



SAN FRANCISCO PLANNING DEPARTMENT

July 6, 2011

Ms. Angela Calvillo, Clerk
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 Case Number 2011.0105T
BF No. 11-0008: Market and Octavia Land Dedication Alternative for
Affordable Housing.**

1650 Mission St.
Suite 400
San Francisco,
CA 94103-2479

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

Recommendation: Approval of BF 11-0008 with modifications

Dear Ms. Calvillo,

On June 23, 2011, the San Francisco Planning Commission (hereinafter "Commission") conducted a duly noticed public hearings at a regularly scheduled meeting to consider the proposed Ordinance. Generally the legislation outlines requirements to pursue a land dedication alternative and a process for reviewing and approving proposals, as summarized below.

At the June 23rd hearing, the Commission voted 5-0 to recommend approval with modifications of a proposed Ordinance that amend Sections 415.5 of the Planning Code and add Section 415.10 to: provide a new land dedication alternative in the Market and Octavia Plan Area in lieu of payment of the Affordable Housing Fee and provides requirements of such land dedication.

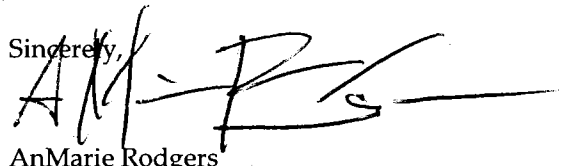
Since the Ordinance was introduced on January 4, [BF 110008] The Mayor's Office of Housing convened a working group for this legislation which includes community members, affordable housing advocates, housing developers, and City staff. The Commission recommends modifications consistent with the working group's recommendations. These include:

- Clarify and distinguish the distinct approval authority between the Mayor's Office of Housing and the Planning Commission.
- Require that dedicated land must be within a prescribed distance of the principal site, with explicit capacity for the Planning Commission to authorize exemptions for land within $\frac{3}{4}$ of a mile.
- Require that the principal project dedicate 40% of the total developable area of the principal site or an equivalent area on another site to the City and County of San Francisco for the purpose of constructing units affordable to qualifying households and that the dedicated site have development capacity for 40% of the units developed on the principal site.
- Provide an opportunity for multiple project sponsors to participate in the dedication of one piece of land.
- Clarify the application process.

- o MOH determines the proposal meets the requirements, including a valuation process.
- o List the required components of a land dedication agreement.
- o Clarify that MOH must make recommendations and the Planning Commission would make final approvals of the land dedication agreement.
- o Require that the project sponsor be responsible for all City costs, including staff and city attorney time, associated with pursuing a land dedication agreement.
- o Clarify that the agreement must be approved and executed before the first construction permit is issued for the principle project
- o The task force, in cooperation with Department and MOH staff will continue to work on a description of the appropriate environmental review process for the dedicated land consistent with CEQA. The Department recommends that the Commission urge the Board to adopt appropriate amendments related to the CEQA review process.

Please find attached resolution and exhibit for more detail about the Commission's recommendations. If you have any questions or require further information please do not hesitate to contact me.

Sincerely,



AnMarie Rodgers

Manager of Legislative Affairs

Cc:

Supervisor Scott Weiner
Douglas Shoemaker, Mayor's Office of Housing
Susan Cleveland Knowles, City Attorney's Office
Cheryl Adams, City Attorney's Office

Attachments :

Planning Commission Resolution No. 18393
Department Executive Summary
Draft Ordinance with recommended modifications



SAN FRANCISCO PLANNING DEPARTMENT

Planning Commission Resolution: 18393

HEARING DATE JUNE 23, 2011

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Project Name: Amendments relating to providing a new land dedication alternative in the Market and Octavia Plan Area in lieu of payment of the Affordable Housing Fee

Case Number: 2011.0105T [Board File No. 11-0008]

Initiated by: Supervisor Weiner/ Introduced January 4, 2011

Staff Contact: Kearstin Dischinger
kearstin@sfgov.org, 415-558-6284

Reviewed by: AnMarie Rodgers, Manager Legislative Affairs
anmarie.rodgers@sfgov.org, 415-558-6395

Recommendation: **Recommend Approval**

RECOMMENDING THAT THE BOARD OF SUPERVISORS ADOPT A PROPOSED ORDINANCE THAT WOULD AMEND PLANNING CODE SECTION 415.5 AND ADD SECTION 415.10 TO: PROVIDE A NEW LAND DEDICATION ALTERNATIVE IN THE MARKET AND OCTAVIA PLAN AREA IN LIEU OF PAYMENT OF THE AFFORDABLE HOUSING FEE AND PROVIDES REQUIREMENTS OF SUCH LAND DEDICATION, ADOPTING FINDINGS, INCLUDING ENVIRONMENTAL FINDINGS, SECTION 302 FINDINGS, AND FINDINGS OF CONSISTENCY WITH THE GENERAL PLAN AND THE PRIORITY POLICIES OF PLANNING CODE SECTION 101.1.

