



# **Economic and Revenue Update**

Dept. of Finance & Administrative Services  
City Budget Office  
September 15, 2014

# U.S. Economy

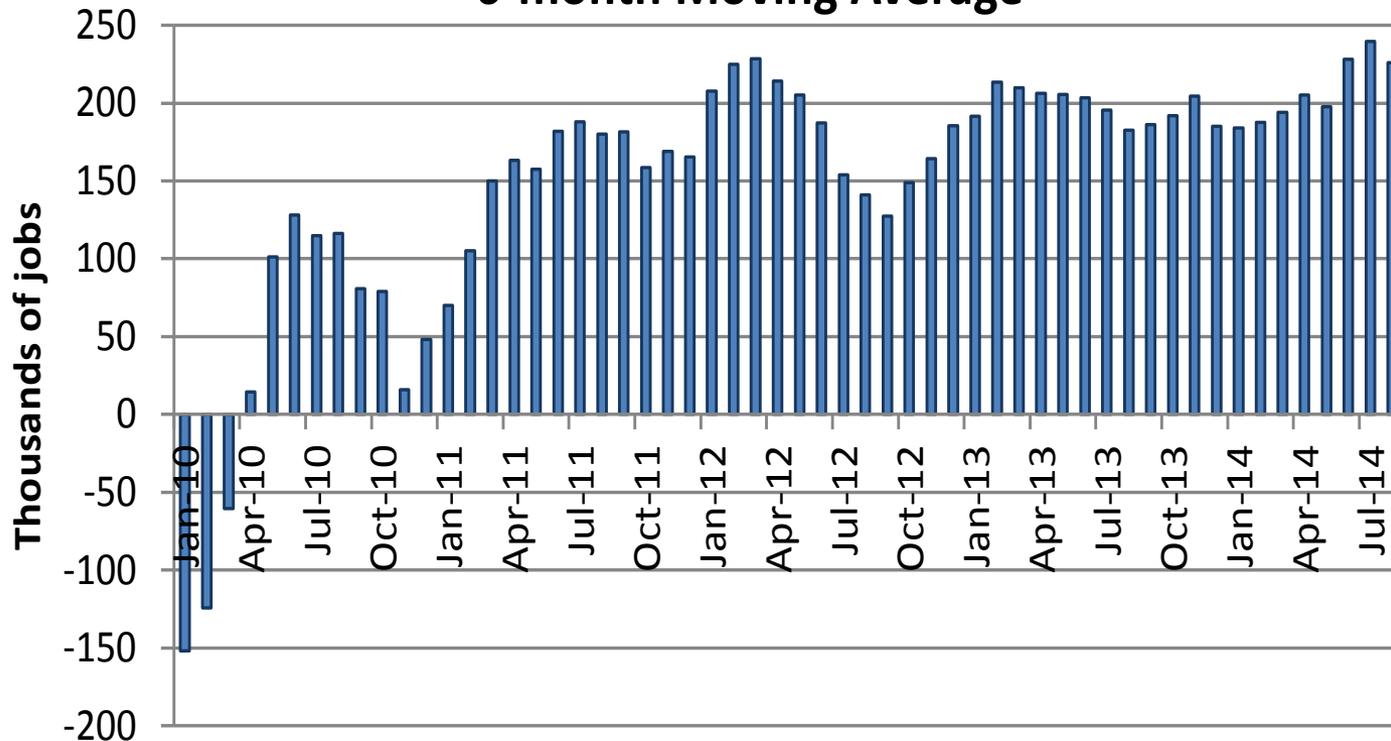
## The recovery from the Great Recession

- Is now over 5 years old
- As is typical of recoveries from financial crises, it has been weak
  - GDP growth has averaged just over 2% per year
- Recent economic performance remains mixed but has been improving
- Forecasters expect stronger growth in 2015-16
  - GDP growth in 3% range

# U.S. Economy

## Monthly Change in U.S. Employment

### 6-month Moving Average



Source: U.S. Bureau of Labor Statistics.

