

May 8, 2013

Mr. Mark Luce, President
 Association of Bay Area Governments
 Joseph P. Bort Metro Center
 P.O. Box 2050
 Oakland CA 94607-4756

Re: Comment on Final Draft Plan Bay Area

ABAG Mission Statement:

ABAG is committed to enhancing the quality of life in the San Francisco Bay Area by leading the region in advocacy, collaboration, and excellence in planning, research, and member services.

As local officials, we need to be able to think and talk through options that deal with the very real problems we face. California is in the midst of a sometimes troubling demographic transition and we look to ABAG to help local communities explore the consequences of these changes. As presented to us, Plan Bay Area does not allow us to discuss the most important of these issues.

The stated goal of the Plan is to help local communities chart a course to accommodate change while “fostering an innovative, prosperous and competitive economy; preserving a healthy and safe environment; and allowing all Bay Area residents to share the benefits of vibrant, sustainable communities.” (Draft Plan Bay Area, March 2013, Page 1). But, the Plan presents and imposes on us only a single long-term demographic projection. This severely limits our ability to plan effectively for a changing future.

Plan Bay Area asserts a single demographic view of the future, what it calls the “the best picture we have of what the Bay Area may look like in 2040” (Page 5). It projects a population growth of 2.1 million people in the Bay Area in the period 2010-2040 (Page 6). This demographic assertion is the starting point for each and every public discussion of the Plan. But, this ‘best picture’ projection is some 60% higher than the forecast of the State Department of Finance's Demographic Research Unit—a group set up “to serve as the single official source of demographic data for state planning and budgeting” (California Department of Finance website). That group projects a Bay Area population increase of only 1.3 million by 2040. (Population Projection P-1, Demographic Research Unit, California Department of Finance, January 2013).

Up until 2012, ABAG had relied on the Department of Finance’s population projections as the basis of their own forecast. But ABAG moved away from that long-standing relationship when the 2010 Census showed a rather dramatic slowdown in California’s, and the Bay Area’s, population growth. In early 2012, a detailed analysis of California’s population slowdown during the 2000’s led the Department of Finance to revise its longer term projections in the areas of births, domestic migration and international migration. Instead of leading a public discussion of the implications of these important demographic shifts, ABAG turned to an entirely new model based on a US Department of Labor forecast. The selected Labor Department forecast not only didn’t show a decrease in projected population following the official Census Report, they rather

posited a substantial increase (see the articles detailing the Department's long-term population and labor projections in US Department of Labor, *Monthly Labor Review*, November 2006 and October 2012). This was not just a phenomenon of ABAG taking a national perspective rather than a local one: the US Census Bureau (who carries the federal responsibility for population estimates) made the same adjustments on birth rates and migration rates that California's Department of Finance did (reducing their national population projections for 2040 by some 34%). In fact, the Census Bureau actually published a short paper explaining why their longer term projection had changed so dramatically between 2008 and 2012, "What a Difference Four Years Make: US Population Projected to Grow at a Slower Pace" (US Census Bureau Blog, December 12, 2012)

In fact, most professional demographers are projecting a slower pace of population growth in coming decades at both the national and state level as they re-examine birth rates, domestic migration and international migration. Yet ABAG is ignoring the possibility of change. While there is room for disagreement and alternate scenarios, it would certainly be helpful for ABAG in their role of fostering excellence in local planning to help local communities explore some of the reasoning behind those changed projections and the consequences for decisions local officials make.

Let me mention a few of the most important of those shifting trends that might have significant impact on the longer-term decisions local governments make:

--Over the last ten years, California has averaged a net domestic out-migration of over 150,000 people per year. That adds up to a loss of over a million and a half California residents over the decade. Who are these migrants? According to the Department of Finance, the largest outflows are those aged between 30 and 45; the next largest group is young kids under 10 years of age. These are young families leaving the state. About two-thirds of the adults leaving have gone to California colleges. These are middle class young families.

--Because of the dramatic loss of young families, California is the only state west of the Mississippi that has a declining number of children under the age of 10.

--San Francisco is a special case with the share of children between the ages of 5 and 17 the fastest declining age group.

--The high cost of property in California is certainly one key factor in these changes. It has not only contributed to the out-migration of young families but it has sharply curtailed international immigration to the state over the last decade. Demographers have noted that net migration from Mexico to California is now close to zero.

--The absolute number of California residents admitted to the UC system has been falling for the last two years.

As elected officials, we are confronted with these indicators that point to a state that faces a shrinking young middle class. These are our kids, our grandkids, that are leaving.

Responding to demographic changes requires investment by local communities. We would like to create affordable housing and jobs that keep our young middle class families in the community. We need to invest in schools and day care centers and parks and recreation programs and libraries that form an affordable and attractive community. At the same time we have to maintain streets and sidewalks and our aging public buildings. Yet, you are asking us to invest more of our funds in building homes in Priority Development Areas to meet a possible influx of new residents and jobs. While it makes sense to assure that our communities remain diverse and vibrant, speculating on possible rapid growth rates is expensive. Each 'affordable' house, for example, carries a substantial subsidy in our high priced communities. As an example, each new low income housing unit in Palo Alto carries a public subsidy of between \$100,000 and \$400,000. And this is without the additional public funds needed for infrastructure support for things like schools and parks and roads and security.

As Council Members we are facing severe demands on our existing budgets: we are willing to spend to build affordable housing. But we are struggling to pay rising benefits and pensions to our workers who provide basic services and it is difficult to find new funds to invest in our existing schools and child care facilities. At the same time we are confronted with a constrained tax system. Our main source of local revenue, property tax, grows slower than the California economy under Prop 13. A key element of that slower growth is the fact that each year businesses share of property tax payments declines because of a special Prop 13 exemption.

When we draw the 'best picture' of our demographic future, it is imperative that we make sure that we include the best thinking of the many professional demographers available to help us sort through our options and choices. It doesn't help us to be presented with only the most aggressive growth scenario and to hear at the beginning of each public meeting "By statute, the Regional Housing Needs Determination cannot be changed".

If existing statutes stand in the way of exploring realistic demographic change, please help us change the statutes. If Prop 13 constrains all the choices we have, identify it as a problem for us. Help us explore the full range of demographic changes we face and what options we have to use our scarce resources so that we can truly excel in "planning, research and services" to our constituents.

Greg Schmid
Palo Alto Council Member
May 2013

Cc: Ezra Rapport, Association of Bay Area Governments
William Schooling, Chief, Demographic Research Unit, Department of Finance
Walter Schwarm, Demographic Research Unit, Department of Finance