



California Center for Regional Leadership

**Northern Central Coast
Regional Economic Vitality Conversation**
Moss Landing Marine Laboratories, Moss Landing
September 10, 2004

Meeting Minutes

Welcome

Ana Ventura Phares, Board Member, *California Center for Regional Leadership (CCRL)*

-Thank you on behalf of CCRL - the statewide organization helping to coordinate forums across the state. Action Pajaro Valley is a Regional Collaborative (RC) working with CCRL and there are many other RCs across the state that CCRL is also working with on this and other projects. We are here to find out what we can do for the economy and send those ideas to the Governor. Thanks to Sponsors and Planning Committee. The Governor asked Cabinet members to go across the state and see what we can do to improve the economy but first they have to understand it. There are three questions we are looking at - what is the state/local role, etc. On behalf of CCRL - thank you.

Mary Ellen Ittner, Silicon Valley Public Affairs Director, *Pacific Gas and Electric Company*

-Thanks to Secretaries - deeply appreciate Secretary McPeak's commitment to the Economic Vitality Conversation (EVCs). PG&E is place based - we thrive when regions thrive.

Mary Ann Leffel, Vice President, Senior Relationship Manager, *Greater Bay Bank Carmel*

Ideas that come out of the EVCs - ideas from you - are what make this work.
-Intro of Barry Sedlik-Undersecretary Business, Transportation and Housing (BT&H)-grateful he is able to join us.
-Intro of Tom Johnson-Secretary of Veterans Affairs
-Intro of Crawford Tuttle—Resources Agency

Barry Sedlik, Undersecretary and Senior Advisor for Economic Development, Business, Transportation and Housing Agency (all comments from Cabinet representatives in italics): EVCs are an outreach effort on part of Governor and Administration. Action, action, action - that is what we are here to deliver on. Have done lots of studies describing plight of California—business climate, worker's compensation. We are attempting to move from problem definition to problem solving with our efforts here. Your specific ideas at what would be most helpful—both in the short term and



long term. Focus comments today on three key questions—short term, long term, region/state structural. One of the key things we've found is that California is such a big place and has many economies - not just one.

California Regional Economies Project— nine regions in the state are defined. One of the things that the Governor has learned is that there is not such a thing as one solution that fits all. In terms of economy, need to take into account fundamental regional differences. In Sacramento, some bills don't take into account regional differences—this can make the problem worse not better. Attempting to define regional economies, key industries unique, what's needed to promote those industries within the regions - would be helpful to us to understand. As legislation and other items go forth, we'll be in a better position to do things that will work to benefit this region.

Secretary Thomas Johnson, California Department of Veterans Affairs: Honor to be here. Favorite place in California. Privilege to work for Governor. Action oriented. E—economy, environment, education, energy—many initiatives. Efficiency another E. California Performance Review. Job to listen and take into account differences. Focus of time together today. Has been in private sector for most of career - hoping to create change in serving people of California. Discovered some frustration in government and is very interested in what's on your mind today. Meeting with the Governor and Cabinet tomorrow - the Governor is a person of action and optimism. Mary Ellen Ittner said the word thrive - how can we thrive? We need to come up with solutions that are going to make a difference. One size fits all doesn't work. In medicine the first rule of thumb is to do no harm - we have enough studies and now we need action. That is why I'm here.

Crawford Tuttle, Deputy Secretary of External Affairs, California Resources Agency: On behalf of Secretary Mike Chrisman, happy to join Secretary Johnson and Undersecretary Sedlik to gather advice and counsel on way to achieve goals collectively. The Governor is convinced we can achieve environmental quality goals along with economy goals simultaneously - new public-private opportunities. Here to get ideas that will allow working landscapes to continue to flourish. Look forward to presentations.

Economist Perspective: The Northern Central Coast - An Economic Perspective

Don Perry, Senior Economist, California Labor and Workforce Development Agency

Here to provide economic background for discussion.

Northern Central Coast—three counties: Santa Cruz, Monterey and San Benito counties. This is a sub-region. Tremendous diversity in this local area.



Nine regions map—this region has some Bay Area and Central Coast influences. Influences in this area. Can't get away from national/international influences. Biggest—Central Coast effect, and action taken within own area.

