

# The Bay Area Economy: Trends, Opportunities and Challenges

Osher Lifelong Learning Class

October 6, 2015

# Topics

- Our legacy, our choices, our questions
- Bay Area economic trends
  - The good news
  - The immediate challenges
- The Bay Area to 2030 and 2040
  - The outlook for growth
  - Policy choices and challenges

# Our Legacy, Our Choices

- We hold the power to shape the region's future.
- What was the legacy we inherited? What do we want to pass on?
- Who speaks for the future generations? How should their voices shape our decisions?
- What does it mean to be a welcoming community?

# Planning for the Future is Hard

- Because thinking about and envisioning the future is not what we normally do.
- Imagining how much can change is hard unless we remember how much has changed in the past 15 years.

# Envisioning the Future to 2030

- To think clearly about 2030, we need to remember the pace of change since 2000.
- 2030 is not tomorrow and fifteen years is a long time.
- For those with adult children or teenagers, think about their world versus yours growing up and for those with young children, think about how their future might be different.

# Remembering the Past (circa 2000)

When there were no smart phones, when the Internet had a fraction of today's possibilities, before email had replaced mail, when T&C had airline travel agencies, when you had to go to a bank and stand in line, when you called and got connected to a human being instead of pressing 1 and hoping something good happened, when online shopping didn't exist, before ebooks and music on phones, when there were Blockbusters and no Apple or cell phone stores and you did not print stamps online

# Remembering 2000

- When the millennial generation was still in school
- And baby boomers were 37 to 54
- And most people on the peninsula lived in single family homes that they could afford

# Questions to Ponder

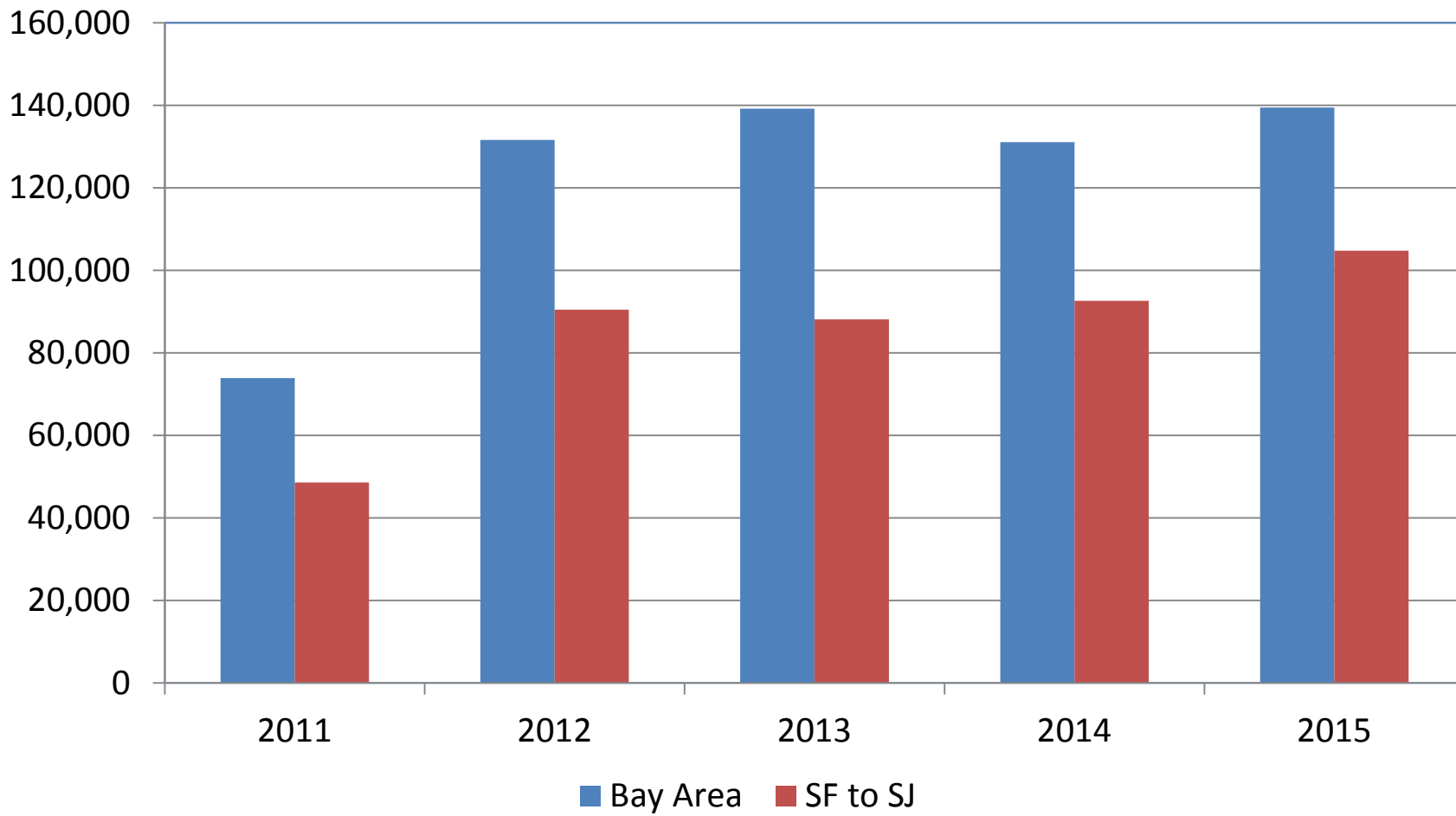
- How important is planning to support economic prosperity?
- Where do equity and the environment fit in?
- Where are the interests of residents and businesses aligned?
- Are there conflicts between economy, equity and environment? Can they be overcome?



