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California Metropatterns Part I

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California Metropatterns

A Regional Agenda
for Community
and Stability
in California



MYRON ORFIELD
THOMAS LUCE

METROPOLITAN AREA RESEARCH CORPORATION

www.metroresearch.org

April 2002

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FOREWORD

THE METROPOLITAN AREA RESEARCH CORPORATION

(MARC) was created in 1995 by Myron Orfield, a Minnesota legislator and law professor. Orfield is a nationally recognized leader in promoting reform around the issues of land use, social and fiscal equity and regional governance. MARC's objective is to study the relationship between common regional development patterns in U.S. metropolitan regions, and the growing social and economic disparities within them. MARC also assists individuals and groups in fashioning local remedies that address these concerns. Since its inception, MARC has studied more than 30 U.S. regions, including the nation's 25 largest metropolitan areas.

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The views expressed in *California Metropatterns* are those of MARC and do not necessarily reflect those of the reviewers.



California Metropatterns

CALIFORNIA IS THE MOST POPULOUS STATE in the union. It has the tenth largest economy in the world. The most complex, diverse, compelling state, California has often served as a powerful prophecy for the rest of the United States.

California Metropatterns finds that the way the state is growing is hurting all its communities—from the most impoverished to the most affluent. Evidence suggests that regional cooperation offers the best hope for strengthening communities, preserving the environment, and fulfilling the state's promise of equal opportunity for all.

Over 90 percent of Californians live in the metropolises of Los Angeles, San Francisco and San Diego; the coastal regions of Santa Barbara, San Luis Obispo and Monterey County; and the expansive Central Valley. These places have distinct histories, terrain and economies that have supported generations of Californians and attracted immigrants from around the nation, and indeed, the world.

Despite unique identities, these places have much in common when it comes to regional development. Most California regions are growing fast—and finding it hard to provide the schools, roads and water they need. Growth on the edge is encroaching on sensitive open space and productive farmland. Older communities in the core are struggling with growing social need and deteriorating infrastructure. Hamstrung by Proposition 13 and other state policies, thousands of cities are left to compete with each other for tax base, especially sales tax base, with little

Most California regions are growing fast—and finding it hard to provide the schools, roads and water they need.

common social, political or economic strategy.

Evidence suggests several realities that reach across California's regions:

The affluent monolith known as “the suburbs” is a myth. Throughout the state, poverty and fiscal stress have moved to the suburbs. There is a group of suburbs that, on average, have higher levels of poverty in their schools, weaker tax bases and slower growth



than even the state's central cities. Another large group of fast-growing suburbs, home to working- and middle-class Californians, is struggling to pay for the schools and infrastructure it needs with low and slow-growing tax resources. Just a small share of the population lives in affluent suburbs with expensive housing and plentiful jobs.

Social segregation and fiscal inequality are increasing in nearly every region. As regions grow, California schools are increasingly segregated by income and race. There is a widening gulf in the ability of local governments to raise the revenues they need to pay for public services. This geographic stratification threatens every community. It has already had devastating consequences for the poor, leaving many of them trapped in segregated neighborhoods with limited economic and educational opportunities. Now it

has begun to diminish the quality of life and opportunities of working- and middle-class Californians. The emergence of “no growth” and “slow growth” ballot initiatives suggest that no group—not even the wealthiest suburbs—is fully satisfied with the status quo.

Change is possible. Regional cooperation can reduce inequalities among communities. Fiscal equity measures, like sales tax sharing, can stabilize fiscally stressed communities and reduce incentives for localities to compete for the newest auto mall. Regional land-use planning can help communities coordinate development and conserve open space. Metropolitan governance can ensure that all communities have a voice in regional decision-making. These endeavors are already in effect in various forms throughout the country, and have impassioned, thoughtful advocates in California. Regional cooperation offers a powerful path for California’s regions to follow to meet the state’s great challenges.

A REGIONAL AGENDA FOR COMMUNITY AND STABILITY IN CALIFORNIA

An important prerequisite for planning future growth is an understanding of the complexity of California’s metropolitan areas, especially suburban areas. An analysis of California’s regions dispels the myth of an affluent suburban monolith. In fact, an overwhelming majority of metropolitan residents, including more than half of all suburban residents, reside in places facing stress—either low and decreasing tax resources or high and increasing public service needs.

Because there are 460 jurisdictions included in this study, it is impossible to individually measure each one against the others. Communities were instead categorized using cluster analysis, a statistical procedure that grouped suburban places into clusters with similar social, fiscal and physical characteristics.¹ The 18 central cities were placed in their own cluster. (See page 48 for a summary of cluster characteristics).

The results show the variety of communities within regions:

More than half of all suburban residents live in places facing fiscal or social stress.

CENTRAL CITIES

Central cities are home to 29 percent of the metropolitan population. As a group, they are at only a moderate disadvantage in their ability to raise revenues, with property and sales tax capacities just below regional averages. (Tax capacity, the measure of local tax resources used throughout the report, provides a way to compare the fiscal health of local governments taking into account both property and sales taxes. It is the revenue that a city would generate if it applied its region’s average property and sales tax rates to its actual local tax bases.)

However, despite the growing challenge of gentrification, central cities are still at a serious disadvantage on the “need” side of the equation, with high poverty rates and aging infrastructure. Every city has areas of concentrated poverty, places suffering from everything from high crime and troubled schools to poor health. Problems like these discourage investment, place a significant burden on city resources, and isolate residents from educational, employment and social opportunities.

AT-RISK SUBURBS

Over half of metropolitan populations—54 percent—lives in struggling suburbs. These “at-risk” suburbs are at a disadvantage on both sides of the local fiscal equation. They have lower-than-average tax capacities that are growing at relatively slow rates. On the need side, they have higher-than-average poverty rates that are increasing more quickly than average. At-risk communities can be further divided:

At-risk aging suburbs are home to 22 percent of metropolitan residents. The troubling effects of poverty are increasingly familiar in these places, many of which have higher overall poverty rates than the central cities. They also have weak and slow-growing property tax bases, and aging housing and infrastructure. Their sales tax base is just above regional averages but growing at rates well below average.

These communities are often especially hard hit by social decline because they lack the cultural amenities, gentrifying neighborhoods and downtown tax base of central cities that help them survive despite problems. West Sacramento, the Los Angeles County city of Downey and El Cajon outside San Diego are some of the state’s at-risk aging suburbs.

At-risk developing suburbs are home to 32 percent of the population. Growing more quickly than average, these low-density places struggle to stretch their modest fiscal resources to build the schools, roads and parks needed by new residents. With their new homes, higher-achieving schools, lower land costs, wide-open

spaces and low taxes, these places appear to offer an alternative to declining communities.

But over time the costs of growth can exceed the ability of local taxpayers to pay for it. The social needs in these places are increasing; poverty is growing faster in them than in any other type of community. At-risk developing suburbs include places like Clovis outside Fresno, Oceanside near San Diego, and Antioch in the Bay Area.

AFFLUENT SUBURBS

Just 18 percent of California's metropolitan population lives in one of the two affluent categories. As a group,



Because of state tax laws, California cities often choose commercial development, like auto dealerships, over housing.

affluent places were denser, richer and whiter than at-risk places. Both these groups had poor and minority school enrollments far below the regional averages. Affluent places were also divided into two groups:

Affluent residential enclaves are home to 6 percent of the population. Among the most prosperous older suburban areas, these communities are filled with many of the state's most expensive homes, very low poverty and little racial diversity. As they have struggled to preserve their quiet, residential character, many of their residents have embraced development moratoria and other slow-growth regulations. Perhaps as a result, they are experiencing slower-than-average household growth and have the oldest housing stock of any group. Sales-tax capacity in these places is just slightly above average while property tax capacity is the highest of any community type. Residential enclaves include Malibu, Monterey and Tiburon.

Affluent job centers are home to 12 percent of the population. These fast-growing places are home to many new homes, as well as plentiful commercial and industrial development. Their businesses generate rapidly increasing amounts of sales tax to fund public services, and there is little poverty.

Although they appear to reap all of the benefits of regional competition with few of the costs, in some ways they are victims of their own success. As they grow, open space disappears and traffic congestion makes getting around more and more difficult. Their density is second only to central cities. High housing costs mean employers have problems attracting the low-wage workers who cannot afford to live in the vicinity. Affluent job centers include places like Roseville, Santa Clara and Carlsbad.²

FRAGMENTED TAX AND LAND-USE POLICIES

Local governments face stark differences in their ability to provide services citizens desire, like police service, street repairs, parks and libraries. While affluent cities can rely on their tax base to provide high-quality services, fast-growing cities with low tax bases often struggle to keep up with the onslaught of new residents. In struggling communities, stagnant tax bases and increasing needs force local officials to cut services, raise fees or look for other ways to raise

revenues. In California, the options available to local governments are limited, and competition among them is fierce.

Before 1978, local governments in the state relied heavily on the property tax to fund local services. But in the late 1970s, rapidly escalating property values, with no relief in rates, led to a property tax revolt. The result was the passage of Proposition 13 in 1978, an initiative that has fundamentally changed the power of local governments to raise revenue and the tools they use to do it.

Proposition 13 limited the property-tax rate that can be levied and gave the state control of distributing revenues among cities, counties, special districts and school districts. It changed the way homes are valued for taxation, switching from an estimated "fair market value" that can rise as housing values rise, to an actual "acquisition value" that can rise no more than 2 percent a year until the property is sold.³

The effect of Proposition 13 on local governments was a profound decline in the role of property tax revenues.⁴

California schools show a high degree of segregation by income and race that, for the most part, worsened in the 1990s.

Events in the late 1980s and early 1990s magnified this effect for cities and counties. Most notable was the state government's response to a projected budget shortfall in 1992-93. The Education Revenue Augmentation Fund (ERAF) transferred \$3.7 billion from city and county property tax revenues to schools to finance an equivalent reduction in state aid for education.

As a result, cities have sought out new ways to pay for needed public services. One way they found was the sales tax. California law allows city governments to collect a 1 percent tax on sales within their borders. Its significance goes beyond its share of budgets because it accounts for a large share of discretionary funds. Many other major sources of funds are earmarked for specific purposes; for example, fees for water, sewers or public utilities usually must go back to run the systems themselves. By 1998, the local sales tax was generating 35 percent of city tax revenues statewide and its share was growing (up from 33 percent in 1993). During the same time, the property tax share of tax revenues declined to 23 percent (from 28 percent in 1993).⁵

Because the sales tax is one of the few non-earmarked sources of local government revenue, attracting retail development has become an important goal. But because a region can support only a given number of superstores or shopping malls, retail development has also become a focal point for competition. Cities often attempt to lure large retail projects by offering tax breaks, subsidies and expensive infrastructure improvements. They zone large tracts of land for retail uses, hoping the stores will come. The campaign to attract retail development has resulted in the wasteful use of public funds, often on large-scale retail projects like big-box stores or auto malls that do little to help the local economy while, at the same time, contributing to disinvestment in older communities and sprawl on the urban fringe.⁶

The decline of the property tax and rise of sales tax have also contributed to the state's exceptional housing crunch and its side effects: tremendously high housing costs, low homeownership rates and housing overcrowding.⁷ Because city officials view housing as a land

use that generates little tax revenue while imposing significant costs (for the roads, sewers and schools needed to serve it), they often limit the land available for residences—keeping the supply of houses below the demand—and charge steep development fees on the homes that are built. In 1999, on average, these fees alone added over \$20,000 to the cost of a single-family home and \$15,500 to the cost of a new apartment unit.⁸

SOCIAL SEPARATION

Diversity is a hallmark of California. A recent study found that 11 of the nation's 21 "melting pot metros" are in California.⁹ Much of this diversity comes from international immigration, most of it focused in just a few counties. For instance, more than 70 percent of statewide legal immigration between 1990 and 1998 occurred in just six of the state's counties—Alameda, Los Angeles, Orange, San Diego, San Francisco and Santa Clara. Just two—Los Angeles and Orange—represented nearly half of the statewide total.¹⁰

Because immigrants are younger and have larger families than natives on average, education is the local public service most affected by immigration.