National Economic Conditions:

-Slow recovery—slowest since Depression. Economy growing modestly (2.8 percent real GDP). Productivity grows slowly. Excess capacity. Weak job growth. Rising unit labor costs. Higher oil prices (less acute, but more chronic?). High debt levels and rising interest rates.

California:

-Slow recovery, matching nation. California-US unemployment rate gap shrinking. Job losses concentrated in Bay Area manufacturing. Funding constraints will limit job growth and any fiscal stimulus. Population growth (Tax receivers vs. taxpayers). California offers employers large market, but relatively high cost of business.

California Nonagricultural Jobs:

Slow recovery. Rather unsatisfactory. Haven't recovered all jobs.

Where is recovery? Lost to productivity gains (capital substitution). Lost to cost and price pressures on businesses. Big retailers like WalMart dictate prices—puts squeeze on businesses, and affects hiring.

Offsetting rising labor costs—health and benefits.

Going offshore. Being played up perhaps too much.

Waiting for employer confidence to return.

Business moving out of California.

Regional Trends: California Regional Economies Project. First year complete, reports done. Hope to release within next month. www.labor.ca.gov. Information will be posted online. Tremendous amount of information to be released.

Job Growth by Region:

Central Coast sits in the middle vs. rest of state—around 20 percent growth between 1990-2003.

Jobs During Business Cycle:

Central Coast has done well. During early 90s, flat. Overall, Central Coast has outperformed state.

Central Coast Job Growth by Industry:

Job Growth in Leading Major Industries: All Government highest.



Northern Central Coast Unemployment Rates: Counties are near or above state rate. Wide variances among local areas.

Unemployment among regions:

Positive sign for this area. Unemployment rate went up one percent vs. four percent of Bay Area.

Monterey County:

Large amounts of seasonal activities—agriculture, tourism, fishing.

World famous tourism destination.

3rd highest agriculture producer in California.

Low unemployment in Monterey and coast (4-7 percent), high rates in inland areas (15-20 percent). Need different strategies.

San Benito:

Historically this has been an agriculture county. Government is the largest employer. 2/3 of the population is in Hollister. Per capita income 2/3 of state average.

Santa Cruz:

Close to Silicon Valley. Moderate unemployment near Santa Cruz and Scotts Valley, higher south in Watsonville—15-20 percent

Questions for Don Perry

Q: California economy matching nation? Under impression it was trailing.

A: Problem is media coverage.

Q: California Regional Economies Data: New NAICS data. Extremely detailed data.

A: On website, www.labor.ca.gov. Can be downloaded and locally play around with regional data. Methodologies and data tools so workforce planners can decide.

Q: Food processing—category needs to be looked at.

A: Federal government sets codes—need to talk to EDD to reclassify codes. Once food processed, becomes manufacturing.

Questions relative to characterization to region?

-From San Benito county, residential development. Currently in building moratorium.

-Clarification in respect to government. Is education included? From Santa Cruz County, have two major education institutions. Mostly dominated by lower education, but Santa Cruz is exception - they are the 2nd smallest county but rank 15.

--Silicon Valley boom hurt us in terms of housing. People came over willing to pay anything for housing, pushing up our costs.



A: The Bay Area had eggs in one basket and the basket broke. Like the tortoise and the hare - we have not taken off but we have not been slammed down - and this is often who wins the race.

Q: One other observation: Because of quality of life of Central Coast, there are more home based industries than in rest of state. Have done surveys, not sure if Employment Development Department (EDD) picks that up. Fall below radar.

A: Home based businesses are generally handled by Small Business Administration. High quality of life is an asset. Group may want to discuss how to leverage further.

Q: We are among the least affordable in state regarding housing. Do you have an affordability map?

A: No, but it is above average and there are huge disparities. Statistics from this morning's paper on the least affordable housing in the state put Monterey County third, with Orange County number one and San Diego number two.

Q: Regarding the Regional Economies Project - consistent planning regions in state. Everyone beginning to use same data. Hope is that more work will be done within regions. If we wanted this region to be looked, can crunch own numbers?

A: Yes, can go in and specialize sub-regions. Methodologies will be published.

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Conversation Notes

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

Question 2: What state actions will result in the most significant long-term improvement to California's economic competitiveness and comparative advantage?

