

# CITY OF SAN MATEO BELOW-MARKET-RATE INCLUSIONARY HOUSING PROGRAM MODIFICATIONS

Council Study Session

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San Mateo City Hall



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*The Economics of Land Use*

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# AGENDA

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- Program background and context
- Considerations for program modifications
- Next steps

# SAN MATEO BMR/INCLUSIONARY PROGRAM HISTORY

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- **BMR/Inclusionary Housing Program established 1992 and revised 2010**
  - Applies to projects with 11+ units
  - For-Sale: 10% Affordable Units at 70% AMI OR 15% of units at 100% AMI
  - Rental: 10% Affordable Units at 50% AMI OR 15% of units at 60% AMI
  - In-Lieu Fees allowed for fractional units only
- **All developers have elected to provide the lower number of units**
  - Project values seem to be maximized through more market-rate units
- **Increasingly, developers are utilizing State density bonus program**
  - Projects can get more market-rate units by providing BMR units at different levels
  - Examples: Central Park South, AAA site, Trags, Essex at Central Park

# SAN MATEO BMR/INCLUSIONARY PROGRAM CONTEXT

## ■ Affordable Housing Income Limits for 2019

Affordability Category	Percentage of County Median	2019	2019
		Max Income 3-person household	Max Income 2-person household
Very Low Income (VLI - 50)	50%	\$61,550	\$54,725
Low Income (LI - 60)	60%	\$73,860	\$65,670
Low Income (LI - 70)	70%	\$86,170	\$76,615
Low Income (LI - 80)	80%	\$98,480	\$87,560
<b>Median Income (Mod - 100)</b>	<b>100%</b>	<b>\$123,100</b>	<b>\$109,450</b>
Moderate Income (Mod - 110)	110%	\$135,410	\$120,395
Above Moderate Income (AMod - 135)	135%	\$166,185	\$147,758

[1] Per City policy, maximum incomes and associated rents are based on the mathematical proportion of median income (e.g., actually 60% of median income), whereas HCD's income limits do not always conform to these mathematical proportions.

Source: State of CA HCD; City of San Mateo; Economic & Planning Systems, Inc.

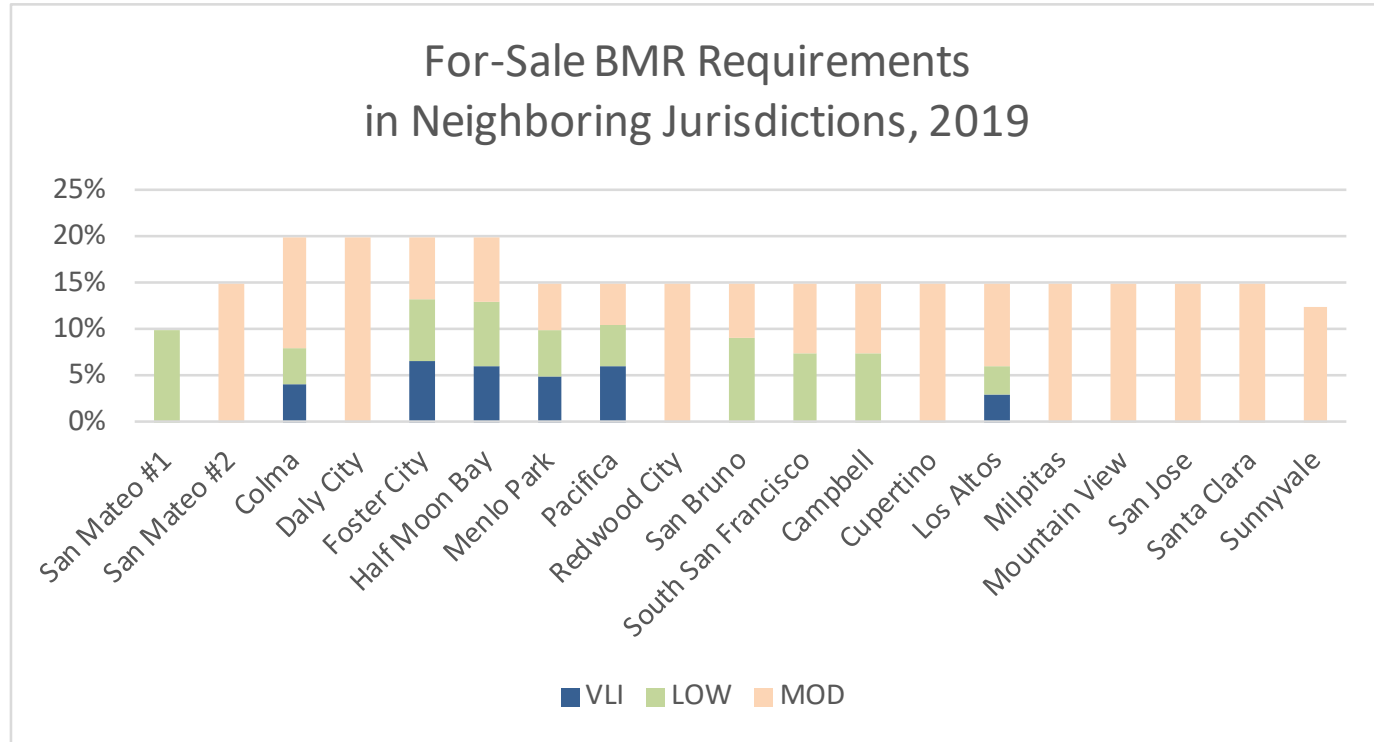
# CONSIDERATIONS FOR BMR PROGRAM MODIFICATIONS

