

Presentation

Economic Recovery Monitoring and Workplan

November 2020 Office of Economic Development



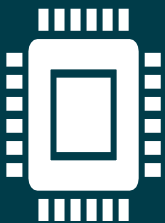
National Economy Rebounding through 2020



Pandemic-induced recession resulted in steep GDP declines and greater job losses than 2008 Great Recession



Recent rebound being driven by federal stimulus – underlying question of whether small and service-based business can survive if conditions continue



Advertising, ecommerce and communications continue to drive tech industries which in turn are buoying the stock markets

Uncertainty exists into 2021



Current wave presents longer term danger to “at risk” businesses



Post-election uncertainty surrounding the balance of power within the federal government has the potential to stall additional stimulus



In the absence of impending federal support, support at the local level increases in importance

High-wage employment almost recovered in San Jose Metro

OPPORTUNITY
INSIGHTS ECONOMIC TRACKER

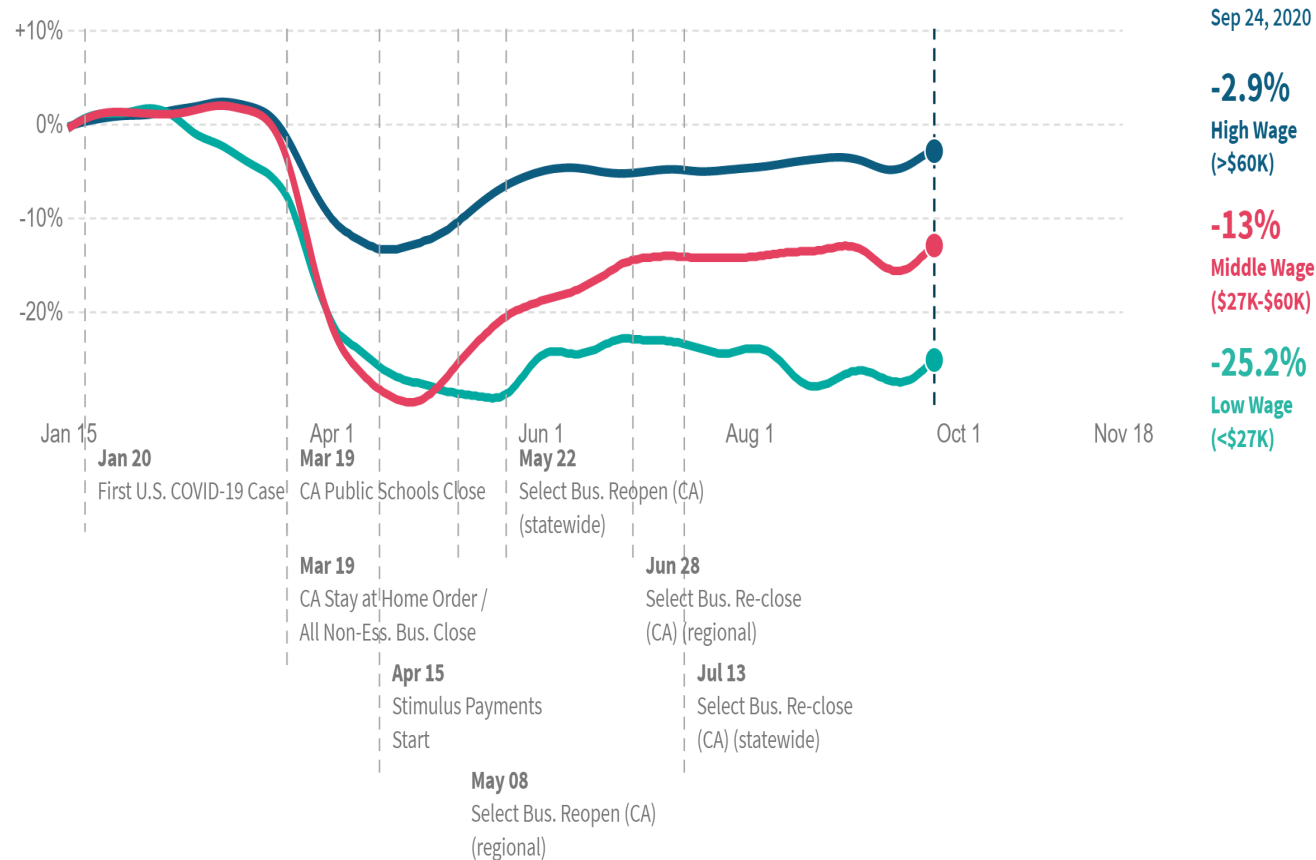
JOHN HARVARD
UNIVERSITY

GOOGLE

BILL & MELINDA
GATES FOUNDATION

Percent Change in Employment*

In **San Jose**, as of **September 24, 2020**, employment rates among workers in the top wage quartile **decreased** by **2.9%** compared to January 2020 (not seasonally adjusted).



*Change in employment rates (not seasonally adjusted), indexed to January 4-31, 2020. This series is based on payroll data from Paychex and Intuit, worker-level data on employment and earnings from Earnin, and timesheet data from Kronos. The dotted line in the low-wage series is a prediction of employment rates based on Kronos data.

last updated: **November 09, 2020** next update expected: **November 18, 2020**

San Jose Experiencing Three Different Economic Realities

STABILIZED:

Successfully transitioned to remote work with limited or minimal impact to productivity. Accelerated adoption of digital technologies may have long term effects on work style. Also includes some essential businesses/workers.

HOLDING ON:

Sharp reduction in spending in sectors that require physical interaction. This spending shock in turn led to losses in business revenue and required repositioning of business model. Includes retail and hospitality.

IN CRISIS:

Businesses closed for extended periods (temporary and permanently) without the ability to transition. Displaced workers. Workers required to support family care.

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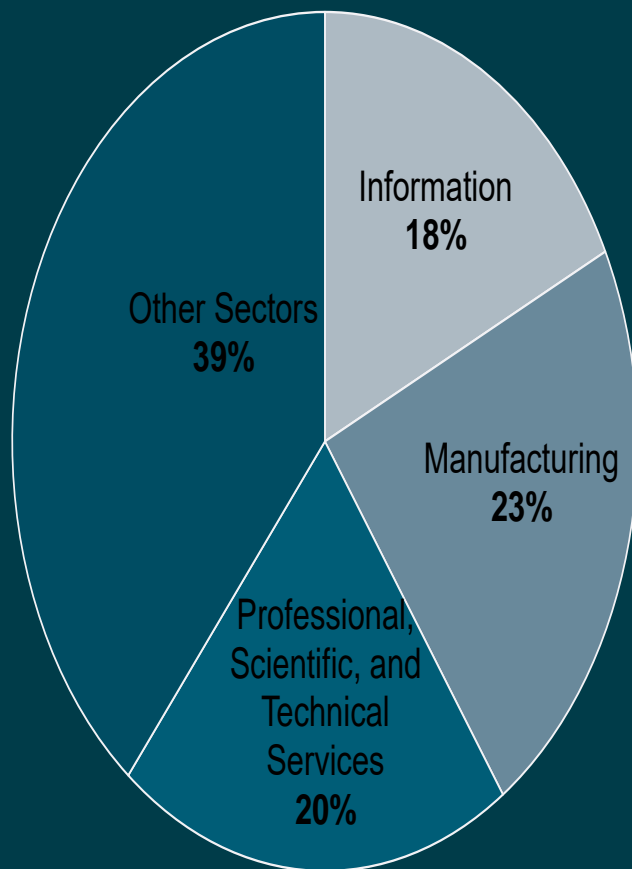
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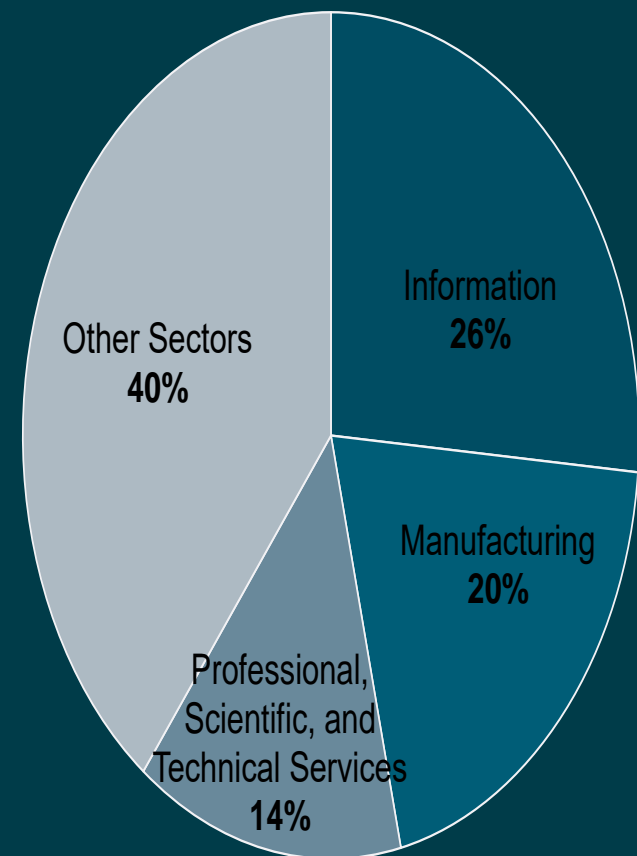
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Stabilized Segment:

