

**FINAL
REGIONAL GROWTH FORECAST
REPORT**

OCTOBER 2009



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Kern Council of Governments Board of Directors

The Kern Council of Governments is the regional planning agency as well as the technical and informational resource, and rideshare administrator for the area's 11 incorporated cities and the County of Kern. Following Board direction, staff coordinates between local, state, and federal agencies to avoid overlap or duplication of programs. This intergovernmental coordination enables staff to work with many public agencies to ensure that planning and implementation of programs proceed in a coordinated manner.

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October 15, 2009

TO: Transportation Technical Advisory Committee

FROM: RONALD E. BRUMMETT,
EXECUTIVE DIRECTOR

By: Rob Ball, Senior Planner
Troy Hightower, Regional Planner II
Ben Raymond, Regional Planner I

SUBJECT: TPPC AGENDA NUMBER IV. CONSENT CALENDAR ITEM N.
FINAL REGIONAL GROWTH FORECAST REPORT

DESCRIPTION:

The regional growth forecast is reviewed, and revised every three to five years. The Kern COG Board adopted the last forecast in July 2005. A 30-Day public comment period closed September 17, 2009. Kern COG Board adopted this update to the regional growth forecast on October 15, 2009. The report recommends maintaining the existing forecast adopted in July 2005.

DISCUSSION:

Background

The Regional Growth Forecast Defined - The Kern COG regional growth forecast is a long-range projection for countywide total population. The population total is used to predict housing, employment, school enrollment, and income. The forecast is used for local transportation and air quality planning as well as by the member agencies for a variety long range planning activities. This forecast revision will serve as the growth assumption for the 2010-11 Regional Transportation Plan (RTP) and Federal Transportation Improvement Program. The forecast is expected to be used for new Climate Change law (AB32/SB375) planning and modeling. The forecast is used as a control target for distribution of socio-economic data throughout the county sub areas. The forecast is tied to the California Department of Finance estimates for the base year. The periodic development and update of the countywide forecast totals use accepted and adopted planning procedures.

Review Requirements – Section 3 of the Kern COG Policy and Procedure Manual revised in May 2001 contains the Regional Transportation Modeling Policy. This policy states:

“Socio-Economic Forecast Data – Countywide forecasts for households, employment and other socio-economic data shall be updated not less than 3 years from the time of the Socio-economic forecast. A minimum of three years between Countywide forecast revisions is needed to allow responsible state and federal agencies time to complete their review of large environmental documents without major changes to transportation circulation modeling results...”

The Kern COG adopted Public Policy and Procedure manual requires a 30-day advertised public review period and meetings/workshops regarding the regional growth forecast. Additional, extensive opportunities for public comment on the forecast will be provided as part of the 2010-11 RTP adoption.

It is important to note that the State of California RTP Guidelines recommend the use of California Department of Finance (DOF) population forecast or the P-1 report. However, regions are allowed under the guidelines to deviate from the DOF forecast if the locally adopted forecast is supported by substantial documentation. Attached is a copy of the documentation from the 2005 Kern Regional Forecast adoption (Exhibit B).

In 2009, California Government Code section 65584.01 governing housing element forecasts was amended to require that population forecasts be within 3-percent of DOF forecasts for the planning period of the RTP if the housing elements (and the Regional Housing Needs Allocation) use the RTP forecasts. Forecasts used in the 2010-11 RTP are not currently required to match DOF Forecasts being used in Housing Elements. However, in October 2010, the California Air Resources Board will release the Greenhouse Gas (GhG) targets for developing the 2014-15 RTP and the corresponding SB375 Sustainable Communities Strategy. Forecasts for the 2014-15 RTP will have to be within 3% of DOF. It is important to note that in 2009 the DOF forecast is 4 percent higher than their most recent DOF estimates, making the use of DOF for the current RTP questionable. It is anticipated that the 2010 census will greatly improve the accuracy of the DOF forecast.

Committee Oversight - This process is implemented by a subcommittee of the Kern COG Transportation Technical Advisory Committee (TTAC) called the Kern Regional Transportation Modeling Committee (KRTMC). The Kern COG Board set up this committee in May 2001 with the adoption of the Transportation Modeling Policy and Procedure. Section 5 of the procedure establishes the “Kern Regional Transportation Modeling Sub-Committee of the Transportation Technical Advisory Committee.” This procedure was re-confirmed with the adoption of a Memorandum of Understanding on Transportation Modeling Coordination between Caltrans, City of Bakersfield, Kern County and Kern COG on January 15, 2004.

The KRTMC consists of technical staff from Kern COG member agencies planning and public works departments and meets every other month. The committee is also responsible for sub-area distribution of the growth forecast as well as numerous other regional transportation modeling issues.

Recommendations on the regional growth forecast by the Modeling Sub-Committee are sent to the Kern COG TTAC for consideration, and on to the Kern COG Board for final adoption. The process was used in 2005 to select the Alternative 1B forecast.

Adoption Timeline – The following schedule is anticipated for forecast adoption:

- August 18, 2009 – 30-day public review period notification
- August 26, 2009, 10:30 A.M. – Kern Regional Transportation Modeling Subcommittee (KRTMC) reviews staff technical report and makes recommendations to the Transportation Technical Advisory Committee (TTAC).
- September 2, 2009, 10 A.M. – TTAC reviews KRTMC recommendations
- September 2, 2009, 4-6 P.M. – Public Workshop
- September 17, 2009, 5 P.M. – Close of 30-day public review period
- September 17, 2009, 7 P.M. – Transportation Planning Policy Committee
- September 30, 2009, 10 A.M. -- Transportation Technical Advisory Committee considers public comments, sub-committee recommendation and makes recommendation to the Kern COG Board.
- October 15, 2009, 7 P.M. – Transportation Planning Policy Committee considers public comments, recommendations and adoption of the regional growth forecast.

After final approval of the forecast, the distribution of the forecast normally requires a minimum of three months to one year to be disaggregated for use in sub areas by the modeling sub-committee. A revised forecast would not be effective until the disaggregation is complete and approved by the modeling subcommittee as required by the MOU. If there are no changes to the forecast, the current model will continue to be used immediately.

Regional Growth Assumptions

Apparent LA Commuter Influx to Subside – During the peak of the housing boom in 2006, the City of Bakersfield estimates that 2 out of 5 new houses in the Southern half of Metro Bakersfield are being purchased by Southern Californians. This could account for as much as 20 percent of new housing purchases in the Metropolitan area. However in the 1990 and 2000 Censuses the number of commuters from Kern to LA remained at three percent of total workers.

During the peak of the boom s Kern had posted a growth rates greater than 3 percent. As anticipated with the 2005 forecast, that growth rate subsided considerably. Over the past 50-years Kern has averaged 2.2 percent growth rate. Factors such as interest rates, housing prices, fuel costs, and traffic congestion, continue to rise, making Kern less attractive to LA commuters. New developments such as Centennial on Tejon Ranch in Northern L.A. County, are expected to siphon off some of the apparent spillover from the Southland into Kern. This slowdown would mirror what happened during the mid 1990s after the record growth in 1991.

Water Availability Not Limiting Factor - Increased conservation and mobility of water are expected to sustain current growth patterns in the Southland and statewide. New technology such as “hot water on demand” and “increased use of reclaimed water” can save a residence 1700 gallons per year in water usage, freeing up tremendous capacity for expansion in existing urban areas. Innovative water purchase agreements made possible by the Monterey Agreement allow aqueduct water from Kern to go to Santa Clarita, thereby freeing-up Colorado River Water for new development in Palm Springs. In essence, transferring water from the San Joaquin Valley to Palm Springs. Other deals involving groundwater-banking operations in Kern provide similar opportunities for water to flow up and over the hill to money during drought years. These factors will likely stave off an inordinate influx of development in the valley portion of the County while ensuring that water is available to sustain local growth trends and agriculture.

Job Growth Not Keeping Pace With Housing - Job growth in Kern has improved, according to the California Employment Development Department (EDD), but the County is still subject to high unemployment rates. In March 2004 the unemployment rate for Kern was 10 percent. By 2009 it had increased to nearly 15%.

Over the first 5-years of the decade Kern added approximately 4 new jobs for every 7 households. In the 2000 Census there were 1.22 jobs per household in Kern. Assuming that the region should be maintaining this jobs housing ratio, we should be adding 8.5 jobs for every 7 new households. This meant that 47 percent of the new housing built in Kern is for commuters outside the County, retirees, second homes or are vacant. As anticipated, climbing housing prices collapsed because of a lack of jobs that could afford the new housing.

