ITEM# IX A

1, 2, 3

Arroyo Verdugo Communities Joint Powers Authority

DATE: December 2025

TO: Governing Board

FROM: Sheila Rossi – Mayor, City of South Pasadena

SUBJECT: Summary of Key Items – SCAG Joint Policy Committees (December 4, 2025)

BACKGROUND

On December 4, 2025, the Southern California Association of Governments (SCAG) convened a special joint meeting of its three primary policy committees:

- Community, Economic, and Human Development (CEHD)
- Energy and Environment (EEC)
- Transportation Committee (TC)

The purpose of the joint meeting was to bring together land use, economic, environmental, and transportation policy leadership around cross-cutting regional issues. Unlike typical committee meetings, this agenda was intentionally narrow and strategic, focusing on regional economic conditions, major upcoming investments, and resilience in the face of large-scale disasters.

For AVCJPA, the meeting is relevant not because of immediate action items, but because it provides forward-looking regional context that will shape transportation investment priorities, infrastructure resilience planning, and economic conditions affecting member agencies.

KEY AGENDA ITEMS OF INTEREST

1. 2025 Southern California Economic Update and LA28 Games Economic Impacts

(Information Item – Joint Presentation to CEHD, EEC, and TC)

SCAG presented its **2025 Southern California Economic Update**, supplemented by discussion from the Economic Roundtable and committee members. The presentation underscored a structurally weak regional labor market, masked by growth in a limited number of sectors, and highlighted emerging pressures from artificial intelligence, demographic shifts, and infrastructure demand.

Key Economic Conditions (2025)

Labor Market Trends

- The regional labor market remains weak overall, with lowest annual job creation since 2011 and *almost no net job growth* across the SCAG region.
- Unemployment is increasing among workers aged 16–24, signaling growing barriers to entry-level employment.
- Job growth is largely confined to healthcare and the public sector, masking broader stagnation across private industries.

Technology and AI Impacts

- AI adoption is materially reshaping employment patterns, particularly at the entry level:
    - High-tech employment erosion appears to coincide with the widespread adoption of generative AI tools (e.g., ChatGPT).
    - Software and coding functions are increasingly automated, reducing demand for junior and mid-level technical roles.
- In contrast, healthcare employment is at an all-time high, with AI functioning primarily as a labor-augmenting tool rather than a replacement—supporting efficiency while sustaining workforce demand.
- New healthcare facilities are actively being planned and built, reinforcing this sector's stability.
    - Demographic factors point to this sector's growth being limited in the long-term.

Industry-Specific Conditions

- Manufacturing has become increasingly automated, limiting employment growth even where production remains strong.
- Entertainment / Hollywood employment remains depressed following the strikes, with continued job losses attributed more to structural AI disruption than to labor actions alone.
- Office vacancy rates are rising sharply, particularly in Los Angeles County:
    - LA County office vacancy rate reached approximately 23.9%.
    - Hybrid and remote work models are reducing space demand, while weak job creation limits absorption.
- Tourism remains relatively stable, with domestic travel partially offsetting declines in international visitors.
- Foreign trade volumes and cargo flows through the Ports of Los Angeles and Long Beach have not been materially impacted by tariff policy, despite ongoing uncertainty.

Housing Development

- Residential development has remained relatively stable over the past decade, showing limited expansion despite extensive state housing legislation.
- This stability suggests structural constraints—such as financing, labor, infrastructure, and market conditions—continue to limit housing production beyond regulatory reform alone.

Regional Variations

- **Los Angeles County**
    - Overall economic growth is limited (~0.3%), driven primarily by healthcare sector growth (~5.3%).
    - Most other sectors are flat or contracting.
- **Imperial County**
    - Emerges as the third-largest renewable energy producer in the region.

- Increasing water transfers—potentially linked to energy-intensive uses such as data centers—are affecting agricultural activity and raising long-term infrastructure and resource management concerns.