Question 3: How do we best structure an effective partnership between the regional and the state around economic strategy?

Ed Ortega, Ortega Farms: Regarding short-term actions: There are a lot of red tape regulations. We need a way to move to be more streamlined - to create our product at a cheaper rate - and more of it. There are a lot of small regulations that keep strapping us down. Some minor changes could affect this. With major changes we can make things better.

Barry Sedlik: Is there any distinction between state and local level regulations?



Ed Ortega: CAL OSHA and Labor Department at the state level. For example, issue with transportation of employees - there are small changes that have to be dealt with.

Barry Sedlik: Distinction in process regulation s themselves - how would you propose the state deal with this so issues are at the front?

Ed Ortega: Has to pay wages for providing transportation to employees - officially their services start when they step on the bus. That does not work well for what we are trying to do.

Barry Sedlik: Some legislator will come up with what seems to be a good idea and the translation on legislative intent is not always clear - process does not make direct connections. The Governor asked for a review of underground regulations that are being developed without the public process. Problem you just described, have prospect of lawsuits. Now interpretation of original legislation is several steps removed. Then get new legislation introduced trying to restate intent. This is a very slow and cumbersome process to address these types of chronic situations. This also creates consequences that were not intended with the original legislation. Will relay this as the kind of process that causes a counter intuitive result.

Ed Ortega: Another issue is the hand weeding bill that was just passed. This means that weeds cannot be pulled by human hands. This regulation was changed without going through a vote. Should be able to change rule books so they are business friendly and streamlined according to intent. There are also thousands related to tourism—over time these have become more complicated. Get rule books back out and review them - that would create the best short term economic recovery.

Jeff Johnsen, Crescent Biologics: Rule books are making other businesses leave California. The tax burden makes people throw up their hands. It doesn't make sense to do business in California.

Tom Johnson: Have grown to appreciate legislative branch and the complexities. Senator Burton had a lot of power. The Governor is building bridges. Examples are terrific - Regulations are going awry. The legislative branch is where we have to make progress regarding these rules.

John Martinelli, S. Martinelli & Company: Makes products from fresh California apples. Over half of the juice from other companies is from apples that come in from overseas. This is a tariff issue. Products made in California have a higher cost basis, and it is very difficult to compete with products coming from overseas—their labor costs are much lower. Here are we so close to the market, but can't produce products at a price people can afford?



BS: What could the state do? Keep California delegation more informed? Are there other ways to mitigate pressures?

John Martinelli: The state could help influence federal rules regarding the balance of trade. For example, we cannot sell our product to Japan because of the tariffs in place. We should have a way to address and communicate these issues. Japan is not even an apple producing country. Perhaps we can use trade organizations more. The balance of trade is not doing well which is discouraging. If we're bringing fruits and vegetables in from other countries we should have this. Otherwise, they need to be taxed - make people pay to bring their products in. Products from other countries are coming to the market in sinister ways—Safeway sells under their own brand. Consumers have no idea what they're buying. Perhaps better country of origin labeling would make a difference - some way to communicate that. Tariffs in areas we don't have free trade. As a food processor, I don't have a vehicle to address concerns.

BS: Relative to state of Washington, do they have any state programs with pro-active policies?

John Martinelli: Washington is more active - have a huge trade organization because their apple industry is so much larger. Yet they lost 20,000 acres of apples last year because of apples coming in from overseas.

Tom Greer, Monterey Peninsula Airport District: Salinas agriculture is a fantastic example of the free market economy. State overlapping regulatory structures make it difficult to compete and be innovative - we do not have a competitive edge. This is happening in other areas besides agriculture as well - fishing and game, working with CalTrans. Advocate for housing. Worker's housing. Housing affordability index in Monterey County is only 11 percent. 89 percent can't afford to buy a median priced home here at \$569K. There are 63 different agencies in Fort Ord with overlapping regulatory structures. This reminds me of a forest fire. Governmental issues are similar—creates its own hierarchy of needs—its own weather. Getting the rule book out and simplifying all these regulations is a great idea.

BS: Process suggestion for this so that we do not end up with something worse?

