2020

California County-Level Economic Forecast

California County-Level Economic Forecast 2020 - 2050

October 2020

This publication was prepared for:

Transportation Economics Branch
Office of Transportation Economics and Data Management
California Department of Transportation
1120 "N" Street
P.O. Box 942874 (MS- 32)
Sacramento, CA 94274-0001
Fahimeh Bagheri
Economist
(916) 653–3087

This publication was prepared by:

The California Economic Forecast
Mark Schniepp, Director
5385 Hollister Ave Box 207
Santa Barbara, CA 93111
(805) 692–2498
www.californiaforecast.com

Table of Contents


DEL NORTE
SISKIYOU
MODOC
HUMBOLDT
TRINITY
SHASTA
LASSEN
TEHAMA
PLUMAS
MENDOCINO
GLENN
BUTTE
SIERRA
NEVADA
COLUSA
YUBA
SUTTER
PLACER
LAKE
EL DORADO
SONOMA
YOLO
NAPA
SACRA-MENTO
ALPINE
AMA-DOR
SOLANO
CALAVERAS
MARIN
CONTRA COSTA
SAN JOAQUIN
TUOLUMNE
MONO
SAN FRANCISCO
ALA-MEDA
STANISLAUS
MARIPOSA
SANTA CLARA
SAN MATEO
MERCED
MADERA
SANTA CRUZ
SAN BENITO
FRESNO
INYO
MONTEREY
TULARE
KINGS
SAN LUIS OBISPO
KERN
SAN BERNARDINO
SANTA BARBARA
VENTURA
LOS ANGELES
ORANGE
RIVERSIDE
SAN DIEGO
IMPERIAL

Regional Definitions and Economic Indicators

Regional Definitions

For this report, the counties of California have been grouped into seven separate regions. Throughout the report, economic data and socioeconomic indicators for these regions are presented as points of comparison to county-level and statewide data and indicators.

The regions used in this report are as follows.

Southern California

- Imperial County
- Los Angeles County
- Orange County
- Riverside County
- San Bernardino County
- San Diego County
- Ventura County

Central Valley

- Fresno County
- Kern County
- Kings County
- Madera County
- Merced County
- San Joaquin County
- Stanislaus County
- Tulare County

Central Coast

- Monterey County
- San Benito County
- San Luis Obispo County
- Santa Barbara County
- Santa Cruz County

Bay Area

- Alameda County
- Contra Costa County
- Marin County
- Napa County
- San Francisco County
- San Mateo County
- Santa Clara County
- Solano County
- Sonoma County

Sierra Region

- Alpine County
- Amador County
- Calaveras County
- Inyo County
- Mariposa County
- Mono County
- Nevada County
- Sierra County
- Tuolumne County

Sacramento Valley

- El Dorado County
- Placer County
- Sacramento County
- Sutter County
- Yolo County
- Yuba County

Northern California

- Butte County
- Colusa County
- Del Norte County
- Glenn County
- Humboldt County
- Lake County
- Lassen County
- Mendocino County
- Modoc County
- Plumas County
- Shasta County
- Siskiyou County
- Tehama County
- Trinity County

Economic Indicators

Each county profile presented in this report contains two forecast tables. These tables include data about the expected economic, demographic, and labor market conditions of all 58 counties of California. Below is an explanation of each of the variables contained in these tables.

Regional Definitions and Economic Indicators

Population

Definition:
- Individuals who reside within a specific county, including institutionalized and non-institutionalized individuals.

Source:
- California Department of Finance

Households

Definition:
- Group of individuals who occupy the same housing unit. Only includes non-institutionalized individuals.

Source:
- California Department of Finance

Net Migration

Definition:
- The difference between the number of people who move into a county and the number of people who move out of that county.

Source:
- California Department of Finance

New Homes Permitted

Definition:
- A permit that authorize the construction of a housing unit. Primarily includes single-family homes, condominiums, apartments, townhomes, and mobile homes, but also includes other types of units in some counties.

Source:
- Construction Industry Research Board

Registered Vehicles

Definition:
- A vehicle that has been registered with the California Department of Motor Vehicles.

Source:
- California Department of Motor Vehicles

Personal Income

Definition:
- Income earned by residents of a given county. Includes income from wages and salaries, job-related benefits, social insurance (e.g. unemployment insurance), transfer payments (e.g. Social Security), income earned by self-employed individuals, and income earned from financial assets.

Source:
- Bureau of Economic Analysis

Taxable Retail Sales

Definition:
- The dollar value of sales at retail establishments within a specific county. Applies only to goods that are subject to retail sales taxes.

Source:
- California Department of Tax and Fee Administration

Total Taxable Sales

Definition:
- The dollar value of sales at retail and non-retail establishments within a specific county. Applies only to goods that are subject to sales taxes.

Source:
- California Department of Tax and Fee Administration

Real Industrial Production

Definition:
- The dollar value of goods and services produced by the following industries, adjusted for inflation:
  - Agriculture, forestry, fishing, and hunting
  - Manufacturing
  - Natural resources and mining
  - Transportation and utilities

Industrial production source:
- Bureau of Economic Analysis

Inflation source:
- Bureau of Labor Statistics

Regional Definitions and Economic Indicators

Real per Capita Income

Definition:
- Income earned by residents of a given county divided by the number of residents in that county.

Income source:
- Bureau of Economic Analysis

Population source:
- California Department of Finance

Unemployment Rate

Definition:
- The number resident who are not gainfully employed but are actively searching for work.

Source:
- California Employment Development Department

Real Farm Production

Definition:
- The dollar value of agricultural output in each county, as defined by each county's agriculture commissioner.

Source:
- County agriculture commissioners

Inflation rate

Definition:
- Annual change in the local consumer price index. Local consumer price indexes are utilized for the greater Los Angeles area, the San Francisco Bay Area, and the entire state of California.

Sources:
- U.S. Bureau of Labor Statistics and California Department of Industrial Relations

Total Wage and Salary Employment

Definition:
- The number of jobs at public, private, and non-profit organizations that are physically located within a given county. Only includes jobs that are subject to payroll taxes. Does not include self-employed individuals. It is important to note that jobs are counted in an employee's county of business, not county of residence.

