

State of the Region: Growth, Equity, and Inclusion in the Bay Area

Executive Summary



By

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Introduction

For the last decade, regional business and civic groups have been crafting indices to get a handle on the progress of their metropolitan areas. The metrics have tracked things like the state of higher education, the quality of life, and the rate of business innovation – all aimed at determining whether the region can create new products, attract “knowledge workers,” and remain competitive in a globalizing economy.

But what about inclusion and equity in the regional economy? While some indices have taken a stab at this – Ohio’s Fund for Our Economic Future in their Dashboard Indicators project considers minority business creation, Joint Venture’s Silicon Valley Index includes racial differences in dropout rates, and San Jose’s Working Partnerships includes indicators of income inequality in their labor-oriented reports for Santa Clara County—we have yet to see a template for what might be termed a metro-wide regional equity audit.

Part of the reason for the gap is that traditional economics and popular discourse has generally viewed social equity as an afterthought, a luxury to consider if basic economic growth is healthy. This is, we would suggest, exactly wrong: research has shown that those metros that make more progress on reducing poverty, segregation, and inequality actually grow faster and stronger. Partly because of this, we need to include equity even in the midst of the deep economic downturn likely to face California and the Bay.

How can we aim higher to build a region that taps into all our resident’s talents? The Program for Environmental and Regional Equity (PERE) at USC has been collaborating with Urban Habitat, convener of the Social Equity Caucus, to craft an equity-oriented “State of the Region” index. We have sought to utilize a variety of different data sources and build on some stellar existing efforts at measuring equity, weaving them together in a fuller profile of social equity in the Bay.

The resulting picture is a little unsettling. The Bay Area has long prided itself on its strong economy, diverse population, and progressive instincts – but our diversity is threatened by gentrification and displacement, our seemingly unstoppable economy may race past undereducated residents for whom new jobs are out of reach, and our strong commitment to the environment needs to be infused with practical steps to curb patterns of environmental injustice and climate change while providing new opportunities for less advantaged communities.

But the opportunity is great, as well: our new demographic can and should be trained for leadership. That leadership can help us focus on improving our economy by wrenching-up job quality, creation, and readiness. And those communities will be the new stewards of the environment, with great potential for new employment, healthier neighborhoods, and green business – especially given the number of green investors in the region.

We won’t be able to do it alone. There are many regional groupings sympathetic to the equity agenda – the Greenbelt Alliance and the Bay Area Alliance for Sustainable Communities with their emphasis on Smart Growth and sustainability, Working

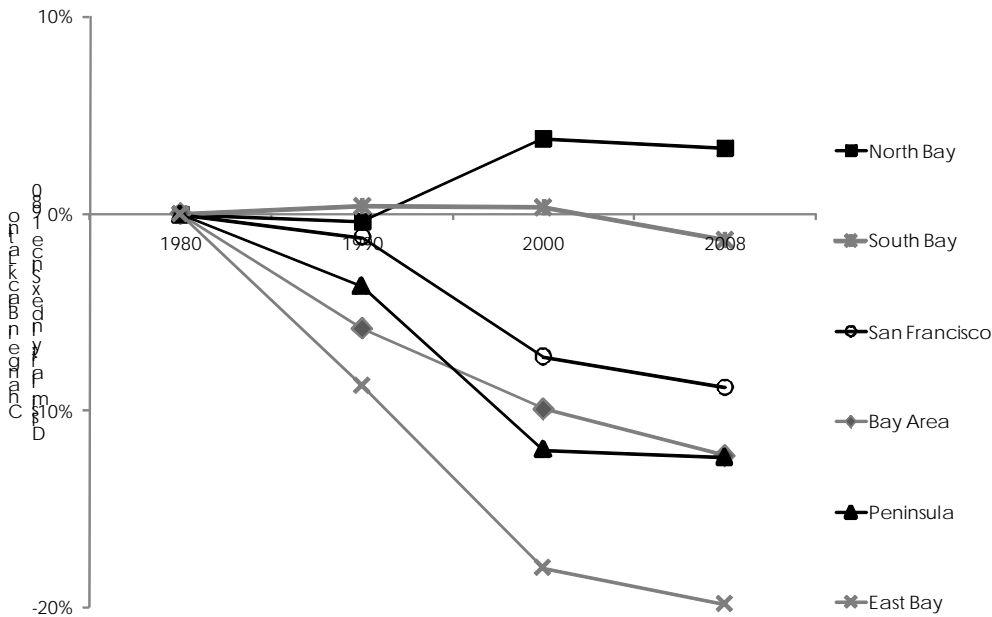
Partnerships and EBASE with their focus on equitable development, and Joint Venture: Silicon Valley Network and the Bay Area Council Economic Institute with their stress on human capital and job creation. If we can include all of us, we can meet our challenges; if we can bridge the Bay, we can build the Bay together.

The New Demography

The Bay Area often believes itself to be a multicultural paradise – and in many ways it is, particularly in the fluidity of inter-group relations, the vibrant stew of youth culture, and the rich appreciation of immigrant cultures. But the Bay Area is actually whiter than the rest of California, having become a majority-minority region years after Southern California crossed that threshold. Still, the Bay is generally like California as a whole – it is becoming more diverse, with the exception of San Francisco.

