San Diego Regional Economic Update:
COVID-19 Impacts

Regional Planning Technical Working Group Meeting
June 11, 2020 – Agenda Item XX
Presented by
Ray Major, Chief Economist

Impact of Recessions on TransNet Revenue

(year of collection dollars)

Fiscal Year

Million


1991 Recession
“Mild” Recession
4 years to recover

2001 Recession
“Moderate” Recession

Great Recession
“Severe” Recession

6 1/2 years to recover
The U.S. Economy is in Recession

US Gross Domestic Product

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth Rate</td>
<td>2.9%</td>
<td>2.3%</td>
<td>-5.6%</td>
<td>1.8%</td>
</tr>
</tbody>
</table>

Fed Funds

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>3.0%</td>
<td>2.5%</td>
<td>2.0%</td>
<td></td>
</tr>
</tbody>
</table>

41 mil unemployment claims since 3/7

Dow Jones

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>20,000</td>
<td>22,000</td>
<td>24,000</td>
</tr>
</tbody>
</table>

San Diego’s Economy in Lockdown

VMT has dropped by almost half

Work day VMT

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>VMT</td>
<td>50</td>
<td>25</td>
</tr>
</tbody>
</table>

Retail and restaurants among the most affected

Visits to restaurants, cafes, shopping centers, theme parks, museums, libraries, and movie theaters.

The unemployment rate increased 7-fold between February and April

1990-2019 average, 5.8

Taxable sales are heavily impacted

PRE COVID

MARCH AVERAGE: -24%

APRIL AVERAGE: -44%
San Diego Unemployment

Early 2020 **1.7 million employed** in San Diego region

About 3% (52,000) unemployed

Since COVID-19, over **430,000 jobs lost**

San Diego Non-Farm Employment
Estimated New Unemployed Workers in San Diego County

<table>
<thead>
<tr>
<th>Week Ending</th>
<th>Number of Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 21</td>
<td>16,178</td>
</tr>
<tr>
<td>March 28</td>
<td>91,875</td>
</tr>
<tr>
<td>April 4</td>
<td>79,768</td>
</tr>
<tr>
<td>April 11</td>
<td>56,902</td>
</tr>
<tr>
<td>April 18</td>
<td>45,862</td>
</tr>
<tr>
<td>April 25</td>
<td>28,245</td>
</tr>
<tr>
<td>May 2</td>
<td>18,465</td>
</tr>
<tr>
<td>May 9</td>
<td>21,222</td>
</tr>
<tr>
<td>May 16</td>
<td>17,641</td>
</tr>
<tr>
<td>May 23</td>
<td>28,245</td>
</tr>
<tr>
<td>May 30</td>
<td>20,007</td>
</tr>
</tbody>
</table>

Change in Unemployment

Week Ending March 21: 16,178

Week Ending March 28: 91,875

Week Ending April 4: 79,768

Week Ending April 11: 56,902

Week Ending April 18: 45,862

Week Ending April 25: 28,245

Week Ending May 2: 18,465

Week Ending May 9: 21,222

Week Ending May 16: 17,641

Week Ending May 23: 28,245

Week Ending May 30: 20,007

Source: Applied Geographic Solutions, Inc., Thousand Oaks, California, Weekly Release June 8, 2020

High-contact-intensity occupations

- 702,360 Jobs 49% medium contact intensity
- 337,570 Jobs 24% high contact intensity
- 387,950 Jobs 27% low contact intensity

US, % change in the number of workers between February and March

- Healthcare - moderate loss in jobs
- Education - few job losses
- Transportation - high job loss
- Food & Beverage Services - high job loss
- Personal care and services - high job loss
- Non-essential services

Temporary help services
Child daycare services
Selling goods, clothing, book, and music stores
Transit and ground passenger transportation
Manuf - Apparel
Accommodation
Performing arts and spectator sports
Furniture and home furnishings stores
Food services and drinking places
Motion picture and sound recording total
Offices of dentists
Personal and laundry services
Amusements, gambling, and recreation services
Stable and sightseeing transportation
Geographically, the areas where businesses are the hardest hit include the following employment centers:

- Downtown San Diego
- Mission Valley
- Pacific Beach

These areas have a high concentration of hospitality, restaurant, and retail establishments.