Outlook for 2026 and Beyond

- Employment growth is expected to remain slow**,** with structural headwinds persisting.
- Anticipated interest rate cuts (up to three in the coming year) may increase participation in real estate markets and modestly improve housing and commercial development activity.
- Logistics and goods movement are expected to see renewed growth as tariff policies stabilize.
- LA28 Olympic and Paralympic Games are projected to be a primary driver of short-term job growth in 2028**,** particularly through accelerated infrastructure delivery.
- Growing demand is anticipated for:
  - Data centers
  - Electrical grid capacity and reliability
  - Associated energy infrastructure—raising concerns about energy costs and system resilience**.**

LA28 Economic Impact Highlights:

- Estimated $13.6–$17.6 billion in additional regional GDP between 2024–2029.
- Although 37 of 41 competition venues are in Los Angeles County, approximately 33% of economic impacts are expected to accrue to the other five SCAG counties through visitor spending and regional supply chains.
- A portion of Games-related transportation infrastructure investments is included in the analysis, underscoring the economic multiplier effect of accelerated and upscaled transportation projects.
- The LA28 Committee has dedicated $160 million to youth sports development, and the Games timeline has already driven renewed urgency around completing long-planned transportation improvements.

Relevance to AVCJPA:

This item reinforces the strategic importance of transportation infrastructure delivery over the next several years—not only to support the Games, but to secure long-term regional economic benefits. AVCJPA member agencies may see increased pressure to align local and subregional projects with regional mobility, reliability, and resilience goals tied to LA28 and post-Games legacy planning.

For AVCJPA member agencies, the Economic Update reinforces several key takeaways:

- Transportation infrastructure investment remains one of the few consistent economic stabilizers amid weak labor growth.
- AI-driven changes to employment may alter commute patterns, peak demand, and land use assumptions underlying long-range transportation planning.
- Rising office vacancies and hybrid work trends may reduce traditional commute demand while increasing non-peak, local, and discretionary travel.
- LA28-related infrastructure acceleration presents both near-term opportunity and long-term legacy considerations**,** particularly for regional mobility, system resilience, and goods movement.

2. Regional Recovery and Resilience in the Face of Disasters

(Information Item – Expert Panel Discussion)

A significant portion of the meeting was devoted to a high-level panel discussion on disaster recovery and resilience**,** prompted by recent wildfire events in Los Angeles County (including the Palisades and Eaton Fires).

Panelists included:

- Dr. Lucy Jones (Dr. Lucy Jones Center for Science and Society)
- Leadership from Los Angeles County and City of Los Angeles planning and recovery offices
- California Forward

Key themes emphasized:

- Southern California has entered a "new era" of climate-driven disasters**,** requiring a shift from reactive recovery to proactive resilience.
- The current disaster recovery framework is fragmented**,** with FEMA typically involved for only six months before responsibility shifts to HUD and local governments with limited guiding structure.
- Infrastructure systems—including transportation corridors, water systems, and utilities—are increasingly exposed to cascading risks from fires, floods, and hazardous material contamination.
- Receiving cities and regions must plan for displaced populations, with implications for housing, schools, transit demand, and local services.
- Insurance market instability means public investment in risk reduction may be necessary to stabilize long-term recovery capacity.
- Strong emphasis on regional collaboration**,** shared financing tools, and cross-jurisdictional planning rather than isolated local responses.

Relevance to AVCJPA:
For a transportation-focused JPA, this discussion underscores the need to integrate resilience, redundancy, and climate adaptation into transportation infrastructure planning. It also highlights an emerging expectation that regional transportation agencies play a role in post-disaster recovery logistics, mobility continuity, and inter-jurisdictional coordination**.**

RECOMMENDATION

That the AVCJPA Governing Board receive and file this summary and note the following implications for future consideration:

- Monitor how LA28-related transportation investments and accelerated project delivery may affect regional funding priorities and timelines.
- Consider incorporating resilience and disaster recovery considerations more explicitly into subregional transportation planning discussions.

- Track future SCAG actions that may translate these high-level discussions into funding programs, policy guidance, or regional mandates.

STRATEGIC PLAN CONSIDERATION

The December Joint Policy Committee meeting aligns with AVCJPA strategic interests related to:

- Long-term transportation infrastructure investment
- Economic competitiveness linked to mobility and access
- Climate resilience and system reliability
- Regional coordination across jurisdictions and sectors

FISCAL IMPACT

None directly associated with this item. Indirect fiscal impacts may arise in future years through regional funding shifts, accelerated project delivery, or resilience-related infrastructure requirements.