



SAN FRANCISCO PLANNING DEPARTMENT

MEMO

DATE: May 2, 2017

TO: Members of the San Francisco Board of Supervisors

FROM: John Rahaim, Director of Planning, San Francisco

RE: ARB | Chapple Study & Planning

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

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

As you know, we have been working to understand and address the impacts of gentrification and displacement, such as the work we are doing on the Mission Action Plan 2020 (MAP 2020). As I described in my memo to the Board from December 2016, attached, we believe these trends are pervasive citywide and regionally. We are especially focused on how we can protect existing residents and small businesses, and create potential policy actions to help us be a diverse and equitable city with opportunity for all. We have long believed that these trends are the results of a strong economy and growing population coupled with insufficient housing production across the entire spectrum of housing needs.

As you also know, several CEQA appeals have been filed recently on a number of approved housing projects, particularly in the Mission District. One of the central themes of these appeals is the assertion that new market rate housing, even if accompanied by inclusionary below market rate (BMR) housing, is a major driver of gentrification and displacement. Furthermore, these appeals have argued that displacement results in physical environmental impacts such as increased traffic as measured by vehicle miles travelled (VMT), because lower income households who rely on transit might move to less expensive and more automobile-oriented areas, and because higher income residents in the Mission have a higher rate of car ownership and thus drive more.

We fully understand the frustrations of many residents and business owners feeling the effects of displacement in their neighborhoods. However, based on our own work and that of other researchers, we believe that it is not market rate housing which is causing these impacts, but the growing economy and population in itself. The population of the city and region is growing, even if we are not building sufficient housing for this population --- they are coming, even if we don't build.

More specifically, it is becoming clear that insufficient housing production overall is one of the confounding factors underlying spiking housing prices, particularly of our existing housing stock. In a regional context of high housing demand and increasing jobs, new housing is necessary not just for keeping prices under control, but new residential development in areas well-served by transit is essential to meeting our local and regional environmental goals to reduce VMT and GHGs. I want to emphasize that we do not believe that housing production in itself will relieve housing cost pressures; rather, housing production must be coupled with a variety of other policy actions such as those found in MAP 2020, to protect existing residents and to preserve housing stock.

It was very timely that just a few weeks ago a large and comprehensive study was published that addresses a couple of these key questions. The study, entitled "Developing a New Methodology for Analyzing Potential Displacement," was funded by the California Air Resources Board (CARB) and CalEPA, and was conducted by researchers at UC Berkeley and UCLA, including Karen Chapple, who also has been the lead researcher for Berkeley's Urban Displacement Project. The appellants to these projects have submitted the CARB

Memo

report as evidence that new market-rate development near transit causes displacement, and that this displacement increases regional VMT. These are significant misinterpretations of the study's findings and analysis, which we believe to be a result of confusing language in the report's abstract. The report shows that housing is more expensive in neighborhoods served by transit. In the abstract, the authors conflate the term "TOD" (or transit-oriented development) with proximity to transit and transit-served neighborhoods broadly-speaking, even where *no new market rate development has occurred*. Without a full reading of the report itself, one could reasonably conclude that new development near transit causes displacement of low-income households. However, the report explicitly concludes that increased housing cost and displacement of existing low-income households is **not** associated with new housing construction.

Planning staff has reviewed the CARB report in detail and engaged in an in-depth conversation with the authors. We would like to take this opportunity to summarize the report's actual findings. First, the study does confirm that transit-oriented neighborhoods in general are seeing significant gentrification and displacement of lower and middle income households in both the Bay Area and Los Angeles. This confirms what the many communities have long understood and is why we are engaged in processes like MAP2020 and our broader housing policy efforts. In periods of intense economic expansion such as the one we are experiencing, transit accessibility to jobs (in addition to the overall desirability of our urban neighborhoods) commands a premium, which is reflected in rising housing costs. Unfortunately, many existing residents are unable to afford these rising costs and are therefore displaced to areas where housing is cheaper, often to the outer portions of the region. Policies such as rent control, tenant protections, and the production of BMR units through our inclusionary housing program are important, but have been insufficient in meeting the enormity of this challenge. We have long known this to be true, and it is why we are engaged in processes like MAP2020 in addition to our broader housing research and policy efforts.

