



Gasser Foundation: Sustainability, Economic Trends and Napa County

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A background image of a clock tower with a large clock face, set against a clear blue sky. The tower is made of light-colored stone or concrete. The clock face is white with black hands and numbers. The tower is partially obscured by the title and the list of bullet points.

Introduction

- National outlook
 - Recession start date is now defined, how long will it last?
 - Policies and bailout in place to stimulate economy
 - Issues on horizon, positive and negative for a sustainable economy
- State outlook
 - Budget woes all over the place
 - How and why did we get in this situation?
 - What is needed to get California out?
- Gasser Foundation choices affected by trends at the macro and local levels

Introduction (cont.)

- Local economy
 - Trends in real estate good long-term
 - Napa leading and coincident indicators show Napa recession
 - Leading indicator show recession has been here a bit longer than one year
 - Coincident indicator corroborates this
 - Comparisons to Sonoma, Marin, Solano counties
- Local economy looking to expand hospitality
 - City of Napa looking at expansion
 - Can wine be the long-term driver of the entire county?
 - Expansions may or may not be delayed



Gasser Foundation

- Investment outlook
 - Real Estate
 - Financial assets
- Real Estate and industry trends
 - Types of real estate
 - Auto industry
 - Sustainability as an industry
- Can Gasser take advantage of opportunities?
 - Need to consider how Napa will grow and react also

National Summary

- Policies are close to an endpoint of possibilities
 - Federal budget continues to grow
 - Monetary policy aggressive
 - Consumer confidence continues to fall
- Need a supply-side boost
 - This may come from a “New Deal” style of budget
 - More likely from environmental sciences and tech

New Stimulus Possibilities

- Obama gave five sectoral targets
 - Energy
 - Education
 - Health Care
 - Social Welfare/Insurance
 - Infrastructure
- High social value projects the key here

Long-Term Effects (no matter what)

- National debt to soar
 - Is a \$2 trillion deficit feasible?
 - Current “monetary” package is fueled by a combination of debt and money printing
- Permanent cuts have larger short-term effects than temporary
 - Temporary cuts or spending provide better long-term signal of discipline
- Social security suffers during downturns due to reduced tax revenue and larger draw

California as Microcosm

- 2002 saw use of fiscal surplus spent on **permanent** spending
 - Current deficit of > \$40 billion
 - Federal spending may help state economies
- Bet on capital gains from stock market and housing speculation (began in 2002)
- **140,000 households provide 50% of income tax revenue for California**
 - Tax reform needed, tough politically
- Trickle-down economics
 - Cuts hit state, county and city jobs, services

