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INLAND EMPIRE ECONOMIC PARTNERSHIP

POVERTY & THE TWO CALIFORNIAS

by
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Leaders in the Inland Empire often can be found commiserating about how once again our region was overlooked or left out of some important policy decision or funding opportunity. But one discussion where we are not overlooked is the growing awareness of the economic disparity between regions of our state. Sadly, the reason we are a part of that discussion is the rising level of poverty in Riverside and San Bernardino Counties. I know this is not an easy topic for some to focus on, but ultimately it is the topic with the highest possibility of doing harm to our region's economy in years ahead. But don't just hear that message from me but from the findings of the *2013 Report of the California Economic Summit*.

The challenge of the "Two Californias":

One thing became increasingly clear in the regional meetings leading up to the 2013 Summit: There are really two Californias. California's economy may be coming back, but more than four years after the end of the Great Recession, the comeback is still slow and uneven. Silicon Valley's freeways may be jammed and the road to the Hollywood sign may be flooded once again with tourists - good signs of the state's economy getting back on its feet - but Californians know that is only part of the story. In the last year, over 250,000 jobs have been created in California, more than any other state. As big as the Golden State economy is - if it were a country, it would be the eighth largest in the world - its economic growth rate, with jobs roaring back in some cities, is one of the top five in the nation. In the business districts of San Francisco and Los Angeles and San Diego, the economic downturn already feels like a distant memory. But

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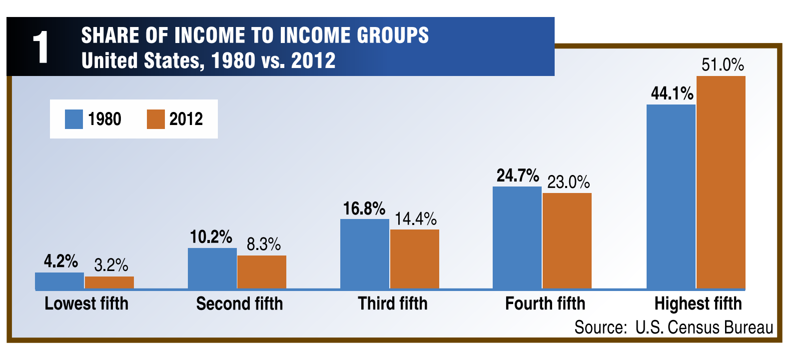
ADDRESSING THE INLAND EMPIRE'S NEAR TERM POVERTY

John E. Husing, Ph.D.

It has become apparent that the great unresolved issue facing the Inland Empire is its growing level of poverty. Whether it is the California Economic Summit, SCAG's Economic Summit, influential national leaders of both parties, economic development groups like the Inland Empire Economic Partnership (IEEP) or even Pope Francis, poverty is migrating to the top of the agenda. Importantly, public health leaders in both local counties have identified attacking socio-economic difficulties as the key to addressing their difficult public health concerns. This flows from public health research showing that poverty far outranks other determinants like access to medical care or the environment in impacting a community's health.

KEY CONSIDERATIONS

It is one thing to agree that poverty must be addressed, the more important point is defining how. Here, an important myth is that today's children face greater difficulties than in the past climbing out of their parent's income group. In fact, research at Harvard and Berkeley has shown that there has been <u>neither</u> a worsening or improvement in the odds of this occurring. While social mobility has remained largely static, census data show that the share of income going to the wealthiest 20% has soared from 44.1% in 1980 to 51.0% in 2012. It has fallen in every other income group with their combined share now to 48.9% (*Exhibit 1*). As a middle class area, the Inland Empire has seen the consequences with inflation-adjusted median



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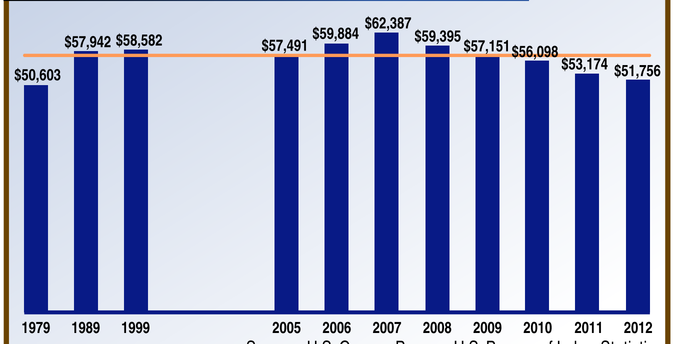
household income falling -10.7% from $57,942 in 1989 to $51,756 in 2012 (*Exhibit 2*).

