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**Ordinances #210564, #210866**

**Racial Equity Impacts**

**Planning Code - Density Exceptions in  
Residential Districts**

**Office of Racial Equity  
November 2021**

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# Legislation summary

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## **Stated intent of proposed rezoning ordinances is to increase housing affordability by encouraging development on west side**

Proposals under discussion are about lots that are currently zoned as “RH” or “residential, house”:

- **RH zoning includes RH-1 (single family home), RH-2 (duplexes), and RH-3 (triplexes)**

Supervisor Mandelman has introduced two separate ordinances:

- **Allow fourplexes on RH corner lots (#210564)**
- **Allow fourplexes on all RH lots across the city, not just corner lots (#210866)**

Additional details here:

<https://sfgov.legistar.com/LegislationDetail.aspx?ID=5072893&GUID=C27DBDB3-DB6A-4A94-9A34-A6B056990468>

<https://sfgov.legistar.com/LegislationDetail.aspx?ID=4960277&GUID=150EFEF3-F0F7-41FF-8715-A1B40AD515BB>

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## Since initial ordinances were proposed, two new state laws have been enacted and will take effect in January 2022

### SB 9 - [Duplexes and Lot Splits](#):

- **All lots zoned for single family homes (RH-1) are now permitted to have duplexes without CEQA review or other hearing**
  - If the lot is larger than 2,400 square feet, it can be split and duplexes built on each side so long as owner intends to live on-site for 3 years
- **Demolition of rent-controlled units, units with tenants, or units w/ previous Ellis Act evictions not permitted**

### SB 10 - [Upzoning](#):

- **Cities can rezone lots that are near transit or that are “infill sites” for up to 10 units without CEQA review**
  - These “upzoned” lots are not permitted to be “downzoned” in the future

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## **Planning Commission has recommended changes to proposed ordinances based on new state laws (SB 9, SB 10)**

Planning Commission resolution (2020-003971PCA and 2021-010762PCA):

- **Part 1:**
  - **Rezone single family home lots to RH-2 in order to create a “local alternative” to SB 9**
- **Part 2:**
  - **Allow sixplexes on RH corner lots**
  - **Allow fourplexes on all other RH lots across the city**
  - **Demolition of rent-controlled units, units with tenants, or units w/ previous Ellis Act evictions not permitted**

Additional details here:

<https://commissions.sfplanning.org/cpcpackets/2020-003971PCA%20and%202021-010762PCA.pdf>

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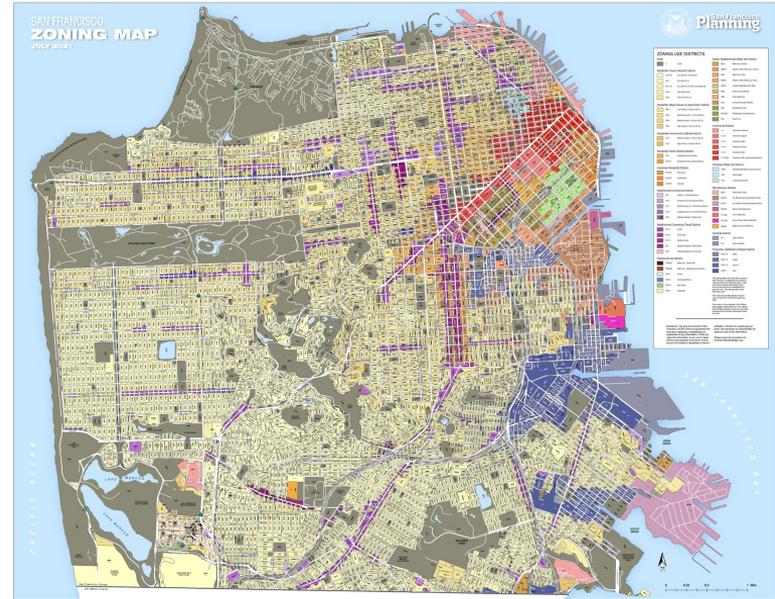
## Relevant supplementary analyses by City departments include:

