



BUILDING ON SUCCESS

How San Mateo County Can Meet the Need
for Affordable Homes



ACKNOWLEDGMENTS

Thank you to **Silicon Valley Community Foundation** for the financial support to make this report possible.

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“ San Mateo County has dramatically increased its ability to build affordable homes, especially with Measure K. Now, county leaders have the potential to do even more to meet the need. This will make a real difference for the community and for people’s lives.”



Evelyn Stivers, Executive Director, Housing Leadership Council of San Mateo hlcsmc.org

Housing Leadership Council of San Mateo works with communities and their leaders to produce and preserve quality affordable homes.



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THE NEED FOR AFFORDABLE HOMES

San Mateo County has some of the highest housing costs in the nation; a rental listing site recently ranked it as the fourth most expensive housing market in America, behind only Manhattan, San Francisco, and Boston.¹

As rents have risen, incomes have fallen. Since 2000, median rent in San Mateo County increased 21%, adjusting for inflation, while at the same time, median renter household income actually dropped by 3%.²

To be affordable, housing costs should be no more than 30% of income, as defined by the U.S. Department of Housing and Urban Development. Households paying more than this for rent are considered to be cost-burdened.

In San Mateo County, the median asking rent is \$3,395/month; to make this affordable by the standard above, renters need to earn \$11,667 a month. People who make the state minimum wage earn \$1,820 a month, just one-sixth of what's needed. The average teacher earns \$4,400 a month; three-quarters of his or her paycheck would go to pay the median rent.³

For people with lower incomes, rent takes the biggest bite. As of 2016, federal data finds that more than 18,000 households—one in six in San Mateo County—spend 50% or more of their income on rent.⁴

Renters of color bear a disproportionate burden. In San Mateo County, one out of every four Latino households spends at least half of their income on rent, and almost as many African American households spend that much.⁵

For one in six households
in San Mateo County,
rent consumes at least
half of household income.

Market-rate housing construction is utterly failing to meet the needs of lower-income people, especially families and workers making minimum wage. In San Mateo County, there are almost 35,000 households earning very low or extremely low incomes, and fewer than 10,000 affordable and available homes for those income levels. The shortfall—the number of affordable rental homes still needed—totals 24,628 homes.⁶

To close the gap, subsidies are needed, and government action is needed.

San Mateo County has begun to take meaningful action. This in turn is leveraging tools and funding from other levels of government, including city, state, and federal support.

Because financing affordable housing can be complex, this leveraging is powerful.

¹ "Local rents continue to climb high." Austin Walsh, San Mateo Daily Journal, August 6, 2018. Discusses the Rentcafe National Rent report (<https://www.rentcafe.com/blog/category/rental-market/apartment-rent-report/>), July 2018, and average rents on Apartmentlist.com.

² California Housing Partnership Corporation (CHPC) analysis of 2000-2015 U.S. Census American Community Survey (ACS) data. Median renter income and rent from 2001-2004 and 2016 and 2017 are estimated trends. Median rent and median renter income are inflation adjusted to 2015 dollars.

³ Rent: Paul Waddell, Urban Analytics Lab, University of California, Berkeley, retrieved from analysis of online Craigslist listings in April 2018. Income: CHPC analysis of Bureau of Labor Statistics Median Annual Wage Data for California Occupations in 2016. From CHPC report, "San Mateo County's Housing Emergency and Proposed Solutions," April 2018.



HOW AFFORDABLE HOUSING IS FINANCED

Financing affordable housing requires multiple sources of funding; developers must pursue and strategically combine funding to bring a new development to life. Sources of funding typically include a commercial mortgage, tax credits, and multiple additional sources.

As illustrated in Table 1 below, the mortgage loan tends to be a relatively small part of the total funding. Because rents in affordable housing developments are kept at low levels, the total rent generated is limited, and will only cover a small mortgage.

A larger portion of funding comes from private investors who receive a tax credit for investing, or contributing equity; this is commonly referred to as “tax credit financing.”

After these two funding sources, a gap still remains.

The final and critical piece of “gap funding” includes local, state and federal government subsidies; land donation; fee reductions and waivers; and other cost-saving incentives and special financing tools.

Without these multiple sources of financing, subsidized affordable housing would never get built.

Table 1. Typical Sources of Financing for Affordable Housing

Financing Source	Approximate Portion of Total Development Costs
Debt: Commercial mortgage, supported by rents	20%
Equity: Tax credit equity	40%
Public subsidies: <ul style="list-style-type: none"> • Public land donation (City, county, or public agency) • Government funding (City, county, state, federal): • Measure K funds, funds generated by city impact or in-lieu fees, CDBG or HOME funds, Section 8 project-based assistance, etc. • Fee waivers/reductions • Incentives that reduce costs: Parking reductions, density bonuses, etc. 	40%

⁴ U.S. Census 5-year ACS Integrated Public Use Microdata Series (IPUMS): Version 7.0 [dataset]. Steven Ruggles, Katie Genadek, Ronald Goeken, Josiah Grover, and Matthew Sobek. University of Minnesota, 2017. <https://doi.org/10.18128/D010.V7.0>.

