CALIFORNIA ECONOMIC SNAPSHOT

The California Economic Snapshot is a quarterly review of key economic indicators across the State of California and the nation. Included with each snapshot is a lead article on an economic development topic.

HIGHLIGHTS

California's job growth rate stayed consistent with last quarter, but fell behind competing states in the western US.

Absolute job growth in Construction over-shadowed losses in Manufacturing, as well as Mining & Logging.

San Francisco's job growth rate surpassed Riverside and the other major metros.

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.

A Challenge for the Ages - Downtown Housing and Mixed-Use Infill: Implications for Economic Development

Across the country, key demographic groups including millennials and baby boomers are revealing a preference for urban environments. These groups, harboring important established and emerging elements of the skilled labor force, are interested in improving their quality of life through sustainable, walkable lifestyles and enjoyment of local neighborhoods, suggesting that effective combinations of work, residential, and "third place" amenities contribute strongly to local economic development.

Local land use policies often promote job-generating commercial space but ignore housing, contributing to marked and economically deleterious imbalances indicated by unsustainable growth in housing costs near employment centers, with prevailing rents sometimes extracting half or more of gross incomes in some markets.

Oft-cited benefits of mixed-income infill housing include economic diversification of town centers, improved public safety, and reduced homelessness. However, from an economic feasibility perspective, housing also serves as a "delivery mechanism" bringing along other, weaker-performing uses that may not otherwise be feasible in the foreseeable future but offer some portfolio diversity to mixed-use development concepts. From a revenue standpoint, housing presently enjoys the advantage of scarcity, and as a result it is one of few land uses where revenues can keep pace with increasing labor costs. Jurisdictions benefit from improved local economic diversification as key labor force concentrations facilitate start-ups and expansions within emerging industry clusters, as employers are increasingly focused on locations that are interesting and attractive to their employees, especially those in the "creative class", having rare or unique technical skills, or otherwise having desirable characteristics. The pursuit of housing and related mixed-use projects in small- and medium-sized downtowns appears to strongly promote local prosperity, even in cases where direct fiscal balances may be neutral or even negative.

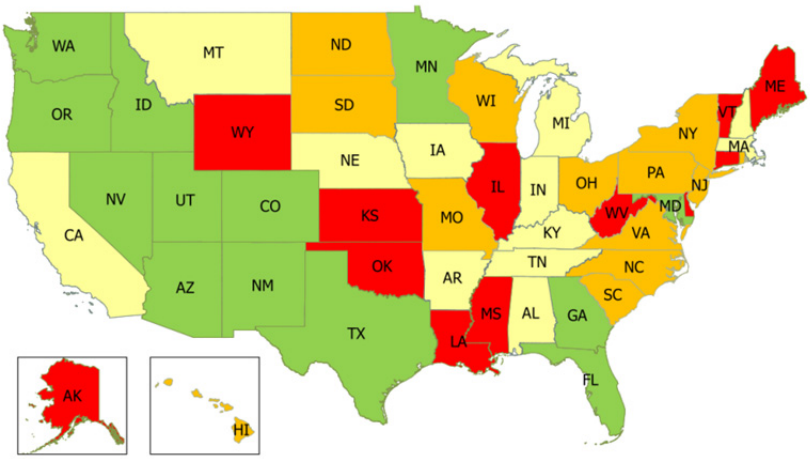
David Zehnder
Managing Principal
Economic & Planning Systems

Instead of embracing the economic contributions of future housing project inhabitants, existing residents often suffer from misperceptions and bias, citing unfounded fears of crime, social unrest, and other problems. Conversely, the economic damage inflicted on communities not recruiting these labor force assets, increasingly the bedrock of contemporary economic development strategies, may be considerable. Well-informed government agencies may enhance feasibility through a variety of incentives such as fee deferrals and waivers, appropriate policy adjustments (e.g., parking ratio reductions in transit-oriented development [TOD] projects), and when public assets are in play, land cost write-downs and/or use of ground leases. Through further education and proper government incentives, downtown housing can be positioned as a powerful tool to build a strong diverse local economy.

