

PLAN BAY AREA 2050

# Final Regional Growth Forecast

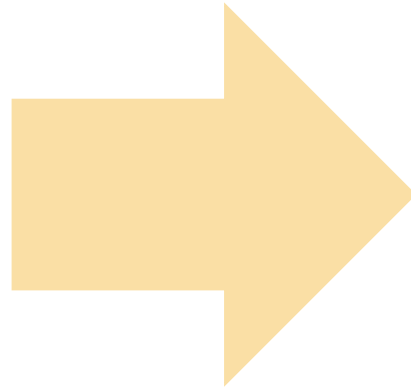
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# Setting the Stage: Context for Plan Bay Area 2050

Regional unaffordability was a critical issue left unresolved in **Plan Bay Area 2040**

**Horizon Initiative** studied how the region could respond to uncertainties with a suite of new strategies



**Plan Bay Area 2050 Regional Growth Forecast** to integrate strategies that affect both the level of growth and critical regional outcomes

*The Regional Growth Forecast reflects **total growth across the nine-county region**. Distinct from the Regional Growth Framework and the Local Area Forecast, it focuses on the regional trajectory, rather than specific cities or PDAs.*

# How was the Regional Growth Forecast developed?

- In September 2019, the Regional Growth Forecast methodology was adopted by the ABAG Executive Board. Since then, staff have been working to develop a Regional Growth Forecast for use in the Blueprint planning phase.
- To conduct this work, staff worked with a Technical Advisory Committee of regional economists, demographers and modeling experts to provide feedback on critical assumptions.
- Staff used the Regional Economic Models, Inc. (REMI) model for the Bay Area, combined with in-house models, to estimate future nine-county totals for population, employment, households, and housing units.

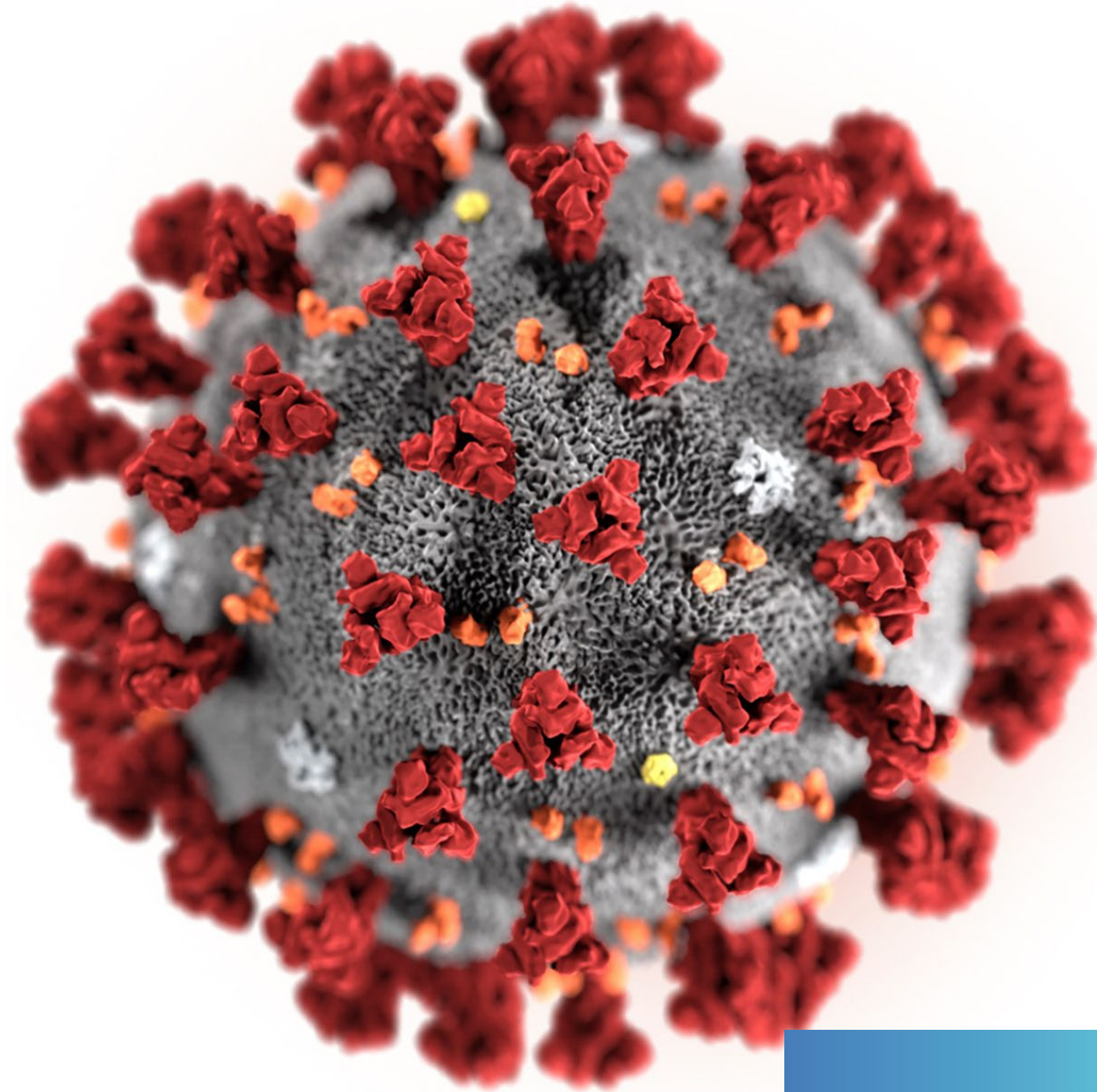
# What were some key assumptions integrated into the Regional Growth Forecast?

- Bay Area employment is **driven by national trends** in population growth and employment.
- Overall, U.S. population growth will likely slow over next three decades, particularly given **observed decline in Hispanic international migration and birth rates**.
- Competitiveness of Bay Area sectors relative to the equivalent sectors in the U.S. **will grow slowly then stabilize**.
- Bay Area housing prices, relative to the national average, can decrease if increased supply at all income levels is provided.