WHEREAS, on January 4, 2011, Supervisors Dufty introduced a proposed Ordinance under Board of Supervisors (hereinafter "Board") File Number 11-0008 which would amend Sections 415.5 and add Section 415.10 of the Planning Code to: provide a new land dedication alternative in the Market and Octavia Plan Area in lieu of payment of the affordable housing fee and provides requirements of such land dedication.

WHEREAS, newly seated Supervisor Weiner has sponsored the legislation as proposed by his predecessor.

WHEREAS, the Mayor's Office of Housing in coordination with Supervisor Weiner, convened a working group which included community members, developers, housing advocates, Planning Department staff, and other city representatives to review and amend the proposed legislation.

WHEREAS, the working group unanimously supports the proposed legislation as drafted, and may continue to discuss the appropriate procedures for pursuing environmental review for the dedicated land,

WHEREAS, The Planning Commission (hereinafter "Commission") conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance on June 23, 2011; and,

WHEREAS, the proposed Ordinance has been determined to be categorically exempt from environmental review under the California Environmental Quality Act Section 15060(c); 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, including the Market and Octavia Community Advisory Committee's resolution of support for the ordinance; 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 proposed Ordinance; and

MOVED, that the Planning Commission hereby recommends that the Board of Supervisors **approve with modifications** the proposed ordinance. The proposed modifications are the recommendations of the MOH led task force as described in the Public Comment section of staff's Executive Summary and annotated in the draft legislation reviewed by the Commission. Additionally the Planning Commission recommends that the task force study the requirement that dedicated land be 40% of the land of the principle site to be sure that is not unduly limiting a project sponsors ability to make use of the proposed alternative.

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. Affordable housing in the Market and Octavia Plan Area is an important component of the Market and Octavia Area Plan.
2. The proposed ordinance offers an innovative alternative to the existing options available through Section 415 of the Planning Code to help meet the affordable housing goals of the Market and Octavia Plan Area.
3. This ordinance has the support of the Market and Octavia CAC, community members, affordable housing advocates, the Mayor's Office of Housing, and other stakeholders.
4. **General Plan Compliance.** The proposed Ordinance and the Commission's recommended modifications are consistent with the following Objectives and Policies of the General Plan:

OBJECTIVE 2.4

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

POLICY 2.4.3

Encourage innovative programs to increase housing rental and ownership opportunities and housing affordability.

OBJECTIVE 4

SUPPORT AFFORDABLE HOUSING PRODUCTION BY INCREASING SITE AVAILABILITY AND CAPACITY.

POLICY 4.1

Actively identify and pursue opportunity sites for permanently affordable housing.

I. MARKET AND OCTAVIA AREA PLAN

OBJECTIVE 2.4

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

POLICY 2.4.3

Encourage innovative programs to increase housing rental and ownership opportunities and housing affordability.

The proposed Ordinance facilitates the City and affordable housing community's ability to provide increased housing opportunities for households at varying income levels. The proposed land dedication alternative is an innovative program that addresses the need to identify and secure additional land for affordable housing.

II. HOUSING ELEMENT

OBJECTIVE 4

SUPPORT AFFORDABLE HOUSING PRODUCTION BY INCREASING SITE AVAILABILITY AND CAPACITY.

POLICY 4.1

Actively identify and pursue opportunity sites for permanently affordable housing.

The proposed Ordinance supports the affordable housing production by offering an option to secure land rather than capital for affordable housing. This alternative provides an option for private sector housing developers to assist the City in identifying and pursuing sites for permanently affordable housing.

8. **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;

The proposed amendments will not have an impact on neighborhood-serving retail uses..

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

The proposed amendments will enhance the existing housing and neighborhood character by enhancing economic diversity among future residents.

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

The proposed amendments will enhance the City's supply of affordable housing by securing land for permanently affordable housing units.

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

The proposed amendments will not 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;

The proposed amendments would not cause displacement of the industrial or service sectors due to office development, and future opportunities for resident employment or ownership in these sectors would not be impaired.

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

Preparedness against injury and loss of life in an earthquake is unaffected by the proposed amendments. Any new construction or alteration associated with a use would be executed in compliance with all applicable construction and safety measures.

7. That the landmarks and historic buildings be preserved;

Landmarks and historic buildings would be unaffected by the proposed amendments. Should a proposed use be located within a landmark or historic building, such site would be evaluated under Planning Code provisions and comprehensive Planning Department policies.

