

Housing Our Future Together

A Work in Progress

San Mateo County
Countywide Housing Strategy Statement
October 2008

To view the 2008 Countywide Housing
Solutions Network Update, go to
www.smhousing.org

Introduction

This report is a working draft of a comprehensive countywide housing solutions strategy. This Strategy Statement is one important “tool” in the housing solutions toolkit being steadily expanded and refined by the Countywide Housing Solutions Network, a collaborative effort in San Mateo County to improve alignment and communication among the host of complementary housing-related activities and initiatives being undertaken by a wide array of public and private organizations. The Countywide Housing Solutions Network aims to further bolster current housing production efforts by directing attention and resources to fill gaps in our technical knowledge and implementation efforts.

The Strategy Statement proposes we focus our limited resources on a few key strategic opportunities that will leverage increased housing options for those who live and work in San Mateo County: political will; local jurisdiction plans, regulations, incentives, and processes; infill and transit-oriented development; inclusionary zoning; and dedicated, stable sources of funding.

These opportunities represent the best current thinking of San Mateo County’s leaders in housing policy, planning, social services, and civic engagement. In coming months, a larger stakeholder group of housing leaders and community members will comment on the opportunities proposed in this document.

There are also significant questions and gaps that remain. Over the next year, we will continue to address these questions through locally-focused research and analysis of the potential benefits and downsides of each opportunity. This document showcases significant achievements to date by members of the Countywide Housing Solutions Network and highlights major current initiatives.

The Countywide Housing Solutions Network has been proud to collaborate with key partners to formulate this strategy, including Housing Leadership Council, Housing Endowment And Regional Trust, San Mateo Transit District, City/County Association of Governments, Peninsula Interfaith Action, the HOPE Initiative, Building Trades Council and Threshold 2008. Your input and feedback on this preliminary Strategy Statement is much appreciated. Please go to www.smchousing.org to submit your suggestions and ideas.

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Living Our Community Values

Housing is more than just “bricks and mortar”; it is a fundamental component in the foundation of our communities. Having a place to call home provides us with a sense of dignity, stability and prosperity, allowing us to obtain a better quality of life and be a part of a community. Given our diversity, not everyone can afford or would prefer to live in a single family home. However, by creating more options for consumers, we can expand the opportunity for people to participate in the market. As such, it is important that we begin to think of housing in a broader context and its relationship to other primary elements in our municipalities:

- We can strengthen our efforts as we strive to protect our environment by implementing sustainable land use patterns when planning for future growth. In doing so, we can preserve open spaces and assure more sustainable water use. By approving compact, higher density infill development in districts having a mix of uses, we can make better use of existing infrastructure of roads and public utilities. Further, we can reduce our carbon levels by decreasing vehicle miles traveled through building more transit-oriented developments.
- Local economic development is dependent upon having a diverse workforce. If appropriate housing options are not provided for employees in a close proximity to their work, many may be forced to leave the area, thereby reducing the available workforce for service industry jobs as well as jeopardizing future stability of key industries that may prefer to relocate to places more affordable for their workers.
- While it is important to develop adequate housing options for employees, it is equally important to provide safe, nurturing homes for those not in the workforce, such as seniors, students, persons with disabilities, homeless individuals and families, and emancipated foster youth. To enhance our communities, we must provide housing to meet the needs of these specific populations and improve their quality of life.
- In continuing our efforts to improve our cities, future housing developments can be planned so as to support healthier, sustainable communities that encourage walking and biking, provide greater access to fresh produce and healthy foods, and support social interaction. Moreover, by providing increased options for housing that public employees can afford, our teachers, nurses, and emergency responders will have a greater opportunity to live in the communities they serve.
- Multiple generations of families not only enrich the lives of residents, but also the character of communities. A variety of housing types must be available to allow families to live near each other, prevent overcrowding, and foster academic success by providing our children with the stability they need to be able to succeed in school.

These values are echoed in the Shared Vision 2010 project, developed by the Board of Supervisors to identify common goals and commitments among our diverse residents in San Mateo County. Through the development of the Strategy Statement, we can continue our efforts to make these values resonate throughout the county as we work to build better communities.

Housing in San Mateo County Today

San Mateo County is a great place to live. Despite the current recession, housing demand continues to increase faster than the supply. The 2006 San Mateo County Housing Needs Study predicts that by the year 2025 the county will add as many as 133,000 new jobs. Natural population growth is also contributing to housing demand, both from new generations and from the longer life expectancies of our aging adults. As a result, about 73,000 new housing units will be needed to accommodate our growth during this time. If housing continues to be built at the current rate, the county could face a shortage of 49,000 homes by 2025.¹ Much of this shortage will be for housing affordable to moderate, low, and very low income households.

San Mateo County remains a very expensive place to live; the median price of a single-family home as of August 2008 was \$795,000.² Rents are also consistently among the highest in the nation. Furthermore, the current housing supply shortfall in San Mateo County contributes to the high cost of living:

- Single family homes comprise of 50 percent of the housing stock; many of these homes are unaffordable to families living and working here.
- Rental units, mainly apartments, make up the second largest portion of the housing stock at 30 percent, while single family homes for rent make up nine percent. The average rent for these units is often more than a household can afford.
- Condominiums and townhomes—housing that is more affordable and preferred by first-time homebuyers and “empty-nest” buyers—have an 11 percent share of the housing stock³.

Key Housing Statistics in San Mateo County

Current Home Prices

As of August 2008, the median price of a single-family home was \$795,000; the median price of a condominium was \$520,000. Additionally, the average rent for a one-bedroom apartment was \$1,583; the average rent for a two-bedroom apartment was \$1,870 as of June 2008.

Current Home Production

Between 1995 and 2000, only one new unit of housing was built for every five jobs created. From 2000-2007, there has been a gap of 1,000 units per year between the identified need for housing and actual housing production.

