

APPENDIX B

CONSTRAINTS



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1 INTRODUCTION

The purpose of the constraints analysis section, per Government Code Section 65583(a)(5-6), is to identify and analyze governmental and non-governmental factors (constraints) that inhibit the development, improvement or maintenance of housing that hinder a jurisdiction from meeting its share of the regional housing needs.

The analysis in this appendix assesses the specific governmental standards and processes; and identifies local efforts to remove these constraints. Examples of such constraints include land use controls, development standards, entitlement and permit fees, review processes, and compliance with Federal and State laws intended to facilitate housing for lower-income and special needs households.

Additionally, non-governmental constraints that inhibit the development, improvement or maintenance of housing are evaluated in this document, including the availability of financing, price of land, cost of construction, access to credit, requests to develop housing at reduced densities, and length of time between receiving approval for a housing development and submittal of an application for building permits for that housing development.

The analysis within this appendix has informed the City of San Mateo's policy approach in the current Housing Element cycle to reduce constraints and make it easier and more affordable to develop housing including housing for persons with disabilities, supportive housing, transitional housing, and emergency shelters.



2 GOVERNMENTAL CONSTRAINTS

Governmental policies and regulations can result in both positive and negative effects on the availability and affordability of housing. This section, as required by Government Code Section (a)(5), describes City policies and regulations that could potentially constrain the City's ability to achieve its housing goals. Potential constraints to housing include zoning regulations, development standards, infrastructure requirements, development impact fees, and the development approval processes. While government policies and regulations are intended to serve public objectives and further the public good, the City of San Mateo recognizes that its actions can potentially constrain the availability and affordability of housing to meet the community's future needs. The City has implemented several measures to reduce development costs and streamline the approval process, as described in this section.

2.1 Land Use Controls

2.1.1 Planning and Zoning Code

The Zoning Code has the most immediate effect on the built environment. Zoning regulates the use of land and structures, the density of development and population, the height and bulk of structures, parking provisions, open space requirements, landscaping standards and other design requirements. The City of San Mateo's Zoning Code has been written to accommodate residential uses throughout the city, as shown in Table 1. This includes single-family housing, multifamily housing, emergency shelters, and senior housing, among others. A summary of the City's residential development standards for all zoning districts is provided as Table 2.

Single-family neighborhoods include the zones R1-A, R1-B, and R1-C. The R1-A zone consists of the San Mateo Park neighborhood and College of San Mateo campus. These parcels are generally larger in size and have a floor area ratio (FAR) allowance of 0.4 and minimum parcel area of 10,000 square-feet. The R1-B and R1-C zones represent most single-family neighborhoods throughout the city. Both zones have a maximum FAR of 0.5 and the minimum parcel size is 6,000 square-feet for R1-B and 5,000 square-feet for R1-C. Most of the city's single-family neighborhoods are developed but the City has seen a significant increase in permit applications for accessory dwelling units since 2020.

A substantial amount of land is zoned for multi-family residential uses, mixed-use residential and commercial development. Multi-family uses are concentrated around the Downtown core, Transit Oriented Development (TOD) zone, El Camino Real and highway corridors. Commercial and office districts also permit housing development through residential overlay zones (/R, /R4, and /R5). There are also special standards to allow increased density for senior citizen housing units and for affordable housing projects pursuant to the State Density Bonus Law.

The setbacks for multifamily residences are modest and vary by location. Open space requirements apply to Multi-family (R3, R4-D, R5-D, R6-D) zones and Residential Overlay (/R, /R4 and /R5) zoning districts. However, this requirement can be provided as private open space, such as patios and deck area, or by

incorporating public open space, such as common plaza and garden areas, or a combination of both. Additionally, landscaped areas located within the required building setback areas also count towards meeting the open space requirement. The City allows maximum flexibility in meeting these requirements. In addition, density and floor area ratio increase for larger land areas located within multi-family zoning districts. Multi-family residential density is based on land area and ranges from 17 to 50 dwelling units per net acre. Projects may also request up to 75 dwelling units per net acre with the City’s Community Benefits Program, as discussed further in the following sections.

Through community outreach conducted for this Housing Element, staff convened a focus-group of local housing developers to discuss constraints associated with past projects. A key theme that emerged related to constraints due to existing height limits and floor area definitions that do not allow projects to build to the maximum density of 50 dwelling units per net acre. Most projects apply the State Density Bonus in order to exceed existing density and height limitations. The City recognizes these constraints and is in the process of developing Objective Design Standards (ODS) for multi-family housing projects under SB 35 and evaluating the potential for a joint Density Bonus and Community Benefits Program that provides greater flexibility to developers and enhanced options when projects exceed minimum state requirements for affordability.

Table 1: Residential Use Type by Zones

Residential Use Type	Zones																	
	R1	R2	R3	R4	R5	R4-D	R5-D	R6-D	E1	E2	C1	C2	C3	C4	CBD	CBD/S	M1	A
One-Family Dwelling	P	P	P	P	P	P	P	P										P
Two-Family Dwelling		P	P	P	P	P	P	P										
Multiple Family Dwelling			P	P	P	P	P	P	P	P	P	P	P	P	P	P		
One Family Row Dwelling			P1	P1	P1	P1	P1	P1	S1	S1	P1	P1	P1					
Accessory Dwelling Units ⁽¹⁾	P	P	P	P	P	P	P	P	P1	P1	P1	P1	P1		P1	P1		
Manufactured Home	P1	P1	P1	P1	P1	P1	P1	P1										
Emergency Shelter												P	P1					
Senior Citizen Housing	S1	S1	S1	S1	S1	S1	S1	S1	S1	S1	S1	S1	S1	S1	S1	S1		
Apartment Hotels					S	S	S	S						P				P
Boarding and Lodging Houses			S1	S	S	S	S	S			S	P	P	P	P1	P	P	

Source: City of San Mateo, 2022

Notes: Blank indicates not permitted; P = Permitted and subject to compliance with development standards; P1 = Permitted and subject to additional regulations; S = Special Use Permit; and S1 = Special Use Permit and subject to additional regulations.

1) Accessory Dwelling Units (ADUs) are allowed in all residential zoning districts, including commercial and office districts that contain a residential overlay.



Table 2: Residential Development Standards

Zone District	Max Number of Units	Floor Area Ratio	Max Height ⁽¹⁾	Min. Yard Setback			Street Side (Corner Lot)	Min Lot Width	Min Lot Size ⁽²⁾	Min Open Space		
				Front	Rear	Interior Side						
Residential Districts (Single-Family, Two-Family and Multi-Family)												
R1-A	1 unit per lot	0.4 ⁽³⁾	24' to plate line; 32' to roof peak	25'	15'; 25' above 1 st floor	7' to 10' ⁽⁴⁾	15% lot width (10' min; 25' max); 20' to garage	75'	10,000 sf	N/A		
R1-B		0.5 ⁽³⁾									15'; (20' to garage)	5'
R1-C				5,000 sf								
R2	2 units per lot	0.5 to 0.6 ⁽⁵⁾	Same as R1-B					30'	5,000 sf	N/A		
R3	17 to 35 units per net acre	0.85	35' to 55'	15'; > 3 stories = ½ bldg ht.; 15' or equal to bldg. ht. ⁽⁶⁾	15'; > 3 stories = ½ bldg. ht. or max 25' ⁽⁶⁾	1-2 units = 5'; >2 units = 6'; > 2 stories = ½ bldg ht.; max of 25' ⁽⁶⁾	1-2 units = 5'; > 2 units = 7.5'; > 2 stories = ½ building ht. max of 25' ⁽⁶⁾	50'	5,000 sf	200 sf per bedroom for 1 st DU; 100 sf per bedroom for additional DU		
R4	17 to 50 units per net acre	1.5								N/A		
R5	2.0	N/A										
Downtown Residential Districts												
R4-D	17 to 50 units per net acre	3.0; 45% max. lot cover	35' to 55'	15' to 20' ⁽⁷⁾	25' or 25% of lot width, whichever is greater; 40' max	15'	15'	50'	5,000 sf ⁽⁸⁾	Private = 80 sf/du; or Common = 150% of Private		
R5-D		3.0									25'	
R6-D		50 units per net acre			3.0; 55% max. lot cover			N/A				
Commercial, Office Districts with Residential Overlay ⁽⁹⁾												
C1	17 to 50 units per net acre	0.5 to 3.0 ⁽¹⁰⁾	25' to 55'	R3 zone standards apply for /R, /R4 and /R5 overlays; Buffers required for parcels adjacent to residential parcels or with frontage on El Camino Real ⁽¹¹⁾			50'	5,000 sf	Private = 80 sf/du; Common = 150% of Private			
C2												
C3												
CBD												
CBD-S	50 units per net acre											
E1	17 to 50 units per net acre	0.4 to 3.0 ⁽¹⁰⁾ ; 65% max. lot cover	15' along any street frontage and any required buffers ⁽¹²⁾									
E2		0.5 to 3.0 ⁽¹⁰⁾ ; 80% max. lot cover		7.5' along any street frontage and any required buffers ⁽¹²⁾								
Transit Oriented Development (TOD) Zone												
TOD (Rail Corridor Plan)	25 to 50 units per net acre	2.0 to 3.0	35' to 55'	N/A			N/A	N/A	N/A			
TOD (Hillsdale Station)		1.0 to 2.0	24' to 55'	See Hillsdale Station Area Plan for El Camino Real setback and streetscape standards ⁽¹³⁾								

Source: City of San Mateo, 2022.

1. Building height shall not exceed the standards set forth on the Building Height Plan of the General Plan. Parcels located within the Downtown Specific Plan area shall not exceed the standards set forth in Chapter 27.40.
 2. For all zones except the Downtown Residential, a reduced minimum parcel area of 4,000 square-feet and 40' lot width is permitted for a parcel located northeast of El Camino Real and recorded prior to March 3, 1947.
 3. In the R1 zones, the maximum floor area ratio (FAR) is determined by the following: R1-A allows 0.4 FAR for the first 10,000 square-feet of parcel area plus 0.2 for any additional parcel area over 10,000 square-feet; and R1-B and R1-C allow 0.5 FAR for the first 6,000 square-feet of parcel area plus 0.2 FAR for any additional parcel area over 6,000 square-feet. However, in no case shall the maximum FAR exceed 6,000 square-feet total.
 4. R1A zone parcels in the San Mateo Park Planning Area require an interior side yard setback of 7' for lot widths less than 75' or 10' for lot widths equal to or greater than 75'.
 5. R2 zone parcels located in the Central Neighborhood and North Central Neighborhood shall not exceed 0.5 FAR for parcels up to 7,500 square feet and 0.6 FAR for parcels greater than 7,500 square feet.
 6. For R3, R4, and R5 zone properties along El Camino real from 9th Ave. south to the City limits, buildings over 2 stories in height shall provide a minimum 10' setback from El Camino Real. Properties abutting an R1 or R2 zone require additional setbacks of 15' or ½ the building height, whichever is greater. Special downtown yard requirements are provided within 27.22.095, 27.22.097, 27.28.023, 27.28.053.
 7. Downtown Residential zoned properties (R4-D, R5-D, R6-D) within the Gateway area, as defined in the Downtown Specific Plan, shall conform with the building height and special yard requirements within Sections 27.28.023 and 27.28.053.
 8. In the Downtown Residential Zones (R4-D, R5-D, R6-D), a reduced minimum parcel area of 4,400 square-feet and 40' lot width is permitted for a parcel located northeast of El Camino Real and recorded prior to March 3, 1947.
 9. Residential units permitted on parcels designated with a residential overlay district (/R, /R4, /R5 or /Q) for all C and E districts.
 10. Residential development may exceed the floor area ratio of the underlying district provided that the maximum floor area ratio, including the residential overlay, shall not exceed the following: 2.0 FAR in /R4 districts; 3.0 FAR in /R5 districts; and the underlying zoning district FAR in /R districts.
 11. Commercial zones (C1, C2, and C3) require additional buffers, setback and built-to-line standards as described in Sections 27.30.060, 27.30.070, 27.32.060, 27.32.070, 27.34.060, 27.34.070, 27.38.100, 27.38.120, 27.39.090 and 27.39.110.
 12. E1 and E2 zones require buffers when the parcel is contiguous to any residential district as described in Sections 27.44.090 and 27.48.100.
 13. Hillsdale Station Area Plan, <https://www.cityofsanmateo.org/DocumentCenter/View/59484/Hillsdale-Station-Area-Plan>
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2.1.2 Specific Plans and Transit Oriented Development

The City of San Mateo uses Specific Plans to facilitate a diversity of housing opportunities not allowed under standard zoning districts.¹ This allows greater flexibility in design and facilitates larger housing developments. Examples of specific plans include Bay Meadows and the Transit-Oriented Development (TOD), as described further below.

