

BOARD of SUPERVISORS



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MEMORANDUM

TO: Tom Hui, Director, Department of Building Inspection
Olson Lee, Director, Mayor's Office of Housing and Community
Development

FROM:  Alisa Somera, Legislative Deputy Director

DATE: March 29, 2017

SUBJECT: SUBSTITUTE LEGISLATION INTRODUCED

The Board of Supervisors' Land Use and Transportation Committee has received the following substitute legislation (Version 4), introduced by President Breed on March 21, 2017:

File No. 151258-4

Ordinance amending the Planning Code to require additional affordable housing or payment of a fee for certain sites that obtained higher residential development potential as a result of the rezoning of the Divisadero Street Neighborhood Commercial Transit District and the Fillmore Street Neighborhood Commercial Transit District in 2015; affirming the Planning Department's determination under the California Environmental Quality Act; and making findings of consistency with the General Plan, Planning Code, Section 302, and the eight priority policies of Planning Code, Section 101.1.

If you have any comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: William Strawn, Department of Building Inspection
Carolyn Jayin, Department of Building Inspection
Kate Hartley, Mayor's Office of Housing and Community Development
Eugen Flannery, Mayor's Office of Housing and Community Development

1 [Planning Code - Affordable Housing Requirement and Fee in Divisadero and Fillmore
2 Neighborhood Commercial Transit Districts]

3 **Ordinance amending the Planning Code to require additional affordable housing or**
4 **payment of a fee for certain sites that obtained higher residential development**
5 **potential as a result of the rezoning of the Divisadero Street Neighborhood Commercial**
6 **Transit District and the Fillmore Street Neighborhood Commercial Transit District in**
7 **2015; affirming the Planning Department's determination under the California**
8 **Environmental Quality Act; and making findings of consistency with the General Plan,**
9 **Planning Code, Section 302, and the eight priority policies of Planning Code, Section**
10 **101.1.**

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

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

19 Section 1. Findings.

20 (a) The Planning Department has determined that the actions contemplated in this
21 ordinance comply with the California Environmental Quality Act (California Public Resources
22 Code Sections 21000 et seq.). Said determination is on file with the Clerk of the Board of
23 Supervisors in File No. 151258 and is incorporated herein by reference. The Board affirms
24 this determination.

25 (b) On _____, 2016, the Planning Commission, in Resolution No. _____, adopted
findings that the actions contemplated in this ordinance are consistent, on balance, with the

1 City's General Plan and eight priority policies of Planning Code Section 101.1. The Board
2 adopts these findings as its own. A copy of said Resolution is on file with the Clerk of the
3 Board of Supervisors in File No. 151258, and is incorporated herein by reference.

4 (c) Pursuant to Planning Code Section 302, this Board finds that the actions
5 contemplated in this ordinance will serve the public necessity, convenience, and welfare for
6 the reasons set forth in Planning Commission Resolution No. _____ and the Board
7 incorporates such reasons herein by reference. A copy of the Planning Commission
8 Resolution No. _____ is on file with the Clerk of the Board of Supervisors in File No. 151258.

9 (d) The City adopted legislation rezoning the area along Divisadero Street between
10 Haight and O'Farrell Streets to become the Divisadero Street Neighborhood Commercial
11 Transit District ("NCT") in Ordinance No. 127-15 in August 2015, and the area along Fillmore
12 Street between Bush and McAllister Streets to become the Fillmore Street NCT in Ordinance
13 No. 126-15 in August 2015. The rezoning for both NCTs removed any residential density
14 limits based on lot area, and instead restricted residential uses by physical envelope controls
15 like height, bulk, and setback requirements for each site. This removal of density limits based
16 on lot areas should afford for greater development on certain sites within each NCT.

17 (e) On November 6, 2012, the voters adopted Proposition C ("2012 Prop C"), the
18 Housing Trust Fund, which was set forth in San Francisco Charter Section 16.110. 2012 Prop
19 C established a limitation on the Inclusionary Housing Cost Obligation that the City could
20 impose on residential development projects. 2012 Prop C set forth certain exceptions to this
21 limitation, including but not limited to circumstances in which a project receives a 20% or
22 greater increase in developable residential uses, as measured by a change in height limits,
23 Floor Area Ratio limits, or use, over prior zoning, or a 50% or greater increase in residential
24 densities over prior zoning, through a special use district or other local legislation adopted
25

1 after November 6, 2012. The Divisadero Street NCT and the Fillmore Street NCT rezonings
2 were adopted after this date.