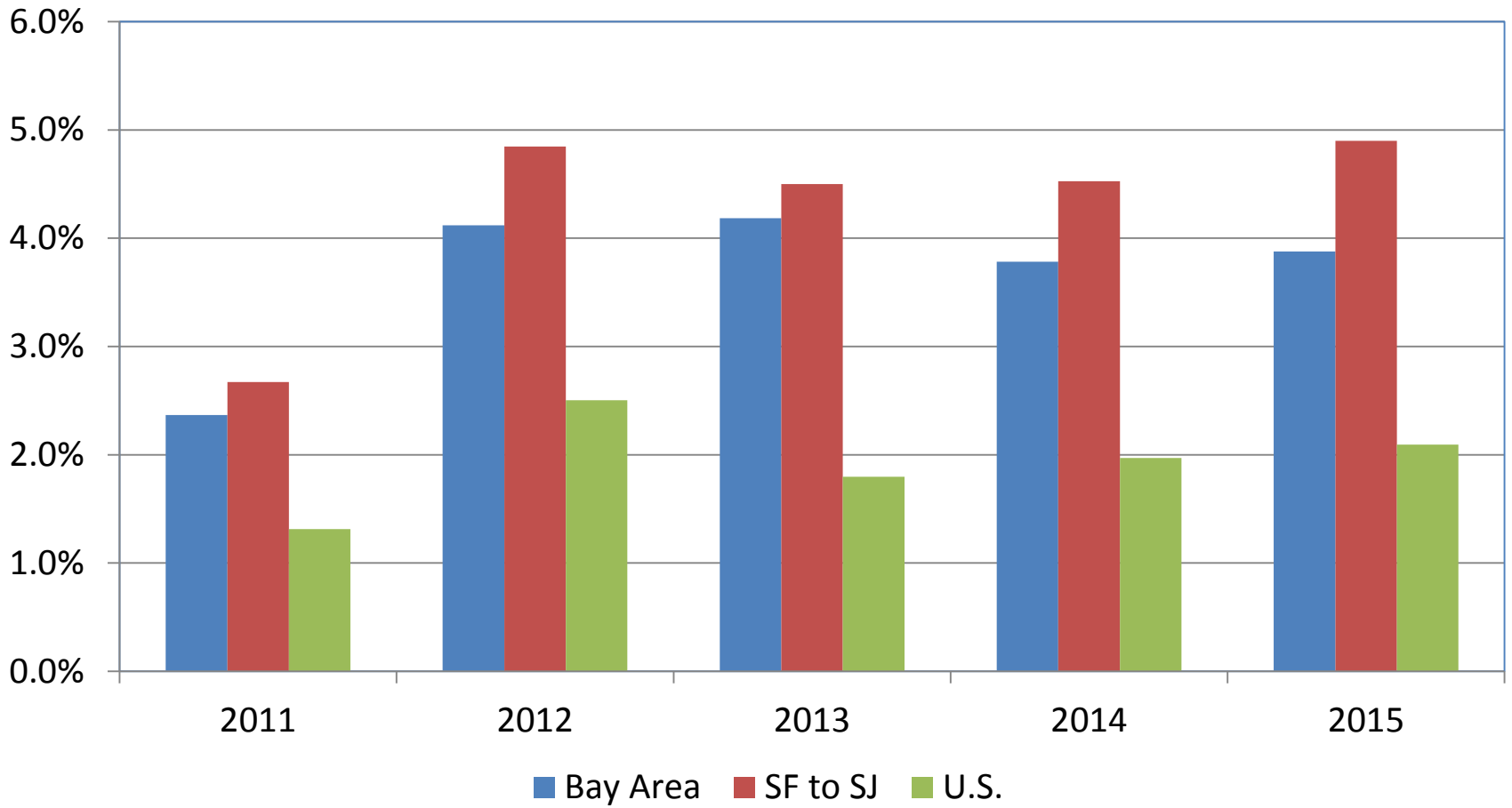
# Bay Area Economic Trends—The Good News

- Strong job growth
- Below average unemployment and poverty rates
- 50% of the nation's venture capital funding
- Long-term expansion plans for many firms
- Growth in local tax bases
- A few charts tell the story