The Bay Meadows Specific Plan (BMSP), first adopted in 1997, envisioned redevelopment of the former horse racetrack into a vibrant, transit oriented, mixed-use community. The plan permitted a variety of housing types that includes live-work units, small lot single-family dwellings, townhouse units, multi-family residential units and accessory dwelling units. Today, Bay Meadows is largely built-out with housing, office, and commercial uses, as well as improved vehicular, pedestrian and bicycle circulation throughout the plan area.

The San Mateo Rail Corridor Transit-Oriented Development (TOD) Plan was adopted in 2005 to incentivize transit supportive land uses and housing policies near the Hayward Park and Hillsdale Caltrain Stations. The Plan provides for mixed use development at the highest residential densities and building heights near the train stations to encourage a vibrant, transit oriented, and pedestrian friendly environment. Building upon these efforts, the city also adopted the Hillsdale Station Area Plan in 2011 to establish a TOD zone west of the Hillsdale Caltrain station. The Plan allows high-density multi-family housing that range between 25 to 50 units per net acre, as well as mixed-use buildings with ground floor retail combined with residential or office uses. This Plan compliments the Bay Meadows development by concentrating density on both sides of the Hillsdale station. Major development projects that have been approved in the plan areas include Station Park Green and Concar Passage, located near the Hayward Park Caltrain station.

2.1.3 Planned Developments

The purpose of Planned Development (PD) is to allow greater flexibility of site design while also preserving the natural, scenic environment. Under Chapter 27.62 of the Zoning Code, PD projects are processed under a Special Use Permit and may be approved if projects demonstrate that deviating from the underlying zone's development standards will result in better site design. PD regulations emphasize preserving open space and recreation areas at a minimum of 6 acres per 1,000 population. Most of the City's PDs occurred in the 1980s, when larger vacant lands were available. The most recently approved PD is the Waters Technology Office Park in 2019, which redeveloped an existing 11.1 acre office park with 190 new dwelling units, including 19 Below Market Rate (BMR) units that are affordable at the low, lower or moderate income levels.

¹ The City's Specific Plan documents are available online: www.cityofsanmateo.org/1135/Planning-Resource-Documents

2.1.4 Parking Standards

Parking requirements for residential development are summarized in Table 3 and vary by residential use type. The City also allows reduced parking requirements for new residential uses located within a parking assessment and special district. The Central Parking Improvement District (CPID) includes the downtown and allows developments to pay in-lieu fees for required parking not provided on site. Additionally, the CPID allows projects to conduct a parking demand study to determine a lower, project-specific parking standard.

The San Mateo Rail Corridor Transit-Oriented Development Plan requires Transportation Demand Management (TDM) plans for all new development projects located within TOD zones. Parking requirements are generally reduced in conjunction with transit-oriented development projects. This allows projects to implement trip reduction goals with minimal automobile traffic impacts. Within the TOD zone, the Hillsdale Station Area Plan specifies the reduced parking ratios as provided in Table 3.

Consistent with State law, the city allows reduced parking standards of 0.5 to 1 stall per unit for affordable or senior housing projects located near transit. No additional parking is required for accessory dwelling units located within a quarter mile of transit.

While state laws provide some parking relief for projects seeking density bonus, ADUs, and SB 9, the City's parking requirements present some constraint to the development of housing that do not fall within this category. At the Builders Focus Group, participants commented that existing parking requirements often constrain project feasibility due to development costs and floor area limitations for above-grade parking facilities. Recognizing these constraints, the city is currently evaluating code amendments to allow automated and mechanical parking facilities for multi-family or mixed-use residential projects. This allows larger residential projects to utilize land more efficiently and avoid high costs associated with underground parking facilities. The City will also be evaluating all its parking requirements for residential projects to allow increased flexibility and evaluate if the minimum requirements need to be modified or maximum requirements need to be added.

Table 3: Minimum Parking Standards for Residential Use

Residential Use	Minimum Parking Spaces per Unit		
	All	TOD - Hillsdale Station Area	Central Parking Improvement District (CPID)
Single-Family, Detached	2 enclosed garage spaces, plus 1 space per 750 sq. ft. over 3,000 sq. ft.		
Accessory Dwelling Unit	Maximum 1, where required; uncovered parking allowed		
Multi-Family Uses (minimum of 1 covered stall per unit)			
Studio	1.5	1.0	1.2
1 Bedroom	1.8	1.2	1.5
2 Bedroom	2.0	1.5	1.7
3 Bedroom or more	2.2	1.8	2.0
1,400 sq. ft. or more, regardless of # bedroom	2.2	N/A	N/A
Senior Citizen Housing	0.25 space per rental unit; 1.0 space per for-sale unit		

Source: City of San Mateo Zoning Code, 2022.



2.2 Below Market Rate Inclusionary Program

The City originally adopted the Below Market Rate (BMR) Inclusionary Program in 1992 (with subsequent revisions in 2010 and 2020), requiring developments to provide a certain percentage of housing units at prices affordable to low- and very low-income households. Under the current program, effective February 3, 2020 for developments consisting of 11 or more units, 15 percent of ownership units are required to be affordable to moderate income families, and 15 percent of rental units are required to be affordable to low-income families.

Inclusionary zoning programs – of which the City’s local BMR program is one variant – are sometimes perceived as adding to the cost of housing by requiring the market-rate units to subsidize the affordable units. This is an area of much dispute, both in the Bay Area and nationally. A study conducted by the National Housing Conference’s (NHC) Center for Housing Policy (2000) highlighted several important contributions to inclusionary zoning to communities, not the least of which is the creation of income-integrated communities without sprawl. Several studies specifically address the issue of who pays for inclusionary zoning.

Some of these studies assert that the costs associated with inclusionary programs are passed on to the market priced homes, while other studies state that the cost is not borne by the end users at all. A study from 2004 asserts that market-rate buyers (and to some extent, renters) will be forced to pay higher amounts than they otherwise would for their units because of inclusionary zoning’s implicit tax on other units². However, an article published in the Hastings School of Law Review in 2002³ noted that ultimately, the price for a unit is dependent on what the market will bear based on the land price which over time absorbs the increased costs of development within the community; it is not directly affected by the affordability requirement. Developers can charge market rate rents and sales prices on the unrestricted units regardless of the development costs. Although the BMR program does impact the developer’s profit, it is difficult to determine at what point those impacts are great enough to discourage the project from moving forward or decreasing the number of units on a site. Jurisdictions implement a number of incentives and cost benefits to mitigate these impacts so that whatever constraint has been identified, there is an offset offered to mitigate it.

Specifically in San Mateo, developers are given the option of utilizing the City’s Interim Community Benefits Program or the state Density Bonus program that provides up to a 35 percent increase in units in exchange for additional affordable units in the BMR program plus 1 to 4 development concessions depending on the level of affordability of the housing units provided. The City has also revised its BMR requirements over the years to include more flexibility in the size and amenities of the affordable units to help offset some of the costs to the developer and has identified several development standards that

² Reason Foundation (Benjamin Powell and Edward Stringham), *Housing Supply and Affordability: Do Affordable Housing Mandates Work?* (April 2004), <https://reason.org/policy-study/housing-supply-and-affordability/>, Accessed on April 1, 2022

³ Barbara Ehrlich Kautz, *In Defense of Inclusionary Housing: Successfully Creating Affordable Housing*, 2002. <https://repository.usfca.edu/cgi/viewcontent.cgi?article=1060&context=usflawreview> Accessed on April 1, 2022.

could be modified using incentives without causing public health and safety impacts. The City, under the current Housing Element cycle, will also be updating its BMR requirements to provide developers with an alternative means of compliance to provide additional flexibility.

Therefore, the City has considered the pros and cons of providing affordable housing through the City's BMR program and has determined that the benefits far outweigh the costs, especially since developers are afforded incentives to mitigate the costs.

2.3 Density Bonus Ordinance

State law (California Government Code, section 65915-65918) requires cities and counties to approve density bonuses for housing developments that contain specified percentages of affordable housing units or units restricted to occupancy by seniors. A density bonus is the allocation of development rights that allows a parcel to accommodate additional square footage or additional residential units beyond the maximum for which the parcel is zoned. Projects that qualify for density bonus are also eligible for reduced parking standards, additional concessions or incentives that provide "identifiable and actual cost reductions to provide for affordable housing costs", or waivers from development standards that would physically preclude the project at proposed densities. The legislature has made frequent changes to State density bonus law over the years. Assembly Bill (AB) 1763, passed in 2019, significantly increased density bonus provisions for 100 percent affordable projects to 80 percent, including allowing for additional 33 feet or 3 stories of height, and up to four concessions. AB 2345, in 2021, also allows for 50% density bonus to be granted to housing projects consisting of a mix of affordable and market-rate homes, up from the previous maximum 35 percent density bonus for mixed income developments; lowers some thresholds for obtaining incentives and concessions from local jurisdictions, and adopts density bonus reporting requirements. Both these bills also further reduced parking requirements for many projects qualifying for a density bonus.

The City's density bonus law is outlined in Chapter 27.15 of the Zoning Code. The code was last updated in 2018 and does not reflect the recent changes in State law. As described in Housing Element Policy H 1.3, the City will update its density bonus ordinance to be consistent with State law requirements, and further streamline and incentivize projects that exceed minimum state requirements by combining it with the Community Benefits Program.



2.4 Building Codes and Code Compliance

Building codes apply to all dwellings and include plumbing, mechanical, electrical installations and accessibility and energy compliance. Building codes ensure that development is constructed in compliance with applicable code standards to protect general welfare and public health. The City of San Mateo requires all new development to comply with the California 2019 Building Standards Code that went into effect January 1, 2020. Building code amendments and City code compliance practices are described below.

2.4.1 Local Amendments to State Building Code

On September 3, 2019, the City of San Mateo adopted mandatory local green building and energy code amendments, also known as reach codes. These reach codes went into effect on January 1, 2020, concurrent with the 2019 Edition of the California Building Standards Code (Title 24) and apply to new construction and rehabilitation of housing projects. Local building code amendments are found in Chapter 23 of the San Mateo Municipal Code. These local code amendments are not considered onerous to the cost or construction of housing, as analyzed in the Cost-Effectiveness Studies released by the California Statewide Codes and Standards Program.⁴

2.4.2 Building Electrification and Electric Vehicle Ordinances

The City's Climate Action Plan (CAP) identifies building electrification and electric vehicle (EV) charging infrastructure as key strategies in reducing greenhouse gas emissions (GHGs). On October 5, 2020, the City adopted an ordinance to require all new residential buildings and office buildings to be all-electric. Applicable residential building types include new single-family and two-family dwellings, as well as multi-family buildings and accessory dwelling units. Building electrification costs for installation and utility are generally lower than natural gas devices and infrastructure, leading to overall cost saving benefits in the long term.