The Bay Area is also relatively segregated: while the typical measures of racial segregation have been declining in most metropolitan areas in the U.S., the relative segregation of whites increased slightly in the Bay Area between 1980 and 2008. On the other hand, the segregation of Blacks and Latinos has declined sharply as they find themselves sharing common, and often distressed, turf (Figure 1). The result has been sometimes uneasy – but the possibility for alliance around common issues is striking.

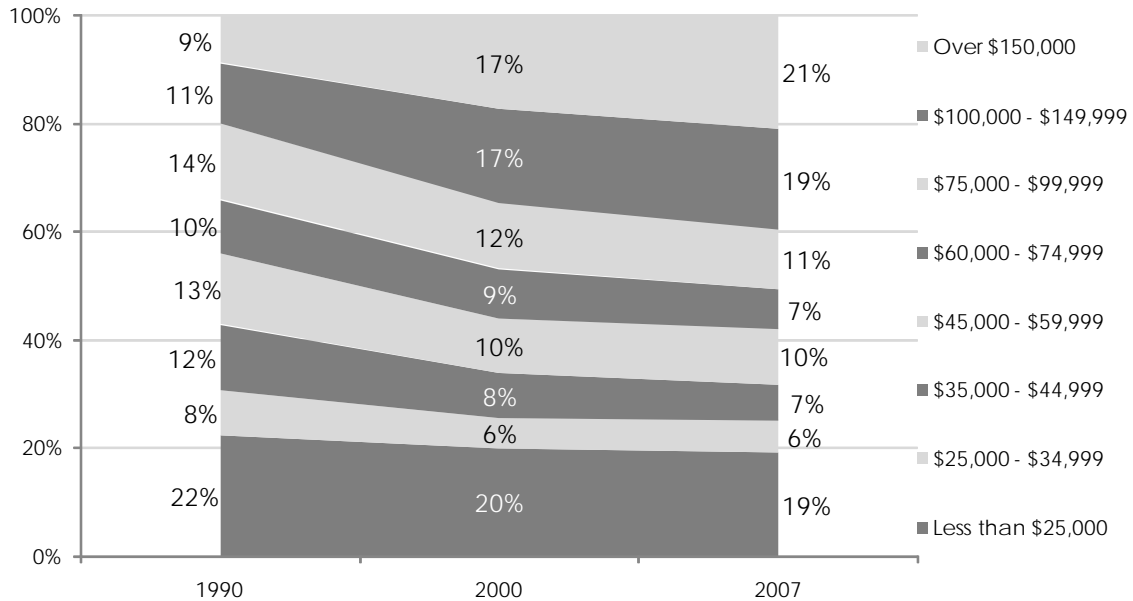
Figure 1. Change in Black-Latino Segregation by Sub-Region in the Bay Area, 1980-2008.



Geography has mattered in other ways as well. Defying both regional and state trends, San Francisco is now actually whiter than it was in 2000, reflecting the influx of young professionals (and increasingly including their children – the share of children that are white in San Francisco jumped from 24 percent to 32 percent just between 2000 and

2007). The pattern is not just racial but economic: in the last five years only 9 percent of those relocating to or within in the Bay Area made over \$150,000 as compared to a full 21 percent of those who moved into San Francisco, specifically (Figure 2).

Figure 2. Household Income Distribution of Households that Moved in within the last 4-5 Years in San Francisco (2007 dollars), 1990-2007.

