

# Regional and County Trends Related to the Revenue Forecast and Comp Plan Update

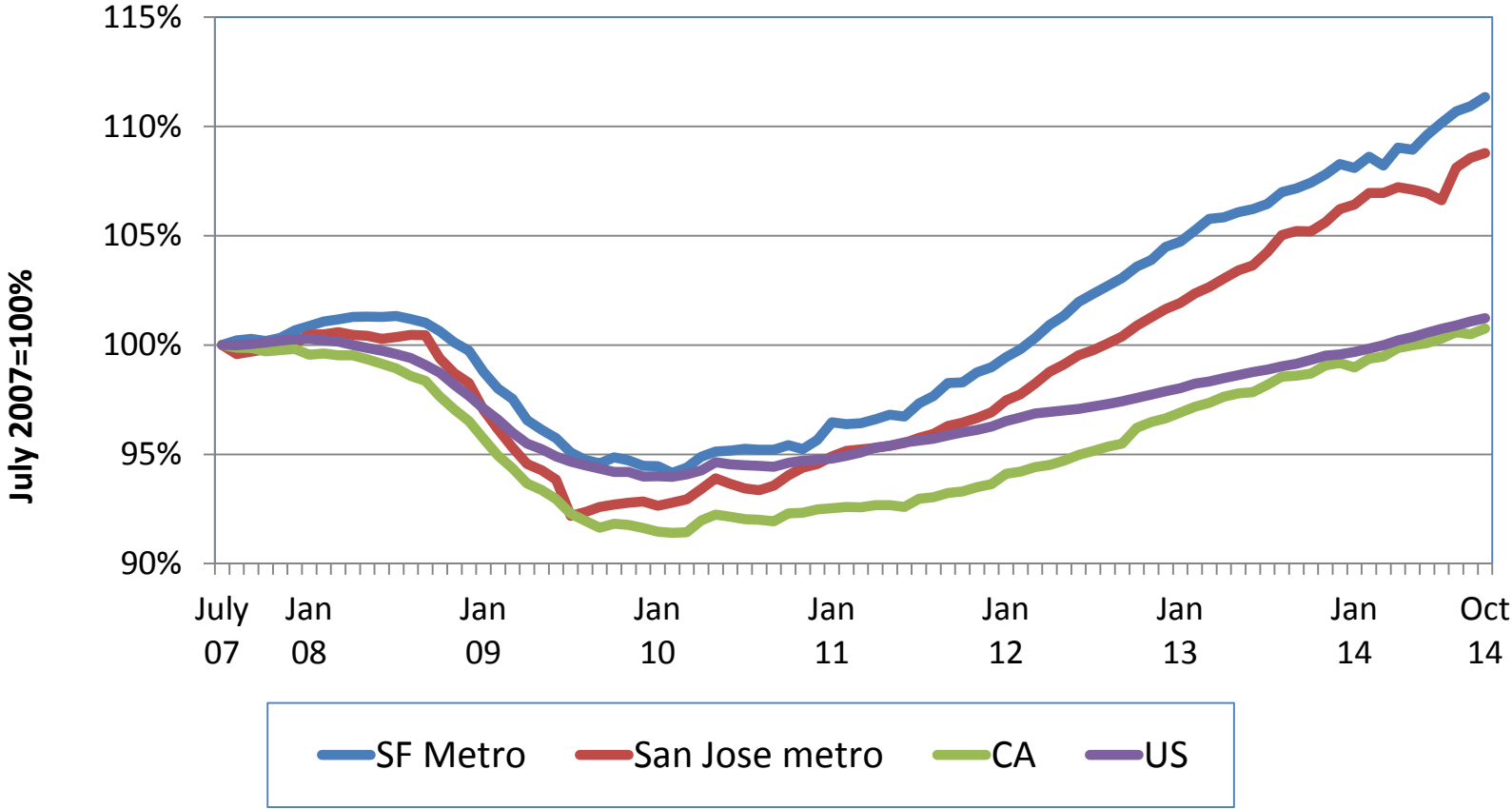
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# A Surging Peninsula Economy

