



REGIONAL PLANNING COMMITTEE

APRIL 6, 2018

ACTION REQUESTED: INFORMATION

**REGIONAL GROWTH FORECAST:
PRELIMINARY REGIONAL FORECAST RESULTS**

File Number 3100900

Introduction

SANDAG produces a Regional Growth Forecast every four years to inform the Regional Plan development. The 2019 Preliminary Regional Growth Forecast¹ will serve as the foundation for San Diego Forward: The 2019-2050 Regional Plan (2019 Regional Plan), as well as to inform other planning documents and projects across the region. This report provides an overview of the regional demographic, economic, and housing projections expected over the next 35 years.

Regional Forecasting Process

SANDAG used the Demographic and Economic Forecasting Model to create the regionwide growth forecast, from Series 4 in the late 1970s until Series 13 for the current San Diego Forward: The Regional Plan. With the 2019 Preliminary Regional Growth Forecast, SANDAG developed a new modeling framework that is more transparent, easier to explain, and lends itself better to scenario development.

With this new modeling framework, used in conjunction with the population projections provided by the California Department of Finance (DOF), SANDAG developed a preliminary regionwide forecast of population, jobs, and housing that will serve as a driver for developing the subregional growth forecast. The subregional forecast also will utilize the land use plans, policies, and zoning ordinances of the 18 cities, the County of San Diego, and other land use authorities. Upon acceptance by the Board of Directors, the preliminary regional and subregional forecasts will be used in the development of the 2019 Regional Plan.

Expert Review Panel

In February 2018, SANDAG hosted a panel of five experts in economics, demography, regional planning, and real estate development to review the assumptions and results of the forecast model being used to create the 2019 Preliminary Regional Growth Forecast. These experts were presented with a range of possible values for demographic and economic assumptions that are used in the regionwide forecast model and asked to comment on the most plausible assumption for the San Diego region. Specifically, they were asked for their feedback on labor force participation rates, the unemployment rate, in- and out-commuting rates, the income growth rate, the household headship rates, and the housing unit vacancy rate. In Table 1 there is a list of the variables the panelists were asked to comment on, and the result of their feedback that was incorporated into the 2019 Preliminary Regional Growth Forecast.

¹ In the past, SANDAG denoted forecasts by a sequential series number. The current working forecast is known as the 2019 Preliminary Regional Growth Forecast.

Table 1: Expert Review Panel Recommendations

Assumption		Favored Scenario
1	Labor Force Participation Rates	Increase to highest historically observed rates by 2050
2	Unemployment Rate	Increase to 5 percent in the next three years, hold 5 percent out to 2050
3	In-Commuting Rate	Increase from present-day rate of 4.2 to 7.0 percent by 2050
4	Out-Commuting Rate	Hold present-day rate of 2.0 percent constant over the forecast period
5	Income Growth Rate	Hold historical growth of 0.3 percent constant over the forecast period
6	Household Headship Rates	Hold present-day rates constant over the forecast period
7	Vacancy Rate	Increase to 5 percent in the next 10 years, hold 5 percent constant out to 2050

The recommendations that have the greatest impact on the number of housing units forecasted in the region are the vacancy rate and the household headship rates. The panel agreed that increasing the vacancy rate to 5 percent over the next ten years and holding it constant out to 2050 would be reasonable and indicative of a healthy housing market. Also, the panel recommended that staff hold present-day headship rates constant over the forecast period. This results in a smaller household size today compared to 2050.

Overview of Forecasted Growth

By applying the demographic and economic rates favored by the Expert Review Panel, SANDAG arrived at the housing units and jobs forecast shown in Table 2.

Table 2: 2019 Preliminary Regional Growth Forecast Summary

	Population		Housing Units		Civilian Jobs	
	Total	Percent Average Annual Change	Total	Percent Average Annual Change	Total	Percent Average Annual Change
2016	3,300,891		1,256,008		1,431,600	
2025	3,529,054	0.7%	1,415,097	1.2%	1,496,444	0.5%
2035	3,737,507	0.6%	1,565,455	1.1%	1,630,513	0.9%
2050	3,997,108	0.7%	1,702,760	0.9%	1,802,175	1.1%