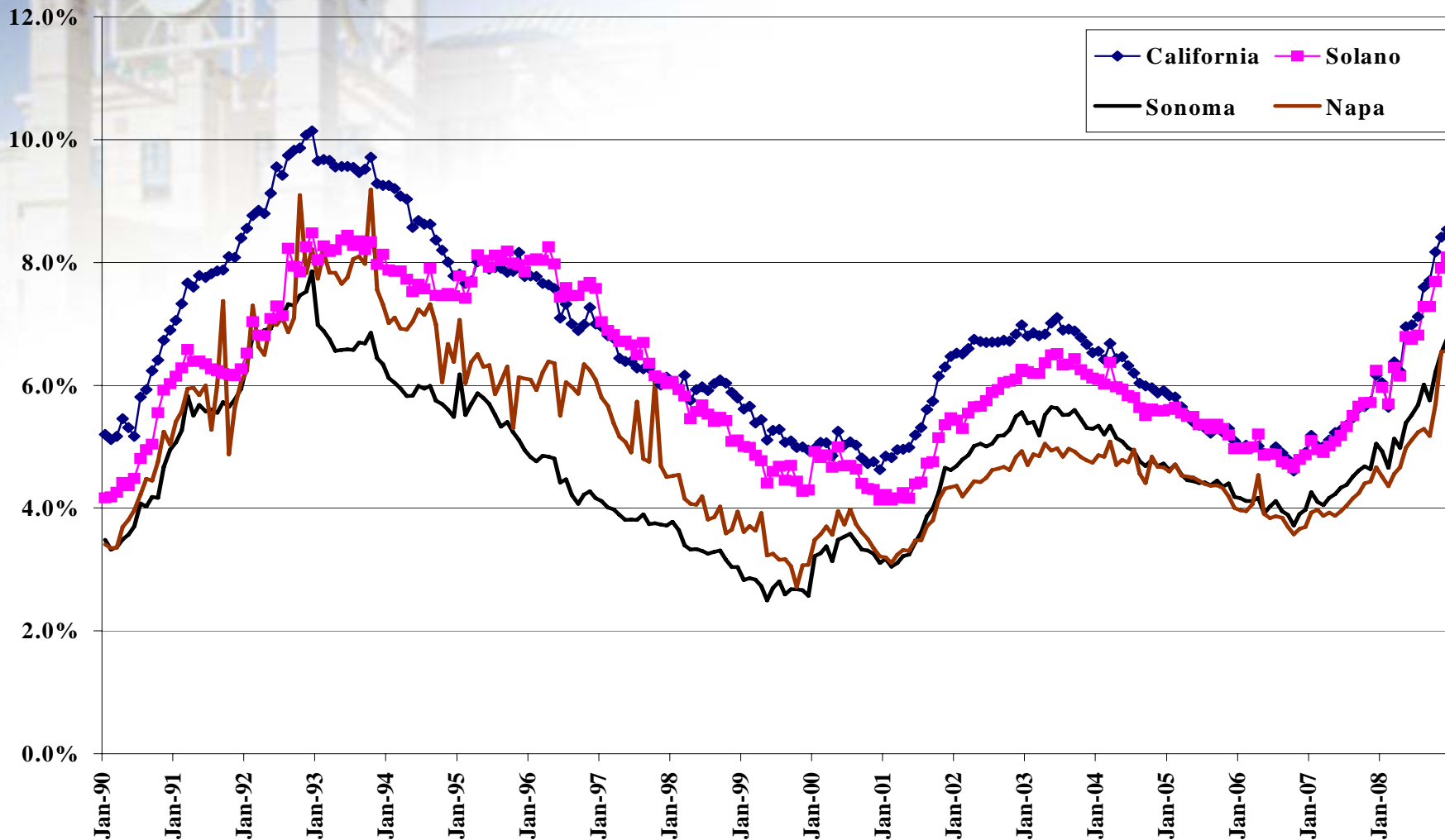
Projections

- Current recession likely to trough in 2009
 - “Thud” will not be heard until late 2009 or 2010
 - Could easily peak at 8.5% unemployment in Napa
 - Much like early 1990s in many ways
- Much depends on supply-side boost
 - Federal stimulus dollars must aim at this
 - Wine and tourism may win in two ways
 - National growth and lower \$ value
 - Napa should take advantage of downturn
 - Energy and green tech a good long-term play

Regional Economy

- Need to recognize that Napa moves with Sonoma, Marin, Solano counties
 - Also with national and state economies
- Labor, transportation, retail, housing shared
 - Tourism flows also
- Must think beyond county borders
 - Consider Gasser's position to Solano County
 - Affects allocation of businesses in these areas

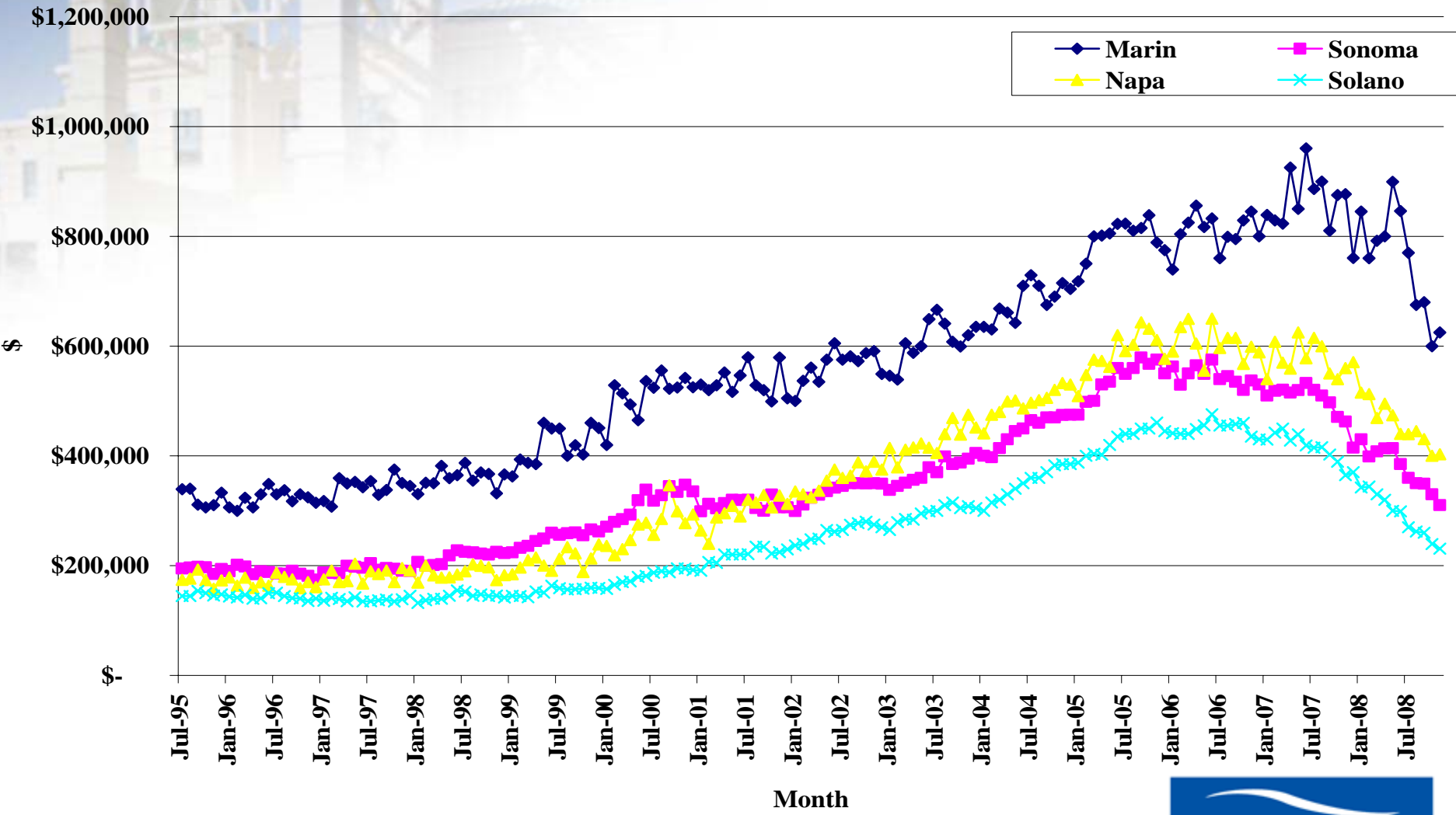
Comparison of Seasonally-Adjusted Unemployment, 1990- Present



