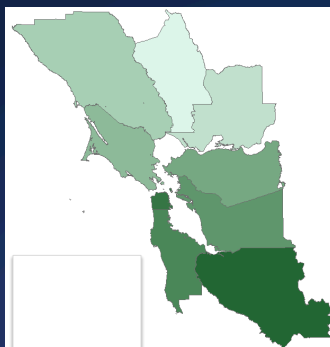


The Bay Area Regional Economic Assessment



Jon Haveman, Chief Economist - BACEI

November 12, 2012

SPUR



Principal Objectives

- Provide a shared foundation of economic facts
- Assess the driving forces behind the Bay Area economy
 - Competitiveness, jobs and growth
- Identify impediments to stronger growth and job creation
- Make general recommendations on economic strategy going forward



Outline

- Economy
- Findings
 - Strengths
 - Weaknesses
 - General findings
- Observations on regional competitiveness
- Recommendations

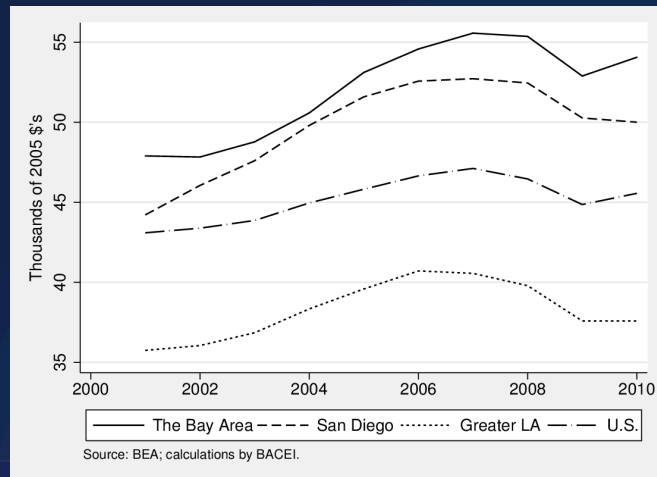


Bay Area Regional Economic Assessment

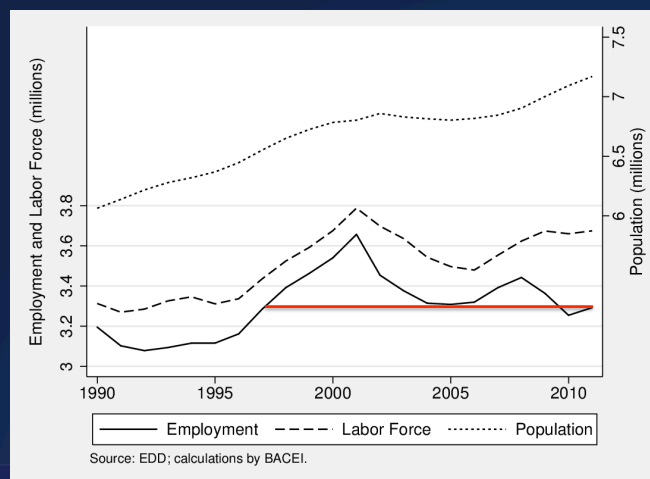
