



**BAY AREA
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discussions
on vital issues
concerning the
Bay Area*

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*Managing Growth:
Regional issues,
Regional answers?*

THE FORUM REPORTS

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Managing Growth: Regional issues, Regional answers?

Housing and transportation challenges, unless resolved, threaten to undermine the Bay Area's economic productivity, competitiveness and quality of life. Issues of infrastructure, mobility and workforce housing transcend jurisdictional boundaries. They are regional as well as local, as decisions are taken at the county and municipal level but with implications that have widespread regional impacts. Important efforts are underway to address these issues at the regional level, including the Bay Area regional agencies alternative growth scenario project, the Association of Bay Area Governments' regional housing needs determination, and the Bay Area Alliance for Sustainable Development's "Draft Compact for a Sustainable Bay Area" and "Livability Footprint Project." Ultimately, sustaining the Bay Area's extraordinary prosperity and livability will depend on our ability to recognize the key issues that connect its communities, and to act on them at the regional level. The following discussion at the Bay Area Economic Forum analyzes the dynamics of the Bay Area's economy, the issues that will influence its future health and vitality, and strategies for more effective regional decision making.

Lenny Mendonca

To start, I'm going to give you a highlight of the report recently done by McKinsey & Company with the Bay Area Economic Forum and the Bay Area Council, "The Bay Area: Winning in the New Global Economy." One of the important elements that I'll talk about is how the enormous prosperity of the Bay Area, particularly in terms of the job creation and the economic performance of the companies headquartered here, has created stress in terms of demand for housing, infrastructure over-load, and the need to import workers. What we did was look at the Bay Area compared to seven other regions: Los Angeles, New York, Boston, Houston, Seattle, Phoenix, and Charlotte, and how it performed against a series of measures in terms of economic performance, quality of life and the underlying attractiveness of the Bay Area.

The summary of our finding is that, as any of us who live here can see day to day, the Bay Area has achieved an unprecedented level of economic strength over the last few years. There's a foundation of strong knowledge skills and reinvestment that has resulted in a positive reinforcing cycle. In fact, the Bay Area's strength has even improved relative to the other regions since the last time we looked at it. However, the same cycle can as easily turn negative if some of the elements that currently reinforce it are reversed. I'll focus on the lack of affordable housing, the overburdening of our transportation infrastructure and the lack of quality performance in the public education system, particularly K-12.

First, let's talk a little about the good news. The Bay Area is really at the forefront of a number of elements that are driving the global economy, including the opening of trade, the increasing mobility of capital and labor, and its ability, because of that openness and technology, to take those capabilities and intellectual capital and extend the benefits across the globe. The Bay Area's underlying knowledge-base and research institutions help create this reinforcing cycle, where a favorable

economic environment leads to high business performance, that in turn results in high quality of life in terms of income, distribution of income, etc.

As a few indications of that, the Bay Area has 85 programs that are ranked in

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the top 10 of their field in graduate education, including business, engineering, law and medicine. It has the greatest concentration of research centers of any place in the United States; it leads in bioscience R&D spending by 80% over the next closest region, and it has more than double the number of patents per employee than the second closest region. It's strong research base and patent productivity, and the opportunity to create new capabilities, is part of the reason why the Bay Area is such an attractive environment for capital. The Bay Area has about 2% of the U.S. population, but has almost a third of the nation's invested venture capital. Even in the current more volatile environment, we're still seeing massive increases in the amount of money flowing into the Bay Area. The vast bulk of that, as we all know, is going into technology, primarily Internet enabling.

That strong research base, and reinvestment through venture capital, has helped support extremely strong economic performance for companies headquartered in the Bay Area. Between 1988 and 1998, the market capitalization of Fortune 500 companies headquartered in the Bay Area grew from \$70 billion to \$825 billion. During that time, the number of Fortune

500 companies that are headquartered in the Bay Area increased from 18 to 26. But their growth masked a substantial turnover in the corporate base, where 12 of the original 18 are no longer headquartered here and 20 new companies took their place. During that timeframe, companies headquartered in the Bay Area had the fastest growth in market value in the country. In the last three years, firms with more than a billion-dollar market cap in the Bay Area increased their value by 40% annually, the highest of any of the regions we looked at. Those with \$300 million to \$1 billion market cap increased 30%, again the highest of any region we looked at, and we were second only to Boston and Phoenix in terms of smaller companies' economic performance.

Underlying that economic performance is extremely strong productivity. We looked at seven clusters of primarily knowledge-based industries: environmental technology, bioscience, telecommunications, multimedia, computers and electronics, banking and finance and tourism. In addition, we looked at three related sectors: business services and retail and wholesale trade. In nearly all of those the Bay Area has a substantial productivity advantage. In five of the knowledge-intensive sectors, the Bay Area had the highest productivity, measured by output per employee, relative to any of the other regions. Banking and finance were second only to New York. In tourism, we're number four: Las Vegas is the leading tourism site. The advantage the Bay Area had in those sectors varied from 5% to almost 30% compared to the next closest region. In an average across those sectors, the Bay Area had a productivity advantage of 50% relative to the U.S. as a whole, which is just an astounding difference.