The City amended its Green Building Ordinance in 2020 to mandate electric vehicle (EV) charging capacity for new developments. New single-family and two-family dwellings, as well as town houses require a complete EV outlet. New multi-family buildings are required to provide 15 percent EV capable spaces. Requiring EV ready spaces at the onset of new construction provides significant cost reduction, when compared to retrofits to add EV capacity later. Collectively, these measures are not considered constraints and have ability to significantly reduce GHGs from the built environment, lower construction costs and improve air quality and public health.

⁴ Cost-Effectiveness Studies, 2021: <https://explorer.localenergycodes.com/jurisdiction/san-mateo-city/>

2.4.3 Code Compliance

Building, Zoning, and other related code standards are enforced through the Code Enforcement Division. The city's code enforcement program is an important tool to maintain existing housing stock and protect residents from unsafe or substandard building conditions. Local enforcement includes state and federal codes that set minimum health and safety standards for buildings. Like many jurisdictions, the City of San Mateo responds to code violations largely on a complaint basis. The City aims to address all alleged violations in a timely manner, with priority given to violations that pose the most imminent threat to health and safety or the environment.

To minimize displacement associated with substandard dwellings, the City's tenant relocation ordinance requires property owners to provide relocation assistance and payments when tenants are displaced from unsafe or substandard units. The City also requires discretionary review for projects requesting to demolish 50 percent or more of an existing residential structure. To encourage rehabilitation of existing dwellings, the City offers a Housing Rehabilitation Loan program to assist low-income homeowners with needed repairs. This program includes services to correct code violations and general property improvements related to deferred maintenance. This approach allows the city to identify housing problems early on, before requiring more extensive repairs or demolition in some case. Therefore, the City's code enforcement practices and regulations are not considered additional constraints to the provision of housing.



2.5 Infrastructure Requirements

Various City departments implement on- and off-site improvement requirements, including standards for street construction, sidewalks, curbs, gutters, on-street parking and bicycle lanes. Residential development may also necessitate constructing water, sewer, and drainage improvements. All improvements are generally required as conditions of approval and are developer financed. Complying with certain infrastructure improvements may be perceived as a constraint on the provision of housing for all income levels.

For infill projects, the City's Municipal Code requires the construction of standard improvements that may include repair of defective sidewalks, construction of standard driveways, and maneuvering areas to ensure that the public's access to/from and around the site is safe and meets Americans with Disabilities Act requirements. In cases where a project is proposing to remove and replace full-street or alley frontages to accommodate the project's desired site layout, and where access is necessary for emergency egress and ingress, the City's Municipal Code also requires dedication of an access easement to ensure access is not blocked and is maintained. The City's Planning Commission and City Council may review and approve exceptions from City's Municipal Code requirements or standards based on hardship considerations on a case-by-case basis. For example, San Mateo Municipal Code Section 27.78 Variance allows deviations from standard number of parking spaces and stall dimensions, number of loading spaces and shared loading zones, and other requirements for infill and other projects. A developer could also request concessions or waivers from such requirements if proposing projects that utilize density bonus provisions.

Although infrastructure requirements represent a cost to developing housing, these improvement standards are intended to ensure the public's safe access and meet ADA requirements, and are not unreasonable nor do they represent a significant constraint. However, the City recognizes there are issues with infrastructure adequacy in certain areas of the City, including infill areas with aging infrastructure. These infrastructure deficiencies are a recognized constraint for infill development in the City. Additionally, there are Housing Element programs that are designed to help fund infrastructure capital improvement projects in low-income neighborhoods to address infrastructure inequalities. One Example is the North Central Bike Lanes Project which received funding from the federal Community Development Block Grant (CDBG) to implement pedestrian and bicycle improvements in the North Central neighborhood which is an identified disadvantaged community.

In addition to the above, the City continues to collaborate with regional agencies on infrastructure projects or adaptation strategies intended to address impacts due to climate change. Portions of the City, primarily east of Highway 101 and a portion of the North Central neighborhood, are located in the flood zone and projected to be impacted by sea level rise in future years. The City has initiated infrastructure projects such as the North Shoreview Flood Improvement Project which will provide improvements to the Coyote Point and Poplar Avenue Pump Stations to increase pump capacity and raise a 1,300-foot levee segment located between the San Mateo and Burlingame border off Airport Boulevard. Construction began in September 2020 and is anticipated to continue through 2022. While regional collaborations on

infrastructure projects and other adaptation strategies are necessary to address impacts due to climate change, the actual funding for infrastructure improvement projects come from a variety of sources including federal or state grants, local bonds, taxes, as well as, contribution from new developments in the form of impact fees. The impact fees paid by new developments may be perceived as a constraint; however, the City's impact fees are determined based on the project's proportionate share of infrastructure projects, or the nexus, and vetted through a public process. The City hires professional consultants to evaluate permit and impact fees; and holds public meetings to obtain input prior to updating fees. The most recent Development Impact Fee Study was completed in 2021, and following multiple public meetings, the updated fees were incorporated into the Comprehensive Fee Schedule in November 2021. As the City periodically evaluates and updates its fees through a public process that includes ensuring appropriate nexus, the City's fees are not generally viewed as a constraint. The City's Housing Element includes an implementation program (Policy H 1.18) to ensure the City continues to periodically review and update planning entitlement, building permit and impact fees consistent with AB 602⁵.

2.6 On- and Off-Site Improvements

The City has adopted on-site and off-site improvement requirements as codified in the City's Municipal Code, and in citywide infrastructure plans such as the Bicycle Master Plan, Green Infrastructure Plan, and Pedestrian Master Plan. Additionally, the City's Department of Public Works has developed detailed engineering standards that work in combination with the Municipal Code and adopted plans to help ensure that minimum levels of design and construction quality are maintained, and adequate levels of street improvements are provided. Per these adopted plans and standards, right of way widths in the majority of the city are already established and vary depending upon the street typology (i.e. freeways, arterials, collectors and local street as defined in the City's General Plan).

Minimum lane widths are required to be no less than 11 feet to ensure safe through traffic for vehicles, and sidewalks are required to be no less than five feet to ensure safe pedestrian access as well as meeting ADA requirements. For infill developments, exceptions may be reviewed and considered by the city's Director of Public Works on a case-by-case basis as part of the city's development review process provided that the alternative design meets the city's findings for safety and meets ADA requirements. The street design guidelines and standards have a potential to affect housing costs; however, they are necessary to provide a minimum level of design and construction quality in the City's neighborhoods, ensure the community's ability to access housing developments and maneuver around it on safe surfaces, and meet ADA requirements. From an equity standpoint, the minimum standards help to ensure that improvements are of a consistent quality regardless of the average income in the neighborhood.

⁵AB 602, September 29, 2021: https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202120220AB602



2.7 Local Entitlement Fee and Procedure

The development application and environmental review process necessary to obtain the necessary entitlements and a building permit may significantly affect the cost of a project, both in processing fees and time. San Mateo's planning application fees and process has been updated in 2020-2021 to reduce inefficiencies, minimize project delays and provide transparency for the applicant and public. Additionally, the development review process in San Mateo has been structured to minimize processing delay, while providing opportunities for public input. However, the Builders Focus Group identified the local permitting processing time, specifically the non-SB330 Pre-Application for large projects, as a constraint, see discussion in the process section below for background and status of changes.

2.7.1 Planning Application Entitlement Fee

At the planning stage, projects are subject to planning fees in addition to building and impact fees shown in the following table (Table 4). City Council Resolution directs that planning application charges reflect the actual costs of staff time spent on each project and all direct costs associated with the processing of the application including, but not limited to: initial review, project routing, site visits, letters to applicants, review of revisions, coordination with other departments and agencies, public outreach, preparation of staff reports, legal noticing, public meetings/hearings and costs for technical consultants. Planning Application fee deposits for residential developments are listed in Table 4. The majority of housing development projects heard at the commission level are requesting entitlements for subdivision (tentative maps) and projects heard at City Council level are those requesting entitlements for Planned Development amendments, rezones, and/or General Plan amendments.

Costs associated with processing planning applications will vary between development projects due to variations in project complexity. While much of the cost of development is born by the applicant, the City of San Mateo has in the last 20 years systematically re-evaluated and explored alternative fee structures, and development processes with the goal of streamlining processes and achieving cost efficiencies. Most recently, in 2021, the City conducted an evaluation of total costs for planning applications processed at different approval levels (i.e. Zoning Administrator, Planning Commission and City Council). The evaluation considered initial deposits, number of invoices, staff time, project delays and total costs associated with the processing of sample projects. It found that project delays and unnecessary staff time was spent seeking additional funds from applicants, some resulting in processing delays of several months due to lack of payment. Following the evaluation, the city consolidated the planning entitlement fees to require a larger initial deposit which was based on an average of similar projects in previous years. In the eight months since the new fee adoption, staff has seen a reduction in time spent processing invoices and payments, and there are no project delays due to lack of funds.

Table 4: Planning Application Fees

PLANNING APPLICATION DEPOSIT/FEE TYPE	REQUIRED DEPOSIT or FLAT FEE AMOUNT
Planning Application for single family and up to 6 units (Zoning Administrator)	\$4,000
Planning Application for multifamily and mixed-use developments with 20 units or less (Planning Commission)	\$10,000
Planning Application for multifamily and mixed-use developments over 20 units (Planning Commission)	\$50,000
Planning Application for multifamily and mixed-use developments over 20 units (Planning Commission and City Council)	\$100,000
Large Project Non-SB330 Pre-Application for multifamily and mixed-use developments over 20 dwelling units (Planning Commission study session)	\$25,000
Planning Application for Day Care Facilities which require a Special Use Permit (Planning Commission)	\$2,000 (flat fee)

Source: City of San Mateo, 2022.

Notes:

- 1) Fee deposit at application includes concurrent processing of multiple planning approvals, environmental exemption, reviews by development review departments (including: planning, building, fire, public works, police, arborist and parks departments).
- 2) Consistent with City Council resolution, if the total deposit is not expended when the final decision is made, the balance is refunded to the applicant. Additionally, exceptions for the initial deposit can be made to the Director of Community Development and considered on a case-by-case basis.
- 3) Day Care Facilities means "any facility which provides non-medical care to persons in need of personal services, supervision, or assistance essential for sustaining the activities of daily living or for the protection of the individual on less than a 24-hour basis" (SMMC 27.04.030).

2.7.2 Planning Application Entitlement Processing Time and Procedure

Development review procedures exist to ensure that proposals for new residential development comply with local regulations and are compatible with adjacent land uses. The development review process in San Mateo has been structured to minimize processing delay, while providing opportunities for public input. This is accomplished in multiple ways: process improvements and processing goals.

2.7.3 Process Time

During the discretionary review process, the final approval body determines the action on development proposals by making the appropriate findings. These findings are based primarily on conformance to the City's General Plan and Municipal Code, and environmental review is based on the California Environmental Quality Act (CEQA). Typical City of San Mateo findings by permit type for residential uses are listed below. If a development proposal meets the required findings for approval, the City's Municipal Code directs that the project shall be approved. It should be noted that all projects need to meet the outlined findings below. Projects that include affordable units, whether the project has just one unit or is a 100 percent affordable, are treated the same as projects that have no affordable units.



Review times differ on a case-by-case basis depending on the type and complexity of the project as shown in Table 5. The City's process is streamlined based on the approval body. As codified in the City's Zoning Code (Chapter 27.06), the Zoning Administrator has authority to approve development projects with up to six-units, including any associated Variances and Parcel Maps; with typical reviews between 2-7 months, depending upon project complexity.

Planning Commission has authority to approve development projects with more than six-units, including associated Variances, Tentative Maps, some Special Use Permits. The typical review period for Planning Commission-level projects are between 9 – 12 months.

Development projects that rise to City Council-level are those that require rezoning, General Plan Amendment, Planned Developments, Special Use Permit for high rise buildings and projects that are fully or partially funded by the City. The typical review period for City Council-level projects are between 9 – 13 months.