Source:
- California Employment Development Department

Wage and Salary Employment by Industry

Definition:
- The number of jobs at organizations that are physically located within a given county and within a given sector. Sectors are defined by the 2017 North American Industry Classification System, which can be found online at:

  https://www.census.gov/eos/www/naics/

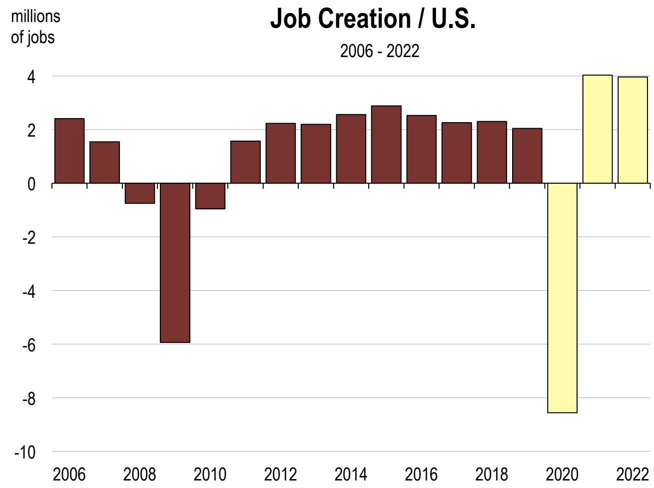
Source:
- California Employment Development Department

Introduction

Introduction

The 2020 edition of the Caltrans Economic Forecast presents detailed county-level forecasts for all 58 counties of California. The forecasts were conducted between late May 2020 and mid-September 2020. Actual information for the state and the nation was used through July-August of 2020 in the development of the forecasts for the counties. The projections span the 2020 to 2050 period.

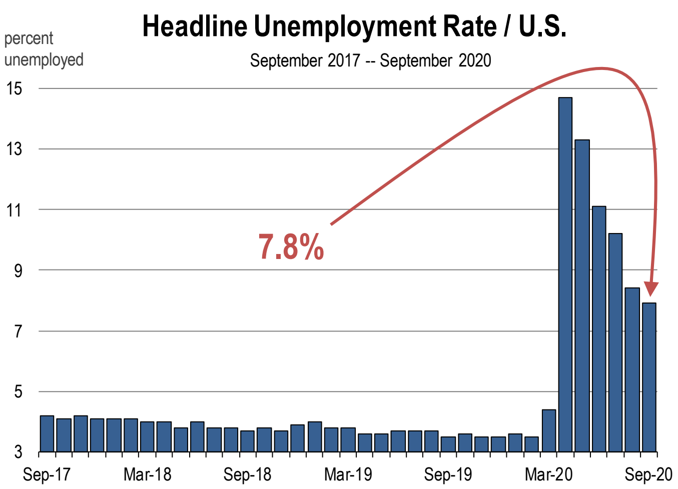
This year's forecast has been the most difficult to date, in view of the circumstances dominating the U.S. and world economies in 2020. Government decisions to shut down or severely restrict business operations for most of the year have compromised many of the assumptions we routinely need to make about supply and demand for goods and services. These assumptions help to drive the forecasts of all economic sectors, and especially the labor markets.



The U.S. and California Outlook

Lockdown orders by State Governments in response to the Coronavirus pandemic began with California on March 13, 2020. Nearly all states followed by the first week in April. The U.S. economy contracted sharply in the Spring of 2020, resulting in recession and massive unemployment and underemployment for 31 million workers. The unemployment rate was estimated to have peaked at 15.3 percent in late April.

Re-openings of business began in late April or early May as daily new positive cases of the Coronavirus subsided. Most of California had reopened by May 28. However, with business re-openings and protests in many of the nation's largest cities, cases began to surge in late June.



California and 6 other states reinstated restrictions on business openings. Other states' progressive opening schedules were delayed or postponed indefinitely.

The recession ended, likely in June, and economic growth resulted in major reinstatement of jobs in June. But to contain the case surges of the pandemic, state governments were reluctant to remove business restrictions and limitations. And few large public events are allowed to occur with live audiences.[1]

The summer setback in removing restrictions on business has led to a tepid recovery. And as long as any restrictions are in place, a full recovery of the economy cannot be expected.

The Short Term Outlook and the End of the Pandemic

Containing the virus is clearly a prerequisite to full recovery in the economy. The roll out of a vaccine to the general population is not expected until 2021 with many months needed to inoculate the population. Until that time, containment will only happen if there is vigilant adherence to social distancing, the use

[1] On September 25, 2020, Florida was the first major state to remove all restrictions on business that have been operating during the pandemic.

Introduction

of face masks and other safety protocols that have proven to be effective measures.

Moving into calendar 2021, our assumption is that the long anticipated vaccine becomes ready, no later than January/February. While the vaccine may be available sooner, it will likely be limited to special groups first including front line health care staff and the more vulnerable populations. General dissemination is assumed to occur over a 4 to 6 month period when most of the U.S. population receives it. Consumers and all economic agents will gain new confidence that they won't contract the virus and most will resume public interaction and gatherings as before.

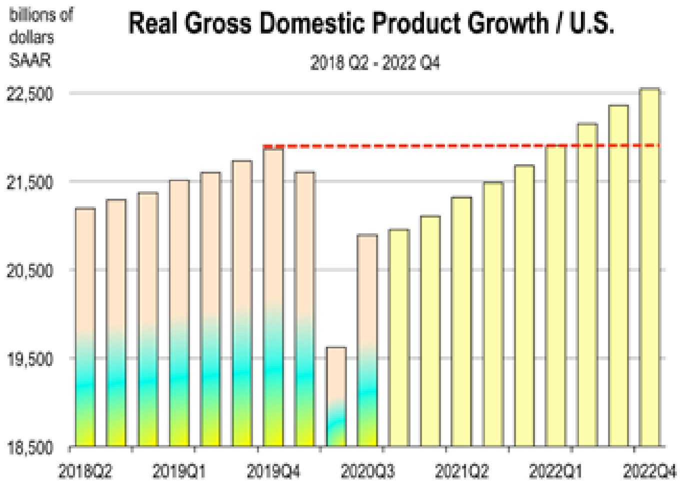
The economy should effectively be able to open unrestricted by next summer. Travel will resume with more exuberance, and spending on goods, services, travel and recreation will surge. Because of the record employment gains that occurred in June 2020 when the California economy opened up, a similar response by labor markets is expected when current restrictions on business are lifted. Currently, job growth has been muted and improvements in the unemployment rate have been disappointing, due to the July 2020 re-shutdown orders but also because there is so much uncertainty about the timeline for overcoming the coronavirus.

