

Housing Our Future

A Summary of the

**2006 San Mateo County
Housing Needs Study and What
It Means for Our Communities**



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Lynn Jacobs

Director, California Department of Housing and Community Development

“People think housing development causes growth. But growth is us—it’s people. Housing is the infrastructure needed to support the growth that is already happening.”



Rose Jacobs Gibson

President, Board of Supervisors San Mateo County

“The availability of affordable housing determines whether we are going to have a successful community or not. It can only happen if we all work together.”



Todd Kaufman

Director of State Government Affairs Genentech

“From the perspective of business, if you want to have an economically successful community you should build affordable housing.”

This report is based on the 2006 San Mateo County Housing Needs Study. You are encouraged to read the full study commissioned by the City/County Association of Governments (C/CAG) and prepared by Economic & Planning Systems. The full version of the study provides additional information about existing housing conditions in the County, job growth by industry and pay level, projected 20-year housing needs by income group, and projected 20-year housing supply and deficit by income group and

region of the County. The “affordability gap,” or difference between the cost to develop new housing units and what is affordable by income group, is discussed in detail. The study also explores the potential of a “linkage fee,” or fee on the development of new commercial buildings, as a potential source of new funding to subsidize the development of housing and to close the “affordability gap.” Copies of the Housing Needs Study can be obtained by contacting C/CAG at (650) 599-1406 or by visiting www.ccag.ca.gov.

Introduction

In 2006, San Mateo County completed a study of the housing needs in the County for the next twenty years. The purpose of the Housing Needs Study is to project housing demand and supply in our community through 2025 and explore the implications of the probable housing shortfall.

The Housing Needs Study was commissioned by The City/County Association of Governments (C/CAG), and co-sponsored by the County Department of Housing and the Housing Endowment and Regional Trust (HEART). Economic & Planning Systems (EPS), a consulting firm that specializes in long-range planning, prepared the study as an update to a similar study EPS completed in 1997.

This summary report is intended to make the key findings of the Housing Needs Study accessible to a wider audience and to engage the community in finding solutions that ensure San Mateo County grows in a balanced and sustainable way.

In San Mateo County we have sensibly set aside three quarters of our land as open space, protecting our natural resources and enhancing our quality of life. In light of the limited amount of land for development, the growth projected by the Study presents some challenges – but challenges that are not insurmountable with good planning, dialogue, the creation of new financial resources, and a commitment to finding creative solutions.



Key findings of the Housing Needs Study

- ▶ **San Mateo County will add 133,300 jobs by the year 2025.**
- ▶ Job growth as well as population increases will result in **71,000 new households in San Mateo County by 2025.**
- ▶ **73,000 new housing units will be needed** to accommodate the new households over the 20-year period. Over 50 percent of the new housing units needed will be for low, very low, and extremely low income households.
- ▶ **These new jobs will also add at least 20,000 housing units outside the County.** This will dramatically increase the number of people commuting daily into the County and will consume thousands of acres of open space elsewhere in the Bay Area.
- ▶ Based on past housing development trends in the County, by 2025 **we could experience a shortfall of 35,000 to 49,000 units**, most of it housing affordable to lower income families.
- ▶ **By not providing a wide variety of housing options** the County could experience an increase in overcrowding, a larger number of lower income households paying more of their income towards housing costs, more workers commuting into the County, negative impacts on air quality and limitations on economic growth.



As Our Community Grows We Need to Expand Housing Options

▶ **By the year 2025**, we will add 133,300 new jobs in San Mateo County, a 40 percent increase over the current 336,500 jobs. This projected job growth, a direct result of a strong local economy, will create approximately 68,000 worker households, of which 48,000 will be households desiring to live in San Mateo County. Approximately 23,000 non-worker households will also form in the County, made up of retirees, students, unemployed households and disabled individuals. Taking into account a normal vacancy rate of 2.5 percent, a total of 73,000 housing units will be required in San Mateo County to accommodate these new households.