Local Housing

- The local housing market difficult to gauge concerning transition
 - As of Nov. 2008, Napa County down approx. 29.1% from Nov. 2007 in median home price (\$561K to \$403 at the median).
- Some regional perspective
 - Sonoma County (Sept. 2005, \$580K, now \$310K)
 - Stockton (Sept. 2005, \$385K, now \$130K)
 - SF (Nov. 2007, \$808K, now \$648K)
- Two big questions market has yet to answer
 - Was the old pricing correct?
 - Is the current pricing correct?

Comparison of Marin, Napa and Sonoma Median Home Price, 1995 - Present



Source: California Assoc. of Realtors and RAND Corp.



Real Estate Outlook

- Residential
 - Napa attracts internal and external demand
 - An aging residential profile
 - Median home price in Napa slightly more stable
- Commercial
 - Retail likely to continue consolidation
 - Auto, financial services also
 - Health care and energy tech the likely growth areas for Napa

Gasser's Real Estate Assets

- Development
 - Retail, mixed-use, office, and residential
 - May be slowed by banks, if lending to developers or potential tenants
- Long-term outlook
 - Still good, both commercial and residential
 - Internal and external demand for both here
 - Wine industry acts as an anchor for this
- Green building trend to continue

Financial Markets

- Asset allocations have now changed rapidly
 - 2008 a tough year, no need to review
 - Repositioning a good thing given current equity prices
- However, need to consider indicators of turnaround
 - Stock market has acted as an indicator of recovery in the past

Econ Cycle	Date of:		Number of Months Stock Market Bottoms Before Job Market	Percent Gain in Stock Market* From its Low Until Job Market Low
	Stock Market Bottom	Job Market Bottom		
1	Jun-49	Oct-49	4	13.3%
2	Aug-53	Aug-54	12	27.8%
3	Dec-57	Jun-58	6	13.1%
4	Oct-80	Feb-81	4	18.8%
5	Jun-70	Nov-70	5	19.9%
6	Sep-74	Apr-75	7	37.4%
7	Mar-80	Jul-80	4	19.2%
8	Jul-82	Dec-82	5	31.3%
9	Oct-90	May-91	7	28.2%
10	Sep-02	Aug-03	11	23.8%
Average			6.5	23.3%

*Stock Market data based on monthly closing values

Source: Wells Fargo Capital



Mission Investment

- If Gasser mission is a sustainable Napa
 - Economic trends support this investment
 - Available space provides an opportunity
 - Allocation of assets
 - Mix of new business, incubator of sorts
 - Need to consider what to do with assets later
- Social equity as mission
 - Always a reason to invest to preserve social equity
 - Philanthropic partners may come businesses that start and remain here

Preservation of Value and Long-Term Focus

- Temptation would be to pursue quick gains
 - If equity, think market index funds
 - Shy away from new trends
- Energy tech stocks tough to gauge right now
 - New stimulus package likely to help specific firms in an attempt to help an industry

Auto Industry Trends

- 2008 a bad year, obviously
 - Lack of innovation finally cost U.S. auto manufacturers
 - More hybrid technology to come
 - Electric and Hydrogen
- Auto buyer likely to engage in virtual market
 - Use showrooms and dealers to test drive
- Consider firms that may be a “cluster”
 - New technologies and cars that use them
 - Think of these dealership spaces as part of an overall plan (like econ development)

Retail Trends

- Big box retail not dead
 - Was competitive, now less so
 - People still drawn to convenience of one-stop shopping socially
 - Kohl's, as other discount retailers, likely to slowly grow through this recession (rather than stagnate or fall)
 - Especially as consumers receive fiscal stimulus
- Long-term: Two, conflicting issues
 - Like cars, online sales continue to rise
 - Culture of shopping as a social event
 - Tourism tied to this (sense of place)

Wine and Tourism

- Growth is likely to continue, but slowing down
 - National recession means reduced travel, but
 - Americans are traveling closer to home
 - Foreign economies now in recession also
- Retail somewhat dependent on tourism in Napa
 - Especially boutique retail
 - Retail should be located close to main tourism flows
 - Silverado Trail from HWY 12/29
- Napa hotel expansion
 - Should current economic situation stop this?

