



SAN FRANCISCO PLANNING DEPARTMENT

October 18, 2012

Supervisor David Chiu and
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 2012.1196U
BF No. 12-0882:

Recommendation: Approval with Modifications

Dear Supervisor Chiu,

On October 18th, 2012, the San Francisco Planning Commission (hereinafter "Commission") conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance under Board of Supervisors File Number 12-0882.

At the October 18th Hearing, the Commission voted 7-0 to recommend approval with modifications of the proposed Ordinance which would amend the Administrative Code to require the Mayor's Office of Housing and the Planning Department to publish monitoring reports, every five years, on the implementation and impacts of the Housing Trust Fund, if passed at the November 2012 elections.

Supervisor, please advise the City Attorney at your earliest convenience if you wish to incorporate the changes recommended by the Commission. The attached resolution provides more detail about the Commission's action and proposed modifications. If you have any questions or require further information please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "AM-Rodgers", followed by a horizontal line.

AnMarie Rodgers
Manager of Legislative Affairs

Cc: City Attorneys Jon Givner, Clerk Alisa Miller and Thomas J. Owen

Attachments (one copy of the following):

Planning Commission Resolution No. 18721
Department Executive Summary

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

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377



SAN FRANCISCO PLANNING DEPARTMENT

Planning Commission Resolution No. 18721

HEARING DATE: OCTOBER 18TH, 2012

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

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

Project Name: **Housing Trust Fund Monitoring Reports**

Case Number: 2012.1196U [Board File No. 12-0882]

Initiated by: Supervisor David Chiu

Introduced on: September 4th, 2012

Staff Contact: Kimia Haddadan, 415.575.9068
kimia.haddadan@sfgov.org

Reviewed by: AnMarie Rodgers, Manager Legislative Affairs
anmarie.rodgers@sfgov.org, 415.558.6395

Recommendation: **Approval with Modifications**

RECOMMENDING THAT THE BOARD OF SUPERVISORS PASS AN ORDINANCE WITH AMENDMENTS TO THE SAN FRANCISCO ADMINISTRATIVE CODE BY ADDING SECTION 1.60 TO REQUIRE THE MAYOR'S OFFICE OF HOUSING AND THE PLANNING DEPARTMENT TO REPORT TO THE BOARD OF SUPERVISORS EVERY FIVE YEARS ON THE IMPLEMENTATION OF CHARTER SECTION 16.110, THE AFFORDABLE HOUSING TRUST FUND CHARTER AMENDMENTS.

PREAMBLE

Whereas, on September 4, 2012 Supervisor Chiu introduced a proposed Ordinance under Board File Number 12-0882 that would amend Planning Code by making amendments to the San Francisco administrative code by adding section 1.60 to require the mayor's office of housing and the planning department to report to the board of supervisors every five years on the implementation of charter section 16.110, the affordable housing trust fund charter amendments; and

Whereas, since the introduction of the proposed Ordinance, the Planning Department recommended approval with modifications of the proposed Ordinance; and

Whereas, on October 18th, 2012 the San Francisco Planning Commission (hereinafter "Commission") conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance and the proposed modification; and

Whereas, the proposed Ordinance have been found exempt from the California Environmental Quality Act per sections 15060(c)(2); and

Whereas, the Commission has heard and considered the testimony presented to it at the public hearing and has further considered written materials and oral testimony presented by Department staff, and other interested parties; and

Whereas, the 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 Commission has reviewed the proposed Ordinance; and

MOVED, that the Commission hereby recommends that the Board of Supervisors recommend *approval with modifications* of the proposed Ordinance. The recommended modifications include:

- **Changing the date when the reports need to be submitted to April 1.**
- **Calling out subsections (c), (d), (e), and (f) of the Charter Section 16.110 Housing Trust Fund legislation to be included in the Mayor's Office of Housing Report.**
- **Specify that both reports include evaluations of programs, funded by HTF, based on different income categories, including moderate, low, and very low income.**
- **Clarify that the proposed Ordinance would only be effective, if the voters adopt the Housing Trust Fund in the November 2012 elections.**

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. San Francisco severely lacks housing affordable to moderate, low and very low income households. Such critical need is amplified by the continuous dwindling of funding sources for affordable housing. At the local level, San Francisco, along with other municipalities across California, recently lost a secured funding resource for affordable housing with the abolishment of redevelopment agencies. The Affordable Housing Trust fund seeks to address this critical need for housing in the absence of other resources. The Fund includes multiple components to boost housing provision in the City: a) The Affordable Housing Trust Fund would dedicate an annual contribution of the General Fund to a newly established fund for thirty years, b) the Affordable Housing Trust Fund would decrease the on-site inclusionary housing requirements by 20%. It would also prohibit future increases to the on-site inclusionary housing requirements, with certain exceptions, c) As a separate legislation¹ (the Companion Ordinance), the Housing Trust Fund would move the threshold of projects' unit numbers that would trigger inclusionary housing requirements, from projects with five units or more to projects with ten units or more.

