SAN DIEGO DIALOGUE REPORT

A MONTHLY DIGEST OF TRENDS AFFECTING THE SAN DIEGO/TIJUANA REGION

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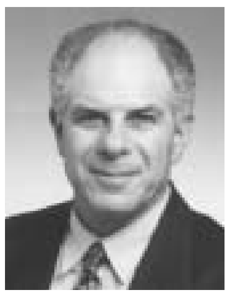
MAJOR SAN DIEGO EMPLOYERS WORRIED ABOUT AREA'S DETERIORATING QUALITY OF LIFE

Executive Director's Column

FINANCING SMART GROWTH



Exec. Dir. Chuck Nathanson

Can we make smart growth a reality in San Diego? Only if there are sufficient dollars to make it happen.

Here is some "insider baseball" on the dilemma that interest groups in our region face when it comes to financing smart growth. The more I think about this and watch the dynamics around smart growth in San Diego, the more I am reminded of the "prisoner's dilemma" of game theory. This is the social science theory, popularized through discussions of nuclear brinksmanship, which describes the dilemma faced by those who should collaborate, but have to decide whether to do so when they are uncertain they can trust one another.

In a sense, the terms of this "game" have now been set with the decision by SANDAG to delay a vote on TransNet reauthorization until at least 2004. Between the summer of 2002 and November of 2004 a game is going to be played to see if the various interest groups in the region can get what they want out of a smart growth financing package. As in the Prisoner's Dilemma, the best move for everyone would be to cooperate, but someone may choose to defect because of their suspicions about the others' probable behavior.

As I see it, there are now four key players in the game:

The Developers - they want a financing package that will help them to build new projects, but they also want a package that will help pay for land acquisition for lands that fall under the Multiple Species Conservation Plan (MSCP). They are extremely suspicious of the environmental community, who they believe will devote discretionary resources first to acquiring new habitats in the unincorporated part of the County, which are under higher risk of near-term development than the habitats within the urbanized area covered by MSCP.

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ALSO IN THIS ISSUE

San Diego's deteriorating quality of life continues to be a source of grave concern in many quarters. One group that has a particular stake in this issue is the major employers in the San Diego region, who have traditionally used quality of life as a source of advantage when seeking to recruit and retain valued employees. Quality of life issues – particularly housing costs, traffic congestion and the availability of open space and recreational opportunities – impact firms' ability to sustain a satisfied and productive workforce.

Recently San Diego Dialogue and the San Diego Regional Economic Development Corporation launched a project to sample opinion from our region's major employers on growth, quality of life and their impact on San Diego's workforce. During the winter and spring of 2002 researchers from the Dialogue interviewed senior executives – typically the Chief

"We find that the attraction of the climate alone does not pay the grocery bills…"

Executive Officer – from over 30 major employers in our region. In this issue of *San Diego Dialogue Report* we share some of the findings, comments and reflections that came out of these interviews. A full report on the project will be published in the late spring of this year.

Among the project's major findings were the following:

1 - Quality of Life Matters to San Diego Employers

Almost all of the interviewees indicated that quality of life was a crucial factor in recruiting and retaining a high quality workforce. The majority of those interviewed expressed concern about the negative impacts of San Diego's deteriorating quality of life on their employees and business operations. As the CEO of one of the region's largest health care systems commented, **"We find that the attraction of the climate alone does not pay the grocery bills…"**

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CEO Perspectives on
San Diego's Deteriorating Quality of Life

2 – The High Cost of Housing in San Diego is Hurting Local Employers

Employers most frequently cited the high cost of housing as their number one quality of life concern, especially for employees who come from outside of California. "Sticker shock" and "house-poor" were two terms often heard in relation to San Diego's housing situation. Workers who come from out of state, particularly the Midwest, often must pay a substantial amount of money for a smaller home than they previously possessed. Many of the interviewees cited examples of employees who have been forced to look to the north towards Temecula, and to the east, to find affordable housing. Most employers felt that the housing market in San Diego was "broken."

