

City of Mill Valley
Population and Housing Growth Trends



Executive Summary

The major conclusions of this analysis and implications for ABAG's SCS and RHNA projections in Mill Valley are as follows:

1. Mill Valley's population is growing at a rate exceeding ABAG's SCS and RHNA projections, and a foundation is in place to continue that growth for the foreseeable future, so Mill Valley will be accommodating our fair share of the Bay Area's future growth.
2. That population growth is being caused by on-going turnover in our existing housing from long-term, post-family residents to an influx of new, growing families, so Mill Valley's growth is coming via larger households.
3. As a result of better utilizing our existing housing stock to accommodate growth and because of an existing large surplus of housing units, Mill Valley does not need any new housing units.
4. ABAG and the State measure population growth via household growth (assuming constant population per household) and focus on housing unit production, so Mill Valley may be unfairly judged using the current measuring sticks.

ABAG Growth Projections

According to ABAG's most recent projections, the City of Mill Valley is slated for modest growth in housing and households over the next 30 years as follows:

SCS Preferred Scenario (revised 5/16/12) for 2010-2040

Measure	From	To	Growth	Percent	CAGR*
Households	6,080	6,530	450	7.4%	0.238%
Housing Units	6,530	6,910	380	5.8%	0.188%

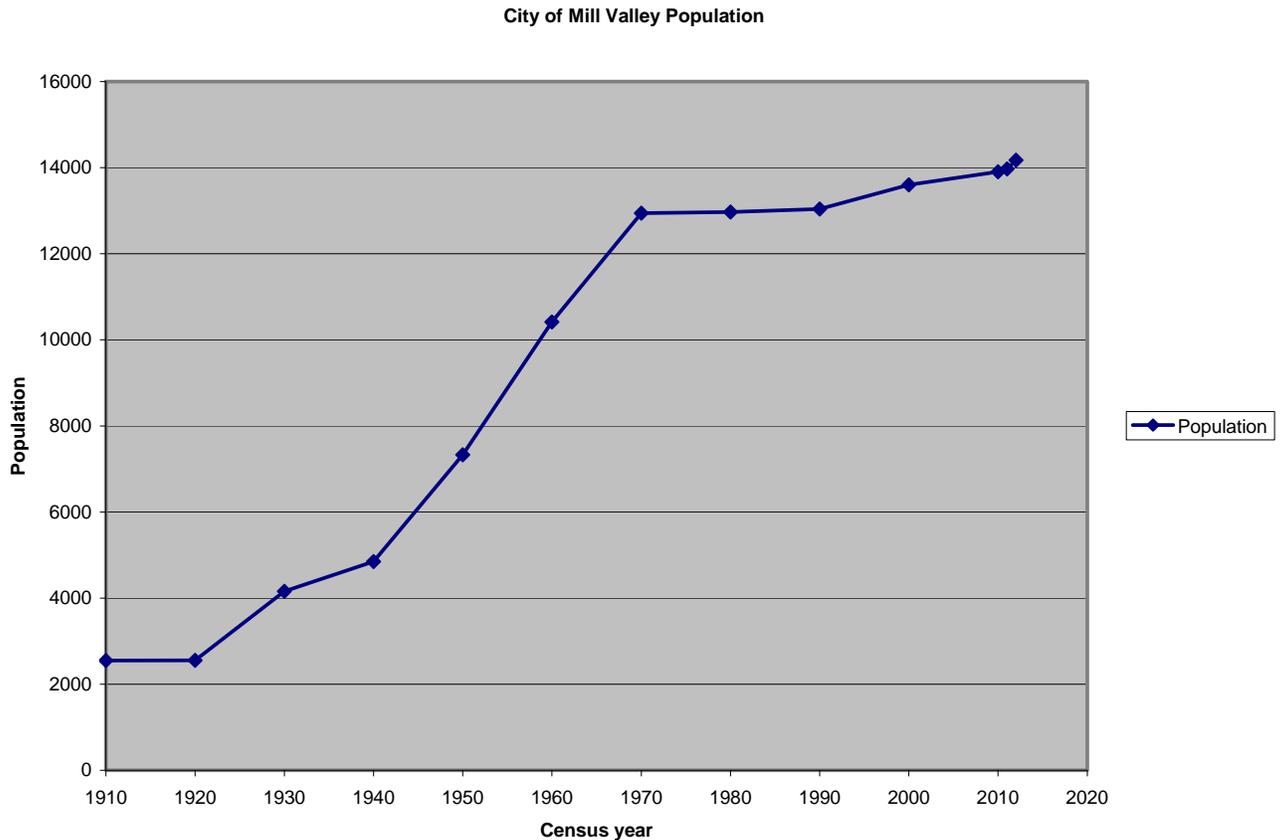
* Compound Annual Growth Rate (CAGR) is the equivalent average rate of growth each year to achieve the 30-year projection.

In the shorter term, ABAG's Regional Housing Needs Allocation (RHNA) (revised 7/25/12) for the City Mill Valley for 2014-2022 is for 129 units. Based on the 2012 Department Of Finance estimate of 6591 housing units in the City, this would represent 2.0% growth over 8 years or an equivalent 0.243% CAGR. The income categories for affordable housing are not discussed in this analysis and will be addressed separately.

This document recaps the historical growth trends for population, households and housing units in Mill Valley and addresses the reasonableness of our achieving the above ABAG growth projections.

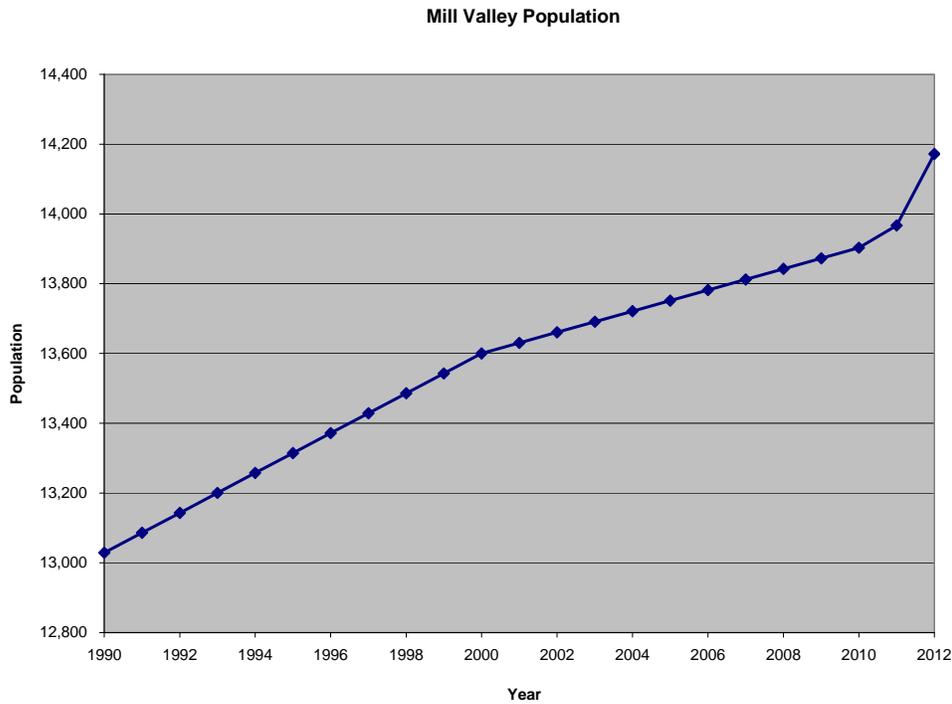
Population Growth Trends

Mill Valley was founded in the mid 1800's and was incorporated as a city in 1899. Early on it was a logging town and a vacation destination for San Franciscans. Mill Valley's population (blue line below) grew dramatically from 1920 to 1970 as it became established as a San Francisco suburb. Growth leveled out in the 1970's as most of the easy to develop lots were built out and mostly steeper, geologically unstable lots remained. The population was relatively flat from 1970 to 1990 while a contentious "Land Capacity Ordinance" was debated, ending in a building moratorium and a major revision to the General Plan replacing the Land Capacity Ordinance in 1989.



