
SAN MATEO

EXISTING CONDITIONS REPORT

ECONOMICS

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Existing Conditions Report: Economics

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Existing Conditions Report: Economics

This report describes demographic, socio-economic, and real estate conditions and trends to inform the General Plan Update process. The analysis is based on existing and historical data from a variety of public and private sources, which are noted for each table.

A. SOCIO-ECONOMIC CONDITIONS

1. Population and Household Characteristics

As of early 2018, the population in the City of San Mateo is approximately 105,000, as shown below in Table 1. The City's population has grown an average of approximately 1.0 percent annually over the past four decades, with recent growth attributable to the boom in the technology and innovation economy that is heavily concentrated in San Mateo and Santa Clara Counties.

Since 2010, the population growth rate increased to 1.2 percent annually, more than double the rate of growth from 2000 to 2010. Similar trends also apply to the County, where the total population is approximately 774,000 as of January 2018. The County's population also grew at a rate of 1.2 percent per year from 2010 to 2018, which represented a significant acceleration from the 0.2 percent annual growth rate from 2000 to 2010. By contrast, the nine-county Bay Area region's total population grew more quickly at a rate of 1.4 percent per year from 2010 to 2018 and stands at nearly 8 million.

The number of households in the City of San Mateo increased to approximately 39,200 as of January 2018 from about 37,300 in 2000, as shown in Table 2. The average household size in the City of San Mateo remained fairly steady at 2.5 people per household from 2000 to 2010 before increasing to 2.6 in 2018. The average household size in the City is slightly smaller than in the County, where the average number of people in a household rose to 2.9 in 2018.

2. Age

The working age population cohort (ages 20 to 64) represents the largest population segment in the City, County, and Bay Area at more than 60 percent, as shown in Table 3. The age cohort breakdown is fairly similar across all age groups between the City, County, and Bay Area. As a result, the median age of all three geographic areas is approximately 39 years.

Age cohorts in all three regions have also remained relatively consistent over time, as shown in Figure 1 below. Since 2000, the share of the population under 20 years and those aged 20 to 34 years has equaled roughly one-fifth each in the City, County, and Bay Area. The share aged 35 to 64 years is roughly twice this size at two-fifths of the population during the same period. Meanwhile, those aged 65 years or more have consistently accounted for about 15 percent of the San Mateo population. Seniors' share of the County and Bay Area populations has increased since 2000 from 12 and 11 percent, respectively, to 15 percent.

3. Education

San Mateo residents are highly educated, with nearly half (48 percent) of people aged 25 years or older holding at least a Bachelor's degree, as shown below in Table 4. This characteristic is true for the County as well, with 47

percent of those aged 25 and over holding at least a Bachelor's degree. By contrast, only about 32 percent of the state's roughly 26 million residents aged 25 or older have completed at least a Bachelor's degree. The comparable share of the overall U.S. population is even lower, at 30 percent of those aged at least 25 years.

4. Race and Ethnicity

As shown below in Table 5, San Mateo is 60 percent White. Slightly more than one-fifth (21 percent) of the local population is Asian. Another 9 percent of residents are characterized as "Some Other Race." Of the remaining 10 percent, 5.6 percent are Two or More Races, 2.1 percent are Black or African American, and 1.6 percent are Native Hawaiian and Other Pacific Islander. Less than 1 percent are American Indian and Alaskan Native. The racial composition of the County is nearly 54 percent White and 27 percent Asian.

Among all races, about one-quarter of both the City and County populations identify as Hispanic or Latino. The Hispanic/Latino ethnicity is separated from the racial designations because, according to the Census definition, people who identify as Hispanic/Latino (an ethnic distinction as opposed to a racial distinction) can be members of any racial category.¹

5. Income Distribution

The high level of educational achievement among City residents means many are highly qualified for technology and innovation economy job opportunities, sectors which have grown rapidly since the end of the Recession. As a result of their high educational attainment and employability in high-income, high-growth fields, residents' earnings are relatively high compared with the region and state medians. The median household incomes in both the City and County are \$95,667 and \$98,546, respectively, slightly higher than the Bay Area median of \$85,291 and substantially higher than the state-wide and national median household incomes, which are approximately \$ 63,783 and \$ 55,322, respectively. As shown below in Table 6, the City of San Mateo also has a similar household income distribution to the County. In addition, of the 50 percent of City and County households with incomes below \$100,000, there is a fairly even distribution of households among each of the four income quartiles. Approximately 20 percent of households have incomes between \$100,000 and \$149,999, and another one-fifth of households in these two areas have incomes of \$200,000 or higher. For comparison, only about 9 percent of California households and 6 percent of U.S. households have incomes of \$200,000 or more, and roughly 57 percent of California household and 63 percent of U.S. households have incomes of less than \$75,000.

6. Community Health

Overview of Vulnerable Populations

As defined by the Integrated Climate Adaption and Resiliency Program Technical Advisory Committee, vulnerable populations are groups at greater risk of adverse health conditions due to circumstances including, but not limited to, socioeconomic condition, age, physical or behavioral health factors, chronic illness, or other personal characteristics.² Despite their greater need for health care and services, the conditions that impair the vulnerable population may also hinder their ability to gain access to care. The inability to access health care may

¹ More information about the Census categorization of race and ethnic is available at <https://www.census.gov/topics/population/hispanic-origin/about.html>.

² Governor's Office of Planning and Research, July 2018. *Defining Vulnerable Communities in the Context of Climate Adaptation*, page 2.

further augment existing health inequalities in vulnerable populations and worsen their existing health conditions.

Vulnerable populations in San Mateo County include children, seniors including seniors living alone, cost-burdened households, overcrowded households, homeless people, low-income households, households in poverty, people with disabilities, non-English speakers, and people without a car. Table 7 below displays these vulnerable populations within the community. Note that these categories are not mutually exclusive and may overlap; a single individual or a single household may be included in more than one category.

As shown in Table 7, approximately 37 percent of households in San Mateo are cost-burdened, meaning they pay more than 30 percent of their income towards housing costs. High housing cost burden reduces remaining household income available for health care expenses, increasing this population's vulnerability risk. In addition, the US Census 2013-2017 American Community Survey 5-Year Estimates classifies 38 percent of the population as a low-income household, indicating that their household income is 80 percent or less than the city's Median Household Income (MHI), which is \$103,400 for a family of four. The City of San Mateo has 9.8 percent of households living below the poverty line, classified as families of four which have a combined household income of \$25,750 or less.³ In addition to vulnerable households, there are populations within the City of San Mateo that are considered vulnerable because their access to jobs is limited. For instance, people with disabilities, non-English speakers, and those without access to an automobile, may be willing to work, but could be considered unable to work due to physical, linguistic, or accessibility constraints. There are also populations who are not part of the labor market, such as children, who are dependent on others for support, and are also considered vulnerable populations due to public health concerns.

Health indicators

The California State Office of Environmental Health Hazard Assessment (OEHHA) monitors what are labeled "disadvantaged communities." OEHHA has evaluated all Census tracts in California for pollution and population characteristics that result in a disadvantage. Disadvantaged communities often have low air quality and drinking water quality, a higher than average number of toxic waste sites and emissions, high asthma rates, and high rates of households experiencing poverty. Disadvantaged communities and their associated health indicators are mapped on the California Communities Environmental Health Screen Tool (CalEnviroScreen), available online at <https://oehha.ca.gov/calenviroscreen>. CalEnviroScreen applies a formula to generate a score that rates the level of cumulative health impacts for each community. Scores in the top 25 percent of the state are considered to be disadvantaged communities.

Signed into law in 2016, Senate Bill (SB) 1000, termed the Planning for Healthy Communities Act, requires that cities and counties with CalEnviroScreen- designated disadvantaged communities work to reduce health inequalities through implementation of environmental justice goals, policies, and objectives in their General Plans. These may include, but are not limited to, promoting access to healthy food, promoting public facilities for social engagement and resources, and encouraging increased physical activities for all ages. The purpose of SB 1000 is to reduce negative health outcomes that disproportionately burden disadvantaged communities, and to enable local jurisdictions to improve the health and wellbeing of their community.

San Mateo's CalEnviroScreen map, shown on Figure 2, illustrates that there are no severely disadvantaged communities within the city (i.e. scores of 75 percent or higher). Approximately half of the city rates below a 35 percent concentration of negative health indicators. The other half of the city is rated between 40 and 65 percent in concentration of negative health indicators, still below the top 25 percent used to identify

³ U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates.

disadvantaged communities. Although San Mateo does not have any officially recognized disadvantaged communities, overall community health and wellbeing can and should be promoted and encouraged with use of goals, policies, and objectives in the General Plan.

Civic Engagement

Pursuing active and meaningful engagement with socioeconomically disadvantaged communities can increase participation by people within the disadvantaged communities that can, in turn, result in an increase of support needed to strengthen these communities. Public engagement with disadvantaged communities can help identify programming and policy changes to allow for improvements where it is needed most. However, many members of vulnerable populations and disadvantaged communities face barriers to meaningful engagement. For example, people with disabilities may have difficulty accessing a meeting location or hearing verbal dialogue. Non-English speakers may have difficulty reading meeting notices or meeting materials in English. Low-income households may be more likely to work multiple jobs or do shift work that precludes attending evening meetings. It is important to understand the specific vulnerable populations and disadvantages faced by San Mateo residents in order to minimize the barriers to their participation.

7. Child Care and Schools

Child Care

Sufficient child care services spread throughout San Mateo County supports working parents. Lack of childcare services could make it difficult for local employers to attract and retain workers or may make it challenging for young families to stay in the area. Public engagement with child care providers, employers, young families, and other agencies will be important to understanding the barriers to increasing the supply of child care services.

The City of San Mateo supports the provision of child care programs and facilities in the existing General Plan. However, further public engagement with child care providers, employers, young families, and other agencies would help identify additional barriers to increasing the supply of child care services. Existing General Plan polices promote the following:

- Encourage public and private agencies and employers to provide childcare facilities by retaining existing centers and supporting programs at school sites and quasi-institutional facilities.
- Allow childcare centers in residential neighborhoods via a special use permit, and encourage them at work centers in commercial and office districts.
- Provide incentives for inclusion of spaces as a child care center in a new development.
- Promote child care to developers as an amenity favored by the City.
- Continue to implement the developer impact fee for funding child care facilities.

Existing Child Care Spaces

Based on the Center for American Progress mapping tool, the majority of Census tracts within the City of San Mateo are designated as a child care desert. A child care desert is defined as a Census tract with 50 or more children under the age of 5 that has either no child care providers or three times as many children as licensed child care spots.

In 2017, demand for child care in the City of San Mateo exceeded supply by 552 spots for preschool age children (ages 2-4), and 1,625 spots for school age children (ages 5-12) as shown in Table 8.⁴ In 2017, countywide child care demand also far outpaced supply as follows:

- 60 percent of demand for child care for children 0-1 is being met.
- 71 percent of demand for child care for children 2-4 is being met.
- 64 percent of demand for child care for children 5-12 is being met.

Child Care Development Fee

The City of San Mateo is committed to increasing childcare facilities in San Mateo. In 2004, the City adopted a Child Care Development Fee. The City prepared a childcare fee nexus study which found that commercial development and job creation had the strongest nexus for the fee. Implementation of the childcare fee is as follows:

- \$1.08 fee per square foot for all commercial development to be collected upon building permit issuance.
- Applicable to projects over 10,000 square feet that are one or more of the following:
 - New commercial development.
 - Addition of square footage to existing commercial development.
 - Commercial tenant improvements requiring planning approval.

Because the 2007/2008 financial recession limited development activity in San Mateo, the City collected limited childcare fees. According to a September 4, 2018 City Council Administrative Report, the City collected most of the fee revenue since 2015 and has a current balance of \$1,996,728 in the Childcare Development Fund.

Elementary and Secondary Schools

A community's school quality can have significant real estate and economic development implications, especially in relation to home values. The quality of a school district may either provide a benefit to, or limit the appeal of, the local housing market. There are 19 public elementary, middle, and high schools in San Mateo. According to Niche.com's rating system, which relies on data from the U.S. Department of Education, San Mateo's public schools appear to perform relatively well, as shown in Table 9. Niche.com's proprietary formula weighs a range of factors including test scores and academic performance as reported by each of the respective school districts as well as qualitative factors such as cultural diversity and surveys of parents, students, and teachers.⁵ Where there is not enough data, the Niche.com system does not include a rating, as is the case with San Mateo Park Elementary School and with Abbott and Borel Middle Schools. The remaining elementary schools are clustered primarily in the B range, with three earning A- ratings. All three of the area's public high schools earned an A+ or A grade. The San Mateo Union High School District ranks among the top ten highest ranking school districts in the San Francisco Bay Area. This school district is also the highest-ranking school district in all of San Mateo County.

The San Mateo- Foster City School District (SMFCSD) is projected to only have minimal enrollment changes in the next several years. Elementary Schools are expected to grow by 65 students between 2018 and 2023, while the 6th through 8th grade student enrollment is expected to decrease by 94 students. Overall, a net decrease of

⁴ San Mateo County Office of Education, County of San Mateo 2017 Childcare Needs Assessment. Accessed online at http://www.smcoe.org/assets/files/learning-and-leadership/child-care-partnership-council/Needs%20Assessment%202017/CCPC_Needs_Assessment_San_Mateo_11-17.pdf.

⁵ There are several other sources that can be used to evaluate school performance. EPS has selected Niche.com because of the range of factors considered and because it allows an apples-to-apples comparison among schools.

29 students is projected to occur for grades preschool through 8th between the years of 2018 and 2023.⁶ The SMFCSD updates student projections annually and the School Board regularly discusses school capacity. While the planning and management of public schools are regulated by the State, the City will continue to engage with local schools throughout the General Plan Update to better understand how potential changes in the community could affect the SMFCSD.

