

Bay Area Alliance for Sustainable Development

**January 30, 1998; 9:00 a.m. - noon
Techmart;
5201- Great America Parkway, Santa Clara, CA
Minutes**

After introductory remarks by Carl Guardino, President of the Silicon Valley Manufacturing Group, self-introductions were made around the room (attendance list attached).

I. Alliance Business

In order to provide context for the 1998 proposals and milestones for the Alliance, Peter Melhus outlined some of the Alliance's accomplishments to date, including:

- the development and adoption of the Alliance Working Plan;
- the inventory of sustainable development efforts ongoing in the Bay Area; and the convening of a meeting of the directors of these efforts;
- the convening of a meeting of the heads of the five regional regulatory agencies;
- consensus on the initial broad issue to be addressed by the Alliance -- the inter-relationship between transportation, housing, social equity, environmental quality and economic prosperity;
- the survey to determine the issues that the Alliance should take on; drawing from the work already gone by Urban Habitat, ABAG, the Bay Area Partnership, the East Bay Conversion and Reinvestment Commission, President's Council on Sustainable Development (PCSD), the San Francisco Estuary Project, and others;
- "briefings" on the three e's, getting input for the Alliance from experts in the Bay Area from the social equity, environmental and economic sectors.

He expressed his belief that the Alliance represents the beginnings of a multi-stakeholder collaborative process which has the potential to define and address issues related to sustainability in the Bay Area; and stressed the importance of the success to date with the Alliance keeping social justice/equity issues "on the table" during the discussions on sustainable development in the Bay Area, rather than subordinating them as often happens;

In 1998, the Alliance intends to focus on:

- foundation and other funding so that the Alliance can continue its work;
- development of task forces/work groups related to conduct specific work, e.g., indicators, public outreach, etc.;
- development and adoption of a Regional Compact for Sustainability, which would contain strategies for addressing the priority issues;
- encouragement of more regional regulatory agency collaboration

He concluded with an update on the Metropolitan and Rural Strategies Task Force of the PCSD.

II. Economic Panel Presentations

Larry Baack, President of the Bay Area Economic Forum, moderated the panel and provided an overview of the Bay Area economy. He cited the PCSD report and the PCSD's intent to foster an environment which sustains a healthy U.S. economy that grows sufficiently to create meaningful jobs, reduce poverty, and provide the opportunity for high-quality of life for all in an increasingly competitive world. He also cited a number of the key indicators of the PCSD:

- increases in per capita GDP;
- increases in the number, wage level, and quality of jobs;
- decreases in the number of people living below the poverty line;
- increases in per capita savings and investment rates;
- new economic measures that reflect depletion and environmental costs;
- increases in per capita production per hour worked

Larry believes that the Bay Area provides one of the best opportunities to achieve sustainability due at least in part to its predominantly knowledge-based economy -- one that has been called "a prototype for the world." This doesn't mean that the Bay Area economy is exclusively knowledge-based, but its competitive/comparative advantage is in the knowledge-based component of its economy. Although the Silicon Valley subregion has 1500 of the nation's largest 2500 firms, the knowledge-based economy extends throughout the Bay Area. The Bay Area is first or second in U.S. in a number of sectors, based on production/employee, including computers and electronics, telecommunications, multimedia, environmental technologies, banking and finance, business services, etc. This comparative advantage also leads to international success. Silicon Valley recently became the number one exporting region in the U.S., surpassing New York and Detroit. Twenty five percent of the Gross Regional Product is tied to exports.

The Bay Area records twice as many patents/employee as the national average; it consistently has the highest proportion of the 100 fastest growing companies in the U.S.; it has the highest Internet penetration in the world; and its economy is approximately equivalent to that of the nations of Sweden and Belgium;

The Bay Area has an ingrained culture of entrepreneurialism, risk-taking, business building and venture capital; it has an extraordinarily well-educated, creative, talented, and productive workforce; it has the finest concentration of research institutions -- public and private -- in the U.S.; it has an extraordinary natural environment and cultural richness. All of these assets are key to attracting and retaining knowledge-based workers.

The Bay Area needs world-class infrastructure to sustain a 21st century economy. The decisions we make concerning infrastructure are critical to building a framework for the region to support the sustainable development model. Business must be competitive and it can only do so if the business climate enables it. Environmental quality must be maintained; otherwise the region's most enduring asset is destroyed and the quality of life degraded. For the Bay Area

economy to continue to be successful, we must nurture its building blocks of ideas, entrepreneurialism, people, the environment and its infrastructure. Balancing all these is a huge challenge. Finally, we need to ensure that success is shared throughout the region (social equity).

