



CALIFORNIA ECONOMIC SNAPSHOT

Q2
2016

The California Economic Snapshot has been redesigned for enhanced value based on feedback through a recent reader survey. Each quarterly snapshot will now include a lead article on an economic development topic.

HIGHLIGHTS

Unemployment has been decreasing across all of California's MSAs, with the most prominent drop occurring in Los Angeles.

Only two of California's job sectors experienced job losses in the last quarter.

The California Economic Snapshot is produced quarterly by **Economic & Planning Systems, Inc.** (EPS) through a research partnership with the California Academy for Economic Development (CAED), a foundation managed by the California Association for Local Economic Development (CALED). EPS is a full-service economics consulting firm with expertise in economic development and revitalization, real estate economics, fiscal and economic impact analysis, public finance, land use and transportation, and housing policy. To learn more about EPS, visit www.epsys.com.

Promoting growth through infill development

A shift toward infill development has occurred over the past decade as market trends and public policy have reoriented growth patterns inward, back to previously-developed areas. A range of influences has supported this shift toward infill development, including increasing concentrations of jobs in urban centers, consumer preferences for walkable urban locations, and the now relatively limited capacity for additional "greenfield" development in proximity to job centers. Furthermore, California's Sustainable Communities and Climate Protection Act of 2008 (SB 375) has promoted infill development by requiring coordinated transportation and land use planning with the goal of reducing greenhouse gas emissions.

While market trends and policy direction favor infill development, infill development areas commonly face a diverse set of challenges, such as market limitations, infrastructure cost burdens, and entitlement risk. Overcoming infill development constraints requires that local governments adopt more "development-positive" policies that address these constraints. Establishing a positive climate for infill development is a prerequisite to broader urban-focused economic development strategies.

Promoting infill development occurs primarily in the context of urban planning, land use regulation, and city administration. Public investments should be pursued in a coordinated and methodical manner beginning with the planning process. Determining the potential to stimulate

About the author: Ben Sigman is an economist with Economic & Planning Systems and a co-author of recent papers on infill development including for California's Strategic Growth Council (http://sgc.ca.gov/pdf/Infill%20Report_9.9.14.pdf) and for the Metropolitan Transportation Commission (http://mtc.ca.gov/sites/default/files/InfraFinancing_White_Paper_6-23-16.pdf)



Ben Sigman
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growth requires a clear understanding of local development opportunities and constraints, including development feasibility, land use policy, and the local commitment to implementation. While there may be constraints to contend with, the solutions largely are within the purview of local government.

From an economic perspective, the essential elements of the urban planning process include real estate feasibility analysis, infrastructure cost estimation, and a cost burden analysis that assesses whether real estate development value is sufficient to fund the needed infrastructure investments. Based on this work, planning parameters may need adjustment to better align value creation and area development costs, sometimes in concert with targeted public contributions. Good urban planning must provide an appealing vision and set the development standards for an area, but also should seek to articulate a balance of public and private funding responsibilities that will promote growth, consistent with broader city policy and economic development objectives.

For More Information:

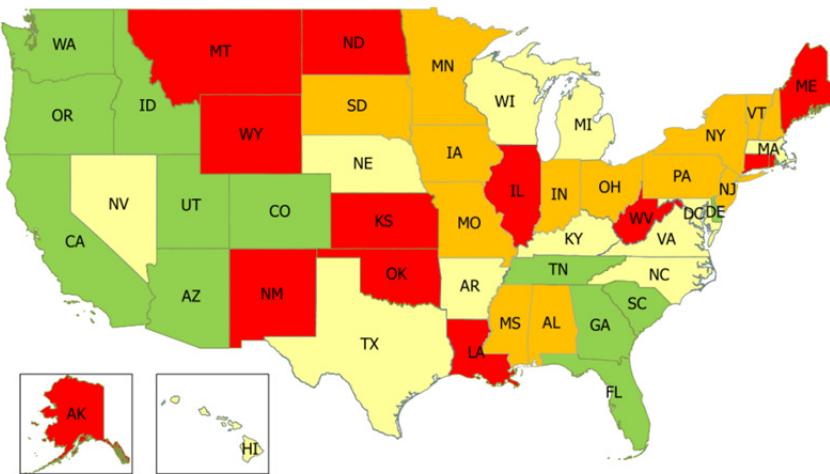
Contact Ben Sigman at EPS' Oakland Office (510) 840-9190 or bsigman@epsys.com.

