Don’t Think Globally
Act Locally

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How do we drive growth, innovation, and equity in CA’s economy during these uncertain times?
Build more houses
(and upgrade infrastructure)
Thank you!

Q & A
Okay, okay …
Just how uncertain are these times exactly? And why?

How much control do we have over our own economic destiny?

What are the barriers to making the right decisions for our communities?
Sometimes people hold a core belief that is very strong. When they are presented with evidence that works against that belief, the new evidence cannot be accepted. It would create a feeling that is extremely uncomfortable, called cognitive dissonance. And because it is so important to protect the core belief, they will rationalize, ignore and even deny anything that doesn’t fit in with the core belief.

- Frantz Fanon

Source: Zillow
THIS IS YOUR BRAIN ON PARTIES
People believe what their tribe believes and tribes change beliefs ...
People believe what their tribe believes and tribes change beliefs ...

Net Favorability of the CIA, By Party Affiliation

- Democrats
- Republicans

NBC/WSJ polling
“It is difficult to get a man to understand something when his job depends on not understanding it.”

—Upton Sinclair
Economy is doing very well and not just for very rich ... for now ...
California economy (in Aggregate) is doing better than U.S. as whole
Parts of the California have been growing faster than China...

Regional GPD Growth
(2014-2015)

China: 6.9%
U.S. Metro areas: 2.5%
Bay Area: 5.8%
San Jose: 8.9%
Los Angeles: 3.9%
San Diego: 2.5%

Source: U.S Bureau of Economic Analysis, World Bank
But poverty – especially deep poverty – is troublingly persistent
California has highest poverty rate in the nation

Poverty Rates Adjusted for Cost of Living

Poverty Rate Quintiles: Lowest Fourth Third Second Highest
Poverty rates vary across state but not just inland/coast
Tech employment divergent, not convergent
Wage gains focused in metropolitan areas

Vegas and Bay Area See Big Wage Gains
Aggregate Wage Growth, Year-over-Year, Third Quarter 2016

<table>
<thead>
<tr>
<th>Rank</th>
<th>Metro Area</th>
<th>Wage Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Las Vegas-Henderson-Paradise, NV</td>
<td>15.2%</td>
</tr>
<tr>
<td>2</td>
<td>Provo-Orem, UT</td>
<td>12.2%</td>
</tr>
<tr>
<td>3</td>
<td>San Francisco-Oakland-Hayward, CA</td>
<td>11.3%</td>
</tr>
<tr>
<td>4</td>
<td>Boise City, ID</td>
<td>10.9%</td>
</tr>
<tr>
<td>5</td>
<td>North Port-Sarasota-Bradenton, FL</td>
<td>10.8%</td>
</tr>
<tr>
<td>6</td>
<td>San Jose-Sunnyvale-Santa Clara, CA</td>
<td>10.7%</td>
</tr>
<tr>
<td>7</td>
<td>Madison, WI</td>
<td>10.7%</td>
</tr>
<tr>
<td>8</td>
<td>Riverside-San Bernardino-Ontario, CA</td>
<td>10.3%</td>
</tr>
<tr>
<td>9</td>
<td>Tampa-St. Petersburg-Clearwater, FL</td>
<td>10.1%</td>
</tr>
<tr>
<td>10</td>
<td>Palm Bay-Melbourne-Titusville, FL</td>
<td>10.1%</td>
</tr>
</tbody>
</table>

Source: QCEW, Bureau of Labor Statistics
Among metros with population of 500,000 or more.
So where are we going?
The Dow Jones Industrial Average has reached record-high closes

Source: Yahoo! Finance
CEO Confidence increased in the last quarter of 2016, reaching the highest level in six years.

60% of CEOs believe economic conditions are better than in the first half of 2016.

Source: The Conference Board
### What do CEOs know anyway?

<table>
<thead>
<tr>
<th>2016 RANK</th>
<th>STATE</th>
<th>LAST YEAR'S RANK</th>
<th>CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>41</td>
<td>Rhode Island</td>
<td>37</td>
<td>-4</td>
</tr>
<tr>
<td>42</td>
<td>Mississippi</td>
<td>39</td>
<td>-3</td>
</tr>
<tr>
<td>43</td>
<td>Maryland</td>
<td>40</td>
<td>-3</td>
</tr>
<tr>
<td>44</td>
<td>Hawaii</td>
<td>44</td>
<td>0</td>
</tr>
<tr>
<td>45</td>
<td>Massachusetts</td>
<td>46</td>
<td>1</td>
</tr>
<tr>
<td>46</td>
<td>Connecticut</td>
<td>45</td>
<td>-1</td>
</tr>
<tr>
<td>47</td>
<td>New Jersey</td>
<td>47</td>
<td>0</td>
</tr>
<tr>
<td>48</td>
<td>Illinois</td>
<td>48</td>
<td>0</td>
</tr>
<tr>
<td>49</td>
<td>New York</td>
<td>49</td>
<td>0</td>
</tr>
<tr>
<td>50</td>
<td>California</td>
<td>50</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: [www.bayareaeconomy.org](http://www.bayareaeconomy.org)
What do CEOs know anyway? (Part 2)

Take a Look Where the Jobs Were Created

Article & Sources: http://howmuch.net/articles/job-growth-usa-2015
The rich are coming to California ... it’s the poor who are leaving ...

