

Growth Projections to 2040— Results, Methodology and Assumptions

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Background

- In 2008, the City retained CCSCE to produce a forecast of demographics, population and jobs for San Jose through 2035
- The forecast was developed using a range of national, state, and local level data including ABAG
- The City retained CCSCE in 2015 to update the population and jobs forecast through 2040 using more recent data

Overview of CCSCE Projection Update

- Review of ABAG 2013 projections, development of new regional and city job projections
- Focus on jobs and jobs by industry
- Also used preliminary new ABAG projections to develop projections of San Jose population and employed residents

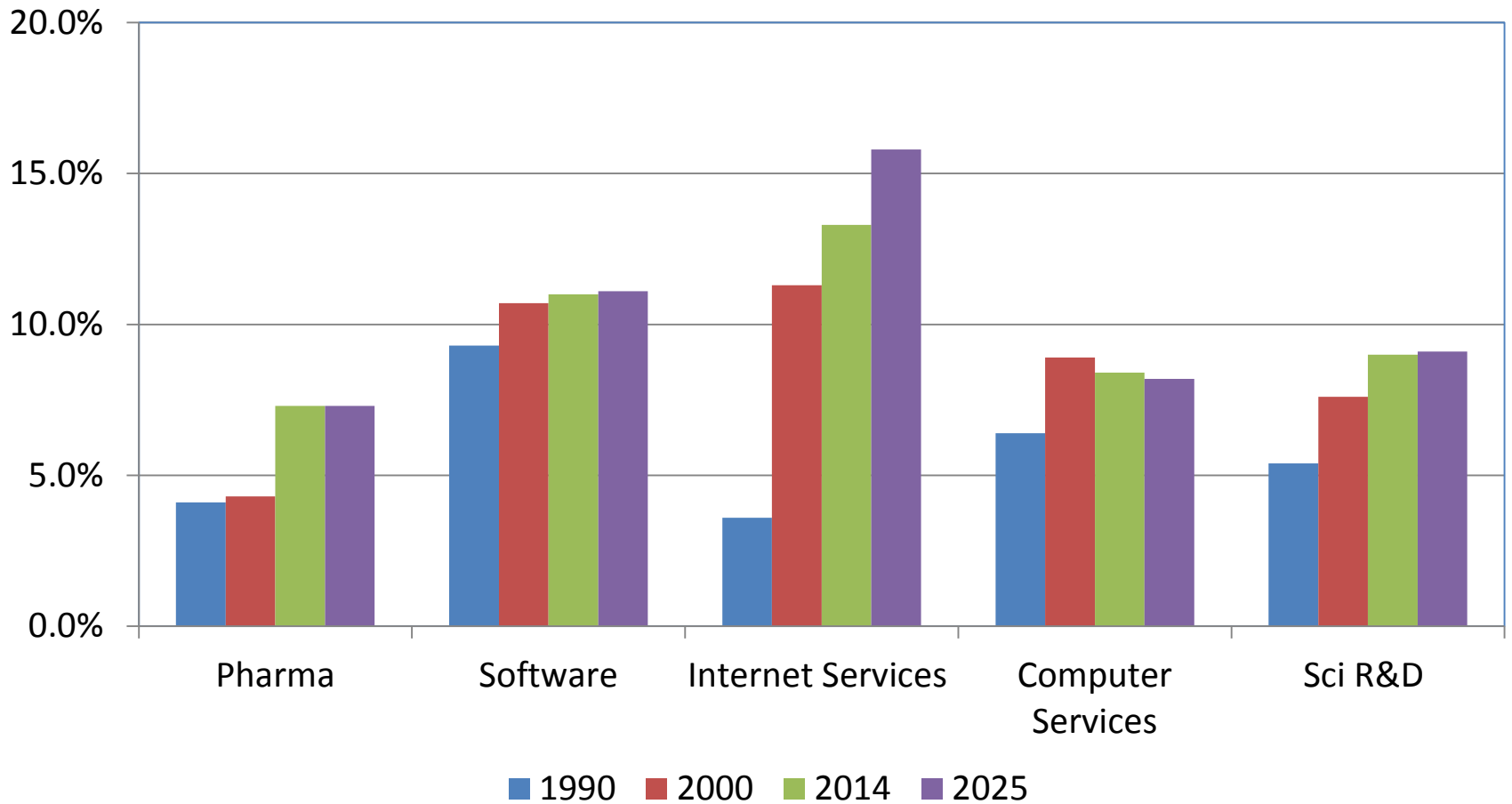
Two Key Concepts in the Development of Regional Job Projections

- Pie and share. The “pie” is the amount and composition of industry growth in the nation and state. Share is the regional share of growth in individual industries.
- Driving (economic base) and population serving industries. The key economic base sectors like tech are what explain regional growth differences and are projected first. Population serving sector growth depends on economic base growth and is projected next. Over 100 sectors were projected.

