

# HOW SAN MATEO COUNTY'S HOUSING MARKET IS FAILING TO MEET THE NEEDS OF LOW-INCOME FAMILIES

## RECOMMENDATIONS TO THE LEADERS OF THE STATE OF CALIFORNIA AND SAN MATEO COUNTY

*There are simply not enough homes in San Mateo County affordable to the low-income families who live there. Many of these families live in unhealthy or unsafe conditions, crowd multiple people into each room, and still pay more than 50 percent of their income on rent. The following report describes the magnitude of the shortfall, highlights those who are affected by cuts to housing programs, and recommends local policy solutions to help mitigate the impact of San Mateo County's affordable housing crisis.*

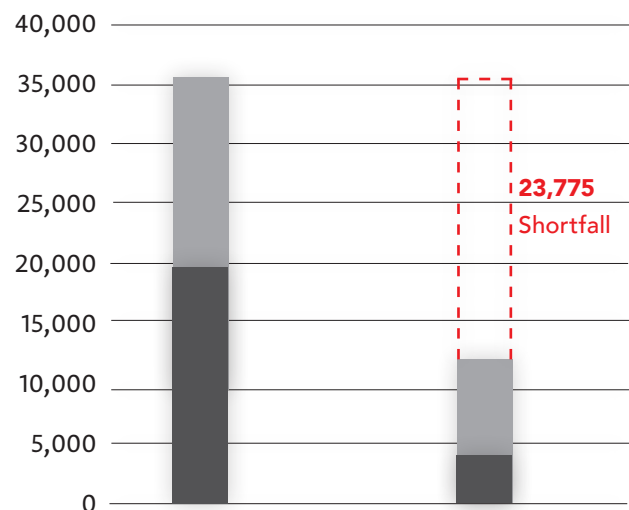
### KEY ELEMENTS OF SAN MATEO COUNTY'S AFFORDABLE HOUSING MARKET FAILURE:

- There is a **shortfall of 23,775 homes** affordable and available to San Mateo County's very low-income (VLI) and extremely low-income (ELI) households.
- By 2012, median rents in San Mateo County increased 4 percent over the already high rents reached during the dot com boom in 2000. **Median income declined by 15 percent** over the same period, significantly driving up the percentage of income that households must spend on rent.

**88%** of very low-income households in San Mateo County spend more than 30% of their income on rent.

SOURCE: NLIHC Analysis of 2012 American Community Survey PUMS data

FIGURE 1: SHORTFALL OF AFFORDABLE AND AVAILABLE HOMES IN SAN MATEO COUNTY



Number of Very and Extremely Low-Income Households

Rental Housing with Rents Affordable to VLI and ELI renters

Very Low-Income

Extremely Low-Income

SOURCE: CHPC Analysis of 2007-2011 CHAS data

## THE HOUSING MARKET HAS FAILED TO MEET THE NEEDS OF AN ENTIRE SEGMENT OF SAN MATEO COUNTY'S POPULATION

Rent is considered affordable when it consumes no more than 30 percent of household income. San Mateo County is home to 19,465 extremely low-income (ELI) renter households—those earning 30 percent or less of the metro area's median income. There are affordable homes for fewer than two out of ten of these ELI households.<sup>1</sup> Very low-income (VLI) households, those who earn up to half of the area's median income, fair only slightly better; there are homes with affordable rents for fewer than four out of ten VLI households in the county.

In the San Mateo County Metro Area (which includes San Francisco and Marin), there are 405,803 working adults earning less than half of the area median income. TABLE 1 provides examples of working VLI adults in San Mateo, San Francisco, and Marin counties who earn far less than the income required to afford a two-bedroom apartment.

While increasing the minimum wage would certainly help, the affordable housing shortfall cannot be offset by living-wage initiatives alone.

TABLE 1: WHO IS BEING LEFT OUT OF SAN MATEO'S HOUSING MARKET?

50% of HUD Area Median Income (AMI) in San Mateo Co. for a 3-person household: \$49,850  
Total workers earning < 50% AMI: 405,803

Salary needed to afford Fair Market Rent: \$78,240

JOB CATEGORY	MEDIAN INCOME IN SAN MATEO METRO AREA
School Social Worker	\$46,910
Medical Assistant	\$40,940
Preschool Teacher	\$35,870
Hair Stylist	\$30,360
Home Health Aide	\$24,710
Cashier	\$23,800

