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Report regarding the feasibility of affordable housing development on surplus South San Francisco School District sites.

RECOMMENDATION

Staff recommends that the School District Liaison Standing Committee (“Committee”) receive a presentation regarding the feasibility of affordable housing development on surplus South San Francisco School District sites for public employees.

BACKGROUND

Currently, the median income in San Mateo County for a single person household is \$82,900 and for family of four is \$118,400. Accordingly a median individual household can comfortably afford no more than \$2,000 a month in rent, and a family of four is limited to about \$2,900 a month in rent. By comparison, the median rent for a market one-bedroom apartment in San Mateo County is roughly \$2,600 per month and \$4,300 for a three-bedroom apartment. Households earning below the median income - including many public employees - are even further limited in their housing options.

Given these housing constraints, construction of affordable housing has become increasingly important to ensure those who occupy critical professions in our cities - teachers, public safety, community services - can live in close proximity to the communities they serve. Recently, the Governor signed into law several bills that make construction of affordable housing for teachers and school district employees more streamlined. Assembly Bill 1157 (Mullin) allows school boards to bypass the surplus property process if the property is to be used for teacher or school district employee housing. Additionally, Senate Bill 1413 (Leno) allows districts permission to set aside housing for its employees and to use state and federal low income housing tax credits (a critical source of funding for affordable housing projects). Combined, this new legislation opens the door for school districts to actively pursue the utilization of their surplus lands for affordable housing projects.

DISCUSSION

In considering whether or not an affordable housing project on surplus District property is feasible, staff looked at whether or not there would be a need and at what income levels, where the project might be located, how the project could be financed, what gap funding would be necessary, and how to narrow any funding gap.

Local Need for Affordable Housing

A brief survey of South San Francisco Unified School District (“District”) employee salaries illustrates the tremendous need for affordable housing to serve these critical positions. All teachers with 10 or fewer years of experience make less than 80 percent of the area median income and are considered low income. Additionally, district employees including paraprofessionals, security guards, custodians, ground maintenance workers, and nutrition assistants and leads all make less than 50 percent of the area median income and are considered very low income. Many more District positions would fall into these categories; these are meant to be representative of the range of positions that may qualify for affordable housing.

A similar survey of City of South San Francisco (“City”) employees found that many positions also qualify for affordable housing. Police officers, associate planners, management analysts, and computer technicians all make less than 120 percent of the area median income and would be considered moderate income. Accountants, building inspectors, administrative assistants, park maintenance workers, permit technicians, plan mechanics, and recreation and community services program coordinators would all be considered low income. Library clerks, building maintenance custodians, and preschool teachers would be considered very low income. As with the review of District salaries, these City positions are meant to be representative and not exhaustive of those that may qualify for affordable housing.

Note that, what an individual makes and what their total household income is may be different. Total household income by household size is used to determine eligibility for affordable housing. For example, two individuals earning low income salaries - about \$60,000 each - combined would be considered above-moderate income and would not qualify for affordable housing. However, if that same household had two children (four-person household) they would qualify as moderate income. See Attachment 1 for a table of income levels by household size.

Locating an Affordable Housing Project on Surplus District Land

Staff identified the Fox Ridge site located at 2525 Wexford Avenue in South San Francisco as an appropriate site for a townhome and small, multi-family development that fits seamlessly into the surrounding single family neighborhood. The site has not been used as a school since 1992, is currently occupied by a daycare center, and is used by local area residents for open space. The site is surrounded by neighborhoods zoned RH-8, which allow eight dwelling units per acre. Fox Ridge, at 6.9 acres, can accommodate 55.2 units. As an affordable housing development, it would be entitled to a 35 percent density bonus under State Law. This brings the total number of units allowable on the site to 74.52.

The City’s economic development and housing consultant, BAE Urban Economics, modeled a low-rise (three-story) development including mostly townhomes and some clustered, multi-family units on the Fox Ridge site.

