AGENDA

1. **Welcome/Roll Call** *(10 mins)*

2. **Discussion Items**
   a. **2026 Regional Growth Forecast (Heather Adamson, AMBAG and Beth Jarosz, Population Reference Bureau)** *(40 mins)*

      AMBAG will provide an update on the draft regional growth forecast (RGF) including draft regional population, housing, and employment numbers. Planning Directors are asked to provide additional feedback and input on the regional growth forecast.

3. **Other Items/Announcements (5 mins)**

4. **Next Steps/Adjourn** *(5 mins)*

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ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS

MEMORANDUM

TO: **AMBAG Planning Directors Forum**

FROM: **Heather Adamson, Director of Planning**

SUBJECT: **2026 Regional Growth Forecast**

MEETING DATE: **October 23, 2023**

RECOMMENDATION:

AMBAG staff will provide an overview of the draft regional growth forecast. Planning Directors are asked to discuss the draft forecast results and provide feedback.

BACKGROUND/ DISCUSSION:

Every four years, AMBAG updates its regional forecast for population, housing, and employment to support the development of the Metropolitan Transportation Plan/Sustainable Communities Strategy (MTP/SCS), Regional Travel Demand Model and other planning efforts.

The regional growth forecast projects the region's population, employment and housing numbers for the tri-county area of Monterey, San Benito, and Santa Cruz counites. The purpose of the regional growth forecast is to show likely changes in employment, population and housing in the region between 2020 and 2050, based on the most current information available. As growth patterns change over time, the forecast is updated on a regular basis to reflect the most current and accurate information available.

This forecast is used to inform regional and local planning projects such as the MTP/SCS, transportation projects, corridor studies, and economic activity analyses. Results from this forecast are used as inputs in the Regional Travel Demand Model to forecast travel patterns. AMBAG has hired Population Reference Bureau (PRB) to assist in the preparation of the Regional Growth Forecast.
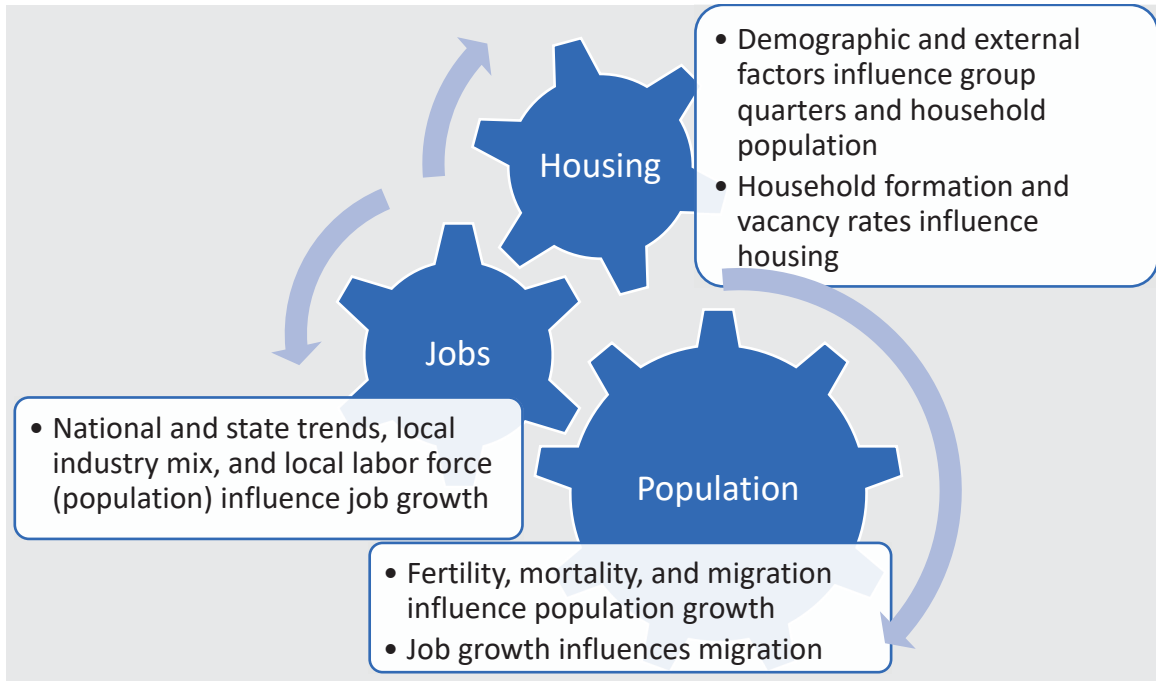
The region has seen robust job and housing growth in recent years, despite population decline. However, rapid job growth and shrinking population trends are not expected to

continue long-term. In the 2026 Draft Regional Growth Forecast, we expect slow growth for all three—population, jobs, and housing.

Forecast Methodology

The forecasting framework is illustrated in the figure below.

