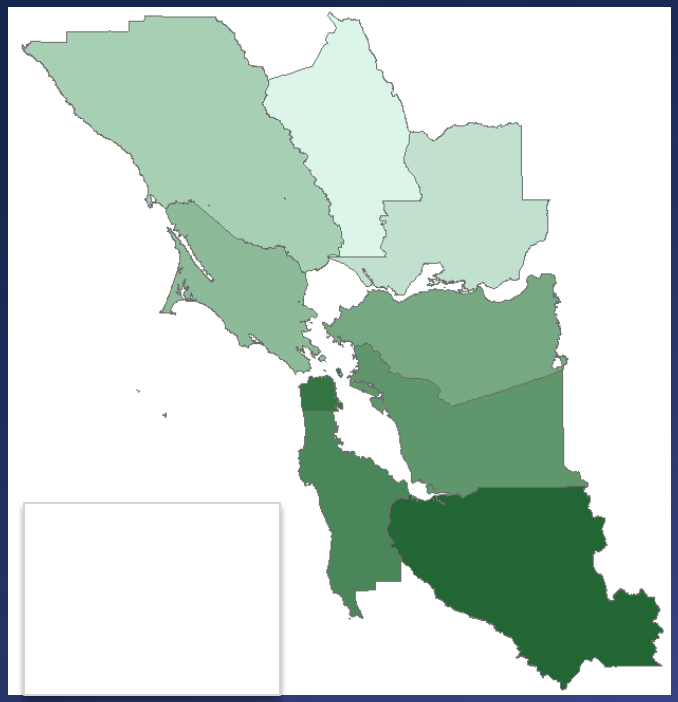
The Bay Area Regional Economic Assessment



Bay Area Council Economic Institute

November, 2012

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

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HEADLINE ECONOMIC FACTS

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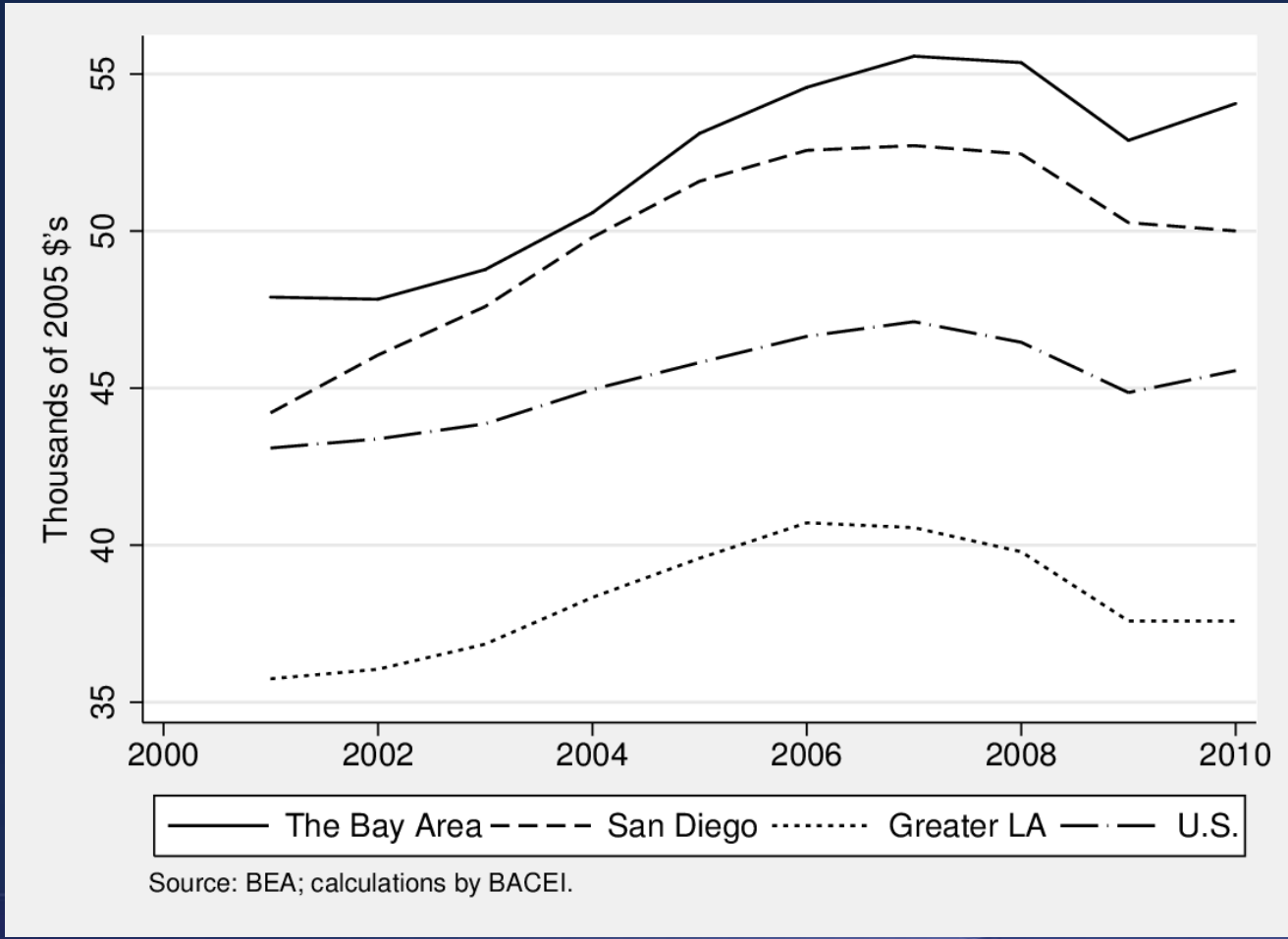
GDP/Capita is Relatively High



