[Planning Code - Authorize Increases to the Affordable Price and Income Limits for Certain

Below Market Rate Owned Units and Require Amenities to be Resold with Unit

Ordinance amending the Planning Code to allow certain Below Market Rate (BMR)
Owned Units to be resold at a price affordable to households at an increased Area
Median Income (AMI) level, increase the qualifying AMI limit for BMR purchasers, and
require BMR Owned Units originally purchased with parking spaces and other
amenities to be resold with the same parking and amenities, and require periodic
reporting to the Inclusionary Housing Technical Advisory Committee, Planning
Commission, and Board of Supervisors of AMI level increases approved under this
ordinance; affirming the Planning Department's determination under the California
Environmental Quality Act; and making findings of consistency with the General Plan
and the eight priority policies of Planning Code, Section 101.1, and findings of public
necessity, convenience, and welfare pursuant to Planning Code, Section 302.

NOTE: Unchanged Code text and uncodified text are in plain Arial font.

Additions to Codes are in single-underline italics Times New Roman font.

Deletions to Codes are in strikethrough italics Times New Roman font.

Board amendment additions are in double-underlined Arial font.

Board amendment deletions are in strikethrough Arial font.

Asterisks (* * * *) indicate the omission of unchanged Code subsections or parts of tables.

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

Section 1. Environmental and Land Use Findings.

(a) The Planning Department has determined that the actions contemplated in this ordinance comply with the California Environmental Quality Act (California Public Resources Code Sections 21000 et seq.). Said determination is on file with the Clerk of the Board of

Supervisors in File No. 240802 and is incorporated herein by reference. The Board affirms this determination.

- (b) On October 17, 2024, the Planning Commission, in Resolution No. 21626, adopted findings that the actions contemplated in this ordinance are consistent, on balance, with the City's General Plan and eight priority policies of Planning Code Section 101.1. The Board adopts these findings as its own. A copy of said Resolution is on file with the Clerk of the Board of Supervisors in File No. 240802, and is incorporated herein by reference.
- (c) Pursuant to Planning Code Section 302, this Board finds that these Planning Code amendments will serve the public necessity, convenience, and welfare for the reasons set forth in Planning Commission Resolution No. 21626, and the Board incorporates such reasons herein by reference. A copy of said resolution is on file with the Clerk of the Board of Supervisors in File No. 240802.

Section 2. Article 4 of the Planning Code is hereby amended by revising Sections 401 and 415.8, to read as follows:

SEC. 401. DEFINITIONS.

In addition to the specific definitions set forth in Section 102 and elsewhere in this Article 4, the following definitions shall govern interpretation of this Article:

"Affordable Price." The price at which the Owned Unit would be Affordable to Qualifying Households.

"Affordable Unit" or "Affordable Housing Unit." A unit that is Affordable to Qualifying Households under Section 415 et seq.

"Program" or "Inclusionary Housing Program." The Inclusionary Affordable Housing Program as detailed in Sections 415-417.

"Qualifying Income." The income at which a household meets the income eligibility requirements for a particular BMR Unit. The Qualifying Income may be higher than the maximum income limit or income range required in the Notice of Special Restrictions or other document establishing affordability restrictions for the BMR Unit.

SEC. 415.8. DURATION AND MONITORING OF AFFORDABILITY.

- (a) For any units permitted under the Program:
- (1) All units constructed pursuant to Sections 415.6 (On-site <u>Affordable Housing</u> Alternative) and 415.7 (Off-site <u>Affordable Housing</u> Alternative) must be owner-occupied, as defined in the Procedures Manual, in the case of Owned Units, or occupied by qualified households in the case of Rental Units.
- (2) Units shall not remain vacant for a period exceeding 60 days without the written consent of MOHCD.
- (3) All units constructed pursuant to Sections 415.6 and 415.7 must remain Affordable to Qualifying Households for the life of the project.
- (4) The income levels specified in the Notice of Special Restrictions and/or conditions of approval for the project shall be the required income percentages for the life of the project. Notwithstanding the foregoing <u>sentence</u>, if approved by MOHCD and as provided in the Procedures Manual, an exception to the required income percentage may be made in the following cases:
- (A) a rental unit that converts to an Owned Unit, with Qualifying Income up to a maximum of 120150% of AMI and a sales price established pursuant to Section 415.8(b)(5);
- (B) where there is an existing tenant <u>who has undergone re-certification as defined in</u>
 the Procedures Manual, the existing tenant's household income may increase <u>by</u> up to 200% of

the levels specified in the Notice of Special Restrictions or conditions of approvala maximum of 200% of AMI;

