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Planning Systems

*Real Estate Economics*  
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## DRAFT REPORT

# SAN MATEO COUNTY HOUSING NEEDS STUDY

Prepared for:

City/County Association of Governments of San Mateo County  
County Department of Housing  
Housing Endowment and Regional Trust (HEART)

Prepared by:

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EPS #15099

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# EXECUTIVE SUMMARY

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The City/County Association of Governments (C/CAG) of San Mateo County in association with the County Department of Housing and the Housing Endowment and Regional Trust (HEART) retained Economic & Planning Systems, Inc. (EPS) to conduct a housing needs analysis for San Mateo County. The housing needs analysis compares projected housing need to housing supply to estimate the size of expected housing deficits. This analysis updates the 1998 San Mateo County Housing Needs Analysis also conducted by EPS.

This section provides a summary of the findings of the analysis. A full report documenting the full set of data, analysis, assumptions, and findings follows. Results are provided for the 2005 to 2025, 20-year period, reflective of typical planning horizons, in addition to the 2005 to 2014 period, reflective of the current Regional Housing Needs Determination (RHND) cycle. Key findings include the following:

- 1. New job growth in San Mateo County is expected to result in the formation of 68,000 new households, 48,000 new households of them in San Mateo County, between 2005 and 2025 (see Figure S-1).***

The Association of Bay Area Governments (ABAG) 2005 projections estimate an increase of 133,300 jobs in San Mateo County between 2005 and 2025.<sup>1</sup> This represents a 40 percent increase over its current 336,500 job count, an average annual increase of 1.7 percent. This job growth will result in the formation of about 68,000 new worker households. Taking account of Metropolitan Transportation Commission (MTC) projections concerning increases in in-commuting and out-commuting, the future number of new worker households living in San Mateo County is projected at 48,000. This is due to the projection of significantly higher levels of County in-commuting than out-commuting in the future. The other 20,000 new worker households are associated with the net new workers in-commuting into San Mateo County. Accounting for typical vacancy rates, this represents a need for 49,100 housing units. Between 2005 and 2014 job growth is expected to result in 21,600 additional worker households in San Mateo County and an associated need for 22,100 housing units.<sup>2</sup>

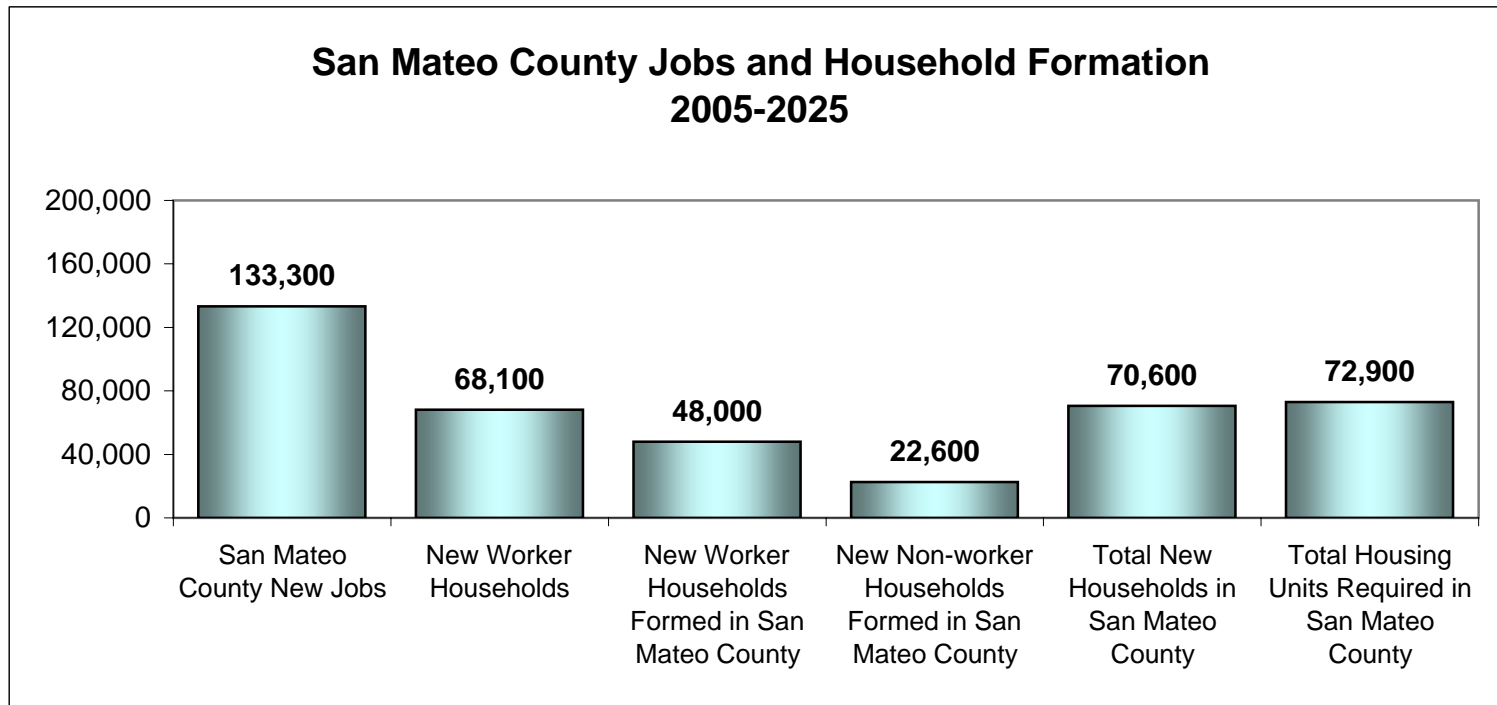
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<sup>1</sup> The ABAG job projections are the most detailed projections available for cities and counties in the San Francisco Bay Area. The projections are based on past trends, surveys of local planners, as well as assumptions concerning land use policies, housing availability, and commute patterns. The projections may be aggressive as they are based in part on assumptions about changes in land use policies to encourage infill and transit oriented development. ABAG is in the process of finalizing its 2007 projections.

<sup>2</sup> Figures for 2005 to 2014 are estimated as a proportion of the 2005 to 2025 figures.

**Figure S-1**  
**San Mateo County Jobs and Household Formation 2005-2025**  
**San Mateo County Housing Needs Assessment; EPS #15099**

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- 2. Total household formation in San Mateo County between 2005 and 2025 will be significantly greater than the worker driven households and is projected to be 70,600 new households, with 31,800 of these new households formed between 2005 and 2014.***

Housing need is composed of worker households as well as non-worker households, including retirees, students, and unemployed households, among others. In 2000, the County consisted of a total of 254,200 households, including 172,800 worker households and 81,400 non-worker households. As the population and number of households increase over time in the County, and especially as increasing numbers of workers from the baby boom generation retire, the number of non-worker households in the County will increase significantly. If the current ratio of worker to non-worker households continues, an additional 22,600 households would be formed in San Mateo County in addition to the 48,000 worker-related households (see **Table S-1**).

- 3. A total of 72,900 housing units will be required to accommodate the new households over the 20-year period with over 50 percent of this housing need associated with low-, very low-, and extremely low-income households.<sup>3</sup>***

Household formation patterns were converted into housing need assuming a 2.5 percent structural vacancy rate. A total of 72,900 new housing units will be required to accommodate the new households formed between 2005 and 2025 in San Mateo County (see **Figure S-1**). Job-driven worker housing need totals 49,100 units of which about 40 percent (21,000 housing units) is associated with low- or below-income households. Non-worker housing need totals 23,800 units of which over 70 percent (17,200 units) is associated with low- or below-income households (see **Table S-1** and **Figure S-2**). A total of 32,800 units will be required in the County between 2005 and 2014.

- 4. The North County subregion will generate the highest housing need, followed by the Mid County and South County regions, with the Coastal area making up the rest.***

**Figure S-3** shows the breakdown of the County into four subregions: North County, Mid County, South County, and the Coastal area. Between 2005 and 2025, over 30,300 units (40 percent) of the housing need is projected in the North County, 24,700 units (34 percent) in the Mid County, and 17,360 units (24 percent) in the South County. An additional 535 housing units are required in the Coastal area (see **Figure S-4**).

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<sup>3</sup> San Mateo County 2005 definitions include (1) extremely low income households make less than 35 percent of Countywide median income; (2) very low income households make less than 60 percent of median income; (3) low income households make less than 95 percent of median income; (3) moderate income households make less than 120 percent of median income. The County median income used for the purposes of this analysis is \$85,500 (2005 dollars) and represents the existing median for a 3-person household. Households making less than \$81,500 each year will fall in either the low-, very low-, or extremely low categories.



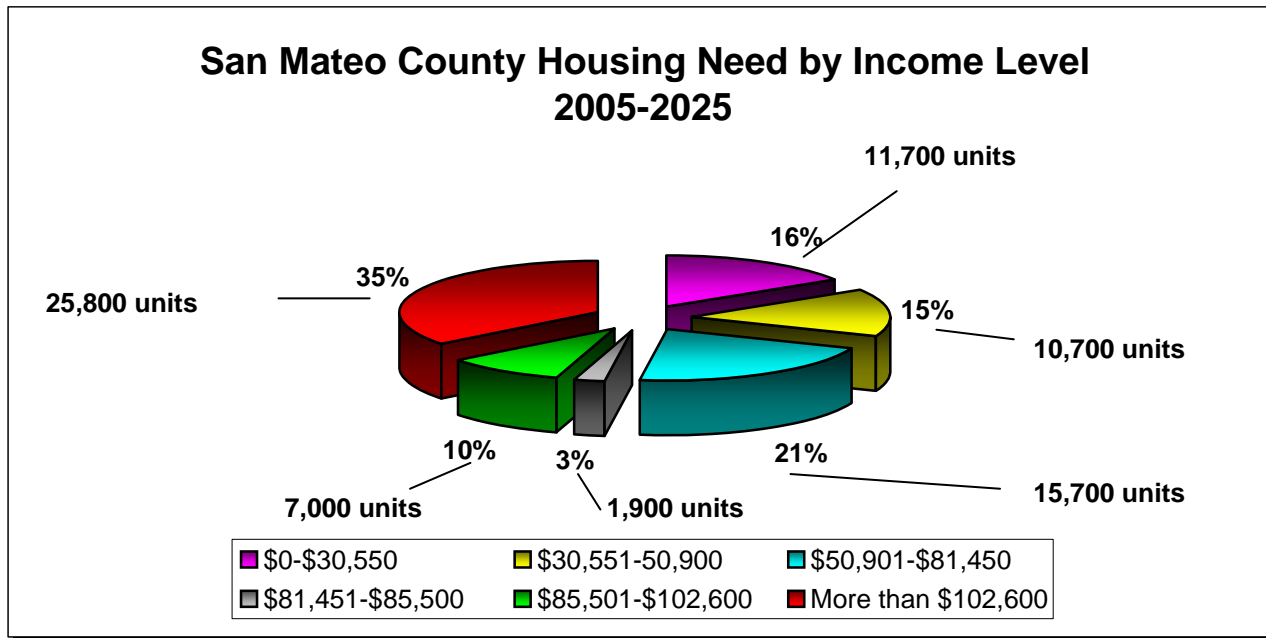
**Table S-1**  
**San Mateo County Housing Need, 2005-2025**  
**San Mateo County Housing Needs Assessment; EPS #15099**

<b>Household Income (1)</b>	<b>Category</b>	<b>Worker Household Need (units)</b>	<b>Non Worker Household Need (units)</b>	<b>Total Housing Need (units)</b>
\$0 - \$30,550	Extremely Low Income	3,808	7,937	11,745
\$30,551 - \$50,900	Very Low Income	6,331	4,393	10,724
\$50,901 - \$81,450	Low Income	10,847	4,887	15,734
\$81,451 - \$85,500	Moderate (Below Median)	1,420	444	1,864
\$85,501 - \$102,600	Moderate (Above Median)	5,302	1,731	7,033
More than \$102,600	Above Moderate Income	<u>21,396</u>	<u>4,399</u>	<u>25,795</u>
<b>Total</b>		<b>49,104</b>	<b>23,791</b>	<b>72,895</b>

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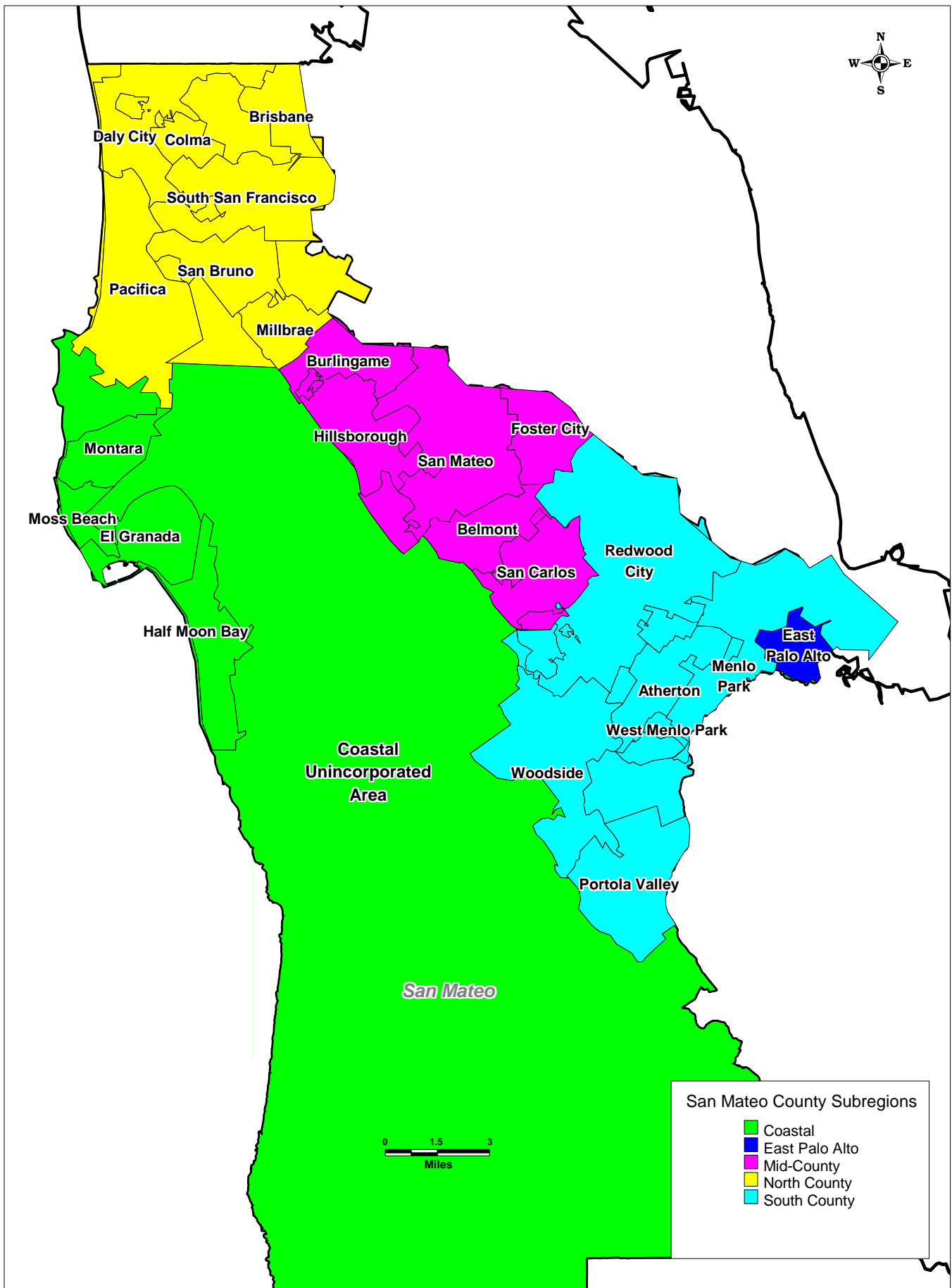
Sources: Economic & Planning Systems, Inc.