The well-being of schools is vital because community stability depends greatly on the performance of schools. Deepening poverty and other socioeconomic changes appear in schools before they do in neighborhoods, and in elementary schools before secondary schools. When the perceived quality of a school declines, it can set in motion a vicious cycle of middle-class flight and disinvestment.¹¹

Extremely poor schools are more likely to employ inexperienced and "emergency credentialed" teachers and to have enrollments that change dramatically throughout the school year—factors that lower educational achievement among students and diminish their prospects for the future.¹²

Concentrated poverty in neighborhoods multiplies the severity of problems faced by poor individuals. Studies have found that poor individuals living in concentrated poverty are far more likely to become pregnant as teenagers,¹³ drop out of high school,¹⁴ and remain jobless¹⁵ than if they lived in socioeconomically mixed neighborhoods. These types of outcomes dramatically diminish the quality of life and opportunity for adults and children living in poverty. The impact of concentrated poverty extends into the larger metropolitan economy by reducing the regional pool of skilled workers and otherwise creating a less attractive environment for economic growth and development.

As in most parts of the country, California's schools and housing markets show a high degree of segregation both by income and race, a situation that, for the

most part, worsened during the 1990s.

School poverty rates increased in all seven regions in the mid-1990s. By 1997, they ranged from 39 percent in San Luis Obispo to 65 percent in Monterey (see page 47, top panel). That year, the percentage of poor children who would have had to change schools to achieve an identical mix of poor and non-poor students in each one was between 49 and 56 percent in six of the seven regions. (It was 36 percent in San Luis Obispo.) The degree of income segregation improved during this period in only one of the state's regions, San Luis Obispo. It held constant in one, San Diego, and worsened in the other five.

The degree of racial segregation was a bit lower overall in California schools than in many large metropolitan areas. But in contrast with a number of them, segregation worsened in all seven of the California regions included in this study. Among the nation's 25 largest metropolitan areas, San Francisco, San Diego and Los Angeles showed the first, fourth and eighth greatest increases in racial segregation in schools between 1992 and 1997.¹⁶

The trend was especially marked for Latino children. In 1970, the typical Latino student attended a school with a white enrollment of 54 percent. By 1980, that figure was down to 36 percent, and it was just 24 percent in 1996. The situation for blacks remains serious as well. In 1996, the typical black student attended a school where just 25 percent of students were white—in a state where black students only comprise about 10 percent of total school enrollment.¹⁷ Asian students were not included in the analysis of racial segregation because research has shown that they tend to experience less educational and housing segregation than blacks, Latinos and Native Americans.¹⁸

When black and Latino students are segregated in schools where the majority of students are non-white, they are also likely to find themselves in schools where the majority of students are poor. Across the regions, the percentage of non-Asian minority students attending high-poverty schools exceeded the percentage of white and Asian students in those schools by more than 4-to-1.

Sadly, the pattern of residential discrimination does not stop for black and Latino middle-class households moving to the suburbs. When middle-class minority households reach a critical mass in a middle-class neighborhood, white homebuyers, perceiving the

community to be in decline, choose not to buy there, and, before long, whites already living in the neighborhood move away. Businesses and jobs soon follow. The resulting decline in demand causes housing prices to stagnate or decline, and poorer individuals of all races move in. The earlier perceptions become reality.¹⁹

CHALLENGES TO "STATUS QUO" DEVELOPMENT

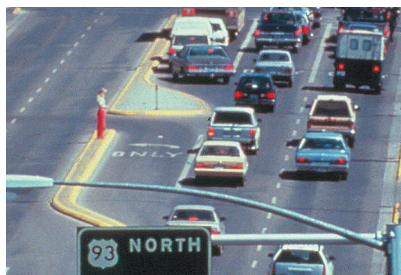
The extraordinary growth of California's regions has combined with geographic constraints to present increasing development challenges. In perhaps the highest-profile case, Los Angeles—hemmed in by mountains, fragile high desert and ocean—is running out of "buildable" land, and it is already reliant on water piped in from hundreds of miles away. But the story is similar in many parts of the state.²⁰

As a result, California has been bucking national development trends. Of the 25 largest U.S. regions, the developed portions of 19 of them became less dense between 1970 and 1990. In contrast, population density increased in the urbanized portions of six of the 10 California metro areas that existed in 1970. As development becomes more intense, they are more likely to benefit from new models of regional land-use planning over the current "each city for itself" model.

THE HEALTH OF REGIONS

Cities and their suburbs are interdependent. When social and economic disparities are minimized, the entire region is stronger. A growing body of research shows this. One team of researchers, for example, found that median household incomes of central cities and their suburbs move up and down together in most regions and that the strength of this relationship appears to be increasing. They also found that metropolitan areas with the smallest gap between city and suburban incomes had greater regional job growth.²¹ Another study found that in large metropolitan areas, income growth in central cities results in income growth and house-value appreciation in the suburbs.²²

There is growing recognition that the problems of segregated metropolitan areas—declining neighborhoods, congested highways, degraded natural resources and wasteful intra-regional competition—cannot be solved by individual local governments working alone. Stabilizing struggling communities and minimizing sprawl will require coordinated strategies that tackle regional problems with regional solutions.





Los Angeles

THE LOS ANGELES METROPOLITAN AREA covers a great expanse of southern California, from Ventura County to the Arizona border. It is the second most populous metropolitan area in the country, and by far the most populous region of the state. In fact, in 2000, 48 percent of all California residents—over 16 million people—lived in the 177 cities and unincorporated areas of the Los Angeles region. Its population grew by 13 percent between 1990 and 2000. The fastest growth—32 percent, 21 percent and 18 percent, respectively— took place in Riverside, San Bernardino and Orange counties, the places that are also attracting increasing shares of the region's high-paying jobs and economic activity.²³

Unbalanced growth in the region has had real consequences on its residents. Social and fiscal strain has expanded into many of the region's declining older suburbs, and is on the rise in many older outlying communities as well.

POVERTY AND RACE

In 1997, 60 percent of elementary students in the Los Angeles region qualified for free lunches, a widely used proxy for poverty.²⁴ Of regions in the study, only Salinas had a higher rate. As in most metropolitan areas, poverty in Los Angeles was not evenly distributed around the region. In fact, that year, 56 percent of the region's poor elementary students would have had to change schools in order to achieve an identical mix of students in each one, up from 54 percent in 1992.²⁵

Poor districts are clustered in the region's core and older outlying communities, including the city of Los

Outlying Riverside, San Bernardino and Orange counties are attracting an increasing share of the region's economic activity.

Angeles, the Gateway Cities of southeast Los Angeles County, northern Orange County, the San Gabriel Valley, and in and around the city of San Bernardino.

Poverty is increasingly a fact of life in schools in at-risk aging suburbs. Although Los Angeles schools are very poor (80 percent of the almost 375,000 elementary students in the district were eligible for free lunches in 1997), the district is not the poorest in the region. There were 17 suburban districts, together enrolling over 168,000 students, with higher poverty



Voters in Huntington Beach supported replacing a school with a Wal-Mart that offered needed revenue to the city and school district.

rates than Los Angeles. Nine of them had poverty rates above 85 percent.

And many suburban districts saw considerably larger increases in poverty between 1992 and 1997 than Los Angeles, where the poverty rate increased less than the region as a whole (2 percentage points versus 6). Among them was Anaheim, where poverty increased from 48 percent to 74 percent. In Hawthorne, poverty rose 33 points, from 55 percent to 88 percent. The biggest decreases in student poverty were scattered throughout the region, including several high-poverty districts in Los Angeles and Riverside counties, and low-poverty districts in Ventura and Orange counties.

Even in districts with lower overall rates, poverty tends to be concentrated in certain schools. In 1997, in the Hacienda La Puente Unified School District, for example, the poverty rate within individual elementary schools ranged from 12 percent to 95 percent. In Fullerton, rates



Communities with growing social stress, like Inglewood, often have a hard time attracting businesses.

in individual schools ranged from 7 percent to 81 percent.

The link between poverty and race is strong. Minority students are increasingly concentrated in schools that are poor and growing poorer. In fact, in 1997, 60 percent of the region's Hispanic, black and American Indian elementary students attended high-poverty schools.²⁶ In comparison, only 14 percent of white and Asian students attended these schools. From 1992 to 1997, half of the growth in Hispanic enrollment occurred in just 12 of the region's 165 school districts—most of them also experiencing above-average student poverty.

Increasingly, racial minorities, too, are concentrated not just in Los Angeles, but also in older suburbs. In fact, 20 districts, enrolling over 309,000 students, had higher minority enrollments than Los Angeles, where the minority enrollment in 1998 was 83 percent. Four districts had minority enrollments higher than 97 percent. Even within districts that are integrated as a whole, minorities are often clustered in just a handful of buildings. In the Ventura Unified schools, for example, where the overall minority enrollment was 41 percent, minority enrollments in individual buildings ranged from 13 percent to 91 percent.

FISCAL DISPARITIES

Like social factors, the ability to raise revenue through taxes is unevenly distributed throughout the region. Cities with the most serious strain in tax capacity are at-risk suburbs in southeastern Los Angeles County, the San Gabriel Valley and outlying communities in the far north and west of the urbanized area.

Often cities with low tax capacities are also burdened with growing social needs, such as high poverty. In the Los Angeles region, such places include Maywood, Bell and Cudahy in Los Angeles County; and Baldwin Park and Rosemead in the San Gabriel Valley.

Other communities where needs are not commensurate with revenues are fast-growing at-risk developing suburbs where the tax base is relatively low and expensive infrastructure investments are needed to accommodate growth. Among them is Adelanto, which saw a 40 percent increase in households between 1993 and 1998, while its tax capacity per household decreased by 11 percent, controlling for inflation. In Highland, tax capacity per household decreased by 8 percent while the number of households increased by 10 percent.

Affluent residential enclaves and job centers, on the other hand, tend to have considerable tax capacity and relatively few special needs, and so are better able to provide quality public services at a given tax rate. The west Los Angeles County community of Westlake Village and the Orange County communities of Costa Mesa and Newport Beach are all examples of these kinds of places.

