

growing a city

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may 7, 2019

roadmap for today

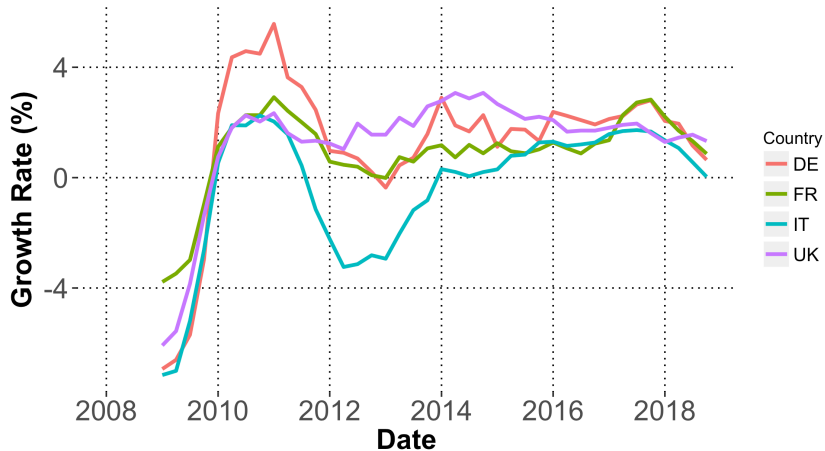
- global and national outlook
- recent local trends
- where do we go from here?
 - major issues (good and bad)

global outlook

global outlook
kinda sucks

Real GDP Growth

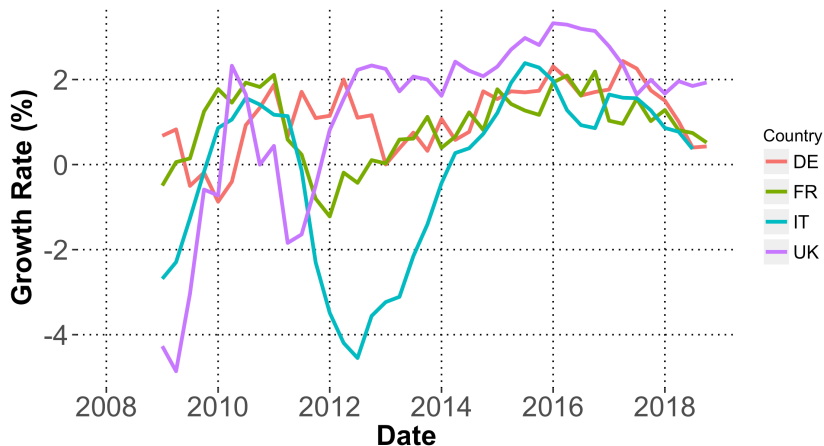
Year-on-Year



Source: Eurostat
EuropeanSnapshot.com

Real Household Consumption Growth

Year-on-Year



Source: Eurostat
EuropeanSnapshot.com

US

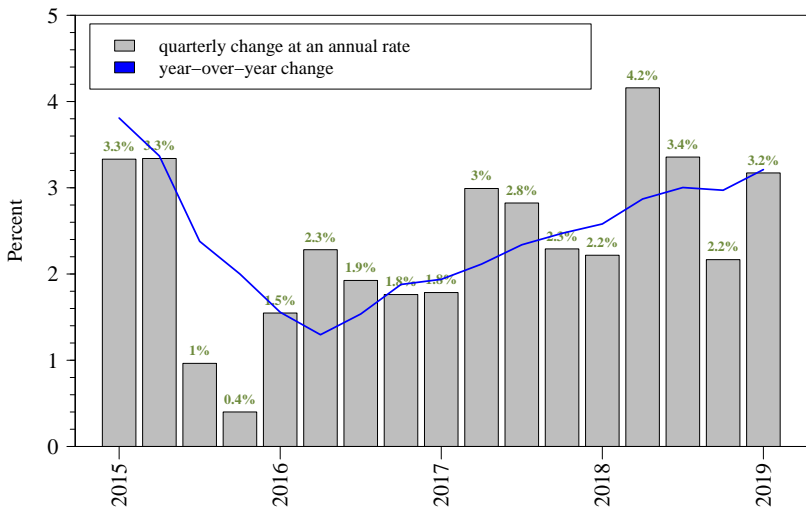
US

doesn't suck

strong US economy

- income, profits, stocks...all up
- strongest labor market since?
- financially more robust