Projected Housing Shortfall

The County will probably build significantly less than the projected need of 73,000 units by 2025. The resulting shortfall will impact households of various income levels differently: It is estimated that approximately 14,000 more units for moderate and above moderate income households will be needed in addition to what is projected to be built; the shortfall for lower-income households will be closer to 35,000 units.

The enormous rise in housing prices over the past two decades, and the lack of affordable housing and diversity of the housing stock compared to demand affects everyone in San Mateo County.

¹ San Mateo County Housing Needs Study (City/County Association of Governments et al, 2006), pp 1-8.

² San Mateo County Association of Realtors, August 2008 Median Home Prices.

³ US Decennial Census, 2000 Summary File 3, Table H32.

A Strategy to Realize Our Communities' Vision

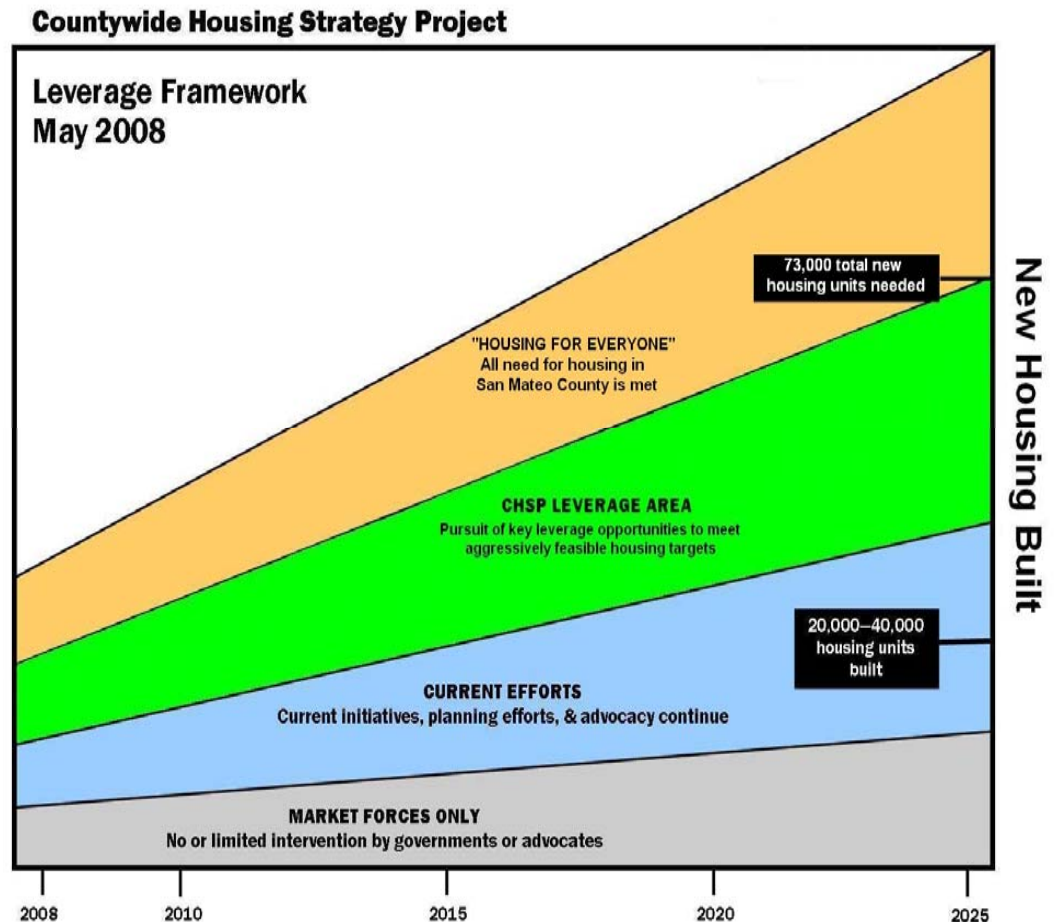
Current environmental, economic, and social initiatives have identified the need and importance of planning for future growth through smart developments that enhance our communities. Many in the county have already recognized that following older patterns of low-density, sprawling development will not get us to a positive future we all envision.

To achieve this vision, and to get us closer to meeting the need for an additional 73,000 units, it is clear that we need to increase housing production in the county beyond the historical rate at which we have been building, as seen in the diagram to the right. A number of significant efforts to do so are already underway in the county, several of which are profiled in this report. The need for housing still looms far beyond what our current efforts have been able to achieve.

The Countywide Housing Solutions Network will help coordinate, expand, and focus existing efforts on common goals and shared strategies, resulting in the production of housing we need to strengthen our communities.