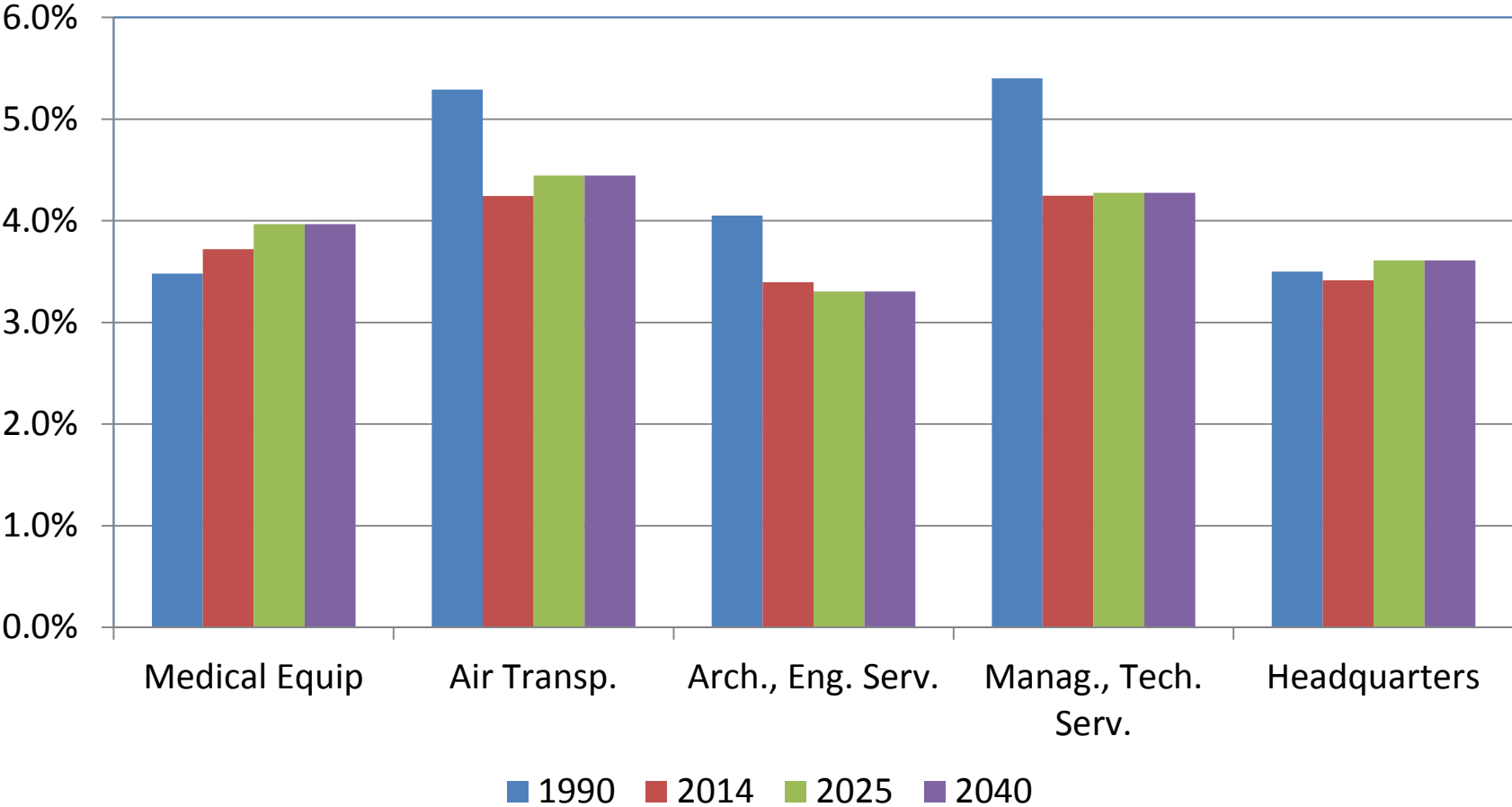
Key Regional Assumptions and Findings

- Small share increases in a few industries to 2025. Conservatively estimate no share increases after 2025.
- The Bay Area has a favorable industry composition meaning a high share of fast growing industries. That favorable industry composition pushes the overall regional share up even when industry shares are constant.
- In 2040 the regional share of U.S. jobs is projected slightly above 1990 and 2015 levels.

