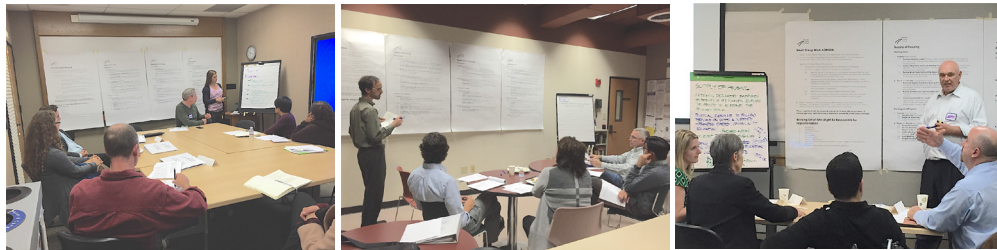




City of San Mateo Housing Task Force

Housing Task Force Summary Report

Prepared for the April 4, 2016 San Mateo City Council Meeting



Housing Task Force Members

| | |
|---------------------|---|
| Cheryl Angeles | Chamber of Commerce |
| Steve Blanton | San Mateo County Association of Realtors |
| Barbara Christensen | College of San Mateo |
| Karyl Eldridge | San Francisco Organizing Project/Peninsula Interfaith Action (SFOP/PIA) |
| John Eudy | Essex Property Trust |
| Reyna Gonzalez | SFOP/PIA |
| Rhovy Lyn Antonio | California Apartment Association Tri-County Division |
| Ashley Keightley | G. W. Williams Co. |
| Mark Leach | Building Trades of San Mateo |
| Nevada Merriman | MidPen Housing Corporation |
| Ray Montalvo | Go Pro |
| Daniel Saver | Community Legal Services of East Palo Alto |
| Evelyn Stivers | Housing Leadership Council |
| Brett Wallace | Community Member |

For questions and additional information, please contact Sandy Council, City of San Mateo Neighborhood Improvement and Housing Manager, at (650) 522-7223 or email scouncil@cityofsanmateo.org

Housing Task Force Summary Report



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San Mateo City Council Meeting

“If the rising tide doesn’t lift all the boats, it replaces those boats.”

— Russell Hancock, Joint Venture Silicon Valley’s President and CEO

Overview

The Housing Task Force, appointed by the San Mateo City Council in the Fall of 2015, met seven times to review housing issues and to develop consensus recommendations for consideration by the City Council. Summaries of the Task Force meetings are included in a separate document that is available upon request. This report summarizes the recommendations of the Housing Task Force and provides background on the topics discussed.

The Task Force’s work used the City’s recently adopted Housing Element and current City and County affordable housing programs as a starting point for review and identification of strategies to address housing needs in San Mateo. The Task Force’s work focused on three primary inter-related strategy topic areas —

Grouping of Housing Strategies

- Supply of Housing
- Preserving Housing Affordable to Lower and Moderate Income Tenants
- Implementation (Funding and Community Outreach)

Almost 100% Task Force consensus was achieved for the recommendations related to the supply of housing and implementation (funding and community outreach), but there was generally an even split on the Task Force on strategies to address rising rents and the displacement of current lower and moderate-income tenants. The options considered by the Task Force for displacement and important points brought up during the Task Force discussion, both pro and con, are included in this report for information purposes.

Overall, the Task Force acknowledged the impacts rising rents are having on the community. Additionally, everyone on the Task Force appeared to be in favor of some

form of proposal or policy to protect tenants from large and destabilizing rent increases — although there was strong disagreement on the approach to address the problem and the degree to which, or if any, new regulations should be adopted.

The Task Force felt it important to include working definitions of displacement and gentrification in this report. The definitions below are NOT intended for use as regulatory definitions of displacement or gentrification, but more for clarification purposes to enable informed conversation around the ideas presented in this report.

What is Displacement and How is it Different from Gentrification? Gentrification is a shift in the socio-economic profile of an area, whereby higher income groups replace lower income groups. Gentrification typically involves an increase in property values, as well as the displacement of lower-income households and small businesses with higher income households and newer businesses. Local, state and federal government policy for economic development, job growth, beautification, transit improvements and the like can be a catalyst for gentrification by improving neighborhoods and making them attractive for private investment. Rapid job growth, especially when concentrated at higher wage levels, can also spur gentrification. Besides neighborhood improvements, a central issue related to gentrification is how to protect the tenure of existing residents from growing market pressures.

Residential displacement is the central mechanism for gentrification and occurs when a household is forced to move from its residence due to rent increases or loss of housing, despite the household having met all other conditions of occupancy. Displacement manifests itself in many forms, from physical (i.e., evictions, demolitions, physical renovations or change in use) to economic (i.e., rent increases). This often then results in the tenants' inability to find housing in a neighborhood that was previously accessible and affordable.

Below is a Statement of the Housing Problem, followed by the Task Force's consensus goals and housing strategy recommendations, and a review of the Task Force's considerations of displacement related strategies.

Statement of the Housing Problem

The City of San Mateo, San Mateo County and the Bay Area as whole are experiencing an affordable housing crisis. The demand for housing affordable to all but the wealthiest residents far exceeds the available supply. As a result, creating new housing and finding and keeping existing housing in San Mateo that is within peoples' means is a challenge, especially for lower and moderate-income individuals.

The demand for housing far exceeding the supply has resulted in significant increases in rents and home prices. According to the California Association of Realtors, only 13% of the households currently residing in San Mateo County could afford to purchase the median priced home in San Mateo County in the second quarter of 2015. Even with the economic downturn during 2008-2011, both sales and rental prices have been increasing.

Escalating rents also impact local rental assistance programs. HUD Fair Market Rents (FMR) used for the Section 8 and other housing programs in San Mateo County have not increased as fast as market rate rents — going from \$1,349 for a 1-bedroom unit in 2007 to \$1,635 in 2015 (21% increase over eight years, or 2.7% per year) and from \$1,689 for a 2-bedroom unit in 2007 to \$2,062 in 2015 (22% increase over eight years, or 2.8% per year). The lower FMR's, as compared to higher market rate rents, may be one of the reasons Section 8 voucher recipients have a difficult time finding housing. In 2015, 425 Section 8 vouchers in San Mateo County expired due to the difficulty of finding housing in San Mateo County.

The following are some of the impacts on people living in San Mateo as identified by Task Force members:

Impacts on Peoples' Lives from Significant Rent Increases Not having flexibility to move to better housing

- Living with the uncertainty and fear of increasing rents
- Overcrowding conditions to be able to cover rents
- Crises circumstances where people face eviction
- Having money available for other living expenses
- Personal and community health implications, etc.
- Difficulties local businesses are having in being able to attract and retain workers.
- Increasing commute times.

According to Shireen Malekafzali, Senior Manager for Policy, Planning and Equity Health Policy and Planning Program, San Mateo County Health System, housing stability for people is an important consideration in community health planning:

"The Health System has an important role to play in housing stability – working to create healthy communities can inadvertently be adding to the housing crisis and displacement challenges. We know that the things that make a community healthy – a grocery store, safe walking/biking infrastructure, access to jobs and parks, TOD – also make neighborhoods more expensive. So, while we advance investments to create healthy communities, we must simultaneously advance a comprehensive anti-displacement strategy. Otherwise, we are displacing our health problems to other counties.

Displacement causes stress, disrupts social support systems imperative to recovering from disease and ensuring simple day-to-day supports such as childcare and creates job instability.

Displacement can have devastating effects on seniors with fixed incomes who are less mobile and less able to absorb fluctuations in rent or housing costs. Also, those who are really challenged and can't find other places to live become homeless - exposing them to dramatic reductions in health."

How Much Are Rents Increasing?

Summary of Rental Information and Analysis

The table below shows rents from various sources as a point of comparison for the range of current and "asked for" rents by housing type and the annual percentage increase over the last four years. Eight-year rental data are included in this section of the report as well.

