

Smart Growth on the Edge:  
Suburban Planning and Development for the Next 20 Years.  
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Panel 3:

THE BIGGEST EDGE: THE INLAND EMPIRE

Moderator: Edward J. Blakely, University of Sydney

Speaker: Dowell Myers, University of Southern California

Panelists: Ronald Loveridge, Mayor of Riverside, California

Paul Hiller, Inland Empire Economic Partnership

Rose Mayes, Fair Housing Council of Riverside County

Katherine Perez, Transportation and Land Use Collaborative  
of Southern

**EDWARD BLAKELY:** We always save the best for last. And I'm sure you will be very pleased with this last panel. Gentlemen in the middle of the room, if you could conclude your deals and sit down, it would be better for the rest of us so people can see. For those of you who don't know me, I'm Ed Blakely. And I'm not the past tense. I still have a strong arm. So if somebody is standing up, I might throw something at them. I used to do that when I was teaching in college. And at SC, if the guys dropped the ball, I said, "Look. You're cut from the team." But they've got a better coach now. I'm very delighted to have this final panel, and I'm going to ask the panelists before Dowell to say something that I think will help Dowell's presentation. I just want them to say a few words. I am going to introduce them and ask them to say a few words about what they think the Inland Empire's biggest problem is. And then that will set a very nice context for Dowell's remarks. So we will start -- we have to start with our mayor, because he is thinking about the problems. But I'm not going to ask you, Mr. Mayor, all the problems, but what do you think the biggest problem of the Inland Empire is?

**MAYOR RONALD LOVERIDGE:** If you look at where we are in the Inland Empire, it really is the most exciting time in history, with 3.5 million people and counting. Normally, you can turn problems into opportunities. When there was some discussion about Proposition 1A and 65 in the League of Cities, we talked about what the cities should do. There was a councilmember from Foster City who made the point that what insanity is is you keep doing the same thing but expect a different result. And I think what is before us was the call of the very first panel. We know what the problems are. We know what the solutions are. It's now how do we do something different?

**EDWARD BLAKELY:** So the problem is how to get to the solution? Paul Hiller?

**PAUL HILLER:** Well, being from an economic development organization, it wouldn't come as any surprise for me to say that the biggest problem is attracting quality, high-paying jobs here and getting people off the 91, 15, and the 10 freeways during the commute hours.

**EDWARD BLAKELY:** Boy, I've got to agree with that one, having been on those freeways just the last couple of days. Rose Mayes?

**ROSE MAYES:** Okay. Coming from a Fair Housing standpoint, I may be a little bit different from the other speakers here. In listening to all

of the speakers this morning, I think that I heard "affordability" about 100 times. I think our problem here in the Inland Empire is defining what is affordability and how it relates to income.

**EDWARD BLAKELY**: Good. And Katherine Perez?

**KATHERINE PEREZ**: Good afternoon. I think after today, of all the things that I was able to gather, I think that the Inland Empire is at a crossroads and is at such a significant place in terms of how it's going to grow, where it's going to grow, and for whom it's going to grow. It cannot continue to be the affordable housing mecca for Southern California. It's not so much of a problem as it is a significant challenge for folks, the general public -- not those in this room, but the general public -- to understand the growth, to understand where the growth is coming from and, importantly, that the growth can actually be good. Let's be clear that it's not so much two Chicagos, because I think that feels comfortable. It's really -- what I've told Dowell -- two Guatemalas. It's two kinds of big places that are coming here that have very different colors, shades, languages, cultures, traditions, faith. And I think we need to understand especially how that's going to change us and make us better.

**EDWARD BLAKELY**: Thank you. For big problems, we need a big man. And I can't think of a bigger, smarter man than my colleague from USC, Dowell Myers. Dowell is one of the leading demographers in the country and has really honed the skills of demography, making demography not just the study of numbers and people, but how those people behave and what's going to happen to them. And so it's a great pleasure for me to introduce one of my good colleagues and a good friend from the national championship USC Trojans.

**DOWELL MYERS**: Well, Ed, thank you for that association. I kind of said, though, that it pains me somewhat to be here today -- sorry, Ed -- because at 3:30, we are having the big award ceremony back on campus. And I was figuring with the traffic here I couldn't quite get back in time. But I'd much rather be here with you guys. This is a beautiful room. I have never been to the Mission Inn, and you're a great crowd. And it's an honor to be invited here to speak at this event of the Blakely Center.

As I was saying, this is a great Center for Sustainable Suburban Development. I'm not sure that I know what that is, but we're going to find out over the next few years. It's not something we are going to resolve right away. And I'm glad to see that demographics are considered to be part of the picture. Maybe not part of the solution, maybe not part of the problem even, but certainly part of the challenge and part of the picture. I'm a demographer, but really I'm an urban planner. I got a degree at Berkeley and a degree at MIT. So I am an urban demographer and, in particular, I am a housing demographer, so I like to weave the two things together in ways that no one else does. Hopefully, you will find something of interest here as we go along.

Here's my order of topics I'm going to try to address. I am going to first briefly review how much growth is coming. And, how much is coming has changed in the last six months. There's been a revision to the forecast. We will discuss how this all translates into housing needs, and then what implications it has for future urban forms and the planning of better cities. And then we'll talk about what kind of housing will people accept. Because we said they should have more

density. Well, that won't work if the market won't buy that. So we'll address that. And then, of course, I will conclude with my big conclusion, which is that the demographics matter. So that's our scope.

Now, on the matter of how much growth, this is a graph for Southern California, the southern six counties of the state, showing the revisions that were made by the Department of Finance. The dashed line is the old projections from 1998. After we got all the data from the 1990 census, we realized that maybe we over-projected. All the demographers came to the same conclusion. They had the fertility rates too high. They had everything up too much. So now the good news is we are not growing quite as much. Does it make any difference? Probably not. But, that's a couple million fewer people to deal with, and that could be useful, because it is a question of two Chicagos or two Guatemalas. Or, for the state as a whole, since I was born in Miami I like to say that what's happening here in California is that in 30 years we are taking the entire state of Florida, the fourth largest state in the nation with 15 million people, and we are smacking it right on top of California. It's heavy. It's a lot to deal with. If we can just shave a couple million off, it would make it a little bit more feasible to solve our problems.

The problems, however, aren't by themselves and will not go away. Here's how it looks decade by decade. You can see it does vary somewhat. In the nineties, we had a fairly low amount of growth compared to what happened in the eighties in Southern California. These little shaded areas here are the growth that got erased by the new projections. They had projected that we would have a lot more growth than we actually had by 2000, and this decade out here in particular is going to be shaved down by the Department of Finance. Are they accurate on that? You know, we don't know. We can't tell. But at least some of the pressure may be coming off. I repeated the same data here for the Inland Empire in case you want to see it a little closer to home. Here it is for Riverside and San Bernardino counties combined. Again, there's about a half million fewer people to deal with by 2020, which I think means that it's not quite as hopeless as we might have thought it was, but it's still a really big challenge. Again, is the growth decade by decade. So one million people to be added in 10 years. And we're halfway through that decade, so I'm not sure we accommodated the first half million very well, did we? I'm not sure. So maybe we have to do the whole million still in the last half of the decade. That's a challenge.

Taking the whole Southern California region, it's always useful to see, how big is the Inland Empire? How big a share does it consume? This is San Bernardino here, and here's Riverside. Together, it's almost half of all the population growth in the next two decades. Los Angeles is still getting a whopping third of all the growth. And believe me, the people in L.A. do not know how we're going to absorb that much growth in a county that we think is already built out. So in case we can't accommodate them, we might just kind of -- well, you know the story. You know the drill.