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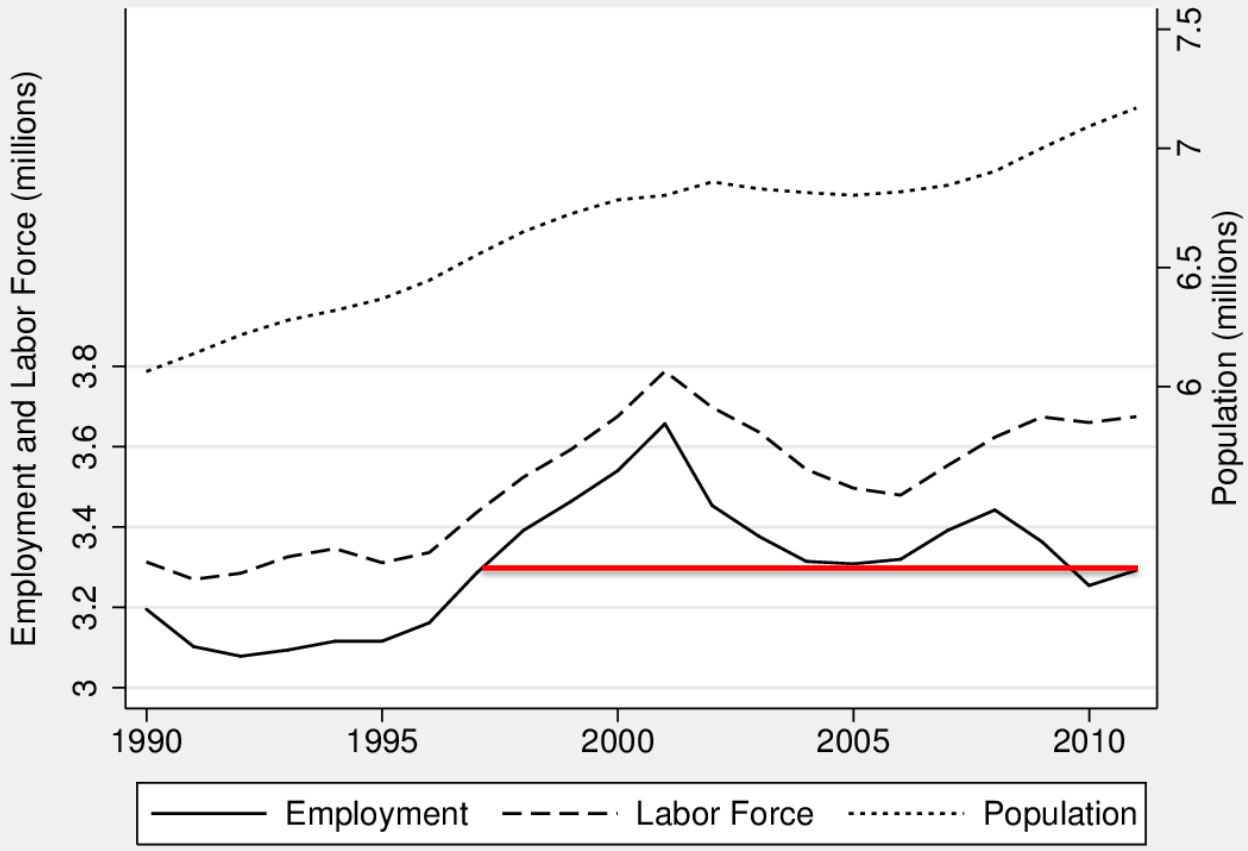
Long Term Employment Growth Has Been Slow



Source: EDD; calculations by BACEI.

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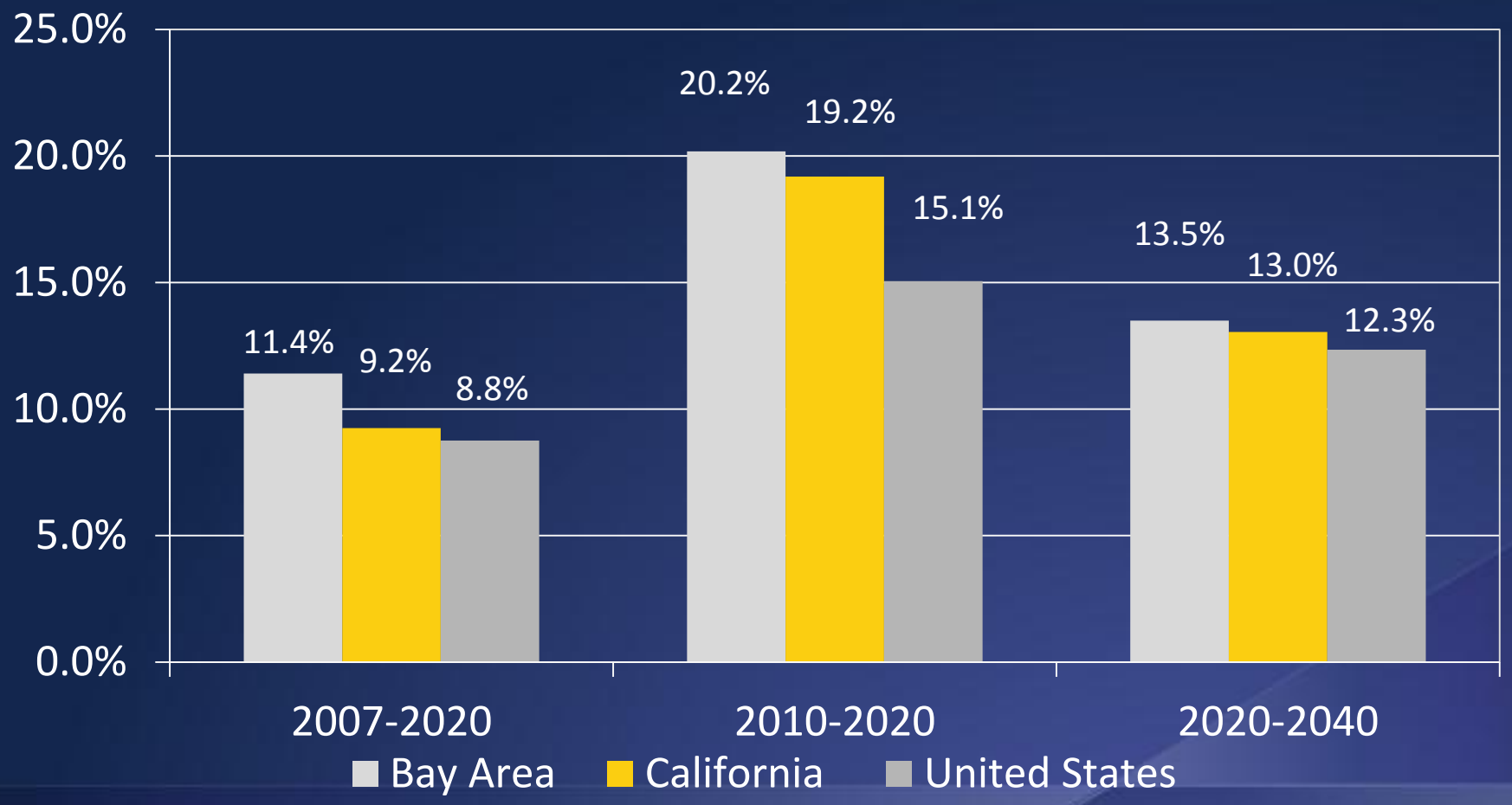
Forecast Growth in Total Jobs