In addition to the formal planning application process, the City since 1990s requires a non-SB330 pre-application planning process (Pre-App) for applicants to hold meetings with neighborhood residents and the Planning Commission (for large developments over 20 units) to allow for early input into the design of a project before submitting a formal planning application for public review. While this process adds additional time in the early stages of a development, the applicant obtains public comments and direction from the Planning Commission which helps to expedite the formal planning approval process.

In 2021, the City held focus group meeting with builders and received feedback that included the Pre-Application process. While developers generally appreciated the opportunity to obtain early feedback on the project before they expend resources in developing plans for the formal planning application submittal, some commented that the requests to revise conceptual plans during the Pre-Application added time to the process. The City responded quickly by holding a Planning Commission study session meeting in February 2022 to discuss a streamlined approach for Pre-Applications to reduce processing times from 0.5- 1 year to 3-4 months and obtain broader feedback. The City has started to refine the Pre-Application process and provided training for all development review staff to ensure alignment across all departments.

From an implementation standpoint, the City of San Mateo has established timing goals for the processing of formal planning application development projects. When a developer has submitted all materials and a project is determined to be complete, the following processing goals have been established: 24 calendar days for Zoning Administrator decisions; 40 calendar days for Planning Commission decisions for projects that are exempt from CEQA; 60 calendar days for projects requiring Negative Declarations; and 90 calendar days for projects requiring approval by the City Council.

The City uses an efficient and comprehensive approach toward development review and permitting that allows for quick response to developer applications. The City uses many practices to expedite formal planning application processing, reduce costs, and clarify the process to developers and homeowners. Increased development costs resulting from delays in the City's formal planning application review, public

hearing, and permitting process are not considered a constraint on housing development. The City has also responded quickly by adjusting the non-SB330 Pre-App process for large projects (over 20 units) and will continue to further refine and streamline the process. The City’s development review process as a whole is not generally viewed as a constraint to the development of housing because the City has consistently demonstrated its willingness to receive feedback, be pro-active in re-evaluating and make adjustments to streamline processes. Further descriptions of permits and their processing procedures are provided in the following subsections.

Table 5: Planning Application Timelines

Application Type	Approval Body	Estimated Time from Application Date to Approval Date
Single-Family Dwelling Unit	Zoning Administrator	2-5
Residential Development with or without Tentative Parcel Maps (6 units or less)	Zoning Administrator	4-7
Residential Development with or without with Tentative Maps (more than 6 units)	Planning Commission	9-12 months
Residential Development needing Special Use Permit	Planning Commission	9-12 months
Residential Development as a Planned Development (reduced setbacks, reduced parking, increased floor area,	Planning Commission and City Council	9-13 months
General Plan Amendment	Planning Commission and City Council	9-13 months
Residential Development with Environmental Impact Report	Planning Commission or City Council	9-13 months
Residential Development with Negative Declaration or Mitigated Negative Declaration	Planning Commission or City Council	9-13 months

Source: City of San Mateo, 2022.

2.7.4 Senate Bill 35 Streamline Processing

Senate Bill (SB) 35, passed in 2017, requires jurisdictions that have not approved enough housing projects to meet their RHNA to provide a streamlined, ministerial entitlement process for housing developments that incorporate affordable housing. Per SB 35, the review and approval of proposed projects with at least 50 percent affordability in the City⁶ must be based on objective standards and cannot be based on subjective design guidelines. However, to be eligible, projects must also meet a long list of other criteria, including prevailing wage requirements for projects. In order for applicants to take advantage of SB 35, per Government Code Section 65913.4(10)(b)(1)(a)(et seq.) they need to submit a Notice of Intent and jurisdictions need to give Native American tribes an opportunity for consultation. The City of San Mateo

⁶HCD, SB 35 Statewide Determination Summary, Accessed April 1, 2022: https://www.hcd.ca.gov/policy-research/docs/sb35_statewidedeterminationsummary.pdf



has developed a Notice of Intent form consistent with the law. Additionally, the City is in the process of developing Multifamily and Mixed-Use Objective Design Standards (ODS), which once complete will help facilitate the review and approval of residential developments. The ODS project is projected to be completed in 2022, prior to City Council action on this Housing Element. The City is also in the process of streamlining its pre-application and design review process to further introduce efficiencies during planning application reviews.

2.7.5 Senate Bill 330 Processing Procedure

Senate Bill 330, Housing Crisis Act of 2019, prohibits cities and counties from enacting a development policy, standard, or condition that would impose or enforce design standards that are not objective design standards on or after January 1, 2020 [Government Code Section 663300 (b)(C)]. The bill also established specific requirements and limitations on development application procedures.

Per SB 330, housing developers may submit a “preliminary application” for a residential development project. Submittal of a preliminary application allows a developer to provide a specific subset of information on the proposed housing development before providing the full amount of information required by the local government for a housing development application. Submittal of the preliminary application secures the applicable development standards and fees adopted at that time. The project is considered vested and all fees and standards are frozen, unless the project changes substantially.

The City of San Mateo has developed a preliminary application form consistent with SB 330. In addition, the bill limits the application review process to 30 days, for projects less than 150 units, and 60 days, for projects greater than 150 units, and no more than five total public hearings, including planning commission, design review, and city council.

SB 330 also prohibits cities and counties from enacting a development policy, standard, or condition that would have the effect of: (A) changing the land use designation or zoning to a less intensive use or reducing the intensity of land use within an existing zoning district below what was allowed on January 1, 2018; (B) imposing or enforcing a moratorium on housing development; (C) imposing or enforcing new design standards established on or after January 1, 2020, that are not objective design standards; or (D) establishing or implementing certain limits on the number of permits issued.

2.7.6 Site Plan and Architectural Review

Discretionary Site Plan and Architectural Review (SPAR) is required for projects that are not eligible for ministerial review. Discretionary design review is more flexible in nature with regards to design rules. Site Plan and Architectural Review has three levels of project review:

- **Zoning Administrator (ZA)**

Zoning Administrator-level reviews are staff level and consist of residential and mixed-use projects with six units or less and permitted non-residential uses less than 10,000 square-feet. The Zoning Administrator is authorized to approved projects that meet all applicable development code

requirements and standards; and is consistent with applicable policies in the General Plan and Specific Plans and applicable design guidelines. ZA-level reviews involve public noticing, but no public hearing is required.

- **Planning Commission (PC)**

Planning Commission-level reviews involve public hearing and noticing. The Planning Commission is authorized to approve residential and mixed-use projects that require: Special Use Permits, deviations from development code requirements, standards or design guidelines; and appeals of Zoning Administrator decisions. Additionally, the Planning Commission reviews and makes a recommendation to the City Council for projects that require the provision of community benefit to exceed building height limits in areas designated in the General Plan (pursuant to Measure Y⁷); rezoning; General Plan Amendment, and public funds or city land.

- **City Council (CC)**

City Council-level reviews involve public noticing and public hearing. City Council makes final determination for appeals as well as residential and mixed-use projects where building(s) exceed 55 feet in height or where required by express General Plan provisions (Measure Y); and projects that require rezoning, General Plan Amendments, and use of public funds or city land.

Site Plan and Architectural Review ensures that proposed developments are consistent with the General Plan and any applicable community or specific plans. In addition, this review ensures that utilities and infrastructure are sufficient to support the proposed development and are compatible with City standards and that the design of the proposed development is compatible with surrounding development. Use compatibility is not considered in Site Plan and Architectural Review for permitted uses. Compatibility is determined using design guidelines and General Plan consistency. Conditional use permits, described below, consider the appropriateness of a use for a specific area.

Additionally, deviations from zoning code requirements and development standards would be considered through Site Plan and Architectural Review. In these cases, the entitlement would be heard at the Planning Commission-level. For example, a building could reduce the number of required on-site parking spaces with approval at a Planning Commission-level hearing.

In order to approve a project, the decision-maker (i.e., Zoning Administrator, Planning Commission and City Council) must find that a project is consistent with each of the findings outlined in Section 27.08.030 (a) of the San Mateo Municipal Code. For development projects not located in a historic district and not

⁷ Measure Y is a 2020 voter approved ballot measure that limits building heights, density, and intensity (or floor area) in the City. As required in the measure, the measure amends and is incorporated throughout the General Plan. The measure will sunset at the end of 2030. Source: <https://www.cityofsanmateo.org/DocumentCenter/View/86090/Resolution-with-Measure-Y-ballot-language>



involving a landmark, the decision-maker may approve an application for Site Plan and Architectural Review based on all of the following findings:

1. The structures, site plan, and landscaping are in scale and harmonious with the character of the neighborhood;
2. The development will not be detrimental to the harmonious and orderly growth of the City;
3. The development will not impair the desirability of investment or occupation in the vicinity, and otherwise is in the best interests of the public health, safety, or welfare;
4. The development meets all applicable standards as adopted by the Planning Commission and City Council, conforms with the General Plan, and will correct any violations of the zoning ordinance, building code, or other municipal codes that exist on the site;
5. The development will not adversely affect matters regarding police protection, crime prevention, and security.

Staff have not found that these consistency findings are a constraint on housing production or that they slow the City's ability to recommend approval of projects. During the 5th Cycle, the City approved all residential and mixed-use development projects that were submitted to the City with one exception. The 10-unit residential development at 4 W. Santa Inez was the only project that was denied, and the decision was subsequently challenged in court. Following the court's decision, the City has approved the original development project, completed the update of parking stall standards to include mechanical parking, and the City is in the process of developing Objective Design Standards (ODS) for Multifamily and Mixed-Use developments. Upon completion, development projects that comply with ODS cannot be denied or reduced in density, subject to a narrow health and safety exception. As part of implementation, all planners shall receive training and have a procedures manual to ensure consistent application of ODS in the review of multifamily and mixed-use projects.

2.7.7 Site Plan and Architectural Review for Cultural Resources

Discretionary Site Plan and Architectural Review (SPAR) for cultural resources is required for projects that are not eligible for ministerial review or for projects that cannot meet established design guidelines and development standards and are located within a historic district or involve a listed landmark or locally significant structure in the San Mateo's historic resource inventory.

This discretionary review process is identical to the city-wide discretionary SPAR review described above, except projects which are consistent with the U.S. Secretary of the Interior Standards for the Treatment of Historic Properties (Standards) are taken through the conventional design review entitlement process, while projects that are not consistent with the Standards would typically involve a more extensive hearing process and preparation of a detailed environmental analysis for CEQA purposes prior to approval.

2.7.8 Special Use Permit Process

Housing is generally permitted by-right in most zones, except for commercial and office zones without a residential overlay. Housing projects requesting deviation from the underlying zoning standards, such as a Planned Development or within the Senior Citizen Overlay zone, also require discretionary review. In these areas, a Special Use Permit (SUP) may be approved and is subject to the required findings described in Chapter 27.74 of the City’s Zoning Code, as follows:

6. When granting non-designated special uses, the approval body concludes that the proposed use(s) are so similar to any specifically allowed use in the district as to be virtually identical thereto in terms of impact and land use requirements.
7. Granting of the Special Permit will not adversely affect the general health, safety and/or welfare of the community nor will it cause injury or disturbance to adjacent property by traffic or by excessive noise, smoke, odor, noxious gas, dust, glare, heat, fumes or industrial waste.

The SUP primarily reviews the location, size, design, and operating characteristics of the proposed use. This discretionary process ensures that the proposed residential use is compatible with adjacent properties. Conditions may be applied to ensure that the project has no adverse effect, such as traffic or noise, on the surrounding neighborhood. Depending on the number of residential units proposed, an SUP may be granted at the discretion of the Planning Commission or City Council, as described in the prior section.

2.8 Building Permit and Development Impact Fees, and Process

2.8.1 Building Permit and Development Impact Fees

The City collects development impact fees to finance the design, construction, installation, and acquisition of public infrastructure. Fees can also be used to recover the costs of adding capacity in existing public infrastructure. Development impact fees in the City of San Mateo are determined in proportion to the square footage of the proposed project rather than by the unit type.