2 MEDIAN HOUSEHOLD INCOME, INFLATION ADJUSTED
Inland Empire, 1989-2012 (2012=100)



Source: U.S. Census Bureau, U.S. Bureau of Labor Statistics

Falling real incomes have caused the Inland Empire's poverty rate to soared from 11.8% in 1990 to 19.0% in 2012, leaving 809,234 people in poverty (*Exhibit 3*). That includes a totally unacceptable 26.5% of local children under 18. Related is that 46.7% of today's <u>adults</u> have a high school or less education which means a huge share of the population is denied access to middle income occupations. Long term solutions like raising the educational prospects of their children will ultimately be vital but they will not change the dynamics of poverty for decades.

STRATEGY

To create the time to put more fundamental solutions in place, measures addressing the symptoms of poverty are necessary. Minimum wage increases will help, though inevitably they encourage labor saving technologies. Thus switchboard operators and cash register keys are gone and table side terminals will soon start replacing waitresses. Extended unemployment insurance is needed given the Inland Empire's 8.9% unemployment rate that leads all major U.S. metropolitan areas. Leaving them unemployed without income certainly will not cause them to find jobs. With today's difficulties, family support programs remain important.

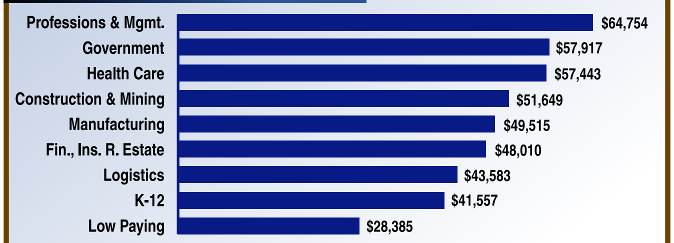
3 SHARE & NUMBER OF INLAND RESIDENTS BELOW POVERTY LEVEL

Census Bureau Year	People In Poverty	Share of Population in Poverty	Population
1990	306,417	11.8%	2,588,793
2000	477,496	14.7%	3,255,526
2012	809,234	19.0%	4,331,333
Changes	**+164.1%**	**+7.2%**	**+65.9%**

Source: U.S. Census Bureau,, 1990 & 2000 Census, 2011 American Community Survey

However, these are band-aids, not solutions. Ultimately, the need is for job growth in sectors with few educational barriers to entry and skill ladders up which workers can migrate to middle class incomes. Added to this must be rapid adult training that gives workers the ability to overcome initial workplace barriers and helps them climb those ladders. That is what built the American middle class after World War II. Modern Germany proves the model remains valid. The question is how to reignite growth in the appropriate Inland Empire sectors. There are basically four sectors with the median incomes that can put workers in this position: health care, manufacturing, construction and logistics. With a secondary wage earner in the lower paying sectors (*median income: $28,385*), they can put a family above $70,000 a year (*Exhibit 4*).

4 MEDIAN PAY LEVEL BY SECTOR
Inland Empire, 1st Quarter, 2013

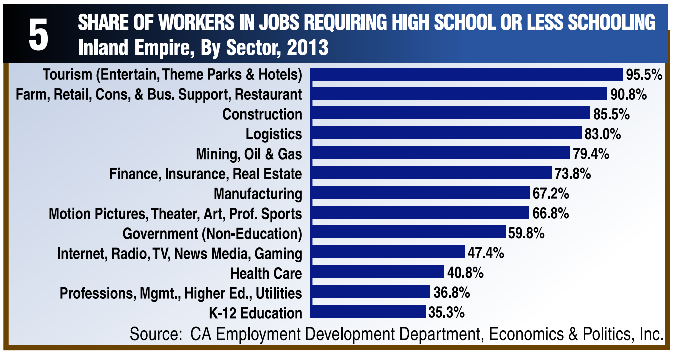


Source: Occupational Pay Scales & Sector Job Composition
CA Employment Development Department

HEALTH CARE (*Median pay: $57,443*)

Health care offers a clear path to serious job growth. With Obamacare becoming a reality and 877,969 Inland Empire residents (*20.5%*) without health insurance, demand is set to explode. Job growth is inevitable and fortunately 40.4% of occupations in health care have no educational barrier (*Exhibit 5*). The sector thus offers clear paths to promotion for those able to find and undertake training. The barrier is the lack of local technical training, a condition seen in that the Inland Empire already has 30% more residents per health care worker than California's average.