SOURCE: See Endnote 2

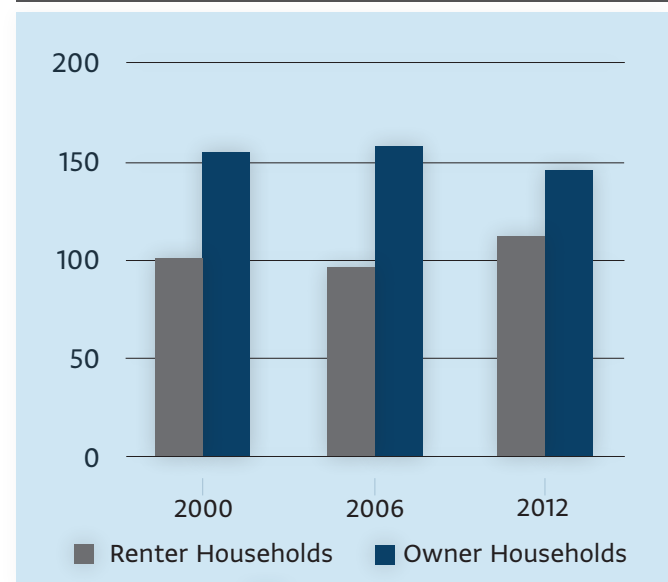
## RENTS ARE HIGH AND RISING, ESPECIALLY IN RELATION TO STAGNANT OR DECLINING INCOMES

Rents in San Mateo County are high and have remained so in spite of the Great Recession. According to recent analysis by the National Low Income Housing Coalition, San Mateo County -- along with San Francisco and Marin -- is the most expensive rental housing market in the country.<sup>3</sup>

Census data shows that in the year 2012, median rents in San Mateo County had increased 4 percent over the already high rents reached during the dot com boom in 2000. Median income declined by 15 percent over the same period, significantly driving up the percentage of income that households must spend on rent. FIGURE 3 shows the imbalance between the growth in median rents and the decline in median income since 2000.

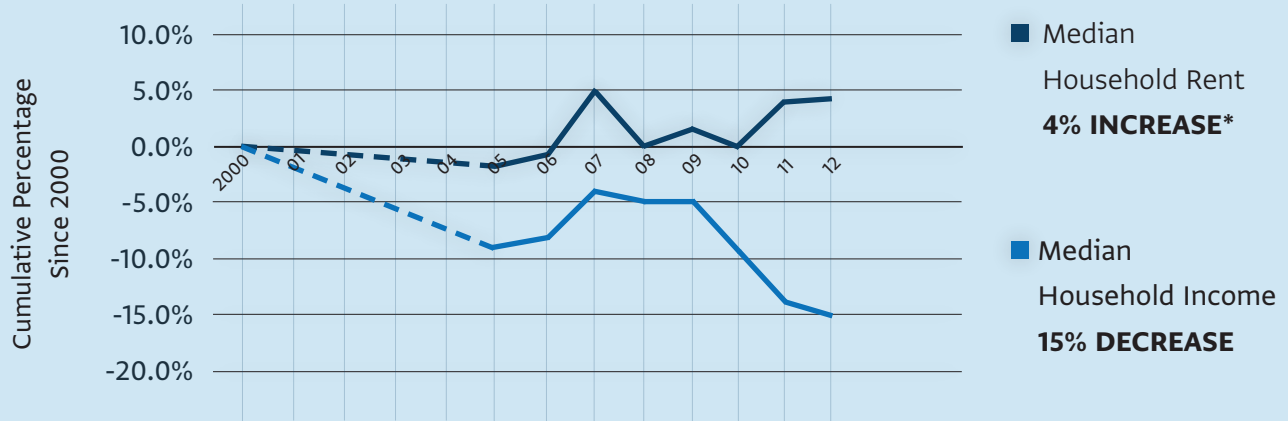
Rents increase in response to demand. While the overall population in San Mateo increased by just 3 percent between 2006 and 2012, the percentage of households in the rental market increased by 19 percent.<sup>4</sup> Unless more affordable rental homes are added to the housing stock, rents will likely continue to rise.

FIGURE 2: CHANGE IN OWNER AND RENTER HOUSEHOLDS (in thousands)



SOURCE: 2000 Census, 2006 1-year ACS, 2012 1-year ACS

FIGURE 3 : CUMULATIVE PERCENTAGE CHANGE IN INFLATION-ADJUSTED MEDIAN INCOME AND MEDIAN GROSS RENT PAID IN SAN MATEO COUNTY 2000 TO 2012



SOURCES: US Census 2000 and American Community Survey 2005-2012. Median rents and incomes for 2001-2004 are estimated.

\* Data only available through 2012. Rents in San Mateo County have continued to rise significantly in 2013-2014.

## LOCAL, STATE, AND FEDERAL DISINVESTMENT IN AFFORDABLE HOUSING HAS EXACERBATED THE HOUSING MARKET'S FAILURE TO PROVIDE FOR LOW-INCOME FAMILIES

Even as San Mateo County's shortfall of affordable homes has become more acute, the state has reduced its direct funding for affordable housing dramatically. State Housing Bonds funded by Propositions 1C and 46 are exhausted, meaning the elimination of nearly \$16 million in investment to provide homes to low- and moderate-income households in San Mateo. The elimination of Redevelopment funds led to a loss of

more than \$25 million annually in local investment in the production and preservation of affordable homes in San Mateo County.

