

Final Report
ECONOMIC IMPACT OF FOUR REGIONAL
RESIDENTIAL CONSTRUCTION CONTROL
INITIATIVES ON ALAMEDA AND CONTRA
COSTA COUNTIES

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SECTION I

INTRODUCTION AND BACKGROUND

The Cities of Livermore and Pleasanton in Alameda County, in addition to the City of San Ramon and the Town of Danville in Contra Costa County, have voter initiatives in upcoming elections that would restrict residential construction. The Citizens' Alliance for Public Planning (CAPP), a grass roots organization in these four cities, has sponsored referendums on upcoming ballots which would generally require special elections for residential projects over a specified number of units. In order to better understand the long-term, regional implications of these residential construction control initiatives, the Economic Development Alliance for Business (EDAB) retained Economics Research Associates (ERA) to analyze the impact of the four cities' initiatives on the East Bay regional economy.

THE REGIONAL RESIDENTIAL CONSTRUCTION CONTROL INITIATIVES

The goal of these regional residential construction control initiatives is to "increase community oversight of city and county legislative actions" in development and land use. The group seeks to make voter approval mandatory for major developments and land use changes, and supports urban limit lines, growth management controls, and "other means of channeling development in ways that benefit the residents, employees and employers of the affected area." The initiatives will appear on the November 1999 ballots in all cities except for Danville, where the initiative is scheduled for the November 2000 ballot. The major elements of each regional residential construction control initiative are summarized below.

Pleasanton

The stated purpose of the initiative in Pleasanton is to "ensure that the issues that concern Pleasanton residents are taken into account and are dealt with in an appropriate manner. This initiative gives the people of the City of Pleasanton the right to vote, without having to evoke a referendum, on each and every significant change of zoning and major residential development approval."

The major elements of the initiative are as follows:

- Any Pleasanton General Plan Amendment that increases the maximum allowable number of dwelling units permitted to be built by ten or more must be approved by a majority of voters.
- Any proposed development that is legislative in nature involving *ten or more* dwelling units must be approved by a majority of voters. Any proposed development agreement used in a legislative manner which would confer vested development rights for a proposed development of ten or more dwelling units must also receive prior approval by a majority of voters.
- Dividing a development that would otherwise require a vote of the people into partial developments that will not in themselves require an election will not be permitted.
- Any rezoning of one or more parcels, or any change in the permitted uses or regulations that results in an increase in maximum allowable dwelling units permitted to be built by ten or more dwelling units must receive voter approval.
- Any residential rezoning or land use agreement covering unincorporated territory outside city limits that will apply to the property if subsequently annexed must be approved by a majority of voters.
- Any commercial, office or industrial development plan that has a maximum height of more than 55 feet must be submitted to a vote of the people.

Furthermore, the Pleasanton initiative specifically designates the following areas as Agricultural and Grazing land. Any subsequent change in designation must be approved by a majority of voters. This provision will not apply to any portion of the listed areas which have already been granted vested development rights before the passage of this initiative:

- The 128-acre, Alameda County owned Staples Ranch
- The 500-acre San Francisco Water District Property on Bernal Avenue.
- The 91-acre Busch property.
- The Vineyard Corridor area.
- The Merritt Shoals area.

Finally, the initiative provides that the costs of any election required by the initiative will be the responsibility of the applicant for the land use approval.

Livermore

The stated purpose of the Livermore residential construction control initiative is to “protect health and quality of life, to preserve valuable agricultural production, agricultural land and open space, and to promote quality growth with low impacts on health, the environment, and infrastructure.” The Livermore initiative seeks to “limit sprawl and focus future development” through the following measures:

- Establish an Urban Growth Boundary (UGB), which would be drawn to include the current city limits but to exclude most of the proposed 35,000 resident North Livermore development.
- Except if explicitly allowed by the initiative, limit the City to developing only on those properties that are within the urban growth boundary established by the initiative.
- No new uses under City control shall be permitted outside of this boundary except for schools, public parks, public facilities, and open space fully accessible to the public. City water, sewer, and other services cannot be served to any areas outside the UGB except those mandated by State and Federal law and except for the developments already stated.
- Institute a maximum growth rate of *1,000 new residents* per year.
- Require majority approval in a city-wide election for legislative actions for development projects or proposals which would allow *twenty or more* dwelling units.
- Dividing a development that would otherwise require a vote of the people into partial developments that will not in themselves require an election will not be permitted.
- Projects having all units permanently priced for “persons and families of low or moderate income” will be exempt from voter approval. However, these units will count cumulatively against the growth rate.
- Any legislative action that would cause or allow the conversion of more than two acres of contiguous open space on land designated by the General Plan as agricultural and grazing, rural density residential, parks and recreation, or public health and safety to a non-open space use must be approved in a general election by the majority of voters. Development consistent with rural residential land use designation will not be considered as non-open space use.

- The costs of any election required by the initiative will be the responsibility of the applicant for the land use approval.

San Ramon

The stated purpose of the San Ramon residential construction control initiative is to “ensure that the issues that concern San Ramon residents are taken into account and are dealt with in an appropriate manner. This initiative gives the people of the City of San Ramon the right to vote, without having to evoke a referendum, on each and every significant change of zoning and major residential development approval.” The major elements of the San Ramon initiative are as follows:

- Any proposed development that is legislative in nature involving *ten or more* dwelling units must be approved by a majority of voters. Any proposed development agreement by the City Council or other City agencies for a proposed development of ten or more dwelling units must be approved by a majority of voters. This applies to both new single-family subdivisions and multi-family in-fill development.
- Dividing a development that would otherwise require a vote of the people into partial developments that will not in themselves require an election will not be permitted.
- Any legislative action that would allow the conversion of more than two acres of contiguous open space (land zoned by the General Plan as agricultural and grazing, rural density residential, parks and recreation, public health and safety, or a combination of these uses with any other use) to a non-open space use must be approved by a majority of voters.
- Any legislative action that changes zoning from residential to office, retail shopping, thoroughfare commercial, commercial services, manufacturing and warehouse, mixed-use building, or commercial recreational must be approved by a majority of voters.
- Housing projects having all units permanently priced for “persons or families of low or moderate income” will be exempt from voter approval.
- An Urban Growth Boundary will be established following the Sphere of Influence line established by the Local Agency Formation Commission as it exists as of January 1, 1999.

- No new uses under City control are allowed outside the UGB except for schools, public parks, public facilities, and open space fully accessible to the public (whenever feasible).
- No pre-annexation agreement is permitted outside the UGB without voter approval unless mandated by Federal or State law.
- The UGB line may not be moved without voter approval.
- The costs of any election required by the initiative will be the responsibility of the applicants for the land use approval.

Danville

The purpose of the Danville residential construction control initiative is to “ensure that the issues that concern Danville residents are taken into account and are dealt with in an appropriate manner. This initiative gives the people of the Town of Danville the right to vote, without having to evoke a referendum, on each and every significant change of zoning and major development approval.” The major elements of the Danville initiative are as follows:

- Establish an Urban Growth Boundary line which follows the Sphere of Influence line established by the Local Agency Formation Commission as it exists as of January 1, 1999.
- No pre-annexation agreement is permitted outside this boundary without voter approval or as mandated by Federal or State law.
- The UGB may not be moved without voter approval.
- Any proposed development that is legislative in nature involving *ten or more units* must first receive voter approval.
- Dividing a development that would otherwise require a vote of the people into partial developments that will not in themselves require an election will not be permitted.
- Any rezoning of one or more parcels or any change in permitted uses or regulations which result in an increase in the maximum number of allowable units permitted to be built by ten or more must first be approved by a majority of voters in a city wide election. Any pre-zoning agreement covering unincorporated territory that will apply to such property if subsequently annexed must be approved by voters.

- Any legislative action which would allow the conversion of more than two acres of contiguous open space (land designated by the General Plan as agricultural, general open space, parks and recreation, or public and semi public, or a combination of these uses with any non-open space use) must obtain voter approval.
- Recognize the current boundary established by Contra Costa County's zoning in the Tassajara and Dougherty Valley Area as the limit of urban development until a "comprehensive long-range plan" is prepared by Danville, San Ramon, and Contra Costa County.
- The costs of any election required by the initiative will be the responsibility of the applicants for the land use approval.

REPORT ORGANIZATION

ERA's approach, methodology, and assumptions, along with a description of the economic model used for analysis, are contained in Section II. Section III presents the impacts of the four regional residential construction control initiatives on population, employment, wage rates, gross regional product, cost of living, and real estate selling prices.

This study was managed by William W. Lee, Senior Vice President in the San Francisco ERA office. Linda Cheu, Senior Associate, and Anna Fudacz, intern, assisted with the research, analysis, and report preparation.

SECTION II

METHODOLOGY AND ASSUMPTIONS

DESCRIPTION OF ECONOMIC MODEL

In order to measure the impacts that the four regional residential construction control initiatives would have on Contra Costa and Alameda Counties, ERA leased a simulation and forecast model of the Alameda and Contra Costa Counties regional economy from Regional Economic Model, Inc. (REMI). Established in 1980, the REMI model is designed to estimate major investment or policy changes on the national, state, or regional economy. As discussed in the introduction, the economy analyzed in this study is that of the combined Alameda and Contra Costa County region.

The model provides a baseline (control) forecast for the regional economy that predicts demand and supply conditions across 14 sectors, 17 occupations, 25 final-demand sectors, and 202 age/sex cohorts. Policy variables within the model can then be changed to create an alternative scenario, in this case, the passage of the residential construction control initiatives in all four cities. There are over 300 regular economic policy variables and hundreds of demographic policy and translator policy variables that can be changed to simulate the impact of various policies and generate alternative forecasts. In this case, the alternative scenario is based on the change in population anticipated as a result of the initiatives. The REMI model is then run under both the baseline and alternative forecasts for a given period of time, and the effect of the policy change is the difference between the two. For the purposes of this study, ERA used a 20-year time frame from the year 2000 to 2020.

The important attributes of the REMI model are as follows:

- It starts with the inter-industry relationships in the United States economy and the projected changes of those relationships over time.
- It is adjusted to the Alameda and Contra Costa Counties regional economy to reflect the area's industrial concentration in the different sectors and the proportion of local demand which is produced in the region.
- The regional model then calculates the amount of labor and capital required to produce the region's output.

- The model also predicts population and labor force availability and calculates wages, prices, and profits.
- These factors are then used to estimate the competitiveness of the two-county area and labor force migration to and from the region.

The REMI model is based on several fundamental economic assumptions that are shared by most economic professions:

- Businesses are motivated by profit, and individuals are motivated by a desire to maximize their well-being.
- Firms buy inputs from other firms, and these linkages change in predictable ways over time.
- Firms can change the relative inputs into production based upon relative cost changes.
- While individuals and firms in various parts of the country have similar motivations, each area of the country has differences that influence its economy uniquely, and therefore, these differences must be estimated individually for each industry in each area.

The REMI model has been used to analyze a wide variety of regional economic issues and is widely accepted as an economic modeling system used to understand the implications of changes in government policy or investment. Clients include state governments, local and regional planning agencies, universities, utility companies, and private consulting firms.

The REMI model utilizes many widely accepted, primarily governmental data sources, in the development of its economic models, including the following:

- The Bureau of Economic Analysis (BEA) employment, wage, and personal income series, available for over 53 industries at the two-digit level for states and at the one-digit level for over 14 industries at the county level, from 1969 to the present.
- The Bureau of Labor Statistics (BLS) annual average employment and total annual wages, collected on a monthly basis and available at the two-digit Standard Industrial Classifications (SIC) level for all counties and states.
- County Business Patterns (CBP) data, collected annually.
- Fuel cost data based upon unit cost data obtained from the Energy Information Administration/State Price and Expenditure Report.

- Fuel weight data obtained from the 1982 Census of Manufacturers, Census of Mineral Industries, Census of Construction Industries, and State Energy Price and Expenditures Report.
- Tax data from the Government Finances (Revenue) publication.
- Cost of capital data from Moody's AAA bond rates, investment tax credit rates, the Quarterly Financial Report for Manufacturing, and the Survey of Current Business.
- Gross State Product Data, available from individual states.
- Housing price data from the National Association of Realtors and the Census of Housing.

DERIVATION OF ALTERNATIVE FORECAST

In order to develop an alternative forecast based upon the passage of all four initiatives, ERA had to first determine the main input variables which would be affected by the initiatives. Since the most direct impact of the initiatives is to restrict development, and therefore, reduce the population of the subject cities, ERA had to first estimate the absolute change in population which would occur as a result of the measures in order to apply this change to the REMI model. To develop this estimate, ERA conducted interviews with management and planning staff in San Ramon, Pleasanton, Livermore, Alameda County and Contra Costa County, reviewed previous studies analyzing the initiatives, and utilized our own understanding of population growth, employment, and housing development patterns in the Bay Area and Northern California. We also initiated contact with key proponents of the initiatives in the four cities in attempt to gain a first hand understanding of their objectives. Research and interviews focused on the following questions:

- If the initiatives did not pass, what would be the population in the year 2000 and in 2020? What assumptions related to the development of undeveloped areas and/or annexation of unincorporated areas are reflected in these estimates?
- What geographic areas would be impacted by these initiatives?
- How many future housing units in these affected geographic areas would not be developed because of the initiatives?
- Which areas slated for development are already approved and/or under development agreements or settlements and would not be affected by the passage of the initiatives?

- How likely would development that would be restricted under the cities' jurisdictions due to the initiatives be developed under county jurisdiction? What infrastructure or other limitations would impact the likelihood of development in the county?
- For the development in each city that would not occur due to the initiatives, where is the housing development likely to go? How much would go to other cities in Alameda and Contra Costa Counties, and how much would leave the two-county area?

Based upon this research, ERA estimated that there would be approximately 30,000 fewer persons in the two-county area by the year 2020 as a result of the initiatives (shown in **Table II-1**). While the two-county area is the region ultimately analyzed with the REMI model, it was necessary for ERA to utilize other population estimates and projections at the sub-county level in order to understand the cumulative change created by the initiatives. The population change estimate was derived through careful analysis of how population would likely change in the two counties with and without the initiatives. ERA used population estimates and projections from the Department of Finance (DOF), Association of Bay Area Governments (ABAG), and the cities' own population projections for build-out. Specific assumptions used to develop the change in population with and without the initiatives are presented below.

POPULATION ASSUMPTIONS – WITHOUT THE INITIATIVES

ERA used the following specific population assumptions for a “without initiatives” scenario for the geographic areas in the two counties that were likely to be affected by the initiatives.

Livermore

- The year 2000 population estimate was derived from growing the Department of Finance's current 1999 population estimate at the City's historical average annual compounded growth rate of 3.31 percent.
- The year 2020 population estimate was based on the City's estimate for build-out. The build-out population assumes 43,452 total housing units, an average vacancy rate of 3.94 percent (DOF estimate), and an average population of 2.96 persons per unit (DOF estimate). This estimate includes the development of North Livermore.

Pleasanton

- Our year 2000 population estimate was derived from applying a 2.3 percent increase against the current 1999 population as estimated by DOF. We based the 2.3 percent growth rate on the City's projected rate of increase towards build-out. Since our estimate includes Pleasanton's Sphere of Influence area, 1,100 people were added to the DOF estimate for the City to account for the residents of 385 units in the unincorporated area.
- The year 2020 population estimate was based on the City's build-out population plus the 1,100 persons in Pleasanton's unincorporated Sphere of Influence area. The built-out population assumes 29,000 units permitted under the General Plan, an average vacancy rate of 4.5 percent (DOF estimate), and a household size of approximately 2.9 persons per unit (DOF estimate).

San Ramon

- The year 2000 and 2020 populations were both based upon ABAG 1998 projections for the City of San Ramon and its Sphere of Influence area.
- The year 2000 estimate for Dougherty Valley was derived from ABAG 1998 projections. According to ABAG, Dougherty Valley's population comprises approximately 53 percent of the ABAG 1998 population estimate for the "Contra Costa County Remainder" in the year 2000.
- The year 2020 estimate for Dougherty Valley was estimated by using the ABAG projection for a build-out population of 25,700.

Tassajara Valley

- The year 2000 population estimate was based upon ABAG 1998 projections. According to ABAG, Tassajara Valley's population comprises approximately 27 percent of the ABAG 1998 projection for the "Contra Costa County Remainder."
- Our year 2020 population estimate for Tassajara Valley was 12,500 based upon discussion with ABAG staff.

Danville

- The year 2000 and 2020 populations were both based upon ABAG 1998 projections.

POPULATION ASSUMPTIONS – WITH THE INITIATIVES

ERA used the following specific population assumptions for a “with initiatives” scenario for the geographic areas in the two counties that were likely to be affected by the initiatives.

Livermore

- Based upon analysis performed by the City of Livermore, the initiative will reduce the built-out of North Livermore from 12,500 units to approximately 2,500, resulting in a population of 91,000 in the year 2020, as compared to the baseline estimate of 123,000.
- The initiative will also preclude potential development of approximately 1,180 residential units from the City’s Planning Area “A” near Vasco Road.

