GROWTH IN SAN JOSE: A SUMMARY POLICY STATEMENT

PREPARED FOR THE NATIONAL SCIENCE FOUNDATION

DANIEL J. ALESCH
ROBERT A. LEVINE

R-1235-NSF
MAY 1973

Rand
SANTA MONICA, CA. 90406
This report was sponsored by the National Science Foundation under Grant G1-29763. Reports of The Rand Corporation do not necessarily reflect the opinions or policies of the sponsors of Rand research.
GROWTH IN SAN JOSE: A SUMMARY POLICY STATEMENT

PREPARED FOR THE NATIONAL SCIENCE FOUNDATION

DANIEL J. ALESCH
ROBERT A. LEVINE

R-1235-NSF
MAY 1973

Rand
SANTA MONICA, CA 90406
PREFACE

This report summarizes the results and implications of a year and a half of analytical work concerning the causes and effects of rapid economic and demographic growth in metropolitan San Jose, California, and policy strategies for control of that growth. This work was supported primarily by the National Science Foundation, with additional support from the City of San Jose and the Ford Foundation. The project was the first in a series of urban studies that also includes an analysis of Seattle's adaptation to its acute aerospace recession, and St. Louis' decline as a central city.

This report is oriented primarily toward the policy implications of the San Jose analysis, and is intended for use by policymakers concerned with the future of the area.
SUMMARY

This report summarizes the research findings and policy implications of a series of studies\(^1\) that comprise the San Jose project of the Rand Urban Policy Program. The immediate object of this project, as well as other projects in the Urban Program, has been to provide local officials with policy analysis and advice about a specified set of local issues, based on results obtained using a broad range of research methods.\(^2\)

The focus in San Jose and its metropolitan area (Santa Clara County) has been the rapid growth that has characterized the area for twenty years—its causes and effects, and the policy potential for controlling the rate and pattern of growth in the future. Our research methods have included (1) econometric modeling, using aggregate data on employment, population, and other magnitudes in Santa Clara County; (2) three special surveys, including one that gathered data on local attitudes using relatively new social science methods; (3) structured interviews with members of particularly crucial groups, including residential developers and Mexican-American leaders and other citizens; (4) investigation of political/administrative history and analysis of its implications for the future; and (5) throughout, discussions with local officials.

Since the central issue to be analyzed was initially set forth simply as "Growth" by former San Jose City Manager Thomas Fletcher, who invited Rand to do the study, the first task was to structure the analysis in terms of more specific subissues. Two were chosen:

- The potential dilemma between what some people in the area perceived as its dependence on growth for private and public prosperity, and what some (including some of the same people) perceived as the undesirable effects of rapid growth in causing "urban sprawl" and other environmental deterioration.
- The effects of two decades of rapid growth on the relative status of the main minority population in the area (Mexican-Americans) versus the Anglo majority.

\(^1\) See listing in Appendix B.

\(^2\) The longer-range objective of the program as a whole is to use three studies (San Jose, Seattle, and St. Louis) as part of an analytical base on which to build generalizations about national urban problems and policies. Although this report touches on national issues as they relate to the San Jose area, the emphasis is local.
This report presents two summary findings:

- **That the dilemma presented by the first issue is being resolved** (1) by changes over time in economic and population growth—prosperity no longer depends on rapid growth, and the additional "sprawl" that can be expected from projected growth seems acceptable to most local residents; and (2) by local policy, which has begun to exert some control over sprawl, albeit within severe constraints imposed by outside forces, including federal and state policy.

- **That two decades of rapid growth have improved the absolute income levels of the minority population, but have done little or nothing to improve the minority's relative status as compared to the majority. This situation, rather than the control of growth, may be the major problem in San Jose's future.**

The first finding, the partial and continuing resolution of the dilemma between economic dependence on growth and its sprawl-inducing effects, is based on four types of analyses:

1. Econometric analysis indicating that industries such as construction, which are sensitive to changes in growth because much of their output is produced for growth, are becoming less sensitive because they are shifting from production for growth toward maintenance and replacement. As a result, possible changes in growth rate are unlikely to make more than 1 percentage point difference in overall unemployment in the county.

2. Data showing a slowing growth rate. Annual in-migration has ranged from 1 to 2 percent of population in recent years (from 10,000 to 20,000 people), as compared to 6 to 8 percent (from 35,000 to 50,000 people) at the peak in the late 1950s and early 1960s.

3. Analysis of data from a survey of local attitudes, indicating that most of the population likes living in Santa Clara County as it is, and cares much more about immediate neighborhood surroundings than about the urban sprawl of the metropolitan area as a whole.

4. Analysis of the historical process in which local policy formerly encouraged sprawl-causing growth, and of recent changes that have increased the desire of policymakers to control growth, and may be increasing the potential for local policy control. This analysis suggests that the basic pressures that caused sprawl are decreasing, particularly the economic pressures of the electronics boom induced largely by federal military procurement policy. Consequent decreases in the growth rate may make control of the growth pattern more possible, and local officials are taking advantage of these possibilities. Nonetheless, some of the boom pressures remain, and the incentives set up by state policies that encourage competition for tax base and that allow "Balkanization" of the county into numerous general and special jurisdictions continue to put stringent limits on what can be achieved locally. Thus, local policy is doing what it can, what it is doing helps, and sprawling growth patterns can be considered under some degree of "control." More control would be possible, however, if local incentives were changed by policy changes at higher jurisdictions.
The second finding, the failure of minority and majority populations to move toward equality, is based on four analyses:

1. Analysis of census tract data, which indicate that from 1960 to 1966, poor (largely Chicano) neighborhoods deteriorated relative to better-off neighborhoods, and segregation increased. (The Census Bureau has not yet provided accurate data on the 1970 Census of Santa Clara County, which will allow us to extend the analysis.)

2. Analysis of data from a special survey of the two populations, which indicates several things:
   - Anglo children tend to get better jobs than their parents; Chicano children about the same as their parents. Children of Anglo parents with mid-level white and blue-collar occupations, for example, advanced beyond their parents more readily than children of Chicano parents in the same occupations, and almost half of those Anglo children who did advance moved to high status Professional/Managerial jobs. Children of Chicano parents in the same mid-level occupational categories advanced less frequently and only within the middle categories, not to the high-level jobs.
   - Chicano-Anglo occupational differences tend to be larger for the young than for the old; many Anglos start their working careers above the highest level that Chicanos ever achieve.
   - For a special subsample of the two populations—those in the overall sample whose adult life has been spent in the county—the Chicano high school graduation rate, now about 80 percent, is approaching the Anglo rate because the Anglo cannot go over 100 percent. The Anglo proportion with "some college" is above 50 percent, however, with about a third of those having graduated, while the Chicano rate is less than 20 percent with any college, with no graduates in the sample. The occupational differential between the two groups is also wide.

3. Comparison of 1960 and 1970 census data for the areas as a whole, which show no significant improvement in the relationship between Chicano and Anglo family incomes. About 70 percent of the Chicanos had incomes below the median income for Anglos in both years.

4. Analysis of the institutional setting surrounding these quantitative findings, which indicates that although public officials do try to deal fairly with minority citizens, such dealings are ordinarily with a small group of the Chicanos, picked in some measure by the officials, and that most of the local funding for minority and poverty programs comes from the federal government, so that a decrease of federal funding may end special programs.

Our recommendations for local policy aim at moderate improvement rather than fundamental change because one of our basic findings is that ability to control sprawl is a function more of changing economic and political pressures (stemming largely from federal and state policies) than it is of local government’s failure in Santa Clara County to do what might be expected, given the pressures. The recommendations follow.
Local Growth Control Policy

- Because the dilemma between economic dependence on growth and sprawl caused by growth is being resolved, local policy should not attempt to go to extremes, either to renew the boom of the 1950s and early 1960s or to stop growth dead in its tracks.
- The City of San Jose should continue its new urban growth policy, which divides the city and unincorporated territory within its "sphere of influence" into "urban" and "reserve" zones and allows urban development only in the former.
- The city should continue its program to develop "strip" parks, rather than more conventional parks alone. Such development helps satisfy residents' preferences for open space, as expressed in our survey.
- The city's new policy of charging back some of the public costs of residential development to developers, and through them, to the residents of new development, should be continued—as a growth-control measure as well as a revenue-raising one—and attempts should be made to put the charges on a marginal cost basis.
- The city should try to counter the perception on the part of some businessmen that San Jose is "hostile to business." Increased business entry into San Jose might help relieve fiscal problems caused in part by the fact that the city is to some extent a bedroom community for its own suburbs.
- Attempts at downtown renewal should not stress shopping facilities, because the population is likely to continue using the peripheral shopping facilities that our attitude survey shows they prefer. Office development of the area may be more workable.
- Santa Clara County should continue its policy of aggressively pushing municipal jurisdictions in the county to allow development only within constrained areas designated for such development.

Improvement of Minority Status

- San Jose should move toward district rather than at-large elections for its City Council, in order to obtain direct Chicano representation.

State Policy

- The State of California should move toward equalizing tax burdens among districts and/or statewide revenue collection. This is both because competition for tax base among jurisdictions (as exemplified in Santa Clara County) inhibits local control of growth, and because poverty and minority problems in Santa Clara County and elsewhere tend to cluster in jurisdictions that have insufficient resources to solve them.
- So long as the current property tax system continues, California should allow greater flexibility for local jurisdictions to experiment with different forms of property taxation as a growth control measure.
ACKNOWLEDGMENTS

This report has been reviewed by our Rand colleagues: Gene Fisher, Don Rice, Ben Rumph, Gus Shubert, Stephen Weiner, Albert Williams, and Barbara Williams; by Robert Lind of Stanford University; by James Cowhig, Robert Goldman, and Thomas Sparrow of the National Science Foundation; by Del Delabarre of the Fresno Community Analysis Division; by Don De La Pena, James Derryberry, Sanford Getreu, James King, and Steve McKinney of the San Jose City government; by Thomas Fletcher, former City Manager of San Jose; by Frank Lockfeld and Leon Pollard of the Santa Clara County Planning Department; and by Jerome Smith, Chairman of the Santa Clara County Policy Planning Committee. While all of the above helped us formulate our findings (in many cases by arguing against them), we reached these findings on our own, and take full responsibility for them.

We also wish to thank those who carried out the analysis upon which the findings and recommendations of this report are based: Annette Bonner, Francois Christen, Sinclair Coleman, Larry Dougharty, Paul Jordan, John Kirlin, Gerald Payne, Francine Rabinowitz, Daniel Relles, Elizabeth Rolph, Marta Samulon, Richard Slitor, and Jay Sumner.
CONTENTS

PREFACE ................................................................. iii

SUMMARY .............................................................. v

ACKNOWLEDGMENTS .................................................. ix

Section
I. INTRODUCTION ..................................................... 1

II. POLICY FINDINGS ................................................... 3
    The Economics of Growth ......................................... 5
    Growth and the Environment ..................................... 7
    The Limits of Local Policy in Controlling Growth .......... 9
    Mexican-Americans in Santa Clara County .................... 16

III. RECOMMENDATIONS ............................................... 22
    Local Policy Recommendations ................................ 23
    State Policy Recommendations ................................ 28

Appendix
A. ANALYTICAL PROGRAM ........................................... 31
B. DOCUMENTATION .................................................. 38
I. INTRODUCTION

This report summarizes the research findings and policy recommendations of the first project of the Rand Urban Policy Program—an investigation of the implications of two decades of rapid growth in the San Jose, California, Standard Metropolitan Statistical Area (Santa Clara County), and of strategies for controlling that growth in the future.