To date, California has depended upon the community colleges to meet health care training needs and allowed them to dominate the setting of statewide training standards. Conversations with health care executives indicate a distinct lack of enthusiasm for the speed and bureaucracy of that system. To a lesser extent, Workforce Investment Boards (*WIB*) have been tapped, however that system is seriously underfunded.



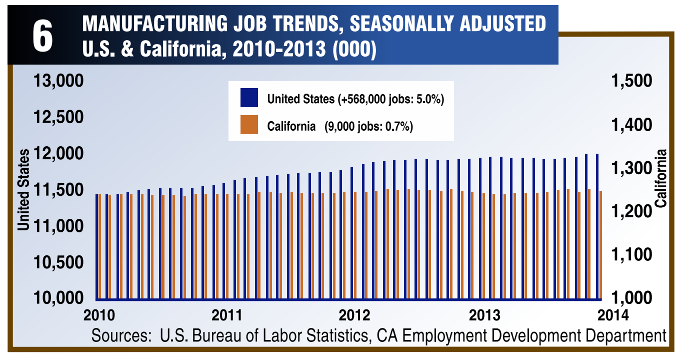
Numerous private sector training schools exist, but there is no coordinated effort to create a system from them or ensure that they are performing to acceptable standards. Within K-12 schools, there are only a few programs aimed at interesting students in this or any other sector.

Here, the need is to tap health care executives to demand and set standards for the creation of a public-private feeder system to meet their training needs. Preliminary conversations through the IEEP indicate a clear desire by local health care leaders to see this occur. Only as the industry develops the power to dictate the time frames, skills and number of trained workers it needs can the private and public education systems plus WIBs be expected to respond in kind. An effort bearing fruit is that of the Coachella Valley Economic Partnership (*CVEP*), where that group's health care members have worked with local schools and College of the Desert to set standards and create six health academies to start interesting students at the middle and high school levels.

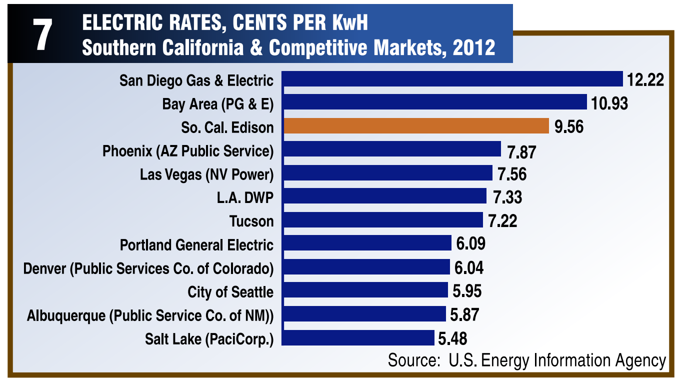
MANUFACTURING (*Median Pay: $49,515*)

Manufacturing executives indicate they face two difficulties in California. First, the regulatory climate makes long term investment planning, operational decision making and electrical costs uncompetitive vis-à-vis their competitors. Second, they find a lack of public or private institutions able to supply them with the technical workers they need. The Inland Empire's natural manufacturing advantages thus have not led to job growth for workers needing access to a sector that historically has provided skill ladders to the middle class. Its importance is seen in that 67.2% of the sector's workers have not gone beyond high school.

Underscoring the difficulty is the fact that the U.S. added 568,000 seasonally adjusted manufacturing jobs from 2010 to 2013 (*+5.0%*) while California gained just 9,000 (*+0.7%*) (*Exhibit 6*). In Southern California, the sector lost -4,800 jobs. The Inland Empire was flat (*-100*) despite significant competitive advantages. These include a workforce needing upward mobility and willing to work for -2.6% to -5.8% less than in coastal counties to avoid commuting. Its industrial space is inexpensive compared to nearby states and -43.6% below the least costly coastal market. At $5.16 per 1,000 cubic feet, Southern California's natural gas price is less than every major Western market except Salt Lake (*$4.72*) and Albuquerque (*$4.69*).



However, state policies have pushed Southern California Edison's electrical rates to 21.5% above the next lowest western market (*Exhibit 7*). Worse, the regulatory framework has forced companies often to work to schedules of convenience to regulators, not their marketplaces. Meanwhile, the unstable nature of regulatory requirements has made long term investment planning nearly impossible. At times, this has included imposing increased borrowing costs by forcing firms to install new pollution equipment before they have paid for the last round.