- Strong Job and Income Growth
- 50% of Nation's VC Funding, Companies Plan for Expansion
- Sharp Declines in Unemployment
- Region and County Leading State in Population Growth
- Baby Boomer Aging and Retirement Key Trend to 2020 and 2030
- The Challenges to Growth—Housing and Transportation

# Peninsula Job Surge Continues

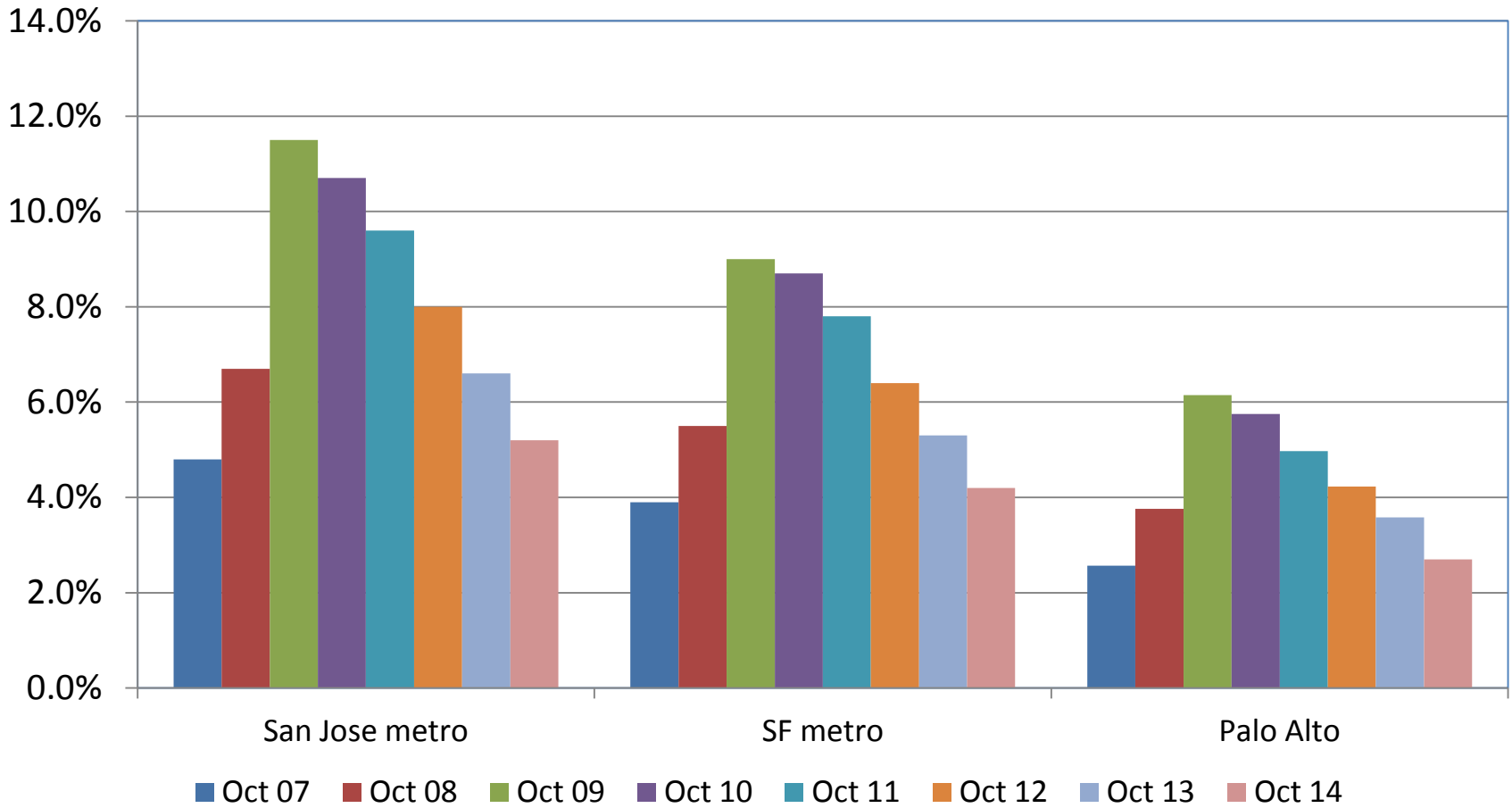


