

Young Ranch Digest
March 1st – March 10th
2016

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Dive Brief:

The U.S. Supreme Court has declined to hear California building industry-backed arguments against a controversial San Jose, CA, affordable housing ordinance, according to the San Jose Mercury News.

The building industry, represented by the Pacific Legal Foundation, argued that San Jose's law, which requires builders to set aside 15% of units as below-market-rate in new housing developments, is equivalent to taking private property and is unconstitutional.

The building industry filed a lawsuit to block enforcement of the law in 2010, but, in June of last year, the California Supreme Court ruled unanimously in San Jose's favor.

Dive Insight:

The city of San Jose, CA, which is struggling to come up with affordable housing solutions for its residents, embraced the U.S. Supreme Court's decision. "(The) Supreme Court ruling could not have come any sooner for the thousands of families in our community who are struggling to keep up with skyrocketing rents, and we look forward to implementing this policy as quickly as possible," San Jose Mayor Sam Liccardo told the Mercury News.

Housing advocates said that if the Supreme Court had struck down San Jose's "inclusionary" rules, it would only have exacerbated an already grim housing situation in many California cities.

However, the state building industry expressed its dismay at the ruling. "The rights of all property owners were dealt a blow today, as San Jose's punitive treatment of homebuilders was allowed to stand," Pacific Legal Foundation attorney Brian Hodges said.

The building industry has said that laws similar to San Jose's will only drive up housing costs as developers pass their losses from some units, or the estimated alternative fee of \$122,000 per home, on to market-rate buyers.

California city and state associations said that approximately 170 local California governments have enacted similar laws in an effort to address the state's affordable housing crisis, particularly in the San Francisco Bay Area. Los Angeles has also been experiencing a major affordable housing crunch, and officials have proposed several remedies, such as additional developer fees, city funding and even conversion of a future Olympic Village.

2. San Jose Mercury News

Silicon Valley innovation economy tops the U.S., but perils loom

By George Avalos

POSTED: 03/03/16

[Click here for article](#)

SAN JOSE -- Silicon Valley's tech workforce is expanding more rapidly than nearly every other innovation hub in the nation, and technology employees in the South Bay are far more productive than anywhere in the United States, according to a new report.

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"We have a very hot economy, but we also face challenges," said Carl Guardino, president of the Silicon Valley Leadership Group, one of the authors of the Silicon Valley Competitiveness and Innovation Project 2016. The study was released this week by the leadership group and Silicon Valley Community Foundation as a kind of report card on the region's economic health.

While the tech economy has fueled job growth in Santa Clara County that leads the nation in its rate of expansion, numerous hazards lurk.

"There are several warning signs," according to the competitiveness and innovation report.

Home prices that have soared, traffic routes that have become clogged, and a talent pipeline that is leaking as measured by faltering science, technology, engineering and mathematics degrees, are all hazards that could imperil the employment boom of the region's technology sector.

"Our biggest challenges are the prices of our own success," Guardino said. "Can our people afford to live here? Can they afford to endure the traffic and the long commutes? Can they afford the cost of education for their kids?"

The report's authors warned that the region must undertake an array of improvements to help it navigate through treacherous waters. For the purposes of the report, Silicon Valley is defined as Santa Clara County, San Mateo County and San Francisco.

"There are two ways to weather a storm, buy umbrellas or build boats," Guardino said. "In Silicon Valley, to battle the economic storms of international competition, the better way, the most successful way, is to build boats that lift everyone when the inevitable rainstorms occur."

Improved transportation, additional -- and affordable -- housing, and upgraded education programs for science, technology, engineering and mathematics students, are all needed in Silicon Valley, the report's authors urged.

An estimated 443,000 people work in the innovation sector in Silicon Valley, according to the report. That's an increase of 7 percent in the total number of innovation jobs in Silicon Valley in a one-year period.

"Silicon Valley's economy continues to outpace economic growth in many parts of the country," said Emmett Carson, president of Silicon Valley Community Foundation.

The number of innovation jobs in Silicon Valley has grown 7 percent in a year, the report estimated. That's ahead of innovation job growth of 2 percent in the Seattle, New York City and Boston areas, and 1 percent in Southern California. However, Silicon Valley's growth is well behind the 11 percent increase in innovation jobs in the Austin, Texas, area.

"Austin may be gaining on Silicon Valley," the report stated.

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Nevertheless, technology workers in Silicon Valley appear to be more productive than their counterparts in other regions.

