



# REGIONAL ECONOMIC FORECASTING TO GUIDE LOCAL DECISION-MAKING

**HR&A**  
Analyze. Advise. Act.



**CANDACE DAMON** | **SHUPROTIM BHAUMIK** | **ERIN LONOFF**  
Vice Chairman                      Partner                      Principal

Wednesday, January 23



## Introduction | Who We Are

HR&A is a real estate and economic development consulting firm working at the intersection of the public and private sector. Our work transforms communities in the U.S. and abroad.



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# **Why regional forecasting?**

Case study: Southeast Minnesota

Lessons for other communities

## Why Regional Forecasting?

Population and employment forecasting is often a key input for planning, affecting many different kinds of policies and investments.



Infrastructure & Public  
Works



Land Use Policies and  
Zoning



Economic Development  
Policies and Incentives



School Estimates and  
Investment



Annexation Decisions



Private Real Estate  
Investment



## Why Regional Forecasting?

Projections typically are based on historical trends, making it hard to plan if there are major economic initiatives and exogenous factors that can affect population and employment change.

### Public-Private Partnership Investment



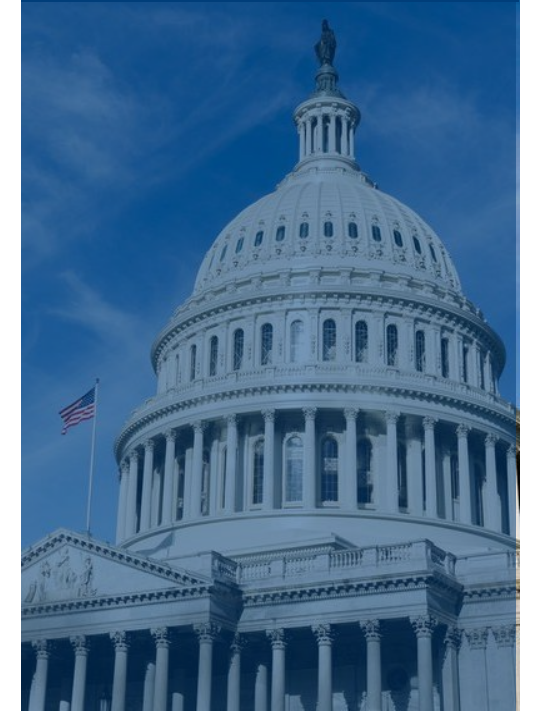
### Economic Downturn



### Significant Corporate Expansion

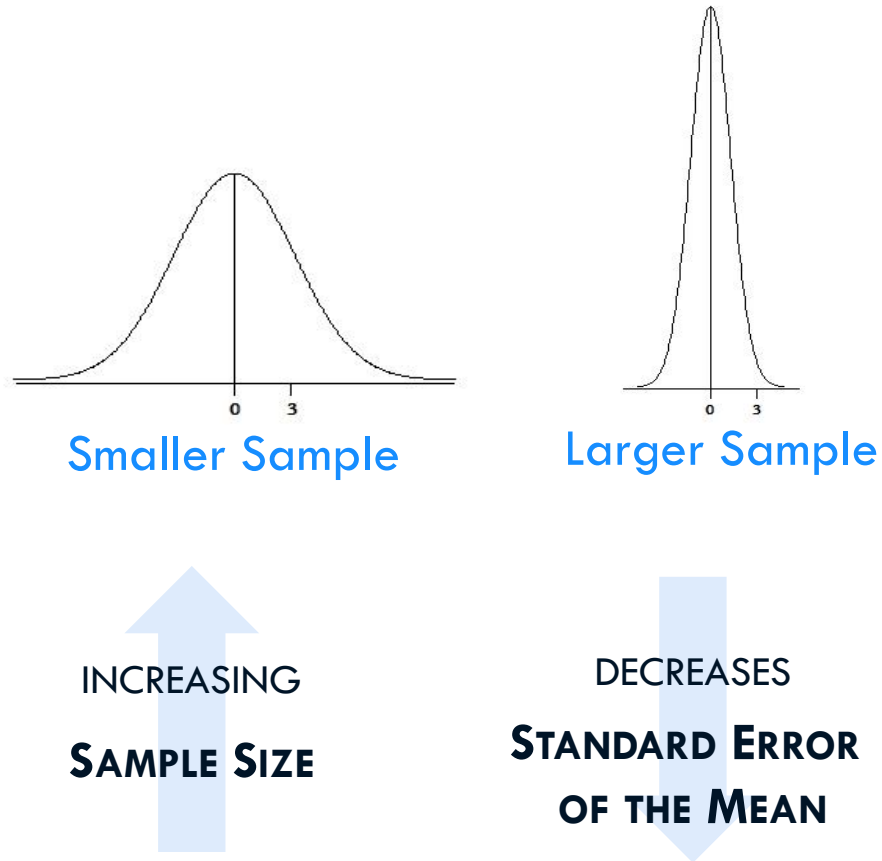


### Federal Policies



## Why Regional Forecasting?

Studies at the regional level – rather than City or County – minimize sample size and data noise problems.



### LOCAL EXAMPLE:

Some counties (e.g. Houston County, MN with <20,000 residents) have too small of a population for the ACS 1-or 3-year population estimates. Instead, the most granular population data for counties under 20,000 people is the ACS 5-year estimate.

## Why Regional Forecasting?

With an understanding of baseline conditions and the potential impacts of major economic initiatives, policymakers can make more informed decisions about investments and policies.

### 1 Baseline Forecast

Historical trends, typically birth and death rates and net migration by cohort.

### 2 Scenario Testing

Test the impact to population and employment change as a result of economic scenarios

### 3 Develop Policies

Recognizing variability of forecasts, develop policies that best prepare your community for range of outcomes (baseline vs realistic scenario)

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Why regional forecasting?

**Case study: Southeast Minnesota**

Lessons for other communities



## Case Study: Southeast Minnesota

A State grant appropriation provided funding for SEMLM to evaluate regional economic and demographic impacts of proposed plans and economic development initiatives.

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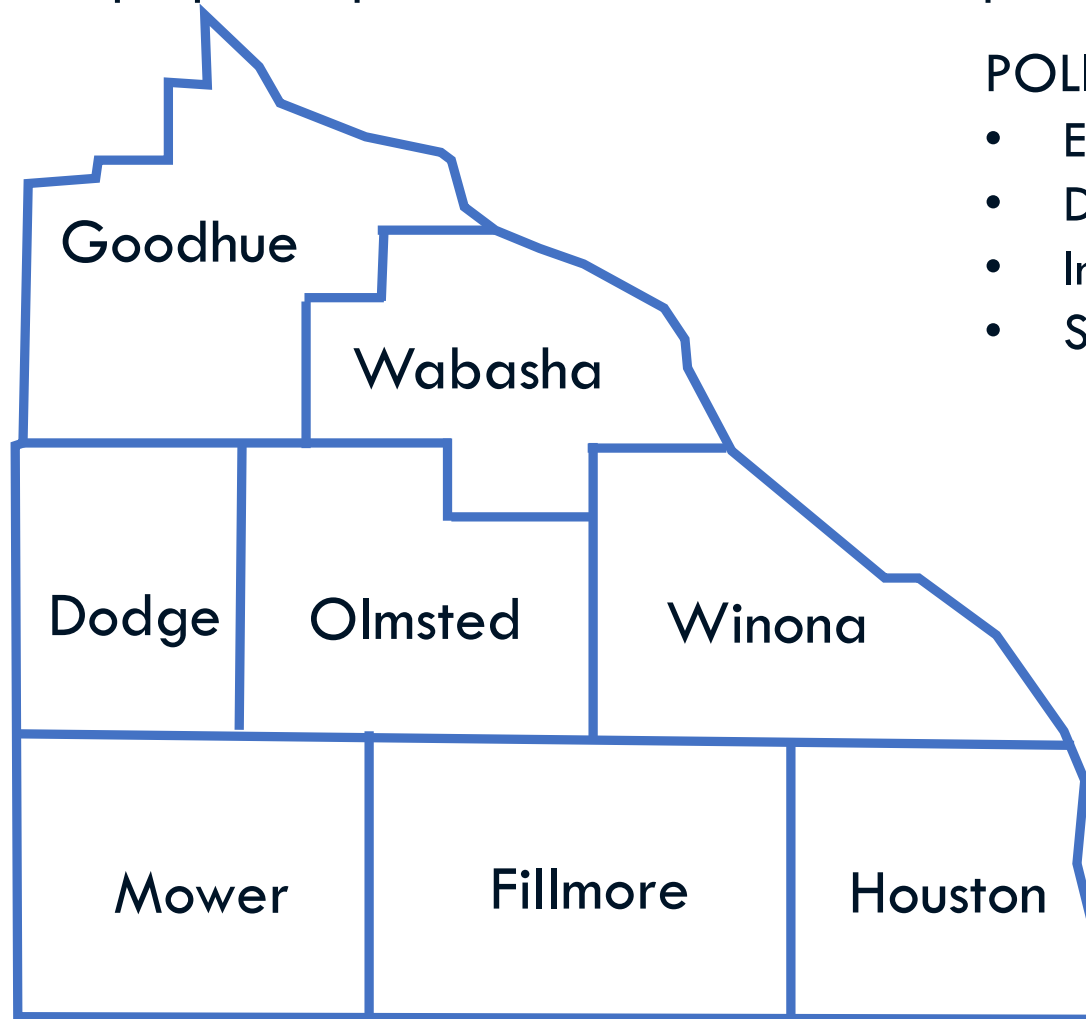
COUNTIES

