

POLICY TOPIC PAPER 7.0: JOBS/HOUSING



BACKGROUND

A healthy and sustainable economy is a critical component of a city's overall health, and often a prerequisite to achieving community goals including infrastructure improvements, adequate services, safety, and upkeep. A range of factors determine the economic health of a city, including the number and diversity of businesses; the number of jobs in relation to resident workforce; resident income and wages; resident and business spending patterns; and levels of employment, among others.

The jobs/housing ratio, the ratio of available jobs to available housing in the community, has been commonly used by planners and decision-makers for many decades to identify the need for attracting and retaining employment-generating uses. Like many regional agencies, the Sacramento Area Council of Governments (SACOG) also uses jobs/housing assessments to plan for the allocation of jobs and housing growth in the greater Sacramento region.

Why do indicators matter?

- Better understand strengths and weaknesses
- Identify appropriate role in the region's economy
- Provide way to measure if economic policies are effective

Jobs/Housing Ratio

A jobs/housing ratio is a calculation of jobs per housing units available in a given area. A low jobs/housing ratio can indicate a housing-rich community with fewer available jobs for its residents, while a high ratio can correlate to a jobs-rich area with more jobs available for residents. In a community with a low jobs/housing ratio, working-age residents are more likely to need to commute to work, which, depending on their mode of travel, can contribute to regional congestion and air pollution, and can increase individual time lost, stress, and travel costs. Providing for a better balance between jobs and housing in a particular community can enhance quality of life and improve environmental conditions.

Indicators of Economic Health

While the jobs/housing ratio is an important and informative tool to advance land use and economic goals, it is not an indicator of all economic health factors. Other considerations that need to be accounted for include the type of available jobs relative to the skill set of the local workforce, and lifestyle preferences (e.g., preferences for urban, suburban, and rural lifestyles). While the jobs/housing ratio has limitations as an indicator of overall economic health, it does provide useful information regarding the City's role in the regional economy (i.e., whether it is a jobs importer or exporter), and

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the number of job opportunities in the community. The following are additional economic indicators that are often used to support land use decisions.

Locally Employed Workforce

In addition to a jobs/housing ratio, the City can evaluate the percentage of its residents in the workforce (those ages 18–65 who are able and desire to work) who are employed in Elk Grove. The proportion of residents employed in the City can be compared year over year and to other jurisdictions in the region. While this is useful information, it is not directly influenced by City policies and land use decisions, as the City cannot determine specifically what types of jobs would be offered at a given location, nor can the City control for various factors that determine who fills available job openings. As discussed below, given the dynamics of the region's economy, for the foreseeable future it is anticipated that a larger percentage of residents will likely continue to be employed outside the City than within it, so this measure only shows a partial picture of economic health.

Worker Inflow/Outflow

Jobs inflow/outflow compares the number of commuters who live outside the City and come in for work (inflow) to the number of commuters who live in the City and commute elsewhere for work (outflow). In Elk Grove in 2014 (according to the US Census American Community Survey), approximately 90 percent of employed residents commuted to a job outside of Elk Grove (outflow), and about 75 percent of the jobs available in Elk Grove were held by employees who commuted into the City for work (inflow). About 25 percent of jobs available in Elk Grove were held by an Elk Grove resident.

Inflow/outflow provides useful information about behaviors and needs of residents. However, as previously mentioned, influencing the many factors that directly impact where people travel for work through land use policy is challenging. Therefore, inflow/outflow analysis is better used as an economic indicator than as a policy objective.

Quality of Available Jobs

While the number of jobs is important information, other details about jobs also influence the economic health of the City. Other important considerations include:

- **Wages:** Higher wages can indicate a healthy economy; however, it is important to note that there needs to be a diversity of jobs available at a number of pay ranges to match the skills and education levels of the resident workforce, including semi-skilled and unskilled jobs that likely pay lower wages than skilled or professional positions.

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- **Resident Skills and Education Levels:** Different jobs require different skill sets, levels of education, and experience in the field. In general, it is beneficial to match employer needs to the skills and education levels of the resident workforce.
- **Industry:** For the purposes of a city's economic health, not all jobs are equal. Different industries have different employment multiplier effects. An employment multiplier is used to determine the impact a particular industry will have upon a local economy when it arrives or departs. In its simplest terms, the employment multiplier estimates the number of direct, indirect, and induced jobs associated with an industry that are created (or lost) in the local area. Direct jobs are in the specific industry, while indirect jobs support the industry. Induced jobs result from direct and indirect employees spending wages in the community. Generally, industries with a higher multiplier are more desirable. For example, industries like chemical and similar product manufacturing have a high multiplier (5.6), while retail jobs have a comparatively low multiplier (0.8) (<http://www.contentfirst.com/multiplier.shtml>)

Land Use Preference

A less measurable, but nonetheless important indicator to consider is the land use preferences of employers. Certain industries are more suited to the existing environment in certain communities. Different industries have real differences in content of employment as well as the makeup of the built environment. At one end of the spectrum, agriculture requires extensive land with limited urban development. On the other hand, manufacturing jobs typically call for higher employee density (more employees per square foot) and extensive infrastructure.

