METROPOLITAN
TRANSPORTATION
COMMISSION

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Memorandum

TO: Policy Advisory Council DATE: March 4, 2015

FR: Cynthia Kroll, ABAG and Kristen Carnarius, MTC

RE: State of the Region Report and Vital Signs Initiative (Phase 2: Land, People, and Economy)

To support implementation of Plan Bay Area, MTC and ABAG are working together to better track progress towards regional goals and current trends. These new initiatives include the 2015 State of the Region report and the Vital Signs performance monitoring initiative. On March 6th, 2015, ABAG will hold a symposium to release the State of the Region report, which provides data and analysis to serve as a baseline for the jobs and population forecasts for the 2017 Plan Bay Area Update. The State of the Region report highlights a number of economic and demographic indicators, delving into regional conditions in recent years. In the coming weeks, MTC will launch the next phases of the Vital Signs performance monitoring initiative, focused on Land, People, and the Economy. The transportation element of Vital Signs was released in January (www.vitalsigns.mtc.ca.gov). As a cross-cutting regional monitoring website, Vital Signs seeks to inform policymakers and the public about a broad spectrum of measures, providing both historical context and localized data. Taken together, the State of the Region Report and the latest phases of Vital Signs provide an in-depth look at how the region has changed from the past, what it is like today, and what challenges we face going forward.

The State of the Region – Overview and Key Findings

The State of the Region report provides an evaluation of trends and an understanding of current economic conditions in the nine-county San Francisco Bay Area. The report includes an introduction, four major sections describing the regional overview, economic conditions, the changing population base, and the housing market, and a concluding section. The report will be available as a printed document, in pdf form, and through an interactive website where readers can choose to focus on smaller sections of the study. Both the report and website provide links to MTC's Vital Signs site for readers who seek more detailed data. Some key findings of the report are highlighted below:

- Recent growth patterns confirm once again the region's resilience in recovering from challenging economic conditions. As of late 2014, employment has surpassed not only the peak of the housing boom but also the higher peak of the earlier dot-com boom.
- Despite strong region-wide growth in total personal income and declining unemployment rates, at a household level, incomes are below previous levels in inflation adjusted terms, and income distribution has become less equitable.
- Since 2010, population growth has centered more in urban areas compared to the two previous decades.
- Looking at population growth by age groups, all of the population increase since 2000 has been of people over 50.

- Housing construction has lagged population and employment growth, leading to larger household sizes and higher rents and home prices. While the bursting of the housing bubble and low interest rates has improved overall affordability for homeowners in terms of monthly costs as a percent of income, the number of cost burdened renters is rising.
- Challenges facing the region going forward include the volatility that accompanies innovation-driven growth, uneven wage and employment opportunities in different industries and occupations, and the perennial problem of providing housing affordable to households with a wide range of earnings in locations that minimize travel requirements.

The symposium announcement and executive summary for the State of the Region report are included in **Attachments A and B**.

Vital Signs Phase 2 Releases: Land, People, and Economy

MTC's new performance monitoring initiative, Vital Signs, builds upon the performance measures incorporated in Plan Bay Area. Working together with regional partners, Vital Signs is tracking performance for key goals related to transportation, land & people, the economy, and the environment. Equity issues are cross-cutting and are therefore included within each of the four performance areas.

Later this month, MTC will release Vital Signs: Land & People, which will highlight population, employment, housing unit permits, and greenfield development trends. In April 2015, MTC will release Vital Signs: Economy, which includes measures related to job creation, income, labor force, housing costs, poverty, economic output, and freight activity. The Vital Signs: Environment data will be released later this Spring/Summer. A full list of monitoring measures is included in **Attachment C**.

Next Steps
ABAG's State of the Region report will be posted at http://reports.abag.ca.gov/sotr/2015/. Some of the online charts will be interactive, showing additional data and relationships among factors. Additional supplemental material may be added over the course of the Plan update as ABAG's Planning and Research Department conducts further analysis as background for the forecast. MTC staff will return to the Council in June with key findings related to Phase 3 of the Vital Signs initiative (Environment). Staff will also present policy recommendations based on the broad suite of performance data gathered for the Vital Signs project as part of the Plan Bay Area Update. The interactive performance monitoring portal will be updated on a regular basis going forward to ensure that the public has access to regional performance data.

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March 6, 2015 | 8:30am to 12:00pm
MetroCenter Auditorium, 101 Eighth Street, Oakland

8:30am **Registration**

8:45am **Introduction**
Miriam Chion, ABAG Planning and Research Director

9:00am **Summary of the State of the Region**
Cynthia Kroll, ABAG Chief Economist

9:30am **Progress on Housing Goals?**
Russell Hancock, Moderator, Executive Director, Joint Venture Silicon Valley
Lisa Feldstein, Adjunct Associate Professor, San Francisco State University
Carol Galante, Professor, UC Berkeley Program on Housing
Luis Granados, Executive Director, Mission Economic Development Agency
Meea Kang, President, Domus Development LLC

10:30am **Break**

10:45am **Economy: Strength and Consequences**
Amit Ghosh, Moderator, Retired Chief Planner, City and County of San Francisco
Lia Bolden, Data Specialist, US Census Bureau
Cindy Chavez, Supervisor, County of Santa Clara
Terri Griffith, Professor, Santa Clara University
Egon Terplan, Regional Planning Director, SPUR

11:45am **Conclusion**
Cynthia Kroll

CM | **3** Credits Pending

Register at http://reports.abag.ca.gov/sotr/2015/

SAN FRANCISCO BAY AREA

STATE OF THE REGION

ECONOMY
POPULATION
HOUSING
2015

Association of Bay Area Governments

Foreword

This analysis was produced with support from the Association of Bay Area Governments (ABAG) member towns, cities, and counties. The report is intended to provide an evaluation of trends and an understanding of current economic conditions in the nine-county San Francisco Bay Area. The study has been completed at a time when many new resources exist for tracking the economy, including a website designed and hosted by the Metropolitan Transportation Commission (MTC) called Vital Signs, which provides snapshots of trends for a wide range of indicators. Building from these valuable resources, the State of the Region synthesizes information from economic, demographic, and land use indicators to assess how the region is changing and to what degree current strategies toward urban infill are being put into effect and to identify challenges that could be addressed in the regional context to meet the requirements for a sustainable communities strategy for the Bay Area. More detailed information on many of these indicators is available through links on the website hosting this report http://reports.abag.ca.gov/sotr/2015 and on the Vital Signs website at http://www.vitalsigns.mtc.ca.gov.

Our special thanks to Kristen Carnarius, David Vautin and Ken Kirkey of MTC, to Stephen Levy of the Center for the Continuing Study of the California Economy, and to Egon Terplan of SPUR for their careful review of all or parts of this document.

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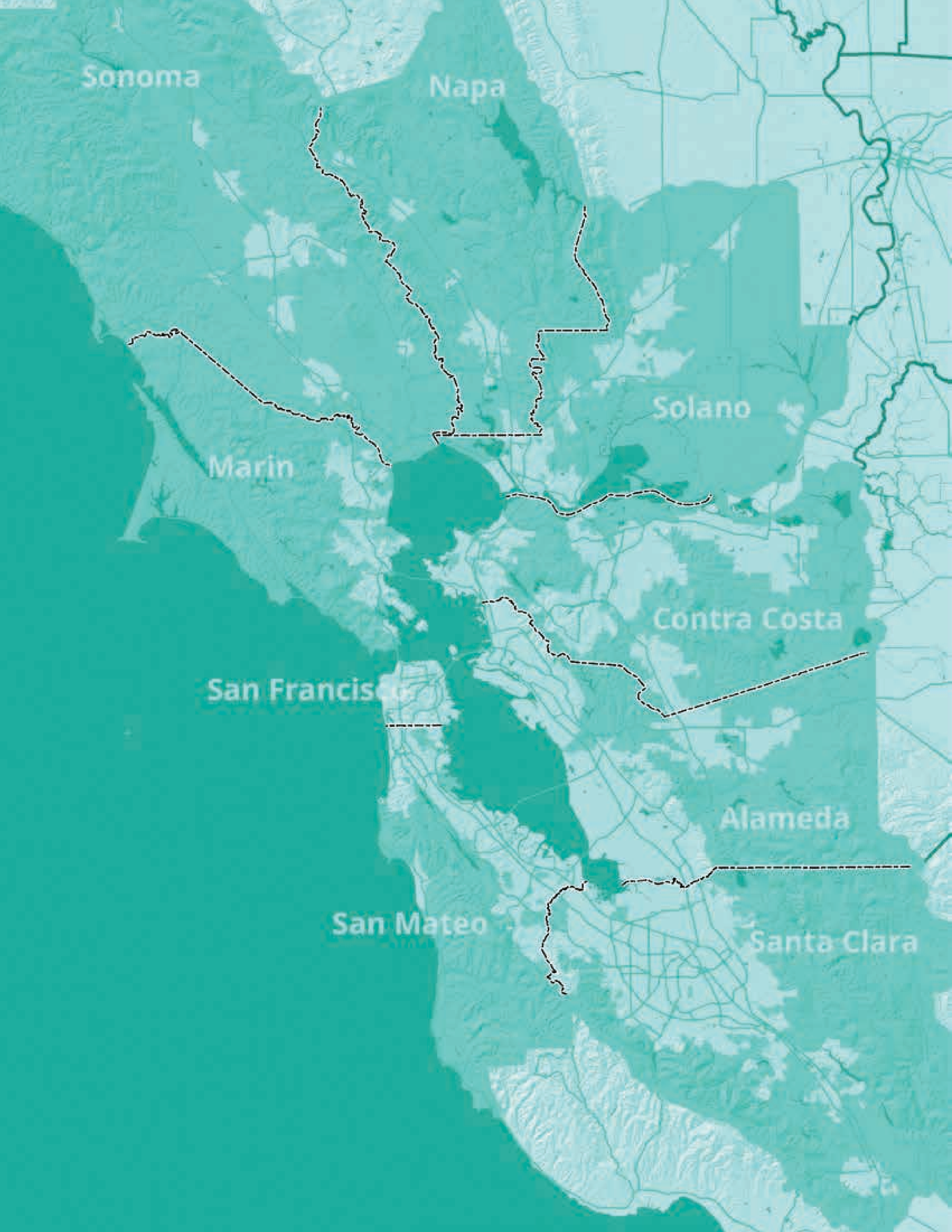
Sonoma
Napa
Solano
Marin
Contra Costa
San Francisco
Alameda
San Mateo
Santa Clara

Executive Summary

State of the Region 2015: Economy, Population, Housing

This report examines present conditions in the nine-county San Francisco Bay Area in the context of historic trends and expectations for the future. The report describes the recovery of the economy and identifies driving factors influencing industry expansion, employment opportunities, and income consequences throughout the region. A shifting population is the theme of an analysis of changing demographics generated by continuing foreign immigration, revitalized in-migration of workers seeking opportunities in the region's expanding economy, and a baby-boom population moving into retirement years. A close look at recent housing trends and housing policy shows a shift in the balance of growth from single to multifamily dwellings and from suburban and rural to urban job centers.[1]

The report consists of an introduction, four main sections addressing the regional overview, the economy, the population base, and the housing market, and a concluding section.

[1] *While some of the discussion in this report takes a long term historic context, most focuses on more recent trends. For data on longer term historic trends, visit the MTC Vital Signs web site at http://www.vitalsigns.mtc.ca.gov.*

Section 1: A Strong Recovery in the Region

The first section sets the framework of recent history and expectations. With a 9.8 percent increase in employment and 10.7 percent increase in gross regional product between 2010 and 2013, the Bay Area has outpaced both California and the US in job recovery and expanding output. Population growth has been more moderate, at 3.8 percent between April 2010 and January 2014, while the housing stock has expanded by only 1.4 percent. The sections that follow explain these short term trends in context to help shape longer term expectations.

Section 2: The Economy: Strengths and Consequences

By spring of 2013, the region had regained all of the jobs lost in the 2007 to 2009 recession, while estimates indicate that the jobs lost since the higher peak in 2000 were finally regained by the end of 2014. This rebound has spread unevenly throughout the region, with counties as diverse as San Francisco and Napa each having passed the two previous peaks in employment.

The other seven counties remain below previous peaks, although they are rapidly approaching full recovery. Long term industrial shifts continue, with steady growth occurring in health, social services and education, and leisure and hospitality, resumption of boom growth after a period of volatility in professional and business services and information, and a leveling off of declines in manufacturing employment and financial services. San Francisco has taken the largest share of new professional and technical jobs, Santa Clara the largest share of new information jobs, while the bulk of health and social service and accommodation and food job growth is distribute evenly between San Francisco, the South Bay, and the East Bay.

In all, much of the new growth has gone to sectors and locations that already are areas of competitive advantage for the region. The three fastest growing major occupation categories—computer and mathematical, food preparation, and sales and related occupations—reflect the combination of highly technical, distributive and local serving industry expansion.