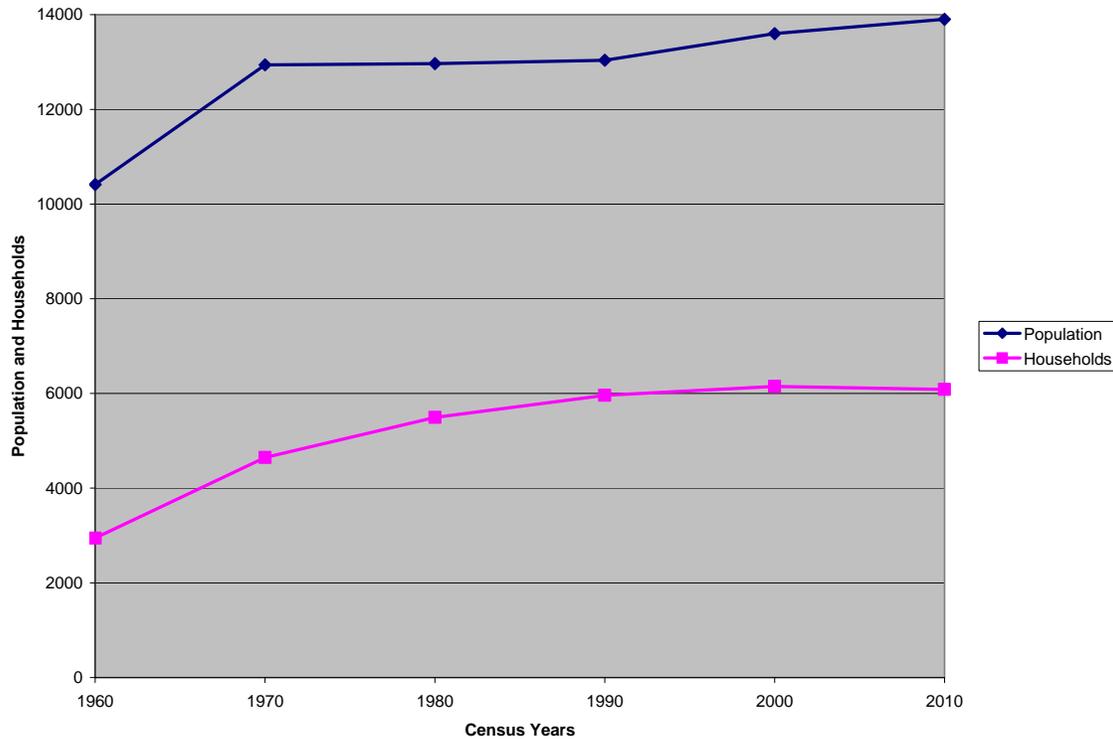
Since 1990, the population has been climbing steadily over the last 22 years (see blue line in figure below). Using just the census data and the two most current years of Department of Finance data, this growth would equal a compound annual growth rate of 0.383%. This would be equivalent to 3.1% growth over 8 years or 12.1% growth over 30 years. This is population

growth, but in at least the SCS projections, household growth is a surrogate for population growth because the population per household is assumed fixed. So if our population per household were fixed, this 22-year trend would easily surpass the ABAG projections.

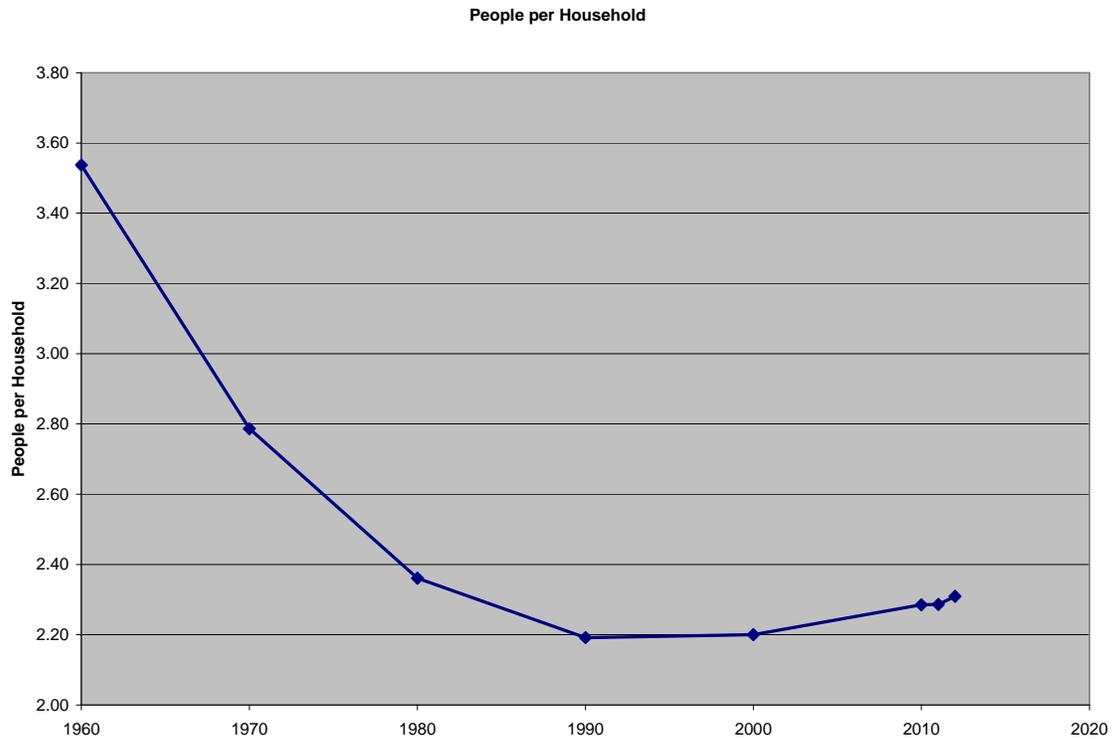


Household Growth Trends

While population has grown about 8.7% since 1990, the number of households in Mill Valley (pink line below) flattened in 1990 and has seen very minor growth in the last 22 years.



The number of people per household in Mill Valley has been increasing since 1990. As shown below, in 1960 there were 3.54 people per household and this dropped to 2.19 in the 1990s. Since 2000 the trend has reversed and the people per household have increased 5.0% during the last 12 years. That rate of growth would equate to 3.3% over an eight year span or 12.9% over a 30 year span. This factor alone accounts for all of the population growth since 2000 and would be sufficient to achieve both of our SCS and RHNA projections.