Unemployment by place of work

Industries Most Impacted

- **Tourism** (hotel/motel, arts & entertainment, restaurants & bars, amusement parks, museums, theaters)
- **Retail** (department stores, apparel, home furnishings)

Unemployment by place of residence

**March 7, 2020**
Unemployment by place of residence
May 30, 2020

COVID-19 Revised TransNet Revenue Forecasts

- Pre COVID-19 Forecast
- COVID only 2(V) ($27m loss)
- Moderate 2M(V) ($50m loss)
- Severe 3S(U) ($273m loss)
- Great Recession 5S(UL) ($567m loss)
- Great Depression ($1.2B loss)
Independent National Forecasts Applied to TransNet Revenues

<table>
<thead>
<tr>
<th>Line</th>
<th>Independent GDP Forecast</th>
<th>Date (2020)</th>
<th>Loss by Percentage in FY 2021</th>
<th>Loss by Dollar Amount in FY 2021 (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre COVID-19 Forecast</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>The economist/EIU</td>
<td>April 30</td>
<td>-9%</td>
<td>-</td>
<td>$30.6</td>
</tr>
<tr>
<td>S&amp;P</td>
<td>April 16</td>
<td>-10%</td>
<td>-</td>
<td>$31.6</td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>April 10</td>
<td>-10%</td>
<td>-</td>
<td>$31.8</td>
</tr>
<tr>
<td>Moodys</td>
<td>April 10</td>
<td>-10%</td>
<td>-</td>
<td>$33.4</td>
</tr>
<tr>
<td>IHS</td>
<td>April 16</td>
<td>-10%</td>
<td>-</td>
<td>$33.7</td>
</tr>
<tr>
<td>Oxford Economics</td>
<td>April 29</td>
<td>-12%</td>
<td>-</td>
<td>$37.9</td>
</tr>
<tr>
<td>Goldman Sachs</td>
<td>April 29</td>
<td>-12%</td>
<td>-</td>
<td>$38.4</td>
</tr>
<tr>
<td>IMF</td>
<td>April 14</td>
<td>-13%</td>
<td>-</td>
<td>$41.8</td>
</tr>
<tr>
<td>SANDAG</td>
<td>May 5</td>
<td>-13.2%</td>
<td>-</td>
<td>$43.0</td>
</tr>
<tr>
<td>CBO</td>
<td>April 24</td>
<td>-14%</td>
<td>-</td>
<td>$45.5</td>
</tr>
<tr>
<td>Deloitte</td>
<td>March 27</td>
<td>-18%</td>
<td>-</td>
<td>$55.0</td>
</tr>
</tbody>
</table>

Estimated Taxable Retail Sales April 2020 compared to Pre-COVID

<table>
<thead>
<tr>
<th>Category</th>
<th>Pre-Covid</th>
<th>April 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apparel Stores</td>
<td>83%</td>
<td>67%</td>
</tr>
<tr>
<td>Restaurants</td>
<td>57%</td>
<td>57%</td>
</tr>
<tr>
<td>Service Stations</td>
<td>51%</td>
<td>47%</td>
</tr>
<tr>
<td>Business to Business</td>
<td>28%</td>
<td>21%</td>
</tr>
<tr>
<td>Auto and appliance sales</td>
<td>26%</td>
<td>20%</td>
</tr>
<tr>
<td>Other retail (including online)</td>
<td>21%</td>
<td>20%</td>
</tr>
<tr>
<td>Food Markets, liquor store</td>
<td>21%</td>
<td>20%</td>
</tr>
<tr>
<td>Department Stores</td>
<td>21%</td>
<td>20%</td>
</tr>
</tbody>
</table>
San Diego County Foot Traffic

General Retail
28% of taxable sales
Estimated $1.4 billion in taxable sales each month
Includes: apparel, department stores, furniture/appliance, drug stores, recreation products, florist/nursery, miscellaneous retail