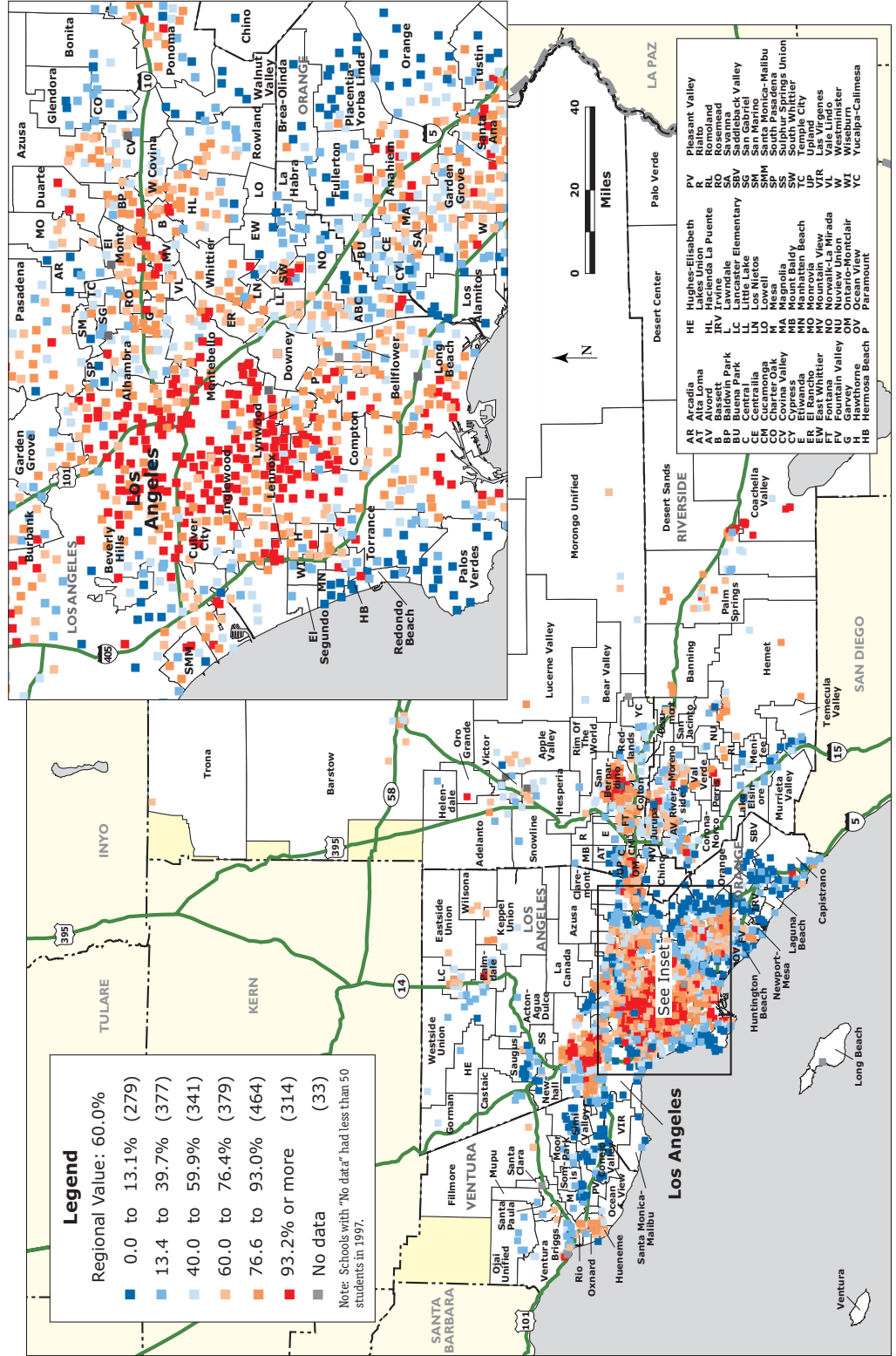
The city of Los Angeles, with a 4 percent drop in tax capacity, fared just slightly worse than the regional average 1 percent drop. But there is cause for concern in some relatively wealthy communities, where tax capacity is still above average, but declined at faster-than-average rates. A number of Orange County communities fall into this category. Fullerton and Fountain Valley, for example, saw decreases in tax capacity of 24 percent between 1993 and 1998.

Poverty in Schools

MAP 1: PERCENTAGE OF ELEMENTARY STUDENTS ELIGIBLE FOR FREE LUNCH BY SCHOOL, 1997

STUDENT POVERTY (measured by the percentage of elementary students eligible for free lunches) in Los Angeles is clustered in the region's core and older outlying communities. Districts with large shares of high-poverty schools include the city of Los Angeles, southeast Los Angeles County, northern Orange

County, the San Gabriel Valley, and the city of San Bernardino. Districts with extremely small shares of high-poverty schools were concentrated in Ventura County, outlying Orange County, and northwestern Los Angeles County.



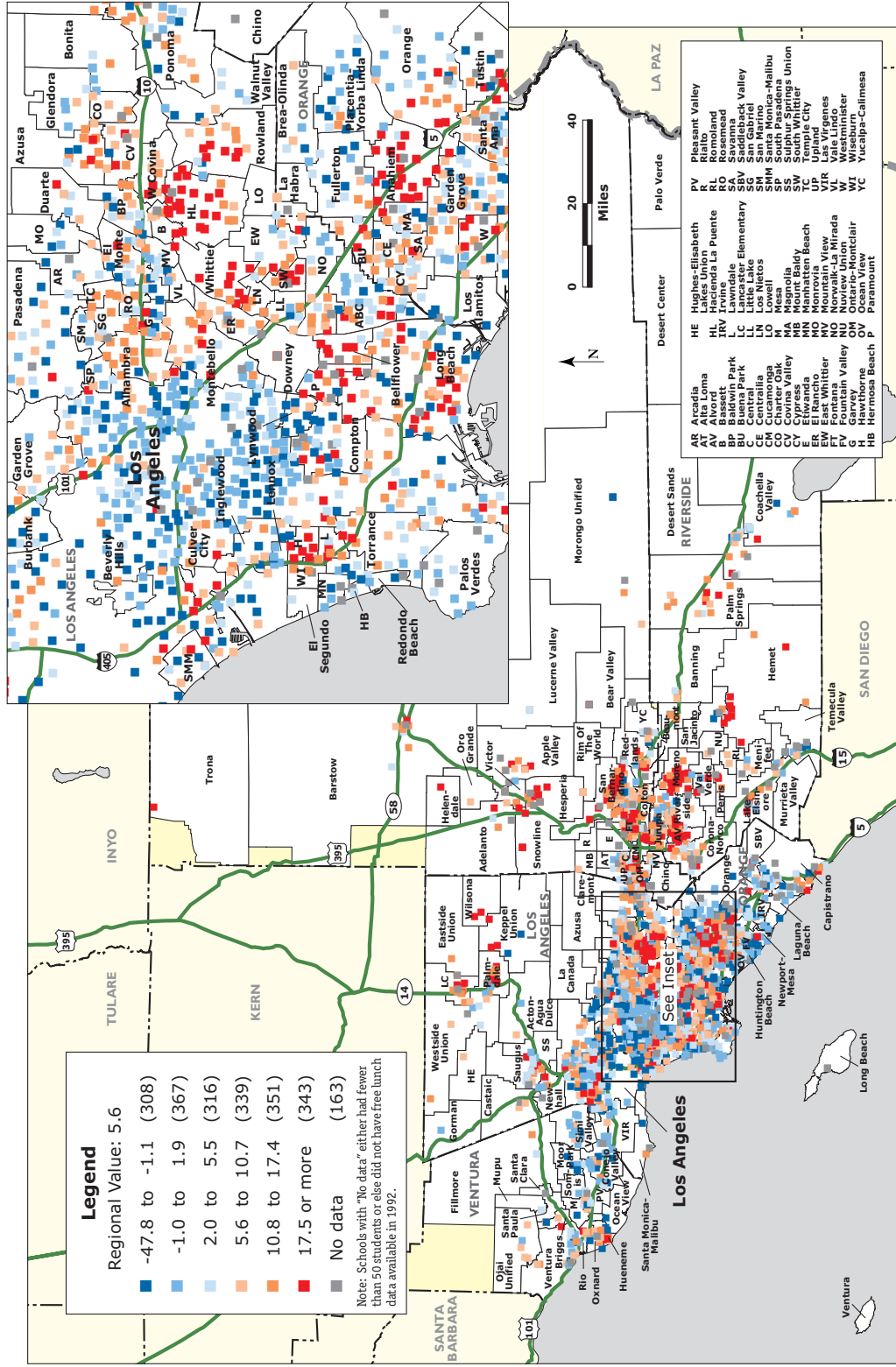
DATA SOURCE: NATIONAL CENTER FOR EDUCATION STATISTICS.

MAP 2: CHANGE IN PERCENTAGE POINTS OF ELEMENTARY STUDENTS ELIGIBLE FOR FREE LUNCH BY SCHOOL, 1992-1997

MANY OF THE REGION'S severely poor districts got poorer in the mid-1990s. Especially large increases in poverty could be found in southeast Los Angeles County districts, including Downey, Compton, Hawthorne, Lawndale and Bellflower. Significant increases also occurred in the outlying districts of San Bernardino and Moreno Valley, as well as the San Gabriel Valley; northern Orange

County; and the outlying communities of Palm Springs, Hesperia and Palmdale.

The biggest decreases were in the Mesa, Ocean View, Somis and Briggs districts in Ventura County, with 7- to 14- point drops in poverty. Many Los Angeles schools saw stable or declining poverty rates in this period.