Tom Greer: We have a dynamic Governor. He needs to have the political courage to address and say that this is a mess. For example, CalTrans was covering the side of Highway 1 with netting to keep the rocks from falling down into the road. This was disputed and they were charged a fee to Fish and Game. The real problem was with the buckwheat plants. There is a blue butterfly that uses the plants as a habitat sometimes. This process has been going on for 3 years. Regarding CEQA



problems—Coastal Commission prevents development. Projects start and stop. More studies from different agencies - putting moratorium on economy.

Jeff Davi, Realtor, A.G. Davi Real Estate: Follow-up on local economies - how do we help it? We foster what we have - agriculture and tourism. Agri-business comments should all be done. The most critical thing is housing shortfalls. Report to Senate Committee on Housing, Sunne McPeak said we should put teeth in housing element. Water problems on the peninsula cause counties and cities to put plans in place to get approval by HUD. Need to reward communities who put in housing element and can build the houses that are needed—tie this to transportation funding. If communities build houses, reward with teeth - by giving them a four lane road. It is hard to find solutions when there is so much talk. Pleased Administration says they're going to do something about it but don't see signs of it to really happening.

Regarding Fort Ord - supposed to have solved problems with housing. Very few houses are actually being built. Every lot is being assessed a \$40K fee. No way to have affordable housing that way.

Teresa Thomae, Central Coast Small Business Development Center: We have 51 percent more Schedule C filings that the nation. Regarding these home-based companies - people patching together salaries, full time and part time micro-enterprises. So many small businesses can become something. State needs to realize the importance of access to capital, access to credit for start-up and expanding businesses. With dissemination of Trade, Tech & Commerce, pleased to see that certified development corporations were maintained. Sits on the board of CalCostal and there is tremendous job retention because of pockets of lenient lenders providing credit to at-risk businesses. Would like you to hear that there is a lot of economic recovery and to keep channels of capital open to these businesses.

Kay Filice, Filice Farms: Global economy. Know about other countries are paying labor. We have to realize and address that in California we're competing with other states with lower minimum wages. Mandate is to raise minimum wage in California to \$7.25 in 2005 and to \$7.75 in 2006. With what we're facing regarding comp insurance this can have an incredible impact on California agribusinesses. If this is not vetoed, it could have long term and short term impact and businesses won't be able to function. We cannot take our land and leave - we have to be able to compete with other states.

Barry Sedlik: Secretary Kawamura very aware of this issue.

Carlos Palacios, Action Pajaro Valley: Every year they do a strategic planning session - SWOT analysis - where we list our threats, which are often state agencies. Example: They have more housing in Watsonville than anywhere in Santa Cruz County. Watsonville struggles to get a new high school approved by the Coastal Commission.



They also need to build a new interchange. The big problem is that they are technically in the coastal zone, but they are three miles from the coast. Our city council has entered into agreement with Coastal Commission to not build within those three miles. They see the freeway interchange as growth inducing but we have promised not to build anything. Have been in a fight with them for the last ten years over this interchange. Also have to deal with CalTrans - we cannot contract with private firms because of CalTrans. Don't have engineers. No ability to look at big picture. Another example is the traffic issue—on state highway. No traffic lights are allowed, although they are needed. Local electeds call and call - finally they come and do not approve because the speed limit is 35. They said that in order to get the traffic light approved the speed limit would have to be raised to 45. It took five years to get a stop light—have to negotiate - this is insane. Coastal Commission and CalTrans are preventing us from building necessary infrastructure.

Barry Sedlik: What could have been done differently?

Carlos Palacios: We need more common sense flexibility when dealing with these issues. Regarding the highway interchange, two bridges are being built from grants from one agency for \$10M. These bridges will connect to the interchange but Cal Trans is saying the interchange cannot be built (Coastal Commission). This doesn't make sense. The two agencies need to communicate with each other.

Lisa Dobbins, Action Pajaro Valley: Regarding tying infrastructure to areas of growth planning and incentives around this - APV hosted a dialogue with OPR trying to link state support and incentive to having a community with a growth management strategy—Watsonville GP Strategy to build housing and preserve resources. Would like to see environmental goals and policy report to set statewide goals for growth and planning - want to see Environmental Goals and Policy Report, (EGPR) and Office of Planning and Research (OPR) put us in a criteria that shows credit for growth planning for 25 years so these types of issues are linked. Positive pro-active planning should be considered for example with traffic light issue - incentives need to follow planning. How can housing elements be approved knowing there have been growth planning in those areas?