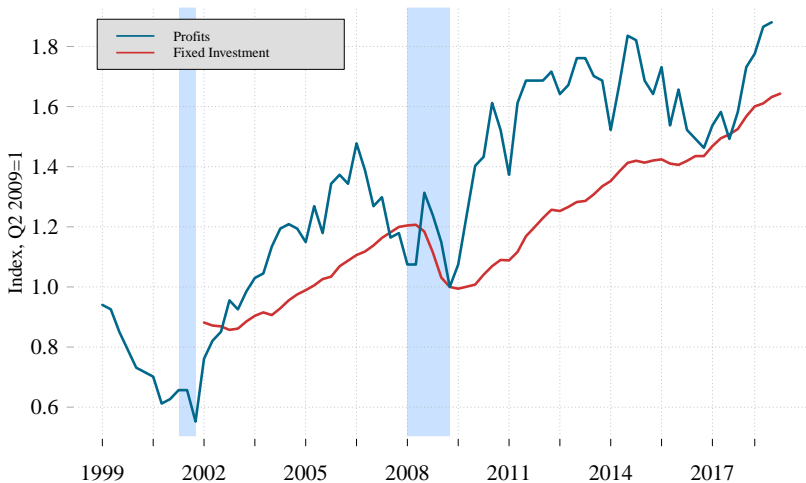
Real GDP



Economic Forecast Project

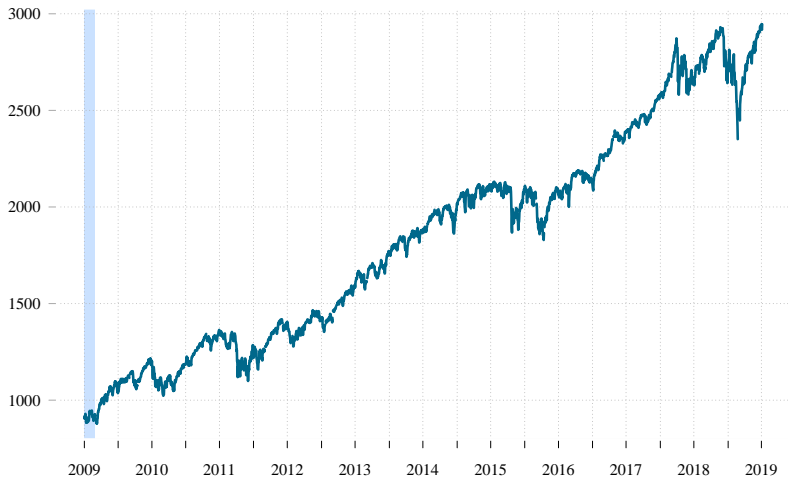
Source: BEA

Non-residential Fixed Investment and Corporate Profits

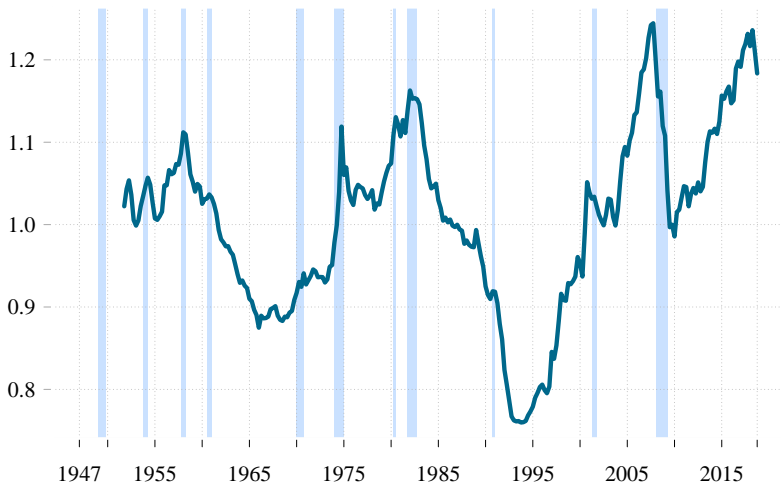


S&P 500

Index

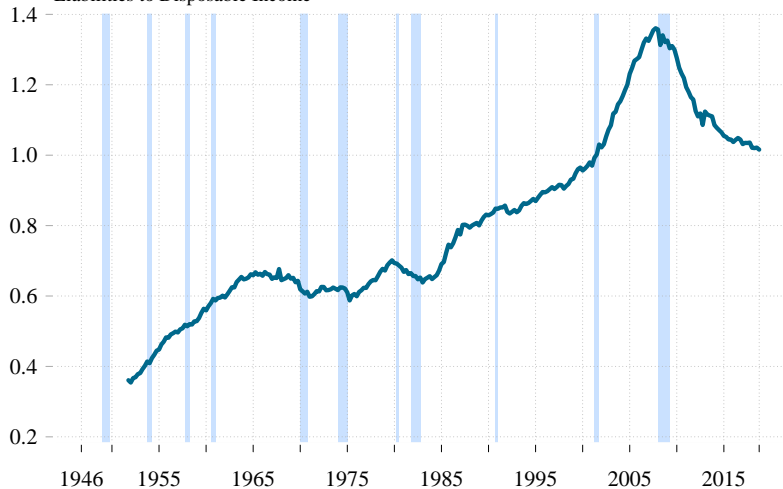


Net Worth, Nonfinancial Corporate Business Ratio to GDP



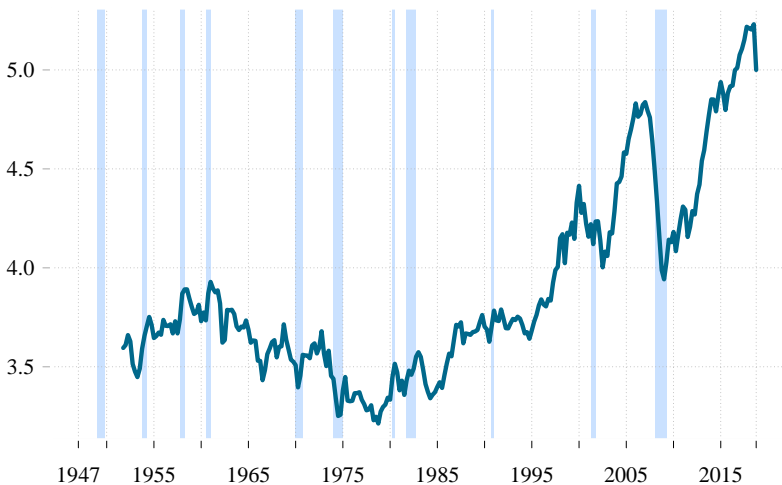
