

Smart Growth on the Edge:  
Suburban Planning and Development for the Next 20 Years.  
The Mission Inn, Riverside, California, Jan. 21, 2005  
Luncheon Talk by Sunne Wright McPeak, Secretary of Business,  
Transportation and Housing, State of California

**JAMES LENTS:** Can I have your attention, please. Well, we have created a system of high-density eating, which I think we are getting community, judging from all the talking around me. So we are pleased about that. We want to continue our program. Continue eating, of course, and be as quiet as you can. I wanted to note a couple of things as we get started.

One, there was a comment to me that cell phones were a problem early on. And a request that you put your cell phones to vibrate, if you would, that it disturbs some of the people in the audience. Also, a number of people came to me and whispered and said, "You forgot Mayor Loveridge in the introductions this morning." That was planned -- but maybe it wasn't a good plan -- since he was on our panel this morning, so -- but we hadn't forgotten about him. He was kind enough, actually, to participate in the program. The American Planning Association asked that we note to you that there's some brochures for some of their meetings for the Inland Empire group that's out at the table, and we'd be pleased for you to look -- see those and take advantage of that. As I told you this morning, our Chancellor was not able to be here to welcome you immediately, but she did modify her schedule to come over at lunch and give a welcome. And we're very pleased to have her with us. There's a short biography in the program of her, so we won't go through that, although I will say that it lacks her many accomplishments as a scientist and as a leader. We also wanted to say that her presence here is a symbol of the commitment that the university has to this program. I would like to welcome Chancellor Córdova, please.

**CHANCELLOR FRANCE CORDOVA:** Thank you, Jim. Good afternoon. It's really wonderful to see the turnout here today. This is indeed an extremely exciting, exciting subject, and that's clear from all of you who are here today to hear more about it. It's an area that offers such opportunity, and I'm just sure each and every one of you is really an entrepreneur at heart, if not in business, and that's why you're here today.

The Blakely Center for Sustainable Suburban Development offers us important new mechanisms for bringing research of international importance to real world problems that we in the Inland Empire are also challenged with. And I have to say coming here, as I did two years ago, from an area which does not like growth, it's very, very exciting to be in an area which not only welcomes growth, but enthusiastically wants to be a part of it so that it's done wisely and well and so that it offers increased benefits for all the people who choose to make this beautiful neighborhood a home. I'm very grateful to Ali Sahabi, whose leadership and generosity have led to the development of the Blakely Center. (Applause.) And also to Ed Blakely, whose vision really was the reason why the Center was created. Thank you, Ed. (Applause.)

Being in the presence of Ed and Ali is always incredibly stimulating. I can say I've never had a meal with them where I haven't come away full of new ideas. The Center for Sustainable Suburban Development is one of the key initiatives at UC Riverside, along with our plans to develop professional schools like a medical school, a law

school, and a school of public policy. This is so important to us, because it's key to our region. And one of my main goals, as Chancellor, is to ensure that everything we do at the university connects very deeply and strongly to our region, its present, and its future. I will say that I'm very honored to be at the same table with Secretary McPeak, who is the secretary of the largest organization in our state government.

I'm convinced with the kind of leadership that we have in our state government, that we truly are on a wonderful trajectory towards prosperity and to excellence, and we are very, very enthusiastic about this administration and about your work in it. So let's get give the secretary a big hand. (Applause.) And, finally, I'd like to thank Jim Lents for his leadership at the Blakely Center. I'd like to thank the Metropolitan Institute at Virginia Tech and the Orange County District Council of the Urban Land Institute for co-sponsoring today's conference. And thank you, of course, to the many speakers, panelists that have joined us, preparing your thoughts. We plan to continue hosting conferences of this type, and we're looking forward to hosting you on our campus at the next upcoming event. Again, thank you very much for your participation and your shared commitment to solving the sustainability challenges we face. And if you see me leaving early, it's only because I teach a class, which I'm very excited about, and it's every Friday afternoon at 2 o'clock. So thank you very much.