For More Information:
More information on housing affordability and the housing affordability index by jurisdiction can be found online presented by the California Association of Realtors - http://www.car.org/marketdata/data/haitraditional/

Q2 2017 Economic Snapshot

Annual Nonfarm Job Growth Rate By State



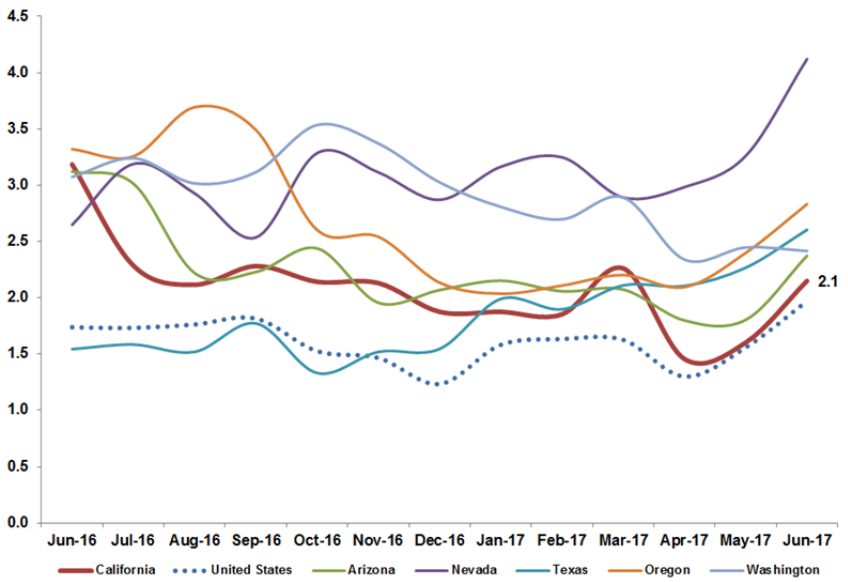
Upper		Upper-Middle		Lower-Middle		Lower	
Nevada	4.1%	**California**	**2.1%**	New York	1.7%	Louisiana	1.1%
Utah	3.4%	Tennessee	2.1%	North Dakota	1.7%	Delaware	1.0%
Florida	3.1%	New Hampshire	2.1%	Hawaii	1.7%	Mississippi	0.9%
Georgia	2.8%	Arkansas	2.1%	North Carolina	1.6%	Illinois	0.9%
Oregon	2.8%	Kentucky	2.1%	Missouri	1.6%	Connecticut	0.8%
Minnesota	2.6%	District of Columbia	2.0%	Pennsylvania	1.6%	Maine	0.7%
Texas	2.6%	Indiana	2.0%	Virginia	1.5%	Oklahoma	0.7%
Idaho	2.5%	Massachusetts	1.9%	Wisconsin	1.5%	Alaska	0.7%
Washington	2.4%	Michigan	1.9%	South Carolina	1.5%	West Virginia	0.7%
Arizona	2.4%	Nebraska	1.8%	New Jersey	1.4%	Vermont	0.6%
Maryland	2.4%	Montana	1.8%	Rhode Island	1.4%	Kansas	0.3%
New Mexico	2.3%	Iowa	1.8%	Ohio	1.3%	Wyoming	-0.8%
Colorado	2.3%	Alabama	1.8%	South Dakota	1.2%		

Source: CA Employment Development Department, Jun 2017; U.S. Bureau of Labor Statistics; EPS

Highlights

- California remained consistent with last quarter showing an increase of Nonfarm payroll jobs by 2.1 percent in the 12 months ending June 2017, ranking 13th among all states and falling to the upper-middle tier.
- As California fell to the upper-middle tier, New Mexico joined the large concentration of upper tier high job growth states located in the western region.
- South Carolina experienced the largest fall in job growth rate falling from the upper tier to the lower-middle tier with a job growth rate of 1.5 percent.
- Overall, the states saw a slight strengthening of job growth rates from last quarter with 41 states realizing an increase in job growth rates.