Earnings by Sector
San Jose MSA 2019



Gross Regional Product by Sector
San Jose MSA 2019



Source: EMSI, San Jose-Sunnyvale-Santa Clara MSA, Gross Regional Product, 2019

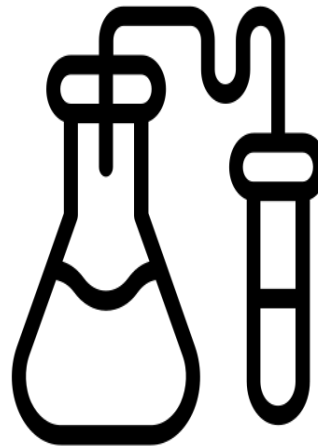
Commercial Real Estate: Deals Drop Off, Available Space Grows



Office

Direct/sublease availability
rising

Deal activity slowing
dramatically

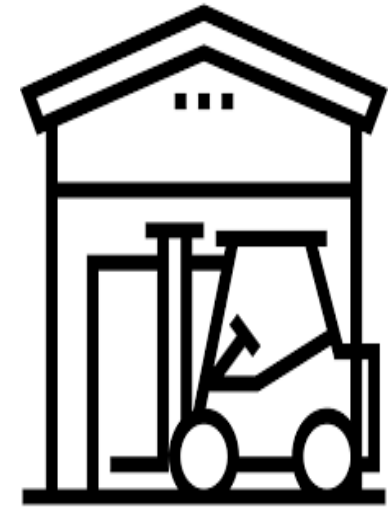


R&D

Sublease and direct availability
rising across the region

Deal activity slowing

Rents stable



Industrial/Warehouse

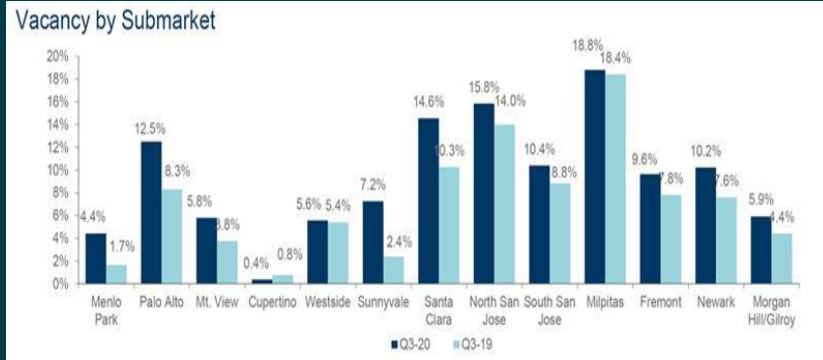
Ecommerce, food driving
strong development
interest

Stabilized Segment:

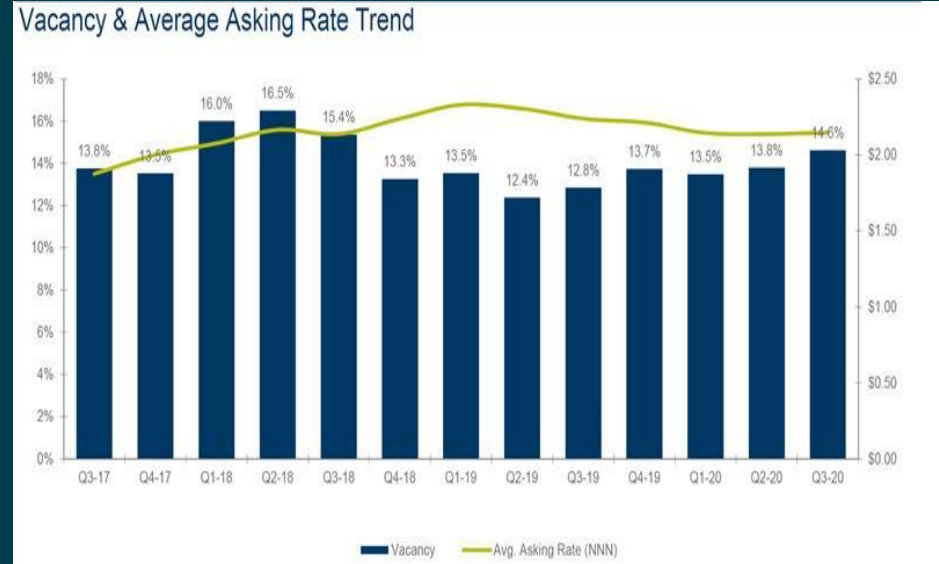
Office:



Comparison to other Cities:



R&D:

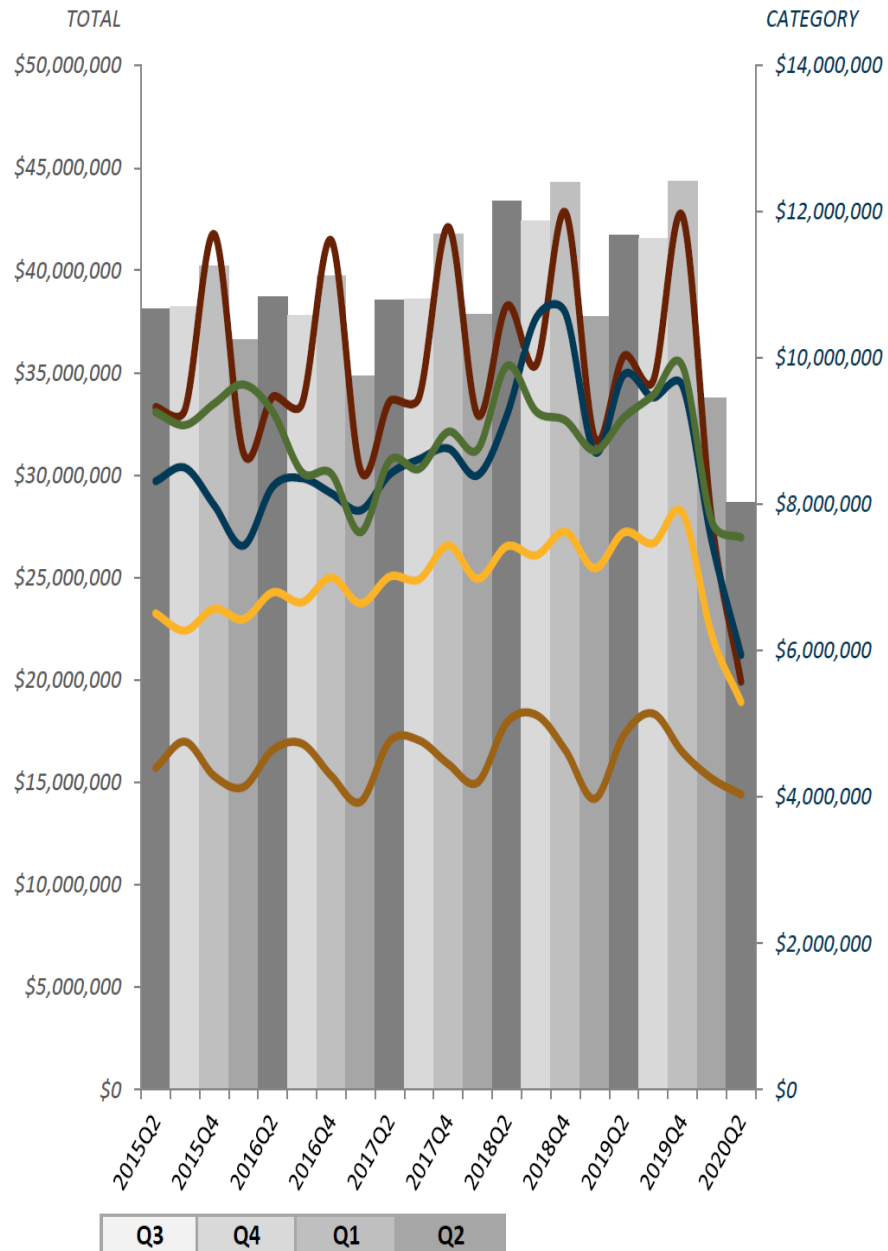


Industrial:



Source: Cushman & Wakefield

Stabilized Segment:



TOTAL				
2020Q2	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$28,685,660	-31.3%	-\$13,057,222	-10.8%	-\$17,871,918

GENERAL RETAIL				
2020Q2	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$5,580,439	-44.4%	-\$4,452,289	-14.3%	-\$5,833,475
% of 2020Q2 Total:		19.5%		

FOOD PRODUCTS				
2020Q2	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$5,301,824	-30.4%	-\$2,318,579	-9.5%	-\$2,806,029
% of Total:		18.5%		

TRANSPORTATION				
2020Q2	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$5,943,858	-39.2%	-\$3,833,449	-18.0%	-\$7,144,700
% of Total:		20.7%		