78

MUNICIPALITIES,  
65 OF WHICH  
ARE SEMLM MEMBERS

368k

REGIONAL  
POPULATION

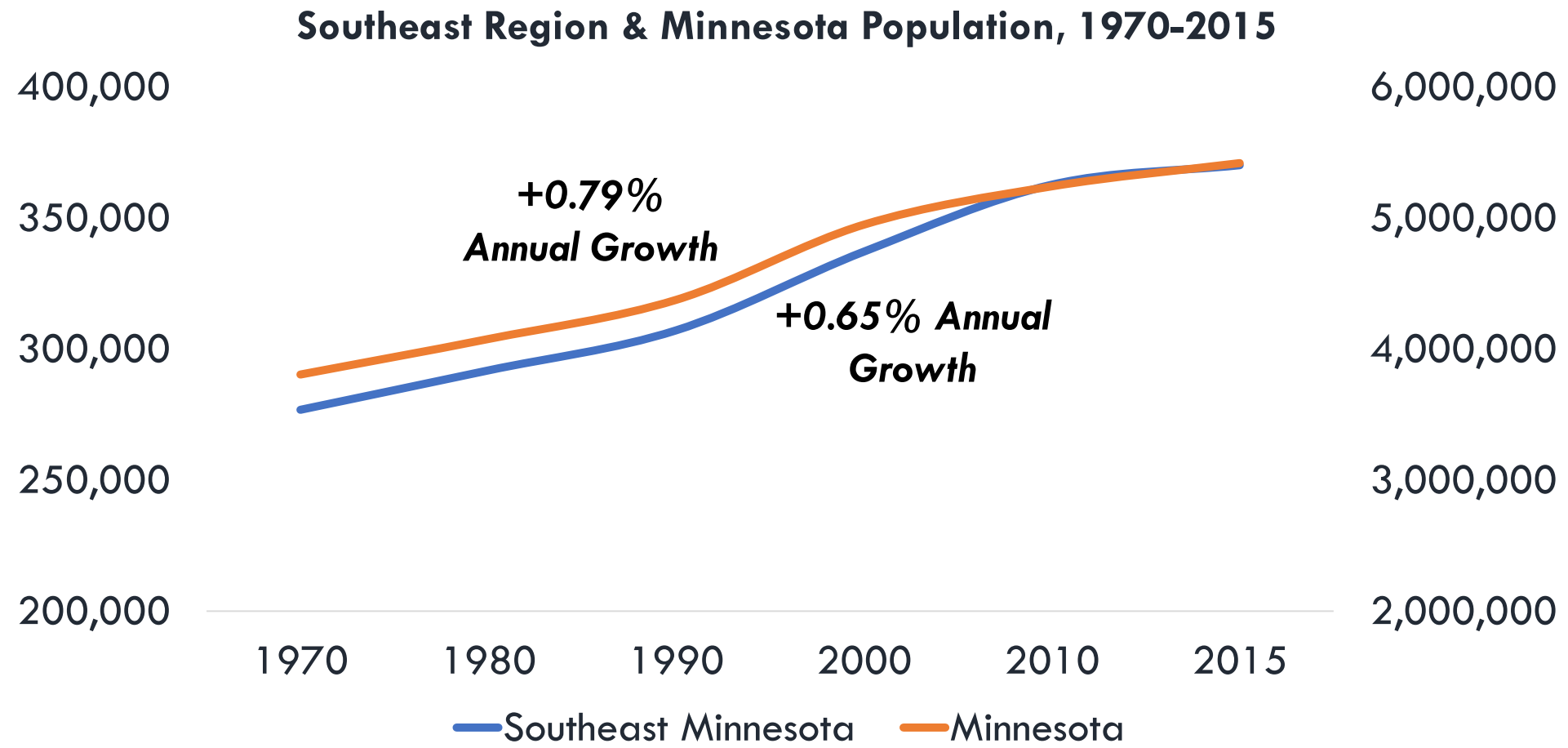


### POLICYMAKER QUESTIONS:

- Employment changes
- Demographic changes
- Infrastructure investment needs
- Service needs

**Case Study: Southeast Minnesota**

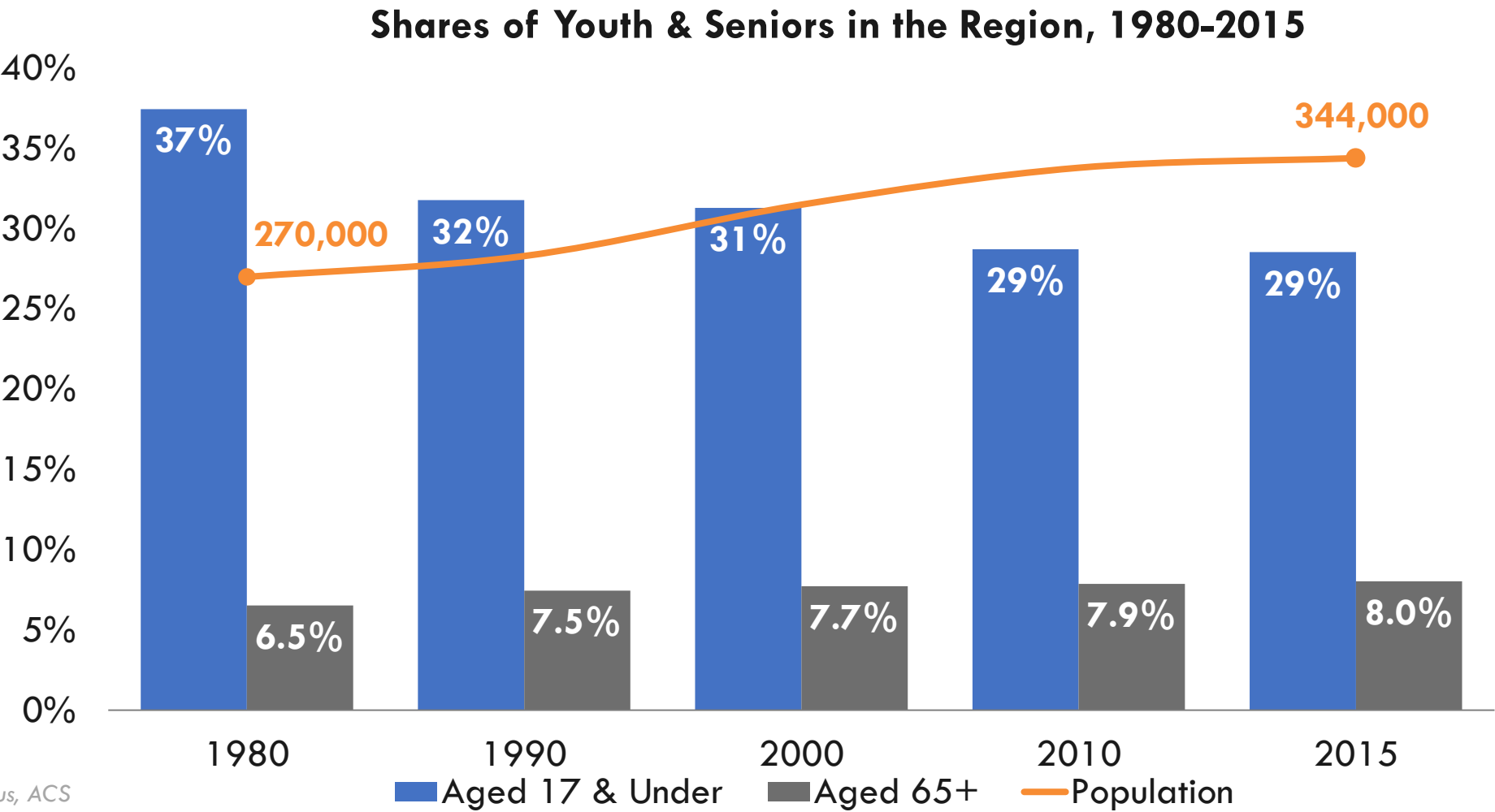
The region’s population grew by more than 67,000 since 1970, while the state added more than 1.6 million in the same period.



