

III. SAN MATEO'S HOUSING SUPPLY

The City of San Mateo's housing stock has been increasing, but at a declining rate since the 1960s due to the lack of vacant land. Historically, single-family dwellings dominated San Mateo's housing stock, but this has changed. Vacant land for new single-family development has become very limited, and redevelopment of sites for multi-family housing at higher densities has increased. The trend towards multi-family housing also reflects the declining size of households and the high costs of single-family homes. The proportion of single-family versus multi-family housing has decreased from 78% in 1960 to 54% in 2006, according to the California Department of Finance. San Mateo changed from an owner-dominated housing market in the 1960s (two-thirds owner occupied) to a now nearly equal proportion of homeowners and renters (49 and 51% respectively).

Figure 1
Housing Types 2006

Total Units	Single Family		Multifamily		
	2-4 Units	5+Units			
39,083	21,222	54.3%	3,034	7.8%	14,782
					37.8%

Since 2001 nearly 1,700 residential units have been constructed or were issued building permits and are under construction as shown by year in Figure 2 below. About two thirds of the units (1,102) were built as rental units, although 793 of those units are rentals in condominium complexes that could be sold and converted to ownership sometime in the future. Other significant rental projects include a market rate senior citizen complex consisting of 135 units at Fountainglen, an affordable senior complex of 50 units at Rotary Floritas, 44 units of teacher housing at College of San Mateo, and 44 affordable family rentals at Santa Inez. Major ownership projects completed during this time period include 153 units built by Ryland Homes at Bay Meadows, 67 units at Norfolk Gardens, and 61 senior units under construction at the Versailles. There are another 250 units in nine other complexes ranging in size from 17 to 54 units.

Figure 2
Residential Units Constructed 2001-2006

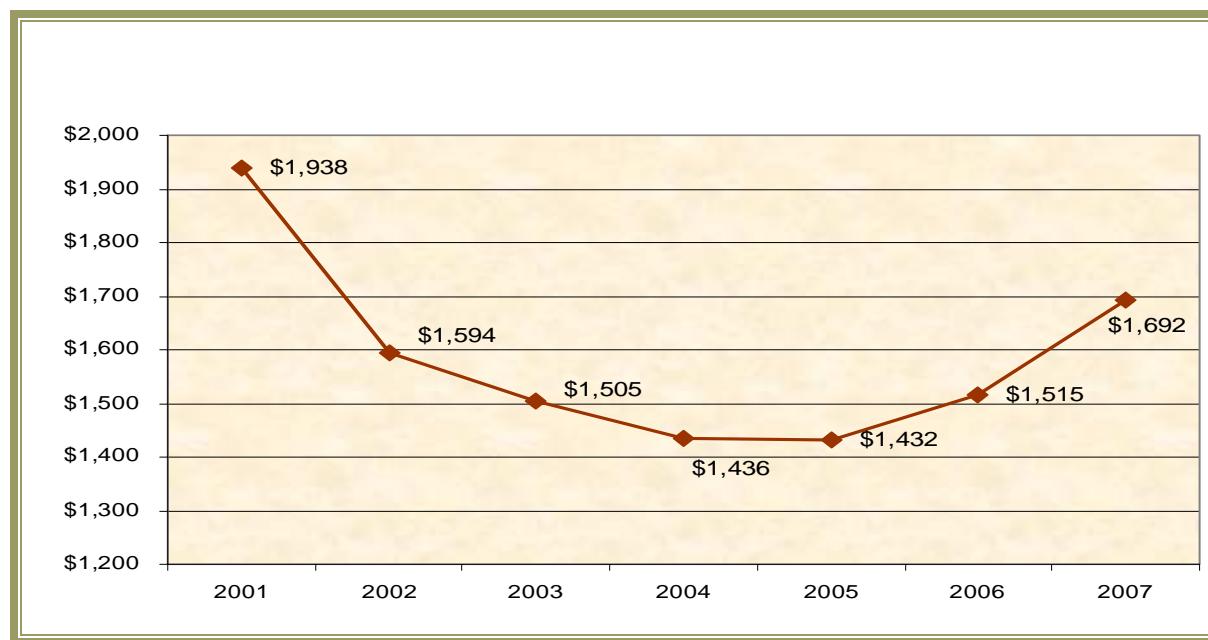
	Ownership			Rental	
	Total Units	Market Rate	Affordable	Market Rate	Affordable
2001	97	84	13		
2002	139	86	9		44
2003	609	31	3	517	58
2004	76	55		19	2
2005	58	43			15
2006	422	104	6	231	81
Under Construction (permit issued in 2006)	291	134	22	121	14
Total	1,692	537	53	888	214

Market Conditions

Market rents have been steadily increasing since 2004, after a temporary decrease following the dot com bust around 2001. During this time, the City received no planning applications for the construction of rental units. As of June 2007, the average market rent in San Mateo County for a two bedroom unit was \$1,692. This is an 11% increase from a year ago. The average vacancy rate is 4.2 %.