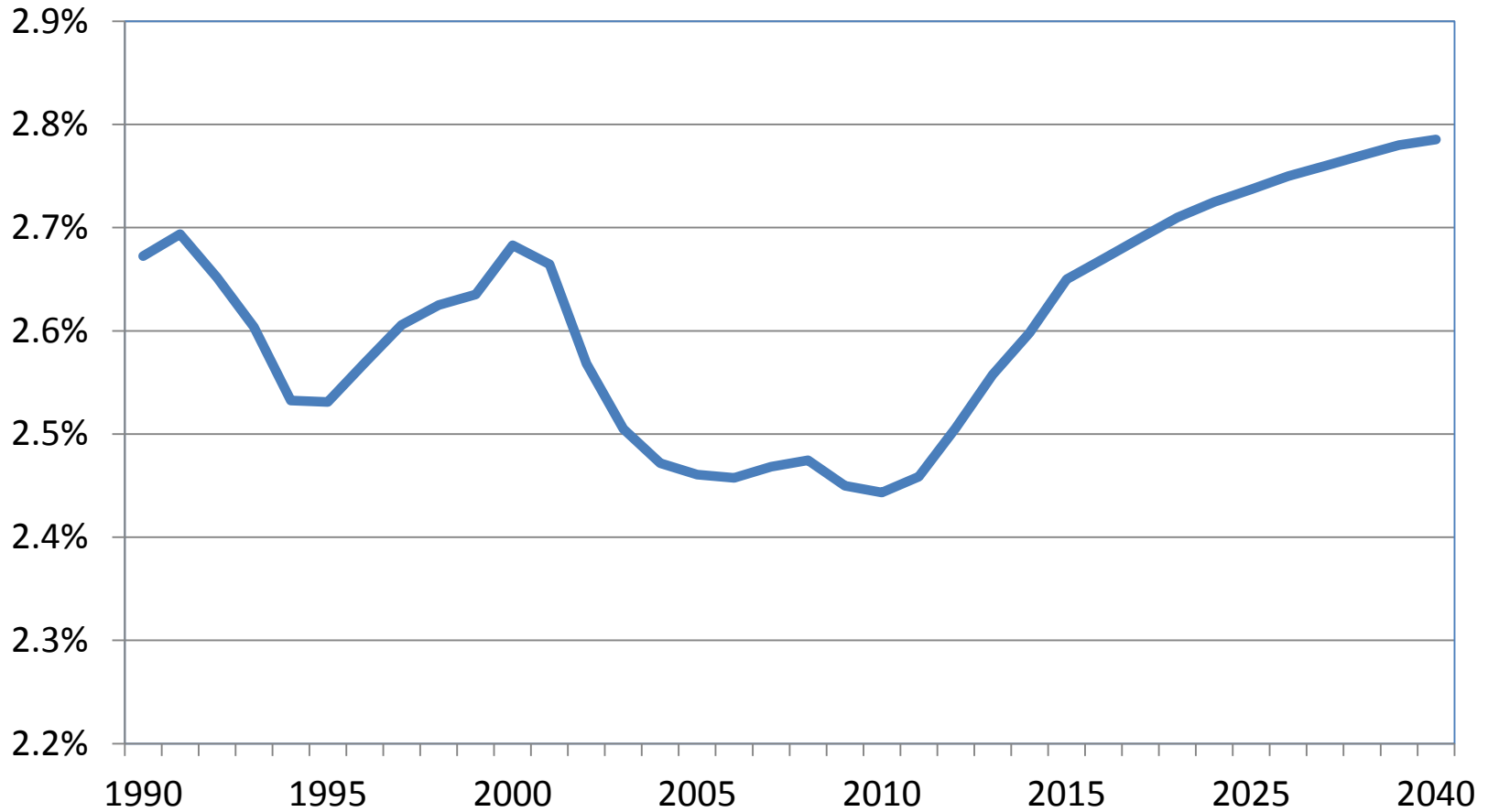
Bay Area Share of U.S. Jobs



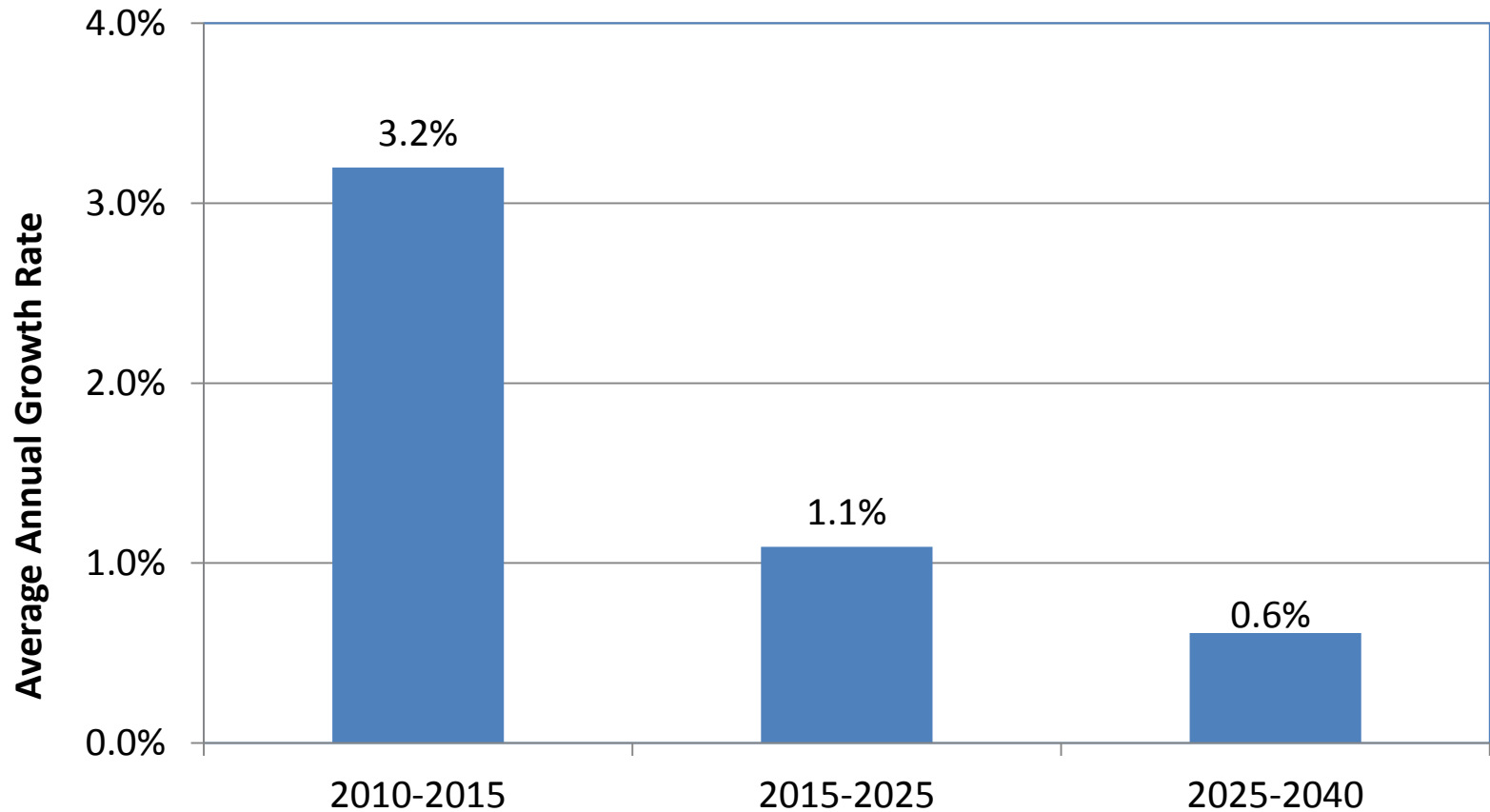
Other Growth Sectors with Share Strength--% of U.S. Jobs