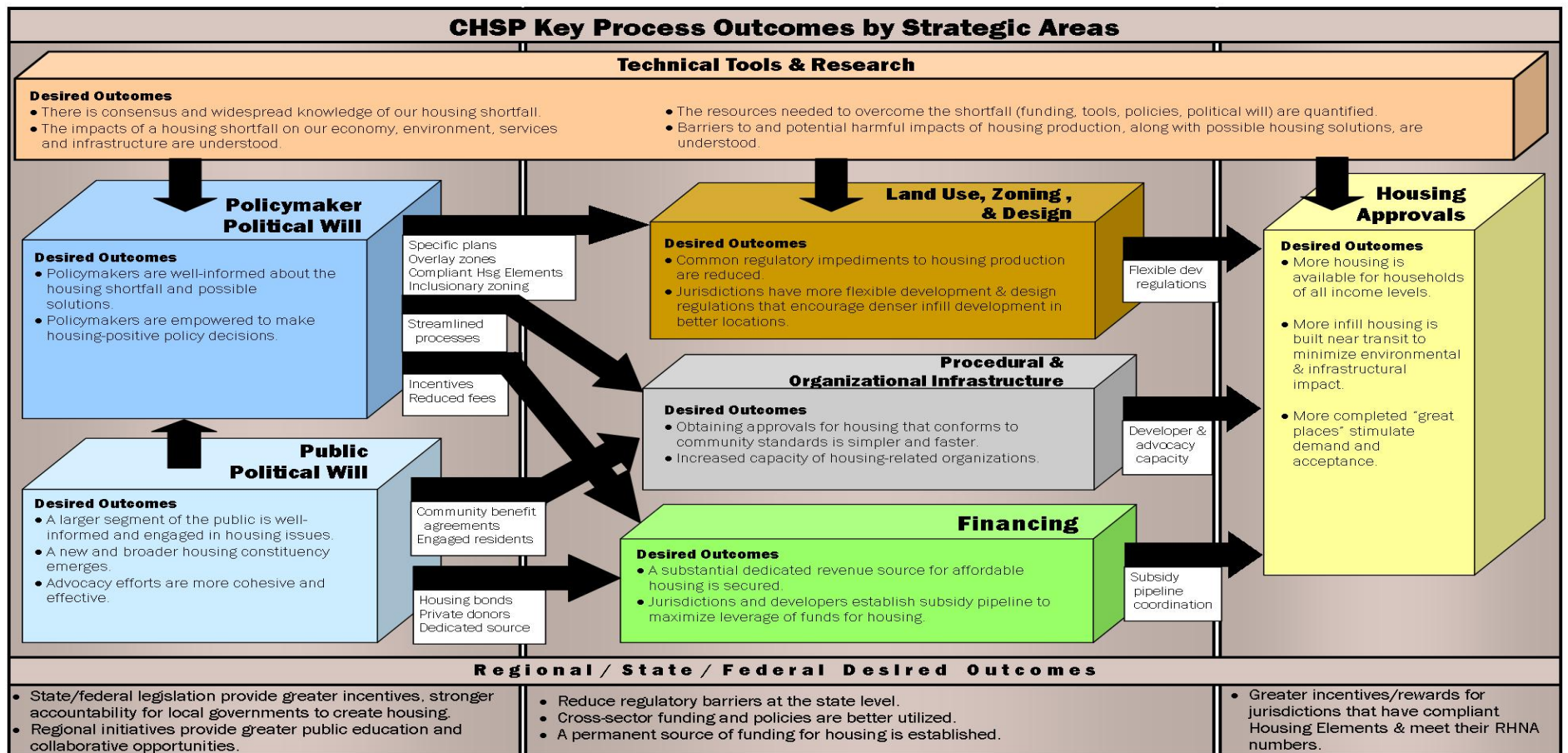
While there are many ways in which we could address the housing crisis in the county, our activities will be significantly more effective as we are able to increase our communication and collaboration. As depicted in the diagram, a shared Strategy would target our leverage opportunities to increase housing options and production to fill in the gap between what our current efforts would accomplish—between 20,000 to 40,000 housing units built, and the 73,000 new housing units required to meet our needs.

There are very real challenges to increasing the housing stock in San Mateo County. Therefore, the goals and shared opportunities that the Strategy proposes to focus on must be reality-based, feasible, and bring perceived benefits to the community.



Leveraging the Housing Process

A new housing pattern can embody and support our vision of a healthy and whole community while retaining the qualities and characteristics of San Mateo County that make it such a great place to live. Formulating this new pattern requires innovative and collaborative solutions. It starts with the commitment of the public sector, business sector, and private citizens to develop a housing future that will support all of us. Creating a workable, realistic Strategy to implement this pattern through actual housing production requires consideration of the housing development process itself. The diagram below demonstrates in broad strokes the complex interaction of each component—technical research, political will, land use, infrastructure, and financing—their connection and overall affect on housing approvals. Given the highly interdependent nature of the process, a strategy that pursues housing solutions in one area alone without addressing other areas will most likely have a limited impact overall. Developing housing solutions for San Mateo County will require a comprehensive approach, addressing the entire process by coordinating resources and efforts to create changes in multiple components, which in turn will leverage change in other areas.



Strategic Keys to the Future

Based on this model of housing production with its many interdependent components, this Strategy Statement proposes to focus on five “key leverage opportunities”. Each of these opportunities is feasible to implement, would provide a measurable and significant return on our investment, and is central to making housing more available or more affordable in the years to come. In addition, there is general consensus among local housing and planning experts that these key opportunities will directly address barriers to increased housing production and further the shared values of our communities.

The proposed key leverage opportunities are:

- 1) **Develop political will** among the public and policymakers to support an increased supply of housing.
- 2) **Adopt effective plans, regulations and incentives and efficient processes that enable market forces** to produce well-designed and diverse housing.
- 3) **Promote infill and transit-oriented development**, especially by showcasing good examples.
- 4) **Utilize inclusionary zoning** to ensure that affordable housing is a component of market-driven housing production.
- 5) **Establish stable, dedicated sources of funding** to subsidize the development of additional affordable housing.

The following pages will discuss each of these broad opportunities in greater detail and make the case for why these are good solutions for San Mateo County. We will also highlight ongoing efforts that are addressing each opportunity, and acknowledge specific research or activities that are still needed to support further implementation.

Countywide Housing Solutions Network Online (www.smchousing.org)

Laying the groundwork for a Countywide Housing Solutions Network thus far has engaged some of the leading experts in the county from housing, planning, transportation, social service, and advocacy agencies, who meet regularly to evaluate our current efforts, identify gaps in knowledge, and recommend future actions. As part of this collaboration, the Countywide Housing Solutions Network has invested in research specific to our local communities, an expanding “toolkit” of research to answer some important questions:

- How much housing can we feasibly build in San Mateo County? Where should it go?
- How can we ensure that there are affordable housing options for households regardless of their income level?
- How can we accommodate growth while still preserving the character and natural beauty of San Mateo County?
- How can we build additional housing while minimizing our environmental impact?
- What are our best strategic options for promoting increased housing production?

