

Will Haight Trump hate?

BY MARK CALVEY
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Let's get the caveats out of the way from the get-go: You probably didn't vote for him – across the inner Bay Area, he got smoked by better than 4-to-1. You may well regard his opinions and policies as straight out of the way-back machine to the 1980s, if not the 1950s. On a more sobering note, you likely worry about the ugly strains of bigotry that his presidential campaign brought forth and validated.

So it is with no joy that we say the following. In fact, it is something we whisper rather furtively, figuratively locking the door and looking both ways before proceeding. But here goes: Donald Trump may end up being very good for Bay Area business.

At least, that's the way a surprising number of major local companies and industries see it. Some – maybe many – were somewhat sheepish at the prospect of being beneficiaries of a Trump bump. But as they start to consider it something between a probability and a certainty, reluctance and regret are being replaced by an eagerness to go along for the ride. Think of it as an economic silver lining to what many here still see as a very dark cloud.

"Business people are encouraged that someone who has met a payroll and run a business might be more understanding about what business owners and operators go through," said Edward Hanley, a principal at San Francisco accounting firm Shea Labagh Dobberstein.

That would seem to sum up investor sentiment as well, with the stock market on a steady march higher since the election and interest rates moving up on expectations that accelerating growth could fuel inflation.

Playing the Trump cards

Bank stocks have been among the biggest winners, as bankers seem poised for relief from some of the financial restrictions on banks that followed the Great Recession.

"Trump has signaled his dislike of Dodd-Frank, which has heightened regulatory expectations and expenses for community banks," said Tom McGraw, CEO of First National Bank of Northern California, who at the same time made plain his reservations about the country's new CEO.

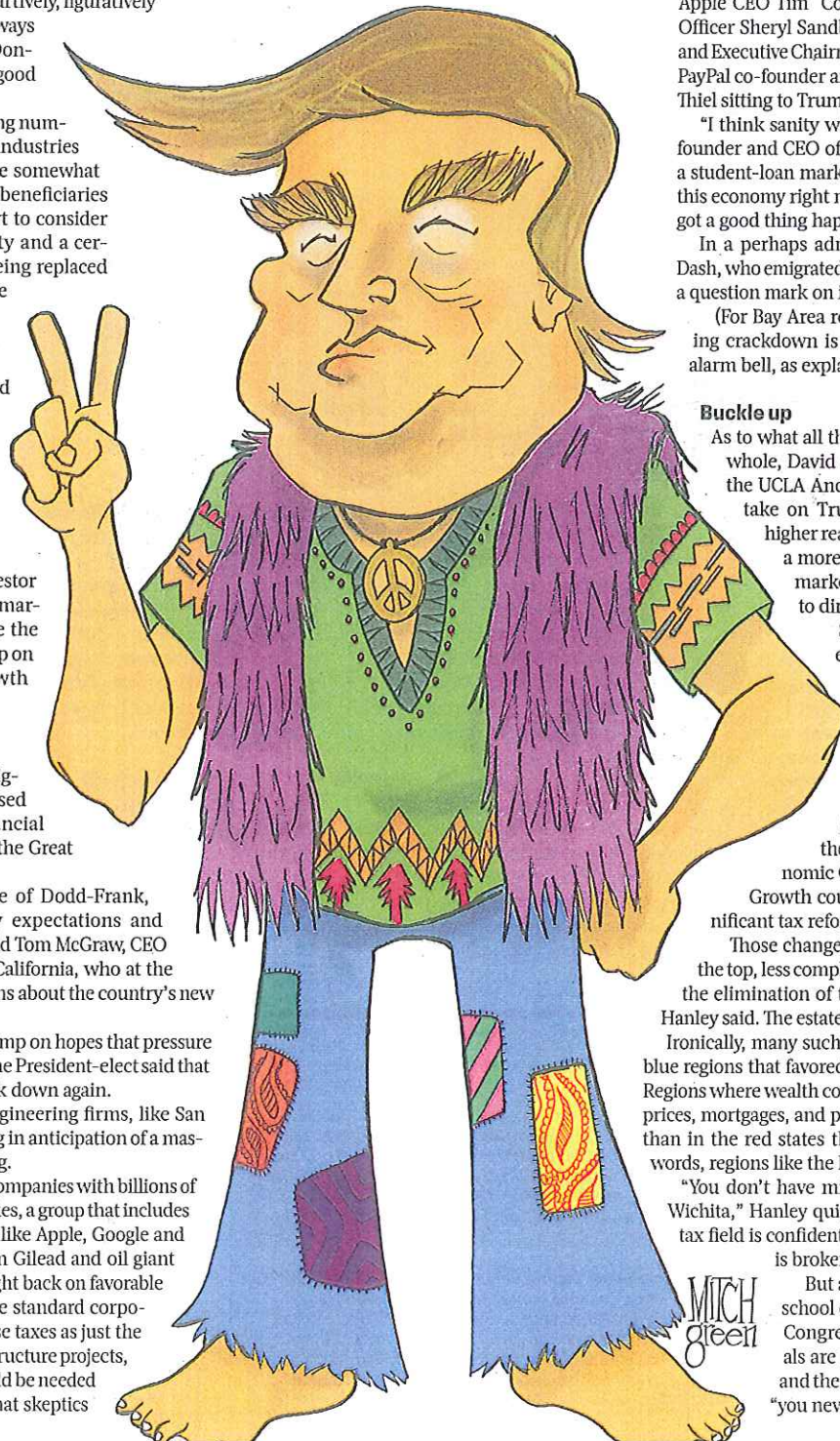
Biotech also saw a short-lived bump on hopes that pressure on drug prices would ease – before the President-elect said that wasn't so, sending them rapidly back down again.