Labor force participation—close to 67 percent—is higher than the average for the state or nation, and has ceased its decline from the 2009 peak. The region has a highly educated workforce, and shows signs this high education level will continue well into the future. The majority of the adult age groupings have seen growth in the share that are college educated, and most of the younger adult age groups are better educated than the next older population group. Total personal income growth (the change in the sum of all income across the entire population) has been strong in the region, although, adjusting for inflation, household incomes remain below their 2007 peak, and in six counties remain at or below 1990 levels. The number of jobs in higher wage occupations is growing more quickly than low wage or middle income jobs, while many occupational categories—whether high, middle or low wage—continue to have wages below their 2010 levels. With these trends, the Bay Area is moving in concert with other parts of the nation in seeing rising income inequality.

Section 3: A Diverse and Changing Population

The region's rate of population growth is rebounding from low levels in the previous decade, but remains far below the experience of the 1990s. The character of population growth has changed in several ways, including the location of growth, age composition of the population, and ethnic makeup. The location of growth has shifted from concentrating in the suburban and rural counties in the 1990s and 2000s to focusing on the more urban counties since 2010. Santa Clara, Alameda, and San Francisco counties, the three largest counties in the region, had the fastest rate of population growth between 2010 and 2014, with over one third of the region's population increase occurring in the cities of San Jose, San Francisco, and Oakland. However, Contra Costa County exceeded San Francisco in the number of households added, suggesting a very different age and family composition between the two counties.

Aging is happening unevenly throughout the region. San Francisco is the only one of the nine counties with a decrease in the share of population over 65, while the share is rising steadily in the other eight counties. The median age has dropped since 2007 in San Francisco, Santa Clara, Alameda, and San Mateo counties, but is increasing in the North Bay counties. Marin County has the oldest and most rapidly aging population. The region's population is also diversifying. The share of the population that is non-Hispanic white has dropped from being a majority in 2000 to 41 percent in 2013. The non-Hispanic Asian population has overtaken the Hispanic population as the most rapidly expanding population group. The larger counties with the more urban job centers have significantly higher shares of foreign born residents than the smaller and more suburban counties. The region's growth patterns are further changing with the stronger economy, as fewer people leave the region and more move into the region.

Section 4: Gauging Progress on Housing Goals

Although new housing production has lagged behind population and job growth, new construction and building permits are focusing more on existing job centers than in the recent past, and multifamily units are a growing proportion of new stock. The region's housing stock grew by less than 40,000 between 2010 and 2014, a far slower pace of growth than in the previous two decades. While the pace of construction has yet to reach that of the 2000's, the overall share of housing in the biggest cities has increased: During the 1990s, San Francisco and San Jose accounted for 22 percent of all units added; the following decade, the share was up to 28 percent, while for the period since 2010, the share had risen to 37 percent. Approximately 15,000 of the units added to the region since 2010 were single family homes, while over 23,000 were multifamily homes. This is a continuation of a steady increase in the multifamily share of new units from 1990 to the present. While single family units are still built predominately in the more suburban areas, multifamily construction is concentrated not only in the large urban job centers of San Jose, San Francisco, and Oakland, but also in areas that were historically suburban but have added major employment hubs, such as Dublin, Sunnyvale, Fremont, and San Ramon. These trends can be expected to continue in the near future, as reflected by the high share of building permits that are for multifamily projects.

A survey of planning departments shows a large share of new units are being permitted in priority development areas (PDAs), especially in the more urban parts of the region where the majority of new building permits have been issued.[2] The counties where the majority (or all) of new units have been permitted outside of PDAs are also counties with very small shares of new units permitted (Marin, Napa, and Solano). Using the Regional Housing Need Assessment Goals as a benchmark, only about one fourth of the region's needed production goals have been met for very low, low, and moderate income housing, compared to over 80 percent for above moderate income housing. The overall numbers are less than in the 1999 to 2006 period—not surprising when comparing two time periods divided into housing boom and bust. With the lag in housing construction and strong economic growth, housing affordability continues to be a major concern for the region. Renters have the highest levels of housing burden, higher rates of growth in housing burden, and greater levels of overcrowding, as measured with census data and using the HUD definition of more than 1.01 occupants per room. While affordability is predictably poor in San Francisco and Santa Clara counties, renter affordability is a challenge even in Alameda, Contra Costa, Marin, Napa, Solano and Sonoma counties, where more than 50 percent of households pay over 30 percent of their income on housing. Problems of homeowner affordability also show up in both urban and rural pockets throughout the region.

Conclusion: Prospects and Challenges

The San Francisco Bay Area has experienced a decisive economic recovery from the Great Recession (which officially went from fourth quarter 2007 through second quarter 2009) and is poised for expansion. Although employment growth since 2010 has far outpaced recent history or long term expectations, in fact by the end of 2014, the region had just

[2] *A priority development area (PDA) is a locally designated infill area with frequent transit service, where a jurisdiction has decided to concentrate most of its housing and jobs growth for development in the foreseeable future.*

returned to the employment peak of 2000 (the peak of the dot-com bubble). Population and labor force are growing more slowly, not needing to match the pace of employment change because many of the "new" jobs have been filled by existing residents. Nevertheless, household growth continues, increasing the demand for new housing units, while financing for new residential construction from either the private or public sectors is less readily available than in the previous decade.

The region's challenges continue to be related to the interplay of employment change, population shifts, and housing supply.

Key uncertainties include:

- A history of job change driven by innovative but volatile industries.
- Housing and location choices of a changing population: to what degree will an increasingly urban lifestyle be the choice for aging retirees as well as for today's young adults as they begin to form families?
- Meeting the housing needs for a wide spread of income groups: the concentration of occupation growth at both the low and high ends of the wage spectrum means the region will need housing affordable to households at multiple income levels.
- Whether new business centers and residential development will concentrate where transit services exist or can be provided.
- The effects of changing public resources and public policy on the ability of the region to meet the housing demands of growing population and labor force.

Association of Bay Area Governments Executive Board Leadership and Key Staff

Julie Pierce—ABAG President, Councilmember, City of Clayton

David Rabbitt—ABAG Vice President, Supervisor, County of Sonoma

Ezra Rapport—ABAG Executive Director

Brad Paul—ABAG Deputy Executive Director and Communications Director

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Hing Wong—Senior Regional Planner

Leah Zippert—Communications Officer

ABAG Publication #**P15001PRO**

Attachment C: Vital Signs Monitoring Measures

- **Phase 1A: Transportation** *(released in January 2015)*
    - Commute mode share by residential location
    - Commute mode share by employment location
    - Commute time by residential location
    - Commute time by employment location
    - Intraregional and interregional commute flows
    - Interregional traffic patterns at key points of entry
    - Minutes of freeway delay due to significant congestion
    - Share of freeway VMT in significantly congested conditions
    - Freeway buffer time index
    - Transit ridership by system and mode
    - Per-capita transit ridership by system and mode
    - Net cost per transit boarding by system and mode
    - Vehicle miles traveled
    - Per-capita vehicle miles traveled
    - Pavement condition index by jurisdiction and segment
    - Share of distressed highway lane-miles by jurisdiction and segment
    - Share of bridge deck area that is structurally deficient
    - Share of transit assets past their useful life by system and mode

- **Phase 1B: Land & People** *(slated for release in March 2015)*
    - Residential location by jurisdiction, geographic area, and PDA
    - Employment location by jurisdiction and geographic area
    - Housing permits by jurisdiction and by type of unit
    - Greenfield development by jurisdiction and by parcel

- **Phase 2A: Economy** *(slated for release in April 2015)*
    - Jobs and job creation by industry
    - Unemployment rate by industry
    - Household income distribution by residential location
    - Individual income distribution by employment location
    - Workforce participation by age
    - Median housing unit price by jurisdiction and by neighborhood
    - Mean rent by jurisdiction and by neighborhood
    - Share of income expended on housing by income level
    - Poverty rate by jurisdiction and by neighborhood
    - Gross regional product
    - Per-capita gross regional product
    - Freight activity in TEUs
    - Freight activity in tons
    - Freight activity in dollars

- **Phase 2B: Environment** *(slated for release in June 2015; preliminary measures)*
    - Fine particulate concentrations by sensor location
    - Coarse particulate concentrations by sensor location
    - Gasoline sales *(proxy for greenhouse gas emissions)*
    - Total traffic fatalities by mode and location

- Per-capita traffic fatalities by mode and location
- Per-VMT traffic fatalities by mode and location
- Total serious traffic injuries by mode and location
- Per-capita serious traffic injuries by mode and location
- Per-VMT serious traffic injuries by mode and location
- Regional growth in areas vulnerable to sea level rise
- Bay fill/restoration by jurisdiction

Tracking the Region's Progress: State of the Region and Vital Signs

Cynthia Kroll, ABAG Chief Economist

David Vautin, MTC Senior Planner

Kristen Carnarius, MTC Planner

Purpose of the Efforts

- State of the Region
  - Update on conditions as baseline for 2017 forecast
  - Interpretive overview of multiple indicators
- Vital Signs
  - Indicators for tracking change in the Bay Area
  - Long-term historic trends and annual updates
  - Details available down to neighborhood level
  - Comparison with other Metro Areas

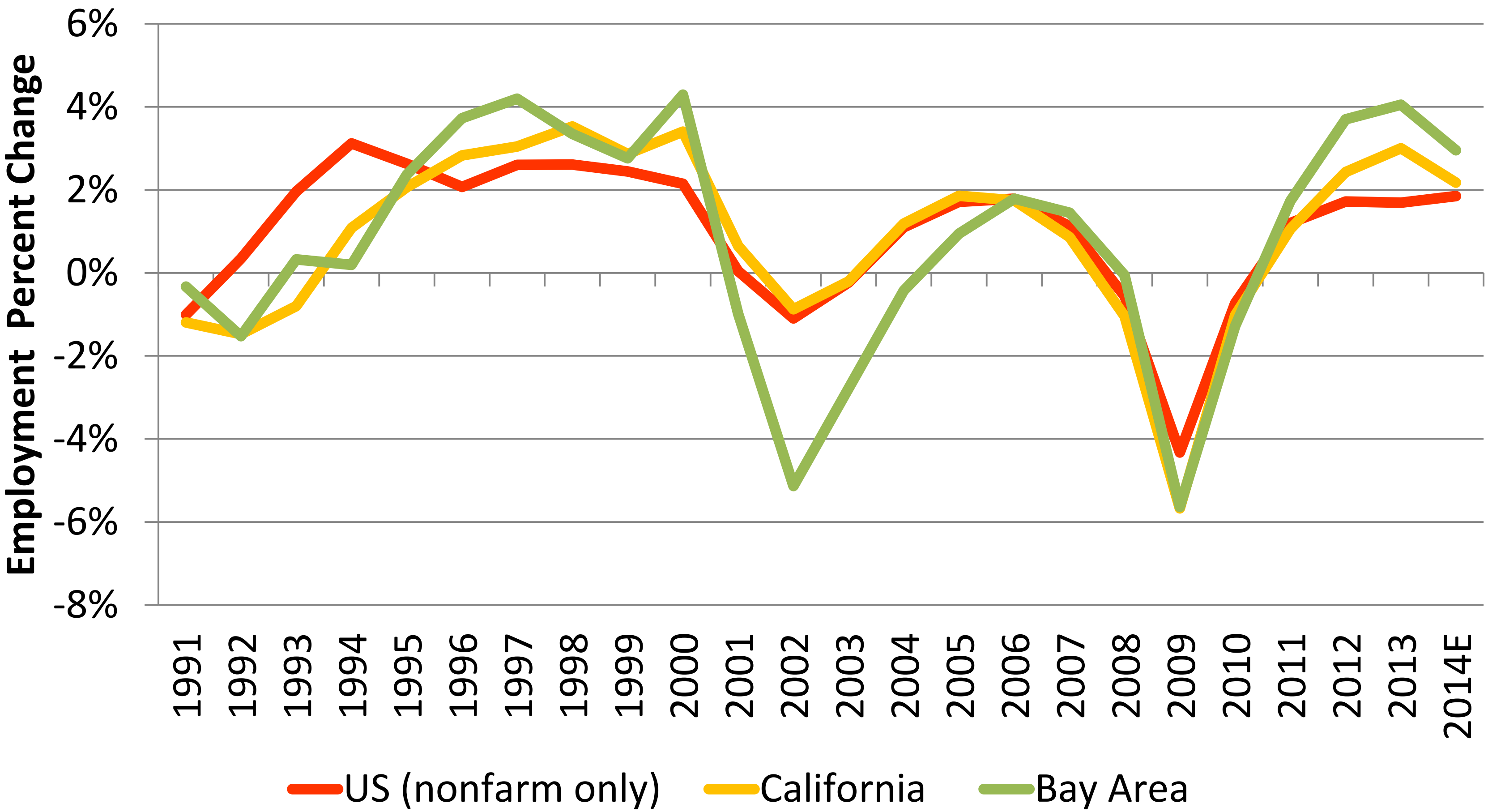
State of the Region 2015

- A strong recovery in the region
- The economy: strengths and consequences
- A diverse and changing population
- Gauging progress on housing goals

A Strong Recovery

- Region employment and output outpace US and California
- Reaching full employment recovery from the 2001 recession
- Employment growing faster than population
- Population growing faster than housing units

