THE GAD Report
For July 2017

By: Duncan L. McArthur, Governmental Affairs Director

The following is the status of the local, state and national issues.

Local Issues - City of Grand Junction Projects Summary

Broadband Update –At the direction of City Council, Staff is drafting a program that would provide a pool of capital from which fiber installation construction advances can be made for high-speed fiber optic broadband expansion projects. Additional program details will be outlined via a separate memorandum

Foreign Trade Zone – GJEP and the Chamber are working with a consultant and the City to form a Foreign Trade Zone. Once US Customs has approved the plan for space, an application can be submitted for the FTZ, which could take 12 months or more. GJEP and the Chamber began getting inquiries from economic development and local government officials in the area about sharing in the FTZ benefits and costs. They have met with Montrose, Rifle, Parachute, and Garfield County officials. The next step in the project is looking for a location for the US Customs.

Homelessness & Vagrancy Status Successful implementation of the Traveler's Aid program. Downtown Officer program has begun and the Downtown Ambassador program is recruiting volunteers. Camp cleanups are currently dependent on available funds. CMU Marketing students presented two proposals the first week of May to reinvigorate/replace the old "Spare Change Doesn't Make a Change" campaign. Presentations were made to Chief Camper, Sam Rainguet, and representatives from Hilltop, United Way, and Catholic Outreach.

AMGD – Mesa County Tax Assessor Ken Brownlee gave a presentation on the tax abatement legislation that was signed into law after the 2017 session of the General Assembly plus the tax assessment that was updated by the assessor's earlier this year.

Grand Junction Sales, Use and Lodging Tax Up – In their report for July, the City Manager and Finance Director report increased tax revenue overall year-to-date:

"In total, the City's 2.75% sales tax revenue showed a 7.2% increase over the same month last year. The strongest growth again was in was in the motor vehicles and building materials business categories.

Use tax was less than last year but still above the budget projection. Use tax can vary from month to month and year to year influenced significantly by the activity in the energy industries and construction activity.

Year to date total sales and use tax revenue now exceeds the budget projection by 3.9%. Lodging tax was 3.4% above last year and year-to-date is less than budgeted. As we continue to watch this revenue source spending will be adjusted accordingly. We continue to see significant activity in the building and home improvement industry buoyed by an increase in overall consumer confidence and spending."

Federal Legislation

National Flood Insurance Program up for Renewal. The NFIB is scheduled to expire by the end of September and bills have been introduced in the House (H.R. 2874) and in the Senate (S.B. 1751) but Congress will be leaving Washington DC for the August recess Leaving a short amount of time for the bills to reconciled.

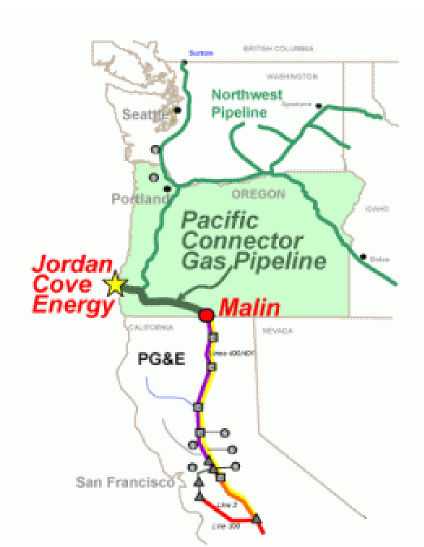
National Association of Realtors® chief lobbyist reports that NAR is supporting the House bill as it addresses many of the issues that NAR had asked Congress to address including a five-year extension of NFIB and combining of six other bills that been introduced in the House.

Nar is asking the senate bill be further amended to include access to private insurance market, making mapping more accurate and issues that are key to the solvency of the NFIP.

Dodd/Frank Impacting the Real Estate Industry? – Realtors, home builders and developers are aware of a shortage of housing inventory to meet the needs of many markets across the country. Many are discussing the impacts that the Dodd/Frank bill has had on the banking and mortgage industries as well and the Consumer Finance Protection Bureau. The real estate industry is requesting that Congress amend the bill to ease the restrictions on lending and make the CFPB subject to congressional oversight. In conversations with house representative, there has been indications that a bill amending Dodd/Frank is in the works but has yet been introduced.