County Portion of North Livermore

- It is assumed for this analysis that the units precluded from development in North Livermore under the initiative are not built under County jurisdiction.

Pleasanton

- The initiative will result in a reduction of approximately 2,500 units in Pleasanton, resulting in a build-out of approximately 26,500 units by the year 2020. The reduction is primarily a result of restricted development in Staples Ranch, the San Francisco Water District Property, Busch property, Vineyard Corridor area and Merritt Schoals area. We assumed that these areas maintain their new designation as Agriculture and Grazing after passage of the initiative. ERA added 1,100 people to the City population to account for the unincorporated Sphere of Influence area.

San Ramon

- Our year 2020 population estimate is based on the assumption that the initiative will prevent approximately 1,000 people from relocating to the area over the twenty-year period. This assumption was formulated from an analysis of the projects which the City felt would be affected by the measure, namely land at the intersection of Crow Canyon and Bollinger that may have been rezoned for residential purposes, the Country Fair Shopping Center in-fill project (73 residential units), and the Crow Canyon Redevelopment project.

- The population estimate for Dougherty Valley remains the same, as the initiative will not affect the development of that area due to an existing development agreement.

Contra Costa County/Tassajara Valley

- We have assumed for this analysis that only a small number of units (approximately 1,500) will be built under County jurisdiction with the passage of the initiative. This is based upon discussions with County staff indicating that limitations due to the infrastructure and the existing traffic model would limit the potential for development of the Tassajara Valley within Contra Costa County rather than as part of San Ramon.

Danville

- The year 2020 population estimate is based on the assumption that the initiative will preclude approximately 500 people from relocating to the community over the twenty-year period.

IMPACT ON TWO-COUNTY POPULATION

Using these assumptions, ERA determined the effect of the regional residential construction control initiatives on the impacted areas' populations, as shown in **Table II-1**. The primary differences in these populations are as follows:

Livermore

- Due primarily to the loss of large development areas in North Livermore, the City of Livermore will experience the greatest impact on its population under the initiatives. While Livermore was expected to have a 2020 population of 123,000 people without the initiatives, with the initiatives the community's population will be reduced to approximately 91,000, a difference of 32,000 residents.

County Portion of North Livermore

- Since it is assumed that the units precluded from development in North Livermore with the passage of the initiative will not be developed under County jurisdiction, the population of the County portion of North Livermore is estimated to remain constant at essentially zero.

Pleasanton

- The population of Pleasanton will be reduced by 6,100 people with the initiatives. While this community was expected to have a 2020 population of 81,100 without the initiative the preclusion of development under the initiative, mainly in the Staples Ranch, San Francisco Water District, Busch, Vineyard Corridor and Merritt Schools properties, will reduce the population to 75,000 residents.

San Ramon

- We have assumed that with the passage of the San Ramon initiative, the acreage at the intersection of Crow Canyon and Bollinger, the Country Fair Shopping Center in-fill project, and the Crow Canyon Redevelopment project will not secure voter approval for development. As a result, San Ramon will face a reduction in 2020 population of approximately 1,000 people, with the population dropping from 72,500 to 71,500. The population of Dougherty Valley is still included in this estimate, however, since it will be unaffected by the measure due to an existing development agreement.

Tassajara Valley

- Since the San Ramon initiative will prevent Tassajara Valley from being developed under the jurisdiction of the City of San Ramon, we have assumed a smaller number of units will be developed in the area under County jurisdiction. While this area was expected to have a population of 12,500 people by the year 2020, with the passage of the initiative the population will be reduced to approximately 5,000, a difference of 7,500 residents.

Danville

- With the initiative, the loss of some developments will result in the reduction of the town's 2020 population from 45,400 to 44,900, a loss of 500 people.

Overall Impact

In total, the regional residential construction control initiatives will prevent approximately 47,100 people from living in these affected areas. In order to determine the overall effect of the measures on the greater two-county region, ERA estimated the percentage of the population that would remain within the region and the percentage that would be displaced to other counties, primarily in the Central Valley. In deriving this estimate, ERA considered the following factors to ensure reasonableness:

- The type and density of the affected developments in each area and the availability of these types of housing units within and outside of the two-county region.
- The regional economy of Contra Costa and Alameda Counties.
- The current and historic real estate development patterns in the Bay Area and the Central Valley.
- Regional housing prices in the Bay Area and the Central Valley.

Considering all of these factors, ERA estimated that approximately 36 percent of the development that would not occur within the impacted areas as a result of the passage of the initiatives would likely be absorbed within other parts of Alameda and Contra Costa Counties, with the remaining 64 percent displaced to other regions, most likely to areas within the Central Valley. In sum, the regional residential construction control initiatives would reduce the population of the Alameda and Contra Costa County region by approximately 30,000 people (see **Table II-1** for detailed estimates).

SECTION III

FINDINGS

As detailed in Section II, ERA estimates that if the residential construction control initiatives in San Ramon, Livermore, Pleasanton, and Danville all pass, the total population in Alameda and Contra Costa Counties will be approximately 30,000 persons fewer by the year 2020 than without the passage of the initiatives. As summarized in **Figures III-1 and III-2**, the year 2000 two-county population is estimated to be 2.35 million, and without the initiatives is expected to grow to 2.92 million by the year 2020. With the passage of the four initiatives, the population is expected to grow to 2.89 million, approximately one percent lower than without the initiatives.

It should be noted that this population difference is based on the assumption that North Livermore does not develop under Alameda County jurisdiction. ERA has analyzed this scenario, and found that if North Livermore were to develop within unincorporated Alameda County, essentially all of the 30,000 displaced residents would be retained within the two counties and the initiatives would basically have no economic impact on the two-County region. The following findings apply to the scenario where the initiatives all pass and North Livermore does not urbanize within Alameda County jurisdiction.

In order to determine the economic impact of this 30,000-person difference in population in the year 2020 as a result of the initiatives, ERA adjusted the REMI model to create an alternative scenario reflecting this population difference. Findings related to population demographics, employment, wage rates, gross regional product, cost of living, and real estate selling prices are presented below.

POPULATION CHARACTERISTICS

The population impact of the regional residential construction control initiatives is primarily on two age groups: school aged children from 5 to 19 years old and family aged persons between 25 and 44. The population of seniors above the age of 65 is only slightly impacted by the passage of the initiatives. The impact of the initiatives on these three groups is presented in **Figures III-3 through III-6**.

As shown, the growth of the family-aged population is affected the most, followed by the number of school-aged children, and finally by seniors over the age of 65, who experience the least impact. Details are summarized below:

- The number of school-aged children (age 5 to 19) in Alameda and Contra Costa Counties is estimated in both the baseline and alternative scenarios to be 491,000 in the year 2000. Under the baseline scenario (without the initiatives), this number is expected to grow by 91,000 to reach 582,000 by the year 2020. With the initiatives, the number of school-aged children is expected to grow by 82,000 to reach 573,000 by the year 2020. Thus, with the initiatives, the school-aged population in the year 2020 in Alameda and Contra Costa Counties is expected to be 9,000 less (approximately 1.55 percent) than without the initiatives (see **Figure III-4**).
- For adults aged 25 to 44, the two-county year 2000 population is estimated to be 730,000. Under the baseline scenario, this population is expected to grow to 741,000 by the year 2020. With the passage of the initiatives, this population will not grow and is expected to remain basically the same at 730,000 by the year 2020. The difference as a result of the initiatives is approximately 11,000 or 1.48 percent fewer persons in this age group by the year 2020 (see **Figure III-5**).
- In the year 2000, the over age 65 population is estimated at 263,000 in Alameda and Contra Costa Counties. Under the baseline scenario without the initiatives, this population is estimated to nearly double (an increase of 229,000) and reach 492,000 by the year 2020. With the passage of the initiatives, this population is still expected to increase significantly (by 228,000) to reach 491,000 by the year 2020. As a result of the initiatives, the senior population over age 65 will basically grow 1,000 less than it would without the initiatives (see **Figure III-6**).

The displacement impact of the regional residential construction control initiatives is most heavily born by young families with children. Seniors remain virtually unaffected.

EMPLOYMENT

The overall impact of the four initiatives on employment in Alameda and Contra Costa Counties is presented in **Figure III-7** and **III-8**. In the year 2000, the REMI model estimates that there will be 1.33 million jobs in the two counties (see **Figure III-7**). Without the initiatives, the number of jobs is expected to increase by 305,000 to 1.64 million by the year 2020. If all four initiatives pass, ERA estimates that there will be 289,000 jobs added to the region, for a total of 1.62 million by 2020 (see **Figure III-8**).

As a result of the initiatives, there will be approximately 16,000 fewer jobs in Alameda and Contra Costa Counties, a decrease of nearly one percent. A breakdown of the impact of the initiatives by sector and industry can be found in **Figures III-9** through **III-17**.

- As shown in **Figures III-9** and **III-10**, the majority of the decrease in growth of jobs expected as a result of the initiatives is in the private rather than public sector, although the percentage decrease is similar. The number of private (non-farm) jobs in the year 2000 is estimated at 1.14 million, and without the initiatives, is expected to increase to 1.41 million. With the initiatives, this number is only expected to grow to 1.40 million, a difference of 14,000 jobs. In the government sector, the initiatives result in a loss of 2,000 jobs – in the year 2020, there are 220,000 jobs estimated without the initiatives and 218,000 estimated with the initiatives.
- ERA also examined the impact of the initiatives on manufacturing and non-manufacturing jobs. As shown in **Figures III-11** and **III-12**, manufacturing jobs are not impacted significantly by the initiatives. High land, housing, and labor costs tend to push manufacturing jobs out of the region with or without the initiatives. In both the baseline and alternative scenarios, the manufacturing jobs in the two-county region are projected to decrease from approximately 113,000 in the year 2000 to 98,000 in the year 2020 for the two-county area. Non-manufacturing jobs absorb the impact in the private sector – there are between 13,000 and 14,000 fewer non-manufacturing jobs in the year 2020 as a result of the initiatives.
- A summary of the impact of the initiatives on specific non-government industries is presented in **Figure III-13**. As indicated, the following industries are not expected to be impacted at all by the initiatives: mining; transportation and public utilities; wholesale trade; and agriculture. For these industries, the number of jobs expected in 2020 is the same for the baseline and alternative scenarios. The industries that are expected to be impacted by the initiatives are as follows: construction; finance, insurance, and real estate; retail trade; and services.
- The impact of the initiatives on the construction sector is portrayed in **Figure III-14**. As shown, without the initiatives there are expected to be 14,000 more jobs in Alameda and Contra Costa Counties by the year 2020. With the passage of the initiatives, the number of jobs is expected to increase by 12,000 jobs. The difference between these two scenarios is approximately 2,000 or 2.3 percent fewer jobs.

- For the finance, insurance, and real estate sector, the number of jobs between 2000 and 2020 without the initiatives is expected to increase by 15,000. If the initiatives pass, the number of jobs in this industry would increase by 13,000 and there would be 2,000 fewer jobs in this sector than without the initiatives, a 1.6 percent difference (see **Figure III-15**).
- Retail trade jobs in the region are expected to increase by 51,000 between 2000 and 2020 according to the baseline (without initiatives) scenario. In the alternative (with initiatives) scenario, the number of retail trade jobs is only expected to increase by 48,000, a difference of approximately 3,000 jobs, or 1.1 percent (see **Figure III-16**).
- The services sector is the largest industry in Alameda and Contra Costa Counties and is also projected to experience the highest increase in number of jobs between 2000 and 2020. Without the initiatives, the services industry is expected to increase from 475,000 to 650,000 jobs, an increase of 175,000. With the initiatives, this industry is expected to increase by 169,000 jobs to 644,000. As a result of the initiatives, there will be approximately 6,000 fewer jobs in the service industry by the year 2020 than without the initiatives (see **Figure III-17**).

Because the initiatives reduce population growth, the employment sectors that support a growing population are also affected, including finance, insurance, real estate, retail trade, and services. The construction sector also will experience lower employment because residential construction is slowed.

GROSS REGIONAL PRODUCT

The gross regional product (GRP), one indicator of the region's general economic health, was also analyzed as part of this study. As shown in **Figure III-18**, the GRP in the year 2000 is estimated at \$82.2 billion (in constant 2000 dollars). The GRP without the initiatives is expected to increase by approximately \$47.8 billion to \$130 billion in the year 2020 (see **Figure III-19**). With the initiatives, the GRP is only expected to increase by \$46.5 billion to \$128.7 billion in the year 2020, approximately \$1.3 billion less than without the initiatives (in constant 2000 dollars). This reflects a one percent lower GRP by the year 2020.

The per capita GRP, on the other hand, is essentially the same in both the with and without initiatives scenarios, as shown in **Figures III-20** and **III-21**. Under the baseline scenario (without initiatives), the per capita GRP is expected to increase from \$35,001 in the year 2000 to \$44,550 in 2020.

With the initiatives, the per capita GRP in the year 2020 is expected to be \$44,545, approximately \$5 less than without the initiatives.

WAGE RATE

ERA also examined the likely impact of the four initiatives on the real and nominal wage rate in Alameda and Contra Costa Counties. The nominal wage rate is the average annual wage rate, and is calculated by dividing wage and salary disbursements by employment. The real wage rate takes into account the average wage by industry and cost of living in the region, including taxes and housing prices. In general, nominal wages are the actual dollar figure the worker receives, whereas real wages are that dollar figure adjusted for that salary's actual purchasing power, or adjusted for inflation.

- The impact of the initiatives on the nominal wage rate is portrayed in **Figure III-22**. According to the REMI model baseline scenario, the nominal wage rate for Alameda and Contra Costa Counties in the year 2000 will be \$30,220. Without the initiatives, the nominal wage rate is expected to increase to \$59,384 by the year 2020. With the initiatives, the nominal wage rate is expected to experience a higher growth and increase to \$59,463 by the year 2020. The impact of the initiatives on the nominal wage rate is a \$79 higher wage rate in the year 2020, an insignificant .13 percent difference.
- The real (after tax) wage rate, on the other hand, is expected to experience less growth as a result of the initiatives (see **Figure III-23**). The REMI model estimates the year 2000 real wage rate to be \$21,408 in the year 2000 for the two-county area. In the baseline (without initiatives) scenario, this is expected to increase to \$25,715 by the year 2020. With the initiatives, the real wage rate is estimated at \$25,641 in the year 2020. This is \$74 less than without the initiatives. The real wage rate decreases primarily due to the increased cost of living and housing prices created by the initiatives.

COST OF LIVING AND REAL ESTATE SELLING PRICES

Cost of Living

The relative cost of living was another factor analyzed using the REMI model and is presented in **Figures III-24** and **III-25**. The personal consumption expenditure price index used by REMI includes housing prices and is based on a scale where 100 reflects the cost of living in 1992.

According to the baseline REMI model, in the year 2000, the cost of living index for Alameda and Contra Costa Counties is expected to be 137.01. Without the initiatives, this is expected to increase to 227.88 by the year 2020. With the initiatives, the cost of living index is expected to be slightly higher at 229.48 in the year 2020. This reflects a difference of 1.6 points, or .7 percent higher on the index.

Relative Real Estate Selling Prices

The REMI model uses a relative real estate selling price index to measure differences in housing prices. The index is adjusted annually, and the national average housing price is equal to 1.0 on the index. In the year 2000, housing prices in Alameda and Contra Costa Counties are estimated to be 46.6 percent higher (a score of 1.466 on the index) than the national average, as shown in **Figure III-26**. By the year 2020, these regional housing prices are expected to be 50.2 percent higher than the national average without the initiatives. With the initiatives, the housing prices in the two-county area are projected to be 53.7 percent higher than the national average. This reflects a 2.3 percent higher increase in housing costs relative to the national average as a result of the initiatives. As an example, a \$500,000 house in the year 2020 would cost \$11,650 more in the scenario where all the initiatives were passed.

SUMMARY OF FINDINGS

A summary of findings is presented below and in **Table III-1**:

- The passage of the regional residential construction control initiatives will prevent approximately 47,100 people from living in the areas directly affected by the initiatives. ERA estimates that approximately 36 percent of this growth is likely to be absorbed within other parts of Alameda and Contra Costa Counties, with the remaining 64 percent, or 30,000 people, displaced to other regions, most likely to ex-urban counties in the Central Valley. Furthermore, in addition to discouraging large scale single-family home subdivisions in the affected communities, the initiatives also discourage the intensification of urban infill sites, which is generally more supportive of transit usage.
- The reduction in population of approximately 30,000 people is concentrated in young families with children. The senior population is virtually unaffected.
- There is an associated reduction in employment of 16,000 jobs in Alameda and Contra Costa Counties, concentrated in the population serving sectors of finance, insurance, real estate, retail trade, and services.

The construction sector also will experience lower employment because residential construction is slowed.

