Ontario: A Great Geography for Unsettling Times

Primary Authors
Joel Kotkin
Delore Zimmerman

Research Team
Mark Schill
Ali Modarres
Steve PonTell, President and CEO, La Jolla Institute
Andy Sywak

Editor
Zina Klapper

LA JOLLA INSTITUTE
pioneering the new community

PRAXIS
Strategy Group

Executive Summary

These are unsettling times for almost all geographies. As the global recession deepens, there are signs of economic contraction that extend from the great financial centers of New York and London to the emerging market capitals of China, India and the Middle East. Within the United States as well, pain has been spreading from exurbs and suburbs to the heart of major cities, some of which just months ago saw themselves as immune to the economic contagion.

Without question, the damage to the economies of suburban regions such as the Inland Empire has been severe. Foreclosures in San Bernardino and Riverside Counties have been among the highest in the country, while drops in real-estate related employment have resulted in the first net job losses in four decades.[i] *This has led some critics to suggest that the entire area is itself doomed, destined to evolve along with other suburban regions as 'the new slums".*

Yet our close examination of both short and longer-term trends suggests these perspectives are wildly off-base. For one, it is critical to separate different parts of the Inland region from one another. A place like Ontario retains many characteristics that make it far more able than other locales in the region to resist the negative trends. These advantages include a diversified economy, a powerful local job center, an excellent business climate and, most of all, a location perfectly positioned along the historic growth corridors of Southern California.

These assets have already allowed Ontario to weather the current storm far better than many other Inland Empire areas. Foreclosure rates, for example, although far too high, have remained considerably below the average for the region, and far below those in communities that lack the same strong diversified economic base and close access to employment.

More importantly, Ontario remains well-positioned to take advantage of both the eventual recovery of the Inland region and the greater expanse of Southern California. Housing prices – particularly the availability of single family homes – has been a driver of growth for the inland region for decades. As prices fall, the rates of affordability for the region – which had been dropping dangerously- will once again rise.

Despite the claims of some theorists, the preference of most Californians for single family housing seems likely to be unabated, particularly as immigrants seek a better quality of life and the first generation of millennials enters the home-buying market. These are populations that have been heading east to Ontario, the surrounding 'Mt.

Baldy region,' and to the Inland Empire as a whole for decades and there is no reason to suppose the flow will stop.

As the Inland Empire restarts its growth cycle, Ontario will remain uniquely suited to take advantage. Significantly, despite the current downturn in energy prices, worldwide supply shortages as well as growing political demands for regulation on carbon emissions will lead businesses to look increasingly at procuring goods and services nearby. As the Inland Empire's premier business and transportation hub, Ontario will be well-positioned to emerge as the epicenter of the entire Inland Region.

At the same time, Ontario residents generally have short commutes, and the city sits astride the primary transportation routes of the region. Over time, well-planned developments such as the New Model Colony will offer a wide range of residents an opportunity to live, work and spend their spare time within a relatively compact, energy-efficient place.

Business friendliness is also a key asset. Ontario enjoys a close working relationship with expanding companies in business services, manufacturing, logistics, medical services, and other industries not directly dependent on the housing sector.

But more than anything, Ontario's position rests on the city's fundamental commitment to a balance of jobs and housing, and to a long-standing focus on economic growth. Unlike many communities in the region, Ontario has grown on a solid economic basis. As the fourth largest per capita beneficiary of retail sales in Southern California, the city has a considerable surplus to meet hard times .[ii]

Although the immediate prospects for virtually all communities will be difficult, few places in Southern California can hope to ride out the current tsunami better than Ontario. And even fewer seem as well-endowed to ride the next wave of growth that will sweep through the region – as has occurred throughout the last century – when the economy once again regains its footing and customary vitality.

From 'Barren Waste' To Bedroom Boomtown: The Emergence of Ontario and Its Region

From its origins, Ontario has been a city with a clear economic focus. Unlike many communities that began and remained essentially "bedroom" suburbs, Ontario has concentrated on the basics, investing in transportation, water, waste, parks, police, and firefighting, in addition to building itself around the airport, convention center, sports and entertainment arena, the Mills shopping center, and industrial parks that have allowed the city to develop an expansive, diversified and largely self-directed economy.

This stress on economic fundamentals reflects a long-standing legacy. In 1882, what is now Ontario was, as one early chronicler wrote, 'a barren waste', a plain of sage brush that even the Native Americans considered insufficient as a hunting ground. Initially, the northern part of the area was inside the Cucamonga Rancho. Later, the property fell under the control of the powerful San Francisco-based Hellman Interests, who then sold an option to the lands to Captain J.S. Garcia and the surveyor J.C. Dunlap.

The brothers George and William Chaffey changed forever this 'barren waste.' The brothers, who came from Ontario, Canada, were more than land speculators; they had a distinct, well-developed plan to develop a new colony that would bear the name of their home county. Described by local historian Eleanor Freeman as 'men of determination and considerable foresight', the Chaffeys laid out an elaborate irrigation system, a street system, and transport linkages, particularly by rail, as well as a telephone line.

This careful approach stands in admirable contrast to the speculative model that dominated so much of California's history. Rather than hope that the price of raw land would increase, the Chaffeys installed all the basic improvements *before* a single parcel of land was sold. Their "progressive, enterprising spirit," as the great historian Carey McWilliams noted, eschewed the hucksterism that surrounded many Southern California land developments.

The region proved ideal for citrus, particularly the sweet seedless "navel' Orange. By 1887 California citrus was traveling by the trainload to New York, a trend which accelerated with the introduction of refrigerated cars. Two decades later, the annual revenue of Ontario's agricultural produce exceeded $2.5 million.

The Chaffey's approach to development set a new standard for rural communities, not only in America but throughout the world. An Act of Congress officially designated Ontario "The Model Colony," and a model was presented at the St. Louis World's Fair in 1904. Other agricultural communities, including in Australia, looked to the Chaffeys for advice on how to develop their agricultural region.

In these early decades Ontario's status as a model colony attracted settlers from both Canada and the United States. Incorporated in 1892, the city became one of a series of successful agricultural settlements – all dominated by the burgeoning grape and citrus industry – that dotted the still largely empty expanses of the Inland region. Eventually, a nursery industry that had moved towards roses and other flowers, also achieved prominence; it was led by another Canadian-reared innovator, J.S. Armstrong. [iii]

Over time, one dream of the Chaffeys – that of a region dominated by small farmers – fell by the wayside. As historian Kevin Starr suggests, irrigated agriculture has an almost inexorable tendency towards large corporate ownership. Rather than a city of sturdy middle class yeomen, the trend over time was for Ontario and other agricultural colonies to evolve into cities divided between wealthy owners and a largely poor work force.[iv]

By the 1950s, however, a new middle class began to arrive, lured not by the prospect of its farms, but by its mostly modest houses. Over the ensuing decades an ever growing number of people from the crowded and expensive coastal regions migrated to Ontario and other communities in the Inland Empire. The area accounted for over two in five housing starts in Southern California in the years since 2000, and by 2005 ranked second among all American metropolitan areas in population growth. Five of the nation's 25 fastest growing cities were also in the region.[v]

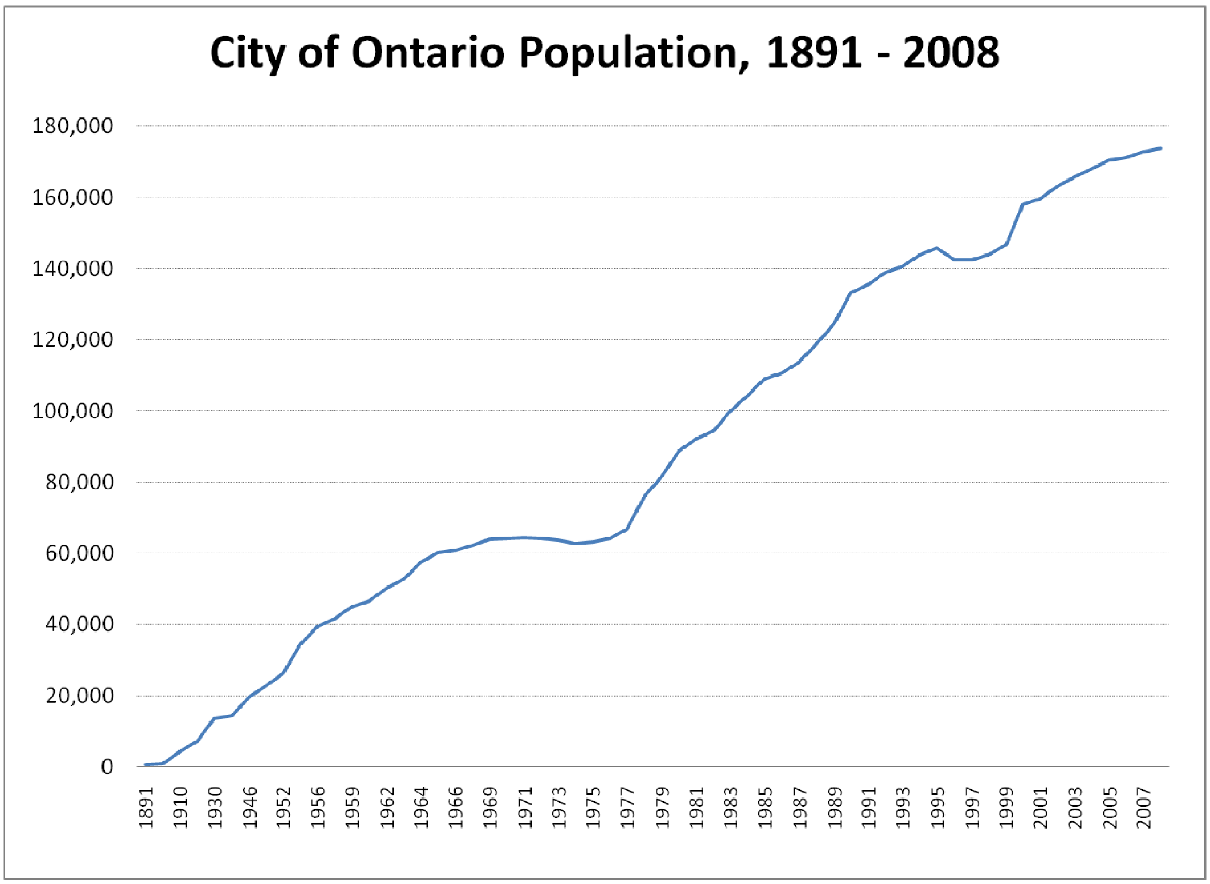

Figure 1. Source: US Census, California Dept. of Finance, Compiled by City of Ontario

In this period of classic "sprawl" development, older centers such as Ontario, Riverside, and Redlands seemed to be losing not only their unique identities, but their economic function, as workers looked elsewhere for jobs and deserted the old central districts for the newly minted malls that now dotted the regional landscape. In the period between 1975 and 1990 Ontario's population doubled, but the growth rate then dropped sharply as population and new housing starts shifted further to the east.[vi]

The Rise of the Multi-polar Center

The Inland Empire has not enjoyed very favorable press. Many observers agree that the area epitomizes the worst aspects of urban "sprawl". Joan Didion once described parts of it as "the trail of an intention gone haywire, the flotsam of the New California." Marxist historian Mike Davis called it a "methamphetamine Medillin". As the area expanded and commutes lengthened, the Inland Empire was described as "intolerably destructive of family life, community health and the natural environment."[vii]

By 2002 the region won the dubious honor of "most sprawling metro region in the nation", according to Smart Growth America. [viii] Even those within the region generally dismissed it as an aberration from common sense and sound planning practices. In 2001, the *Los Angeles Times* reported that at a time when "other parts of the region were in full rebellion against sprawl, Southern California's Inland Empire continues to welcome growth at almost any cost". The cost: worsening traffic, year round schools and lung-damaging smog. The fact that air quality had improved dramatically since the 1980s – with the number of first stage smog alerts in the Inland Empire reduced from 121 to near zero – was of course not mentioned.[ix]

Given the rapid pace of development, many residents, too, raised concerns about a pattern of unplanned development, as former farms and ranchlands were converted to shopping centers and housing tracts. These changes, wrote Michael Medly in *Inland Empire Family Magazine*, "have us wondering what became of the pristine, bucolic area where we planned to put down roots and raise our kids."[x]

Even as the notion of the region's landscape as a dystopic soulless, and incoherent, far less noticed changes were reshaping it, and transforming the role of established places, such as Ontario, within it.

This reflects a nationwide trend: A dramatic shift in the employment base away from the center cities and towards what are best described as suburban 'employment centers'. These communities – no longer merely residential areas – have become the fastest growing part of most regional economies.[xi] In 2000, in the largest 100 metro areas, only 22 percent of people worked within three miles of the city center; in cities such as Chicago, Atlanta and Detroit, more than 60 percent of all regional employment now extends more than ten miles from the core.[xii]

Telecommunications, freeways, and the growing mobility of people and businesses has forever changed the relationship between suburbs and core cities. Overall, as a 2002 study from Harvard's Joint Center on Housing Studies concludes, "Peripheral areas today need less connection to central city cores and waterways than they did in the past." [xiii]

This suggests that a whole economic geography is emerging, where proximity to the center no longer is a critical factor. In most cities—with the notable exceptions of New York and Washington DC–jobs tend to cluster in a series of different nodes, with the center representing no more than 15% of regional employment. Even in New York, the largest percentage of employment is in the suburbs. And in Chicago, despite its strong core, the longest commutes are not on the periphery, but from the south side of the city. [xiv]

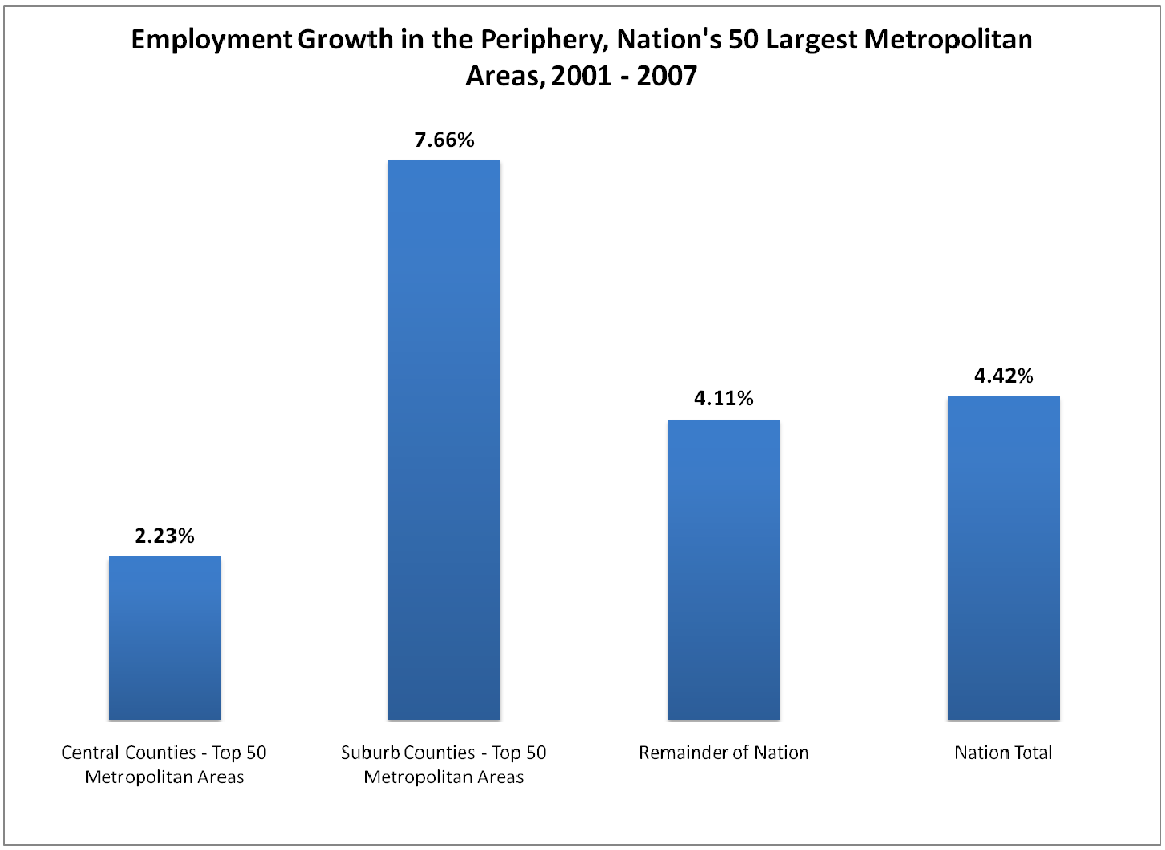

Figure 2. Source: US Bureau of Labor Statistics Quarterly Census of Employment and Wages. Phoenix, Riverside-San Bernardino, and San Diego Excluded from analysis due to a lack of central county.