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

The City's parks and open space and their access to sunlight and vistas would be unaffected by the proposed amendments. It is not anticipated that permits would be such that sunlight access, to public or private property, would be adversely impacted.

8. **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.

NOW THEREFORE BE IT RESOLVED that the Commission hereby recommends that the Board ADOPT the proposed Ordinance as described in this Resolution and in the proposed Ordinance with the modifications mentioned above.

I hereby certify that the foregoing Resolution was adopted by the Commission at its meeting on June 23, 2011.


Linda D. Avery
Commission Secretary

AYES: Antonini, Fong, Olauge, Moore, Suguya,

NOES:

ABSENT: Borden, Miguel

ADOPTED: June 23, 2011



SAN FRANCISCO PLANNING DEPARTMENT

Executive Summary Planning Code Text Change

HEARING DATE: JUNE 23, 2011

Project Name: **Amendments relating to providing a new land dedication alternative in the Market and Octavia Plan Area in lieu of payment of the Affordable Housing Fee**

Case Number: 2011.0105T [Board File No. 11-0008]

Initiated by: Supervisor Weiner/ Introduced January 4, 2011

Staff Contact: Kearstin Dischinger
kearstin@sfgov.org, 415-558-6284

Reviewed by: AnMarie Rodgers, Manager Legislative Affairs
anmarie.rodgers@sfgov.org, 415-558-6395

Recommendation: **Recommend Approval with modifications**

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PLANNING CODE AMENDMENT

The proposed Ordinance would amend Sections 415.5 of the Planning Code and add Section 415.10 to: provide a new land dedication alternative in the Market and Octavia Plan Area in lieu of payment of the Affordable Housing Fee and provides requirements of such land dedication.

The Way It Is Now:

Projects Sponsors in the Market and Octavia Plan Area may elect to fulfill their obligations under Section 415 of the Planning Code by paying the inclusionary housing fee, providing on site below market rate units, or building offsite affordable housing units.

The Way It Would Be:

The proposed legislation provides a new land dedication alternative in the Market and Octavia Plan Area in lieu of payment of the Affordable Housing Fee. Generally the legislation outlines requirements to pursue a land dedication alternative and a process for reviewing and approving proposals, as summarized below.

Key Program Requirements

- The principal project is within the Market and Octavia Plan Area.
- The dedicated site is within a 1/2 mile radius of the principal project if within the Market and Octavia Area or within a one quarter mile radius if adjacent to the Market and Octavia Area. (The Planning Commission may extend the radius subject to a cap and certain conditions).
- The dedicated site is suitable for housing: the site equals 40 % of the total developable area of the principal site; and the site provides the zoning capability to develop 40% of the number of units entitled on the principal site.

Overview of the Process

- The project sponsor must submit an application to the Mayor's Office of Housing with a copy to the Planning Department.
- The Mayor's Office of Housing reviews the application and recommends a Land Dedication agreement to the Planning Commission. The Mayor's Office of Housing solicits comments from the public and the Market and Octavia Community Advisory Committee.
- The Planning Commission must, within 90 days of transmittal from the Mayor's Office of Housing, approve or disapprove the Land Dedication Agreement, but may not modify it.

REQUIRED COMMISSION ACTION

The proposed Ordinance is before the Commission so that it may recommend adoption, rejection, or adoption with modifications to the Board of Supervisors.

RECOMMENDATION

The Department recommends that the Commission recommend *approval* of the proposed Ordinance with the modifications described below (Public Comment).

BASIS FOR RECOMMENDATION

The Market and Octavia plan encourages innovative programs to provide affordable rental and homeownership opportunities in the plan area (Policy 2.4.3). This program is a creative mechanism to encourage the construction of affordable housing in the plan area.

The land dedication alternative facilitates a larger number of affordable units in the plan area with the assistance of additional affordable housing dollars to fund construction.

ENVIRONMENTAL REVIEW

The proposal to amend Planning Code Sections 415.5 and add section 415.10 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.

PUBLIC COMMENT

As of the date of this report, the Department has received no public comment on this legislation.

The Mayor's Office of Housing convened a working group for this legislation which includes community members, affordable housing advocates, housing developers, and City staff. The legislation before you incorporates the comments of this group. Key amendments proposed by this committee include:

- Clarify and distinguish the distinct approval authority between the Mayor's Office of Housing and the Planning Commission.
- Require that dedicated land must be within a prescribed distance of the principal site, with explicit capacity for the Planning Commission to authorize exemptions for land within $\frac{3}{4}$ of a mile.

