

SAN MATEO NEEDS HOUSING

A Report From
San Mateo Housing Leadership Council
and **Inclusive San Mateo**

August 2019



SAN MATEO'S PROJECTED HOUSING NEED

11,400

Housing Unit Shortfall as of 2017

(Based on 1% Annual Growth in Population and Housing Supply)



+

12,500 -

13,900

Additional Housing Units Need by 2040

(Based on Population Growth vs. Woods & Poole's Projections)

=

23,900 -

25,300

Total Housing Units Needed by 2040

SAN MATEO NEEDS HOUSING!

The City of San Mateo has reached a defining moment that requires bold leadership and a collective vision for our future. We are living in the midst of a severe housing shortage; and everyone is impacted in some way. With more jobs available than homes, rents have sky-rocketed, and affordable homes are harder to find for seniors and young families. Our neighbors are moving away. And the lack of housing at all affordability levels is impacting our quality of life, from the ability to attract and retain teachers to the availability of emergency responders that live close to us in the event of a natural disaster. And we can all agree that commuter traffic has made getting to work and around town a daily battle.

As the City of San Mateo updates its General Plan and charts its next 20 years of growth, the key question facing us all is whether we will commit to ensuring that everyone who lives, works, grew up, or is growing up in San Mateo has a safe and affordable place to call home. Will the seniors on our block be able to stay in the community they love by selling a big home and finding a condo? Will our own children return from college and afford a first home to start a family? Will the people who teach our children, respond to 911 calls, maintain our parks, provide daycare, work in our restaurants, and so on, be able to call San Mateo home for much longer – or ever – in the future?

Maintaining the status quo is not an option. We must make our plans ambitious enough to ensure a diverse, prosperous, and resilient community for generations to come.

THE CHOICE IS NOT **WHETHER** TO GROW, BUT **HOW**

We often hear skepticism about the idea of planning for growth. The truth is that growth happens whether we plan for it or not — it just doesn't happen in an organized, sustainable, and equitable way.

We need to plan for our future and address the housing challenges before us, both today and tomorrow. Most importantly, we must:



Meet the unmet housing needs of workers and community members by addressing both future growth and the historical deficit of housing that has been decades in the making;



Create housing at all levels of affordability;



Build housing in places that create walkable neighborhoods and make it easier to use transit or other modes instead of cars;



Build housing in places that support our local economy and accommodate shifting consumer expectations for retail and entertainment.

Good planning can steer new development into areas that benefit the community and make our neighborhoods more livable, all while helping to meet the current and future needs for new and improved transportation, parks, schools, affordable homes, and civic infrastructure. All of those things are required to ensure that our quality of life is preserved and residents are protected. Otherwise, future generations will suffer significant quality of life impacts.

THE CURRENT HOUSING NEED IS REAL AND SEVERE

The supply of housing in the City of San Mateo has simply not kept pace with job development and population increases. **When factoring in the current housing shortfall and projected population and employment growth, San Mateo's actual housing demand ranges from about 23,900 to 25,300 new units by 2040:**

- The City's population growth has significantly exceeded its housing growth rate and has averaged about 1% since 2010.¹ The City's population is projected to continue to grow at 1% per year through 2040 according to the City's Existing Conditions Report, at a similar pace as historical countywide and regional population growth.²
- If housing supply in the City had increased 1% annually since 1990, keeping pace with countywide growth, **the housing shortfall due to lack of housing production would be about 11,400 housing units as of 2017.**³
- Based on the City's methodology which looks at population and housing trends, **continued population growth will add the need for an additional 12,500 units, for a total citywide housing need of 23,900 new homes by 2040.**
- The figure is even higher when relying upon employment projections that factor in gig workers. Based upon Woods & Poole's employment projections of 19,400 new jobs in the City by 2040,⁴ **about 13,900 new housing units will be needed by 2040, for a total of 25,300 new homes by 2040.**
- Combining the estimated existing shortfall of 11,400 units and the projected future need of between 12,500 and 13,900 units, **San Mateo will need to produce about 23,900 to 25,300 units of housing by 2040 to meet the current shortfall and future demand.** While these estimates do not factor in pipeline projects, the demand is still significantly higher than what is currently being estimated by the City.

