



Date: April 14, 2010
To: Regional Advisory Working Group
From: Paul Fassinger, ABAG
Subject: **The 2040 Growth Forecast in the Context of the SCS**

Summary

One of the first steps in identifying a Sustainable Communities Strategy that meets the requirements of SB 375 is to produce a growth forecast for the Bay Area to the year 2040. SB375 requires a number of changes to the region's land use forecasts. This memo describes these new requirements, which include: housing the region's entire population by income category; identifying the density and intensity of land use; forecasting alternatives; and consistency between the forecast and the Regional Housing Needs Allocation.

About the Regional Forecast

Since 1973, the Association of Bay Area Governments (ABAG) has been preparing a long-range economic and demographic forecast, known as *Projections*. The forecast is updated every two years and includes estimates of population, housing and jobs for the entire nine-county San Francisco Bay Area. Data is produced for the region, counties, subregional study areas, priority development areas, cities, and census tracts. Forecast data is available in five-year increments, over a thirty year time horizon.

The Forecast and the Sustainable Communities Strategy

Senate Bill 375 (Steinberg) mandates that the California Air Resources Board (CARB) develop regional reduction targets for greenhouse gas emissions for the years 2020 and 2035. The law also calls for California's 18 Metropolitan Planning Organizations (MPOs) to create a "Sustainable Communities Strategy" (SCS) that could achieve the GHG reduction targets. Specifically, the Sustainable Communities Strategy must:

- Identify the general location of uses, residential densities, and building intensities within the region;
- Identify areas within the region, over the 25 year planning period of the RTP, sufficient to house all the population of the region;
- Identify areas within the region sufficient to house an eight-year projection of the region's housing need;
- Identify a transportation network to service the transportation needs of the region;
- Gather and consider information regarding resource areas and farmland in the region;
- Set forth a forecasted development pattern, which, when integrated with the transportation network, and other transportation measures and policies, will reduce greenhouse gas emissions from automobiles and light trucks; and
- Quantify the reduction in greenhouse gas emissions projected to be achieved by the SCS.

The development pattern described in the SCS needs to comply with federal law, which requires that "the assumptions used to forecast future conditions must be based on the latest available information," including information from local general plans and sphere of influence boundaries. The SCS is also to be

a financially constrained plan, meaning all transportation projects within the RTP must be within the 25 year estimate of funds available.

New Requirements of the 2040 Growth Forecast

As described above, the SCS speaks directly to the region's land use forecast. However, the law requires that the forecast evolve from a simple projection of land uses by census tract, into a more detailed assessment of where and how growth may occur in order to meet specific policy objectives, i.e. to reduce GHG and to house the region's total housing need, as generated by employment and natural population increase. These new requirements, and their implications for the forecast, are described below.

House all of Region's Population

Senate Bill 375 requires that each metropolitan region in the state prepare a Sustainable Communities Strategy that demonstrates how all economic segments of the region's population may be accommodated, over the next twenty-five years. The strategy must "identify areas within the region sufficient to house all the population of the region, including all economic segments of the population, over the course of the planning period of the regional transportation plan taking into account net migration into the region, population growth, household formation and employment growth." (Senate Bill 375)

The Bay Area regional agencies, as well as the State Department of Housing and Community Development, interpret this requirement to mean that the region must plan for housing sufficient to meet total new demand, as generated by natural population increase, household formation and employment growth. In other words, the SCS can not allow for displacement, that we must demonstrate how all of the region's growth in housing demand can be met within our borders, not by surrounding counties via "spill-over" demand.

This requirement marks a fundamental change in how our region and surrounding communities have been planned and developed over the last several decades. Over the last 30 years, surrounding counties have been planning and building homes for Bay Area workers. In preparing the forecast, we assume that there will continue to be a regional imbalance of jobs and housing, resulting in a net in-commute into the region. To assume no increase in in-commuting means assuming that enough additional housing will be built in the Bay Area, more than current local land use policies allow. Considering that the forecast must be a realistic assessment of local land use plans, we must also assume that local governments will modify their current plans to allow for more housing to be built. Considering that most local plans do not extend to the year 2040, we will also have to make assumptions regarding what a local plan would allow for in 2040, were such a plan year horizon to exist.

