



California Center for Regional Leadership

Sacramento Regional Economic Vitality Conversation

City Hall, West Sacramento

August 4, 2004

Meeting Minutes

Welcome

Christopher Cabaldon, Mayor, *City of West Sacramento*

West Sacramento—new fulcrum for Sacramento region—transportation, housing infrastructure - leading city on infill housing and overall housing supply and are one of the region's job centers. Country's leading Cabinet Secretaries. Opportunity to talk about economic and environmental vitality. Economic growth. Looking forward to action, action, action.

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

Pleased to be here and for sponsoring. Thanks to Secretaries. PG&E is a fundamentally place-based company—in California. Care about what happens with customers—from both angles. Deadline for economic development grant is coming up this Friday. Thanks to Mayor Cabaldon and Barbara Hayes from SACTO, Valley Vision.

Tom Stallard, Board Chair, *Valley Vision*

Exciting development. Sacramento region pioneering good regional behavior. Six counties. Valley Vision private sector—bring together with government for better future of region. Honored Secretaries are here to sit down and talk about economic development. Local, regional, state. Both Secretaries come out of local government and appreciate problem of local jurisdictions.

Barbara Hayes, Executive Director, *Sacramento Area Commerce and Trade Organization (SACTO)*

Thanks to all for inviting discussion. First time forum occurring across state. Great opportunity to weigh in to administration. As regional economic development organization it is refreshing to have Governor say jobs are important.

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

Thanks to Secretaries - organized for your benefit. Thanks to sponsors—Chris, Susan, Barbara. CCRL works with a network of 20 regional business and civic organizations committed to the 3Es—competitive economy, protecting the environment, and social equity - we are a values driven organization. Over the years, have worked on economic strategy issues within the regions—haven't always had state as partner. Governor as job czar—economic growth at center (after budget). This administration has established a hallmark in reaching out to communities for best thoughts and advice. CPR report. 6th of 11 Conversations—started in March, finishing in October. Virtually every Cabinet member has participated in one or more of these



Conversations. Information is being brought to the Cabinet to help provide economic strategy policy initiatives. Economy matters to all of us and can't be taken for granted. Economies in California are regional—state policy has to relate to needs and interests of regions of state. Economy is intentional—can make decisions within public and private sector. Positive role for state government to play to make sure regulation does not stand in the way, as well as through investment in education and infrastructure. No decision made within state government without an economic impact—voice of economy.

Sunne Wright McPeak, Secretary, Business, Transportation and Housing Agency (all comments from Cabinet Secretaries in italics): Appreciates Secretary Aguiar's experience in government – appreciates local and regional leadership. No one in the Cabinet has the range of experience that Secretary Aguiar has. We have had six regional and four statewide Conversations to date. What we're hearing is very instructive. They are doing exactly what the Governor asked us to do—reach out and listen to civic leaders - to rely on input they get and the creativity that resides in people. Grateful to get input on regional economies. Solutions as looking to economic vitality need to be aligned with regional economies—support leadership within region. Exciting opportunity within Cabinet—have been challenged by Sponsor to hold as many Conversations as they can - the Cabinet is very enthusiastic. Secretaries are reporting back to Governor. Bill Batcher reviewed the reports from the Conversations and was astounded at the wealth of the Conversations and what emerges - a clear agenda that they will adhere to. Similar issues across the state, but solutions that can be tailored within communities—leaders telling us what we need to do. Three key questions: What's to be done in short-term? Long-term? How do regions best work with the state? New term - anti-dumb growth, current trends are not sustainable - we want to bring more people into the mainstream economy. They have been challenged by the Governor to articulate a full mission and march ahead.

Frank Aguiar, Secretary, State and Consumer Services Agency: Agency has 14 main departments – provides resources for CPR that was rolled out yesterday. Refreshing and exhilarating to see how committed this Governor is regarding how the state operates and his commitment to bringing back jobs and businesses to California. Today in Las Vegas the Governor is rolling out a billboard campaign that will stretch across the country - encouraging companies to come back to California. "Arnold's Moving Company" will help move the first company that moves back to California. The Governor has worked hard to reform worker's compensation. It is exciting to work for an individual committed to making this state great again.

