



Bay Area Regional Economic Vitality Conversation

Pacific, Gas & Electric Headquarters, San Francisco

June 11, 2004

Meeting Minutes

Welcome

Jim Wunderman, President and CEO, *Bay Area Council*

Housing issue—will take all parts of community to solve—challenge continues to be exacerbated. Can't forget other problems—public education, transportation, Bay Area costs, worker's compensation. Appreciates Administration will lead down path—future where children can get job, have good quality of life, own house. All EDCs, businesses, others—care about where we live. Share same goal of passing down to next generation—continue to make sure Bay Area leads California and world. United business community can do so much working together.

Bev Alexander, Vice President, *Pacific Gas and Electric Company*

Housing issue. PG&E is fundamentally a place-based company—pipes and wires are here in this region. California employer—inherently Californian. Face same quality of life issues. Life blood is our customers. That's why we're here and why we care.

Nick Bollman, President and CEO, *California Center for Regional Leadership*

Thanks to sponsors PG&E, BofA (Southern California). CCRL coordinates network of Regional Collaboratives. 3Es driving vision for them and Schwarzenegger Administration. Five important points—1. Economy important—have to work at it all the time. 2. Economies are regional—need to understand. 3. Important set of foundational supports for economy—around cost of doing business, infrastructure. 4. Important role for state government. 5. Voice of economy needs to be at table—regions at all times.

Economist Perspective: Background for Bay Area Regional Economic Vitality Conversation

Stephen Levy, Director and Senior Economist, *Center for the Continuing Study of the California Economy*

All happy to be here. Not new information—want to put it together. Have had an economist start each of these Conversations. This is new in the sense that the collaboration—more than one Cabinet secretary comes—across agencies. Listening



sessions. California Regional Economy Project (CREP) forums—analyzing regional economies. Good news for infrastructure.

- Reducing costs—chamber of commerce view of competitiveness.
- Investing in future. Education, Transportation, Quality of Life.
- States can be competitive for long-run to allow faster growing higher wage industries. Whenever a reporter asks how economy is doing—makes distinction between money economy and jobs economy. Money economy doing well. High GDP growth—record corporate profits, stock market up, stock options getting cashed in, wages rising. What's behind that are high rates of productivity growth—ingested technology, organizing better. Problem—can have a roaring money economy and no jobs. Can get very political. Only time since World War II that we have negative job performance 37 months after recession. If we had done average in terms of recovery, US would have 6.2 million jobs more.
- Regarding whether we're doing better/worse than rest of country. Much worse in early 90's relative to rest of US, now about equal. We've lost 1.4 percent. Don't write off California as a hostile haven for jobs. Other states like Massachusetts, Michigan doing much worse in 6 percent, 4.5 percent range loss.
- Job losses concentrated in manufacturing—in California and US: 2.6 million loss. Rest of economy has added jobs, but offset by manufacturing loss.
- Money economy/ Jobs economy. Employment a victim of productivity gains—falling manufacturing a long-term trend.
- Big finding out of CREP—why we did CREP—is because regional economies are different. Bay Area is getting its due now—11.1 percent loss. Six regions are growing. Regions are different—because industries are different. Doing badly here because we have high-tech. Aerospace is doing poorly also. Regions are really different in relation to economic performance—depends on economic base.
- Internet boom in the city—hit hard. East Bay was in recession, but much more moderate than in San Francisco and Silicon Valley. Even with metro region, areas differ.
- Los Angeles economy (Anderson chart)—Rents did much worse in Bay Area vs. rest of California. Cost comparisons regarding worker's comp—one cost area are two housing measures—median home prices (2.5 times the rest of US) and affordability index we are at bottom. Worst in housing.
- Manufacturing has done poorly here because of concentration in high tech. Look back to 1990-94. Recession not Governor Wilson's fault. Industries and regions are important. Manufacturing jobs: Massachusetts and North Carolina lost a higher percentage of manufacturing jobs vs. California.
- Regions matter. Regions where man job losses below national average—industry base matters. Austin, Dallas did very poorly as well.
- For going forward (to Secretaries), policies should take account of industry base—one size does not fit all.



