CALIFORNIA ECONOMIC SNAPSHOT

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Corridor Communities as Climate and Equity Solutions: A Case for California's Leadership

Today's converging challenges of climate change, social inclusion, macroeconomic dysfunction, global disorder, and a dramatic housing shortage call for aggressive, grand strategic moves. Land use policies must align pent-up demand for housing with private capital to harness our economy to do the strategic heavy lifting. Smart infill development of transit-oriented corridors could be the key to unlocking value in our communities.

In Emerging Trends in Real Estate 2022, PWC captured market sentiment: "People want that 15-minute lifestyle if they can get it. They want walkable, amenitized, real places that allow them to live fuller lives without having to get into a car and transition from one segment of their life to another." To leverage that demand, we will need to adopt a new arterial structure for people and goods; a new economic vasculature - a network of higher-capacity, zero-carbon passenger and freight capable transit to connect these multipurpose walkable, bikeable, complete, healthy and equitable communities into corridors.

These connected regenerative corridors can radiate out from thriving urban cores, with decreasing levels of density, into the rural reaches of the metropolitan greenbelt. Close in corridor nodes become net consumers of energy, food, and materials. Greenbelts become net producers, returning biological waste into soil, turning soil into food, harvesting sunlight and wind into clean energy, and producing safe and healthy materials for the system.

California can and should lead. The State's $15 billion Climate Package provides the kind of policy independence that can fuel needed innovation and set the pattern for infrastructure-led regenerative economics nationwide.

In fact, we already are redesigning how people and goods move through our economy. The City of Riverside, California is leading the way, planning a new street-running electric railway system that will connect downtown and the UC-Riverside campus, using battery-powered streetcars to eliminate the substantial capex and opex associated with wayside power systems.

Such transit-oriented communities poised for growth need to use energy more efficiently. The City of Sacramento is preparing to serve the Sacramento Valley Station area south of its high-speed rail terminus and multimodal transit hub using 'district utilities,' providing campus-like water and thermal utility service to multiple buildings, in the process gaining an additional 40-50 percent energy efficiency over conventional zero-carbon solutions.

We must also direct investment to distressed areas with place-based, equitable plans. Sacramento stands out again, with its Stockton Boulevard Corridor Plan. Linear development strategies like these represent an opportunity to invigorate and connect the local economy, creating good-paying, locally-serving jobs backed by substantial foot traffic.

Not only good for the planet, these approaches can help supply significant near-term benefits to any region. Such is the case with the proposed Aggie Square, a 1,000,000 square foot development along the Stockton Boulevard Corridor in Sacramento, expected to add $5 billion to the regional economy as well as 5,000 construction and 25,000 permanent jobs. At the household level, concentrating jobs and housing along high-capacity transit corridors served by district utilities can save median income families thousands of dollars a year by dropping a car while saving on utility bills.

Corridor-based regenerative development is where the market, the planet, and society all have the best chance of thriving. But with observed climate impacts well ahead of even the best models, there is no time to wait the years, if not decades, it would take to scale and connect these solutions.

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.

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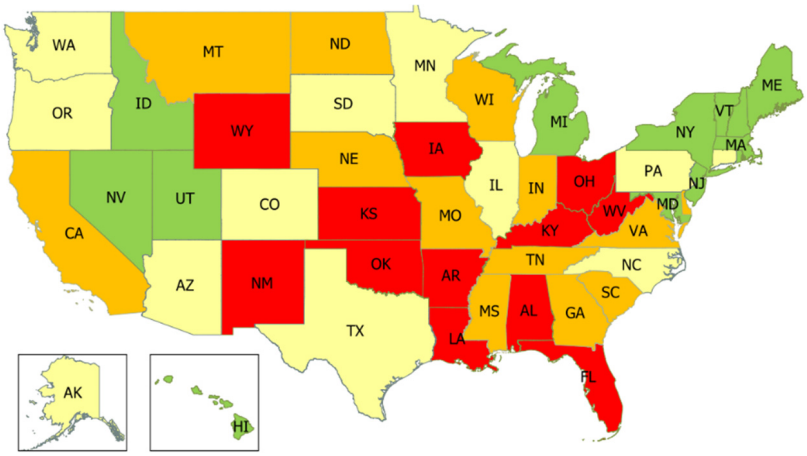
Annual Nonfarm Job Growth Rate By State