Summary Comparison of City of San Mateo Rental Information (see tables in report)

| Information/Data Summarized | 2011 | 2012 | 2013 | 2014 | 2015 | Change Over Timeframe | |
|---|---------|---------|---------|---------|---------|-----------------------|---------------------------------------|
| | | | | | | 4-Year Increase | Compounded Annual Percentage Increase |
| Rental Amounts | | | | | | | |
| Real Facts 2016 Average "Asked for" Rent (34 properties 50+ accounting for 5,637 unit in developments of 50 units or more located in the City of San Mateo) | \$1,943 | \$2,170 | \$2,354 | \$2,579 | \$2,897 | 49.1% | 10.5% |
| Zillow 2016 Median "Listed" Rents All Multi-Family Developments of 5 or More Units Located in the City of San Mateo | \$2,250 | \$2,200 | \$2,600 | \$2,701 | \$2,950 | 31.1% | 7.0% |
| Zillow 2016 Median "Listed" Rents for Duplexes and Triplexes Located in the City of San Mateo (Two Years of Data) | n/a | n/a | \$2,732 | \$2,795 | \$2,975 | 8.9% | 4.4% |
| Comparison of Rental Amounts By Number of Bedrooms (2016) | | | | | | | |
| | Studio | 1-BR | 2-BR | | | | |
| Real Facts 2016 Average "Asked for" Rent (34 properties 50+ units accounting for 5,637 unit in developments of 50 units or more located in the City of San Mateo) | \$2,112 | \$2,633 | \$2,949 | | | | |
| Zillow 2016 Median "Listed" Rents by Number of Bedrooms in the City of San Mateo (Studio unit rents are for San Mateo County as a whole) | \$2,090 | \$2,626 | \$3,184 | | | | |
| San Mateo County Association of Realtors (SAMCAR) — 2016 Rental Data on 400 Rental Units Located in Northern San Mateo County | \$1,250 | \$1,434 | \$1,882 | | | | |
| California Apartmenty Association — Third quarter 2015 Rental Data from informal survey of San Mateo CAA members | n/a | \$1,760 | \$2,350 | | | | |
| HUD Fair Market Rents (2015) for San Mateo County | \$1,256 | \$1,635 | \$2,062 | | | | |

An extensive review was conducted of information available on current rents and rent trends. While no one source of rental information is perfect for use in this report, together the various sources are useful in providing a range of information on rents. And, while not exactly reflecting actual current rents, the data show trends in rent increases over the last four and eight years by size and type of unit. By going back eight years, where possible to 2007, this report accounts for the before and after timeframe of the most recent recession.

The table below shows an example of an annual 10% rent increase over a four-year time period for a unit with a starting rent of \$1,826 (from the American Community Survey — ACS — estimated median rent in San Mateo in 2014).

Illustration of a 10% Annual Increase in Rent

| Time frame for Rent | Monthly Rent | Annual Amount Paid for Rent |
|----------------------------|---------------------|------------------------------------|
| Starting Year | \$1,826 | \$21,912 |
| Year 2 | \$2,008 | \$24,096 |
| Year 3 | \$2,209 | \$26,508 |
| Year 4 | \$2,430 | \$29,160 |
| Year 5 | \$2,673 | \$32,076 |
| Total Increase | +\$847 | +\$10,164 |

Real Facts Rental Information

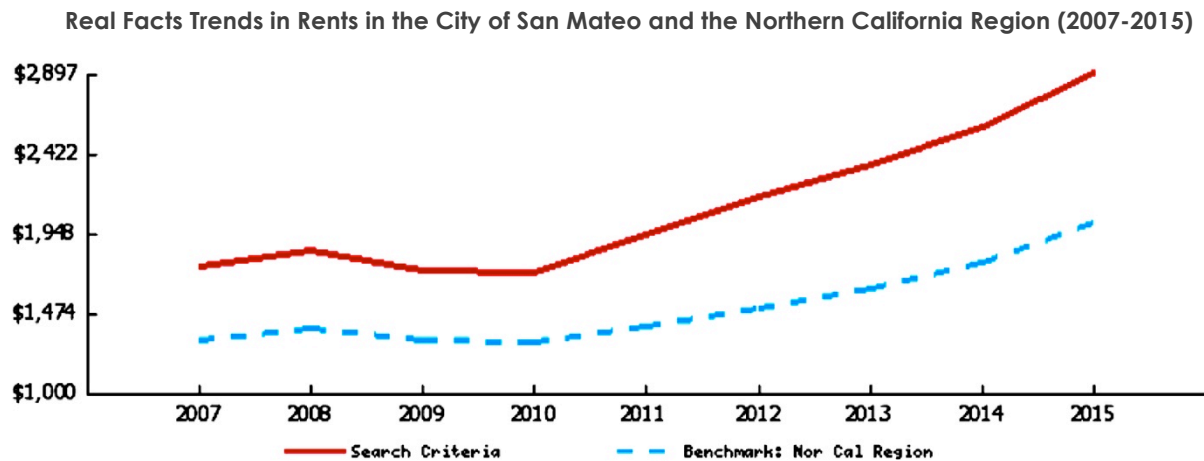
Real Facts (Real Answers) quarterly surveys “asked for” rents in developments of 50 or more units throughout the country (<http://www.realanswers.biz/>). In San Mateo, 34 developments of 50 or more units are surveyed quarterly by Real Facts. These developments represent a total of 5,637 rental units, which is about 42% of the 13,490 rental units located in multi-family buildings in the City of San Mateo. The size of the developments surveyed (50+ unit developments) can tend to benefit from economies of scale related to maintenance and other ongoing costs. In addition, these larger developments tend to have more amenities than smaller rental developments. Thus, it is assumed that the Real Facts rents are higher than rents in smaller developments and the rents people are currently paying.

Over the past eight years, since 2007, the average “asked for” rent in the City of San Mateo has increased from \$1,753 per month to \$2,897 per month (about a 65% increase over eight years, or 8.2% per year). However, based on Real Facts, over the last four years average “asked for” rents have increased at an even faster rate of 10.5% per year (49.1% over the last four years). Even though Real Facts uses “asked for” rents, the percentage increases are useful since they are based on actual quarterly survey results of rental units in San Mateo. Real Facts rent information in the City of San Mateo is shown below.

City of San Mateo Average "Asked For" Rents From 2007 Through the End of 2015

| Size of Housing Unit | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 4-Year Change | | 8-Year Change | |
|----------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-----------------|---|-----------------|---|
| | | | | | | | | | | 4-Year Increase | Average Annual Increase Over Last 4 Years | 8-Year Increase | Average Annual Increase Over Last 8 Years |
| AVERAGE | \$1,753 | \$1,844 | \$1,724 | \$1,717 | \$1,943 | \$2,170 | \$2,354 | \$2,579 | \$2,897 | 49.1% | 10.5% | 65.3% | 6.5% |
| Studio | \$1,162 | \$1,205 | \$1,160 | \$1,146 | \$1,263 | \$1,400 | \$1,603 | \$1,803 | \$2,112 | 67.2% | 13.7% | 81.8% | 7.8% |
| 1bd 1bth | \$1,552 | \$1,628 | \$1,529 | \$1,515 | \$1,733 | \$1,957 | \$2,107 | \$2,323 | \$2,633 | 51.9% | 11.0% | 69.7% | 6.8% |
| 2bd 1bth | \$1,804 | \$1,896 | \$1,750 | \$1,708 | \$1,968 | \$2,224 | \$2,432 | \$2,624 | \$2,949 | 49.8% | 10.6% | 63.5% | 6.3% |
| 2bd 2bth | \$2,179 | \$2,304 | \$2,150 | \$2,184 | \$2,424 | \$2,654 | \$2,840 | \$3,065 | \$3,394 | 40.0% | 8.8% | 55.8% | 5.7% |
| 2bd TH | \$1,813 | \$1,864 | \$1,795 | \$1,749 | \$2,124 | \$2,434 | \$2,440 | \$2,821 | \$3,215 | 51.4% | 10.9% | 77.3% | 7.4% |
| 3bd 2bth | \$3,072 | \$3,352 | \$3,043 | \$3,116 | \$3,394 | \$3,793 | \$4,029 | \$4,202 | \$4,569 | 34.6% | 7.7% | 48.7% | 5.1% |
| 3bd TH | \$2,133 | \$2,201 | \$2,060 | \$2,064 | \$2,338 | \$2,504 | \$2,986 | \$3,301 | \$3,499 | 49.7% | 10.6% | 64.0% | 6.4% |

Source: Rental surveys conducted four times per year by Real Answers (formerly RealFacts). "Asked for" rents in developments of 50 or more units.



