

2021 King County Economic and Revenue Forecast

Presentation to the King County Forecast Council

Presented on:
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Overview

The Covid-19 pandemic continues to impact the entire world

- Approximately 120 million cases globally, 30 million in the U.S.
- All countries/economies are balancing health risk and economic activity
- Vaccines being administered (nearing 20% of pop. in the U.S.)

The King County economy suffered massive contraction but has partially recovered

- After stay-at-home order, adaptation, adjustment and carrying on
- KC unemployment peaked at 14.9% but is now back to around 6%
- Uneven recovery (construction employment above pre-Covid levels, leisure and hospitality down 38%)
- Government intervention is significant (federal, state and local)
- Residential real estate market up significantly (very low inventory)

Risks/uncertainty; Covid-19

- Virus/vaccine path continues to drive much decision-making
- Upside risk in 2021:2H?

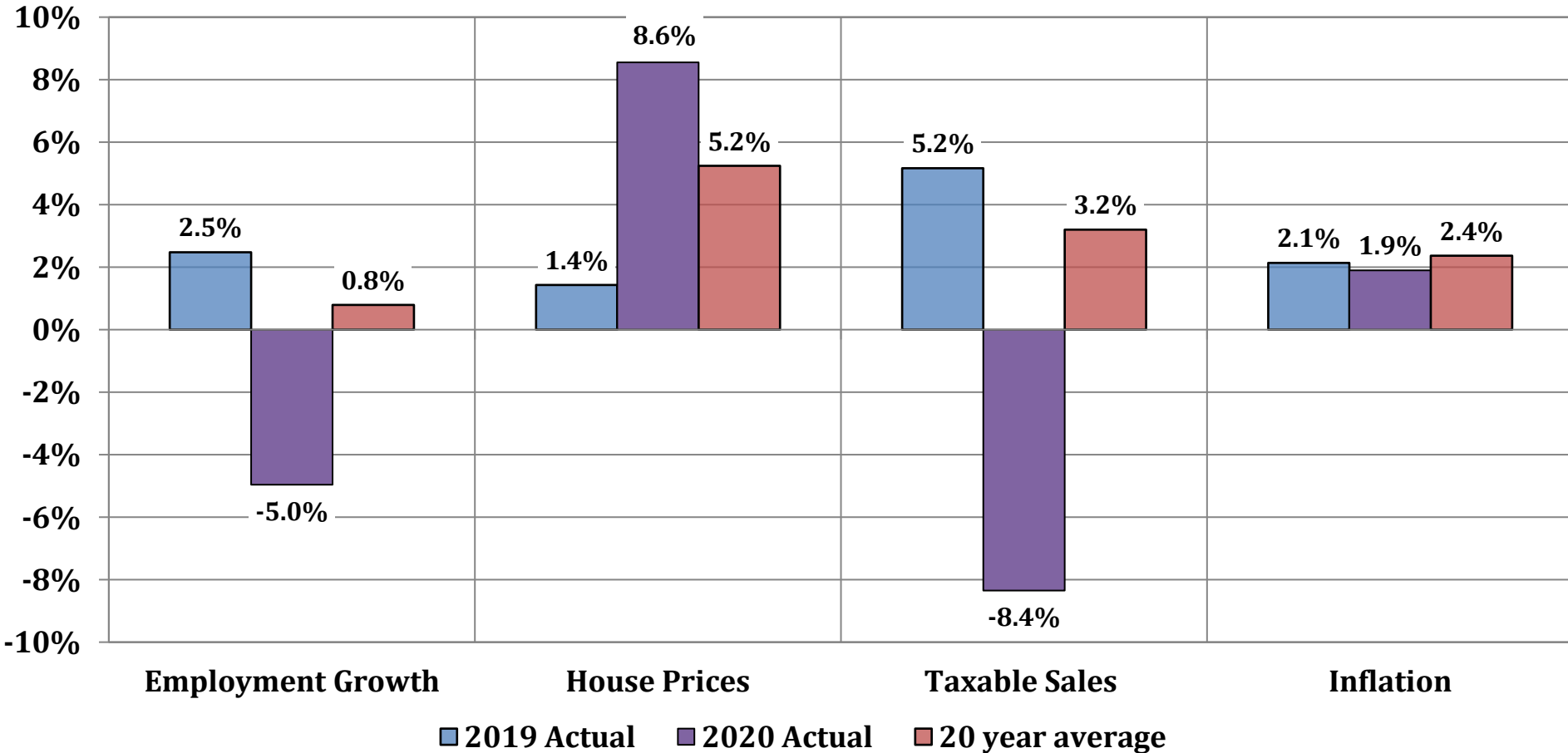
King County indicators showed the impacts of Covid-19 in 2020