The forecast calls for strong growth and major gains in employment and income in the 2nd half of 2021.

The economy however does not rebound to pre-crisis status. During most of calendar 2020 and in much of the first half of 2021, the persistent economic restrictions will have resulted in millions of permanent business closures and jobless workers. These closures cannot be reopened quickly by replacement businesses. There will also be some lingering fears that a mutated strain of the virus could be present, or that the vaccine will not be entirely effective for all people, and this would prevent some consumers from spending freely at stores, shops, or other public venues. Some portion of the population will remain reticent to engage in activities with high human contact. It will take some time for the demand for travel to be entirely reinstated.

Consequently, the economy needs time to fully recover, and during 2022 and 2023 new businesses open, workers become rehired, income is generated, and spending rises as a result of more pervasive income growth.

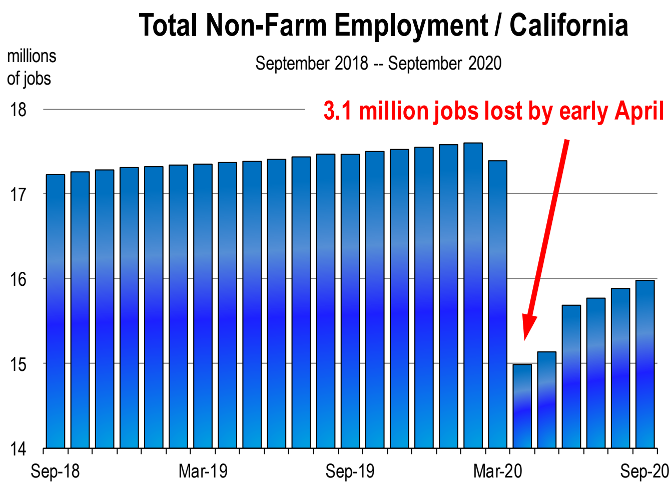
The consensus forecast at this time is for U.S. GDP to have recovered by 2022 Q2 and for employment to eclipse the previous peak (February 2020) by mid 2023.



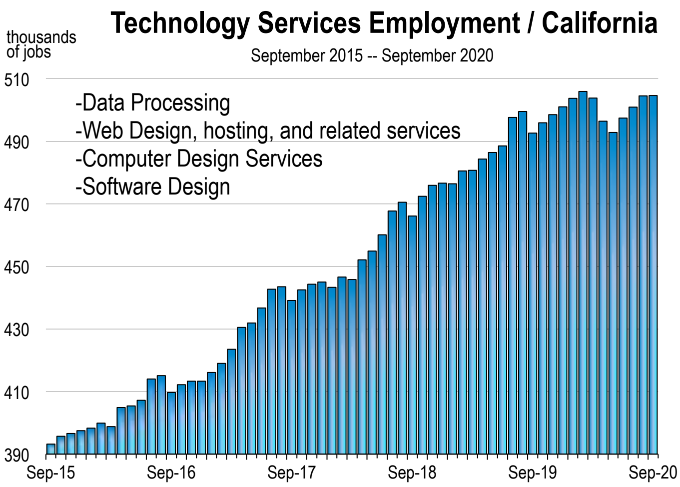
California

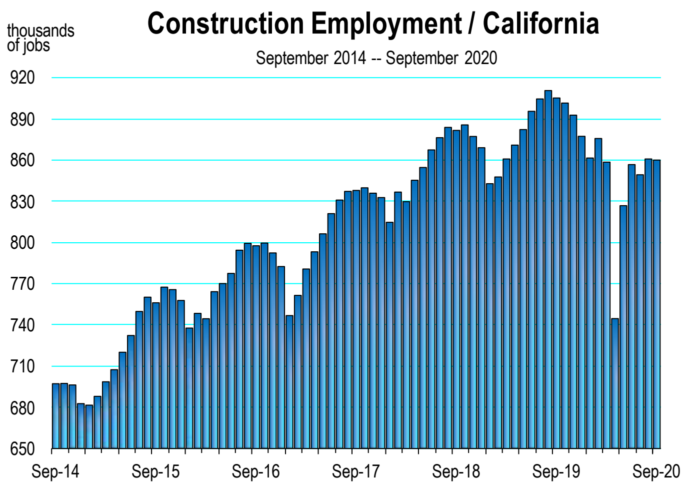
The State's shelter-in-place orders went into effect during the week of March 16, 2020. The impact to the state's labor market was cataclysmic in April and May. More than three million California workers were out of work, and the unemployment rate soared to an estimated weekly rate of 21 percent in late April.

Being one of the most severely restricted state economies in the nation, the rebound of the California economy has lagged the rest of the U.S. in job recovery, consumer spending, and the number of small businesses operating. The unemployment rate remains one of the highest in the country among states, and California has a disproportionately higher share of unemployment insurance claims in 2020.



Introduction





In short, the recovery of the California economy is not in sync with the nation's. It is likely that labor markets will lag for the remainder of this year and much of next year, as a result of the extraordinary limitations on the opening status of businesses, especially in the retail, recreation, amusement, entertainment, restaurant, and personal care sectors.

The engine of growth in California is the technology sector, principally the growth of tech jobs in the Los Angeles and Bay Area regions. This broad industry has created thousands of new jobs every year since the last recession in 2009, and is responsible for helping to push average salaries much higher for white collar workers in California.

Technology has not been severely impacted by the pandemic, because many workers can still work from their homes and the demand for technology products by consumers and businesses largely remains unaffected. In fact, demand for cloud services has soared, benefitting Microsoft, Apple, and Google. Employment in software development remains at record highs. The broader technology sector will help lead the state's economy during the recovery period which is expected to last into 2023.