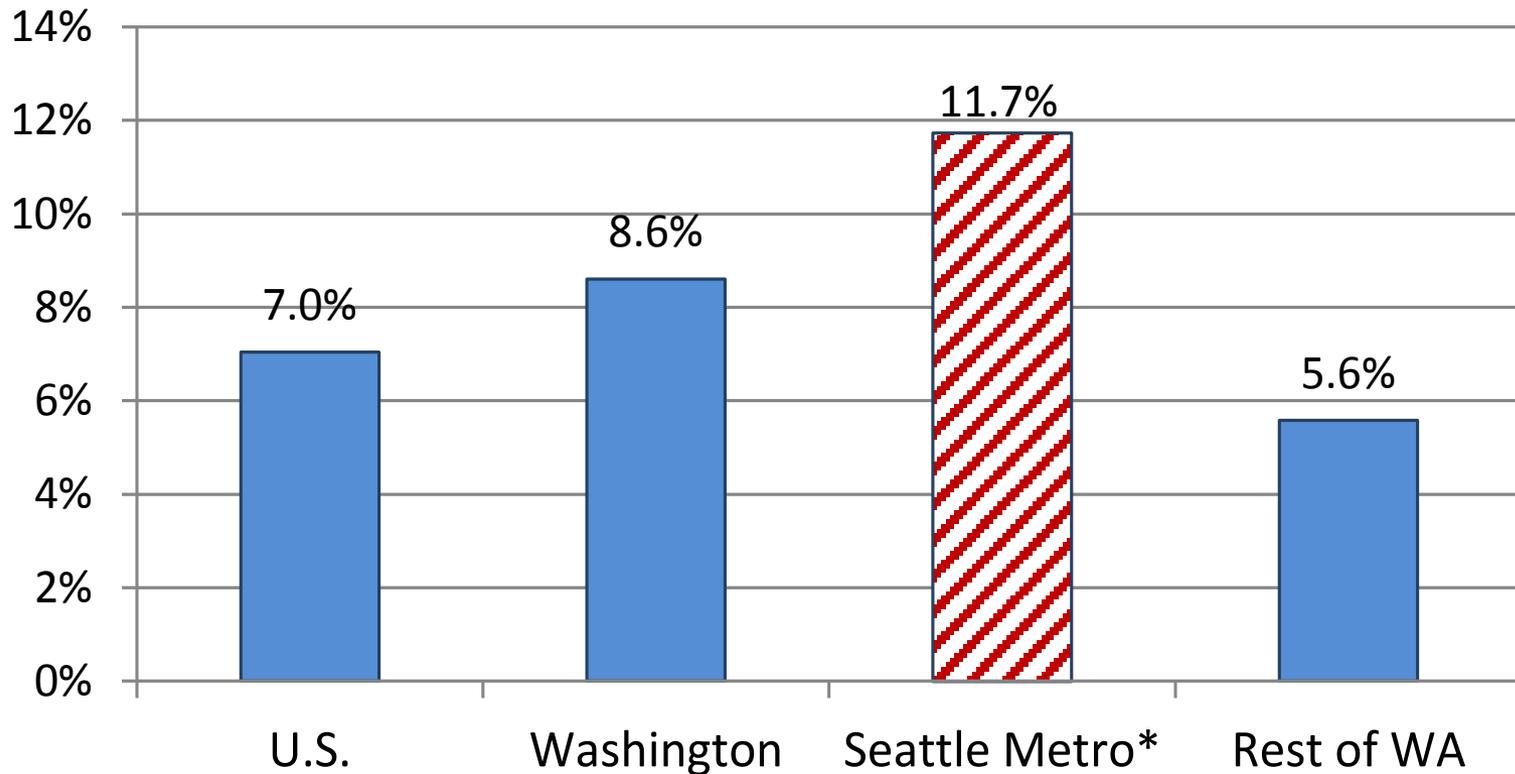
# Regional Economy

The region's recovery has outpaced the nation's

- Led by growth at Boeing, Amazon, other tech firms, business & professional services
  - These businesses generally pay well
  - Aerospace added 15,800 jobs in 2010 - 2012
- Seattle has seen particularly strong growth
  - Amazon
  - Housing boom
    - Over 14,000 units are currently permitted but not completed
  - Popularity of in-city living

# Regional Economy

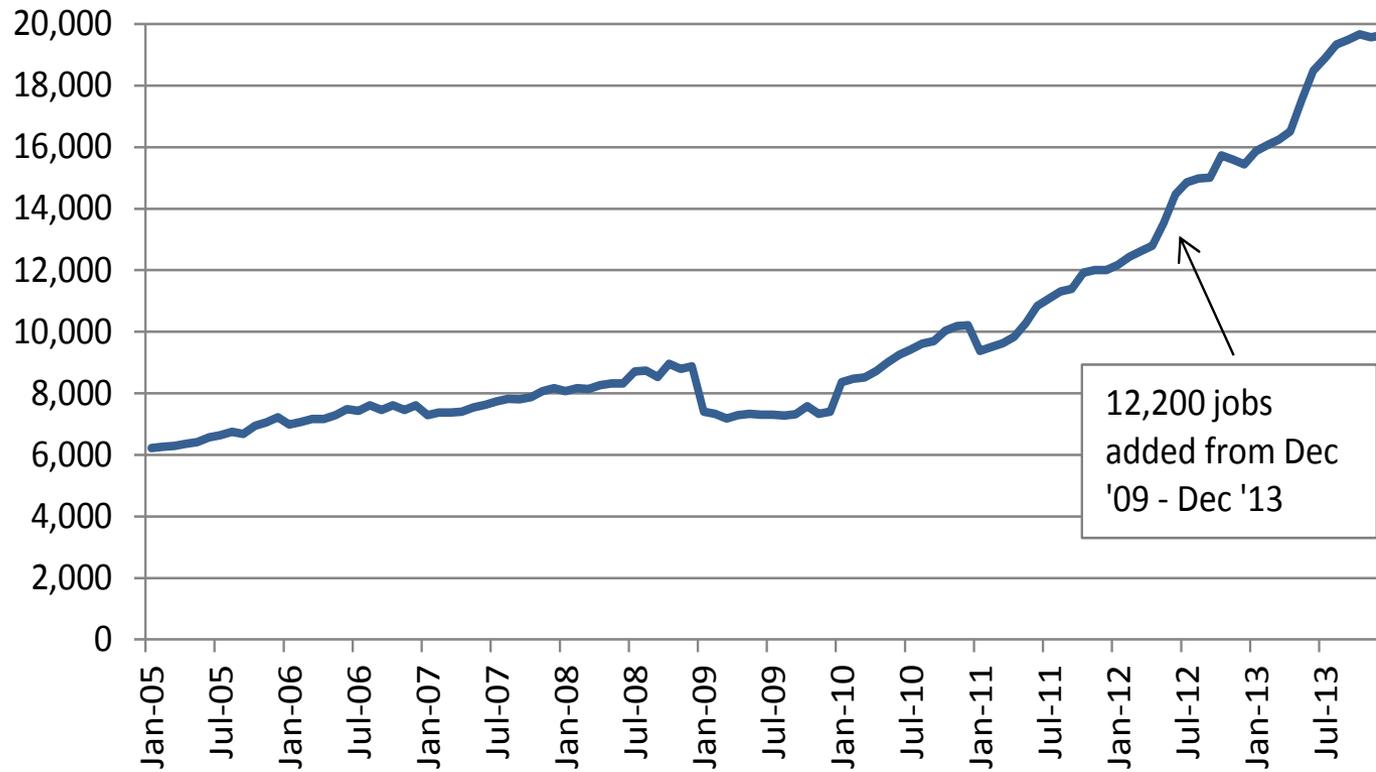
## Employment Growth: February 2010 - June 2014



\*King & Snohomish Counties. Source: WA ESD, U.S. BLS.

