

1 [Establishing City Policy Maximizing a Feasible Inclusionary Affordable Housing Requirement]

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3 **Resolution establishing City policy to maximize the percentage of affordable**
4 **Inclusionary Housing in market rate development through Board ordinance and to**
5 **ensure fairness and feasibility.**

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7 WHEREAS, The City adopted an Inclusionary Housing ordinance in 2002 that set
8 requirements on market rate development to include affordable units for the first time; and

9 WHEREAS, The City's inclusionary program successfully resulted in more than 2,000
10 units of below-market, permanently affordable housing since its adoption; and

11 WHEREAS, The City prepared a Nexus Study in support of the Inclusionary Housing
12 program in 2007 to analyze the impact of market rate housing development on affordable
13 housing supply and demand; and is now in the process of updating that nexus analysis, which
14 is expected to demonstrate a nexus for an affordable housing fee equivalent of up to 33% of a
15 project's units as affordable; and

16 WHEREAS, The City General Plan's Housing Element calls for 38% of all new housing
17 production to be affordable for lower income households below 80% of area median income
18 and 19% of new housing affordable to be built for moderate/middle income households up to
19 120% of area median income; and

20 WHEREAS, The latest Residential Pipeline Summary from the Planning Department
21 shows that only 11% percent of actual new housing production over the last year has been
22 affordable for low income San Franciscans and only 7% of actual new housing built has been
23 affordable for moderate/middle income San Franciscans; and

24 WHEREAS, The City's only tool for increasing affordable housing dedicated to lower
25 income San Franciscans, without using public subsidies, and for creating any affordable

1 housing to meet the growing need of moderate/middle income households is the Inclusionary
2 Housing program; and

3 WHEREAS, The City's requirements on market rate development have not been
4 increased since 2007; now, therefore, be it

5 RESOLVED, That it shall be City policy to maximize the economically feasible
6 percentage of affordable Inclusionary Housing in market rate housing development via a
7 Board of Supervisors sponsored ordinance, to create housing for lower and moderate/middle
8 income households, and, be it

9 FURTHER RESOLVED, That the Inclusionary Housing ordinance shall include the
10 criteria determining which housing development projects these new requirements would apply
11 to, but shall also include a "grandfathering" clause to consider fairness and feasibility for
12 projects already in the pipeline; and, be it

13 FURTHER RESOLVED, That the Inclusionary Housing ordinance shall take into
14 account periodic feasibility analyses prepared by the City Controller in partnership with the
15 Planning Department and with the assistance of independent analysts, every 36 months, or as
16 deemed necessary, through a transparent and inclusive public process based on documented
17 costs of housing development over the full course of a business cycle, as well as periodic
18 updates to the nexus analysis to gauge the impact of market rate housing on affordable
19 housing over time; these analyses will be reviewed and accepted by the Board of Supervisors;
20 and, be it

21 FURTHER RESOLVED, That those feasibility analyses shall include sensitivity
22 analyses of key economic parameters than can vary significantly over time, such as, but not
23 limited to: interest rates; capitalization rates; equity return rates; land prices; construction
24 costs; available state and federal housing finance programs including Low Income Housing
25 Tax Credits; tax-exempt bond financing; Federal Housing Administration and U.S. Department

1 of Housing and Urban Development mortgage insurance; available City or local housing
2 finance programs, such as, Enhanced Infrastructure District (EIFD) and tax increments;
3 zoning changes that increase or decrease development potential; variable City exactions,
4 including community benefit fees, community facilities districts; and public-private partnership
5 development agreements where applicable.

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