

# Economic Outlook and Issues U.S., CA, Bay Area and Peninsula

Stephen Levy

Center for Continuing Study of the  
California Economy

For CSMFO Peninsula Chapter

October 23, 2019

# What We Know

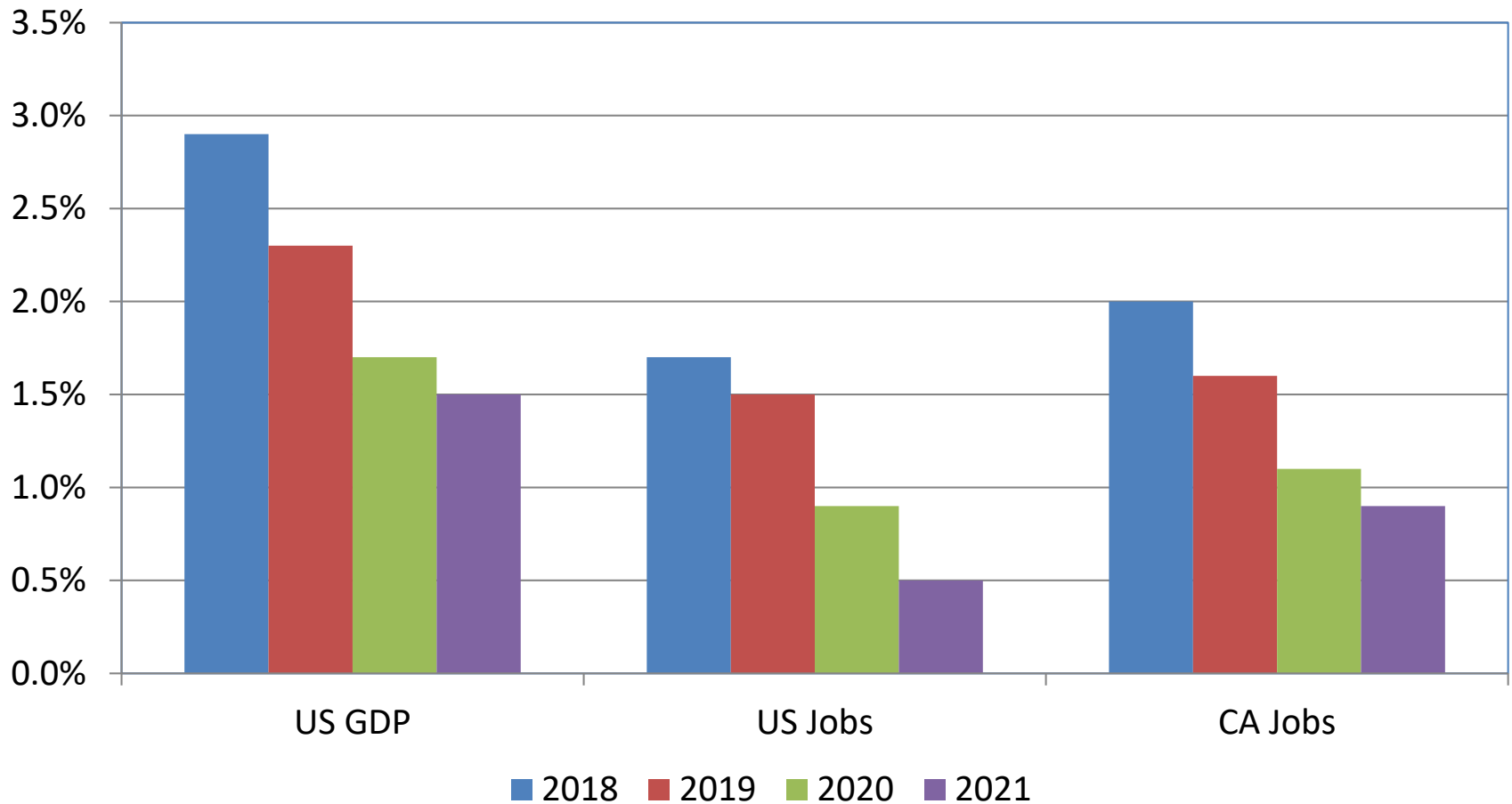
- For the best several years and continuing Bay Area job growth led by the Peninsula has outpaced the nation. We have a favorable industry mix led by tech.
- Job and GDP growth will slow as large retirements slow labor force growth.
- The Peninsula could do better than the nation depending...