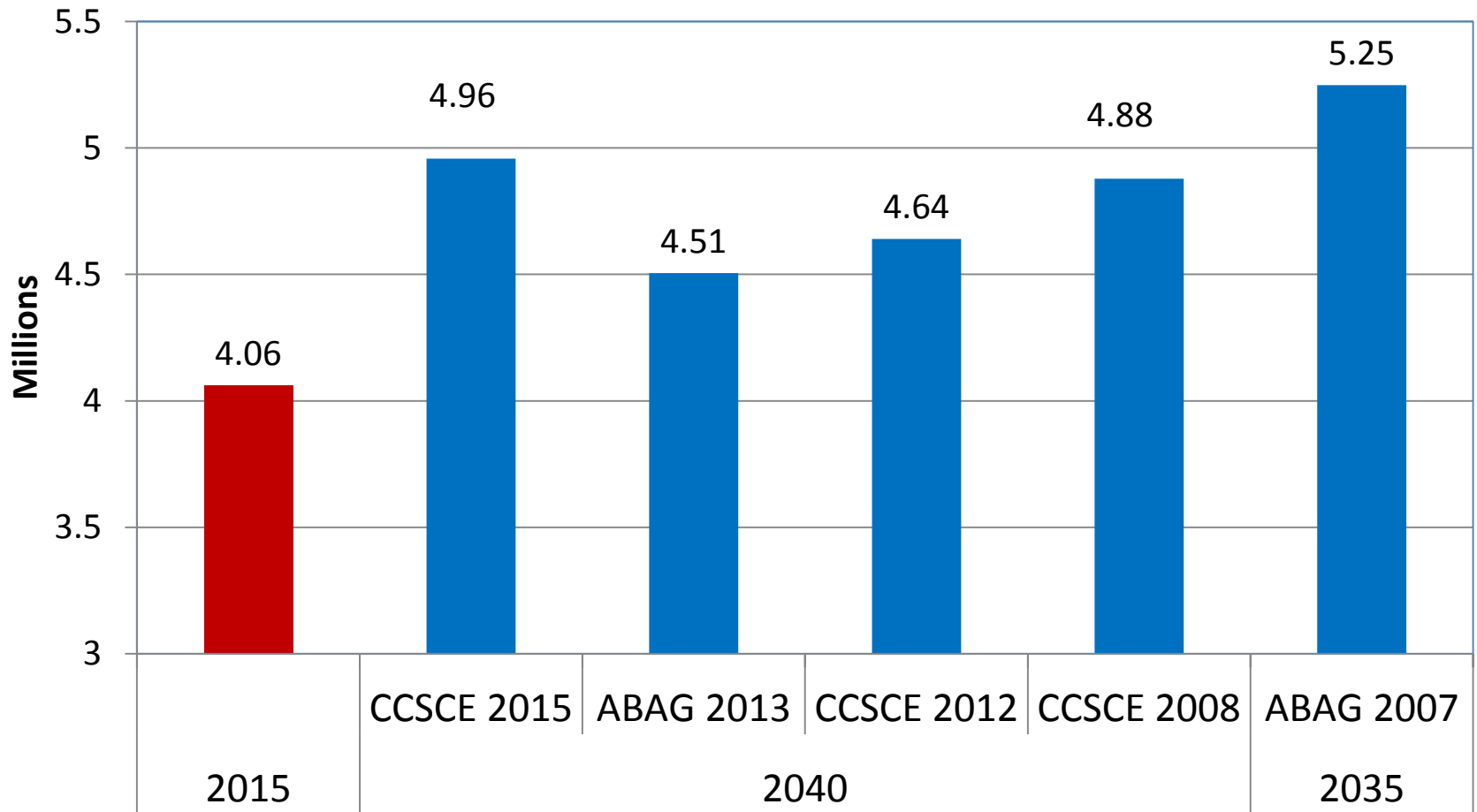
Bay Area Share of U.S. Jobs— Favorable Sector Composition Pushes Share Higher



