File No. 161351 Committee Item No. 3
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

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Completed by: V Young **Date** May 12, 2017
Completed by: _____ **Date** _____

FILE NO. 161351 SUBSTITUTED 4/18/2017 ORDINANCE NO.

[Planning Code - Inclusionary Affordable Housing Fee and Requirements]

Ordinance amending the Planning Code to revise the amount of the Inclusionary Affordable Housing Fee and the On-Site and Off-Site Affordable Housing Alternatives and other Inclusionary Housing requirements; adding reporting requirements for density bonus projects; affirming the Planning Department's determination under the California Environmental Quality Act; making findings under Planning Code, Section 302; and making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
Additions to Codes are in *single-underline italics Times New Roman font*.
Deletions to Codes are in ~~*strikethrough italics Times New Roman font*~~.
Board amendment additions are in double-underlined Arial font.
Board amendment deletions are in ~~strikethrough Arial font~~.
Asterisks (* * * *) indicate the omission of unchanged Code subsections or parts of tables.

Be it ordained by the People of the City and County of San Francisco:

Section 1. General Findings.

(a) The Planning Department has determined that the actions contemplated in this ordinance comply with the California Environmental Quality Act (California Public Resources Code Sections 21000 et seq.). Said determination is on file with the Clerk of the Board of Supervisors in File No. 161351 and is incorporated herein by reference. The Board affirms this determination.

(b) On April 27, 2017, the Planning Commission, in Resolution No. 19903, adopted findings that the actions contemplated in this ordinance are consistent, on balance, with the City's General Plan and eight priority policies of Planning Code Section 101.1. The Board

adopts these findings as its own. A copy of said Resolution is on file with the Clerk of the Board of Supervisors in File No. 161351, and is incorporated herein by reference.

(c) Pursuant to Planning Code Section 302, this Board finds that this Planning Code Amendment will serve the public necessity, convenience, and welfare for the reasons set forth in Planning Commission Resolution No. 19903 and the Board incorporates such reasons herein by reference. A copy of Planning Commission Resolution No. 19903 is on file with the Board of Supervisors in File No. 161351.

Section 2. Findings About Inclusionary Affordable Housing Requirements.

(a) The purpose of this ordinance is to adopt inclusionary or affordable housing obligations following voter approval of Proposition C at the June 7, 2016 election to revise the City Charter's inclusionary affordable housing requirements, which won overwhelming support with 67.9% of the vote, and to update the provisions of the Planning Code that became effective after the Charter Amendment passed.

(b) The San Francisco residential real estate market is one of the most expensive in the United States. In February 2016, the California Association of Realtors reported that the median priced home in San Francisco was $1,437,500. This price is 222% higher than the State of California median ($446,460), and 312% higher than the national average ($348,900). While the national homeownership rate is approximately 63.8%, only approximately 37% of San Franciscans own their own home. The majority of market-rate homes for sale in San Francisco are priced out of the reach of low and moderate income households. In 2015, the average rent was $3,524, which is affordable to households earning over $126,864.

(c) The Board of Supervisors adopted San Francisco's General Plan Housing Element in March 2015, and the California Housing and Community Development Department certified

it on May 29, 2015. The Housing Element states that San Francisco's share of the regional housing need for years 2015 through 2022 includes 10,873 housing units for very-low and low-income households and 5,460 units for moderate/middle-income households, and a total production of 28,870 net new units, with almost 60% to be affordable for very-low, low- and moderate/middle-income San Franciscans.

(d) In November 2016, the City provided the updated Residential Affordable Housing Nexus Analysis that confirms and quantifies the impact of new market rate housing development on the demand for affordable housing for households earning up to 120% of area median income. The study demonstrates a need of 31.8% affordable housing for rental housing, and 37.6% affordable housing for ownership housing, and a need of 24.1% onsite affordable housing for rental housing, and 27.3% onsite affordable housing for ownership housing for households with incomes up to 120% of Area Median Income.

(e) In February 2017, the Office of the Controller presented a study of the economic feasibility of increased inclusionary housing requirements, entitled "Inclusionary Housing Working Group: Final Report." The Controller's Office, supported by a contracted consulting team of three firms and advised by a Technical Advisory Committee (TAC) with representatives appointed by the Mayor and Board of Supervisors, developed several policy recommendations, including: (1) that the City should impose different inclusionary housing requirements on rental and for-sale (condominium) properties; (2) that the City could set the initial onsite requirements at a maximum feasible amount of 18% for rental projects and 20% for ownership projects; (3) that the City may adopt a 15-year schedule of increases to the inclusionary housing rate, at a rate of 0.5% increase each year; and (4) that the City should revise the schedule of Inclusionary housing fees to provide a more equivalent cost for developers as the on-site requirements. The Controller's Office recommended updating the

fee percentage to 23% and 28% to create an equivalency to the recommended 18% and 20% on-site requirements, with the City conducting the specific calculation of the fee itself.

(f) The Controller further acknowledged that application of the state-provided density bonus could make a difference in the financial feasibility of housing development projects.

(g) In an effort to support a mix of both ownership project and rental projects, the City is providing a direct financial contribution to project sponsors who agree to rent units for a period of 30 years. The direct financial contribution is in the form of a reduction in the applicable affordable housing requirement.

Section 3. The Planning Code is hereby amended by revising Sections 415.2, 415.3, 415.5, 415.6, and 415.7, and adding a new Section 415.11, to read as follows:

SEC. 415.2 DEFINITIONS.

See Section 401 of this Article. For purposes of Sections 415.3et seq., "low income" households shall be defined as households whose total household income ~~*does not exceed 55%*~~ *is 40% to 80%* of Area Median Income for purposes of renting an affordable unit, or 80% *to 100%* of Area Median Income for purposes of purchasing an affordable unit, and "moderate income" and "middle income" households shall mean households whose total household income ~~*does not exceed 100%*~~ *is 80% to 120%* of Area Median Income for purposes of renting an affordable unit, or ~~*120%*~~ *100% to 140%* of Area Median Income for purposes of purchasing an affordable unit. The Small Sites Fund, defined in Section 415.5(f)(2), and the Small Sites Program may use Affordable Housing Fees to acquire sites and buildings consistent with the income parameters of the Programs, as periodically updated and administered by MOHCD.

"Owned Unit" shall mean a dwelling unit that is a condominium, stock cooperative, community apartment or detached single family home. The owner or owners of an owned unit must occupy the unit as their primary residence.

"Rental Housing Project" shall mean a housing project consisting solely of Rental Units, as defined in Section 401, which meets the following requirements:

(1) The units shall be rental housing for not less than 30 years from the issuance of the certificate of occupancy pursuant to an agreement between the developer and the City. This agreement shall be in accordance with applicable State law governing rental housing. All such agreements entered into with the City must be reviewed and approved by the Planning Director and the City Attorney's Office, and may be executed by the Planning Director;

(2) The agreement shall be recorded against the property prior to issuance of the certificate of occupancy.

SEC. 415.3. APPLICATION.

* * * *

(b) Any development project that has submitted a complete Environmental Evaluation application prior to January 1, 2013 shall comply with the Affordable Housing Fee requirements, the on-site affordable housing requirements or the off-site affordable housing requirements, as applicable, in effect on January 12, 2016. For development projects that have submitted a complete Environmental Evaluation application on or after January 1, 2013, the requirements set forth in Planning Code Sections 415.5, 415.6, and 415.7 shall apply to certain development projects consisting of 25 dwelling units or more during a limited period of time as follows.

(1) If a development project is eligible and elects to provide on-site affordable housing, the development project shall provide the following amounts of on-site affordable housing. All other requirements of Planning Code Sections 415.1et seq. shall apply.

(A) Any development project that has submitted a complete Environmental Evaluation application prior to January 1, 2014 shall provide affordable units in the amount of 13% of the number of units constructed on-site.

(B) Any development project that has submitted a complete Environmental Evaluation application prior to January 1, 2015 shall provide affordable units in the amount of 13.5% of the number of units constructed on-site.

(C) Any development project that has submitted a complete Environmental Evaluation application on or prior to January 12, 2016 shall provide affordable units in the amount of 14.5% of the number of units constructed on-site.

(D) Any development project that submits an Environmental Evaluation application after January 12, 2016, shall comply with the requirements set forth in Planning Code Sections 415.5, 415.6 and 415.7, as applicable.

(E) Notwithstanding the provisions set forth in subsections (b)(1)(A), (B) and (C) of this ~~s~~Section 415.3, if a development project is located in a UMU Zoning District or in the South of Market Youth and Family Zoning District, and is eligible and elects to provide on-site units pursuant to Section 415.5(g), such development project shall comply with the on-site requirements applicable within such Zoning Districts, as they existed on January 12, 2016, plus the following additional amounts of on-site affordable units: (i) if the development project has submitted a complete Environmental Evaluation application prior to January 1, 2014, the Project Sponsor shall provide additional affordable units in the amount of 1% of the number of units constructed on-site; (ii) if the development project has submitted a complete Environmental Evaluation application prior to January 1, 2015, the Project Sponsor shall provide additional affordable units in the amount of 1.5% of the number of units constructed on-site; or (iii) if the development project has submitted a complete Environmental Evaluation

application on or prior to January 12, 2016, the Project Sponsor shall provide additional affordable units in the amount of 2% of the number of units constructed on-site.

(F) Any development project that has submitted a complete Environmental Evaluation application on or before January 12, 2016 and seeks to utilize a density bonus under State Law shall use its best efforts to provide on-site affordable units in the amount of 25% of the number of units constructed on-site and shall consult with the Planning Department about how to achieve this amount of inclusionary affordable housing. ~~*Any project*~~ *An applicant* seeking a density bonus under the provisions of State Law shall *provide reasonable documentation to establish eligibility for a requested density bonus, incentives or concessions, and waivers or reductions of development standards.* ~~*prepare a report analyzing how the concessions and incentives requested are necessary in order to provide the required on-site affordable housing.*~~

(2) If a development project pays the Affordable Housing Fee or is eligible and elects to provide off-site affordable housing, the development project shall provide the following fee amount or amounts of off-site affordable housing during the limited periods of time set forth below. All other requirements of Planning Code Sections 415.1et seq. shall apply.

(A) Any development project that has submitted a complete Environmental Evaluation application prior to January 1, 2014, shall pay a fee or provide off-site housing in an amount equivalent to 25% of the number of units constructed on-site.

(B) Any development project that has submitted a complete Environmental Evaluation application prior to January 1, 2015, shall pay a fee or provide off-site housing in an amount equivalent to 27.5% of the number of units constructed on-site.

(C) Any development project that has submitted a complete Environmental Evaluation application on or prior to January 12, 2016 shall pay a fee or

provide off-site housing in an amount equivalent to 30% of the number of units constructed on-site.

(D) Any development project that submits an Environmental Evaluation application after January 12, 2016 shall comply with the requirements set forth in Sections 415.5, 415.6, and 415.7, as applicable.

(E) Notwithstanding the provisions set forth in subsections (b)(2)(A), (B) and (C) of this Section 415.3, for development projects proposing buildings over 120 feet in height, as measured under the requirements set forth in the Planning Code, except for buildings up to 130 feet in height located both within a special use district and within a height and bulk district that allows a maximum building height of 130 feet, such development projects shall pay a fee or provide off-site housing in an amount equivalent to ~~33~~ 30% of the number of units constructed on-site. Any buildings up to 130 feet in height located both within a special use district and within a height and bulk district that allows a maximum building height of 130 feet shall comply with the provisions of subsections (b)(2)(A), (B) and (C) of this Section 415.3 during the limited periods of time set forth therein.

(F) Notwithstanding the provisions set forth in subsections (b)(2)(A), (B) and (C) of this ~~s~~Section 415.3, if a development project is located in a UMU Zoning District or in the South of Market Youth and Family Zoning District, and pays the Affordable Housing Fee or is eligible and elects to provide off-site affordable housing pursuant to Section 415.5(g), or elects to comply with a land dedication alternative, such development project shall comply with the fee, off-site or land dedication requirements applicable within such Zoning Districts, as they existed on January 12, 2016, plus the following additional amounts for the Affordable Housing Fee or for land dedication or off-site affordable units: (i) if the development project has submitted a complete Environmental Evaluation application prior to January 1, 2014, the Project Sponsor shall pay an additional fee, or provide additional land dedication or off-site

affordable units, in an amount equivalent to 5% of the number of units constructed on-site; (ii) if the development project has submitted a complete Environmental Evaluation application prior to January 1, 2015, the Project Sponsor shall pay an additional fee, or provide additional land dedication or off-site affordable units, in an amount equivalent to 7.5% of the number of units constructed on-site; or (iii) if the development project has submitted a complete Environmental Evaluation application on or prior to January 12, 2016, the Project Sponsor shall pay an additional fee, or provide additional land dedication or off-site affordable units, in an amount equivalent to 10% of the number of units constructed on-site. Notwithstanding the foregoing, a development project shall not pay a fee or provide off-site units in a total amount greater than the equivalent of ~~33~~*30*% of the number of units constructed on-site.

(G) Any development project consisting of 25 dwelling units or more that has submitted a complete Environmental Evaluation application on or prior to January 12, 2016, and is eligible and elects to provide off-site affordable housing, may provide off-site affordable housing by acquiring an existing building to fulfill all or part of the requirements set forth in this Section 415.3 and in Section 415.7 with an equivalent amount of units as specified in this Section 415.3(b)(2), as reviewed and approved by the Mayor's Office of Housing and Community Development and consistent with the parameters of its Small Sites Acquisition and Rehabilitation Program, in conformance with the income limits for the Small Sites Program.

SEC. 415.5. AFFORDABLE HOUSING FEE.

* * * *

(b) Amount of Fee. The amount of the fee ~~*which*~~ *that* may be paid by the project sponsor subject to this Program shall be determined by MOHCD utilizing the following factors:

(1) The number of units equivalent to the applicable off-site percentage of the number of units in the principal project.

(A) For housing development projects consisting of 10 dwelling units or more, but less than 25 dwelling units, t~~*T*~~he applicable percentage shall be 20%~~ *for housing development projects consisting of 10 dwelling units or more, but less than 25 dwelling units*~~.

(B) ~~*The applicable percentage for*~~ *For* development projects consisting of 25 dwelling units or more, *the applicable percentage* shall be 33% *if such units are Owned Units*.

(C) For development projects consisting of 25 dwelling units or more, the applicable percentage shall be 30% if such units are Rental Units in a Rental Housing Project. In the event one or more of the Rental Units in the principal Rental Housing Project become ownership units, each Rental Unit or the principal Rental Housing Project in its entirety, as applicable, shall pay to the City the difference in the amount of the applicable inclusionary affordable housing fee so that the total fee would be equivalent to the requirement for Owned Units, which is 33% of the number of total units in the principal project, or such current percentage that has been adjusted annually by MOHCD.

~~*For the purposes of this Section 415.5, the City shall calculate the fee using the direct fractional result of the total number of units multiplied by the applicable percentage, rather than rounding up the resulting figure as required by Section 415.6(a).*~~

(2) The affordability gap *shall be calculated* using data on ~~*the*~~ *MOHCD's* cost ~~*of construction of*~~ *to construct affordable* ~~*residential*~~ housing *for three different building heights, as applicable: (A) up to 55 feet; (B) above 55 feet up to 85 feet; and (C) above 85 feet* ~~*and the Maximum Purchase Price for the equivalent unit size*~~. *The fee shall be calculated individually for these three different building types and two types of tenure, ownership and rental, rather than a single fee calculation uniformly applied to all types of projects.* The Department and MOHCD shall *calculate the affordability gap within 6 months of the effective date of this ordinance and shall* update the technical report from time to time as they deem appropriate in order to ensure that the affordability gap remains current *and to reflect current costs of construction*.

(3) *For all housing developments, no* ~~*No*~~ later than January 1 of each year, MOHCD shall adjust the fee *based on adjustments in the City's cost of constructing affordable housing*. MOHCD shall provide the Planning Department, DBI, and the Controller with information on the adjustment to the fee so that it can be included in the Planning Department's and DBI's website notice of the fee adjustments and the Controller's Citywide Development Fee and Development Impact Requirements Report described in Section 409(a). MOHCD ~~*is authorized to*~~ *shall* develop an appropriate methodology for indexing the fee~~,~~ ~~*based on adjustments in the cost of constructing housing and the Maximum Purchase Price for the equivalent unit size*~~. The method of indexing shall be published in the Procedures Manual *and shall be provided to the Board of Supervisors when it is updated*.

(4) *Specific Geographic Areas.* For any housing development that is located in an area with a specific affordable housing requirement set forth in a Special Use District, or in any other section of the Code such as Section 419, the higher affordable housing requirement shall apply.

(5) In the event the project sponsor does not procure a building permit or site permit for construction of the principal project within two years (24 months) of the project's approval, the development project shall comply with the inclusionary affordable housing requirements applicable thereafter at the time when the project sponsor does proceed with pursuing a building permit. Such time period shall be extended in the event of any litigation seeking to invalidate the City's approval of such project, for the duration of the litigation.

* * * *

SEC. 415.6. ON-SITE AFFORDABLE HOUSING ALTERNATIVE.

~~*The requirements set forth in this Section 415.6 will be reviewed when the City completes an Economic Feasibility Study.*~~ If a project sponsor is eligible and elects to provide on-site units pursuant to Section 415.5(g), the development project shall meet the following requirements:

(a) Number of Units. The number of units constructed on-site shall be as follows:

(1) *For housing development projects consisting of 10 dwelling units or more, but less than 25 dwelling units,* ~~T~~the number of *affordable* units constructed on-site shall generally be 12% of all units constructed on the project site ~~*for housing development projects consisting of 10 dwelling units or more, but less than 25 dwelling units*~~. The affordable units shall *all* be affordable to low- *and lower-* income households. *Owned Units shall be affordable to households earning 80% to 100% of Area Median Income, with an average affordable sales price set at 90% of Area Median Income or less. Rental Units shall be affordable to households earning 40% to 80% of Area Median Income, with an average affordable rent set at 60% of Area Median Income or less.* ~~*The number of units constructed on-site shall generally be 25% of all units constructed on the project site for housing development projects consisting of 25 dwelling units or more, with a minimum of 15% of the units affordable to low-income households and 10% of the units affordable to low- or moderate/middle-income households.*~~

(2) *For any housing development project consisting of 25 or more Owned Units, the number of affordable units constructed on-site shall be 27% of all units constructed on the project site, with a minimum of 15% of the units affordable to low-or lower-income households and 12% of the units affordable to moderate/middle-income households. Owned Units for low- and lower-income households shall be affordable to a range of households from 80% to 100% of Area Median Income, with an average affordable sales price set at 90% of Area Median Income or less. Owned Units for middle/moderate income households shall be affordable to a range of households from 100% to 140% of Area Median Income, with an average affordable sales price set at 120% of Area Median Income or less; provided that a middle/moderate income unit shall have a maximum sales price set at 100% of Area Median Income for a single income household. MOHCD may reduce the average Area Median Income upon request by the project sponsor.*

(3) For any Rental Housing Project consisting of 25 or more Rental Units, the number of affordable units constructed on-site shall generally be 24% of all units constructed on the project site, with a minimum of 15% of the units affordable to low- or lower-income households and 9% of the units affordable to moderate/middle-income households. Rental Units for low- and lower-income households shall be affordable to a range of households earning from 40% to 80% of Area Median Income, with an average affordable rent set at 60% of Area Median Income or less. Rental Units for middle/moderate income households shall be affordable to a range of households earning from 80% to 120% of Area Median Income, with an average affordable rent set at 100% of Area Median Income or less; provided that a middle/moderate income unit shall have a maximum rent set at 100% of Area Median Income for a single income household. MOHCD may reduce the average Area Median Income upon request by the project sponsor. MOHCD shall set forth in the Procedures Manual the administration of rental units within this range.

(4) A minimum of 40% of the on-site affordable units shall consist of two bedroom units and a minimum of 20% of the on-site affordable units shall consist of three bedrooms or larger. Units shall have minimum floor areas that conform to the standards developed by the California Tax Credit Allocation Committee (CTCAC) for affordable units. The total residential floor area devoted to the affordable units shall not be less than the applicable percentage applied to the total residential floor area of the principal project, provided that a 10% variation in floor area is permitted.

(5) In the event one or more of the Rental Units in the principal Rental Housing Project become ownership units, each converted Rental Unit shall reimburse the City the proportional difference between the amount of the then-current inclusionary affordable housing requirement for Rental Units and Owned Units. If a Rental Housing Project is converted to an ownership housing project in its entirety, an additional 3% of the units shall be designated as affordable to qualifying households, apportioned between the required number of low- and lower-income and moderate/middle-income on-site units in compliance with the requirements currently in effect at the time of conversion.

(6) The Department shall require as a condition of Department approval of a project's building permit, or as a condition of approval of a Conditional Use Authorization or Planned Unit Development or as a condition of Department approval of a live/work project, that 12%, *24%* or *27%* ~~*25%*~~, as applicable, of all units constructed on the project site shall be affordable to qualifying households so that a project sponsor must construct .12, *.24 or .27* ~~*or .25*~~ times, as applicable, the total number of units produced in the principal project. If the total number of units is not a whole number, the project sponsor shall round up to the nearest whole number for any portion of .5 or above.

(7) Specific Geographic Areas. For any housing development that is located in an area with a specific affordable housing requirement set forth in a Special Use District or in any other section of the Code such as Section 419, the higher housing requirement shall apply. *The Planning Department, in consultation with the Controller, shall undertake a study of areas where an Area Plan, Special Use District, or other re-zoning has been adopted after January 1, 2015, to determine whether a higher on-site inclusionary affordable housing requirement is feasible on sites that have received a 20% or greater increase in developable residential gross floor area or a 35% or greater increase in residential density over prior zoning, and shall submit such information to the Planning Commission and Board of Supervisors*.

(*8*) If the principal project has resulted in demolition, conversion, or removal of affordable housing units renting or selling to households at income levels and/or for a rental rate or sales price below corresponding income thresholds for units affordable to low income households, the Commission or the Department shall require that the project sponsor replace the number of affordable units removed with units of a comparable number of bedrooms *in addition to compliance with the inclusionary requirements set forth in this Section 415.6* ~~*or provide that 25% of all units constructed as part of the new project shall be affordable to low income or moderate/middle income households, whichever is greater*~~.

(9) Annual indexing. The required on-site affordable housing to satisfy this section 415.6 shall increase by 0.75% annually for all development projects with 10-24 units of housing, beginning on January 1, 2018.

(10) Any development project that constructs on-site affordable housing units as set forth in this Section 415.6 shall diligently pursue completion of such units. In the event the project sponsor does not procure a building permit or site permit for construction of the principal project within two years (24 months) of the project's approval, the development project shall comply with the inclusionary affordable housing requirements applicable thereafter at the time when the project sponsor procures a building permit. Such deadline shall be extended in the event of any litigation seeking to invalidate the City's approval of such project, for the duration of the litigation.

(b) Timing of Construction. On-site affordable housing required by this Section 415.6 shall be constructed, completed, ready for occupancy, and marketed no later than the market rate units in the principal project.

(c) Type of Housing.