Barry Sedlik: Secretary McPeak's key issue is on Housing and Community Development within BT&H. BT&H is focusing on the notion that every community needs to plan its own. There will be natural population growth—even with no additional migration there will be millions of new people that will add to California's population and we need to make provisions for them. Secretary McPeak is focused on trying to do what you're saying. Each community needs to identify a 20-year housing plan. Make each community be responsible for their own growth. Meaningful California Environmental Quality Act (CEQA) reform is one bite out of the apple - projects should not move forward. Reforms are needed to address concerns up front.



Crawford Tuttle: The Resources Agency is responsible for CEQA management. There was a process to update CEQA requirements that started late in fall with the Davis administration—that was a first step and has just been finalized. This was the first update in a number of years. Anything regarding CEQA will be done in incremental steps. Invites any further comments regarding how we can move forward to meet CEQA goals.

David Cooke, CHISPA: Affordable housing now and relaxing CEQA are important issues - get bogged down in bureaucracy through Housing and Community Development (HCD). The need is today - have been talking about issues for a long time - glad to see efforts by the state to move all of this forward. Worker's compensation has driven subcontractors' costs up three to five times - including costs for state liability insurance for subcontractors. They are being driven out of business—can't keep up with insurance costs. Costs are five times what they were four years ago. No changes have been seen. Unbelievable.

Barry Sedlik: Regarding the workers compensation reforms just passed - are they any help?

David Cooke: No - and our injuries are 75 percent lower than others.

Ana Ventura-Phares, Santa Cruz County Human Resources: In Watsonville we spent years looking at where we are going to grow. We went through the planning process with Action Pajaro Valley- voters approved it. When cities do not plan for their own they come to us so even though we did plan for our own, our own cannot afford their own. Salinas, Santa Cruz city and Watsonville all have housing elements approved but they are punished because people from outside these areas come here for housing, services, etc. Who provides for these services - this is a burden. There are no incentives - we need for everyone to plan for their own, including everyone around you - this is what regionalism is all about. Economies are all linked.

One of our strengths is that we have a lot of young people in this area. We have industries where jobs can't be filled. An immediate positive impact would be to better educate all of the young people so they can fill these jobs - connect young people to their future. There are many bilingual positions. Are we presenting the young people with these opportunities?

Don Nucci, Mann Packing Company: California suffers from three things that took place in the early 70s: Prop 13, CEQA, and the formation of Coastal Commission. We have to balance things out because workers also have rights. Prop 13 is almost untouchable. We have done such a poor job in this state regarding education. We have undercut everything that made this state great. We have to plan for our infrastructure needs. We currently have water, highway, and electrical problems all over. This is in the political will of the state - it is hard for any Administration to



come in and change that. But someone will have to provide leadership to look toward future, or will continue to be in the morass that we're in. We are willing as labor to sit down together for balance and talk to anyone about this. We understand the pressure that companies are over but the answer is not a pay cut. Once you do that you take away their ability to buy your product. Not a short-term thinking individual. Need to address infrastructure needs, revenue situation, and regulations. Fact that regulation has gone awry, will be sitting here again doing the same thing. What state needs to do to bring regions together is to provide leadership. We have to move forward.

Crawford: Secretaries Chrisman and McPeak share a common viewpoint regarding the CEQA issue. This needs to be gotten to as quickly as possible. Regarding CEQA, what would be the three things you would do to improve?

Don Nucci: The state needs to come up with a definition for "mitigate." This means nothing right now. Don't mitigate anything. Everything is hung up in the courts. Disability to come back and challenge. One bite of the apple is good enough.

Bob Rice, Monterey County Business Council: Somehow the legislature and staff needs a course in Business 101. The legislation has the tendency to create bills that are job killers. Needs to be an allocation of the bills presented - for every job killer there needs to be a job producer bill. He commends the Administration for the more than 200 job killer bills that did not get passed this year. California has to be number one. This should apply especially to health care and the minimum wage, which should be the best and the highest. It is a problem that since Prop 13 we have been getting closer and closer to number 50. We never realized that we're going to be the worst and now we have the lowest credit rating in the country. Change won't happen overnight, it's a culture shift that's needed.