Housing Options for a Range of Incomes

These new households in San Mateo County will have a range of incomes and will need a variety of housing options. More than 34,000 of the new households formed by 2025 (47 percent of the total new households) will be earning moderate or above moderate incomes, allowing them greater choice in meeting their housing needs. At the same time, the remaining 38,000 lower and modest income households (53 percent of the total new households) will face an inadequate supply of housing that is affordable. Approximately 40 percent of the new worker households and 70 percent of the new non-worker households are expected to be lower income households.

72,895 Number of New Housing Units Needed in 2025

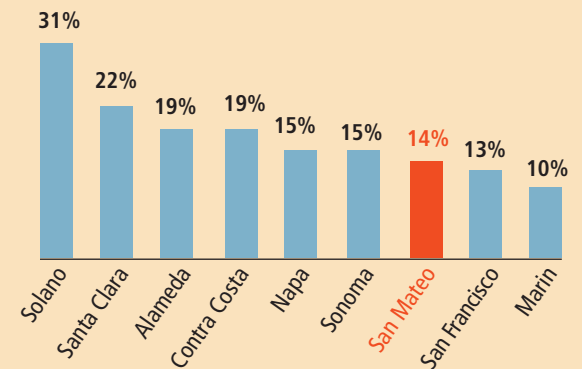
Housing Units Needed By Income

- 25,495** Above Moderate \$102,601 and above
- 7,033** Moderate (above median) \$85,501 – 102,600
- 1,864** Moderate (below median) \$81,451 – \$85,500
- 15,734** Low Income \$50,901 – 81,450
- 10,724** Very Low Income \$30,551 – 50,900
- 11,745** Extremely Low Income under \$30,050

Projected Growth in San Mateo County Compared to Other Counties in the Bay Area

Growth in our County is fairly typical of communities throughout the Bay Area. According to the Association of Bay Area Governments' Projections 2005, which already assumes housing production will not meet the demand, the number of households in San Mateo County will grow by 14 percent over the next twenty years. During the same period, the average projected growth in households in the entire Bay Area is 18 percent.

Projected Household Growth By County



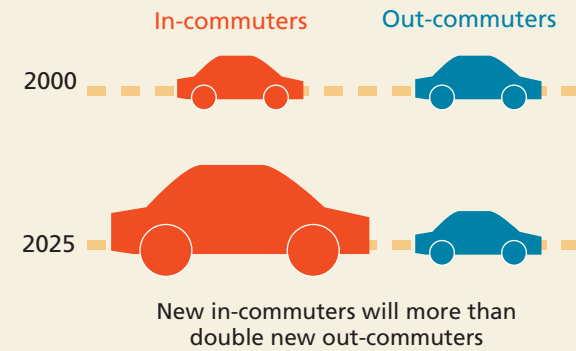


By 2025, job growth in San Mateo County will create 48,000 new worker households, in addition to 23,000 non-worker households that will form in the County. **73,000 housing units will be required to accommodate these new households.**

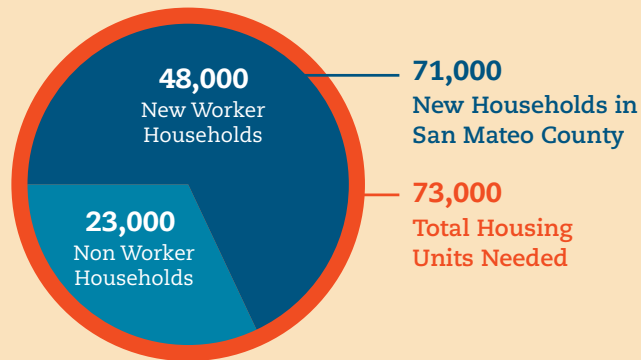
Changes in Commuting Patterns

In 2000, about half of those who worked in San Mateo County lived inside the County while the other half commuted in. At the same time, about half the employed residents of San Mateo County worked inside the county and half worked outside. This is expected to change dramatically over the next twenty years. As a result of insufficient housing supply to accommodate our job growth,

the increase in new in-commuters to San Mateo County jobs is expected to be more than double the number of new out-commuters to jobs elsewhere. Furthermore, as San Mateo County's worker households spill over into other parts of the region, the pressure to develop thousands of acres of open space in other parts of the Bay Area will also increase.