⁵ U.S. Census 5-year ACS IPUMS. Comparing Rent and Household Earnings.

⁶ National Low-Income Housing Coalition analysis of 2016 ACS IPUMS data, summarized in CHPC report, “San Mateo County’s Housing Emergency and Proposed Solutions,” April 2018.



THE COST OF AFFORDABLE HOUSING, AND THE NEED FOR LOCAL SUPPORT

The cost of producing multifamily homes has been steadily rising in San Mateo County and throughout the Bay Area; especially in the last decade, construction costs and the value of land have increased dramatically. Higher interest rates are now also contributing to rising overall costs.

According to data from the San Mateo County Department of Housing, producing new affordable rental housing here currently costs between \$500,000 and \$700,000 per unit.⁷

The amount of local subsidy needed for current projects ranges from about \$75,000 to \$300,000 per unit, or about 15-50% of the per-unit development cost.⁸ Some of this local subsidy can come from land donation, reduced or waived planning fees, the Federal Home Loan Bank Affordable Housing Program (where local banks provide funds for local affordable housing developments), and other types of contributions. Much of this local subsidy must come from city and county funding.



“My favorite part of this whole building is the kitchen. Everyone comes here in the mornings to chat and eat and socialize. My second favorite thing is the movie nights. They’re awesome! We really learn a lot. We have activities, crafts, painting and breakfasts. I love it all.

Before I lived here, I lived in a crowded house with my family. I slept in the living room.

Last week, we got to go to Filoli together. We were so happy, we took a lot of pictures. We really appreciate everyone who was involved in building our home.”

Eva Fok, resident of Alma Point, developed and managed by MidPen Housing, Foster City

⁷ San Mateo County Department of Housing. New-construction applications for the Affordable Housing Fund 5: developer-estimated total development costs, 2017. Average and per-unit cost were calculated from these estimated costs. Residential developers report that construction costs are going up 10% per year in the Bay Area, so current costs are likely somewhat higher.

⁸ Estimated costs of producing affordable multifamily housing in San Mateo County as of 2017 are based on Affordable Housing Fund 5 application information, including projects funded by the County over the previous five years.



LOCAL INVESTMENT MAKES THE DIFFERENCE

Local subsidies are absolutely essential. The commercial mortgage provides the smallest portion, and tax credits provide only a portion of the project's financing. Local subsidies must fill the remaining gap.

That gap has widened. Since 2008, cuts in federal and state funding, including elimination of the state redevelopment program, have reduced investment in affordable housing production and preservation in San Mateo County by nearly \$23 million annually, a 58% reduction.⁹

In addition, the 2017 changes to federal tax law eroded the value of the Low-Income Housing Tax Credit, the most important source of funding for affordable housing. These changes reduced the incentive for investors to fund affordable housing, resulting in less tax credit equity flowing to affordable developments.

To close the gap, local subsidies will play an even more important role than ever in affordable housing production in the future. County and city money is essential to meeting our housing needs.



“I’m on my knees every day thanking God I’m here. It’s everything I prayed for; it’s 10 times better than I prayed for.

I have 30 years of medical and trauma experience. I started as a medic in the army, and then I worked at Kaiser, St. Mary’s, and UCSF in the emergency room.

I experienced a lot of racism; people didn’t believe I worked in the hospital; they would assume I was there because I was doing crack!

Before I got here, I was homeless for four years. Before that, I was paying \$1,100 a month to live with a roommate. I would pay my rent, and then I would be broke.”

Michael McCall, resident of Willow Housing, developed by CORE Companies, managed by EAH Housing, Menlo Park

⁹ CHPC, “San Mateo County’s Housing Emergency and Proposed Solutions,” April 2018.



SAN MATEO COUNTY HAS BECOME A LEADER

For three decades, San Mateo County has supported the creation of affordable homes, but in recent years, San Mateo County has dramatically improved its ability to meet the need for them. The keys to its success are strong advocacy, staff expertise in the county's Department of Housing, and a reliable funding stream.

In the first 20 years of the Low-Income Housing Tax Credit program's existence, from 1987 to 2007, 25 new affordable apartment buildings were built in San Mateo County: just over one project per year.¹⁰ This rate of affordable housing production was much lower than the increase in the need year over year.

In 2001, Housing Leadership Council was created. Two initial accomplishments were the creation of the Department of Housing within the County and the formation of the Housing Endowment and Regional Trust. In the ten years from 2007 to 2017, 22 new affordable apartment buildings were completed.¹¹ That's about two projects per year—double the previous rate.