Source: Center for Continuing Study of the California Economy

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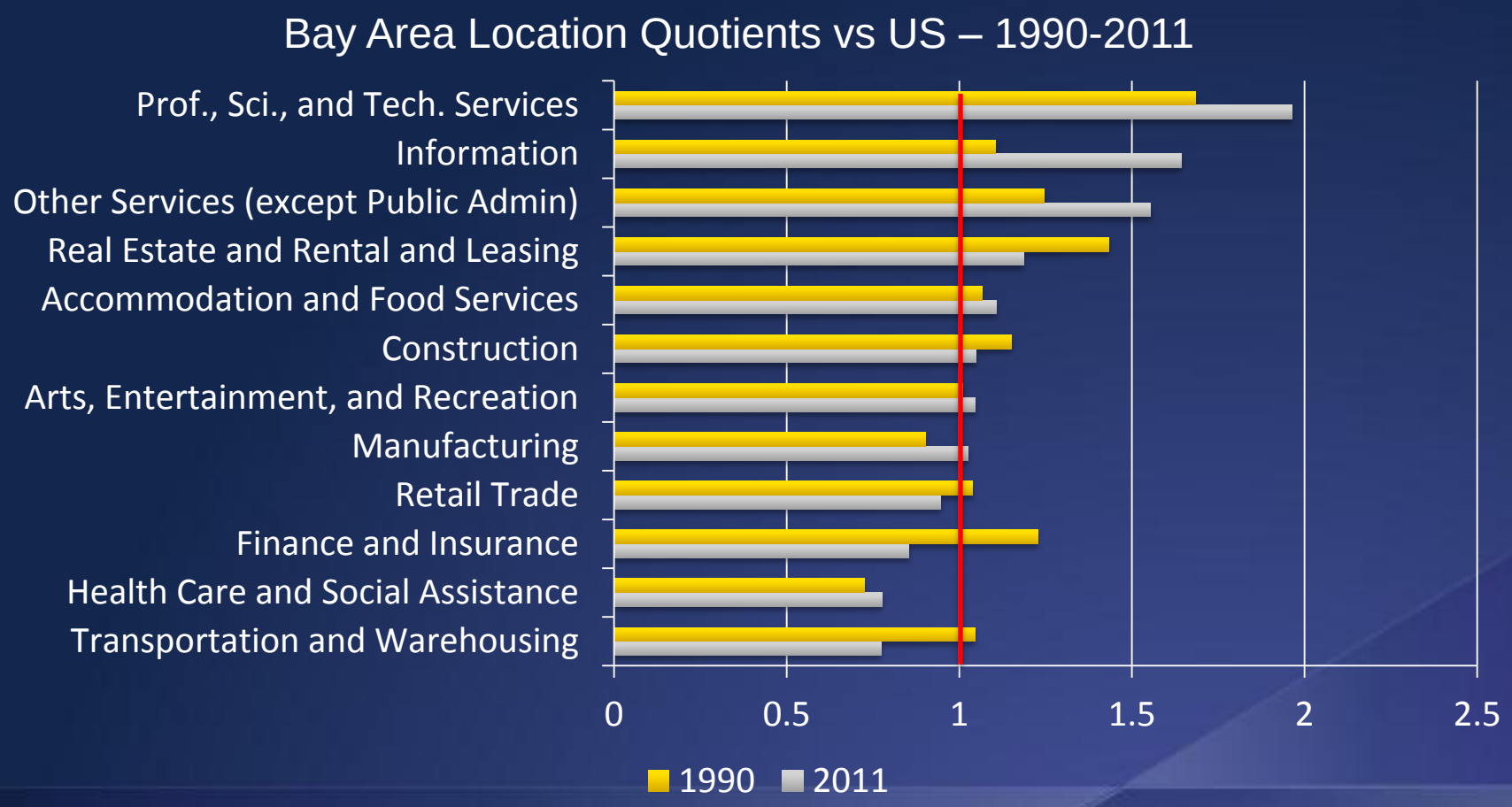
The Bay Area Has Heavy Employment Concentrations in High Value Added Sectors