**EDWARD BLAKELY**: Like the smog.

**DOWELL MYERS**: Like the smog, yes. The smog comes in that way, too. Orange County may have to expand its share a little bit too. But that's the give and take. So we know that the Inland Empire is very important to Southern California. It's accounting for about half the growth, according to these projections. Here's another way I like to look at

populations. In Southern California, we used to have 12 million people, and soon we are going to have 22 million people. It's just whatever it was before, but bigger. It's the same thing, but more. I draw this picture as a caricature of the way planners and developers think. It's just a number, but bigger. Well, those are big, empty boxes, but we can fill them up with different kinds of people to see who is it in those boxes that's growing. Here's one way to do it -- fill it in by ethnicity and by race. We see that the non-Hispanic white population actually is kind of drifting downward a little bit. The African-American population is holding steady. Asians are growing somewhat. Percentage-wise, that's a lot of growth, but absent numbers, it's not a heck of a lot. Latinos are driving most of this growth. And so when we say it's getting bigger, it's also getting different. And different kinds of people have different kinds of needs, different propensities. We need to keep track of not just the total growth, but who it is that's growing. What kind of houses do they live in, and how do they commute to work, and how malleable are their lifestyles, and how do we integrate all that together.

It's a dynamic picture here. Look at it another way, this is the breakdown as to what share the total is in each race group. This is the magical 50 percent line where the whites were more than 50 percent. In 1990, they reached 50 percent in Southern California, and now they are sinking below 50 percent. It doesn't matter. That 50 percent line is just mythical, because it doesn't really affect anything. There's other numbers, however, that do affect things. Two other numbers I like that are much more important than the 50 percent line. I like to know what percentage of the school kids are white or Latino and what percentage of the voters are white? And there, we get a very different picture today. Today in the state as a whole, 32 percent of the school kids are non-Hispanic white. Thirty-two percent. What about the voters? What percentage of the voters are non-Hispanic white, do you think? Depends on which election. It varies a little bit. But over the last two years, it's been most often 74 percent. Seventy-four percent of white voters, 32 percent white school kids. Fifty percent doesn't matter. It matters who the voters are, who the school kids are, who the housing consumers are. You need a different number for every different action group or consumer group.

But, it is shifting. I think the Latinos will get to be the majority of the voters. They sort of go beyond the bounds of my data because my data only go out so far. But I think in California as a whole, Latinos will reach the majority of voters somewhere -- don't quote me for sure, because, like I say, it's beyond my data, but -- maybe 2060. It's six decades away. So what we have here is a state that's called a non-majority state. It's a coalition of minority groups; white, black, Asian, Latino. All minorities. None of them dominates. The whites will be a majority of the voters for a while longer, but then they will fall below 50 percent and then we'll see what happens. Here's a picture spatially of how the population is distributed. I figure you might want to know more specifically. There's San Bernardino. There's Riverside. And there are pockets. This is Palmdale up here. This is the Pacoima area. Here's Santa Ana. And there are pockets all over the region. Here's the Asian population distribution. This here is Westminster and Orange County. Anybody know what that is? That's Tustin and Irvine. And then here is -- what is that? That's not San Bernardino. Diamond Bar. Walnut. Okay. Here's Cerritos. And then here's all these little pockets all over. This is the San Gabriel Valley going up into Arcadia. And Chinatown is right

there. That little tiny thing is Chinatown. So it's a suburban Asian population. It's a suburban Latino population.

So right away we have a big picture here which is very different from the literature that we read about in the books. The books are written from the 1960s. And do you want to know why that's true? Because that's when the professors went to school. And they learned theories then and they kind of think that's still true. They haven't really realized that all these different ethnic groups do not really live in the central city and it's not really whites in the suburbs. It's extraordinary in Southern California how intermixed it is throughout the whole region. There is really no racial divide between the cities and the suburbs the way you would expect traditionally. It is true in some northern cities. Cleveland is more black in the city and white in the suburb, but not in our multiethnic metropolis.

Here's the black picture. This is South Central and also going over to Baldwin Hills -- the middle class neighborhoods. This is Pasadena, Alta Dena up here. Then San Bernardino. And is that Moreno Valley? And then a little bit of Palmdale. All the ethnic groups are the same, aren't they? They're all scattered out over the region in different pockets. And I think that's something to realize. I know it's a lesson that Rob Lang has been arguing -- and soon in print with Ed Blakely -- that there is this new suburbia that is very multiethnic and it's not like thought it was.

Let me turn now from that picture of demographics to what it means for housing in an urban form, because these things link up pretty directly. First, I want to do another type of demography for you. We did people by age. And we did people by race. Now I want to do a different kind of demography. I want to talk about housing demography. Because houses are like people. They get born. Only we call it construction. They also die. We call that demolition or conversion. And this is a picture of the annual birth rate of housing construction. We have building permits like we have birth certificates. It's one of the few good pieces of data we have. In fact, it's even more reliable data than driver's license data, because houses don't move around. Once they are built in a location, you know they're there. People with driver's licenses can move to Nevada and not turn in their licenses right away, or they can change residences.

This is what people think is the picture of construction in California. As you can see, they think that it's been rising steadily. And they think it's been rising from a point where it was really pretty low and is coming up. Now, if you're a developer, you think, "This is not doing good enough." If you are a neighborhood activist, you think, "Hey, hey, watch it now. Don't push me. We don't need too much construction. We like it like this." And I've used this graph -- it only goes back to 1990, but -- the lifecycle or the career consciousness of some activists, you know, people who are 30 years old, this is all they know. Their entire conscious adult life has been lived in the 1990s. They don't know anything before 1990. So you have to remind them, say, "Well, look. Let's look back a little bit further. Let's go back to 1982 as our starting point." And here is that same data, but now we had this -- there was a big hump back here. And we kind of remember that in the distant past. But that big boom might have been an aberration. So I would like to push it back a little further and look all the way back to 1970, and you say, "Wait a minute. Here's boom. Here's bust. Here's boom. Here's bust. Here's boom. Here's bust. Hey, maybe this is normal. Maybe this is typical. But what is this right here?" Because when it went bust here, it went bust for two

years. When it went bust here, it went bust for one year. When it went bust here, it went bust for -- oh, gosh -- one, two, three, four, five, six -- have we started booming yet? -- seven -- are we booming yet? When do we start booming? Has it boomed yet? I don't think so. This is as recent as I can get. This is 2003 data. We are pushing upward. But it's just not like it used to be. So in this perspective, you can see how what is odd is not at all the increase in construction. What is odd is that we had a great recession here that lasted for six or seven years. That's what's odd. It's put us in a deep hole in providing for housing. Whatever we do now, we are doing catch-up. And the catch-up we are doing is a lot lower level than what we used to get in these other booms. So this is pretty weak performance in the long perspective. But, someone who's young and an activist might only see it for ten years and not realize what's normal or what's typical for California.

Another feature here that I need to emphasize is that this is showing you multi-family housing and single-family. And as you can tell here, there's been a bit of a problem with the multi-family. We used to have a whole lot of multi-family. Back in the days when housing was affordable in California, when it was all low density and sprawl was the norm, there was a great paradox. Back then, we built a lot of multi-family housing. It doesn't go with the story, does it? I thought it was all single-family. Multi-family is everything that's two or more units per structure. Let's take a look at it by decade. Here's by decade. In the 1970s, it's pretty even, single-family and multi-family. In the 1980s, it's pretty even, single-family to multi-family. In the 1990, it's pretty -- whoops. Where did multi-family go?

Here's my projections. It's a crude projection. I call this the three-decade ratio method. I just averaged different trends over three decades and then applied it to the future population growth. This is what you might expect would be normal with the last three decades as some kind of reference. Now, the real problem here is that multi-family has disappeared. And we've got a big question. It used to be multi-family was like 45-46 percent of all our construction. In the last decade, it sank to 24 percent. According to my normal projection, it would go back up to here in this decade. But it's a question mark. And we have to ask about multi-family, because if you want affordable housing, I think that has to be apartments. You can't be buying houses that are affordable for people who have incomes below the median income very easily. We need apartments. And if we want to have more compact cities that are more walkable, more livable, I think that includes apartments. And yet in this very era when we are trying to curb sprawl, trying to build denser communities, at this very time, why are we abandoning apartments?

