Evaluating the Case for the East Solano Plan

July 2024

BAY AREA COUNCIL ECONOMIC INSTITUTE

Executive Summary

California, and particularly the Bay Area, used to be a place for free thinkers and risk takers. Over its history, the region has welcomed waves of people from across the U.S. and across the globe who were searching for a better life, and they have contributed to making the Bay Area one of the most vibrant and successful places in the world.

But then somehow, it all seemed to stop.

In recent decades, California has become a place more accustomed to saying "no" to new things, especially housing. In a place where the knee jerk response to any sort of change is now negative, the result has been a decline in population for the first time in the state's recorded history.

This population decline can be traced directly back to the state's housing affordability crisis, which is most acute in the Bay Area. From 2010 to 2019, the nine-county Bay Area added approximately 682,000 jobs; in contrast, only about 196,000 housing units were constructed across the region during the same period.

This failure to produce enough housing to keep up with the need is the hard truth that the region must address if it is to shift back to a place of opportunity.

The vision put forward by California Forever in the East Solano Plan—the concept to develop 17,500 acres halfway between Sacramento and San Francisco—stands in stark contrast to how many urbanists and planners would like to see the region grow: via infill development in existing cities. But given the scale of the challenges that the region faces related to housing affordability, traffic congestion, and economic mobility, ambitious visions like the one put forth in the East Solano Plan deserve to be fully vetted and analyzed.

Under current trends explored in this report, Solano County will continue to struggle with escalating home prices, limited wage growth to pay for those homes, and ever-longer commutes. The East Solano Plan presents an opportunity to change this trajectory by increasing both the supply of homes and the presence of quality jobs. These findings are based on our analysis of how the East Solano Plan can contribute to the solution set for two of Northern California's most vexing challenges—housing affordability and living-wage job production. Some of our findings in these two areas are highlighted below:

Does Our Current Housing Shortage Necessitate a New, Complete City? This section tackles one of the most common debates around the East Solano Plan's housing goals: can development inside existing cities (i.e., infill development) solve 100% of our housing needs, or should the solution include new towns? We answer this question using historical housing production and affordability metrics for both Solano County and a broader 13-county Northern California Megaregion.

Key findings include:

- Before the 1990s, the nine-county Bay Area was constructing an average of 50,000 new housing units per year. However, in the last two decades, annual housing production dropped to around 20,000 units.
- In 1990, Solano County cities permitted 674 units of housing per 100,000 residents. In 2023, that number dropped to 315 units per 100,000 residents.
- As part of the most recent eight-year Regional Housing Needs Allocation (RHNA) cycle approved by the California Department of Housing and Community Development, which sets regional housing production targets, the Northern California Megaregion needs to produce nearly 637,000 new units of housing by 2031. The megaregion has not reached even 60% of this new goal during any of the last three cycles dating back to 1999.
- During the latest eight-year RHNA cycle, Solano County jurisdictions approved 12,337 units, which included hitting only 48% of the county's affordable housing target for units dedicated to very-low- and low-income households.
- 54% of renters and 29% of owners in Solano County are cost burdened, meaning they spend more than 30% of their income on housing.
- As of 2023, a Solano County resident earning the county's average income would need 101 months of earnings saved to fully purchase the county's median home, higher than the 86 months needed for the national median, and only 13 months lower than San Francisco, where annual average wages are nearly $100,000 higher.
- The median rent for a two-bedroom apartment in Solano County increased by 24% from 2018 to 2024, compared to other counties that experienced smaller or even negative changes: +7% in Contra Costa, -4% in Alameda, and -14% in San Francisco.

The Economic Potential of a New City. This section focuses on the economic trajectory of Solano County and explores the implications of the East Solano Plan.

Key findings include:

- Solano County has the lowest jobs-to-population ratio in the nine-county Bay Area region: the number of jobs located in the county equates to only 39% of the county's adult population, compared to 102% in San Francisco.
- Despite comprising 6% of the regional population, Solano County only holds 3.5% of regional jobs.
- Solano County's unemployment rate stands at 4.9% as of April 2024, which is a full percentage point higher than the Bay Area's overall rate of 3.9%.
- Despite similar median incomes in the early 2000s, Solano County wage growth has lagged peer counties.
- The East Solano Plan is proposing a jobs guarantee that adds 15,000 new jobs to the county in which workers earn the equivalent of 125% of the county's average weekly wage. This level of employment growth could increase Solano County's employment in high-earning sectors by 53%.

Introduction

Does Northern California need a new city? This question lies at the heart of a debate currently taking place in Solano County, where voters will face a ballot question in November that will decide the immediate future of the East Solano Plan—the plan brought forward by California Forever to develop 17,500 acres halfway between Sacramento and San Francisco.

The East Solano Plan seeks to create a new, mixed-use community at the heart of the Northern California Megaregion with homes, businesses, and civic uses organized into medium-density neighborhoods. At full build out, the plan has room for 400,000 people. The plan includes a commitment to bring 15,000 jobs to Solano County in the first phase of development, along with $500 million in community benefits such as downpayment assistance for Solano County residents and a $200 million fund to invest in revitalizing existing downtowns throughout Solano County. At full build out, these numbers increase to $4 billion in community benefits and $800 million for Solano County downtowns.

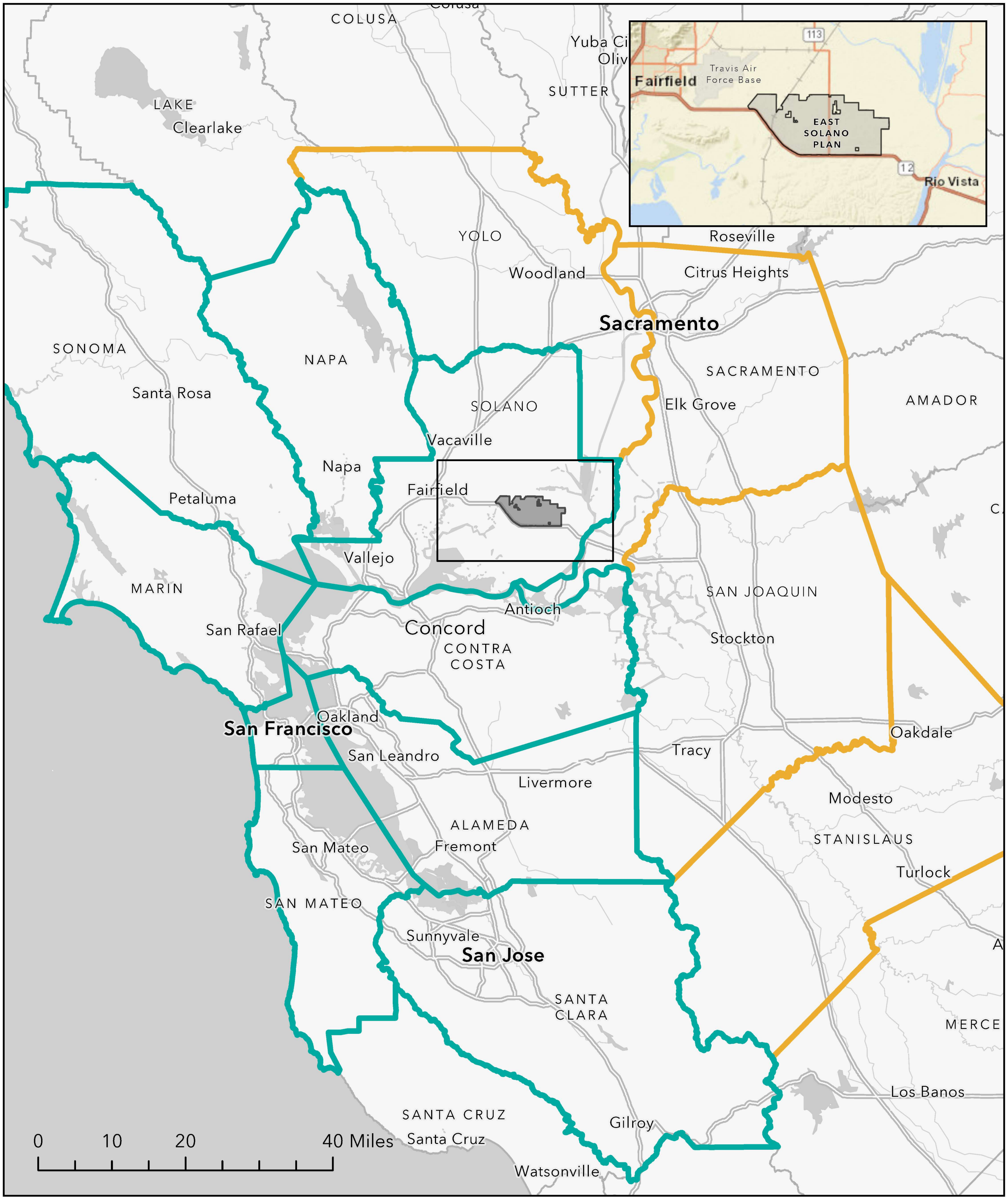
For nearly the last decade, the Bay Area Council Economic Institute has studied housing development and commute patterns across Northern California. Our 2016 report, *The Northern California Megaregion: Innovative, Connected, and Growing*, defined a multi-county megaregion and highlighted the power of the $1 trillion economy of Northern California. That report also pushed metropolitan planning organizations and transit agencies to plan for future investments across jurisdictions and set the stage at the state level for economic development strategies to catalyze employment outside of coastal job centers.

During our work on the Northern California Megaregion, the concept of a new city often came up in conversations. But the idea remained just that—an idea. With an actual possibility for a new city in front of voters now, the East Solano Plan provides us with a concrete opportunity to look again at our Bay Area region and the broader Northern California Megaregion to understand how a new city could fit into complex housing markets, labor sheds, transportation networks, and employment dynamics.

While there are many details still to be resolved regarding how the East Solano Plan will address the new city's infrastructure needs—and those details are vitally important to the success of the plan—this analysis focuses solely on how a new city could augment the economy of Solano County and the broader Northern California Megaregion if completed.

We hope this report can add to conversations taking place in Solano County and across the Northern California Megaregion, providing trend lines, case studies, and other facts to a debate that is likely to extend beyond the ballot box decision in November 2024.