CONSTRUCTION				
2020Q2	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$4,036,566	-16.8%	-\$815,739	-2.9%	-\$547,924
% of Total:		14.1%		

BUSINESS TO BUSINESS				
2020Q2	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$7,550,016	-17.9%	-\$1,640,839	-4.5%	-\$1,640,101
% of Total:		26.3%		

QoQ = 20Q2 / 19Q2

YoY = YE 20Q2 / YE 19Q2

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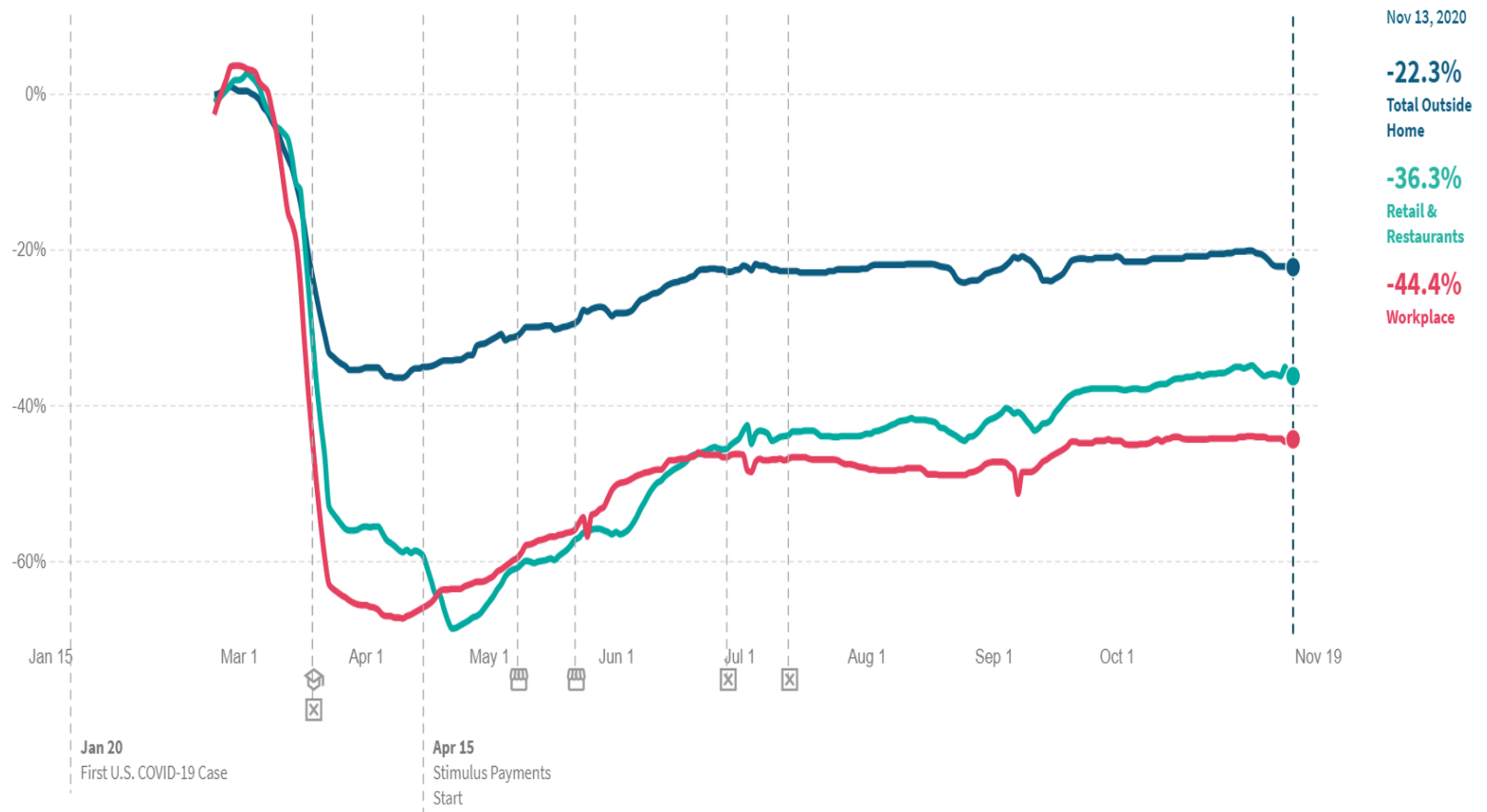
IN CRISIS:

Businesses closed for extended periods (temporary and permanently) without the ability to transition. Displaced workers. Workers required to support family care.

Consumers staying home continues to impact main street business

Percent Change in Time Spent Outside Home*

In **San Jose**, as of **November 13 2020**, total time spent away from home **decreased** by **22.3%** compared to January 2020.



*Change in the average time spent outside of residential locations indexed to the period between Jan 3-Feb 6 2020. This series uses data from Google's COVID-19 Community Mobility reports.

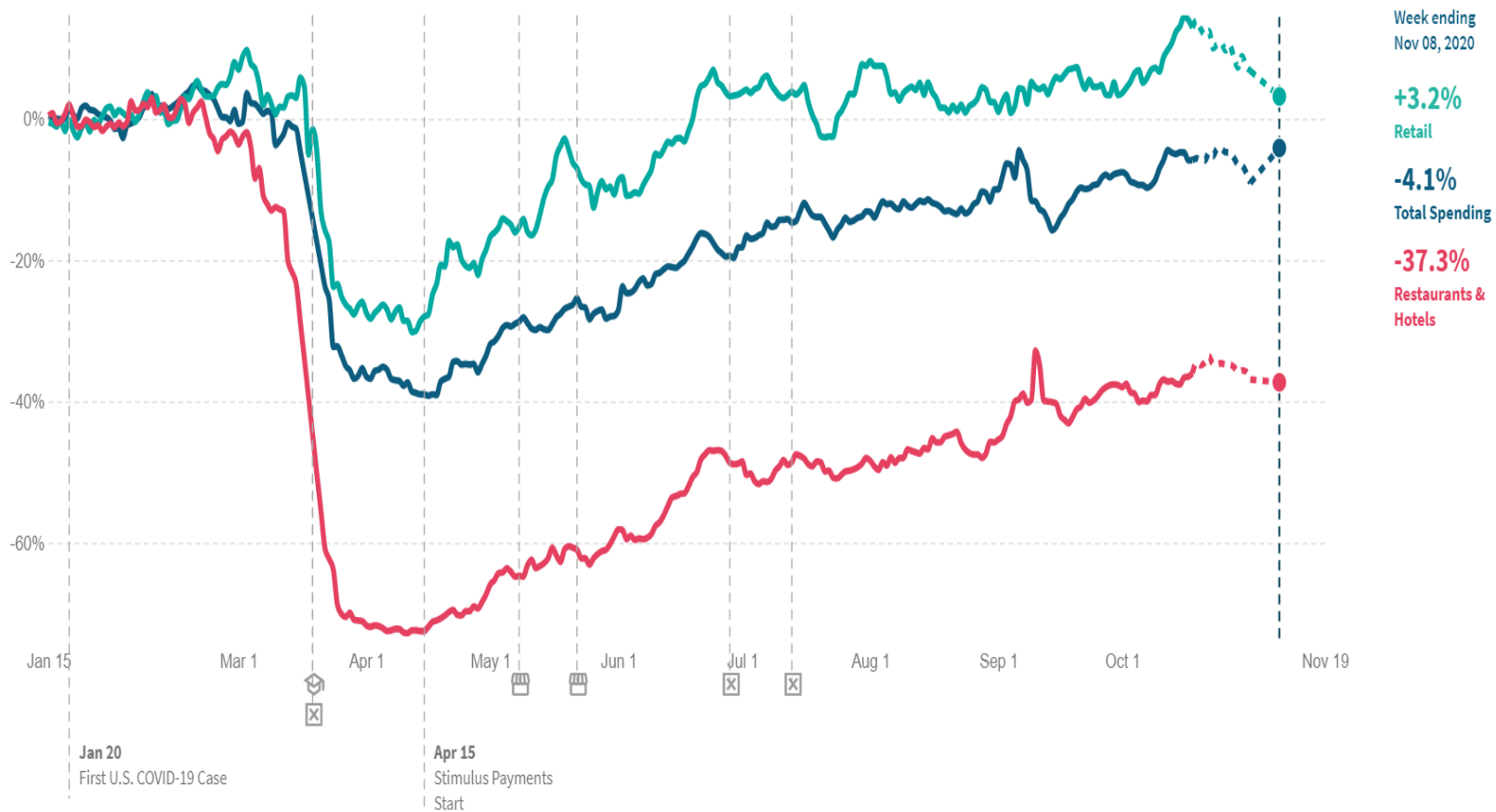
last updated: November 18, 2020 next update expected: November 24, 2020

visit tracktherecovery.org to explore

Total consumer spending almost recovered

Percent Change in All Consumer Spending*

In **San Jose**, as of **November 08 2020**, total spending by all consumers **decreased** by **4.1%** compared to January 2020.



*Change in average consumer credit and debit card spending, indexed to January 4-31, 2020 and seasonally adjusted. The dashed segment of the line is provisional data, which may be subject to non-negligible revisions as newer data is posted. This series is based on data from Affinity Solutions.