133,300 New Jobs in San Mateo County by 2025



How Estimates of Local Population Growth Are Made

The Study uses several standard and historically accurate sources to project job growth in the County. In order to estimate the number of households resulting from the projected new jobs, the Study uses past economic development trends as well as assumptions about land use patterns, housing availability and commuting patterns. Some new worker households will be formed from people already living in the County. For example, when a young person entering the workforce has enough money to move out on his or her own, a new household would be created. Other households are formed when new families move into the County to fill the newly-created jobs. The mix of households will also include a growing number of retirees (fueled by retiring baby boomers) and other non-worker households such as students, unemployed households, and persons with disabilities.



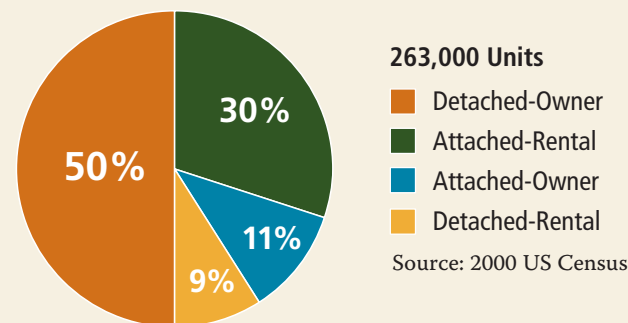
Housing the Future of San Mateo County: Creating Housing Opportunities for Everyone

▶ **The central challenge facing San Mateo County** as it plans for an increase in jobs and households is creating enough new housing opportunities. As a community we value our legacy of lower-intensity land uses, which resulted in the preservation of wildlife habitats, agricultural lands, and quiet neighborhoods of single-family houses. To protect and support these valuable areas, we need to start thinking differently about how and where to encourage “infill” housing development in already established areas. San Mateo County is already a nationally recognized leader in the movement to build housing closer to public transportation and services. This new development pattern honors our commitment to the environment, an improved quality of life, and an increased desire for services and daily destinations located closer to our homes.

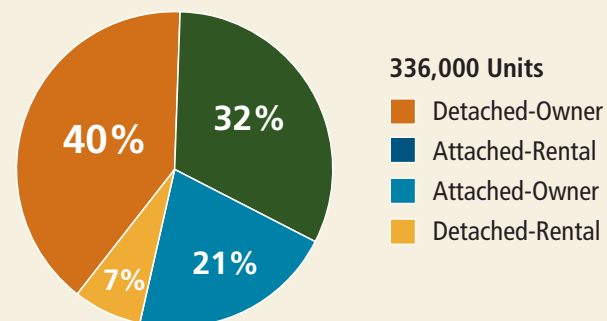
Single Family Houses Make up the Largest Portion of the Existing Housing Stock

The current housing stock in San Mateo County is approximately 60 percent single-family detached housing. Townhomes and condominiums, increasingly in demand from first-time homebuyers and “empty-nest” buyers, comprise only 11 percent of the current housing supply. To provide more housing opportunities for worker and non-worker households in San Mateo County while preserving our open space, future development will most likely emphasize apartment buildings, townhomes and condominiums.

Profile of Current Housing Supply



Example Profile of 2025 Housing Supply



Defining the Terms

Detached-Owner are single family houses.

Attached-Rental are typically apartments.

Attached-Owner are typically condominiums and townhomes.

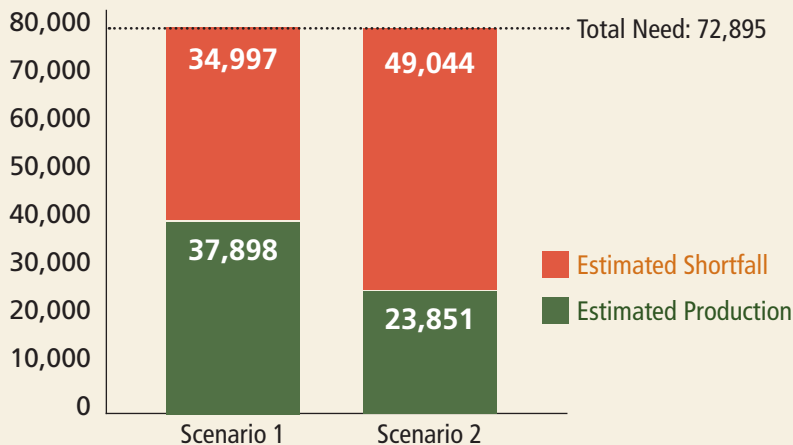
Detached-Rental are single family houses that are being rented.