(1) Equivalency of Units. All on-site units constructed under this Section 415.6 shall be provided as ownership units unless the project sponsor meets the eligibility requirement of Section 415.5(g). ~~*All on-site units must be affordable to low income households.*~~ In general, affordable units constructed under this Section 415.6 shall be comparable in number of bedrooms, exterior appearance and overall quality of construction to market rate units in the principal project. A Notice of Special Restrictions shall be recorded prior to issuance of the first construction document and shall specify the number, location and sizes for all affordable units required under this subsection (c). The affordable units shall be evenly distributed throughout the building. For buildings over 120 feet in height, as measured under the requirements set forth in the Planning Code, the affordable units may be distributed throughout the lower 2/3 of the building, as measured by the number of floors. The interior

features in affordable units should be generally the same as those of the market rate units in the principal project, but need not be the same make, model or type of such item as long as they are of good and new quality and are consistent with then-current standards for new housing. The square footage of affordable units does not need to be the same as or equivalent to that in market rate units in the principal project, so long as it is consistent with then-current standards for new housing. The affordable units are not required to be the same size as the market rate units, and may be 90% of the average size of the specific unit type. For buildings over 120 feet in height, as measured under the requirements set forth in the Planning Code, the average size of the unit type may be calculated for the lower 2/3 of the building, as measured by the number of floors. Where applicable, parking shall be offered to the affordable units subject to the terms and conditions of the Department's policy on unbundled parking for affordable housing units as specified in the Procedures Manual and amended from time to time. ~~*On site affordable units shall be ownership units unless the project applicant meets the eligibility requirement of Section 415.5(9).*~~

(2) Density Bonus Projects. An applicant seeking a density bonus under the provisions of State Law shall provide reasonable documentation to establish eligibility for a requested density bonus, incentives or concessions, and waivers or reductions of development standards. The Planning Department shall provide information about the value of the density bonus, concessions and incentives for each density bonus project and include it in the Department's case report or decision on the application. In addition, beginning in January 2018, the Planning Department shall prepare an annual report to the Planning Commission about the number of density bonus projects, density bonus units and the kinds of density bonuses, concessions and incentives provided to each density bonus project, which should be presented at the same time as the Housing Balance Report.

* * * *

SEC. 415.7. OFF-SITE AFFORDABLE HOUSING ALTERNATIVE

~~*The requirements set forth in this Section 415.7 will be reviewed when the City completes an Economic Feasibility Study.*~~ If the project sponsor is eligible and elects pursuant to Section 415.5(g) to provide off-site units to satisfy the requirements of Section 415.1 *et seq.*, the project sponsor shall notify the Planning Department and the Mayor's Office of Housing and Community Development ("MOHCD") of its intent as early as possible. The Planning Department and MOHCD shall provide an evaluation of the project's compliance with this Section 415.7 prior to approval by the Planning Commission or Planning Department. The development project shall meet the following requirements:

(a) Number of Units: The number of units constructed off-site shall be as follows:

(1) For any housing development that is located in an area *or Special Use District* with a specific affordable housing requirement, set forth in Section 419 or elsewhere in this Code, the higher off-site housing requirement shall apply.

(2) For housing development projects consisting of 10 dwelling units or more but less than 25 units, the number of *affordable* units constructed off-site shall be 20%, so that a project applicant shall construct .20 times the total number of units produced in the principal project. If the total number of units is not a whole number, the project applicant shall round up to the nearest whole number for any portion of .5 or above. The off-site affordable units shall be affordable to low- *and lower*-income households. *Owned Units shall be affordable to households earning 80% to 100% of Area Median Income, with an average affordable sales price set at 90% of Area Median Income or less. Rental Units shall be affordable to households earning 40% to 80% of Area Median Income, with an average affordable rent set at 60% of Area Median Income or less.*

(3) *For any housing development project consisting of 25 or more Owned Units, the number of affordable units constructed off-site shall be 33% of all units constructed on the project site,*

with a minimum of 15% of the units affordable to low- or lower-income households and 18% of the units affordable to moderate/middle-income households. Owned Units for low- and lower-income households shall be affordable to a range of households from 80% to 100% of Area Median Income, with an average affordable sales price set at 90% of Area Median Income or less. Owned Units for middle/moderate income households shall be affordable to a range of households from 100% to 140% of Area Median Income, with an average affordable sales price set at 120% of Area Median Income or less; provided that a middle/moderate income unit shall have a maximum sales price set at 100% of Area Median Income for a single income household. MOHCD may reduce the average Area Median Income upon request by the project sponsor.

(4) For any Rental Housing Project consisting of 25 or more Rental Units, the number of affordable units constructed off-site shall generally be 30% of all units constructed on the project site, with a minimum of 15% of the units affordable to low- or lower-income households and 15% of the units affordable to moderate/middle-income households. Rental Units for low- and lower-income households shall be affordable to a range of households earning from 40% to 80% of Area Median Income, with an average affordable rent set at 60% of Area Median Income or less. Rental Units for middle/moderate income households shall be affordable to a range of households earning from 80% to 120% of Area Median Income, with an average affordable rent set at 100% of Area Median Income or less; provided that a middle/moderate income unit shall have a maximum rent set at 100% of Area Median Income for a single income household. MOHCD may reduce the average Area Median Income upon request by the project sponsor. MOHCD shall set forth in the Procedures Manual the administration of rental units within this range.

(5) In the event one or more of the Rental Units in the principal Rental Housing Project become ownership units, each converted Rental Unit, or the principal Rental Housing Project in its entirety, as applicable, shall either (A) reimburse the City the proportional amount of the inclusionary affordable housing fee, which would be equivalent to the current inclusionary affordable fee

requirement for Owned Units, or(B) provide additional off-site affordable units equivalent to the current inclusionary requirements for Owned Units.

(6) The Department shall require as a condition of Department approval of a project's building permit, or as a condition of approval of a Conditional Use Authorization or Planned Unit Development or as a condition of Department approval of a live/work project, that 20%, 30% or 33%, as applicable, of all units constructed on the project site shall be constructed off-site and affordable to qualifying households so that a project sponsor must construct .20, .30 or .33 times, as applicable, the total number of units produced in the principal project.

(7) A minimum of 40% of the off-site affordable units shall consist of two bedroom units and a minimum of 20% of the off-site affordable units shall consist of three bedrooms or larger. Units shall have minimum floor areas that conform to the standards developed by the California Tax Credit Allocation Committee (CTCAC) for affordable units. The total residential floor area devoted to the affordable units shall not be less than the applicable percentage applied to the total residential floor area of the principal project, provided that a 10% variation in floor area is permitted.

(8) Any development project that constructs off-site affordable housing units as set forth in this Section 415.6 shall diligently pursue completion of such units. In the event the project sponsor does not procure a building permit or site permit for construction of the principal project or the off-site affordable housing project within two years (24 months) of the project's approval, the development project shall comply with the inclusionary affordable housing requirements applicable thereafter at the time when the project sponsor procures a building permit. Such deadline shall be extended in the event of any litigation seeking to invalidate the City's approval of the principal project or off-site affordable housing project for the duration of the litigation.

(9) *Specific Geographic Areas.*

For any housing development that is located in an area with a specific affordable housing requirement set forth in a Special Use District, or in any other section of the Code such as Section 419, the higher affordable housing requirement shall apply.

* * * *

SEC. 415.11. SEVERABILITY.

If any subsection, sentence, clause, phrase, or word of this Section 415, or any application thereof to any person or circumstance, is held to be invalid or unconstitutional by a decision of a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions or applications of the Section. The Board of Supervisors hereby declares that it would have passed this ordinance and each and every subsection, sentence, clause, phrase, and word not declared invalid or unconstitutional without regard to whether any other portion of this Section or application thereof would be subsequently declared invalid or unconstitutional.

Section 4. Effective Date. This ordinance shall become effective 30 days after enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the Mayor's veto of the ordinance.

Section 5. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors intends to amend only those words, phrases, paragraphs, subsections, sections, articles, numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal Code that are explicitly shown in this ordinance as additions, deletions, Board amendment

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additions, and Board amendment deletions in accordance with the "Note" that appears under the official title of the ordinance.

APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

By: _____
KATE H. STACY
Deputy City Attorney

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FILE NO. 161351

REVISED LEGISLATIVE DIGEST
(Substituted, 4/18/2017)

[Planning Code – Inclusionary Affordable Housing Fee and Requirements]

Ordinance amending the Planning Code to revise the amount of the Inclusionary Affordable Housing Fee and the On-Site and Off-Site Affordable Housing Alternatives and other Inclusionary Housing requirements; adding reporting requirements for density bonus projects; affirming the Planning Department's determination under the California Environmental Quality Act; making findings under Planning Code, Section 302; and making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

Existing Law

The City generally requires private developers of new market-rate housing to provide affordable housing ("Inclusionary Housing") by paying a fee to the City. A developer could also opt to provide Inclusionary Housing on- or off-site. The City's Inclusionary Affordable Housing Fee and other requirements are set forth in Planning Code Sections 415 et seq. and provide 3 methods of complying with the requirements.

1. Affordable Housing Fee: The development project pays a fee equivalent to the applicable off-site percentage of the number of units in the principal project:

- For development projects consisting of 10 – 24 dwelling units, the percentage is 20%.
- For development projects consisting of 25 dwelling units or more, the percentage is 33%.

2. If a developer opts to provide affordable housing on-site, the on-site Affordable Housing would be provided as follows:

- For housing development projects consisting of 10 – 24 dwelling units, the number of affordable units constructed on-site would generally be 12% of all units constructed on the project site. The units must be affordable to low-income households.
- For housing development projects consisting of 25 dwelling units or more, the number of affordable units constructed on-site would generally be 25% of all units constructed on the project site, with a minimum of 15% of the units affordable to low-income households and 10% of the units affordable to low- or middle- income households.

3. If a developer opts to provide affordable housing off-site, the off-site Affordable Housing would be provided as follows:

- For housing development projects consisting of 10-24 dwelling units, the number of affordable units constructed off-site would be 20% of the number of units in the principal project.

- For housing development projects consisting of 25 dwelling units or more, the number of affordable units constructed off-site would be 33% of the number of units in the principal project, with 20% of the units affordable to low-income households and 13% of the units affordable to low- or middle-income households.

If there is a higher Inclusionary Housing requirement in specific zoning districts, the higher requirement would apply. There are specific Inclusionary Housing requirements for the UMU and SOMA Youth & Families Zoning Districts. The Planning Code also contains a number of "grandfathering" provisions, which set the Inclusionary Housing requirements at lower percentages for a limited period of time, depending on when a complete environmental evaluation application was submitted.

The Planning Code directs the Mayor's Office of Housing and Community Development ("MOHCD") to set the amount of the fee to be paid by the project sponsor to calculate the "affordability gap" using data on the cost of construction of providing the residential housing and the Maximum Purchase Price for the equivalent unit size.

Section 401 defines a low-income household as one whose income does not exceed 55% of Area Median Income for purposes of renting an affordable unit, and 80% of Area Median Income for purposes of purchasing an affordable unit. "Moderate income" and "middle income" households shall mean households whose total household income does not exceed 100% of Area Median Income for purposes of renting an affordable unit, and 120% of Area Median Income for purposes of purchasing an affordable unit.

The Planning Code also requires an applicant seeking a density bonus under State law to provide analysis to support any requested concessions and incentives under the State law.

The Planning Code requires the Controller to study the economic feasibility of the City's inclusionary housing requirements and produce a report in 2016 and every three years thereafter. The Board must consider the report within three months and consider legislative amendments to the City's Inclusionary Housing in-lieu fees, on-site, off-site, or other alternatives recommended by the Controller and/or the Planning Commission based on the feasibility analyses and with guidance from the City's Nexus Study, with the objective of maximizing affordable Inclusionary Housing in market rate housing production.

Amendments to Current Law

The Proposed Legislation would change the inclusionary affordable housing requirement for 3 kinds of inclusionary affordable housing in the following ways.

1. Inclusionary Affordable Housing Fee: The Amendments would set the Inclusionary Affordable Housing Fee for projects consisting of 25 dwelling units or more to 33% for an ownership housing project and 30% for a rental housing project.
The Amendments would direct MOHCD to calculate the Inclusionary Affordable Housing Fee by using data on the City's cost of construction of providing the residential housing for 3 different building types and 2 types of tenure, ownership and rental, rather than a single fee calculation uniformly applied to all types of projects. The 3 building types would be based on the height of the building: (A) up to 55 feet; (B) above 55 feet up to 85 feet; and (C) above 85 feet. MOHCD must calculate the affordability gap within 6 months of the effective date of the Amendments and update the Fee annually to ensure that the Fee amount remains current and reflects the City's current costs for the different building types and tenures.

2. On-Site Inclusionary Affordable Housing Units: A project sponsor may elect to provide on-site affordable housing in lieu of paying the Inclusionary Fee.

For housing projects consisting of 10 – 24 units, the number of affordable units constructed on-site shall be 12% of all units constructed on the project site. The required on-site affordable housing would increase by 0.75% annually for housing projects consisting of 10 – 24 units, beginning on January 1, 2018. The on-site affordable Owned Units shall be affordable to households earning 80% to 100% of Area Median Income, with an average affordable sales price set at 90% of Area Median Income or less. Affordable Rental Units shall be affordable to households earning 40% to 80% of Area Median Income, with an average affordable rent set at 60% of Area Median Income or less.

For ownership housing projects consisting of 25 or more units, the number of affordable units constructed on-site shall be 27% of all units constructed on the project site, with a minimum of 15% of the units affordable to low-or lower-income households and 12% of the units affordable to moderate/middle-income households.

- Owned Units for low- and lower-income households shall be affordable to a range of households from 80% to 100% of Area Median Income, with an average affordable sales price set at 90% of Area Median Income or less. Owned Units for middle/moderate income households shall be affordable to a range of households from 100% to 140% of Area Median Income, with an average affordable sales price set at 120% of Area Median Income or less; provided that a middle/moderate income unit shall have a maximum sales price set at 100% of Area Median Income for a single income household. MOHCD may reduce the average Area Median Income upon request by the project sponsor.

For any Rental Housing Project consisting of 25 or more Rental Units, the number of affordable units constructed on-site shall generally be 24% of all units constructed on the

project site, with a minimum of 15% of the units affordable to low- or lower-income households and 9% of the units affordable to moderate/middle-income households.

- Rental Units for low- and lower-income households shall be affordable to a range of households earning from 40% to 80% of Area Median Income, with an average affordable rent set at 60% of Area Median Income or less. Rental Units for middle/moderate income households shall be affordable to a range of households earning from 80% to 120% of Area Median Income, with an average affordable rent set at 100% of Area Median Income or less; provided that a middle/moderate income unit shall have a maximum rent set at 100% of Area Median Income for a single income household. MOHCD may reduce the average Area Median Income upon request by the project sponsor. MOHCD shall set forth in the Procedures Manual the administration of rental units within this range.

3. Off-Site Inclusionary Affordable Housing.

- For any housing development project consisting of 25 or more Owned Units, the number of affordable units constructed off-site shall be 33% of all units constructed on the project site, with a minimum of 18% of the units affordable to low-or lower-income households and 15% of the units affordable to moderate/middle-income households. Owned Units for low- and lower-income households shall be affordable to a range of households from 80% to 100% of Area Median Income, with an average affordable sales price set at 90% of Area Median Income or less. Owned Units for middle/moderate income households shall be affordable to a range of households from 100% to 140% of Area Median Income, with an average affordable sales price set at 120% of Area Median Income or less; provided that a middle/moderate income unit shall have a maximum sales price set at 100% of Area Median Income for a single income household. MOHCD may reduce the average Area Median Income upon request by the project sponsor.

- For any Rental Housing Project consisting of 25 or more Rental Units, the number of affordable units constructed off-site shall generally be 30% of all units constructed on the project site, with a minimum of 15% of the units affordable to low- or lower-income households and 15% of the units affordable to moderate/middle-income households. Rental Units for low- and lower-income households shall be affordable to a range of households earning from 40% to 80% of Area Median Income, with an average affordable rent set at 60% of Area Median Income or less. Rental Units for middle/moderate income households shall be affordable to a range of households earning from 80% to 120% of Area Median Income, with an average affordable rent set at 100% of Area Median Income or less; provided that a middle/moderate income unit shall have a maximum rent set at 100% of Area Median Income for a single income household. MOHCD may reduce the average Area Median Income upon request by

the project sponsor. MOHCD shall set forth in the Procedures Manual the administration of rental units within this range.

A minimum of 40% of the on-site and off-site affordable units shall consist of two bedroom units and a minimum of 20% of the on-site and off-site affordable units shall consist of three bedrooms or larger. Units shall have minimum floor areas that conform to the standards developed by the California Tax Credit Allocation Committee (CTCAC) for affordable units. The total residential floor area devoted to the affordable units shall not be less than the applicable percentage applied to the total residential floor area of the principal project, provided that a 10% variation in floor area is permitted.

For all projects consisting of 25 or more dwelling units, in the event a rental housing project or unit becomes ownership housing, the owner would reimburse the cost of the fee deduction to the City, or provide additional on-site or off-site affordable units, so that the project would comply with the current inclusionary housing requirements for ownership housing.

For all projects, if a project sponsor does not procure a building permit within 2 years of project approval, the project sponsor must comply with the inclusionary housing requirements at the time of building permit procurement.

For all projects, the Amendments would change the definition of low-Income households to include households whose total household income is 40% to 80% of Area Median Income for purposes of renting an affordable unit, or 80% to 100% of Area Median Income for purposes of purchasing an affordable unit, and "moderate income" and "middle income" households shall mean households whose total household income is 80% to 120% of Area Median Income for purposes of renting an affordable unit, or 100% to 140% of Area Median Income for purposes of purchasing an affordable unit.

An applicant seeking a density bonus under the provisions of State Law must provide reasonable documentation to establish eligibility for a requested density bonus, incentives or concessions, and waivers or reductions of development standards, consistent with State law. The Planning Department would provide information about the value of the density bonus, concessions and incentives for each density bonus project and include it in the Department's case report or decision on the application. Beginning in January 2018, the Planning Department shall prepare an annual report to the Planning Commission about the number of density bonus projects, density bonus units and the kinds of density bonuses, concessions and incentives provided to each density bonus project, which should be presented at the same time as the Housing Balance Report.

The Planning Department, in consultation with the Controller, must undertake a study of areas where an Area Plan, Special Use District, or other re-zoning has been adopted after January 1, 2015, to determine whether a higher on-site inclusionary affordable housing requirement is feasible on sites that have received a 20% or greater increase in developable residential

gross floor area or a 35% or greater increase in residential density over prior zoning, and shall submit such information to the Planning Commission and Board of Supervisors.

Background Information

The City published the Residential Affordable Housing Nexus Analysis in November 2016.

The Controller completed the Feasibility Analysis required by Planning Code Section 415.10 in February 2017.

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BOARD of SUPERVISORS

City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

December 20, 2016

File No. 161351

Lisa Gibson
Acting Environmental Review Officer
Planning Department
1650 Mission Street, Ste. 400
San Francisco, CA 94103

Dear Ms. Gibson:

On December 13, 2016, Supervisor Kim introduced the following proposed legislation:

File No. 161351

Ordinance amending the Planning Code to revise the amount of the Inclusionary Affordable Housing Fee and the On-Site and Off-Site Affordable Housing Alternatives and other Inclusionary Housing requirements; affirming the Planning Department's determination under the California Environmental Quality Act; making findings under Planning Code, Section 302; and making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

This legislation is being transmitted to you for environmental review.

Angela Calvillo, Clerk of the Board

for By: Alisa Somera, Legislative Deputy Director
Land Use and Transportation Committee

Attachment

c: Joy Navarrete, Environmental Planning
Jeanie Poling, Environmental Planning

Not defined as a project under CEQA Guidelines Sections 15060(c) and 15378 because it does not result in a physical change in the environment.

Jeanie Poling
12/20/16

BOARD of SUPERVISORS

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TDD/TTY No. 554-5227

March 1, 2017

File No. 161351

Lisa Gibson
Acting Environmental Review Officer
Planning Department
1650 Mission Street, Ste. 400
San Francisco, CA 94103

Dear Ms. Gibson:

On February 28, 2017, Supervisor Kim introduced the following substitute legislation:

File No. 161351

Ordinance amending the Planning Code to revise the amount of the Inclusionary Affordable Housing Fee and the On-Site and Off-Site Affordable Housing Alternatives and other Inclusionary Housing requirements; adding reporting requirements for density bonus projects; affirming the Planning Department's determination under the California Environmental Quality Act; making findings under Planning Code, Section 302; and making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

This substitute legislation is being transmitted to you for environmental review.

Angela Calvillo, Clerk of the Board

for By: Alisa Somera, Legislative Deputy Director
Land Use and Transportation Committee

Attachment

c: Joy Navarrete, Environmental Planning
Jeanie Poling, Environmental Planning

Not defined as a project under CEQA Guidelines Sections 15378 and 15060(c)(2) because it does not result in a physical change in the environment.

Joy Navarrete

Digitally signed by Joy Navarrete
DN: cn=Joy Navarrete, o=Planning, ou=Environmental Planning, email=joy.navarrete@sfgov.org, c=US
Date: 2017.03.23 08:43:30 -07'00'

BOARD of SUPERVISORS

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TDD/TTY No. 554-5227

April 21, 2017

Planning Commission
Attn: Jonas Ionin
1650 Mission Street, Ste. 400
San Francisco, CA 94103

Dear Commissioners:

On April 18, 2017, Supervisor Kim introduced the following substitute legislation:

File No. 161351

Ordinance amending the Planning Code to revise the amount of the Inclusionary Affordable Housing Fee and the On-Site and Off-Site Affordable Housing Alternatives and other Inclusionary Housing requirements; adding reporting requirements for density bonus projects; affirming the Planning Department's determination under the California Environmental Quality Act; making findings under Planning Code, Section 302; and making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

The substitute ordinance is being transmitted pursuant to Planning Code, Section 302(b), for public hearing and recommendation. The ordinance is pending before the Land Use and Transportation Committee and will be scheduled for hearing upon receipt of your response.

Angela Calvillo, Clerk of the Board

for By: Alisa Somera, Legislative Deputy Director
Land Use and Transportation Committee

c: John Rahaim, Director of Planning
Aaron Starr, Acting Manager of Legislative Affairs
Scott Sanchez, Zoning Administrator
Lisa Gibson, Acting Environmental Review Officer
AnMarie Rodgers, Senior Policy Advisor
Jeanie Poling, Environmental Planning
Joy Navarrete, Environmental Planning

Not defined as a project under CEQA Guidelines Sections 15378 and 15060(c)(2) because it does not result in a physical change in the environment.

REVIEWED
By Joy Navarrete at 12:09 pm, Apr 28, 2017

SAN FRANCISCO
PLANNING DEPARTMENT 161351

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Suite 400
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Planning
Information:
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May 4, 2017

Ms. Angela Calvillo, Clerk
Honorable Supervisors Kim, Safai, Peskin, Breed, and Tang
Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Re: **Transmittal of Planning Department Case Number 2017-001061PCA**
Amendments to Section 415, Inclusionary Affordable Housing Program
Board File No: 161351 Inclusionary Affordable Housing Fee and Requirements;
170208 Inclusionary Affordable Housing Fee and Dwelling Unit Mix Requirements

Planning Commission Recommendation: ***Approval with Modifications***

Dear Ms. Calvillo and Supervisors Kim, Safai, Peskin, Breed, and Tang,

On April 27, 2017, the Planning Commission conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinances that would amend Planning Code Section 415, introduced by Supervisors Kim and Peskin, and Supervisors Safai, Breed, and Tang, respectively. At the hearing the Planning Commission recommended approval with modifications.

Specifically, the Planning Commission recommended that the Board of Supervisors adopt final legislation as described. The adopted resolution, including detailed recommendations and the associated Executive Summary, are attached.

