

Building a Resilient and Equitable Bay Area

Toward a Coordinated Strategy for Economic Localization



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OUR VISION – LOCALIZATION AS A TOOL FOR SUSTAINABLE ECONOMIC DEVELOPMENT

Since the close of World War II our global economic system has evolved into a highly amplified version of David Ricardo’s model of specialization and comparative advantage, which mandates that a given economy should focus on producing what it does the best and trade for all other goods and services.¹ While liberalized trade has certainly expanded markets, helped weed out inefficient operations, and kept prices of many consumer goods low, it has come at a steep price. The rusty shells of once prosperous manufacturing plants illustrate a loss of economic diversity, declining real wages and working conditions, increasing inequality, offshoring of environmental degradation, and a concentration of financial capital and economic decision making in global corporations whose wealth dwarfs the gross national product of entire countries. Moreover, the increased trade inherent in such a specialized global economy assumes low transportation costs – an assumption that leaves us highly vulnerable to inevitable supply and price shocks in the post peak-oil era.

Over the past two decades, a burgeoning global movement of policy makers, non-governmental organizations, businesses leaders, and concerned citizens has been advancing a new paradigm of economic development based on economic localization – restoring the capacity of communities to sustainably feed, clothe, house, and power themselves with the know-how, natural resources, and financial capital inherent to their own bioregions and the people who reside there. Economic localization holds great promise as a strategy for creating a wider range of local jobs and institutions, shielding our economy from global shifts, increasing the diversity and quality of goods and services we consume, distributing economic benefits in a more equitable manner, and protecting our environment.

Despite these compelling benefits, economic localization has yet to become a matter of public policy formally embraced by our political representatives or emphasized in the economic development plans and programs of our municipal, county, state, and federal agencies. Instead, many Bay Area economic strategies continue to overemphasize export-led growth and subsidies to attract global corporations. For example, a key economic vision for the City of San Jose is “a cosmopolitan, international city for leading businesses and talent from around the world.”² This overdependence on the international economy leaves our communities highly vulnerable to global shocks, as evidenced by the dot-com boom and bust of the past decade and recurring energy crises.

In the spring of 2006, Redefining Progress, Bay Localize, the Business Alliance for Local Living Economies, the International Forum on Globalization, Post Carbon Institute, and the Center for Sustainable Economy joined together to promote an alternative strategy to bolster the Bay Area's economy by emphasizing small, locally owned, ecologically sustainable, and equitably distributed businesses in the energy, food, transportation, housing, manufacturing, and financial sectors. We believe there is overwhelming public support for all nine Bay Area counties and their cities to work together to devise and implement an economic localization strategy for these sectors (and others) through a creative mix of both public and private sector initiatives. This paper explores the benefits and potential components of such a strategy.

WHAT IS ECONOMIC LOCALIZATION?

Economic localization is the process by which a region, county, city, or even neighborhood frees itself from an overdependence on the global economy and invests in its own resources to produce a significant portion of the goods, services, food, and energy it consumes from its local endowment of financial, natural, and human capital. Economic localization is achieved in three dimensions: (a) localization of goods and services, (b) localization of economic decision-making, and (c) localization of the urban landscape.

Economic localization brings production of goods and services closer to their point of consumption, reducing the need to rely on long supply chains and distant markets so that communities and regions can, for the most part, provision themselves. While it is certainly not possible to produce every kind of good and service locally, economic localization seeks to restore an efficient balance between local production and imports that reduces local economic vulnerability and minimizes the negative social and environmental externalities of inefficient trade.

Decision making in economic localization is based on the fundamental principle of subsidiarity, which author Michael Shuman describes as the idea that "power should always be exercised at the level closest to the people affected by a decision."³ Policies based on subsidiarity would assist local communities in regaining the power to determine and control their preferred economic and political paths.⁴ In this way, policymakers can tailor decisions to better address the diversity of local resident concerns and circumstances, while more readily identifying and correcting mistakes. This level of control may focus attention on nurturing the geographic or demographic segments of a population that have been economically marginalized – as opposed

to reinforcing entrenched economic, environmental, and social inequities and further marginalizing those communities.

In contrast, globalization has concentrated economic decision-making in unaccountable and undemocratic entities such as the World Trade Organization as well as global corporations that are often more powerful than many governments. In fact, of the hundred largest economies in the world, 51 are now global corporations.⁵ The WTO serves as a global government to protect the rights of these corporations, empowered with judicial, legislative, and executive powers that respectively write, adjudicate, and enforce its world trade rules at the expense of local and national democracy.⁶

Subsidiarity calls for decision-making to take place first at the community or municipal level wherever feasible, and then proceed upward to the county, regional, state, national (or federal), and then international levels. In 1993, the concept of subsidiarity became a founding basis for governance under the Maastricht Treaty of the European Union, rendering it a general principle applying to the entire range of EU policies.⁷ In the United States, the conservative notion of states' rights and the progressive notion of community empowerment may find common ground through the complementary ideas of localization and subsidiarity.

A third important dimension of economic localization concerns the urban landscape. Cheap global oil supplies fuel the greater Bay Area's urban sprawl, with households ever more dependent on unsustainably long driving distances to jobs, shopping, and social services. Hefty subsidies for urban area expansion from local, state, and federal agencies further exacerbate the outflow of resources from the urban core. Among the results are increased emissions of greenhouse gases, loss of prime farmland and natural ecosystems, loss of community, and the decline of local businesses in urban centers. Urban sprawl has become one of the nation's most pressing environmental, economic, and social issues.

Localization brings businesses and jobs to where people live. Localizing energy production requires freeing ourselves from dependence on increasingly scarce foreign oil by locating housing closer to jobs, shops, schools, and public transportation. Studies dating back as far as the 1970s show consistently that higher local densities result in lower economic, environmental, and social costs, along with dramatic reductions in natural resource consumption.⁸

WHY ECONOMIC LOCALIZATION SHOULD BE A MATTER OF PUBLIC POLICY

Economic localization offers the Bay Area a tremendous opportunity to disengage from the zero-sum game of unbridled competition with other states and nations for the attention of global corporations. As a result, it would allow the Bay Area to reap a wide array of lasting rewards for the people who live and work here. These include:

A restoration of jobs and economic linkages. Economic localization would restore high-paying, high-quality jobs that have disappeared from the local economy as production has shifted overseas and to other regions. The restoration of local manufacturing operations would amplify economic linkages among sectors and generate additional jobs as income circulates through the local economy rather than leaking out to other nations or regions.

A more rooted and stable local economy. Localization creates new ownership and employment opportunities that are geographically rooted, in stark contrast to the ineffective practice of chasing multinational corporations with economic development incentives. Offering public assistance to multinational corporations will continue to hurt the Bay Area's economy in the short- and long-term. Investment in the Bay Area's own human capital will create ownership and jobs that lead to a more stable local economy.

A diverse and resilient economy. It has been well established that more diverse local economies are more resilient.⁹ Localization would significantly diversify sources of income, jobs, tax revenues, goods, and services in the Bay Area and help create a balanced economy less dependent upon a handful of sectors and on the growing service economy, notorious for low wages, temporal work, and lack of growth opportunities. Localization also would also lead to diversification within sectors, ensuring that there would be many firms using many different management systems and technologies to supply our needs. Management and technological diversity, in turn, would enhance the adaptive and the internal evolutionary capacity of the Bay Area's economy.¹⁰

A secure economy. An economy highly dependent on distant sources for most of its energy, consumer goods, food, and services is subject to a number of vulnerabilities including price shocks and supply disruptions as well as diminished ability to cope with natural disasters and security threats. The imminent likelihood of oil production peaking in the next few years and an almost certain devaluation of the dollar are two pressing examples. Likewise, an economy highly dependent on a few key exports is vulnerable to sudden downturns in demand for its products or labor. Since 2000, Silicon Valley has lost 220,000 jobs, and those jobs that have remained are not keeping pace with the increased Bay Area cost of living and transportation.¹¹

An economy that derives much of what it needs from local sources is far better able to cope with the vagaries of global demand, and be responsive to on-the-ground conditions.

A greater base of local skills and know-how. Because a localized economy requires a more diverse array of goods and services to be provided by local entrepreneurs, manufacturers, and producers, entrepreneurial know-how and the skill sets required are necessarily much broader. Nurturing an expanded base of such know-how, in turn, makes it far more likely that firms will find local talent to fill new jobs rather than be forced to recruit skilled employees from other parts of the globe. This, in turn, reduces local unemployment and underemployment as well as pressure on housing markets, all issues that plague the Bay Area.