Development

- Important to recognize three issues
 - A balance between three “E’s”
 - Economic Growth
 - Social Equity
 - Environmental Balance
- Interdependence
 - The pursuit of new businesses will happen with competition or cooperation
- Virtuous cycle connect the three E’s

Economic Growth

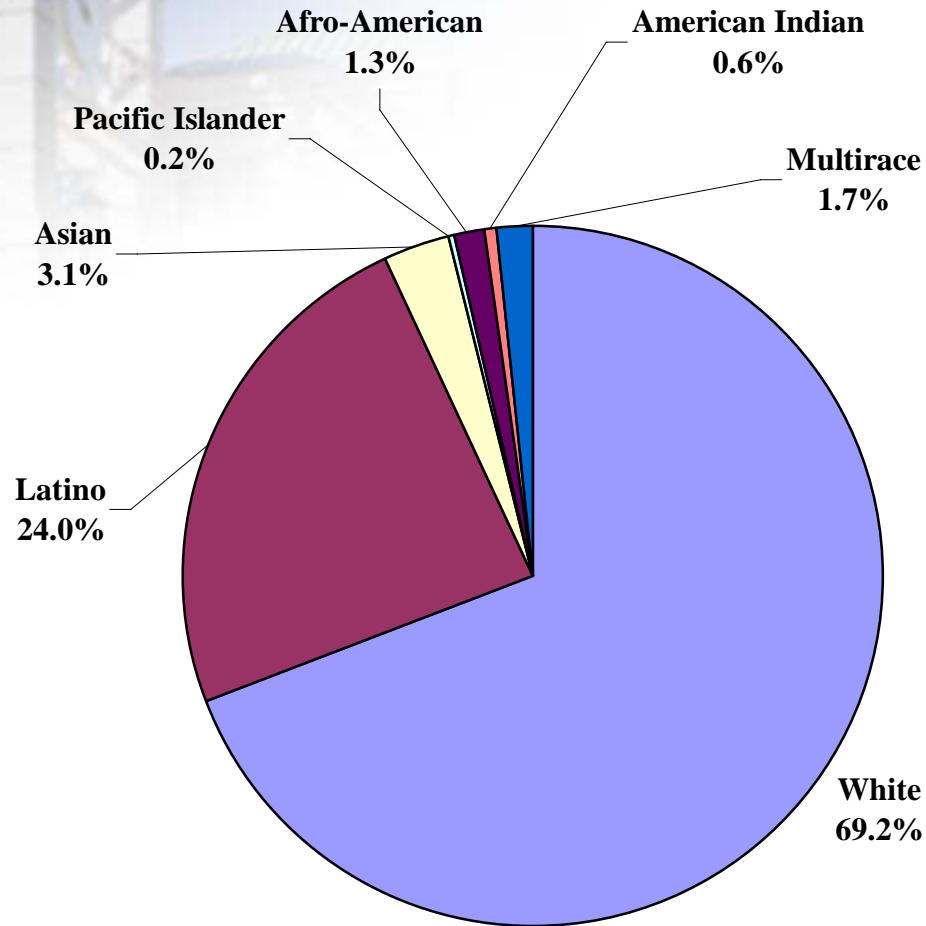
- Need to foresee supply side growth areas
 - Environmental tech: can companies come and stay here?
 - Local wine industry and tourism
 - Ag tourism to increase
 - Natural flow to Napa: supports retail
- Interdependence
 - Need a regional development plan, not county-specific plans
 - Too many connections not to align strengths from threats otherwise
 - Gasser a great partner in that
 - Renewable energy production to grow

A background image of a clock tower with a large clock face, set against a clear blue sky. The tower is made of light-colored stone or concrete. The title 'Social Equity' is overlaid on the right side of the image.