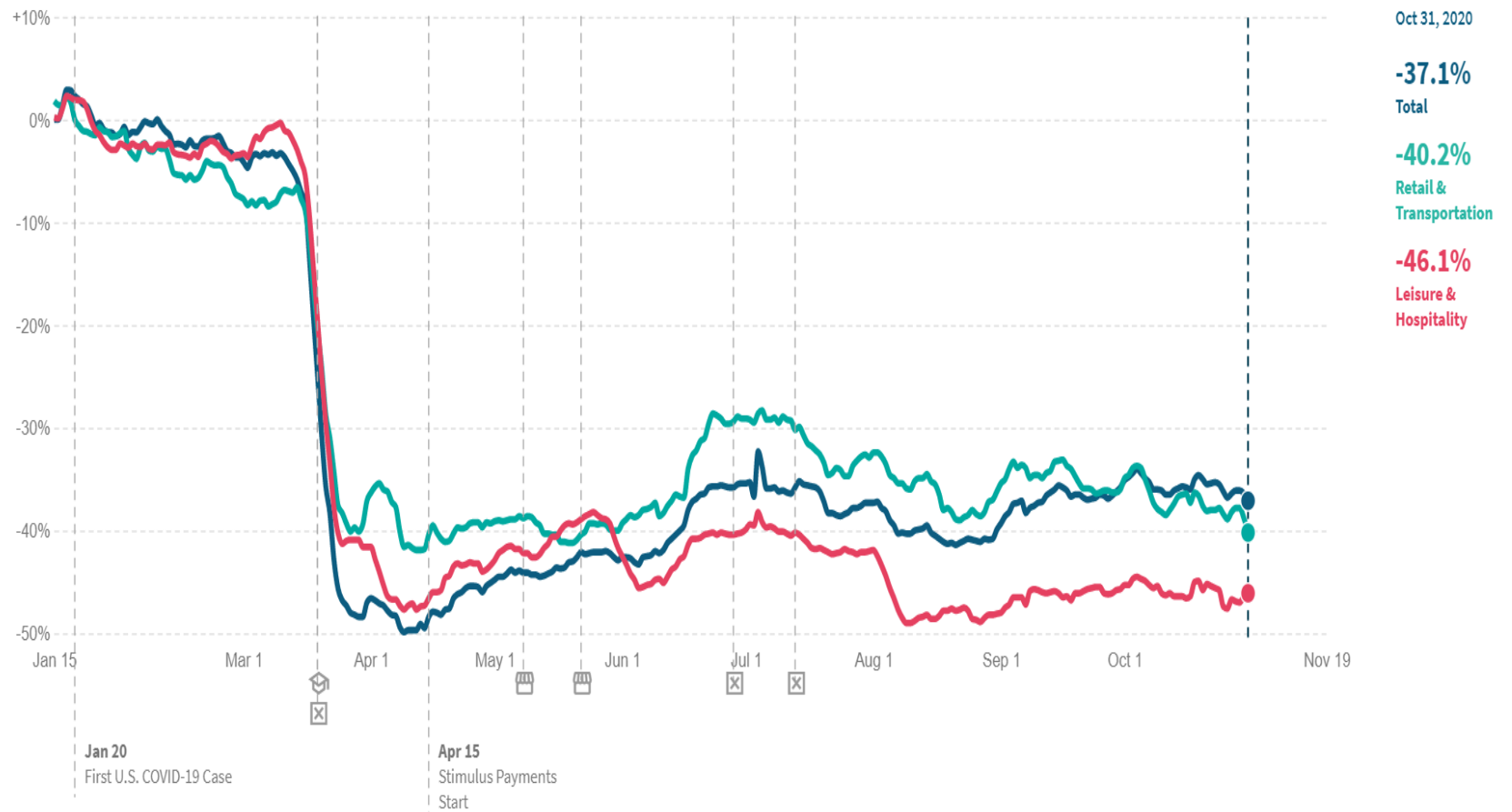
last updated: November 18, 2020 next update expected: November 25, 2020

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Almost 40% of small business yet to reopen

Percent Change in Number of Small Businesses Open*

In **San Jose**, as of **October 31, 2020**, the number of small businesses open **decreased** by **37.1%** compared to January 2020.



*Change in small businesses open (defined as having financial transaction activity), indexed to January 4-31 2020 and seasonally adjusted. This series is based on data from Womply.

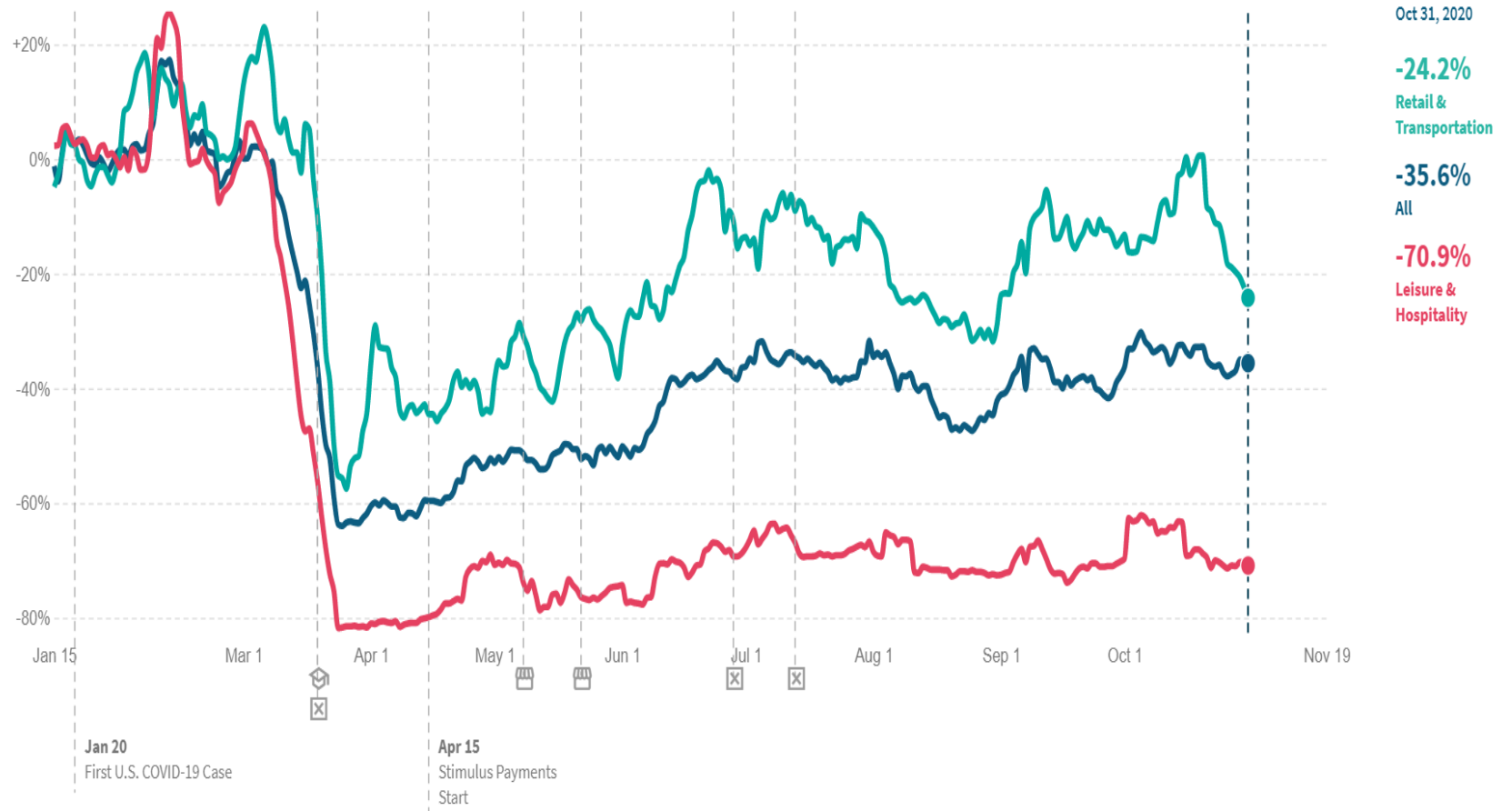
last updated: November 11, 2020 next update expected: November 19, 2020

visit tracktherecovery.org to explore

Consumer spending not translating to main street small business revenue:

Percent Change in Small Business Revenue*

In **San Jose**, as of **October 31 2020**, total small business revenue **decreased** by **35.6%** compared to January 2020.



