

1 [Planning Code - Development Impact Fees on Corner Lots]

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3 **Ordinance amending the Planning Code to exempt projects on corner lots approved**
 4 **under the Housing Choice-San Francisco program from development impact fees and**
 5 **requirements, except for Citywide inclusionary housing requirements; affirming the**
 6 **Planning Department's determination under the California Environmental Quality Act;**
 7 **making findings of consistency with the General Plan, and the eight priority policies of**
 8 **Planning Code, Section 101.1; and making public necessity, convenience, and welfare**
 9 **findings under Planning Code, Section 302.**

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

14

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

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17 Section 1. Environmental and Land Use Findings.

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

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

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

3 (c) Pursuant to Planning Code Section 302, the Board finds that these Planning Code
4 amendments will serve the public necessity, convenience, and welfare for the reasons set
5 forth in Planning Commission Resolution No. _____, and the Board incorporates such
6 reasons herein by reference. A copy of said resolution is on file with the Clerk of the Board of
7 Supervisors in File No. _____.

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9 Section 2. General Background and Findings.

10 (a) California faces a severe crisis of housing affordability and availability, prompting
11 the State Legislature to declare that the state has “a housing supply and affordability crisis of
12 historic proportions. The consequences of failing to effectively and aggressively confront this
13 crisis are hurting millions of Californians, robbing future generations of a chance to call
14 California home, stifling economic opportunities for workers and businesses, worsening
15 poverty and homelessness, and undermining the state's environmental and climate
16 objectives.” (California Government Code Section 65589.5)

17 (b) California’s housing crisis is particularly acute in San Francisco. Caused by
18 decades of underproduction, the shortage of housing has driven dramatic increases in rent
19 and home prices in the City. These increased prices translate to a substantially increased
20 share of San Francisco renters considered “rent burdened” – defined as households who
21 spend more than 30% of their income on rent. According to the most recent census data, 39%
22 of all renting families in the City are rent burdened, up from 31% before the start of the
23 pandemic.

24 (c) Housing affordability will continue to worsen unless San Francisco builds more
25 homes. The City's Chief Economist has estimated that approximately 5,000 new market rate

1 housing units per year would be required to keep housing prices in San Francisco consistent
2 with the general rate of inflation.

3 (d) Housing Element Law requires that local jurisdictions zone for enough housing to
4 meet their Regional Housing Needs Allocation (RHNA). San Francisco's 2023-2031 RHNA
5 mandates the creation of more than 82,000 units, broken down by income group. As required
6 by state law, on January 31, 2023 the City adopted the Housing Element 2022 Update. In that
7 update, San Francisco committed to ensuring adequate opportunities for housing
8 development exist within the City.

9 (e) Specifically, San Francisco underwent a multi-year rezoning process that
10 culminated in December 2025 with the adoption of the Family Zoning Plan (Ordinance Nos.
11 243-25, 244-25, and 245-25). The Family Zoning Plan creates the Housing Choice-San
12 Francisco Program to widen housing opportunities across northern and western City
13 neighborhoods – areas that have accounted for only approximately 15% of new housing built
14 since 2005.

15 (f) Corner lots offer unique opportunities for dense, mid-rise housing projects that add
16 much needed transit-oriented housing to our corridors. Corner lots also serve an essential role
17 in shaping neighborhood identity, often providing a visual focal point for pedestrians that
18 breaks the monotony of a continuous block face. In mixed-use areas, corner lots with
19 commercial uses on the ground floor can act as neighborhood hubs. To that end, the height
20 limit for projects located on corner lots that use the Housing Choice-San Francisco Program is
21 65 feet, unless a higher height limit is provided elsewhere. 65 feet is generally higher than the
22 height limit for mid-block parcels. Development of these corner lots will be instrumental to the
23 City's progress toward its RHNA.