Figure 1. East Solano Plan Reference Map



East Solano Plan Boundary
Rest of Northern California Megaregion
9-county Bay Area
Rest of California Counties

Source: California Forever / East Solano Plan **Map:** Bay Area Council Economic Institute

Section 1: Precedents from the 1960s

The concept of building a new city is not new. “New towns” or “master planned cities” as they are sometimes called, have been a major part of town planning in the UK and Northern Europe for the past 100 years. America had its own prior tradition of starting new communities from scratch as part of westward expansion. And from the 1920s, first with attempts to bring the British “garden city” movement to the U.S., to the launch of New Urbanism in the 1980s, there have been many interesting experiments with new towns.

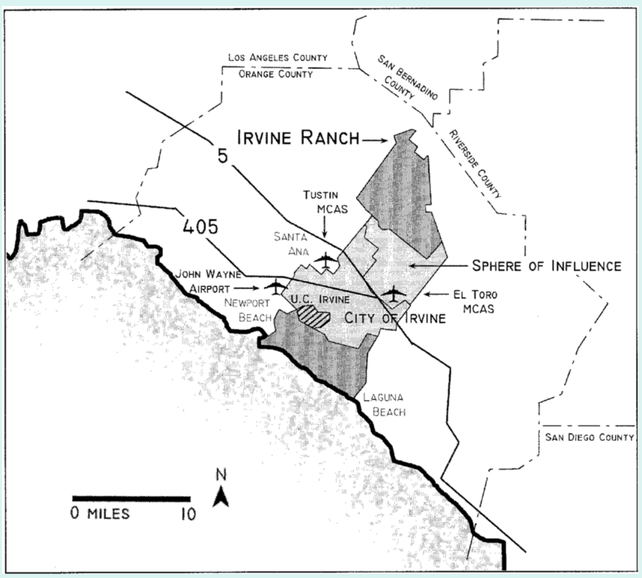
Part of the appeal of a new city is the ability to try out new ideas that require a larger area to be realized than individual lots inside a city; said differently, the opportunity to plan where the scale of impact is larger.

Most new towns were still too small to become economically successful. It takes a certain scale to generate what economists refer to as agglomeration economies, where a robust labor market makes workers and employers benefit from each other’s presence. But several new towns from the 1960s did grow large enough to become truly significant mixed use centers with housing, amenities, and jobs. We highlight two of them here, Irvine, CA and Reston, VA.

We should note that the planning framework for these 1960s new towns is dated, expressing the prevailing theories of urban design from that time in history so the physical layout is quite different from what is proposed in the East Solano Plan. Nevertheless, we think these are interesting precedents for considering the possibilities of new cities today.

CASE STUDY: IRVINE, CALIFORNIA

Irvine, California is one example of a successfully master planned, greenfield community built in what was once the exurbs of Los Angeles. Named after James Irvine who spearheaded the project, Irvine is now the largest city in Orange County with a population of 307,670 as of the 2020 U.S. Census. Over the last 65 years, property once used for ranching has been converted into a mixed-use development with residential, commercial, and greenbelts, among other features. The town was developed to complement the construction of the University of California, Irvine (UCI), and the relationship between the city and university continues to be symbiotic.



Irvine has experienced the fastest high-income job growth and retained the highest jobs ratio in Southern California for decades.[1] This is largely due to successfully attracting and retaining numerous technology companies that provide plentiful and high-paying jobs to city and nearby residents. UCI is cited as a major pull factor for both residents and employers.[2] Job growth in Irvine has been persistent and continues to outpace statewide job growth.

Irvine has also seen a substantial uptick in the number of residents who live and work in the city. In 1980, 26% of employed Irvine residents also worked within the city, and as of 2022 that number stood at 44%.

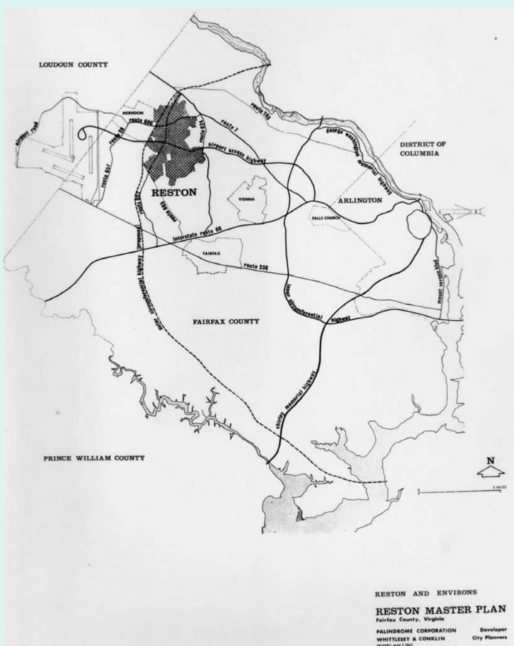
Continued development in the rest of Orange County has only increased the importance of Irvine, which provides jobs to people who live in the surrounding area. While not initially included in development plans, the Irvine Transportation Center opened on June 1, 1990, and now connects Irvine to other major job and residential centers via all-day commuter rail service on Metrolink, as well as inter-city Amtrak *Pacific Surfliner* service to other parts of Southern California. The Irvine Company continues to be a major developer in California.

[1] https://mfi.soceco.uci.edu/2022/06/28/read-the-report-on-irvine-at-50-the-changing-landscape-of-housing-commuting-and-amenities/

[2] https://mfi.soceco.uci.edu/2022/01/06/read-the-report-on-irvine-at-50-from-a-planning-community-to-a-growing-job-center/

CASE STUDY: RESTON, VIRGINIA

Reston, Virginia offers a more affordable option for those looking to live in the Washington D.C, metropolitan area. Founded in Fairfax County in 1964 as a model "garden city," Reston aimed to revolutionize suburban land use in post-World War II America with a similar mix of commercial space, residential space, and green space as characterized Irvine when it was first constructed. Robert E. Simon, the founder of Reston, drew up plans for Reston to centralize community amenities like shops and restaurants around the commons in an area now known as Reston Town Center while ensuring that all residents of the town had access to green space.[3]



Reston has seen high levels of residential and commercial growth. Reston has grown its population by 8.3% between 2010 and 2020[4] and has achieved a healthy jobs-to-housing balance (1 housing unit for every 1.5 jobs).[5] In 2014, the Washington Metropolitan Area Transit Authority opened phase 1 of the Silver Line Metrorail expansion, creating a new terminus in Reston, and phase 2 in 2022, providing further service into Reston Town Center and connecting Reston to Dulles Airport and Ashburn to the west. The construction of transit-oriented development (TOD) around the new Silver Line stations is expected to create 30,000 new jobs in Reston by 2040, and Fairfax County has launched an aggressive campaign to construct additional housing in the town limits.[6]

The median home price in Reston as of April 2024 was $600,000, considerably more affordable than the Fairfax County median of $727,480 and D.C. city median of $697,450.[7,8,9,10] Targeted partnerships between the city of Reston, Fairfax County, and the Equitable Housing Institute (EHI) have led to coordinated plans to generate affordable and market-rate housing units that will grow in proportion with expected job growth, especially around new TOD.

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[3] https://www.thecrimson.com/article/1967/3/29/reston-va-one-mans-scheme-to/
[4] https://data.census.gov/profile?q=Reston%20CDP,%20Virginia&g=160XX00US5166672
[5] https://www.equitablehousing.org/images/PDFs/PDFs--2018-/Reston_Metrorail_Area_Redevel_and_EHI_10-2020.pdf
[6] https://www.equitablehousing.org/images/PDFs/PDFs--2018-/Reston_Metrorail_Area_Redevel_and_EHI_10-2020.pdf
[7] https://www.redfin.com/city/25657/VA/Reston/housing-market
[8] https://cdn.nar.realtor/sites/default/files/documents/2024-q1-local-market-reports-dc-washington-06-05-2024.pdf?_gl=1*xo8r2c*_gcl_au*MTE3Mzk2ODExLjE3MTg3MzkyNDY.
[9] https://www.nar.realtor/research-and-statistics/housing-statistics/county-median-home-prices-and-monthly-mortgage-payment
[10] https://www.redfin.com/city/12839/DC/Washington-DC/housing-market

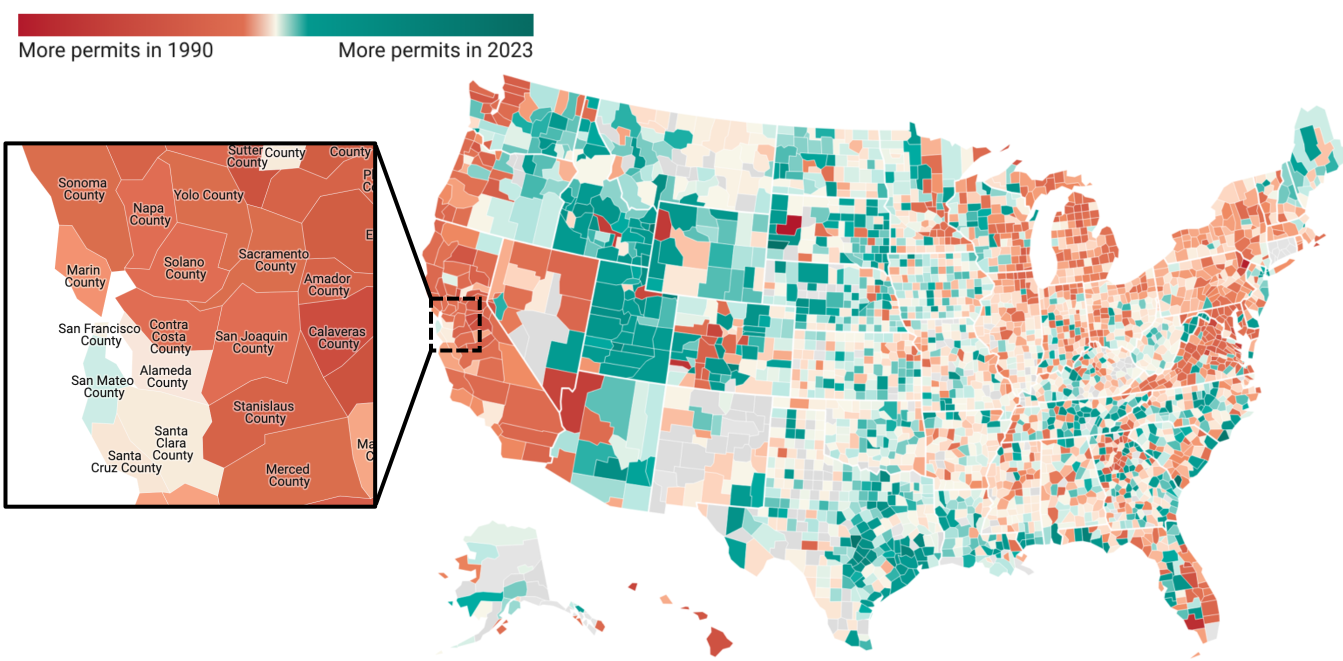
Section 2: Does Our Current Housing Shortage Necessitate a New, Complete City?