Another indicator of a potential slowdown is the apparent reluctance of the oil industry (approximately 7 percent of the regional job base) to expand employment levels, even with record prices per barrel. The sustainability of this growth as interest rates slowly increase may be tenuous. However, it is interesting to note that Riverside and San Bernardino Counties accounted for 35 percent of the total job growth in the state last year. It appears that as commuter suburbs grow, eventually they achieve a critical mass and begin to attract businesses. With the exception of warehousing and food processing, that phenomenon has yet to be seen in Kern.

It is important to note that as Kern grows, the percentage of workers who are employed by agriculture, and affected by seasonal employment will become a lesser share of the overall employment picture in Kern. A large part of Kern’s double-digit unemployment rates are due to seasonal unemployment, which may eventually subside as Kern becomes less dependant on Agriculture for employment opportunities.

Hispanic Population Boom - Hispanic population is playing a key role in local growth and statewide. The DOF Forecasts suggest that a Hispanic baby boom is moving through the schools now and should be entering the housing market between 2009 and 2019. This will likely trigger another surge in the housing market as a new crop of the first time homebuyers allow existing homeowners to trade-up. Lower end housing in California will be in great demand. Kern housing costs relative to the rest of the state

will be in great demand at the beginning of the next decade, likely triggering another building boom and migration surge into the county.

Chart 2a – Kern County Population by Age, Ethnicity and Gender – 2000

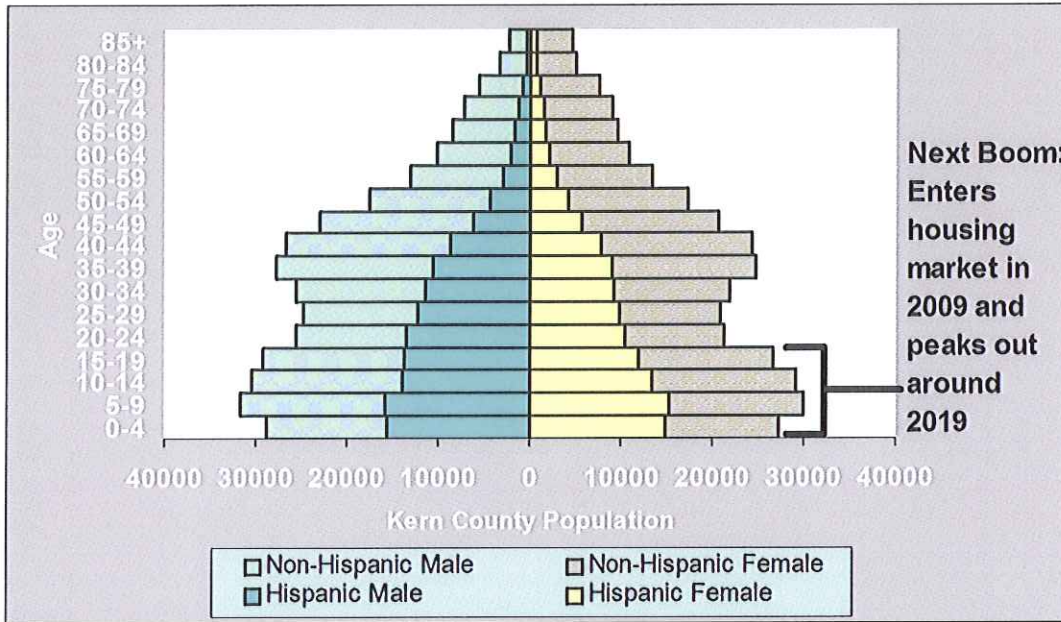
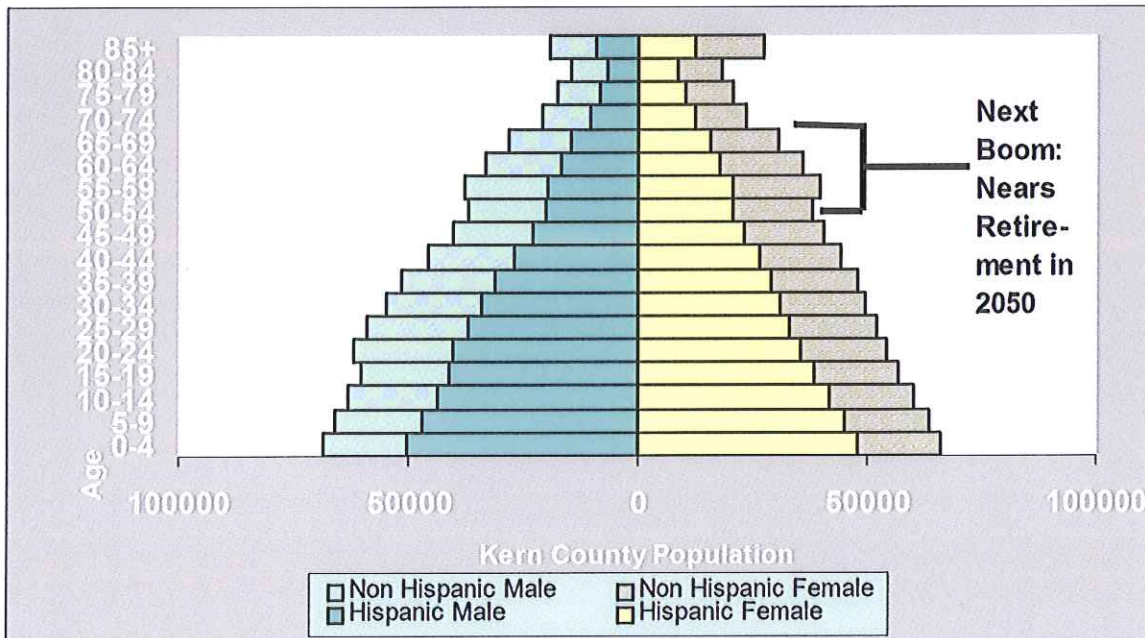


Chart 2b – Kern County Population by Age, Ethnicity and Gender - 2050



Source: California Department of Finance, U.S. Census Bureau

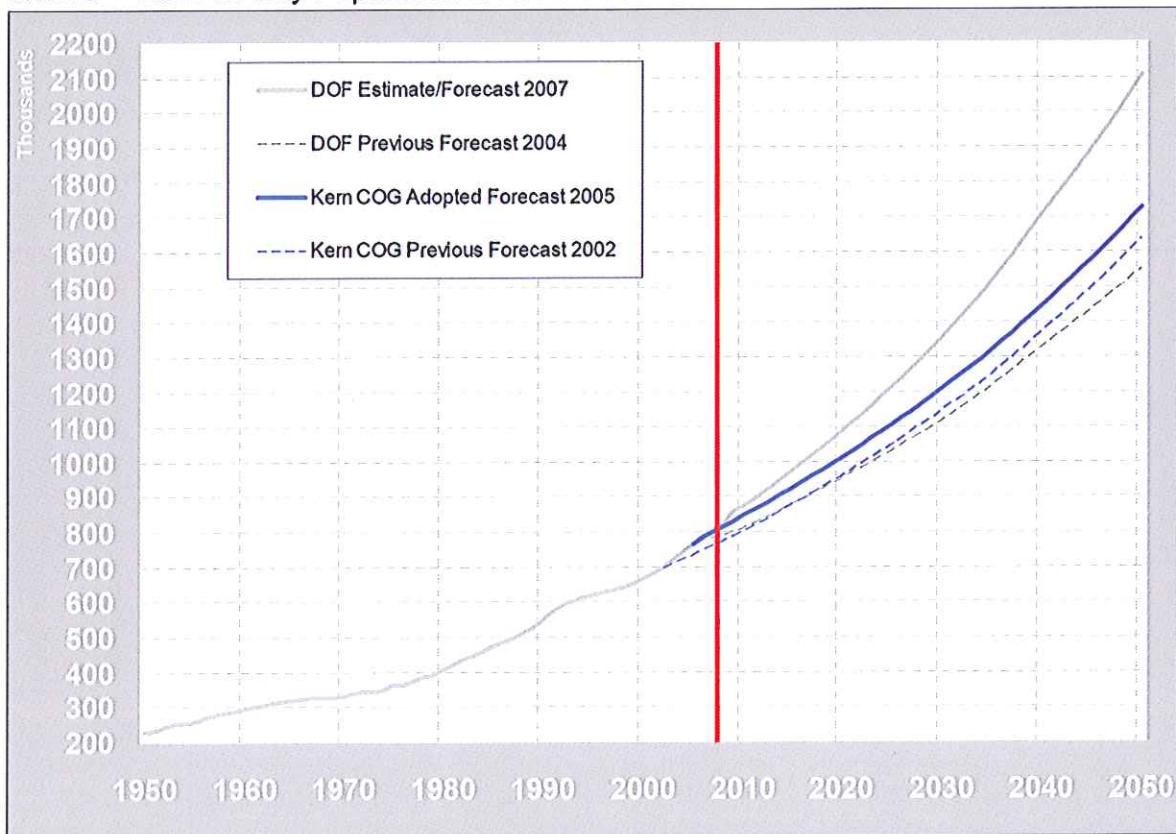
Chart 2a illustrates the “Next Boom” identified in the 2000 Census. Sometimes referred to as the Millennium kids, this group is fueled by a larger proportion Hispanics than in previous generations in Kern. According to the 2004 DOF Forecast, Kern County is

expected to grow from 39 percent Hispanic in 2000 to 68 percent in 2050. The 2050 histogram in Chart 2B indicates a relatively young population pyramid still, with the boom ripples becoming less noticeable.

