

# The Siliconing of Santa Cruz County

When Al Shugart moved to the Santa Cruz Mountains, he meant to take it easy. After 20 years with IBM, a stint with Memorex, starting his own successful company — Shugart Associates — and selling it, he thought he had earned the right to relax. For five years he was a salmon fisherman. For a while he tended bar. But all that changed when Finis Conner came along with a good idea.

Though Conner had been named "Finis" by his parents because he was the youngest of eight, he turned out to be more the type to start things. Based on his idea, he and Shugart started producing high-quality disk drives for the computer industry in a 4000-square-foot loft in Scotts Valley. Under the name of Seagate Technology, they expanded rapidly, built four new buildings in Scotts Valley, are building a fifth, and expect to open a 350,000-square-foot manufacturing complex on 20 acres near the Watsonville airport before the end of the year.

Seagate is the kind of success story the public has come to expect in the electronics industry. So-called high technology industries, according to study after study, will provide an increasing number of jobs and business opportunities in years to come, expanding as smoke-stack industries decline. Throughout the nation, communities vie to make themselves attractive to the glamorous new high tech concerns.

But where other communities only dream of landing high tech firms, Santa Cruz County communities are doing it. As Santa Cruz *Sentinel* Editor Emeritus Gordon Sinclair pointed out approvingly in his "Business Report" column, "more than 500,000 square feet of high technology facilities have been added to the County's industrial base in the past couple of years, another 500,000 square feet could be developed in the near future at the Pajaro Valley Industrial Park in Watsonville, and still more is on the drawing boards at the proposed Soquel Research Park (old West Foods)."

And then there's the potential — and controversial — research and development center at the University of California at Santa Cruz.

Seagate has proposed a three million share sale which could provide more than \$72 million for more facilities. Victor Technology, which makes desktop computers in Scotts Valley, is reporting excellent success with its products under the leadership of electronics pioneer Chuck Peddle. Synertek, Santa Cruz's biggest electronics industry, is expanding its work force at its

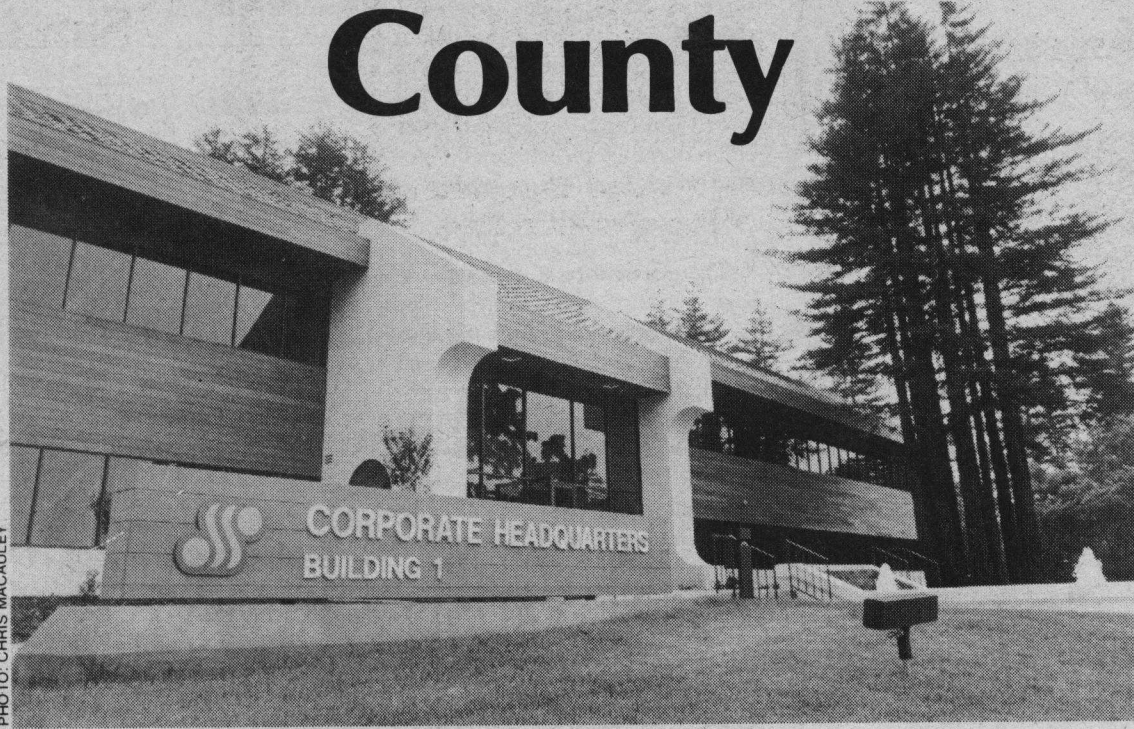


PHOTO: CHRIS MACAULEY

Mary Barnett

180,000 square foot semi-conductor plant in West Santa Cruz. Raytek has remodeled the former Walti-Schilling packing plant into an electronics operation. In Watsonville, Tandem Computers recently opened its 80,000-square-foot plant in the city's industrial park.