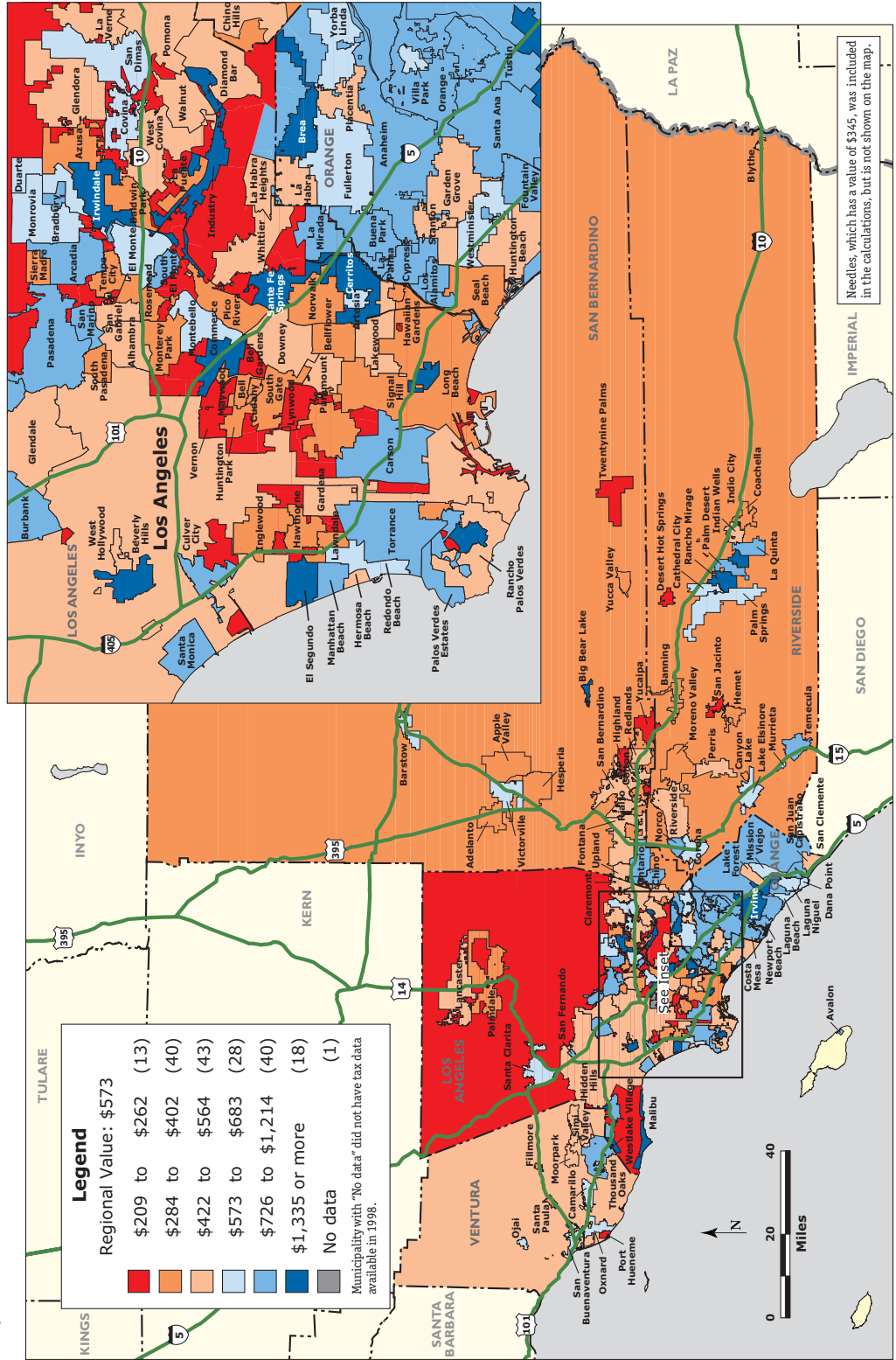
DATA SOURCE: NATIONAL CENTER FOR EDUCATION STATISTICS.

Tax Base

MAP 3: TAX CAPACITY PER HOUSEHOLD BY MUNICIPALITY AND COUNTY UNINCORPORATED AREA, 1998

TAX CAPACITY OF LOS ANGELES-AREA CITIES varied considerably in 1998. Many of the southeastern suburbs of Los Angeles had tax capacities per household well below the regional average, as did many cities in western San Bernardino and

Riverside counties, such as Yucca Valley. High tax capacities were concentrated in Orange County, western Los Angeles County, and in and around Palm Springs.

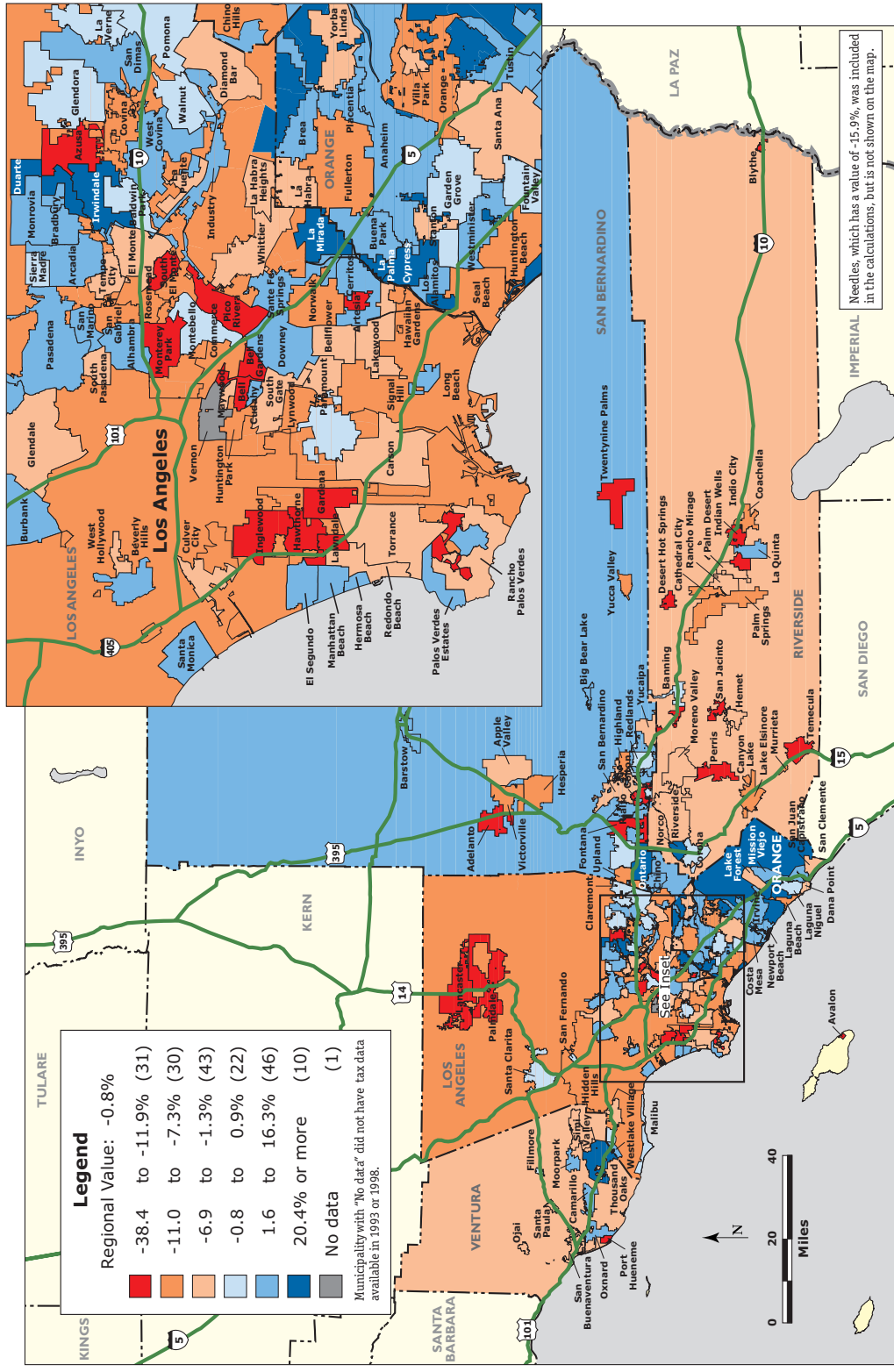


Needles, which has a value of \$345, was included in the calculations, but is not shown on the map.

DATA SOURCE: CALIFORNIA STATE CONTROLLER.

MAP 4: PERCENTAGE CHANGE IN TAX CAPACITY PER HOUSEHOLD BY MUNICIPALITY AND COUNTY UNINCORPORATED AREA, 1993-1998

THROUGHOUT THE LOS ANGELES REGION, tax capacity among local governments declined about 1 percent between 1993 and 1998, controlling for inflation. Places with the most significant increases were unincorporated Orange County (+151 percent), Irwindale (+79 percent), Laguna Hills and Cypress (both +30) and Norco (+29). The city of Los Angeles, and many places in the region's core or extreme edges saw growth in tax capacity below the regional average. Cities with the biggest declines were Palmdale (-39 percent), Adelanto (-37) and Colton (-29).



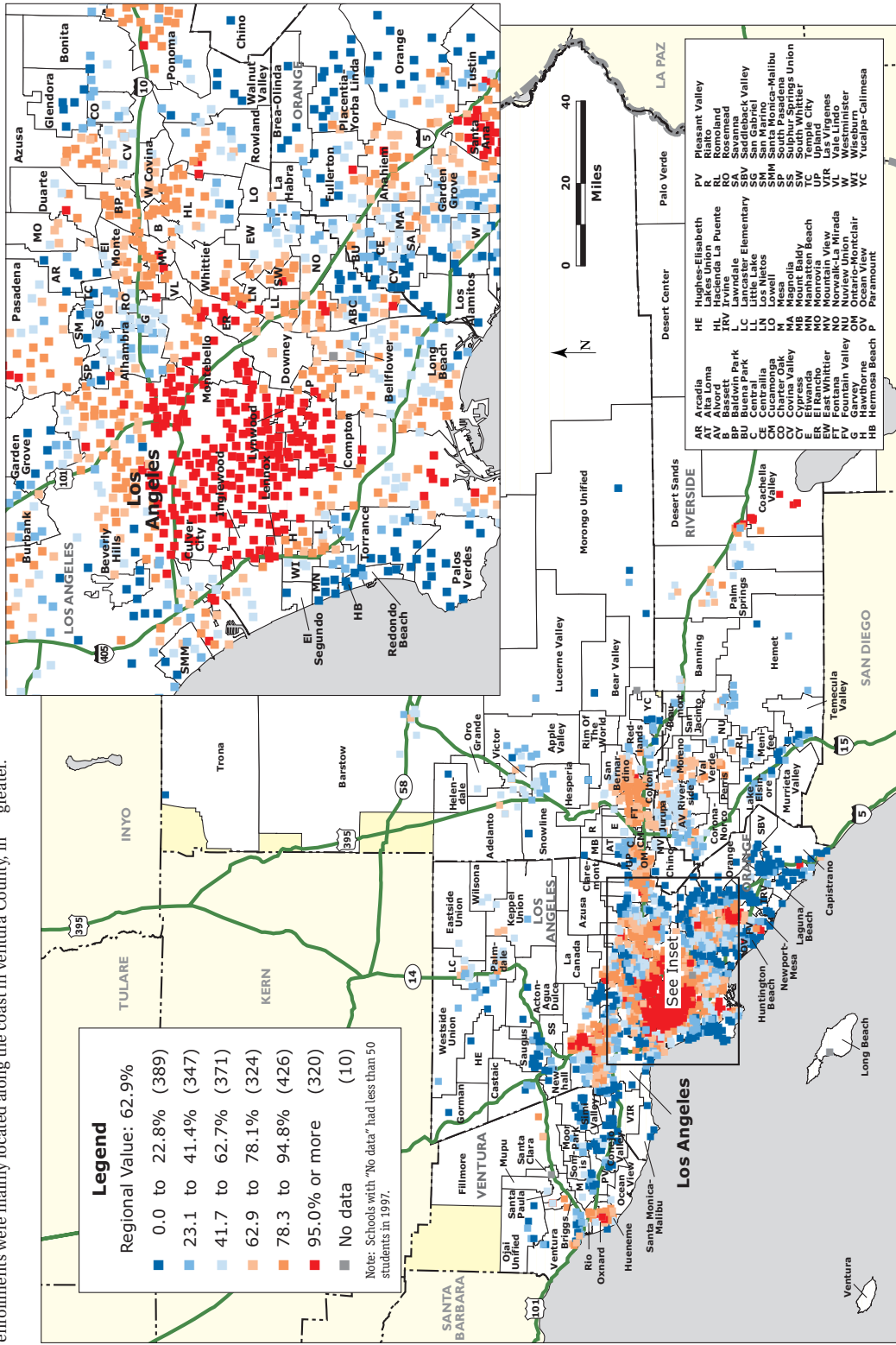
DATA SOURCE: CALIFORNIA STATE CONTROLLER.