That has also led to an environment in which, for those who are employed and able to afford a home at some reasonable commuting distance, the quality of life is favorable. In a series of polls, as well as more objective comparative measures, the quality of life is high. Income per capita

in the Bay Area is the highest of any region we looked at and growing at over 6% a year. The income distribution in the Bay Area is more favorable than any other region: there is a higher percentage of people with high incomes and a lower percentage of people with lower incomes.

That's all terrific. We are looking here at stock market performance, productivity, the quality of our research institutions and the income that produces. But if we are not careful, that cycle can become fragile. If you ask residents what their major concerns about the Bay Area are, and what is getting worse, at the top of the list is housing costs. Right below housing is the quality of transportation, and right below that is education. Those are public opinion polls, but they are also accurate reflections of what's going on. The Bay Area has the highest median housing prices

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-Lenny Mendonca

of any of the regions that we looked at, and is increasing the fastest. We are 50% higher than the next closest region. That's driven in large part by factors like the lack of housing in the Bay Area in relation to the quantity of jobs being created.

The number of homes that were built in the Bay Area between 1988 and 1998 was just over half of what would have been required to meet the demand generated by jobs created here. This was especially pronounced in low-income housing, where slightly more than a quarter of the homes that would have been necessary to meet the demand for jobs created were built. Part of how that is being met is that people are commuting longer and longer distances in search of affordable housing, which obviously leads not only to traffic congestion but environmental challenges. The Bay Area has the second worst transportation congestion of any

region next to Los Angeles, and we have traffic congestion increasing faster than any other region.

That set of challenges and the quality of underlying K-12 education and performance can dramatically and relatively quickly affect the prosperous cycle I was describing earlier. Whether traffic congestion leads to people choosing not to live here, whether it leads to decline of the public perception of quality of life, or whether it leads to environmental deterioration, all of these can negatively impact the corporate performance that underlies our economy. While the Bay Area has an advantage in productivity that is substantial, the advantage can be easily whittled away relative to the next closest region that's a competitor in any given sector. If you measure it not as output per employee but as output per wage hour, the Bay Area drops from first to second in all the industry clusters that I've described. This is an attractive place for people to live because the wages are high, but if you're not careful corporate performance will deteriorate and employment growth won't be sustained.

So in summary, what we concluded was that it doesn't get much better than this in terms of economic performance, and that's exactly the best time to think about what you do to make sure it is sustained and not get complacent about it. Many of the things that underlie that performance are in fact quite fragile and need to be dealt with, particularly the most pressing concerns of the availability and affordability of housing, the transportation infrastructure to support that increase in job creation, and the quality of the education system.

Steven Roberti

Despite this glowing report about the Bay Area, the Northern California Council for the Community has identified 52 impoverished communities in the Bay Area that are in bad shape. The federal partners in the Bay Area have selected two communities to work in: one is North Richmond and

the other is East Palo Alto. This morning I came from North Richmond and the per capita income there is \$4,000.00 dollars. We need to recognize that there are communities right here amongst us, amongst all the prosperity, that need help.

Chang-Lin Tien

Your data is mostly from 1998. For the last year or two do you see trends that are becoming more alarming? Maybe income distribution is diverging between the very rich in the Bay Area and the poor. As you already mentioned, congestion and transportation are getting worse. In the meantime, I see investment capital keeps coming to the Bay Area. Chase Manhattan just bought H&Q. Wells Fargo and Bank of America are putting a lot of money into venture capital, and all the Asian countries are now investing heavily in the Bay Area. So there are good signs but there are also negative trends. Are there other things we've missed looking at beyond the report?

Mendonca

There is a duality in what's going on. At one level, our high productivity means that knowledge creation and the willingness of capital and talent from elsewhere in the world to be part of this place is increasing, not decreasing. The opportunities created by the Internet and the amount of money coming into the Bay Area has accelerated. As one example, my best estimate is that there will be in excess of 20 billion dollars of new capital invested in the Bay Area next year by venture capital and buyout firms. That's 10% of the gross regional product of the Bay Area in one year.

It is, at one level, encouraging to see the excitement and enthusiasm the rest of the world has about the economic prospects here. On the other hand, I don't know any economy in the world that could absorb investment at 10% of gross regional product, and do it right, in one year. It's just not possible. This also creates a dichotomy of tremendous wealth creation and the inability of the physical infrastructure to keep up with it. I think

that if we aren't careful we can be blindsided, if that money turns around and doesn't keep coming into the Bay Area. Then all of those other things are going to come to the forefront and it will be ugly. That, if anything, is what I'm most concerned about: that those physical constraints will overpower the rest of the positives and the money that's coming here can stop as quickly as it came in.