We might have some ideas on that. There are lots of different reasons. I don't think state housing officials should worry about low-income housing anymore, and I've told them that. I think they should just focus on apartments. We need more apartments. I don't care if they're high-end apartments. If all you guys want to build high-end apartments, go ahead and do it. Some of them will become low-income apartments. We need apartments and we need planners to approve higher densities. We see it in this perspective and we realize whatever is going on on a case-by-case basis is not adding up right. There is a shortage here of apartment housing. Now, to be fair, I thought I should look at all 50 states over the 1990s and see if are we the only ones that have lost our minds? And so I'm highlighting here the three big states for housing production: Florida, Texas, and California. And you see that this is a graph that shows that anywhere on this line has the

same multi-family percent in the nineties as it does in the eighties. So this is the equal line. And when you fall below that line, it means your multi-family share has dropped in the nineties versus the eighties. And it's dropped in every state, none more so than California. At least Texas and Florida didn't. But it's been pretty devastating in California.

The fact that it happened nationwide says it's not because of some decision in Moreno Valley or some decision in L.A. city. It's something broader at work here. It could be the National Tax Code. It could also be some demographics that we'll come back to. So we have a question here, "What kind of housing will people accept?" I say we need more multi-family. And the market may say, "Screw multi-family. We want single-family. We want to buy homes. We want to live in an ownership society. We don't want multi-family anymore." It could be that people just won't accept that. So we have to look and see what it is that people really will accept.

I have one caveat here which I issue, and that is that whatever people accept doesn't really matter. What matters is who are the customers for the new construction. It doesn't matter what people who live in existing houses care. Who are the people who are in the market today that are being served by developers? And when I ran these numbers for the ULI Institute a few years ago and I came up with this conclusion, I realized it was between 1 and 2 percent of California households who actually had any leverage over developers' offerings, because only 1 or 2 percent of the households are in the market for new construction either as apartments or single-family. Basically, the other 98 percent, their preferences don't count at all because they are not shoppers. Who are the shoppers? It's only 1 or 2 percent of Californians. That's a scary thought. Let's think about that; if you had 1 or 2 percent of the people making political decisions, so you had some lunatic fringe making some decision, or -- excuse me, everybody -- but we'd all have to eat vegetarian food here because somebody decided that. So the issue is this: Is it 1 or 2 percent? Is it representative of everybody? Or could it potentially be skewed? Could the 1 or 2 percent who are in the market actually be odd in some way? And that's a serious question. We don't know the answer on this, but I'll show you some data in a moment that suggests it might be a little bit different in different ways. They could be richer. They could be -- well, I had a secretary once at USC who found out that I lived in a 1911 Craftsman house, and she was aghast. She said, "Ooh. Why do you want to live in something so old?" I said, "Old? Man, it's a Craftsman house. That's 1911. That's when they were built." "Oh, I live in a new house." She lives in a new house, but she commuted 40 miles to work. I never saw her house, but she commuted a long way. It could be that because she's willing to make that trip for that new house she really, really wants a new house. And it's people like her who shape the market. Not me. I'm in an old house. Whatever I want, you know, I probably don't affect any developer. So there are some questions there.

This has interesting leverage potential. It means if you have a skewed market, 1 percent could really dictate a lot of new construction. If everybody decides in a big fad, "You know what? We are all going to go on a new diet, the Riverside diet. The Riverside diet is you have to walk three miles a day. And we are going to live locally." And everybody nationwide starts to live the Riverside diet. What would happen to construction? What would happen to developers' markets? What kind of housing would you want to sell or would you be able to sell? It would change everything overnight. So there is some

potential for that. And I am not just speculating. I will show you something a little bit later.

Here's some broad data on everybody. This is from the PPIC, Public Policy Institute of California. They did a survey of all these voters. They call them at home, and they get them on the phone and they say, "Okay. What kind of house would you like to have? And would you like to have?" -- they give them four options. And basically 84 percent preferred a single-family detached home. I have been looking at these kinds of data -- the first survey I looked at was a HUD survey from 1978. And ever since then, every survey I've looked at seems to have an answer of about 84 to 89 percent, right in that range. It's just been constant. People will say, "Yeah, I want to have a single-family detached house." And then other people will tell you that's what we have to build because everybody wants that. Well, these people aren't in the market. This is everybody at home. These are not people who are coming to the sales units.

The same survey asked some other questions, to their credit. They asked them trade-offs: "Well, would you take a smaller single-family house if it came with a shorter commute?" And 74 percent said, "Yeah. I want a smaller house with a shorter commute." Then they said, "Well, how about if it was a single-family house that was in a denser neighborhood, but with parks and a greenbelt?" You know, clustered housing with parks and a greenbelt. And 47 percent said, "Yeah. I like that." And then they asked, "Well, would you like a single-family house in the suburbs with a big backyard but a long commute?" And only 42 percent actually wanted to have that house. So when you ask that question specifically, only 42 percent really want a long commute, big backyard. Finally, "Would you want to live in a condo or an apartment if you could walk to shops and transit?" And here we have 32 percent. A third of all the Californians said, "Yeah. I would like to do that." So what do they really want? I come to a couple conclusions here. I think they want lots of things. I also think that different Californians want different things, and that this myth here that they all want the same thing isn't really true. That's not really true. They want lots of different things and different people want these things. And I'll show you some data in a second that breaks that down.

Now, the homebuilders asked the question nationwide, "If you are buying a house today, what's really important to you?" And basically 80 percent of all these age groups said, "Crime rate is important." And some people said here, "I want to be close to shopping." Strangely, the older people get, the more they want to be close to shopping. I'm not sure if they shop more or what. They also said they want to be close to public transportation. But the big thing, as you can see right here, is that those who think schools are important, somehow that disappears after age 45. That's part of demographics. You know, I like to always kid the economists in the room that demographers are so much smarter than economists. To economists, when it comes to buying a house, the most important thing is interest rates. And I tend to agree with them, having been a housing consumer. But I also know that that information is not worth a whole lot. Why? Because the economists cannot predict interest rates six months ahead. No one knew interest rates would be this low this spring last fall. Nobody, not one person predicted it. And I would have acted differently when I did the refinancing last time. We just don't know interest rates that far ahead.

With demographics, there's a powerful tool. I can look out in this room right here and the fact of life is that in 10 years' time, everybody in this room is going to be 10 years older. If you have kids,

guess what? They are going to be 10 years older too. If you have kids who are 15 years old, in 10 years' time -- I'm not sure -- I think the kids will be 25 years old, but what I'm not sure is if they are still going to be living in your house. They might still be in your house because there won't be any apartments -- remember those apartments we're not building? -- there won't be any apartments out there for them to move to and you won't be willing to give them the money to buy a house to get them out of the house, and their car will be in the driveway blocking your car because you have to go to work and they are staying up late at night. I'm not sure about all that, but it's starting to happen in my house. And I'm getting a clue what's ahead. So we may actually move to a different house with separate bedroom suites. We shall see.

The point here is that these kids do grow up. And when they leave home, the parents stop caring about school districts and changing their locational criteria a lot. A lot of inner city districts aren't as attractive to parents. When the kids are gone, you can relocate more centrally in obvious ways. Now, in that same homebuilder survey -- they did a great survey -- they asked a trade-off question. "Assuming your income is only high enough to buy a \$150,000 home, which of the following options would you prefer?" Well, it's a national survey. So the first option was, "A \$150,000 townhouse" -- this is the exact wording in the questionnaire; exact wording -- "in an urban setting, close to public transportation, work and shopping." That's your first option. Your second option is -- "or you could purchase a larger, detached single-family home in a suburban area with longer commutes to work." I use the results of this survey as an indicator about preference for living more compactly. Not that they don't want a commute, but they would live in a townhouse that's a denser environment and it's a kind of housing you might build right near here. This is the number of people who would prefer that. The answer is, not surprising, 87 percent want the single-family house in the suburbs. Same number as before; right? It's just always the same number. It's in the high eighties, always.

