

Gary London >>REAL ESTATE

Uncle Sam's Stimulus Is Down Payment on Economic Security



Our economy is about to receive a down payment on our economic future. According to the San Diego Association of Governments, the region's planning agency, an estimated \$7.4 billion of federal infrastructure funds are being sought for our region.

The money is needed, as local unemployment levels stand at 7.4 percent. This translates into 117,100 people who are out of work. The better, and more onerous, indicator is what the federal government calls "U6," which measures the combination of unemployment plus "underemployment" — a full measurement of people who are working, but not full time or up to their full potential. That number is now 11 percent of the labor force; the highest since the measure was introduced in 1996.

These measures of the "full underutilization" of our work force add up to 292,044 people in distress.

If we receive the federal money, Sandag projects that it has the potential to add a phenomenal 96,000 jobs to the region!

While these prospective additions to local employment appear large, they are unlikely to be the answer to our region's economic resuscitation.

This is evident from this jobs breakdown:

- 60,000 will be "direct" jobs, many in the construction sector. Caution: Most will be temporary. When the project is finished, the job is over. These are unlikely to jump-start our regional economy.

- An additional 40 percent, or 36,000 jobs (Sandag estimate), represent permanent job creation. Key problem, though: These permanent jobs are anticipated to be in lower-paying sectors.

To put employment in perspective, since 1990 our region has added an average of 25,800 new jobs each year. However, in 2008 we lost 18,400 jobs, a decline of 1.4 percent.

In a regional economy that employs 1.3 million (producing \$134 billion), the addition of 36,000 jobs through infrastructure investment would bring the unemployment rate down to 5.1 percent, assuming no more layoffs this year.

Thus, the infusion of federal money would be sort of like jump-starting our economy by a single, better-than-average year of job growth.

Economic Dialogue

Good, but not a panacea. Given the limited impact that fed moneys would have on permanent, and appropriate, new jobs, my fear is that this is about to become a diversion.

It would be better if these moneys jump-started an economic dialogue for the future.

This is a fairly well diversified region. There is good basic employment. One such important sector is the military, which employs 105,000 (in uniform). Approximately 27 percent of all jobs in the county are connected to the large Defense Department, which accounts for nearly \$25 billion of annual economic impact to the region. For every two military jobs, an additional person is employed. This military multiplier creates an additional 52,500 jobs throughout the region.

A place to start the dialogue is to prime more military spending in our region, particularly research and development, which hires well-paid scientists and researchers.

Another basic employer is the leisure and hospitality industry, which employs 161,000 people, primarily in the hotel, restaurant, attractions and other dependent sectors. The dialogue subject here is that we need to sustain this sector — in-

cluding the development of a third phase of the convention center — yet the jobs pay little. This smacks of an opportunity to include Tijuana in our dialogue, since that city houses many of the employees. We need each other.

While the technology sector numbers are smaller, they matter. Biotech employs 22,000. Information technology employs 38,400 and includes **Qualcomm**, the largest private sector employer at about 13,000, outside of the quasi-private colleges, energy's **Sempra Energy** and hospitals.

These tech companies matter in our dialogue because one new invention, one new research success, one new discovery can lead to a new industry. Qualcomm, whose predecessors started in an engineering lab at UC San Diego, is the best example of that. Qualcomm got big, other companies in the information technology sector spun off, others came to town, and an economic "cluster" was born.

That's a very good way to transform a regional economy.

The New Economy

Our regional economy has actually been transforming. Even before the current economic crisis, we were losing manufacturing jobs, a result of the high cost of living and working here. While the region may be on high expense moratorium (at least the cost of purchasing a house is less), the inevitability of manufacturing job loss must be anticipated.

Many of those jobs have moved offshore, or to more business-friendly states.

We have essentially traded "up" in the work force. Since 2000, we have lost 22,600 manufacturing jobs. But these were replaced by 94,700 service producing jobs (and this includes the dire 2008 layoffs).

We are already transforming as a

region, and by region I mean the entirety of Southern California because our economy does not stop at the county lines.

Our economic future will continue to be about diversification. The dialogue subject here is to continue to figure out ways to prime for higher end job diversification.

Policy Implications

The strength of our future economy requires certain public policy imperatives well beyond federal cash infusion. We must be forward looking to what industries could lead us into the next cycle of prosperity. Some of these might include:

- Promoting employment diversity: Research in medicine, energy, green and clean practices and information technology will continue to be hot. Our regional think and research tanks need to be accommodated and promoted.

- Shoring up our educational system: The only sure way to fill future employment opportunities with San Diego's natural born.

- Creating a better relationship with Mexico: The border crossing needs to be streamlined; the ability for Mexicans to legally work here (and live there) needs to be enhanced. It is our great geographic advantage.

The moral of the story is that while we lobby for our regional share of those vast government billions, it's really an economic drop-in-the-bucket compared with what our region really needs.

It ought not to be a diversion from the real thing: Doing whatever we can to bolster and secure a diversified, flexible and prosperous regional economy.

That is our ultimate job security.

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McClellan-Palomar Airport Terminal Expansion

WHAT: New terminal and modernization project.

WHERE: 2198 Palomar Airport Road, Carlsbad.

INTERESTING FACETS: New parking lots, landscaping and access roads were added as part of the project. A new elevator building and pedestrian bridge provide pedestrian access to the terminal from the new parking lots. Other improvements include a new security system, blast fence, infield grading and drainage, and reconstruction of the taxiway and apron. All improvements were made while the airport remained open for public use.

FINANCING: Mostly by revenues from Palomar Airport and some funds from the Federal Aviation Administration.

TOPPING OFF
is a look at
projects nearing
completion.



Photo courtesy of Edge Development

McClellan-Palomar Airport in Carlsbad sports a new terminal as part of a \$20 million expansion and modernization project.

DESIGNERS: Gensler Architects and Wadell Engineering.

GENERAL CONTRACTOR: Edge Development.

MAJOR SUBCONTRACTORS: T.B. Penick & Sons, Bird-air, MCP Painting, Mountain Movers.

START DATE: October 2007.

COMPLETION DATE: December 2008.

PROJECT COST: \$20 million.

SQUARE FOOTAGE: 16,000.

— Andrew Schweizer

Editor's note: Topping Off is a regular feature of the Business Journal focusing on commercial, industrial and multiunit residential projects that are finishing construction. Send suggestions of projects to aschweizer@sdbj.com.