The existing supply of housing in the County that is relatively affordable is continuously shrinking. This means that as families grow up and young adults have families of their own, they have fewer options and many must leave.

Production Shortfall and a Lack of Housing Options

The Housing Needs Study uses two estimates of housing production in San Mateo County through the year 2025—one higher, one lower—both of which fall short of the need. Scenario #1 is based on the Association of Bay Area Governments’ (ABAG’s) estimate that San Mateo County will follow regional trends towards building more infill housing near public transportation. Scenario #2 is based on the past housing production rates in the County. In both cases, there is a large deficit of unmet housing need and insufficient housing options. It is important to note that the shortage in both scenarios will have the most impact on families with lower incomes.



The County’s Shrinking Supply of Affordably Priced Homes

The existing supply of relatively affordable housing in the County is continuously shrinking. One cause is the sale of single-family homes owned by a family for a long time; when sold, these are no longer affordable. For example, a house that was bought 15 years ago for \$100,000 might have a monthly mortgage payment of about \$500 and require an annual income of about \$25,000. That same house, if it were sold again today for \$750,000 would have a monthly mortgage payment of about \$4,000 and require an annual income of almost \$200,000. As a result, when young adults have families of their own, they have fewer options and many must leave. Historically, housing costs have increased more quickly than incomes, resulting in fewer housing options for many families.



Who Gets Left Out Because of a Lack of Housing Options?

► **Planning for our future in San Mateo County** is important because a lack of housing options means that family members, neighbors, empty-nesters, low-wage earners, persons with disabilities and seniors on fixed incomes will have an increasingly difficult time staying in our community. For example, a household with one childcare worker and a computer systems analyst who make a combined salary of nearly \$110,000 are not able to afford the County’s average monthly mortgage of \$4,000. A single mother of three who works as a secondary school teacher earning a salary of \$62,000 may have to choose between overpaying for housing and living in substandard conditions, because she cannot afford the median rent of nearly \$1,600 for a two-bedroom apartment.

What is Affordable Housing?

Housing is considered affordable when a family pays no more than 30 percent of its income towards rent or mortgage (including insurance, property maintenance and repairs, homeowner association dues and taxes). This definition is widely used by local, state and federal governments and recognizes that households have other essential expenses including food, clothing, healthcare, childcare and transportation.

The term “affordable housing” can also refer to housing that is targeted to households with low or moderate incomes and is subsidized in some way to make it affordable. The definition of “low income” is established by the U.S. Department of Housing and Urban Development (HUD) as a percentage of the Area Median Income (AMI) and varies from region to region and by household size.

How are income limits defined?

When planners evaluate housing options for different income groups they use a classification of income limits based on household size and income as compared to the median income in the area.

| Income Categories | Annual Income for a 3-Person Family | Affordable Monthly Housing Payment |
|-------------------------|-------------------------------------|------------------------------------|
| Above Moderate | \$102,601 and above | \$2,565 |
| Moderate (above median) | \$85,501 – \$102,600 | \$2,163 |
| Moderate (below median) | \$81,451 – \$85,500 | \$2,075 |
| Low Income | \$50,901 – \$81,450 | \$1,550 |
| Very Low Income | \$30,551 – 50,900 | \$1,050 |
| Extremely Low Income | Under \$30,050 | \$625 |

2007 Figures

Impact of the Housing Shortfall

As illustrated in the table below, the mismatch between population growth and the projected housing supply in San Mateo County will have a major impact on middle-income households and the greatest impact on the lowest-income households. In addition, over 19,000 households in the County are living in seriously overcrowded conditions, and as many as one-third of County households are overpaying for their current housing. If these households' needs were taken into account, the shortfall of housing would be even greater.