- Require that the principal project dedicate 40 % of the total developable area of the principal site or an equivalent area on another site to the City and County of San Francisco for the purpose of constructing units affordable to qualifying households and that the dedicated site have development capacity for 40% of the units developed on the principal site.
- Provide an opportunity for multiple project sponsors to participate in the dedication of one piece of land.
- Clarify the application process.
 - MOH determines the proposal meets the requirements, including a valuation process.
 - List the required components of a land dedication agreement.
 - Clarify that MOH must make recommendations and the Planning Commission would make final approvals of the land dedication agreement.
 - Require that the project sponsor be responsible for all City costs, including staff and city attorney time, associated with pursuing a land dedication agreement.
 - Clarify that the agreement must be approved and executed before the first construction permit is issued for the principle project
 - The task force, in cooperation with Department and MOH staff will continue to work on a description of the appropriate environmental review process for the dedicated land consistent with CEQA. The Department recommends that the Commission urge the Board to adopt appropriate amendments related to the CEQA review process.

The Market and Octavia Community Advisory Committee passed a resolution in support of the proposed legislation (see Exhibit C).

RECOMMENDATION: Recommendation of Approval
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Attachments:

- Exhibit A: Draft Planning Commission Resolution
- Exhibit B: Board of Supervisors File No. 110008
- Exhibit C: MO CAC's resolution in support of this legislation

1 [Planning Code – Amending Inclusionary Housing Ordinance to Add New Alternative in
2 Market and Octavia Plan Area-]

3 **Ordinance amending the Planning Code by amending Section 415.5 to provide for a**
4 **new land dedication alternative in the Market and Octavia Plan Area in lieu of payment**
5 **of the Affordable Housing Fee; and adding Section 415.10 to provide for the**
6 **requirements of such land dedication; making findings including environmental**
7 **findings and findings of consistency with the Priority Policies and the General Plan.**
8

9 NOTE: Additions are *single-underline italics Times New Roman*;
10 deletions are ~~*strike-through italics Times New Roman*~~.
11 Board amendment additions are double-underlined;
12 Board amendment deletions are ~~strikethrough normal~~.

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

14 Section 1. Findings. The Board of Supervisors finds and declares as follows:

15 (a) The Planning Department has determined that the actions contemplated in this
16 Ordinance are in compliance with the California Environmental Quality Act (California Public
17 Resources Code sections 21000 et seq.). Said determination is on file with the Clerk of the
18 Board of Supervisors in File No. _____ and is incorporated herein by
19 reference.

20 (b) On _____, the Planning Commission, in Resolution No.
21 _____ approved and recommended for adoption by the Board this legislation
22 and adopted findings that it is consistent, on balance, with the City's General Plan and eight
23 priority policies of Planning Code Section 101.1. The Board adopts these findings as its own.
24 A copy of said Resolution is on file with the Clerk of the Board of Supervisors in File No.
25 _____, and is incorporated by reference herein.

1 (c) Pursuant to Planning Code Section 302, this Board of Supervisors finds that this
2 legislation will serve the public necessity, convenience, and welfare for the reasons set forth in
3 Planning Commission Resolution No. _____, and incorporates such reasons by
4 reference herein.

5 Section 2. The San Francisco Planning Code is hereby amended by amending
6 Sections 415.5, and adding Section 415.10:

7 **SEC. 415.5. AFFORDABLE HOUSING FEE (formerly Code Section 315.6)**

8 Except as provided in Section 415.5(g), all development projects subject to this
9 Program shall be required to pay an Affordable Housing Fee subject to the following
10 requirements:

11 (a) Payment of a fee to the ~~to the~~ Development Collection Unit at DBI for deposit
12 into the Citywide Affordable Housing Fund for the purposes of that Fund.

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

15 (1) The number of units equivalent to the applicable percentage of the number of
16 units in the principal project. The applicable percentage shall be 20 percent or the percentage
17 that applied to the project if the project is subject to the requirements of an earlier version of
18 this Program due to the date it submitted its application. For the purposes of this Section, the
19 City shall calculate the fee using the direct fractional result of the total number of units
20 multiplied by the applicable percentage, rather than rounding up the resulting figure as
21 required by Section 415.6(a).

22 (2) The affordability gap using data on the cost of construction of residential housing
23 from the "San Francisco Sensitivity Analysis Summary Report: Inclusionary Housing Program"
24 prepared by Keyser Marston Associates, Inc. in August 2006 for the Maximum Annual Rent or
25 Maximum Purchase Price for the equivalent unit sizes. The Department and MOH shall

1 update the technical report from time to time as they deem appropriate in order to ensure that
2 the affordability gap remains current.