# Regional Economy

## King County Employment: E-Commerce and Mail Order Retailers\*



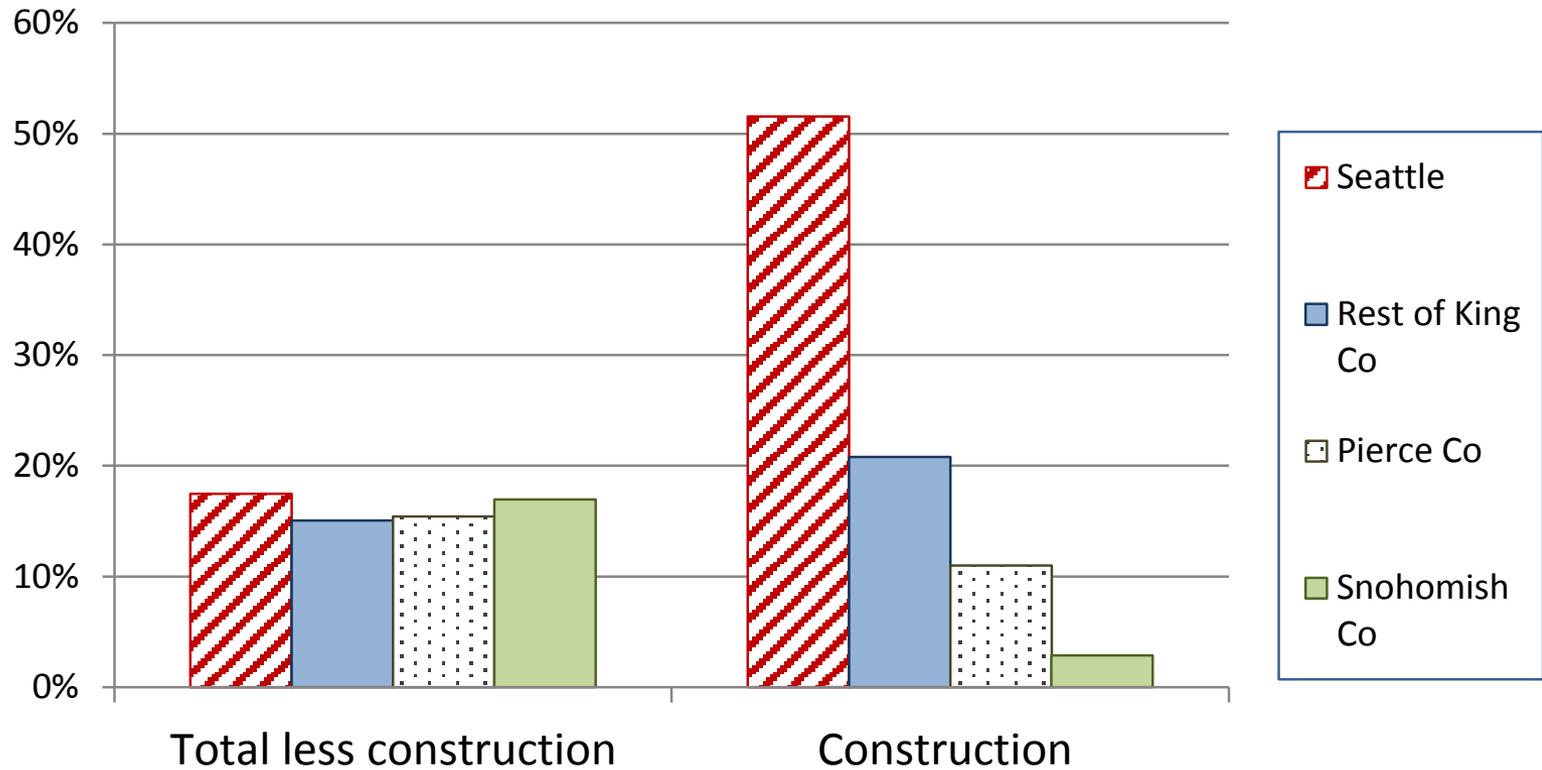
\*Covered employment for NAICS 454. Source: WA ESD.

# Regional Economy



# Regional Economy

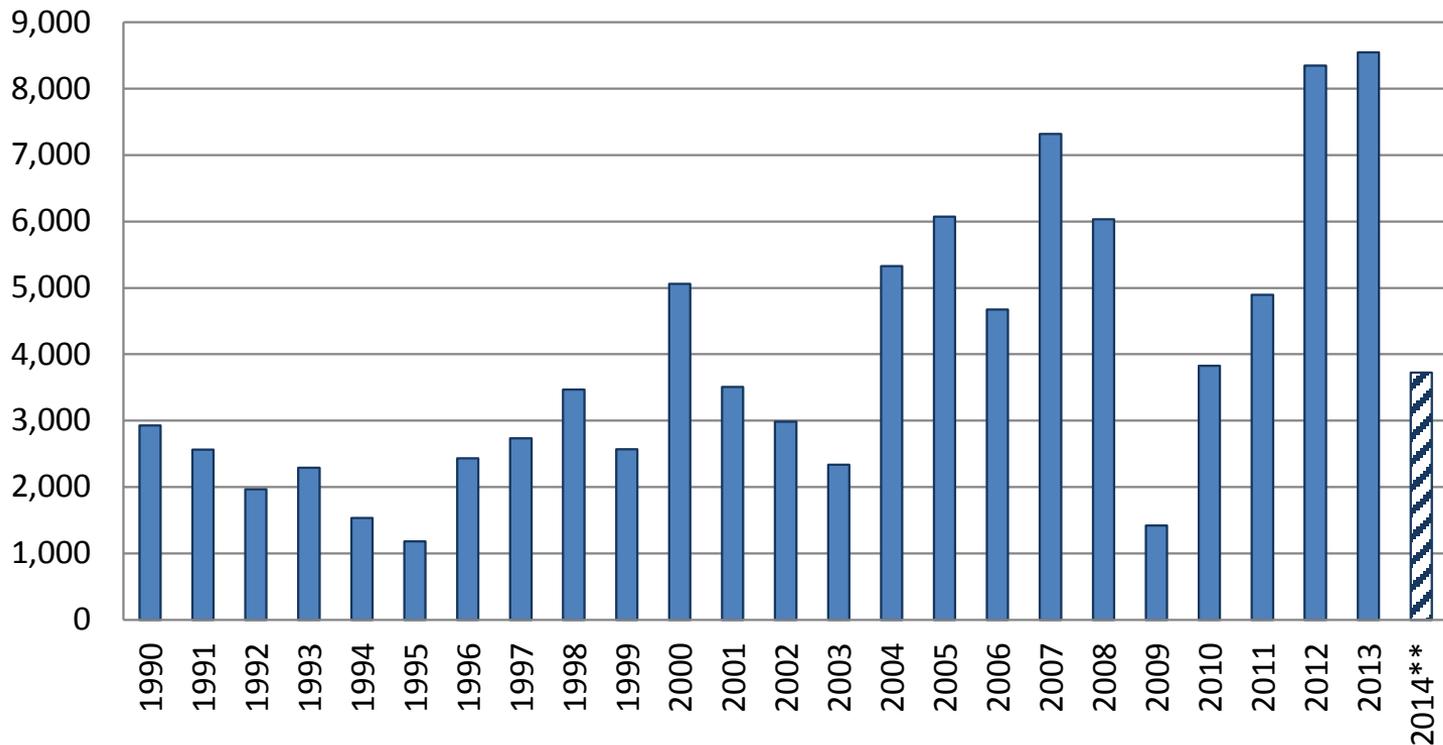
## Growth of Taxable Retail Sales, 2010- 2013



Source: WA Dept. of Revenue.