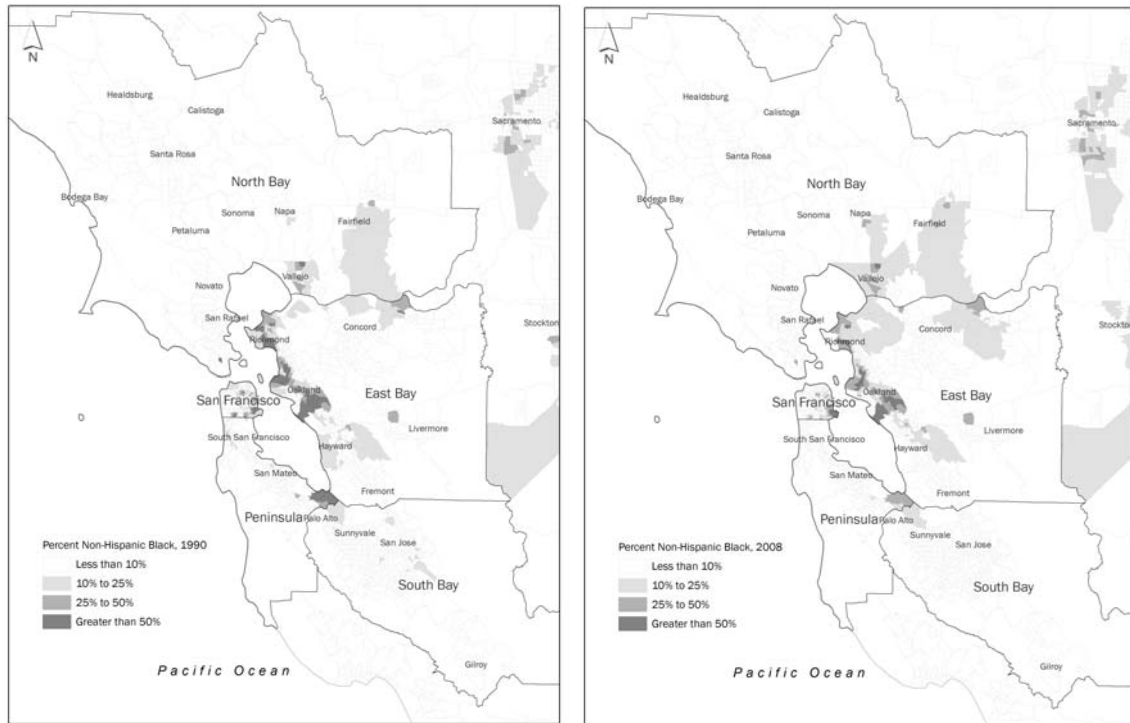


So home prices and rent in these urban core areas have jumped. The resulting pressure has been particularly acute for low-income African Americans. Blacks have been streaming out of the Bay Area for a while (to places like Sacramento and Stockton), but between 1990 and 2007, the black share of the population dropped by nearly 6 percent in San Francisco and 3 percent in the East Bay, outpacing the 2 percent decline for the Bay as a whole. And the decline for black kids was even sharper: while 20 percent of San Francisco’s youth in 1990, they were only 9 percent in 2007. Only places like Vallejo and Napa in the North Bay have seen growth in African Americans (Map 1).

Map 1. Percent Non-Hispanic Black in the Bay Area, 1990 and 2008.

a. 1990

b. 2008

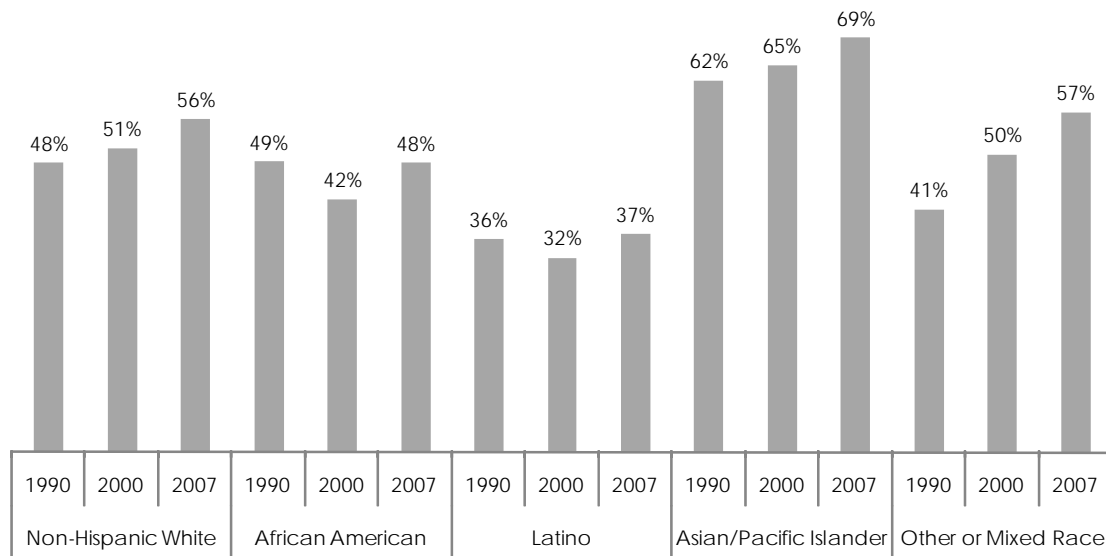


Latinos and Asians have spread throughout the region, but with slightly different patterns, a fact that has increased their regional segregation index. Between 1990 and 2008, both groups raised their numbers in the Bay; Asian/ Pacific Islander immigrants are in greater number in the Bay Area than anywhere else in the state. They have tended to see their numbers increase in the more urban areas while Latinos saw increases in rural areas as well.

And their children will shape our future: 31 percent of those under 18 in the Bay Area are Latino and 20 percent are Asian. Seven percent of youth are mixed race – higher than in California as a whole and reflective of the Bay’s characteristic openness– while African Americans comprise 7 percent and whites 35 percent.

And while that might lead to a celebration of our diverse future, there are reasons for concern. In particular, both Latinos and African Americans face the challenge of undereducation: less than half of college-age Latinos (37 percent) and African Americans (48 percent) are in school compared to over half of whites (56 percent) and Asians (69 percent) (Figure 3).

Figure 3. Percent of the 18-24 year old Population Enrolled in School by Race/Ethnicity, 1990-2007.



The contradictions of gentrification and the lack of workforce preparation suggest that the prized diversity of the Bay Area could be lost to economic pressures. This would seem to call for public leadership – and there are many valiant efforts and many individuals of good will. Unfortunately, our elected leaders do not always reflect their constituency. A particular challenge in voicing these concerns and developing appropriate policy: the city councils in the region are often less diverse than the communities of color they represent.

So there you have it: an ethnic mix without that much mixing, a set of gentrification pressures forcing many African American families out of San Francisco and the East Bay, a startling gap in school enrollment and workforce preparation for young adults, and a political system that has a long way to go in having its diversity match its residents. If the Bay Area wants to make sure that our multicultural milieu continues to work for the region rather than against it, we will need to come up with ways to retain long-time residents, integrate new immigrants, train our youth, and prepare new leadership.