San Jose is a city of approximately 500,000 population, and Santa Clara County has slightly more than a million. The county stretches northwest to southeast from the south end of San Francisco Bay. The northwest end is highly urbanized; the southeast is rural—the garlic capital of America. San Jose lies near the northwest. For two decades, the area has typified in the minds of journalists and others who have passed through it, rapid and relatively uncontrolled urban growth. The facts behind this reputation have concerned local people, and the overall charter of the Rand San Jose project, as set forth by former City Manager Thomas Fletcher who requested the work, was to "study growth" and its control. No further specification was provided, and thus the initial step in the analysis was to define the issues that made a study of growth important to San Jose officials.

We were asked—and asked ourselves—what are the key policy problems associated with growth? What are the important aspects of growth as they affect the lives of people in the area and as they affect the ability of the government of San Jose and the other jurisdictions in Santa Clara County to carry out the process of governing? On the basis of analyzing such questions, we then planned to go more deeply into the specific issues that most affect the conditions of life and of government there, and to provide analysis to assist in policymaking in these areas.

This is a different task, for example, than one that might set out to study zoning and land management in San Jose. A more narrowly confined study of that type should ordinarily be able to come up with conclusions and policy recommendations to improve zoning and land management—to make these processes in some degree better than they would have been without the study; there is little human endeavor that cannot be improved to some degree by a careful thinking through. But better zoning might make little perceptible difference in San Jose's growth, and the charter of this project was to look for the things that would make a difference. As a result, we chose to emphasize a set of issues whose immediate connection to growth is not obvious, whose tractability for analysis is not straightforward, but whose importance to the future is substantial.
In this context, then, we initially formulated two problems, which together summarize the major growth-related issues in the San Jose area:

1. The potential dilemma set up by the possibility that (a) both private and public economic prosperity in this area depend on continued rapid economic and population growth, but (b), this growth has brought about "urban sprawl," a process by which orchards, vineyards, and rural beauty have been bulldozed and replaced by formless and repetitive tract housing. The existence, strength, and possible resolution of this "economics/ecology" dilemma formed one initial focus of the study.

2. The question of whether the rapid growth itself and the high degree of prosperity associated with that growth had helped solve problems such as poverty, racial dissension, and other "typical" urban issues. Because of rapid growth over two decades, San Jose might be considered something of a test of the proposition that economic growth can by itself perform a major role in resolving such social problems.

These two issues have formed the twin focus of this analysis since its inception in July 1971.¹

The report contains two major substantive sections: Sec. II summarizes the policy findings of the analysis; Sec. III the recommendations to local and state government based on these findings. In addition, Appendix A describes the research program on which this report is based, and Appendix B lists related reports.

¹ Because of irregularity of program support, this period encompasses about one year of effective work. In particular, crucial portions of the analysis depended on two major surveys that could not be begun until the program was fully funded in June 1972. The course the analysis has taken is covered fully in Appendix A to this report.
II. POLICY FINDINGS

San Jose is not a city in trouble; Santa Clara is not a county in trouble. Some potential for difficulties may be on the horizon, but (1) these difficulties are not imminent, and (2) these difficulties are not the ones that might be expected from a casual observation of the past history and current status of the area.

The analysis leading to these statements developed through a series of deepening views of the area, as described below, in which each successive observation brought out a new set of characteristics:

- San Jose is a relatively trouble-free city and Santa Clara County, its metropolitan area, is even better off: The county is characterized by high incomes, low racial tension relative to other areas, including many California cities, public services that are better than most in the United States (although, as everywhere, improvements are always possible), and public officials who are among the best trained and most capable in the country. That Santa Clara County is a good place to live is the belief of the majority of its population.

- The one flaw immediately visible is the dilemma between economics and ecology. It is the feeling that San Jose depends for its prosperity on continued rapid economic growth, but that economic growth and the concomitant population growth have made the once beautiful Santa Clara Valley into a prime example of ugly urban sprawl—a formless spread of structures over land. Whether or not the formulation as a dilemma is accepted, certainly the characterization of urban sprawl as a prime and dreadful area problem has been widespread. A full chapter on Santa Clara County in a Nader report on California affirms this, as does a publication put out by

---

2 This is not to say that the area has no private or public problems. People are unemployed and poor; citizens do complain about public services; public bodies do have difficulties finding revenues to meet perceived needs. Nevertheless, compared to the "urban crisis" cities of the East and Midwest, San Jose's difficulties seem moderate.

3 See the discussion on the Citizen Preferences Survey, pp. 7-9 of this report.


students at the Stanford University Law School, at the north end of the county. 6

- Our analysis, however, leads us to conclude that the economics/ecology dilemma is substantially less serious than had been feared, and that even the urban sprawl itself is far less of a problem to the citizenry than we and many of those we had initially talked to in the city and county believed. This statement is based on value judgments as well as objective data. The value judgments are not ours, however; they are those of the area’s population, as evidenced by a survey designed to bring out their perceptions and preferences for different urban life styles. 7 Most of the residents like Santa Clara County the way it is, and have little objection to sprawl as long as their own life-style is comfortable.

- But a very different problem seems to lie on the horizon—a problem of relations between majority and minority groups, much more like issues ordinarily associated with troubled eastern cities. The area’s Mexican-American minority population* (its largest minority, amounting to 17.5 percent of the metropolitan area population and 21.9 percent of the City of San Jose) has benefited in absolute terms from the rapid growth of the past two decades; i.e., incomes have risen, but the Mexican-American minority shows no indication of catching up with the Anglo majority. In other words, a highly favorable aggregate economic situation—rapid growth extending over many years—has failed to increase ethnic equality. Although racial and ethnic tension is nowhere near as strong as in eastern cities or even the barrios of Southern California, there is tension and there has been violence; inequality between the two ethnic groups has not decreased. In recent years, local officials have begun to focus on this complex of problems; thus far they have been able to achieve little in the way of measurable results.

The findings behind these views of San Jose and Santa Clara County are summarized under the following headings: The Economics of Growth; Growth and the Environment; The Limits of Local Policy in Controlling Growth; and Mexican-Americans in Santa Clara County. The first three subsections show that while the economics/ecology dilemma does exist in the San Jose area, it exists in a far less acute form than initially postulated. It is thus possible to avoid the worst implications of the dilemma without major restructuring of policy. As noted, the final subsection indicates that Mexican-Americans have not benefited from growth to the extent that Anglo-Americans have.

---

6 See the discussion on the Citizen Preferences Survey, pp. 7-9 of this report.
7 These are people variously defined by the Census Bureau as “Spanish Heritage” or “Spanish Language or Surname.” Slightly less than 2 percent of the metropolitan area population and slightly more than 2 percent of San Jose’s is black. Although blacks have problems here as elsewhere, their small proportion compared to the total population would have led to sampling costs not commensurate with the benefits from the information gained.
THE ECONOMICS OF GROWTH

1. While the economy of the San Jose area has depended heavily on a high growth rate in the past, this dependence has substantially lessened and can be expected to taper off more in the future, according to a report by Payne.⁸

He suggests that growth may depend on a number of phenomena, among which the two major ones are (1) existence of a volatile sector whose level of activity in any period is a function of the increment of growth in the county during the same period, and (2) slow coordination of jobs and job seekers coming into an area on the basis of obsolete job information, so that lags in adjustment cause overshoots. Using a model of the construction industry (as the major economic sector sensitive to local growth),¹⁰ he finds in regard to phenomenon (1) that Santa Clara County is less sensitive to fluctuations than it once was because over time the relatively stable maintenance and replacement component of construction has come to dominate the relatively unstable component which builds for growth—for new industries and for new residents. He suggests that transition from rapid to moderate growth would at most increase unemployment by 1 percentage point.

In regard to the second possibility—overshoot—Payne examines the results of a local survey (sample = 1500) to which Rand added a number of questions concerning reasons for coming to Santa Clara County. The survey shows that 75 percent of those coming for job-related reasons did so to take specific jobs previously obtained. From this, he concludes that in the key relationship of in-migration to jobs, in-migration is likely to lag but little (and therefore unlikely to overshoot) because most of those coming to Santa Clara County would not come at all if a specific job were not available. Further, additional analysis by P. Morrison indicates that the population structure of Santa Clara County is heavy in the age groups most likely to move for economic reasons, and thus a decrease in the number of jobs may lead to rapid out-migration. Out-migration is difficult to analyze or predict, however. We know that unemployment in an area provides an incentive to leave, but we also know that people are attached to their homes and neighborhoods and leave reluctantly. Little quantitative information is available on out-migration from urban areas that have been subject to substantial economic decline. We expect data from a survey being taken for Seattle to throw more light on the relationship between job loss and out-migration among people similar to those in Santa Clara County.

2. The decreasing economic dependence on growth is fortunate because, in fact, the growth rate is slowing down.

Table 1 shows a substantially reduced rate of net in-migration in recent years; and even a lower absolute number of in-migrants.

3. Besides the slowdown of economic and population growth, new individual dwellings in Santa Clara County are occupying less land than before.


¹⁰ A major portion of the demand for construction and allied segments of real estate and finance provides goods and services to new activities in the area. This contrasts, for example, to retail trade—another "local service" industry—in which the bulk of the demand in any year comes from people who were served by the same industry in the previous year.
Rolph shows that in 1970, single family detached units accounted for only 36 percent of the total permits issued as compared to a 53-percent average for the previous decade. The housing market information that Rolph received from local developers indicates a continuing shift in this direction. While it is true that this has been the case once before (in the early 1960s) in Santa Clara County, it is now expected to be a long-run phenomenon based on housing costs. There has been a recent shift back toward single family detached development, but in the long run, higher construction costs are likely to dictate a continued move toward decreasing living space per household and toward multiple dwelling units using less land per household.

4. **Economic and land-use shifts are reinforced by parallel political changes.**

A political reinforcement to the economic causes of slower growth lies in the demise of the boom psychology. Growth itself led to a dialectic: the initial dominance of local politics by developers and landholders who stood to profit from a boom helped bring in vast new populations which, as they began to be felt politically, were less interested in boom and more interested in the state of their immediate sur-

---

roundings. The signal of change was the departure in 1967 of City Manager A. P. "Dutch" Hamann, who had presided over the years of boom, and the replacement of a development-oriented City Council with one much more concerned about environment.

GROWTH AND THE ENVIRONMENT

1. *The decreasing sensitivity of the economy to slower growth is fortunate because slower growth slows environmental degradation.*

Our first conclusions on environment did not concern sprawl as such, but rather the more widely considered environmental problems of air and water pollution and solid waste disposal.