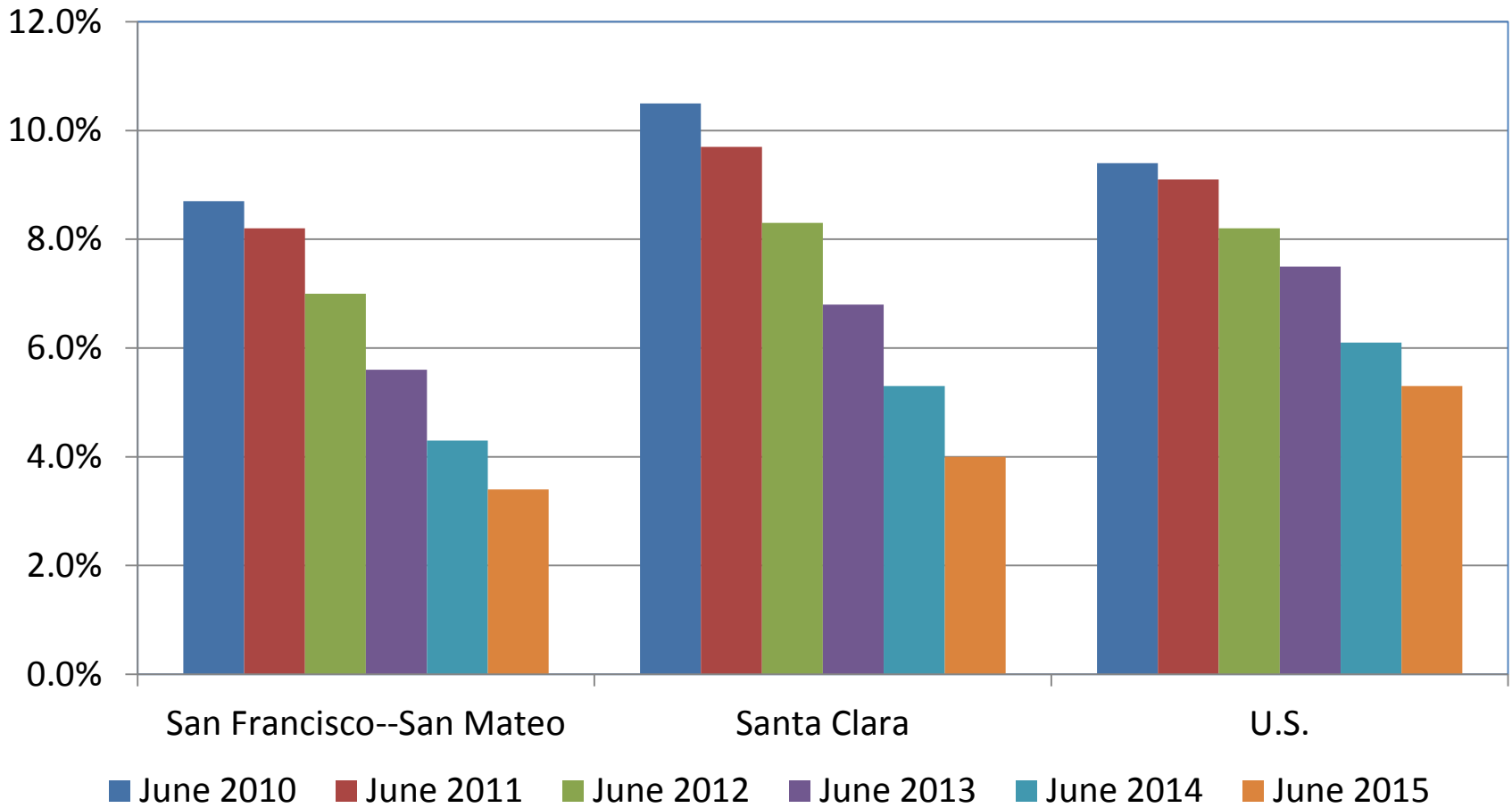
# Job Growth



# Job Growth Rate



# Unemployment Rates



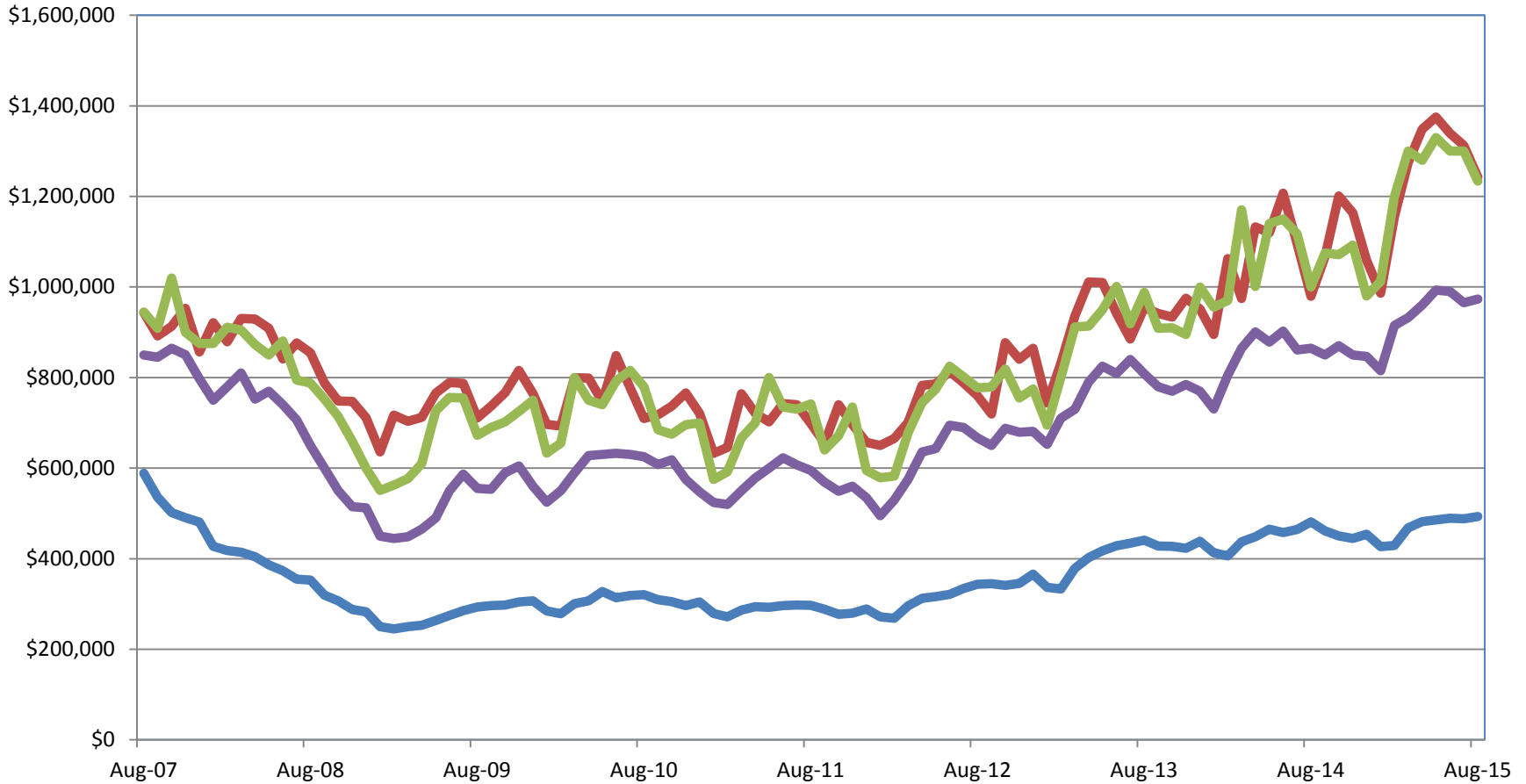
# Why has Job Growth Been So High

- A booming tech sector—a high share of fast growing industries
- Wage and job growth supports spending on services and shopping
- And brings rising revenue to local governments who can rehire and expand services
- And Bay Area taxpayers have been generous funding infrastructure spending
- A virtuous cycle (with some challenges also)

# Bay Area Economic Trends— Immediate Challenges

- High and rising home prices and rents
- Increasing congestion despite rising transit ridership and road improvements
- Loss of middle wage jobs
- Wage growth for most low and moderate wage occupations lags behind inflation
- Rising public employee retirement costs