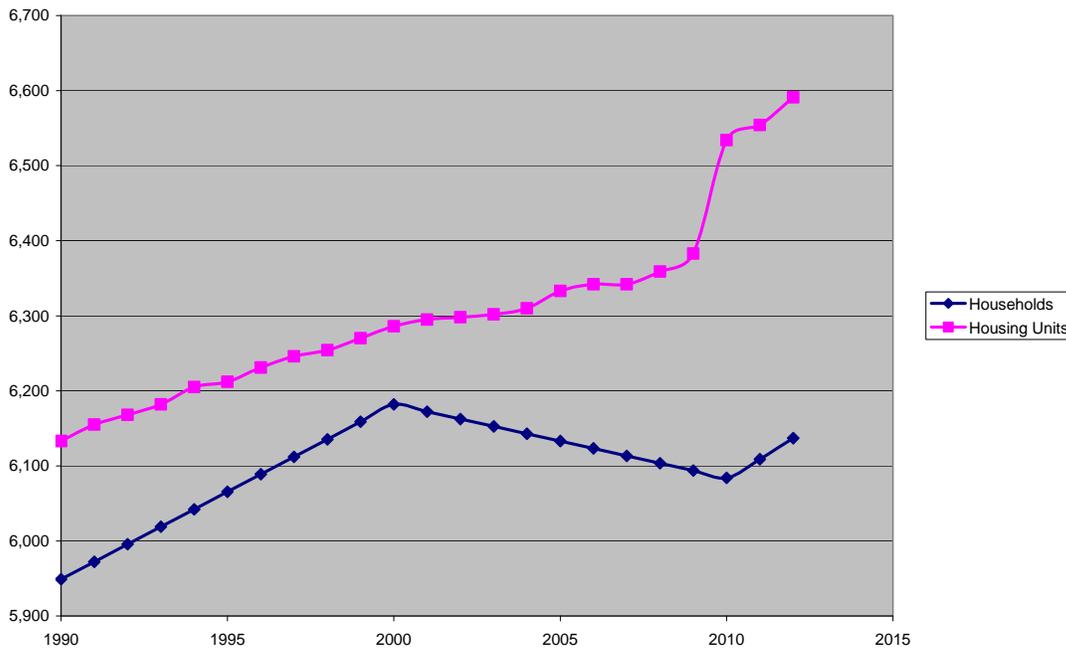
If the growth in people per household fully returned to the 1960 level, that would increase the City's population 53% (to 21,700) within the existing households, not to mention the surplus housing units which will be discussed next.

Most of the market rate housing which has been built in Mill Valley in recent decades has at least 3-4 bedrooms and can comfortably accommodate a family of 4 or more people. Therefore there is no reason to assume this upward trend will reach any limits in the near term.

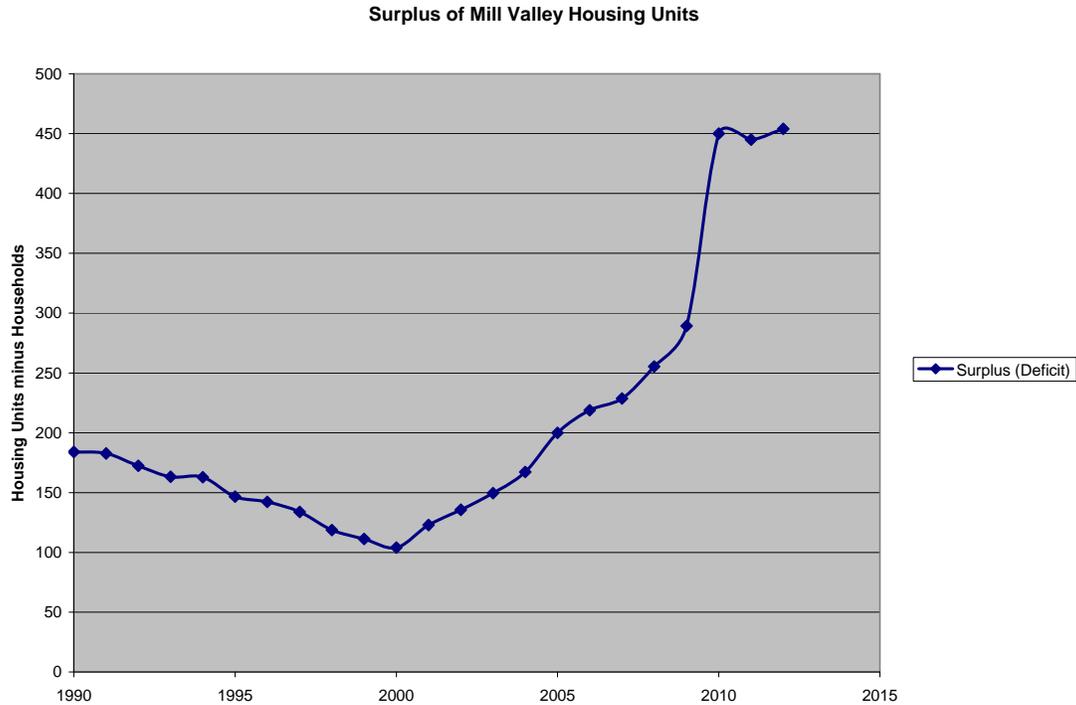
Housing Unit Growth Trends

Meanwhile, the number of housing units in Mill Valley has consistently exceeded the number of households in Mill Valley since before 1990. The number of housing units has never been a constraint on population growth in recent history.

Households and Housing Units

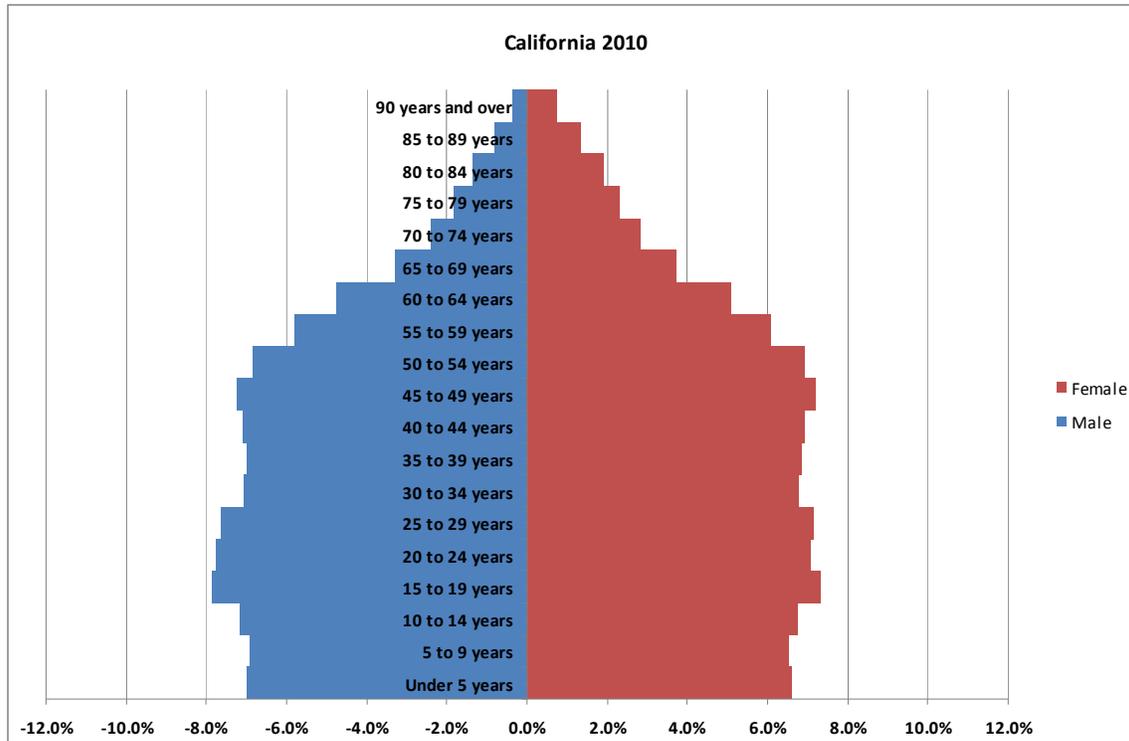


In fact, the surplus of housing has continued to widen over the last decade (see below). At the current time the surplus has risen to 450 housing units, which coincidentally is also Mill Valley current SCS household growth projection for the next 30 years (and 18% higher than the 2040 housing unit projection). This is not distressed housing caused by the mortgage crisis, but is a health inventory of about 7% in a slow but high valued real estate market.