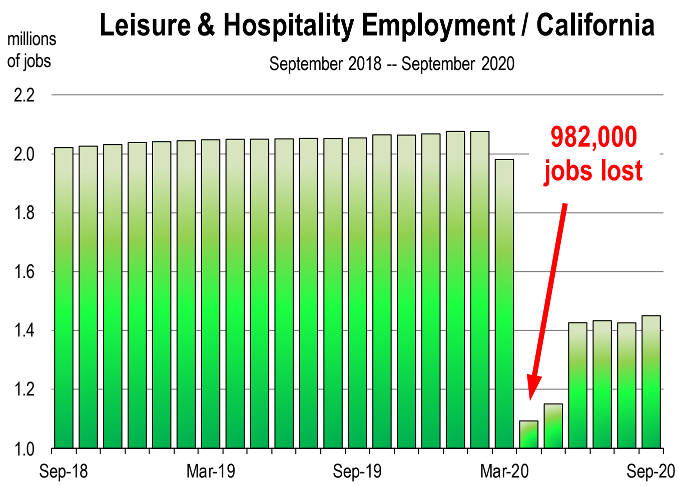
New construction was a principal factor for the vibrant state economy before March 2020, along with technology. The momentum in either of these sectors has not been severely impacted by the pandemic or the attendant slowdown in consumer demand.

The largest High Speed Rail workforce since the start of that project is currently employed. Major office and industrial projects are underway throughout the state. Fire rebuilds in the Northern Tier Counties are underway, along with large new residential projects in Sacramento, San Francisco, Santa Clara, Madera, Northern Los Angeles, Orange, and San Diego Counties.

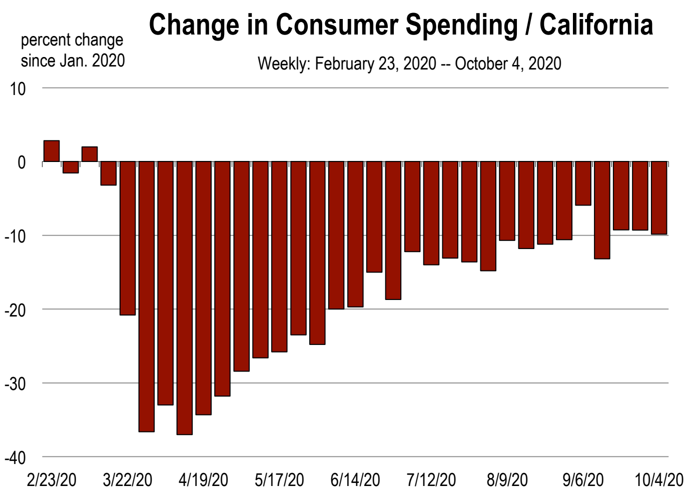
Sectors Largely Impacted

The principal carnage to the California economy occurred to the leisure and hospitality services sector, which is primarily comprised of hotel/motel, restaurant, and amusement and recreation workers. With global travel suspended, meetings cancelled, conferences, conventions, and all concert, entertainment and sporting events cancelled, workers had no customers to provide services to, and layoffs and furloughs were massive.

Through September, because so much of this sector is still shut down, the improvement in job creation has only been marginal.



Introduction



All non-essential retail stores were closed. Only grocery store and restaurant take out was allowed to operate during the great lockdown period in the Spring of 2020. Also big box retail was enabled to provide household goods to consumers. Personal care shops and stores were shuttered, closing down gyms, barber shops, hair salons, nail salons, and all religious services. With limited access to stores and shops, consumers sharply curtailed their spending.

Retail store employment declined by 278,000 or 17 percent of the peak workforce in February 2020. Unlike leisure and hospitality however, jobs are gradually becoming restored because retail shops have been allowed to re-open since the lockdowns were lifted, albeit at restricted customer capacities.

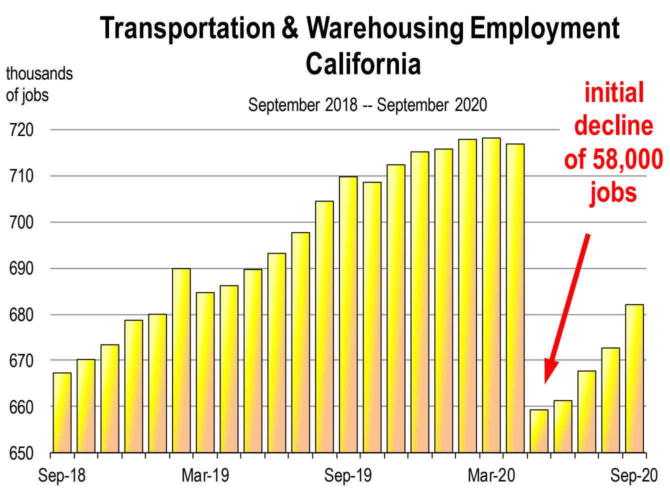
The substitution from retail stores to online purchases of goods pushed demand sharply higher for Amazon, Walmart, Shopify, UPS, and the U.S. Postal Service. Fulfillment center employment sharply increased. Industrial warehouse space remained largely occupied with automated distribution systems to provide goods to consumers. Employment in transportation, warehousing and utilities declined 8 percent between February and April but has rallied sharply and will likely only suffer less than a 2 percent decline in 2020 from the 2019 peak.

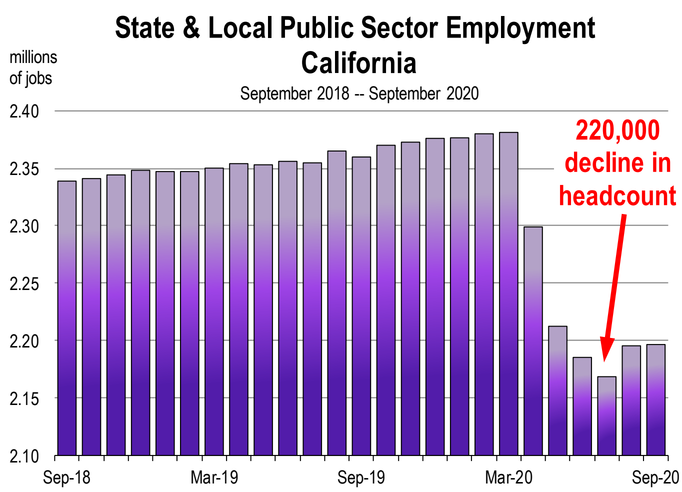
The Public Sector

Essential government services have been allowed to function fully staffed through the pandemic. Non-essential services have been intermittently suspended in 2020 throughout California. Schools, colleges and universities were closed when the initial shelter in place orders were mandated. They will largely remain closed through the Fall, except for only a few private schools which are providing in-person instruction. Otherwise, nearly all instruction currently is conducted online.