Source: Census, ACS

**Case Study: Southeast Minnesota**

However, lower birth rates and a growing senior population in the region has led to slower population growth rates in recent years, and projected population stagnation in the future.



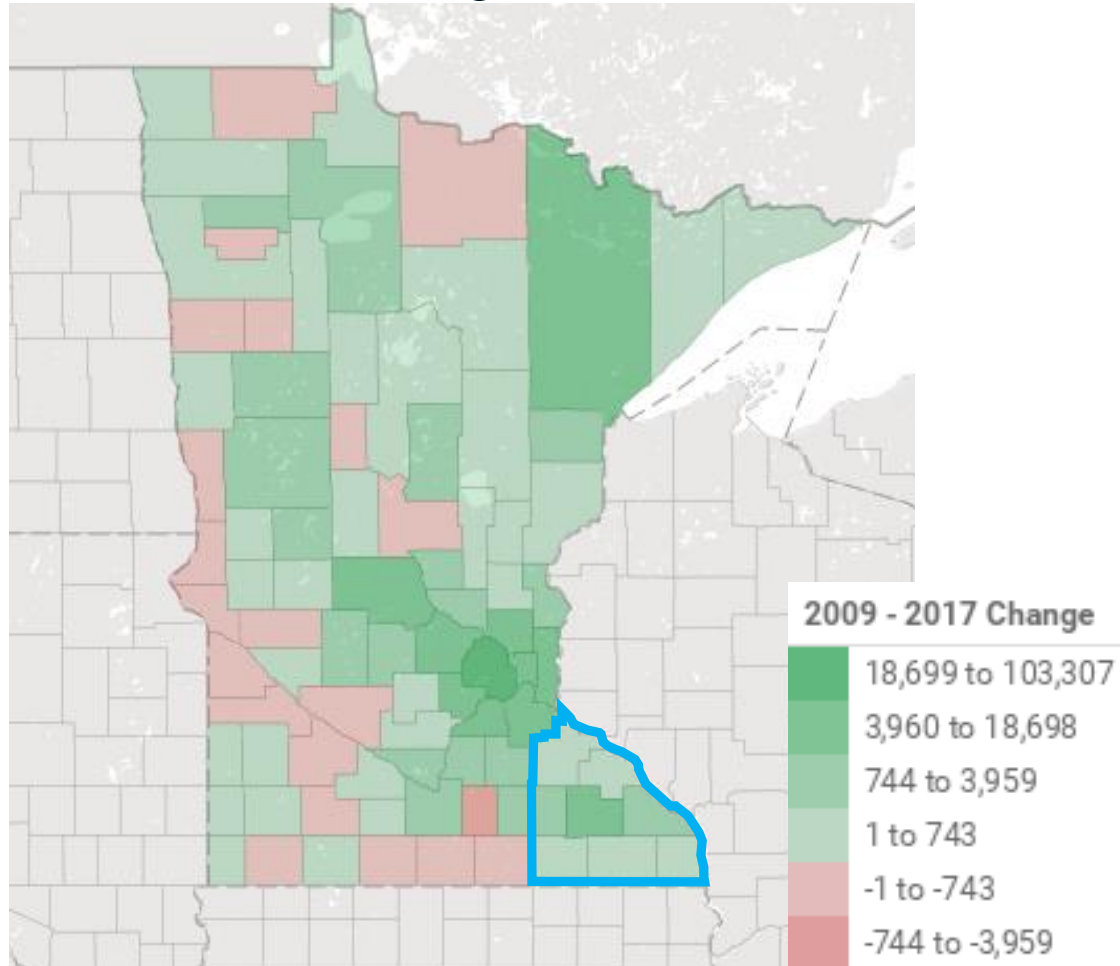
Source: Census, ACS



## Case Study: Southeast Minnesota

Meanwhile, employment has steadily increased, adding 80,000+ jobs since 1970. Since 2009, the region's job growth has exceeded other rural parts of the state.

### Statewide Change in Jobs, 2009-2016

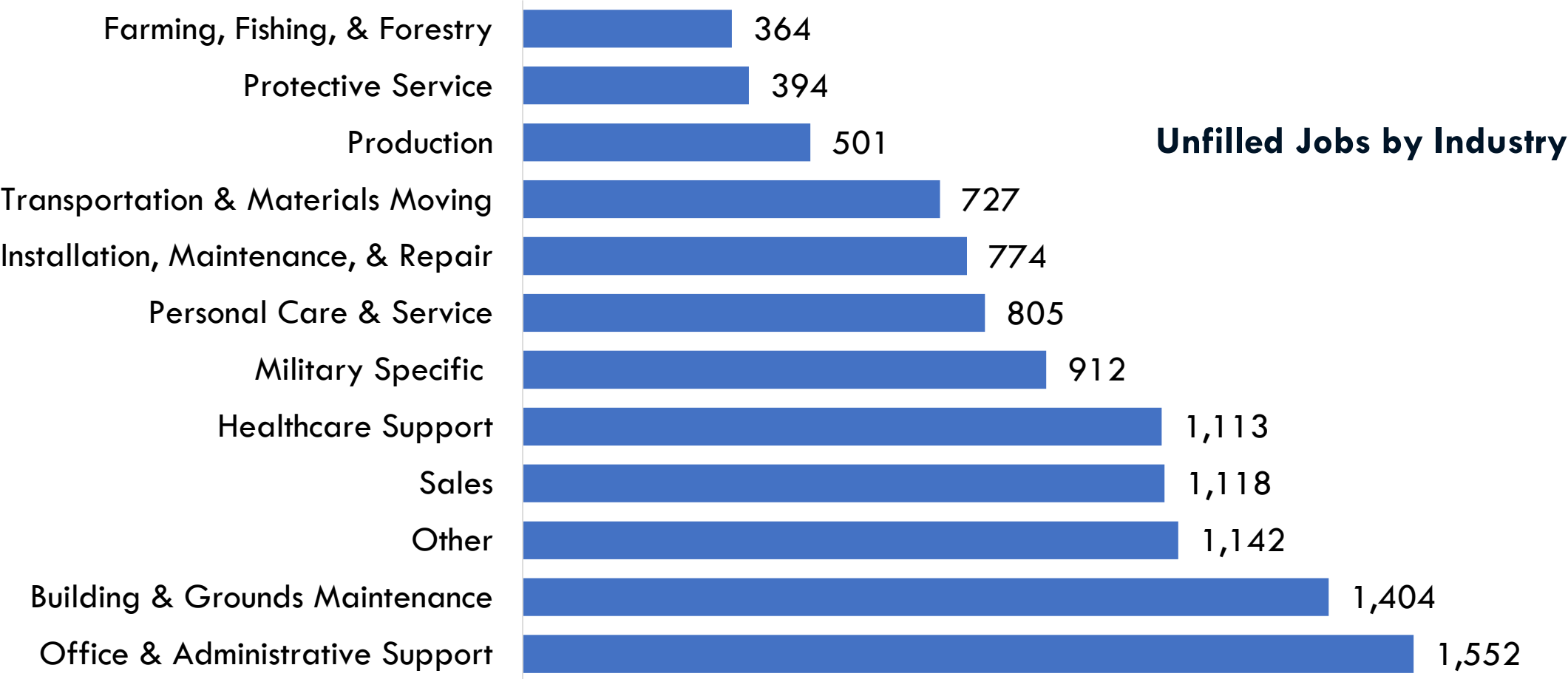


Since 2009, job growth has been driving by growth in healthcare and tourism-related industries.