State Annual Nonfarm Job Growth Rate



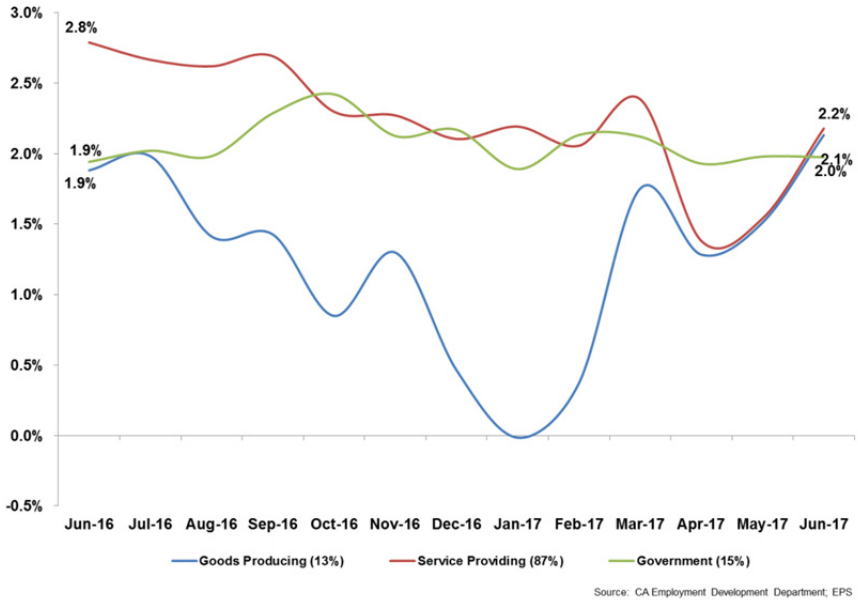
Source: CA Employment Development Department; U.S. Bureau of Labor Statistics; EPS

Highlights

- California's annual job growth rate fell at the start of the quarter but began to rebound in April, ending below Texas, Arizona, and Oregon.
- Job growth rates for the United States overall showed slight growth throughout the second quarter, but continued to trail below the individual states.
- Nevada job growth ended its downward trend from last quarter, and experienced a sharp increase in the second quarter.
- Despite a slight rise during the first quarter, Washington job growth rates have fallen to the middle of the pack.

Q2 2017 Economic Snapshot

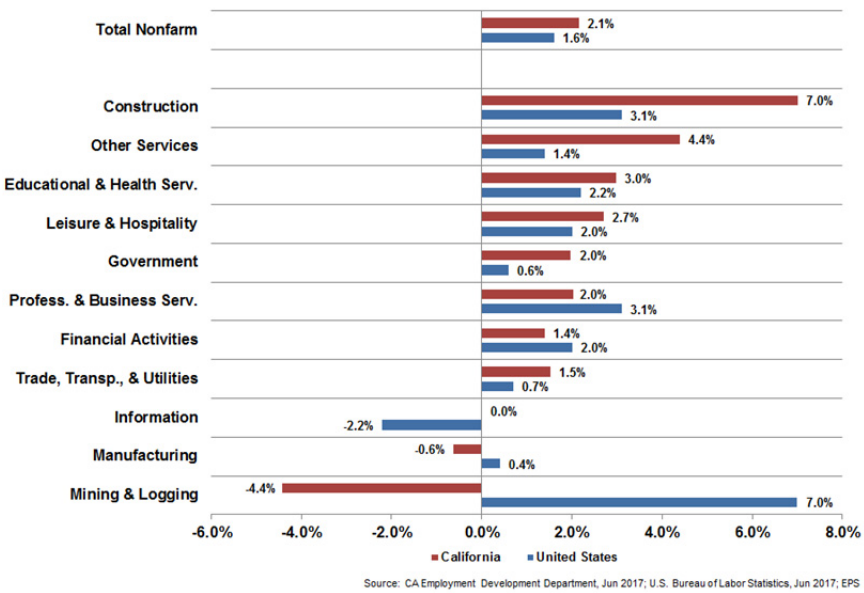
California Annual Industry Segment Job Growth Rate



Highlights

- Job growth in California's Service-Providing sectors, comprising 87 percent of Nonfarm jobs, has continued to increase after slightly falling at the beginning of the quarter.
- Growth in Goods-Producing sectors has continued to increase in job growth rates after falling at the beginning of the quarter, ending just below the Service-Providing sectors.
- Although Job growth in Government sectors remained steady in the second quarter of 2017, both Service-Providing and Goods-Producing sectors rose above Government sectors.