Market rents for newly constructed units currently range from \$2,000- 2,600 for two bedrooms. It remains to be seen whether the trend of rising rents continues and whether it will attract new rental development in the near future. Based on historical patterns, new market rental construction will likely be high end luxury units.

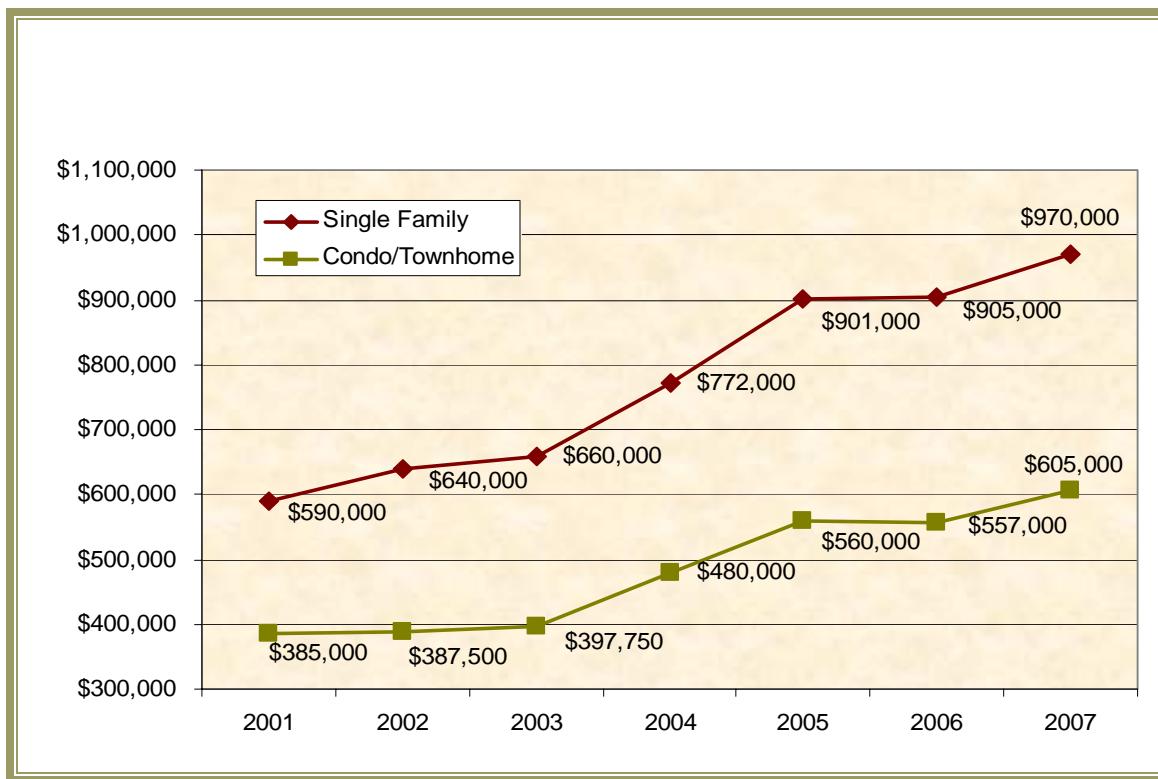
Figure 3
San Mateo County Average Rent: 2 Bedroom
2001-2007



Sales prices for single family and condominium units have steadily increased, even though they have declined in many parts of the state. The median sales price for a condominium for the sales quarter ending June 2007 was \$605,000, an 8.6% increase from the prior year, and a 30% increase from the median price of \$420,000 five years ago. Although there are variations in the real estate market from time to time due to interest rate changes and other factors, the general trend of increasing home prices continues.

Brand new two bedroom condominiums listed on the market in 2007 range from \$700,000 to \$900,000. The typical ownership unit that is proposed in recent planning applications continues to be condominium or townhouse complexes with luxury interior finishes and amenities.

Figure 4
San Mateo County Median Sales Prices
2001-2007



Fiscal Impacts of New Housing

As new homes are built in the community, a number of one time revenues are generated to local and state governments through sales taxes on construction materials, transfer taxes and construction related fees. The question arises whether these revenues offset the ongoing costs to the City to provide additional services for the new residences. The traditional perspective has been that housing increases the burden of services for cities and does not "pay for itself". A number of recent studies have challenged that perception, but the scope of the studies have been quite general and are inconclusive when it comes to specific localities. According to the City's economic consultant on this study, who has performed these types of studies for several jurisdictions, the answer is "it depends". Housing can "pay for itself" if the home values are high, as this generates high property taxes and typically high sales taxes as well, as long as there is a reasonable supply of retail in the jurisdiction to capture those sales. Housing can also pay for itself if the municipal expenses are low. Housing does not tend to "pay for itself" when the values are low and/or municipal service costs are high. Although this kind of fiscal analysis has not been performed specifically for the City of San Mateo, there are several factors that may indicate that there is a positive fiscal impact:

- San Mateo property values are high, so property taxes would be high,
- San Mateo has a reasonable retail base to capture spending and sales taxes from high-income residents of new housing development, and
- San Mateo is largely built out and has an established physical and organizational infrastructure that would likely require marginal rather than substantial increases to serve new residents.