

Economic Impact of Four Regional Residential Construction Control Initiatives on Alameda and Contra Costa Counties

EXECUTIVE SUMMARY

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. 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.

METHODOLOGY & ASSUMPTIONS

In order to measure the impacts that the four initiatives would have on the two counties, ERA leased a simulation and forecast model of the combined Alameda and Contra Costa regional economy from Regional Economic Model, Inc. (REMI). The REMI model is designed to estimate the impact of major investment or policy changes on the national, state, or regional economy and is widely used by government agencies and consulting firms throughout the country. Since the most direct impact of the initiatives is to restrict residential development, and therefore, reduce the population of the subject communities, ERA had to first estimate the change in population which would occur as a result of these measures and then to apply the total change to the REMI model. To develop these estimate, ERA interviewed 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 changes, and housing development patterns in Northern California.

ERA estimates that in total, the regional residential construction control initiatives would prevent approximately 47,100 people from living in the affected areas by the year 2020. Approximately 17,100 of this displaced population growth is likely to be reabsorbed within other parts of Alameda and Contra Costa Counties, with the remaining 30,000 people displaced to other counties, most likely to communities in the Central Valley.

SUMMARY OF FINDINGS

Population and Land Use

The passage of the regional residential construction control initiatives will by the year 2020 prevent approximately 30,000 people from living within the two-county region. This population reduction is concentrated in young families, adults in the 25 to 44 age group and children in the 5 to 19 age group. The senior population is virtually unaffected.

Furthermore, in addition to discouraging large scale single-family home subdivisions in the affected communities, the initiatives will also discourage the intensification of urban infill sites. Urban intensification is generally considered more supportive of transit usage.

Employment

Along with the reduction in population, there is an associated reduction in employment of

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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 will be slowed.

The initiatives will not have a 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.

Economy

The passage of the four initiatives will result in a lower total gross regional product (GRP) for the two counties and a slight reduction in real wages. However, the per capita GRP is basically unaffected by the passage of the initiatives. The economy will be proportionately smaller because the number of residents and employees will have been reduced.

Cost of Living and Housing Prices

Higher housing costs and a higher cost of living are other impacts of the passage of the initiatives. In the year 2020, if the average

housing cost in the two counties were \$500,000, the passage of these four initiatives would push this average up by approximately \$12,000. The existing property owners would benefit from this value increase, but the new and younger home buyers and renters would tend to carry the cost burden.

These findings assume that all four initiatives pass and that North Livermore does not urbanize within Alameda County's jurisdiction. ERA has analyzed an alternative where North Livermore develops within unincorporated Alameda County and found in this scenario essentially all of the 30,000 displaced residents would be retained within the two-county region. The result would be no significant economic impact. 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.

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