Two key findings of the report support our response to the 2675 Folsom appeal and our overall understanding of the issues in question, specifically:

1. ***New residential development is not the cause of displacement and gentrification pressures in these neighborhoods;*** and
2. ***Limiting the development of market rate housing near transit will actually increase regional VMT/GHGs and that displacement of lower/middle-income populations from transit-oriented neighborhoods will not result in net increase in VMT/GHGs at a regional scale.***

The researchers make the first conclusion (p.91) by showing that the vast majority of Bay Area transit-served census tracts that gentrified between 2000 and 2013 saw relatively little market-rate housing development. Only 3 out of 63 census tracts with transit access that gentrified experienced substantial market-rate development, none of which were in San Francisco. Furthermore, it finds (p.180) that

"a policy that reduced market-rate housing development in locations that encourage lower auto use, even if the policy reduced displacement and preserved affordable housing, would likely result in a net regional increase in VMT compared to a policy that increased the production of (dense) housing near transit."

This highlights the need to address displacement and achieve VMT reductions concurrently, through expanding housing opportunities near transit for people of all incomes.

Other recent research has also pointed to the need to add more housing (at all income levels) as one of the necessary ingredients to curb displacement. A recent California Legislative Analyst's Office report, for example, found that "Between 2000 and 2013, low-income census tracts (tracts with an above-average concentration of low-income households) in the Bay Area that built the most market-rate housing experienced considerably less displacement," (p. 9). Karen Chapple's Urban Displacement Project published a study showing that "building more housing, both market-rate and subsidized, will reduce displacement," (p. 4) adding that BMRs are more strongly correlated with easing displacement, but that both are effective and necessary.

We have shared our understanding of the CARB report's analysis and findings with the study's authors, namely Karen Chapple and Miriam Zuk, who authored the chapters on residential displacement, and Dan Chatman, who led the analysis on VMT. The authors agreed with our specific reading of their conclusions and, with the support of CARB, are in the process of issuing a clarified version of the abstract to replace the original version that led to the misunderstanding. We are also scheduling a moderated workshop to allow the authors, interested community members, and staff to discuss the report's findings in more depth.

In sum, I wanted both to bring this study to your attention and to correct the record as to the study's findings, since they are so critical to issues we are grappling with as a city and region. I also want to assure you that the Planning Department remains fully committed to continuing and to growing our efforts to address displacement and gentrification in all of our neighborhoods. We can be a city for all and I am committed to doing all that we can to make that happen.



SAN FRANCISCO PLANNING DEPARTMENT

MEMO

DATE: December 9, 2016
TO: Members of the Board of Supervisors
FROM: John Rahaim, Planning Director
RE: Addressing Socio-Economic Changes and the Mission Action Plan 2020

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

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

Dear Honorable Members of the Board:

In light of ongoing community concerns about Mission District projects, I would like to review with you our actions in addressing socio-economic changes in the Mission and other neighborhoods.

The concerns and direction you articulated in your decision on the 1515 South Van Ness Avenue appeal are at the heart of our work in many of our community development efforts. I want to let you know that I personally share many of the concerns raised at the hearing about the serious challenges to our city's racial, cultural, and economic diversity posed by the current economic climate.

The reality of displacement and gentrification across all of San Francisco – and the entire region - is undeniable, and of serious concern. In 2013, 45 percent of renters paid more than 30 percent of their income for rent; that means that nearly half of renters in San Francisco are rent burdened. Evictions are taking place across the City, with the Mission, Richmond, Sunset, Excelsior, Tenderloin, and Lakeshore neighborhoods having the highest eviction notices in 2015 and 2016. The Latino population in the Mission had declined to 39 percent in 2014, down from 50 percent in 2000.

