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Economic Development

CHAPTER 3 Economic Development Element

3.1 Introduction

This Economic Development Element supports the vision outlined in the ESGVAP by providing a framework to attract investment, develop a resilient workforce, reduce economic and financial distress in vulnerable communities, and provide for an economically and fiscally sustainable ESGV. This element includes a summary of economic development challenges and opportunities in the Planning Area. For further information that informed the development of this element please see **Appendix F, ESGVAP Task 2.1, Key Industries, Market Analysis, and Regulatory Analysis Memos.**

3.2 Existing Conditions

A. KEY INDUSTRIES

Planning Area communities employed approximately 35,951 workers in 2020, with key job sectors in retail (14.5% of total employment), wholesale trade (12.6%), educational services (11.6%), manufacturing (9.5%), and accommodation and food services (8.9%). Taken together, these sectors accounted for over half (57%) of total employment within the Planning Area in 2020.

A majority of jobs are concentrated in the southwest portion of the Planning Area, clustered along the Southern Pacific Railroad right-of-way, just to the north of State Route 60. Intensive industrial uses along the SR-60 and surrounding railroad rights-of-way form a vital industrial corridor that connects the Ports of Los Angeles and Long Beach with distribution points in the Inland Empire and to markets throughout Los Angeles County. Unincorporated communities in the Planning Area sit along this industrial corridor. While these communities contain several clusters of industrial and commercial uses, the vast majority of economic activity occurs in cities, such as the City of Industry.

The communities of Avocado Heights, Rowland Heights, and Hacienda Heights represent nearly three-quarters of total employment across the Planning Area. Jobs-rich areas can also be found in the community of South Walnut, as well as adjacent to residential uses in the community of South San Jose Hills.

Retail sector jobs in the Planning Area are largely derived from a wide range of businesses, such as markets, that typically serve the needs of immigrant communities.

A diverse range of wholesale trade sector jobs are spread across the Planning Area. Manufacturing jobs are concentrated in the communities of Avocado Heights, South Walnut, and the north edge of Rowland Heights.

1. Rowland Heights (10,222)
2. Avocado Heights (8,681)
3. Hacienda Heights (7,478)
4. South San Jose Hills (1,563)
5. West Puente Valley (1,408)
6. South Walnut (1,135)
7. Valinda (1,020)
8. Charter Oak (984)
9. Walnut Islands (688)

Total (35,951)

Top 9 Communities in the Planning Area by Job Count

B. RESIDENT WORKFORCE

Planning Area residents are primarily employed in the fields of health care and social assistance (14,189 employed residents), manufacturing (12,458), retail (10,525), and transportation and warehousing (7,080).

Compared to the wider ESGV (including cities), employed residents in the Planning Area have a relatively strong presence in the fields of manufacturing (12.5% versus 11.2%), wholesale trade (5.4% versus 4.8%), and transportation and warehousing (7.1% versus 5.9%). However, there are less Planning Area residents employed in the fields of educational services (7.7% versus 9.7%) and professional and technical services (5.5% versus 6.3%) compared to the ESGV as a whole.

C. REAL ESTATE MARKET CONDITIONS

Job-generating uses in the Planning Area are generally associated with three types of properties—industrial, office, and retail.

Industrial Space

Avocado Heights has the largest inventory of industrial space among the Area Plan communities, with over 3.1 million square feet (51% of the total). Rowland Heights, South San Jose Hills, and South Walnut have approximately 950,000 square feet, 849,000 square feet, and 576,000 square feet, respectively. Taken together, these four Area Plan communities comprise 92% of all community industrial inventory within the Planning Area.

The industrial vacancy rate in several Planning Area communities was effectively zero at the time of data collection, indicating an extremely tight market for available industrial space. This could mean that there are fewer opportunities for new businesses to establish themselves, or for existing businesses to expand.