# Recent Wage Trends

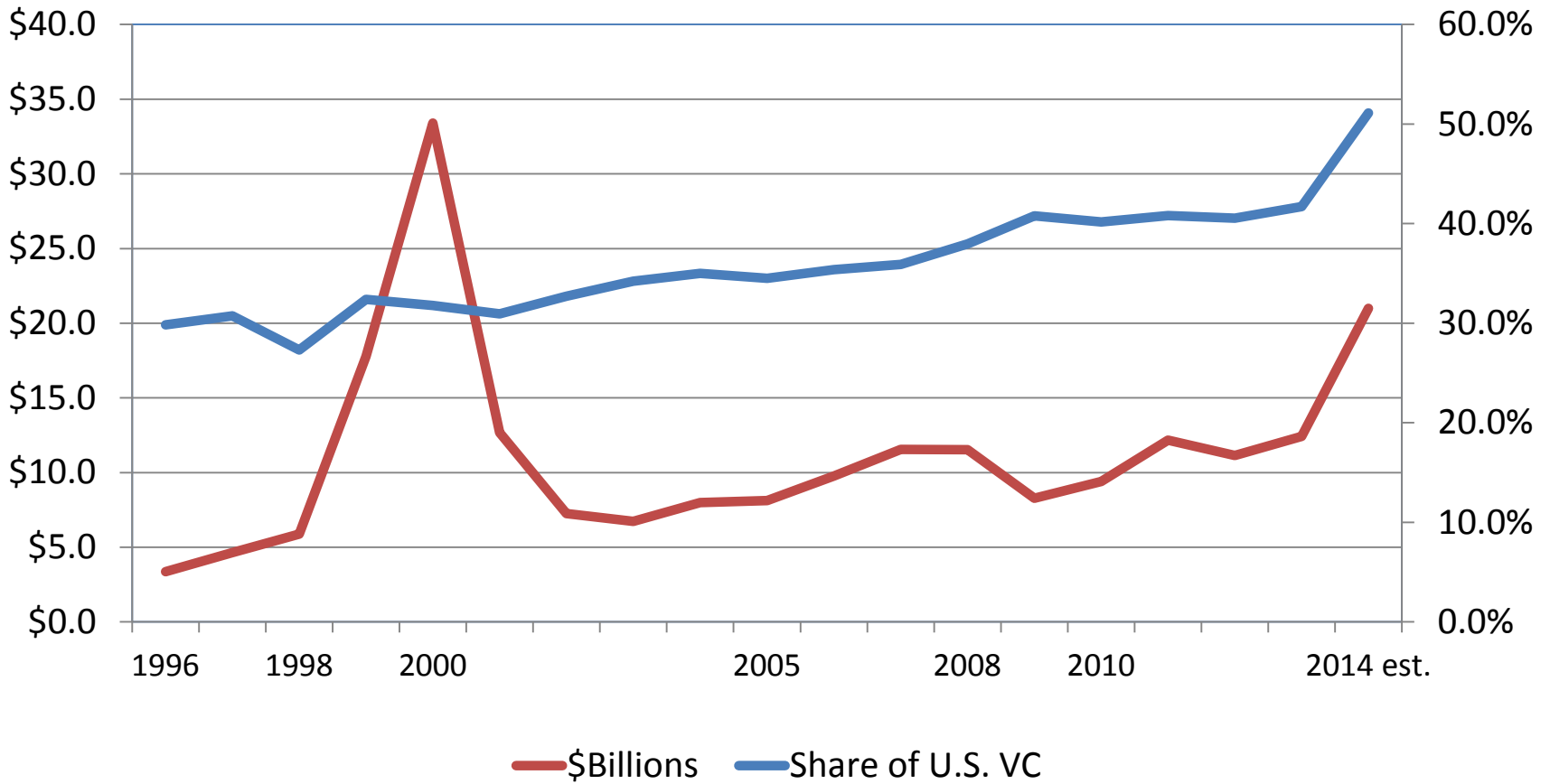
- Average Weekly Wage
  - U.S \$1,027
  - Santa Clara \$2,074 (2<sup>nd</sup> in nation)
  - San Mateo \$2,058 (3<sup>rd</sup>)
  - SF \$1,974 (5<sup>th</sup>)
- Yearly Increase Q1 2013-14
  - U.S. 3.8%
  - San Mateo 9.6% (3<sup>rd</sup>)
  - SF 9.3% (5<sup>th</sup>)
  - Santa Clara 7.1% (11<sup>th</sup>)

