



SAN FRANCISCO PLANNING DEPARTMENT

December 20, 2012

Ms. Angela Calvillo, Clerk
Mr. Jason Elliott, Mayor's Office
Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

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Suite 400
San Francisco,
CA 94103-2479

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**Re: Transmittal of Board File No. 121162; Planning Case No. 2012.1381T
Amendments relating to the Inclusionary Affordable Housing Program
Planning Commission Recommendation: *Approval with modifications***

Dear Ms. Calvillo and Mr. Elliott;

On December 13, 2012, the San Francisco Planning Commission (hereinafter "Commission") conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance, introduced by Mayor Edwin Lee.

The proposed Ordinance would amend San Francisco Planning Code to update and to clarify provisions of the Inclusionary Affordable Housing Program. The proposal would result in no physical impact on the environment. The proposed amendment is exempt from environmental review under Section 15060(c)(2) of the CEQA Guidelines.

At the December 13th hearing, the Commission adopted Resolution Number 187771 with a recommendation of approval with modifications to the Board of Supervisors for the proposed Ordinance. Specifically, the Commission recommended that the Mayor's proposed Ordinance be modified by incorporating the changes proposed by the Planning Commission, which are as follows:

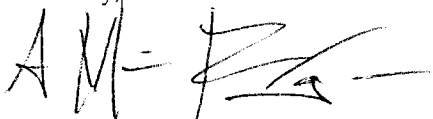
1. adding a "grandfathering clause" so that projects approved prior to the effective date of this proposed Ordinance may be exempted from the proposed changes within this Ordinance and
2. making specific modifications described in Attachment A.

The Department recommends that the legislative sponsors advise the City Attorney at your earliest convenience if you wish to incorporate any changes recommended by the Commission.

This electronic copy is our transmittal to the Board of Supervisors. Per instructions by the Clerk of the Board, no hard copies will be provided; however hardcopies will be provided upon request. Attached are documents relating to the Commission's action.

If you have any questions or require further information please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'AM' followed by a stylized surname.

AnMarie Rodgers
Manager of Legislative Affairs

cc: Alisa Miller, Assistant Clerk
Daniel Adams, Mayor's Office of Housing
Susan Cleveland-Knowles, Deputy City Attorney
Jon Givner, Deputy City Attorney

Attachments [one copy of each of the following]
Planning Commission Resolution Number 18771
Attachment A to Resolution 18771



SAN FRANCISCO PLANNING DEPARTMENT

Planning Commission Resolution No. 18771

HEARING DATE: DECEMBER 13, 2012

1650 Mission St.
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San Francisco,
CA 94103-2479

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Project Name: Amendments relating to the Inclusionary Affordable Housing Program
Case Number: 2012.1381T [Board File No. 121162]
Initiated by: Mayor Edwin Lee / Introduced December 6, 2012
Staff Contact: Sophie Hayward, Legislative Affairs
sophie.hayward@sfgov.org, 415-558-6372
Reviewed by: AnMarie Rodgers, Manager Legislative Affairs
anmarie.rodgers@sfgov.org, 415-558-6395
Recommendation: **Recommend Approval with Modifications**

RECOMMENDING THAT THE BOARD OF SUPERVISORS PASS AN ORDINANCE WITH MODIFICATIONS THAT WOULD AMEND THE SAN FRANCISCO PLANNING CODE SECTIONS 401 AND 415 (PROVISIONS OF THE INCLUSIONARY AFFORDABLE HOUSING ORDINANCE), TO UPDATE AND TO CLARIFY PROVISIONS OF THE INCLUSIONARY AFFORDABLE HOUSING PROGRAM BY 1) PROVIDING A CAP ON RENT INCREASES; 2) CLARIFYING THE TIMING OF OFF-SITE DEVELOPMENTS; 3) REQUIRING RENTAL UNITS THAT CONVERT TO OWNERSHIP TO SELL AT LESS THAN THE PRICE FOR OWNERSHIP UNITS UNDER CERTAIN CIRCUMSTANCES; 4) ESTABLISHING PRICING FOR AFFORDABLE SINGLE ROOM OCCUPANCY UNITS; 5) CHANGING THE STATUS OF PROJECTS USING CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE TAX EXEMPT BONDS SO THAT SUCH PROJECTS ARE SUBJECT TO THE PROGRAM, BUT THAT UNITS MAY QUALIFY AS ON- OR OFF-SITE UNITS UNDER CERTAIN CIRCUMSTANCES; 6) ALLOWING INCOMES LEVELS OF QUALIFYING HOUSEHOLDS TO EXCEED THOSE SPECIFIED IN CERTAIN SITUATIONS; 7) AUTHORIZING THE MAYOR'S OFFICE OF HOUSING (HEREINAFTER "MOH") TO CHARGE A MONITORING FEE TO VERIFY OCCUPANCY OF AFFORDABLE UNITS; AND 8) MAKING TECHNICAL CLARIFICATIONS AND CORRECTIONS; AND MAKING ENVIRONMENTAL FINDINGS AND FINDINGS OF CONSISTENCY WITH THE GENERAL PLAN AND PLANNING CODE SECTION 101.1 AND 302.

