

From the Desk of the CEO



Dear CALED Members and Friends,

I hope this finds you safe and healthy. The coronavirus and COVID-19 have wreaked havoc on the world and the economy. Economic developers are key to local response and recovery at this critical time. When businesses experience hardships and local economies are at risk, local economic developers and the partners that support

them are the professionals tasked with providing assistance, recommendations, and strategies to retain existing businesses as well as identify opportunities to seed new ideas and businesses.

While you work hard at the local level, there is also a need for support at the state level. To that end, CALED has released our Recommendations to Accelerate Economic Recovery. The purpose of the document is to share a set of economic development focused actions to generate further discussion on solutions and legislation to support state and local economic development. By no means are we suggesting we are the experts in all of these industry areas, but all of the issues mentioned here have significant and disproportionate impact on our members' ability to provide quality economic development services to their businesses and communities.

If your economic development efforts can benefit from any of these recommendations, please share them with your Assembly and Senate representatives today. As you may know, there are many groups in Sacramento engaging with the Administration to have influence in recovery and reopening. It is equally as important that solutions come from legislators who have heard from you – their constituents. And, please feel free to reach out to us if you have questions, suggestions for improvement, or ideas on recovery that you would like to share.

Thank you and stay safe,

Gurbax Sahota

We urge California's leaders to act quickly to pursue recovery solutions and we are fully prepared to constructively engage in those efforts. Please contact Gurbax Sahota at gsahota@caled.org if you have any questions.



RECOMMENDATIONS TO ACCELERATE CALIFORNIA'S ECONOMIC RECOVERY

Economic development is the creation of wealth through which community benefits are realized. It is about creating an environment where businesses that support the fabric of each community can thrive such that they create opportunity and increase local government revenues so our cities and counties can provide the services and quality of life their residents require.

The coronavirus health crisis has caused massive disruption to California's economy and threatens to plunge the state into an extended recession. It is time for policy makers to take aggressive action to limit the immediate economic damage while charting a path forward that addresses future challenges and takes advantage of new opportunities.

The California Association for Local Economic Development (CALED), with over 750 economic development practitioners and stakeholders in our membership, is one of the largest economic development organizations in the country. We offer the following

recommendations as a framework to re-energize local economies and hasten California's economic recovery.

Please consider the following points in reviewing and implementing these recommendations:

- "Business as usual" responses will not be enough. The massive economic impacts of COVID-19 demand aggressive actions.
- State leadership and coordination is important. As the State of California's highest office charged with economic development, the Governor's Office of Business and Economic Development should be active in supporting recovery.
- Engagement and partnerships on potential solutions with our business community, industry associations, and other stakeholders is required.

We offer these recommendations to accelerate California's economic recovery.

Restore Health and Safety Confidence of Employees and Customers

PROBLEM

Restoring health and safety confidence for businesses and their employees and customers is critical to restarting the economy. There is insufficient guidance and verification to ensure that critical health and safety practices to combat COVID-19 will be employed by businesses that serve the public.

SOLUTION

The state should establish a clear, standardized anti-COVID-19 cleanliness and health practice rating system (similar to restaurant grading system) to certify steps a business has taken to protect their employees and patrons. Some actions include:

- Establish key guidelines, while county public health officials would add detail and be responsible for rating and distributing window decals.
- Host a directory of safety compliant businesses and markets as "Certified Safe." Translate this into multiple languages.
- Understanding our smallest businesses may not have funds to retool and meet the new standards, create a financial assistance fund to help businesses become compliant.

RESULTS

- Gives businesses a standard to work toward.
- Gives employees and consumers confidence the establishment has taken certain steps and is practicing enhanced anti-virus measures to ensure their safety.

Retrain Displaced Workers

PROBLEM

Many displaced/furloughed workers will need to upgrade/change their skill sets to meet the opportunities in the job market. To avoid a prolonged recession, this crisis requires timely and aggressive actions.

SOLUTION

Enact a COVID-19 Displaced Worker Bill of Rights, which could include:

- Offer job skill retraining in growing industries on a massive scale. Allow tuition-free participation for unemployed workers in online community college courses and tuition-free online attendance for mid-career workers at California State Universities (CSUs).
- Allow unemployed workers (regardless of reason for unemployment) an option to earn a certificate through the "retraining program" without having to simultaneously pursue other job opportunities so they can complete the training quickly.
- Eliminate barriers to those seeking to enter the health care profession, accounting, or teaching.
- Allow 16+ high school students to complete their final two years of high school by obtaining a GED while learning a trade in partnership with an employer, with emphasis on those working with high-tech manufacturing.
- Include child care support at least for a few hours a day for parents going through retraining. As we envision supporting displaced workers by moving services and training to online platforms, there is still a need for focus.
- Increase access to technology for communities of color and lower economic status, and rural communities – some of the hardest hit by job losses. Since we will be relying on web-based classes more frequently, these populations may not have access to places like libraries to use public computers and connect to Wi-Fi in this current environment.