A Strong Recovery
Region Outpaces US and California



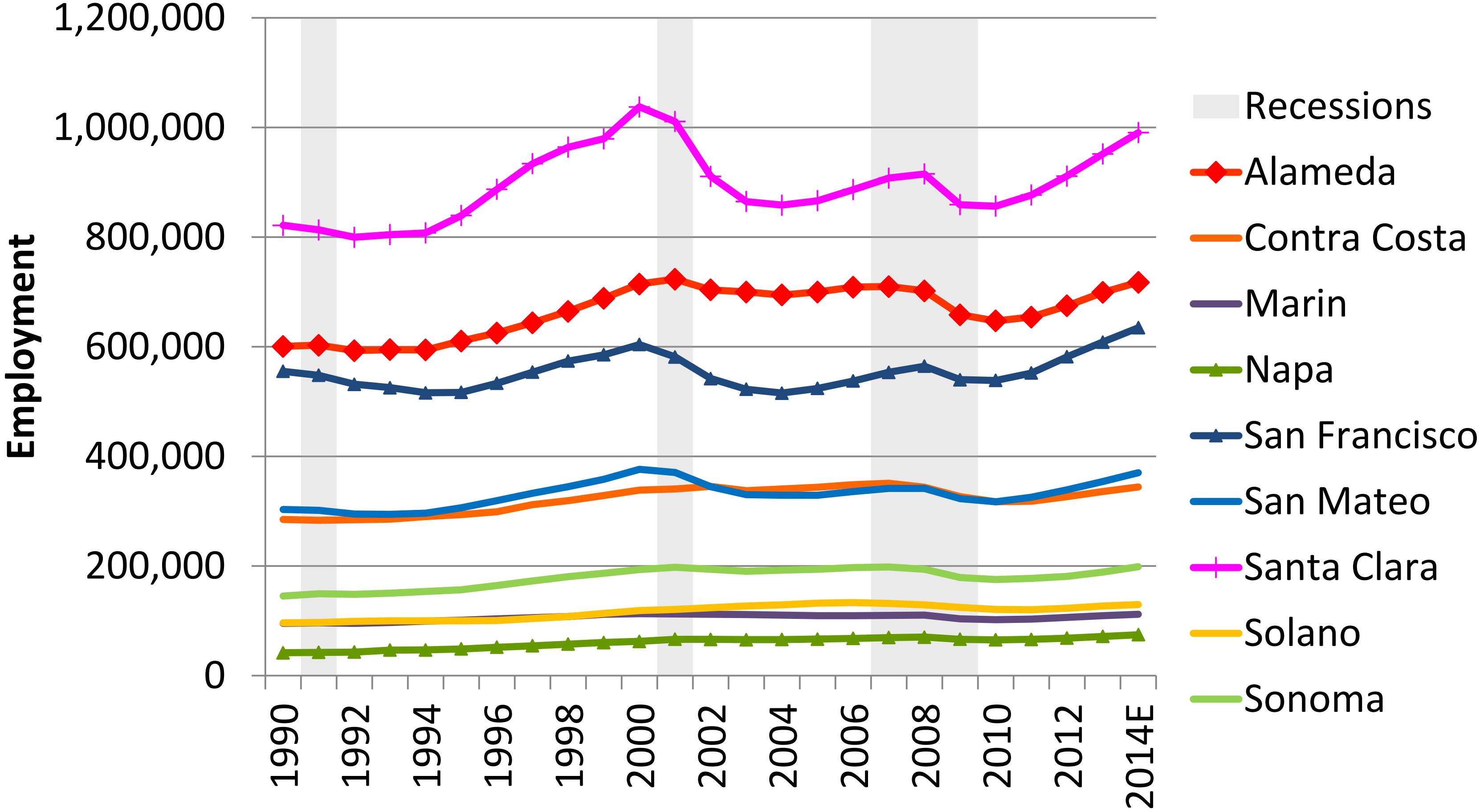
State of the Region 2015

ABAG from EDD data

The Economy

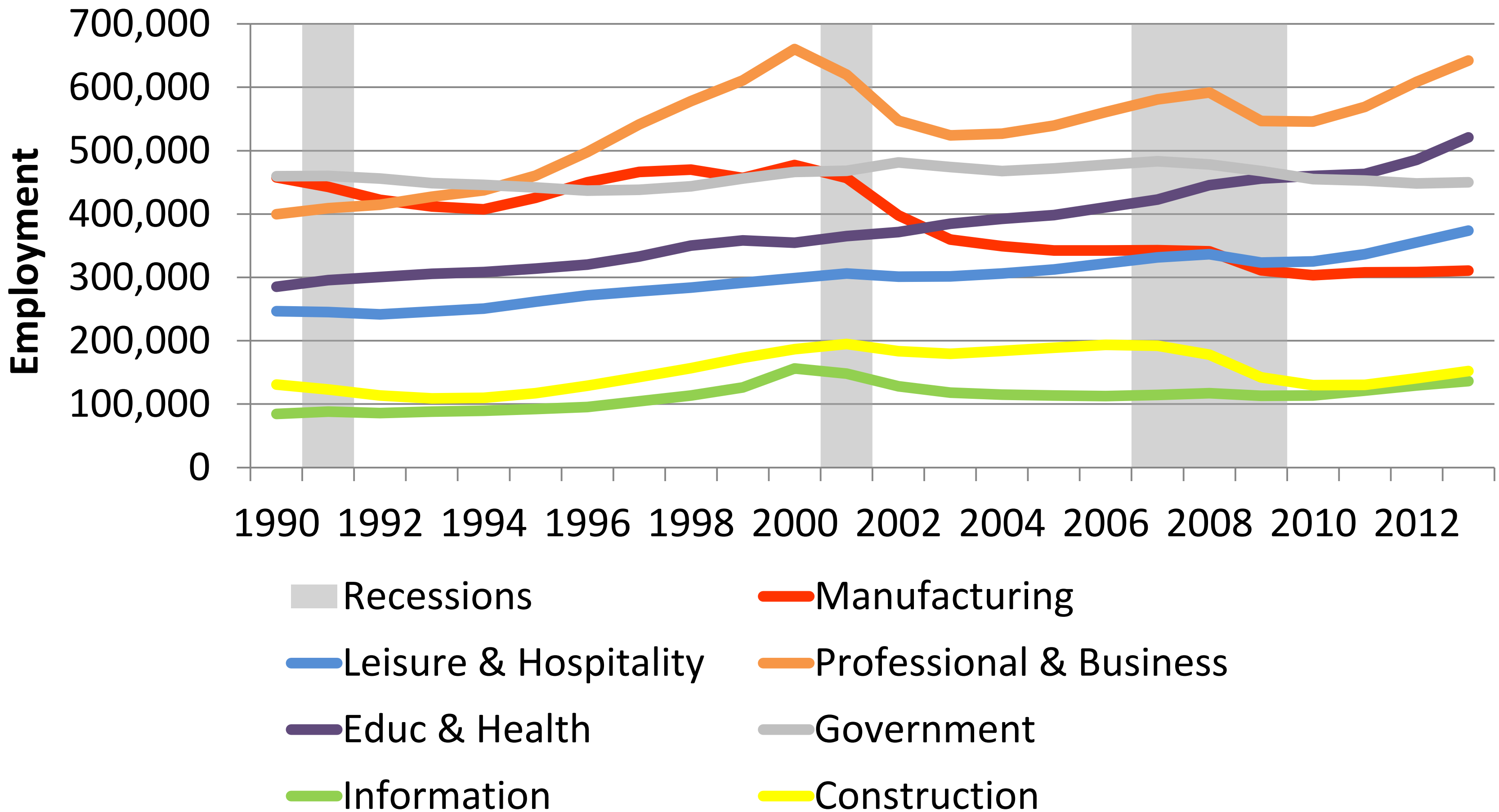
- Counties recover at different rates
- Diverse mix of industries lead growth
  - Health and social services
  - Professional and business services
  - Information
  - Accommodations and food
- Labor force participation is rising
- But inflation-adjusted household incomes have declined, especially for middle and low income households

