



**BOARD OF DIRECTORS**

**MAY 25, 2018**

**ACTION REQUESTED: DISCUSSION/POSSIBLE ACTION**

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**PRELIMINARY REGIONAL GROWTH FORECAST ASSUMPTIONS** File Number 3100900

**Introduction**

SANDAG produces a Regional Growth Forecast every four years to inform the Regional Plan. The 2018 Regional Growth Forecast will serve as the foundation for San Diego Forward: The 2019-2050 Regional Plan (2019 Regional Plan), as well as inform other planning efforts across the region.

On May 4, 2018, the Regional Planning Committee reviewed the Preliminary Regional Growth Forecast and directed staff to further evaluate assumptions related to “unoccupiable” units, the extent to which accessory dwelling units should be assumed in meeting projected housing need, and how density bonuses could be considered in meeting projected housing need. Staff has conducted additional research in response to the Committee’s comments, which is outlined below.

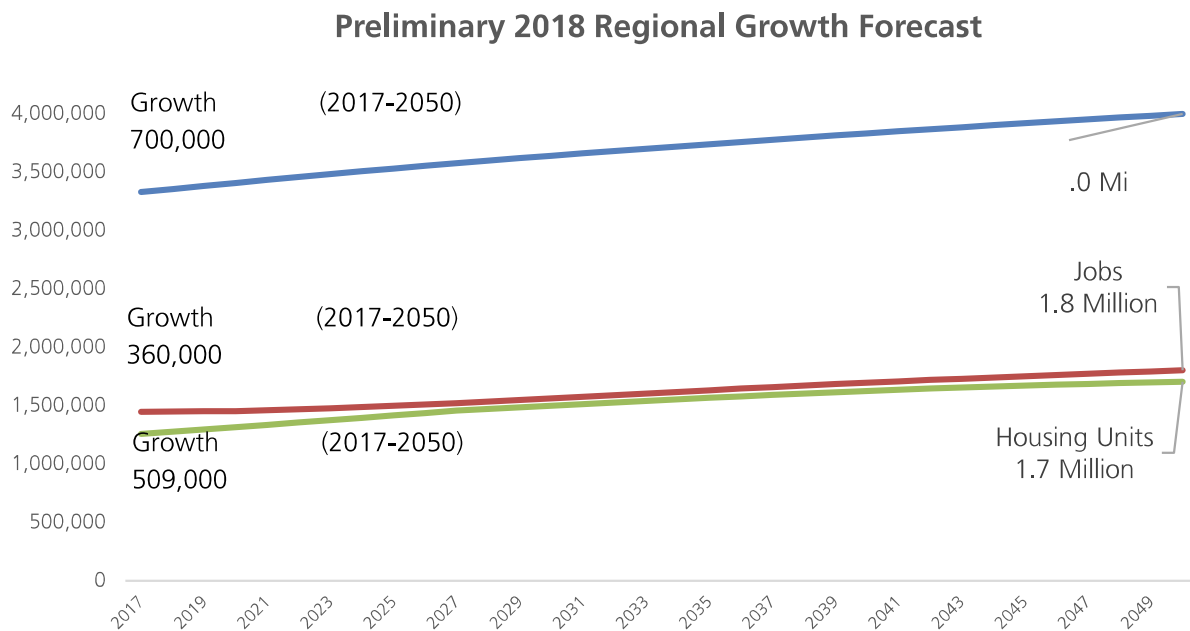
The Board of Directors is asked to weigh in on the Preliminary Regional Growth Forecast and assumptions used to develop the regional housing need through 2050 and housing capacities by jurisdiction. In particular, the Board is asked to consider the following:

1. Should the region plan for a 5 percent housing vacancy rate in the long term?
2. Should second homes and vacation rentals be considered “unoccupiable” and therefore unavailable to house the region’s population?
3. Should accessory dwelling units be part of the solution in meeting projected housing need?

Based on feedback from the Board of Directors, staff will finalize the regional and local housing capacity assumptions for consideration by the Board in June 2018. The assumptions will then be used to develop the 2018 Regional Growth Forecast.

## Discussion

SANDAG used the California Department of Finance (DOF) Population Projections as the basis for the Preliminary Regional Growth Forecast and assembled expert review panels (Attachment 1) to advise on the jobs and housing projections. The Preliminary Regional Growth Forecast is shown in Figure 1 and projects that between 2017 and 2050, the population will grow by 700,000 people, 360,000 jobs, and there will be a need for 509,000 units.



The population and job growth projected in the Preliminary Regional Growth Forecast is similar to previous forecasts; however, the number of housing units projected to be needed is higher than previous forecasts. The primary reason for this is because this forecast, unlike previous forecasts, bases the housing projection on the need to adequately house a population of 4 million people. (The increased need projection is consistent with a recent [San Diego Housing Commission report](#) that estimates the City of San Diego faces a housing need that could be up to twice as high as previously estimated).