# Likely Serious Challenges

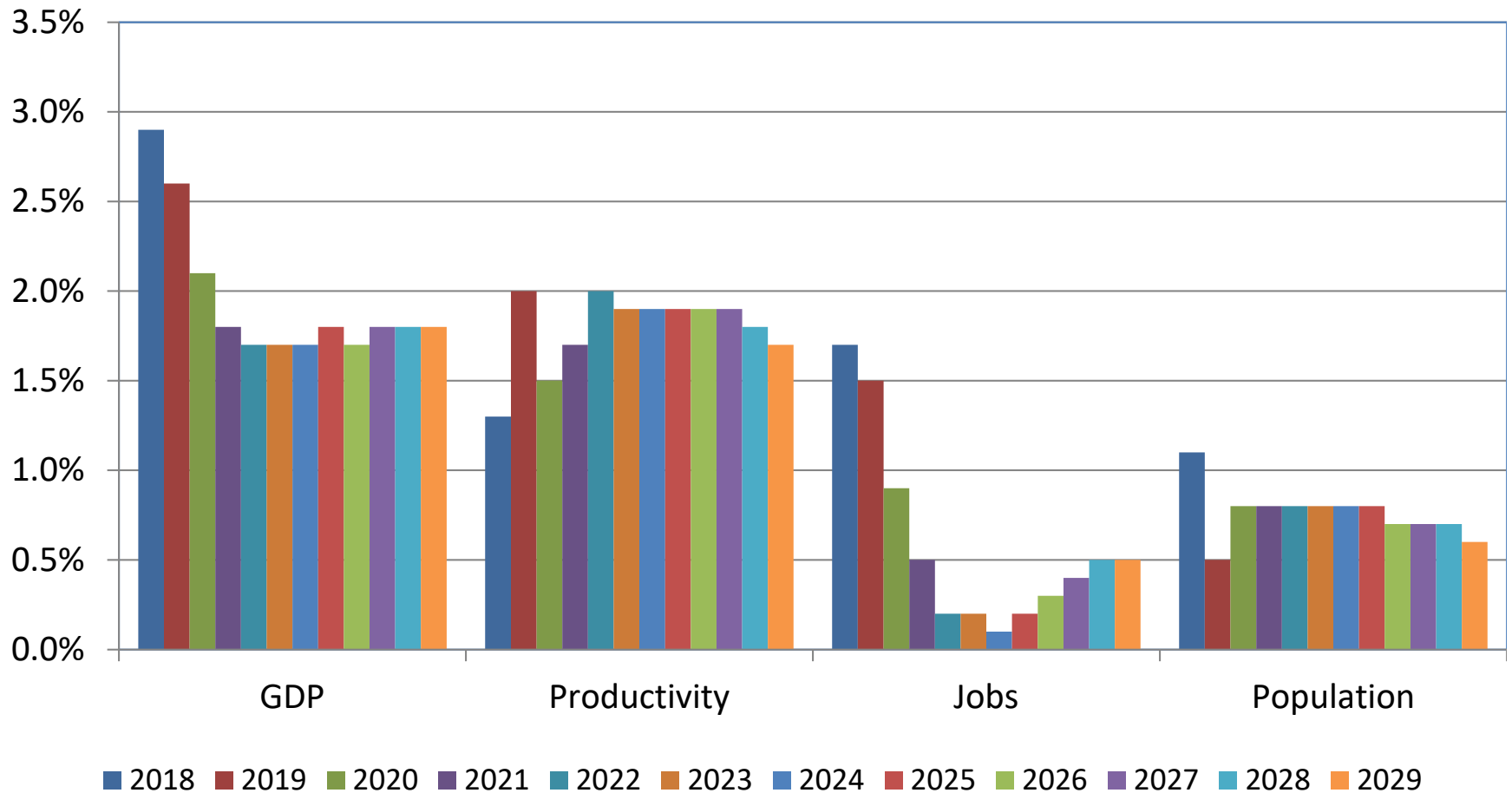
- For sure—for CA and the Peninsula/Bay Area
  - housing supply and affordability
  - transportation access to jobs
- Likely for all areas
  - restrictions on immigration when more is needed
  - restrictions on trade from policies and slowing global growth