California & United States Annual Major Sector Job Growth Rate

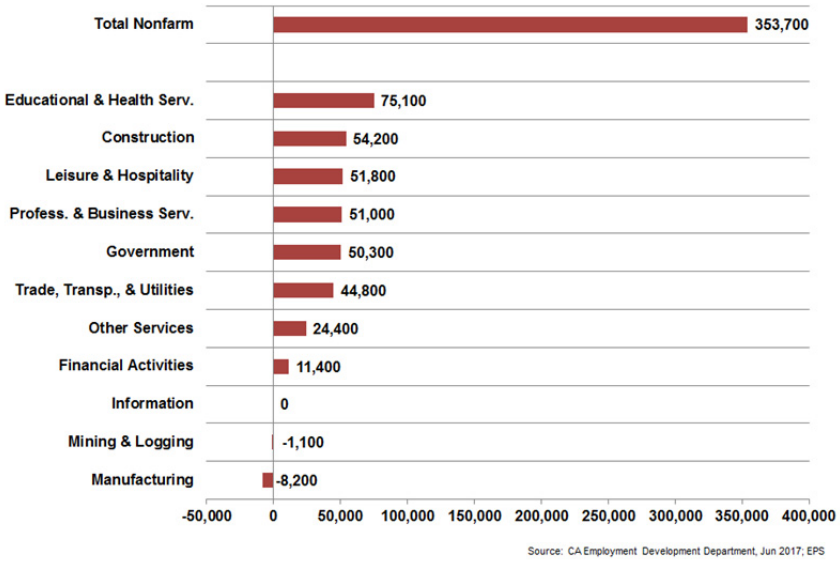


Highlights

- California's annual job growth rate outpaced the nation in seven of the 11 major sectors and in total nonfarm job growth, with positive job growth in all but three sectors.
- The most robust state job growth rate occurred in Construction, Education and Health Services, Other Services, and Leisure & Hospitality.
- Although Job growth rates in Manufacturing sector have become slightly positive for the nation overall, it has remained negative in California reflecting continued uncertainty as to the future of the global market.

Q2 2017 Economic Snapshot

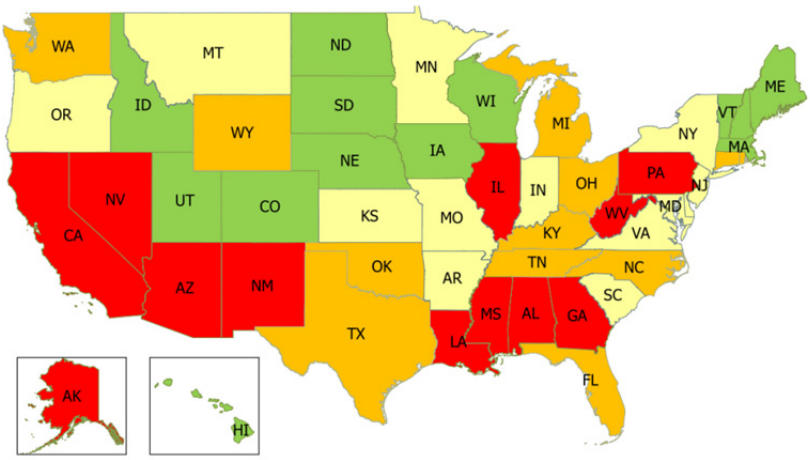
California Absolute Annual Job Gains and Losses



Highlights

- Nearly 354,000 Nonfarm jobs were added in California in the 12 months prior to June 2017, accounting for just over 17 percent of the nation's job growth.
- California's absolute job gains were strongest in Educational and Health Services, led by growth in employment in colleges, universities and professional schools.
- The Manufacturing sector continued to see the heaviest job losses in California, resulting primarily from majority of job losses in manufacturing of durable goods.