We know that these trends are deeply interconnected. We know that there is simply not enough housing regionally or in San Francisco to meet our needs. We know that producing housing at all income levels is critical, and that is why we are working with you and other elected officials to strengthen our affordable housing policies. We also know that it will take a broad set of smart, bold strategies to address the totality of the causes and effects of high housing costs and displacement. This is why the Planning Department has devoted an unprecedented level of resources and focus on the affordability and displacement crisis facing our communities, and we share the goal that San Francisco be a place that provides housing for all.

We are working every day with the community, Planning Commission, elected leaders, and our City partners to undertake a series of policy and implementation efforts aimed at pursuing this goal. These include efforts to stabilize our neighborhoods and existing housing stock; to create more housing options for San Franciscans at every income level and strengthen our affordable housing requirements; to deepen our understanding of the complex forces behind these issues; and adapt our housing supply to the unique needs of every San Franciscan. I look forward to

Memo

providing you a full overview of this work and discuss additional efforts that should be considered.

While economic displacement is a citywide phenomenon, we recognize heightened effects are acutely felt in communities of color, families, and neighborhoods that have historically been havens for immigrants and others seeking opportunity or freedom. To that end, the Department is at work on its Racial & Ethnic Equity Action Plan to train our staff on these issues, and has been especially engaged in efforts with Supervisor Campos and the Mayor's Office to preserve the viability of the Latino community in the Mission, including the Mission 2016 Interim Zoning Controls and Calle 24 Special Use District.

Our most robust effort to date, the Mission Action Plan 2020 (MAP2020), is of special note. MAP2020 is a major, and unprecedented collaboration between the City family and Mission community organizations and residents. I have been proud to be personally involved in nearly every stage of this work, which has included a thorough and productive dialogue with community members, city agencies, and elected leaders over the past two years. I'm encouraged by the innovative approach that MAP2020 has taken in building a set of broad strategies to protect existing residents, community services, local businesses, and the Mission's unique character. Enclosed is a summary of these efforts; the most significant of these is, to provide nearly 1,000 affordable housing units in the neighborhood. I look forward to bringing MAP2020 in its entirety to the Planning Commission in 2017, and working with you to advance its specific strategies through legislation.

In addition, we are exploring how we undertake a broader socio-economic analysis of displacement, gentrification and growth with a focus on equity. I recognize that many community members are frustrated that such analysis cannot be conducted under CEQA, and we have accelerated our work toward this effort. We expect to have a draft by spring 2017.

As we continue speaking about these issues in the context of specific project approvals and appeals, I would offer that they extend far beyond the scope of any one project. I welcome any opportunity to join in this critical conversation with you over the coming weeks and months.

Sincerely,

John S. Rahaim
Director of Planning

Attachment: Overview of Recent Planning Activities in the Mission District

Overview of Recent Planning Activities in the Mission District

MAP2020

The goal of MAP2020 is to retain low to moderate income residents and community-serving businesses (including Production, Distribution and Repair), artists, and nonprofits in order to strengthen and preserve the socioeconomic diversity of the Mission neighborhood. MAP2020 has short to long term strategies to advance its goal and objectives of community stabilization. The full set of solutions is in the report in detailed and in a matrix format. They are organized into the following topics:

- a. Tenant protections
- b. Housing preservation
- c. Affordable Housing production and access
- d. Economic development (small businesses, arts, PDR, jobs and nonprofits)
- e. Community planning (enhance community participation and engagement)
- f. Single Room Occupancy (SRO) hotels
- g. Homelessness
- h. Funding

While some of the strategies fall within existing City programs, the strategies that were included in the report were arrived at in two key ways:

1. Members of the community prioritized which existing programs are most needed or require increased resources or tailoring to this particular neighborhood.
2. The collaborative approach helped identify which additional areas are lacking attention or resources. For example, the report includes several items related to SROs and the arts which have not been receiving as much attention and tend to be more unique to this neighborhood relative to others in the City.

Therefore, it is the packet of solutions together tailored to specific neighborhood needs, the collective process to arrive at these solutions and priorities, and the emphasis on addressing equitable development that is different about this effort.