The high cost of housing is felt among all levels of employees in San Diego. At the senior and executive levels, their compensation allows greater flexibility in selecting a home. However, many end up with a home that is smaller than what they would expect to receive for the price. Noted one interviewee, **"… there's somewhat of a shock when you try to pull a senior management employee from the Midwest who's used to buying an unbelievable home for $300,000, and you transplant that person… (they're) coming out here thinking, 'Well, I'll buy a 4,500 square foot home and I'll pay $300,000.' Welcome to the real world. It doesn't happen. And to be honest, although the challenges may be here… it puts it on a different scale, because a person literally moves down to move to California and to the San Diego region."**

Mid-level managers and workers with a few years' experience, who are looking for either a starter home or a home in a good school district, are faced with a housing market that fails to offer them much flexibility. A second source of income is usually required even to purchase a home in an outlying area of the region. As the Vice-President of Human Resources for a local pharmaceutical firm commented, **"… people who are trying to start families are looking for something in the $200,000 to $300,000 range so that the kids are safe – (with a) nice little yard they can play in… that's hard to find in San Diego. Yet they've got zillions of $750,000 houses going up…"**

The employers noted that lower-level employees, particularly hourly workers and entry-level professionals, are simply not able to afford a home close to where their job is located and therefore must commute long distances (e.g. from Temecula or Tijuana). Some take second jobs or even have to share a home or apartment with another family. This is an especially salient issue with companies in the manufacturing sector, tourism and the healthcare industry.

The rising cost of housing has a particularly powerful impact on lower-skill employees who are hourly workers. As the head of one of our region's largest tourist attractions noted, **"There are people that work for us that if you were to take away, say, one day a week from them, they will become homeless. In other words, they live on the edge... they're sharing an apartment and suddenly losing one day a week means I can't pay rent. Or they're single moms working here, and they have a child and they can barely afford to work and feed them and they pay somebody to take care of their child. You take away a day and they can't either feed their child or they can't pay the childcare…"**

3 – Increased Traffic Congestion is Impacting Employee Morale

Nearly every interviewee voiced concern about his or her employees' decreasing mobility in the region because of traffic congestion. There was a strong sense that commute times are increasing for employees, and therefore less time is available for other activities outside of work. Further, some companies felt that there has been a negative impact on work performance and productivity as a result of traffic congestion and lengthening commutes.

> *"Quality lifestyle means you're spending time with your family, in the community or at work, not sitting in your car…"*

One interviewee stated, **"I think clearly when you spend more time commuting that has negative effects. (It's) not the most productive way to spend time. Quality lifestyle means you're spending time with your family, in the community or at work, not sitting in your car or on a bus or some other means of transportation."**

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Traffic congestion was frequently cited as the number one quality of life concern among employees who were recruited locally (i.e. those already living in the area). In most cases, these employees have already adjusted to the high cost of living in San Diego and do not rate this issue as much of a problem when compared with the traffic congestion they experience every day.

Another CEO noted, **"I met with a group of employees… and almost to a person… traffic seemed to be the single biggest quality of life issue, because of the time involved in getting to and from work… it has become a major stumbling block for me to keep people happy…"**

CEOs worried about the impact of traffic congestion on the mental health and well being of their employees. The head of a regional electronics manufacturer stated, **"There's got to be an impact. Between frustration and stress and… all the levels of road rage that creep up on you when you don't want it to… then you come to work with that. And on the other end, it's got to be an issue with getting home … when you walk into your house at night and how you react with everybody. If you're tired and fatigued and stressed and angry and just frustrated, it's got to impact somehow. We've never measured it, but I'm sure it has to..."**

"Every time you try to tie transportation issues in with land use, (you get) 'it's gonna happen over my dead body.'"

The COO of a regional software firm agreed, **"I think the road system is a huge issue… transportation is probably the number one issue from the employee standpoint that employers struggle with in deciding where expansion occurs and how you build your business."**

Several companies spoke of consciously dispersing their facilities in different parts of the County in order to minimize the impact of traffic congestion on their employees.

4 – Regional CEOs Recognize that Transportation and Housing Are Linked

The interviewees recognized that the transportation issue is directly linked to the regional housing issue. However, many felt that new housing developments in San Diego are often approved without corresponding improvements in the transportation infrastructure to adjust for increased traffic volumes. At the company level, this results in employees having to move farther away from their job sites to find affordable housing, creating longer commuting distances to get to work.