**Figure S-2**  
**San Mateo County Housing Need by Income Level 2005-2025**  
**San Mateo County Housing Needs Assessment; EPS #15099**



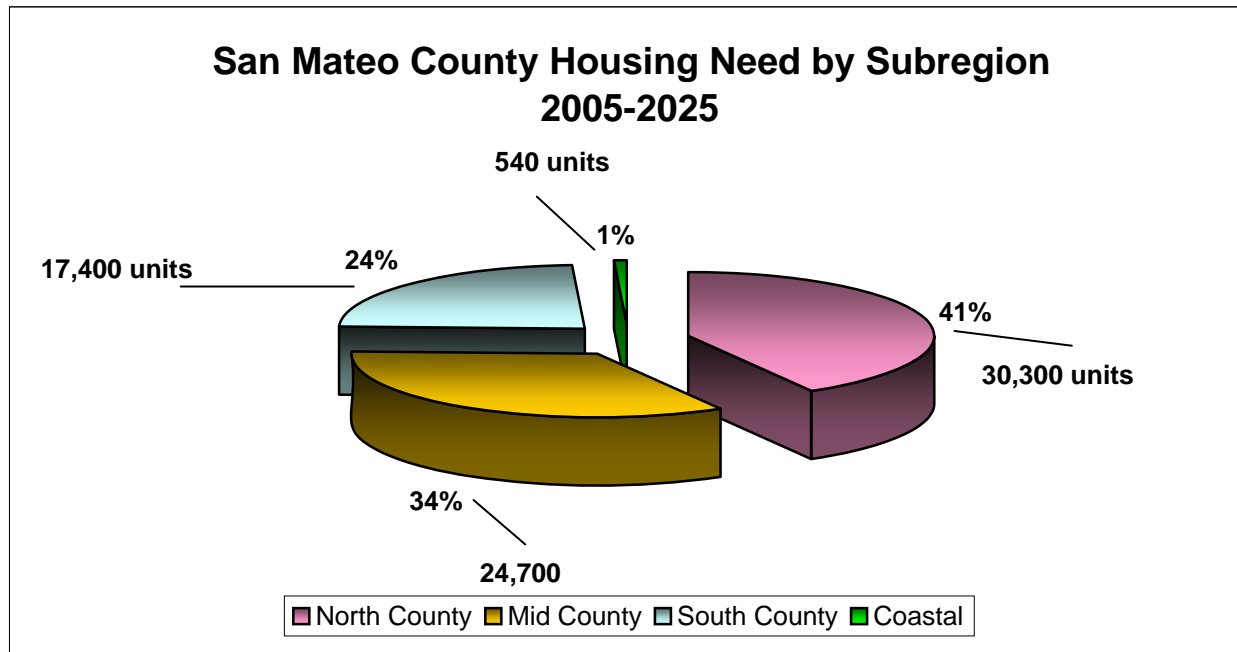
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Figure S-3: San Mateo County Subregions



**Figure S-4**  
**San Mateo County Housing Need by Subregion 2005-2025**  
**San Mateo County Housing Needs Assessment; EPS #15099**

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- 5. At present, there are minimal vacancies and high home prices in the San Mateo County housing market, clear indications of an undersupply of housing affordable to households making less than the median income.**

The average Countywide vacancy rate at 2.5 percent represents a structural vacancy associated with normal turnover. As a result, there is no excess capacity among the existing housing stock to accommodate new household formation. Current housing conditions also indicate a significant, undersupply of housing. The San Mateo County 2000 Housing Element indicated 31,000 units, 11.9 percent of the total, were overcrowded and that households in 63,000 units, 24.2 percent of the total, put more than 30 percent of their income towards housing costs.<sup>4</sup>

- 6. To date, neighboring counties have not provided a significant net supply of housing for San Mateo County workers. The MTC projects this to change, reducing the overall housing need in San Mateo County.**

As of 2000, about half of San Mateo County workers lived in the County and half lived outside. At the same time, about half the employed residents of San Mateo County worked inside the County and half worked outside. As a result, while San Mateo County workers formed about 80,500 households in other counties, San Mateo County provided housing for about 76,200 households who worked elsewhere. This relative balance is projected to change significantly over the next twenty years. MTC expects the increase in new in-commuters to San Mateo County jobs to be over double the number of new out-commuters to jobs elsewhere. The net in-commute is estimated at about 30 percent of new San Mateo County jobs. This assumption, that a net 20,000 worker households associated with San Mateo County jobs are formed outside of the County because of insufficient housing supply and other reasons, reduces the new San Mateo County worker housing demand estimated in this Report for 2005 and 2025 from about 69,500 units (without the net increase in in-commuting) to about 49,000 units.

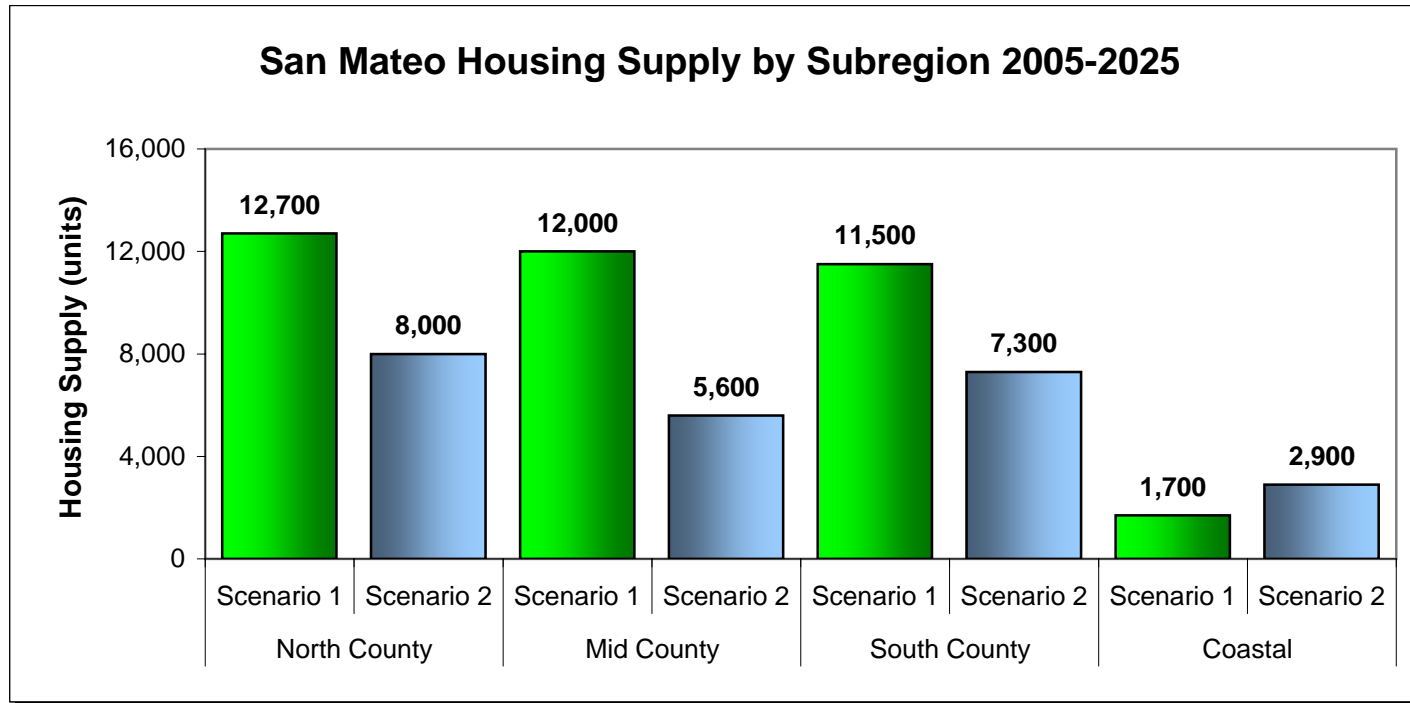
- 7. Future housing supply to be developed in the County is expected to be between 23,900 and 37,900 new housing units between 2005 and 2025 (see Figure S-5).**

ABAG's 2005 projections provide a projection of new households between 2005 and 2025 (*Scenario 1*). When a structural vacancy rate of 2.5 percent is incorporated, these ABAG projections suggest a housing supply of 37,900 housing units, including 12,700 units in North County, 12,000 in Mid County, and 11,500 units in South County. A second projection of housing supply based on the historical rate of housing development between 1995 and 2005 implies a lower level of housing construction of about 23,900 housing units between 2005 and 2025 (*Scenario 2*). This includes 8,000 units in North County, 5,600 units in Mid County, and 7,300 units in South County. The division of housing supply between different household income groups/affordable housing costs

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<sup>4</sup> The number of housing units in San Mateo County in 2000 was 260,600. Overcrowding was defined as units with more than one person per room.

**Figure S-5**  
**San Mateo County Housing Supply by Subregion 2005-2025**  
**San Mateo County Housing Needs Assessment; EPS #15099**



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was estimated based on the MTC Travel Model Systems. This model estimates that about 74 percent of new housing development between 2005 and 2025 will be affordable to households making more than moderate income, 11.5 percent affordable to those making moderate incomes, and 14.5 percent affordable to those in the low income or below categories.<sup>5</sup> The same distribution was used for both scenarios.

***8. The comparison of projected housing need with housing supply suggests a significant deficiency in housing provision at all income levels except for households earning greater than moderate incomes.***

The comparison of worker housing need to any of the housing supply projections indicates a significant shortfall in housing production, even when non-worker households are not taken into account. A total housing deficit of 35,000 units is projected between 2005 and 2025 under Scenario 1 housing supply projections. All of the housing need of households with greater than moderate incomes will be accommodated; about 50 percent of the need of those with moderate incomes; and about 15 percent of the need of low-, very low-, and extremely low-income households. A deficit of about 32,500 housing units for low-, very low-, and extremely low-households is projected, representing over 1,600 units each year. If current housing construction trends continue, the housing deficit will be even greater (Scenario 2) at 49,000 units over the 2005 to 2025 period, with significant housing deficits at all income levels (see **Table S-2**).

***9. A subsidy of over \$6.0 billion in 2006 dollar terms would be required to cover the affordability gap associated with the housing deficit between 2005 and 2025, equivalent to over \$300 million each year (see Figure S-6).***

The affordability gap represents an expression of the total projected housing deficit over the next twenty years in terms of the subsidy required to bridge the gap between development cost and affordable housing payment. The affordability gap by unit, based on a consideration of rental housing, ranges from \$308,000 per unit for extremely low income households to \$37,000 per unit for households making between 95 and 100 percent of median income. Housing developments aimed at households making over median household income are assumed not to require a subsidy. The estimated affordability gap/subsidy is a conservative estimate. All households are assumed to be at the top of their income ranges (when in reality they will be spread among them), further increasing the subsidy required. Over half of the subsidy is required for extremely low income households, about one-third for low income households, and about 10 percent for low-income households.

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<sup>5</sup> This Countywide housing price distribution was applied to all subregions. In reality, the housing price distribution will vary by subregion.

**Table S-2  
Projected Housing Need versus Housing Supply by Subregion, 2005-2025  
San Mateo County Housing Needs Assessment; EPS #15099**

Household Income (1)	Scenario 1			Scenario 2		
	Supply (2)	Need	Balance (3)	Supply (2)	Need	Balance (3)
<b>North County</b>						
\$0 - \$30,550	0	4,940	(4,940)	0	4,940	(4,940)
\$30,551 - \$50,900	323	4,520	(4,197)	202	4,520	(4,318)
\$50,901 - \$81,450	1,727	6,620	(4,893)	1,081	6,620	(5,539)
\$81,451 - \$85,500	358	780	(422)	224	780	(556)
\$85,501 - \$102,600	1,511	2,920	(1,409)	946	2,920	(1,974)
More than \$102,600	<u>8,781</u>	<u>10,520</u>	<u>(1,739)</u>	<u>5,497</u>	<u>10,520</u>	<u>(5,023)</u>
Subtotal	12,699	30,300	(17,601)	7,950	30,300	(22,350)
<b>Mid County</b>						
\$0 - \$30,550	0	3,960	(3,960)	0	3,960	(3,960)
\$30,551 - \$50,900	201	3,610	(3,409)	94	3,610	(3,516)
\$50,901 - \$81,450	1,024	5,280	(4,256)	480	5,280	(4,800)
\$81,451 - \$85,500	215	630	(415)	101	630	(529)
\$85,501 - \$102,600	909	2,380	(1,471)	426	2,380	(1,954)
More than \$102,600	<u>9,681</u>	<u>8,840</u>	<u>841</u>	<u>4,537</u>	<u>8,840</u>	<u>(4,303)</u>
Subtotal	12,032	24,700	(12,668)	5,638	24,700	(19,062)
<b>South County</b>						
\$0 - \$30,550	238	2,760	(2,522)	100	2,760	(2,660)
\$30,551 - \$50,900	604	2,520	(1,916)	342	2,520	(2,178)
\$50,901 - \$81,450	1,594	3,720	(2,126)	945	3,720	(2,775)
\$81,451 - \$85,500	240	440	(200)	146	440	(294)
\$85,501 - \$102,600	1,014	1,680	(666)	615	1,680	(1,065)
More than \$102,600	<u>7,772</u>	<u>6,240</u>	<u>1,532</u>	<u>5,187</u>	<u>6,240</u>	<u>(1,053)</u>
Subtotal	11,463	17,360	(5,897)	7,335	17,360	(10,025)
<b>Coastal</b>						
\$0 - \$30,550	0	85	(85)	0	85	(85)
\$30,551 - \$50,900	0	74	(74)	0	74	(74)
\$50,901 - \$81,450	28	114	(86)	48	114	(66)
\$81,451 - \$85,500	19	14	5	33	14	19
\$85,501 - \$102,600	81	53	28	139	53	86
More than \$102,600	<u>1,577</u>	<u>195</u>	<u>1,382</u>	<u>2,707</u>	<u>195</u>	<u>2,512</u>
Subtotal	1,705	535	1,170	2,928	535	2,393
<b>San Mateo County</b>						
\$0 - \$30,550	238	11,745	(11,507)	100	11,745	(11,645)
\$30,551 - \$50,900	1,128	10,724	(9,596)	638	10,724	(10,086)
\$50,901 - \$81,450	4,373	15,734	(11,361)	2,554	15,734	(13,180)
\$81,451 - \$85,500	833	1,864	(1,031)	504	1,864	(1,360)
\$85,501 - \$102,600	3,515	7,033	(3,518)	2,126	7,033	(4,907)
More than \$102,600	<u>27,811</u>	<u>25,795</u>	<u>2,016</u>	<u>17,929</u>	<u>25,795</u>	<u>(7,866)</u>
<b>San Mateo County Total</b>	<b>37,898</b>	<b>72,895</b>	<b>(34,997)</b>	<b>23,851</b>	<b>72,895</b>	<b>(49,044)</b>

(1) Household income figures in 2005 dollars.

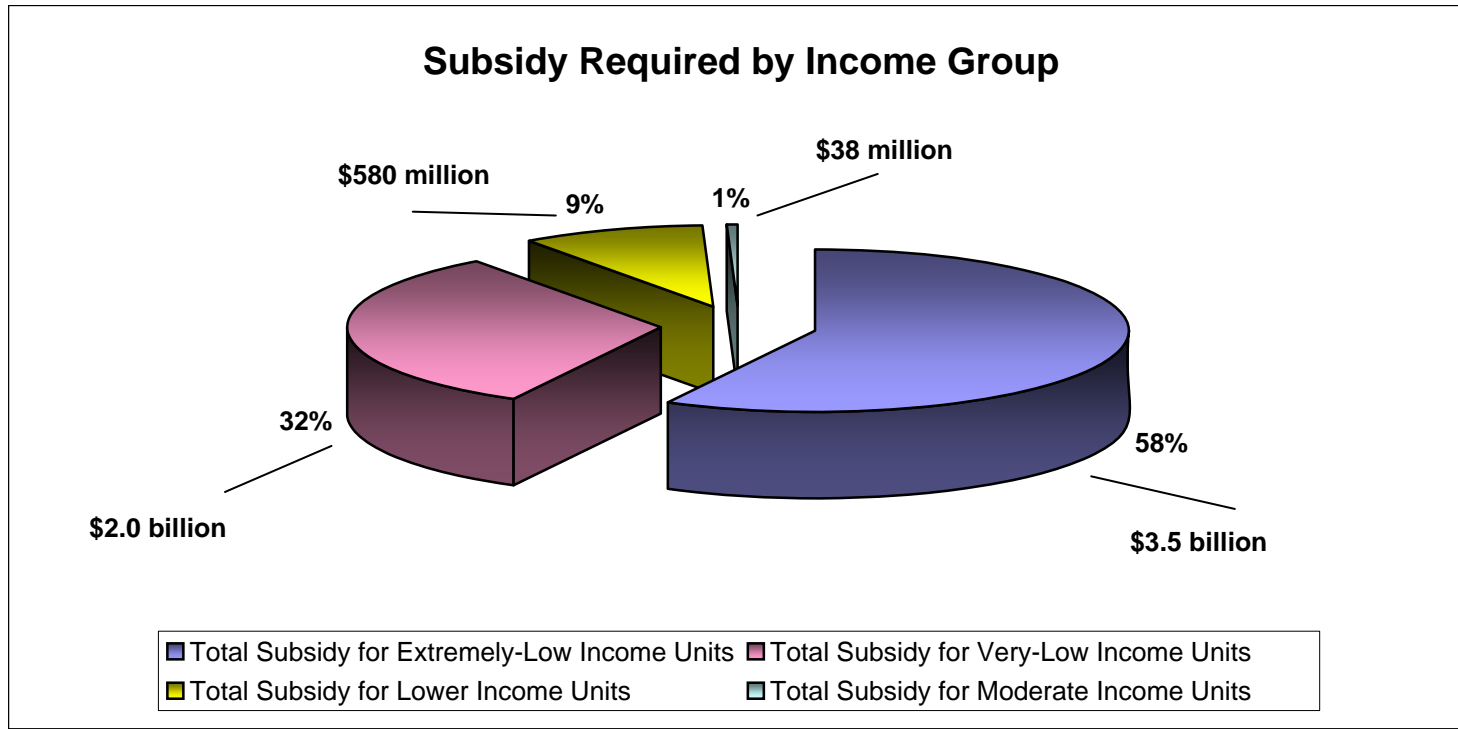
(2) Housing supply varies by scenario. Scenario 1 supply is based on ABAG household projections; Scenario 2 supply is based on historic housing production.

(3) Negative balance indicates a housing deficiency.

Source: Economic & Planning Systems, Inc.



**Figure S-6**  
**Subsidy Required by Income Group**  
**San Mateo County Housing Needs Assessment; EPS #15099**



***10. This housing deficiency will have some mix of the following negative consequences: further overcrowding and overpayment; increased commute times, commute costs, and air quality impacts; and limitations on job growth.***

In 2000, significant levels of overcrowding and overpayment were recorded in San Mateo County. Without a significant increase in housing production, especially for households with incomes below moderate levels, these conditions will worsen. Increasing numbers of households will live at levels of more than one person per room and pay over 30 percent of their income on housing. The limited housing production itself will lead to housing price increases above the rate of inflation, further exacerbating the problem. Increasing numbers of households will seek housing further away in more affordable counties, including outside of the nine-County San Francisco Bay Area. Employers who already report a lack of housing as a number one concern in Silicon Valley may choose to relocate and others may choose never to come to San Mateo County given the difficulties their employees will have finding housing.