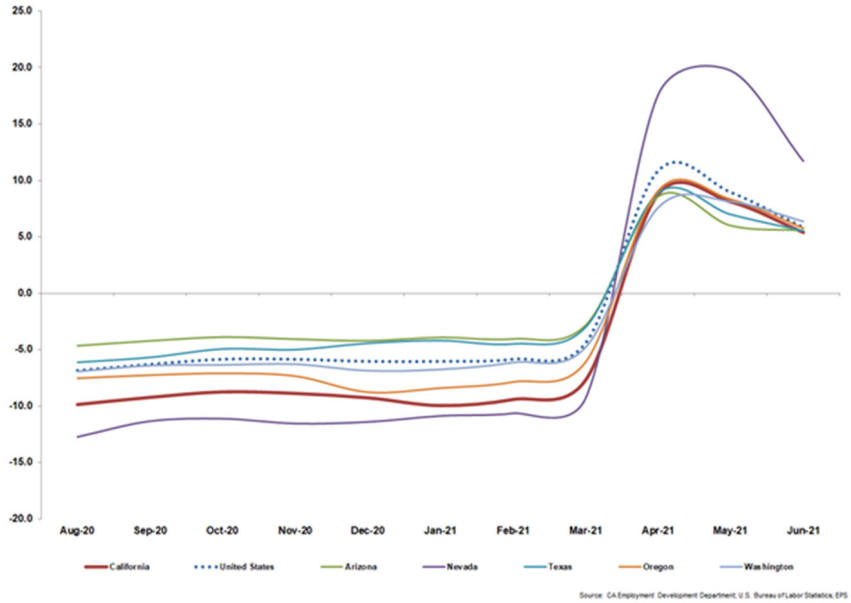
Upper		Upper-Middle		Lower-Middle		Lower	
Nevada	11.7%	Connecticut	6.6%	Tennessee	5.5%	Florida	4.6%
New Jersey	10.1%	Minnesota	6.5%	Georgia	5.4%	Kentucky	4.6%
Massachusetts	9.3%	Pennsylvania	6.5%	**California**	**5.4%**	Alabama	4.6%
Hawaii	9.1%	Washington	6.4%	Delaware	5.4%	Arkansas	4.6%
Rhode Island	9.0%	Colorado	6.1%	Virginia	5.3%	Iowa	4.6%
Vermont	8.6%	North Carolina	5.9%	Wisconsin	5.2%	New Mexico	4.4%
Maine	8.5%	Alaska	5.9%	Missouri	5.0%	Kansas	4.3%
New York	8.2%	Illinois	5.9%	Mississippi	5.0%	Louisiana	4.0%
New Hampshire	7.6%	South Dakota	5.8%	South Carolina	4.9%	Ohio	3.9%
Michigan	7.4%	Oregon	5.8%	North Dakota	4.9%	Wyoming	3.8%
Maryland	7.3%	Arizona	5.6%	Nebraska	4.8%	District of Columbia	3.8%
Utah	6.9%	Texas	5.5%	Montana	4.7%	West Virginia	3.5%
Idaho	6.6%			Indiana	4.7%	Oklahoma	2.4%

Source: CA Employment Development Department, June 2021; U.S. Bureau of Labor Statistics; EPS

Highlights

- All states experienced positive job growth rates in the second quarter, reversing the negative job growth rates experienced through the past four quarters resulting from the current COVID-19 Pandemic.
- California has risen to the lower-middle tier with a job growth rate of 5.4%, an increase of 13 percentage points from the previous quarter.
- Nevada experienced the highest job growth rate at 11.7 percent.
- Despite experiencing the most negative job growth rate in the previous quarter, Hawaii has risen to the upper tier.

State Annual Nonfarm Job Growth Rate



Highlights

- All analyzed states experienced a spike in job growth rates at the beginning of the second quarter and have seen a reduction in job growth rates since April.
- Following the trend experienced by all analyzed states, job growth rates for the United States increased significantly in the first quarter showing positive job growth for the first time in the past year.
- Job growth rates in Nevada spiked above all other analyzed states ending the quarter with the highest job growth rate.

Quarterly data becomes available 30 or more days after the final day of the quarter.