If the Inland Empire is to see manufacturing return as a force of upward economic mobility, a fundamental change in California's governing political consensus is needed. The very human need to create jobs that can lift families out of poverty must become a priority. Energy costs must therefore be taken into account in the state's rush to become the world's alternative energy leader. With environmental quality having made enormous gains, care must be taken to ensure that the next regulatory iteration does not come at the expense of job creation for the state's poorest families. Together, this means having an independent organization like the Legislative Analyst's Office funded and tasked with research and policy recommendations to deal with the unintended consequences on marginally educated families of regulatory actions. It also means establishing an appellate process outside the control of regulatory agencies that would allow firms or their workers to appeal regulatory processes and policies. At the federal level, Environmental Protection Agency's (*EPA*) drive for ever tighter standards must be altered as it has given California's regulators a mandate to essentially destroy job growth of the type that built the U.S. middle class.

To add to job creation, California needs to go beyond the manufacturing tax credit and specifically incentivize local firms that can make the tools required by environmental agencies. To date, almost all the money spent on clean-up leaves the state. In addition, commercialization of the University of California's research should go to producers that agree to remain in the state.

On the training front, rapid adult training in manufacturing skills is a requirement. Again, this has been handed to the community colleges, a mistake given the system's "shared governance" with most schools dominated by academics with little interest in technical training. Three models that can work are seen in the Inland Empire Manufacturing Council, the Technical Employment Training, Inc. and CVEP's renewable energy training program.

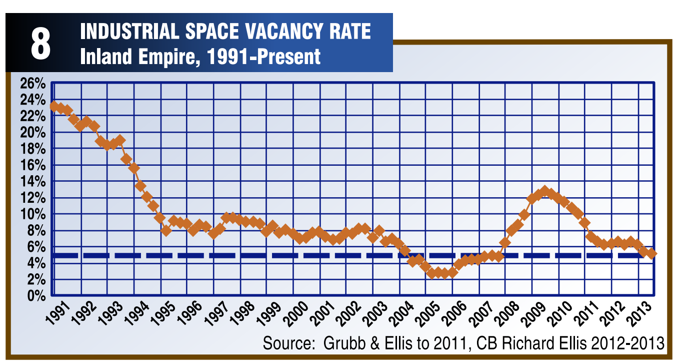
In the first case, manufacturers formed a group and convinced Chaffey Community College to train to the pace and standards the industry dictated. In the second, a community college gave up its machine tools to a non-profit led by a local employer on the county's WIB. The resulting non-profit conducts rapid training to manufacturers' standards. In the third, CVEP financed externships that have allowed instructors to learn from renewable energy experts what students must know. They have launched high school academies for students to gain hands on skills. In each case, industry not academia drove the process. In a hopeful sign, the CA Community College Workforce & Economic Development Division is now seeking local business groups and community colleges willing to replicate these roles.

CONSTRUCTION (*Median Pay: $51,649*)

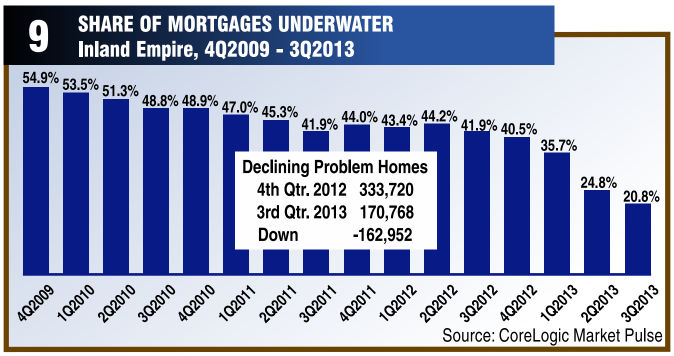
As long as Southern California's births exceed death, new family formation will require residential construction. The Inland Empire must accommodate most of this as it has the bulk of the region's available land. The inland area's deep economic difficulties have arisen largely because the sector has been dormant. From 2007-2013, the area's net loss of -106,500 jobs occurred largely because of a -52,500 loss in construction (*49.3%*). The importance of this sector for upward mobility is seen in that 85.5% of workers in it have a high school diploma or less schooling.