¹ Board File No. 120464, approved by the Board of Supervisors on 10/2/2012 on the first read.

2. The Affordable Housing Trust Fund legislation, should it pass at the elections in November, would serve as the primary source for affordable housing development and other types of housing assistance programs. Such critical role would necessitate regular monitoring of the Fund's different components to ensure their effectiveness. Regular monitoring would allow evaluating the implementation of these components given the dynamic housing market and economy. The result of such evaluations would highlight any possible changes necessary to continuously serve the critical need for moderate, low, and very low income housing in the City. The proposed Ordinance recommends such monitoring to take place every five years along the course of the next thirty years, during which this Charter Amendment would be in effect.
3. **General Plan Compliance.** The proposed Ordinance is, on balance, consistent with the following Objectives and Policies of the General Plan:

OBJECTIVE 7

Secure funding and resources for permanently affordable housing, including innovative programs that are not solely reliant on traditional mechanisms or capital.

POLICY 7.1

Expand the financial resources available for permanently affordable housing, especially permanent sources.

San Francisco should continue to be a leader in identifying, securing and mandating funding for permanently affordable housing. Building on a good track record for securing federal and state funds, the City shall continue to lobby for necessary funding in coordination with regional entities. Local programs such as HOPE-SF, inclusionary housing and 50% set asides of Redevelopment Areas' Tax Increment Financing dollars demonstrate a strong dedication to providing local funding to affordable housing. These programs should be continued and expanded as feasible.

A dedicated, permanent source of local funding for housing programs will also help address the need for affordability over the long-term. Currently, local funding for affordable housing is dependent on annual budgeting, which makes long-term planning difficult. It also creates a situation where affordable housing funding is dramatically effected by downturns in the economy, which further exacerbates issues already faced by low-income families. Ultimately San Francisco's affordable housing programs should have a permanent funding source.

The proposed Ordinance would advance this Objective and Policy by supporting the Housing Trust Fund and ensuring that all of the programs funded by HTF effectively serve the need for moderate, low and very low income housing.

4. **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.

5. **Planning Code Section 101 Findings.** The proposed replacement project is generally consistent with the eight General Plan priority policies set forth in Section 101.1 in that:

- A) The existing neighborhood-serving retail uses will be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses will be enhanced:

The proposed Ordinance will have no adverse impact on the neighborhood-serving retail uses.

- B) The existing housing and neighborhood character will be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods:

The proposed Ordinance will have no adverse effect on existing housing and neighborhood character.

- C) The City's supply of affordable housing will be preserved and enhanced:

The proposed Ordinance would monitor implementation of the Housing Trust Fund, which would significantly enhance affordable housing finance in the City. Over 30 years, the Housing Trust Fund is estimated to provide approximately \$1.2 billion for affordable housing production.

- D) The commuter traffic will not impede MUNI transit service or overburden our streets or neighborhood parking:

The proposed Ordinance will not result in commuter traffic impeding MUNI transit service or overburdening the streets or neighborhood parking.

- E) A diverse economic base will be maintained by protecting our industrial and service sectors from displacement due to commercial office development. And future opportunities for resident employment and ownership in these sectors will be enhanced:

The proposed Ordinance will not result in displacement of industrial or service sectors.

- F) The City will achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake.

The proposed Ordinance would not affect the preparedness against injury and loss of life in an earthquake.

- G) That landmark and historic buildings will be preserved:

The proposed Ordinance would not adversely affect landmark and historic buildings.

- H) Parks and open space and their access to sunlight and vistas will be protected from development:

The proposed Ordinance would not adversely affect parks and open spaces in terms their access to sunlight and vistas.

I hereby certify that the Planning Commission ADOPTED the foregoing Resolution on October 18th, 2012.