- Controller's Office of Economic Analysis
  - Feasibility analysis of fourplex construction, for economic impact determination
- Planning Department
  - Number of parcels with RH zoning vs. existing units on-site
  - Requirements and impacts of SB-9 and SB-10
  - Racial demographics of renters and homeowners
  - Feasibility analysis of fourplex construction (in progress)

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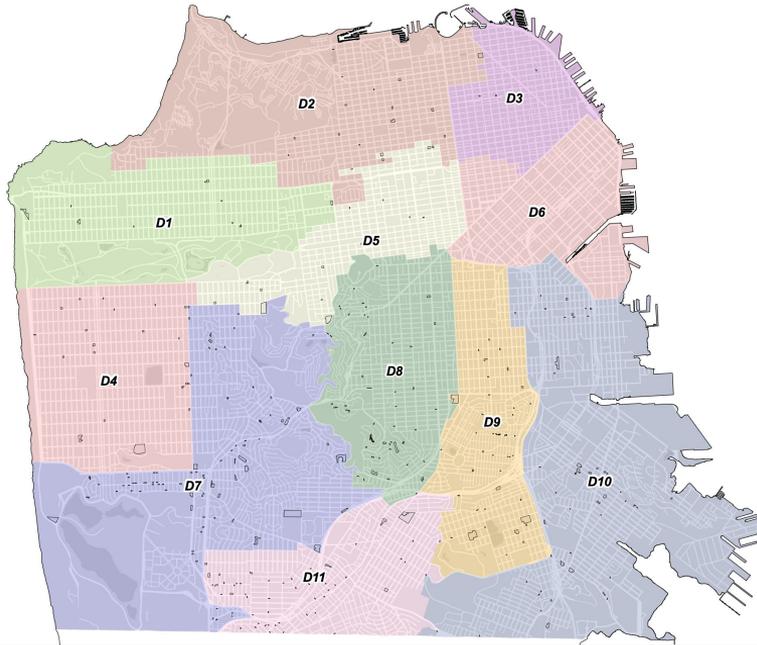
# Proposed ordinances would change zoning in almost every neighborhood in the city

- Initial ordinance indicated intent was to focus on west side of the City
- However, RH-1, RH-2, and RH-3 zoning are the most common zoning types in the city and make up a majority of residential land
- The only neighborhoods that have little to none of this type of zoning are: Chinatown, Financial District, South of Market, and the Port
- Zoning map: <https://sfplanning.org/resource/zoning-use-districts>