Southern California: The Original in the Xerox Machine

Southern California has been on the cutting edge of these trends. In terms of the creation of the multi-polar region it is like 'the original in the Xerox machine.' Even before the rise of the automobile, the region was laid out in a dispersed manner, with numerous sub-centers, including Ontario, Riverside, Pomona, San Bernardino and other towns in the Inland Region.

LA's downtown was relegated to relative unimportance early on. Los Angeles, noted Carey McWilliams, was "the first modernized decentralized industrial city in America"--- and it would not be the last.[xv]

These tendencies have reshaped southern California. Before the recent downturn, the job growth rate in the Inland Empire greatly exceeded that of both Los Angeles and Orange counties. Between 1990 and 2000, Riverside County's job growth was 23%, while that of San Bernardino was almost 12%. In contrast, Orange County's job growth was under 6% and Los Angeles actually suffered a 6% *decline* in jobs.[xvi]

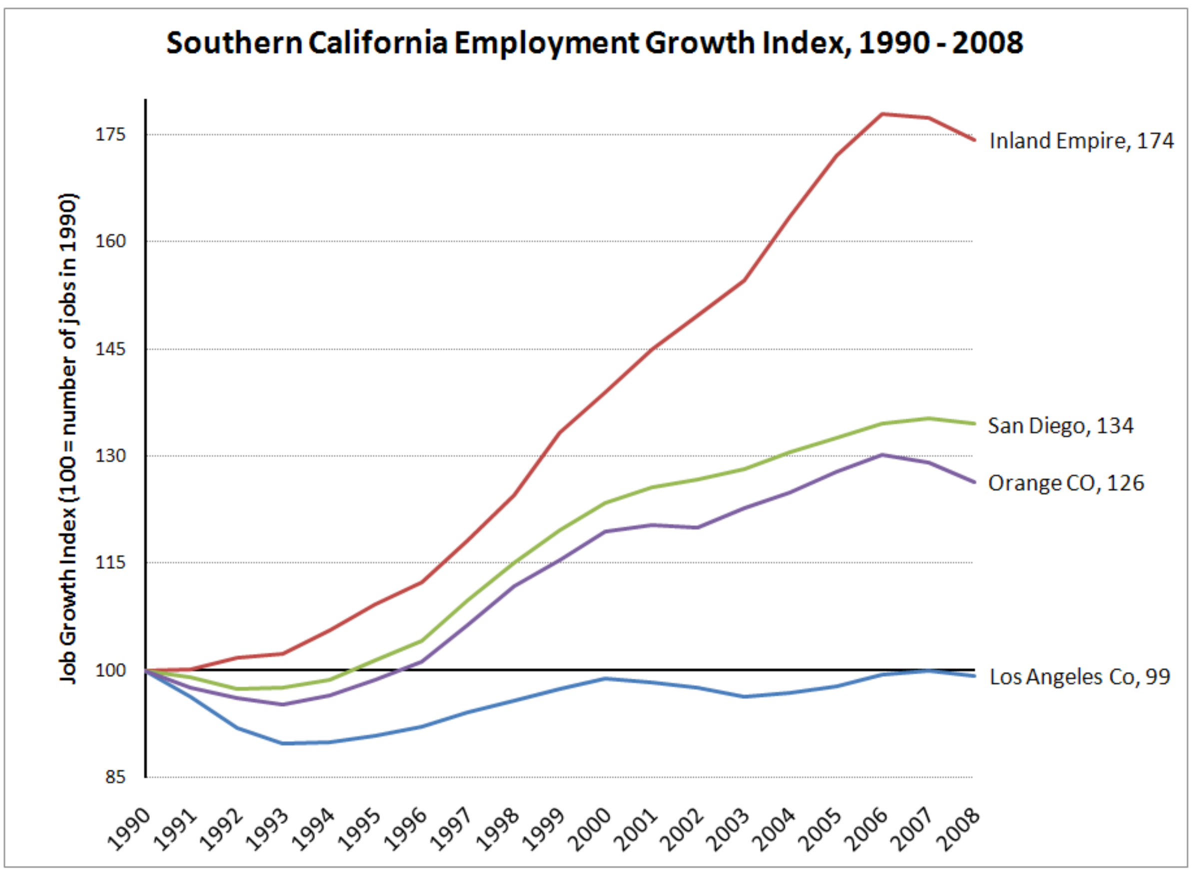

Figure 3. Source: US Bureau of Labor Statistics Current Employment Statistics. Each indicated year is July-October Average

In greater Los Angeles, for example, downtown employs barely three percent of the regional workforce. Instead, jobs are concentrated in a wide arc that extends from the center to the west side, as well as to important maturing suburbs as Burbank, Thousand Oaks, Irvine and Ontario, all thirty miles or more from the central core. In Irvine, nearly four in ten residents labor in the city, far more than the average in most traditional suburban communities.[xvii]

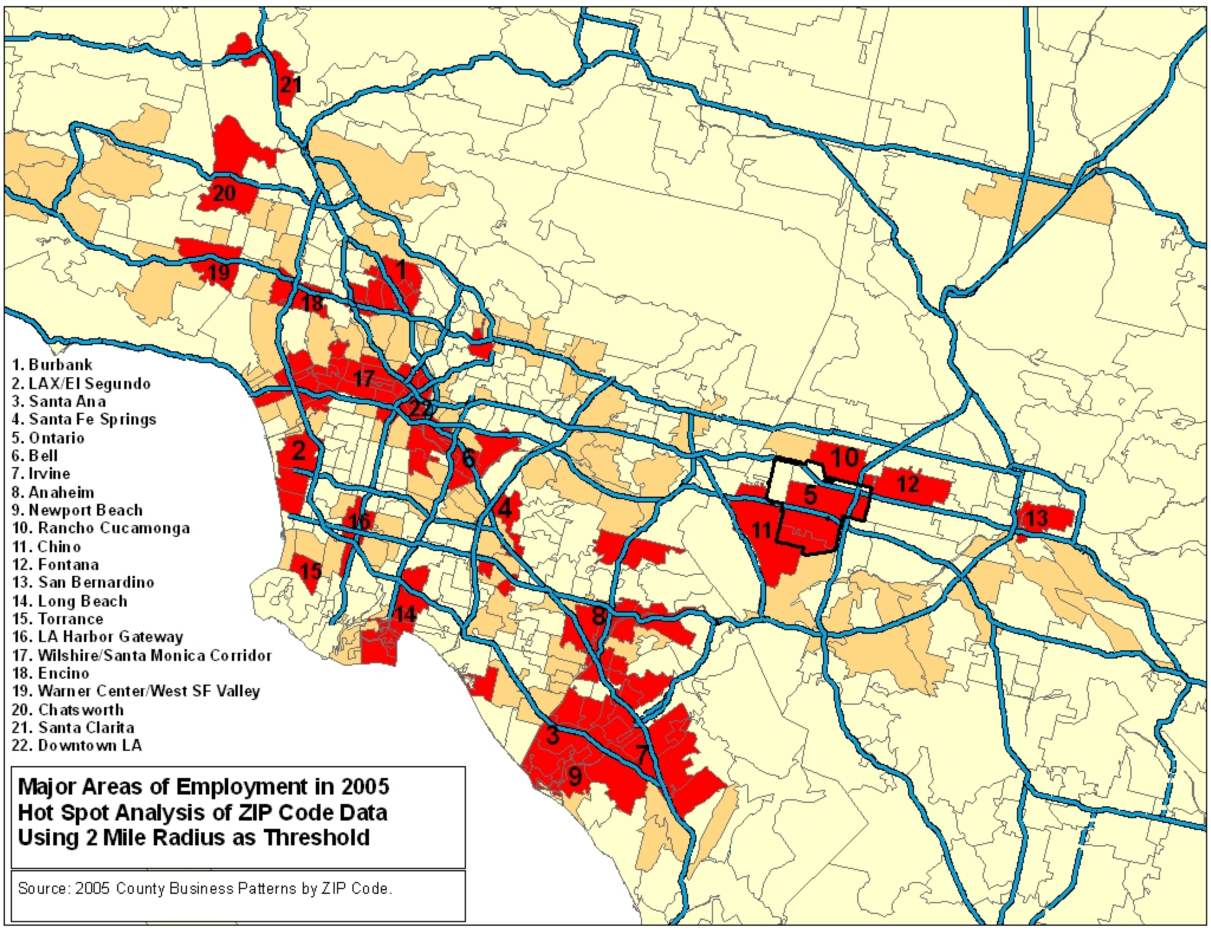

Figure 4. Source: US Census County Business Patterns by Zip Code

These patterns suggest that the most likely path for future growth favors dynamic polar centers like Ontario, a scenario that is rarely envisioned in traditional planning practice. An accepted principle of Smart Growth is to place housing in urban cores, which is assumed to help create the environmentally desirable outcome of shorter commutes.[xviii] This has been echoed by political leaders who have pushed for legislation that would steer development along what is called "a preferred growth scenario," encouraging high-density projects closer to the urban cores and existing transit hubs. Similar steps have been widely endorsed by environmental and urban development lobbies across the country.[xix]

Unfortunately, this solution seems bent on re-centering the city, as opposed to accommodating the emerging polycentric urban form. Increasingly, only a small percentage of people work in the urban core. To the chagrin of downtown developers and advocates, the greater Los Angeles region does not revolve around downtown LA anymore. Recent data suggests that in some of the area's suburbs, both old and new, where decades of employment growth has led to reasonable job-housing balance, residents have lower average commute times than those experienced by people living closer to the urban core.

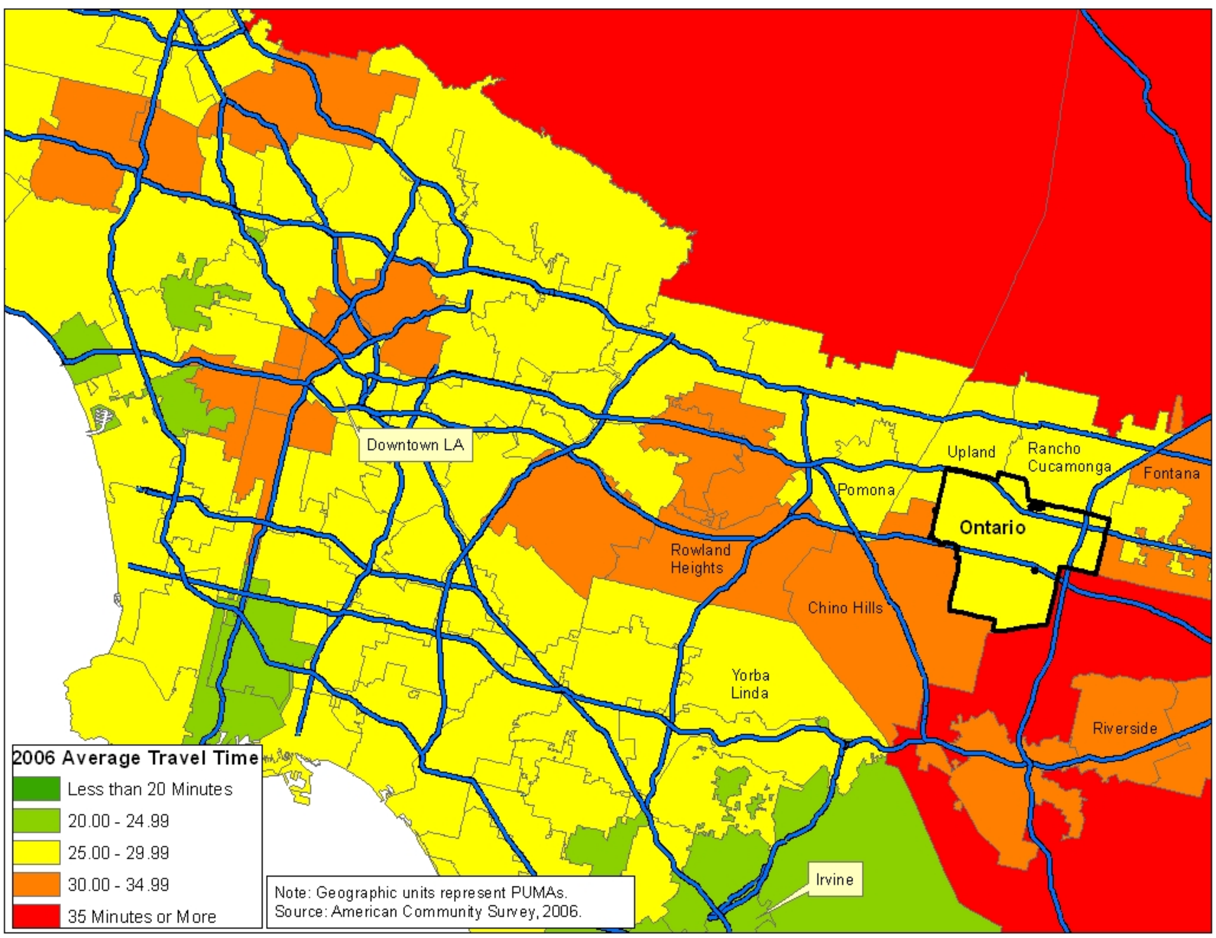

Figure 5. Source: US Census 2006 American Community Survey Public Use Microdata

Ontario: Making a Great Geography in a Multi-Polar Region

Already a hub of business activity, Ontario is peculiarly suited to take advantage of this multi-polar structure. Conveniently located amidst the major surface transportation routes, and home to what over the past decade has been one of the nation's fastest growing airports, the city sits astride a critical byway of an expanding region. At the head of the growing eastern suburbs, it remains in close proximity to the greater Los Angeles basin and the ports of Los Angeles/ Long Beach.

