

II. INTRODUCTION

Over the past few years the City of San Mateo has faced several issues related to housing, residential development densities and land use. The Rail Corridor Transit Oriented Development Plan and the Bay Meadows Specific Plan Amendment were recently adopted in 2005, yet during the public discussion associated with these plans certain density issues for the rest of the city were left unresolved. During the same time the Rail Corridor study was prepared, the City Council reviewed options to revise the existing Below Market Rate (BMR) Program and consideration of the adoption of a commercial linkage fee. However final action was not taken largely due to the uncertainty of the impacts of such actions. In addition, major revisions to the Density Bonus law were implemented in January 2005 by the State of California. It has become evident that these important and difficult policy issues that overlap and impact each other cannot be settled in a piecemeal fashion and it is necessary to step back and take a look at the bigger picture. Therefore it was decided to look at these related issues in a comprehensive manner and to look at the inter-relationships in order to provide clear and coordinated policy direction. This report summarizes a study of these housing related issues that affect San Mateo so that policies and programs can be designed or revised to provide a roadmap for future development.

The City of San Mateo, like other cities in the San Francisco Bay Area, is faced with high housing costs that make it increasingly difficult for many to manage the costs of market rate housing. Residents who were fortunate to purchase homes many years ago have enjoyed substantial appreciation, yet many would not be able to afford their own home if they had to purchase it in today's market conditions. Long time residents see their grown children move out of the area. Families who can't afford current market prices resort to doubling up, causing overcrowding, or long distance commuting. Employers are frustrated in attracting and retaining well qualified personnel, especially those who desire home ownership. These are common experiences throughout the Bay Area caused by the supply and demand conditions of the regional housing market.

Conflicts in Developing Responsive Land Use Policy

Demographic forecasts indicate that population, households and new jobs will continue to grow in San Mateo and the demand for housing will increase. The draft "Housing Needs Study" prepared on behalf of the City/County Association of Governments, San Mateo County (C/CAG) indicates that the formation of new households will generate the need for 24,700 new housing units from 2005-2025 in the mid county (San Carlos to Burlingame). Although there are market demands for more housing, there is limited raw land for development. According to a report by Seifel Consulting in 2004, only 1%, or about 54 acres, of the City's land is vacant, and it is generally constrained by geologic and topographic features that make new construction difficult. Most new housing in San Mateo is, and will continue to be, built on redeveloped parcels and assemblage of adjacent parcels that are underutilized.

In addition to physical restraints that limit development is a perception of "when is enough, enough?" shared by a significant segment of residents in San Mateo. Beyond the concerns about

continuing development and encouraging increased housing production is a core quality of life issue, raising the question of how the city can continue to accommodate more and more growth without diminishing the very qualities that make San Mateo the desirable place it is to call home. This is manifested in community resistance to new development in general, when questions regarding increased traffic, the visual and physical effects of higher density buildings, and the impacts on natural resources are raised on a regular basis. Issues then arise such as, where can new housing fit into a community that is essentially built out? At what point does the need for more housing negatively impact the charm of existing neighborhoods? Is it possible to ever construct enough housing to meet the growing needs? For policy makers it becomes a complex task to balance the needs of the community and maintain livability while still striving to meet legitimate needs to provide housing for families across all income levels. These conflicting goals are summarized and specifically addressed in the City's current Housing Element of the General Plan:

- Maintain the character and physical quality of existing residential neighborhoods
- Maintain a diversity of housing opportunities
- Increase its housing supply to meet the housing demand of future job growth

What Can The City Do?

The City has limited ability to increase the supply of housing, essentially since it is not in the business of constructing housing. It can, to a very limited extent, provide financing to assist in the creation of more affordable housing. It has an inclusionary program that requires market rate developers to set aside a small percentage of their new units to be affordable. But the construction of these affordable units is entirely dependent on the market attractiveness of San Mateo to build new housing by private developers. The price of land, the costs of construction materials and other economic factors that are out of the control of the City also dictate the type of housing that does get built.

Even though regional market conditions cannot be controlled by the efforts of one city government, the purpose of this report is to examine the areas where the City can exercise influence to balance future growth, affordability of housing stock and quality of life issues through its land use policies.

Housing and Land Use Study

At a study session on March 20, 2006, the City Council provided direction to staff to commence the Housing and Land Use Study. The purpose of this study is to review various housing issues and make policy recommendations to address them. The recommendations contained in this report will be the basis for future actions such as General Plan amendments, zoning ordinance revisions, and potential changes to other existing City policy documents. The major issues to be addressed include:

1. Review of the City's current Below Market Rate (BMR) Program in relation to its affordability requirements and the physical distribution of BMR units.
2. Examination of the effects of State density bonus law on densities and how bonus provisions may be utilized by developers;
3. Analysis of lowering densities citywide and potential impacts to the General Plan, specifically the Housing Element;
4. Review of existing regulations that permit residential development in non-residential zoning districts; and
5. Consideration of a commercial linkage fee for affordable housing.

Technical Advisory Committee

In order to facilitate public discussion of the housing issues contained in this report, a Technical Advisory Committee (TAC) was appointed by the City Manager. The TAC consisted of 11 persons, including representatives from:

- Homeowner/neighborhood associations including representatives of the United Homeowners Association.
- Business community such as the San Mateo Association of Realtors, the Tri County Apartment Association, and the San Mateo Area Chamber of Commerce.
- Housing advocates including representatives from the Housing Leadership Council and Peninsula Interfaith Action.
- Housing developers such as SummerHill Homes, the San Mateo County Building and Construction Trades Council, and O'Riordan Construction.

A total of seven TAC meetings were held between June 2006 and October 2007. Topics discussed included affordable housing and the City's Below Market Rate (BMR) housing program, residential development on commercially zoned properties, State of California density bonus law, and maximum residential densities permitted in the City, and the issues related to implementation of a commercial linkage fees.

In conjunction with these TAC meetings, three public workshops were held to present information to the public from various housing and economic professionals, and to allow for broader public comment.

The TAC was utilized to allow for members of the community to directly assist staff in the review of information, materials, and comments received at public meetings/workshops, and also to review draft housing policy statements. It was not intended that the TAC would operate by consensus, but instead would assist staff in determining the varied community interests involved in the production of housing.

Each member of the TAC represented a segment of the community and expressed their views and experiences related to housing issues discussed at each meeting. In some cases, a consensus was reached, in others there was a spirited debate regarding the merits of various approaches to addressing San Mateo's housing needs. However, regardless of each individual's viewpoints, the need for housing in San Mateo and in the region was recognized.

This report includes recommendations of the San Mateo Community Development Department. These recommendations were formed by the discussions of the TAC, comments made at the public workshops and other correspondence submitted to the City. While the policies may not be universally endorsed by each and every TAC member, they nevertheless do reflect the discussion which took place over the course of the TAC's involvement in this effort. TAC comments on the Report are attached as part of Appendix A.

In addition, Economic & Planning Systems (EPS) was retained by the City to provide an economic analysis of the City's existing BMR Program, and to assist staff and the TAC in any recommendations for potential changes to this program and other City policies and regulations. A report summarizing the economic analysis is attached to this report as Appendix D.

Implementation Actions of Recommendations

Upon City Council review and direction on the recommendations in this report, staff will take subsequent actions to implement them on an individual basis. Any changes to the Below Market Program will be drafted by staff for future approval by the City Council. Density related actions will be included as part of the upcoming General Plan Update or Downtown Specific Plan revision. Any other City policy or program revision will be drafted separately and presented to the Council for approval.