Determine Total Regional Housing Demand for Year 2040

One of the first steps in the SCS process will be to discuss with our partners what the region's total housing demand is estimated to be for 2040. Having a total housing demand figure early in the process will allow us to better plan how these units can be accommodated within the region. It is anticipated that we will start with a "base" forecast, one that mirrors our most recent forecast, *Projections 2009*. We will update *Projections 2009* with current economic and demographic data. The updated forecast will include assumptions about continued growth in in-commuting. The base case would also assume that some local land use plans will be modified over the next 25 years to accommodate more housing than current plans allow. However, in the base case, these anticipated changes to local plans will not be assumed to be sufficient to meet all of the region's housing demand.

We will work with the RAWG and our other partners to prepare the 2040 forecast and total housing demand number. The base case will serve as a starting point for discussions. Regional agency staff will provide information regarding total projected "in-commuters" and how that relates to employment and

households. Our objective is to reach some level of consensus on a housing demand goal for the 25 year SCS period by the end of the year.

Forecast Density and Intensity of Use

In addition to identifying areas within the region sufficient to house all of the region's population, in preparing the SCS, the region must also "identify the general location of uses, residential densities, and building intensities within the region." Traditionally, the greatest level of detail available through the forecast has been general land use categories, e.g. jobs by five industry categories and residential uses, by census tract and traffic analysis zone.

For the SCS, average residential densities can be calculated for either census tracts or traffic analysis zones. Building intensities is interpreted to mean floor area ratios. To estimate building intensities, we may consider information regarding existing jobs and required floor space by industry category. These and other ideas will be brought before the RAWG for discussion during the development of the SCS.

Prepare Alternative Scenarios

Before SB 375, preparing alternative investment strategies and land use scenarios and testing them against targets has been purely voluntarily. With SB 375, this process has become virtually mandated, for alternative planning strategies are what allow regional and local decision makers to see how various policy decisions may affect VMT, GHGs and other targets.

For Projections 2009, eight metrics were used to gauge regional performance, including vehicle miles traveled, particulate matter (both coarse and fine) traffic congestion, development of greenfields, access to transit and share of income spent on both housing and transportation costs. Once the targets were established, a minimum of two land use scenarios were developed and then tested to determine their sensitivity to each of the targets. One scenario was designed to be mostly consistent with city and county general plans; with some soft assumptions regarding additional housing being built in the inner Bay Area and at infill locations near transit, than current-term local plans anticipate. A second, more aggressive, scenario emphasized further infill development. Changing the land-use policy assumptions that go into the regional forecasting model in this way results in fewer vehicle miles traveled (VMT) per household and per job. Lower VMT then directly impacts virtually all of the other performance targets, including CO₂ emissions, congestion, and particulate matter. For the SCS, we plan to work closely with the RAWG to determine how exactly the alternative land use scenarios are constructed.

The 2040 Forecast & the Regional Housing Needs Allocation

Starting in the 1980s, ABAG has been periodically required to allocate a state-determined assessment of regional housing need to each of the 109 local-government jurisdictions in the Bay Area. Each jurisdiction is then required to update the housing element in its general plan to accommodate its allocation of needed housing units. The needed units are further subdivided into four affordability categories: very low, low, moderate, and market-rate. Local housing elements must plan for each category.

In 2008, state housing law was amended to require that the Regional Housing Need Allocation and the Sustainable Communities Strategy be consistent with one another. The RHNA must follow the development pattern specified in the SCS (i.e. the regional forecast); and the SCS must respect the state-mandated allocation criteria that guide the RHNA. A new RHNA will now be required every eight years, with every second SCS and RTP. The RHNA will be adopted by ABAG at about the same time as MTC adopts the RTP, and local governments will have eighteen months from the adoption of the RTP to update their housing elements. Specific zoning to implement the elements must follow three years later.