- The initiatives will not have any significant impact on manufacturing jobs. The two-county economy is expected to lose basically the same number of manufacturing jobs with and without the passage of the initiatives due to high land, housing, and labor costs in the region.
- The passage of the four initiatives will result in a lower total GRP and slight reduction in real wages. The per capita GRP is basically unaffected by the passage of the initiatives.
- Higher housing costs and a higher cost of living are other impacts of the passage of the initiatives.

These findings assume that all four initiatives pass and that North Livermore does not urbanize within Alameda County jurisdiction. ERA has analyzed an alternative where North Livermore develops within unincorporated Alameda County, and found that essentially all of the 30,000 displaced residents would be retained within the two counties. With this scenario, the initiatives would basically have no economic impact on the two-County region. Thus, the impacts that would occur due to the passage of the initiatives could be neutralized if aggressive development of North Livermore is permitted under Alameda County jurisdiction.

TABLES

Figure III-1
TOTAL POPULATION IN ALAMEDA AND CONTRA COSTA COUNTIES

(in thousands)

	2000	2020
Without initiatives	2,348	2,919
With initiatives		2,889
Absolute Difference		-30
Percent Difference		-1.03%

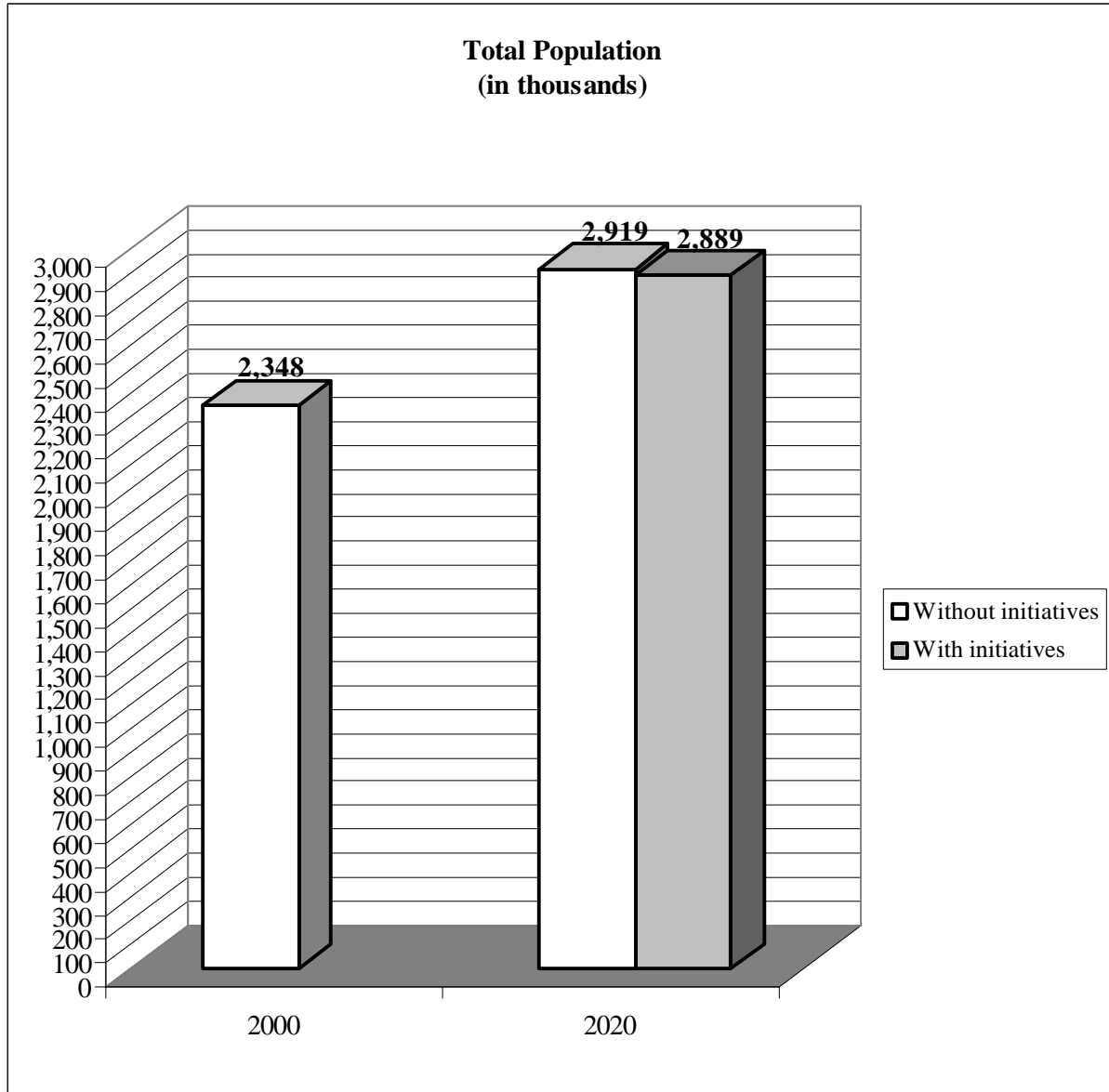


Figure III-2
CHANGE IN TOTAL POPULATION IN ALAMEDA AND CONTRA COSTA
COUNTIES, 2000-2020

(in thousands)

	2000 - 2020
Without initiatives	571
With initiatives	541
Absolute Difference	-30
Percent Difference	-5.26%

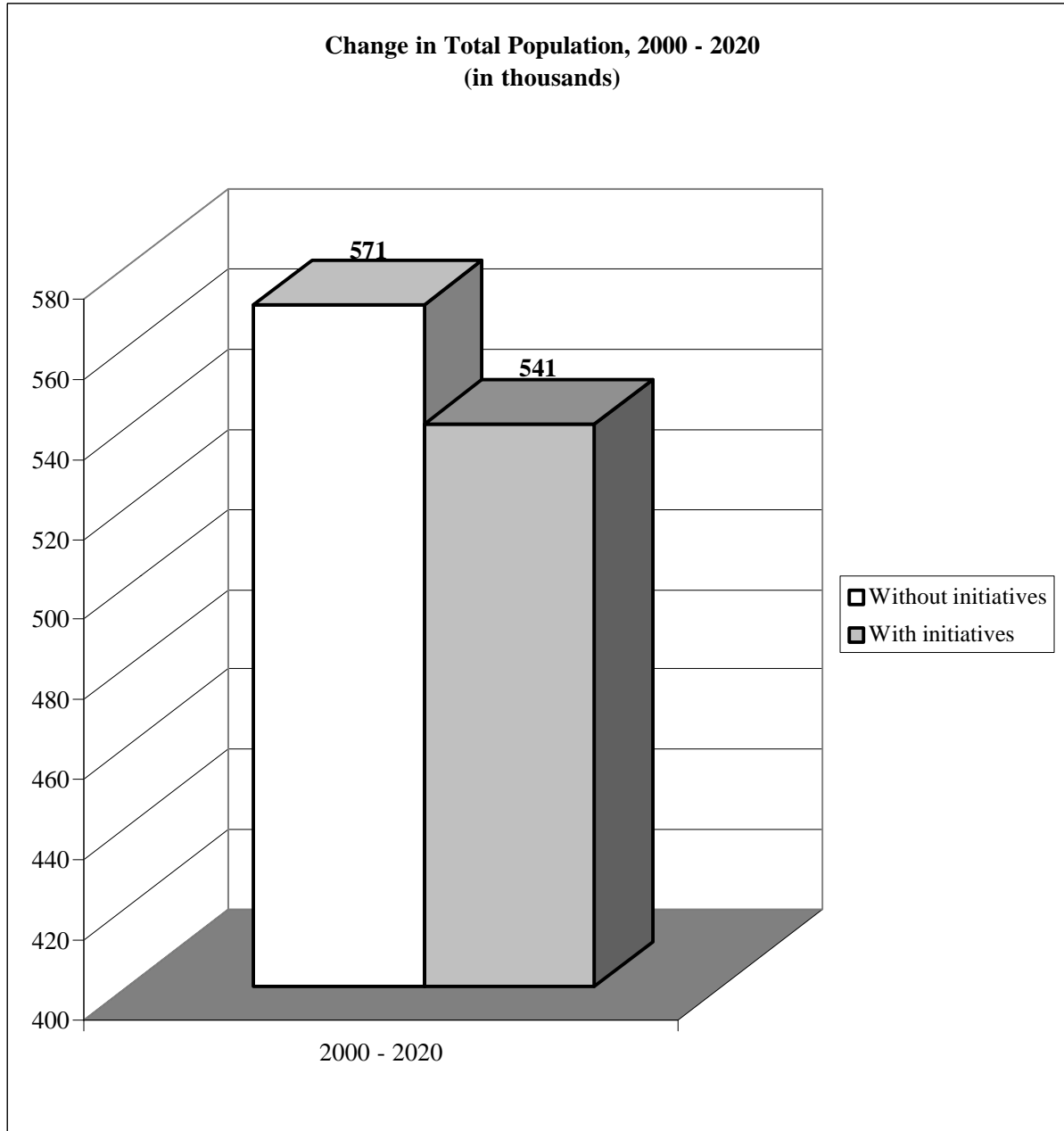


Figure III-3

POPULATION BY KEY AGE GROUP IN ALAMEDA AND CONTRA COSTA COUNTIES

(in thousands)

	School: Ages 5-19	Families: Ages 25-44	Elderly: Ages 65+
2000	491	730	263
Without initiatives, 2020	582	741	492
With initiatives, 2020	573	730	491
Absolute Difference	-9	-11	-1
Percent Difference	-1.55%	-1.48%	-0.20%

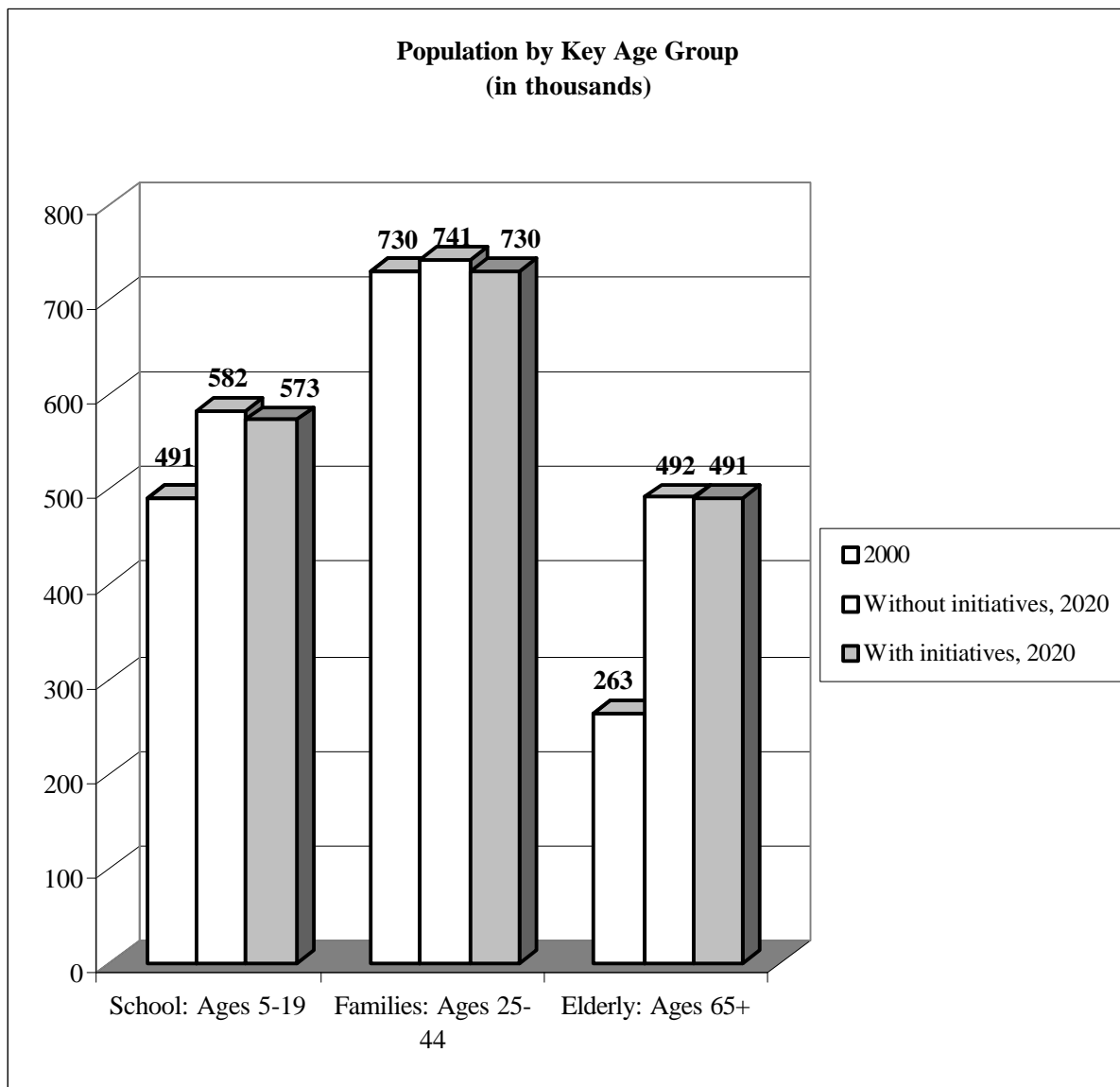


Figure III-4
CHANGE IN POPULATION OF SCHOOL CHILDREN (AGES 5-19)
IN ALAMEDA AND CONTRA COSTA COUNTIES, 2000-2020
(in thousands)

	2000 - 2020
Without initiatives	91
With initiatives	82
Absolute Difference	-9
Percent Difference	-9.89%

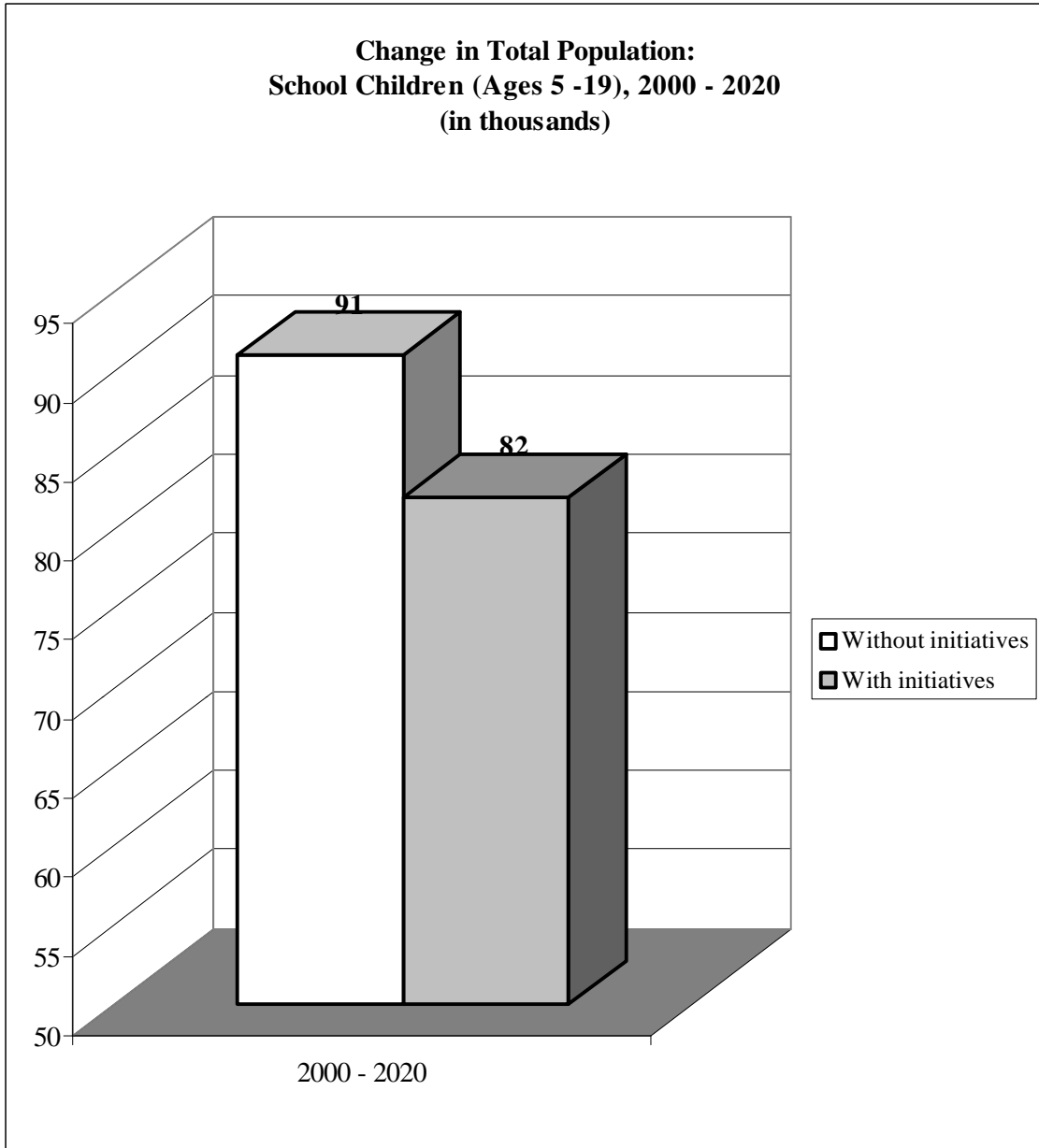


Figure III-5
CHANGE IN FAMILY POPULATION (AGES 25-44)
IN ALAMEDA AND CONTRA COSTA COUNTIES, 2000-2020
(in thousands)