# Regional Economy

## New Residential Units\* by Year Permit Issued, Seattle



\*Data include units that were either completed or currently have an open permit.

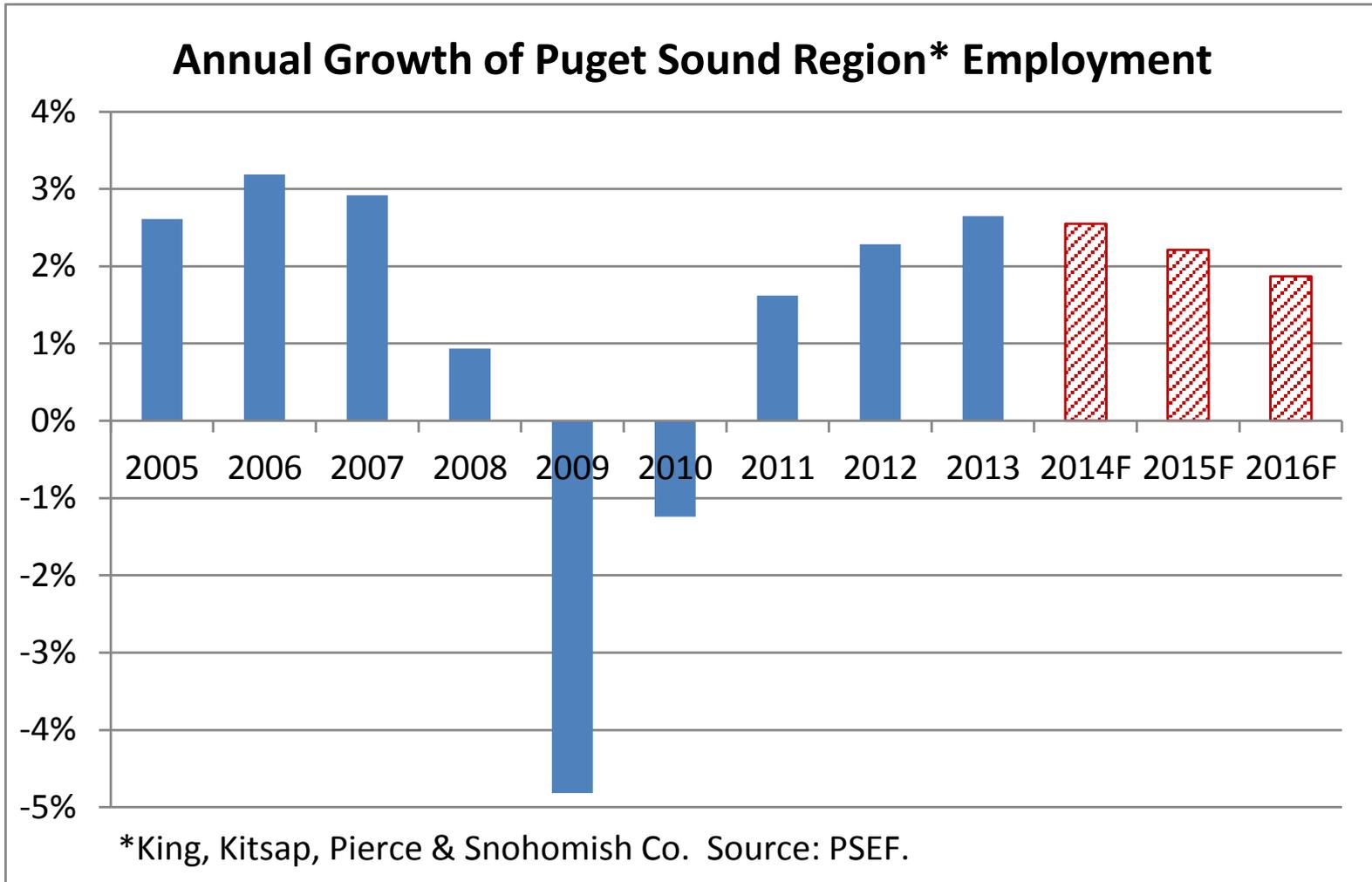
\*\*2014 data are for Jan - June. Source: DPD.

# Regional Economy

## Regional growth is expected to slow

- Aerospace forecast
- Risks and sources of uncertainty include:
  - U.S. forecast and world economic conditions 
    - Fed policy, Ukraine, Middle East, threat of deflation in Europe
  - Aerospace 
  - Microsoft 
  - Amazon 
  - Construction 