# Growth to Slow in Next 2 Years

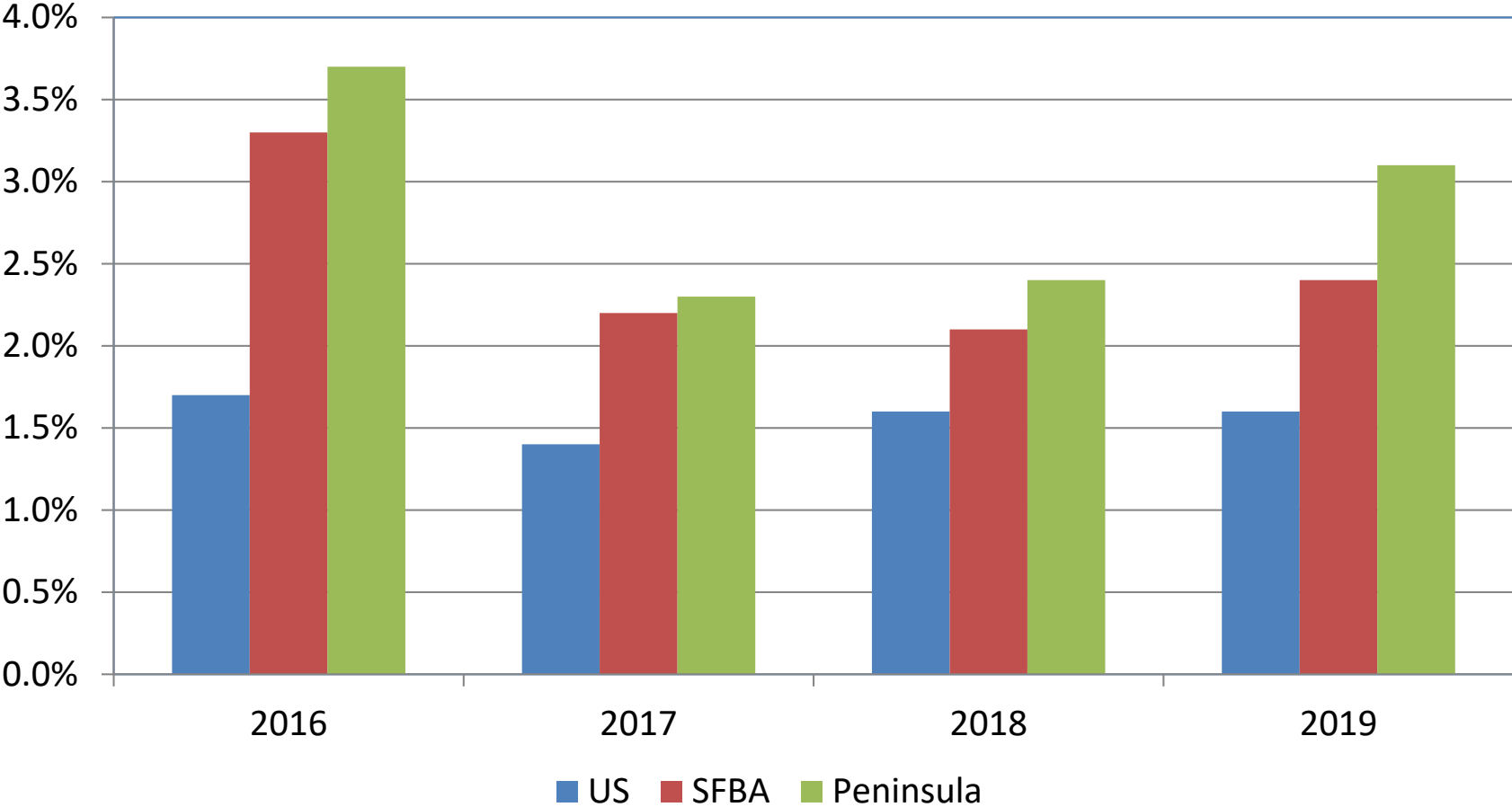
## UCLA Sept 2019 Forecast



# Ten Years of Modest U.S. Growth Driven by Baby Boomer Retirements