To increase public access to relevant research, the Department of Housing has developed a website dedicated to the Countywide Housing Solutions Network at www.smchousing.org.

Key Leverage Opportunity: Political Will

Develop political will among the public and policymakers to support an increased supply of housing.

Framing the Issue

Community attitudes about new housing development greatly influence the pace and character of such activity. A number of barriers to increased housing exist as a result of attitudes or misperceptions that are unsupportive of additional development; these barriers are manifested through restrictive zoning codes, vocal opposition groups, and ballot initiatives.

Recent research has demonstrated limited public support in San Mateo County for increased housing production, particularly for housing that is higher density or more affordable. In February 2008, Threshold 2008, a community engagement initiative aimed at building public awareness and participation in formulating solutions for local housing challenges, conducted a poll of 1,900 randomly selected residents in San Mateo County. It found that only 38 percent of the respondents believed that more housing should be built, while only 29 percent voiced concern that companies would leave due to a housing shortage. Less than half, 46 percent, thought a shortage of affordable housing would affect the quality of county services such as fire, police, health and education. Further, civic participation in local planning processes appears to be less of a priority as 56 percent of respondents reported never having participated and 21 percent reported participating “only a few times” in the last five years.⁴

These numbers demonstrate a significant gap in knowledge and a lack of broad civic participation in housing issues. While a number of organizations in San Mateo County have been active in public education and outreach efforts, the local constituency that supports increased housing production remains small.

Focus on Current Efforts: Threshold 2008, a community engagement initiative (www.threshold2008.org)

Founded by community leaders concerned about the lack of a full representation of resident opinions in local housing decisions, Threshold 2008 is an unprecedented campaign to build the public voice for housing solutions in San Mateo County. On March 15-16, 2008, Threshold hosted a Countywide Assembly on Housing Choices, in which 238 randomly selected county residents discussed various alternatives to address the housing need in our county, weighing the trade-offs and hearing from experts.

In May 2008, Threshold organized an online dialogue for hundreds of individuals who live or work in San Mateo County, with guiding questions and expert participation similar to that of the assembly.

The final phase of the initiative takes the dialogue directly into the community, with individuals hosting “community conversations.” Community Conversations further open the dialogue on housing options to local communities, including those typically underrepresented in the public process. This is a chance to reach deeply into different neighborhoods, organizations, and settings to allow additional public input into countywide housing solutions.

⁴ Results of the San Mateo Countywide Assembly on Housing Choices (Threshold 2008, March 2008). Pp 1-2.

Why It Matters

As a result of important gaps in community understanding and awareness about housing issues and the costs of insufficient housing options, it is difficult for local leaders to make housing-positive decisions. In March 2008, Threshold hosted a two-day assembly with 238 randomly selected residents reflecting the demographics of the County, in which they discussed various alternatives to address the housing need in our county. Participants were presented with balanced information materials, statistics, and expert panels as resources for consideration. In only two days, the participants' knowledge of housing issues and the impact of a continued housing shortfall increased significantly, as well as public perception and support of housing policies, as seen in the table below.⁵

Desired Outcomes

Any comprehensive solution to the housing need in our county must address political will, both of the public and of local policymakers. In order for the Solutions Network to be effective, reasonable, and beneficial, it will need the participation of a larger number of those who live and work in San Mateo County. The difficult decisions and trade-offs about housing that we face as a community cannot be addressed without a well-informed, balanced public voice that is representative of the diversity of San Mateo County.

Effective efforts to impact political will should result in the following outcomes:

- A larger segment of the public is well-informed and engaged in housing issues.
- A new and broader housing constituency emerges.
- Policymakers are well-informed about the housing shortfall and possible solutions.
- Policymakers are empowered to make housing-positive policy decisions.

Threshold 2008 Countywide Housing Assembly: Polling Results for Critical Housing Policies After Participating in Informative Session and Discussion

Housing Policy Issues	Level of Support
Build Housing Near Public Transit	93%
Mixed Use/Walkable Developments	90%
Public Transit Can Reduce Traffic Congestion from New Housing	90%
Inclusionary Zoning	83%
High Density Housing Could Revitalize Downtown Areas	82%
Public Subsidies for Affordable Housing	75%
Faster and Less Expensive Approval Process for Housing	68%
Public Funding for Housing	66%

Source: Threshold 2008. (March 2008). "Results of the San Mateo Countywide Housing Assembly on Housing Choices", pp.13-14.

⁵ Results of the San Mateo County Assembly on Housing Choices (Threshold 2008, March 2008), pp 13-14.

Key Leverage Opportunity: Local Jurisdiction Plans, Regulations, Incentives and Processes

Adopt effective plans, regulations, incentives and efficient processes that enable market forces to produce well-designed and diverse housing.

Framing the Issue

The role of jurisdictions in determining the location, type, and design of developments in their communities is critical. Jurisdictions use regulations to establish the approval process for housing developments. In a time of quickly rising construction costs, the length of the pre-development phase—the time between when a project is initially proposed and construction begins—can determine whether or not a housing development remains financially feasible and moves forward. Regulations that are unclear, confusing, or cumbersome can significantly slow the process, increase costs, and ultimately result in the development of fewer good housing developments in San Mateo County.