# Bay Area Homes Prices Reach New Highs; State and National Prices Trail



California San Francisco San Mateo Santa Clara

# Recent Rent Headlines

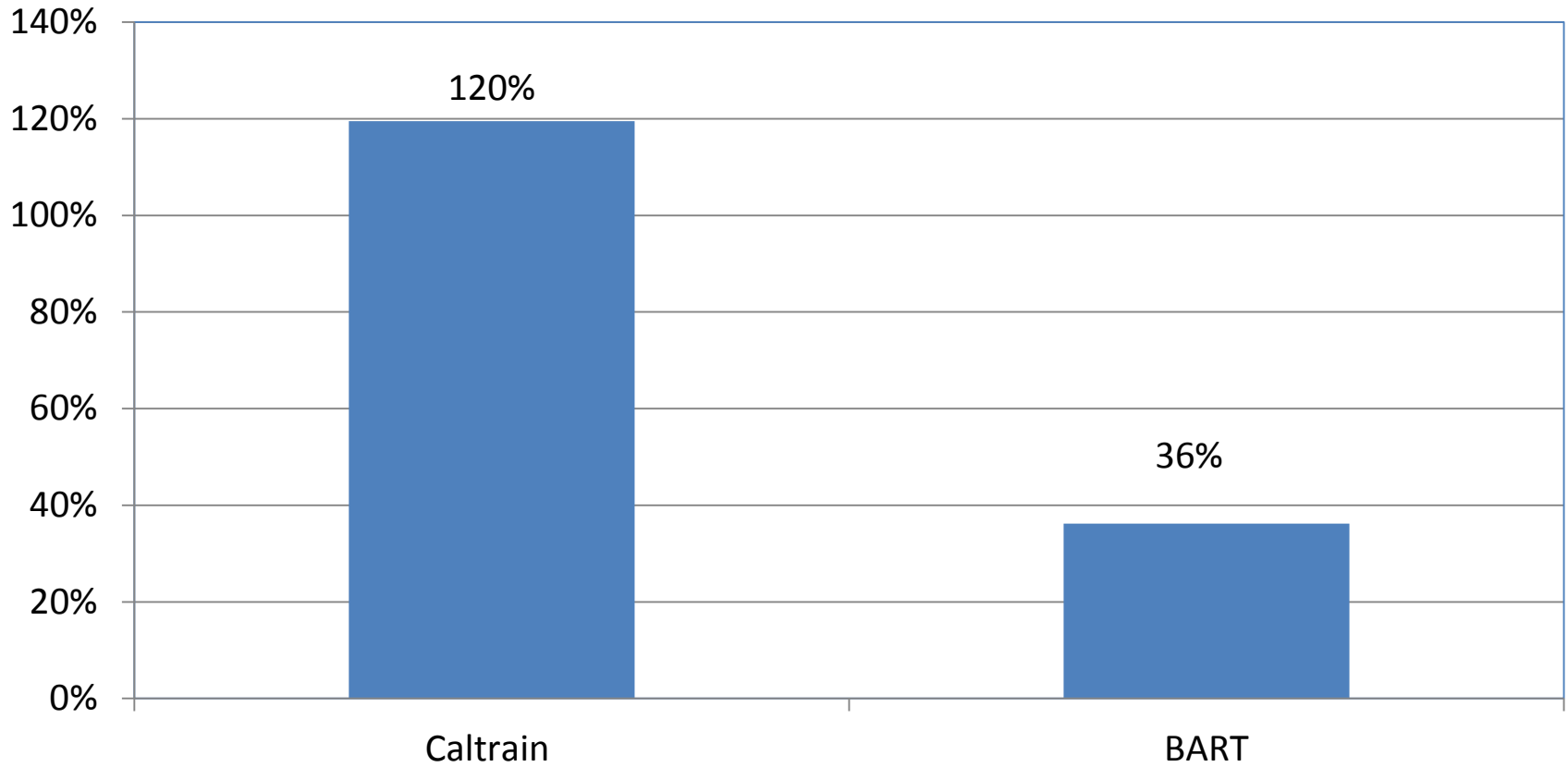
- **Bay Area rental crisis squeezing out middle class**
- **Bay Area apartment rents at record high**
- **Soaring Bay Area rents spark growing calls for rent control**
- **Families pack up as S.F. rents keep rising**



# Transit Trends—Good News Swamped by Increased Travel Demand

- BART and Caltrain ridership surging
- Bay Area has good mode shift record
  - Commuters in the Bay Area ditched cars faster than in any other major metropolitan area between 2006 and 2013, according to [a new U.S. Census report](#).
- Yet travel delays soar--**It's official: Bay Area gridlock is worse.**
- **San Francisco's traffic congestion is 2nd worst in the U.S.**

# Ten Year Ridership Increase



# And the Now Frequent Result

- **Bay Area commuting nightmares: jobs in city, affordable homes in exurbia**

Up at 3:30 a.m., Jackie Turner is out the door by 5:15 a.m., when it's still pitch black outside in Brentwood -- her new suburban hometown, a place where she actually could afford to buy a house.

Then the San Jose native hops in her car and joins the crowd -- the thousands of mega-commuters who drive four, five and six hours daily to get to and from their eight-hour jobs in Silicon Valley, Oakland and San Francisco.

# What Will the Future Bring?—What do We Know for Sure

- Near term activity suggests companies are planning for future expansions but soon job growth will slow substantially
- Population growth will slow but more gradually
- The number of residents over 70 will surge
- Most new housing will NOT be detached single family homes
- We currently have a huge shortage of homes to match recent population growth