	2000 - 2020
Without initiatives	11
With initiatives	0
Absolute Difference	-11
Percent Difference	-100.00%

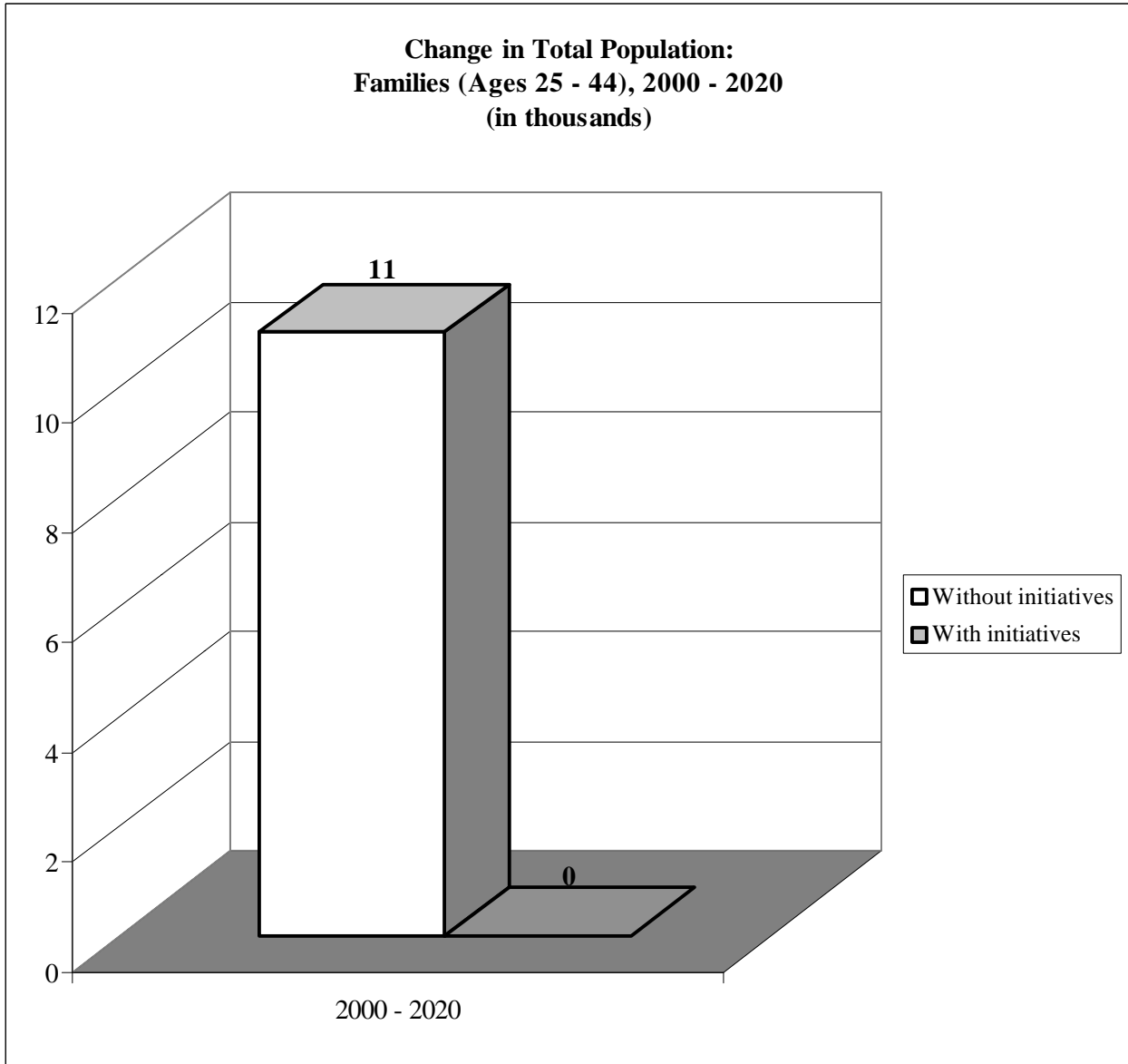


Figure III-6
CHANGE IN SENIOR POPULATION (AGES 65+)
IN ALAMEDA AND CONTRA COSTA COUNTIES, 2000-2020
(in thousands)

	2000 - 2020
Without initiatives	229
With initiatives	228
Absolute Difference	-1
Percent Difference	-0.44%

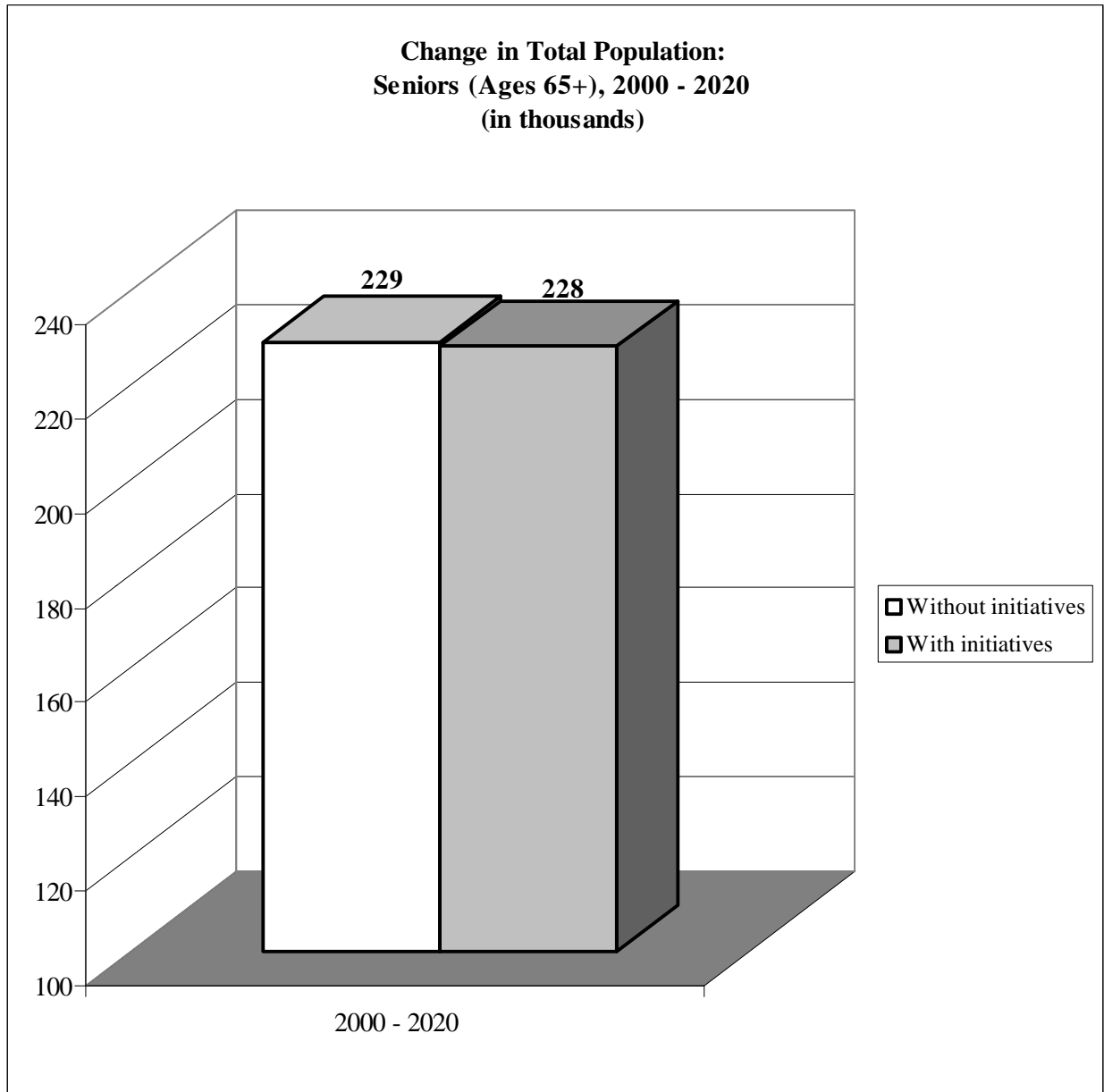


Figure III-7

TOTAL EMPLOYMENT IN ALAMEDA AND CONTRA COSTA COUNTIES

(in thousands)

	2000	2020
Without initiatives	1,330	1,635
With initiatives		1,619
Absolute Difference		-16
Percent Difference		-0.98%

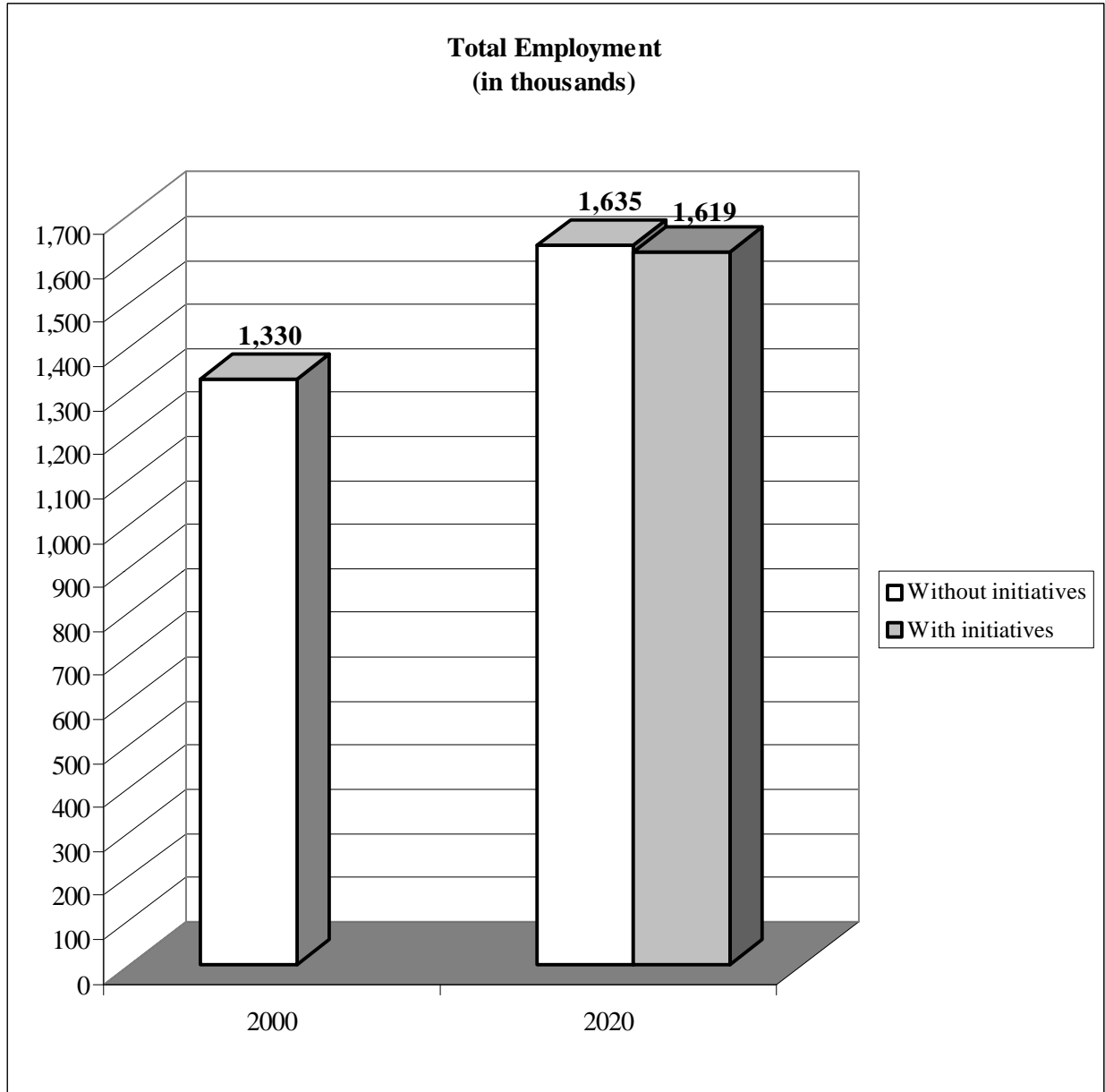


Figure III-8

CHANGE IN TOTAL EMPLOYMENT IN ALAMEDA AND CONTRA COSTA COUNTIES 2000-2020

(in thousands)

	2000 - 2020
Without initiatives	305
With initiatives	289
Absolute Difference	-16
Percent Difference	-5.25%

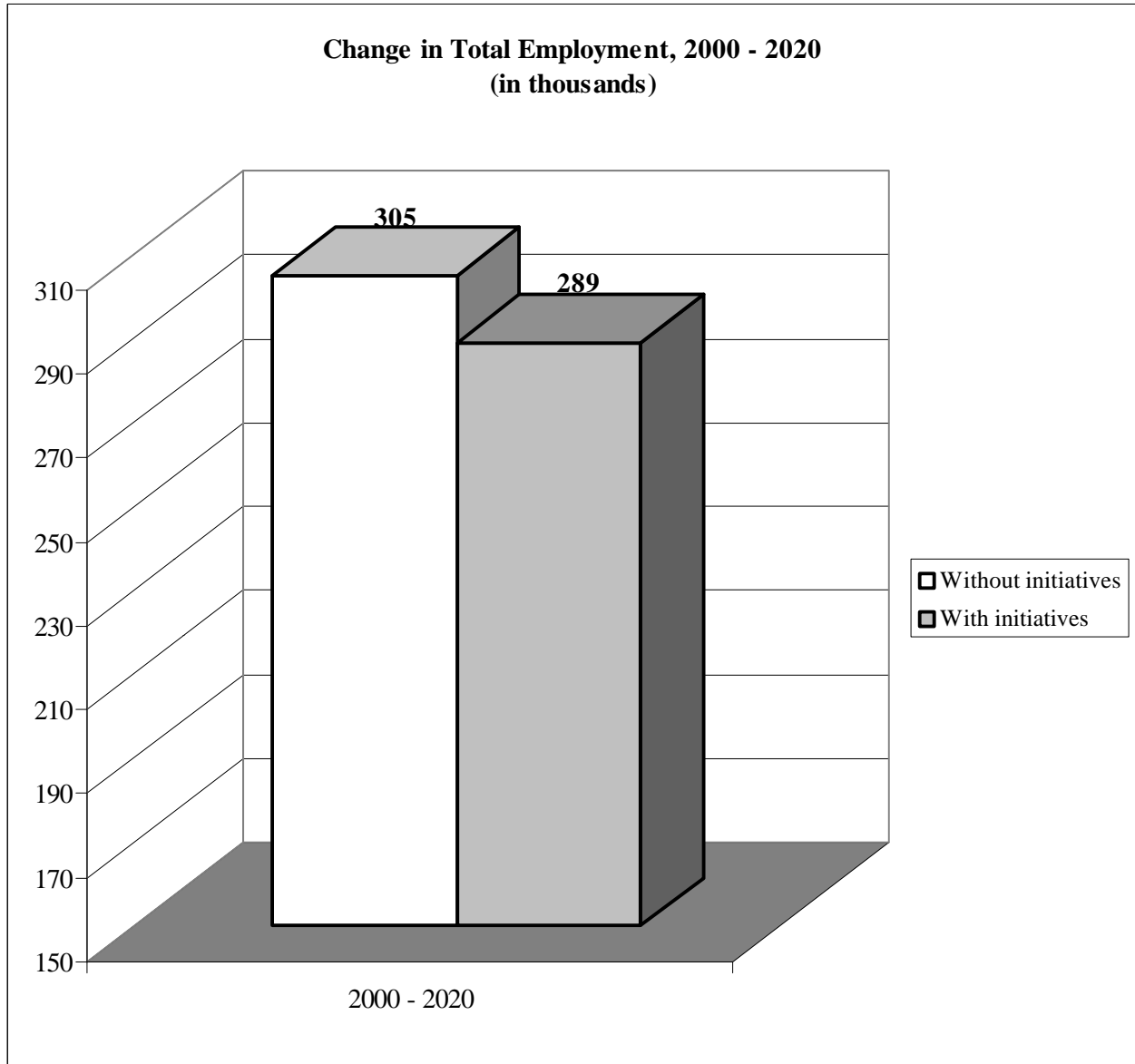


Figure III-9

TOTAL EMPLOYMENT BY SECTOR IN ALAMEDA AND CONTRA COSTA COUNTIES

(in thousands)