Refer to the recent article completed by EPS in partnership with the Strategic Growth Council titled "California Infill Financing Options" http://sgc.ca.gov/pdf/Infill%20Report_9.9.14.pdf



Q2 2016 Economic Snapshot

State Annual Nonfarm Job Growth Rate



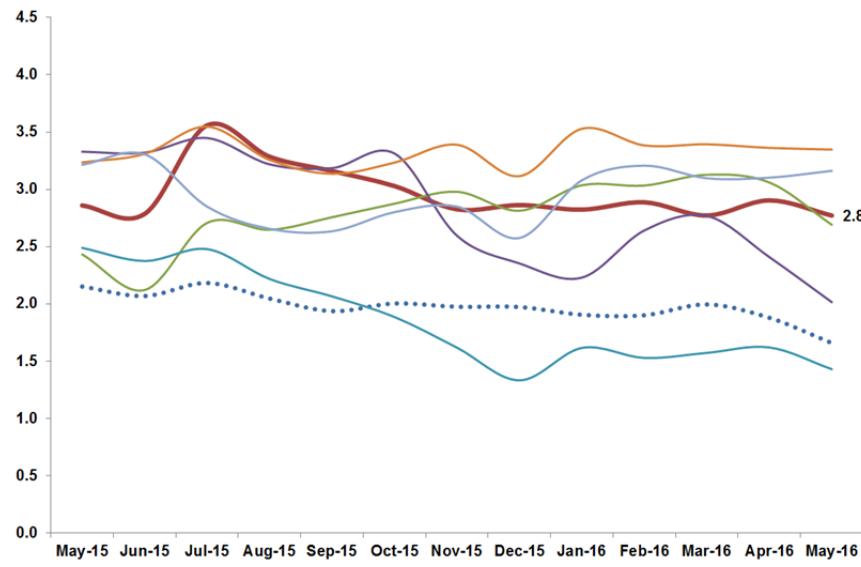
	Upper	Upper-Middle	Lower-Middle	Lower	
Oregon	3.3%	Nevada	2.0%	Ohio	1.2%
Utah	3.2%	Hawaii	2.0%	South Dakota	1.2%
Florida	3.2%	Michigan	1.9%	Vermont	1.2%
Idaho	3.2%	Virginia	1.9%	Iowa	1.2%
Washington	3.2%	Arkansas	1.8%	New Jersey	1.1%
Georgia	2.9%	Maryland	1.8%	Indiana	1.1%
California	2.8%	North Carolina	1.7%	Alabama	1.0%
Arizona	2.7%	Wisconsin	1.5%	Minnesota	1.0%
Delaware	2.5%	Nebraska	1.4%	New York	0.9%
Colorado	2.5%	Texas	1.4%	New Hampshire	0.9%
Tennessee	2.3%	District of Columbia	1.4%	Missouri	0.7%
South Carolina	2.3%	Massachusetts	1.4%	Pennsylvania	0.6%
		Kentucky	1.3%	Mississippi	0.6%
				North Dakota	-3.6%

Source: CA Employment Development Department, May 2016; U.S. Bureau of Labor Statistics; EPS

Highlights

- California saw the number of Nonfarm payroll jobs increase by 2.8 percent in the 12 months ending May 2015, rising 6 ranks to 7th among all states.
- 7 of the 10 fastest job growth states are in the West, led by Oregon's 3.3 percent job growth.
- The national job growth rate slowed as compared to last quarter. A similar trend was observed last year.
- Thirty-six states have employment levels above the prerecession peak, an increase of three states since last quarter.
- Low job growth continues to be concentrated in the middle of the country, with nearly all the states experiencing negative job growth.