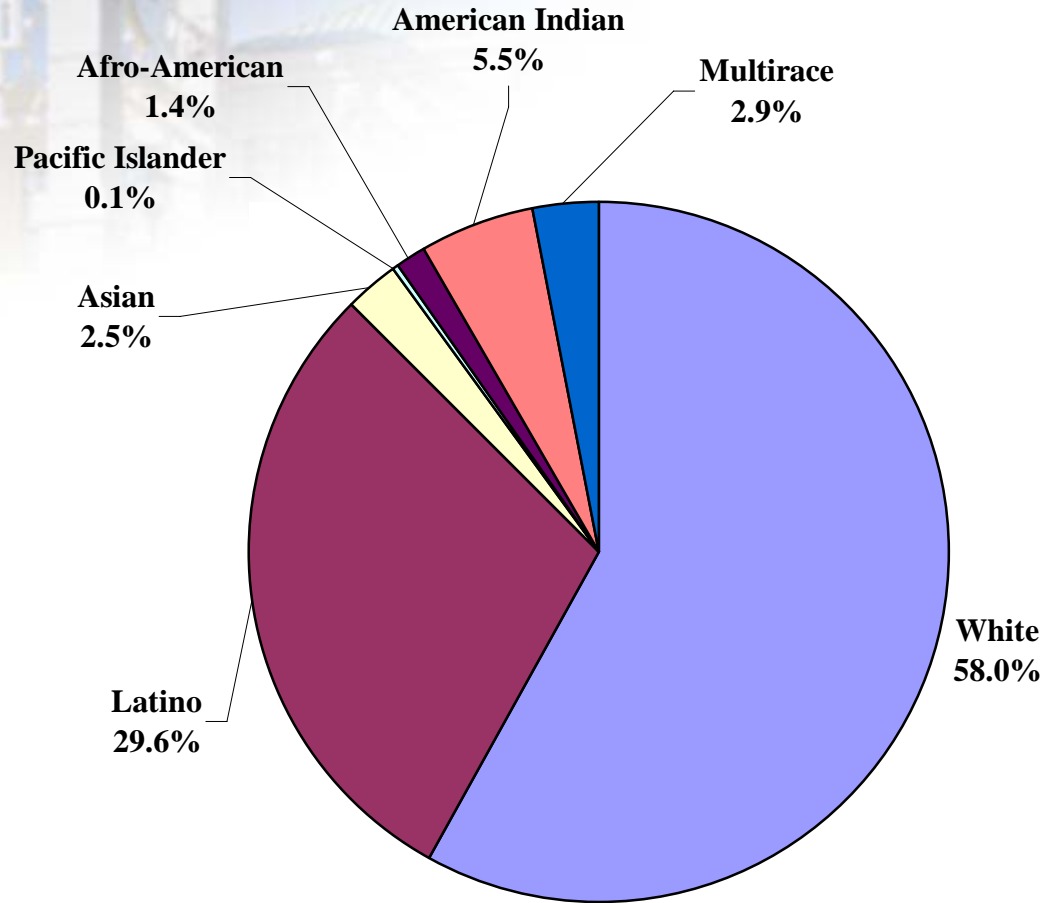
Social Equity

- Cost of living issues
 - Housing prices provide some relief to cost of living while reducing wealth accumulation
 - Businesses should be marketed to take advantage of this
- Ethnic diversity a blessing, not a curse
 - Have filled in low-wage jobs and spent
 - Also have remitted income
 - Tourism links here
- Affordable housing and living wages
 - Demand will be there, especially for seniors
- How is this area aging?
 - Affects labor supply at some point

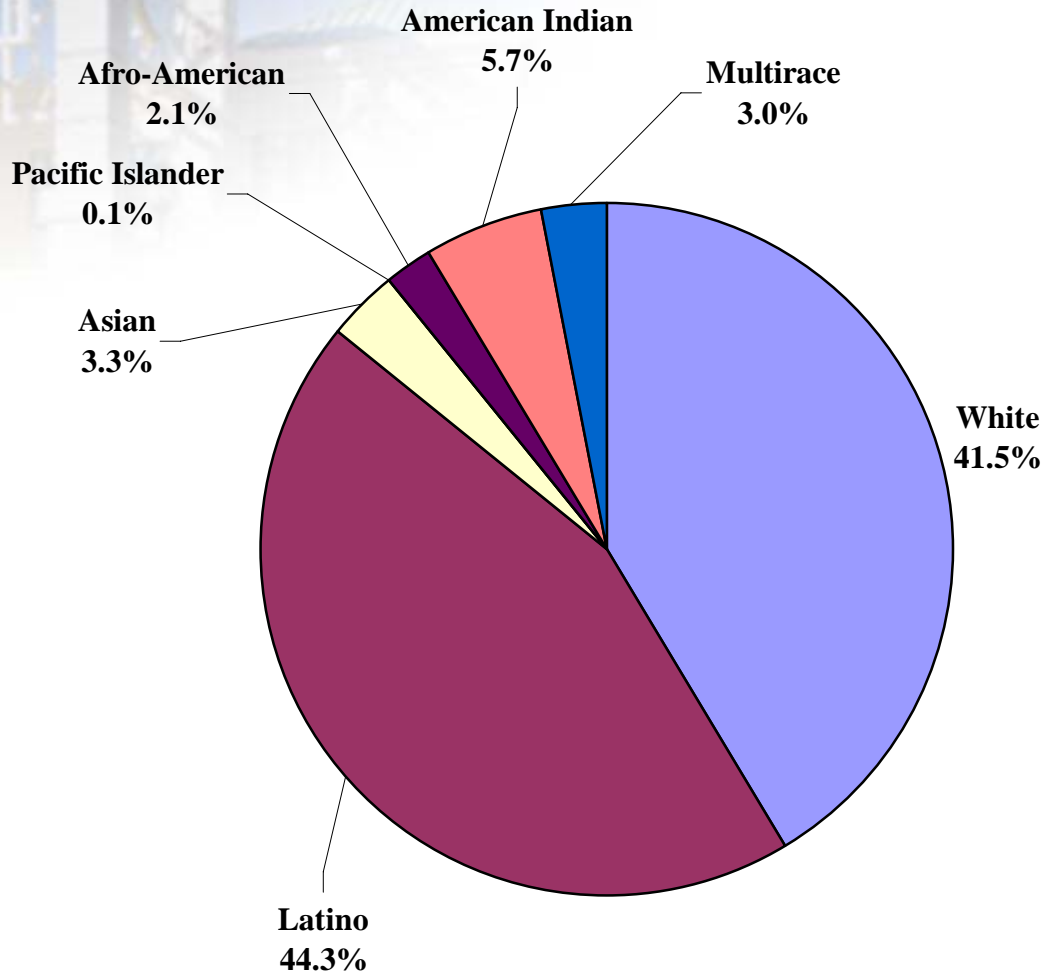
Napa County Ethnic Distribution: Census 2000