**JAMES LENTS:** Thank you, Chancellor. We appreciate your time and the remarks that you made there. We again wanted to recognize our sponsors. I have a very long list of them, but without them we cannot have these types of presentations. And as I indicated earlier, they include Pete & Sons Construction; First American Title Insurance; Inland Empire Economic Partnership; the law firm of Gresham, Savage, Nolan & Tilden; PFF Bank & Trust; Coussoulis Development; Sukut Construction; The Press-Enterprise, A to Z Printing; Young Homes; Best, Best & Krieger; Riverside County Economic Development Agency; the Fannie Mae Foundation; The Business Press; the City of Riverside; Creative Digital Solutions; KB Home; Bob Wolf and Harley Knox; Tavaglione Construction; Haider Spine Center; Grubb & Ellis; The Flowerloft; Euro RSCG Magnet; the Western Riverside Council of Governments; Baldy View Chapter of the Building Industry Association; the San Bernardino Associated Government; the Riverside County Transportation Commission; the Inland Empire Chapter of the American Planning Association; the SEC Corporation; and Dos Lagos Development. Thank you again for making this possible.

I'd especially like to thank The Empire Companies for sponsoring this lunch. Jeff Gault was supposed to be here to make the next set of introductions, but he was called away at the last minute. It was okay. He went ahead and paid for the lunch, so we let him go. But we wanted someone to do that honor, and John Shumway agreed to step in at the last minute and do the introductions. John is a principal in the real estate advising firm, The Concord Group, and he is a driving force in Inland Empire ULI District Council. John's bio isn't in the program, so I wanted to give you a little bit of his background.

He's been an active ULI member for 20 years. He's also involved in the National Association of Home Builders, the Building Industry Association, and the National Association of Industrial and Office Parks. He's a graduate of the University of Oregon. John, we would like to welcome you here.

**JOHN SHUMWAY:** Thank you. Thanks, Jim. I think Jeff would want me to say today, at least on behalf of ULI and your emerging ULI Inland Empire Council, that we appreciate the opportunity to participate in a forum such as this. One of the missions of ULI is to facilitate conferences such as this, where serious discussion and productive discussion can take place on complex land use issues, and where industry leaders, private and public, can find solutions to their common problems. And we salute and thank the Center for Sustainable Suburban Growth for the opportunity to be here. My first introduction, which Jim alluded to, is your host mayor, Mayor Loveridge.

Let me say that the mayor has been in public politics for at least three terms on the City Council and, of course, that's been since 1994. Last year, as president of the League of California Cities, he held that term and was a big player in the negotiations for our Proposition 1A. He also is a professor at UCR and still does teaching part-time. A hand for our mayor, please.

My next introduction at this point is one that was not mentioned in the morning session, but no less important is Randall Lewis. Randall is a principal and executive vice president of the Lewis Operating Company in Upland, one of the largest and most innovative development firms in the country. Randall has been extremely helpful in helping start the Inland Empire District Council of ULI, and he's very active at ULI on a national basis. Randall is a graduate of Claremont College. Some of the honors that he's received during his time in our industry: The Building Industry Association Builder of the Year; the Name Award for the Marketing Person of the Year; the Laurel Award for Industry Leader of the Year; and DIA's meritorious award for the Max Hipton Memorial Award. For over 50 years, the Lewis Company has developed over 60,000 housing units and 4 million square feet of commercial. Right now, they currently have in plan some 40,000 new homes or residences. Please, a hand for Randall Lewis.

Sitting also at the table is our very own Edward J. Blakely. Ed is the namesake for the Center of Sustainable Suburban Development, which, of course, has been host and organizer of this conference and is endowed by Ali Sahabi, who is also sitting at the head table. Ed has long and deep roots in the Inland Empire. He was born in Riverside. He was a graduate of San Bernardino High School. He was a quarterback of the undefeated UCR football team before graduating in 1960. He went on to have a distinguished career in planning schools at UC Berkeley and USC where, not surprisingly, one of his students was Ali Sahabi. And you will be hearing from Ed a little bit later, and you will get to know him in the panel later on.