State and local public sector employment has been slowly impacted, mostly by furlough but with more layoffs from non-education state and local governments occurring in June and July. Between March and August, job counts for this sector declined sharply. Because general fund revenues for local governments rely heavily on hotel/motel revenues and taxable sales, it is likely that city and county governments will suffer significant budget shortfalls in Fiscal 2020 and Fiscal 2021 unless expenditures are cut, meaning staff.

Consequently, local government employment may decline further as budgets for the current and subsequent fiscal years are established.





Introduction

How the California Economy Recovers

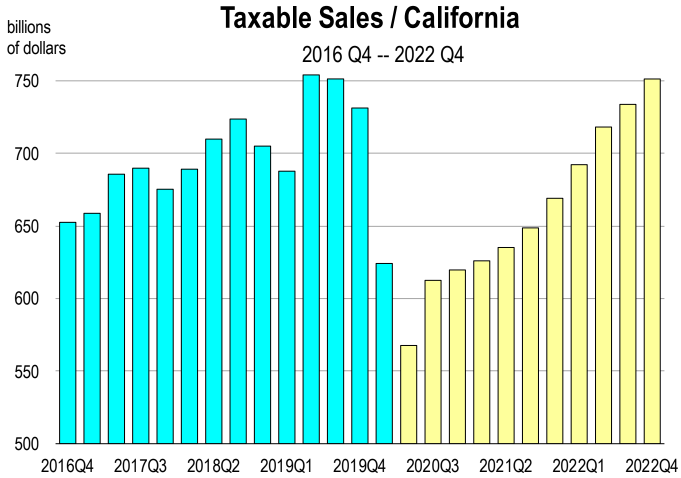
Our forecast assumes either widespread availability and usage of an effective vaccine in early 2021 or that the pan¬demic’s impact on economic activity abates and is relatively mild by mid-2021 and throughout 2022. This enables the economic recovery to progress slowly during the first half of 2021 even though restrictions on business activity still persist. Income and spending will surge in California when all restrictions are lifted, assumed by mid-2021, and the value of production and consumer spending should be restored by late 2021 or early 2022.

However, even as the economy recovers and business activity resumes under unrestricted conditions, the sticking point is unemployment. While the employment recovery has initially been fast as workers were recalled back to their jobs from temporary layoffs, continued recovery into 2021 will be onerous because of bankruptcies and muted demand by consumers for services and goods in sectors with high human contact. Rising permanent layoffs in these high human contact sectors result in lengthy job searches by former workers. Employment does not return to previous peak levels until consumers and businesses return to old habits, which is unlikely for some time. Consequently, full restoration of employment in retail, leisure, hospitality and personal services is not generally forecast until 2024.

The Pandemic’s Impact on California Agriculture

The largest impact was to dairy, then grapes, flowers and nurseries.

Central Valley farmers were impacted significantly by shelter in place orders commencing in March, contributing to the fallout in workers during April and May.

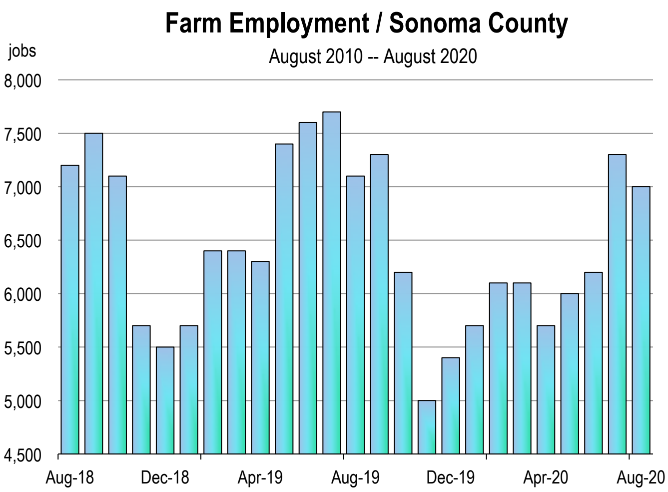


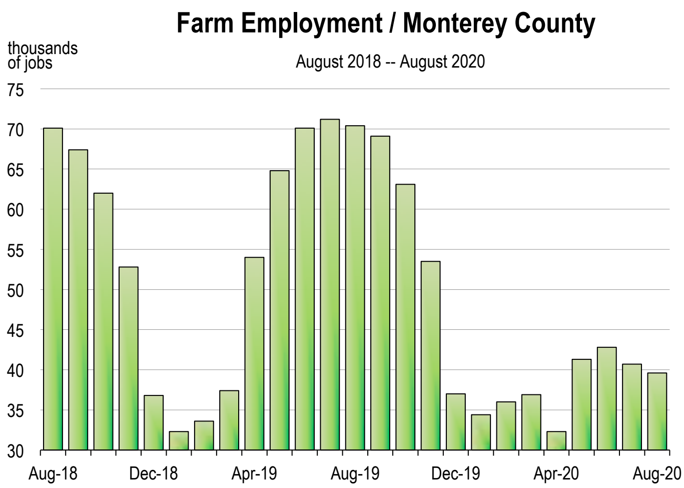
Changes in purchasing patterns from restaurants to grocery stores affected many farms at various points in the supply chain. Many products with contracts to restaurants went undelivered. The decline in food demand by restaurants and hotel customers isolated farmers and food processors from some of their biggest buyers, especially for meat, dairy, and specialty crops. As a result, agricultural commodity prices declined significantly in 2020.

The dairy business, for example, suffered both from the sudden disappearance of school and restaurant food-service demand and a decline in export markets, despite an increase in retail demand (grocery store sales).

Easter and mother’s day are huge sales days for flowers. These holidays occurred in the middle of the shutdown.

For some crops, demand increased during the pandemic, such as rice, tomato products and canned fruit, but for many products there has been a decline in demand, both domestically and globally.