Zillow Rental Information

Zillow is another source of rental information. Zillow provides the median rent for various types of rental units as listed on the Zillow website/app. The table below shows median rents in the City of San Mateo based on data available on the Zillow website. The link to the Zillow rental data is — <http://www.zillow.com/research/data/#rental-data>. The table shows median rents for multi-family apartment of five or more units compared to other types of rental units. According to Zillow, over the past four years in the City of San Mateo, since 2011, the median rent for multi-family housing (5+ units) has increased 31.1%, or 7.0% compounded annually.

Median Listed ("Asked For") Rents on Zillow in the City of San Mateo (2011-2015)

| | | | | | | Change Over 2 - 4 Years | |
|---|---------|---------|---------|---------|---------|---------------------------|--|
| Types of Rental Units | 2011 | 2012 | 2013 | 2014 | 2015 | Two to Four Year Increase | Average Annual Increase Over Two to Four Years |
| City of San Mateo Median Listed Rents on Zillow | | | | | | | |
| Multi-Family Developments of 5 or More Units (4 years of comparative rental data) | \$2,250 | \$2,200 | \$2,600 | \$2,701 | \$2,950 | 31.1% | 7.0% |
| All Single Family Detached and Condominiums/Cooperatives (4 years of comparative rental data) | \$2,300 | \$2,733 | \$3,185 | \$3,350 | \$3,495 | 52.0% | 11.0% |
| Single Family Detached (4 years of comparative rental data) | \$3,021 | \$3,147 | \$3,306 | \$3,847 | \$4,208 | 35.9% | 8.6% |
| Duplexes and Triplexes (2 years of comparative rental data) | n/a | n/a | \$2,732 | \$2,795 | \$2,975 | 8.9% | 4.4% |
| 1-Bedroom Units (3 years of comparative rental data) | n/a | \$1,954 | \$2,117 | \$2,383 | \$2,626 | 34.4% | 11.4% |
| 2-Bedroom Units (4 years of comparative rental data) | \$2,359 | \$2,517 | \$2,833 | \$3,020 | \$3,184 | 35.0% | 8.7% |

Source: <http://www.zillow.com/research/data/> Please note the dates above show estimated median rents in January of the following year.

Other Sources of Rental Information

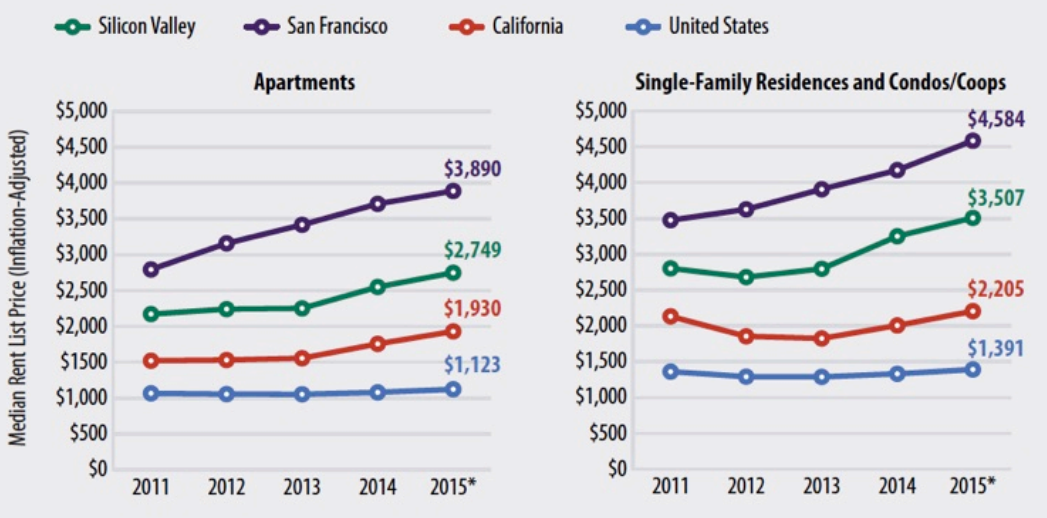
Rental information is also available through the U.S. Census Bureau, American Community Survey (ACS) 1-Year estimates for the City of San Mateo, which supplements the 10-year census with continuous social, economic, housing and demographic data, with about 1 in 38 households being surveyed. According to the 1-Year ACS, the median rent in San Mateo increased from \$1,414 in 2007 to \$1,826 in 2014 (a 23% increase over 8 years, or 3.2% per year). These figures are less than the "asked for" rents as described above since they reflect the actual rents being paid by residents in place rather than just those who are seeking new housing. This takes into account those tenants who have been in place for various lengths of time and who have not experienced as dramatic rent increases as vacant units coming on the market at this time.

The San Mateo County Association of Realtors (SAMCAR) provided the Task Force with current rents for a random set of 400 rental units located in northern San Mateo County. The SAMCAR data show current average monthly rents for these 400 units being \$1,250 for a studio unit, \$1,434 for a 1-bedroom unit and \$1,882 for a 2-bedroom unit. In addition, informal rental data from City of San Mateo members of the California Apartment Association (provided by CAA), third quarter of 2015, show current average monthly rents being \$1,760 for a 1-bedroom unit and \$2,350 for a 2-bedroom unit.

Rental Affordability

Median Rental Rates

Santa Clara & San Mateo Counties, San Francisco, California, and the United States



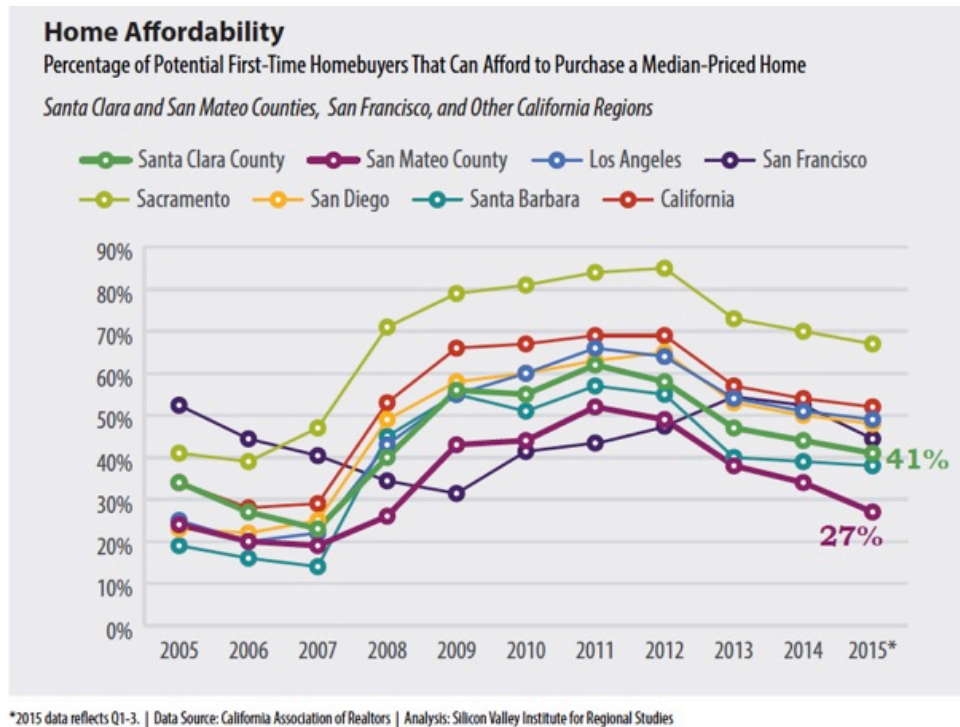
*Based on Q1-3. | Note: Median Apartment Rental Rates include multifamily complexes with more than five units. | Data Sources: Zillow Real Estate Research | Analysis: Silicon Valley Institute for Regional Studies

How Much Have Sales Prices Increased? Over the past eight years, since 2007, the average single-family sales price in the City of San Mateo has increased from \$1,067,539 to \$1,392,511 (about a 30% increase, or 3.4% per year). Housing sales prices are now above pre-2008 prices levels. Over the last four years, single-family sales prices have increased from \$807,135 to \$1,392,511 (about a 73% increase, or 14.6% per year). Common interest developments have increased at an even faster rate over the past four years, with the average price increasing from \$391,170 in 2011 to \$730,169 in the last quarter of 2015 (almost an 87% increase and about a 17% increase per year).