# Unemployment Rates

## (With Strong Labor Force Growth)



# Bay Area VC Funding Trends



# Typical Headlines These Days

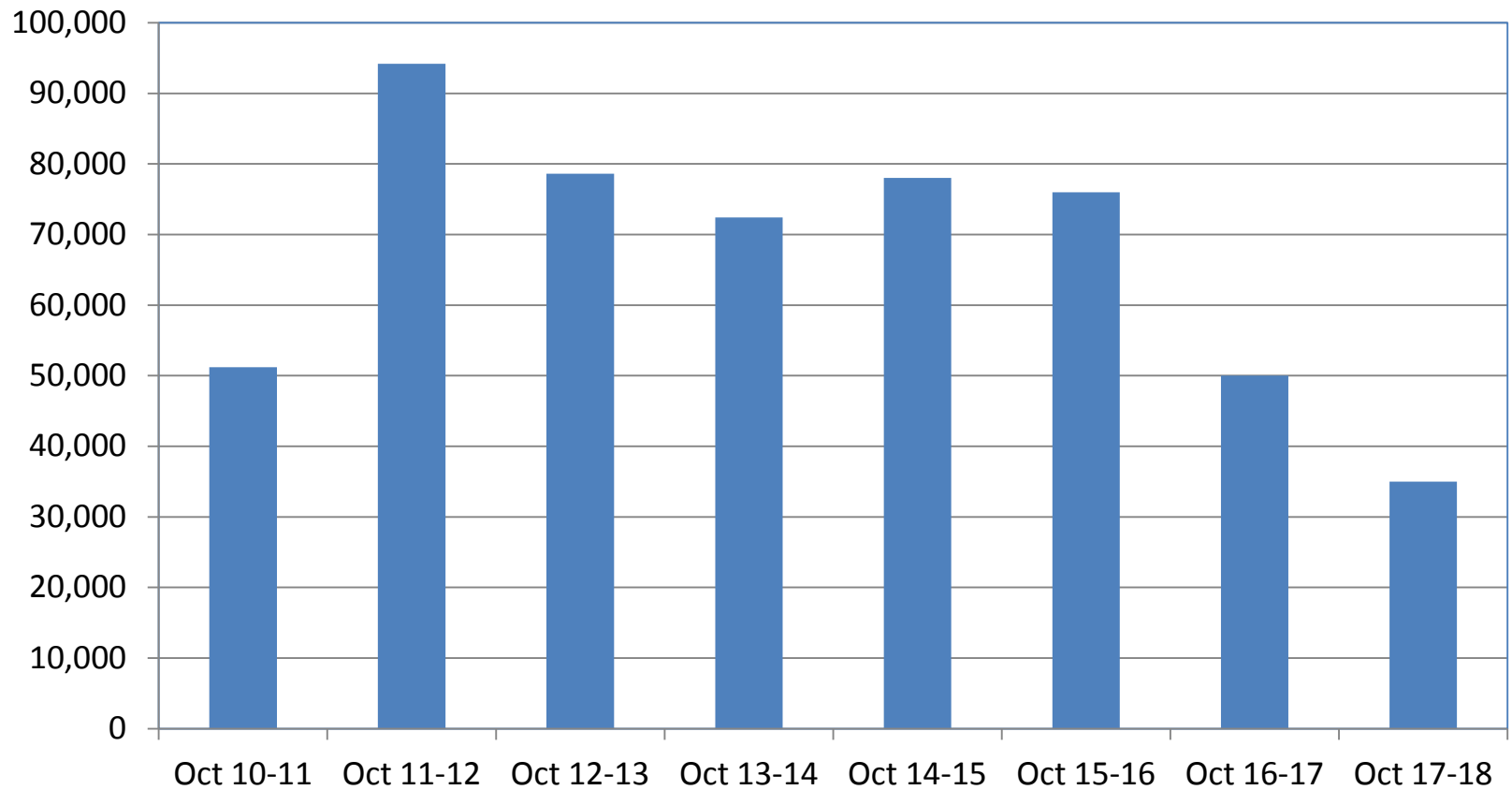
- Google could hire 30,000 in Bay Area based on tech titan's development spree
- LinkedIn floats massive expansion plan in Mountain View
- Samsung details plans for San Jose expansion