PREAMBLE

Whereas, on December 6, 2012 Mayor Edwin Lee introduced a proposed Ordinance under Board File Number 12-1162 that would amend Planning Code by making amendments to the San Francisco Planning Code to update and to clarify provisions of the Inclusionary Affordable Housing Program ; and

Whereas, the proposed Ordinance would make necessary amendments to the Planning Code in response to the Mayor's Office of Housing's proposed amendments to the Procedures Manual for the Affordable Inclusionary Housing Program; and

Whereas on November 8, 2012 this Commission heard an informational presentation about the proposed amendments to the Procedures Manual for the Affordable Inclusionary Housing Program;

Whereas, since the hearing on the Procedures Manual, the mayor has introduced legislation entitled "Planning Code - Inclusionary Affordable Housing Program Updates and Clarifications in File No. 121162 ("proposed Ordinance"). Among other things, the proposed Ordinance authorizes some of the changes proposed to the Procedures Manual. As such, some of the amendments to the Procedures Manual cannot go into effect until the Board of Supervisors finally adopts the proposed Ordinance.

Whereas, since the introduction of the proposed Ordinance, the Planning Department recommended approval of the proposed Ordinance; and

Whereas, on December 13th, 2012 the San Francisco Planning Commission (hereinafter "Commission") conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed amendments to the Procedures Manual for the Affordable Inclusionary Housing Program and to consider this proposed Ordinance; and

Whereas, the proposed Ordinance has been found exempt from the California Environmental Quality Act per sections 15060(c)(2); and

Whereas, the Commission has heard and considered the testimony presented to it at the public hearing and has further considered written materials and oral testimony presented by Department staff, and other interested parties; and

Whereas, the 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 Commission has reviewed the proposed Ordinance; and

MOVED, that the Commission hereby recommends that the Board of Supervisors recommend *approval with a proposed modifications* to the proposed Ordinance.

The proposed modifications include: 1) the additional of a "grandfathering clause" so that projects approved prior to the effective date of this proposed Ordinance may be exempted from the proposed changes within this Ordinance and 2) the specific modifications described in Attachment A.

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:

1. The Affordable Inclusionary Housing Program helps the City address the critical need for affordable housing.
2. The City must seek to increase clarity and efficiency in implementing this program.
3. **General Plan Compliance.** The proposed Ordinance is, on balance, consistent with the following Objectives and Policies of the General Plan:

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.

San Franciscans are a diverse population, with a diverse set of housing needs. Future housing policy and planning efforts must take into account the diverse needs for housing. The RHNA projections indicate housing goals for various income levels, these provide basic planning goals for housing affordability. San Francisco's housing policies and programs should provide strategies that promote housing at each income level, and furthermore identify sub-groups, such as middle income and extremely low income households that require specific housing policy. In addition to planning for affordability, the City should plan for housing that serves a variety of household types and sizes.

OBJECTIVE 7

Secure funding and resources for permanently affordable housing, including innovative programs that are not solely reliant on traditional mechanisms or capital.

POLICY 7.1

Expand the financial resources available for permanently affordable housing, especially permanent sources.

San Francisco should continue to be a leader in identifying, securing and mandating funding for permanently affordable housing. Building on a good track record for securing federal and state funds, the City shall continue to lobby for necessary funding in coordination with regional entities. Local programs such as HOPE-SF, inclusionary housing and 50% set asides of Redevelopment Areas' Tax Increment Financing dollars demonstrate a strong dedication to providing local funding to affordable housing. These programs should be continued and expanded as feasible.