Long Range Trend Analysis

58 Year Trend - The following chart depicts the historic trends and forecasts for Kern County Population over a 100 year period.

Chart 3 – Kern County Population Trend & Forecasts 1950 to 2050



This chart shows the most recent California Department of Finance (DOF) historical population estimates for July of each year from 1950 to 2008. In addition, the chart shows four forecasts. The lowest and highest forecasts were developed by the DOF in 2004 (thin dashed grey line) and 2007 (thick grey line). The two forecasts in the middle include the previously adopted 2002 Kern COG forecast (thin dashed blue line), and the current adopted Kern COG 2004 forecast (thick blue line).

For very long range planning purposes to the year 2050 the forecasts are within 3.6 percent of each other. In the year 2035 they is only 2.5% difference between the high and the low, making the current forecast close enough to the other three, to be considered to be left unchanged. The current Kern COG adopted forecast for 2035 shows 1.3 million 6-years later than the 2007 DOF and 5 years earlier than the previous

DOF forecast, making the difference between them relatively insignificant from a long range planning perspective.

Short Range Trend Analysis

Since the regional growth forecast must be updated every three to five years, it is helpful to take a closer look at how the forecasts compare in the near years.

Department of Finance Projections – The latest DOF projections were released on April 30, 2009. The report shows preliminary January 2009, as well as revised January 2008, population data for the cities and counties. California added 409,000 new residents in 2008 to a total population of 38,293,000 as of January 1st, 2009.

California's housing growth continued a recent trend by declining once again from the previous year. Since peaking in 2005, when the state was estimated to have added 197,707 new housing units, there has been a steady reduction in residential construction. In 2006, the state added 172,604 units; in 2007, there were 131,912 units built, then last year only 86,745 were constructed – the smallest change since 1998.

Chart 4 – Recent Kern County Population Trends and Forecasts 2004 - 2009

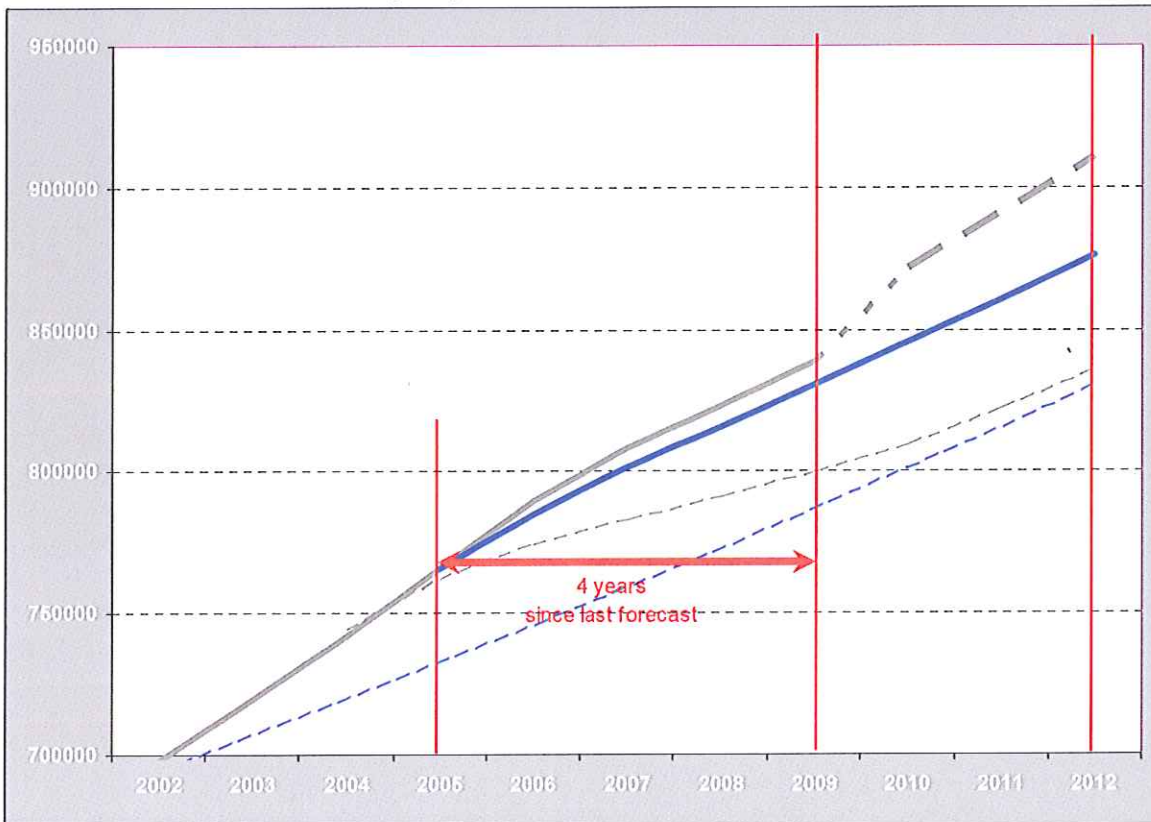


Chart 4 shows that in the four years since the last adopted forecast, the Kern COG forecast has remained below the DOF year to year estimates during the economic recession. The 2008 DOF estimates (thick grey line) shows the need for a rapid

population increase between 2009 and 2010 to keep up with the higher DOF forecast. This would require a one year growth spurt double the current annual population growth. However desirable, economic recovery is not likely occur that soon. It is more likely that we will continue to see slow growth for the next several years, and a gradual merging of the Kern COG forecast with the year to year DOF estimates. It is also important to note that an official count of population has not been taken since the 2000 census. The next forecast update window begins in 2012, after most of the 2010 census data becomes available, making for more accurate data to base future projections on.

It is important to note that Bakersfield 2004 population was 295,893 or 39% of the County population. Bakersfield 2009 population has grown by 37,826 to 333,719, or 40% of the County. Tehachapi is now listed as one of the 10 fastest growing cities in California. It is number 4 on the list with a percent change of 4.4%. The County of Kern 2009 population estimate is now at 830,700 an increase of 86,375 from 744,325 in 2004.