Meanwhile, construction and engineering firms, like San Francisco giant Bechtel, are salivating in anticipation of a massive round of infrastructure spending.

Other big winners could include companies with billions of dollars stashed outside the United States, a group that includes prominent Bay Area tech employers like Apple, Google and Oracle, and others such as drug firm Gilead and oil giant Chevron. That money could be brought back on favorable tax terms – say at 10 percent, vs. the standard corporate rate of 35 percent. Some see those taxes as just the ticket to finance the ambitious infrastructure projects, and the millions of workers who would be needed to build them. It's only fair to note that skeptics

The President-elect is less popular here than almost anywhere, but he could turn out to be a secret ally for local businesses.

Maybe.



abound, but one thing is certain: This second "one-time" tax holiday on repatriations would represent an immense windfall for a specific roster of companies.

Furthermore, the Bay Area's tech giants and entrepreneurs – whose notable Trump supporters, at least those public about it, could be counted on one hand, if not one finger – are increasingly hopeful that a Trump Administration will support innovation.

As if on cue, Trump held a tech summit this month at Trump Tower in New York to tell the industry's leaders, "I'm here to help."

The gathering included Tesla CEO Elon Musk, Apple CEO Tim Cook; Facebook Chief Operating Officer Sheryl Sandberg; Alphabet CEO Larry Page and Executive Chairman Eric Schmidt and, of course, PayPal co-founder and early Trump supporter Peter Thiel sitting to Trump's immediate left.

"I think sanity will prevail," said Stephen Dash, founder and CEO of San Francisco-based Credible, a student-loan marketplace. "The growth engine of this economy right now is technology. When you've got a good thing happening, why stifle it?"

In a perhaps admirable bit of understatement Dash, who emigrated from Australia, added: "There's a question mark on immigration."

(For Bay Area restaurateurs, Trump's impending crackdown is less a question mark than an alarm bell, as explained on page 14.)

Buckle up

As to what all this means for the economy as a whole, David Shulman, senior economist at the UCLA Anderson Forecast, offers his own take on Trumponomics: "Buckle up for higher real growth ahead of inflation and a more aggressive Fed. We believe the markets have got it right with respect to direction."

Shulman, like many forecasters, adds a rather large asterisk to his analysis.

"We are not assuming a major trade war with our partners around the world. If we are wrong here, we are likely wrong everywhere,"

Shulman said this month at the UCLA Anderson Forecast Economic Outlook Conference.

Growth could be goosed by the most significant tax reform since 1986.

Those changes could include lower taxes at the top, less complications, fewer deductions and the elimination of the Alternative Minimum Tax, Hanley said. The estate tax looks likely to be repealed. Ironically, many such moves could benefit the deep blue regions that favored Hillary Clinton for president. Regions where wealth concentrates, and where housing prices, mortgages, and property taxes are much higher than in the red states that went for Trump. In other words, regions like the Bay Area.

"You don't have million-dollar starter homes in Wichita," Hanley quipped. "I think everyone in the tax field is confident change is coming. The system is broken."

But as we all learned in junior high school civics: The president proposes, Congress disposes. "When proposals are put into the legislative hopper and the horse-trading begins," he said, "you never know what will come out."