Barry Sedlik: The notion of term limits was that there would be better representation of the different communities in office - and that is not really happening. What can be done specifically from a practical standpoint to put a lid on some of these?

Bob Rice: Governor's first step with California Performance Review (CPR) is good. It will be tough to get the government to downsize but we are too big. Exists for its own purpose to perpetuate its own jobs. Good example is with CalTrans - it took 64 agencies and ten years for the Fort Ord project to be completed.

Barry Sedlik: Regarding the CPR—one thing that has gotten attention is reorganization of major agencies. Governor is very strong on performance metrics to measure activities that will be required—focus on outcomes and how much they do, not on activities. We think that this will go a long way to the extent that we can institutionalize real measures. The private sector has been doing this for a long time



and other states have also made progress in this area—Texas and Florida are examples. BT&H jump start—including CalTrans. CPR Process - hearings continue through the end of September. There will be one month of review by the Governor’s office and recommendations will go to the Little Hoover Commission. The LHC will repackage and take this to the legislature. It is very important as recommendations are being formulated that things in the CPR are practical. The document itself is 2,600 pages, but I encourage everyone to go to the website and download specific sections. You can also submit comments and testimony directly online through the website. www.cpr.ca.gov

Tom Johnson: It is important to give your comments to legislative members as well.

Don Nucci: We are ready to go and able to deal with competition. Have unionized workforce. Best agricultural economy area in country. Over 65 years in business, California has gone from top to bottom. Our burden to carry the state has grown on the backs of business. The state is suffering from major issues. We are stuck in the ground and are staying here. As well intentioned of governor is, we need more. The CPR is a good start - initials are very telling. Does not expect Governor will get what he wants though - not enough. Gets back to longer term. Need to elect officials that will do the job that we need done. We need to support communities that have done planning and have built houses. Monterey County should not get priority because they do not have planning in place.

Regarding design build concept - start project with vision in place but build as you go along. CalTrans killed bill because it would hurt them - they then did a new bill that was the exact opposite. A solution would be for Secretary McPeak to push this bill.

Don Nucci: There was a survey done by Public Policy Institute of California (PPIC) with 2,500 Californians on their attitudes toward 2025 perceptions of California. This was a great survey done by political affiliations. The only positive was Governor Schwarzenegger’s approval rating, which was over 50. Everything else was 50 percent and lower. This is the reality we have to overcome. No one has confidence in the future of the state.

Barry Sedlik: If the legislature believes that the heat is up, this can be used as a window of opportunity. Rather than business as usual, extra effort needed to take advantage of this right now.

Jeff Davi: Ideas to take back to Sacramento: idea of supporting communities with plans in place. Let’s take this a step further. Let’s reward Watsonville even further because they have built houses. Monterey County has yet to get their plan together. Regarding the CalTrans problem—shocked to hear about design-build bill. Need to have rewards if you are more efficient. CalTrans killed bill because it would hurt



them. If bill had passed, could have hired anyone. Need BT&H sec to support design-build.

Crisis is the only way to make change happen. After a hurricane in Florida housing gets built quickly. In California our crisis of \$15 billion could've been used that way but we took the easy way out. Many business are forced to make hard decisions. When these companies make these decisions - cutbacks for example - a lot of times their stock goes up because people know they are going to be more efficient. This is time to clean house and make changes. Without crisis, maybe this should be the time to do it. Need to seize crisis opportunities. Tomorrow attitude doesn't happen. Revolution needed.

Jeff Johnsen: Regarding the housing issue in Monterey County - the project in Seaside was given Military land under the premise that they would build affordable housing. Language was given to local papers about the base price for this housing being 300k. Now the average house is on the market at over 650k and the entry price for developers is at 500k. This is not low cost housing. This is why you see people coming to Watsonville. State needs to remove local incentives to cheat the system. Affordable housing needs more supervision.

Barry Sedlik: Why did this go awry?

Jeff Johnsen: Fees are part of the problem. You cannot expect realtors to put guarantees in place.

Tom Johnson: Who puts the guarantees in place?

Jeff Johnsen: Suggests that the state put these guarantees in place.

There are more details to the Seaside project than previously mentioned. They wanted market rate housing. In ten years the average house went from 300k to 650k. The ten years is what killed us. Exclusionary housing has killed us for years. We need to reward those who build and punish those who do not. The state needs to supervise in order to get more affordable housing.

