Somer Smith

From: Thomas Morgan II [redacted]
Sent: Friday, June 9, 2023 9:34 AM
To: General Plan
Subject: Thoughts on the Housing Element after Monday's Meeting

Good Morning,

I hope you are doing well, following Monday's meeting I have thought more about the Administrative Approval Threshold (25 unit, x# of of sq. ft.). On its face I am concerned with the lack of transparency. I am fine with eliminating a meeting, but there should probably be some communication with adjacent neighbors.

A second concern I have is that a building of this size may want to opt for paying an affordable housing in lieu fee versus building the affordable housing components. I heard a comment last week on a podcast that anything the government does will have a 30% markup. Not saying this is true, but if it were then it would mean we get roughly 1/3 less affordable housing. A few possible solutions.

1. Builders Remedy seems to be very popular, so why not require a 20% affordable housing requirement, if option is pursued?

2. Luxury apartment tax- I am very against rent control, but I think perhaps a better alternative would be a special tax on rent above a certain amount. This is done for luxury cars, why not apartments/rentals. The proceeds could either subsidize rents or be used to fund other affordable housing units. It does not make sense that only new developments must contribute and the act of renting which fluctuates with demand (and is the cause of higher prices)does not have some sort of revenue generation for affordable housing.

3. City Equity investment in rental units - a major difference between for profit and affordable housing is the affordable housing is usually paid for while market rate housing leverages debt that is not paid down. The LTV is probably going to be around 50% so on a $100M that is $50M of equity the City should seek to be 1-5% of the equity which could then be held to pay down the loan or fund other affordable projects. It would be imperative the City require that each capital partner contribute their relative portion if any debt is to be paid down. This would avoid the city being placed in a position where it would be required to fund on a solo basis or be manipulated into selling out their position to other partners.

My third issue would be we might end up with an underutilized land available and require more sites in future housing elements. This would result in encroaching into single family neighborhoods. We must maintain a variety of housing types and single family homes are the most sought after. If we fail to protect these neighborhoods our best and brightest will seek to live in communities that do protect them. It would be analogous to San Mateo being Californian and Atherton and Hillsborough being Texas and Florida with respect to housing. If San Mateo makes it more and more difficult and undesirable for its residents they will move to places that do make it desirable to live. In addition they will take their wealth and purchasing ability and shop in Burlingame, Palo Alto, and Menlo Park instead of Downtown San Mateo.

Fourth would prefer ownership opportunities.Since the great financial crisis(gfc) a majority of new construction has been apartments. With the changing rate regime it will likely be more challenging to produce the rental units at the same rate. Last fall I was listening to a few podcasts where the CEO of Divvy homes was a guest. She indicated new versus existing homes typically have a 20% difference, after the gfc existing housing was cheaper than new so there was no incentive to build. Given the low interest rate environment I believe the challenge of the next 10 years is that the land purchased will have been purchased at a price that is too high to ever finance any projects for the foreseeable future, resulting in a decrease in housing production. The City should work with all levels of government to ensure this does not happen and programs should be created to facilitate the needed capitulation of existing land owners.

Thank you,

Thomas Morgan