# What Will the Future Bring?

- Likely strong job growth for two years, then slowing as boomers retire
- But population growth and migration should increase for a while
- Significant age changes during the Comp Plan horizon to 2030
- Longer term growth partly dependent on meeting housing and transportation challenges



# Likely Pattern of Peninsula Job Growth (Will Exceed ABAG and EDD Projections to 2020)



# But Population Growth Will Remain Strong

- Recent population growth reflects unemployed workers filling jobs—Bay Area still led the state for 1st time since 1840s
- For a few years population growth will increase to fill new jobs and replace retiring boomers, and then slow down
- As years pass land use, housing, transportation and immigration policies will influence population growth through effects on job growth

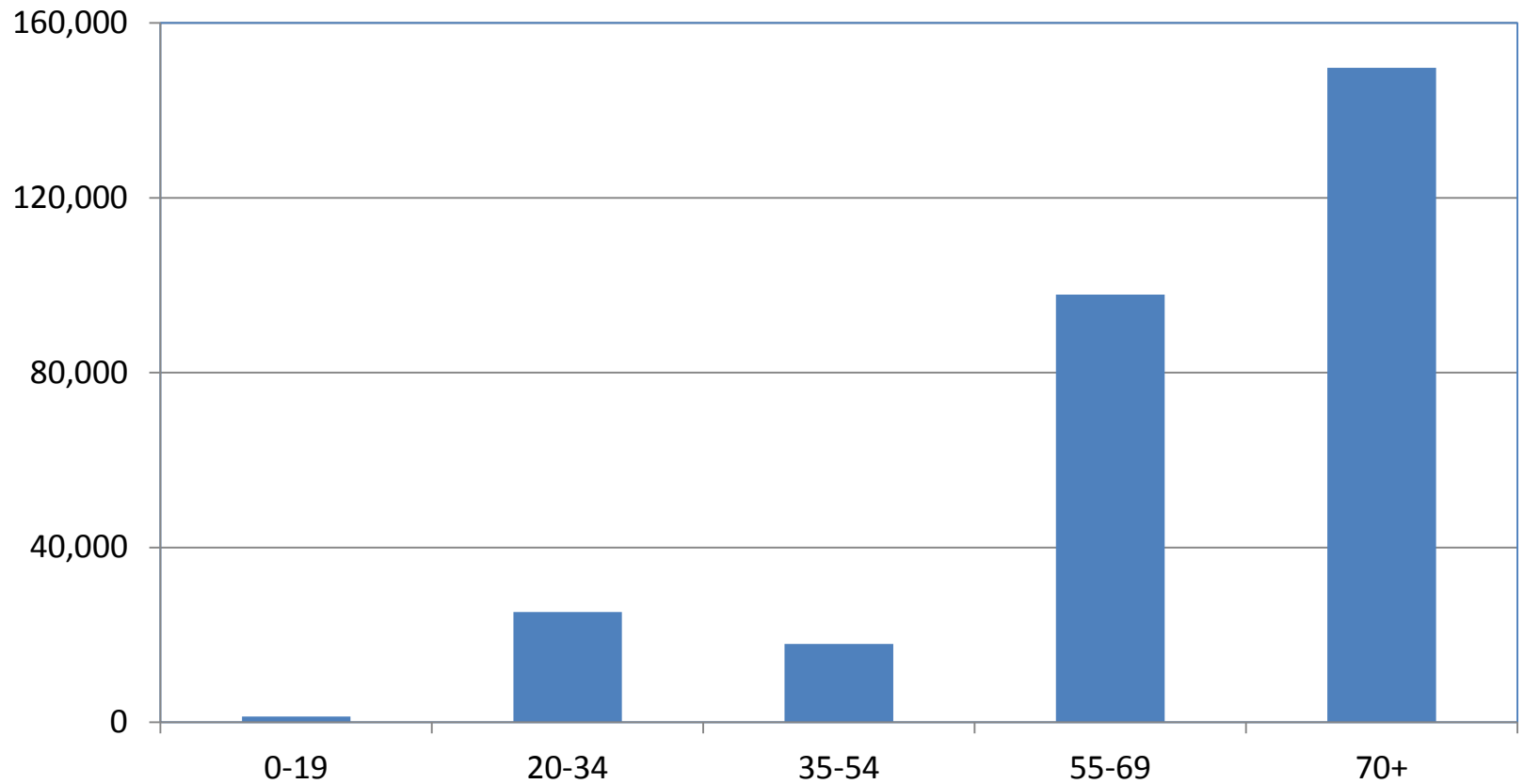
# Bay Area Job and Population Growth



# Peninsula Job and Population Growth



# Pattern of Population Growth in Santa Clara County 2015-2030



# Two Regional Trends Affecting Both Revenues and the Comp Plan

- After 2016 job growth will slow but population growth will continue and immigration will probably increase
- Most population growth in the period to 2030 will be in the 55-69 and 70+ age groups. How will that affect income, spending and housing?
- However during the next two years while the Comp Plan is being updated, growth will likely continue to be strong

# Implications for City Finances

- Near term 2015 and 2016—strong job and wage growth combined with rising home prices. So the overall economy supports revenue growth
- Medium term property and transfer tax may grow above forecast if more boomers sell and markets remain tight.
- The over 65 share in Palo Alto likely to grow from 17% to 25% of population by end of forecast period
- Sales tax growth may decline not grow over time as job related income growth falls
- May be changes to property and sales tax rules

# Policy Issues that Could Affect Economic and Revenue Growth

- A move to extend the sales tax to services offset by a partial rate reduction or reduction in income tax rates would help local and transportation funding
- Potential ballot issues in 2016 include funding for transportation, renewal of state taxes approved in 2012 and a move to tax commercial property at a higher rate
- Housing and transportation initiatives



# Implications for the Comp Plan

- Palo Alto will make choices in the context of a strong economy and regional challenges with housing, transportation and traffic.
- The 2030 horizon will find a different world and opportunities and challenges compared to 2016.
- The Comp Plan Update will consider the possible changing housing and transportation preferences of the growing active and, eventually, less active older population, which will increase rapidly.

# Implications for Comp Plan

- In the region and county household size will decline as fertility declines and most household growth is in older households while younger households face affordability challenges.
- So a given population increase in the next fifteen years will produce more housing demand and of different types than in the 1980s and 1990s.
- Current regional and county projections for job, population and household growth are or will be revised upward.