A. APPLICATION

a. **No amendments are recommended.**

B. INCLUSIONARY REQUIREMENTS

a. **Include a condominium conversion provision** to specify that projects converting to ownership projects must pay a **conversion fee** equivalent to the difference between the fee requirement for ownership projects in effect at the time of the conversion and the requirement the project satisfied at the time of entitlement.
Include provisions of Board File No. 161351 ("Proposal A"), as modified above.

b. Establish fee, on-site, and off-site requirements for Larger Projects (25 or more units) that are within the range of "maximum economically feasible" requirements

recommended in the Controller's Study.
Include provisions of Board File No. 170208 ("Proposal B") without modification, as follows:

For Rental Projects:

i. Fee or Off-Site Alternative: equivalent of 23% of project units

ii. On-Site Alternative: 18% of project units

For Ownership Projects:

i. Fee or Off-Site Alternative: equivalent of 28% of project units

ii. On-Site Alternative: 20% of project units

C. SCHEDULE OF ANNUAL INCREASES TO REQUIREMENTS

a. **Establish an explicit maximum requirement** at which the schedule of increases would terminate, and that rate should be below the maximum requirement legally supported by the Nexus Study.
Include provisions of Board File No. 170208 ("Proposal B") with modifications to clarify that this provision also applies to both Smaller and Larger projects, as follows:

For Rental Projects:

i. Fee or Off-Site Alternative: equivalent of 28% of project units

ii. On-Site Alternative: 23% of project units

For Ownership Projects:

i. Fee or Off-Site Alternative: equivalent of 33% of project units

ii. On-Site Alternative: 25% of project units

b. Establish that requirement rates be **increased by 1.0 percentage point every two years** for both Smaller and Large projects.
Include provisions of Board File No. 170208 ("Proposal B"), as modified above.

c. The schedule of **increases should commence no fewer than 24 months following the effective date of final ordinance** for both Smaller and Larger projects.
Under either ordinance, final legislation should be amended accordingly.

d. **Establish a "sunset" provision that is consistent with current practices** for the determination of inclusionary requirements and Planning Department procedures, specifically that the requirement be established at the date of Environmental Evaluation Application and be reset if the project has not received a first construction document within three years of the project's first entitlement approval.
Include provisions of Board File No. 170208 ("Proposal B") with modifications to clarify that this provision applies to both Smaller and Larger projects.

D. AFFORDABLE HOUSING FEE

a. **Apply the fee on a per gross square foot basis** so that the fee is assessed proportionally to the total area of the project.
Include provisions of Board File No. 170208 ("Proposal B") without modification.

b. Revise language to allow MOHCD to calculate the fee to **match the actual cost to the City to construct below market rate units,** without factoring the maximum sale price of the equivalent inclusionary unit.
Include provisions of Board File No. 170208 ("Proposal B") without modification.

E. INCOME LEVELS

a. **Establish affordability requirements that clearly apply to the maximum rent or maximum sale price of the inclusionary unit,** and not to the income level of the household placed in that unit.
Under either ordinance, final legislation should be amended accordingly.

b. **Designate inclusionary units at three discrete affordability levels for Larger projects** to better serve households with incomes between the current low and moderate income tiers.
Include provisions of Board File No. 170208 ("Proposal B"), with modified income tiers as below.

c. Final legislation should **target inclusionary units to serve the gap in coverage** between low-income households who can access other existing housing programs and moderate and middle-income households earning less than the level needed to access market rate units.
Include provisions of Board File No. 170208 ("Proposal B"), with modifications, as follows:

For Rental Projects:

i. Two-thirds of units at no more than 55% of Area Median Income

ii. One-third of units split evenly between units at no more than 80% of Area Median Income, and units at no more than 110% of Area Median Income

For Ownership Projects:

i. Two-thirds of units at no more than 90% of Area Median Income

ii. One-third of units split evenly between units at no more than 110% of Area Median Income, and units at no more than 140% of Area Median Income

d. **Designate inclusionary units at a single affordability level for Smaller projects.** This requirement should be set to match the middle tier established for larger projects, as described below.
Include provisions of Board File No. 170208 ("Proposal B"), with modifications as follows:

i. For Rental Projects: all inclusionary units at no more than 55% of Area Median Income

ii. For Ownership Projects: all inclusionary units at no more than 80% of Area Median Income

e. Final legislation should include language requiring MOHCD to undertake necessary action to ensure that **in no case may an inclusionary affordable unit be provided at a maximum rent or sale price that is less than 20 percent below the average asking rent or sale price** for the relevant market area within which the inclusionary unit is located.
Under either ordinance, final legislation should be amended accordingly.

F. DENSITY BONUS PROVISIONS

a. Encourage the use of density bonus to maximize the production of affordable housing. At the same time, because a density bonus may not be used in every situation, **the inclusionary requirements established in Section 415 should be economically feasible regardless of whether a density bonus is exercised.**
Include provisions of Board File No. 170208 ("Proposal B") without modification.

b. The final Inclusionary ordinance should be paired with a local density bonus ordinance, such as the HOME-SF Program, that implements the State Density Bonus Law in a manner that is tailored to the San Francisco's contextual and policy needs.
Include provisions of Board File No. 170208 ("Proposal B") without modification.

c. **Direct the Planning Department to require "reasonable documentation" from project sponsors seeking a State Bonus** to establish eligibility for a requested density bonus, incentives of concession, and waivers or reductions of development standards, as provided for under state law, and as consistent with the process and procedures detailed in a locally adopted ordinance implementing the State Density Bonus Law.
Include provisions of Board File No. 161351 ("Proposal A") without modification.

d. **Require the Planning Department to prepare an annual report on the use of the Density Bonus** to the Planning Commission beginning in January 2018 that details

the number of projects seeking a bonus and the concessions, waivers, and level of bonus provided.
Include provisions of Board File No. 161351 ("Proposal A") without modification.

e. **Require that projects pay the Affordable Housing Fee** on any additional units authorized by the State Bonus program.
Include provisions of Board File No. 170208 ("Proposal B") without modification.

G. UNIT MIX REQUIREMENTS

a. Dwelling unit mix requirements should **apply to total project units, not only to on-site inclusionary units** to allow for inclusionary units to be provided comparable to market rate units, as required in Section 415.
Under either ordinance, final legislation should be amended accordingly.

b. Final legislation **should set a large unit requirement at 40% of the total number of units as two-bedroom or larger, with no fewer than 10% of the total number of units being provided as 3-bedroom or larger.**
Under either ordinance, final legislation should be amended accordingly.

H. "GRANDFATHERING PROVISIONS

a. Smaller Projects should remain subject to "grandfathered" on-site and fee or off-site requirements. Both Ordinances would maintain this structure.
No recommended amendments.

b. Larger Projects (25 or more units) choosing the **on-site alternative** should remain subject to the incremental percentage requirements established by Proposition C.
Include provisions of Board File No. 170208 ("Proposal B") without modification.

c. The incremental increases established for Larger Projects choosing the **fee or off-site alternatives**, should be amended to match the permanent requirements established in the final legislation, which should not exceed the maximum feasible rate.
Include provisions of Board File No. 170208 ("Proposal B") without modification.

d. The incremental increases established by Proposition C for Larger Projects that entered the pipeline before 2016 and are located in UMU districts should be removed, leaving the area-specific requirements of Section 419 in place for these projects.
Include provisions of Board File No. 170208 ("Proposal B") without modification.

e. Final legislation should explicitly establish that projects in UMU districts that entered the pipeline after January 12, 2016 **should be subject to the higher of the on-site, fee, or off-site requirements** set forth in Section 419 or the citywide requirements in

Section 415, as established by final legislation.
Under either ordinance, **final legislation should be amended accordingly.**

f. **Establish that all other Section 415 provisions will apply to pipeline projects,** regardless of the acceptance date of the project's EEA; projects that were fully entitled prior to the effective date of final legislation would be subject to the inclusionary requirements in effect at the time of entitlement.
Under either ordinance, **final legislation should be amended accordingly.**

I. ADDITIONAL CONSIDERATIONS

a. The Commission recommends that the Board of Supervisors should consider additional measures that may be undertaken by the City to subsidize the ancillary housing costs to owners of inclusionary ownership units, including but not limited to Homeowners Association dues.
Under either ordinance, **final legislation should be amended accordingly.**

b. Final legislation should require MOHCD to provide regular reporting to the Planning Commission on the racial and household composition demographic data of occupant households of inclusionary affordable units.
Under either ordinance, **final legislation should be amended accordingly.**

J. REQUIRED FEASIBILITY STUDIES

a. Additional feasibility studies to determine whether a higher on-site inclusionary affordable housing requirement is feasible on sites that have received a 20% of greater increase in developable residential gross floor area of a 35% or greater increase in residential density over prior zoning, should only be required when: 1) the upzoning has occurred after the effective date of this ordinance; 2) no feasibility study for the specific upzoning has previously been completed and published; 3) the upzoning occurred as part of an Area Plan that has already been adopted or which has already been analyzed for feasibility and community benefits prior to the effective date of the ordinance. In no case should the requirement apply for any project or group of projects that has been entitled prior to the effective date of the ordinance.
Under either ordinance, **final legislation should be amended accordingly.**

Supervisors, please advise the City Attorney at your earliest convenience if you wish to incorporate the changes recommended by the Commission into your proposed Ordinance. Please

find attached documents relating to the actions of the Commission. If you have any questions or require further information please do not hesitate to contact me.

Sincerely,

AnMarie Rodgers
Senior Policy Advisor

cc:
Audrey Pearson, Deputy City Attorney
Bobbi Lopez, Aide to Supervisor Kim
Suhagey Sandoval, Aide to Supervisor Safai
Sunny Angulo, Aide to Supervisor Peskin
Michael Howerton, Aide to Supervisor Breed
Dyanna Quizon, Aide to Supervisor Tang
Alisa Somera, Office of the Clerk of the Board
bos.legislation@sfgov.org

Attachments:
Planning Commission Resolution No. 19903
Planning Department Executive Summary

SAN FRANCISCO
PLANNING DEPARTMENT

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Planning Commission Resolution No. 19903

HEARING DATE: APRIL 27, 2017

Project Name:	**Inclusionary Affordable Housing Program (Sec 415) Amendments**
Case Number:	**2017-001061PCA**
Initiated by:	**Supervisors Kim and Peskin,** Introduced December 13, 2016 Version 2, Introduced February 28, 2017; Version 3, Introduced April 18, 2017 Inclusionary Affordable Housing Fee and Requirements [Board File No. 161351]
Initiated by:	**Supervisors Safai, Breed, and Tang** Introduced February 28, 2017 Inclusionary Affordable Housing Fee and Dwelling Unit Mix Requirements [Board File No. 170208]
Staff Contact:	Jacob Bintliff, Citywide Planning Division jacob.bintliff@sfgov.org, 415-575-9170
Reviewed by:	AnMarie Rodgers, Senior Policy Advisor anmarie.rodgers@sfgov.org, 415-558-6395

RECOMMENDING THAT THE BOARD OF SUPERVISORS 1) ADOPT A PROPOSED ORDINANCE, WITH MODIFICATIONS THAT WOULD AMEND THE PLANNING CODE TO REVISE THE AMOUNT OF THE INCLUSIONARY AFFORDABLE HOUSING FEE AND THE ON-SITE AND OFF-SITE AFFORDABLE HOUSING ALTERNATIVES AND OTHER INCLUSIONARY HOUSING REQUIREMENTS; REQUIRE MINIMUM DWELLING UNIT MIX IN ALL RESIDENTIAL DISTRICTS; AFFIRM THE PLANNING DEPARTMENT'S DETERMINATION UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT; MAKE FINDINGS UNDER PLANNING CODE, SECTION 302; AND MAKE FINDINGS OF CONSISTENCY WITH THE GENERAL PLAN, AND THE EIGHT PRIORITY POLICIES OF PLANNING CODE, SECTION 101.1 AND 2) AND MAKE FINDINGS OF CONSISTENCY WITH THE GENERAL PLAN AND THE EIGHT PRIORITY POLICIES OF PLANNING CODE SECTION 101.1 FOR THE AFFORDABLE HOUSING BONUS PROGRAMS AND HOME-SF.

WHEREAS, on December 13, 2016 Supervisor Kim and Supervisor Peskin introduced a proposed Ordinance under Board of Supervisors (hereinafter "Board") File Number 161351 (referred to in this resolution as Proposal A), which amends Section 415 of the Planning Code to revise the amount of the Inclusionary Affordable Housing Fee and the On-Site and Off-Site Affordable Housing Alternatives and other Inclusionary Housing requirements; and adds reporting requirements for density bonus projects; and,

WHEREAS, on February 28, 2017 Supervisor Kim and Supervisor Peskin introduced substitute legislation under Board File Number 161351v2; and,

WHEREAS, on February 28, 2017 Supervisor Safai, Supervisor Breed, and Supervisor Tang introduced a proposed ordinance under Board File Number 170208 (referred to in this resolution as Proposal B), which amends the Planning Code to revise the amount of the Inclusionary Affordable Housing Fee and the On-Site and Off-Site Affordable Housing Alternatives and other Inclusionary Housing requirements; and requires a minimum dwelling unit mix in all residential districts; and,

WHEREAS, on September 29, 2015, Mayor Ed Lee and Supervisor Tang introduced a proposed Ordinance under Board File Number 150969, to add Planning Code Section 206 to create the Affordable Housing Bonus Program, the 100 Percent Affordable Housing Bonus Program, the Analyzed State Density Bonus Program, and the Individually Requested State Density Bonus Program, to provide for development bonuses and zoning modifications for increased affordable housing, in compliance with, and above those required by the State Density Bonus Law, Government Code, Section 65915, et seq.; to establish the procedures in which these Programs shall be reviewed and approved; and to add a fee for applications under the Programs; and

WHEREAS, on October 15, 2015 the Planning Commission voted to initiate an amendment to the General Plan to add language to certain policies, objectives and maps that clarified that the City could adopt policies or programs that allowed additional density and development potential if a project included increased amounts of on-site affordable housing; and

WHEREAS, on February 25, 2016, this Commission found that the Affordable Housing Bonus Program was, on balance, consistent with the San Francisco General Plan as amended, and forwarded the Affordable Housing Bonus Program, together with several recommended amendments, to the Board of Supervisors for their consideration; and

WHEREAS, on June 13, 2016, Supervisor Tang duplicated the AHBP ordinance file and amended the AHBP ordinance to include only the 100% Affordable Housing Bonus Program, and amended the 100% Affordable Housing Bonus Program to, among other items, prohibit the use of the program on parcels containing residential units and to allow an appeal to the Board of Supervisors; and

WHEREAS, on June 30, 2016, in Resolution 19686, the Planning Commission found that both the 100% Affordable Housing Bonus Program [BF 150969] and 100% Affordable Housing Density and Development Bonuses [BF 160668] to be consistent with the General Plan, and in July 2016 the Board of Supervisors adopted the 100% Affordable Housing Bonus Program, which is now found in Planning Code section 206; and

WHEREAS, the state law requires that localities adopt ordinances implementing the State Density Bonus Law and comply with its requirements, and the Affordable Housing Bonus Program described in Board File No. 150969, would be such a local ordinance implementing the State Density Bonus Law; and

WHEREAS, on March 13, 2017 the Land Use and Transportation Committee amended the Affordable Housing Bonus Program in Board File Number 161351v6, renaming the Local Affordable Housing Bonus Program as the HOME-SF Program and amending, among other requirements, the HOME-SF Program's average median income levels such that those levels mirror the average median income levels in the

ordinance amending the Inclusionary Affordable Housing Program introduced by Supervisors Safai, Breed and Tang on February 28, 2017, and this Commission must consider whether the Affordable Housing Bonus Program ordinance as amended, is consistent with the General Plan; and

WHEREAS, both proposed ordinances amending the Inclusionary Affordable Housing Program include an explicit reference to the State Density Bonus Law under California Government Code Section 65915, and at least one of the proposed ordinances explicitly references the Affordable Housing Bonus Program in Board File No. 150969, or its equivalent; and

WHEREAS, The Planning Commission (hereinafter "Commission") conducted a duly noticed public informational hearing at a regularly scheduled meeting to consider the two proposed ordinances on March 16, 2017; and

WHEREAS, The Commission conducted a duly noticed public hearing at a regularly scheduled meeting to consider the two proposed Ordinances on April 27, 2017; and

WHEREAS, the proposed amendments to the Inclusionary Affordable Housing Program in the two ordinances are not defined as a project under CEQA Guidelines Section 15060(c)(2) and 15378 because they do not result in a physical change in the environment, and on January 14, 2016 the Planning Department published Addendum 3 to the *2004 and 2009 Housing Element EIR* analyzing the environmental impacts of the Affordable Housing Bonus Program, and having reviewed the EIR and the addenda thereto, the Planning Commission finds that no further assessment of supplemental or subsequent EIR is required; and

WHEREAS, the Planning Commission has heard and considered the testimony presented to it at the public hearing and has further considered written materials and oral testimony presented on behalf of Department staff and other interested parties; and

WHEREAS, all pertinent documents may be found in the files of the Department, as the custodian of records, at 1650 Mission Street, Suite 400, San Francisco; and

WHEREAS, the Planning Commission has reviewed the two proposed ordinances amending the Inclusionary Affordable Housing Program and the amendments to the Affordable Housing Bonus Program including the HOME-SF Program; and

WHEREAS, The Planning Commission determines that:

1. In making the recommendation to revise the Inclusionary Affordable Housing Program, the Commission reaffirms the Board of Supervisor's policy established by Resolution Number 79-16 that it shall be City policy to maximize the economically feasible percentage of inclusionary affordable housing in market rate housing development.

2. Inclusionary requirements should not exceed the rates recommended in the Controller's Economic Feasibility Study established in Proposition C, that the maximum economically feasible requirements for the on-site alternative are 18% for rental projects or 20% for ownership projects,

or the equivalent of a fee or off-site alternative requirement of 23% for rental projects or 28% for ownership projects.

3. The Inclusionary Affordable Housing Program requirements should remain below the City's current Nexus Study.

4. The City should use the Inclusionary Affordable Housing Program to help serve the housing needs for low-, moderate-, and above-moderate income households that area above the level eligible for projects supported by federal low income housing tax credits, and also earn below the minimum level needed to access market rate housing units in San Francisco. Specifically inclusionary units should be designated to serve households earning at or below 55%, 80%, and 110% of Area Median Income (AMI) for Rental Projects, or 90%, 110%, and 140% of Area Median Income (AMI) for Ownership Projects, with 25 or more units.

5. The Planning Department should implement additional monitoring and reporting procedures regarding the use of the State Density Bonus Law, and should require that eligible projects that seek and receive a bonus under the State Bonus Law pay the Affordable Housing Fee on additional units provided.

6. The incremental increases to the inclusionary requirements as established by the passage of Proposition C for projects that entered the pipeline between January 1, 2013 and January 12, 2016 should be retained for projects electing the on-site alternative, and removed for projects paying the Affordable Housing Fee or electing the off-site alternative, to maintain consistency with the recommended maximum economically feasible requirements recommended in the Controller's Study.

7. The City should adopt a local ordinance, such as the HOME-SF Program, that implements the State Density Bonus Law in a manner that is tailored to the San Francisco's contextual and policy needs.

8. The purpose of both the two proposed ordinances amending the Inclusionary Affordable Housing Program and the amendments to the proposed Affordable Housing Bonus Program ordinance to create the HOME-SF Program is to facilitate the development and construction of affordable housing in San Francisco.

NOW THEREFORE BE IT RESOLVED, that the Planning Commission hereby **finds** that 1) that both proposed ordinances to amend the Inclusionary Affordable Housing Program and the Commission's recommended modifications to the Inclusionary Affordable Housing Program and 2) the Affordable Housing Bonus Program, including the HOME-SF Program and pending amendments, are **consistent with the General Plan** for the reasons set forth below; and be it

FURTHER RESOLVED, that the Planning Commission hereby **recommends that the Board of Supervisors approve** a modified ordinance that combines elements of both proposals to revise the

Inclusionary Affordable Housing Program as described within this resolution and adopts the findings as set forth below.

FINDINGS

Having reviewed the materials identified in the preamble above, and having heard all testimony and arguments, this Commission finds, concludes, and determines as follows:

9. General Plan Compliance. The three proposed Ordinances and the Commission's recommended modifications are consistent with the following Objectives and Policies of the General Plan:

HOUSING ELEMENT

OBJECTIVE 1
IDENTIFY AND MAKE AVAILABLE FOR DEVELOPMENT ADEQUATE SITES TO MEET THE CITY'S HOUSING NEEDS, ESPECIALLY PERMANENTLY AFFORDABLE HOUSING.

POLICY 1.1
Plan for the full range of housing needs in the City and County of San Francisco, especially affordable housing.

Both ordinances amending the Inclusionary Affordable Housing Program further the potential for creation of permanently affordable housing in the City and facilitate an increase the number of affordable housing units that could be built in San Francisco. Generally affordable projects require that units be affordable for 55 years or permanently, depending on the funding source. This program is one tool to plan for affordable housing needs of very low, low and moderate income households.

The HOME-SF Program eligible districts generally include the City's neighborhood commercial districts, where residents have easy access to daily services, and are located along major transit corridors. The HOME-SF Program eligible districts generally allow or encourage mixed uses and active ground floors. On balance the program area is located within a quarter-mile (or 5 minute-walk) of the proposed Muni Rapid Network, which serves almost 70% of Muni riders and will continue to receive major investments to prioritize frequency and reliability.

POLICY 1.6
Consider greater flexibility in number and size of units within established building envelopes in community based planning processes, especially if it can increase the number of affordable units in multi-family structures.

Both ordinances amending the Inclusionary Affordable Housing Program provide greater flexibility in the number of units permitted in new affordable housing projects by providing increased heights, relief from any residential density caps, and allowing some zoning modifications. This is achieved by pairing the programs with either the State Density Bonus Law, California Government Code section 65915 et seq. or

through a local ordinance implementing the state law, such as the Affordable Housing Bonus Program or HOME-SF.

POLICY 1.8

Promote mixed use development, and include housing, particularly permanently affordable housing, in new commercial, institutional or other single use development projects.

Both ordinances amending the Inclusionary Affordable Housing Program and the HOME-SF Program Ordinance generally include the city's neighborhood commercial districts, where residents have easy access to daily services, and are located along major transit corridors.

POLICY 1.10

Support new housing projects, especially affordable housing, where households can easily rely on public transportation, walking and bicycling for the majority of daily trips.

On balance, the ordinances amending the Inclusionary Affordable Housing Program and the HOME-SF Program Ordinance identify eligible parcels that are located within a quarter-mile (or 5 minute-walk) of the proposed Muni Rapid Network, which serves almost 70% of Muni riders and will continue to receive major investments to prioritize frequency and reliability. These ordinances would support projects that include affordable units where households could easily rely on transit.

POLICY 3.3

Maintain balance in affordability of existing housing stock by supporting affordable moderate ownership opportunities.

Both ordinances amending the Inclusionary Affordable Housing Program and the HOME-SF Program Ordinance increase affordable ownership opportunities for households with moderate incomes.

Proposed Ordinance BF 161351-2 amending the Inclusionary Affordable Housing Program generally maintains the current "low" and "moderate" income tiers, with the significant change that these targets would be defined as an average AMI served by the project, with units falling within a specified range of income levels. Considering the average incomes served (98% equivalent average for ownership), the proposal would serve households in the middle of both the Low Income (50 – 80% AMI) and Moderate Income (80 – 120% AMI) groups, and would meet the demonstrated need of both income groups, while serving segments of both income groups that are least served by the City's current affordable housing programs.

Proposed Ordinances BF 170208 amending the Inclusionary Affordable Housing Program and proposed Ordinance BF 150969 creating the HOME-SF Program would generally raise the AMI levels served by the Inclusionary Program, and also define income levels as an average AMI served by the project. Considering the average incomes served, these proposals would serve households at the upper end of both the Low Income (50 – 80% AMI) and Moderate (80 – 120% AMI) groups, and would meet the demonstrated need of both income groups, while serving segments of both income groups that are least served by the City's current affordable housing programs.

POLICY 4.1

Develop new housing, and encourage the remodeling of existing housing, for families with children.

Both ordinances amending the Inclusionary Affordable Housing Program and the HOME-SF Program Ordinance can increase the supply of new affordable housing, including new affordable housing for

families. Both ordinance amending the Inclusionary Affordable Housing Program include dwelling unit mix requirements that encourage certain percentages of units with two or three bedrooms, and the HOME-SF Program includes a dwelling unit mix requirement and encourage family friendly amenities.

POLICY 4.4
Encourage sufficient and suitable rental housing opportunities, emphasizing permanently affordable rental units wherever possible.

Both ordinances amending the Inclusionary Affordable Housing Program and the HOME-SF Program Ordinance encourage the development of greater numbers of permanently affordable housing, including rental units. These affordable units are affordable for the life of the project.

Policy 4.5
Ensure that new permanently affordable housing is located in all of the city's neighborhoods, and encourage integrated neighborhoods, with a diversity of unit types provided at a range of income levels.