State Annual Nonfarm Job Growth Rate



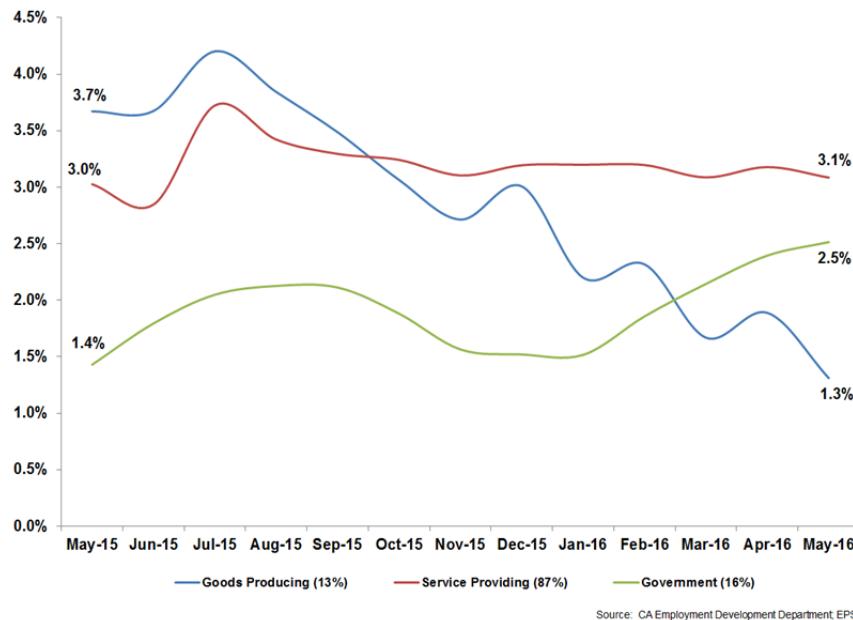
Highlights

- Following the national trend, California has maintained relatively constant job growth for the year, with a slight decline in the new quarter.
- California's job growth rate increased to 1.1 percentage points above the nation's, a slight increase from the previous quarter.
- Nevada's sharp decline in annual job growth was driven by slow growth in Service-Providing sectors.
- Texas has maintained a job growth rate of approximately 1.5 percent for the past year, a sharp decrease from 2015.

Source: CA Employment Development Department; U.S. Bureau of Labor Statistics; EPS

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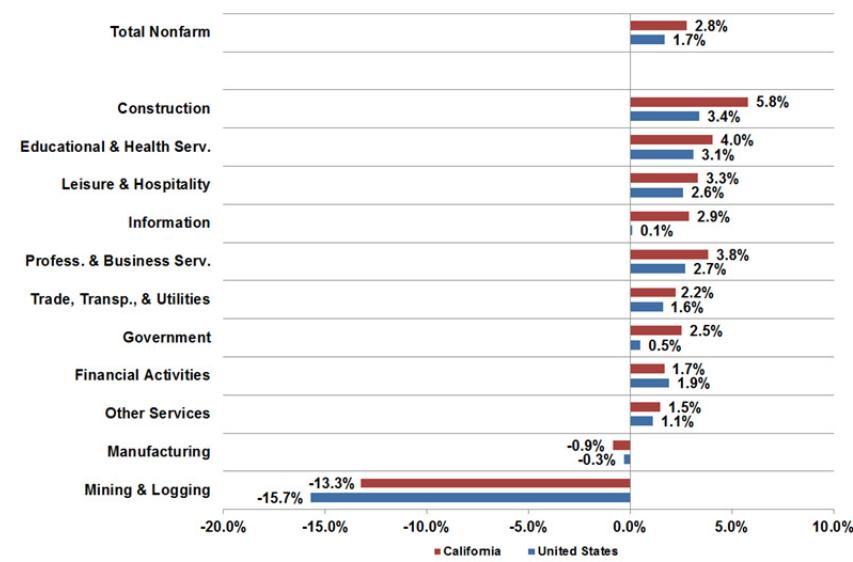
California Annual Industry Segment Job Growth Rate