HEADLINE ECONOMIC FACTS



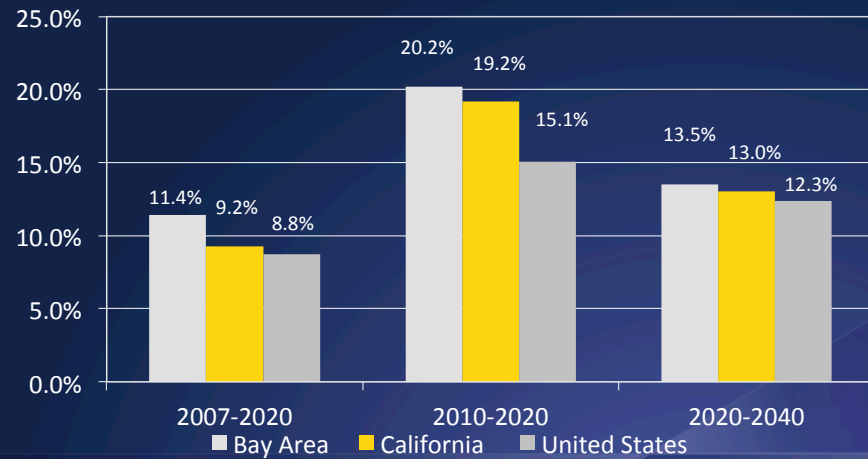
GDP/Capita is Relatively High



Long Term Employment Growth Has Been Slow



Forecast Growth in Total Jobs

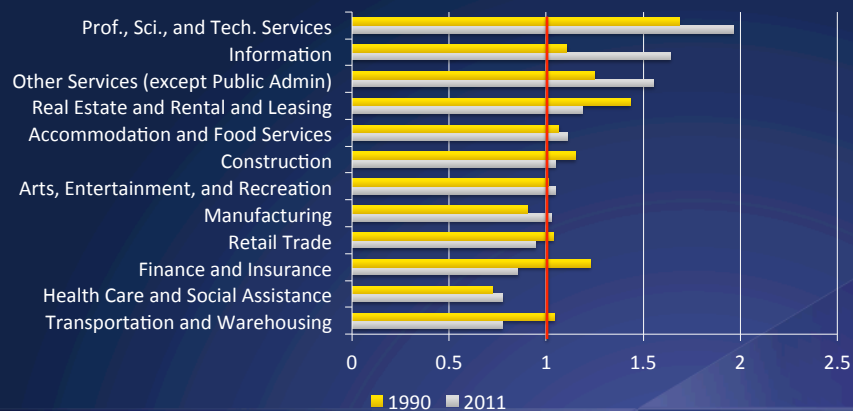


Source: Center for Continuing Study of the California Economy

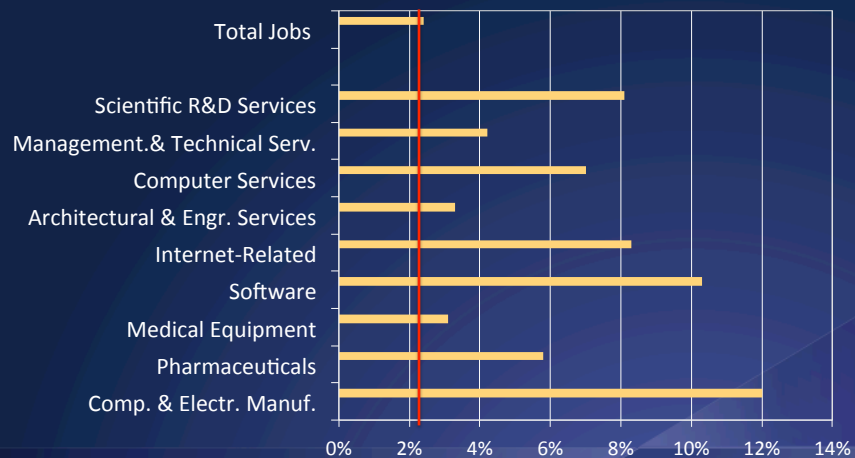


The Bay Area Has Heavy Employment Concentrations in High Value Added Sectors

Bay Area Location Quotients vs US – 1990-2011



Bay Area Share of Selected U.S. Tech Jobs in 2010



Bay Area Regional Economic Assessment

KEY FINDINGS



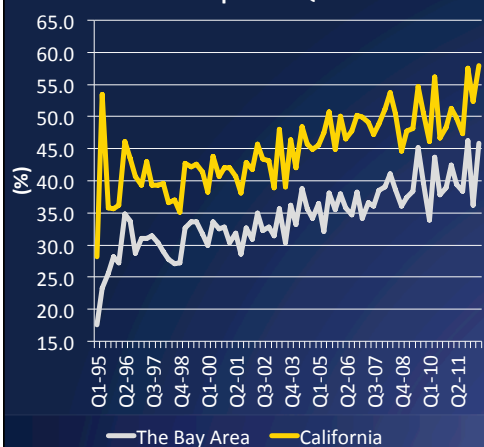
REGIONAL STRENGTHS

- Quality of life
- Highly educated labor force
- Venture capital
- Innovation culture