King County Economic Indicators

2019 Actuals & 2020 Actuals & 20 Year Average

Source: PSEF, Case-Shiller, WA DOR, BLS

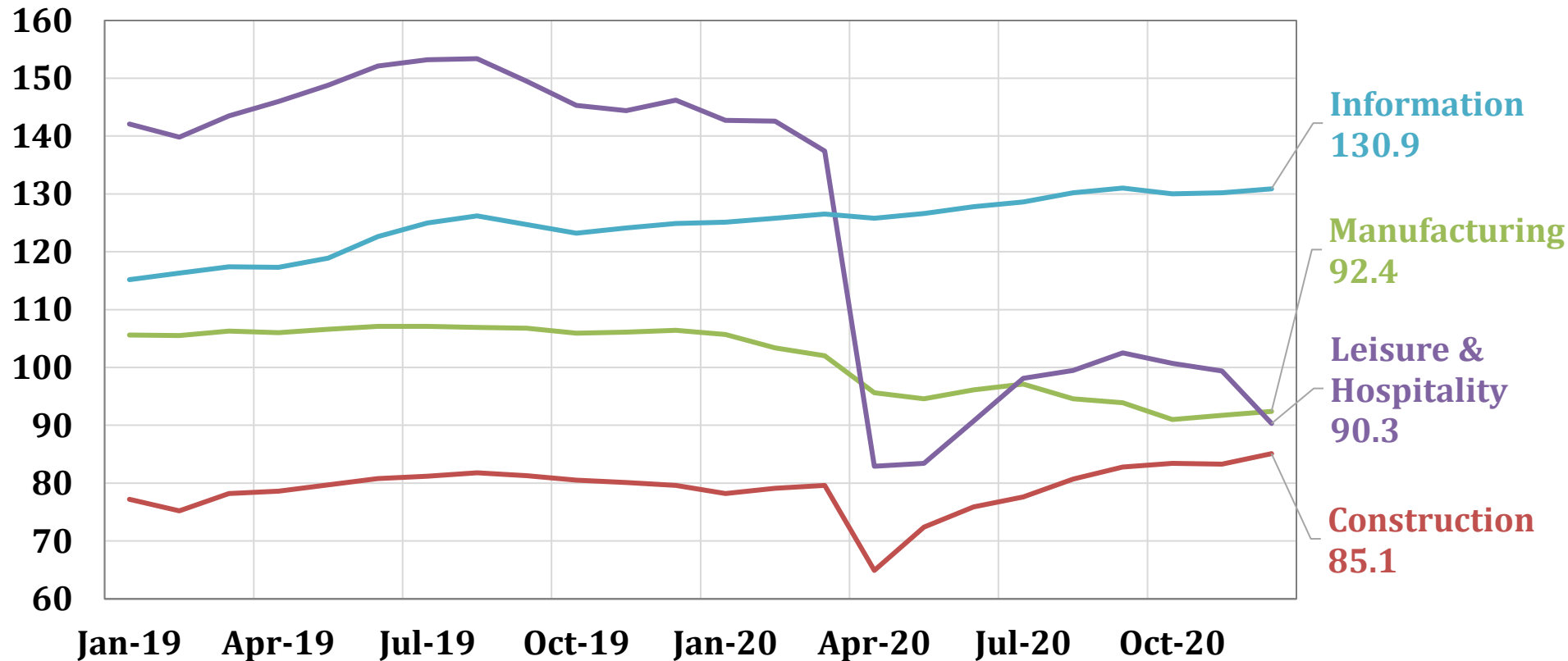


King County employment has recovered in some industries but not in others



King County Employment by Sector

Monthly employment in thousands; Jan. 2019-Current
Source: WA ESD

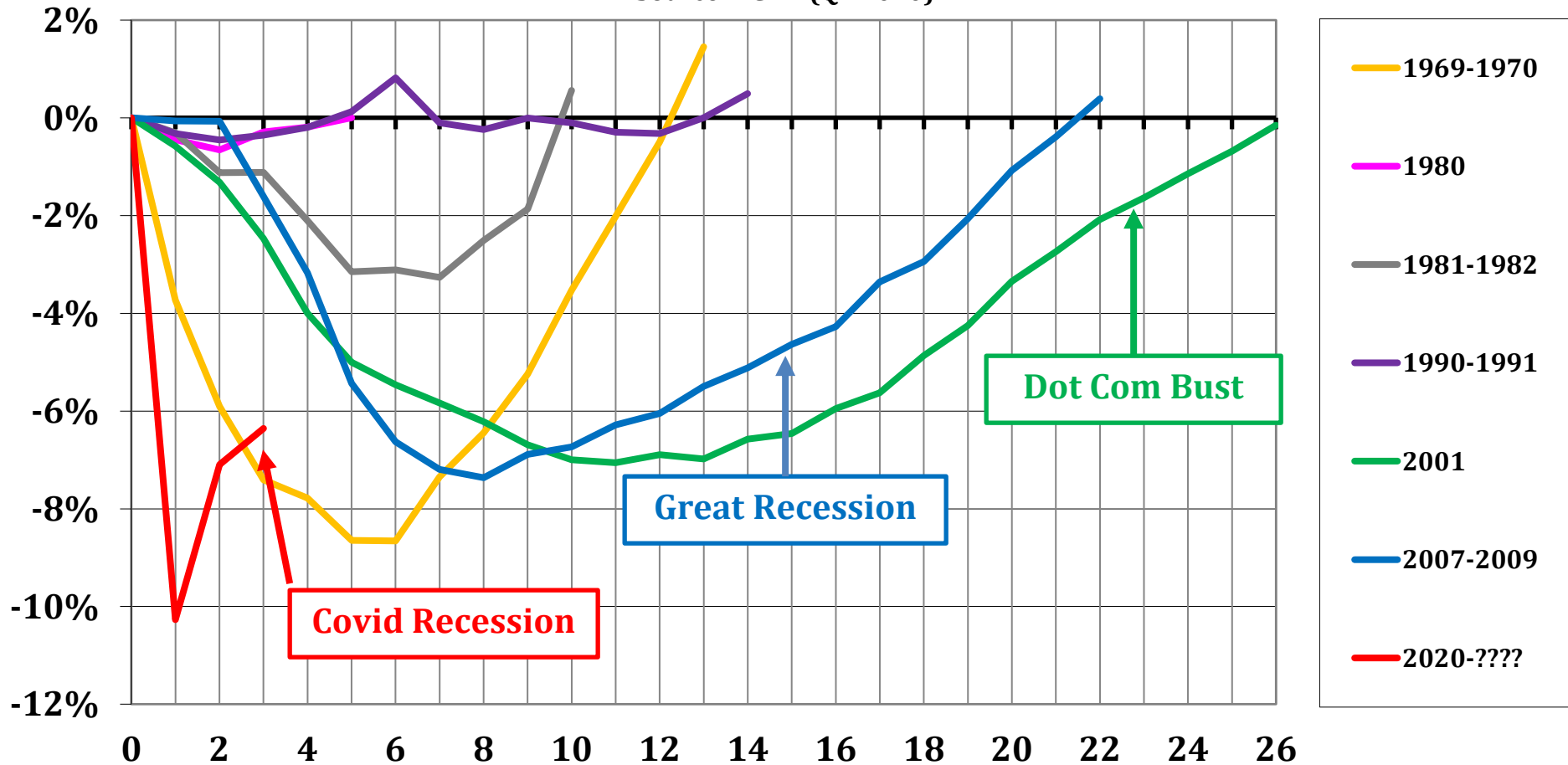


The Covid recession was the most severe we've seen but will likely be short