In 2014, Silicon Valley innovation workers produced \$225,000 in added value per employee annually, according to an analysis by Collaborative Economics of federal data. The next closest in productivity was New York City, where tech workers produced an average of \$205,000 in added value per year.

The authors of the report said they found some surprises in the latest research. Among the negative surprises: the meltdown of the market for initial public offerings precipitated by the sour stock market in recent months.

"IPOs are vanishing in Silicon Valley to a greater extent than some of the innovation regions that compete with us," Guardino said. "We have one of the worst traffic situations of any of the innovation regions. We lag in home affordability."

Education is also a worrisome trend. In 2015, only 49 percent of Silicon Valley's eighth-grade students met or exceeded the new state standards for mathematics proficiency.

"Our report underlines that we still struggle with rising housing prices and severe transportation issues that cause many people to leave the area," Carson said. "We will keep pushing for public policy leaders to address these and other issues so that Silicon Valley will remain both the world's center of innovation and a great place for all to call home."

3. Contra Costa Times

California job surge could squeeze low- and middle-income workers

By George Avalos

POSTED: 03/03/2016 12:01:00 AM PST

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California's boom in high-wage jobs, such as those in the tech sector, has shoved housing prices skyward and threatens to squeeze low- and middle-income wage earners out of the Golden State, a report released Wednesday warned.

Those disturbing findings were contained in new research compiled by Beacon Economics and commissioned by Next 10, a San Francisco-based think tank.

"It's not a question of people having jobs, because there are a lot of jobs in California," said F. Noel Perry, a business executive and founder of Next 10. "It's a question of whether people can afford to live in California."

The state's economic trends, while they offer prosperity to a wide array of residents, also are creating painful pressures on many who are unable to afford the cost of housing.

"The state has been growing its employment at nearly 3 percent a year,," said Christopher Thornberg, principal economist and founding partner of Beacon Economics. "If we don't build

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enough housing, where will the new workers live? If they don't have a place to live, how will we fill these jobs?"

Housing prices are rising at a time when California has experienced an influx of low-wage workers, the Beacon study determined.

Over the five years that ended in 2014, the most recent year for which these statistics are available, the number of low-wage workers coming into California increased by 16.1 percent, according to the Beacon research. The number of middle-wage workers rose 11.2 percent, and the number of high-wage workers increased 6 percent.

"Left unchecked, housing costs could severely hamper the low- and middle-income workers that power our economy." Perry said.

One of the big problems is that upward mobility is more difficult to come by in California despite its burst of high-paying tech jobs. That's because many factory jobs have vanished, which has erased a slew of decent-paying jobs for the middle class.

The most robust high-paying jobs, typically in the technology sector, require skills right away. The employment and skills path is potentially difficult for people to work their way up from waiting tables to writing code at Google, Apple or Facebook.

"If you want to break into the technology field, you have to arrive with buy-in skills, ability to do coding, understanding of electronics, digital design skills, network architecture," said Russell Hancock, president of San Jose-based Joint Venture Silicon Valley.

The pressure on housing for middle- and low-income workers is particularly acute in the Bay Area, the world capital of the technology industry.

Silicon Valley and the Bay Area increasingly are in danger of becoming more like a Manhattan of the West Coast that is dominated by high- and low-income workers, along with a shrinking middle class, Hancock said.

The study cited a report that showed that of the 10 metro areas with the worst home affordability in the United States, six were located in California. Santa Clara County was listed as the region with the worst home affordability. The San Francisco-San Mateo area was listed as second worst.

"While California innovation and entrepreneurship are driving business creation and job growth across the board, we don't have enough housing," Perry said. "That's causing an affordability crisis."

4. Sacramento Business Journal

Silicon Valley shows a net loss in residents for first time since 2011

By Gina Hall

Mar 4, 2016, 2:44pm PST

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More people are moving out of Silicon Valley than moving in, due in large part to the high cost of housing, according to a new study.

Silicon Valley lost 7,500 residents to other U.S. locations in 2015, shedding more residents than it gained for the first time since 2011, according to the Silicon Valley Competitiveness and Innovation Project.

More people are moving out of Silicon Valley than moving in, due in large part to the high cost of housing, according to the Silicon Valley Competitiveness and Innovation Project.

“The current installment of the SVCIP shows that while Silicon Valley continues to have a white-hot economy and high job growth, there are several warning signs,” Carl Guardino, CEO of the Silicon Valley Leadership Group, and Emmett D. Carson, CEO of the Silicon Valley Community Foundation, wrote in the report.

