



April 25, 2013

Plan Bay Area Forecasts, March 2013 Updated Comments

In March and May 2012, the Association of Bay Area Governments (ABAG) published its Jobs-Housing Connection Scenario (SCS) Draft. This draft provided long-term employment, population and housing need forecasts for the nine counties that define ABAG's region. The ABAG projections are through 2040. At that time, Marin Economic Forum provided a report on the forecast methodology and the connections made by ABAG among job growth, population growth, household growth, and ultimately housing needs.

A new predictions draft was released by ABAG in March 2013 in a draft document called "Plan Bay Area".¹ These predictions are different from the recent population projections of the California Department of Finance (DOF) that updated DOF's 2007 projections by county through 2060. Forecasts are used as the basis of distributing housing need, transportation funding, and other infrastructure projects. This brief update of comments about the projections discusses the new ABAG draft projections, the differences with the DOF forecasts, and the implied differences in terms of housing needs. The key issue in these forecasts is household growth, a point addressed later in this memo; the DOF predictions are generally very low for Marin County.

The Basics

For Marin County, the Plan Bay Area report has forecasted jobs, population, households, and housing needed to 2040. For population specifically, the DOF numbers are shown next to the population numbers in Table 1 for comparison. Each municipality has its Census 2010 population, the benchmark for the ABAG forecast, and the DOF population estimates for 2040 are shown by municipality; this report used the ABAG 2040 households estimate for each city and town in Marin to distribute the DOF forecast. ABAG, through the Center for the Study of the California economy, has released a statement about the differences between the Plan Bay Area draft and the DOF forecasts, though the Plan Bay Area forecast does not explicitly include population data for each municipality. The three major differences are as follows, according to ABAG²:

- 1) The DOF forecast starts with population growth, whereas the ABAG forecast is driven by job growth;

¹ The following documents were used to generate these updated comments: Plan Bay Area Draft, March 2013 (available at http://onebayarea.org/pdf/Draft_Plan_Bay_Area_3-22-13.pdf); Overview of the Regional Housing Need Determination, DOF Population Projections and Plan Bay Area Forecast (provided by Transportation Authority of Marin staff); and A Review of the DOF and ABAG Population Projections to 2040 by the Center for the Study of the California Economy (provided by Transportation Authority of Marin staff).

² These three differences come from page 14 in [Draft Forecast of Housing, Population and Jobs, March 2013](http://tinyurl.com/abag2013forecast), available at <http://tinyurl.com/abag2013forecast>.

- 2) DOF uses the 2000-2010 historical migration trends as the basis for future trends. Thus, the two major recessions during this period results in uncharacteristically low migration rates; and
- 3) DOF did not take into account job growth in the Bay Area as reported by ABAG.

Migration patterns to the Bay Area and estimated job growth, as well as transit patterns and planned housing stock, weigh heavy in ABAG’s forecasted numbers. The DOF estimates seem very low in terms of population growth for Marin County. The American Community Survey of the Census Bureau (www.factfinder.gov) estimates that Marin County’s population was 255,031, or growth of 2,622 people in one year from 2010 to 2011. That implies that to reach the DOF 2040 estimate, Marin County will need to grow by only 4,518 more people in 38 years or a bit over 118 people per year. That seems very low. In contrast, to reach the ABAG figure, there would need to be growth of just under 800 people per year through 2040, which is more connected to Marin County’s long-run averages; since 1980, Marin County has seen population grow at an average of 994 people per year. The growth of housing units will likely happen due to in-fill development for Marin County, as vacant land is scarce. Given land-use constraints, cost of housing, and other infrastructure issues in Marin County, the ABAG figures seem reasonable at the county level. The DOF figures, given the long-term trends, seem very low.