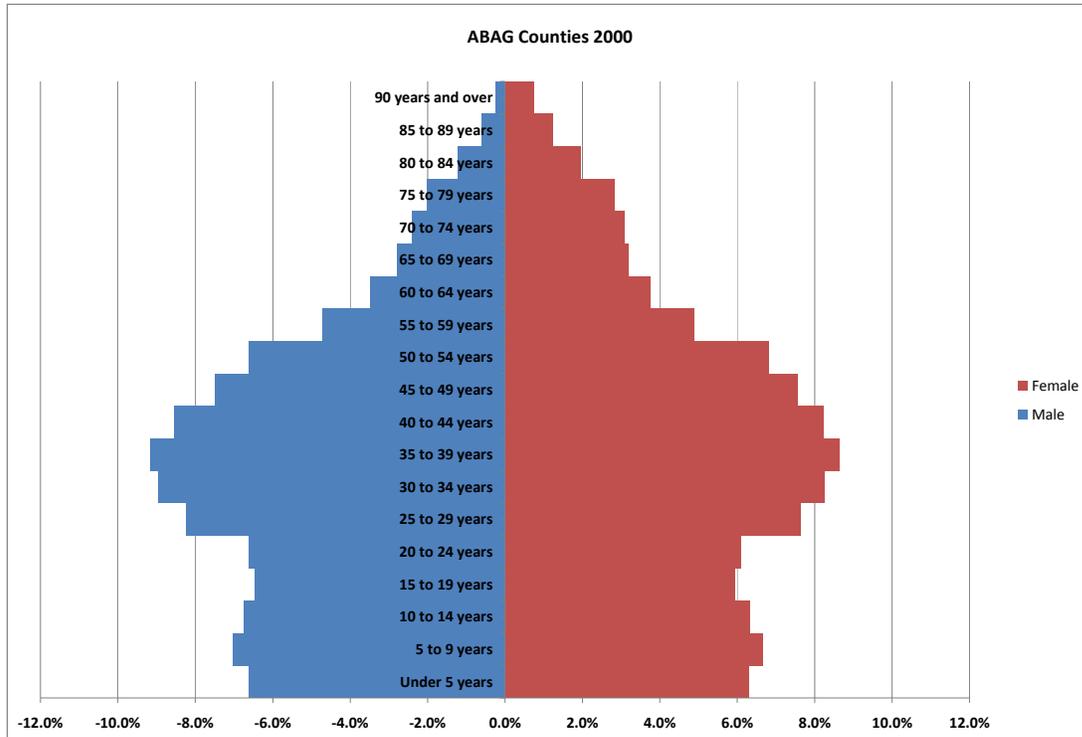
Demographic Profile

In order to understand the new resurgence in the population per household in Mill Valley, one needs to analyze the underlying demographic profile of the population. A population pyramid charts the percentage of an area’s population in 5-year age brackets and by gender (male on the left and female on the right). For example, for the entire state of California, the population pyramid based on the 2010 census data looks like the top of the Empire State Building:

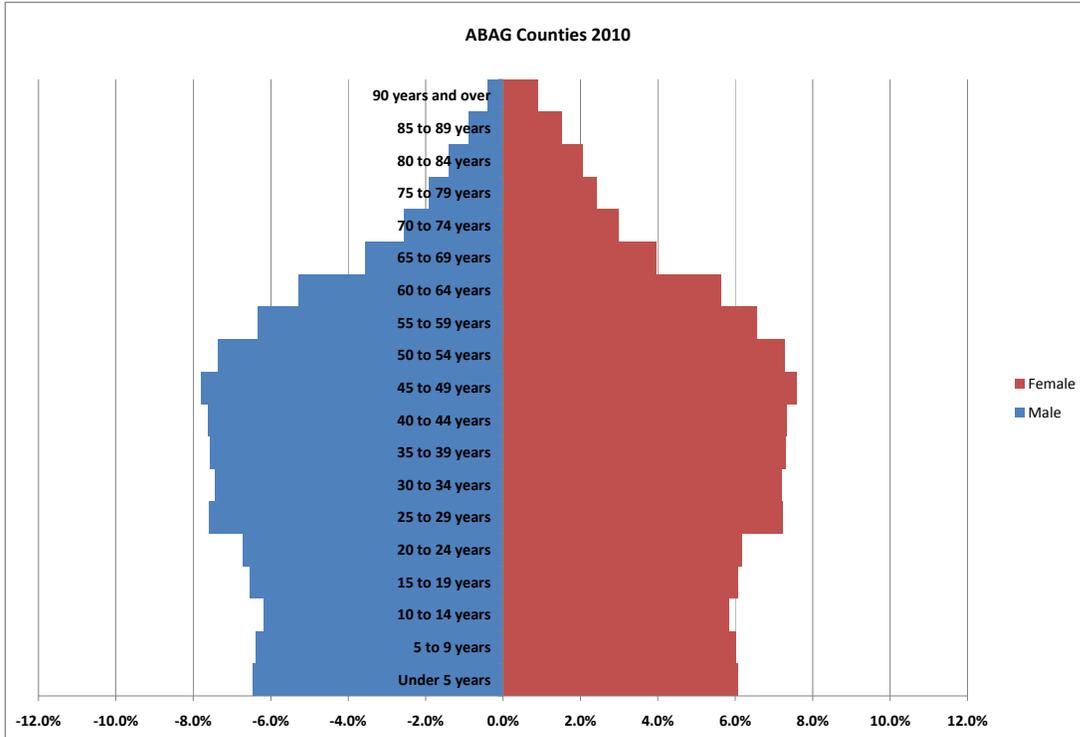


This shape (rectangle up to about fifty years of age with a pyramid on top due to morbidity with age) is very typical of a stable population or one growing evenly across all age groups. The minor bulge in the 15 to 30 age range is probably not statistically significant.

