



## No Chilling Effect on San Diego’s Business Optimism as Winter Nears

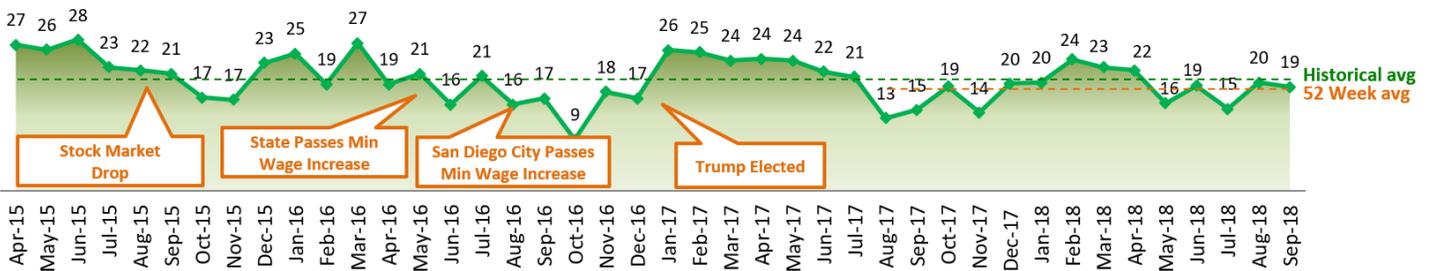
More than half of businesses see Prop. 13 as important and 44 percent oppose a proposed reform measure

### Highlights:

- Business outlook is good, with a BOI score of 18.9
- All four metrics of the index are holding steady
- Large employers are highly optimistic, while micro firms tread water
- Companies aligned on importance of Proposition 13
- More oppose than support increases to Prop 13’s 2 percent cap on commercial property taxes

The Business Outlook Index in this month’s San Diego County Business Forecast sponsored by CalPrivate Bank, remains comfortably in positive territory at 18.9, unchanged from last month. All four index components – expectations about the number of employees, hours offered to workers, revenue, and business conditions – are holding steady. The index ranges from -100 to +100 with zero being neutral.

Business Outlook Index Over Time

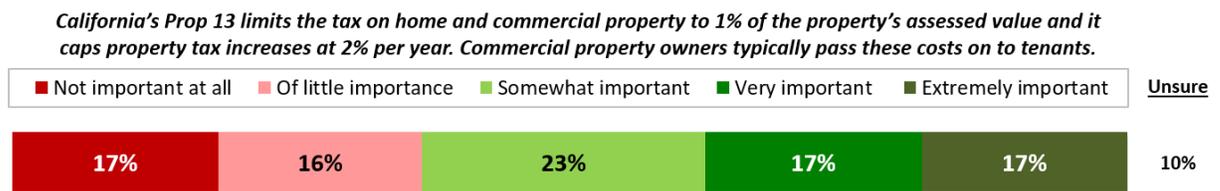


Small, medium, and large firms are optimistic and boast healthy BOI's, with medium and large firms most upbeat. This optimism is not universal, however, as micro firms (where the owner is the only employee) sit just inside positive territory at 1. The dip seen in the BOI of these firms is due to pessimism about both hiring and hours offered to employees, however they remain stable on revenue and business conditions.

Topping the list of new challenging issues for the third consecutive month are government regulations, with 11 percent of businesspeople citing this as their primary concern. Regulations causing concern range from federal to local, with apartment rent control popping up as a new concern from the real estate industry. “Tariffs” are another regulatory issue this month, with folks from the retail, advertising/promotions, and printing/design industries mentioning them.

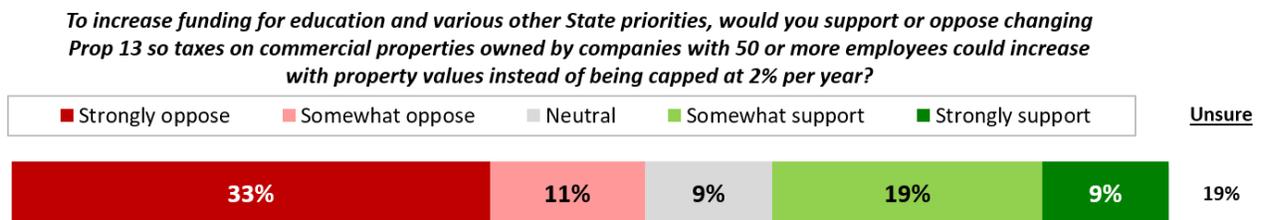
Staffing issues come in second, followed by increased competition. Staffing issues continue to include "finding skilled employees with experience" and "retaining employees." For those facing competition, a now-familiar theme is the threat to brick-and-mortar stores being posed by online sales.