The nine-county Bay Area has been in a housing crisis for years, driven by severe housing shortages, rapid job growth, local opposition to new development, and high construction costs. Even as the Bay Area job market has struggled to fully recover from the COVID-19 pandemic, the housing crisis continues unabated as remote work has shifted housing preferences and increased demand for suburban and rural housing. Before the 1990s, the nine-county Bay Area was constructing an average of 50,000 new housing units per year. However, in the last two decades, annual housing production dropped to around 20,000 units. In 1990, Solano County permitted 674 units of housing per 100,000 residents. In 2023, that number dropped to 315 units per 100,000 residents.

It has become clear that the current approach to housing production in the Bay Area has inadequately addressed the region's housing crisis. Regulatory complexities, including restrictive zoning laws and lengthy approval processes, impede the development of new housing, particularly in existing urban areas. A new master-planned city in the region may offer a different pathway to generate housing supply.

Figure 3. Most of California permits far less housing than they did 30 years ago

Change in housing permits from 1990 – 2023 by County in the United States



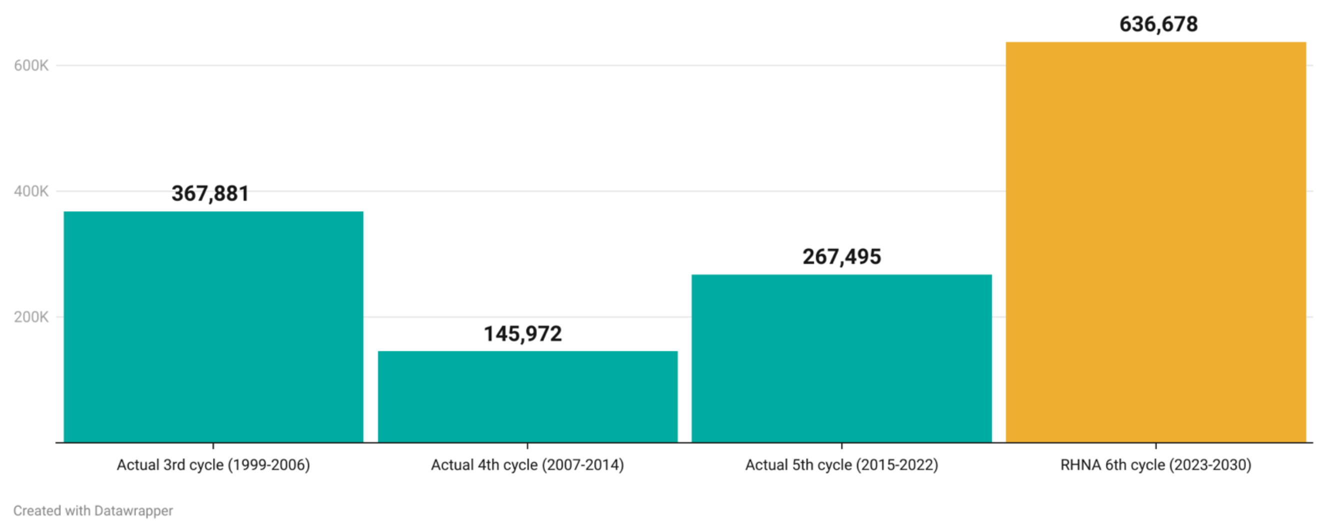
Source: U.S. Census Building Permit Survey, U.S. Census Population Estimates Program. **Analysis**: Bay Area Council Economic Institute

Can the Northern California Megaregion hit its housing needs without a new city strategy? The data makes that look unlikely.

For simplicity, we look at the numbers from the Regional Housing Needs Allocation (RHNA) process to analyze housing need and production. The California Department of Housing and Community Development (HCD) allocates housing needs to regional councils, like the Association of Bay Area Governments (ABAG), which then distributes these needs to cities and counties. As required by state law, local governments must update their housing development plans (also called housing elements) every eight years to accommodate their share of regional needs, ensuring plans include housing for all income levels.

As part of the most recent RHNA cycle approved last year, the Northern California Megaregion[11] needs to produce nearly 637,000 new units of housing by 2031. The megaregion has not reached even 60% of this new goal during any of the last three cycles dating back to 1999 — even keeping in mind that a large portion of the housing that was produced was in the form of low density greenfield development in the outer Bay Area or suburbs of Sacramento.

Figure 4. Housing production during the previous three Regional Housing Needs Allocation (RHNA) cycles has not come close to current housing needs in the megaregion
Historic housing permits vs. current RHNA housing need in the Northern California Megaregion

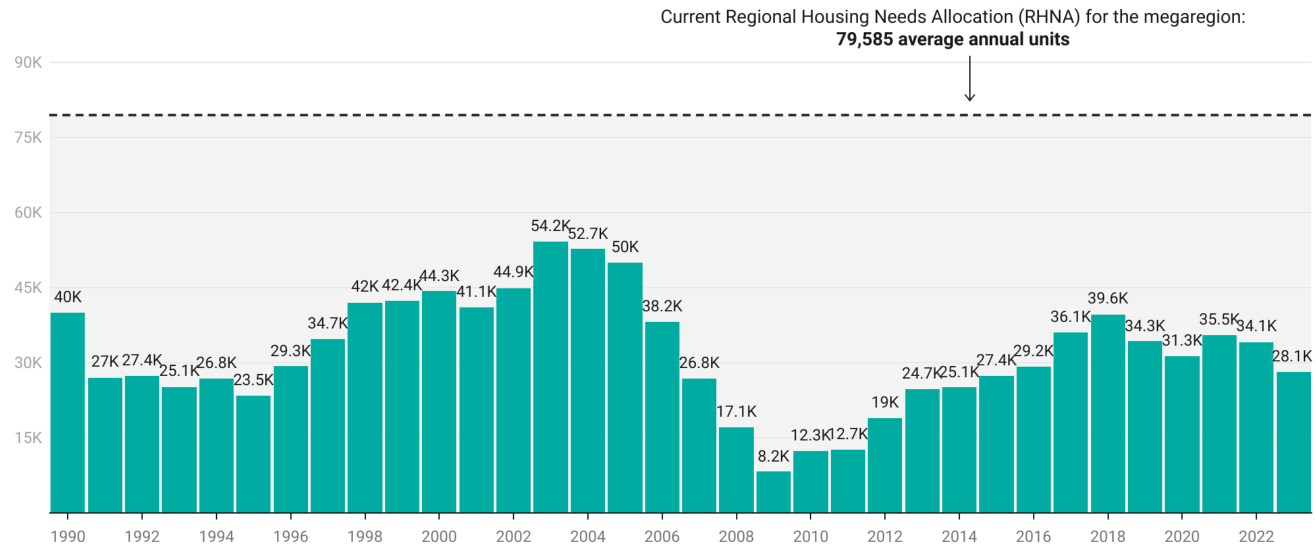


Source: U.S. Census Building Permit Survey. **Analysis**: Bay Area Council Economic Institute **Note**: Current housing need is based on the 2023-2031 RHNA (6th) cycle.

[11] For the purposes of this analysis, the Northern California Megaregion includes the 9-county Bay Area (Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, Sonoma) in addition to Sacramento, San Joaquin, Stanislaus, and Yolo counties.

Based on the latest RHNA cycle, approved in 2023, the Northern California Megaregion needs to produce nearly 80,000 housing units annually to meet its housing needs. Not even the highest production years in the megaregion have come close to this average, underscoring the urgent need for a new approach to housing development that can significantly ramp up production to address the growing demand and diverse needs of the region's population.

Figure 5. According to the current Regional Housing Needs Allocation, the megaregion should be producing nearly 80,000 new units annually to meet affordability needs.
Total housing permits issued in the Northern California Megaregion from 1990 to 2023



Source: U.S. Census Building Permit Survey. **Analysis**: Bay Area Council Economic Institute **Note**: Current housing need is based on the 2023-2031 RHNA (6th) cycle. The Northern California Megaregion includes the 9-county Bay Area (Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, Sonoma) in addition to Sacramento, San Joaquin, Stanislaus, and Yolo counties.

Solano County's contribution to regional housing production has not been large. During the latest eight-year RHNA cycle, Solano County jurisdictions approved 12,337 units according to data tracked by the California Department of Housing and Community Development—which included hitting only 48% of the county's affordable housing target. Of the 13 counties studied, Solano County ranked eighth in permit issuance per capita over the cycle.