Mendo County Ethnic Distribution: DOF Estimate 2025

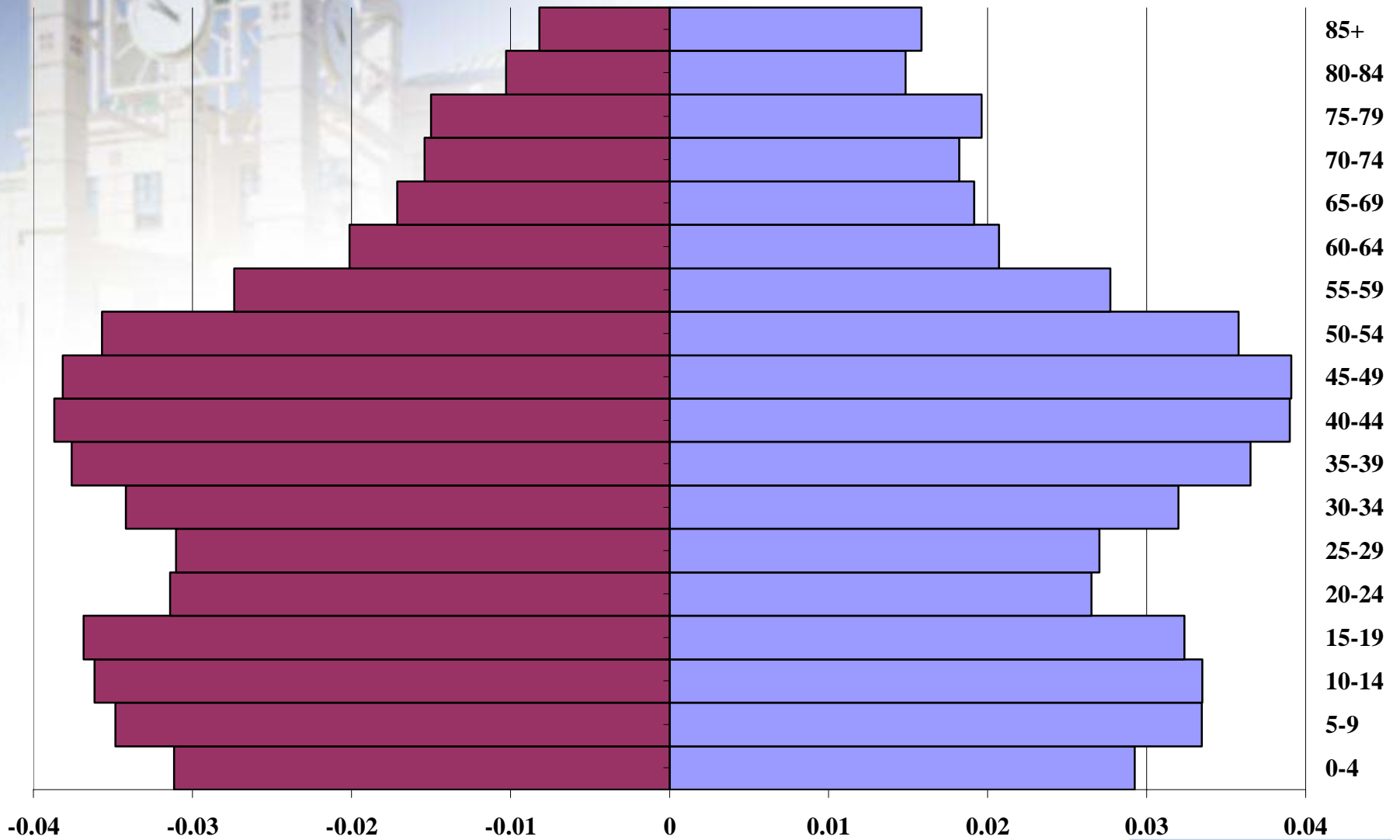


Mendo County Ethnic Distribution: DOF Estimate 2050



Napa County Population Pyramid: 2000

Females Males

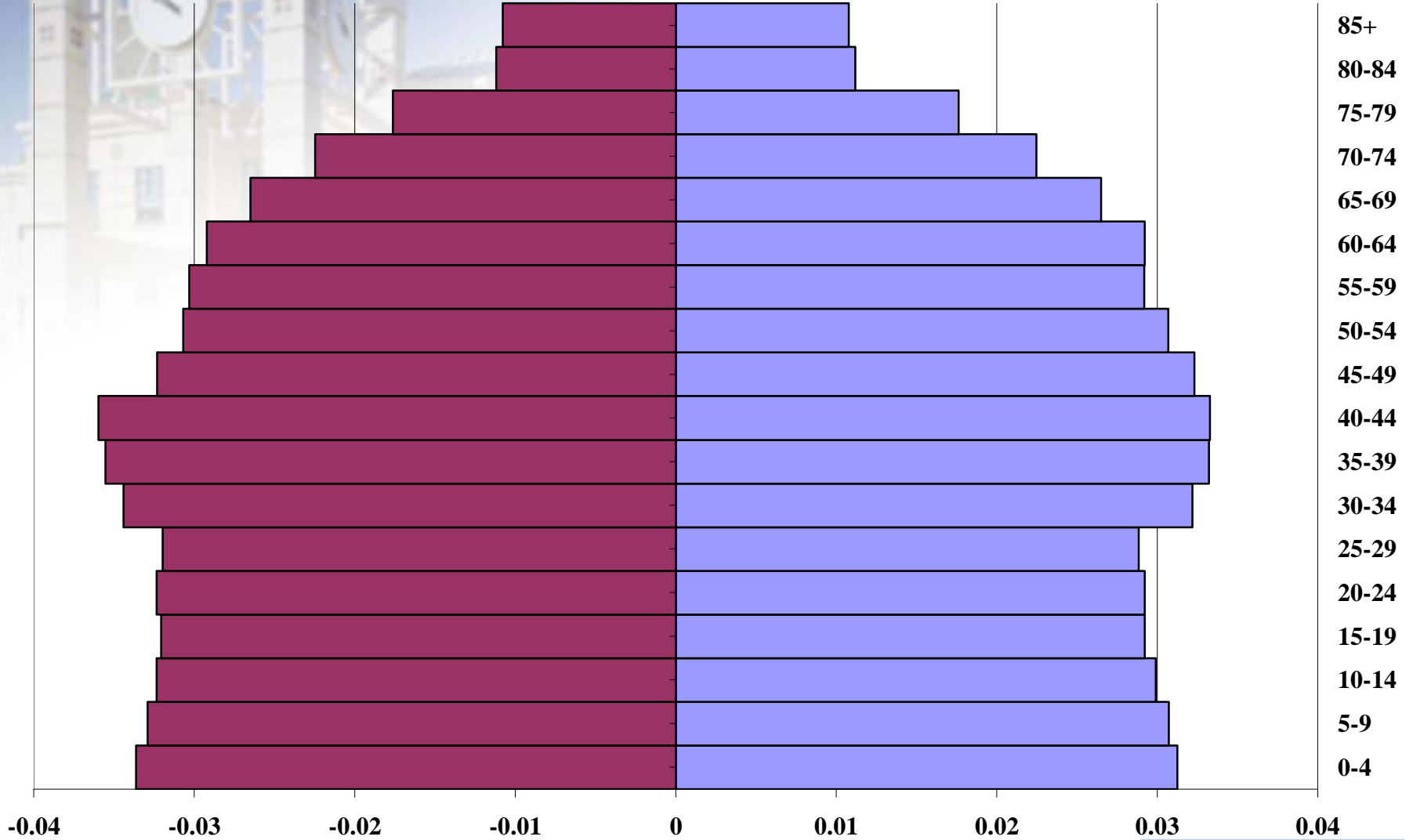


Source: CA DOF



Napa County Population Pyramid: 2025

Females Males

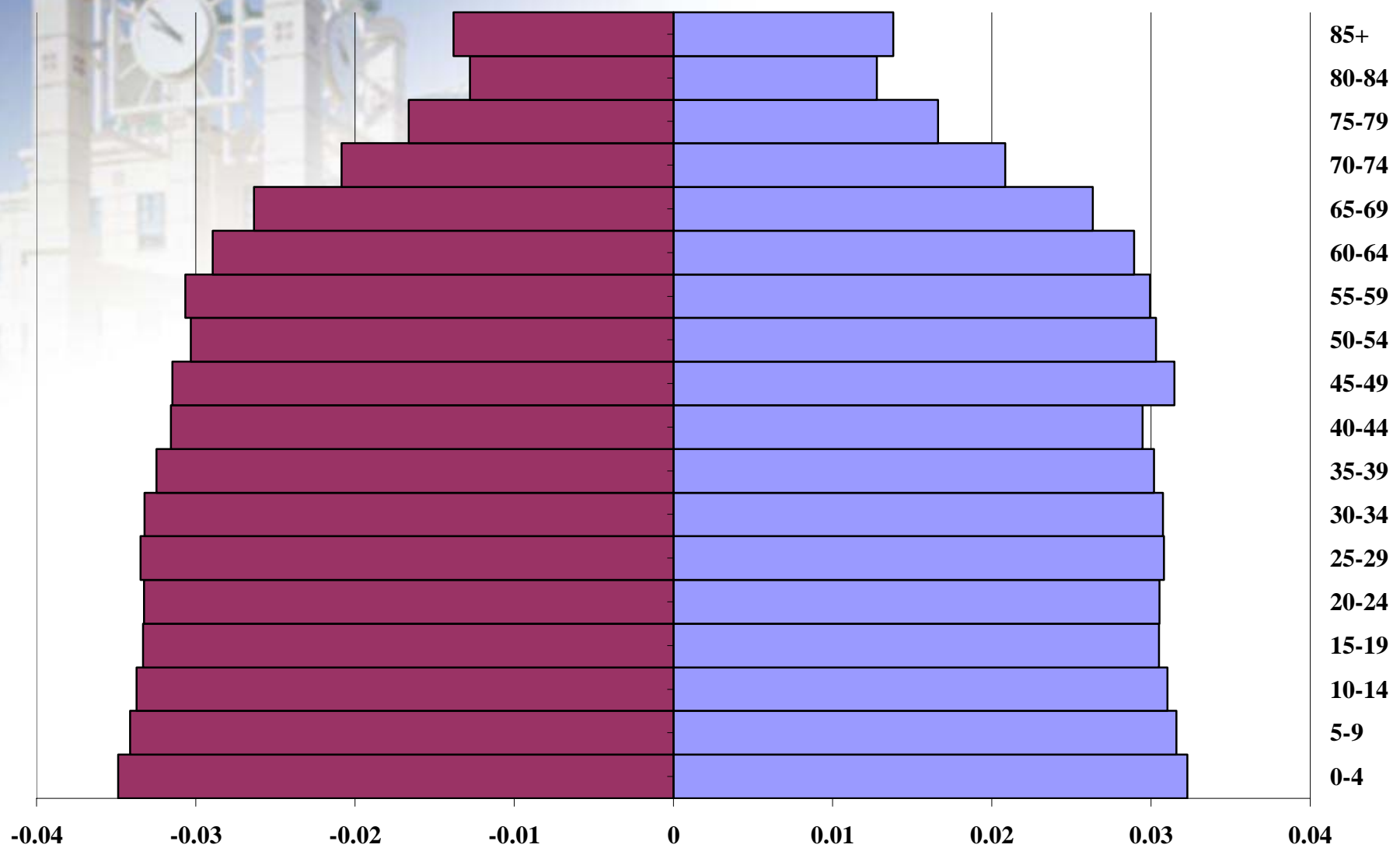


Source: CA DOF



Napa County Population Pyramid: 2050

Females Males



Source: CA DOF



Environmental Concerns

- AB 32/AB 811
 - Will hopefully go two ways with this
 - Hire consultancies to figure out how to become more green
 - New technology firms will incubate here to help with transition
 - Both mean potential “clusters” in Napa
 - Possible problem
 - Flight of businesses to surrounding states unless AB 32/811 becomes national
- Can an opportunity be seized for Gasser?
 - Energy independence coming from D.C.
 - Likely funded to a certain extent