Now, our main speaker. Sunne McPeak grew up in the San Joaquin Valley. She grew up on a dairy farm. And so we know that her roots are in the land. She was a graduate of the University of California, Santa Barbara, and holds a master's degree in public health from the University of California, Berkeley. Most recently, Cal State University, Hayward, and the board of trustees for Cal State University awarded her an honorary doctorate degree in humane letters for outstanding civic leader with a lifelong commitment for public service which has enriched the university and the entire community. And you'll see why. Back in 1978, she served on and was elected to the County Board of Supervisors for Contra Costa County. She stayed in that position for 15 years, being Chairman of the Board several times. As Supervisor, she became known as a leader on state water policy and also was one of the early advocates of promoting regional solutions to Bay Area policy challenges. She went on in 1988 to be part of the Bay Area

Economic Forum -- that was a partnership between Bay Area Council and Association of Bay Area Governments -- to facilitate private collateralization for promoting regional economy. From there, she went in 1996 to become CEO and president of the Bay Area Council. During her tenure there, she established and led major regional initiatives that address policy challenges in volume transportation, housing, sustainable economic development, water policy, telecommunications infrastructure, and education and work force preparation. In November of 2003, Governor Arnold Schwarzenegger appointed her to a cabinet post as the Secretary of Business, Transportation & Housing. That is the largest government agency in California. She heads up 16 departments -- some of them are Caltrans, DMV, and the Department of Corporations. On behalf of the Blakely Center for Sustainable Suburban Development, it's with great pleasure that I present to you your Secretary of Business & Transportation for the state of California, Sunne Wright McPeak.

**SUNNE WRIGHT McPEAK:** Thank you, John, for the lovely and generous introduction. I do appreciate the fact that Jeff Gault said something in passing at a previous meeting of a lot of ULI folks and other real estate developers and, of course, I was quite intrigued with the policy discussion that would take place here today. But I have to admit that I only got involved, you know, in realizing the full dimension of all of my old friends who would be here and got so excited about the concept of this Center for Sustainable Suburban Development named for Ed Blakely, who is a long-time friend. We chose to use the term "long-time" as opposed to "old." It has been 20 years. We have both aged quite a bit. And as we sat there next to each other, Ed Blakely said, "Who would have thought? Who would have thought that we would be sitting here next to each other?" You know, "Someone who grew up in Riverside."

I grew up in the San Joaquin Valley. I dare say that we get this opportunity because of the UC system. Chancellor Córdova -- (Applause.) I get a little emotional about that because there's no way a farm girl from six miles out of Livingston would have had the opportunity to get an education were it not for the Regents and the taxpayers of this state. We get this opportunity because there is the University of California, the vision that is embodied in this Center that, Ali, you have been so generous to endow, that the University of California at Riverside has embraced, is, indeed, pushing the frontier, trailblazing, being a part of making known to the rest of us information through experience.

Some of us, you know, can reflect on the University of California, having been established in 1868, I think; "Let there be light." The notion of if you're going to be a really great state, you have to have great institutions of education and research. It's University of California and the transfer of knowledge from research to agriculture that actually gave rise to the state's first big industry. That's what we want to see replicated over and over again. Governor Schwarzenegger spends a lot of time thinking about the future of this state and also its economy, what gives rise to our comparative advantage and the bedrock of California's economic competitiveness. Our comparative advantage, as the economists would say, is our ideas. It's the research base which literally makes it worth everyone's while to be in California. It may not be the place where it's cheapest to do business. In fact, we don't expect it to be the place where it's the least expensive to own a business and to employ people. What our commitment is -- it will be the place where you get the highest return

on your investment, that nowhere else can you go in the world and have the access to the research institutions, to the thinkers, to the quality of life, to the diversity of our population.

And so for me to be here with Ed Blakely and Ali, your generosity, the University of California at Riverside, Mayor Loveridge; with Randall Lewis, who, along with Ali, have been pioneering, with all of the other builders here, how we actually do the accommodation of our population, the housing that we need, the wonderful quality of life that California is known by is the homebuilders in this room who have made the American dream possible for the Inland Empire, for Californians. And I see Art Littleworth. I could not be in Riverside County without saying it's great to see you. And Best, Best & Krieger is always around. Art is sort of the premier water attorney in the state. John mentioned water, so I get to acknowledge you too.