Household Leverage

Liabilities to Disposable Income



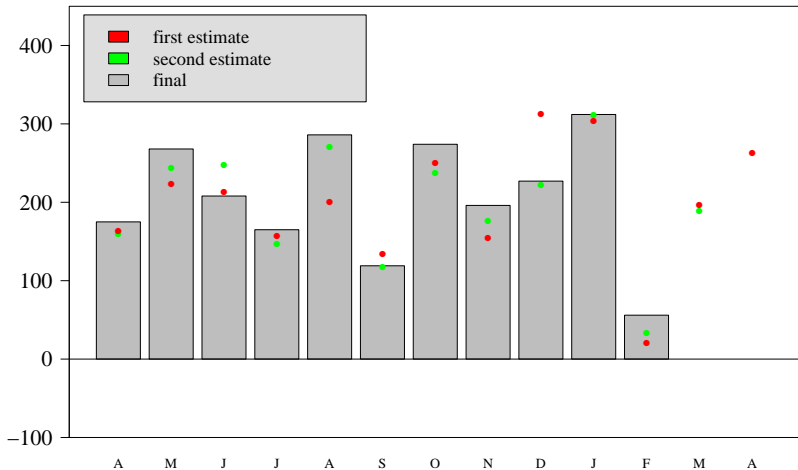
Household Net Worth (Assets–Liabilities)

Ratio to GDP



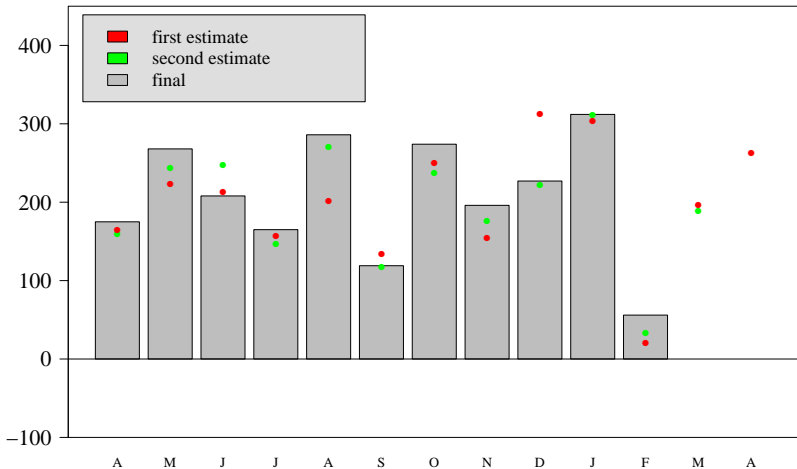
Net Payroll Employment Change

Thousands, SA



Net Payroll Employment Change

Thousands, SA



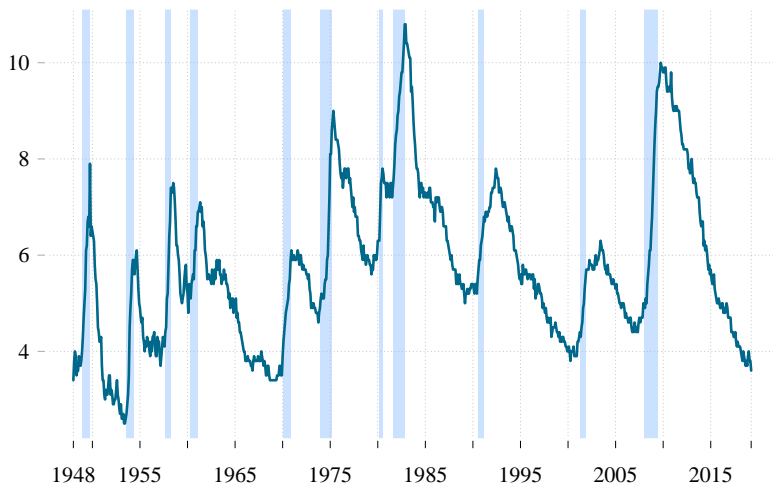
Economic Forecast Project

Source: BLS

what did the forecasters forecast?