3 (3) No later than July 1 of each year, MOH shall adjust the fee and provide a report
4 on its adjustment to the Board of Supervisors. MOH shall provide notice of any fee adjustment
5 on its website at least 30 days prior to the adjustment taking effect. MOH is authorized to
6 develop an appropriate methodology for indexing the fee, based on adjustments in the costs
7 of constructing housing and in the price of housing in San Francisco. The method of indexing
8 shall be published in the Procedures Manual.

9 (c) Notice to Development Fee Collection Unit of Amount Owed. Prior to issuance
10 of the first construction document for a development project subject to Section 415.5, MOH
11 shall notify the Development Fee Collection Unit at DBI electronically or in writing of its
12 calculation of the amount of the fee owed.

13 (d) Lien Proceedings. If, for any reason, the Affordable Housing Fee imposed
14 pursuant to Section 415.5 remains unpaid following issuance of the first Certificate of
15 Occupancy, the Development Fee Collection Unit at DBI shall institute lien- proceedings to
16 make the entire unpaid balance of the fee, plus interest and any deferral surcharge, a lien
17 against all parcels used for the development project in accordance with Section 408 of this
18 Article and Section 107A.13.15 of the San Francisco Building Code.

19 (e) If a housing project is located in an Area Plan with an additional or specific
20 affordable housing requirements such as those set forth in section 416 and 417 or elsewhere
21 in this code, the more specific provisions shall apply in lieu of or in addition to those provided
22 in this Program, as applicable.

23 (f) Use of Fees. All monies contributed pursuant to this Section shall be deposited
24 in the special fund maintained by the Controller called the Citywide Affordable Housing Fund.
25 MOH shall use the funds in the following manner:

1 (1) Except as provided in subsection (2) below, the receipts in the Fund are hereby
2 appropriated in accordance with law to be used to:

3 (a) increase the supply of housing affordable to qualifying households subject to the
4 conditions of this Section; and

5 (b) provide assistance to low and moderate income homebuyers; and

6 (c) pay the expenses of MOH in connection with monitoring and administering
7 compliance with the requirements of the Program. MOH is authorized to use funds in an
8 amount not to exceed \$200,000 every 5 years to conduct follow-up studies under Section
9 415.9(e) and to update the affordable housing fee amounts as described above in Section
10 415.5(b). All other monitoring and administrative expenses shall be appropriated through the
11 annual budget process or supplemental appropriation for MOH. The fund shall be
12 administered and expended by MOH, which shall have the authority to prescribe rules and
13 regulations governing the Fund which are consistent with this Section.

14 (2) "Small Sites Funds":

15 (A) Designation of funds.: MOH shall designate and separately account for 10
16 percent of all fees that it receives under Section 415.1 et seq., excluding fees that are
17 geographically targeted such as those in Sections 415.6(a)(1) and 827(b)(C), to support
18 acquisition and rehabilitation of Small Sites ("Small Sites Funds"). MOH shall continue to
19 divert 10 percent of all fees for this purpose until the Small Sites Funds reach a total of \$15
20 million at which point, MOH will stop designating funds for this purpose. At such time as
21 designated Small Sites Funds are expended and dip below \$15 million, MOH shall start
22 designating funds again for this purpose, such that at no time the Small Sites Funds shall
23 exceed \$15 million. When the total amount of fees paid to the City under Section 415.1 et seq.
24 totals less than \$10 million over the preceding 12 month period, MOH is authorized to
25 temporarily divert funds from the Small Sites Fund for other purposes. MOH must keep track

1 of the diverted funds, however, such that when the amount of fees paid to the City under
2 Section 415.1 et seq. meets or exceeds \$10 million over the preceding 12 month period, MOH
3 shall commit all of the previously diverted funds and 10 percent of any new funds, subject to
4 the cap above, to the Small Sites Fund.

5 (B) Use of Small Sites Funds. The funds shall be used exclusively to acquire or
6 rehabilitate "Small Sites" defined as properties consisting of less than 25 units. Units
7 supported by monies from the fund shall be designated as housing affordable to qualifying
8 households as defined in Section 415.1 for no less than 55 years. Properties supported by the
9 Small Sites Funds must be either (i) rental properties that will be maintained as rental
10 properties; (ii) vacant properties that were formerly rental properties as long as those
11 properties have been vacant for a minimum of two years prior to the effective date of this
12 legislation, (iii) properties that have been the subject of foreclosure or (iv) a Limited Equity
13 Housing Cooperative as defined in Subdivision Code Sections 1399.1 et seq. or a property
14 owned or leased by a non-profit entity modeled as a Community Land Trust.