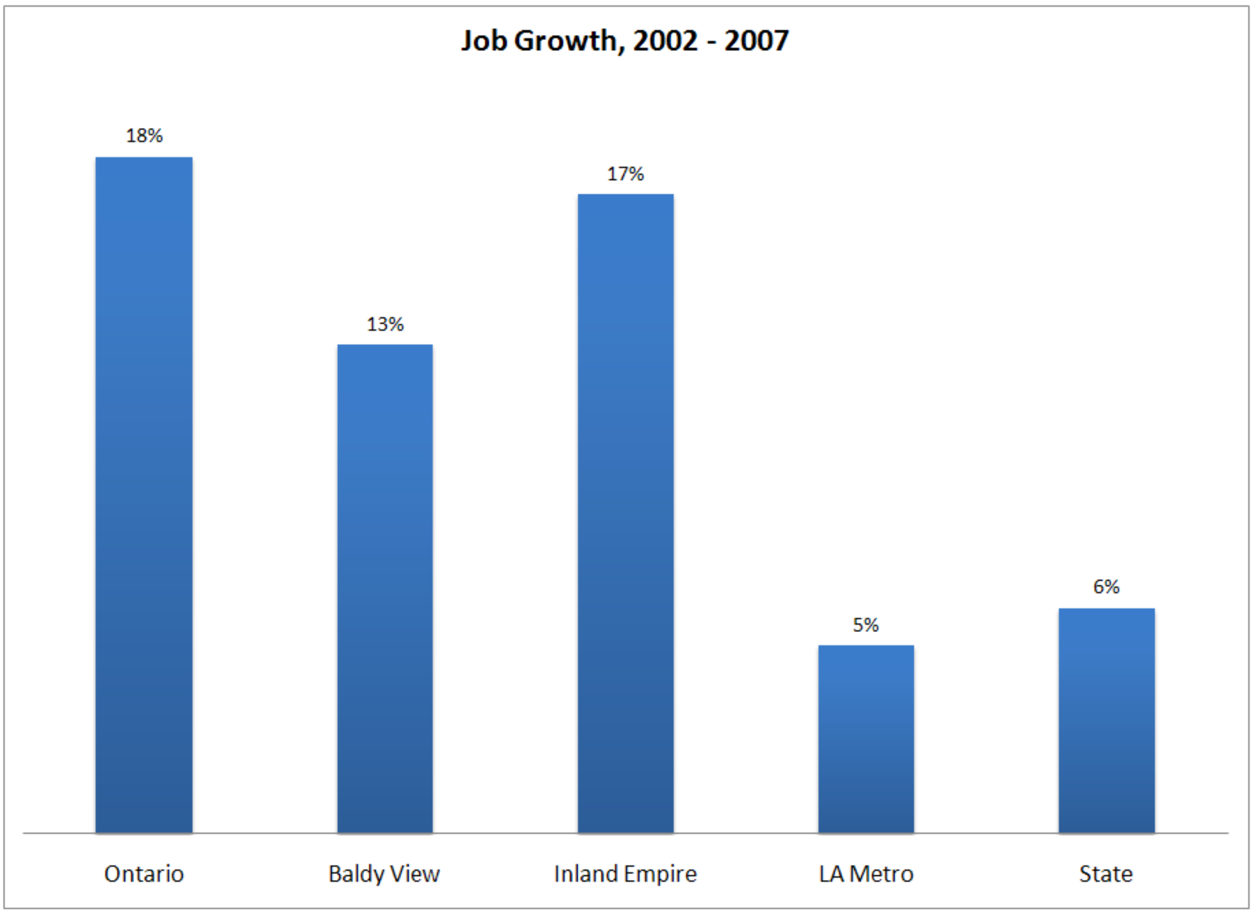

Figure 6. Source: EMSI Complete Employment, March 2008

All of this provides Ontario with a unique position in the regional context. As veteran developer Randall Lewis notes:

> Just where you sit on a map is really going to make a big difference… the geography of Ontario is going to be a big

plus… you can argue which is the big dog, but I think the big dog going forward will be Ontario[xx]

One key element, Lewis notes, remains the region's affordable housing. In much of Southern California, housing for all but the elite executives is out of reach. In contrast, Ontario and the surrounding Mt. Baldy region offers a diverse set of housing alternatives that are considerably more affordable than those offered in Orange or Los Angeles County.

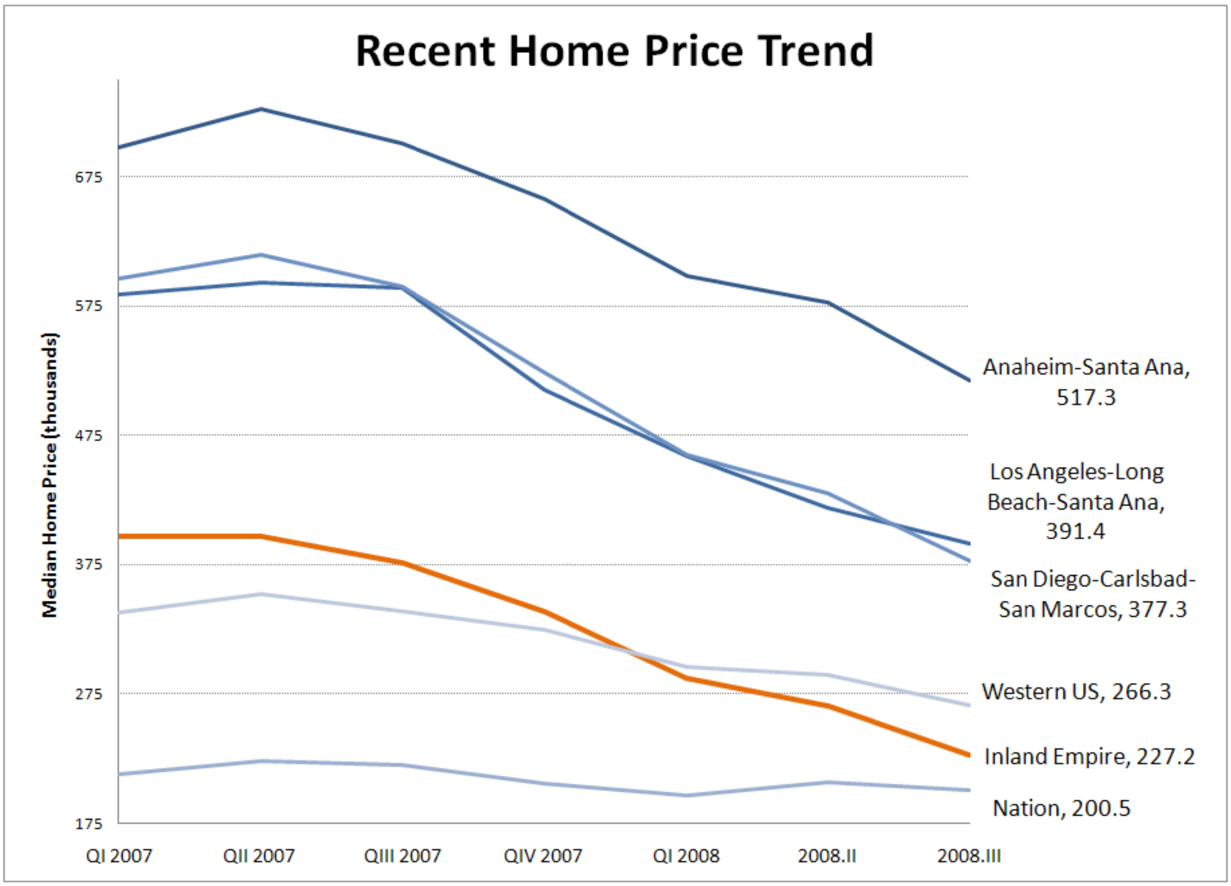

Figure 7. Source: National Association of Realtors

The ability of workers to locate close to their work makes Ontario an attractive locale for firms that are either starting up or relocating from the coast. Proximity to where people can afford homes seems to have been a dominant factor in the city's ability to increase its employment between 1991 and 2005 by nearly 150%.[xxi]

Toyota, for example, has relocated a large parts facility in Ontario. Cindy McWhirter, human relations manager at the plant, describes the move in these terms:

> For the current workforce that we have onsite
> it is fabulous, because it is closer for the majority of them…
> there are a lot of people who bought homes out here
> because they were so much more affordable. They
> commute in… [They see it as an] opportunity when positions open
> up at our facility. There are lots of applications from people
> who are trying to work closer to home.[xxii]

This has already led to a large movement of firms in such fields as food processing, where Ontario and the Baldy region already boast the largest concentration of business.[xxiii] Many of these companies came from the LA basin, and then found that many of their employees already lived in the area, reports Susan Barrera, human resource manager for Ventura Foods. The company recently decided to shut a production plant in the Los Angeles basin and move to newer facilities in Ontario.

The better freeway access and the airport also make a great difference, she adds, as does the more attractive setting for the plant:

> Image is a big thing. If you saw our plant
> In LA — it's beneath a bridge, basically. There are no
> flowers, no plants, no sidewalk… Having palm trees,
> having it look pretty… We are right behind
> the airport, so it's a really neat view when you see
> the vineyards, the new buildings, you see the palm trees, you see the
> planes take off. You are part of a different economic
> feeling than [when] you are down in LA or The City
> of Industry. So our employees, feel they have stepped into a new
> century.[xxiv]

The Rise of an Aerotropolis

A great geography not only exists on a map. It is also created through aggressive planning. In the tradition of the Chaffeys, Ontario has made a strong effort to develop "the basics" before trying to lure or retain businesses. This can be seen not only in the airport, but in road improvements, water supply, waste management, parks, new retail centers, the Arena, and other amenities that make the area fundamentally more attractive to prospective businesses like Ventura foods.

Altogether, interviewees praised Ontario as a place that offers individuals and families options normally associated with a large city. Within a twenty mile radius, the city, with its airport and amenities, can serve a population of 2.4 million: more than 22 Census defined metropolitan regions. Within thirty miles, the population approaches 5.6 million, making it larger than all but five Census metropolitan areas.[xxv]

The city's airport is in position to capture much of the region's future growth, since expansion in other locations faces stiff opposition. Ontario Airport sits amidst the fastest growing population base in the region, and has been expanding rapidly, even in tough times, more than doubling its freight since 1991.[xxvi] By 2030 the Ontario airport is expected to handle 2.25 million tons of air cargo, nearly matching Los Angeles International airport.[xxvii]

In some senses, the airport facility works much as train stations did in the past, allowing the city to evolve into what geographer John Kasarda has called an "aerotropolis."[xxviii] Increasing dependence on quick turns and the growth of internet-base commerce has made a strong airport increasingly critical to businesses around the world. In his review of the city's airport, Kasarda noted:

> At the local level, business location decisions are increasingly made based on accessibility in terms of speed to suppliers and customers. Manufacturers and distributors are seeking strategic locations to optimize their domestic and international supply chain flows and customer delivery response times.[xxix]

Airport-related growth has a tendency to concentrate employment close to the facility, with most employment within fifteen minutes of the airport. The confluence of I-15, I-10 and California Route 60 near the airport helps make the city the epicenter of what Kasarda calls "the nation's premier multi-modal logistics center".

Starting in the mid-1990s, this helped lead to a massive influx of firms. Some of the newcomers originated outside of Los Angeles entirely; others were LA-based firms that located their expansions in the region. Two thirds of the new facilities were located in the western portion of the region, and forty percent were located in Ontario proper, turning the city into a logistics hub of international significance. [xxx]

Towards Higher Value Added

Firms that relocate to the area are attracted not only by the airport and other basic infrastructure, but also by a welcoming attitude on the part of the city, something that is rarely seen in many other parts of Southern California. As housing prices on the coast have risen, even engineering and other technical talents have been priced out of the coastal market.

For a tech-oriented firm like Phoenix Motorcars that builds and designs electric vehicles, it has not been difficult to recruit top talent. The firm employs twenty five, mostly engineers. And most new hires come from the immediate area.[xxxi] "The commute is far more favorable," notes company CFO Dennis Hogan, who lives in West Covina. "The land values are still much better than LA and OC."

One particular critical issue for the region has been the nature of employment. Economist John Husing suggests that the development of the Inland Empire – and the emerging center of Ontario – has been determined by what he calls the 'dirt theory'.

The region's recent growth was led by a migration of commuters seeking cheaper housing. The second phase saw the rapid explosion of blue collar firms, such as those in manufacturing and warehousing. Between 1994 and 2002, Husing reports, over 1000 such firms moved or expanded into the region. In that period the region accounted for more new net jobs than Orange, Ventura and Los Angeles Counties combined. In the period until 2002, the Inland Empire continued to gain production jobs, even as Los Angeles lost almost a quarter million positions. [xxxii]

Now, the shift is on towards higher value added firms like Phoenix Motorcars, and towards business service employment. [xxxiii] There has been rapid expansion in management and professional occupations in parts of the region – particularly the western sections – since at least 1990.[xxxiv]

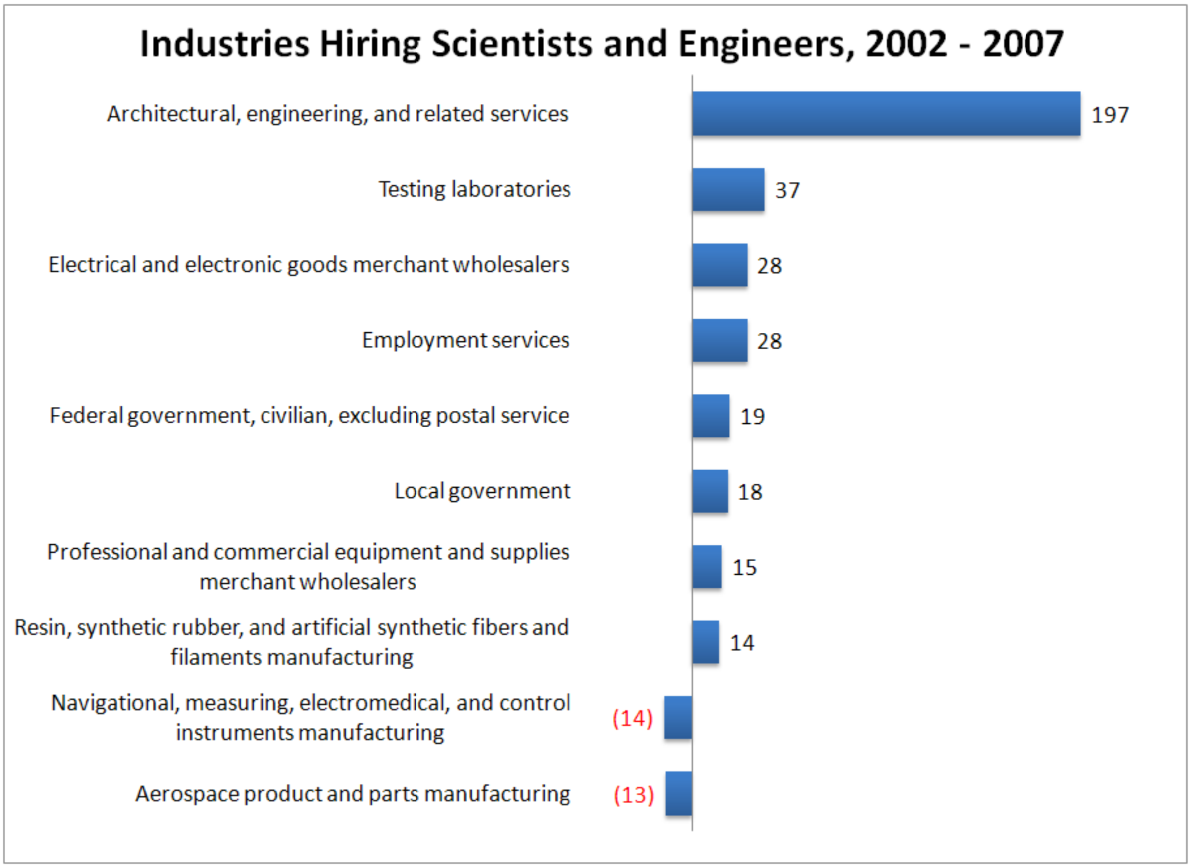

Figure 8. Source: EMSI Complete Employment, March 2008

Until the recent downturn, the area's vacancy rate for offices was among the lowest in the country. A recent office construction boom and a downturn in the market have fueled high vacancy rates. When the economy revives, the pattern of low vacancy should reassert itself, as the Central Business Districts of Ontario and Riverside are expected to be the first to recover. [xxxv]