Four handouts were provided: 1) *The Bay Area -- Leading the Transition to a Knowledge-based Economy*; 2) *Transportation in the Bay Area: a Call to Action*; 3) *Bay Area Futures: Where Will we Live?* and 4) *Building a Better Bay Area Economy: A Plan for Collaborative Action*

Rich Morrison, senior vice president Bank of America, characterized his assignment as "covering the corporate perspective of the Alliance and its work." BofA is extremely interested in collaborative efforts. Rich offered several rules for collaboration based on his experience:

1. concentrate on areas where we can find agreement;
2. all parties must be willing to listen and change their position;
3. focus on an area where the group can succeed;
4. allow time to build trust.

Rich believes that the Alliance has a tremendous opportunity to succeed -- it is both a multi-stakeholder process and regional in nature. "If not us, then whom?" Looking at the "top eight" list for the Alliance, several issues of commonality can be identified: making urban areas more livable (needs infrastructure investment); rationalize our transportation system, create a business climate where people want to invest (create profit opportunities).

BofA collaborated with the Greenbelt Alliance, California Resources Agency and Low Income Housing Fund to produce a report three years ago entitled *Beyond Sprawl*. In the report four directives were identified: 1) create more certainty where development can/cannot take place; 2) make use of land already developed; 3) have legal/procedural framework to create that certainty (zoning laws, etc.); 4) build constituency to create a sustainable community (the Alliance may serve this purpose).

Maria Moyer-Angus, director of environmental services for Gap Inc., described Gap's support of collaborative efforts. She acknowledged that Gap contributes to the environmental problems throughout the world, including the use of significant amounts of wood, when 80 percent of the national forests in the world and 98 percent in the U.S. have been destroyed. Recognizing the environmental implications of deforestation, Maria emphasized the need for sustainable harvesting of wood. She advocated the need for independent certification of sustainable harvesting practices when wood products are purchased. The Forest Stewardship Council has developed criteria for independent certification. Gap expects to have a standard for certification of the wood that it purchases, but it "is not there yet." Maria reported that the new Gap store in San Bruno, CA, has "the most certified wood ever used in one location." To sum up her presentation, Maria encouraged other companies to "take a chance."

Michael Covarrubias, president of The Martin Group, a major developer in the Bay Area, suggested that when thinking of sustainable development in his business, it "is easier to think of what is not sustainable development." He cited the example of high housing prices in Silicon Valley, which led to developers increasingly developing outlying areas such as Tracy where land prices were cheaper. This led to increased traffic on Interstate 680 and especially on the Sunol Grade leading into Silicon Valley. (The Sunol Grade has been designated by many as the worst commute in the Bay Area.) As a consequence, people decided to pay a much higher premium to live in Silicon Valley in order to avoid commuting from the Tracy area. This, in turn, led to even higher prices in the Silicon Valley. In essence, the solution of moving development to the outlying areas, exacerbated the problem of high housing prices.

Michael suggested adaptive reuse as a potential solution -- taking unutilized or under-utilized facilities and adapting them for low- and moderate-price housing. He cited Emeryville, CA, as a positive example, where a four-story vacant industrial warehouse was converted into a five story, for-sale, 135-unit, single-family attached, middle-income housing complex. According to Michael, "today's user of housing is younger, is making more money, and doesn't want to commute long distances." The City of Emeryville cooperated in this project by providing the developer a "bonus" on density and granted a loan to the developer of several million dollars.

In San Francisco, at Van Ness and Geary, an eight-story car dealership was converted into a complex that includes a movie theater, residential units, and retail. Again the City provided incentives. Michael believes that it is clear that in the Bay Area the balance between increasing jobs and housing is "out of whack." We need to focus on increasing affordable housing.

Leslee Coleman, of the Silicon Valley Manufacturing Group, began her remarks with the assertions that "a strong economy leads to its share of challenges, including housing," and that "collaboration is critical." She intended to shape her remarks to answer the question "why does affordable housing matter so much to the business community?"

The median price of a home in Silicon Valley is \$320,000 (resale not new). Eight of 10 Silicon Valley residents cannot afford to purchase a home in Silicon Valley. The rental market currently has a vacancy rate of less than 2 percent. Current rents are in the range of \$1100/month for a one-bedroom apartment.

A software engineer coming out of college makes \$55,000 in Silicon Valley. It takes an income of \$95,000 to afford the median price house in the area. A survey taken in the early 1990s indicated that 70 percent of Silicon Valley workers sought employment outside the Valley due to housing costs within the Valley. A recent survey of companies in the area indicated an employment acceptance rate of only 1 in 20 for the people they wanted to hire. Clearly, this is a problem for Silicon Valley employers. Leslee suggests we not point fingers but rather "join hands."