A more sustainable urban environment. Economic localization reduces the need for long-distance work commutes and transport of goods, thereby reducing greenhouse gas emissions. Increasing local production makes it far more likely that such production will incorporate sustainable technologies and practices prioritized by nearby communities. Socially conscious reinvestment in inner-city cores deflates pressure to build sprawling new commercial and residential developments in environmentally sensitive areas on the urban fringe.

A larger pool of local capital. Reducing the amount of money leaving the economy to pay for imports and redirecting both public and private investments makes more capital available to jumpstart local production ventures. For example, the state's nearly 26 million registered vehicles consume more than 18 billion gallons of gasoline and diesel each year, making California the second largest global consumer of gasoline.¹² Much of the money we spend on gas and diesel is exported to pay for oil. At current oil prices, Californians export nearly \$40 billion a year through their fuel purchases.

WHAT STRATEGIES WOULD BE NEEDED TO LOCALIZE THE BAY AREA ECONOMY?

Strategy I – Multi-agency coordination

Within the Bay Area are dozens of federal, state, and local public agencies influencing economic development. At the federal level, examples include the Small Business Administration, Economic Development Administration, Department of Housing and Urban Development, Federal Communications Commission, Department of Commerce, and the Department of Agriculture. At the state level these include the Department of Economic Development, the

Trade and Commerce Agency, California Department of Industrial Relations, California Business Investment Services, and the Commerce & Economic Development Program. At the local level, each Bay Area county and municipality has an economic development department and land use and planning department that directly and indirectly influence economic policy.

With so many agencies at work, coordination is key for the success of an overriding strategy such as economic localization. Otherwise, agencies or programs within a single agency may work at cross purposes. For example, within the U.S. Department of Agriculture are programs such as the Market Access Program that promote export-led agriculture as well as programs such as the Community Foods Project that promote community-supported agriculture and local provisioning.¹³ In fact, with respect to economic development, Drabenstott (2005) concludes that “[t]here is little if any coordination across the legion of federal programs.”¹⁴

The Association of Bay Area Government’s (ABAG) Bay Area Alliance for Sustainable Communities is a ready-made framework for such coordination. For example, after an extensive planning process with government leaders, businesses, and non-profits the Alliance developed a Smart Growth Strategy that contains recommendations for incentives and regulatory changes that can be implemented by local governments throughout the Bay Area.¹⁵ This model can be used to develop a planning process, framework document, and package of incentives and regulatory changes addressing economic localization.

Strategy II – Localization as overriding policy

For economic localization to be a matter of public policy in the Bay Area, all federal, state, and local agencies influencing economic development (either directly or indirectly) must commit to the overriding principle of subsidiarity and reformulate economic development goals, objectives, standards, and guidelines to promote localization of production and economic decision-making. Bay Area counties can provide the necessary leadership to make this happen. During the Clinton presidency, the year 1996 was identified as the so-called “Devolution Revolution” as more powers, such as those pertaining to economic regulations and social welfare, were transferred from the federal government to the states. By 1997 the development of the “New Federal Order” meant less intrusion by the federal government into the affairs of state governments.¹⁶ Bay Area governments can use this new authority to assume leadership in economic localization by securing enforceable provisions promoting subsidiarity in all economic development plans and programs administered by federal, state, and local agencies.

Strategy III – Localization as a tool for enhancing social equity

Localization offers private and public agencies working for social justice and a more equitable society a number of options for empowering disadvantaged communities and reversing institutional discrimination. Many aspects of our current landscape demonstrate the negative results of releasing community control to global forces. One example is the now-illegal practice of denying or limiting services and products to low-income and minority communities, commonly known as redlining. Historical real estate redlining by multinational financial institutions led to the ghettoization of many communities in the Bay Area, forcing residents with certain demographic characteristics into areas with limited economic opportunities, plagued by environmental contamination. Today more covert instances of real estate redlining predominate in which services are provided but at higher costs – evidenced by disproportionate sub-prime and predatory lending practices in places such as Bayview/Hunter’s Point and the Fillmore.

Production processes, programs, and services that are accountable at the community level would allow for greater oversight in the distribution of resources, reducing the negative effects of institutionalized discrimination. In an era of increasingly scarce public resources for domestic social programs, it is particularly urgent that cross-sector tools communities have at their disposal be utilized in the most effective and equitable manner. Bay Area residents and locally rooted entities are uniquely positioned to analyze whether this is indeed occurring, but have largely been excluded from the decision-making processes. Through cooperative capacity building and leadership development, the citizenry’s endogenous knowledge can be nurtured and deployed to meet the goals of social and economic equity.

Strategy IV - A sound analytical basis for localization opportunities

A key component of any localization strategy in the Bay Area will be the development of analytical studies to identify the problems and challenges of the present “globalized” economy as well as the opportunities for localizing key sectors. The intent would be to develop a sound analytical basis for policy change. Such studies would need to be conducted at the regional, county, city, and neighborhood level.

First, a leakage analysis would assess the extent to which money is “leaking” from the Bay Area economy to other locations by comparing total spending by residents and businesses on overall goods and services with their particular spending at locally based businesses. The percentage of local purchasing dollars spent in non-local businesses that might otherwise be spent locally

would be an important tool for identifying market opportunities for new and existing local businesses. Neighborhood level assessments would also reveal spots within the Bay Area that are underserved in various sectors, and allow for focused bolstering of their internal resources and access. The leakage analysis could also evaluate spending on locally produced goods versus goods imported from abroad. Economic leakage in the Bay Area can be reduced by identifying and developing local suppliers for products and services needed by area businesses, consumers, and government. In its first year, one such program called Oregon Marketplace linking local suppliers and local buyers generated \$2.5 million in new contracts and 100 new local jobs.¹⁷

In Focus: Self-Reliance Assessments

The figure below illustrates the different categories of information that self-reliance assessments uncover. One of the most important steps is to identify the waste in the system for a given resource. The difference between the current consumption of a resource and the waste in the system – the consumption after potential conservation and efficiency measures is what is really needed. The difference between consumption after conservation and current local production is the minimum current vulnerability. This difference constitutes the minimum vulnerability since it is likely to be quite challenging – if not impossible – to remove all significant waste from the system.

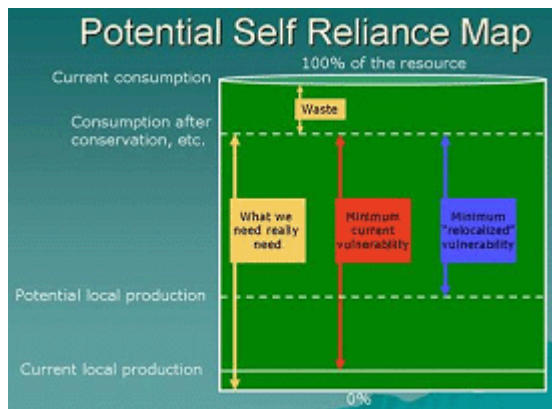


Figure courtesy of Bay Localize.

One key part of the self-reliance assessment is determining the potential for local production and associated opportunities. The difference between consumption after conservation and potential local production is the minimum “relocalized” vulnerability. This represents the share of local consumption that would have to be met by sources outside the area. Ideally, such producers would still be located within the bioregion.

Here in the Bay Area, a retail leakage study conducted in 2001 by the Hausrath Economic Group found that one-third of Oakland residents’ retail expenditures are lost to locations outside of the city, amounting to approximately \$1 billion in lost sales. Although the city has 53 percent of the trade area’s population, “Oakland currently captures only 24 percent of the trade area’s retail sales...Other cities, such as Emeryville, San Leandro, Berkeley, and Alameda capture about 48 percent of their potential retail sales,” noted Oakland’s Community Economic Development Agency (CEDA) in a report delivered to the City Administrator in 2005.¹⁸ The study also revealed that by capturing retail sales that currently leak out to neighboring

cities and outside the trade area, Oakland could generate about \$9.5 million in retail sales tax, translating into significant revenue for this cash-strapped city.¹⁹ This potential revenue capture could help alleviate tremendous social equity impacts in a place such as Oakland by providing resources for programs and services such as workforce development and job placement.