Given these numbers, it is no surprise that the housing shortage is causing substantial harm to San Mateo's residents. Overcrowding and paying too much for housing are some of the most common complaints in San Mateo. The data backs up these sentiments. **Over 5,000 homeowners pay over 30% of their income on housing; and more than 8,500 renters pay over 30% of their income on rent, with over 7,000 of those paying a whopping 35% of their income on rent.**

The cost of living is even higher when factoring in the costs of essential needs like childcare, healthcare, and owning a car (or two) with insurance, maintenance, and gas.

As a result of the high cost of living, many residents must hold more than one job or come from households with multiple income earners. Not being able to make these increasingly difficult ends meet, too many residents have been forced to leave San Mateo in search of more affordable communities.

1 From 1980 to 1990, the number of housing units in the City grew at an average annual rate of about 0.8%, but since 1990, the City's housing supply has grown at about half of this historic rate.

2 As shown on Table 1 of the San Mateo Existing Conditions Report – Economics, Revised Public Review Draft, May 1, 2019.

3 Data from 2017 confirms that this deficit is about right. According to the City's "Analysis of Local Land Use Planning and Regional Growth" report, between 2010 and 2017, over 16,773 jobs were created in the City, but only 2,244 new homes were added during those years. Based on the City's average number of workers per household, 52,300 housing units were needed to house the City's 73,000 jobs in 2017; yet the City's existing housing stock was only 41,000: a shortfall of about 11,300 units. This data is based on the Woods & Poole employment estimates provided in the San Mateo Existing Conditions Report – Economics, Revised Public Review Draft, May 1, 2019, Table 29, pg. 42, which assumes the City has 12.9% of countywide jobs, the City's 1.47 workers per household ratio based on the American Community Survey, and an assumed housing occupancy rate of 95%.

4 This assumes the City's share of countywide jobs remains 12.9% in 2040.

USING THE BEST DATA = THE BEST DECISIONS

To forecast new housing need, the City should rely on the best information available, which reflects the City's and the Bay Area's employment conditions. Woods & Poole Economics is an independent firm that specializes in long-term economic and demographic data projections for counties across the United States. As indicated in the City's Existing Conditions Report, Woods & Poole's employment estimates are higher and more comprehensive because they include workers that are not incorporated in wage and salary data typically used by government estimates prepared by Caltrans and ABAG. Woods & Poole employment data includes proprietors, independent workers and other "gig" workers who do not receive a wage or salary from a business establishment.

According to the McKinsey Global Institute, many government employment estimates undercount the number of independent workers, and this independent workforce likely represents an additional 20 to 30 percent of the working-age population in the United States, which will likely increase in the future.⁵

For these reasons, Woods & Poole's employment projections better represent the City's and the Bay Area's future employment picture. Housing need based on their projections indicates that the City would need to build 13,900 new homes in the future to accommodate 19,400 new jobs anticipated by 2040.

Informing our decision-making with the best possible data results in smart public policy. Data helps the City of San Mateo avoid repeating past planning decisions which resulted in insufficient planning for today's housing need. It also allows the City to make data-driven decisions about future housing need and to comply with State of California housing production requirements.

This State mandate is called the Housing Element and Regional Housing Need Allocation, or RHNA. As part of RHNA, the California Department of Housing and Community Development, or HCD, determines the total number of new homes each Bay Area city needs to build—and how affordable those homes need to be—in order to meet the housing needs of people at all income levels.

To help make up for the historical deficit, **the State is also likely to allocate a 50%-70% increase in housing production for the next RHNA cycle.** If we do not plan for this in our General Plan, then we will be left hunting for sites and scrambling to rezone in more suburban areas (i.e., single-family neighborhoods) where development may be more controversial and remaining developable sites are fewer in number, or else the State will step in and take away local control.

THE ACUTE NEED FOR SENIOR AND AFFORDABLE HOUSING

Housing that is affordable to lower-income households and seniors is by far the most acute need. Therefore, it is not enough to just plan for more housing; we need to plan for the right types of housing.