	Private Non-Farm	Government
2000	1,144	184
Without initiatives, 2020	1,412	220
With initiatives, 2020	1,398	218
Absolute Difference	-14	-2
Percent Difference	-0.99%	-0.91%

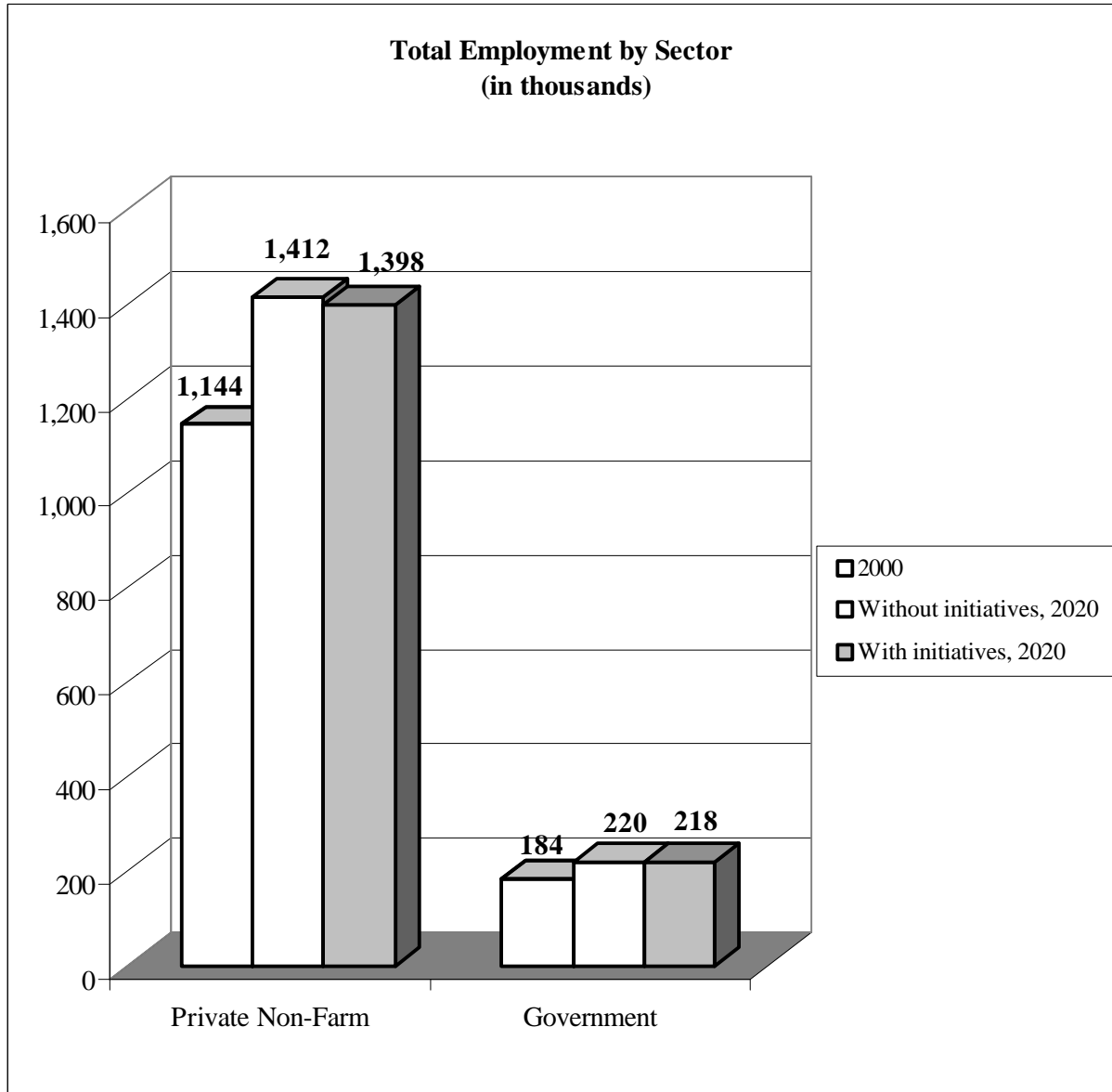


Figure III-10
CHANGE IN TOTAL EMPLOYMENT BY SECTOR
IN ALAMEDA AND CONTRA COSTA COUNTIES, 2000-2020
(in thousands)

	Private Non-Farm	Government
Without initiatives	268	36
With initiatives	254	34
Absolute Difference	-14	-2
Percent Difference	-5.22%	-5.14%

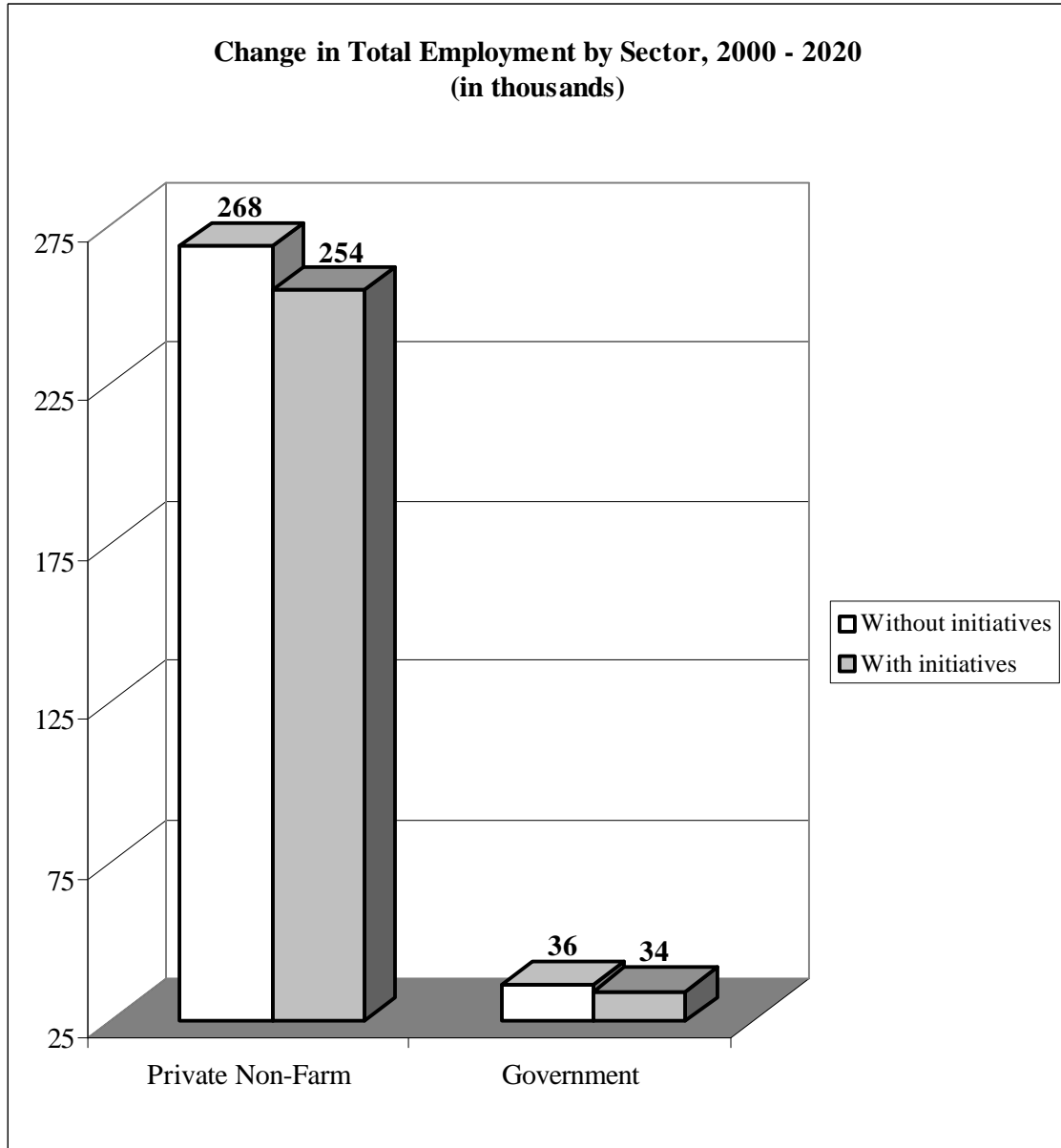


Figure III-11
TOTAL PRIVATE, NON-FARM EMPLOYMENT BY SECTOR:
NON-MANUFACTURING AND MANUFACTURING
IN ALAMEDA AND CONTRA COSTA COUNTIES
(in thousands)

	Non-Manufacturing	Manufacturing
2000	1,030	113
Without initiatives, 2020	1,314	98
With initiatives, 2020	1,301	98
Absolute Difference	-13	0
Percent Difference	-0.99%	0.00%

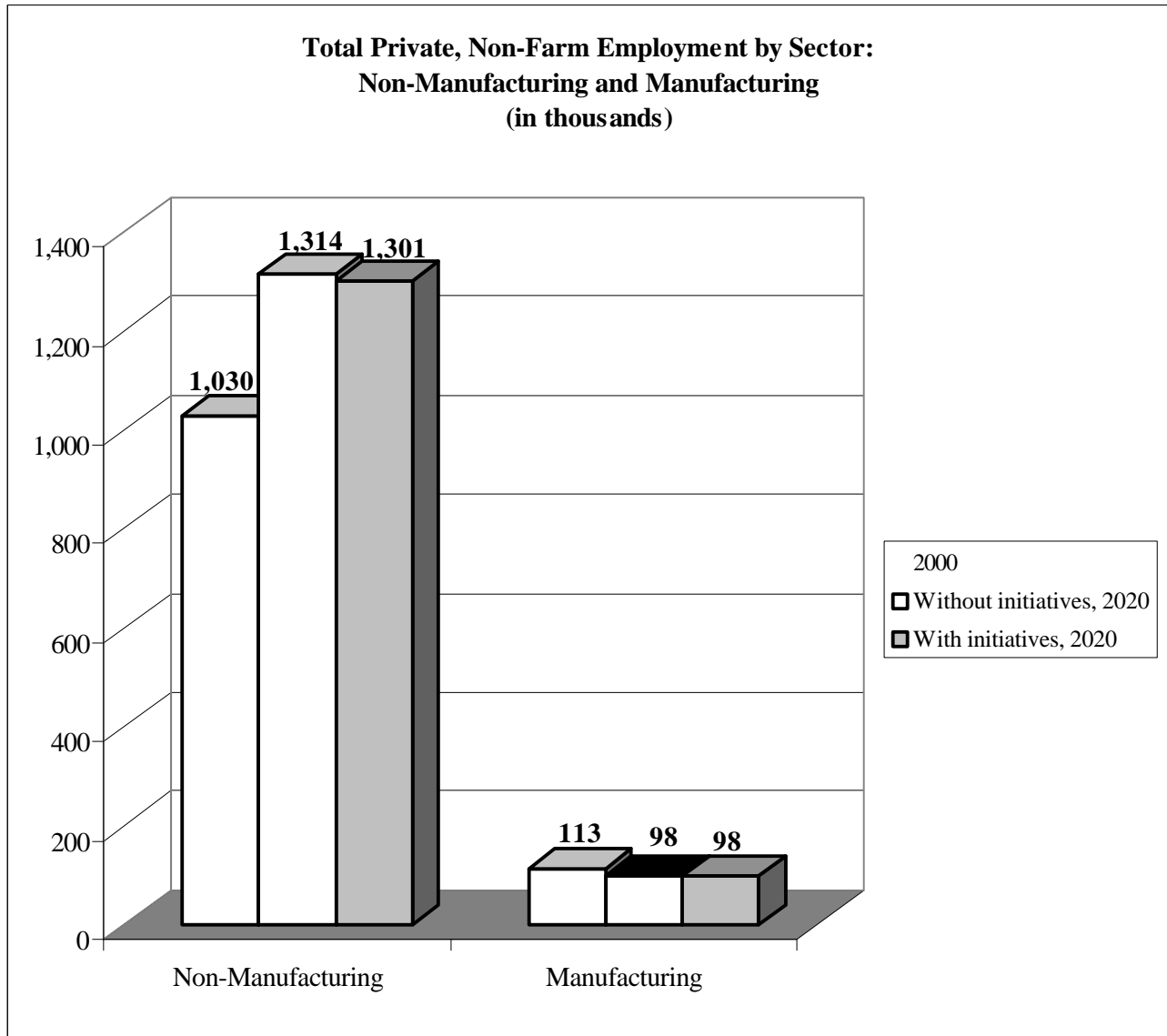


Figure III-12
CHANGE IN TOTAL PRIVATE, NON-FARM EMPLOYMENT:
NON-MANUFACTURING AND MANUFACTURING
IN ALAMEDA AND CONTRA COSTA COUNTIES, 2000-2020
(in thousands)

	Non-Manufacturing	Manufacturing
Without initiatives	284	-15
With initiatives	271	-15
Absolute Difference	-13	0
Percent Difference	-4.70%	0.00%

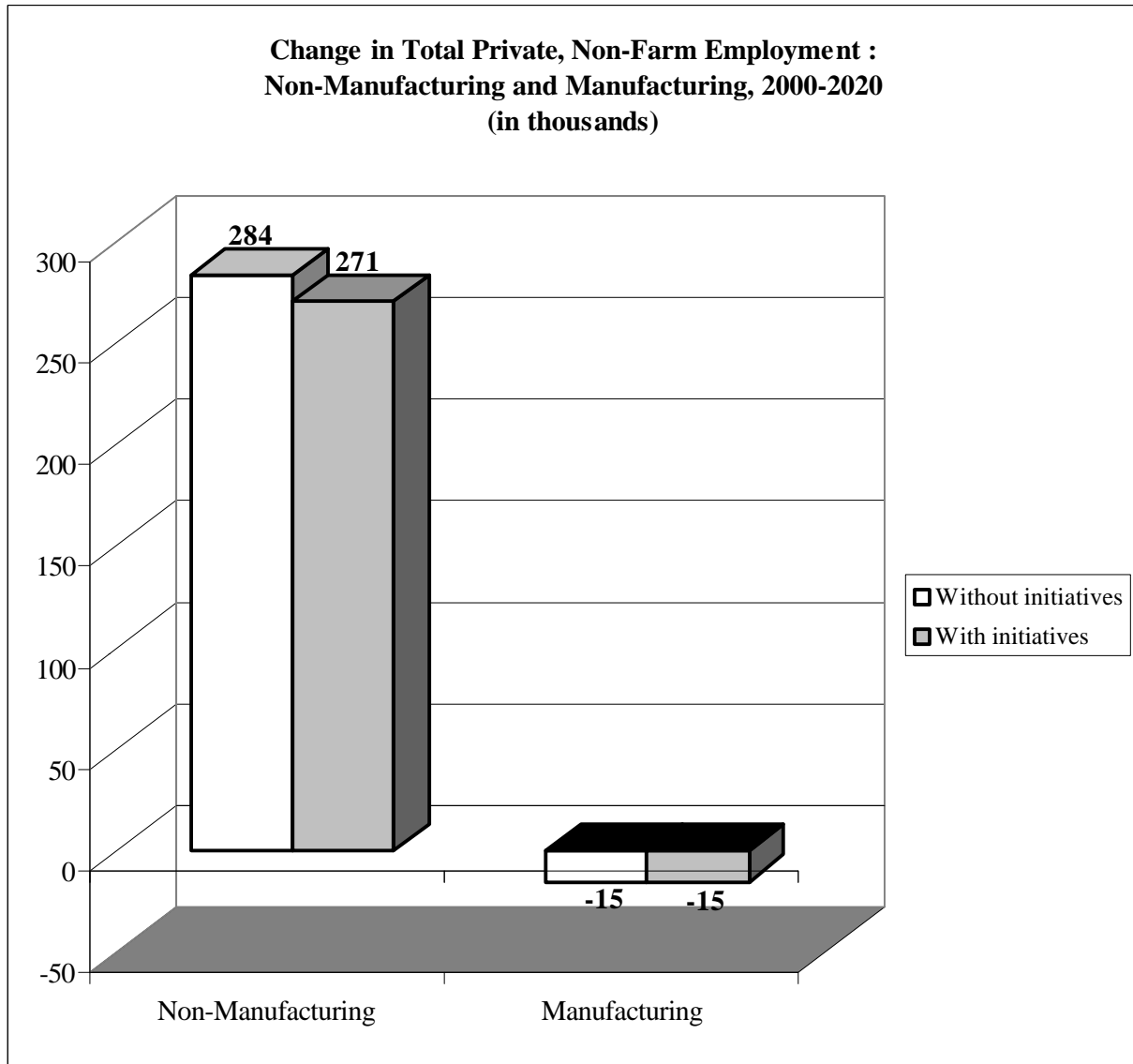


Figure III-13

TOTAL PRIVATE, NON-FARM EMPLOYMENT BY INDUSTRY IN ALAMEDA AND CONTRA COSTA COUNTIES

(in thousands)