Office Space

By square footage, office space is far less common than industrial and retail space in the Planning Area communities. Hacienda Heights has the largest inventory of office space among the Planning Area communities, with 415,000 square feet (49% of the total). Rowland Heights has approximately 266,000 square feet of office space. Taken together,

these two Planning Area communities comprise over 80% of all Area Plan community office space inventory on a square foot basis. Where feasible, office space can be clustered in existing retail and flex industrial use locations. Due to the nature of the use, office space can be placed in locations otherwise undesirable for retail, such as in places with low foot traffic.

Retail Space

Retail spaces in the Planning Area communities are typically “local serving” and intended to meet the day-to-day needs of the immediate surrounding neighborhoods. This includes a comparatively large share of “Neighborhood Centers” that provide the sale of convenience goods and personal services for the immediate neighborhood.

Rowland Heights has the largest inventory of retail space among the Planning Area communities, with over 2.3 million square feet (54% of the total). In comparison, Hacienda Heights, Avocado Heights, and Charter Oak have approximately 1.1 million square feet, 380,000 square feet, and 255,000 square feet, respectively. Together, these four communities comprise 92% of all Planning Area retail inventory. Where feasible, retail spaces should be preserved and expanded, and oriented along walkable corridors to support local businesses.

In terms of vacancy rates, Rowland Heights has the highest retail vacancy rate of the four Area Plan communities, with a rate of 6.1% in Q1 2021. This was higher than the retail vacancy rate in Hacienda Heights (4.7%), Avocado Heights (4.1%), and Charter Oak (3.2%) in the same time period.

3.3 Challenges and Opportunities

Appendix A, ESGVAP Task 1.1, Land Use Issues, Challenges, and Opportunities Memo, identifies challenges and opportunities for sustainable and equitable economic growth in the Planning Area. These challenges and opportunities are summarized as follows and can be applied across all communities.

See Chapter 8, *East San Gabriel Valley Unincorporated Communities*, for goals and policies associated with specific unincorporated communities. See Chapter 9, *Implementation Programs and Actions*,

for implementing programs and actions corresponding to each goal and policy.

A. NEED FOR WORKFORCE TRAINING

A comparatively large share of Planning Area residents are employed in the manufacturing sector (12.5% of total employment).

Manufacturing, however, is forecast to see the steepest decline in local employment over the next decade, according to the California Employment Development Department.

In addition, nearly one-quarter of employed residents age 30 or older in the Planning Area do not have a high school diploma. Some of these residents do not have the skills or training to enter specialized technical and vocational programs that could connect them to stable, well-paying employment in the area. Unincorporated communities in the Planning Area include linguistically isolated populations, meaning that these groups speak a native language (generally Spanish or Chinese) and have limited proficiency with other languages including English. The communities of Rowland Heights, Hacienda Heights, Avocado Heights, Valinda, and West Puente Valley have particularly high levels of linguistically isolation. People with limited language proficiency may have additional challenges finding job opportunities or job training.

Furthermore, 28.3% of employed residents age 30 or older in the Planning Area have attended some college, but do not have an associate degree. Some of these residents may have received technical or vocational education to earn certifications or professional licensure. The communities of Covina Islands, East Irwindale, and Hacienda Heights have higher instances of residents with limited education beyond a high school diploma. Residents with a high school diploma, but no college experience are potential candidates for vocational training that can provide access jobs in the Planning Area.

B. JOBS-HOUSING IMBALANCE

The Planning Area houses nearly 100,000 employed residents but contains fewer than 36,000 jobs. This indicates that Planning Area communities are a net exporter of workers, and that the majority of residents must travel elsewhere to reach their primary place of employment.

The jobs–housing imbalance is due in large part to the overwhelming share of land in the Planning Area that is dedicated to residential land uses as opposed to commercial and industrial land uses. Cities in the Planning Area contain a substantially higher proportion of job-generating uses. The surrounding unincorporated areas contain mostly residential uses that provide housing to workers in surrounding cities. Where possible, any remaining land dedicated to employment-generating uses should be preserved.