# Regional Forecast

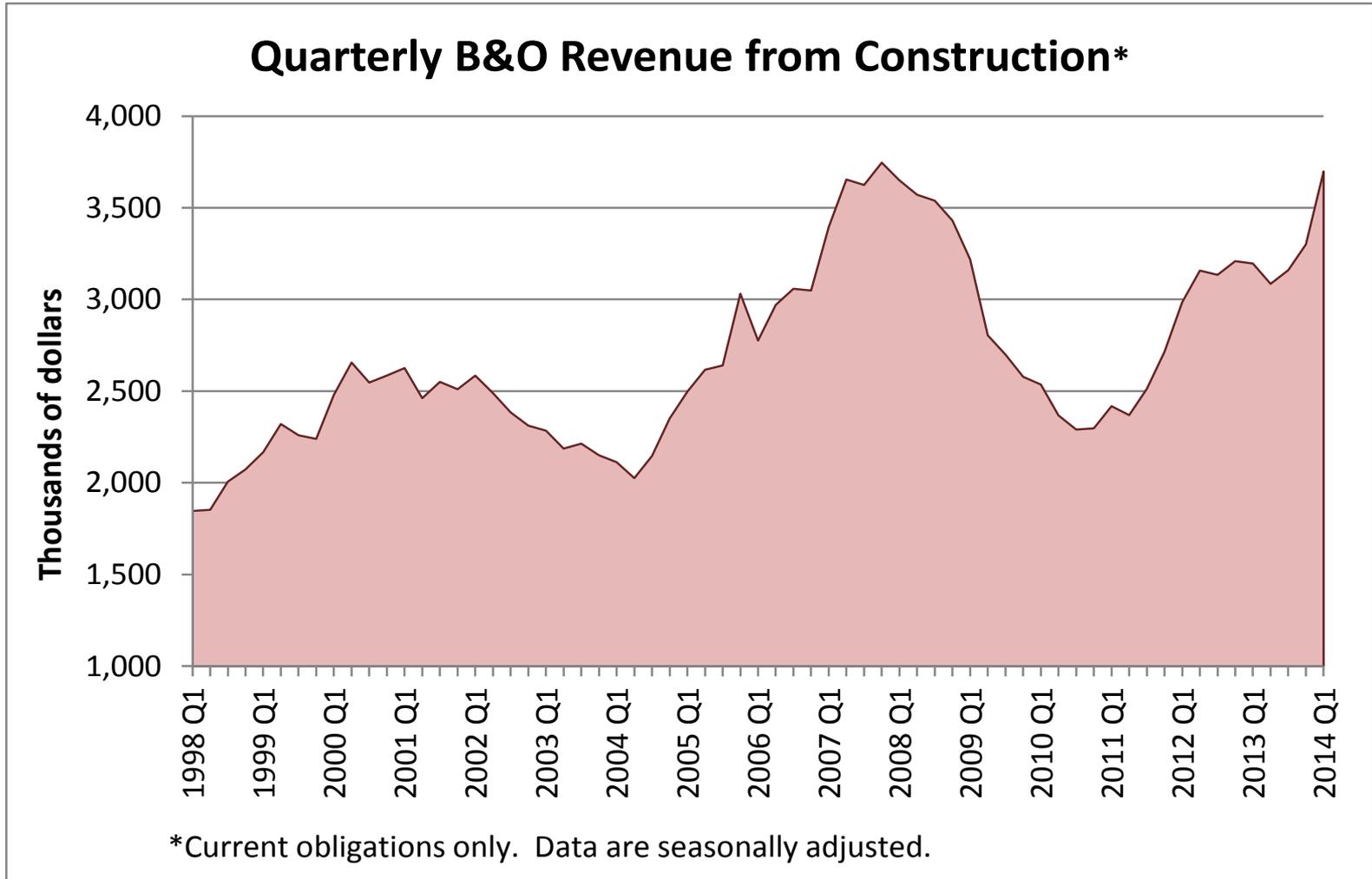


## Retail Sales and B&O Taxes

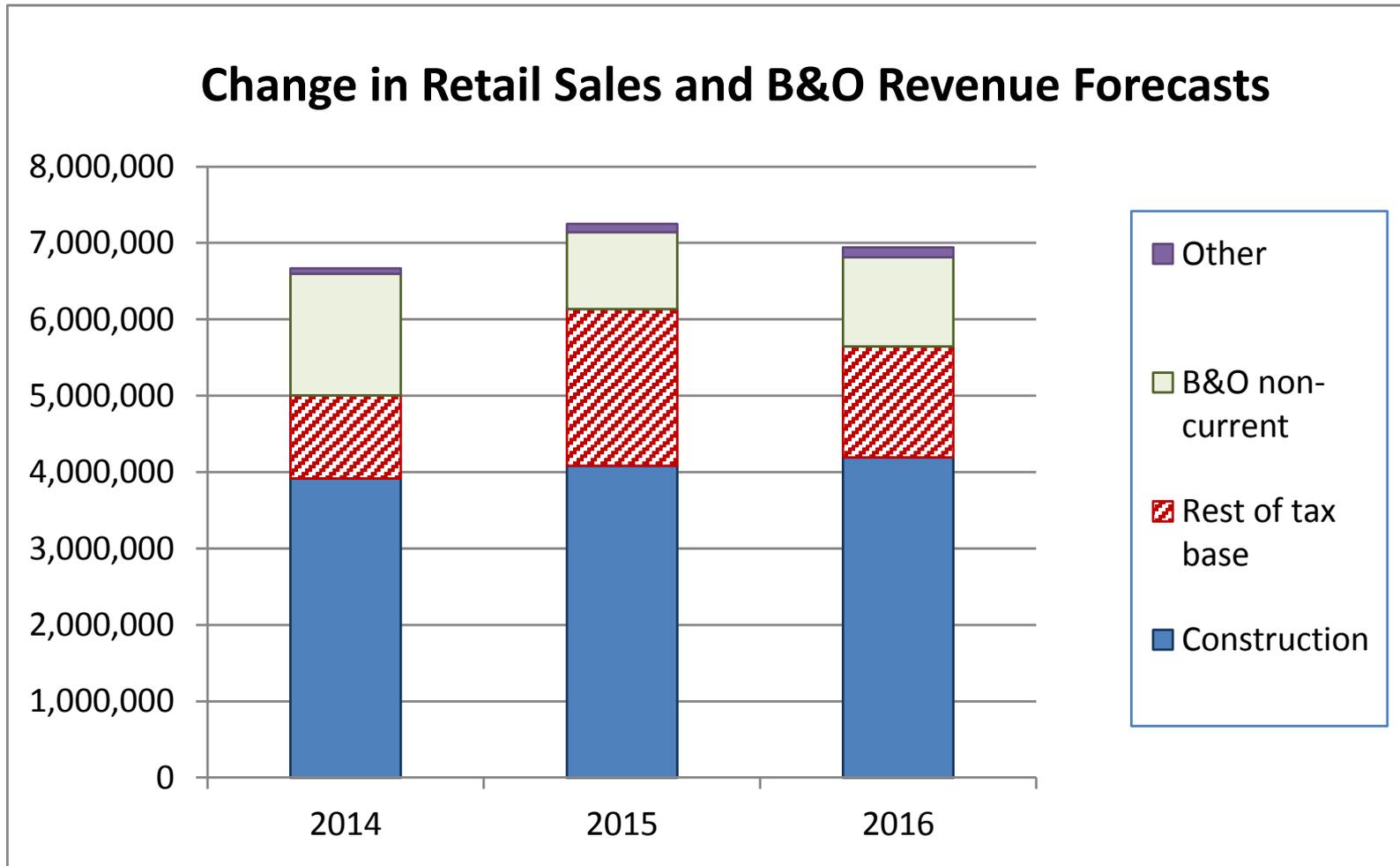
B&O and sales tax forecasts have been raised

