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From: Mark Sawicki, Director, RSG, Inc.

Subject: **New Development Impacts on Jobs/Housing Balance**

In conjunction with the City's recently adopted East Side Innovation District Vision Plan and in preparation of an updated General Plan Housing Element, City staff asked RSG to evaluate the impact of the City's new development activity in terms of job creation and housing demand. In particular, RSG sought to address the following questions:

- Is the current estimate of job growth significantly greater than the existing General Plan projections?
- Does the City's latest Regional Housing Needs Allocation account for new commercial development and the associated job creation and housing demand?
- Is there a jobs/housing ratio that San Carlos should target to achieve a balance? How does the City's jobs/housing ratio compare to other neighboring Peninsula cities?
- Does the City's current and projected jobs/housing ratio suggest any policy adjustments, such as converting existing commercial/industrial land uses to residential?

Summary Findings

- Existing and current proposed new development is within the 2030 General Plan buildout envelope.
- The current estimate of projected jobs is also within the 2030 General Plan projection.
- San Carlos has produced enough housing to maintain a jobs/housing ratio of about 1.46:1, which is considered a healthy balance by planning and community development organizations and assumes an average of 1.5 employed residents for every household.
- San Carlos improved its jobs/housing ratio since the adoption of the current General Plan in 2009.
- San Carlos jobs/housing ratio is equal or better than many other Peninsula cities. Through the regional Plan Bay Area and Regional Housing Needs Allocation (RHNA) process, ABAG/MTC apportions jobs and housing to Bay Area cities to achieve an overall regional balance. San Carlos is not expected or required to exceed its housing targets in order to keep the region in balance.
- The jobs and housing demand from planned new commercial/industrial development in San Carlos does not significantly exceed the housing development targets proposed for the update of the Housing Element currently underway (which also exceed the mandated RHNA target from ABAG/MTC). Therefore, San Carlos is expected to generally maintain a healthy jobs/housing ratio.
- Ultimately, if San Carlos can meet its RHNA target within existing residentially zoned land, there should be little need to re-zone commercial/industrial lands to either reduce job growth or increase housing production, in order to maintain a reasonably healthy jobs/housing balance.

I. Recap of 2009 General Plan Existing Conditions and Projected 2030 Buildout

The City's long term planning document is the current General Plan adopted in 2009, which projected buildout in conformance with the Plan through the year 2030. The document included "Existing Conditions" information on industrial/commercial/office space, the number of jobs within the City, as well as the number of housing units. In San Carlos, 19% of its land is being used for industrial, commercial and office use, while 68% of its land is used for residential (88% of which is single family homes). Table 1 presents figures from the General Plan showing the existing (2008) and projected (2030) housing, population, jobs, and non-residential uses:

Table 1: General Plan Housing, Population, and Non-Residential Growth

| | Existing Conditions (2008) | General Plan (2030) | Change (2008-2030) | % Change (2008-2030) |
|------------------------|----------------------------------|------------------------|-----------------------|-------------------------|
| Housing Units | 11,960 | 13,396 | 1,436 | 12.0% |
| Population | 28,857 | 32,303 | 3,446 | 11.9% |
| Jobs | 19,288 | 28,453 | 9,165 | 47.5% |
| Jobs:Housing Ratio | 1.61:1 | 2.12:1 | | |
| Commercial Square Feet | 2,084,557 | 2,808,587 | 724,030 | 34.7% |
| Office Square Feet | 904,423 | 1,476,429 | 572,006 | 63.2% |
| Industrial Square Feet | 6,192,078 | 8,333,255 | 2,141,177 | 34.6% |
| Total | 9,181,058 | 12,618,271 | 3,437,213 | 37.4% |

Sources: San Carlos General Plan (Department of Finance, Economics Research Associates, DC&E)

Based on the foregoing existing conditions, the jobs/housing ratio¹ in 2008 was **1.61:1**. Based on the projections at the time, by 2030 San Carlos would have increased its jobs/housing ratio to **2.12:1**.

II. Current Buildout, Jobs, and Housing

The current buildout in San Carlos is not significantly greater than the 2008 existing conditions in the General Plan. Although there has been new development, it has generally replaced older buildings without substantial net new space. The total commercial, office and industrial square footage in Table 1 for 2008 was about 9,181,000, compared with 9,339,453 today, as shown in Table 2 below.

¹ The jobs/housing metric is a ratio between the number of jobs and the number of housing units in a given geographical area. It is a measure of community health related to housing availability. A jobs-to-housing balance ratio of 1.5 means there are six jobs for every four households. This is a recognized building industry and planning organizations as a healthy jobs/housing balance. This accounts for at least one full-time worker in most households, given that some members of the population are retired, some choose not to or cannot work, and some hold part-time jobs. The jobs-to-housing balance recognizes that in a modern economy, a simple ratio of one job to one household is inappropriate, since most households need more than one person in the workforce.