The City has been pro-active in re-evaluating and updating fees, and in meeting State requirements to increase transparency and predictability of fees. All applicable fees are available online and the City has an online tool to search and estimate various fees. In addition, the City allows developers to request a building permit fee estimate online by submitting an electronic worksheet. Table 6 provides typical fee breakdowns for the City of San Mateo based on project square footage. In addition to evaluating fees and their role in housing development, the city also recognizes that wages are a contributing factor in a household’s ability to enter the housing market. In 2017, the City Council adopted a provision allowing a reduction of 25% of the Affordable Housing Linkage Fee for developments that are subject to the fee and



voluntarily agrees to pay area standard wages to construction workers on the development and enters into an agreement⁸ with the City to do so.

In addition to City fees, there are additional fees required from other agencies to account for the impact of development. The combined San Mateo Union High School District and San Mateo/Foster City Elementary School District Impact Fee⁹ is \$4.08 per square foot for residential. No fees are charged for new construction or additions that are under 500 square feet.

The City of San Mateo's impact fees provide an opportunity for new developments to contribute its fair share toward infrastructure improvements. For example, when compared with other jurisdictions in the county, San Mateo's transportation impact fee may appear higher; however, each city's impact fee are directly linked to the number and type of infrastructure projects within that jurisdiction. Therefore, it is reasonable that infrastructure improvement projects differ among cities. San Mateo has unique infrastructure needs that are not shared by other cities in the county. For example, the City has three Caltrain stations, nine at grade crossings, and there is a list of pedestrian, bicycle and transit supportive infrastructure improvement projects that have been identified to foster increased bike/ped use, provide connections to transit and services, etc. San Mateo has been pro-active in transportation planning to ensure that the list of infrastructure projects are up to date and relevant. Examples of transportation planning in the City include the 2020 Bicycle Master Plan and Complete Streets Plan which is currently in development.

The City also completed a development impact fee study in 2021 to ensure that the fees are consistent with best practices and accurately reflect new developments' proportionate share of infrastructure costs, the recommendations have since been incorporated into the Comprehensive Fee Schedule.

To illustrate applicable building permit and impact fees for new developments, three sample projects are shown in the table below. The cost per dwelling unit in large multi-family development (\$44,807/DU) is lower than the cost per dwelling unit to develop a new single-family dwelling (\$89,108/DU). Additionally, while the cost per square foot to develop a large multi-family development (\$56.01/SQ FT) is higher than the cost to develop a new single-unit dwelling (\$34.27/SQ FT); the cost for large, multifamily development is comparable to other cities in the county (\$40.89/SQ FT average and \$40.59/SQ FT median), based on preliminary survey data collected by 21 Elements¹⁰. Therefore, the City's building permit fees and impact fees are not considered a constraint on housing production.

⁸ City of San Mateo Resolution No. 85 (2017).

⁹ School District Impact Fee, Accessed April 1, 2022: <https://www.smuhsd.org/Page/5186>

¹⁰ 21 Elements Draft Entitlement and Impact Fee Study Results, Accessed April 21, 2022: <http://www.21elements.com/constraints>

Table 6: Building Permit and Impact Fee Estimate (New Construction), 2021

Type of Fee	Type of Project		
	Single-Family	Small Multifamily (10-Unit)	Large Multifamily (100-units)
Entitlement Fees			
Planning Application	\$4,979	\$50,000	\$205,000
Building Permit Fees			
Building Plan Review	\$7,393	\$12,108	\$54,068
Fire Plan Check	\$407	\$793	\$1,577
Planning Support Fee	\$3,638	\$9,601	\$96,013
Building Permit/Inspection Fee	\$10,562	\$18,628	\$83,181
General Plan Maintenance Fee	\$6,313	\$16,661	\$166,611
SMI Tax	\$139	\$791	\$7,907
Building Standards Commission Fee	\$43	\$113	\$1,130
Technology Fee	\$1,605	\$4,236	\$42,359
Park and Rec Facilities Tax	\$3,210	\$8,472	\$84,718
Park Plan Check & Inspection	\$535	\$1,412	\$14,120
Public Works Building Support Services Deposit	-	\$30,000	\$50,000
Building Permit Fees Sub-Total:	\$33,844	\$102,815	\$601,684
Development Impact Fees			
Childcare Impact Fee	\$4,413	\$30,660	\$306,600
Park Impact Fee	\$29,598	\$204,760	\$2,047,600
Transportation Improvement Fee	\$6,255	\$31,590	\$315,900
Wastewater Capacity Charge	\$10,019	\$91,840	\$667,900
Art in Public Places Fee (In-lieu)	-	\$33,605	\$336,046
Development Impact Fees Sub-Total	\$50,123	\$392,455	\$3,674,046
Total Fees			
Total Fees	\$89,108	545,270	\$4,480,730
Square Foot - Residential	2,600 sf	8,000 sf	80,000 sf
# Dwelling Units	1	10	100
Cost/Dwelling Unit	\$89,108	\$54,527	\$44,807
Cost/Square Foot	\$34.27	\$68.16	\$56.01

Source: City of San Mateo, fees calculated based on City's Comprehensive Fee Schedule for fiscal year 2021-2022.

Notes:

- 1 Valuations based on habitable square footage areas (exempts uninhabitable spaces such as: garage, storage, balconies).
- 2 Additional fees may apply such as sewer and water tap fees, Construction & Demolition Recycling Deposit (Refundable), etc.
- 3 City requires new developments to provide art on-site; but applicants have the option of paying the Art In Public Places Fee in-lieu of providing it on-site.
- 4 Unexpended portion of the Public Works Building Support Services Deposit is refunded back to the applicant.



2.8.2 Building Permit Process

The length of time between a project's planning entitlement approval and building permit issuance in many cases is determined by the applicant, as further described under Non-Government Constraints in section III (below). The City has developed online application portal and streamlined the building permit review process with dedicated Development Review Technicians who actively manage concurrent reviews by all the development review departments including Planning, Building, Fire, Police, Arborist, Parks and Recreation, and Public Works. Once a project begins the building permit application review process, the following general timelines can be achieved with responsive applicants:

1. Single-family dwelling unit projects generally take 1-3 months*
2. Multi-family and mixed-use projects generally take 6-10 months*

The City also established Building application plan check review goals of an initial 20-day review period, then 10-days, then 5-days for subsequent resubmittals. These goals help to align plan check review timelines across all departments. (*Note: It should be noted that actual timelines vary depending upon how fast an applicant can resubmit plans with corrections, the quality of submittals, variations in project complexity, required reviews by external agencies (i.e. as Department Fish and Wildlife, Regional Water Quality Control Board [RWQCB], etc.)

2.9 Housing Special Needs Groups

The City of San Mateo encourages and facilitates the development of a variety of housing types that caters to special needs groups, including accessible housing, emergency shelters (i.e., temporary residential shelters), transitional housing, supportive housing, and housing for farmworkers. Government Code Section 65583 and 65583.2 also require the Housing Element to provide various housing types for all economic segments of the population. The following analysis explains how the City facilitates these housing types consistent with State law requirements.

2.9.1 Housing for Persons with Disabilities

Persons with special needs or disabilities have several housing needs related to housing accessibility; access to transportation, employment, and commercial services; and alternative living arrangements that include on-site or nearby supportive living services. The following is a description of City regulations, policies, and procedures that support housing opportunities for people with disabilities.

2.9.2 Residential and Family Care Facilities

State law requires that State-licensed group homes of six or fewer residents be regulated in the same manner as single-unit residences for zoning purposes. The San Mateo Municipal Code allows group homes with six or fewer residents by right in all zoned districts that permit single-family dwellings consistent with State law (SMMC 27.27 Residential Care Facilities).

Group homes with more than six residents (defined by the City's municipal code as "residential care facilities") are permitted by right in C2 and C3 zoned districts and with a SUP in R3 and R4 zoned districts, as shown in Table 2. While not explicitly required by State law, the SUP requirements for group homes of more than six persons could be considered a fair housing issue. The Housing Element includes an implementation program (Policy H 1.14) to review the City's Zoning Code requirements for larger group homes and amend the Zoning Code to ensure State law requirements related to fair housing and group homes are met.

2.9.3 Definition of Family

Historically zoning codes have included narrow definitions of the term dwelling unit and family that have been used to deny housing opportunities for unrelated individuals. San Mateo Municipal Code 27.04.195 defines "family" as "a person or persons living together and maintaining a common household". Upon analysis, the use of the term family may be utilized in a manner to discriminate against unrelated persons with disabilities living together. The Housing Element includes an implementation program (Policy H 1.15) to review the City's Zoning Code requirements for family and other related regulations; and amend the code to ensure State law requirements related to persons with disabilities are met. This effort may also include consideration of new definitions such as single-unit and multi-unit dwellings to accommodate various housing situations.



2.9.4 Reasonable Accommodation Ordinance

The City of San Mateo has a process to ensure that reasonable accommodations are made for persons with disabilities. The Reasonable Accommodations for Residential Uses ordinance (SMMC 27.78) was established to provide people with disabilities a way to ensure that their needs are met by the City's zoning, building, and permitting process. Since the ordinance adoption in 2014, one application has been submitted and approved to provide flexibility in accommodating the homeowners' access needs. It should be noted that the City's Zoning Code permits by right access to the main entry of residential unit as allowable intrusions into setbacks through a ministerial building permit application. Under this provision, applicants can apply for a building permit to construct ramps, lifts, railings and other elements necessary to ensure access to the dwelling unit without a need to seek reasonable accommodation.

2.9.5 Emergency Homeless Shelters

The California Health and Safety Code (Section 50801[e]) defines an emergency shelter as "housing with minimal supportive services for homeless persons that is limited to occupancy of six months or less by a homeless person. No individual or household may be denied emergency shelter because of an inability to pay."

California Government Code (Section 65583) requires each jurisdiction to identify one or more zoning districts where emergency homeless shelters are allowed without a discretionary permit. A building permit application is required to verify that the proposed project meets the City's development standards as part of a plan check review. The building permit review is a ministerial process and no public hearing is required. The zoning code development standards for emergency shelters include:

- In C2 zoned district, no emergency shelter shall be located within 300 feet of a single-family dwelling.
- Required parking shall be provided on-site with two garage stalls for the owner/manager, and one parking stall for every 6 occupants.

Government Code Section 65583(a)(4)(A) requires the Housing Element to demonstrate that the zones where emergency shelters are allowed by right include sufficient capacity on available sites to accommodate the need for emergency shelter identified in the most recent point-in-time count conducted before the start of the planning period.

The City participates in the countywide one-day homeless count which typically occurs every two years. The most recent Point-In-Time Count, from 2019, showed 900 people in the streets with another 600 in various shelters in the county. Of that total, the report showed 78 people in the City of San Mateo. As of 2021, there are two emergency and transitional shelters in the City of San Mateo: Vendome (16 units) and Humboldt House (9 units). The City continues to collaborate with the county to close the gap when potential sites are identified within the city limits, and the City facilitates the processing of any necessary

permits. One recent example is the county's purchase of the Stone Villa Inn in December 2021 and the subsequent conversion to a 44-unit temporary emergency shelter.

2.9.6 Zoning Capacity for Emergency Shelters

The City's Municipal Code currently allows emergency shelters by right in the C2 and C3 Regional/Community Commercial zoning district(s) with an approved building permit. There are approximately 76 acres (260 parcels ranging in size from 0.1 to 3.6 acres with an overall average parcel size of 0.3 acres) of land available in the City. These sites are located in areas with a mix of uses including offices, commercial, service commercial and light manufacturing uses (there is no heavy hazardous manufacturing); and are within ½ mile of transit and services. The availability of land within these sites can easily accommodate shelters for the 78 unsheltered persons identified in the 2019 Point-In-Time Homeless count¹¹. While the City's collaboration with the County of San Mateo appears to be helping to close the gap, the Housing Element includes an implementation program (Policy H 3.8) to review Zoning Code requirements and standards for temporary residential shelters, including parking for shelters, to address changes in homeless counts in future years and continue to meet State law.