Quarters Needed to Return to Growth by Recession

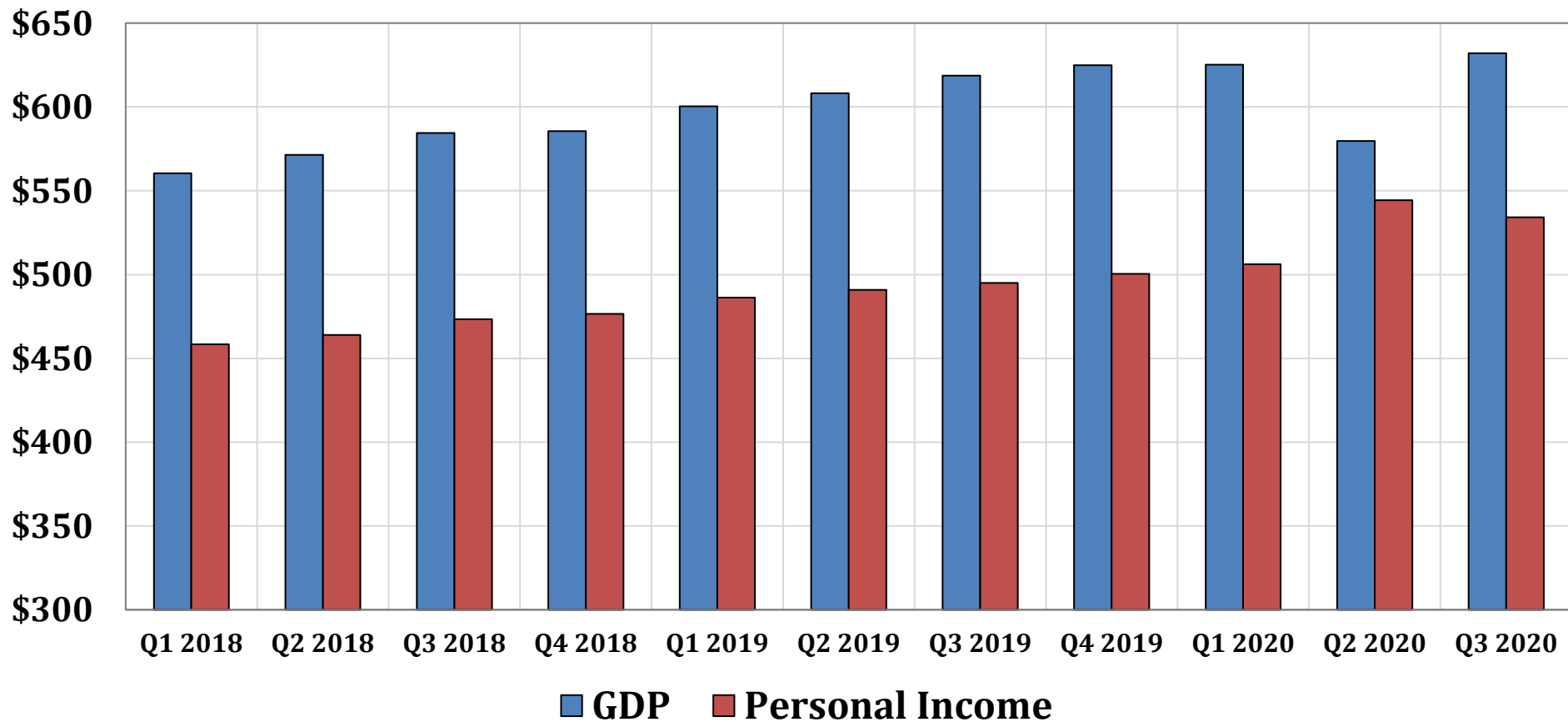
Quarterly Employment Change from Base Quarter
Source: KCFM (Q4 2020)



WA state personal income surged due to transfers even as output fell...



WA State: GDP vs Personal Income
PI & GDP: in billions \$, SA at annual rates, current-dollar
Source: Bureau of Economic Analysis



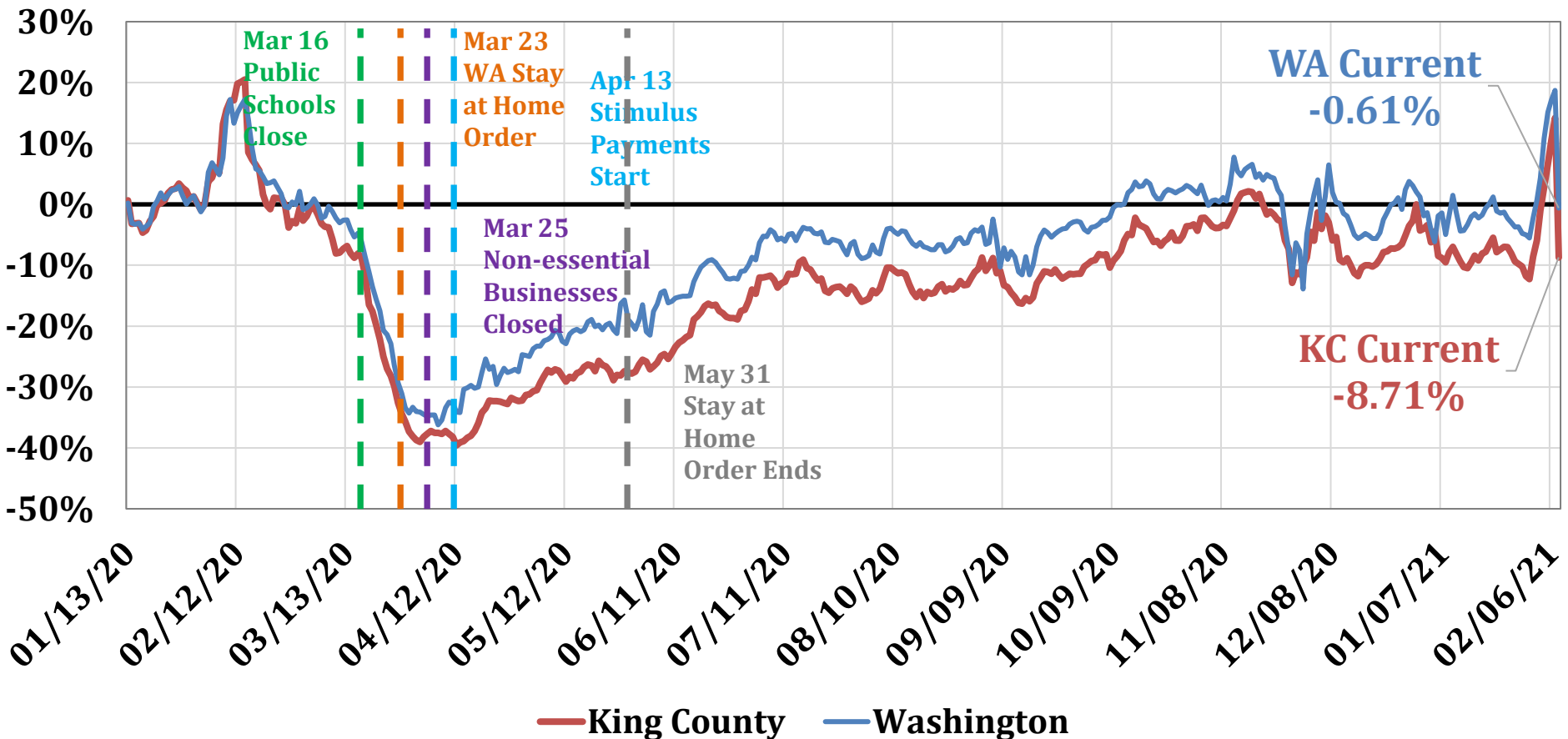
...and likely enhanced consumer spending in 2020 (and 2021!)