Almost all of the later projects—20 of 22—were subsidized by the county, with cash and/or land donation.¹² Many of these developments received subsidies and/or land donations from cities as well. But county assistance was the consistent key here, providing the local gap funding to make these projects “pencil”—and come to life.

ON THE FAST TRACK WITH THE AFFORDABLE HOUSING FUND

A critical step came in 2013, when the Board of Supervisors created the Affordable Housing Fund.

Before the Affordable Housing Fund was created, San Mateo County's money for affordable housing came primarily from federal Community Development Block Grants (CDBG) and HOME funds, which flowed to the county through a prescribed formula. For the six years from 2007 to 2013, the average allocation for affordable housing development from these two sources was \$2.7 million per year.¹³

To fill the fund's coffers, the Board directed the county's entire share of “boomerang” funds—the money “returning” from redevelopment agencies after their 2012 closure (approximately \$13.4 million) toward affordable housing.¹⁴

The Housing Endowment and Regional Trust of San Mateo County

(HEART) has been a key partner. Formed in 2003, HEART provides timely loans for acquisition and predevelopment.

HEART has invested over \$14 million to help finance 13 projects—nine completed, one in construction, and three others in the development pipeline—helping create and preserve a total of 1,056 affordable rental homes.

¹⁰ Low-Income Housing Tax Credit (LIHTC) projects 1987–2007, San Mateo County Department of Housing data.

¹¹ LIHTC projects 2007–2017, San Mateo County Department of Housing data.

¹² LIHTC projects 2007–2017, new construction projects with County subsidy, San Mateo County Department of Housing data.

¹³ Analysis of CDBG and HOME funding, 2001–2018. The six years are fiscal years, 2007–8 to 2012–13.

¹⁴ <https://housing.smcgov.org/san-mateo-county-affordable-housing-fund-ahf>



This was a bold, forward-thinking action, and it was controversial at the time. San Mateo County was the first county to take this action. It was later imitated by counties all over the state, from Contra Costa to Los Angeles and beyond—revealing the leadership of San Mateo County’s Board of Supervisors in addressing affordable housing.

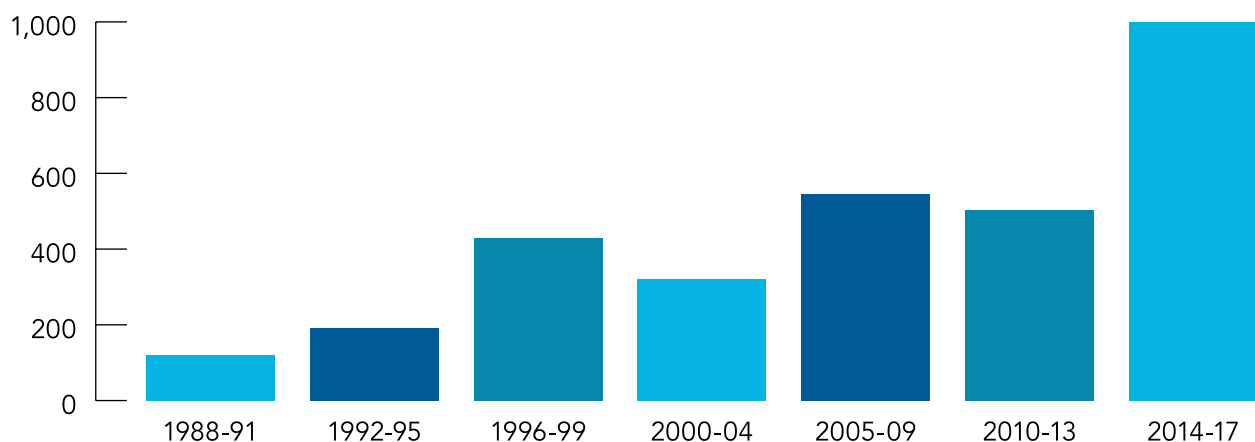
The Board also adopted an important program principle: Affordable Housing Fund money should go to cities willing to partner with the county with assistance on projects in their own jurisdictions. Cities have a number of ways of providing this assistance, including reducing or waiving fees, offering parking reductions and density bonuses, reducing the time period for planning approvals, donating land, and providing city subsidies.

The \$13 million “boomerang” sum was substantial. But it was a one-time deposit in the fund. Ongoing success requires an ongoing funding source. While the Board was able to make contributions to the Affordable Housing Fund in 2014 and 2015, the amount was substantially less (\$500,000 in 2014 and \$2.5 million in 2015).

In 2016, the Board of Supervisors placed an extension to the half-cent sales tax on the ballot with the purpose of increasing funding for affordable homes. In that year, the Board dedicated \$19 million for new housing production and preservation of existing homes. This larger allocation sparked interest from cities and affordable housing providers interested in partnering with the county to create new affordable homes.