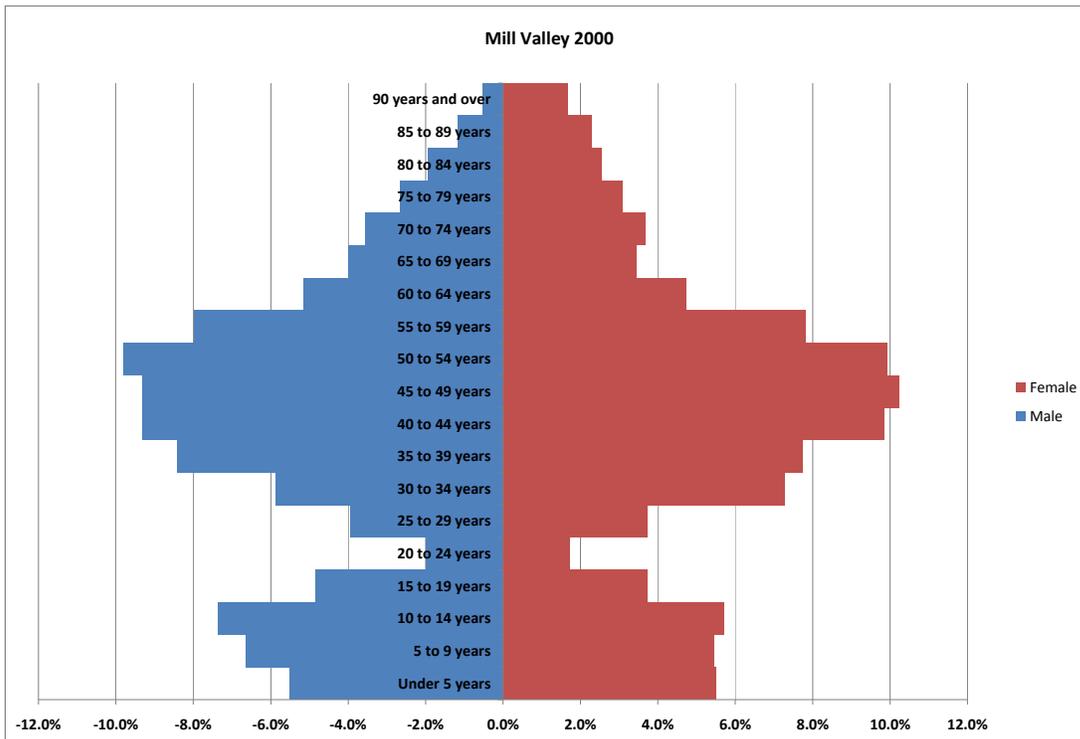
By contrast, the population pyramid of the Bay Area (the nine ABAG counties...see below) shows a very significant influx of people starting in the mid-twenties and continuing until about age forty. This is attributable to the attractiveness of the Bay Area's economic environment to young adults seeking dynamic opportunities to launch their careers. However, this trend reverses and the ranks thin in the forty to fifty-five year age-range, as career opportunities peak out and people seek a lower cost-of-living environment.



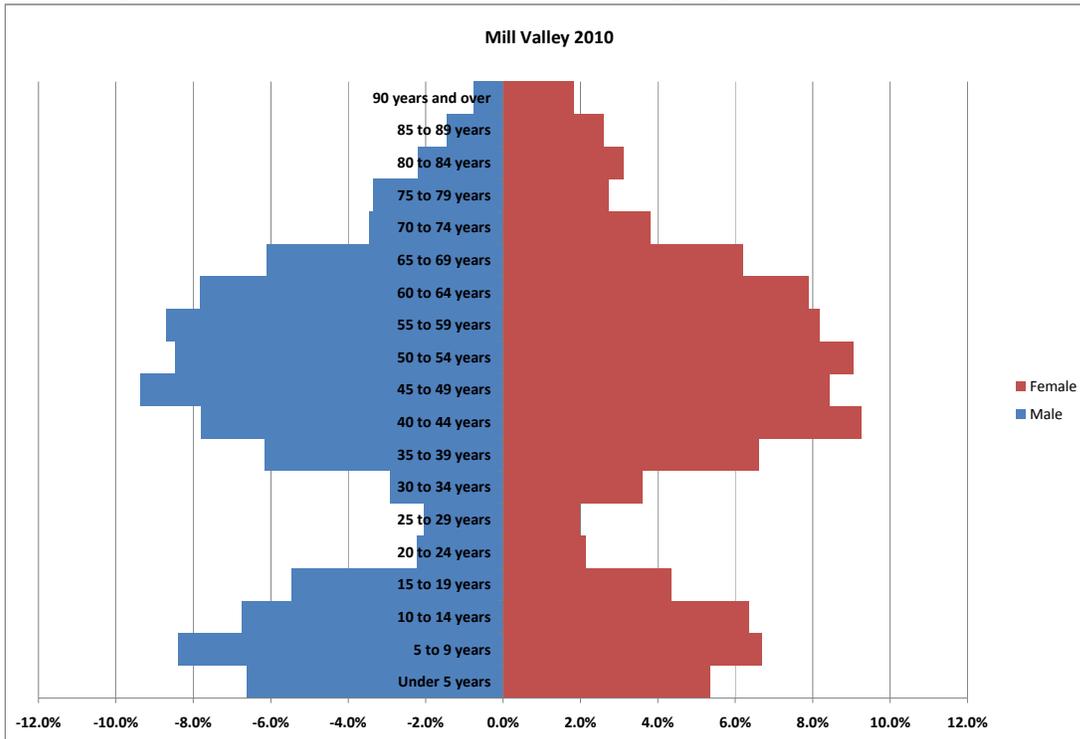
This age bulge between 25 and 55 in the Bay Area was particularly apparent prior to the Dot.com bust of 2000 (shown above). But by 2010 (shown below), it was less apparent. This was most likely due to several factors: the significant loss of jobs in start-ups companies with the drop in Initial Public Offerings; the great recession of 2008; and a significant influx of Latinos this decade across all age groups. Nevertheless, there is still a significant population bulge starting in the mid-twenties and sustaining until about fifty.



On the other hand, the population pyramid for Mill Valley is shaped more like a potted pine tree. The dominant dynamic has been that most people raised in Mill Valley can not afford to live here through their twenties.



This trend has continued through the 2000-2010 decade with further shrinkage in the twenties and early thirties age groups.



Tracking the age groups from 2000 to 2010 is particularly illustrative. Remember this is a 10 year change period versus 5-year age groups, so each group has passed through two five year change periods. This analysis would be easier to follow if we had an every-5-year census, but that is not available.

Mill Valley Population Change by Age Group

2000 census		2010 census		Change	
Age group	Population	Age group	Population	Population	Percent
10 to 14 years	881	20 to 24 years	302	(579)	-65.7%
15 to 19 years	577	25 to 29 years	278	(299)	-51.8%

The 10 to 19 age groups from 2000 are largely no longer living in Mill Valley by 2010. The above chart attempts to compare essentially the same people in a group which ages over 10 years. But it actually reflects a net change because in fact some people might join that group during the ten years. To the degree new people join the group, that means even a higher percentage of the prior residents have left the population. Furthermore, since we lose two-thirds of the 10-14 age group by age 20-24 and we know we lose more from age 20-24 to age 25-29, we believe well over two-thirds of all early teen Mill Valley residents have left town in their 20's.

And the vast majority of those still in the 20-30 year census range are non-resident students or military still officially residing at home or are post-school young adults searching for a career, traveling, trying temporary jobs, etc. but still residing with their parents. In either case, they are not occupiers of new housing units as is typical in other parts of the Bay Area.

On the other hand, Mill Valley sees a significant influx of residents starting in their thirties and continuing into their early forties.

Mill Valley Population Change by Age Group

2000 census		2010 census		Change	
Age group	Population	Age group	Population	Population	Percent
20 to 24 years	251	30 to 34 years	457	206	+82.1%
25 to 29 years	519	35 to 39 years	888	369	+71.1%
30 to 34 years	900	40 to 44 years	1193	293	+32.6%

We believe the majority of these people have started successful careers (frequently lucrative dual-income careers) to build a home purchase mortgage and are now looking for an idyllic suburban environment with great schools close to San Francisco to raise their family. Some start their family in an urban environment and want to move as their toddlers approach Kindergarten age. These are the large influx of homebuyers with children we are seeing.