Total Spending by All Consumers

Year-over-Year Change in Spending in WA and KC

Source: Opportunity Insights, based on card transactions from Affinity Solutions

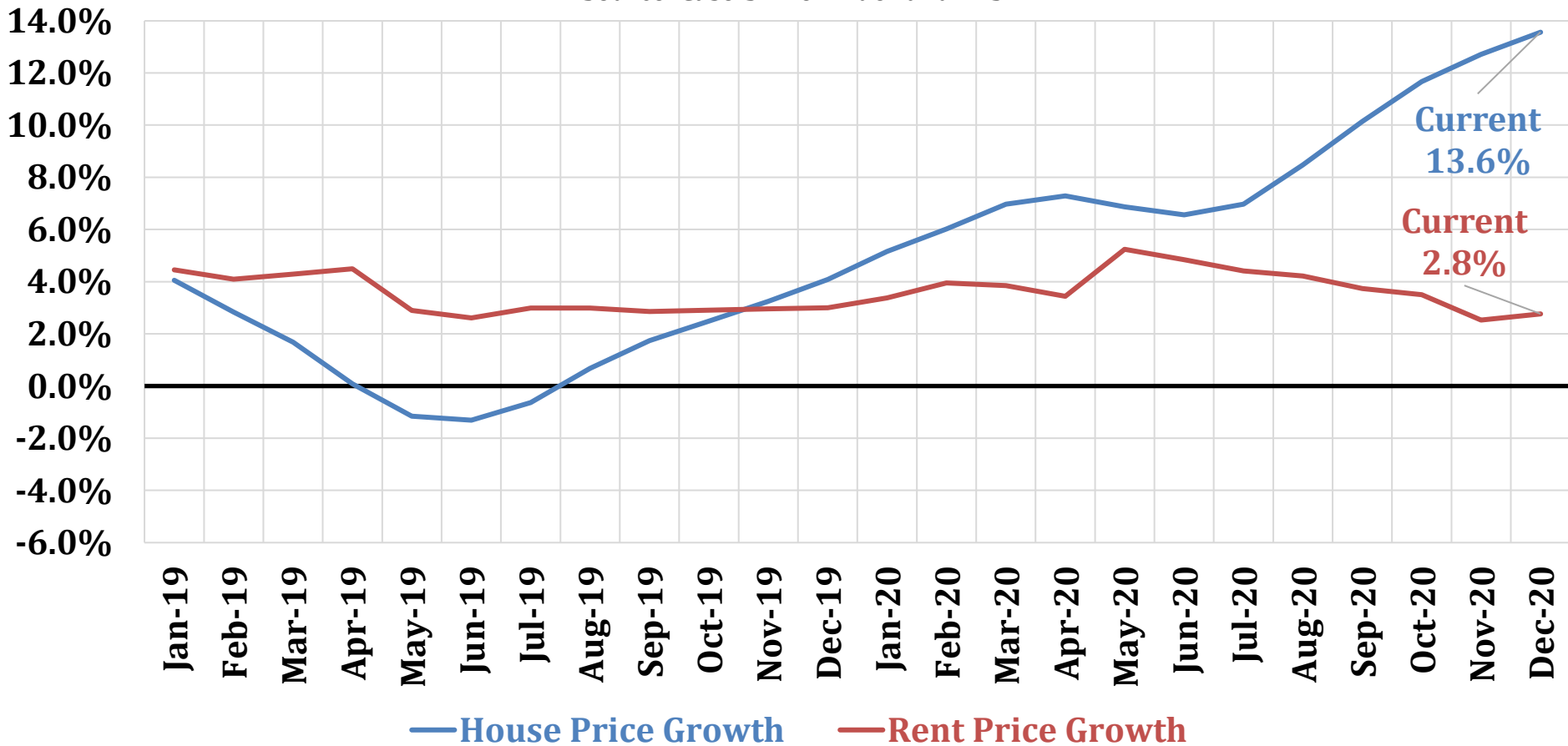


House prices surged in 2020 as rents remained largely stable



Seattle House Price Growth & Rent Price Growth

Monthly year-over-year growth in House and Rental Prices; Jan 2019-Current
Source: Case-Shiller Index and BLS

