

Economic Resiliency and Recovery Plan

WISF | 3/7/18



Purpose and Background

The Goal of the Economic Resiliency and Recovery Plan:

- Model impacts of recession on the City's economy
- Develop and implement mitigation and recovery strategies to (1) prepare for downturn and (2) be ready to implement once a downturn occurs

We see this plan as a part of the City's broader resiliency effort

- This is the foundation for the economy section of the City's Resiliency Plan

Our recommendations address short-term, abnormal conditions

- The City is constantly implementing long-run policy and programs that advance equity and makes the City more resilient to economic shocks



Recession Modeling

Baseline Scenario

- Begins Q3 2016
- Spans 12 quarters
- Represents moderate economic expansion

Baseline Expectations

- 1.4% YOY employment growth
- 3.3% average unemployment rate
- 5.6% annual growth of home prices



Recession Modeling

| San Francisco Indicator Peak to Trough Change | Adverse National Downturn | Severe National Downturn | Adverse Tech Downturn | Severe Tech Downturn |
|--|---------------------------------|--------------------------------|-----------------------------|----------------------------|
| Existing Home Prices | -6.9% | -21.2% | -10.3% | -27.3% |
| Personal Income | -2.5% | -5% | -5.5% | -11.1% |
| Taxable Sales | -7.6% | -10.9% | -11.2% | -18.1% |
| Jobs in San Francisco | -15,644 | -36,011 | -24,377 | -54,070 |
| Employed San Franciscans | -7,080 | -21,195 | -7,640 | -28,684 |
| Unemployment Rate | +3.1% (to 6.4%) | +5.6% (to 8.9%) | +3.4% (to 6.7%) | +6.1% (to 9.4%) |



City Revenues

| Recession Type | Revenue Measure | Year 0 | Period 1 | Period 2 | Period 3 |
|-------------------|------------------------------|----------|----------|----------|----------|
| Adverse, National | Total Economic Revenue (\$M) | 3,567.30 | 3,649.80 | 3,649.90 | 3,781.60 |
| | Growth (%) | | 2.3 | 0.0 | 3.6 |
| Severe, National | Total Economic Revenue (\$M) | 3,567.30 | 3,591.70 | 3,479.30 | 3,579.20 |
| | Growth (%) | | 0.7 | -3.1 | 2.9 |
| Adverse, Tech | Total Economic Revenue (\$M) | 3,567.30 | 3,635.10 | 3,591.80 | 3,697.90 |
| | Growth (%) | | 1.9 | -1.2 | 3.0 |
| Severe, Tech | Total Economic Revenue (\$M) | 3,567.30 | 3,539.40 | 3,341.30 | 3,403.90 |
| | Growth (%) | | -0.8 | -5.6 | 1.9 |



Responding to a Recession

What We Are Doing

1. Creating a Plan

- Identifying and preparing strategies for implementation as well as an execution plan
- Creating legislative framework allowing for implementation
- Establishing economic metrics for enactment of strategies

2. Monitoring Economic Performance

- Economic indicators highly correlated with economic cycles
- Ensuring that indicators lead economic cycles
- Ensuring that indicators are regularly reported
- Establishing a body that meets when these indicators begin to show concerns

3. Enacting Mitigation Efforts as Needed

- Focus on short-run solutions tailored to the recession's cause
- Short-run solutions should be maintained during recovery while long-run strategies begin
- Long-run strategies should be maintained during expansion to continue shoring up the economy while creating a more resilient economy