Sean Randolph

Lenny's study really provides the foundation on which the Forum's activities and projects are based. So it's our jumping off point. As Lenny just said, there is a certain duality in the way the region is moving. Part of the theme for this discussion actually came from the Forum's 10th Anniversary dinner, where [Oakland Council Member] Dick Spees gave a perspective on "the road ahead" and made the point that we'll never really get our hands around these issues with our current system of government in the region. I went back into our files and found a report that's really fascinating. There's a quote in the first paragraph that says, "Housing is one of the most significant issues facing the Bay Area. Not only is a severe housing shortage invoking hardship on thousands of Bay Area residents, it is also threatening our economic prosperity. Many businesses are concluding that inadequate housing is a formidable obstacle to the region's continued job and economic growth." The report was dated 1980. The question this raises is that, as concerned as we are about it, this is not a new issue. So what's changed? Are we just continuing to cry wolf in the night or are we actually approaching a point, as Lenny's last comment about productivity suggests, where we do start to lose our edge and you suddenly start to see the negative consequences?

One of the issues that comes up again and again is regional governance, and we have a number of guests with us such as Revan Tranter, Angelo Siracusa and Joe Bodovitz who were involved in the Bay

Vision 2020 process [which proposed a consolidation of regional government agencies]. We have some severe challenges, that are not new. They have been with us a long time, but they're getting worse. So where are the answers? How should we direct ourselves as a Forum to address them and specifically, is regional governance part of the answer?

Stephen Levy

You have been presented with two factually correct conclusions. One is that this

"We have a lot of 'shoulds.' But we don't talk about incentives or how you get people to live in ways that we call 'smart.'"

-Stephen Levy

economy is very strong. In the long-term, the sensible expectation is that the economic power of this region will continue. We will remain a hot area, and are not a flash in the pan. And the second conclusion, which as Sean reported we were all talking about in 1980 and my guess is probably in 1970 and 1960 as well, is that at some level the economic attractiveness of this area is related to its quality of life, which is a broad metaphor for housing, education and transportation. I'm not here to scare you, because we could have all said thirty years ago that the region was on the precipice of losing its competitive advantage. I don't know whether it's fair to tell you that if we don't do something now we're going to lose our competitive advantage. But we know that the connection is there, and has been there for forty years.

So I want to puzzle with you for a bit about how very bright and dedicated people haven't been able to move that agenda forward very much. I want to suggest three problem areas and I don't have any answers to how this goes forward.

One is that we really haven't had an honest, gut-wrenching public debate about growth. ABAG will come out with new projections—I don't know what it

will be, five hundred thousand more jobs, a million more people, and three hundred thousand households? Everybody goes, "hmmm, a lot of numbers, a lot of people, a good economy. It's coming." And then in day-to-day action, absolutely nothing gets done. We really as a region do not believe that the growth is coming and do not accept the economic connection that the economy brings in people. Citizens still have the idea that somehow those people will live somewhere, and we have not come to grips with our regional connections. I'm not qualified to talk to people about governance. I'll tell you, however, that the people and the jobs, the housing and land use are connected and we have not had an honest debate with people about what happens if we don't find the housing. The Bay Area Council is working on a piece of the solution, the "footprint project," laying out whether or not ABAG's housing needs projection can be met and whether the housing could be located where it should.

Showing people what it looks like is another piece of the answer. Everybody says, "yes, we need more density," but everybody's image of density causes them to vote no. If there are no good examples of good ways to have higher density housing then we're dealing with a short deck. If there are good examples, then we ought to be talking about the examples and not in the abstract.

The second piece is that we are deeply ambivalent about whether we are going to do this voluntarily. I know the homebuilders' speech by heart: "We build what people want. If you get them to want to live more densely, near transit stations, we'll do it in a heartbeat, but right now, for whatever reason they don't want to." And we refuse to deal with that reality. It comes up often: people should live in Oakland, San Francisco and San Jose, and they should live near transit stations and they should walk or ride bikes to work and they shouldn't use roads. We have a lot of "shoulds." But we don't talk about incentives or how you get people to live in ways that we call "smart."

If it helps to solve the region's growth management problem to have people live more densely, than I suggest that we start asking what do you need to do to get that done? I suspect that the reason we all have failed for so long is that people have not yet been willing to offer up the tools that are needed to do that. But they are not dramatically difficult tools. If you are interested in a more compact development and better use of the land in urban areas, then you're a proponent of state and local fiscal reform, because people will tell you that the first thing they want in communities are good schools and safe streets and if we have a fiscal system that doesn't allow communities to provide good schools and safe streets, it is disingenuous to tell people they ought to go live there.

The other piece is infrastructure. For whatever reasons, the communities that can play the largest role in absorbing the growth in the Bay Area are the communities with the oldest and most out-of-date and insufficient infrastructure. Those are very, very difficult issues. I don't want to go around and tell everybody that you should have state and local fiscal reform, you should make housing pay, you should invest more money in infrastructure. But that's where it is if you're trying to change development patterns in a voluntary society. You have to make people want to do it.

The third piece is an honest discussion about growth and its implications, and are we linked together. Can you only have the good jobs? The answer is no. Wealthy people, like in the Bay Area, consume more services than other people and they are not about to cut their own hair and do their own laundry and not go to restaurants or go to movies, so there's no way to say, "we'll only take the good jobs." It doesn't work like that. We know what needs to be done; it just requires difficult choices. We all say about infrastructure that we need to make a list of what we need and decide on the priorities. The interesting thing is, what does prioritize mean?