Local governments cannot control the market, but local governments certainly have the ability to make the housing development process either quicker and simpler or slower and more burdensome—sometimes to the point that it is discouraged altogether. While probably not originally intended to do so, local regulations and processes have sometimes become an impediment to additional housing development, particularly denser housing in infill locations and near transit. In fact, when zoning was first conceived in the early 20th century, the priority was to segregate land uses—separating residential, commercial, industrial, and other uses as a way to protect people from polluting or noxious activities. Today, those concerns are much less pressing, yet recent years have brought to light the unintended consequences of outdated regulations that promote sprawl, encourage increased driving, and can prevent the creation of vibrant neighborhoods through mixed use developments.

Focus on Current Efforts: Collaborative Housing Element Update Process (www.21elements.org)

Today, policymakers and elected officials in San Mateo County acknowledge that housing is a regional challenge that requires collective solutions. In 2006-07, all 20 cities and the county began a collaborative housing planning process that was the first of its kind in California. Every five to seven years, state and regional agencies allocate to every jurisdiction housing need numbers that are divided by income level. Each jurisdiction must plan to address this need through the Housing Elements of their General Plans.

Taking full advantage of a new state law, the 21 jurisdictions received one bulk allocation number and jointly established a methodology for apportioning the housing need. The collaborative process also allowed jurisdictions to “trade” housing numbers to achieve a better fit for local conditions.

The success of this effort led directly to a current partnership to update all 21 Housing Elements simultaneously. Facilitated by the City/County Association of Governments and the County Department of Housing, jurisdictions have hired one shared consultant to develop content, data, and templates that will strongly support each city’s update process. The desired outcome is to have 21 Housing Elements that are clear and effective blueprints for future housing development in every jurisdiction in San Mateo County.

Why It Matters

When local developers and all 20 city planning departments were recently asked to identify the most pressing constraints that prevent the development of new housing, top concerns cited by both groups were zoning standards and a slow, expensive permit approval process. In particular, developers shared that the approval processes in San Mateo County jurisdictions are significantly slower and more costly than those of nearby regions.⁶ From 1999-2006, San Mateo County as a whole issued about 10,300 permits for housing units, supporting only 63 percent of the state-mandated projected housing needs.⁷ This was well below the Bay Area average of 92 percent. In 2006, the Bay Area Council gave San Mateo County a grade of “F” in their evaluation of our effectiveness in providing housing.⁸

Local governments have the power to amend their development regulations, permitting processes, and plans to make them more streamlined, provide clarity, and increase effectiveness in promoting best practices for neighborhoods. This transparency benefits stakeholders by providing a shared understanding of the development process and desired results in their cities.

As such, this process is a key housing opportunity in San Mateo County as it plays a pivotal role in determining the landscape of housing in the county for the next decade. Currently, all 21 jurisdictions in the county are in the process of updating their Housing Elements (see previous page) as mandated by the State, the single most important long-range planning document for housing at the local level. Each jurisdiction needs to plan for a certain number of housing units at a variety of income levels, including the identification of specific sites with the capacity for housing development. Concurrently, a number of cities in the county are updating their General Plans and developing specific plans for their downtowns or redevelopment areas. On a regional level, ABAG has designated priority development areas—including parcels along El Camino Real—and is offering competitive planning grants.

Desired Outcomes

Housing development cannot happen without being approved by local jurisdictions, and any revisions to current regulations that make approvals simpler, faster, and more clearly conform to local plans will substantially impact the number of homes that are built in San Mateo County. Effectively impacting this opportunity would require the following outcomes:

- All 21 jurisdictions in San Mateo County have Housing Elements certified by the state of California.
- All 21 jurisdictions in San Mateo County incorporate and implement regulatory best practices in their Housing Element programs.
- Obtaining approvals for housing that conforms to community standards becomes simpler and faster.

⁶ Supplementary Data Book: Countywide Housing Background and Information (Threshold 2008, March 2008), p 4.

⁷ A Place to Call Home: Housing in the San Francisco Bay Area (Association of Bay Area Governments, 2007), p 38.

⁸ Bay Area Housing Profile (Bay Area Council, 2006).

Current Research on Regulatory Barriers

Filling in the Gaps: How Cities Can Promote Infill Housing (Spring 2008) www.smchousing.org

The San Mateo County Department of Housing developed this resource to highlight local regulatory barriers to infill development and to suggest actions that cities can take to facilitate infill housing.

Key Leverage Opportunity: Infill & Transit-Oriented Development

Promote infill and transit-oriented development in San Mateo County cities.

Framing the Issue

Deciding where to build new housing in San Mateo County is a key consideration. There is general consensus in the county to protect open space land and preserve established single-family neighborhoods. Therefore, infill development—building on vacant or underutilized sites within already developed areas—is important to solving our housing crunch. Transit-oriented development (TOD) is a component of infill, with the added benefit that residents live close to transit nodes. Research shows residents drive less and walk or bike more. As such, TOD supports our public transportation infrastructure—more riders mean more frequent transit—while also minimizing the environmental impact of new residents.

There is significant demand for infill and transit-oriented housing. In San Mateo County, a future demand estimate conducted in July 2005 predicted that an additional 13,400 households will seek out homes within a half mile of San Mateo County’s transit areas between now and 2030. Interestingly, “the households expected to drive demand for housing near transit are those headed by persons 65 years of age and older.”⁹

In response to land constraints in the county and growing demand, the local market is already reflecting this trend. According to the San Mateo County Transit-Oriented Development Opportunity Study, published in 2007:

In the past five years, virtually all of the new home starts in San Mateo County have been in multi-family infill properties. An estimated 3,869 units have been constructed since 2000 and, increasingly, many of these projects have been located in close proximity to transit. Of the sixty-two residential and mixed-use residential projects in San Mateo County currently in the planning phases, the great majorities are proposed within walking distance of the Caltrain or BART stations.¹⁰

Many of San Mateo County’s recent high-profile housing developments—such as Bay Meadows in San Mateo and The Crossings in San Bruno—have served as positive examples of the potential of infill to beautify communities, revitalize neighborhoods, and help increase housing opportunities. Smaller infill developments, both residential and mixed use, will also play an important role.