Source: Emsi

**Case Study: Southeast Minnesota**

The region has a very low unemployment rate (lower than the State and U.S.) and faces a significant labor shortage, as seen by the region’s 10,000 unfilled jobs.



## Case Study: Southeast Minnesota

To support the region's continued growth, communities are working to implement a range of economic development strategies and programs.





## Case Study: Southeast Minnesota

To simulate 25-year baseline and alternative socioeconomic growth scenarios for the region, this Study used REMI software to project demographic and economic conditions.



The model is **long-term**, capturing county-wide economic and demographic projections over many decades;



**Flexible**, allowing users to modify inputs based on changing economic conditions;



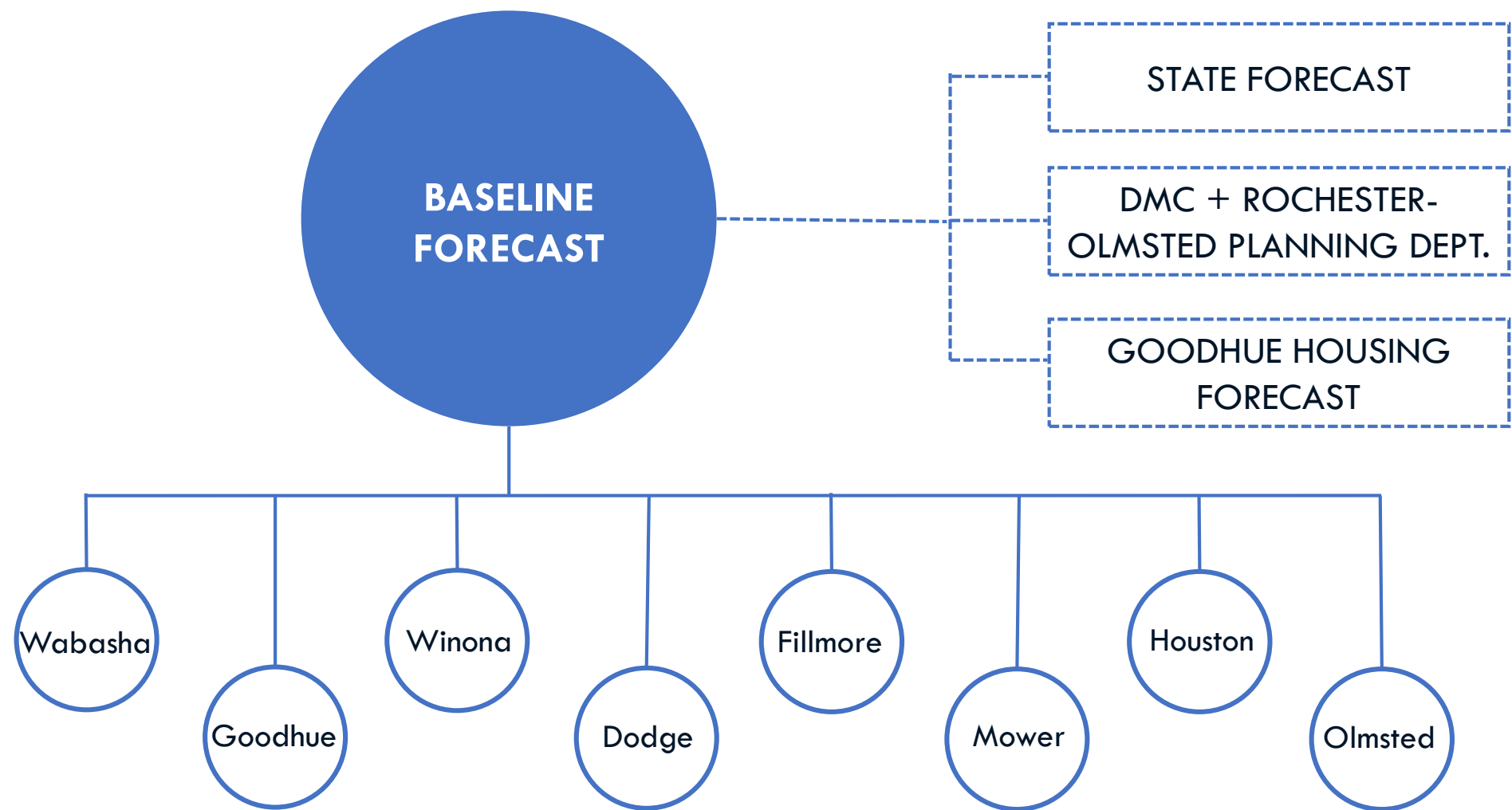
It's the **industry-standard**, frequently used by federal, state, and local governments, economic and transportation authorities, and private groups; and,



County-wide projections can be translated to the municipal-level, allowing impacts to be understood with a high degree of **granularity**.