***11. San Mateo County and its cities need to explore a range of policy options to reduce the housing deficiency and the scale of associated negative impacts.***

Available policy options for increasing housing supply include increasing planned housing capacity, encouraging the efficient use of available land, identifying appropriate opportunity sites where more housing can be built, and supporting efforts to build affordable housing, both financially and administratively. The full suite of policy and financing tools including inclusionary housing requirements, a commercial linkage fee, tax credits, Redevelopment Agency tax increment funding, and other State and federal funding and programs will be required to help address the affordable housing challenge.

***12. A commercial linkage fee represents one potential policy tool.***

A commercial linkage fee that charges a fee on workspace development for the associated housing needs generated in San Mateo County is one tool that can help close the affordability gap. The planning-level linkage fee estimates suggest a full impact linkage fee of between \$35 and \$75 per square foot depending on the workspace type. A fee at this level will be financially infeasible for new development. Similar to some other jurisdictions in California, a fee at a fraction of this level could provide an important source of affordable housing funding without significantly affecting the level of workspace development. At 10 percent, the fraction of the maximum fee applied in some other jurisdictions (e.g., Sonoma County), the affordable housing linkage fee would be between \$3.50 and \$7.50 per square foot depending on the workspace type. This fee level is below the fee in the City of Menlo Park that is currently at \$12.54 per square foot for office and R&D development and \$6.82 per square foot for retail and industrial development.

# I. INTRODUCTION

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## PURPOSE OF REPORT

Economic & Planning Systems, Inc. (EPS) was retained to conduct a housing needs analysis for San Mateo County. The housing needs analysis compares projected housing need to housing supply to estimate the size of expected housing deficits between 2005 and 2025. This analysis represents an update to the 1998 San Mateo County Housing Needs Analysis also conducted by EPS. The overall purpose of the report is to determine whether future housing deficits are likely in San Mateo County, to consider how they might exacerbate existing housing issues, and to determine whether any such deficits would affect congestion and economic growth in the coming decades.

## APPROACH AND METHODOLOGY

In order to analyze the link between future economic growth and housing supply between 2005 and 2025, this report estimates future housing need associated with County growth, future housing supply, and resulting housing deficits. Employment growth, as projected by ABAG, is used as a measure of economic growth, and links between affordable housing cost and household income are based on standard household expenditure assumptions.

Total housing need estimates were based on estimates of new worker and non-worker households. New worker households were projected using a housing needs model that estimates household formation patterns based on 2005 to 2025 employment projections and 2000 demographic relationships. New non-worker household estimates were based on the 2000 demographic relationships between worker and non-worker households by income level. Total new households were converted into total new housing unit need using a minimum vacancy rate assumption.

Housing supply was estimated in two separate ways. Under the first approach, ABAG 2005 household projections were used to estimate housing supply. Under the second approach, housing supply projections were based on the historical rate of housing development between 1995 and 2005.

The housing needs analysis is conducted at both the County level, but also at the subregion level. **Figure S-3** shows the breakdown of the County into four subregions: North County, Mid County, South County, and the Coastal area.<sup>6</sup>

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<sup>6</sup> The North County subregion consists of Brisbane, Colma, Daly City, Millbrae, Pacifica, San Bruno, and South San Francisco. The Mid-County subregion consists of Belmont, Burlingame, Foster City, Hillsborough, San Carlos, and San Mateo. The South County subregion consists of Atherton, Menlo Park, Portola Valley, Redwood City, and Woodside. Finally, the Coastal area subregion includes Half Moon Bay and unincorporated areas in the western portion of the County.

## **ORGANIZATION OF REPORT**

**Chapter I** outlines the purpose of the report, gives a brief overview of the approach and methodology used, and describes the organization of the report.

**Chapter II** provides an overview of the current housing market in San Mateo County, assesses the availability of existing housing stock to meet future housing needs, and presents detailed information on new developments under construction and on the market.

**Chapter III** describes the methodology used in estimating housing need, including the methodology of the EPS housing needs model, the estimation of non-worker households, and the conversion of total new household estimates into a housing unit need by tenure and household income.

**Chapter IV** presents the two distinct housing supply forecasts for 2005-2025, one based on ABAG household projections, and the other based on historical construction trends from 1995 to 2005.

**Chapter V** presents a comparison of projected housing needs with housing supply. Projected net housing deficits/surpluses for the 2005-2025 period are estimated. Projected deficits/surpluses are presented by tenure and household income group.

**Chapter VI** estimates the affordability gap between housing cost and affordable housing payment and calculates the potential affordable housing linkage fees that could be charged on new workspace development.

**Chapter VII** explains the role this report can play on supporting Housing Element updates.

## II. EXISTING HOUSING CONDITIONS

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This chapter provides background information on the County's existing housing stock, assesses the availability of the existing housing stock to meet future housing needs, and presents data on recent housing developments.

### OVERVIEW OF HOUSING MARKET

As of 2005, there were a total of 266,800 housing units in San Mateo County (see **Table 1**). For descriptive and analytical purposes, the County was divided into four subregions. About 35 percent of these units are in the North County, another 34 percent of these units in the Mid County, 21 percent in the South County, and 10 percent in the Coastal area. About 175,800 of these units were single-family units and 87,500 multifamily. These ratios were relatively consistent throughout the subregions with the exception of the Coastal area with about 85 percent of units single-family.

The cities of San Mateo, Daly City, and Redwood City provided the largest numbers of housing units. The cities of San Mateo, Burlingame, and East Palo Alto had the lowest proportion of single-family units at between 51 and 56 percent. Woodside, Atherton, and Hillsborough all had close to 100 percent single-family development.

### FOR-SALE MARKET

The median home price in San Mateo County in 2005 was \$750,000, up from \$640,000 the previous year, a 17.19 percent increase (see **Table 2**). Over 65 percent of households fall in moderate income or below households, making less than \$102,500 (120 percent of median income). Even for households making \$102,500, the affordable home price is below \$600,000 (see **Table 3**). The median home price varies by subregion. The median home price in the South County subregion was the highest in 2005 at about \$886,000<sup>7</sup>, followed by the Mid County subregion at \$883,500, the Coastal area subregion at \$790,000, and the North County subregion at \$690,000.

### RENTAL MARKET

RealFact's fourth quarter 2005 survey identified 21,608 apartments in 115 properties with over 50 units.<sup>8</sup> Approximately 80 percent of these apartments were classified as Class C, 13 percent as Class A, and 8 percent as Class B. The average year built was 1972 and ranged from 1948 to 2005 (see **Table 4**). Approximately 82 percent of

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<sup>7</sup> Does not include City of East Palo Alto as data on median home price is not reported.

<sup>8</sup> The most comprehensive apartment market data is only available for properties with at least 50 units. The properties surveyed by RealFacts in the fourth quarter of 2005 ranged from 50 to 2,983 units, with an average of 187 units.

**Table 1**  
**San Mateo County Housing Units, 2005**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Area	Single-Family		Multifamily		Mobile Homes		Total Units
	Units	% of City	Units	% of City	Units	% of City	
<u>North County</u>							
Brisbane	1,320	69%	537	28%	43	2%	1,900
Colma	282	62%	168	37%	6	1%	456
Daly City	20,611	65%	10,429	33%	642	2%	31,682
Millbrae	5,588	69%	2,523	31%	11	0%	8,122
Pacifica	11,144	78%	3,135	22%	98	1%	14,377
San Bruno	9,693	61%	6,061	38%	22	0%	15,776
South San Francisco	<u>14,525</u>	<u>71%</u>	<u>5,610</u>	<u>27%</u>	<u>409</u>	<u>2%</u>	<u>20,544</u>
Sub-Total/Average	63,163	68%	28,463	32%	1,231	2%	92,857
<u>Mid County</u>							
Belmont	6,899	64%	3,846	36%	0	0%	10,745
Burlingame	6,579	51%	6,368	49%	0	0%	12,947
Foster City	7,273	58%	5,198	42%	7	0%	12,478
Hillsborough	3,857	100%	9	0%	0	0%	3,866
San Mateo	21,217	54%	17,810	46%	45	0%	39,072
San Carlos	<u>8,865</u>	<u>74%</u>	<u>3,030</u>	<u>25%</u>	<u>16</u>	<u>0%</u>	<u>11,911</u>
Sub-Total/Average	54,690	62%	36,261	43%	68	0%	91,019
<u>South County</u>							
Redwood City	17,208	59%	11,159	38%	833	3%	29,200
Menlo Park	7,779	61%	4,940	39%	5	0%	12,724
Atherton	2,525	100%	7	0%	0	0%	2,532
Portola Valley	1,531	85%	275	15%	0	0%	1,806
Woodside	2,054	98%	33	2%	1	0%	2,088
East Palo Alto	<u>4,322</u>	<u>56%</u>	<u>3,275</u>	<u>42%</u>	<u>159</u>	<u>2%</u>	<u>7,756</u>
Sub-Total/Average	35,419	65%	19,689	39%	998	3%	56,106
<u>Coastal</u>							
Half Moon Bay	3,318	75%	693	16%	427	10%	4,438
Other (Unincorporated)	<u>19,222</u>	<u>86%</u>	<u>2,353</u>	<u>10%</u>	<u>847</u>	<u>4%</u>	<u>22,422</u>
Sub-Total/Average	22,540	84%	3,046	12%	1,274	6%	26,860
<b>San Mateo County</b>	<b>175,812</b>	<b>66%</b>	<b>87,459</b>	<b>33%</b>	<b>3,571</b>	<b>1%</b>	<b>266,842</b>

Sources: Department of Finance (DOF); Economic & Planning Systems, Inc.

**Table 2**  
**San Mateo County Home Sales Activity by City, 2004-2005**  
**San Mateo County Housing Needs Assessment; EPS #15099**

City (1)	2005		Sales Price		
	# Sold	% of Total	2004	2005	% Change
<u>North County (2)</u>					
Brisbane	90	1.1%	\$569,000	\$673,500	18.37%
Daly City	1,134	13.4%	\$568,500	\$670,000	17.85%
Millbrae	248	2.9%	\$779,000	\$900,000	15.53%
Pacifica	494	5.8%	\$599,000	\$685,000	14.36%
San Bruno	713	8.4%	\$532,500	\$665,000	24.88%
South San Francisco	<u>691</u>	<u>8.2%</u>	\$586,000	<u>\$685,000</u>	16.89%
Sub-Total/Average	3,370	39.9%		\$691,236	
<u>Mid County (3)</u>					
Belmont	346	4.1%	\$780,000	\$890,000	14.10%
Burlingame	513	6.1%	\$1,200,000	\$1,325,000	10.42%
San Carlos	452	5.3%	\$760,000	\$900,000	18.42%
San Mateo	<u>1,769</u>	<u>20.9%</u>	\$650,000	<u>\$750,000</u>	15.38%
Sub-Total/Average	3,080	36.4%		\$883,511	
<u>South County</u>					
Atherton	42	0.5%	\$2,280,000	\$2,275,000	-0.22%
Menlo Park	360	4.3%	\$750,000	\$875,000	16.67%
Portola Valley	31	0.4%	\$1,400,000	\$1,565,000	11.79%
Redwood City	857	10.1%	\$645,000	\$735,000	13.95%
Woodside	<u>347</u>	<u>4.1%</u>	\$880,000	<u>\$1,040,000</u>	18.18%
Sub-Total/Average	1,637	19.4%		\$885,669	
<u>Coastal</u>					
Half Moon Bay	222	2.6%	\$720,500	\$806,500	11.94%
Unincorporated					
El Granada	44	0.5%	\$697,000	\$769,500	10.40%
La Honda	18	0.2%	\$460,000	\$602,500	30.98%
Montara	36	0.4%	\$699,500	\$776,500	11.01%
Moss Beach	33	0.4%	\$689,000	\$850,000	23.37%
Pescadero	<u>10</u>	<u>0.1%</u>	\$708,500	<u>\$772,500</u>	9.03%
Sub-Total/Average	363	4.3%		\$791,942	
<b>Total</b>	<b>8,450</b>	<b>100%</b>	<b>\$640,000</b>	<b>\$750,000</b>	<b>17.19%</b>

(1) Data not available for East Palo Alto.

(2) Data not available for Colma.

(3) Data not available for Foster City and Hillsborough.

Sources: DataQuick; Economics & Planning Systems, Inc.

**Table 3**  
**Estimated Link between Household Income and Affordable Housing Costs**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Household Income (1)	Households (2)			% Total	Affordable House Prices (3)	Affordable Rental Rages (4)
	Owners	Renters	Total			
\$0 - \$30,550	6,964	9,277	16,241	16%	\$0 - \$174,537	\$0 - \$764
\$30,551 - \$50,900	6,999	7,840	14,839	15%	\$174,543 - \$290,800	\$764 - \$1,273
\$50,901 - \$81,450	11,560	10,196	21,756	22%	\$290,806 - \$465,338	\$1,273 - \$2,036
\$81,451 - \$85,500	1,457	1,109	2,566	3%	\$465,343 - \$488,476	\$2,036 - \$2,138
\$85,501 - \$102,600	6,270	3,459	9,729	10%	\$488,482 - \$586,171	\$2,138 - \$2,565
More than \$102,600	<u>27,374</u>	<u>8,287</u>	<u>35,661</u>	<u>35%</u>	\$586,172 +	\$2,566 +
Total	60,625	40,167	100,792	100%		

(1) Household income figures in 2005 dollars.

(2) Distribution from 2000 U.S. Census.

(3) Assumptions include a 20% of home price down payment, a 30 year loan with 6.5% interest charge, and annual housing expenditures no greater than 35% of household income.

(4) Assumes that households spend 30% of monthly income on rent.

Source: Economic & Planning Systems, Inc.



**Table 4**  
**San Mateo County Age of For-Rent Residential Inventory, 2005**  
**San Mateo County Housing Needs Assessment; EPS #15099**

<b>Year Built</b>	<b>Age</b>	<b>Number of Properties (1)</b>	<b>Distribution</b>
Pre-1960s	Over 45	7	6%
1960s	35-45	39	34%
1970s	25-35	48	42%
1980s	15-25	9	8%
1990s	5-15	4	3%
2000s	Less than 5	<u>8</u>	<u>7%</u>
Total		115	100%
Average Year Built		1972	
Age Range		1948 - 2005	

(1) Apartment projects with at least 50 units.

Sources: RealFacts (4Q05); Economic & Planning Systems, Inc.

the properties were built during the 1970s or earlier, while only seven percent have been built since 2000. The majority of units surveyed were 1-bedrooms with 1 bath (43 percent), 2-bedrooms with 2 baths (23 percent), and 2-bedrooms with 1 bath (13 percent) (see **Table 5**).

As of fourth quarter 2005, the vacancy rate was reported as 4.1 percent and the average monthly lease rate was \$1,411 (see **Table 6**).<sup>9</sup> It is estimated that about 65 percent of San Mateo County households could afford this average monthly rent (see **Table 3**). However, these apartments are too small or would require overcrowding to accommodate many of these households.

## AVAILABILITY OF EXISTING HOUSING STOCK

At present, there are minimal vacancies in the San Mateo County housing market and clear indications of an undersupply of housing affordable to households making less than the median income. The average Countywide vacancy rate at 2.5 percent represents a structural vacancy associated with normal turnover. As a result, there is minimal excess capacity among the existing housing stock to accommodate new household formation.

Current housing conditions also indicate a significant, undersupply of housing. The San Mateo County 2000 Housing Element indicated 31,000 units, 11.9 percent of the total, were overcrowded and that households in 63,000 units, 24.2 percent of the total, put more than 30 percent of their income towards housing costs.<sup>10</sup>

## COMMUTING

As of 2000, San Mateo County in-commuting and out-commuting were significant, but relatively balanced. As a result, while many workers at San Mateo County jobs found housing elsewhere, a similar number of persons working in other counties resided in San Mateo County. As a result, at the current time, other counties do not absorb a significant net amount of worker housing need. As discussed in subsequent sections, projections suggest that this pattern will change, with in-commuting starting to significantly outnumber out-commuting in the coming years.

As of 2000, about 59 percent of San Mateo County workers (206,100) lived in the County and about 41 percent (144,400) lived outside. The 144,400 in-commuting workers primarily lived in San Francisco, Santa Clara, and Alameda counties. At the same time, about 58 percent of the employed residents of San Mateo County worked inside

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<sup>9</sup> The data is only cities with at least 5 communities of at least 50 units.

<sup>10</sup> The number of housing units in San Mateo County in 2000 was 260,600. Overcrowding was defined as units with more than one person per room.

**Table 5**  
**San Mateo County For-Rent Residential Unit Mix, 2005 (1)**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Unit Type	Units (2)	Distribution
Studio	2,163	10.0%
Jr 1 bd	530	2.5%
1 bd 1 bth	9,216	42.7%
1 bd TH (3)	25	0.1%
2 bd 1 bth	2,763	12.8%
2 bd 1.5 bth	308	1.4%
2 bd 2 bth	5,017	23.2%
2 bd TH (3)	751	3.5%
3 bd 1 bth	6	0.0%
3 bd 1.5 bth	64	0.3%
3 bd 2 bth	497	2.3%
3 bd 3 bth	15	0.1%
3 bd TH (3)	<u>253</u>	<u>1.2%</u>
Total	21,608	100%

(1) Although this source only tracks one-quarter of apartment stocks, it is considered to be reasonably representative.

(2) Apartment projects with at least 50 units.

(3) TH = Townhome.

Sources: RealFacts (4Q05); Economic & Planning Systems, Inc.