	Mining	Construction	Trans./ Public Util.	Fin/Ins/ Real Est.	Retail Trade	Wholesale Trade	Services	Ag.
2000	3	73	72	109	216	69	475	14
Without initiatives, 2020	2	87	82	124	267	82	650	20
With initiatives, 2020	2	85	82	122	264	82	644	20
Absolute Difference	0	-2	0	-2	-3	0	-6	0
Percent Difference	0.00%	-2.30%	0.00%	-1.61%	-1.12%	0.00%	-0.92%	0.00%

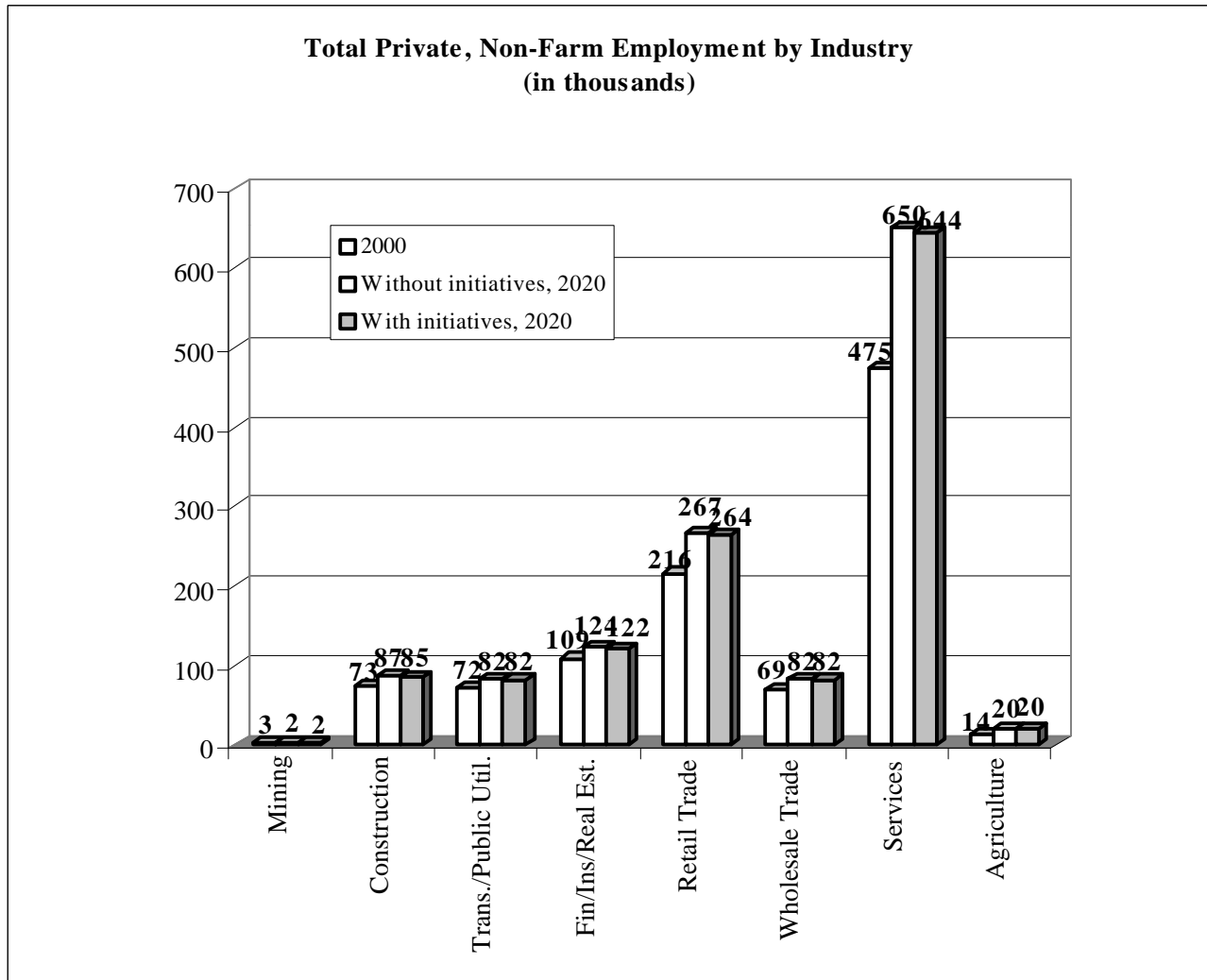


Figure III-14
CHANGE IN TOTAL EMPLOYMENT: CONSTRUCTION SECTOR
IN ALAMEDA AND CONTRA COSTA COUNTIES, 2000-2020
(in thousands)

	2000 - 2020
Without initiatives	14
With initiatives	12
Absolute Difference	-2
Percent Difference	-14.29%

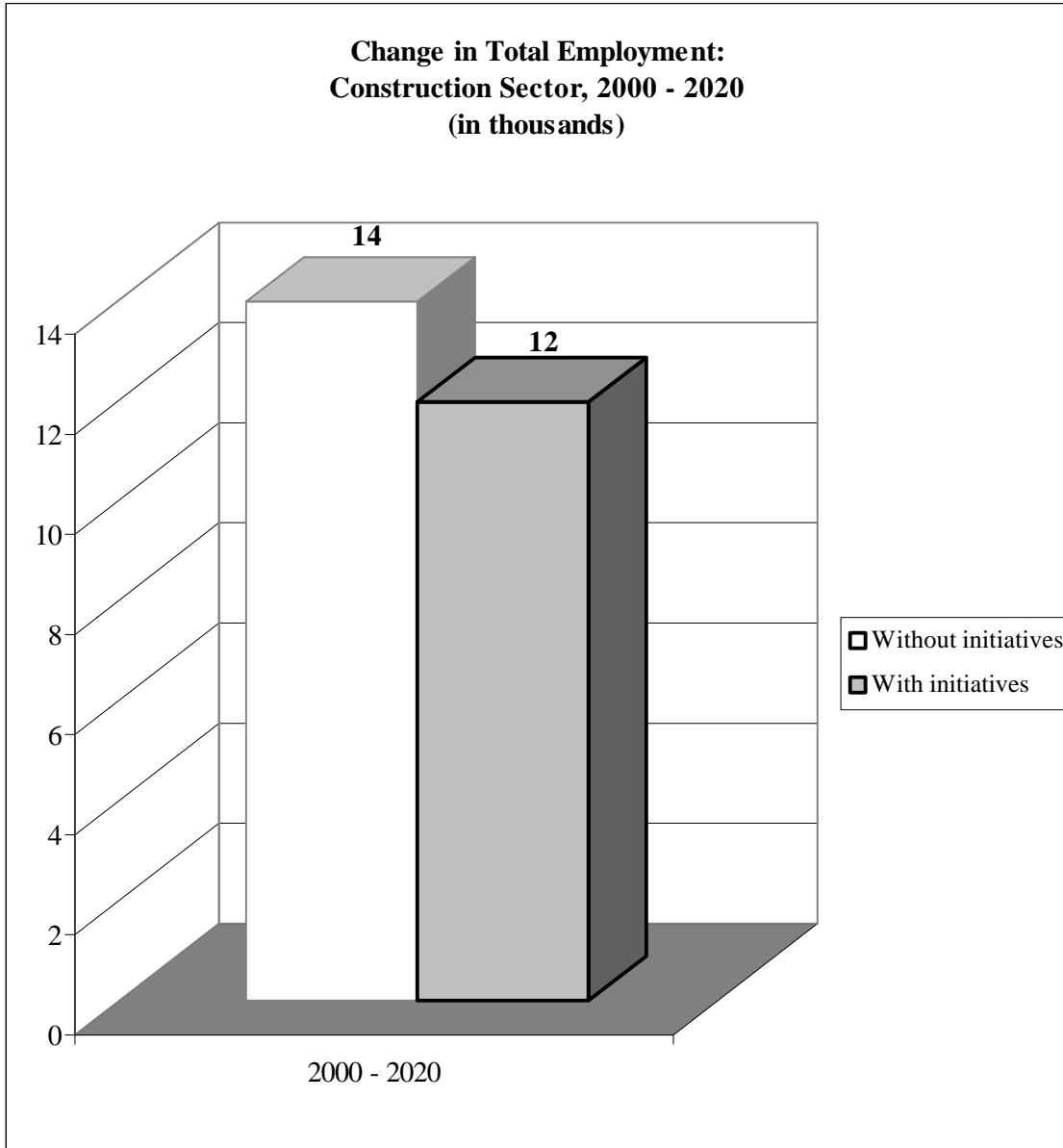


Figure III-15
CHANGE IN TOTAL EMPLOYMENT: FINANCE, INS., AND REAL ESTATE SECTOR
IN ALAMEDA AND CONTRA COSTA COUNTIES, 2000-2020
(in thousands)

	2000 - 2020
Without initiatives	15
With initiatives	13
Absolute Difference	-2
Percent Difference	-13.33%

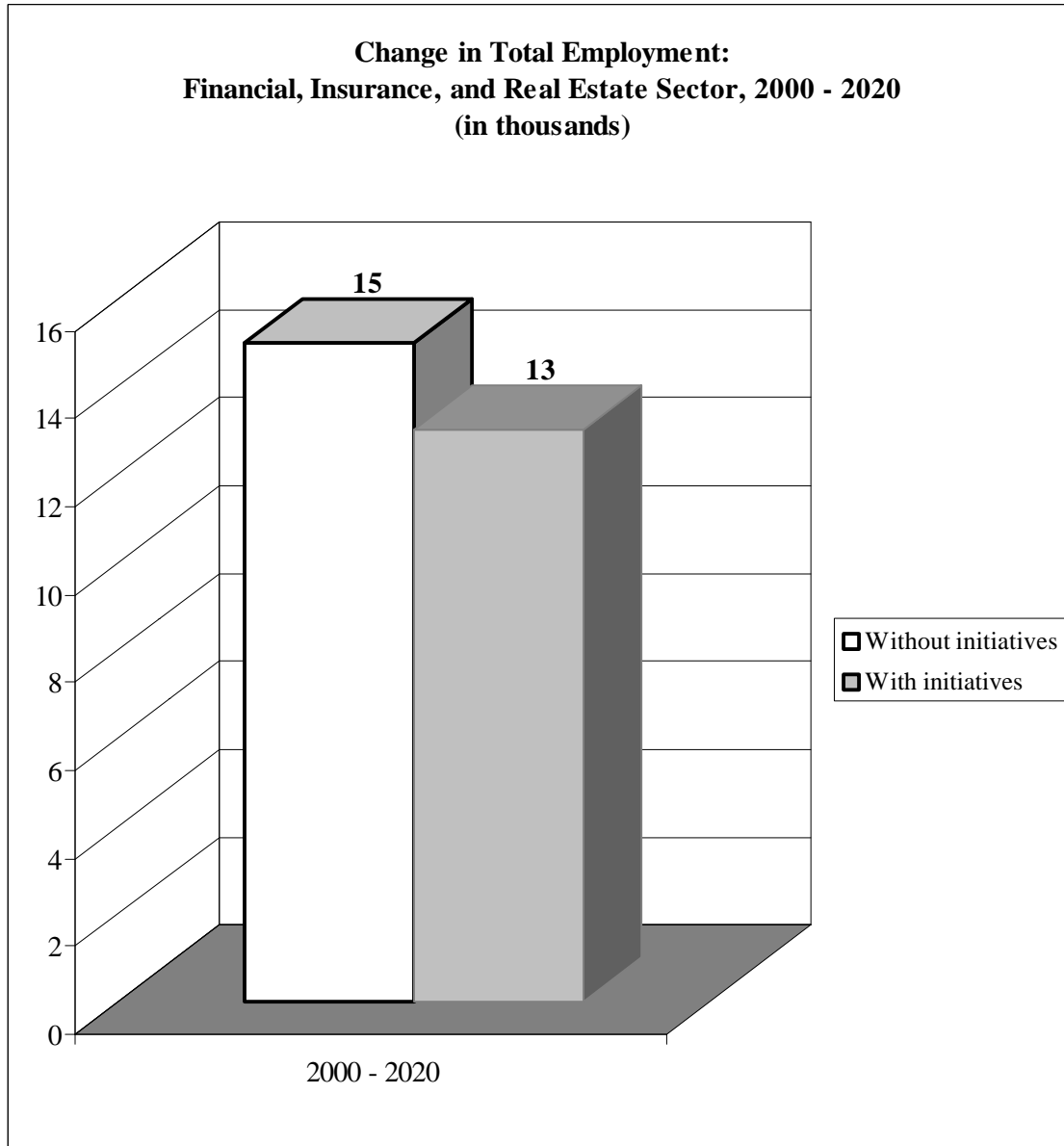


Figure III-16
CHANGE IN TOTAL EMPLOYMENT: RETAIL TRADE SECTOR
IN ALAMEDA AND CONTRA COSTA COUNTIES, 2000-2020
(in thousands)

	2000 - 2020
Without initiatives	51
With initiatives	48
Absolute Difference	-3
Percent Difference	-5.88%

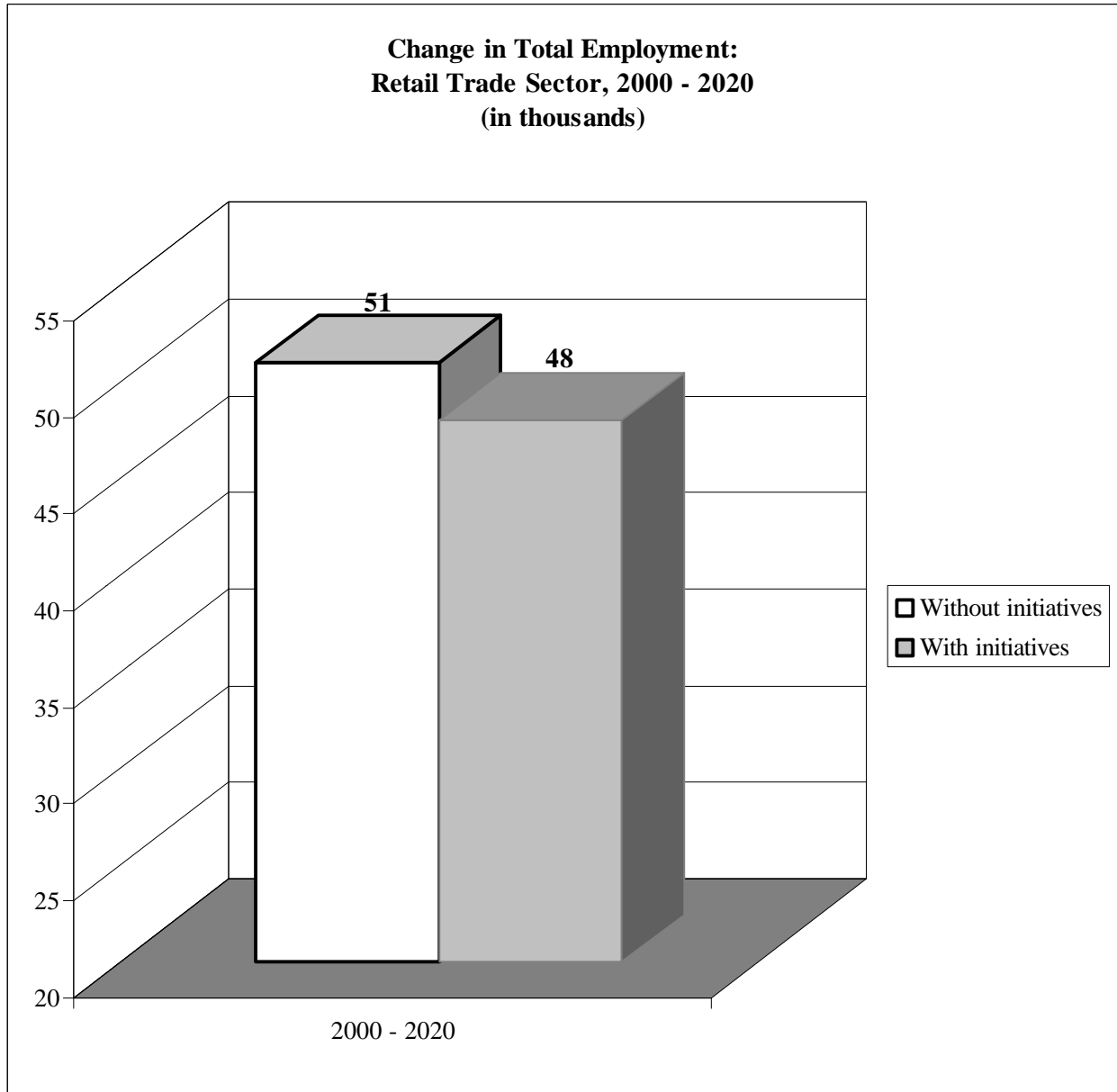


Figure III-17
CHANGE IN TOTAL EMPLOYMENT: SERVICES SECTOR
IN ALAMEDA AND CONTRA COSTA COUNTIES, 2000-2020
(in thousands)