County of San Mateo and City of San Mateo Average Home Sale Prices From 2007 Through 2015

| | | | | | | | | | | 4-Year Change | | 8-Year Change | |
|-----------------------------|-------------|-------------|-----------|-----------|-----------|-----------|-------------|-------------|-------------|-----------------|---|-----------------|---|
| Type of Housing Unit | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 4-Year Increase | Average Annual Increase Over Last 4 Years | 8-Year Increase | Average Annual Increase Over Last 8 Years |
| COUNTY OF SAN MATEO | | | | | | | | | | | | | |
| Single Family Residential | \$1,209,838 | \$1,038,395 | \$876,820 | \$934,680 | \$908,647 | \$976,787 | \$1,216,051 | \$1,392,154 | \$1,621,386 | 78.44% | 15.6% | 34.0% | 3.7% |
| Common Interest Development | \$616,689 | \$552,958 | \$463,220 | \$449,467 | \$412,881 | \$457,835 | \$575,338 | \$651,386 | \$761,314 | 84.39% | 16.5% | 23.5% | 2.7% |
| CITY OF SAN MATEO | | | | | | | | | | | | | |
| Single Family Residential | \$1,067,539 | \$923,021 | \$818,946 | \$862,475 | \$807,135 | \$868,987 | \$1,046,755 | \$1,194,441 | \$1,392,511 | 72.53% | 14.6% | 30.4% | 3.4% |
| Common Interest Development | \$574,006 | \$545,095 | \$460,765 | \$424,122 | \$391,170 | \$452,267 | \$546,615 | \$623,813 | \$730,169 | 86.66% | 16.9% | 27.2% | 3.1% |

Source: San Mateo County Association of Realtors (SAMCAR) with data collected and compiled by MLSListings, Inc.; <https://www.samcar.org/market-data.htm>



Where Will Workers Live? According to the 2016 Silicon Valley Index, income and wages in Silicon Valley remain significantly higher than in the state or nation as a whole. A variety of income measures show continued gains, outpacing inflation. Between 2013 and 2014, per capita income increased by 1.9% to \$79,108 – rising for all racial and ethnic groups – and median household income increased by 4.4% to \$98,535. This trend continued into 2015, with an average wage increase of 5.6% since 2014 (reaching \$110,634). And as income levels rose, poverty rates – which fell to 8.1% in Santa Clara and San Mateo Counties in 2014 – declined. The 2014 poverty rate in Silicon Valley, particularly the childhood poverty rate (8.9%), was much lower than in San Francisco, California, or the United States as a whole.

In San Mateo County as whole, as of June 2015 (according to the U.S. Department of Labor, Bureau of Labor Statistics), there were 351,959 people employed in jobs located in San Mateo County. Of those, 61%, or 214,479 people, were employed in jobs earning less than \$70,000 per year. Over the next 25 years San Mateo County is projected to add close to 95,000 new jobs (almost 20,000 of those new jobs are anticipated to be located in the City of San Mateo).

The ratio of roughly 2 higher paying job for every 3 lower paying jobs is expected to continue through the foreseeable future. Over the same time horizon, it is projected that

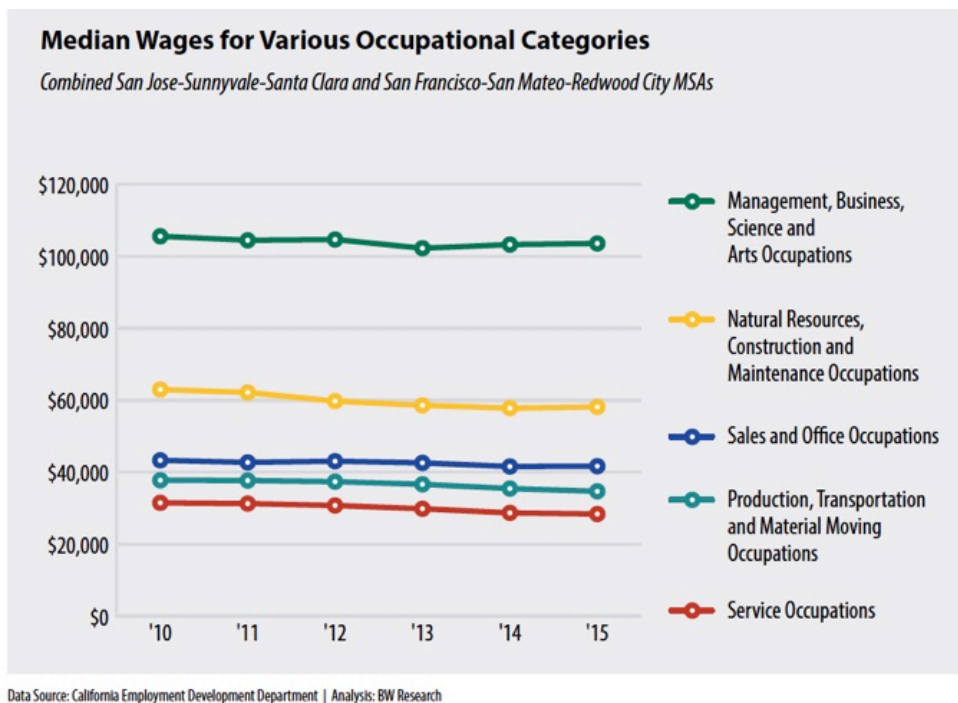
an additional 50,000 housing units will be built in San Mateo County (roughly 10,000 housing units in the City of San Mateo), with many of these housing units affordable only to above moderate income households. The table below shows a breakdown of various types of jobs in the San Francisco-San Mateo-Redwood City area compared to the ability to pay for “asked for” rents.

Typical Salaries for Various Occupational Groups in the San Francisco-San Mateo-Redwood City, CA Metropolitan Division (May 2014) and Affordable Rent

| Occupational Area | Estimated Average Annual Salary | | Affordable Rent Based on 30% of Income (2016 dollars) | Real Facts Average "Asked For" Rents in San Mateo County as of January 2016 | Difference Between Average "Asked For" Rents and Monthly Salary | Generalized HUD/HCD Household Income Category |
|--|---------------------------------|--|---|---|---|---|
| | Salaries As of May 2014 | Adjustment to 2016 Dollars (+4.0% CPI) | | | | |
| Food Preparation & Serving Related | \$27,110 | \$28,194 | \$704.86 | \$2,786 | -\$2,081 | Extremely Low Income (<\$35,000) |
| Personal Care & Service | \$33,040 | \$34,362 | \$859.04 | \$2,786 | -\$1,927 | |
| Building & Grounds Cleaning & Maintenance | \$33,880 | \$35,235 | \$880.88 | \$2,786 | -\$1,905 | |
| Farming, Fishing, & Forestry | \$35,620 | \$37,045 | \$926.12 | \$2,786 | -\$1,860 | Very Low Income (\$35,000-\$58,600) |
| Healthcare Support | \$40,080 | \$41,683 | \$1,042.08 | \$2,786 | -\$1,744 | |
| Production | \$41,850 | \$43,524 | \$1,088.10 | \$2,786 | -\$1,698 | |
| Transportation & Material Moving | \$42,160 | \$43,846 | \$1,096.16 | \$2,786 | -\$1,690 | |
| Office & Administrative Support | \$47,040 | \$48,922 | \$1,223.04 | \$2,786 | -\$1,563 | |
| Community & Social Service | \$53,640 | \$55,786 | \$1,394.64 | \$2,786 | -\$1,391 | Low Income (\$58,600-\$93,850) |
| Sales & Related | \$55,620 | \$57,845 | \$1,446.12 | \$2,786 | -\$1,340 | |
| Installation, Maintenance, & Repair | \$59,100 | \$61,464 | \$1,536.60 | \$2,786 | -\$1,249 | |
| Protective Service | \$60,940 | \$63,378 | \$1,584.44 | \$2,786 | -\$1,202 | |
| Education, Training, & Library | \$61,110 | \$63,554 | \$1,588.86 | \$2,786 | -\$1,197 | |
| Construction & Extraction | \$66,370 | \$69,025 | \$1,725.62 | \$2,786 | -\$1,060 | |
| Arts, Design, Entertainment, Sports, & Media | \$73,020 | \$75,941 | \$1,898.52 | \$2,786 | -\$887 | Moderate Income \$93,850-\$123,600) |
| Life, Physical, & Social Science | \$94,120 | \$97,885 | \$2,447.12 | \$2,786 | -\$339 | |
| Business & Financial Operations | \$97,480 | \$101,379 | \$2,534.48 | \$2,786 | -\$252 | |
| Architecture & Engineering | \$103,640 | \$107,786 | \$2,694.64 | \$2,786 | -\$91 | |
| Computer & Mathematical | \$106,990 | \$111,270 | \$2,781.74 | \$2,786 | -\$4 | |
| Healthcare Practitioners & Technical | \$109,820 | \$114,213 | \$2,855.32 | \$2,786 | +\$69 | |
| Legal | \$139,940 | \$145,538 | \$3,638.44 | \$2,786 | +\$852 | |
| Management | \$150,700 | \$156,728 | \$3,918.20 | \$2,786 | +\$1,132 | |