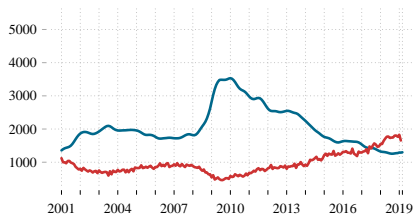
Unemployment Rate

Percent, SA

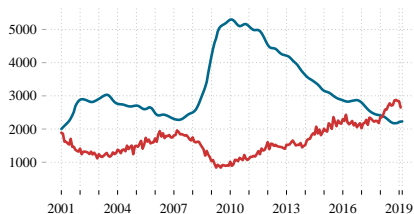


vacancies and unemployment

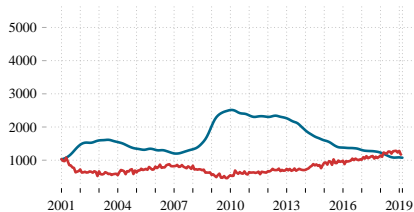
Midwest



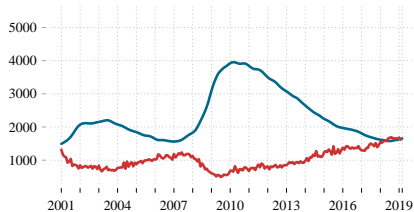
South



Northeast



West

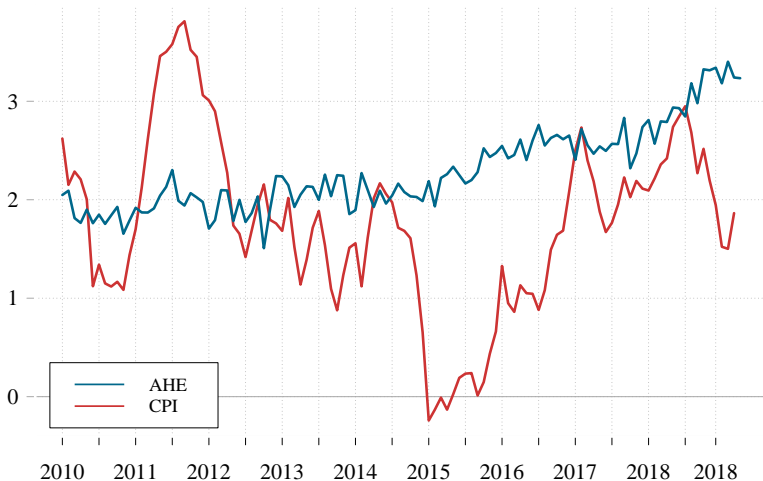


— Unemployed Persons (000's)

— Vacancies, (000's)

Inflation and Average Hourly Earnings

Percent change from a year ago



growing a city

growing a city

- what is a city?

growing a city

- what is a city?
 - people
 - housing
 - jobs
 - schools
 - stores
 - parks and rec
 - health
 - safety

growing a city

- growing a city entails choices

growing a city

- growing a city entails choices
 - agricultural land vs. residential
 - manufacturing vs. services
 - high density/low income housing
 - oil? cannabis? wine tasting?
- start by examining the data

growing a city
population dynamics

Population and Components of Change: Santa Barbara County

	Population July 1	Population Change	Births	Deaths	Natural Increase	Net Migration	Population Growth Rate
2005	411,683	493	6,301	2,936	3,365	-2,872	0.12
2006	412,853	1,170	6,175	2,860	3,315	-2,145	0.28
2007	416,648	3,795	6,252	2,708	3,544	251	0.92
2008	419,970	3,322	6,327	2,898	3,429	-107	0.80
2009	422,423	2,453	6,180	2,876	3,304	-851	0.58
2010	423,567	1,144	5,970	2,879	3,091	-1,223	0.27
2011	425,354	1,787	5,746	2,881	2,865	-1,078	0.42
2012	430,318	4,964	5,638	2,888	2,750	2,214	1.17
2013	435,329	5,011	5,701	2,990	2,711	2,300	1.16
2014	440,090	4,761	5,758	2,999	2,759	2,002	1.09
2015	444,491	4,401	5,809	3,016	2,793	1,608	1.00
2016	447,309	2,818	5,590	3,140	2,450	368	0.63
2017	450,138	2,907	5,463	3,256	2,207	700	0.65
2018	453,288	3,150	5,544	3,363	2,181	969	0.68
Average per Year		3,071	5,845	2,959	2,887	227	0.73

Source: CA Department of Finance

Population Distribution

	2017	2018	1-year Growth Rate	5-year Growth Rate
Buellton	5,098	5,291	3.8%	8.7%
Carpinteria	13,697	13,704	0.1%	4.5%
Goleta	31,622	31,949	1.0%	6.5%
Guadalupe	7,341	7,604	3.6%	7.0%
Lompoc	43,881	43,599	-0.6%	1.9%
Santa Barbara	94,244	94,807	0.6%	5.6%
Santa Maria	107,978	108,470	0.5%	8.0%
Solvang	5,653	5,771	2.1%	8.9%
Unincorp Area	140,511	142,262	1.2%	4.4%
SB County	450,025	453,457	0.8%	5.5%
Tri-Counties	1,585,145	1,592,631	0.5%	3.5%

Source: CA Department of Finance

Population and Housing: Santa Barbara County

	2012	2013	2014	2015	2016	2017	2018
Population (Jan. 1)	428,194	433,073	438,512	442,987	447,073	450,025	453,457
<i>% change</i>	<i>0.89</i>	<i>1.14</i>	<i>1.26</i>	<i>1.02</i>	<i>0.92</i>	<i>0.66</i>	<i>0.76</i>
Total Housing Units	153,689	154,170	154,733	155,353	156,520	157,578	158,622
<i>% change</i>	<i>0.28</i>	<i>0.31</i>	<i>0.37</i>	<i>0.40</i>	<i>0.75</i>	<i>0.68</i>	<i>0.66</i>
Vacancy Rate	6.70	6.60	6.50	6.20	6.00	6.10	6.20