But, there's an important minority who would prefer the compact alternative. And it varies by age group. At age 25-34, only 9 percent want that townhouse. And at age 55 to 64 or older, 24 percent want the townhouse. That's a big difference. Now, if you know anything about the basics of demography, there's something called a baby boom. We will look at that in a second. Just a preview of that idea. A baby boomer is born in a certain period of time. Baby boomers used to be about this old. Guess how old the baby boomer is now? They're crossing age 50. They have marched up this ladder here. And the baby boom is big. There's a lot of them. Maybe that 1 percent of California households. Who knows? They're big. So I think there's going to be a boom in high-density preference. I'll show you the demographics that will make my point clear here in a moment, but here's the conclusion. We are going to have a bunch of adults, the children of the baby boomers being pushed out of the house, and they're going to want apartments more in the future than in the past. And when I show you the data, you won't believe how big a difference it is.

The baby boom generation itself is crossing age 45, and many of them are going to be willing to relocate in more ways, to lifestyle communities that are different than before. I think that there are going to be other trends that really will expand these preferences even further. This is just all things being equal, but there's additional things going on. There's traffic congestion, which means that there are

now arising new phenomena. In L.A. County, we have things called dating barriers. You've all heard about dating barriers? You haven't been reading the personal ads. You read the personal ads -- not the nasty ads, but the good ads -- the good ads in the L.A. Weekly, you see things like here's this incredibly attractive lady or this really ugly guy, and they say, "Must be west side only." That means, "I don't care who you are. I am not going to go to Burbank to date you." So there's little dating barriers. We have little villages, little pools of potential daters who live separately because of traffic congestion. Think about that. At night, it isn't so bad. I can go a long way -- well, I'm married. Never mind. That applies to other people. But I don't know if it's happened in Riverside yet, but people in Riverside won't go as far as San Bernardino because -- too much traffic? I don't know.

There's decreased crime, which was much, much worse nationwide back in the 1990s. It's really declined. It's blipped upward recently, but crime has been cut in half nationwide, and that makes living more centrally in urban areas more attractive, whereas before people were escaping to low density. Increased immigration increases urban vitality. It makes places more interesting. That's a real plus for getting people to live together. And then there's a growth of cafe culture, on which I did a little Web research. I went to the Starbucks Website. Do you know how many Starbucks franchises are already in North America? There are over 3,000. Cafe culture is nothing more than a Starbucks and a park bench. That did not exist 10 years ago. At least it wasn't so obvious to me. We have that as another element of this urban lifestyle, more walkable, denser environments. When I look at places I might move to, I'm looking, "Is there a Starbucks or at least a Pete's Coffee or something in that area?" There are places I won't consider because they don't have that. I want someplace I can walk to. So that's growing.

Then we have the actual examples we didn't have 10 years ago. All this is, I think, really elevating the demand. Demographics combined with this stuff is really increasing the potential for denser environments. Okay. So the demographics really matter. And let me show you why they matter. Here's this age pyramid. This is California. This here is the boomers. Same number on both sides. Men and women, boys and girls. Here's the children of the boomers. That's from 2000. And here are some projections. This is 1990 data showing what was the age profile in 1990. You have to go back to compare the present and the future. And the big bulge here, obviously, that's the boomers. And here it is in 2000, and the bulge has moved over, 10 years older. And here it is in 2010, and the bulge has moved over another 10 years. And so you can look at that and you can see how the wave is moving forward. In any business, you want to be on the front side of that wave, not the back side. The front side is where it's lifting all the customers. The back side is it's dropping. If you want to sell your business, you want to sell it when it's positioned at the peak. So if you are in a business like right here, 1990, of selling clothes at the Gap, and your customers are all in their twenties, things look really great here. Ten years later, you're losing customers. Here, I can show this to you better. Let me subtract those lines from each other. And when I subtract them, this is the difference. So this is the actual growth between 1990 and 2000. I will do the difference. So we see there's a surge here in the kids. There's a loss here of people in their twenties, a surge in this age group. And so that tells you where the fat market is. It's the area that's growing. And then 10 years later,

in the current decade where we are right now, this is what's happening. The peak has moved over to here and over to here and the drop is in there.

I think housing is very age specific. You have retirement housing. That's obviously age specific. You have young singles apartments; obviously, age specific. You have starter homes; age specific. It's all tied to age groups. And if you have some groups rising and falling, it's going to make a big impact on your overall. So this is a conclusion that was developed by some people at SCAG, some of the researchers there. They figured out that the number of new apartments you needed was affected a lot by how many people you were adding who were in their twenties. If you have growth of people who are in their twenties, it means there's a lot of apartment seekers, and it makes apartment markets look really strong for new construction. If you have a loss of people in their twenties, it craters the apartment market. So this here is the baby boom children showing up here. And these people here were older. This is the baby boomers. This is the bust. And this is their kids.

In the nineties, the baby bust, I think, is what cratered our apartment market. Multi-family construction cratered because no developer in their right mind would be building empty buildings when you are losing people in their twenties. It's real simple. You want to have more people knocking on the door to lease a unit than you have people saying, "Here's my keys. I'm out of here." As people graduate from age 25 to 30 and go buy a house, there's no one to replace them. You're losing people. So you have vacancies piling up. The point is this: It swings totally around from the 1990s to the current decade. In the current decade, it's the opposite outlook. Now you have all those people in their twenties being added whereas before you were losing them. And I think that has to really improve the prospects for rental housing.

On top of these age dynamics, I want to come just briefly to immigration. On my Website, there's lots of stuff on immigration, but I am not going to talk about it much today except to just show a couple graphs. This is a total proportion of California residents who are foreign born. You see that it is leveling off at about 30 percent. This is Southern California. About 30 percent, 33 percent. It had been growing rapidly and it's stabilizing now. The red bar here is a percentage of local residents who are new immigrants, people who arrived in the last ten years. Newcomers. And this total bar is everybody who's foreign born, even those who have been here for 20 years, 30 years. It's a combination. These are two very different groups of people. They might be the same person here and here, but at one point in time they look really different from each other. The newcomers are new. They showed up. They haven't got their feet on the ground. They don't have a job. They don't know English very well, et cetera, et cetera. But after 10 years or 20 years, these settled immigrants in here are in a much better position.

In particular, what I want to show you is that their homeownership changes dramatically in just 10 years' time when they get their feet on the ground. It used to be that half of all our foreign born were newcomers. That was in 1990. And you see now that the newcomers are shrinking as a percentage. We have more and more of these other types, these settled immigrants. Boy, are they a resource. They are a resource for home-buying, they are a resource for job generation, business startups. They are a resource for all kinds of things. They didn't used to be the way they are.

This slide shows immigrants who were new in the 1980s. We measured them again in 1990 and in 2000. We see that after they have been here for 10 years' time, their homeownership rate has moved up substantially. Would you agree, it goes up? These dashed lines are for the native born whites and native born Latinos, the percentage who are homeowners. So the immigrants are low, but they're coming up. If I take the same group here and I look at them again 10 years later, these are people who came, you know, 10 years earlier. Now they have had a longer time in the country, and they've moved up closer to the dotted line. And if I do it one more decade, people who have been here for even longer, we see how the Latino homeownership trajectories are now crossing the native born, and they're closing in on the white, nonHispanic line for homeownership. This is about 70 percent homeowners here. When they were newcomers, they were 10 percent homeowners. This is within the lifetime of an immigrant generation, 30 years' time.

