



ECONOMIC COSTS OF THE OCTOBER 2007 FIRES TO SAN DIEGO COUNTY EXCEED \$2 BILLION OCTOBER 29, 2007

The final impact or cost to the San Diego region of the fires rampaging through San Diego County beginning October 21, 2007 and continuing at least through today, October 29, 2007, **will exceed \$2 billion**. The figures are based upon the aftermaths observed from the previous major fires impacting San Diego in October 2003, and projected costs for the damages reported so far in 2007.

Homes	\$500,000,000
Furnishings, cars, clothing, food:	\$400,000,000
Other structures (buildings, transmission lines, water delivery systems, etc.)	\$200,000,000
Economic business productivity	\$893,000,000
Overtime fire/police/materials	\$100,000,000
TOTAL	\$2,093,000,000

EXPLANATION OF ESTIMATES

Cost of Lost Housing: With the homes reported destroyed so far, plus additional homes and properties suffering major damage, the projected costs to replace and rebuild these homes will easily exceed \$500 million. The estimate is based upon 1,382 homes destroyed multiplied by an average size of 2,500 sq. feet times the cost of construction at \$138 per square foot = \$473,680,500.

Cost of Lost Furnishings and Durable Household Goods: This estimate is based upon “above trend” spending reported for San Diego taxable retail sales in the 1st and 2nd quarters of 2004, following the 2003 cedar fires. We adjusted for the ratio of lost homes and inflation.

Cost of Other Structures Damaged: This estimate is based on the \$100,000,000 reported from the 2003 cedar fire. We believe these costs will at least be double due to inflation and the much larger geographic scope of the disaster.

Lost Economic Activity: Calculated by dividing San Diego’s estimated 2007 Gross Metropolitan Product (GMP) of \$163 billion by two days or \$893,000,000. This is the cost of businesses shutting down, employees not working, and spending curtailed during the week of the fires, as well as the evacuation of 300,000+ residents. Some of the spending was merely postponed and will be made up in coming days, but there is a real economic loss to productivity from businesses not being able to fully function and consumer spending being curtailed that will never be made up. (This is why it is equivalent to only two days lost, and not the entire week.)

Estimated overtime pay for police and fire personnel = \$100 million, as well as uses and losses of materials and equipment while fighting the fires, based upon reported costs from the 2003 fires, greater scope and response to the 2007 fires, and inflationary increases. Key sources include California Department of Finance’s report on costs to governments of the 2003 fires.

KEY NOTE: This will not be the NET impact to the region as insurance and federal/state funding will reimburse much of the costs. Indeed, as that influx of money comes to the region and is re-circulated through the region it will mitigate much of the impact. On the other hand, missed opportunity costs will never be recouped.