Highlights

- California's Service-Providing sectors, now encompassing 87 percent of the Nonfarm jobs, continue to maintain a growth rate of 3.1 percentage points throughout 2016.
- Goods-Producing sectors continue to decline in 2016. The slowing in growth is a result of a decrease in Construction and job losses in Manufacturing.
- Job Growth in Government sectors has continued to grow sharply, increasing by .4 percentage points as compared to March 2016.

California & United States Annual Major Sector Job Growth Rate

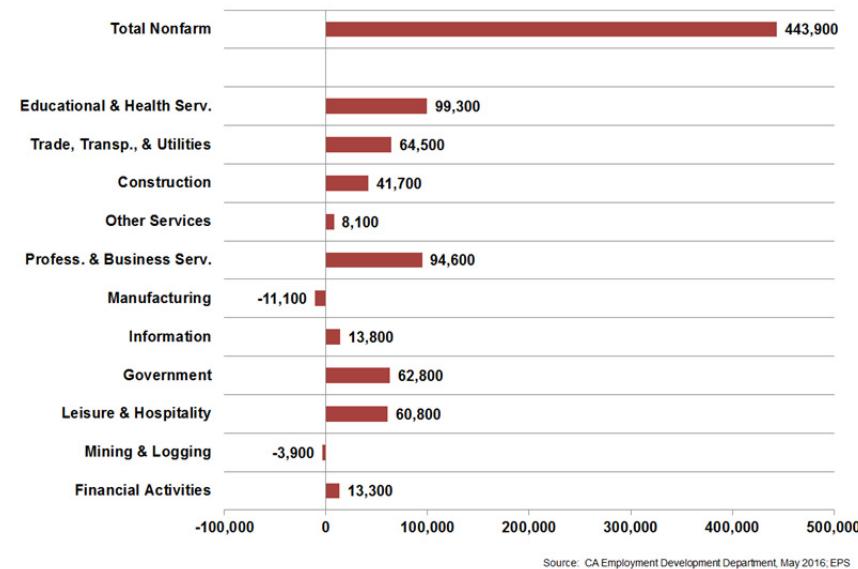


Highlights

- California surpassed the national job growth rate in 8 of the 11 major sectors for the past two quarters. In addition, state job growth was positive in 9 of the 11 sectors.
- While most industries job growth rates remain above the national averages, only Professional & Business Services, Government, and Mining & Logging have experienced an increase in growth as compared to last quarter.
- Manufacturing in California has declined faster than the national average in this quarter.
- Construction job growth in California remains relatively steady, not following the decrease seen nationally from last quarter.

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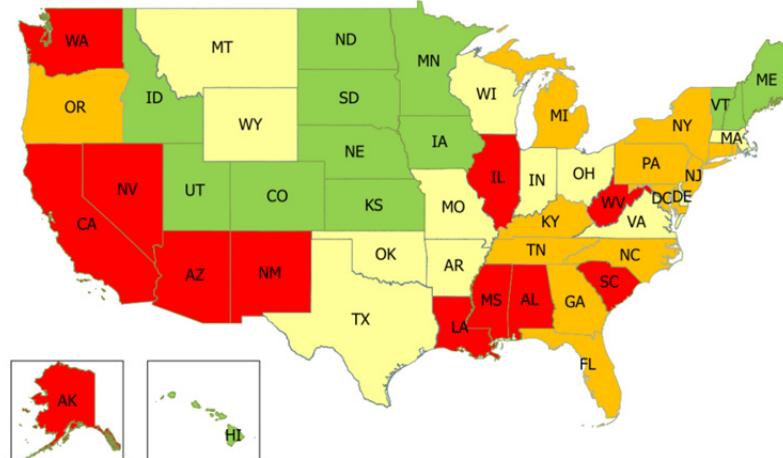
California Absolute Annual Job Gains and Losses



Highlights

- California's addition of over 440,000 jobs accounted for approximately 19 percent of the nation's job growth.
- With 36 states now recovered from the recession, California leads with the largest absolute gains in the nation.
- Profession & Business Services nearly doubled in job gains as compared to the last quarter.
- The leading job growth sectors are creating demand for office and retail space in key markets.
- Marking a significant decline from last quarter, Manufacturing has experienced the largest job loss across California.

