



Planners Committee

Item #4D

September 18, 2013

Approach to Growth Projections for 2016 MTP/SCS Update

Issue: Regional growth projections.

Recommendation: This item is for discussion and comment.

Discussion: By the end of the year, the SACOG Board will adopt a framework to guide the next update of the MTP/SCS (for adoption spring, 2016). While there will be ample opportunity for Board dialogue and stakeholder input, one preliminary idea that seemed to have support during the August Board Committee discussions was to focus the efforts of this plan update cycle more on implementation issues than on a comprehensive reconsideration of the basic policy foundations of the current plan. In the past, a comprehensive plan update has begun with a new growth forecast, based on detailed analysis of the expected employment, population and housing demand in the region. With this memo staff is raising a trial balloon for consideration that would involve a minor refinement to the existing growth forecast rather than a major reassessment.

the growth forecast for the last plan (adopted in 2012) was significantly lower than the prior plan (adopted in 2008). While many interpreted this as caused by the great recession, it actually was primarily due to new estimates of long-term trends, including substantially slowing migration rates. The impact of the recession was primarily reflected in the early years of the growth forecast, which have their greatest impact on implementation of the state's Regional Housing Needs Assessment statute (RHNA) and demonstrating compliance with the Federal Clean Air Act. However, in the earliest years of the plan the recession has, in fact, cut into projected growth even deeper than in our last forecast. We believe these effects are largely short-term though, and that over the life of the plan (to 2035) we will at least come very close to realizing the projected growth in the current forecast.

Federal law requires that when we adopt a new plan its time period be long enough to cover at least 20 years of growth and impacts. This means that when the Board adopts the new plan in 2016 its horizon year must be at least 2036, or one year beyond the current plan's 2035 horizon year. The trial balloon staff is floating with this memo is to assume in the next plan the same total projected amounts of population, jobs and houses for 2036 as the current plan projects for 2035. Put another way, the plan would simply assume that the growth arrives one year later than assumed by the current plan. Further refinement could lead to a 2037 or 2038 date, but let's just assume 2036 for illustrative purposes.

The attached technical appendix provides more detail, but here are a few data points that we believe indicate this is a reasonable approach.

- The current growth projection estimated that from 2008 to 2012 the region's housing stock would increase by 30,000 units. Instead, we only added about 15,000 units, or 15,000 housing units fewer. The average annual growth in housing units from 2008 to 2012 is 3,741.
- Population growth rates do not necessarily perfectly mirror housing growth rates. The estimated number of people per household (strongly impacted by age and ethnicity) can send population

growth rates either higher or lower than housing growth rates. However, a February 2013, State Department of Finance (DOF) population growth projection for the SACOG region estimated 150,000 fewer people in the SACOG region by 2035 than SACOG's current forecast. In other words, DOF believes it will take longer than 2035 for the growth in population in SACOG's current plan to occur.

- The growth trends of early years vs. later years of the MTP/SCS are flexible and can be finalized during the Plan development. They do not need to be locked down at the beginning of the process.
- All allocations of regional growth to each of the cities and counties will be made during the entire planning process, giving us time to incorporate new information on local planning actions, changes in state and federal regulatory actions, and market demand. If the Board decides it likes the idea in this trial balloon there will still be opportunities to reduce assumed growth in some areas of the region.
- The growth projected by the current plan occurs in neighborhoods and developments that actually have the capacity for much higher growth amounts than we project to be constructed by 2035. In round numbers, there are 500,000 units of housing capacity in the areas we project about 300,000 units of new housing by 2035. For employment the numbers are 1,100,000 and 360,000. In other words, if the market actually delivers more growth than forecast in the plan there is plenty of room to accommodate it.
- Staff assumes that if the Board takes this minor refinement approach to the growth projections in this plan cycle that it will likely go back to the comprehensive update approach in the next plan. That would fit nicely with two state processes as well. The Department of Housing and Community Development will not update the RHNA numbers until our 2020 plan update cycle, and the California Air Resources Board also is required to update the greenhouse gas emission targets for regional plans as part of the 2020 plan update cycle.

Finally, people sometimes misinterpret SACOG's currently adopted growth forecast, which is lower than the last plan's growth forecast, as indicating a slow growing economy for the region. This is just not accurate. Attachment B compares the population growth rates in the adopted plan to growth rates in the other three large regions in the state and a recent statewide and SACOG regional forecast done by the California Department of Finance. The existing SACOG growth forecast, expressed as an average annual growth rate, is well above all of those other forecasts.

Attachments

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