Case: Economic Diversification in the San Fernando Valley after the 1994 Northridge Earthquake

COMMUNITY PROFILE

The San Fernando Valley is located on the northern edge of Los Angeles and is flanked by the Transverse Mountains on all sides. The Valley overlaps the city of Los Angeles; it comprises about 40 percent of Los Angeles, and 75 percent of the Valley lies within Los Angeles city limits. The Valley is home to 1.76 million residents. Its key industries are aerospace, biotech, business services, entertainment, health services, manufacturing, and wholesale trade. Since World War II, the Valley has been home to a thriving aerospace industry; however, rising costs and declining government contracts have led firms such as Lockheed Martin, Hughes Aircraft Co., and Rocketdyne to relocate or downsize over the past 20 years. In addition, at the time of the Northridge earthquake, the area was suffering from a national recession as well as the loss of a 2,500-worker General Motors plant.

DISASTER IMPACT

These existing economic concerns were exacerbated by the devastating 1994 Northridge earthquake. The earthquake caused around $20 billion in damage in the Los Angeles area, wreaking the most havoc in the west Valley. Sections of freeways collapsed and thousands of commercial and residential buildings suffered partial or complete collapse. Following the earthquake, Los Angeles distributed federal and state recovery funds evenly across 15 city council districts. This meant that districts that were 40 to 50 miles from the epicenter received the same amount of funds as the most devastated areas. In response, Valley leaders took recovery effort into their own hands by forming an economic development alliance, in the form of a public-private partnership, to address the unique needs of the region.

PURSUING AN ECONOMIC DIVERSIFICATION STRATEGY

Establishing a Public-Private Partnership for Economic Recovery

A key group of Valley leaders from both the private and public sectors saw the need and opportunity to unite the recovery efforts of existing groups in the community. After the earthquake, U.S. Secretary of Commerce Ron Brown met with local leaders who determined that the best course of action was to form a new umbrella organization. This initiative was
launched with a $350,000 planning grant from the Economic Development Administration (EDA). The grant would fund the development of a collaborative economic development strategy to respond to the many economic shifts the region was experiencing. The new organization would oversee the strategy and ensure its continuity.

The founding leaders brought to the table the first four partner organizations of what became the Valley Economic Alliance (VEA): the Valley Economic Development Center, the Valley Industry and Commerce Association, the United Chambers of Commerce, and the Small Manufacturers Association. When the first VEA CEO was hired in 1996, he also recruited the San Fernando Valley Conference and Visitors Bureau (CVB), the Valley International Trade Association, the Southland Regional Association of Realtors, and the Valley Leadership Institute. Gaining regional participation was crucial to the process. Prior to the VEA, four Valley cities – Burbank, Calabasas, Glendale, and San Fernando – competed with each other and had uncooperative relationships with the city of Los Angeles. However, VEA leaders continued to emphasize the need for a true regional economic alliance, eventually winning the full support of these cities and formally adding them to the group in 1997.

The VEA took on the form of a 501(c)3 not-for-profit economic development and marketing organization. Its formal mission is to work with public and private stakeholders to grow and sustain the economic base of the San Fernando Valley, as well as to improve the quality of life in the surrounding five-city region. The VEA is governed by a 150-member general board of directors, 33 of whom also serve on an executive committee led by a chairman, president, five vice chairs, a chief financial officer and a treasurer. The VEA has an annual operating budget of approximately $1.4 million, all of which comes from investor donations, special projects and events, and foundation grants.

**Developing a Strategic Plan to Guide Economic Recovery**

The VEA brought together a large number of community stewards to devise a vision for a strategic plan. The planning phase began in 1995, and the plan was put into action the following year when the first full-time CEO was hired. Although VEA leaders contributed a good deal to the plan, they focused on capturing the community consensus. This was crucial to the plan’s success because community leaders needed to feel a sense of ownership in the plan in order to make a stewardship commitment.

The ensuing report, *Economic Alliance Partnerships for Progress*, outlined a strategy to expand further into entertainment and information services, the Valley’s fastest-growing industries. The hospitality industry and small businesses also became prime targets. The plan included five initiatives, each with an assigned vice chair, including

- Workforce preparedness,
- Industry retention and expansion,
- Business in the community,
- Government relationships, and
- Small business assistance.
DEVELOPING THE PLAN

Prepare the Workforce for New Opportunities
The plan advocated forming separate task forces to assess workforce issues for the entertainment and information industries (including finance, insurance, and business services). It also recommended setting up a Business Education Partnership with the Los Angeles Unified School District, high schools, vocational training programs, community colleges, and California State University-Northridge (CSUN) to coordinate with businesses in developing relevant educational programs. The partnership encouraged businesses to expand their internship and mentoring programs as well.