Both ordinances amending the Inclusionary Affordable Housing reach throughout the City and the HOME-SF Program Ordinance reaches the City's neighborhood commercial districts all three of which enables the City to increase the number of very low, low and moderate income households and encourage integration of neighborhoods.

OBJECTIVE 7
SECURE FUNDING AND RESOURCES FOR PERMANENTLY AFFORDABLE HOUSING, INCLUDING INNOVATIVE PROGRAMS THAT ARE NOT SOLELY RELIANT ON TRADITIONAL MECHANISMS OR CAPITAL.

Both ordinances amending the Inclusionary Affordable Housing Program and the HOME-SF Program Ordinance seek to create permanently affordable housing by leveraging the investment of private development.

Policy 7.5
Encourage the production of affordable housing through process and zoning accommodations, and prioritize affordable housing in the review and approval processes.

The HOME-SF Program Ordinance provides zoning and process accommodations including priority processing for projects that participate by providing on-site affordable housing.

OBJECTIVE 8
BUILD PUBLIC AND PRIVATE SECTOR CAPACITY TO SUPPORT, FACILITATE, PROVIDE AND MAINTAIN AFFORDABLE HOUSING.

Both ordinances amending the Inclusionary Affordable Housing Program and the HOME-SF Program Ordinance support this objective by revising the Inclusionary Affordable Housing Program to maximize the production of affordable housing in concert with the production of market-rate housing.

POLICY 8.3

Support the production and management of permanently affordable housing.

Both ordinances amending the Inclusionary Affordable Housing Program and the HOME-SF Program Ordinance support the production of permanently affordable housing supply.

POLICY 10.1
Create certainty in the development entitlement process, by providing clear community parameters for development and consistent application of these regulations.

The HOME-SF Program Ordinance proposes a clear and detailed review and entitlement process. The process includes detailed and limited zoning concessions and modifications. Depending the selected program projects will either have no change to the existing zoning process, or some projects will require a Conditional Use Authorization.

OBJECTIVE 11
SUPPORT AND RESPECT THE DIVERSE AND DISTINCT CHARACTER OF SAN FRANCISCO'S NEIGHBORHOODS.

Both ordinances amending the Inclusionary Affordable Housing Program and the HOME-SF Program Ordinance encourage mixed income buildings and neighborhoods.

In recognition that the projects utilizing the AHBP will sometimes be taller or of differing mass than the surrounding context, the AHBP Design Guidelines clarify how projects shall both maintain their size and adapt to their neighborhood context. These design guidelines enable AHBP projects to support and respect the diverse and distinct character of San Francisco's neighborhoods.

POLICY 11.3
Ensure growth is accommodated without substantially and adversely impacting existing residential neighborhood character.

Establishing permanently affordable housing in the City's various neighborhoods would enable the City to stabilize very low, low and moderate income households. These households meaningfully contribute to the existing character of San Francisco's diverse neighborhoods.

POLICY 11.5
Ensure densities in established residential areas promote compatibility with prevailing neighborhood character.

Both ordinances amending the Inclusionary Affordable Housing Program will produce buildings that are generally compatible with existing neighborhoods. State Density Bonus Law, California Government Code section 65915 et seq. does enable higher density that San Francisco's zoning would otherwise allow.

In recognition that the projects utilizing the AHBP will sometimes be taller or of differing mass than the surrounding context, the AHBP Design Guidelines clarify how projects shall both maintain their size and adapt to their neighborhood context. These design guidelines enable AHBP projects to support and respect the diverse and distinct character of San Francisco's neighborhoods.

OBJECTIVE 12
BALANCE HOUSING GROWTH WITH ADEQUATE INFRASTRUCTURE THAT SERVES THE CITY'S GROWING POPULATION.

OBJECTIVE 13
PRIORITIZE SUSTAINABLE DEVELOPMENT IN PLANNING FOR AND CONSTRUCTING NEW HOUSING.

Housing produced under either ordinance amending the Inclusionary Affordable Housing Program and that produced through the HOME-SF Program Ordinance would pay impact fees that support the City's infrastructure.

POLICY 13.1
Support "smart" regional growth that locates new housing close to jobs and transit.

On balance the AHBP area is located within a quarter-mile (or 5 minute-walk) of the proposed Muni Rapid network, which serves almost 70% of Muni riders and will continue to receive major investments to prioritize frequency and reliability.

URBAN DESIGN ELEMENT

POLICY 4.15
Protect the livability and character of residential properties from the intrusion of incompatible new buildings.

In recognition that the projects utilizing the AHBP will sometimes be taller or of differing mass than the surrounding context, the AHBP Design Guidelines clarify how projects shall both maintain their size and adapt to their neighborhood context.

BALBOA PARK AREA PLAN

OBJECTIVE 4.5: PROVIDE INCREASED HOUSING OPPORTUNITIES AFFORDABLE TO A MIX OF HOUSEHOLDS AT VARYING INCOME LEVELS.
Both ordinances amending the Inclusionary Affordable Housing Program and the HOME-SF Program Ordinance would increase affordable housing opportunities for a mix of household incomes.

BAYVIEW AREA PLAN

OBJECTIVE 6 ENCOURAGE THE CONSTRUCTION OF NEW AFFORDABLE AND MARKET RATE HOUSING AT LOCATIONS AND DENSITY LEVELS THAT ENHANCE THE OVERALL RESIDENTIAL QUALITY OF BAYVIEW HUNTERS POINT.

Both ordinances amending the Inclusionary Affordable Housing Program and the HOME-SF Program Ordinance provide zoning and process accommodations which would increase affordable housing opportunities for a mix of household incomes.

CENTRAL WATERFRONT AREA PLAN

OBJECTIVE 2.1 ENSURE THAT A SIGNIFICANT PERCENTAGE OF NEW HOUSING CREATED IN THE CENTRAL WATERFRONT IS AFFORDABLE TO PEOPLE WITH A WIDE RANGE OF INCOMES.

Both ordinances amending the Inclusionary Affordable Housing Program and the HOME-SF Program Ordinance provide zoning and process accommodations which would increase affordable housing opportunities

CHINATOWN AREA PLAN

OBJECTIVE 3
STABILIZE AND WHERE POSSIBLE INCREASE THE SUPPLY OF HOUSING.

Both ordinances amending the Inclusionary Affordable Housing Program and the HOME-SF Program Ordinance provide zoning and process accommodations which would increase affordable housing opportunities.

DOWNTOWN PLAN

OBJECTIVE 7
EXPAND THE SUPPLY OF HOUSING IN AND ADJACENT TO DOWNTOWN.

The HOME-SF Program Ordinance provide zoning and process accommodations which would increase affordable housing opportunities.

MARKET AND OCTAVIA AREA PLAN

OBJECTIVE 2.4
PROVIDE INCREASED HOUSING OPPORTUNITIES AFFORDABLE TO HOUSEHOLDS AT VARYING INCOME LEVELS.

Both ordinances amending the Inclusionary Affordable Housing Program and the HOME-SF Program Ordinance would increase affordable housing opportunities.

MISSION AREA PLAN

OBJECTIVE 2.1
ENSURE THAT A SIGNIFICANT PERCENTAGE OF NEW HOUSING CREATED IN THE MISSION IS AFFORDABLE TO PEOPLE WITH A WIDE RANGE OF INCOMES.

Both ordinances amending the Inclusionary Affordable Housing Program and the HOME-SF Program Ordinance would increase affordable housing opportunities.

SHOWPLACE/POTRERO HILL AREA PLAN

OBJECTIVE 2.1

ENSURE THAT A SIGNIFICANT PERCENTAGE OF NEW HOUSING CREATED IN THE SHOWPLACE /POTRERO IS AFFORDABLE TO PEOPLE WITH A WIDE RANGE OF INCOMES.

Both ordinances amending the Inclusionary Affordable Housing Program and the HOME-SF Program Ordinance would increase affordable housing opportunities.

SOMA AREA PLAN

OBJECTIVE 3

ENCOURAGE THE DEVELOPMENT OF NEW HOUSING, PARTICULARLY AFFORDABLE HOUSING.

Both ordinances amending the Inclusionary Affordable Housing Program and the HOME-SF Program Ordinance would increase affordable housing opportunities.

WESTERN SHORELINE AREA PLAN

POLICY 11.1

Preserve the scale and character of existing residential neighborhoods by setting allowable densities at the density generally prevailing in the area and regulating new development so its appearance is compatible with adjacent buildings.

The AHBPs provide zoning and process accommodations which would increase affordable housing opportunities. Based on staff and consultant analysis, the City understands that current allowable densities are not always reflective of prevailing densities in a neighborhood. Many buildings constructed before the 1970's and 1980's exceed the existing density regulations. Accordingly zoning concessions available through the AHBP generally set allowable densities within the range of prevailing densities.

POLICY 11.3

Continue the enforcement of citywide housing policies, ordinances and standards regarding the provision of safe and convenient housing to residents of all income levels, especially low- and moderate-income people.

Both ordinances amending the Inclusionary Affordable Housing Program and the HOME-SF Program Ordinance would increase affordable housing opportunities.

POLICY 11.4

Strive to increase the amount of housing units citywide, especially units for low- and moderate-income people.

Both ordinances amending the Inclusionary Affordable Housing Program and the HOME-SF Program Ordinance would increase affordable housing opportunities.

WESTERN SOMA AREA PLAN

OBJECTIVE 3.3

ENSURE THAT A SIGNIFICANT PERCENTAGE OF THE NEW HOUSING CREATED IS AFFORDABLE TO PEOPLE WITH A WIDE RANGE OF INCOMES

Both ordinances amending the Inclusionary Affordable Housing Program and the HOME-SF Program Ordinance would increase affordable housing opportunities.

10. **Planning Code Section 101 Findings.** The proposed amendments to the Planning Code are consistent with the eight Priority Policies set forth in Section 101.1(b) of the Planning Code in that:

    1. That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses enhanced;

       Neither ordinances amending the Inclusionary Affordable Housing Program would have a negative effect on neighborhood serving retail uses and will not have a negative effect on opportunities for resident employment in and ownership of neighborhood-serving retail.

       Pairing either ordinance with the HOME-SF Program Ordinance would create a net addition of neighborhood serving commercial uses. Many of the districts encourage or require that commercial uses be place on the ground floor. These existing requirements ensure the proposed amendments will not have a negative effect on neighborhood serving retail uses and will not affect opportunities for resident employment in and ownership of neighborhood-serving retail.

    2. That existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods;

       Neither ordinance amending the Inclusionary Affordable Housing Program would have a negative effect on housing or neighborhood character.

       Pairing either ordinance with the HOME-SF Program Ordinance would conserve and protect the existing neighborhood character by stabilizing very low, low and moderate income households who contribute greatly to the City's cultural and economic diversity, and by providing design review opportunities through the Affordable Housing Bonus Program Design Review Guidelines and Board of Supervisors appeal process.

    3. That the City's supply of affordable housing be preserved and enhanced;

       Both ordinances amending the Inclusionary Affordable Housing Program and the HOME-SF Program Ordinance increase City's supply of permanently affordable housing.

    4. That commuter traffic not impede MUNI transit service or overburden our streets or neighborhood parking;

       Neither ordinances amending the Inclusionary Affordable Housing Program and the HOME-SF Program Ordinance would result in commuter traffic impeding MUNI transit service or overburdening the streets or neighborhood parking.

    5. That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for resident employment and ownership in these sectors be enhanced;

Neither ordinances amending the Inclusionary Affordable Housing Program and the HOME-SF Program Ordinance would cause displacement of the industrial or service sectors due to office development as it does not enable office development. Further, protected industrial districts, including M-1, M-2 and PDR are not eligible for the HOME SF Program.

6. That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake;

   The proposed Ordinances would not have an adverse effect on City's preparedness against injury and loss of life in an earthquake.

7. That the landmarks and historic buildings be preserved;

   The proposed Ordinances would not have an adverse effect on the City's Landmarks and historic buildings. Further the HOME-SF Program Ordinance specifically excludes any projects that would cause a substantial adverse change in the significance of an historic resource as defined by California Code of Regulations, Title 14, Section 15064.5.

8. That our parks and open space and their access to sunlight and vistas be protected from development;

   The proposed Ordinances would not have an adverse effect on the City's parks and open space and their access to sunlight and vistas. Further the HOME-SF Program Ordinance specifically excludes any projects that would adversely impact wind or shadow.

11. **Planning Code Section 302 Findings.** The Planning Commission finds from the facts presented that the public necessity, convenience and general welfare require the proposed amendments to the Planning Code as set forth in Section 302; and .

BE IT FURTHER RESOLVED that the Commission hereby recommends that the Board ADOPT a proposed Ordinance amending the Inclusionary Affordable Housing Program that includes elements of both the Ordinance proposed by Supervisors Kim and Peskin (referred to below as Proposal A) and the Ordinance proposed by Supervisors Safai, Bree, and Tang (referred to below as Proposal B), as described here:

A. **APPLICATION**

VOTE +7 -0

a. Inclusionary requirements should continue to apply only to residential projects of 10 or more units, and additional requirements should continue to be applied for Larger Projects of 25 or more units, as currently defined in both Ordinances. **No amendments are needed.**

B. INCLUSIONARY REQUIREMENTS

VOTE +5 -2 (MELGAR, MOORE AGAINST)

a. The requirement for Smaller Projects (10 – 24 units) should remain 20% for the fee or off-site alternative, or 12% for the on-site alternative, as currently defined in both Ordinances. **No amendments are needed.**

b. Set higher requirements for ownership projects than for rental projects, for Larger Projects (25 or more units). Both Ordinances would establish this structure. **No amendments are needed.**

c. **Include a condominium conversion provision** to specify that projects converting to ownership projects must pay a **conversion fee** equivalent to the difference between the fee requirement for ownership projects in effect at the time of the conversion and the requirement the project satisfied at the time of entitlement. **Include provisions of Proposal A, with modifications.**

d. Establish fee, on-site, and off-site requirements for Larger Projects (25 or more units) that are within the range of "maximum economically feasible" requirements recommended in the Controller's Study. **Include provisions of Proposal B without modification, as follows:**

e. For Rental Projects:

- Fee or Off-Site Alternative: equivalent of 23% of project units
- On-Site Alternative: 18% of project units

f. For Ownership Projects:

- Fee or Off-Site Alternative: equivalent of 28% of project units
- On-Site Alternative: 20% of project units

C. SCHEDULE OF ANNUAL INCREASES TO REQUIREMENTS

VOTE +6 -1 (MOORE AGAINST)

a. **Establish an explicit maximum requirement** at which the schedule of increases would terminate, and that rate should be below the maximum requirement legally supported by the Nexus Study. **Include provisions of Proposal B with modifications to clarify that this provision also applies to both smaller and larger projects.**

b. Establish that requirement rates be **increased by 1.0 percentage point every two years.** Include provisions of Proposal B, with modifications **to clarify that this provision also applies to both smaller and larger projects.**

c. The schedule of increases should commence no fewer than 24 months following the effective date of final ordinance for both smaller and larger projects. Under either ordinance, final legislation should be amended accordingly.

d. Establish a "sunset" provision that is consistent with current practices for the determination of inclusionary requirements and Planning Department procedures, specifically that the requirement be established at the date of Environmental Evaluation Application and be reset if the project has not received a first construction document within three years of the project's first entitlement approval. Include provisions of Proposal B with modifications to clarify that this provision also applies to both smaller and larger projects.

D. AFFORDABLE HOUSING FEE

VOTE +5 -2 (MELGAR, MOORE AGAINST)

a. Apply the fee on a per gross square foot basis so that the fee is assessed proportionally to the total area of the project. Include provisions of Proposal B without modification.

b. Revise language to allow MOHCD to calculate the fee to match the actual cost to the City to construct below market rate units, without factoring the maximum sale price of the equivalent inclusionary unit. Include provisions of Proposal B without modification.

E. INCOME LEVELS

VOTE +4 -3 (FONG, KOPPEL, HILLIS AGAINST)

a. Establish affordability requirements that clearly apply to the maximum rent or maximum sale price of the inclusionary unit, and not to the income level of the household placed in that unit. Under either ordinance, final legislation should be amended accordingly.

b. Designate inclusionary units at three discrete affordability levels for larger projects to better serve households with incomes between the current low and moderate income tiers. Include provisions of Proposal B, with modifications.

c. Final legislation should target inclusionary units to serve the gap in coverage between low-income households who can access other existing housing programs and moderate and middle-income households earning less than the level needed to access market rate units. Include provisions of Proposal B, with modifications, as follows:

i. For Rental Projects:

i. Two-thirds of units at no more than 55% of Area Median Income

ii. One-third of units split evenly between units at no more than 80% of Area Median Income, and units at no more than 110% of Area Median Income

ii. For Ownership Projects:

i. Two-thirds of units at no more than 90% of Area Median Income

ii. One-third of units split evenly between units at no more than 110% of Area Median Income, and units at no more than 140% of Area Median Income

d. **Designate inclusionary units at a single affordability level for smaller projects.** This requirement should be set to match the middle tier established for larger projects, as described below. **Include provisions of Proposal B, with modifications as follows:**

i. For Rental Projects: all inclusionary units at no more than 55% of Area Median Income

ii. For Ownership Projects: all inclusionary units at no more than 80% of Area Median Income

e. Final legislation should include language requiring MOHCD to undertake necessary action to ensure that in no case may an inclusionary affordable unit be provided at a maximum rent or sale price that is less than 20 percent below the average asking rent or sale price for the relevant market area within which the inclusionary unit is located.

F. DENSITY BONUS PROVISIONS

VOTE +5 -2 (MELGAR, MOORE AGAINST)

a. Encourage the use of density bonus to maximize the production of affordable housing. At the same time, because a density bonus may not be used in every situation, **the inclusionary requirements established in Section 415 should be economically feasible regardless of whether a density bonus is exercised. Include provisions of Proposal B without modification.**

b. The final Inclusionary ordinance should be paired with a local density bonus ordinance, such as the HOME-SF Program, that implements the State Density Bonus Law in a manner that is tailored to the San Francisco's contextual and policy needs. **Include provisions of Proposal B without modification.**

c. **Direct the Planning Department to require "reasonable documentation" from project sponsors seeking a State Bonus** to establish eligibility for a requested density bonus, incentives of concession, and waivers or reductions of development standards, as provided for under state law, and as consistent with the process and procedures detailed in a locally adopted ordinance implementing the State Density Bonus Law. **Include provisions of Proposal A without modification.**

d. **Require the Planning Department to prepare an annual report on the use of the Density Bonus** to the Planning Commission beginning in January 2018 that details the number of projects seeking a bonus and the concessions, waivers, and level of bonus provided. **Include provisions of Proposal A without modification.**

e. Require that projects pay the Affordable Housing Fee on any additional units authorized by the State Bonus program. **Include provisions of Proposal B without modification.**

G. UNIT MIX REQUIREMENTS

VOTE +7 -0

a. Dwelling unit mix requirements should **apply to total project units, not only to on-site inclusionary units** to allow for inclusionary units to be provided comparable to market rate units, as required in Section 415. Under either ordinance, **final legislation should be amended accordingly.**

b. Final legislation **should set a large unit requirement at 40% of the total number of units as two-bedroom or larger, with no fewer than 10% of the total number of units being provided as 3-bedroom or larger.** Under either ordinance, **final legislation should be amended accordingly.**

H. "GRANDFATHERING" PROVISIONS

VOTE +7 -0

a. Smaller Projects should remain subject to "grandfathered" on-site and fee or off-site requirements. Both Ordinances would maintain this structure. **No amendments are needed.**

b. Larger Projects (25 or more units) choosing the **on-site alternative** should remain subject to the incremental percentage requirements established by Proposition C. **Include provisions of Proposal B without modification.**

c. The incremental increases established for Larger Projects choosing the **fee or off-site alternatives**, should be amended to match the permanent requirements established in the final legislation, which should not exceed the maximum feasible rate. **Include provisions of Proposal B without modification.**

d. The incremental increases established by Proposition C for Larger Projects that entered the pipeline before 2016 and are located in UMU districts should be removed, leaving the area-specific requirements of Section 419 in place for these projects. **Include provisions of Proposal B without modification.**

e. Final legislation should explicitly establish that projects in UMU districts that entered the pipeline after January 12, 2016 **should be subject to the higher of the on-site, fee, or off-site requirements** set forth in Section 419 or the citywide requirements in Section 415, as established by final legislation. Under either ordinance, **final legislation should be amended accordingly.**

f. **Establish that all other Section 415 provisions will apply to pipeline projects,** regardless of the acceptance date of the project's EEA; projects that were fully entitled prior to the effective date of final legislation would be subject to the inclusionary requirements in effect at the time of entitlement. Under either ordinance, **final legislation should be amended accordingly.**

I. ADDITIONAL CONSIDERATIONS

VOTE +7 -0

a. The Commission recommends that the Board of Supervisors should consider additional measures that may be undertaken by the City to subsidize the ancillary housing costs to owners of inclusionary ownership units, including but not limited to Homeowners Association dues.

b. Final legislation should require MOHCD to provide regular reporting to the Planning Commission on the racial and household composition demographic data of occupant households of inclusionary affordable units.

J. REQUIRED FEASIBILITY STUDIES

VOTE +4 -3 (JOHNSON, KOPPEL, MOORE)

a. Additional feasibility studies to determine whether a higher on-site inclusiuonary affordable housing requirement is feasible on sites that have received a 20% of greater increase in developable residential gross floor sarea of a 35% or freater increase in residetnail density over prior zoning, should only be required whe n: 1) the upzoning has occurred after the effective date of this ordinance; 2) no feasibility study for the specific upzoning has previously been completed and published; 3) the upzoning occurred as part of an Area Plan that has already been adopted or which has already been analyzed for feasibility and community benefits prior to the effective date of the ordinance. In no case should the requirement apply for any project or group of projects that has been entitled prior to the effective date of the ordinance.

I hereby certify that the foregoing Resolution was adopted by the Commission at its meeting on April 27 2017.

Jonas P. Ionin
Commission Secretary

AYES: Fong, Richards, Hillis, Melgar, Koppel, Johnson

NOES: Moore

ABSENT: None

ADOPTED: April 27, 2017

SAN FRANCISCO
PLANNING DEPARTMENT

Executive Summary

PLANNING CODE TEXT AMENDMENTS
INCLUSIONARY AFFORDABLE HOUSING PROGRAM

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ADOPTION HEARING DATE: APRIL 27, 2017

EXPIRATION DATE: MAY 28, 2017

Project Name:	**Inclusionary Affordable Housing Program Section 415 Amendments**
Case Number:	**2017-001061PCA**
Initiated by:	**Supervisors Kim and Peskin,** Introduced December 13, 2016 Version 2, Introduced February 28, 2017 Inclusionary Affordable Housing Fee and Requirements [Board File No. 161351]
Initiated by:	**Supervisors Safai, Breed, and Tang** Introduced February 28, 2017 Inclusionary Affordable Housing Fee and Dwelling Unit Mix Requirements [Board File No. 170208]
Staff Contact:	Jacob Bintliff, Citywide Planning Division jacob.bintliff@sfgov.org, 415-575-9170
Reviewed by:	AnMarie Rodgers, Senior Policy Advisor anmarie.rodgers@sfgov.org, 415-558-6395

I. BACKGROUND

Inclusionary Housing Program

The Inclusionary Affordable Housing Program is one of the City's key tools for increasing the availability of affordable housing dedicated to low and moderate income San Franciscans, and has resulted in more than 4,600 units of permanently affordable housing since its adoption in 2002. **Inclusionary housing is distinguished from other affordable housing programs in that it provides new affordable units without the use of public subsidies.** For this reason, the program can address the growing needs of low, moderate, and middle income households that cannot be served by other common affordable housing funding sources, such as the federal Low Income Housing Tax Credit program.

Proposition C and the Controller's Economic Feasibility Study

In March 2016, the Board of Supervisors unanimously adopted a resolution[1] declaring that it shall be City policy to maximize the economically feasible percentage of inclusionary affordable housing in market rate housing development. In June, as housing prices rose drastically, San Francisco voters approved a Charter Amendment (Proposition C), which restored the City's ability to adjust affordable housing requirements for new development by ordinance.