RESULTS

Retraining displaced workers will increase individual earning potential through upgraded skills, and will better position California's workforce to meet the job needs of the future.

Embrace Innovation by Seeding New Businesses and Linking Workers with New Jobs

PROBLEM

Major shifts in consumer buying habits and increased focus on health and safety caused by COVID-19 and associated social distancing are forcing existing businesses to adapt, while also creating opportunities for new businesses to grow and jobs to be created.

SOLUTION

- Offer free online entrepreneurship classes that teach key skills to launch and maintain a successful business and identify areas of potential opportunity through the community college system to support California's next round of small businesses.
- Engage workforce, education, career technical training, and economic development providers in a working group to develop a combined effort to retrain Californians for new jobs.
- Provide tailored match-making with platforms like Indeed, LinkedIn and Onward CA to match workers with new jobs being created. Use data from this system to see what positions are difficult to fill and quickly create nimble training options within our community college system to help Californians attain skills to fill these positions.
- Streamline permitting processes at the state and local level to help new businesses open their doors faster.

RESULTS

Continues to build on California's strength and leadership as an entrepreneurial engine. Creates new businesses, while matching workers with new jobs originating from changes in the economy.

Secure Baseline Funding to Stabilize Local Government Budgets

PROBLEM

Reduced city and county revenues will force jurisdictions to cut costs, eventually at the expense of their employees, the residents they serve, and the businesses they rely on for funding. Declines in local services can result in reduced public safety, infrastructure maintenance and parks, libraries, and other programs that support local quality of life.

SOLUTION

Support the direct allocation of potential federal stimulus grants to California cities and counties. The initial CARES bill primarily assisted larger jurisdictions over 500,000 population.

Support the expedited allocation of CDBG-CV funds to both entitlement and non-entitlement jurisdictions.

If sufficient federal and state budget revenues are not available, consider issuing a large California revenue bond, similar to the state 2004 \$15 billion economic recovery bond.

https://lao.ca.gov/ballot/2004/57_03_2004.htm

RESULTS

Stabilizes local coffers so jurisdictions can focus on supporting business and residents versus cutting budgets and piecemealing services and delivery at time of critical need.

Invest in Local Economic Development

? PROBLEM

You cannot cut your way to prosperity. If local governments are forced to furlough workers and slash public services, the amounts they spend on future economic development will be reduced or eliminated.

🔧 SOLUTION

Create a funding mechanism either through an already-existing state budget item or by new budget allocation to support local economic recovery grants so communities can fund economic development programs to increase their revenues by providing support to their businesses.

★ RESULTS

Funding local economic development programs and staff allows jurisdictions to continue to focus on revenue generating activities through business assistance. An investment in economic development is an investment in increasing resources.

Restore Travel and Tourism

? PROBLEM

Travel and tourism is vital to California's economy. The loss of tourism revenue impacts every jurisdiction as well as the state. California will lose \$10.9 billion in travel revenue and 554,000 jobs in April alone (source: Visit California).

Industry experts convey that leisure travel by residents will likely rebound first. The resumption of travel by larger groups (meetings and conferences) and by international visitors will likely lag.

🔧 SOLUTION

- Launch a statewide travel and tourism effort (beyond, but in concert with efforts of statewide tourism organizations) that provides funding support and public safety guidance to local destination marketing organizations such as convention centers and visitor bureaus, cities, and counties.
- Restore confidence in the health and safety of the traveling public through reliable and consistent standards.

★ RESULTS

- Provides the travel and tourism industry a path to recovery by assisting with clean and safe standards and funding local marketing efforts that will lose funding during the economic slowdown.
- Restoring confidence for the traveling public will advance the rebound of California's tourism industry.

Why Communities Invest in Economic Development



Adequately Fund Local Business Technical Assistance Networks

PROBLEM

State and local government cannot meet all of the needs of business as it relates to providing technical assistance, access to capital, and business retention. There are several statewide networks that play a role in recovery. Many organizations that provide this support were left out of the CARES Act. Understanding their strengths and providing assistance that many need to be effective will allow the state to more rapidly address the gaps in recovery.

SOLUTION

Allocate a one-time business recovery fund for already-existing statewide delivery networks that provide economic development services to local jurisdictions that meet one or all of the three needs of technical assistance, access to capital, and business retention that were not allocated funds in the CARES Act. Example recipients would be mission-based/alternative lenders, economic development corporations, statewide minority chambers that provide direct assistance to businesses.

RESULTS

This allows the state a way to appropriately leverage existing delivery networks to support businesses and local economies.

Repatriate Manufacturing and Critical Supply Chain Industries

PROBLEM

The COVID-19 crisis has confirmed the weakness of over reliance on international manufacturing and exposed major gaps in the supply chain of critical goods.