Connect Business Retention, Expansion, and Attraction
The plan suggested recruiting volunteers from Valley businesses to serve on public-private business retention teams. These teams worked with at-risk companies and contact all Valley businesses over a certain employee threshold to encourage them to stay in the Valley. In addition, the teams did business attraction work. The plan recommended working with the CVB to develop marketing materials targeted at specific industries as well as prospective residents. The material included competitiveness data and highlights of the economic health of the Valley.

Tend to the Local Environment for Business
In keeping with the strategic plan, the VEA created business-community forums to foster discussion of common issues. These can take place in the form of town hall meetings or a town council. To address the issue of crime reduction, for example, the plan recommended setting up neighborhood watch programs, marketing the Valley’s positive image regarding safety, and organizing a coalition to influence safety and crime laws.

Facilitate Accessibility to Services
The Valley is home to a high proportion of entrepreneurs. The VEA set up a Valley Government Business Center, a streamlined resource for business permitting, regulation, and information. A special advisory council was recommended to interface with government on regulatory reform. The plan also recommended forming a special task force to address the legislative concerns of home-based businesses in particular.

Develop Specific Programs to Grow Core Industry Sectors
The plan advocated setting up a Small Business Assistance Center to provide one-stop, full-service management and technical assistance, as well as business and entrepreneurial training to local businesses. Another crucial step involved developing a small business revolving loan fund and securing an additional $10 million EDA grant for this fund. The plan also proposed conducting a feasibility and planning study to establish a New Media Technology Center to serve as a business incubator, demonstration center, and after-school center for high school students interested in technology. Lastly, the plan focused on nurturing small manufacturers by
developing a Manufacturing Enterprise Network to provide small manufacturers with timely information on regulatory issues, changing technologies, peer-to-peer problem solving, and other resources to maintain global competitiveness.

**RESULTS**

As the VEA carried out the plan, it began to see successes. The Valley's long-standing aerospace workforce offered transferable skills that were relevant to other types of high-tech manufacturing. New technologies, bioscience, and clean/green manufacturing increasingly replaced the departing aerospace industry. These smart technologies, based on intellectual capital, are less sensitive to jurisdictional disadvantages than traditional manufacturing.

The relocation of the MiniMed research and production facility to the CSUN campus is touted as one example of the VEA's success. CSUN's non-profit auxiliary, the North Campus Development Corporation (NCDC), was tasked with developing 65 acres on the university’s north campus. NCDC worked with economic development officials and a local investor-philanthropist to facilitate a public-private deal that relocated MiniMed to a 504,000-square-foot building on campus. This proximity to campus fostered a close relationship between the university and the facility. MiniMed collaborates with university faculty on research projects and offers student employment through work-study programs, internships, and scholarships.

The VEA continues to evolve economic development strategies and to increase collaboration in the region. In 2001, the VEA developed *Vision 2020*, a set of growth goals for the following 20 years. *Vision 2020* was supported by private funding and focuses on market-driven economic development strategies and civic and leadership initiatives. In 2009, Los Angeles County brought together more than 1,000 stakeholder organizations to create the county’s first consensus strategic plan for economic development. Local leaders also recently launched a San Fernando Valley Council of Governments, which engages the five local city governments on issues of planning, transportation, and economic development.

**SUMMARY**

The Valley's entrepreneurial culture contributed to a proactive response to the earthquake. Locals took it upon themselves to guide the rebuilding without relying on intervention from outside. “What this Alliance has always done is filled out the blanks, smoothed out the surfaces, and made things happen,” according to a founder.

The public-private partnership that created the VEA leveraged the crucial assets of both worlds. In order to maintain global competitiveness, the private sector needs to drive the public debate and maintain relationships with decision-makers. To effectively address workforce issues and to develop a strong economic base, the public sector needs to actively engage the private sector. The Valley’s recovery efforts, as well as long-term economic diversification, hinged on the partnership between public and private organizations across jurisdictions and industries. The result was collaborative brainstorming, dedicated implementation of the plan, and maximized
funding mechanisms. Through this collaboration, VEA leaders succeeded in creating momentum in the Valley that continues to this day.