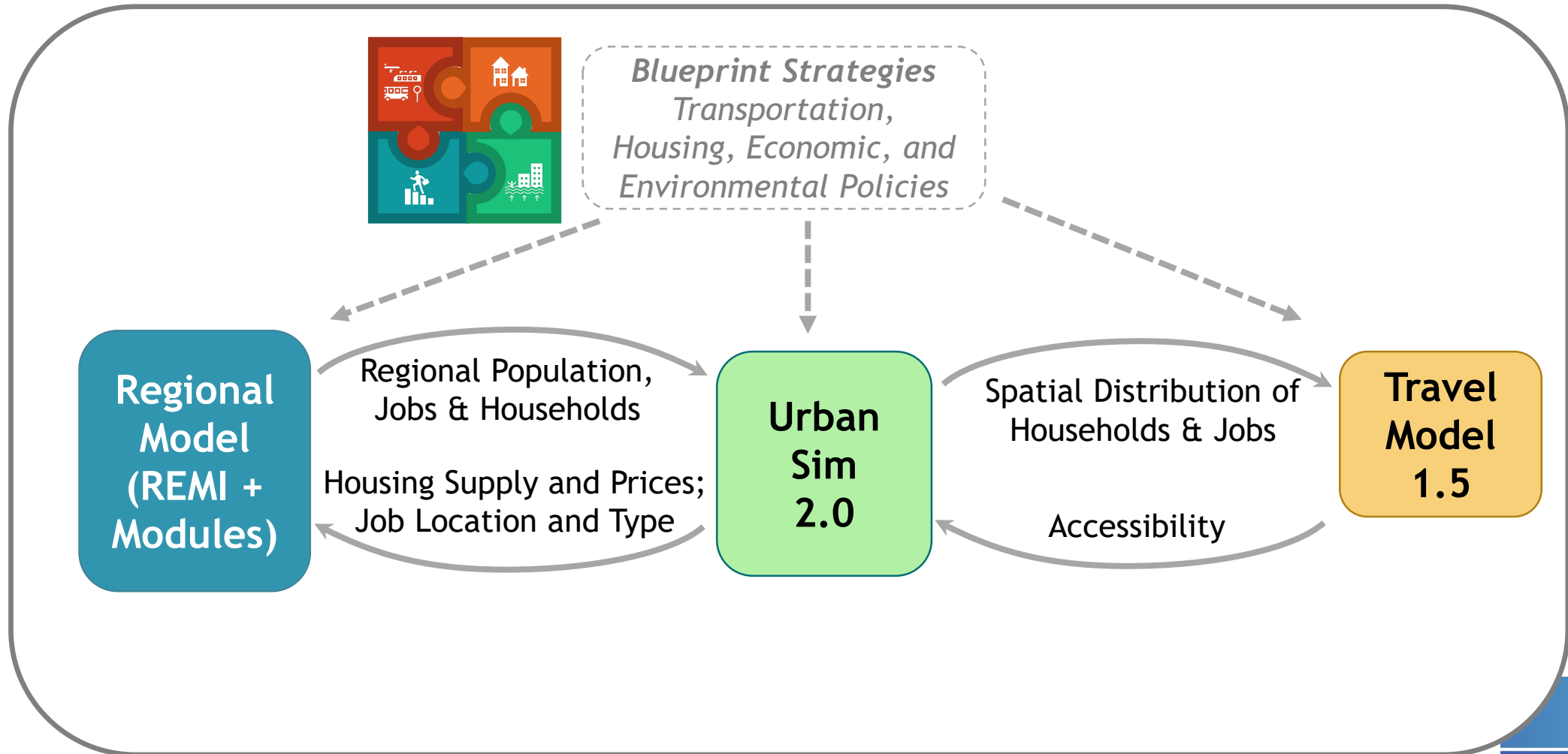


# How might **COVID-19** affect the region's trajectory in the years ahead?

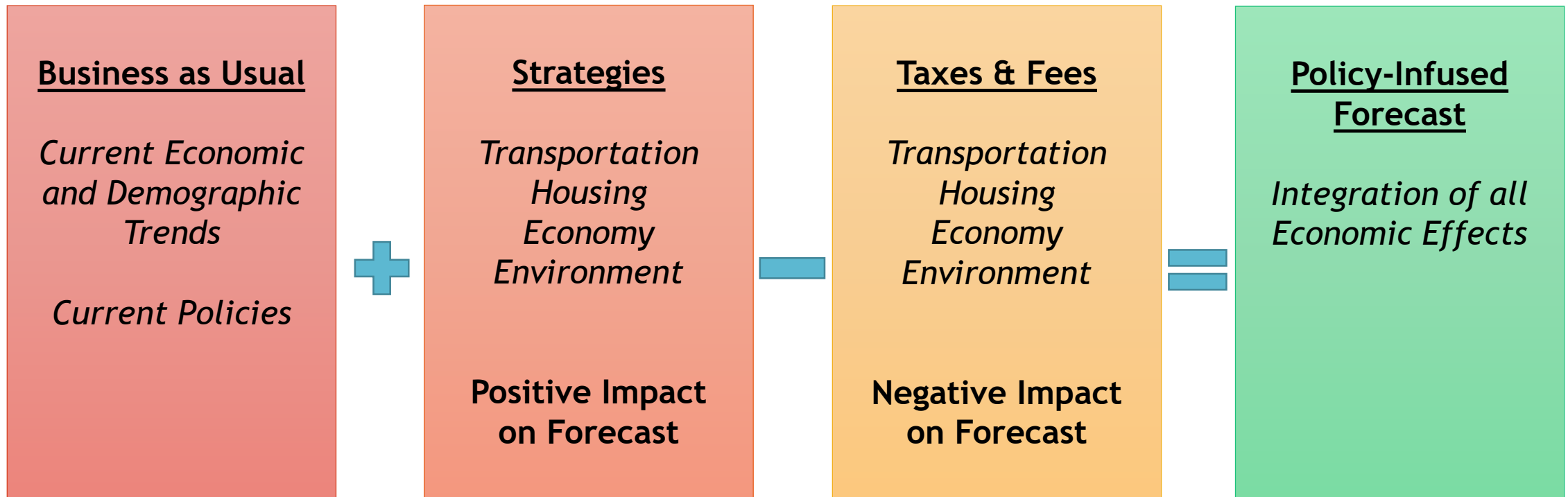
- Staff is currently evaluating a potential approach for **reflecting the economic impacts of a potential 2020 recession into the early years of the Final Regional Growth Forecast (i.e., through year 2025).**
- However, given that the Forecast already considered the cyclical nature of the regional economy, **the forecasts developed for years 2030, 2040, and 2050 - which will be highlighted today - remain relevant and appropriate for Plan Bay Area 2050.**



