

Bay Area Alliance for Sustainable Development

Post Office Box 2050
Oakland California 94604-2050

Voice: (510) 464-7978
Fax: (510) 464-7970

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Association of Bay Area Governments
Metro Center, 101-8th Street, Oakland

MINUTES

Dr. Eugene Leong, Executive Director of the Association of Bay Area Governments (ABAG), opened the meeting, **welcomed** everyone and provided introductory remarks.

Julie Ortiz, Carl Anthony and Andrew Michael provided **updates on several projects related to the Bay Area Alliance**. Ortiz, of Public Affairs Management, summarized the activities to date on the **media and public outreach** for the *Draft Compact for a Sustainable Bay Area (Draft Compact)*. Communications materials, including text pieces and the website, have been developed, as has an identity for the Bay Area Alliance for Sustainable Development (Bay Area Alliance). While the initial public outreach strategy called for workshops focusing exclusively on the *Draft Compact*, the strategy has since evolved to focus primarily on the Regional Livability Footprint/Smart Growth Strategy projects with the *Draft Compact* providing context for the public discussion on these projects.

Ortiz reported that upcoming activities include a two-part media relations and outreach strategy. February and March is the time frame for the first round of public workshops. The second set of workshops will occur in April through June. Input received during the first round of workshops will be reflected in the materials developed for the second round.

Ortiz stressed that it is essential to link the work of the Community Capital Investment Initiative (CCII) to the *Draft Compact/Livability Footprint* outreach efforts. The CCII and the Livability Footprint are implementation projects of the *Draft Compact*. She reminded us that the Bay Area and the work of the Bay Area Alliance are of interest throughout the nation as a result of the Partnership for Regional Livability.

Carl Anthony, of the Urban Habitat Program, provided an update on the **Community Capital Investment Initiative** (CCII) and summarized by saying that the project is progressing substantially. The goals of the program are to reduce poverty through the use of market-based solutions and to promote smart growth. The immediate objective is to secure capital for investment in the 46 neighborhoods of concentrated poverty in the nine-county Bay Area. Negotiations are ongoing regarding the structure of the family of funds and the term sheets for a final agreement. The agreement already reached is a significant accomplishment and includes viable rates of return for the investors. The project leaders are currently selecting investment managers. There are three funds proposed:

1. Smart growth fund with a capital objective of \$75-100 million;
2. Business equity fund with a capital objective of \$50-75 million; and
3. California Environmental Redevelopment Fund with a capital objective of \$75 million.

The CCII hopes to be able to leverage its secured funding by a factor of five. Anthony reported that the funds expect to be closed early next year.

Anthony encouraged those involved in communication activities related to the CCII work to ensure that people in the neighborhoods of concentrated poverty understand how the CCII will help them and how it will simultaneously help the region.

Andrew Michael, of the Bay Area Council, provided an update on the **Regional Livability Footprint/Smart Growth Strategy**. More than 200 people attended the September 29 preview workshop, a jointly-sponsored effort by the five Regional Agencies and the Bay Area Alliance. Among other things, the sponsoring entities are learning to better work together and have agreed on a description of the joint project (available on the website www.BayAreaAlliance.org). A technical committee has been formed that will address such issues as commute sheds, social equity issues, population/job projections, etc.

The project is moving into its second stage, one of reconnaissance meetings in each of the nine counties. Fifteen to 30 key public and private-sector leaders within each county are engaged in these reconnaissance meetings to identify and discuss Smart Growth – related efforts already underway. The intent is to avoid redundancy and describe to county and local leaders the expectations for the public workshops to be conducted later in the year. The hope is to attract 100 or more participants in each county for each of these workshops. Participants will identify their values and collective vision and their preferred land use development patterns for their county.

Jim Meyers of HUD suggested that the U.S. Geological Society might be able to help the Regional Livability Footprint/Smart Growth Strategy project by providing technical staff.

In response to a question regarding whether they would be more than one alternative growth scenario, Michael suggested that this is more than likely. The regional agencies will develop an alternative plan that will then be used as input for the Metropolitan Transportation Commission's Regional Transportation plan. The Bay Area Alliance's Regional Livability Footprint part of the joint project will likely look at multiple scenarios, depending on the input received at the workshops.

The meeting broke temporarily for the purpose of **honoring** the contributions to the Bay Area Alliance and the Bay Area by **Richard A. Clarke, CEO-retired of PG&E and former member of the Steering Committee** of the Bay Area Alliance. Each Steering Committee member reflected on the contributions and interactions with Mr. Clarke. As a tribute, Mr. Clark was presented with a framed copy of the *Draft Compact for the Sustainable Bay Area*.

