

# Economics & Politics, Inc.

P.O. Box 8730  
Redlands, CA 92375  
(909) 307-9444 Phone  
john@johnhusing.com  
www.johnhusing.com

To: Joseph W. Brady, CCIM, SIOR  
President, The Bradco Companies

From: John Husing, Ph.D.

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Subject: Proposed High Desert Study, Strategic & Solutions Recommendations

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In the 2000s, the rapid growth and rapid decline in San Bernardino County's High Desert's economy (*Adelanto, Apple Valley, Barstow, Hesperia, Victorville*) has been an economic and quality of life tragedy. This has occurred due to changes in the area's economic and demographic metrics. It is, unfortunately, reminiscent of what happened in the city of San Bernardino during the 1970s-1990s and the city of Pomona in the 1960-1970s. The experience of those communities has shown that these sets of conditions can become permanent if not addressed vigorously by all elements of the society. They failed to do so. The hope is that this will not be the case in the High Desert, a region some are working to rename the Mojave River Valley.

You have asked me to undertake an analysis of the root causes of the difficulties in the High Desert and to use my economic knowledge plus my awareness of what can be done to outline strategies that could be used to turn the community around. As I have indicated to you, this will not be easy and cannot be led by elected officials alone. It will take the concentrated effort of groups like educators, developers, residential real estate firms, service clubs, business owners, community group leaders and chambers of commerce who have traditionally shied away from playing such a role.

**Data & Analysis.** In my experience, such a project will require the following steps. First, there is a need to update the analysis of the economic, demographic and quality of life history of the area from 2000-2019. The purpose is to put into numbers the reason these current conditions have been created. It will include a detailed study of changes since the 2000 Census, with annual data available for most variables since 2007:

- **Demographics:** population growth, age levels, income distribution, ethnicity and adult educational levels.
- **Quality of Life:** school performance, crime rates, welfare rates, availability of technical and higher education courses, calls for police service by type of home, homelessness.
- **Employment:** local job creation by sector, local payroll by sector, local average pay per job, population's occupational levels, population's sector of employment, jobs:housing balance, share of jobs in population serving sectors, commuter levels, average commute times.

- **Housing:** existing home sales, new home sales, existing housing prices, new home prices, foreclosure history, share of single family rentals.
- **Taxable Sales by City:** retail sales levels, retail sales by sector, retail sales per capita, sectors with taxable gaps.
- **Industrial Real Estate:** square footage, absorption rate, vacancy rates, asking prices, available zoned land, status of remaining competing land in valley areas.
- **Assessed Valuation by City:** levels and changes in assessed valuation over time, changes in valuation per person.
- **Public Assistance by City:** levels and changes in the share of population and the amount public assistance going to local residents.
- **Key Assets:** availability of undeveloped land, Victor Valley Community College, Barstow Community College, Southern California Logistics Airport, mineral deposits, I-15 congestion and potential alternative routes, BNSF Railroad and its Barstow Intermodal operations, UP Railroad, Mojave Air Quality Management District.

**Interviews.** Throughout my career, I have come to believe that it is imperative to move beyond data into having one-on-one or small group discussions with the principals who drive the numbers. For the High Desert, this would include but not be limited to:

- Sheriff's Office officials working on crime fighting strategies in the various cities and unincorporated areas.
- Owners or managers of the largest employers and a selection of the most successful entrepreneurs as they are most aware of how their sectors are changing as well as their difficulties in finding appropriate workers.
- Administrators of the K-12 schools, two community colleges, Cal State San Bernardino and San Bernardino County Superintendent of Schools who understand the strategies being used to raise educational metrics and increase student employment success.
- Major commercial, industrial and residential real estate brokers who understand how their markets have been reacting to changes in market supply and demand since the Great Recession, including the influx of absentee ownership of homes, and the slow development of industrial projects
- Developers building or considering residential, industrial, commercial projects for an understanding of what is stopping their projects from becoming feasible as well as the demand for them.
- Trucking company executives hauling cargo up Cajon Pass as they can inform the question of the added cost of moving up that 3,000 foot change in elevation.

- Owners/operators of employment agencies to understand the kinds of jobs companies are seeking and the difficulties in filling them.
- Code enforcement department heads to determine the extent to which they can fulfill their mission and any financial or staffing issues preventing them from doing so.
- Chamber executives who generally have large numbers of smaller companies and understand the difficulties that part of the economy is facing.
- Leaders in the ethnic communities who tend to be disproportionately impacted by the inability of their constituents to succeed in a difficult economic or social environment.
- Executives of the San Bernardino County Transportation Authority who control funding of projects that impact the I-15 corridor between San Bernardino's High Desert and its valley economy.
- Key members of the press who see the issues faced by those whom they specialize in covering.

The list will evolve as issues and strategies emerge from the data analysis and these interviews.

**Issues, Strategies & Recommendations for Solutions**. Presentation of the results of these data and interviews, plus an analysis of each metric will show the patterns by which San Bernardino County's High Desert growth patterns changed the economic, demographic and quality of life measures that constitute the area today. It will also offer insights into the direction that strategies must take to begin changing the conditions in the area. Among the issues likely to emerge from the analysis that could be subject to strategic attack would be:

- **Crime**

There is a strong desire among High Desert residents to see actions taken to lower the area's crime rates. This will require an understanding of the significant factors that have led to this situation. The effort should include, but not be limited to, the interaction between crime rates and the rapid rise of absentee owned single family rentals, the forces driving the nature of the population migrating to the area, the increasing level of homelessness, lower than average educational attainment levels, high poverty rates, deteriorating property.