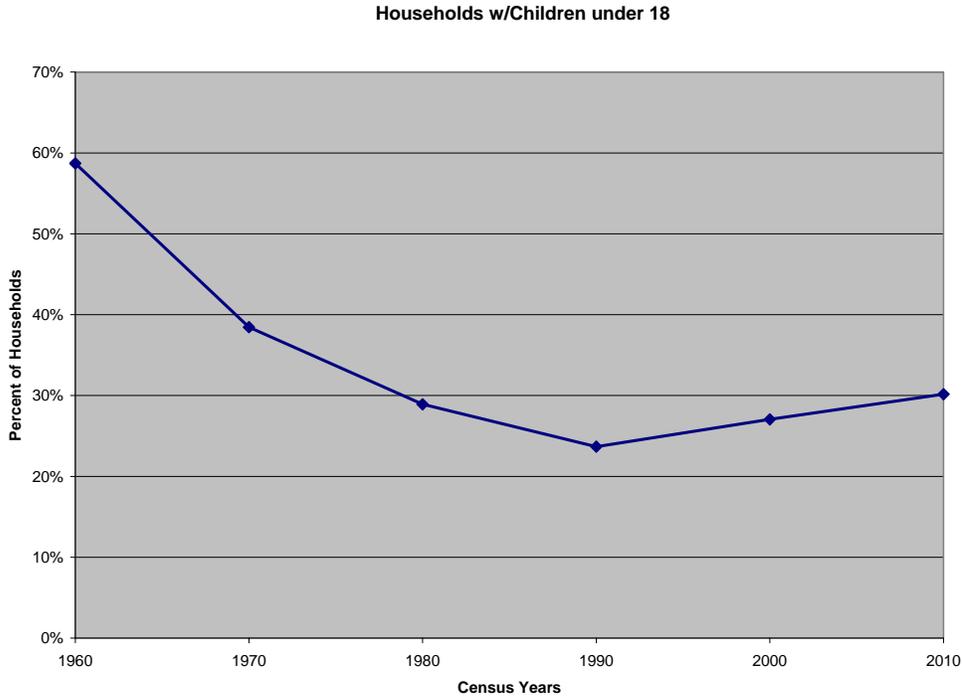
Meanwhile, we have a large number of long-term residents who raised their family in Mill Valley and still occupy their family-sized residence. They hold onto a family home for a variety of reasons including tax incentives, family issues, neighborhood friendships, etc. The proportion of Mill Valley population over 65 years of age is 50% higher than in other parts of the Bay Area or the State.

2010 Census Population Pyramid Proportions

	Mill Valley	Bay Area	California
Percentage of Population over 65	19%	12%	11%

In fact, 15% of the Mill Valley’s population is over 65 and living alone in their own household. As these people continue to age, their family-sized residences (roughly 1000 homes) are finding their way back onto the housing market. In most of these sales, a family of 3 or 4 is replacing 1 or 2 former homeowners. This is what has been fueling the increase in people per household in Mill Valley since the 1990’s and is consequently driving our on-going population growth without any increase in our housing stock.

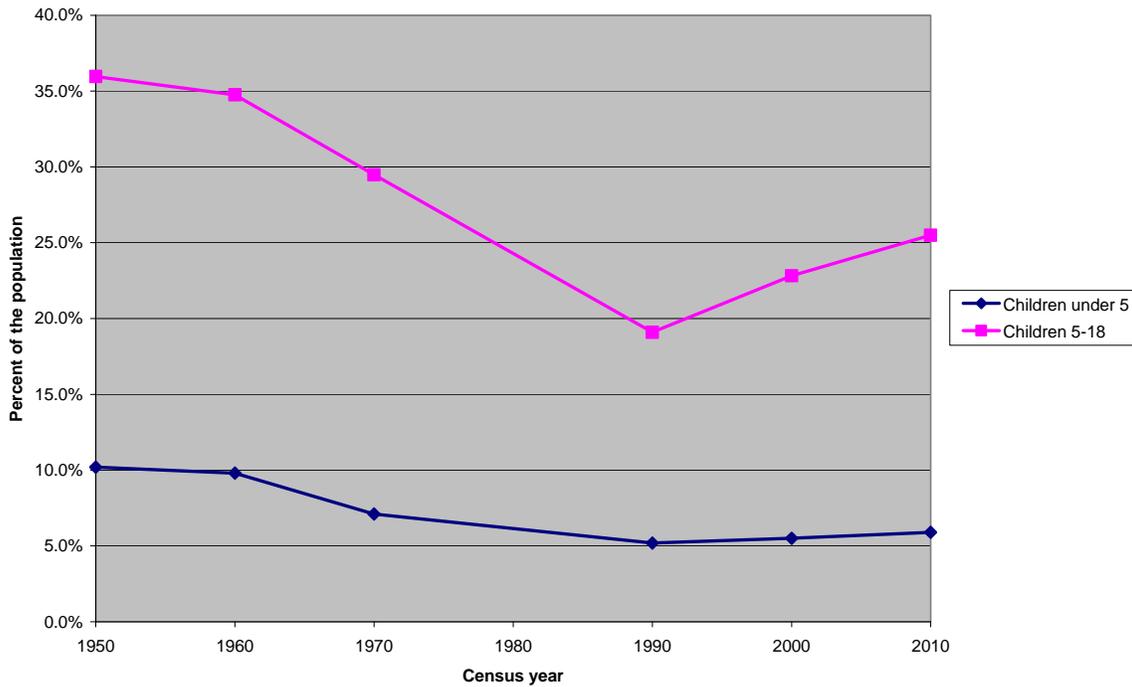
As a result, we are seeing a transformation in Mill Valley’s population back toward family oriented households with school age children as shown below.



In fact from 2000 to 2010, while total population increased by 303 (2.2%), the population under 18 increased by 409 (14.2%). So not only was the total population increase accounted for by children under 18, 106 adults were displaced by children. During this decade, the number of non-family (no children) households decreased by 270 (9.9%) and the number of householders living alone decreased by 82 (3.9%). These statistics just reaffirm the growing and evolving transition in Mill Valley from long-term post-family residents to new growing families.

Using another measure, school age children as a percent of the population (see blow) is on the rebound since 1990, and with the excellence of the Mill Valley School systems, this will likely be a long term trend. The rebound in the toddler age children has not been as great because apparently many young families are waiting until their kids approach school age before moving here.

Age Distribution in Population



While this population growth will not bring new households to Mill Valley or require new housing units (what the State counts), the growth will nevertheless impact our traffic situation, schools, libraries, parks, infrastructure, etc. We are experiencing population growth (in kids) which will strain our infrastructure, but this will not be measured in the SCS number of households. And we do not need to provide any more housing units to accommodate the population growth allocated to us by SCS or RNHA.