3 (f) The City updated its Nexus Study in November 2016, performed by Keyser Marston
4 and Associates, in support of the Inclusionary Affordable Housing Program, or an analysis of
5 the impact of development of market rate housing on affordable housing supply and demand.
6 The Board of Supervisors reviewed the Nexus Study and staff analysis and report of the
7 Study and, on that basis, found that the Study supported the inclusionary affordable housing
8 requirements combined with the additional affordable housing fee set forth in Planning Code
9 Sections 415 *et seq.*

10 (g) On June 7, 2016, the voters approved a Charter Amendment (“2016 Prop C”)
11 eliminating the limits on inclusionary affordable housing set forth in Charter Section 16.110.
12 The Board of Supervisors also adopted legislation to implement changes to the inclusionary
13 affordable housing requirements, Ordinance No. 76-16, which went into effect when 2016
14 Prop C went into effect.

15 (h) The 2015 rezoning of the Divisadero and Fillmore NCTs allowed a 50% or greater
16 increase in residential densities over prior zoning on certain sites contained within the two
17 NCTs. In keeping with the intent and provisions of both 2012 Prop C and 2016 Prop C,
18 projects on such sites should, and can afford to, mitigate fully their impacts on the need for
19 affordable housing.

20
21 Section 2. The Planning Code is hereby amended by adding Section 428, including
22 Sections 428.1, 428.2, 428.3, 428.4, and 428.5, to read as follows:

23 **SEC. 428. DIVISADERO STREET NCT AND FILLMORE STREET NCT AFFORDABLE**
24 **HOUSING FEE AND REQUIREMENTS.**

1 Sections 428.1 through 428.5, hereafter referred to as Section 428.1 et seq., set forth the
2 requirements and procedures for the Divisadero Street and Fillmore Street Neighborhood Commercial
3 Transit Districts Affordable Housing Fee.

4 **SEC. 428.1. FINDINGS.**

5 The Board of Supervisors hereby finds that:

6 (a) The additional affordable housing fee requirement of this Section 428.1 et seq. is supported
7 by the Nexus Study performed by Keyser Marston and Associates. The Board of Supervisors has
8 reviewed the Nexus Study and other documents and, on that basis, finds that the Study supports the
9 inclusionary affordable housing requirements combined with the additional affordable housing fee and
10 requirements set forth in this Section 428.1 et seq. Specifically, the Board finds that the Study: (1)
11 identifies the purpose of the additional fee and requirements to mitigate impacts on the demand for
12 affordable housing in the City; (2) identifies the use of the additional fee to increase the City's
13 affordable housing supply; and (3) establishes a reasonable relationship between the use of the
14 additional fee for affordable housing and the need for affordable housing and the construction of new
15 market rate housing. Further, the affordable housing fee and requirements do not include the costs of
16 remediating any existing deficiencies and do not duplicate other City requirements or fees.

17 (b) An account has been established, funds appropriated, and a construction schedule adopted
18 for affordable housing projects funded through the Inclusionary Affordable Housing Program. The
19 Affordable Housing Fee will reimburse the City for expenditures on affordable housing that have
20 already been made and that will be made in the future.

21 (c) A major objective of the Divisadero Street and Fillmore Street NCTs, set forth in Planning
22 Code Sections 746 and 747, respectively, is to encourage and promote development that enhances the
23 walkable, mixed-use character of the corridor and surrounding neighborhoods and to encourage
24 housing development in new buildings above the ground floor. New market rate housing development
25 could outnumber both the number of units and potential new sites within the area for permanently

1 affordable housing opportunities. The City has adopted a policy in its General Plan to meet the
2 affordable housing needs of its general population and to require new housing developments to
3 produce sufficient affordable housing opportunities for all income groups, both of which goals are not
4 likely to be met by the potential housing development in the area. In addition, the Nexus Study
5 indicates that market rate housing itself generates additional lower income affordable housing needs
6 for the workforce needed to serve the residents of the new market rate housing proposed for the area.
7 To meet the demand created for affordable housing by the Divisadero Street NCT and Fillmore Street
8 NCT zoning and to be consistent with the policy of the City, additional affordable housing requirements
9 should be included for all market rate housing development in these NCTs.