Economist Perspective: Searching for Understanding of Economy

Dr. Robert Fountain, Director, Sacramento Regional Research Institute



Tour of Sacramento economy and what's going on - and the curious position we find ourselves in. Dr. Fountain is the chief economist at SRRI (CSU/SACTO collaboration). SRRI tracks the Sacramento regional economy—publishes monthly “Economy Watch” that gives monthly updates on the region compared to the state, nation, and other regions. Step one of economic development.

A Decade of Excellence—this decade was very important for this region - no way to know importance unless you were here before 1990—this region had a severe inferiority complex—didn't seem to be part of California at all. The only reason to come here was to buy gas on the way to the Sierras. Decade in which we gained confidence and got an identity—became internationally known for growth rate and economic accomplishments. Three military bases closed in 91-92 and we recovered right away. Between 12k and 34k jobs were added each year. Sacramento didn't exist before this period. A boomtown...what comes next? Not everyone has new vision of what the region is. Used to be Fresno with a Governor - and some people still think this way which is a problem.

The boom years in the Sacramento region happened when the United States was in a recession—had best years when everyone else was going down. Sacramento is not a standard economy, and certainly not like the “California economy”. Eventually we had downturns. Recent data, Sacramento is now slowing rate—moving toward rate of Bay Area—need caution. Boom is over.

Our employment rates were always first or second, competing with Riverside/San Bernardino PMSA. Not anymore.

Winners and Losers: 1990-2003. Business Cycle—Intel and HP came, but biggest job growth was in local government — K-12, etc. - added 19% and the state paid for it. Next were healthcare, social assistance (regional hospitals), construction, and state government. High tech sector didn't contribute as much as you think—only 1.6% growth—helped image but no cash value. Sacramento was a government boom town.

From 1990-2003 there was a shift in the economic composition - becoming an info-technology state. Sectors of concentration for California regions—all regions are different in industry concentrations. Sacramento concentration very high in construction and government, high in finance, low in transportation & utilities, trade and manufacturing. To compare, San Diego is very diversified since they lost a lot of defense in the 60s and learned a painful lesson.

Current events—last 12 months. Construction still at top, professional/bus services 2nd, education/health services 3rd. Region with big concentration in government hasn't grown in this sector, has shrunk - 6,500 fewer government jobs than a year ago.



We have a unique problem - opposite in all except for state government. And, we don't have a housing problem in this region. Sacramento is 3rd in country (Atlanta is #1 and Phoenix is #2). We built a lot of housing units - nine per 1000 people built. Only other region coming close is Riverside/San Bernardino. Housing Construction is an important part of our economy. Regarding median home prices, Sacramento is among the lowest in the state. We provide affordable housing in an unaffordable state.

Interesting dialogue regarding housing is opening up out of the SACOG/Valley Vision Blueprint process. What do we want in terms of housing? How much are we willing to bear transportation/environmental impacts? Housing is part of the economic and social fabric of the community and of the region—including employment, government, etc.

For the last two years the number of jobs added in housing construction almost matched the total growth of jobs in all industries. Who has benefited? Not only home builders—big winners: wholesale trade, architecture and engineering services, real estate, motor vehicle and parts dealers. People across sectors owe jobs to housing creation.

Three scenarios for the region—long-term economic development. 1. Absorption into Bay Area economy. Broad scale of integration of companies expanding, retirees, public radio station—becoming integrated. Amounts to more housing than jobs—auxiliary housing market. 2. Central City of Central Valley: Looking east and west and not north and south - future growth will happen in the Central Valley. This will be a massive transformation. Population of Central Valley will exceed that of Bay Area by the time of the next census. Huge Central Valley area composed of small/mid size cities—and will need to go to Sacramento region for things like international travel, specialized health care, entertainment, high-level attorneys. A central city will emerge and Sacramento is in the best position for this. 3. Unique Technology Cluster: multiple clusters will include three technologies, what's left of computer manufacturing, life sciences industry, and information technology industry. Biggest potential user of I/T is the state government. If that were to happen, could have third regional future.