2.9.7 Strategies for Providing Emergency Shelters

While the zoning capacity analysis above meets the requirements of State law; the City may also participate on unique **partnerships** with private companies, non-profit entities and other public agencies to expand shelter capacity within the City rather than building new physical structures on privately owned land. The examples below show how shelters have been developed outside of the previously mentioned zoning allowances, as well as, opportunities to expand shelter capacity through future partnerships:

- **Re-use of residential buildings:** When opportunities arise, the City has demonstrated its willingness to collaborate with other entities to the convert former group home or other residential buildings in furtherance of expanding shelter capacity. One example is the Humboldt House, located near downtown, the shelter serves nine individuals who are homeless or about to become homeless, and those with mental illness. Mateo Lodge, Inc. runs the shelter which includes residential programs that provide supportive and rehabilitative services to residents. The City provided a Redevelopment Agency (RDA) loan to acquire the property, and subsequently also provided a HOME loan in 2000 for rehabilitation of the building. The Housing Element includes Policy H 3.8, articulating the City's intent to support existing shelters and consider future partnership opportunities for the reuse of former group home or residential buildings to expand shelter capacity.
- **Partnerships with faith-based organizations:** The City may consider partnerships with faith-based organizations to expand shelter capacity during winters. Examples may include providing some funding for programs that are rotated through different congregations, relying on both professional

¹¹ One Day Homeless Count Reports, 2019: <https://www.smcgov.org/hsa/one-day-homeless-count-reports>



and volunteer staff to operate and provide services to guests in churches, mosques, synagogues, temples, and other places faith-based facilities. The Housing Element includes a [policy H 3.8](#) to study opportunities for partnerships to expand sheltering capacity on properties owned by faith-based organizations.

- **Small, scattered site shelters:** The scattered site model consists of adding emergency shelter beds through the master leasing of scattered site single family homes with no more than six guests at a time (including a house monitor), requiring no permits or approval from the City. The model allows the siting of shelters in communities without appropriately zoned land, to better distribute shelter resources throughout the community, and to offer smaller sites for vulnerable populations. Individual sites may also be held for specific categories of needs such as for transgender guests, who often are not comfortable in a congregate shelter. The Housing Element includes a [policy H 3.8](#) to study best practices for small, scattered site shelters and other models, and provide recommendations.
- **Re-use of dilapidated or underutilized motels:** Use of motels as shelters was brought to the forefront during the COVID-19 pandemic as temporary quarantining facilities; but has been utilized previously in the city (e.g. Vendome) and in other communities as a way to offer temporary shelter to the homeless population. The City collaborated with the County of San Mateo to explore the feasibility of acquiring the Stone Villa Inn, a 44-room hotel, as a temporary emergency shelter. In December 2021, the County of San Mateo was awarded a grant from California’s Homekey program to help purchase, renovate and operate the building as a 44-room temporary shelter space. The \$13.5 million project will serve as a launching pad for residents to find permanent housing with skill-building services and immediate shelter. The Housing Element includes a [policy H 3.1](#) to support the re-use of dilapidated or underutilized motels as temporary shelter.

2.9.8 Collaboration with County to Address Homelessness

The City collaborates with the County of San Mateo on countywide homeless counts, which occurs every two years; and follows the County’s “Continuum of Care” (CofC) program to address homeless. In 2016, the CofC released its current Strategic Plan titled “Ending Homelessness in San Mateo County”. The overarching goal is to create a centralized countywide system that is both data driven, and client focused to respond effectively and rapidly to the crisis of homelessness. The system utilizes the Housing First practice, where access to safe and secure housing is made the first step in the process of achieving long term housing stability. The Coordinated Entry System (CES) pulls together all of the service providers across the county to ensure that resources are available all across the county regardless of which jurisdiction an individual enters the system from. This also allows for tracking of individuals if they are to re-enter the system after exiting, which allows the CofC to gauge the effectiveness of the programs being used.

The plan also outlines several programs to address homelessness, including: outreach, emergency shelters, transitional housing, rapid rehousing, supportive housing, and homeless prevention programs. The City jointly funds these programs with other jurisdictions throughout the County and evaluates their

performance together as part of the Steering Committee. The purpose of the plan was originally to outline a comprehensive strategic plan to end homelessness throughout San Mateo County by the year 2020. Many of the target achievements of the plan were drastically altered by the spread of the coronavirus pandemic and the resulting housing instability that occurred from loss of income across many households. The City of San Mateo continues to be a partner in the CofC as both a funder of shelters and programs as well as a voting member in the CofC Steering Committee, which is reflected in the Housing Element **Policy H 3.1**.

2.9.9 Low Barrier Navigation Centers

Assembly Bill 101, passed in 2019 and codified in Government Code Section 65622, requires that a low barrier navigation center be a use permitted by right in mixed- use zones and nonresidential zones permitting multi-unit uses if it meets specified requirements. AB 101 defines “low barrier navigation center” as a housing first, low-barrier, service-enriched shelter focused on moving people into permanent housing that provides temporary living facilities while case managers connect individuals experiencing homelessness to income, public benefits, health services, shelter, and housing. The Housing Element includes an implementation **program (Policy H 3.8)** to evaluate and amend the Zoning Code to comply with this new requirement and to allow these in the same districts as emergency shelters.

2.9.10 Transitional/Supportive Housing

Transitional housing is designed to assist homeless individuals and families in moving beyond emergency shelter and into permanent housing by helping people develop independent living skills through the provision of supportive services. Permanent supportive housing is housing that is linked to services that assist residents in maintaining housing, improving health, and maximizing ability to live and work in the community. Consistent with State law, supportive housing and transitional housing are defined in the City’s Zoning Code as a dwelling and subject only to those restrictions that apply to other residential uses of the same type in the same zone.

Per recent changes in State law (AB 2162), the City must also allow 100 percent affordable projects that include 25 percent, or 12 units of supportive housing, by right where multi-unit and mixed-use development is permitted. While the City has not updated its Zoning Code, the City is pro-active in ensuring that new projects meeting AB 2162 criteria are compliant. For example, the Montara affordable housing development includes 12 units for formerly homeless individuals. The Housing Element includes an implementation **program (Policy H 1.15)** to review and amend the City’s Zoning Code to comply with this new provision of State law.

2.9.11 Housing for Farmworkers

There are no active or potential agricultural lands remaining within the City, therefore the City does not have any labor force associated with the agricultural sector. Although no agricultural activity remains within the City of San Mateo limits, the region and the County of San Mateo as a whole includes



agricultural activity that attracts farmworkers and their families. The 2019 census data for employment identifies 272 out of 57,365 employed residents of the City identify as working within the “agriculture/forestry, fishing and hunting” category. It is likely that these residents and their families are permanent employees who reside in the City due to access to urban amenities and services and are commuting to agricultural lands within the County. Seasonal agricultural workers who come to San Mateo County during those times of year when crop harvesting, and processing occur often need access to group housing or temporary (non-emergency) shelters, but do not appear to be seeking housing options within the City.

The provisions of Section 17021.5(b) of the California Health and Safety Code state that employee housing for six or fewer employees must be treated like any other single-unit dwelling. The City does not regulate the occupancy of single unit dwellings and there are no provisions in the City’s code to restrict employee housing for six or fewer employees, therefore, the City complies with this requirement.

California Health and Safety Code Section 17021.6, requires that farmworker housing of no more than 36 beds in a group quarters or 12 units shall be deemed an agricultural use. No conditional use permit, zoning variance, or other discretionary zoning clearance shall be required of this housing that is not required of any other agricultural activity in the same zone. Only two areas are identified within the Agricultural Zoning District (A), which allows for Agricultural use. These two sites include the San Mateo County (County) Event Center, and a parcel within the College of San Mateo. The existing zoning requirements for permitted uses does not explicitly allow for such housing, but agricultural use is listed as a permitted use. The City will evaluate and update its zoning code either as a part of miscellaneous code amendments or should the County or the College of San Mateo wish to proceed with providing farmworker housing at these sites, as identified in Policy H 1.17.

2.9.12 Accessory Dwelling Units

Since 2016, California lawmakers have passed several bills to promote development of accessory dwelling units (ADUs). ADUs are defined as attached or detached residential dwelling units that provide complete with independent living facilities for one or more persons located on the same parcel as the primary residence. The City also adopted the definition of a “junior accessory dwelling unit” (JADU), which is a similar independent living unit that is constructed entirely within the walls of a proposed or legally existing single-family residence.

In 2017 and 2022, the City amended the Zoning Code (Chapter 27.19) to comply with the minimum requirements of State law. ADUs are permitted by-right in any zone that allows residential use. For single-family residences, the City of San Mateo allows up to one ADU as well as a JADU, provided there is an existing or proposed primary residence on the parcel. The City defers to the provisions of Government Code Section 65852.2(e)(1) for ADUs proposed on a lot with an existing multi-family dwelling (attached duplex or more).

The City's ADU ordinance update includes custom development standards that exceed some areas of state law. These standards were developed following extensive community outreach and public meetings. For example, the updated ADU ordinance allows larger size JADUs (maximum 650 square-feet). There is an option to propose ADUs larger than 800 square-feet, provided that the floor area ratio balance of the lot has not been exceeded. Attached ADUs building heights may go up to 24 feet to the plate line and 32 feet to the roof peak. ADUs may also opt for a discretionary review process to exceed the minimum height requirements allowed under ministerial review. These updated standards provide more flexibility in design and are aligned with local community needs.

Under state law, ADUs are eligible for ministerial review and applications must be approved within 60 days of a complete application submittal. ADU applications may be submitted in person or online permit and are charged a flat fee that varies by proposal. Beginning April 1, 2022, building permit fees are as follows:

- ADU – New Construction: \$2,830.50
- ADU – Converted or Remodeled Space: \$2,103.00
- JADU: \$1,578.50

Additional fees are charged on an as-needed basis, such as a Heritage Tree permit, Sewer Lateral Compliance and Encroachment Permit. School District Fees are collected separately by the San Mateo Union High School District. The City also partners with Symbium to offer a free, interactive web-based mapping tool to help with preliminary site planning of ADUs. Overall, the City has been active to maintain compliance with State law by streamlining the process and developing resources that provide flexibility for homeowners that wish to develop ADUs/JADUs. The City also intends to conduct active outreach to educate and inform residents about these ADU/JADU provisions.

2.9.13 Manufactured Homes and Mobile Home Parks

State law requires that cities and counties allow the placement of manufactured homes (also referred to as factory- built homes and modular homes) meeting Federal construction standards and manufactured home subdivisions in single-family neighborhoods. California Government Code Sections 65852.3 through 65852.5¹², require that manufactured homes be permitted in single-family districts subject to the same land use regulations as conventional homes. Additionally, Government Code Section 65852.7 requires that cities and counties allow mobile home parks (including condominium and cooperative parks) in all residential zones.

In keeping with State law, the City's Zoning Code allows manufactured homes on permanent foundations in the same residential zones as single-family dwellings. The code defines manufactured homes as a dwelling, and they are subject to the same development standards. The City's Zoning Code does not

¹² The National Manufactured Housing Construction and Safety Standards Act of 1974 (also referred to as the Manufactured Home Act of 1974).



permit mobile home parks in residential districts; however, there is a provision allowing the Zoning Administrator to consider “other similar uses” in residential districts. The current code language is not explicit; therefore, the Housing Element includes an implementation program (Policy H 1.16) to review and amend the Zoning Code as necessary to meet state law regarding allowing mobile home parks as special use in all residential zones.