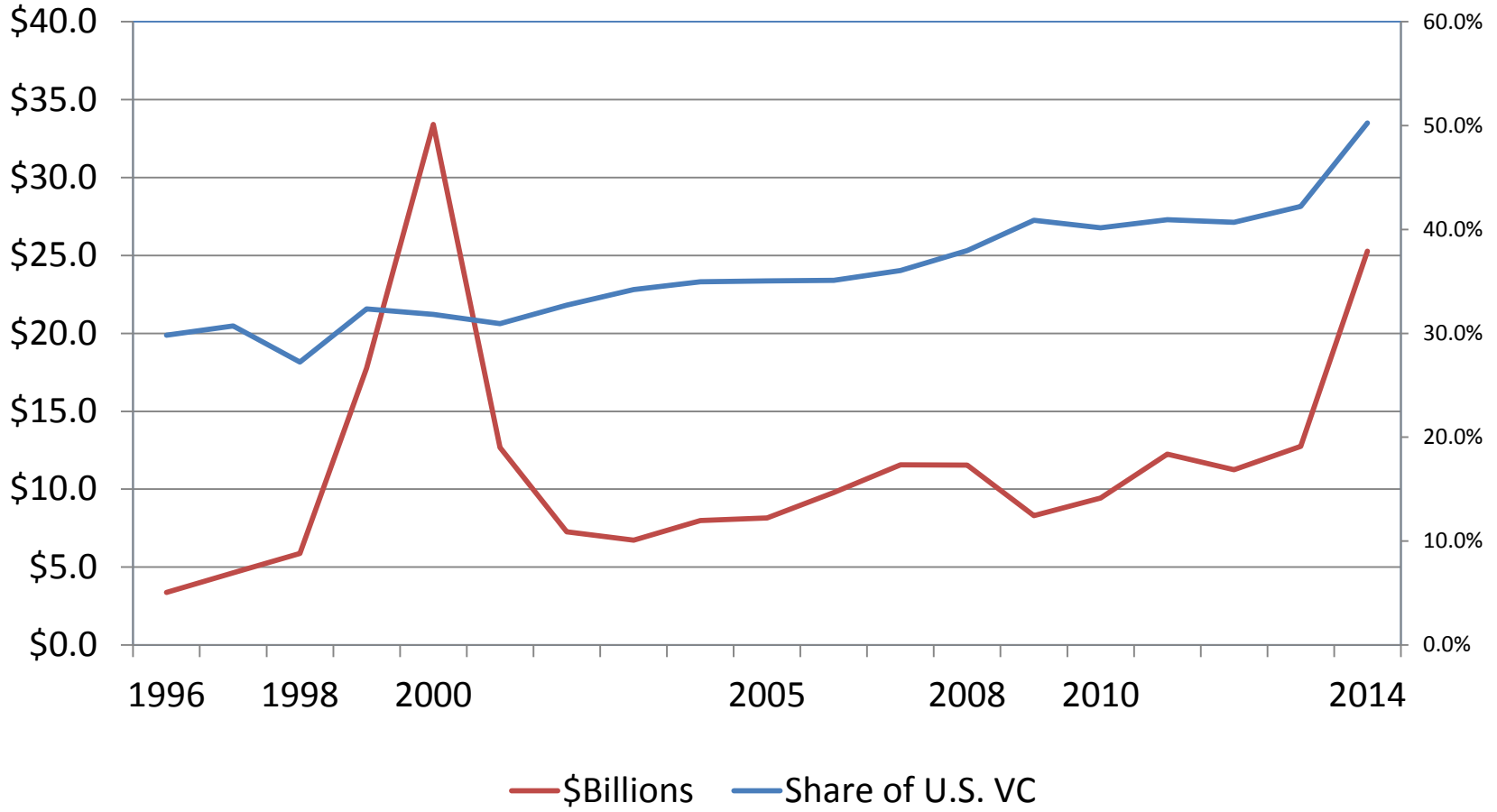
# What we are Less Certain About

- How much the current birth rate decline will persist
- What changes will happen that we cannot anticipate
- What kind of living arrangements will aging boomers want
- How can we meet the needs of a growing population
- Do we have the will to prepare for the future

# The Case for Continued Job Growth and Why it will Slow

- Strong VC funding
- Major expansion plans already announced
- Income gains spur job growth in services, shopping and government
- But baby boomers will retire in huge numbers
- And our competitive advantage for job growth will remain but share gains will slow from the past five years

# Bay Area VC Funding Trends



# Some Recent Headlines

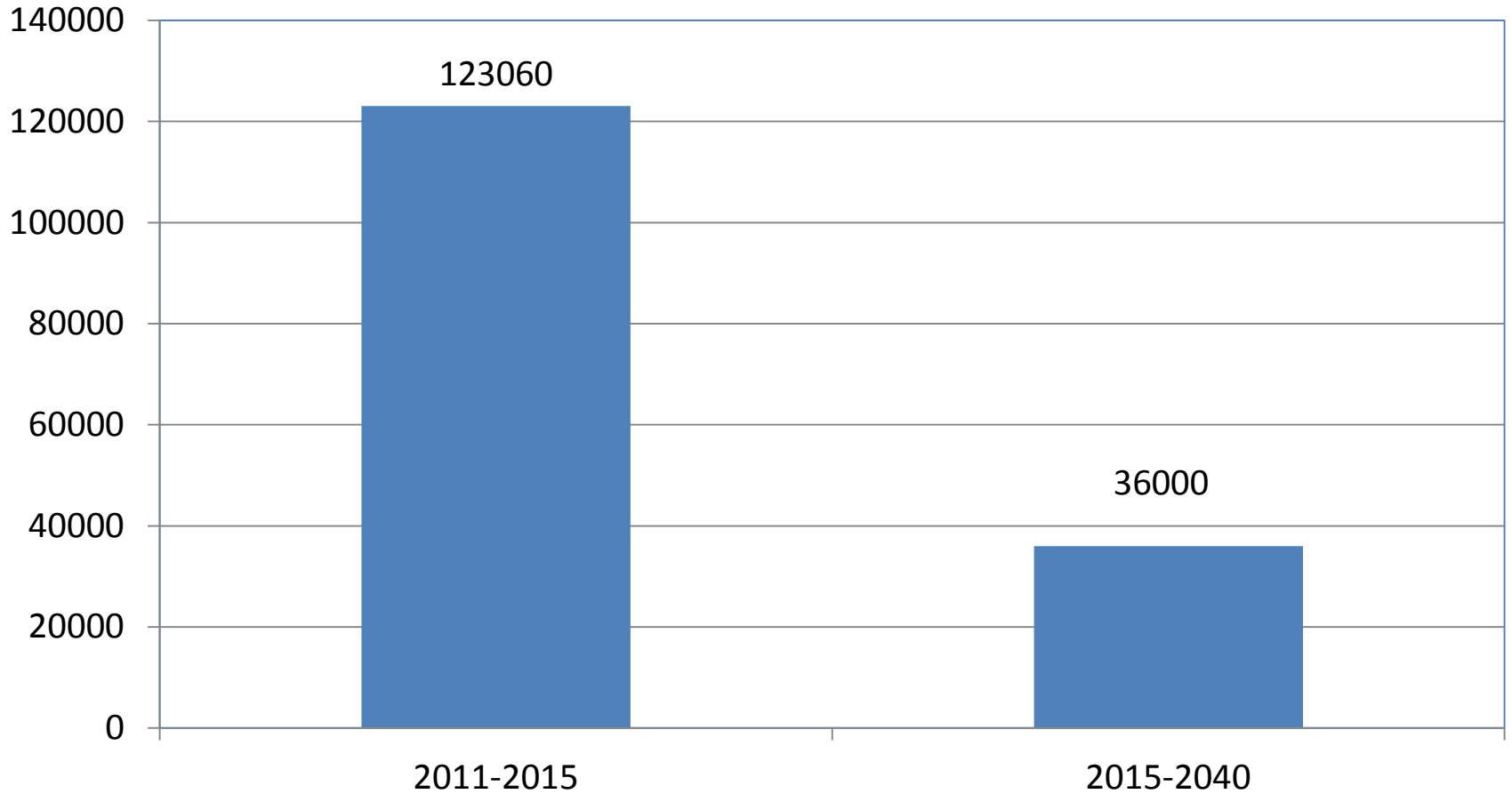
- **Exclusive: Apple buys huge San Jose development site**
- **Early plans revealed for Facebook's next campus expansion**
- **Google could hire 30,000 in Bay Area based on tech titan's development spree**
- **LinkedIn has big expansion plan**
- **Apple plans huge Sunnyvale campus, eyes fresh San Jose expansions (Oct 1 headline)**