Community College

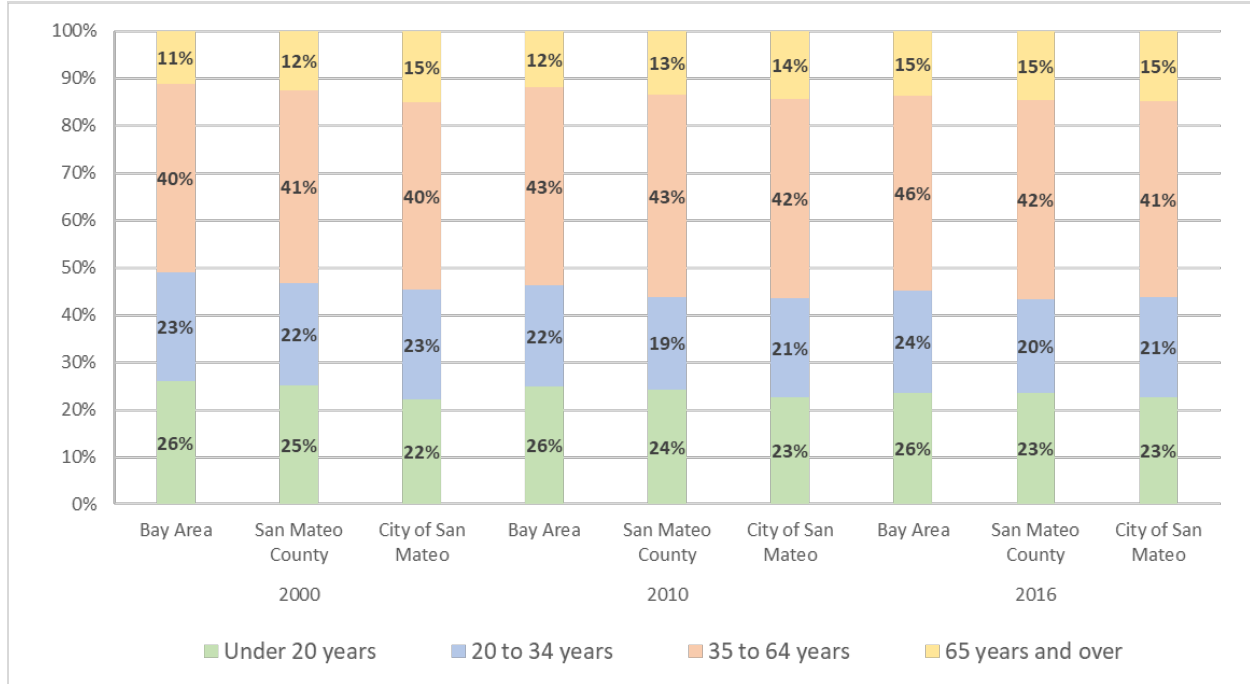
The College of San Mateo currently serves 9,263 students. The College divisions are Business and Technology, Creative Arts and Social Science, Kinesiology and Athletics and Dance, Language Arts, and Math and Science. There are also several academic support programs such as equity, basic skills initiative, learning support centers and professional development. The College of San Mateo, Canada College, and Skyline College, comprising the San Mateo County Community College District, are governed by the State and exempt from local City regulations, including the planning and management of school facilities. Strategic planning of public community colleges is also implemented by the State, but coordinating with these institutions as the City of San Mateo plans for the future will help all parties adequately plan for potential changes.

8. Crime Statistics

Perception of safety is a key factor in local economic success. As of the latest available data (2016), San Mateo experienced 242 incidents of violent crime per 100,000 residents, shown in Table 10. The number of violent crime incidents in the County amounted to 298 crimes per 100,000 residents during the same period. These levels are substantially less than the 2016 statewide total of 445 incidents per 100,000 residents. There were about 2,100 reported property crimes (burglary, larceny, motor vehicle theft, or arson) per 100,000 people in San Mateo in 2016, compared to the roughly 2,800 property crimes per 100,000 people in the County that year and roughly 2,500 incidents per 100,000 people statewide.

⁶ Enrollment Project Consultants, San Mateo- Foster City School District Projected Enrollments Report for 2018 to 2023, January 2019.

FIGURE 1 AGE TRENDS



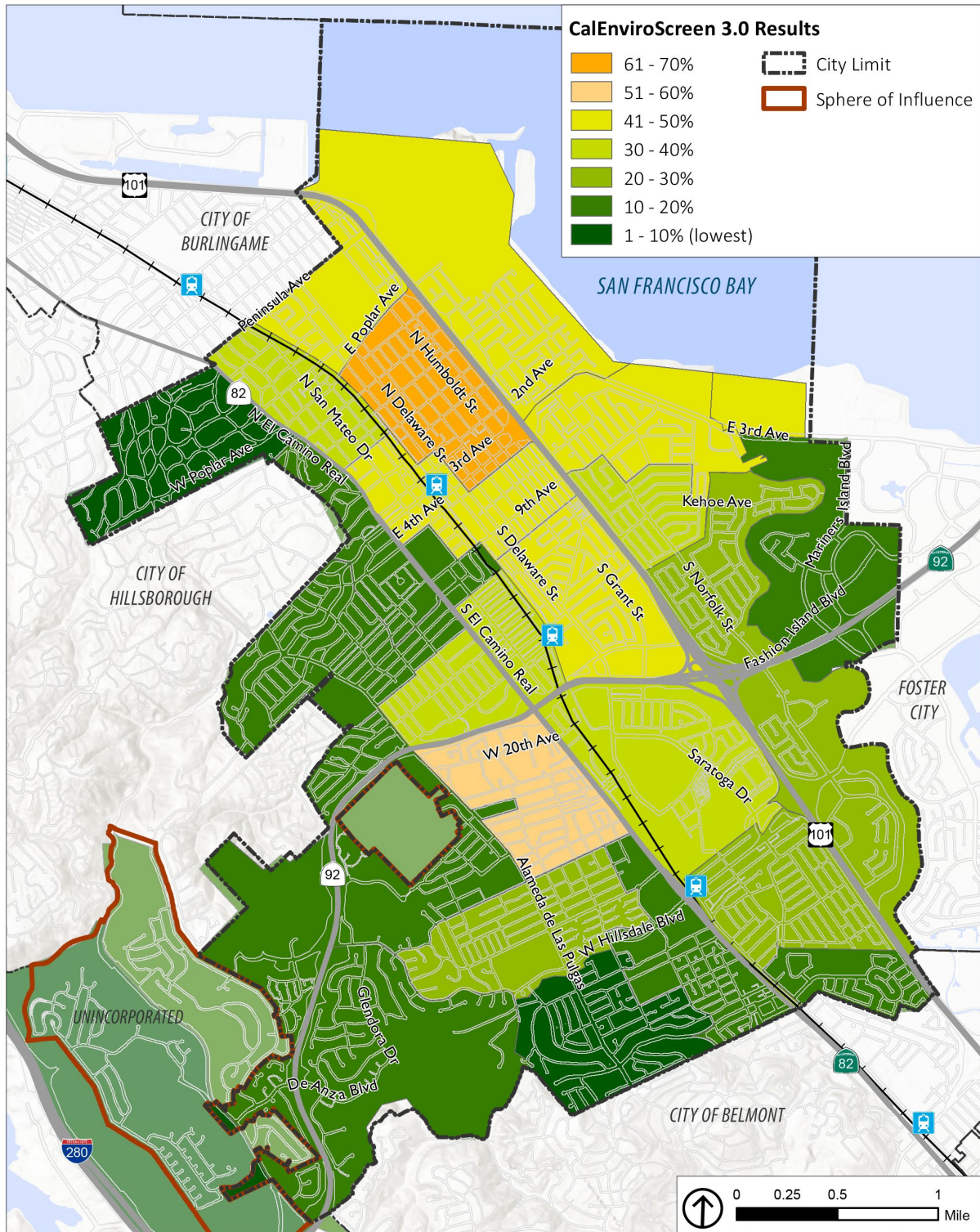
Sources: 2006-2010 and 2012-2016 American Community Surveys; US Decennial Census 2010; Economic & Planning Systems, Inc.

TABLE 1 POPULATION TRENDS 1980 – 2018

Geography	1980	1990	2000	2010	2018
City of San Mateo	77,640	85,200	92,270	97,106	104,490
San Mateo County	586,800	647,400	705,052	718,614	774,155
Bay Area	5,159,800	5,947,700	6,757,390	7,147,042	7,772,586
Percent Growth (by Period)		(1980-1990)	(1990-2000)	(2000-2010)	(2010-2018)
City of San Mateo		10%	8%	5%	8%
San Mateo County		10%	9%	2%	8%
Bay Area		15%	14%	6%	9%
Compound Annual Growth Rate (CAGR)		(1980-1990)	(1990-2000)	(2000-2010)	(2010-2018)
City of San Mateo		0.9%	0.8%	0.5%	1.2%
San Mateo County		1.0%	0.9%	0.2%	1.2%
Bay Area		1.4%	1.3%	0.6%	1.4%

Sources: California Department of Finance; Economic & Planning Systems, Inc.

FIGURE 2 CALENVIROSCREEN MAP OF SAN MATEO COMMUNITIES



Source: OEHHA CalEnviroScreen 3.0, June 2018.

TABLE 2 HOUSEHOLD GROWTH AND COMPOSITION 2000 – 2018

Total Households	2000	2005	2010	2015	2018
City of San Mateo	37,321	37,979	38,240	38,407	39,236
<i>Avg. Size</i>	2.4	2.4	2.5	2.6	2.6
San Mateo County	253,893	256,668	257,969	261,889	265,011
<i>Avg. Size</i>	2.7	2.7	2.8	2.9	2.9
Bay Area	2,459,753	2,543,939	2,606,496	2,688,430	2,733,824
<i>Avg. Size</i>	2.7	2.7	2.8	2.8	2.4

Sources: California Department of Finance; Economic & Planning Systems, Inc.

TABLE 3 AGE DISTRIBUTION

Item	City of San Mateo	San Mateo County	Bay Area
Total Population	102,224	754,748	7,530,781
Age			
Under 20 years	22.7%	23.5%	23.6%
20 to 34 years	20.9%	19.8%	21.6%
35 to 64 years	41.5%	42.1%	41.1%
65 and over	14.9%	14.7%	13.8%
Median Age	38.9	39.5	39.1

Sources: 2012-2016 American Community Survey 5-Year Estimates; California Department of Finance (DOF); Economic & Planning Systems, Inc.

TABLE 4 EDUCATIONAL ATTAINMENT

Item	City of San Mateo	San Mateo County	California	United States
Population (25 years or over)	73,677	535,502	25,554,412	213,649,147
Less than high school graduate	12%	11%	18%	13%
High school graduate (includes equivalency)	16%	16%	21%	28%
Some college or associate's degree	25%	26%	30%	29%
Bachelor's degree or higher	48%	47%	32%	30%

Source: 2012-2016 American Community Survey 5-Year Estimates.

TABLE 5 RACE AND ETHNICITY

Subject	City of San Mateo	San Mateo County
Race		
White	60.3%	53.6%
Black or African American	2.1%	2.5%
American Indian and Alaska Native	0.3%	0.3%
Asian	21.0%	27.0%
Native Hawaiian and Other Pac. Islander	1.6%	1.4%
Some Other Race	9.0%	10.2%
Two or More Races	5.6%	5.0%
Total	99.9%	100.0%
Hispanic or Latino (of any race)		
Hispanic or Latino	26.8%	25.1%
Not Hispanic or Latino	73.2%	74.9%
Total	100.0%	100.0%

Source: 2012-2016 American Community Survey 5-Year Estimates.

TABLE 6 HOUSEHOLD INCOME DISTRIBUTION

Household Income Range	City of San Mateo	San Mateo County	Bay Area	California	United States
Less than \$25,000	10%	11%	15%	20%	22%
\$25,000 to \$49,999	15%	14%	15%	21%	23%
\$50,000 to 74,999	14%	14%	14%	17%	18%
\$75,000 to \$99,999	13%	12%	12%	12%	12%
\$100,000 to \$150,000	19%	18%	18%	15%	14%
\$150,000 to \$200,000	11%	11%	10%	7%	5%
\$200,000 or more	18%	20%	16%	9%	6%
Median Household Income	\$95,667	\$98,546	\$85,291	\$63,783	\$55,322

Source: 2012-2016 American Community Survey 5-Year Estimates.

TABLE 7 VULNERABLE POPULATIONS IN SAN MATEO

	Count	
Population-based	105,000	Percent of Population
Children	18,767	17.9%
Seniors	15,723	15.0%
Seniors Living Alone	4,589	29% of seniors
Persons with disabilities	10,139	9.7%
Homeless People	48	0.0005%
Household-based ^a	38,546	Percent of Households
Cost-Burdened Households	14,183	37%
Overcrowded Households	2,377	6%
Low-Income Households	14,776	38%
Households in Poverty	3,789	10%
Limited English-speaking households	4,053	11%
Households without a car	1,966	6%

Source: All information provided in this table comes from the U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates, with the exception of data for people experiencing homelessness which derives from County of San Mateo 2017 one-day homeless counts (County of San Mateo Human Services Agency, San Mateo County One Day Homeless Count and Survey Executive Summary. May 2017, accessed online at https://hsa.smcgov.org/sites/hsa.smcgov.org/files/OneDayHomelessCount_ExecSummary_FINAL.pdf.)

a. The US Census defines households as an occupied housing unit, including all the people who live in the home. Multiple families, multiple generations, or unrelated roommates who share a home would each represent one household. Census definition accessed online at <https://www.census.gov/quickfacts/fact/note/US/HSD410217>

TABLE 8 2017 ESTIMATE OF CHILD CARE SUPPLY/DEMAND IN SAN MATEO BY ZIP CODE

	94401	94402	94403
Number of Infant Spaces (0-1)			
Supply	230	129	391
Demand	343	108	224
Surplus/Deficit	-113	21	167
Number of Spaces Children 2-4			
Supply	1144	755	1198
Demand	1572	811	1267
Surplus/Deficit	-428	-56	-69
Number of Spaces Children 5-12			
Supply	675	389	663
Demand	1099	819	1434
Surplus/Deficit	-424	-430	-771

Source: 2017 San Mateo County Child Care and Preschool Needs Assessment, pages 21-23.

TABLE 9 SCHOOL QUALITY

School Name	Rating
Aragon High School	A+
San Mateo High School	A+
Hillsdale High School	A
College Park Elementary	A-
Baywood Elementary	A-
Highlands Elementary	A-
North Shoreview Montessori (K-8)	B+
George Hall Elementary	B+
Laurel Elementary	B+
Meadow Heights Elementary	B+
Beresford Elementary	B
Horrall Elementary	B
Parkside Elementary	B
Sunnybrae Elementary	B
Fiesta Gardens International Elementary	B-
San Mateo Math and Science Magnet School	B-
San Mateo Park Elementary	n/a
Abbott Middle School	n/a
Borel Middle School	n/a

Note: This list of schools includes only public schools in the City of San Mateo. Niche.com's proprietary rating methodology relies on survey data from the U.S. Department of Education, weighting criteria such as test scores, academic performance, cultural diversity, and parent/student/teacher surveys.

Source: Niche.com.

TABLE 10 CRIME STATISTICS (PER 100,000 RESIDENTS)

Type of Crime	City of San Mateo	San Mateo County	California
Violent Crime	242	298	445
Property Crime	2,141	2,843	2,553

Note: The violent crime figures include the offenses of murder, rape (revised definition), robbery, and aggravated assault. The property crime figures, at the City and County level include the offenses of burglary, larceny, motor vehicle theft, and arson. At the state level, sufficient data are not available to estimate totals for arson, therefore, state level property crime data includes burglary, larceny, and motor vehicle theft.
Source: FBI 2016 Crime in the United States Report.

B. HOUSING

1. Residential Market Trends

There are 41,250 housing units in the City of San Mateo, as of 2018.⁷ Although single-family residential development was the predominant type of housing construction in the City historically, as the supply of developable parcels of land is decreasing over time, the proportion of multi-family homes has increased in the past two decades. This section details many aspects of the City's housing stock including types and age of residential structures, housing tenure (e.g., rental vs. ownership), housing costs, and new development in the pipeline. For more information on these topics, the City's Housing Element as well as the Housing Element Annual Progress Reports also publish statistics on housing in San Mateo.