3 NON-GOVERNMENTAL CONSTRAINTS

State law (California Government Code, Section 65583[a][6]) requires Housing Elements to contain an analysis of nongovernmental constraints to the maintenance, improvement, or development of housing for all income levels, including the availability of financing, the price of land, and the cost of construction. Potential nongovernmental constraints are largely determined by market conditions over which local jurisdictions have little control. However, local governments can influence market conditions and their associated costs, even if only indirectly. Governmental interventions that affect non-governmental constraints will be explored in more detail in Section 3.1.5 Planning Entitlement Approval to Building Permit Application.

3.1 Development Costs

3.1.1 Availability of Financing

The availability of financing is a critical factor that can influence the cost and supply of housing. There are generally two types of financing used in the housing market: (1) capital used for initial site preparation and construction; and (2) capital used to finance the purchase of units by homeowners and investors.

Interest rates substantially impact home construction, purchase, and improvement costs. A small fluctuation in rates can make a dramatic difference in the annual income needed to qualify for a loan. However, interest rates are determined by national policies and economic conditions, and there is little that local governments can do to affect interest rates.

In general, financing for new residential development for both construction and long-term mortgages is generally available in San Mateo County, subject to normal underwriting standards. However, economic fluctuations in recent years due to the pandemic have caused caution among lenders and may have lasting effects on the availability of financing through this Housing Element planning period. While interest rates remain low in 2022, during the planning period, interest rates are anticipated to increase, with multiple rate increases expected in the near term as inflation rises. The availability of financing for developers under these economic conditions may pose a constraint on development outside the City's control.

3.1.2 Cost of Land

The cost of land has also increased substantially over the past decade. Many jurisdictions are now essentially built out, with no available vacant land for development. Many locations in the Bay Area experience substantially higher land values than in other areas of the State because of the attractiveness of living along the coast, with its mild climate, access to high-tech jobs, and plentiful amenities.

Land costs include acquisition and the cost of holding land throughout the development process. These costs can account for as much as half of the final sales prices of new homes in small developments or in areas where land is scarce. Land costs in single-family residential neighborhoods of San Mateo are difficult to assess, because of the lack of undeveloped residential properties. While there are no data for the City



of San Mateo, data from 2022 on vacant land for sale and sold in neighboring communities of Belmont and Redwood City show costs of ranging between \$3 to \$6 million per acre, based on vacant lots sold in the past year. There are multiple factors that may affect the cost of land such as lot size, location and amenities, proximity to public services, and the financing arrangement between buyer and seller. In contrast, during the last Housing Element a similar analysis found that average per-acre prices were approximately \$820,000. This means that since the last Housing Element, land prices have increased.

[Note: Insert information from 21 Elements' countywide study on land costs.]

All of these factors work together to make it so developers must charge substantial rents and sales prices to cover these costs. The Turner¹³ report notes that, for example, a multifamily unit that costs \$800,000 to build will need to charge approximately \$4,000 in monthly rent—a price well over the typical monthly earnings in the State—to cover those costs and meet return on investment requirements for investors.

3.1.3 Constructions Costs

Construction costs, which can comprise a significant portion of the sales price of a home, are one of the major cost factors with residential development. Construction cost is determined primarily by the cost of labor and materials. The relative importance of each is a function of the complexity of the construction job and the desired quality of the finished product. The price paid for material and labor at any one time will reflect short-term considerations of supply and demand. Future costs are difficult to predict given the cyclical fluctuations in demand and supply that in large part are created by fluctuations in the state and national economies. Such policies unilaterally impact construction in a region and therefore do not deter housing construction in any specific community.

An indicator of construction costs is Building Valuation Data compiled by the International Code Council (ICC). The unit costs compiled by the ICC include structural, electrical, plumbing, and mechanical work, in addition to interior finish and normal site preparation. The data is national with the regional difference running generally 20 percent higher based on the most recent (2020) analysis cited from the Turner Center for Housing index for construction costs in California. The 2020 national averages for costs per square foot, excluding the cost of the land acquisition, are as follows:

- Type I or II, Multi-Family: \$129.23 to \$167.27 per sq. ft.
- Type V (Wood Frame), Multi-Family: \$112.76 to \$147.50 per sq. ft.
- Type V (Wood Frame), One- and Two-Family Dwelling: \$122.46 to \$141.72 per sq. ft.

¹³ Hayley Raetz, Teddy Forscher, Elizabeth Kneebone and Carolina Reid, The Hard Costs of Construction: Recent Trends in Labor and Materials Costs for Apartment Buildings in California, The Turner Center for Housing Innovation, University of California Berkeley, March 2020, p. 3, http://turnercenter.berkeley.edu/uploads/Hard_Construction_Costs_March_2020.pdf

According to data from the California Construction Cost Index, hard construction costs in California grew by 44 percent between 2014 and 2018, or an additional \$80 per square foot.¹⁴ Between 2020 and 2021 alone, construction costs increased 13.4 percent. Construction costs are estimated to account for upwards of 60 percent of the production cost of a new home, especially for multi-unit residential buildings which often require the use of more expensive materials, like steel, and need additional amenities such as parking structures.¹⁵ Variations in the quality of materials, type of amenities, labor costs and the quality of building materials could result in higher or lower construction costs for a new home. Pre-fabricated factory built housing, with variation on the quality of materials and amenities may also affect the final construction cost per square foot of a housing project.

Several additional factors have caused the increased cost of materials, including global trade patterns and federal policy decisions, such as tariffs, as well as state and local regulations, such as building codes. The COVID-19 pandemic has also influenced the cost and availability of construction materials. Supply chain disruptions have resulted in project delays and increased costs due to a shortage of construction materials and equipment.

According to a report released in March 2020 on multifamily construction costs in California from the Turner Center, many different factors layer together to affect the bottom-line costs of building new housing and whether or not a project will ultimately “pencil”: the costs of acquisition (e.g., land and closing costs), hard construction costs (e.g., materials and labor), soft costs (e.g., legal and professional fees, insurance, and development fees), and the costs of conversion once a project is completed (e.g., title fees and the operating deficit reserve).¹⁶ According to its research, the largest share of a project’s total cost comes from materials and labor, or hard costs.

Hard construction costs make up more than 60 percent of total development costs. The Turner Center study found that on average, construction costs were about \$222 per square foot in 2018 compared to \$177 in 2008-2009, representing a 25 percent increase. While these increases have been felt across the state, costs are highest in the Bay Area, which saw costs rising by 119 percent during the same time period, to over \$380 per square foot. The reasons for this gap are complex, but the Turner Center suggests that higher labor costs to attract workers plays a part due to the higher cost of living; local regulations that require certain materials or building components to be used; lengthy review processes; and other local constraints.¹⁷

The impact of high construction costs on affordable housing cannot be underestimated. According to a study by the Bay Area Council, in 2019 there were 23 new construction projects of below market-rate housing financed through the California Tax Credit Allocation Committee (TCAC), with a total of 1,912

¹⁴ Lbid., Raetz et al, p.8.

¹⁵ Lbid., Raetz et al, p.4.

¹⁶ See the Turner Center’s series on housing costs at <https://turnercenter.berkeley.edu/research-and-policy/the-cost-of-building-housing-series/>

¹⁷ Raetz et al, p. 15.



units, across six counties of the nine-county Bay Area. Each project in California requested federal and/or state tax credits to finance the new construction of housing units with rents affordable to households earning 30-60 percent of area median income (AMI; this translates to very low-income households). The project costs consist of land and acquisition, construction costs, construction contingency, architectural/engineering, construction interest, permanent financing, legal fees, reserves, other costs, developer fees, and commercial costs. Project costs were analyzed to determine the reasonableness of all fees within TCAC’s underwriting guidelines and TCAC limitations.

The report found that the average construction cost of new below market rate housing in the Bay Area was \$664,455 per unit, far more than lower income households can afford without subsidies. In comparison, other projects across California (excluding the Bay Area) on average cost \$385,185 per unit of below market rate housing.¹⁸

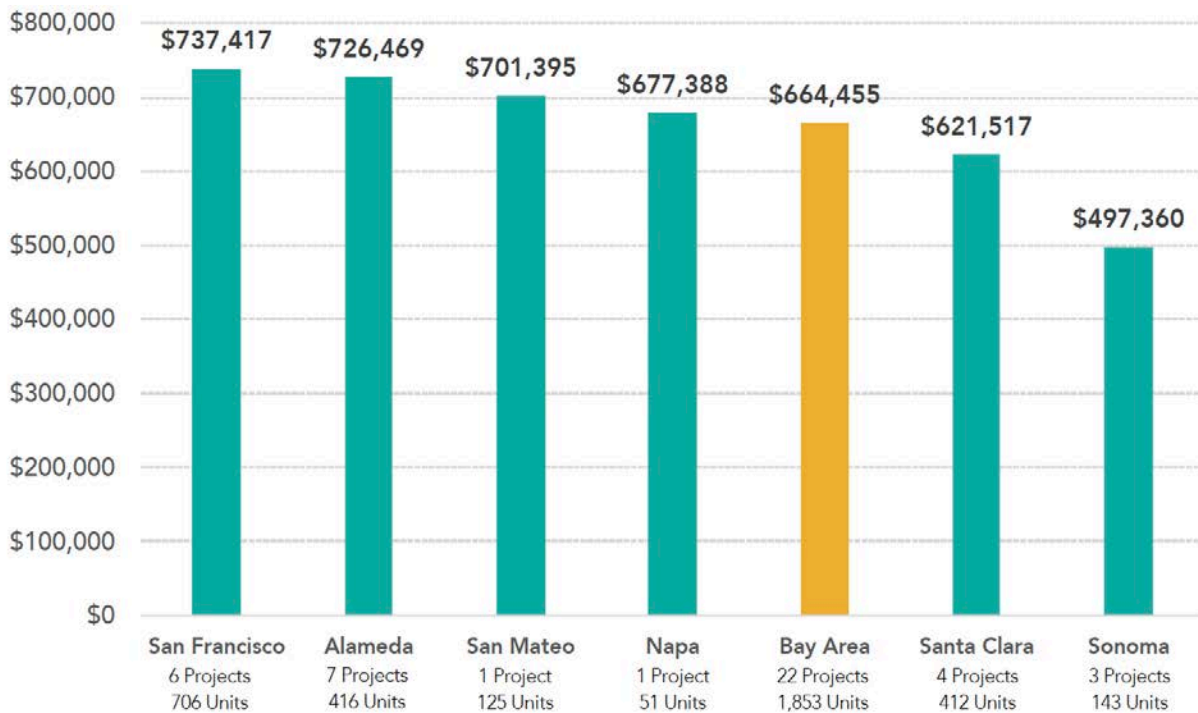


Figure 1: Average Per Unit Cost Construction of New BMR Housing by County (2019)

Source: California Tax Credit Allocation Committee; Analysis by the Bay Area Council Economic Institute.

3.1.4 Labor Costs

¹⁸ How much does it cost to construct one unit of below market housing in the Bay Area? Bay Area Council Economic Institute. Accessed April 1, 2022, from <http://www.bayareaeconomy.org/how-much-does-it-cost-to-produce-one-unit-of-below-market-housing-in-the-bay-area/>

The California Labor Code applies prevailing wage rates to public works projects exceeding \$1,000 in value. Public works projects include construction, alteration, installation, demolition, or repair work performed under contract and paid for in whole or in part out of public funds. State law exempts affordable housing projects from the prevailing wage requirement if they are financially assisted exclusively with Redevelopment Agency (RDA) housing set-aside funds. However, if other public funds are involved, which is often the case, prevailing wage rates may still apply. Furthermore, if federal funds are involved, Davis-Bacon Act wages often apply. Under the Davis-Bacon Act, workers must be paid no less than the locally prevailing wages, as well as overtime payments of time and a half. While the cost differential in prevailing and standard wages varies based on the skill level of the occupation, prevailing wages tend to add to the overall cost of development. In the case of affordable housing projects, prevailing wage requirements could effectively reduce the number of affordable units that can be achieved with public subsidies.