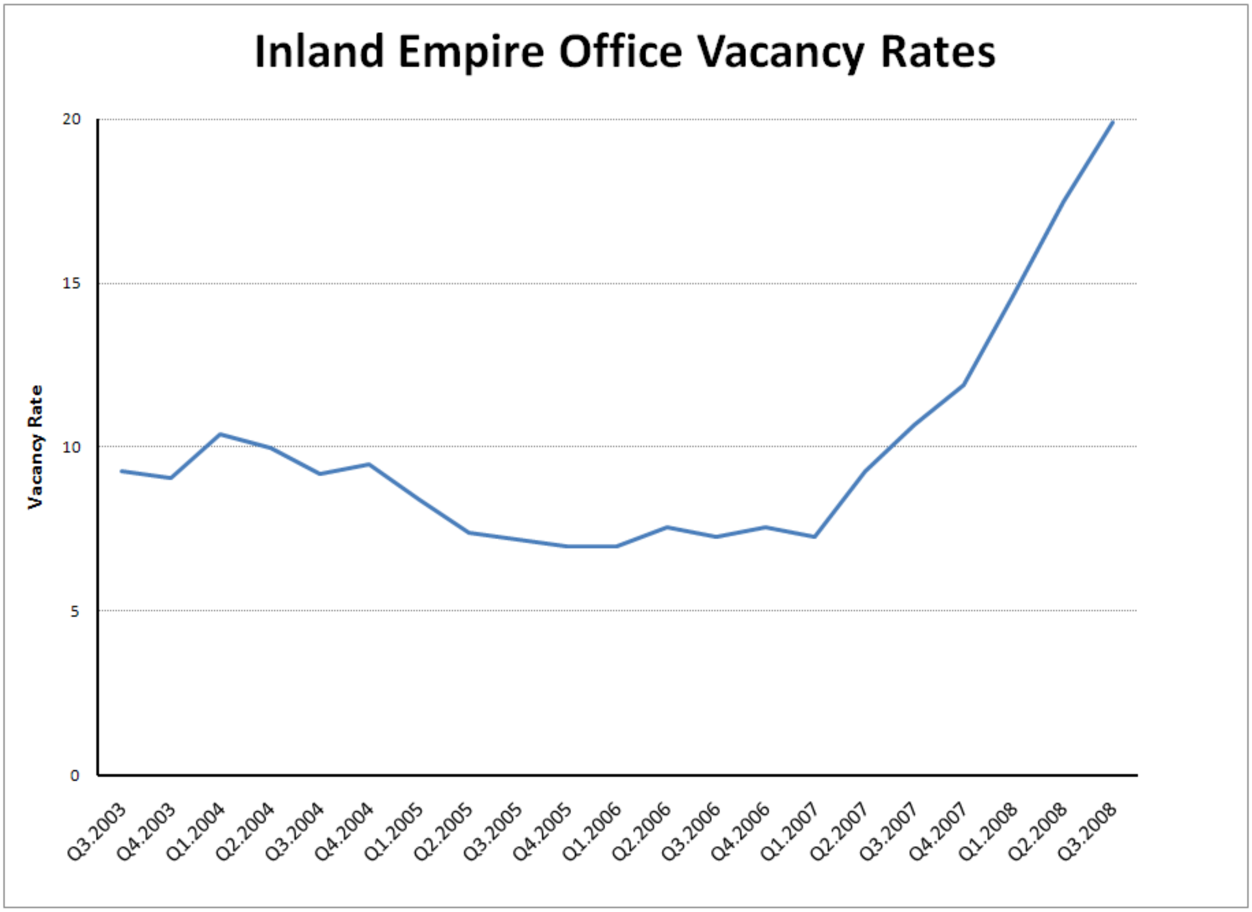

Figure 9. Source: Grubb & Ellis Office Market Trends Inland Empire

Are Suburbs Doomed In Tough Times?

Some, however, believe that the growth period for suburban areas has ended, a casualty of high energy prices, rising mortgages, and concerns over carbon emissions. The *New York Times* recently heralded "suburbia's march to oblivion" and the likely abandonment of millions of single family homes in the next fifteen years. CNN chimed in with its own version, suggesting "America's suburban dream" was "collapsing into a nightmare." By one economist's estimate, by 2025 there will be a "likely surplus of 22 million large lot homes"; that is, residences on more than one sixth of an acre. [xxxvi]

The current mortgage crisis, according to urbanists such as Brooking Institute's Chris Leinberger, is but the first sign of a long-term suburban unraveling. To be sure, many suburban subdivisions in the Inland Empire, particularly in areas like the high desert, were hit hardest by the mortgage meltdown. But mortgage related problems have now spread to dense developments in the cities, where there are now even higher vacancy rates, including in downtown Los Angeles. Recent evidence suggests that higher density housing may increasingly bear the brunt of the downturn.

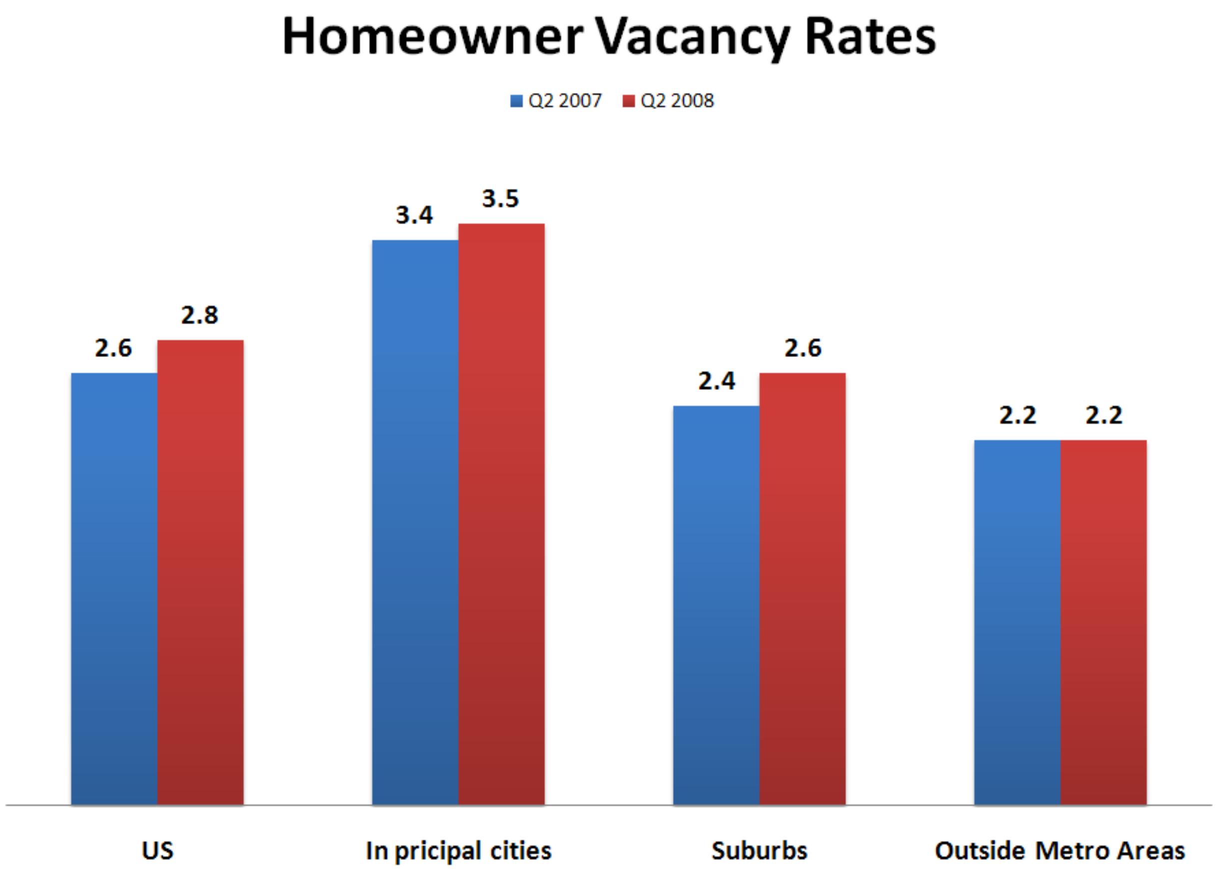

Figure 10. Source: US Census

Similarly, the difficult times have led some to believe that areas like the Inland Empire and Ontario will inexorably lose residents and jobs to the more densely packed urban cores and their immediate surroundings. *Reuters*, for example, recently published an article about a tent city for the homeless in Ontario, although the reporter noted in passing that none of the residents actually suffered from a foreclosure. Mental grapes-of-wrath images mingled with the health hazards of deserted swimming pools certainly grabbed the imagination of the reporter.[xxxvii]

Yet an examination of the region's current downturn suggests that the real cause of the recent decline lies not with the fundamentals, but with distortions related to the now deflating property "bubble": a wide imbalance between incomes – which have been rising slowly at best – and the cost of housing. By the middle of the decade, Inland Region and other Southern California housing costs were rising nine times or more than that of incomes, one of the highest ratios in the country. While this imbalance has now begun to recede, but was enabled and exacerbated by the "creative" mortgage instruments now receiving both government and media attention. Rates in many other parts of the country, such as Houston and Dallas, were not nearly so unbalanced.

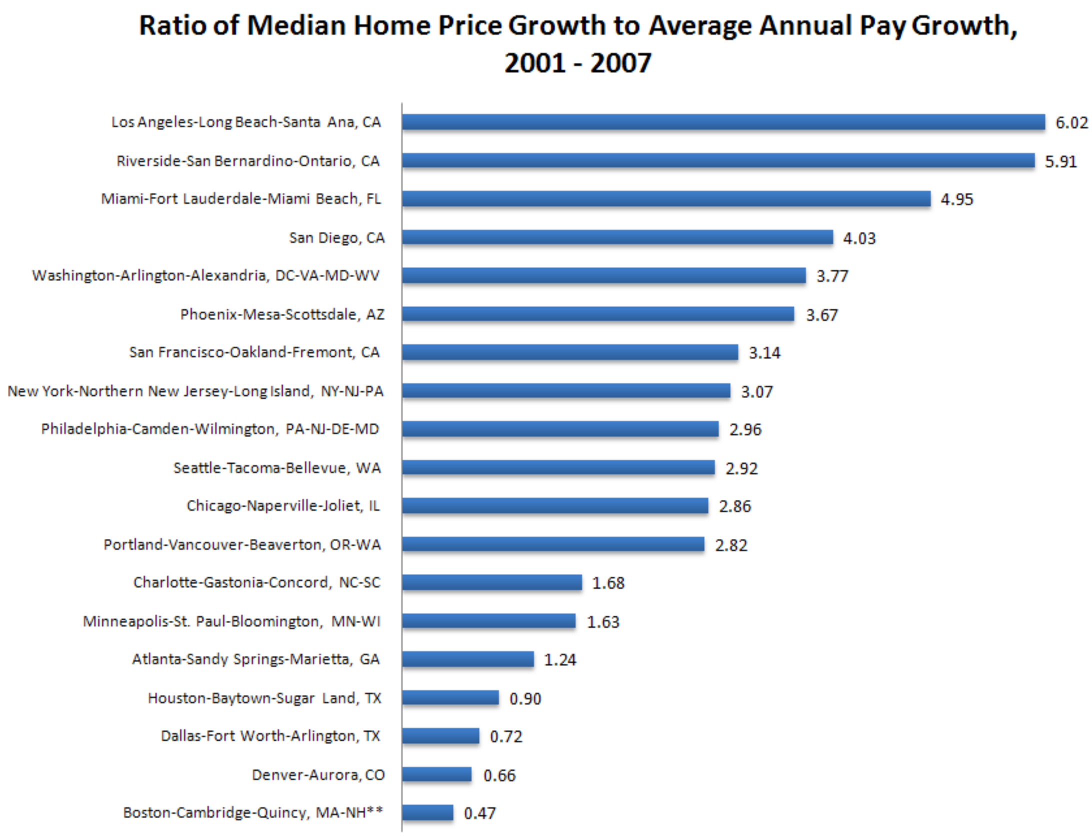

Figure 11. Source: Author's analysis of U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, National Association of Realtors data

This condition has greatly worsened the overall economic fallout from the housing crisis. In contrast to the expansion of the late 1990s, when real estate accounted for no more than 15 percent of all new jobs, in the latest boom it provided nearly fifty percent of all job growth in the Los Angeles metropolitan region.

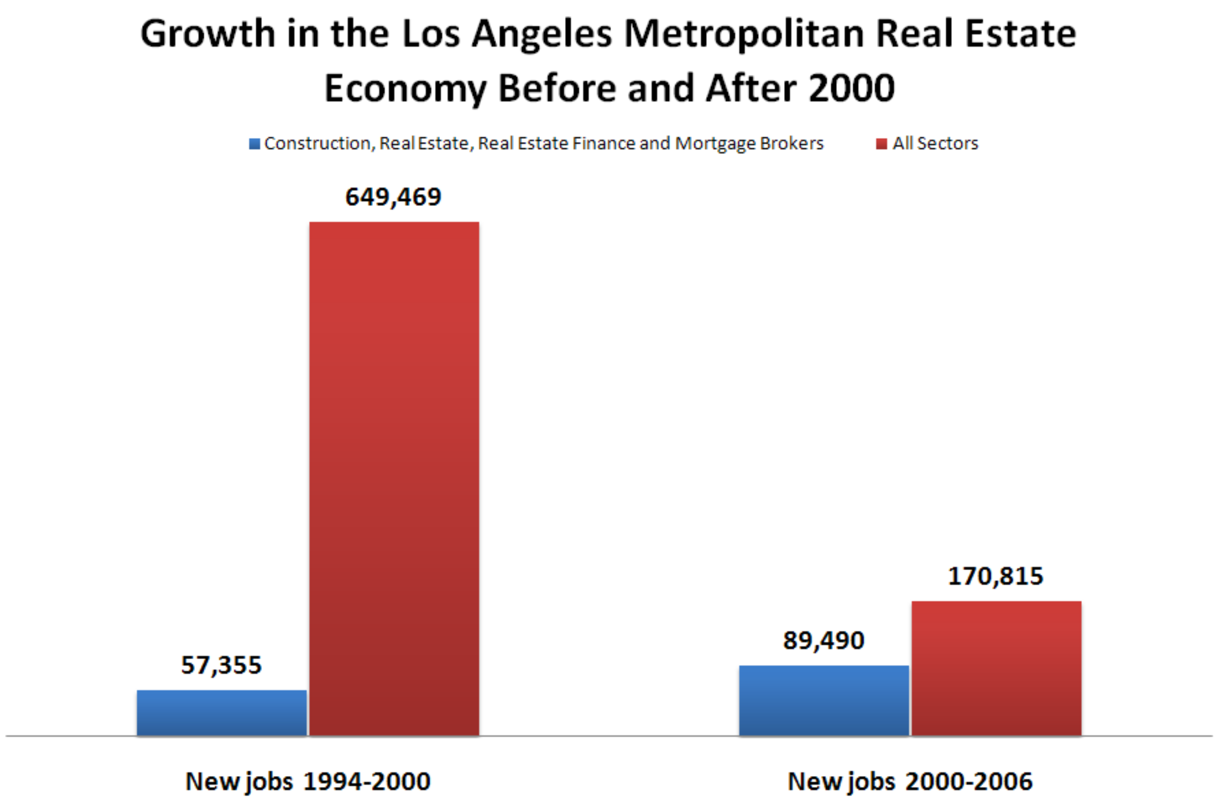

Figure 12. Source: US Bureau of Labor Statistics Current Employment Statistics

Not surprisingly, the bulk of lost Inland Empire jobs in the current recession have come from this sector. Construction is the hardest hit, with a forecasted 11% – over 12,500 jobs – drop. [xxxviii] Ontario is an economically robust city, with a diversified employment base, comparatively low housing costs, and a good job-housing balance. But, as in much of California – and markets such as Florida, Arizona and Nevada – the last few years have seen a growing, unhealthy dependence on real estate related employment.