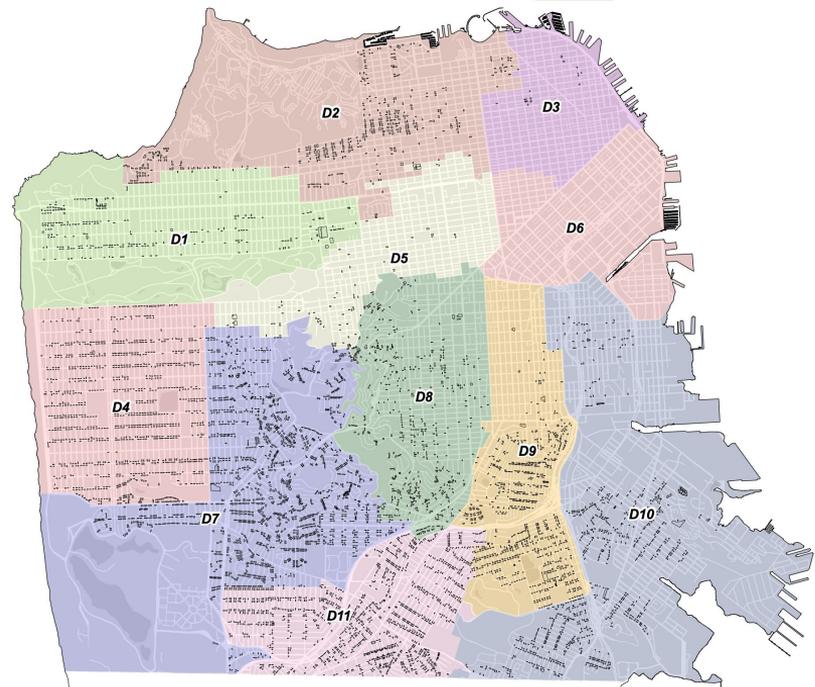


RH zoning in light yellow

# Planning analysis of corner lots shows many potential “soft sites” for redevelopment in working-class communities of color



Eligible lots with 0 residential units and less than 1.0 FAR non-residential use  
SAN FRANCISCO



Eligible lots with 1 residential unit and less than 1.0 FAR non-residential use  
SAN FRANCISCO

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## Feasibility analysis for fourplexes indicates lots would have to be acquired at ~\$650k and sold as high-end condominiums

High-level findings from Controller's Office of Economic Analysis:

- Concluded not enough fourplexes would be built citywide to meet OEA criteria for “material” economic impact (estimated to be equivalent to 0.15% reduction in housing prices, or 300-400 projects)
  - For condominiums (assumed to sell for \$1,200 per square foot), financially feasible projects could afford no more than \$643,000 in land costs, or less than half of the average sales price of homes in San Francisco over the last three years
  - For purpose-built rental (assumed to be leased at \$5.50 per month per square foot), maximum feasible land costs decrease to \$438,000

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# Office of Racial Equity review

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## Office of Racial Equity mandate includes identifying impacts of proposed land use ordinances on communities of color

### *Analysis of Pending Ordinances.*

“After January 1, 2021, the Office shall analyze and report on ordinances introduced at the Board of Supervisors in the areas of housing/land use, employment, economic security, public health and public safety that may have an impact on Racial Equity or Racial Disparities. [...]

“The Office shall prepare a report concerning the ordinance that includes an analysis of **whether the proposed ordinance would promote Racial Equity by helping to close opportunity gaps for communities of color, or impede Racial Equity by furthering Racial Disparities.**”

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## To advance racial equity, policy development should include specific elements

Does the proposed legislation:

- |  |                  |
|--|------------------|
| ● Identify and intend to address relevant <b>racial disparities</b> ?        | <i>Partially</i> |
| ● Consider <b>harmful or unintended impacts</b> on communities of color?     | <i>No</i>        |
| ● Name <b>measurable results</b> , especially for repair and transformation? | <i>No</i>        |
| ● Identify <b>community stakeholders</b> ?                                   | <i>No</i>        |
| ● Use <b>disaggregated data</b> , including race/ethnicity and income?       | <i>No</i>        |
| ● Dedicate specific <b>budget or resources</b> ?                             | <i>No</i>        |
| ● Establish methods of <b>transparency and accountability</b> ?              | <i>No</i>        |

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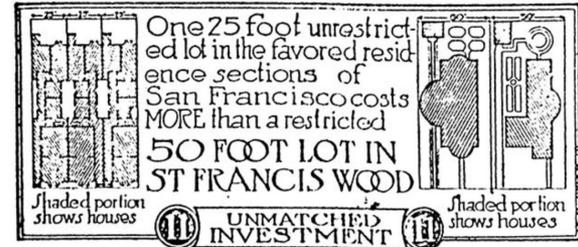
## **Recommendation 1: Build affordability mechanisms into proposed rezoning**