15 (C) Initial Funds. If, within 18 months from the date of adoption of this ordinance,
16 MOH dedicates an initial one-time contribution of other eligible funds to be used initially as
17 Small Sites Funds, MOH may use the equivalent amount of Small Sites Funds received from
18 fees for other purposes permitted by the Citywide Affordable Housing Fund until the amount of
19 the initial one-time contribution is reached.

20 (D) Annual Report. At the end of each fiscal year, MOH shall issue a report to the
21 Board of Supervisors regarding the amount of Small Sites Funds received from fees under
22 this legislation, and a report of how those funds were used.

23 (E) Intent. In adopting this ordinance regarding Small Sites Funds, the Board of
24 Supervisors does not intend to preclude MOH from expending other eligible sources of
25

1 funding on Small Sites as described in this Section, or from allocating or expending more than
2 \$15 million of other eligible funds on Small Sites.

3 (g) Alternatives to Payment of Affordable Housing Fee:

4 (1) Eligibility: A project sponsor must pay the Affordable Housing Fee unless it
5 qualifies for and chooses to meet the requirements of the Program through an Alternative
6 provided in this Subsection. The project sponsor may choose one of the following
7 Alternatives:

8 (A) Alternative #1: On-Site Units. Project sponsors may elect to construct units
9 affordable to qualifying households on-site of the principal project pursuant to the
10 requirements of Section 415.6.

11 (B) Alternative #2: Off-Site Units. Project sponsors may elect to construct units
12 affordable to qualifying households at an alternative site within the City and County of San
13 Francisco pursuant to the requirements of Section 415.7.

14 (C) Alternative #3: Land Dedication. Project sponsors may, with the approval of the
15 Mayor's Office of Housing and the Planning Commission, elect to dedicate a portion of the total
16 developable area of the principal site or a comparable site in proximity to the principal site to the City
17 and County of San Francisco for the purpose of constructing units affordable to qualifying households
18 under the requirements of Section 415.10.

19 (D) Alternative #34: Combination. Project sponsors may elect any combination of
20 payment of the Affordable Housing Fee as provided in Section 415.5, construction of on-site
21 units as provided in Section 415.6; ~~or~~ construction of off-site units as provided in Section
22 415.7; ~~or~~ dedication of land as provided in Section 415.10 provided that the project applicant
23 constructs; ~~or~~ pays the fee; ~~or~~ dedicates land at the appropriate percentage or ~~fee~~-level required
24 for that option.

1 (2) Qualifications: If a project sponsor wishes to comply with the Program through
2 one of the Alternatives described in (1) rather than pay the Affordable Housing Fee, they must
3 demonstrate that they qualify for the Alternative to the satisfaction of the Department and
4 MOH. A project sponsor may only qualify for Alternative 3 with the written approval of the Mayor's
5 Office of Housing and approval of the Planning Commission as provided in Section 415.10. A
6 project sponsor may qualify for ~~an~~ Alternative 1 or 2 only by the following methods:

7 (i) Method #1 - Ownership Units. All affordable units provided under this Program
8 shall be sold as ownership units and will remain ownership units for the life of the project.
9 Project sponsors must submit the 'Affidavit to Establish Eligibility for an Alternative to
10 Affordable Housing Fee' to the Planning Department prior to project approval by the
11 Department or the Commission; or

12 (ii) Method #2- Government Financial Contribution or Assistance. Submit to the
13 Department a contract demonstrating that the project's on- or off-site units are not subject to
14 the Costa Hawkins Rental Housing Act, California Civil Code Section 1954.50 because, under
15 Section 1954.52(b), it has entered into an agreement with a public entity in consideration for a
16 direct financial contribution or any other form of assistance specified in California Government
17 Code Sections 65915 et seq. and it submits an Affidavit of such to the Department. All such
18 contracts entered into with the City and County of San Francisco must be reviewed and
19 approved by the Mayor's Office Housing and the City Attorney's Office. All contracts that
20 involve 100% affordable housing projects in the residential portion may be executed by the
21 Mayor or the Director of the Mayor's Office of Housing. Any contract that involves less than
22 100% affordable housing in the residential portion, may be executed by either the Mayor, the
23 Director of the Mayor's Office of Housing or, after review and comment by the Mayor's Office
24 of Housing, the Planning Director; or

1 (iii) Method #3 – Development Agreement. A project sponsor may apply to enter
2 into a Development Agreement with the City and County of San Francisco under California
3 Government Code Section 65864 et seq. and Chapter 56 of the San Francisco Administrative
4 Code, permitting the project to be eligible for on-site units as an alternative to payment of the
5 Affordable Housing Fee to satisfy the requirements of the Program and obligating the project
6 sponsor to provide the affordable units on-site.