As illustrated in Table 11, the housing stock in the City of San Mateo consists of 54 percent owner-occupied housing and 46 percent renter-occupied housing, which is consistent with the Bay Area average. There is a slightly higher rate of homeownership in the County, where 59 percent of housing units are owner-occupied.

Table 12 shows that more than half of San Mateo's residential inventory consists of single-family homes. The share of single-family ("one-unit") homes in the County is somewhat higher at 65 percent. The San Mateo residential inventory includes 8 percent small, multi-family structures containing between 2 and 4 units, while the share of multi-family housing containing at least five units is much higher, constituting 38 percent of the City's housing supply. Comparatively, the County has 7 percent of its residential inventory in small-scale multi-family structures of 2 to 4 units and 27 percent of its housing stock in multi-family structures of five or more units.

As shown on Table 11, there was a slight decline in homeownership from 2010 to 2016 in the City of San Mateo. A little more than half of City residents are home owners while 46 percent of residents are renters. The trend of declining homeownership is more prevalent throughout the Bay Area and the County. As shown in Table 13, the median home sales price was nearly \$1.7 million as of April 2018, more than double from \$800,000 in 2008. The median home price in San Mateo County was \$1.8 million as of April 2018, almost \$1 million higher than in 2008.

As shown in Table 14, about 88 percent of all housing in the City was built before 1990, with nearly half constructed before 1960. These same patterns also hold relatively true for the County, where 87 percent of housing stock was built before 1990. The County housing stock grew at a slightly faster pace than in the City between 1960 and 1990; however, newer housing stock is relatively rare in both areas. Since the latest Census figures as of 2016, the City has issued permits for approximately 600 multi-family units. Consistent with the substantial share of the City's housing stock that is in larger structures, almost all of the residential permits issued in that 18-month period are for buildings with at least 10 units.

As illustrated in Figure 3, the median home sales price in both the City and County roughly doubled since 2013. While the median price in the City slightly outpaced the County for most of the previous decade, in the past 18 months the median home price in the County exceeds that of the City. By contrast, the rate of price growth throughout the Bay Area, while still very strong in the past five years, has been less aggressive than in the City and County. To further illustrate the impact of home price growth, according to the California Association of Realtors, only 13 percent of the households currently residing in San Mateo County could afford to purchase the median priced home in San Mateo County as of the second quarter of 2015.⁸

⁷ DOF City/County Population and Housing Estimates, January 1, 2018.

⁸ 21 Elements. "Rising Rents and Tenant Displacement San Mateo County," 2017.

Since 2009, rental rates in San Mateo were consistently higher than in the County as well as throughout the region. As of June 2018, the average effective rent for apartments in the City was roughly \$2,900 per month, as shown in Table 15 and Figure 4. The rental rate in the City was consistently about \$100 higher than the County average but since 2015 grew to about \$200, with the average effective monthly rent for apartments in the County at close to \$2,700. The pace of rent increase in both areas slowed slightly between 2015 and 2017 but has picked up in the past 18 months. These broad trends are also true of the average effective rent in the Bay Area region as a whole.

Rising rental rates in the City of San Mateo, and more broadly in San Mateo County, have affected households' ability to afford living in the area. As of 2015, according to one recent study, over two-thirds of San Mateo County households earning \$75,000 or less per year are rent burdened, meaning that they are spending more than 30 percent of their income on housing.⁹ Moreover, the same study found that there was a 59 percent increase in the number of evictions for people unable to pay rent on time in San Mateo County between 2012 and 2015. In addition, there was a 300 percent increase in the number of "no-cause" evictions. These evictions were also found to disproportionately affect minority households.

Increasing housing costs reflect the combination of rising demand and relative lack of supply, compounded by high costs of construction, and can have a negative effect on the diversity of the housing inventory. A diverse supply of housing, in terms of type, tenure, and level of affordability, is helpful to maintain socio-economic diversity in the City. As such, the lack of housing at all affordability levels is expected to remain a major concern in San Mateo. In terms of the housing pipeline, as shown in Table 16, as of August 2018, there were more than 1,100 multi-family units in the pending application phase, while nearly 400 units are in the pre-application and pending application phase. In addition, 164 units are in the applications under review phase while another 1,050 units are under construction.

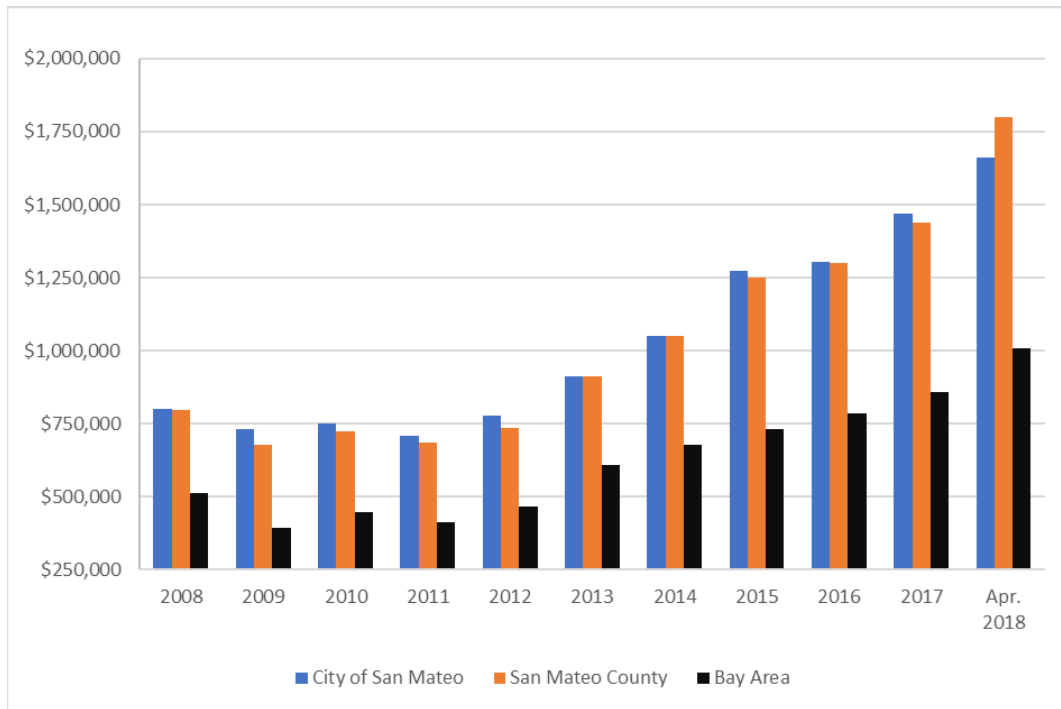
2. Regional Housing Needs Allocation

Per the City's 2017 Housing Element Annual Progress Report, the most recent data available, 1,245 residential units were constructed in San Mateo between 2015 and 2017. This amount represents 40 percent of the City's Regional Housing Needs Allocation (RHNA) of 3,100 for the 2014 – 2023 planning period. The RHNA establishes the total housing units that each city or county must plan for within the 8-year planning period. For the City of San Mateo, RHNA obligations are set by the Association of Bay Area Governments (ABAG). The majority of the units built to date, or 1,076, were made available at the above-moderate income level, which accounts for nearly 87 percent of the RHNA for this income category.

While the City does not build housing, local jurisdictions are required by the state to ensure sufficient land is designated, or zoned, to enable developers to develop housing to meet the RHNA targets. Overall, housing development in City is showing steady progress towards reaching the total RHNA goals for the City; however, housing development in San Mateo is not keeping pace with the needs of households at the very-low-, low-, and moderate-income levels, as shown in Table 17. Another 94 units were created at the moderate income level between 2015 and 2017, which represents only about 18 percent of the RHNA for this income level. Meanwhile only 26 low-income units and 49 very-low-income units were produced, amounting to only 6 percent of the RHNA for each of these two income categories. These statistics indicate that new housing development in San Mateo will need to include far more housing units at the very-low, low, and moderate-income levels between 2018 and 2022, in order to meet the projected housing needs of those households. The 2018 Housing Element Annual Progress Report is scheduled for the March 26, 2019 City Council meeting.

⁹ The Legal Aid Society of San Mateo County, and Community Legal Services in East Palo Alto. "San Mateo County Eviction Report 2016," 2016.

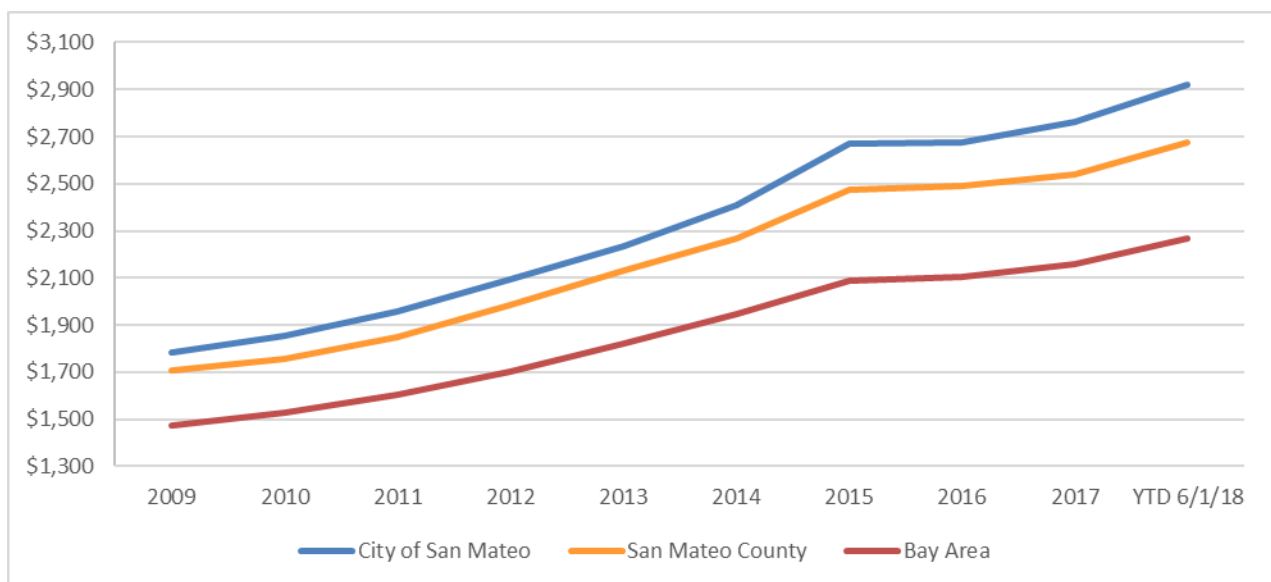
FIGURE 3 SINGLE-FAMILY MEDIAN HOME SALES PRICE (2008 – 2018)



Note: Annual data are year-end figures; 2018 data as of April 2018.

Sources: San Mateo County Association of Realtors; California Association of Realtors; Economic & Planning Systems, Inc.

FIGURE 4 MULTI-FAMILY MONTHLY EFFECTIVE RENT RATES



Note: Figures shown are effective rents

Sources: CoStar; Economic & Planning Systems, Inc.

TABLE 11 HOUSING TENURE

Unit Count/Unit Type	City of San Mateo	San Mateo County	Bay Area
		2010	
Owner-occupied units	55%	61%	58%
Renter-occupied units	45%	39%	42%
2016			
Owner-occupied units	54%	59%	55%
Renter-occupied units	46%	41%	45%

Source: 2016 American Community Survey.

TABLE 12 HOUSING STRUCTURES BY UNIT TYPE

Unit Count/Unit Type	City of San Mateo	San Mateo County
1-unit	54%	65%
2 to 4 units	8%	7%
5 or more units	38%	27%
Mobile home	0%	1%
Boat, RV, van, etc.	0%	0%

Source: 2016 American Community Survey.

TABLE 13 SINGLE-FAMILY MEDIAN HOME SALES PRICE

Year	City of San Mateo	% Change in City Sales Prices (YOY)	San Mateo County	% Change in County Sales Prices (YOY)	Bay Area	% Change in Regional Sales Prices (YOY)
2008	\$800,000	n/a	\$795,000	n/a	\$514,364	n/a
2009	\$730,000	-9%	\$678,750	-15%	\$392,988	-24%
2010	\$750,000	3%	\$725,000	7%	\$449,088	14%
2011	\$710,000	-5%	\$685,000	-6%	\$414,028	-8%
2012	\$778,000	10%	\$736,000	7%	\$464,912	12%
2013	\$913,500	17%	\$912,000	24%	\$607,240	31%
2014	\$1,050,000	15%	\$1,050,000	15%	\$677,001	11%
2015	\$1,275,000	21%	\$1,250,000	19%	\$730,536	8%
2016	\$1,305,000	2%	\$1,300,000	4%	\$784,812	7%
2017	\$1,468,500	13%	\$1,437,500	11%	\$859,188	9%
April 2017	\$1,390,000	n/a	\$1,492,500	n/a	\$885,000	n/a
April 2018	\$1,663,000	20%	\$1,800,000	21%	\$1,010,000	14%

Notes: YOY = Year-Over-Year.

Annual data are year-end figures; 2018 data as of April 2018.

Source: San Mateo County Association of Realtors.

TABLE 14 HOUSING STRUCTURE AGE

Structure Age	City of San Mateo	San Mateo County
Built 2010 or later	1%	1%
Built 2000 to 2009	5%	5%
Built 1990 to 1999	6%	7%
Built 1980 to 1989	11%	10%
Built 1970 to 1979	14%	18%
Built 1960 to 1969	15%	17%
Built 1950 to 1959	23%	24%
Built 1940 to 1949	15%	11%
Built 1939 or earlier	10%	8%

Source: 2016 American Community Survey.

TABLE 15 MULTI-FAMILY MONTHLY RENTAL RATES

Jurisdiction	2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD 6/1/18
City of San Mateo	\$1,785	\$1,853	\$1,955	\$2,096	\$2,237	\$2,408	\$2,672	\$2,677	\$2,761	\$2,921
San Mateo County	\$1,709	\$1,759	\$1,851	\$1,987	\$2,131	\$2,265	\$2,474	\$2,490	\$2,542	\$2,676
Bay Area	\$1,476	\$1,527	\$1,603	\$1,704	\$1,823	\$1,945	\$2,089	\$2,103	\$2,159	\$2,268

Note: Figures shown are average effective rents per unit.

Sources: CoStar; Economic & Planning Systems, Inc.

TABLE 16 MULTI-FAMILY PIPELINE (AS OF AUGUST 31, 2018)

Project Name	Multi-Family Units			
	Pre-Application and Pending Application	Applications Under Review	Approved Projects	Under Construction
406 E 3 rd Avenue	23			
477 E. Hillsdale Boulevard	151			
Concar Passage	935			
Waters Park Drive	162			
1650 S. Delaware Street		73		
303 Baldwin Avenue		64		
Essex at Central Park		80		
2 West 3 rd Avenue			10	
210 S. Fremont Street			15	
21 Lodato Avenue			3	
2775 S. Delaware			68	
Hillsdale Terraces			68	
220 N. Bayshore Townhomes				42
405 E. 4 th Avenue				15
737 2 nd Avenue				7
Bay Meadows Phase II Development Program				300
Central Park South				60
106, 110, and 120 Tilton Avenue				27
Station Park Green Development				599
Total	1,109	379	164	1,050

Source: City of San Mateo.