 - Need to attract **and** retain innovative firms

Outlook 2030, 2050

- Where will Napa be in twenty, forty years?
 - Double population
 - Aged and more diverse
 - Wine and tourism likely still the drivers
 - Geography and long-term industry outlook good
 - Housing
 - Likely urban center in City of Napa, workers living elsewhere
 - Transportation
 - May see an expansion of rail from SMART to Napa
 - Dedicated transport from ferry service in Vallejo
 - Need to consider Solano and Sonoma growth
 - Imaging 1.5 million people in Solano and Sonoma counties

Opportunities

- Diverse labor pool
 - Latino workforce needs to be utilized correctly
 - Aging population not all retirees
- Diverse businesses available
 - Wine and tourism dominate
 - Biotech, energy tech not far away
- Commercial and residential space attractive
 - Napa has wine country cache

Napa Challenges

- Causality problem in labor mitigated by public/private partnerships
 - Businesses signal to education their needs
 - Education delivers, businesses come, closes loop
- Living wage
 - May create more problems than it solves
- Does a community vision exist?
 - Does Gasser's physical asset allocation match or go against that in Napa?
- Regional competition

Conclusions

- **Napa likely the best of the North Bay counties during this downturn long term**
 - **Gasser should not recreate its portfolio but consider an optimal mix**
 - **Environmental tech and energy conservation not going away**
 - **Aging demographic means more demand for specialty health care, broad retail choice**

Exposure to risks and challenges are real

- **Must watch other counties**
 - **Competition likely to rise and continue**
 - **Can and should Napa attract other industries?**
 - **Can growth take place for Napa and work?**