The passage of the Proposition C then triggered the provisions of the so-called "trailing ordinance" [BF 160255, Ord. 76-16[2]], adopted by the Board of Supervisors in May 2016, which amended the Planning and Administrative Codes to 1) temporarily increase the Inclusionary Affordable Housing requirements, pending further action by the Board of Supervisors; 2) require an Economic Feasibility Study by the Office of the Controller; and 3) establish an Inclusionary Housing Technical Advisory Committee (TAC) to advise the Controller.

The TAC convened from July, 2016 to February, 2017 and Controller provided a set of preliminary recommendations[3] to the Board of Supervisors on September 13, 2016 and issued a set of final recommendations on February 13, 2017 [4]. The City's Chief Economist presented the Controller's recommendations to the Planning Commission on February 23, 2017.

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[1] Establishing City Policy Maximizing a Feasible Inclusionary Affordable Housing Requirement [Board File No 160166, Reso. No. 79-16], approved March 11, 2016. Available at: https://sfgov.legistar.com/View.ashx?M=F&ID=4302571&GUID=8243D8E2-2321-4832-A31B-C47B52F71DB2

[2] The ordinance titled, "Inclusionary Affordable Housing Fee and Requirements; Preparation of Economic Feasibility Report; Establishing Inclusionary Housing Technical Advisory Committee," was considered by the Planning Commission on March 31, 2016. The Commission's recommendations are available here: https://sfgov.legistar.com/View.ashx?M=F&ID=4387468&GUID=8D639936-88D9-44E0-B7C4-F61E3E1568CF

[3] Office of the Controller. "Inclusionary Housing Working Group: Preliminary Report September 2016". September 13, 2016: http://sfcontroller.org/sites/default/files/Preliminary%20Report%20September%202016.pdf

[4] Office of the Controller. "Inclusionary Housing Working Group: Final Report," published February, 13 2017, with the consulting team of Blue Sky Consulting Group, Century Urban LLC, and Street Level

Pending Amendments to the Inclusionary Housing Program

On December 13, 2016, Supervisor Kim and Supervisor Peskin introduced "Inclusionary Affordable Housing Fee and Requirements" [BF 161351]. This ordinance was substituted on February 28, 2017 and within this report will be referred to as **"Proposal A: Supervisor Kim and Supervisor Peskin."** Supervisor Safai, Supervisor Breed, and Supervisor Tang introduced "Inclusionary Affordable Housing Fee and Dwelling Unit Mix Requirements" [Board File No. 170208] on February 28, 2017. This report will refer to this ordinance as **"Proposal B: Supervisor Safai, Supervisor Breed, and Supervisor Tang".**

The legislative sponsors for Proposal A describe that this Inclusionary ordinance is intended to be paired with the State Density Bonus Law; and that such a pairing is needed to maintain the economic feasibility of individual development projects and to maximize affordable housing production.

The legislative sponsors of Proposal B have described that individual development projects would remain economically feasible with or without a density bonus. However, to maximize affordable housing production in a manner compatible with local policy goals, their Inclusionary ordinance is paired with HOME-SF[5], a proposal for a locally tailored implementation of the state density bonus law.

Advisors. Available at: http://sfcontroller.org/sites/default/files/Documents/Economic%20Analysis/Final%20Inclusionary%20Housing%20Report%20February%202017.pdf

[5] On March 13, 2017 the Land Use and Transportation Committee amended an ordinance previously reviewed by the Commission when it was titled "Affordable Housing Bonus Program" [Board File Number 161351v6], renaming the Local Affordable Housing Bonus Program as the HOME-SF Program. The legislative sponsor, Supervisor Tang, announced changes to the program to afford protections for small businesses and change the levels of affordability to match a companion ordinance that would amend the Inclusionary Affordable Housing Program sponsored by Supervisors Safai, Breed & Tang.

Planning Commission Hearings and Additional Supporting Material

The Commission held an informational hearing on the proposed changes on March 16, 2017. The accompanying staff report for that informational hearing, dated March 9, 2017, provides a more detailed summary of the current inclusionary housing program; the findings and recommendations of the Controller's Study; the provisions of both proposed ordinances; and key policy considerations around proposed changes to each component of the program.

The **informational report is publicly available with the supporting materials for the March 9, 2017 Planning Commission hearing**[6], when the item was originally calendared. That report included a comparison chart of the provisions of both proposed ordinances, as well as the current program. **This comparison chart is reproduced here as Exhibit A** for reference.

This report is intended to assist the Commission's action on the proposed ordinances. As such, less background is provided and the focus is on potential recommendations for each of the program areas for which changes have been proposed. For ease of reference, **a summary chart of the recommendations by topic is provided here as Exhibit B.**

[6] http://commissions.sfplanning.org/cpcpackets/2017-001061PCA-02.pdf

II. IMPLEMENTATION CONSIDERATIONS

Either proposed ordinance would constitute the most sweeping set of structural and material changes to the City's Inclusionary Housing Program since the program's inception. Accordingly, Planning Department staff have reviewed each ordinance carefully and seek to raise key program implementation considerations before the Commission.

In addition to the major policy objectives discussed below, these considerations also guided staff's recommendations on the proposed changes to the inclusionary program. This section provides a brief summary of the key implementation considerations by topic. Most of these considerations will require the development of additional policies and procedures by the Planning Department after the adoption of final legislation.

Designation of Inclusionary Units

The Planning Department is responsible for legally designating the specific inclusionary affordable units within a project that elects the on-site alternative. This process is bound by multiple procedures and requirements in the Planning Code and the Procedures Manual published by MOHCD and approved by this Commission. The total of these requirements relate to the distribution of the units throughout the building and comparability of affordable and market rate units, among other factors.

The proposed ordinances would include inclusionary units at multiple income tiers, and at specific dwelling unit mixes, and would require the development of new procedures to clearly define how inclusionary units will be designated.

The Department has not yet developed these procedures, and the recommendations in this report do not reflect any particular approach to unit designation under either ordinance. The Department has, however, had experience in review of a project with multiple income tiers and is confident that staff will be able to broadly implement such requirements.

Rental to Condominium Conversions

Both ordinances would establish higher requirements for condominium projects than for rental projects. In the event that a project converts from rental to condominium after the project's entitlement, the Planning Department would be responsible for implementing any conversion procedures called for in Section 415. Staff's recommendation for a conversion fee is included in this report.

However, it should be noted that the Planning Department does not currently have procedures in place to monitor changes in project tenure following entitlement, and the range of options available to monitor such conversions is unknown at this time. Such procedures would need to be developed in coordination with the Department of Public Works, which is currently the primary agency responsible for tracking such conversions.

"Grandfathering" and Specific-Area Requirements

The proposed amendments to Section 415 would significantly impact the "grandfathering" provisions established by Proposition C; certain area-specific inclusionary requirements for pipeline and future projects; and modify requirements applicable to projects that are currently in the development pipeline in some cases. Accordingly, the Department offers specific recommendations regarding these issues in the relevant section of the report below.

Schedule of Annual Increases to Requirements

Both ordinances would establish a schedule of annual increases to the inclusionary requirements. Such provisions would require that the Planning Department publish new requirements annually for 10 or more years, and apply these requirements in a consistent and appropriate manner for projects whose entitlement process will span several years. Accordingly, the Department offers specific recommendations regarding this provision in the relevant section of the report below.

Affordable Housing Fee Application

The Planning Department is responsible for assessing the Affordable Housing Fee for projects that elect the fee option. The proposals would modify the way the fee is assessed, including a proposal to assess the fee on a per square foot basis, rather than the current method of assessing the fee on a per unit basis. The Department's recommendation in the relevant section of this report reflects any implementation considerations related to such amendments.

III. REQUIRED COMMISSION ACTION

The proposed Ordinances are before the Commission so that it may 1) make recommendations to the Board of Supervisors as required by Planning Code Section 302; 2) affirm the Planning Department's determinations under the California Environmental Quality Act; 3) make findings of consistency of the proposed ordinances [Board Files 161351v2; 170208] and the associated HOME-SF Program [Board File Number 150969v6], with the General Plan; and 4) make findings regarding the eight priority policies of Planning Code Section 101.1.

These items may be acted upon or may be continued, at the discretion of the Commission.

IV. RECOMMENDATIONS

The Department recommends making findings in support of the proposed Ordinances and associated actions as described in the attached draft resolution (Exhibit C). This section focuses on potential Commission recommendations based on staff analysis of the City's affordable housing need, our existing housing programs, the findings of the Controller's Study, comments from the Commission and the public, consultation with MOHCD, and considerations of program implementation. A summary of these recommendations is provided as Exhibit B.

These recommendations build on the key policy issues and considerations described in detail in the informational report dated March 9, 2017. These considerations are briefly reintroduced below as needed. For detailed reference, the informational report is available online with the materials for the March 9, 2017 Planning Commission hearing[7] and the comparison chart of proposed amendments from that report is included here as Exhibit A, for reference.

A. APPLICATION

No changes are proposed to the general application of Section 415 requirements. The program would continue to apply only to projects of 10 or more units. Projects of 25 or more units would continue to have higher requirements than smaller projects, which would remain subject to the requirements in place prior to the passage of Proposition C.[8]

- **Recommendation:** Requirements should continue to be applied differently for Smaller and Larger Projects, as currently defined in both Ordinances. **No amendments are needed.**

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[7] http://commissions.sfplanning.org/cpcpackets/2017-001061PCA-02.pdf

[8] As of January 1, 2016 Section 415 required that projects of 10 or more units provide 12% of units on-site, or pay a fee or provide off-site units equivalent of 20% of the project total.

B. INCLUSIONARY REQUIREMENTS

Rental and Ownership Requirements

Both proposals would set higher requirements for ownership projects than for rental projects, as recommended by the Controller's Study.

- **Recommendation:** Set higher requirements for ownership projects than for rental projects. Both Ordinances would establish this structure. **No amendments are needed.**

In addition, Proposal A would establish additional **conversion provisions** for projects that are entitled as a rental project, but convert to an ownership project at a subsequent time. Staff concurs with both concepts and recommends the following:

- **Recommendation:** Final legislation should **include** a **condominium conversion provision** to specify that **projects** converting to ownership projects must pay a **conversion fee** equivalent to the difference between the fee requirement for ownership projects in effect at the time of the conversion and the requirement the project satisfied at the time of entitlement. **Include provisions of Proposal A, with modifications.**

Requirement for the On-Site Alternative

Both proposals would amend the on-site requirement for larger projects. Proposal A would exceed the maximum economically feasible requirement recommended by the Controller. Proposal B would set the rate at the maximum of this range.

- **Recommendation:** Establish a requirement that is within the range of "maximum economically feasible" requirements recommended in the Controller's Study. **Include provisions of Proposal B without modification.** Specifically, this would establish an on-site rate of 18% or 20% for rental or ownership projects, respectively.

Requirement for the Affordable Housing Fee or Off-Site Alternative

Both proposals set the requirement for payment of the Affordable Housing Fee or off-site alternative for larger projects at the equivalent of the corresponding on-site requirement, with the exception that Proposal A's ownership fee rate would be slightly less costly to a project than the on-site alternative.

- **Recommendation:** Establish a requirement that is within the range of "maximum economically feasible" fee or off-site alternative requirements recommended in the Controller's Study. **Include provisions of Proposal B without modification.** Specifically, this would establish a fee or off-site rate of 23% or 28% for rental or ownership projects, respectively.

C. SCHEDULE OF ANNUAL INCREASES TO REQUIREMENTS

Both proposals would establish a schedule of annual increases to the percentage requirements, though under different conditions. This addition to the Inclusionary Program was recommended in the Controller's Study on the premise that phasing in an increase in the inclusionary requirement over time at a predictable rate would allow the land market to absorb the increase and remain economically viable for development; while securing higher levels of affordable housing production over time.

Staff recommends that final legislation include a schedule of annual increases that is consistent with the Controller's recommendation, with modifications:

- **Recommendation:** Final legislation should **establish an explicit maximum requirement** at which the schedule of increases would terminate, and that rate should be below the maximum requirement supported by the Nexus Study. **Include provisions of Proposal B without modification.**

- **Recommendation:** Final legislation should **establish that requirement rates be increased by 1.0 percentage point every two years.** This is equivalent to the Controller's recommendation of an increase of 0.5 percentage points per year, but would provide for a more effective and transparent implementation of the program by more closely matching the pace of the entitlement process and minimizing ambiguity in the rounding of requirement percentages. **Include provisions of Proposal B, with modifications.**

- **Recommendation:** The schedule of **increases should commence no fewer than 24 months following the effective date of final legislation** if the rate is set to increase biannually, or no fewer than 12 months following the effective date if the rate is set to increase annually. Under either ordinance, **final legislation should be amended accordingly.**

Determination and "Sunset" of Requirement

Both proposed ordinances include a "sunset" provision to specify the duration that a project's inclusionary requirement would be effective during the entitlement process. Proposal A does not specify at what point the requirement would be determined, but would establish that the requirement be reset if the project has not procured a first construction document within 2 years of entitlement. Proposal B would determine the requirement amount at the time of a project's Environmental Evaluation Application (EEA) and establish that the requirement be reset if the project has not received a first construction document within 3 years of entitlement. Both proposals would reset the requirement to the requirement applicable at the time, and not count time elapsed during potential litigation or appeal of the project.

- **Recommendation:** Final legislation should **establish a "sunset" provision that is consistent with current practices** for the determination of inclusionary requirements and Planning Department procedures. **Include provisions of Proposal B without modification.**

D. AFFORDABLE HOUSING FEE

Both proposals would modify the way the Affordable Housing Fee is applied to projects that elect to pay the fee, as well as the method used to calculate the dollar amount of the fee. The Controller's Study called for no specific changes to the application of or methodology for the fee, but did recommend that the fee amount should be maintained at a level that reflects the cost to construct affordable units.

Application of Fee

The Affordable Housing Fee is currently assessed on a per unit basis, with the fee amount increasing with the type of unit, ranging from studio to 4-bedroom units. This method of assessing the fee does not account for the actual size of units or the total area of the project.

- **Recommendation:** Final legislation should **apply the fee on a per gross square foot basis** so that the fee is assessed proportionally to the total area of the project. **Include provisions of Proposal B without modification.**

Calculation of Fee

The dollar amount of the fee is currently calculated based on the cost of construction of residential housing and the maximum purchase price for BMR ownership units. MOHCD is required to update the fee amount annually.

- **Recommendation:** Final legislation should direct MOHCD to calculate the fee to **match the actual cost to the City to construct below market rate units.** This cost should reflect the construction costs of units that are typically in MOHCD's below market rate pipeline, and should not vary based on the building type of the subject project. **Include provisions of Proposal B without modification.**

E. INCOME LEVELS

Currently, inclusionary units are designated as affordable at two discrete income tiers – units serving "low-income" or "moderate-income" households, as defined in Section 415. Both proposals would modify the income levels that inclusionary units are designated to serve. Specifically, both proposals would broaden the affordability requirements to serve households at a range of income levels within a defined range, or at specific tiers.

Either proposal would constitute a significant structural change in the way units are designated. Planning Department staff, in consultation with MOHCD, considered the City's affordable housing need and existing housing programs to arrive at the following recommendations:

- **Recommendation:** Final legislation should **establish affordability requirements that clearly apply to the maximum rent or maximum sale price of the inclusionary unit,** and not to the income level of the household placed in that unit. This distinction is critical to ensure that MOHCD retains flexibility to both serve households that may earn significantly below the target level, and allow for households that make slightly more than the target level to remain eligible, as set forth in the MOHCD Procedures Manual, which will come before this Commission for review. Under either ordinance, **final legislation should be amended accordingly.**

- **Recommendation:** Final legislation should **designate inclusionary units at three discrete affordability levels for larger projects** to better serve households with incomes between the current low and moderate income tiers. This method would provide for a more even distribution of inclusionary units across eligible low and moderate income households, and minimize the coverage gap for household between the existing income tiers. **Include provisions of Proposal B, with modifications.**

- **Recommendation:** Final legislation should **designate inclusionary units at a single affordability level for smaller projects.** This recommendation reflects the scale of these smaller projects, which would in many cases provide fewer than three total inclusionary units. This requirement should be set to match the middle tier established for larger projects, as described below. **Include provisions of Proposal B, with modifications.**

In addition to the structural changes to how inclusionary units are designated, both proposals would also broaden the affordability levels served by the program to serve moderate and middle income households that are not currently served by any existing housing programs, and also are generally not served by market rate housing.

Staff compared existing and proposed affordability requirements to current data on the City's affordable housing need and existing housing programs to recommend an appropriate range of affordability levels to be served by the Inclusionary Program. Note that, again, the requirements set forth in the Planning Code should stipulate the maximum rent or sale price of inclusionary units, while MOHCD will continue to exercise discretion in placing eligible households in the most appropriate affordable unit, as availability and individual household incomes allow.

- **Recommendation:** Final legislation should **target inclusionary units to serve the gap in coverage** between low-income households who can access other existing housing programs, and moderate and middle-income households earning less than the level needed to access market rate units. **Include provisions of Proposal B, with modifications**, as follows:

Smaller Projects (10 – 24 units)			
	Tier 1	**Tier 2**	**Tier 3**
Rental Projects	N/A	80% of AMI	N/A
Owner Projects	N/A	110% of AMI	N/A

Larger Projects (25 or more units)			
	Tier 1	**Tier 2**	**Tier 3**
Rental Projects	55% of AMI	80% of AMI	110% of AMI
Owner Projects	90% of AMI	110% of AMI	140% of AMI

For **rental projects**, these recommended affordability levels are intended to provide that:

- units at the low end of the range (Tier 1) supplement the supply of units affordable to low-income households currently served by other housing programs; and
- units at the high end of the range (Tier 3) would serve households earning above the level served by other housing programs, but below the level served by the market.

For **ownership projects**, these recommended affordability levels are intended to provide that:

- units at the low end of the range (Tier 1) serve households at the lowest income level possible, while still recognizing the significant financial burden (i.e. down payment, mortgage payments, HOA fees, etc.) required of homebuyer; and
- units at the high end of the range (Tier 3) would serve households earning above the level served by other housing programs, but not higher than the level for which data supports a clear affordability need and well below the level served by the market.

For both rental and ownership projects, the middle tier (Tier 2) would provide a mid-point for households earning above the low-income level, but below the middle-income level; accordingly, this tier is set closer to the lower tier to serve as a "stepping stone" for households with growing incomes, or households who earn slightly above the low-income level and are not served by other affordable housing programs or market rate units.[9]

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[9] Market rate rents and sale prices vary widely depending on location and building type. In developing the above recommendations, staff looked at a range of market rate rents and sale prices for recently built developments. For example, average market rents for one-bedroom units were observed to range from $3,100 - $4,200 per month, which would be affordable to the equivalent of a two-person household earning roughly 150% to 200% of AMI, respectively. These levels significantly exceed the income level of the moderate income households that would be served under the higher tier of the above recommendation. Similar analysis was conducted for two-bedroom units as well as for market rate condominium units, which were assumed to range from $650,000 - $1,100,000 for new one-bedroom units, depending on location, which would be affordable to the equivalent of roughly 200% to 350% AMI.

F. DENSITY BONUS PROVISIONS

The Controller's Study concluded that the use of the State Density Bonus Law would impact the outcomes of the Inclusionary Program, if eligible project sponsors who elect the on-site alternative also choose to seek and receive a State Bonus. The Controller's Study further concluded that it would not be reasonable to assume that all projects will utilize the State Bonus, or that if those projects would necessarily receive the maximum bonus allowed. Accordingly, the **Controller's recommendation was to set the inclusionary requirements at the economically feasible level not assuming use of the State Bonus**, and that projects that do receive a State Bonus should pay the Affordable Housing Fee on bonus units.

Proposal A's Inclusionary Ordinance is paired with the State Density Bonus Law. As the sponsoring Supervisors have described, this proposal achieves feasibility by partnering with the State Density Bonus Law. This means that development would not be feasible, according to the Controller's Study, unless the maximum density bonus is provided as allowed under state law (35%). This proposal encourages use of the state bonus law, which requires the City to grant project sponsors a wide range of concessions and waivers from local massing, height, bulk and other development controls, generally at the discretion of the sponsor.

Proposal B's Inclusionary Ordinance is paired with HOME-SF. Here, the sponsoring Supervisors have described that the project sponsors seeking increased density would be encouraged to use a local program (HOME-SF) that tailors the density bonus to San Francisco's local context and policy goals. The HOME-SF program would frame the bonus by providing specified options for how local massing, height, bulk and other development controls may be modified; and provide for a higher percentage of inclusionary affordable units for projects using the HOME-SF program; and also encourage greater production of family-friendly units and include small business protections. The pairing of these two proposals has been crafted in a way that intends to make projects feasible with or without the use of a density bonus.

- **Recommendation:** Final legislation should encourage the use of density bonuses to maximize the production of affordable housing. At the same time, because a density bonus may not be desired in every situation, **the inclusionary requirements established in Section 415 should be economically feasible regardless of whether a density bonus is exercised. Include provisions of Proposal B without modification.**

- **Recommendation:** The final Inclusionary ordinance should be paired with a local density bonus ordinance, such as the proposed HOME-SF Program, that provides increased density and other concessions similar to the State Density Bonus Law in a manner that is tailored to the San Francisco's contextual and policy needs. **Include provisions of Proposal B without modification.**

Additional Administrative Requirements for Density Bonus

Proposal A does not incorporate the Controller's recommendations, but would enact three additional administrative requirements for the Planning Department related to the use of the State Bonus. Staff recommends the following action on these proposed requirements:

- **Recommendation:** Final legislation should **direct the Planning Department to require "reasonable documentation" from project sponsors seeking a State Bonus** to establish eligibility for a requested density bonus, incentives of concession, and waivers or reductions of development standards, as provided for under state law. **Include provisions of Proposal A without modification.**

- **Recommendation:** Final legislation should **require the Planning Department to prepare an annual report on the use of the Density Bonus** to the Planning Commission beginning in January 2018 that details the number of projects seeking a bonus and the concessions, waivers, and level of bonus provided. **Include provisions of Proposal A without modification.**

- **Recommendation:** Final legislation **should <u>not</u> include a requirement to provide information about the value of the density bonus, concessions, and waivers sought** by a project. This proposal would be difficult and costly to implement, in particular because the Department may not be able to compel project sponsors to provide the type of financial information required to perform such analysis. **Do not include this provision of Proposal A.**

Affordable Housing Fee for Bonus Units

The Controller's Study sought to provide guidance as to how the Inclusionary Program should account for the use of the State Density Bonus, recognizing that the use of the program would vary widely based on specific project conditions while the Inclusionary Program establishes requirements that apply to eligible projects on a citywide basis.

The Controller recommended that projects that receive a State Bonus be required to pay the Affordable Housing Fee on any additional units authorized under the State Bonus, similar to how the City impose other impact fees for infrastructure and other City services.

- **Recommendation:** Final legislation should **require that projects pay the Affordable Housing Fee** on any additional units authorized by the State Bonus program. **Include provisions of Proposal B without modification.**

G. UNIT MIX REQUIREMENTS

Both proposals would establish new dwelling unit mix requirements, an area not addressed in the current Inclusionary Program. **Proposal A** would require that **on-site inclusionary units** contain a minimum of 40% of units as 2-bedroom units, and an additional minimum of 20% of on-site inclusionary units as 3-bedroom units or larger. **Proposal B** would require that all residential projects not already subject to the existing unit mix requirement in Plan Areas[10] be subject to a new requirement that 25% of **total units** be provided as 2-bedroom units or larger, or that 10% of total units be provided as 3-bedroom units or larger.

[10] In the RTO, RCD, NCT, DTR, and Eastern Neighborhoods Mixed Use districts, the current requirement is for 40% of total project units to be provided as 2-bedroom units or larger, or for 30% of total project units to be provided as 3-bedroom units or larger.