"It is fairly obvious that if the current plants are successful in the future and some of the proposed plants are developed our little Silicon Valley could double in size," Sinclair beams. "And those plans do not include the possibility of a

But mere propinquity is by no means the whole story. As high as land and housing costs here may seem to Santa Cruz County residents, they are low in comparison to those in Santa Clara County. And Santa Cruz County is blessed with an ample labor supply — perhaps its primary virtue from the point of view of the electronics industry.

Despite such high-paying jobs as computer engineer, technical writer and programmer, the industry hires large numbers of relatively

So it appears some high tech firms come here because the boss doesn't want to drive over the hill.

Whatever the reasons, there is no denying high tech is here. Its arrival has been hailed joyfully by the Santa Cruz office of the State Department of Employment Development (DED). In its first quarter, 1982, labor market bulletin, the DED welcomed the electronics industry.

"At a time when manufacturing industries have been suffering in many areas of the country from

*"If people think we can have the electronics industry in Santa Cruz County and not end up like Santa Clara County, they're kidding themselves"*

development on the former Sky Park Airport land owned by the City of Santa Cruz in Scotts Valley."

Yes indeed, Santa Cruz County is no wallflower in the effort to attract high tech industry. But there is nothing mysterious, after all, about its attractions.

First of all there's the simple fact of proximity. Santa Clara County — better known as Silicon Valley after the silicon chips it turns out in such vast numbers — one of the leading high tech areas of the world, is running out of space. Coyote Valley, San Jose's last bastion of open space, has fallen to high tech industry, the assault led by a mayor who ran on a platform of keeping Coyote Valley green.

High tech needs room. Just over the hill lies Santa Cruz County. It would be hard to ignore.

low-paid, semi-skilled assembly workers. And, last month, unemployment in Santa Cruz County stood at 16.7 percent. Two months ago when Seagate announced hiring to fill 150 new jobs, 2000 persons waited in line to apply for the \$4.31-an-hour positions.

Capping it all off is Santa Cruz County's fabled "quality of life." Executives and workers alike are attracted by beaches, forests, clean air and comfortable, easy-going small town lifestyles.

Santa Cruz Chamber of Commerce Manager Lionel Stoloff has made it a point to ask why high tech firms are locating in Santa Cruz County.

"It turns out that in most cases at least one executive — one of the decision-makers — lives in this area," he reports.

short-term recessionary pressures and/or long-term structural declines, Santa Cruz County has been fortunate enough to attract a growing number of electronics manufacturers," the DED wrote.

At that time there were more than 2200 electronics manufacturing jobs in the County, DED reported, adding, that "significant growth is expected in the future."

Although roots of the electronics industry in Santa Cruz County go back to the mid-fifties, when a local company began production of oscillators, it was not until the 1970s that electronics-related employment grew substantially. Between 1972 and 1981, electronics industry jobs increased from approximately 900 to 2200.

The Chamber's Stoloff reports that in the past three years,

between 55 and 70 firms of various sizes involved in high technology electronics have located in Santa Cruz County.

How much expansion of the electronics industry is likely here? Is it going to become Silicon Bay?

"I don't think so," Stoloff says. "There are limitations on available land in the City of Santa Cruz. Watsonville has a 200-acre industrial park with a fair amount left. They've got Tandem there and Seagate going in, but in speaking with industrial prospects, I've found them less than enthusiastic about Watsonville. Maybe we've peaked already. In the City of Santa Cruz, there's not enough room for another Synertek."

But all bets are off if UCSC goes ahead with a combined research and development and manufacturing center on its spacious campus as a means of raising income. Stoloff allows, "They could wind up with the equivalent of three Synerteks."

The DED takes somewhat the same view as Stoloff in its assessment of the future of the electronics industry here.

"Santa Cruz County will not become a duplication of Silicon Valley," it predicts. "Available industrial land in the City of Santa Cruz is nearly exhausted. Water and sewer problems in Scotts Valley will limit future expansion there. While Watsonville still has a large potential for industrial growth, there is only a finite amount of land there also. Inexpensive housing is scarce in Santa Cruz County, and residential growth controls will restrict future housing growth. These factors will moderate long-term growth rates for the local electronics industry."