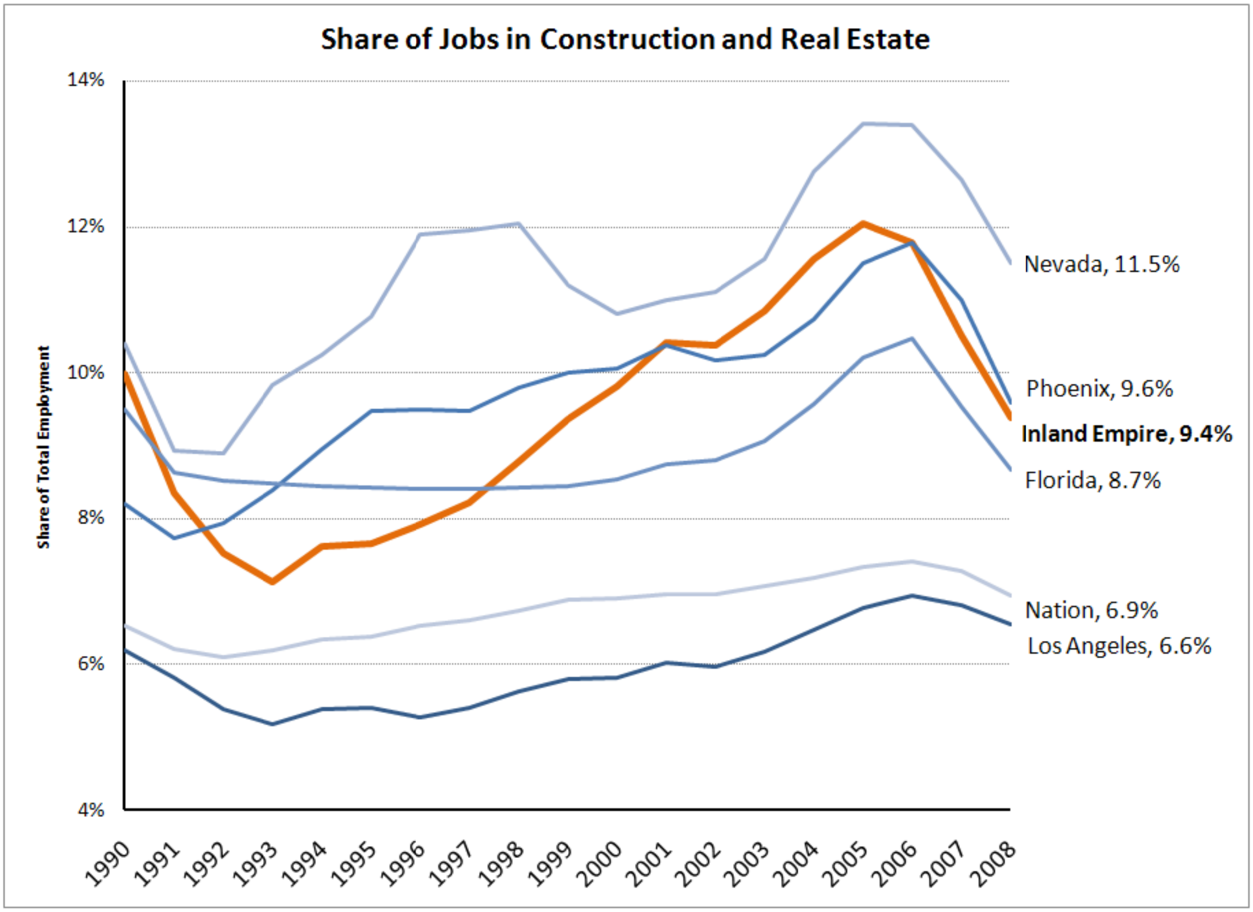

Figure 13. Source: Analysis of US Bureau of Labor Statistics Current Employment Statistics

One common assumption among planners and pundits holds that high energy prices will have a devastating impact on suburban growth. Yet the connection between high energy prices and geographical trends is tenuous. Many major cities' populations grew faster in the low energy environment of the late 1990s than they did in this decade. [xxxix] Certainly our last experience with a sudden energy shock – the 1970s – saw an actual decline in urban dwellers, the only such decline in the 20th Century, according to a 2005 Kansas City Federal Reserve report. This suggests that it is unlikely that high gas prices, short of radically higher levels of increase, will shift the basic paradigm.[xl]

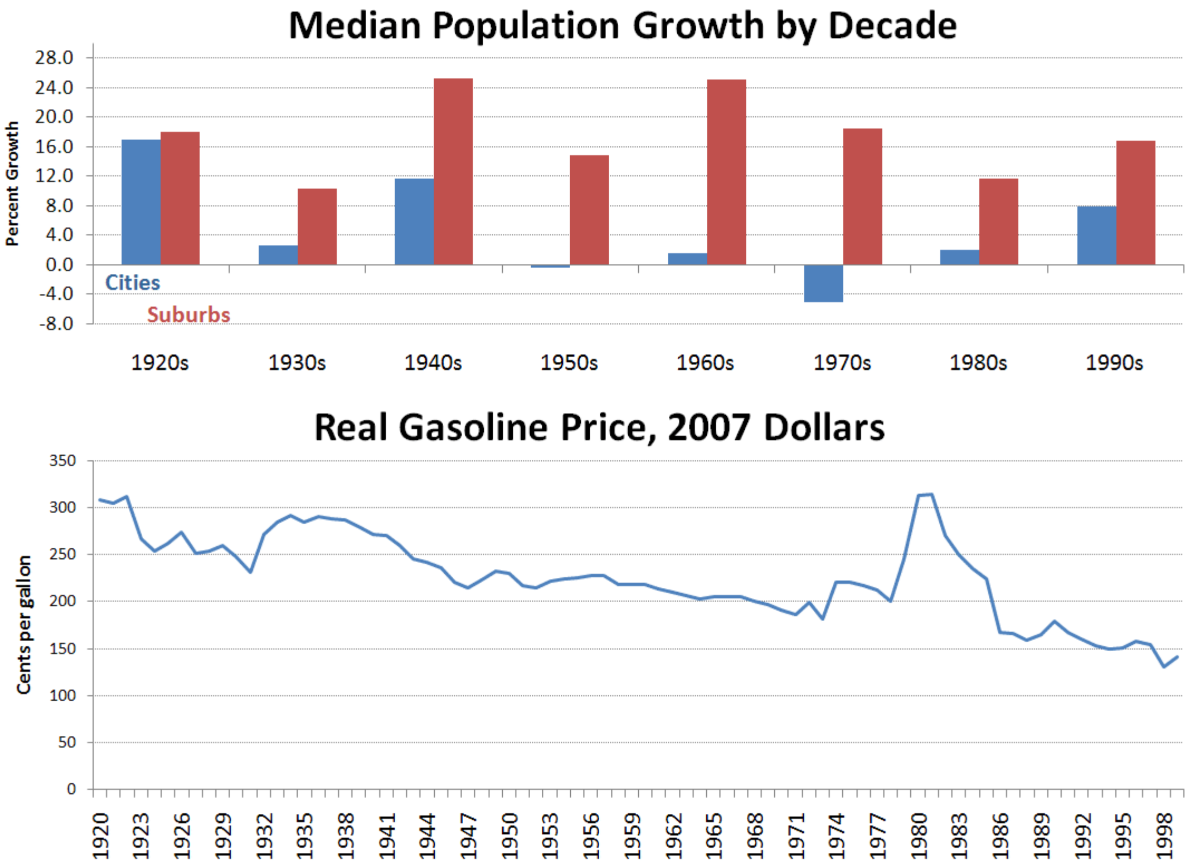

Figure 14. Source Jordan Rappaport, "The Shared Fortunes of Cities and Suburbs", Federal Reserve Bank of Kansas City, Third Quarter, 2005, p.36; US Dept. of Energy

The New Suburban City: Ontario in the Coming Decades

Despite the "flight from suburbia" that many have periodically proclaimed since at least the 1960s, [xli] the outward movement towards suburban employment centers seems likely to continue in the years ahead, for many reasons. One large consideration is consumer preference. Even advocates of densification admit that most of those surveyed hold a "negative view" of adding density to their communities. Generally speaking, people aspire to larger, not smaller, homes. Roughly two-thirds of all new homeowners, in one 2002 survey by the National Association of Realtors and the National Association of Homebuilders, said they wished their home was larger; other considerations, such as being closer to work or able to walk to more places, was cited by roughly one in four, an important but not dominant consideration.[xlii]

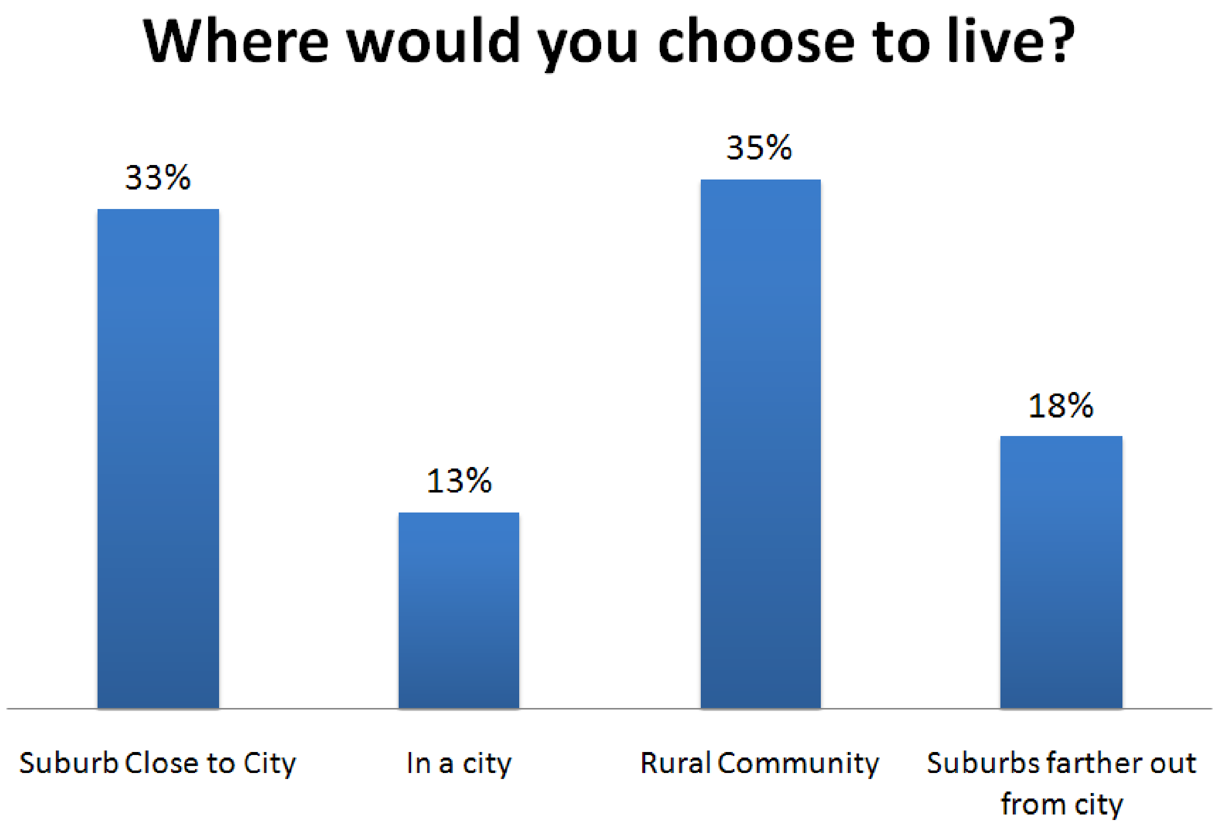

Figure 15. Source: National Survey on Communities conducted for Smart Growth America and National Association of Realtors

The preferences of homeowners – the key market for developers and planners of communities – are remarkably straight forward. In 2005 the Zogby Organization polled 801 homeowners on their priorities. At the top of the list was security (92%), peace and quiet (87%), resale value (85%) and curb appeal (79%). Recreational, cultural and shopping opportunities were deemed important, but at considerably lower rates.[xliii]

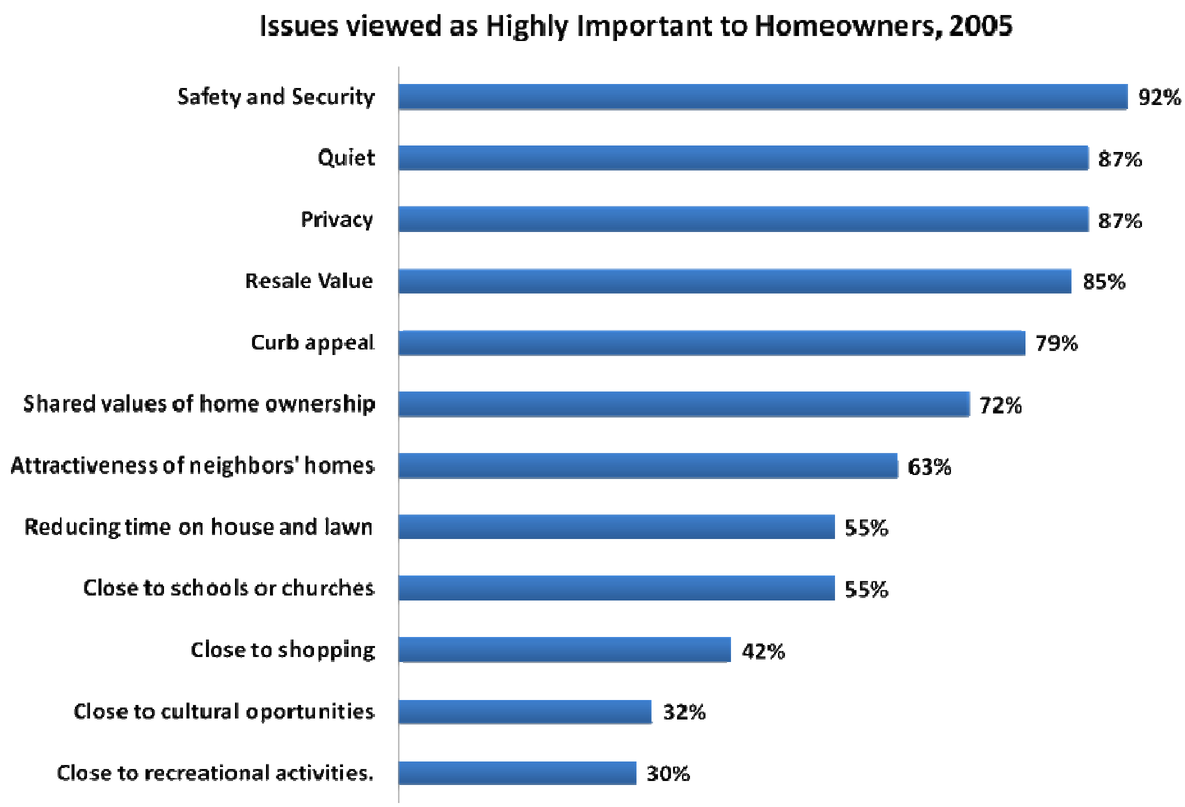

Figure 16. Homeownership and Association Living: HOA Members and Homeowners Nationwide , Zogby International, Foundation for Community Association Research

Our research suggests that Ontario, due to its stable population and diversified economy, has weathered the mortgage crisis far better than other Inland communities. Along with surrounding cities such as Chino and Rancho Cucamonga, it entered the recession with low residential vacancy rates, compared with cities further east.[xliv] As a result, although clearly hurt by the national and regional recessions the city is showing a surprising resiliency in tough times.

