



CITY OF SAN MATEO

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330 W. 20th Avenue
San Mateo CA 94403
www.cityofsanmateo.org

Agenda Report

Agenda Number: 20

Section Name: {{section.name}}

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TO: City Council
FROM: Alex Khojikian, City Manager
PREPARED BY: Community Development Department
MEETING DATE: July 15, 2024

SUBJECT:
Below Market Rental Rates, Sales Prices and Unit Community Priorities – 2024 Revisions

RECOMMENDATION:

Adopt a Resolution to establish 2024 maximum rental rates and sales prices for affordable housing as required by the City of San Mateo's Below Market Rate (BMR) housing program; and establish Community Priority for units containing three or more bedrooms, which may allow a developer to provide fewer BMR units in exchange for units with more bedrooms as long as all other BMR program provisions are followed.

BACKGROUND:

In November 1992, the City Council established the BMR housing program that requires new housing developments of 11 or more units include a certain percentage of the units as "affordable." The affordable housing targets have been revised from time to time. As of February 2020, a rental project must include 15% of the units that are affordable to Lower Income households, whose incomes do not exceed 80% of the median income (\$109,700-\$206,800, depending upon family size). For owner occupied housing, 15% of the units must be affordable to Moderate Income households, whose incomes do not exceed 120% of the area median income (\$156,750-\$295,550, depending upon family size). These are the minimum requirements; developers may elect to utilize State Density Bonus provisions to provide deeper affordability in exchange for development concessions.

The City receives updated median income figures from the U. S. Department of Housing and Urban Development (HUD) and the California Department of Housing and Community Development (HCD) offices each spring. All BMR units are subject to maximum rental rates and sales prices that are revised by the City Council on an annual basis to reflect changes in the Area Median Income (AMI) as well as average interest rates for mortgages and other monthly ownership housing costs. This year, the median income increased approximately 6.6%. However, in 2019, the City Council adopted a 4% cap on BMR rental increases to address the significant median income increases over the past few years.

Rental Rates

Maximum rental rates are determined by calculating 30% of 50% of the AMI for Very Low Income, adjusted for family size, and 30% of 60% of the AMI for Low Income, adjusted for family size. The maximum rent figures include the cost of gas and electric utilities, garbage collection, and water, but exclude telephone. Calculated rents cannot exceed Fair Market Rents (FMR) as published by the San Mateo County Housing Authority.

Utilizing these formulas, the maximum BMR rental rates after applying the 4% cap over last year (for 2023) are:

| 2024 Maximum Rental Rates for Below Market Rate Housing Program | | |
|--|---------------------------|----------------------|
| | Very Low Income (50% AMI) | Low Income (80% AMI) |
| Studio | \$1,316 | \$1,569 |
| One-Bedroom | \$1,493 | \$1,797 |
| Two-Bedroom | \$1,684 | \$2,025 |
| Three-Bedroom | \$1,873 | \$2,252 |
| Four-Bedroom | \$2,025 | \$2,429 |

Very Low and Low Income maximum rents increased approximately \$51-\$93 over the prior year but remain well below current market rents.

Sales Prices

Maximum sales prices for condominiums and townhouses are established by first determining an affordable monthly housing payment, which is defined as 30% of 100% of AMI, adjusted for family size, for Moderate Income and 30% of 70% of AMI, adjusted for family size, for Low Income. An allowance for property taxes, insurance, and homeowners’ association dues is factored into the monthly payment. The sales price is then calculated assuming a 5% down payment and an interest rate based on the 15-year average, as published by Freddie Mac (4.39%). Sales prices for single-family detached houses are calculated using the above-mentioned methodology, except that the household income used to calculate the monthly payment for detached single family houses is 35% of 110% of AMI.

Utilizing these formulas, the maximum sales prices for 2024 are:

| 2024 Maximum Sales Prices for Below Market Rate Housing Program | | | |
|--|---|---|---|
| | Low Income (80% AMI) Condo/Townhouse | Moderate Income (120% AMI) Condo/Townhouse | Moderate Income (120% AMI) Single-Family |
| Studio | \$319,000 | \$495,000 | N/A |
| One-Bedroom | \$355,000 | \$555,000 | \$744,000 |
| Two-Bedroom | \$413,000 | \$638,000 | \$851,000 |
| Three-Bedroom | \$468,000 | \$719,000 | \$955,000 |
| Four-Bedroom | \$515,000 | \$786,000 | \$1,041,000 |

Community Priority

BMR program revisions effective January 1, 2010 included flexibility in the bedroom count of the BMR units based on City Council adoption of community priorities. An applicant may propose a different bedroom mix in the BMR units other than a straight pro rata of the market rate units as long as the total bedroom count is the same or more, and that the total number of BMR units equal at least 10% of the project. For 2024, staff recommends that Council continue to adopt a Community Priority for large units consisting of three or more bedrooms, based on the shortage of those units currently in the BMR inventory compared to the families on the waiting lists. For example, a 40-unit complex consisting of all two-bedroom units could provide the City four 3-bedroom units (10%) instead of the standard requirement of six 2-bedroom (15%) units. The City Council has the ability to change this priority each year to respond to different needs in the future.

BUDGET IMPACT:

No impact to City funds. Prices affect developer's costs by restricting income from rent and sales proceeds.

ENVIRONMENTAL DETERMINATION:

This action is not a project subject to CEQA, because it can be seen with certainty that it will not cause a physical change in the environment. (Public Resources Code Section 21065.)

NOTICE PROVIDED:

All meeting noticing requirements were met.

ATTACHMENTS

Att 1 - Proposed Resolution

STAFF CONTACT

Rachel Horst, Housing & Neighborhood Services Manager

(650) 522-7223

rhorst@cityofsanmateo.org