- **Recommendation:** Dwelling unit mix requirements should **apply to total project units, not only to on-site inclusionary units** to allow for inclusionary units to be provided comparable to market rate units, as required in Section 415 and under both Ordinances. Under either ordinance, **final legislation should be amended accordingly.**

Both proposals are intended to increase the supply of housing units that serve the needs of family households, particularly households with children. The Controller's Study did not examine this issue specifically. However, the economic analysis underlying the Study's feasibility conclusions did reflect development prototypes that fulfilled the Plan Area unit mix requirement by including 35% of units at 2-bedroon units, and 5% of units as 3-bedroom units, for a total of 40% of total project units.

- **Recommendation**: Final legislation **should not set unit mix requirements that would exceed the 40% total large unit requirement** already in place in Plan Areas, and assumed in the Controller's feasibility conclusions. This is a recommendation for a parameter to guide final legislation. **Proposal A does not meet this parameter. Proposal B meets this parameter.**

- **Recommendation**: Dwelling mix requirements should be set in a manner that would **yield a mix of both 2-bedroom and 3-bedroom units**; this may be best achieved by setting a minimum requirement for 3-bedroom units within the large unit requirement. This is a recommendation for a parameter to guide final legislation. **Proposal A meets this parameter. Proposal B does not meet this parameter.**

In addition, Planning Department staff has conducted preliminary analysis on the demographic composition of family households in San Francisco and of the unit mix in the City's existing housing stock and recent development pipeline. While this research is not complete, the preliminary findings suggest:

- 10% of San Francisco households are **families with 2 or more children**, who may be more likely to need a 3-bedroom or larger unit.
- 14% of San Francisco households are **families with 4 or more people**, including families with children *and* families without children, who may be more likely to need a 3-bedroom or larger unit.

Finally, it should also be noted that there may be affordability trade-offs to dwelling unit mix requirements. Larger units will be, at least in the first several years of building occupancy, less affordable to households with fewer than two income earners. The City does not have the ability to require that larger units be made available for family households; data suggest that the majority of larger units are currently not occupied by family households. The Department's recommendations largely focus on maximizing affordability. These recommendations have an unknown impact on affordability and are therefore only provided as "parameters" for final legislation that seek to balance the goals of maximizing affordability with the goal of providing units with more bedrooms.

H. "GRANDFATHERING" PROVSIONS

Following the passage of Proposition C in June 2016, Section 415 was amended to establish incremental on-site, off-site, and fee requirement percentages for projects that entered the development pipeline between January 2013 and January 2016 (as defined by the acceptance date of the project's Environmental Evaluation Application or EEA). Projects that entered the pipeline prior to January 2013 are subject to the inclusionary rates in effect prior to the passage of Proposition C[11], while those that entered the pipeline after January 12, 2016 will be subject to the final requirements to be established by the proposed Ordinances.

Incremental Increases for Pipeline Projects

Smaller Projects (10 – 24 units) were unaffected by the passage of Proposition C and remain subject to the on-site and off-site or fee requirements in place prior to Proposition C.

- **Recommendation:** Smaller Projects should remain subject to "grandfathered" on-site and fee or off-site requirements. Both Ordinances would maintain this structure. **No amendments are needed.**

[11] As of January 1, 2016 Section 415 required that projects of 10 or more units provide 12% of units on-site as low income units, or pay a fee or provide off-site units equivalent of 20% of the project total.

Larger Projects (25 or more units) that entered the pipeline between 2013 and 2016 are subject to the incremental increases established by Proposition C. However, in some cases these rates exceed the maximum economically feasible rate identified by the Controller's Study and should be retained or amended as follows:

- **Recommendation:** Larger Projects (25 or more units) choosing the **on-site alternative** should remain subject to the incremental percentage requirements established by Proposition C. **Include provisions of Proposal B without modification.**

- **Recommendation:** The incremental increases established for Larger Projects choosing the **fee or off-site alternatives,** however, exceed the maximum feasible rate; these requirements should be amended to match the permanent requirements established in the final legislation, which should not exceed the feasible rate. **Include provisions of Proposal B without modification.**

Area-Specific Inclusionary Requirements

Additional incremental increases were also established for Larger Projects that entered the development pipeline between 2013 and 2016 in the Eastern Neighborhoods Urban Mixed Use (UMU) districts. Projects in these districts are subject to the specific inclusionary requirements established in Section 419 of the Planning Code to reflect the zoning modifications implemented through the Eastern Neighborhoods Area Plan. In some cases, these incremental increases exceed the maximum feasible rate.

- **Recommendation:** The incremental increases established by Proposition C for Larger Projects that entered the pipeline before 2016 and are located in UMU districts should be removed, leaving the area-specific requirements of Section 419 in place for these projects. **Include provisions of Proposal B without modification.**

Additionally, final legislation should make clear that for projects in UMU districts that enter the pipeline after January 12, 2016 whether area-specific or citywide inclusionary requirements apply.

- **Recommendation:** Final legislation should explicitly establish that projects in UMU districts that entered the pipeline after January 12, 2016 **should be subject to the higher of the on-site, fee, or off-site requirements** set forth in Section 419 or the citywide requirements in Section 415, as established by final legislation. Under either ordinance, **final legislation should be amended accordingly.**

Additional Provisions

The "grandfathering" provisions of Proposition C only addressed the requirement rates and did not specify when other features of the inclusionary program would be applicable (e.g. income level targets) to projects in the entitlement process. Given the additional changes to the inclusionary program proposed in both ordinances, staff recommends as follows:

- **Recommendation:** Final legislation should **establish that all other Section 415 provisions will apply to pipeline projects**, regardless of the acceptance date of the project's EEA; projects that were fully entitled prior to the effective date of final legislation would be subject to the inclusionary requirements in effect at the time of entitlement. Under either ordinance, **final legislation should be amended accordingly.**

A comparison table of current and recommended "grandfathering" and UMU districts requirements is provided as Exhibit D.

V. ENVIRONMENTAL REVIEW

On March 1, 2017 the Environmental Review Officer determined that the legislation filed by Supervisors Kim and Peskin [Board File No. 161351] is not defined as a project under CEQA Guidelines Sections 15378 and 15060(c)(2) because it does not result in a physical change in the environment.

On March 7, 2017 the Environmental Review Officer determined that the legislation filed by Supervisors Safai, Breed, and Tang [Board File No. 170208] is not defined as a project under CEQA Guidelines Sections 15378 and 15060(c)(2) because it does not result in a physical change in the environment.

VI. PUBLIC COMMENT

As of the date of publication the Planning Department has received written public comment on the proposed amendments, as well as extensive public comment provided at the Planning Commission informational hearings on February 23 and March 16, 2017.

The bulk of the concerns raised in these hearings were focused on the income levels to be served by the program, the inclusionary requirement percentages, and the impact of the State Density Bonus Law on the program.

Most speakers addressed the income levels at which inclusionary units should be designated, and many urged that the program should primarily serve the needs of low-income households as provided for by other existing affordable housing programs, and that the expansion of the inclusionary program to serve low- and moderate-income households above this level be limited to the levels established by Proposition C. Many speakers also highlighted the growing need for housing affordable to moderate-income households who have traditionally been served by market rate units, but who have also struggled to find affordable housing in recent years. Many also shared their personal experience being unable to find adequate housing in San Francisco either because they could not afford market rate rents, were unable to access the limited supply of affordable units, or because they earned too much to qualify for available affordable units, but not enough to access market rate units.

Regarding the inclusionary requirement percentages, speakers generally advocated for a higher inclusionary rate than that in place prior to Proposition C, but differed on how the conclusions

and recommendations of the Controller's Study and legal limits supported by the City's Nexus Study should be applied to the inclusionary program. Many speakers expressed that the rate should be as high as economically possible, while many others felt that the rates should be set higher than the maximum rates recommended in the Controller's Study.

In particular, many commenters focused on the impact of the State Density Bonus Law on the inclusionary program. Generally, those who felt the Bonus Law would result in most San Francisco developments receiving significant density bonuses supported higher inclusionary rates, while others cautioned that the requirements should avoid imposing too high a requirement and thus become ultimately ineffective.

Written comment was also received during and subsequently to recent hearings, and is attached as Exhibit E. At the February 23 hearing several speakers presented data on household income levels. In addition, a letter was presented from the Council of Community Housing Organizations which posed a series of important questions for consideration by Commissioners, which generally match the topic areas addressed in the accompanying staff report to the hearing. Most notably, the letter advised that the availability of the State Density Bonus Law should support higher inclusionary rates that those recommended in the Controller's Study; that requirements should increase over time at the higher end of the range discussed by the Controller's Technical Advisory Committee; that moderate-income households should be served by the inclusionary program, but not at the expense of low-income households; that the program should be structured to discourage projects to "fee out"; and that the more two- and three-bedroom units should be provided to meet the needs of family households.

At the March 16 hearing a document titled "Statement of Principles on Inclusionary Housing" was presented on behalf of about two-dozen listed organizations. The statement focused on concerns that the inclusionary program should continue to prioritize housing for low-income households at the income levels historically served by the program, and served by other existing housing programs. While recognizing the struggle of middle income households to find affordable housing, the statement urged that the inclusionary program not be expanded to serve these households beyond the levels established in Proposition C.

In addition, the Planning Department received a letter addressed to the Mayor and Board of Supervisors dated April 10 from Yimby Action. The letter expressed opposition to both proposed ordinances based on concerns related to the methodology of the Controller's Economic Feasibility Study and Nexus Study, and proposed that modifications to the inclusionary program be postponed until these analyses can be revised.

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST
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File Nos. 150969
161351
170208

5/8

Policy Analysis Report

To: Supervisor Peskin

From: Budget and Legislative Analyst's Office

Re: Statistics on Median Household Income Across San Francisco Neighborhoods

Date: May 5, 2017

Summary of Requested Action

Your office requested that the Budget and Legislative Analyst gather information on the median household income across San Francisco neighborhoods by ethnicity and household type. Your office also requested that the Budget and Legislative Analyst compare the average rent paid by San Francisco residents with median household income by neighborhood.

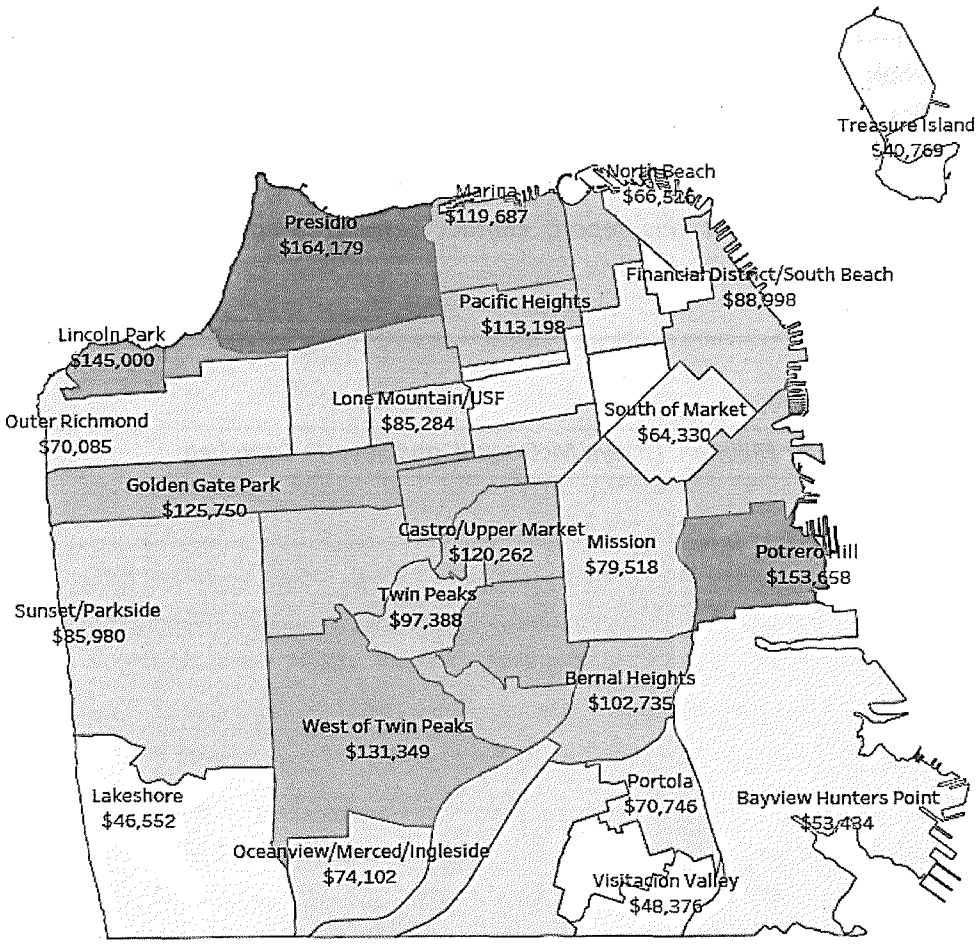
For further information about this report, contact Severin Campbell at the Budget and Legislative Analyst's Office.

Project Staff: Jennifer Millman, Latoya McDonald, and Severin Campbell

Disparities in Median Household Income Across City Neighborhoods

While rising housing costs in San Francisco have been accompanied by an estimated 31.8 percent increase in median household income from $69,894 in 2011 to $92,094 in 2015, there has been an unequal distribution of household income across City neighborhoods, and particularly among different ethnicities. Figure 1 below shows the disparity in median household income by neighborhood using the 39 neighborhoods identified by the Department of Public Health, the Mayor's Office of Housing and Community Development, and the San Francisco Planning Department.[1] In addition to these geocoded neighborhood locations, the Budget and Legislative Analyst used the American Community Survey 2015 five-year estimates to review median household income across neighborhoods in the County of San Francisco.

Figure 1. Median Household Income across San Francisco Neighborhoods



Source: American Community Survey 2015 five-year estimates.

[1] While this data represents reasonable estimates of San Francisco neighborhood boundaries, there are areas in need of improvement in the data. For example, Golden Gate Park and Lincoln Park were identified as high-income neighborhoods even though they are public parks. For this reason, the Budget and Legislative Analyst did not include the statistics for the Golden Gate Park and Lincoln Park in this analysis.

From 2011 to 2015, on average, the 10 neighborhoods with the lowest median household incomes earned 33.3 percent of the income earned by the 10 neighborhoods with the highest median household income in San Francisco, as shown in Figure 2 below. The neighborhoods with the highest median household income, on average, from 2011 to 2015 include the Presidio, Potrero Hill, Sea Cliff, West of Twin Peaks and Noe Valley. The poorest neighborhoods include the Tenderloin, Chinatown, McLaren Park, and Lakeshore.

Figure 2. Neighborhoods with the Highest and Lowest Median Household Incomes

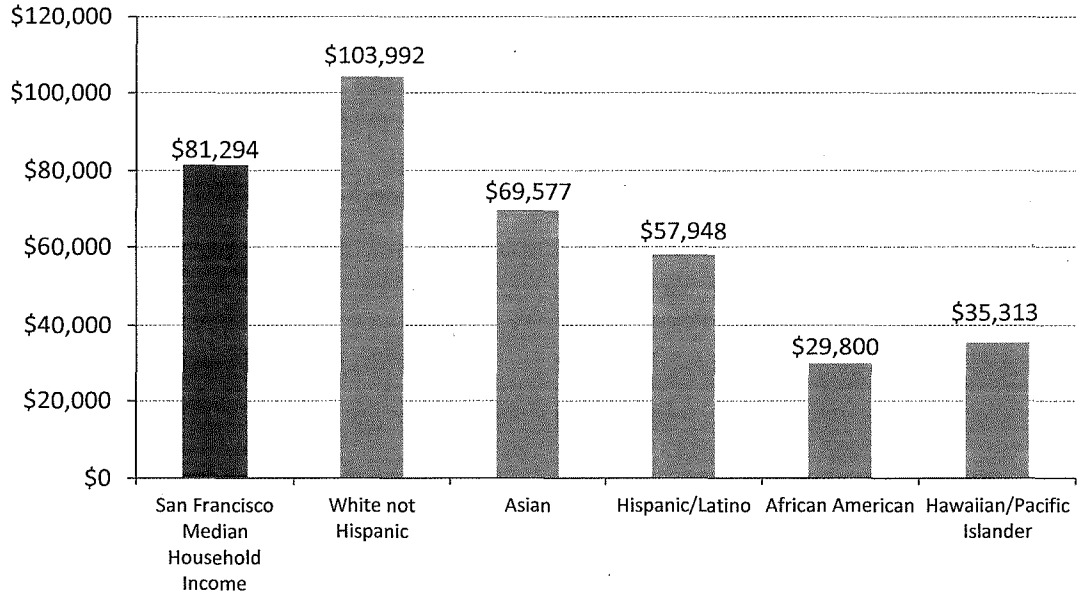
Highest Median Household Incomes			**Lowest Median Household Incomes**		
Neighborhood	Median Household Income	Population Count	Neighborhood	Median Household Income	Population Count
Presidio	$164,179	3,681	South of Market	$64,330	18,093
Potrero Hill	$153,658	13,621	Japantown	$63,423	3,633
Seacliff	$143,864	2,491	Western Addition	$59,709	21,366
West of Twin Peaks	$131,349	37,327	Bayview Hunters Point	$53,434	37,246
Noe Valley	$131,343	22,769	Visitacion Valley	$48,376	17,793
Presidio Heights	$123,312	10,577	Lakeshore	$46,552	13,469
Haight Ashbury	$120,677	17,758	Treasure Island	$40,769	3,187
Castro/Upper Market	$120,262	20,380	Tenderloin	$25,895	28,820
Marina	$119,687	24,915	Chinatown	$21,016	14,336
Pacific Heights	$113,198	24,737	McLaren Park	$16,638	880
Total		**178,256**			**158,823**

Source: American Community Survey 2015 five-year estimates.

Variation in Household Income across Ethnicities in San Francisco

The Budget and Legislative Analyst also observed a variation in median household income across the diverse ethnicities represented in San Francisco during 2011-15. As shown in Figure 3 below, the earnings of white households far outpace that of other ethnicities with African American and Hawaiian/Pacific Islander households in San Francisco earning the lowest median household incomes.

Figure 3. Median Household Income in San Francisco by Ethnicity (2011-15)



Source: American Community Survey 2015 five-year estimates.

Neighborhood-Level Household Income Conceals Rent Burden across Ethnicities

Rent burden is defined as instances where an individual or household spends more than 30 percent of their income on housing costs. Of the 39 City neighborhoods identified, only 12 spent more than 30 percent of their median household income on rental housing costs, as per data collected from the American Community Survey. These 12 neighborhoods represent the areas with the lowest median household income and account for 41.5 percent of all San Francisco residents on average during 2011 to 2015, as shown in Figures 4 and 5 below. [2]

The low number of City neighborhoods with rent burden is in part due to higher income ethnicities skewing the overall median household income of specific City neighborhoods. The Budget and Legislative Analyst found that there are significant disparities in median household income across ethnicities, even within the same neighborhood. For example, Potrero Hill has the second highest median household income in the City at $153,658. However, the high incomes of White and Asian households in Potrero Hill ($168,011 and $143,206, respectively) conceal the low incomes of African Americans ($58,368) and the Hispanic/Latino households ($61,049) in Potrero Hill. Because White and Asian households represent the majority of the Potrero Hill population, using neighborhood-level household income conceals other populations that are struggling with rent burden. Figure 5 below shows median household income by neighborhood and ethnicity with gross rent paid while Figure 6 below shows the population of the various ethnicities represented in each San Francisco neighborhood.

[2] The rent burden percentages shown in Figures 4 and 5 below were taken from the American Community Survey 2015 five-year estimates.

Type of Households across San Francisco Neighborhoods

Given time constraints and the data available, the Budget and Legislative Analyst was unable to stratify San Francisco neighborhoods by the type of households (family or non-family) represented. However, during 2011 to 2015, 45.8 percent or 161,887 of all 353,287 San Francisco households were family households.[3] Family households include married couples or non-married family members residing in the same household. The remaining 54.2 percent of households in San Francisco during this time were non-family households, which include single persons and groups of individuals who are not related.

[3] American Community Survey 2015 five-year estimates

Figure 4. Rent Burden across San Francisco Neighborhoods

	Percent Rent Burden (%)	Median Gross Rent	Median Household Income	Population	Percent of Total
Lakeshore	41.4	$1,800	$46,552	13,469	2%
Visitacion Valley	38.9	$1,071	$48,376	17,793	2%
Oceanview/Merced/Ingleside	38.1	$1,570	$74,102	28,261	3%
Portola	37.6	$1,625	$70,746	16,269	2%
Outer Mission	37.1	$1,549	$76,643	23,983	3%
Bayview Hunters Point	36.9	$1,217	$53,434	37,246	4%
Excelsior	36.5	$1,525	$68,550	39,640	5%
Tenderloin	35.7	$886	$25,895	28,820	3%
Chinatown	33.3	$605	$21,016	14,336	2%
Treasure Island	32.3	$1,732	$40,769	3,187	0%
Sunset/Parkside	32.2	$1,847	$85,980	80,525	10%
Outer Richmond	30.6	$1,588	$70,085	45,120	5%
Subtotal				348,649	41%
Japantown	29.5	$1,500	$63,423	3,633	0%
South of Market	29.3	$1,180	$64,330	18,093	2%
McLaren Park	28.6	$267	$16,638	880	0%
Nob Hill	28.4	$1,425	$64,845	26,382	3%
Glen Park	28.3	$1,665	$113,039	8,119	1%
Twin Peaks	28.1	$900	$97,388	7,310	1%
Western Addition	27.4	$1,295	$59,709	21,366	3%
Inner Richmond	27.1	$1,602	$78,836	22,425	3%
Bernal Heights	27.0	$1,733	$102,735	25,487	3%
Financial District/South Beach	26.8	$1,872	$88,998	16,735	2%
North Beach	26.7	$1,575	$66,526	12,550	1%
Lone Mountain/USF	26.4	$1,654	$85,284	17,434	2%
Mission	25.7	$1,472	$79,518	57,873	7%
Mission Bay	25.5	$2,774	$107,798	9,979	1%
Seacliff	25.1	$2,196	$143,864	2,491	0%
Inner Sunset	25.1	$1,829	$102,993	28,962	3%
West of Twin Peaks	25.0	$2,302	$131,349	37,327	4%
Presidio Heights	24.9	$1,950	$123,312	10,577	1%
Hayes Valley	24.8	$1,552	$82,915	18,043	2%
Presidio	23.7	$2,963	$164,179	3,681	0%
Pacific Heights	23.6	$1,987	$113,198	24,737	3%
Castro/Upper Market	23.3	$1,840	$120,262	20,380	2%
Haight Ashbury	23.2	$1,922	$120,677	17,758	2%
Russian Hill	22.6	$1,864	$106,953	18,179	2%
Noe Valley	22.3	$2,091	$131,343	22,769	3%
Marina	21.3	$1,928	$119,687	24,915	3%
Potrero Hill	19.2	$2,289	$153,658	13,621	2%
Subtotal				491,706	59%
Total				**840,355**	**100%**

Source: American Community Survey 2015 five-year estimates.