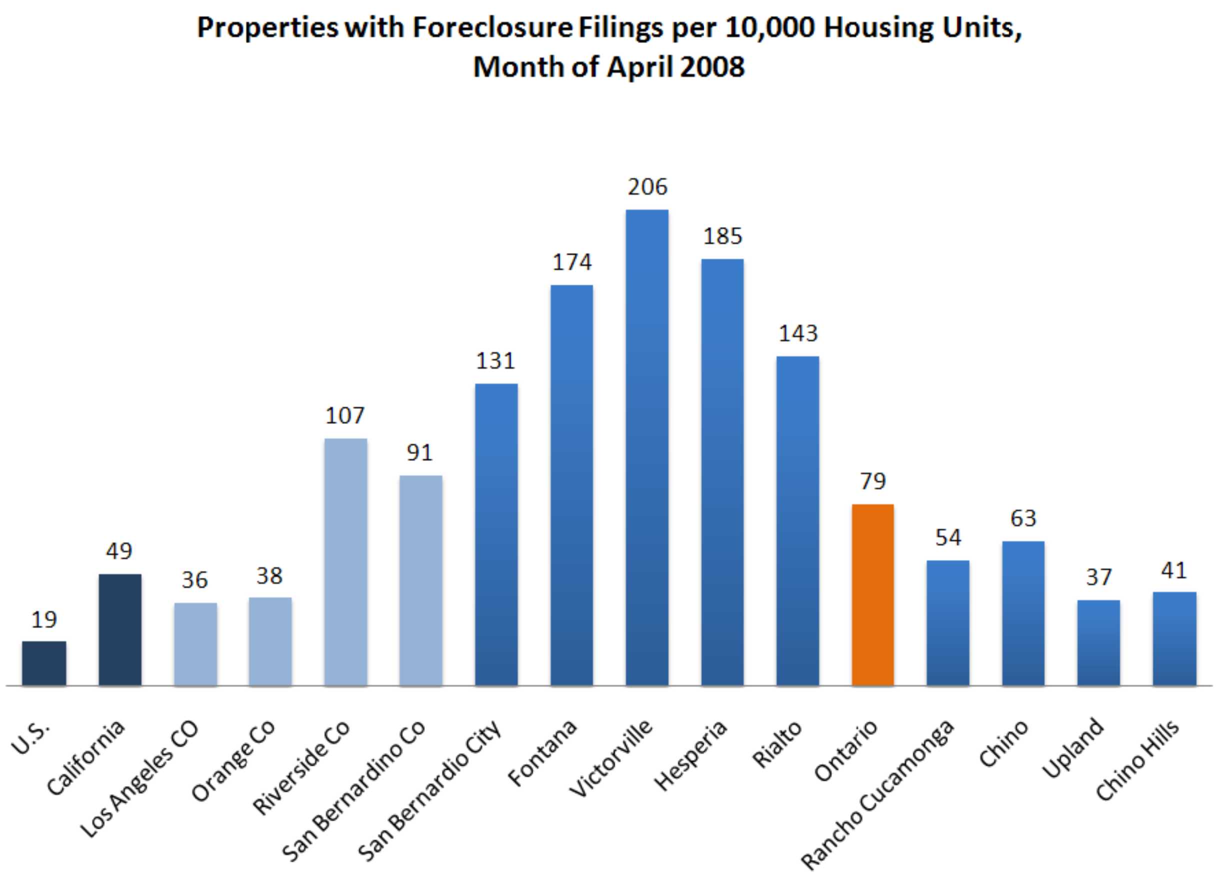

Figure 17. Source: Realtytrac

A look at past recessions suggests that job-rich suburban cities such as Ontario, which have both residents and high numbers of jobs, fare better than traditional bedroom communities. Santa Clarita, for example, with its strong employment base, appears to weather recessions – both the current one and the preceding downturn in the 1990s – far better than strictly residential communities. Much the same occurred in the Woodlands development outside Houston, which has had more success than surrounding areas that lacked a strong employment base.[xlv]

Cities and regions with ample affordable housing tend to retain companies, since their employees have a reason to be there. In this aspect, Ontario functions more like a Santa Clarita or a Woodlands than like bedroom communities further to the east. For example, in 2000, in the Mt. Baldy region the balance between jobs and housing was 1.53, nearly fifty percent more favorable than the Inland Empire in general. It was equal to Orange County and well above that of Los Angeles County. [xlvi]

One reflection of this advantage can be seen in the generally stronger performance of Ontario's industrial and warehouse market, which enjoys an almost 50% cost advantage over areas in Orange County and even over central Los Angeles.[xlvii] Compared to other areas of the Inland Empire, the Ontario region entered the recession with a less severe rate of industrial vacancies, reflecting the fundamental advantages of its central location.[xlviii]

The slowdown in global trade, and the rise in the cost of air shipping, of course, could potentially have a significant impact on the region. But the very factors that lead to a contraction of this sector – notably energy, and potentially a politically less congenial free trade environment – could also lead to a growing establishment of new plants and equipment in the Unites States. [xlix]

Eric Hernandez of Lee Associates notes that the growth of exports - and decline of imports – has spurred an increase in what he calls "high value added type deals".[l] He notes:

> You walk into this plant that is 20 thousand square feet and it's a ton of high-tech equipment and machines. And those machines run 24 hours a day, seven days a week. And that's the only way that those companies are able to compete with the Chinese or somewhere else overseas. They make up the advantage they lose on the labor side by their productivity and efficiency.[li]

Ontario has grown its industrial sector over recent years, adding over 15,000 manufacturing jobs between 1991 and 2005. It should be well-positioned to take advantage of the 'back to USA' trend, as a region close to both one of the largest markets and to key transportation networks, including the airport. This suggests that the future of industrial and warehouse sectors in Ontario should be able to rebound and grow substantially in coming years. The fact that Ontario and its surrounding region is home to more than half of the most modern new industrial space in the region also makes it the likely site for new expansions.[lii]

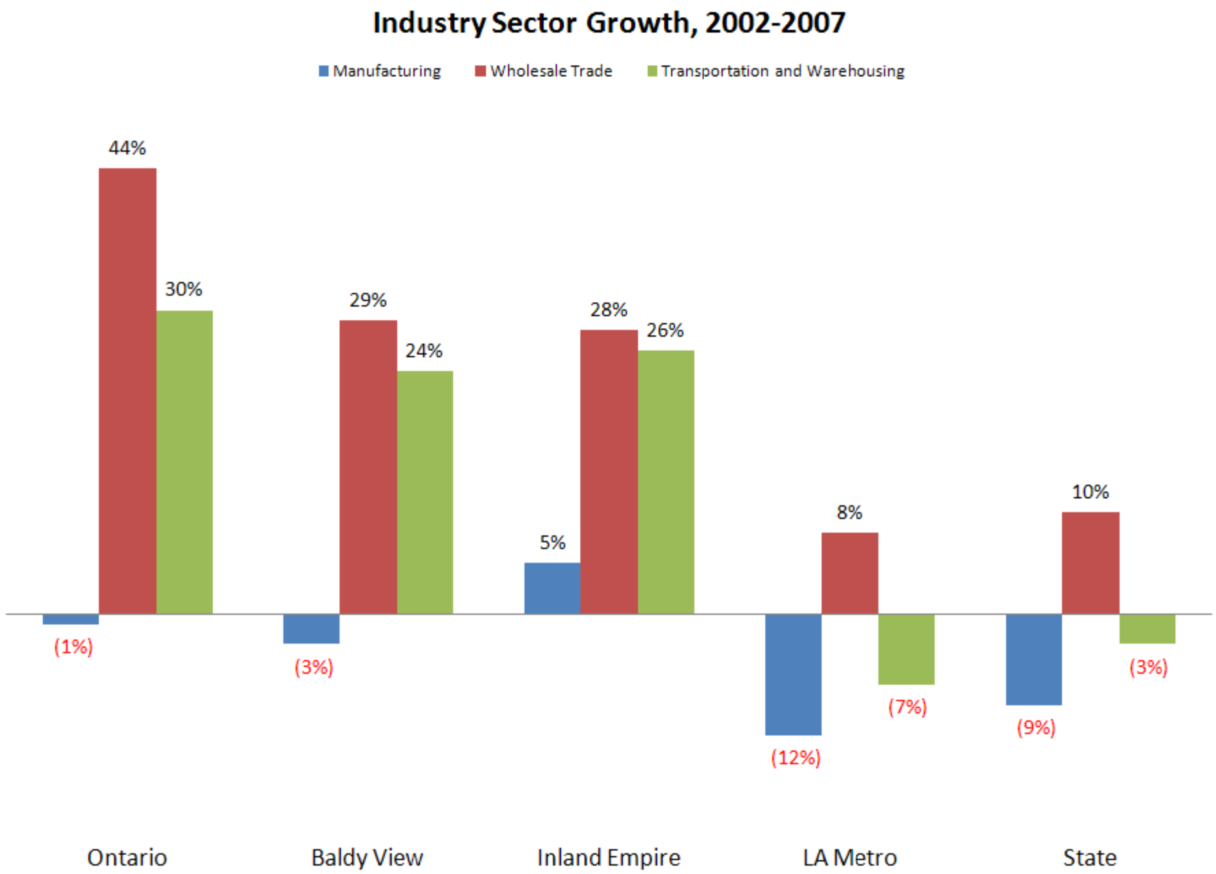

Figure 18. Source: EMSI Covered Employment, March 2008

This also could spark growth in the business service industry, which seems likely to further expand after the current recession. Proximity to the airport and the concentration of services, Randall Lewis notes, is often a critical factor. "Businesses see if they are near the airport... they think, oh my architect is there, my accountant, my lawyer is there," he adds. "Ontario just has the infrastructure."

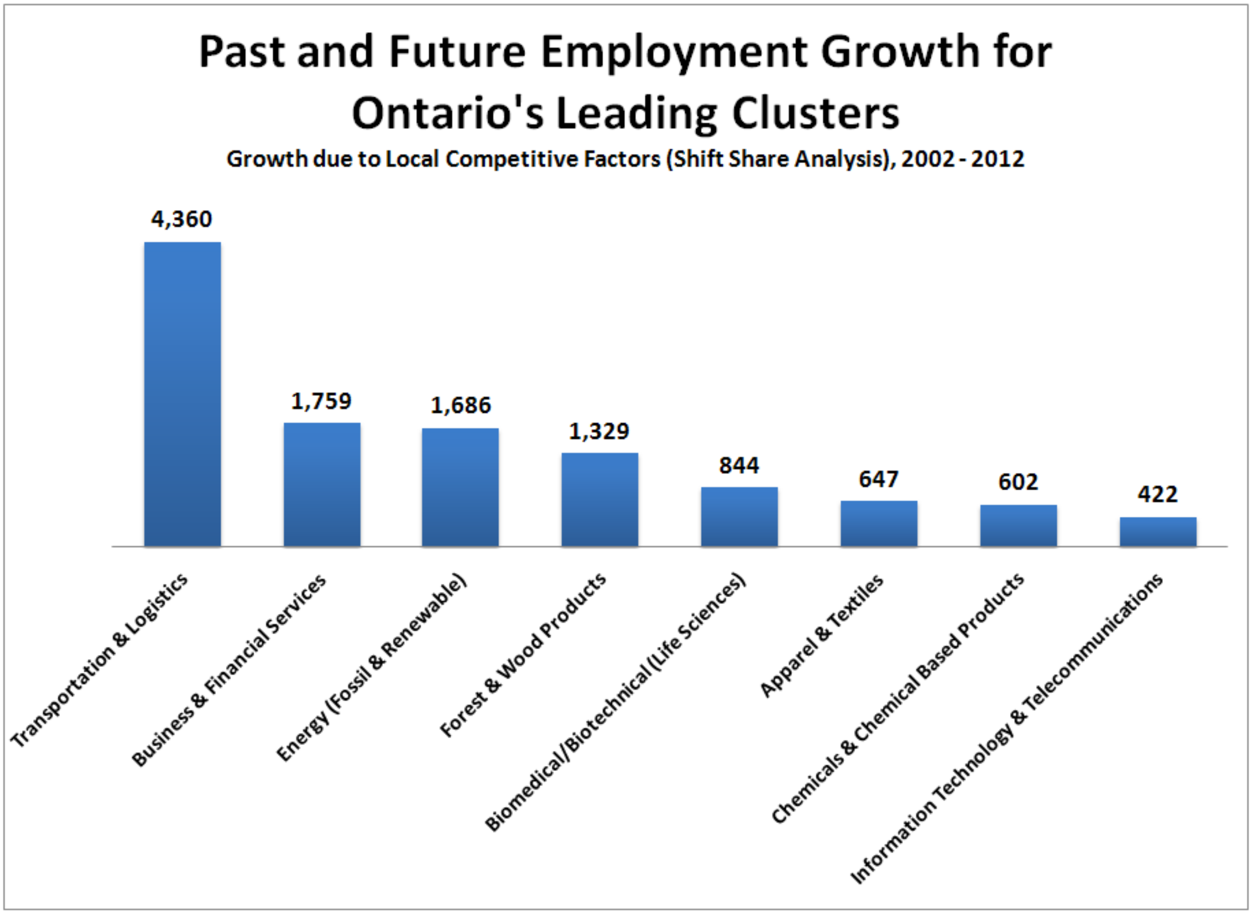

Figure 19. Source: EMSI Covered Employment, March 2008

Ontario and the New Suburbanist Paradigm

Ontario's long-term strategic investments reinforce its economic viability and its ability to fit into a new, more energy-efficient suburban paradigm. One outstanding advantage is its concentration of employment in the city or in surrounding areas — 27% of the working population — with relatively few residents who commute long distance. This will reduce the total vehicle miles traveled using single occupant vehicles, and allow for the creation of a reasonably dense, mixed-use development with the desired amenities to sustain a suburban place.

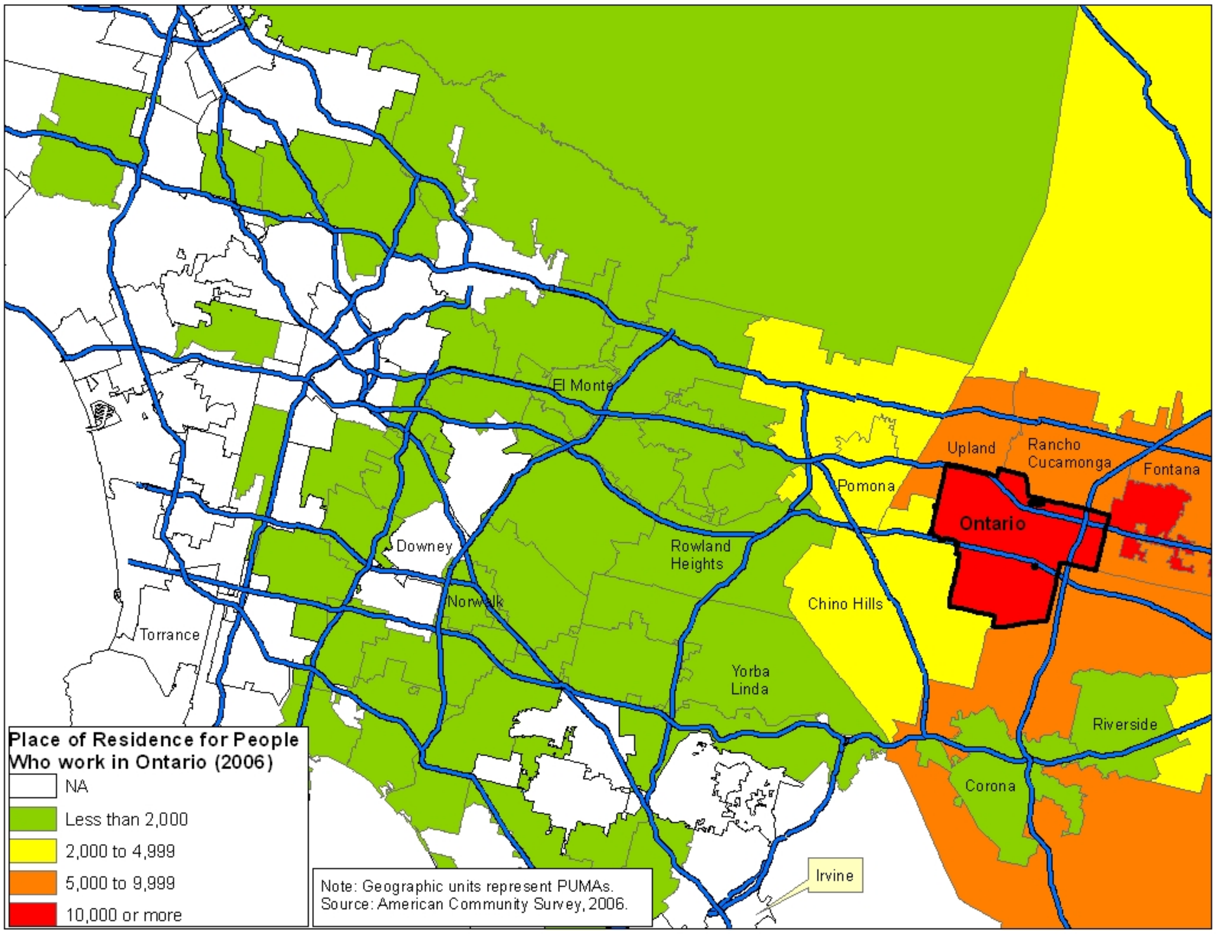

Figure 20. Source: US Census 2006 American Community Survey Public Use Microdata Files

But perhaps even more important, the city has continued to add other amenities – cultural, retail and civic – that make the community more attractive to both companies and individuals, and reinforces the notion that Ontario is more than a place of business or a mere residential colony of the amorphous metropolis.