Building affordable homes and senior housing requires a special planning effort. While not all seniors or people that need below-market rate housing live without a car, those populations are much more likely to rely on mass transit. Thus we must make sure that affordable homes and senior housing have good access

5 Independent Work: Choice, Necessity, and the Gig Economy, McKinsey Global Institute, October 2016.

to transit and walkable areas. Likewise, most funding and financing for senior and affordable housing is contingent upon close proximity to transit such as Caltrain and SamTrans bus routes and within walking distance to amenities like grocery stores, pharmacies, and health facilities.

NEW HOUSING SUPPORTS OUR LOCAL ECONOMY

Some routinely question the “need” to always grow, or ask that “no new jobs” be added in San Mateo so that we do not need to accommodate new housing. While these arguments disregard our current need, they also ignore the crisis facing local businesses of all sizes. For our favorite local business to thrive downtown, on 25th Avenue, and across town – especially service retail like restaurants, grocery stores, and pharmacies – there needs to be sufficient consumer demand.⁶ That is why retail increasingly depends on having a mix of office and housing within walking distance. We are already seeing a shift in retail viability downtown and elsewhere, and that means that San Mateo residents will lose access to the services they deserve unless more is done to increase demand. Further, the tax base for San Mateo is predominantly retail, office parks, and hotels, so the City’s fiscal future is at risk unless strategies to create new consumer demand for retail and other local businesses are put in place.

So to preserve and enhance our downtown and to make our shopping areas active and more vibrant, we need to add significantly more homes near these retail and business areas and along transit corridors.

NEW HOUSING CAN CREATE WALKABLE, BIKEABLE, AND TRANSIT-SUPPORTING NEIGHBORHOODS

Many of the strategies used to increase housing supply and support local retail are also useful for creating neighborhoods that are great and safe for walking and biking, and produce healthier outcomes for residents.

There should be no question that we could do much better on this front. According to Get Healthy San Mateo, “San Mateo County has high walking and biking collision rates, particularly on the border between San Mateo and Burlingame, near schools, and along El Camino Real.”

Anyone who has walked along El Camino Real knows it is not a pleasant experience. Six lanes of noisy traffic, parking lots, fences, and commercial driveways make that street especially unpleasant. It is also very dangerous for bicycles, but there are very few alternate routes for bikes. The new General Plan should address these problems directly by setting a goal of increasing bike and pedestrian use, which can only become a reality with significant new housing production. The City can’t afford to build new transportation infrastructure without fees from developers, and developers cannot afford the substantial fees required for new infrastructure without the ability to construct new housing with meaningful density in transit-rich areas. That is why cities like Walnut Creek and Mountain View, which have approved high-density housing projects near transit and business districts, have been able to create more walkable and transit-oriented communities for their residents, with more green space and amenities for the public.

6 “How to Calculate Demand for Retail,” *New Urban News*, March 2004, pp.10–11.

ENVISIONING OUR FUTURE

Engaging in a community conversation about creating more housing and planning for the next 20 years is not easy, but San Mateans have the passion and vision to tackle this issue right now and build consensus around the needed solutions.

Our past is not our future. Historically, 88% of all housing in San Mateo was built before 1990, with nearly half constructed before 1960. In those days, most new development converted agricultural land to single family homes. Large tracts could be purchased more cheaply than urbanized land and developed without neighborhood opposition.

Those days are gone. Our remaining open spaces in San Mateo are rightly treasured and protected.

RECOMMENDATIONS

To achieve this vision, the community must set targets for the General Plan so we can see how different development standards measure up to our community's needs and values.

1.



Set a housing goal of 25,000 new homes, including 5,000 new affordable homes. San Mateo must lead by example and plan for its own shortfall and future housing needs, with an affordable housing goal that focuses on transit-rich areas.

2.



Ensure economic viability. Establish densities and heights in the General Plan that are adequate to ensure that housing and community amenities are built and that there is sufficient support for our local retailers, employers and service industry providers.

3.



Set a Goal for Increased Transit and Pedestrian Uses. Require new development to thoughtfully address the need to get people out of their cars and provide safe access for transit users, pedestrians, and bicyclists.

ENDORSED BY:



This report was compiled by Housing Leadership Council of San Mateo County with the support, input, and feedback from our members and partners.

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