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Metropolitan Transportation Commission
Public Information Office
101 Eighth St.
Oakland, California 94607

May 16, 2013

Re: Comments on ABAG's and MTC's Draft Plan Bay Area and Environmental Impact Report Plan Bay Area Draft

Dear Sirs:

On behalf of Bay Area Citizens, I am pleased to submit: *A Population Forecast – The San Francisco Bay Area*, May 2013, prepared by Beacon Economics, attached.

This letter, and the Beacon Economics report, shall be included as comments on the Association of Bay Area Governments' (ABAG) and the Metropolitan Transportation Commission's (MTC) *Draft Plan Bay Area (Plan)*, March 2013, and *Environmental Impact Report Plan Bay Area Draft* (DEIR), April 2013, State Clearinghouse No. 2012062029.

We at Bay Area Citizens have been concerned that population projections of the *Plan* and DEIR for 2040 appeared quite high to us. Since population projections have very significant impacts on many important elements of the *Plan* and DEIR, we asked Beacon Economics (Beacon) to perform an independent, unbiased analysis of the methodology utilized by the demographic consultant to ABAG who prepared the projection, with particular attention devoted to the projection of Bay Area jobs, which is one of the key drivers of such projections, particularly in the case of the projection utilized by ABAG's consultant in its 2040 projection. We also tasked Beacon with developing its own Bay Area 2040 population projection and with collecting and reporting projections made by other reputable entities that have prepared Bay Area population projections for 2040.

As documented in their report, Beacon does not concur with important aspects of the methodology utilized by ABAG's consultant. Its own 2040 population projection was significantly lower than that utilized by ABAG and MTC in the *Plan* and DEIR.

What is perhaps the most important finding of the report for the current purposes is that four entities, very experienced in making such projections, Beacon, the State of California Department of Finance, Caltrans, and IHS Global Insight, have projected Bay Area population growth to 2040 between 1.283 and 1.695 million, while the ABAG projection is growth of 2.077

million to that date – 39% higher than the simple average of the four other projections, 1.499 million. The ABAG consultant's projection is the outlier, and by a considerable margin

From the Beacon report, and the other population projections prepared by other independent experts, we conclude:

1. The ABAG jobs and population projection are significantly higher than the range of estimates from well-recognized authorities.
2. Projecting significantly more jobs, and more people, than is likely to actually occur means more travel, than is likely to occur – and the vast majority of this extra travel will be taken on non-transit motor vehicles (expressed in Vehicle Miles Travelled [VMT]), resulting in a significant over-projection of the likely level of VMT in the Bay Area in 2040.
3. This resulting unwarranted over-projection of VMT will cause CO₂ and other emissions to appear to increase more than proportionally than the over-projected VMT because, as VMT increases and approaches and exceed road capacity, congestion increases rapidly, which significantly increases energy usage and all emissions per VMT.
4. Therefore, the over-projection of job and population growth in the *Plan* and DEIR results in significantly over-stated CO₂ and other emissions in the 2040 projection year. Since this outcome is not based on the best scientific knowledge and analysis, it must be rejected, and replaced by projections based on mainstream consensus.
5. Further, by overestimating population growth, the *Plan* and DEIR over-estimate household formation and the demand for new residences; this in turn means that the requirement for 80% of new residential units to be in PDA's will mean more PDA housing units being created and more people living in them, this will further detract from the utility of the outcomes of the land use and transportation model runs created as part of the preparation of the *Plan* and DEIR.

I have reviewed "Overview of the Regional Housing Need Determination, DOF Population Projections and Plan Bay Area Forecast," prepared by the California Housing and Community Development Department (HCD), the California Department of Finance (DOF), and the Association of Bay Area Governments (ABAG). This is a most strange document and includes a number of statements I find objectionable, including (my comments in ***bold italics***):

1. "HCD, DOF and ABAG agree that economic trends need to be addressed in Plan Bay Area. ABAG's 2.1 million population growth projection is directly tied to employment growth."

Agreed that ABAG's projection is directly tied to employment growth, and that is our major concern, as it appears that ABAG's projection is tied to an over-projection of such employment growth that we believe is very unlikely to occur.

2. "DOF's 2013 projections do not take into account the high job, migration, and population growth from 2010 to 2012."

Two years a long-term trend do not make – particularly as these two years can be very fairly considered, in large part, as a recovery from a long period of very slow growth, and as largely a sharp, though only partial, rebound from the 290,000 jobs lost in the Bay Area in the preceding three years from 2008-2010. Proper economic projection procedure is to consider the 2010-2012 period, but as part of the longer term context. No competent economist or demographer would ever base a 27-year (2013 to 2040) projection on two years of history – it should be a factor, of course, but not a controlling one. Short-term trends can change very quickly – such as how the trend from 2008 to 2010 changed radically to that from 2010 to 2012. Any projection that assumes that a short-term trend will continue forever into the long-term should be discarded as flawed on its face.