10 (d) The Divisadero Street NCT and Fillmore Street NCT rezonings set forth in Ordinance Nos.
11 126-15 and 127-15 will allow greater residential development on certain sites within the NCTs, and
12 such residential development will create a greater need for affordable housing, and should provide
13 more affordable housing. The higher densities will also make provision of higher levels of affordable
14 housing feasible for such sites.

15 (e) If a site located in the Divisadero Street NCT or Fillmore Street NCT received an increase
16 in density of 50% or more from the 2015 rezoning set forth in Ordinance Nos. 126-15 and 127-15, a
17 higher inclusionary affordable housing requirement should apply. The density for the previously
18 existing Divisadero Neighborhood Commercial District was one unit per 800 square feet of lot area.
19 The density for the Fillmore Neighborhood Commercial District was 1 unit per 600 square feet of lot
20 area, with one parcel (Block 0798, Lot 001) zoned RH-3 (3 units per lot), another parcel (Block 0779,
21 Lot 031) zoned RM-4 (1 unit per 200 square feet of lot area), and one parcel (Block 0702, Lot 038)
22 zoned RM-3 (1 unit per 400 square feet of lot area).

23 **SEC. 428.2. DEFINITIONS.**

24 See Section 401 of this Article 4.

25 **SEC. 428.3. APPLICATION OF AFFORDABLE HOUSING FEE REQUIREMENT.**

1 (a) **Applicability.** The Inclusionary Affordable Housing Program set forth in Planning Code
2 Sections 415.1 et seq. shall apply in the Divisadero Street NCT and Fillmore Street NCT, with the
3 following requirements that will apply to certain sites in these NCTs. In the event that the Planning
4 Department determines that the residential development potential on a site within the Divisadero Street
5 NCT or the Fillmore Street NCT has been increased through the adoption of the NCT rezoning set forth
6 in Ordinance Nos. 126-15 and 127-15, as detailed in Section 428.1(e) herein, the requirements of
7 Sections 415.1 through 415.9 of the Planning Code shall apply, except that the “grandfathering”
8 provisions of Planning Code Section 415.3(b) shall not apply to such sites and the following affordable
9 housing requirements shall be applied to residential development on such sites:

10 (1) **Fee.** For a development project that is subject to the Residential Inclusionary
11 Affordable Housing Program, the development project shall pay an affordable housing fee equivalent
12 to a requirement to provide 30% of the units in the principal project as affordable units, using the
13 method of fee calculation set forth in Section 415.5(b).

14 (2) **On-Site Housing.** If the project sponsor of a housing development project is
15 eligible and elects to construct units affordable to qualifying households on-site of the principal project
16 as set forth in Planning Code Section 415.5(g), the project sponsor shall construct a total of 23% of all
17 units constructed on the project site as affordable housing and shall comply with all otherwise
18 applicable requirements of Section 415.6. The on-site affordable units shall be affordable as follows.
19 A minimum of 6% of the units shall be affordable to households earning up to 55% of Area Median
20 Income, and 8% of the units shall be affordable to households earning up to 120% of Area Median
21 Income, and 9% of the units shall be affordable to households earning up to 140% of Area Median
22 Income.

23 (3) **Off-Site Housing.** If the project sponsor of a housing development project is
24 eligible and elects to provide units affordable to qualifying households off-site of the principal project
25 as set forth in Section 415.5(g), the project sponsor shall construct or cause to be constructed

1 affordable housing equal to 30% of all units constructed on the principal project site as affordable
2 housing and shall comply with all otherwise applicable requirements of Section 415.7.

3 (b) Exemption for Affordable Housing. A project applicant shall not pay the affordable
4 housing fee for any space designated as a below market rate unit under Section 415.1 et seq., the
5 Citywide Inclusionary Affordable Housing Program, or any other residential unit that is designated as
6 an affordable housing unit under a Federal, State, or local restriction in a manner that maintains
7 affordability for a term no less than 50 years.

8 (c) If the Board adopts higher inclusionary housing requirements, the higher requirement shall
9 apply.

10 **SEC. 428.4. IMPOSITION OF AFFORDABLE HOUSING REQUIREMENTS.**

11 (a) Determination of Requirements. The Planning Department shall determine the
12 applicability of Section 428.1 et seq. to any development project requiring a first construction
13 document and, if Section 428.1 et seq. is applicable, shall impose any such requirements as a condition
14 of approval for issuance of the first construction document. The project sponsor shall supply any
15 information necessary to assist the Department in this determination.