Source: United States Department of Labor, Bureau of Labor Statistics, May 2014 http://www.bls.gov/oes/current/oes_41884.htm#13-0000 — Values inflated to December 2015 dollars using the Bay Area Consumer Price Index (CPI). Rents based on surveys conducted four times per year by Real Answers (formerly RealFacts). "Asked for" rents in developments of 50 or more units. HUD/HCD Income Limits are for 2015.

The graph below shows median wages over the last five years for various occupational categories in Silicon Valley (2016 Silicon Valley Index).



How Much Displacement of Lower and Moderate Income Households Has Occurred in San Mateo?

It is difficult, if not impossible, to obtain accurate data on the extent of displacement that is occurring in San Mateo County and the City of San Mateo. Indicators of the potential for displacement, such as the relationship between housing prices, rents, jobs and salaries provide a picture of the potential for displacement in the community.

The only regional study is being conducted by U.C. Berkeley and is known as the Urban Displacement Project. The Urban Displacement Project is a research and action initiative of UC Berkeley in collaboration with researchers at UCLA, community based organizations, regional planning agencies and the State of California's Air Resources Board to understand the nature of gentrification and displacement in the Bay Area.

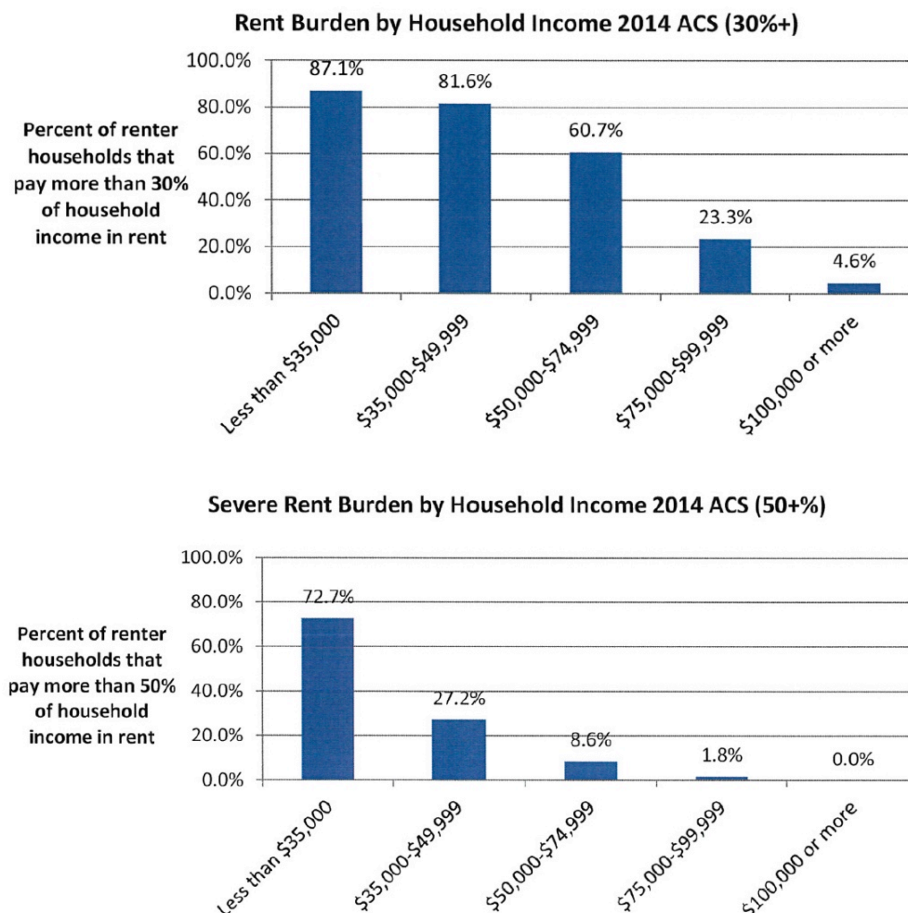
The Urban Displacement Project concludes that displacement in San Mateo County is a significant issue. The study shows that 56 percent of the census tracts in San Mateo County are classified as either at risk of displacement, undergoing displacement or at an advanced stage of displacement.

Who Lives in Rental Housing? Based on City staff analysis of ACS 2014 5-Year survey estimates, there are 17,877 rental units in San Mateo (47% of 38,011 total housing units in the city). Of the 17,877 rental units, 13,490 (75%) are located in multi-family

buildings, with 11,769 units (66% of all rental units) located in buildings built prior to 1995, which is the cutoff for rent regulation under State law (Costa-Hawkins). The data below are from the 2014 ACS survey:

Renter households, on average, have lower incomes than homeowners. The median household income for renters is \$64,445 while the median household income for owner households is \$117,700.

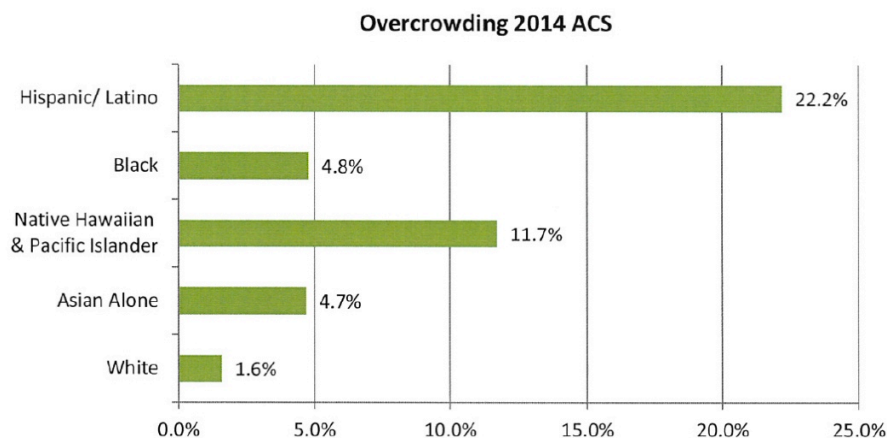
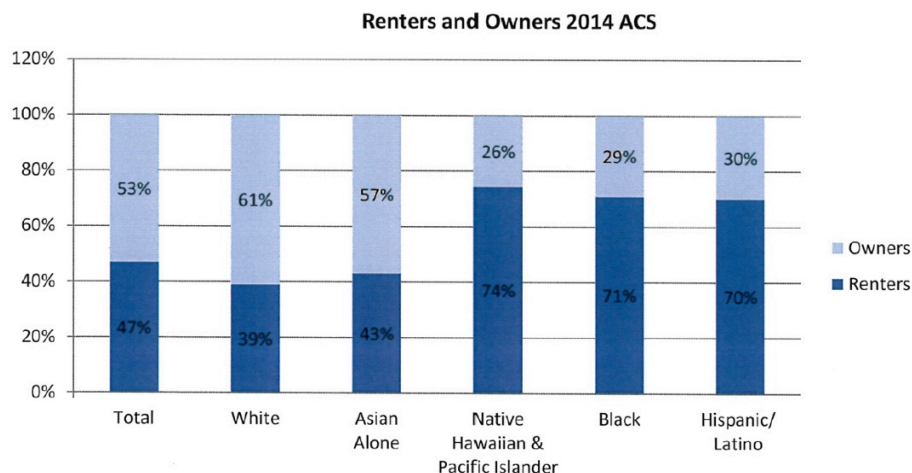
Rent increases disproportionately hit lower income households in San Mateo. More than half of San Mateo households earning \$75,000 or less per year (roughly the cutoff for a household to be considered low income) are considered “rent burdened” (i.e. they pay more than 30% of income to rent) compared with 23.3% of renter households earning between \$75,000 and \$100,000 (the median annual household income in San Mateo in 2014 was \$100,806). Only 4.6% of households earning \$100,000 or more per year are rent burdened.