Structural Economic Changes

The effects of macro economic forces on the nature and type of work can have an effect on the City's ability to increase its jobs/housing balance and locally employed resident base. Large companies are increasingly relying on fewer employees to do the same amount of work and off-shoring employment, while the amount of physical space being provided for employees continues to decrease in many traditional industries, especially in corporate office and tech environments. Companies are increasingly allowing employees to work remotely, and companies, especially in the tech industries, are outsourcing hiring to contract labor providers that pay low wages with limited benefits. The aforementioned EPS employment analysis indicates that 37% of Elk Grove businesses are home-based and 11% of Elk Grove employment is home-based. The same analysis indicates that 34.4% of total Elk Grove jobs were located at the City's 25 largest employers. These structural indicators place additional emphasis on adopting land use planning policies that encourage small startup companies, sole proprietorships, home-based businesses, and co-working environments, and the City's General Plan may need to establish goals and policies to promote these land uses to increase local employment options for Elk Grove residents.

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Limited Commercial Facilities

Currently, Elk Grove has a limited amount of existing commercial space to accommodate those businesses that wish to locate in Elk Grove by occupying vacant pre-existing buildings. For example, as of this writing, only six non-retail commercial facilities greater than 15,000 square feet are available for rent in Elk Grove, and only three retail properties. The quality of even these spaces varies widely, and most are not suitable for traditional manufacturing, medical, or tech industries, for example. At the same time, available commercial land for ground-up development is prevalent; however, constructing new facilities for new and expanding businesses is often not desirable for a particular user because of the increased complexity, cost, and time to do so in comparison to built space. This situation exacerbates the City's ability to attract new employment dense businesses or help existing businesses expand their operations. Unlike the residential construction sector, speculative construction of commercial space (especially non-retail) is limited to non-existent at this time in Elk Grove. Complicating matters further, other areas of the region do have robust portfolios of built commercial space. As a result, the General Plan may need to establish goals and policies that encourage speculative commercial construction so the City is pre-positioned with a robust portfolio of existing buildings.

Jobs/Housing Ratio as a Primary Indicator

While the jobs/housing ratio has limitations as an indicator of overall economic health, it does provide useful information from a land use planning perspective.

- Jobs/housing is a simple and easy-to-perform analysis, and can be consistently replicated. Total employment and housing are available through several reliable sources including the US Census and the California Department of Finance.
- Jobs/housing is also an easy measure to understand. Community members can quickly grasp what the indicator is showing and understand factors that impact it. A jobs/housing ratio is also one of the key indicators used at the regional level to determine progress toward land use, economic, and sustainability goals, and to allocate regional transportation dollars.

For a jobs/housing ratio to be a meaningful indicator, it is important to ensure that any ratio that is established as a goal is tailored to the community. A variety of factors influence the jobs/housing ratio, including land availability, existing worker skills, housing affordability, the land use types that the community prioritizes, and employee preferences about the type and location of work they wish to or are qualified to perform.

Benefits Attributed to a Balanced Jobs/Housing Ratio:

- Reduced driving and congestion
- Fewer air pollution and emissions
- Lower cost to businesses and commuters
- Lower public expenditures on facilities and services
- Greater family stability
- Higher quality of life

SCAG, The New Economy and Jobs-Housing Balance in Southern California, April 2001, pp. 19-20.

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Elk Grove is located near the State capitol in Sacramento, which is a large employment center. The City has relatively lower housing prices and generally offers higher quality suburban amenities than locations more proximate to the capitol. This makes the City an attractive housing location for many families, which among other factors contributes to a lower jobs/housing ratio in Elk Grove compared to locations more proximate to the region's existing employment centers.

However, simply attracting new jobs to Elk Grove without commensurate housing could be problematic. If the jobs added are not matched to the skill set of nearby employees, workers will continue to commute to jobs in Elk Grove from locations like Natomas, Rancho Cordova, Folsom and other locations in the region, and Elk Grove residents will continue to commute to jobs out of the City, contributing to longer commute times and higher vehicle miles traveled (VMT; see policy paper 9.0, *Mobility System Standards*).

The key, therefore, to identifying an appropriate target jobs/housing ratio is ensuring a balance that fits the needs of the community, offers a range of desired options and opportunities for potential living and work locations, and provides adequate access to local and regional job centers using multiple modes of transportation. Providing a variety of diverse housing types and creating places that support a variety of lifestyle choices and incomes can help to ensure that housing options are well-matched to employment options.

Current and Anticipated Future Jobs/Housing Ratios

A report by SACOG in 2015 listed the jobs/housing ratio in 2008 for Sacramento County as 1.22:1, and for the Sacramento region as 1.18:1¹. SACOG has established a target jobs/housing ratio of 1.4:1 for the region. Elk Grove's existing Economic Development Element includes Policy ED-7-Action 1, which calls for the City to continue to improve Elk Grove's jobs/housing ratio and seek to achieve sufficient employment opportunities in Elk Grove for all employed persons living in the City, while continuing to promote the City's role as a regional center. Elk Grove may set its own jobs/housing ratio target that considers factors specific to the community to provide guidance on planning and development decisions.