State Annual Average Unemployment Rate



Upper		Upper-Middle		Lower-Middle		Lower	
New Hampshire	2.8%	Arkansas	3.8%	Oklahoma	4.7%	**California**	**5.1%**
South Dakota	2.9%	Minnesota	3.9%	Tennessee	4.7%	Arizona	5.1%
North Dakota	2.9%	Indiana	3.9%	Florida	4.7%	Nevada	5.1%
Colorado	2.9%	Montana	4.0%	Wyoming	4.8%	Georgia	5.3%
Hawaii	2.9%	Virginia	4.0%	Texas	4.8%	Pennsylvania	5.3%
Vermont	3.1%	Kansas	4.1%	Michigan	4.8%	Illinois	5.4%
Nebraska	3.2%	Maryland	4.2%	Rhode Island	4.8%	West Virginia	5.4%
Utah	3.3%	Oregon	4.4%	Connecticut	4.9%	Mississippi	5.5%
Iowa	3.4%	Missouri	4.4%	North Carolina	4.9%	Alabama	5.7%
Idaho	3.5%	South Carolina	4.4%	Ohio	5.0%	Louisiana	5.9%
Maine	3.6%	Delaware	4.5%	Kentucky	5.0%	District of Columbia	5.9%
Massachusetts	3.6%	New Jersey	4.6%	Washington	5.0%	Alaska	6.7%
Wisconsin	3.8%	New York	4.7%			New Mexico	6.8%

Source: CA Employment Development Department, Jun 2017; U.S. Bureau of Labor Statistics; EPS

Highlights

- California's annual average unemployment rate slightly dropped from last quarter to 5.1 percent, remaining in the lower tier.
- High unemployment rates have concentrated in the southeast—containing four of the lowest tier states as Georgia falls to the lower tier and Florida continues to land in the lower-middle tier.
- Twenty-five percent of unemployed Californians have been out of work for more than 27 weeks, a figure that is still higher than the national average of 12 percent.
- California's "real" unemployment, accounting for underemployed and marginally attached workers, was 11 percent, also higher than the nation.

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

Upper		Upper-Middle	
Yuba City MSA	5.0%	**Riverside MSA**	**3.4%**
Alpine County	4.6%	Tuolumne County	3.4%
Madera MSA	4.1%	Visalia MSA	3.4%
Tehama County	3.9%	Mono County	3.3%
Modesto MSA	3.8%	Napa MSA	3.2%
Chico MSA	3.8%	Glenn County	3.1%
Redding MSA	3.8%	Merced MSA	3.1%
Calaveras County	3.7%	Lake County	3.0%
Amador County	3.6%	Trinity County	2.8%
Oxnard MSA	3.6%	Santa Cruz MSA	2.7%
San Francisco MSA	**3.5%**	San Luis Obispo MSA	2.6%
Mariposa County	3.5%	**Los Angeles MSA**	**2.4%**

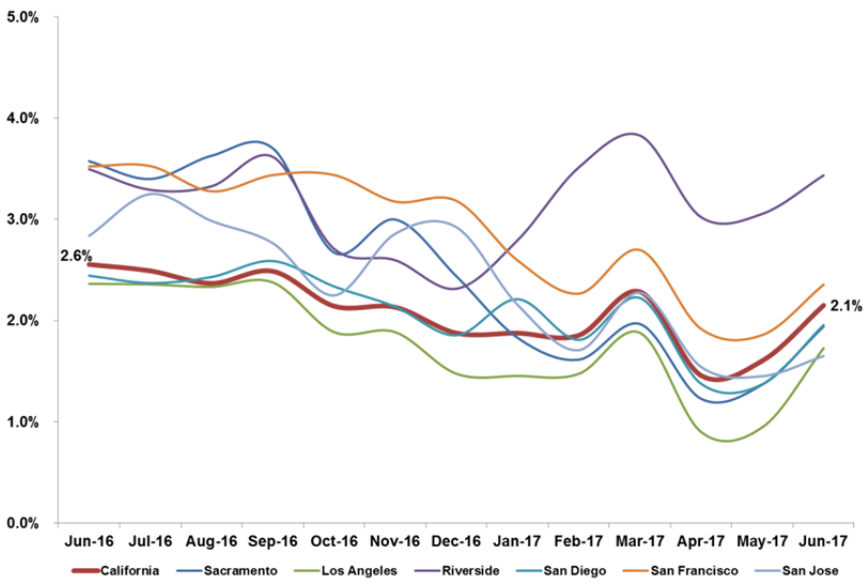
Lower-Middle		Lower	
Fresno MSA	2.3%	Siskiyou County	1.5%
Santa Rosa MSA	2.1%	Salinas MSA	1.5%
Stockton MSA	2.1%	Inyo County	1.4%
San Diego MSA	2.0%	Colusa County	1.4%
Sacramento MSA	**1.9%**	Hanford MSA	1.3%
El Centro MSA	1.9%	Bakersfield MSA	1.1%
Humboldt County	1.8%	Vallejo MSA	0.3%
Santa Maria MSA	1.8%	Mendocino County	0.2%
San Jose MSA	**1.6%**	Nevada County	0.2%
Modoc County	1.6%	Lassen County	-0.2%
Sierra County	1.5%	Del Norte County	-1.5%
		Plumas County	-1.6%