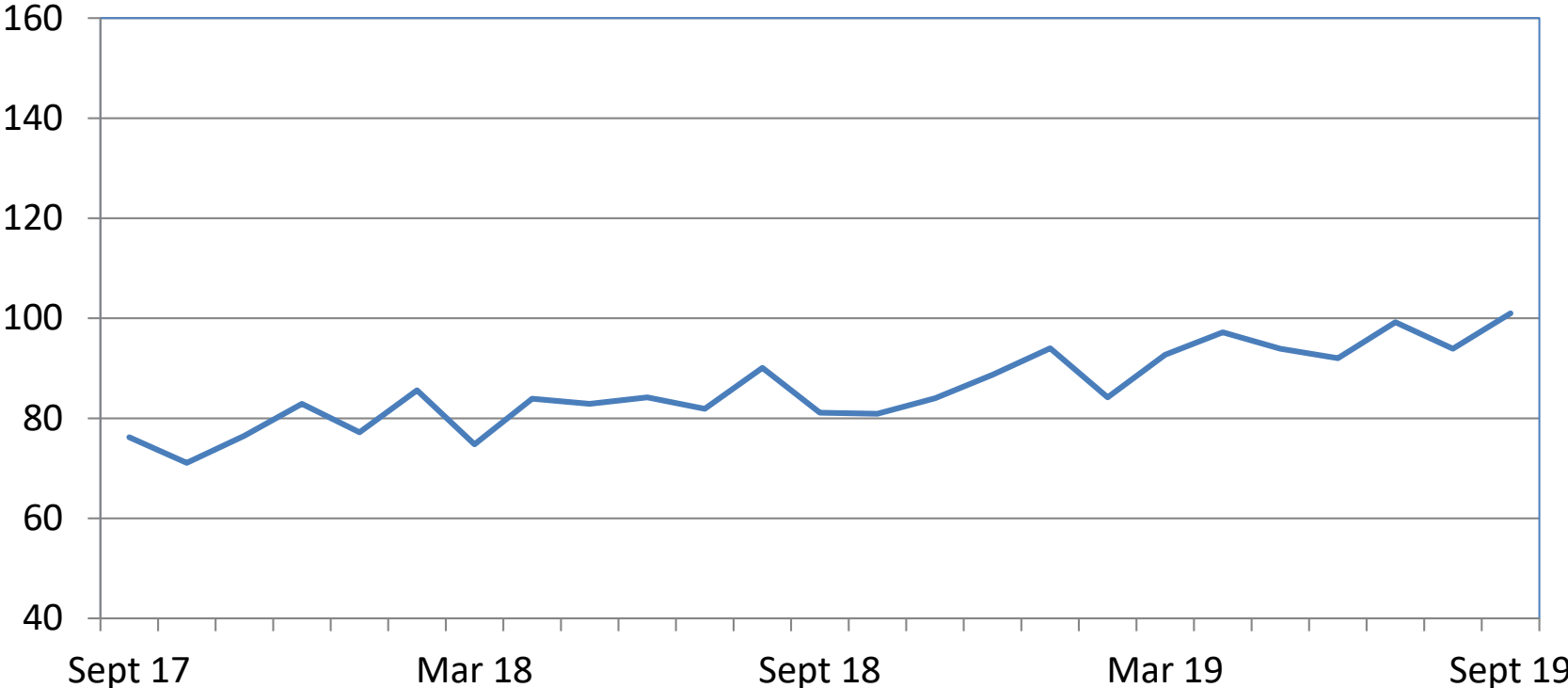


# Continuing Strong Job Growth

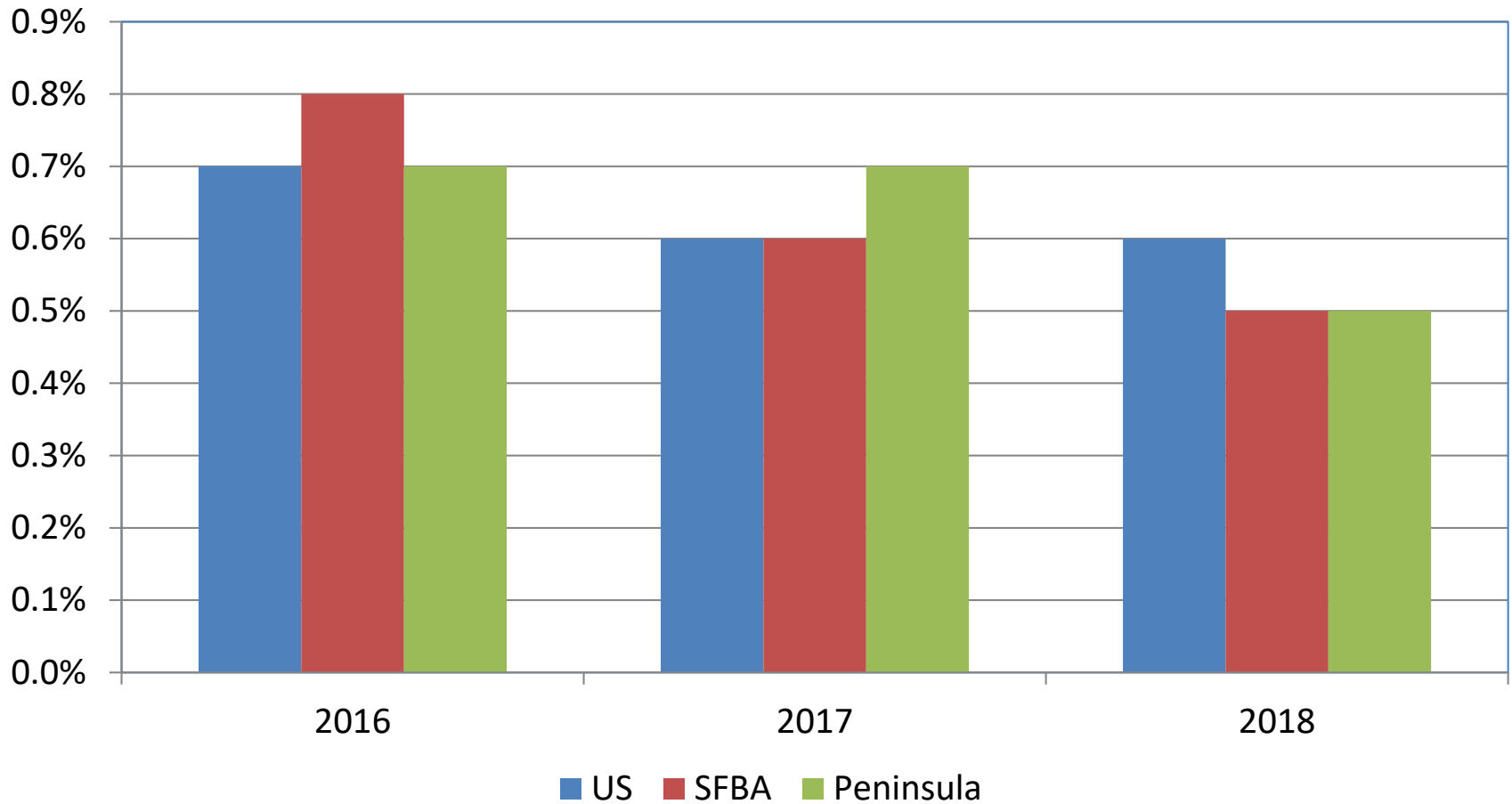


# No Slowdown Yet

Bay Area Year over Year Job Growth (Thousands)