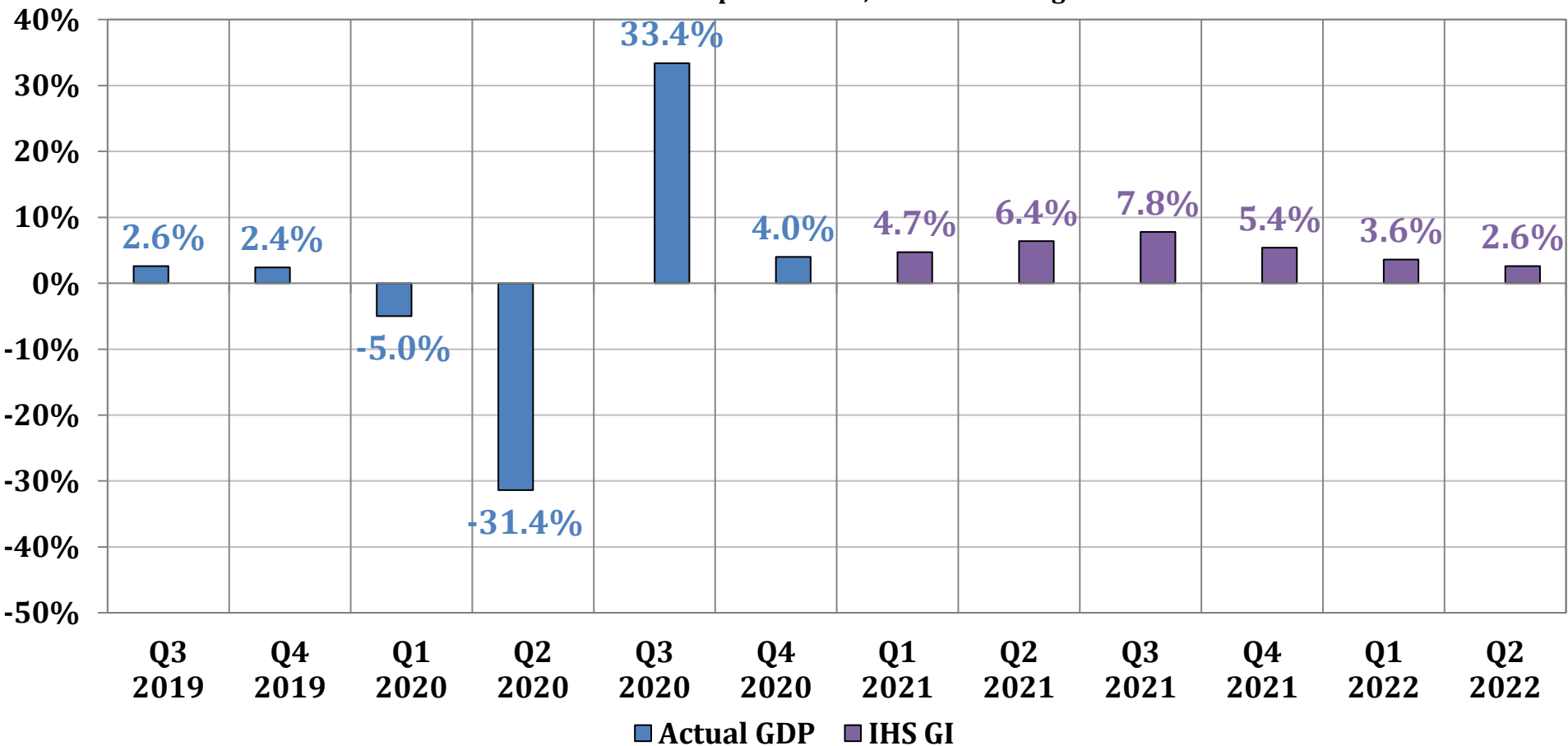


Economic activity swung wildly in 2020 but looking for solid growth in 2021



U.S. Real GDP Growth Forecast

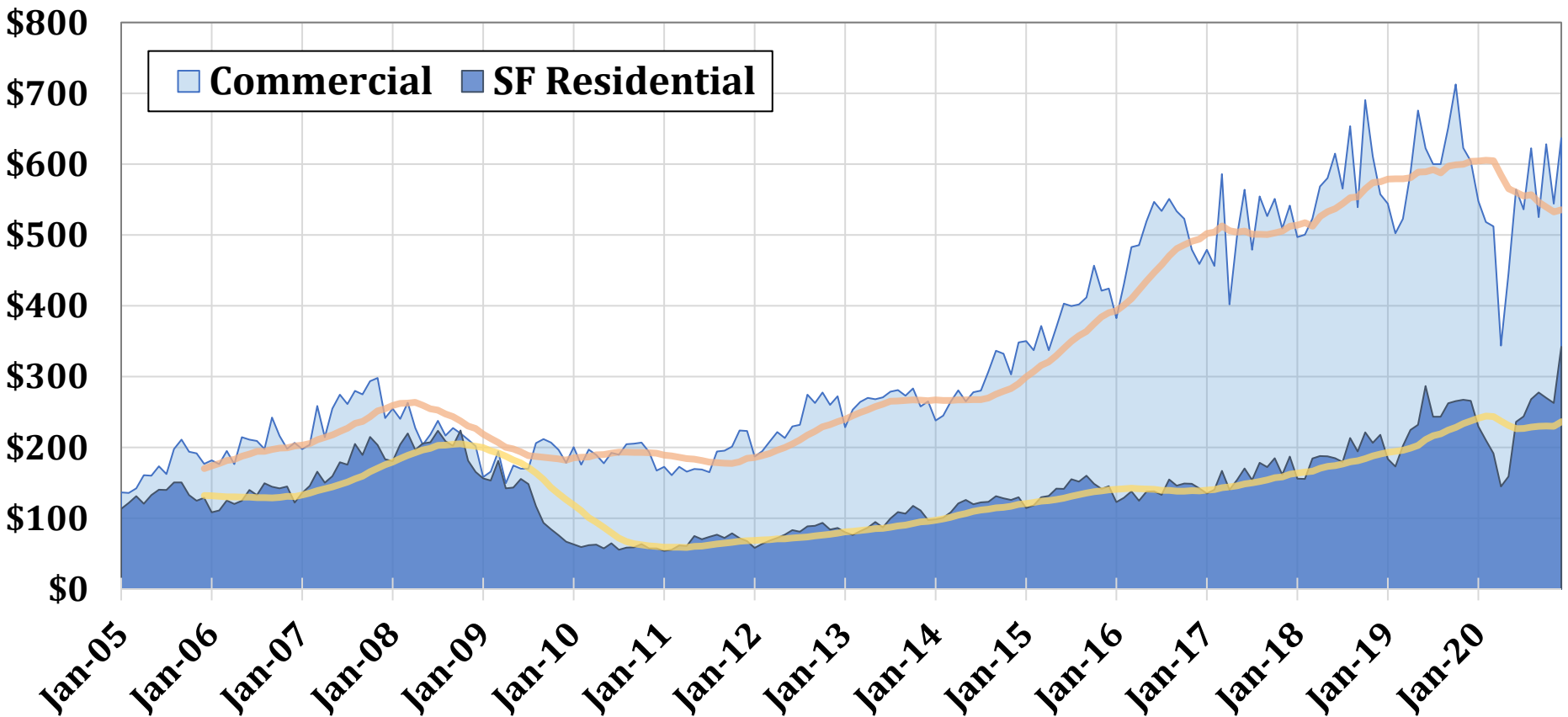
Actuals Q2 2019-Q4 2020, Forecast Q1 2021-Q2 2022
Source: Blue Chip Indicators, IHS Global Insight



Construction will be important to watch going forward: commercial pullback? SF residential growth continues?



KC Comm. & SF Res. Construction Taxable Sales
Commercial and SF Residential Taxable Sales (in millions \$) Jan. 2005-Current
Source: OEFA Sales Tax DB



March 2021 Revenue Forecasts

Assumptions:

(1) 65% Confidence Level – 65% chance revenues will come in higher than forecasted (lower for inflation/price forecasts)

(2) All potential annexation areas are assumed to occur on schedule:

-North Highline	(01-01-24)
-Renton West Hill	(01-01-25)
-Fairwood	(01-01-26)
-Renton East Hill	(01-01-27)
-East Federal Way	(01-01-28)

Countywide Assessed Value Forecast

Tax Year	Value	Annual Growth	% Change from August 2020 Forecast	\$ Change from August 2020 Forecast
2019	\$606,623,698,131	13.46%	0.00%	\$0
2020	\$642,490,492,044	5.91%	0.00%	\$0
2021	\$659,534,881,337	2.65%	0.49%	\$3,209,625,209
2022	\$692,834,431,426	5.05%	7.77%	\$49,978,142,919
2023	\$733,729,103,593	5.90%	10.33%	\$68,696,849,434
2024	\$774,638,791,777	5.58%	12.49%	\$86,035,690,467
2025	\$813,573,423,080	5.03%	12.48%	\$90,258,558,308
2026	\$857,656,612,936	5.42%	13.17%	\$99,813,132,520
2027	\$901,679,512,734	5.13%	13.29%	\$105,750,977,935
2028	\$944,151,385,147	4.71%	13.37%	\$111,325,983,373
2029	\$987,567,480,461	4.60%	12.87%	\$112,635,806,543
2030	\$1,029,134,167,144	4.21%	new	new