Overall, employment growth within the Area Plan communities has been lower than in Los Angeles County. Employment in the Area Plan communities grew by approximately 9.6% between 2010 and 2018, while employment in Los Angeles County grew 13.4% over the same time period. If this trend continues, the jobs–housing imbalance may worsen over time.

C. NEED FOR REVITALIZATION OF COMMERCIAL AND INDUSTRIAL AREAS

The Planning Area has seen very little new office, industrial, or retail development activity over the past decade. As such, many of the Planning Area’s commercial centers and jobs-rich industrial buildings are aging and in need of revitalization.

Over the past decade, only two new industrial buildings have been constructed in the Planning Area. Both buildings were located in Avocado Heights, which saw 93,118 square feet of new industrial construction. This is in stark contrast to the neighboring City of Industry, where nearly 1 million square feet of industrial space is currently under construction.

In Hacienda Heights, the largest share of retail buildings was constructed in the 1970s (35.5%), followed by the 1960s (24.7%). Such aging building stock may be contributing to “retail leakage” in some areas. Retail leakage occurs when retailers from outside the immediate market area are fulfilling demand from local residents, instead of local retailers. Hacienda Heights, for example, is characterized by an overall leakage of retail sales totaling \$294 million in aggregate.

In the absence of new private investment, adaptive reuse of existing employment-generating space is more likely than new, ground-up construction in the near to mid-term. Many industrial/flex buildings in the Planning Area communities will need substantial renovation to

compete in nearby markets for employment sectors with higher growth potential.

3.4 Economic Development Element Goals and Policies

The following goals and policies address the opportunities and challenges described in Section 3.3, *Challenges and Opportunities*.

Goals and policies for economic development are organized to implement relevant Vision Statements as presented in Chapter 1, *Introduction*, and are referenced as “VS.” See Chapter 8, *East San Gabriel Valley Unincorporated Communities*, for goals and policies associated with specific unincorporated communities. See Chapter 9, *Implementation Programs and Actions*, for implementing programs and actions corresponding to each goal and policy.

VS 5 – Thriving Economy and Workforce

Goal ED-1: Economic mobility opportunities are available to all ESGV community residents.

Policy ED-1.1: Access to Education and Economic Resources.

Expand functional literacy and English as a Second Language programs, especially in communities with high levels of linguistic isolation. Accommodate the development of educational and workforce development facilities and resources that provide mentoring and training services.

Policy ED-1.2: Workforce Development Collaboration.

Coordinate the activities of key regional workforce development system stakeholders, community colleges, businesses, K–12 institutions, and philanthropic partners.

Goal ED-2: Economic development goals are prioritized through a lens of equity.

Policy ED-2.1: Equitable Investment. Prioritize disproportionately affected communities for capital improvements to support private investment, economic development, and sustainability. Ensure that investments in community services, facilities, and programs are equitably distributed throughout the Planning Area.

Policy ED-2.2: Local Business Support. Support local businesses, prioritizing small, BIPOC-owned, and women-owned businesses.

Goal ED-3: Employers and workforce in ESGV communities are well-supported, meet the employment needs of Planning Area residents, and provide for a thriving, innovative, and fiscally sustainable economy.

Policy ED-3.1: Business Friendly Environment. Help businesses navigate the permitting process and provide them with access to business development resources.

Policy ED-3.2: Emphasis on Small Business. Cultivate the health and expansion of small businesses in the Planning Area with business service resources, such as wage subsidies, workforce-related tax credits, and layoff aversion strategies.

Policy ED-3.3: Promotional Efforts and Branding. Strengthen the Planning Area brand identity by hosting events that showcase various businesses (e.g., grand openings featuring local restaurants, bike tours to ESGV-grown local businesses).

Policy ED-3.4: Health Care Industry. Work with research and development, bioscience, and related industries that can form a cluster of synergistic health care businesses in the Planning Area.

Policy ED-3.5: Restaurant and Food Manufacturing Industry. Leverage the Planning Area’s strong restaurant industry and diversity to support innovative food-related establishments.

