

3.3.3 ECONOMIC IMPACTS

1. The economic impact analysis dismisses indirect effects of the build alternatives and presents misleading results.^{1,2}

There are numerous and important general deficiencies in the economic impact analysis³ that render it completely inadequate:

- Property and sales tax changes are only calculated for businesses that are required to be relocated for project construction, and employment impacts only consider the number of job losses due to required business relocations and job increases created by building and operating the respective project. The report does NOT consider other notable direct and indirect economic impacts that affect taxes and employment such as 1) business disruptions caused by construction activities, 2) impacts to businesses and tourism caused by adverse environmental impacts (e.g. noise, air pollution, loss of visual quality, undesirable location near freeway exits, mobility access, etc.), and 3) business opportunities brought to areas with new public transit.
- Claims that retail sales tax revenue would increase for cities affected by the Build Alternatives during the construction period is not quantified or supported. Also it is not explained why the single-bore tunnel variation would bring greater retail tax revenues than the dual-bore variation.
- It is implied that employment opportunities relating to constructing and operating the Build projects are realizable to the communities that are most impacted by the projects. This is not supported. For example, only 3 companies have been identified which are capable of building and operating a 60-foot diameter Tunnel Boring Machine. Two out of three of these companies are foreign; thus, it is very possible that most of the best paying jobs would be staffed by non-U.S. residents who are only temporarily located in the region.
- A summary table of employment, sales tax and property tax estimates for the above information is not provided so that economic impact comparisons can be made between the SR-710 alternatives and their options. Consequently, reviewers cannot evaluate the project's costs and benefits in a meaningful way. This is required to meet the projects stated objective to "maximize the cost efficiency of public investment."⁴

¹ CEQA section 15358b – "(2) Indirect or secondary effects which are caused by the project and are later in time or farther removed in distance, but are still reasonably foreseeable. Indirect or secondary effects may include growth-inducing effects and other effects related to induced changes in the pattern of land use, population density, or growth rate, and related effects on air and water and other natural systems, including ecosystems."

² NEPA (40 CFR 1508.8)

³ SR-710 Community Impact Assessment, Volume 2, App. C, Sec. 5.

⁴ NEPA (40 CFR 1502.14)

2. The economic impact analysis fails to recognize unique economic environmental impacts for the tunnel alternative.^{1,2}

The economic impact analysis trivializes the impacts of the tunnel alternative. In addition to problems cited in the first Finding of Inadequacy above, the analysis omits significant other tunnel economic impacts.

First, the Draft EIR/EIS fails to recognize the City of Pasadena as a cultural site of national and international significance. The city is a destination for tourists and local, national and international events related to art, music, architecture, entertainment, science, engineering, technology and sports. The Pasadena community is dependent on both tourism and cultural events for its economic vitality. Pasadena's unique attractions as a destination and as a residential community are in turn dependent on the beauty of its physical setting, the charm of its historic buildings and neighborhoods, the attractiveness of its tree-lined streets and boulevards, and the active cultural life of the city. Both the direct and cumulative impacts of adding an 8 lane freeway through the heart of Old Pasadena, a National Register historic district, cannot be assessed by the physical impacts to any one historic building or structure; rather, Pasadena's unique character is sensitive to the collective impacts on the city as a whole. A Finding of Inadequacy on this subject is detailed in Section 3.3.1. Business revenue losses will result from project activities that divert or discourage business patronage, or disrupt and interfere with community events that stimulate business activity. Business revenue reductions will result in reduced funds available for maintaining community infrastructure, amenities and private property resulting in eventual facility failure and lost business opportunity. Both public and private maintenance and replacement budgets are already limited and failure to recognize new project impacts on public and private maintenance activities will contribute to community blight.

A key example of an important revenue stream for the City of Pasadena is the annual Tournament of Roses Parade and Rose Bowl football game. These events attract nearly 800,000 people each January 1 and serve as the stimulus for significant business activity and tourism, locally and regionally. The Draft //EIS fails to quantify both public and private revenue losses created by the freeway tunnel alternative. The parade is expected to be significantly impacted by the tunnel alternative because 1) The broadcast and grandstand area is very near the tunnel north portal and will be negatively impacted by noise, air and visual quality, 2) The '210 stub' and its associated bridges (some of which are planned to be torn down) are used as parade staging areas, and 3) The parade route passes directly over the proposed north portal freeway exit and through (or nearby) the tunnel exhaust towers. The economic consequences extend beyond the parade quality, staging and attendance; hotels, nearby restaurants and shops throughout the city will also suffer the indirect economic consequences resulting from a degraded parade experience.