The study indicated that “skyrocketing housing prices and increasing traffic congestion are eroding our quality of life and causing many residents to relocate to other parts of the country.”

As a result, a major concern is the flight of Silicon Valley’s STEM talent. While Silicon Valley’s tech workforce is the most concentrated in the U.S., “STEM degrees conferred from regional education institutions are growing more slowly than in other regions,” according to the study. One-fourth of Silicon Valley jobs are in “innovation industries” related to tech, per the study.

According to the study, Silicon Valley median housing costs increased 13 percent to \$870,000 between August 2014 and August 2015. In San Francisco the average monthly rent for a two bedroom unit in 2015 was \$4,200. In addition, the average Silicon Valley commuter spent 67 hours in traffic congestion in 2014, an increase of 13.6 percent from 2010.

So where are the workers going? Seattle has seen a net increase of more than 17,000 workers, while Austin saw a net gain of 720 workers from other parts of the U.S.

Layoffs and a slowdown in venture capital may also be spurring some of the exodus out of the area. Major companies like Yahoo, Twitter and Zenefits have laid off hundreds of workers who may have problems finding new jobs as the tech sector adjusts to the slowdown.

“Clearly, there is more work to be done and we must remain vigilant,” Guardino and Carson wrote.

5. Affordable Housing Finance

More Cities May Begin to Adopt Inclusionary Housing Laws

The Supreme Court recently left intact San Jose's ordinance, opening the door for others.

By Donna Kimura

POSTED: 3/7/16

[click here for article](#)

Inclusionary housing ordinances may move to the front burner for many communities after the U.S. Supreme Court left intact the law in San Jose, Calif.

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The high court's recent decision "opens the way for cities across the state, and probably across the country, using the same legal theories to require developers to build affordable housing and sell it below market rate as part of any development project," says Chuck Reed, former San Jose mayor and special counsel at the Hopkins & Carley law firm.

More than 170 communities in California have inclusionary housing laws, also known as inclusionary zoning, but there will be more coming, he tells Affordable Housing Finance.

An expert in real estate issues, Reed served as mayor of San Jose from 2007 to 2014. During this time, the city passed an inclusionary zoning law after the state killed redevelopment agencies across California. These agencies were a major funding source for affordable housing.

San Jose's ordinance requires that all new for-sale residential developments of 20 or more units include housing affordable and price-restricted for moderate-income buyers. Developers may satisfy their inclusionary housing required by providing 15% affordable homes on site within their projects or through other options, including a payment in-lieu of building the affordable housing units.

"It was the only alternative we had that made any sense," Reed says, who also had been a city and county planning commissioner for 14 years.

He did not support an alternative proposal that would have set a fee on all development, including commercial and industrial, to help generate affordable housing funds. "I thought that did not pass constitutional muster," he says. "I thought that's a tax, and those taxes should be approved by voters."

In Santa Clara County, where San Jose is located, there's an affordable housing deficit of 68,000 units, adds Kevin Zwick, CEO of Housing Trust Silicon Valley.

"That's the difference between affordable homes needed for lower-income families and what we've built over the last generation of housing," he says. "On top of that, we're going to need 35,000 homes in the next seven years."

That means the region needs more than 100,000 affordable homes. Inclusionary zoning is one of the tools that can be used to help meet this enormous demand.

San Jose's law was scheduled to take effect in 2013, but its implementation has been delayed by litigation as the building industry vigorously fought the ordinance.

Although the Supreme Court declined to hear the case, Justice Clarence Thomas observed that the law remains unsettled. "Until we decide this issue, property owners and local governments are left uncertain about what legal standard governs legislative ordinances and whether cities can legislatively impose exactions that would not pass muster if done administratively," he wrote. "These factors present compelling reasons for resolving this conflict at the earliest practicable opportunity."

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However, Thomas agreed that the San Jose case did not present an opportunity to resolve the conflict.

A big question going forward is what happens to the housing market if new costs are imposed on market-rate builders.

“The rights of all property owners were dealt a blow today, as San Jose’s punitive treatment of home builders was allowed to stand,” said Brian T. Hodges, attorney for the Pacific Legal Foundation, a group representing the California Building Industry Association, in a statement.

He argues that San Jose’s demands on home builders mean that fewer homes will be built and the price of market-rate homes will go up, squeezing more buyers out of the market.