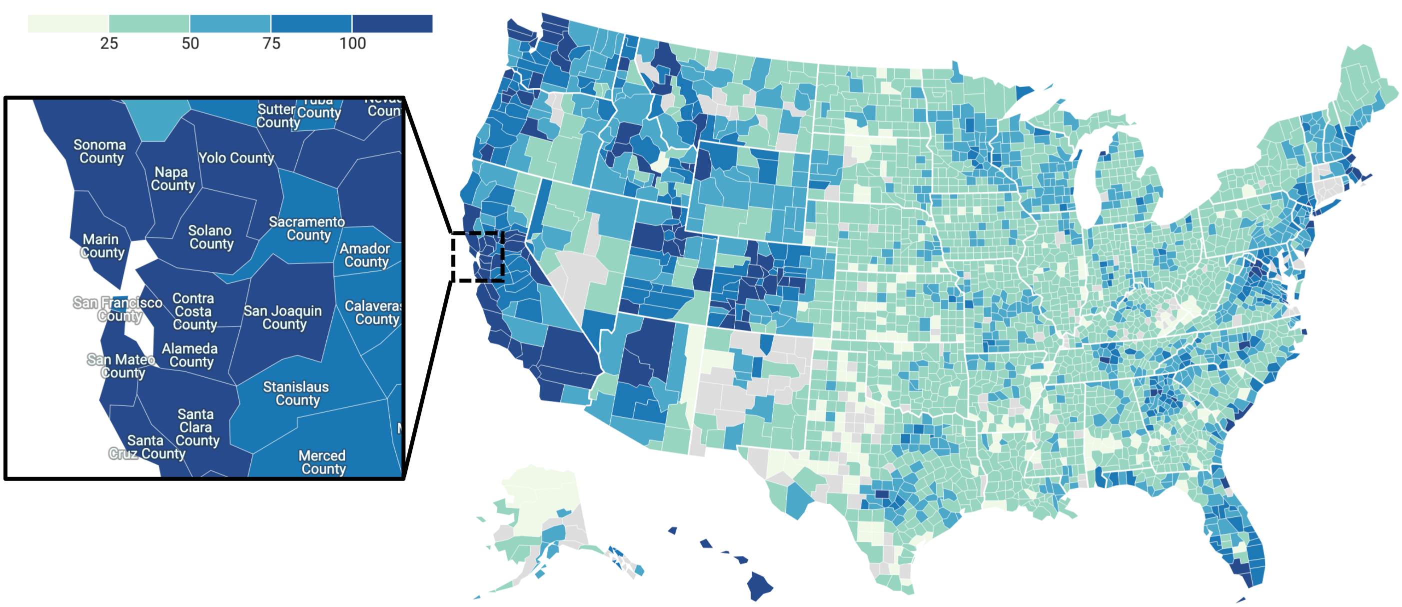
From 1990 to 2005, the megaregion averaged 37,847 new housing permits per year, with Solano County averaging 2,015 per year (or 5.3% of the megaregional total). From 2010 to 2023, the megaregional average dropped to 27,814 new units per year, with Solano's yearly average falling to 990 new annual units, reducing its slice of the pie to 3.6% of the megaregional average.

This historic shortfall of housing production has severely impacted affordability in the region. In Solano County, 54% of renters and 29% of owners are cost burdened, meaning they spend more than 30% of their income on housing. Affordability issues in less urban counties like Solano County were exacerbated during the pandemic, as many people sought to live farther away from high-cost cities. For example, between 2020 and 2022, Solano County saw a 15% increase in new residents moving from more urban counties. This influx drove up home and rental prices.

As of 2023, a Solano County resident earning the county's average income would need 101 months of earnings saved to fully purchase the county's median home, higher than the 86 months needed for the national median, and only 13 months lower than San Francisco, where annual average wages are nearly $100,000 higher. These trends highlight how the pandemic has reshaped housing demand, worsening affordability challenges in traditionally less expensive areas.

Figure 6. A Solano resident earning the county's average income would need 101 months of earnings to afford the county's median home price

Months of Average Salary in County Needed to Purchase Median Priced Home in County in the United States, 2023

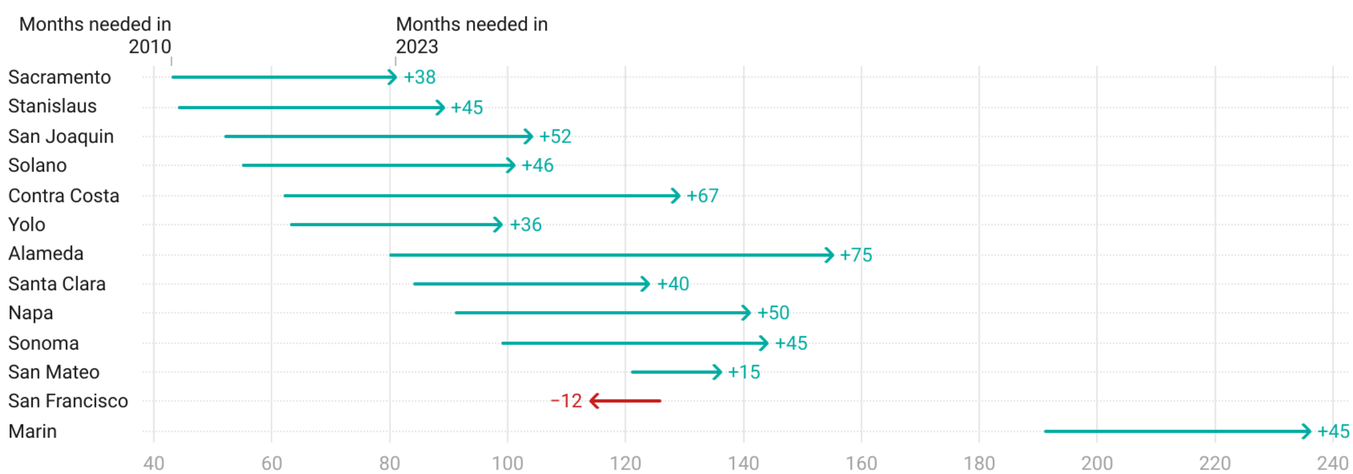


Source: National Association of Realtors (NAR), Bureau of Labor Statistics (BLS) Quarterly Census of Employment and Wages (QCEW).
Analysis: Bay Area Council Economic Institute

Apart from San Francisco, every county in the megaregion has become more unaffordable since 2010, even after accounting for rising wages. **Figure 7** illustrates the change in total months of average income needed to fully pay down the median valued home in each county from 2010 to 2013, revealing the increasing strain on household budgets across the region. While Solano County has historically been more affordable than other counties in the Bay Area, a resident earning the county's average annual income of $68,586 now needs more than 100 months of income to afford the county's median priced home of $580,000. Compare this to 2010, when the average annual income in Solano County was $46,273, and a resident only needed 55 months of income to afford a median priced home of $211,670.

Figure 7. Apart from San Francisco, every county in the megaregion has become more unaffordable, even after accounting for rising wages

Change in Total Months of Average Income in County Needed to Afford the Median Home Price in County, from 2010 to 2023 in the Northern California Megaregion



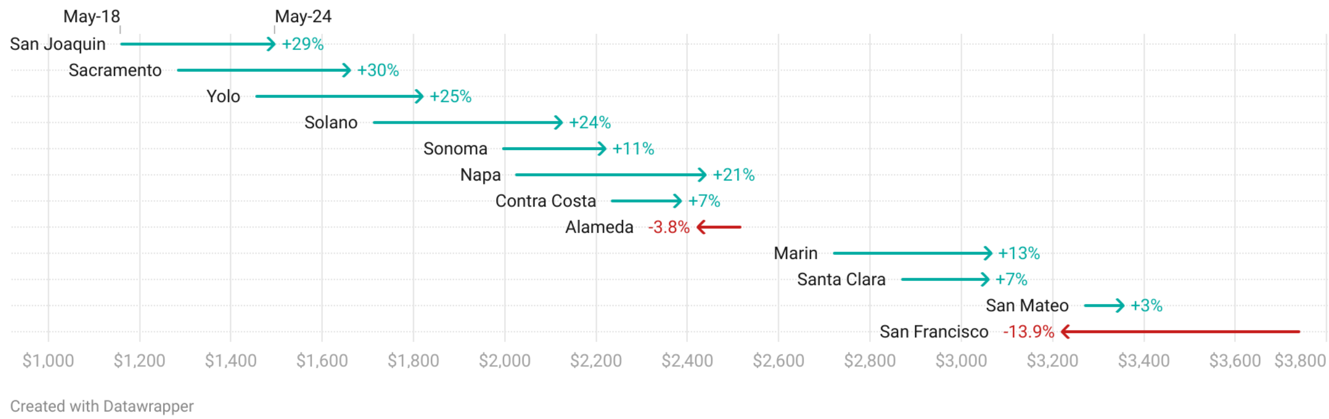
Source: California Association of Realtors, Bureau of Labor Statistics (BLS) Quarterly Census of Employment and Wages (QCEW).
Analysis: Bay Area Council Economic Institute

While Solano County has traditionally offered lower rental costs compared to the rest of the nine-county region, rental prices have recently increased at a higher rate in less urban counties when compared to more urban counties. The median rent for a two-bedroom apartment in Solano County increased by 24% from May 2018 to May 2024, compared to urban counties that experienced smaller or even negative changes: +7% in Contra Costa County, -4% in Alameda County, and -14% in San Francisco. In fact, the largest price increases occurred in the most historically affordable markets in the megaregion (i.e., San Joaquin, Sacramento, Yolo, and Solano Counties), largely driven by a demand for housing in more suburban and rural areas. **Figure 8** highlights the growing challenge for renters in

Solano County, as escalating rental costs outpace wage growth, putting additional financial pressure on residents who cannot afford to buy a home.

Figure 8. Solano County, while a lower cost rental market than the rest of the nine-county region, has increased at a higher rate than other, more urban counties

Percent change in median 2-bedroom rental prices, by County in the Northern California Megaregion, May 2018 to May 2024



Source: Apartment List. **Analysis**: Bay Area Council Economic Institute. **Note:** Data for Stanislaus County was unavailable for the criteria selected. The Northern California Megaregion includes the 9-county Bay Area (Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, Sonoma) in addition to Sacramento, San Joaquin, Stanislaus, and Yolo counties.

When looking at the housing affordability challenges across the Northern California Megaregion, the sheer scale of the supply problem and the immense need for new housing construction is clear. Despite enormous efforts by many people in California, the current set of strategies is not yielding sufficient results on housing.