Katherine Perez, who talks about land use and the transportation connection throughout California, thank you. She's sitting next to Professor Manuel Pastor from UC Santa Cruz. All of us kids who didn't quite have, you know, the luxury of being born into a family that could pay for education get to be in this room because of the investment in education. And Jim Parrish, I just have to point out, who is the head of GTE and who -- 20 years ago, we also worked together -- now you are the Planning Commission Chair for Indian Wells. He headed up the California State Association of Counties the Council on Partnership, pushing the notion that what's resident in this room of citizens being able to come together and figure out how to govern themselves is actually what President Wilson said is the most -- "The most efficient form of government is the spontaneous cooperation of its citizenry." Think about that. "The most efficient form of government is the spontaneous cooperation of its citizenry."

If you watched the Inauguration yesterday, you can just appreciate, whatever party you are in, the fact that we have peaceful transitions of power in this country, the fact that there is a tradition of democracy, but, more importantly, that we all are free to and charged with the responsibility of governing ourselves. That's what this discussion has been about today. How do we grow in a way that is going to benefit our economy and also preserve and improve our quality of life? The Inland Empire has the opportunity to do it right and to show the rest of California. For so long, the Inland Empire has accepted the growth from the rest of the region and has done so with grace, done so with innovation. What we at the state now are talking about is how throughout California we have to grow in a much different way. Governor Schwarzenegger charged all of us in his cabinet with reaching out and listening to people, but also being willing to step up and offer bold ideas, bold solutions to California's challenges.

Last year was a year that was working through the challenges of a budget. He referred to it as the year of recovery, trying to manage a \$22 billion inherited deficit, getting the recovery bonds passed by the state, beginning workers' compensation reform, passing that with bipartisan support in the legislature. This year, as he announced in the State of the State, as he has foreshadowed in the budget introduction released a week ago, he is talking about a year of reform. He announced several major things that will happen from a Constitutional amendment to get the budget spending problem under control. That's why there needs to be a Constitutional amendment.

He is talking about a different way of apportioning the population and drawing districts for more accountability in elections, for reform of the pension plan, and also reform of education. But he

also says we must grow in a different way and that we must be prepared to accommodate the full population of California in a much more efficient land use pattern while protecting our valuable habitat, productive farmland, and minimizing trip generation to the extent we can. This is the first governor who said there is a connection between land use and transportation, between the housing and where we put it; do we have an adequate supply for the full population and mobility in the state?

That is very, very visionary. Visionary like the Ed Blakely Center for Sustainable Suburban Development here at UC Riverside. Now, when we came through Chino, I was driving with my colleagues from Business, Transportation & Housing, Jorge Jackson and Joan Wilson, and I thought, "Oh, that smell is so familiar." I grew up in a dairy farm. I get very nostalgic about manure and alfalfa, you know, early in the morning. It just seems so nice. And Joan and Jorge had no idea I was really listening. I was doing other business in the back seat. And they said, "That's manure." "Yes, it is. And, boy, is it good training for politics." Growing up on the farm, I could really, you know, learn early how to step around it and over it and know when you were in it. And that is, you know, truly, truly good training. There's also a lot of cats on a dairy, because, of course, there's milk and you have them around to keep down the mice. And so I herded cats literally as a child. And that too is pretty good with politics. You learn that cats come when the milk is out. It's a good lesson in politics. Sort of the notion you get a lot more, you know, bees with honey than vinegar.

What I'm really going to talk about is how to make sense, just common sense, good old farm common sense, about how we grow in this state and salute everybody in this room because you know how to do it. There's no message from Sacramento that has particular wisdom in it. There's nothing that we can share that you don't already know because you are already doing it. What we can say is that we are committed to being a partner in a new era of California, of building for the future, of understanding what the promise of this state gives, to be the frontier of discovery and ideas once again, to be the place where innovation and entrepreneurship flourishes, to be where the highest quality of life can continue to be the experience of all Californians. And I dare say that's not going to be the case if we continue to underbuild, not provide enough housing, turn our back on what is the bedrock of not only the American dream, but California's prosperity, an adequate housing supply, a home for every Californian. We are producing more homes today than ten years ago. However, the population of the state, simply natural population increase, and our work force, the natural progression that we see of economic growth and the work force needed to support that, require us to produce 245,000 housing units statewide.

