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DATE: March 10, 2014
TO: Palo Alto City Council and Staff
FROM: Stephen Levy
SUBJECT: Job and Population Trends

The community is about to begin a process to update the Housing Element. The central focus is on the short term from 2015 to 2023. I know that staff is especially interested in identifying sites for housing that is affordable to lower income households as well as planning for the expected increase in housing demand. I know also that individual council members and community members had concerns about the regional projection process that led to the eight-year housing planning targets for Palo Alto.

To provide context for the Housing Element update, this memo summarizes the recent revisions to estimates of job growth in our area and the region and also provides an update on California Department of Finance population estimates and projections.

Strong Upward Revisions to Bay Area Job Growth Estimates

The state Employment Development Department (EDD) released revised job estimates on March 7, 2014. They show much stronger recent job growth for the state and region than was previously reported.

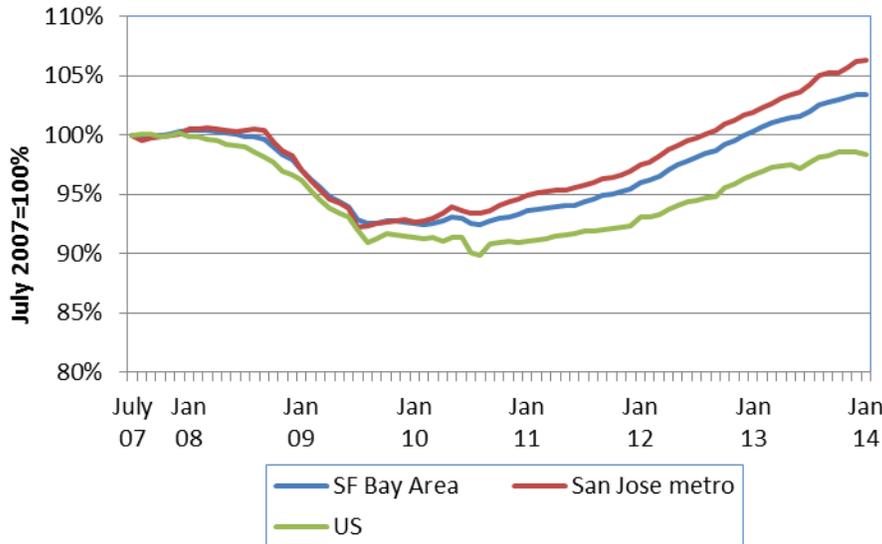
As currently reported the Bay Area added 54,300 jobs in 2011 (+1.7%), 118,500 jobs in 2012 (+3.7%) and 134,200 jobs in 2013 (+4.1%). These are all roughly double the national growth rate.

The San Jose metro area, which includes Palo Alto, added 23,500 jobs in 2011 (+2.5%), 46,100 jobs in 2012 (+4.7%) and 45,300 jobs in 2013 (+4.4%) outpacing the region, state and nation.

The job gains occurred in professional services, information services and construction as well as gains in population serving sectors. This growth occurred even as government jobs were in decline, a trend that is now slowly reversing.

A relatively small portion of the upward revision to job growth was the result of including in-home supportive services in the EDD job series for the first time. A picture of Bay Area job trends relative to the nation since the pre-recession peak in July 2007 is shown below.

Job Trends July 2007--Jan 2014



A portion of these job gains came as previously unemployed residents found jobs and thus did not add to population growth and housing demand. But unemployment rates on the peninsula are now in the 5% range and company plans for expansion remain strong.

Recent Population Trends

The Bay Area led all regions in percent population growth between July 2010 and July 2013—the latest data available. The region added 221,300 residents or an average of 73,800 per year. Santa Clara County added 67,300 residents or an average of 22,400 per year and was the second fastest growing county in California behind Placer.

The next population estimates for January 1, 2014 will be released on May 1, 2014.

New DOF Population Projections

DOF is beginning the process of developing new population projections that they hope to release by year end.

The new process will involve coordination with ABAG and incorporation of regional job projections as required by DOF methodology (it was not done last time) and incorporation of the recent job trends described above.

While the future is uncertain, at the moment both regional and county job and population trends and outlook are running ahead of the growth expected in the recent ABAG Plan Bay Area projections.