- Nevada has added manufacturing jobs: 800. Only 800!! Not as people perceive—have not taken all our manufacturing jobs. The jobs disappeared to falling sales and prod gains, and some outsourcing.
- One of the things that we demonstrated in CREP. Manufacturing not the major part of the economic base. One finding from CREP--at end of discussion, every single group talked about nursing and healthcare—it's a large, growing industry, with high wages. This area shines in part because of high-tech manufacturing, but if you look at numbers, we shine because we provide professional, technical, scientific, and management services—we are a professional services center, wholesale trade and transportation. A lot to do here that's not involved in manufacturing. Care a lot about infrastructure, etc.
- Housing is part of creating great communities to live and work.
- Final thought—Tolerance is a huge competitive advantage in California. Would Hollywood have located here if we didn't have a tolerant lifestyle—would San Francisco be a magnet for creative people? Diversity in lifestyle. Emblem of Bay Area—welcomes creative people and makes—huge part of our competitive advantage.

Questions for Steve:

William Lee, City/County of San Francisco: Should Bay Area focus more in Far East?

A: Yes. Pacific Rim century. Have enormous advantage because of geography. Percentage of Asian-born large. Also at federal level—one of big issues about Far East policy—opening up China to our exports.

Follow up—Would it create more jobs in Bay Area? Follow-up to Sunne: Why closing offices in Asia? Sunne's answer: Delivering to Governor a business plan to re-establish international trade program—partnership with US Dept. of Commerce, partnership with NGOs, non-profits—emerging jobs from trade.

Other questions:

Q: A. Lee Blich, SF Chamber of Commerce--Chinese government—homeland security?

A: Need to view China as future—real important to California

Q: Tony Fisher, New United Motor Manufacturing: Litigious nature of 17200

A: Money trade-off between benefits and rates—some would claim. These issues are different than those in a class where we can find easy consensus.

Q: Greg McConnell, McConnell Group: Loss of manufacturing jobs due to increased production, efficiency. If this continues, where will the jobs come from?

A: Enormous problem—that people who lose jobs can't easily get jobs being created. Huge problems with tidal wave shifts—to acknowledge and help those left behind. Largest growth area of people working with hands in construction—building in public/private sectors. If you look at numbers outside professional sector, many technical jobs in healthcare field. Most of jobs going to be not working-with-hands



jobs—most will be working in offices, buildings—although not everyone will need a college degree.

Victoria Bradshaw (all comments from Victoria Bradshaw in italics): Will help identify which jobs will be available in region. Take our education system and workforce development, and figure out how to get people prepared for jobs. Our parents went to work and stayed with jobs. Our kids will shift every seven years. How will we focus federal dollar projects—needs to fit into vision. Money is divided into: 1. high wage-high skill jobs that we want to keep in California. 2. bottom of career ladder—minimum wage—need to identify barriers---disability, language, culture—what kind of skills will they need to get to move up career ladder—we have jobs up career ladder 3. Statewide concern jobs—nurses, healthcare. Beginning to look at workforce dollars—where do we want our workforce to be, based on intelligent information—and to help build all three levels.

Q: John Coleman, KB Home:

Housing numbers—how many jobs produced when housing built—is that available. As demand remains high, will people be able to afford? Long term impact of businesses relocating because of shortage.

A: Don't see how you can aspire to run an economy based on attracting innovative people if we tell them housing costs so much more than national average. Number of people in Palo Alto working who have to live in Central Valley. Housing a huge challenge—both for sheer numbers. Yes, it would hurt economy.

Sunne Wright McPeak Follow-up (all comments from Secretary McPeak in italics): Housing about 3 percent of state's economy--\$40B contribution to economy—half in new construction, other half in furnishing, etc. If we accomplish state goal of 250,000 units—would be another \$18B for state economy. Economic impact—commitment to land use pattern.

Q: Elizabeth Tan, Urban Habitat: Living wage jobs impact on economy? How much growth?

A: Agrees with Vickie, people will work at wages to barely subsist. Talking about best broad based societal support to help them. Won't find many economists that think that main approach is through legislation—firmly believe in raising min wage. But at some point, rising wages come because national economy doing well, and we've managed to raise their skill sets. Can't legislate people up higher than they are now. Can create a society of opportunity. Access to college, financial support a critical part of economy and equity. Most has to come from education and training so people have skill sets.

Q: John Sobrato, Sobrato Development Companies—for Sunne.

Was most housing in rental units? Many young people rent for 2-3 years, then leave when they go to buy.



A: Sunne: 25-30 percent was attached housing (rental).

Self-Introductions.