Linda Avery
Commission Secretary

AYES: Antonini, Borden, Fong, Hillis, Moore, Sugaya, Wu

NAYS:

ABSENT:

ADOPTED: October 18, 2012



SAN FRANCISCO PLANNING DEPARTMENT

Executive Summary Planning Code Text Change HEARING DATE: OCTOBER 18TH, 2012

Project Name: **Affordable Housing Trust Fund Monitoring Reports**

Case Number: 2012.3085U [Board File No. 120882]

Initiated by: Supervisor Chiu

Introduced on: September 4th, 2012

Staff Contact: Kimia Haddadan, 415.575.9068

kimia.haddadan@sfgov.org

Reviewed by: AnMarie Rodgers, Manager Legislative Affairs
anmarie.rodgers@sfgov.org, 415.558.6395

Recommendation: **Recommend Approval with Modifications**

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

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

PLANNING CODE AMENDMENTS

The proposed Ordinance would initiate amendments to the San Francisco Administrative Code by adding Section 1.60 to require the Mayor's Office of Housing and the Planning Department to report to the Board of Supervisors every five years on the implementation of Charter Section 16.110, the Affordable Housing Trust Fund Charter Amendments.

The Way It Is Now:

In the November, 2012 election voters will consider an amendment to the San Francisco Charter which would establish a new Affordable Housing Trust Fund (HTF)¹ dedicated to providing affordable housing and other housing related assistance. The proposal came after the State of California ruled to remove the Redevelopment Agency which removed a significant source of financing for affordable housing in San Francisco. Should the HTF pass at the elections, it would take effect on January 1st, 2013 and would stay in place for thirty years.

The Way It Would Be:

The proposed Ordinance seeks to regulate monitoring of the Affordable Housing Trust Fund to ensure that its multiple components would continue to effectively bolster provision of affordable housing throughout the course of thirty years.

¹ Board File No. 120554

ISSUES AND CONSIDERATION

Affordable Housing Trust Fund Components

San Francisco severely lacks housing affordable to moderate, low and very low income households. Such critical need is amplified by the continuous dwindling of funding sources for affordable housing. At the local level, San Francisco, along with other municipalities across California, recently lost a secured funding resource for affordable housing with the abolishment of redevelopment agencies. The Affordable Housing Trust fund seeks to address this critical need for housing in the absence of other resources. The Fund includes multiple components to boost housing provision in the City:

- 1) The Affordable Housing Trust Fund would dedicate an annual contribution of the General Fund to a newly established fund for thirty years. First year contributions would be \$20M, plus an additional \$2.8M each year, until the limit of \$50.8M per year is reached. The Mayor's Office of Housing or any successor agency would administer this fund, making different services available.
- 2) Additionally, the Affordable Housing Trust Fund would decrease the on-site inclusionary housing requirements by 20%. It would also prohibit future increases to the on-site inclusionary housing requirements, with certain exceptions. This provision seeks to help boost development in the City. It is projected that the annual fund set aside for affordable housing would substantially dwarf this decrease in affordable housing provision.
- 3) As a separate legislation² (the Companion Ordinance), the Housing Trust Fund would move the threshold of projects' unit numbers that would trigger inclusionary housing requirements. The threshold would move from projects with five units or more to projects with ten units or more. This provision seeks to reduce the cost burden on small-scale projects, which are the primary source of infill development in the City.

Need for Policy Evaluation

The Affordable Housing Trust Fund legislation, should it pass at the elections in November, would serve as the primary source for affordable housing development and other types of housing assistance programs. Such critical role would necessitate regular monitoring of the Fund's different components to ensure their effectiveness. Regular monitoring would allow evaluating the implementation of these components given the dynamic housing market and economy. The result of such evaluations would highlight any possible changes necessary to continuously serve the critical need for moderate, low, and very low income housing in the City. The proposed Ordinance recommends such monitoring to take place every five years along the course of the next thirty years, during which this Charter Amendment would be in effect.

² Board File No. 120464, approved by the Board of Supervisors on 10/2/2012 on the first read.

Proposed Monitoring Reports and Hearing

Mayor's Office of Housing and the Planning Department would be the two major entities administering and implementing the Affordable Housing Trust Fund. The proposed Ordinance would require both entities to provide monitoring reports:

- 1) The Mayor's Office of Housing would administer the fund, as well as projects and programs that would be funded by the Housing Trust Fund. The proposed Ordinance would require the Mayor's Office to evaluate such programs and provide recommendation for improvements, in order to ensure that housing needs for households with less than 120% of AMI are effectively being served.
- 2) The Planning Department applies the inclusionary housing program to development projects. This program requires development projects to dedicate a certain percentage of their housing units to housing affordable to specific ranges of income categories. The proposed Ordinance would require the Planning Department to evaluate provisions of the Affordable Housing Trust Fund and the Companion Ordinance regarding on-site inclusionary requirements, including: decreasing the on-site inclusionary housing requirement rates; stabilizing these rates for the course of thirty years, during which the Fund is in effect; and moving the threshold that would trigger the inclusionary housing requirements from 5 unit buildings to 10 unit buildings.