The result has been a steady increase in affordable housing production, even in a climate where state and federal funding have declined (Figure 1).

Figure 1. Affordable Homes Built in San Mateo County, 1988-2017¹⁵



¹⁵ Figure 1 does not include inclusionary homes.



DELIVERING AFFORDABLE HOMES

In total, over the last five years, county funds have supported the creation of 1,758 affordable homes in San Mateo County (Table 2). Of these, 341 homes have now been fully built, 157 are in construction, and another 1,260 are in the active predevelopment pipeline.

Table 2. New Affordable Homes Funded by San Mateo County, 2013-17

	Number of New Developments	Number of New Affordable Homes
Completed	7	341
In construction	2	157
In predevelopment (with County funding)	16	1,260
Total homes funded by the County, 2013-18	25	1,758

As of last year, the local-subsidy portions of these projects averaged approximately \$102,000 per home: cities contributed about \$55,000 for each new affordable home, and the county contributed about \$47,000.¹⁶

The Housing Authority's willingness to contribute valuable Section 8 project-based vouchers to many projects also played a key role. These federal vouchers fill the gap between what tenants can pay and the cost of maintaining and operating the apartment, and enable developers to support a larger private mortgage.

Public subsidies went toward both the new construction and the preservation of affordable homes, both important strategies (Table 3). New construction can leverage more funding; preservation helps residents who live in older buildings remain in their homes when the building is sold.

Table 3. Results of San Mateo County Investment in Affordable Housing, 2013-17

Subsidies	New affordable homes created (or under way)	Existing homes acquired or preserved as affordable (or under way)
\$63 million county ¹⁷ + \$12.5 million federal CDBG, HOME	1,758 (25 new developments)	531 (6 apartment complexes, 6 existing affordable developments)



The results of county funding over the last five years are summarized here and listed in Table 4:

Creating new affordable homes: AHF funds, together with CDBG and HOME funds, are helping create 25 new affordable apartment and condo buildings containing a total of 1,758 units, including 7 developments already completed, two in construction, and another 18 in the predevelopment phase.

Preserving affordable homes: County assistance is preserving the affordability of 531 rental homes. This includes helping affordable housing developers acquire six apartment complexes, containing a total of 141 rental homes. County funding also helped renovate and preserve six existing affordable housing developments, containing a total of 390 homes.

All will now be affordable for the long term.



“I lost everything when my wife was diagnosed with cancer. We spent all our money on her treatment, and when she died, I didn’t have anything left to live on. But here I’ve actually made a home. I can lock the door and have my own space, which I didn’t have when I was on the streets for 15 years. If I wasn’t here, I’d still be on the streets — it’s the only thing I’d be able to afford.

My place is the perfect size, I don’t need anything bigger, and I can afford the rent! My favorite nights are Arts & Crafts nights. We do small dinners, we have pizza nights, it’s really fun.

Once they got me in here, I thrived. I changed. I’ve been beaten up, robbed, and left for dead. Here I don’t have to worry about any of that.”

Nils Wright, resident of Willow Housing, developed by CORE Companies, managed by EAH Housing, Menlo Park

¹⁷ Of the nearly \$67 million of total Affordable Housing Fund spending in 2013–17, about \$3 million went toward the creation of emergency shelter and \$500,000 toward the rehabilitation and replacement of agricultural workforce housing. The rest, rounded to \$63 million, went to the creation of permanent affordable housing.

Table 4. Affordable Developments (New and Preserved) Subsidized by San Mateo County, January 2013 to October 2018

New Construction	Location	Homes
Completed		341
Alma Point at Foster Square	Foster City	66
Sweeney Lane	Daly City	52
St. Leo's Apartments	North Fair Oaks (unincorporated)	16
Sequoia Belle Haven	Menlo Park	90
Serenity Place	East Palo Alto	41
Willow Veterans Housing	Menlo Park	60
Waverly Place	North Fair Oaks (unincorporated)	16
In Construction		157
Colma Veterans Village	Colma	66
Rotary Miller Senior Housing	South San Francisco	91
In Predevelopment (county funds)		1,260
1283 Willow	Menlo Park	27
2821 El Camino	North Fair Oaks (unincorporated)	67
612 Jefferson (homeownership)	Redwood City	20
Bay Meadows Affordable Housing	San Mateo	68
Bay Road Family Housing	Redwood City	120
Arroyo Green (formerly Bradford Senior Housing)	Redwood City	117
Gateway II Family – Expansion	Menlo Park	58
Light Tree Apartments – Expansion	East Palo Alto	91
Bayshore Affordable Apartments (formerly Millbrae BART Veterans)	Millbrae	80
Cypress Point (formerly Moss Beach Homes)	Moss Beach (unincorporated)	71
Midway Village ¹⁸	Daly City	143
Downtown San Mateo Sites	San Mateo	164
Firehouse Square	Belmont	66
353 Main Street	Redwood City	125
Belmont Affordable Housing	Belmont	37
Geneva Commons (homeownership)	Daly City	6
All New Homes		1,758

¹⁸ Still in flux; 143 per MidPen Housing as of mid-November 2018.