Latino and African American households in San Mateo have lower incomes, on average, than the population overall. While median household income in San Mateo

overall in 2014 was \$100,806, the median household income was substantially lower for Latino and African American households (\$71,393 for Latinos and \$65,000 for African Americans). Lower income renters are disproportionately likely to be Latino or African American — and they are particularly vulnerable to displacement from excessive rent increases due to generally lower household income.

Latino and African American households in San Mateo are disproportionately likely to be renters. While only 47% of San Mateo households rent overall, approximately 70% of Latino and African American households in San Mateo rent.

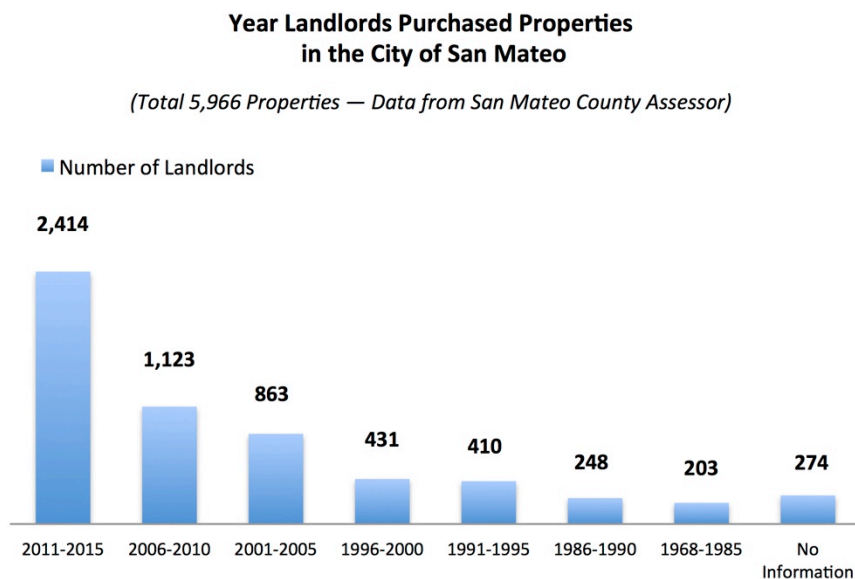


Who Owns Rental Housing in San Mateo? The table and graph below were prepared by City staff to show the distribution of landlords in the City of San Mateo based on type of ownership and when the rental property was purchased. As shown in the table, landlords only owning one property account for 87 percent of the 5,966 properties owned by landlords in the City of San Mateo. This illustrates there are many smaller property landlords in the city and that many rental properties (65%) are owned by landlords with a San Mateo County mailing address.

City of San Mateo Landlords

| | | |
|---|-------|-----|
| No. of Properties owned by Landlords | 5,966 | |
| No. of Property Owners | 5,204 | |
| No. of Property Owners who own more than one property | 762 | |
| No. of Property Owners as LP's and LLC's | 296 | 6% |
| No. of Property Owners — Mailing Address San Mateo City | 1,881 | 36% |
| No. of Property Owners — Mailing Address San Mateo County | 1,975 | 38% |

The graph below shows the dates of purchase of the 5,966 rental properties in five-year increments, with about 40 percent of rental properties purchased in the last five years.



During the last two calendar years of 2014 and 2015, 179 rental properties consisting of about 930 units were sold in the City of San Mateo. Of these, 56 properties consisting of about 470 units were purchased by property owners identified as corporations, Limited Liability Companies (LLC), or Limited Partnerships (LP). *(Note that an LLC can consist of an owner who is a company, family, individual or a non-profit organization)*

The current market conditions have created significant economic pressures for property owners and investors to increase rents. While it is acknowledged that many property owners have not levied significant rent increases at their properties, it may be only a matter of time before rents are increased or properties sold to new investors. Three primary areas of concern have been expressed by Task Force members: (1) market conditions that naturally create across the board rent increases that especially impact

lower and moderate income renters; (2) “bad actors” raising rents and/or not maintaining properties; and, (3) rental property speculation as a result of rapidly increasing rents (high demand with limited supply).

Task Force Recommendations and Considerations

Supply of Housing

Consensus Recommendations of the Task Force

Goals for the Supply of Housing

Produce New Housing

- 1) Increase Housing Supply.** Produce new housing that adds to the quality of the community and provides alternative and creative ways to increase the housing supply.
- 2) Address Regulatory Barriers and Restore More Predictability in the Approval Process.** Address delays and reduced densities that may occur when new housing developments are proposed, reviewed and approved, and restore more predictability in the review process, especially when the economy and other factors are so unpredictable.

Place and Provide New Housing Appropriately

- 3) Maximize Quality of New and Existing Housing.** Maximize the quality of housing in new development. Get away from the negative perceptions of housing and have a longer-term perspective that new housing is for our kids and grandkids.
- 4) Provide Diversity and Creativity in Housing Solutions.** Provide a diversity of the housing inventory, including a diversity of supply and creative housing solutions.
- 5) Create Opportunities for People to Connect to the Community.** Provide opportunities for people to be part of the community. This includes opportunities for home ownership and other housing options, as well as employment opportunities nearby.
- 6) Respond to Changing Conditions Over Time.** Make sure our solutions can respond to changing conditions and have a positive effect on transportation, community health, the environment, etc.

Program Recommendations for the Supply of Housing

A. Increase the Number of Secondary Dwelling Units

- A1. **Legalization.** Reinstitute a legalization process to allow illegal secondary dwelling units in the community to be legalized to provide safe housing.
- A2. **Information.** Provide more information and community outreach on secondary units.
- A3. **Short-Term Rentals.** Include restrictions for short-term rentals, such as AIRBNB.
- A4. **Incentives.** Provide financing and other incentives for single-family homeowners to enable them to build a secondary dwelling unit.
- A5. **Design and Processing.** Develop a Second Unit Design and Process Manual.
- A6. **Development Standards.** Review secondary unit development standards (ownership requirement, size of the unit, parcel size minimums, tandem parking, etc.).
- A7. **Junior Secondary Units.** Allow Junior Secondary Units.

B. Provide Greater Certainty in Development Review

- B1. **By-Right Zoning.** Consider by-right zoning in appropriate locations, such as TOD (transit oriented development) sites, whereby development proposals are not subject to discretionary review if they meet the basic standards and requirements of the Zoning Ordinance. Link by-right zoning to a more objective design review process.
- B2. **Design Review Checklist.** Provide a more objective design review process and apply objective design review criteria in a checklist format.
- B3. **Development Standards.** Review development standards that may impact developments achieving the high end of the density range, such as parking, height limits, densities and floor area ratio (FAR).
- B4. **Minimum Densities.** Establish a minimum densities policy so that important housing sites in the community can produce the housing needed. From a strategic standpoint, minimum densities should be applied to TOD areas.
- B5. **CEQA.** Provide more exemptions from environmental review (CEQA) to minimize project process time.

- B6. **Public Benefits.** Identify what might be considered a public benefit trade-off for by-right zoning, such as the provision of more housing, including affordable housing, and establish public benefits in exchange for by-right zoning on an area-by-area basis and include a customized menu of public benefits through a specific plan process.

C. Identify Publicly-Owned Sites for Housing with Increased Affordability Levels

- C1. **Study Sites.** Study and identify possible public-owned sites for housing.
- C2. **Affordability.** Seek increased affordability on public-owned sites, including parking lots.
- C3. **City Hall.** Consider housing opportunities if and when City Hall is moved. Opportunities include the current City Hall site and housing above the new City Hall site.

D. Create Opportunities for Student/Teacher Housing

- D1. **School Districts.** Create a partnership to assist school districts with identifying and implementing plans to construct teacher housing.
- D2. **Student/Teacher Housing.** Consider ways to apply the College of San Mateo model to other locations where employee housing may be provided.