*Change in net business revenue for small businesses, indexed to January 4-31 2020 and seasonally adjusted. This series is based on data from Womply.

last updated: November 11, 2020 next update expected: November 19, 2020

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In Crisis Segment:

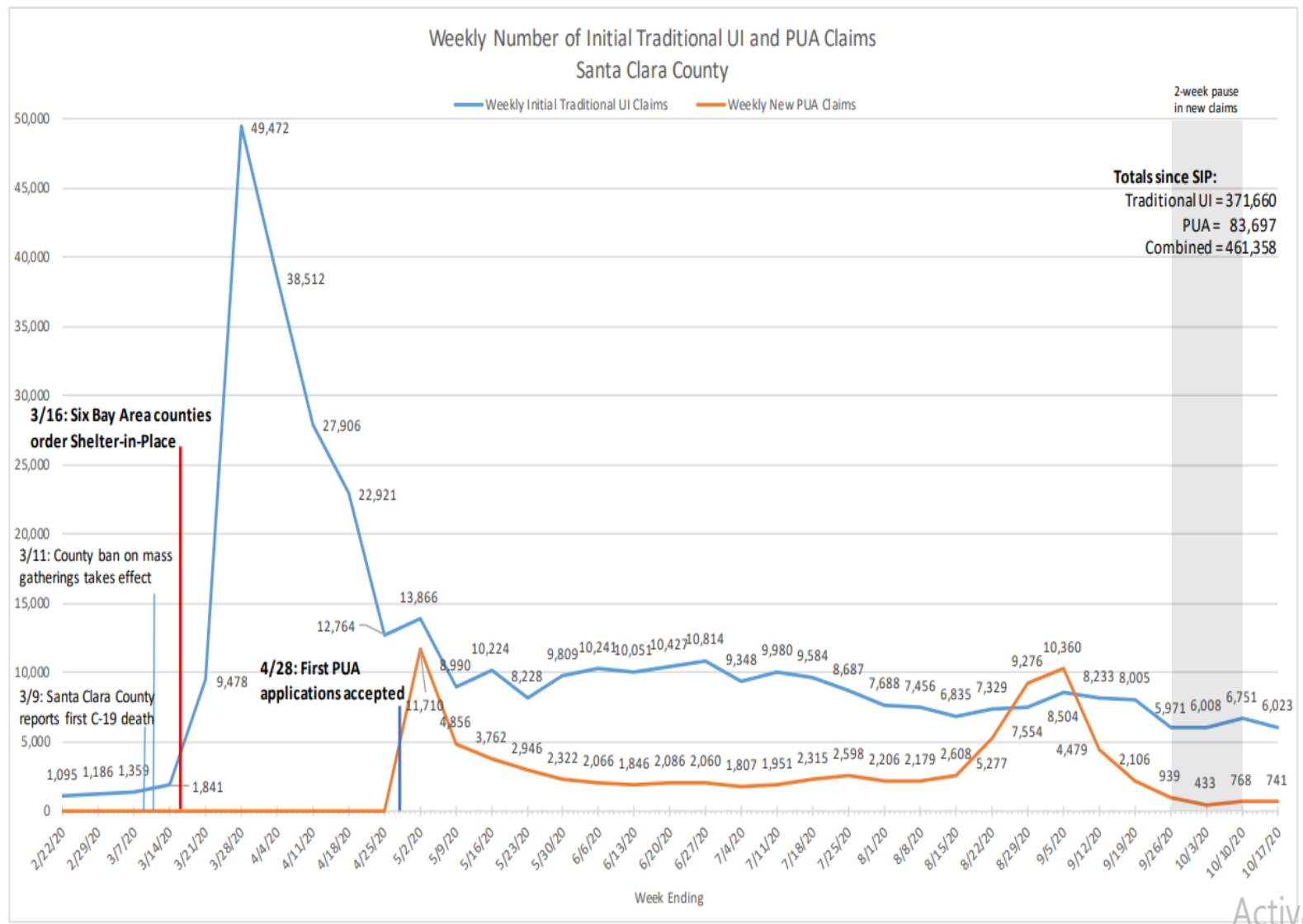
San Jose-Sunnyvale-Santa Clara MSA

	Actual Feb – Sep			% Gain/Loss				
Job Trends by Sector	20-Feb	20-Apr	20-Sep	February-April Job Loss	April-Sep Job Gain	% Recovered	% Not Recovered	February-September Job Loss
Construction	51,200	35,400	51,600	15,800	16,200	102.5		400 *
Manufacturing	174,800	160,800	163,400	14,000	2,600	18.6	81.4	-11,400
Wholesale Trade	31,000	28,100	28,500	2,900	400	13.8	86.2	-2,500
Retail Trade	83,200	70,000	76,800	13,200	6,800	51.5	48.5	-6,400
Transportation and Warehousing	16,500	14,400	15,300	2,100	900	42.9	57.1	-1,200
Information	103,700	94,200	92,100	9,500	-2,100			-11,600
Financial Activities	38,300	36,300	36,100	2,000	-200	-10.0		-2,200
Prof and Business Services	243,100	233,000	241,500	10,100	8,500	84.2	15.8	-1,600
Education and Health Services	179,700	164,900	168,400	14,800	3,500	23.6	76.4	-11,300
Leisure and Hospitality	101,600	52,700	72,400	48,900	19,700	40.3	59.7	-29,200
Government	98,600	97,100	92,000	1,500	-5,100			-6,600
Others	34,800	24,600	29,600	10,200	5,000	49.0	51.0	-5,200
Total	1,156,500	1,011,500	1,067,700	145,000	56,200	38.8	61.2	-88,800



Source: EDD, Employment by Industry, October 2020 ; Analysis by City of San Jose Office of Economic Development

In Crisis Segment:



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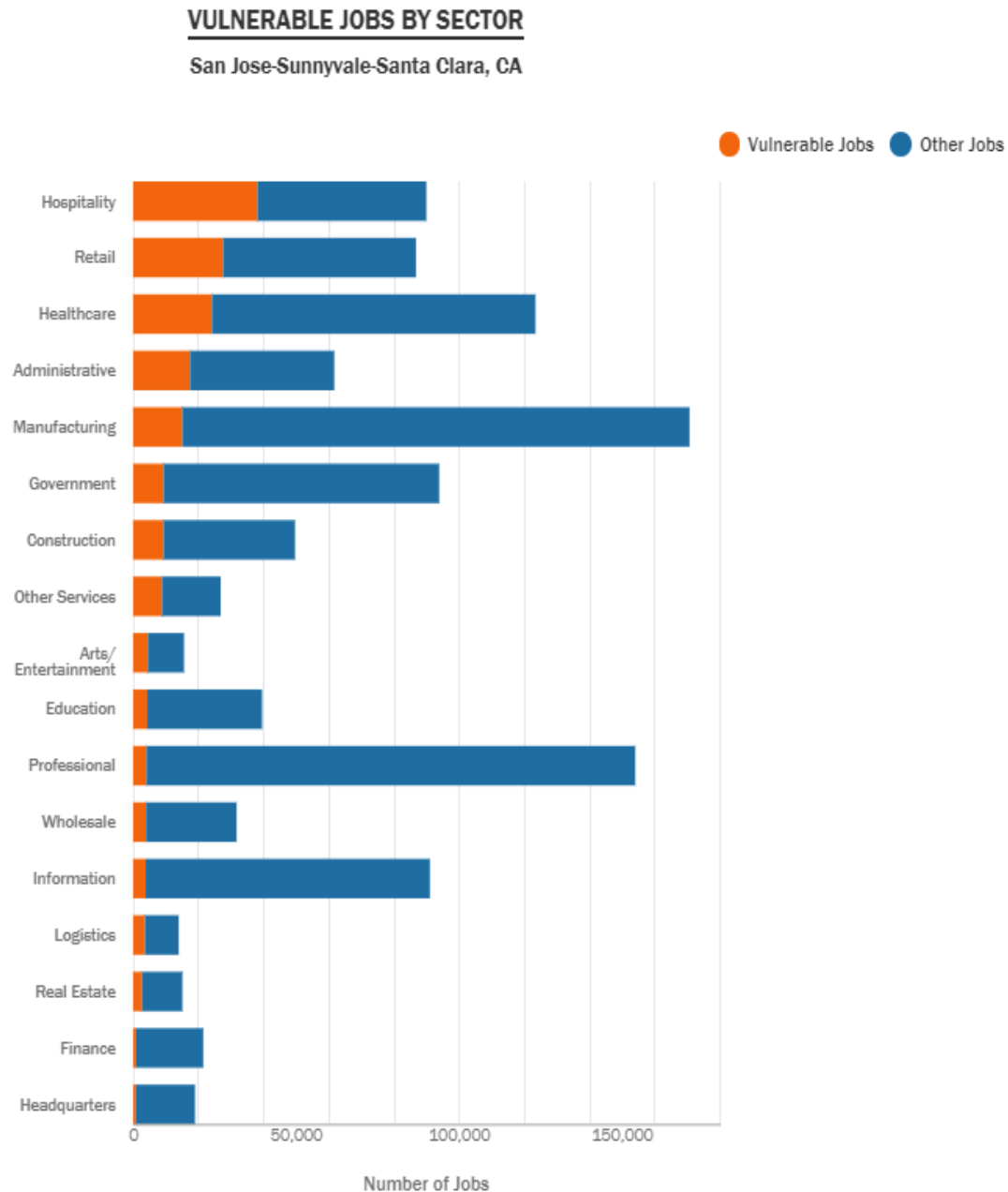
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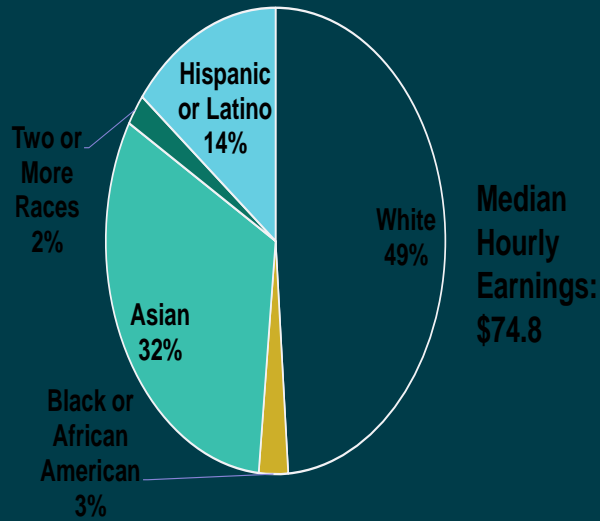
UNDERSTANDING
EQUITY