Economy
Some Counties Have Fully Recovered



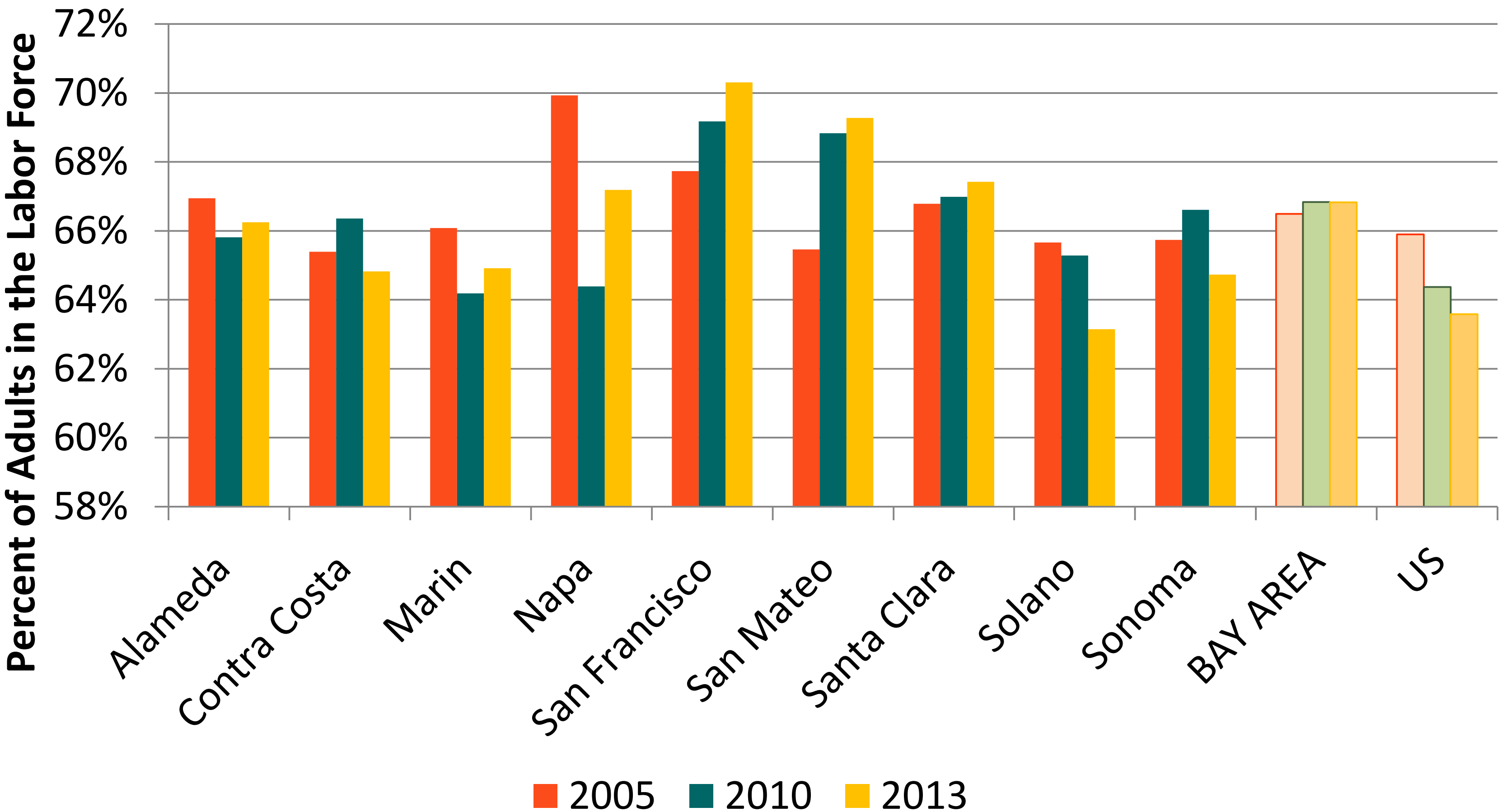
ABAG from EDD data

Economy
Industry Strengths and Shifts



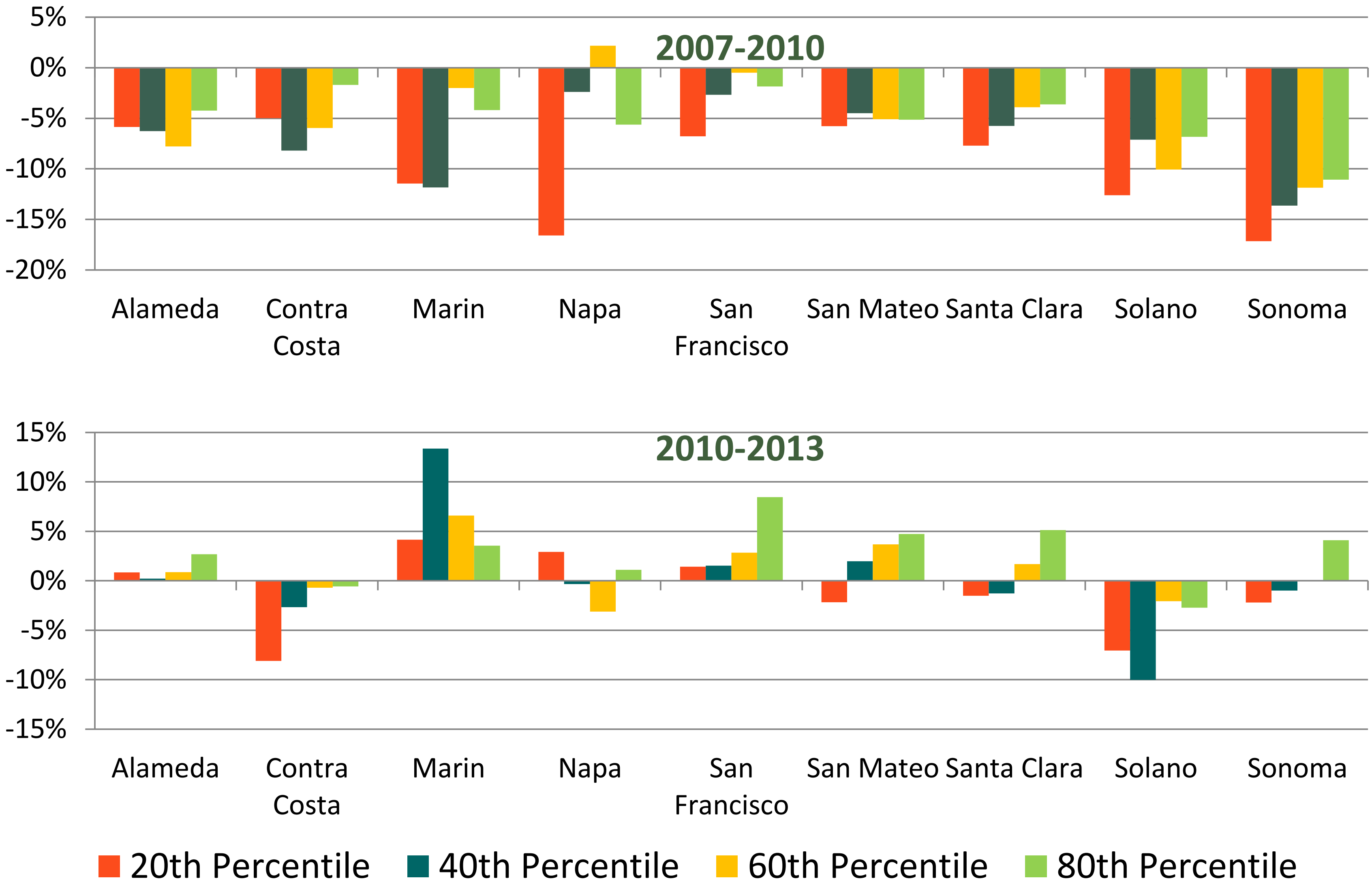
ABAG from EDD data

The Economy
Bay Area Workers in the Labor Force



ABAG from US Census ACS data

Economy: Uneven Income Recovery



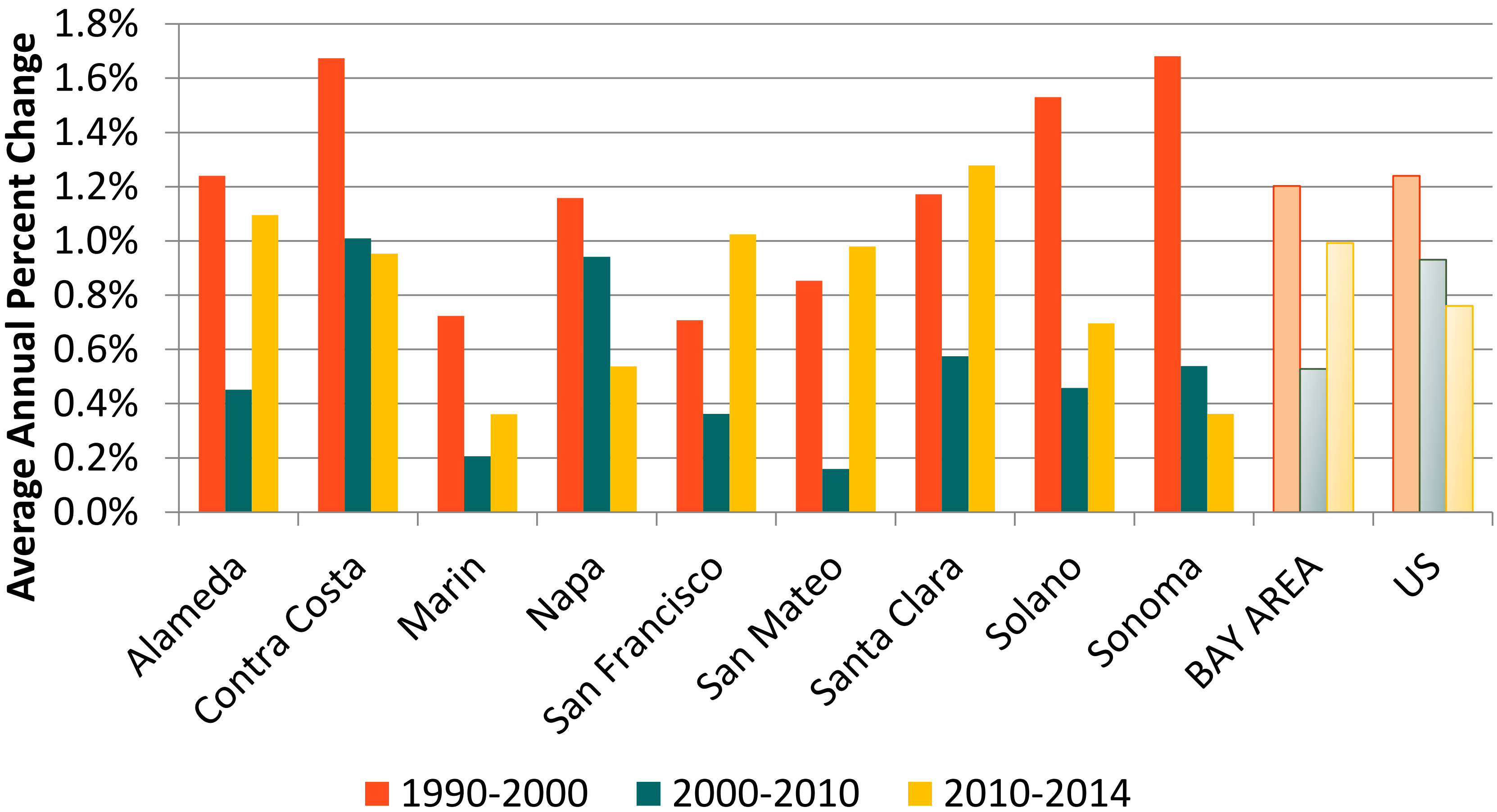
State of the Region 2015

ABAG from US Census ACS data

Population

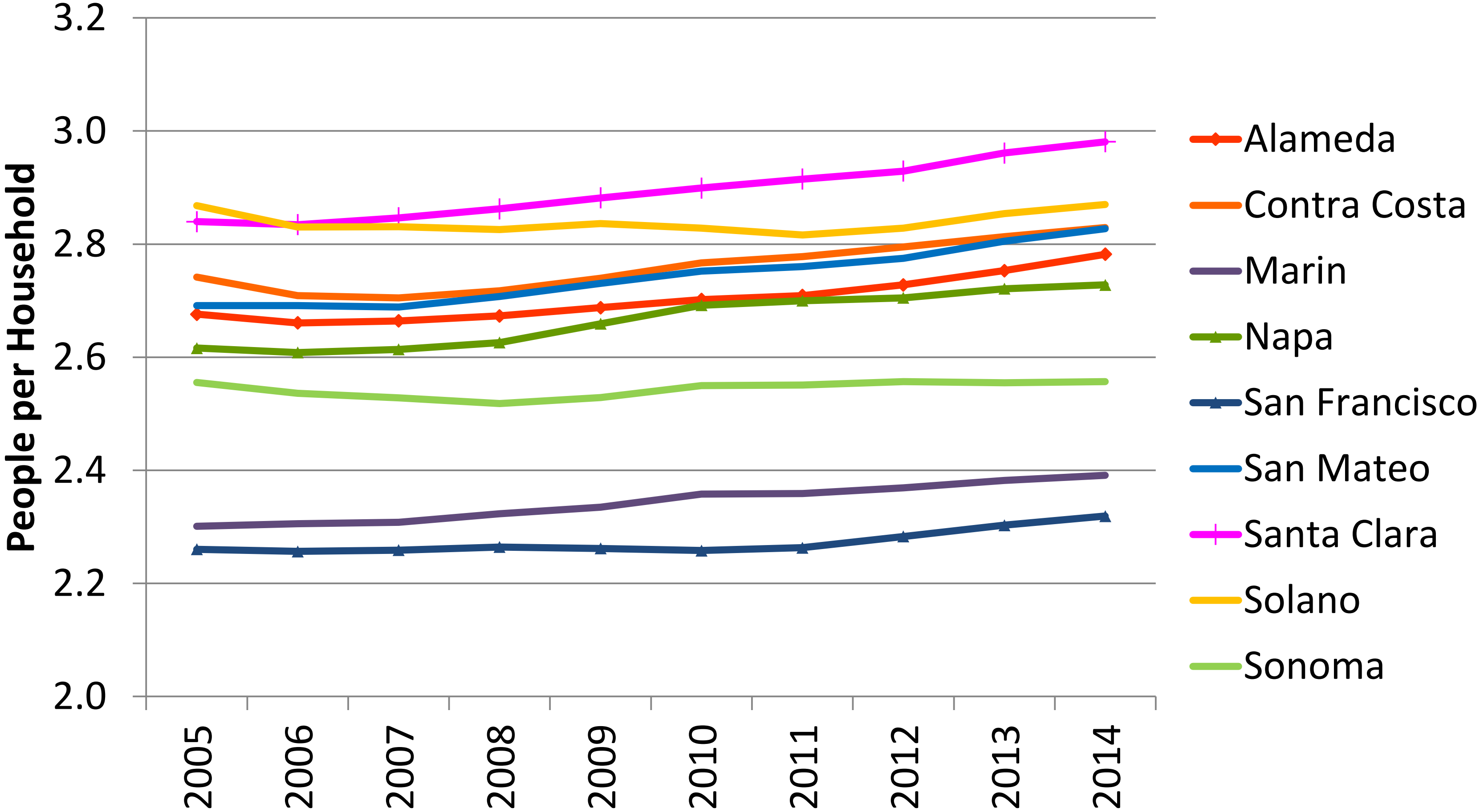
- Growing more slowly than jobs but faster than housing
- Increases concentrated in larger, more urban counties
- Aging and continuing to diversify
- Net migration becoming positive, with influx of young adults