Some of the interviewees questioned whether policy-makers understood the relationship between housing and transportation. As the President and CEO of another of the region's largest health care systems asked, **"I just wonder sometimes how coordinated are all the planning efforts? The large number of people that are moving into this area doesn't help traffic. So at times one solution actually creates a problem for the other side of it. Are we really coordinating the community growth, the housing, the building of new homes, with the freeway expansion, etc.? It seems to me the development of homes is certainly growing much faster than the infrastructure to support the homes."**

Another interviewee stressed the importance of making proactive investments in infrastructure. She stated, **"… the growth is necessary, yet at the same time it doesn't seem to be as well-planned as it may need to be… the infrastructure should be in place before you add the houses, in my opinion..."**

One regional executive, who had moved to our region from Los Angeles, expressed surprise at the parochialism in San Diego when it comes to planning:

"If you don't keep focused on your basic infrastructure, the economy can go into the tank… (but) I don't see how we're going to get from here to there, especially with the reluctance of policy makers down here to look at things on a regional basis. I thought L.A. was bad when it came to fiefdoms. It pales in comparison to San Diego. I mean talk about municipally controlled; it's unbelievable… every time you try to tie transportation issues in with land use, (you get) 'it's gonna happen over my dead body…'"

5 – San Diego's Deteriorating Quality of Life is Reducing Employers' Ability to Recruit New Employees

Most employers stated that the high cost of living in San Diego (essentially the high cost of housing), combined with the region's transportation problems, has either already become, or

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will become in the near future, a barrier to recruitment and retention of employees. The interviewees cited numerous examples of job candidates who chose not to accept a position in San Diego because of housing and transportation concerns. For example, the head of one of San Diego's large remaining shipbuilders noted,

"If we want to hire experienced shipbuilders, we have to go out of the area, far out of the area. And obviously you don't go to Kansas or Nebraska to find a shipbuilder. You're going to the Gulf Coast or New England. Anybody we bring from those areas – anybody we attempt to bring from those areas – typically are shocked by the cost of living here and very often choose not to come because of it… …the sticker shock is usually lethal…"

"We had a person who we were trying to hire out of Pittsburgh. He didn't come to San Diego because of quality of life issues… from Pittsburgh! From that person's vantage point, San Diego is simply not attractive."

Some companies find they have to provide extra financial incentives, or financial assistance, to recruit highly valued employees. The head of one of the region's cable television systems commented, **"… invariably we have to pay substantial amounts of mortgage differential for five years to get people to move into this market. Otherwise I couldn't bring the people that have the expertise into the market for leadership positions. And these are high paying jobs too, so that's tough."**

"They want to move out of here. To be just blunt, they want out…"

For firms that need to recruit high value-added employees from other parts of the country, San Diego's quality of life, even its vaunted climate, is not as strong a selling point as it has been in the past. Employees and job candidates are less willing to make tradeoffs in their quality of life (e.g. housing costs, traffic congestion, an overall high cost of living) to come to San Diego. The President of one of the region's major universities offered a specific example, **"We had a person who we were trying to hire out of Pittsburgh. He didn't come to San Diego because of quality of life issues… from Pittsburgh! From that person's vantage point, San Diego is simply not attractive. Forget the beaches, forget it…not attractive… that's the sort of thing we hit…"**

6 – Firms Are Experiencing New Difficulties in Retaining Employees

The interviewed firms cited many examples of employees who have had to leave the area because a quality of life concerns. Again, this phenomenon seems to span all classes of employees and income levels. The CEO of a regional shipbuilding firm offered a poignant example:

"It's always painful when it happens, but one comes to my mind. It was very explicitly said; he had a family and kids and he said, 'I can never get ahead here. I'll never be able to get a decent home,' and so he went down to Alabama…"

The issue becomes particularly salient for national or multinational firms who have substantial operations, with comparable positions, in other places. One CEO provided a blunt comment on this fact, **"They want to move out of here. To be just blunt, they want out. They came here – an incredible job opportunity – and then after they're here a few months, and they've been to the grocery store, and they've paid that mortgage payment on a house that's smaller than they had before, but more expensive than they had before… there's a high level of frustration…"**

A regional biotechnology firm offered a similar case study:

"… we have actually lost employees who said, 'I have to move because of traffic, because of the cost of living,' especially if they're trying to start a family, buying a house. I remember one that was a very important scientist to us, who was going to start a family, and said, 'I can go to Utah and

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have five times what I can have here. I have land, my children can grow up in a free, safe environment'… being able to raise a family, start a family, afford a family, and not be house poor is important."

7 – Many Employers Are Unfamiliar with Public Policy Measures Designed to Address Quality of Life Issues in San Diego

Perhaps the most troubling finding from this exercise is that many of San Diego's largest employers are unfamiliar with strategies being undertaken by local government to address San Diego's declining quality of life. For example, many of the interviewed executives were not familiar with the City of San Diego's "City of Villages" strategy to update its master plan. Most of the employers had never heard of Transit First – the comprehensive transit development plan being pursued by the Metropolitan Transit Development Board (MTDB).