4. Evaluating Impact and Refining



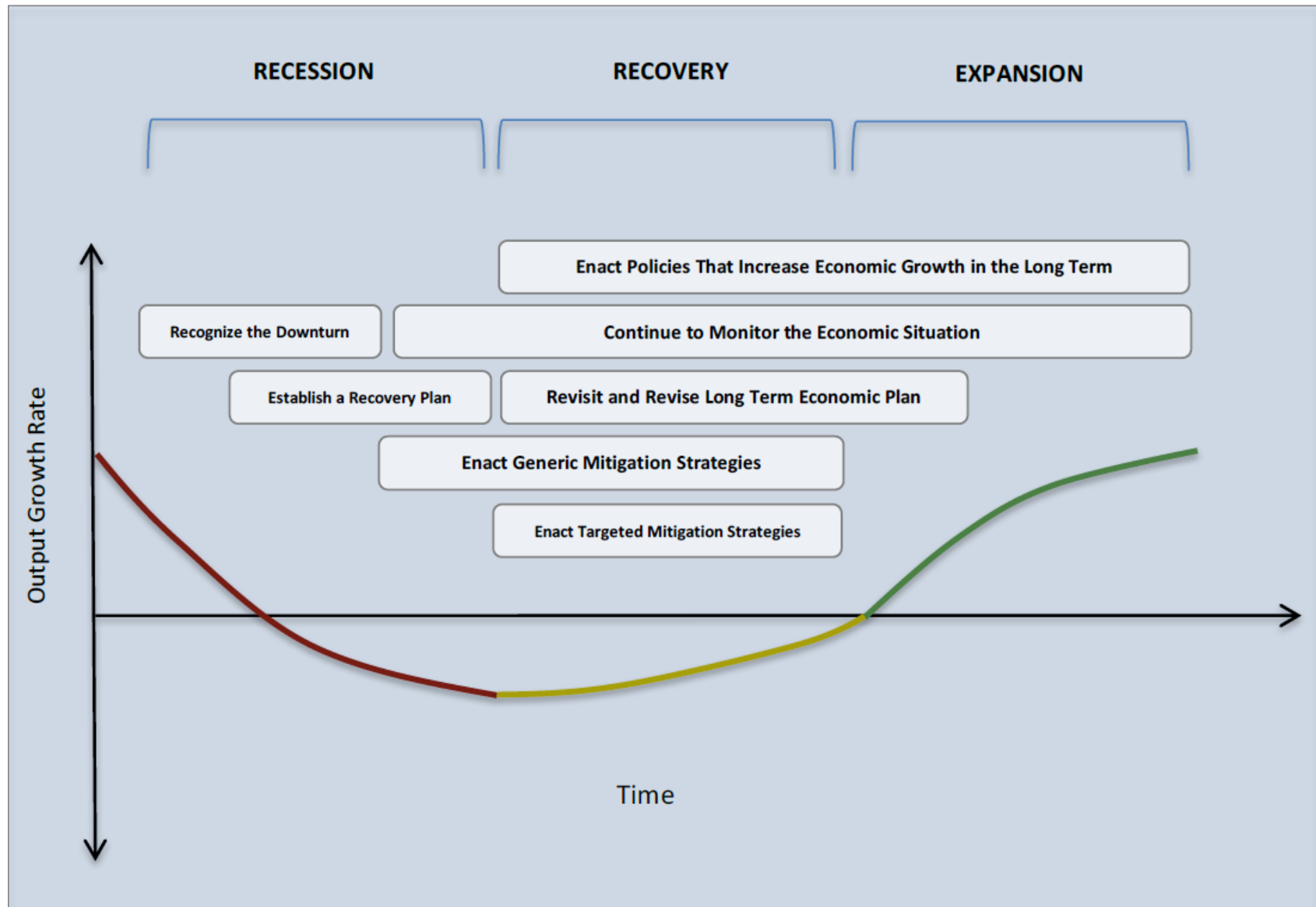
Responding to a Recession

Economic Oversight Board

- Lead policy-making group in recession planning efforts
- Meets when key economic conditions are met
- Responsible for:
 - Monitoring the economy and deciding when a downturn is occurring
 - Enacting mitigation efforts as needed
 - Ending mitigation policies as recovery phase progresses