Other examples of key Pasadena cultural events, institutions, museums and schools that are likely to suffer economic environmental impacts resulting from the tunnel alternative are described in a Finding of Significance in Section 3.7. The EIR/EIS process should survey the items listed there and consider the economic impacts to the City of Pasadena as a whole. The historic district of Old Pasadena, a thriving center for shops, restaurants, cultural events and urban living, is of notable concern due to its immediate boundary adjacent with the north tunnel portal area.

Pasadena's renown and success is based on its inimitable "Sense of Place." Such long-term construction, with its collateral multiple adverse impacts, is guaranteed to degrade all aspects of its quality of life for residents and visitors alike. It is not hyperbole to extrapolate that the effects of both tunnel construction and operation pose an existential threat to this unique southern California city.

Second, the Draft EIR/EIS fails to consistently address and summarize economic impacts for the five tunnel options; consequently, the relative impacts for the options are not understandable. Using the single-bore variation as an example, operations/maintenance costs and jobs numbers are presented for an option that includes trucks and tolls, and for an option that includes trucks, tolls and express buses. Inexplicably, an estimate is not given for the option that includes tolls but no trucks. Similarly, for the dual-bore option, operations/maintenance costs and job numbers are given for toll and no-toll options. For the no-toll option there is no discussion of differences in impacts if trucks or no-trucks are baselined. The analysis is incomplete and a summary table of all of the tunnel options and their economic impacts is not presented.

Third, the Draft EIR/EIS fails to consider likely and foreseeable changes in economic activity if the freeway tunnels are NOT built. Two SR-710 'stubs' were created in the cities of Pasadena and El Sereno in 1955 in anticipation of an extended freeway. These unproductive and unattractive areas have divided and plagued these communities for 60 years. The Draft EIR/EIS falsely assumes that these 'stubs' will remain unchanged if the freeway tunnel is not built. This is not a realistic assumption. On multiple occasions and as late as 2014, Pasadena citizens have organized to support the recovery and development of the '210 Stub' in their city. A recent community-led effort called the Connecting Pasadena Project (CPP) was initiated in 2014 to draft master planning alternatives that replace the '210 stub.' Two workshops were conducted with residents, community leaders and experts to develop plans that would both address transportation needs and be economically viable, sustainable, attractive, and beneficial to Pasadena and the region. A copy of the CPP report is documented as an Attachment in Section 2.3⁵. This plan is supported by numerous prestigious organizations, by the Pasadena City Council and nearby cities, and by the Beyond the 710 coalition. Plans for redesigning the 710 stub in El Sereno also have been developed throughout the years. Recently, Nelson Nygaard and the Beyond the 710 coalition have developed a plan for this area that both addresses transportation concerns and serves the community⁶. Both the CPP plan for Pasadena and the Nelson Nygaard plan for El Sereno should be considered as part of the economic environmental impact analysis.

3. The criteria for a 'significant impact' related to business and job disruptions during construction periods is not disclosed, and claims of 'no significant impact' are not warranted for the cities of Pasadena and Monterey Park.

In the SR-710 Community Impact Assessment Volume II, Appendix C, Economic and Fiscal Impact Evaluation, Section 5.4.3 Economic impacts, projected business and job disruptions during construction were presented for each alternative location. It is followed with a conclusion

⁵ 'Connecting Pasadena Project (CPP), Report to Pasadena City Council', April 13, 2015.

⁶ http://www.beyondthe710.org/better_alternatives

of 'no significant impact' in both Section 5.6.4 of this appendix and in Table ES.1 of the SR-710 Community Impact Assessment Community Impact Assessment Volume 1. However, no criteria were provided for determining a 'significant impact' and claims of 'no significant impact' are not supported by data presented. Furthermore, a comparative analysis for possible cumulative effect or proportionate impact was not provided.⁷

Using the tunnel alternative as an example and using Draft EIR/EIS data provided in Appendix C, Sec 5.4.3 we have created Table A to show that a total of 948 businesses with 42,252 employees have the "highest likelihood of business disruption during the construction period". A few businesses were identified as "large business" based on their respective number of employees. These include Huntington Hospital, NASA/JPL and the County Sheriff. There was no discussion of how business disruptions to these large employers would affect the region or the communities where they reside.

Table A also shows that 93% of businesses and 49.7% of employees that have a 'high likelihood of disruption' in the study area are located in the City of Pasadena, demonstrating a very large and disproportionate impact to that city. Moreover, 22.4% of all Pasadena employees are likely to be affected (all of Pasadena falls within the study area). Three major Pasadena employers were identified as affected - NASA/JPL, Huntington Hospital and USPS. There was no discussion as to why a 5-year disruption to these businesses would not be a significant impact. Furthermore, the number of employees at JPL is inconsistently stated in the Draft EIR/EIS as either 5,000 or 6,000 persons.