3. "The DOF population projections depict only one possible course of future population change, i.e., the one reflecting assumed trends in fertility, mortality, and migration. The model does not consider employment, which is a major driver of migration. Thus, it is not a forecast of the most likely outcome. These projections do not necessarily show what is most desirable but rather what can be reasonably expected if recent historical trends continue until the year 2060."

While it is certainly agreed that employment is a factor, the ABAG assumptions, including that the Bay Area has a permanent and inviolate advantage in technology that will assure that it always will have job growth higher than the national average, is highly questionable, for the following reasons:

- *First, such advantages are fleeting, as plants, offices, and laboratories can and do relocate over time – including as new businesses in new areas learn to compete – and often win – over established technologies and companies and as newer technologies, and entire industries, move to the forefront.*
- *Second, California and the Bay Area are very vulnerable to loss of jobs, as we are consistently rated as one of, if not the, least business friendly states and regions in the nation.*
- *Third, we have very high taxes on both businesses and individuals, which tends to drive both established businesses and the start-ups that are so critical to job growth to places with lower taxes.*
- *Fourth, our cost of living is very high, which makes it more difficult for businesses to attract the high-quality people they need because the recruits find the cost of housing so high they cannot afford the type of housing they, and their family members, prefer (and the concept that this will be addressed by forcing the production of less preferred types of housing and changing consumer demand should not be accepted without significant reflection on the ability of governments to change consumer behavior by fiat).*

- *And Fifth, and perhaps most tellingly, the ABAG population forecast is based upon the subsidiary assumption that jobs will grow in the Bay Area at much faster rates over the next three decades than jobs have grown in the Bay Area over the past two decades because the Bay Area will take share of national jobs because of its comparative advantage in technology relative to the rest of the country. But ABAG cannot satisfactorily explain how the next three decades will be so different than the past two decades—a period in which the Bay Area indisputably had the comparative advantage in technology that ABAG projects will persist over the next three decades, and yet job growth was sluggish and the Bay Area lost share of national jobs during the past two decades.*

The one explanation we've heard for why "this time it's different" and why the sluggish job growth over the past two decades is not predictive of the future is that the Bay Area saw three recessions over the past two decades. Recessions of course are an inevitable part of the economic cycle, but this rationale is perhaps why the Plan itself states on p. 31 as the first, and presumably most important of its economic assumptions that [t]he Bay Area and national economies will be healthy, with an average unemployment rate of 5 percent or less. A thirty year economic forecast without any major recessions is an appealing and hopeful outlook indeed, and certainly supportive of ABAG's population model which assumes outsized growth in jobs over the next thirty years, much greater than that over the past twenty years, but perhaps such an assumption may be a bit untethered to historical experience to underlie the population and economic forecasts of a regional plan with as many consequences and implications as Plan Bay Area.

While the DOF population projection may not be "the most likely outcome," there is no reason to believe that the ABAG projection will prove superior; in fact, it appears to be an outlier from the economic/demographic mainstream. We have not noted that DOF has admitted that its projection is incorrect and will be revised. Although it is highly unlikely we will ever get an answer to this question, we do wonder how much of this document was the outcome of professional discussion and how much was the result of political pressure.

4. "Job growth is the main determinant of population growth in the ABAG regional growth forecast as in all major regional forecast modeling in California and around the nation. ABAG job growth to 2040 is estimated as a share of U.S. projected job growth, based on an assessment of regional competitiveness by major industry sectors."

While we do agree that "job growth is the main determinant of population growth in the ABAG regional growth forecast," we do not agree that it is the same "in all major regional forecast modeling in California and around the nation." Yes, it is almost always a major factor, but there are many other major factors commonly utilized, including "natural" population change (births and deaths). In California over the past few decades, the major

reduction in birth rates, particularly for Hispanic females, has been a very major factor; arguably, the most important. Not all migration is based on job prospects, including the large number of immigrants to California from certain Central and South American and Asian nations that are political refugees. However, even if it is agreed that job growth is the most important factor, it is still vital to make a projection of job growth based on proper analysis – and we find that ABAG's controlling assumption that the Bay Area will maintain a permanent advantage over the rest of the U.S., and the world, in technology jobs to be highly questionable – and not concurred with in the projections made by other respected economists and demographers, as included in the Beacon report.

Sincerely,

Tom Rubin

Thomas A. Rubin
Advisory Board
Bay Area Citizens

Attachment (*A Population Forecast – The San Francisco Bay Area*)