- (C) new Owned Units where the project sponsor has used good faith efforts to secure a contract with a qualified buyer but is unable to secure such a contract in a timely manner from the initiation of marketing;
- (D) resale Owned Units where the owner has used good faith efforts to secure a contract with a qualified buyer but is unable to secure a buyer contract at a maximum resale price specified by MOH<u>CD</u> in a timely manner; *or*
- (E) the qQualifying iIncome level for new or resale Owned Units may be set at 100% above the income level stated in the Notice of Special Restrictions or conditions of approval; or
- (F) resale Owned Units where the owner has requested an adjustment to the maximum income limit stated in the existing Notice of Special Restrictions or other document establishing affordability requirements for the unit and/or has requested an increase to the Qualifying Income level, pursuant to subsection (b)(9).
- (5) The Commission or the Department shall require all housing projects subject to Section 415.1 et seq. to record a Notice of Special Restrictions with the Recorder in the official records of the City and County of San Francisco. The Notice of Special Restrictions must incorporate the affordability restrictions. All projects described in Section 415.3(a)(1) and 415.3(a)(3) must incorporate all of the requirements of this Section 415.8 into the Notice for Special Restrictions, including any provisions required to be in the conditions of approval for housing projects described in Section 415.3(a)(2). These Section 415.3(a)(2) projects which are housing projects that which go through the conditional use or planned unit development process shall have conditions of approval. The conditions of approval shall specify that project applicants shall adhere to the marketing, monitoring, and enforcement procedures outlined in

the Procedures Manual, as amended from time to time, in effect at the time of project approval. The Commission shall file the Procedures Manual in the case file for each project requiring inclusionary housing pursuant to this Program. The Procedures Manual will be referenced in the Notice of Special Restrictions for each project.

- (b) For any units permitted to be Owned Units under the Program, the MOHCD shall:
- (1) Establish and implement a process for reselling an affordable unit in the Procedures Manual÷.
- (2) Provide that owners may not change title on the unit without review and approval by MOHCD and according to guidelines published in the Procedures Manual, as amended from time to time.
- (3) Provide that owners must comply with refinancing procedures and limitations as published in the Procedures Manual, as amended from time to time.
- (4) Provide that, in order to retain all units restricted as affordable under this Program within the City's affordable housing stock, the specific procedures for passing an affordable unit through inheritance are contained in the Procedures Manual. All transfers through inheritance must be reviewed and approved by MOHCD and, in all cases, the heir must acknowledge and agree to the provisions of the Program. The following households may inherit the ability to occupy a unit restricted under this Program: (i+) a spouse or registered domestic partner, regardless of income; or (ii+) a child of the owner if the child is a qualifying household for the unit. If the heir qualifies under one of these categories, the heir must occupy the unit or the heir must market and sell the unit at the restricted price through a public lottery process and retain the proceeds from the sale. If the heir does not qualify to occupy the unit, the heir must market and sell the unit at the restricted price to a qualified buyer through a public lottery process. The heir would retain the proceeds of such sale.

- (5) Require that affordable Rental Units permitted by the Commission to be converted to Owned Units **must** satisfy the requirements of the Procedures Manual, as amended from time to time, including that the units shall be sold at restricted sales prices to households meeting the income qualifications specified in the Notice of Special Restrictions or conditions of approval, with a right of first refusal for the occupant(s) of such units at the time of conversion. If the current tenant qualifies for and purchases the unit, the unit shall be sold at a sales price corresponding to the affordability level required for *the unit as a *rR**ental *#U**nit** as *specified in the Notice of Special Restrictions or conditions of approval or to the affordability level for the specific tenant household, whichever is higher, with a maximum allowable *qQ**ualifying *iI**ncome level up to *120150** of AMI. If the unit is sold to *anyone elsea buyer who is not a current tenant,* the sales price shall correspond to the affordability level required for *the unit as an**

 Owned Units *as *specified in the Notice of Special Restrictions or conditions of approval.* Upon conversion to ownership, the units are subject to the resale and other restrictions of this Program for the life of the project, as defined in the Notice of Special Restrictions or conditions of approval for the Project.
- (6) For Owned Units approved pursuant to Sections 415.6 or 415.7, the Notice of Special Restrictions or conditions of approval will include provisions restricting resale prices and purchaser income levels according to the formula specified in the Procedures Manual, as amended from time to time. All amenities and parking spaces that were purchased with the initial sale of the Owned Unit must be sold with the Owned Unit upon resale and shall be included in the resale price. In the case that event subordination of the Affordability Conditions contained in a recorded Notice of Special Restrictions may be necessary to ensure the Pproject Aapplicant's receipt of adequate construction and/or permanent financing for the project, or to enable first-time home buyers to qualify for mortgages, the project applicant may follow the procedures for subordination of affordability restrictions as described in the Principal Project's conditions of

approval or in the Procedures Manual. A release following foreclosure or other transfer in lieu of foreclosure may be authorized if required as a condition to financing pursuant to the procedures set forth in the Procedures Manual.