TABLE 17 RHNA PERMITTED UNITS ISSUED BY AFFORDABILITY

Income Level	RHNA Allocation	2015	2016	2017	Remaining RHNA Units to be Issued (2018-2023)
Very Low	859	0	12	37	810
Low	469	23	3	0	443
Moderate	530	88	2	4	436
Above Moderate	1,242	480	172	424	166
Total RHNA Allocation Number	3,100	591	189	465	1,855

C. POPULATION PROJECTIONS

Population projections for the City, County, and Bay Area region are presented below as published by two sources – ABAG and California Department of Finance (DOF.) County level population projections are published by DOF for all California counties and by ABAG for all Bay Area counties and cities.¹⁰

For city-level projections, given that DOF does not publish population projections at this geography, EPS calculated the City’s population projections by applying the DOF historical annual average population growth rate of 0.9 percent between (1980-2018) to estimate future annual population growth.

At the Bay Area level, EPS calculated the total population projections as a summation of DOF’s county-level population projections for all nine Bay Area counties. EPS also calculated the ABAG Bay Area population projection by adding the population projections for all nine Bay Area counties as published by ABAG.

As shown in Table 18, the population of San Mateo is projected to grow 24.7 percent between 2015 and 2040 to almost 127,000, a gain of about 25,000 new residents, while the County grows by nearly 124,000 (16 percent) to a population of more than 884,000. The population of the Bay Area region is expected to grow to roughly 10.4 million people by 2040. This gain amounts to nearly 3 million more people.

ABAG projects that the population of the City will grow by 27,500 between 2015 and 2040 and that the County population will grow by 160,000. ABAG projects that the regional population will grow by 1.8 million new residents, totaling 9.3 million by 2040. The key difference between ABAG and DOF estimates is that ABAG projects the region as a whole will grow more slowly but that the growth will be more concentrated in key urban areas, such as the City of San Mateo.

¹⁰ On a county by county basis, DOF forecasts factor for net natural increase (i.e. the number of births, less deaths) and net in-migration (i.e. number of in-migrants, less out-migrants) at the start of a base year.

TABLE 18 POPULATION PROJECTIONS

	2010	2015	2020	2025	2030	2035	2040	2015 - 2040	
								% Growth	Average Annual
DOF									
City of San Mateo	97,106	101,608	105,954	110,809	115,886	121,195	126,748	24.7%	1.09%
San Mateo County	718,614	760,343	792,271	820,318	844,778	865,466	884,198	16.3%	0.7%
Bay Area	7,147,042	7,578,345	7,981,115	8,527,244	9,110,743	9,734,170	10,400,256	37.2%	1.6%
ABAG									
City of San Mateo		105,020	109,676	114,425	123,027	126,251	132,507	26.2%	1.0%
San Mateo County		757,145	797,597	817,026	853,779	878,506	917,160	21.1%	0.8%
Bay Area		7,461,400	7,786,800	8,134,000	8,496,800	8,889,000	9,299,100	24.6%	0.9%

Note: EPS calculated City and Bay Area population projections by applying the long-term annual average population growth rate (1980-2018) to future annual population growth. The County population projections are published by California Department of Finance. Bay Area figures are a summation of all nine counties' population projections published by Department of Finance. Sources: California Department of Finance; Association of Bay Area Governments; Economic & Planning Systems, Inc.

D. EMPLOYMENT AND JOBS TRENDS

Understanding the existing composition of the San Mateo economy helps shed light on the City's competitive position in comparison to other regional job centers. Historical employment trends, current jobs by industry sector, and commercial real estate market trends all contribute to current commercial dynamics in San Mateo and help shape opportunities for future economic growth.

1. Employment

As shown in Table 19, employment in San Mateo increased at a robust average rate of 6.4 percent per year from 2012 through 2016. Much of this growth is a reflection of the concentration of technology and knowledge economy firms in the region and the growth of this industry cluster in recent years. Following several years of strong growth, total employment declined in 2017 by -2.7 percent year-over-year as of the third quarter of 2017, the latest data available at the City level.¹¹ The pace of payroll expansion in the County and throughout the Bay Area region was also robust, yet steadier than in the City; annual job growth in both the County and the Bay Area region from 2012 through 2017 averaged 3.3 percent.

The impact of growth in the technology sector can also be seen in the trends in industry concentrations of employment in the City and throughout the region. Figure 5 shows that professional and technical services in San Mateo, the sector that encapsulates most of the technology and knowledge economy jobs, grew significantly since 2005 when its 4,800 jobs constituted approximately 12.8 percent of all jobs in the City. As a result of the boom in the technology and innovation economy following the Great Recession, professional services jobs grew to a peak of 11,500 in mid-2016. As tech job growth slowed in recent quarters, professional services jobs decreased somewhat to roughly 10,400 as of the third quarter of 2017, the latest available data. Despite this slight decline, the City of San Mateo and the broader Peninsula region continues to be a strong concentration of technology and innovation economy jobs.¹² The share of professional services jobs still accounted for almost one-fifth of all City jobs as of September 2017, a substantial increase since 2005. This proportion of professional services jobs is matched only by San Francisco.

Please note that for the sake of clarity and legibility, only the largest six employment sectors are shown in Figure 5. The six sectors shown capture the majority of employment across these five Bay Area Counties and therefore capture the most significant employment trends and dynamics in the region since 2005.

The health care industry is traditionally a demographically-driven sector that generally is thought to grow in tandem with population growth. This sector grew modestly during the period when population growth in San Mateo accelerated. As of the third quarter of 2017, the share of the City of San Mateo's employment that constituted health care jobs was 10.5 percent, up from 9.9 percent in 2010. By contrast, health care grew more substantially in adjacent San Francisco and Santa Clara Counties. However, as the baby boomer generation ages, the growth of this age group is expected to increase demand for health care services. Therefore, the recent historical trend of modest growth in the health care services sector may not be predictive of future growth in the health care industry.

¹¹ 2017 data is as of the third quarter of 2017 and may not yet reflect the seasonal adjustments that are factored into annual estimates. Until data for the full year is available, EPS cannot be certain if the 2017 decline in jobs in the City is the beginning of a trend or simply has not yet been seasonally adjusted.

¹² For more information on particular firms and employment trends, see the Silicon Valley Index and the SV150 list as well as published data, reports, and indicators from regional economic institutions such as the Silicon Valley Leadership Group, Joint Venture Silicon Valley, SPUR, and Bay Area Council Economic Institute.

Similarly, in terms of the impact of population growth on other public services and jobs, a modest growth in the school age population is implied by the most recent school district forecast update, which cited a projected increase of slightly more than 100 students through 2024.¹³

In terms of the impact of employment growth on the City’s commercial real estate, traditional office uses typically support one employee for every 200 to 300 square feet. As some companies shift toward more open floor plans, shared workstations, and flexible work hours/locations, more employees can be accommodated in the same space. As a result, there has been a trend toward decreasing office employment densities. The R&D/Flex-type of office spaces tend to require slightly more space per employee, generally ranging between 300 and 400 square feet per employee.

The ten largest employers in the City of San Mateo in 2017 were mostly public-sector entities. As shown in Table 20, the County Medical Center employs nearly 1,400 people, and the school districts collectively employ about 2,200 people. Another 650 work at the County Behavioral Health and Recovery Services Center in San Mateo, the City employs 539 people, and the San Mateo Community College District employs 520. The composition and share of large employers has remained relatively stable over the past decade. Between 2008 and 2017, the ten largest employers only accounted for between 15 and 20 percent of the City’s overall employment, a strong sign of the diversity of local jobs. Importantly, even as several individual public sector agencies are the largest employers in the City, in the aggregate, the government employment sector (which consists of federal, state, and local government employees) is not one of the six largest employment sectors in other areas in the region. Therefore, for comparison purposes, government employment is not shown on Figure 5.

In terms of private sector employers, entertainment and gaming giant Sony employs 1,149 people in the City of San Mateo. Franklin Templeton Investor employs nearly 1,000 people. Collectively, the cloud computing firm, Net Suite, Inc. and the digital marketing firm, Marketo, Inc. employ another 1,052 people. These large employers account for nearly 8,500 jobs in the City of San Mateo, over 16.4 percent of the more than 52,500 jobs in the City.

2. Jobs/Employed Residents Ratio

The City’s Housing Element cites ABAG data to show a jobs per employed residents’ ratio of 1.03 as of 2010. EPS is not able to recreate the data provided in the Housing Element due to the fact that ABAG data are frequently revised and the previously cited data are no longer available. Therefore, in order to demonstrate a trendline, EPS used Census data to show how the jobs per employed residents’ ratio has shifted over time (see Table 21). The ratio shifted from 0.86 in 2010 to 1.09 in 2015, illustrating that there are now more jobs in the City than employed residents.

While this shift is a trend to monitor, the current ratio remains healthy and indicative of an economy in relative balance. However, this ratio does not address the extent to which the types of jobs in the city are aligned with the skills of local residents. The extent to which jobs in the City are filled by residents and/or the extent to which residents are able to find jobs in the City is a complex relationship that has significant implications for commute patterns and traffic generation. For example, if an employee at a business in San Mateo cannot find appropriate and affordable housing close to work, he/she will look for housing further away from San Mateo, contributing to the traffic congestion on regional freeways as well as on local streets.

The following section describes overall commute patterns and notes that the sectors with the greatest concentration of jobs in the City of San Mateo closely match the industry sectors in which many San Mateo

¹³ Enrollment Projection Consultants’ March 2018 Forecast Update Report for San Mateo – Foster City School District.

residents are employed. However, only about 13 percent of employed residents work at jobs located within the City, suggesting that many of the City residents that commute out to work are replaced by residents of other nearby cities and towns employed in similar industries as local City residents.

3. Commute Patterns

This section describes overall commute patterns and notes that the sectors with the greatest concentration of jobs in the City of San Mateo closely match the industry sectors in which many San Mateo residents are employed. Commute patterns play an increasingly important role in population growth and thus, land use demand. Information on San Mateo's jobs to employed residents ratio (above) and the travel patterns of both local residents and employees provide important insight into opportunities for and constraints on the local and regional economy.

Given the centrality of the City of San Mateo in relation to major regional transportation corridors such as U.S. Highway 101, State Route (SR) 92, and El Camino Real, the City is a through-point for commuters traveling across the Peninsula. Many large office parks and employment centers are located along this corridor; therefore, employment and commute patterns are heavily concentrated on or around U.S. Highway 101. As shown in Figure 6, roughly 50,000 workers commute into San Mateo County from San Francisco County. In addition, 46,000 Santa Clara County residents and 41,500 Alameda County residents commute into San Mateo County, as of 2016.

Approximately 46 percent of City residents work elsewhere on the Peninsula or in San Francisco, and 42 percent commute further away—with only a small portion of City of San Mateo residents traveling to San Jose or Oakland, two of the region's largest jobs centers.

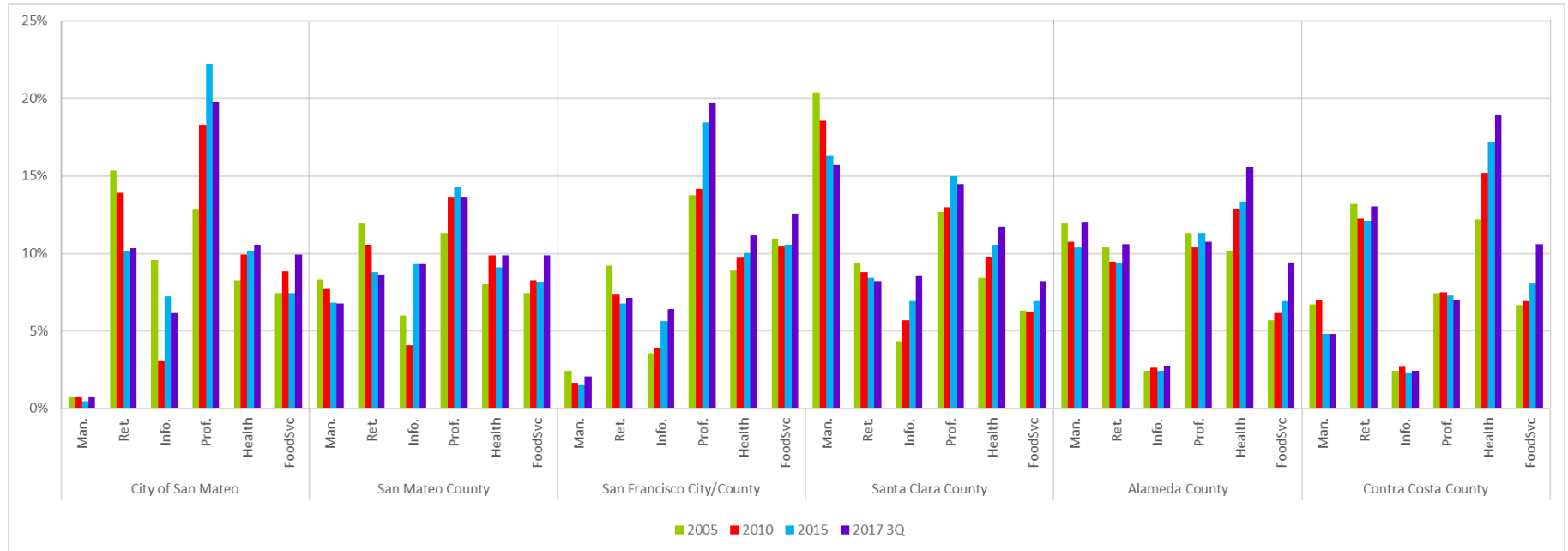
Of all employees in the City of San Mateo, about 13 percent reside in the Peninsula cities of Redwood City, Foster City, Daly City, South San Francisco, and San Bruno. Approximately 10 percent come in from San Francisco, another 6 percent commute from San Jose, and about 4 percent commute from the East Bay cities of Fremont and Hayward.

As described above, in addition to origin-destination data, commute patterns are also largely affected by the concentration of particular industry sectors. Even though the sectors with the greatest concentration of jobs in the City of San Mateo closely match the industry sectors in which many San Mateo residents are employed, relatively few employed residents work at jobs located within the City. For example, the highest share of City residents are those employed in the professional services sector, followed by health care and social assistance, and retail trade.¹⁴ However, as illustrated in Table 22, only about 13 percent of employed residents are employed within the City, suggesting that many of the City residents who commute out to work are replaced by residents of other nearby cities and towns employed in similar industries as local City residents, which in turn, is contributing to increased traffic and congestion.

One of the most significant trends in terms of commute patterns among City residents is the decrease in the share of San Mateo residents who also work in San Mateo. Between 2005 and 2015, this share decreased from 15 percent to 13 percent. This decline in City residents also working in the City of San Mateo has also contributed to traffic congestion, in general.