Chart 5- 2008 Estimated Population vs. Kern COG and DOF Forecast

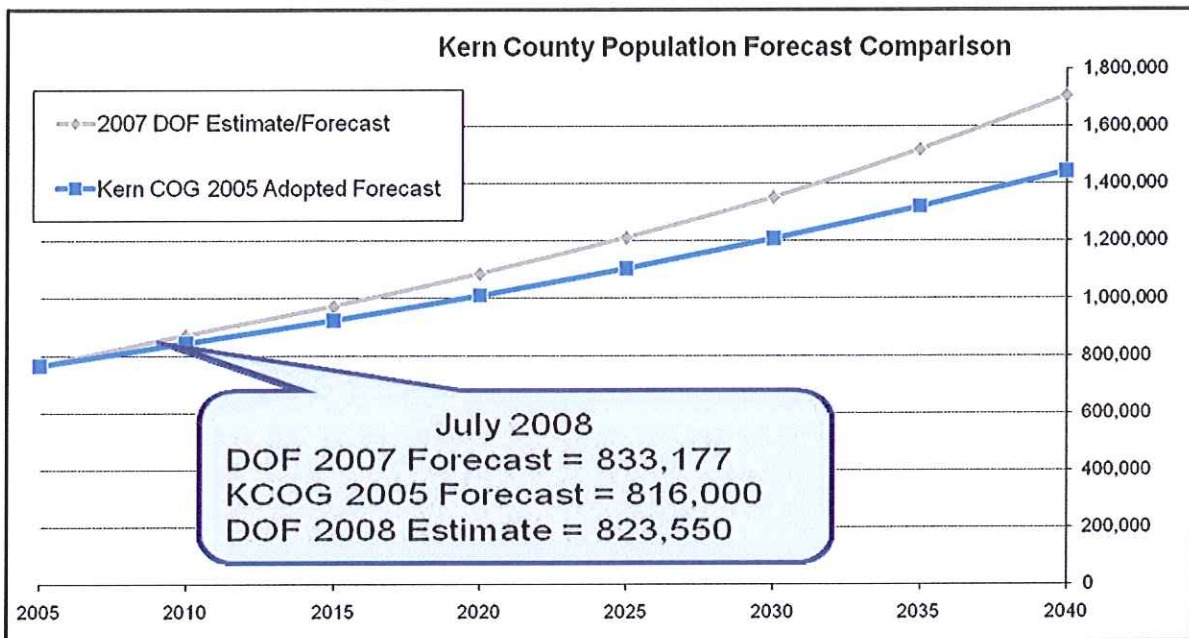


Chart 5 shows the DOF's latest July 2008 population estimate. The July 2008 DOF estimate is only 7,550 above Kern COG's forecast, a difference of less than 1%. DOF's 2007 forecast for July 2008 is 9,627 above the 2008 estimate, a difference of just over 1%. This chart shows that Kern COG's 2005 forecast is closer to the latest DOF estimates than the DOF 2007 Forecast.

Findings for Recommended Alternative 1b

- The regional growth forecast must be revised every three to five years in accordance with adopted Kern COG procedure and a Memorandum of

Understanding between the City of Bakersfield, County of Kern, Caltrans and Kern COG.

- The current regional growth forecast (alternative 1b) was adopted in July 2005 and differed from the 2004 DOF forecast.
- Alternative 1b is closer to recent 2008 DOF estimates than the latest 2007 DOF P-1 forecast.
- Alternative 1b lies between the last two DOF forecasts for Kern County.
- DOF has no plans to revise future year projection figures until after the 2010 Census is available.
- State law requires regional planning agencies to maintain a growth forecast within 3% of the DOF growth forecast for the 4th and subsequent revision of the housing element. The next forecast to fall within this requirement will be in the year 2012 at which time new DOF forecasts and 2010 Census data will be available.
- Kern COG shall reconsider the adopted regional growth alternative 1b forecast after the 2010 Census and DOF has released new projections based on the 2010 Census. This is anticipated to be in 2012.

Response to Comments

August 26th KRTMC Comments:

The KRTMC and Kern COG staff agree that the 2005 assumptions: Apparent LA Commuter Influx to Subside, Water Availability Not Limiting Factor, Job Growth Not Keeping Pace With Housing, and Hispanic Population Boom, are currently accurate. The KRTMC asked staff to incorporate a slide from the staff presentation into the report as Chart 5, and include the planning assumptions discussion from the 2005 staff report.

Kern COG Response – Kern COG staff made the requested changes.

September 2nd Public Workshop Public Comments:

On September 2, 2009, four members of the public attend an advertised public workshop

Arthur Unger – Agrees with the report's assumption that water flows uphill to money. Mr. Unger was interested in how the growth forecast accounts for global warming created water shortages and a less desirable place to live?

Kern COG Response – Regional growth forecasts must be re-visited regularly. It is difficult to predict accurately more than 5 years out because of the potential for major deviations in trends that can occur jafter a forecast is established. Most of

the ill effects associated with global warming are likely to be gradual and should be picked up by the regular revisions required by the adopted regional growth forecast process.

Glenn Baumann - What is the relationship of Tehachapi regional specific plan and Tehachapi city's new general plan to funding of transportation projects?

Kern COG Response – The regional growth forecast serves as a control total for sub regional distribution of the forecast. The distribution is performed by the KRTMC which meets every other month. Re-distribution of the forecast can only occur in the form of a zero sum adjustment. The primary data inputs into the distribution of the growth forecast are local land use plans, and historic growth. The growth forecast uses 17 Regional Statistical Areas in Kern that are further subdivided by 1700 transportation analysis zones (TAZ). The KRTMC reviews and maintains the forecast data for these areas. The Kern COG 20-year Regional Transportation Plan, and local government general/specific plans use the distributed growth forecast at the TAZ level of geography in the Kern Regional Travel Demand Model to forecast future traffic volumes and analyze transportation needs. That analysis is used in the development regional transportation plan that Kern COG develops.

ACTION:

Recommend approval of the draft findings by the Transportation Planning Policy Committee, and authorize the chair to sign a resolution re-adopting the 2005 regional growth forecast Alternative 1b for 3-5 more years when the 2010 Census is available. [BOARD APPROVED RECOMMENDATION – October 15, 2009]

**Exhibit A
October 2009
Regional Growth Forecast Targets**

Exhibit "A"
Final Regional Growth Forecast Targets

Kern County Historic Population Trend	1950	1960	1970	1980	1990	2000				
U.S. Census	229,600	294,900	331,100	406,100	548,000	665,308				
Kern County Population Estimates	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
DOF Estimate 2008 (E-6 Report)*	665,308	681,293	698,264	719,432	741,819	765,499	789,655	808,700	823,550	858,900
Kern COG Previous Adopted 2002			694,174	706,696	719,421	732,349	745,481	758,919	772,560	786,507
Kern COG Adopted Alternative 1b 2005					744,325	765,600	784,700	801,600	816,000	830,700
Kern County Population Forecasts	2010	2020	2030	2040	2050					
DOF P-1 Forecast 2007	871,728	1,086,113	1,352,627	1,707,239	2,106,024					
DOF P-1 Forecast 2004	808,808	950,112	1,114,878	1,325,648	1,549,594					
Kern COG Previous Adopted 2002	800,700	957,000	1,143,900	1,367,200	1,634,300					
Kern COG Adopted Alternative 1b 2005	845,600	1,010,800	1,208,200	1,444,100	1,726,200					

Exhibit B
July 2005
Regional Growth Forecast Report



Kern Council
of Governments

July 21, 2005

TO: Transportation Planning Policy Committee

FROM: RONALD E. BRUMMETT,
EXECUTIVE DIRECTOR

By: Robert Ball
Senior Planner

SUBJECT: TPPC AGENDA NUMBER
REGIONAL GROWTH FORECAST ADOPTION

DESCRIPTION:

The regional growth forecast is reviewed, and revised every three to five years. The Kern COG Board adopted the last forecast in April 2002. On July 6, 2005 the TTAC recommended approval the regional growth forecast alternative 1b.

DISCUSSION:

Background

The Regional Growth Forecast Defined - The Kern COG regional growth forecast is a long-range projection for countywide total population. The population total is used to predict housing, employment, school enrollment, and income. The forecast is used for local transportation and air quality planning as well as by the member agencies for a variety long range planning activities. This forecast revision will serve as the growth assumption for the 2006 Regional Transportation Plan and Federal Transportation Improvement Program. The forecast is used as a control target for distribution of socio-economic data throughout the county sub areas. The forecast is tied to the California Department of Finance estimates for the base year. The periodic development and update of the countywide forecast totals uses accepted and adopted planning procedures.

Review Requirements – Section 3 of the Kern COG Policy and Procedure Manual revised in May 2001 contains the Regional Transportation Modeling Policy. This policy states:

“Socio-Economic Forecast Data – Countywide forecasts for households, employment and other socio-economic data shall be updated not less than 3 years from the time of the Socio-economic forecast. A minimum of three years

between Countywide forecast revisions is needed to allow responsible state and federal agencies time to complete their review of large environmental documents without major changes to transportation circulation modeling results...”

According to this policy the regional growth forecast must be reviewed and re-adopted between April 2005 and April 2007.

The Kern COG adopted Public Policy and Procedure manual requires a 30-day advertised notice of public meetings/workshops regarding the regional growth forecast. Additional, extensive opportunities for public comment on the forecast will be provided as part of the 2006 Regional Transportation Plan adoption.

Committee Oversight - This process is implemented by a subcommittee of the Kern COG Transportation Technical Advisory Committee (TTAC) called the Kern Regional Transportation Modeling Committee (KRTMC). The Kern COG Board set up this committee in May 2001 with the adoption of the Transportation Modeling Policy and Procedure. Section 5 of the procedure establishes the “Kern Regional Transportation Modeling Sub-Committee of the Transportation Technical Advisory Committee.” This procedure was re-confirmed with the adoption of a Memorandum of Understanding on Transportation Modeling Coordination between Caltrans, City of Bakersfield, Kern County and Kern COG on January 15, 2004.

This sub-committee consists of technical staff from Kern COG member agencies planning and public works departments and meets every other month. The committee is also responsible for sub-area distribution of the growth forecast as well as numerous other regional transportation modeling issues.