E. Increase Height Maximums and Densities in Appropriate Locations

- E1. **Building Heights.** Study height restrictions when reviewing development standards and consider height limit restrictions related to project feasibility. For example evaluate whether a 55-foot to 85-foot height limit (5-8 stories) may, in fact, make a development infeasible.
- E2. **Downtown Plan.** Incorporate consideration of project review changes, increased height limits and increased densities as considerations in the Downtown Plan update.
- E3. **Increased Densities and Height Limits.** Apply increased densities and height limits either citywide or in specific areas, such as along El Camino Real, the transit corner, downtown and specific sites where higher density or higher building heights would be appropriate.
- E4. **Public Benefits.** Establish area-by-area specific plan process that can customize the menu (list) of public benefits ahead of time.
- E5. **Other Sites.** Study and work with religious institutions to identify housing sites.

Preserving Housing Affordable to Lower and Moderate Income Tenants

Consensus Recommendations of the Task Force

In general, the discussion among Task Force members about tenant protection measures appeared to fall along two different lines of thinking — (1) those wanting the least regulation supporting more of a voluntary approach; and, (2) those wanting the most certainty with needed regulations to guarantee protection of tenants. The primary area of disagreement related to rent regulation (rent stabilization, rent control). As a result of this split on the Task Force, the only areas of consensus relating to displacement of tenants are to continue retention of existing below market rate (BMR) housing units and to identify ways to make the Section 8 Housing Choice Voucher program more effective.

Despite the Task Force differences in opinions on how to address tenant protection measures, there were recommendations in general that any approach should minimize bureaucracy, keep regulatory costs down and be able to respond to changes over time. This section of the report will cover both consensus recommendations of the Task Force and other ideas that were considered by the Task Force but that did not achieve consensus for a Task Force recommendation.

Goals for Preserving Housing Affordable to Current Lower and Moderate Income Tenants

Protect Existing Residents

- 1) Create Housing Choices.** Assure that everyone has choices for housing. Create flexibility in housing choices and housing availability.
- 2) Address the Loss of Affordable Housing in the Community.** Address the impact that many people cannot find affordable replacement housing in the community and may be forced to move away.
- 3) Address Increasing Housing Cost Impacts on Current Lower and Moderate Income Residents.** Provide ways to mitigate the impacts of housing cost increases on lower and moderate-income households in San Mateo.

Preserve Diversity

- 4) **Maintain Diversity.** Honor the people and the jobs that are here now and provide a better balance of housing choices.
- 5) **Foster Equitable Growth.** Foster growth and change in the community that is equitable and creates and enhances complete communities that have many diverse aspects, including a diversity of people, jobs and neighborhoods.

Program Recommendations for Preserving Housing Affordable to Current Lower and Moderate Income Tenants

A. Retain BMR Housing

- A1. **Monitor BMR Housing.** Monitor BMR units to assure they remain affordable over time — recognizing there are currently no BMR units at risk of being converted to market rate prices or rents.

B. Encourage Use of the Section 8 Housing Choice Voucher Program

- B1. **Locator Services.** Provide locator services to assist people in finding housing.
- B2. **San Mateo County Department of Housing.** Work with the San Mateo County Department of Housing (DOH) on impediments to the use of Section 8 vouchers by program participants and provide incentives for landlords, such as:
- B3. **Focus Groups with Landlords.** Conducting a focus group with landlords to identify ways to increase the number of Section 8 certificates that are accepted.
- B4. **Deposit Guarantees.** Security deposit guarantees for tenants.
- B5. **Move Out Assistance.** Move out assistance for landlords who accept section 8 vouchers.
- B6. **Expedited Inspections.** Expedited inspections so that rentals can occur quickly — recognize the difference between private sector time frames and government time frames when implementing the Section 8 program.
- B7. **Monitoring.** Recognize the challenges of Section 8 tenants finding places to rent — Identify how many people there are holding Section 8 certificates that are not accepted by landlords and how many go unused.
- B8. **Inspections.** Use the City's inspection program to address issues with "bad actors," or landlords that do not keep units up to basic health and safety standards.

Other Programs Considered by the Task Force with No Consensus

Recommendation for Preserving Housing Affordable to Current Lower and Moderate Income Tenants

The information below summarizes the discussion of options considered by the Task Force related to the displacement of lower and moderate-income tenants. The Task Force considered examples of programs used elsewhere in the Bay Area and California. Key Task Force considerations included the following:

- **Use of Regulation.** Discussion of regulation of the rental housing market, including rent regulation (rent stabilization, rent control) and just cause eviction resulted in the major difference in opinion on strategies to address displacement. Generally, half the Task Force supported a regulatory approach as the only effective way to address displacement, while half of the Task Force members did not support any form of regulation because of its potential interference with the market and impact on owners' ability recover costs.
- **Voluntary Approaches.** A voluntary approach, such as the City of Healdsburg's Rent Stabilization Advisory, were also generally supported by half the Task Force, while other Task Force members felt a voluntary approach would be ineffective and would delay the implementation of a more effective strategy.
- **Mediation.** Generally, the use of mediation was supported by some of the Task Force members, however a mandatory mediation program was viewed as an ineffective way to address issues related to rising rents and potential displacement. For some, it was felt that mediation would add additional requirements, while others on the Task Force viewed mediation as an ineffective crisis management tool.
- **Relocation Assistance.** While not directly a strategy to reduce potential displacement of tenants, there appeared to be agreement on the part of Task Force members that some form of relocation assistance should be provided. The disagreement centered on how broadly it would apply. While there seemed to be consensus that it should apply to those displaced due to renovation and repairs, there were those who felt it should also apply to economic displacement due to increases in rents. There was consensus that if a tenant was displaced due to renovations that they have the ability to move back into the complex.

Below is a summary of the regulatory and voluntary programs considered by the Task Force to address displacement. In general the Task Force was evenly split on each of these potential programs. The concerns of those who did not support the policy are listed at the end of each section.

Rent Regulation (Rent Stabilization or Rent Control)

What is rent regulation? Rent regulation ordinances are intended to protect tenants from excessive rent increases, while allowing landlords with a reasonable return on their investments. The intent of such ordinances is to provide tenants with greater certainty and predictability regarding the increases in their housing costs. State law (Costa-Hawkins) limitations apply to all rent regulation ordinances, including:

- Housing constructed after February 1, 1995 is exempt from such ordinances. (Cal. Civ. Code § 1954.52(a) (1).)
- Single-family homes and condominiums units (units where title is held separately) are exempt from local rent regulations (Cal. Civil Code § 1954.52(a) (3).)
- Property owners must be allowed to establish market rental rates upon a change in tenancy (known as “vacancy decontrol”).

Given these limitations imposed by state law, rent regulation in California is distinct from the kinds of first generation “rent control” laws well known from other areas, such as New York or in Northern European countries.

While limiting the amount of allowable annual rent increases (usually based either on a fixed percentage or tied to inflation), ordinances can allow landlords to pass through some or all of the cost of capital improvements, increases in the cost of operation or maintenance, increases in taxes or fees, or other expenses to tenants to provide additional ways to provide a landlord with a fair rate of return.

Concerns of Task Force Members Who Do Not Support Rent Regulation

- Owners will not be able to cover operating costs.
- Owners will not be able to cover capital costs.
- It is difficult to define and regulate “fair return” in evaluating legitimacy of increases.
- The percentage increase rewards those who have already raised rents/ punishes the good landlords.
- Government should not control the market.
- Cost to administer is expensive.
- Creates endless loops of more regulatory fixes to address unintended consequences.
- Once regulations in place once you can never go back.
- Long-term tenants get windfall over time-even if they have the means to pay market rents.

Just Cause Eviction

What is Just Cause Eviction? In addition to limiting the amount and frequency of rent increases, local governments also have the legal authority to regulate the basis for evictions. Just cause eviction statutes are laws that allow tenants to be evicted only for specific reasons. These "just causes" can include a failure to pay rent or violation of the lease terms. Just Cause and Rent Regulation ordinances are generally tied together because under state law ("vacancy decontrol"), all rent regulation ordinances must allow landlords to set market rents with each new tenancy and, under certain market conditions, landlords have an economic incentive to evict existing tenants in order to raise the rent for a new tenancy in the unit.