What California is moving from is a bunch of newcomer immigrants to a bunch of settled immigrants, and that upward pressure is the only thing that's keeping my housing price as high as it is, because they are pushing up from the bottom and bidding up. They can't buy my house, but they're buying a house below my house. And a person who then sells their house below mine, then they're going to buy my house when I sell it. So that's what makes the whole market move up. If you didn't have the immigrants at the bottom being successful and pushing up, the whole market would collapse. They are moving up. They are also moving outward in the region as well. So this dynamic here is not usually appreciated. We think there's just more immigrants, those big white boxes. It's not just there's more. They are changing over time as they assimilate. And I wanted to make sure that I got this message to you today about how much that has changed.

So, is there continued dominance of sprawl? Well, we don't know. We don't know. Maybe. But I don't think it's like before. It can't be like before, because the demographics won't really allow it. I don't know about land supply. I think that's running out too, but just on the demographics alone, I think it's going to be different. The curious thing I have is who is in this 1 percent here? If it's 1 percent, is it all baby boom parents who are looking to live in luxury townhomes downtown? Wow. What's that going to do? If it's 1 percent, is it all baby boom children looking to get out from under their parents? What's that going to do? So you really want to know, who's this 1 percent? That's all it takes to swing the whole housing market. That's powerful. And if it changes for the next decade, we could have a very different housing market than we had in the past. It is a lot of things to think about here.

I am interested in hearing what this panel has to say, because I don't really have the answers. I know we have to revive multi-family housing. I think we want to expand homeownership. But, there's a lot more here, I think, than I would be able to talk about. So thank you very much.

**EDWARD BLAKELY:** I think that this panel is just the right panel to assist us in addressing some of the questions. And I ask each of them to speak to this issue of this change in demography from their perspective. And then, hopefully, we will have a little time for some of you to say what you're either doing about it or what questions you have about it. And I want to go in reverse order this time and start with Kathleen Perez, because Kathleen works on transportation land use issues, but is also very concerned with the demographic change, the

people who want this kind of housing. So, Katherine, what do you think these numbers mean for us from your perspective? Stay right there.

**KATHERINE PEREZ:** I think what Dowell does and the work that Dowell has done really puts into perspective exactly the challenge that we face and, in particular, the Inland Empire being really the kind of lightning rod in terms of housing. That means jobs and transportation and all the other things that kind of make up a quality-of-life community.

Whenever I talk about the issues of housing choices and menu of options for people, when I talk to the development community -- and I work with a number of developers, a few of you in this room -- my criticism and real wish from the development community is that they understand their client better. They need to understand that a one-size-fits-all suburban tract project/house/unit is not what everybody wants. It's not what everybody can afford, and it certainly -- in terms of the demographics that Dowell pointed out, it's certainly not where we need to be. The market isn't shifting. It has shifted.

You know, when Coca-Cola has to sell to a new market, they put on different media campaigns. They understand their market. They know how to communicate with the market. And yet why haven't either municipalities or development sectors or even the planning community understood that market? Why is it reactionary?

The other part of the challenge we face is that we haven't engaged those people, all the folks who have come to our country, to our region, the last 20, 30 years, and the new people. We use tired old processes to engage those folks. I mean, how many times have you seen posted in your neighborhood, you know, "Public Hearing Notice - you are hereby notified pursuant to Zoning Code Ordinance" -- blah, blah, blah. Who cares? By the way, that doesn't work for the new constituency. It doesn't talk to them. They need to be involved, they want to be involved. Yet we use old planning processes to engage them when the market has changed.

Our consumer base has changed. And so what we have been trying to do as a non-profit is that we have tried to educate elected officials, educate the public, but, more importantly, actually go and do the work. At the end of the day, we can talk a good game, but if you can't do it, then actually what happens is that no one believes that it matters. So we have a number of projects, one called the Latino New Urbanism, looking at the New Urbanist philosophies that Peter talks about, but with a cultural overlay. How do cultural preferences affect development and transportation? The fact that Latinos as a group walk more, bike more, use transit more should be an indicator about how we can think about development, where the development happens, how it looks, how it integrates with existing communities. That should be something everyone in this room should be thinking about.

We run a project that's called Latino New Urbanism just looking at that sector. But we also are going into the cities where there are a lot of Latino constituents, the new folks, and we have to deal with this rub between the settled immigrant and the new immigrant. There are cities where you get aesthetic issues, folks who like bright purple and bright yellow. Then you've got the settled folks who say, "I don't like that. I came from that. My grandparents came from that." I have to tell you, for those of us who understand that maybe better than others, I don't even know how to explain it, but I know what it is. I'm saying as a planner, as a professional person, I need to work through these things because it matters for me personally. I've got three kids. And

after they go to Boston or MIT or something on the East Coast, they're not coming back home to Mom and Dad.

The point is that I want them to come back to Southern California because we have great jobs, great air, great opportunities for them, and because the quality of life is one that they can enjoy. Right now, my concern is that they're going to go to Seattle or Portland or Utah or places where they are actually planning for that growth, the places that Peter was talking about. Frankly, I don't want to move. I was born here in Riverside. I grew up in the Coachella Valley. I know and have seen the growth. And it frightens me, because even after my kids do all that, in 20 years, they're not going to be able to afford anything here. They are a resource to all of us. They and your children and my grandchildren, they're all a resource. We should think about them. Rather than thinking of the growth as being a negative, let's think about how the growth could be a positive and ameliorate and resolve how we did things wrong in the past. When, this morning, Dan Van Epp said 25 years of his experience was in development of master-planned projects, and that maybe we need to start thinking of other choices, I thought that was really insightful.

I also think that it's an opportunity right now, as I said, a crossroads for the Inland Empire to really take a look at where it's going. I think the Center, is one of the most important indicators. This is the laboratory. This is the living laboratory. And so I just have those comments. I look forward to the other comments.

**EDWARD BLAKELY:** Thank you. Thank you. You know, Dowell showed the numbers of the undersupply. It's easy to keep offering the same product because you've got a lot of people who still need it even though there are people who need other products. That's really a regulatory thing. Many developers would be putting in apartments if they could develop them. If they could build anything, they certainly would. So now Rose Mayes, you are concerned about -- I want to change the word here -- achievable housing?

**ROSE MAYES:** Yes.

**EDWARD BLAKELY:** Change of vocabulary. Does that get a Nobel prize? Because that's what we're talking about. So that people don't have to put 99 percent of their income into their housing and work five jobs. With these demographics, these demographics also have some income numbers in them too -

**ROSE MAYES:** Yes.

**EDWARD BLAKELY:** -- as Dowell has pointed out. What do you see as the demographic shift for the achievable housing?

**ROSE MAYES:** In Fair Housing, in answering approximately 40,000 calls per year, most of them dealing with housing issues, I think we get a fine sense of what the citizens out there are in need of. What we see in Fair Housing on a daily basis from all across both counties, San Bernardino and Riverside -- is the need for achievable housing, for housing opportunity.

We see that families -- households, very low and low income households -- are working three jobs to make the \$15 an hour to afford a two-bedroom apartment. We also see high densities already existing. We talk about high density happening within families, within the

community. It's happening now. Because as we talk about the demographic shift, what we see is that families who are coming into this community know how to move in together, to save together, and to buy homes. After one family will move out, the other family will move in. Therefore, what they do is that they save and they purchase those homes.