- Demographic and external factors influence group quarters and household population
- Household formation and vacancy rates influence housing
- National and state trends, local industry mix, and local labor force (population) influence job growth
- Fertility, mortality, and migration influence population growth
- Job growth influences migration

Employment: Employment growth by industry is driven by projected national and statewide trends for all industries in the region using a shift-share model with input from the population model through the working-age population forecast.

Population: Fertility, mortality, and migration trends influence population growth. Employment forecast influences migration levels.

Household Population and Households: Demographic factors (e.g., age, sex, race/ethnicity) and external factors (e.g., major group quarters facilities like colleges and universities, correctional facilities, etc.) influence the household population and household formation rates (i.e., the number of people per household).

Housing Units: Housing projections are driven by the household population projection, demographic characteristics of the household population (age, sex, race/ethnicity), household formation rates, and housing vacancy rates.

Preliminary Draft Forecast Assumptions, Based on Historical Trends and Workgroup Feedback

On September 8, 2023, AMBAG and PRB convened a workgroup to review forecast assumptions. The group provided valuable input into expected trends in fertility, mortality, migration, housing, and job growth by sector. On September 25, 2023, AMBAG and PRB shared forecast assumptions, which incorporated input from the workgroup, with the Planning Directors Forum.

The preliminary draft forecast incorporates the following assumptions based on analysis of regional, state, and national trends as well as feedback from the workgroup and Planning Directors Forum:

- Birth rates:
  - Rates continue to decline for teens and those in their 20s.
  - Rates remain stable for those in their 30s.
  - Rates rise slightly for those in their 40s.
- Mortality rates:
  - The infant mortality rate continues to decline at a rate similar to the decline in recent years.
  - Rates remain stable for all other ages.
- Migration:
  - International migration returns to historic average levels
  - Domestic migration outflows are reduced but not completely eliminated.
- Job growth
  - Most industries are projected using a shift-share, with historical trends informing which industries grow somewhat faster (or slower) than the state.
  - Selected population-serving industries (retail, self-employment, and some services) grow per capita, rather than based on state or national trends.
- Households
  - Growth is driven by household formation rates by age, sex, and race/ethnicity.
  - Household formation rates rise for age groups (ages 25-64) that have shown an increase in recent years.
- Housing
  - AMBAG received feedback from the Workgroup that vacancy should be forecasted separately for owner, renter, and seasonal/vacation homes. This request was incorporated into the draft.
  - Owner vacancy rates trend up from current low rates (below 1%) to 2%.
  - Renter vacancy rates trend up from current low rates (below 3%) to 5%.

o   Vacation rentals remain a constant share of the region's housing stock.

Preliminary Results

The preliminary regional growth forecast numbers for population and employment are shown in Table 1. An earlier draft was presented to the Planning Directors Forum (PDF) at their meeting on September 25, 2023. The results presented below include updates to reflect feedback received at that meeting (Table 1).

Table 1: AMBAG Regional Projections 2010-2050

|	Census		Forecast			Change 2020-50	
	2010	2020	2030	2040	2050	Number	%
Pop	732,708	774,105	776,883	786,833	792,452	18,347	2.4%
Housing	260,256	269,433	292,154	306,136	310,912	41,479	15.4%
Jobs	351,735	374,530	415,260	421,268	427,233	52,703	14.1%

Source: Preliminary Regional Growth Forecast Draft Results

Population projections are substantially lower than the 2022 Regional Growth Forecast (2022 RGF), reflecting updated information from the 2020 Census and new estimates from the California Department of Finance (DOF) that show population loss in the region in recent years, steadily falling fertility rates, stagnant mortality rates, and an aging population.

For the years 2020-2045, the preliminary population projections are within 1.5% of the DOF forecast update that was released in July 2023. However, the new DOF projections begin to show population decline in the region. The preliminary draft shared with the PDF showed a similar pattern. However, members of the PDF noted that the first draft projections included *constant* population at the University of California, Santa Cruz and at California State University, Monterey Bay, which is unlikely given expansion plans at both universities. Once university plans are included, the region will continue to grow slowly through 2050.

Population aging continues to be a substantial driver of change in the AMBAG region in this forecast. In this preliminary draft, the child population is projected to shrink by more than 18 percent, the population ages 18-64 is expected to grow by more than 6 percent, and the population ages 65 and older is projected to grow by more than 17 percent (Figure 1).