Population Change
Average Annual Growth Rate



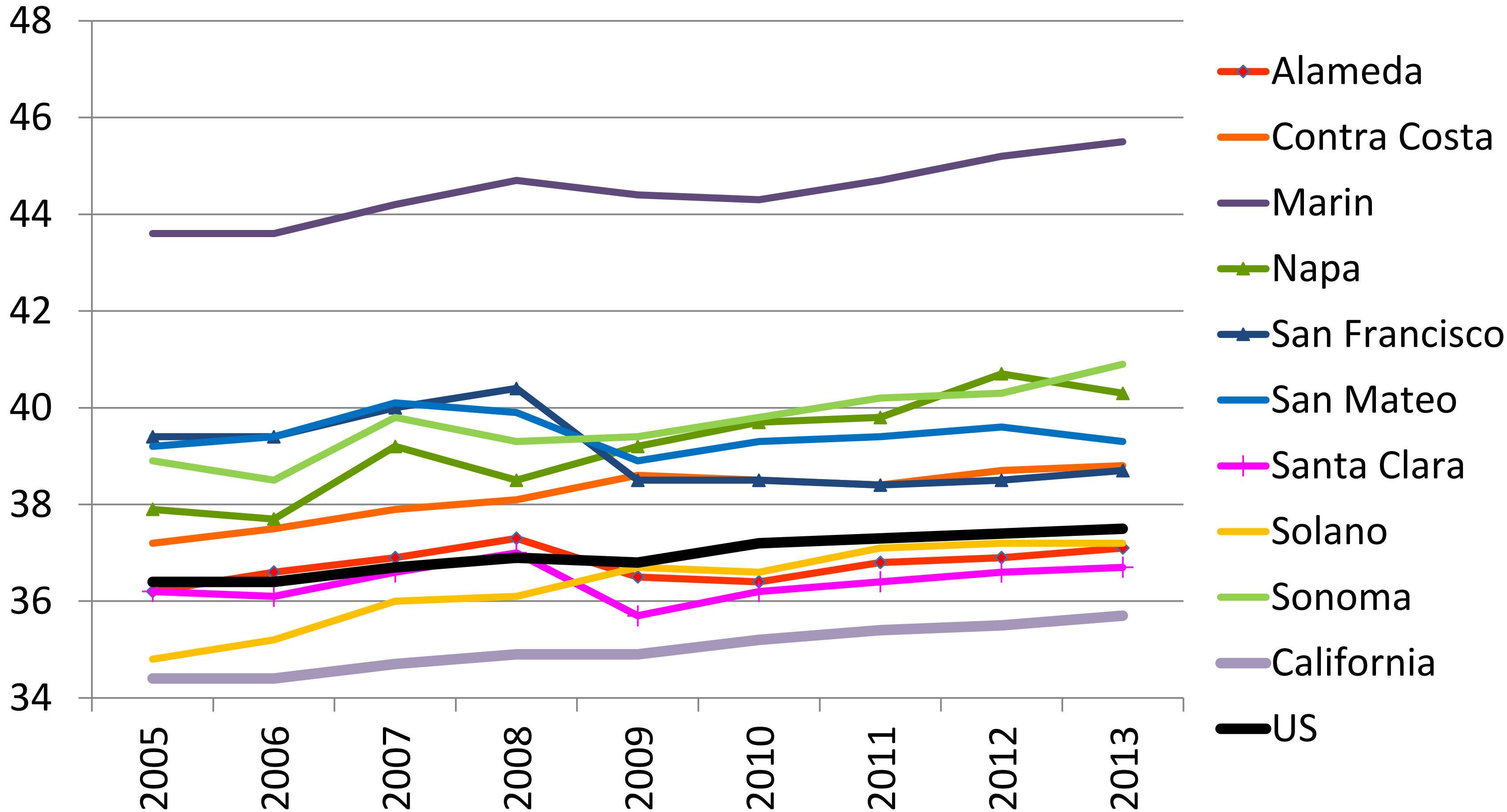
ABAG from US Census ACS data

Population— Household Size is Rising



ABAG from California Dept. of Finance data

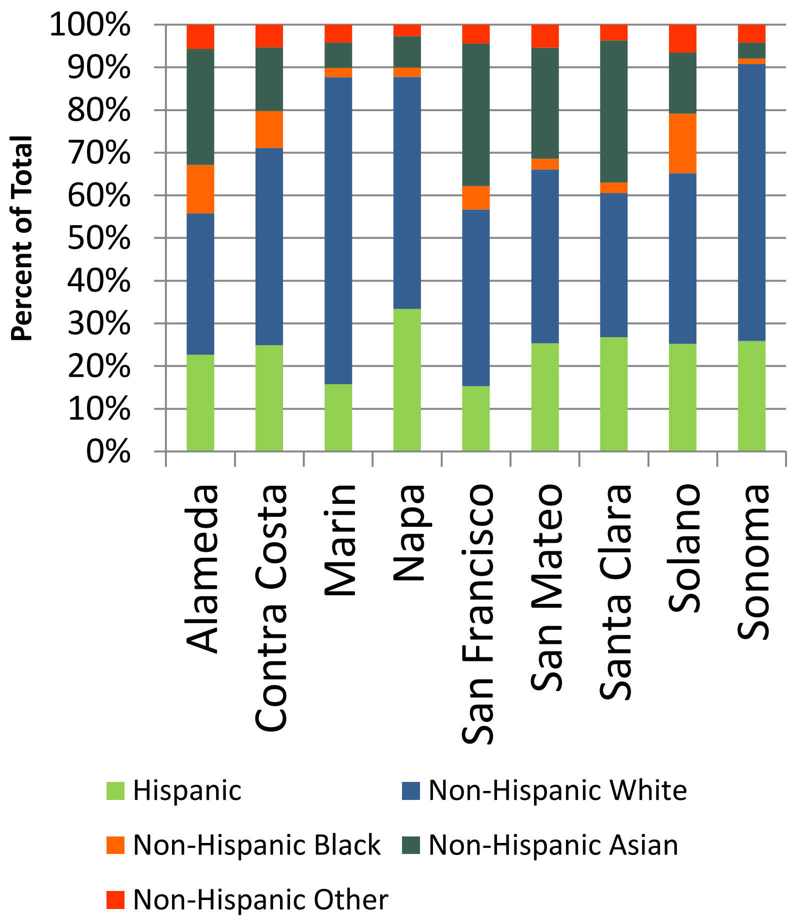
Population—
Median Age is Rising

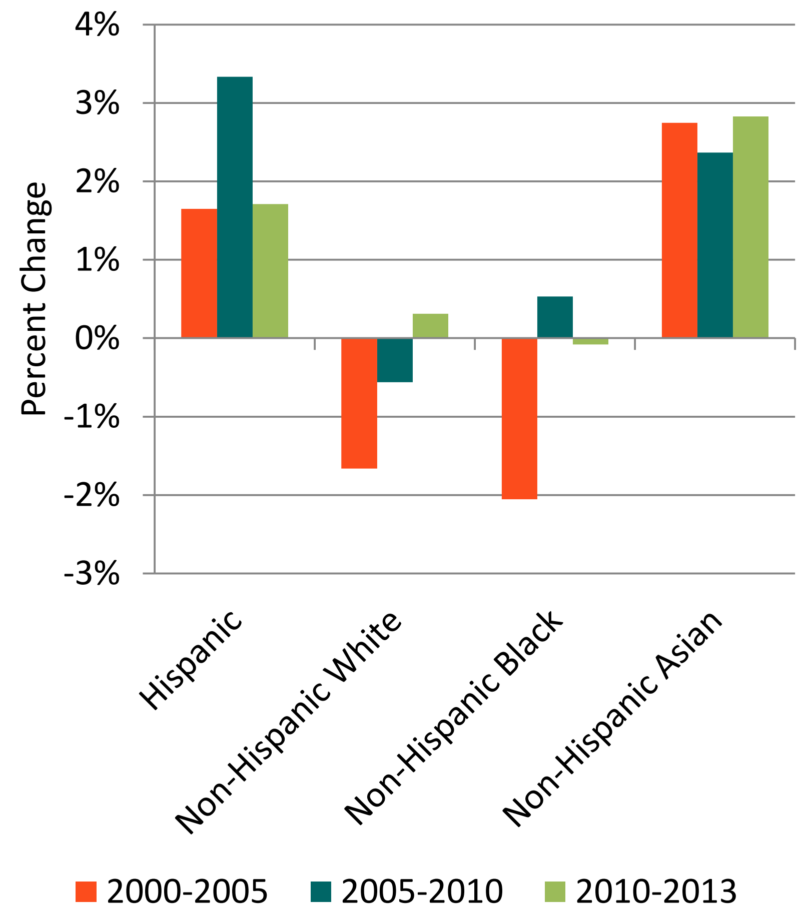


State of the Region 2015

ABAG from US Census ACS data

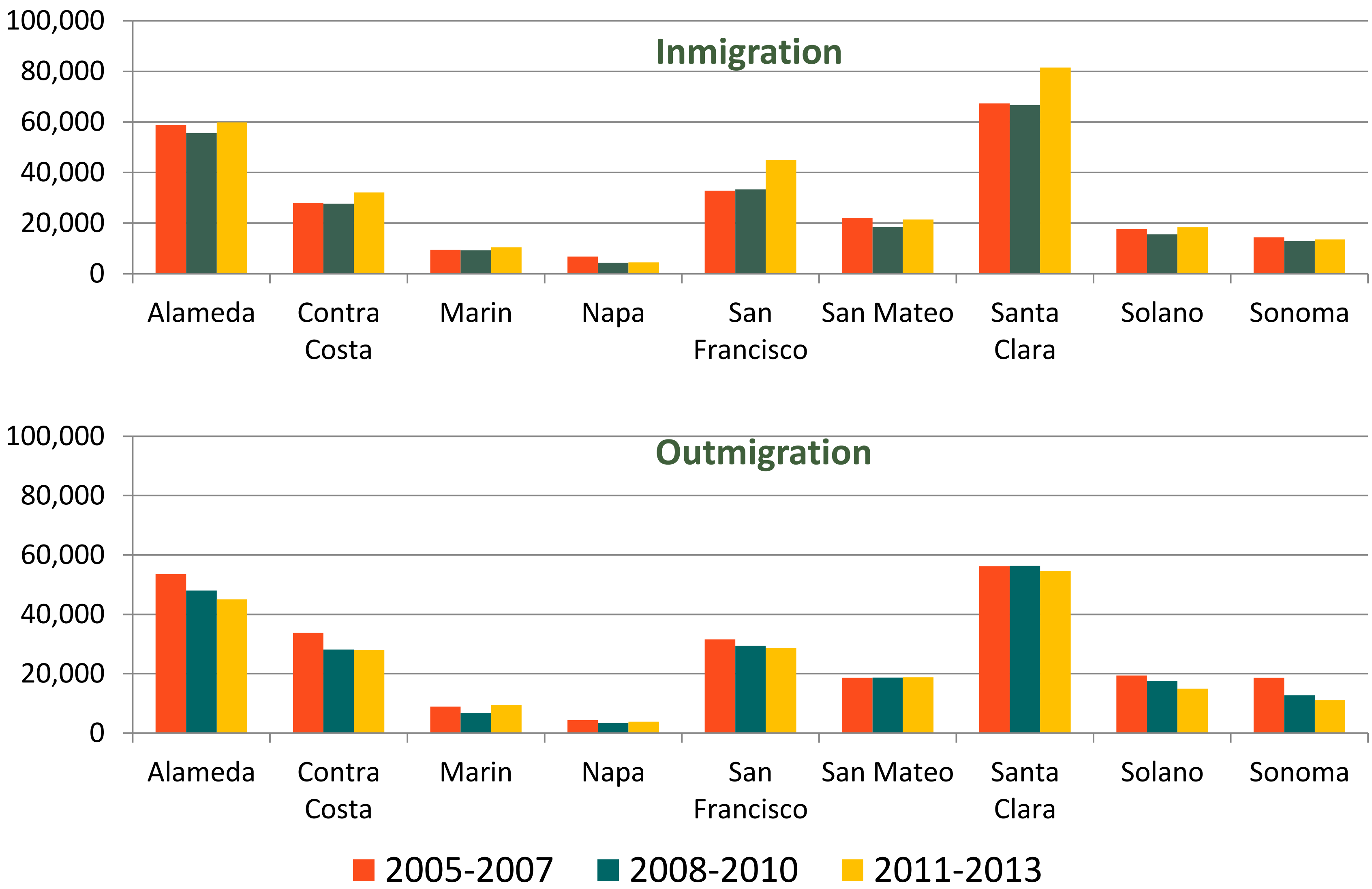
Population—
The Ethnic Mix is Diverse and Changing





ABAG from US Census ACS data

Population: Migration Shifts

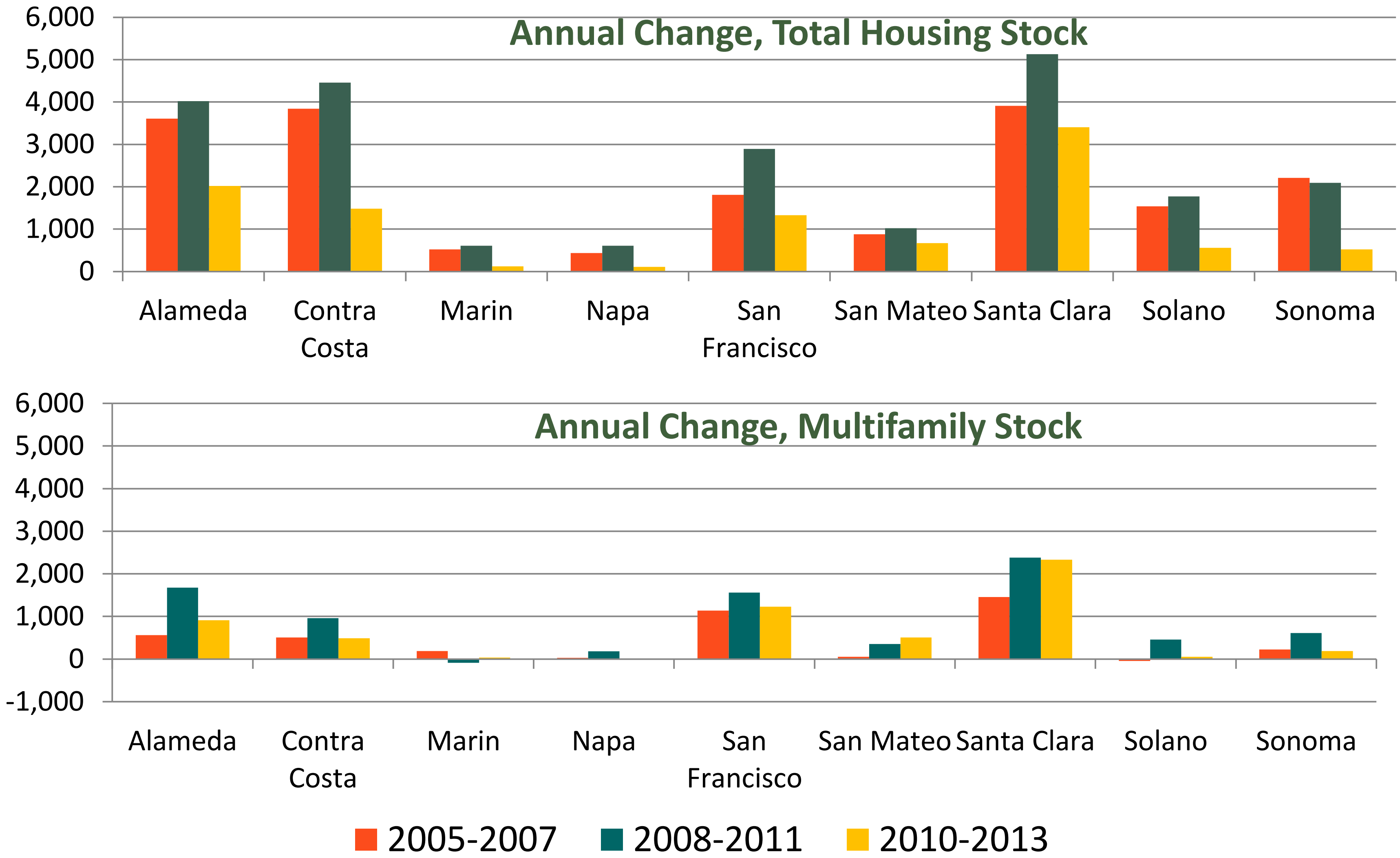


ABAG from US Census ACS data

Housing

- Housing stock lags population and job growth
- New construction shifting toward urban areas and newer job centers
- Increasing share of permits since 2010 are for multifamily units; multifamily permits are primarily in PDAs
- Prices and rents are rising, but homeowner cost/income has dropped while renter cost/income is up
- Divergence in jobs/housing ratios despite urban building

