



August 2019

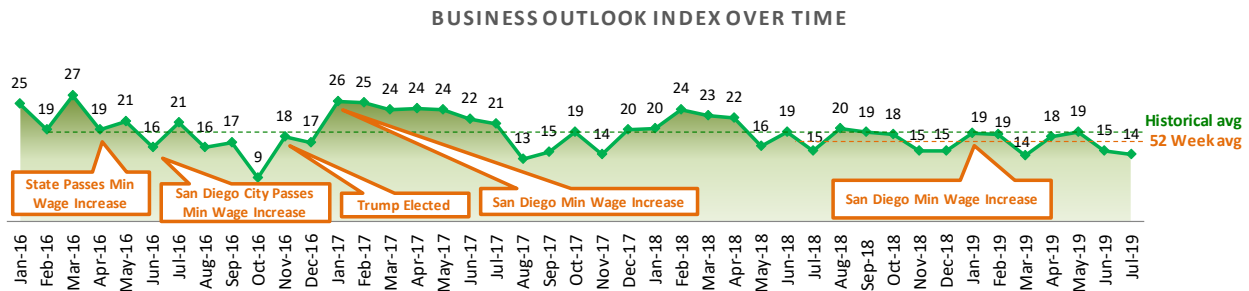
## FALL BUSINESS OUTLOOK MAINTAINS MODERATE OPTIMISM

*County businesses see homelessness worsening and many support homeless housing programs*

### Highlights:

- The Business Outlook Index holds steady with a score of 14.2
- Development/construction and business consulting firms are bright spots
- Sacramento is again the main culprit of government regulation concerns
- Homelessness is a serious issue for most businesses
- Two-thirds would support allowing housing, shelters and safe park sites near their business

Looking ahead to the fall, San Diego County's business community continues its steady streak of moderate confidence with a Business Outlook Index (BOI) score of 14.2. The BOI ranges from +100 to -100, with zero being neutral. Expectations about all four components of the index -- hiring, hours offered to workers, revenue, and industry conditions -- are holding steady since last month.



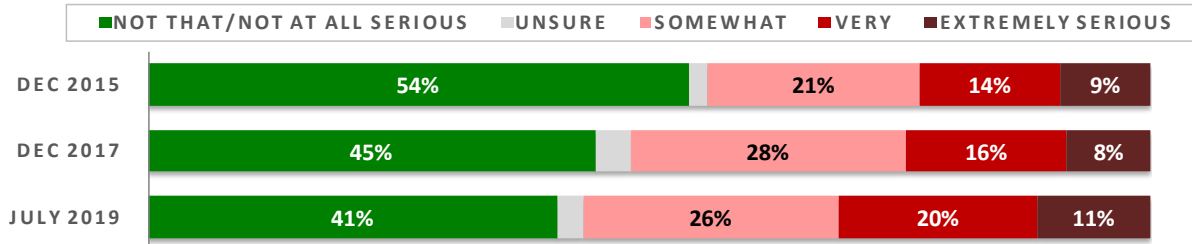
Development/construction firms are standouts with a BOI of 28 due to positive expectations about business conditions in their industry. Business consulting firms are another bright spot, with a BOI of 24 and an optimistic outlook about near-term hiring. On the other hand, the outlook for hospitality/restaurants has dropped for a second consecutive month. The sector fell 30 points between May and June and suffered a 21-point decline since then as a result of falling revenue expectations. Hospitality now sits just inside positive territory at 1 on the BOI index.

Government regulations have been the top issue facing county businesses since last July, marking its 13<sup>th</sup> consecutive month at the number one spot. Sacramento is once again the main culprit, as 38 percent of businesspeople concerned about government regulations are focused at the state level. Two-thirds of them cite labor laws as their new and challenging issue with several specifically citing Assembly Bill 5 which passed the State Assembly in May. The legislation would expand employment classifications so that many workers who had been classified as independent contractors will be reclassified as employees by companies they formerly contracted with. Businesspeople in several industries — transportation, financial, and hospitality/restaurants — register concern about the proposed law, so its impact would be relatively far-

reaching.

