(Curated By B Kelley)

Without better jobs, affordable homes, people will leave O.C. and economy will falter, Chapman researchers say

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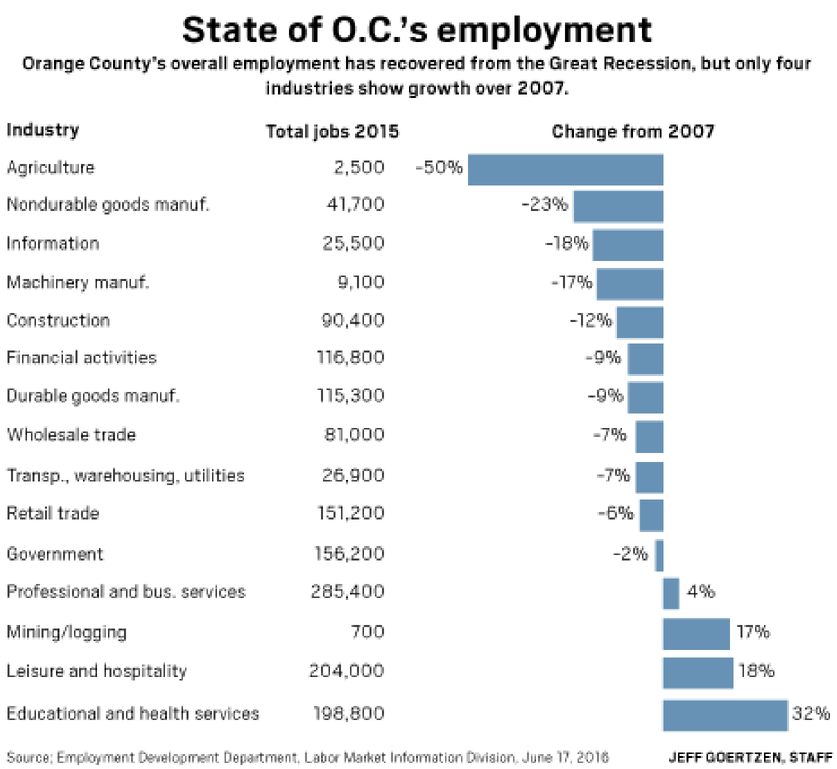
by Margot Roosevelt, Staff Writer, January 15, 2017

Marshall Toplansky, a Chapman University data analytics expert and researcher at Chapman University's Center for Demographics and Policy, speaks to the OC Forum about the future of Orange County's economic future at the Pacific Club in Newport Beach, on Friday, January 13, 2017. (Photo by Nick Agro, Orange County Register/SCNG) NICK AGRO, ORANGE COUNTY REGISTER

Marshall Toplansky and Joel Kotkin, researchers at Chapman University's Center for Demographics and Policy, discussed Orange County's economic future at the Orange County Forum in Newport Beach, on Friday. (Photo by Nick Agro, Orange County Register/SCNG)

Joel Kotkin, director of the Chapman Center for Demographics and Policy, warned business leaders at the Orange County Forum that the county is falling behind other regions in economic development. (Photo by Nick Agro, Orange County Register/SCNG)

Joel Kotkin and Marshall Toplansky, authors of a report on Orange County's economic development, told business leaders at the Orange County Forum on Friday that the county should focus on recruiting high-paying technology companies. (Photo by Nick Agro, Orange County Register/SCNG)



Orange County's future prosperity depends on its ability to attract well-paying jobs, but its efforts are woefully inadequate when compared with those of other regions.

That was the message two Chapman University researchers delivered Friday to 200 business leaders at the Orange County Forum, a local civic group, as they laid out a panoply of grim statistics on the county's rising poverty, high housing costs, aging demographics and falling employment in technology, manufacturing and finance.

“We need to be doing a marketing effort in a coordinated way,” said Marshall Toplansky, a data analytics expert who teaches at Chapman’s Argyros School of Business and Economics.

“As we look at our competitors, we don’t do that. But we have great infrastructure. We are a magnetic place. Let’s get the word out to the people we want to bring in.”

Toplansky and Joel Kotkin, director of the Chapman Center for Demographics and Policy, said companies are flocking instead to Silicon Valley, New York City, Boston, Seattle, Austin, Dallas, Phoenix and North Carolina’s Research Triangle – areas with savvier recruiting tactics, superior incentives, technology-friendly ecosystems and, in many cases, cheaper homes.