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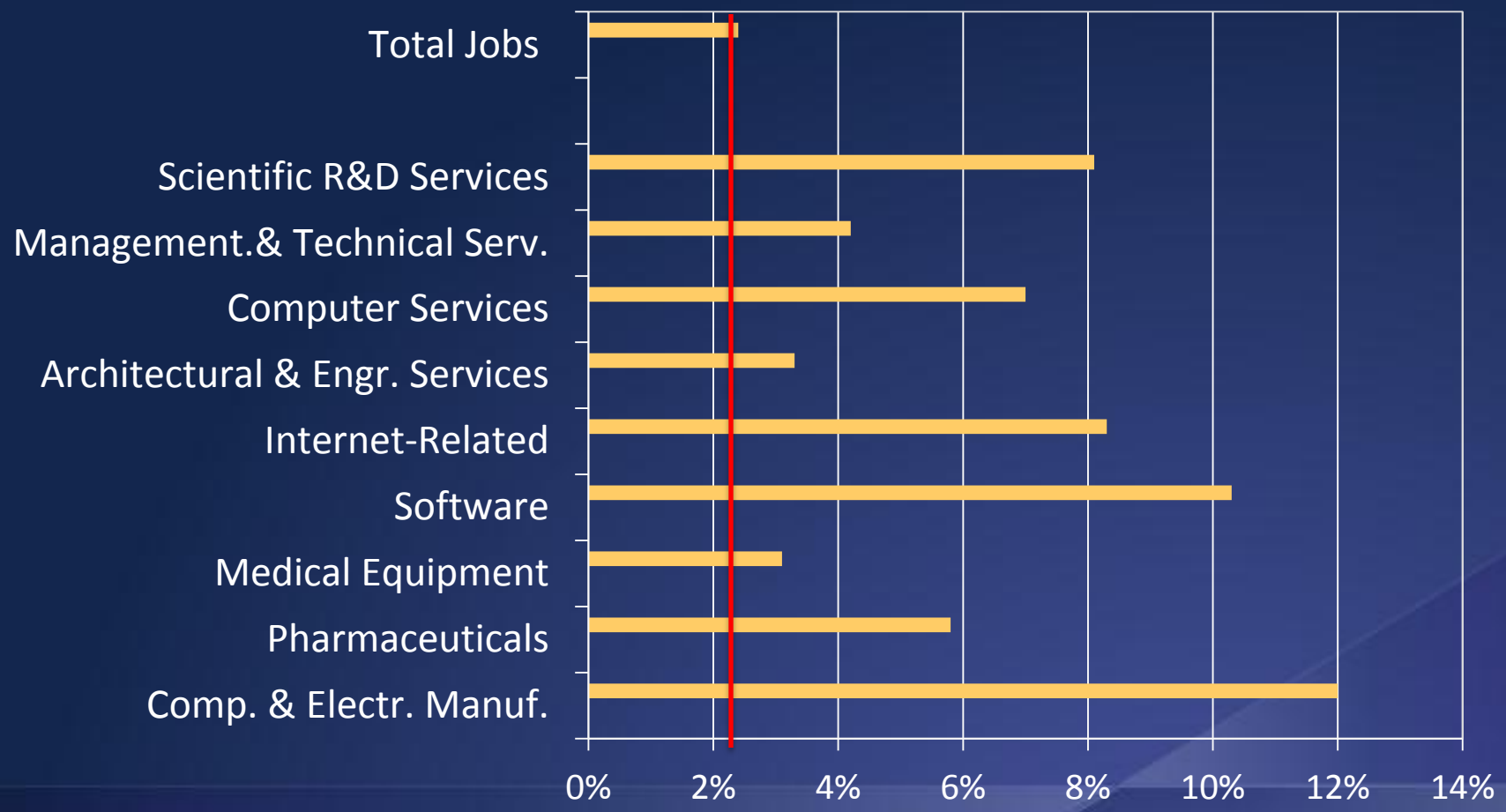
Bay Area Share of Selected U.S. Tech Jobs in 2010



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KEY FINDINGS

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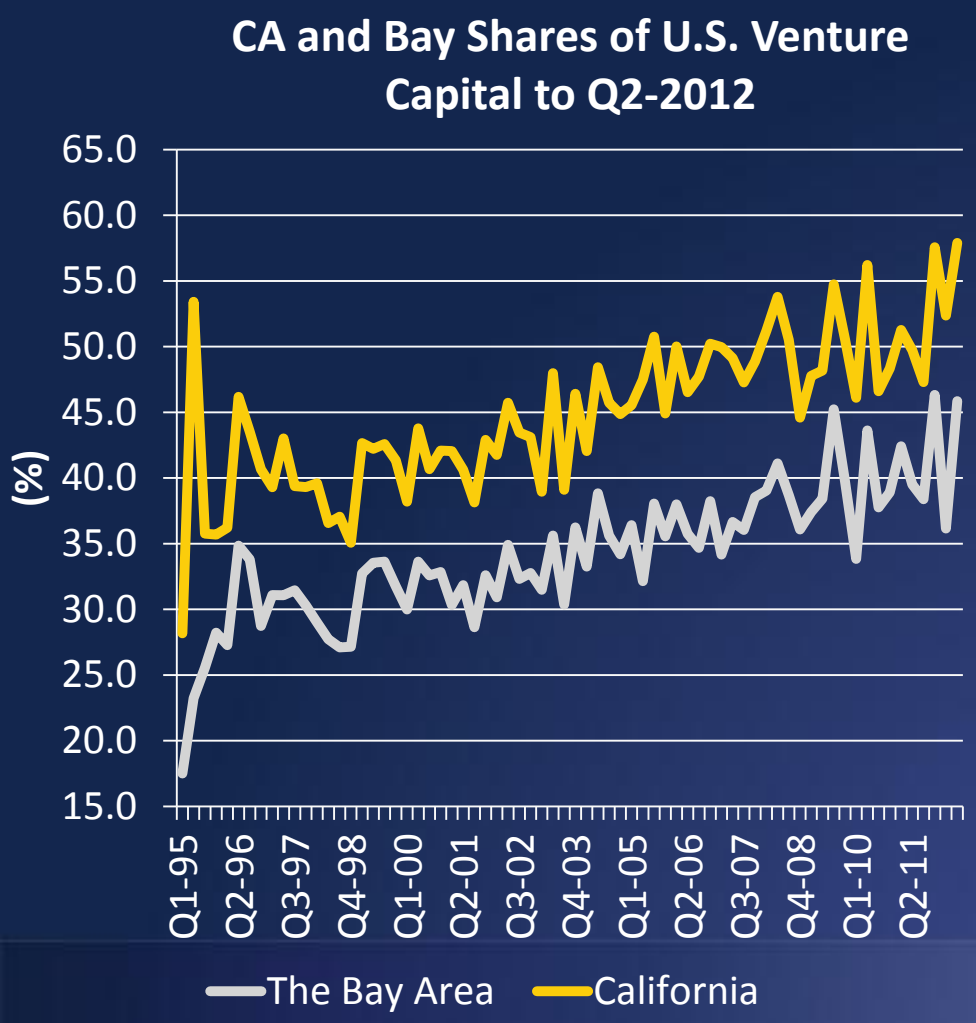
REGIONAL STRENGTHS