A corollary to leakage studies, an analysis of the local multiplier effect, would allow planners and policy-makers to compare how many times dollars are re-circulated within a local economy through purchases at a locally owned establishment versus a chain store. A research firm called Civic Economics, for example, determined that each dollar spent at two locally owned book and music stores in Austin, Texas, creates more than three times the local economic activity of a dollar spent at a typical Borders bookstore.²⁰

Self-reliance assessments in food, energy, manufacturing, finance, and other areas can help quantify the potential for local production and inform policies that set self-reliance targets in key sectors. As illustrated by the figure on the preceding page, such assessments can be undertaken on the regional, county, municipal, and neighborhood levels and can help communities minimize their vulnerability to price and supply shocks associated with dependence on the global economy.

Strategy V – Self-reliance targets for key sectors

Once the potential for local production of key goods and services is assessed, public agencies can adopt formal self-reliance targets and begin to implement policies and programs to stimulate the transition in the following sectors.

1. Food

Despite being the nation's largest food producer, California currently imports more than half of its food. According to the International Society for Ecology and Culture, California exports 43 percent of its raw farm tonnage, and satisfies 59 percent of our state's demand for raw farm products by bringing them in from elsewhere. Ironically, California imports many of the same agricultural products that it also produces for export, resulting in duplicative trade and wasteful use of resources.²¹

Our food system is particularly energy-intensive and vulnerable to fluctuations in energy prices. The Center for Sustainable Systems calculates that the U.S. food system requires 7.3 units of fossil fuel energy to produce just one unit of food energy. Of this total, approximately

12 percent is used in production, 8 percent in chemical fertilizers and pesticides, 15 percent in transportation, 35 percent in processing, packaging, retail, and commercial foodservice, and 30 percent in home storage and meal preparation.²²

In Focus: Belo Horizonte's Department of Food

The municipal government of Belo Horizonte, Brazil's fourth largest metropolitan area with more than 3 million inhabitants, is ensuring the human right to food while promoting localization.

"I knew we had so much hunger in the world," says city administrator Adriana Aranha, one of the program's masterminds. "But what is so upsetting, what I didn't know when I started this, is it's so easy. It's so easy to end it."¹

Fueled by the belief that food security is a public good on par with education and health, Belo Horizonte established a department to ensure access to food. Using roughly 1 percent of the municipal budget, this department collaborates with community groups, NGOs, and private retailers to fund and coordinate an astonishing array of cost-effective programs that reach every sector of the population.

Many ideas being implemented in Belo Horizonte are also advancing in the Bay Area, including local farm-to-institution marketing programs, urban gardens, farmers' markets, and local low-cost food programs in underserved neighborhoods (such as the People's Grocery Mobile Market in Oakland).

Belo Horizonte has also pioneered innovative programs such as a city-run cafeteria serving thousands of healthy meals to the public each day (usually for under \$1.00), and an urban orchard program that plants fruit trees in low-income neighborhoods for all to harvest.

A vital lesson from Belo Horizonte is that city governments can effectively use their power to fund, coordinate, and implement food security programs¹ In the Bay Area, many nonprofits and community groups still struggle for acceptance of some of these ideas, leaving many untapped opportunities for the public sector to demonstrate support for its oft-stated goal of food security for all.

Income is the biggest factor in enhancing food security, and economic inequalities based on race, class, and gender all too often determine who suffers from a poor diet or goes hungry. A UCLA study estimated that 33.9 percent of the residents of the Bay Area cannot afford enough healthy food, an alarming proportion that rises to 38.8 percent for the Bay Area's African American, Latino, and Native American populations.²³ Increasing costs of living due to rising energy costs could make food insecurity a grim reality for even more Bay Area residents. Fundamentally, more equitable access to education, health care, housing, security, political representation, and

economic opportunity will help enable all members of our communities to put food on the table. Cities including San Francisco, Oakland, and Berkeley have passed resolutions to uphold these basic social and economic human rights – including the right to food – in their jurisdictions. The successful food security programs of the Brazilian metropolis Belo Horizonte provide an exciting and cost-effective model of how municipalities can uphold the right to food while localizing food production (see text box, “Belo Horizonte’s Department of Food”).

Localizing ecological food production, developing better access for local producers to Bay Area markets, promoting fresh food with minimal processing and packaging, and increasing commitments from local governments to improve food security will help keep food plentiful and affordable while stimulating the region’s economy and improving public health.

Localization of the food sector is a viable option for the Bay Area. Although extensive sprawl has taken its toll on arable farmland, the nine-county Bay Area still boasts more than 580,000 acres of dedicated cropland, pasture, and grazing land,²⁴ and the Central Valley and Central Coast hold vast potential for producing a wide variety of foods and agricultural byproducts needed in our region.

A 2005 study published in *Food Policy* documented that buying food from within a 12-mile radius has a more positive environmental impact than buying organic.²⁵ Within urban areas, citizen groups are harnessing the potential of backyards, school yards, community gardens, empty lots, and even rooftops to grow food, providing rich opportunities for nutrition and science education as well recreation, income, community building, and fresh produce. For example, Oakland’s City Slicker Farms grows 2.5 tons of food annually on just seven urban plots totaling 1.25 acres.²⁶ However, the dramatic showdown over the Los Angeles South-Central Farm highlights the difficulty of establishing long-term land tenure agreements for urban farms, and the importance of policies that value community access rights to arable land.

While finding and utilizing arable farmland is a large challenge to food localization, another challenge exists with regard to market access. Finding markets for crops is a challenge for small and medium-scale local producers. Large supermarket chains, which capture the majority of consumer food dollars, tend to purchase from a limited number of regional, national, and international suppliers, reflecting an alarming corporate concentration in the food industry. Local farmers struggle for shelf space and contracts for produce. Institutional buyers such as schools, hospitals, the foodservice industry, and even local governments reflect this same purchasing trend, leaving local farmers with few options.²⁷ Improving distribution opportunities for local food producers will be vital to localizing in food system.

The City of Oakland has taken a step in the right direction by commissioning a citywide food systems assessment.²⁸ This assessment supports several other major studies of our regional food system in making the following major recommendations applicable to the entire Bay Area:

- Increase local farmers' access to markets. Mandate public purchasing of local food from consortiums of small-scale producers to serve in schools, hospitals, and other institutions.
- Support programs that grow and sell food in low-income neighborhoods, including the development of fresh food retailers and liquor store conversions in underserved areas.
- Promote "Buy Fresh, Buy Local" campaigns, including public support for farmers' markets and better opportunities for local producers to supply retail establishments.
- Conduct a review of policy and zoning obstacles to local food production in the Bay Area, and support agriculture zoning designations, zoning maps, and general plans to increase land availability and tenure for both urban and rural farmers.
- Develop Food Policy Councils and Departments of Food within local and regional governments to implement these recommendations.

As the economic and environmental costs of household energy use continue to rise, options such as co-housing and communal kitchens allowing multiple families to share refrigeration and food preparation will build community, decrease energy use, and ease pressure on household budgets.

Ironically, farmworkers are among the Californians most likely to suffer from hunger, due to low household income.²⁹ Upholding fundamental human rights while localizing food production requires sourcing from growers, whether urban or rural, who pay their workers a living wage. This concept is still a difficult one for farmers who face extremely narrow margins, but is supported by major progressive agricultural organizations such as the California Coalition for Food and Farming, the Organic Consumers Association, farmworker organizations, and a growing movement calling for domestic fair trade in agriculture. Paying a living wage across sectors can help ensure that the price of food does not represent a trade-off between the hunger of farmworkers and that of low-income consumers.