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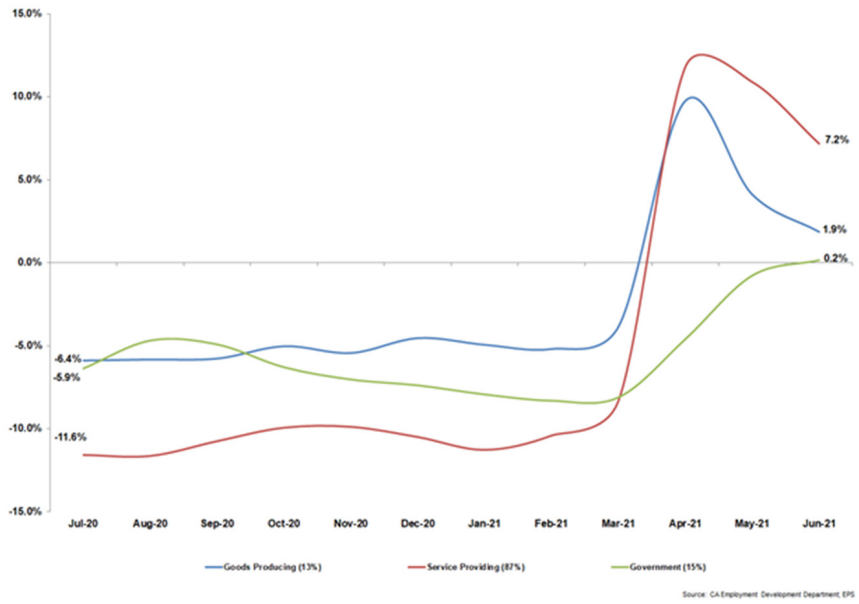
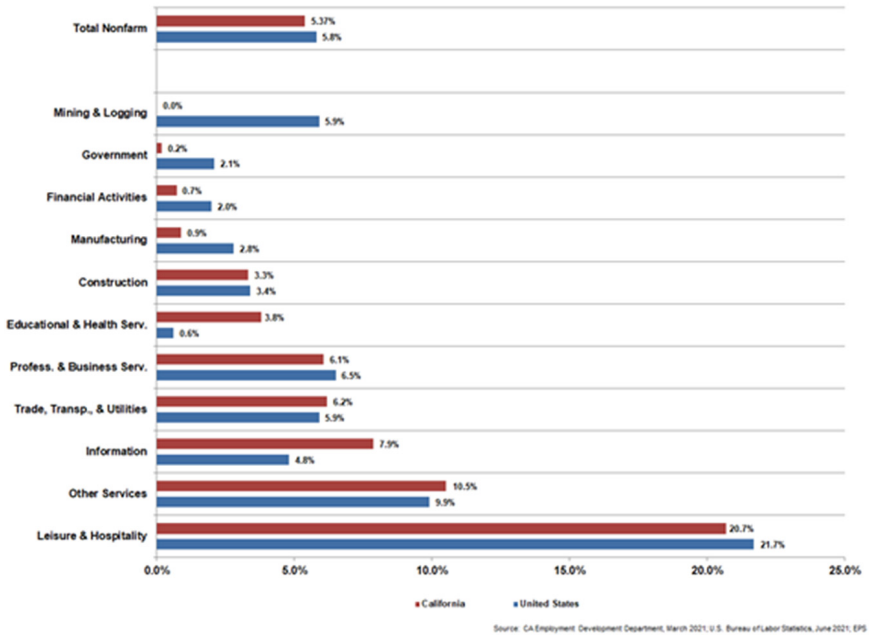
California Annual Industry Segment Job Growth Rate



Highlights

- After realizing negative job growth rates for the past four quarters, job growth rates in California's Service-Providing sectors, comprising 87 percent of Nonfarm jobs, rose significantly in the second quarters ending the highest of all sectors.
- Following a spike early in the second quarter, job growth rates in Goods-Producing sectors decreased significantly in the latter half of the second quarter.
- Despite ending the quarter with a slightly positive job growth rate, Government sector job growth rates remained negative for most of the second quarter.

California & United States Annual Major Sector Job Growth Rate



Highlights

- California's annual job growth rate remains below the nation in seven of the 11 major sectors and total Nonfarm job growth. Positive or neutral job growth was experienced in all sectors.
- The most drastic increases in state job growth rates occurred in Leisure and Hospitality.
- While the Mining and Logging sector experienced sizable positive job growth rates nationally, California experienced no job growth or loss in the Mining and Logging sector.