Acquisition	Location	Homes
Completed		87
Pacific Ave	Pacifica	9
Stafford	San Mateo	7
Cypress Ave	San Mateo	16
Mosaic Garden (formerly Atherton Court)	East Palo Alto	41
In Predevelopment (county funds)		54
St. Francis Center	(unincorporated)	48
Multicultural Institute	(unincorporated)	6
	All Acquired Homes	141

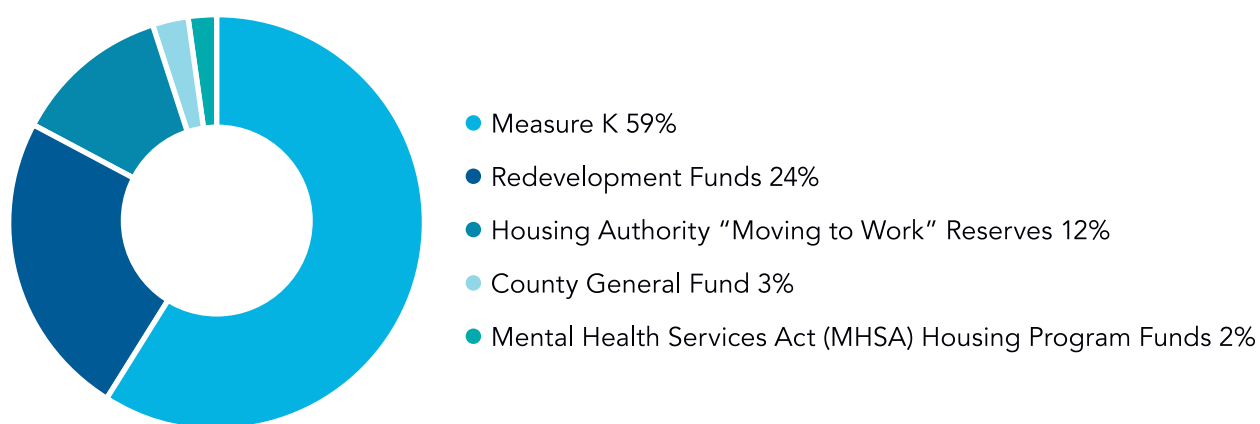
Preservation	Location	Homes
Completed		178
Runnymede Gardens	East Palo Alto	78
Ocean View Apartments	Pacifica	100
In Predevelopment (county funds)		212
Bay Oaks Apartments	East Palo Alto	38
Redwood Oaks	San Mateo	36
Light Tree Apartments - Preservation	East Palo Alto	94
Gateway II Family - Preservation	Menlo Park	82
	All Preserved Homes	531

NEW, ACQUIRED, AND PRESERVED AFFORDABLE HOMES TOTAL	2,289
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MEASURE K MATTERS

Of the almost \$67 million in AHF funds awarded so far, more than \$39 million—59%—came from Measure K, the countywide half-cent sales tax (Figure 2).

Figure 2. Sources of Affordable Housing Fund (AHF) Spending, 2013-17¹⁹



Measure K funds helped leverage and extend the reach of not only federal CDBG and HOME subsidies, but also other AHF sources, including funding from cities, and other state and federal funds.

The source of Measure K funding is sales tax on purchases that occur throughout the county (including in cities); the county can then invest that funding in affordable housing, providing homes for the people who helped generate the sales tax.

Not only do cities help generate the sales tax, cities also play an important role in supporting the creation of affordable homes through their own subsidies and policies.

“One of the biggest hurdles to overcome when building homes for working families is securing funding. Measure K is a huge boost and a testament to San Mateo County’s commitment to affordable housing.”

Maureen Sedonaen

CEO, Habitat for Humanity Greater San Francisco





THE ROLE OF THE CITIES

Subsidies and other types of assistance from cities provide important pieces of the puzzle to fill the financing gap and create or preserve affordable housing.

County-city collaboration is essential to the success of affordable housing throughout the county. City assistance leverages county funds, making every dollar go further. When the collaboration is successful, more affordable homes get built, in the places they are needed. City and county partnerships also achieve deeper levels of affordability, reaching people with lower incomes who need help most.

For all awards from the county's Affordable Housing Fund that have gone to projects in cities, the cities also provided significant assistance.

These recently completed developments are notable examples:

- Alma Point at Foster Square in Foster City: City subsidy of over \$5M
- Sequoia Belle Haven in Menlo Park: City subsidy of over \$5M
- Sweeney Lane in Daly City: City subsidy of over \$2.4M
- Delaware Pacific in the City of San Mateo: City subsidy of over \$4M

Many other cities have contributed to the creation of affordable developments as well.