**Table 6**  
**San Mateo County For-Rent Residential Summary by City, 2005**  
**San Mateo County Housing Needs Assessment; EPS #15099**

City (1)	Communities	% of Total	Avg. Occupancy	Avg. Rent
San Mateo	29	28.7%	96.4%	\$1,515
Redwood City	14	13.9%	95.9%	\$1,519
Daly City	13	12.9%	94.3%	\$1,259
Foster City	13	12.9%	95.9%	\$1,623
Belmont	12	11.9%	96.2%	\$1,179
Pacifica	9	8.9%	95.0%	\$1,435
East Palo Alto	6	5.9%	97.4%	\$1,015
South San Francisco	<u>5</u>	<u>5.0%</u>	<u>96.5%</u>	<u>\$1,339</u>
Total/Average	101	100%	95.9%	\$1,411

(1) Cities with at least 5 communities of at least 50 units.

Sources: RealFacts (4Q05); Economic & Planning Systems, Inc.

the County and 42 percent worked outside. The 146,800 out-commuting workers in 2000 primarily worked in San Francisco, Santa Clara, and Alameda counties. Overall, San Mateo County workers formed about 80,500 households in other Counties (an average of about 1.8 workers per household), while San Mateo County provided housing for about 76,200 households who worked elsewhere (an average of about 1.9 workers per household). This represents only a small net provision of housing by other counties for San Mateo County workers (see **Tables 7 and 8**).

## **NEW DEVELOPMENTS**

**Table 9** shows several of the new residential developments in San Mateo County. The price points of the new developments vary from about \$500,000 up to \$1.2 million. The price variation is primarily related to the size of the units and the product type. For example, single-family detached units were larger and carried higher price points than the condominiums. At the same time, the combination of low interest rates, relatively low rental rates, and increasing construction costs resulted in minimal apartment development in recent years. Overall, new development, whether the product is aimed at young professionals, empty nesters, or families, has targeted the higher end of the market.

**Table 7**  
**San Mateo County Head of Household Residents Who Work Elsewhere by Industrial Sector and Occupation, 2000**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Industry	Management	Service	Sales and Office	Farming, Fishing, & Forestry	Construction & Extraction	Installation, Maintenance, Repair, Production, Transportation, Material Moving	Armed Forces	Total
Agriculture, Forestry, Fishing, Hunting, Mining	45	24	50	0	19	16	0	154
Construction	1,593	19	209	0	3,766	388	0	5,975
Manufacturing and Wholesale	9,330	90	2,397	0	150	2,700	0	14,667
Retail	1,723	126	2,557	0	70	811	0	5,287
Transportation, Warehousing, and Utilities	918	208	1,750	0	104	2,311	0	5,291
Information	2,987	21	1,321	0	0	583	0	4,912
Finance, Insurance, Real Estate, Rental, and Leasing	3,738	154	2,432	0	45	333	0	6,702
Professional, Scientific, Management, Administrative, and Waste Management	9,902	1,024	2,003	0	145	387	0	13,461
Educational, Health, and Social Services	8,565	776	1,270	0	43	157	0	10,811
Arts, Entertainment, Accommodation, Food Services, Other Services (except Public Administration)	1,922	2,367	564	0	13	972	0	5,838
Public Administration and Armed Forces	<u>1,391</u>	<u>849</u>	<u>579</u>	<u>0</u>	<u>102</u>	<u>175</u>	<u>0</u>	<u>3,096</u>
<b>Total</b>	<b>42,114</b>	<b>5,658</b>	<b>15,132</b>	<b>0</b>	<b>4,457</b>	<b>8,833</b>	<b>0</b>	<b>76,194</b>

Sources: Beyond 20/20; Economic and Planning Systems, Inc.

**Table 8**  
**San Mateo County Head of Household Workers Who Live Elsewhere by Industrial Sector and Occupation, 2000**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Industry	Management	Service	Sales and Office	Farming, Fishing, & Forestry	Construction & Extraction	Installation, Maintenance, Repair, Production, Transportation, Material Moving	Armed Forces	Total
Agriculture, Forestry, Fishing, Hunting, Mining	88	0	0	156	0	43	0	287
Construction	1,458	29	193	0	4,372	569	0	6,621
Manufacturing and Wholesale	8,250	60	2,505	13	192	3,927	0	14,947
Retail	3,132	157	3,129	0	76	1,030	0	7,524
Transportation, Warehousing, and Utilities	1,677	975	2,041	0	132	4,578	0	9,403
Information	4,242	40	1,362	0	0	235	0	5,879
Finance, Insurance, Real Estate, Rental, and Leasing	3,380	55	1,721	0	18	253	0	5,427
Professional, Scientific, Management, Administrative, and Waste Management	12,791	1,101	1,310	0	93	527	0	15,822
Educational, Health, and Social Services	4,993	706	653	0	33	157	0	6,542
Arts, Entertainment, Accommodation, Food Services, Other Services (except Public Administration)	1,447	1,980	663	0	42	1,036	0	5,168
Public Administration and Armed Forces	<u>1,336</u>	<u>997</u>	<u>344</u>	<u>0</u>	<u>59</u>	<u>125</u>	<u>69</u>	<u>2,930</u>
<b>Total</b>	<b>42,794</b>	<b>6,100</b>	<b>13,921</b>	<b>169</b>	<b>5,017</b>	<b>12,480</b>	<b>69</b>	<b>80,550</b>

Sources: Beyond 20/20; Economic and Planning Systems, Inc.

**Table 9  
New Developments in San Mateo County  
San Mateo County Housing Needs Assessment; EPS #15099**

Project Name	Builder	City	Unit Type	Average Unit Size (Sq. Ft.)	Average No. of Bedrooms	Total Units In Project	Units Sold	Units in Pipeline	Average Sales Price
Cambridge	Summer Hill	Belmont	Townhome	1,611	2	52	52	n/a	\$722,713
Maple Lane	Nexgen	East Palo Alto	Single-Family	2,220	4	29	12	17	\$805,743
Marisol	Summer Hill	San Bruno	Single-Family	2,386	4	115	115	n/a	\$873,957
Peninsula Mandalay	DR Horton	So. San Francisco	Condominiums	1,326	2	112	112	n/a	\$736,966
Mandalay Pointe	DR Horton	So. San Francisco	Townhome	2,498	4	70	70	n/a	\$1,118,517
Saratoga Park	JPI	San Mateo	Condominiums	898	2	226	61	85	\$498,053

Sources: The Ryness Company; Economic & Planning Systems, Inc.



### III. HOUSING NEEDS ANALYSIS

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This chapter estimates the housing need generated by projected County employment and population growth between 2005 and 2025. Housing need is measured in terms of number of units, divided by unit tenure (for sale or for rent) and by household income/affordable housing cost (sales price or monthly rent). Estimates of housing need are based on the new households generated by projected County job growth, specifically worker households (households with one or more workers). Non-worker households, such as unemployed, retired, and student households, are estimated based on the current ratio between worker and non-worker households. Each new household represents an additional occupied unit. Vacant units, over and above the units occupied by new households, will also be required to allow for typical turnover in the housing market. The methodology and results of the housing needs analysis are described below.

#### NEW WORKER HOUSEHOLDS

##### METHODOLOGY

New worker households generated by employment growth were estimated using a worker housing needs model.<sup>11</sup> The number of new households in the County associated with future economic growth depends on County employment growth as well as the changes in the number of in-commuters and out-commuters.

The primary steps in the worker households needs model are as follows:

- Employment growth for 2005 to 2025 was estimated based on the ABAG 2005 job projections. These projections are the most detailed projections available for cities and counties in the San Francisco Bay Area. The projections are based on past trends as well as assumptions concerning land use policies, housing availability, and commute patterns. Because the 2005 employment projections are based both on economic trends as well as assumptions about changes in land use policies, the job projections represent a relatively high estimate of future job growth in San Mateo County. Actual job growth will depend on the pace of the Bay Area economic recovery, the ability of the Bay Area's driving industries to specialize in high-value functions in light of the national and overseas competition, and the ability of the Bay Area to retain and continue to draw high-skilled workers.

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<sup>11</sup> The worker housing needs model connects employment projections by industry and occupation to relationships between workers, household formation, household income, and tenure based on 2000 Census information.

- The ABAG employment projections by city and industry were broken out by subregions. In addition, the jobs by industry were broken out into jobs by industry and occupation based on the Countywide 2000 distribution of jobs in each industry by occupation.
- The household formation pattern of workers was based on Countywide 2000 Census information on the propensity of workers in different industry and occupational groups to be the head of household (i.e., primary earner in the household). The ratios were then applied to the job projection by industry and occupation to estimate the expected number of new households associated with the new jobs.
- As of 2000, the numbers of in-commuters and out-commuters were relatively balanced (see **Chapter II**). As a result, the reduced need for new housing due to the provision of housing by other counties for San Mateo County workers was primarily negated by the provision of housing in San Mateo County for residents working in other counties. This is expected to change in the future, with the MTC projecting a significantly increased level of net in-commuting into San Mateo County. Based on MTC's projections, considering both new job growth in San Mateo County and elsewhere, other counties are expected to cover, in net terms, about 29.5 percent of San Mateo County's job-related housing needs. As a result, the new household formation projections were discounted by this percentage.
- The household income distribution associated with different heads of households in different industry sectors was derived from 2000 Census data for the County. The detailed income distribution was adjusted from 1999 into 2005 dollar terms based on a Consumer Price Index measure of inflation. The household income distribution was derived for specific income levels that correspond to the County's latest affordable housing-associated income levels, including the income levels associated with the top end of the moderate, low, very low, and extremely low income categories, as well as the median income level.
- The distribution of new worker households by subregion and by income group was translated into household distribution by housing cost based on the Department of Housing and Urban Development's (HUD) definition of preferred ratios between household income and housing expenditure. Specifically, 30 percent of gross household income was assumed to represent the cut-off point for affordable housing expenditures. This expenditure level was translated into an affordable monthly rent and housing price (based on standard assumptions concerning down payments, interest rates, and mortgage payments).
- The projected number of new worker households was translated into a housing unit need by assuming a fractional vacancy rate of 2.5 percent.

- The overall housing unit need matrix by subregion and income/housing cost was divided into ownership need and rental need. The tenure split was based on the Countywide 2000 distribution between ownership and rental units. Tenure distributions may change through time depending on changes in the housing market and the ability of households to afford ownership units, though the 2000 numbers represent a reasonable proxy.
- Housing need estimates were provided for the period 2005 to 2014 in addition to 2005 to 2025. The 2005 to 2014 projections were estimated as a simple proportion of the 2005 to 2025 projections based on the relative numbers of years. The shorter period was covered both because it represents the period covered by the RHND and because it allows for a shorter term focus for policy discussion.

## RESULTS

ABAG 2005 projections estimate an increase of 133,300 jobs in San Mateo County between 2005 and 2025 (see **Table 10**). This represents a 40 percent increase over its current 336,500 job count, an average annual increase of 1.7 percent. With the exception of government and agriculture and natural resource jobs, job growth is expected across all industry sectors. The professional and managerial services sector is projected to experience the largest absolute growth of about 23,000 jobs, about 17.5 percent of total new job growth. For the period 2005 to 2014, the job growth projected is about 60,000 jobs.

The 2005 to 2025 job growth is expected to result in the formation of 68,100 new worker households, with an average of about two workers per household (see **Table 11**). Given the expected increase in in-commuters relative to out-commuters, San Mateo County will be required to satisfy the housing need of 70.5 percent of these households, or 48,000 households. For the period 2005 to 2014, the equivalent number of households is 21,600.

Household formation patterns were converted into housing need assuming a 2.5 percent structural vacancy rate, which reflects the 2005 County rate. A total of 49,100 new housing units will be required to accommodate the new worker households formed between 2005 and 2025 (see **Table 12**). About 20,400 housing units will be required for households associated with North County job growth, 16,700 units to house Mid County job growth, and 11,700 to house South County job growth, and about 360 units in the Coastal area (see **Table 12**). Accordingly, over 41 percent of the job-driven housing need will emanate from North County job growth, 34 percent from Mid County growth, and 24 percent from South County growth. For the period 2005 to 2014, the equivalent housing need is 22,100 units.

**Table 10**  
**San Mateo County Employment Projections by Industry, 2005-2014**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Industry	2005		2025		2005-2025	2005-2014
	Jobs	%	Jobs	%	Jobs	Jobs (1)
Agriculture and Natural Resources	1,880	1%	1,900	0%	20	9
Construction	25,920	8%	37,680	8%	11,760	5,292
Manufacturing and Wholesale	40,130	12%	57,700	12%	17,570	7,907
Retail	35,160	10%	49,040	10%	13,880	6,246
Transportation and Utilities	30,980	9%	41,810	9%	10,830	4,874
Information	16,950	5%	26,000	6%	9,050	4,073
Financial and Leasing	29,550	9%	43,490	9%	13,940	6,273
Professional and Managerial Services	60,000	18%	83,130	18%	23,130	10,409
Health and Educational Services	50,010	15%	67,420	14%	17,410	7,835
Arts, Recreation and Other Services	35,870	11%	49,050	10%	13,180	5,931
Government	<u>10,010</u>	<u>3%</u>	<u>12,520</u>	3%	<u>2,510</u>	<u>1,130</u>
Total	336,460	100%	469,740	100%	133,280	59,976

(1) Represents proportionate share of job growth 2005-2025. Specific projections for 2004-2014 are uncertain.

Sources: ABAG (2005); Economic and Planning Systems, Inc.

**Table 11**  
**San Mateo County Worker Household Formation by Industry Sector and Occupation, 2005-2025**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Industry	Management	Service	Sales & Office	Farming, Fishing, Construction & Forestry	Construction & Extraction	Maintenance, Production, & Transportation (1)	Armed Forces	San Mateo County	
								Number	%
Agriculture, Forestry, Fishing, Hunting, Mining	3	0	0	4	0	2	0	9	0%
Construction	1,773	42	355	0	4,580	455	0	7,205	11%
Manufacturing and Wholesale	4,975	75	2,106	37	127	2,455	0	9,775	14%
Retail	2,052	116	3,110	0	42	735	0	6,054	9%
Transportation, Warehousing, and Utilities	1,189	514	1,682	0	92	2,791	0	6,267	9%
Information	3,513	26	971	0	0	259	0	4,769	7%
Finance, Insurance, Real Estate, Rental, and Leasing	4,098	72	2,758	0	65	261	0	7,255	11%
Professional, Scientific, Management, Administrative, and Waste Management	9,503	1,234	1,538	0	63	422	0	12,759	19%
Educational, Health, and Social Services	5,312	1,024	799	0	30	157	0	7,322	11%
Arts, Entertainment, Accommodation, Food Services, Other Services (except Public Administration	1,311	2,159	658	0	31	1,018	0	5,177	8%
Public Administration and Armed Forces	<u>594</u>	<u>530</u>	<u>247</u>	<u>0</u>	<u>24</u>	<u>54</u>	<u>21</u>	<u>1,469</u>	<u>2%</u>
<b>Total</b>	<b>34,323</b>	<b>5,792</b>	<b>14,224</b>	<b>40</b>	<b>5,053</b>	<b>8,608</b>	<b>21</b>	<b>68,062</b>	100%
<b>Job Related Worker Household Formation in San Mateo County (2)</b>	<b>24,217</b>	<b>4,086</b>	<b>10,036</b>	<b>28</b>	<b>3,565</b>	<b>6,073</b>	<b>15</b>	<b>48,021</b>	

(1) Installation, Maintenance, Repair, Production, Transportation, and Material Moving.

(2) Numbers are decreased by 29.5% to account for the net provision of housing by other counties.

Sources: Beyond 20/20; Economic and Planning Systems, Inc.

**Table 12**  
**San Mateo County Income Distribution of Worker Housing Units, 2005-2025**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Household Income (1)	Housing Units (2)				
	North County	Mid County	South County	Coastal	San Mateo County
\$0 - \$30,550	1,602	1,284	895	28	3,808
\$30,551 - \$50,900	2,667	2,131	1,490	44	6,331
\$50,901 - \$81,450	4,565	3,641	2,563	78	10,847
\$81,451 - \$85,500	593	480	337	11	1,420
\$85,501 - \$102,600	2,201	1,792	1,268	40	5,302
More than \$102,600	<u>8,728</u>	<u>7,331</u>	<u>5,176</u>	<u>162</u>	<u>21,396</u>
<b>Total</b>	<b>20,355</b>	<b>16,658</b>	<b>11,729</b>	<b>362</b>	<b>49,104</b>

(1) The income categories were inflated by 12.4% to reflect the growth rate of the San Mateo HUD Income Limits from 2000 to 2005, which also closely reflects the growth in CPI for that period.

(2) Accounts for San Mateo County Housing Needs Assessment; EPS #15099 structural vacancy rate.

Sources: HUD; ABAG (2005); Economic & Planning Systems, Inc.

Over 40 percent of the job-driven housing need (about 21,000 units) will come from households making less than \$81,450, 95 percent of median income, defined as low, very low, and extremely low income households.<sup>12</sup> More specifically, between 2005 and 2025, about 3,800 new housing units will be required to accommodate extremely low income worker households, 6,300 units to accommodate very low income households, and 10,800 units to accommodate low income households. An additional 6,700 housing units will be required to accommodate moderate income households (household with incomes below 120 percent of median income but above the low income level) and 21,400 units to accommodate households making above moderate income (see **Table 12**).

About 8,800 units will be required to serve new low, very low, and extremely low income worker households associated with new North County jobs, 7,100 units in the Mid County, 4,900 housing units in the South County, and 150 units in the Coastal area (see **Table 12**).