	2000 - 2020
Without initiatives	175
With initiatives	169
Absolute Difference	-6
Percent Difference	-3.43%

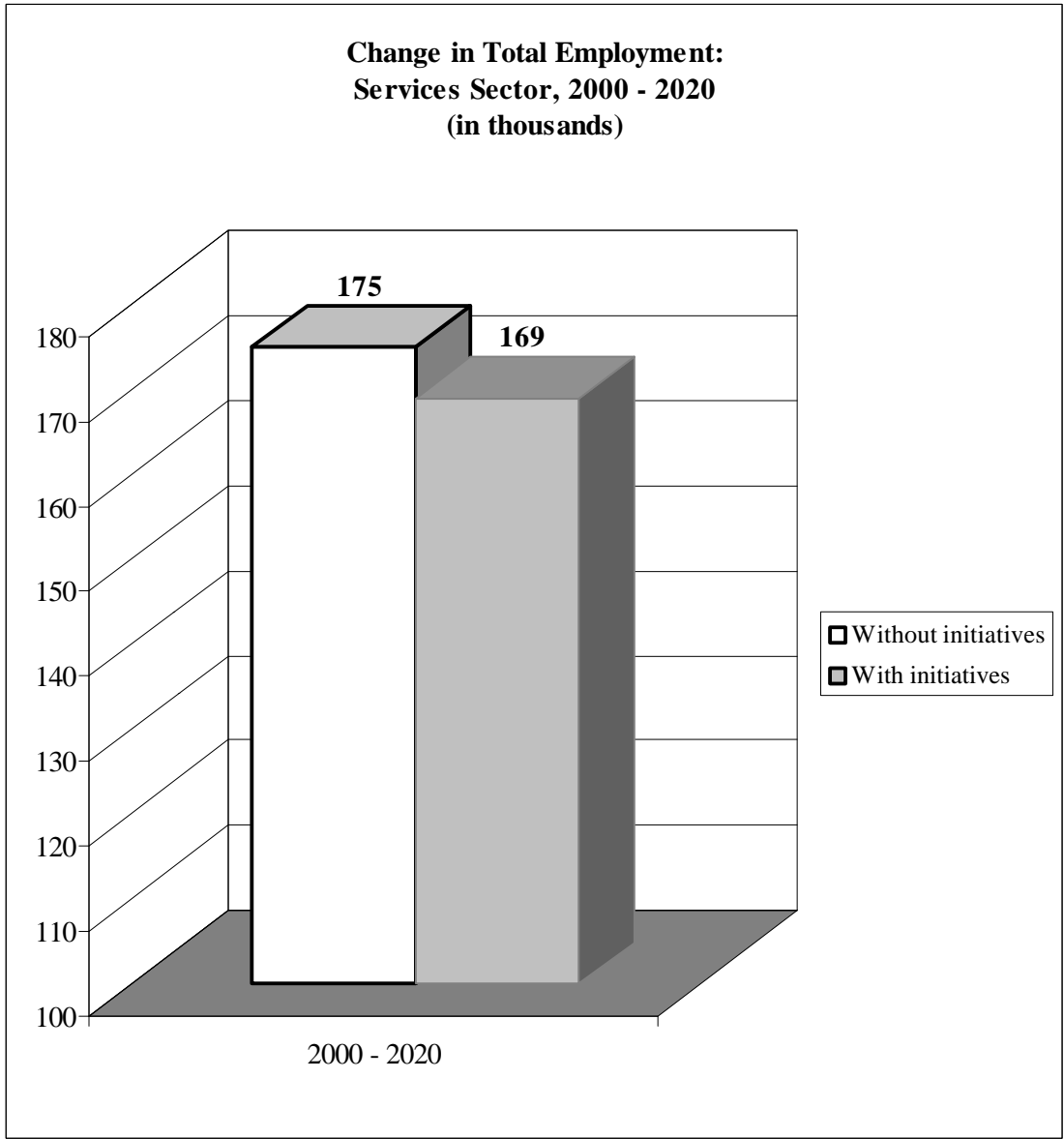


Figure III-18

GROSS REGIONAL PRODUCT IN ALAMEDA AND CONTRA COSTA COUNTIES

(in billions of year 2000\$)

	2000	2020
Without initiatives	\$82.2	\$130.0
With initiatives		\$128.7
Absolute Difference		-\$1.3
Percent Difference		-1.00%

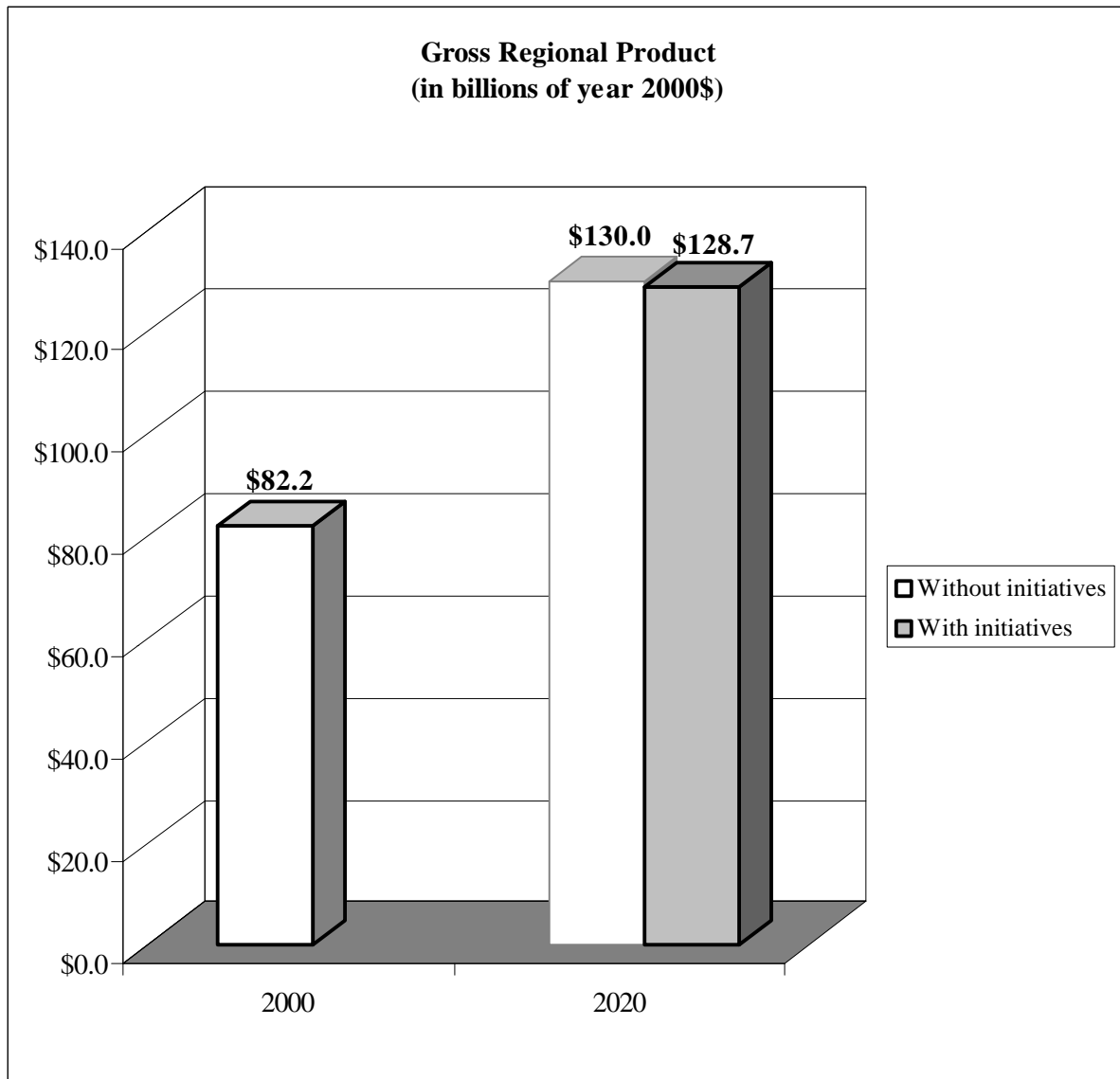


Figure III-19
CHANGE IN TOTAL GROSS REGIONAL PRODUCT
IN ALAMEDA AND CONTRA COSTA COUNTIES, 2000-2020
(in billions of year 2000\$)

	2000 - 2020
Without initiatives	\$47.8
With initiatives	\$46.5
Absolute Difference	-\$1.3
Percent Difference	-2.71%

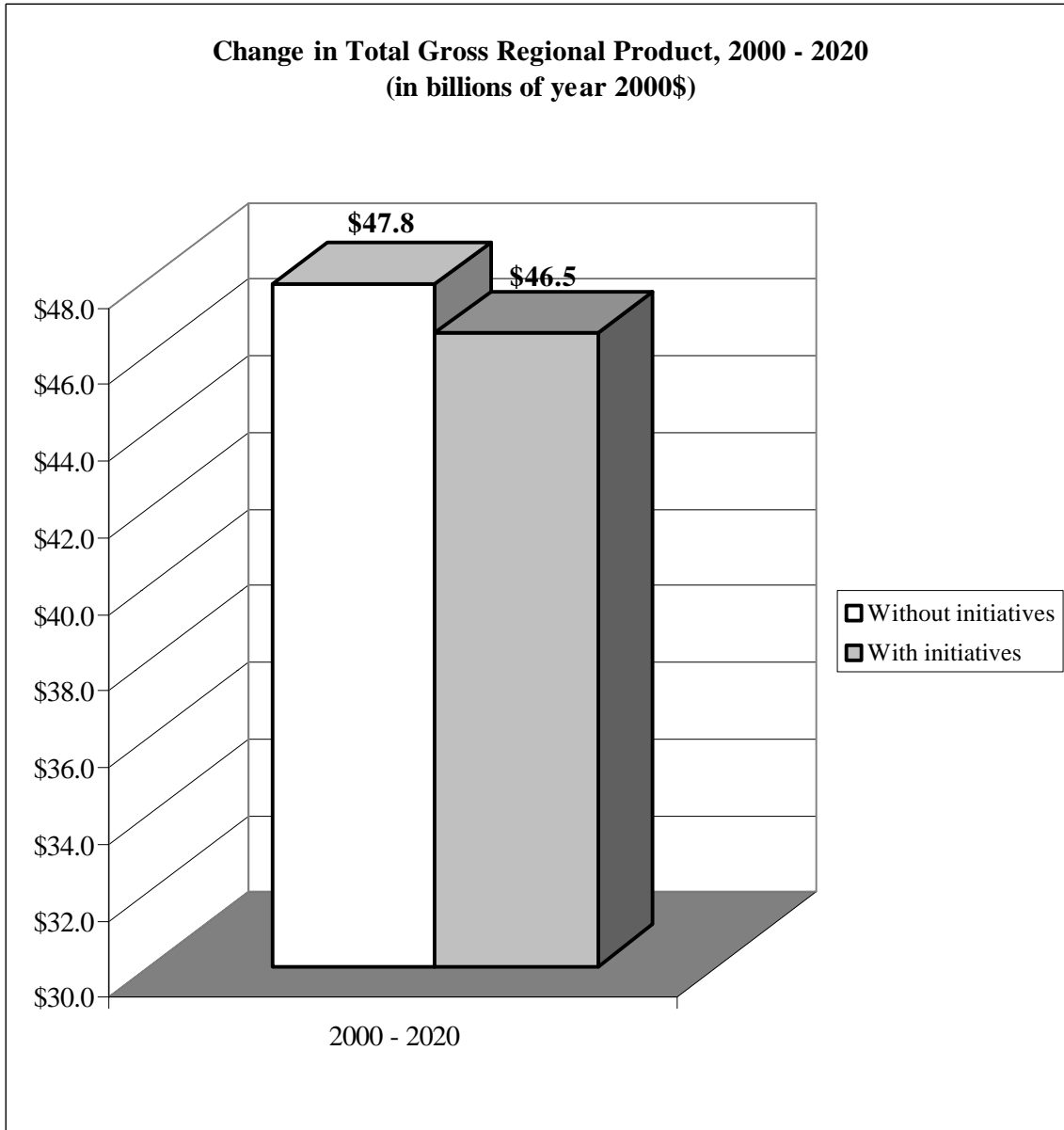


Figure III-20
GROSS REGIONAL PRODUCT PER CAPITA IN ALAMEDA
AND CONTRA COSTA COUNTIES
(in year 2000\$)

	2000	2020
Without initiatives	\$35,001	\$44,550
With initiatives		\$44,545
Absolute Difference		-\$5
Percent Difference		-0.01%

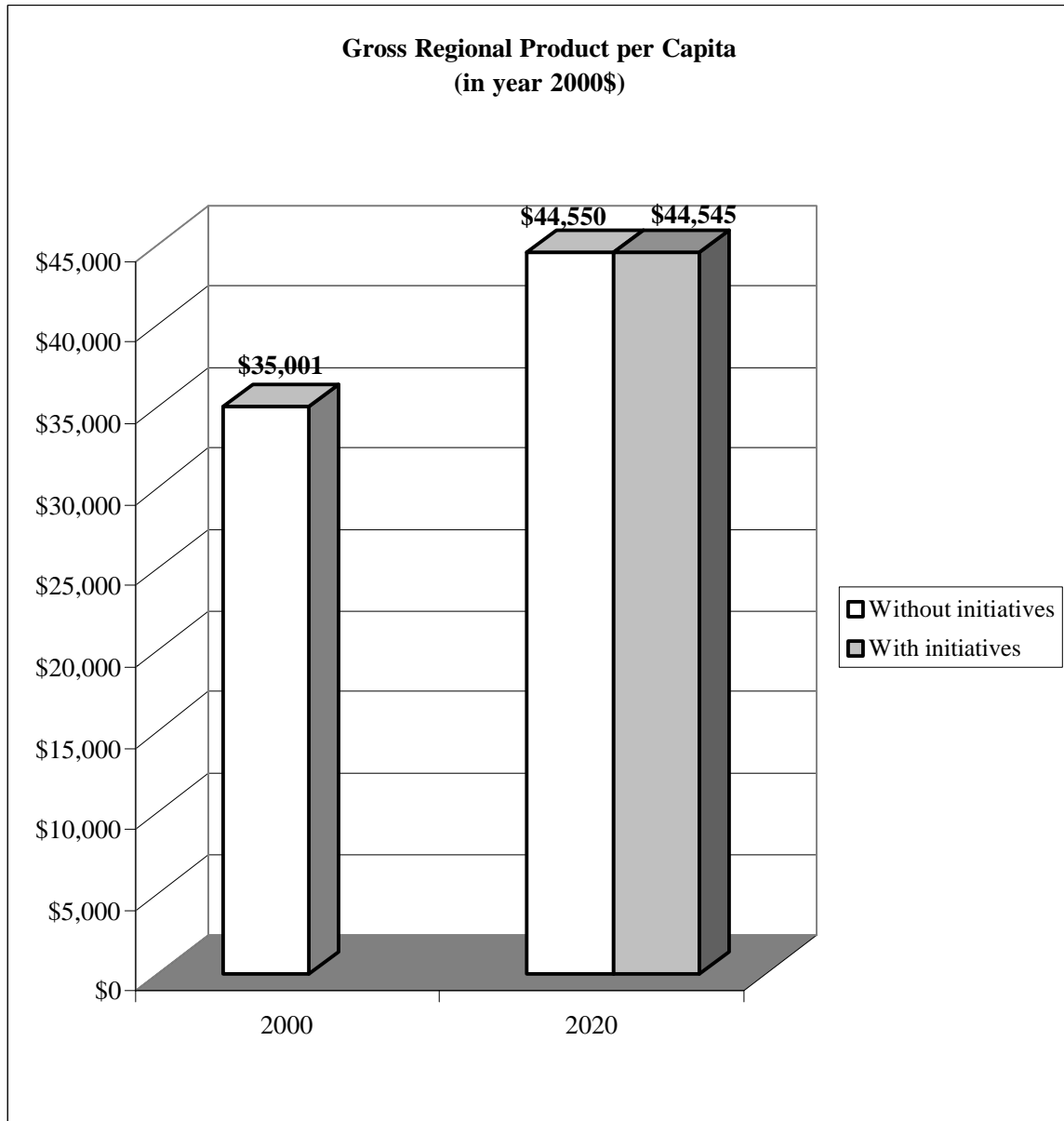


Figure III-21
CHANGE IN GROSS REGIONAL PRODUCT PER CAPITA
IN ALAMEDA AND CONTRA COSTA COUNTIES, 2000-2020
(in year 2000\$)