Exacerbating the state cuts is the simultaneous disinvestment in affordable housing by the federal government. Cuts to HOME and Community Development Block Grants (CDBG) have resulted in the loss of another \$2.3 million in annual funding. TABLE 2 highlights the loss of state and federal funding for affordable homes in San Mateo since 2008.

**85% DECREASE**  
in state and federal funding for affordable homes in San Mateo since 2008.

TABLE 2 : CHANGE IN SAN MATEO COUNTY'S MAJOR AFFORDABLE HOUSING FUNDING SOURCES  
FY 2007/08 TO 2012/13\*

FUNDING SOURCES	FY 2007/2008	FY 2012/2013	% CHANGE
State Housing Bonds Prop. 46 and Prop. 1C*	\$16,938,549	\$1,000,000	-94%
Redevelopment Funds for Affordable Housing	\$25,593,293	\$0	-100%
Federal CDBG Funds	\$6,129,583	\$5,219,900	-15%
Federal HOME Funds	\$3,015,716	\$1,596,180	-47%
<b>Total</b>	<b>\$ 51,677,141</b>	<b>\$ 7,816,080</b>	<b>-85%</b>

SOURCES: CHPC tabulations of HCD's Annual Report of Financial Assistance Programs and Redevelopment Housing Activities Report.

\*Prop. 46 and Prop. 1C spending for FY 2007/2008 and 2012/2013 provided by HCD.

# RECOMMENDATIONS to the leaders of the State of California, San Mateo County, and local jurisdictions

If California is to rebuild a strong and diverse economy that includes low- and moderate-income households, the state must reinvest in affordable homes and develop responsive policy. Simply allowing a broken housing market to run its course is impoverishing and driving away our low-wage workforce, undermining GHG-reduction goals, and forcing seniors, veterans, and people with disabilities into shelters and emergency rooms, costing local governments five to ten times more in service costs.

## STATEWIDE Policy Recommendations

1. Replace the exhausted state housing bonds (Propositions 46 and 1C) by:
  - Passing legislation to create a permanent source of funding at the state level for the production and preservation of affordable homes.
  - Continue investing at least \$100 million per year in general funds in existing state affordable housing programs.
2. Give local governments tools to replace lost funding and meet obligations to create and preserve affordable homes by:
  - Lowering the voter threshold required to pass infrastructure bonds for housing, transportation, and parks from two-thirds to 55 percent, the same as it is for school bonds.
  - Authorizing a new local Tax Increment Financing (TIF) program to fund investment in basic infrastructure including transportation, housing, and parks.
  - Permitting local jurisdictions to require that new housing developments include a percentage of homes affordable to low- and moderate-income households.
3. Continue to invest a minimum of 10 percent of Cap-and-Trade auction revenues in the production and preservation of affordable homes that help California meet its GHG reduction targets.<sup>5</sup>

## LOCAL Policy Recommendations

1. Ensure that Housing Elements identify an adequate supply of affordable housing development sites competitive for Low Income Housing Tax Credits.
2. Prioritize use of publicly-owned sites that are surplus or under-utilized for affordable housing.
3. Set aside one-time AND recurring residual Tax Increment funds for affordable housing.
4. Implement new or update existing housing impact and commercial linkage fees that fund affordable housing.
5. Allow affordable housing development by right, using tools such as affordable housing overlay zones, especially in Priority Development Areas and the Grand Boulevard Corridor.
6. Prevent displacement by:
  - Adopting rent stabilization ordinances that set maximum annual rent increases on older rental housing stock.
  - Preserving existing affordable homes such as mobile home parks and deed-restricted units with expiring contracts.

For more information about local policy solutions in San Mateo County, contact:



1 California Housing Partnership analysis of 2007-2011 CHAS data.

2 TABLE 1 Sources: CHPC Analysis of U.S. Department of Housing and Urban Development Section 8 Income Limits for 2014; Bureau of Labor Statistics 2012 Occupational Employment Statistics from San Mateo County, San Francisco County, and Marin; National Low Income Housing Coalition. "Out of Reach," 2014, salary needed to afford the Fair Market Rent for a two-bedroom apartment in San Mateo County.

3 National Low Income Housing Coalition. "Out of Reach," 2014.

4 California Housing Partnership Analysis of 2006 1-year American Community Survey (ACS) and 2012 1-year ACS.

5 California Housing Partnership has authored and co-authored several reports on the environmental and social benefits of locating affordable homes near transit. A list of reports can be found at <http://www.chpc.net/GREEN/Publications.html>.