The Ordinance also requires that the Board of Supervisors hold a hearing on these reports within three months of their submission.

REQUIRED COMMISSION ACTION

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

RECOMMENDATIONS AND BASIS FOR RECOMMENDATIONS

Approval with Modifications including: (see Exhibit A for proposed modification to legislation language)

- 1) *Changing the date when the reports need to be submitted* - - The Planning Department produces multiple housing production reports including: Annual Housing Inventory, Housing Element Progress Report, and Quarterly Pipeline report. The two annual reports are due beginning of April each year. In order to synchronize the Housing Trust Fund Monitoring Reports with other housing reports developed by the Planning Department, staff proposes to change the date by which these reports need to be submitted to April 1.
- 2) *Calling out subsections (c), (d), (e), and (f) of the Housing Trust fund legislation to be included in the Mayor's Office of Housing Report*: This would clarify what subsections of the Housing Trust Fund legislation need to be evaluated by the Mayor's Office of Housing. Similar language exists in the Ordinance that directs the Planning Department to review subsections (g), (h), and (i) of the Housing Trust Fund Legislation.

- 3) *Evaluation based on income categories:* Specify that both reports include evaluations of programs, funded by HTF, based on different income categories of below 120% of AMI, including moderate, low, and very low income.

- 4) *Application condition:* The proposed Ordinance would require monitoring reports for the Affordable Housing Trust Fund as mandated by Charter section 16.110, *if* the voters adopt the Housing Trust Fund in November. Staff proposes to add a subsection to clarify this application condition.

ENVIRONMENTAL REVIEW

This legislation was reviewed under CEQA and was exempted under CEQA section 15060 (c) (2) on October 11, 2012.

PUBLIC COMMENT

The Department has received no public comments regarding this legislation.

RECOMMENDATION: Recommendation of Approval with Modifications

Attachments:

- Exhibit A: Department's modifications to the legislation language
- Exhibit B: Draft Planning Commission Resolution
- Exhibit C: Draft Board of Supervisors Ordinance [Board File No. 12-0882] (including the Environmental Review)

Exhibit A- Proposed Modifications to the Ordinance

Planning Department Staff proposed modifications are highlighted:

SEC. 1.60. BOARD REVIEW OF AFFORDABLE HOUSING TRUST FUND.

(a) No later than April 1, 2018, and every fifth year after that, the Mayor's Office of Housing or any successor agency shall submit to the Board of Supervisors a comprehensive report on the implementation and impacts of the Affordable Housing Trust Fund created in Charter section 16.110, including subsections (c), (d), (e) and (f), an evaluation of any programs funded through the Housing Trust Fund based on income categories of below 120% AMI served, and any recommendations for improvements to the programs or the charter amendment. The Board will hold a public hearing within 3 months of the submission of the report at a Board committee.

(b) No later than April 1, 2018, and every fifth year after that, the Planning Department shall submit to the Board of Supervisors a comprehensive report on the implementation and impacts of the provisions of Charter section 16.110 addressing on-site inclusionary housing requirements based on income categories of below 120% AMI served, including subsections (g), (h), and (i), and any implementing or supporting legislation, including the impact of any thresholds and exemptions for inclusionary requirements on achieving the City's housing policies and production goals, balancing the City's desire to create viable economic housing policies for small builders in context with the City's other housing production goals. The Board will hold a public hearing within 3 months of the submission of the report at a Board committee.

(c) This section shall terminate by operation of law and be repealed on July 1, 2043.

(d) This ordinance shall become operative on January 1, 2013, but only if (1) the voters adopt the Housing Trust Fund and Housing Productions Incentives Charter amendment, adding Section 16.110 to the Charter, at the November 6, 2012 election, and (2) the Mayor does not terminate the amendment prior to January 1, 2013 as provided in subsection (1) of

the amendment. If the voters do not adopt the amendment at that election or if the Mayor terminates the amendment, this ordinance shall become inoperative and shall have no force and effect and shall be repealed.