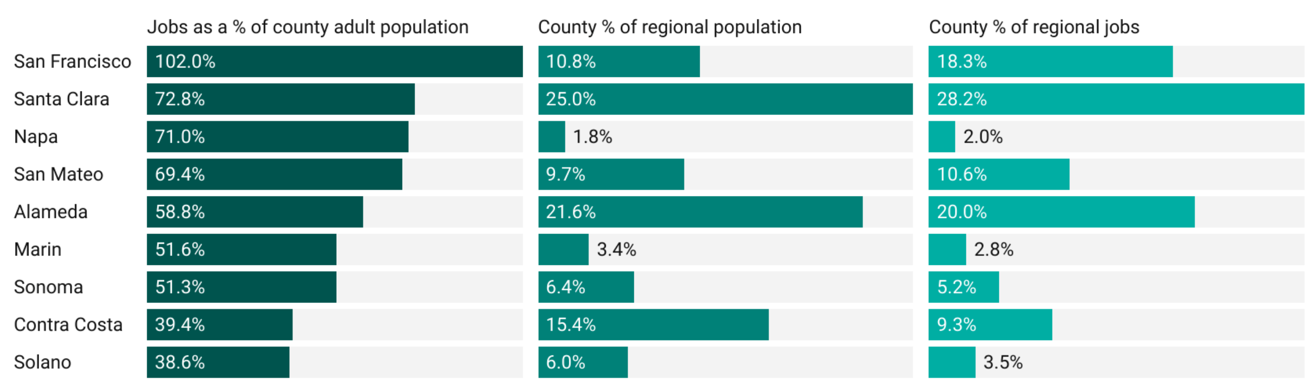
Focusing narrowly on the challenge of housing supply and affordability, new sources of supply that go beyond the current development approaches can only be helpful. No other strategy being discussed can generate housing supply at scale like a new city approach would, and meeting the housing crisis with a solution set that matches its scale is essential for a region that has been unable to meet its housing needs for decades.

The question we turn to next is whether the economic aspects of the East Solano Plan proposal are workable. Can the East Solano Plan truly generate jobs matched to the skills of people who live in the community so that it can avoid the pitfalls of the other greenfield developments in our region – developments which are clearly helpful in terms of housing supply but come with downsides of generating long distance commuting trips each day?

Section 3: The Economic Potential of a New City

Despite being at the geographic center of the megaregion, Solano County has been left out of much of the economic growth that has characterized its neighboring counties (**Figure 9**). While the Bay Area has seen significant job creation and economic development, Solano County has struggled to keep pace, resulting in the lowest jobs-to-population ratio in the nine-county region (i.e., jobs comprise only 39% of the adult population, compared to 102% in San Francisco). And despite comprising 6% of the regional population, Solano County only comprises 3.5% of regional jobs.

Figure 9. In 2023, Solano County had the lowest jobs-to-population ratio in the nine-county region, with employment comprising only 39% of the adult population
Jobs as a share of county 16+ population, and county shares of regional population & jobs



Source: Quarterly Census of Employment and Wages (QCEW), U.S. Census Bureau, California Employment Development Department (EDD). **Analysis**: Bay Area Council Economic Institute **Note:** Data are total non-farm jobs, and seasonally adjusted.

In a sense, Solano County is experiencing an unsustainable economic cycle: the county is being hit with higher home prices, but it is not producing jobs at wage levels to keep up with price increases. This chapter will delve into the current trends in job production and labor market dynamics in Solano County, highlighting key metrics such as job growth, wage growth, and commute flows.

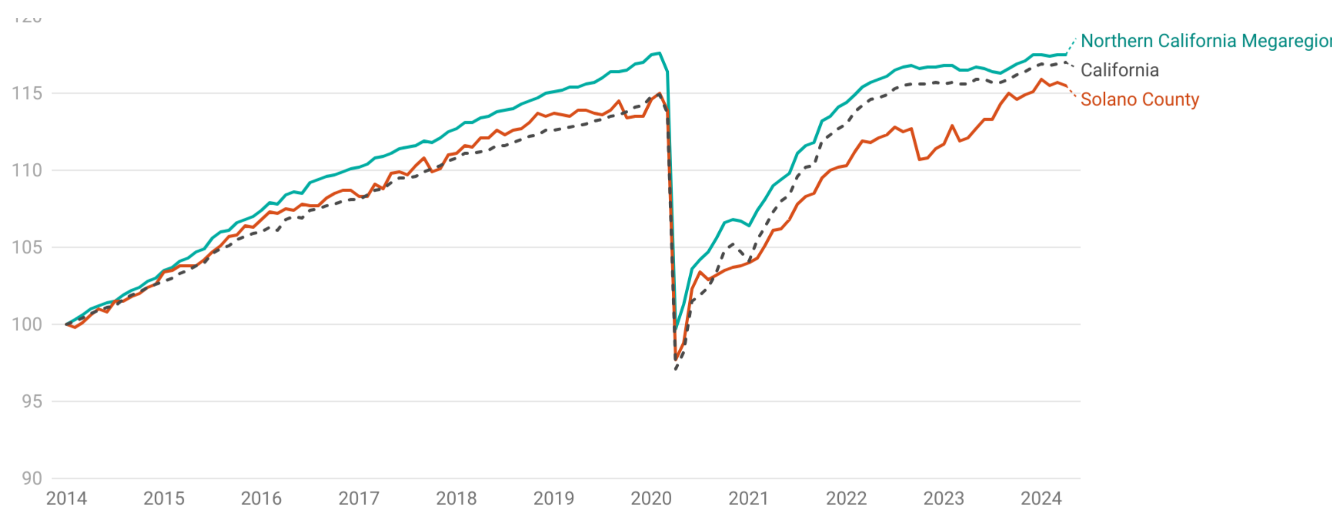
By comparing these trends with peer counties elsewhere in the nation (in Section 4), we will paint a clearer picture of where Solano County stands, the challenges it faces in achieving economic parity within the region, and how the potential of the East Solano Plan would offer a strategic move to close the gaps in these economic disparities.

Current labor market conditions in Solano County

Solano County's rate of job growth used to closely match or exceed the state, but more recently the rate of job growth has fallen short of state rates. Solano County's pace of job growth has also not kept up with megaregional growth, which has benefitted from high-tech cluster growth in Silicon Valley and up the peninsula to San Francisco **(Figure 10)**. Additionally, over the past four years, the county's job growth has persistently trailed the state average. As of April 2024, Solano County's total non-farm employment was 144,100, growing only 0.4% since the onset of the pandemic (February 2020), while the state grew 1.8% over the same period.

Figure 10. Solano County's rate of job growth used to closely match or exceed the state, but more recently the rate of job growth has fallen short of state rates

Total monthly employment by select geography, indexed to January 2014, as of April 2024



Source: California Employment Development Department (EDD) **Analysis**: Bay Area Council Economic Institute **Note:** Data are total non-farm jobs, and seasonally adjusted. The Northern California Megaregion includes the 9-county Bay Area (Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, Sonoma) in addition to Sacramento, San Joaquin, Stanislaus, and Yolo counties.

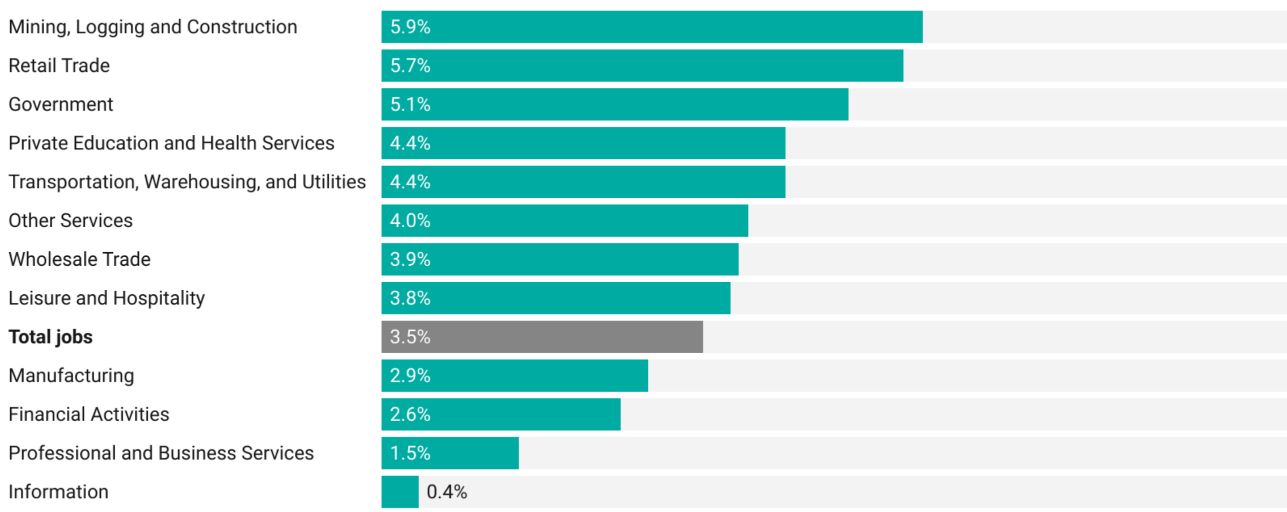
Solano County comprises only 3.5% of total jobs in the nine-county Bay Area **(Figure 11)** even as it is home to 6% of the population, which means there is a considerable mismatch of jobs-to-households in the county. This dynamic has forced many residents to commute long distances for work, and the result is that Solano County residents' 26-minute mean commute time to work is the fourth longest of all 13 counties in the Northern California Megaregion—only San Joaquin, Stanislaus, and Contra Costa counties have longer average commutes.

The job makeup in Solano County also skews toward lower- and middle-wage sectors. Solano County holds higher regional proportions of construction (5.9%), retail trade (5.7%), and government (5.1%) employment. Conversely, Solano County comprises smaller shares of high-earning industries like manufacturing (2.9% of the regional sector total), financial (2.6%), professional and business services (1.5%), and information (only 0.4%), which together equated to 28,300 jobs in the county as of April 2024.

Solano County can grow these high-paying sectors and boost its economic importance in the greater Bay Area region. The East Solano Plan is proposing a jobs guarantee that adds 15,000 new jobs to the county in which workers earn the equivalent of 125% of the county's average weekly wage (as part of the first phases of build out). This level of employment growth would increase Solano County's employment in high-earning sectors by 53%.