2000-2015: net loss of 800,000 living close to poverty line, net gain of 20,000 making over $100,000 per year
Economy is at top of economic cycle ... CA cycles with nation ...
KEEP CALM AND Forget Trump

KeepCalmAndPosters.com
Welcome to our sanctuary city!!
Immigrants are welcome here!!
We care more about the poor!!
We care more about the environment!!

Daily Commuters Crossing Regional Boundaries, 2013

Data Source: Census Transportation Planning Products, 2009-2013
Analysis: University of the Pacific

Rail Lines
- ACE
- Caltrain
- Capitol Corridor
- San Joaquin
- Other Rail

Background
- Major Cities
- Parks
- Water
- Urban Areas

Sacramento Area
- 30,882

Northern San Joaquin Valley
- 10,307

Bay Area
- 64,932

Monterey Bay Area
- 10,254

11,782

35,702

7,279
The primary threat to the innovation economy, economic growth, and equity in California is the underbuilding of housing.
California’s High Real Poverty Rates is Due to High Housing Costs

High Housing Costs Leading Cause of Poverty in California

<table>
<thead>
<tr>
<th>Measure</th>
<th>California</th>
<th>Rest of U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Official Poverty Measure</td>
<td>16%</td>
<td>14.8%</td>
</tr>
<tr>
<td>Research Supplemental Poverty</td>
<td>23.4%</td>
<td>14.8%</td>
</tr>
</tbody>
</table>

Source: California Legislative Analysts' Office
To prevent displacement, build places

Figure A2

More Housing Construction Linked to Lower Chances of Displacement

Likelihood of an Average Low-Income Bay Area Census Tract Experiencing Displacement, 2000 to 2013

Source: Legislative Analyst Office, 2016
Negative impacts of housing shortage on the economy

Source: California Employment Development Department
Many things localities can do

**Figure 3**
Many Projects Require Upzoning From Housing Element Plan

*Average Number of Homes in Projects Built on Housing Element Sites, 2015-2016*

Source: Legislative Analysts Office
<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Price</td>
<td>$750,000</td>
</tr>
<tr>
<td>Less Soft Costs/Indirect</td>
<td>$60,000</td>
</tr>
<tr>
<td>Less City/Utility fees</td>
<td>$60,000</td>
</tr>
<tr>
<td>Less Construction Cost</td>
<td>$400,000</td>
</tr>
<tr>
<td>Less Structured Parking</td>
<td>$50,000</td>
</tr>
<tr>
<td>Less Financing/Carry</td>
<td>$50,000</td>
</tr>
<tr>
<td>Less Equity Return/Profit</td>
<td>$80,000</td>
</tr>
<tr>
<td><strong>AVAILABLE FOR LAND:</strong></td>
<td>$50,000</td>
</tr>
<tr>
<td>Times 200 units - $10,000,000</td>
<td></td>
</tr>
</tbody>
</table>

**STOP**: Buyer loses money

- Seller operates current land use (mini-mall, garage, gas station, industrial building)

**GO**: IF SELLER WILL SELL AT THIS PRICE
California governor: We're not spending more on low-income housing because it's too expensive to build
Transportation is the handmaiden of housing

Peak Hours Spent in Congestion Annually

<table>
<thead>
<tr>
<th>City</th>
<th>Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles, CA</td>
<td>104</td>
</tr>
<tr>
<td>Moscow, Russia</td>
<td>91</td>
</tr>
<tr>
<td>New York, NY</td>
<td>89</td>
</tr>
<tr>
<td>San Francisco, CA</td>
<td>83</td>
</tr>
<tr>
<td>Bogota, CA</td>
<td>80</td>
</tr>
<tr>
<td>Sao Paulo, Brazil</td>
<td>77</td>
</tr>
<tr>
<td>London, UK</td>
<td>73</td>
</tr>
<tr>
<td>Atlanta, GA</td>
<td>71</td>
</tr>
<tr>
<td>Paris, France</td>
<td>65</td>
</tr>
<tr>
<td>Miami, FL</td>
<td>65</td>
</tr>
</tbody>
</table>

Source: INRIX
Transportation wildly underfunded in spite of years of effort

Figure 11
Summary of LAO Estimate of Major Highway Maintenance and SHOPP Needs

(In Billions)

SHOPP = State Highway Operation and Protection Program.
THIS IS YOUR BRAIN ON PARTIES
Practical solutions to generational regional and state issues