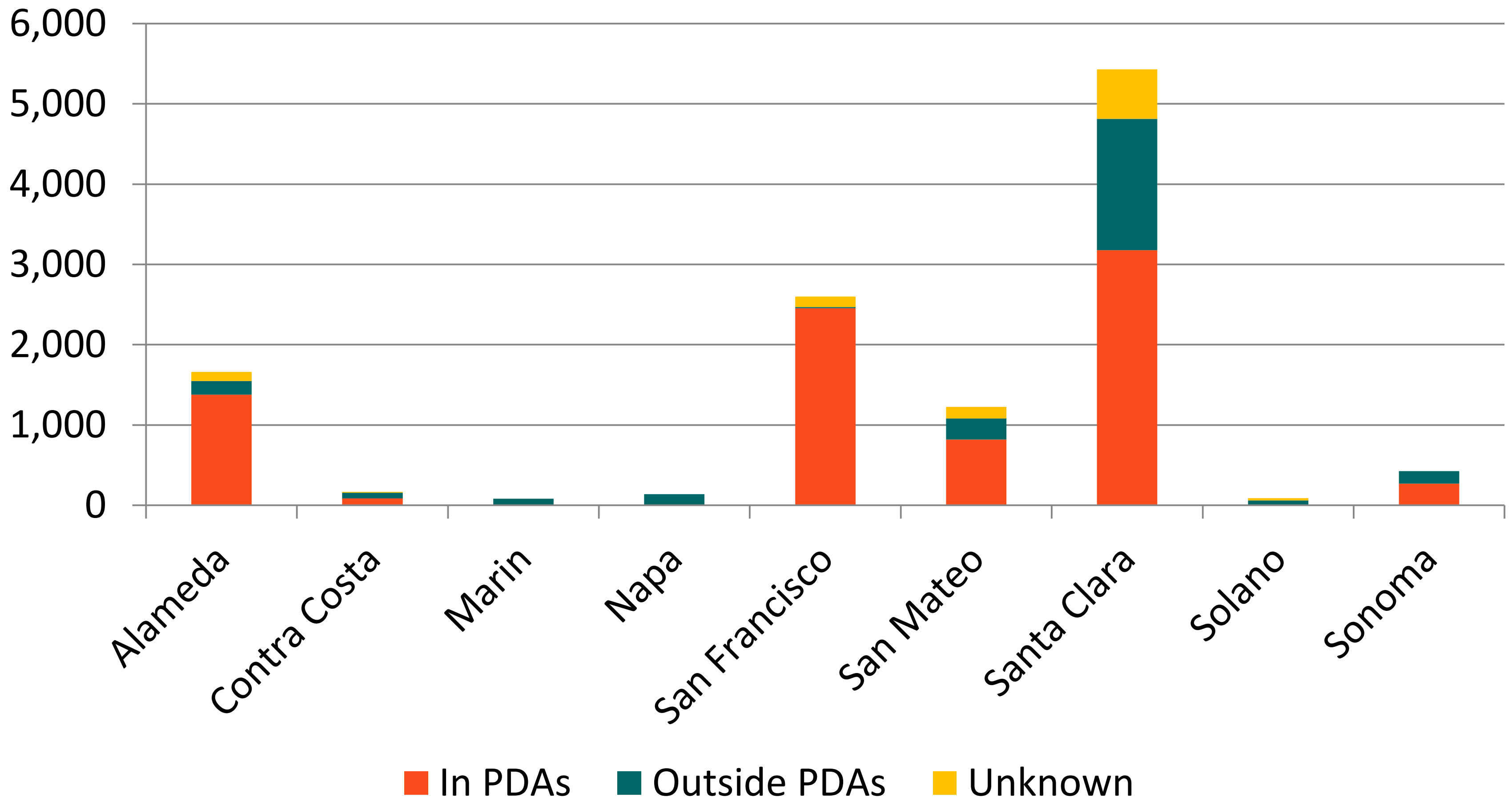
Housing Unit Growth Has Slowed—But Less for Multifamily



State of the Region 2015

ABAG from California Dept. of Finance data

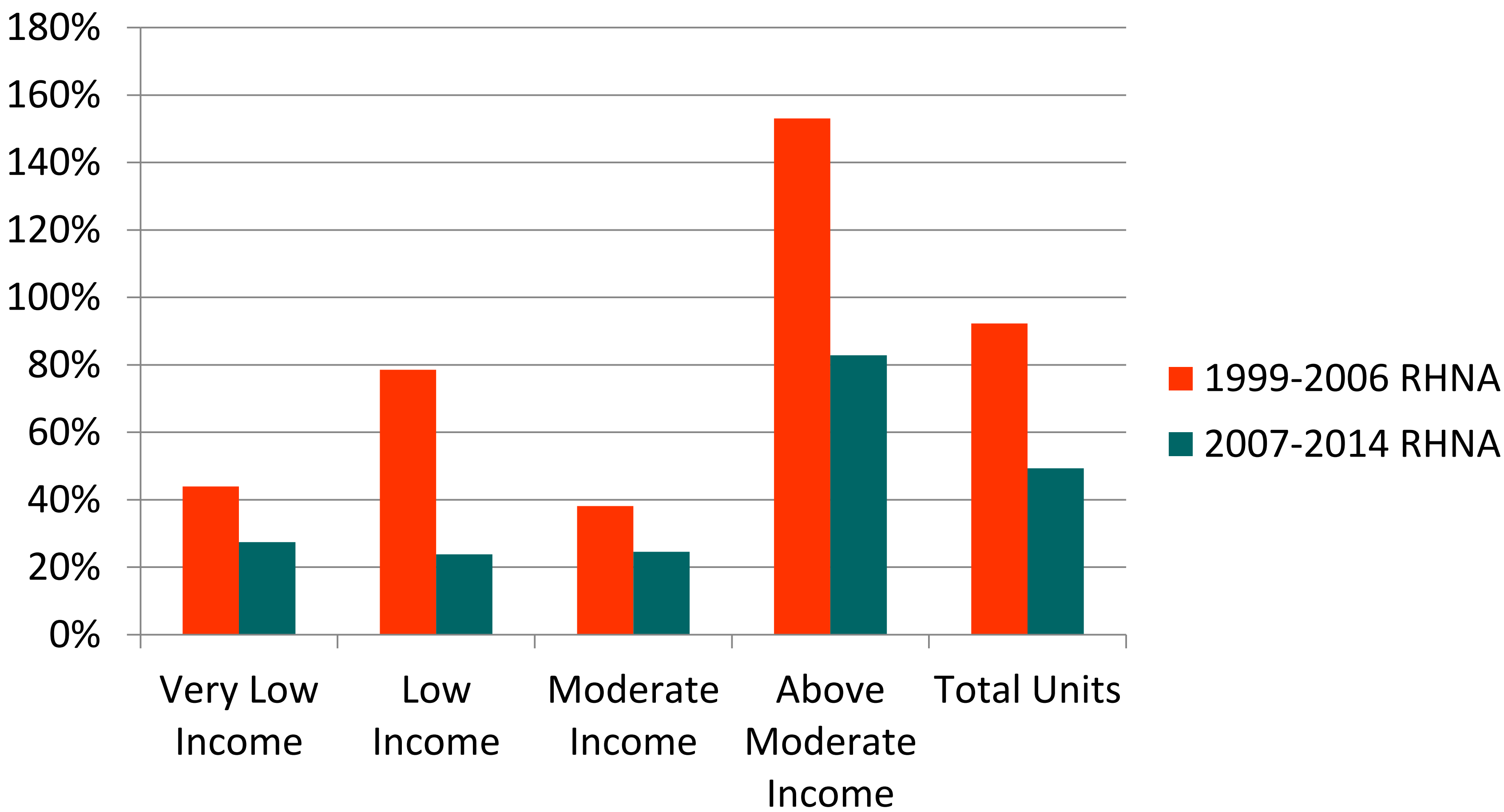
New Multifamily Residential Permits Concentrate in PDAs