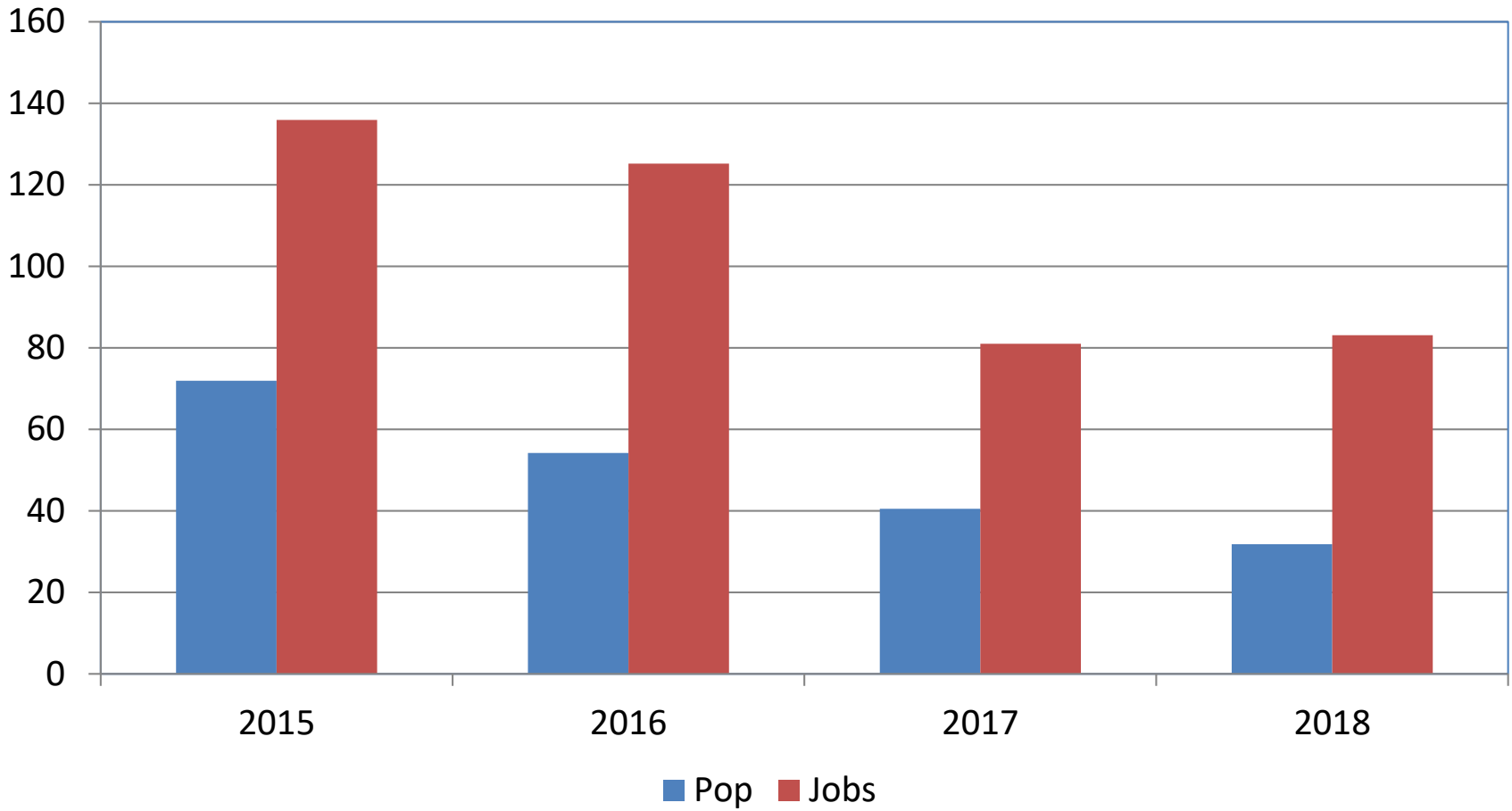


# Low and Slowing Population Growth





# Bay Area Job Growth Far Outpaces Population Growth (Thousands)

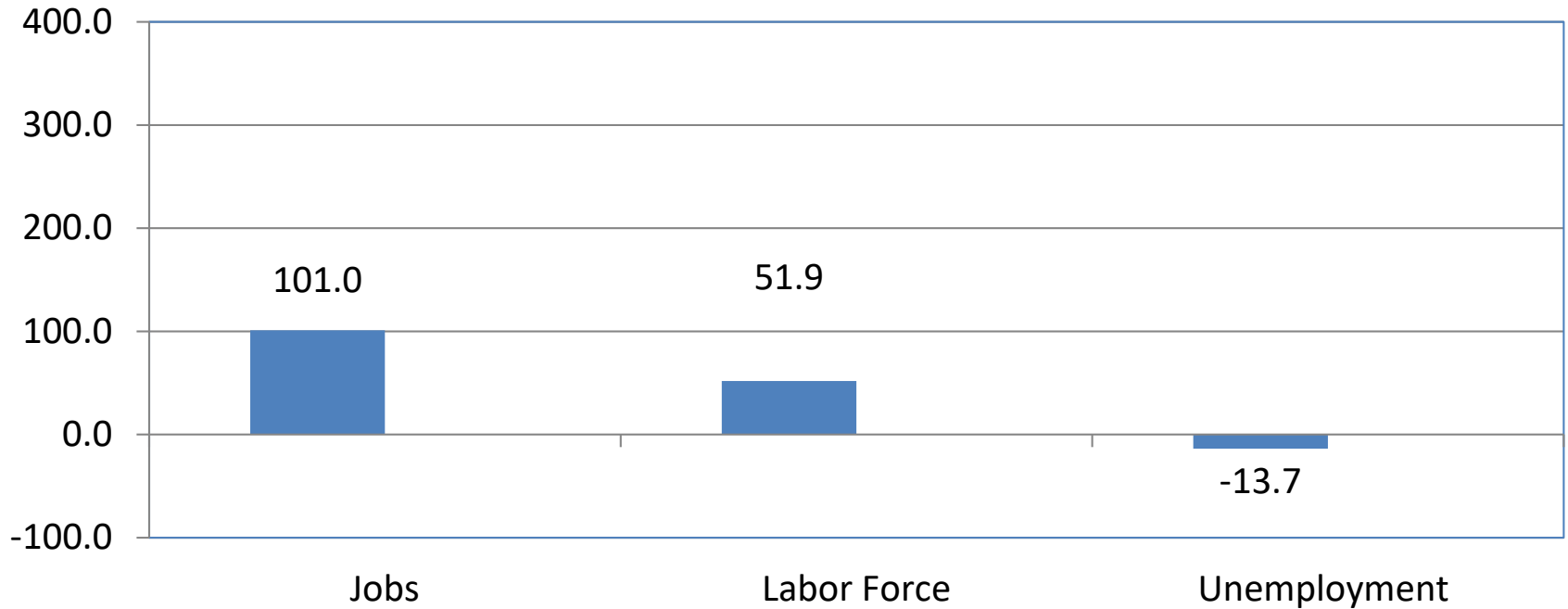


# How Could Jobs Grow Faster than Population

- Note—in the region there are 2 residents for every job so the trends are really strange
- More existing residents working
  - lower unemployment
  - more residents in the workforce
  - more people with more than one job
- More commuting from outside the region
- Data will be revised