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

Venture Capital



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

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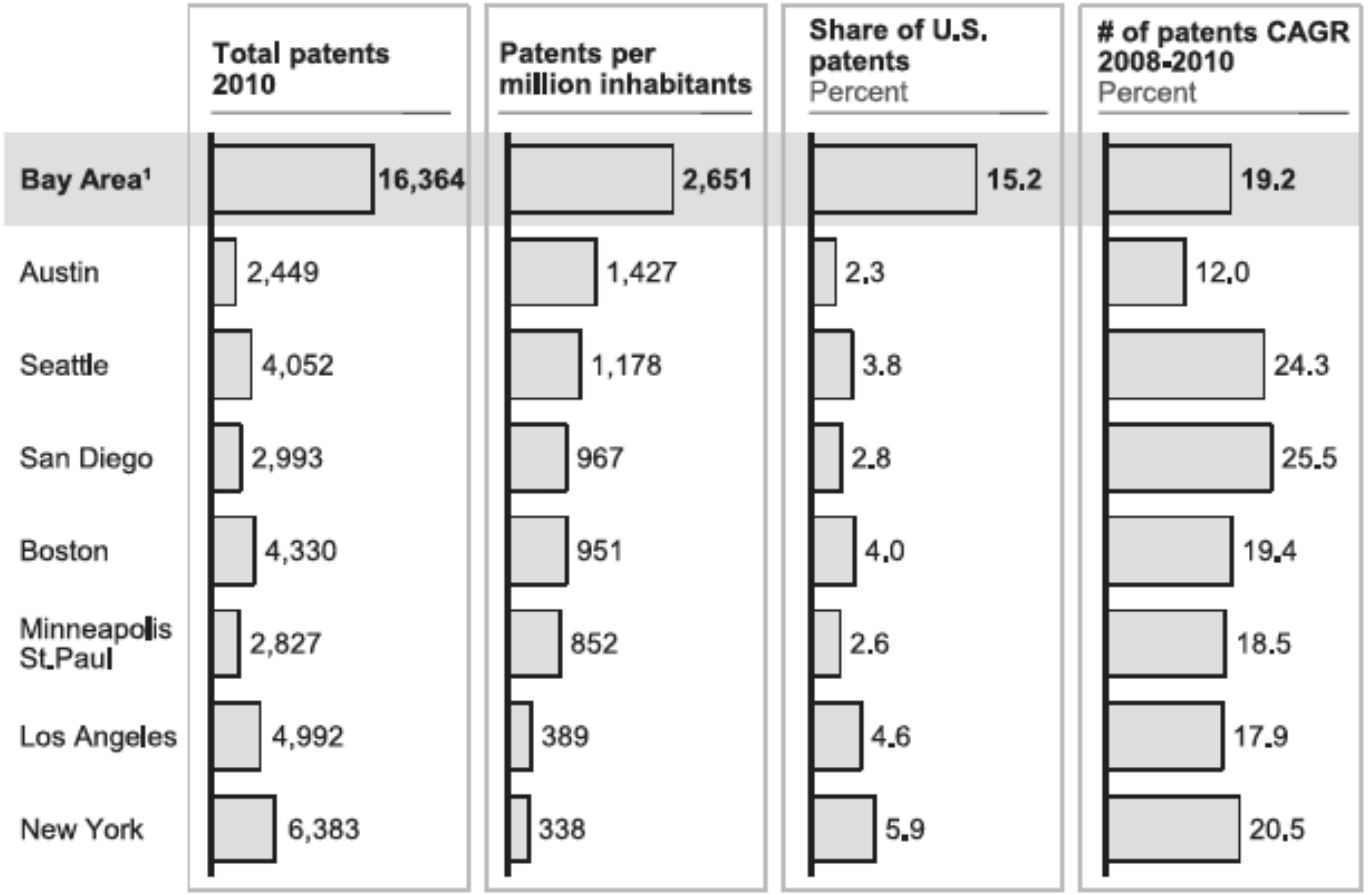
Culture of Innovation