This month we asked about Proposition 13, California’s voter-approved law limiting the tax on home and commercial property to 1 percent of the property's assessed value and capping property tax increases at 2 percent per year. Commercial property owners typically pass these costs on to tenants. Most San Diego County businesses, 57 percent, share the opinion that Prop. 13 is at least somewhat important to businesses like theirs. Within that group, 34 percent view it as very or extremely important. On the other hand, 33 percent see it as having little or no importance for their company, while 1 in 10 are unsure how to answer the question. Considering that Prop. 13 passed in 1978, it’s possible those who are unsure about the law’s importance simply don’t know about it.



Owners of commercial property ascribe much more importance to Prop. 13, as they are most impacted by the property taxes the law seeks to contain. Industry type also matters, with business consulting firms – who are less tied to property interests – seeing the law as much less important. And, businesspeople concerned about rising costs see Prop 13 as more important, suggesting this is a pocketbook issue for many.

We also asked whether respondents would support or oppose changes to Prop 13. “To fund education and various other state priorities,” the proposed reform would allow taxes on commercial properties owned by companies with 50 or more employees to increase along with property values instead of being capped at 2 percent per year. Forty-four percent oppose such a change, and a sizable 33 percent are intense about that. On the other side, 28 percent support the reform, though only 9 percent strongly feel that way. Opposition is therefore firmer and more widespread than support. Only 9 percent are neutral on the issue, though nearly one-in-five businesspeople are unsure how to answer the question.



How important companies believe Prop. 13 is to them generally guides their position on the reform, with those who believe it’s extremely important ardently opposed to removing the cap. Those who see Prop. 13 as very important are more opposed than supportive, but they are far less intense about it and 28 percent of them do support the reform. When Prop. 13 is seen as less than very important, support reaches one-third. Supporters of the reform proposal would seek to show Prop. 13 as having minimal bearing on companies, while opponents would want to highlight the law’s effects on firms.

What's interesting to note is that whether a business owns commercial property does not primarily drive support and opposition to the reform, though it is a latent factor. We can identify property ownership a "precursor" to opposition, but not a direct cause of it.

#### **About the Business Forecast**

*The San Diego County Business Forecast, sponsored by [CalPrivate Bank](#), is a scientific look at where our region's economy is headed. The survey for this month's installment was fielded September 18-27, 2018 by [Competitive Edge Research & Communication](#) using responses from 201 randomly-selected members of the San Diego, East County, Alpine, Escondido, Lakeside, Vista, Santee, Encinitas and National City Chambers of Commerce. One-third of the members were invited to complete the survey online. Those members who initially did not respond were invited to complete the survey over the phone.*

*The Business Outlook Index™ (BOI) is comprised of four self-reported assessments regarding the next three months: Will a respondent's business increase or decrease its number of employees, experience an increase or a decrease in revenue, increase or decrease the number of hours its employees work, and experience an improvement or a worsening of business conditions. For each assessment, definite and positive responses are scored 100, probable and positive responses are scored 50, neutral responses are scored 0, probable and negative responses are scored -50 and definite and negative responses are scored -100. The scores are summed and divided by 4 to get a range for the BOI of -100 to +100, with zero being a neutral outlook. Visit <http://sdchamber.org/businessforecast> to see past Business Forecasts.*

#### **About CalPrivate Bank and Private Bancorp of America, Inc.**

*Private Bancorp of America, Inc. (OTCQX:PBAM), is the holding company for CalPrivate Bank, the new name for San Diego Private Bank. CalPrivate Bank provides a Distinctly Different banking experience through unparalleled service and creative funding solutions to high net worth individuals, professionals, locally owned businesses and real estate entrepreneurs. Clients are serviced by experienced personal bankers through offices in Coronado, San Diego, La Jolla, Beverly Hills and Newport Beach as well as efficient electronic banking offerings. The Bank also offers various portfolio and government guaranteed lending programs, including SBA and cross-border Export-Import Bank programs. CalPrivate Bank is a SBA Preferred Lender and provides a full array of sophisticated treasury management and deposit products. [www.calprivate.bank](http://www.calprivate.bank) Please contact Paul Azzi, EVP and Market President at [Paul@calprivate.bank](mailto:Paul@calprivate.bank) to discuss your financial service needs.*

#### **About the Encinitas Chamber of Commerce**

*The Encinitas Chamber has been powering the business community in Encinitas for over 50 years. We are the gateway to local networking and community events. We hope you have enjoyed reading the San Diego Business Forecast. For more information about our Chamber, send us an email or give us a call at (760) 753-6041.*