Manufacturing plays an important role within the California economy, supporting high wage jobs and small businesses within the expanded global supply chain. The Milken Institute estimates that for every job created in manufacturing, 2.5 jobs are created in other sectors. In some industry sectors, such as the electronic computer manufacturing, the multiplier effect is 16 to one. <https://ajed.assembly.ca.gov/index>

SOLUTION

California can take advantage of the opportunity to expand and repatriate manufacturing – an industry with a significant economic multiplier that has created good-paying jobs and a path to the middle class for generations of Californians. Some actions include:

- Create a targeted manufacturing investment package for expanding manufacturers or those that want to move their facilities from other countries to California. To be clear, given the economic issues jurisdictions and other states are also facing, the investment options would not be available to businesses relocating within California or being recruited from another state.
- Contribute matching funds from California's general fund to those collected from employers for the State's Employment Training Panel to distribute to manufacturers. Allow these funds to be used for training and retooling to meet new clean and safe standards.
- Reallocate funds for CalCompetes for use as manufacturing grants for FY 20-21.
- Create a California Manufacturing Advancement Council with industry experts to identify needs, problems, and solutions for our already-existing manufacturers.
- Spur investment in manufacturing expansion and retention in California by allowing corporations and banks to receive interest income on tax-exempt and taxable Industrial Development Bonds that are exempt from state taxation, an exemption that is currently disallowed by California.

RESULTS

- Brings higher-wage jobs to California.
- Addresses supply chain issues critical for our future well-being and security.

Ensure Commercial and Industrial Property Owners Remain Viable

PROBLEM

Rent deferrals combined with a moratorium on evictions and little tax relief at the county level has created stress on industrial and commercial property owners to make their mortgage payments and could have significant impacts on county tax collection as well.

SOLUTION

Create a task force or commission to engage the commercial and industrial property owners directly to identify what solutions are needed by property type - a one-size-fits-all solution will not address needs across all types.

RESULTS

- Reduces the stress on these owners protects the business tenants that call their buildings home.
- Provides property owners flexibility to address their needs without focusing their efforts on collecting rents to pay their obligations - like those to county assessors.

Maximize all State and Local Tools

PROBLEM

California has many programs and funding sources that can assist with COVID-19 recovery that are not properly coordinated. There are a multitude of already-existing assets, tools, and resources across state agencies that could be used in their current form to accelerate recovery if organized and focused with an eye to quick, effective deployment.

SOLUTION

The Governor should issue an immediate executive order requiring all state agencies to produce a comprehensive inventory of the state's assets, resources (grants, loans, pass-through funds from the federal government, etc.), and tools (technical assistance programs), including how each can be used in recovery in an online one-stop Recovery Resource Catalog maintained and supported by the Governor's Office of Business and Economic Development, who would also designate staff that could answer questions related to the Catalog contents and how to use them.

RESULTS

- Eliminates uncoordinated bureaucracy.
- Allows the state to identify and apply additional resources.
- Allows businesses and local governments a clear path to researching, navigating, and applying for programs and resources to aid their recovery.

Support Rural Economies for True Statewide Recovery

PROBLEM

The initial CARES bill primarily assisted larger jurisdictions over 500,000 population. In discussions about additional aid to local government, it is critical that California's small and rural communities not be left behind.

SOLUTION

- Ensure that small and rural communities receive assistance in any future federal or state assistance to local governments. California should also provide a one-time matching grant to California's CDBG non-entitlement communities in the amount of the COVID-19 CDBG funds they receive. The initial CDBG-CV allocation to approximately 160 jurisdictions was \$19 million. Source: CA Dept. of Housing and Community Development
- Designate a Rural Advocate within the Governor's economic development team who would be responsible for promoting programs and communicating with rural economic development stakeholders representing communities with populations less than 50,000.
- Provide economic development program and financial technical assistance to California's smallest communities through a special team within the Governor's Office of Business and Economic Development.

RESULTS

Provides proportionate assistance to some of California's smallest communities to ensure that our entire state can recover.

We cannot have another recovery that leaves our rural communities behind.

Increase Investments in Infrastructure, Broadband, and Affordable Housing

PROBLEM

Infrastructure, broadband, and affordable housing are critical foundations to long-term economic prosperity. While California has made significant investments and created programs to address critical issues impacting our economic success, more is needed.

SOLUTION

Critical areas that could use more funding and expedited processes to move projects forward, include:

- Commercial speed broadband deployment.
- Housing that is affordable at every income level.
- Infrastructure improvement projects.

RESULTS

Continued investment in these areas will bolster state and local efforts for economic recovery and continued growth into the future.

We urge California's leaders to act quickly to pursue recovery solutions and we are fully prepared to constructively engage in those efforts. Please contact Gurbax Sahota at gsahota@caled.org if you have any questions.