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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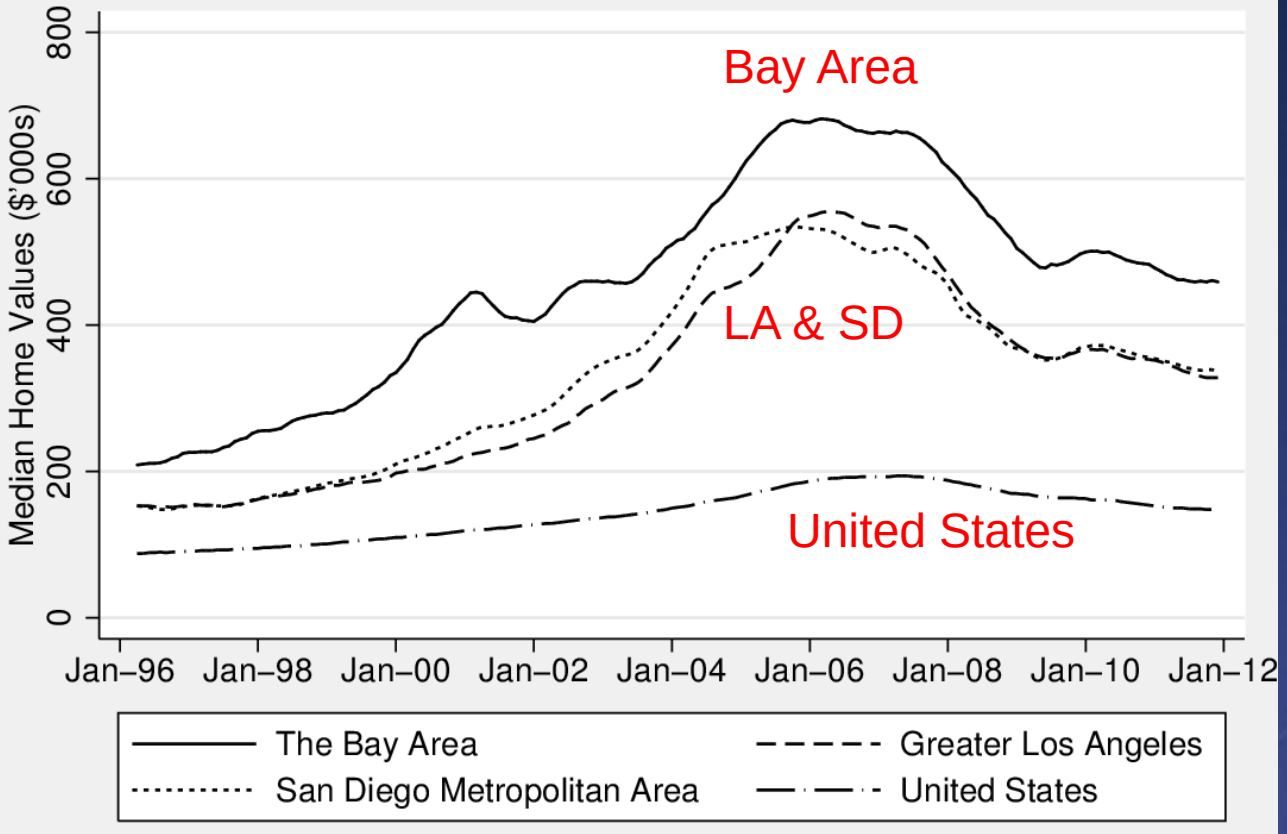
High Housing Prices

(Median Home Values Over Time)



Note: Zillow housing price indices are estimates of the (nominal) median home value.
Source: Zillow.com; calculations by BACEI.

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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

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Significant Commutes are Common

County	*% of Residents that Work in County*	*% of Employees that Live in County*
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**

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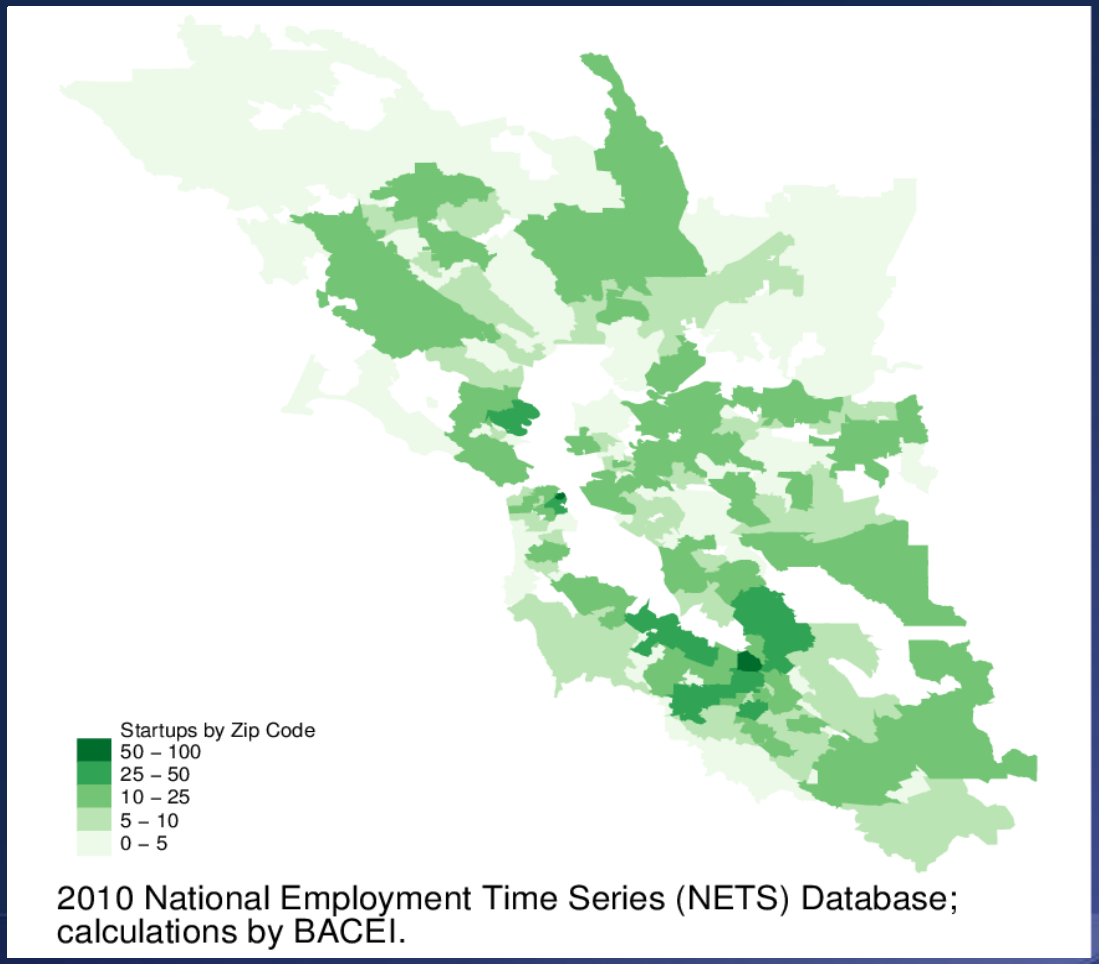
There is Growing Homogeneity in Regional Economic Activity