Conversation Notes

Victoria Bradshaw: Have enjoyed doing these. We are a firm believer that we have a unique opportunity—have a new start, a governor who's different—interested in getting things done. Action, action, action. Will be a report that comes back. Sunne and I use this information all the time. This info allows us to hear what problems and solutions are. This is a Conversation. Sunne's an expert on infrastructure, mine is relationship between economic development, labor and employment issues, intersecting with education issues. Policies go hand in hand—how do we make it work.

Question 1: What state actions will have most immediate impact on California's economic recovery?

Q: Lee Blich: How is government going to come down on SB2—employment, for example. Driving jobs out of California.

A: Governor doesn't have official position on SB2—how do we deal. Even if we overturn SB2, still have a problem. Need to address burden.

Deborah Bringelson, SAMCEDA: Key learning at Samceda around Virgin Airlines attraction: we don't know how to market ourselves. Have been caught up in negatives—forgotten positives. First effort with Virgin, they said too many negatives in California. Once they put together package, then decided to consider California. Have shown people packets—haven't thought about all the positives. Many don't have marketing backgrounds. Need to figure out how to sell ourselves. State can support organizations like ours financially—have spent \$50K to attract Virgin—a large detriment to our organization. Would make it easier to be more aggressive to compete with other states.

Sunne Wright McPeak: Thanks to Samceda, San Francisco Chamber when hosting Virgin—worked because you were on point. Economic and business based organizations—wanted to share thinking way to tap into leadership at local/regional level and not focus on state. Need to engage membership—citizens engaged where they live. A-Teams. First way to support back, telling all to be members of groups.

Deborah Bringelson, SAMCEDA: New memberships—question whether that is reality that their organization benefits from competition when other companies move in.



Greg McConnell, McConnell Group: Regarding gridlock—have talked for years about increasing housing for families, smart growth, production plans, housing. Clear such gridlock because of fear of being left behind—fear of going into new because of what may happen. Greatest thing state could do is provide leadership to break gridlock. Those things prevent developers from wanting to come forward and redevelop. Housing and employment needs—transportation problems. California Housing Council.

Victoria Bradshaw: Each element is intertwined—need to understand impacts. Example: Governor’s primary objective is jobs. Creation of good jobs to stimulate economy. Enforcement of minimum labor standards. Understanding housing, education, labor law enforcement all part of economic development equation. How do you make all things work together? Need to have all players at table.

Bruce Kern, Economic Development Alliance for Business (EDAB): Have appreciated opportunity to work together. Response from Administration—Abbott Labs brought to Bay Area—partnership between city, region, state. Thanks to team. That model want to continue to use—regions in lead. David Crane, Mark Mosher, Barry Sedlik on a call with Regional EDCs to figure out how to work together. Jobs Commission first focus on positive aspects of California. Secretary of Labor grant for biotech positions—tries to raise floor to move into higher paying positions. Question to Victoria Bradshaw: Need to continue work of regional economies—need to revisit effort for EDCs to do analysis—as we work with Community Colleges and K-12—need more agile info locally.

Victoria Bradshaw: California Regional Economies Project (CREP). This month’s Cabinet meeting will unveil CREP—Governor will get presentation. Governor and Cabinet aware of strategies and making entire Cabinet part of process. Work with Ed Kawahara—part two of CREP—funding, have met with CWA—how to bring local information in most expeditious way to satisfy locals

Juliet Ellis, Urban Habitat: For Sunne, hearing comments about housing/transportation as priority. Those in Bay Area, around transportation cuts in May revise. Appreciate need for citizen engagement—about two weeks ago 150 person rally—economic implications of transportation cuts for businesses. Cuts to AC transit and BART—after already cutting service. Can’t get kids to school since buses don’t come by houses any more. If priority on jobs, how can transportation cuts be implemented?

Sunne Wright McPeak: Cuts proposed for AC Transit and BART not proposed by Governor, but by special districts—negotiation of local governments on local government finance package with Governor. In January, transportation was totally slashed to tune of 2-3 billion. After May revise, Governor’s priority to restore transportation investments—they weren’t aware of what being proposed by special districts—now correspondence being revisited—under discussion. Am pleased that as negotiations ongoing in finance side, late in negotiations, realize there is an impact



on housing. By moving \$4billion from property tax to locals, that's when we were called—very late in game. Companion agreement being drafted as budget adopted. Commitment to housing. Special district association and CSAC—Cassandra Pye point person in our office.