The demographic shift is coming, and we have to be proactive with it. We have to look at ways in which families can survive without having to work the 126 hours a week at the minimum wage. To be able to live in those homes, those apartments, you would have to at least make \$30,000 a year. Well, let's face it. We have seasonal workers in the East County. And in the East County, there are no housing for those seasonal workers. So what we have to think about is what other type of housing is needed for those individuals in those areas? We have to think about those young people who are commuting who are able to buy the so-called affordable housing in Riverside and San Bernardino County at \$356,000. However, the existing citizens in these communities, they are having problems affording those \$356,000 houses on an income of \$6.75 per hour. They are what we call the very, very low income.

The other thing is that when developers come into our cities, it's up to our elected officials to be able to understand that we have a consolidated plan, we have a master plan for our communities. You elected officials should know the income level of our citizens within this municipality. It is up to you to tell these developers, "We cannot afford to have the high-end homes without the medium or the low-income homes in those communities." I'm concerned that I see more and more of the high-end homes. They are going to cause disparity within those low-income areas because they are driving up not only the tax base of those low-income homes but the insurance costs as well. And as these individuals begin to see the tax base begin to drive up the cost of their homes -- and they have been there for years -- it is causing a hardship on them already.

Let's hope that we do not have a change in interest rates, because some of them went through what we call the subprime lending. As you know, the interest rates rise, most of them will lose those homes, because it is family driven. Two or three families came together to purchase a home. What would happen if interest rates would go up? They would lose those homes because they are barely making it. There is a struggle.

The other thing that we see in Fair Housing is that homeownership started some years ago for low and very low income families. Many programs were out there. It was through Assistant Secretary Cuomo and also (Mel) Martinez, and then the recent secretary of HUD. They have given cities money and programs to help promote homeownership. What we are seeing now is that these individuals are still unable to get into these homes, mainly because of the cost of homes out there. Even with the \$80,000, first-time homebuyer's assistance, they are still unable to get into these homes. There is one city in our county, Corona to be precise, where they were giving \$80,000 to first-time homebuyers. Those individuals still were unable to purchase that \$451,000 home. It's too high.

The other thing that we are looking at is land use. We are finding that no one wants low-income housing in their backyard. And there has to be a shift there. There has to be a mix somewhere, somehow. I think that it would behoove elected officials, the planning department, developers, and lenders to come together and to work out a plan where you do not allow developers to come and build the high-end homes and still leave a group out. I am concerned when you have

communities fighting against a certain type of housing in their community. I am concerned when I see that elected officials, developers, planning departments are not frank enough with the community to let the community in and let the community have a stake in what's going on in these communities.

What Fair Housing has noticed is that there is a need for more home-buying education. We realized that sometimes families will get into housing, but there were also other types of needs. What we realized is that they could get into the home, but they couldn't maintain it. There were high utility bills. They did not factor that in. They didn't factor in high gasoline prices. Some of them are commuting. They did not factor in some of the insurance costs. There has to be some type of educational program, ongoing educational program, to allow these individuals to realize that a home is not just a home; that they are going to have to be able to maintain that even after they are in the homes. So I'm just concerned with those types of things.

The other thing is a group of people we're leaving out are the seniors. I worked on the Mayor's Housing Task Force. And while working on that Mayor's Housing Task Force, I realized one thing. We found that there were many seniors living alone in a three- to four-bedroom home. What is this telling us? We realized, even going further through that survey and research, that they would love to live in an area in what you call a townhouse, condos, a downtown area where there are social and cultural activities going on. They would love to have the conveniences of a grocery store where they can shop and do different things. We even realized that the young people wanted to do was to move into those older homes. They need the three- to four-bedroom homes, because what we are realizing is that we have a cookie cutter-type housing design here that isn't fitting our demographics. We are looking at families who are in need of five and six bedrooms. What we're hearing at Fair Housing from the developer is that people don't want five and six bedrooms. What they want is the three or four. The reason is that we know that there are a group of people that will put families on top of families, what we call high density. That's happening in a two- or three-bedroom home. I just wanted to bring that to you because we talk about high density, but that is happening right now.

So I encourage each and every one to look at the demographics. We are 38 percent Latino and it's still growing. As we begin to move forward, we need to take a proactive step in working directly with these developers. Go to your Planning Department. Go to your mayor, elected officials. We know how you are driven and what we are saying to you. Then listen to the community. We feature this information in an annual report every year, what those issues are and what we need to do to take proactive measures. As we know, 33 percent of both counties in the Inland Empire, they are renters, and they will continue to be renters if they're making \$6.75 an hour. Thank you.

**EDWARD BLAKELY:** Thank you. My dad, who's gone now, said what Rose said in very much shorter ways. He said he didn't know any criminals that had a second mortgage. So we've got to get people into decent housing. That's what drives down crime rates. And good jobs. Paul, I want you to talk about that, because that's a companion to demography, isn't it?

**PAUL HILLER:** I also want to talk about the cost of housing, following somewhat on what Rose had to say, but from an economic development standpoint. The Inland Empire Economic Partnership is responsible for

attracting companies here, and we are responsible for getting decent jobs here. The tough thing we have to do is to go out there and compete head-on against San Diego, Orange County, and other areas, because companies that are coming here aren't just looking at us. They're looking here. They're looking in Irvine. They're looking at San Diego, too, and they are going to make a decision.

We've got a huge competitive advantage over them right now. I don't mind competing against Orange County and I don't mind competing against San Diego, because all I have to tell a company is, "You take a look at what it's going to cost for your employees to own a house or own a home of any kind in Orange County and San Diego, and you compare that to the Inland Empire." And I know what they're going to find. They are going to find homes that are running \$800,000 over there that you can buy here for 350 to \$400,000. We have a huge competitive advantage here. But my concern is that that competitive advantage is shrinking. My concern is that if we lose that competitive advantage, it's going to be very difficult for us to compete against Orange County and San Diego.

There's nothing more critical to the economic development of this area than the price of housing. Every time we put another requirement on a developer or a builder, that increases the price of that house, and we know that those costs are passed through. If it's a density issue, those costs are indirectly affected. Every time we bump up the cost of a house because of requirements that we put on developers and builders, we do two things: We make ourselves less competitive against those other communities and other regions that we're competing against; and we make the houses further away as far as the affordability that Rose was talking about. So that's my message. And it's a simple message. The key to economic development is the price of housing here. We have to balance sustaining the growth and creating a sustainable community and managing the growth properly to maintain the quality of life. At the same time, we can't drive the price of housing sky high or higher than it is already.

**EDWARD BLAKELY**: Thank you.

**PAUL HILLER**: Thank you.

**EDWARD BLAKELY**: So the mayor said the problem was finding the solution. So why is he mayor if he doesn't have one? So, Mayor, what's the solution?

**MAYOR RONALD LOVERIDGE**: One thought which John Husing has broadcast is that we have housing values less than Orange County and L.A. County. If you look at the 320 Metropolitan regions in the country, the Inland area is now 16th. So as you know, when we are competing for both residents and jobs, we are not competing only in Southern California. We are competing across the country.

**EDWARD BLAKELY**: And across the world.

**MAYOR RONALD LOVERIDGE**: Across the world.

Several just discreet points to hopefully get at the issues. One, we should acknowledge the Center and its importance in bringing together academic research with the practitioners and elected officials. This does not happen often enough. Too often we look at our own world fairly narrowly. I appreciate Professor Myers lifting this

beyond our immediate city limits to see what's happening across this basin.

SCAG has a task force that looks at the state of the region. I think we give housing in the region a D or D minus. I can't remember exactly, but it isn't a very good grade. And it's not simply that it's a bad grade. We are talking about -- and you can tell from the intensity of the discussion from the governor and from Secretary McPeak and from legislators -- that this is a judgment about the state's future that we're talking about this afternoon. A couple of quick academic questions. One is I wondered who this 1 percent was. I thought maybe it would be useful to actually take a look at that and see what profile they have. Also, I think Professor Myers raised the question in terms of the different housing choices, what preferences exist across the county, not only age, but ethnicity and income and education and so forth. We'd be interested in seeing that. We'd like to deal with the obvious question that Professor Myers posed is why does the market not follow demand and build apartments?