7 (3) The Planning Commission or the Department may not require a project sponsor
8 to select a specific Alternative. If a project sponsor elects to meet the Program requirements
9 through one of the Alternatives described in (1), they must choose it and demonstrate that
10 they qualify prior to any project approvals from the Planning Commission or Department. The
11 Alternative will be a condition of project approval and recorded against the property in an
12 NSR. Notwithstanding the foregoing, if a project sponsor qualifies for an Alternative described
13 in (1) and elects to construct the affordable units on- or off-site, they must submit the 'Affidavit
14 to Establish Eligibility for an Alternative to Affordable Housing Fee' based on the fact that the
15 units will be sold as ownership units. A project sponsor who has elected to construct
16 affordable ownership units on- or off-site may only elect to pay the Affordable Housing Fee up
17 to the issuance of the first construction document if the project sponsor submits a new
18 Affidavit establishing that the units will not be sold as ownership units. If a project sponsor
19 fails to choose an Alternative before project approval by the Planning Commission or Planning
20 Department or if a project becomes ineligible for an Alternative, the provisions of Section
21 415.5 shall apply.

22 (4) If at any time, the project sponsor eliminates the on-site or off-site affordable
23 ownership-only units, then the project sponsor must immediately inform the Department and
24 MOH and pay the applicable Affordable Housing Fee plus interest and any applicable
25 penalties provided for under this Code.

1 (5) If a project sponsor requests a modification to its conditions of approval for the
2 sole purpose of complying with this Section, the Planning Commission shall be limited to
3 considering issues related to Section 415 et seq. in considering the request for modification.

4 Sec. 415.10 LAND DEDICATION ALTERNATIVE

5 (a) **Purpose and Intent.** As an alternative to paying the Affordable Housing Fee,
6 applicants a project sponsor whose principal project falls within the Market and Octavia Plan
7 Area as defined in the General Plan may be eligible to enter into a land dedication agreement
8 with the City through the process described in subsection (c), with the written approval of the
9 director of the Mayor's Office of Housing, to dedicate 40 % of the total developable area of the
10 principal site or an equivalent area on another site to the City and County of San Francisco for the
11 purpose of constructing units affordable to qualifying households. This percentage represents an
12 equivalent to the percent of total potential affordable units to be constructed.

13 (b) **Criteria.** In order to qualify for this Alternative, the -project applicantsponsor must
14 convey title to land in fee simple absolute to MOH according to the Procedures Manual the
15 conditions below, provided the dedicated site is deemed of proportionally equivalent or greater
16 value to the principal site per those procedures. In addition, The project sponsor must submit
17 an application to the Mayor's Office of Housing with a copy to the Planning Department. The
18 Mayor's Office of Housing shall review the application and, prior to recommending a land
19 dedication agreement to the Planning Commission, MOH shall determine in writing that the
20 proposed land dedication is in line with meets the following requirements:

21 (1) Both tThe principal project and the dedicated site are is within the Market and
22 Octavia Area as defined in the General Plan and any dedicated site is within a one half mile
23 radius of the principal project if within the Market and Octavia Plan Area or within a one
24 quarter mile radius if adjacent to the Market and Octavia Plan Area. The Director of MOH
25 may recommend to the Planning Commission that the radius be extended to within a three

1 quarter mile radius of the principle project and the Planning Commission may extend the
2 radius in that amount only if the dedicated site is within the Market and Octavia Plan Area.

3 (2) Through a commercially accepted valuation process, that the ~~The~~ *dedicated site*
4 provides the zoning capability to develop 40% of the number of units entitled on the principal
5 site and that there are no unusual construction costs associated with the site conditions that
6 would make the development of the required number of affordable units financially infeasible.
7 ~~will result in a total amount of inclusionary units that is equivalent or greater than the minimum~~
8 ~~percentage of the units that would have been required on the principal site under the On-site~~
9 ~~Alternative.~~ MOH may also accept applications for *dedicated sites located within the Market and*
10 *Octavia Plan Area that represent a collective of principal project sponsors* if the equivalent of or
11 greater than the required percentage of units for all units will be provided on a collective of
12 sites, *provided the total amount of inclusionary units provided on the dedicated site is equivalent to or*
13 *greater than the total requirements for all principal sites participating in the collective.*

14 (3) *The dedicated site is suitable from the perspective of size, configuration, physical*
15 *characteristics, physical and environmental constraints, access, location, adjacent use, and other*
16 *relevant planning criteria. The site must allow development of affordable housing that is sound, safe*
17 *and acceptable.*