A **panel discussion** followed on the subject of the Bay Area economy, job generation and population projections, and the implications of those projections as perceived by panelists representing the economy, social equity and the environment.

Eugene Leong of ABAG initiated the discussion by briefing the meeting participants on the dynamics of the Bay Area economy and job generation. He explained that ABAG's *Projections 2000* is just the latest incarnation of a process that began in the early 1970s. His historical context began with a description of one of the biggest problems facing the nation in the early 1970s – the number and location of necessary wastewater treatment plants. At the time, EPA was funding billions of dollars for these facilities. Simultaneously, other departments within EPA worked on air quality and the federal Department of Transportation was working on transportation issues. As a result, there was a myriad of federal agencies projecting growth in regions around the country. Within EPA, different departments used different assumptions in their growth projections. While some groups had a vested interest in high growth rate projections, others had a vested interest in low growth rate projections. State and federal agencies as well as others selected the projections to be used in their analyses based on their own objectives.

Over time, community leaders recognized that it is essential to have an agreed upon set assumptions when projecting growth. Governmental policy leaders dealing with the Bay Area as a region have agreed to use the ABAG projections as “official.”

ABAG does its 20-year projections approximately every two years. The national economy and its growth assumptions are inputs to ABAG’s regional economic model for the Bay Area. Other inputs include labor force migration, daily “in-commuting” to the region, county-generated population data related to births, deaths and fertility rates, existing and projected residential land availability, and available commercial and industrial land. A technical advisory committee reviews and endorses the assumptions in ABAG’s regional economic model. The assumptions are also peer-reviewed. ABAG’s forecasts are used by several regional agencies, including the Metropolitan Transportation Commission for its Regional Transportation Plan and the Bay Area Air Quality Management District for its Air Quality Plan.

Historically, the Bay Area has been a self-contained workshed and population center, i.e., people who work in the Bay Area live in the Bay Area. This fact enabled analysts and others, in effect, to draw a line around the Bay Area for the purposes of their analyses and projections. Regional economic modeling was relatively simple and accurate. However, this Bay Area analytical boundary fell apart in the 1980s as the economy began creating more jobs than could be filled by people living in the Bay Area. Workers began to be imported daily from outside the area, i.e., “in-commuting.” The changing demographics in the Bay Area also challenged the historical definition of “household.” Multiple or extended families were now living together due to cultural preference or economic need. These changes and the inadequacy of traditional tools such as Standard Industrial Classification Codes in the “new economy” increased the complexity of regional economic modeling and made it increasingly more difficult to forecast accurately.

The primary difference between ABAG’s *Projections 2000* and its predecessor, *Projections 1998*, is the number of jobs projected for the Bay Area. The economy is growing much faster than expected. ABAG projects that the population of the Bay Area will increase by one million in the next 20 years, from its current seven million. Notwithstanding this change in population, the rate of growth in the Bay Area makes it one of the slower growing regions in California.

Leong concluded his remarks by stating that the regional agencies collectively agree that there is a smarter way the Bay Area could grow.

In response to questions, Leong stated that:

- ABAG’s projections are quite “reasonable and accurate” at the aggregate level, i.e., for the region. At lower levels, e.g., cities and census tracts, the model is less accurate;
- the projections indicate a net “in-commute” of 300,000 people per day by 2020;
- alternative scenarios considered by the Smart Growth Strategy may be limited to the regional level , or may be done at lower levels also;
- the regional economic model is increasingly challenged by a number of organizations.

Panelist Sherman Lewis of Cal State Hayward and the Sierra Club opened his remarks with a rhetorical question intended to encourage people to “think outside the box”– will there be a Sustainability Plan Scenario (SPS) in the Regional Livability/Smart Growth Strategy? He opined that the materials presented to date leave little room for a structured, responsible choice for growth at rates lower than those provided by ABAG. He suggested that such an SPS is a viable, responsible choice that should be considered. Among a list of 11 ethical questions that might lead to an SPS were:

- Should more investment be made in the education and skills of the resident disadvantaged population, as the major means to meet the regional skills shortage?
- Do the four severe job surplus "super districts" have a special and serious responsibility to provide more housing?
- Should economic measurements use traditional indicators or should they also include equity concerns and the environment?
- Should all job creation be supported, or do jobs range from hurtful to helpful, depending on social, economic, and environmental impact?
- Should property and sales taxes be shared among cities to reward housing, especially affordable housing?
- Should working class renters rooted in the neighborhood be protected from excessive dislocation?