16 (b) Department Notice to Development Fee Collection Unit of Fee Requirements. After the
17 Department has made its final determination regarding the application of the affordable housing
18 requirements to a development project pursuant to Section 428.1 et seq., it shall immediately notify the
19 Development Fee Collection Unit at DBI of the applicable affordable housing fee amount in addition to
20 the other information required by Planning Code Section 402(b).

21 (c) Process for Revisions of Determination of Requirements. If the Department or the
22 Commission takes action affecting any development project subject to Section 428.1 et seq. and such
23 action is subsequently modified, superseded, vacated, or reversed by the Board of Appeals, the Board
24 of Supervisors, or a court, the procedures of Planning Code Section 402(c) shall be followed.

25 **SEC. 428.5. USE OF FUNDS.**

1 The affordable housing fee specified in this Section 428.1 et seq. for the Divisadero Street NCT
2 and the Fillmore Street NCT shall be paid into the Citywide Affordable Housing Fund, established in
3 Administrative Code Section 10.100-49, and the funds shall be separately accounted for. The Mayor's
4 Office of Housing and Community Development shall expend the funds to increase the supply of
5 housing affordable to qualifying households in the City. The funds may also be used for monitoring
6 and administrative expenses subject to the process described in Planning Code Section 415.5(f).
7

8 Section 3. The Planning Code is hereby amended by revising Sections 746 and 747,
9 to read as follows:

10 **SEC. 746. DIVISADERO STREET NEIGHBORHOOD COMMERCIAL TRANSIT**
11 **DISTRICT.**

12 The Divisadero Street Neighborhood Commercial Transit District ("Divisadero Street
13 NCT") extends along Divisadero Street between Haight and O'Farrell Streets. Divisadero
14 Street's dense mixed-use character consists of buildings with residential units above ground-
15 story commercial use. Buildings typically range in height from two to four stories with
16 occasional one-story commercial buildings. The district has an active and continuous
17 commercial frontage along Divisadero Street for most of its length. Divisadero Street is an
18 important public transit corridor and throughway street. The commercial district provides
19 convenience goods and services to the surrounding neighborhoods as well as limited
20 comparison shopping goods for a wider market.

21 The Divisadero Street NCT controls are designed to encourage and promote
22 development that enhances the walkable, mixed-use character of the corridor and
23 surrounding neighborhoods. Rear yard requirements above the ground story and at residential
24 levels preserve open space corridors of interior blocks. Housing development in new buildings
25

1 is encouraged above the ground story. Existing residential units are protected by limitations
2 on demolition and upper-story conversions.

3 Consistent with Divisadero Street's existing mixed-use character, new commercial
4 development is permitted at the ground and second stories. Most neighborhood-serving
5 businesses are strongly encouraged. Controls on new Formula Retail uses are consistent with
6 Citywide policy for Neighborhood Commercial Districts; Eating and Drinking and
7 Entertainment uses are confined to the ground story. The second story may be used by some
8 retail stores, personal services, and medical, business and professional offices. Additional
9 flexibility is offered for second-floor Eating and Drinking, Entertainment, and Trade Shop uses
10 in existing non-residential buildings to encourage the preservation and reuse of such
11 buildings. Hotels are monitored at all stories. Limits on late-night activity, drive-up facilities,
12 and other automobile uses protect the livability within and around the district, and promote
13 continuous retail frontage.

14 If the Planning Department determines that any site proposed for residential development and
15 located within the Divisadero Street NCT has received a 50% or greater increase in residential
16 densities over prior zoning through the adoption of Ordinance No. 127-15, any development project
17 that is subject to the Inclusionary Affordable Housing Program on such site shall pay the Affordable
18 Housing Fee, or provide one of the Alternatives to Payment of the Affordable Housing Fee, set forth in
19 Planning Code Sections 415 et seq., except that the amount of the Affordable Housing Fee or
20 Alternatives to Payment of the Affordable Housing Fee shall be modified as set forth in Planning Code
21 Section 428 et seq. If the Board adopts inclusionary affordable housing requirements that are higher
22 than those set forth in Sections 428 et seq., the higher requirements shall apply.