The opportunity is clear. By 2020 the Inland region will add more people than Los Angeles – over 1.8 million – and more of them will need to find an alternative center for high-end commerce, retail, and entertainment. As a city best positioned as a provider, Ontario can look forward to servicing an ever expanding hinterland.[liii] In this sense, it takes on the role of a "downtown" for an expanding periphery, a geography of centrality, if you will.

This new pattern can be seen in thriving sub-centers such as Reston, Virginia, or Clayton, outside of St. Louis; both are suburban centers which service an expanding hinterland. Perhaps the clearest success story in this regard is the Woodlands, which, as longtime company President Roger Galatas notes, has emerged as “the downtown of all of north Houston, serving one million people who live within 20 miles of the Woodlands.”[liv]

This follows the traditional linked development model that worked in Reston, in Columbia (Maryland), and in Santa Clarita. As the legendary James Rouse, developer of Columbia, once suggested, such a model provides a “better alternative to suburban sprawl and clutter in accommodating the growth of America’s metropolitan areas”.[lv]

Today more developments are following this formula of mixing economic, social and cultural functions. The new Mesa del Sol development in New Mexico – a 25 square mile project inside Albuquerque’s city limits – has focused on job creation before building housing. Film, media production, and solar manufacturing are all being promoted as the base for a successful community.[lvi]

The best example in Ontario can be seen in plans for the New Model Colony, the vast mixed use development that contains considerable open space and the opportunity for a new kind of suburban life close to both work and amenities. The community, with an eventual population of over 100,000 residents, would consist of over twenty thousand single family homes, ten thousand multi-family units, and over ten million square feet of office, industrial and commercial space.[lvii]

The Prospects for the Future

We believe that Ontario’s current and future mix of housing – including a large supply of affordable single family homes – along with a strong economy will position the city in the next few years. One critical factor will be the continued movement into the area of people in their thirties, the primary age for home ownership and family formation into the region.

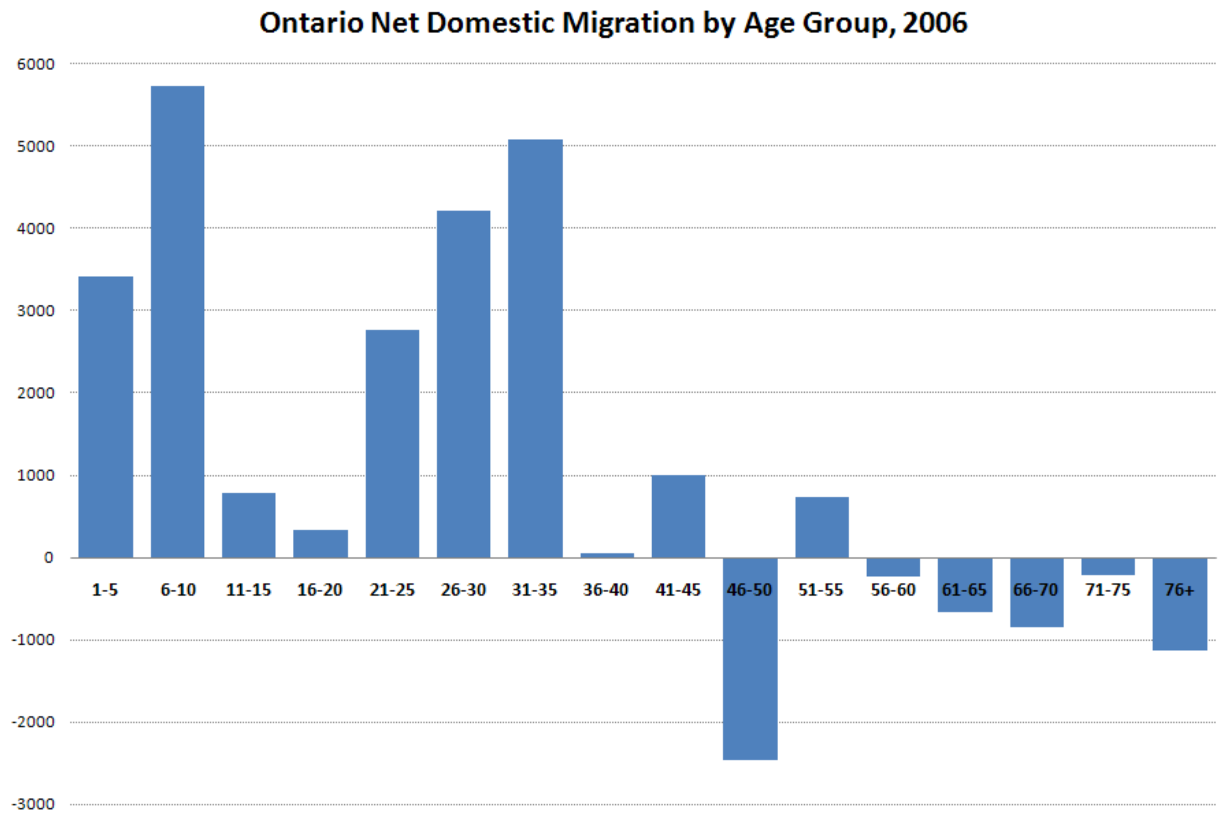

Figure 21. Source: U.S. Census 2006 American Community Survey Public Use Microdata Files

Many of these new homebuyers are likely to prefer a low-to-mid density development pattern preferred by the vast majority of Americans. Surveys of the top end of the millennial generation—the generation born between 1982 and 2003 – shows an even stronger preference for home ownership than Xers or Boomers. This will lead many of them to consider areas such as Ontario and the surrounding region.

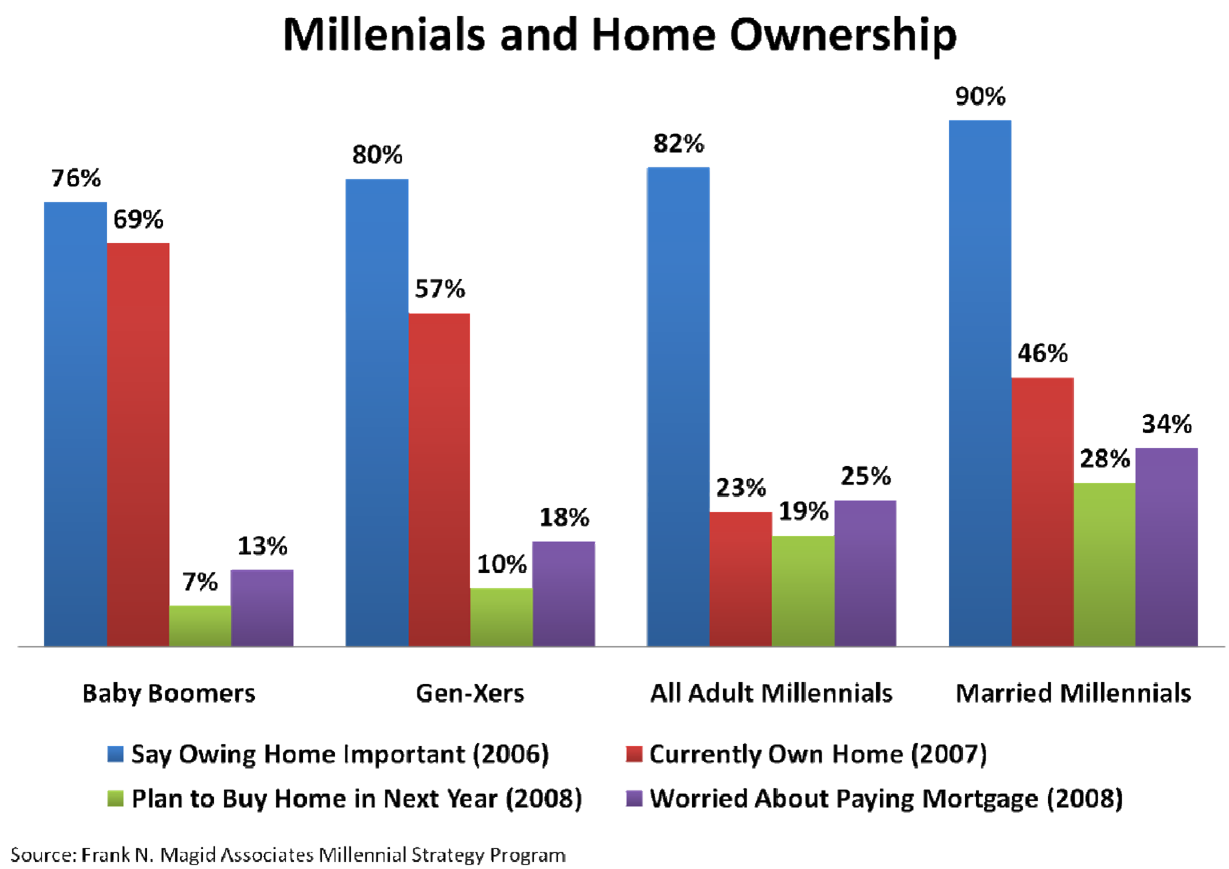

Figure 22. Frank N. Magid Associates Millennial Strategy Program

What Ontario can offer these new homebuyers is both a suburban quality of life – relatively low density, "village" neighborhoods – and the advantages long associated with cities such as prolific entertainment, restaurant, and shopping options. In contrast to the notion of sprawl, this approach focuses on local employment, shopping, and cultural life. Classic suburbia becomes what might be called 'greenurbia'.

Maintaining the greenurbian atmosphere will require steps, already contemplated, to protect critical farmland and open spaces. As much as possible, a successful village in the suburban future needs to be defined by its physical uniqueness and heritage. This will require the generous purchase of open space by public agencies, with the support of private developers, in areas where leap-frogging could pose problems. [lviii]

The greenurbian approach depends as well on the reduction of gas usage during commutes through more fuel-efficient cars, and the creation of work places close to where people live.[lix] These goals are usually cited to justify the redirection of people and investments to core cities. Yet, given the reality of multi-polar economic development, a more practicable approach is to steer residential development and services into areas that are actually creating jobs, as opposed to forcing it into those inner city areas that, for many reasons, continue to suffer long-term job stagnation or even decline.

Job growth has tended, throughout the country, to be focused on centers away from the historic cores, and on places best suited for intermodal transportation.[lx] In contrast, many rail and other transit related projects have not significantly brought work closer to residents, or driven people from their cars, in part because many transit-oriented centers are far removed from where people actually work and, more important, where jobs are likely to grow.[lxi]

Conclusion: The Case for Ontario

Ontario offers a diverse suburban future that will appeal to a broad range of residents and companies. It also sits at the epicenter of a vibrant sub-region that stretches east to cities like Industry and Pasadena, south to Anaheim and Irvine, and is surrounded by unique communities like Claremont, Chino Hills, Upland and Rancho Cucamonga.

This region also offers opportunities to skilled blue collar workers and white collar workers alike. It can provide community options for people at different life stages – condos for the young couple or single, affordable single family homes, and retirement options for older people.

This is the kind of multi-generational community that many people, according to numerous surveys, want and will seek out. This is particularly critical since Ontario has a considerably higher percentage of families and fewer singles than is common in Southern California.[lxii]

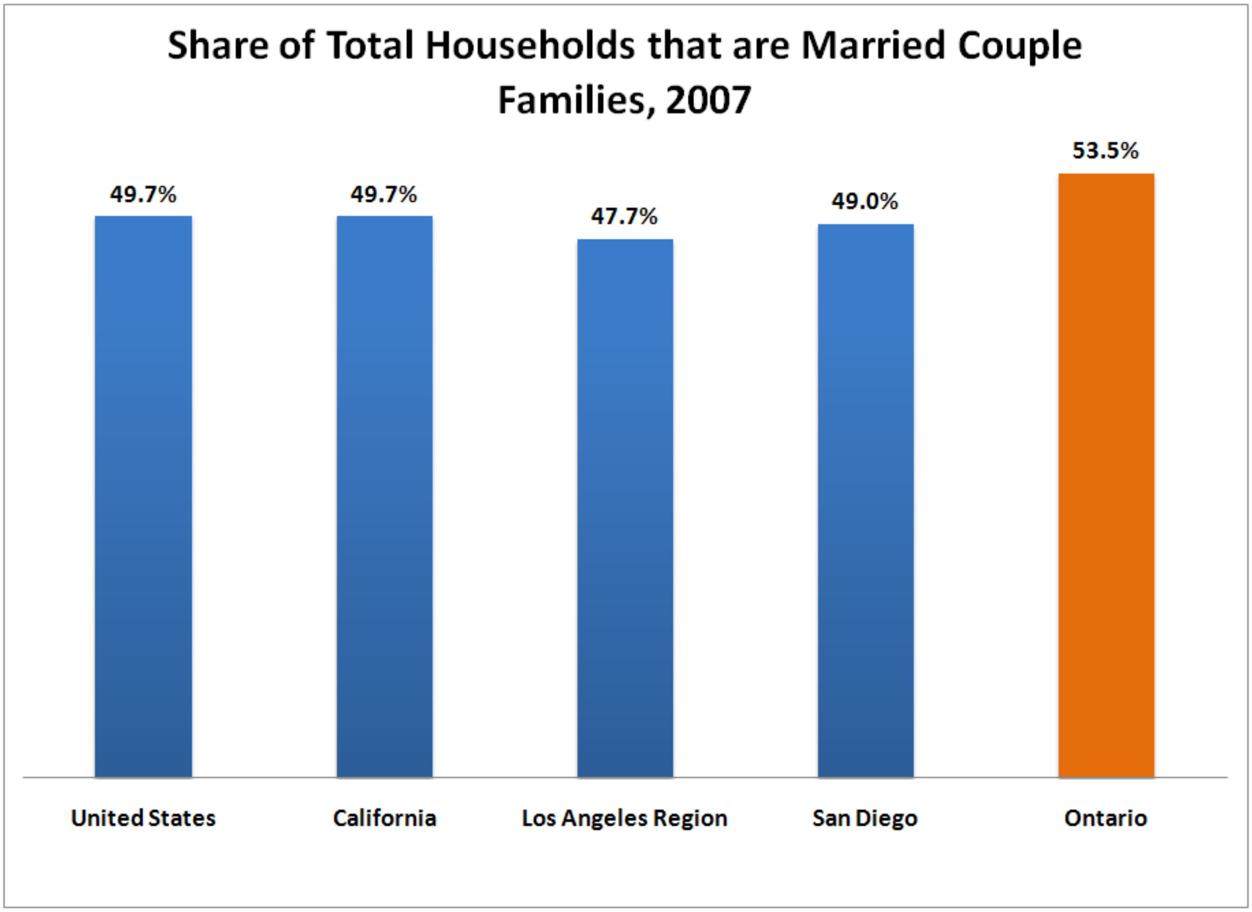

Figure 23. Source: US Census 2007 American Community Survey

In addition, the area offers a tremendous range of outdoor activities – with its mountains, foothills, and proximity to Palm Springs – that remain attractive to people as they leave their often prolonged adolescence and start to settle down. These attractions remain important even as people have children and age; amenities that, if preserved, could lure new homebuyers, workers and businesses.