¹⁴ The latest available data on the employment sector of City residents is as of 2015 and available through the LEHD OnTheMap tool from the U.S. Census.

FIGURE 5 REGIONAL EMPLOYMENT TRENDS (2005 – 2017)

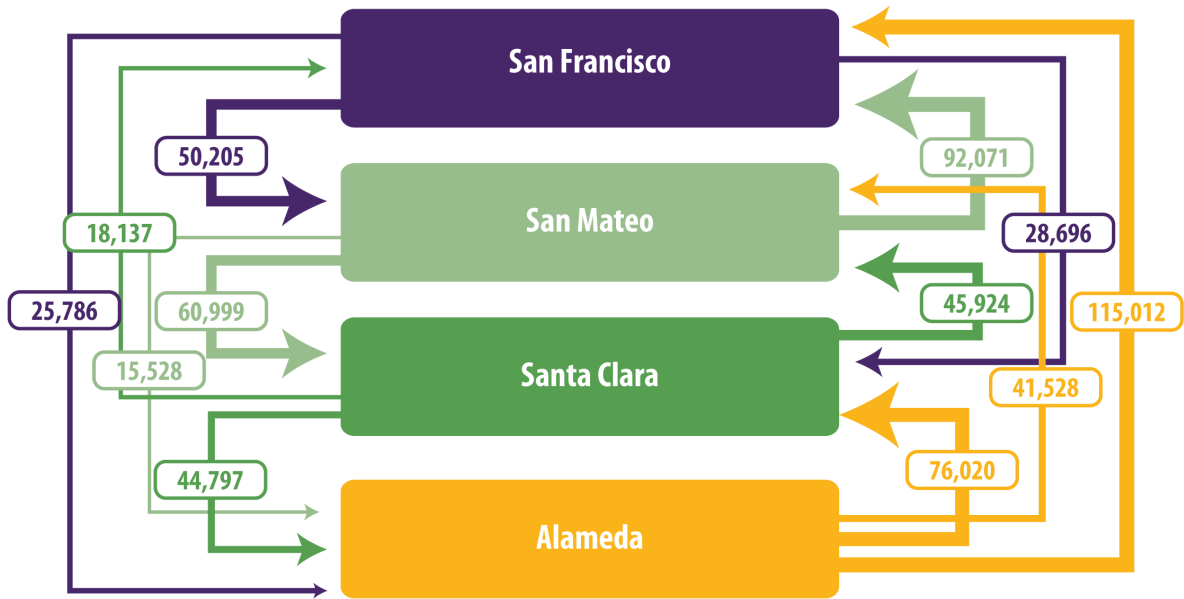


Industry Sectors and NAICS Codes

- Man.** Manufacturing (31-33)
- Ret.** Retail Trade (44-45)
- Info.** Information (51)
- Prof.** Professional, Scientific, and Technical Services (54)
- Health.** Health Care and Social Assistance (62)
- Food Svc.** Accommodation and Food Services (72)

Sources: Census LEHD OnTheMap; California Employment Development Department; Economic & Planning Systems, Inc.

FIGURE 6 REGIONAL COMMUTING PATTERNS (2016)



Source: Joint Venture Silicon Valley (<https://siliconvalleyindicators.org/data/place/transportation/commuting/commute-patterns/>)

TABLE 19 TOTAL EMPLOYMENT (2012 – 2017)

Geography	2012	2013	2014	2015	2016	2017
City of San Mateo	41,700	44,143	48,468	49,881	53,456	52,497
% Growth (YOY)		5.9%	9.8%	2.9%	7.2%	-2.7%
San Mateo County	340,075	354,891	372,192	383,668	391,640	400,809
% Growth (YOY)		4.4%	4.9%	3.1%	2.1%	2.3%
Bay Area	3,284,023	3,404,388	3,525,908	3,643,118	3,778,951	3,864,139
% Growth (YOY)		3.7%	3.6%	3.3%	3.7%	2.3%

Note: 2012-2016 data for City and County are annual averages reported by EDD; 2017 annual averages are not yet reported by EDD as of June 2018. Bay Area employment is the sum of annual average employment in all nine counties from 2012 through 2017. Latest City data reported by EDD are as of the third quarter of 2017 (annual growth rate is calculated by EPS using 3q16 and 3q17 data). EPS calculated Bay Area and San Mateo County annual average using county employment data of four quarters in 2017. Sources: California Employment Development Department; Economic & Planning Systems, Inc.

TABLE 20 CITY OF SAN MATEO LARGEST EMPLOYERS

	Employees On-Site 2008	Largest Employers	Employees On-Site 2012	Largest Employers	Employees On-Site 2017
Largest Employers					
Public Sector		Public Sector		Public Sector	
County of San Mateo Medical Center	1,300	County of San Mateo Medical Center	1,197	County of San Mateo Medical Center	1,377
City of San Mateo	874	San Mateo-Foster City Unified School District	1,090	San Mateo-Foster City Unified School District	1,157
Department of Mental Health	600	San Mateo Community College District	1,012	San Mateo Union High School District	1,027
County of San Mateo Probation Division	560	City of San Mateo	965	San Mateo County Behavioral Health	650
US Post Office	285	San Mateo Union High School District	800	City of San Mateo	539
		San Mateo County Behavioral Health	390	San Mateo Community College District	520
Private Sector		Private Sector		Private Sector	
Franklin Templeton Investor	1,300	Franklin Templeton Investor	1,110	Sony	1,149
Mills Peninsula Health Services	825	Mills Peninsula Health Services	454	Franklin Templeton Investor	976
Safeway Stores	311	Fisher Investments	438	Net Suite, Inc.	600
Macy's Department Stores	300	Nordstrom Inc	360	Marketo, Inc.	452
Nordstrom Inc	300				
Total Largest Employers	6,655	Total Largest Employers	7,816	Total Largest Employers	8,447
Total Employment in City of San Mateo	42,731	Total Employment in City of San Mateo	41,700	Total Employment in City of San Mateo	52,497
Large Employers' Share of Total City Employment	15.6%	Large Employers' Share of Total City Employment	18.7%	Large Employers' Share of Total City Employment	16.1%

Notes: Data in this table was collected as of August 2018. The City of San Mateo total employment is the monthly employment for September 2017.

Sources: City of San Mateo 2008, 2012, and 2017 Comprehensive Annual Financial Report; California Economic Development Department; Economic and Planning Systems, Inc.

TABLE 21 JOBS TO EMPLOYED RESIDENTS RATIO

Item	2010	2015
Total Jobs	36,123	54,082 ^a
Employed Residents	42,140	49,499
Jobs to Employed Residents Ratio	0.86	1.09

Note a: This number is different from the 2015 jobs number in Table 19 above because it is from the US Census in order to use the same source for both total jobs and employed residents. Sources: OnTheMap, Census Bureau; Economic & Planning Systems, Inc.

TABLE 22 CITY OF SAN MATEO COMMUTE PATTERNS

Region	2005 Levels	2010 Levels	2015 Levels
Where Workers are Employed Who Live in the Selection Area			
All Other Locations	37%	38%	36%
San Francisco, CA	15%	18%	18%
San Mateo, CA	15%	12%	13%
Redwood City, CA	7%	6%	6%
Burlingame, CA	7%	6%	6%
Palo Alto, CA	4%	5%	5%
South San Francisco, CA	5%	4%	4%
San Jose, CA	3%	4%	4%
Foster City, CA	4%	4%	3%
Menlo Park, CA	2%	2%	2%
Oakland, CA	2%	2%	2%
Where Workers Live Who are Employed in the Selection Area			
All Other Locations	49%	54%	54%
San Mateo, CA	16%	13%	12%
San Francisco, CA	11%	10%	10%
San Jose, CA	5%	5%	6%
Redwood City, CA	4%	4%	3%
Foster City, CA	4%	3%	3%
Daly City, CA	3%	3%	3%
Hayward, CA	2%	2%	2%
South San Francisco, CA	2%	2%	2%
San Bruno, CA	2%	2%	2%
Fremont, CA	2%	2%	2%

Source: Census LODS OnTheMap.

E. COMMERCIAL PROPERTY TRENDS

Given the City's strong economic and demographic growth in recent years, the City of San Mateo's office, light industrial, retail (which encompasses restaurants and self-care uses), and hotel markets are dynamic and ever-changing. Commercial property trends suggest a number of opportunities and challenges, which vary in degree from subarea to subarea within the City.

As this Existing Conditions report is in support of the City's General Plan Update, the data and findings in this section are provided from a citywide level perspective rather than at the subarea level. Subarea level information and trends are typically provided as part of a Specific Plan planning effort. One example is the Downtown Specific Plan, which is currently being updated, and where data and trends for that study area would be more appropriate.

The historical data for this section is derived from CoStar, a leading provider of real estate data. Additionally, information about projects that are in the planning pipeline or currently under construction was provided by the City of San Mateo as of August 2018.

1. Office Trends

The office market in San Mateo has expanded recently, with approximately 860,000 square feet coming online between 2016 through June 2018. By comparison, only 15,000 square feet were delivered from 2010 through 2015. Beginning in 2013, as demand for office space increased, the overall vacancy rate decreased and asking rents increased. In response, new construction delivered roughly 136,000 square feet in 2016 and nearly 700,000 square feet in 2017. As shown in Table 23 and Figure 7, the increase in new supply affected occupancy and rents. The vacancy rate increased to 12.9 percent while rents declined in 2017 and remained relatively unchanged in 2018 as of June.

The City's Class A office properties, which constitute approximately one-third of the City's office inventory, are heavily clustered in several large office parks along the SR 92 corridor. The average asking rent of these properties was \$61.61 as of June 2018, substantially higher than the Citywide average. The vacancy rate was 10.6 percent, somewhat less than the City on the whole. Class B and C office properties are the larger share of office space in the City. Class B and C office space commands an average asking rent of approximately \$51 as of mid-2018. Vacancies in Class B and C offices are closer to the Citywide average at 12.2 percent.

By contrast, office market conditions in San Mateo County remain tight. Table 23 shows that even as new supply of more than 2 million square feet has steadily come online throughout the County's office submarkets since 2015, the vacancy rate has remained steady in the mid-to-high 7 percent range since 2016. The County's office space accounts for nearly 12 percent of the Bay Area office space market. The asking rent increased substantially every year between 2013 and 2017 and appears stable in 2018 at \$60.75 per square foot per year, compared to the current \$54.64 in the City.

2. Office Pipeline

Another 396,507 square feet of office space is currently under construction in seven projects throughout the City of San Mateo, as shown in Table 24. One additional 6,379-square-foot office project has been approved but has yet to break ground. As new supply comes online, some of the older stock may become relatively more affordable for young and growing businesses, and some of the oldest stock may be redeveloped as they become obsolete. The pipeline numbers provide estimates of gross square feet under construction or recently approved, and do not account for existing stock that may become obsolete.

3. Industrial Trends

As shown in Table 25 and Figure 8, the industrial space market in the City of San Mateo remains small but in-demand and faces multiple, simultaneous pressures. The industrial uses in the City primarily consist of light industrial such as auto repair/service establishments or warehousing but generally do not include heavy manufacturing. The City faces a challenge in balancing the need to retain light industrial land uses in order to remain attractive to innovation industries which often require “hacker” or “maker” spaces to incubate new startups even as there are market pressures to convert these spaces into residential or commercial spaces.

Following tight market conditions in the industrial space market for several years, there is very little viable space left in the market. Therefore, it appears some prospective tenants are looking elsewhere and leasing activity in the City slowed somewhat in 2018, reversing the trend of rising rents since 2013. As of June 2018, average annual asking rents decreased to \$18.31 per square foot. Still, the vacancy rate is extremely low, ranging between 0.3 percent and 2.0 percent between 2010 and 2018 year-to-date.

The County industrial market, which accounts for roughly 15 percent of the Bay Area industrial space market, also remained tight for several years and only recently indicated some weakening, as shown in Table 24. Several thousand square feet of new supply has come online every other year since 2011. Yet, given growing demand for industrial space in support of increasing online retail trends, the vacancy rate continued to trend downward, reaching a low-point of 1.5 percent in 2017. Conditions weakened somewhat in 2018, but the vacancy rate remains very low at 2.1 percent. The average asking annual rent increased steadily, despite intermittent new additions of industrial space.

4. Retail Trends

The health of the retail market in San Mateo has remained fairly strong with two major regional shopping centers in the City of San Mateo (Hillsdale Mall and Bridgepoint) as well as distinct commercial districts like the Downtown, as well as traditional neighborhood strip centers. This report is focused on the overall performance of the retail market, which may mask differences in the performance of distinct subareas and specific retailers. In addition, it is important that the City’s retail supply provide goods and services for a range of socio-economic needs in the City.

As shown in Table 26 and Figure 9, only a small amount of new supply delivered on the market since 2010. However, please note that the CoStar data does not reflect the recent demolition of the Kmart store and its redevelopment into the mixed-use Station Park Green development, which is under construction. The vacancy rate oscillated somewhat, yet remained very low in recent years. As of June 2018, the vacancy rate increased slightly to 3.0 percent. The average asking rate held relatively steady in the mid-\$20 range before spiking to \$40.17 in 2017 and decreasing to \$33.37 as of mid-2018.

By comparison, the County’s retail market added new supply every year since 2011, and the vacancy rate oscillated somewhat and decreased to 1.6 percent to 2017 before increasing to 2.2 percent as of mid-2018. The average asking retail rent in the County increased incrementally from 2013 through 2016 and spiked in 2017 and stabilized at \$36.27 in June 2018. There has been slightly more new construction throughout the Bay Area

region, proportionally speaking, than in San Mateo County. The County's retail space accounts for less than nine percent of the regional retail space market.

Another metric for evaluating the health of an area's retail market is per-capita sales tax revenue. The City's high per capita sales revenue is a result of the popularity of its regional shopping destinations. The annual per-capita sales tax ratio in San Mateo is \$265, compared to \$139 in the County, as shown in Table 27. In other comparably sized cities on the Peninsula, only the per capita sales tax revenue in Redwood City exceeds that of San Mateo.

Consumer trends making online retail increasingly popular mean that brick-and-mortar retail is likely to be challenging for the foreseeable future. Some establishments that are able to adapt to trends such as offering experiential features, showrooming, and providing omnichannel shopping (e.g., online, in a physical store, and by phone) are more likely to survive. Experiential features often involve incorporating dining and entertainment establishments into retail settings. Showrooming is calling for smaller retail footprints, where physical stores essentially become testing areas for customers to see or try on an item. The actual item is then purchased via the online shop and delivered to the customer. In addition, omni channeling allows customers to have a seamless digital and real-world experience with a retailer. This often translates into convenient features such as shopping online and picking up items at a nearby retail branch. These trends pose significant competitive challenges to traditional brick-and-mortar shops, regional malls, and "main street" shops. Accordingly, retailers and city officials are experimenting with multiple approaches to address transformative trends. A recent report by the Downtown San Mateo Technical Assistance Panel found that the area is a walkable and vibrant district with many thriving retail businesses, yet could be strengthened with a focus on urban design and accessibility.¹⁵

The Hillsdale Shopping Center, in the southeastern corner of the City of San Mateo, is one such experimentation site. The mall's "North Block" has been under renovation for the past two years and plans to do a phased re-opening beginning in late 2018. The plans include demolishing the Sears store and neighboring shops and parking lot and remodeling these spaces into a more walkable, experiential retail setting with a public plaza with open-air seating surrounding water fountains, bowling alley, luxury cinema, and restaurants, along with boutique shops. The aim is to shift away from big box, indoor shopping to creating a more engaged public space with retail components.