Source: CA Employment Development Department, June 2017; EPS

Highlights

- Amador County had the largest drop in job growth rate of all state markets in the second quarter, dropping almost 2 percent while staying in the upper tier.
- The metro of Sacramento saw a slight downward spike from last quarter, falling from the upper-middle tier to the lower-middle tier.
- Alpine county had a positive job growth rate of 4.6 percent, moving from the lower to the upper tier.
- The San Francisco MSA has remained in the upper tier and accounted for 11 percent of the state's absolute job growth alone, and 32 percent when combined with the Los Angeles MSA.

California Large MSA Annual Nonfarm Job Growth Rate



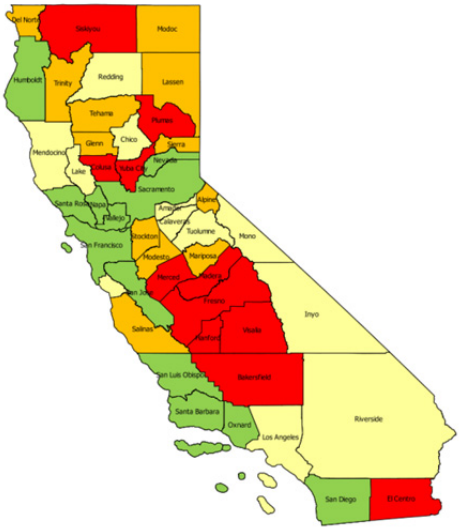
Source: CA Employment Development Department; EPS

Highlights

- Following a steady rise for all of the metros at the end of the first quarter, all six metros saw an initial decline in the second quarter but were able to mostly recover, ending just below first quarter rates for five of the six metros.
- Riverside has continued the trend from the previous quarter and led the other metros in job growth rate.
- California's annual job growth rate ended in the middle of the six largest metros at 2.1 percent.
- San Jose did not recover from the slight decline at the beginning of the quarter at the same pace as the other metros, ending below the other five metros.

Q2 2017 Economic Snapshot

Annual Average Unemployment Rate for Metropolitan and Non-Metropolitan Areas



Upper		Upper-Middle	
San Jose MSA	**3.5%**	Inyo County	5.0%
Santa Rosa MSA	3.6%	Mendocino County	5.0%
Napa MSA	3.8%	Mono County	5.2%
San Luis Obispo MSA	3.8%	**Los Angeles MSA**	**5.3%**
San Francisco MSA	**4.1%**	**Riverside MSA**	**5.4%**
San Diego MSA	4.3%	Calaveras County	5.5%
Santa Maria MSA	4.5%	Amador County	5.7%
Nevada County	4.6%	Tuolumne County	6.0%
Oxnard MSA	4.7%	Chico MSA	6.0%
Humboldt County	4.7%	Redding MSA	6.3%
Sacramento MSA	**4.8%**	Santa Cruz MSA	6.3%
Vallejo MSA	5.0%	Lake County	6.4%