State of the Region 2015

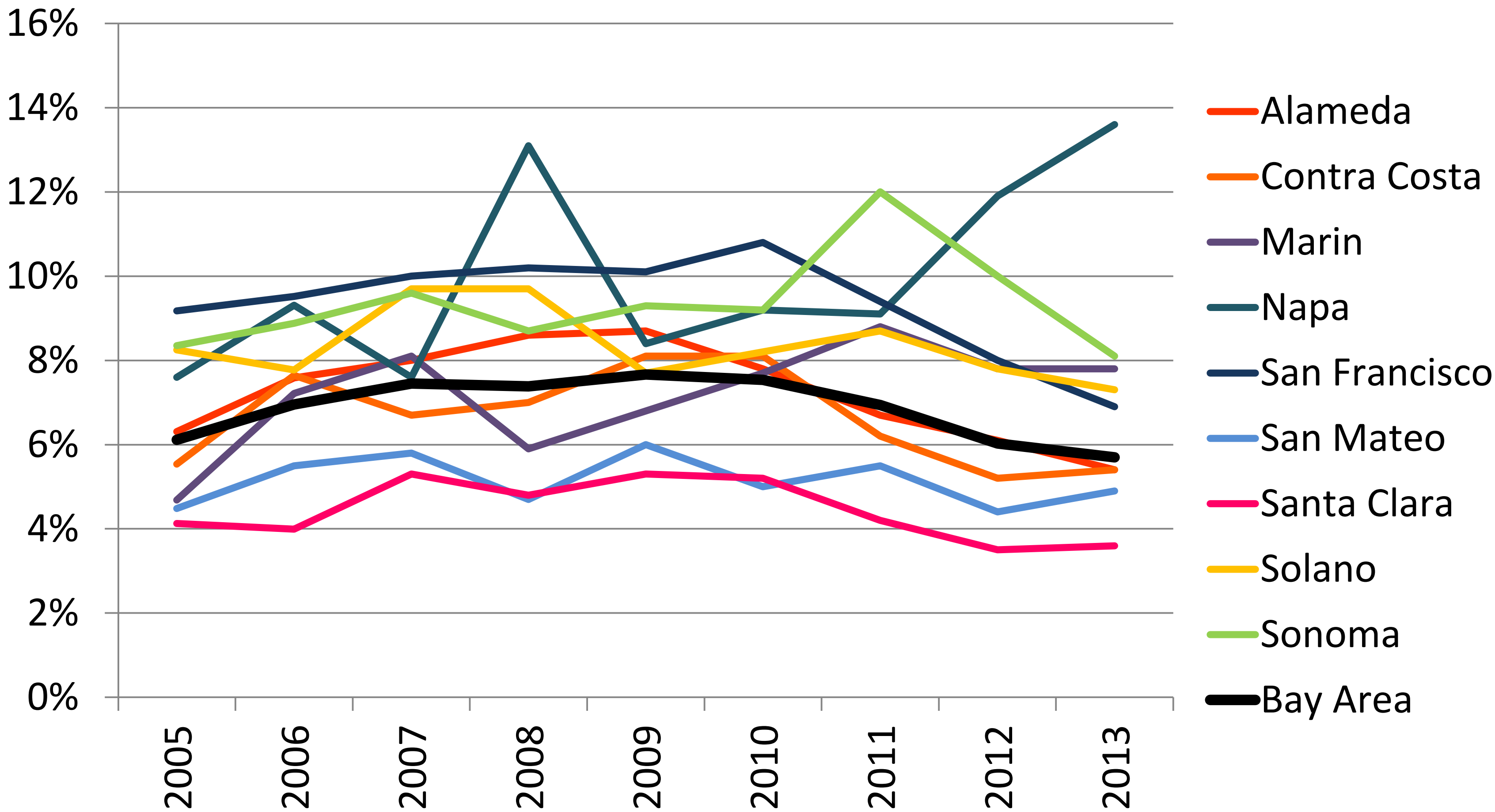
ABAG survey of local jurisdictions

Affordable Housing Less than Need



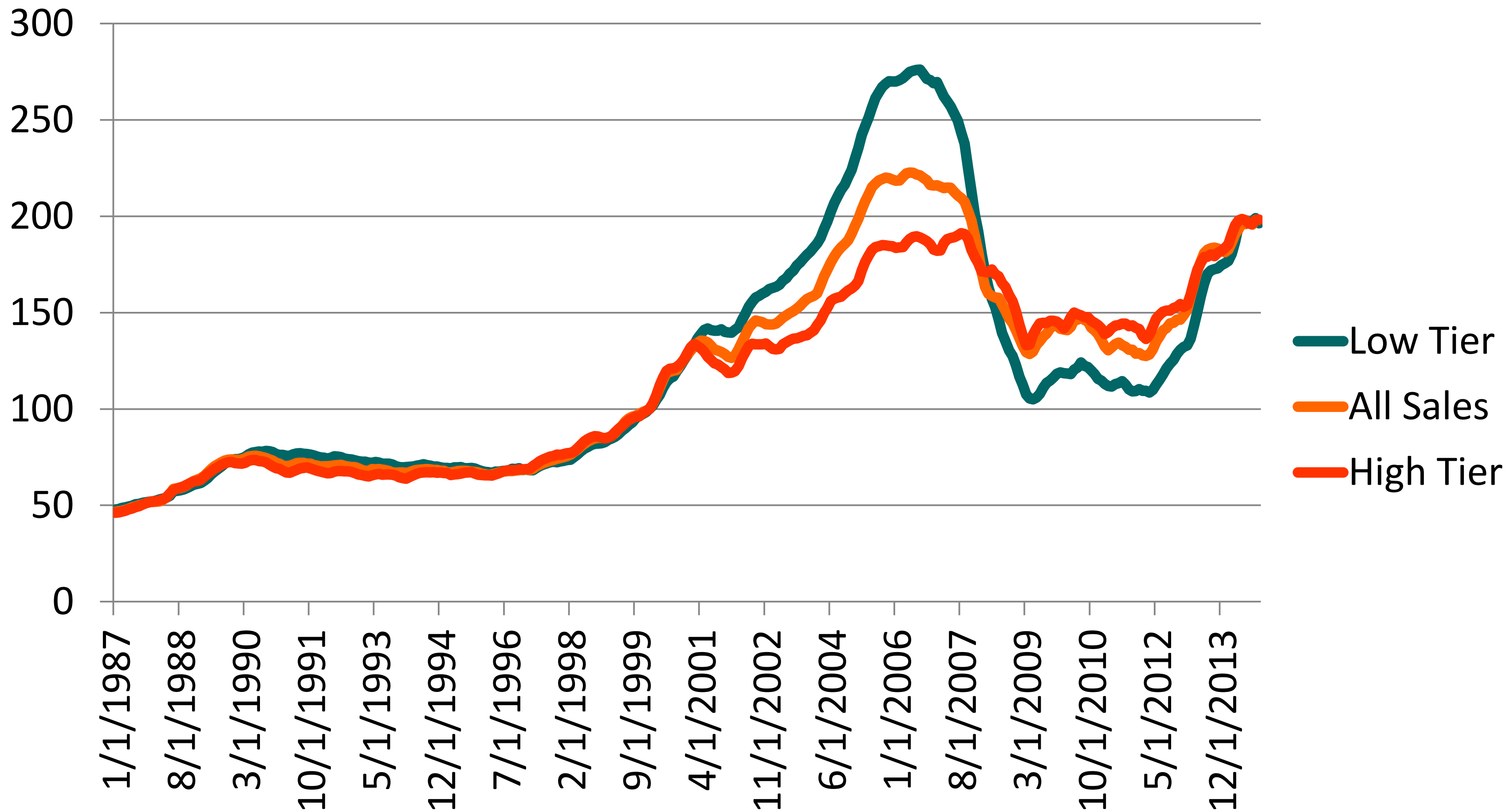
ABAG survey of local jurisdictions

Vacancy Rates Are Dropping



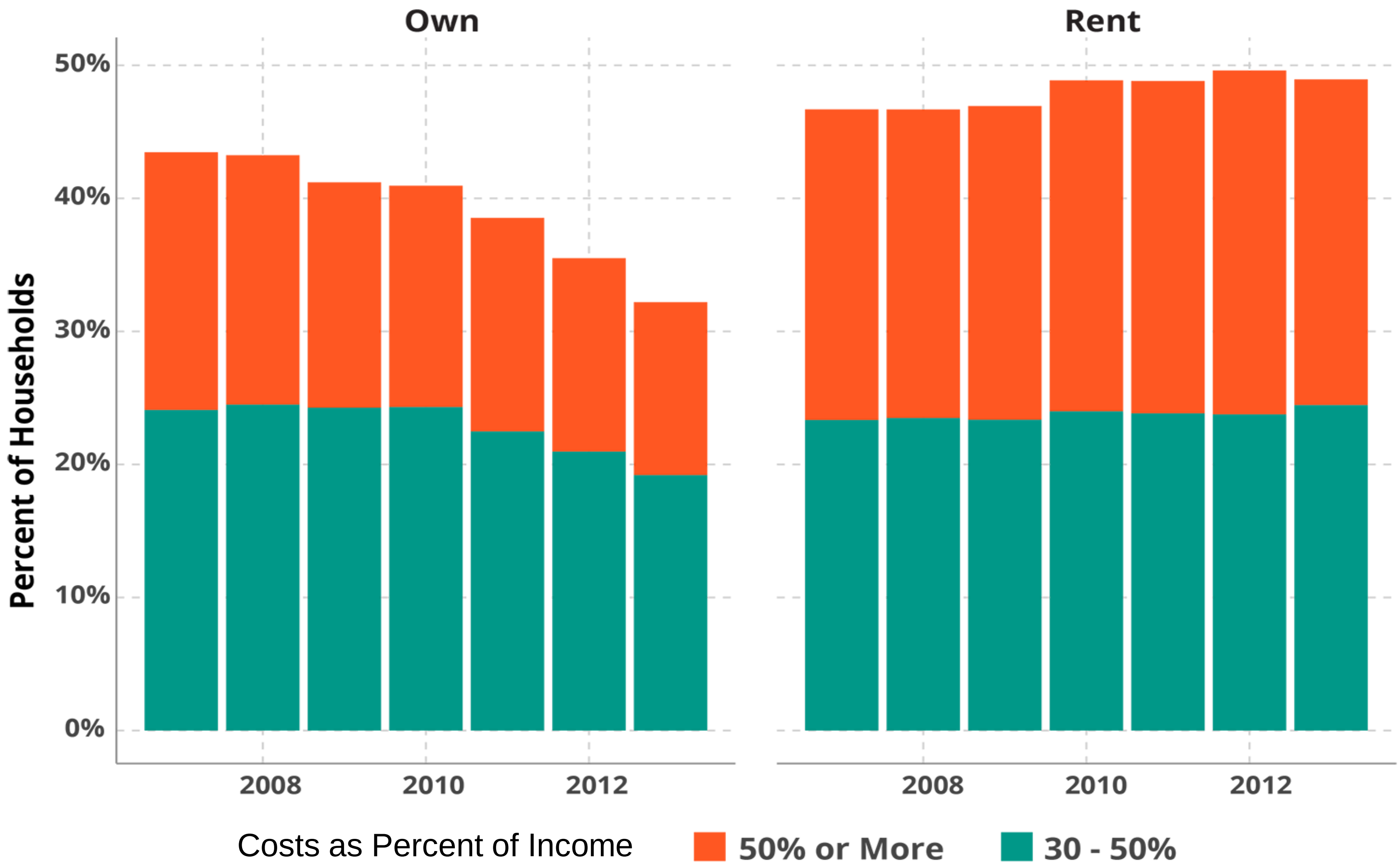
ABAG from US Census ACS data

Prices and Rents are Rising—Again
Case-Shiller Home Price Index, Bay Area



ABAG from S&P Dow Jones

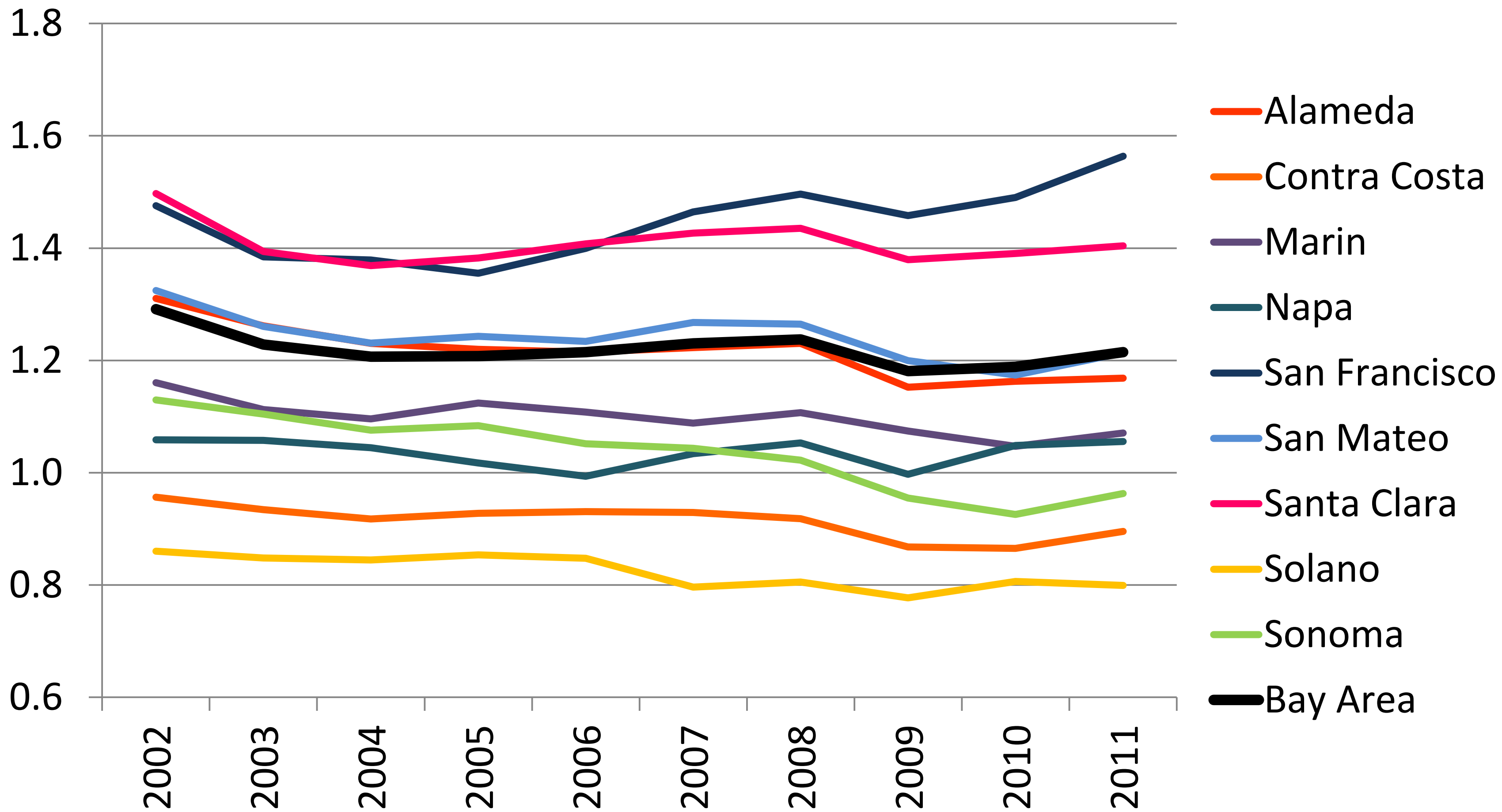
Cost Burden Better for Owners, Worse for Renters



State of the Region 2015

ABAG from US Census ACS data

Diverging Jobs to Housing Ratio



ABAG from US LEHD and California DOF data

Conclusions and Further Directions

- The region's economy is strong but with short term volatility
- Growth and prosperity spread unevenly throughout the region
- The population has shown signs of aging and urbanizing—how long will it continue?
- Housing growth has lagged population and jobs, with consequences for costs, affordability, and commute patterns.
- The one certainty about the economy is its changeability—forecasts and planning should account for uncertainty.
- The report presents a framework for identifying changing conditions and their implications

State of the Region 2015 — **More To Come**

- ABAG Website: http://reports.abag.ca.gov/sotr/2015/
  - Supplemental data
  - Subject area briefs
- MTC Vital Signs: http://www.vitalsigns.mtc.ca.gov/

Thank you!