Racial Segregation in Schools

MAP 5: PERCENTAGE OF NON-ASIAN MINORITY ELEMENTARY STUDENTS BY SCHOOL, 1997

MINORITY STUDENTS were, for the most part, concentrated in the same areas experiencing concentrated poverty: Los Angeles, its southeastern suburbs, and around San Bernardino, older Orange County communities and the outlying Coachella Valley. Districts with low minority enrollments were mainly located along the coast in Ventura County, in

newer areas of southern Orange County and in southwestern Riverside County. The region's great extremes in segregation were reflected in its schools. The region was home to 116 schools with minority rates of 5 percent or less, and 261 schools with minority enrollments of 95 or greater.



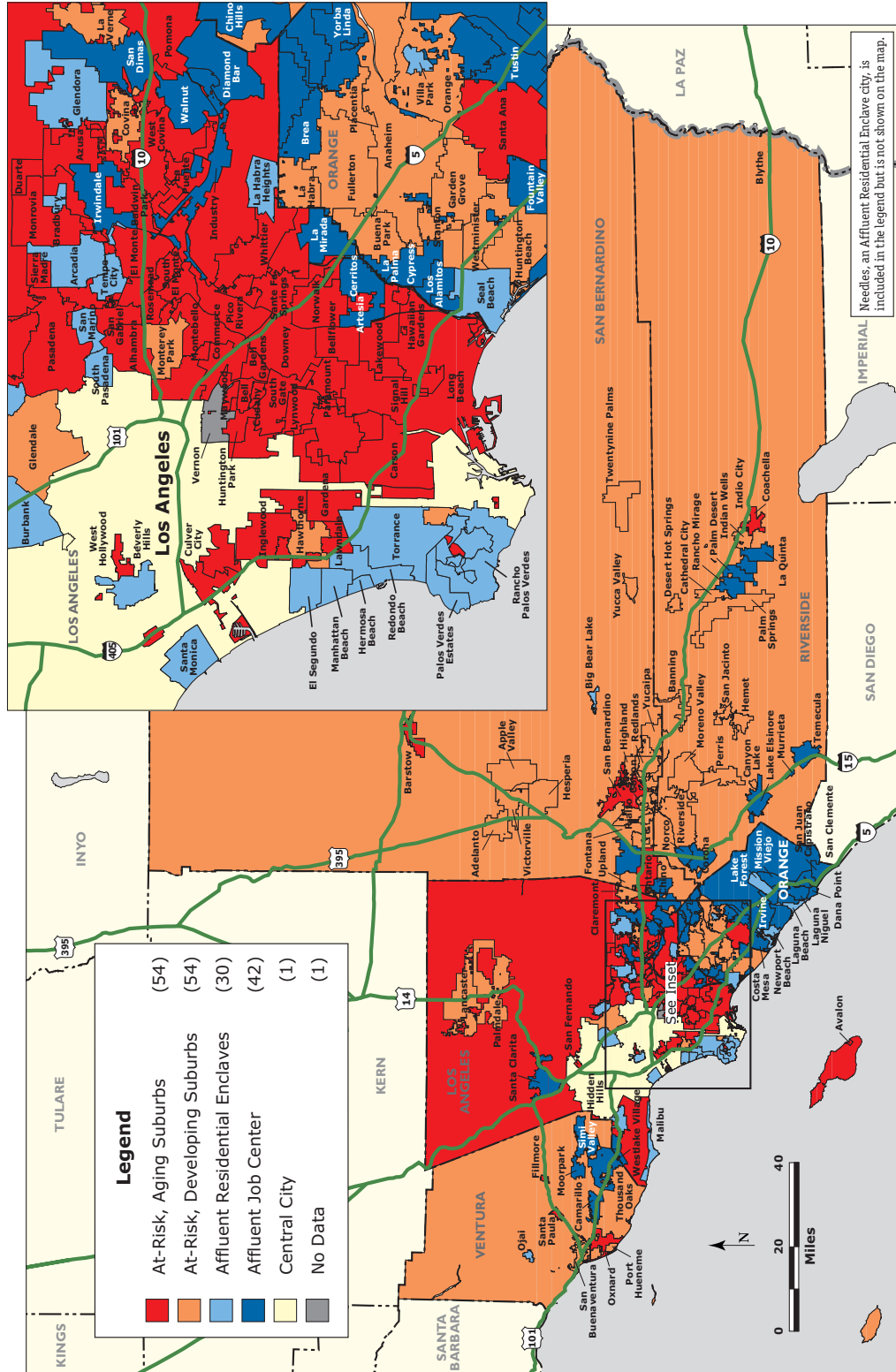
DATA SOURCE: CALIFORNIA STATE CONTROLLER.

Community Classification

MAP 6: COMMUNITY CLASSIFICATION

SUBURBS IN THE LOS ANGELES REGION fall into four broad categories that share similar social, physical and economic characteristics. At-risk aging suburbs—those facing growing social need and stagnant or declining tax resources—include many communities on the east side of Los Angeles. Fast-growing, fiscally strapped at-risk developing suburbs are concentrated in Riverside and San Bernardino counties, and in north-

ern Orange County. Affluent residential places—boasting high tax capacity and manageable growth rates—include Burbank and places along the coast south of Los Angeles, like Redondo Beach and Torrance. Dense, fast-growing affluent job centers constitute much of southern Orange County, as well as La Quinta and Simi Valley.



DATA SOURCE: METROPOLITAN AREA RESEARCH CORPORATION.



San Francisco

THE NINE-COUNTY San Francisco metropolitan area was home to over 7 million people in 2000. Riding the tech boom of the 1990s, the region saw a 13 percent population increase from the previous decade. The fastest growth in the 1990s took place in outlying Contra Costa and Sonoma counties, which both grew by 18 percent. The slowest growth—7 percent—was in the region's most populous county, San Francisco.

In a state with housing costs among the highest in the nation, the Bay Area is California's most expensive region. The California Association of Realtors estimated that only 25 percent of metropolitan households could afford to purchase a median-priced home in October 2001. In fact, they found San Francisco County to be the least affordable county in the state (16 percent of households could afford a median-priced home), and Contra Costa County was the second least affordable (17 percent could).²⁷

The way the region grew during the 1990s led to growing inequalities, with poverty and fiscal strain concentrated not only in the central cities, but increasingly in older suburbs and outlying towns that are, in some cases, in more fragile than the central cities themselves.

RACE AND POVERTY

Of the nearly 534,000 elementary students in the San Francisco region's 160 school districts, 40 percent were eligible for free meals in 1997. That figure represented the second-lowest regional poverty rate in this study—one percentage point higher than in San Luis Obispo and 10 percentage points lower than in the next poorer region, Santa Barbara. Poor Bay Area students were largely segregated in schools in and around the central cities of Oakland, San Francisco and San Jose, and in outlying districts skirting the metro.

Low-poverty districts were concentrated on the peninsula from Hillsborough in the north to Loma Prieta in the south, and in Marin, southern Sonoma, and western Contra Costa counties. Although the region's poverty rate is relatively low, the segregation of poor students in the San Francisco region is significant; in 1997, 53 percent of poor students would have needed to change schools to achieve an equal mix of poor and non-poor students in each one.

Poverty is increasingly common outside of the region's central cities. In 1997, seven at-risk aging suburban districts, together enrolling over 18,000 elementary students, had higher poverty rates than the Oakland district, and six districts (including Oakland) had higher poverty rates than San Francisco. Poverty was also growing very quickly in many suburban districts; in fact, in 12 of them poverty increased by more than 15 percentage points between 1992 and 1997.

Extremely high housing costs in San Francisco proper may help to account for its relatively steady rates of minority enrollment and poverty in the 1990s. These rates rose region wide.

In 1997, 39 percent of elementary students in the San Francisco region in 1997 were Hispanic or black, and 48 percent of them would have needed to change schools in order to achieve a racially balanced enrollment in each one. Many of these students were segregated either in the center of the region or on its edge. Districts with extremely low percentages of Hispanic and black students were found in the relatively affluent areas, including Hillsborough, San Ramon Valley, Mill Valley, Menlo Park and Cupertino.

The link between poverty and race is strong in the Bay Area. In 1997, 34 percent of Hispanic and black students attended high-poverty schools. In comparison, only 8 percent of white and Asian students attended those schools. From 1992 to 1997, half of the region's



Properties in gentrifying West Oakland are the focus of redevelopment. Soaring rents and home prices are driving out many long-time neighborhood residents.



Fast-growing cities on the region's edge, like Dublin, are home to a disproportionate share of Bay Area jobs.

growth in Hispanic enrollment occurred in just 13 of the region's 160 school districts—districts that were, in great part, also experiencing high poverty.

Even within school districts, minority students are often over represented in certain schools, reflecting, among other things, racial segregation in the housing market. Within the San Francisco district, for example, minority enrollments in individual buildings ranged from 5 percent to 86 percent in 1997.

TAX CAPACITY

In the Bay Area, for the most part, communities with the highest tax capacity were clustered on the San Francisco peninsula. Other tax-base-rich communities include Milpitas and Santa Clara just outside of San Jose, Dublin in Alameda County and Corte Madera and Ross in Marin County.

With a few exceptions, the lowest tax capacities are in at-risk places east and south of the bay, including the city of Oakland, its nearby suburbs and county unincorporated areas. These places often exhibit factors that

make providing public services especially costly, such as relatively high numbers of children in poverty. An example is Pittsburg, where, in the mid-1990s, already-high student poverty grew at a higher-than-average rate at the same time its tax capacity per household fell.

Much of the fastest population growth is occurring in low tax-capacity developing communities where expensive infrastructure is needed. For example, Brentwood, in eastern Contra Costa County, added almost 1,500 households between 1993 and 1998—a 70 percent increase. Its tax capacity per household, however, shrunk by 14 percent in that period, and in 1998 was below the regional average. Likewise, Watsonville, in southern Santa Cruz County, grew by 9 percent, or almost 1,000 households. Its per-household tax capacity dropped precipitously—45 percent—in the mid-1990s, going from above-average to below-average compared with the region as a whole.