Reigniting this sector can start with an expanded commitment to infrastructure construction. Funding of a national freight infrastructure system could play a major role since the main U.S. trade corridors run through the inland area and it already plays a vital role in handling imports and exports. Locally, the extension of Metrolink rail routes to Perris and Redlands will help, as could extending L.A.'s Gold Line to Ontario International Airport. The proposed use of toll lanes to finance the widening of the I-10 and I-15 freeway is encouraging. The continuation and expansion of Measure A and I road and transportation funding can make crucial contributions.

Industrial construction is a natural for the Inland Empire. It has most of Southern California's remaining industrially zoned land, and construction firms are geared up to work in the market. Demand by firms wishing to handle international cargo or provide 24-hour delivery service to internet customers is enormous. As a result, the industrial vacancy is just 5.2% and 13.1 million square feet of space is under development (*Exhibit 8*)



Residential construction has been the missing link. In 2009, 54.9% of local homes with mortgages were underwater. That condition, plus soaring foreclosures and plunging prices made new development an impossibility. However, the underwater share is now 20.8% (*Exhibit 9*), existing home prices rose 23.5% in 2013 (*Exhibit 13*) and foreclosures averaged under 1,000 a month last year putting them at pre-2007 levels.



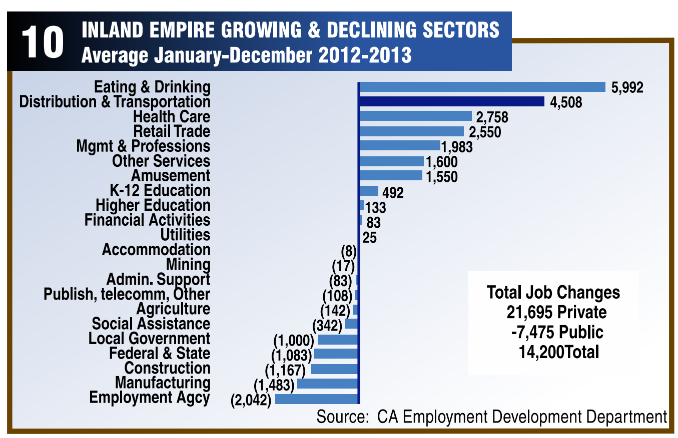
In addition, the Inland Empire's median home prices are below coastal county prices by $189,000 (*Los Angeles*) to $378,000 (*Orange*) (*see Exhibit 11*). The market is thus poised for recovery. Three impediments remain. One is the reluctance of lenders to make loans. Here, the regulatory process is partially at fault and needs to loosen up. Another is the decision to lower the prices of homes eligible for FHA loans to $355,350 from $500,000. That needs to be reversed in high unemployment areas as it will make the financing of new homes problematic since half the area's new homes are already priced at $348,214 or higher. The third is beyond the reach of policy makers. That is the continuing insecurity about Southern California's economy that has made families reluctant to buy homes.

Impacting all types of potential construction projects is the fact that CA Environmental Quality Act (*CEQA*) has morphed into a tool having little to do with the environment. Rather, it is now used by NIMBYs to stop even environmentally useful projects, businesses seeking to stop competitor's projects, unions forcing developers to hire their members and lawyers using the threat of suits to extract legal fees. To date, CA's legislature has been unwilling to amend CEQA to return it to the original intent. That needs to be done since the great bulk of construction workers who need access to upwardly mobile jobs are the losers in this situation.

LOGISTICS (*Median Pay: $43,583*)

Logistics has been the fastest growing sector of the Inland Empire's economic base. In 2013, EDD indicated it directly created 4,508 of the area's 21,695 new jobs in growing sectors (*20.5%*) (*Exhibit 10*). As stated earlier, the inland counties have significant competitive advantages for this sector including its huge base of logistics facilities and available land for new ones, plus interstate freeway and rail routes. Also important is the fact that the ports of L.A. and Long Beach handle 40% of U.S. imported and 27% of exported containers. Inland workers thus process a significant share of U.S. international cargo. Importantly, port executives do not see the Panama Canal's expansion significantly changing this dynamic. Meanwhile, the sector's inland prospects are now aggressively reacting to the explosive growth of e-commerce fulfillment centers which have nowhere else in Southern California to locate.