Recommendations on the regional growth forecast by the Modeling Sub-Committee are sent to the Kern COG TTAC for consideration, and on to the Kern COG Board for final adoption.

The Subcommittee met on April 27, 2005 and unanimously recommended Alternative 2. Present at the subcommittee included technical level staff from the City of Shafter, City of Bakersfield, County of Kern, Caltrans, and Kern COG. At the June 1, 2005 TTAC meeting the item was referred back to the subcommittee. On June 22, 2005 the subcommittee reconsidered and unanimously modified its recommendation based on the new information and correspondence received from the County. Subcommittee attendees included the representatives from the City of Bakersfield, County of Kern and Kern COG. On July 6, 2005 The TTAC unanimously approved the recommendation of the Subcommittee for the Kern COG Transportation Planning Policy Committee to alternative 1b.

Revised Adoption Timeline – The following schedule is anticipated for forecast adoption:

- May 17, 2005 – 30-day public notification (display adds/flyers/draft report available at www.kerncog.org)
- May 19, 2005 – Televised Public Workshop

- June 1, 2005 – Transportation Technical Advisory Committee considers sub-committee recommendation and refers item back to Modeling Subcommittee
- June 16, 2005 – Kern COG Board considers continuing item to July 21, 2005
- June 22, 2005 – Kern Regional Transportation Modeling Subcommittee develops consensus and a technical report and makes recommendations to the Transportation Technical Advisory Committee.
- July 6, 2005 - Transportation Technical Advisory Committee considers sub-committee recommendation and makes recommendation to the Kern COG Board.
- July 21, 2005 – Kern COG Board Considers Public Comments, Recommendations and adoption of the regional growth forecast.

After final approval of the forecast, the distribution of the forecast requires a minimum of three to six months to be disaggregated for use in sub areas by the modeling sub-committee. Once the forecast is distributed at the sub-area level the regional transportation model will be revalidated with the new forecast.

Regional Growth Assumptions

Recent Growth Outpaced Forecast - Since July 2000 Kern has increased by nearly 20,000 people each year, accounting for four of the top seven highest numeric population increases in Kern's history, more than double the average annual numeric increase since 1950. This growth has steadily increased each year. July 2003 to July 2004, added 23,000 people and was the highest numeric increase since the record 23,700 in 1991. The last two years Kern's growth has been estimated at above 3 percent annually. This growth has outpaced the regional growth forecast adopted by Kern COG in 2002 by an additional two years worth of growth (See Chart 4).

On May 2, 2005 the California Department of Finance (DOF) released a new estimate for January to December 2004 that indicates that the population growth countywide began to slow during the last 6 months of 2004. The population during this 1-year period grew by 20,669 – 2,300 less than the 23,000 from July 2003 to June 2004. Assuming equal distribution of growth in each 6 month time period from July 2003 to July 2004, the last 6 months of 2004 saw at least 2,300 less population growth than the first 6 months of 2004. These estimates are subject to future revisions by the DOF. In the City of Bakersfield, new housing permits for the month of March were slightly up from March 2004.

It is important to note that Bakersfield (population 295,893 or 39% of the County population) was the fastest growing city in California during 2004 for cities under 300,000. Bakersfield experienced a numeric increase of 13,222 people or 64 percent of the County's growth in 2004. The city grew at 4.7 percent last year including annexations. Kern was the sixth fastest percent increase county (2.8%) and the seventh fastest numeric increase county (20,669) in California during 2004, with a population now of 753,070.

Apparent LA Commuter Influx to Subside - The City of Bakersfield estimates that 2 out of 5 new houses in the Southern half of Metro Bakersfield are being purchased by Southern Californians. This could account for as much as 20 percent of new housing purchases in the Metropolitan area. However in the 1990 and 2000 Censuses the number of commuters from Kern to LA remained at three percent of total workers.

For the past two years Kern has posted a growth rate greater than 3 percent. It is anticipated that this growth rate will not be sustainable. Over the past 50-years Kern has averaged 2.2 percent growth rate. Factors such as interest rates, housing prices, fuel costs, and traffic congestion, continue to rise, making Kern less attractive to LA commuters. New developments such as Centennial on Tejon Ranch in Northern L.A. County, are expected to siphon off some of the apparent spillover from the Southland into Kern. This slowdown would mirror what happened during the mid 1990s after the record growth in 1991.

Continued delays in funding the California High Speed Rail system through Bakersfield, not expected to go to the voters until 2008, lessens the attractiveness of Kern as a place to commute from, or relocate a satellite office to.

Water Availability Not Limiting Factor - Increased conservation and mobility of water are expected to sustain current growth patterns in the Southland and statewide. New technology such as "hot water on demand" and "increased use of reclaimed water" can save a residence 1700 gallons per year in water usage, freeing up tremendous capacity for expansion in existing urban areas. Innovative water purchase agreements made possible by the Monterey Agreement allow aqueduct water from Kern to go to Santa Clarita, thereby freeing-up Colorado River Water for new development in Palm Springs. In essence, transferring water from the San Joaquin Valley to Palm Springs. Other deals involving groundwater-banking operations in Kern provide similar opportunities for water to flow up and over the hill to money during drought years. These factors will likely stave off an inordinate influx of development in the valley portion of the County while ensuring that water is available to sustain local growth trends and agriculture.

Job Growth Not Keeping Pace With Housing - Job growth in Kern has improved, according to the California Employment Development Department (EDD), but the County is still subject to high unemployment rates. In March 2004 the unemployment rate for Kern was 10 percent. This is down from 12.3 percent a year ago and the 12-15 percent rates common during the 1990s. In the past year Kern has added 6,200 non-farm jobs, including 1000 construction, 1700 government (mostly education), 1300 wholesale/retail trade, 600 transportation/warehousing/utilities, and 200 food manufacturing. These statistics indicate that building new houses, schools, and retail is the driving factor in the region's short-term job growth.

Over the past 5-years Kern has added approximately 4 new jobs for every 7 households. In the 2000 Census there were 1.22 jobs per household in Kern. Assuming that the region should be maintaining this jobs housing ratio, we should be adding 8.5 jobs for every 7 new households. This means that 47 percent of the new housing built in Kern is for commuters outside the County, retirees, second homes or

are vacant. As housing prices continue to climb, the sectors that are adding jobs will become even less likely to afford the new housing.

Another indicator of a potential slowdown is the apparent reluctance of the oil industry (approximately 7 percent of the regional job base) to expand employment levels, even with record prices per barrel. The sustainability of this growth as interest rates slowly increase may be tenuous. However, it is interesting to note that Riverside and San Bernardino Counties accounted for 35 percent of the total job growth in the state last year. It appears that as commuter suburbs grow, eventually they achieve a critical mass and begin to attract businesses. With the exception of warehousing and food processing, that phenomenon has yet to be seen in Kern.

Chart 1 – Labor Force Trends



It is important to note that as Kern grows, the percentage of workers who are employed by agriculture, and affected by seasonal employment will become a lesser share of the overall employment picture in Kern. A large part of Kern's double-digit unemployment rates are due to seasonal unemployment, which may eventually subside as Kern becomes less dependant on Agriculture for employment opportunities.

Hispanic Population Boom - Hispanic population is playing a key role in local growth and statewide. The 2004 DOF Forecasts suggest that a Hispanic baby boom is moving through the schools now and should be entering the housing market between 2009 and 2019. This will likely trigger another surge in the housing market as a new crop of the

first time homebuyers allow existing homeowners to trade-up. Lower end housing in California will be in great demand. Kern housing costs relative to the rest of the state will be in great demand at the beginning of the next decade, likely triggering another building boom and migration surge into the county.