Table 2: Current Non-Residential Buildout, Jobs, and Housing

| | |
|--------------------|-----------------------|
| Total Buildout | 9,339,453 square feet |
| Jobs | 18,109 |
| Housing Units | 12,385 |
| Jobs:Housing Ratio | 1.46:1 |

Sources: Buildout- CoStar Analytics (2021), Jobs - 21 Elements (2020),
Housing - Cal Dept of Finance (2020)

The number of current jobs in San Carlos has fallen from the level reported in 2008, likely due to the loss of larger employers Kelly-Moore and L3. Meanwhile the City has added more housing units during the same time frame. These figures are also shown in Table 2. The combination of these factors has led to a reduction in the jobs/housing ratio compared to both the 2008 existing conditions and 2030 General Plan projection.

Based on the current figures above, the existing jobs/housing ratio is now at **1.46:1**.

III. New Development, Projected Jobs, and RHNA Housing Production

Most new development proposed in San Carlos is in the East Side industrial and commercial districts, most of which is contemplated under the new East Side Innovation District Vision Plan. According to City staff, the amount of net new square feet of development exceeds 2.7 million square feet as shown in Table 3 below. By comparison, according to the projected buildout in Table 1 from the General Plan, the City was anticipating an additional 3.4 million square feet of net new commercial, office, and industrial development by 2030.

Table 3: Proposed Development Square Footage

| Proposed New Developments: | Existing SF | Existing Use | Proposed Gross SF | Proposed Use | Net New SF |
|--------------------------------------|--------------------|-----------------------|--------------------------|---------------------|-------------------|
| 887 Industrial (Alexandria) | 134,187 | Commercial/Industrial | 528,520 | Life Science | 394,333 |
| 1091 Industrial | 40,067 | Commercial/Industrial | 138,710 | Life Science | 98,643 |
| 1030 Brittan Avenue (MBC Bio Labs) | 0 | Vacant (Parking) | 96,175 | Life Science | 96,175 |
| 987 Commercial Street (Alexandria) | 610,907 | Commercial/Industrial | 1,520,774 | Life Science | 909,867 |
| 888 Bransten Road (Black Mountain) | 57,068 | Commercial | 211,000 | Life Science | 153,932 |
| 800 Old County Road (Sobrato) | 29,723 | Commercial | 300,000 | Life Science | 270,277 |
| 405 Industrial Road (Menlo Equities) | 16,445 | Public Storage | 166,000 | Life Science | 149,555 |
| 777 Industrial Road (Presidio) | 44,000 | Car Sales/Repair | 120,000 | Life Science | 76,000 |
| 501 Industrial Road (Hotel) | 26,000 | Construction Yard | 119,000 | Hotel - 188 keys | 93,000 |
| 1021 Howard Avenue | 44,812 | Commercial/Industrial | 190,869 | Life Science | 146,057 |
| 642 Quarry Road | 80,038 | Industrial | 410,092 | Life Science | 330,054 |
| Proposed | | | 3,801,140 | | 2,717,893 |

Based on an industry average² 400 square feet per job estimate for industrial, commercial and life science buildings, this new development could be expected to generate up to an additional 6,627 jobs in San Carlos.

Assuming an average jobs per household of 1.5x, the City would need to produce 4,418 new housing units to accommodate the potential demand for local housing (assuming all employees seek to locate in San Carlos). The City has been given a RHNA target of 2,735 housing units for the 6th cycle covering the next 8 years. Through the Housing Element update process, the City is planning to accommodate an additional 481 units above RHNA, for a total planning target of 3,216.

If the City can accommodate its Housing Element target production of 3,216 then, based on the estimated additional jobs generated from new development, **the jobs/housing ratio would be projected to increase to 1.59:1**. This still generally aligns with the target jobs/housing balance ratio of 1.5:1.

IV. Jobs/Housing Ratio of Other Peninsula Cities

The current jobs/housing ratio in San Mateo County is 1.52:1, according to the latest US Census data for 2019. Cities nearby San Carlos have the following jobs/housing ratios:

| | |
|--------------|------|
| Redwood City | 2.20 |
| San Mateo | 1.48 |
| Foster City | 1.38 |
| Belmont | 0.57 |

In contrast, there are cities in Santa Clara County with significantly higher jobs/housing ratios including:

| | |
|--------------|------|
| Palo Alto | 4.38 |
| Santa Clara | 2.58 |
| MountainView | 2.57 |
| Cupertino | 2.31 |
| Sunnyvale | 1.79 |
| Countywide | 1.66 |

V. Conclusion/Recommendation

Based on the level of current commercial and residential development in San Carlos, the jobs/housing ratio is not currently "out of balance". If San Carlos is able to accommodate the amount of housing that is proposed for the updated Housing Element, there should not be a significant imbalance over the next RHNA cycle of eight years. Unless the City is unable to identify adequate sites and/or modify height, density, and other policies for residential development to accommodate its housing production target, then there should be no need to re-zone the existing relatively small percentage of land in the City that allows commercial, industrial and office use and development.

² There is a wide range of benchmark metrics used to estimate the amount of square feet of space per employee. They vary from industry to industry as well as by type and size of firm within an industry. Based on actual commercial/industrial space in San Carlos and the actual number of jobs, the existing job density in San Carlos is currently over 500 square feet per employee. RSG has evaluated recent life science developments in the Bay Area and found a range of 165 to 642 sq ft per job, and an average that is slightly greater than 400 sq ft per job. This was also confirmed by the life science developer Alexandria Real Estate.