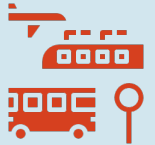




# How do strategies in the Blueprint affect the Regional Growth Forecast?



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Category	Strategies with Moderate or Significant Impacts on Regional Forecast
 <b>Transportation</b>	<ul style="list-style-type: none"><li>• Operate and Maintain Existing System</li><li>• Advance Low-Cost Transit Projects</li><li>• Build New Transbay Rail Crossing</li><li>• Reform Regional Transit Fare Policy</li><li>• Build a Complete Street Network</li></ul>
 <b>Housing</b>	<ul style="list-style-type: none"><li>• Allow a Greater Mix of Housing Types and Densities in Growth Areas</li><li>• Reduce Barriers to Housing Near Transit and in Areas of High Opportunity</li><li>• Transform Aging Malls and Office Parks into Neighborhoods</li><li>• Fund Affordable Housing Protection, Preservation, and Protection</li></ul>
 <b>Economy</b>	<ul style="list-style-type: none"><li>• Expand Childcare Support for Low-Income Families</li><li>• Create Incubator Programs in Economically-Challenged Areas</li></ul>
 <b>Environment</b>	<ul style="list-style-type: none"><li>• Adapt to Sea Level Rise</li><li>• Modernize Existing Buildings with Seismic, Wildfire, Drought, and Energy Retrofits</li></ul>
 <b>Cross-Cutting</b>	<ul style="list-style-type: none"><li>• Generate New Revenues for Transportation, Housing, Economy, and Environment</li></ul>

The effects of the remaining 12 strategies on overall regional growth trends are anticipated to be *de minimis*.



# How do strategies in the Blueprint affect the Regional Growth Forecast? (e.g., Housing)

- Housing is a **prime example of how strategies are incorporated into the model.**
- Market-rate housing changes are primarily motivated by **increased development capacity:**
  - Prices drop in response to expanded production, which is currently constrained by existing policy.
  - In our analysis, the Draft Blueprint strategies could enable a 35 percent reduction in Bay Area home prices compared to the nation. *(Note that housing prices would still rise but at a much slower rate than the past four decades.)*
  - In response to this, staff reduced relative housing prices, increased investment in construction and adjusted employment, which shifted the overall Regional Growth Forecast.
- **Similar adjustments were made for strategies** in the Transportation, Economy, and Environment elements of the Draft Blueprint to reflect both positive and negative economic effects.



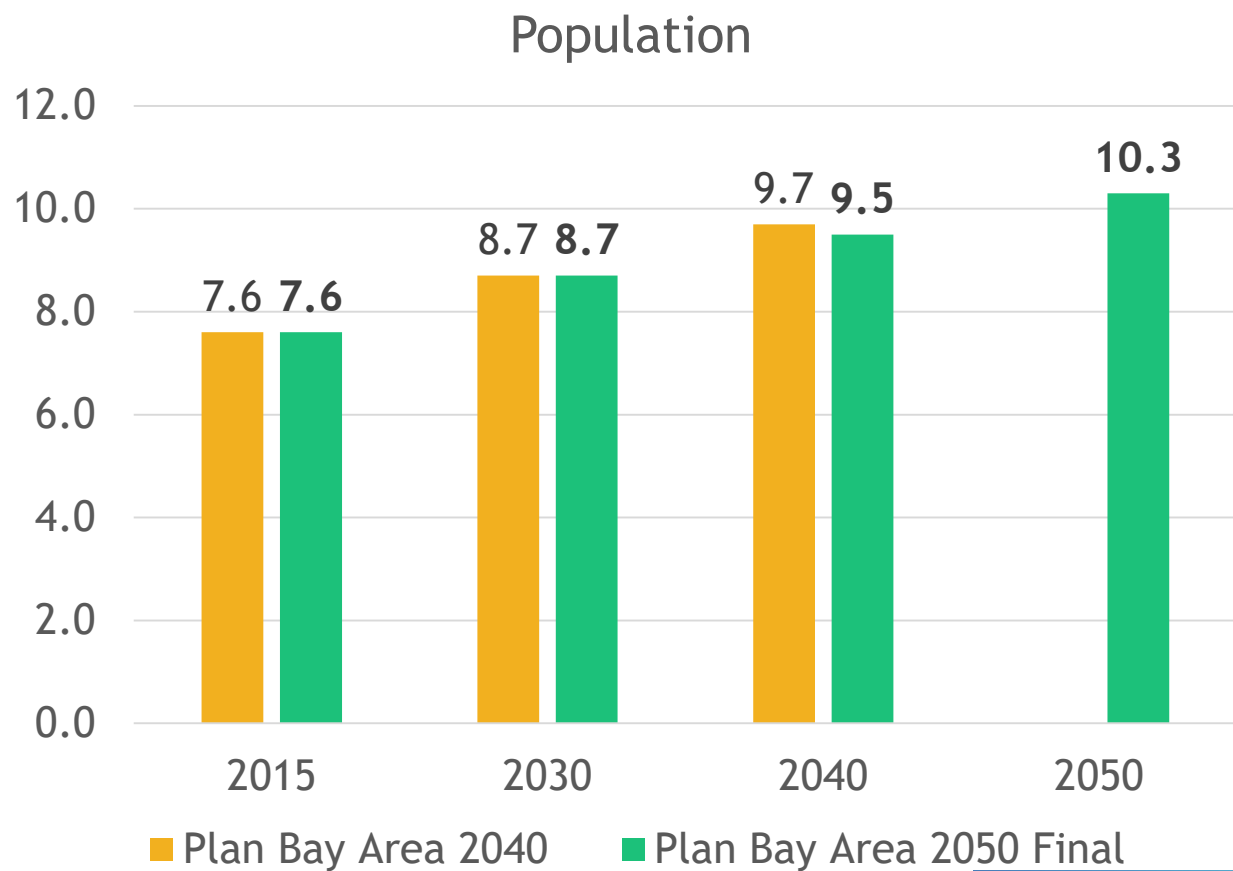
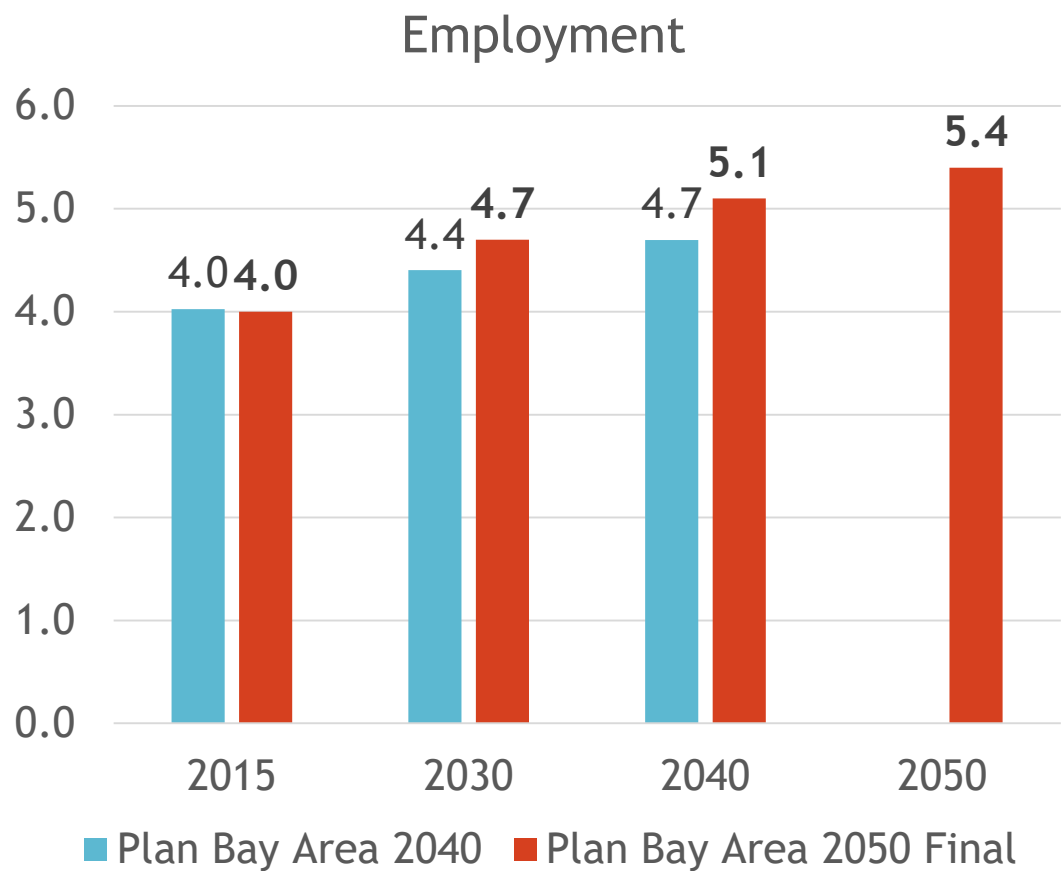
# Final Regional Growth Forecast