Chart 2a – Kern County Population by Age, Ethnicity and Gender – 2000

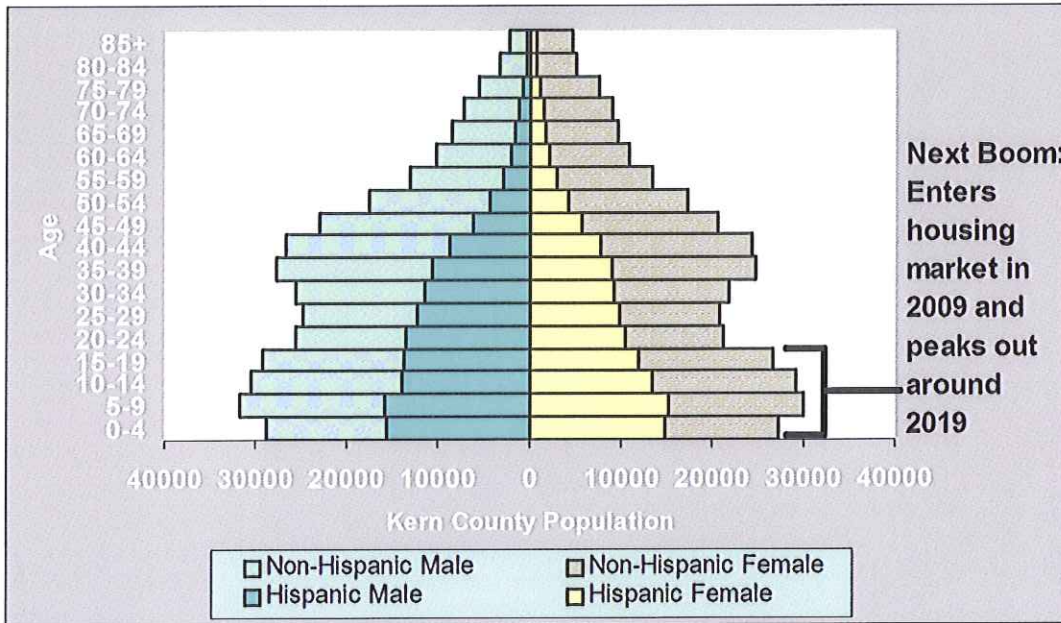
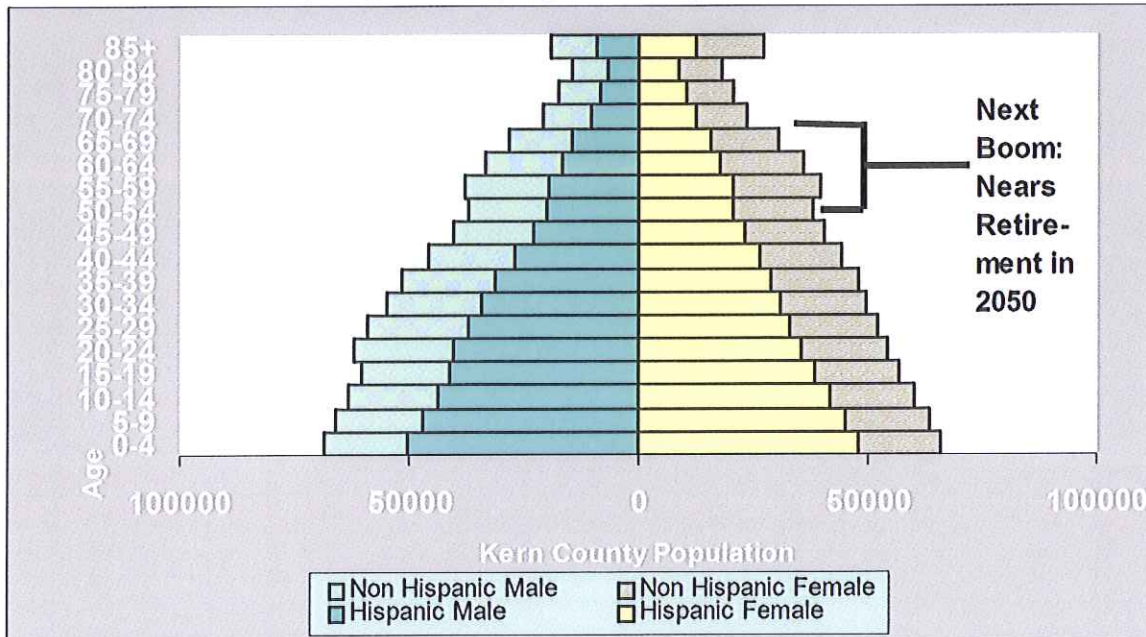


Chart 2b – Kern County Population by Age, Ethnicity and Gender - 2050



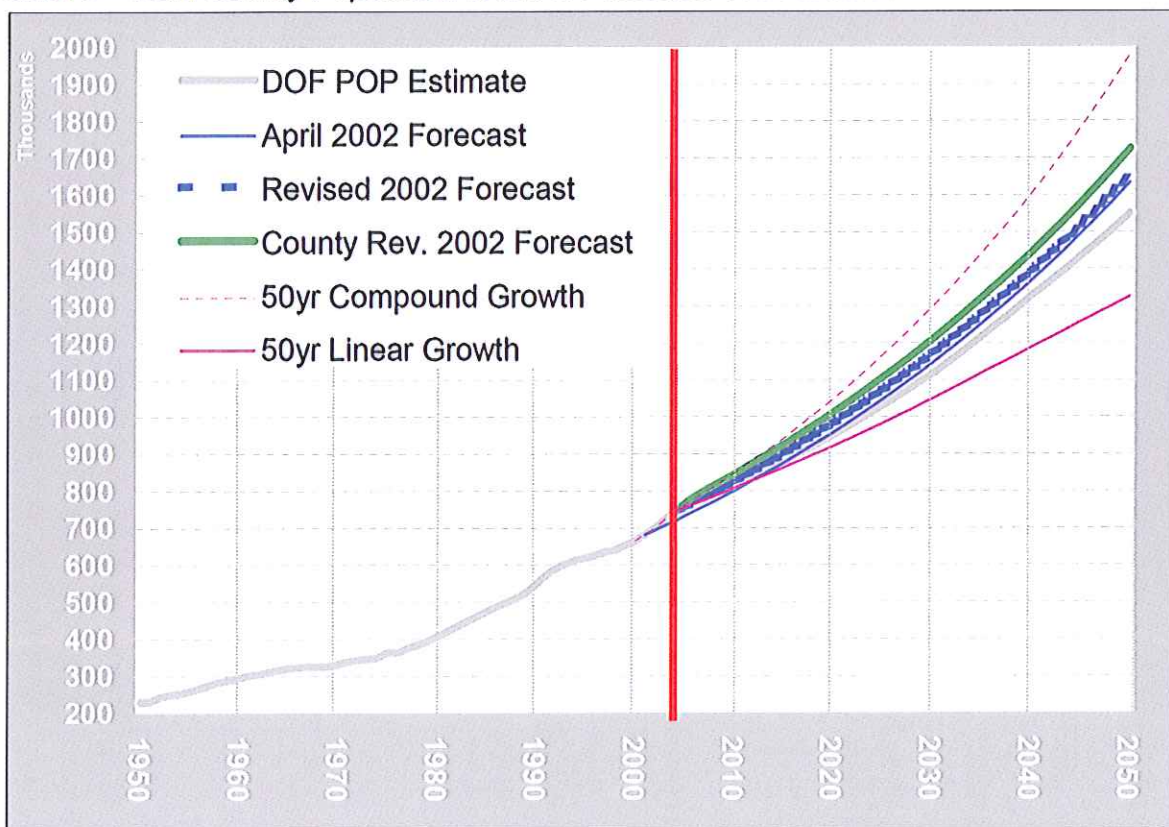
Source: California Department of Finance, U.S. Census Bureau

Chart 2a illustrates the “Next Boom” identified in the 2000 Census. Sometimes referred to as the Millennium kids, this group is fueled by a larger proportion Hispanics than in previous generations in Kern. According to the 2004 DOF Forecast, Kern County is expected to grow from 39 percent Hispanic in 2000 to 68 percent in 2050. The 2050 histogram in Chart 2B indicates a relatively young population pyramid still, with the boom ripples becoming less noticeable.

Long Range Trend Analysis

50 Year Trend - The following chart depicts the historic trends and forecast trends for Kern County Population.

Chart 3 – Kern County Population Trend & Forecasts 1950 to 2050



This chart shows the most recent DOF historical population estimates for July of each year from 1950 to 2004. In addition, the chart shows six forecasts. The highest and lowest forecasts are based on a 50-year historic trend using different extrapolation methods: compound or logarithmic, and linear growth. The four forecasts in the middle include the adopted 2002 Kern COG forecast (thin blue line), an adjusted 2002 Kern COG forecast (dashed blue line), a county modified forecast (green line), and the 2004 DOF forecast (thick gray line).

For long range planning purposes the four middle forecasts are within 5-percent of each other in the year 2030, making the current forecast close enough to the other two, to be

considered to be left unchanged. Both are within a 5-year window of the current adopted 2030 forecast, making the difference between them is relatively insignificant from a long range planning perspective.

Short Range Trend Analysis

Since the regional growth forecast must be updated every three years, it is helpful to take a closer look at how the forecasts compare in the near years.