Median Rent as a Percentage of Gross Income

Greater than 30% considered "Rent Burden"

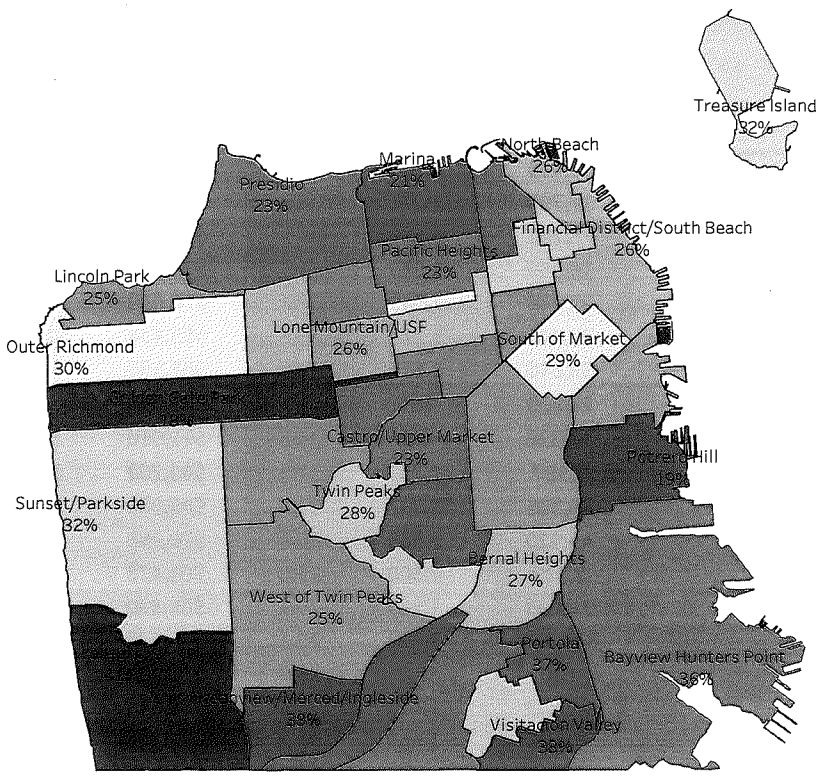


Figure 6. Median Household Income by City Neighborhood and Ethnicity

	Population	Median Gross Rent	Median Gross Rent as % of Income	Median Household Income	White not Hispanic	Hispanic/ Latino	African American	Asian
Lakeshore	13,469	1,800	41.4	$46,552	$45,581	$41,979	$45,139	$28,369
Visitacion Valley	17,793	1,071	38.9	$48,376	$47,567	$24,844	$15,872	$55,987
Oceanview/Merced/Ingleside	28,261	1,570	38.1	$74,102	$92,496	$71,108	$52,353	$80,154
Portola	16,269	1,625	37.6	$70,746	$55,848	$57,759	$11,406	$73,089
Outer Mission	23,983	1,549	37.1	$76,643	$78,777	$60,928	$0	$82,414
Bayview Hunters Point	37,246	1,217	36.9	$53,434	$103,428	$40,709	$34,547	$58,239
Excelsior	39,640	1,525	36.5	$68,550	$68,873	$67,218	$33,969	$69,165
Tenderloin	28,820	886	35.7	$25,895	$27,641	$19,933	$9,441	$27,183
Chinatown	14,336	605	33.3	$21,016	$71,252	$0	$0	$18,962
Treasure Island	3,187	1,732	32.3	$40,769	$67,500	$26,591	$29,464	$0
Sunset/Parkside	80,525	1,847	32.2	$85,980	$90,474	$34,178	$0	$86,139
Outer Richmond	45,120	1,588	30.6	$70,085	$75,280	$45,971	$19,460	$71,278
Japantown	3,633	1,500	29.5	$63,423	$84,643	$93,750	$0	$24,500
South of Market	18,093	1,180	29.3	$64,330	$111,036	$21,807	$15,111	$71,413
Grand Total	840,763	1,624	29.1	$84,578	$97,648	$52,792	$16,816	$79,462
McLaren Park	880	267	28.6	$16,638	$0	$40,250	$0	$15,469
Nob Hill	26,382	1,425	28.4	$64,845	$82,605	$25,124	$18,528	$49,001
Glen Park	8,119	1,665	28.3	$113,039	$141,017	$54,063	$0	$46,193
Twin Peaks	7,310	900	28.1	$97,388	$101,066	$83,523	$40,235	$87,326
Western Addition	21,366	1,295	27.4	$59,709	$75,271	$28,987	$12,156	$56,009
Inner Richmond	22,425	1,602	27.1	$78,836	$105,050	$48,968	$0	$50,350
Bernal Heights	25,487	1,733	27.0	$102,735	$135,993	$37,182	$21,334	$112,022
Financial District/South Beach	16,735	1,872	26.8	$88,998	$87,627	$0	$0	$95,140
North Beach	12,550	1,575	26.7	$66,526	$91,456	$26,201	$3,507	$59,720
Lone Mountain/USF	17,434	1,654	26.4	$85,284	$90,247	$81,131	$42,116	$67,232
Lincoln Park	330	2,250	25.8	$145,000	$134,688	$0	$0	$181,500
Mission	57,873	1,472	25.7	$79,518	$107,952	$54,288	$10,503	$59,396
Mission Bay	9,979	2,774	25.5	$107,798	$124,740	$65,985	$0	$106,674
Seacliff	2,491	2,196	25.1	$143,864	$145,938	$0	$0	$121,607

	Population	Median Gross Rent	Median Gross Rent as % of Income	Median Household Income	White not Hispanic	Hispanic/ Latino	African American	Asian	H
Inner Sunset	28,962	1,829	25.1	$102,993	$106,813	$80,168	$25,625	$103,398	
West of Twin Peaks	37,327	2,302	25.0	$131,349	$140,962	$101,192	$21,759	$129,001	
Presidio Heights	10,577	1,950	24.9	$123,312	$122,398	$0	$84,120	$110,692	
Hayes Valley	18,043	1,552	24.8	$82,915	$92,903	$52,904	$13,100	$119,075	
Presidio	3,681	2,963	23.7	$164,179	$164,821	$0	$0	$237,292	
Pacific Heights	24,737	1,987	23.6	$113,198	$119,804	$76,977	$8,558	$102,154	
Castro/Upper Market	20,380	1,840	23.3	$120,262	$124,346	$142,309	$18,501	$81,608	
Haight Ashbury	17,758	1,922	23.2	$120,677	$122,991	$48,673	$0	$150,108	
Russian Hill	18,179	1,864	22.6	$106,953	$129,661	$54,239	$0	$64,153	
Noe Valley	22,769	2,091	22.3	$131,343	$129,740	$87,549	$11,875	$163,324	
Marina	24,915	1,928	21.3	$119,687	$121,132	$105,228	$0	$81,398	
Potrero Hill	13,621	2,289	19.2	$153,658	$168,011	$61,049	$58,368	$143,206	
Golden Gate Park	78	1,772	18.2	$125,750	$126,167	$0	$0	$0	
Total	**840,355**								

Source: American Community Survey 2015 five-year estimates.

Figure 7. Representation of Ethnicities across San Francisco Neighborhoods

	Total Population	White not Hispanic	African American	Native American	Asian	Pacific Islander	Other Race	Two or More Races	Hispanic or Latino (any race)
Sunset/Parkside	80,525	27,422	669	88	46,956	106	1,596	3,688	5,122
Mission	57,873	34,130	1,773	430	7,587	139	10,715	3,099	22,707
Outer Richmond	45,120	19,988	808	74	20,330	369	1,029	2,522	3,337
Excelsior	39,640	11,222	943	284	19,589	97	6,058	1,447	12,460
West of Twin Peaks	37,327	20,293	1,222	28	12,574	81	1,180	1,949	3,977
Bayview Hunters Point	37,246	6,280	10,302	164	13,267	955	3,988	2,290	8,255
Inner Sunset	28,962	16,954	563	69	8,906	0	984	1,486	2,427
Tenderloin	28,820	12,084	2,827	222	9,027	48	3,423	1,189	6,679
Oceanview/ Merced/ Ingleside	28,261	5,993	3,823	191	14,787	97	2,161	1,209	4,552
Nob Hill	26,382	14,523	771	62	8,981	70	746	1,229	2,720
Bernal Heights	25,487	15,145	1,243	98	4,071	20	3,353	1,557	7,490
Marina	24,915	20,582	253	20	2,715	15	273	1,057	1,868
Pacific Heights	24,737	18,948	801	2	3,956	63	316	651	1,524
Outer Mission	23,983	5,994	309	99	12,555	40	4,117	869	7,375
Noe Valley	22,769	17,327	650	93	3,092	64	630	913	2,463
Inner Richmond	22,425	12,290	453	18	8,183	63	349	1,069	1,746
Western Addition	21,366	9,324	4,346	222	5,735	29	722	988	2,081
Castro/Upper Market	20,380	16,161	595	102	2,192	48	523	759	1,953
Russian Hill	18,179	11,534	170	0	5,577	13	461	424	957
South of Market	18,093	6,791	2,222	66	7,142	79	930	863	1,900
Hayes Valley	18,043	11,770	2,425	80	2,176	95	706	791	2,679
Visitacion Valley	17,793	1,930	2,324	65	10,114	603	1,988	769	3,322
Haight Ashbury	17,758	14,333	551	53	1,474	27	233	1,087	1,502
Lone Mountain/USF	17,434	10,585	1,196	11	3,937	124	636	945	2,221
Financial District/ South Beach	16,735	9,327	310	31	5,794	21	461	791	2,091
Portola	16,269	3,540	737	63	9,229	7	2,329	364	3,893
Chinatown	14,336	2,155	108	73	11,603	9	235	153	519
Potrero Hill	13,621	9,047	762	21	2,253	70	768	700	2,117
Lakeshore	13,469	6,645	912	35	3,836	24	1,120	897	2,115
North Beach	12,550	6,501	117	0	4,826	0	253	853	1,105
Presidio Heights	10,577	7,318	266	1	2,250	73	127	542	683
Mission Bay	9,979	4,230	509	0	4,382	0	619	239	1,083
Glen Park	8,119	5,625	520	20	1,123	0	435	396	1,010
Twin Peaks	7,310	5,032	314	16	1,142	17	380	409	1,020
Presidio	3,681	3,222	0	0	310	0	13	136	214
Japantown	3,633	2,117	205	0	1,166	0	54	91	281
Treasure Island	3,187	1,191	593	53	545	62	411	332	909
Seacliff	2,491	1,757	13	0	580	0	15	126	165
McLaren Park	880	91	186	0	391	121	46	45	87
Total	**840,355**	**409,401**	**46,791**	**2,854**	**284,353**	**3,649**	**54,383**	**38,924**	**128,609**
Percent of Total Population	**100%**	**49%**	**6%**	**0.3%**	**34%**	**0.4%**	**6%**	**5%**	**15%**

Source: American Community Survey 2015 five-year estimates.

161351

Coalition for San Francisco Neighborhoods

www.cfsn.net • PO Box 320098 • San Francisco CA 94132-0098 • 415.262.0440 • Est 1972

April 6, 2017

San Francisco Board of Supervisors

San Francisco Planning Commission

Re Inclusionary Housing Proposals

Ladies and Gentlemen,

We are responding to the presentation by the Staff (the "Staff") of the Planning Commission (the "Commission") of two proposed ordinances (the "Proposals" or a "Proposal") containing different versions of changes to the Planning Code to modify the requirements relating to below market rate housing provided as part of a multifamily market rate development ("inclusionary housing") in San Francisco. One Proposal is sponsored by Supervisors Kim and Peskin (the "Kim-Peskin Proposal") and the other by Supervisors Safai, Breed and Tang (the "Safai-Breed-Tang Proposal"). Currently, required inclusionary housing levels are governed by Proposition C passed by the voters in June, 2016.

The development of the Proposals reflects in part the conclusions of the Final Report dated February 13 2016 [sic] (the "Report") of the Inclusionary Working Group, led by the Office of the Controller, which developed models and analyses of economically feasible levels of inclusionary housing which could be suppled as part of a market rate multifamily housing development.

The Proposals were to be considered by the Commission on April 6, 2017, but that has been put over until April 28. In the hope that in the meantime there will be consideration of changes to the Proposals, the following comments are offered by the Coalition For San Francisco Neighborhoods:

1. THE SAFAI-BREED-TANG PROPOSAL REFLECTS A TECTONIC SHIFT UPWARD IN THE INCOME LEVELS OF ELIGIBLE LPERSONS FOR INCLUSIONARY HOUSING THUS SQUEEZING OUT LESS FORTUNATE CLASSES. THIS BENEFITS DEVELOPERS WHICH CAN CHARGE MORE FOR INCLUSIONARY UNITS, HELPING THEIR PROFIT MARGINS

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(Explanatory Note) The Safai-Breed-Tang proposal places much more emphasis on middle income beneficiaries. Because inclusionary rental or sales charges can be higher for these beneficiaries, this helps developers' profits margins. While these beneficiaries are certainly worthy, it will result in the displacement of equally worthy, low and lower income groups who have even greater needs.

Such a major policy change as this is, pitting low and lower means persons against those with higher means, with no significant changes in the amount of inclusionary housing to be produced, should not be undertaken without (1) a much more comprehensive review which extends beyond the Report, which focused primarily on financial issue and mitigating risks for developers, (2) ultimately, a vote of the people.

2. INITIALLY AND FOR SOME TIME TO COME, THE PERENTAGES OF INCLUSIONARY HOUSING PER PROJECT FOR LARGE DEVELOPMENTS ARE LESS UNDER BOTH PROPOSALS THAN CURRENT LAW AND SHOULD ALLOW FOR EARLIER VOLUNTARY INCREASES. THE SAFAI-BREED-TANG PROPOSAL NEVER REACHES EXISTING LAW REQUIREMENTS.

(Explanatory Note) Both Proposals start below their ultimate maximum required levels of inclusionary housing in a project, for larger developments, and step up in very small annual increments, based on a formula proposed by the Report as a risk hedge for developers. Under the Safai-Breed-Tang Proposal, the time period to reach maximum is 15 years, and it would still not reach current law levels then!! Under Kim-Peskin, the required annual increase Increments are somewhat larger and would ultimately provide for inclusionary percentages per project in excess of current law. BOTH PROPOSALS SHOULD PROVIDE FOR PERMISSABLE VOLUNTARY INCREMENTS AT GREATER THAN THE RQUIRED RATES.

3. BY STATING RANAGES OF QUALIFYING INCOME, BOTH PROPOSALS HAVE CAPS AND FLOORS FOR QUALFYING LEVELS, SO PERSONS WITH INCOMES BELOW THE FLOORS ARE SQUEEZED OUT. CURRNENT LAW MERELY PROVIDES FOR INCOME CAPS, NOT FLOORS

(Explanatory Note) Under current law, for smaller developments, (10 to 24 units, the qualifying income level is "not to exceed" 55% or 80%of AMI (for rental or purchase units, respectively). The

two Proposals state ranges with averages, so those below the range don't qualify, and the Safai, Breed-Tang Proposal exacerbates that by significantly raising the ranges as well. See Item 1 above. THE RANGES SHOULD BECOME 'NOT TO EXCEED' PERCENTAGES OF QUALFYING INCOME SO THAT LOWER LEVELS WOULD QUALIFY AS WELL.

4. QUALIFYING INCOME TESTS ARE BASED UPON TOO ECONOMICALLY DIVERSE GEOGRAPHIC AREAS, THUS SQUEEZING OUT PERSON S AND FAMILIES LIVING IN VERFY LOW INCOME NEIGHBORHOOD/REGIONS WHO CANNOT MEET A STATED MEANS TEST.

(Explanatory Note) The Commission agreed, with respect to AHBP, to use a more neighborhood/San Francisco-Centric means test, meaning that, e.g. "55% of AMI" would be calculated on smaller geographic area to eliminate or mitigate the impact of the significant disparities in income levels which can be generally extant in the standard AMI tests. This does not appear to have been done AND MORE OF AN EFFORT SHOULD BE MADE TO ACCOMMODATE THAT.

5. THE REPORT AND THE SAFAI-BREED-TANG PRPOSAL SEEK TO IMPOSE A "FEE OUT" FEE ON BONUS UNITS WHICH ARE RECEJIVED UNDER STATE LAW. SINCE THE BONUS UNITS MUST BE BUILT UNITS, THIS VIOLATES STATE LAW

(Explanatory Note) Under the State Density Bonus Law, to qualify for a bonus, the affordable units must be built on the site of the market rate housing on qualifying donated land. The Report and the Safai-Breed-Tang Proposal both say that there should be a "fee out" charge anyway for BUILT UNITS !! California case law (the "Napa Case") allows inclusionary units built under a local law

program to count as affordable units under State Law, if they otherwise qualify. Since they have to be built on site or on donated land, and can't be fee'd out under State Law, and since inclusionary units which are built, are not charged a fee'd out fee under local law, we believe that if litigated, a court would hold that the fee is impermissible, and would view it as a penalty or tax disincentive to use State Law.

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6. INCLUSIONARY UNITS WHICH ARE FEE'D OUT SHOULD BE BUILT WHEN THE MAIN PROJECT IS BUILT OR SOON THEREAFTER, AND FUNDS THEREFOR SHOULD NOT BE PLACED IN A FUND TO LANGUISH AS THEIR VALUES DECLINE.

(Explanatory Note) The whole concept of "feeing out" is antithetical to developing as much inclusionary housing as possible, as rapidly as possible. The City needs the housing now which the fee'd out dollars are to provide. With land and construction costs seemingly on an irreversible upward trend, then the worth of a dollar today will decline with the passage of time, and the intended number of inclusionary units may not be able to be built.

So either eliminate feeing out OR hold up the certificate of occupancy on the building in chief until construction is started on the facility to be funded with fee'd out dollars, plus any "topping off" necessary to build the number of inclusionary units originally contemplated.

COALITION FOR SAN FRANCISCO NEIGHBOHOODS

Cc: John Rahiam, AnMarie Rodgers, Jacob Bintliff

BOARD of SUPERVISORS

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
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NOTICE OF PUBLIC HEARING

BOARD OF SUPERVISORS OF THE CITY AND COUNTY OF SAN FRANCISCO

LAND USE AND TRANSPORTATION COMMITTEE

NOTICE IS HEREBY GIVEN THAT the Land Use and Transportation Committee will hold a public hearing to consider the following proposal and said public hearing will be held as follows, at which time all interested parties may attend and be heard:

Date: **Monday, May 15, 2017**

Time: **1:30 p.m.**

Location: **Legislative Chamber, Room 250, located at City Hall**
1 Dr. Carlton B. Goodlett Place, San Francisco, CA

Subject: **File No. 161351**. Ordinance amending the Planning Code to revise the amount of the Inclusionary Affordable Housing Fee and the On-Site and Off-Site Affordable Housing Alternatives and other Inclusionary Housing requirements; adding reporting requirements for density bonus projects; affirming the Planning Department's determination under the California Environmental Quality Act; making findings under Planning Code, Section 302; and making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

If the legislation passes, new residential projects shall be subject to revised Affordable Housing fees or provide a percentage of dwelling units either on-site or off-site, and other requirements, as follows:

Inclusionary Affordable Housing Fee:

- 10 units or more, but less than 25 units: 20%
- 25 units or more: 33% for ownership projects or 30% for rental projects

The Mayor's Office of Housing and Community Development shall calculate these fees based on the City's cost of construction of providing the residential housing for three different building types and two types of tenure, ownership and rental. The three building types would be based on the height of the building: 1) up to 55 feet; 2) above 55 feet and up to 85 feet; and 3) above 85 feet. The affordability gap would be calculated within six months of the effective date of the amendments and updated annually to ensure the amount reflects the City's current costs for the various building types and tenures.

On-Site Affordable Housing option:

- 10 to 24 units: 12%
- 25 ownership units or more: 27% of all units constructed on the project site
- 25 rental units or more: 24%

Annual indexing. The required on-site affordable housing shall increase by 0.75% annually for all development projects with 10-24 units of housing, beginning on January 1, 2018.

Off-Site Affordable Housing option:

- 10 units or more, but less than 25 units: 20%
- 25 ownership units or more: 33%
- 25 rental units or more: 30%

In accordance with Administrative Code, Section 67.7-1, persons who are unable to attend the hearing on this matter may submit written comments to the City prior to the time the hearing begins. These comments will be made as part of the official public record in this matter, and shall be brought to the attention of the members of the Committee. Written comments should be addressed to Angela Calvillo, Clerk of the Board, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102. Information relating to this matter is available in the Office of the Clerk of the Board. Agenda information relating to this matter will be available for public review on Friday, May 12, 2017.

Alisa Somera

for Angela Calvillo
Clerk of the Board

DATED: May 4, 2017
PUBLISHED: May 5 & 11, 2017

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ALISA SOMERA
CCSF BD OF SUPERVISORS (OFFICIAL NOTICES)
1 DR CARLTON B GOODLETT PL #244
SAN FRANCISCO, CA 94102

EXM# 3007787

COPY OF NOTICE

Notice Type: GPN GOVT PUBLIC NOTICE

Ad Description AS - 05/15/17 Land Use - 161351 Fee Ad

To the right is a copy of the notice you sent to us for publication in the SAN FRANCISCO EXAMINER. Thank you for using our newspaper. Please read this notice carefully and call us with ny corrections. The Proof of Publication will be filed with the County Clerk, if required, and mailed to you after the last date below. Publication date(s) for this notice is (are):

05/05/2017 , 05/11/2017

The charge(s) for this order is as follows. An invoice will be sent after the last date of publication. If you prepaid this order in full, you will not receive an

NOTICE OF PUBLIC HEARING
BOARD OF SUPERVISORS OF THE CITY AND COUNTY OF SAN FRANCISCO
LAND USE AND TRANSPORTATION COMMITTEE
MONDAY, MAY 15, 2017 - 1:30 PM
CITY HALL, LEGISLATIVE CHAMBER, ROOM 250
1 DR. CARLTON B. GOODLETT PLACE, SAN FRANCISCO, CA

NOTICE IS HEREBY GIVEN THAT the Land Use and Transportation Committee will hold a public hearing to consider the following proposal and said public hearing will be held as follows, at which time all interested parties may attend and be heard: **File No. 161351.** Ordinance amending the Planning Code to revise the amount of the Inclusionary Affordable Housing Fee and the On-Site and Off-Site Affordable Housing Alternatives and other Inclusionary Housing requirements; adding reporting requirements for density bonus projects; affirming the Planning Department's determination under the California Environmental Quality Act; making findings under Planning Code, Section 302; and making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1. If the legislation passes, new residential projects shall be subject to revised Affordable Housing fees or provide a percentage of dwelling units either on-site or off-site, and other requirements, as follows: Inclusionary Affordable Housing Fee: 10 units or more, but less than 25 units: 20%; 25 units or more: 33% for ownership projects or 30% for rental projects. The Mayor's Office of Housing and Community Development shall calculate these fees based on the City's cost of construction of providing the residential housing for three different building types and two types of tenure, ownership and rental. The three building types would be based on the height of the building: 1) up to 55 feet; 2) above 55 feet and up to 85 feet; and 3) above 85 feet. The affordability gap would be calculated within six months of the effective date of the amendments and updated annually to ensure the amount reflects the City's current costs for the various building types and tenures. On-Site Affordable Housing option: 10 to 24 units: 12%; 25 ownership units or more: 27% of all units constructed on the project site; 25 rental units or more: 24%. Annual indexing. The required on-site affordable housing shall increase by 0.75% annually for all development projects with 10-24 units of housing, beginning on January 1, 2018. Off-Site Affordable Housing option: 10 units or more, but less than 25 units: 20%; 25 ownership units or more: 33%; 25 rental units or more: 30%. In accordance with Administrative Code, Section 67.7-1, persons who are unable to attend the hearing on this matter may submit written comments to the City prior to the time the hearing begins. These comments will be made as part of the official public record in this matter, and shall be brought to the attention of the members of the Committee. Written comments should be addressed to Angela Calvillo, Clerk of the Board, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102. Information relating to this matter is available in the Office of the Clerk of the Board. Agenda Information relating to this matter will be available for public review on Friday, May 12, 2017. - Angela Calvillo, Clerk of the Board

BOARD of SUPERVISORS

City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

April 21, 2017

File No. 161351

Lisa Gibson
Acting Environmental Review Officer
Planning Department
1650 Mission Street, Ste. 400
San Francisco, CA 94103

Dear Ms. Gibson:

On April 18, 2017, Supervisor Kim introduced the following substitute legislation:

File No. 161351

Ordinance amending the Planning Code to revise the amount of the Inclusionary Affordable Housing Fee and the On-Site and Off-Site Affordable Housing Alternatives and other Inclusionary Housing requirements; adding reporting requirements for density bonus projects; affirming the Planning Department's determination under the California Environmental Quality Act; making findings under Planning Code, Section 302; and making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

This substitute legislation is being transmitted to you for environmental review.