Source: CA Department of Finance

**All values are January 1 estimates.*

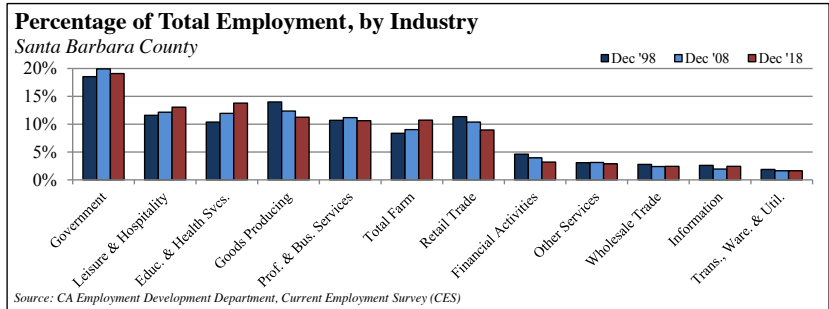
- population is growing faster than housing

growing a city
employment, output and income

how we work

- where are the jobs?
- show me the money

how we work

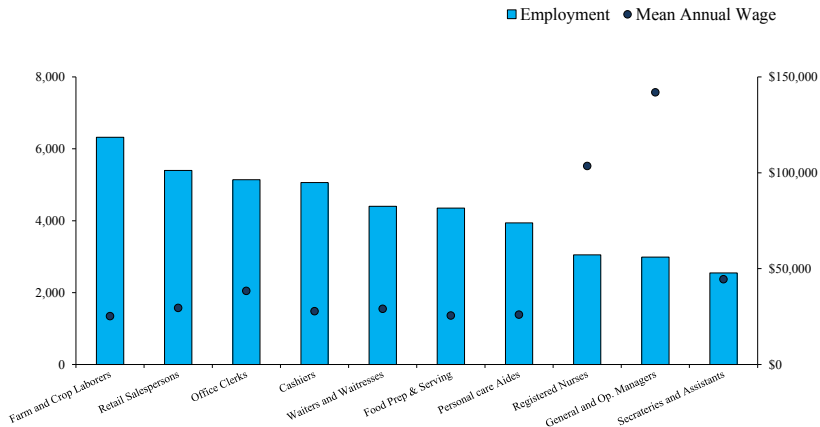


- share of employment has been fairly constant

how we work

Occupations by Highest Employment

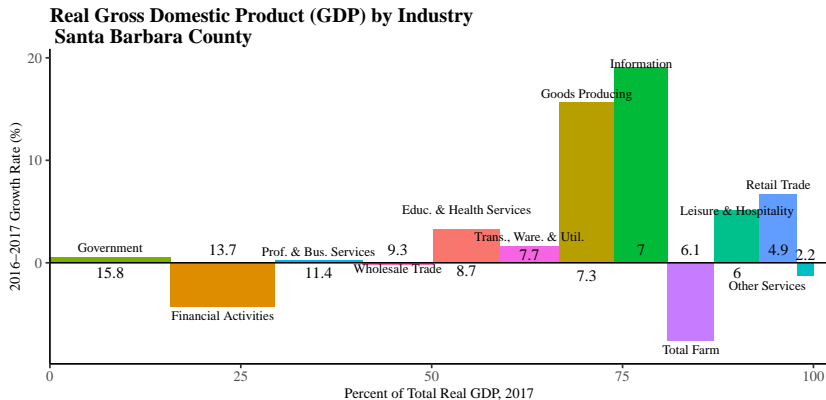
Santa Barbara County, 2018 Q1



Source: CA Employment Development Department, Occupational Employment Statistics (OES)