### **Regional Growth Forecast Housing Need Assumptions**

The three assumptions used to develop the projected housing need that most influence the forecast are: (1) the effect of an aging population on average household size (a lower average household size would increase the number of housing units needed); (2) a higher vacancy rate, which is needed for a healthy housing market; and (3) the acknowledgement of “unoccupiable” units (e.g., second homes and vacation rentals).

1. Average Household Size – The median age of the population is expected to rise as the population in the region ages, from a median age of approximately 34 years in 2016 to approximately 40 years in 2050. This aging population and a healthy housing market results in a projected decrease in the average household size as population ages from an average of 2.75 persons

per household in 2016 to 2.49 persons per household in 2050. The factors influencing the Regional Growth Forecast follow this trend and result in a gradual reduction in persons per household in by 2050.

2. Vacancy Rate – Both the California Department of Housing and Community Development and the expert review panels recommend a 5 percent housing vacancy rate to establish and maintain a healthy housing market. The current vacancy rate is estimated at less than 2 percent. The Preliminary Regional Growth Forecast assumes that the vacancy rate will increase to 5 percent by 2029 and maintain a 5 percent vacancy rate through 2050.<sup>1</sup>
3. Second Homes and Vacation Rentals (“Unoccupiable” Units) – Second homes and vacation rentals are units that are not available for residents to purchase or for long-term rental; these are considered to be “unoccupiable” units. The acknowledgment of the nature of these units effectively reduces the housing stock available to house the San Diego region’s population. While there is limited data available, SANDAG estimates that on average annually, there are 57,000 homes in the San Diego region that are not available for housing the region’s residents. This estimate is derived from a 10-year average of data from the American Community Survey. The data show that the number of “unoccupiable” units has fluctuated between 50,000 and 65,000 units between 2007 and 2016.

The Regional Planning Committee directed staff to evaluate modifying this assumption to grow the number of “unoccupiable” units over the forecast horizon. SANDAG staff agrees the number of “unoccupiable” units likely will grow; however, there is no reliable data available to forecast the rate of increase. Factors that contribute to an increase are more directly related to investment opportunities and economic considerations that are currently difficult to forecast. Staff proposes to continue monitoring this assumption and returning with a recommended approach should reliable data become available.

### ***Housing Capacity Assumptions***

Housing capacity assumptions for the Regional Growth Forecast were developed in collaboration with each of the local jurisdictions over the last several months from three sources: (1) the jurisdiction’s current general plan assumptions; (2) accessory dwelling units; and (3) development in Smart Growth Opportunity Areas (SGOAs). The resulting housing unit capacity is shown in Attachment 2.

The capacity shown in Column A represents initial input from local jurisdictions regarding local general plan capacities, which includes development in SGOAs. To accommodate the projected increased need for housing, the Regional Planning Technical Working Group (composed of the region’s 19 planning directors) directed staff to assume additional growth in SGOAs (excluding Rural Villages) up to the minimum densities called for in each SGOA and that 10 percent of single-family parcels over 5,000 square feet have accessory dwelling units (second units). The additional capacity that resulted from this input is shown by jurisdiction in Column B.

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<sup>1</sup> SANDAG calculates the vacancy rate based on the definition of vacancy used by HCD to calculate vacancy rates using American Community Survey data. This calculation excludes “unoccupiable” units.

## *Accessory Dwelling Units*

The Regional Planning Committee recommended that the assumption for accessory dwelling units be reduced from 10 percent of available single-family parcels to 5 percent of available parcels in the region. This direction is consistent with a recent report from the San Diego Housing Commission that projects an accessory dwelling unit rate closer to 5 percent of available single-family zoned parcels.<sup>2</sup> This would reduce the amount of projected housing capacity from 38,000 accessory dwellings regionwide to 20,000 accessory dwelling units regionwide between 2017 and 2050. If the Board of Directors concurs with this approach, SANDAG staff would make up the difference (18,000 units) within the SGOAs, which would include the potential for density bonus.

The Committee also recommended that the lot size assumed for accessory dwelling units be 7,500 square feet or larger (up from the initial assumption of 5,000 square feet) given that smaller lots may not be able to accommodate an additional stand-alone unit. Applying the larger lot size along with the 5 percent assumption above would reduce the potential for ADUs from 20,000 to 13,000 units regionwide.

SANDAG staff reviewed available data; given recent changes to zoning codes and fee structures that make it easier to add accessory dwelling units on smaller single-family properties (like apartments over a garage, attached to a house, or free-standing units), staff believes that a 5,000 square-foot lot size is a reasonable assumption. Increasing the lot size assumption to a minimum of 7,500 square-foot lot would reduce the potential for accessory dwelling units in the more urbanized areas of the region, where, on average, single-family zoned lots are 5,000 square-feet.