This progressive new suburban vision with its continued embrace of single family homes, work centers, and a family friendly atmosphere may not count for much among some density advocates". But, as historian Kevin Starr suggests, such communities can join "everything good" about suburban living with something like the historic village, a place that offers economic opportunities and a complete sense of community.[lxiii]

In a pattern pioneered by the innovate founders of Ontario, careful investment mixed with today's bold plans have created the basis for a place to blend the best of urban and suburban life. It can fit comfortably into an environment that is both energy efficient and family friendly. As long as it retains its strong emphasis on the basics of economic growth, Ontario is an American city that can fulfill this promise for generations to come.

---

[i] John E. Husing, "Inland Empire 2008 Forecast…Recession", *Inland Empire Quarterly Economic Report,* April 2008

[ii] John E. Husing, "Economic Development Strategy: Ontario, 2007", *Economics and Polticis,* April 13, 2007

[iii] Eleanor Freeman, "The History of Ontario", in *Ingersoll's Century Annals of San Bernardino County 1769 to 1904,*by L..A. Ingersoll, Ingersoll Publishers, (Los Angeles: 1904), pp.565-581; Carey McWilliams, *Southern California Country:An Island on the Land,* Duell, Sloane and Pierce, (New York:1946), pp.154-156*;* John Jakes, "from *California Gold",* in Gayle Wattawa, editor *Inlandia: A Literary Journey through California's Inland Empire,* Heyday Books, (Berkeley,CA:2006), pp.52-54; John Samuel Armstrong, "The J.S. Armstrong Story", in *Pomona Valley Historian,* Historical Society of Pomona, Volyne VI, No. 1, January 1970

[iv] Kevin Starr, *Material Dreams: Southern California through the 1920s,* Oxford University Press, (New York:1990), pp.15-19

[v] Beth Barrett, "Inland growth fastest in state", *Daily News,* September 5, 2005; Marla Dickerson, "Southland's Job Engine Expected to Slow Down", *Los Angeles Times,* May 1, 2003; Sandra Murillo, "Inland Empire Big on US Growth List", *Los Angeles Times,* June 24, 2004

[vi] John E. Husing, "Economic Development Strategy: Ontario, 2007", *Economics and Polticis,* April 13, 2007; "City of Ontario: The Next Urban Frontier: Demographic and Quality of Life Data", John E. Husing , *Economics and Polticis* October 11, 2006

[vii] Joan Didion, "Some Dreamers of the Golden Dream", in Gayle Wattawa, editor *Inlandia: A Literary Journey through California's Inland Empire,* Heyday Books, (Berkeley,CA:2006), p.234; Mike Davis, "The Inland Empire", in Gayle Wattawa, editor *Inlandia: A Literary Journey through California's Inland Empire,* Heyday Books, (Berkeley,CA:2006), p.420-426

[viii] "Riverside-San Bernardino, Oxnard-Ventura sprawling", *Daily News,* October 18, 2002

[ix] Scott Gold, "Paying Price of Growth in Inland Empire", *Los Angeles Times,* November 25, 2001; John E. Husing, "The Sleeping Giant Is Awakening!", *Economics and Politics,*

[x] Michael Medley, "Population Overview: Urban Sprawl vs. grand planning: The fit to get it right". *Inland Empire Family Magazine,* November 4, 2003

[xi] Gerald A. Carlino," From Centralization to Deconcentration: People and Jobs Spread Out," Federal Reserve Bank of Philadelphia, November/December 2000,p.19; Margaret Pugh O'Mara, "Uncovering the City in the Suburb", in , in *The New Suburban History,* University of Chicago Press, (Chicago:2006), p.77; Edward L. Glaeser and Jesse Shapiro, "Is There a New Urbanism? The Growth of U.S. Cities in the 1990s," Harvard Institute of Economic Research, June 2001, pp.2-3

[xii] The State of the Nation's Housing," Joint Center for Housing Studies of Harvard University, 2001,p.8; Bruce Katz and Alan Berube, "Cities Rebound-Somewhat," *American Enterprise,* June 2002; Edward Glaeser, Matthew Kahn, Chenghuan Chu, "Job Sprawl", Brookings Institution, May 2001

[xiii] Alexander von Hoffman and John Felker, "The Historical Origins and Causes of Urban Decentralization in theUnited States", *Joint Center for Housing Studies, Harvard University,* January 2002

[xiv] Demographia; Wendell Cox, "Long Island Express: The Suprisingly Short Commutes of Suburban New Yorkers", www.newgeography.com, August 4, 2008; "Commute times in Chicago", *Hyde Park Urbanist,* July 9, 2008

[xv] Robert Caro, *The Power Broker: Robert Moses and the Fall of New York,* Vintage Books, (New York:1975); David Gebhard and Harriette von Bretton, *Los Angeles in the Thirties: 1931-1941,* Peregrine Smith, (Los Angeles:1975), p.26; Richard Longstreth, *City Center to Regional Mall,* MIT Press (Cambridge Mass: 1997).,p13; Robert M. Fogelson, *Downtown: Its Rise and Fall, 1880-1950,* (Yale University Press:2001),p.394; John D. Weaver, *El Pueblo Grande,*Ward Ritchie Press, (Los Angeles:1973).,pp.38-39

[xvi] "Inland Empire 2003 Indicators Report", *Inland Empire Economic Partnership,* 2003
[xvii] Ann Forsyth, "Grading the Irvine Ranch", *Planning,* May 2003 ; Source: Praxis Strategy Group Analysis of Bureau of Labor Statistics, QCEW "Central City" and "Suburb" are metro areas over 1 million population, Segregated by county; Ali Modarres, California State University, Los Angeles
[xviii] Dennis Pfaff, "California on a Carbon Diet: Denser Cities, Less Windshield Time", *Climate Law Update,* March 20, 2008; [xviii] Margot Roosevelt, "To go green, live closer to work, report says", *Los Angeles Times,* September 21, 2007
[xix] Margot Roosevelt, "To go green, live closer to work, report says", *Los Angeles Times,* September 21, 2007; John Norquist, "We could use less energy living closer together", *Philadelphia Inquirer,* May 17, 2007
[xx] Interview with Randall Lewis, June 16, 2008
[xxi] John Husing, "Demographic, Economic and Quality of Life Data", Ontario,California, *Economics and Politics,* October 11, 2006
[xxii] Interview with Cindy McWhirter, April 30, 2008
[xxiii] US Department of Commerce, Bureau of Census, *2000 Zip Code Business Patterns*
[xxiv] Interview with Mary Barrera, April 30, 2008
[xxv] "City of Ontario: International Air Service Study", SH&E, August 24, 1999
[xxvi] Jennifer Oldham, "Ontario's Airport Ready and Willing to Grow", *Los Angeles Times,* date tk
[xxvii] John Husing, "Demographic, Economic and Quality of Life Data", Ontario,California, *Economics and Politics,* October 11, 200-6

[xxviii] "Market CatchmentArea for Ontario International Airport", *OntarioLos Angeles World Airports;*
[xxix] John D. Kasarda, "Aerotropolis: Airport Driven Development", ULI on The Future: Cities in the 21st Century, ULI, (Washington, DC: 2000)
[xxx] John Kasarda, "California's Ontario International Airport: Driving an Emerging Aerotropolis", Paper prepared for European Conference on Airports and Regons, New Driving Forces, Paris, France 14-15 December 2000
[xxxi] Interview with Dennis Hogan,Phoenix Motorcars, April 30, 2008
[xxxii] California Employment Development Department; "Inland Empire 2003 Indicators Report", *Inland Empire Economic Partnership,* 2003
[xxxiii] John E. Husing, "Economic Development Strategy: Ontario, 2007", *Economics and Polticis,* April 13, 2007

[xxxiv] John E. Husing, "The Sleeping Giant Is Awakening!", *Economics and Politics,*
[xxxv] John Husing, "Demographic, Economic and Quality of Life Data", Ontario,California, *Economics and Politics,* October 11, 200-6; Grubb & Ellis Research, Office Market Trends Inland Empire, Q3 2008.

[xxxvi]Piers Scholfield, "The most dangerous gang in America", *BBC News,* April 5, 2008; Dan Mitchell, "Suburbia's March to Oblivion", *New York Times,* February 23, 2008; Lara Farmar, "Is America's suburban dream collapsing into a nightmare", CNN.com, June 21, 2008; Christopher B.Leinberger, "The Next Slum?", *Atlantic Monthly,* May 1, 2008

[xxxvii] Dana Ford, "Tent city in suburbs is cost of home crisis", *Reuters,* December 21, 2006
[xxxviii] John E. Husing, "Inland Empire 2008 Forecast…Recession", *Inland Empire Quarterly Economic Report,* April 2008
[xxxix] Sam Roberts and Sean D. Hamill, "As Deaths Outpace Births, Cities Adjust", *New York Times,* May 18, 2008; Sam Roberts, "Ups and Downs for Older Cities in Population Report", *New York Times,* July 10, 2008
[xl] Jordan Rappaport, "The Shared Fortunes of Cities and Suburbs", *Federal Reserve Bank of Kansas City,* Third Quarter, 2005, p.36
[xli]Urban Sprawl: Aren't City Centres great." *The Economist,* August 14, 1999; "Back to the City— Baby Boomers are leaving the suburbs," AARP Magazine, July 22, 2004; Robert E. Lang, James W. Hughes and Karen A. Danielson, "Targeting the Suburban Urbanites: Marketing Central-City Housing", Housing Policy Debate, Volume 8, Issue 2, Fannie Mae Foundation 1997; John Kasarda, "Comment on Elvin K. Wyley and Daniel J. Hammel's 'Islands of Decay in Seas of Renewal: Housing Policy and the Resurgence of Gentrifcation:, *Housing Policy Debate,* Volume 10, Issue 4, Fannie Mae Foundation, 1999; National Housing Study, Fannie Mae Foundation, 1997; Kirkpatrick Sale, *Human Scale,* Coward, McCann and Geoghean, (New York: 1980), pp.204-206; William Frey based on census data; "2004 American Community Survey: National Survey of Communities", Belden, Russonello and Stewart, October 2004, p.3
Jeffrey K. Hadden and Josef J. Barton, "Thoughts on the History of Anti-Urban Ideology" in Irving Lewis Allen, editor, *New Towns and the Suburban Dream,* University Publications, (Port Washington,NY:1977),Dowell Myers and Elizabeth Gearin, "Current Preferences for Denser Residential Environments", *Housing Policy Debate,* Fannie Mae Foundation, Volume 12, Issue 4, 2001, p.642; John Kasarda, "Comment on Elvin K. Wyley and Daniel J. Hammel's 'Islands of Decay in Seas of Renewal: Housing Policy and the Resurgence of Gentrifcation:, *Housing Policy Debate,* Volume 10, Issue 4, Fannie Mae Foundation, 1999; National Housing Study, Fannie Mae Foundation, 1997; Kirkpatrick Sale, *Human Scale,* Coward, McCann and Geoghean, (New York: 1980), pp.204-206; William Frey based on census data; "2004 American Community Survey: National Survey of Communities", Belden, Russonello and Stewart, October 2004, p.3
Alan B. Kirschenbaum. "A Flight from Suburbia", in *Urbanism, Urbanization and Change: Comparative Perspectives,* edited by Paul Meadows and Ephraim H. Mizruchi, Addison Wesley Publishers, (Reading,MA:tk), pp.113-117
[xlii] "Consumers Survey" National Association of Realtors and National Association of Homebuilders", April 22, 2002
[xliii] Zogby International, Homeownership and Living, September 2005
[xliv] "City of Ontario: The Next Urban Frontier: Demographic and Quality of Life Data", John E. Husing , *Economics and Polticis* October 11, 2006
[xlv] Research by Andy Sywak based on analysis of LA County foreclosure rates; Roger Galatas, *The Woodlands: The Inside Story of Creating a Better Hometown,* Urban Land Institute, (Washington:2004), p.63, p.123
[xlvi] John E. Husing, "Economic Development Strategy: Ontario, 2007", *Economics and Polticis,* April 13, 2007
[xlvii]Source: Grubb and Ellis
[xlviii] "City of Ontario: The Next Urban Frontier: Demographic and Quality of Life Data", John E. Husing , *Economics and Polticis* October 11, 2006
[xlix] Erik Siemers, "As the cost of freight rises, companies seek options", *Portland Business Journal,* August 8, 2008; Larry Rohter. "Shipping Costs Start to Crimp Globalization", *New York Times,* August 3, 2008; Richard Milne, "US becomes the low-cost site of the moment for manufacturers", *Financial Times,* September 8, 2008

[l] John E. Husing, “International Trade and the Inland Empire”, *Inland Empire Quarterly Report,* October 2008

[li] Interview with Eric Hernandez, June 16, 2008

[lii] Grubb and Ellis, Forecasts, 1992, 1999, mid-year 2000; John Husing, “Demographic, Economic and Quality of Life Data”, Ontario,California, *Economics and Politics,* October 11, 200-6

[liii] John Husing “HighTech in Southern California’s Fastest Growing Economy”, *Economics and Politics*

[liv] Roger Galatas, *The Woodlands: The Inside Story of Creating a Better Hometown,* Urban Land Institute, (Washington:2004), p.63, p.123

[lv] James W. Rouse, “Building a Sense of Place”, in Donald C. Klein, *Psychology of the Planned Community: The New Town Experience,* tk, tk, p.57

[lvi] Lisa Chamberlain, “Planned City Rises Within a City in the Southwest”, *New York Times,* September 26, 2007

[lvii] “Sphere of Influence: New Model Colony”, City of Ontario Planning Department, New Model Colony General Plan Amendment Summary, 1999

[lviii] USA Domesticated Land: 1950-2000 Urban and Agricultural, Demogrpahia.com Samuel R. Staley, “Sustainable development in American planning: A critical appraisal”, *TPR,* 77 (1), 2005; Samuel R. Staley, “The Vanishing Farmland Myth”, *Reason Public Policy Institute,* January 2000

[lix] Margot Roosevelt, “To go green, live closer to work, report says”, *Los Angeles Times,* Septembr 21, 2007

[lx] Robert Cervero, “Planned Communities: Self-containment and Commuting: A Cross National Perspective”, *Urban Studies,* Vol. 32. No. 7, pp. 1135-1161; Ivonne Audirac, “Information Technology and Urban Form”, *International Science Review,* 28, 2:119-145, April 2005

[lxi] Sharon Bernstein, “Near the Rails, but still on the road”, *Los Angeles Times*, June 30, 2007

[lxii] Annie Gowen, “Brave New Boomers”, *Washington Post* , September 16, 2007; William R. Frey, “Mapping the Growth of Older America”, *The Brookings Institution,* May 2007; Victor Hull, “Retirement Choices stretch beyond Florida”, *Herald Tribune,* June 11, 2006; Emily Fredrix, “Last hope in a weak economy? Mom and Dad”, *Associated Press,* March 21, 2008; Stephanie Coontz, “The American family and the nostalgia trap”, *The Phi Beta Kappan,* March 2005; “Why Population Aging Matters: A Global Perspective”, National Institute on Aging, National Institutes for Health, tk; Sandra Block, “Elder care shifting from nursing homes”, *USA Today,* date tk; Sharon Graham Niederhaus and John L. Graham, *Together Again: A Creative Guide to Successful Multigenerational Living,* Evans Publishers, (Lanham,MD: 2007), p.xv11, pp.8-40,pp.94-95, p.118, p.196; Chip Jacobs, “Here to Stay”, *Los Angeles Times,* July 1, 2007; source: 2005 American Community Survey,US Census

[lxiii] Kevin Starr, *Coast of Dreams:California on the Edge 1970-2003,* Knopf , (New York:2004),pp.319-320