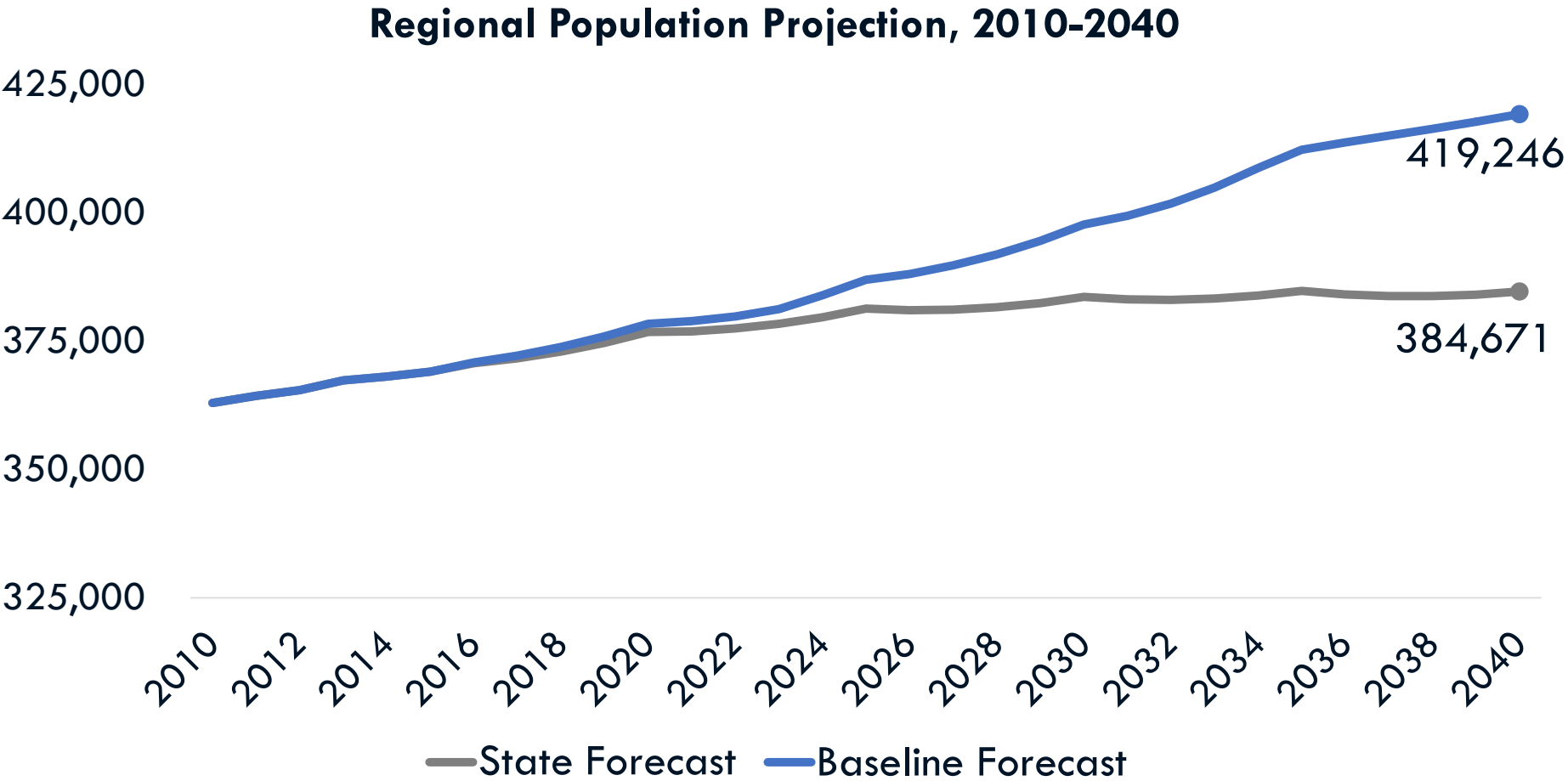
**Case Study: Southeast Minnesota**

The Study developed a Baseline Forecast that was calibrated using REMI data and local studies.



**Case Study: Southeast Minnesota**

The Baseline Forecast projects that the region will see growth of 50,200 residents between 2015 and 2040, up to 419,200 total residents.