Based on the 2000 tenure patterns, approximately 63 percent of the need for housing in San Mateo County will be for ownership units and 37 percent for rental units (see **Table 13**). The Coastal area is expected to have the highest proportionate need for ownership units at 76 percent, followed by the North County at 67 percent, and the Mid and South County subregions at 60 percent.

As household income increases, the opportunity for home ownership typically increases. As a result, the propensity to own is significantly higher at the higher income levels. For example, current and expected future home ownership is estimated at 43 percent for households with incomes less than \$30,550 and at 77 percent for households with incomes greater than \$102,600 based on Census 2000 data. **Table 14** shows how much projected new worker households could afford to spend on housing by tenure.

## TOTAL HOUSING NEED

The actual housing need in San Mateo County will be significantly greater than the worker driven housing need. Housing need is composed of worker households as well as non-worker households, including traditional retirees, persons living off investments, students, and unemployed households among others. In the year 2000, the County consisted of a total of 254,200 households, including 172,800 worker households and 81,400 non-worker households (see **Table 15**). On average, the countywide ratio of non-worker to worker households was 0.47 in 2000. However, ratios vary significantly

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<sup>12</sup> San Mateo County 2005 definitions include: (1) extremely low income households make 35 percent of Countywide median income; (2) very low income households make 60 percent of median income; (3) low income households make 95 percent of median income; (3) moderate income households make less than 120 percent of median income. The County median income used for the purposes of this analysis is \$85,500 (2005 dollars) and represents the existing median for a 3-person household.

**Table 13**  
**San Mateo County Income Distribution of Worker Housing Units by Tenure, 2005-2025**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Household Income (1)	North County		Mid County		South County		Coastal		San Mateo County	
	Units	%	Units	%	Units	%	Units	%	Units	%
<b>Owner</b>										
\$0 - \$30,550	734	46%	550	43%	331	37%	19	68%	1,634	43%
\$30,551 - \$50,900	1,383	52%	981	46%	593	40%	29	66%	2,986	47%
\$50,901 - \$81,450	2,653	58%	1,820	50%	1,238	48%	58	74%	5,769	53%
\$81,451 - \$85,500	374	63%	247	52%	171	51%	8	73%	799	57%
\$85,501 - \$102,600	1,609	73%	1,058	59%	722	57%	28	70%	3,418	64%
More than \$102,600	6,907	79%	5,405	74%	3,976	77%	135	84%	<u>16,424</u>	<u>77%</u>
<b>Total</b>	<b>13,659</b>	<b>67%</b>	<b>10,061</b>	<b>60%</b>	<b>7,032</b>	<b>60%</b>	<b>277</b>	<b>76%</b>	<b>31,029</b>	<b>63%</b>
<b>Renter</b>										
\$0 - \$30,550	868	54%	734	57%	566	63%	9	33%	2,177	57%
\$30,551 - \$50,900	1,284	48%	1,150	54%	896	60%	15	34%	3,345	53%
\$50,901 - \$81,450	1,912	42%	1,827	50%	1,328	52%	20	26%	5,088	47%
\$81,451 - \$85,500	219	37%	226	48%	161	49%	3	27%	608	43%
\$85,501 - \$102,600	593	27%	734	41%	547	43%	12	30%	1,885	36%
More than \$102,600	1,820	21%	1,926	26%	1,199	23%	26	16%	<u>4,972</u>	<u>23%</u>
<b>Total</b>	<b>6,696</b>	<b>33%</b>	<b>6,597</b>	<b>40%</b>	<b>4,697</b>	<b>40%</b>	<b>85</b>	<b>24%</b>	<b>18,075</b>	<b>37%</b>
<b>Total Units</b>										
\$0 - \$30,550	1,602	100%	1,284	100%	897	100%	28	100%	3,811	100%
\$30,551 - \$50,900	2,667	100%	2,131	100%	1,489	100%	44	100%	6,331	100%
\$50,901 - \$81,450	4,565	100%	3,648	100%	2,565	100%	78	100%	10,856	100%
\$81,451 - \$85,500	593	100%	473	100%	332	100%	11	100%	1,408	100%
\$85,501 - \$102,600	2,201	100%	1,792	100%	1,269	100%	40	100%	5,303	100%
More than \$102,600	8,728	100%	7,331	100%	5,176	100%	162	100%	<u>21,396</u>	<u>100%</u>
<b>Total</b>	<b>20,355</b>	<b>100%</b>	<b>16,658</b>	<b>100%</b>	<b>11,728</b>	<b>100%</b>	<b>363</b>	<b>100%</b>	<b>49,104</b>	<b>100%</b>

(1) The income categories were inflated by 12.4% to reflect the growth rate of the HUD San Mateo Income Limit from 2000 to 2005, which also closely reflects the growth in CPI for that period.

Sources: HUD; ABAG (2005); Economic & Planning Systems, Inc.



**Table 14**  
**San Mateo County Affordability Distribution of Worker Housing Units by Tenure, 2005-2025**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Housing Affordability	North County		Mid County		South County		Coastal		San Mateo County	
	Units	%	Units	%	Units	%	Units	%	Units	%
<b>Owner (1)</b>										
\$0 - \$174,537	734	4%	550	3%	331	3%	19	5%	1,634	3%
\$174,543 - \$290,800	1,383	7%	981	6%	593	5%	29	8%	2,986	6%
\$290,806 - \$465,338	2,653	13%	1,820	11%	1,238	11%	58	16%	5,769	12%
\$465,343 - \$488,476	374	2%	247	1%	171	1%	8	2%	799	2%
\$488,482 - \$586,171	1,609	8%	1,058	6%	722	6%	28	8%	3,418	7%
More than \$586,172	6,907	34%	5,405	32%	3,976	34%	135	37%	<u>16,424</u>	33%
<b>Total</b>	<b>13,659</b>	<b>67%</b>	<b>10,061</b>	<b>60%</b>	<b>7,032</b>	<b>60%</b>	<b>277</b>	<b>76%</b>	<b>31,029</b>	<b>63%</b>
<b>Renter (2)</b>										
\$0 - \$764	868	4%	734	4%	566	5%	9	3%	2,177	4%
\$764 - \$1,273	1,284	6%	1,150	7%	896	8%	15	4%	3,345	7%
\$1,273 - \$2,036	1,912	9%	1,827	11%	1,328	11%	20	6%	5,088	10%
\$2,036 - \$2,138	219	1%	226	1%	161	1%	3	1%	608	1%
\$2,138 - \$2,565	593	3%	734	4%	547	5%	12	3%	1,885	4%
More than \$2,566	1,820	9%	1,926	12%	1,199	10%	26	7%	<u>4,972</u>	10%
<b>Total</b>	<b>6,696</b>	<b>33%</b>	<b>6,597</b>	<b>40%</b>	<b>4,697</b>	<b>40%</b>	<b>85</b>	<b>24%</b>	<b>18,075</b>	<b>37%</b>

(1) Assumptions include a 20% of home price down payment, a 30 year loan with 6.5% interest charge, and annual housing expenditures no greater than 35% of household income.

(2) Assumes that households spend 30% of monthly income on rent.

Sources: HUD; U.S. Census (2000); Economic & Planning Systems, Inc.

**Table 15**  
**San Mateo County Income Distribution of Worker and Non-Worker Households, 2000**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Household Income (1)	Households	Worker Households	Non-Worker Households	Non-Worker to Worker Household Ratio
\$0 - \$30,550	38,602	12,516	26,086	2.08
\$30,551 - \$50,900	36,716	21,671	15,046	0.69
\$50,901 - \$81,450	54,199	37,361	16,838	0.45
\$81,451 - \$85,500	6,603	5,034	1,570	0.31
\$85,501 - \$102,600	22,922	17,272	5,649	0.33
More than \$102,600	<u>95,176</u>	<u>78,928</u>	<u>16,248</u>	<u>0.21</u>
<b>Total</b>	<b>254,219</b>	<b>172,782</b>	<b>81,437</b>	<b>0.47</b>

(1) The income breakdown has been inflated by 12.4%, the growth rate of the San Mateo Income Limit between 2000 and 2005, which also closely reflects the growth in CPI for the period.

Sources: HUD; U.S. Census (2000); Economic & Planning Systems, Inc.

by income groups with non-worker households representing a much higher proportion of households at lower income levels. This is the result of the more limited incomes of many traditional retirees, students, and unemployed persons.

Total housing need depends on the number of new households formed. Total new households formed over the period equals new worker households plus new non-worker households. As the population and number of households increase over time in the County, and especially as increasing numbers of workers from the baby boom generation retire, the number of non-worker households in the County will increase. Estimates of new non-worker households were based on the estimate of new worker households and existing ratios between non-worker and worker households by income group, derived from 2000 Census data. If the current ratio of worker to non-worker households continues, an additional 23,800 housing units would be required from 2005 to 2025 in addition to the 49,100 worker-related housing units, for a total housing need of 72,900 housing units (see **Table 16**).

This represents a significant increase in non-worker households, though the expected increase in worker retirements supports this level of non-worker households. The total number of persons in the County over 65 is expected to increase by about 65,000 persons over the next 20 years according to California Department of Finance (DOF) projections. Retirees will account for a significant proportion of the new non-worker households.

**Table 16**  
**San Mateo County Income Distribution of Worker and Non-Worker Housing Units Need by Tenure, 2005-2025**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Household Income (1)	North County	Mid County	South County	Coastal	San Mateo County
<b>Owner</b>					
\$0 - \$30,550	2,263	1,697	1,018	57	5,036
\$30,551 - \$50,900	2,344	1,662	1,004	49	5,058
\$50,901 - \$81,450	3,847	2,635	1,795	84	8,361
\$81,451 - \$85,500	492	329	227	10	1,058
\$85,501 - \$102,600	2,134	1,406	956	37	4,533
More than \$102,600	8,326	6,517	4,794	163	<u>19,801</u>
<b>Total</b>	<b>19,406</b>	<b>14,245</b>	<b>9,794</b>	<b>401</b>	<b>43,847</b>
<b>Renter</b>					
\$0 - \$30,550	2,677	2,263	1,742	28	6,709
\$30,551 - \$50,900	2,176	1,948	1,516	25	5,666
\$50,901 - \$81,450	2,773	2,645	1,925	30	7,373
\$81,451 - \$85,500	288	301	213	4	806
\$85,501 - \$102,600	786	974	724	16	2,500
More than \$102,600	2,194	2,323	1,446	32	<u>5,994</u>
<b>Total</b>	<b>10,894</b>	<b>10,455</b>	<b>7,566</b>	<b>134</b>	<b>29,048</b>
<b>Total Units</b>					
\$0 - \$30,550	4,940	3,960	2,760	85	11,745
\$30,551 - \$50,900	4,520	3,610	2,520	74	10,724
\$50,901 - \$81,450	6,620	5,280	3,720	114	15,734
\$81,451 - \$85,500	780	630	440	14	1,864
\$85,501 - \$102,600	2,920	2,380	1,680	53	7,033
More than \$102,600	10,520	8,840	6,240	195	25,795
<b>Total</b>	<b>30,300</b>	<b>24,700</b>	<b>17,360</b>	<b>535</b>	<b>72,895</b>

(1) The income breakdown has been inflated by 12.4%, the growth rate of the San Mateo Income Limit between 2000 and 2005, which also closely reflects the growth in CPI for the period.

Sources: HUD; ABAG (2005); Economic & Planning Systems, Inc.

## IV. HOUSING SUPPLY ANALYSIS

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This chapter provides two distinct housing forecasts for 2005 to 2025 (and for 2005 to 2014). The first is based on the 2005 ABAG household projections and represents a more optimistic forecast based both on past housing development trends and conversations with local planners in other jurisdictions. It includes assumptions about the shift of regional housing supply to existing urbanized areas through shifts in land use and transportation policy. The second assumes a continuation of the historical, lower rate of housing development in the County over the last decade. The actual level of housing development will depend on local land use policies, market conditions, construction costs, and community support/opposition. An evaluation of General Plan land use policies in all cities in the County was beyond the scope of this analysis.

### GENERAL APPROACH

The approach to estimating the number of new housing units projected to be developed between 2005 and 2025 and the associated results are described in the subsections below. For both scenarios, the division of housing supply between different household income groups/affordable housing costs was based on MTC Travel Model Systems. This model allocates future ABAG household growth by income group, thereby providing a proxy for the projected cost of housing. Converting the income categories in this model into the housing needs model income categories results in estimates that about 74 percent of new housing development between 2005 and 2025 will be affordable to households making more than moderate income, about 11.5 percent will be affordable to those making moderate incomes, and 14.5 percent affordable to those in the low income or below categories (see **Table 17**).<sup>13</sup> The housing supply was also divided by tenure based on the 2000 tenure distributions by subregion and income category.

### HOUSING SUPPLY SCENARIO 1

ABAG's 2005 projections provide an estimate of new households between 2005 and 2025 by Bay Area county and city. Starting in 2003, ABAG projections were predicated on an increasing regional and local land use and transportation policy commitment to infill and transit-oriented development throughout the San Francisco Bay Area. These household projections provide a more optimistic projection of future housing development in the County.

ABAG projects that the new number of households in San Mateo County will increase by close to 37,000 between 2005 and 2025, or 0.71 percent annually. As shown in **Table 18**, when a structural vacancy rate of 2.5 percent is incorporated, these ABAG

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<sup>13</sup> This Countywide housing price distribution was applied to all subareas. In reality, the housing price distribution will vary by subarea.

**Table 17**  
**Proportion of Housing Supply Affordable to Different Income Groups**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Household Income (1)	North County	Mid County	South County	Coastal	San Mateo County
\$0 - \$30,550	0.0%	0.0%	2.1%	0.0%	0.0%
\$30,551 - \$50,900	2.5%	1.7%	5.3%	0.0%	3.0%
\$50,901 - \$81,450	13.6%	8.5%	13.9%	1.6%	11.7%
\$81,451 - \$85,500	2.8%	1.8%	2.1%	1.1%	2.2%
\$85,501 - \$102,600	11.9%	7.6%	8.8%	4.8%	9.4%
More than \$102,600	<u>69.1%</u>	<u>80.5%</u>	<u>67.8%</u>	<u>92.5%</u>	<u>73.7%</u>
<b>Total (2)</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

(1) Converted to 2005 \$\$ from 1998 \$\$.

Income distribution based on MTC household projections by income category for 2005-2025.

Sources: MTC; Economic & Planning Systems, Inc.

**Table 18**  
**Scenario 1: San Mateo County Housing Projection, 2005-2025**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Household Income (1)	North County	Mid County	South County	Coastal	San Mateo County
<b>Total Units</b>					
\$0 - \$30,550	0	0	238	0	238
\$30,551 - \$50,900	323	201	604	0	1,128
\$50,901 - \$81,450	1,727	1,024	1,594	28	4,373
\$81,451 - \$85,500	358	215	240	19	833
\$85,501 - \$102,600	1,511	909	1,014	81	3,515
More than \$102,600	<u>8,781</u>	<u>9,681</u>	<u>7,772</u>	<u>1,577</u>	<u>27,811</u>
<b>Total (2)</b>	<b>12,699</b>	<b>12,032</b>	<b>11,463</b>	<b>1,705</b>	<b>37,898</b>
<b>Owner</b>					
\$0 - \$30,550	0	0	88	0	88
\$30,551 - \$50,900	167	93	241	0	501
\$50,901 - \$81,450	1,004	511	769	21	2,304
\$81,451 - \$85,500	226	112	124	14	476
\$85,501 - \$102,600	1,104	537	577	57	2,275
More than \$102,600	<u>6,949</u>	<u>7,138</u>	<u>5,971</u>	<u>1,322</u>	<u>21,380</u>
<b>Total (3)</b>	<b>9,450</b>	<b>8,391</b>	<b>7,770</b>	<b>1,414</b>	<b>27,024</b>
<b>Renter</b>					
\$0 - \$30,550	0	0	150	0	150
\$30,551 - \$50,900	155	109	364	0	628
\$50,901 - \$81,450	723	513	825	7	2,069
\$81,451 - \$85,500	132	103	116	5	357
\$85,501 - \$102,600	407	372	437	24	1,240
More than \$102,600	<u>1,831</u>	<u>2,544</u>	<u>1,801</u>	<u>255</u>	<u>6,431</u>
<b>Total (3)</b>	<b>3,249</b>	<b>3,641</b>	<b>3,693</b>	<b>291</b>	<b>10,874</b>

(1) Income distribution based on MTC household projections by income category for 2005-2025.

(2) Housing unit growth projected by applying 2005 San Mateo County vacancy rate of 2.48% from DOF to projected household growth (ABAG).

(3) Applies 2000 tenure distribution from Census to total estimated units. See Table 13.

Sources: ABAG (2005); MTC; Economic & Planning Systems, Inc.

projections suggest a housing supply of 37,900 housing units. This includes 12,700 units in North County, 12,000 in Mid County, and 11,500 units in South County. In addition, a total of 1,700 units are projected in the Coastal area.

Based on the MTC model, the large majority of the units, about 73 percent, will only be affordable to households with incomes over \$102,600 (120 percent of median household income). Based on the existing tenure split, 27,000 of the units (71 percent) will be for sale, while the other 10,900 units (29 percent) will be for rent. Of the total, 21,400 units are expected to be for-sale units aimed at household with incomes over 120 percent of the median. Another 6,400 units will be rental units aimed at this same income group. The remaining 10,100 units will be affordable to households making below 120 percent of median income, with about 1,350 units affordable to households making less than 60 percent of the median income. Of these 10,100 units, about 5,600 units are expected to be ownership units and 4,400 rental units.