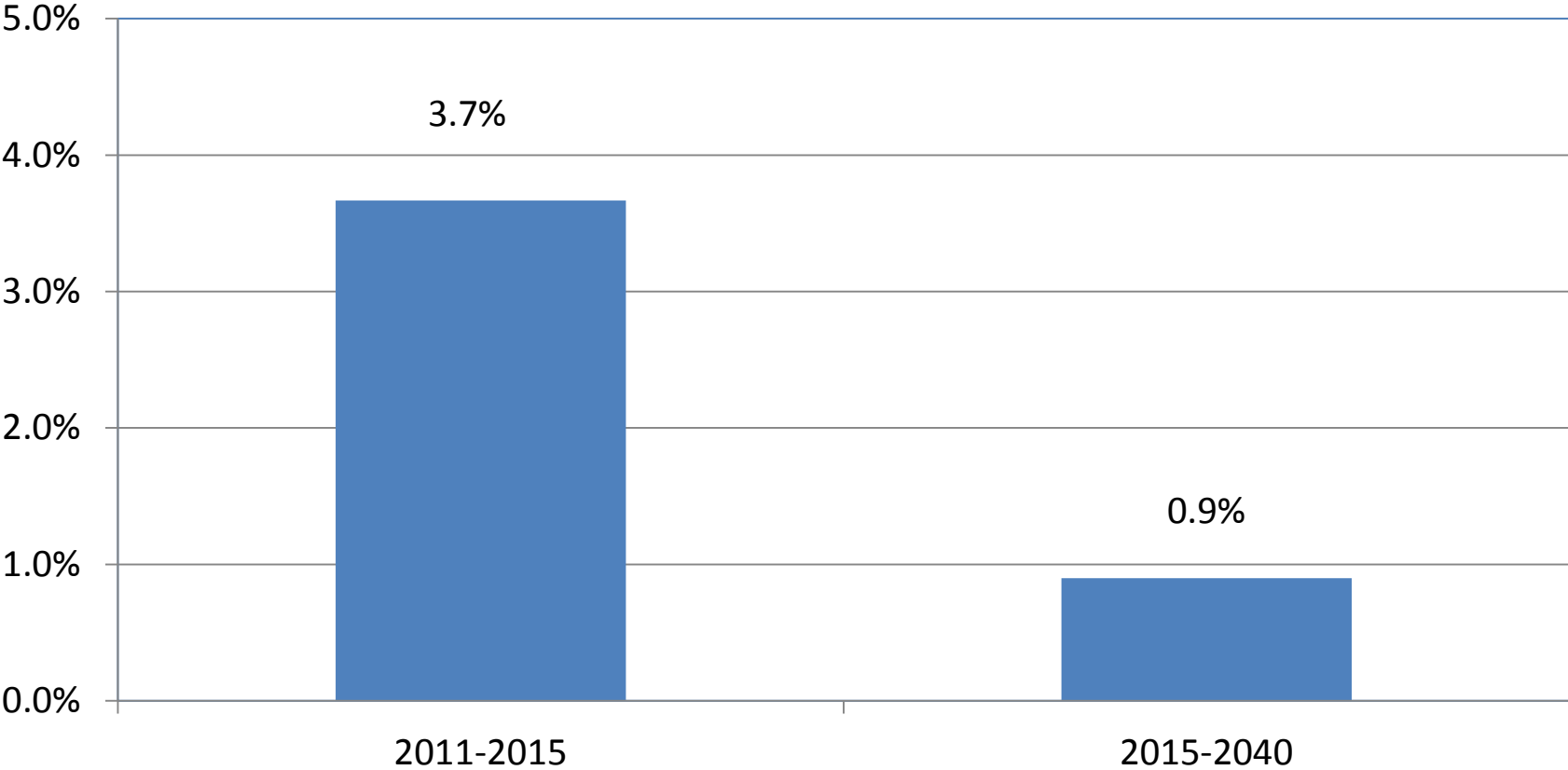
# Job Growth Will Slow as Boomers Retire

- But people don't disappear when they retire
- What are some reasonable growth expectations?
- What age groups will grow most?
- And what are the implications?