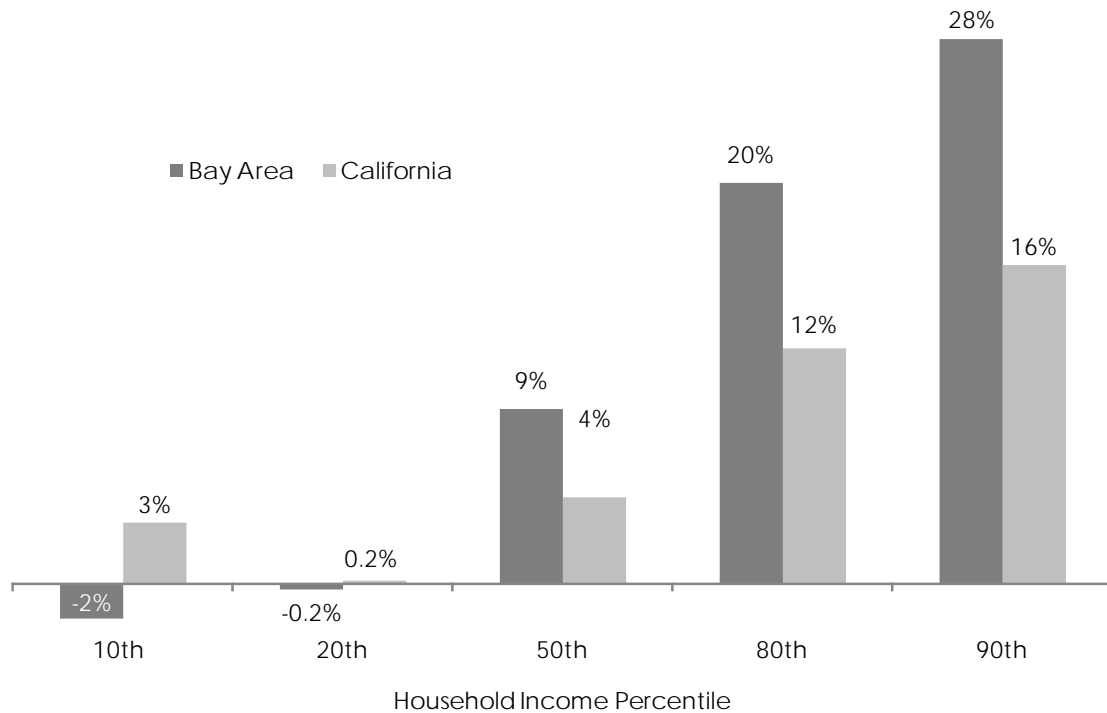
The New Economy

While the Bay Area has been blessed with a much higher median household income than the state, it has also seen income inequality on the rise since 1990. The ratio of household income between those at the 90th percentile, the rich, and those at the 10th percentile, the poor, has been rising in every subregion – especially in San Francisco where this measure of inequality has nearly doubled between 1990 and 2007.

And it is not just a relative measure: since 1990, the income of the poorest in the Bay shrunk while the income of the richest swelled. Real (or inflation-adjusted) income

for those at the 10th percentile in the region actually fell by 2 percent between 1990 while those at the 90th percentile saw a 28 percent gain, numbers pulled up by particularly sharp rich-poor divergences in San Francisco and the South Bay (Figure 4). In the meantime, elsewhere in the state, those at the bottom actually made small gains and those at the top saw increases, to be sure, but only 16 percent. Depending on which set of measures one uses – for example, taking other decile breaks for comparison – the Bay Area is now competing with Los Angeles for the title of the main driver of inequality in the state.

Figure 4. Percent Change in Real Household Income by Household Income Percentile, 1989-2007.