2. Energy

Recent trends indicate that industrial and residential electricity consumption throughout California and the Bay Area has been growing steadily. Statewide, total electricity consumption increased by an average of 2 percent per year in the 1990s, increasing by a historically high 4 percent in 2000 – an event that only added pressure to California's already strained electrical

infrastructure.³⁰ Data from the California Energy Commission indicate that Bay Area residential electricity consumption has witnessed a similar rise in recent years, increasing by 9.5 percent from 1992 to 1997 alone.³¹

Unfortunately, such demand has come at a high price for many in the Bay Area. Until its recent closure, a highly polluting PG&E power plant in San Francisco's Bayview Hunters Point district afflicted area residents with cervical and breast cancer rates double those throughout the region. Asthma has become epidemic: 10 percent of all residents and 15.5 percent of children in the district suffer from this disease, according to Dr. Michael Kozart of San Francisco General Hospital.³²

As the use of fossil fuels has escalated over the past century, so too has the atmospheric buildup of "greenhouse gases" – mainly consisting of carbon dioxide, methane, and nitrous oxide – which trap the sun's heat in the earth's atmosphere. Consequently, global warming has become increasingly acute, leading to rising and warming waters and more frequent and intense hurricanes, tornadoes, and other storm systems. Twenty-five percent of the world's greenhouse gases are generated in the United States, more than 80 percent of that attributable to fossil fuel burning to produce electricity and power cars, trucks, and other vehicles.³³ The impacts of global warming in the Bay Area could be far-reaching: increasing heat waves could endanger the elderly and the very young, warmer waters could eliminate cold-water fish from many of our streams, increased wildfires could wipe out our region's signature oak trees, and higher temperatures could make the Central Valley's agricultural lands even more dependent on water diversions from the Bay and Delta.³⁴

With economic and environmental costs rising and concerns over supply mounting, it is vital that our region reduce overall demand through efficiency and conservation. A study by the American Council for an Energy-Efficient Economy (ACEEE) shows that California could feasibly achieve a 10 percent gain in overall efficiency in both electricity and natural gas use over a ten-year period.³⁵ A recent study by the Natural Resources Defense Council and the Silicon Valley Manufacturing Group found California could cost-effectively slash its electricity needs by at least 5,900 MW – equal to the combined output of 12 giant power plants – through strategic energy efficiency investments over the next decade. These investments could return \$12 billion to Californians' pocketbooks.³⁶

On the supply side, our state and region hold huge promise for the development of renewable energy sources. Under California's Renewable Portfolio Standard (RPS), electricity suppliers must provide up to 20 percent of electricity from renewable sources by 2010. Toward this end, California could collect and utilize an estimated 30-40 million tons of biomass each year for

renewable energy generation, with a prospective annual retail value of more than \$4 billion, potentially creating 14,000 primary jobs and slashing annual greenhouse gas emissions by more than 13 million tons.³⁷ California's recently passed "Million Solar Roofs Initiative" could help deploy 500 megawatts' worth of photovoltaic (PV) solar systems by 2010,³⁸ much of which would be particularly feasible in commercial and industrial zones in the Bay Area where peak demand coincides with daylight hours. Tidal energy from water flow into the San Francisco Bay is estimated to be capable of generating as much as 38 megawatts of power – enough to power 38,000 homes³⁹ – and combined potential wind energy at six prime San Francisco sites is estimated at just over 64,000 kilowatt hours annually.⁴⁰

3. Transportation

Thanks to historically cheap, abundant fossil fuels and policies favoring private automobiles, the energy intensity of our transportation system has reached unprecedented levels. Nationally, 27 percent of all energy is dedicated to transportation.⁴¹ Here in California, transportation accounts for roughly 35 percent of overall energy consumption and more than 85 percent of total petroleum use. What's more, California's transportation sector is more than 99 percent dependent on fossil fuels.⁴²

According to data from the California Department of Transportation, vehicle miles traveled in the nine-county Bay Area increased by more than 20 percent between 1990 and 2000. Every day, area residents travel approximately 148 million vehicle miles,⁴³ and buy more than 8 million gallons of gas.⁴⁴ Rising gas prices are taking an increasingly heavy toll on Californians' pocketbooks and the state's economic health. Consumers saw crude oil skyrocket from \$28 per barrel in late 2003 to over \$78 per barrel in July 2006.⁴⁵ Based on prices as of May 1, 2006, approximately \$26 million a day and \$9.5 billion a year is spent on gasoline in the Bay Area, with much of that money siphoned to distributors, refineries, importers, and producers outside the region, as well as to oil-producing countries.

Overall demand for liquid fossil fuels is now approaching and may soon exceed supply, while spare capacity in the oil supply system is at historic lows. Though prices moderated for a time in the latter half of 2006, geology tells us that global extraction of oil will peak – as early as 2010 according to the Association for the Study of Peak Oil⁴⁶ – and then go into inexorable decline, approximating the downside of a bell curve. This inflection point, referred to as "peak oil," represents the point when half the original endowment of economically extractable oil on the planet has been burned. With 54 of the 65 largest oil-producing nations now reporting declining production levels⁴⁷, concern that oil may soon peak is now a factor in industry and government planning. "We now find one barrel of oil for every four we consume," warns pe-

troleum geologist Dr. Colin Campbell⁴⁸, author of *The Coming Oil Crisis*. According to a U.S. Department of Energy-funded report, *Peaking of World Oil Production*, it would take two decades to implement an orderly transition away from our oil-centered transportation system.⁴⁹

Our own state's capacity to produce oil is also in steady decline. In 1982, California-supplied petroleum amounted to about 366 million barrels, or 61 percent of total supply. As of 2005, that amount had decreased to about 241 million barrels, or 37.2 percent of total supply.⁵⁰ Given this level of dependence on petroleum and declining in-state supplies, California's economy – and hence the Bay Area's – is increasingly vulnerable to the exigencies of international energy markets. Thankfully, vast potential exists to increase fuel efficiency, thereby reducing our dependency. A recent ACEEE assessment notes that by increasing the average U.S. vehicle fuel economy to 47 miles per gallon (MPG) we could cut fuel consumption by 43 percent per mile⁵¹ – a move that could reduce California's vehicular gasoline consumption by as much as 7.3 billion gallons annually.

In addition to the economic and environmental challenges, our dependence on oil creates disproportionate health problems for the most vulnerable in our region. Low-income segments of the population are the first and hardest hit by rising transportation energy costs, and may not be able to afford the increasing costs of car ownership and fuel. At the same time, a number of underserved communities do not have adequate access to mass transit for travel to work, school, and other essential destinations. The San Francisco Bay Area is also challenged by significant air quality issues, particularly in low-income communities, due mainly to fossil fuel processing and burning for transportation. In the East Bay, a wide range of dangers predominate, including toxic refineries and particulate matter from heavy traffic flows. According to Carla Perez, a community organizer for the Oakland-based Communities for a Better Environment, Richmond's five major refineries routinely flare excess gas, leading to respiratory infections, asthma attacks, eczema, and eye irritations among the city's nearby residents, most of whom are low-income people of color.⁵²

Localization provides a conceptual and practicable alternative to oil dependence in transportation. Localizing the transportation sector would entail a number of interwoven strategies, including:

- Energy conservation through changes in land use and transportation patterns
- Renewable electrification for enhanced mass transit, light rail, and plug-in hybrid vehicles
- Sustainable production of biofuels from regional sources

a. Energy Conservation Through Smart Growth and New Urbanism

To reduce costs to consumers and the environment, transportation energy use can be cut significantly in the Bay Area. The bundle of land use strategies often called “smart growth” offers a tested, widely accepted, conservation-based solution. As described by the Smart Growth Network, these strategies follow a series of principles, several of which emphasize encouraging mixed land use, creating a range of housing opportunities and choices, directing development toward existing communities, providing a variety of transportation choices, and taking advantage of compact building design.⁵³ Essentially, smart growth is a concept of community planning that results in dense mixed-use and mixed-income development in existing communities and near transit. Smart growth enables residents to live closer to transit, their workplaces, and other key destinations, which also assists reducing a community’s carbon emissions and particulate pollution. A similar school of thought called New Urbanism incorporates a number of urban design features, including wide sidewalks, street trees, narrow streets, and small building setbacks that encourage walking and help build a sense of community.⁵⁴ These strategies are particularly effective at reducing energy consumption associated with private vehicles, thereby facilitating the localization of transportation.

b. Renewable Electrification and Enhanced Transportation Options

Localizing transportation should go beyond conservation measures to address the source and production of transportation energy. Most transportation currently serving the Bay Area is powered by either gasoline or diesel fuel, in addition to some transit powered by electricity, the bulk of which is generated from coal or natural gas. Localizing transportation would entail the generation of cleaner, sustainable energy – in the form of renewable electricity and biofuels – to power a diversified transportation system. Transportation modes such as heavy rail, light rail transit (LRT), electric trolley buses, and plug-in hybrid automobiles can eventually be powered by renewable electricity generated in the Bay Area (see potential of renewables as described in the previous section on energy). Renewable electrification offers many benefits, including increased local economic activity, lower fuel costs and fuel vulnerability, lower levels of pollution and greenhouse gas emissions, less noise, and greater acceleration, leading to improved service.