Looking ahead, logistics should remain a huge contributor to upper mobility for workers needing access to skill ladders leading to the middle class. That is the case given its $43,583 median income and the fact that 83.0% of the sector's workers have jobs requiring a high school or less education (*Exhibit 5*). However, this role could be blunted or stopped if the South Coast Air Quality Management District (*AQMD*) and its allies are successful in shutting down the sector's growth. The agency's logic is that it cannot meet EPA's ozone target without decreasing truck traffic to the Inland Empire. No consideration exists for the unintended consequence of hurting the sector most responsible for both inland job growth and the upward mobility of the area's marginally educated workers. This underscores again the need for the regulatory changes recommended to assist the manufacturing sector. Similarly, changes in CEQA rules are needed as it is frequently used to stop projects from being built.



OTHER SECTORS

The fastest growth in any economy tends to come in service sectors. These include everything from retailing, food and consumer services to local business services and finance, insurance and real estate. In 2013, these sectors supplied 11,692 of the 21,695 jobs (*53.6%*) in the inland region's growing sectors (*Exhibit 10*). Median pay can range from $48,010 in finance and insurance to $28,385 for the bulk of such sectors. However, in even the lowest paying sectors, there are jobs requiring adult workforce training that can move workers into middle class incomes. Other than private schools and corporate internal training, there is no specific place workers can go to get rapid training for advancement in these fields.

This has not always been true. In the late 1960s, San Bernardino Valley College had 14 full time faculty in its Business & Economics division. Most were released from one of their five classes to work off-campus with business groups to set up and administer evening and weekend programs taught by 106 industry specialists in fields like escrow, title, insurance, banking, plus retail, hotel, restaurant, warehousing and manufacturing management. The professors taught skills like accounting and economics, while industry specialists taught industry-designed classes. Unfortunately, the effort was abandoned.

An approach like this could play a vital role in allowing workers in lower level jobs within the service sectors a clear route to moving into better paying jobs within them. It is a direction that the CA Community College Workforce & Economic Development Division might add to their outreach effort. It is also a strategy that local WIBs might consider, perhaps working with industry to set standards and with private schools to provide the training.

SUMMARY

Leaders in California and the Inland Empire can simply ignore the extraordinary levels of poverty that have arisen in their midst or decide to make some very tough decisions to tackle the issue. Assuming the political will can be found, the aim must be to enhance job creation in sectors with few educational barriers to entry and skill ladders up which workers can migrate to middle class incomes. Simultaneously, ways must be found to scale-up rapid adult job training that will allow workers to overcome any educational obstacles to entering these sectors or moving up skill ladders within them.

Legislatively, this means putting the human suffering and public health difficulties which poverty is creating above other state priorities. For manufacturing and logistics, this means tackling the onerous business environment created by regulators who have paid scant attention to the unintended consequences of their actions in terms of killing off jobs needed by the huge share of the state's marginally educated workers. One step is funding and tasking the Legislative Analyst's Office to document this difficulty and recommend policy changes to stop it. A second would be to create an appeals framework outside the control of regulatory agencies that would allow firms or their workers to challenge what they see as onerous regulations. A third is to amend CEQA to move it away from a system that is currently being used to stop construction projects regardless of their job or policy benefits. A fourth is to ensure that costs and job losses become a factor in considering timetables aimed at forcing the use of alternative energy. At the federal level, the funding of a national freight strategy would be beneficial as would a move to force EPA to consider the unintended consequences of its rules when they create job losses that increase poverty and related public health difficulties in areas like Southern California. In addition, FHA price limits on conforming home loans should not be increased in areas with very high unemployment rates.

On the education front, rapid programs for adult workforce education need to be a priority, not a step child of the state's systems. The power to dictate training standards, course lengths and job totals should go to local employer groups within specific sectors like health care, logistics, manufacturing and high growth services. The community colleges, K-12, WIBs and private sector schools can then be challenged to compete to fill those needs. This will likely require a significant increase in state or federal funding and removal of the state's educational establishment from control over the essence of training programs.

A full interrelated program of efforts like these may sound impossible to put into effect. Anything less will simply say that rising poverty is simply a fact of life with which the poor will just have to live. ■

For further information on the economic analysis in the QER, visit Dr. John Husing's website at:

www.johnhusing.com

You'll also find pages on Dr. Husing's background, speaking engagements, downloadable presentations, adventures, and other items of interest.