Using secondary sources, Jordan concludes the following:

- While air and water pollution are clearly problems causing citizen concern, the air pollution problem in particular is not at the critical stage it has reached in such Southern California areas as Pomona-Riverside, which has some topographical similarity to San Jose. Similarly, water pollution exists, but below critical levels.
- Air pollution is less than in many other places in the Bay Area, particularly in the East Bay, and it has been decreasing in Santa Clara County both absolutely and relative to other Bay Area locations.
- While continued and improved control remains an important policy issue in individual jurisdictions like San Jose or Santa Clara County, the problem is largely area-wide, with each part of the Bay Area contributing to air and water pollution.

2. *Pollution has never really been the central environmental issue of Santa Clara County.*

The issue has been "urban sprawl"—the spread of housing subdivisions uniform within and almost uniform among themselves—in endless arrays across a landscape once characterized by orchards and vineyards. The fear of many local officials and other citizens is that such sprawl brings with it physical ugliness and a deficient sense of community, in addition to increased costs for public services. What are central here, however, are not only the physical descriptions of the city as it exists and as it is projected to exist under various assumptions, but also the value judgments of local residents regarding the city's shape and style. Perhaps the most striking set of new findings in all of our analyses is that although an articulate group within and without the community is concerned, by far the greatest number of people in the San Jose metropolitan area are really not bothered by the aesthetic and social aspects of the sprawl.

The evidence for this lies in a major survey carried out in three stages by Steffire Associates, a marketing firm headed by Volney Steffire, Professor of Psychology at

---

the University of California, Irvine, who has pioneered some of the techniques utilized. The object of the survey was not to obtain information on immediate issues, but to elicit underlying views about life as it is in Santa Clara County and about the life-style preferences of the county's residents.

The first stage of the survey involved verbatim descriptions of cities from 14 county residents. The second stage used these descriptions to elicit "judged similarities" among different urban environments (e.g., "In what ways is a big city like a planned community?"). The responses in this stage were taken from a sample of 43 participants. The third stage structured the previous information into 51 "concepts" (e.g., "An area where each house has its own private yard") and asked 245 respondents to put these in order of preference. Included among the 51 concepts was "your own way of living," used to indicate whether the higher preferences were considered preferable to the respondent's current life style. An additional statement was designed to discover improvements in current life style for which respondents might be willing to pay a 15-percent increase in property taxes.

The second stage (judged similarity) of the survey was not a complete success. Certain measures of the "stress" or badness of fit of such nonmetric data indicated substantial difficulty in fitting the data to a small number of dimensions. (Fitting was attempted by multidimensional scaling methods somewhat analogous to factor analysis in attempting to collect variables into coherent subsets.) If this problem cannot be overcome, the major implication for the study is that it precludes further analysis that might be carried out if the ordinal data could be converted to cardinal measures, as is attempted by multidimensional scaling.

The policy results of the survey, however, do not stem from this difficult scaling method but come rather from the preference ordering of stage three, which stands on its own. These results are internally consistent. They indicate that the majority of residents (both Anglo and Chicano, measured separately) have the following preferences:

- Like living in the area the way it is. Anglos ranked their own current life style sixth in preference out of 51 concepts; Chicanos tenth.
- Have horizons that do not extend far beyond their neighborhoods so they care little about whether the neighborhoods are surrounded for miles around by similar neighborhoods. The high preference concepts consistently concern neighborhood features not applicable to whole cities (e.g., comfortable housing, good yards, secure neighborhoods, and open spaces).
- Are more fearful in terms of personal or property safety than environmental disaster: significant percentages (84 percent of Anglos, 88 percent of Chicanos) preferred the concept describing a "secure community" to one describing an "ecology oriented" style of living.
- Express unwillingness to pay a 15-percent increase in property taxes for any of the changes in urban environments offered by the survey. No concept was ranked high enough that it was seen as warranting such an increase. This may, of course, represent a general suspicion of the government's ability to supply improvements in return for tax increases, rather

---

than a lack of willingness to pay for improvements if governments could guarantee them.\textsuperscript{14}

These findings do not indicate a permanent truth about Santa Clara County. Time and new generations of residents—both those growing up in the county and those coming in—may change preferences. But the survey results do show much more than a transitory set of views on current issues that may be brought out by a poll obtaining Yes and No answers on a specific question of ongoing policy choice. The implications of these findings—that the life-style preferences of the citizenry are not identical to those of some articulate groups—are sharpened by the fact that while the findings are generally true for both Anglo and Chicano population samples, the same survey instrument applied to a small sample of local public planners showed a somewhat different set of preferences. The planners’ preferences are more oriented toward a structured and varied, less sprawling city than are the several population preferences.

Furthermore, it is interesting to note that these population preferences were far from being an expression of an antediluvian lack of enlightenment; the same populations that downgraded the aesthetic preferences of the sprawl-hostile planners came out rather strongly in favor of other values not ordinarily attributed to white Anglo suburban residents, particularly those associated with ethnic and economic integration. While the preferences for integration were strongest among the Chicanos, they were also quite strong for all groups.

3. \textit{Added to this lack of public hostility to sprawl is an analytical finding that the municipal and other public costs of sprawl may be less than sometimes feared by both residents and public officials.}

This still tentative finding is an early output of a cost model by Bonner and Sumner.\textsuperscript{15} For the limited case of the sewer costs of new development,\textsuperscript{16} they found that prices and charges for added sewers in San Jose apparently bring in revenues that exceed the corresponding costs. Since the Bonner/Sumner work is still at an early stage and since their own investigation of the literature indicated mainly ambiguity, we confine our policy statements to the possibility that public costs of new development are not great. They may be higher for leapfrogging (skipping over undeveloped land) than for contiguous development, but even here, at least the initial work does not indicate that they are high.

\textbf{THE LIMITS OF LOCAL POLICY IN CONTROLLING GROWTH}

What we have, then, is a situation in which sharp policy turns to either restore growth or limit it dramatically are not called for: restoration of previous high

\textsuperscript{14} In April 1973, San Jose voters adopted by a narrow margin a referendum loosely characterized as a "no-growth" proposition. The proposition, which temporarily restricted rezoning to greater residential densities in areas of crowded schools, was sold largely on an anti-tax basis. As put by one leaflet favoring the proposition, "uncontrolled residential zoning is hazardous to your wallet. It removes more and more money for higher and higher taxes."


\textsuperscript{16} Structuring cost data into a usable form is so large a task that it precludes further examples at this stage.
growth rates is not called for because of the attenuated dependence of prosperity on growth; major policy changes to stop the juggernaut of growth are not called for both because the juggernaut is becoming enfeebled, and because the aesthetic costs of growth are not heavily counted by those to whom policymakers are responsible, whereas the dollar costs to the public may not be high.

All of this is fortunate because, in fact, the ability of the collection of local governments in Santa Clara County to either restore the high growth rate or to stop growth is very limited indeed. The ability of any single jurisdiction to channel growth in planned directions may be somewhat greater, but the existence of 16 general purpose governments, 18 special districts, and 38 school districts lowers the likelihood of an overall planned pattern.

The argument is an intricate one, detailed by Alesch as follows:

- Powerful policy instruments are legally available for local control of growth. These include zoning, annexation, and provision or refusal of public services.
- These instruments are available now and they were available in the past, but they were not often used to control growth. They were not used in San Jose, which is a collection of suburbs without a substantial central city and is typical of American suburbs. With rare exceptions, this story of growth (i.e., relatively uncontrolled despite legally available instruments that might have controlled it) describes the postwar history of urban-suburban development throughout the country.
- The failure to use available instruments may raise a question for the political philosopher regarding the relative role of free will and determinism. But for the analyst, the interesting question is not the philosophical one, but rather, What were the common factors behind the general national “failure” to use the instruments?
- It is to answering this question that our analysis has been addressed, based initially on observation, discussion, and logic applied to twenty years of history of Santa Clara County and supported by structured interviews with developers and by specific analysis of the impact of federal tax provisions on growth in Santa Clara County. Although it is obviously too early to make a generalizable statement on the basis of this single observation, its similarity to suburbanization phenomena in other areas suggests that many of the factors affecting Santa Clara County have also been causal elsewhere.

What we suggest from our examination of the history of development in Santa Clara County is that four sorts of forces directed the public decisions that allowed, even encouraged, that development in its uncontrolled pattern. Recent and continuing changes in these forces may allow greater control at least of the pattern, but the forces against effective control remain substantial. We see four forces at work:

1. The views of public officials about what is "right."

17 It still shows some life in the southeastern part of the county, but as a whole it is slowing down.

2. The views and interests of the electorate, which generally have a major influence on the views of officials in any case.
3. Pressures exerted on politics through private "interests," exerted by means ranging from campaign contributions through common social background and ideology. Corruption as such has seldom been alleged in Santa Clara County.
4. Special incentives for certain forms of public action, shaped in particular by political and jurisdictional structure. For example, one major motivation for many actions by urban officials is the need for tax revenue. But the form of local taxation (e.g., property tax) is ordinarily dictated by state law, and the jurisdictional form (how are annexations and incorporations determined?) also channels the revenue search. The rules for this search in turn have a major effect on official actions, such as annexation, that affect urban growth. Similarly, jurisdictional structure helps shape the local structure of political power, and public officials do not give up power easily.

What we have found in Santa Clara County, then, is that during the greatest boom period, from 1950 to the mid-1960s, all four forces worked together to encourage development. Starting in the mid-1960s and still continuing, the views of the electorate began to change; somewhat more recently, the relative waning of the economic pressures for boom have weakened the "interest" pressures on public decisionmaking. As a result of these two changes, and concomitant changes in the views of public officials, growth control has become more possible and officials have been trying to achieve greater control. The fourth force, however, the incentives for public officials shaped by local political structure, continues to put in substantial doubt any real possibility of a major shift toward planned overall growth in Santa Clara County.

Santa Clara County: The Past

The boom that began in Santa Clara County in 1950 was based largely on two economic forces subject to no local policy control. A general force was the expansion of the Bay Area population that began after World War II. More specific to Santa Clara County, however, was the military-electronics boom begun by the federal government with the defense revival of the Korean War period. Santa Clara County combined large tracts of land easily assembled for modern production facilities, ready access to the San Francisco area, and a nucleus of high technological capability centered initially on Stanford Industrial Park at the northwest end of the county. The ground was fertile, and the federal government seeded it. In addition to this specific impetus from the federal government, other more general federal policies assisted the boom and assisted in creating pressures that made it difficult to control even the shape of the growth. The mortgage reinsurance policies of the FHA and VA made it possible for the average American without a downpayment to fulfill his dream of private suburban housing, and made it profitable for developers to create the spreading housing tracts that began to characterize the county. The spreading highway net facilitated both the transportation of goods produced in the county, and the home-to-work trips from the tracts to the electronics plants. The "Real Estate
Tax Shelter” in the federal income tax laws encouraged land speculation, housing development, and leapfrogging.19

As a result of all this, the first three forces on public decisionmaking worked together. The views of local officials and the views of the local electorate who stood to profit from the boom all favored growth—prosperity is popular with everybody, at least in its early stages. Indeed, in retrospect it is difficult to think of anywhere in the United States where loud voices against growth were heard in that period. In addition, the profits to be made in land speculation and residential and industrial development pushed by the boom had their effects on local policy.