The second highest rate of business and job disruption is projected to be in Monterey Park, where 49% of the impacted employees in the study area reside. Moreover, 82.1% of Monterey Park employees working in the study area – 20,759 persons total - are likely to be affected. It was not stated how many of these employees work for the LA County Sheriff's Department, nor why disruption of a major regional law enforcement agency would not result in any consequences or significant impact to the community.

⁷ NEPA (40 CFR 1508.27)

Table A: Business and jobs with the ‘highest likelihood of business disruption during the construction period’ for the freeway tunnel alternative (within a quarter-mile area of the project (created by WPRA from data found in SR-710 Community Impact Assessment Volume II, Appendix C, Economic and Fiscal Impact Evaluation).

Location	# Businesses With 'High Likelihood' of Disruptions (1)	% of the Total Businesses in Study Area with 'High Likelihood' of Disruptions (2)	# Jobs With 'High Likelihood' of Disruptions (1)	% of the Total Jobs in Study Area with 'High Likelihood' of Disruptions (2)	Total # of Jobs the city has in the Study Area (3)	% of Total City Jobs in the Study area with a 'High Likelihood' of Disruption' (1)	Remarks in Report (4)	Impact Claimed (5)
Alhambra	11	1.2%	291	0.7%	23,046	1.3%	None	No significant impact
Los Angeles (El Sereno)	20	2.1%	166	0.4%	5,453	3.0%	None	
Monterey Park	25	2.6%	20,759	49.1%	25,296	82.1%	“The County Sheriff is a major employer in the area”	
Pasadena	884	93.2%	21,014	49.7%	93,981	22.4%	“Large business within a quarter mile of the Freeway Tunnel Alternative include the NASA Jet Propulsion Laboratory (approx. 5,000 employees), Huntington Hospital (approx. 3,100 employees), and the United States Post Office (approx. 1,200 employees)”	
Los Angeles (East LA)	8	0.8%	22	0.1%	Not stated	Not stated	“Small portion of the project area”	
Total	948	100.0%	42,252	100.0%	N/A	N/A	N/A	

(1) Within 1/4 mile of project (App. C, Sec. 5.6.1)

(2) Calculated

(3) App. C, Table 4.5, 2011 Primary Jobs

(4) App. C, Sec. 5.6.1

(5) Community Impact Assessment Vol. 2, Sec. 5.6.4

4. The economic impact analysis trivializes the economic consequences of business relocations in environmental-justice-sensitive unincorporated areas by using inappropriate screening criteria.^{1,2}

The economic impacts for unincorporated communities such as East Los Angeles and El Sereno are dismissed by using insensitive screening criteria. Economic impacts are calculated as a percentage of the entire Los Angeles County or City of Los Angeles, which is inappropriate.

Using the tunnel alternative as an example, the Draft EIR/EIS shows a < 0.01% loss of jobs due to relocation and a < 0.01% loss of property taxes for these communities. See Community Impact Assessment, Volume II, Appendix C, Section 5.6, Tables 5.10, 5.11, 5.12. These extremely low numbers are achieved by dividing the total losses in these small communities over the entire City of Los Angeles and/or Los Angeles County. In fact, El Sereno and East Los Angeles are distinct areas and the losses described will be a significant portion of the total revenue stream for these Environmental Justice Communities. At minimum, calculations should be based on the total jobs/revenue of these local communities, or a relevant economic unit.

Furthermore, the Draft EIR/EIS needs to examine in detail the economic impacts on Environmental Justice Communities and specify project revisions that will take place to mitigate these impacts.

5. The economic impact analysis improperly uses the cost of the Project Alternatives as the only determining factor for employment calculations; consequently the report is biased to favor the most expensive alternative – the freeway tunnel.⁸

The Draft EIR/EIS economic impact analysis promotes the most costly projects as being 'beneficial' because they create more jobs. However, the true cost of creating these jobs are not known or explained. The overly simplistic analyses contained in the report do not identify the source or cost of funds being utilized to build the projects. Nor does it account for job gains/losses created by either direct or indirect environmental impacts resulting from the project (see above). The economic analysis is further weakened by the fact that the SR-710 alternatives do not achieve the same objectives and are vastly different in scope and scale.

Furthermore, if job creation is a goal, equivalent levels of expenditure can be achieved by increasing the scope of less expensive alternatives, or implementing other worthy transportation projects in the region. For example, investments could be made on improving the public transit system, the heavy rail system, transportation system maintenance, or transportation security.