5. Retail Pipeline

Table 28 shows 25,000 square feet of retail space currently under construction at the Station Park Green Development and 24,175 square feet of retail space under construction at Bay Meadows. The Hillsdale Mall renovation is expected to add approximately 13,000 net new square feet upon completion. In addition, two projects amounting to more than 22,000 square feet have been approved but have not yet broken ground. There are also five projects containing a cumulative 63,330 square feet of retail space that are presently under review or engaged in the pre-application process.

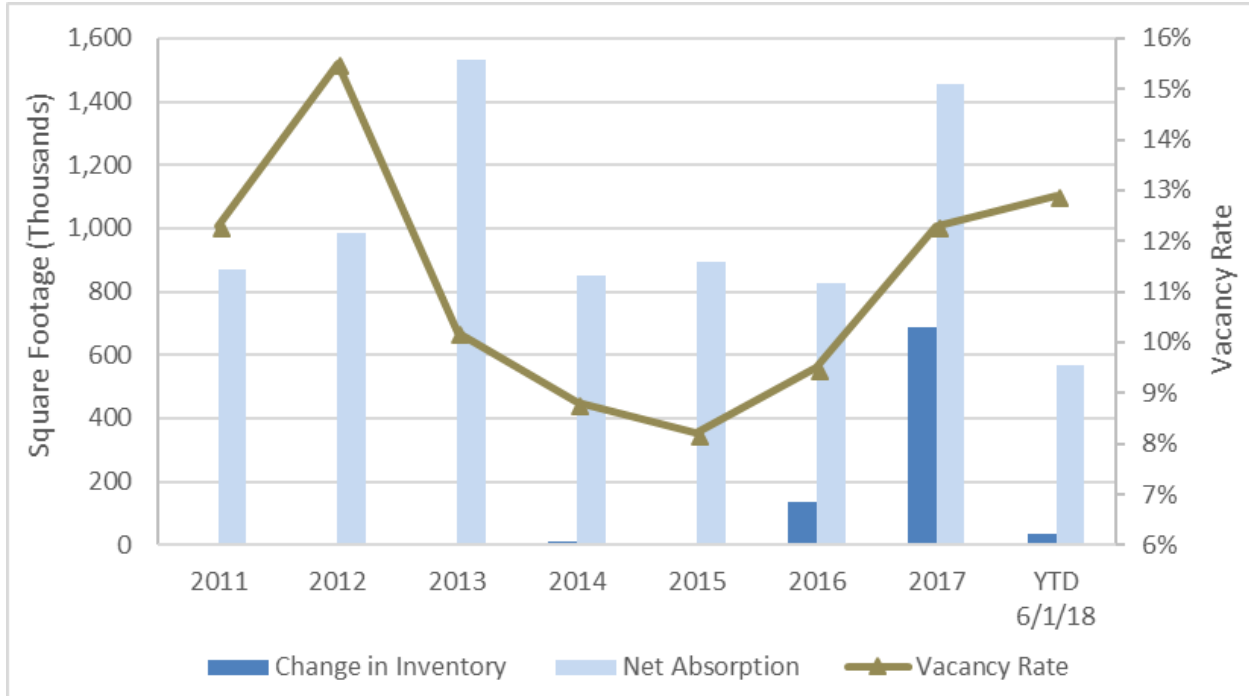
6. Hotel Trends and Pipeline

The Silicon Valley region, given its concentration of technology and innovation industry hubs, experiences a high rate of business travel, fueling the region's accommodation and hospitality sectors. Given that the City of San Mateo is located just south of the San Francisco Airport, there are a number of existing hotels along the major transportation corridors of U.S. Highway 101, SR 92, and the El Camino Real that crisscross the City. To this end,

¹⁵ An evaluation of the Downtown was done for the City of San Mateo was conducted in May 2015 by ULI's Technical Assistance Panel in partnership with Bay Area consulting firms and City officials (https://sf.uli.org/wp-content/uploads/sites/47/2011/06/Downtown-San-Mateo-ULI-TAP_Final-2.pdf).

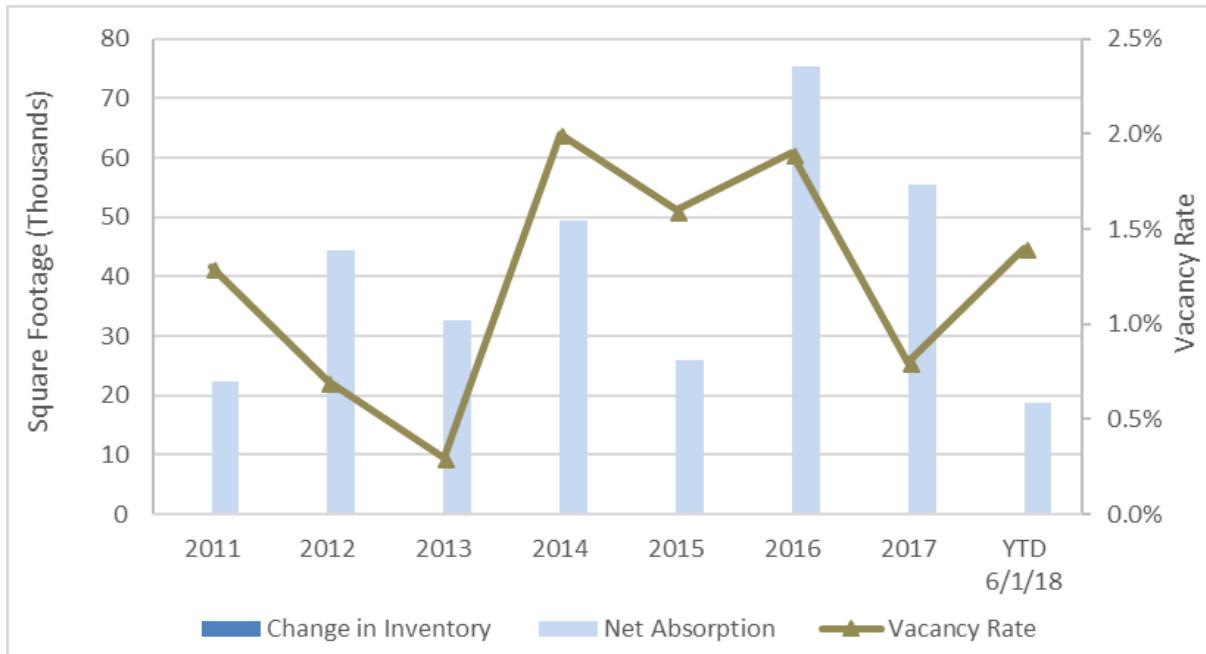
the City is currently evaluating a proposal to redevelop and expand an existing hotel along U.S. Highway 101 near the City's southeastern corner into a Hampton Inn & Suites. The proposed 90,000 square-foot project would replace the existing 116-room hotel with a 179-room hotel. Once constructed, this hotel would add 63 net new hotel rooms; thereby increasing the total for the city to 1,669 hotel rooms.

FIGURE 7 CITY OF SAN MATEO OFFICE MARKET TRENDS



Sources: CoStar; Economic & Planning Systems, Inc.

FIGURE 8 INDUSTRIAL MARKET TRENDS



Sources: CoStar; Economic & Planning Systems, Inc.

FIGURE 9 RETAIL MARKET TRENDS

Sources: CoStar; Economic & Planning Systems, Inc.

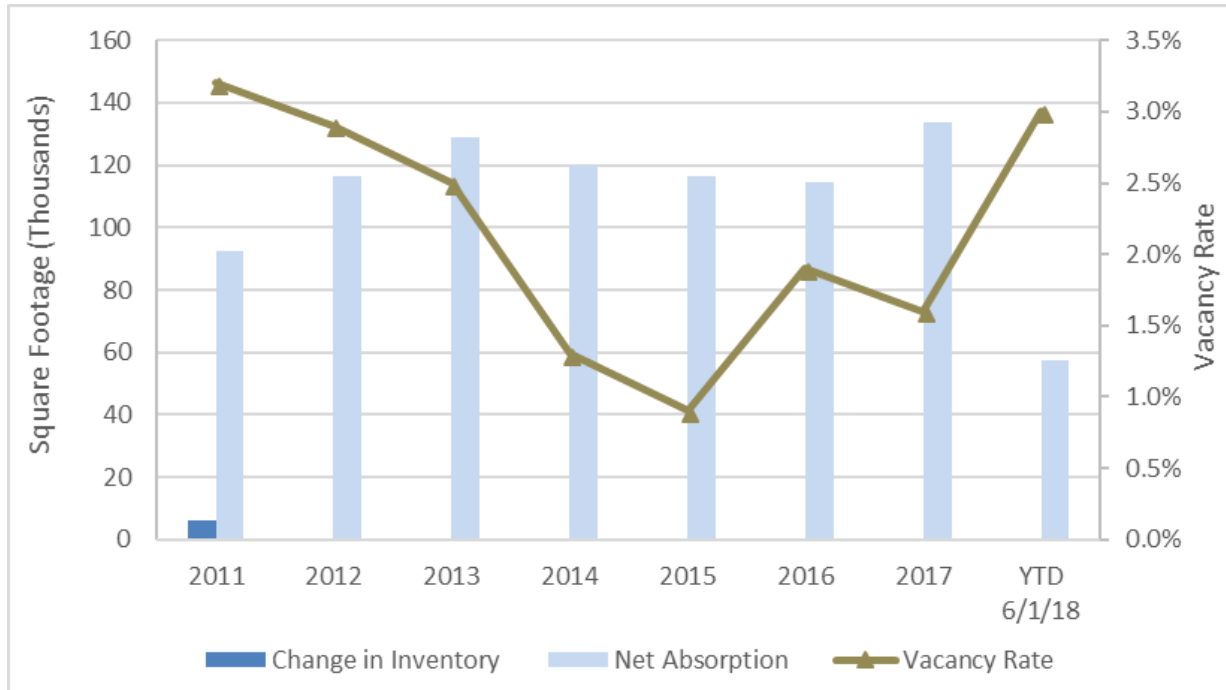


TABLE 23 OFFICE MARKET TRENDS

Jurisdiction	2010	2011	2012	2013	2014	2015	2016	2017	YTD 6/1/18
City of San Mateo									
Total Inventory	8,574,258	8,574,258	8,576,908	8,576,908	8,589,228	8,589,228	8,725,181	9,413,848	9,447,348
Change in Sq.Ft. (YOY)	-	0	2,650	0	12,320	0	135,953	688,667	33,500
% Change (YOY)	-	0.0%	0.0%	0.0%	0.1%	0.0%	1.6%	7.9%	0.4%
Vacancy	15.5%	12.3%	15.5%	10.2%	8.8%	8.2%	9.5%	12.3%	12.9%
Class A	13.7%	8.9%	11.6%	11.2%	6.4%	7.1%	11.1%	14.7%	10.6%
Class B	16.3%	12.6%	9.3%	9.5%	9.0%	8.6%	7.9%	10.2%	12.2%
Avg. Ann. Asking Rent	\$26.67	\$30.33	\$34.19	\$40.57	\$46.29	\$55.03	\$57.23	\$54.47	\$54.64
Class A	\$26.79	\$32.60	\$37.21	\$42.80	\$52.97	\$62.17	\$62.69	\$60.95	\$61.61
Class B	\$26.35	\$28.53	\$31.51	\$37.64	\$40.00	\$45.66	\$48.51	\$47.05	\$50.87
San Mateo County									
Total Inventory	48,471,810	48,627,315	48,785,823	48,865,297	48,963,109	49,932,755	50,980,029	51,673,576	51,997,118
Change in Sq.Ft. (YOY)	-	155,505	158,508	79,474	97,812	969,646	1,047,274	693,547	323,542
% Change (YOY)	-	0.3%	0.3%	0.2%	0.2%	2.0%	2.1%	1.4%	0.6%
Vacancy	14.5%	11.6%	11.5%	11.1%	8.9%	8.2%	7.9%	7.5%	7.8%
Avg. Ann. Asking Rent	\$31.21	\$35.38	\$39.93	\$41.59	\$45.36	\$50.87	\$56.72	\$60.46	\$60.75

Note: Rents are overall (direct and sublet), and full service. Class B/C vacancies and rents are weighted averages of both classes.

Sources: CoStar; Economic & Planning Systems, Inc.

TABLE 24 OFFICE PIPELINE (AS OF AUGUST 31, 2018)

Project Name	Square Footage			
	Pre-Application and Pending Application	Applications Under Review	Approved Projects	Under Construction
1495 S. El Camino Real	20,910			
406 E 3 rd Avenue	122,031			
Bay Meadows II SPAR Modifications		367,488		
Trag's Market		60,664		
520 S. El Camino Real			6,379	
341 N. Delaware (Cal-Water)				17,007
333-345 S. B Street Facade & Office SPAR				7,034
405 E. 4 th Avenue				55,291
Bay Meadows Phase II Development Program				28,415
Central Park South				33,500
Franklin Templeton				245,260
Station Park Green Development				10,000
Total	142,941	428,152	6,379	396,507

Source: City of San Mateo, <https://www.cityofsanmateo.org/1176/Whats-Happening-in-Development>.

TABLE 25 INDUSTRIAL TRENDS 2010 – PRESENT

Jurisdiction	2010	2011	2012	2013	2014	2015	2016	2017	YTD 6/1/18
City of San Mateo									
Total Inventory	1,328,257	1,328,257	1,328,257	1,328,257	1,328,257	1,328,257	1,328,257	1,328,257	1,328,257
Change in Sq.Ft. (YOY)	-	0	0	0	0	0	0	0	0
% Change (YOY)	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Vacancy	0.6%	1.3%	0.7%	0.3%	2.0%	1.6%	1.9%	0.8%	1.4%
Avg. Ann. Asking Rent	\$10.87	\$10.37	\$11.29	\$10.42	\$11.43	\$14.17	\$18.48	\$20.49	\$18.31
San Mateo County									
Total Inventory	41,534,808	41,554,808	41,554,808	41,591,876	41,591,876	41,601,876	41,601,876	41,621,876	41,621,876
Change in Sq.Ft. (YOY)	-	20,000	0	37,068	0	10,000	0	20,000	0
% Change (YOY)	-	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Vacancy	7.8%	7.3%	6.8%	4.7%	3.0%	3.1%	1.7%	1.5%	2.1%
Avg. Ann. Asking Rent	\$9.11	\$9.39	\$9.42	\$10.26	\$10.50	\$12.29	\$14.06	\$16.08	\$17.24

Note: YOY = Year-Over-Year. Rents are overall (direct and sublet), and full service.