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- EPS analysis has addressed the following questions:
  - Are the BMR requirements consistent with neighboring jurisdictions?
  - Are the BMR requirements creating major feasibility issues?
  - Can the BMR requirement options be better balanced?
  - Can the BMR requirements be increased?
  - Can different standards be created for different housing types?
  - How can BMR program be modified if zoning allowances change?

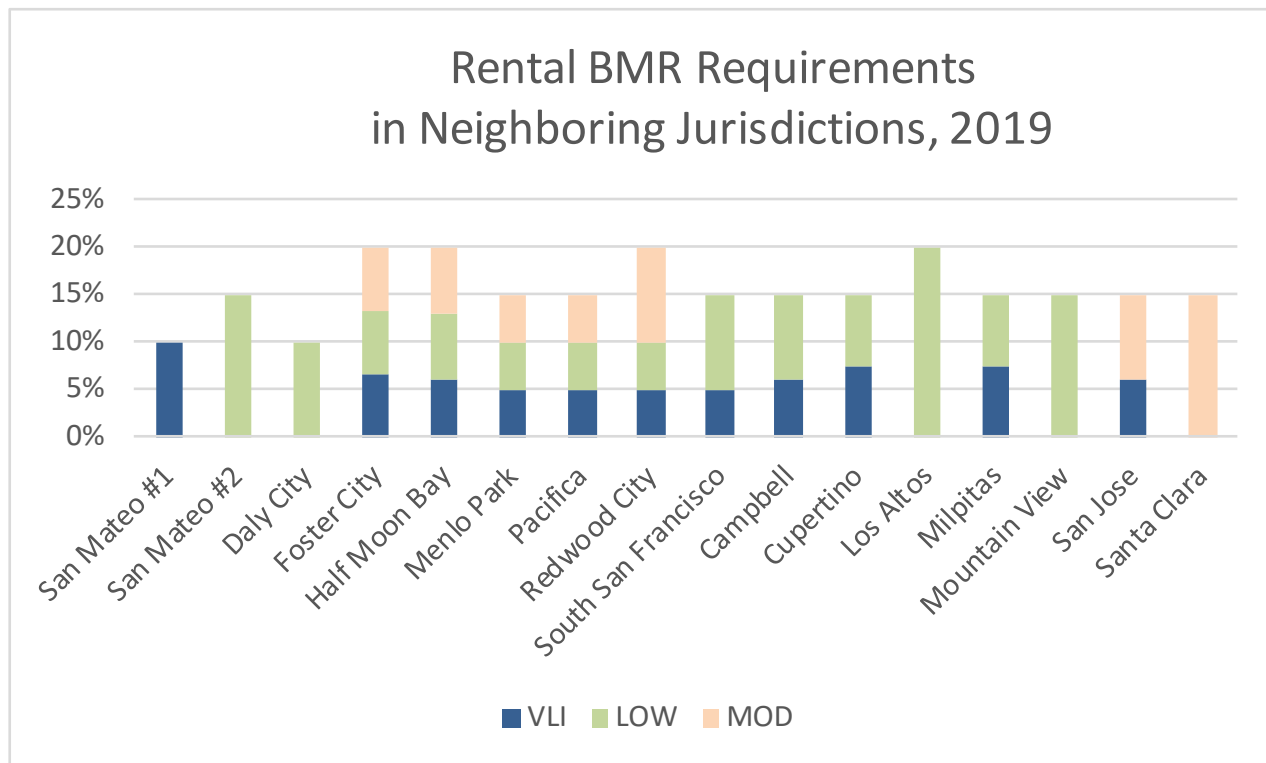
# NEIGHBORING JURISDICTIONS

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# FEASIBILITY

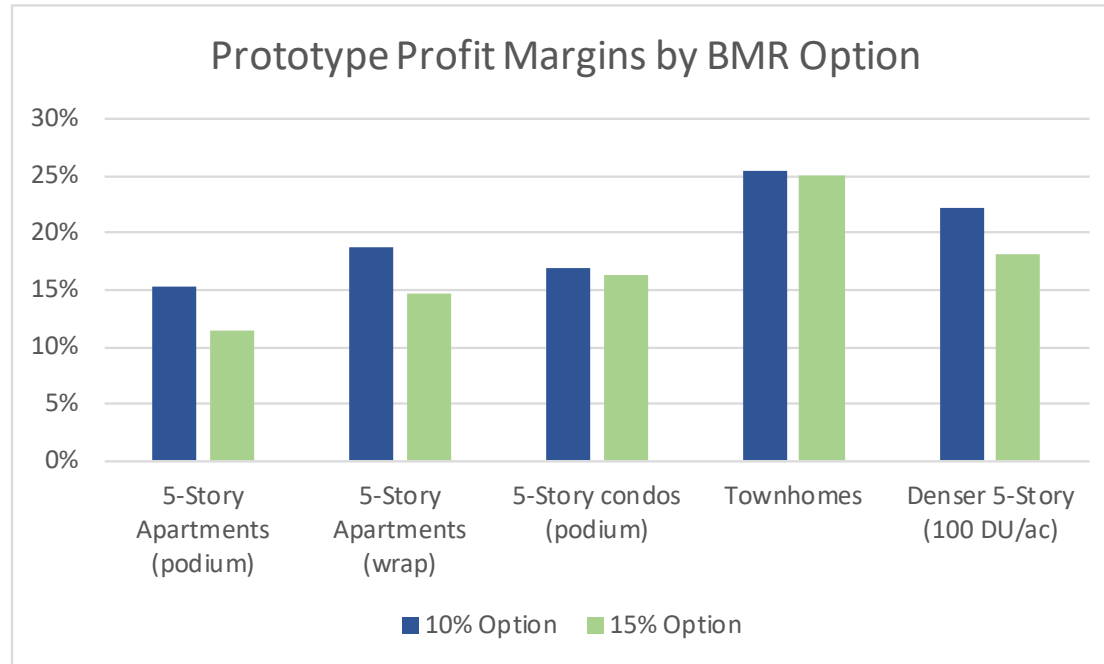
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- San Mateo's current requirements appear to be supported by projects
- EPS created “prototype pro formas” for:
  - 5-story apartments over podium parking (50 DU/acre)
  - 5-story apartments with wrap parking (50 DU/acre)
  - 5-story condos with podium parking (50 DU/acre)
  - Townhomes (24 DU/acre)
  - “Denser” 5-story apartments with podium parking (100 DU/acre)
- All prototypes appear feasible with current BMR standards
  - ~15%+ profit margin with combined market-rate and BMR units
  - Results include State density bonus as applicable



# BALANCE OF OPTIONS

- Like State density bonus program, City's current requirements promote fewer units at lower income levels





# POTENTIAL TO INCREASE

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- Current 10% requirements can increase marginally for most prototypes
  - State density bonus provides maximum units at 11% VLI
- Current 15% requirements may not be possible to increase without other adjustments
  - Changing income levels to optimize economics with density bonus?
  - Providing local density bonus beyond State allowance?
- Increased requirements would also trigger higher density bonus