Statewide, labor costs have also increased in recent years, as the labor pool has not kept pace with the increase in demand. Since the recession, California has seen a severe tightening in the construction labor market, especially for workers trained in specific construction trades. The lack of an available labor force drives up the cost of labor and leads to project delays as workers are either unavailable or lost to more profitable projects.

3.1.5 Planning Entitlement Approval to Building Permit Application

After a Planning Entitlement for a development project has been approved by the Zoning Administrator, Planning Commission or City Council; it becomes the applicant's responsibility to initiate the steps to secure building permit approvals and begin construction in accordance with the approved plans. The length of time between a project's planning entitlement approval and building permit application is determined by the applicant.

Intervening steps include obtaining additional City clearances and paying fees as outlined in a project's conditions of approval. Other necessary actions for the applicant include:

1. Completing construction drawings after project approval (city does not control this timeline)
2. Recording with the County Clerk subdivision (final) maps (applies to ownership projects)
3. Retaining contractors
4. Obtaining utility approvals (not owned by the city), required easements, and rights of entry
5. Providing tenant relocation assistance

As discussed in Sections 2.7 and 2.8 above, the City has taken several steps to facilitate the review process. Once a project begins the building permit application review process, the applicant also has a shared responsibility in resubmitting materials and addressing comments in a timely manner. With responsive applicants, the following general timelines can be achieved during the building permit stage:



1. Single-family projects generally take 1-3 months*
2. Multi-family and mixed-use projects generally take 6-10 months*

(*Note: actual timeline depends on how fast an applicant can resubmit plans with corrections, complexity of project, etc.)

3.2 Requests for Housing Developments at Reduced Densities

State law requires the Housing Element to include an analysis of requests to develop housing at densities below those anticipated in the sites inventory. As demonstrated in the City's Annual Progress Reports in past years, there is a strong trend for development projects to utilize density bonus law to add additional units beyond the base density. While the City anticipates the trend to continue due to the high demand for housing in the bay area region, the Housing Element includes an implementation policy H 1.9 to amend the Zoning Code to add minimum density requirements to ensure that future development projects meet the anticipated density in the sites inventory, or exceed it.

3.3 Physical Site Constraints

The City of San Mateo recognizes the challenges associated with building housing, especially that which is affordable, on infill sites. Many parcels in the downtown area and along El Camino Real are considered small, and the City acknowledges that parcels may need to be consolidated under one owner in order to facilitate mixed use and affordable housing development. To incentivize parcel aggregation, the City's Zoning Code includes provisions such as a tiered allowable floor area based with higher allowable floor areas for larger on parcel sizes in districts zoned for multi-family development.

3.4 Environmental Constraints

The environmental setting affects the feasibility and cost of residential development. Environmental issues range from the suitability of land for development, the provision of adequate infrastructure and services, as well as the cost of energy. San Mateo currently encompasses about 7,744 acres of land. The majority of the parcels in the City's boundary are developed. Most of the undeveloped parcels are in the areas to the west near Sugarloaf Mountain. These areas contain environmental constraints on development, such as steep slopes, landslide hazards, fire hazards, or flood hazards, and therefore, much of the undeveloped land has been set aside as open space. The following are environmental constraints and hazards that affect, in varying degrees, existing and future residential developments.

3.4.1 Seismic Hazards

The San Andreas Fault zone is located approximately two miles west from the City of San Mateo boundary and the Hayward fault lies approximately 14 miles northeast of the City; however, there are no known active faults within the City. Major problems could result from ground shaking, which is likely to be amplified in the areas underlain by relatively unconsolidated deposits, especially in the eastern part of the

City. Liquefaction is also a possibility in these areas. There is potential for landslides on all slopes; however, site-specific investigations can differentiate the degree of risk.

3.4.2 Topography/Slope

The City of San Mateo encompasses a variety of upland, hillside, valley and land forms that is defined by the Crystal Springs reservoir to the west, and the San Francisco Bay on the east. Elevations range from 0 to 631 feet above sea level. Western portions of the city are steep and susceptible to landslides, erosion, and other topographic hazards. To address these concerns, the City's Site Development Code oversees development of lands with slopes exceeding 15 percent. The Site Development Code requires technical studies that address surface grading, draining, erosion and subsurface conditions in order to minimize risks to the community and environment.

3.4.3 Flood Hazards and Sea Level Rise

The City's floodplain management ordinance requires flood proofing or elevation of structures above flood heights along portions of San Mateo Creek and east of Bayshore. The City will continue to regulate development and improvements to properties located in the designated flood hazard areas in accordance with the ordinance. Since 2001, the City has identified a series of flood control projects to remove residential properties from the Flood Hazard Zone, which include the South Bayfront Levee Improvement projects (completed in 2010) and the North Shoreview Flood Improvement Project (may be completed by 2023). The City has two remaining tidal flood protection projects at the North Levee near Coyote Pointe and at Laurel Creek near the San Mateo Glendale Village neighborhood. Approximately 8,000 properties have been removed or have been prevented from being placed on the flood map to date.

Global climate change also poses potential impacts related to sea level rise. In 2018, the California Natural Resources Agency and California Ocean Protection Council updated the Sea-Level Rise Guidance Document¹⁹, which estimates sea levels in the San Francisco Bay Area to rise 22 inches by the year 2050 and 82 inches by the year 2100. San Mateo is in a low-lying coastal area and thus is highly vulnerable to this threat. A sea level rise of 22 inches could inundate areas near Seal Point. If the level of San Francisco Bay rises 82 inches, water is projected to inundate all parts of San Mateo east of Highway 101, the area north of downtown, and large sections of the Hayward Park, Bay Meadows, and Laurie Meadows neighborhoods. To protect against sea level rise, the City participates in the San Mateo County Flood and Sea Level Rise Resiliency District's OneShoreline program to coordinate shoreline protection projects throughout the County. For more information, see the program website: www.oneshoreline.org.

¹⁹ State of California Sea-Level Rise Guidance, 2018 Update, <https://www.opc.ca.gov/updates-californias-sea-level-rise-guidance>, Accessed on April 1, 2022



3.4.4 Fire Hazards

Much of the open space, hillside area of San Mateo is located west of El Camino Real. There is higher potential for fire in these areas including grass or wildland fires as shown in the following figure from CAL FIRE (Figure 2). The risk in these areas is compounded by limited emergency access to open space areas and, in some cases, by insufficient fire hydrants/water flow to meet fire-fighting requirements. The Safety Element of the General Plan, currently under development, will set forth updated approaches to reduce this risk in developed areas and in the design and location of new development in the hillsides.

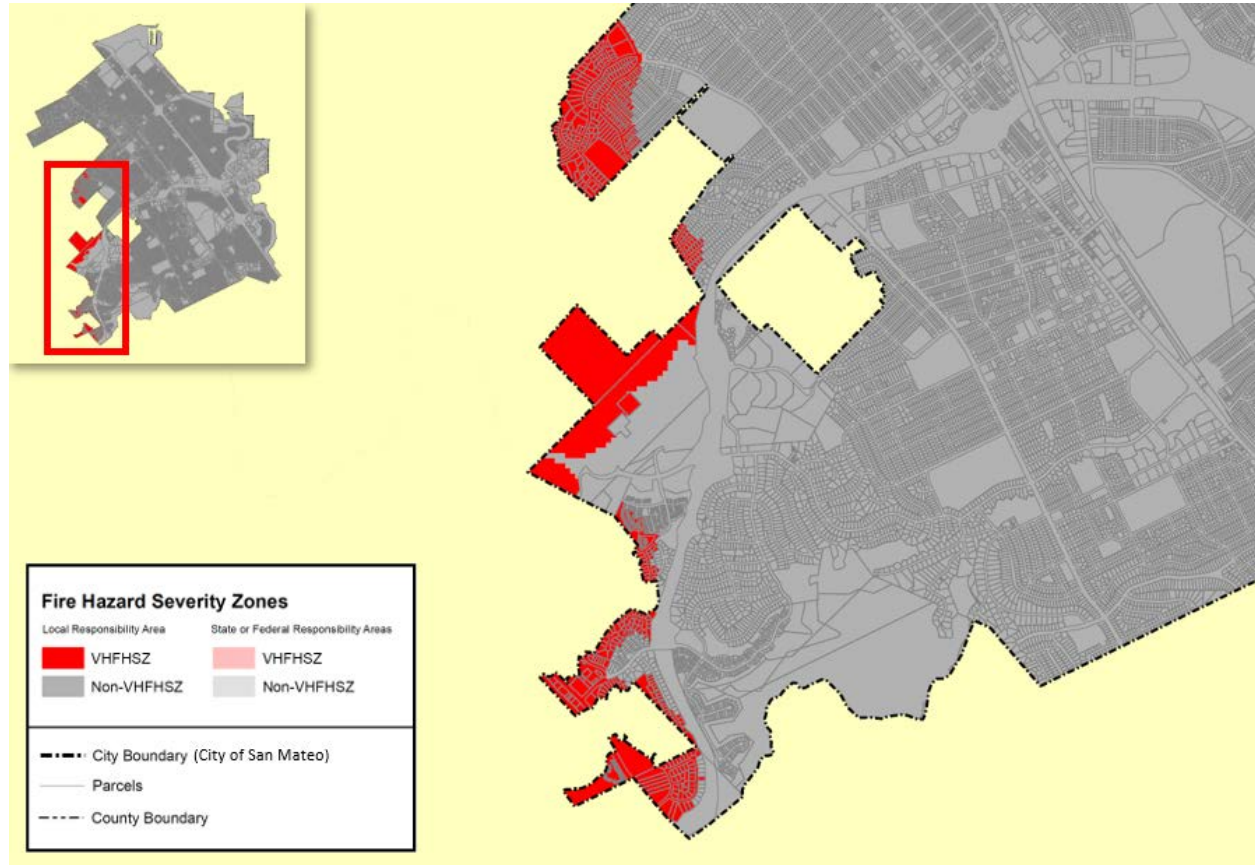


Figure 2: Very High Fire Hazard Severity Zones in Local Responsibility Areas

Source: CAL FIRE, November 24, 2008.

3.5 Voter Approved Requirements

In 1991, San Mateo voters enacted Measure H, a citizen’s initiative that amended the City’s General Plan for future development. Measure H amended the General Plan to lower limits on building heights, residential densities as measured by the number of housing units per acre, and nonresidential building intensity as measured by the ratio of building floor area to the size of the parcel. Measure H also established an inclusionary housing program requiring residential developments to provide at least 10 percent of the project’s units at rents or prices affordable to low- or moderate-income households.

As a voter-adopted initiative, the policies established by Measure H could not be amended by the City Council without subsequent voter approval while the measure was in effect. Measure H contained an expiration provision. By its terms, Measure H would no longer be in effect after December 31, 2005.

In 2004, the City Council proposed a measure, Measure P, to authorize limited modifications to the policies established by Measure H, and to extend the expiration provision until December 31, 2020. The voters approved Measure P.

In 2020, voters approved Measure Y²⁰, which extends the expiration date of the General Plan policies concerning building heights, densities, and intensities established in Measure P to December 31, 2030. In addition, Measure Y amends the provisions of Measure P concerning the inclusionary housing program to comply with AB1505 which is codified in Government Code 65850. This law requires inclusionary housing ordinances to allow developers of rental housing projects the option to provide off-site construction of units or other alternative means of compliance with the inclusionary housing requirement. This measure would not permit the payment of in lieu fees as an alternative means of compliance with the inclusionary housing requirement. The inclusionary housing program, as modified by this measure, and the policies concerning building heights, densities, and intensities established in Measure P, cannot be amended by action of the City Council without voter approval until 2031.

²⁰ Measure Y ballot language: <https://www.cityofsanmateo.org/1537/General-Plan>