Venture Capital

CA and Bay Shares of U.S. Venture Capital to Q2-2012

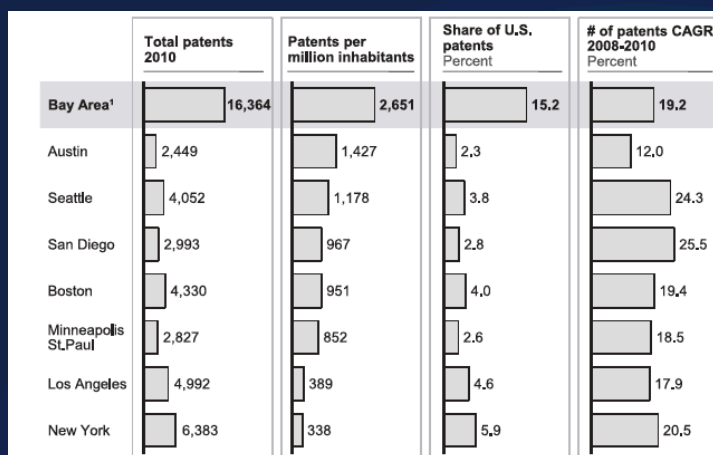


Q2-2012	Value of All Deals (Millions)	% of Total US VC
Bay Area	3,230	46
California	4,078	58
United States	7,044	

Source: PriceWaterhouseCoopers MoneyTree



Culture of Innovation



¹ Data for San Francisco and San Jose MSAs

SOURCE: U.S. Patent and Trademark Office; U.S. Census Bureau; Bay Area Council Economic Institute and McKinsey & Company analysis

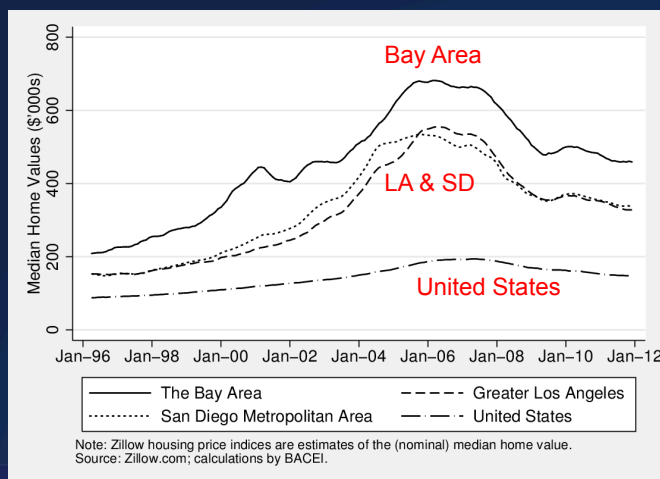
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REGIONAL WEAKNESSES

- Housing
- Regulations
- Labor force

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INSTITUTE

High Housing Prices (Median Home Values Over Time)



Business on Regulations

- Regulatory environment received mixed reviews:
 - 38% were satisfied, 24% neutral, 33% dissatisfied.
- Frustrations were voiced regarding:
 - regulatory transparency and efficiency
 - lack of consistency between regulations and requirements at the local, regional and state levels.



Labor Force

- Evidence that declining jobs in the middle class stem from lack of relevant skills
- 62% of businesses surveyed reported difficulty with meeting workforce needs
- Firms in technology report increasing difficulty in finding skilled workers



ADDITIONAL FINDINGS

- One Bay Area
- Business starts are the basis for growth
- Challenges/opportunities going forward

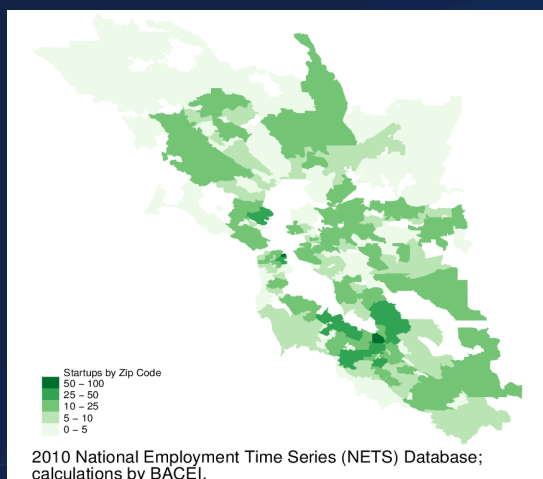


Significant Commutes are Common

<i>County</i>	<i>% of Residents that Work in County</i>	<i>% of Employees that Live in County</i>
Solano	36	39
Contra Costa	39	51
San Mateo	40	40
Marin	41	39
Alameda	49	47
Napa	55	52
San Francisco	60	40
Sonoma	63	71
Santa Clara	71	61
Regional Average	53	51