Sources: CoStar; Economic & Planning Systems, Inc.

TABLE 26 RETAIL TRENDS 2010 – PRESENT

Jurisdiction	2010	2011	2012	2013	2014	2015	2016	2017	YTD 6/1/18
City of San Mateo									
Total Inventory	4,957,244	4,963,244	4,963,244	4,963,244	4,963,244	4,963,244	4,963,244	4,963,244	4,963,244
Change in Sq.Ft. (YOY)	-	6,000	0	0	0	0	0	0	0
% Change (YOY)	-	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Vacancy	2.3%	3.2%	2.9%	2.5%	1.3%	0.9%	1.9%	1.6%	3.0%
Avg. Ann. Asking Rent	\$20.32	\$23.38	\$24.00	\$23.77	\$25.77	\$25.94	\$27.45	\$40.17	\$33.37
San Mateo County									
Total Inventory	30,586,630	30,649,333	30,658,590	30,733,194	30,813,411	30,871,698	30,993,759	31,022,834	31,022,834
Change in Sq.Ft. (YOY)	-	62,703	9,257	74,604	80,217	58,287	122,061	29,075	0
% Change (YOY)	-	0.2%	0.0%	0.2%	0.3%	0.2%	0.4%	0.1%	0.0%
Vacancy	3.3%	3.4%	3.4%	2.7%	2.0%	2.2%	2.4%	1.6%	2.2%
Avg. Ann. Asking Rent	\$23.71	\$24.30	\$24.69	\$26.31	\$27.25	\$29.11	\$30.62	\$37.16	\$36.27

Note: Inventory as of 6/1/2018 does not reflect the redevelopment of Station Park Green. YOY = Year-Over-Year. Rents are overall (direct and sublet), and full service.

Sources: CoStar; Economic & Planning Systems, Inc.

TABLE 27 PER CAPITA SALES TAX REVENUE COMPARISON

Item	City of San Mateo		City of Daly City		City of Redwood City		City of Sunnyvale		San Mateo County	
	Amount	per Capita	Amount	per Capita	Amount	per Capita	Amount	per Capita	Amount	per Capita
Sales Tax Revenue	\$27,458,762	\$265	\$13,805,000	\$128	\$24,826,000	\$288	\$29,408,000	\$195	\$107,398,000	\$139
Area Population (2017)	103,465		107,733		86,271		150,599		770,256	

Sources: 2017 City Comprehensive Annual Financial Reports for Cities of San Mateo, Daly City, Redwood City, Sunnyvale; 2017 County of San Mateo.

TABLE 28 RETAIL PIPELINE (AS OF AUGUST 31, 2018)

Project Name	Square Footage			
	Pre-Application and Pending Application	Applications Under Review	Approved Projects	Under Construction
1495 S. El Camino Real	2,000			
Concar Passage – Concar, S. Delaware and S. Grant	32,000			
2750, 3150 & 3190 South Delaware Street – Bay Meadows II SPAR Modifications		2,378		
Trag's Market		19,952		
Essex at Central Park		7,000		
2 West 3 rd Avenue			8,745	
Hillsdale Terraces			13,462	
Bay Meadows Phase II Development Program				24,175
Hillsdale Shopping Center				20,157
Station Park Green Development				25,000
Total	34,000	29,330	22,207	69,332

Source: City of San Mateo, <https://www.cityofsanmateo.org/1176/Whats-Happening-in-Development>.

F. JOBS PROJECTIONS

EPS used multiple sources to show jobs projections, including ABAG, the California Department of Transportation (Caltrans), and Woods & Poole Economics, Inc., a private, non-governmental economic data collection firm. All three sources publish data on employment projections at the County level. For the total regional projected jobs, EPS added the County jobs projections for all nine Bay Area Counties (San Francisco, San Mateo, Santa Clara, Alameda, Contra Costa, Napa, Solano, Sonoma, and Marin Counties) as published by the three sources (ABAG, Caltrans, and Woods & Poole Economics, Inc.)

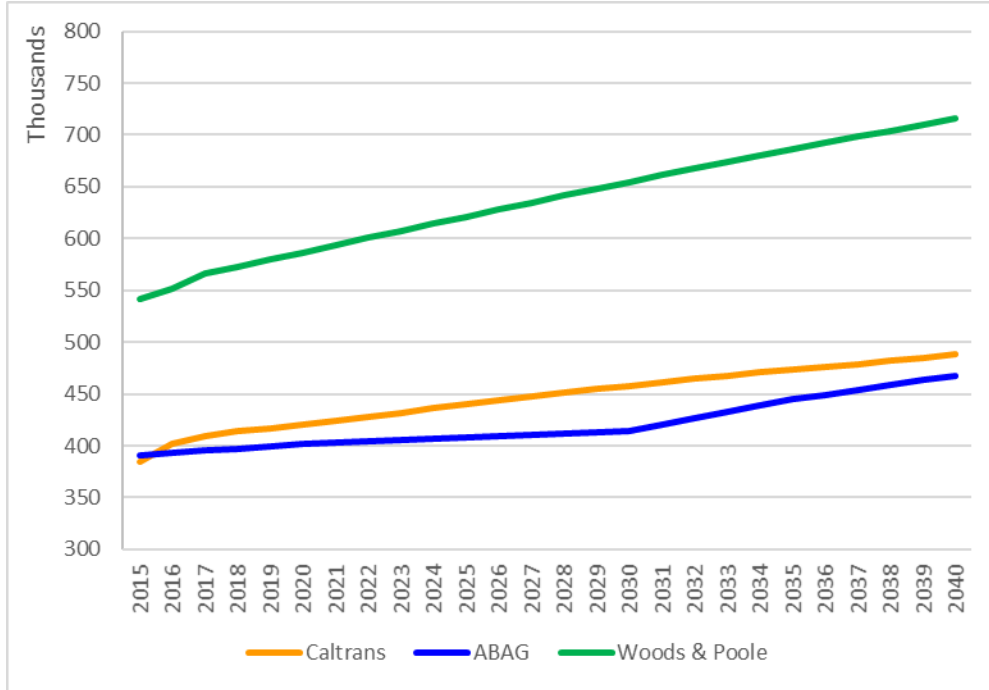
City level employment projections are published by ABAG and only in five-year increments from 2015 through 2040. Caltrans and Woods & Poole do not publish employment projections at the local level. To compare city level projections from ABAG against another projection, EPS calculated that the proportion of jobs in the City as a share of County jobs between 2012 and the third quarter of 2017 averaged 12.9 percent, based on data published by the California Employment Development Department.

Given that City-level job growth is not published by Caltrans, one approach to forecasting City job growth is to assume that the proportion of jobs in the City as a share of County jobs will stay constant during the forecast period. If this proportion were to stay constant during the forecast period, using employment projections for the County of San Mateo published by Caltrans, EPS estimates that there would be nearly 63,000 jobs in the City of San Mateo by 2040.¹⁶ This figure represents an increase of more than 10,000 new jobs since September 2017. Furthermore, if the sector-level composition of jobs in the City were to remain the same, roughly one-fifth of all jobs, or approximately 12,400 jobs in the City would be accounted for in the professional services industries, including in the technology and innovation economy, by 2040. According to the Caltrans projection, the number of jobs in the County of San Mateo would increase to slightly more than 488,000, an increase of about 79,000 from 2018 through 2040 as shown in Figure 10. Caltrans projects that job growth is likely to average 0.8 percent per year during the forecast period. In roughly the same time period, ABAG also projects that jobs in the County will grow at an annual average pace of 0.8 percent. ABAG's projections amount to an increase of roughly 77,000 new jobs, totaling 468,000 by 2040. Woods & Poole employment figures are substantially higher because in addition to data from establishments, Woods & Poole collect data on self-employed residents as well as a portion of untaxed, informal sector jobs. Caltrans and ABAG employment figures, by contrast, primarily include establishments' data only. According to Woods & Poole, there would be roughly 716,000 jobs in the County of San Mateo by 2040. This represents an increase of approximately 150,000 new positions throughout the County, with annual employment growth averaging 1.2 percent over the next 23 years (Table 29).

Please be advised that these forecasts are estimates and, by definition, cannot be known with certainty. Even in the short-term, no projections can be assumed to be completely accurate.

¹⁶ EPS used Caltrans figures to estimate potential future EPS employment growth in the City of San Mateo because the Caltrans employment historical estimates, which are the basis of Caltrans' employment projections, more closely match the historical employment estimates published by the California Employment Development Department (EDD), some of which are summarized in Table 29.

FIGURE 10 JOBS PROJECTIONS FOR THE COUNTY OF SAN MATEO



Note: ABAG published annual data for 2015 and projections for every five years thereafter. Therefore, figures for the intervening years shown on the graph have been extrapolated to show a smooth trend line. Woods & Poole employment figures include self-employed residents as well as a portion of untaxed, informal sector jobs.

Sources: California Department of Transportation; Association of Bay Area Governments; Woods & Poole Economics, Inc.; Economic & Planning Systems, Inc.

TABLE 29 **JOBS PROJECTIONS FOR THE COUNTY AND CITY OF SAN MATEO**

Geography	2017	2020	2030	2040	Annual Average Growth Rate (2018 – 2040)
San Mateo County (Caltrans Employment Projection)	408,913	420,055	458,033	488,306	0.8%
San Mateo County (ABAG Employment Projection)	n/a	401,775	414,647	467,908	0.8%
San Mateo County (Woods & Poole Employment Projection)	565,793	586,053	654,612	715,893	1.2%
City of San Mateo Employment Projection	52,497	54,187	59,086	62,992	0.8%
City of San Mateo (ABAG Employment Projection)	n/a	60,322	64,198	65,027	0.4%
Bay Area (Caltrans Employment Projection)	3,906,028	4,048,000	4,384,626	4,649,709	0.9%
Bay Area (ABAG Employment Projection)	n/a	4,084,434	4,349,480	4,640,120	0.7%
Bay Area (Woods & Poole Employment Projection)	5,403,991	5,653,536	6,486,957	7,222,327	1.5%

Note: 2017 data are historical estimates; City of San Mateo data are as of September 2017. ABAG projected annual average rate of growth for the City and County are based on growth from 2015 through 2040. City employment projections are calculated as a consistent share of 12.9% (which is the historical average proportion of San Mateo City employment data as a share of the County from 2012 through 3Q17, as reported from California Employment Development Department) of the Caltrans employment projection for San Mateo County.

Sources: California Department of Transportation; Association of Bay Area Governments; Woods & Poole Economics, Inc.; California Employment Development Department; Economic & Planning Systems, Inc.

G. CITY FISCAL CONDITIONS

In planning for fiscal sustainability as part of the General Plan Update, the City can look for ways to increase fiscal revenues, primarily through the type and amount of land use development, and/or identify cost savings, by altering service standards and facility needs. However, there are many factors that are largely outside the purview of the General Plan or even City control because they require voter approval or are set by State law.

This section evaluates conditions and trends in key General Fund revenues and expenditures as a basis for identifying key fiscal challenges and opportunities that may affect land use decisions made during the course of the General Plan Update. This evaluation can be used to help the City understand the potential fiscal tradeoffs of land use and development patterns, set service standards, and plan for public facilities as the General Plan land use alternatives are being defined (a future task).

1. General Fund Revenues

Based on documentation provided by the City of San Mateo's Finance Department, the City's General Fund revenues are generated from a variety of sources. As shown in Figure 11, property taxes comprise the majority (55 percent) of General Fund revenues. In addition, close to one-quarter of revenues came from the local share of sales tax revenue. The remaining 21 percent of revenue is generated from taxes on the transfer of real property, transient occupancy tax charged on overnight stays at hotels and other lodging, as well as business licenses.

As indicated by trends discussed in the residential and commercial real estate sections earlier in this report, the assessed value of properties in the City has increased in recent years. This growth has contributed to a steady increase in property taxes since 2012. As of the 2017-18 Fiscal Year, as depicted in Figure 12, property taxes amounted to roughly \$55 million. Additionally, as a signal of the strength of the local real estate market, it is noteworthy that property taxes only decreased slightly during the housing crisis of the Great Recession.

The distribution of sales taxes is heavily skewed to sales from general retail, which includes department stores and other types of merchandise, as well as from food products and restaurants sales. As noted in Figure 13, sales taxes generated from these top two retail sales categories account for nearly two-thirds of all sales taxes. The remaining categories of taxable sales contributing to the City's General Fund revenues include transportation sales (17 percent), business to business transactions (11 percent), construction sales (6 percent), and other sales (1 percent).

Unlike the stable growth of property taxes, sales tax trends are more volatile, as seen in Figure 14. The Great Recession led to a decrease in sales tax revenue, which recovered in the 2011-12 Fiscal Year. However, the level of sales tax revenue has only grown modestly in the past six years. As shown in Figure 14, if the amount of sales taxes from the 2004-05 Fiscal Year had grown by the rate of inflation (which is represented in the graph as "CPI Sales Tax"), this inflationary increase would exceed the actual sales taxes collected each year since the 2006-07 Fiscal Year.¹⁷ This trend suggests that there has been a decline in the total volume of retail sales and potentially the number of retail establishments contributing to the City's sales tax revenue. Therefore, the City's actual sales tax revenue trend is in line with the overall trend of declining brick-and-mortar retail, which is observable throughout the Bay Area and nationally. To address this trend, there are discussions occurring at the state level

¹⁷ CPI refers to the Consumer Price Index, which is the standard measurement of the average rate of inflation in the U.S. economy. To learn more about the CPI as well as its methodology, refer to <https://www.bls.gov/cpi/>.

to identify opportunities to “broaden the base” and potentially identify opportunities to lower the sales tax rate while capturing expenditures on services and/or entertainment, for example.

As a Charter City, state law enables the city to collect a tax upon the transfer of real property. Property transfer taxes are collected on real estate transactions and depend on both sales prices as well as the volume of sales. The varying trends shown in Figure 15 seem to suggest that even as real estate sales prices have grown at a robust pace in this business cycle, the volume of sales has fluctuated, contributing to the volatility of this revenue source. The total amount of property transfer tax revenue peaked most recently at nearly \$13 million in the 2016-17 Fiscal Year.

Although a small share of the City’s General Fund revenues, the transient occupancy tax (TOT), which is charged on overnight stays at hotels and other lodging establishments, has grown substantially since the Great Recession. Of the 12 percent TOT, 10 percent goes towards the City’s General Fund while the remaining 2 percent goes into a capital fund for public safety facilities. As shown in Figure 16, the TOT peaked at roughly \$7.5 million during the 2015-16 Fiscal Year. Since then, the amount has decreased slightly to around \$7 million. Despite the growth in the amount of TOT collected in the City, San Mateo is not known for its tourism economy, and visitors staying in the City are primarily business travelers.

2. General Fund Expenditures

The General Plan Update can alter the trajectory of General Fund expenditures primarily by designating new service standards or facility needs, which in turn affect staffing and maintenance requirements. For example, identification of new park land could affect initial, as well as ongoing park infrastructure and maintenance costs and/or Police patrol costs. Other departments, such as Administration, are not likely to be affected. Pension obligations, a major cost driver in the City and throughout California, present an immediate fiscal challenge to the City that is largely independent of the General Plan Update process.