Jobs Grow But Baby Boomer Retirement Slows the Growth Rate



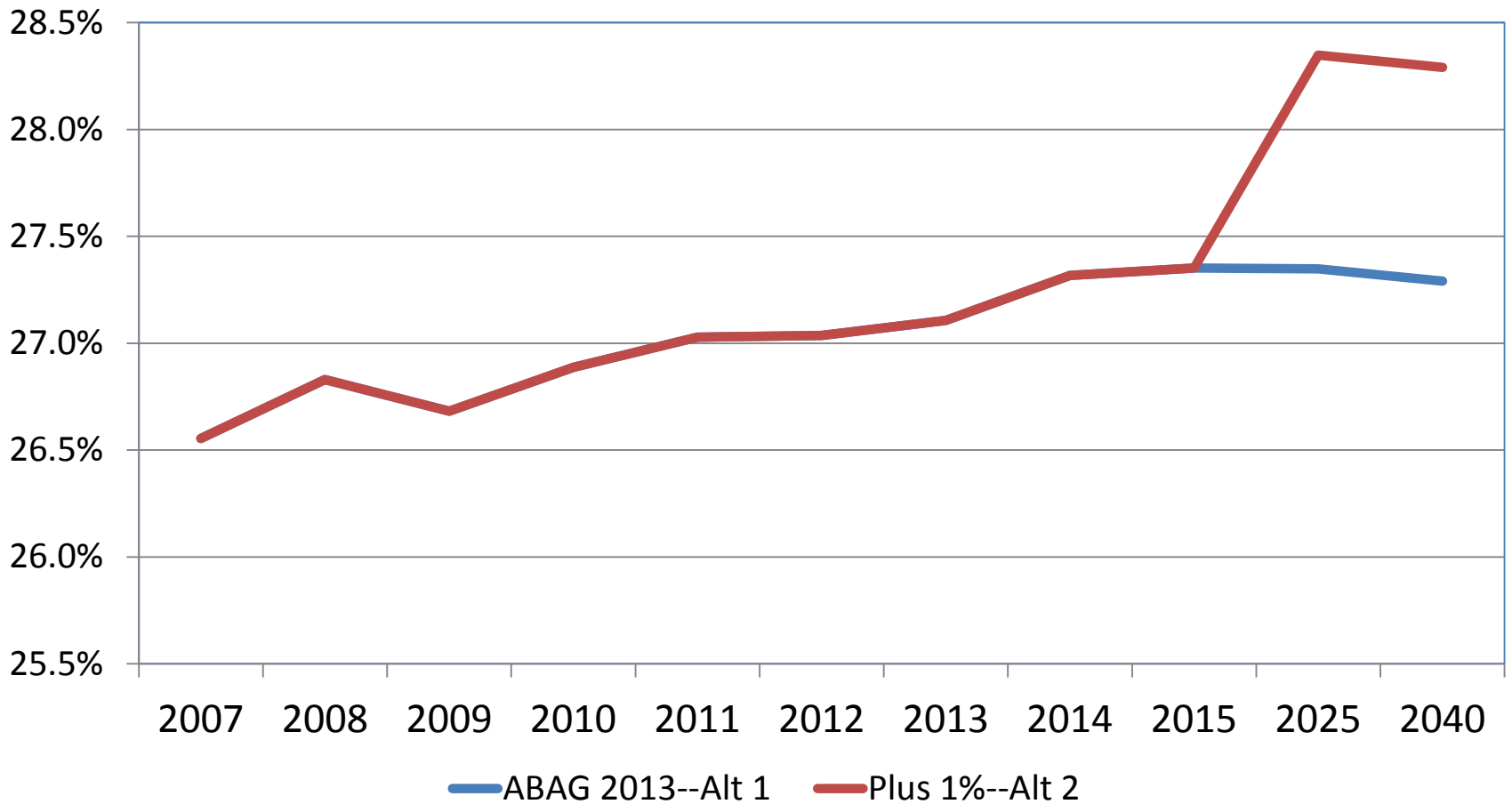
Projections of Bay Area Total Jobs



San Jose Metro Area Projections

- Santa Clara County accounts for more than 98% of metro area jobs. The rest are in San Benito County
- A simplified methodology was used for metro area projections. In the first metro area alternative, the 2014 metro area/regional industry by industry job shares were extended to 2025 and 2040.
- In the second alternative, the metro area share was increased by 1% compared to ABAG 2013

SJ Metro Area Share of Regional Jobs



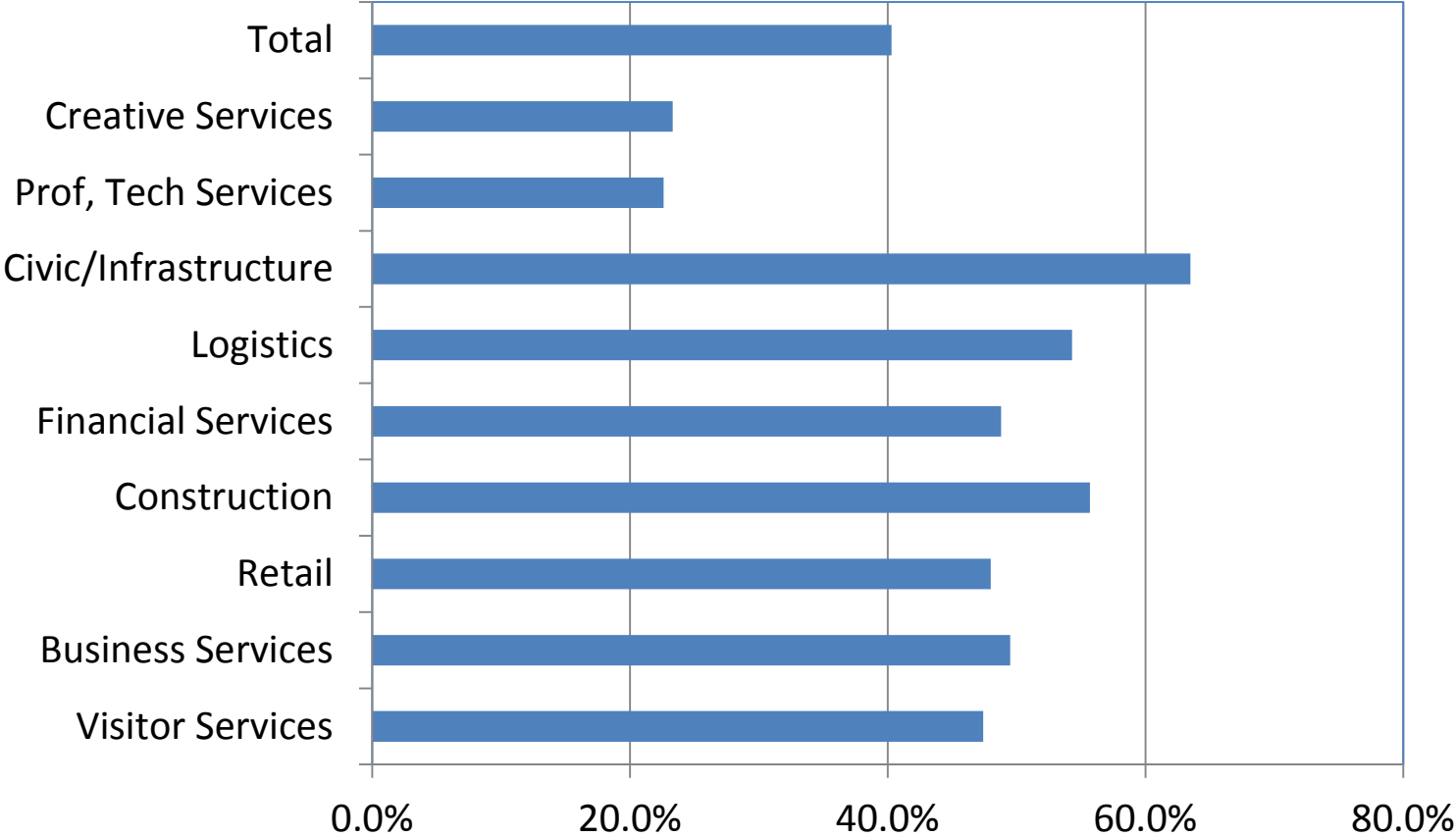
City of San Jose Job Projections

- Three alternatives were developed.
- The first (lowest) used the 2013 city/metro area industry shares and metro area alt. 1. The 2013 shares were used as the 2014 San Jose job estimates were partial (not a full year) and seemed too low.
- The second alternative used the ABAG 2013 projection that the City would capture 42.7% of metro area jobs in 2040 along with the metro area alternative 1 projections.