We have been underbuilding for a decade. There's pent-up demand. I must confess, Chancellor, at UC Santa Barbara, I was in a program of math and science that -- I did sleep through Econ 101, and I would have paid more attention had I thought I would ever end up here, but there are some very basic truths I got out of it. Supply/demand. You know, that's an inescapable equation. If there is more demand than supply, you are going to drive up the price. So guess what's happening in California that's eroding our ability to actually attract the workers and house our population? Across California, the median-priced home is, what, \$460,000-\$470,000?

In the Inland Empire, where it is the most affordable place, it is 370-some thousand dollars, and the affordability index is going

rapidly in the wrong direction. By that, I mean the California Association of Realtors would define it as what percentage of California's households can afford the median-priced home? Throughout California, that affordability index is 19 percent today. That is only 19 percent, less than a fifth of California's households can afford the median-priced home. Fortunate for us, most of us actually own our homes already. It's the same percentage in the Inland Empire. That's dropped statewide 5 percent from a year ago. That's a rapid descent. Prices have gone up here 30 percent. Now, the Inland Empire -- let me hasten to say -- is already doing more than your fair share on housing. It is every place else in Southern California where we've got to infuse what the governor announced as this common sense notion that every jurisdiction should plan for and be prepared to take care of its own. Mark Pisano, who is here -- Mark, please raise your hand, because I'm going to put all the responsibility on you -- okay. Mark Pisano, who was on the program before, the head of the Southern California -- there he is. There he is. Applaud him now. And, Mark, stand up, because he never gets applause. Stand up, Mark. (Applause.) Okay. You can sit down now. Norm Keegan, Larry Kayland, who helped really direct the transportation land use planning in the Inland Empire are at another meeting. Mark stayed to listen to me because he's always afraid of what assignment I am going to give him, but he is the executive of the Southern California Association of Governments.

The state and SCAG were actually in a lawsuit over the last assignment of housing responsibility to the region. I came in and said, "This is crazy." Mark said, "Can't we just move forward?" The answer is, "Yes. We are going to." We settled that and we are going to look ahead. Mark and his leadership, including Ron, have stepped up to say, "Okay. Let's, in Southern California, really embrace what the governor is talking about." And when we say "take care of your own," I want to lay this out, because you all can figure it out too. It's again just farm common sense.

Every community -- because that's where the land use authority resides; in every community -- homebuilding is an unusual industry. It contributes mightily to California's gross domestic income. It's a \$40 billion industry for us. If we were just actually, by the way, doing the 245,000 homes that we need, it would be contributing \$18 billion to \$20 billion more annually to the California economy. But the industry knows all of this. We say if you -- every community, if you just think about your natural population increase, and your work force, looking out 20 years -- which is why this conference -- it says we are planning 20 years. It's the right time frame -- every community would be responsible for planning for it, designating enough land, and zoning it properly to accommodate the full spectrum of the population. Now, the homebuilding industry is totally constrained by government. You don't get to do anything unless it's designated in the general plan and zoned, and you don't get to actually build it unless somebody says yes. That's an unusual constraint for an industry that contributes that much to California's economy. Now, there's a reason why those laws came into existence, because we have elected government, with our city and county officials being able to define the kind of community and character that we want. And we still want at the state level to be partners in embracing that local control and that local planning, that local determination of character, but everybody needs to take care of their own.

We are at this point understanding that when you drop from 24 percent of affordability index to 19 in one year, that is taking

California out of the global game too fast. And no community has the right to veto California's economic future. (Applause.) It's pretty simple, actually, to do. I asked, you know, "Why 20 years?" Well, let me just share with you my experience, because I've sat on a Planning Commission and a Board of Supervisors. In my 20 years of local government, I'm very pleased that I had the privilege to vote for about 60,000 homes. There are 60,000 families who live in a decent shelter. I don't think I once got -- earned a vote or gained much popularity by voting for housing. It's a really tough job to do. Anybody in local government can tell you that. In fact, I would get lobbied at the grocery store. I'd get lobbied at the corner, you know, cleaners. I got lobbied in the dentist chair, and I got lobbied on the operating table. A really true story.