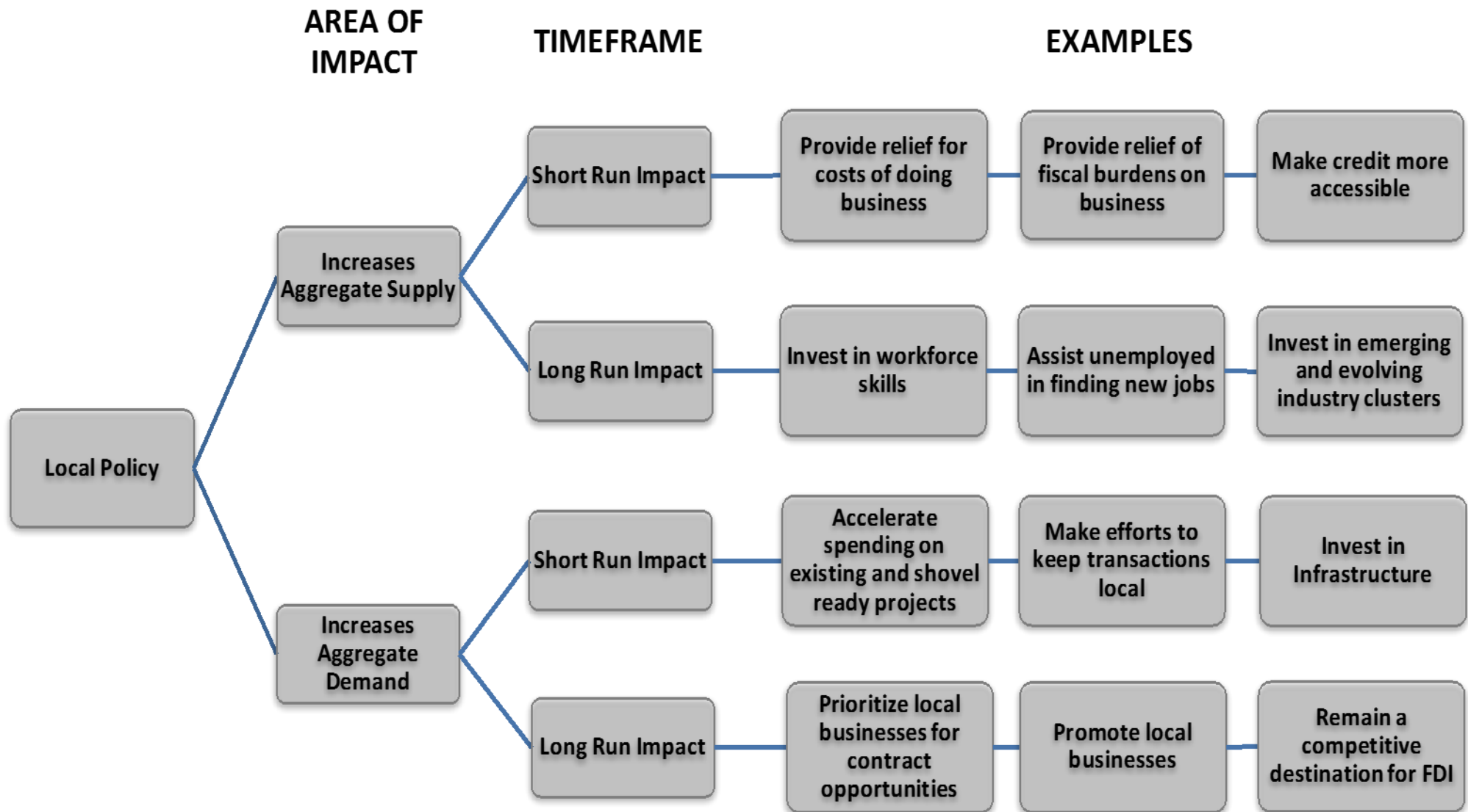


Responding to a Recession





Response Strategies





Response Strategies

| <u>Boost Construction to Drive Demand</u> | Impact Score | Cost |
|---|--------------|--------|
| Keep inventory of “shovel ready” projects and programs available | 4 | \$ |
| Further develop financing tools for projects and mitigation programming | 4 | \$\$\$ |
| Grant EXTRA preference to local contractors | 3.5 | \$\$ |
| Streamline construction permitting & other business permits | 3 | \$ |



Response Strategies

| <u>Support Businesses to Prevent Job Loss and Encourage Spending</u> | Impact Score | Cost |
|--|--------------|--------|
| Continue to provide loans to small/medium businesses | 3 | \$ |
| Partner with banks to create a small business loan fund | 3 | \$\$ |
| Offer fee deferrals or discounts | 3 | \$\$ |
| Provide SME financing and venture capital | 2.5 | \$\$\$ |
| Create incentives to conduct business locally | 2 | \$\$ |
| Finance research & development in the private sector | 2 | \$\$\$ |



Response Strategies

| <u>Increase Local Hiring</u> | Impact Score | Cost |
|---|--------------|--------|
| Temporarily increase government-funded employment opportunities | 3 | \$\$\$ |
| Increase incentives to hire locals | 2.5 | \$\$\$ |
| Subsidize youth unemployment | 2 | \$\$\$ |
| Offer labor subsidies and credit | 2 | \$\$\$ |