- Given existing cost of land and construction in San Francisco, analysis indicates that:
  - Proposed fourplexes only financially feasible as high-end condominiums
  - New housing units produced would be too few to improve housing affordability
- Tremendous financial and technical obstacles for existing homeowners to redevelop their own property, as shown by number of underbuilt lots and unpermitted units
- Redevelopment most likely to be done by investors and concentrated where lots are relatively undervalued (e.g., southeast and other historically BIPOC communities), worsening displacement of both homeowners and renters
- **Recommendation: Revise rezoning to include mechanisms that enable new housing units to be built and priced affordably**
  - Will likely need to include a mix of incentives, subsidies, and requirements

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## Without affordability mechanisms, proposed rezoning continues to be “exclusionary zoning”

- Purpose of “exclusionary zoning” was to make white neighborhoods too expensive for working-class people of color, especially Black and Asian residents
- White real estate developers designed zoning (e.g. lot sizes, height restrictions) to increase housing prices; this was an expansion of discriminatory deed restrictions, such as minimum construction costs
- Banks denied mortgages and construction loans to people of color to further ensure housing prices stayed out of reach (“redlining”)
- To undo exclusionary zoning today, must fix the root problem of unaffordability



**T**HE BEST investment in San Francisco today is residence park property — the best residence park property for investment is St Francis Wood.

In four years prices in Presidio Terrace have jumped from \$120 to \$250 per front foot.

In three years West Clay Park values have risen from \$100 to \$200 per front foot.

Unrestricted residence property has shown only a normal advance in the meantime.

Unrestricted lots in any of the favored residence sections of the city cost more than twice as much per front foot as lots in St Francis Wood. Two years hence lots in St Francis Wood will sell for twice as much per front foot as these unrestricted lots.

Therefore buy now in  
St Francis Wood

# Racial income inequality in San Francisco is widening



Source: American Community Survey via Bay Area Equity Atlas

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## Recommendation 2: Ground truth assumptions and solutions with communities of color

- High risk of accelerating displacement in working-class communities of color, especially since pandemic has worsened income inequality in the Bay Area
- Analysis by departments based on citywide averages, missing community-specific data or experiences (e.g. pace of redevelopment, financing availability, construction costs, sale and lease prices, displacement and eviction rates)
- Proposed rezoning would immediately affect most residential land in San Francisco, yet only public engagement to date has been an online commission hearing
- **Recommendation: Validate potential impacts and solutions of rezoning proposal with working-class communities of color**
  - Community organizations with expertise on tenant issues and housing affordability
  - People with a broad range of development knowledge, both formal and “informal”, across different cultural/ethnic communities
  - Renters and homeowners who face high costs and are at risk of being displaced

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## “Urban renewal” displaced working-class residents of color in multiple ways to enable more expensive real estate development

- Not only did government use eminent domain to seize land from Black, Japanese, Filipino residents and businesses in Western Addition, but:
- Property owners intentionally failed to maintain buildings in order to force tenants of color out, in anticipation of new development opportunities
- Banks denied homeowners of color financing to maintain or rehabilitate their buildings
- Residents were told they could return, but were blocked by minimum income requirements that did not exist before
- New housing that was built took so long, was so limited and expensive that few residents of color could afford to move back into the neighborhood, even if they had “certificates of preference”

### **AN OUTSTANDING INVESTMENT OPPORTUNITY**

The desirability of Western Addition land makes this an unusual investment opportunity. The land offered is in a highly desirable location with an urban setting that provides excellent amenities. There are no other sites of this quality available at this time for development in San Francisco.

### **■ SUPPLY AND DEMAND**

Demand for developable land crowds the limited supply available. San Francisco is the heartland of a metropolis but is situated on a relatively small peninsula. There is no substantial acreage left for development anywhere in the City—a scarcity greater than in any American city of comparable size. Only through blight removal processes of the redevelopment program can such offerings be made.