Focus on Current Efforts: Grand Boulevard Initiative

(www.grandboulevard.net)

The Grand Boulevard Initiative is a collaboration of 19 cities, San Mateo and Santa Clara counties, and local and regional agencies united to improve the performance, safety and aesthetics of El Camino Real. Stretching from Daly City to San Jose, the vision is of a boulevard that connects communities by a mix of land uses designed to attract people. Participating jurisdictions are promoting neighborhoods that include high quality building designs and diverse land uses, preserve historic places, and enhance our economic and cultural diversity. Rail stations and bus facilities are central as vital transportation services and public gathering places. Above all, any resulting changes will incorporate our history and create a sense of community.

The Grand Boulevard Initiative has established a set of guiding principles for development that participating jurisdictions are in the process of adopting. The Initiative has also established an annual recognition of excellent plans and projects that contribute to realizing the vision of an attractive and high-functioning El Camino Real.

⁹ San Mateo County Transit-Oriented Development Opportunity Study (San Mateo County Transit District et al, July 2007), p 26.

¹⁰ Ibid, p 27.

Why It Matters

The promotion of infill housing, particularly higher-density developments near transit stations, existing town centers and along El Camino Real, is a key opportunity in increasing housing production and providing housing options. San Mateo County has many suitable infill sites. However, misperceptions about infill development remain, while the benefits are not well-known: infill housing is actually more environmentally friendly than suburban sprawl; it can accommodate individuals and families who do not want to or cannot afford to live in single-family homes; and it can boost transit ridership. A number of recent studies demonstrate the benefits of infill housing:

- Bay Area residents who live within half mile of transit (BART, Caltrain, bus line, ferry) are four times as likely to use transit as others, are twice as likely to walk, and drive fewer than half as many miles.¹¹
- Residents of condos and townhomes make 44% fewer car trips per day than people who live in low-density areas.¹²
- The cost to provide infrastructure for a lower-density suburban development today is over \$14,000 more than that of a more compact urban neighborhood.¹³

The Association of Bay Area Governments estimates that if local governments intentionally promote infill and transit-oriented development through planning and regulatory efforts, San Mateo County could build an additional 14,000 housing units in the next twenty years.¹⁴

Desired Outcomes

An opportunity that promotes infill development must address major barriers. Some of these are outside the bounds of local control; however, many important ones can be addressed in our own communities.

In order to successfully build more infill housing in San Mateo County, the following outcomes are essential:

- Local decision-makers and community members understand the benefits of denser infill development.
- Jurisdictions have more flexible development & design regulations that encourage denser infill development in better locations.
- Jurisdictions adopt specific or area plans and housing elements that include zoning and regulations that facilitate infill housing.

Current Research on Infill & Transit-Oriented Development

San Mateo County Transit-Oriented Development Opportunity Study (July 2007)

www.grandboulevard.net/library/GrandBoulevard/TOD_Final_Report_073107.pdf

Commissioned by SamTrans, this study analyzes the opportunities and constraints of transit-oriented development in San Mateo County. Findings include profiles of TOD residents, as well as strategies to address common barriers to infill development.

Hidden in Plain Sight: Capturing the Demand for Housing Near Transit (September 2004)

www.strategiceconomics.com/publications/Ctod_report.pdf

Released by the U.S. Department of Transportation, this study estimates the demand for housing within a half-mile of 27 existing rail systems and 15 planned extensions across the country. Communities profiled include the San Francisco Bay Area.

¹¹ New Places, New Choices: Transit-Oriented Development in the San Francisco Bay Area (MTC et al, 2006), pp 8-9.

¹² National Personal Transportation Survey, as reported in The Great Communities Toolkit (Great Communities Collaborative, undated), pp 2-3.

¹³ U.S. Office of Technology Assessment (1995), as reported in Creating Great Neighborhoods: Density in Your Community (Local Gov't Commission et al, 2003), p 7.

¹⁴ San Mateo County Housing Needs Study (C/CAG, 2006), p 8.

Key Leverage Opportunity: Inclusionary Zoning

Utilize inclusionary zoning to ensure that affordable housing is a component of market-driven housing production.

Framing the Issue

While increasing the overall housing stock in San Mateo County is necessary, providing homes that are affordable to households of moderate and lower income is particularly important in this region of high housing costs. As estimated by the California Association of Realtors in 2007, only 17 percent of households in San Mateo County can afford to purchase an entry-level home (one that is equal to 85 percent of the prevailing median price), compared with 24 percent of households in the state and over 60 percent nationally.¹⁵ In 2008, the housing market for homeownership and rental units became increasingly more unaffordable:

- The median price of a single-family home in San Mateo County was \$795,000.
- The average rents for one- and two-bedroom apartments were \$1,583 and \$1,870 per month, respectively, requiring an annual income of at least \$51,000; stated another way, a member of the household would need to work over 120 hours per week at the current minimum wage of \$8 per hour in order to afford the rent.¹⁶

Housing that is publicly subsidized to make the price or rent affordable to lower or moderate income households is dependent upon federal funding, which was slashed by over 75% during the 1980s and has continued to decline nearly every year. As a result, alternative policy solutions are necessary to supply more affordable options.