24 (g) To encourage construction on corner lots, this ordinance exempts Housing Choice-
25 San Francisco projects located on corner lots from development impact fees. Eligible projects

1 would still be required to comply with their inclusionary housing obligations in Planning Code
2 Section 415. Exempting these projects from development impact fees will help offset the
3 persistently high interest rates, economic volatility, and construction costs that impact the
4 availability of financing and the viability of housing development projects. Construction “soft
5 costs,” in particular, remain a major cause of increased construction costs in California as
6 development fees to local governments average around \$30,000 per unit in the state. By
7 comparison, the average amount of development fees in Texas is \$800 per unit, and in
8 Colorado, the average is \$12,000 per unit, according a report by CalMatters.

9 (h) This ordinance does not modify any aspect of the Inclusionary Housing Ordinance,
10 set forth in Planning Code section 415 et seq.

11 (i) This ordinance does not establish, increase, or impose a fee within the meaning of
12 Government Code Section 66001(a).

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14 Section 3. Article 2 of the Planning Code is hereby amended by revising Section
15 206.10, to read as follows:

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17 **SEC. 206.10. HOUSING CHOICE-SAN FRANCISCO PROGRAM.**

18 (a) **Purpose.** This Section 206.10 sets forth the Housing Choice-San Francisco
19 Program (HC-SF Program). The HC-SF Program provides additional residential development
20 capacity, additional options for complying with the Inclusionary Housing Ordinance,
21 modifications to certain Planning Code and design standards, and an administrative or
22 discretionary review process for eligible residential projects that comply with the program.

23 *Except as provided in this Section 206.10, all HC-SF projects shall comply with Article 4 of the*
24 *Planning Code.*

25 * * * *

1 (c) **Development Impact Fees and Requirements.** *Except as provided in this subsection (c),*
2 *all HC-SF projects shall comply with Article 4 of the Planning Code.*

3 (1) **Inclusionary Housing Ordinance Alternatives.** HC-SF Projects of 10 or
4 more units shall comply with Section 415 et seq., and if applicable Section 419 et seq., except
5 as allowed by this subsection (c)(1). Projects that elect the off-site alternative in Section
6 415.5(g)(1)(B) or the Land Dedication Alternative in Section 419.5(a)(2) allowed in subsection
7 (c)(2)(B), shall provide the required units within the R-4 Height and Bulk District, or within
8 one-half mile of the project. In addition to the alternatives set forth in Section 415.3(g), HC-SF
9 Projects may satisfy the requirements of Section 415 et seq. by choosing one of the following
10 options:

11 (~~A~~) if the project is a Rental Project with 24 or fewer units, including any
12 additional units allowed by this Section 206.10, a project sponsor shall subject all units in the
13 project to the San Francisco Rent Stabilization and Arbitration Ordinance (Chapter 37 of the
14 Administrative Code) for the Life of the Project; or

15 (2B) applicants shall comply with the Land Dedication Alternative
16 requirements of Section 419.5(a)(2), regardless of project location.

17 (2) **Corner Lots.** *With the exception of Section 415, the development impact fees and*
18 *requirements in Article 4 shall not apply to an HC-SF Project located on a Corner Lot that has not*
19 *paid fees prior to the effective date of the Ordinance in this Board File No. _____.*

20 * * * *

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22 Section 3. Effective Date. This ordinance shall become effective on the 31st day after
23 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the
24 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board
25 of Supervisors overrides the Mayor's veto of the ordinance.

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Section 4. 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 additions, and Board amendment deletions in accordance with the “Note” that appears under the official title of the ordinance.

Section 5. Severability. If the amendments to Planning Code Section 206.10 in Section 3 are held invalid or unconstitutional by decision of a court of competent jurisdiction, all of Section 206.10 shall become inoperative and have no legal effect.

APPROVED AS TO FORM:
DAVID CHIU, City Attorney

By: /s/ Giulia Gualco-Nelson
GIULIA GUALCO-NELSON
Deputy City Attorney

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