In 1994, the Silicon Valley Manufacturing Group founded the Housing Action Coalition, which advocates for affordable housing, especially near transit nodes. To date the Coalition has advocated for 54 projects in 13 cities in Silicon Valley totaling 15,000 infill homes. Generally, neighbors don't like infill housing projects. The Coalition typically speaks before city councils. Leslee pointed out that housing decisions stay with us for 50-100 years. In trying to characterize the cause of the housing crisis in Silicon Valley, she quoted the philosopher who said, "no snow flake in an avalanche ever feels responsible." The Housing Leadership Council is currently looking at housing policies that lead to non-affordable housing in Silicon Valley. The Council has come up with five initiatives, which it has assigned to task forces for action: permit streamlining, the county-wide housing trust fund, first-time home buyers assistance, public officials education, and construction defect litigation.

A handout entitled *Santa Clara County Housing Action Coalition* was provided.

Stan Taylor, of the Bay Area Council Transportation Committee, began his presentation by pointing out the close connection between housing, environmental quality, and economic prosperity, citing a number of issues:

- the jobs-housing imbalance is a principal contributor to traffic congestion problems;
- emissions from mobile sources are major contributor to air quality problems;
- traffic delay costs the Bay Area economy more than \$3.5 billion/year.

Stan suggested that inaction is not an acceptable course of action. He also suggested that any successful strategy to enhance mobility should embrace three principles: 1) the existing infrastructure must be maintained and used more efficiently; 2) strategic investments in new transportation capacity should be on those which significantly improve overall ability; and 3) infrastructure improvements should minimize environmental impact.

He suggested a number of actions to maximize utility of the existing infrastructure including integration and coordination of transportation operations throughout the Bay Area and encouragement of entrepreneurial transit service. He also suggested the following potential options:

- variable pricing on bridges;
- "smart" technologies, e.g., electronic toll collection, traffic monitoring and information systems, etc.;
- expanded ride sharing;
- promotion and rewarding voluntary demand reduction, e.g. flex time, telecommuting, transit incentives, etc.;

To enhance overall mobility he suggests supporting BART and Santa Clara County light rail extensions, replacement of the eastern span of the Bay Bridge, increasing availability and linkage HOV lanes, upgrading and improving the region's rail network, adding freeway capacity at key bottlenecks, expanding water-based transit, improving multi-modal access to airports and seaports.

To protect the environment he suggested promotion and rewarding voluntary demand reduction, including reduction in solo driving, incentives to reduce the jobs-housing imbalance, and promoting a framework for growth management and sustainable economic development.

Jim Levine, of Levine-Fricke Recon, discussed the concept of industrial ecology which can make industry more sustainable by using resources more efficiently and reducing waste. He noted that industrial ecology approaches are tackling a new range of issues and that establishing this new mind-set could take some time. Jim noted that Alameda County is undertaking a feasibility study focused on reclamation and reuse of waste materials as feed stock for industry and that such a facility could be located on a closing military base in Oakland. He is developing a partnership with other stakeholders to explore a combination of mutually-supporting industries such as an eco-industrial park. Besides co-locating industries that use materials for manufacturing synergistically, such a park could house environmental firms, other companies with a link to sustainability and training components to help meet workforce and economic development objectives. The need to involve private industry, local government agencies and community organizations in collaborative planning for an undertaking of this nature was illustrated. Finally, Jim provided a listing of eco-industrial parks currently in place or under development and noted that the most mature ones were developed or managed by the private sector. An eco-industrial park incorporating industrial ecology concepts is a near-term model built on a gain sharing that should contribute to longer-term sustainability by reducing consumption of resources and energy by manufacturers.

III. Public comment:

The conflict between quarterly focus of business and the long-term implications of sustainable development was raised.

It's critical that we deal with the "NIMBY" problem.

A concern was raised about implications that simple adjustments will lead the Bay Area toward the path of sustainability when fundamental change is in order.

How generalizable are the solutions that are panelists are suggesting?

IV. Next Steps:

Sunne Wright McPeak suggested that the challenge before us is overwhelming. Vehicle miles traveled in the Bay Area have increased at a rate four times greater than the investment in infrastructure and three times greater than population growth. Three jobs are being created for each housing unit being built; therefore we're building two-thirds less housing than is needed.

The Alliance will take the information from the three panels that have made presentations on each of the three eased and revisit the priority items identified through the surveys with the intent of identifying potential action items.

The next meeting of the Alliance will be on April 30, 1998 from 9:00 a.m. - noon at the Sierra Club in San Francisco.