# Final Regional Growth Forecast: How does it differ from Plan Bay Area 2040?

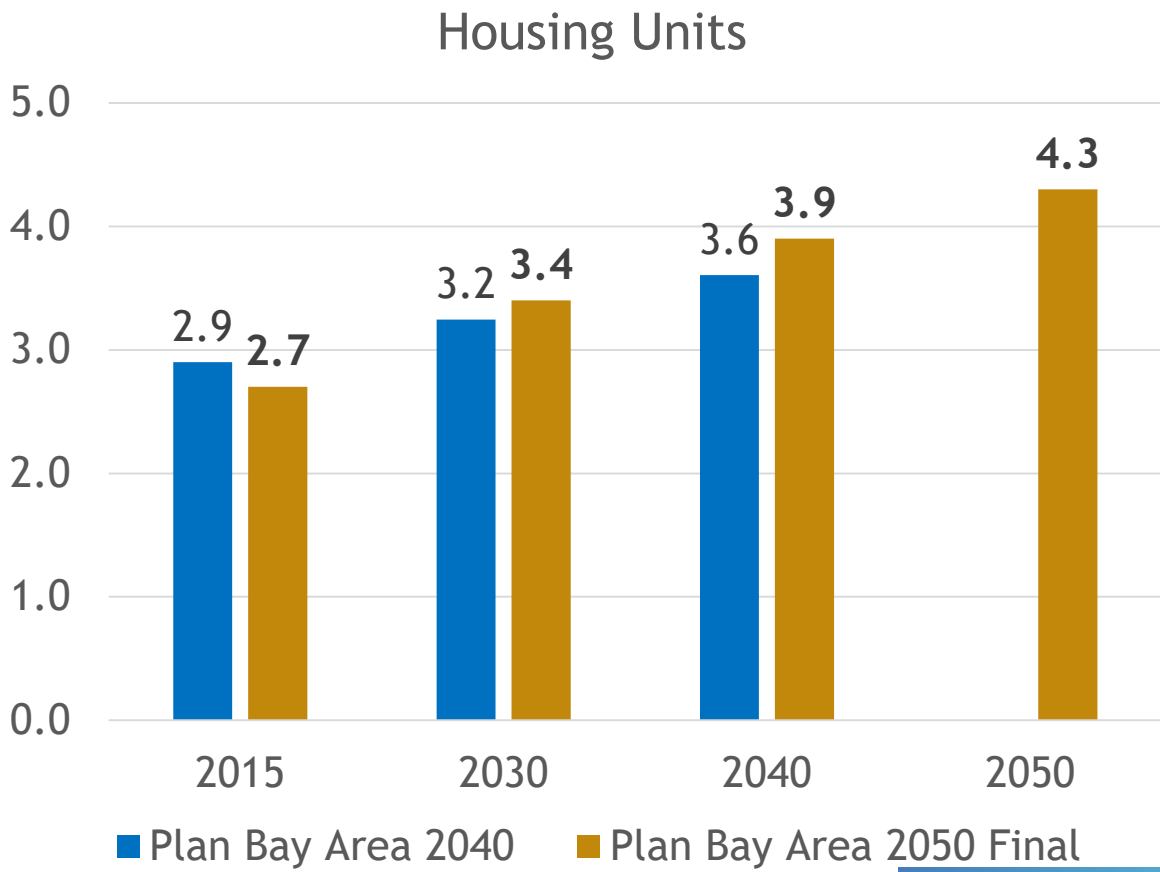
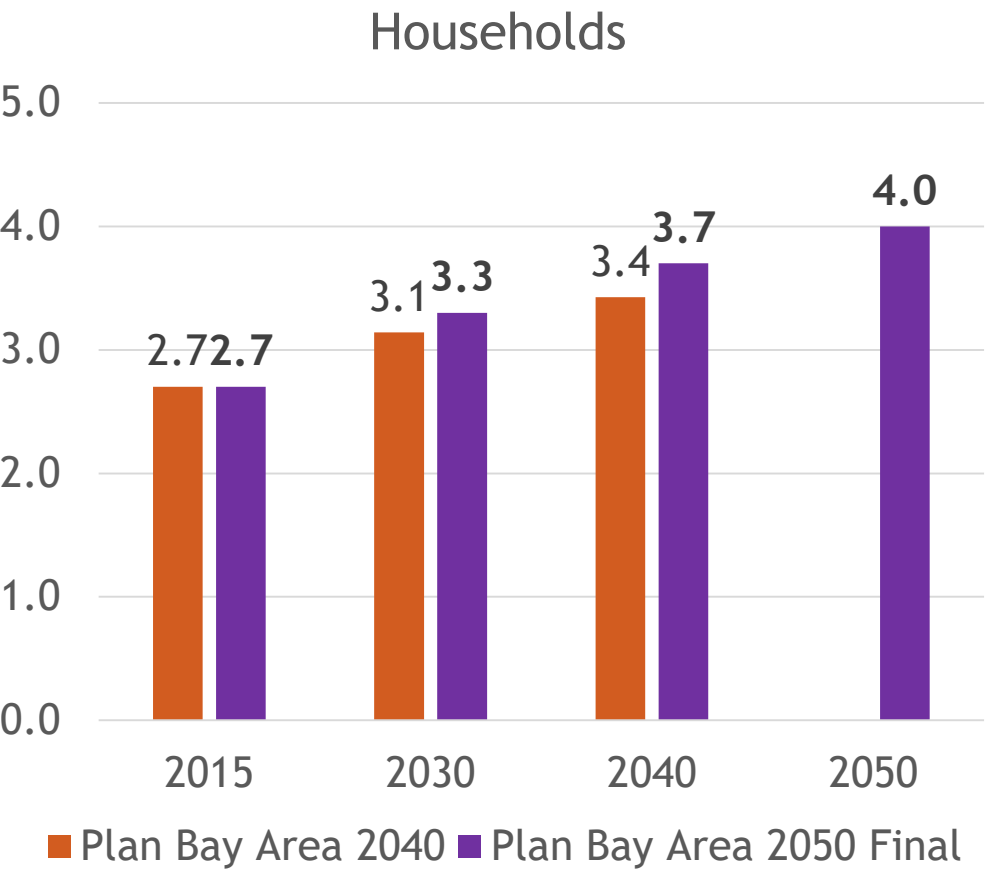
- In addition to the **integration of strategies**, as highlighted earlier, external forces beyond the region's control continue to evolve, affecting the region's trajectory in the coming decades.
- **The region's population growth is anticipated to grow more slowly** than previously forecasted due to declining Hispanic international migration and declining birth rates.
- **Robust regional employment growth between 2015 and 2020 has been integrated** into this forecast, establishing a higher baseline for future economic cycles.
- **The region is anticipated to continue to age more rapidly** in coming decades, subsequently yielding more households per capita (as older adults tend to have smaller household sizes).