However, most of the interviewees expressed an interest in participating in some form of a collective solution to San Diego's quality of life challenges. Almost every participant voiced willingness on the part of their company to attend an initial organizing and briefing meeting to discuss the results of the project and explore potential next steps. The San Diego Regional Economic Development Corporation and San Diego Dialogue will be pursuing this opportunity in the coming months. One executive, who represents a Fortune 500 company, stressed the need for private sector leadership to become more involved in these issues:

"I think the issues that large communities have are too complicated not to be solved through collaborative work… the challenge is for public/private partnerships to be sponsored and born with the future in mind, but in reasonable time periods…"

San Diego Dialogue would like to thank the leaders of the following companies and regional institutions for participating in our survey of "CEO Perspectives on San Diego's Quality of Life."

Agouron Pharmaceuticals
Alliance Pharmaceuticals
Callaway Golf Company
Children's Hospital and Health Center
CONVIS
Copley Newspapers/San Diego Union-Tribune
Cox Communications
Cubic Corporation
Gateway, Inc.
General Atomics
Gen-Probe
Grossmont Cuyamaca Community College District
HNC Software
IDEC Pharmaceuticals
Kaiser Permanente
Kyocera America, Inc.
Leap Wireless International Inc.
National Steel and Shipbuilding Company (NASSCO)
Pacific Bell
Palomar Pomerado Health System
Qualcomm, Inc.
The Salk Institute
San Diego Community College District
San Diego State University
Science Applications International Corp. (SAIC)
Scripps Health
SeaWorld San Diego
Sempra Energy
Solar Turbines, Inc.
Southwest Marine, Inc.
United States Postal Service
University of California, San Diego
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San Diego Dialogue's Cross-Border Economic Bulletin

Are incomes in Baja California "Catching up" to San Diego?

Dr. Jim Gerber, professor of economics at San Diego State University and San Diego Dialogue's Economic Research Fellow, writes the Cross-Border Economic Bulletin

Since the early 1990s, economists have written extensively about income convergence between geographical regions. Not surprisingly, the idea of "convergence" has several definitions, but perhaps the most salient addresses the question whether incomes in one region are catching up to the level of income in a comparison region. For example, are incomes in Baja California catching up to the level of incomes in San Diego and Imperial Counties?

This particular question is important because it tells us a lot about the effects of US-Mexico integration. For example, a lack of income convergence would imply that a further deepening of the US-Mexico economic relationship might not have any effect in reducing average income differences. If incomes are not converging in the border region, where integration between the US and Mexico is most intense, then many of the pressures on US-Mexico relations—environmental contamination, migration, institutional capacity to enforce rules, trade and investment conflicts, etc.—are unlikely to diminish over time. This would be a worrisome prospect, as it would fly in the face of the assumptions of US and Mexican policymakers about the benefits of economic integration.

This issue of the Cross Border Economic Bulletin examines the issue of income convergence in our local border region. Its main findings are:

- There is no evidence of income convergence when pesos are converted to dollars at market exchange rates, **but**
- Failure to control for purchasing power differences between the peso and the dollar is misleading;
- Income convergence is very evident when purchasing power differences between the peso and dollar are taken into account;
- The historical pattern shows no income convergence from 1970-1985 and strong convergence from 1985-1999;
- Two forces behind income convergence include (1) a more rapid increase in worker productivity in Baja California than in San Diego or Imperial Counties; and (2) an increase in the share of Baja's population that works.

The local pattern

The US Department of Commerce estimates annual income at the county-level but no Mexican agency provides equivalent estimates at the municipio-level. Since Mexico's national statistical agency only publishes state-level data, city (municipio) incomes for Tijuana, Tecate, Mexicali, and other border jurisdictions have to be estimated. To my knowledge, no one has attempted to do this in a systematic way. However, using employment data from Mexico's decennial Censuses of Population and Housing, it is possible to construct reasonable values based on (1) total state income, broken down by economic sectors and (2) the share of municipio employment in total state employment, again broken down by economic sector.

The result is a time series of estimates of income for each of the border municipios, in pesos. Given the purpose of this exercise, US dollars are used to compare incomes across the border. The estimates are shown in Table 1.