Introduction

Operational costs also increased for the farm sector as a result of the measures mandated to maintain worker health and safety, and in the logistics to move crops and commodities to market.

As of September 2020, farm statewide employment is off over 20 percent from total employment levels reported in September 2019. The impact has been disproportional however, with some counties reporting little to no decline in employment, and other counties reporting substantial declines.

Changes in Export Markets

Trade between the U.S. and its major trading partners was severely impacted in the Spring of 2020. The top export markets for agricultural products are (1) Canada, (2) China and (3) Mexico. For all three, demand for U.S. products declined sharply due to the restrictions on food services nearly world-wide, but trade was halted entirely with China.

The economies of Europe, Japan, and India are suffering deeper recessions in 2020 than the U.S. They will be slower to recover in 2021. As a result anemic foreign demand will delay the domestic rebound of automobile exports, other industrial exports, and agriculture.

Because the U.S. agricultural sector is highly competitive, the outlook for trade looks more favorable in 2021. Exports of farm products are becoming restored, albeit slowly, and the farm sector will likely recover faster than other export sectors as the demand for U.S. food products gradually returns over time. The full reinstatement of export markets is not expected until mid 2022.

County Level Forecasts

The County level economic forecasts are updated annually to incorporate (1) substantially revised historical data, (2) changes in the U.S. and California economic forecasts, which influence the direction of the regional economies, and (3) special circumstances (like the COVID-19 Pandemic) materially impacting regional economic growth. Consequently, in explaining the forecast, greater attention is directed at the near term, principally the next three years. However, a growth forecast for economic indicators is presented for the 2020 to 2025 period for every county.

The longer term forecasts, from 2026 to 2050, are based on the extrapolation of near term forecast results. These long term "trend" forecasts respond to how the economic indicators might grow (or change) over time, consistent with reasonable assumptions about population and housing growth, and the growth of the U.S. and California economies. They are also created in a manner that is consistent with historical trends.

The longer term forecasts are important because they present scenarios of population, employment, income, and housing growth that fall within a likely range. While there are many unknown factors associated with the long term direction of the U.S. and California economies, the trend forecasts present plausible scenarios of growth, in the absence of new, unexpected shocks or changes in the nation and world.

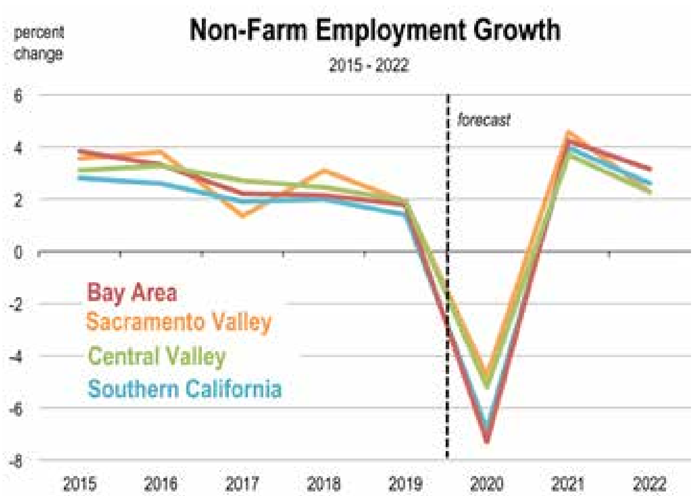
The county models are developed from a series of mathematical equations that simulate economic behavior and the relationships between sectors over time, and the long term forecasts portray a consistent trending of the myriad of economic and demographic indicators.

Regional economic history through Mid-2020 is the basis for the forecasts that begin with the full 2020 calendar year. The history generally reaches back to the 1980s, and earlier for some counties. Consequently, the forecasts benefit from having a full incorporation of a number of business cycles, including the Great Recession and the beginning of the Coronavirus Recession.

Employment

Between 2019 and 2022, the Sacramento Valley will lead the state in job growth, followed by the Central Valley. By 2022, both of these regions will have recovered all of the jobs that were lost during the Coronavirus Recession.

In the Bay Area, Southern California, and Northern California, total non-farm employment is expected to reach a new peak in 2023. In the Central Coast and the Sierra region, a full employment recovery may not be observed until 2024 or later.



Introduction

Non-Farm Job Growth / Top 20 Counties

County	Compound Annual Rate of Growth (%) 2019-2022
Yolo	0.9
Placer	0.7
Butte	0.7
Sacramento	0.6
Tulare	0.5
El Dorado	0.5
Fresno	0.3
San Joaquin	0.3
Sonoma	0.3
Madera	0.2
Stanislaus	0.2
Santa Clara	0.2
Shasta	0.2
Trinity	0.1
Santa Cruz	0.1
Kern	0.0
Riverside	0.0
Alameda	0.0
Contra Costa	-0.1
Solano	-0.1

Source: California Economic Forecast

Non-Farm Employment / CA Regions

Region	Full Recovery Expected by
Central Valley	2022
Sacramento Valley	2022
Bay Area	2023
Southern CA	2023
Northern CA	2023
Central Coast	2024 or later
Sierra Region	2024 or later

Source: California Economic Forecast

Income

Income gains will increase at the fastest rates in the Sacramento Valley, where total personal income will expand at an annual average rate of 1.4 percent between 2019 and 2022.

Between 2019 and 2022, income growth will be slow but meaningful in the Bay Area, Southern California, and the Central Valley.

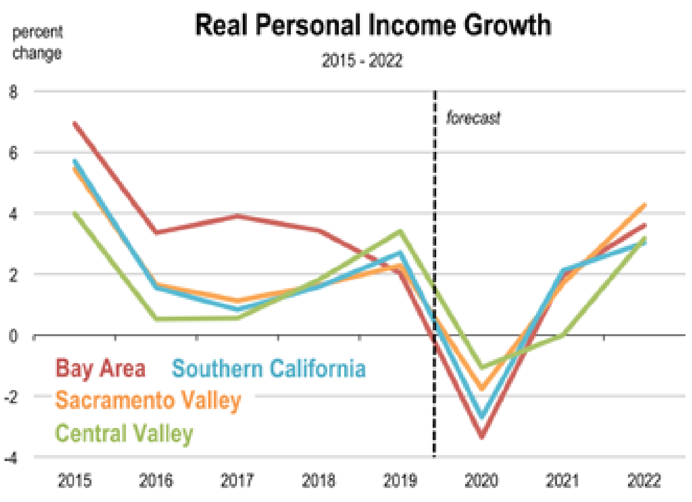
In most regions of California, total personal income will have surpassed pre-recession levels by 2022, but in the Sierra Region a full recovery may not be observed until 2023 or later.