Chart 4 – Recent Kern County Population Trends and Forecasts 2000 - 2010

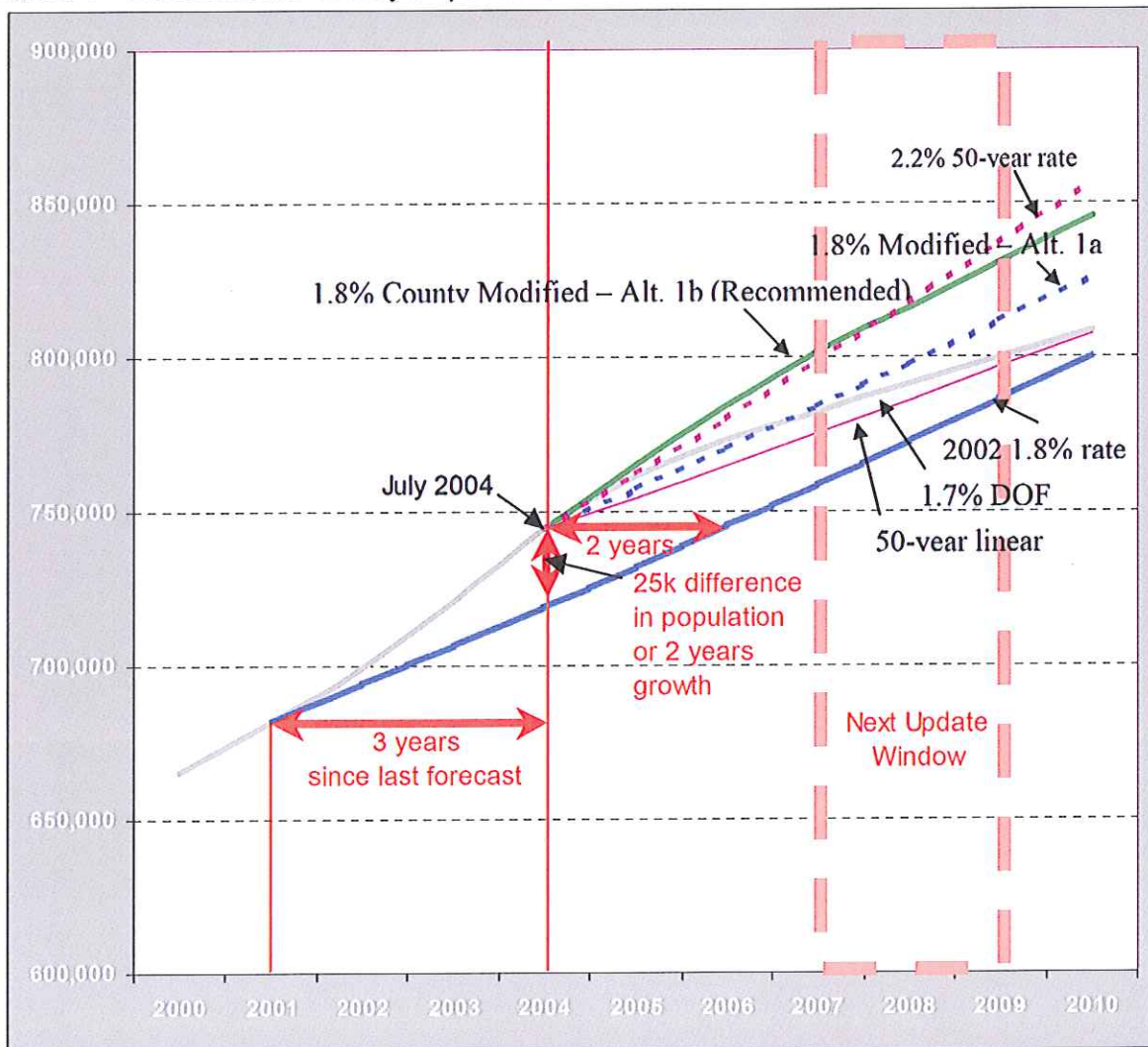


Chart 4 clearly shows that in the three years since the last adopted forecast, Kern has outgrown the forecast by 25,000 people, an amount equal to two years worth of growth at the adopted 1.8% growth rate. The 2004 DOF estimate shows population in Kern, previously predicted not to occur until the year 2006. This unpredicted growth spurt is considered to be the result of a combination of low interest rates and low housing

values in Kern relative to the rest of the State. Both are on the rise, and it is believed that this growth spurt will level off just as it did in the early 1990s and mid 1960s.

In addition, Chart 4 shows five forecast scenarios that could be considered based on recent growth trends since July 2004. The high and low scenarios are based on a 50-year compound and linear growth trends respectively. Historically, Kern's growth has tracked somewhere between these two forecasts. The remaining three forecasts are a readjustment of the Kern COG 1.8% adopted growth forecast (Alt. 1a & 1b), to control for the unanticipated growth during the past three years, and the DOF forecast released in 2004 (Alt. 2). These three alternative forecasts are the most likely candidates for consideration in this revision. Staff is recommending Alternative 1b, a modified 1.8 percent growth rate developed by the County.

Alternative Forecasts

Kern COG staff has boiled down the regional growth forecast discussion to two primary alternatives: Optimistic and conservative. The optimistic forecast has been subdivided into two sub alternatives. Kern COG staff and the Kern Regional Transportation Modeling Subcommittee are recommending the optimistic alternative 1b. This seems to contradict recent growth activity, however, a close look reveals the reasoning behind the recommendation.

Optimistic Alternative 1a: Adjusted 1.8% Growth Forecast – In April 2002, the Kern COG adopted the 1.8% growth forecast. This forecast was a composite of a 2% growth rate in Metropolitan Bakersfield, and a 1.5% average growth rate in the outlying areas of the County. The forecast represented a rare departure from past precedent by rejecting the DOF forecast for what was considered to be a more reasonable growth rate based on input from the local building industry and estimates of local capacity to build housing. It is important to note that federal and state transportation/air quality modeling guidelines do not require a region to use DOF forecasts, however, if a region uses another forecast, adequate justification must be provided. At the time, the 1.8% growth rate appeared to be a reasonable middle scenario when compared to the previous DOF forecasts and trends.

Alt. 1a Optimistic Forecast

Pros

- Consistent with recent trends
- Optimistic about growth
- Constitutes minor adjustment within 2 percent of current forecast
- Would have negligible effect on Impact Fee programs

Cons

- New development that uses this forecast will be required to provide slightly higher levels of mitigation than may be needed, should the forecast overstate growth.
- Non DOF Forecast slightly more vulnerable to legal challenge

It is important to point out here that high growth rates in small areas of the county can be greatly diluted, when combined with other areas that are built out and experiencing no growth. This phenomenon is exhibited in the difference between a small area with

10 houses that may add 10 more and experience a 100% growth rate, but an area with 1000 houses that adds 10 more only experiences a 1% growth, yet the same number of houses was added in each instance.

Adjusting the 1.8% growth scenario upward to account for the additional two years worth of growth in all future years would appear to be an expedient course of action. In future years this simple numeric increase becomes less and less significant as a percent change in the total population. It is interesting to note that at the beginning of the next forecast review window in 2007 the adjusted 1.8% growth forecast is identical to the 2004 DOF forecast.

Optimistic Alternative 1b: Higher Adjusted 1.8% Growth Forecast – Based on alternative 1a, this alternative assumes a higher level of growth in the near years with a more gradual stepping off through the year 2008. The forecast was developed by the County of Kern to better reflect the recent growth in housing experienced by the region while retaining the long-range growth forecast adopted in 2002.

One reason this option was proposed was because the most recent DOF forecast is already failing to match the continued growth surge. The ability to sustain this growth is demonstrated by the fact that the City of Bakersfield housing starts are above the near record levels set in March 2004. The outlying Cities are anticipating similar growth increases.

Similar growth is being experienced in the outlying communities as well. The City of Ridgecrest will likely add 4000 housing units over the next five years to accommodate the anticipated influx of 2500 jobs from the Federal Base Realignment Commission (BRAC) process. The City of Delano permitted 300 housing Units last year and is expecting similar growth levels this year. The City of Shafter is in the process of amending its general plan to add the capacity for 10,000 housing units near State Route 99 and 7th Standard Road. The City of Wasco has 1500 housing units in their planning process. The remaining cities and county communities are experiencing similar growth surges.

**Alt. 1b Optimistic Forecast
(Recommended)**

Pros

- Best match with recent trends
- Optimistic about growth
- Constitutes minor adjustment within 2 percent of current forecast
- Would have negligible effect on Impact Fee programs

Cons

- New development that uses this forecast will be required to provide slightly higher levels of mitigation than may be needed, should the forecast overstate growth.
- Non DOF Forecast slightly more vulnerable to legal challenge

This alternative is the most optimistic of the three alternatives. It assumes that the limited growth in jobs will only have a limited effect on the current boom. The ability to sustain the current growth will level off more gradually in this scenario as people cash in on their recent equity gains in the Southland and buy larger places here in Kern.