State Annual Average Unemployment Rate



	Upper	Upper-Middle	Lower-Middle	Lower	
North Dakota	2.8%	Montana	4.1%	Maryland	4.9%
South Dakota	2.9%	Virginia	4.2%	New York	5.0%
Nebraska	3.0%	Oklahoma	4.3%	Michigan	5.0%
New Hampshire	3.1%	Texas	4.4%	Pennsylvania	5.1%
Hawaii	3.4%	Wisconsin	4.5%	Florida	5.1%
Vermont	3.5%	Missouri	4.6%	New Jersey	5.1%
Colorado	3.6%	Delaware	4.6%	Tennessee	5.1%
Utah	3.6%	Wyoming	4.6%	Oregon	5.3%
Iowa	3.6%	Massachusetts	4.6%	Kentucky	5.4%
Minnesota	3.7%	Arkansas	4.6%	Connecticut	5.5%
Idaho	3.9%	Indiana	4.7%	North Carolina	5.6%
Maine	4.0%	Ohio	4.8%	Georgia	5.6%
Kansas	4.0%			Rhode Island	5.6%
				South Carolina	5.6%
				Washington	5.7%
				California	5.8%
				Illinois	6.0%
				Alabama	6.1%
				Louisiana	6.1%
				Mississippi	6.3%
				New Mexico	6.4%
				Nevada	6.4%
				District of Columbia	6.5%
				Alaska	6.6%
				West Virginia	6.6%

Source: CA Employment Development Department, May 2016; U.S. Bureau of Labor Statistics; EPS

Highlights

- California's annual average unemployment rate of 5.8 percent in March continues to improve, though it remains in the lower tier due to falling unemployment rates nationwide.
- High unemployment rates continue to concentrate in the Southeast and the West—Colorado, Idaho and Utah are the only states in the upper tier for both job growth and unemployment.
- The Great Plains states of Nebraska and the Dakotas had the lowest unemployment—New England is also home to three states in this tier.
- California's unemployment rate for May was the lowest in the past two years at 4.7 percent.

Q2 2016 Economic Snapshot

Annual Nonfarm Job Growth Rate for Metropolitan and Non-Metropolitan Areas



Upper	Upper-Middle
Madera MSA	7.5% Trinity County
Alpine County	4.9% Fresno MSA
Glenn County	4.2% Riverside MSA
El Centro MSA	4.1% Merced MSA
Stockton MSA	4.1% Yuba City MSA
Amador County	3.8% San Francisco MSA
Nevada County	3.8% Modesto MSA
Salinas MSA	3.8% Vallejo MSA
San Jose MSA	3.8% Visalia MSA
Santa Rosa MSA	3.7% Santa Maria MSA
Napa MSA	3.6% San Diego MSA
Marin County	3.6% Mono County