And together with these ideological, political, and economic forces on local officials, the lack of state control over local political structure encouraged competition among jurisdictions and creation of new jurisdictions in a crazy-quilt pattern that in turn encouraged uncontrolled growth. An example illustrates the process. The Ford Motor Company owned land northeast of San Jose some years ago. It applied to the city to extend water to the site so that a plant might be built. The Manager sought approval, but the City Council, in a quizotic economy drive, refused funds for the rather lengthy extension of the water line. It is alleged that Ford then induced local residents to create a city, and the City of Milpitas was formed, largely because of the built-in tax base. The next time around, San Jose provided the necessary extensions.

More generally, during the boom period, cities in the metropolitan area had very little control over development immediately outside their boundaries. If a developer wanted to create a massive housing tract, he had only to arrange for the formation of a special district, if there was not already one serving the area, and then proceed. The San Jose area quickly became sprinkled with leapfrogged developments in unincorporated areas. To many residents of these areas, living outside municipal boundaries had distinct advantages. For example, the countywide tax rate was somewhat lower than the city rate, in part because city taxpayers subsidize taxpayers in unincorporated areas. Second, the special districts served their basic urban service needs reasonably well and, finally, they could use some municipal facilities without having to pay for them. For the most part, these areas are still unincorporated or have incorporated separately rather than annexing to San Jose or other existing cities.

For each advantage accruing to the residents of the unincorporated development, there were corresponding losses to the taxpayers of San Jose and cities like it. This fact provided an incentive for San Jose’s aggressive annexation policy during the boom period—to get the land before outside development made new residents a long-run burden on San Jose taxpayers. There are other reasons as well behind the annexation policy. Certainly the boom psychology fostered rapid annexation; and concern for influencing the pattern, if not the pace, of development was also important. As we have noted, municipalities at that time could not exert much influence over the growth pattern outside their individual boundaries. In any event, San Jose did engage in a policy of wholesale annexations that have, to this day, resulted in a pattern of municipal boundaries characterized as a moth-eaten gerrymander.

San Jose was only partly successful in its attempted massive annexations. It was able to annex large areas of uninhabited property and a considerable portion of property in adjoining land areas where developers could sometimes be cajoled into agreeing to annexation for extensions of police, fire, and street services. Areas that had been already developed were almost impossible to annex because of the economic incentives already described. Moreover, in California as in many other states, incorporation of new municipalities was just about as easy, in legal terms, as was annexation. When previously developed or rapidly developing areas saw San Jose coming, many of them quickly incorporated, thus generating the spate of incorporations of cities in the county during the mid-1960s. (Of the 15 municipalities, 5 were incorporated between 1952 and 1956.)

In view of the incentive patterns then extant, the incorporations made sense to the new cities. By incorporating, they were able to develop political independence from San Jose, which they saw as a rampaging giant attempting to swallow up the entire Santa Clara Valley. They were also able to protect the integrity of their neighborhoods, having gained municipal powers by which to engage in exclusionary zoning, and so forth. Given that most such enclaves were small, suburban, and homogeneous, they had little need of an extensive tax base. They could contract for most services from the county or obtain them through special districts, and they had adequate wealth to cover their expenses.

Santa Clara County: The Present and Future

The picture began to change in some areas before the mid-1960s. As noted previously, the answer to competitive annexation was, for some enclaves, defensive incorporation. In wealthy hill areas, the force exerted on public decisions by wealthy and well-informed electorates, anxious to preserve their way of life and economically able to do so despite the pressures of development interests, made it possible to control growth—or at least to keep it outside the enclaves.

For the most part, however, the pressures changed more gradually. The development process itself contained the seeds of its own turnaround. The people who came to work as engineers and technicians in the electronics plants and who moved into the tract houses were less likely to accept the boom psychology than the early inhabitants, and were more likely to swing with the national environmental trends of the late 1960s. And, as signaled by the downfall of San Jose City Manager Hamann, the officials changed with their electorates. In addition, later in the 1960s, the boom that exerted pressure on decisionmaking through the interests that profitéd from development began to slow down, and with it the pressures began to decrease.

20 Military spending in the county seems to have leveled off at something more than $1 billion. It is important to note that the San Jose kind of boom impelled by area-specific federal policy may never recur, either in Santa Clara County or anywhere else. For it stemmed not only from the fact that the federal government spends a lot of money and has a major economic impact (on this count we could expect repetition, because the federal bite on Gross National Product is higher now than it was in 1981, when the boom began), but also from the fact that San Jose received a far higher than average share of that federal spending (which could be concentrated on specific small areas), particularly military spending. This portion of the federal impact has decreased substantially and can be expected to decrease further. From 1961 to 1971, government spending on goods and services—the portion of the budget easiest to direct geographically—dropped from 11.5 to 9.3 percent of GNP. Defense expenditures, the next directly allocable portion of goods and services, dropped from 10.2 to 6.8 percent. The overall federal budget increased in this period, but increases came in the diffused portions; from 1970-71 those accounts known as transfers to persons, grants in aid, and interest payments increased from 4.8 to 11.2 percent of GNP.
All the forces pressing for growth did not change all the way. We have seen no evidence—and nobody in an official position in the area is willing to argue—that public policy is likely to change the amount of growth (as compared to the pattern). The rate still seems to be a function largely of local economics; it has slowed down because the economic boom has slowed down. This slowdown has, in turn, been the chief factor in increasing the possibilities for controlling the pattern of growth, but the rate of growth has not slowed to zero, and those who stand to gain from specific aspects of growth can still exert substantial pressure to break the patterns desired by local planners.

The chief additional factor still making effective control over the growth pattern very difficult concerns the incentives for public officials set up by the particular political structure in the area. As a result of the competitions of the 1950s and early 1960s, the jurisdictional pattern of Santa Clara County is a "Balkanized" jumble. Balkanization makes sense from selected points of view in certain instances. The existence of a tiny city empowered to enact exclusionary zoning makes it possible for an elite group to exclude the poor and other threats to their way of life, while effectively externalizing the costs of a metropolis to other governments. A special district to provide sewerage and sewage treatment may enable cities to avoid overstepping debt limitations and to realize economies of scale. Nevertheless, from the overall standpoint, a number of unfortunate results may stem from this Balkanization:

- A simple lack of coordination may lead to unplanned sprawl as, for example, when a flood control district frees a plain from water danger so that a general government jurisdiction must then resist or give in to pressures for developing this area.

- It may cause property and sales tax competition, which in turn causes competitive growth. A major shopping center in San Jose means more sales tax for San Jose and thus less for another city where it might have gone. Location of a revenue producing facility such as a shopping center in one jurisdiction rather than in another is generally achieved through some economic concession by the successful jurisdiction, and the whole process leads to more resources devoted to such facilities than are economically desirable.

- Although there are some good arguments for small self-governing "home rule" enclaves, the insulation of wealthy enclaves cuts into the resource base available for the costs of public services in poor enclaves where the problems are likely to be concentrated. For example, the four wealthiest high school districts in Santa Clara County (measured in assessed valuation per pupil) have 46 percent of the county's total assessed valuation and 26 percent of the pupils; the two poorest (including San Jose Unified) have 25 percent of the valuation and 45 percent of the pupils. This is discussed further below, where we recommend an effort toward statewide tax equalization.

and this trend is likely to continue, whether payments go directly to individuals and families (transfers to persons) or through governmental jurisdictions (grants in aid). Government expenditures of this kind go by formula to persons fitting certain specifications (e.g., age, dependency), or they go by formula to states and localities. While they are not spread evenly across the population or landscape, they cannot be concentrated like defense spending and other spending on goods and services.
In any case, the Balkanized jurisdictional form of Santa Clara County provides a major obstacle to local control over growth patterns. Progress has been made. It has been made by each of the cities. San Jose, in particular, exerts substantially more control than it once did. For the county as a whole, the formation in 1963 of a Local Agency Formation Commission (LAFCO) at last put an end to competitive annexation and incorporation by assigning unincorporated land within the county to the "sphere of influence" of one municipality or another. More recently, LAFCO has played a strong role in determining once and for all that the municipalities, not the county, will decide on urban development within their spheres. LAFCO has also pushed the cities to divide their spheres into "urban zones" available for development and "reserves" not available. (San Jose has pioneered in this regard, and a recommendation we make below to the city relates to this.) LAFCO points with pride to occasions when it has made even the City of San Jose back off from a presumed unwise development; a recent move toward development away from the airport flight pattern is cited.

Nonetheless, without investigating each instance of presumed effectiveness of new control policies, we retain substantial skepticism concerning effective public control over the whole pattern. For one thing, it is necessary to investigate each instance because the two major local jurisdictions, the City of San Jose and Santa Clara County (including countywide organs independent of the county government as such), seldom agree on the interpretation of growth-related policy issues that concern them both. This is true both historically and prospectively, and it is one indication of the difficulties of coordinating control.

What we have in Santa Clara County—in spite of the increased coordination of recent years—are these two major general governments, 14 other general governments of lesser power, and the many special and school districts mentioned above. Each of the general governments has increasing real as well as legal power to control the growth pattern within its own boundaries, and most of them show increasing willingness to do so. The county government has some power to pressure local governments for control and coordination, particularly the smaller governments, but the City of San Jose, with half the county’s population, while it has advanced in growth control in its own sphere as far as the county has in its, can and does resist being coordinated. Real power is seldom surrendered voluntarily.

Under this structure of many patterns and continued competition for power and for tax base, we feel it is unlikely that the overall growth pattern of Santa Clara County will be much closer to a planner's dream (if that is the ideal) than it would without the recent changes in local machinery. Individual decisions will be affected by the new efforts, but a development chopped off one place will shoot up elsewhere, and to someone flying over in an airplane, Santa Clara County will look unchanged.

It may be that a combination of lessened economic pressure on growth rate—as has been occurring—and a radical change to a single county jurisdiction would together bring control of growth patterns in the county as a whole within the realm of realistic policy. But that time has not yet come. In any case, the decreased sharpness of the dilemma between the economic and the environmental effects of growth, as discussed above, means that the urgency of such radical change is not great.
MEXICAN-AMERICANS IN SANTA CLARA COUNTY

Thus neither the slowdown of aggregate economic and population growth nor its control seem to be the overwhelming policy problems in Santa Clara County that they have sometimes been perceived to be. For the vast majority of the county's population, life is good and is likely to continue to be so. Rather, our analysis brings out as a growing problem the situation of the Mexican-American minority in Santa Clara County. While this minority problem has never been stressed as the primary one in the area, it has certainly been perceived by public officials in recent years and may become serious in the future.

In an absolute sense, Mexican-Americans have improved their living standards along with everyone else. But if equalization among ethnic groups is a goal—and by law and stated policy it is—this has not been taking place in Santa Clara County. If anything discrepancies between the minority and majority have been growing during the years of San Jose's rapid growth. The implications of this for San Jose's future problems are substantial. Although it would be incorrect to generalize from this single case, the possible implications for national policy of the failure of rapid aggregate growth to close this gap may also be important.