Unincorporated Area Assessed Value Forecast

Tax Year	Value	Annual Growth	% Change from August 2020 Forecast	\$ Change from August 2020 Forecast
2019	\$48,607,292,257	11.74%	0.00%	\$0
2020	\$50,973,173,419	4.87%	0.00%	\$0
2021	\$51,792,407,263	1.61%	0.42%	\$219,112,500
2022	\$56,031,293,609	8.18%	6.64%	\$3,488,618,889
2023	\$59,107,175,375	5.49%	9.01%	\$4,884,838,239
2024	\$58,932,614,755	-0.30%	10.35%	\$5,527,794,100
2025	\$59,103,830,324	0.29%	12.11%	\$6,382,477,515
2026	\$56,259,119,749	-4.81%	12.82%	\$6,394,366,251
2027	\$56,523,416,336	0.47%	11.89%	\$6,004,657,384
2028	\$55,167,894,303	-2.40%	11.68%	\$5,769,397,873
2029	\$57,588,807,303	4.39%	12.65%	\$6,465,433,779
2030	\$59,841,389,370	3.91%	new	new

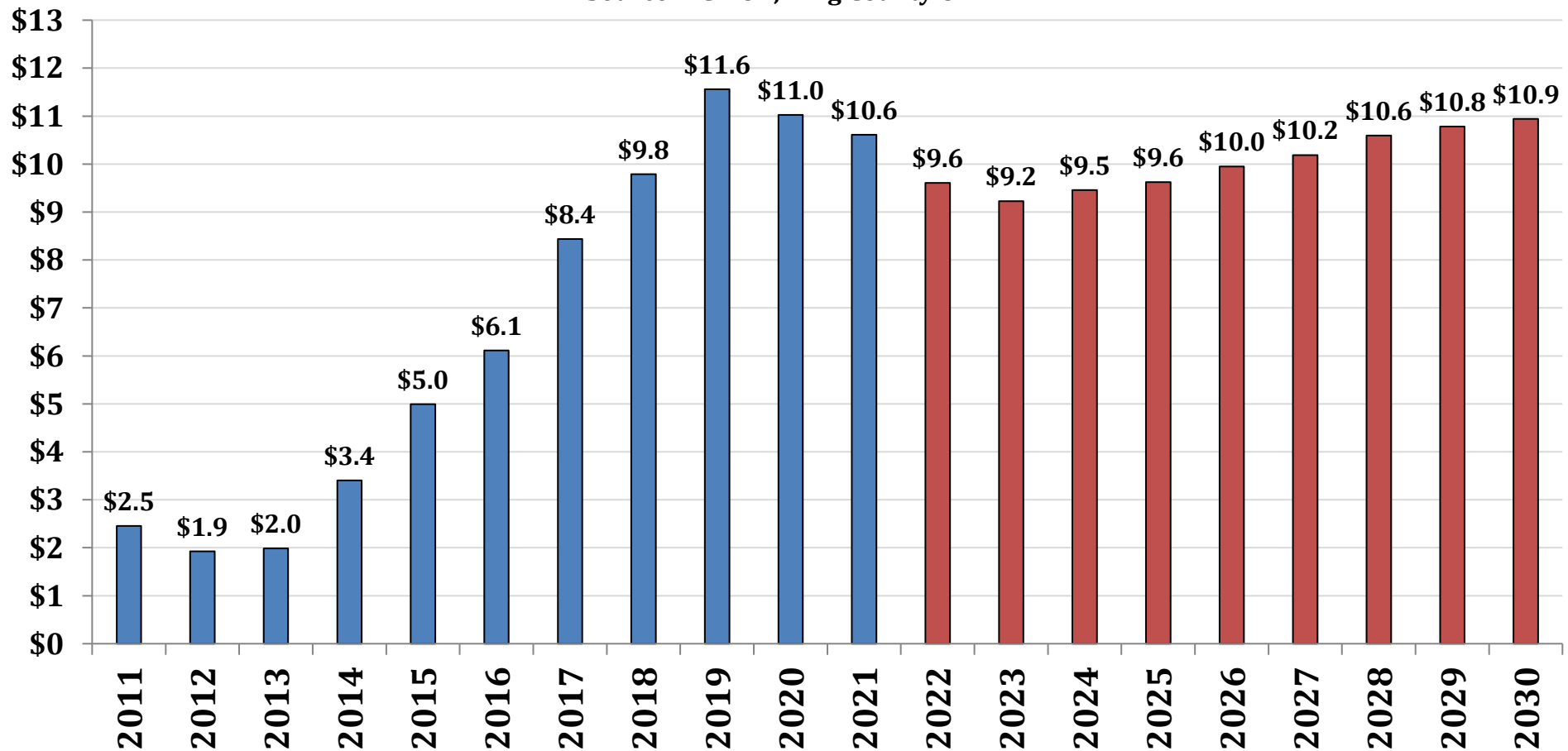
New Construction Forecast



King County New Construction Forecast

In billions \$, with Actuals and Forecast bars

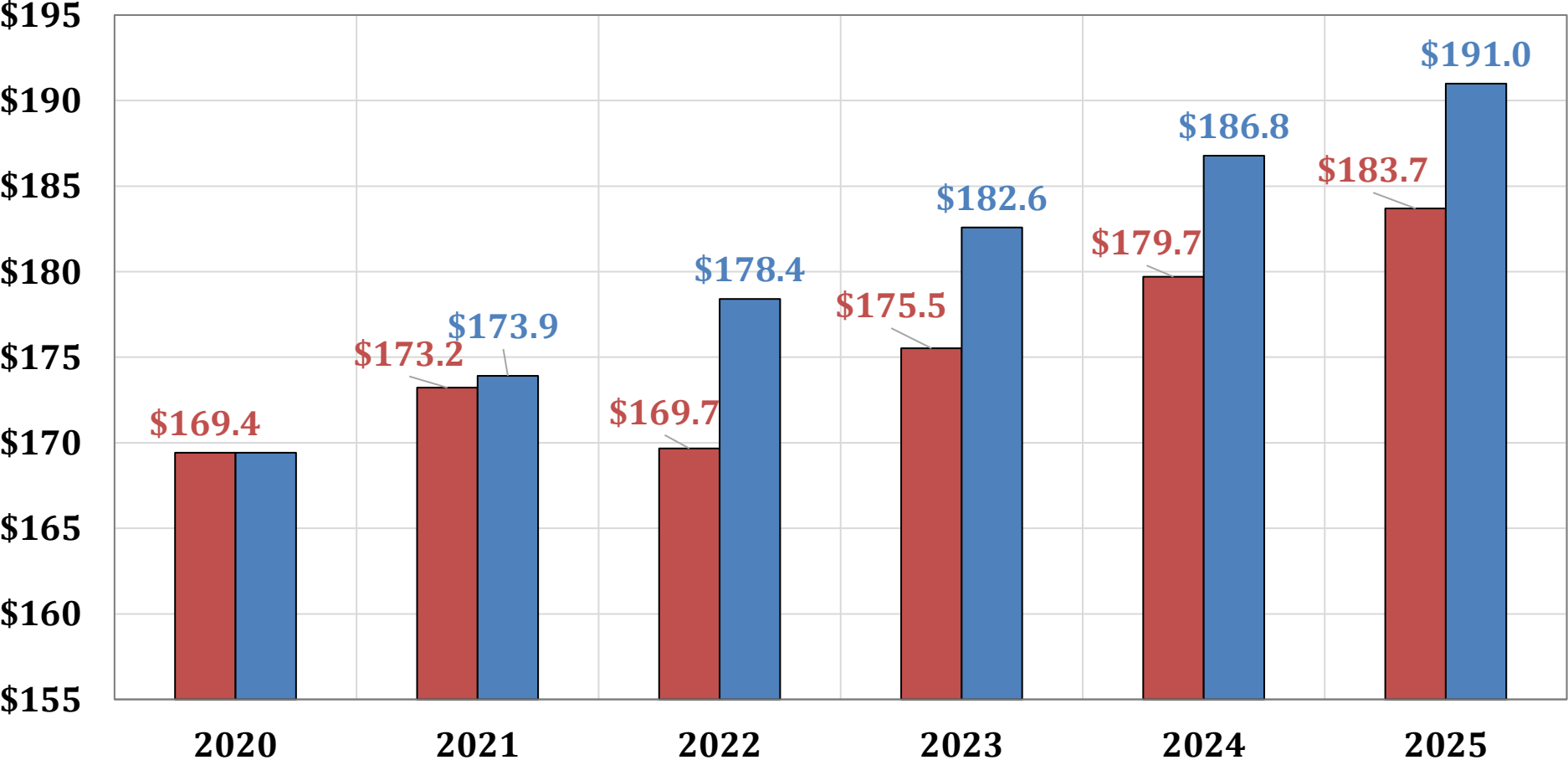
Source: KC DOA, King County OEFA



EMS property tax revenues up significantly due to higher AV forecast



EMS August and March Forecasts
In millions \$, **August 2020 Forecast** and **March 2021 Forecast**
Source: OEFA