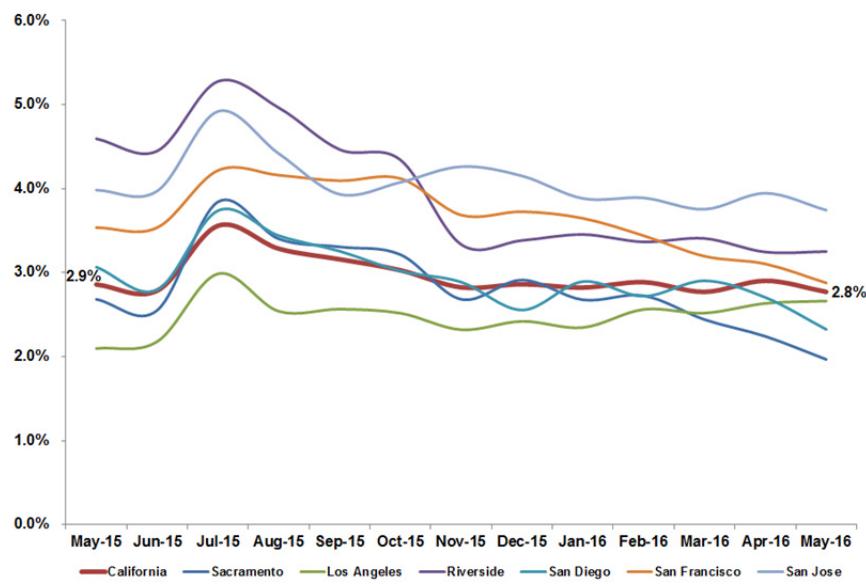
Lower-Middle	Lower
San Luis Obispo MSA	2.6% Humboldt County
Los Angeles MSA	2.5% Chico MSA
Sacramento MSA	2.4% Oxnard MSA
Hanford MSA	2.4% Plumas County
Lake County	2.3% Modoc County
Santa Cruz MSA	2.2% Inyo County
Redding MSA	1.9% Tehama County
Del Norte County	1.9% Lassen County
Tuolumne County	1.8% Calaveras County
Siskiyou County	1.6% Colusa County
Bakersfield MSA	1.6% Mariposa County
Mendocino County	1.5% Sierra County

Source: CA Employment Development Department, May 2016; EPS

Highlights

- Madera experienced the largest percentage increase in job growth this quarter with an addition of 38,000 jobs.
- San Francisco and San Diego fell out of the top job growth tier, while the metros of Riverside, Salinas, and Stockton moved into the top tier.
- The Santa Cruz and Merced metros, along with Humboldt and Siskiyou Counties, posted negative annual job growth.
- The San Francisco and Los Angeles metros accounted for an increase of 201,000 jobs, or 43 percent of the state's absolute growth.

California Large MSA Annual Nonfarm Job Growth Rate



Highlights

- Annual job growth rates rose over the past 12 months for half of California's six largest metros—most have stabilized at levels reached near the end of the first quarter.
- San Jose's annual job growth rate has been leading California since the beginning of 2016, with April recording the highest job growth rates of the year thus far.
- Riverside maintained its job growth rate lead over San Francisco and San Diego in March.
- Sacramento's growth rates continue to slide due to consistent slowdown in Financial Activities.