Table 1: Output per capita, US$, market exchange rates

	1970	1985	1999
Mexicali	957	3,102	6,366
Tecate	927	2,761	5,800
Tijuana	1,122	3,182	6,800
Imperial Co.	4,736	13,399	20,951
San Diego Co.	5,693	19,802	35,204

Source: Author's calculations based on data from the US Department of Commerce and INEGI.

According to Table 1, Mexican incomes remain approximately the same 17-20 percent of San Diego income in 1999 as they were in 1970. Clearly there is no catching up, and the situation could even be described as having deteriorated, given that the absolute difference between San Diego and Tecate, the poorest region, widens from about $4,700 to $29,000. Even if adjustments for inflation between 1970 and 1999 are taken into account, the real gap widens in absolute terms.

Table 1 is useful for understanding the purchasing power of Mexican income earners who convert their pesos to dollars and spend them in the US. This is the sort of information that a US exporter might want to have if they are trying to sell US-made goods in Mexico. The numbers in Table 1 are absolutely misleading, however, if they are used to estimate the purchasing power of Mexican incomes inside Mexico. The reason for the distortion is that prices are not the same in Mexico and the US, so that 6,800 US dollars in Mexico buys a larger basket of goods and services than it buys in the US. **In other words, an accurate comparison of living standards requires a further adjustment to allow for differences in prices between the US and Mexico.**

Table 2 shows the same information as Table 1, but adjusted for purchasing power differences in the two countries, and price changes over time. The estimates in Table 2 use information from the International Comparisons Project at the University of Pennsylvania, which is updated in the Penn World Table of international comparisons (http://pwt.econ.upenn.edu/). Estimates given in Table 1 are adjusted to capture the differences in the peso's purchasing power inside and outside Mexico.

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Table 2: Output per capita, 1985 US$, purchasing power parity

	1970	1985	1999
Mexicali	5,482	6,995	10,398
Tecate	5,312	6,228	9,474
Tijuana	6,432	7,176	11,106
Imperial Co.	13,134	13,399	13,532
San Diego Co.	15,789	19,802	22,737

Sources: See Table 1; Penn World Table (http://pwt.econ.upenn.edu/).

Once price differences are taken into account, convergence in incomes is evident. Mexican border incomes in Baja California are about one-third of San Diego incomes in 1970. They maintain about the same one-third of San Diego incomes until approximately 1985, but start to close the gap thereafter. By 1999, they are about one-half San Diego incomes.

The pattern along the US-Mexico border

Looking beyond local conditions in the California-Baja California border region, the pattern of convergence repeats itself along the entire US-Mexico border. Little or no income convergence takes place from 1970 to 1985, followed by significant convergence from 1985 to 1999. Statistically, the rate of convergence is a little over 2 percent per year, at which rate about half the income gap disappears in approximately 27 years.

It is significant that convergence appears sometime in the mid-1980s (given the gap in years, it is impossible to be certain about the year-to-year pattern or to precisely date the turnaround) since that is the period when Mexico began its economic policy reforms. For example, Mexico joined the General Agreement on Tariffs and Trade (GATT, now subsumed under the WTO) in 1986, and a few years later opened the NAFTA negotiations.

It is also significant that the speed of convergence is propelled by the much faster growth that has taken place in Mexican border cities in the states of Coahuila and Chihuahua, located in the central part of the border region. Growth rates of income and productivity have been much higher in that region, and the income gap has closed faster.

Why convergence occurs

Standard economic theory predicts income convergence between developing regions and high income, industrially developed ones. The reason for the prediction is that capital is scarce in the former and abundant in the latter, causing rates of return to be higher in low income areas, and capital to flow into them. It's a nice theory, but looking at data from around the world, it does not hold empirically. In most cases, the gap between rich areas and poor areas has grown, and has created a large and growing economics literature devoted to explaining the patterns.

Many economists share the idea that there are "convergence clubs," which are regions or groups of relatively homogeneous countries where differences diminish over time (for example, countries in Western Europe). The forces responsible for the pattern of convergence within groups is still debated, but at least some economists believe that there is a type of "contagion" that works in the economy. Contagion can happen through the integration of markets, investment and trade flows, labor flows, technology sharing, educational institutions that cross boundaries, and any number of other forces that lead to border crossing. It is not difficult, then, to see the US-Mexico border in these terms.

In particular, the data show that productivity has grown much more rapidly in the border region of Mexico. This is precisely what one would expect given the social and economic integration of the border and the resulting opportunities for US, Asian, European, and other investment to bear fruit.