Drivers of Job Growth for San Jose

- San Jose has a high share of metro area jobs in visitor services, business services, retail, construction , financial services, civic and infrastructure and logistics but NOT high tech
- The below average share of high tech job growth relative to the Metro Area has restrained overall job growth in recent years BUT IS NOW A FERTILE TARGET OF OPPORUNITY
- Announcements by Apple and others show that San Jose is well positioned to capture more tech jobs which will help long term job growth

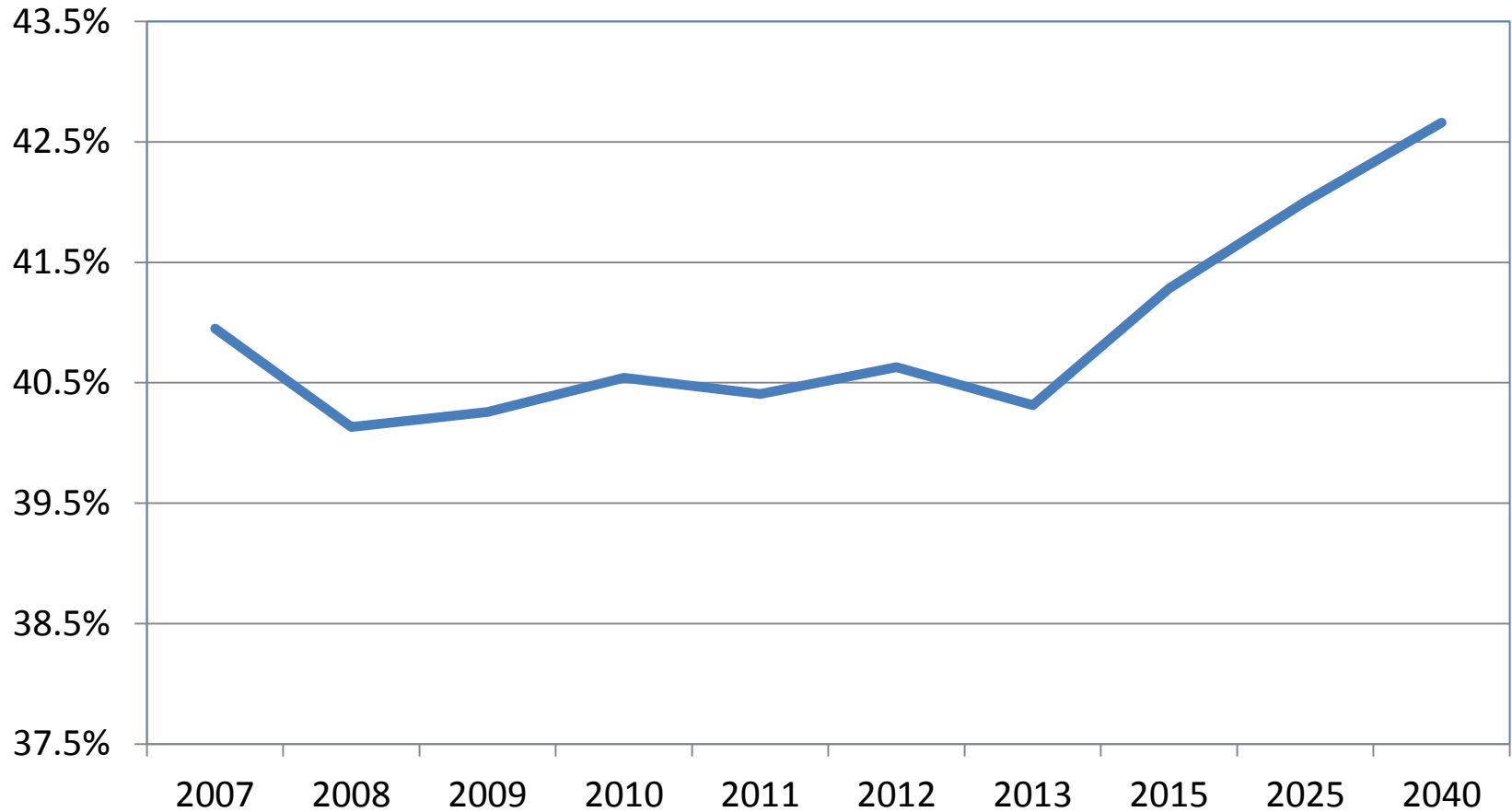
City Share of Metro Area Jobs 2013



City of San Jose Job Projections

- Note that ABAG 2013 projects an increasing share of metro area jobs locating in San Jose.
- The 42.0% share in 2025 and 42.7% share in 2040 are above the recent historical shares, which have been pretty steady at around 40.5%.