In Crisis Segment:

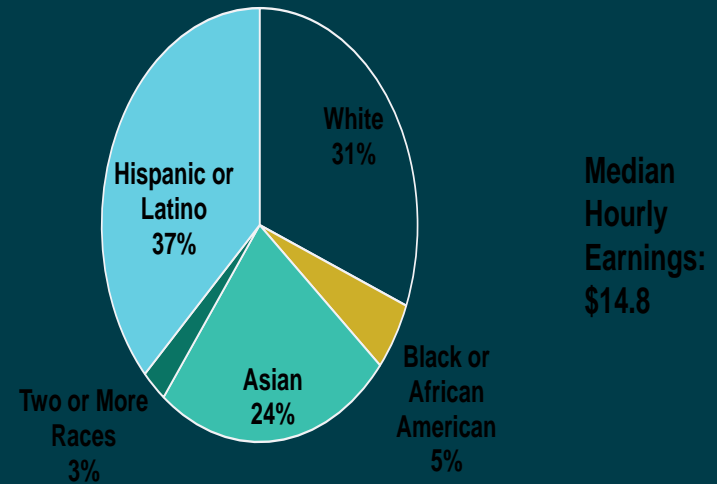


In Crisis Segment:

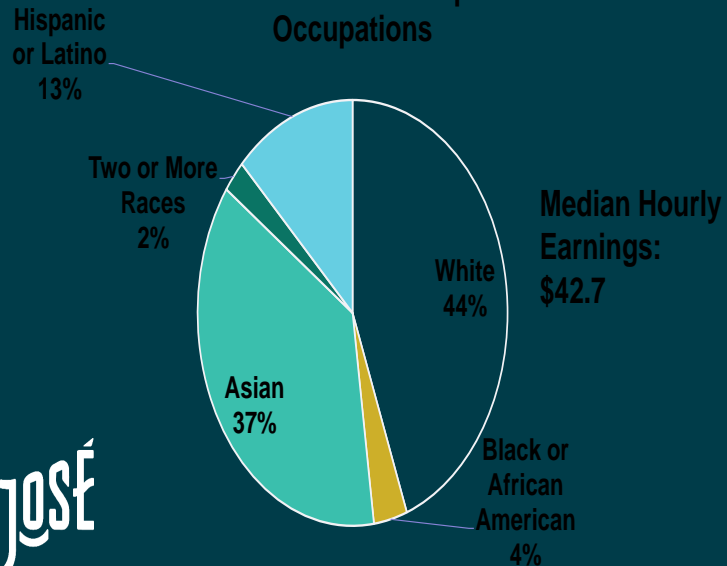
Management Occupations



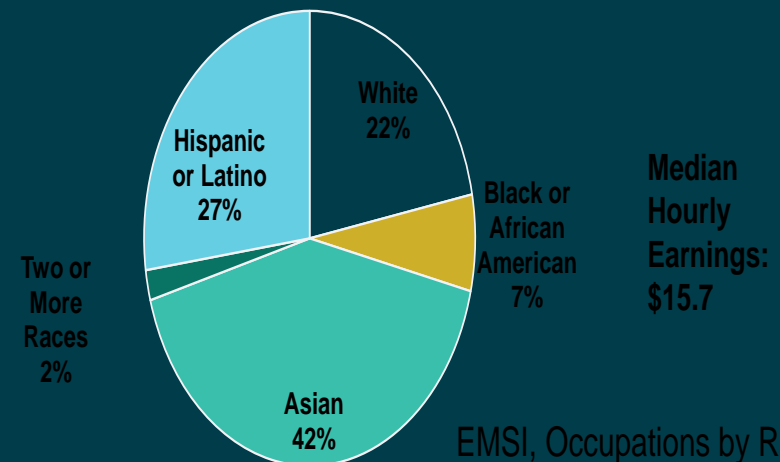
Food Preparation and Serving Related Occupations



Business and Financial Operations Occupations

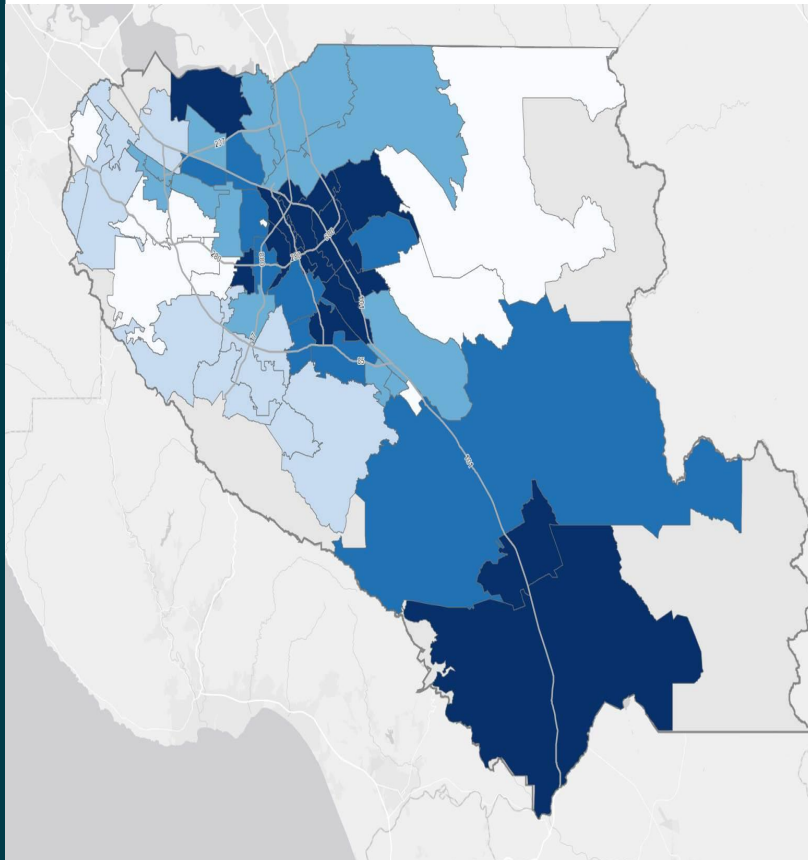


Healthcare Support Occupations

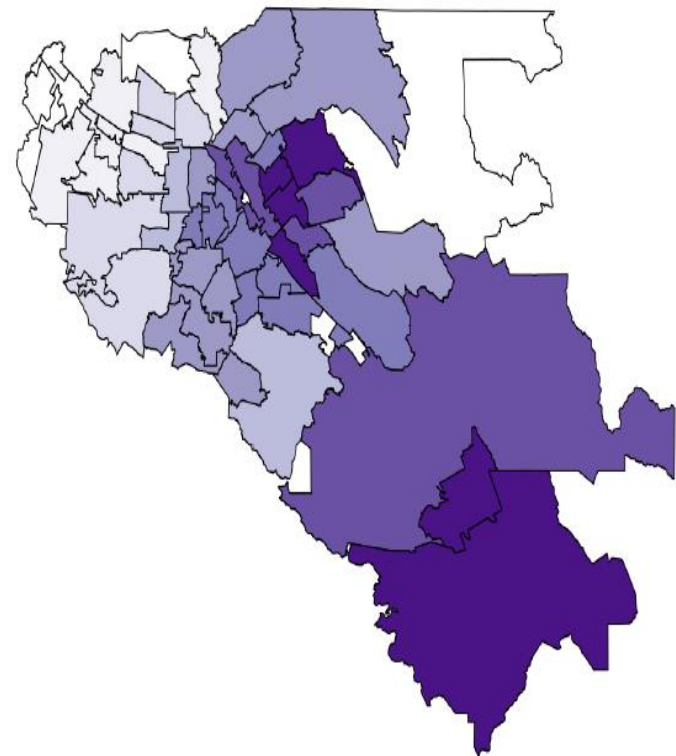


Close parallels between areas impacted by COVID-19 and residents employed in vulnerable occupations

Cumulative COVID-19 cases per 100,000 residents by zip codes in Santa Clara County, Nov. 2020