I had a foot operation. The podiatrist came in and started complaining to me about why I hadn't yet cited the landfill. And that tipped off the standby anesthesiologist, who said, "Well, should I know you?" You know, looked over my head, and you have that -- sort of the shower cap on. You are not at your best on the operating table. And so the surgeon introduced me to the anesthesiologist, who then for an hour and a half complained to me about the senior housing I had approved in his neighborhood. So that is what local officials experience.

I just have to have the homebuilding industry understand how uncomfortable that can be. That's not the worst that I've heard, because I do have female colleagues who have been at the gynecologist in full exam position being lobbied. So, you know, it's a very uncomfortable place to be voting for growth. Everybody, you know, wants a decent home. They want a job. Just nobody wants any development. You know the kind of schizophrenia that exists. So I just want to lay out for you where we're going in terms of this notion of common sense and the 20-year housing, the 20-year planning horizon.

Those of you in land use development, in real estate development, homebuilding know that it takes -- for a good project -- a decade to put it through. I asked Ali, "So how long did it take to do your project from, you know, when you acquired the land till you got entitlement and you could turn a shovel of dirt?" And he's done it in a record period of time. It was six and a half years. I cite that because current planning law has a housing element updated every five years. It's not on the same cycle as the realities of economic development, of real estate development. That's why we are talking about a planning horizon that's at least 20 years. We also need to introduce competition among landsellers, because it's the fastest-rising component of housing cost, is the land. Supply/demand. Back to that very basic notion. We are tackling the challenge of housing affordability in the Schwarzenegger administration through understanding the basic lessons you learn at the University of California of supply/demand. If you want to expand it, if you want to tackle affordability, then you have to first address availability. Expand the supply. And you cannot do that without having an expanded inventory of land.

We also are going to be rolling out -- the governor will be giving a lot more detail to our housing and land use vision over the next few weeks. We, in the administration, are still trying to figure out what to call it. I am so old I have been through all of the iterations that ULI has called things, from "growth management," to "livable communities," to "sustainable development," to "smart growth." All of those have become lightning rods to some because they have often been used by anti-growthers just to shut down an adequate housing supply. So what we agreed was the biggest tent in which we could all

gather was the notion that we're against dumb growth. So we have our anti-dumb growth work group. It's not very catchy, so we are not going to use that term, but it really describes what's going on because of the fact that there's not enough housing close to where people and jobs are, that the housing that is affordable is farther and farther away, that you have longer commutes with the current vehicle technology, more air pollution impacting valuable habitat and productive farmland. That is dumb. That is what we are going to change, because that, too, is eroding California's economic prosperity.

And if that weren't enough, you also heard the governor talk about we need to improve mobility. Roads, roads, roads. He talked about that. He's also for a multimodal integrated transportation system, and we intend to have an improvement in mobility in the next decade that you can measure without an increase in congestion in California. There's only one way that happens, and that is if we start with the fundamental notion of a better, more efficient land use pattern. Housing is the linchpin of what we talk about in terms of anti-dumb growth, smart growth, sustainable development. We want a prosperous economy, a quality environment -- and there's a third "E" that we talk about -- sometimes we call it social equity. I don't know what that means. I have gone to calling it "people equity." What it really means, back to my farm girl knowledge, is that more people have to be able to participate in the California dream to be able to get into the mainstream economy and also enjoy a quality environment. And, my friends, that starts with a house in the right place, a decent shelter. Maybe, you know, you get an apartment, you get something that you can rent and build that and then be able to get to home ownership.

As the governor closed his State of the State message, he said, "I want people to spend less time on the freeway and more time in their homes that they own." That would be the starting place for how we build California's future. By the way, all of this is intended to provide consumers with more choice. If Riverside and -- City and the County, and all of the jurisdictions -- San Bernardino County, all of the jurisdictions within San Bernardino literally had planned for their own. And had Orange County, had San Diego, had Los Angeles housed their own, then there's more choices for consumers. There's more choices for consumers in housing, more choices for consumers in transportation. One of the tests, if you're developing communities right, is that we will reduce the number of single-occupant vehicle trips that are generated. For us in the transportation field, we are looking at, does community design end up with fewer vehicle trips being generated? We want more walking. We want more biking. If you haven't noticed, the governor started his career as a bodybuilder. He is still very much a health nut. We have food police in the cabinet, I mean, who watch what we eat. And we really are promoting a much healthier lifestyle. Well, that comes right back to community design.