I tell this little story and people seem

to like it. We've all had that experience of being in a room with lots of people for a couple of hours and we are all brainstorming about what's the best way to solve congestion or what's the best set of answers for urban housing and after a while the facilitator says, "Okay, we've got enough ideas up on the board and we're going to take a ten minute break and I'm going to hand out five blue dots to everybody," and everybody goes up to the board and puts their blue dots down on what are their top priorities. Then, because the facilitator thinks we can't read, he or she then reads to us what we all voted on. If you now go to the Intel boardroom or the HP boardroom or hopefully the University of California, they're deciding on their infrastructure plan, their allotment of capital for buildings and whatever. You don't find too many blue dots, but you do find calculators, and people are talking about rate-of-return and what's the best expenditure for the money. We're trying now to move the ball as far as we can from the blue dots to some sort of sensible analysis of these difficult questions.

I'm suggesting that all of you are going to be involved in one way or another in this. You say congestion is the number one problem. All transportation solutions normally are analyzed economically. We're talking performance measures and accountability. When those issues come to you, the best I can hope is that the Forum and the Council and ABAG can be active advocates for what in essence is the scientific approach to infrastructure planning. I'm not saying take politics out of it; I'm saying inform politics. But in some sense we have allowed our thinking about these critical decisions to be several levels lower than it could be analytically. We have allowed ourselves to think of infrastructure as pork, and therefore voters think of it as pork, because often there is not much analysis behind it. In our public sector roles we have to apply the same hard-headedness that we all would in our private companies to these very large economic decisions.

Eugene Leong

The biggest concern we have at ABAG is the growing imbalance between where the population is projected to live and where the jobs are going to be produced. As we all know, the Silicon Valley has become the job engine for the entire Bay Area and

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-Eugene Leong

we see more and more jobs being created not only in San Mateo & Santa Clara Counties, but now into southern and eastern Alameda County and even into parts of Santa Cruz. With those hundreds of thousands of jobs that are being created we need to house the workers, and the concern that we have in the Bay Area is that housing is increasingly being provided by outlying counties that are not traditionally viewed as the Bay Area. That would be counties like Monterey, San Benito, Merced, Stanislaus and San Joaquin. One simple reason for this is the price of housing. If you go from San Francisco or San Mateo and head eastward, a very simple rule of thumb is that for every mile you drive the price of housing drops by about \$3,000.00. So it is not uncommon for a house in Stanislaus, Merced or San Joaquin, that's a hundred miles away from a job center in San Mateo, to cost about \$300,000 less. That's why the people are moving there and exacerbating the transportation problem as well as putting additional pressures on our environment.

In our minds that's not sustainable. It's highly undesirable because of the impacts on our transportation system, our environment and people's psyche and quality of life. For example, in Southern California we hear about the very normal commutes that people in Los Angeles put up with day in and day out, and they think

it's normal to drive 1½ - 2 hours one way to get to a job that's 50, 75 or 100 miles away. When we hear the same story in the Bay Area, we're shocked. When someone living in Patterson or Merced drives to Silicon Valley we gasp in horror, yet that's normal for Southern California. So our question is, will we get to a point where what we now view in horror becomes normal? I think we all say that what we see in Southern California is not desirable, and yet we're heading in exactly that way.

Randolph

How do ABAG's efforts on regional housing allocations figure into this picture?

Leong

We are under a State mandate and are now undergoing a process where we have received numbers from the State Housing and Community Development Department and are being asked to work with local governments to distribute those housing needs throughout the region. We're hoping that local governments will recognize their responsibilities collectively to reverse literally decades of underproducing the housing that is needed in the Bay Area, because that underproduction is putting increasing pressure on our surrounding communities to build this housing. And as I've said, that housing going to outlying communities is not healthy for our environmental quality of life. We would like the Bay Area to actually step up to the plate and be much more proactive in trying to increase the housing production at all levels so that we have a full range of housing supply for the full range of workers in the Bay Area: not only managers, professionals and high tech workers, but also people that work in restaurants, department stores, teach in our schools, and work in our City Halls.

I appreciate the comments that Steve made, because my initial reaction to the McKinsey Report was yes, there's tremendous prosperity, but this is a tale of two cities. The rich are getting richer and the poor are getting poorer. Our own analysis,

which we've done for about a dozen years, shows that trend is continuing. Not only do we have an economic divide; we also have a digital divide. At our last ABAG Executive Board, we had reports on our population forecast, on housing needs, and on homelessness. They all found the same thing. The people that did the reports pulled out other reports they did ten years ago and basically with all the prosperity we've had, not much has changed. There's a seemingly intractable homeless problem. There are very serious problems throughout the Bay Area having to do with a lot of children's issues, in one of the richest regions of the world. How can this be? It's like you have two worlds that you're

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-Eugene Leong

dealing with. It's clearly something we have to be concerned about in terms of sustainability. Many of the points that we've had a chance to look at, on social equity and social justice, are very, very important issues in terms of how the region is growing and where it's going.