MARCH 2015

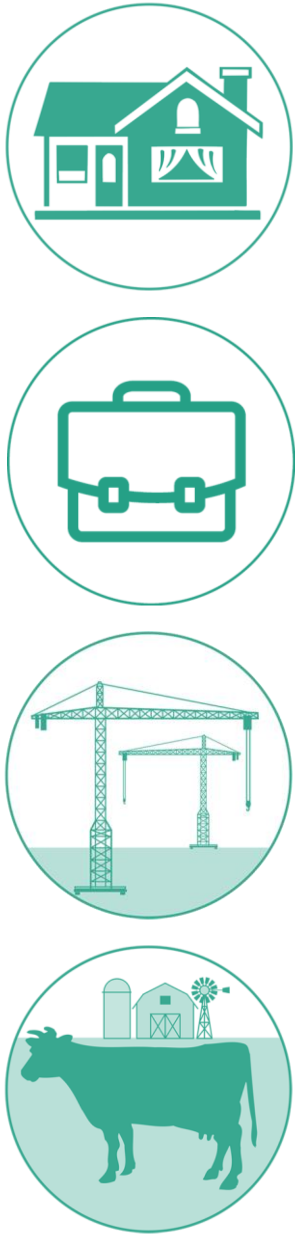
VITAL SIGNS

PROJECT OVERVIEW & PREVIEW OF PHASE 2 RELEASE

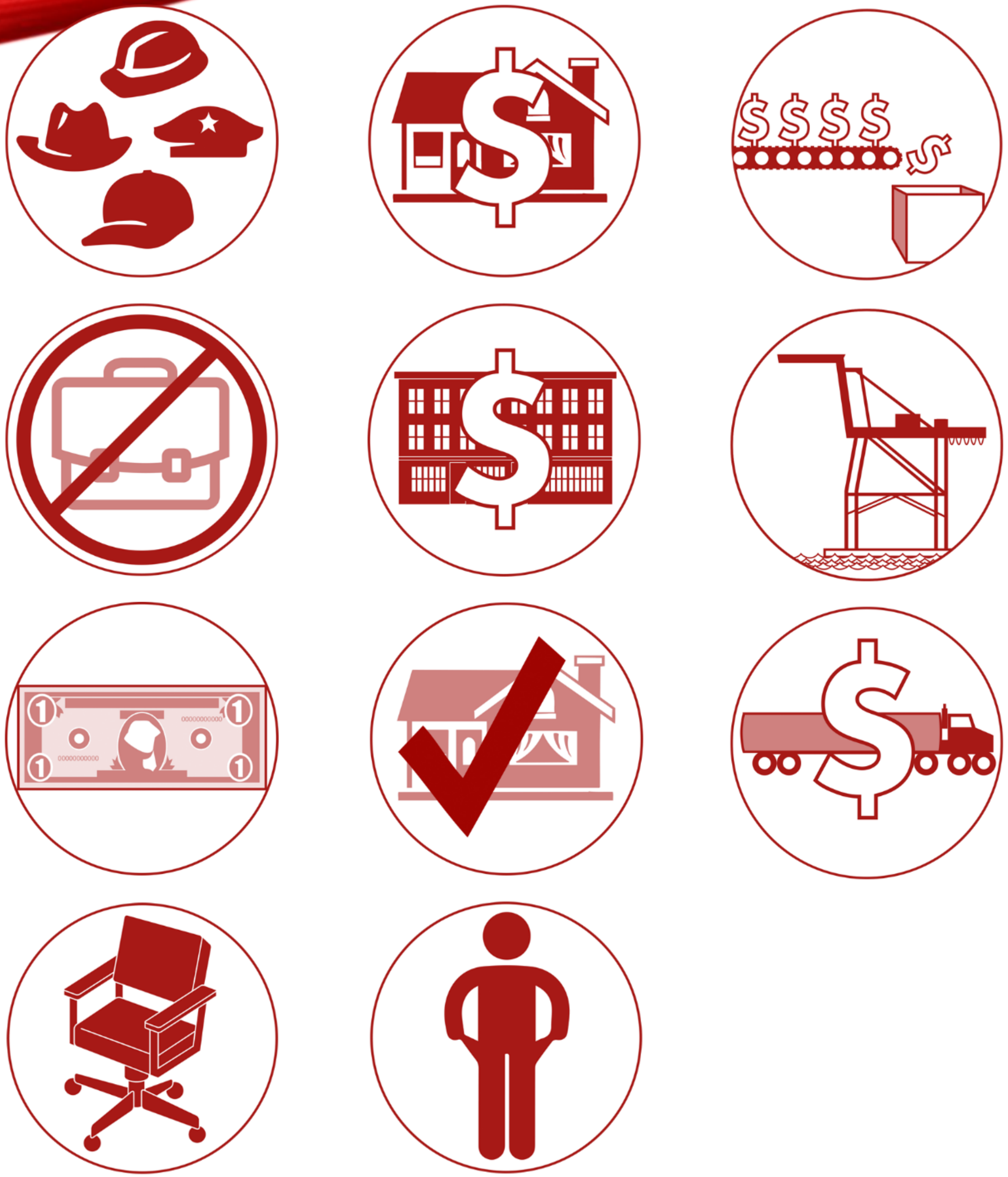
MTC ABAG

Phase 1A: Transportation

Phase 1B: Land & People



Phase 2A: Economy

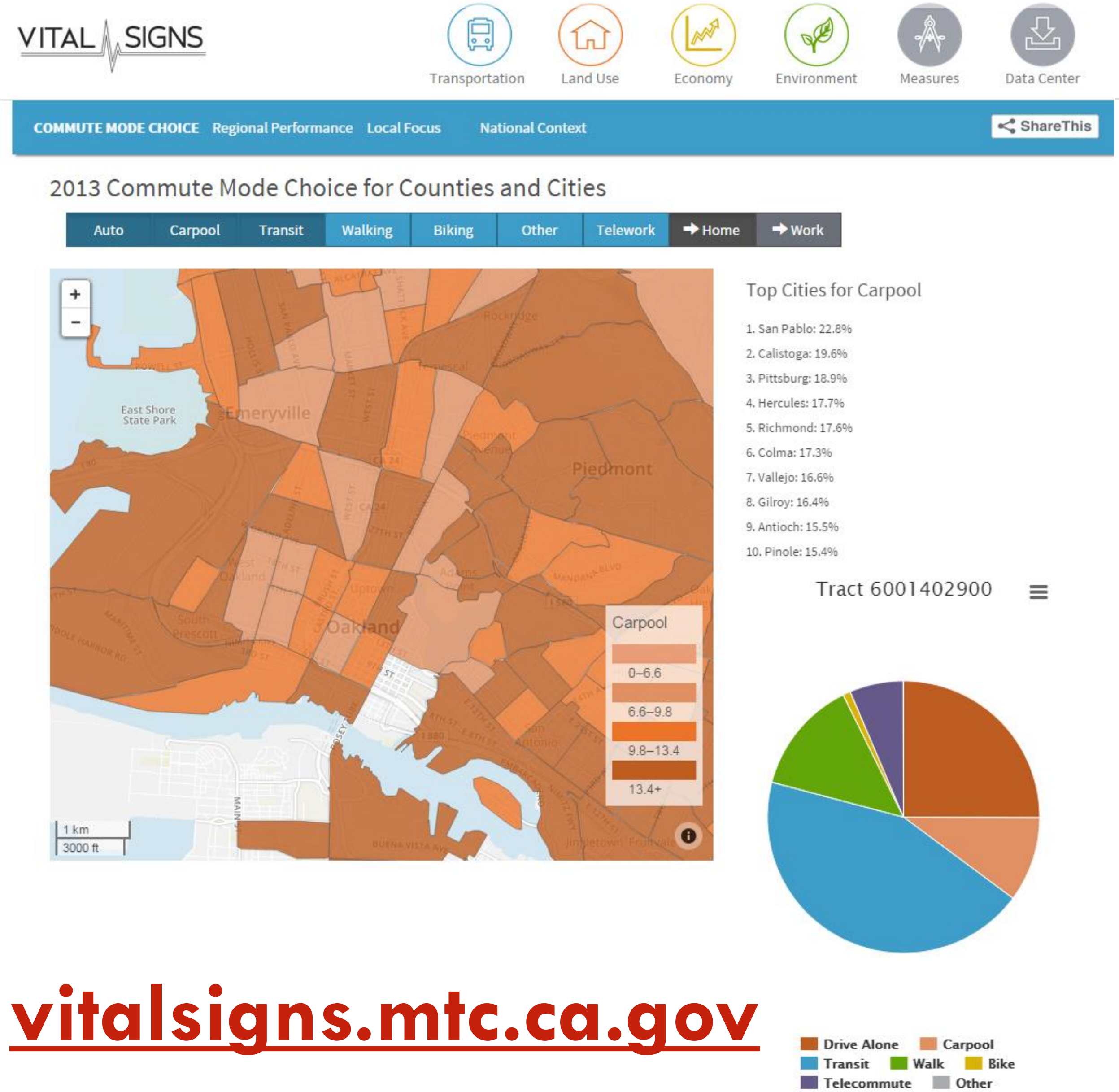


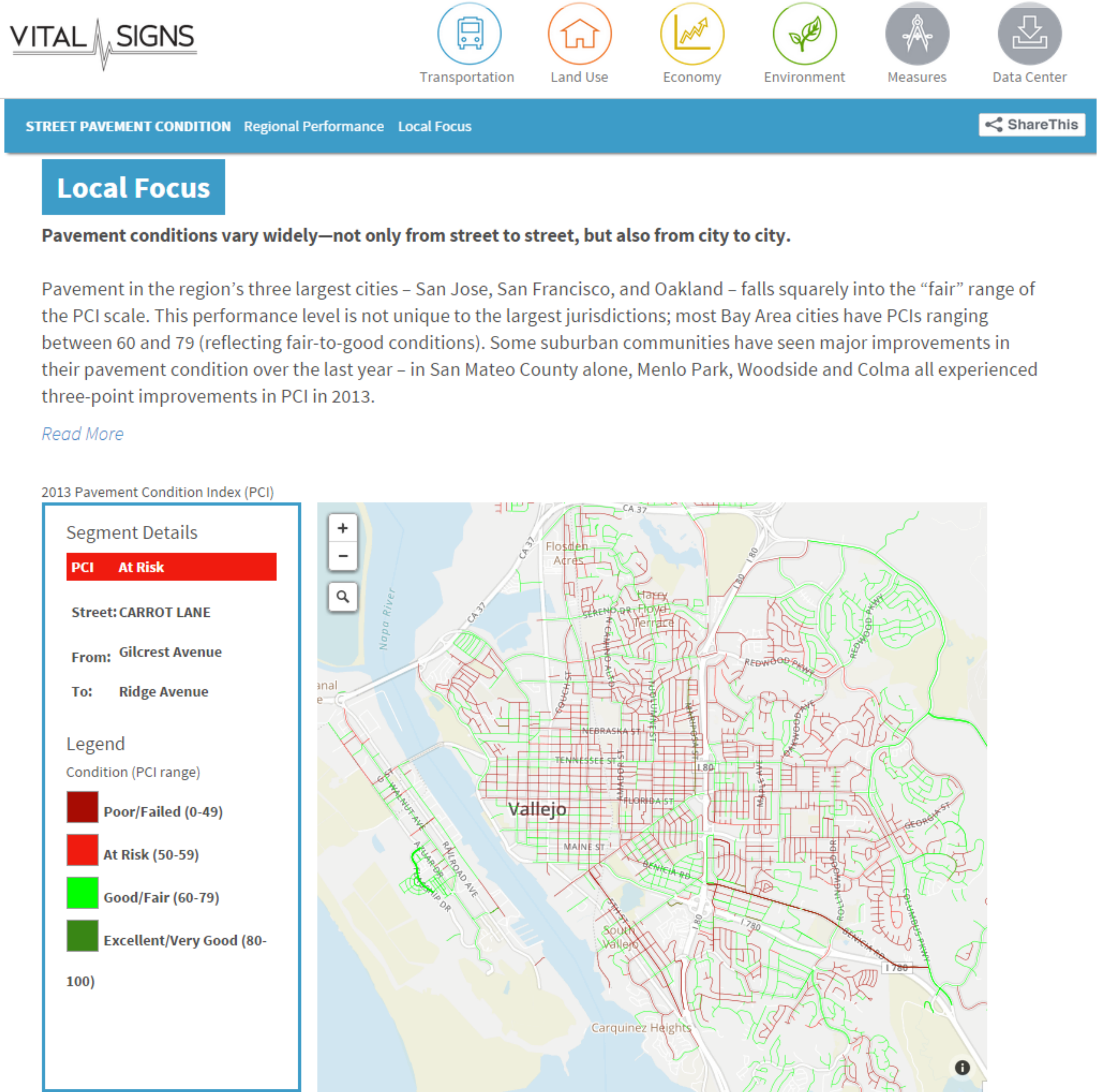
Phase 2B: Environment

PROJECT SCHEDULE

Spring 2014	• Project Kickoff • Measure Selection & Scoping
Summer 2014	• Transportation Analysis • Land & People Analysis
Autumn 2014	• Economic Analysis • Website and Narrative Development - Kickoff
Winter 2015	• **Transportation Launch** • Environmental Analysis
Spring 2015	• **Land & People Launch** • **Economy Launch**
Summer 2015	• Website and Narrative Development - Complete • **Environment Launch**

Since the late January launch, thousands of Bay Area residents have visited the Vital Signs website to learn more about their communities.





vitalsigns.mtc.ca.gov


Land & People
Website Preview
VITAL SIGNS