We are seeing convergences never seen before:

1. Blueprint process allowed people to see interdependence between transportation, land use, housing and economic elements determining quality of life.
2. People see what's happening in economy—economic changes will require active intervention to maintain regional quality of life.
3. Workforce quality is economic variable over which we have most control.
4. Education emerging as consensus mechanism for achieving desired economic outcomes.



Problems are that we are not a particularly well-educated region. But we can't measure the quality of education. Sacramento is behind the curve if BA degrees are the measure. But we do participate - enrollment is higher than the rest of California. Community Colleges stack this figure.

Wrap-up:

Have good things going for us: Integrated picture of transportation, land use, environmental, housing, economic vitality; 2. Willingness to work on multi-juris approaches, 3. Multi-faceted leadership with regional perspective.

Susan Frazier, CEO/Director, Valley Vision

Upcoming Quality of Life report.

3 sections: Our economic engine, people and community, place. Regional report-card. This one is really different—broken down by geography and ethnicity.

Industry Clusters of Opportunity.

California Regional Economies Project (CREP) – excellent data.

2000-2002: Clusters have shifted from 1994-2000. Can assess clusters of opportunity. This matrix can be used for regions to assess what industries to grow. Cluster map shows you there are a number of industries and sub-industries and wage levels within.

.....

Conversation Notes

- 1. What state actions will have most immediate impact on California's economic recovery?**
- 2. What state actions will result in the most significant long-term improvement to California's economic competitiveness and comparative advantage?**
- 3. How do we best structure an effective partnership between the regional and the state around economic strategy?**

Sunne Wright McPeak: Struck by how much more advanced data is to make good decisions. When I was in local government - never once was there such clear information laid out about how to improve and grow an economy. California Economic Strategy Panel (CESP) – state level commitment to real-time information. California Regional Economies Project (CREP): ability to know in real time where we have increasing investment and job creation. We are ahead of the curve with the detailed real-time information Susan presented. Coupled with civic leadership that



has emerged - this is what they think is the hope of the state. Have to do at regional level and be summed up to the state - civic leadership and civic entrepreneurship.

Matt Mahood, Sacramento Metro Chamber of Commerce: Regarding question one, from the Chamber perspective, they are trying to remove burdens from business—anti-business regulation. Workers’ compensation (being worked on), health insurance, unemployment insurance.

Jim Williams, Williams+Paddon Architects: CEQA and governmental finance structures—Prop 13 has led to nightmare finance structure. Do not have the same experience of having law being used as a weapon. Local governments are left with few options.

Clarence Williams, California Capital: What is the ability of the state to adopt policies? With six regions that are diverse—to what extent can the state pass policies that impact all regions? Concern that state can be flexible to adapt to regional needs. Limitations and structural problems - in some cases a positive for one region is a negative for another.

Secretary Aguiar: Is the question should the state get out of the way?

Clarence Williams: We have to admit structural problems - sales tax policy and Prop. 13 - we have to put that on the table. Need a broad general policy - are we competing with other regions in the state?

Marty Tuttle, SACOG: Construction is the strength of this region – primarily housing construction. Should build on strength and preserve as a growing piece of economy. Jim mentioned CEQA—builders would like to do infill, but they say that CEQA is a burden and an obstacle. Infill will have a traffic impact. Why not just eliminate traffic from CEQA law? Issue of attached housing—construction defect- is another issue. If this is too big a hurdle to get past legislature, should provide incentive with insurance pool for those to build attached housing. Other great opportunity: transportation funding devolved to regions. Devolve housing issue as well—take this time to devolve HCD functions to regions—give regions meat and potatoes and leave workforce housing grants at the local/regional level. This would be a major stride forward in regional collaboration.

Christopher Cabaldon, City of West Sacramento: CEQA needs to be stronger, but also more focused. If we develop regional plans for Blueprint, should be able to immunize local projects. Not just looking for cumulative impact, should count. We work hard to work from the regions up and that state needs to do the same from the state to the regions. CPR needs to regionalize down and the state may need to drive this. State needs to examine fundamental issues—should it be in certain businesses.