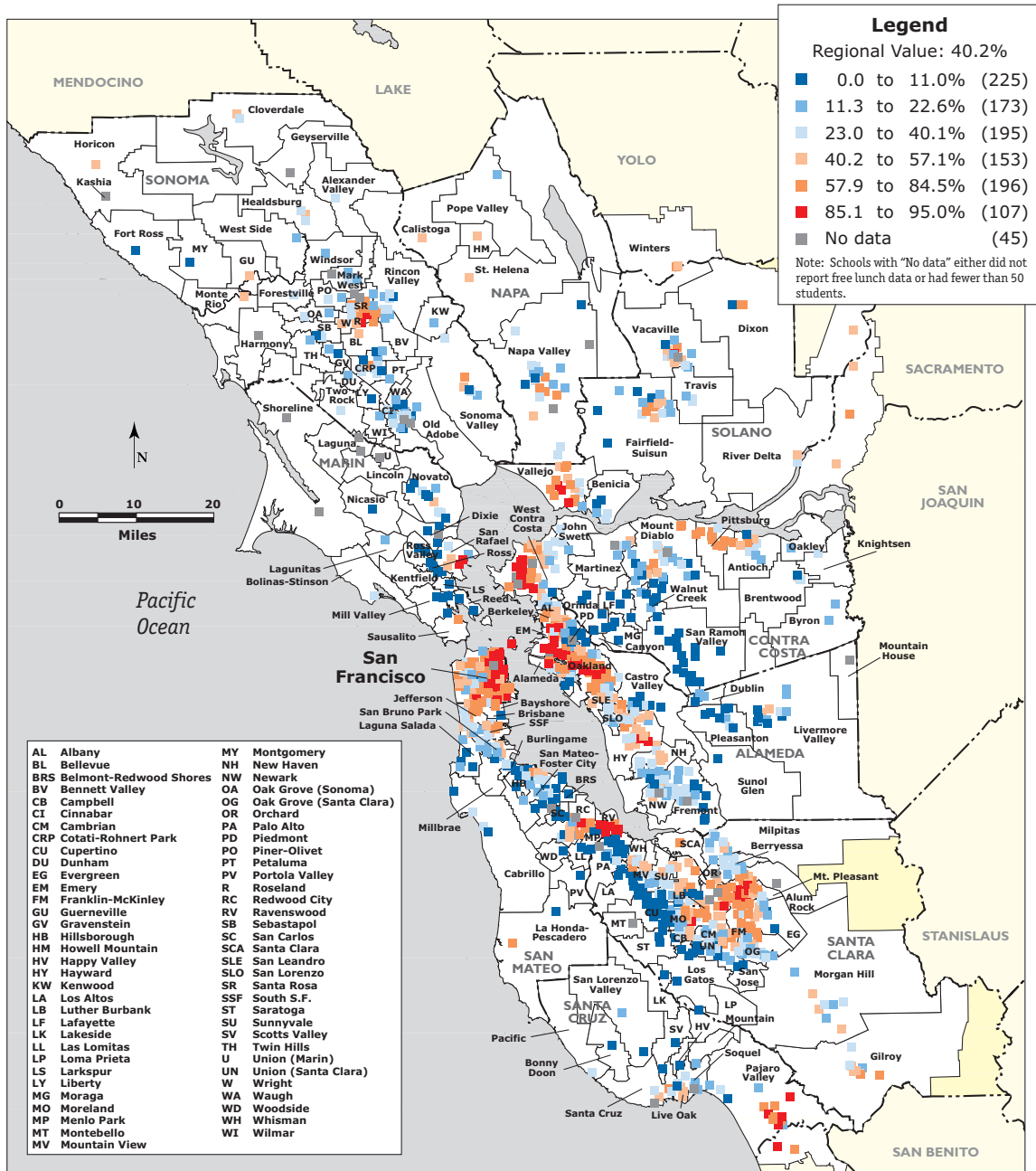
Affluent residential suburbs and job centers, like Los Gatos and Foster City on the San Francisco Peninsula and Piedmont and Walnut Creek in Contra Costa County, can provide higher-quality public services at a given tax rate because their overall tax base is so large.

Fiscal trends suggest a widening gap between the region's haves and have-nots: the 57 Bay Area localities with above-average tax capacity in 1993 experienced an average growth in tax capacity, adjusted for inflation, of 13 percent between 1993 and 1998, while the 55 places with below-average capacity in 1993 saw growth of just 7 percent in the subsequent five years.

In a state with some of the nation's highest housing costs, the Bay Area is California's most expensive region.

Poverty in Schools

MAP 7: PERCENTAGE OF ELEMENTARY STUDENTS ELIGIBLE FOR FREE LUNCH BY SCHOOL, 1997

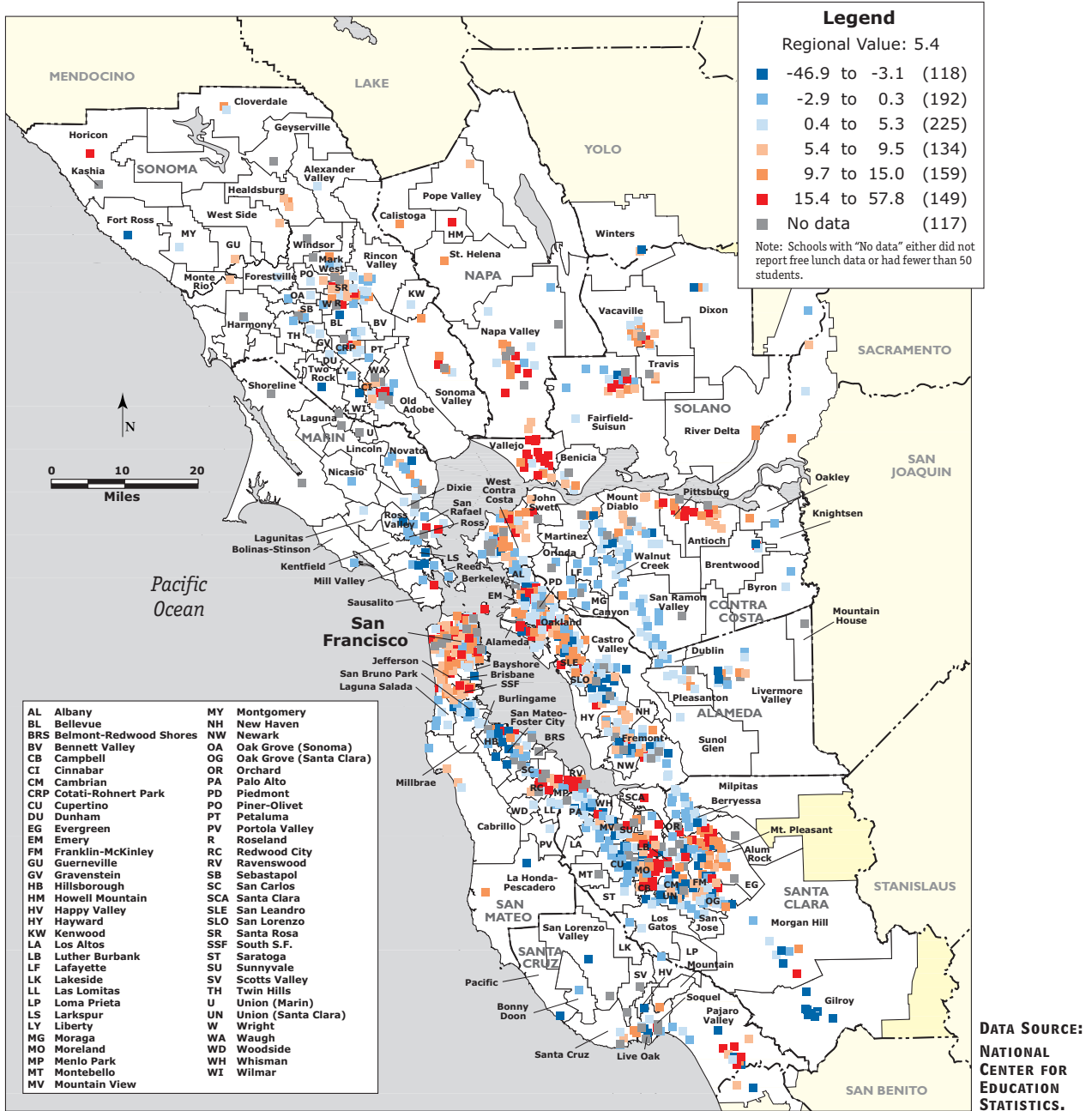


DATA SOURCE:
NATIONAL
CENTER FOR
EDUCATION
STATISTICS.

STUDENT POVERTY in the San Francisco region is concentrated in a handful of school districts. San Francisco and Oakland are the region's largest districts, and both have shares of high-poverty schools well above the regional average. Other smaller districts have similar shares of high-poverty schools, including the inner suburban districts of West Contra Costa, Emery and

Ravenswood, and the outlying districts of Pajaro Valley and Santa Rosa. Schools with very low poverty rates are concentrated in districts along the San Francisco Peninsula toward Santa Cruz, such as Los Altos and Happy Valley, and in Marin and southwestern Contra Costa counties.