Ciel Cirillo, City of Santa Cruz Redevelopment Agency: Regarding affordable housing being developed—there need to be covenants added to protect the affordability. The role of redevelopment at county and local levels to provide affordable housing is in funding. They are the single major source of funding besides the federal government, as well as the economic development arm of the local government. Carlos referenced this in his written comments. Redevelopment continues to be source of take away funds. Redevelopment is at risk of being taken away by the state—what's been happening at state, uncertainty—480 redevelopment agencies in the state. Have made feeble attempts to be included in prohibition. If local governments are to



continue to have take away from state, need state to protect redevelopment agencies through legislative process.

Ana Ventura-Phares: If you let housing go free market, I would be able to afford my townhouse. Affordable housing is not welfare - it's for everyone from those working in the fields to those making \$50K a year. Need some help from government to provide workforce housing for our economy - all interconnected. There are people working in City Hall who are Administrative Assistants or in other entry level positions that are forced to buy homes an hour away. These bedroom communities are now affecting others - all social issues are connected from pollution from cars, unattended children, crime, safety, etc. We need to be aware of this as regions—not isolated. We are integrating and affecting each other in big ways.

Nick Papadakis, Association of Monterey Bay Area Governments: Rare to have this kind of opportunity to engage local private sector with Cabinet Secretaries. There is a crisis in bureaucracy in laws. Devolution from federal to state level, but haven't seen this from state to local level. Have to see this coming down to the regions. Local elected need to be empowered to make decisions locally. Other states we compete with have this leverage through their regional planning commissions and Economic Development Corporations. Plethora of special districts here in California is a fundamental problem. Agencies don't coordinate with each other - this is why we have examples like the one earlier regarding Fort Ord. State needs to mandate control. There has to be an incentive by the state for cities and counties to work together within a region.

Mary Ann Leffel, Greater Bay Bank: Regarding comments on minimum wage. Only 14 percent of minimum wage earners are between 35 and 64. Most are younger and in their early training years or older, and to raise their minimum wage is insane. For the minimum wage argument, we need to look at this closely—this affects training. Need to streamline permit processing for infrastructure. Need to address workforce housing issue. Huge workforce, unskilled in type of jobs we'd like to attract. Lack of community colleges—political push and pull between Cal State Monterey and Community Colleges. Can't train healthcare workers - don't have enough teachers - aging population will need nursing. Private industries should get incentives for finished products from the state. The crisis is now - we have the opportunity to get rid of dead wood. Power would've been the issue we were discussing two years ago. Surges in system. We have stopped permit streamlining process for new power plants. This needs to be put back on the table as it will affect the cost of business. Regarding bills in Sacramento, there needs to be a separate line item for unintended consequences—assign a legislative analyst to study the unintended consequences. There are lots of legislators that haven't run a business or understand these, so we need to highlight these - for example, overtime laws and the impact on the cost of housing. We need to stay on top of job killer bills.



Closing Comments

Barry Sedlik: Have learned a lot today. Specific things can be done. Trying to assemble and prioritize these practical steps. We want to try to institutionalize this type of forum. Any system needs constant feedback. Want to be able to follow up—CPR, add comments. Need your help to get things through.

Tom Johnson: Have had similar personal experiences. One thing that has impressed me, is the quality of individuals that the Governor has brought on board in Cabinet and their commitment to get things done. Number of things business are feeling. Gets regular feedback from Allen Zarenberg. Commitment to make improvements quickly and optimistically. There is a huge number of constituencies to consider. This is a complex but wonderful Golden State. Forums like this will be important in future toward forming continued policies. Has not forgot energy. All of these government efficiency initiatives are right here - they are looking long-term action plans - not only at five years but also at ten and twenty. Intense environment. They have a meeting tomorrow - it is not a 40 hour week for the Cabinet. There is a wealth of information here as there has been at previous sessions.

Crawford Tuttle: To amplify, one of things that Secretary Chrisman reminds people is that working together, we can accomplish much. Acknowledges everyone for taking the time from their businesses to come to this dialogue today. Acknowledges Secretary McPeak's leadership and the strong call to action. Energy is an important issue raised here today. New generation capability—addressing market issues.