Dave Butler, Sacramento Metro Chamber: Supports CEQA and construction defect reform. Another impediment - when public subsidies are involved—prevailing wage law kicks in and brings in another cost. Policies provide region to build smarter - in such a way that we're not building in a dumb growth manner, reducing costs, providing housing for all and increasing ownership opportunities. Regarding infrastructure, transportation in the region, water resources supply, and flood control (aging and a very important issue).

Secretary Aguiar: Mentioned Infrastructure, the focus of first CPR hearing in Riverside on August 13th.

Randi Knott, KB Home North Bay, Inc.: Understands constraints. Prevailing wage law prevents doing things altruistic. There is no economic benefit as long as this is in effect. CEQA reform number one to doing more housing. Some success in the Bay area would love to see same opportunities here. Blueprint linking. Aligning CEQA with smart growth and providing education services so planners can understand it. Ideas include linking college system to local workforce and changing Prop. 13 because there will always be a Target or Costco before affordable housing..

Secretary Aguiar: Should we be concerned that Government is such a huge sector?

Susan Frazier: We tend to set government aside, which is a liability to the region that we do not look at as closely as we should - could blindside us as a region if we do not pay attention.

Deanna Hanson, LEED-Sacramento: Regarding education opportunities, there is a problem with the 7-12 age group. Kids will fall off to the ends of the earth if we cannot provide education. K-6 is a forgotten population—a diverse population (very good). In the state of California, almost 50 percent of African American and Hispanic population drops out before High School graduation. That's our potential workforce and we can do something about this. Education is the fabric in this region - we rely upon generous foundations to improve High School education—state needs to also step up to the plate. Need to figure out how to utilize workforce.

Secretary Aguiar: Why is Sacramento lower in education?

Fountain: Look at Sacramento before high technology - it was not a region that encouraged education - education was not rewarded until recently. This would be worse if educated people of HP and Intel did not migrate here.

Bob Chase, LPA Sacramento, Inc.: Affordability of housing has shrunk - series of issues that affect builders. Architects are paid to design higher density housing. There is a limited density in housing that they can develop. Need a task force to address this.



Secretary Aguiar: How did financial services drop if construction rose?

Bob Fountain: One of the hidden threats to the region—interest rate—vulnerable to national fiscal variable—isn't a good plan. Need for real diversification. High interest rates can take down housing sector (and other sectors) in a flash.

Judith Kjelstrom, UC Davis Biotech Program: Concerned we are home to biotechnology and aggressive states and counties are wooing our companies away from California. Let's not get complacent - it should be a top priority to say to these companies "We love you and we want you to stay". Other issue—if we keep companies like Genentech—bio manufacturing doesn't require PhDs, but associates and BA degrees with acquired skills. Do short-term training—WIB money—Vacaville area needs training, because Genetech is going to double size—no way for Community Colleges to keep up with this demand. Work with those students and train them. Train High School drop-outs. Does not take a rocket scientist - only training. Have great opportunity in the region to do this. Need continued support of K-12 as a whole and more Community Colleges—they are a pipeline into UC Davis—need to look at continuum of education.

Len McCandliss, Sierra Health Foundation: Invites state to join community of interests here as residents and chief employers. If advocating for quality of life of employees of state, jobs-housing issue—help to establish Sacramento as social center of state government along with administrative center - could go a long way toward furthering interests. Suggest creation of a high level appointee (Cabinet level) to represent regions on quality of life issue.

Tom Stallard, Rose Colored Glass Company/Valley Vision Board: Many people are physical and use their hands in construction—skilled arts need to be considered. High School level tries 1 size fits all - need to respect plumbers, electricians that are needed.

Karen Baker, Valley Vision: Applauds Governor on commitment to hear voices of citizens—unique message that is being put out. Regarding the Blueprint project - there were hurdles and challenges to implement. 5,000 citizens weighed in on this - how can we thoughtfully work with state on challenges—developers, air quality issues. Being committed to citizen based effort, It would be great if the Governor could use Blueprint as a model.