	2000 - 2020
Without initiatives	\$9,549
With initiatives	\$9,544
Absolute Difference	-\$5
Percent Difference	-0.05%

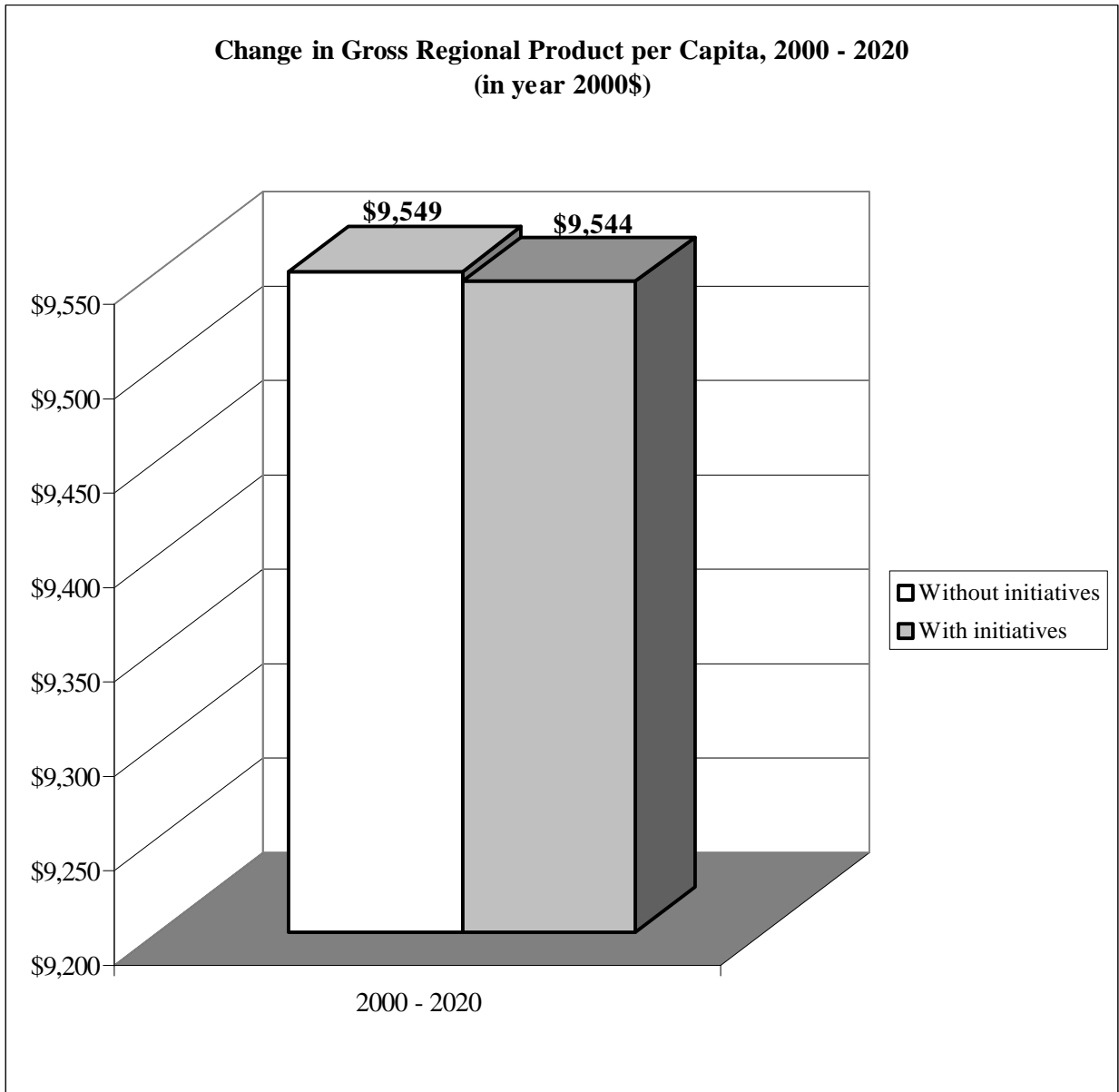


Figure III-22

WAGE RATE IN ALAMEDA AND CONTRA COSTA COUNTIES

(in nominal dollars)

	2000	2020
Without initiatives	\$30,220	\$59,384
With initiatives		\$59,463
Absolute Difference		\$79
Percent Difference		0.13%

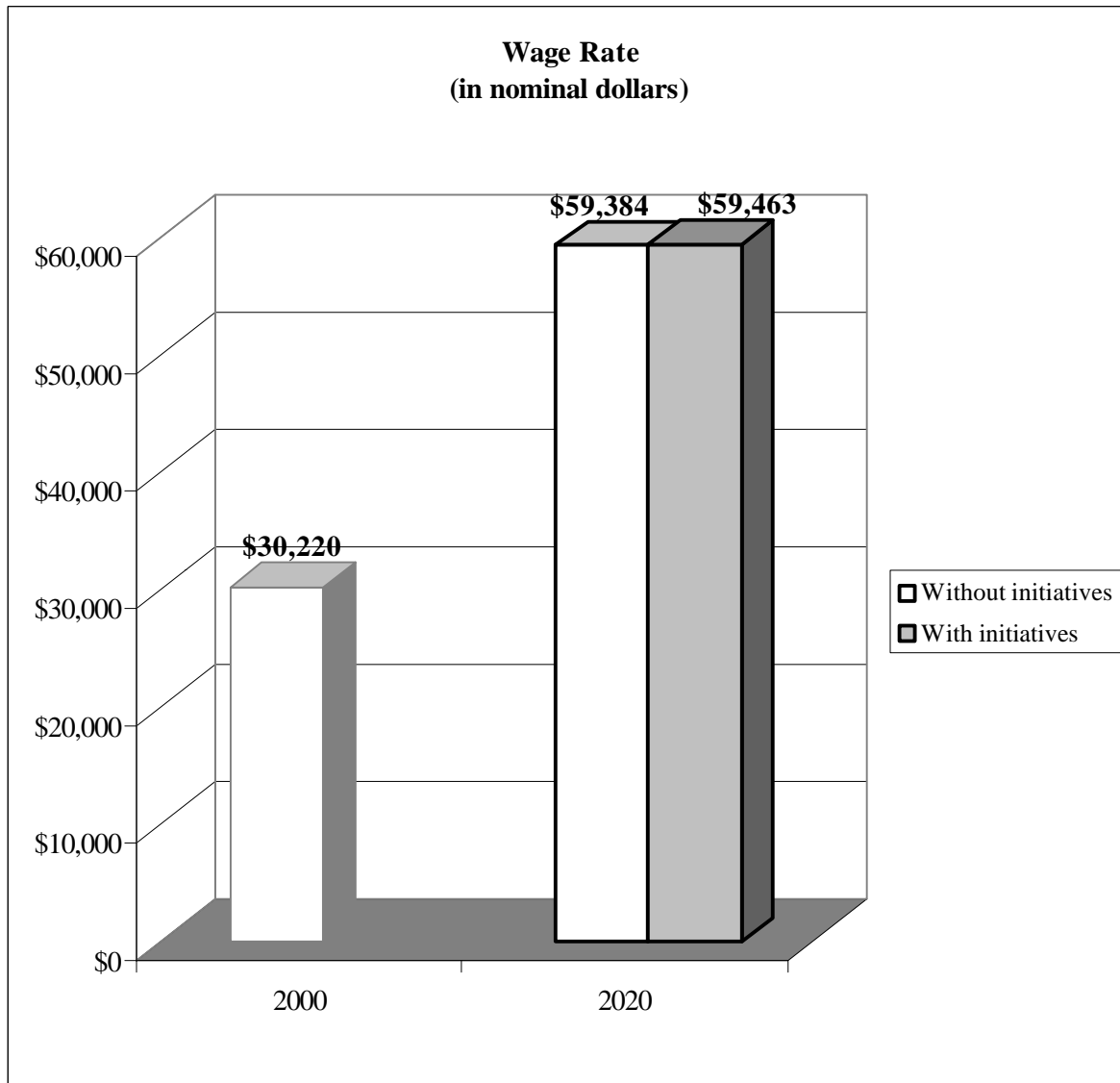


Figure III-23

REAL (AFTER TAX) WAGE RATE IN ALAMEDA AND CONTRA COSTA COUNTIES
(in real dollars)

	2000	2020
Without initiatives	\$21,408	\$25,715
With initiatives		\$25,641
Absolute Difference		-\$74
Percent Difference		-0.29%

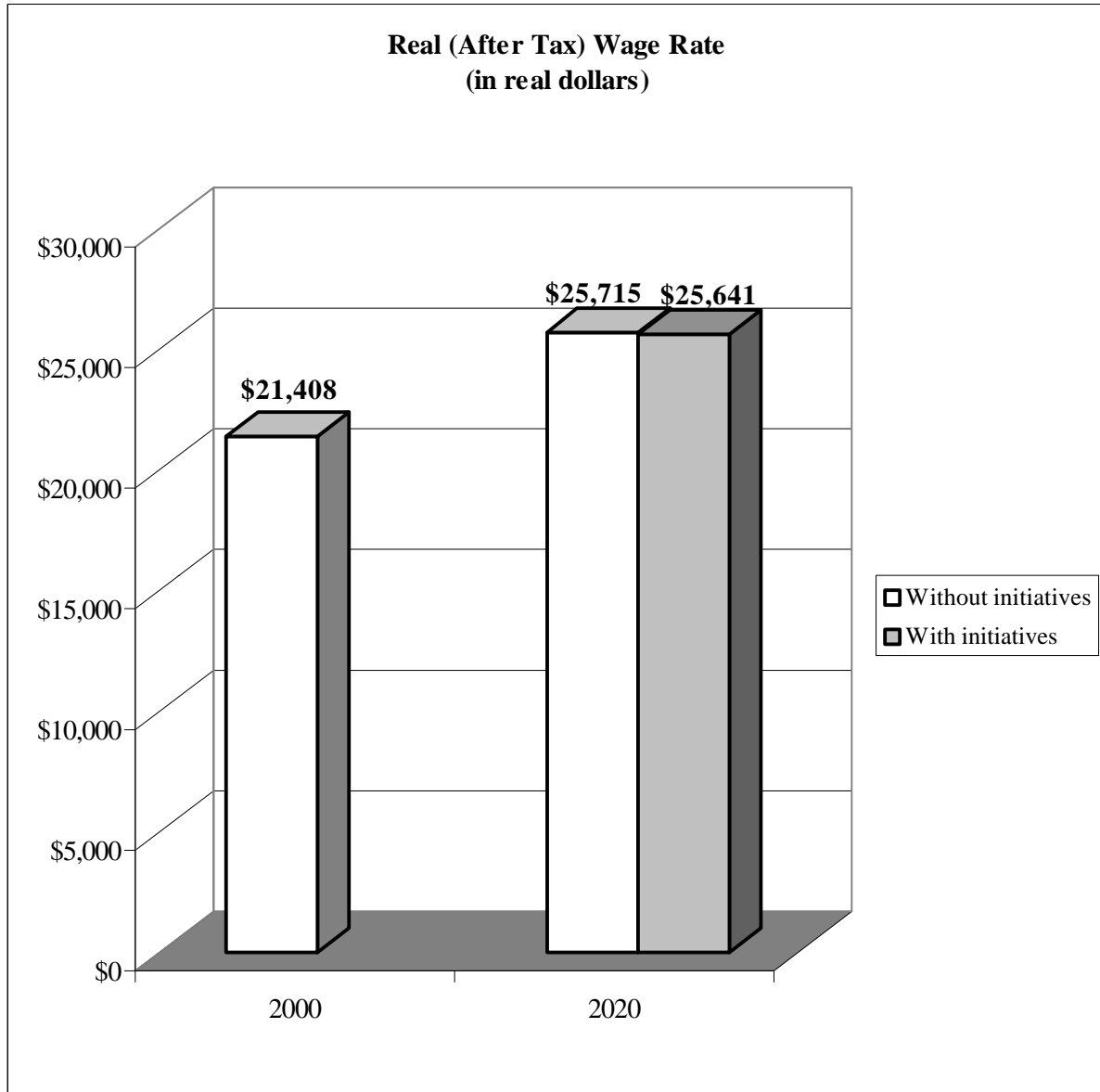


Figure III-24

COST OF LIVING IN ALAMEDA AND CONTRA COSTA COUNTIES

(Personal Consumption Expenditure Price Index with Housing Prices where 100 equals 1992\$)

	2000	2020
Without initiatives	137.01	227.88
With initiatives		229.48
Absolute Difference		1.6
Percent Difference		0.70%

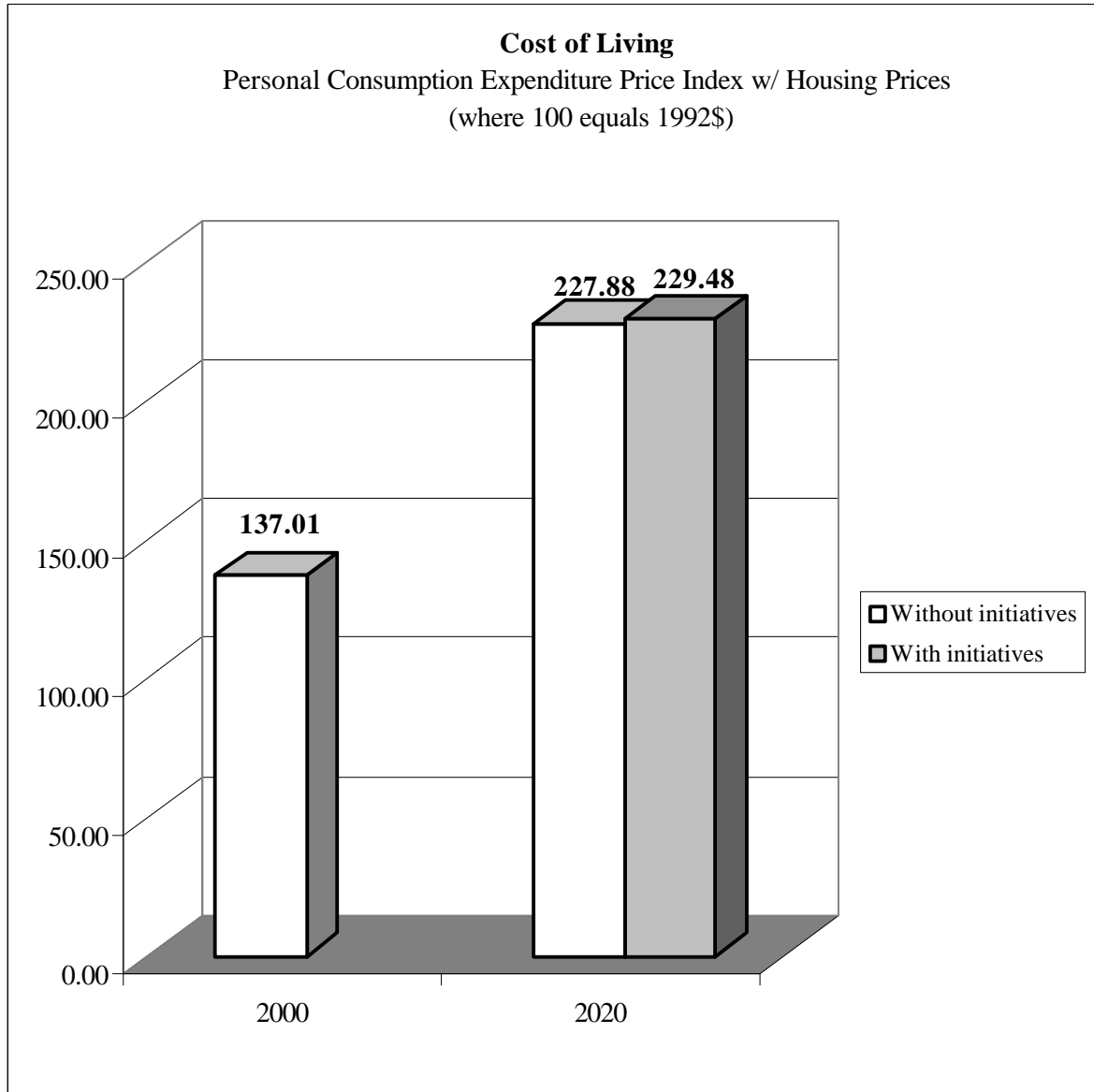


Figure III-25

**CHANGE IN COST OF LIVING IN ALAMEDA AND CONTRA COSTA COUNTIES,
2000-2020**

(Personal Consumption Expenditure Price Index with Housing Prices where 100 equals 1992\$)

	2000 - 2020
Without initiatives	90.87
With initiatives	92.47
Absolute Difference	1.6
Percent Difference	1.76%