11 SINGLE FAMILY HOME PRICES
4th Quarter, 2012-2013

County	4th Qtr-12	4th Qtr-13	% Chg.
	NEW HOMES		
Riverside	$397,250	$338,500	-14.8%
San Bernardino	326,500	372,500	14.1%
Los Angeles	397,250	485,750	22.3%
Orange	627,000	708,500	13.0%
San Diego	462,000	566,500	22.6%
Ventura	340,000	460,250	35.4%
So. California	$437,500	$502,400	14.8%
	EXISTING HOMES		
Riverside	$222,750	$275,000	23.5%
San Bernardino	174,000	215,000	23.6%
Los Angeles	360,000	443,500	23.2%
Orange	525,000	620,000	18.1%
San Diego	390,000	450,000	15.4%
Ventura	415,000	492,000	18.6%
So. California	$339,200	$405,200	19.5%

Source: Dataquick

12 HOME DEED RECORDINGS
Inland Empire, 4th Quarter, 2012-2013

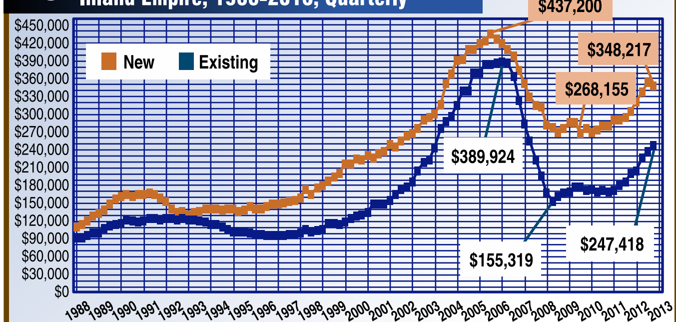
NEW HOMES				EXISTING HOMES			
Area	4th 12	4th 13	% Chg.	Area	4th 12	4th 13	% Chg.
SB Desert	8	15	87.5%	San Bernardino, Highland	673	714	6.1%
Fontana, Rialto, Colton, GT	67	103	53.7%	Redlands, Loma Linda, Yucaipa	431	419	-2.8%
San Bernardino, Highland	42	58	38.1%	SB Mountains	789	761	-3.5%
Victor Valley	87	109	25.3%	SB Desert	440	415	-5.7%
Chino, CHill, Mtcl, Ont, RC, Upl	178	207	16.3%	Chino, CHill, Mtcl, Ont, RC, Upl	1,383	1,262	-8.7%
SB Mountains	12	11	-8.3%	Victor Valley	1,279	1,120	-12.4%
Redlands, Loma Linda, Yucaipa	21	4	-81.0%	Fontana, Rialto, Colton, GT	1,091	929	-14.8%
SAN BDNO COUNTY	**415**	**507**	**22.2%**	**SAN BDNO COUNTY**	**6,086**	**5,620**	**-7.7%**
Moreno Valley	11	33	200.0%	Perris, Hemet, S. Jacinto, Menifee	1,623	1,621	-0.1%
Beaumont, Banning, Calimesa	92	191	107.6%	Moreno Valley	543	531	-2.2%
Coachella Valley	58	112	93.1%	Riverside, Jurupa Valley	991	935	-5.7%
Riverside Rural	60	101	68.3%	Murrieta, Temecula, L. Elsinore, Wildomar	1,527	1,366	-10.5%
Perris, Hemet, S. Jacinto, Menifee	199	260	30.7%	Beaumont, Banning, Calimesa	374	330	-11.8%
Riverside, Jurupa Valley	75	90	20.0%	Coachella Valley	1,307	1,138	-12.9%
Murrieta, Temecula, L. Elsinore, Wildomar	468	345	-26.3%	Corona, Norco, Eastvale	940	787	-16.3%
Corona, Norco, Eastvale	241	136	-43.6%	Riverside Rural	577	483	-16.3%
RIVERSIDE COUNTY	**1,204**	**1,268**	**5.3%**	**RIVERSIDE COUNTY**	**7,882**	**7,191**	**-8.8%**
INLAND EMPIRE	**1,619**	**1,775**	**9.6%**	**INLAND EMPIRE**	**13,968**	**12,811**	**-8.3%**

Source: Dataquick

INLAND EMPIRE: HOUSING VOLUMES FLAT, HOME PRICES SOARING

In second quarter 2006, the Inland Empire's median new home price peaked at $437,200, with existing homes reaching $389,924 in first quarter 2007. Prices then plunged with new homes reaching a low of $268,155 in third quarter 2010 (*-38.7%*) and existing home hitting $155,319 in second quarter 2009 (*-60.2%*). Both prices have since gained significant ground, picking up speed of late to $348,217 for new homes and $247,418 for existing homes in fourth quarter 2013. The existing home price is now -36.5% below the 2007 peak. The wide gap between these prices reveals the dilemma facing developers. Builder costs have driven up their prices and led to a significant $100,799 gap with existing homes which now average -40.7% less (*Exhibit 13*).