The first financial model assumed a fully-leveraged four percent Low Income Housing Tax Credit (LIHTC) project, which would restrict all of the units to, on average, 60 percent of the area median income. Some units could reach up into the low income category (up to 80 percent of the area median income), but others would have to be offered at a much lower income level (to extremely low income households earning 30 percent of the area median income) in order to average out to 60 percent. This project results in a funding gap of approximately \$15.9 million.

Next, the City's consultant modeled a project partially leveraging LIHTC and serving, on average, 60 percent of the area median income, while also offering units at higher income levels, averaging 100 percent of the area median income. This development would offer units to a broader income range and may be most appropriate based on the survey of District and City salaries. The consultant also reduced the unit sizes by 25 percent. In this scenario, a one-bedroom would be roughly 600 square feet, a two-bedroom approximately 800 square feet, and a three-bedroom about 1,200 square feet. This project results in a funding gap of approximately \$9.9 million. Both models assume that the District will donate the surplus land to the project.

Funding Gap Reduction Measures

One important local public funding source is the San Mateo County Affordable Housing Fund (AHF), which is supported by Measure K, a countywide half-cent sales tax approved by the county electorate. While communications with San Mateo County staff in charge of administering the AHF funds suggest the funds cannot be used for a targeted population of one municipality or a specific employer, the project could potentially set aside some units for a broader population and receive funds. Alternatively, a case may be made for a prioritization system that does not restrict individuals from obtaining housing at the project, but rather prioritizes public employees. Whether or not this is acceptable to the County will have to be determined. The average subsidy for new construction amounts to roughly \$60,000 per unit or \$4.4 million for the 74-unit project modeled.

The Housing Endowment and Regional Trust (HEART) of San Mateo County, a joint powers authority with the County of San Mateo and associated incorporated cities, raises public and private funds to allocate for affordable housing needs. To date, the endowment has contributed approximately \$12.4 million to various projects, including one recent contribution to the Pacifica School District for a 40-unit project. This is a funding source that should be explored should a project move forward on surplus District land.

Finally, the City has approximately \$3.5 in housing funds which may be utilized, at the discretion of the City Council, for affordable housing serving a range of incomes.

FEDERAL FAIR HOUSING ACT CONSIDERATIONS

A concern with limiting affordable housing to a discreet population - be it teachers, city employees, or some other sub-group of the general population - is the federal Fair Housing Act (FHA). The FHA prohibits discrimination in the sale, rental and financing of housing. Frequently, affordable housing developers give priority to households that live or work in the jurisdiction in which the property is located, which is a generally accepted practice within the confines of the FHA. The City of Foster City recently began exploring the feasibility of an affordable housing project that gives priority to public employees, in addition to people that

live and work in the City. This program proposes the following order of priority: city employees, district employees, people that live and work in the city, people that live in the city, people that work in the city, and all others who are income qualified. This is a model that may be replicable elsewhere without violating the FHA.

CONCLUSION

A 74-unit affordable housing project targeting a range of incomes will serve the District in meeting the housing needs of qualifying employees. Frequently, affordable housing projects are harder to qualify households for than anticipated - incomes must line up with the units available - and so broadening the eligibility of the project may be necessary to fill all of the units. Staff suggests that a model similar to the City of Foster City's be explored. This could prioritize households for the Fox Ridge site in the following order: District employees, City employees, households that live and work in South San Francisco, households that live in South San Francisco, households that work in South San Francisco, and all other income eligible households. Not only will this help mitigate concerns regarding FHA and may make the project eligible for AHF funding, but it will also ensure the long-term viability of the site by reducing delays in filling vacant units.

Should the District be interested in pursuing an affordable housing development at the Fox Ridge site, the City could provide technical assistance in the form of developer solicitation and selection. The City has undertaken partnerships for the development of affordable housing in the recent past, including at 636 El Camino Real with MidPen Housing and the Rotary Senior Housing project currently under construction.

Attachments

1. Income Limits by Household Size