Aubry Stone, California State Black Chamber of Commerce: We are confronted with conflicted challenges. We are going to lose some manufacturing jobs, because we can't compete with other countries. Need to make a decision—what is a deal killer? What are we going to draw a line in the sand on and what are just irritants? Agriculture? Bio-tech? The Governor and Cabinet Secretaries need to figure that out—then have rallying call—live and die by it.



Secretary Aguiar: Is deal killer different in different regions? Deal killers will vary.

Aubry Stone: Would agree—but Governor needs to have a message. The more you can push down to integrate regions, the better off California is going to be.

Robert Dean, Grubb & Ellis Company: With those companies that are leaving we need to advertise successes. Indian Motorcycles: out of business 10/03 - Governor got involved and we have a good shot at recovering and keeping these jobs in California. Are red teams still around? How many companies are being lost? How many companies do not pick up the phone and call California?

Secretary McPeak: Regarding red teams, that was a term Governor Wilson used. We have A-teams these days (A for Arnold, Action, and the grade we hope to earn) that work like the red teams did. When a lead comes in and it's a priority in terms of a large employment base or sector, we will put together a team, led by someone from state government or by one of regional/local economic development organizations /chambers, and other members on team to solve the issue (public/private - seamless). The Governor picked up phone for Virgin Airlines and Amy's Kitchen. The Governor is marketing, but there are not enough hours in the day to call all employers. Trying to improve underlying fundamentals and business climate, as well as looking at where we have a comparative advantage.

Bill Simmons, One-Stop Center: Publication produced in 2002 - Call to Action. Four pillars of economic strategy. Main sentiment - California economy is underperforming. Where are 90 percent of students that are not going to college going? Vocational education is critical and key to success. Contend if vocational orientation is not reinstated, colleges will not be repopulated. People who spend money are vocationally oriented. Vocational education needs to be priority one. There is not enough credence given to blue collar workers. Flood control issues are also huge. Millions of dollars—state needs to provide direction. Can't get the agriculture products we market to the market because of flood control issues. Recommendation regarding water resources and flood control - an army corps of engineers need to all get together on this issue.

Secretary Aguiar: On vocational education piece, he agrees that when cuts happen, vocational education gets cut first. Should it be a priority of the state, or does local need to understand this better?

Bill Simmons: Needs to be both state and local—local boards will subscribe according to funding. Go where money is—follows mandates.

Secretary Aguiar: Regarding levee issue, the state has different maintenance schedules. Don't the different jurisdictions have control?



Bill Simmons: Levees belong to the state and they empower the local districts to maintain them. If you do not have a minimum of 200 year protection it is difficult to build.

George de la Mora, MAAP, Inc.: Immigrants can't afford to participate in stimulating the economy. Merchants in Sacramento can't afford the staff working from them, or to have insurance for their staff. To create Economic Vitality program, need to address issues. A lot of individuals are being left behind that can't participate because they are not educated. Education was based on property taxes—so I couldn't get the education that others got and therefore, my reading skills were poorer because of property taxes - not fair. Something needs to be done starting from lower levels—that's what we're lacking. There needs to be more equality.

Mel Assagi, The Advocacy Group: This meeting is beginning to answer some of problems—looking regionally at the economy. Technical/vocational education should be targeted within those categories. Car repair is now done with computers—need training in local colleges. New England states promote higher education. We have the finest colleges in world—but don't promote impact of higher education enough to encourage companies to locate here. We undersell what California has to offer. Higher education is one of the strongest reasons for businesses located in California—UC/CSU systems. If this is sold more aggressively, we may get better results.

Jim Hartley, CH2M Hill: This meeting is a unique opportunity and points out the power of leadership. Regarding question two, the CPR gives us the opportunity to import proven principles to our organization. Principles of government—service oriented, vs. entitlement oriented. Accountability is an inspiration and not a threat—message should be taken through CPR.

Nora Moore Jimenez, UC Davis CONNECT: Regarding question two, supporting graduate research at the higher education level is important. Universities provide the opportunity for innovation - can spin off into industry. Grow your own. State's focus on grow your own is important.