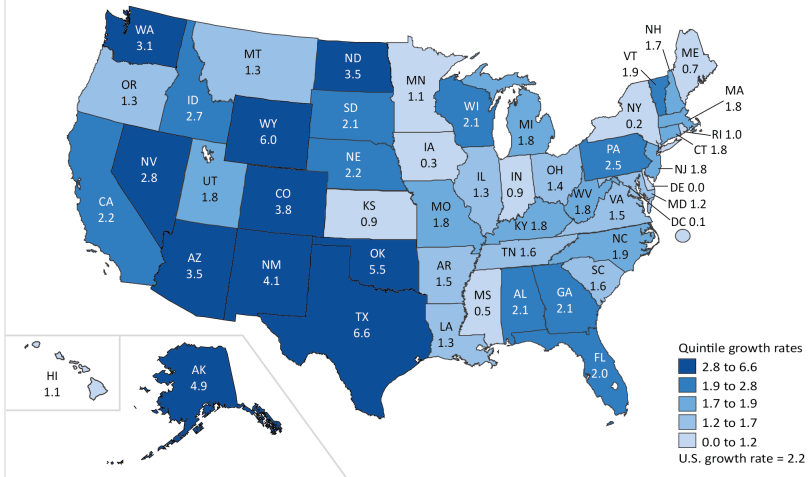
- largest employment in low wage jobs

what we produce



- no gdp growth in our largest sectors

Percent Change in Real GDP by State, 2018:Q3–2018:Q4

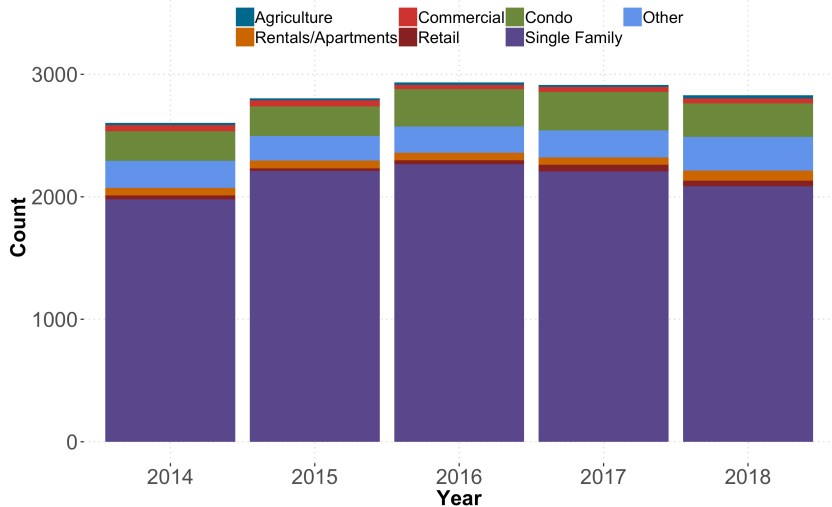


U.S. Bureau of Economic Analysis

● understand tradeoffs!

