

## Attachment A - Considerations for regional growth projections

In order to focus the MTP/SCS planning process on implementation of the current Plan, staff has been reviewing parts of the process that could be changed only as much as necessary rather than a complete assessment of the region. The recession has had a significant impact on the three major categories of the regional growth projections: employment, population, and housing. Employment in particular has had major reductions in contrast to the Plan's projections of slow, but positive growth in the early years of the Plan. Population and housing have also been different than the past projections, although only with a slower growth rate.

However, when considering what tasks to undertake for the new Plan's growth projections, staff has recognized that the horizon year of the Plan will be at least 20 years in the future, giving us time to recover. And the recovery is already underway. Employment is up this year and housing construction has been much higher. The 2035 horizon year of the current Plan must be extended to meet Federal planning requirements, thus giving the region some additional time. With the adoption in 2016, the horizon year must be at least 2036.

Some options are summarized below that consider the objective of keeping the total regional housing, population, and employment unchanged from the 2012 MTP/SCS. Assumptions include:

- The horizon year of the 2016 MTP/SCS is as near to 2035 as possible.
- 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 will be made during the entire planning process giving us time to incorporate information on state and federal regulatory actions, local planning actions, and market demand, not here at the beginning of the planning process.

### Housing – Horizon year 1,188,000 housing units

The MTP/SCS projections were for a growth of 303,000 units. From 2008 to 2012 the region's housing stock was projected to increase by 30,000 units. Instead, we only added about 15,000 units. Three alternatives to the 2012 MTP/SCS growth trends were developed to look at optional horizon years and trends within the Plan.

Alternative 1 has a 2036 horizon year and assumes a similar pattern as the 2012 Plan. In order to meet its objective the early years (to 2020) would have a dramatic increase from the current annual housing production rate of 3,672 units per year to 11,777 units per year.

Alternative 2 also has a 2036 horizon year but with slower growth to 2020 (about 2,000 fewer units per year compared to Alt.1. The 2021 to 2036 period would have a 9% higher rate than the comparable period in the 2012 MTP/SCS (1,140 additional units per year).

Alternative 3 assumes the same slower growth in the early years as Alternative 2 but with a lower rate in the later years by extending the horizon year to 2038. The option would have about 350 fewer units per year during these later years than the 2012 MTP/SCS projected.

#### Population – Horizon year 3,086,000 people

Population growth is similar in patterns and trends as housing, but is more stable in the short term. Since 2010 housing has been increasing at about half the rate as population in the region. The relationship between population and housing is affected by such things as the vacancy rates of existing units and family population choices like the doubling up of families during the recession (short term) and smaller household sizes (long term).

Population projections were slightly higher than housing projections (+39% vs +34%) in the 2012 MTP/SCS. In the longer term over the length of the MTP/SCS population and housing show similar growth rates but moderated by broader demographic changes and the region's economic health. The 2012 MTP/SCS projects a slight decrease in the average household size as a result of aging and other demographic factors. Economic factors are, of course, the main factor in population growth. The region's main economic sectors remain the same, as does our competitive advantages and weaknesses.

The alternatives to the 2012 MTP/SCS population growth rates would have a similar trend as housing.

#### Employment – Horizon year 1,327,000 jobs

Employment is much more volatile than population and housing in the short term. In the last 5 years, data shows a slowing of the population and housing growth rate but still increasing. Employment on the other hand can have and has shown more dramatic shifts. From 2007 to 2011 total employment in the region declined by more than 10%, but in one year from 2011 to 2012 almost a third of that loss was recovered.

Whereas changes in population and housing have higher transaction costs (moving into or out of the region has significant monetary and family disruption costs and building housing has high capital costs and longtime commitments), employment changes have relatively modest costs at the individual job level. Many if not most employees who are in these changes (both hirings and layoffs) are within the region before and after the employment change. This dynamic

characteristic of the economy is a major factor in recommending that the current regional projections are still viable in the same general planning period.

In the longer time period of the MTP/SCS, employment is mostly affected by the national and state economic health and by the region's competitive advantages and shortcomings. These fundamentals have been shown in the economic projections by the Center for Continuing Study of the California Economy for our MTPs in the last decade and by other economists' projections throughout the state.

As with population, the main factors outlined in the housing section remain relevant for employment. A slight extension of the horizon year and careful analysis of interim year effects seem to be the efficient way to make the best use of the 2012 MTP/SCS projections.

If the Next Economy project achieves its objectives of improved competitive advantages in some sectors and changes to make our region more self-sustaining, the results would not significantly change the trends the MTP/SCS projections have previously laid out. This conclusion is not to indicate that the Next Economy's programs are unimportant or minor, only that any new regional level initiative cannot fundamentally alter an entire economy by itself.

The state, national, and increasingly international economies can make fundamental changes to the region's economy. Technological, political, social, and cultural factors are all undergoing important changes that have regional impacts. But these changes also have a lot of uncertainty. By staying with the 2012 MTP/SCS's long term economic outlook but improving our ability to analyze the impacts on our transportation and land use choices, the Plan development can take the fundamentals and still be able to respond as needed.