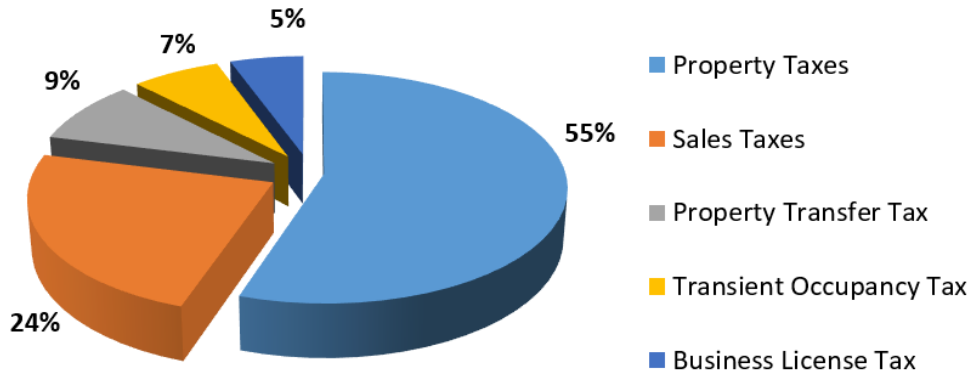
In terms of General Fund departmental spending, as shown in Figure 17, the public safety departments (e.g., Police and Fire) accounted for the majority of public spending (53 percent).¹⁸ In addition, spending by the City’s Parks and Recreation Department accounts for 15 percent while Citywide Administration accounts for another 11 percent of the General Fund. The remaining 21 percent of General Fund expenditures included departments such as Library, Public Works, and Community Development as well as transfers out and non-departmental spending.

Presented differently, Figure 18 shows the City’s General Fund by obligations. As shown, salaries and wages account for 45 percent of the City’s \$127.3 million General Fund expenditures and employee benefits amounted to 17 percent of General Fund spending. Operating expenses accounted for the second-largest share of expenditures, with 21 percent. These three categories account for a total of 83 percent of General Fund spending. The unfunded pension liabilities of public employees accounted for 8 percent. This amount is projected to grow at a strong pace as increasing numbers of the large baby boomer workforce approach retirement. According to the Finance Department, the General Fund’s required annual contribution towards pension costs is expected to double over the next decade.

¹⁸ Subsequent to this compilation of Fiscal Year data by the City’s Finance Department, the San Mateo Fire Department merged with the Fire Departments of the neighboring cities of Belmont and Foster City. The Fire Department’s services are currently a separate contract.

FIGURE 11 GENERAL FUND TAX REVENUES

Source: City of San Mateo, Department of Finance



\$105.1 million in budgeted tax revenue in 2018-19

FIGURE 12 PROPERTY TAX TRENDS

Source: City of San Mateo, Department of Finance

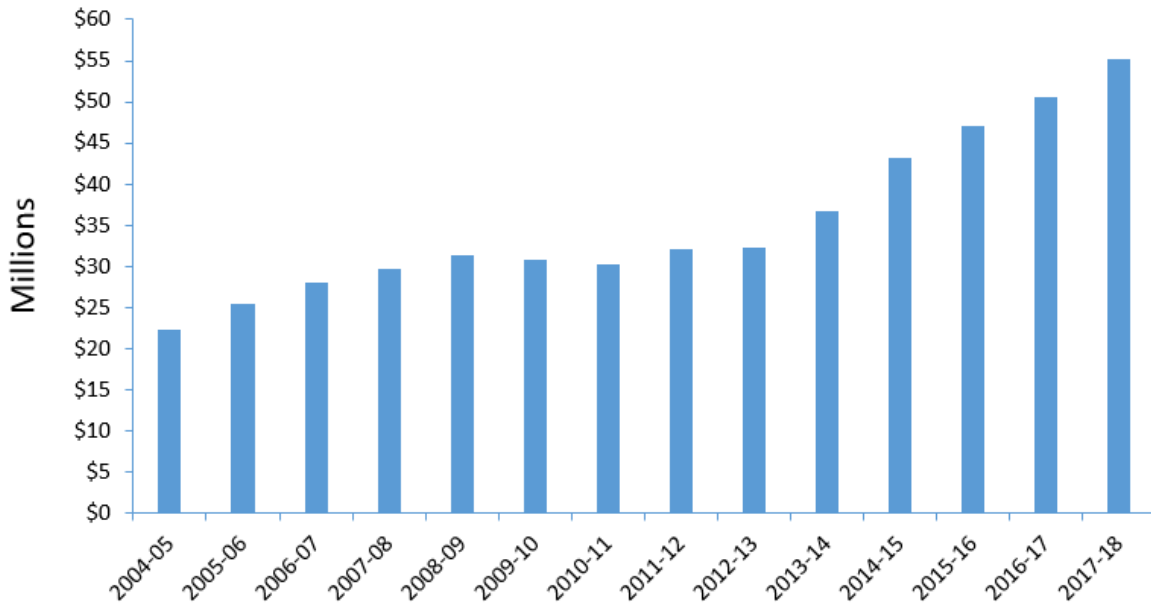


FIGURE 13 SALES TAX DISTRIBUTION

Source: City of San Mateo, Department of Finance

Category	Percent of Total
General Retail	39%
Food Products/Restaurants	26%
Transportation	17%
Business to Business	11%
Construction	6%
Other	1%

FIGURE 14 SALES TAX TRENDS

Source: City of San Mateo, Department of Finance

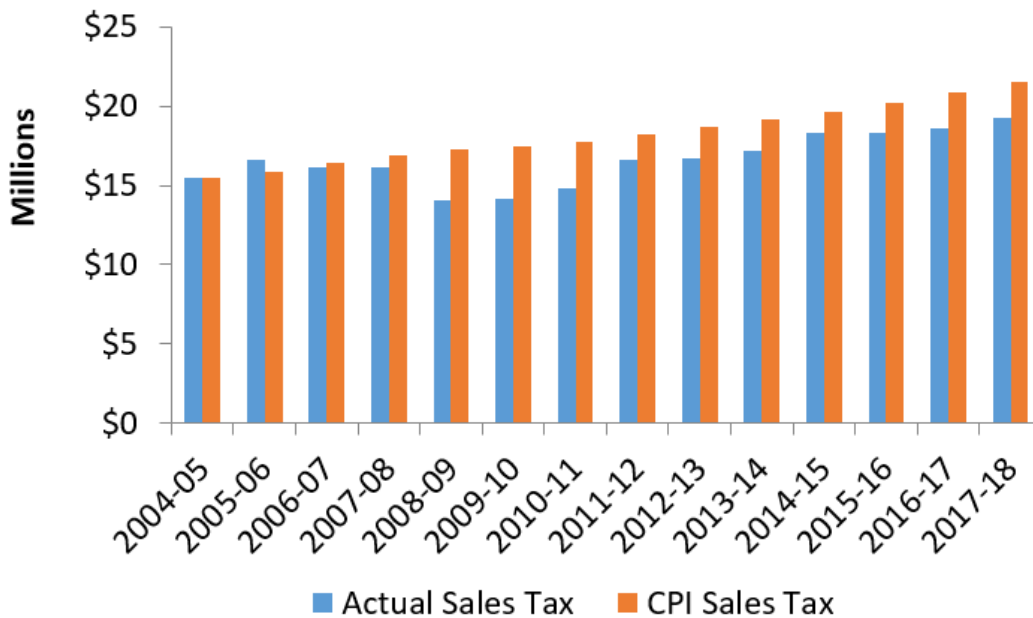


FIGURE 15 PROPERTY TRANSFER TAX TRENDS

Source: City of San Mateo, Department of Finance

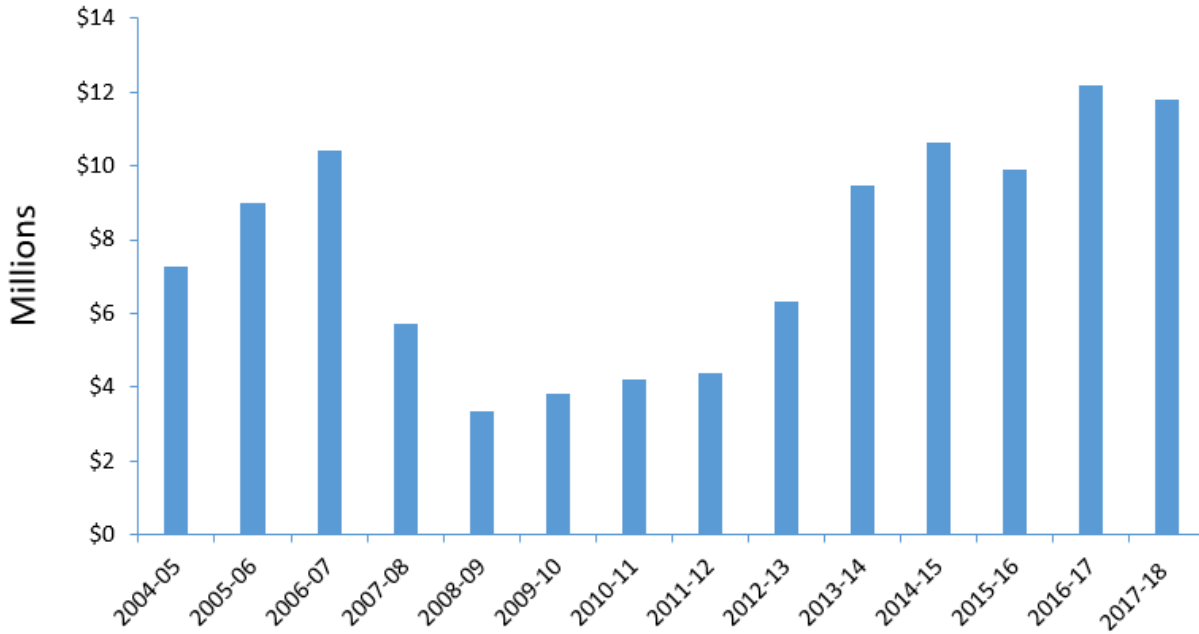


FIGURE 16 TRANSIENT OCCUPANCY TAX TRENDS

Source: City of San Mateo, Department of Finance

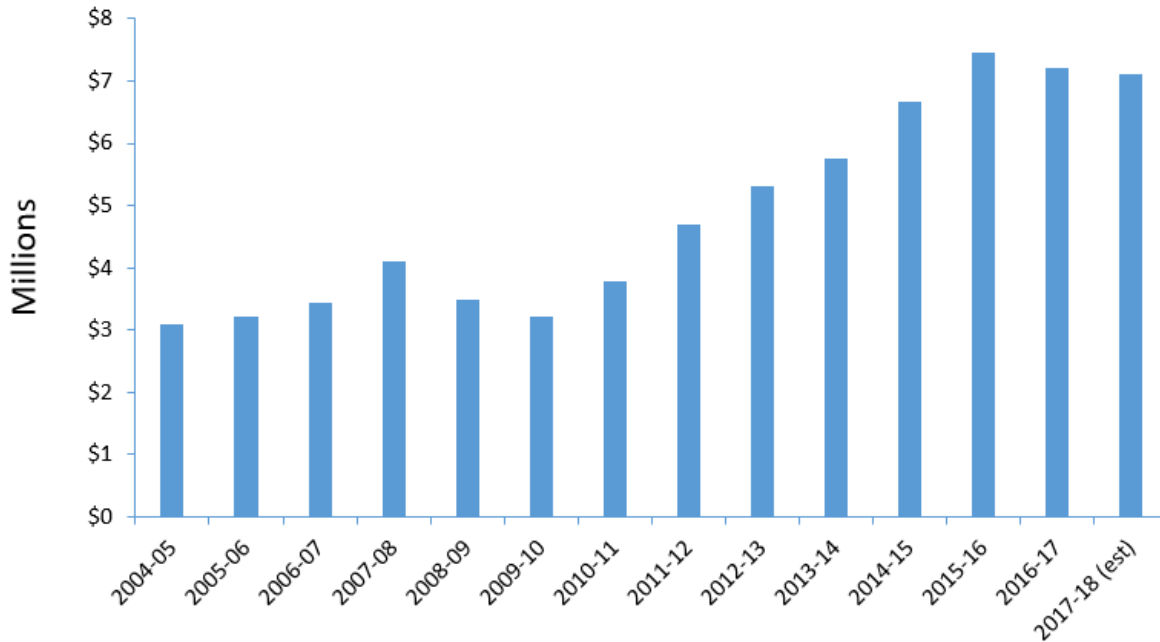


FIGURE 17 2018-19 GENERAL FUND ALLOCATION BY DEPARTMENT

Source: City of San Mateo, Department of Finance

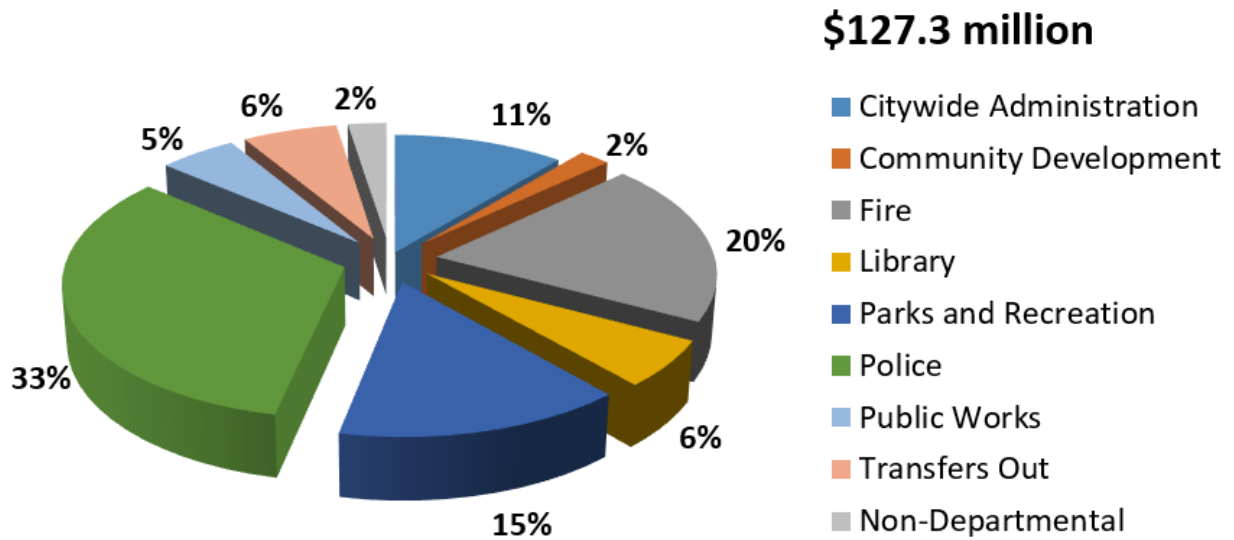


FIGURE 18 2018-19 GENERAL FUND ALLOCATION BY OBLIGATIONS

Source: City of San Mateo, Department of Finance

