



2025 Blueprint: Housing Product Type Demand Trends

Receive and File

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Attachments: Yes

Approved by: James Corless

Referring Committee: Land Use & Natural Resources

Issue:

The purpose of this item is to explore emerging trends in the demand for various housing products within the SACOG region and as compared to other mid-sized regions throughout the country. This work is in response to board questions and requests to take a deeper look at housing type preferences and how those preferences may influence land use assumptions in the 2025 Blueprint.

Recommendation:

The Land Use and Natural Resources Committee provided input and engaged in a robust discussion on this item, which included a presentation from Cascadia Partners. The staff report and presentation slides are being provided here as receive and file.

Background/Analysis:

SACOG is undertaking an update to its long-range transportation and land use plan, the 2025 Blueprint. For each plan update, SACOG prepares a projection for the amount of [regional growth in population](#), employment, and households the region can expect over the life of the plan. For the 2025 Blueprint, the projections adopted by the SACOG board in 2022 cover a timeframe from 2020 to 2050 and anticipate that the region will grow by nearly 600 thousand people, and will add just over 260 thousand new jobs, and 278 thousand new homes.

Under state law SB375, SACOG is required to adopt a Sustainable Communities Strategy (SCS) as part of its long-range plan that, if implemented, aligns transportation, housing, and land use decisions toward achieving GHG emissions reduction targets set by the California Air Resources Board (CARB). Beginning with the growth projections described above, the Blueprint must include a set of assumptions around the amount, location, and type of growth the region is planning for through 2050 as well as the policies, programs, and investments necessary to achieve these assumptions. The integrated nature of the Blueprint requires that land use and transportation assumptions work in tandem to maximize benefits and minimize negative impacts that align with the federal and state requirements of the plan and the triple bottom line goals of equity, economy, and environment adopted by the board as the Policy Framework for the 2025 plan update.

The land use assumptions ultimately included in the Blueprint should be, by design, both ambitious and achievable. They are ambitious in that they are intended to outline a path towards achieving the triple bottom line goals of equity, economy, and environment, including achieving our greenhouse gas (GHG) emissions

target and remaining eligible for key sources of transportation funding. Additionally, the land use assumptions must also be achievable and realistic given the policy priorities and investments outlined in the 2025 Blueprint.

In addition to identifying regional programs and investment strategies to support the land use assumptions of the SCS, such as SACOG's Green Means Go Program to support infrastructure needs in infill areas, SB 375 provides several CEQA reform provisions to incentivize projects that help the region meet its SCS goals. These include streamlined review and analysis of residential or mixed-use projects consistent with the SCS; modified review and analysis through an expedited Sustainable Communities Environmental Assessment (SCEA) for Transit Priority Projects (TPPs) that are consistent with the SCS; and a complete CEQA exemption for TPPs that are consistent with the SCS and meet a specific list of other requirements. In each of these cases, the Environmental Impact Report for the Blueprint can serve as a first-tier environmental document under CEQA.

Neither the Sustainable Communities Strategy nor the Alternative Planning Strategy, should SACOG fail to achieve the greenhouse gas reduction target, supersede a city or county's general plan or other planning policies or authorities. Additionally, a local agency's planning policies are not required be consistent with either strategy. Rather, these strategies provide a basis for determining eligibility of residential development or transportation projects for SB 375's CEQA streamlining incentives if cities or counties choose to offer them.

Additionally, the long-range plan and SCS together serve as a priority setting framework for how SACOG develops our work program to support city and county implementation efforts through programs such as the Regional Funding Program, Green Means Go, CEQA streamlining support, grant support, and other technical assistance.

In all these ways, the plan is not necessarily intended to reflect the single most likely growth outcome based on business-as-usual policies and investments or even the point-in-time demand of today's residents. Rather, the goal is to understand the wide range of potential growth outcomes that exist between today and 2050 that could realistically occur given changes in policy, investments, and anticipated future demand trends. Within the aforementioned range of potential outcomes, the plan identifies a path that achieves a set of policy goals outlined by the Board in the policy framework.

Discussion/Analysis:

The intent of this item is to explore existing and future housing demand, specifically as it relates to housing product types. As part of the 2025 Blueprint Pathways analysis conducted last year, SACOG created three distinct futures for how the region could grow as a means to better understand any tradeoffs between land use decisions and the ability of the region to achieve triple bottom line goals and GHG reductions. In [March](#) and [April](#) of 2023, SACOG staff presented what those three futures entailed, including a breakdown of assumptions for housing product types. During these presentations, there was robust conversation about the housing product type assumptions with several board members expressing a desire to better understand underlying market demand for the different housing products and what was reasonable to assume in the 2025 Blueprint. Based on these conversations, SACOG brought on a consultant, Cascadia Partners, to study these trends and provide an analysis of how they are playing out in the SACOG region as well as in comparable mid-size regions across the country.

Alex Steinberger of Cascadia Partners, provided a presentation on this work at the Land Use and Natural Resources committee. The presentation, which is included as an attachment, included an analysis of peer

regions compared to the SACOG region and emerging national trends for housing product type demand. The final phase of this project, which will be conducted over the next several months will explore the local and regional policies impacting housing demand in our region with a stakeholder group of local builders and developers. A presentation on the findings from this phase is tentatively scheduled to come back to the committee in August.

Highlighted Findings from the work completed so far:

Key findings from this work show that the SACOG region is lagging behind its peers and the rest of the country in producing attached housing products and that lack of production has had a profound impact on affordability. These attached housing products are in high demand today, and based on anticipated changes to household size, increasing affordability challenges, and demographic shifts, demand will likely continue to increase into the future. Nationally, builders are responding to these trends with smaller housing products and more attached housing. While the SACOG region is behind its peers, there is clear evidence that this trend towards smaller lot single family and attached housing is already underway in the SACOG region and, in specific submarkets, is starting to relieve pressure on the housing market.

Understanding these underlying trends is critical for the SACOG Board's ultimate decision on a single set of land use assumptions in the 2025 Blueprint. In April, SACOG staff will be presenting a Discussion Scenario which will include a set of land use assumptions and transportation investments. As part of that presentation, staff will provide modeling results for how the Discussion Scenario preforms across a suite of performance metrics, including the ability of the region to achieve its GHG target. The land use assumptions in the Discussion Scenario will reflect the shifts in housing product type demand discussed as part of this item, including a continued shift away from large lot single family home construction and towards more small lot single family and attached housing types. The translation of these underlying demand shifts into changes in housing production is already underway but will also require intentional changes in policy and investments from the public sector. Identifying these actions will be a key part of the 2025 Blueprint and through implementation programs like Green Means Go.

Fiscal Impact/Grant Information:

This analysis and consultant contract is a component of the 2025 Blueprint Plan Update. The Blueprint is funded by a combination of sources including Federal Metropolitan Planning funds, state Sustainable Communities Formula Program Funds, and Transportation Development Act-Local Transportation Funds. The Placer County Transportation Planning Agency and El Dorado County Transportation Commission also provide some funding to SACOG to support development of the Blueprint to assist with the planning activities, data development, and analysis that is necessary to ensure coordination and consistency between the regional plan and the county-level Regional Transportation Plans.