- Revenue since April is \$3.8 mil. over forecast
  - After slowing, construction growth has accelerated
  - B&O audit and refund revenue volatility
- August forecast incorporates
  - Year-to-date performance since April
  - Stronger construction forecast
  - Revised forecast For B&O audit and refund revenue

# Retail Sales and B&O Taxes



# Retail Sales and B&O Taxes



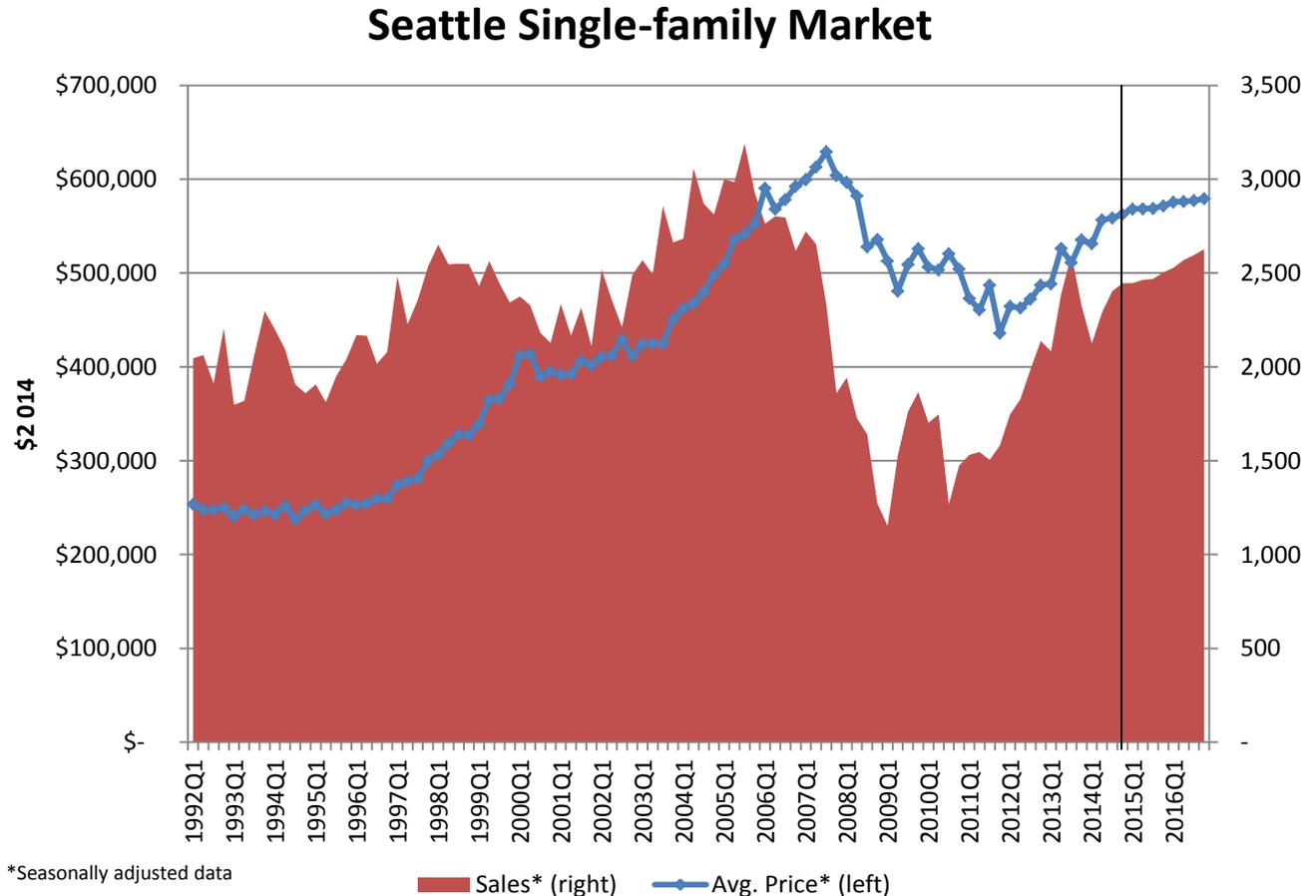
# Real Estate Excise Tax

- Single-family average nominal home prices are back to the pre-recession peak
- Quarterly sales are well below peak in 2005
- 30 year mortgage rates are ranging between 4.15 – 4.50
- Commercial activity is holding its own
  - Pacific Place Mall sold for \$270 million
  - 1111 3<sup>rd</sup> Ave with 550,000 sqft. is for sale