According to a recent study conducted by Economic & Planning Systems (EPS), Elk Grove's jobs/housing ratio was approximately 0.86:1 in 2013². This ratio may indicate that there are a high number of

¹ Sacramento Area Council of Governments. 2008. Metropolitan Transportation Plan/Sustainable Communities Strategy. <http://www.sacog.org/metropolitan-transportation-plansustainable-communities-strategy>.

² The SACOG report from 2015 used different sources of information to establish the basis for the Regional Transportation Plan. SACOG's sources of information identified fewer home-based jobs and a lower employee per square foot assumption than the EPS study, which led to the conclusion of a lower jobs/housing ratio of 0.6:1 in the City and 0.49:1 in the larger planning area.

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residents who commute elsewhere for work, based either on limited employment options available in the City, or a mismatch in the types of jobs available and the skills of the workforce.

To achieve a more balanced job/housing ratio or a ratio that more closely mirrors that of the broader region, the City needs to continue to attract a diverse range of employment rich businesses and industries, which could result in significant investment costs for infrastructure and development incentives, but could also provide significant community benefits in terms of commute times, economic diversity, and quality of life. Based on estimates completed using SACOG's Urban Footprint land use model, the existing General Plan, inclusive of the recently adopted Southeast Policy Area, identifies planned land uses that would result in a jobs/housing ratio of 1.34:1 at buildout (which is not anticipated to occur within a specific year; this also assumes maximum intensity of development of all employment-designated lands). This would be a similar jobs-housing ratio to that targeted by SACOG for the entire region for 2035. However, all of Elk Grove's anticipated jobs and housing growth is not anticipated to occur by 2035 – it is assumed that a certain proportion of the growth would occur after that time. Future land use alternatives to be considered by the Planning Commission and City Council as part of the General Plan update may introduce more aggressive or conservative jobs and housing growth scenarios to respond to multiple related factors.

QUESTIONS

Questions to be considered relative to the jobs/housing balance in the General Plan include:

- Should the City establish a jobs/housing goal as part of the General Plan land use plan, and how should that goal relate to Elk Grove's role in the larger Sacramento region (e.g., bedroom community, jobs center).
- What other indicators should the City consider to identify economic vitality and progress toward community economic goals?

SUMMARY RECOMMENDATIONS

Based upon the issues identified in this paper, staff recommends the following considerations for the updated General Plan. Commission and Council direction on these items will be consolidated with that provided for other key policy topics to inform the direction and contents of the draft General Plan update.

Policy Topic 7.0: Jobs/Housing

7.1 To help achieve a higher jobs/housing ratio and at the same time ensure more Elk Grove residents can be employed within the City, the City should consider establishing the following goals, objectives, and policies as part of the draft General Plan:

GOAL: A Higher Jobs/Housing Ratio, Increased Range of Housing Options, and More Residents Employed Locally.

- Establish a 1.0:1 jobs/housing objective in the City by 2025, and a 1.2:1 jobs/housing ratio objective in the City by 2040.
- Establish objectives that 35% or more of resident workers will be employed directly by businesses located in Elk Grove by 2025, and 50% or more of resident workers will be employed directly by businesses located in Elk Grove by 2040. *(This represents approximately a 10% increase from current conditions by 2025, and a 25% increase from current conditions by 2040.)*
- Complete a study to determine the skills of the resident workforce and identify target industries that are both jobs dense industries and present viable employment options for Elk Grove residents given their skill levels and lifestyle preferences. Align business attraction and infrastructure development efforts accordingly.
- Provide for a range of housing options that match the anticipated preferences and income levels of potential workers associated with planned employment-generating projects.
- Consider the multiple cost factors (e.g., fees, cost of service, construction costs) necessary to support new commercial development in Elk Grove. Identify the City's role in determining these costs, and explore or otherwise promote efforts to reduce this burden in a manner consistent with other General Plan goals and objectives.
- Update and present a local employment trends report to the City Council on an annual basis.

GOAL: A New Regional Employment Center

- Designate sufficient areas for priority business and job locations to achieve Major Employment Center status in the Sacramento region's Sustainable Communities Strategy. While the Southeast Policy Area will serve this role, consider additional opportunities³.

³ Major Employment Centers are defined by SACOG as areas: a) that support concentrations of at least 10,000 "base" jobs (i.e. including manufacturing, office, medical, educational, and service employment, and excluding sectors like retail and restaurant uses), at average density of eight or more jobs per acre; and b) where 80 percent or more of the uses within the center are employment, not residential.

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- Continue efforts to attract larger employers that will help establish Elk Grove's place in the regional economy.
- Continue to invest in public infrastructure to attract target industries to Elk Grove, such as improved broadband capacity and reliability, road construction and maintenance, public transit, new and upgraded public utilities, and adequate community services.

GOAL: Balanced and Diverse Economic Growth

- Require and provide for a variety of sizes and types of commercial development to attract a diverse range of job opportunities and types.
- Continue to provide for and support existing, small, and home-based businesses and enable them to grow.