Randolph

On your point about on how quickly things can turn, I was remembering our Board meeting at about this time last year, where the topic was "Global Financial Turmoil and its Implications for the Bay Area." That summer the global economy seemed to be tanking. Russia was defaulting on loans, the Asians went down, the stock market was plummeting and our whole conversation had very dark overtones: What if the ability to raise capital dried up, since so much of the wealth here is based on IPO's and stock options? Three months later, in February, it was as if that conversation never took place. Things

were flying. So it can turn suddenly and I think Lenny was suggesting it's a situation where we potentially could get caught if we're not planning ahead correctly. With that, I'd like to ask Joe [Bodovitz] if he could pick up the conversation. You've been involved in these discussions for a long time.

Joe Bodovitz

Are any of you unaware of Bay Vision 2020, which we helped to manage ten years ago? The Bay Vision 2020 Commission was a citizens group founded through the cooperative efforts of the Bay Area Council, the Greenbelt Alliance and a group of people in local government whose leader was Rod Diridon, Supervisor from Santa Clara County. The effort was to try to see if a diverse group of people meeting for over a year, could come to some conclusion about how to improve regional planning and governance in the Bay Area. Ira Michael Hymen was the Chairman, just finishing his term as Chancellor at Berkeley; I was the project manager; Tom Clausen of Bank of America was one of the vice chairs. It was quite diverse geographically, ethnically and racially. And after a year of very intense immersion, the group concluded that as a very important first step, it would be desirable to merge the three regional agencies that already existed: ABAG, the Metropolitan Transportation Commission and the Bay Area Air Quality Management Board. This was recommended by many people, including Willie Brown, then Speaker of the Assembly. It seemed a rational, minimal way to get started. That proposal was the subject of a bill authored by Becky Morgan, then the Senator from Silicon Valley. Thanks to Speaker Brown's efforts, the bill passed the Assembly in '91 or '92. It failed in the Senate by five votes on the last night of the legislative session. Would Governor Wilson have signed it if the bill had passed? We'll never know, but I think so.

Since then we've all had occasion to see some of the consequences of not doing what we all talked about. I have

been involved for the last year and a half with the CALFED Bay Delta Water Program, which is a joint effort of the Federal and State agencies to try to bring more rationality to Federal and State water planning, and in the course of that I've spent a great deal of time learning about agriculture in the Central Valley. If any of you would like a guided tour of that area, where people who are not being housed in the Bay Area are going, it's easy to do. My point is, it's not only the nine counties of the Bay Area that are suffering, as Gene Leong said. It's that we are exporting our problems. Without strong, affirmative State leadership, I don't see how these problems are going to get solved.

It was necessary ten years ago with Bay Vision to take a bill to the legislature. The things that need doing under our system of government are delegated basically to the states, and the states that have done well in dealing with land use, housing, and the issues we're talking about have succeeded because of strong state leadership. Where California used to be seen nationally as the leader in planning, managing growth, and national resource protection, it is now pretty much seen as irrelevant or worse: "if we don't do something here, we'll be like California." So we're regarded nationally as "don't let this happen to you." This is again a tale of two cities, because the economic growth and vitality that we all recognize and talk about is clearly the envy of the same people.

I might make two other quick points. Where is the leadership going to come from? We face a huge leadership deficit, which comes about in part because of the way we are structured in the region. There is no one mayor; there are three mayors of three different cities with three very different sets of problems and economic issues. We made some aborted efforts to try to have the three mayors do something jointly at one point, which sounds like a very simple notion. We never got to even have a meeting, much less an agreed agenda. There's no one newspaper, there's no one television station,

unlike other central cities and suburban areas, so it is very hard to see where this leadership is going to come from if it isn't the State.

And our nine-county definition is so obsolete. If you're really talking about the economy and housing and transportation, the county boundaries are obsolete. Any of us, I suspect, who looked at a map of the State would draw very different boundaries for what the urbanized region is, so again we don't begin to have the institutions to do what is needed. Are solutions possible in a climate like this?

The term "Smart Growth" gets misused and that irritates me because it has a very specific meaning. It is a specific program, originated by the Governor of Maryland. Many suburbs of Washington

"We face a huge leadership deficit, which comes about in part because of the way we are structured in the region ... if you're really talking about the economy and housing and transportation, the county boundaries are obsolete "

-Joe Bodovitz

DC are in Maryland and the suburbs of Baltimore are in Maryland. On a very different scale Maryland faces the very same problems we do. Governor Parris Glendening developed a program that is called Smart Growth; it was passed by the Maryland Legislature and it very simply says, "the State will no longer fund infrastructure in undeveloped areas." All the state's funding for schools, roads, sewers, water, anything, must be in already-developed areas, and localities must submit maps to the State showing their definitions of what these areas are. It doesn't say a locality can't allow development outside a developed area, it simply says there will be no state funding for the infrastructure to help make that development possible. How is it going to work out in practice? Who knows? Does it have plenty of bumps in the road? Sure. But is there anything inherent in that program

that would make it applicable to Maryland and nowhere else? Why shouldn't we think about it?