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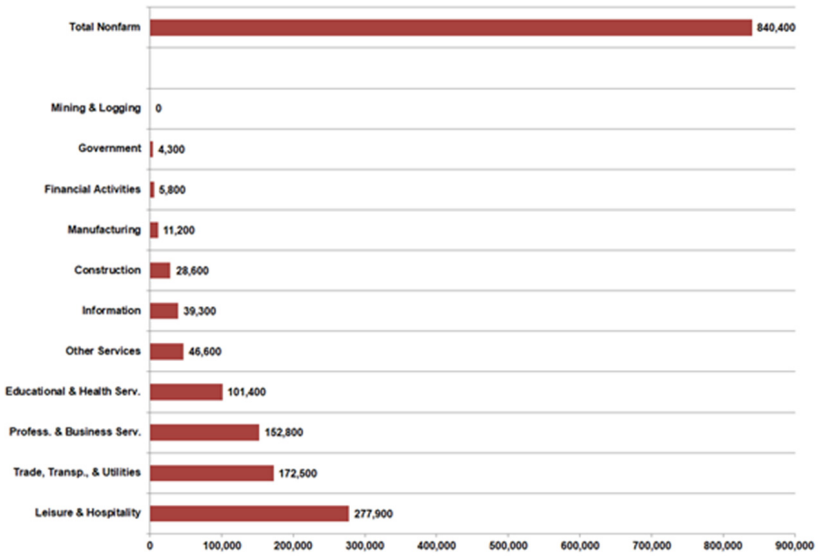
California Absolute Annual Job Gains and Losses

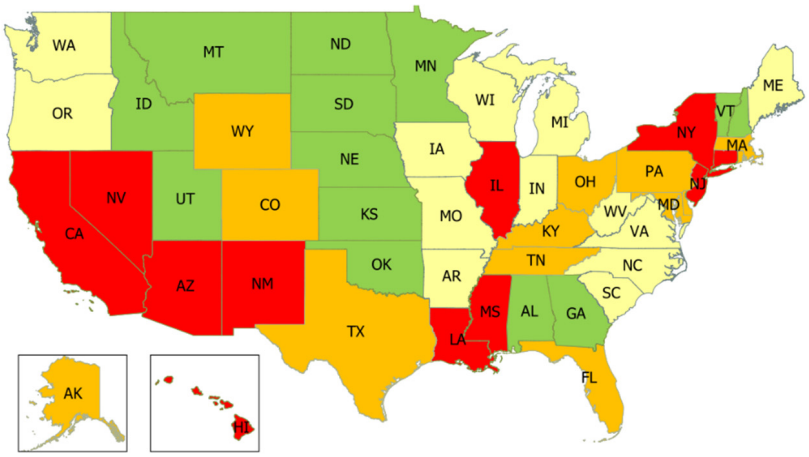


Source: CA Employment Development Department, March 2021; EPS

Highlights

- Over 840,000 Nonfarm jobs were gained in California in the 12 months prior to June 2021.
- California's absolute job growth was strongest in Leisure and Hospitality, led by growth in employment in Amusement Park, Spectator Sport, and Drinking Place occupations.
- California experienced positive job growth across all sectors.

State Annual Average Unemployment Rate



Upper		Upper-Middle		Lower-Middle		Lower	
Nebraska	2.7%	South Carolina	4.5%	Massachusetts	5.4%	Connecticut	6.8%
Utah	3.1%	Wisconsin	4.5%	Kentucky	5.5%	District of Columbia	7.2%
New Hampshire	3.1%	Virginia	4.5%	Tennessee	5.6%	New York	7.2%
Idaho	3.2%	Iowa	4.7%	Wyoming	5.6%	Arizona	7.3%
South Dakota	3.3%	Indiana	4.7%	Florida	5.7%	Louisiana	7.4%
Vermont	3.6%	North Carolina	4.9%	Rhode Island	5.8%	Mississippi	7.6%
Alabama	3.7%	Arkansas	5.0%	Delaware	5.9%	Hawaii	7.8%
Oklahoma	3.8%	Missouri	5.1%	Ohio	6.3%	Illinois	7.9%
Montana	4.0%	Maine	5.1%	Colorado	6.3%	New Jersey	7.9%
Kansas	4.4%	West Virginia	5.1%	Pennsylvania	6.4%	**California**	**8.0%**
Minnesota	4.4%	Washington	5.2%	Alaska	6.5%	Nevada	8.3%
North Dakota	4.4%	Oregon	5.2%	Maryland	6.7%	New Mexico	8.4%
Georgia	4.5%	Michigan	5.3%	Texas	6.7%		