- **Significant shares of rented single family homes**

The irony is that the major asset of the High Desert is its greatest difficulty. Instead of affordable housing in the hands of buyers who will maintain their property and become part of the community, too much of the housing stock is in the hands of landlords with tenants who do not have a stake in the area. A great deal has been written and done about this issue in other communities. Detailed strategies are available to attack this issue but they require actions on which it is difficult to find consensus and leadership.

- **An industrial market (*logistics, manufacturing*) that has yet to migrate to the area**

In the urban valley, the land zoned for industrial development for manufacturing and logistics facilities is beginning to finally disappear. This puts developers in the situation of having to look elsewhere. This is the key change that could impact the migration of logistics to the High and Low Deserts. The difficulties are the costs of distance, time and congestion. There has been a lot of discussion among the players about the timing of when they will have to either build higher or farther out. The High Desert needs to become part of those discussions and find ways that costs can be ameliorated.

- **Lower educational levels**

A good deal of effort is underway in San Bernardino County to create educational options for students wishing to pursue technical careers. These are occurring at the community college and the 6-12 grade levels. The lessons of those successful efforts need to be enumerated so that the High Desert can consider adopting them into its school system. Here, the key will be business executives organizing to pressure and help the schools to bring this about. Important efforts of this kind have occurred at Chaffey College and the San Bernardino Unified School District. Efforts at raising four year college work by the local student population have been particularly successful in the Ontario-Montclair School District (*K-8*) and Chaffey Joint Union High School District (*9-12*) as well as in the Coachella Valley's three high schools and College of the Desert. In all of these cases, the targeted populations are very similar to the demographics of the High Desert. To underscore the importance of these efforts, plus four year college needs, the analysis will look at the degree to which companies in the High Desert are spending time and effort plus incurring costs to recruit workers at all levels of their companies and the average time needed to fill those positions.

- **I-15 traffic and long commute times and truck drayage times**

With 450,000 people living in the Victor Valley and an economy heavily dependent on commuters, finding a solution to the congestion on the I-15 is an imperative. It takes a heavy toll on commuter workers. It raises the cost to logistics firms and manufacturers of locating in the region. There have been proposed solutions to this difficulty but they are not high on the priorities of the San Bernardino County Transportation Commission. These include a route along Highway 138 and down the old Route 66 roadbed to Devore, moving truck scales out of the pass and re-engineering truck lanes. Also, discussions about using the Union Pacific/BNSF tracks for commuter rail could be raised, understanding that the Class One railroads are very reluctant partners.

- **A job base made up primarily of lower paying population serving jobs**

Dealing with the lack of better paying jobs in the High Desert fundamentally means putting the area's competitive advantages in the hands of the location consultants who recommend to their clients where to locate. This means having representatives in their

councils. The Mojave Air Quality Management District is one such advantage but one not generally known among in Southern California business circles. Firms locating in the area would no longer have to deal with the Southern California AQMD and its draconian policies for manufacturers and logistics firms. A workforce willing to work for a little less to avoid commuting needs to be documented. Another is the lower cost of facilities. These should make manufacturers a prime target of strategy. It is tougher for logistics firms due to the I-15 and Cajon Pass, but that time should finally be arriving in the near term. The rationale of why Big Lots and Walmart have come to the area will be important to understand.

- **Weakened purchasing power of revenues for city governments**

With inflation out-pacing the increase in tax revenues, the local governments in the High Desert have seen their ability to handle local problems keep pace returning to their pre-recession levels. Property values in the region should go up if single family rentals go down. It is thus in the vested interest of the area's local governments to bring this about, though they have shown little appetite for doing so and have not had real estate allies for such an effort. Meanwhile, a sector by sector analysis of taxable sales gaps should help identify what remaining retail sectors the region needs to target for development.

- **Other strategies**

A fact of doing the type of analysis suggested here is that unexpected issues and strategies generally emerge that were not initially anticipated. That will undoubtedly occur in this case.

**Leadership.** If there is to be any success in changing the current dynamics of the High Desert's economic, demographic and quality of life situation, it must come in the manner in which leadership is organized to undertake recommended strategies. As indicated, this cannot be left to underfunded and overburdened local governments. It will take a concentrated effort by the community's overall leadership.

Here, a recent effort by the city of Boston with regards to its airport is a case in point. For decades, business and passengers in the city had to rely on New York airports to fly non-stop to most destinations. The business leadership organized itself and began pressuring and assisting Boston Logan Airport to convince airlines they should be flying into that facility. They provided the data on the extent their staffs would use the airport. They went with the local airport when discussions were held with potential airlines. As a result, they changed the dynamic and brought about the desired changes.

Another example was the work by the leadership of the Inland Empire Economic Partnership in conjunction with local leaders across the spectrum to undertake an analysis of what should be the future strategies for the overall Inland Empire's future. This was done in conjunction with the Brookings Institute. The effort involved numerous focus groups by various industry, education government and non-profit groups. The report summarized their work and chose four key

strategies. That effort has now transitioned into an organized effort to implement these strategies. Again, this effort was not led by governmental officials, though they cooperated in it. Rather, it was and continues to be led by private sector organizations with a vested interest in their success.

It is proposed that a similar effort be the final step undertaken as part of this strategic proposal.

**Cost.** \$50,000. \$10,000 as a retainer and \$6,666 per month for six months of implementation.

**Time.** Six months from beginning to end.