The Planning Commission will consider endorsement of the Plan in early 2017. In order to address most urgent issues quickly, implementation of the short-term (6-12 month) items was prioritized and is underway since they are primarily tenant and business protection strategies and are therefore of critical importance for the immediate retention and stabilization of the neighborhood.

After the Planning Commission hearing, the Plan will be presented to the Board. We have also begun to draft the short-term legislative items related to PDR and neighborhood-serving business protection and will be proposing that the Planning Commission initiate some of these items in the next 2 months. Additionally, we have begun a study on the medium-term zoning changes related to increasing affordable housing capacity and hope to bring those to the Commission in summer of 2017.

Before endorsement action and legislative items come to the Board, we would like to have the opportunity to brief each of you on the work. In particular, we want to update you on the zoning changes to zoning districts that exist in more than one Supervisorial District, such as the PDR districts.

LATINO CULTURAL DISTRICT

In regard to its work in the LCD, the Planning Department has been actively engaged with Supervisor Campos and the community in the formation of the Calle 24 SUD, a multi-phased endeavor.

- The first phase focuses on helping preserve the commercial character of the LCD, and 24th Street in particular, and will include the introduction of the Calle 24 SUD in January by the Board.
- The second phase builds on the goal of preserving the unique character of the LCD. The Department is currently preparing an analysis about the potential for adjusting allowed building heights along 24th Street as an additional strategy to take pressure off the corridor and protect existing businesses since actual development potential on 24th is very limited. *Calle 24*-specific design guidelines for new development will also be developed as a next step in this work.

MISSION 2016 INTERIM CONTROLS & PIPELINE PROJECTS

The Mission 2016 Interim Zoning Controls were adopted by the Planning Commission to allow projects to move forward with additional scrutiny until MAP2020 is finalized. The Department is engaged in policy analysis as part of the review of most development in the Mission through the Interim Zoning Controls. These Controls require that staff analyze materials submitted about many of the issues of concern to the community. These include: housing production, including changes in affordability; housing preservation, including occupancy types; nearby development, to understand serial effects; displacement or loss of PDR, arts uses, and community building services. These factors are studied for all medium-sized projects between 25 and 75 units. For projects with more than 75 units, we also look at demographic changes, changes of economic pressure that may affect affordability of housing, certain nonresidential displacement, a jobs and economic profile, and whether relocation assistance has been provided to certain community building uses. This level of project scrutiny is unique to the Mission, if not the country, and is a testament to the Department's concern about the potential loss of the Latino and low-income community and its presence in the Mission. We believe that the interim controls have made projects sponsors more sensitive to these concerns and have contributed to projects making adjustments to their projects such as voluntarily increasing their affordability, including more PDR space, providing relocation assistance to businesses being displaced, and having more conversations with the community.

In addition, after Supervisor Campos' request to delay pipeline projects, I also pledged to hold a series of conversations about each pending pipeline project within the LCD with the Calle 24 council and the sponsoring developers. Several meetings took place to ensure that these projects sponsors were aware of these planning efforts and community concerns so they can best serve the LCD by providing community benefits and mitigating their impacts as best as possible. We believe that these conversations presented an opportunity to examine the possible benefits to the LCD and the Mission, I have been personally facilitating discussions between the Latino Cultural District representatives and the developers of pipeline projects. These discussions will continue with the goal of further enhancing the projects' compatibility with the district and advancing the goals of all of our Mission stabilization work.

Between these current long-term community planning efforts of MAP2020 and the LCD, the overarching policy guidance that the Eastern Neighborhoods provides, and the scrutiny of projects through the Interim Zoning Controls, the Department is dedicated to ensuring the stabilization of the community and that development projects contribute to the goals of MAP2020 and the LCD. I am personally committed to continue to work with my staff to deepen the analysis and the conversations about these critical issues.

We believe that MAP 2020 represents a national model for how urban neighborhoods might address issues of gentrification and displacement. We are also having this conversation in other neighborhoods, such as the Tenderloin and through the SoMa Filipinas work. We appreciate the opportunity to engage with you all on these complex policy issues and we will continue to work with you and the community to understand these socio-economic pressures affecting the Mission and our City.