Source: CA Employment Development Department, June 2021; U.S. Bureau of Labor Statistics; EPS

Highlights

- Approximately one half of all states saw a decrease in unemployment from the previous quarter.
- With an unemployment rate of 8.0 percent, slightly lower than the previous quarter, California remains in the lower tier.
- All states remained consistent with unemployment rates seen in the previous quarter, with the largest change being a 1.4 percentage point decrease.
- Approximately 39.0 percent of unemployed Californians have been out of work for more than 27 weeks, a figure slightly lower than the national average of 39.3 percent.
- California's "real" unemployment rate, accounting for underemployed and marginally attached workers, was 15.7 percent, higher than the national average of 11.9 percent.

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

Upper		Upper-Middle	
Alpine County	24.0%	**Los Angeles MSA**	**6.0%**
Mono County	21.5%	Salinas MSA	5.9%
Sierra County	13.1%	Humboldt County	5.7%
Mariposa County	12.0%	El Centro MSA	5.5%
Colusa County	11.8%	**Riverside MSA**	**5.5%**
Lake County	10.2%	Amador County	5.1%
Modoc County	7.5%	**San Diego MSA**	**5.1%**
Santa Maria MSA	7.2%	Merced MSA	4.9%
Napa MSA	6.8%	**Sacramento MSA**	**4.8%**
Trinity County	6.3%	Nevada County	4.7%
Glenn County	6.3%	**San Francisco MSA**	**4.6%**
Plumas County	6.1%	Oxnard MSA	4.6%

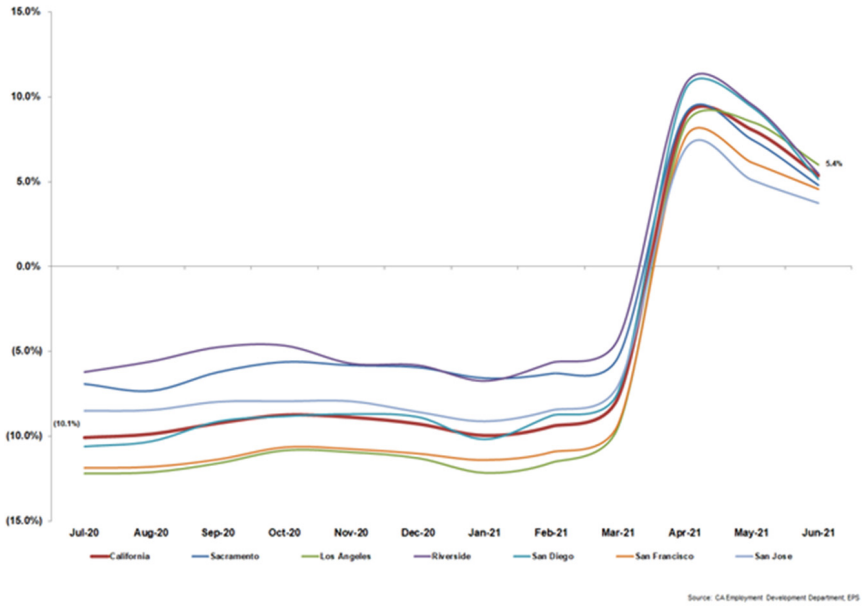
Lower-Middle		Lower	
Stockton MSA	4.5%	San Luis Obispo MSA	3.1%
Bakersfield MSA	4.4%	Santa Cruz MSA	3.1%
Santa Rosa MSA	4.3%	Lassen County	3.0%
Modesto MSA	4.3%	Fresno MSA	2.9%
Vallejo MSA	4.1%	Chico MSA	2.8%
Tuolumne County	4.1%	Visalia MSA	2.5%
Calaveras County	3.8%	Del Norte County	2.3%
San Jose MSA	**3.7%**	Tehama County	2.1%
Madera MSA	3.7%	Yuba City MSA	1.7%
Redding MSA	3.6%	Hanford MSA	0.8%
Mendocino County	3.1%	Inyo County	0.0%
		Siskiyou County	-0.2%

Source: CA Employment Development Department, June 2021; EPS

Highlights

- Except for Siskiyou County, all California metros experienced positive job growth rates in the second quarter, reversing negative job growth rates experienced in the past four quarters.
- The San Francisco and Los Angeles metros rose from the lower tier to the upper-middle tier. The Los Angeles metro accounts for 39 percent of the state's absolute job gains alone and 51 percent when combined with the San Francisco metro.