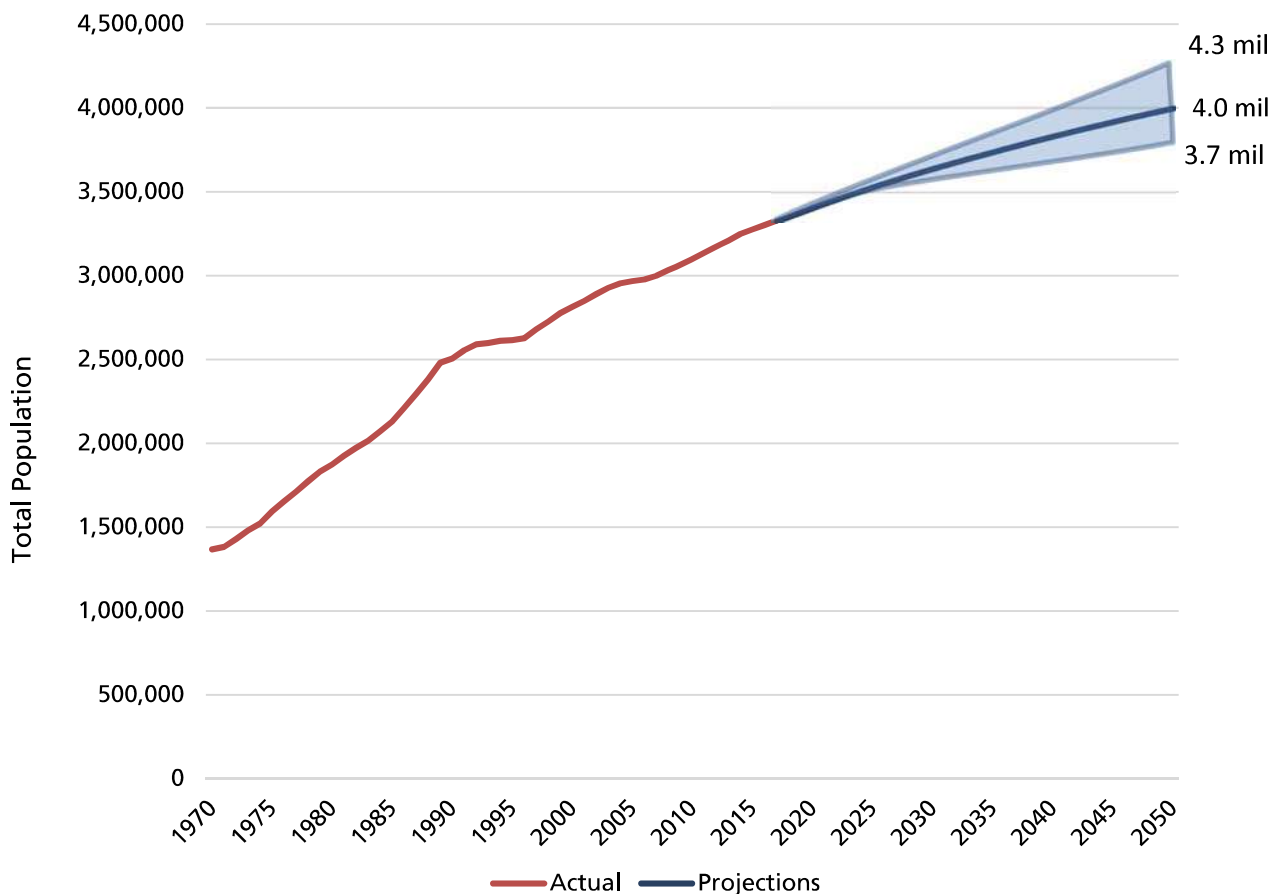
Range Forecast Development

For the 2019 Preliminary Regional Growth Forecast, staff developed upper and lower bounds around the regionwide population forecast to provide a range to demonstrate the inherent uncertainty in forecasting the population into the future. For planning purposes, the 2019 Preliminary Regional Growth Forecast will be a point in time forecast developed from the DOF projections.

The upper and lower bounds were developed based on analyzing the population for San Diego County back to 1970 and looking at the variation between the actual population and the predicted population. Based on this analysis, the total actual population varies by about ± 8 percent compared to the predicted total population. Staff trended to the ± 8 percent over the forecast period to create the range around the point forecast.

Figure 1 shows the total population from the 2019 Preliminary Regional Growth Forecast along with the upper and lower bounds of the range forecast. At 2050 the point forecast of about 3.9 million persons ± 8 percent ranges from about 3.7 million to 4.3 million.