On the policymaking level, it is certainly not the case that the problems of Mexican-Americans have been ignored—at least not since the political troubles arising in 1966 when Chicanos first began to object to being patronized by the Anglo majority in a "quaint" pageant concerning the historical background of San Jose. In the last few years, Mayor Mineta of San Jose (himself a Japanese-American) has put some stress on improving the lot of the Chicano minority. Nonetheless, policy has not advanced very far and problems have not been substantially ameliorated.

The crucial findings in this category, as described below, are based on four studies set up specifically for this analysis, plus an analysis of census data. The finding that the Chicano and Anglo ethnic groups are not becoming any more equal and may, in fact, be diverging in their experience in Santa Clara County derives from a cumulative analysis of all these studies.

1. On the basis of median family income and other measures of economic well-being, the low-income areas of Santa Clara County have been declining relative to the better-off areas, and ethnic and economic segregation has increased.

The source of this finding is a factor-cluster analysis of census tracts in Santa Clara County described by Coleman. The method utilizes principal components analysis on nine variables, resulting in two major components—"demographic" and "economic"—and then classifies census tracts into six groups according to their scores on the two components. The method was initially used on data from the 1966 special census and was subsequently applied to 1960 census data. Analysis of the difference between the two years indicated both decline of the poorest areas and increased segregation. Applying the same method to 1970 census data to investigate another increment of change was precluded by existing uncorrected errors in the 1970 census in Santa Clara County.

---

Taken alone, area findings are suspect because, although they provide an initial indication of increasing inequality between the two ethnic groups, they are also consistent with the possibility that low-income areas are way-stops for poor people in transit to better lives in wealthier areas. The area findings, however, have now been confirmed by individual and family data, reported by Kirlin, Samulon, and Rolles, to support the following finding:22

2. By various indices of earnings and occupations, the Chicano population has been getting worse off; or in some cases just holding its own, as compared to the Anglo population—this in a period of the most rapid economic growth. The data suggest that inequality is not decreasing; if anything, it has actually increased and is continuing to do so.

Although none of the following findings (described in points a through d) is conclusive, together they are rather impressive. These points stem from different data sources and different ways of defining and projecting equality and inequality.

a. One could define changing inequality by the experience of the Anglo and Chicano groups in Santa Clara County at different periods of time. This measure may be deceptive for a reason similar to that which casts doubt on the meaning of the area findings: It may be the changing composition of the Anglo and Chicano groups, rather than differential experience of those in Santa Clara County, which accounts for change within the groups during the period over which change is measured. For example, the Mexican-American group may stay poor because of a constant influx of poor Chicanos and Mexicans, even though those in the county from beginning to end might improve their own lot substantially. Nonetheless, this measure provides a first cut. Using this means, census data (the only statistics available for earlier periods) show that the percentage of Chicano households falling below median income of Anglo households was 71 percent in the 1960 census and 70 percent in 1970, thus indicating no perceptible improvement in this decade. (A further comparison to 1950 would be meaningless, since most Mexican-Americans in the county were agricultural laborers.)

The remaining findings (points b through d) on Anglo and Chicano individual and household experiences are based for the most part on a special survey taken primarily to examine comparative experience—particularly economic and geographic mobility of these two groups in Santa Clara County. A total of 487 household interviews (384 Anglo, 103 Chicano)23 were completed; the sampling technique involved geographic stratification, but the sample is representative in the sense that every household in Santa Clara County had the same probability of being drawn. The questions asked covered occupation, job history, residential history, migration

23 The number of observations in the various subsamples used below are smaller: 158 Anglo, 30 Chicano for the parent-child sample discussed in b; 182 Anglo, 48 Chicano for the in-the-county-since-age-16 sample discussed in d. All the findings from all the subsamples point in the same direction as that indicated by the overall sample and by other data such as that from the census.
history, educational attainment, income and occupation, extent of political participation, attitudes toward government, and cultural traditions. Extensive questioning concerned the status of children. The principal survey results are reported in *Mexican-Americans in Santa Clara County.* 24

Because the survey was taken at one point in time, with limited ability to recapture previous experience, and because the key question being asked concerned a phenomenon continuing over time—past and prospective change in the status of the two ethnic groups, rather than current discrepancies—the manipulations of the survey and other data (indicated in the next paragraphs) were carried out to examine various aspects of ethnic "convergence" or "divergence." In fact, even the definitions of the terms must be treated carefully: Does "convergence" mean increasing equality measured by the averages of two ethnic groups taken at different points in time? Does it mean the experience of children as compared to fathers? Does it refer to the experience of members of the same demographic cohort as they age together? In fact, we have used all of these definitions. The answers all point in the same direction: No convergence and possible divergence.

b. To avoid the problem of changing population composition discussed above, we examined data on the experience of children as compared to their own parents. Since an individual income measure would be contaminated by age differences between parents and children, we used instead occupational status as an indicator of overall status and of "lifetime income." Ranking occupations on the basis of their median income in Santa Clara County, we arrived at four natural clusters: Professional/Managerial (median income above $15,000); Sales/Craft/Transportation (median, $12,000-$13,000); Clerical/Operatives/Laborers (median, $10,000-$10,500); and Service (median, $7,200). 25 Using these clusters to examine changes of status from parents to children, we arrived at these findings:

- There were no Chicano parents in the top (Professional/Managerial) cluster; nor were there any Chicano children. Among Anglos, 46 percent of the parents were in the top category, and more than one-third of their children (16 percent of the entire Anglo sample) remained in the highest cluster. Inasmuch as most of the children in the sample are in their twenties, it is reasonable to expect that another large fraction of these Anglo children will move into the highest category as they grow older.

- For the two middle groupings, 7 percent of the Chicano parents and 30 percent of the Anglo parents were in the higher Sales/Crafts/Transportation cluster; 60 percent of Chicano parents and 20 percent of the Anglo parents were in the lower Clerical/Operatives/Laborers groups. More important in terms of mobility, however, despite the much lower starting point for Chicano children (which might have been expected to give them more scope for advance), only 32 percent of the Chicano children in the middle groups advanced in occupational category and

24 Kiritin, Samuel, and Belles.
25 Even though these clusters do have a quantitative rationale for their ranking, they are ultimately arbitrary as would be any alternative set. Fortunately, use of other plausible groupings (e.g., Professional/Managerial; White Collar; Blue Collar; Service) made little difference to the findings reported here.
none of them went above the Sales/Crafts/Transportation cluster. This compares to 41 percent of the Anglo children in these groups who advanced above their parents; more than two-thirds of these made it to Professional/Managerial occupations in the highest cluster. A larger proportion of Anglo children than Chicano children in these middle groups dropped in status as compared to their parents (28 percent as compared to 20 percent), but this is explainable in terms of the greater opportunity for Anglos to drop from the upper to the lower middle.

- The lowest category, Service workers, contained 17 percent of the Chicano parents compared to 4 percent of the Anglos. More significant in terms of mobility, four-fifths of the children of Chicano Service workers were themselves Service workers; five-sixths of the children of Anglo Service workers had risen out of that category.

The evidence thus seems clear that, occupationally, not only do Chicanos start from a lower status than Anglos, but Chicano children rise less rapidly than Anglo children, a sign of continued divergence.

c. Corroborating the above data on children and parents are additional data from the overall sample indicating that in terms of age cohorts, the Chicano-Anglo occupational difference is greater among the younger than among the older. In the younger age groups, Chicanos cluster fairly heavily in service and labor jobs; as they age, there is some entry into the skilled and semi-skilled levels. Anglos, however, have a good chance of starting in the higher status jobs and staying there. In other words, it takes a long time for Chicanos to get anywhere; on completing their education, a significant proportion of Anglos start at a higher occupational status than the Chicanos will ever reach.

d. To further avoid the changing composition problem, a special sample was constructed of those who have been in the county since age 16 and are currently between 16 and 35 years old, whose basic experience is likely to have been within the county. Our definition of changing inequality must be different here, since we are trying to analyze a dynamic phenomenon—growth or shrinkage of differences between the two populations—from data taken at one point in time. Thus, we can state that the data show that young Anglos and Chicanos in this cohort start out very differently, and that very little convergence is likely in this generation. Other evidence indicates little intergenerational convergence. We cite two specific findings:

- Sixty percent of the Chicanos and 92 percent of the Anglos graduated from high school. Additional examination of data showed that 80 percent of the most recent generation of Chicanos are graduating, which seems to indicate some convergence since Anglo graduation rate is asymptotic to 100 percent. But the locus of educational experience needed for future job benefits is shifting from high school to college, and 22 percent of the Anglos are college graduates, with an additional 37 percent having some college; there are no Chicano college graduates in the subsample, and only 19 percent with any college.
• Only 9 percent of this subsample of Chicanos held jobs at sales level or better as compared to 37 percent of Anglos; at the other end of the scale, 26 percent of Chicano males and 21 percent of females are service workers as compared to 5 percent of Anglo males and 16 percent females.

3. The survey of perceptions and preferences for personal life-style indicated that although the Chicanos perceived themselves as being somewhat less well off than did the Anglos (their own existent life-style ranked tenth in preference as compared to sixth for Anglos), the Chicanos’ aspirations and perceptions are very much like those of the Anglos:

• Both preferred openness around them rather than the constrained space of a big city.
• Both put high importance on personal and family safety.
• Both liked integrated communities; the Chicanos more so.
• Neither would be willing to pay 15 percent more property taxes for any improvement in life-style represented in 50 scenarios presented in the survey.
• And both liked San Jose, but the Chicanos perceived themselves as participating less fully than the others. Thus, the current paths of Chicanos and Anglos continue to diverge while their aspirations are quite similar.

4. Current policy in San Jose and Santa Clara County, while certainly attempting to bring the population closer together, is not likely to be successful.

This is not to fault local policy; policymakers have been trying, but in this realm as in many others, solutions for the most part must lie at state and federal jurisdictional levels. Improvements in local policy are possible, but would have only marginal impact. These findings concerning the ways in which the city and county deal with their major minority necessarily stem from a different sort of analysis. John Kirlin, Professor of Public Administration, University of Southern California, and Marta Samulon, a Spanish-speaking graduate student, carried out a systematic series of interviews with both local officials and members of the Chicano community in San Jose. On the basis of this they came to the following conclusions:

• Federal money has funded virtually all anti-poverty and anti-blight programs in the area, and without this money, very few activities directed toward Chicanos would have been undertaken.
• But federal program funds not explicitly directed toward alleviating disadvantage and blight tend to be expended in traditional mainline activities. Adding to these findings the fact that the current federal budget moves strongly away from categorical local anti-poverty programs toward blockgrant forms of revenue sharing at lower funding levels suggests a prospective drop-off in spending on minority and poverty problems. Other demands on the city have caused general revenue-sharing funds to be committed to other programs; there is some hope, however, that special revenue-sharing
funds will be used to replace in part current categorical funding for poverty-related programs.

- As a result of all the above, the City of San Jose has met Chicano demands in a manner that is largely costless to existing power groups, city departments, and city employees. Funds are externally provided and personnel are usually not civil service.

- Dealings between the local government and Chicanos have largely been on an elite basis between professional city employees and Chicano leaders, some of whom are governmental employees. At the political level, at least, the city has been trying to deal with Chicanos on a more representative basis—for example, Mayor Mineta and the San Jose City Council appointed a Mexican-American to a vacant position on the City Council—but this has not yet effected any substantial change in ways of doing business.