growing a city
major issue i: land use

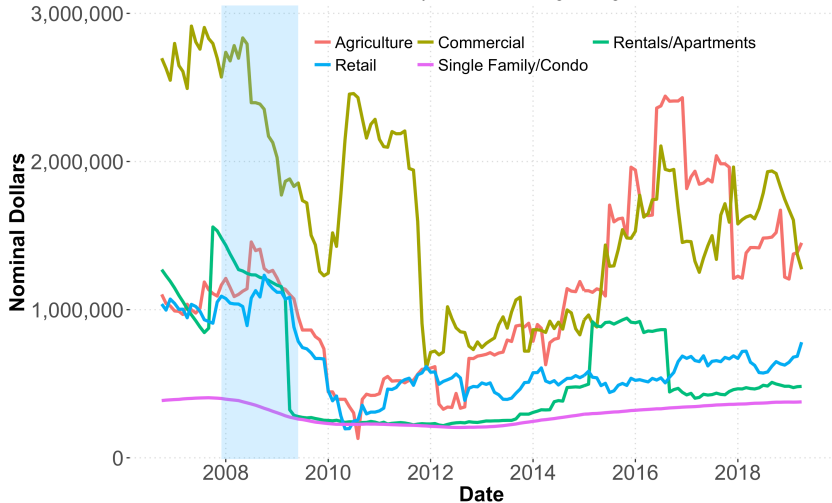
North County Sales Distribution



Economic Forecast Project
Source: Santa Barbara County Recorder's Office

Median Transfer Price

North County, 18-Month Moving Average

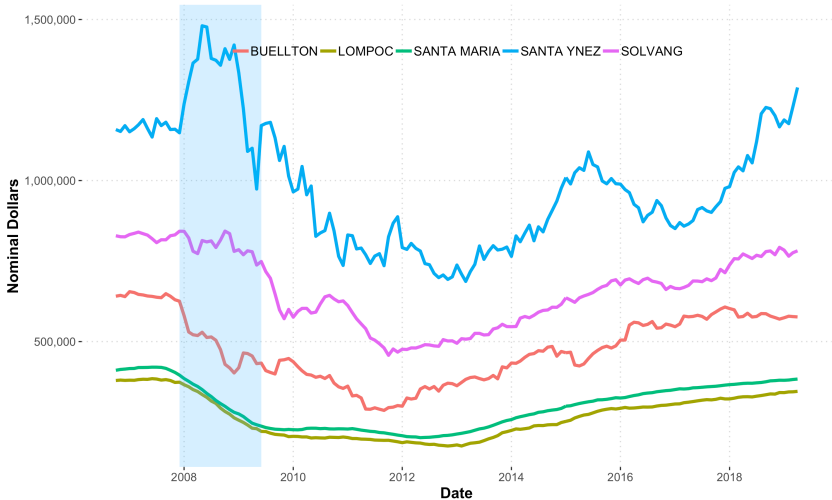


Economic Forecast Project
Source: Santa Barbara County Recorder's Office

agriculture and commercial have grown since 2014

Median Transfer Price

Single Family Residence and Condos, 12-Month Moving Average

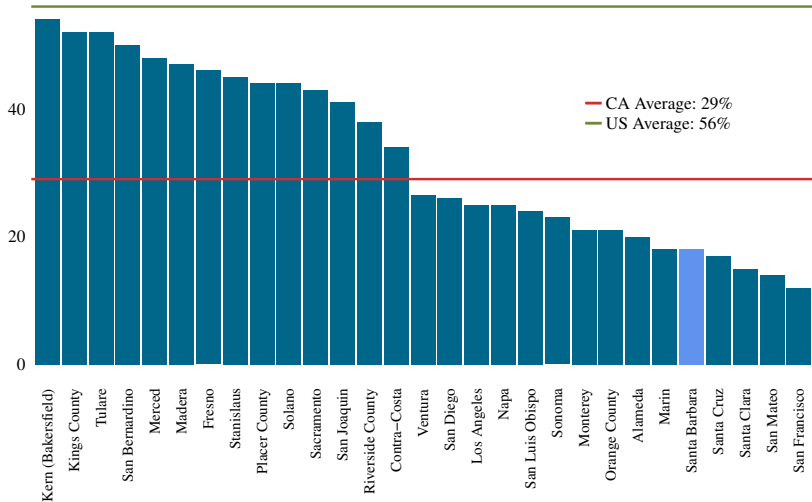


Economic Forecast Project
Source: Santa Barbara County Recorder's Office

affordability

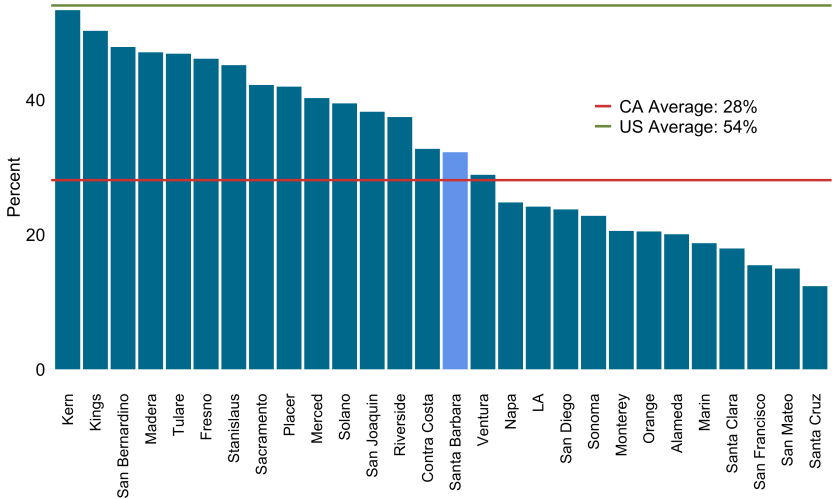
- effects of high housing prices
- higher density?
- deter employment growth?

Affordability 2017Q4



● 2017...not so affordable

Affordability by County 2018Q4



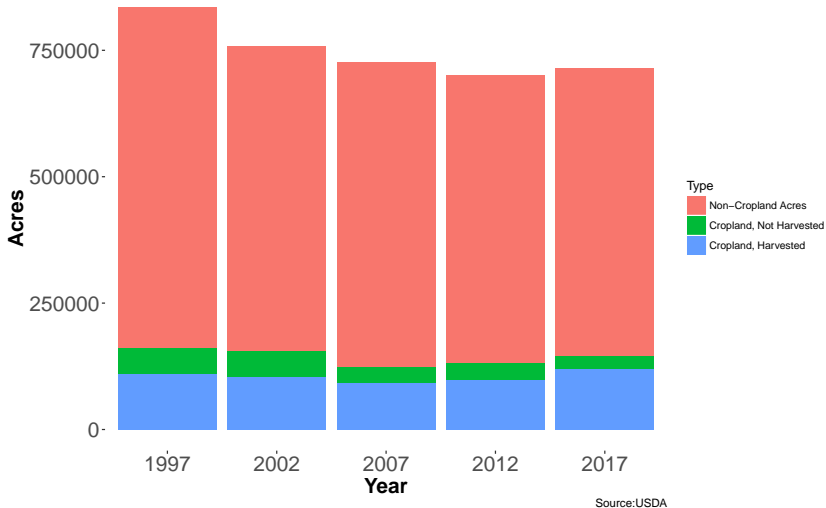
● 2018...above the CA average!

land use

- how has land use changed?

Agricultural Land Usage

Santa Barbara County



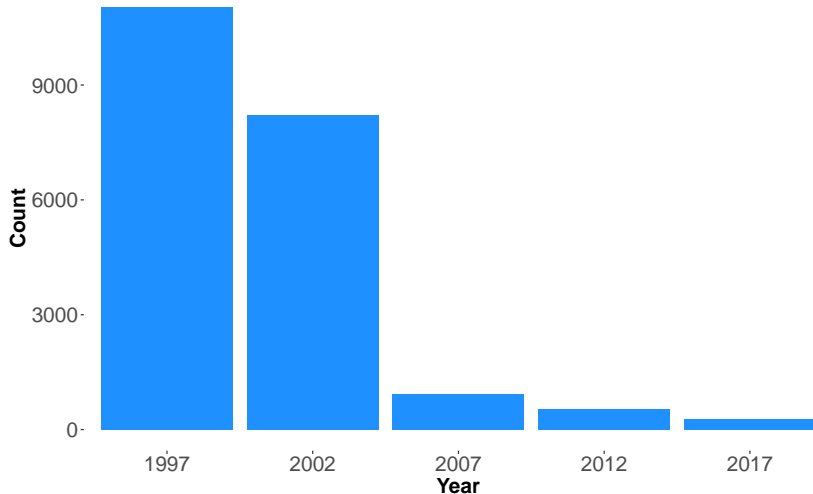
33% of farms have a female principal operator
14% of principals under the age of 45

growing a city

major issue ii: competing uses

Sheep Inventories

Santa Barbara County



Source:USDA

where did the sheep go?

major issue ii

- growth in a new industry: cannabis
- issue: difficult to bank
- business permitting

legislation

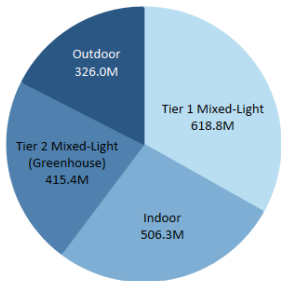
- The Secure and Fair Enforcement (SAFE) Banking Act of 2019 would solve a key logistical and public safety problem in states that have legalized medicinal or recreational cannabis.
- Currently, cannabis businesses operating under state laws that have legalized medicinal or recreational cannabis have been mostly denied access to the banking system because banks that provide them services can be prosecuted under federal law. (Sens. Merkely D-OR, Gardner R-CO)



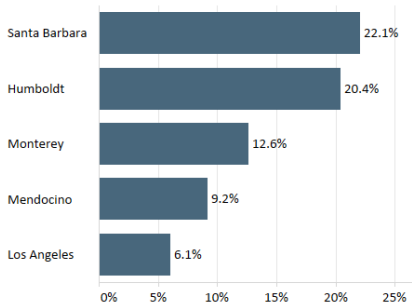
Chart of the Week

Overview of Licensed Cultivation Capacity in California's Adult-Use Market

Estimated Annual Production Capacity of Current Licensees by Grow Type (grams)



Portion of Estimated Annual Production Capacity by County



Note: Includes only active licenses, data current as of 11/21/18.