Several local jurisdictions, listed in Table 5, have now adopted residential and/or commercial linkage or impact fees, as well as inclusionary housing programs, to support affordable housing:

- **Impact fees** come from the recognition that as people move into new market-rate homes and office buildings, they increase demand for amenities like restaurants and retail stores, whose services are provided by low-wage workers. Impact fees help fund affordable homes for these workers. Residential impact fees apply to new market-rate homes, and commercial linkage fees apply to new commercial development.
- **Inclusionary policies** require developers of new market-rate real estate to provide some units that are affordable below the market rate. Inclusionary policies can apply to for-sale homes, for-rent homes, or both. Inclusionary policies can either require these affordable homes to be built into a given project, or allow developers to pay an "in-lieu" fee to the city instead of building them, to fund future affordable housing creation.

These city subsidies are accumulating. These funds have already become an important local source of support for affordable housing and will increasingly contribute—along with county subsidies—to the production of affordable housing throughout San Mateo County.

Table 5. Local Jurisdictions in San Mateo County with Affordable Housing Policies and Fees

Jurisdiction	Commercial linkage fee	Residential impact fee	Inclusionary policy: For-sale homes	Inclusionary policy: For-rent homes
Belmont	✓	✓	15%	15%
Brisbane			15%	—
Burlingame	✓		—	—
Colma	✓	✓	20%	—
Daly City		✓	15%	—
East Palo Alto	✓	✓	20%	15%
Foster City	✓		20%	20%
Half Moon Bay			20%	20%
Menlo Park	✓		15%	15%
Millbrae			—	—
Pacifica			15%	15%
Redwood City	✓	✓	15%	20%
San Bruno	✓	✓	15%	—
San Carlos	✓	✓	15%	—
San Mateo	✓	✓	15%	10% very low, 15% moderate
South San Francisco			20%	10%
Unincorporated San Mateo County	✓	✓	20%	20%



SAN MATEO COUNTY IS POISED FOR SUCCESS

The County of San Mateo has the ingredients needed to get affordable housing built:

- **Political leadership and local funding.** This includes the impetus to make sites available for projects, the availability of local funding, and the will to use it.
- **Government expertise, experienced partners, and the willingness to collaborate.**

POLITICAL WILL AND LOCAL FUNDING

The rate of affordable home production in San Mateo County has dramatically increased over the last ten years. A primary factor in that success has been the county's (and several cities') leadership and political will.

This leadership has been evident from the initial allocation of "boomerang" funds, followed by Measure K funds; the county Board of Supervisors has signaled its willingness to create a more robust pipeline of affordable housing.

This county support pays off. County and local city funding is generally needed for projects to be able to leverage tax credits and other funding sources. Typically, a project needs at least 20% of its funding to come from local subsidies and land donation, which must be committed first, before other layers of financing. (This 20% does not include additional local incentives, which often come later, such as parking reductions, density bonuses, and reductions of fees.)

This means that every \$1 of local subsidy typically can leverage another \$4 of project cost. For example, a \$40 million project would typically need at least \$8 million of county and city assistance in the form of subsidies and/or land donation; that would then allow the developer to leverage the additional \$32 million needed to build the project. Every additional dollar in local funding is critical to leveraging additional funds, helping more affordable housing developments cross the finish line.

Every \$1 of local (city and county) funding for a housing project typically leverages another \$4 to get it built.

That investment also pays off when it looks dependable. When affordable housing developers believe they can rely on significant Measure K allocations for the long term, they choose to deploy their limited resources here.

“San Mateo County is among the Bay Area's best at investing in affordable housing and identifying real, sustainable solutions. It's stepping up with Measure K funding to meet the challenge of an unprecedented housing affordability crisis.”

Matt Franklin

President and CEO, MidPen Housing





EXPERTISE, EXPERIENCED PARTNERS, AND THE WILLINGNESS TO COLLABORATE

San Mateo County has been a reliable partner in the provision of affordable housing. Its spirit of partnership has encouraged affordable housing developers to work in the county and deliver high-quality homes. Developers find that the county's funding process is typically more predictable, with few or no delays; if projects meet the criteria, they will get funding. In San Mateo County, developers can get help with creative financing to stretch dollars further, and also get funds at the critical early stages of the process.

In San Mateo County, there are more than a dozen affordable housing developers, from Habitat for Humanity to many others—a full list can be found at housing.smcgov.org/ah-developers. These experienced developers are skilled at getting through the complexity of affordable housing financing, and getting projects built.