Some existing services like the LRT in San Jose and San Francisco and much of the bus system in San Francisco are already electrified. Other travel modes such as heavy inter-city and commuter passenger rail can benefit from electrification as well. Caltrain’s service between San Jose and San Francisco currently operates on diesel, but an electrification strategy was implemented beginning in 1992 with the goal of transitioning to electricity by 2010. Funding difficulties have obstructed progress on the project, but Caltrain recently renewed its commitment to electrification by 2014 and contracted with PG&E to perform a feasibility study of its capac-

ity to deliver the required electricity. Caltrain CEO Mike Scanlon recently stated, “We’ve really got to get serious about electrification. The sooner we can get off our dependency on foreign oil, the better off we’re going to be.”⁵⁵ Indeed, transitioning to electrified urban rail of all types in both large and small cities – if implemented properly – could save 4 percent of U.S. oil use (6 percent of transportation oil use).⁵⁶

Transit authorities across the Bay Area – with the support of regional, state, and federal transportation agencies – should assess their energy plans and consider following Caltrain’s lead toward electrification and local transit sustainability. Local governments can assist them by planning the dense mixed-use neighborhoods that support greater transit activity.

c. Regional and Sustainable Biofuels

Another opportunity for localizing transportation in the Bay Area lies in the development of sustainably produced biofuels. Biofuels such as biodiesel and ethanol can be produced from crops and from a variety of sources. These fuels are becoming price-competitive as gasoline prices rise and governmental agencies increase their subsidies. Biodiesel is a petroleum diesel substitute manufactured from plant oils, including grease and other waste oils. Any diesel engine can be powered by biodiesel without retrofit. Ethanol is an alcohol derived from corn, sugar cane, and other plant sources. Some “flexible fuel vehicles” (FFV) are already on the road, capable of running on an E85 blend of 85 percent ethanol and 15 percent gasoline. With most gasoline sold in the state containing 5.7 percent ethanol, California is now the largest market for fuel ethanol in the United States.⁵⁷

Biofuels burn cleaner than petroleum products, can be produced domestically, and are renewable in the sense that their feedstocks can be cultivated indefinitely on a sustainably managed plot of land.⁵⁸ However, biofuels present a number of problems in terms of their sustainability and localization potential. To the extent that biofuels are derived from crops grown specifically for that purpose, their development may contribute to the conversion of vast swaths of land elsewhere to industrialized monoculture corn or soybean production – with its attendant pesticide and fertilizer use, mechanized cultivation and processing, and global transportation, all enabled by cheap fossil fuels. Similarly, distant ecosystems and local economies risk disruption from the industrialized production of biodiesel; for example, areas in Malaysia and Indonesia are experiencing rapid decline in ecological health due to the intensive production of palm oil for biodiesel.⁵⁹

Despite these challenges, biofuels may yet hold great promise for supplementing conservation and electrification in the pursuit of a localized transportation system. Existing producers, distributors, and retailers like the Coastside Greenride in Pacifica and Bay Area Biofuel in Rich-

mond have already demonstrated the market viability of biodiesel and other biofuels. To ensure the responsible expansion of this market, Bay Area agencies, businesses, and residents should pursue a strategy specifying that certain benefits accrue to our region. In particular, the Bay Area should give preference to biofuels that are produced in our bioregion in an equitable and sustainable manner. Research and policy formulation should be conducted around the science, sustainability, and socioeconomics of biofuels, including such strategies as:

- Comprehensive, locally-focused collection and reprocessing programs to maximize reuse of waste oils for biofuel production.
- Maximizing the number of Bay Area jobs and other economic opportunities, with a generous allotment going to low-income and underserved communities.
- Sustainable production of feedstock through small-scale, diversified agriculture.

Potential cultivation of cellulosic woody plants native to the region that may be processed into ethanol with fewer chemical applications and greater energy efficiency. While traditional ethanol is produced from the sugars in food crops, cellulosic ethanol is a developing technology that utilizes the cellulose found in most plants and a variety of urban, forest, and agricultural waste sources.

4. Housing

Affordability of Bay Area housing is now at an all-time low. According to the California Association of Realtors, only 16 percent of our region's households can afford a median-priced home, and this number drops as low as 12 percent for households in Contra Costa and San Mateo Counties and 10 percent in San Francisco.⁶⁰ While economic growth has soared in recent years, housing growth has not. Nearly 500,000 new jobs were created in the Bay Area between 1990 and 2000, yet fewer than 200,000 new housing units were built.⁶¹ This imbalance, coupled with accelerating gentrification, has the potential to further exacerbate housing affordability, especially for the urban poor and communities of color.

In the 20th century, African Americans participated in the migration from rural communities into the city, only to watch the inner cities become dilapidated from lack of investment and be destroyed by the inopportune siting of highways and mass transit as suburbs grew up around the city core. This trend was enabled by the advent of low-cost automobile transportation and GI bills for whites returning from WWII. The preeminence of the automobile in transportation was greatly assisted by an alliance among General Motors, Firestone, Chevron, and several other companies to buy and rip up streetcar systems throughout the country under the guise of

a front company. For most of the second half of the 20th century, white flight and exclusionary blockbusting practices were in full effect as 90 percent of development and 75 percent of new jobs went to suburbia. Hence, "suburban sprawl" and "job sprawl" were added to the American lexicon. Social critic Jim Kunstler notes that today's U.S. economy is centered on the building, servicing, and accessorizing of suburbia.

Today a counter-trend seems to be emerging; sprawl is on the defensive, being assailed for its many shortcomings while more attention focuses on urban areas. Affluent people and companies previously located in the suburbs are returning to the city. Some call this "regentrification," meaning the "gentry" is moving back, reclaiming the city from its poor and less powerful inhabitants. The term is controversial as it implies that the people moving in are a higher class in terms of culture and morality. This phenomenon is also referred to as urban renewal. Yet neither term adequately encapsulates the reality of what happens to the displaced residents.

Whether by choice or economic reality, large swaths of former inner-city Bay Area inhabitants have been moving to suburbia with large standardized houses and long commutes. It's happening all over the Bay Area, in West Oakland, East Palo Alto, and Bayview Hunters Point. To be sure, a sign of achievement in the black community has been moving out of the hood, and the large tract homes in outer Contra Costa and Solano counties are certainly luxurious by global standards – now averaging around 2,500 square feet.

Bayview Hunters Point, along with nearby Visitation Valley and the Outer Mission district, house 73 percent of San Francisco's African-American population. In April 2006, San Francisco Redevelopment Agency commissioners unanimously approved a plan to redevelop 1,400 acres in Bayview Hunters Point. At an earlier hearing, several public commentators described the Redevelopment plan as "a social hurricane...sweeping people out of their homes."⁶² The plan now awaits Board of Supervisor ratification. Many in the African American community fear Bayview Hunters Point will suffer a fate similar to that of the Fillmore in the mid-1960s, where the Redevelopment Agency used eminent domain-style gentrification to remove poor residents.

Accelerating migration to urban centers – and if not properly managed, gentrification – will almost certainly flow from escalating energy prices. As the costs of gasoline and other aspects of the suburban infrastructure escalate, higher income suburbanites will find the possibility of living closer to their workplace or transit increasingly enticing and more economically viable than the suburbs. Using funds from their suburban home sales to secure a spot in the city will be a no-brainer for many, even before a full-scale energy crisis is upon us. Popular culture will

shift, further embracing the “urban lifestyle” as money, resources, and people flow into previously marginalized areas.

As economic localization reshapes the Bay Area economy and landscape, policies must be in place to ensure that the seemingly inevitable energy-driven urban migration works for existing residents. Can change be managed to yield cities that are more self-reliant in energy, food, and manufacturing; less energy intensive for private transport, and more inclusive and equitable? Affordable housing (as well as jobs) is often thought of as the best ways to stave off gentrification. At the same time, any housing needs to be built in the context of a community redevelopment effort for a post-fossil fuel-based future (see previous section on transportation).

The continuing and accelerating urban migration could provide the impetus for relocalizing the urban landscape, thereby providing much needed affordable housing and simultaneously reconfiguring communities for less private transport and energy. Socially just urban development emphasizes sufficient affordable housing to accommodate the existing residents and their children within the context of a community featuring all important social institutions within walking distance, including local food markets, effective public schools, libraries, recreation areas and parks, health clinics, locally rooted retail, service, and manufacturing businesses, and churches, as well as access to public transit. The new housing complexes should follow the latest green building standards and ecological design principles, incorporating urban agriculture, local energy generation, and gathering areas. Construction services and materials should be sourced from locally-owned, ecologically committed companies and local materials suppliers to the greatest extent possible.

In such a transition, co-housing could further reduce energy consumption, reduce living costs, and build community. In co-housing, each family has a private living and sleeping areas, as well as access to common areas for dining and other activities. Because some meals and other activities and tools are shared, energy consumption and cost of living can be significantly lower. Housing cooperatives could provide another means for making home ownership a possibility for lower income residents.