Matt Mahood: With city/county/state/fed government consisting of 25 percent of the employment basis - what happens to the government impacts our economy. State has the largest stake. We have to have workforce ready. California needs to get back to golden days—emphasizing tourism this brings outside dollars into the state and benefits everyone. We need to sell California as a place to visit. Sacramento is a tier two market and the overflow comes here which lifts everyone up. Regarding question three, there needs to be a collaborative effort utilizing existing resources (chambers, business councils, world trade centers, universities, etc.) – they all have a vested interest in the region and participate actively with the state. Need to have



discussions across regions—figure out strengths and play off of them. Grow own internally and building and attracting industry to California.

Bob Hemond, Sacramento River Cats: Regarding SHIPO, the state historical commission - everyone agreed to a break off of CEQA regarding waterfront development and this is becoming a huge process. As we grow into historical areas, need to enhance facilities, not just utilize them. Need dialogue on vested interest—walkable areas - good for tourism, rail yards, I Street bridge, etc. Need to streamline processes.

Bob Chase, LPA Sacramento, Inc.: Adaptive reuse of historic buildings and assets throughout state needs to be looked at in a broader sense. Frustrating that it gets so bogged down—hope it will change. Potential good news regarding vocational technological education: there is a 165,000 square foot private sector vocational facility in Sacramento.

Christopher Cabaldon: Two ways the administration can help. First, the Governor can throw out the first pitch at an all star game in Raley field. Second, the Governor and Cabinet Secretaries participate in first ever Summit to lead off the Blueprint project. Equity piece—only thing scarier than failing is succeeding. There are no models to preserve. What happens to the people already in the areas people are moving into? This is not sustainable if we can't solve the equity issue. Environmental piece: CPR wants to eliminate the water board that he serves on. Because of regulation framework, so much money is wasted to get a small percentage of environmental benefit. They are throwing money away to get unimportant incremental change. Substance of regulatory environment itself is the real thing.

Secretary McPeak: Wants to acknowledge what you're saying about stupidity of regulations in place. CPR or common sense and a culture of accountability are being infused. Not well recognized in government. That is the leadership that Secretary Aguiar has brought to the Agency. I am committed to CEQA reform. Major thing to be teed up—need to capture dollars going into paperwork and litigation—capture for environment. Broader citizen engagement process will be done. Part of work of anti dumb growth by Cabinet—Resources and OPR—BTH staffing—organizing CEQA reform to be accomplished in the next two years.

Rick Fowler, USAA: Regarding question two, the California government has evolved. The Governor is in touch with people but legislature is not. Can the Governor champion reform?

Secretary Aguiar: We will have to wait and see.

Clarence Williams: One point not touched on yet—leadership—how to deal with influx of immigrants and non-English speakers in the state. Speed to transition that



population into productive factors. What is the standpoint of the leadership? We are going to be the gateway in terms of growth, especially this Valley—Southeast Asian and Latino growth. Need to incorporate this into strategies.

Tom Stallard: Time for California legislature to back off on innovation that places us at competitive advantage, such as the Family Leave Act (4 months leave). This should be advocated for nationally—so we're not at a competitive disadvantage. Regarding SB2 and health requirement - price elasticity not open ended. Prices will go up and people will become less healthy. Have to be more sensitive - can't disadvantage businesses in state.

Susan Frazier: Regarding question three, the Blueprint project is an example of what the regions are doing. The investments the state makes in the region will be better because they have taken time to do planning but there is no incentive from the state. They are treated the same as regions who haven't planned. Need to create incentives and disincentives. Have taken time to invest in 5000 people's input—need reward for local governments to continue working on projects like the Blueprint. Encourage looking at incentives for regions. Use the Blueprint as a model for the state - as an innovation tool. We have great regional leadership—we all work together, very integrated...right here. Create models and try them here, we'll work with you.

Dave Harzoff, City of Sacramento: Regarding question three, California is a complex and diverse enough of a place to have customized solutions that are integrated. State needs to take on different role as facilitator on regional planning—have state make investments consistent with what regions need. Customized strategic plans—needs to integrate among disciplines and departments. And at same time help regions fulfill their own needs. Regional teams at state? There is a historic opportunity to reform state government.