Figure 11. Solano County comprises 3.5% of jobs in the 9-county region, even less when accounting for high-earning jobs in industries like Manufacturing, Finance, Professional Services, and Information

Solano County share of Bay Area total jobs, by industry, April 2024

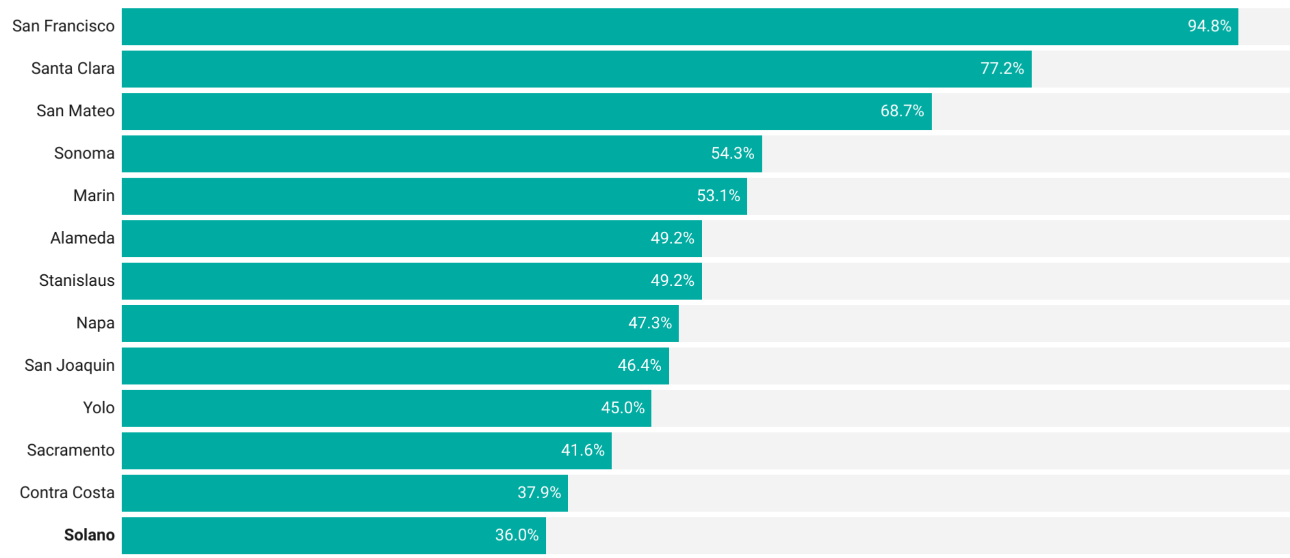


Source: California Employment Development Department (EDD) **Analysis**: Bay Area Council Economic Institute **Note:** Total jobs are non-farm, and seasonally adjusted. Industry data are not seasonally adjusted. The 9-county includes the following subregions: Napa MSA, Oakland-Hayward-Berkeley MD, San Francisco-Redwood City-South San Francisco MD, San Jose-Sunnyvale-Santa Clara MSA, San Rafael MD, Santa Rosa MSA, and Vallejo-Fairfield MSA (which includes Solano County).

The Northern California Megaregion has seen robust wage growth over the last decade **(Figure 12)**, but Solano County has experienced the slowest growth among all 13 counties in the megaregion analyzed here.

Figure 12. Over the last decade, wage growth in Solano County has been slower than every other county in the megaregion

Percent change in average annual wages for workers in the Northern California Megaregion, by County, by place of employment, from 2013 to 2023



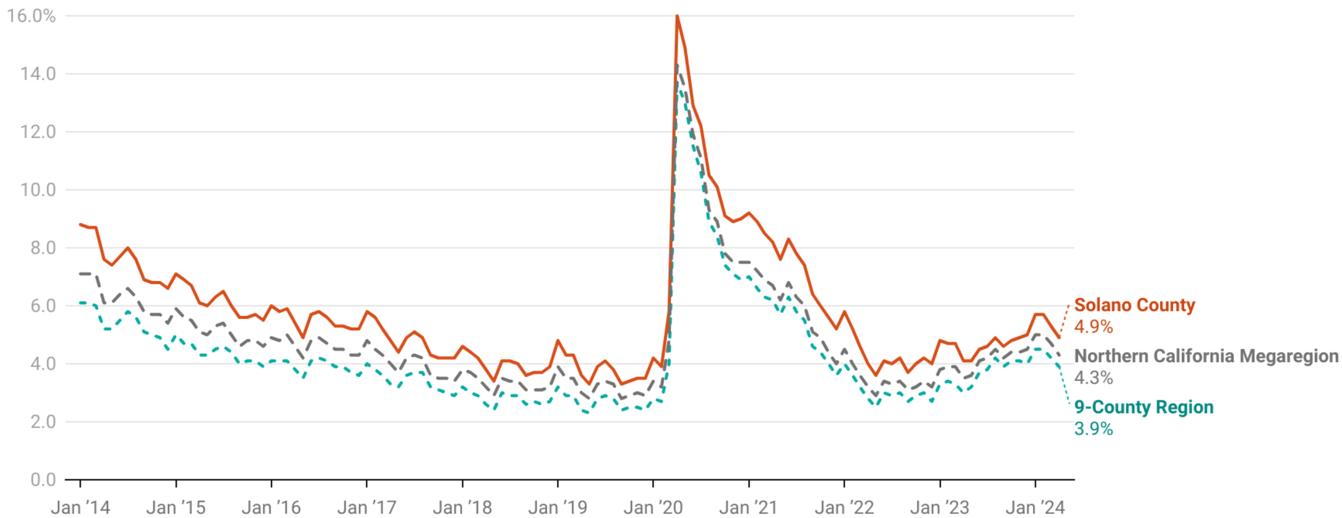
Source: Quarterly Census of Employment and Wages (QCEW). **Analysis**: Bay Area Council Economic Institute. The Northern California Megaregion includes the 9-county Bay Area (Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, Sonoma) in addition to Sacramento, San Joaquin, Stanislaus, and Yolo counties.

Additionally, substantial venture capital (VC) investment has fueled startup growth and raised wages across the tech ecosystem, as early-stage VC dollars allow startups to offer wages that compete with more mature tech companies. Even though 40% of all US VC dollars went to a San Francisco or Silicon Valley-based company in 2023, the nearby North Bay – Solano County in particular – has captured relatively little of this investment potential.

Solano County also faces higher unemployment than both the nine-county Bay Area region and the Northern California Megaregion **(Figure 13)**. Solano County's unemployment rate stands at 4.9% as of April 2024, which is a full percentage point higher than the Bay Area's overall rate of 3.9%, and 0.6 percentage points higher than the larger Northern California megaregion's rate of 4.3%.

Figure 13. Unemployment rates in Solano County have consistently been higher than the region or megaregion, though the gap has narrowed over the last two years.

Monthly unemployment rate, January 2014 to April 2024



Source: Bureau of Labor Statistics (BLS) Local Area Unemployment Statistics (LAUS) **Analysis**: Bay Area Council Economic Institute.
Note: Data are not seasonally adjusted. The Northern California Megaregion includes the 9-county Bay Area (Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, Sonoma) in addition to Sacramento, San Joaquin, Stanislaus, and Yolo counties.

Solano County has many natural advantages but thus far they are not translating into a cycle of economic growth, so new approaches to economic development are warranted. The scale of the East Solano Plan proposal is unlike anything seen before in Northern California, and it is this scale that gives the plan a chance of generating higher levels of employment than has been experienced in other greenfield developments in Northern California. By combining housing that can bring in a diversified talent pool and a clear plan to attract employers, the East Solano Plan presents an opportunity to rethink the economy from the ground up.

Employment will only come because of many different companies being attracted to the vision behind this proposal and the type of community that would be created. The "jobs guarantee" caps residential growth after the first phase, at just one-eighth of the city's intended size, unless and until the jobs numbers are hit.

The commitment that housing production will be tied to reaching job production goals means that the East Solano Plan cannot become just another Bay Area bedroom community. This approach can create a virtuous cycle, where more Solano County residents—both those residing within the East Solano Plan developments and outside of it—can find well-paying opportunities to work near their homes, which in turn can drive higher local tax revenues that can be reinvested into the economic and social vibrancy of the entire county.

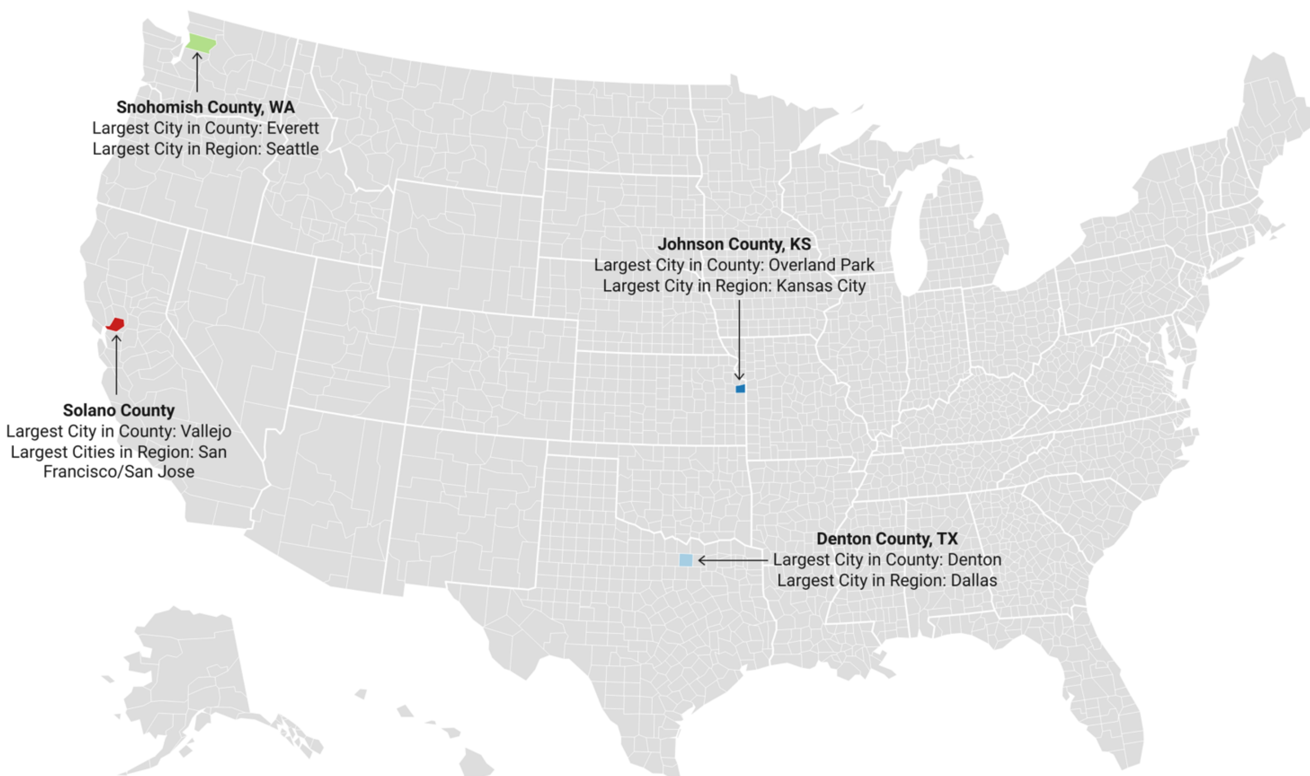
Ultimately, if the East Solano Plan is allowed to proceed it is likely to reshape the broader economy of the region. The Bay Area has multiple economic centers that each contribute in different ways. Imagine the region with another economic engine and another source of innovation and jobs—in a part of the region that has been left behind for so long. The overall power of the Bay Area economy on a global stage would be strengthened, making it more viable to more companies for job expansion while providing those job opportunities to a broader set of Northern California households.