5. Manufacturing

The loss of manufacturing capability has been a disturbing trend in the U.S., California, and the Bay Area for nearly a half century. In 1983, manufacturing jobs accounted for nearly 20 percent of all California jobs. Today, that share has dropped to just 5.5 percent, with heavy losses in the computer, electronics, aerospace, fruit and vegetable processing, and clothing industries.⁶³ Under stress from the one-two punch of economic recession and fierce competition

from the global labor market, the Bay Area's manufacturing sector has taken a severe hit in recent years. According to senior UCLA economist Joe Hurd, our region lost 117,000 manufacturing jobs – nearly 24 percent of the sector – between the first quarter of 2001 and the third quarter of 2003, with San Jose suffering the greatest losses.⁶⁴ Longer-term trends for San Jose over the past three decades paint a similar picture. Although a few sub-sectors experienced employment gains, the city's manufacturing base of food and kindred products dropped 75 percent from 1972 to 2002, transportation equipment and some subcategories of electrical equipment and supplies fell by 50 percent or more, non-durable goods decreased 19 percent, and jobs in stone, clay, and glass products dropped 10 percent.⁶⁵

The economic harm caused by loss of manufacturing is especially acute since economic linkages between manufacturing firms and the rest of the economy are much greater than linkages of retail or service firms. Historically, manufacturing has been a stable source of blue-collar jobs with a living wage and benefits, accessible to residents with a minimal level of education through on-the-job training and apprenticeship programs.

Restoring manufacturing jobs in the Bay Area can begin with a thorough assessment of our historic manufacturing base. In the decades immediately following the great San Francisco earthquake, an energized population of natives and newcomers helped mold our region into “a powerhouse of housing developments and factories that produced everything from flour and Levi's to cars,” writes Kevin Fagan in a recent piece in the *San Francisco Chronicle*.⁶⁶ Along with Alameda, Albany, Hayward and other smaller towns, Oakland and Berkeley went on a construction binge, building houses by the thousands, expanding the trolley system, and creating industrial clusters featuring everything from huge bakeries to automobile factories. “[The region's] factories included so many auto plants, including Durant and Chevrolet, that the city was dubbed the ‘Detroit of the West,’” Fagan notes.

Logically, if the skills, infrastructure, and geographic advantages that once enabled such production to exist are largely still intact, a certain amount of that manufacturing can be resuscitated by creative private and public programs and policies designed to compensate for the deleterious effects of unfair competition, corporate disinvestment, technological change, and export market orientation.

Small-scale manufacturing enterprises that meet local economic needs rather than those of export markets can help diversify the economic base and decrease dependence on imported machinery, equipment, building materials, and consumer goods. As noted by Moody and Morley, the potential for small-scale manufacturing “in every garage” is being bolstered by technological change and an overall decline in the minimum efficient scale of manufacturing operations.⁶⁷

Remanufacturing operations are another promising approach for diversifying the Bay Area's manufacturing base consistent with environmental goals of reducing or eliminating waste and demands for virgin materials. "Remanufacturing takes worn, defective, or discarded products and makes them new again - in some cases better than new," notes Joan Schwartz in *Boston University College of Engineering Magazine*. "It preserves much of the original value of the product, conserving a good deal of the material, labor, and energy invested in the original product, contrasted with recycling, which transforms the product back into raw material."⁶⁸ The remanufacturing industry in the United States generates far more revenue than many other durable goods sectors,⁶⁹ is especially suited for small scale-operations in regions with a sufficiently large and diverse waste stream, and is already economically viable for many products including computers and other electronic goods. As energy prices rise, remanufacturing will likely become economically viable for a wider array of products and could potentially provide many more manufacturing jobs than it does now. As the manufacturing sector is localized, care should be taken to create an industrial ecology of businesses in which wastes of one manufacturing process become the input of another (called "co-manufacturing" when the waste heat of one process is used by another process). An industrial ecology could substantially reduce waste and the use of virgin material inputs, while reducing operational costs and enhancing coordination among local businesses.

Green manufacturing provides yet another emerging opportunity. Leading the way toward a reinvigorated "green collar" manufacturing sector in Oakland and beyond is the Apollo Alliance. With guidance from the Apollo Alliance, a volunteer-based group called Oakland Solar has been working to build a 33-kilowatt PV system at the Crucible, a renowned non-profit educational collaboration of arts, industry, and community in the heart of West Oakland. Because the Crucible does energy-intensive metal fabrication, including welding, blacksmithing, and casting, their energy costs are high. The Crucible had already taken steps to reduce waste going to the landfill by reusing and re-purposing objects by finding unique new ways of using them, according to Crucible Director Michael Sturtz. The solar installation project involves IBEW Local 595 members, students from the Crucible, and trainees from the Cypress Mandela Pre-Apprenticeship Training Program in West Oakland, which has been nationally recognized for turning people's lives around to positive career paths through training in electrical, hazardous materials, and construction jobs.⁷⁰

6. Finance

The combined investments of households, businesses, institutions, and government agencies in the Bay Area has the potential to provide the capital for a transition to a localized economy provided that creative financial mechanisms are in place to channel a significant portion of

these funds into profitable local production ventures. The pool of potential capital is immense. Within the nine Bay Area counties, household financial holdings in certificates of deposit, bonds, stocks, mutual funds, and retirement accounts likely exceed \$342 billion.⁷¹ Local stock exchanges, community development financial institutions, and locally based socially responsible investment funds can provide opportunities to redirect a significant share of these funds from the global financial casino to sustainable local business.

The pool of funds from institutional investors is also quite extensive. Endowment funds managed by Stanford University and the Bay Area campuses of the University of California alone represent \$13 billion.⁷² As of February 2006, the market value of CALPERS (California Public Employee Retirement System) stood at \$207.1 billion.⁷³ Local investments targets can be set for each of these funds by amending existing investment policies and guidelines. For example, CALPERS already has a set of environmental investment initiatives that focus on environmental technologies and stock portfolios that use environmental screens. The significant economic, environmental, and social benefits of localization present a compelling case to future-minded fund managers to adopt hard targets for investments in sustainable local businesses in the Bay Area.

Strategy VI – Specific policies and programs to achieve economic localization

1. Building local economic institutions

Many institutions and associations can be nurtured to help put economic localization and revitalization into practice. A few examples include economic cooperatives, credit unions, independent business alliances, community development banks, community choice energy aggregation, community supported agriculture associations, farmers' markets, and community supported manufacturing. Policies and incentives that level the playing field or expand their ability to function and thrive should be encouraged.

Economic *cooperatives* are community-based enterprises managed by workers or their member-owners. They are democratically controlled (i.e., one person, one vote), locally accountable, and socially and environmentally conscious. Prominent examples include farmers' and consumer co-ops. Less prominent but just as effective, co-ops have been formed to provide energy, transportation, housing, health care, and other vital social services. To help small merchants compete with corporate enterprises, purchasing cooperatives enable small businesses to lower the costs of procurement through volume buying, which sometimes allows them to negotiate directly with manufacturers.⁷⁴ Cooperatives also invest in their employees, guard against unproductive speculation, and assist communities through special grants, development funds and scholarships.

Credit unions are community-based financial institutions that pool regional savings and resources to advance local interests rather than those of distant shareholders. Credit union members also have a voice in determining the priorities of their institutions through annual board elections and regular meetings. Their credit policies, lending rates, and investment returns often out-perform corporate banks. In 2000, U.S. consumers ranked credit unions as the leaders in the financial services market for the 16th year in a row, according to an American Banker/Gallup survey.⁷⁵ Nearly 79 percent of those who use a credit union as their primary financial institution said they were “very satisfied” with the services they receive. By contrast, only 53 percent gave banks the same rating.

Independent business associations help small independent businesses compete with the economies of scale and political clout inherent to large corporate chains. By working together through area-based associations, businesses can cooperate to advance beneficial zoning laws, ordinances, and other policies that level the playing field in favor of a diversity of local enterprise. This increases competition within the community and renders business more accountable to the general public.