# Average Bay Area Job Growth



# Average Job Growth Rate will Fall Dramatically



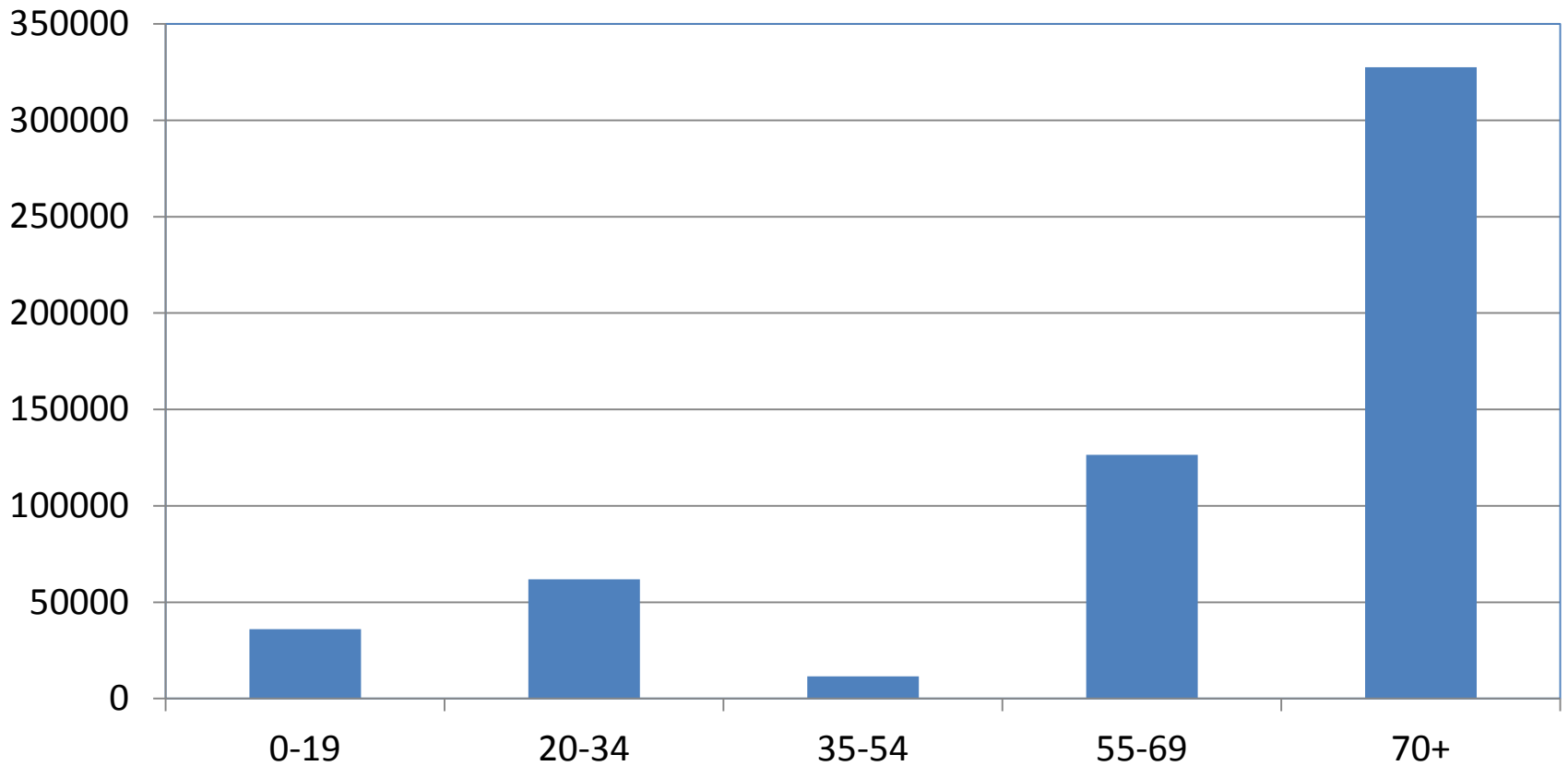
## That Still Means 900,000 More Jobs by 2040

- And population growth will continue and decline by only a small amount.
- Why is that
  - births will continue and people will die later
  - baby boomer retirements will create hundreds of thousands of job openings in addition to expected job growth
  - people will move to the region to fill these job openings as births will not be sufficient

# Bay Area Population Growth

- For the past four years 75,000 a year
- To 2040 roughly another 75,000 per year
- The growth rate will drop from 1% per year to 0.9% per year
- But it is still roughly two million more residents

# The Peninsula Will Age by 2040— Growth by Age Group



# Where the Growth Will Come From

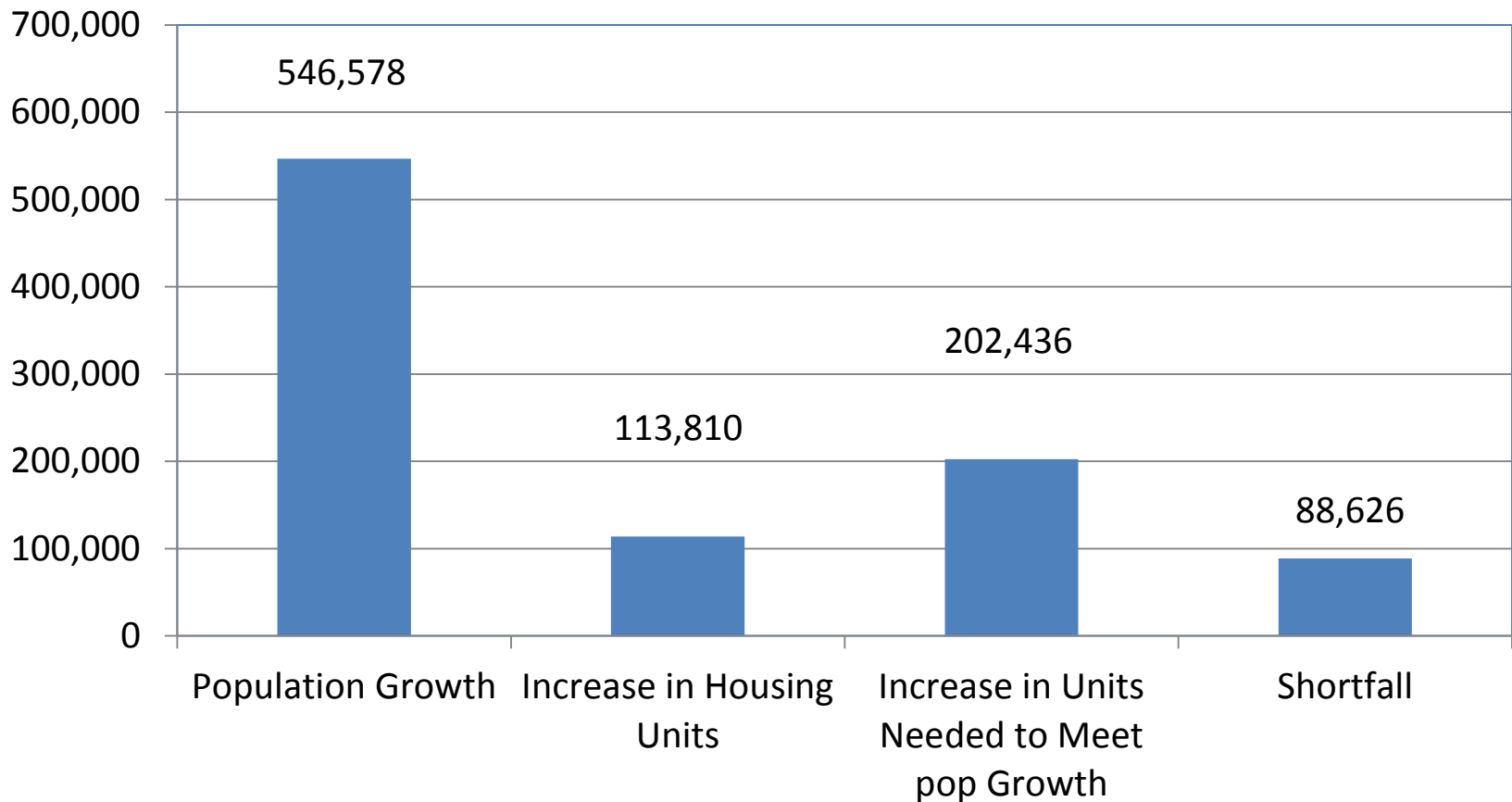
- The growth will be in births and migration. It is not that thousands of older residents will flock to the peninsula or region. Also people will live longer.
- Take the 0-19 group. There will be births and young migration but many in this group now will turn 20 so overall age group growth is small.
- Most migrants will be 20-50 but an equal number now in that age group will move out.
- Baby boomers now 52-69 will mostly be in the 70+ group by 2040 so that is where the growth shows up.