# Final Regional Growth Forecast: Employment and Population



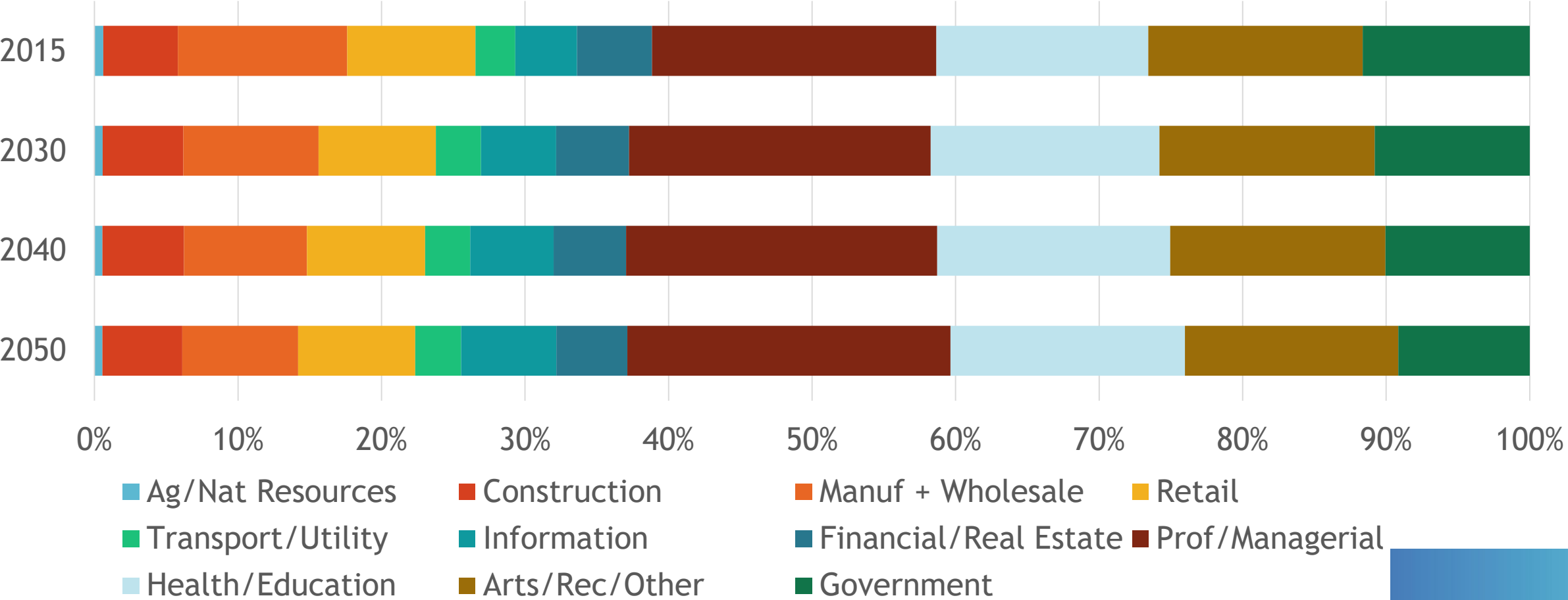


# Final Regional Growth Forecast: Households and Housing Units

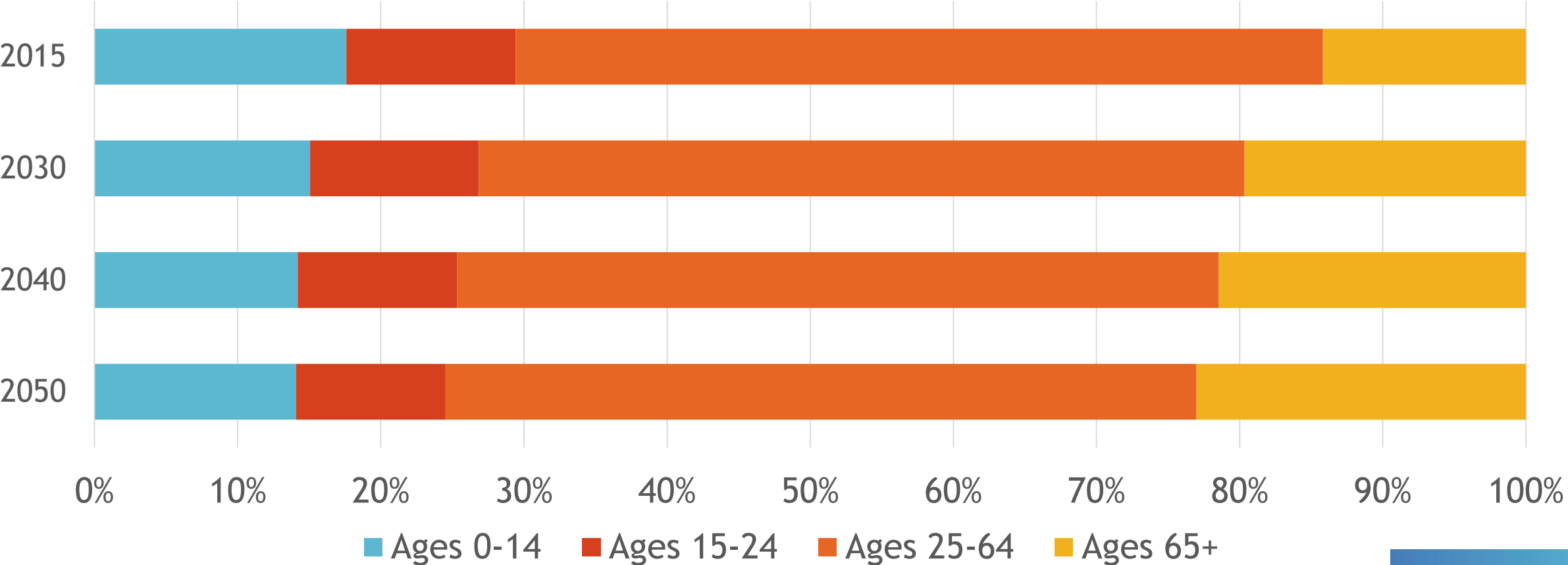


*Note: The Plan Bay Area 2050 housing unit counts are prepared to be consistent with