Conclusions

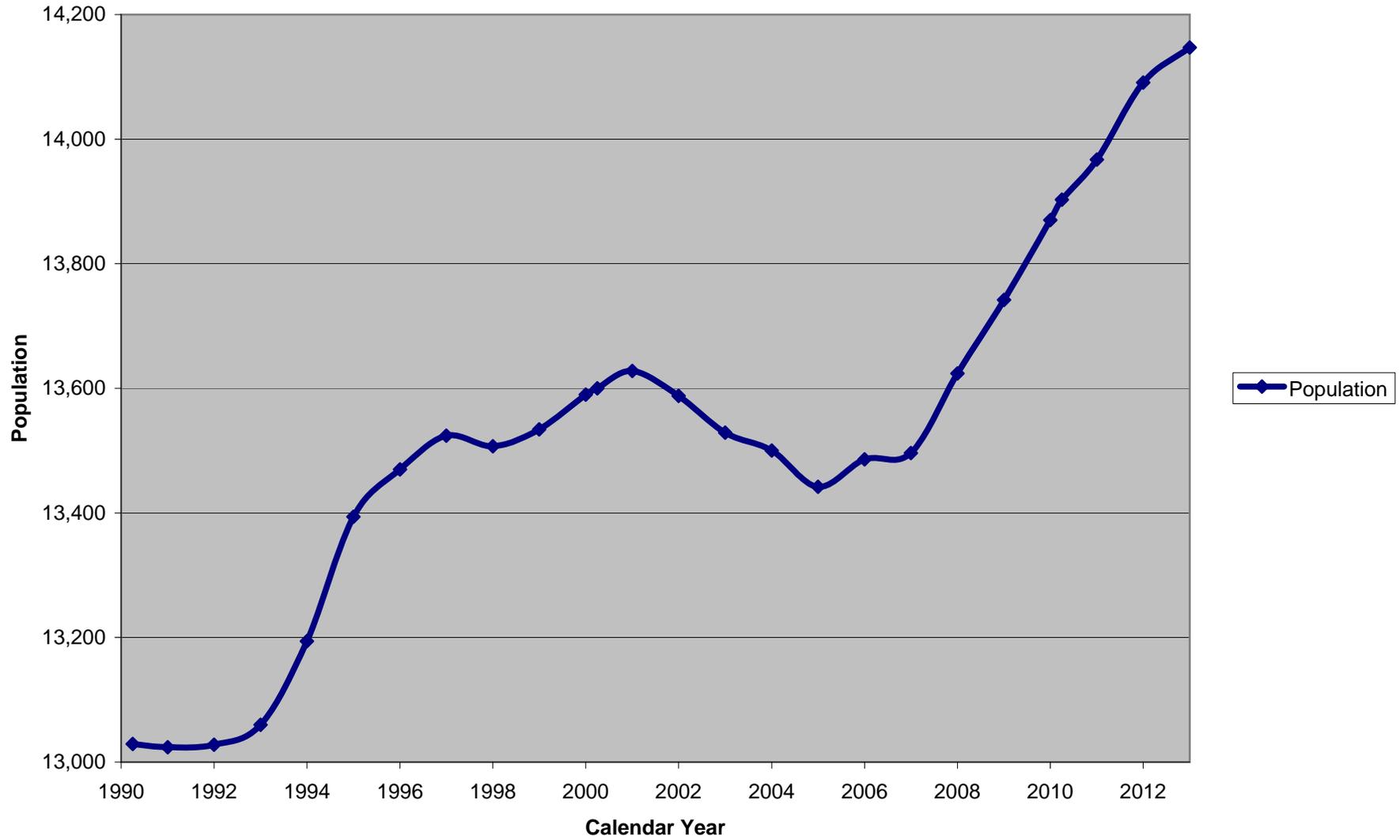
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1. Mill Valley's population is growing at a rate exceeding ABAG's SCS and RHNA projections, and a foundation is in place to continue that growth for the foreseeable future, so Mill Valley will be accommodating our fair share of the Bay Area's future growth.
2. Unfortunately, ABAG/California measures population growth via household growth (assuming constant population per household) and Mill Valley's growth is coming via larger households. As a result we will unfairly be failing on this measuring stick unless we can negotiate an in-kind exception during our Housing Element certification by HCD.
3. As a result of better utilizing our existing housing stock to accommodate our share of population growth, Mill Valley does need

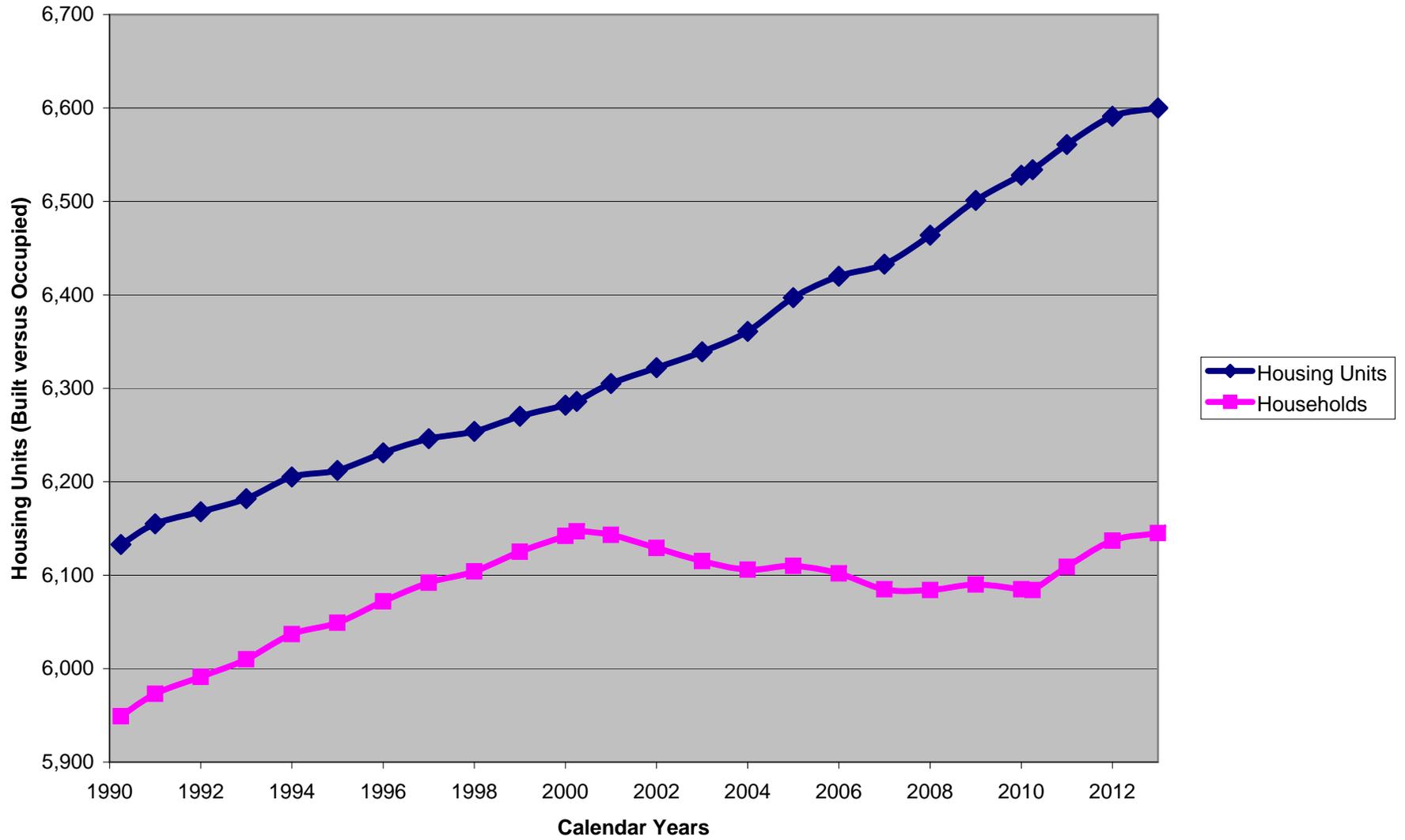
to any influx of new housing units. In fact, given we have an existing housing surplus equal to our 30-year projection, an additional influx might adversely effect our local real estate markets.

