



**Sonoma County EDB
Economic Impacts from COVID-19 on Sonoma County Economy**

August 2020

**Economic Forensics and Analytics, Inc.
Petaluma, CA
eyler@econforensics.com**

Executive Summary

This study, commissioned by Sonoma County Economic Development Board (EDB), considers the economic impacts of COVID-19 on Sonoma County's economy through three scenarios from 2020 to 2023. Data at the industry-sector level by city and the unincorporated areas of the county are aggregated to county totals to provide detail as to the effects on specific industries and places. Different risks exist for different industries and municipalities in Sonoma County. The estimated impacts are driven by potential job losses for local employers, affecting local residents and the capacity of the local economy to generate income and tax revenues. The estimated economic impact for 2020 for lost jobs, lost gross regional product (value-added income) and state/local tax revenues are (in terms of planning, this study's data provide similar estimates for 2021, 2022 and 2023):

Economic Impact from COVID-19 in 2020: Jobs Lost, Reduced Incomes and Tax Revenues

Scenario	Jobs Lost	Income Lost	S/L Tax Revenue Lost
Better	20,700	\$1,539,700,000	\$328,596,000
Median	30,135	\$2,421,800,000	\$613,917,000
Worse	48,451	\$4,134,600,000	\$811,518,000

Note: The jobs estimates include self-employed and payroll workers

There will be lingering impacts from COVID-19 on the county economy as recession leads to recovery. Holding all other concerns constant, Sonoma County's economy should not expect to have recovered to 2019 year-end jobs levels before 2023 (median scenario has a return in 2024, hence the four-year economic impact). Residential employment levels and unemployment rates follow the county jobs counts at its employers (businesses, non-profits and government employers). Unfortunately, there is likely to be a net loss of employers in Sonoma County by 2023.

To 2023, the estimated cumulative impacts in 2020 dollars for the median recovery scenario are:

- Jobs Lost from Dec 2019 on annual average: 19,880 jobs below Dec 2019 level;
- Total Gross Regional Product (GRP) lost 2020-2023: \$6.157 Billion;
- Total State and Local Tax Revenues lost 2020-2023: \$1.685 Billion; and
- Estimated loss of employers by 2023 as -6.9 percent for the median scenario, with a range between -1.5 and -15.6 percent for the better and worse scenarios respectively.

The national economy has begun to recover as of August 2020; if that recovery continues and California follows, the better scenario becomes more likely. Interest rates are similar to their levels in 2009 based on aggressive Federal Reserve policy to stimulate growth. Spending by the federal government on households, employers and governments has been relatively large and ubiquitous. Job losses are reversing due to these policies meant to stimulate economic growth and the gradual lifting of social policy. Both California and Sonoma County have experienced unprecedented losses of jobs across all industries; while jobs are slowly returning, this recession's depth and breadth likely makes recovery a matter of years and not months.

Specific industries remain at risk as do some cities and unincorporated areas in Sonoma County under any of the three scenarios. Between March 2020 and July 2020, industries that have experienced job losses from the previous year of close to or more than 20% job losses included:

- Retail stores including auto sales (outside of grocery), affecting sales tax revenues;
- Hotels and motels (Accommodation), affecting transient occupancy tax (TOT) revenues ;

- Bars and Restaurants (affecting sales tax revenues);
- Other Services (salons, non-profits not associated with healthcare, fitness centers, etc.).

Healthcare employers, even with front-line responders standing by, saw job cuts because many procedures and visits were not possible due to physical distancing concerns. Manufacturing and construction, as of July 2020, are now growing from July 2019, and leading the county’s economy recovery. Farm jobs are also up from July 2019 as of July 2020.

At the city level, the percentage change in residents working remains below 10-percent lower than July 2019 levels as of July 2020 for:

- Cloverdale; Healdsburg; Sebastopol; Town of Sonoma; Windsor.

Home prices have moved very little, and in fact have increased as of July 2020 from July 2019 for many of Sonoma County’s cities; Healdsburg and the unincorporated areas of Sonoma County are down slightly from last year. Home prices falling and large numbers of businesses closing are the largest threats to local economic recovery from COVID-19’s social policies and negative economic impacts. Commercial real estate values and vacancy are likely to see more uncertainty under any scenario to 2023. Property taxes should follow current estimates if home prices remain stable.

EDB also ran weekly surveys of businesses in Sonoma County, asking questions about the effects of COVID-19 and the current recession on their businesses from a few different angles. Summary data are provided in presentations as appendices to this report. The following conclusions can be drawn from those data:

- Hours reduced across industries and municipalities:
 - Rohnert Park was the sole exception on average;
 - Unincorporated Sonoma County hurt marginally more initially than any of the cities.
- Revenues decreased across all industries and municipalities:
 - Unincorporated Sonoma County losses continued to be large relative to cities;
 - Windsor rebounded quicker on average, perhaps due to construction and grocery/essential retail and office opening more quickly there.

Looking forward, some challenges and opportunities for Sonoma County’s economy are as follows:

Challenges	Opportunities
<ul style="list-style-type: none"> • Retail, restaurant demand for workers; • Housing affordability for low-wage workers if fewer jobs in their industry remain after 2020; • Tourism employment opportunities, especially hotels, after 2020; • Breadth of businesses in retail, restaurant and personal services based on estimated business closures; • Goods resilience (food, beverage, medical supplies, etc.) if there are natural disasters during an increase caseload. 	<ul style="list-style-type: none"> • Goods resilience: <ul style="list-style-type: none"> ○ More local manufacturing and farming to provide goods and food production breadth; ○ More storage and processing; ○ Regional distribution outlets to complement supra-regional channels; • Workforce development for permanently-displaced workers: <ul style="list-style-type: none"> ○ Manufacturing, especially in life sciences given regional cluster in place; ○ Construction; ○ STEM-Related fields; and ○ Healthcare.