Thus, in a period of economic growth near the limit experienced by any major American urban area—growth reinforced in the last five years by federal programming—San Jose has exhibited no tendency to narrow the wide gap between its ethnic minority and the majority, nor does current policy show much promise in this regard. It may well be this, rather than urban sprawl, which is and will continue to be the fundamental issue facing policymakers in the San Jose area. If so, it has implications not only locally but nationally. The San Jose metropolitan area is a prototype of American suburbs—a set of suburbs without a real central core city in the eastern sense. Early findings from other projects in this Rand series on urban policy analysis, as well as more general data, indicate that the social issues frequently collected under the rubric, "the urban problem," are rapidly becoming urban/suburban problems, and the San Jose analysis tends to bear this out.
III. RECOMMENDATIONS

For two paradoxical reasons, the specific policy recommendations in this report are substantially weaker than the findings listed above.

The first reason is itself based on the finding that, given the pressures and incentives set up by private markets and by federal and state policy, and given the constraints created by the state, little scope is left for effective local policy to reshape growth. (Although not set forth explicitly above, it should be clear that purely local policy to achieve increased ethnic equality is likely to be at least as ineffective.) We could design new local policy instruments; that would be pointless, because the old instruments—zoning, distribution of public facilities, annexation or failure to annex, even planning itself—are legally available to control growth. The trouble is that while they are being used with increasing effectiveness, externally imposed pressures, incentives, and other constraints have put many obstacles in the way of maximum effectiveness. Exhortation that local officials should now make better use of the instruments they have available, under the same sorts of pressures as before, would be fatuous. And solutions that change the pressures are not available at the local level.26

The second reason is that the San Jose study is the first of the series to be completed, and there is no reasonable way to make specific recommendations for federal policies affecting the 125 major metropolitan areas from this sample of one area. A tax recommendation that might change the pressures that "misshape" San Jose, for example, might cause chaos in Chicago.

For these reasons, the eight local policy recommendations listed below—except for the first one which stems directly from the major findings but is less specific than the others—suggest actions which might help, given the pressures and constraints, but for which no great breakthroughs are claimed. These recommendations stem in part from careful observation and reasoning applied to the results of these analyses.

26 Mayor Mineta of San Jose has concluded from this (correctly in our view) that our analysis should be used to help change the pressures on him and on other local officials. Both in testimony before the House of Representatives Banking and Currency Committee and within the U.S. Conference of Mayors, he has used this analysis to press for broad consideration of federal policies that affect the cities.
LOCAL POLICY RECOMMENDATIONS

1. Perhaps the central policy prescription for both the City of San Jose and Santa Clara County with regard to control of growth is: "Don’t go to extremes, even if you could."

Growth is not out of hand either on the up or the down sides, and the proper reply to constituent pressures that advocate a return to the boom of the 1950s is: First, it is impossible; second, it is undesirable; and third, and perhaps most important, it is unnecessary, because the area’s prosperity can be maintained very nicely within the projected growth rates of the 1970s.

On the other side, zero population growth pressures can be answered similarly: It is impossible within the workings of the private market and the devices provided by California law; it is undesirable because the economy, while resilient, is vulnerable to complete turnoff of growth; and it is unnecessary because our survey results indicate that the values held by Santa Clara County residents are not in danger from the sort of moderate growth projected. To recap, our relevant findings are the following:

- Dependence on a continued high growth rate for prosperity in the area is declining; there is no need in the name of prosperity to boom growth, for example, by sending representatives around the county to lure industry with special tax breaks.47
- The findings of the Citizen Life Style Preferences Survey, however, indicate no overwhelming population drive to stop growth in its tracks or even to reverse it; such drives do exist in Santa Clara County, but at least by the evidence of our survey they exist only among a limited group.
- Past growth has been caused by pressures difficult for local policy to resist; some lessening of the pressures may make them more resistible, but any attempt to go to extremes—big new boom or reversible growth—would be very difficult in any case.

"Don’t go to extremes" may sound bland as a policy recommendation. In fact, it may be the kind of policy prescription that former City Manager Thomas Fletcher was really looking for when he initiated this study. In 1971, when the study was begun, the city was beset with substantial pressures in both directions, and city officials were greatly concerned with whether or not they could respond to them. The message is that they can not and should not, and that they will not go down in local history as ineffectual. Santa Clara County is now within a range of growth it can handle, and attempts to get out of this range on either side would be both undesirable and very difficult.

The first recommendation is applicable to officials of San Jose, Santa Clara County, and other local jurisdictions. Recommendations 2 through 6 below, concerning control of growth, are addressed specifically to the City of San Jose, although

47. Our finding was that Santa Clara County as a whole is in no dire need of rapid industrial expansion. This does not imply that various local jurisdictions could not use more industry. We recommend below, on page 25, that the City of San Jose should try to attract more business, but that is because it has historically gained a less than proportional share of the county’s industrial growth.
they may apply to other jurisdictions we have not examined in detail. They are unlikely to effect major change, but they should help.

2. **The current thrust of the city's urban growth policy should be maintained.**

A year ago, based in part on Rand research, the City of San Jose changed its development policy, not only for areas then within the city limits, but for the "sphere of influence" assigned to it by the Local Agencies Formation Commission set up under California law. Before the change, three development areas were delineated: (1) an urban zone, largely within city limits, in which all urban services were available and where relatively unlimited development was allowed; (2) an urban reserve, rural land without services, in which development would not be allowed except under very special circumstances; and (3) between (1) and (2), an urban transition zone with some urban services and a relatively ambiguous status.

The new policy abolished the urban transition zone, including it in the urban reserve, and prescribed development out to the periphery of the urban zone in any sector before crossing into the urban reserve. What this meant was that the land thus skipped over by previous leapfrogging should be filled in before the urban periphery was expanded. This policy has been adopted countywide, albeit with some modifications. Given institutional incentives and market forces, the policy can only be successful to the extent that the individual cities cooperate with it.

3. **The City of San Jose, using whatever resources are at its command and at the command of other jurisdictions, such as the county government, should strive to preserve additional open areas that are accessible both visually and physically.**

This recommendation is based primarily on the Citizen Preferences Survey which indicated a strong preference for open space, reinforcing city planning department views that linear parks and parkways are an important means for creating substantial open space accessible to many people. Thus, rather than attempting to create only traditional parks in the urban area, the city should use its park funds to acquire and develop open spaces that provide a continuing feeling of countryside and accessibility. The city does have the legal powers and the practical opportunity to regulate development within its boundaries to enhance and reinforce concepts of neighborhood, both through land use controls and predesign of street and arterial systems.

4. **As much as possible of the true public costs of residential development should be charged back to developers and through them to their varied customers.**

San Jose already has begun this policy, charging back to developers certain public capital costs incurred by the development. This chargeback has three functions: it raises additional funds for necessary public development, thus relieving

---

28 Working closely with City of San Jose and Santa Clara County analysts, Rand has structured an overall cost-estimating model for the provision of urban services and has completed sample cost estimate submodels within that framework. Complete cost estimates for chargeback purposes should, of course, take account not only of costs of new services, but also of possible overall savings due to economies of scale as new developments open up.
some fiscal stringency; as a device in equity, it charges costs to those reaping the main benefits; more important in our view, as an economic device it uses market incentives to help control spatial growth. The backing for this recommendation stems primarily from the economics of externalities; without such chargeback, residential prices do not reflect the true costs of new development for items such as additional sewers, police protection, and schools, and the housing economy would thus be operating inefficiently. Inclusion of such costs by chargeback raises prices to reflect the true charge on the economy, and controls growth by reducing demand for housing to what it "should be" for the purpose of economic efficiency. It would, for example, help control leapfrogging by charging the costs of extended urban services to the developer and his customers.

San Jose and the other governments in the county should not stop with the single instance chargebacks based on average costs of new development. For pricing policies to work efficiently, it is necessary to develop chargeback policies based on marginal costs and to do so for the delivery of a variety of services and for the continued operating costs of providing these public services. True marginal cost charges will not be easy to calculate from existing data. They must subtract from the costs of services for newly developed areas any economies of scale on citywide delivery of services which follow from the enlargement of delivery areas through new development. The cost model being developed jointly by Rand and local staff should help in moving chargebacks further toward a marginal cost basis.

5. The City of San Jose should increase its attempts to create a "friendlier atmosphere for business."

This recommendation is not based on any analysis that suggests San Jose is in fact treating business badly; we simply report, on the basis of interviews with developers and businessmen that, for whatever reason, they sometimes feel badly treated. Standard urban economic analysis indicates that, whatever the cost/benefit calculus of overall business-plus-residential urban growth, business development does "pay" in terms of city finances. Given that there is no certainty in Santa Clara County that the costs of associated residential development will be in the same city as the benefits of business development—San Jose seems to have borne more than its share of residential costs for the business benefits accruing to other cities thus far—we suggest that it is in the interest of San Jose to change the perception that discourages business entry, if this is possible. So far as the "general good" of the people of Santa Clara County goes, it makes little difference in what jurisdiction industrial and commercial firms locate; freeways and streets cross city limits, and economic efficiency would dictate locations free from jurisdictional considerations. In fact, the City of San Jose is a policy unit whose decisionmakers must consider the welfare of their own constituency first.

6. Although renewal of San Jose's downtown area is preferable to its con-

29 The City Council candidate who achieved a substantial lead for one seat in the April 1973 primary election is quoted as saying, "There have been many industries interested in locating here, and they would provide immeasurable help to our economic base. The problem is that when they get here, they encounter so many delays and expenses, they end up choosing our neighboring city, Santa Clara, almost every time." (San Jose Mercury, March 16, 1973.) While her statement is not necessarily an indication of the truth of "bad treatment," it does represent a widespread perception that this is the case.
continued deterioration, its development as a shopping or residential center should be regarded as unlikely to succeed.

A specific recommendation on what to do depends on the specific costs and realistic benefits of well-defined courses of action, and may in any case be moot at this juncture because of the cloudy status of the federal urban renewal program. Nonetheless, the point is still worth making. It is based on the Citizen Preferences Survey, which suggests that slightly more than half of the citizens of San Jose prefer a city with widespread and peripheral shopping centers (e.g., San Jose as it is) to a city with a defined downtown.

It follows that almost half would like a downtown, but this finding is strongly qualified by a number of others. This preference answer was a forced choice dominated by the stronger interest of the populace in their own neighborhoods, not in the city as a whole. If forced to choose between different configurations for other areas, many will choose downtown, but it is not where their interest lies, and even those in favor of a central downtown are still unwilling, for the most part, to give up shopping in the large peripheral facilities. And for many people in Santa Clara County, choosing a downtown means San Francisco, and San Jose's downtown seems unlikely to compete effectively with San Francisco. In fact, San Jose's downtown is a small area (possibly the smallest downtown for any city of a half million in the United States) characterized by three things:

- A deteriorating core, to which the renewal proposals apply.
- California State University at San Jose (formerly San Jose State College, a major institution which, however, has its own area).
- A number of new office buildings.