### **Next Steps**

Pending direction from the Board of Directors, staff will finalize the regional assumptions and update the housing capacity assumptions accordingly. The Board is scheduled to consider the Preliminary Regional Growth Forecast assumptions for use in the 2018 Regional Growth Forecast in June.

KIM KAWADA  
Chief Deputy Executive Director

Attachments: 1. List of Expert Panelists  
2. Preliminary Housing Capacity Assumptions by Jurisdiction

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<sup>2</sup> The report estimates the potential for 2,700 to 5,000 accessory dwelling units in the City of San Diego in the next ten years, which translates into a potential for 9,000 to 18,000 units in the City of San Diego between 2017 and 2050.

## List of Expert Review Panelists

### March 9, 2017, Meeting

1. Erik Bruvold, President, National University System Institute for Policy Research
2. Ira Hirshman, Ph.D., Principal Economist, WSP Parsons Brinkerhoff
3. John Husing, Ph.D., Founder, Economics & Politics, Inc.
4. Elizabeth Laderman, Ph.D., Research Economist, San Francisco Federal Reserve Bank
5. Stephen Levy, Director and Senior Economist, Center for Continuing Study of the California Economy (CCSCE)
6. Dudley Poston, Ph.D., Professor of Sociology, Texas A&M University
7. Ryan Ratcliff, Ph.D., Associate Professor of Economics, University of San Diego
8. Lynn Reaser, Ph.D., Chief Economist, Fermanian Business & Economic Institute
9. Ethan Sharygin, Ph.D., Demographer, California Department of Finance
10. Stanley Smith, Ph.D., Emeritus Professor of Economics and Research Demographer, University of Florida
11. Jeff Tayman, Ph.D., Guest Lecturer, UC San Diego, Department of Economics
12. John Weeks, Ph.D., Emeritus Professor of Geography, San Diego State University

### February 14, 2018, Meeting

1. Gary London, Senior Principal, London Moeder Advisors
2. Nathan Moeder, Principal, London Moeder Advisors
3. Frank Wen, Ph.D., Planning Manager, Research and Analysis Division, Southern California Association of Governments
4. Ryan Ratcliff, Ph.D., Associate Professor of Economics, University of San Diego
5. Ethan Sharygin, Ph.D., Demographer, California Department of Finance

### **Preliminary Housing Capacity Assumptions by Jurisdiction**

The following preliminary capacities were developed in collaboration with each of the local jurisdictions over the last several months. The General Plan Capacity Assumptions shown in Column A represents initial input from local jurisdictions. On March 26 and April 12, 2018, the Regional Planning Technical Working Group, which includes the region's 19 planning directors, provided additional input on the approach to developing the preliminary housing capacities in order to meet the projected need for 509,000 housing units by 2050. The additional input included an emphasis on Smart Growth Opportunity Areas (SGOAs) (excluding Rural Villages), and accessory dwelling units (second units on certain single-family parcels).

SANDAG staff assumed development in SGOAs at the minimum densities for each SGOA and accessory dwelling units (ADUs) on 10 percent of all single-family lots 5,000 square feet or larger within the San Diego County Water Authority Service Area Boundary (SDCWA). This additional capacity is shown in the Additional General Plan Capacity Assumptions Column B. The totals shown in the table are rounded to the nearest hundred.

The RPC recommendation to reduce the number of ADUs to 5 percent and consider single-family lots 7,500 square feet or larger within the SDCWA would require increasing the assumptions for density in the SGOAs. Pending direction by the Board of Directors, SANDAG staff would use a similar methodology to that recommended by the Regional Planning Technical Working Group to accommodate the additional units by increasing density assumptions in the SGOAs.

**Table 1: General Plan Capacity Assumptions by Jurisdiction.**

<b>Jurisdiction</b>	<b>Column A Initial General Plan Capacity Assumptions (rounded)</b>	<b>Column B Additional General Plan Capacity Assumptions (rounded)</b>
Carlsbad	6,600	2,100
Chula Vista	27,700	14,200
Coronado	200	200
Del Mar	100	200
El Cajon	3,200	7,400
Encinitas	2,500	1,100
Escondido	11,800	8,800
Imperial Beach	3,600	300
La Mesa	9,300	1,900
Lemon Grove	1,100	1,500
National City	5,800	6,400
Oceanside	6,900	5,200
Poway	1,500	2,000
San Diego	202,600	65,600
San Marcos	11,500	4,300
Santee	3,300	3,400
Solana Beach	400	200
Unincorporated	67,800	7,800
Vista	7,100	3,400
<b>Region Total</b>	<b>373,000</b>	<b>136,000</b>