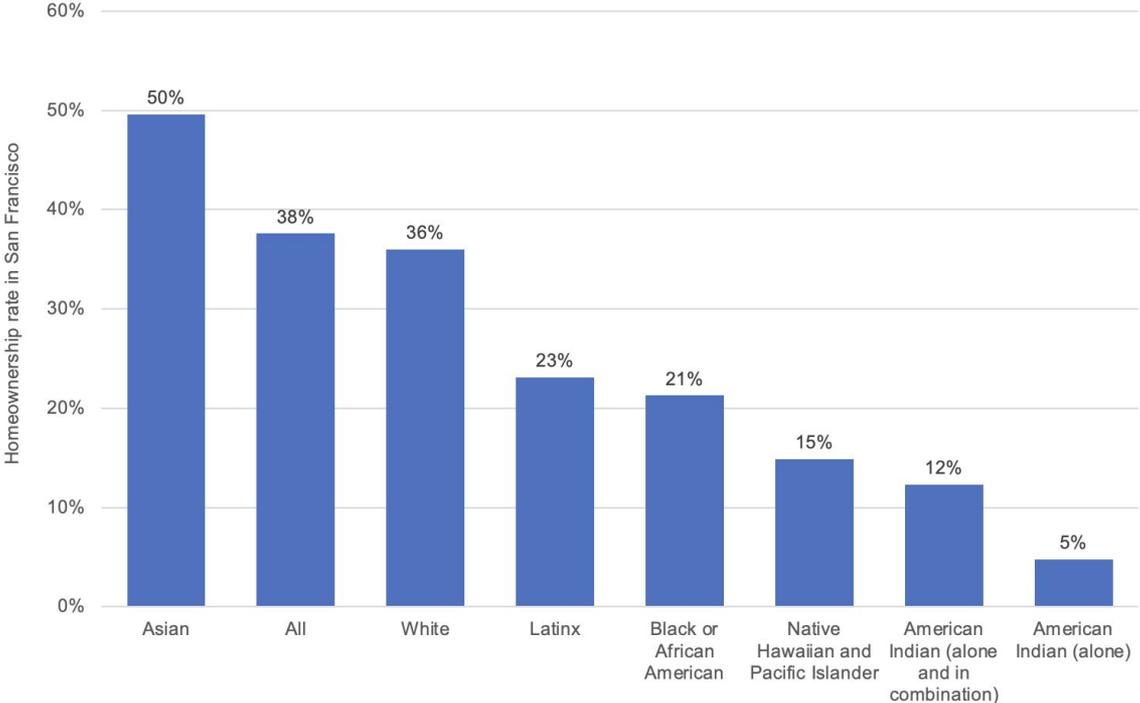
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## **Recommendation 3: Redress for local government actions that contributed to racial wealth gap**

- Local land use and housing initiatives deliberately created a racial wealth gap by excluding working-class people of color to prioritize politically influential white real estate investors
- Proposed rezoning would continue to benefit a small number of people who have the most access to capital
- Providing affordable or non-market housing is not the same as redress for historic and present-day redlining, exclusionary zoning, urban renewal
- **Recommendation: Reparative actions for Black, American Indian, and other people of color who have been excluded from or dispossessed of land and housing**
  - Many potential approaches to consider to redress specific wrongs committed in San Francisco, such as grants for home ownership of newly built units and expanding “certificates of preference”

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# Systematic exclusion from homeownership contributes directly to racial wealth gap



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Source: American Community Survey (2019)

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## Major racial equity issues not yet addressed in proposed rezoning ordinances

Feasible only as high-end condos, with risk of displacing working-class homeowners and renters of color

Rezoning recommendation based on broad assumptions, not data specific to actual communities of color in San Francisco

Benefits only a small number of people who have the most access to capital, worsening racial wealth gap

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## Summary of recommended actions to avoid unintended racial equity impacts

**1. Revise rezoning to include mechanisms that enable new housing units to be built and priced affordably**

**2. Validate potential impacts and solutions of rezoning proposal with working-class communities of color**

**3. Reparative actions for Black, American Indian, and other people of color who have been excluded from or dispossessed of land and housing**