If private developers feel that more downtown offices in San Jose are economical, then this is definitionally a viable form of renewal bringing with it auxiliary daytime activities such as luncheon restaurants (only one exists in downtown San Jose now). But any attempt to redevelop downtown as a shopping center or as a residential center seems unlikely to succeed.

In addition, one recommendation is presented for Santa Clara County:

7. The county government has recognized, at least in part, the institutional inadequacies of the system of local government within metropolitan areas, including its own, and has therefore attempted to develop, through creative use of LAFCO, countervailing institutional arrangements. We recommend that the county continue this policy to the extent possible, aggressively enforcing its announced policies of permitting development only within urban service areas.

At the same time, although the county has done much within the rules of the game established by state government, the total effect on growth patterns still appears small. Our findings on the difficulties of controlling local growth indicate that basic changes need to be made to enable local government to manage urban growth and change effectively. Most of these changes—in the structures that affect incentives of local officials—must be made at state level. We recommend below that the state change one major incentive for local competition—by tax equalization.
Perhaps even more fundamental would be the creation of a single county-level general government jurisdiction, but this possibility seems quite far off.

Recommendations for local policies on the other problem of major importance in Santa Clara County, inequality among ethnic groups, are even more difficult to develop than those for controlling land development. The advancement of ethnic and racial minorities is a national problem needing national attention. Nevertheless, the problems are currently important and significant in San Jose even though they have not, at this time, resulted in major instances of open conflict and disturbances.

8. **Continuing efforts should be made to increase Chicano representation in city government. One device to this end would be a shift from at-large elections of the City Council to district elections.**

The need for more Chicano representation has been recognized both by city officials and by the San Jose electorate and is confirmed by our finding that dealings between the city and its Chicano residents are still on an "elite" basis. The specific recommendation that City Council representation be shifted to a district basis combines this finding with the general body of political and legal theory that in recent years has veered toward a belief in representation of groups as groups. The rather consistent finding by the courts that at-large elections do not satisfy the requirements of "one man one vote" seems generally applicable to San Jose, although the question of its specific legal applicability is outside the scope of this report.

Mayor Mineta and the City Council appointed Alfred Garza, an educator, to fill a vacancy on the City Council, and in April 1973 he was elected in his own right, receiving more votes than any other candidate. Garza's election might be considered an argument in favor of a continued at-large system, but we think not. Voted in by an electorate which is between 80 and 90 percent Anglo, he inevitably represents the constituency that chose him; he campaigned, in fact, as a homeowner rather than as a Mexican-American. It does not downgrade Councilman Garza or his accomplishments to state that under the circumstances he is necessarily the Anglos' "chosen Chicano." What is needed is a Chicano or Chicanos elected from specific districts in competition with other Chicano candidates.

The total impact of this should not be overstated in any case. One vote in a seven-member City Council should increase Chicano political power because that vote may be worth bargaining for in specific situations, but minority groups remain unequally treated in cities where they do have representation. In any case, such a change would at least be a start. Given the lack of local power to cure such inequalities, real representation would at least begin to make it possible for the city to deal with the minorities on a more representative basis.

We present no recommendations in this area for the county, not because part of the problem does not lie at county level, but because little of the solution lies

---


31 Garza's substantial vote total in any case be somewhat related to the material in this report. An early version submitted to local officials for comment was leaked to the press by a local recipient of the report several weeks before the April 1973 election, and our statements about the failure of Chicanos to gain relatively from the boom were both headlined in the news stories and received favorable editorial comment.
there, given current structures and incentives. Specifically, part of the inequality problem in the county is based on the fact that the minority is concentrated in the City of San Jose and a few other places, while those resources the county does have (and it is a very rich county) lie in other jurisdictions. In particular, the wealthy hill enclaves like Los Altos Hills and Saratoga, and the wealthy university city of Palo Alto concentrate a good portion of the county's resources. They hold the bulk of the problems outside their borders by zoning and other devices. (In fact, it is these communities that provide some exceptions to the more general population view in the county deemphasizing sprawl, as discussed above. The same survey showed Palo Alto as an enclave lending much more heavily than the others to environmental control, and a November election setting up the special tax district in these wealthy communities to purchase recreational and open space confirmed this.) In any case, one view of equity would have these communities carry a more substantial part of the burden of ethnic equalization. Under the current structure of state law and incentives, however, this is unlikely to happen.

STATE POLICY RECOMMENDATIONS

1. State policy should move toward within-California tax equalization and increased shift to the state of revenue raising, as indicated by the Serrano vs Priest decision.

This is not an endorsement of Serrano vs Priest, as such. That 1970 decision of the California Supreme Court declared it unconstitutional for children in different school districts to receive different educational benefits because of the districts' different taxable capacities. We have not done the legal research necessary to comment technically on a controversial decision. In addition, an examination of research on education does not indicate strong evidence backing the idea that equalized funding would equalize (or even affect) educational benefits. Nonetheless, our own analysis does bring out two arguments for movement in the direction indicated by Serrano.

The first stems directly from the core of the analysis. A basic theme has been the practical inability of local officials to control development of their own jurisdictions as much as they might like because of the pressures and constraints created by state as well as federal policy. Many of these pressures are expressed through the private market, but perhaps the chief one acting directly on public officials has been the pressure to annex and to encourage development in order to gain a tax base. Our examination of the history of Santa Clara County brings this out for that area; knowledge of other California locales indicates that Santa Clara is hardly unique. A lessening of this incentive, therefore, would enable public officials to exert greater control over land use and related activities; while that would not guarantee better outcomes, it would remove a distortion.

The second basis for the recommendation could have been arrived at without the San Jose study, but is reinforced by the analysis. The general basis is that the California system of local jurisdictions and local revenue-raising leads to substantial inequalities in the ability to support public services. The local version stemming from our analysis lies in our finding of the failure thus far to make any headway
in equalization between Anglos and Chicanos, added to the fact that most of the Chicanos are in San Jose, but a disproportionate share of the resources is in wealthier residential jurisdictions like Palo Alto, Los Altos Hills, and Saratoga.

A number of economists, beginning with Charles Tiebout, have worked on economic concepts concerning residential preferences—concepts that bear directly on both the control of growth and the relations between ethnic groups. The descriptive theory is that people with like tastes will tend to congregate in like neighborhoods; the normative theory is that if free consumer and political choice is given high value, this is as it should be. The reasoning so far as it goes is tight: The descriptive analysis suggests why Palo Alto, Los Altos Hills, Saratoga, and the others are different; the normative reasoning says that this is not a bad idea.

There is a possible flaw, however, not in the reasoning itself, but in an omission that might change the conclusions. This is a difficulty related to one matter economists have consistently found problematic: income distribution. That is, economists have demonstrated that maximum consumer satisfaction for a given income distribution stems from free choice, and the residential theories discussed here are examples of it. But conventional economics has no criteria to bring to bear on the question of whether the given income distribution is "fair," and if political value judgment suggests that it is unfair, the economic solutions do not work toward the fairest satisfaction of consumer desires without an income redistribution.

The application in Santa Clara County is that by withdrawing to their own concerns, be they ecological or anything else, the wealthy communities are perhaps maximizing consumer satisfaction for a given income distribution (both among communities and among their residents), but they are avoiding the redistribution implicit in a rejugling of jurisdictions (e.g., setting up a single unit of general government on the county level) that would have the costs of social programs borne more broadly by taxpayers through the area. This is not a criticism of the wealthy municipalities; it is simply the way things work. One could equally criticize the State of California for not voluntarily sending money to Mississippi. In any case, the unlikelihood of voluntary sharing among jurisdictions in Santa Clara County suggests that solutions to the distribution problem, if any, may lie in restructuring jurisdictions or modifying current incentives for jurisdictions to act as they do.

There are certain limitations to the application of this argument in California. Other Rand research currently in progress indicates that equalization of per-pupil spending in California public schools would not particularly benefit Chicano, black, or AFDC children because most live in large school districts already near the spending mean. The situation in Santa Clara County is somewhat different—a computation for the county parallel to that being done for the state indicates that equalization would help Chicano students slightly (the four wealthiest high school districts have 16 percent Chicano students, and the two poorest 23 percent). The statewide issue, however, cannot be defined by a single locale. Nonetheless, it seems quite likely that equalizing the tax burden as among different school districts (as compared to equalizing per-pupil expenditures) would shift the burden of property tax payment away from poorer taxpayers and toward wealthier ones and business.

2. So long as the local property tax does exist, it may have some potential as

---

a tool for controlling growth, and to this end, the state should give consideration to allowing localities more flexibility in its application.

This is tricky. Assessment practices, while not likely to be fully equitable,\textsuperscript{23} are less subject to either abuse or inefficiency if uniform within the state. But if flexibility is not called for here, it may be more useful, at least on a careful experimental basis, for variations in type of property tax. Review of the literature and our own analysis\textsuperscript{24} indicate no evidence that property taxation is a major influence on business or residential location. Under proper conditions, however, it might become at least a moderate one. A property tax that hit increases in the value of the land held for speculation differentially might be a powerful check on the kind of speculative sprawl that has held sway in Santa Clara.


Appendix A

ANALYTICAL PROGRAM

This appendix contains a "research diary" prepared at the request of NSF/RANN. The analysis that produced the findings and recommendations given in this report used a variety of research methods in a four-stage program of analysis. The methods included the following:

- Two major surveys and one minor survey. One of the major surveys was designed to elicit residential and environmental preferences of Santa Clara County residents; the other obtained data to compare the backgrounds and experiences of Anglo and Chicano relationships in the area. The minor survey was an add-on to a routine local effort, with the object of obtaining information to supplement economic modeling.
- Modeling of the impact of residential development on the costs of public services.
- Structured questioning of local developers. (The sample here was too small to call this a survey as such.)
- Investigation of the political history of San Jose and Santa Clara County over the last twenty years.
- Careful observation of "the way things work." This step is both the most difficult to describe and the most crucial. In the final reckoning, limitations of time, budget, and available methodology mean that an analytical program this broad must use "descriptive" methods to link together rigorously the hard points discovered. In this study, such methods stressed discussions with local officials over an 18-month period concerning what moves what in Santa Clara County, and how objectives have been and are to be achieved.

The four stages of research were the following:

1. **July 1971 - October 1971.** Structuring problems, creating hypotheses within this structure, and laying out a program for testing these hypotheses in order to find policy answers. This stage culminated in a publication that set forth the initial
hypotheses and laid out a research program to test these hypotheses.¹ This program was, in fact, followed closely throughout the remainder of the research.

2. **November 1971 - June 1972.** A hiatus stage during which a gap in funding by the National Science Foundation forced a postponement of the initial research program. During this period some local funding was forthcoming and the program concentrated on discussion and development of the initial hypotheses.

3. **July 1972 - January 1973.** Major program conducted to test the initial hypotheses. This was the period during which the major surveys were carried out.

4. **February 1973 - April 1973.** Tying together the research results into a pattern of policy implications. Before this time, there was no way to predict the final conclusions, because they depended on analysis of survey data. What had been thought through were alternative sets of conclusions depending on the outcomes of survey and other research results. (For example, the conclusion that "sprawl" is a decreasing problem while ethnic relationships may be an increasing one depends on the results of the two surveys concerning attitudes of residents and experience and status of members of the ethnic groups.) Throughout this period, we worked closely with local officials.