Locations of New Technology Companies (Startups)

1991 & 2007

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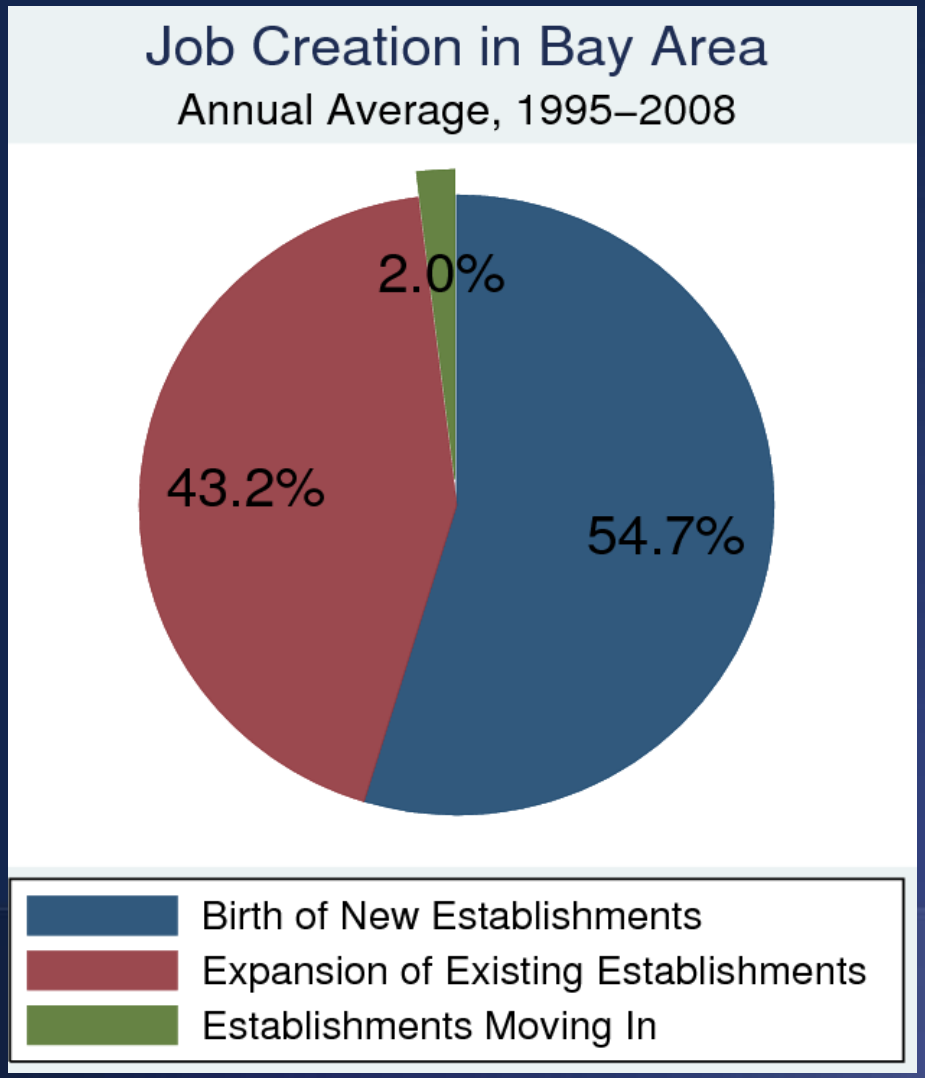
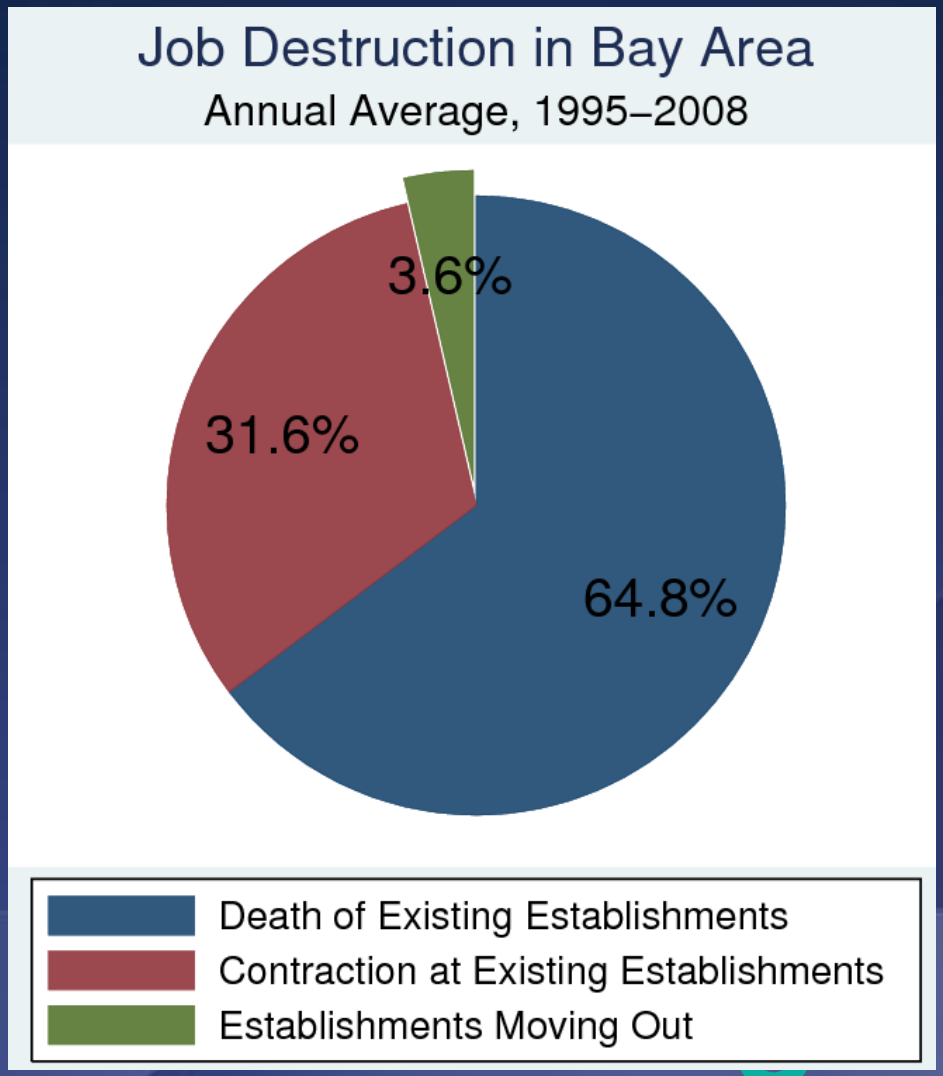
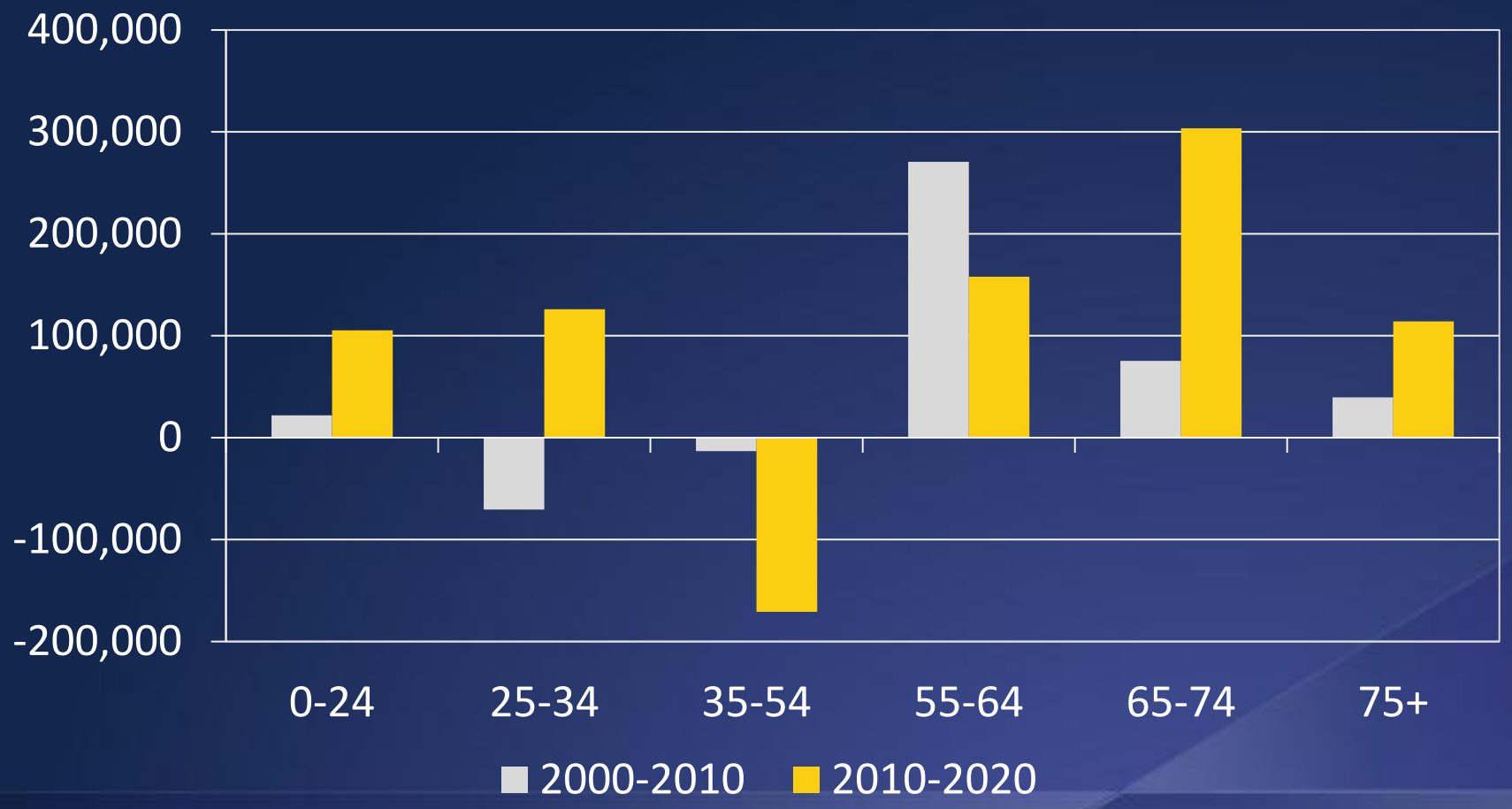
Business Starts are The Basis for Growth





Bay Area Population Growth (thousands)



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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

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ON REGIONAL COMPETITIVENESS

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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

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BROAD RECOMMENDATIONS

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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

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Advance Copy of Report

www.BayAreaEconomy.org

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- *Public Policy Analysis*

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