18 (4) *The dedicated site includes infrastructure necessary to serve the ~~inclusionary~~*
19 *affordable units, including sewer, utilities, water, light, street access and sidewalks.*

20 (5) ~~The developer project sponsor~~ *must submit full environmental clearance for the*
21 *dedicated site before the land can be considered for conveyance.*

22 (6) ~~The project sponsor applicant~~ *has a letter from MOH verifying acceptance of site*
23 *before it receives project approvals from the Planning Commission or Planning Department, which*
24 *shall be used to verify dedication as a condition of approval.*

1 ~~(7) — The Land Dedication Alternative may be satisfied through the dedication to the~~
2 ~~City of air space above or adjacent to the project, upon the approval of MOH, or a successor~~
3 ~~entity, and provided the other requirements of this Section 415.10 are otherwise satisfied.~~

4 (c) **Land Dedication Agreement Process:**

5 The City may enter into a Land Dedication Agreement with the project sponsor as
6 follows:

7 (1) **Approval criteria.** The City shall not enter into a Land Dedication Agreement
8 unless the Mayor's Office of Housing determines that the proposed land dedication meets the
9 requirements of subsection (b) above. In making this determination, the Mayor's Office of
10 Housing shall solicit and consider comments from the public, the Market and Octavia
11 Community Advisory Council, and any other interested parties.

12 (2) **Valuation.** The Mayor's Office of Housing shall determine whether the proposed
13 land dedication meets the standards provided in subsection (b)(2) above using a commercially
14 accepted valuation method. If requested, the project sponsor shall provide the Mayor's Office
15 of Housing with a valuation of the development potential of the dedicated site from an
16 independent source.

17 (3) **Content of the Land Dedication Agreement.** The Land Dedication
18 Improvements Agreement shall include at least the following items:

19 (i) A description of the proposed dedicated site;

20 (ii) The development potential of the proposed dedicated site, as determined in
21 subsection (2) above.

22 (iii) The legal remedies in the case of failure by the project sponsor to provide the
23 dedicated site according to the specified timeline and terms in the agreement. Such remedies
24 shall include the method by which the City will calculate accrued interest.

25 (4) **Approval Process.**

1 (A) The Director of the Mayor's Office of Housing or his or her designee must (i)
2 recommend or deny the application for land dedication in a written evaluation of the criteria in
3 subsection (b); and, if recommended, (ii) approve the material terms of a the Land Dedication
4 Agreement.

5 (B) If the Mayor's Office of Housing recommends the land dedication, then the
6 Planning Commission shall set the Land Dedication Agreement for a hearing. The Planning
7 Commission must, within 90 days of transmittal from the Mayor's Office of Housing, approve
8 or disapprove the Land Dedication Agreement, but may not modify it. If the Planning
9 Commission disapproves the Land Dedication Agreement, that action is final. If the
10 Agreement is approved by the Planning Commission or 90 days has passed and the Planning
11 Commission has not acted on the Agreement, prior to the parties executing the Agreement,
12 the City Attorney must approve the agreement as to form and to substance. The Director of
13 the Mayor's Office of Housing or his or her designee is authorized to execute the Agreement
14 on behalf of the City.

15 (5) **Administrative Costs.** Project sponsors that pursue a Land Dedication
16 Agreement will be billed time and materials for any administrative costs that the Mayor's
17 Office of Housing, Planning Department or any other City entity incurs in negotiating, drafting,
18 and monitoring compliance with the Land Dedication Agreement.

19 (6) **Timing.** The Land Dedication Agreement must be approved by the City,
20 executed by all parties, and recorded against the principal project and dedicated site prior to
21 the issuance of the first construction document on the principal project.

22 ~~The Mayor's Office of Housing and the Planning Department shall, in consultation with~~
23 ~~the Market and Octavia Citizens Advisory Committee, representatives of the real estate~~
24 ~~development community, and other affected constituencies develop procedures to implement~~
25

1 ~~this Alternative. Such procedures shall be proposed to the Planning Commission for adoption~~
2 ~~as part of the Procedures Manual.~~

3 (d) Upon adoption of this Section 415.10, any project that received approvals from the
4 Planning Department or Planning Commission after July, 4, 2010 is eligible to apply to the Mayor's
5 Office of Housing for this Alternative. If the conditions of approval for the Project do not specify this
6 Alternative, the Mayor's Office of Housing shall refer the application to the Zoning Administrator for a
7 determination of whether the Alternative is consistent with the conditions of approval.

8
9 APPROVED AS TO FORM:
10 DENNIS J. HERRERA, City Attorney

11 By: _____
12 Susan Cleveland-Knowles
13 Deputy City Attorney
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