A lot of cities are talking about this in different forums. And I think the conclusions that I've reached from listening to these conversations is that in the past the state has been very heavy on the regulatory end, telling us what to do or what not to do. And what I think needs to happen is the decision rules need to be changed. There needs to be incentives that result in the kind of housing patterns that have been identified this morning and this afternoon. There are a variety of incentives, as I understand, that are possible. Finally, if I just could close -- because it's not a solution, but -- one idea, I think, Ed, that I didn't have before I came today that I thought was interesting to me is the idea of the three legs. We have three things we need to try to put together: One is affordability or access; a second was energy efficiency; and a third was smart growth. And the task before us is to try to take all three and put them together.

**EDWARD BLAKELY:** Yes. And I think that the task around here for some of you is how do we go about this? We have been talking about this -- I think the argument is now joined. People were talking about this in separate rooms. Now that the argument is joined, going back at least 25 years, what are some of the approaches that we can use to make a real difference? Because if we can't provide housing for the work force, we don't get a work force, and we don't get the jobs. It's really that simple. Employers don't want to come to places where their employees have to commute long distances or they can't live there. So how do we provide what's needed here? Because we got a chance to do it. Other places have lost that chance. So over to you. Questions and comments. And, Dowell, we want to find out about that 1 percent. Yes, sir?

**LEONARD BUSTIN:** My name is Leonard Bustin. I'm from Temecula. I am a developer and a broker. And it seems to me that the biggest hurdle are the NIMBYs. Real simple.

**EDWARD BLAKELY:** So that takes a lot more education.

**KATHERINE PEREZ:** Can I add something to that? Secretary Sunne Wright McPeak, she mentioned that she's been meeting with a number of folks. And some of you are in this room. She has been meeting with us pretty regularly to talk about housing reform that the governor will be announcing in the next few months. There are two things that I think are critical for this group, and which I didn't mention. I think that

the regulatory constraints are a burden, an unnecessary burden for development, because I think developers -- and I understand developers -- they'll build what a community wants if the community knows what it wants and doesn't change its mind through the process. She is going to work on CEQA -- the California Environmental Quality Act. She is not calling it reforming CEQA, but retooling CEQA so that it actually achieves what it was intended to achieve, so it doesn't discourage downtown brownfield redevelopment and encourage the kind of easier stuff on the exurbs. She wants to actually bring it in. The second thing is that she is going to get at the issue of insurance, the fact that it is so hard to insure multi-family units. And it shouldn't be hard for the development community to take the burden of that and say, you know, "The cost is simply too high."

The other part of it is obviously having the cities take their fair share. Now, that's going to be hard. And I think that's where a lot of work has to be done. But if we get through and say, "No variances, no CUPs, because we have a plan we're going to stick to," wouldn't that be kind of interesting?

**EDWARD BLAKELY**: Mayor?

**MAYOR RONALD LOVERIDGE**: I just want to go back to the theme. Rather than ask that cities all take their fair share, why not give them some incentives. Cities behave because of the decision-makers. Right now there's no particular incentive to approve housing, but if there were incentives, cities would follow those incentives.

**EDWARD BLAKELY**: Rose?

**ROSE MAYES**: I think the gentleman earlier this morning, he asked the question about affordable housing. And from a Fair Housing standpoint, on a national level, that has been deemed as a coded word. Even in real estate, they ask us not to use "affordable housing." "New housing opportunity," "achieving" -- "how to achieve affordable housing." What I'm trying to get at is that once people hear "affordable housing," they have a tendency to not want it in their backyard. And so that's the question. How are we to get past that? It can come from a policy level from each municipality. They are to have inclusionary housing in your policy when you have your high-end developers to come in and to build housing, \$500,000, \$200,000, put some achievable housing in there for low and very low income families.

**MAYOR RONALD LOVERIDGE**: Ed, one other thought on NIMBY. From the point of view of City Councils, senior housing, which Rose identified, I've never seen -- or at least it is very rare -- that you will see any kind of City Council or elected official say no to senior housing. Yet we are evidently not building it to the extent that it's needed.

**EDWARD BLAKELY**: We are going to need a lot more of it. Some of us are seniors. Ali is building one for me.

**KATHERINE PEREZ**: What if Redondo Beach took their housing requirement? What if Huntington Beach took their housing requirement? What if we had these cities that say, "Sorry. We are all built out. We can't take anything more of anything," what if they took their share of what they had to do? And I really do think that because of the pressure, you're right, cities are responding. Rick Bishop of the Western Riverside COG

told me today that the dump fee that they put on the backs of each unit, \$6300 per unit, has pushed their fund is up to over \$100,000,000. They didn't expect that at all. In fact, if anything, that is a trigger as to exactly how much development -- he said 250,000 units are in the pipeline. In my mind, what does that do to transit? What does that do to affordability? What does that do to air quality?

**EDWARD BLAKELY**: Mayor?

**MAYOR RONALD LOVERIDGE**: Well, we built 28,000 homes last year in Western Riverside County. About 30,000 are coming this year. It's 34,000 next year. But I would just go back to the point that when Mark Pisano was here and Pete Calthorpe made a comment that the 2 percent, it wasn't a final answer, but it's a significant amount of housing to be shaped if there was success with the kind of 2 percent call. It's now kind of voluntary. Why don't you do this? It would be a good thing to do. But if there were incentives, advantages for cities to do it, you could see the 2 percent acted upon across this region.

**EDWARD BLAKELY**: But we have to fundamentally change the state's tax structure to get at this. And I said that, I think, 40 years ago, because it was whacko then, even before Prop 13. It's easier in this state to drive out a job than to keep it, because you can take an auto dealer or someone else who provides sales tax and pave over half your city and make more money than providing a house or a job in manufacturing or someplace where people can make a decent living. That needs to be reformed for sure. States like Ohio and so forth don't have such silly laws as we have. So we have to reform the entire state taxing system, I think that is the biggest problem. By the way, Western Riverside County will build more housing in a year than we do in Sydney, Australia in a year dealing with the same problems; right, Lorrie? So we got a real big challenge. So I'm working on both sides of the Pacific on challenges. Other questions? Comments? Yes, ma'am?

**SYKVIA MARTIN-JAMES**: I would like Dr. Perez to expand more on what I believe you touched upon, as the only person this entire day, that I think is sort of the sleeping giant, and that is the acrimony between the immigrant populations and the newly -- and evolving population and particularly in regards to jobs, housing, and schools.

**KATHERINE PEREZ**: Thank you for calling me a doctor. I'm actually not. I'm not. I appreciate that. The challenge, I think, for us to understand is the market. The influx of immigrants -- Dowell pointed out the numbers. It's not as high a percentage as it used to be, but it still affects us and it affects the cities that have an existing population. When these folks come in, they come into communities where they know people, because there are systems there for them. And you know what? They'll reconstruct any space -- a closet, a garage, a shed. They'll reconstruct anything they have to make it work. We are working in the city of South Gate, which is in what we call the rustbelt of L.A. County -- old industrial manufacturing. Over 50 percent of their garages are illegal conversions. They have over 100,000 people. It was a city built for 50. So their infrastructure is crumbling. Their schools are a mess. They have this challenge of leadership, because they have an old established white guard that's clutching on to the very last remnants of power. They've got the new leadership, which is the professional Latinos that have stayed in the city, and then they

have this new class of folks who keep churning and moving out and moving in, moving out and moving in.