Panelist Cynthia Kroll of the Fisher Center for Real Estate and Urban Economics, discussed industry clusters and variations in the computer cluster that can drive industrial location decisions. California has several advantages and disadvantages.

California Advantages	California Disadvantages
Skilled labor	Housing/living costs
Networks	Labor costs
Quality of life	Congestion
Communications	Taxes
Access to overseas markets	Commercial real estate

Industry has responded to California's disadvantages by moving many activities out of state. However, some industries are inelastic when it comes to these disadvantages. However, the California Advantage factors above are very strong. Even if they have some elasticity many companies *want* to stay in the Bay Area.

The Bay Area has not kept up with housing needs. There was a large decrease in the number of single and multifamily dwelling building permits issued in the Bay Area during the recession of the early 1990s. The Bay Area has not fully recovered from this decrease in residential building. This is at least in part due to the fact that it is easier for developers to build in places outside of the Bay Area. Bay Area builders in the residential market tend to focus on the high-end residential market. The Central Valley has filled this housing void with substantially increased levels of residential construction. The Fisher Center for Real Estate and Urban Economics projects that "in-commuting" to the Bay Area will increase from 50,000 daily in 1990 to 250,000 in 2020.

Panelist Chris Benner of Working Partnerships discussed his research, which focuses on Silicon Valley. He has been looking at the implications of high-tech, particularly for disadvantaged workers. The Silicon Valley economy has two distinct sectors -- high-tech and those serving it, which employs 35 percent of the workforce, and the rest of the economy, e.g., education, health care, retail, etc. The large majority of the high-paying jobs are in the high-tech sector.

Workers in the lower half of the income scale in Silicon Valley have seen their incomes remain essentially flat over the last decade. Virtually all income growth has been in the top 40 percent of the income scale, especially in the top 10 percent. This is resulting in a polarization of occupational growth with a substantial shrinkage in middle income level occupations. Benner suggests that the high-tech growth industry drives inequality and insecurity in the area. It results in unpredictable changes in the economy, the virtual elimination of predictable career paths, etc. As a result, the

temporary help industry is one of the most rapidly growing industries in Silicon Valley. The tenure of California workers is also going down relative to the trend nationwide. People are moving from job to job.

Benner suggested three factors that should shape policy: economic growth, social mobility, i.e. moving from low- to medium- to high-paying jobs, and raising wages at the lowest end the economic scale.

Working Partnerships has several studies on this issue including *Growing Together or Drifting Apart* and *Walking the Lifelong Tightrope: Negotiating Work in the New Economy* They can be viewed at the organization's Web site (www.atwork.org).

Q&A

In response to a question regarding the realism of Sherman Lewis' proposal, the panelists agreed that substantial additional investments in education are critical. Without this additional investment in the educational infrastructure, filling the skill shortage with the resident disadvantaged population is unrealistic and local industry will continue to go overseas for skilled labor.

"Us vs. them" in this case is an issue of the Bay Area vs. other regions. A lower level of growth in the Bay Area would make the Bay Area less competitive. It may be helpful to look at the Bay Area as the world. Jobs will grow, but the question is where. If an area within the Bay Area grows too fast, the local infrastructure will be stressed, perhaps the point of failure. One way to deal with housing in the Bay Area and the resulting stressed infrastructure is to focus on the location of the new jobs.

Bay Area Alliance Steering Committee member Sunne Wright McPeak complemented the panelists on their efforts to get to the "truth." She suggested that that the population and job projections are at the heart of the jobs/housing balance issue.

Responding to an assertion that too much land in the Bay Area is zoned for commercial and industrial uses, Eugene Leong pointed out the reality that these uses are what generates revenues for Bay Area cities and counties. Each city/county tries to attract commercial development to help balance its municipal budget and enable it to provide services to its constituency. Given the rules under which local officials operate, "they are merely trying to survive." The discretionary budgets for cities/counties are extremely small. Commercial and industrial development is one of a very few viable sources of incremental funding for municipalities, other than additional fees on developers of residential property, a practice that would exacerbate the high housing prices in the area.

Cynthia Kroll pointed out that comprehensive economic planning cannot be conducted at the local/regional level, since the United States is an open economy. Control of land use is one of the few powers that local government have. The nature of the game leads localities to use marginal pricing, where costs are picked up by developers. This practice leads to inequality.