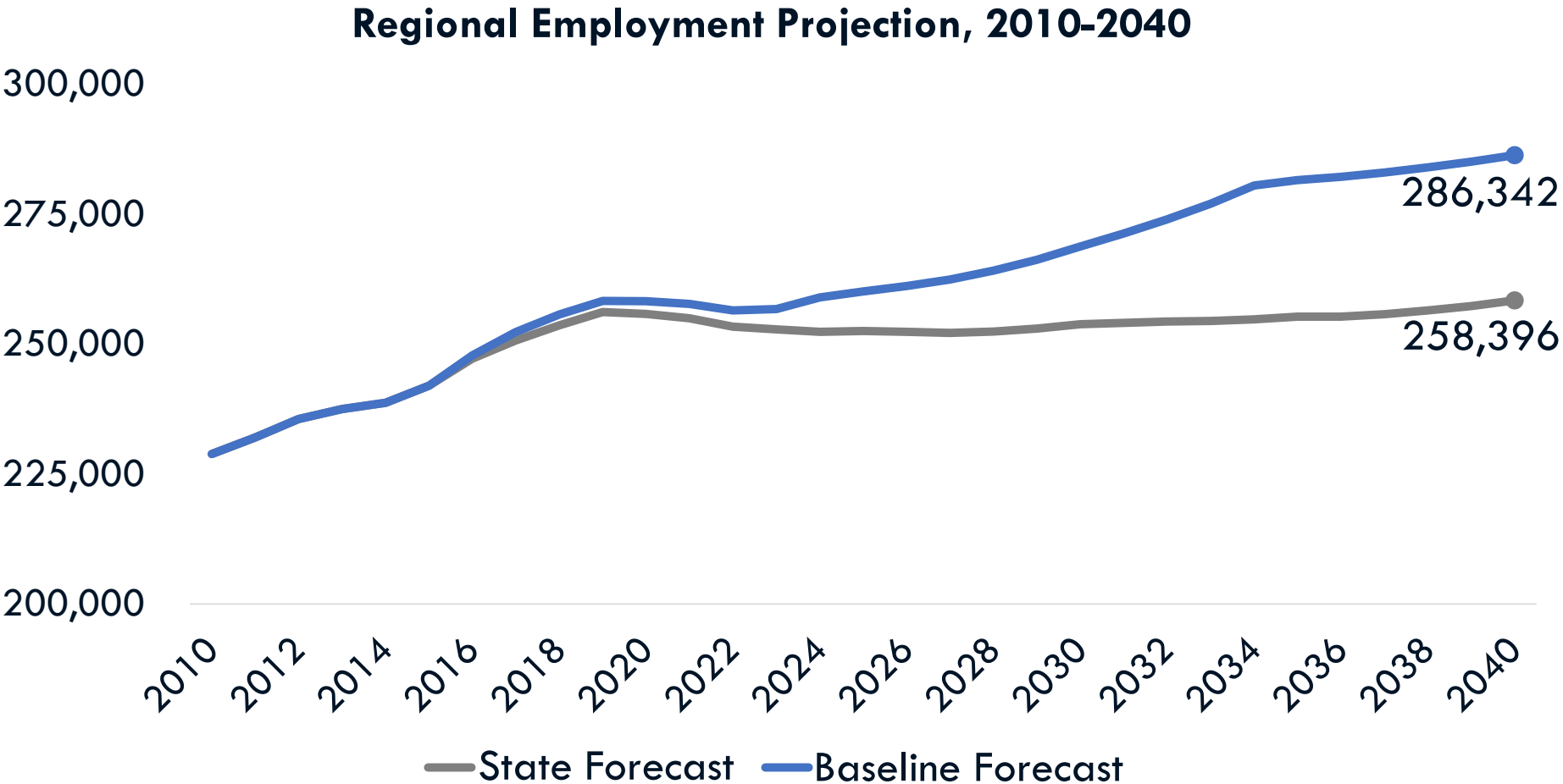


Source: Census, ACS



**Case Study: Southeast Minnesota**

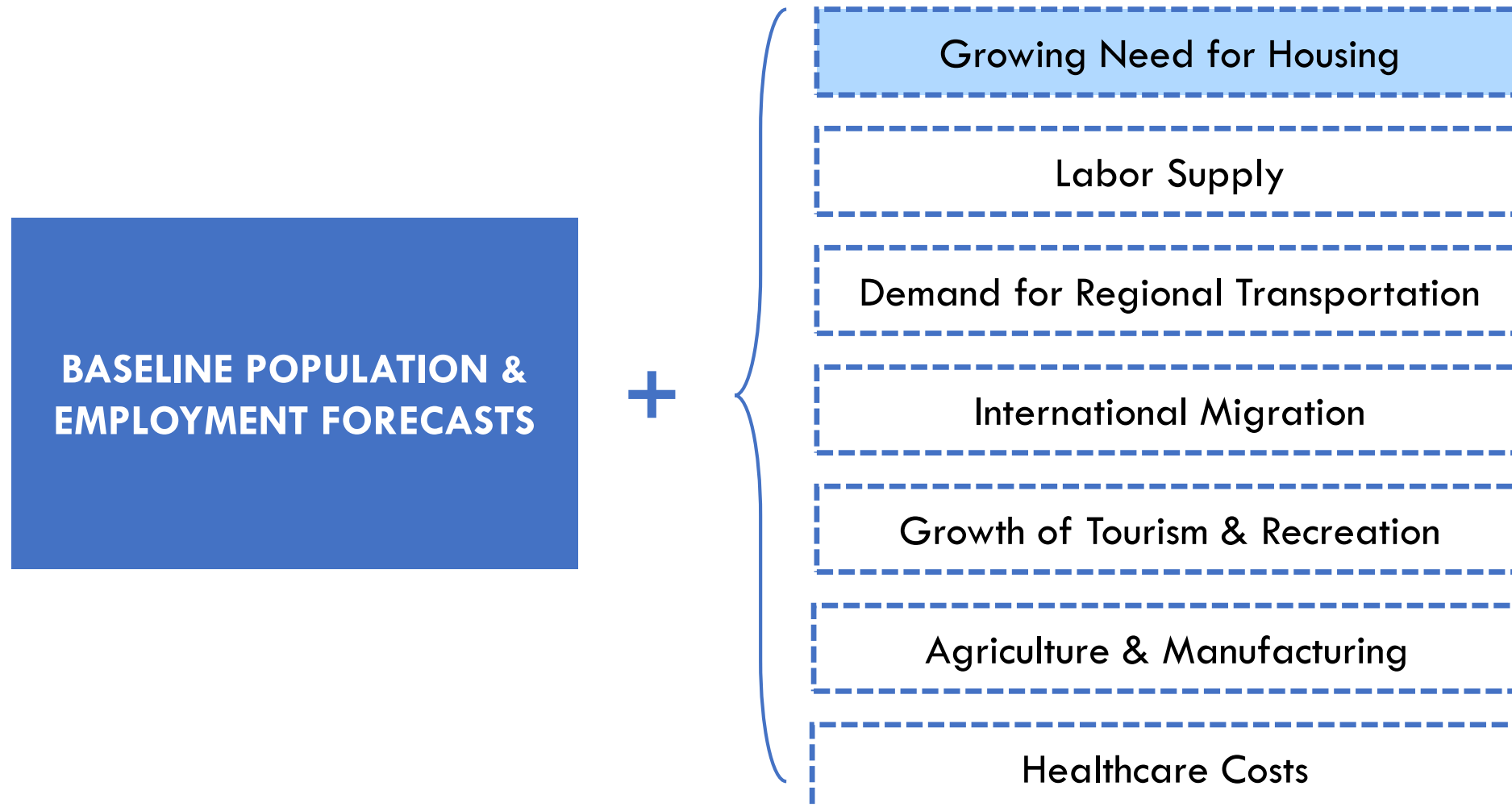
The Baseline Forecast projects that the region will grow by 44,400 employees between 2015 and 2040, including 7,660 spin-off jobs throughout the region as a result of the DMC.



Source: Census, /  
Note: The State Forecast for employment was developed using the State’s population projections as an input in the REMI model.

## Case Study: Southeast Minnesota

In addition to the baseline projection, this study analyzed the impacts of key regional trends and potential initiatives, identified through stakeholder engagement, that will affect long-term growth.



## Case Study: Southeast Minnesota

Local entities expressed the need for affordable housing and diversified housing typologies as significant issues facing their communities, which will be compounded by the growth of the DMC.

### EXISTING CONDITIONS

- **13.9k new residents** between 2009 and 2016, and **only 3.6k new housing units** in the same period, creating large unmet demand.
- A **lack of diverse housing options**, especially for seniors and young professionals, exacerbates the already restricted housing market.

### FUTURE GROWTH

- The Region is anticipated to add 50k residents by 2040, which will require that the **current pace of housing supply increase 2X** to meet the growing population's housing needs.
- Without greater diversification of housing options, **housing costs will rise and the labor pool may become restricted**, as employees are unable to find affordable housing proximate to workplaces.

*Notes: Average Household Size is 2.5; DMC projects the creation of 26,800-32,200 direct and 10,000-15,000 indirect jobs.*

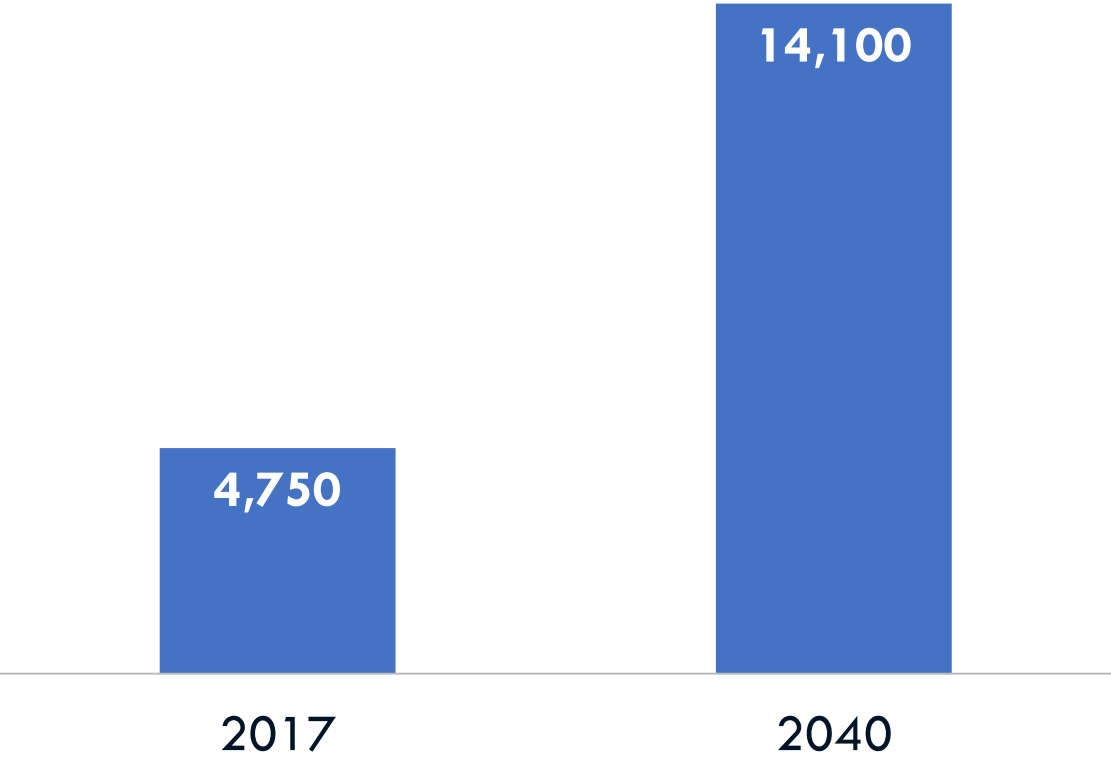
*Source: ACS 5-Year, 2012-2016; DMC Integrate Studies; Emsi Economic Model; DMC Development Plan*



**Case Study: Southeast Minnesota**

Historically, the region has seen a 0.33% annual increase in housing supply, compared to the region’s population growth of 0.36%. This gap will increase as the region’s population grows.

**Housing Gap, 2017-2040**



**TOTAL IMPACTS BY 2040,  
WITHOUT REQUIRED HOUSING  
PRODUCTION:**

**(25,200)**

**Residents**

**(\$4.14B)**

**Economic Output**

**(\$1.14B)**

**Earnings**

Source: ACS, REMI

## Case Study: Southeast Minnesota

Southeast Region communities can explore many options to help fill the housing gap, including policy changes at different regulatory levels.

### MOUNT MORRIS, NY



- A downtown development program gave private developers an **inventory of all buildings downtown** with detailed **property information** that helped catalyze private investment.