# STANDARDS BY HOUSING TYPE

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- City could consider a higher standard for townhomes
  - Townhomes appear to generate highest financial returns but may underutilize residential land
  - Higher BMR standard for townhomes may help to level the playing field with higher density housing
  - Mountain View just adopted a BMR update with a 15% requirement for most housing, but 25% for townhomes
- All other housing prototypes seem to have similar economics, which suggests standards should be similar to current standards



# BMR WITH ZONING CHANGES

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- 50 DU/Acre maximum zoning falls well below other feasible densities
  - Peninsula cities now building 100+ DU/acre within 5-story buildings
  - So. San Francisco entitling projects up to 180/acre with community benefits
- Increasing density (with or without height change) may allow City to require higher BMR standards
  - Analysis indicates 20% BMR could work at 100 DU/acre, including a mix of low and moderate income units (15% at 60% AMI + 5% at 100% AMI)



## NEXT STEPS

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- Answer Council questions about analysis to date
- Seek Council direction on other issues/options to be evaluated
- Seek Council input on preferred process and outcomes

# COUNCIL DISCUSSION

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- Should the inclusionary percentages be increased?
  - Increase 10% option slightly to 11 or 12% ?
  
- Does the City want to continue to offer two options at different income levels?
  - Eliminate the current 10% option –require the current option 15%?
  - Should a range of incomes be considered?
  
- Should the City consider different requirements for different housing types?
  - Look at different requirements for for sale townhomes?