the HCD's vacancy accounting, which is limited to stock listed for rent or sales, excluding seasonal, secondary and occasionally occupied units, as well as units held vacant for other reasons.*

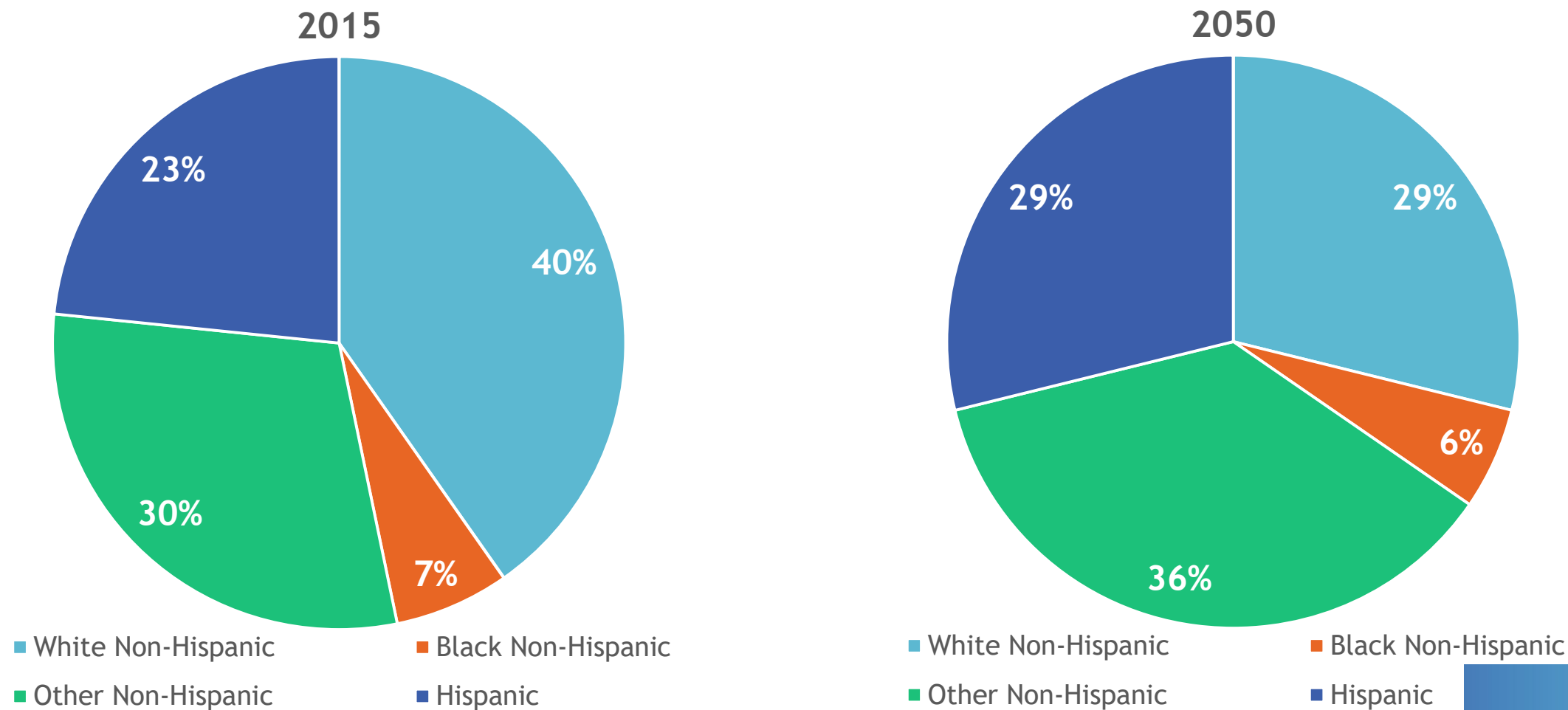
# Final Regional Growth Forecast: Employment by Industry