# Can This Last? Probably Not

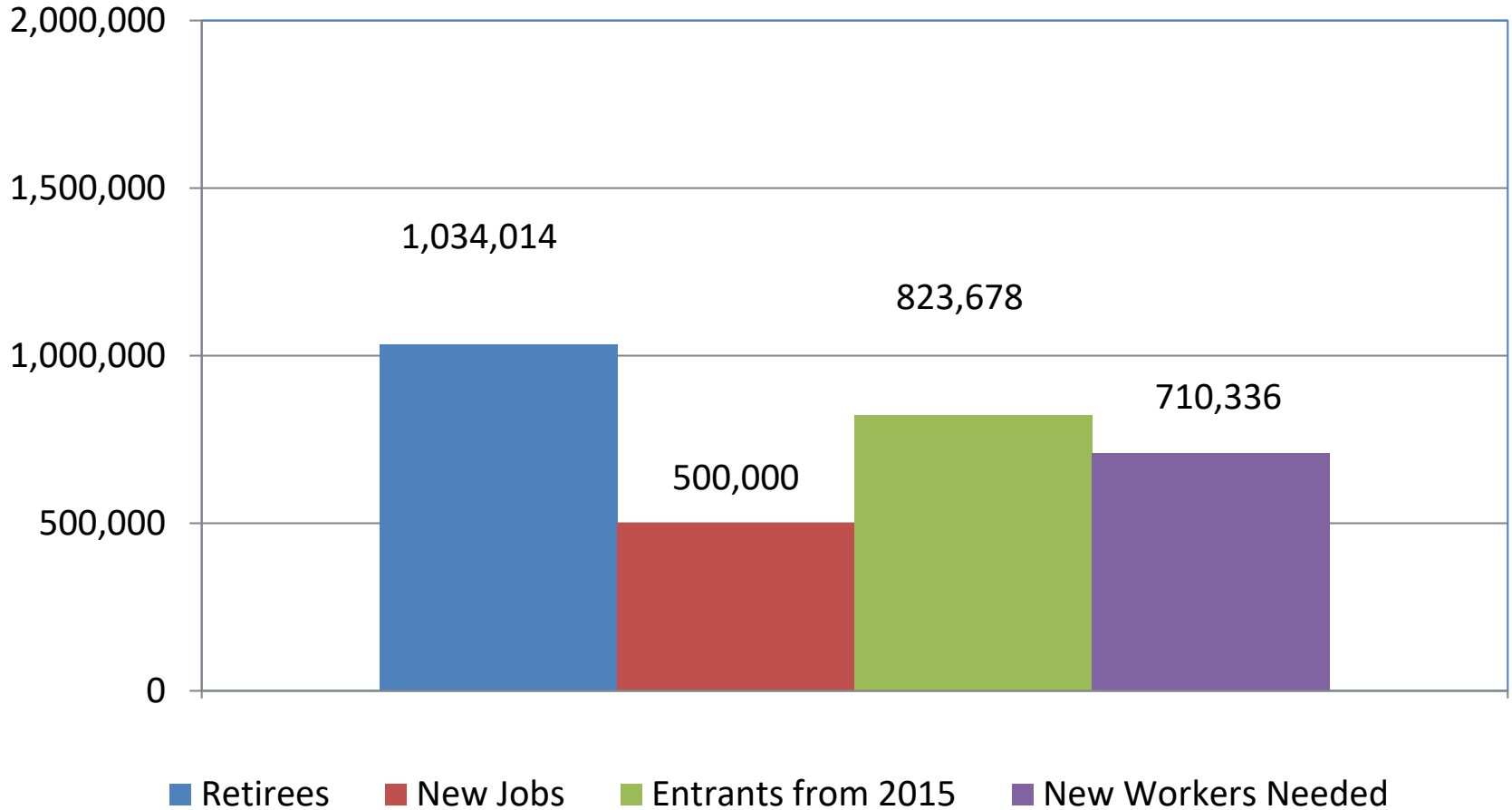
**One Year Growth (Thousands) --Where Did the Workers Come From?**