California Large MSA Annual Nonfarm Job Growth Rate



Highlights

- Job growth rates in all the major California metros followed the same trends as seen throughout the nation, with a spike in job growth rates at the beginning of the second quarter of 2021 and a marked decline later in the first quarter.
- Despite being the lowest among the major metros for the past three quarters, job growth rates in the Los Angeles metro ended highest among all major metros.

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Annual Average Unemployment Rate for Metropolitan and Non-Metropolitan Areas

Upper		Upper-Middle	
San Francisco MSA	**5.3%**	Humboldt County	7.4%
San Jose MSA	**6.2%**	Napa MSA	7.5%
Lassen County	6.3%	Oxnard MSA	7.5%
Sierra County	6.6%	Glenn County	7.5%
San Luis Obispo MSA	6.7%	**Los Angeles MSA**	**7.6%**
Calaveras County	6.7%	Redding MSA	7.7%
Trinity County	6.8%	Mendocino County	7.7%
Inyo County	6.8%	**Sacramento MSA**	**7.8%**
Santa Rosa MSA	6.8%	Tehama County	7.9%
Nevada County	6.8%	Santa Cruz MSA	8.1%
Santa Maria MSA	7.0%	Chico MSA	8.1%
Modoc County	7.3%		

Lower-Middle		Lower	
Amador County	8.1%	Plumas County	9.4%
San Diego MSA	**8.2%**	Modesto MSA	9.5%
Lake County	8.4%	Madera MSA	9.5%
Siskiyou County	8.6%	Yuba City MSA	9.7%
Del Norte County	8.7%	Fresno MSA	10.1%
Vallejo MSA	8.8%	Stockton MSA	10.1%
Tuolumne County	8.8%	Hanford MSA	10.4%
Riverside MSA	**9.0%**	Merced MSA	11.0%
Salinas MSA	9.0%	Bakersfield MSA	11.2%
Mono County	9.1%	Visalia MSA	11.6%
Alpine County	9.2%	Colusa County	12.6%
Mariposa County	9.4%	El Centro MSA	18.9%

Source: CA Employment Development Department, June 2021; EPS

Highlights

- The San Jose and San Francisco markets experienced the lowest average unemployment rates for the twelve months ended in June 2021 and most of the Bay Area metros and counties remain in the upper tier, consistent with trends seen in the past year.
- Throughout the second quarter, unemployment rates have decreased throughout California with all but three markets seeing unemployment rates in the second quarter lower than those experienced in the previous quarter.

State Leading Index

The State Leading Index indicator predicts the six-month growth rate of the Coincident Index for each state, combining several indicators of current conditions.

Given the sudden, extreme impact of the COVID-19 outbreak on initial unemployment claims in recent weeks, our researchers' standard approach for estimating the six-month change in coincident indexes is not appropriate. Therefore, the Federal Reserve Bank has suspended the release of the state leading indexes indefinitely.

Economic trends to follow:

- Consumer confidence and buying plans both rebounded in June, but shortages of automobiles, new and existing homes, household appliances and a whole host of other items continue to weigh on the recovery.
- Second quarter GDP came in softer than expectations, due in part to supply chain problems as businesses had to rely on existing inventories to meet demand, resulting in diminished growth.

Quarterly Highlights

- Throughout the second quarter, all states experienced positive job growth rates, signaling the start of economy recovery after sudden loss of jobs in early 2020 resulting from the COVID-19 Pandemic.
- Similar to nationwide trends, all but one metro in California experienced positive job growth rates throughout the second quarter.
- Despite positive job growth, unemployment rates remained fairly consistent with the previous quarter, indicating a number of individuals reentering the workforce.

For questions regarding the report findings, please contact Sean Fisher, EPS Associate, at (916) 649-8010 or sfisher@epssac.com.
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