Source: Marijuana Business Daily, California Department of Food & Agriculture

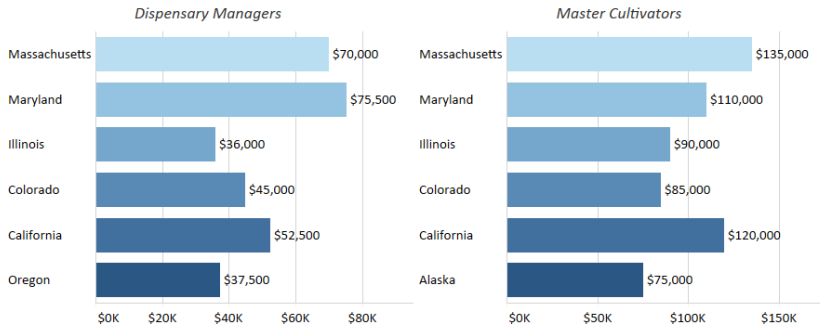
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- comparative advantage



Chart of the Week

Average Marijuana Employment Salaries



Source: HempStaff, Vangst, Viridian Staffing

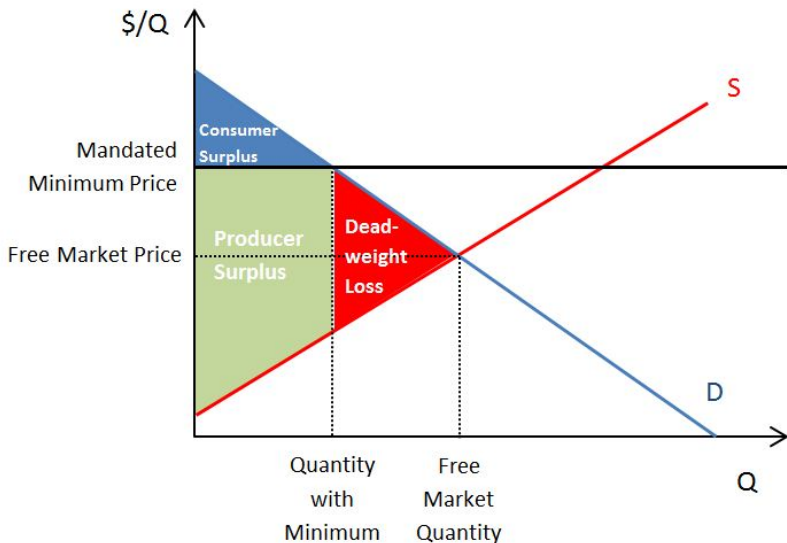
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- large differences in salaries

growing a city

major issue iii: minimum wages

minimum wages



minimum wages

- effect on low skill workers
- automation
- better alternative
 - earned income tax credit

growing a city

major issue iv: opportunity zones

opportunity zones

- if people want to give you money
 - take it!
- sb county has 7

growing a city

major issue v: more tariffs

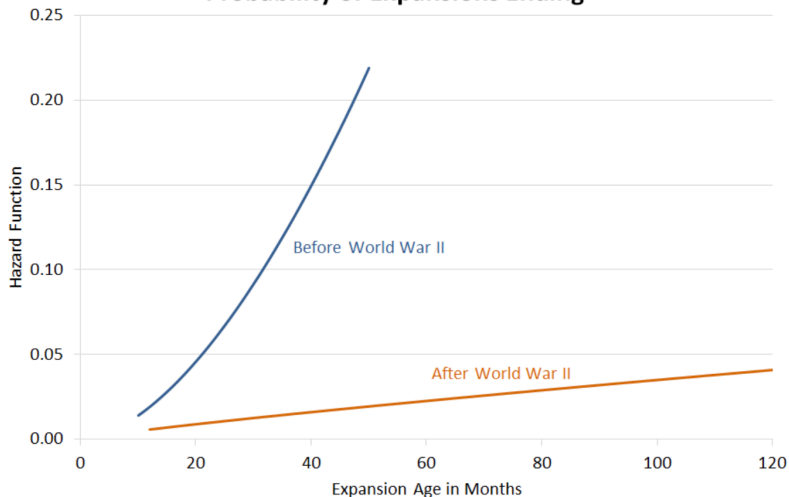
tariffs

- did this last year
- new threat: from 10% to 25%

final thoughts

- where do we go from here?
 - understand tradeoffs
 - make informed decisions
 - let your local politicians know
 - will the recovery end soon?

Probability of Expansions Ending



SOURCES: FRED and author's calculations.

FEDERAL RESERVE BANK of ST. LOUIS

growing a city
thank you