Real Personal Income Growth Top 20 Counties

County	Compound Annual Rate of Growth (%) 2019-2022
Yolo	1.7
El Dorado	1.6
Sacramento	1.6
Santa Cruz	1.5
Butte	1.3
Trinity	1.3
Sonoma	1.2
San Joaquin	1.1
Madera	1.0
Santa Clara	0.9
Kern	0.9
Los Angeles	0.9
Orange	0.8
Alameda	0.8
Contra Costa	0.8
Tulare	0.8
Placer	0.7
Riverside	0.7
Stanislaus	0.6
San Diego	0.6

Source: California Economic Forecast

Introduction



Taxable Sales

From 2019 to 2022, total taxable sales will increase most rapidly in Northern California. Across Northern California, thousands of homes have been destroyed by wildfires in recent years, and local retail sales will rise as many of these homes are rebuilt and furnished with new retail goods.

Taxable sales growth will be especially rapid in Alpine County, but only because taxable sales in Alpine County were very low in 2019. In 2021 and 2022, sales will 1) rebound from the decline that was observed in 2019 and 2) recover from the Coronavirus Recession, which will collectively result in a very rapid increase over the entire 2019-2022 period.

Outside of Northern California and Alpine County, taxable sales will recover relatively slowly from the Coronavirus Recession. And this occurs in part because some consumers will remain reticent to participate in events that include high human contact.

Real Taxable Sales Growth / Top 20 Counties

County	Compound Annual Rate of Growth (%) 2019-2022
Alpine	15.8
Butte	4.2
Trinity	3.1
Plumas	1.5
Humboldt	0.7
Shasta	0.0
San Bernardino	-0.1
El Dorado	-0.1
Amador	-0.2
Los Angeles	-0.2
San Francisco	-0.2
Contra Costa	-0.3
Placer	-0.4
Yolo	-0.4
Stanislaus	-0.4
Ventura	-0.5
Kern	-0.5
Fresno	-0.5
Riverside	-0.5
Santa Cruz	-0.5

Source: California Economic Forecast

The switch to online purchasing of goods and services also contributes to the slow recovery forecast for the retail sector. A full recovery is not expected until 2024 in most regions, and may not be observed until 2025 or later in the Central Coast and Sierra Region.

Real Taxable Sales / CA Regions

Region	Full Recovery Expected by
Northern CA	2022
Bay Area	2024
Southern CA	2024
Central Valley	2024
Sacramento Valley	2024
Central Coast	2025
Sierra Region	After 2025

Source: California Economic Forecast

Introduction

Population Growth

Population growth is partially dependent on migration into and out of California counties. Riverside and Sacramento counties will experience the largest numbers of net in-migrants over the next 3 years.

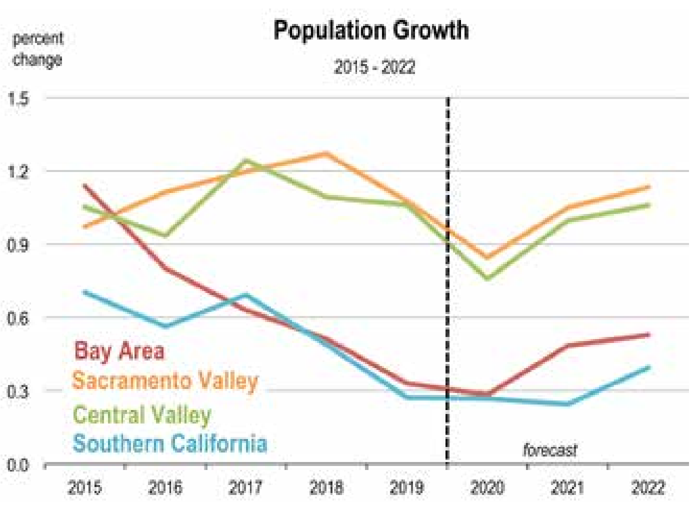
Net in-migration will also be high in some Central Valley counties like San Joaquin and Kern, along with the Bay Area counties of Alameda and Contra Costa.

Butte County will continue to get a influx of residents returning to the City of Paradise, which was largely destroyed by a wildfire in late 2018 and is in the process of being re-built.

Total population growth, which is influenced by the natural increase (births minus deaths) along with net migration, will be the most prolific in the Central Valley and Sacramento Valley. In addition to meaningful in-migration, these areas have young resident bases with high birth rates—a combination that will lead to relatively fast rates of overall population gain.

Population growth is expected to be relatively slow in Southern California and the Central Coast. The number of residents mo-ving out of these areas will exceed the number of people moving in, and all population growth will be the result of new births.

The Sierra region will be characterized by population decline due to a commination of high out-migration and a low birth rate.



Net Migration / Top 20 Counties

County	Net In-Mogrants 2020-2022
Riverside	32,148
Sacramento	28,460
San Joaquin	14,768
Placer	14,088
Butte	11,865
Kern	9,347
Alameda	9,281
Fresno	8,404
Contra Costa	5,971
El Dorado	5,086
Merced	4,349
Solano	3,369
Stanislaus	2,745
Shasta	1,967
Tulare	1,906
Yolo	1,780
San Benito	1,542
Madera	1,197
Marin	1,106
Santa Barbara	894

Source: California Economic Forecast

Population Growth / Top 20 Counties

County	Compound Annual Rate of Growth (%) 2019-2022
Butte	1.7
San Benito	1.4
Placer	1.3
Merced	1.2
San Joaquin	1.2
Kern	1.1
Sacramento	1.0
Fresno	1.0
El Dorado	0.9
Riverside	0.9
Tulare	0.9
Madera	0.8
Yuba	0.8
Stanislaus	0.7
Imperial	0.7
Alameda	0.6
Yolo	0.6
San Bernardino	0.6
Solano	0.6
Colusa	0.5

Source: California Economic Forecast

Introduction

Housing Production

While the forecast presents a year-by-year distribution of new housing units (permits) over the next 5 years (and then for 24 more years after that), it is not practical to forecast housing units by year with any accuracy. There are too many non-market influences that produce variability in the distribution of housing units at the county level.