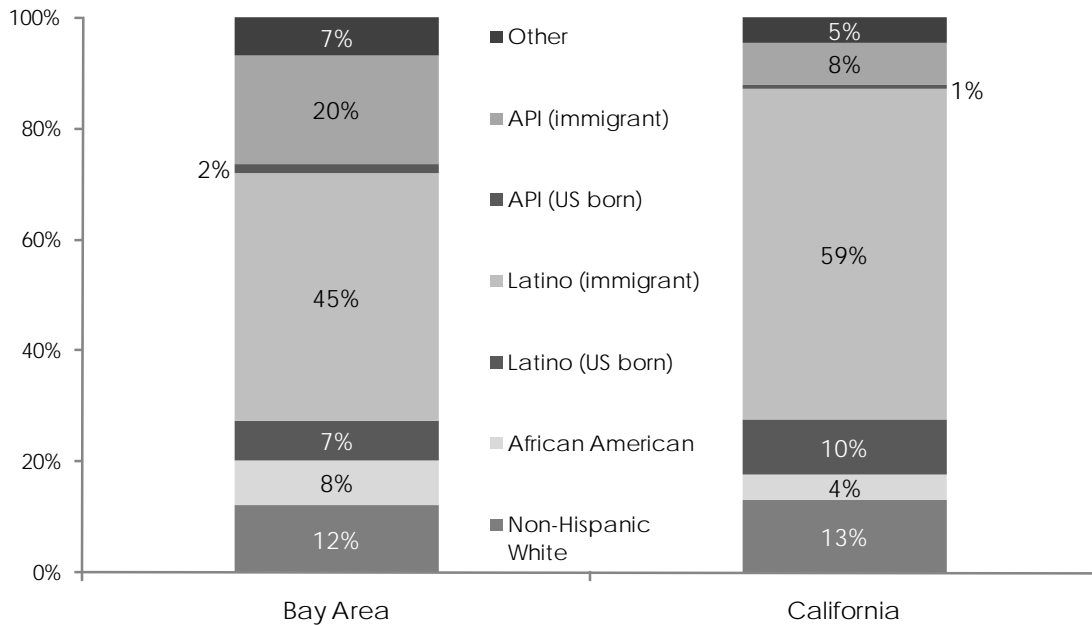


It is hardly a race any region wants to win, especially when the racial dimension steps into the room. Not only do black and brown households crowd the bottom in terms of household income by race/ethnicity but they are the only groups who saw their median household income decline between 1990 and 2007. While growth for Latinos has been negative, at least income levels for native and immigrant Latinos in the Bay actually exceeds those of their counterparts at the state level (though still far below whites). For blacks, growth has been negative and black median household income in the Bay is actually lower than in California as a whole.

What explains the pattern? Latinos and African-Americans alike need better and more work (Figure 5). On the one hand, unemployment is an issue, especially for Black men – the unemployment rate for Blacks is twice that for Latinos and nearly three times that for whites. On the other hand, working poverty is an issue, especially for Latino immigrants but also for African Americans. In the rest of the country, the pattern seems to be that black poverty is driven by joblessness and Latino poverty by low wages at work – but

Blacks in the Bay, more than in the nation, are working poor – attached to the labor force but without work that pays a living wage. There is a clear opportunity here: the common struggle of working poverty offers an opportunity to build strong alliances around improving workforce conditions.

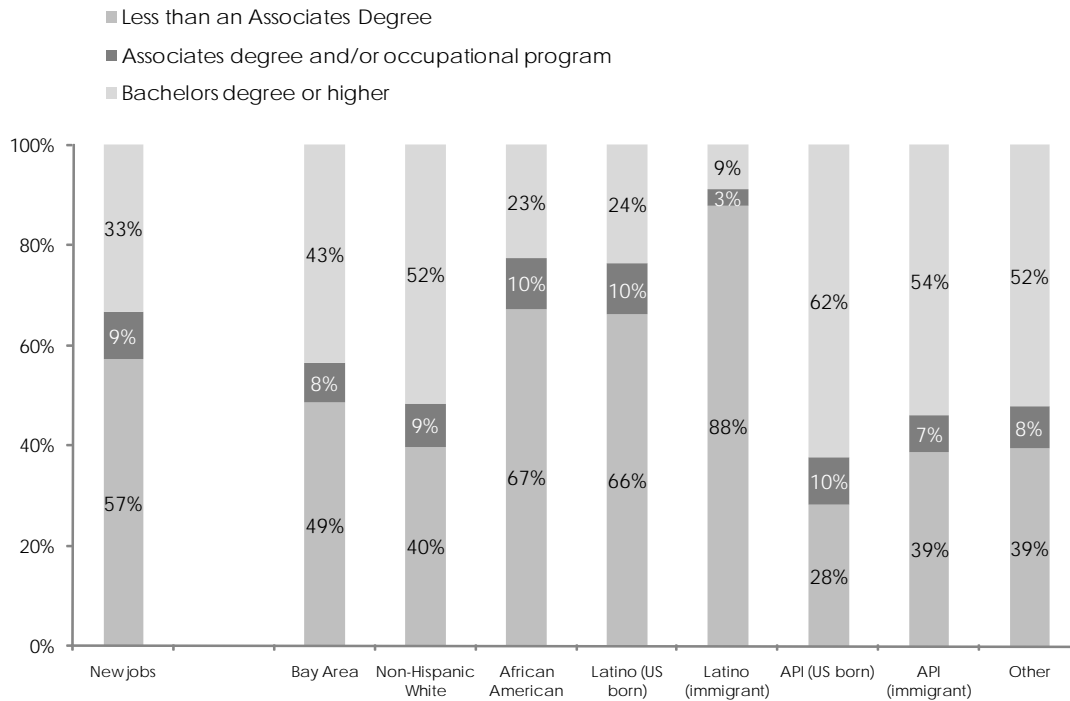
Figure 5. Demographic Composition of the Working Poor in the Bay Area and in California, 2007.



Employment standards need to prohibit the race to the bottom. Community groups have done a heroic job of setting the bar higher for how the private sector should give the community its dues-- working for community benefits agreements, advocating for living wages, and supporting the unionization of workers. But missing from the regiment is the assurance that communities and individuals are job-ready.

Many know that the future of the workforce is disjointed – growing occupations do not match the skills of the current workforce (Figure 6). What is less explored is the implication for racial inequality. In San Mateo County, for example, 38 percent of the new jobs projected for the next ten years will require a B.A. or above. While more than 50 percent of whites and around 60 percent of Asians fit that description, the comparable share of African Americans is only 21 percent, for U.S.-born Latinos 26 percent, and for immigrant Latinos 10 percent. All this while the payoff for a college degree is getting higher – while a college graduate earned 80 percent more than a high school dropout in 1990, by 2007 that premium rose to 120 percent.

Figure 6. Educational Requirements for New Jobs and Levels of Educational Attainment by Race/Ethnicity in the Bay Area (Population 25+), 2007.