MAP 8: CHANGE IN PERCENTAGE POINTS OF ELEMENTARY STUDENTS ELIGIBLE FOR FREE LUNCH BY SCHOOL, 1992-1997

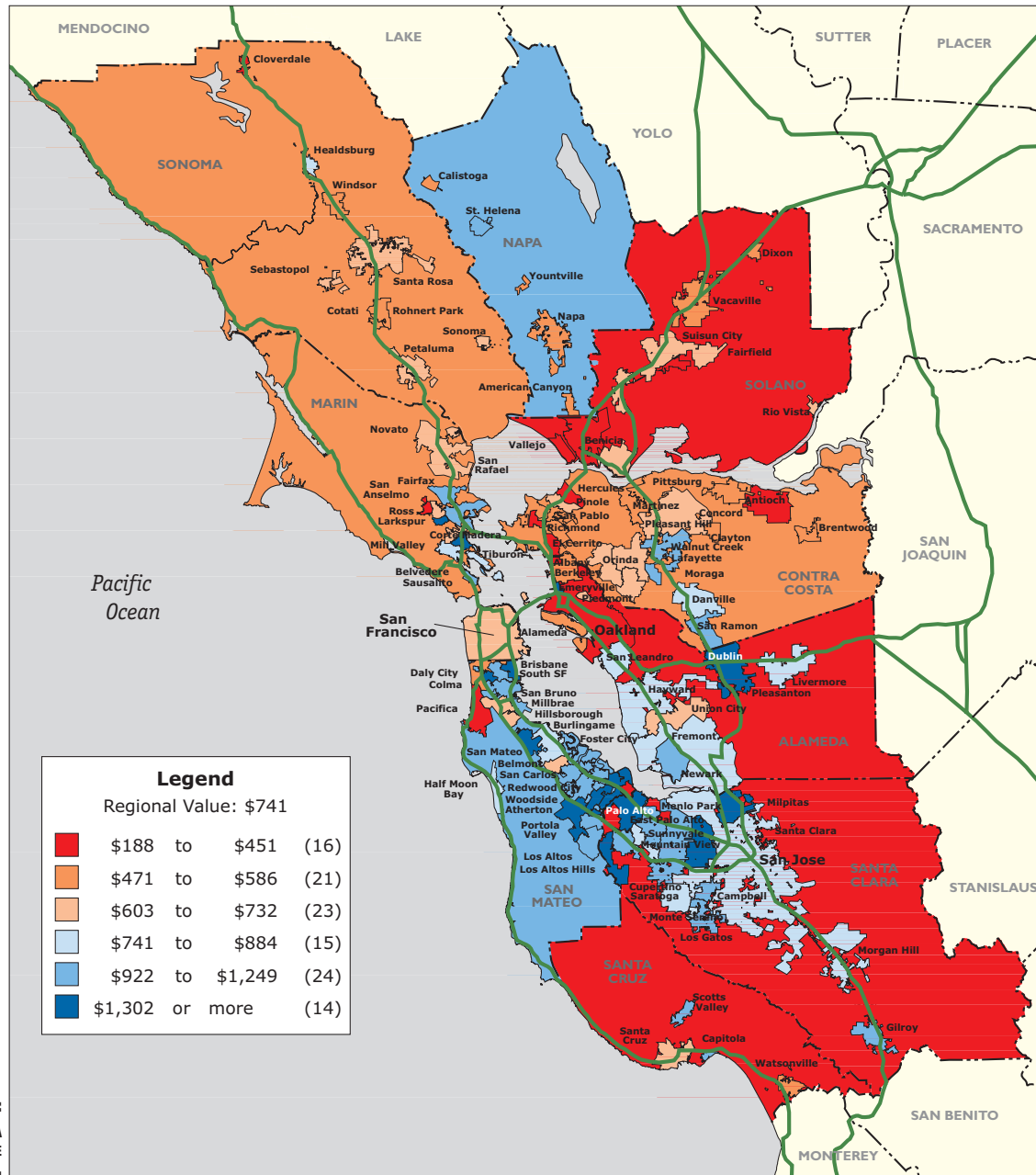


OVERALL, THE PERCENTAGE OF POOR STUDENTS in the San Francisco region grew by over 5 percentage points between 1992 and 1997. Schools with especially large increases in poverty were scattered throughout the region, with noticeable pockets in San Francisco, in and around San Jose, and in outlying districts, from Napa Valley and Vallejo in the north to Pajaro Valley in the south.

Oakland was home to schools with significant increases in poverty as well as schools with stable or slightly decreasing rates. Districts with increasingly wealthy schools were concentrated in a line on the San Francisco Peninsula and in Contra Costa County. The Gilroy district, in Santa Clara County, saw declining poverty rates in all its elementary schools.

Tax Base

MAP 9: TAX CAPACITY PER HOUSEHOLD BY MUNICIPALITY AND COUNTY UNINCORPORATED AREA, 1998

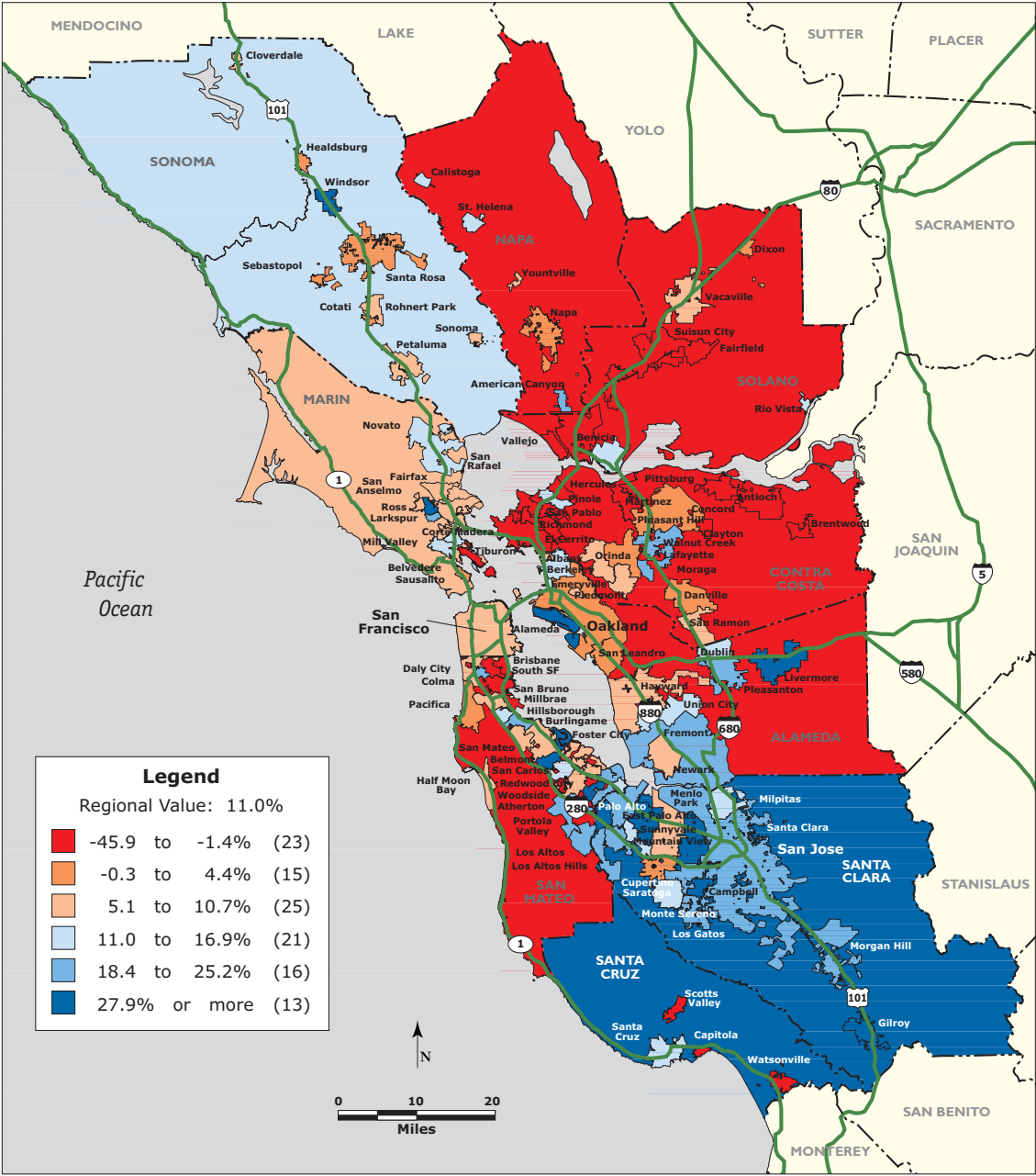


DATA SOURCE:
CALIFORNIA
STATE
CONTROLLER.

BAY AREA communities with below-average tax capacities included the cities of Oakland and San Francisco, some of their struggling inner suburbs, such as El Cerrito, and many of the region's fast-growing outlying cities and unincorporated areas, such as Antioch and unincorporated Santa Clara County. The city of San Jose had a

slightly above-average capacity. Communities with the highest tax capacities were clustered on the San Francisco peninsula, including Atherton and Palo Alto. Other high-capacity communities were Milpitas just outside of San Jose, Dublin in Alameda County and Corte Madera in Marin County.

MAP 10: PERCENTAGE CHANGE IN TAX CAPACITY PER HOUSEHOLD, BY MUNICIPALITY AND COUNTY UNINCORPORATED AREA, 1993-1998



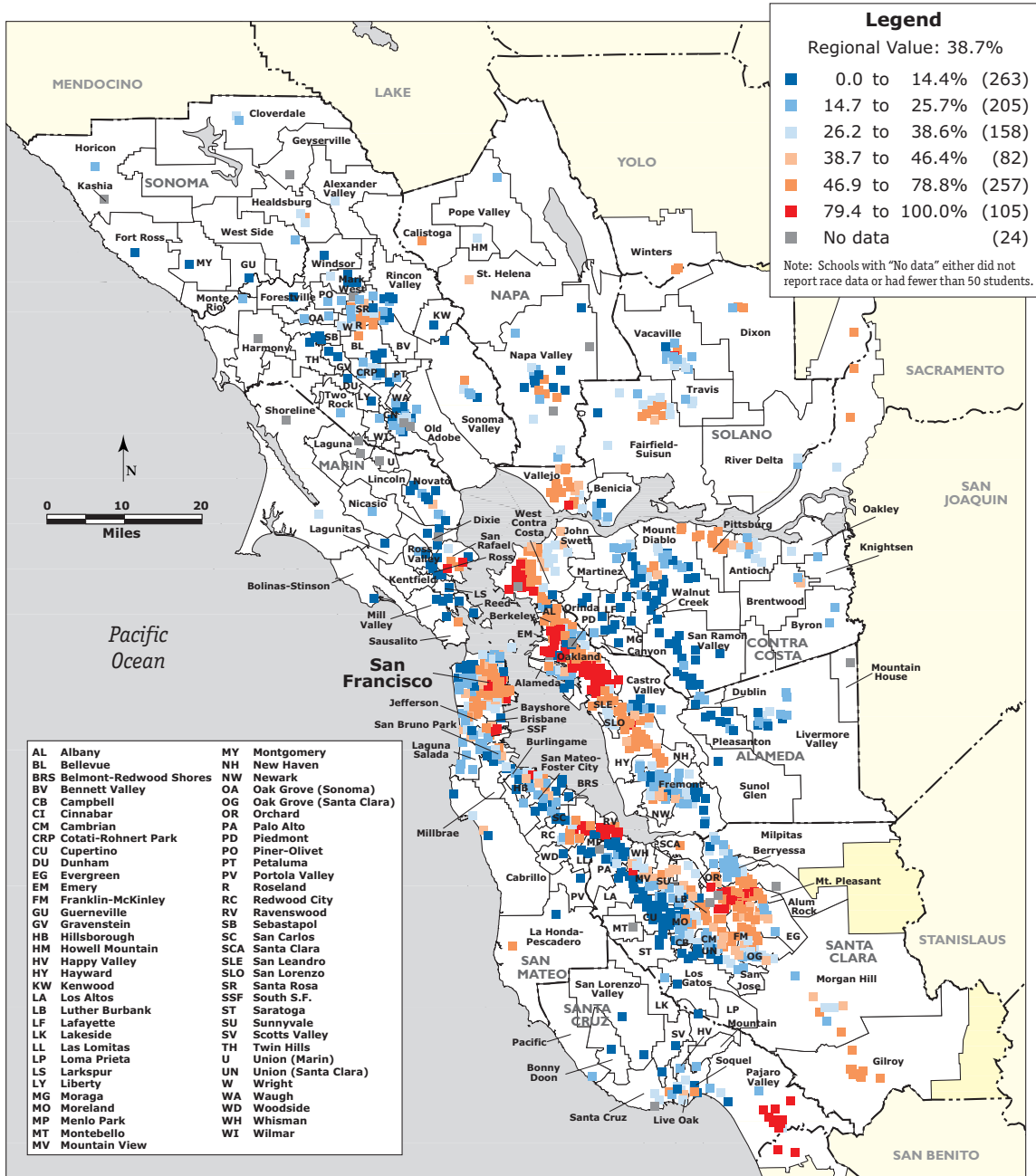
DATA SOURCE:
CALIFORNIA
STATE
CONTROLLER.