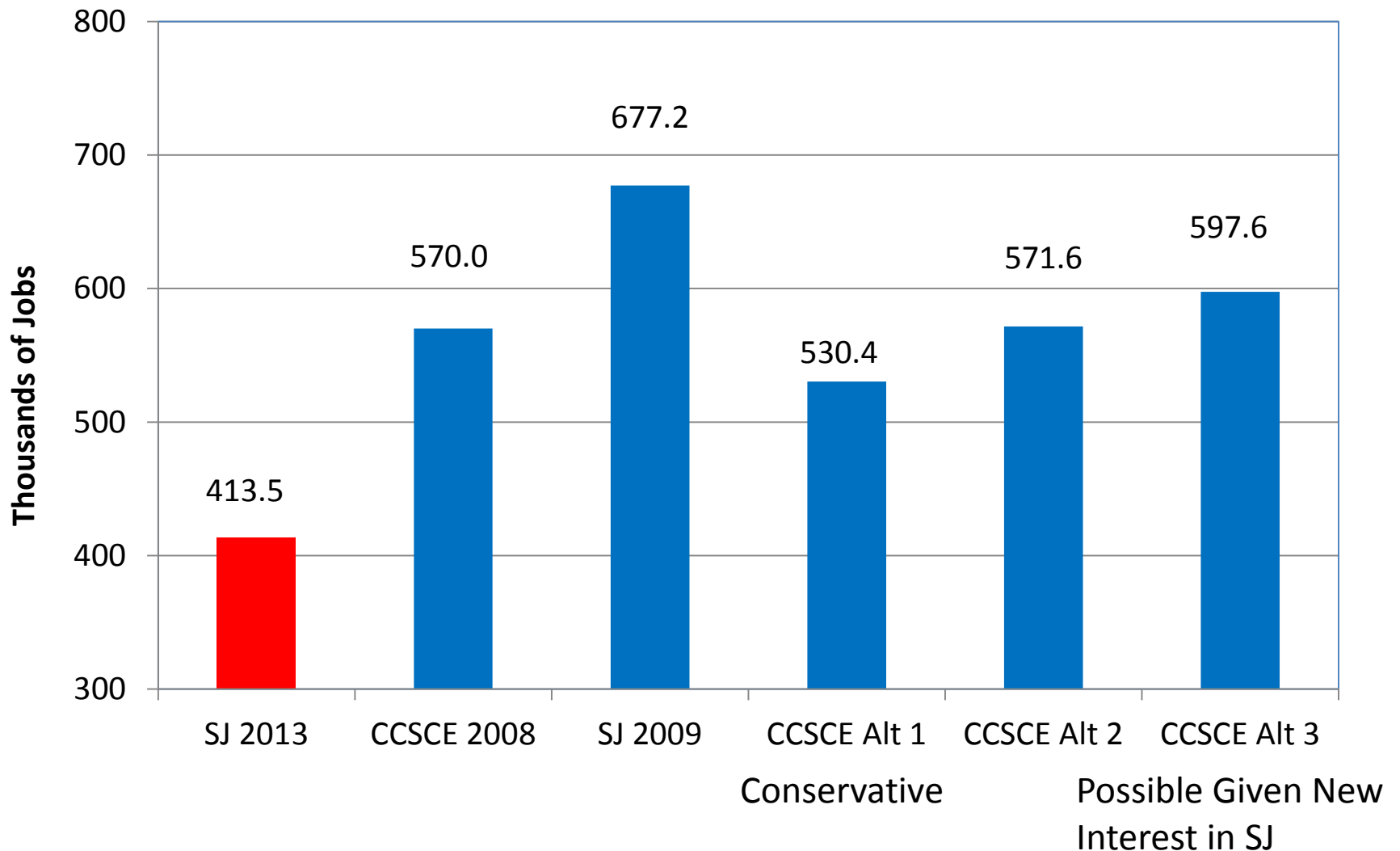
San Jose Share of Metro Area Jobs— ABAG 2013 Projections



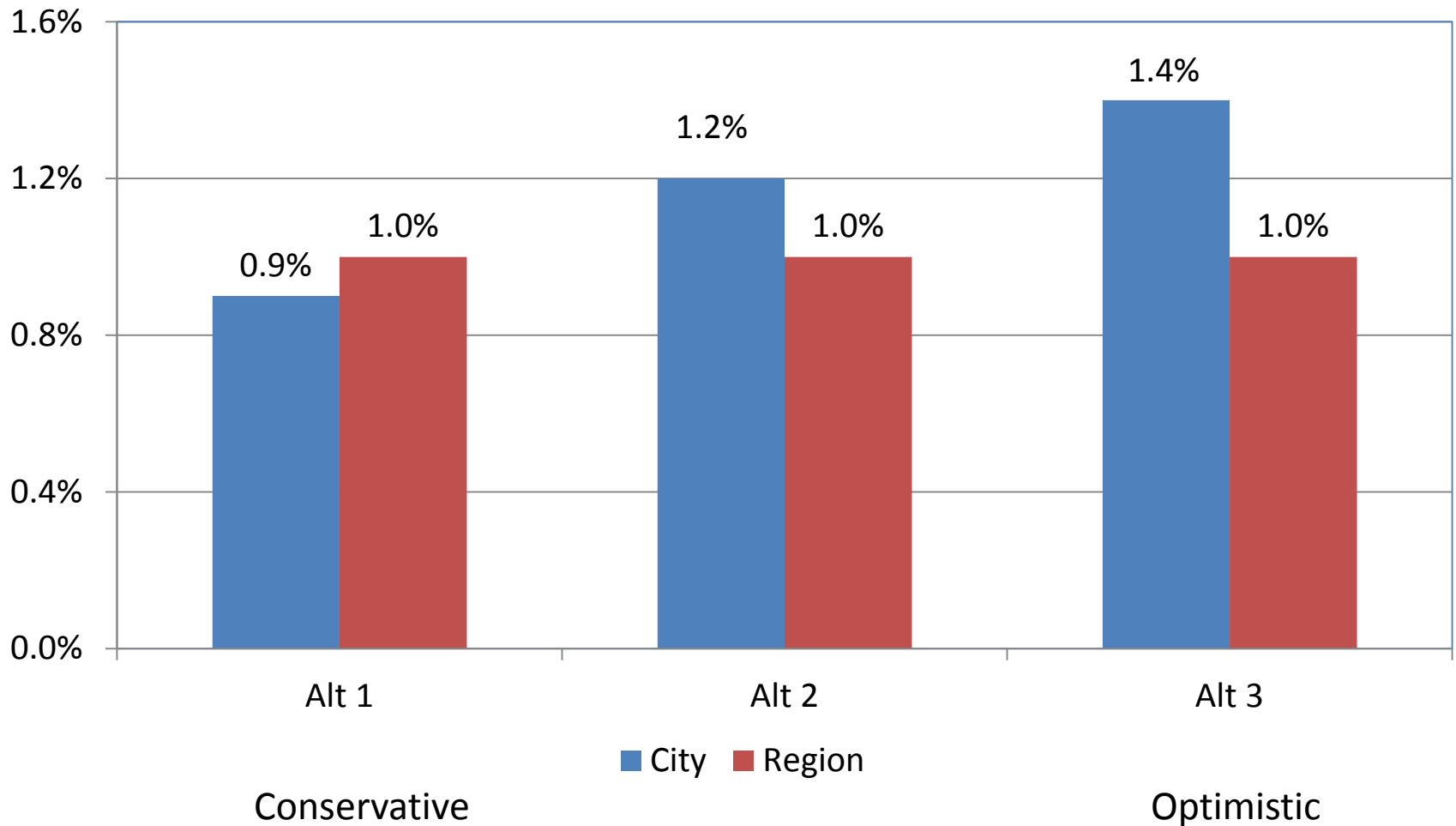
City of San Jose Job Projections

- The third alternative (highest) combines the ABAG 2013 projected city/metro area shares with the higher (alt 2) metro area job projection.