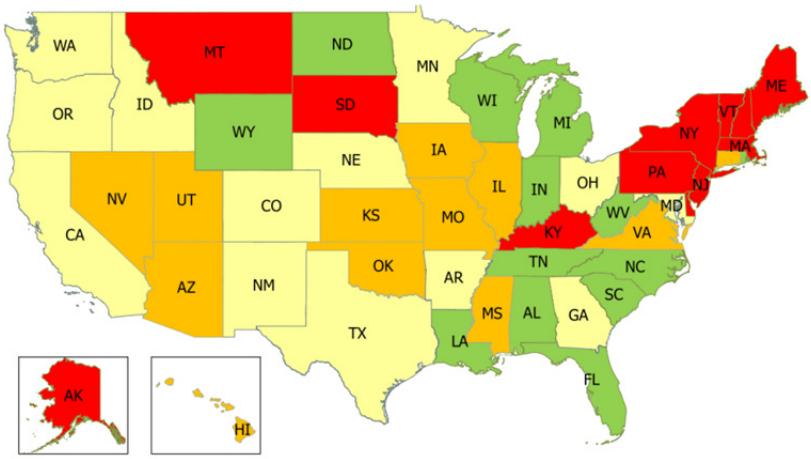
Lower-Middle		Lower	
Alpine County	6.6%	Siskiyou County	8.1%
Mariposa County	6.6%	Madera MSA	8.4%
Lassen County	6.7%	Yuba City MSA	8.5%
Trinity County	6.9%	Fresno MSA	8.7%
Salinas MSA	6.9%	Hanford MSA	9.2%
Tehama County	6.9%	Plumas County	9.4%
Del Norte County	7.2%	Bakersfield MSA	9.5%
Sierra County	7.3%	Merced MSA	9.7%
Stockton MSA	7.4%	Visalia MSA	10.1%
Modoc County	7.6%	Colusa County	15.1%
Modesto MSA	7.8%	El Centro MSA	21.7%
Glenn County	8.1%		

Source: CA Employment Development Department, June 2017; EPS

Highlights

- 19 markets had rates below 6 percent, placing the nearly one-half of all California markets near full employment levels.
- The four Bay Area markets continue to experience the lowest unemployment rates in the state, which has been consistent with the previous four quarters.
- The El Centro market continues to experience unemployment rates significantly higher than the rest of the state, ending with an unemployment rate 15.6 points higher than the average rate seen in California.

State Leading Index 2017



Upper		Upper-Middle		Lower-Middle		Lower	
Tennessee	7.0%	Washington	2.2%	Utah	1.5%	South Dakota	0.6%
Alabama	6.4%	Colorado	2.2%	Mississippi	1.1%	New Jersey	0.6%
North Dakota	5.1%	Oregon	2.0%	Nevada	1.1%	Kentucky	0.5%
Michigan	4.1%	**California**	**2.0%**	Iowa	1.0%	New Hampshire	0.3%
Rhode Island	3.5%	New Mexico	1.9%	Missouri	1.0%	New York	0.2%
Wyoming	3.0%	Texas	1.8%	Hawaii	0.9%	Alaska	0.2%
South Carolina	2.9%	Georgia	1.8%	Oklahoma	0.9%	Vermont	0.0%
Louisiana	2.8%	Ohio	1.8%	Virginia	0.9%	Delaware	-0.1%
Florida	2.7%	Nebraska	1.7%	Arizona	0.8%	Pennsylvania	-0.1%
Wisconsin	2.5%	Minnesota	1.7%	Kansas	0.8%	Montana	-0.6%
West Virginia	2.4%	Arkansas	1.6%	Connecticut	0.7%	Maine	-1.9%
North Carolina	2.3%	Maryland	1.6%	Illinois	0.7%	Massachusetts	-2.2%
Indiana	2.3%	Idaho	1.6%				

Source: Federal Reserve Bank of St. Louis, Jun 2017; EPS.

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 17th overall in June 2017, remaining consistent with the previous quarter. Economic conditions may improve within the next quarter.

Economic trends to follow:

- Consumer price data shows CPI figures for Q2 have fallen below the Federal Reserve's 2 percent targeted growth, suggesting a delay of anticipated rate hikes.
- The leading economic index (LEI) posted a strong gain in June, indicating continued growth in the U.S economy and moderate improvement in GDP growth in the second half of the year.

For questions regarding the report findings, please contact Sean Fisher, EPS Associate, at (916) 649-8010 or sfisher@epssac.com. For media and other inquiries, please contact Michelle Stephens, CALED Economic Development Manager, at (916) 448-8252 or michelle@caled.org.