(Source: 2000 US Census)

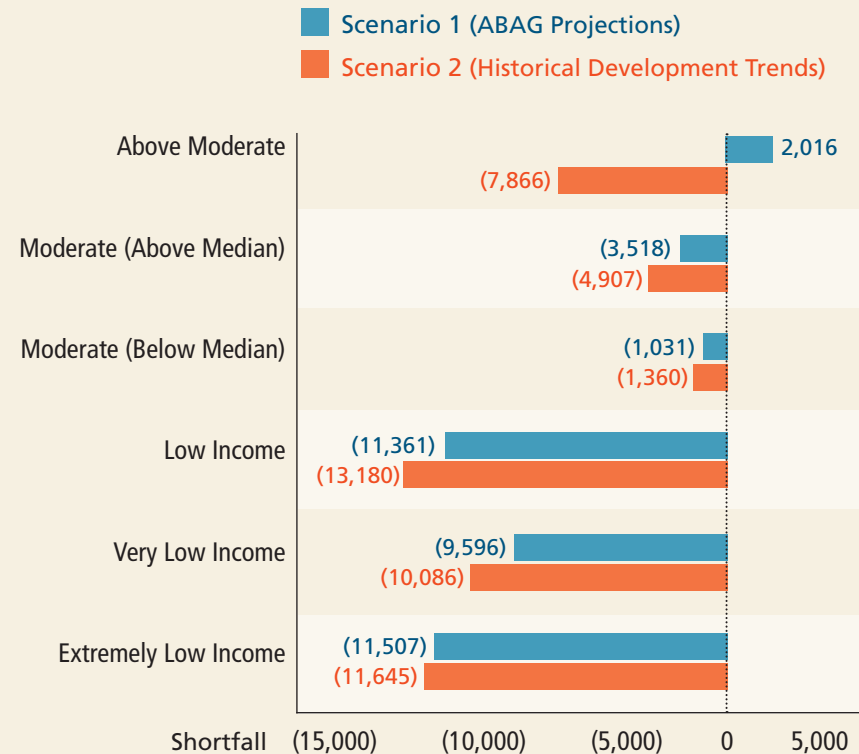


Housing Need, Supply & Shortfall

| Scenario 1 (ABAG Projections) | | | |
|-------------------------------|---------------|------------------|---------------------|
| Income Category | Need | Projected Supply | Estimated Shortfall |
| Above Moderate | 25,795 | 27,811 | 2,016 |
| Moderate (Above Median) | 7,033 | 3,515 | (3,518) |
| Moderate (Below Median) | 1,864 | 833 | (1,031) |
| Low Income | 15,734 | 4,373 | (11,361) |
| Very Low Income | 10,724 | 1,128 | (9,596) |
| Extremely Low Income | 11,745 | 238 | (11,507) |
| Total | 72,895 | 37,898 | (34,997) |

| Scenario 2 (Historical Development Trends) | | | |
|--|---------------|------------------|---------------------|
| Income Category | Need | Projected Supply | Estimated Shortfall |
| Above Moderate | 25,795 | 17,929 | (7,866) |
| Moderate (Above Median) | 7,033 | 2,126 | (4,907) |
| Moderate (Below Median) | 1,864 | 504 | (1,360) |
| Low Income | 15,734 | 2,554 | (13,180) |
| Very Low Income | 10,724 | 638 | (10,086) |
| Extremely Low Income | 11,745 | 100 | (11,645) |
| Total | 72,895 | 23,851 | (49,044) |

Housing Shortfall By Income Categories





What Happens If We Don't Expand Housing Opportunities?