## **HOUSING SUPPLY SCENARIO 2**

The second projection of housing supply is based on the historical rate of housing development in the County. Specifically, the rate of housing development between 1995 and 2005 was estimated at 0.4 percent annually, based on California Department of Finance estimates, and was assumed to continue between 2005 and 2025. This approach results in a more conservative estimate of future housing development (see **Table 19**).

This supply scenario projects the development of about 23,900 housing units between 2005 and 2025. This includes about 8,000 units in North County, 5,600 units in Mid County, 7,300 units in South County, and 2,900 units in the Coastal area. The only subregion with a higher supply projection than under Scenario 1 is the Coastal area.

Similar to Scenario 1, the large majority of the units, about 75 percent, will only be affordable to households with incomes over \$102,600. Overall, 17,300 of the units (73 percent) will be for sale, while the other 6,500 units (27 percent) will be for rent. Of the total, 13,900 units are expected to be for-sale units aimed at household with incomes over 120 percent of the median. Another 4,000 units will be rental units aimed at this same income group. The remaining 5,900 units will be affordable to households making below 120 percent of median income, with about 750 units affordable to households making less than 60 percent of the median income. Of these 5,900 units, about 3,400 units are expected to be ownership units and 2,500 rental units.



**Table 19**  
**Scenario 2: San Mateo County Housing Projection, 2005-2025**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Household Income (1)	North County	Mid County	South County	Coastal	San Mateo County
<b>Total Units</b>					
\$0 - \$30,550	0	0	100	0	100
\$30,551 - \$50,900	202	94	342	0	638
\$50,901 - \$81,450	1,081	480	945	48	2,554
\$81,451 - \$85,500	224	101	146	33	504
\$85,501 - \$102,600	946	426	615	139	2,126
More than \$102,600	<u>5,497</u>	<u>4,537</u>	<u>5,187</u>	<u>2,707</u>	<u>17,929</u>
<b>Total (2)</b>	<b>7,950</b>	<b>5,638</b>	<b>7,335</b>	<b>2,928</b>	<b>23,851</b>
<b>Owner</b>					
\$0 - \$30,550	0	0	37	0	37
\$30,551 - \$50,900	105	43	136	0	284
\$50,901 - \$81,450	628	240	456	36	1,359
\$81,451 - \$85,500	141	53	75	24	293
\$85,501 - \$102,600	691	252	350	98	1,391
More than \$102,600	<u>4,351</u>	<u>3,345</u>	<u>3,985</u>	<u>2,270</u>	<u>13,950</u>
<b>Total (3)</b>	<b>5,916</b>	<b>3,932</b>	<b>5,039</b>	<b>2,427</b>	<b>17,315</b>
<b>Renter</b>					
\$0 - \$30,550	0	0	63	0	63
\$30,551 - \$50,900	97	51	206	0	354
\$50,901 - \$81,450	453	240	489	13	1,195
\$81,451 - \$85,500	83	48	71	9	210
\$85,501 - \$102,600	255	174	265	42	736
More than \$102,600	<u>1,147</u>	<u>1,192</u>	<u>1,202</u>	<u>437</u>	<u>3,978</u>
<b>Total (3)</b>	<b>2,034</b>	<b>1,706</b>	<b>2,296</b>	<b>500</b>	<b>6,536</b>

(1) Income distribution based on MTC household projections by income category for 2005-2025.

(2) Calculated by applying historical housing unit annual growth rate (DOF) to 2005 housing units estimates (DOF).

(3) Applies 2000 tenure distribution from Census to total estimated units. See Table 13.

Sources: DOF; MTC; Economic & Planning Systems, Inc.

## V. PROJECTED HOUSING DEFICITS/SURPLUSES

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The comparison of projected housing need with housing supply suggests a significant deficiency in housing provision at all income levels, but most prevalently at the lower income levels. The sections below show this comparison and the associated housing deficits.

### WORKER HOUSING NEED COMPARISON

#### OVERALL DEFICITS

The comparison of worker housing need to both housing supply projections indicates a significant shortfall in housing production, before non-worker housing need is incorporated. As shown in **Table 20**, a total housing deficit of 11,200 units is projected under the more optimistic supply scenario (Scenario 1) between 2005 and 2025 and 5,000 units for the period 2005 to 2014 (see **Table 21**). Under this projection, housing supply would meet 77 percent of the worker housing need.

Between 2005 and 2025, all of the 21,400 housing need of worker households with greater than moderate incomes will be accommodated with around 27,800 units. At all other levels, however, housing supply will significantly fall short of covering the worker housing need. For households with moderate income levels, between \$81,500 and \$102,500, the housing deficit will be about 2,300 units. For low-, very low-, and extremely low-income households, a supply of only 5,700 units is projected relative to a projected need of 21,000 units. The resulting deficit is 15,300 for these income levels, representing an average additional deficit of over units each year.

On a subregion basis, the North, Mid, and South County all show significant housing deficits (see **Table 22**). Similarly to the overall County pattern, the housing deficits in each of these subregions are most prevalent at the extremely low, very low, and low household income level. Overall, the North County's supply is expected to be the lowest as a proportion of need at 62 percent, compared to 72 percent in the Mid County, and 97 percent in the South County. Because of its low level of job growth, the Coastal area has a projected supply that is greater than the projected need, though there are still housing deficits at the lowest income levels.

If current housing construction trends continue (Scenario 2), the housing deficit will be even greater as shown in **Table 20** and housing supply will cover less than 49 percent of the projected need. A total housing deficit of 25,253 units would occur over the 2005 to 2025 period and a deficit of 11,400 units over the 2005 to 2014 period (see **Table 21**). The overall housing deficit would be significant at all levels, including the higher income levels. A total deficit of 17,705 units would occur for low, very low, and extremely low income households over the twenty year period and 8,000 units over the nine-year period.

**Table 20**  
**Projected Housing Supply versus Worker Household Need, 2005-2025**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Household Income (1)	Ownership Units			Rental Units			Total Units		
	Supply	Need (2)	Balance (3)	Supply	Need (2)	Balance (3)	Supply	Need (2)	Balance (3)
<b>Scenario 1 (4)</b>									
\$0 - \$30,550	88	1,634	(1,546)	150	2,177	(2,026)	238	3,811	(3,572)
\$30,551 - \$50,900	501	2,986	(2,485)	628	3,345	(2,717)	1,128	6,331	(5,203)
\$50,901 - \$81,450	2,304	5,769	(3,464)	2,069	5,088	(3,019)	4,373	10,856	(6,483)
\$81,451 - \$85,500	476	799	(323)	357	608	(252)	833	1,408	(575)
\$85,501 - \$102,600	2,275	3,418	(1,143)	1,240	1,885	(645)	3,515	5,303	(1,788)
More than \$102,600	<u>21,380</u>	<u>16,424</u>	<u>4,956</u>	<u>6,431</u>	<u>4,972</u>	<u>1,459</u>	<u>27,811</u>	<u>21,396</u>	<u>6,415</u>
<b>Total</b>	27,024	31,029	(4,005)	10,874	18,075	(7,200)	37,898	49,104	(11,206)
<b>Scenario 2 (5)</b>									
\$0 - \$30,550	37	1,634	(1,597)	63	2,177	(2,113)	100	3,811	(3,710)
\$30,551 - \$50,900	284	2,986	(2,702)	354	3,345	(2,991)	638	6,331	(5,693)
\$50,901 - \$81,450	1,359	5,769	(4,409)	1,195	5,088	(3,893)	2,554	10,856	(8,302)
\$81,451 - \$85,500	293	799	(506)	210	608	(398)	504	1,408	(904)
\$85,501 - \$102,600	1,391	3,418	(2,027)	736	1,885	(1,150)	2,126	5,303	(3,176)
More than \$102,600	<u>13,950</u>	<u>16,424</u>	<u>(2,473)</u>	<u>3,978</u>	<u>4,972</u>	<u>(994)</u>	<u>17,929</u>	<u>21,396</u>	<u>(3,467)</u>
<b>Total</b>	17,315	31,029	(13,714)	6,536	18,075	(11,539)	23,851	49,104	(25,253)

- (1) Household income figures in 2005 dollars.  
(2) See Table 13.  
(3) Negative balance indicates excess need.  
(4) See Table 18.  
(5) See Table 19.

Source: Economic & Planning Systems, Inc.

**Table 21**  
**Projected Housing Supply versus Worker Household Need, 2005-2014**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Household Income (1)	Ownership Units			Rental Units			Total Units		
	Supply	Need (2)	Balance (3)	Supply	Need (2)	Balance (3)	Supply	Need (2)	Balance (3)
<b>Scenario 1 (4)</b>									
\$0 - \$30,550	40	735	(696)	68	979	(912)	107	1,715	(1,608)
\$30,551 - \$50,900	225	1,344	(1,118)	282	1,505	(1,223)	508	2,849	(2,341)
\$50,901 - \$81,450	1,037	2,596	(1,559)	931	2,289	(1,359)	1,968	4,885	(2,918)
\$81,451 - \$85,500	214	360	(146)	160	274	(113)	375	633	(259)
\$85,501 - \$102,600	1,024	1,538	(514)	558	848	(290)	1,582	2,386	(805)
More than \$102,600	<u>9,621</u>	<u>7,391</u>	<u>2,230</u>	<u>2,894</u>	<u>2,237</u>	<u>657</u>	<u>12,515</u>	<u>9,628</u>	<u>2,887</u>
<b>Total</b>	12,161	13,963	(1,802)	4,893	8,134	(3,240)	17,054	22,097	(5,043)
<b>Scenario 2 (5)</b>									
\$0 - \$30,550	17	735	(719)	28	979	(951)	45	1,715	(1,670)
\$30,551 - \$50,900	128	1,344	(1,216)	159	1,505	(1,346)	287	2,849	(2,562)
\$50,901 - \$81,450	612	2,596	(1,984)	538	2,289	(1,752)	1,149	4,885	(3,736)
\$81,451 - \$85,500	132	360	(228)	95	274	(179)	227	633	(407)
\$85,501 - \$102,600	626	1,538	(912)	331	848	(517)	957	2,386	(1,429)
More than \$102,600	<u>6,278</u>	<u>7,391</u>	<u>(1,113)</u>	<u>1,790</u>	<u>2,237</u>	<u>(447)</u>	<u>8,068</u>	<u>9,628</u>	<u>(1,560)</u>
<b>Total</b>	7,792	13,963	(6,171)	2,941	8,134	(5,192)	10,733	22,097	(11,364)

(1) Household income figures in 2005 dollars.

(2) See Table 13.

(3) Negative balance indicates excess need.

(4) See Table 18.

(5) See Table 19.

Source: Economic & Planning Systems, Inc.

**Table 22**  
**Projected Housing Supply versus Worker Household Need, 2005-2025**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Household Income (1)	North County			Mid County			South County		
	Supply	Need (2)	Balance (3)	Supply	Need (2)	Balance (3)	Supply	Need (2)	Balance (3)
<b>Scenario 1 (4)</b>									
\$0 - \$30,550	0	1,602	(1,602)	0	1,284	(1,284)	238	897	(658)
\$30,551 - \$50,900	323	2,667	(2,344)	201	2,131	(1,929)	604	1,489	(885)
\$50,901 - \$81,450	1,727	4,565	(2,838)	1,024	3,648	(2,623)	1,594	2,565	(972)
\$81,451 - \$85,500	358	593	(235)	215	473	(257)	240	332	(91)
\$85,501 - \$102,600	1,511	2,201	(691)	909	1,792	(883)	1,014	1,269	(255)
More than \$102,600	<u>8,781</u>	<u>8,728</u>	<u>53</u>	<u>9,681</u>	<u>7,331</u>	<u>2,351</u>	<u>7,772</u>	<u>5,176</u>	<u>2,596</u>
<b>Total</b>	<b>12,699</b>	<b>20,355</b>	<b>(7,656)</b>	<b>12,032</b>	<b>16,658</b>	<b>(4,626)</b>	<b>11,463</b>	<b>11,728</b>	<b>(266)</b>
<b>Scenario 2 (5)</b>									
\$0 - \$30,550	0	1,602	(1,602)	0	1,284	(1,284)	100	897	(797)
\$30,551 - \$50,900	202	2,667	(2,465)	94	2,131	(2,036)	342	1,489	(1,148)
\$50,901 - \$81,450	1,081	4,565	(3,484)	480	3,648	(3,168)	945	2,565	(1,620)
\$81,451 - \$85,500	224	593	(369)	101	473	(372)	146	332	(186)
\$85,501 - \$102,600	946	2,201	(1,256)	426	1,792	(1,366)	615	1,269	(654)
More than \$102,600	<u>5,497</u>	<u>8,728</u>	<u>(3,230)</u>	<u>4,537</u>	<u>7,331</u>	<u>(2,794)</u>	<u>5,187</u>	<u>5,176</u>	<u>11</u>
<b>Total</b>	<b>7,950</b>	<b>20,355</b>	<b>(12,405)</b>	<b>5,638</b>	<b>16,658</b>	<b>(11,020)</b>	<b>7,335</b>	<b>11,728</b>	<b>(4,393)</b>

(1) Household income figures in 2005 dollars.

(2) See Table 13.

(3) Negative balance indicates excess need.

(4) See Table 18.

(5) See Table 19.

Source: Economic & Planning Systems, Inc.

**Table 22 (continued)**  
**Projected Housing Supply versus Worker Household Need, 2005-2025**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Household Income (1)	Costal			San Mateo County		
	Supply	Need (2)	Balance (3)	Supply	Need (2)	Balance (3)
<b>Scenario 1 (4)</b>						
\$0 - \$30,550	0	28	(28)	238	3,811	(3,572)
\$30,551 - \$50,900	0	44	(44)	1,128	6,331	(5,203)
\$50,901 - \$81,450	28	78	(50)	4,373	10,856	(6,483)
\$81,451 - \$85,500	19	11	9	833	1,408	(575)
\$85,501 - \$102,600	81	40	41	3,515	5,303	(1,788)
More than \$102,600	<u>1,577</u>	162	<u>1,415</u>	<u>27,811</u>	21,396	<u>6,415</u>
<b>Total</b>	1,705	363	1,343	37,898	49,104	(11,206)
<b>Scenario 2 (5)</b>						
\$0 - \$30,550	0	28	(28)	100	3,811	(3,710)
\$30,551 - \$50,900	0	44	(44)	638	6,331	(5,693)
\$50,901 - \$81,450	48	78	(30)	2,554	10,856	(8,302)
\$81,451 - \$85,500	33	11	22	504	1,408	(904)
\$85,501 - \$102,600	139	40	99	2,126	5,303	(3,176)
More than \$102,600	<u>2,707</u>	<u>162</u>	<u>2,546</u>	<u>17,929</u>	<u>21,396</u>	<u>(3,467)</u>
<b>Total</b>	2,928	363	2,565	23,851	49,104	(25,253)

(1) Household income figures in 2005 dollars.

(2) See Table 13.

(3) Negative balance indicates excess need.

(4) See Table 18.

(5) See Table 19.

Source: Economic & Planning Systems, Inc.

## DEFICITS BY TENURE

The projected housing need for ownership units between 2005 and 2025 is about 31,000 units (see **Table 23**). Under Scenario 1, a supply of 27,000 units is expected, resulting in a deficit of 4,000 ownership units. Under Scenario 2, a supply of 17,000 units is expected, resulting in a deficit of about 13,700 ownership units. For the period 2005 to 2014, a 1,800-unit ownership deficit is projected under Scenario 1 and a 6,200-unit deficit under Scenario 2.

The projected housing need for rental units between 2005 and 2025 is 18,075 units (see **Table 24**). Under Scenario 1, a supply of 10,900 units is expected, resulting in a deficit of 7,200 rental units. Under Scenario 2, a supply of 6,500 units is expected, resulting in a deficit of about 11,500 rental units. For the period 2005 to 2014, a 3,200-unit rental deficit is projected under Scenario 1 and a 5,200-unit deficit under Scenario 2.

## TOTAL HOUSING NEED

When the need of non-worker households is included, housing need increases to 72,900 units (see **Table 25**). With the supply projections unchanged, the overall housing deficits are significantly increased, as described below:

- **2005-2025: Supply Scenario 1.** The housing supply will only cover 52 percent of total housing need. The overall housing deficit over the 2005 to 2025 period will be about 35,000, with a deficit of close to 32,500 units at the low, very low, and extremely low household income levels (see **Table 25**).
- **2005-2014: Supply Scenario 1.** The housing supply will only cover 52 percent of total housing need. The overall housing deficit over the nine-year period will be about 15,700, with a deficit of close to 14,600 units at the low, very low, and extremely low household income levels (see **Table 26**).
- **2005-2025: Supply Scenario 2.** The housing supply will only cover 33 percent of total housing need. The overall housing deficit over the 2005 to 2025 period will be about 49,000, with a deficit of close to about 34,900 units at the low, very low, and extremely low household income levels (see **Table 25**).
- **2005-2014: Supply Scenario 2.** The housing supply will only cover 33 percent of total housing need. The overall housing deficit over the 9 year period will be about 22,100, with a deficit of close to 15,700 units at the low, very low, and extremely low household income levels (see **Table 26**).