Source: CA Employment Development Department; EPS

Q2 2016 Economic Snapshot

Annual Average Unemployment Rate for Metropolitan and Non-Metropolitan Areas

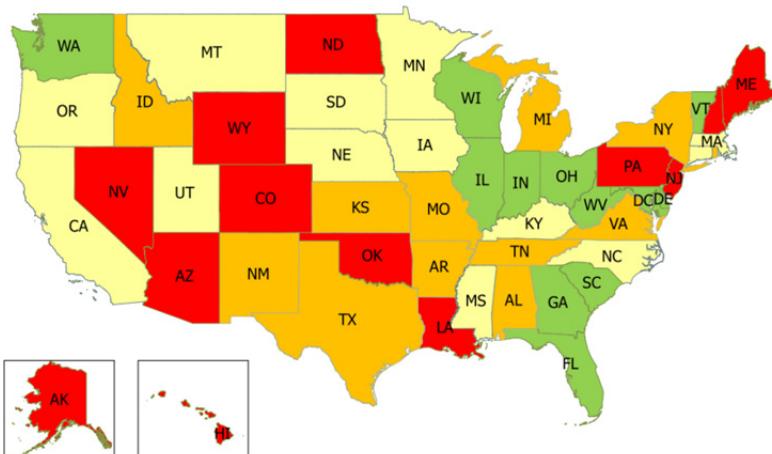


Upper		Upper-Middle	
San Jose MSA	4.0%	Sacramento MSA	5.5%
San Francisco MSA	4.1%	Vallejo MSA	5.7%
Santa Rosa MSA	4.2%	Los Angeles MSA	5.8%
Napa MSA	4.3%	Mono County	6.1%
San Luis Obispo MSA	4.3%	Calaveras County	6.1%
Santa Maria MSA	4.9%	Amador County	6.2%
San Diego MSA	4.9%	Riverside MSA	6.3%
Nevada County	5.1%	Mariposa County	6.5%
Humboldt County	5.2%	Tuolumne County	6.6%
Oxnard MSA	5.4%	Lassen County	6.8%
Mendocino County	5.4%	Chico MSA	6.8%
Inyo County	5.4%	Santa Cruz MSA	6.9%

Lower-Middle		Lower	
Lake County	7.1%	Modesto MSA	9.0%
Trinity County	7.2%	Yuba City MSA	9.5%
Salinas MSA	7.2%	Fresno MSA	9.6%
Redding MSA	7.3%	Plumas County	9.6%
Tehama County	7.5%	Madera MSA	9.8%
Alpine County	7.8%	Hanford MSA	9.9%
Modoc County	8.0%	Bakersfield MSA	10.0%
Del Norte County	8.0%	Merced MSA	10.7%
Sierra County	8.1%	Visalia MSA	11.0%
Glenn County	8.3%	Colusa County	13.9%
Stockton MSA	8.4%	El Centro MSA	23.4%
Siskiyou County	8.5%		

Source: CA Employment Development Department, May 2016; EPS

State Leading Index 2015



Upper		Upper-Middle		Lower-Middle		Lower	
West Virginia	5.3%	Kentucky	2.1%	Kansas	1.4%	Hawaii	0.6%
South Carolina	2.9%	North Carolina	2.0%	Missouri	1.4%	North Dakota	0.4%
Ohio	2.6%	South Dakota	2.0%	Michigan	1.4%	Arizona	0.4%
Indiana	2.5%	California	2.0%	Alabama	1.4%	New Jersey	0.0%
Delaware	2.5%	Massachusetts	2.0%	Arkansas	1.3%	Oklahoma	-0.1%
Georgia	2.5%	Minnesota	2.0%	New York	1.3%	Maine	-0.2%
Illinois	2.3%	Oregon	1.9%	Idaho	1.3%	New Hampshire	-0.2%
Vermont	2.3%	Montana	1.8%	Texas	1.2%	Louisiana	-0.3%
Maryland	2.3%	Connecticut	1.7%	Virginia	1.1%	Alaska	-0.6%
Florida	2.2%	Nebraska	1.5%	New Mexico	1.0%	Colorado	-0.7%
Washington	2.2%	Utah	1.5%	Rhode Island	0.7%	Wyoming	-1.1%
Wisconsin	2.2%	Iowa	1.5%	Tennessee	0.6%	Pennsylvania	-1.8%
		Mississippi	1.4%			Nevada	-4.5%

Source: Federal Reserve Bank of St. Louis, May 2016; EPS

Highlights

- Only five California markets experienced average annual unemployment rates in excess of 10 percent, while 15 markets had rates below 6 percent, placing the entire upper tier near full employment levels.
- The Sacramento MSA dropped just out of the upper tier due to an overall decrease in unemployment.
- El Centro metro continues to have the highest unemployment at just over 23 percent, with continued high unemployment dominant in the San Joaquin Valley.

Highlights

- The State Leading Index indicator predicts the six-month growth rate of the Coincident Index for each state that combines several indicators summarizing current conditions in the economy.
- California's leading index ranked 16th overall in May 2016, in the upper-middle tier, indicating economic conditions will improve for the state over the next six months.

Economic trends to follow:

- The U.K.'s vote to exit the European Union has created extreme uncertainty for California's 10th largest export market. California exported over \$5 billion to the U.K. last year.
- The Fed's policy during election years implies there most likely will be no major changes until December, despite positive recent jobs reports.