# Final Regional Growth Forecast: Population Age Distribution



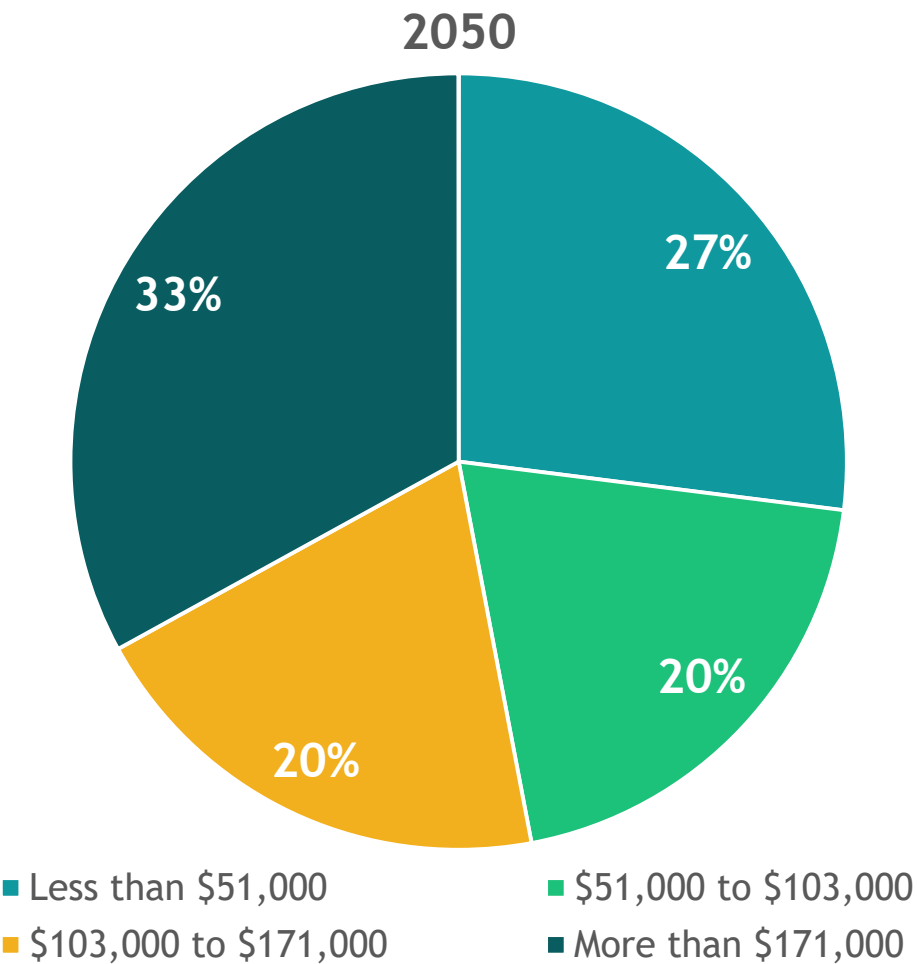
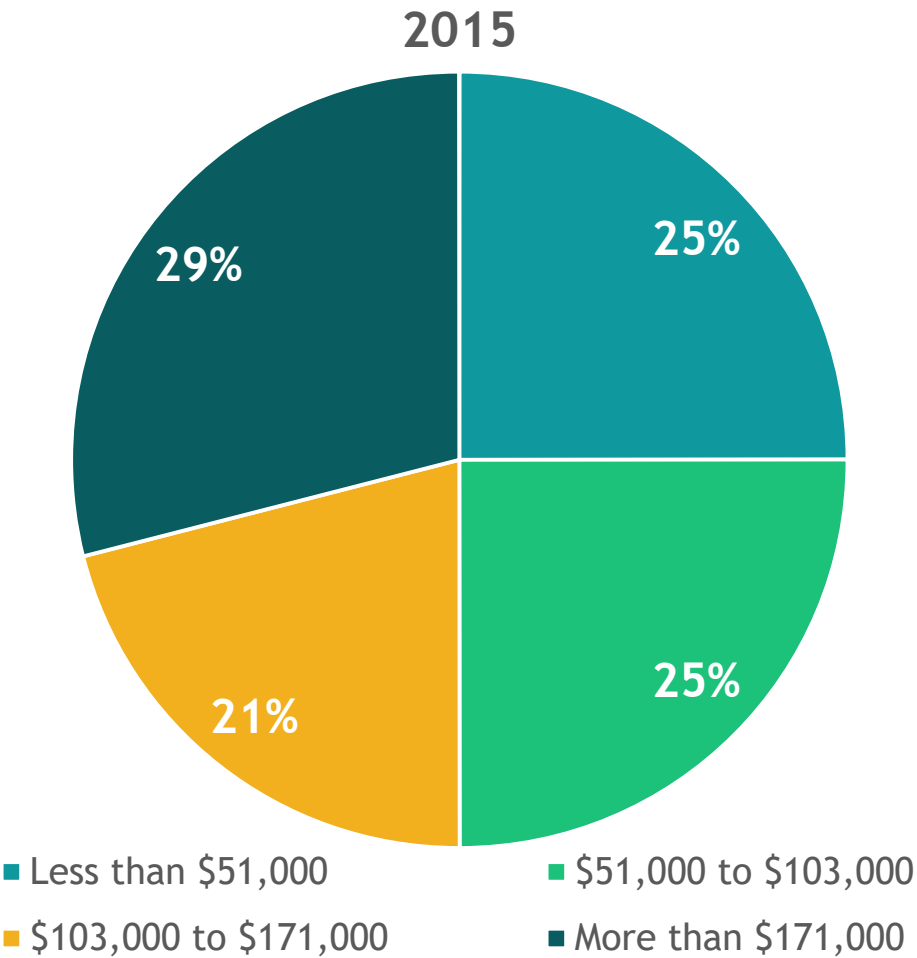
# Final Regional Growth Forecast: Population Race/Ethnicity Distribution