Table 1: Population Estimates Compared, ABAG to DOF, 2010 - 2040³

City	Census 2010	ABAG 2040	DOF 2040
Belvedere	2,068	2,471	2,126
Corte Madera	9,253	10,392	9,515
Fairfax	7,441	9,220	7,651
Larkspur	11,926	16,429	12,263
Mill Valley	13,903	16,658	14,296
Novato	51,904	54,635	53,374
Ross ⁴	2,415	2,190	2,483
San Anselmo	12,336	14,085	12,685
San Rafael	57,713	67,472	59,345
Sausalito	7,061	11,360	7,261
Tiburon	8,962	10,188	9,216
Balance Of County Incorporated	67,427 184,982	70,223 215,100	69,334 190,215
County Total	252,409	285,323	259,549

It is important to recognize the sequence of these forecasts. ABAG starts with job growth, then distributes population and household growth based on transit infrastructure and job locations, and then determines housing unit allocations. However, three things about the ABAG figures should provide

³ Note: The ABAG population estimate by jurisdiction was estimated by MEF based on the proportion of households in each jurisdiction of the total.

⁴ The reason why Ross would lose population from 2010-2040 is from a shrinking number of people per household, not a loss of households; ABAG is predicting that Ross would have 59 more households in 2040.

some pause. First, the growth is based on migration patterns generating population growth throughout the Bay Area through job growth. Migration patterns help to change persons per household upward from what is otherwise a slow trend downward; if persons per household go up, it takes more people to generate demand for one housing unit. Higher population growth would then imply more housing units demand. If that migration pattern does not take place in Marin County, and the population growth is closer to DOF than ABAG, fewer housing units may be demanded than predicted. Marin County continues to focus on knowledge-based sectors as “targeted industries” for economic development; for example, technology-based companies, as well as specialty design and scientific research jobs, will likely continue to be part of Marin County’s economic development planning.

Second, while the population projections are seemingly in line with historic trends, each county has different approaches to land use, general planning and economic development. Job growth and population growth in Marin County are likely to be different in terms of importing labor from other counties than the remainder of ABAG’s defined area. There may be a disconnect between county job growth and population growth based on imported labor and residents coming to Marin County to live but not to work here.

Third, the ABAG figures rely on “knowledge-based” jobs as the driver of job growth and thus population and household growth. The ABAG figures use a weighting system and baseline employment data at the industry level to shape the overall employment forecasts. ABAG relies on the Bay Area remaining a place where technology, education and high-skilled labor continue to interact and create jobs that have broad and large economic impacts across the Bay Area.

Conclusions

ABAG’s projections are sound methodologically and reflect past growth trends, but adjustments could be made to the assumptions concerning Marin County which would likely reduce the overall figures. Migration patterns weigh heavy in ABAG’s forecast; a large amount of population growth is driven by job growth and subsequent migration to the Bay Area in ABAG’s forecasts.

The California Department of Finance (DOF) estimates are very low versus the ABAG figures; the arguments provided by ABAG to describe the differences between their estimates and DOF predictions suggest that DOF considered the 2000-10 period in California to be a paradigm shift for how population will grow. The DOF figures seem very low and are likely to be changed again upward for Marin County in subsequent forecasts.

The best way to consider ABAG’s forecast assumptions is as follows.

- Predicted job growth is strong for the Bay Area through 2040;
- Because that job growth will be in knowledge-based industries and their growth would have broad economic impacts, there will be a natural draw for high-skilled migrating workers from the US and globally;
- This will increase population across the nine counties;
- The number of households will also increase, but more slowly than the population overall; and
- Given the current housing stock, this household growth implies some increased need for housing units to satiate predicted demand.
- Demand for housing depends on the type of job growth; growth in service jobs would lead to demand for affordable housing and/or more in-commuting.

The housing needs forecast is driven by new household growth. If Marin County's new household growth is slower than ABAG predicts (due to slower population growth, for example) and more in line with Department of Finance forecast implications, Marin's housing needs will be fewer through 2060. Assuming that local jobs create local households in Marin County, the ABAG figures are expecting future job growth in Marin County to be in line with the Bay Area overall, but just a bit slower. The ABAG predictions thus depend on how Marin County generates jobs and residents simultaneously versus generating a place where Bay Area high-wage workers live (and predominately work outside Marin County), and Bay Area low-wage workers commute in for jobs outside of knowledge-based sectors. Generating resident workers has been a challenging issue for Marin County as a relatively high cost-of-living community in the Bay Area historically.

The forecasts should be updated with every five-year cycle of the American Community Survey and the 2020 Census and also compared to the original DOF predictions. As much as these two predictions can be aligned, the better off policy makers will be in making decisions about housing and transportation infrastructure.