6. The RIMS II methodology and multiples used to estimate job creation for the build alternatives are not fully explained, or disclosed in a manner that can be validated for accuracy.^{9 10}

The RIMS II multipliers are derived from economic modeling developed by the Bureau of Economic Analysis (BEA)¹¹ and are only available to the public for a fee; consequently, it is unavailable to most citizens. Moreover, while the RIMS economic analysis may be well known in government and development circles, it is not generally familiar to laypersons and those in other professions or industries. The Draft EIR/EIS did not clearly state that while the BEA supplies the models and multiples, it does not endorse any estimates and/or conclusions resulting from those models and multiples.

The RIMS II methodology is complex and judgment is required in the selection of the assumption inputs and multipliers. The Draft EIR/EIS failed to provide an adequate discussion of the process used¹² that would allow the reader to have confidence in the results. There was no information on the selected input variables or multipliers, nor were calculations presented. Thus, the public and decision makers are unable to check the reasonableness or accuracy of the results.

⁸ NEPA (40 CFR 1502.2)

⁹ NEPA (40 CFR 1502.8)

¹⁰ NEPA (40 CFR 1502.24)

¹¹ A branch of the US Department of Commerce

¹² See Community Impact Assessment Volume 1, Sec. 6.4 and Volume 2, Appendix C, Sections 3.4.3, 5.0.

7. Demographic Projections for the Study Area were based on only one data source, and growth claims are misrepresented and grossly overstated¹³

Demographic projections, such as population, household and employment growth provide the basis for economic analysis. The Draft EIR/EIS used a single source for this data - the 2012-2035 Regional Transportation Plan Growth Forecast¹⁴. Best practice in economic analysis dictates that more than one source be considered in the forecasting process.

In addition, growth claims are misleading and inaccurate. Specifically,

- a) The Draft EIR/EIS uses historic growth rates that are not relevant to the SR710 Study Area, leading to exaggerated growth estimates.
- b) The Draft EIR/EIS uses the anomalous 2008 recession year as a base year; thus, population growth numbers are greatly overstated, and
- c) The Draft EIR/EIS fails to acknowledge declining population growth rate trends.

A Finding of Inadequacy on growth claims, which includes justification for each of the statements above, is provided in Sec. 3.2 of this document.

8. The inappropriate Study Area western boundary has resulted in an inadequate economic analyses; Pasadena, Glendale and Burbank are economically linked in a 'Tri-Cities' market.

The following is excerpted from the Caltrans *Guidance for Preparers of Cumulative Impacts Assessments*:

“Political boundaries are often arbitrary; they are not likely to represent development trends nor do they identify habitat areas. Demographic characteristics and development trends in urban and suburban areas may extend beyond an individual municipality into surrounding communities. Natural resources are not typically well understood in the context of or county limit lines. In most cases, a political boundary is only applicable when it matches the geography of an affected resource or community....

To determine the appropriate geographic boundary for cumulative effects on a particular resource, think about how far an effect can travel”.¹⁵

The economies of Pasadena, Glendale and Burbank are strongly linked. The Los Angeles Times¹⁶ and Business Journal¹⁷ regularly report on market conditions in the greater Los Angeles

¹³NEPA (40 CFR 1502.24)

¹⁴ ‘2012-2035 Regional Transportation Plan, Growth Forecast Appendix, Southern California Association of Governments, adopted April 2012.

¹⁵ http://www.dot.ca.gov/ser/cumulative_guidance/defining_resource.htm

¹⁶ For example ‘Southern California Office Leasing Market Boosted by Job Growth’, Roger Vincent, LA Times, October 9, 2014. Quote “Certain geographically desirable markets popular with tech and entertainment businesses such as the Westside of Los Angeles County and the "Tri-Cities" of Burbank, Glendale and Pasadena are in strong demand while others are still waiting for action”.

area, and consider Pasadena to be part of the Tri-Cities market, which is a distinct submarket of the greater Los Angeles economy. The Tri-Cities market is a standard term used by commercial real estate brokerage firms, including CB Richard Ellis (CBRE), Colliers International, and Avison Young and Marcus & Millichap.

Yet in defining the SR-710 study area boundaries, the strong economic ties between Pasadena, Glendale and Burbank were ignored. Burbank is not in the study area at all, and only the eastern part of Glendale has been included. Consequently, the SR-710 study area is disproportionately skewed to the east (by a factor of 2-1 from the proposed tunnel alignment) where economic ties are much weaker. This has resulted in an economic impact analysis that does not reflect regional impacts. Western Glendale and Burbank will clearly be impacted by the SR-710 Study project, yet these Tri-Cities communities have not been engaged in the EIR/EIS process.

Other concerns with the SR-710 Study Area boundaries are expressed in detail in a Finding of Inadequacy in Section 2.1 of this report.

¹⁷ For example, see 'Submarket boosted by Pasadena's First-of-Year Public Absorption', Jacquelyn Ryan, LA Business Journal, January 26, 2015. Quote "The Tri-Cities Office submarket."