“We have high housing costs,” Kotkin said. “But we are not generating the jobs to support those costs. As long as we have this real estate-driven economy, we are going to be in trouble. Orange County was once the belle of the ball. That era is over.”

In a 52-page report, “OC Model: A Vision for Orange County’s Future,” the researchers wrote, “For all of its technological resources and cultural dynamism, the world seems to know little of our county’s potential outside of Disneyland, the libidinal appeals of Real Housewives and the enduring appeal of the surfer culture.”

The county may seem to be prospering, with unemployment at 3.7 percent, but the researchers warned against continuing to rely on real estate and tourism, traditional drivers of the local economy.

Disneyland, with 28,000 workers, is the county’s largest employer, and wages in the leisure and hospitality sector rank near the bottom of the pay spectrum. Software and information technology, with average annual earnings of $104,300 is the top-paying industry, but the county has fewer technology jobs than it did in 1990.

“Some OC business people seem to see real estate values as the ultimate talismans of prosperity, mistaking higher real estate prices for an actual productive economy,” the report noted.

“Asset inflation benefits established property owners, and those who work in the real estate sector, but the surge in property prices and an ever increasing number of touristic venues does not provide enough of a viable base for coming generations,” the report noted.

“Instead of the current obsession with real estate and tourism projects, the county needs to focus more on what professional business services, technology, finance and science-based companies need in order to succeed.”

Nonetheless, “hands-on services for businesses who relocate to the area seem paltry compared to what we see in other competitive regions,” the researchers wrote. “There seems to be little focus on recruiting new businesses to the area.”

Cities such as San Francisco, New York and Seattle offer such services as costs and logistics consulting, tax breaks, free employee recruitment, incubators and workspaces, and access to financing.

Orange County does better than many regions in technology manufacturing, thanks to an aerospace legacy that spawned high-skill machine shops. But it lags in technology services such as software and infrastructure design, quality testing and IT consulting.

The county lacks venture capital and incubation infrastructure, the report noted. “In Silicon Valley, San Diego and Boston, there is a formal system for generating and nurturing technology innovation. As smaller, idea-driven companies grow, it is easy for them to obtain growth capital and ultimately either become large themselves or be absorbed into the larger tech companies.

“In Orange County, the pattern has been for leading companies – Ingram Micro, Vizio, Broadcom, Gateway, AST Research, Newport, Kurion and Oculus – to be acquired rather than be acquirers,” the researchers wrote.

Universities play a critical role. Institutions such as Stanford and MIT have spawned hundreds of software and biotechnology companies, but UC Irvine, “despite some promising recent efforts – is not considered to have a successful track record of moving the intellectual property created within the university environment over to the private sector,” Toplansky and Kotkin contended.

Because few young families can afford to live in Orange County, the county is “rapidly aging,” Kotkin told the forum. “We are becoming a place where there are a lot of surfers with gray ponytails. Orange County is on its way to being the oldest metropolitan area in California.”

The audience included officials active in economic development. Lucy Dunn, president and CEO of the Orange County Business Council, which includes the county’s biggest companies, said she agreed with many of the researchers’ conclusions.

The county has a website, LocationOC.org offering information to businesses that are seeking to relocate. However, she added, “We don’t have a Rick Perry who calls CEOs and says ‘Come relocate to Texas.’ We don’t have a mayor of Orange County.

“Instead of doing the traditional economic development that others do, we recognize the way to keep and attract businesses is to make sure we have the infrastructure, the housing and a good educational system. Those are the building blocks,” Dunn said.

Kotkin suggested the county should avoid the “high-density” development promoted in Los Angeles. As millennials age, he said, they prefer single-family homes, and if Orange County doesn’t build them, they’ll move to areas that do.

However, Bob Bunyan, chair of the Orange County Development board, which oversees local workforce programs, told the researchers, “In my experience, we are basically running out of land” and companies have a hard time finding space in which to relocate.

In response, Kotkin suggested “the great opportunity is going to be redundant retail space. We can do something creative with that space. A lot of our conventional retail is going to go out. Our children’s generation is more likely to go online to Amazon or Zappos to buy shoes.”

Kotkin and Toplansky are researching a new report on solutions to Orange County’s economic development issues, which Kotkin said will take a year to produce. Meanwhile they suggested, “there needs to be some form of civic vision and strength of will embraced by the business community, non-profit institutions as well as appropriate government agencies.”

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Toplansky is also Chair of Cicero Group: Data-driven strategy powered by market research & "big data" analytics. 250+ professionals serving Fortune 500 clients in 47 countries and 14 languages.