A dedicated, permanent source of local funding for housing programs will also help address the need for affordability over the long-term. Currently, local funding for affordable housing is dependent on annual budgeting, which makes long-term planning difficult. It also creates a situation where affordable housing funding is dramatically effected by downturns in the economy, which further exacerbates issues already faced by low-income families. Ultimately San Francisco's affordable housing programs should have a permanent funding source.

The proposed Ordinance would advance this Objective and Policy by ensuring that the Affordable Inclusionary Housing Program is easy for the public to use and efficient for the City to implement.

4. **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.

5. **Planning Code Section 101 Findings.** The proposed replacement project is generally consistent with the eight General Plan priority policies set forth in Section 101.1 in that:

A) The existing neighborhood-serving retail uses will be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses will be enhanced:

The proposed Ordinance will have no adverse impact on the neighborhood-serving retail uses.

B) The existing housing and neighborhood character will be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods:

The proposed Ordinance will have no adverse effect on existing housing and neighborhood character. The proposed Ordinance will help ensure that neighborhoods maintain a mix of housing for diverse economic levels.

C) The City's supply of affordable housing will be preserved and enhanced:

By making the Affordable Inclusionary Housing Program more transparent, the proposed Ordinance will ensure that it continues to produce the greatest amount of affordable housing possible within the limited funding streams available.

D) The commuter traffic will not impede MUNI transit service or overburden our streets or neighborhood parking:

The proposed Ordinance will not result in commuter traffic impeding MUNI transit service or overburdening the streets or neighborhood parking.

E) A diverse economic base will be maintained by protecting our industrial and service sectors from displacement due to commercial office development. And future opportunities for resident employment and ownership in these sectors will be enhanced:

The proposed Ordinance will not result in displacement of industrial or service sectors.

F) The City will achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake.

The proposed Ordinance would not affect the preparedness against injury and loss of life in an earthquake.

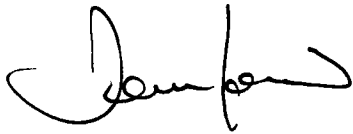
- G) That landmark and historic buildings will be preserved:

The proposed Ordinance would not adversely affect landmark and historic buildings.

- H) Parks and open space and their access to sunlight and vistas will be protected from development:

The proposed Ordinance would not adversely affect parks and open spaces in terms their access to sunlight and vistas.

I hereby certify that the Planning Commission ADOPTED the foregoing Resolution on December 13th, 2012.



Jonas P. Ionin
Acting Commission Secretary

AYES: Fong, Wu, Antonini, Borden, Hillis, Moore, and Sugaya

NAYS: none

ABSENT: none

ADOPTED: December 13, 2012

1 (2) The affordability gap using data on the cost of construction of residential housing
2 ~~and the Maximum Purchase Price for the equivalent unit size. Until December 31, 2012, MOH shall~~
3 ~~use construction cost data from the "San Francisco Sensitivity Analysis Summary Report:~~
4 ~~Inclusionary Housing Program" prepared by Keyser Marston Associates, Inc. in August 2006~~
5 ~~for the Maximum Annual Rent or Maximum Purchase Price for the equivalent unit sizes. As of January~~
6 ~~1, 2012 the effective date of this ordinance, MOH shall use construction cost data from the "San~~
7 ~~Francisco Inclusionary Housing Program Financial Analysis 2012" prepared by Seifel Consulting.~~

8 The Department and MOH shall update the technical report from time to time as they deem
9 appropriate in order to ensure that the affordability gap remains current.

10 (3) ~~Commencing on January 1, 2012, no~~ No later than January 1 of each year following the
11 ~~effective date of this ordinance,~~ MOH shall adjust the fee. No later than ~~November~~ December 1
12 ~~of each year following the effective date of this ordinance,~~ MOH shall provide the Planning
13 Department, DBI, and the Controller with information on the adjustment to the fee so that it
14 can be included in the Planning Department's and DBI's website notice of the fee adjustments
15 and the Controller's Annual Citywide Development Fee and Development Impact
16 Requirements Report described in Section 409(b). MOH is authorized to develop an
17 appropriate methodology for indexing the fee, based on adjustments in the costs of
18 constructing housing and ~~the Maximum Purchase Price for the equivalent unit size in the price of~~
19 ~~housing in San Francisco.~~ The method of indexing shall be published in the Procedures Manual.

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