“As a constitutional matter, there is no excuse for forcing property owners—in this case, the builders of new homes—to foot the bill for problems they didn’t cause, such as the affordable housing shortage,” Hodges said. “If anybody’s to blame for that shortage, it’s the bureaucracy itself, with its restrictive building regulations and expensive exactions.”

His foundation has vowed to continue fighting inclusionary zoning ordinances, and Thomas’ comments show that the issue is far from resolved.

On the other side, the court decision is good news for affordable housing advocates.

"It was great to see an important tool like inclusionary zoning preserved," says Zwick.

He points out that San Jose's ordinance is linked to for-sale development. Zwick hopes that the recent events will lead to changes at the statewide level that will allow inclusionary zoning requirements to be placed on new rental housing developments.

That would give affordable housing developers one more tool in the toolbox.

6. Morgan Hill Times

Guest view: Let's hear it for Santa Clara County agriculture

Posted: Thursday, March 10, 2016 3:50 pm

Erin Gil

[click here for article](#)

It is exciting to see so many members of the community in defense of open space, and in particular, productive open space such as that used in agriculture. As a second generation farmer from Santa Clara County it is great to see. But as a grower, I wish there was more understanding of how agriculture operates safely for our community and the consumers, as well as the diverse benefits it returns to the community.

A frequently asked question comes up: “What is the health of the agricultural community?”

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At first thought, you may not believe farming and ranching are doing very well. Such endeavors are more and more hidden from Santa Clara County as open space is replaced by asphalt, concrete, roof lines and other structures.

The answer is more complex for urban edge farming; but, fortunately, the county has an Agricultural Commissioner—Mr. Joe Deviney—whose forward thinking has brought about great answers to this complex question. In collaboration with ERA Economics and help from local growers and ranchers, a good answer was brought forward through sound economic analysis to quantify Santa Clara County's Ag Value. Ag's valuation to Santa Clara County was 8,150 jobs and \$1.6 billion in economic stimulus. That's a lot more than any of us in the industry expected.

Agriculture is incredibly responsive to the needs of the community and is currently doing very well. That's not to say there are some large threats to the health of these industries, but for now it is showing signs of stabilization. How well is well? Here are some highlights to the report:

- The resource base of agricultural land declined significantly in the 1980's and 1990's, but has recently stabilized. The value per acre and the value per worker created by Santa Clara County agriculture has continued to increase and has never been higher.
- Agriculture provides diverse, stable employment opportunities for both skilled and unskilled laborers.
- Like the other high-tech industries in Santa Clara County, agriculture is growing in productivity per worker and per land unit.
- The Santa Clara County Open Space Authority estimated that the total value of Santa Clara County natural capital exceeds \$45 billion. Agriculture preserves some of these vital natural processes and adds to the character of the county.
- Agriculture can be viewed as self-financing open space, providing important ecosystem service values to county residents.

Santa Clara County needs to continue with the stabilization of productive open space.

When asked about land use policies, mitigation and how best to use areas for productive open space such as farming, ranching and other agricultural uses, the California Farm Bureau Federation uses language in a way that best represents growers' and ranchers' thoughts in the following statement: "Proposals to use agricultural land for mitigation should be considered by each county farm bureau on their own merits on a case-by-case basis. CFBF supports the use of voluntary agricultural conservation easements, when mitigation is required for farmland conversion. We oppose government mandated deed restrictions or easements acquired by the use of eminent domain. Subsequent easements granted on lands with agricultural easements should not restrict or reduce the agricultural productive capacity of the land, including crop choice."

The efforts of notable agriculture families, such as the Chialas, is generous and real. Many counties are discovering ways to integrate and weave agriculture into the community. Santa Clara County ought to do the same. Much applause and gratitude should be lauded on those—private and public—who entertain such ideals and work toward improving our community because the environment will benefit.

How you may ask? Equally important are the ecosystem benefits attributed to open space areas. And agriculture plays a role in delivering these benefits to surrounding communities, free of charge.

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Ecosystem benefits include: flood control, groundwater recharge, water quality, pollination, biodiversity and open space. These benefits are easily overlooked but have measurable values for our community.

So the next time you visit your favorite local nursery, winery, pumpkin patch or farmers market, be sure to thank them for doing great things for the economy, environment and the community's health. We surely love to hear it! Working towards a balanced, healthy community benefits all.

Erin Gil is a second generation farmer and owner of the Grass Farm in Morgan Hill.