Section 4: Charting a Path Forward for Solano County Using Peer Counties

To better understand Solano County's recent trajectory of economic development, it is beneficial to also look outside of the Northern California Megaregion at other similarly situated jurisdictions. While comparable analyses are rarely perfect—for example, the political environment in other states can be a major variable in job growth—Solano County's slow growth over the last two decades can come into focus when looking outside of the state. This analysis also can set a vision of how the county can transform over the next two decades using actual examples. For this peer analysis, three counties were selected based on economic, demographic, and geographic similarity to Solano County using 2005 Census data. Criteria included comparable population size, median household income, and geographic location in relation to the largest urban center in the region. For a detailed methodology, see the **Appendix.** In this section, we compare Solano County to:

- Snohomish County, Washington (near Seattle);
- Denton County, Texas (near Dallas); and
- Johnson County, Kansas (near Kansas City).

Figure 14. Reference map of peer counties

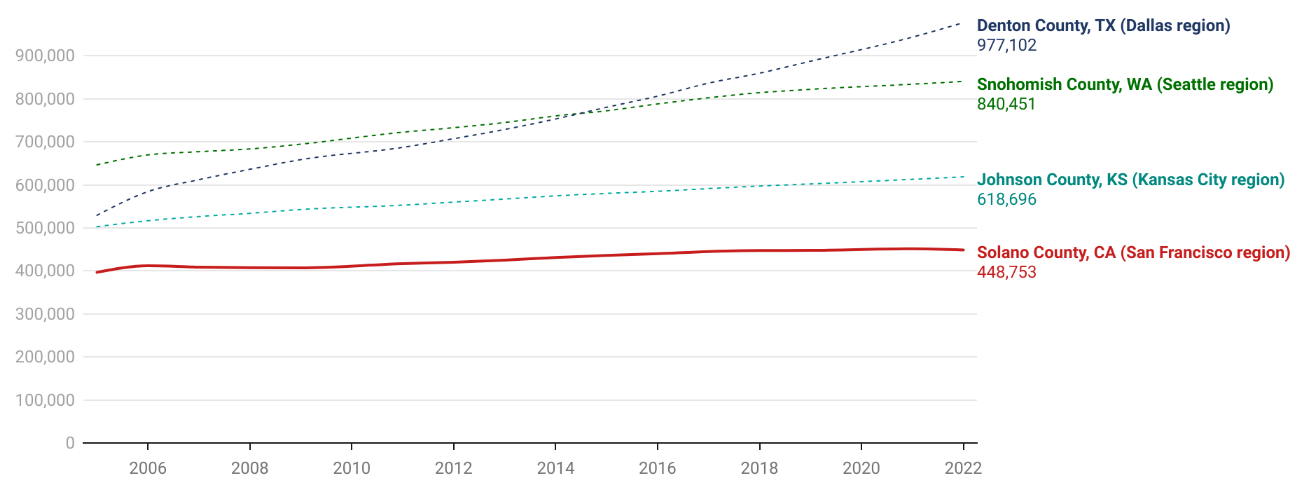


Population Trends

Population growth significantly impacts local labor markets by altering supply and demand dynamics for jobs and services. In regions experiencing population growth, an expanding workforce can attract businesses and enhance innovation through a diverse pool of skills and talents. Conversely, population decline can lead to labor shortages, reduced economic activity, and challenges in sustaining public services. While Solano County had a lower population than select peer counties in 2005, its population has grown at a much slower rate than the peer set: a mere 13% growth since 2005 compared to 23% in Johnson County (Kansas City region), 30% in Snohomish County (Seattle region) and 85% in Denton County (Dallas region). This slow rate of population growth can be attributed partially to housing production and partially to less competitive job opportunities compared to neighboring parts of the region.

Figure 15. While Solano County had a lower population than select peer counties, its rate of growth has been much slower – growing only 13% since 2005 compared to 23% in Johnson County, 30% in Snohomish County, and 85% in Denton County.

Total population (regardless of employment status or age) in Solano and Peer Counties, 2005-2022



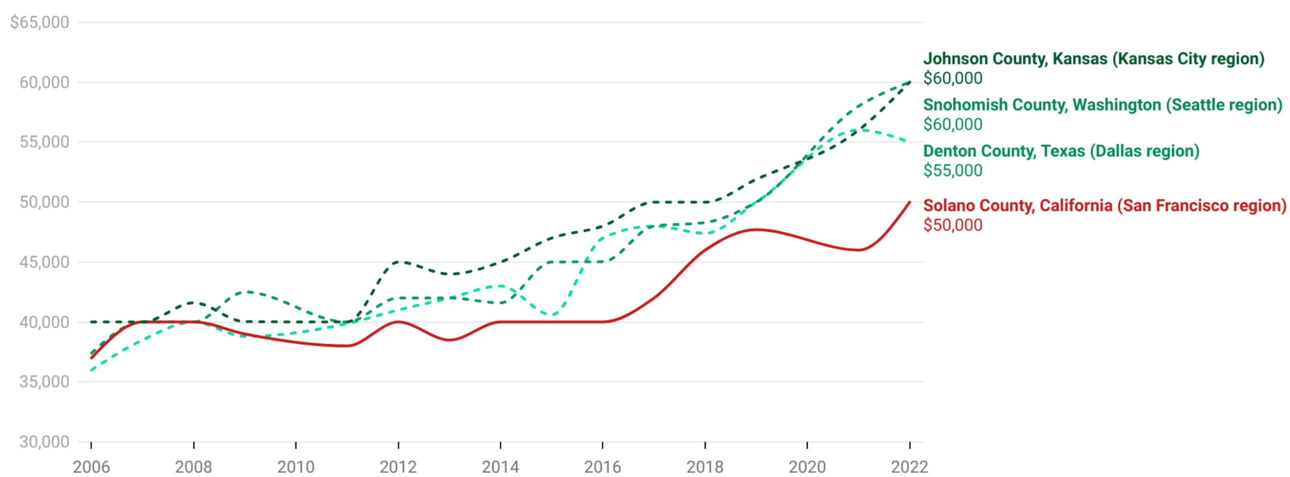
Source: U.S. Census Bureau American Community Survey 1-year estimates, 2005-2022, IPUMS. **Analysis**: Bay Area Council Economic Institute. **Note:** See **Appendix** for list of criteria for peer county selection and reference map.

Income Trends

Earnings in Solano County have also lagged peers. Two decades ago, the median income in Solano County was roughly equal to peer counties (around $36,000-$40,000 per year). Over time, wage growth in Solano County moved well below peer counties in the Seattle, Dallas, and Kansas City metro areas due to several factors. Solano County has a higher concentration of jobs in lower-paying sectors such as retail trade, construction, and government services, while lacking a significant presence of high-tech industries that drive wage growth in regions like Seattle and Dallas. Additionally, Solano County's economy is less diversified, making it more vulnerable to economic downturns, like the COVID-19 pandemic, as seen in the widening gap from 2020 onwards (**Figure 16**). Pro-business policies in cities like Dallas also may have led to faster wage growth, including more favorable tax structures and economic incentives that attract high-paying companies that offer higher wages.

Figure 16. Despite similar median incomes in the early 2000s, Solano County wage growth has lagged peer counties in the Seattle, Dallas, and Kansas City metro areas

Median Income of Employed Persons in Solano County and Peer Counties, 2005-2022

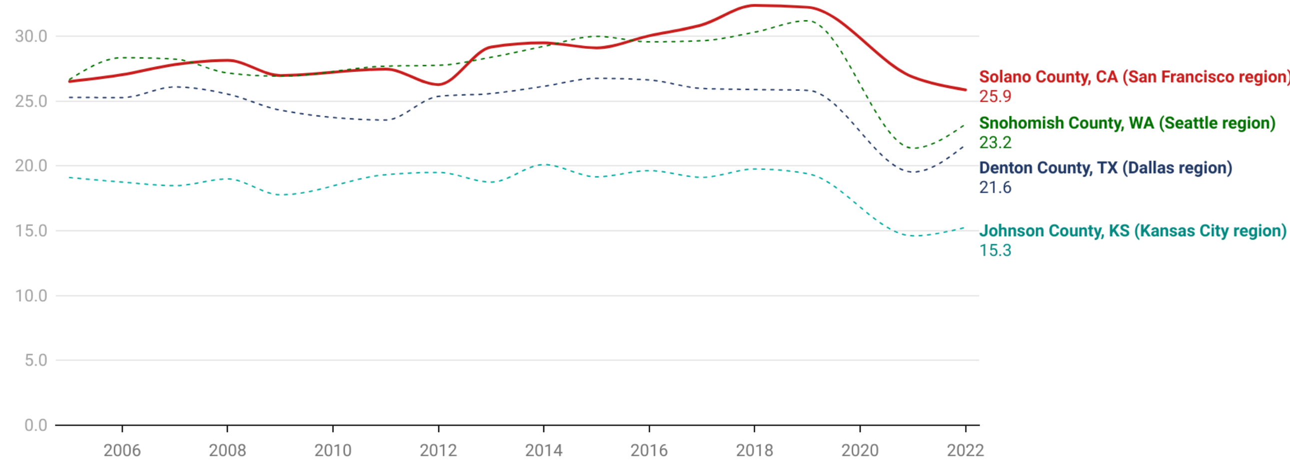


Source: U.S. Census Bureau American Community Survey 1-year estimates, 2005-2022, IPUMS. **Analysis**: Bay Area Council Economic Institute. **Note:** See **Appendix** for list of criteria for peer county selection and reference map.