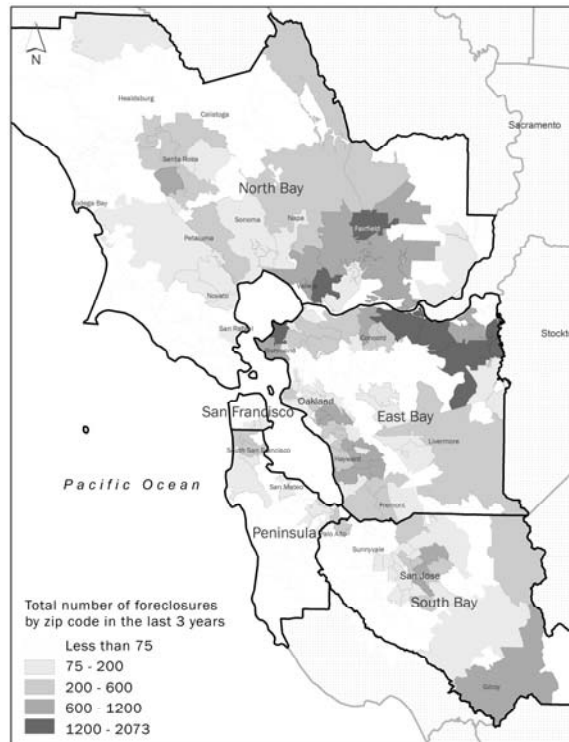


This is a recipe for widening the race gap. And we know it is not the right strategy to downscale the high-paying jobs because it is high-skill and high-tech employment that allows the region to weather economic downturns. Instead, let's bring up the bottom; upscale the training and make sure we get it to those most in need.

And they need it now, particularly in light of continued pressures on housing expenses. Housing expenses are eating up a larger share for disadvantaged populations: Latinos are 19 percent of the renters but 26 percent of those considered severely rent-burdened; African Americans are 11 percent of the renters but 16 percent of those who are severely rent-burdened.

Tired of rent burden, many families of color sought to catch their part of the American Dream with home purchases in recent years. Now, they are being hit hard by the housing crisis (Map 2). It has been widespread – our analysis of the data suggests that there have been over 42,000 foreclosures in the last three years. And the consequence for a racial wealth gap is severe: when we ranked the zip codes in the Bay Area by the rate of foreclosure, we found that those areas in the lowest foreclosure quintile were 62 percent white; those in the highest foreclosure quintile were 72 percent people of color.

Map 2. Total Number of Foreclosures by Zip Code between October 2005 and October 2008.



With widening income gaps, mismatch between education and job creation, and the immediate threat of losing one's home – it is hard to find a light at the end of this tunnel. But the fascinating and hopeful aspect comes from the creativity of community and business organizations as they look for a path to a truly sustainable and equitable region. And they have often found themselves looking to the new environmental challenges and the opportunities they present.

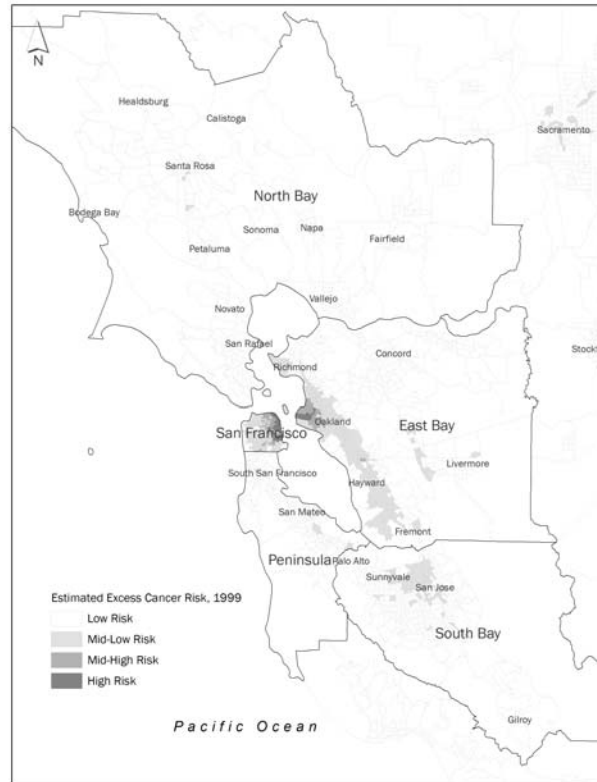
The New Environment

As much as the Bay Area prides itself on diversity, it celebrates its role as the environmental conscience of California and the nation. There is indeed a record deserving of praise, including dynamic political leaders who have fought for higher state and national standards, remarkable efforts by organizations and governments to protect open space, and a general sense pervading the populace that recycling, mass transit, and compact living really is the wave of the future.

But the area is also plagued by urban environmental inequities often overlooked by enthusiasts of the natural environment. Neighborhoods with the least toxic emissions from nearby industry are about 56 percent white; those with the most toxic emissions are nearly 66 percent people of color. The Bay Area essentially faces a "Tale of Two Corridors:" the communities bordering I- 280 up the peninsula have a low risk of air-

related cancer and other illness while those bordering I-880 up the East Bay have well-documented toxic risks and higher rates of asthma (Map 3).

Map 3. National Air Toxics Assessment (NATA) Estimated Excess Cancer Risk by Census Tract, 1999.