**Other Non-Hispanic includes:** individuals that are Asian-American, Native American, or Pacific Islander, as well as those of two or more races. 16



# Final Regional Growth Forecast: Household Income Distribution

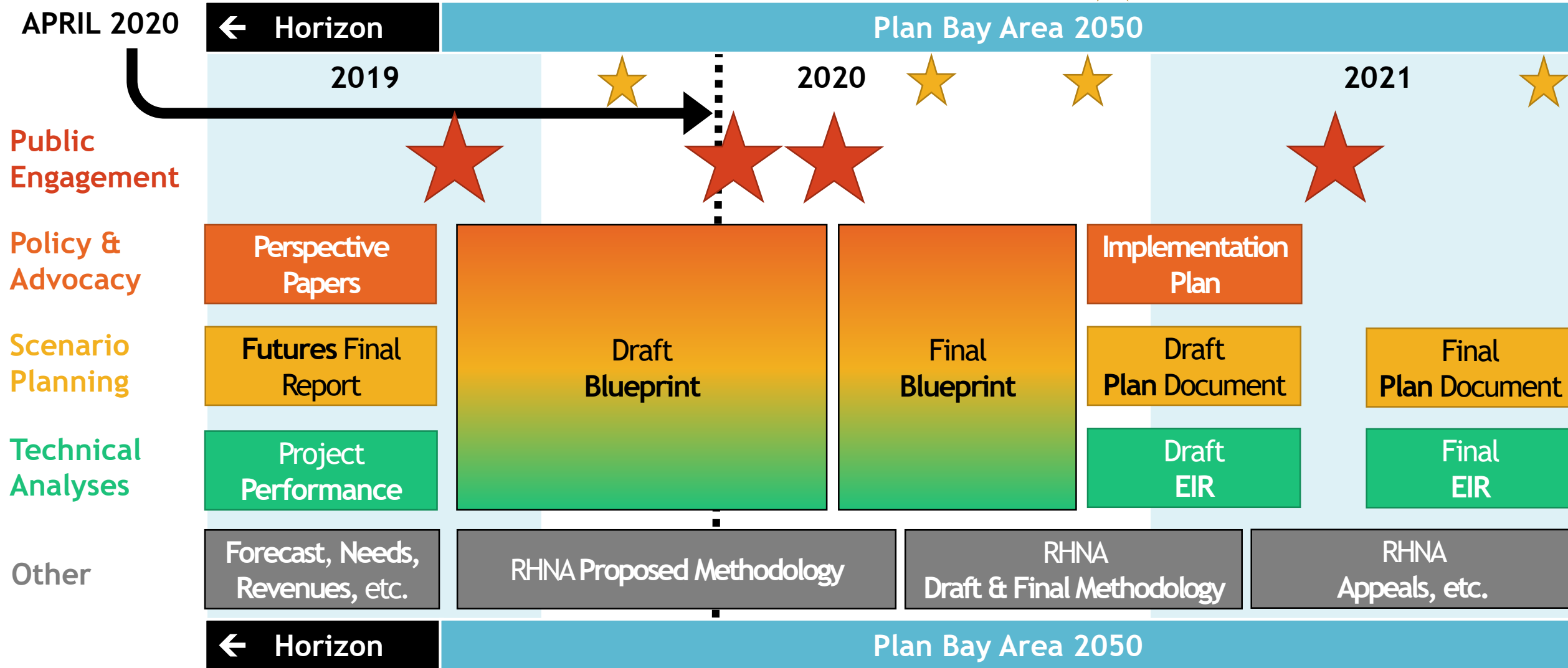


Values are shown in year 2019 dollars and have been rounded to the nearest thousand.

# What's Next?

## Integration into the Blueprint Phase

★ = Major Policy Board Decisions



# What's Next?

## Nexus with RHNA Consultation

### 1 OF 3 KEY RHNA-PLAN CONNECTIONS

Key assumptions from the Plan's Regional Growth Forecast should be provided to the state during the RHND consultation process<sup>1</sup>.

• However, the state is not required to integrate Council of Governments input on population growth estimates unless that total regional population forecast for the projection year is within  $\pm 1.5$  percent of the state's own forecast for the Bay Area.

- In order to receive the Regional Housing Need Determination (RHND) for the ongoing RHNA process, **staff must submit Plan Bay Area 2050's Final Regional Growth Forecast to HCD for their consideration.**
- However, as the Final Regional Growth Forecast is not within the narrow 1.5 percent range identified above, **staff anticipates that the state will likely use the Department of Finance's population forecasts for the Bay Area as an input to the RHND calculation.**
- Following submission of consultation materials, including the Final Regional Growth Forecast, **the Bay Area will receive its RHND for RHNA Cycle 6 later this spring.** Should the Board wish to appeal the RHND, there is a 30-day window to do so.

1. California Government Code 65584.01(a)