John Dalrymple, Labor Council - Contra Costa: Regarding smart growth - need to be careful about what we say. Careful about policies who shape who winners are. Regarding something to do immediately—using targeted WIB money is a great idea. Local WIBs starting to get that. Contra Costa County—\$12M not being integrated with how to leverage. Painful process around Measure C in Contra Costa---unsuccessful in integrating housing and transportation because of parochialism of cities—can not get past it. Since they control process—made some strides in getting groups together. Going to lose opportunities. Need statewide initiatives to give us capacity for regional training has to happen or else smart growth not possible. Need to be careful— will see people out of housing market. Combination of creating opportunity and creative public policy.

Victoria Bradshaw: Success of education system has been viewed by how many go to college. But there is a segment of population that avocation and vocation do not require higher education—discounted because they do not fit the mold. Some of the best training we have are apprenticeships. Other avenues for good, high wage skill jobs that don't go to two or four year jobs. Those at low end are often discounted.

Reverend Shumake, Richmond Improvement Association: Local responsibility and accountability—“if you always do what you've always done, you'll always get what you've always got.” Fitting into a broader regional framework. How do we get offices to tie in—performance partnerships -bringing people to table around results-based accountability? What kind of community is Virgin coming into? To mitigate crime in Richmond, need jobs. Is Richmond business friendly? If they have long permitting processes, will not get jobs/businesses. Need to collectively work together—calls for local responsibility and accountability—can't do it with policies that restrict. Working with those on lower level to move into better paying jobs. But how do we create an environment—can bring back and implement—use as a model—there are those who want to do better, we need to create environment. Regional Equity Demonstration project—take process and move into other communities. Investment will get you better housing, access to healthcare. How to bridge gap and get on Governor's radar?

Sunne Wright McPeak: We have been as an Administration, working through problems inherited, and working through communities/regions. Two meetings ago dealt with smart growth. HCD put out notice for funding availability—application should put in. Play to strengths, minimize weaknesses. In Richmond, one of anchors in Chevron-Texaco, trying to get building permits—job commitment should be a



partnership with BAAQD, city, etc. There are companies who would want to locate in Richmond because housing is available. Good schools. Access to more equity funds.

Lee Blich, SF Chamber: Two killers to overcome—housing and rising health care costs of 15 to 20 percent per year. New national group has been formed—health care costs—malpractice, special court system—judges, medical courts could decide—drives co-payments up.

Sunne Wright McPeak: Region—could form panels on health care and land use that could make a difference. On health care costs, Sec. Belshe has asked to work with Sunne’s Department of Health Cap on malpractice—driving health care costs—need a healthier California. Anti-obesity. Creative products for healthy products.

Elizabeth Tan, Urban Habitat: Commonwealth Club Budget meeting—found that people do not want to cut essential services, yet no one wants to raise taxes. Solutions—all had Prop 13 reform and revenues. People were honest that we have to increase revenue—Prop 13 popular target. Is enough momentum throughout California? If not, how will state address revenues?

Sunne Wright McPeak: First priority to get financial house in order. Getting government to function more efficiently—California Performance Review doing this. Second, improve business climate and economy to get as much economic recovery and put revenues back in. Third, how much revenue needed—open question, not ready for. State of state, seeks to build. Transportation—trying to grow economy—comparative advantage. Regarding Prop 13, there’s a lot more discussion that will happen regarding one percent assessed value—on table for deal with local government. First question to be addressed—undoing. Cap on tax—people don’t want to give up. Within that envelope, a lot could be done to align revenue with responsibility—next year’s discussion.

Victoria Bradshaw: No simple answer to complex problems. Ramifications—what we own first. Energy in looking internally—through CPR. What is the best way for government to structure?

Nick Bollman, CCRL: Next Ten—regional budget education dialogues. As much as we’d like to see leadership on this, need to have a committed common ground constituency. Creating on the ground consensus on spending/revenue policy.

Michael Covarrubias, TMG Partners: Have been talking to Sunne for years about housing. Need local governments to do housing—create carrots and sticks at state for locals to live up to housing elements. Start to see in sand—CEQA reform. Home owners might complain. To build a condominium projects, need to develop incentives for developers.



