June 2013	August 2014
<b>Construction</b>	77,700	84,000
<b>Manufacturing</b>	157,800	158,300
<b>Financial Activities</b>	113,700	109,100

Source: California Employment Development Department

*The End Result: New Private-Sector Investment in Transportation-Transit*

The CEDS anticipates that **private investment in Orange County will be at least \$50 million after the CEDS is successfully implemented.** Progress toward making this goal is on-track thanks to the seamless flow of new highway expansions planned in-progress and delivered in 2014 and in the coming years.

## Conclusion

In its first year of implementation, Orange County is capitalizing well on opportunities aligned with the 2013-2018 CEDS goals through successful infrastructure projects. A solid first wave of OCTA-supported road improvements and transit centers are rapidly coming online, and the region has taken preemptive measures to keep Orange County's water supply intact in the prolonged drought aftermath. Moving forward, Orange County needs to be ready to combat the rise in Red-Zones at the tract level; alleviating the hardship of residents in Red-Zone neighborhoods is at the core of achieving all planned CEDS goals, and Orange County should redouble its efforts to open up new employment and transit options for low-income residents. The Information Technology cluster is a bright spot for such opportunities, and Orange County has made great strides in bridging the gap between educators and employers through its IT Cluster Competitiveness Project. In total, a solid baseline of strategies, goals and action projects are in place to capitalize on Orange County's economic assets in this successful year of rapid expansion.

## Appendix A: Red-Zone Data Tables

Red-Zone Census Tracts by City			
City	Census Tract(s)	Unemployment	Per Capita
<b>Anaheim</b>	863.01	18.4	\$18,071
	864.02	11.8	\$17,544
	864.04	14	\$16,884
	865.02	15	\$11,107
	866.01	14.4	\$11,841
	866.02	13.7	\$16,699
	867.02	13.2	\$18,375
	868.02	13.9	\$17,745
	869.01	14.1	\$18,870
	869.02	13.8	\$22,293
	870.01	16.8	\$17,909
	870.02	11.9	\$22,335
	871.02	11.8	\$16,661
	871.03	12.3	\$20,729
	873.00	14.1	\$15,987
	874.03	15.7	\$13,035
	874.04	11.4	\$12,413
	874.05	20.6	\$11,282
	875.04	11.9	\$11,916
	<b>Buena Park</b>	876.01	14.4
877.01		11.4	\$19,955
<b>Costa Mesa</b>	877.03	17.4	\$17,791
	1102.02	14.4	\$20,840
	1103.02	12.3	\$20,194
<b>Fullerton</b>	636.04	11.9	\$19,802
	636.05	14.4	\$16,627
	637.02	14.9	\$21,418
<b>Garden Grove</b>	18.01	12.6	\$17,242
	18.02	14.3	\$14,778
	19.02	18.8	\$19,636
	111.01	14.1	\$20,345
	111.02	15.2	\$19,886
<b>Garden Grove</b>	115.04	11.7	\$18,222
	881.05	12.9	\$20,304
	882.03	20.3	\$21,038
	883.01	12.2	\$20,919
	884.02	15.6	\$17,116
	885.01	13.5	\$19,778
	886.01	11.6	\$21,465
	887.01	16.8	\$17,975
888.01	12.8	\$17,718	

	889.02	13.2	\$17,826
	890.03	17.5	\$13,429
<b>Huntington Beach</b>	994.02	13.6	\$14,438
<b>La Habra</b>	12.02	14.1	\$15,906
	14.04	12.5	\$16,640
<b>Orange</b>	762.05	11.6	\$18,251
<b>Placentia</b>	117.20	13.4	\$9,483
	117.21	12.5	\$16,767
<b>Santa Ana</b>	740.05	11.4	\$15,302
	741.03	12	\$16,299
	742.00	12.1	\$14,879
	744.03	13.9	\$9,934
	744.05	11.5	\$11,871
	745.01	12.6	\$9,968
	745.02	13.8	\$11,749
	748.02	13.7	\$11,488
	748.06	12.9	\$11,935
	750.03	12.1	\$9,618
	752.01	13.4	\$12,446
	752.02	18.6	\$17,038
	753.02	15	\$20,549
	890.01	15	\$16,438
	890.04	11.3	\$15,138
	891.04	16.9	\$11,335
	891.07	13.7	\$22,180
	992.02	12.2	\$17,281
<b>Stanton</b>	878.03	14.8	\$13,677
	878.06	14.6	\$14,763
	879.02	13.8	\$16,994
	881.04	12.5	\$21,599
	881.06	14.3	\$21,929
<b>Westminster</b>	889.04	13.8	\$18,249
	889.05	19.8	\$17,592
	996.01	11.5	\$19,139
	998.01	13.8	\$22,221
	998.02	14.6	\$17,065
	999.04	12.1	\$16,650