Commute to Work Trends

Another challenge facing Solano County is the time it takes to commute to work. As of 2022, the mean commute time for employed Solano County residents was 25.9 minutes each way, lower than pre-pandemic averages due to an increase in remote work, but higher than Denton and Snohomish counties, where commute times were comparable in 2005. Efficient transportation networks are crucial for attracting and retaining workers and businesses alike, and improving commute times can enhance the economic competitiveness of a region.

Figure 17. Solano County commutes average 26 minutes, higher than peer counties
Mean Travel Time (in minutes) to get from Home to Work of Employed Persons in Solano and Peer Counties, 2005-2022

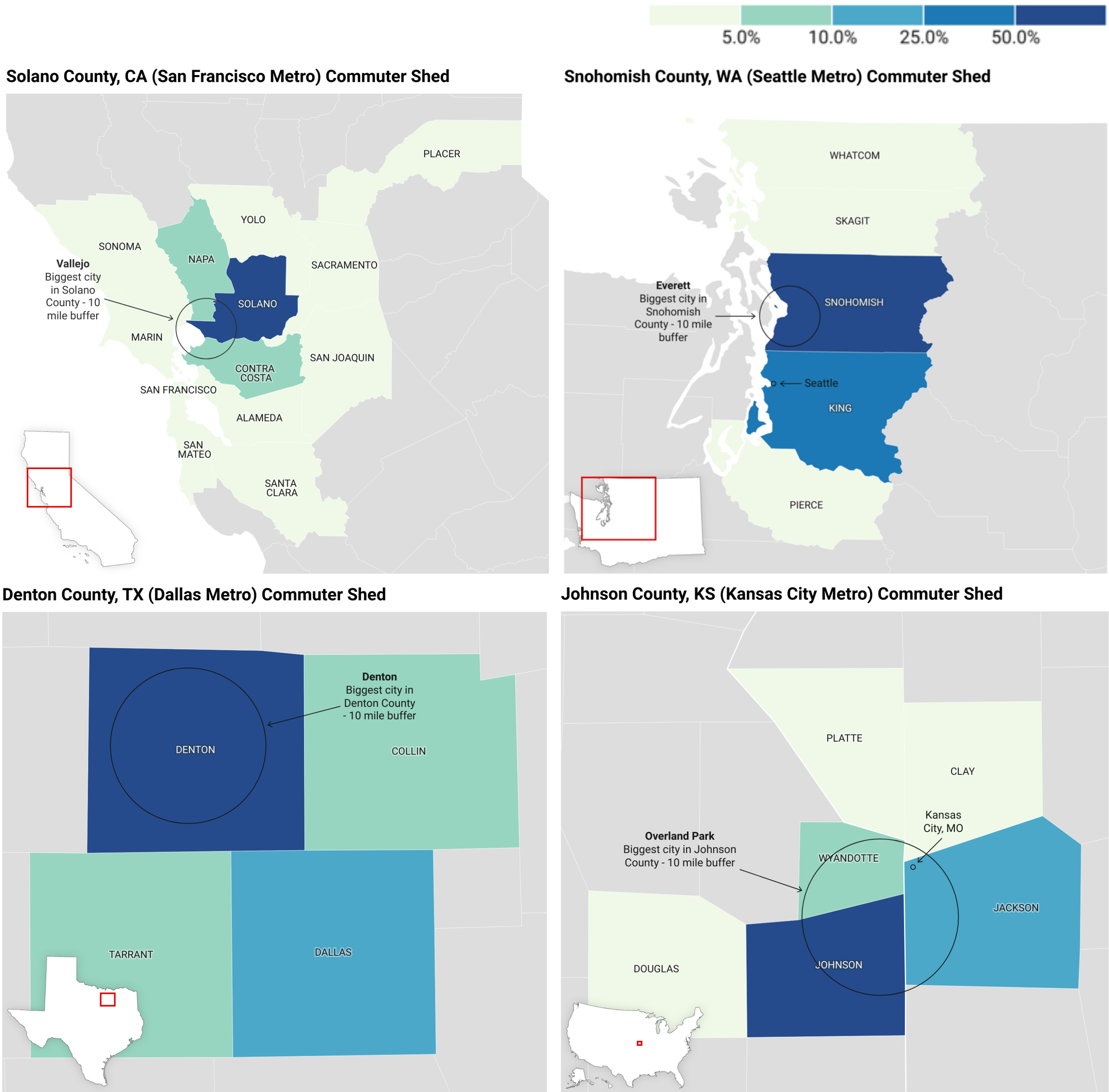


Source: U.S. Census Bureau American Community Survey 1-year estimates, 2005-2022, IPUMS. **Analysis**: Bay Area Council Economic Institute. **Note:** See **Appendix** for list of criteria for peer county selection and reference map.

A major reason for higher commute times in Solano County can be traced to the size of its *commuter shed*, or where residents of a particular geography work and how far they must travel to get there. Due to the lack of a major employment center in the county, workplace destinations for Solano County residents are far more dispersed geographically than in peer counties, making it more difficult for workers to use public transit (see **Figure 18)**. Snohomish County faces similar job dispersion but also sees marked geographical constraints with Puget Sound anchoring the region to the west and creating linear job corridors. In contrast, Solano County residents travel to work in nearly all directions. As such, Solano County has a high proportion of *super-commuters,* or residents commuting over 90 minutes (one-way) to work. Among Solano County employed residents, 4.65% are super-commuters, compared to 2.39% in Snohomish County, 1.59% in Denton County, 0.61% in Johnson County.

Figure 18. 64% of Solano County residents work in the county, but out-commuting patterns are much more dispersed throughout the megaregion than in peer counties.

Comparative County Commuter Sheds – Where Solano County and Peer County Residents Work (with at least 0.1% of the county's commuter population), 2022



Source: U.S. Census Bureau American Community Survey 1-year estimates, 2022, IPUMS. **Analysis**: Bay Area Council Economic Institute.
Note: Any county with fewer than 0.1% of commuters was excluded for suppression.

Conclusion

Solano County finds itself in a unique and precarious position. The county's geographic location adjacent to some of the most prosperous economic centers in the world should support significant population and job growth, but that growth has not been happening. Insufficient housing and local job production have caused housing prices to spike, pushed commute times above regional median levels, and allowed the county's unemployment rate to remain higher than neighboring counties for decades.

The large swaths of undeveloped land in Solano County, in turn, could be leveraged to address this imbalance. While these lands currently serve as rangeland, they could be repurposed to generate much greater economic value. Furthermore, construction of new housing in Solano County can then increase the tax base of the county and bolster available funding for services including education, public health, and mental health services.

While the infrastructure needed to complete this ambitious project is immense, the potential benefits of creating a new complete city could be similarly immense and would stretch across the megaregion. The East Solano Plan could catalyze a dynamic new economic hub within Solano County at the center of the Northern California Megaregion, unlocking benefits that the county has historically missed out on by significantly boosting wages and productivity, alleviating longer commute times for residents, and integrating Solano County more fully into the megaregional economy.

If achieved, the new city approach put forward in the East Solano Plan can bring the scale of housing development and job production necessary for Solano County to share in the prosperity and opportunities that define the greater Bay Area.

Appendix

Counties in the peer analysis were selected based on economic, demographic, and geographic similarity to Solano County, California using 2005 Census data, to gauge how they have differed in growth over the last decade. Criteria included comparable population size, median household income, and geographic location.

The largest city within the county is Vallejo, bordered by Napa County to the west, Yolo County to the north, and Contra Costa County to the south. It has a diverse landscape ranging from urban areas to agricultural lands. We aimed to select counties with a presence of both urban and rural areas.

Key metrics for comparison	Solano County, CA (San Francisco Region)	Johnson County, KS (Kansas City Region)	Denton County, TX (Dallas Region)	Snohomish County, WA (Seattle Region)
Population (2005)	396,741	502,786	529,398	646,576
Unemployment Rate (2005)	5.5%	4.3%	4.4%	4.8%
Distance to Largest City (miles)	32	13	40	28
Median Income (2005)	$36,000	$39,400	$35,000	$36,000
Poverty Rate (2005)	10.2%	6.2%	8.5%	8.0%
Median Home Value (2005)	$360,000	$250,000	$200,000	$280,000
% with Bachelor's or more (2005)	26%	45%	38%	30%
Mean Travel Time (2005)	23	25.3	19.1	26.5

Acknowledgements

This analysis was authored by Abby Raisz, Research Director, Jack Turner, Research Associate, and Jeff Bellisario, Executive Director.

BAY AREA COUNCIL ECONOMIC INSTITUTE

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Since 1990, the Bay Area Council Economic Institute has been the leading think tank focused on the economy of the San Francisco/Silicon Valley Bay Area. A forum for stakeholder engagement and a respected source of information and fact-based analysis, the Institute is a partner and adviser to both business leaders and government officials, universities, and overseas partners. Through its economic and policy research and its partnerships, the Institute addresses issues impacting the competitiveness, economic development, and quality of life of the region and California, including infrastructure, health, science and technology, entrepreneurship, innovation, and international trade and investment.

The Institute is housed at and supported by the Bay Area Council, a public policy organization that includes hundreds of the region's largest employers and is committed to keeping the Bay Area the world's most competitive economy and best place to live. The Institute also supports and manages the Bay Area Science and Innovation Consortium (BASIC), a partnership of Northern California's leading scientific research laboratories and thinkers.