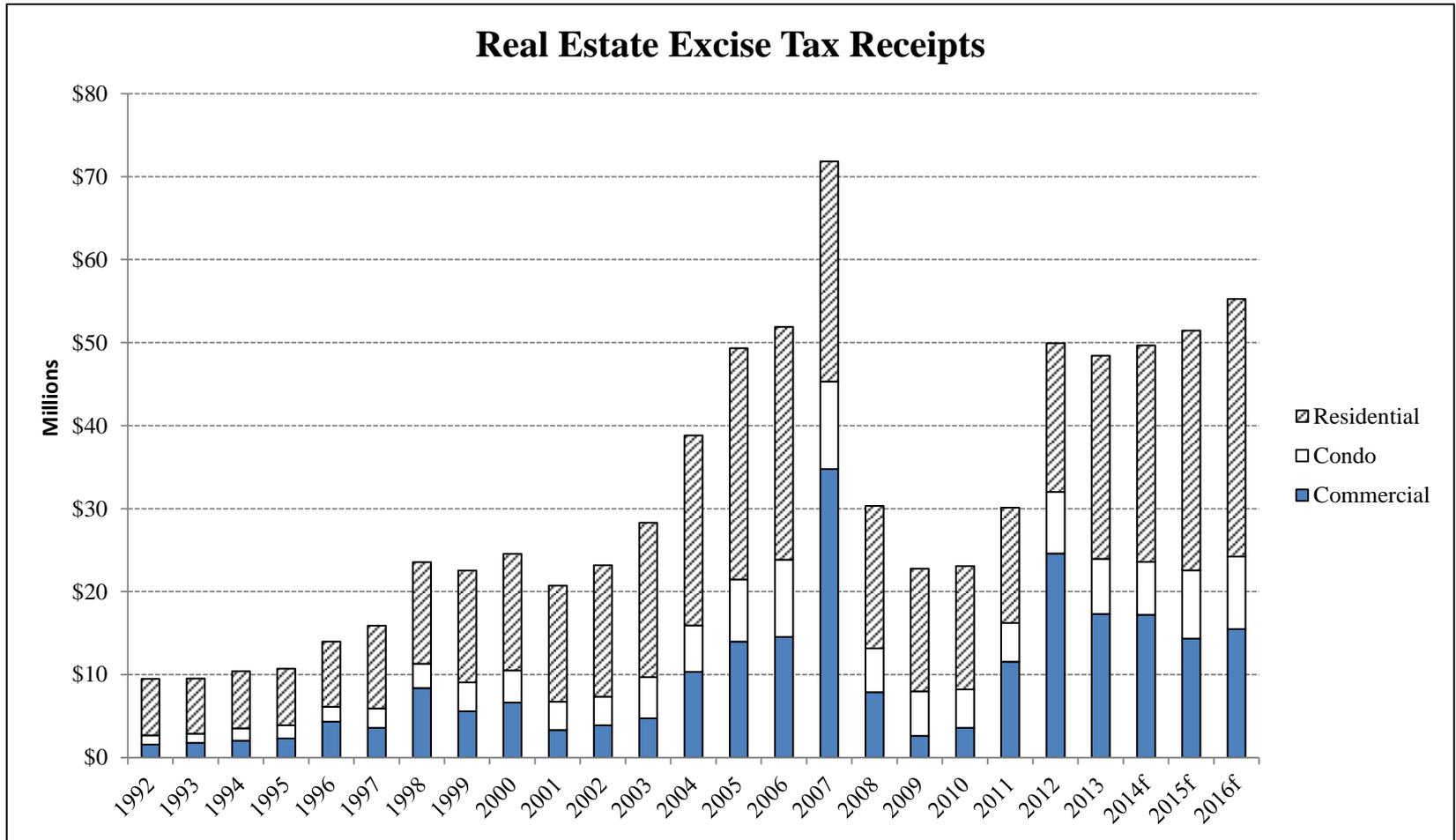
# Real Estate Excise Tax

Home prices  
on pace to  
rise 7% in  
2014

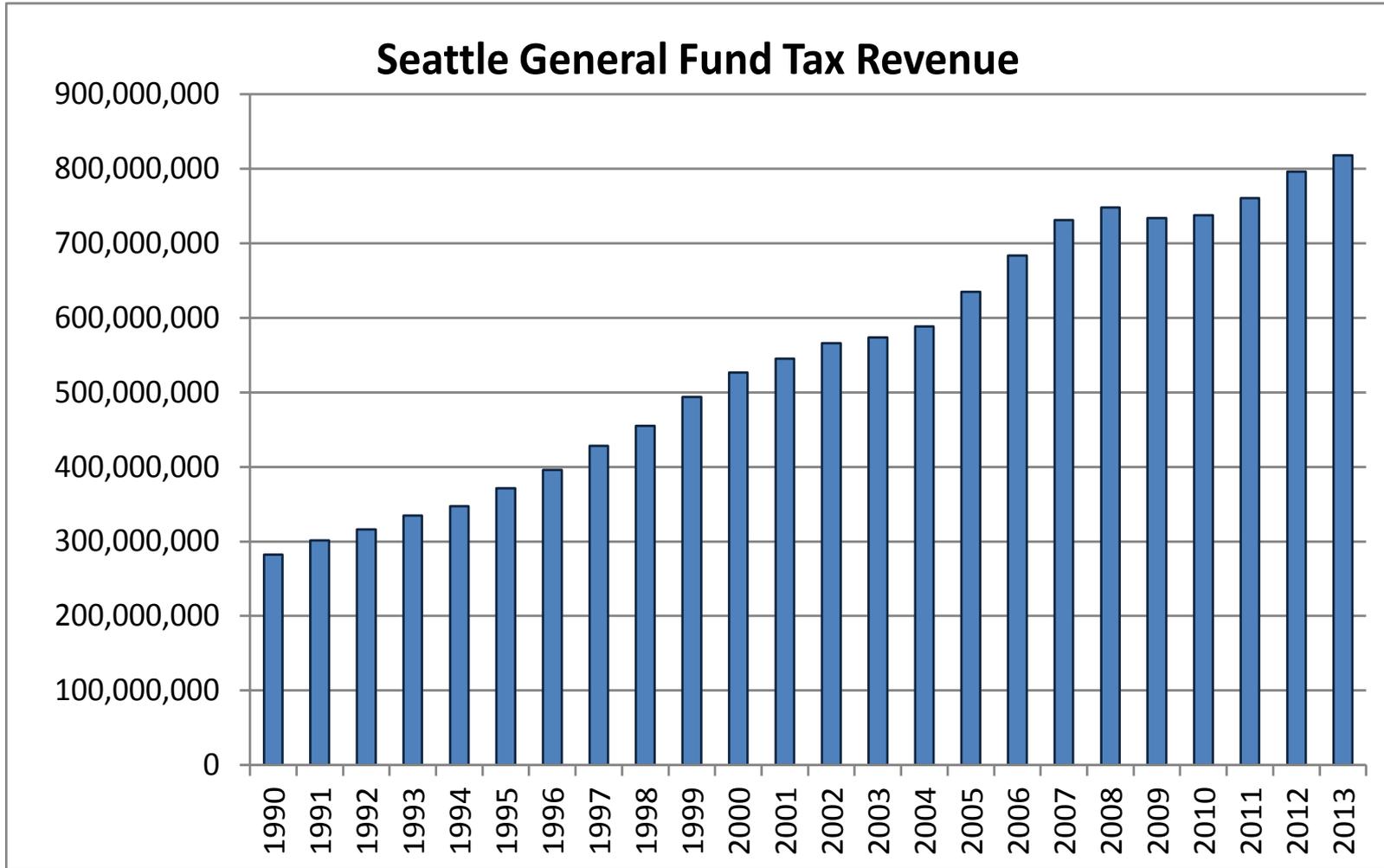
Institutional  
investors  
may need to  
realize gains  
at some  
point