Designed to serve residents in low to moderate income areas and spur local economic development, *community development banks* are chartered by states and the federal government by the Office of the Comptroller of the Currency. Such banks may also apply for certification as a Community Development Financial Institution (CDFI) from the U.S. Department of the Treasury’s CDFI Fund. As of 2002, more than 550 CDFIs were managing over \$6 billion in assets.⁷⁶ ShoreBank of Chicago, the country’s first and leading community development bank, has invested over \$2 billion in communities with median incomes and housing values less the state medians.⁷⁷

Community choice energy aggregation arrangements enable cities and counties to choose their own electricity suppliers for residential, commercial, and governmental customers by pooling their electricity demand. They can then use their leverage on the market to satisfy local economic and environmental goals. In 2004, San Francisco took advantage of California’s Community Choice law by passing an “Energy Independence Ordinance” calling on the city to create 360 megawatts (MW) of energy through a combination of conservation and efficiency improvements and the expansion of wind, solar, and other distributed renewable-energy sources.⁷⁸

Community supported agriculture associations are special partnerships between farms and communities that provide direct links between food producers and consumers. Members agree to purchase a share of a farm’s seasonal harvest, thereby helping to assume the costs, risks and

bounty of growing food with the farmer. In this fashion, communities are able to ensure a healthy supply of locally-grown fresh produce, often below retail prices, by stabilizing market access for local farmers. According to the University of Massachusetts, there are now over 1,000 CSA farms operating across the United States and Canada.⁷⁹

Another means of encouraging locally focused agriculture is through *farmers' markets*. By reducing or eliminating the need for marketers and distributors, farmers' markets help build networks of interdependence between producers and communities, increasing farmers' incomes, keeping food and dollars local, and minimizing transportation costs. As of 2004, some 60,000 farmers were selling locally grown produce to over 3 million consumers at roughly 3,500 farmers markets across the United States.⁸⁰ The growth of farmers' markets, however, has attracted retailers that are selling produce that is grown out of state, and in some cases out of the country. In response, cities such as Dallas, Texas, have established municipal codes to delimit how markets are organized and who can sell at them to keep them true to their name.⁸¹

Knowing that selected imports could become cost-prohibitive due to rising energy costs, a weakening dollar, or disruptions in global supply chains, some communities are exploring the potential for bringing the production of key manufactured goods closer to their region. Post Carbon Institute recommends the development of *community-supported manufacturing* in the following areas: fabrication of durable goods (e.g., wind turbines, solar ovens), transportation systems (e.g., rail trams, electric vehicles), and energy storage systems (e.g., batteries, gravity-powered mill ponds); high-temperature processes and operations (e.g., metalworking, glassmaking, pottery); fiber for fabric, clothing, rope, and paper; food; fuels and chemical reactions; and an expanded repair and maintenance sector to service manufactured goods and devices.⁸²

2. Leveling the playing field through fair trade policies

Liberalized trade policies adopted over the past 30 years have generated a wide array of social, environmental, and economic costs largely unaccounted for in the price of traded goods and services. Increased greenhouse gas emissions, deforestation, and social costs of unemployment, underemployment, and income inequality are just a few well-documented examples.⁸³ Because prices of many imported goods do not reflect such costs, they unfairly compete with goods produced with more sustainable technologies and equitable practices. Markets are further distorted by extensive subsidies for trade infrastructure such as ports, highways, pipelines, and airports. If more sustainable measures of economic welfare, such as the Genuine Progress Indicator, are used to evaluate economic performance, then the total cost of trade policies might be shown to exceed the short-term benefits.

To make markets fair and efficient, subsidies for trade infrastructure can be redirected to support small-scale organic agriculture, renewable energy, community banking, and community supported manufacturing. Redirecting support will help offset damage from unfair competition. For example, various states and municipalities have implemented incentive programs to boost residential, municipal, and commercial purchases of rooftop solar systems. Los Angeles has begun a \$150 million solar program with the goal of having 100,000 such systems operational by the year 2010.⁸⁴ The program also offers incentives for the purchase of locally manufactured systems. Municipal governments should screen such subsidies to test for their value in promoting local ownership and import replacement.⁸⁵

State and local governments can press federal trade negotiators to reinstate selective tariffs, import quotas, and nontariff barriers to protect local producers using sustainable technologies. In addition, localities can use taxes and fees to help offset costs of excessive import reliance and stimulate local business. For example, gross receipt taxes can be adjusted to create incentives in favor of businesses with significant local multiplier effects. Impact fees are already a standard planning tool used to counteract the adverse impacts of sprawl; similar fees can be used to offset the increased socio-economic costs incurred by localities when economic insecurity rises in the face of unfair competition from abroad.⁸⁶

Regulatory restrictions are another tool localities can use to help reduce the adverse impacts of unfair trade, protect economic diversity, and improve quality of life. Restrictions on formula businesses provide an example. “Formula” businesses include chain retail outlets, restaurants, hotels and other enterprises that are contractually obligated to adopt standardized services, methods of operation and architecture or other design features that are virtually identical to businesses located in other communities, and often drain significant capital out of the community compared to local businesses. A Chicago study found that for every \$100 consumers spend at a formula firm, \$43 remains in the Chicago economy, versus \$68 with a local firm, and that for every square foot occupied by a formula firm, local economic impact is \$105, versus \$179 for a local firm.⁸⁷

In 2002, the City of Arcata voted to cap the number of formula restaurants at existing levels within the community.⁸⁸ Supporters of the measure argued that the formula restaurant cap would allow the community to maintain a diverse range of local restaurants, encourage local markets for sustainably harvested regional agricultural products (as opposed to homogenized goods produced in distant industrial factories), and would respect local residents’ desire to maintain their quality of life and determine their own city’s future. Another tool that community planners have begun to utilize to foster a healthy, diverse local retail sector is to ban or place limits on the establishment of “Big Box” chain stores. The most common approach is to

prohibit stores over a certain size. In Belfast, a community of 6,500 in the high-growth mid-coast region of Maine, residents voted 2 to 1 in favor of a ballot initiative that banned stores over 75,000 square feet in size.⁸⁹

3. Establishing food policies to promote healthy local food systems

Currently, the bulk of food policy in United States is legislated at the federal level through the Farm Bill, a process which favors an orientation toward national and international markets.⁹⁰ While there is some potential to reshape the US Farm Bill to offer greater support to strengthening local food systems, local governments can play a much more proactive role in establishing policies to insure access to healthy local food and stimulate local business.

Food policy charters bring citizens stakeholders together with public officials to establish a vision for what local food systems should look like. Several major cities in Canada including Toronto have approved food policy charters that commit the city to guaranteeing access to healthy food to all residents while supporting local agriculture.⁹¹ Food policy councils put these charters to work by transforming these concepts into local ordinances and programs.

Establishing a municipal Department of Food can prioritize and integrate responsibility for implementing food policy into one city department. The Department of Food of Belo Horizonte in Brazil serves approximately 17 percent of the city's population with 2 percent of the municipal budget, maintaining enviably low administrative costs while implementing a wide range of successful programs.⁹²

4. Buying local campaigns

In an effort to revitalize the small business sector, many communities have initiated “buy local” or “local first” campaigns. Such efforts educate consumers about the benefits of keeping dollars recycling locally, and enhance the visibility of small businesses by branding their unique contribution to the local economy in the public mind. The Business Alliance for Local Living Economies (BALLE) has helped establish Local First Campaigns in such cities as Philadelphia, Portland, Salt Lake City, San Francisco, and several others.⁹³

5. Reforming procurement and public investment

Public agencies and institutions throughout the Bay Area support the local and regional economy by providing jobs and purchasing supplies and services to carry out their missions. Federal expenditures alone top \$42 billion annually. Benefits to the local community are greater if

supplies and services are purchased from local businesses. Procurement policies can be adopted that give preference to local producers. For example, over two dozen cities and several states have implemented policies that give preference to local suppliers in their procurement of needed goods and services. In evaluating bids for city supply contracts, Albuquerque, New Mexico gives a five percent credit preference to local manufacturers. The state of Alaska offers a similar credit preference to bidders.⁹⁴ As discussed before, university endowments, public pension funds, and other public investments can be redirected to stimulate local production by revising investment guidelines. A growing area of local procurement is “Farm to School” programs, in which school districts fight childhood obesity by sourcing attractive and nutritious fresh fruits and vegetables from local farmers for school lunches.

6. Reversing urban sprawl

At an urban landscape scale, Bay Area governments can promote localization by harnessing the potential synergy between Smart Growth and Equitable Development policies, bolstering re-investment programs, and enacting special land use policies such as those addressing problems created by large format retail or “Big Box” stores.