One solution that is widely supported by policymakers, advocates, and even many developers is inclusionary housing. Inclusionary zoning ordinances enacted by local jurisdictions require developers to specify a percentage of market rate units for low and moderate income applicants in new rental or ownership housing developments or help pay to build these units in other developments. The ordinances are very successful at increasing the affordable housing supply by guaranteeing that some percentage of new developments remains deed-restricted at these income levels.¹⁷

“Affordable by Choice,” a recent report by the Non-Profit Housing Association of Northern California, found that nearly one-third of California jurisdictions and two-thirds of Bay Area jurisdictions have inclusionary programs, many of these adopted in the past few years. These programs have resulted in building nearly 30,000 affordable homes for over 80,000 Californians.¹⁸ Locally, a study commissioned by the City of San Mateo found that 17 of the 21 jurisdictions in the county have an inclusionary housing policy. The inclusionary requirements range from 10 to 20 percent, with 14 jurisdictions having inclusionary requirements of 15 percent or more.¹⁹

¹⁵ Indicators for a Sustainable San Mateo County (Sustainable San Mateo County, April 2008), pp 34-35.

¹⁶ San Mateo Association of Realtors, 2008 Median Home Prices.

¹⁷ Definition adapted from Affordable by Choice: Trends in California Inclusionary Housing Programs (Nonprofit Housing Association et al, 2007), p 9.

¹⁸ Affordable by Choice: Trends in California Inclusionary Housing Programs (Nonprofit Housing Association et al, 2007), pp 5-6.

¹⁹ Inclusionary Housing Policies in San Mateo County (Economic & Planning Systems, August 2006), p 1.

Why It Matters

The promotion of inclusionary housing programs is a key leverage opportunity for several reasons:

- The effectiveness of such programs in increasing the affordable housing stock in San Mateo County has already been proven;
- There is significant political will in support of inclusionary programs; and
- This opportunity can be feasibly pursued without any significant new public resources.

There are currently about 4,685 affordable housing units—not including emergency shelters or group homes—in all of San Mateo County.²⁰ A recent report by the Non-Profit Housing Association estimates that approximately 700 affordable units have been built here as a result of inclusionary programs,²¹ accounting for over 10 percent of our entire affordable housing stock. Almost every single inclusionary program in the county was adopted after 2000; the exceptions are the City of San Mateo and East Palo Alto, which adopted theirs in 1992. This opportunity has contributed significantly to our communities in just a few short years.

Further, support for inclusionary housing is becoming more prevalent among leaders in the housing industry. The Home Builders Association of Northern California has endorsed inclusionary programs, even publishing a joint policy brief with the Non-Profit Housing Association of Northern California.

Desired Outcomes

San Mateo County jurisdictions have made significant progress in adopting inclusionary programs. Our goal is to increase the number of jurisdictions with inclusionary programs and to strengthen the effectiveness of existing programs.

To meet this goal, the following outcomes are important:

- All 21 jurisdictions in the county have a mandatory inclusionary program.
- Inclusionary programs offer a balance of flexibility and requirements to maximize the number of affordable units developed.
- The California Housing & Community Development Department reverses its current stance on inclusionary programs, considering it a best practice rather than an impediment to housing development.

²⁰ San Mateo County Affordable Housing Database (Housing Leadership Council, 2008).

²¹ Affordable by Choice: Trends in Inclusionary Housing Programs (NPH et al, 2007), p 7.

Current Research on Inclusionary Housing Programs

Affordable by Choice: Trends in California Inclusionary Housing Programs (2007)

www.nonprofithousing.org/AffordableByChoice/SampleIHRReport.pdf

Nonprofit Housing Association (NPH) and its partners review major trends in inclusionary programs throughout the state, including best practices.

Inclusionary Housing Policies in San Mateo County (2006)

www.cityofsanmateo.org/DocumentView.asp?DID=1790

The City of San Mateo commissioned this study to review existing inclusionary policies of local jurisdictions; includes a table that has a city-by-city comparison.

California Inclusionary Policy Database (Online)

www.calruralhousing.org/housing-toolbox/inclusionary-housing-policy-search

This online database of the CA Coalition for Rural Housing tracks inclusionary programs throughout the states and includes program requirements.

On Common Ground: Joint Principles of Inclusionary Housing Policies (July 2005)

www.nonprofithousing.org/attachments/Inclusionary_Principles.pdf

Released jointly by NPH and the Home Builders Association of Northern CA, this report outlines best practices in inclusionary programs.

Key Leverage Opportunity: Dedicated, Stable Sources of Funding

Establish permanent sources of funding that will facilitate the development of additional housing.

Framing the Issue

The 2006 Housing Needs Study projects that, of the 73,000 units that will be needed between now and 2025, over half of the need will be for lower-income households (defined as making less than \$82,000 per year). Based on our past development trends, this is most likely not the housing that the market will provide, potentially resulting in a shortfall of as many as 35,000 units for lower-income households.²²

While inclusionary housing is a very effective opportunity, it alone will not meet our need for affordable housing, both in scope and by income levels. For example, of the 30,000 affordable homes built in California as a result of inclusionary programs, only 4 percent served extremely low income families.²³ Populations with special needs that require additional services—aging adults, people with physical or mental disabilities, emancipated foster youth, individuals with substance abuse issues, and the chronically homeless—are unlikely to be served at all by inclusionary policies.

Locally, we are heavily dependent on federal funding or state bonds to subsidize the development of new affordable housing units for lower-income families and people with special needs. Federal money for affordable housing and related programs has been shrinking consistently for the past two decades; state bonds are very limited and highly competitive. Both of these sources are unreliable and insufficient to meet the large amount of need.

A growing number of housing leaders are calling for permanent and dedicated sources of public funding for affordable housing at the local, state, and federal levels. Such a solution would guarantee funding for affordable housing in San Mateo County regardless of the political climate at the state or federal levels. This would also benefit local communities by providing leveraging dollars that could increase impact by up to ten or twenty times.

Focus on Current Efforts: Housing Our People Effectively (HOPE): Ending Homelessness in San Mateo County (www.smchsa.org/HOPE)

The HOPE initiative was established in 2005 by a consortium of civic, business, nonprofit, and community leaders with the mandate to create a plan to end homelessness in San Mateo County. As other communities around the country have done, HOPE has established a 10-year plan of action.