# Where and How Will the Region Choose to Live and Work in the Coming Years

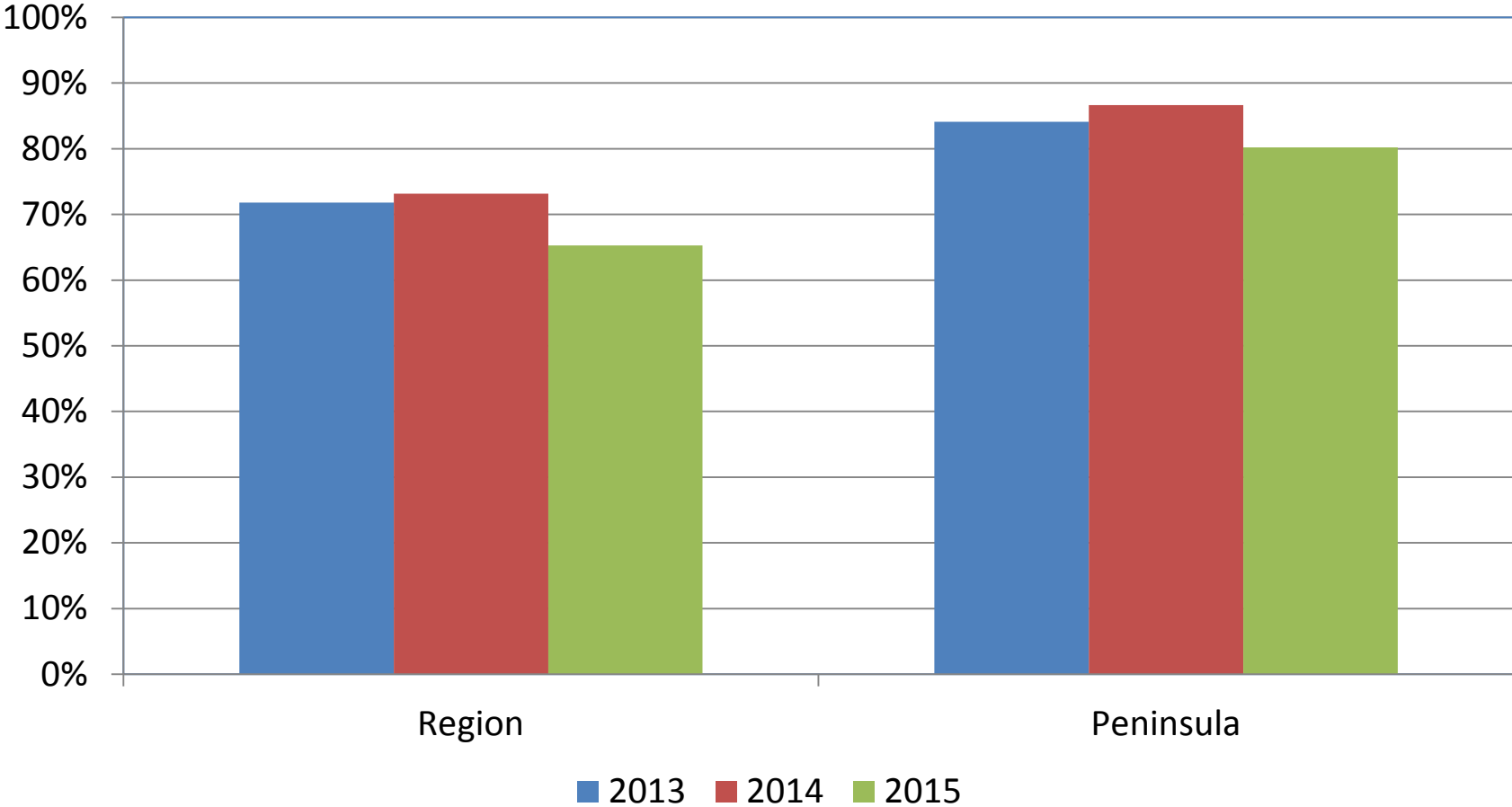
- We know most growth, especially from SF to SJ, will be in multiple family dwellings—from apartments to condos and townhouses
- Regional plans target growth for what are called priority development areas.
- That means places near services, shopping and dining, and transit. Why?
- Will we plan to allow these locations? What is the alternative?
- And there is the existing housing shortage



# Anatomy of a Growing Regional Housing Shortage



# Share of New Units in Multi-Family Buildings



# The Theory of Priority Development Areas

- Concentrate new development near services, shopping and transit
- For jobs, this reduces car commutes and GHG emissions and other pollutants
- For housing, this offers locations where residents can walk or bike to services and shopping
- For other residents, this concentrates development so it does not sprawl or “invade” existing single family neighborhoods

# Resident and Business Priorities— Aligned?? In Conflict??

- The top business challenges in the Bay Area from the SVLG CEO Survey
  - Housing costs for employees—84%
  - Employee retention—68%
  - Traffic congestion—63%
- If employee retention includes making this a great place to live, HOW MUCH DO RESIDENT AND BUSINESS PRIORITIES DIFFER?
- And how best to plan for the future?

# Questions and Discussion