Percent of resident workers employed in vulnerable occupations, 2019



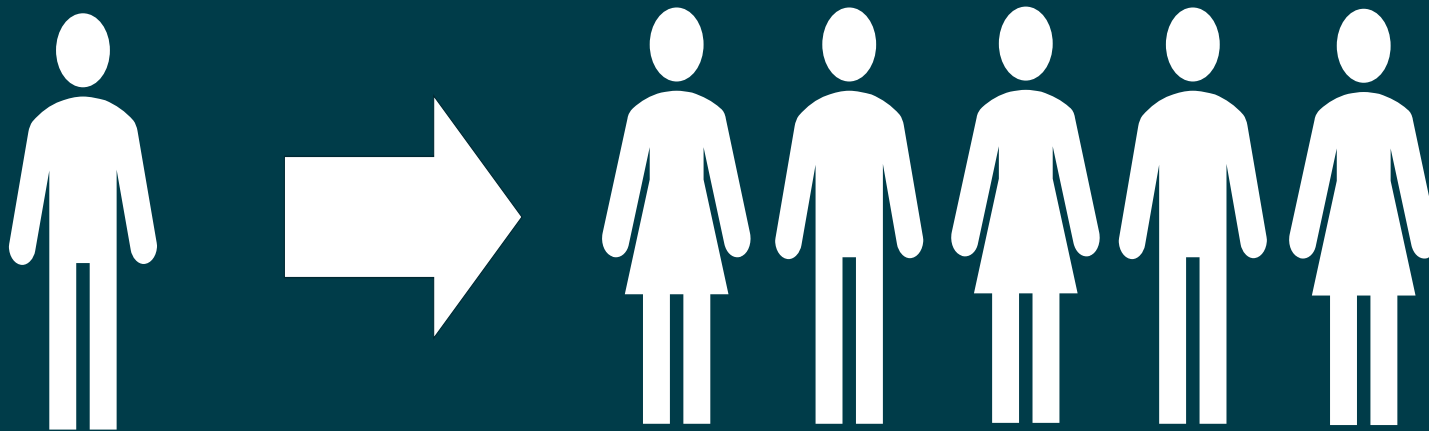
Different segments create different impacts at varying levels

STABILIZED: Creating macro impacts in local economy

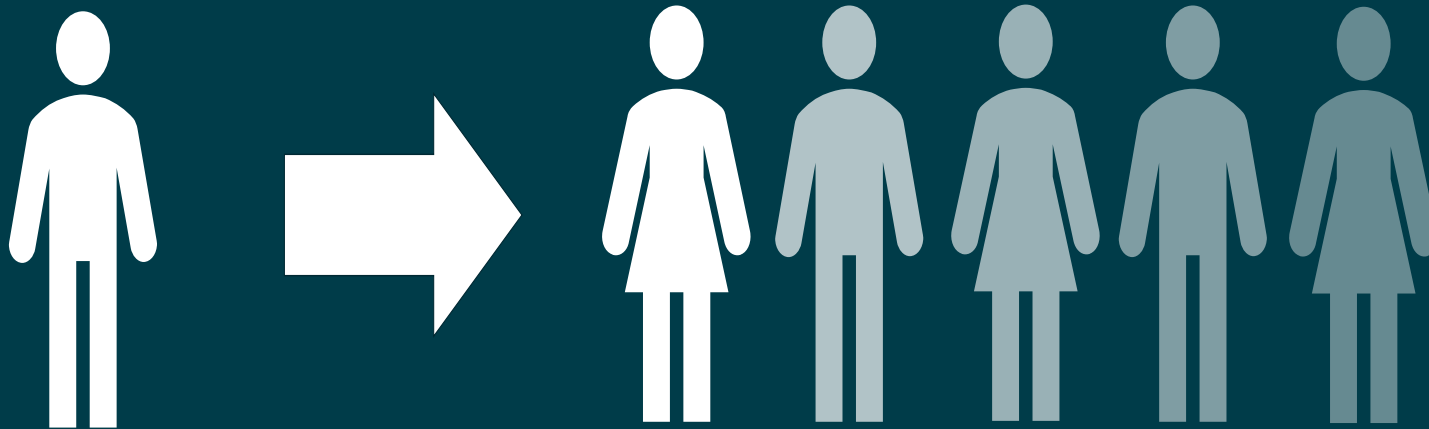
HOLDING ON: Creating visible impacts at the neighborhood level

IN CRISIS: Creating impacts at the individual level

| Typical Tech Multiplier: 1 Job Creates 5 More Downstream



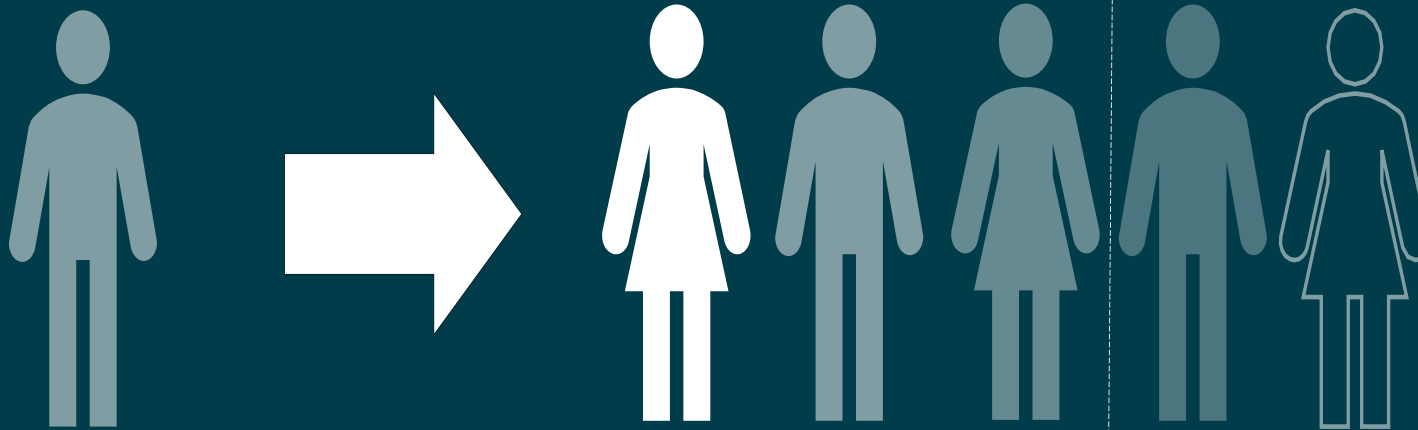
Pre-Pandemic Economic Inequity Eroding San Jose's Multiplier Effect



High concentration of high-skill, high-wage tech jobs increase demand for housing, services, amenities.

Increased demand results in increased cost of housing, services, amenities. Low-skill, low-wage jobs don't keep pace with increased cost of living.

Mid-pandemic conditions as a result of SLP amplify the impact on tech jobs multiplier



Jobs in “Stabilized” industries utilizing remote work to mitigate the impacts of the pandemic. Less services and support required as a result, and reduced personal expenditure.

Essential workers still required to support resident population. Workers in “Holding On” businesses or industries maybe experiencing reduced hours or income.

Workers from “In Crisis” industries and occupations have no opportunity to work or generate income.

Santa Clara County Y/Y decline in the labor force, continuing to trend downwards – government support, friends and family, out migration?



