

Attachment A

Key Issue/Policy: Regional Population and Housing Forecast

Issue Area: A number of organizations and local jurisdictions have suggested that the population and housing projection in the Draft Plan be either increased or decreased. This stems from concerns about the validity of the methodology used to create the forecast on the part of some jurisdictions and members of the public, and about the adequacy of the forecast's projection of housing growth to meet the region's long-term housing needs on the part of some developers and housing advocates.

Key Considerations: The population and housing forecast included in the plan has undergone significant scrutiny and has been validated by the California Departments of Finance (DOF) and Housing and Community Development (HCD). The methodology used to create the forecast starts with projected regional job growth, which is the main determinant of ABAG's regional population and housing growth forecast—consistent with other major regional forecast models in California and the models used by the three major national economic forecasting firms.

Forecasted job growth to 2040 is estimated as a share of U.S. projected job growth, based on an assessment of regional competitiveness by major industry sector. The Bay Area's strength in industry sectors that are expected to grow, such as professional services and information, results in a higher rate of projected job growth than the rate for the nation as a whole. While the expected economic growth by 2040 is lower than in previous decades, it still reflects a healthy regional economy. During the economic recovery over the past two years, the region has experienced employment growth at a faster rate than the Plan forecast.

Population growth is projected in terms of natural increases from births and deaths and migration into the region. The ABAG forecast uses California Department of Finance (DOF) fertility and mortality assumptions to determine the amount of natural increase in the population to develop a population profile. Migration, rather than being tied to recent trends, is forecasted as a function of job growth. From population growth, a forecast of households and housing units is developed. The final forecast incorporates all of these factors, as well as assumed availability of funding to support affordable housing.

This regional forecast was used as the basis for developing the employment and housing growth pattern adopted by the MTC and the ABAG Executive Board in May 2012 as the Preferred Alternative and included in the Draft Plan. Changes in the regional forecasts that occurred prior to the selection of the Preferred Alternative reflected changing data regarding national, state, and regional demographic and economic conditions, most notably the sustained economic recession.

The population projections incorporate the most recent data and trends, and were developed through sound methodology in collaboration with DOF and HCD. Plan Bay Area and its related forecast will be updated every four years.

Recommendation:

1. Retain the population and housing forecast utilized in the Draft Plan.