

Forecast Council Briefing (August 22, 2016)

August 2016 King County Economic and Revenue Forecast

Office of Economic and Financial Analysis

Objective: Provide outline and detail around the August 2016 economic and revenue forecast update.

I. Economic changes

National

- 2016:2Q growth = 1.2% (advanced estimate), 1st quarter revised to +0.8%
- Employment adds in July solid (+255K)
- Housing recovering continues (starts, permits, etc.)
- Fiscal policy quiet (election year)
- Monetary tightening may occur near year-end
- Risks continue to be globally focused

King County

- Good 2015:1H employment growth (+52K year-over-year, 4%)
- Taxable sales up 11.7% in May driven by construction (+27%)
- Seattle housing index up 10.7% in May 2016 (yoy).

Impacts to Economic and Revenue Forecast

- AV update from the Assessor
- Countywide slightly revised down
- Upward revision for unincorporated AV
- Downward revision in New Construction
- Small increase in sales taxes
- Rest mostly minor changes

2. Revenue Forecast

Assessed Value

- About 36% of parcels reporting as of early August
- Residential up about 7%-9%
- Commercial up about 6%-8%
- Condos up over 9%-11%
- So 2017 countywide AV is likely to be about 7%-9% above last year
- Unincorporated is likely to be up about 5%-7%

Assessed Value (cont.)

Change from July:

-Small revision down for Countywide in 2017 and out-years

-Unincorporated AV revised slightly up in 2017 and beyond

New Construction

- New Construction-anticipating growth, construction employment, permits, etc. are up
- DOA currently at about \$5.2b (incl. some to be exempted later)

Change from July:

-Both Countywide and unincorporated revised down to reflect DOA actuals and remainder to be picked up

Sales Taxes

- Continued strong growth in 2016 over last year
- Forecasting about 9% taxable sales growth in 2016 and 5% in 2017

Change from July:

-Growth of taxable sales revised up slightly for 2016 and near-term

-Distribution growth slightly higher for local, Metro, MIDD and CJ.

-Hotel tax forecast increased

Other

- REET-no significant change
- Investment Pool-no significant change
- Inflation-very small changes

Property Taxes

- Property tax changes mostly small
- UAL/Roads forecast about the same
- IPD is up 0.9% (yoy) and so substantial need ordinance may be required

Change from July:

-Most levies down 0.1%-0.2% annually on lower new construction

-Faster unincorporated AV growth offset by lower new construction so small changes for the UAL/Roads levy