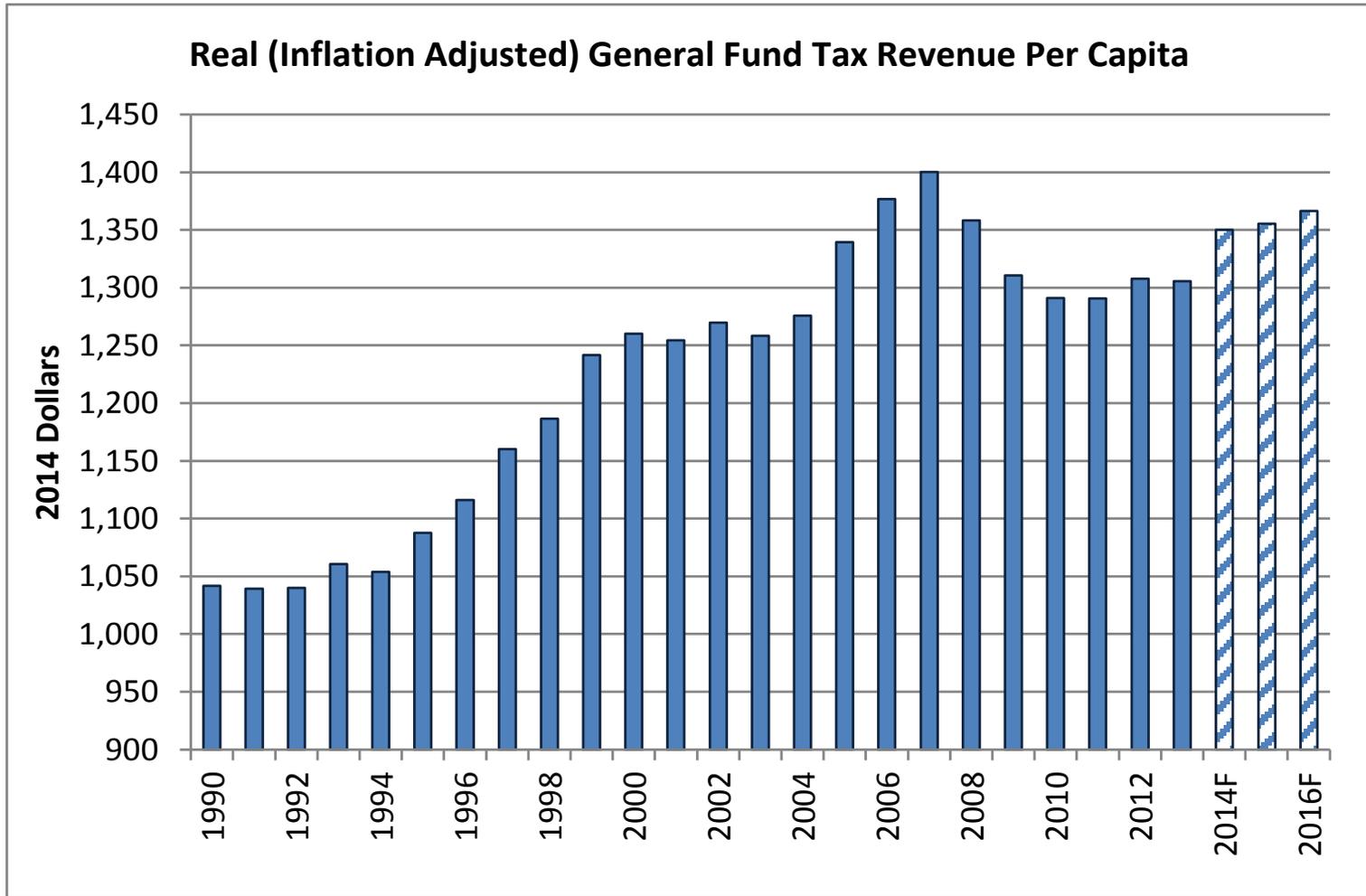
# Real Estate Excise Tax



# Historical Revenue Growth



# Historical Revenue Growth



# General Subfund

GSF - Item	2014			2015			2016		
	April	August	Aug-Apr	April	August	Aug-Apr	April	August	Aug-Apr
Property Taxes	266,676,000	266,676,000	-	270,096,000	270,778,000	682,000	277,751,000	278,708,000	957,000
Sales Taxes	189,245,000	191,738,000	2,493,000	197,502,000	200,664,000	3,162,000	206,244,000	209,720,000	3,476,000
B&O and Ad-Taxes	210,189,000	214,435,000	4,246,000	220,948,000	225,109,000	4,161,000	233,997,000	237,538,000	3,541,000
Public Utility Taxes	129,852,000	128,812,000	(1,040,000)	133,765,000	133,542,000	(223,000)	140,617,000	140,195,000	(422,000)
Private Utility Taxes	58,083,000	58,340,000	257,000	58,808,000	59,859,000	1,051,000	60,503,000	59,717,000	(786,000)
Other Notable GSF Revenues	75,829,000	74,370,000	(1,459,000)	76,650,000	77,320,000	670,000	79,901,000	79,892,000	(9,000)
<b>Subtotal</b>	<b>929,875,000</b>	<b>934,372,000</b>	<b>4,497,000</b>	<b>957,769,000</b>	<b>967,272,000</b>	<b>9,503,000</b>	<b>999,012,000</b>	<b>1,005,770,000</b>	<b>6,758,000</b>
Other General Subfund Revenues	74,032,000	75,387,000	1,355,000	69,440,000	72,239,000	2,799,000	69,194,000	74,191,000	4,997,000
<b>GSF - Grand Total</b>	<b>1,003,907,000</b>	<b>1,009,759,000</b>	<b>5,852,000</b>	<b>1,027,209,000</b>	<b>1,039,511,000</b>	<b>12,302,000</b>	<b>1,068,206,000</b>	<b>1,079,961,000</b>	<b>11,755,000</b>
Real Estate Excise Tax	49,396,000	49,650,000	254,000	52,875,000	51,462,000	(1,413,000)	56,103,000	55,270,000	(833,000)
Commercial Parking Tax	33,688,000	37,886,000	4,198,000	34,698,000	39,023,000	4,325,000	35,739,000	40,193,000	4,454,000
School Zone Camera Fund	6,006,000	6,006,000	-	8,342,000	8,342,000	-	8,486,000	8,486,000	-
GSF - Subtotal Growth Rates (yr/yr)		4.4%			3.5%			4.0%	