Benner suggested that the existing tax structure provides a disincentive for municipalities to provide housing, since the costs of providing the services for the new housing exceeds the revenues that will be generated. Fiscal reform at the state level is essential.

Bay Area Alliance Steering Committee member Carl Anthony reminded everyone that the Bay Area Alliance has been able to facilitate a "fragile dialogue" among its constituencies, i.e., people and organizations that have traditionally been adversaries. He expressed concern for the potential of the dialogue falling apart if ideas considered too radical by some members become the norm. Sherman

Lewis acknowledged Anthony's concern and agreed that the *Draft Compact for a Sustainable Bay Area* is much better than the status quo, but from his perspective as environmentalist, it doesn't go far enough. The ideas he expressed as a panelist have a longer time horizon than the one inherent in the *Draft Compact*. Benner responded with the need to address the "divide between the '.com'ers' (dot com-mers) and the janitors." Companies in high tech inherently depend on interactions between themselves in an agglomeration economy such as that in Silicon Valley. As good corporate citizens, they should also see that it is in their interest to take responsibility for the janitors and other low income people working in their facilities.

Bay Area Alliance Steering Committee member Michelle Perrault suggested that tax and fiscal reform is the "throat choke" on low-income people throughout the state. However, she does not see enough interest in fiscal reform in order to generate the necessary political will.

Don Miller of the Interfaith Coalition expressed his organization's strong support for Sherman's ideas. The *Draft Compact* represents significant progress and reflects what is politically possible but it is not enough. With that caveat, the Interfaith Coalition continues to be supportive of the work of the Bay Area Alliance and intends to continue to stay at the table.

Public comments:

- Scott Edmundsen of the City and County of San Francisco distinguished between the reaction times of the economy and the land use activities of local government. He suggested that we look for ways to harness the strengths of the market into land use planning.
- Irwin Mussen of the Urban Habitat Program described the discussion as "wonderful" and suggested that as we collectively move toward smart growth, we ensure that we have metrics to determine the trend of income distribution in the Bay Area and the gap between rich and poor.
- Darren Noy of BOSS reminded the participants to keep in mind the issue of gentrification. Equity and gentrification are not just social value; they also impact community/neighborhood identity.

The meeting adjourned at 12:10 p.m.

BAY AREA ALLIANCE MEETING ATTENDANCE SHEET

DATE: **Thursday, October 26, 2000**

LOCATION: **MetroCenter Auditorium, Oakland, CA**

Anthony, Carl – Urban Habitat Program
Augenstein, Chris – VTA, Congestion Management
Bay, Duane – The Housing Conservancy
Benner, Chris – Working Partnerships USA
Bone, Diane – California Center for Regional Leadership
Brown, Linda – California Alliance for Jobs
Clarke, Dick – P.G.& E.
Edmondson, Scott – City and County of San Francisco
Eisen, Victoria – Association of Bay Area Govts.
Harris, Robert – PG&E
Hasseltine, Eric – Contra Costa Council
Hough, Bill – Presidio Alliance
Hwang, Roland – NRDC
imanyuel, Iarens – University for the Earth
Kelly, Kathleen – AC Transit
Kern, Bruce – EDAB
Kittermaster, Carol – Sustainable San Mateo Co. – Tides Center
Leong, Eugene – ABAG
Lewis, Sherman – Sierra Club
McPeak, Sunne Wright – Bay Area Council
Melhus, Peter – Bay Area Alliance for Sustainable Development
Michael, Andrew – Bay Area Council
Miller, Don – Interfaith Coalition for Green Planning
Mussen, Irwin – Urban Habitat Program
Myers, Jim – HUD
Nakatani, Keith – Urban Habitat Program
Nichol, Allan – Napa Valley Economic Development Corp
Norwood, Ken – Shared Living Resource Center
Noy, Darren – BOSS
Ortendahl, Mary - EDAB
Ortiz, Julie – Public Affairs Management
Perrault, Michele – Sierra Club
Peterson, Rachel – Urban Ecology
Radcliffe, Paul – EPRI, UC Berkeley
Roggenkamp, Jean – BAAQMD
Scandone, Ceil – Association of Bay Area Governments
Serna, Phil – Homebuilders Association of Northern California
Skarlatos, Candace – Bank of America
Theyel, Gregory – EFC-9
Tyndall, Kristy – Public Affairs Management
Villanueva, Trina – California Center for Land Recycling
Wegener, Torsten – IURD – UCB
Wheeler, Stephen – Transportation Choices Forum