As I went through all of the questions to Ali, I said, "Now, is your project economically integrated neighborhoods? I mean, do you have a full spectrum of housing?" Because often times you get a golf course. That's great. Now, where are the people who do the service, who do the cleaning, who do the support of all of the higher income people? Where do they live? If they live too far away, we are going to have more vehicle trips on the freeway. So are the neighborhoods economically integrated? So then I went on to him, "What are you doing about water?" And he's like, "Oh, those purple pipes throughout the" -- "Great. Because we have to use our water much more efficiently." And I went, "Okay. What are you doing about energy efficiency?" And he said, "Well,

we're working on it." And even somebody who is so progressive, I am going to question, because the governor is also very adamant about much more efficient use of all of our resources, of our water and of our energy. And so the smart community is one that is a spectrum of housing that allows, through community design, to get a much more efficient use of our land, generating fewer trips, that conserves our resources.

My friends, that's all entirely possible. I don't want to over promise, but I have great expectations because there's such dedication here in this room. The leadership really is coming from a local level, from the regional level. With SCAG, we are going to figure out what is the most efficient land use pattern. And by the way, it means you will have less responsibility in terms of the amount of housing. If you choose to grow more, that's great. That's your choice. That's local control. But in terms of what would be the state's expectation of how much housing you should accommodate, it would be less.

Going back to my farm girl roots, I will just talk to you about expectations. We had a neighbor who had some heifers, but no bull, and wanted to actually produce some milk. And so he decided to try to borrow the bull from another farmer. And the bull owner was quite cooperative, and so our neighbor put one morning all the heifers in the back of a pickup and took them down to the other neighbor and left them. And the bull and heifers had a great time. At the end of the day, the neighbor with the heifers came back and said, "Okay. Are you sure that it took, you know, and how will I know if it was effective?" And our neighbor who owned the bull said, "Well, I saw them having a good time. I'm sure that it was successful. But you'll know because the heifers will be so content in the morning, they'll be out in the pasture just chewing their cud." Well, the next morning, the owner of the heifers got up. And the cows weren't out in the pasture. They were all bunched up against the corral. So the neighbor thought, "Well, that didn't take," and he loaded them up and he took them down to the bull again. And the next morning, he thought they would be out in the pasture. Didn't work. And he loaded them up again. And the next morning, he just couldn't bear to look out in the pasture and be disappointed, so he asked his wife, "Please look out and tell me that the cows are content, that they're out in the pasture, that they've all been successfully fertilized." And the wife looked out and then reported to her husband, "No. No. They are not out. They are not out at the pasture. As a matter of fact, they're all in the back of the truck, and one is honking the horn."

So you can raise expectations beyond the appropriate level. However, I am absolutely confident because we are bullish -- we are bullish on housing. We are adamant about protecting our environment. We are insistent that people benefit from our growth. That's the California promise that we all want. If I could just conclude by saying we have it within our ability to make such a difference. And you are on the right track. Everyone in this room can make that happen. I'd like to have all the local officials stand up. Just stand up. Don't anybody applaud. But stand up. Thank you. Because I want everybody to know how much -- . No, just keep standing. Keep standing. These are the folks who have to make the courageous decisions about how we grow. And it's not easy. The homebuilders who stand before you, will you please stand up. Everybody has to keep standing. Don't sit down, folks. Okay. There's a reason for this. Okay. These are the homebuilders. Civic leaders who want to see a new way of growing, please stand up. Environmentalists, the academic researchers, those who advocate for a better future. If you're not standing by now, I have no idea why you're

here. Please stand up, folks. You are not going to get to sit down till you all stand up, because you are the ones I wish to applaud and give to you a standing ovation. Thank you very much.

**JAMES LENTS**: Thank you very much for your remarks. We will now take a short break before we begin the afternoon sessions. So we will look for you back here in about 15 minutes.