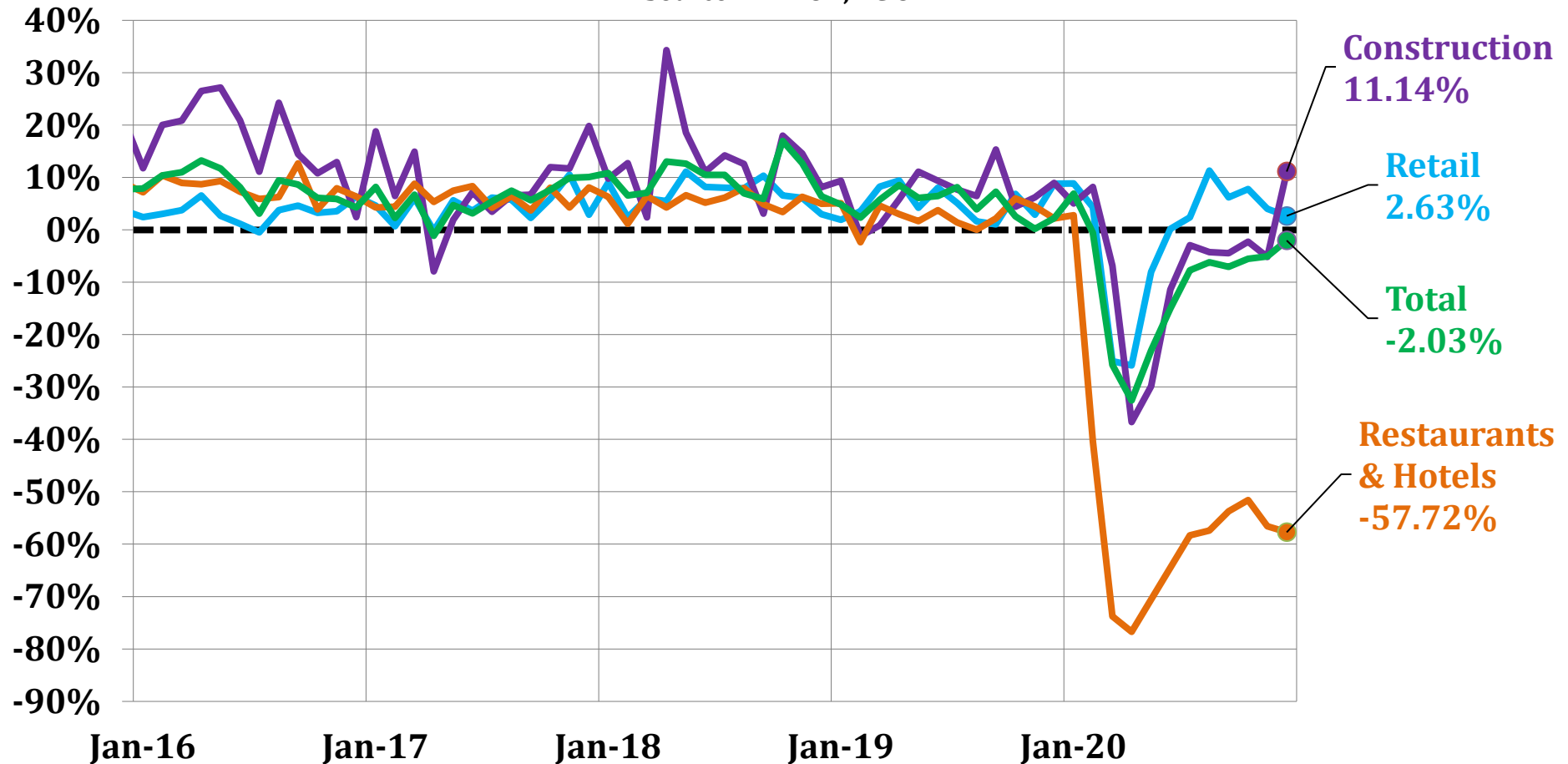


Taxable sales dropped precipitously in spring 2020 but are close to being back



Taxable Sales Growth

Monthly growth rates of taxable sales for select sectors
Source: WA DOR, KC OEFA



King County Taxable Sales Forecast

Tax Year	Value	Annual Growth	% Change from August 2020 Forecast	\$ Change from August 2020 Forecast
2019	\$76,486,164,464	5.17%	0.00%	\$0
2020	\$70,100,000,000	-8.35%	7.46%	\$4,866,575,227
2021	\$73,244,829,147	4.49%	6.00%	\$4,148,391,246
2022	\$76,965,045,808	5.08%	4.04%	\$2,990,708,733
2023	\$80,752,641,714	4.92%	3.16%	\$2,473,534,521
2024	\$84,571,228,978	4.73%	4.23%	\$3,432,717,673
2025	\$89,167,334,578	5.43%	6.04%	\$5,080,639,348
2026	\$93,691,227,035	5.07%	6.90%	\$6,043,849,113
2027	\$97,404,401,861	3.96%	6.65%	\$6,075,292,959
2028	\$101,413,261,166	4.12%	6.91%	\$6,553,437,792
2029	\$105,664,346,061	4.19%	6.90%	\$6,819,532,094
2030	\$110,201,371,056	4.29%	new	new

King County Local and Option Sales Tax Forecast