U.S. and San Diego Region Comparison of Google Mobility Data

National social distancing guidelines
San Diego/CA stay at home orders

San Diego County Foot Traffic

Food and Beverage
20% of taxable sales
Estimated $1 billion in taxable sales each month, ($777 million from restaurants)
Includes: restaurants, food markets, liquor stores, food processing equipment

San Diego County Foot Traffic

Construction Materials
9% of taxable sales
Estimated $0.5 billion in taxable sales each month
Includes: building materials retail and wholesale

Source: SafeGraph COVID-19 Response Dataset - Weekly Patterns, v1 "Dates represent totals by week beginning, i.e. 3/1/20 represents totals from 3/1/20 to 3/7/20"
San Diego County Foot Traffic

Transportation
20% of taxable sales
Estimated $1 billion in taxable sales each month
Includes: auto parts/repair, auto sales new and used, service stations

COVID-19 Impact on VMT and Gas Prices

Source: GasBuddy, 3 Month Average Retail Price, Regular Gas Price, US Dollar per Gallon;
Caltrans Performance Measurement System (PeMS) Vehicle Miles Traveled Data
Regional Traffic Volumes Drop

% Change in Average Daily Traffic 2019 vs 2020

-70% -60% -50% -40% -30% -20% -10% 0% 10%

March April May

STAGE 2
Gradually reopen lower-risk workplaces: retail (curbside only), manufacturing & logistics.
Later, relax social restrictions, retail & reopen schools, child care, offices & limited hospitality, personal services.

STAGE 3
Higher-risk workplace: Adapt and reopen movie theaters, religious services, & more personal & hospitality services.

Taxable Retail Sales Estimate and Forecast

Actual Estimates Forecast

Feb-20 Mar-20 Apr-20 May-20 Jun-20 Jul-20 Aug-20

$0 $1,000,000,000 $2,000,000,000 $3,000,000,000 $4,000,000,000 $5,000,000,000 $6,000,000,000

STAGE 3
Higher-risk workplace: Adapt and reopen movie theaters, religious services, & more personal & hospitality services.

SANDAG estimates based on the following sources: Facteus, SafeGraph, PEMS, U.S. Department of Commerce, and Gas Buddy
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Regional Planning TWG | June 11, 2020
Seth Litchney, Senior Regional Planner

Recap

• November 2019
  ▪ Board of Directors Adopted Final RHNA Methodology
  ▪ Draft RHNA Allocation Released

• January 2020
  ▪ SANDAG Received Four Appeals on Allocation

• February 2020
  ▪ SANDAG Received Five Comments on Appeals
RHNA Appeals Hearing

• Scheduled for June 26, 2020

• Appeal Hearing Procedures Adopted by BOD
  ▪ First Appealing Jurisdiction Presentation
  ▪ SANDAG Presentation
  ▪ Board Member Questions
  ▪ Repeat for Other Three Appealing Jurisdictions
  ▪ Public Comment on all Four Appeals
  ▪ Appealing Jurisdictions Rebuttal/Closing Statement
  ▪ Board Discussion/Vote

RHNA Appeals Hearing

• Board of Directors
  ▪ Make a Determination on each appeal
    • Accept, deny, or modify each appeal
    • SANDAG Draft Determinations
  ▪ Release RHNA Plan*
Next Steps

Board Adopts Draft Findings and Releases RHNA Plan on 6/26
• July Public Hearing to Adopt Final RHNA Plan

OR

Board Amends Findings on 6/26
• Board Meeting to Release Final RHNA Plan
• Subsequent Public Hearing to Adopt Final RHNA Plan

www.sandag.org/RHNA

• Four Appeals Letters

• Five Comments on Appeals

• RHNA Appeals Hearing Procedures

• SANDAG Draft Determinations
Housing Elements

- April 2021 Deadline

- In May, the Board requested SANDAG ask the State of California to extend the deadline by at least six months

Questions?

Seth Litchney, Senior Planner

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