These four stages of the analytical program are described in detail below.

**Stage 1: Structure (July 1971 - October 1971)**

The basic decision made early in this stage, which structured the entire policy analysis program, was the initial formulation of the two problems that together summarize the major growth-related issues in the San Jose area. On the basis of initial discussions with local officials and private citizens, these were structured as noted in the introduction to this summary statement:

- The potential dilemma set up by the possibility that (a) both private and public economic prosperity in this area depend on continued rapid economic and population growth, but (b), this growth has brought about urban sprawl, a process by which orchards, vineyards, and rural beauty are bulldozed and replaced by formless and repetitive tract housing. The existence, strength, and possible resolution of this "economics/ecology" dilemma formed one initial focus of the study.

- The question of whether the rapid growth itself and the high degree of prosperity associated with that growth had helped solve problems like poverty, racial dissension, and other "typical" urban issues. Because of the rapid growth over two decades, San Jose might be considered something of a test of the proposition that economic growth can by itself perform a major role in resolving problems.

To answer the questions in these two broad areas, studies were initiated in five specific fields. A preliminary communication to the client reported hypotheses, initial methods, and analysis, and very tentative conclusions in each of these fields:²

---


1. **Economics of Growth.** The question here: How dependent is private and public prosperity in Santa Clara County on continuing rapid growth? The initial method was based on simple econometric modeling, and the October 1971 report on this modeling stating an intention to check model results in other ways. The initial conclusion from the model was that prosperity depends strongly on growth. As noted, this conclusion was later changed on the basis of new evidence and reanalysis.

2. **Environmental Impact of Growth.** Study was initiated on the other side of the presumed dilemma, the effect of rapid growth on sprawl and other environmental amenities. Initial use was made of a Santa Clara County IBM model of population distribution in the county, and this model mapped out the obvious conclusion that continued rapid growth would engender more sprawl. Having produced these results, the model was set aside and the questions were asked: What are the market and policy processes by which this population spread takes place? Who cares about sprawl? An intention was stated to study the processes. On the "who cares?" questions, existing surveys were reported and found unsatisfactory, and the intention was stated to formulate a better one.

3. **Distribution of Growth Benefits.** The first step, whose results were reported initially in the October 1971 document, was an analysis of different sorts of neighborhoods in Santa Clara County, utilizing factor and cluster analysis applied to data from a special 1966 countywide census. Stated intentions were (a) to examine neighborhood change by extending the analysis in both directions to the 1960 and 1970 census, and (b) to move from area to household data by conducting a survey on migration and mobility.

4. **Specific Social Problems.** A number of specific problems, ranging from health to housing, were examined in conjunction with the neighborhood analysis. This was the single line of initial endeavor not subsequently pursued. Instead, we decided to concentrate resources on what we believed to be the more fundamental phenomenon: distribution of growth benefits among ethnic groups.

5. **Policy Processes.** We laid out initial hypotheses concerning the policy processes affecting growth and the policy alternatives that might affect future growth. At this stage, as reported in the October 1971 document, it was first suggested that local policy space was highly constrained by incentives set up by the market and by federal policy.

The tentative conclusions from Stage 1 can be generalized as follows:

- A real growth dilemma did exist in Santa Clara County, since the study to that date showed both an economic dependence on growth and a projected continuation of sprawl as growth continued. This sprawl, in particular, was a major concern to most of the people we had spoken with at that time.
- The relative status of members of the different ethnic groups could not be determined because of lack of data at that time. Our own survey could not be started yet, and 1970 census data providing statistics on Spanish-surname population were not yet available.
- A highly constrained policy space existed within which local officialdom could maneuver to control growth.

As noted previously, some of these conclusions—particularly the first one—were substantially changed by subsequent study. The changes were based almost entirely on the results of the research laid out in the initial report.
Stage 2: Interim (November 1971 - June 1972)

Our research in Stage 2 was highly constrained because NSF was unable to provide funding at this time, and a skeletal program was continued in part under local funding, pending NSF decision. A number of low-cost studies were initiated here, based partly on feasible extensions in the work of Stage 1, partly on extensive discussion with local officials, and partly on exploitation of certain low-cost targets of opportunity.

A number of relationships stemming from the econometric model were checked by other methods, and some crucial ones changed substantially. In particular, the finding from the model that migration into Santa Clara County had been largely a lagged response to the area's general prosperity was reexamined by adding a number of questions on migration to a periodic local survey. We discovered that most of the in-migrants in the sample who had come to the area for job-related reasons (75 percent) had done so to take specific jobs and, thus, there would be no effective lag between an increase in the number of jobs and an influx of migrants to take the jobs. (The result from the initial model seemed to have been based on the difficult statistics of separating lagged and simultaneous relationships.)

At the same time, members of an urban seminar at the Stanford University Graduate School of Business began research into the actual institutional relationships underlying some of the modeled functions of industrial and residential development in Santa Clara County. Their analysis of the information systems on which developers act indicated a continued possibility of lags in this sector. On the basis of these studies, the economic work was substantially redone, reaching the form reported in the body of this report and in a report by Payne.³

In addition to the Stanford students' reports on development decisions, other students produced a political history of development in the County that provided essential underlying understanding of development processes.

In response to the interest of city officials, we decided to develop a model of the costs to the public of new residential development, and began initial investigations into data availability and previous modeling.

A report prepared on air and water pollution and solid waste disposal problems in Santa Clara County included a compilation and evaluation of existing materials.⁴ The evidence examined suggested that these pollution problems were not of critical proportions, that they seemed to be stabilizing or even decreasing, and that most necessary local actions had already been taken.

During this stage, a number of reports were made both to local groups and—at the behest of city officials—to a national group. The national report (to the Legislative Action Committee of the U.S. Conference of Mayors) stressed the "inadvertent national urban policy" which, it was stated, heavily constrained the policy space of local officials. The chief local report (to the mayor, acting city manager and other San Jose officials in May 1972) stressed tentative findings of the October 1971 report, material reported to the Conference of Mayors, pollution results, and future plans contingent on NSF funding.

Stage 3: Major Research (July 1972 - January 1973)

In this stage, which commenced with the basic NSF grant made in late June 1972, the major studies were made in each of the five fields delineated in the October 1971 report:

1. *Economics of Growth.* The economic reanalysis started in Stage 2 was completed. Rather than conduct a full and formal modeling of the local economy, we decided that the question of dependence on growth could best be answered by specifically concentrating on sectors most likely to be affected by growth—new construction and related fields. As described above, we concluded that the prosperity of San Jose's metropolitan area was not strongly dependent on continued rapid growth.

2. *Environmental Impact of Growth.* In examining the other side of growth—its environmental and other costs—we concentrated almost entirely on sprawl, particularly since we had found in Stage 2 that pollution as such did not seem to be the major problem. The major survey on lifestyle preferences of Santa Clara County residents began at Rand with a meeting of survey authorities from around the country. As a result of this meeting, we decided to contract with Steffle Associates, a marketing firm headed by Volney Steffle, Professor of Psychology at the University of California-Irvine, to design and conduct a survey to determine underlying preferences concerning "lifestyle" of county inhabitants, rather than to survey any specific immediate policy issues in this realm. The Steffle firm had pioneering experience in formalizing a process using free association as a basis on which to structure preference surveys. Although not all aspects of this technique were successful in this innovative utilization, the survey did produce a consistent set of answers on which our major conclusion concerning local attitudes toward sprawl is based.

3. *Distribution of Growth Benefits.* To examine the experience of Chicano and Anglo populations in Santa Clara County and, more broadly, to investigate the background of this experience, we conducted three major studies:

- The neighborhood analysis reported initially in the October 1971 document was completed, and added to the analysis of the 1966 special census data to indicate changes from 1960 to 1966. Unfortunately, the Santa Clara County Planning Department reported major errors in the 1970 census of Santa Clara County, and since these have not yet been corrected, the analysis of changes from 1966 to 1970 could not be completed.

- We conducted a survey to determine whether, over the years of rapid growth, the Anglo and Chicano populations of Santa Clara County had been converging toward equality or diverging, to measure differences, and to predict future prospects. As noted, past evidence and future projections from this survey are not optimistic for future equality. This survey also included extensive questions regarding Chicano attitudes toward politics. Analysis of these data has only begun.

- Based on an extensive set of interviews with city officials, Chicano leaders, and other Chicanos, we made a carefully structured study of the way in which the City of San Jose and the Chicano minority population dealt with each other.
4. **Social Problems.** As noted, the one area in the October 1971 report not pursued further concerned the health-housing-etc. problems to which we thought we could add little.

5. **The Policy Process.** Through literature search and through discussions with persons active in the development process, our first set of studies isolated the major incentives that appear to influence the behavior of developers. The studies then focused on developing an understanding of the importance of those variables and their effects as incentives. The second set of studies was aimed at understanding the incentive systems at work on local officials charged with managing urban development and the limits on the ability of the local governments to apply policy instruments effectively.

   a. **Developer Incentives.** A study conducted of the incentives affecting developer behavior employed a set of structured interviews with a sample of residential developers in Santa Clara County. A study with a similar purpose, though somewhat less structured, was conducted by Stanford graduate students for industrial firms and developers.

   Two studies were developed on the role of taxation in the development process. One analyzed rather conflicting literature, and attempted to employ empirical data to test impacts of alternative sets of property tax policies. The other considered federal income and capital gains tax provisions and is a quantitative analysis of impacts within Santa Clara County.

   b. **Local Government Behavior.** The second set of research activities in the policy process investigated the actual ability of local government to employ legally available policy instruments to manage urban growth and change. The research method made use of interviews with numerous local officials concerning past instances of development, current policies and their apparent effectiveness, and attitudes about matters such as tax case exigencies, perceptions of voter desires, and intergovernmental relations. These interviews, combined with analysis of anecdotes and individual cases, and with information from previous related research on intergovernmental behavior at the local level by the project director, served as the basis for a report.

   c. **National Policy.** On the national level, our initial thinking had stressed four types of federal policies that seemed to have a major impact on Santa Clara County: military procurement, FHA and VA mortgage reinsurance, federal income tax exclusions, and transportation. Within the scope of the project, we could not possibly analyze all these in depth, and we decided to stress income tax policy analysis. This is perhaps the least obvious of federal influences on the shape of San Jose. Military-electronic procurement clearly provided the major economic thrust of the two-decade boom. That FHA policy shaped suburban areas like San Jose in the post-World War II era is hardly a novel observation (and it is only slightly more startling to note that the FHA influence which set the direction is no longer strong

---


in setting the current shape of such growth). And the effect of transportation on urban form has been studied in many areas, with one conclusion: It does have a strong effect. The "Real Estate Tax Shelter" available under the federal income tax laws, however, while receiving some analysis in regard to its effect on deterioration of central city housing, has had little analytical notice in respect to its effect on sprawl.¹ For this reason, this phase of the research included a substantial commitment to such a tax study in order to provide at least one concrete illustration of how federal policy affects the shape of local growth.

Stage 4: Conclusions (February 1973 - April 1973)

The conclusions derived from drawing together all of the above pieces form the substance of this report.

Appendix B

DOCUMENTATION