Tax Year	Value	Annual Growth	% Change from August 2020 Forecast	\$ Change from August 2020 Forecast
2019	\$137,639,197	4.32%	0.00%	\$0
2020	\$132,079,220	-4.04%	8.50%	\$10,343,201
2021	\$136,091,236	3.04%	8.00%	\$10,080,146
2022	\$141,682,290	4.11%	5.52%	\$7,410,324
2023	\$146,575,372	3.45%	3.65%	\$5,161,644
2024	\$149,045,248	1.69%	4.52%	\$6,445,702
2025	\$155,666,035	4.44%	6.81%	\$9,925,139
2026	\$160,305,320	2.98%	6.98%	\$10,452,767
2027	\$165,233,189	3.07%	6.67%	\$10,328,548
2028	\$169,174,656	2.39%	6.80%	\$10,768,070
2029	\$176,266,192	4.19%	6.79%	\$11,205,063
2030	\$183,834,726	4.29%	new	new

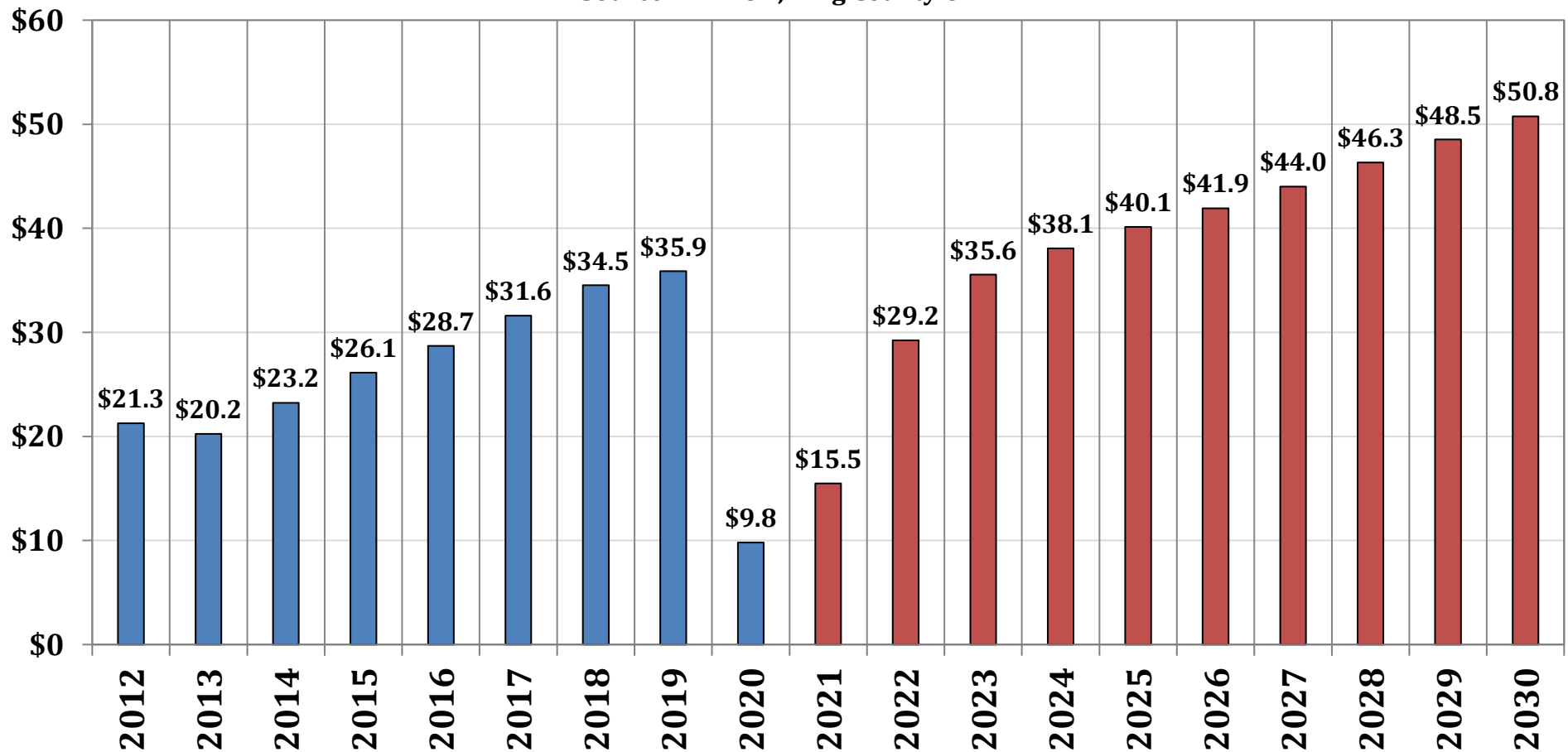
King County receiving the hotel tax again in 2021-unfortunately, it's struggling



KC Hotel Tax Forecast

In millions \$, with Actuals and Forecast bars

Source: WA DOR, King County OEFA



King County
Office of Economic and Financial Analysis

<http://www.kingcounty.gov/independent/forecasting.aspx>