I think it presents a very big challenge for people like Ron Loveridge and others who are trying to say, "How do we stabilize this?" Honestly, we're in the throes of understanding how to deal with that. But I have to be honest with you. If we don't figure it out -- it doesn't matter. I get calls all the time from Utah, from Chicago, from Seattle, saying, "We have 100,000 Hispanics and we're going to have another 100,000." I say, "Great. We had that last year." But if we can't figure out some of those models -- they are learning from us. We need to try. We need to begin to explore. Throw out the old processes and let's start new. Because you know what? We are in a whole different era. And I think this is an awakening. The sleeping giant is exactly what it is. They're not voters yet. They are not homeowners yet. But as Dowell pointed out, they will be.

**EDWARD BLAKELY**: Dowell, who is the 1 percent? Who are they?

**DOWELL MYERS**: There's no data.

**EDWARD BLAKELY**: Well, I think that's a job for the Blakely Center to investigate that. Other -- yes, sir?

**MICHAEL McCOY**: Michael McCoy, City of Hemet. By the way, our Council has an ordinance against multi-family housing at this time -- other than senior housing -- because there's an overconcentration of multi-family housing already in Hemet that was built several years ago. They're trying to encourage more single-family residential. And the demographics are starting to change there towards young homeownership and away from the senior population.

But I would just say, in a comment about the lack of affordability and multi-family housing in many cities, I believe there is an overconcentration in certain areas and so there's been imbalance. Also, the state has to take responsibility for certifying housing elements, and they need to -

**EDWARD BLAKELY**: Take it seriously?

**MICHAEL McCOY**: -- be more serious about certifying those housing elements and having a tighter review policy on certifying them if they don't believe each jurisdiction is meeting the needs. Maybe they don't have enough staff to review these housing elements and certify them. I don't know. But maybe they need to be stricter about it. I live in Murrieta and, I mean, I don't know what the percentage is, but it seems like there's a brand-new apartment complex going up every week or month in Murrieta, so it seems like that city is making an effort to try to meet their multi-family housing demand.

**EDWARD BLAKELY**: There are some places that are. But as the mayor says, unless you change the structure, people won't do what they even want to do because it costs them more than they get from it. It's the old - as Sunne said -- supply and demand. If you keep doing things the same old way and they're not working, then you've got to change the way you do it. That's the only way we can go about this. Other comments? Others? Dowell, do you have anything else to say?

**DOWELL MYERS:** I have numerous reactions, but they sort of cancel each other out because it's not clear what to do. Ed, you know what the real problem is. It's the tax structure of the state. We can't change that. But the mayor is right. We have to have some incentives for localities. You just can't have an unfunded mandate. You've got to have some incentives. Residences are expensive to service. It's a fiscal loser. We all know that. So what's the state going to do to help us out? So the counties have to approve the houses, but they have to then pay for the local services. So what's the state going to do to help us out? I'm hoping what whatever Sunne McPeak and Arnold Schwarzenegger come up with, it's going to involve some sort of an incentive for houses. It doesn't have to be a heck of a lot, but it's got to be something, so if you approve an apartment complex you get something in return other than a bunch of grief from some of the locals.

**EDWARD BLAKELY:** Other than the recall petition.

**DOWELL MYERS:** Right.

**EDWARD BLAKELY:** Well, panelists, I want to -- yes?

**WILLIAM SIEMBIEDA:** I'm Bill Siembieda, the head of the Department of City and Regional Planning at Cal Poly, San Luis Obispo. Ed, can you maybe contrast California and New York. In New York City, they had some good experiences with co-op housing, union sponsorship, big projects, thousands and thousands of units done in various ways in cooperation with the City of New York. Why hasn't co-op housing come to California and caught on? It's another form of shelter that can be very good to people if properly run. So maybe you can comment on that.

**EDWARD BLAKELY:** I haven't thought a lot about that, Bill. I mean, the unions are making money and providing this housing. These are good programs. They're state supported. So the state provides some funds and the unions provide funds and provide housing. Actually, that's a European thing that New York has adopted. New York has a housing thing called the Dormitory Act in which you can get nonprofit dollars to provide affordable housing. Something we don't have. It's like a CalPers operation except it's state funded. So there are a lot of things that we can do here. Seeing what other states are doing, particularly Oregon and Washington and similar density environments, being very aggressive. Since the mayor has a lot of muscle -- I mean the mayor and the governor both have a lot of muscle, but the governor has a lot more muscle than a whole lot of people. Let's hope he uses some of it to get some of these creative things going. It's going to take an awful lot to bring about the changes that we have been talking about, but thank God we're talking about them.

I want to thank all of you for coming to begin this conversation. This is the beginning. We hope to begin a dialog series to bring people really fresh issues, important issues, at the Center on a monthly basis, to work out problem-solving ways. We are going to record these things, get them to policy makers, and so on. It's a bit like water dropping on a stone. Sooner or later, it makes some difference. We hope that you will all work with us in beginning to make these differences.

We are already planning an event for next year. And we're currently titling it -- and I think I have this right, Rob -- "The Suburbs: Rails, Trails and Automobiles." The focus will be on transportation, walking, riding, and so forth, and incorporating that

within land use and how people in other jurisdictions are doing it. We are going to ask some of our people here who are doing interesting things with the transportation issue to be here. We hope to have speakers that we can't talk about now here, but a national speaker and a person who's important in the Congress of the United States. So that's what we want to do next year. I hope this program has been useful and interesting for you. I'm delighted that you all came. Of course, it means a lot to me, because this is something that I have been thinking about for about 30 years. I'm delighted that all of you have come to share this day with me and my family and Ali to help our day be a better day. So thank you very much.

I want to thank Jim Lents for running the Center for the past -- little over a year now. He's done a wonderful job. He's brought resources to the Center, grants and things like this to keep this operating. I think he deserves a round of applause. And none of this would be possible without Andy McCue, who works day and night -- I can tell you, since I live in Australia and I call him up in the middle of the night -- on keeping the Blakely Center alive. He's just a marvelous person. And thank you so much, Andy. Is Shayna here?

**ANDY McCUE:** No. She is getting ready for the next phase.

**EDWARD BLAKELY:** We will do this upstairs, but I brought some flowers for Shayna. Shayna is the person who has been behind the scenes in all this and done a wonderful job. And I will give her the flowers. But there's a young man here who's been behind the scene. He is now a UCLA student. He's started getting involved in the planning area. And I have a little something for him. Brian -- (Applause.) Watch him. He's going to be one of our leaders.

We started off on a very important venture, one that's going to change everybody's life. I want you to walk on this road with me. I want to thank our sponsors. It's a very long list, but I'll go through it very quickly: Empire Companies; Pete & Sons Construction; First American Title; the Inland Empire Economic Development Partnership; the law firm of Gresham, Savage, Nolan & Tilden; PFF Bank & Trust; Coussoulis Development; Sukut Construction; The Press-Enterprise; A and Z Printing, Young Homes; Best, Best & Krieger; Riverside County Economic Development Agency; Fannie Mae Foundation; The Business Press; the City of Riverside; Creative Digital Solutions; KB Homes; Bob Wolf and Harley Knox; Tavaglione Construction; Haider Spine Center; Grubb & Ellis; Flowerloft; Euro RSCG Magnet; the Western Riverside Council of Governments; the Baldy View Chapter of the Building Industry Association; the San Bernardino Association of Governments; Riverside County Transportation Commission; the Inland Empire Chapter of the American Planning Association; SEC Corporation; and Dos Lagos Development.

All these sponsors mean a lot to us because they're all in the same venture, the same road, and hopefully to a successful center and successful event. We have a little reception upstairs in the -- what is the name of the room? -- Spanish Art Gallery. So those of you who have the time -- it doesn't matter whether you leave now or an hour from now. You are going to get home at exactly the same time. So please join us. And, again, I want to thank Rob Lang for being our partner in this. Virginia Tech has just been a wonderful partner, and we couldn't have better people working with us.

Thank you all. Join us and say thank you to the staff when you go upstairs. They have done a tremendous job. And see you next year. Rails, Trails and Automobiles.