- 4. Unfortunately, ABAG/California focuses success measurement on housing unit projections. As a result Mill Valley will unfairly be failing on this measuring stick unless we can negotiate an in-kind exception during our Housing Element certification by HCD.**

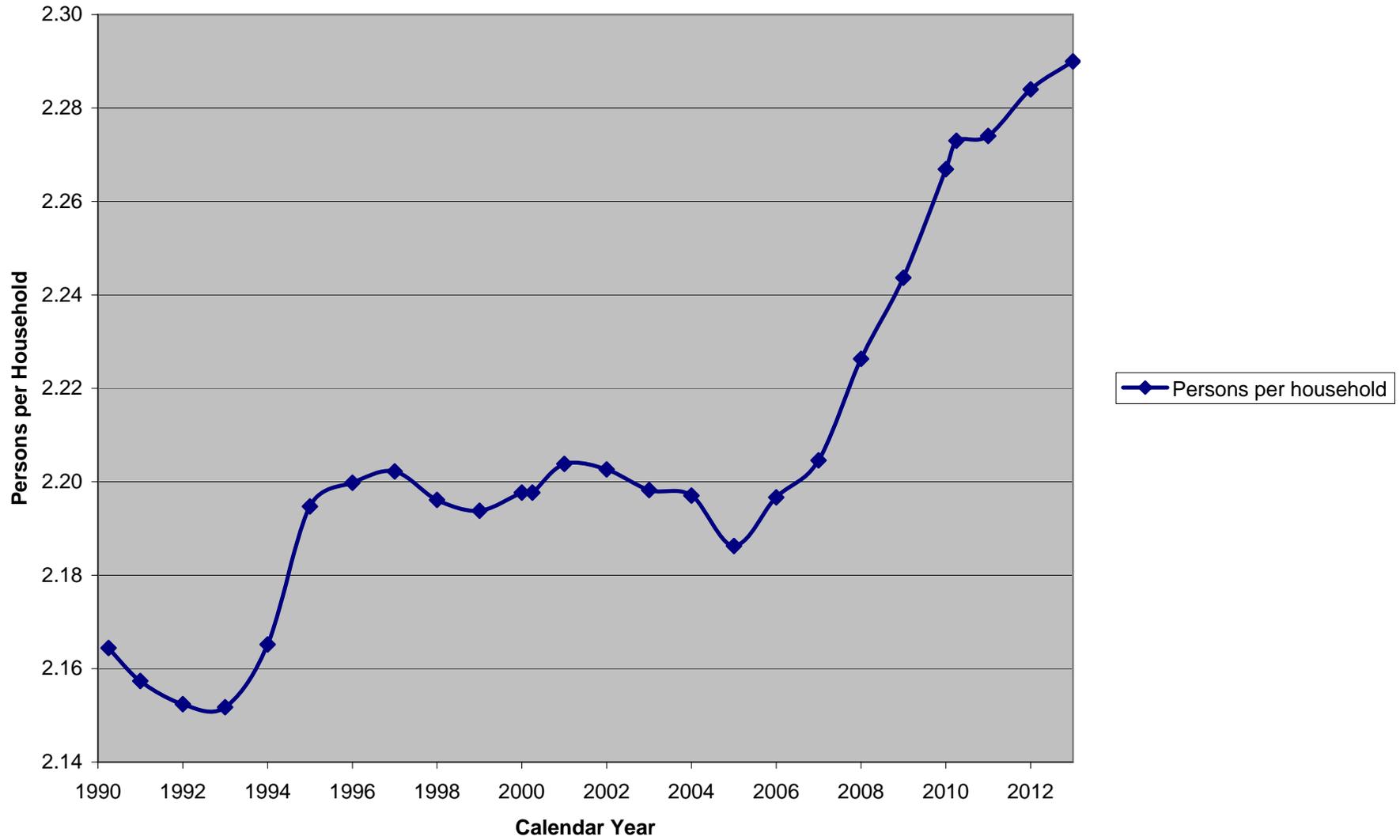
Mill Valley Population



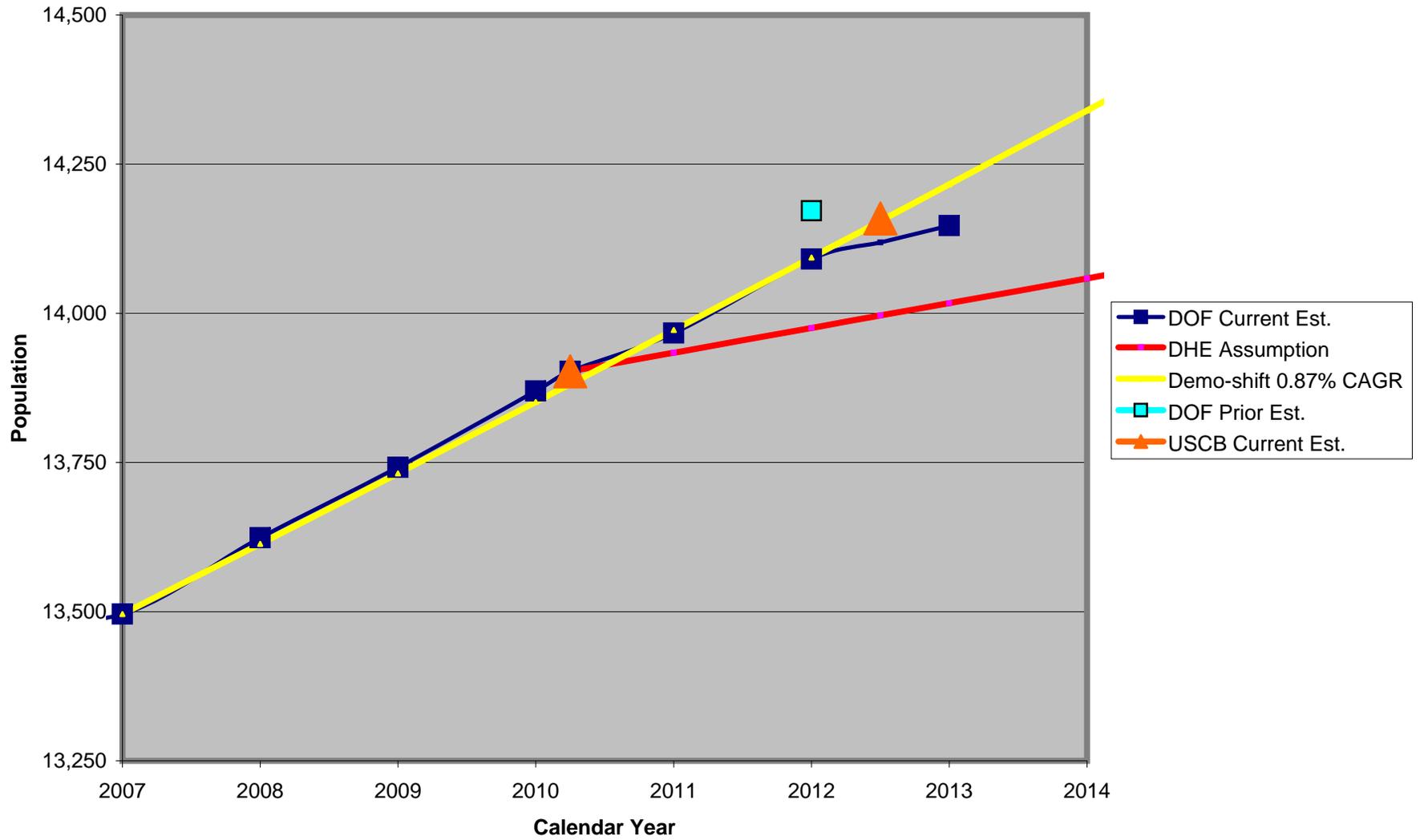
Mill Valley Housing



Mill Valley Persons per Household



Mill Valley Population



MIII Valley Population