Tracts Moved Into Red-Zone Status			
City	Census Tract	Unemployment	Per Capita Income
Anaheim	864.02	11.8%	\$17,544
	870.02	11.9%	\$22,335
	876.01	14.4%	\$19,034
	877.01	11.4%	\$19,955
Buena Park	1103.02	12.3%	\$20,194
Costa Mesa	636.04	11.9%	\$19,802
	636.05	14.4%	\$16,627
Fullerton	18.01	12.6%	\$17,242
	111.01	14.1%	\$20,345
	115.04	11.7%	\$18,222
Garden Grove	886.01	11.6%	\$21,465
La Habra	12.02	14.1%	\$15,906
	14.04	12.5%	\$16,640
Santa Ana	742.00	12.1%	\$14,879
	750.03	12.1%	\$9,618
	753.02	15.0%	\$20,549
	891.07	13.7%	\$22,180
Stanton	881.06	14.3%	\$21,929
Westminster	889.04	13.8%	\$18,249
	996.01	11.5%	\$19,139
	999.04	12.1%	\$16,650

Tracts Moved Out of Red-Zone Status			
City	Census Tract	Unemployment	Per Capita Income
Anaheim	867.01	11.9%	\$22,765
Fullerton	19.03	14.1%	\$22,771
Garden Grove	761.03	10.5%	\$17,587
	881.07	10.4%	\$19,093
	884.03	12.9%	\$23,210
	887.02	8.1%	\$19,758
	891.02	9.7%	\$17,121
Orange	762.04	10.5%	\$22,151
Santa Ana	741.06	9.1%	\$20,066
	746.02	10.6%	\$12,983
	750.02	9.7%	\$14,564
	992.03	10.8%	\$21,315
Westminster	997.01	9.9%	\$17,608
	999.03	11.0%	\$17,071

## Appendix B: Measure M2 Project Schedule

Measure M2 Projects			
Project	Stage	Description	Completion Date
G	Completed	SR-57 (NB), Yorba Linda to Lambert (Complete)	Complete
O	Completed	Placentia Grade Separation (Complete)	Complete
O	Completed	Kraemer Grade Separation (Complete)	Complete
E	Completed	SR-22. Access Improvements (Complete)	Complete
J	Completed	SR-91, SR-55 to SR-241 (Complete)	Complete
J	Completed	SR-91 Eastbound, SR-241 to SR-71 (Complete)	Complete
R	Completed	Rail-Highway Grade Crossing Safety Enhancement (Complete)	Complete
G	Conceptual	SR-57 (NB), Lambert to County Line (Envn. Cleared)	TBA*
J	Environment	SR-91, SR-241 to SR-71 (Envn. Cleared)	TBA*
G	Construction	SR-57 (NB), Orangethorpe to Yorba Linda	2014
R	Construction	Sand Canyon Grade Separation	2014
R,T	Construction	Anaheim Regional Trans Intermodal Center	2014
D	Construction	I-5, I-5/Ortega Interchange	2015
G	Construction	SR-57 Northbound (NB), Katella to Lincoln	2015
S	Environment	Anaheim Rapid Connection	2015*
C	Construction	I-5, PCH to San Juan Creek Rd.	2016
H	Construction	SR-91 (WB), I-5 to SR-57	2016
I	Construction	SR-91 (WB), Tustin Interchange to SR-55	2016
O	Construction	Orangethorpe Grade Separation	2016
O	Construction	Tustin/Rose Grade Separation	2016
G	Conceptual	SR-57 (NB), Orangethorpe to Katella (Further Schedule TBD)	2017
I	Conceptual	SR-91, SR-57 to SR-55 (Further Schedule TBD)	2017*
L	Conceptual	I-405, SR-55 to I-5 (Further Schedule TBD)	2017*
C	Construction	I-5, Vista Hermosa to Pacific Coast Highway	2017
J	Construction	SR-91, SR-241 to I-15 (RCTC's Design-Build)	2017
O	Construction	Lakeview Grade Separation	2017
C,D	Design, Advertise & Award	I-5, Pico to Vista Hermosa/ Pico Interchange	2017
B	Environment	I-5, I-405 to SR-55	2017*
D	Conceptual	I-5, I-5/El Toro Interchange (Further Schedule TBD)	2018*
F	Conceptual	SR-55, I-5 to SR-91 (Further Schedule TBD)	2018*

<b>M</b>	Conceptual	I-605, I-605/Katella Interchange (Further Schedule TBD)	2018*
<b>O</b>	Construction	Raymond Grade Separation	2018
<b>O</b>	Construction	State College Grade Separation	2018
<b>A</b>	Environment	I-5, SR-55 to SR-57	2019
<b>S</b>	Environment	Santa Ana/Garden Grove Fixed Guideway	2019
<b>K</b>	Design, Advertise & Award	I-405, SR-55 to I-605 (Design-Build)	2021
<b>C,D</b>	Design, Advertise & Award	I-5, Oso Pkwy to Alicia Pkwy/La Paz Road Interchange	2022
<b>C</b>	Environment	I-5, Alicia Pkwy to El Toro Road	2022
<b>C,D</b>	Environment	I-5, SR-73 to Oso Pkwy/Avery Pkwy Interchange	2022
<b>F</b>	Environment	SR-55, I-405 to I-5	2022

\* Expected Date of Environmental Clearance