San Jose Jobs in 2013 and Projected to 2040



Average Annual Job Growth Rate 2013-2040



Discussion of Job Projections

- Questions?
- Comments?

Projection of Population and Employed Residents for San Jose

- Based on ABAG 2013 and preliminary ABAG demographic analysis. A very preliminary analysis was developed as ABAG is still finalizing their new 2040 regional projections.
- Based on ABAG preliminary demographic analysis and CCSCE's regional job projection, a regional 2040 population of 9.6 million was selected.

Projection of Population and Employed Residents for San Jose

- The regional population projection does not increase as much as the job projection compared to ABAG 2013 for two reasons:
 - Lower birth rates are assumed based on Department of Finance (DOF) projections
 - Higher labor force participation in 2040 is projected compared to CCSCE's projections for ABAG 2013

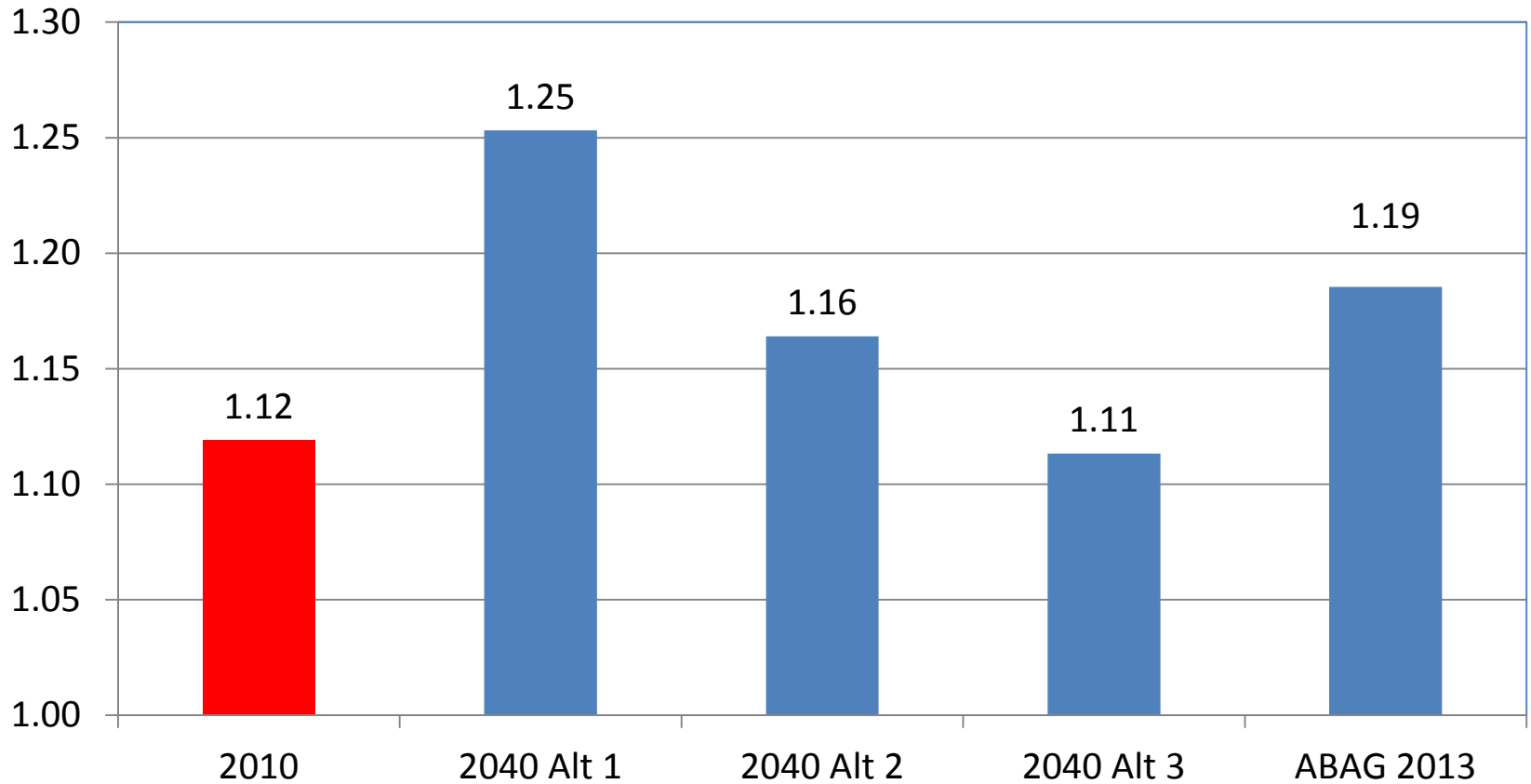
City of San Jose Population Projection

- In ABAG 2013 the San Jose share of the region's population in 2040 was 14.4%.
- Using that share and the 9.6 million regional population projection, San Jose would have 1,379,108 residents in 2040.

City of San Jose Employed Residents

- The number of employed residents is determined by the population of working age (16+), the labor force participation rate and the unemployment rate.
- The CCSCE analysis used the DOF share of population 16+ in 2040 for Santa Clara County and an unemployment rate of 5.0%.
- The labor force participation rate was 0.5% higher than the ABAG projected county rate reflecting recent trends.

Projected Employed Residents per Job



Projected Jobs per Employed Resident