Figure 1: 2019 Preliminary Regional Growth Forecast with Upper and Lower Bound Ranges

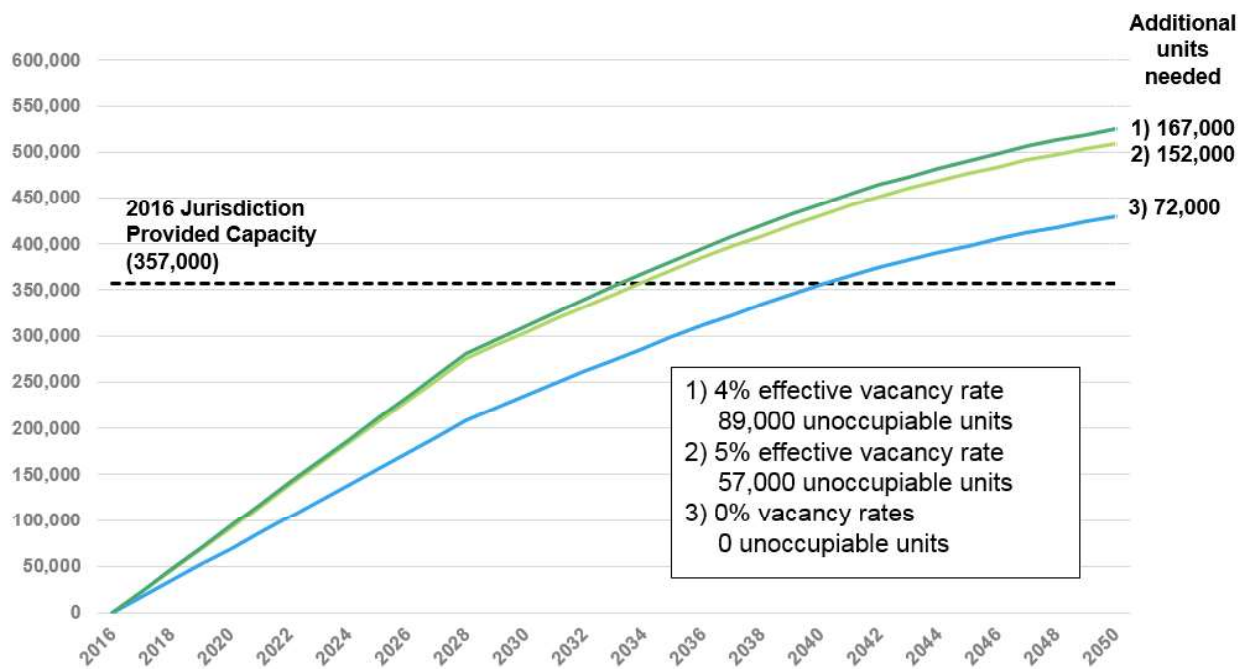


Scenarios for Developing Housing Unit Capacity

Over the past 18 months, SANDAG staff worked with each jurisdiction to collect housing unit capacities. These capacities reflect what each planning department believed would be the most likely scenario for development through the forecast period based on general plans and professional knowledge about development trends in their jurisdiction.

Figure 2 shows that based on the information provided by each jurisdiction, 357,000 additional housing units could be built in the region. However, based on the 2019 Preliminary Regional Growth Forecast, there is a need for 509,000 units between now and 2050. This means that there is a need for 152,000 additional housing units that must be planned for in the region.

Figure 2: 2019 Preliminary Capacity and Projected Housing Unit Need



At a special meeting of the Regional Planning Technical Working Group (TWG) on March 26, 2018, SANDAG staff discussed this finding with the planning directors and presented options for developing capacity in the jurisdictions that could be used post-2035 to house the projected population in the region. The proposed methods included increasing capacity within the Smart Growth Opportunity Areas (SGOAs) in conformance with the jurisdiction’s general plans, as well as adding accessory dwelling units to a portion of existing single-family units in the region. Members of the TWG suggested that SANDAG: (1) assume about 10 percent of all single-family units in the region will add an accessory dwelling units between 2035 and 2050; and (2) densify housing in the SGOAs based on current general plan densities after 2035. SANDAG staff currently is working on a proposed methodology to incorporate this feedback into the regional forecast.

Next Steps

The Board of Directors is scheduled to receive an update on the 2019 Preliminary Regional Growth Forecast results at its meeting on April 27, 2018, with approval of the final results anticipated to be considered in the coming months.

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