There is Growing Homogeneity in Regional Economic Activity

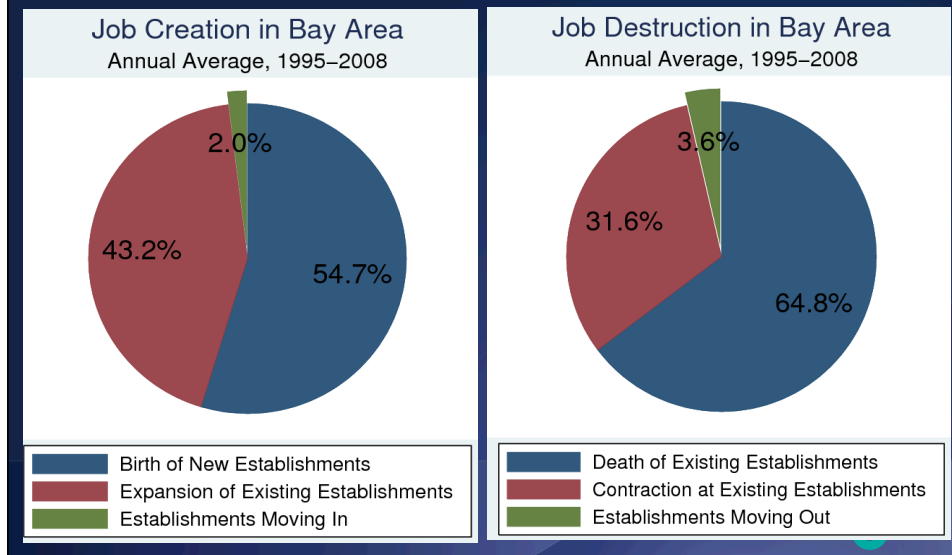


Locations of
New Technology
Companies
(Startups)

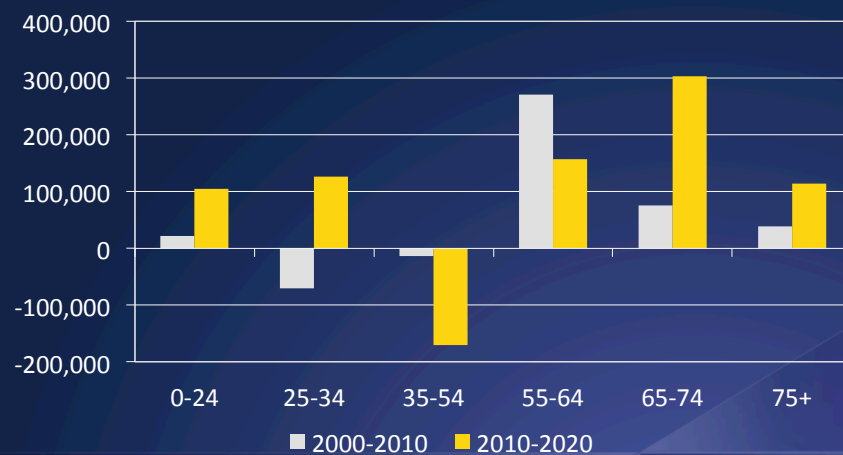
1991 & 2007



Business Starts are The Basis for Growth



Bay Area Population Growth (thousands)



Opportunities and Challenges

- Baby boomers retiring – many replacement jobs available
- The region competes for business but at the same time we compete for business by competing for workers and their families
 - Creating great places to work **and** live



Bay Area Regional Economic Assessment

ON REGIONAL COMPETITIVENESS



Primary Factors for a Competitive Region

1. Access to markets
2. Access to factors of production (labor/capital)
3. Competitive cost of doing business
4. Unique sector strengths
5. Quality of life: CEO/Founder effect

- 1, 4, 5 represent Bay Area strengths
- 2, 3 represent Bay Area weaknesses



Bay Area Regional Economic Assessment

BROAD RECOMMENDATIONS



Areas for Attention (1)

- Identify a Public-Private Focal Point for Regional Economic Strategy
 - Create a Business Advisory Committee to the JPC
- Engage Business Earlier in Individual Agency Plans
- Harmonize Local Regulations at the Regional Level



Areas for Attention (2)

- Focus Economic Development Strategies:
 - In areas where the region is most competitive
 - On supporting firm survival and growth over attraction from other jurisdictions
- Develop a stronger region-wide focus on workforce training and development



Advance Copy of Report

www.BayAreaEconomy.org



Bay Area Council Economic Institute

- *Regional Analysis*
- *Business & Market Analysis*
- *Ports & Infrastructure Analysis*
- *Economic Impact Analysis*
- *Public Policy Analysis*

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