23 * * * *

1 **SEC. 747. FILLMORE STREET NEIGHBORHOOD COMMERCIAL TRANSIT**
2 **DISTRICT.**

3 The Fillmore Street Neighborhood Commercial Transit District ("Fillmore Street NCT")
4 extends along Fillmore Street between Bush and McAllister Streets. Fillmore Street's dense
5 mixed-use character consists of buildings with residential units above ground-story
6 commercial use. Buildings range in height from one-story commercial buildings to high-rise
7 towers. Fillmore Street and Geary Boulevard are important public transit corridors. The
8 commercial district provides convenience goods and services to the surrounding
9 neighborhoods as well as shopping, cultural, and entertainment uses that attract visitors from
10 near and far.

11 The Fillmore Street NCT controls are designed to encourage and promote
12 development that enhances the walkable, mixed-use character of the corridor and
13 surrounding neighborhoods. Rear yard requirements at residential levels preserve open space
14 corridors of interior blocks. Housing development in new buildings is encouraged above the
15 ground story. Existing residential units are protected by limitations on demolition and upper-
16 story conversions.

17 Consistent with Fillmore Street's existing mixed-use character, new commercial
18 development is permitted at the ground and second stories. Most neighborhood- and visitor-
19 serving businesses are strongly encouraged. Controls on new Formula Retail uses are
20 consistent with Citywide policy for Neighborhood Commercial Districts; Eating and Drinking
21 and entertainment uses are confined to the ground story. The second story may be used by
22 some retail stores, personal services, and medical, business, and professional offices.
23 Parking and hotels are monitored at all stories. Limits on drive-up facilities and other
24 automobile uses protect the livability within and around the district and promote continuous
25 retail frontage.

1 If the Planning Department determines that any site proposed for residential development and
2 located within the Fillmore Street NCT has received a 50% or greater increase in residential densities
3 over prior zoning through the adoption of Ordinance No. 126-15, any development project that is
4 subject to the Inclusionary Affordable Housing Program on such site shall pay the Affordable Housing
5 Fee, or provide one of the Alternatives to Payment of the Affordable Housing Fee, set forth in Planning
6 Code Sections 415 et seq., except that the amount of the Affordable Housing Fee or Alternatives to
7 Payment of the Affordable Housing Fee shall be modified as set forth in Planning Code Section 428 et
8 seq. If the Board adopts inclusionary affordable housing requirements that are higher than those set
9 forth in Sections 428 et seq., the higher requirements shall apply.

10 * * * *

11 Section 4. The Planning Code is hereby amended by revising Section 415.3(b), to
12 read as follows:

13 * * * *

14 (3) During the limited period of time in which the provisions of Section 415.3(b)
15 apply, for any housing development that is located in an area with a specific affordable
16 housing requirement set forth in an Area Plan or a Special Use District, or in any other section
17 of the Code such as Section 419, with the exception of the UMU Zoning District or in the
18 South of Market Youth and Family Zoning District, the higher of the affordable housing
19 requirement set forth in such Area Plan or Special Use District or in Section 415.3(b) shall
20 apply. Any affordable housing impact fee paid pursuant to an Area Plan or Special Use
21 District shall be counted as part of the calculation of the inclusionary housing requirements
22 contained in Planning Code Sections 415.1 et seq. In the Divisadero Street NCT and the
23 Fillmore Street NCT, the provisions of Section 415.3(b) shall not apply to certain sites, as set forth in
24 the Divisadero Street NCT And Fillmore Street NCT Affordable Housing Fee And Requirements,
25 Planning Code Sections 428.1 et seq.

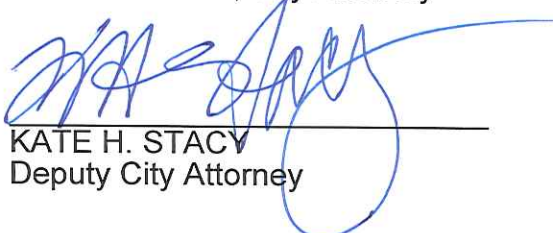
1 * * * *

2 Section 5. Effective Date. This ordinance shall become effective 30 days after
3 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the
4 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board
5 of Supervisors overrides the Mayor's veto of the ordinance.

6
7 Section 6. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors
8 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,
9 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal
10 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment
11 additions, and Board amendment deletions in accordance with the "Note" that appears under
12 the official title of the ordinance.

13
14 APPROVED AS TO FORM:
15 DENNIS J. HERRERA, City Attorney

16 By:

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18 KATE H. STACY
19 Deputy City Attorney

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