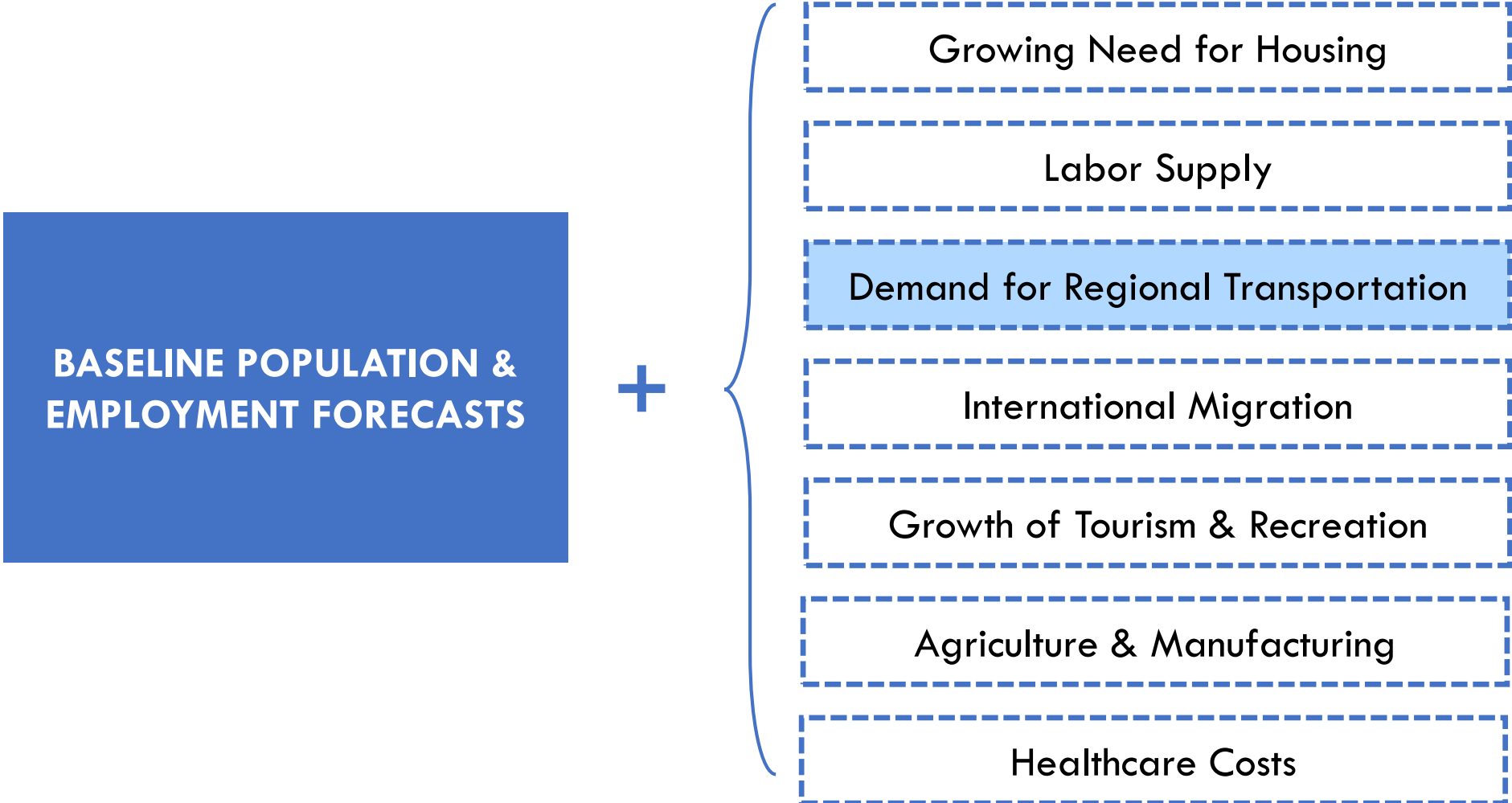
### ACCESSORY DWELLING UNITS



- Seattle, WA, Portland, OR, and Santa Cruz, CA have had ADU policies in place for a number of years.
- The share of ADUs on all single-family lots among the selected national precedents ranges from **0.8% to 1.9%**.

**Case Study: Southeast Minnesota**

In addition to the baseline projection, this study analyzed the impacts of key regional trends and potential initiatives, identified through stakeholder engagement, that will affect long-term growth.



## Case Study: Southeast Minnesota

As the region continues to grow, commute times and car-dependency will grow, increasing demand for a robust regional transportation system.

**32%**

**Jobs in Rochester  
are filled by workers  
commuting from  
outside the city**

**35%**

**Households own  
one or no cars**

**3%**

**People who  
commute to work  
using transit**

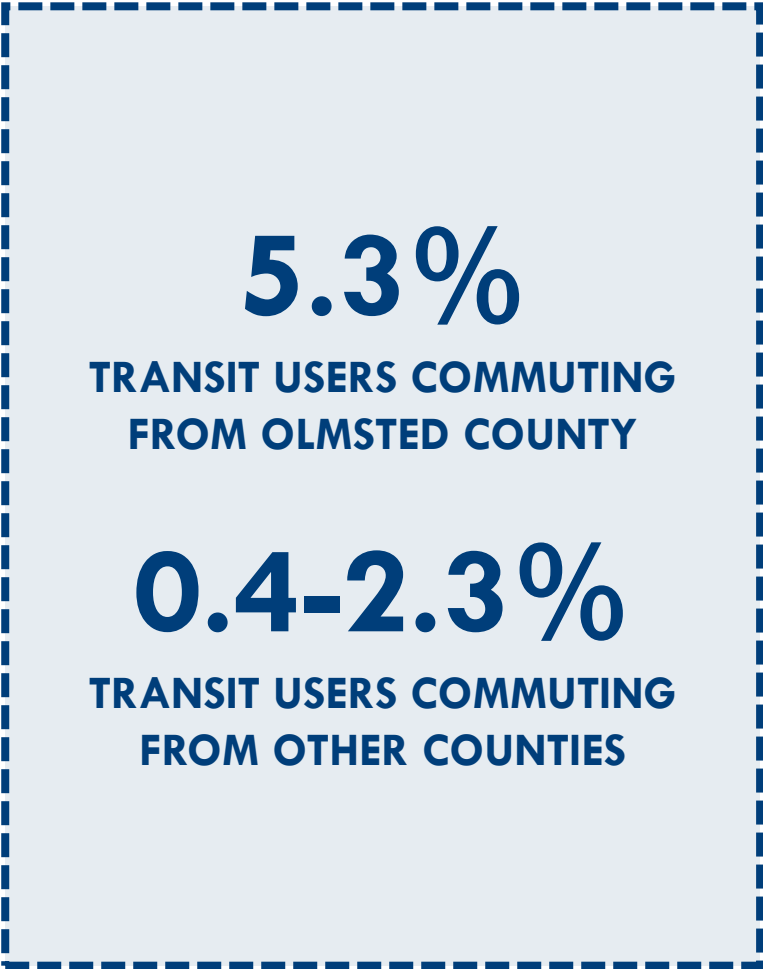
*Source: MnDOT, Southeast Minnesota Travel Study, 2016; ACS; Nelson\Nygaard Travel Study*



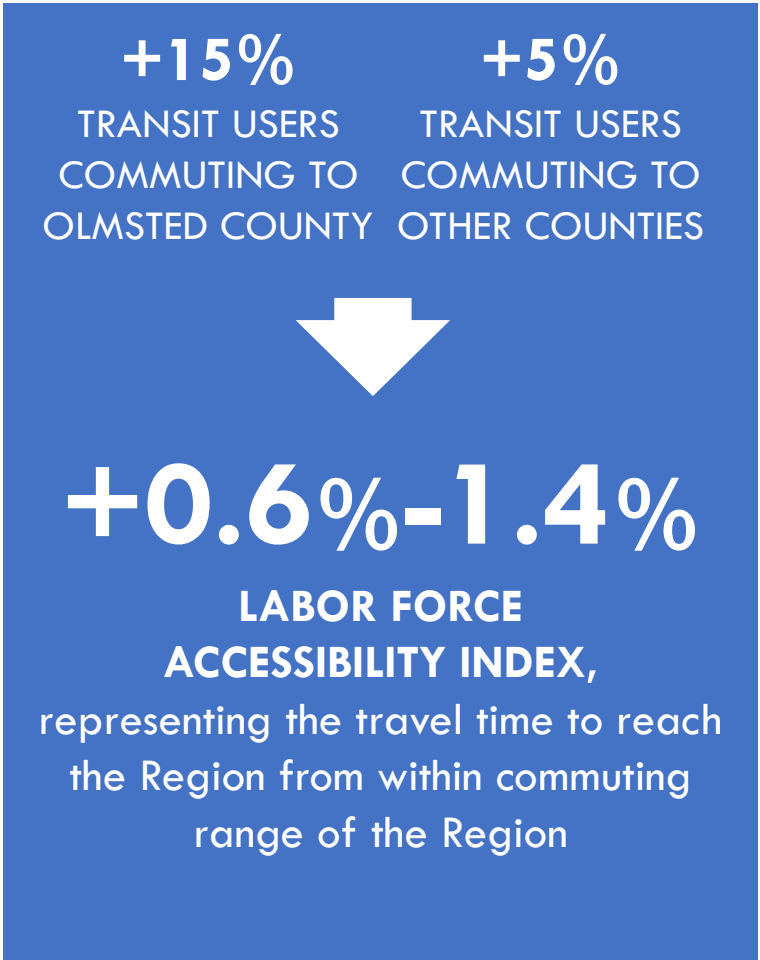
**Case Study: Southeast Minnesota**

Regional transportation and quality connectivity will allow the Region to address both housing and labor supply challenges, connecting workers to jobs and diverse housing opportunities.