Bill Simmons: Economic engine of military installations. With BRAC facing us, it is the first time in history that people are coming together to sign. The state needs to protect military installations in California. Other states are lobbying for funds to keep their bases alive. We will lose some bases, but we need to keep some. Need to continue to fund military retention - this is a multi billion dollar industry that we can't afford to lose.

Mark Johannessen, Attorney at Law: We are not discussing how the state will accommodate growth -- competing land uses.

Secretary McPeak: Cabinet is hosting statewide Conversations as well - Secretary A.G. Kawamura just facilitates an Economic Vitality Conversation—the report from that Conversation will be a major consideration for them - will show that agriculture will be protected—value added crops, technology, etc. They are very prominent in anti-dumb growth - need more input regarding how we grow in the state. California



still has a competitive advantage in agriculture - that is why we need to protect the land.

Deanna Hanson: Offer resources from our community, fortunate to have very small but successful pockets of innovative vocational education. Invite you to use us to lead partnership builders between business and community/education. They have a broad base of knowledge—would love to have you visit their programs.

Clifton Taylor, Richland Planned Communities: Link between flood protection/water supply and agriculture. Pressure on CEQA issues, flood areas, environmental areas. Look long-term at how state can manage water supply so our needs are met.

Jim Williams: Regarding question three, look to regions that have created a regional leadership structure. Example—state law first mandated general plans. The state can incentivize development of regional leadership structures. Most are in a political position - by doing so they have an increased ability to deliver services and goods to their constituents.

Wrap-Up:

Secretary McPeak: Has been at all Conversations—astounded by level of conversation, progress, insight and commitment around table - it is enheartening and encouraging. It is a real commitment from the Cabinet that so many Secretaries have participated in these Conversations. Susan Frazier's comments made about this being a model is truly worthy of consideration—want to build on that and look at the various ways the state can reward behavior—playing together very well! Secretary Aguiar and I as well as our colleagues are discussing potential things to do— that have come out of these Conversations, they are getting a lot of ideas. Since budget has been signed, is being called by Governor to fill in on these ideas - back to a fast pace. Not only reporting on Conversations - developing reports, refined Economic Vitality strategy framework for California. Work with Regional leadership, collaboratives - resources you have control over with foundation of cooperation, can influence even more. Eg. Workforce Investment Board money, looking at emerging industries and employment opportunities. We are focusing on the same things you are as a region - looking at other states—where does California get its comparative advantage? Need to play to strengths and minimize weaknesses.

Building Blocks

Education: California is not the cheapest location to do business. But, we are bent on being the place that has the highest return on our investment. It may be more expensive to be here, but you should be able to get higher return. Why do companies stay here? We have the best higher education research institutions in the world and we aim on keeping them. But need to do a lot better on building upon



this. Not as skilled as we need to be. Need more agile interface between research institutes and private sector. Ironically UC nailed model early on with agriculture—cooperative extension kept research and knowledge flowing to the farmers—we need to do this with everything.

Infrastructure: We are woefully behind on everything - transportation, water, energy, education institutions, etc. We need to start with housing in the right place, affordable for full population. Sacramento region ahs done ok but the rest of the regions are in denial. We have the opportunity to do it better and do it right. Many of other regions don't have same luxury. The land use pattern we have is not sustainable - that is anti-dumb growth.

Industry Clusters: Keep supporting those with comparative advantage. Not same as where you have most of your employment. Bubbles put up by Susan only 40 percent of the resource base—but drive the economy—pay attention to those areas. Play to those industries.

Environment: Regulatory environment is focused on outcomes and not on paperwork. We need to be more common sense oriented about what we do—redo of government with focus on outcomes, performance management, and accountability.

Relationship: Need to have new a relationship between state and local government and state and region because all economic development happens locally. This has been dysfunctional for several decades. We continue to work on the assumption that land use control will reside at the local level. We need to strike a balance. In global economy, pace of change is so rapid, can't put all key decisions in Sacramento - have to have devolution. Honest dialogue—no one local jurisdiction is supreme over state needs—now we have gridlock. Rebuild in a way to get around with the state leading.