13 PRICE TRENDS, NEW & EXISTING HOMES
Inland Empire, 1988-2013, Quarterly



Source: Dataquick & Economics & Politics, Inc.

VOLUME

While home prices have recently increased dramatically, volume has been stuck in a narrow band on either side of 15,500 seasonally adjusted sales for the past 3.5 years (*not shown*). This has largely been due to a lack of supply with little new home production and underwater homeowners unable to sell. The latter issue is starting to be resolved as the number of underwater homes has recently dropped from 40.5% to 20.8% (*Exhibit 9*). Hopefully, this is a sign that supply and volume will begin to increase.

Looking at raw volume data, Riverside County had 7,191 existing home sales in fourth quarter 2013, down -8.8% from 7,882 in 2012 (*Exhibit 12*). San Bernardino County had 5,620 existing home sales, off -7.7% from fourth quarter 2012. By sub-market, the South I-15 area of Riverside County (*Perris, Hemet, San Jacinto, Menifee*) had its smallest percentage loss in volume and was its sales leader (*1,624; 0.1%*). In San Bernardino County, San Bernardino-Highland had the largest percentage increase (*714; +6.1%*). The volume leader was the area west of the I-15 freeway (*1,262; -8.7%*)

New home sales are finally showing some life. Riverside County's fourth quarter 2013 volume was 1,268 sales, up 5.3% from 1,204 in 2012. The largest percentage gain was in Moreno Valley (*33, 200.0%*). The volume leader was in Temecula, Murrieta, Lake Elsinore, Wildomar (*345; -26.3%*). San Bernardino County's volume was 507 sales, up 22.2% from fourth quarter 2012's volume of 415. The outlying San Bernardino desert area had the highest percentage gain (*15, 57.5%*). The area west of the I-15 freeway led in volume (*207; 16.3%*).

PRICES

Riverside County's $338,500 new home price in fourth quarter 2013 was down -14.8% from the prior year's $397,250 (*Exhibit 11*). Its $275,000 existing home price was up 23.5% from $222,750 in fourth quarter 2012 and up 3.8% from $265,000 in third quarter 2013. San Bernardino County's new home price of $372,500 was up 14.1% from its fourth quarter 2012 price of $326,500. Its fourth quarter 2013 existing home price of $215,000 was up 23.6% from fourth quarter last year (*$174,000*), and up 4.9% from last quarter's $205,000. In Southern California, the fourth quarter 2013 new home median price was up 14.8% to $502,400; the existing home median was $405,200, up 19.5%.

LOOKING AHEAD

To date, the enormous difference in price between new and existing homes in the inland counties versus the coastal counties has not caused buyers to begin migrating inland. That will likely begin to change in 2014 as Southern California's economy starts to normalize. ■

INLAND EMPIRE ECONOMIC PARTNERSHIP

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away from the state's wealthy coasts, and in some persistent pockets of poverty within them, the recovery is shaping up to be a long road to rehabilitation. This looming disparity emerged as a recurring theme at this year's California Economic Summit. For many Californians, the recession is still a grim reality—and the gap between rich and poor across the state is expanding.

In the Inland Empire, 4 million people living only 60 miles from Hollywood face unemployment levels rivaling Detroit's. The agricultural San Joaquin Valley, where only one in 15 adults in some areas have college degrees, is home to some of the most poverty-stricken congressional districts in the nation. The Los Angeles metropolitan area, one recent report found, now has levels of inequality on par with the Dominican Republic.

This looming disparity between the "two Californias"—one coastal and one inland, one rich and one poor, with the middle class squeezed in between—is not only a regional challenge. Cities like Palo Alto and East Palo Alto exist side-by-side all over the state, incredible prosperity just down the street from lingering hardship."

The Mission of the Inland Empire Economic Partnership is to Better the Business Climate and Quality of Life of the our region, if that mission is to be accomplished then our regions leaders together with leaders from throughout the state and nation are going to have to work together create jobs, educate our children and invest in workforce training for the jobs of the new economy.

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