**Table 23**  
**Projected Housing Supply versus Worker Household Need for Ownership Units, 2005-2025**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Household Income (1)	North County			Mid County			South County		
	Supply	Need (2)	Balance (3)	Supply	Need (2)	Balance (3)	Supply	Need (2)	Balance (3)
<b>Scenario 1 (4)</b>									
\$0 - \$30,550	0	734	(734)	0	550	(550)	88	331	(243)
\$30,551 - \$50,900	167	1,383	(1,216)	93	981	(888)	241	593	(353)
\$50,901 - \$81,450	1,004	2,653	(1,649)	511	1,820	(1,309)	769	1,238	(469)
\$81,451 - \$85,500	226	374	(148)	112	247	(134)	124	171	(47)
\$85,501 - \$102,600	1,104	1,609	(505)	537	1,058	(521)	577	722	(145)
More than \$102,600	<u>6,949</u>	<u>6,907</u>	<u>42</u>	<u>7,138</u>	<u>5,405</u>	<u>1,733</u>	<u>5,971</u>	<u>3,976</u>	<u>1,995</u>
<b>Total</b>	9,450	13,659	(4,210)	8,391	10,061	(1,670)	7,770	7,032	738
<b>Scenario 2 (5)</b>									
\$0 - \$30,550	0	734	(734)	0	550	(550)	37	331	(294)
\$30,551 - \$50,900	105	1,383	(1,278)	43	981	(937)	136	593	(457)
\$50,901 - \$81,450	628	2,653	(2,025)	240	1,820	(1,581)	456	1,238	(782)
\$81,451 - \$85,500	141	374	(233)	53	247	(194)	75	171	(96)
\$85,501 - \$102,600	691	1,609	(918)	252	1,058	(807)	350	722	(372)
More than \$102,600	<u>4,351</u>	<u>6,907</u>	<u>(2,557)</u>	<u>3,345</u>	<u>5,405</u>	<u>(2,060)</u>	<u>3,985</u>	<u>3,976</u>	<u>9</u>
<b>Total</b>	5,916	13,659	(7,743)	3,932	10,061	(6,129)	5,039	7,032	(1,992)

(1) Household income figures in 2005 dollars.

(2) See Table 13.

(3) Negative balance indicates excess need.

(4) See Table 18.

(5) See Table 19.

Source: Economic & Planning Systems, Inc.



**Table 23 (continued)**  
**Projected Housing Supply versus Worker Household Need for Ownership Units, 2005-2025**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Household Income (1)	Costal			San Mateo County		
	Supply	Need (2)	Balance (3)	Supply	Need (2)	Balance (3)
<b>Scenario 1 (4)</b>						
\$0 - \$30,550	0	19	(19)	88	1,634	(1,546)
\$30,551 - \$50,900	0	29	(29)	501	2,986	(2,485)
\$50,901 - \$81,450	21	58	(37)	2,304	5,769	(3,464)
\$81,451 - \$85,500	14	8	6	476	799	(323)
\$85,501 - \$102,600	57	28	29	2,275	3,418	(1,143)
More than \$102,600	<u>1,322</u>	<u>135</u>	<u>1,187</u>	<u>21,380</u>	16,424	<u>4,956</u>
<b>Total</b>	1,414	277	1,137	27,024	31,029	(4,005)
<b>Scenario 2 (5)</b>						
\$0 - \$30,550	0	19	(19)	37	1,634	(1,597)
\$30,551 - \$50,900	0	29	(29)	284	2,986	(2,702)
\$50,901 - \$81,450	36	58	(22)	1,359	5,769	(4,409)
\$81,451 - \$85,500	24	8	16	293	799	(506)
\$85,501 - \$102,600	98	28	70	1,391	3,418	(2,027)
More than \$102,600	<u>2,270</u>	<u>135</u>	<u>2,134</u>	<u>13,950</u>	<u>16,424</u>	<u>(2,473)</u>
<b>Total</b>	2,427	277	2,150	17,315	31,029	(13,714)

(1) Household income figures in 2005 dollars.

(2) See Table 13.

(3) Negative balance indicates excess need.

(4) See Table 18.

(5) See Table 19.

Source: Economic & Planning Systems, Inc.

**Table 24**  
**Projected Housing Supply versus Worker Household Need for Rental Units, 2005-2025**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Household Income (1)	North County			Mid County			South County		
	Supply	Need (2)	Balance (3)	Supply	Need (2)	Balance (3)	Supply	Need (2)	Balance (3)
<b>Scenario 1 (4)</b>									
\$0 - \$30,550	0	868	(868)	0	734	(734)	150	566	(415)
\$30,551 - \$50,900	155	1,284	(1,129)	109	1,150	(1,041)	364	896	(532)
\$50,901 - \$81,450	723	1,912	(1,189)	513	1,827	(1,314)	825	1,328	(503)
\$81,451 - \$85,500	132	219	(87)	103	226	(123)	116	161	(44)
\$85,501 - \$102,600	407	593	(186)	372	734	(361)	437	547	(110)
More than \$102,600	<u>1,831</u>	<u>1,820</u>	<u>11</u>	<u>2,544</u>	<u>1,926</u>	<u>618</u>	<u>1,801</u>	<u>1,199</u>	<u>602</u>
<b>Total</b>	3,249	6,696	(3,447)	3,641	6,597	(2,956)	3,693	4,697	(1,004)
<b>Scenario 2 (5)</b>									
\$0 - \$30,550	0	868	(868)	0	734	(734)	63	566	(503)
\$30,551 - \$50,900	97	1,284	(1,187)	51	1,150	(1,099)	206	896	(690)
\$50,901 - \$81,450	453	1,912	(1,459)	240	1,827	(1,587)	489	1,328	(839)
\$81,451 - \$85,500	83	219	(136)	48	226	(178)	71	161	(90)
\$85,501 - \$102,600	255	593	(338)	174	734	(559)	265	547	(282)
More than \$102,600	<u>1,147</u>	<u>1,820</u>	<u>(674)</u>	<u>1,192</u>	<u>1,926</u>	<u>(734)</u>	<u>1,202</u>	<u>1,199</u>	<u>3</u>
<b>Total</b>	2,034	6,696	(4,662)	1,706	6,597	(4,891)	2,296	4,697	(2,401)

(1) Household income figures in 2005 dollars.

(2) See Table 13.

(3) Negative balance indicates excess need.

(4) See Table 18.

(5) See Table 19.

Source: Economic & Planning Systems, Inc.

**Table 24 (continued)**  
**Projected Housing Supply versus Worker Household Need for Rental Units, 2005-2025**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Household Income (1)	Costal			San Mateo County		
	Supply	Need (2)	Balance (3)	Supply	Need (2)	Balance (3)
<b>Scenario 1 (4)</b>						
\$0 - \$30,550	0	9	(9)	150	2,177	(2,026)
\$30,551 - \$50,900	0	15	(15)	628	3,345	(2,717)
\$50,901 - \$81,450	7	20	(13)	2,069	5,088	(3,019)
\$81,451 - \$85,500	5	3	2	357	608	(252)
\$85,501 - \$102,600	24	12	12	1,240	1,885	(645)
More than \$102,600	<u>255</u>	<u>26</u>	<u>229</u>	<u>6,431</u>	<u>4,972</u>	<u>1,459</u>
<b>Total</b>	291	85	206	10,874	18,075	(7,200)
<b>Scenario 2 (5)</b>						
\$0 - \$30,550	0	9	(9)	63	2,177	(2,113)
\$30,551 - \$50,900	0	15	(15)	354	3,345	(2,991)
\$50,901 - \$81,450	13	20	(8)	1,195	5,088	(3,893)
\$81,451 - \$85,500	9	3	6	210	608	(398)
\$85,501 - \$102,600	42	12	30	736	1,885	(1,150)
More than \$102,600	<u>437</u>	<u>26</u>	<u>411</u>	<u>3,978</u>	<u>4,972</u>	<u>(994)</u>
<b>Total</b>	500	85	415	6,536	18,075	(11,539)

(1) Household income figures in 2005 dollars.

(2) See Table 13.

(3) Negative balance indicates excess need.

(4) See Table 18.

(5) See Table 19.

Source: Economic & Planning Systems, Inc.

**Table 25**  
**Projected Housing Supply versus Worker and Non-Worker Household Need, 2005-2025**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Household Income (1)	Ownership Units			Rental Units			Total Units		
	Supply	Need (2)	Balance (3)	Supply	Need (2)	Balance (3)	Supply	Need (2)	Balance (3)
<b>Scenario 1 (4)</b>									
\$0 - \$30,550	88	5,036	(4,948)	150	6,709	(6,558)	238	11,745	(11,507)
\$30,551 - \$50,900	501	5,058	(4,557)	628	5,666	(5,038)	1,128	10,724	(9,596)
\$50,901 - \$81,450	2,304	8,361	(6,057)	2,069	7,373	(5,305)	4,373	15,734	(11,361)
\$81,451 - \$85,500	476	1,058	(582)	357	806	(449)	833	1,864	(1,031)
\$85,501 - \$102,600	2,275	4,533	(2,258)	1,240	2,500	(1,260)	3,515	7,033	(3,518)
More than \$102,600	21,380	19,801	1,580	6,431	5,994	437	27,811	25,795	2,016
<b>Total</b>	<b>27,024</b>	<b>43,847</b>	<b>(16,823)</b>	<b>10,874</b>	<b>29,048</b>	<b>(18,174)</b>	<b>37,898</b>	<b>72,895</b>	<b>(34,997)</b>
<b>Scenario 2 (5)</b>									
\$0 - \$30,550	37	5,036	(4,999)	63	6,709	(6,646)	100	11,745	(11,645)
\$30,551 - \$50,900	284	5,058	(4,774)	354	5,666	(5,312)	638	10,724	(10,086)
\$50,901 - \$81,450	1,359	8,361	(7,001)	1,195	7,373	(6,178)	2,554	15,734	(13,180)
\$81,451 - \$85,500	293	1,058	(765)	210	806	(596)	504	1,864	(1,360)
\$85,501 - \$102,600	1,391	4,533	(3,142)	736	2,500	(1,765)	2,126	7,033	(4,907)
More than \$102,600	13,950	19,801	(5,850)	3,978	5,994	(2,016)	17,929	25,795	(7,866)
<b>Total</b>	<b>17,315</b>	<b>43,847</b>	<b>(26,532)</b>	<b>6,536</b>	<b>29,048</b>	<b>(22,512)</b>	<b>23,851</b>	<b>72,895</b>	<b>(49,044)</b>

(1) Household income figures in 2005 dollars.

(2) See Table 16.

(3) Negative balance indicates excess need.

(4) See Table 18.

(5) See Table 19.

Source: Economic & Planning Systems, Inc.

**Table 26**  
**Projected Housing Supply versus Worker and Non-Worker Household Need, 2005-2014**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Household Income (1)	Ownership Units			Rental Units			Total Units		
	Supply	Need (2)	Balance (3)	Supply	Need (2)	Balance (3)	Supply	Need (2)	Balance (3)
<b>Scenario 1 (4)</b>									
\$0 - \$30,550	40	2,266	(2,227)	68	3,019	(2,951)	107	5,285	(5,178)
\$30,551 - \$50,900	225	2,276	(2,051)	282	2,550	(2,267)	508	4,826	(4,318)
\$50,901 - \$81,450	1,037	3,762	(2,725)	931	3,318	(2,387)	1,968	7,080	(5,112)
\$81,451 - \$85,500	214	476	(262)	160	363	(202)	375	839	(464)
\$85,501 - \$102,600	1,024	2,040	(1,016)	558	1,125	(567)	1,582	3,165	(1,583)
More than \$102,600	<u>9,621</u>	<u>8,910</u>	<u>711</u>	<u>2,894</u>	<u>2,697</u>	<u>196</u>	<u>12,515</u>	<u>11,608</u>	<u>907</u>
<b>Total</b>	12,161	19,731	(7,570)	4,893	13,072	(8,178)	17,054	32,803	(15,748)
<b>Scenario 2 (5)</b>									
\$0 - \$30,550	17	2,266	(2,250)	28	3,019	(2,990)	45	5,285	(5,240)
\$30,551 - \$50,900	128	2,276	(2,148)	159	2,550	(2,390)	287	4,826	(4,539)
\$50,901 - \$81,450	612	3,762	(3,151)	538	3,318	(2,780)	1,149	7,080	(5,931)
\$81,451 - \$85,500	132	476	(344)	95	363	(268)	227	839	(612)
\$85,501 - \$102,600	626	2,040	(1,414)	331	1,125	(794)	957	3,165	(2,208)
More than \$102,600	<u>6,278</u>	<u>8,910</u>	<u>(2,633)</u>	<u>1,790</u>	<u>2,697</u>	<u>(907)</u>	8,068	11,608	(3,540)
<b>Total</b>	7,792	19,731	(11,939)	2,941	13,072	(10,130)	10,733	32,803	(22,070)

- (1) Household income figures in 2005 dollars.  
(2) See Table 16.  
(3) Negative balance indicates excess need.  
(4) See Table 18.  
(5) See Table 19.

Source: Economic & Planning Systems, Inc.

## CONCLUSIONS

Future housing supply in San Mateo County is expected to fall significantly short of providing the needed new housing associated with projected levels of economic growth. These housing deficits will inevitably have some mix of the following negative consequences: further overcrowding and overpayment; increased commute times and costs; air quality impacts; and limitations on economic growth.

In 2000, significant levels of overcrowding and overpayment were recorded in San Mateo County. Without a significant increase in housing production levels, especially for households with incomes below moderate levels, these conditions will worsen. Increasing numbers of households will live at levels of more than one person per room and pay over 30 percent of their income on housing. In addition, the limited housing production itself will lead to housing price increases above the rate of inflation, further exacerbating the problem.

Increasing numbers of households will seek housing further away in more affordable counties, including outside of the nine-County San Francisco Bay Area. Employers who already report a lack of housing as a number one concern in Silicon Valley may choose to relocate and others may choose never to come to San Mateo County given the difficulties their employees will have finding housing. While ABAG's projected job growth included in this analysis may be optimistic, only a significant reduction in job growth would bring projected housing need and supply into balance. Indeed, Countywide job growth would need to be about half of the projected level for the overall housing supply (under the more optimistic projection) to balance housing need.<sup>14</sup> In other words, without additional efforts to increase housing supply, job growth between 2005 and 2025 would need to be about 69,000 jobs rather than the projected 133,000 jobs not to outpace housing supply.

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<sup>14</sup> Even at a reduced level of job growth, there would still be a deficit of housing affordable to some of the lower income households.

## VI. AFFORDABILITY GAP AND LINKAGE FEES

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The previous chapters documented the continued housing affordability challenge based on a comparison of the projected housing need and housing supply. This chapter considers the financing implications of this gap. More specifically, it estimates, at a planning-level, the subsidy required to close the gap between development cost and affordable housing payment.

In addition, this chapter estimates the linkage fee required if new workspace development in San Mateo County were required to supply the necessary financing to close the gap between the incomes' of the new associated workforce expected to reside in San Mateo County and the cost of providing housing. In reality, numerous other funding sources and policy approaches will be required to address the affordability challenge as the cost burden would be financially infeasible for new workspace development to bear. Nevertheless, the analysis provides the underpinnings of a commercial linkage fee nexus study, if such an approach were selected by any San Mateo County jurisdictions.

### AFFORDABILITY GAP

The affordability gap is defined as the difference between the total development cost and the affordable housing payment, based on standard HUD definitions. Actual development costs will vary significantly by location, construction type, and other factors. Planning-level estimates of development costs as well as the maximum affordable housing payment associated with each income group are described below and the resulting affordability gap estimated. The focus of the analysis is on rental housing as this is the most common type of affordable housing.

### AFFORDABLE HOUSING PAYMENTS

**Table 27** shows the maximum affordable housing payment associated with each income category. The affordable housing payment is based on the HUD-provided annual income of a three-person household for each income category and HUD's requirement that housing payments are no greater than 30 percent of household income. As shown, the most a household falling in the extremely low-income category (35 percent of median income) could pay is about \$9,200 each year or \$765 per month. In contrast, a household making above 150 percent of median income could pay over \$38,500 per year or \$3,200 per month. It should be noted that the affordable housing payments are calculated for the highest income earners in each income category and thus represent a high estimate of affordable housing payment across the whole group.

**Table 27**  
**Affordable Housing Income Range, 2005**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Income Category	Income Range	Annual Income for 3 person HH		Affordable Housing Payment (1)	
		% of Median Income	Annual Income	Annual	Monthly
Extremely Low Income	0%-35%	35%	\$30,550	\$9,165	\$764
Very Low Income	35%-60%	60%	\$50,900	\$15,270	\$1,273
Low Income	60%-95%	95%	\$81,450	\$24,435	\$2,036
Median Income	95%-100%	100%	\$85,000	\$25,500	\$2,125
Moderate Income	100%-120%	120%	\$102,600	\$30,780	\$2,565
Above Moderate Income	>120%	150%	\$128,250	\$38,475	\$3,206

(1) As qualified by HUD affordable housing payments are set at 30% annual income.

Sources: Department of Housing and Urban Development; Economic & Planning Systems, Inc.



**Table 28** converts the affordable housing rental payment into a capitalized value based on typical apartment operating costs and current capitalization rates. As shown, the capitalized values supported by the rental payments range from about \$42,000 for extremely low income households to \$520,000 for households with incomes of 150 percent of median income.

### **Development Costs and Affordability Gap**

Development costs vary significantly based on site location and condition, project design and amenities, among others. For the purposes of this evaluation, a planning-level total development cost of \$350 per square foot is used. This development cost is based on a review of average costs from other affordable apartment development projects in the Bay Area and includes land costs. As shown in **Table 29**, the prototype development used in this case is a 1,000-square foot, two-bedroom apartment. As a result, the total development cost is \$350,000 per unit.

**Table 29** also shows the affordability gap per unit by income category. The affordability gap is defined as the difference between the development cost and the supported capitalized value. As shown, there is an affordability gap for households in the extremely low, very low, low, and median income categories. Subsidies will not typically be required to develop rental housing for households making over 100 percent of median income. The required subsidy per unit reduces as the household income increases with a \$310,000 per unit subsidy required for extremely low income households and a \$37,000 per unit subsidy required for median income households. This is a conservatively low estimate of the affordability gap per unit as it assumes all households in each income category earn at the top end of the bracket. In reality, they will spread throughout it.

