



Land Use & Natural Resources Committee

November 27, 2013

MTP/SCS: Regional Growth Projections

Issue: What should be the regional growth projections and horizon year for the Metropolitan Transportation Plan/Sustainable Communities Strategy (MTP/SCS) update?

Recommendation: None, for information only. The Transportation Committee will take action on this item.

Discussion: The framework for 2016 MTP/SCS has an emphasis on implementation of the current MTP/SCS principles rather than on a wholesale review of the region's future. Keeping the horizon year's employment, population, and housing projections unchanged and extending the horizon year only the minimum to 2036 is part of that strategy. The early stakeholder outreach indicated that they are in widespread agreement with this draft approach.

The long-term growth trends for the region have not changed since the last growth projections. However, the short-term impacts of the recession have shown that it will take longer to reach our current growth targets. The proposed approach to the regional projections is consistent with the short term and long term indicators (see the attached staff report from September for more a detailed discussion of this).

This approach to the regional growth forecast does not dictate the *allocation* of regional growth throughout the region. Staff is meeting with the planning and public works staff of each SACOG member jurisdiction to gather information to inform the land use forecasting process for the MTP/SCS update. This is the process by which the regional growth is allocated to jurisdictions and planning areas within jurisdictions. Regarding the allocation of growth in the region, there is ample capacity within the current MTP/SCS land use forecast to allow SACOG to revisit how housing and jobs are allocated across jurisdictions and community types. The current MTP/SCS land use forecast accommodates 303,000 new homes and 361,000 new jobs between the years 2008 and 2035. The development capacity of adopted or proposed local land use plans is approximately 513,000 new housing units and 1,077,000 new jobs. In other words, there is capacity within these community areas to accommodate projected regional growth plus an additional increment of growth. In addition, there are areas outside of the MTP/SCS map either approved or proposed for growth that would also need to be considered in the land use forecasting process.

Approved by:

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Attachments

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Transportation Committee

September 3, 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 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.

Veteran Board members will recall that 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.

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Attachments

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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.

Attachment B - Comparing Population Growth Rates to Other Regions and the State

SACOG's population growth rates are compared to the other 3 large MPOs in California and to the Department of Finance's latest projections. The other 3 regions are the Metropolitan Transportation Commission (the 9 county area in the Bay Area), the Southern California Association of Governments (the 6 county area around Los Angeles), and the San Diego Association of Governments (San Diego County). Each MPO has adopted a RTP/SCS under SB375. SANDAG is starting their second RTP/SCS so their draft projections were included. The Department of Finance's population projections are county level forecasts for the entire state that were published earlier this year.

The chart and table shows the population annual average growth rates to 2035 from the published projections.

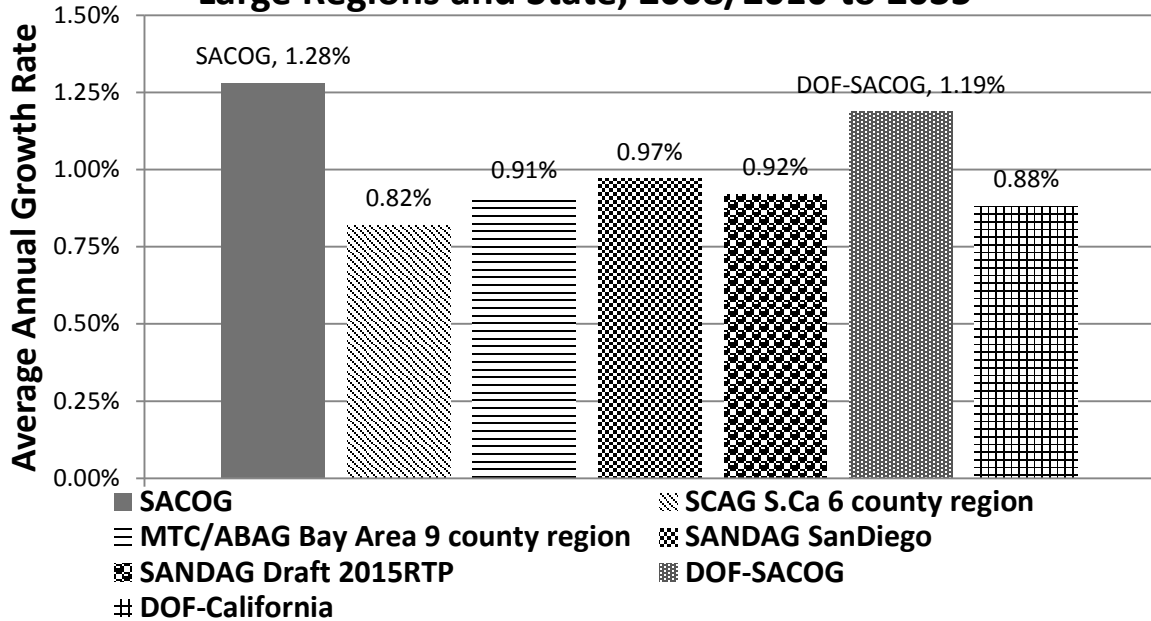
SANDAG was the first MPO to adopt its RTP/SCS under SB 375, so they have already started on their second plan. The draft projections growth rate is being presented to their Board of Directors this month for review, with adoption in a few months. The SANDAG projections show a slowing growth rate to 2035 with the new draft projections about 4% lower than their current plan.

The SACOG growth rate is significantly higher than all other projections, followed by the DOF projection for our region. If the new horizon year were extended but the total population was kept at the 2035 levels, we would still have a higher growth rate than the other regions and the state.

Annual Population Growth Rates to 2035

	2008/2010 to 2035
SACOG	1.28%
SCAG S.Ca 6 county region	0.82%
MTC/ABAG Bay Area 9 county region	0.91%
SANDAG San Diego	0.97%
SANDAG Draft 2015RTP/SCS	0.92%
DOF-SACOG	1.19%
DOF-California	0.88%

Population Annual Growth Rates, Large Regions and State, 2008/2010 to 2035



Sources: Current RTP/SCS by region, DOF 2013 projections for DOF-California and DOF-SACOG. DOF and SANDAG Draft2015 projections have 2010 rather than 2008 as first year.