Finally, I think one other issue that flows from what Lenny was saying is that we in California treat natural resources as abundant, without end, and we will shortly find in the water discussion that unless there are 30 years of above average-rainfall, we're going to face some really enormous choices over water. And it's not only the farmers; it's the urban water districts. This is going to be an enormously difficult issue with or without a drought and with a drought, especially. There is something in the Wall Street Journal today that as a result of a bill authored by Bill Bradley and Representative George Miller from Richmond, the Central Valley Project Improvement Act, 800,000 acre feet of water that formerly went to cities and farmers must now be released for the restoration of habitat damaged by water diversions. The competition for water, I would submit, is not enough on urban radar screens, but is going to make a great deal of difference. Urban water agencies in the Santa Clara Valley are concerned because of the water needed for chip manufacturing and other associated industries in Silicon Valley. No water, no industry. No high quality water, no industry. If we satisfy the needs of that industry, do we harm agriculture in California?

I guess I wind up saying that not only are we not having the debate about growth in the Bay Area to which Steve refers, we're not even remotely having a debate State-wide about growth and the future of the economy. And agriculture is, after all, still a major component of the economy in California and a factor in the national balance of payments, not to mention the source of much of the produce that goes through the Port of Oakland that affects the vitality of Oakland. So where and how anybody can take hold of that, I submit, is an enormous challenge.

Carl Anthony

I'd like to just make a couple of comments

about invisibility. The reason I'm mentioning "invisibility" is because the shadow side of all this wonderful economic growth that we're describing is also being felt by people all over the world, that is, the disenfranchised and the disinvested. So to some extent the question that is being raised here is "how well are we managing those parts of the economy that we do not want to face?"

The fact of the matter is that there are people who are on the invisible side of this economic program that are feeling the pinch and that are not part of the public

"There are people who are on the invisible side of this economic program that are feeling the pinch and that are not part of the public consciousness."

-Carl Anthony

consciousness and not part of the public debate. Not only do we have persistent poverty in the inner cities of Oakland, San Francisco and San Jose; we also have thirty-five similar neighborhoods in our suburban communities and that number is spreading. We did a study of the fiscal capacity of jurisdictions and found something like thirty-five of the jurisdictions in the Bay Area do not have adequate tax bases to meet the needs of their communities. So the lion's share of all this public investment is going to those communities that are favored, the communities that are benefiting enormously by the explosion in information technology and the capacity to integrate information at a global scale and bring home the bacon for the region. But as we all know, there are other people that are not part of that. We really need to address the invisible side of this equation.

Having said that, I would also like to add a note of optimism. Christine Rosen, at the University of California, once published a book called *The Limits of Power*. She described three cities that confronted major fires in the 19th century, Boston,

Baltimore and Chicago, and noted that of these cities, Boston and Chicago rebuilt in exactly the same way they were before, with all the problems they had before, with wrong grade crossings, all the traffic and transportation problems. Only Baltimore was able to reconstruct the City based upon a new and progressive vision. So Professor Rosen looked to see what the difference was, and found that in Baltimore they had already spent twenty years trying to work on how to reconstruct that City and meet the challenges they were aware of. So the note of optimism that I would add here is that, with Bay Vision 2020 and the Bay Area Alliance for Sustainable Development, many of our people here have been working on pieces of the problem. I think the effort is not necessarily wasted and that at some point there will be a critical mass and a crisis that requires us to bring these pieces together. The Berlin Wall fell. If we work really hard, there may come a moment when that work will pay off.

Angelo Siracusa

At the start, Steve mentioned the word "tools" in harkening back to all the regional governance efforts and especially Bay Vision 2020. At the outset, we had a debate about whether we wanted to create a vision for the Bay Area, or whether we wanted to create a system that would allow a vision to develop. I think that voluntary efforts are foolish and wasteful and so incremental as to be laughed off, and that without tools, anything that we try will not succeed. That does not mean that "tools," means "governance." Apropos to the birth and development of the Bay Area Economic Forum, you know the Forum really created the notion of market-based mechanisms to accomplish certain public policy objectives. I still believe, apropos of the water issue, that if we can create a mechanism for the agricultural users to use less and in effect tweak demand, as opposed supply, maybe California's water problems would not be solved, but would be greatly alleviated. I believe that if we

could do some peak hour pricing for traffic we could do a hell of a lot to solve the Bay Area's traffic problems.

What I'm getting at is that I would like to see us take a look at all the tools that would be available to us to accomplish whatever it is that we want to accomplish, instead of agonizing about whether the Bay Area ought to have eight million people, and whether we should or shouldn't have sprawl. Instead, first look at how we will finally be able to implement a vision if we can ever agree on one.