Economic News

Jordan Cove Project Continues Progress



Jordon Cove is a proposed LNG project that involves utilizing the existing Ruby Pipeline extending from western Colorado to the Oregon border and serving northern California. The proposal includes extending that line to Coos Bay, Oregon, converting and existing import facility to an LNG export facility and adding a power plant and refrigerator facilities.

The Federal Energy Regulatory Commission (FERC) approved Jordan Cove LNG's pre-filing application on February 10, 2017, clearing the way for the liquefied natural gas (LNG) export project to move through the federal permitting process.

The project has been awaiting to reapply for consideration by the Federal Energy Regulation Commission (FERC) but FERC is awaiting appoint of new commissioners by the Trump administration. The Senate confirmed the last two commissioners needed to fill the Commission. Both new Commissioners have indicated a positive response to considering LNG export projects and say they will give them a fair hearing. A hearing has not yet been scheduled.

Miscellaneous Economic News

Elliot Eisenberg, Chief Economist for the National Association of Homebuilders, publishes various comments on the economy that relate to the real estate industry. Below is a sampling of these comments during the last month.

Disturbing Delinquencies

Despite a roaring labor market, the credit cycle is turning. After peaking at 4.85% in 09Q2, consumer loan delinquency rates steadily declined to 2% and remained there from 15Q1 through 16Q1. Since then, they have steadily risen and are now at 2.2%. The story's much the same for credit card delinquencies and auto loans. While the rates are still low, what's worrying is unemployment is low and wages are rising.

Vehicle Volume

After two straight record-breaking years of 17.5 million units in 2015 and 17.6 million units in 2016, car sales are retrenching. Prior to July, car sales had declined in four of the last five months, but improved to a seasonally adjusted annualized rate of 16.7 million in July, up from 16.5 million in June. While auto sales may well be bottoming out, they will not boost GDP in 2017.

Dwelling Difference

While June housing starts were up 8.3% M-o-M, they were up only 2.1% Y-o-Y, and 6.0% YTD. More interestingly, YTD multifamily starts are flat, while single-family starts are up 10.75%, and they are more costly than multifamily. The 10.75% rise means 90,000 new single-family starts in 2017. At an average of $400,000/house, that'll boost GDP by 0.2%/year, but only so long as new home production rises by an extra 90,000/year.

Employment Exceptions

Rhode Island is the latest state to finally see total employment exceed its pre-recession level. That leaves just Alabama, Connecticut, Illinois, Michigan, Mississippi, New Mexico, Ohio, and Wyoming with employment levels in 6/17 below what they were in 2008 or before. By contrast, in five states, including Arkansas, California, Colorado, Tennessee, and Washington, the unemployment rate in 6/17 was at an all-time low and employment was at an all-time high.

Seattle Slew

Seattle raised its minimum wage from $9.47/hour to $11/hour in 2015 and $13/hour in 2016. While the first increase had minimal employment impact, the second damaged low-wage workers. At $13/hour, the number of low-wage hours worked declined by a whopping 9%, while wages rose just 3%. As a result, low-wage worker income fell on average by $125/week! Small increases are manageable, large increases incentivize employers to bypass low-wage employees.

Minimal Money

With 222,000 net new jobs in June and upward revisions totaling 47,000 for April and May, job creation is back on track with gusto! YTD job gains/month are averaging 180,000 and total 2.24 million Y-o-Y! The unemployment rate rose slightly as more folks went job hunting and hours worked/week rose too! Yet average earnings/hour were revised down in May and earnings in June rose a listless 0.2%.

Pathetic Pay

While the unemployment rate of 4.3% is at its lowest level since 5/01, 2.5%/year wage growth is very weak. Why? Here are several reasons. Declining US unionization rates and high unemployment rates in Europe and elsewhere have reduced worker bargaining power. Moreover, labor productivity growth has been zero the last four years. And, the retirement of many higher-paying Boomers and their replacement by lower-paid Millenials lowers average wage gains.