As in December 2015 and 2017, we asked respondents to tell us how serious of a problem homelessness is in the area where their business is located. The problem has become more serious over time. Only 44 percent of businesspeople perceived it to be a serious issue in 2015 compared to 52 percent eighteen months ago and 57 percent now. At the same time, the percentage saying it's not an issue has receded to 41 percent.

“HOW SERIOUS OF A PROBLEM, IF AT ALL, IS HOMELESSNESS IN THE AREA WHERE YOUR BUSINESS IS LOCATED?”

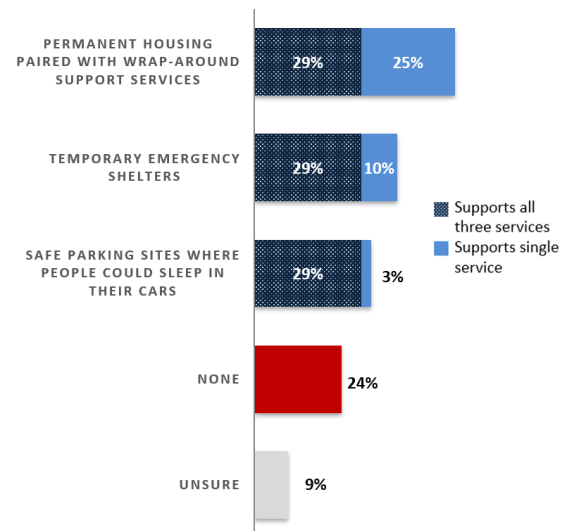


The seriousness of homelessness varies geographically. It is most severe for businesses located south of Interstate 8 in the City of San Diego, which includes downtown where resources to address homelessness are concentrated. A huge 80 percent of businesspeople there see it as a serious problem. The homeless issue there hasn't worsened since 2017 – the big run-up in concern happened before then – but a crisis mentality on the city's south side persists.

The east suburbs are where we see the issue of homelessness escalating. Forty-five percent of businesses there see homelessness as very or extremely serious, a dramatic increase in just 18 months when only 27 percent of east suburban businesses saw the issue as at least very serious. Further to the east, however, homelessness is not a serious problem for east county firms and the situation there has improved since 2015.

In terms of the type of homeless housing programs businesspeople would support within a quarter mile of their business, it's important to note that two-thirds would back at least one program to address homelessness near their place of business. The survey asked specifically about permanent housing paired with wrap-around support services, temporary emergency shelters, and safe parking sites where people could sleep in their cars. While the program eliciting the most support is permanent housing paired with wrap-around support services with 54 percent support, the survey shows a significant 29 percent would embrace all three programs.

SUPPORT TO ALLOW HOMELESS HOUSING SERVICES NEAR ONE'S BUSINESS



Industry is a key driver in whether businesspeople are willing to support *any* homeless housing services in their area. All development/construction firms in our sample are supportive of providing at least one of the three services we asked about. This could possibly be because building new structures could generate more business for construction firms, but it could also be due to people in those firms being more attuned to shelter-related issues. At the same time, those in hospitality/restaurants are less likely to allow housing,

shelters, or parking near their storefront, perhaps fearing those programs would disrupt aesthetics and drive away customers.

Businesspeople who don't see homelessness as a problem are more likely than those who see it as a serious problem to want safe parking sites near their business. Those who think homelessness is serious may tend to feel the parking spaces are a Band-Aid, not a real solution.

#### **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 July 15-31, 2019 by [Competitive Edge Research & Communication](#) using responses from 201 randomly-selected members of the San Diego, East County, Alpine, Escondido, Lakeside, Vista, Santee, Encinitas, National City, and Coronado Chambers of Commerce. One-third of the members were invited to complete the survey online. Selected members who did not respond initially 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.*