Levy

I also want to follow up on what Carl said. The other part of our work has really been struggling with this issue of poverty in the midst of this prosperity and what can be done. On the growth issue, I think it is possible that the steps that need to be taken to help Silicon Valley and East Bay employers, who at first blush do not have poverty as their concern but have the problem of work force and housing and congestion, are consistent with making these communities first-rate places to live, because they have to be part of the other solution. Technically at least, a piece of solving both challenges is the same. If that were true, it would have some political power. There may be a common interest in developing tools that would encourage people to live voluntarily in the urban centers and older suburbs. I know the gentrification issue and think we should be sensitive to it, but the first thing is to make these nice places to live.

Mendonca

One of the things that we ought to be considering as a Forum objective on this topic is to catalog, prompt and ensure that there is some experimentation with the tools that Angelo was talking about, because one of the great strengths of the Bay Area is that it is a place where innovations happen, and our likelihood of ever having a top-down solution from the state or the nation that comes up with a new governance structure in our lifetimes is not very

high. The way to crack the problem is to create some demonstrations of success. I think there may be more willingness to take smaller bites and say, "let's try this and see what works" and demonstrate the quality of what's possible and then replicate it, as opposed as a top-down solution.

Siracusa

As frustrated as I am, I still believe that the time may be better now for us to look for radical, "politically unacceptable" solutions. People are so angry now that whoever it is that can come up with

"The time may be better now for us to look for radical, "politically unacceptable" solutions. People are so angry now that whoever it is that can come up with something that can really show the promise of something different happening, can get somewhere."

-Angelo Siracusa

something that can really show the promise of something different happening, can get somewhere. So the time may be better now then it was for Bay Vision 2020 or all of the previous efforts.

Revan Tranter

One thing which was said, I think so

rightly, is that there is a terrible lack of leadership at the state level. There always has been in the time I've been in California. So who is going to talk to the Governor and the Legislature? We don't have a unified voice in the Bay Area. Maybe that's a luxury that is too much to hope for, but we don't even have a halfway credible organization to speak on the public's behalf. Nobody is going to take that much notice of ABAG or the Air District or MTC. But I think we could at least make a start towards a unified organization and voice. I agree with Angelo on the incremental, but I would use incrementalism in what I would see as a deliberate journey towards a regional governance system that could speak on behalf or, lobby on behalf, of the whole Bay Area. You don't have to begin with a statute, although that would be ideal. The agencies we have now, even just two of them, could voluntarily agree to essentially put their staffs together, with a unified directorship. I think the Forum and the Bay Area Council should put some muscle in the direction that would bring us toward achieving that voice capable of speaking for the whole Bay Area.

Siracusa

I think we could succeed in consolidating ABAG and MTC, and as an MTC Commissioner I would support it. But in the end,

the Bay Area would be no better off for it. I think that the proposal would be so modest vis-à-vis all of the problems that we've got that I don't see it, even though it would represent an improvement in decision making at the governmental level. I don't see it fundamentally addressing all of the transportation, social, economic issues. So if we were to put an effort into that, which might be easier, or put it into something that would be very, very difficult, but which would be dramatic, I would opt for the radical. As long as we've got local government making land use decisions, the regional agencies' impact on local government land use decisions will be very marginal.

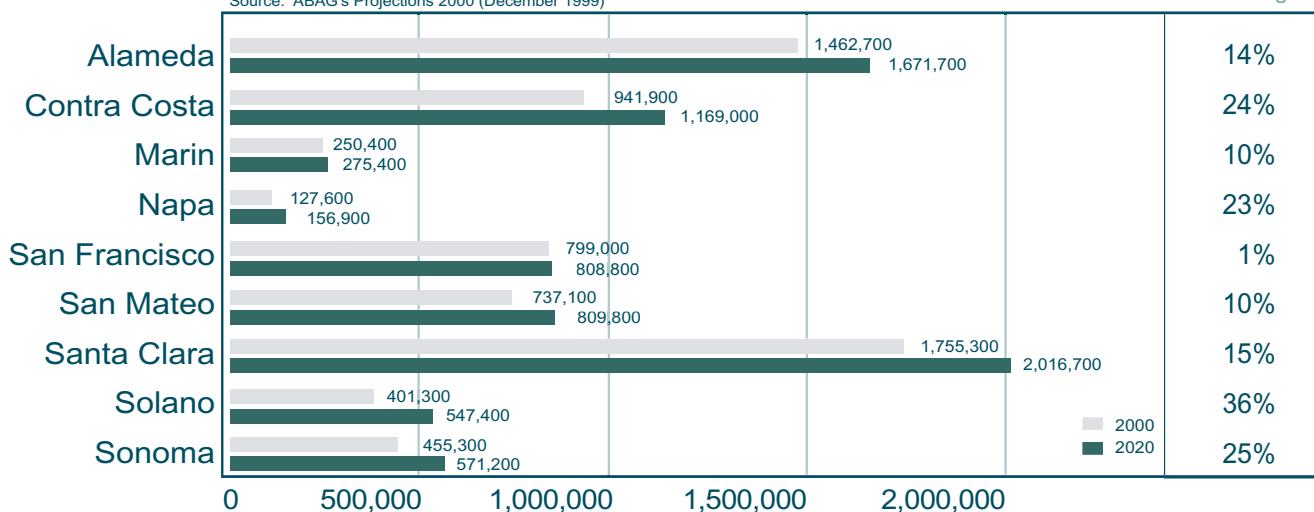
Tom Steinbach

I'm in the camp of "now's the time." I'm not sure when it's going to get any easier to do a big, bold effort. We are by many, many accounts in the middle of a gold rush here and that creates real opportunities. The problem is that in the midst of that gold rush, many people don't feel any wealthier, if you define wealth in a holistic way. If you look at it as quality of life, and that's everything from living in an area with a healthy environment, where the air's clean, the water's clean, to having access to open space and transit, affordable housing, many of the things that

