

1 [Establishing City Policy Maximizing a Feasible Inclusionary Affordable Housing Requirement  
2 and Adding Exceptions]

3 **Resolution establishing City policy to maximize the economically viable percentage of**  
4 **affordable inclusionary housing in market rate development through Board ordinance**  
5 **and to ensure fairness and feasibility; and to define certain exceptions to future**  
6 **inclusionary housing policy changes.**

7  
8 WHEREAS, The City adopted an Inclusionary Housing ordinance in 2002 that set  
9 requirements on market rate development to include affordable units at 10% of total for the  
10 first time; and

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

13 WHEREAS, The City prepared a Nexus Study in support of the Inclusionary Housing  
14 program in 2007 that demonstrated the necessary affordable housing (30% ownership and  
15 25% rental) in order to mitigate the impacts of market rate housing, and the inclusionary  
16 requirements were increased to 15% of the total; and is now in the process of updating that  
17 nexus analysis; and

18 WHEREAS, The City General Plan's Housing Element calls for 38% of all new housing  
19 production to be affordable for lower income households below 80% of area median income  
20 and 19% of new housing affordable to be built for moderate/middle income households up to  
21 120% of area median income; and

22 WHEREAS, The Inclusionary Housing program is one of the City's tools for increasing  
23 affordable housing dedicated to lower income San Franciscans, without using public  
24 subsidies, and the only tool for creating any affordable housing to meet the growing need of  
25 moderate/middle income households; and

1           WHEREAS, The City's current inclusionary housing requirements are codified in  
2 Section 415 of the Planning Code (the "Existing Requirements"); and

3           WHEREAS, The City's requirements on market rate development in many areas of the  
4 City have not been increased since 2007; and

5           WHEREAS, In 2010, the City passed the Development Stimulus and Fee Reform to  
6 provide developers with the option to defer 80% of all impact fees to the first construction  
7 permit in response to the market downturn; and

8           WHEREAS, In 2010, Governor Jerry Brown dissolved the State Redevelopment  
9 Agency, which was the City's primary permanent funding stream for affordable housing; and

10          WHEREAS, In 2012, in response to this loss, the San Francisco Charter was amended  
11 to create the Affordable Housing Trust Fund, and further amended to include a provision to  
12 lower the inclusionary requirement to 12%; and

13          WHEREAS, In 2014, in response to an escalating housing crisis, the voters passed  
14 Proposition K, which set forth a policy directive to the City to dedicate a minimum of 33% of its  
15 overall housing production to low- to moderate-income households and 17% to middle-income  
16 households; and

17          WHEREAS, The Board of Supervisors has proposed that the voters amend the Charter  
18 of the City and County of San Francisco at an election to be held on June 7, 2016 (the  
19 "Initiative") that would authorize the City to enact by ordinance subsequent changes to the  
20 Inclusionary Housing requirements, including changes to the minimum or maximum  
21 inclusionary or affordable housing obligations applicable to market rate housing projects (such  
22 ordinance, an "Inclusionary Housing Ordinance"), now, therefore, be it

23          RESOLVED, That it shall be City policy to maximize the economically feasible  
24 percentage of affordable Inclusionary Housing in market rate housing development to create  
25 housing for lower and moderate/middle income households, and, be it

1 FURTHER RESOLVED, That the Board of Supervisors intends to adopt an ordinance  
2 by April 19, 2016 (the "Trailing Ordinance") that includes (1) a "grandfathering" clause to  
3 consider fairness and feasibility for projects already in the pipeline and (2) a "feasibility" clause  
4 requiring the Controller and other City departments to conduct a periodic economic study to  
5 maximize affordability in the City's inclusionary housing requirements; and, be it

6 FURTHER RESOLVED, That such grandfathering clause shall be constructed so as to  
7 allow continued economic feasibility for projects already in the pipeline; and, be it

8 FURTHER RESOLVED, That such grandfathering clause may adjust the inclusionary  
9 or affordable housing obligations applicable to pipeline projects, which adjustments shall  
10 include, but not be limited to, the percentage of required on-site or off-site BMR units, the "in  
11 lieu" fee, and/or contractual agreements for the acquisition of existing rent-controlled units  
12 vulnerable to eviction, such that the adjusted obligations generate an immediate number of  
13 additional affordable units from the pipeline as a whole, approximately 200 units; and be it