TAX-CAPACITY GROWTH was highest in Silicon Valley communities and many of the fast-growing affluent job centers of outlying Contra Costa and Alameda counties, such as Walnut Creek and Pleasanton. Oakland and many at-risk cities near it, like San

Leandro and San Pablo, experienced growth in tax capacity below the regional average. So did the outlying bedroom cities of Pittsburg, Antioch and Brentwood in Contra Costa County; as well as Capitola and Watsonville in Santa Cruz County.

Racial Segregation in Schools

MAP 11: PERCENTAGE OF NON-ASIAN MINORITY ELEMENTARY STUDENTS BY SCHOOL, 1997

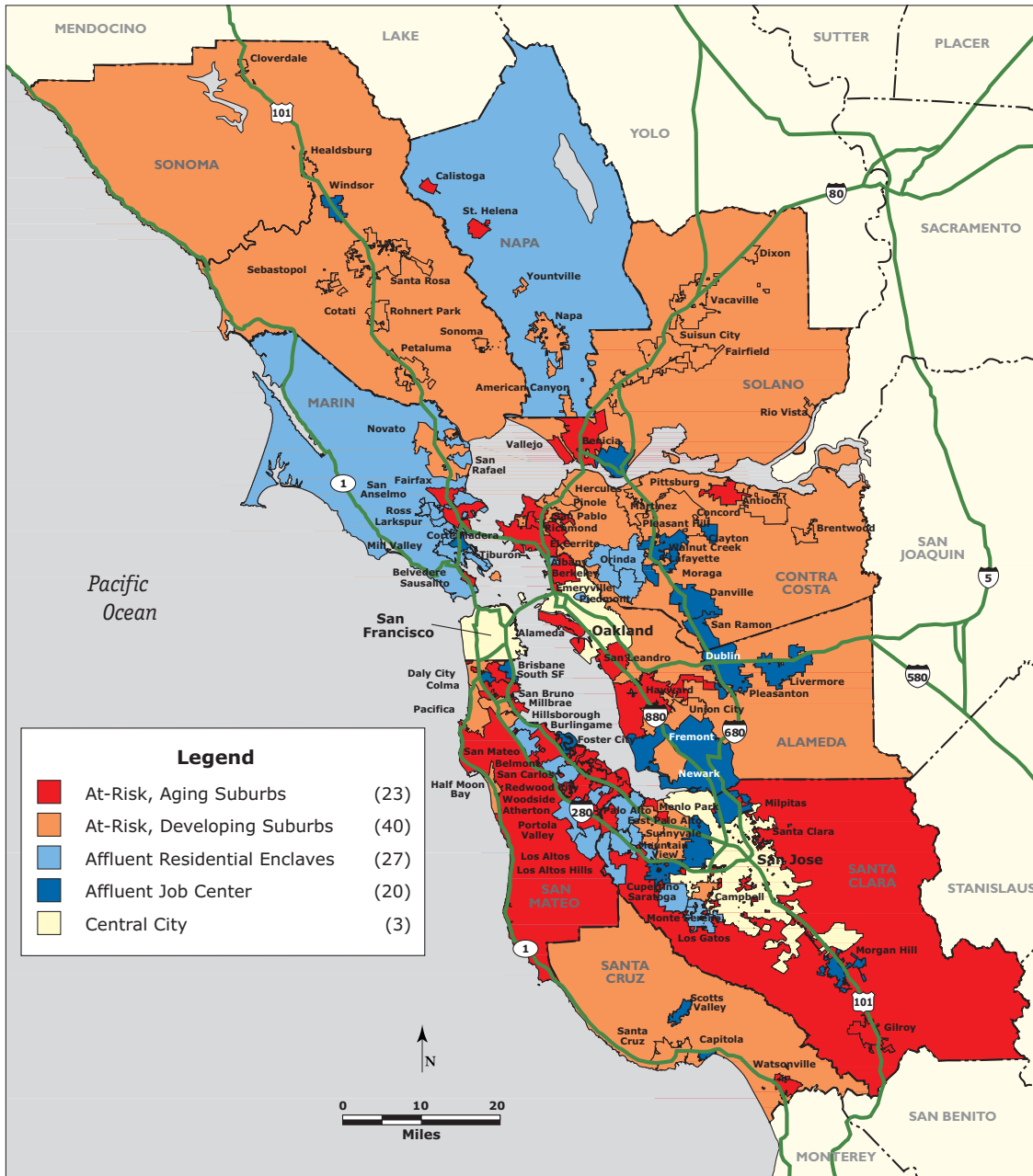


SAN FRANCISCO AND OAKLAND have minority enrollments well above the regional average of 39 percent, as do districts in and around San Jose. In some cases, the degree of segregation was very extreme. There were 20 elementary schools in the region with minority enrollments of 95 percent or greater, and 77 schools with minority enrollments of 5 percent or lower. Segregation is a fact of

life not only within the region as a whole, but within individual school districts. Within San Francisco, for example, schools with high black and Hispanic enrollments are located in the east and south, while schools with high white and Asian enrollments are clustered in the city's northwest corner.

Community Classification

MAP 12: COMMUNITY CLASSIFICATION



DATA SOURCE:
METROPOLITAN
AREA
RESEARCH
CORPORATION.

THE BAY AREA is home to three central cities: San Francisco, Oakland and San Jose. Their suburbs fall into four broad categories that share similar sets of social, physical and economic characteristics. Struggling at-risk aging suburbs include inner East Bay communities like Berkeley and Alameda, as well as cities on the San Francisco Peninsula, like Menlo Park and

Redwood City, and outlying places like Watsonville and St. Helena. Fast-growing, fiscally strapped at-risk developing suburbs include places like Concord, Sunnyvale and Novato. Affluent residential places include Mill Valley, Walnut Creek and Woodside. Santa Clara and Pleasanton are among the region's affluent job centers.



Central Valley

IT TAKES EIGHT HOURS to drive the 450-mile length of California's sprawling Central Valley, from Shasta County in the north to Kern County in the south.²⁸ While the Valley's metropolitan areas don't match the state's coastal metropolises in sheer population, they lead the pack when it comes to growth. The Valley's population increased 20 percent from 1990 to 2000, to 5.7 million people, accounting for about one-fourth of the state's population gains in that period.²⁹

The seven fastest-growing metropolitan areas in California are all located in the Valley and growth exceeded 20 percent in four of them: Fresno, Bakersfield, Sacramento and Modesto. The Valley's slowest growth, from 7 to 13 percent, occurred in its northern counties.

Officials expect population to double by 2040 as Latinos, and to a lesser degree, Bay Area workers, continue to move to the Central Valley in search of both economic opportunities and less costly real estate.³⁰

The result of rapid growth is sprawling development that threatens many of the Central Valley's unique agricultural lands. Working with less than 1 percent of the nation's total cropland, Valley farmers produce 10 percent of the national agricultural output — everything from fruit and vegetables to rice, nuts and cotton. In 1998, the Valley produced more than \$16 billion worth of agricultural products, making it one of the world's most productive agricultural regions.

Black and Hispanic students in the Central Valley are twice as likely as other students to attend high-poverty schools.

With the pressures of growth and the search for additional tax revenues, though, increasing shares of the region's fertile agricultural land are being converted into subdivisions, shopping centers and office parks. Already the Central Valley is estimated to be losing some 15,000 acres of farmland per year. Given current development patterns, up to 1 million acres of farmland, over half of it considered prime, will be lost by 2040.³¹

The phenomenal growth in many parts of the Valley has created great contrasts. While many low-capacity places are struggling to pay for their growth, increasingly affluent communities near Sacramento and just east of the Bay Area are experiencing both low social need and high fiscal capacity.

RACE AND POVERTY

In 1997, many neighborhoods in major cities, as well as rural areas in the San Joaquin Valley, had student poverty considerably above the regional rate of 59 percent. Affluent suburban areas surrounding the Valley's major cities, as well as Placer and El Dorado counties, located between Sacramento and Lake Tahoe, had the lowest poverty rates.

Patterns of poverty change in the mid-1990s are much more scattered. Many high-poverty schools in the southern rural Valley actually experienced stable or slightly decreasing poverty rates. There were major increases in poverty in districts just north of Stockton, in inner-suburban schools around Sacramento, and in and near Fresno.

As in other areas, there are similarities in the patterns of poverty and race in the Valley. Hispanic and black students were located in great part in relatively poor areas of cities and rural regions around Fresno, Merced and Modesto. Districts with extremely low numbers of minority students were found throughout the northern Central Valley, including Eureka, Rocklin and Roseville outside Sacramento. While 58 percent of Hispanic and black elementary students attended the region's high-poverty schools in 1997, only 24 percent of white and Asian students attended them.





Hispanics comprised 35 percent of school enrollment in the Valley in 1997, up from 30 percent in 1992. Half of that growth happened in just 18 of the region's school districts; a quarter of the growth in just five: Fresno, Bakersfield, Stockton, Visalia and Elk Grove. Blacks made up 7 percent of enrollment in 1998, up from 6 percent in 1988. In 1998, a majority of blacks were enrolled in the Sacramento, Fresno, Elk Grove, Stockton and Bakersfield districts. In fact, 82 percent of the Valley's black students attended schools in just four counties: Sacramento, San Joaquin, Kern and Fresno.

Schools in the Valley display considerable segregation both in race and income. In 1997, 45 percent of Central Valley minority students would have needed to change schools in order to achieve an identical racial mix in each building, up 1 percentage point from 1992. Similarly, one of every two free-lunch eligible students would have needed to change schools to achieve an identical mix of poor and non-poor students in each school.

FISCAL CAPACITY

In the Central Valley, tax capacity in 1998 tended to be higher in larger incorporated cities and lower in many small outlying cities and unincorporated counties of the northern Valley.

Between 1993 and 1998 tax capacity among all the region's local governments slipped slightly, controlled for inflation. Sacramento's tax capacity grew at 8 percent, while the cities of Stockton, Modesto and Fresno

all experienced below-average decreases in tax capacity.

While at-risk aging areas with declining tax capacity and considerable social need often struggle to provide needed public services without raising tax rates, affluent residential enclaves and job centers with high tax bases can provide quality public services at low tax rates. The suburban Sacramento communities of Roseville and Folsom, and the San Joaquin County community of Tracy, all with low poverty rates, had among the highest tax capacities in the region in 1998, and were experiencing higher-than-average growth.

Much of the region's fastest growth in population occurred in at-risk developing communities where the tax base is relatively low and where expensive infrastructure is needed to handle more and more people. For example, between 1993 and 1998 the city of Riverbank, located outside of Modesto, saw a 21 percent increase in the number of households, while its per-household tax capacity decreased 13 percent to \$303. That is well below the regional average of \$400.

Other rural communities are struggling to retain both population and tax base. Ridgecrest in eastern Kern County, for example, experienced a 17 percent decrease in tax capacity per household while its number of households dropped slightly as well. The unincorporated areas of Fresno and Kings counties in the southern Valley also experienced significant decreases in tax capacity during the mid-1990s while their population growth was relatively small.