These influences include the uncertain entitlement process that requires an environmental impact report, public review and comment, mitigation methods of environmental impacts, architectural review, and final tract map reviews by local decision makers who frequently exercise significant discretion in the process.

Therefore, the collective sum of housing units over the next 3 to 5 years is more important than the year-by-year allocation.

From 2020 to 2022, more than 330,000 new housing units will be built across the state. Almost half will be in Southern California, particularly in Los Angeles County. Housing production will also be prolific in the Bay Area, where more than 60,000 new units will be constructed.

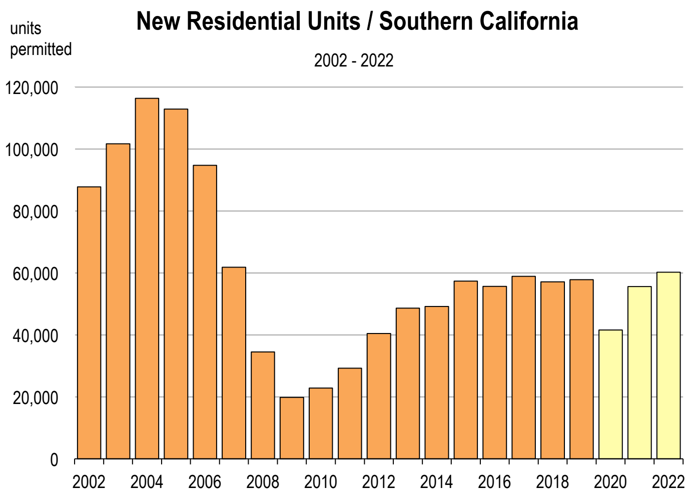
The Sacramento region has a large number of projects in its development pipeline, and through 2022 it will generate a substantial number of new units for a region of its size. Sacramento and Placer counties will be particularly active.

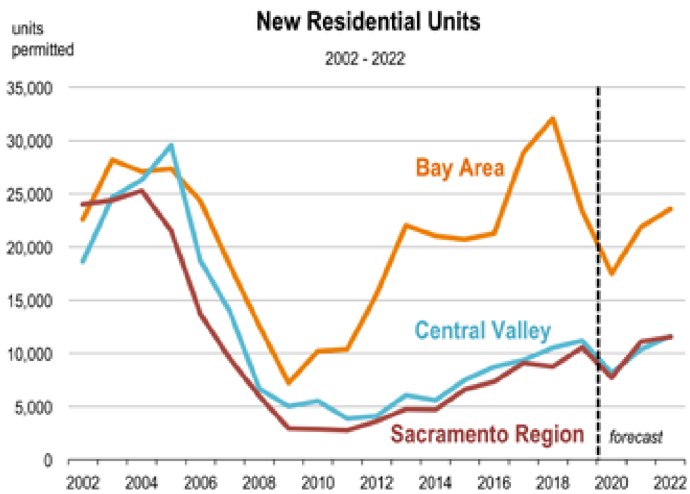
Over the long term forecast, through the year 2050, the majority of all new units are expected in the Bay Area and Los Angeles County. In each of these areas, approximately 500,000 to 600,000 units are expected to be built between 2020 and 2050. The Central Valley and Sacramento Valley could each get approximately 300,000 units.

Housing Production / Top 20 Counties

County	Units Authorized 2020-2021
Los Angeles	63,149
Riverside	25,196
San Diego	21,949
Orange	20,708
Alameda	18,817
Sacramento	17,040
San Bernardino	15,899
Santa Clara	12,782
San Francisco	9,955
Fresno	9,015
Butte	8,722
San Joaquin	8,181
Contra Costa	7,930
Kern	7,258
Placer	6,042
San Mateo	4,822
Tulare	4,730
Sonoma	3,791
Solano	3,517
Merced	3,424

Source: California Economic Forecast





Introduction

Infrastructure Projects are Fully Underway in California

Infrastructure funding has grown to become a substantial part of the California State Budget. Transportation projects comprise a major portion of the total infrastructure budget, now up to $10.1 billion in FY20-21.[2]

The largest infrastructure project underway is the High Speed Rail. State and federal funding is secure for the completion of Phase 1 of the project.

There are currently 33 construction projects underway between Madera and Bakersfield, a 119 mile strip representing the heart of the High Speed Rail Project, Phase 1. The total construction workforce is now up to 4,000 all within Madera, Fresno, Kings, and Kern Counties. The Central Valley Segment is estimated to cost $10.6 billion. The total Phase 1 estimated cost is $77.3 billion, scheduled to be completed in 2033.[3]

SB1 Funding

The Rebuild California effort continues throughout California. The rate of funding is $5.4 billion per year. The funding, provided by earmarked taxes on gasoline and incremental registration fees for electric vehicles, will repave, repair, and widen roads, bridges and highways, and construct new roads, bridges and highways throughout the state. Public Transportation will also be expanded and upgraded.

SB1 Fund Allocation by California Region

Area	$ billions
Bay Area	$3.7
LA-Orange-Ventura	$10.7
Inland Empire	$2.0
San Diego & Imperial Counties	$1.6
Central Valley	$1.7
Sacramento Valley and Eastern Sierra	$3.4
Central Coast	$0.8
Northern California	$0.6
Total Allocation to Date	**$24.5**

Proposition 51

Also underway are hundreds of projects supporting K-12 school construction and modernization. Proposition 51 approved by voters in 2016 authorizes $7 Billion in bonds for these projects. The State budget allocates $1.5 billion in FY2020-2021 towards school construction.

Infrastructure along with other private office and industrial projects are clearly maintaining the construction sector workforce in California. Because of the pipeline of projects throughout the state, especially in the large metro areas, the outlook for construction remains auspicious going into calendar year 2021.

----

[2] Transportation projects account for $8.7 billion, or 86 percent of total Statewide Capital Funding for infrastructure

[3] https://hsr.ca.gov/about/capital_costs_funding/