POPULATION GROWTH BY COUNTY

Source: ABAG's Projections 2000 (December 1999)

2000 - 2020
% Change



Lenny was talking about, it seems to me that it's going to take something that grabs the public. And it's going to take a grass roots approach.

We don't have the leadership at the political level right now, and the way that we create that is by presenting something bold enough for the public to grab on to. I think that the conditions are there, that

"We don't have the leadership at the political level right now, and the way that we create that is by presenting something bold enough for the public to grab on to."
-Tom Steinbach

people are frustrated despite this tremendous growth we're in the midst of, and that there are a lot of people who feel it's time to make some changes. I hear that as I sit in the town and community gatherings that are trying to deal with very local issues. People see those local issues in a regional context. They're beginning to get it that they live in a regional world, and are beginning to look for regional solutions. The other thing I wanted to note, and there are folks in this room that know a lot more about this than I do, Carl being among them, is that the California Futures

Network is struggling with exactly the same issues and is in the process of trying to pull together a proposal at the State level that will begin to advance some of the ideas about infrastructure investment that Steve was talking about. It's something that has the potential for takeoff.

Jerry Keyser

We don't have to deal in terms of mutually exclusive initiatives. I think, rather, we can deal with incrementalism on one hand and something very radical on the other. Thinking of the radical, to go back to what Lenny and Steve said, we've got to grab people with the initiative.

We are at a point of time when I think that we should not accept the old. The whole economy of this country has changed in the last five years Lenny's report talks about that. I thought the suggestion with regard to Maryland and having the folks come here and talk about how that particular program is working is interesting. I think the Forum could play an organizing role, carrying the debate with regard to radical solutions and publicizing the issue as a way of engaging people and capturing them. I'm arguing for something that will capture our imagination and go back to Steve's point about engaging the people in debate.

Randolph

Angelo, a question for you. What's your radical solution?

Siracusa

I would look at the tax system. I would look at the income side of how you create incentives. Nobody wants to do that, but look at Prop 13, look at why housing is not fiscally attractive to communities, look at the bridge tolls and the vehicle taxes. So look at the financial side. ♦

Median Priced Housing

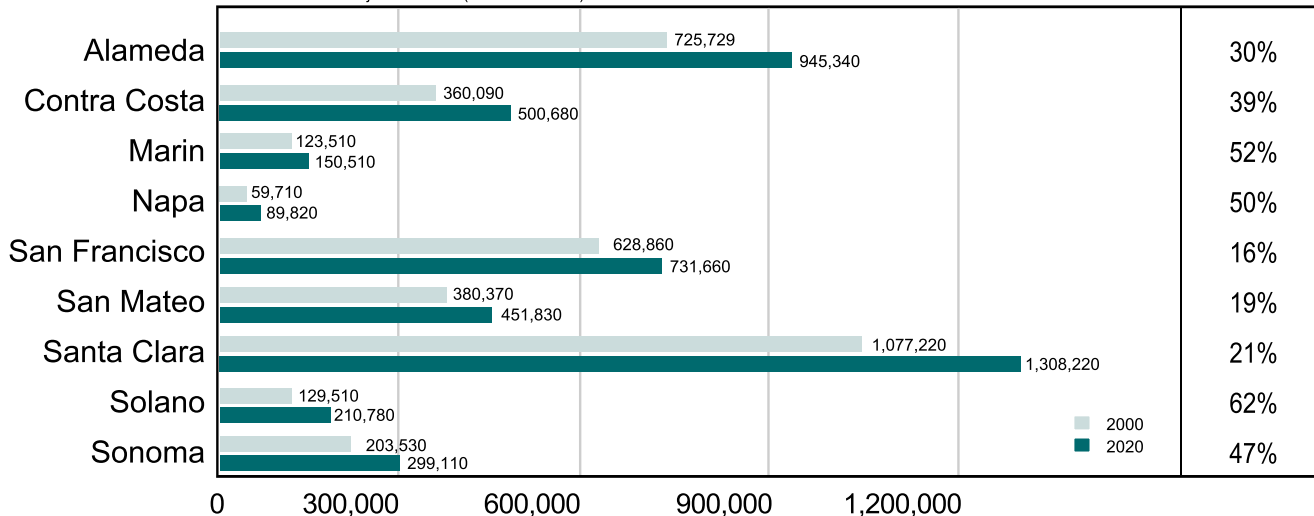


Association of Bay Area Governments

JOB GROWTH BY COUNTY

Source: ABAG's Projections 2000 (December 1999)

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