Table 3 shows labor productivity in constant dollar (1985 dollars) purchasing power parity terms. From this perspective, the productivity differences between a worker in Tijuana, and one in the Imperial Valley, is almost insignificant. Indeed, comparisons along the entire US-Mexico border show that a number of US counties have lower productivity than a number of Mexican cities, or municipios.

Table 3: Output per worker, 1985 US$, purchasing power parity

	1970	1985	1999
Mexicali	21,424	20,987	28,362
Tecate	21,551	18,714	27,496
Tijuana	23,956	20,466	30,487
Imperial Co.	28,666	32,245	31,016
San Diego Co.	33,262	36,072	38,526

Sources: See Table 2.

Conclusion: What we haven't measured

Income convergence along the border is happening, but it is worth clarifying what has not been measured in this exercise. In particular, the estimates in this Bulletin are based on a regional—county or city—equivalent of gross national product per person. The local estimates vary by state income, structure of the economy, and the number of people working in each sector, but it is a crude measure of the total value of output. In particular, it does not measure distribution, either within the region, or between the region and the rest of the country. For example, if Mexico City takes a large share of the output in the form of taxes, and returns a smaller share of the output in the form of revenues to cities, it is not reflected in the numbers. In addition, the numbers are an average value based on a calculation that assumes everyone is given an equal share of the pie. Inequality in the distribution of income, which is very high in Mexico by world standards, is also not reflected in the data. And finally, all the usual "bads" of an economy escape measurement in the figures on national and regional output, with environmental damage and crime among the more prominent of these.

In spite of these limitations, it is heartening to see that the region is not forever doomed to its current income asymmetry. In particular, the closing of the productivity gap, as shown in Table 3, is the only long run foundation for reducing the US-Mexico income gap.

A longer version of this Bulletin is available on the author's website at: http://www-rohan.sdsu.edu/faculty/jgerber/abs2002.pdf.

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How to Make Smart Growth a Reality in San Diego

The Business Advocates - they want a financing package that will facilitate near-term relief from traffic congestion and are suspicious of strategies that put too much money into habitat preservation or unproven transit systems. They also want to generate new money that will help get housing built in the region, particularly in the central city. But they don't want to be perceived by their own members as supporting a tax increase that disproportionately impacts business.

The Environmentalists - they want money for habitat acquisition and open space preservation and also to fund water and sewer infrastructure improvements that will increase the quality of our water and reduce beach closures due to sewer breakages/spills. They also want a financing regime that discourages sprawl, in order to preserve habitats in the future and reduce pollution from urban runoff. With a few exceptions, I don't think they care about the cost of housing in the region.

The Citizen "Watchdogs" - they want any new money generated as part of a financing package to be spent well and they want proof, up-front, that new public investments will be tied to real performance criteria. I don't think they have any specific priorities within the three main quality-of-life issues (habitats/open space, housing costs and traffic congestion/mobility).

Consider the dilemma that these players confront:

1) There isn't enough money in a TransNet reauthorization to get everyone what they want, but TransNet needs to be the backbone of a smart growth financing package, so it should be renewed and the resulting funds should help to support the needs of these competing interests in some manner.

2) Based on current polling and the mood of the public, if any of these major interest groups opposes a TransNet reauthorization ballot measure it will fail, so there should be a strong incentive to cooperate.

3) The logical way for everyone to cooperate would be to develop a jointly endorsed financing package that gets everyone most of what they want, and to implement that package in tandem with reauthorizing TransNet.

4) Preliminary polling suggests that combining multiple functions or uses of funds under TransNet reduces its appeal to the voters. But our work, including the Choice-Work Dialogue exercises, suggests that citizens can "connect the dots" and will embrace an integrated strategy. But again, it's only going to work if no major interest group is campaigning against the initiative.

Recent news suggests that these issues must be resolved in the next two years. San Diego's water quality has fallen to such low points that we are at risk of coming under direct Environmental Protection Agency (EPA) sanction. We are rapidly approaching the point where home ownership will be an option for less than a quarter of San Diego's households. And MSCP will fall apart if new funds don't soon emerge to spur public acquisition of habitat. Plus our own research (highlighted in this issue of the *Report*) notes that declining quality of life is undermining the competitive advantage of our regional economy.

In particular, I think regional corporate leaders could make an extraordinary difference in this game if they were to endorse an integrated approach to financing a more sustainable pattern of growth.

So let the games begin....