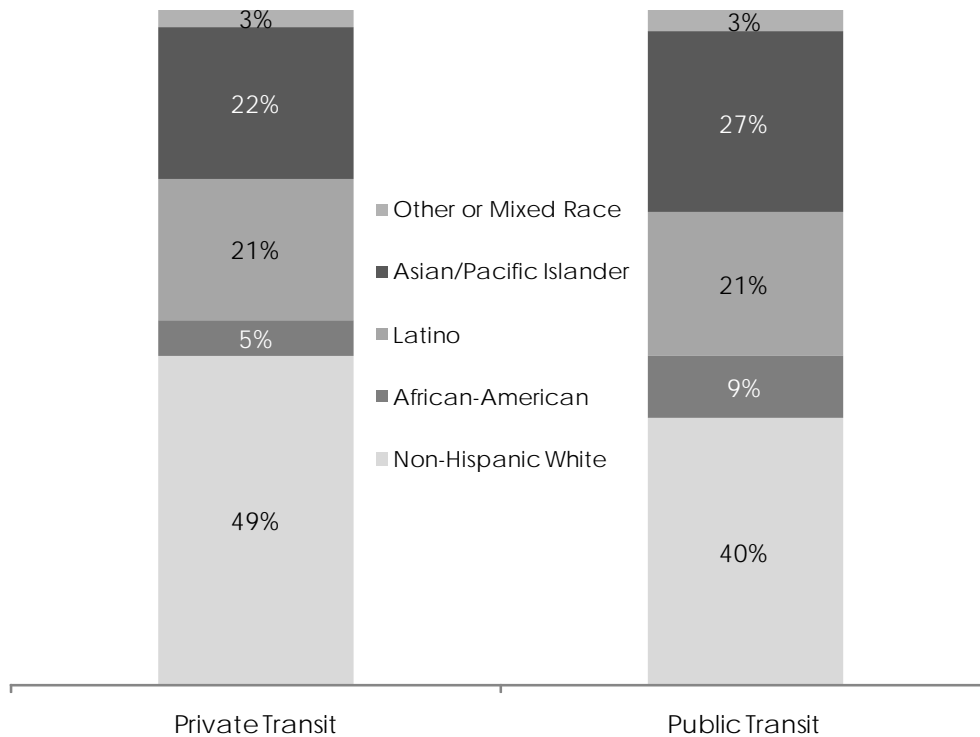


And climate risk is imminent as well: research shows that when temperature rises, low-income communities of color are the least prepared in terms of air conditioning, transit, and other resources to beat the heat. The San Francisco Bay Conservation and Development Commission (BCDC) has analyzed the threat of potential sea-level rises and identified the following at-risk low-income communities: Canal Zone in Marin County, San Pablo, parts of Richmond, Vallejo, West Pittsburg, parts of Pittsburg, and Alviso near San Jose.

Ironically, those to bear the consequences are not those who have caused the most harm. Analysis (and now state policy) suggests that the principles of Smart Growth – denser housing, closer proximity to transit, and neighborhood-centered retail – can reduce reliance on cars and reduce the overall carbon load from fossil fuels. While the Bay Area is moving slowly in this direction, the communities of color are already denser – the densest fifth of the Bay’s neighborhoods are more than two-thirds people of color while the least dense fifth are two-thirds white people. People of color are also carrying more of the weight of climate protection in terms of transit: they use public transit at far higher rates (60 percent) than do whites (Figure 7).

These minority transit users are not always rewarded for their good behavior. Minority riders tend to ride buses more than rail and Public Advocates has argued that riders of BART get nearly twice the subsidy of AC Transit riders in the East Bay. Their analysis suggests that operators that serve a larger minority population struggle to break even more than other operators. For a society that is supposed to value markets, we seem to have the incentives all wrong.

Figure 7. Demographic Composition of Private versus Public Transit to Work Commuters, 2007.



So we need to change – but we also need to get change right. An emerging challenge is the affect of policy regulations on the jobs of minority workers and minority communities.

It’s true that communities of color are the most susceptible to climate change risk and thus would have a great deal to gain from effective mitigation. However, workers of color are disproportionately employed in industries that heavily emit carbon and will likely face cutbacks. These industries are more unionized and pay higher wages, and so new policies that might help their neighborhoods, could hurt their wallets. We need to have adjustment and assistance plans in mind, particularly because the state’s economic models seem to underestimate the degree of adjustment that will occur.

Another problem emerges from the cap-and-trade approach likely to be taken by the State to reducing greenhouse gas emissions. Cap-and-trade is inherently unequal: the cap affects and benefits everyone but the trade by definition produces uneven reductions (or else why would you trade with someone else?). Geographically disparate declines in

carbon might not be an issue. But uneven shifts in associated particulate matter and air toxins, known as co-pollutants, would have local and adverse health impacts. No one has been able to perfectly predict impacts, but what we do know, based on the current pattern of environmental inequity in the Bay, leads us to be concerned about possible racial and class disparities in protecting health.

But there is a silver lining that could eclipse the cross-cutting environmental challenges. The Bay Area, after all, is well-situated to benefit from a new, greener economy and society. We have venture capital and a workforce ready to go if we can ensure training and placement pipelines. We have a healthy level of public transit use and more riders in line if only we can get the incentives steered back to the low-income riders who need it most. We have the sort of compact living associated with Smart Growth and more to come if only we establish standards to keep long-time and low-income residents in place, holding back gentrification.

We've got problems but we've also got solutions. The question is where and who will lead.

The New Opportunities

Our assessment of regional equity – or better put, inequity, in the Bay Area, suggests a series of key questions. These questions – and some answers we suggest – include:

How do we maintain diversity and prevent displacement?