# Time for Policies that Support Population Growth if Job Growth to Continue

- SFBA unemployment rate 2.2%--at dot.com boom lows
- Labor force participation at record highs
- We need more people to come here—1) to replace retirees and 2) for future growth

# Bay Area Retirement Analysis

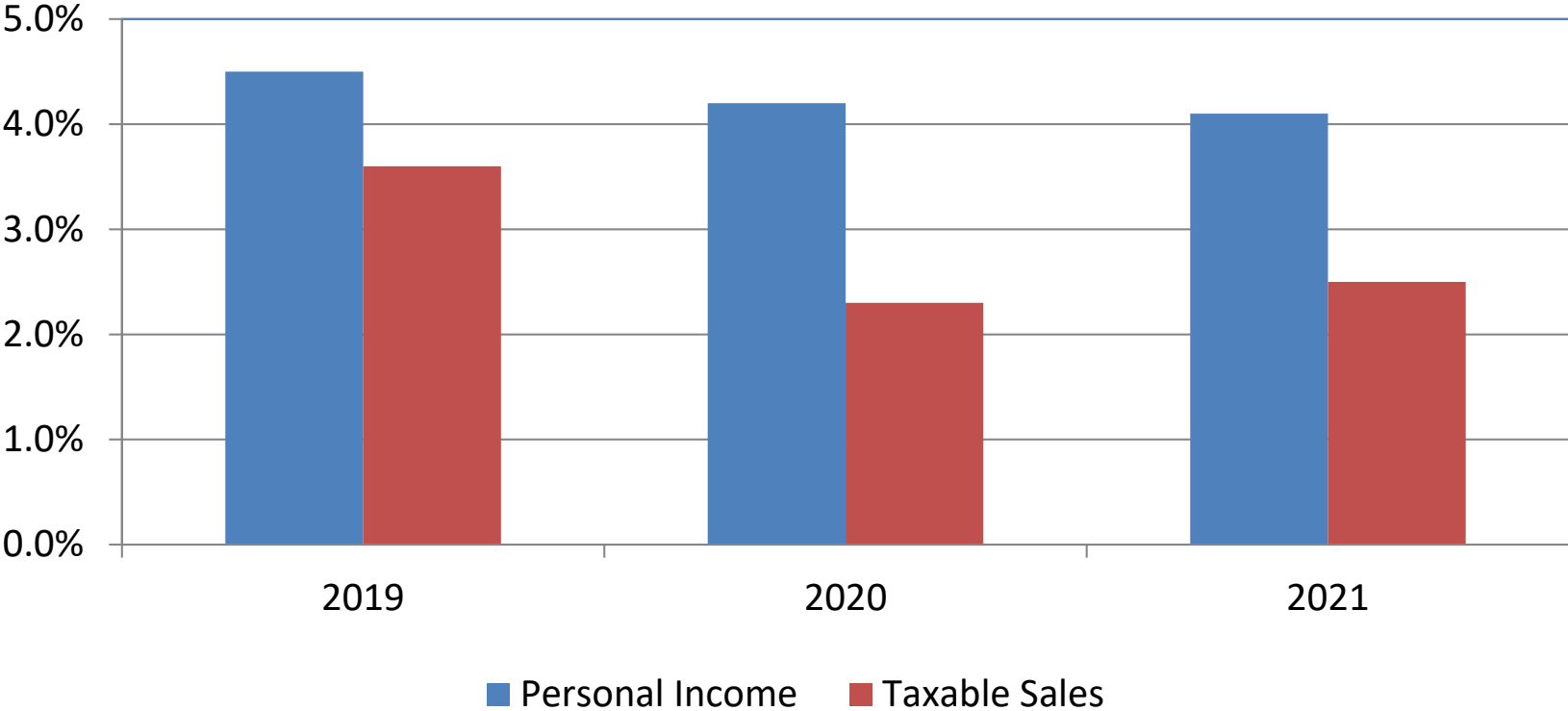


# Where will the Next Workers Come From

- At the national level, immigration is the only real option
- At the regional level, housing is key—both supply and affordability
- So housing is a major economic policy in our region and the peninsula
- That means lowering costs, increasing BMR funding and major zoning and local decision changes

# Slowing Revenue Growth Meets Rising Retirement Obligations and Resident Desires for Services

California UCLA Forecast



# Property Tax Trends can be Influenced by Policy

- Major components that move are 1) resale transactions, 2) new housing and 3) new commercial development.
- Transfer taxes affected by number 2
- Since new housing comes with high AV, more market rate housing will boost AV growth— not so much for ADUS/BMR units
- Policies and market trends for new commercial development also important