**EXISTING CONDITIONS**



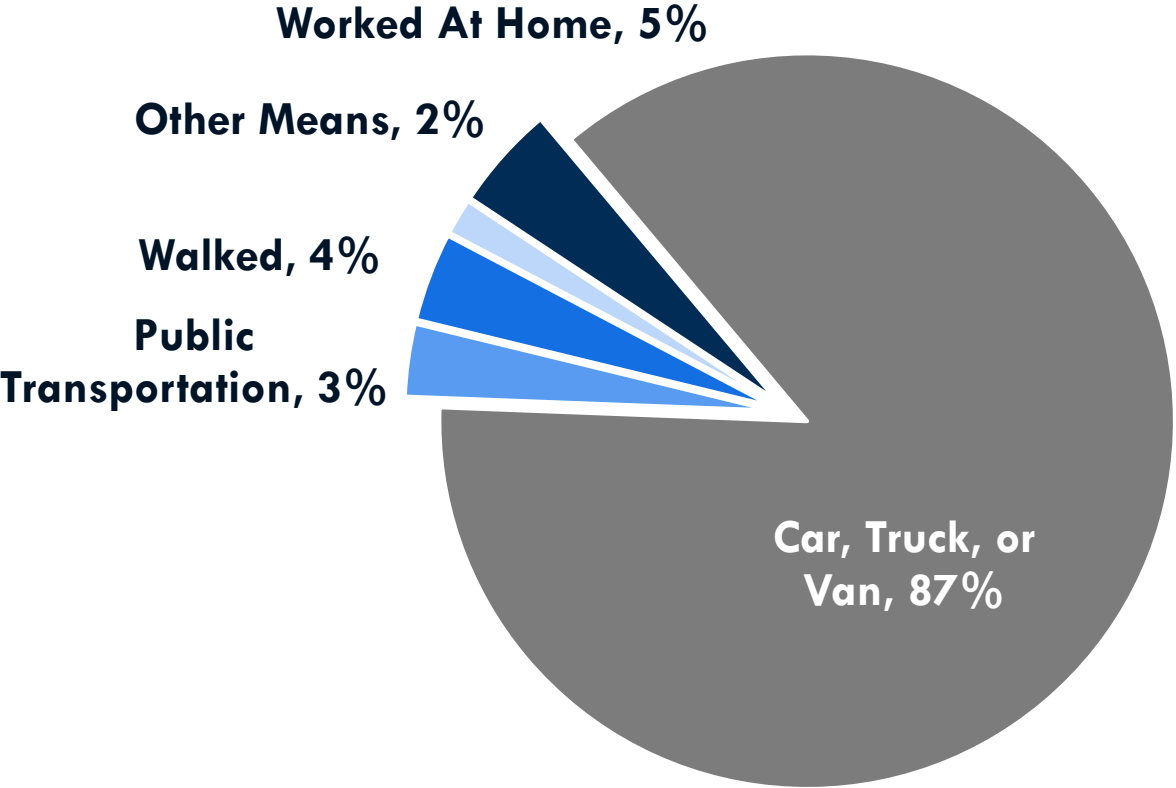
**MODELLED INITIATIVE**



**Case Study: Southeast Minnesota**

Regional transportation and quality connectivity will allow the region to address both housing and labor supply challenges, connecting workers to jobs and diverse housing opportunities.

**Means of Transportation to Work, 2016**



**TOTAL IMPACTS BY 2040,  
WITH IMPROVED LABOR ACCESS:**

**+1,100**  
**Residents**

**+\$460M**  
**Economic Output**

**+\$43M**  
**Earnings**

## Case Study: Southeast Minnesota

Half of all workers in Minnesota commute to a different county for work, signaling need for a regional transportation system.

### COMMUNITY TRANSPORTATION ASSOCIATION OF IDAHO



- CTAI helps **distribute federal and state funds** to local transit agencies
- The CTAI employs a **full-time mobility manager** in each of the state's six transportation districts
- These managers **facilitate the coordinated planning process** and bring together key stakeholders

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Why regional forecasting?

Case study: Southeast Minnesota

**Lessons for other communities**



## Lessons for Other Communities

Municipalities within regions will have diverse issues and needs, but there will be overarching and common economic drivers, with policy implications at all levels.

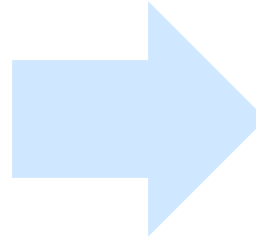
### SAMPLE REGIONAL ECONOMIC ISSUES...

Housing Need

Labor supply

Transit and Transportation

Tourism



### ...WITH LOCAL POLICY IMPLICATIONS

Land-use and zoning, incentives

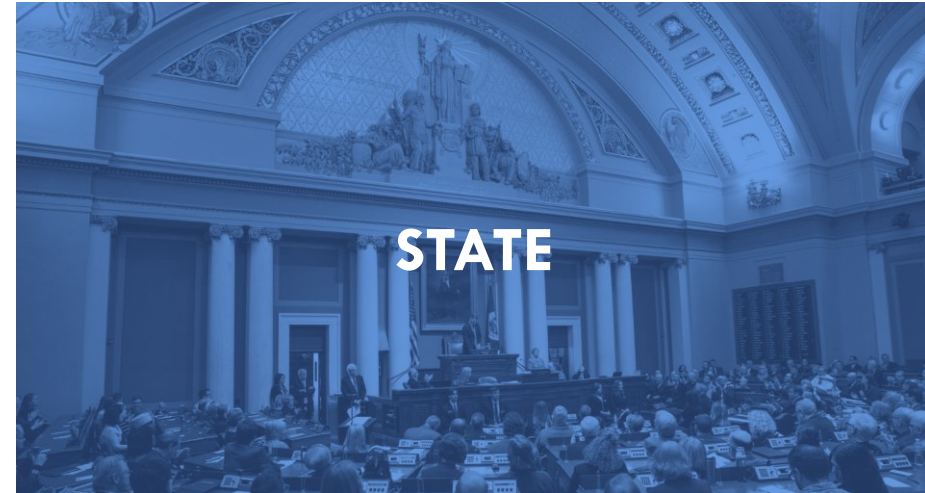
Workforce development programs, talent attraction through placemaking initiatives

TOD and TOD-friendly policies

Investment in public realm, downtown improvement strategies

## Lessons for Other Communities

Regional economic studies serve as an advocacy tool for new policies and funding, providing robust analysis that supports informed decision-making at all levels of government.



## Lessons for Other Communities

The success of these studies relies on local capacity to participate in or manage such a study, as well as to use the study's findings to implement change.



Conducting a regional forecast requires **significant coordination and participation amongst counties and municipalities.**



Critical to the success and nuance of a regional forecast is **engagement with a range of stakeholders**, including public entities and non-profits, regional groups, and businesses. Studies should gather both quantitative and qualitative data.



Funding and management of these studies can come from **different entities** – state and local governments and regional non-profits.

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# Questions?



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## More questions?

Read the full report: [www.semlm.org](http://www.semlm.org)

## Contact us:

Shuprotim Bhaumik [sbhaumik@hraadvisors.com](mailto:sbhaumik@hraadvisors.com)

Erin Lonoff [elonoff@hraadvisors.com](mailto:elonoff@hraadvisors.com)





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