Much of San Mateo County's affordable housing expertise resides with its Department of Housing. The Department of Housing provides very early predevelopment loans to projects that have secured a site. This allows these projects to keep moving forward until city funding and planning entitlements can be achieved. The department also quickly and reliably produces expert Notices of Funding Availability (NOFAs), for targeted, effective use of county affordable housing resources. This in turn often leverages other resources such as Section 8 project-based vouchers and mental health funds.

The Department of Housing encourages collaboration. Staff actively reach out to other county departments, cities, transportation agencies and other partners. The results are more homes and more supportive services, especially for vulnerable populations:

- **Supporting People with Mental Health Needs:** While not all counties have been able to use their Mental Health Services Act Housing Program (MHSA) funds, the Department of Housing has successfully deployed every dollar of San Mateo County's \$6.76 million in MHSA funds received from the state in 2008. By working closely with county staff and leveraging these funds with other sources, developers have been able to include a total of 71 supportive homes for people with serious mental health issues in six affordable apartment buildings throughout the county.



“Before I lived here, I had to move a lot. I’ve lived in San Mateo, San Bruno, Millbrae, and Daly City. I’m a housekeeper, and I have a lot of injuries from carrying heavy things. I used to have to drive a long way for work, but now I can just walk to my employer’s house.

I love this building because everybody knows me here. I like to help a lot of people—I like to cook food for them, and help them if they need anything.”

Lily Chwa, resident of Alma Point, MidPen Housing, Foster City



- Supporting Veterans:** The Department of Housing has also aggressively pursued affordable housing for veterans. This began with its effort to persuade the Palo Alto Veterans Administration to “project-base” 35 Section 8 VASH (Veterans Affairs Supportive Housing) vouchers at the Willow Housing development on the Menlo Park Veterans Affairs campus. In a recent national competition, the department applied for and won 140 project-based VASH vouchers. To date, the county has funded and helped facilitate a total of 175 units of supportive housing for homeless and at-risk veterans in seven developments throughout the county. Several of these developments are exclusively for vets, while others have a mix of residents. According to the Human Services Agency, veteran homelessness in San Mateo County is at “functional zero,” meaning that the number of veterans needing homes each month is no more than the number of homes available.

These recent projects demonstrate the results of local funding, collaboration and political will:

- The Bradford Street senior project in Redwood City will provide 117 homes for seniors, as well as a child-care center. It received a one-acre land donation from the City, and combined \$1 million in City funds, another \$1.3 million in waived City fees, \$11M in county funding, and Housing Authority Section 8 regular project-based and special VASH (Veterans Affairs Supportive Housing) vouchers toward its \$60 million cost. The project was approved; the developer will soon begin construction.
- The Bay Meadows affordable project in the city of San Mateo will provide 68 new affordable homes. It similarly involved a one-acre land donation from the City, \$2 million in City funds, another \$1.4 million in waived City fees, \$8.8 million in county funding, and Housing Authority Section 8 regular project-based and special VASH vouchers. This \$48 million received 9% tax credits in the second tax-credit funding round in 2018. It should break ground late this year or early next year.



“I used to live with my son. But it’s much nicer here, I have my own room and my own bathroom.

I made dinner for everyone tonight! I usually make dinner for everyone, three nights a week. Everyone says I’m a really good cook, and it makes everyone happy.

It’s a really walkable community here. We can walk to the water, the library, and all the festivals. It’s safe, too. And if we have an emergency, the fire department and the police are right across the street, so they come quickly.”

Chiu Ping Chen, resident of Alma Point, developed and managed by MidPen Housing, Foster City

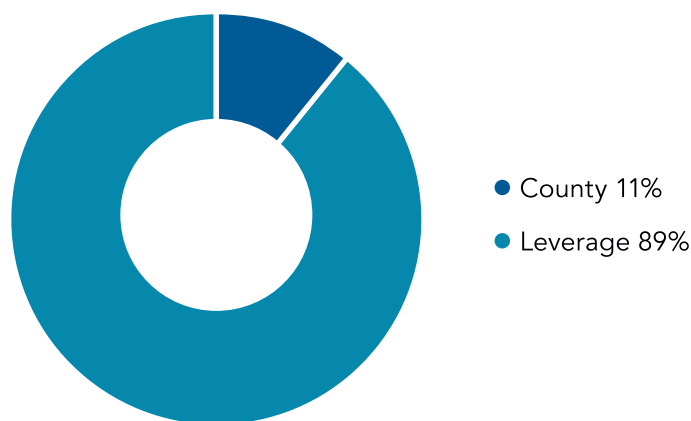


SAN MATEO COUNTY CAN SEIZE NEW OPPORTUNITIES

New opportunities are on the horizon for additional state and federal funding that San Mateo County could use. With greater investment, and the powerful leverage local funding provides, the county can do more—exponentially more—to meet the need for affordable homes.