- ▶ Lack of housing opportunities will directly lead to an **increase in the number of families paying more than they can afford for housing** and in some cases having to choose between housing and other necessities. It will also lead to more families living in overcrowded conditions that can put stress on families, create health problems and disrupt children's success in school.
- ▶ **Commute times will increase for everyone** as more people traveling to their jobs from other regions of the Bay Area add to the congestion on our roads.
- ▶ **The quality of our environment, especially our air quality, will continue to be negatively affected** by more commuters driving more miles and spending more time in traffic.
- ▶ **Middle-income families will continue to move** to more affordable regions of the state and country, leaving behind people in high-paying jobs, retirees, and households who are in overcrowded or otherwise unsuitable living conditions.
- ▶ The lack of housing opportunities and its consequences has the **potential to impact the health of San Mateo County's economy and regional competitiveness today and in the future**. In a 2007 survey of Silicon Valley CEOs, 84 percent listed housing as their number one business concern, and an unprecedented 99 percent said housing was the top cost-of-living challenge for Silicon Valley employees. (Source: 2007 CEO Business Climate Survey, Silicon Valley Leadership Group)

Environmental Benefits of Smart Development Patterns

If we make good decisions about the types of housing we build and where we build it, we can mitigate the environmental impacts of our growth. Two examples of this have been cited by the U.S. Environmental Protection Agency:

Reducing Resource Consumption

"Many land development patterns—compact development, mixing of land uses, higher density development oriented around transit, and pedestrian and bicycle facilities—have demonstrated positive environmental implications: reducing infrastructure requirements, reducing vehicle travel, reducing land and habitat consumption, and reducing water consumption and pollution."

Reducing Car Use

Infill development in central areas that supported a variety of public transportation options led to a significant reduction in the number of vehicle miles traveled (VMT) per household. There was also a corresponding reduction in vehicle emissions as a result of the fewer miles traveled.

(Source: "Our Built and Natural Environments: A Technical Review of the Interactions between Land Use, Transportation, and Environmental Quality", United States Environmental Protection Agency, January 2001. Pages 44-49, and 75.)

How Do We Plan for the Future We Want?

▶ Location

Where we build new housing is a central part of the solution. With smart development patterns we can get people closer to their jobs and neighborhood-serving retail, and encourage alternative modes of transportation.

▶ Density

Density is also part of the solution. We have already demonstrated in many parts of the County how building new housing at higher densities allows more people to live closer to amenities, consumes fewer natural resources, makes housing more affordable, and expands the number of housing options.

▶ Design

Design is critical. Successful new housing developments—such as Lesley Gardens in Half Moon Bay, City Center Plaza in Redwood City, and Humboldt Square in San Mateo—beautify and strengthen neighborhoods.

▶ Inclusion

Inclusionary housing policies that require developers to sell or rent a percentage of units in new developments at more affordable levels are an effective tool for ensuring that more options exist for modest-income households.

▶ Funding

Finding new funding resources to develop housing is essential. The Housing Needs Study discusses one potential source of funding: a job-housing linkage fee. This is a fee placed by local government on new retail, manufacturing, research and development, and office developments to help offset the increased demand for housing generated by the new job opportunities.



A sustained commitment to find and support creative solutions is foremost. Most of the best solutions are already in use in San Mateo County.

Developing a broad-based understanding of the issues we face as well as community engagement in potential solutions is the key to planning for a future that provides housing opportunities for everyone.





San Mateo County Board of Supervisors

Mark Church

Rose Jacobs Gibson

Richard S. Gordon

Jerry Hill

Adrienne J. Tissier

Commissioned By:

San Mateo County

Department of Housing

In Cooperation With:

City/County Association of Governments
of San Mateo County

The Housing Endowment and Regional
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For additional copies of this summary report, please contact the San Mateo County Department of Housing at (650) 802-5050. Electronic copies are available at www.smchousing.org.

For copies of the San Mateo County 2006 Housing Needs Study, please contact the City/County Association of Governments at (650) 599-1406. Electronic copies are available at www.ccag.ca.gov.

To learn more about current housing initiatives in the county—including the HOPE Initiative to end homelessness, the Grand Boulevard Initiative to promote infill development along El Camino Real, and the Housing Endowment and Regional Trust—please contact the Department of Housing at (650) 802-5050.

The County Department of Housing, in collaboration with diverse community partners, is developing additional tools and resources that address the following:

- Infill development
- Housing strategies and solutions
- Best practices in affordable housing design
- Environmental sustainability of housing
- Economic impact of housing shortfalls

For more information about these tools and resources, contact the Department of Housing.