Under state eviction law, if a landlord gives sufficient notice (typically 30-days or 60-days), there is no prohibition on this economically motivated eviction. Just cause eviction ordinances protect tenants from this kind of eviction, as well as any other arbitrary eviction, by requiring that landlords have some good cause (other than favorable market conditions) in order to evict a tenant.

Most cities adopt Just Cause Eviction regulations in conjunction with rent regulation since they work hand in hand. However, there are a few cities that have adopted Just Cause Eviction policies without rent regulations.

Concerns of Task Force Members Who Do Not Support Just Cause Eviction

- Just Cause provisions make it harder to get rid of tenants who are "at fault."
- Limits freedom of property owners in determining who lives in their property.

Rent Review Board and/or Mediation

What are Rent Review Boards and Mediation? Mediators or rent review boards mediate between tenants and landlords on issues related to rent increases, and encourage them to come into voluntary agreement. Rent Mediation ordinances typically require owners of residential rental properties to include specified language on the availability of rent mediation services on rent increase notices to tenants. While there is no limit on how much rent can be increased, a tenant may request mediation (typically to a Landlord Tenant Mediator or Board) if she/he feels the increase is excessive. Mediation ordinances typically establish a timeframe for rent increase notification. A key feature of existing rent mediation ordinances is that the final decision of any mediation process is non-binding.

The goals of rent mediation generally are the same as rent regulation (limiting unreasonable rent increases and preventing displacement). The main difference is that mediation programs attempt to achieve this goal through a non-binding mediation process rather than legally binding regulatory requirements, and that mediation programs generally tend to be more permissive in establishing acceptable rent increases. Rent mediation can also be applied to more rental units and not, like rent regulation, only to units built before 1995. In San Mateo, 34 percent of the multi-family rental units are located in buildings that were built after 1995.

Concerns of Task Force Members Who Do Not Support Mediation

- No real leverage for landlords to comply with fair practices.
- There is a power imbalance between landlord and tenant.
- Tenants intimidated by fear of retaliation.
- Mediation takes a long time.
- Tenant perception that it is a waste time.
- It can generate unrealistic expectations of tenants if mediation is unsuccessful, which can be misleading.

Voluntary Rent Programs

What are Voluntary Rent Programs? Voluntary programs establish guidelines for what is considered “good behavior” in the rental housing market. Questions related to a voluntary approach include: (1) What fair rental practices should be included under this program? (2) Should it be an advisory (publicity and outreach based) and provide an opportunity for landlords to distinguish their properties by following best and fair rental practices? (3) Should there be more specific program goals, actions and targets identified (expectations)? And (4) How should the success of the program be monitored and evaluated?

Voluntary programs vary, but common themes or topics covered might include:

- Create transparency in sharing information about the rental housing market.
- Provide multi-lingual materials and recruit landlords to participate.
- Maximum rent increase percentage with one rent increase per year.
- 12-month lease options.
- 90-day rent increase or termination notices.
- Consideration of hardship cases.
- Landlord cost recovery and timely repairs.
- Provide rental owners and residents with information and a safe, neutral way to discuss issues.

Concerns of Task Force Members Who Do Not Support Voluntary Rent Programs

- Not effective since there is no legal enforcement.
- Landlords are unlikely to utilize “incentives” in the current market, since there is large upside potential to raise rents to market rates.
- In order to be effective it would likely be very expensive for City to offset forgone landlord profits.
- Incentives would not likely be cost efficient to the City, since it would likely require substantial funding and impact only a relatively small number of residents.

Relocation Assistance

What is Relocation Assistance? Projects assisted with Federal and State funds are subject to requirements to provide relocation assistance to households displaced by those projects. And lower income housing units removed from the supply by such projects generally have to be replaced with new units that are comparable in size and affordability. While Federal and State law impose requirements on projects that receive public funds, privately financed development projects are often exempt from such requirements. San Mateo has a requirement that tenants receive relocation payments if they lose their unit due to demolition for redevelopment of the site or due to condominium conversion situations.

Some jurisdictions that have just cause for eviction protections also implement relocation assistance requirements for “no-fault” evictions. For example, tenants may be eligible for relocation assistance if a landlord evicts them in order to move into the unit, or due to extensive renovations to the unit. Tenants who are evicted due to their own conduct (non-payment of rent, breach of lease, nuisance, etc.) are not eligible for relocation assistance under any existing policies in California. While relocation assistance ordinances are prevalent in cities with rent stabilization and just cause, other cities have chosen to adopt relocation assistance ordinances as a stand-alone policy.

Concerns of Task Force Members Who Do Not Support Relocation Assistance

- Any relocation payment should be means tested to only target those with financial need.
- A “renovation only” assistance program may encourage landlords to evict or raise rents first and then do renovations later to avoid payments. To avoid this, payment should apply to any “No Fault” eviction situation.

Minimum Lease Terms

What are Minimum Lease Terms? Some jurisdictions, such as the City of Mountain View, have adopted ordinances requiring longer-term leases for renters to add more stability for renters compared to month-to-month rental agreements. Ordinances provide prospective tenants with the ability to reject a written multiple-month lease in the instance that a month-to-month lease better suits their housing needs.

Concerns of Task Force Members Who Do Not Support Rent Regulation

- 12-month lease restricts owner ability to recoup costs.
- 12-month lease could inadvertently lock tenant into high rent situation.

Implementation (Funding and Community Outreach)

Consensus Recommendations of the Task Force

The overarching recommended approach of the Task Force for implementation is to strive to spread implementation costs and responsibilities throughout the community. Entities identified include developers, landowners, the City of San Mateo, renters, homeowners, residents/voters, employers/businesses, institutions (educational, school districts, medical, religious, and transit providers), non-profits and outside funders (HEART, other governmental agencies, etc.). Concern was also expressed about the cumulative impacts of multiple measures already in place to fund other community services.

Goals for Funding

PAY FOR AFFORDABLE HOUSING FAIRLY

- 1) **Consider Multiple Funding Sources.** Consider use of all available resources to finance housing programs.
- 2) **Assure Fairness When Financing Housing Programs.** Identify fair and equitable ways to finance housing programs that address housing needs.

GOALS for Community Outreach

PROVIDE INFORMATION

- 3) **Provide Information to Understand Impacts.** Understand the implications of doing nothing to address our current housing situation — the human implications of the housing we provide and how we should prioritize programs to address our affordable housing needs.

- 4) Provide Information to Make Growth More Acceptable.** Identify ways to make growth more acceptable by addressing concerns and focusing on the potential benefits of new growth.

PROMOTE COMMUNITY INVOLVEMENT

- 5) Emphasize Local Solutions.** Emphasize local solutions to the housing problems that result in local control over how we do things.
- 6) Work Together.** Identify ways we can work together to create a sense of urgency about current housing conditions and their effects on people's lives and the economy.

PROGRAM RECOMMENDATIONS for Funding

A. Use Impacts Fees

- A1. **Cover Incentives.** Create incentives for landlords
- A2. **Lower Income Housing.** Provide or maintain lower income housing in San Mateo;
- A3. **Acquisition of Housing.** Acquire affordable housing
- A4. **Land Trust.** Create a community land trust.

B. Other Funding Sources

- B1. **Housing Bond.** Investigate housing funding through bond measures as a good source of money for housing (review the support and vote needed to accomplish a housing bond measure).
- B2. **Outside Agencies.** Work with outside agencies to identify funding support for housing programs.

PROGRAM RECOMMENDATIONS for Community Outreach

A. Increase Community Knowledge About Housing Issues

- A1. **Community Information.** Make sure there is a community education component.
- A2. **Importance of Adequate Housing.** Explain the importance of providing more housing.
- A3. **Renter Needs.** Address renter needs and the implications of not addressing housing problems.

B. Tenant Education and Outreach

- B1. **Tenant Information.** Develop a multilingual, multi-media program to provide information to renters.

- B2. **Tenant Rights.** Explain local laws and tenant rights, available resources to help residents resolve their housing issues, available funding sources for assistance and how to prevent and defend evictions.

C. Landlord -Tenant Communication

- C1. **Landlord/Tenant Communication.** Provide rental owners and their residents with safe, neutral ways to discuss issues of mutual concern (rents, property improvements, etc.).