Angela Calvillo, Clerk of the Board

for By: Alisa Somera, Legislative Deputy Director
Land Use and Transportation Committee

Attachment

c: Joy Navarrete, Environmental Planning
Jeanie Poling, Environmental Planning

BOARD of SUPERVISORS

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Tel. No. 554-5184
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TDD/TTY No. 554-5227

April 21, 2017

Planning Commission
Attn: Jonas Ionin
1650 Mission Street, Ste. 400
San Francisco, CA 94103

Dear Commissioners:

On April 18, 2017, Supervisor Kim introduced the following substitute legislation:

File No. 161351

Ordinance amending the Planning Code to revise the amount of the Inclusionary Affordable Housing Fee and the On-Site and Off-Site Affordable Housing Alternatives and other Inclusionary Housing requirements; adding reporting requirements for density bonus projects; affirming the Planning Department's determination under the California Environmental Quality Act; making findings under Planning Code, Section 302; and making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

The substitute ordinance is being transmitted pursuant to Planning Code, Section 302(b), for public hearing and recommendation. The ordinance is pending before the Land Use and Transportation Committee and will be scheduled for hearing upon receipt of your response.

Angela Calvillo, Clerk of the Board

for By: Alisa Somera, Legislative Deputy Director
Land Use and Transportation Committee

c: John Rahaim, Director of Planning
Aaron Starr, Acting Manager of Legislative Affairs
Scott Sanchez, Zoning Administrator
Lisa Gibson, Acting Environmental Review Officer
AnMarie Rodgers, Senior Policy Advisor
Jeanie Poling, Environmental Planning
Joy Navarrete, Environmental Planning

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MEMORANDUM

TO: Olson Lee, Director, Mayor's Office of Housing and Community Development
Nadia Sesay, Interim Executive Director, Office of Community Investment and Infrastructure
Robert Collins, Executive Director, Rent Board

FROM: ll for Alisa Somera, Legislative Deputy Director
Land Use and Transportation Committee

DATE: April 21, 2017

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Land Use and Transportation Committee has received the following substitute legislation, introduced by Supervisor Kim on April 18, 2017:

File No. 161351

Ordinance amending the Planning Code to revise the amount of the Inclusionary Affordable Housing Fee and the On-Site and Off-Site Affordable Housing Alternatives and other Inclusionary Housing requirements; adding reporting requirements for density bonus projects; affirming the Planning Department's determination under the California Environmental Quality Act; making findings under Planning Code, Section 302; and making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

If you have comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102 or by email at: alisa.somera@sfgov.org.

c: Eugene Flannery, Mayor's Office of Housing and Community Development
Kate Hartley, Mayor's Office of Housing and Community Development
Amy Chan, Mayor's Office of Housing and Community Development

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March 1, 2017

File No. 161351

Lisa Gibson
Acting Environmental Review Officer
Planning Department
1650 Mission Street, Ste. 400
San Francisco, CA 94103

Dear Ms. Gibson:

On February 28, 2017, Supervisor Kim introduced the following substitute legislation:

File No. 161351

Ordinance amending the Planning Code to revise the amount of the Inclusionary Affordable Housing Fee and the On-Site and Off-Site Affordable Housing Alternatives and other Inclusionary Housing requirements; adding reporting requirements for density bonus projects; affirming the Planning Department's determination under the California Environmental Quality Act; making findings under Planning Code, Section 302; and making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

This substitute legislation is being transmitted to you for environmental review.

Angela Calvillo, Clerk of the Board

for By: Alisa Somera, Legislative Deputy Director
Land Use and Transportation Committee

Attachment

c: Joy Navarrete, Environmental Planning
Jeanie Poling, Environmental Planning

BOARD of SUPERVISORS

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TDD/TTY No. 554-5227

March 1, 2017

Planning Commission
Attn: Jonas Ionin
1650 Mission Street, Ste. 400
San Francisco, CA 94103

Dear Commissioners:

On February 28, 2017, Supervisor Kim introduced the following substitute legislation:

File No. 161351

Ordinance amending the Planning Code to revise the amount of the Inclusionary Affordable Housing Fee and the On-Site and Off-Site Affordable Housing Alternatives and other Inclusionary Housing requirements; adding reporting requirements for density bonus projects; affirming the Planning Department's determination under the California Environmental Quality Act; making findings under Planning Code, Section 302; and making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

The substitute ordinance is being transmitted pursuant to Planning Code, Section 302(b), for public hearing and recommendation. The ordinance is pending before the Land Use and Transportation Committee and will be scheduled for hearing upon receipt of your response.

Angela Calvillo, Clerk of the Board

for By: Alisa Somera, Legislative Deputy Director
Land Use and Transportation Committee

c: John Rahaim, Director of Planning
Aaron Starr, Acting Manager of Legislative Affairs
Scott Sanchez, Zoning Administrator
Lisa Gibson, Acting Environmental Review Officer
AnMarie Rodgers, Senior Policy Advisor
Jeanie Poling, Environmental Planning
Joy Navarrete, Environmental Planning

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MEMORANDUM

TO: Olson Lee, Director, Mayor's Office of Housing and Community Development
Nadia Sesay, Interim Executive Director, Office of Community Investment and Infrastructure

FROM: Alisa Somera, Legislative Deputy Director
Land Use and Transportation Committee

DATE: March 1, 2017

SUBJECT: SUBSTITUTE LEGISLATION INTRODUCED

The Board of Supervisors' Land Use and Transportation Committee has received the following substitute legislation, introduced by Supervisor Kim on February 28, 2017:

File No. 161351

Ordinance amending the Planning Code to revise the amount of the Inclusionary Affordable Housing Fee and the On-Site and Off-Site Affordable Housing Alternatives and other Inclusionary Housing requirements; adding reporting requirements for density bonus projects; affirming the Planning Department's determination under the California Environmental Quality Act; making findings under Planning Code, Section 302; and making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

If you have comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102 or by email at: alisa.somera@sfgov.org.

c: Eugene Flannery, Mayor's Office of Housing and Community Development
Kate Hartley, Mayor's Office of Housing and Community Development

BOARD of SUPERVISORS

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San Francisco 94102-4689
Tel. No. 554-5184
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TDD/TTY No. 554-5227

December 20, 2016

File No. 161351

Lisa Gibson
Acting Environmental Review Officer
Planning Department
1650 Mission Street, Ste. 400
San Francisco, CA 94103

Dear Ms. Gibson:

On December 13, 2016, Supervisor Kim introduced the following proposed legislation:

File No. 161351

Ordinance amending the Planning Code to revise the amount of the Inclusionary Affordable Housing Fee and the On-Site and Off-Site Affordable Housing Alternatives and other Inclusionary Housing requirements; affirming the Planning Department's determination under the California Environmental Quality Act; making findings under Planning Code, Section 302; and making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

This legislation is being transmitted to you for environmental review.

Angela Calvillo, Clerk of the Board

for By: Alisa Somera, Legislative Deputy Director
Land Use and Transportation Committee

Attachment

c: Joy Navarrete, Environmental Planning
Jeanie Poling, Environmental Planning

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December 20, 2016

Planning Commission
Attn: Jonas Ionin
1650 Mission Street, Ste. 400
San Francisco, CA 94103

Dear Commissioners:

On December 13, 2016, Supervisor Kim introduced the following legislation:

File No. 161351

Ordinance amending the Planning Code to revise the amount of the Inclusionary Affordable Housing Fee and the On-Site and Off-Site Affordable Housing Alternatives and other Inclusionary Housing requirements; affirming the Planning Department's determination under the California Environmental Quality Act; making findings under Planning Code, Section 302; and making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

The proposed ordinance is being transmitted pursuant to Planning Code, Section 302(b), for public hearing and recommendation. The ordinance is pending before the Land Use and Transportation Committee and will be scheduled for hearing upon receipt of your response.

Angela Calvillo, Clerk of the Board

for By: Alisa Somera, Legislative Deputy Director
Land Use and Transportation Committee

c: John Rahaim, Director of Planning
Aaron Starr, Acting Manager of Legislative Affairs
Scott Sanchez, Zoning Administrator
Lisa Gibson, Acting Environmental Review Officer
AnMarie Rodgers, Senior Policy Advisor
Jeanie Poling, Environmental Planning
Joy Navarrete, Environmental Planning

BOARD of SUPERVISORS

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

TO: Olson Lee, Director, Mayor's Office of Housing and Community Development
Tiffany Bohee, Executive Director, Office of Community Investment and Infrastructure

FROM: Alisa Somera, Legislative Deputy Director
Land Use and Transportation Committee

DATE: December 20, 2016

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Land Use and Transportation Committee has received the following proposed legislation, introduced by Supervisor Kim on December 13, 2016:

File No. 161351

Ordinance amending the Planning Code to revise the amount of the Inclusionary Affordable Housing Fee and the On-Site and Off-Site Affordable Housing Alternatives and other Inclusionary Housing requirements; affirming the Planning Department's determination under the California Environmental Quality Act; making findings under Planning Code, Section 302; and making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

If you have comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102 or by email at: alisa.somera@sfgov.org.

c: Eugene Flannery, Mayor's Office of Housing and Community Development
Kate Hartley, Mayor's Office of Housing and Community Development
Claudia Guerra, Office of Community Investment and Infrastructure

Print Form

Introduction Form

By a Member of the Board of Supervisors or the Mayor

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2017 APR 18 PM 1:01
Time stamp or meeting date
BY: AK

I hereby submit the following item for introduction (select only one):

☐ 1. For reference to Committee. (An Ordinance, Resolution, Motion, or Charter Amendment)

☐ 2. Request for next printed agenda Without Reference to Committee.

☐ 3. Request for hearing on a subject matter at Committee.

☐ 4. Request for letter beginning "Supervisor [ ] inquires"

☐ 5. City Attorney request.

☐ 6. Call File No. [ ] from Committee.

☐ 7. Budget Analyst request (attach written motion).

☒ 8. Substitute Legislation File No. 161351

☐ 9. Reactivate File No. [ ]

☐ 10. Question(s) submitted for Mayoral Appearance before the BOS on [ ]

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

☐ Small Business Commission ☐ Youth Commission ☐ Ethics Commission

☐ Planning Commission ☐ Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use a Imperative Form.

Sponsor(s):

Supervisors Kim; Peskin

Subject:

[Planning Code – Inclusionary Affordable Housing Fee and Requirements]

The text is listed below or attached:

Ordinance amending the Planning Code to revise the amount of the Inclusionary Affordable Housing Fee and the On-Site and Off-Site Affordable Housing Alternatives and other Inclusionary Housing requirements; adding

Signature of Sponsoring Supervisor: [signature]

For Clerk's Use Only:

Print Form

Introduction Form

By a Member of the Board of Supervisors or the Mayor

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2017 FEB 28 PM 4:59
BY
Time stamp or meeting date

I hereby submit the following item for introduction (select only one):

☐ 1. For reference to Committee. (An Ordinance, Resolution, Motion, or Charter Amendment)

☐ 2. Request for next printed agenda Without Reference to Committee.

☐ 3. Request for hearing on a subject matter at Committee.

☐ 4. Request for letter beginning "Supervisor [ ] inquires"

☐ 5. City Attorney request.

☐ 6. Call File No. [ ] from Committee.

☐ 7. Budget Analyst request (attach written motion).

☒ 8. Substitute Legislation File No. [ ]

☐ 9. Reactivate File No. [ ]

☐ 10. Question(s) submitted for Mayoral Appearance before the BOS on [ ]

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

☐ Small Business Commission ☐ Youth Commission ☐ Ethics Commission

☐ Planning Commission ☐ Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use a Imperative Form.

Sponsor(s):

Supervisor Kim

Subject:

Planning Code – Inclusionary Affordable Housing Fee and Requirements

The text is listed below or attached:

See attached.

Signature of Sponsoring Supervisor:

For Clerk's Use Only:

Print Form

Introduction Form

By a Member of the Board of Supervisors or the Mayor

RECEIVED
12/13/16 @
4:41 pm
Time stamp
or meeting date

I hereby submit the following item for introduction (select only one):

☐ 1. For reference to Committee. (An Ordinance, Resolution, Motion, or Charter Amendment)

☐ 2. Request for next printed agenda Without Reference to Committee.

☒ 3. Request for hearing on a subject matter at Committee.

☐ 4. Request for letter beginning "Supervisor [ ] inquires"

☐ 5. City Attorney request.

☐ 6. Call File No. [ ] from Committee.

☐ 7. Budget Analyst request (attach written motion).

☐ 8. Substitute Legislation File No. [ ]

☐ 9. Reactivate File No. [ ]

☐ 10. Question(s) submitted for Mayoral Appearance before the BOS on [ ]

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☐ Small Business Commission ☐ Youth Commission ☐ Ethics Commission

☐ Planning Commission ☐ Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use a Imperative Form.

Sponsor(s):

Supervisors Kim and Peskin

Subject:

Planning Code - Inclusionary Affordable Housing Fee and Requirements

The text is listed below or attached:

See attached.

Signature of Sponsoring Supervisor: [signature]

For Clerk's Use Only:

Somera, Alisa (BOS)

From: melinda_vazquez@dailyjournal.com
Sent: Thursday, May 04, 2017 10:36 AM
To: Somera, Alisa (BOS)
Subject: Confirmation of Order 3007787 for AS - 05/15/17 Land Use - 161351 Fee Ad

Dear Customer:

The order listed below has been received and processed. If you have any questions regarding this order, please contact your ad coordinator or the phone number listed below.

Customer Account Number: 120503
Type of Notice : GPN - GOVT PUBLIC NOTICE
Ad Description : AS - 05/15/17 Land Use - 161351 Fee Ad
Our Order Number : 3007787
Newspaper : SAN FRANCISCO EXAMINER 10%
Publication Date(s) : 05/05/2017,05/11/2017

Thank you.

MELINDA VAZQUEZ
DAILY JOURNAL CORPORATION
CALIFORNIA NEWSPAPER SERVICE BUREAU
Phone: (800) 788 7840 / (213)229-5300
Fax: (800) 540 4089 / (213)229-5481

AdTech

Home

New Order

Copy Order

Order Lookup

Order Tracking

Open [1]

Ready [0]

Sent [3]

Newspapers

Accounting

Reports

Reset Password

Help

Log Out

New Order

Your order is sent!!

Customer Information

Customer Name	S.F. BD OF SUPERVISORS (NON-CONSECUTIVE)	**Master Id**	52704
Address	1 DR CARLTON B GOODLETT PL #244	**Phone**	(415)554-7704
City	SAN FRANCISCO	**Fax**	(415)554-7714
State - Zip	CA - 94102		

Ad Placement Information: Section of Newspaper and Type of Notice

Legal GOVERNMENT - GOVT PUBLIC NOTICE

Order Information

Attention Name	ALISA SOMERA	**Billing Reference No.**	Contract Award 95442
Ad Description	AS - 05/15/17 Land Use - 161351 Fee Ad	**Sale/Hrg/Bid Date**	-
Special Instructions	-		

Orders Created

Order No.	Newspaper Name	Publishing Dates	Ad	Price Description	Price	Ad Status
3007787	SAN FRANCISCO EXAMINER 10%, CA **Billed To:** CCSF BD OF SUPERVISORS (OFFICIAL NOTICES) **Created For:** CCSF BD OF SUPERVISORS (OFFICIAL NOTICES)	05/05/2017, 05/11/2017	**Depth :** 10.63" **Lines :** 129	-	**Pending**	**Sent**

Order No.	Newspaper	View
3007787	SAN FRANCISCO EXAMINER 10%	**View Ad In PDF**

NOTICE OF PUBLIC HEARING
BOARD OF SUPERVISORS OF THE CITY AND COUNTY OF SAN FRANCISCO
LAND USE AND TRANSPORTATION COMMITTEE
MONDAY, MAY 15, 2017 - 1:30 PM
CITY HALL, LEGISLATIVE CHAMBER, ROOM 250
1 DR. CARLTON B. GOODLETT PLACE, SAN FRANCISCO, CA

NOTICE IS HEREBY GIVEN THAT the Land Use and Transportation

Committee will hold a public hearing to consider the following proposal and said public hearing will be held as follows, at which time all interested parties may attend and be heard: **File No. 161351.** Ordinance amending the Planning Code to revise the amount of the Inclusionary Affordable Housing Fee and the On-Site and Off-Site Affordable Housing Alternatives and other Inclusionary Housing requirements; adding reporting requirements for density bonus projects; affirming the Planning Department's determination under the California Environmental Quality Act; making findings under Planning Code, Section 302; and making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1. If the legislation passes, new residential projects shall be subject to revised Affordable Housing fees or provide a percentage of dwelling units either on-site or off-site, and other requirements, as follows: Inclusionary Affordable Housing Fee: 10 units or more, but less than 25 units: 20%; 25 units or more: 33% for ownership projects or 30% for rental projects. The Mayor's Office of Housing and Community Development shall calculate these fees based on the City's cost of construction of providing the residential housing for three different building types and two types of tenure, ownership and rental. The three building types would be based on the height of the building: 1) up to 55 feet; 2) above 55 feet and up to 85 feet; and 3) above 85 feet. The affordability gap would be calculated within six months of the effective date of the amendments and updated annually to ensure the amount reflects the City's current costs for the various building types and tenures. On-Site Affordable Housing option: 10 to 24 units: 12%; 25 ownership units or more: 27% of all units constructed on the project site; 25 rental units or more: 24%. Annual indexing. The required on-site affordable housing shall increase by 0.75% annually for all development projects with 10-24 units of housing, beginning on January 1, 2018. Off-Site Affordable Housing option: 10 units or more, but less than 25 units: 20%; 25 ownership units or more: 33%; 25 rental units or more: 30%. In accordance with Administrative Code, Section 67.7-1, persons who are unable to attend the hearing on this matter may submit written comments to the City prior to the time the hearing begins. These comments will be made as part of the

official public record in this matter, and shall be brought to the attention of the members of the Committee. Written comments should be addressed to Angela Calvillo, Clerk of the Board, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102. Information relating to this matter is available in the Office of the Clerk of the Board. Agenda information relating to this matter will be available for public review on Friday, May 12, 2017. - Angela Calvillo, Clerk of the Board

Lew, Lisa (BOS)

From: Lew, Lisa (BOS)
Sent: Friday, April 21, 2017 2:58 PM
To: Gibson, Lisa (CPC)
Cc: Navarrete, Joy (CPC); Poling, Jeanie (CPC); Somera, Alisa (BOS)
Subject: BOS Referral: File No. 161351 - Planning Code - Inclusionary Affordable Housing Fee and Requirements
Attachments: 161351-3 CEQA.pdf

Hello,

The following substitute legislation is being transmitted to you for environmental review:

File No. 161351

Ordinance amending the Planning Code to revise the amount of the Inclusionary Affordable Housing Fee and the On-Site and Off-Site Affordable Housing Alternatives and other Inclusionary Housing requirements; adding reporting requirements for density bonus projects; affirming the Planning Department's determination under the California Environmental Quality Act; making findings under Planning Code, Section 302; and making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

Sent on behalf of Alisa Somera, Land Use and Transportation Committee. Please respond directly to Alisa Somera.

Regards,

Lisa Lew
Board of Supervisors
San Francisco City Hall, Room 244
San Francisco, CA 94102
P 415-554-7718 | F 415-554-5163
lisa.lew@sfgov.org | www.sfbos.org

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The Legislative Research Center provides 24-hour access to Board of Supervisors legislation, and archived matters since August 1998.

Lew, Lisa (BOS)

From: Lew, Lisa (BOS)
Sent: Friday, April 21, 2017 2:58 PM
To: Ionin, Jonas (CPC)
Cc: Rahaim, John (CPC); Starr, Aaron (CPC); Sanchez, Scott (CPC); Gibson, Lisa (CPC); Rodgers, AnMarie (CPC); Poling, Jeanie (CPC); Navarrete, Joy (CPC); Somera, Alisa (BOS)
Subject: BOS Referral: File No. 161351 - Planning Code - Inclusionary Affordable Housing Fee and Requirements
Attachments: 161351-3 PC.pdf

Hello,

The following substitute legislation is being referred to your department pursuant to Planning Code, Section 302(b) for public hearing and recommendation:

File No. 161351

Ordinance amending the Planning Code to revise the amount of the Inclusionary Affordable Housing Fee and the On-Site and Off-Site Affordable Housing Alternatives and other Inclusionary Housing requirements; adding reporting requirements for density bonus projects; affirming the Planning Department's determination under the California Environmental Quality Act; making findings under Planning Code, Section 302; and making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

Sent on behalf of Alisa Somera, Land Use and Transportation Committee. Please respond to Alisa Somera.

Regards,

Lisa Lew
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San Francisco City Hall, Room 244
San Francisco, CA 94102
P 415-554-7718 | F 415-554-5163
lisa.lew@sfgov.org | www.sfbos.org

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Lew, Lisa (BOS)

From: Lew, Lisa (BOS)
Sent: Friday, April 21, 2017 2:58 PM
To: Lee, Olson (MYR); Sesay, Nadia (CII); Collins, Robert (RNT)
Cc: Flannery, Eugene (MYR); Hartley, Kate (MYR); Chan, Amy (MYR); Somera, Alisa (BOS)
Subject: BOS Referral: File No. 161351 - Planning Code - Inclusionary Affordable Housing Fee and Requirements
Attachments: 161351-3 FYI.pdf

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Regards,

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Lew, Lisa (BOS)

From: Lew, Lisa (BOS)
Sent: Wednesday, March 01, 2017 1:13 PM
To: Gibson, Lisa (CPC)
Cc: Navarrete, Joy (CPC); Poling, Jeanie (CPC); Somera, Alisa (BOS)
Subject: BOS Referral: File No. 161351 - Planning Code - Inclusionary Affordable Housing Fee and Requirements
Attachments: 161351-2 CEQA.pdf

Hello,

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File No. 161351

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Sent on behalf of Alisa Somera, Land Use and Transportation Committee. Please respond directly to Alisa Somera.

Regards,

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San Francisco City Hall, Room 244
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From: Lew, Lisa (BOS)
Sent: Wednesday, March 01, 2017 1:13 PM
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Cc: Rahaim, John (CPC); Starr, Aaron (CPC); Sanchez, Scott (CPC); Gibson, Lisa (CPC); Rodgers, AnMarie (CPC); Poling, Jeanie (CPC); Navarrete, Joy (CPC); Somera, Alisa (BOS)
Subject: BOS Referral: File No. 161351 - Planning Code - Inclusionary Affordable Housing Fee and Requirements
Attachments: 161351-2 PC.pdf

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File No. 161351

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Sent on behalf of Alisa Somera, Land Use and Transportation Committee. Please respond to Alisa Somera.

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Lew, Lisa (BOS)

From: Lew, Lisa (BOS)
Sent: Wednesday, March 01, 2017 1:26 PM
To: Lee, Olson (MYR); Sesay, Nadia (CII)
Cc: Flannery, Eugene (MYR); Hartley, Kate (MYR); Somera, Alisa (BOS)
Subject: BOS Referral: File No. 161351 - Planning Code - Inclusionary Affordable Housing Fee and Requirements
Attachments: 161351-2 FYI.pdf

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Lew, Lisa (BOS)

From: Lew, Lisa (BOS)
Sent: Tuesday, December 20, 2016 10:38 AM
To: Gibson, Lisa (CPC)
Cc: Navarrete, Joy (CPC); Poling, Jeanie (CPC); Somera, Alisa (BOS)
Subject: BOS Referral: File No. 161351 - Planning Code - Inclusionary Affordable Housing Fee and Requirements
Attachments: 161351 CEQA.pdf

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Attachments: 161351 PC.pdf

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Cc: Flannery, Eugene (MYR); Hartley, Kate (MYR); Guerra, Claudia (CII); Somera, Alisa (BOS)
Subject: BOS Referral: File No. 161351 - Planning Code - Inclusionary Affordable Housing Fee and Requirements
Attachments: 161351 FYI.pdf

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