Others are not so sure. They fear Santa Cruz County may have a tiger by the tail. And there are fears that the electronics industry could prove a mixed blessing.

Anybody who knows Dave Bockman, full-time unpaid environmental activist and conservation chairman of the Sierra Club, will not be surprised to learn he takes a bleak view of the electronics industry in Santa Cruz County.

Asked about the good and bad aspects of high tech here, he replies, "I haven't seen any good aspects."

A former chemical engineer himself, Bockman thinks the manufacturing jobs high tech provides are short-term. He gives two reasons: loss of jobs to overseas (the Atari layoff of 1700 workers in Santa Clara County is a highly-publicized case in point) and the coming automation of electronics





**Supervisor Joe Cucchiara has questions about the loss of farm land, housing shortages and toxic wastes. Do high tech firms have the right answers?**

manufacturing.

"Electronics manufacturing now is largely not automated," Bockman says. "I think that in the next five to 10 years it will be, and 75 percent of the manufacturing jobs will be lost."

Silicon chips now etched chemically will be transformed into integrated circuits by means of focussed ion beams, Bockman predicts. The new system, he adds, will produce better materials but require far fewer workers.

But that isn't Bockman's principal worry. "Neither the County nor any of the cities have analyzed the impacts of this rapid growth in the industrial base in terms of residential and commercial development required to support it," he says. He fears loss of prime agricultural land around Watsonville to supply housing for industrial workers. He points out that Scotts Valley is located largely on a groundwater recharge area. "They are aggressively paving it over. They can't just say recharge somewhere else. It doesn't work that way. They are reducing the amount of water at the same time they are increasing the need for water."

Bockman is not alone in his concerns. Chairperson Joe Cucchiara of the Santa Cruz County Board of Supervisors regards the electronics issue with "cautious optimism," he says. It is very cautious indeed. He shares Bockman's concerns over the possible loss of prime agricultural land around Watsonville.

"The Watsonville City Council to date has been less than clear as to its dedication to protecting agricultural land," he declares. "There has been a rezoning for large-scale commercial and residential development of agricultural land and proposals to expand the city's sphere of influence, bringing in agricultural land, which primes the pump for development."

He points to development of housing on the Franich apple orchard as an example of what has been going on. On a countwide basis, Cucchiara worries that there may not be an adequate supply of

housing for the burgeoning electronics industry workforce. He fears that cities will concentrate on providing for industrial development leaving it up to the County to take care of housing needs.

"That way cities get the gravy and leave it to the County to pick up responsibility for housing people with no new sources of revenue," Cucchiara says. "What we need is a land use policy developed by both the cities and the County that

### *Many Silicon Valley execs live in SC, so some firms come here because the boss doesn't want to drive over the hill*

addresses the balance between jobs and housing. I think both the advantages and the burden of industrial growth should be shared."

But possibly the key concern, Cucchiara says, is the issue of toxins. He's not the only one to be worried. The myth that high tech industries are squeaky-clean compared to smokestack industries has now been exploded. Each day's newspaper, it seems, has news of



**Supervisor Gary Patton thinks we should take a hard line with high tech firms.**

another discovery of ground-water pollution in the Santa Clara Valley from highly toxic chemicals used to etch silicon chips or from cleaning

solvents used in the electronics industry.

Santa Cruz County has had its own spills. There have been at least three in Scotts Valley, the most recent a discharge of potassium permanganate into Carbonera Creek January 24 by Interdesign Inc. Company representatives entered a guilty plea to violations of State Fish and Game codes in releasing the substance and paid a \$1500 fine.

There are efforts to deal with the toxic waste problem. Scotts Valley is currently working on a hazardous waste control ordinance. Proposed by the city's hazardous waste committee, it has been referred to the city attorney for review by the City Council. Chairman Harold Medo describes it as a good, stiff ordinance requiring double containers for toxic materials. Also, companies are required to carry insurance so that if they make a mess they can't just pull out and leave it to the city to clean up.

Santa Cruz County is working on an ordinance to require companies to disclose toxic materials they are using. The ordinance was worked

out by a County hazardous materials task force with strong participation by a group called Citizens Concerned about Toxics. The same group is circulating a petition urging the Santa Cruz City Council to adopt a toxic materials disclosure ordinance.

In addition to worrying about loss of farm land, housing, and toxic materials, Cucchiara has serious questions about Scotts Valley in particular. He is skeptical that it has the infrastructure — roads, water, sewage, housing, public services generally — to take care of its rapidly growing electronics industry.

In fact, he notes, questions are being raised about Scotts Valley's ability to support its growth by the electronics industry itself. Under the leadership of Victor's Peddle, the industry has put up money for the city to hire a financial consultant to look into ways of financing community expansion.