Figure 1: Region's Child Population is Expected to Shrink Between 2020 and 2050

Forecast Population by Age, AMBAG Region, 2020 and 2050
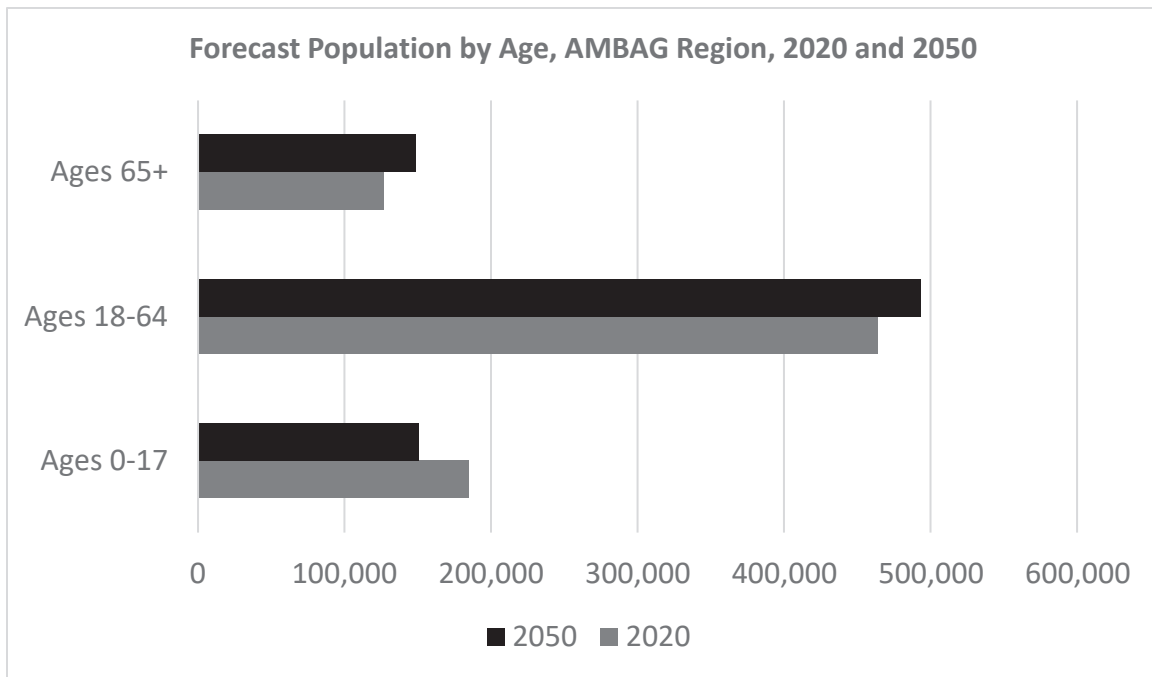
Source: Preliminary Regional Growth Forecast Draft Results

Job projections are also lower than in the 2022 RGF, reflecting updated data from the California Employment Development Department. Data through 2022 show that the region's jobs have rebounded from the 2020 recession, but have not grown to levels predicted in the 2022 RGF.

Although job growth is lower than in the 2022 RGF, the rate of growth is quite a bit faster than the rate of population growth. While this may seem counterintuitive, it reflects, in part, adults representing a growing share of the region's population.

Unlike population and jobs, **housing projections** are slightly higher than in the 2022 RGF, reflecting updated information from the 2020 Census, 2022 American Community Survey, and new estimates from DOF. These sources show housing growth and rising household formation rates in the region in recent years, even as population declined.

The region's aging population plays a key role in the housing projections. Household formation rates rise with age. As the region's population ages, more people are expected to live alone (or in small households), and the number of people per household is expected to fall. Because of the strong association between age and household formation, more housing would be needed to house an aging population, even if the population remained constant.

In addition, feedback from the Workgroup and PDF suggested that local and state policies are already at work to ease the existing housing shortage—and could be expected to

continue to ease overcrowding.

Finally, the assumptions that are incorporated into the housing projection mean that the region meets the statutory requirement that the MTP/SCS accommodate the 6th cycle Regional Housing Needs Determination. Given AMBAG's determination of 33,274 and San Benito COG's determination of 5,005 units, the AMBAG region MTP/SCS should include at least 38,279 additional housing units between 2020 and 2050 for a minimum of 308,620 units by 2050. The preliminary draft housing forecast exceeds that threshold.

Feedback from the AMBAG Board of Directors

On October 11, 2023, AMBAG and PRB presented preliminary forecast results to the AMBAG Board of Directors. Directors generally expressed that the jobs and housing numbers seemed reasonable, but there was considerable discussion about the slow rate of population growth. Questions included the following:

- Would climate change lead to coastal communities becoming an increasingly attractive destination for migration—reversing the long-standing trend of out-migration from the region?
- Would an aging population require additional workers to support healthcare and assistance jobs?
- How would very slow growth for the region be reconciled with jurisdiction expectations for their own growth—would some jurisdictions shrink? Or should jurisdiction expectations be taken into consideration for the regional forecast?
- Could forecast ranges (low and high) be provided to help put the point forecast (required for the plan) into context?

The Planning Directors are asked to discuss the slow rate of population growth shown in the preliminary forecast and provide input on what changes, if any, should be incorporated into a revised draft.

Timeline

- Winter 2023 – Complete draft regional growth forecast
- Early 2024 – Begin subregional allocation

Next Steps

A revised draft of the regional forecast will be ready for review and discussion in November 2023. AMBAG will continue to work closely with local jurisdictions and gather information to ensure that the most current local data is incorporated into the forecast and to ensure consensus on the process.