Conservative Alternative 2: 2004 DOF Forecast – In May 2004 the California Department of Finance released a revised population forecast based on the 2000 Census data. The forecast uses a sophisticated multi-cohort component analysis to track the number of women of childbearing age in the population for each county. This information is used to forecast the number of births for given future years. Age information is also used to forecast deaths. The two statistics are combined to create a forecast of natural increase for each year. This method gives a fairly accurate picture for each county of future population trends if there is no in or out migration from the county.

DOF ability to forecast migration has had mixed results. Historically DOF has tried to use trend information from Driver's License change reports and income tax addresses changes to predict net migration for each county. With the 2004 forecast this information was augmented with a survey of regional agencies responsible for forecasting. Kern COG participated in this survey and sent an estimation of steadily increasing net migration, based on our adopted 1.8% growth rate, to the DOF for use in their 2004 forecasts. Consequently, the latest DOF forecast is one of the closest ones to the adopted Kern COG forecast in recent history.

DOF Forecasts are only provided for each decade. Kern COG staff interpolated between the 2010 DOF forecast and the most recent 2004 July estimate to get the year to year estimates. The result was a forecast that predicts significant slowing in the second half of this decade of the current growth rates. To smooth the forecasted slow down, the 2005 & 06 forecasts years were adjusted upward to reflect a near term extension of current growth trends at the expense of growth in the last 3 years of the decade. This near term adjustment is consistent with the current adopted DOF forecast.

The slightly lower DOF number illustrates the difference between the aging population in the out years and a sustained compound growth rate of 1.8 percent.

An added benefit of using the latest DOF forecast is that it is less subject to possible legal scrutiny, however, the chance of a legal challenge is slim because all the alternatives being considered are similar over the long term.

<p>Alt. 2 Conservative Forecast</p> <p>Pros</p> <ul style="list-style-type: none">• Consistent with current age structure of population• Conservative about growth• Constitutes minor adjustment within 2 percent of current forecast• DOF Forecast less vulnerable to legal challenge• Would have negligible effect on Impact Fee programs <p>Cons</p> <ul style="list-style-type: none">• Less consistent with recent trends• New development that uses this forecast will be required to provide slightly lower levels of mitigation than may be needed, should the forecast understate growth.

Findings for Recommended Alternative 1b

The regional growth forecast must be revised every three to five years in accordance with adopted Kern COG procedure and a Memorandum of Understanding between the City of Bakersfield, County of Kern, Caltrans and Kern COG.

The regional growth forecast last adopted in April 2002 should be revised to account for the recent unanticipated growth surge in Kern County.

The regional growth forecast last adopted in April 2002 should be revised upward in response to the recent surge in growth in the County. The California Department of Finance (DOF) May 2004 is based on a 2003 base year and failed to anticipate the recent growth surge.

Kern COG shall reconsider the adopted regional growth forecast between within three to five years of adoption of this revision.

ACTION:

Approve the findings and authorize the chair to sign a resolution adopting revised regional growth forecast Alternative 1b.

Exhibit "A"
Regional Growth Forecast

Historic Trend	1950	1960	1970	1980	1990	2000	2001	2002	2003	2004
DOF POP Estimate	229,600	294,900	331,100	406,100	548,000	665,367	681,915	699,330	721,263	744,325
Kern Population Forecasts	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
DOF POP Estimate	665,367	681,915	699,330	721,263	744,325					
Kern COG Adopted 2002 1.8% Forecast		681,900	694,200	706,700	719,400	732,300	745,500	758,900	772,600	786,500
Alt. 1a Adjusted 2002 Forecast					744,325	757,200	770,400	783,800	797,500	811,400
Alt. 1b County Adjusted 2002 Forecast					744,325	765,600	784,700	801,600	816,000	830,700
Alt. 2 DOF 2004 Forecast					744,325	761,600	773,800	782,400	791,100	799,900
50yr Compound Growth					744,325	760,300	776,700	793,400	810,500	827,900
50yr Linear Growth					744,325	754,600	765,100	775,500	786,000	796,700
					0	8,400	14,300	17,800	18,500	19,300
Kern Population Forecasts (contd.)	2010	2020	2030	2040	2050					
Kern COG Adopted 2002 1.8% Forecast	800,700	957,000	1,143,900	1,367,200	1,634,300					
Alt. 1a Adjusted 2002 Forecast	825,600	981,900	1,168,800	1,392,100	1,659,200					
Alt. 1b County Adjusted 2002 Forecast	845,600	1,010,800	1,208,200	1,444,100	1,726,200					
Alt. 2 DOF 2004 Forecast (Recommended)	808,800	950,100	1,114,900	1,325,600	1,549,600					
50yr Compound Growth	845,700	1,046,200	1,294,300	1,601,300	1,981,000					
50yr Linear Growth	807,500	919,600	1,047,400	1,186,200	1,324,800					

Exhibit C
Kern COG Board Resolution
Adopting
The Regional Growth Forecast Report
October 15, 2009

BEFORE THE KERN COUNCIL OF GOVERNMENTS
STATE OF CALIFORNIA, COUNTY OF KERN

RESOLUTION NO. 09-35

In the matter of:

ADOPTION OF DRAFT FINDINGS FOR THE KERN REGIONAL GROWTH FORECAST

WHEREAS, Kern Council of Governments (Kern COG) is the federal designated Metropolitan Planning Organization and the state designated Regional Transportation Planning Agency and state affiliate data center for Kern County, and recognized by the Kern County Board of Supervisors as the official source for population projections for use by county departments; and

WHEREAS, the Kern COG regional growth forecast is a long-range projection for countywide total population used to predict housing, employment, school enrollment, and income which are used to plan and model future transportation, air quality and land use; and

WHEREAS, Kern COG has an adopted policy and procedure for preparation and adoption of the regional growth forecast; and

WHEREAS, The adopted Kern COG policy and procedure for the regional growth forecast has been reconfirmed by the adoption of a Memorandum of Understanding by the City of Bakersfield, County of Kern, Caltrans District 6 and Kern Council of Governments representing the outlying communities; and

WHEREAS, Federal guidelines for air quality conformity modeling recommend a region use the State projections but allow a region alter from the State projects with the provision of adequate justification;

NOW, THEREFORE, BE IT RESOLVED THAT:

- The regional growth forecast must be revised every three to five years in accordance with adopted Kern COG procedure and a Memorandum of Understanding between the City of Bakersfield, County of Kern, Caltrans and Kern COG.
- The current regional growth forecast (alternative 1b) was adopted in July 2005 and differed from the 2004 and 2007 Department of Finance (DOF) forecast.
- Alternative 1b is closer to recent 2008 DOF E-2 estimates than the latest 2007 DOF P-1 forecast.
- Alternative 1b lies between the last two DOF forecasts for Kern County.
- DOF has no plans to revise future year projection figures until after the 2010 Census is available.
- State law requires regional planning agencies to maintain a growth forecast within 3% of the DOF growth forecast for the 4th and subsequent revision of the housing element. The next forecast to fall within this requirement will be in the year 2012 at which time new DOF forecasts and 2010 Census data will be available.
- Kern COG shall reconsider the adopted regional growth alternative 1b forecast after the 2010 Census and DOF has released new projections based on the 2010 Census. This is anticipated to be in 2012-14 timeframe.

AUTHORIZED AND SIGNED THIS 15th DAY OF OCTOBER 2009.

AYES: Tarver, Scrivner, Lessenevitch, Ramirez, Crump, Rosson, Morgan,
Prout, Linder, Smith, Wegman, Perrault, Silver

NOES: None

ABSTAIN: None

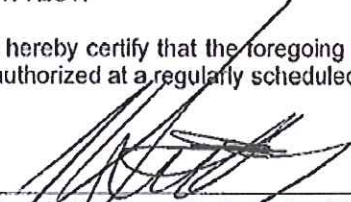
ABSENT: McQuiston, Rubio



Steven Morgan, Chair
Kern Council of Governments

ATTEST:

I hereby certify that the foregoing is a true copy of a resolution of the Kern Council of Governments duly authorized at a regularly scheduled meeting held on the 15th day of October 2009.



Ronald E. Brummett, Executive Director
Kern Council of Governments

Date

Oct 21, 2009

RESOLUTION NO. 09-35
Draft Regl Growth Forecast
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