San Mateo County's investment in affordable homes is matched and multiplied by city, state, and federal funding. Cities would not be able to compete effectively for this funding on their own. It is the county's participation and commitment that brings federal and state resources to our most vulnerable residents. The county's leverage is powerful (Figure 3).

Figure 3. San Mateo County Investment and Leverage in Affordable Housing Developments²¹



STATE FUNDING

Projects are generally required to have local subsidies in order to get state financing, or at least locally funded projects get preferential scoring for state funds. This will be important in pursuing new sources of funding from the state.

San Mateo County successfully competed in 2016-17 for \$10 million from the \$600 million Veterans Housing and Homeless Prevention (VHHP) program authorized by Proposition 41 in 2014. This program is scheduled to run out of funds by 2020, however.



Now, thanks in large part to the leadership of Speaker Pro Tempore Kevin Mullin, Senator Jerry Hill, and Assembly Member Marc Berman, a major new state housing bond has just passed. Proposition 1, the Veterans and Affordable Housing Act, was on the November state ballot. The passage of Prop 1 now makes \$4 billion available to support affordable housing (including \$1 billion for veteran housing).²²

One still untapped opportunity for San Mateo County is the state's cap-and-trade funding, disbursed by the Affordable Housing and Sustainable Communities Program. Hundreds of millions of dollars are available for affordable housing, and the amount will increase this year. The Department of Housing worked with the Housing Leadership Council on a report to explore how developments in the county could be more competitive, and has hosted convenings between affordable housing developers, transit agencies, city staff, and experts on the AHSC to improve local applications.

State funding is very competitive. Local funding is critical to securing state funds, and cities cannot raise the money alone. It takes partnership between cities, the county, and the state to create affordable homes here in San Mateo County.

FEDERAL FUNDING

Tax credit financing is a key part of the funding for affordable housing projects, and San Mateo County can become more competitive for this funding.

The tax credit program increasingly requires a larger share of local subsidy for a project to score successfully in the 9% "tie-breaker" competition and receive tax credits. Unfortunately, San Mateo developments compete with Santa Clara County's for tax credits, and that county is very competitive: Santa Clara passed a bond in 2016, and the City of San Jose has been one of the most successful cities in the state in securing federal and state funding for affordable homes.

In addition to county and city funding, improvements to bus service and Caltrain electrification can also increase San Mateo County's competitiveness. The passage of local transportation sales tax measures can help make this possible.

LOCAL FUNDING

Additional opportunities exist to leverage county funding with local funding.

Fifteen cities in San Mateo County currently have some kind of policy or fees to encourage the creation of affordable homes, such as inclusionary ordinances and residential or commercial linkage fees (Table 5). Several cities have multiple policies and fees.

More cities can and should pass these fees and policies—and likely will. These will provide an even more fertile ground for county investment to build many more new affordable homes.

²² <https://www.vetsandaffordablehousingact.org/>



RECOMMENDATIONS

San Mateo County can achieve exponential returns if it acts now to meet the need for affordable homes. Some think this problem—the affordable housing crisis—is insoluble. It’s not. But solving it will take commitment and action. Below are steps to take.

Cities in San Mateo County can:



Adopt Impact Fees on commercial development.



Adopt Inclusionary policies for housing developments.



Issue a Notice of Funding Availability (NOFA) for funds over \$5 million.



Work with HEART to pool funding for less than \$5 million.

The County of San Mateo can:



Allocate \$30 million per year for affordable housing development.



Continue to provide trainings and support to developers and local agencies.



Make sure the County Department of Housing is adequately staffed to handle the growing pipeline of affordable developments

These are relatively simple steps. Thanks to the power of leveraging, a little more funding spent the right way will go a long way to build needed affordable homes.

These actions by the county will help give thousands of local workers and families a place to call home.



“For the longest time I was petrified and disgusted by homeless people, until I became one.

Because my son and I used most of our money to fund our treatment for our medical conditions, we got behind on our rent and didn’t have anywhere else to go. Our landlord evicted us and brought us to a shelter. We stayed at the shelter on Maple Street, then later on Spring Street. It was the people at Spring Street who helped me get placed in this building.

Despite evicting me, my landlord became my friend and was full of joy that I found a place that suited my needs. Seeing more supportive housing in our county would be really beautiful.”

Julie Schug, resident of Belmont Apartments, developed and managed by the Mental Health Association, Belmont

“Before we got here, we lived in San Bruno with roommates. It was so expensive!

It’s beautiful here. We walk around the water, two or three times a day. There’s no way we could afford to live here if it weren’t for this program.

We like the TV nights, the movie nights, and the sporting events!

It’s great to be here because it keeps us close to our kids. They live in San Mateo and Millbrae. Affordable housing is good for us, but it’s also good for the community.”

Jose Armando Rodriguez and Rosa Maria Rodriguez, residents of Alma Point, developed and managed by MidPen Housing, Foster City





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