

CITY OF SAN MATEO
City Council Regular Meeting
July 15, 2024
7:00 PM



COUNCIL MEMBERS
Lisa Diaz Nash, Mayor
Rob Newsom Jr., Deputy Mayor
Rich Hedges
Amourence Lee
Adam Loraine

AGENDA ITEM

20. Below Market Rental Rates, Sales Prices and Unit Community Priorities – 2024 Revisions

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.

CEQA: 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.)



CITY OF SAN MATEO

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Agenda Report

Agenda Number: 20

Section Name: CONSENT CALENDAR

Account Number: 10-313:

File ID: 24-8902

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

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CITY OF SAN MATEO
RESOLUTION NO. ____ (2024)

**ESTABLISHING THE 2024 MAXIMUM RENTAL RATES AND SALES PRICES FOR AFFORDABLE HOUSING AS
REQUIRED BY THE BELOW MARKET RATE HOUSING PROGRAM, AND ESTABLISHING COMMUNITY PRIORITY
FOR LARGER UNITS**

WHEREAS, the Below Market Rate Housing Program (BMR Program) was established in 1992, and is reviewed by the Council annually to establish maximum rental rates and sales prices for affordable housing, and

WHEREAS, a revision to the BMR Program, effective in January 2010, included flexibility in how a developer can satisfy the City's BMR requirement, based on total bedroom count and adopted community priorities for the number of bedrooms in each unit; and

WHEREAS, the City annually revises the rental rates and sales prices for the BMR Program based on median income data provided by the United States Department of Housing & Urban Development and the California Department of Housing & Community Development offices; and

WHEREAS, as set forth in the accompanying Administrative Report, staff has reviewed the rental rates and sales prices for the BMR Program and recommends that the City Council adopt the rates set forth in Exhibit A attached to this Resolution; and

WHEREAS, staff recommends that the City Council establish Community Priority for 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, which will allow a developer to provide fewer BMR units in exchange for unit with three or more bedrooms as long as all other BMR program provisions are followed;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SAN MATEO, CALIFORNIA, HEREBY RESOLVES that:

1. In accordance with California Environmental Quality Act (CEQA) Guidelines section 15061(b)(3) this action is not a project subject to CEQA because it can be seen with certainty that it will not have a significant effect on the environment.
2. The 2024 maximum rental rates, including utilities and garbage, and sales prices for BMR units are established at the rates set forth in Exhibit A, attached to this Resolution.
3. The establishment of a Community Priority need for units containing three bedrooms or more is established. A developer may propose a different bedroom mix in the BMR units as long as the developer provides BMR units with three or more bedrooms such that the total bedroom count is equal to or higher than what would otherwise be required pursuant to the BMR Guidelines, the total number of BMR units is 10% or more for the project, and all other BMR Program provisions are followed. See Exhibit B for the methodology to calculate the equivalency.

EXHIBIT A

2024 MAXIMUM RENTAL RATES (Including Utility Allowance)

	<u>Very Low Income</u>	<u>Low Income</u>
Studio	\$1,316	\$1,569
1-Bedroom	\$1,493	\$1,797
2-Bedroom	\$1,684	\$2,025
3-Bedroom	\$1,873	\$2,252
4-Bedroom	\$2,025	\$2,429

2024 MAXIMUM SALES PRICES

	<u>Low Income</u> <u>Condo/Townhome</u>	<u>Moderate Income</u> <u>Condo/Townhome</u>	<u>Single Family Detached</u>
Studio	\$319,000	\$495,000	n/a
1-Bedroom	\$355,000	\$555,000	\$744,000
2-Bedroom	\$413,000	\$638,000	\$851,000
3-Bedroom	\$468,000	\$719,000	\$955,000
4-Bedroom	\$515,000	\$786,000	\$1,041,000

EXHIBIT B

BELOW MARKET RATE ALTERNATIVE FOR VARIATION OF THE BEDROOM COUNT IN BMR UNITS

Based on City Council adoption of a Community Priority, an applicant may propose a different bedroom mix in the BMR units as long as the developer provides BMR units with three or more bedrooms such that the total bedroom count is equal to or higher than what would otherwise be required pursuant to the BMR Guidelines, the total number of BMR units is 10% of or more for the project, and all other BMR Program provisions are followed.

When the Community Priority is for larger units with 3 or more bedrooms, the following methodology is used to calculate the required number of BMR units:

- Calculate the pro rata number of Market Rate units by bedroom type by multiplying .15 times the number of units for each bedroom size to establish the baseline.
- Calculate the total number of bedrooms in the baseline BMR units. Use .75/ unit for studio units.
- Developer may propose a different mix of bedrooms if it increases the number of units with 3 or more bedrooms, provides an equivalent bedroom count the same or greater than the baseline, and provides a total BMR unit count of at least 10% of the project size.