3.1%
33,900
workers

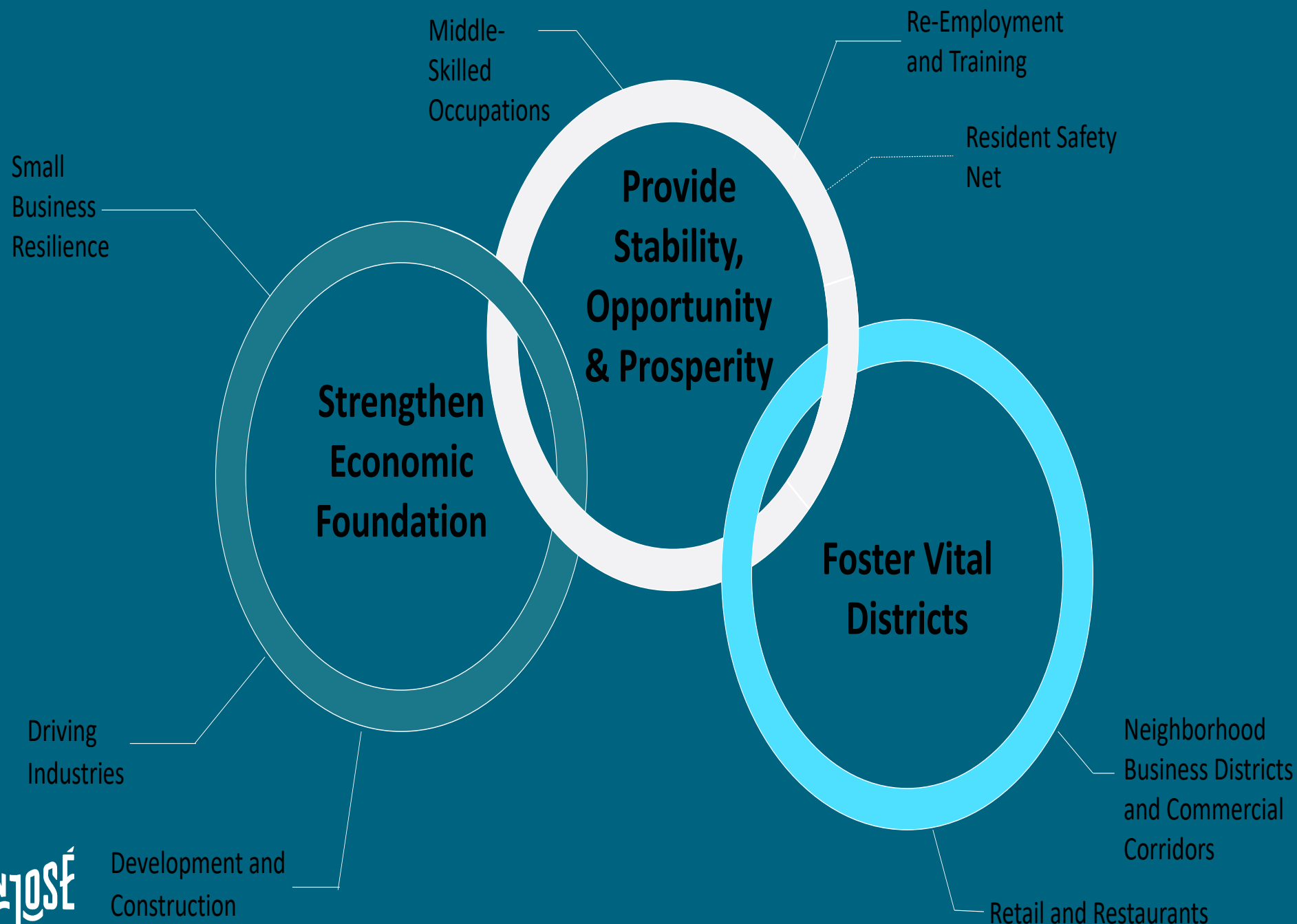
San Jose-Sunnyvale-Santa Clara MSA	September 2019	July 2020	August 2020	September 2020
Civilian Labor Force	1,088,200	1,066,500	1,050,800	1,054,300
Civilian Employment	1,063,100	965,300	974,500	979,500
Civilian Unemployment	25,100	101,300	76,300	74,800
Civilian Unemployment Rate	2.3%	9.5%	7.3%	7.1%

San Jose-Sunnyvale-Santa Clara MSA	September 2019	July 2020	August 2020	September 2020
Civilian Labor Force	1,088,200	1,088,200	1,088,200	1,088,200
Civilian Employment	1,063,100	965,300	974,500	979,500
Civilian Unemployment	25,100	122,900	113,700	108,700
Civilian Unemployment Rate	2.3%	11.3%	10.4%	10.0%

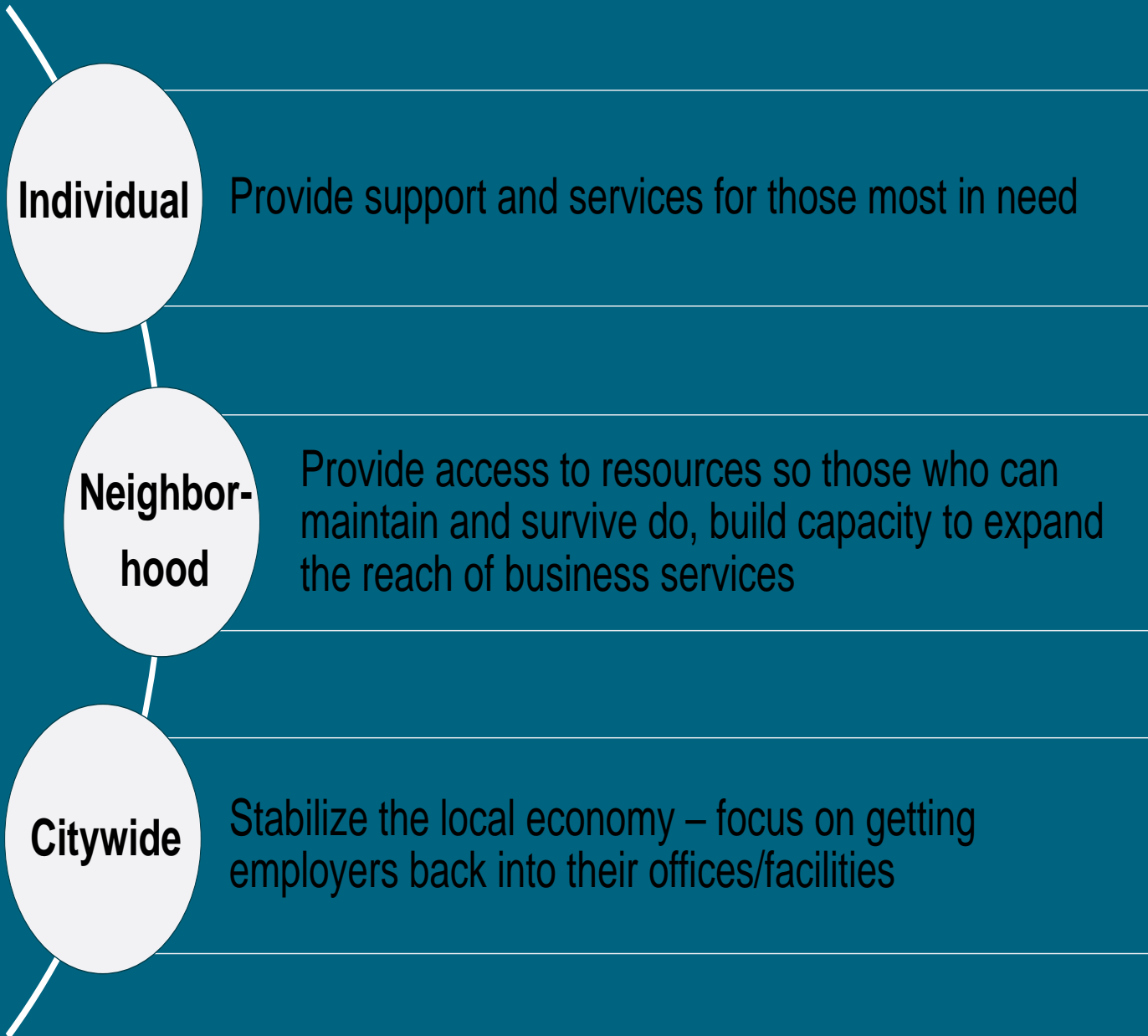


Source: EDD, Labor Market Information, October 2020.

Early identification of priority focus areas



Create targeted solutions that address the impact occurring at different levels



OED Economic Recovery Workplan – Individual

WORK AREA

Workforce Development

Business Education and Guidance

Small Business Support

OBJECTIVES

1. Place adults and youth into paid work experience, internships, or trainings
2. Enhance employer engagement and hold virtual job fairs with employers actively hiring
3. Continue Census outreach efforts to increase self response rate in undercounted census tracts

1. Build momentum in San Jose for businesses to meet health and safety operational requirements
2. Continue to Improve City Education and Information Communications for Business
3. Enhance Business Data Collection and Interpretation

1. Outreach to small businesses to provide access to resources and support
2. Support Re-Opening through SJ Al Fresco
3. Provide small businesses with access to Capital

LEADS

Melchor/
Thoo

Handler/
Yilmaz

Zelalich/ Farlie/
Woodworth

OED Economic Recovery Workplan - Neighborhood

WORK AREA

Business Support Capacity Building

Cultural Affairs

OBJECTIVES

1. Continue to foster and strengthen relationships with a variety of Business Support Organizations

2. Build capacity for business support organizations

3. Increase Targeted Capacity Building in Business Support Organizations

1. Support the sustainability of nonprofit art and cultural organizations and creative entrepreneurs.

2. Support the return of safe arts and cultural events.

3. Provide high quality public art experiences that engage local artists and the community.

LEADS

Iglesias/
Alvarez

Adams-Hapner

OED Economic Recovery Workplan - Citywide

WORK AREA

Economic Stabilization

Development

Conventions, Tourism, and Destination Marketing

OBJECTIVES

1. Outreach to driving industry businesses, major employers, and significant revenue generators
2. Maintain San Jose's Manufacturing Sector
3. Plan for transformed retail environment following SIP

1. Facilitate construction projects that are currently underway or due to start to maintain momentum in the development market.
2. Prioritize streamlining of high-impact projects
3. Implement changes to City policy to ensure support of development goals

1. Retain/attract international, national and regional events and visitors to the convention center in partnership with Team San Jose.
2. Maintain San Jose's global position for key high tech conferences and a destination for leisure and business activity.
3. Drive hotel use and recover hospitality jobs that have been displaced.

LEADS

Donato-Weinstein/
Hedges

Lipoma/
Ferguson

Adams-Hapner/
Zelalich

| QUESTIONS

Chris Burton

Deputy Director

Business and Economic Development

Office of Economic Development