Andrew Michael, Bay Area Council: Three key things that the state can do in short/long term: 1. Get at housing issue, getting more housing produced by linking state standards to meet population and job growth, and linked with financing that goes to cities so they will see it in their interest. State should continue after this budget passed—look at other things like tax swap. 2. Better understanding how economy works and how workforce ladder works—constant tension between proprietary information and growth—data can be used to link to education. Regarding shortage of registered nurses, need to piece things together to address one issue, state can provide info data pool where there are—distance learning. Partly about getting info better, and resources where they're needed. 3. Regarding land use, using rich state resources for information, mapping technology to get at best policy on growth and development to protect environment—hierarchy regarding best places to grow/not grow.

Victoria Bradshaw: Dealing with matching workforce—formalized areas—workforce investment boards, comm. Colleges, all operate separately—need to make use. ESL all three do, fight for dollars, need to coordinate. Need to streamline curriculum so responsive to local business. Trying to take structures that we already have so they don't replicate.

Elissa Giambastiani, San Rafael Chamber of Commerce—Birthplace of nimbyism and “scummys”—socially conscious until my money is involved. Need more teeth around housing action law. Scoff at ABAG numbers—Marin has a way to keep out development. Thoughtful discussion needed with administration re housing action law. Marin County—matching dollars---HCD needs to allow matching dollars for housing trusts.

Michael Covarrubias, TMG Partners: Tiburon—requiring 60 percent “affordability”—then permitted from developing there for obvious reasons.

Tony Fisher, New United Motor Manufacturing: One of most significant reforms regarding worker's compensation—by setting up reform—minimizing involvement of lawyers. Could that model be used in housing and healthcare to make them order?

Gwen Regalia, Walnut Creek Councilmember: New general plan, will identify sites—Walnut Creek will take higher density housing. Have been trying what we can. One of few cities with jobs/housing balance. But not really a balance when some commute out, others in. Let us keep our own property tax. We are ones at local level. State is going to have to learn to pay its own bills. Getting more for retail. No empirical study done re unintended consequences re tax swapping. Governor didn't support swapping. VLF, property tax. Second comment—two of your depts. At logger heads—Caltrans property—but higher density, higher costs! Need to resolve. Taking away redevelopment money for affordable housing. Areas like mine where cost of



land is high. Acre at \$6 million. Hard to bring pieces together. Third, don't need sticks, need carrots.

Victoria Bradshaw: Can not shift everything at once—but are cognizant about things being out of whack.

Bill Allayaud, Sierra Club: Work in Sacramento. Davis lacked leadership skills—new spirit now. High commitment to economy and environment. Second day in office, said there's a myth that you can't have a strong economy and a strong environment. Understand focus has been on business. Needs to do that now. Get more investments for parks. CEQA—don't like calling it reform—has been good law. We do need to streamline and make more effective—shouldn't have situation—true urban infill needs to be streamlined. Not many lawsuits. Very small fraction of CEQA actions go to court. State should protect environmental programs. Regarding how many housing units - key question—where shall they be built? Governor regarding smart growth—need him to intervene with local governments. Marin County vs. Tracy regarding how development occurs—need some state oversight, uniformity on saving open space.

John Sobrato, Sobrato Development Company: In Silicon Valley, huge number of vacancies—1000 acres of land—buildings could be demolished. Buildings built for manufacturing purposes—not going to be filled. State needs to convince cities that to get greater share of tax—need conversion of old facilities for future housing. Need monetary penalties for those jurisdictions trying to meet state mandate—like Newark—can't get residential zoning—that show they met housing element. Monetary inducements needed to produce more housing. Revenue sharing too big an issue—not going to happen. Through legislature, could come up with inducements.

Pedro Gonzalez, City of South San Francisco, Councilmember: World has heard about how bad situation is in California—heard about energy. About time for world to know we're working on solving problems. Within two years, will be in better position, many businesses didn't want to come while having problems. Housing situation—don't think we need more from Sacramento regarding what to do in cities. South San Francisco—worked with developers to give 20 percent affordable housing. Running out of land, needed to provide open land. Many cities not complying regarding housing. Other cities should be provided monetary help.

Eugene Leong, Association of Bay Area Governments: In Sacramento, regional wetlands restoration process meeting. State and Federal bureaucrats. Hosted by Chrisman, chaired by EPA. San Francisco Bay Area one of natural estuaries—high priority to be restored federally. City managers all slashing and burning, laying off. Resources Agency saying cities and counties failing. Everyone talking here about shortcomings of housing element. Dysfunctional system—cities doing the best they can—getting mixed messages.