**W**ithin Scotts Valley government itself, one of the sharpest critics of the city's mode of growth is Councilwoman Barbara Leichter, elected with support from Citizens for Orderly Growth, better known as C-FOG.

It isn't that Leichter has anything against the electronics industry. In fact, she and her husband have a

consulting business for the electronics industry in Santa Clara County. Leichter just thinks Scotts Valley is growing the wrong way. "Basically what you've got is a place

open space in Coyote Valley and looking at Santa Cruz County. It's close and land is cheaper.

"But if people think we can have the electronics industry in Santa

### *In the past three years, between 55 and 70 high tech electronics firms have located in Santa Cruz County*

that's going from a one-traffic light town to a 12 traffic light town overnight," she says.

Her big complaint is that the city is not only failing to follow its general plan — it hasn't got a proper general plan to follow in the first place. Accordingly, she is voting against all development proposals until the city develops a legal and proper general plan. This has incurred the wrath of development interests, who attack her with monotonous regularity.

C-FOG brought suit against the City of Scotts Valley to force it to complete the general plan. Following a Superior Court hearing, Judge Harry Brauer issued an order barring Scotts Valley from making zoning changes, approving large buildings or allowing industry to locate in commercial zones for at least two months. The restrictions were agreed upon by attorneys for C-FOG and the city.

The city told Brauer it is applying to the state Office of Planning and Research for an extension of the deadline to update its general plan. If it gets the extension, the state will oversee any construction approvals until the new general plan is completed. Brauer's restrictions apply during the two months the state is expected to take to approve the extension.

Joe Miller, one of the C-FOG members who brought the suit, hailed Brauer's ruling as a victory for his side. He said the conditions were identical to those proposed by C-FOG to the Scotts Valley City Council a month ago.

Cucchiara's and Leichter's views of the electronics industry seem almost sanguine as compared to those of Santa Cruz Supervisor

Cruz County and not end up like Santa Clara County, they're kidding themselves. I think the public wants to keep control but have more industry. I think it wants to maintain a balance and grow fairly slowly. If that's what people want, they have to be suspicious of the microelectronics industry. We shouldn't underestimate its influence."

Patton points out that in adopting Measure J, the people of Santa



**Scotts Valley Councilwoman Barbara Leichter has qualms about her city's rapid high tech growth.**

Cruz County said they should control the character, timing and amount of growth. He looks at Watsonville and Scotts Valley and sees evidence of too-rapid growth, especially in Scotts Valley.

"It has already fundamentally changed the character of the community," Patton charges. "There are water pollution and traffic problems they've never had before. And Watsonville has the same kind of Little League approach to the Big

### *The myth that high tech industries are squeaky clean compared to smokestack industries has been exploded*

Gary Patton. Asked about the industry's potential and problems, Patton replies, "It has both potential and problems, and its potential is going to be a big problem."

"There is no more dynamic center of job creation in the United States," he concedes. "The Santa Clara Valley is filling up its last

League players. These guys are used to investing hundreds of millions. The world is their territory. I think if this industry is to fit into our scale of things, we must make sure anybody who comes here comes on our terms."

Like Cucchiara, Patton is worried about the housing problem and



threats to agricultural lands. But his big concern is population growth itself. "We've tried to have population grow slowly so we can digest it," he says. If growth is too fast, in his opinion, the County could end up with a terrible bellyache. Patton wants to make new industries pay their way. He thinks they should even be required to build housing. "That could be the modern version of the company town," he allows. "But we've got to come to it."

He also thinks industrial growth should be phased, as residential growth is being phased. "The rate

of growth is often more important than the ultimate size," he says.

Finally, Patton would like to see cities and the County cooperate in their approaches to high tech. Currently, he notes, cities are competing for industry, which is all to industry's advantage but doesn't necessarily help the public.

The lure of jobs doesn't impress Patton much. He says more people just move in to take what jobs are available. "Look at all the new industries that have come in between 1960 and 1980," he declares. "But the unemployment

rate stays high."

The answer, he believes, is for Santa Cruz County and its cities to hang tough in dealing with industry and absorb it in small bites.

"We're in a seller's market," he declares. "In any bargaining between the community and the people who want to locate here, we have most of the cards in hand. We have a beautiful place to live, lower housing prices and cheap labor. We should drive a hard bargain. We should make sure we have a net advantage. After all, we're not the mine fields of Kentucky." □

PHOTO: CHRIS MACAULEY



And the building of high tech plants in Santa Cruz County continues — such as the laying of a foundation for yet another Seagate building.