Diversity is at risk of being displaced by the pressures of gentrification, but social movements have grown and we now have the tools to stand our ground more effectively. Our strategies include land trusts, inclusionary zoning, and affordable housing mandates – all of which should be couched in a larger, regionalist agenda of *equitable* Smart Growth. Fortunately, the Bay Area has many of the organizers who have been focused on this work, and intermediaries like PolicyLink who have policy toolboxes at their disposal. Efforts like those in Richmond around the General Plan revision are key to protecting long-term residents and insuring that their stake in local revival is rewarded with a secure place in the neighborhood.

How do we prepare new leadership to step up to the decision-making plate?

California has long pointed to where the nation is headed: a majority-minority country where those holding the highest offices in the land will include folks from communities of color. Thinking nationally but acting locally, we need to be doing the leadership and policy development training that will be necessary for all leaders hoping to cope with the new demography, new economy, and new environment. Urban Habitat and Working Partnerships are already engaging upcoming leaders in committing to racial justice and equality, committing to multiethnic and multiracial equality, making cross-sector linkages, and becoming lifelong learners. Leadership institutes like these that work through a regionalist lens deserve our support on the road to a more equitable Bay Area.

How do we improve job quality, job creation, and job readiness for low-income communities of color?

The Bay Area has been host to pioneering work around community benefits strategies. Holding developments accountable to the community is important, as is the underlying attempt to change widespread inequity through policy rather than proceeding battle by battle, development by development. But it's more than securing a part of a growing pie – it's figuring out how to make the economy grow and prepare people for the new jobs. Equity advocates should develop strategies based on new economic sectors, particularly in the green economy, and see where partnerships are possible with business and others. On the job readiness side, we need to upgrade secondary and post-secondary education to train youth, support community colleges and others who provide retraining of adults in growing job sectors, and fashion effective reentry programs for those who are leaving prison and often returning to distressed communities. Finally, there's not a worker to spare – stopping the abuses of ICE raids and securing a path to legalization is not just part of our justice agenda but part of our economic agenda.

How do we address the problem of foreclosures and housing stability in the region?

Solutions and salves for the foreclosure crisis are not springing up at the rate anyone would like. But policy wonks and organizing friends from the south present new opportunities. In the San Fernando Valley, a local church in coordination with One-LA is organizing 500 Latino immigrant families to negotiate with a bank, collectively, since individual efforts were getting them nowhere. And taking a cue from the policy people, they could ask for loan modifications that extend the length of their mortgages, keep rates down, and keep families in their homes. In the longer-run, we need to increase the housing stock across the Bay Area. Land banking is a unique opportunity for government: the Emergency Assistance Act includes (unspecified) ways for how government can gather land from foreclosed and abandoned properties. This might be an opportunity to combine properties and re-build with more homes per acre, increasing housing stock and affordability.

How do we resolve the transportation inequities that lead to underutilization of the system?

If we want to resolve what appears to be an unjust distribution of transportation resources, we must think regionally. In Myron Orfield's early analysis *What If We Shared?* – one of the first activities of what eventually became the Social Equity Caucus – we learned that transportation dollars have in recent history gone to the fringe, not the core. Not much has changed but there are two opportunities. One, the new state bill, SB 375, offers opportunities to steer transportation funding to urban core (read bus services) because it gives preferential treatment to smart growth transportation and land use planning. The second opportunity: we appear to be on the verge of a new White House Office of Urban Policy that will be thinking metro and including a place for community organizers and grassroots voices. This might be a favorable place to bring demands for funds that will keep fiscally solvent the bus services that carry more than their share of low-income riders. In any case, we need to craft a new model for transportation funding that is financially just, encourages the ridership of those who actually use the system, and creates the opportunities for connecting to employment.

How do we prepare the region to fully meet the new environmental challenges and opportunities of a greener Bay and a greener economy?

Although AB 32 looks like it will be implemented on shaky legs of cap and trade, there will be opportunities to improve it. In five years, the reauthorization will open a door to present the uneven affects of co-pollutants in already toxic neighborhoods, if there are any, and to upgrade emission control strategies. In the meantime, SB 375's requirement to plan for cutting carbon emission may favor environmentally sound growth most feasible in the urban core – and national level efforts are likely to favor the creation of jobs shoring up and greening our infrastructure. While green jobs have *always* had at their heart opening opportunities for the long-time unemployed, the recent surge in joblessness might result in openings being taken by incumbent workers, instead. Displaced workers deserve a shot but so do others; to help this, training facilities like high schools and community colleges with green programs should be located in low-income neighborhoods, and workforce developers and green investors must begin working together.

These are just the outlines of answers and an agenda to have a more inclusive, prosperous and sustainable Bay Area. The intricacies of the new Bay Area will require a complex understanding of the problems and will necessitate painstaking efforts to get the right solutions. But one thing to us is clear: you can't get there without making equity central to the mission.

This was the basic idea that led to the creation of the Social Equity Caucus (SEC) ten years ago – that the region was where the action was, that inclusion was key to metropolitan success, and that to do this you needed the organized voice and policy ideas of those social justice advocates closest to the ground. On this tenth anniversary of the SEC, that voice is still needed and it is our hope that this document and the data that we presented on December 15 will be of assistance to advocates as they chart their path for the next decade.