The vision of HOPE is that homelessness will end by ensuring that safe, accessible, affordable housing is available in San Mateo County for those in greatest need.

Specifically, the HOPE Plan contains four key recommendations:

- 1) Increase housing opportunities for people who are homeless or at imminent risk of homelessness.
- 2) Prevent and end homelessness by delivering timely, flexible services to support stability and independence.
- 3) Create system performance standards, track progress towards ending and preventing homelessness, and report results to stakeholders and the broader community.
- 4) Develop long-term leadership and community will to prevent and end homelessness.

²² San Mateo County Housing Needs Study (C/CAG, 2006), pp 37, 42, and 44.

²³ Affordable By Choice: Trends in California Inclusionary Housing Programs (NPH et al, 2007), p 23.

Why It Matters

The cost to develop housing of any kind in San Mateo County is prohibitive. Land typically costs \$2 million or more per acre, and the cost to develop an apartment or condominium is at least \$400,000 per unit. To provide affordable housing, especially deeply subsidized housing for extremely low income households or people with special needs, the use of additional public funds is essential. New sources of funding need to be permanent, dedicated, and provide a continuous stream of revenue.

The pursuit of this key opportunity is particularly timely, as the initial groundwork for one or more dedicated sources of funding have already been established at the local, state and federal levels:

- Locally, the Housing Endowment and Regional Trust (HEART) has been established as a conduit to receive and disseminate the funds; Peninsula Interfaith Action (PIA) has researched different possible sources of funding; Threshold 2008 has surveyed residents on their willingness to support various funding options.
- At the state level, Governor Schwarzenegger has directed the Department of Housing and Community Development (HCD) to develop a proposal for a statewide permanent source of funding for affordable housing. HCD staff are in the process of conducting stakeholder meetings throughout the state to gather ideas and perspectives, with the goal of submitting a proposal in time to shape the Governor's 2009 housing agenda.
- Nationally, President Bush signed into law the H.R. 3221 in July 2008, establishing the National Affordable Housing Trust Fund. The fund is a permanent program with a dedicate source of funding and is to be used for housing production, preservation, rehabilitation, operations of rental housing as well as for first-time homebuyers programs. Funds from the program must benefit very low income households and 75% of the rental housing funds must benefit extremely low income households.

Desired Outcomes

To secure more sustainable and dependable funding for affordable housing and ensure that we are using it well, we need to meet these outcomes:

- Local housing leaders and policymakers understand how much subsidy is required to provide the affordable and supportive housing we need in San Mateo County.
- Secure at least one—but potentially more—source of permanent funding for affordable housing at the local, state, or federal level.
- Jurisdictions and developers establish a subsidy pipeline to maximize leverage of funds for housing.

Focus on Current Efforts: Housing Endowment & Regional Trust of San Mateo County (www.heartofsmc.org)

HEART was formed in 2003 as a public/private partnership among the cities, the county, and the business, nonprofit, education, and labor communities. To date, HEART has received nearly \$10 million in funding gifts and pledges to meet critical housing needs in San Mateo County.

HEART has invested \$5.25 million in the construction of three new developments and the rehabilitation of one sorely needed, at-risk senior housing development. When completed, they will provide nearly 500 families and individuals with rental homes they can afford. These HEART funds leveraged additional funding by twenty times over.

HEART recently launched "Opening Doors in Our Community", a homebuyer's assistance loan program.

HEART has funded the following developments:

- Trestle Glen (Unincorporated Colma)
- Hillcrest Senior Housing (Daly City)
- The Village at the Crossing (San Bruno)
- Ocean View Apartments (Pacifica)

Next Steps in the Countywide Housing Strategy Statement

This report is the first iteration of a Countywide Housing Strategy Statement. Additional research and greater stakeholder input is needed to broaden awareness and support that will strengthen the Strategy, to ensure its accuracy and feasibility, to make it more comprehensive, and to drive it forward into planning for even more concerted and coordinated actions. Over the next year, a number of different projects and processes will take place to support this:

A. Key Strategy Roundtable Discussions

In the first half of 2009, a consortium of housing organizations and leaders in San Mateo County will convene a series of Key Strategy Roundtables. Approximately once a month, a roundtable meeting of key stakeholders and local experts will be invited to discuss each of the key opportunities highlighted in this document. Specifically, roundtable participants will be asked to provide:

- 1) Input on the merits and challenges of each key opportunity;
- 2) Review and amend the growing list of additional research or tools needed to understand or implement the leverage opportunities; and
- 3) Determine the potential feasibility and impact of pursuing the opportunity at a lower, medium, or higher level.

B. Additional Research and Tools

During 2009, a number of organizations in the County will continue to develop research and tools to supplement the shared Strategy, including:

- Improved system for tracking affordable housing stock and future production
- Subsidy Sources and Uses Study, analyzing current subsidy need, exploring past and current sources of subsidies, and projecting expected subsidy shortfall
- Linkage study between the creation of new jobs and the need for more housing
- Potential environmental and infrastructural impact of increased housing production

C. Countywide Housing Strategy Statement Version 2.0

Following the completion of the Key Strategy Roundtables and the additional research, a collaborative of partners will develop the second version of a Strategy Statement, including the following components:

- Specific targets for housing production by income level and housing type
- An analysis of potential outcome of each opportunity, based on successful implementation at low, medium, or high levels
- A process for further stakeholder participation
- The development of action plans and a highly visible progress-tracking tool



San Mateo County Board of Supervisors

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The Countywide Housing Solutions Network is facilitated by the **County Department of Housing** in consultation with an advisory committee of key stakeholders.

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Notes