14 FURTHER RESOLVED, That the Trailing Ordinance will require the Controller, in  
15 consultation with the Planning Department, the Mayor's Office, and the Board of Supervisors  
16 with the assistance of independent analysts to complete an economic feasibility analysis of  
17 the City's Inclusionary Housing fees and on-site and off-site alternatives ("Economic  
18 Feasibility Analysis") at least every 36 months, or more frequently as deemed necessary by  
19 the Controller in response to a significant shift in economic or market conditions; and be it

20 FURTHER RESOLVED, That this Economic Feasibility Analysis shall be prepared  
21 through a transparent and inclusive public process, including a Technical Advisory Committee  
22 appointed by the Board of Supervisors and the Mayor, based on documented costs of housing  
23 development over the full course of a business cycle, as well as periodic updates to the nexus  
24 analysis to gauge the impact of market rate housing on affordable housing over time; these  
25 analyses will be reviewed and accepted by the Board of Supervisors; and, be it

1 FURTHER RESOLVED, That the Board of Supervisors urges that the first Economic  
2 Feasibility Analysis shall be prepared prior to May 31, 2016; and, be it

3 FURTHER RESOLVED, That the Economic Feasibility Analysis shall include sensitivity  
4 analyses of key economic parameters than can vary significantly over time, such as, but not  
5 limited to: interest rates; capitalization rates; equity return rates; land prices; construction  
6 costs; available state and federal housing finance programs including Low Income Housing  
7 Tax Credits readily available for market rate housing; tax-exempt bond financing; Federal  
8 Housing Administration and U.S. Department of Housing and Urban Development mortgage  
9 insurance; available City or local housing finance programs, such as, Enhanced Infrastructure  
10 District (EIFD) and tax increments; zoning changes that increase or decrease development  
11 potential; variable City exactions, including community benefit fees, capacity charges,  
12 community facilities districts; and public-private partnership development agreements where  
13 applicable and other factors as deemed reasonably relevant; and, be it

14 FURTHER RESOLVED, That the Trailing Ordinance shall provide that the Board of  
15 Supervisors, in its sole and absolute discretion, review the Feasibility Analysis within three  
16 months of its issuance along with any legislative amendments to the City's Inclusionary  
17 Housing in-lieu fees, on-site, off-site or other alternatives recommended by the Controller and  
18 Planning Commission to incorporate the Economic Feasibility Study's findings in furtherance  
19 of the City's policy of having the maximum percentage of affordable housing developed in  
20 market rate housing projects that is economically feasible; and, be it

21 FURTHER RESOLVED, That the Ordinance shall add provisions to enable projects  
22 that require at least 20% low-income on-site rental housing to acquire tax-credit financing,  
23 often known as "80/20" rental projects, to be economically feasible; and, be it  
24  
25

1 FURTHER RESOLVED, That the Ordinance shall allow for the average of the project's  
2 middle income units to be 100% AMI and the Board of Supervisors will set the maximum  
3 affordable unit pricing, based on input from the feasibility study; and, be it

4 FURTHER RESOLVED, That the Trailing Legislation shall allow for the City to approve  
5 projects by development agreement, which could include variations from the Inclusionary  
6 Housing requirements (including the minimum or maximum inclusionary or affordable housing  
7 obligations) established by the Initiative or any future Inclusionary Housing Ordinance; and, be  
8 it

9 FURTHER RESOLVED, That the Board of Supervisors intends to adopt the Trailing  
10 Ordinance on or before April 19, 2016 and for the Trailing Ordinance to become effective if  
11 and upon the effective date of the Initiative.



**City and County of San Francisco**  
**Tails**  
**Resolution**

City Hall  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102-4689

**File Number:** 160166

**Date Passed:** March 01, 2016

Resolution establishing City policy to maximize the economically viable percentage of affordable inclusionary housing in market rate development through Board ordinance and to ensure fairness and feasibility; and to define certain exceptions to future inclusionary housing policy changes.

March 01, 2016 Board of Supervisors - AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE


Ayes: 11 - Avalos, Breed, Campos, Cohen, Farrell, Kim, Mar, Peskin, Tang, Wiener and Yee

March 01, 2016 Board of Supervisors - ADOPTED AS AMENDED

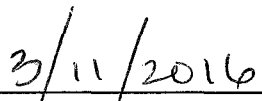
Ayes: 11 - Avalos, Breed, Campos, Cohen, Farrell, Kim, Mar, Peskin, Tang, Wiener and Yee

File No. 160166

I hereby certify that the foregoing Resolution was ADOPTED AS AMENDED on 3/1/2016 by the Board of Supervisors of the City and County of San Francisco.

  
for Angela Calvillo  
Clerk of the Board

  
Mayor

  
Date Approved