Smart growth recognizes the fact that growth and development will occur, but aims to maximize existing built environments and to develop new areas more efficiently. Advocates promote development that revitalizes central cities and older suburbs, supports and enhances public transit, promotes walking and bicycling, and preserves open spaces and agricultural lands.⁹⁵ Equitable development connects local, metropolitan, and regional planning and development to the quest for full racial inclusion and participation. It is grounded in four guiding principles: the integration of people and place strategies; reduction of local and regional disparities; promotion of “double bottom line” investments; and inclusion of meaningful community voice, participation, and leadership.⁹⁶

Within the Bay Area, there have been innovative efforts aimed at promoting Smart Growth and Equitable Development policies, which demonstrate potential for further integration. Most recently the Smart Growth Strategy/Regional Livability Footprint Project – a public process managed by the ABAG and facilitated by consultant Design, Community, and Environment (DC&E) – recognized that land use impacts are regional in nature, but that solutions are typically tied to the parochial boundaries of local government jurisdictions. Closer coordination across the Bay Area is therefore necessary to create the incentives, regulatory changes and legislation that will facilitate smart growth implementation across the region’s nine counties and 101 cities.

On the equitable development side, the Compact for a Sustainable Bay Area is a commitment extending over the next quarter century by member organizations of the Bay Area Alliance for Sustainable Communities. It was envisioned that the Compact would serve as a framework for action to guide both regional and local planning and decision-making and motivate government, employers, civic organizations and individuals in cooperative efforts that will lead to a more comprehensively sustainable, equitable region.⁹⁷ Efforts to further coordinate and unify Smart Growth and Equitable Development initiatives will serve not only to combine pool resources, but to educate ourselves about the interrelatedness of urban planning issues.

Redevelopment is a controversial tool that allows local governments to designate target areas in hopes of stimulating real estate investment, and to take possession of property by eminent domain if necessary.⁹⁸ Over time, redevelopment has evolved into California's largest economic development program. There are 417 community redevelopment agencies and 772 project areas in the state. Eighty percent of all cities, and 45 percent of all counties, have redevelopment agencies. Annual local property tax revenues of more than \$2.8 billion provide communities with funds for local redevelopment projects.⁹⁹

Because redevelopment is based on infill of vacant urban parcels it slows development of farmland on the urban fringe. Redevelopment also is a tool for cleaning up contaminated sites, and revitalizing old neighborhoods. However, redevelopment will be used to further those goals only when local citizens and government show the political will to do so. Thus, it is crucial for redevelopment agencies to establish and monitor "triple bottom line" performance indicators, and for residents to serve as process watchdogs over the land use power redevelopment entails

7. Corporate personhood ordinances

Measures challenging the notion of corporate "personhood" have also proven effective at protecting local community rights and ensuring that absentee-owned, publicly traded businesses are not able to exert undue influence over local decision-making. In 1886, the U.S. Supreme Court let stand a decision in a California court case entitled *Santa Clara County v. Southern Pacific Railroad*, which redefined corporations as "natural persons" under the law, thereby granting them all the same protections guaranteed to individuals by the Bill of Rights and the Fourteenth Amendment.¹⁰⁰ Over the ensuing decades, corporations have used this ruling to claim a variety of new privileges for themselves, including the right to free speech, which has been widely interpreted to include the right to give contributions to candidates running for public office. In response, the Program on Corporations, Law, and Democracy (POCLAD) has developed *corporate personhood ordinances* that challenge corporations' claims to dispute

democratic decisions by representative governments. In 2002, for example, Port Township, Pennsylvania became the first local government to eliminate corporate claims to such constitutional privileges by declaring that corporations operating in its jurisdiction may not wield legal mechanisms to block democratic laws protecting citizens from factory farming pollution and sewage sludge.¹⁰¹ In a similar effort to improve local government accountability in California, Humboldt County residents recently passed Measure T (also known as the Ordinance to Protect Our Right to Fair Elections and Local Democracy), which prohibits non-local corporations from donating to candidates running for county office.¹⁰²

HOW CAN WE ADVANCE AN ECONOMIC LOCALIZATION AGENDA FOR THE BAY AREA?

Make the Case: Challenges and Opportunities

Building a solid case for an economic localization agenda in the San Francisco Bay Area will first require a full accounting of the social and environmental challenges we presently face, along with a sector-by-sector assessment of the opportunities a localized economy would provide in job creation, community revitalization, and ecological improvement. Considering that current theory and policy assume that our economy will continue to head toward further globalization of trade and corporate concentration, this effort must develop cogent and compelling frames for discussing the problems stemming from the economic status quo and the many tangible benefits that would be gained by localizing the production of select goods, energy, services, finance, and culture.

Identify Public and Private Sector Policy Options and Incentives

The second step is to continue to compile a wide-ranging list of policy options that could remove existing obstacles and provide incentives for the localization of food, energy, manufacturing, transportation, housing, and finance, building on the ideas mentioned in this document. Such options, case studies, and success stories are widely documented in sources such as the works of Michael Shuman (e.g., *Going Local* and the *Small-Mart Revolution*) and Colin Hines (e.g., *Localization: A Global Manifesto*), the International Forum on Globalization's *Alternatives to Economic Globalization*, the Institute for Local Self Reliance's New Rules Project, and Urban Habitat's *Race, Poverty & the Environment* journal.

Build a Strategy for Achieving a Localized Bay Area Economy

The third step is to build a strategy that will catalyze an inexorable movement toward economic localization throughout the Bay Area. Among others, such a strategy would include securing official support of thought leaders; nurturing a network of locally rooted businesses, interested public agencies, and partnering organizations; engaging the media and the general public; campaigning for feasibility and vulnerability studies, self reliance assessments, and mitigation measures; and getting an initial set of widely supported policy options and incentive packages enacted. Over time, the practical benefits stemming from initial localization efforts will begin to show results, helping to build a solid constituency of support for a deeper, more far-reaching agenda.

Build Broad-Based Public Support for the Agenda

The fourth, and simultaneous step with all others, is to engage and activate the public on the need to move forward with a localization agenda. By stressing the positive opportunities that localization offers to enhance regional security, boost local economic opportunities, and protect our environment, we will be well-positioned to attract a wide range of allies and broad-based public support. However, given the highly diverse nature of the Bay Area's people and communities, we need to develop frames that can resonate with different populations across political, income, and ethnic divisions. This will require a savvy and sustained outreach campaign that includes media, grassroots organizing, public events, and strategic coalition-building.

CONTRIBUTING ORGANIZATIONS



Redefining Progress (RP) works with a broad array of partners to shift the economy and public policy towards sustainability. RP does this in three ways: (1) RP measures the real state of our economy, our environment, and social justice with tools like the Genuine Progress Indicator and the Ecological Footprint; (2) We design policies—like environmental tax reform—to shift behavior in these three domains (economy, environment, and equity) towards sustainability, and (3) We promote and create new frameworks—like common assets—to replace the ones that are taking us away from long-term social, economic, and environmental health.

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Bay Localize is building a more self-reliant, sustainable, and socially just Bay Area. We work to catalyze a shift from a globalized, fossil-fuel-based economy that enriches a few and weakens most, to a localized green economy that strengthens all Bay Area communities. We develop tools that identify local opportunities, connect grassroots groups and policymakers, and advance projects that enhance regional self-reliance, sustainability, and equity.

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BALLE connects 30 networks of over 5,000 locally owned businesses dedicated to building thriving local economies. BALLE networks respond to the unique needs of their communities and share ideas throughout the alliance of networks. In Bellingham, Washington, business leaders created a "Local First" campaign to encourage citizens to buy from locally owned businesses whenever possible to keep money circulating within the community. In Vermont, members of the network employ 8 percent of the state's workforce and lobby for increased support for renewable energy and healthcare. Through its Social Venture Institute, the Philadelphia network trains new social entrepreneurs in the business skills they need to be successful. In community after community, BALLE networks are proving that a coordinated group of locally owned companies can stand up to some of the harmful effects of globalization and foster the health and vitality of a region.

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INTERNATIONAL FORUM ON GLOBALIZATION

The **International Forum on Globalization** is a North-South research and educational institution composed of leading activists, economists, scholars, and researchers providing analyses and critiques on the cultural, social, political, and environmental impacts of economic globalization. IFG programs cover local alternative initiatives, green city relations, food/agriculture, environment, global governance and indigenous communities.

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The **Center for Sustainable Economy** works with non-profit, business, and government leaders to transform our economic system into one based on renewable energy supplies, protected natural capital, empowered communities, and growth in the quality of our lives rather than the quantity of goods we consume.

We accomplish this by exposing the true costs and benefits of public and private sector decisions, developing plans and programs based on principles of economic, social, and environmental sustainability, providing expert support for public interest litigation and by educating decision makers, voters, and students about the condition of our economy and society.

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