### **TOTAL AFFORDABILITY GAP**

**Table 30** applies the affordability gap per unit to the housing deficit estimated by income category in the prior chapters. A total of 40,100 units are expected to require a subsidy. The total affordability gap/subsidy required is \$6.1 billion. About 58 percent of the affordability gap is associated with extremely low-income households, 32 percent with very low-income households, 9 percent with low-income households, and 1 percent with below median-income households. Geographically, about 43 percent is associated with the North County projected affordable housing deficit, 35 percent with Mid County, and 21 percent with South County. As noted above, this estimate of the affordability gap is conservatively low given the use of the maximum housing payment by income category.

**Table 28**  
**Income and Affordable Housing Assumptions, 2005**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Item	Assumption	Note	Unit
<b>Extremely Low Income Category</b>			
Multifamily Home Value			
Amount spent on rent	30% of 35% of median income	(1)	\$9,165 per year
Operating Expenses	\$565 per month	(2)	(\$6,780) per year
Net Operating Income			\$2,385 per year
Supportable Capitalized Value	5.7% cap rate	(3)	\$41,842
<b>Very Low Income Category</b>			
Multifamily Home Value			
Amount spent on rent	30% of 60% of median income	(1)	\$15,270 per year
Operating Expenses	\$590 month	(2)	(\$7,080) per year
Net Operating Income			\$8,190 per year
Supportable Capitalized Value	5.7% cap rate	(3)	\$143,684
<b>Low Income Category</b>			
Multifamily Home Value			
Amount spent on rent	30% of 95% of median income	(1)	\$24,435 per year
Operating Expenses	\$615 per month	(2)	(\$7,380) per year
Net Operating Income			\$17,055 per year
Supportable Capitalized Value	5.7% cap rate	(3)	\$299,211
<b>Median Income Category</b>			
Multifamily Home Value			
Amount spent on rent	30% of 100% of median income	(1)	\$25,500 per year
Operating Expenses	\$640 per month	(2)	(\$7,650) per year
Net Operating Income			\$17,850 per year
Supportable Capitalized Value	5.7% cap rate	(3)	\$313,158
<b>Moderate Income Category</b>			
Multifamily Home Value			
Amount spent on rent	30% of 120% of median income	(1)	\$30,780 per year
Operating Expenses	\$690 per month	(2)	(\$8,280) per year
Net Operating Income			\$22,500 per year
Supportable Capitalized Value	5.7% cap rate	(3)	\$394,737
<b>Above Moderate Income Category</b>			
Multifamily Home Value			
Amount spent on rent	30% of 150% of median income	(1)	\$38,475 per year
Operating Expenses	\$740 per month	(2)	(\$8,880) per year
Net Operating Income			\$29,595 per year
Supportable Capitalized Value	5.7% cap rate	(3)	\$519,211

(1) See Table 27 for income assumptions.

(2) Based on comparable operating expenses for Bay Area rental units.

(3) Value Monitor 1st Quarter 2006

Source: Value Monitor; Economic and Planning Systems, Inc.

**Table 29**  
**Unit Characteristics and Per Unit Subsidy Required**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Unit Type	Multifamily Unit
<b>Development Cost per Unit (1)</b>	\$350,000
<u>Ability to Pay (2)</u>	
Extremely Low Income	\$41,842
Very Low Income	\$143,684
Low Income	\$299,211
Median Income	\$313,158
Moderate Income	\$394,737
Above Moderate	\$519,211
<u>Funding Gap Per Unit (3)</u>	
Extremely Low Income	(\$308,158)
Very Low Income	(\$206,316)
Low Income	(\$50,789)
Median Income	(\$36,842)
Moderate Income	\$0
Above Moderate	\$0

(1) Development costs (incl. land cost) for multifamily units are estimated based on a \$350/ sq. ft. cost assumption and an average size of 1000 sq. ft. for a 2 bedroom unit. Based on costs of affordable housing projects throughout the Bay Area.

(2) See Table 28.

(3) Difference between development cost per unit and ability to pay. If there was surplus funding gap it was shown as 0 gap in affordability.

Source: Economic & Planning Systems, Inc.

**Table 30**  
**Affordability Gap by Sub Region**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Item	Function	San Mateo County				Total
		North County	Mid County	South County	Coastal	
Households between 0% and 35% of Median Income		4,940	3,960	2,522	85	11,507
<u>Subsidy Cost per Extremely-Low Income Unit (1)</u>	x	<u>\$308,158</u>	<u>\$308,158</u>	<u>\$308,158</u>	<u>\$308,158</u>	<u>\$308,158</u>
Total Cost for Extremely-Low Income Units	=	\$1,522,300,000	\$1,220,305,263	\$777,044,098	\$26,193,421	\$3,545,842,782
Households between 35% and 60% of Median Income		4,197	3,409	1,916	74	9,596
<u>Subsidy Cost per Very-Low Income Unit (1)</u>	x	<u>\$206,316</u>	<u>\$206,316</u>	<u>\$206,316</u>	<u>\$206,316</u>	<u>\$206,316</u>
Total Cost for Very-Low Income Units	=	\$866,004,078	\$703,266,836	\$395,215,916	\$15,267,368	\$1,979,754,198
Households between 60% and 95% of Median Income		4,893	4,256	2,126	86	11,361
<u>Subsidy Cost per Lower Income Unit (1)</u>	x	<u>\$50,789</u>	<u>\$50,789</u>	<u>\$50,789</u>	<u>\$50,789</u>	<u>\$50,789</u>
Total Cost for Lower Income Units	=	\$248,509,164	\$216,142,560	\$108,003,451	\$4,367,114	\$577,022,289
Households between 95% and 100% of Median Income		422	415	200	0	1,037
<u>Subsidy Cost per Median Income Unit (1)</u>	x	<u>\$36,842</u>	<u>\$36,842</u>	<u>\$36,842</u>	<u>\$36,842</u>	<u>\$36,842</u>
Total Cost for Moderate Income Units	=	\$15,554,925	\$15,276,641	\$7,363,334	\$0	\$38,194,900
Total Units		14,453	12,039	6,764	245	33,500
<u>Average Subsidy Cost per Unit</u>	x	<u>\$183,522</u>	<u>\$179,001</u>	<u>\$190,378</u>	<u>\$187,064</u>	<u>\$183,307</u>
Total Affordability Gap/ Subsidy Required	=	\$2,652,368,166	\$2,154,991,301	\$1,287,626,799	\$45,827,904	\$6,140,814,170

(1) See Table 29.

Source: Economic & Planning Systems, Inc.

## **LINKAGE FEE**

The size of the housing need at lower income levels and the scale of the aggregate affordability gap pose a significant challenge for policymakers. The full suite of policy and financing tools including inclusionary housing requirements, a commercial linkage fee, tax credits, Redevelopment Agency tax increment funding, and other State and federal funding and programs will be required to start to address this challenge.

This section estimates the maximum (full impact) linkage fee that could be charged to new workspace development in the County and discusses alternative fee levels to this maximum. Given that the sum total of all infrastructure/facilities fees on new workspace development must typically be below 10 percent of market value not to make the development infeasible, a commercial linkage fee would only be feasible at a proportion of the maximum fee.

## **WORKER HOUSING NEED**

This analysis considers the worker housing need associated with the occupancy of four workspace development prototypes:

- 100,000 square feet of retail space
- 50,000 square feet of manufacturing/warehouse space
- 20,000 square feet of R&D space
- 20,000 square feet of office space

The worker housing need in the lower income categories associated with each is based on two primary steps: (1) estimating the number of workers in each development prototype based on typical space requirements per employee for new workspace development in Silicon Valley and (2) the application of the housing needs model, described in the chapters above, to estimate the household formation pattern by income group. The proportion of new worker households that are formed outside of the County is taken into account.

**Table 31** shows the total new jobs generated by the new development prototypes based on standard worker square feet requirements by space type. It also shows the number of new worker households formed associated with the new jobs by income group (based on the housing needs model). In addition, it shows the proportion of these new San Mateo County worker households expected to live in San Mateo County (about 50 percent based on projected commute patterns).

## MAXIMUM LINKAGE FEE <sup>15</sup>

**Table 32** applies the affordability gap by income category from **Table 29** to the number of new San Mateo County worker households in the relevant income categories by prototype from **Table 31**. The total affordability gap by prototype is divided by the prototype square footage to estimate the maximum fee. This results in a conservative estimate of the maximum fee as it is based on the conservative estimate of the affordability gap (see above). As shown in **Table 32**, the results are as follows:

- **Retail.** Maximum fee of \$50.56 per square foot to cover the \$5.0 million affordability gap associated with the retail development prototype.
- **Manufacturing/Warehouse.** Maximum fee of \$36.68 per square foot to cover the \$2.0 million affordability gap associated with the manufacturing/ warehouse development prototype.
- **R&D.** Maximum fee of \$43.66 per square foot to cover affordability gap of \$965,000 associated with the R&D development prototype.
- **Office.** Maximum fee of \$73.76 per square foot to cover affordability gap of \$1.26 million associated with the office development prototype.

## FINANCIALLY FEASIBLE LINKAGE FEE

A number of other funding sources and programs will be required beyond the linkage fee to cover the affordability gap for two primary reasons: (1) the linkage fee can only provide funding for the housing need directly associated with workspace development and (2) typical market values of workspace development of about \$250 per square foot at the current time suggest that the maximum feasible cost burden, including all fee types, would be about \$25 per square foot (measured at 10 percent of market value). As a result, the linkage fee would need to be well below this level, dependent on market conditions and other workspace development cost burdens and fees.

Other jurisdictions in California that have adopted linkages, such as the City of Menlo Park, have set the fee well below the maximum/ full impact linkage fee. As shown in **Table 32**, if the linkage fees are set to cover 10 percent of the jobs-related affordable housing subsidy need, the fees are between \$3.67 and \$7.38 per square foot. This fee represents between 50 and 75 percent of the fee currently charged by the City of Menlo Park depending on use type.

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<sup>15</sup> The maximum fee or full impact fee represents the maximum fee that could be charged based on the nexus between workspace development and housing need. This also represents the full impact fee as it would generate sufficient revenue to cover the full subsidy requirements of the affordable housing needs associated with new worker housing needs in San Mateo County.

**Table 31**  
**Worker Households by Workspace Per Prototype**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Item	Retail	Manufacturing/ Warehouse	R&D/ "Heavy" Office	Office
Building Size	100,000	50,000	20,000	20,000
Square Feet per Worker	<u>300</u>	<u>450</u>	<u>350</u>	<u>250</u>
Number of Workers	333	111	57	80
Number of Households	153	62	31	41
Number of San Mateo County Worker Households	76	30	15	21
<b>New Worker Households</b>				
\$0 - \$30,550	12	5	2	3
\$30,551 - \$50,900	21	8	4	5
\$50,901 - \$81,450	34	15	7	9
\$81,451 - \$85,500	4	2	1	1
\$85,501 - \$102,600	16	7	3	4
More than \$102,600	<u>64</u>	<u>26</u>	<u>14</u>	<u>18</u>
Total	153	62	31	41
<b>New Worker Households Residing in San Mateo County (1)</b>				
\$0 - \$30,550	6	2	1	2
\$30,551 - \$50,900	11	4	2	3
\$50,901 - \$81,450	17	7	3	4
\$81,451 - \$85,500	2	1	0	1
\$85,501 - \$102,600	8	3	2	2
More than \$102,600	<u>32</u>	<u>13</u>	<u>7</u>	<u>9</u>
Total	76	30	15	21

(1) A 50% discount rate was applied to the total number of household to account for worker households who live outside the San Mateo County.

Sources: Department of Housing and Urban Development; Economic & Planning Systems, Inc.

**Table 32**  
**Illustrative Employment Linkage Fee Calculation**  
**San Mateo County Housing Needs Assessment; EPS #15099**

Item	Function	Building Type			
		Retail	Manufacturing	R&D	Office
Households between 0% and 35% of Median Income		6	2	1	2
<u>Subsidy Cost per Extremely-Low Income Unit</u>	x	<u>\$308,158</u>	<u>\$308,158</u>	<u>\$308,158</u>	<u>\$308,158</u>
Total Cost for Extremely-Low Income Units	=	\$1,848,947	\$616,316	\$308,158	\$616,316
Households between 35% and 60% of Median Income		11	4	2	3
<u>Subsidy Cost per Very-Low Income Unit</u>	x	<u>\$206,316</u>	<u>\$206,316</u>	<u>\$206,316</u>	<u>\$206,316</u>
Total Cost for Very-Low Income Units	=	\$2,269,474	\$825,263	\$412,632	\$618,947
Households between 60% and 95% of Median Income		17	7	3	4
<u>Subsidy Cost per Lower Income Unit</u>	x	<u>\$50,789</u>	<u>\$50,789</u>	<u>\$50,789</u>	<u>\$50,789</u>
Total Cost for Lower Income Units	=	\$863,421	\$355,526	\$152,368	\$203,158
Households between 95% and 100% of Median Income		2	1	-	1
<u>Subsidy Cost per Median Income Unit</u>	x	<u>\$36,842</u>	<u>\$36,842</u>	<u>\$36,842</u>	<u>\$36,842</u>
Total Cost for Median Income Units	=	\$73,684	\$36,842	\$0	\$36,842
Total Costs for Affordable Housing Subsidies		\$5,055,526	\$1,833,947	\$873,158	\$1,475,263
<u>Employment Space Growth</u>	÷	<u>100,000</u>	<u>50,000</u>	<u>20,000</u>	<u>20,000</u>
<b>Maximum/ Full Impact Linkage Fee per Square Foot (1)</b>	=	<b>\$50.56</b>	<b>\$36.68</b>	<b>\$43.66</b>	<b>\$73.76</b>
<b>Potential Linkage Fee per Square Foot (2)</b> (if set at 10 percent of maximum Fee)		<b>\$5.06</b>	<b>\$3.67</b>	<b>\$4.37</b>	<b>\$7.38</b>

(1) The maximum/ full impact linkage fee makes new workspace development financially infeasible.

(2) This calculation shows the linkage fee if set at 10 percent of the maximum. This results in a fee that is between 50 and 75 percent of the current Menlo Park fee depending on use type.

Source: Economic & Planning Systems, Inc.



## VII. HOUSING ELEMENT UPDATE

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This section discusses the relationship between the San Mateo Housing Needs Study and the housing elements that must be periodically updated by the cities and County of San Mateo. Each of the C/CAG members (the individual cities and the County) is required, as a part of their respective state-mandated general plans, to develop and implement a housing element. Under current statutes these housing elements must be periodically updated on a schedule established by the State Department of Housing and Community Development (HCD). The current schedule calls for the housing elements in the Bay Area to be updated by June 30, 2009, a two-year extension on the original schedule.

HCD, as a part of its housing element requirements, establishes an RHND, pursuant to Government Code Section 65584.02. The RHND establishes targets for local governments to zone land for enough housing to meet projected housing demand across a range of prices based upon family incomes. In the Bay Area the Association of Bay Area Governments (ABAG) has historically been responsible for allocating the RHND to individual member jurisdictions. The ABAG RHND allocation process has long been a source of disagreement and conflict. In response to this problem, and in an effort to make the process more responsive to local conditions and capacities, San Mateo County has been granted the authority to do the RHND allocations for the cities and unincorporated County area.

The San Mateo Housing Needs Study, while not resolving or presenting data at the city level is intended to be a current overview of Countywide housing needs and the gap between needs and expected supply. The expression of housing demand/need is based upon an assessment involving the conversion of expected increases in local employment to housing demand and other local factors (see **Chapter III**). As such, the demand forecast differs from the methodology historically applied by the State and ABAG. Nonetheless, as the cities and County begin their Housing Element updates, the San Mateo Housing Needs Study provides valuable information that can contribute to the quality and consistency of the updated housing elements.

The following points summarize how the San Mateo Housing Needs Study can be used in the effort to prepare updates to the cities' and County's housing elements.

### **1. Reviewing market conditions.**

While regional housing market conditions are continuously changing the Study provides a general County-wide overview current to 2005 that can contribute to subsequent assessments. The market data included in the Study provides the housing elements with a regional overview and can help with several determinations required in housing elements.

## **2. Assessing housing needs and potential supply.**

As noted above, the housing needs analysis conducted for this Study differs from the RHND in a number of ways, but primarily because the Study's demand analysis is driven by the conversion of increased employment to housing demand. This demand analysis is compared to an estimate of potential supply based upon historical rates of housing development and more optimistic ABAG household projections. The resulting comparison indicates a substantial miss-match between demand and supply, especially for more affordable housing. This implies the need for considerably more housing units than currently expected or even more commuting from surrounding portions of the Bay Area, lower employment levels than projected, or some combination of all of these responses. As C/CAG approaches the RHND process, the housing demand and supply analysis will provide a valuable source of data.

## **3. Formulating policies and implementation measures.**

The Study is intended to stimulate a discussion among C/CAG members regarding the County's housing needs and how these needs could be met, and insofar as they are not met, the potential implications. Key among these implications is the potential for increased congestion on major highways and bridges associated with increased in-commuting and the possibility that job growth, and related economic development, will be limited by the lack of affordable housing. It is assumed that this discussion will lead to identification of policy initiatives that can be pursued jointly or by the member cities and the County as a part of their individual housing elements.

## **4. Formulating quantified objectives.**

Quantified objectives are numerical targets for housing across a range of housing affordability categories. These objectives typically reflect a realistic assessment, given policy initiatives, to meet the RHND allocation. Insofar as the Study results in policy initiatives it can help the cities establish a realistic set of quantified objectives for housing production.