- (7) Purchasers of Affordable Units shall secure the obligations contained in the Notice of Special Restrictions or conditions of approval by executing and delivering to the City a promissory note secured by a deed of trust encumbering the applicable affordable unit as described in the Procedures Manual or by an alternative means if so provided for in the Procedures Manual, as amended from time to time.
- (8) **Procedures** *Ff***or Units Unable** *Tt***o Resell.** The Board of Supervisors finds that certain requirements of this Program and the Procedures Manual may create hardship for owners of Affordable Units restricted under this Program. However, the Board also recognizes that the requirements of this Program are important to preserve the long-term affordability of units restricted under the Program. In order to allow some relief for owners of Affordable Units during a time of economic downturn, but to provide the maximum protection for the long-term affordability of the units, the Board directs MOHCD to analyze the following issues and, if it deems appropriate, to propose amendments to the Procedures Manual to address the issues:
- Income Level for New Buyers of Resale BMR Units. The Board recognizes that the risk to low_ and moderate_income homeowners during times of economic downturn can increase the risk of default and foreclosure of units restricted under this Program. The Board directs MOHCD to study ways to reduce such risks in the below market rate unit context and, if it deems appropriate, to make recommendations to the Planning Commission to amend the Procedures Manual to allow MOHCD discretion, in certain limited circumstances, to waive requirements for owners of Affordable Units who have used good faith efforts to secure a contract with a qualified buyer but are unable to resell their unit in a timely manner. Such

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amendments to the Procedures Manual may include, but are not limited to, authorizing MOHCD to make one or more allowances for owners of Affordable Units unable to resell. such as: (i+1) a one-time waiver of the first-time homebuyer rule for the purchasing household; (ii2) a one-time waiver of qualifying household size requirements for the purchasing household; (iii3) and a one-time waiver of owner occupancy rules to allow a temporary rental; (iv4) a one-time modification of the asset test for the new buyer household; and (v5) allowing MOHCD discretion to increase the αQ ualifying iI ncome level for the unit by up to 20% above the maximum income limit currently allowed by the Use Restrictions for the *Uu*nit but at no time higher than 120150% of AMI. MOHCD and the Commission shall set forth criteria for granting such allowances such as establishing a minimum time that the units must have been advertised by MOHCD without selling; establishing criteria related to unusual economic or personal circumstances of the owner; providing a maximum percentage for the increase above the maximum income limit currently allowed; providing that the increase may only be granted on a one-time basis; and requiring the owner to clearly establish that the BMR unit is being resold at the original purchase price plus the current repricing mechanism under the Program which calculates the percentage change in AMI from the time of purchase to resale plus the commission and any eligible capital improvements or special assessments maximum resale price specified in the Procedures Manual, as amended from time to time.

Initial Sale BMR Units. The Board of Supervisors recognizes that the current Program provides that the income of a new buyer of a below market rate household cannot exceed the maximum income stated in the Planning Approval or Notice of Special Restrictions for the BMR Unit. Due to less desirable developments or geographic areas, a Pproject Sp ponsor is sometimes unable to find a buyer for a BMR Unit within the maximum income stated in the Planning Approval or Notice of Special Restrictions for the U unit. This situation makes it

difficult, if not impossible, for certain current owners of below market rate units to resell their units. In order to minimize this situation, the Board of Supervisors directs MOHCD to study ways to address this issue and, if it deems appropriate, to make recommendations to the Planning Commission to amend the Procedures Manual to allow MOHCD to assist Pproject Seponsors who have used good faith efforts as determined by MOHCD to secure a contract with a qualified buyer but who are unable to secure such a contract in a timely manner from the initiation of marketing. Such amendments may include allowing MOHCD discretion to increase the qQualifying iIncome level for the unit by up to 20% above the maximum income limit currently allowed by the Use Restrictions for the Uunit but at no time higher than 120150% of AMI. MOHCD and the Planning Commission shall establish limits to this or a similar proposal such as: providing a maximum percentage for the increase above the maximum income limit currently allowed; requiring that a certain period without securing a buyer would pass before such an allowance would be made; and providing that the increase may only be granted on a one-time basis.

(9) Adjustment of Pricing and Income Limits for Owned Units Purchased at a Price Above the Affordable Price Determined at the Time of Resale.

(A) Findings and Purposes. The Board of Supervisors finds that the requirements of this Program and the Procedures Manual may create financial hardship for certain Owners of Affordable Units who could suffer a financial loss if said Owners sold their units at a price in compliance with the existing Notice of Special Restrictions or other affordability restrictions for the unit. However, the Board also recognizes that the requirements of this Program are important to preserve the long-term affordability of units restricted under the Program. To provide flexibility while protecting the long-term affordability of the Affordable Units and viability of the Program, this subsection (b)(9) provides options to allow some relief for Owners of Affordable Units that are re-selling at a time when the

Affordable Price would be lower than the price at which they originally purchased their Affordable Unit.

(B) Authorization to Reset Pricing and Income Limits. The Board authorizes MOHCD to adjust the Affordable Price at the time of resale and to establish the corresponding maximum income limit or income range for eligible Owned Units, as further specified and limited in this subsection (b)(9). This authorization and adjustment procedure shall be available only once per eligible Owned Unit and shall result in an Affordable Price that is based on a permanent increase to the restrictions on Affordable Price and maximum income limit for the Owned Unit. For the resale and any subsequent resale of the Owned Unit, the Maximum Purchase Price shall be determined by MOHCD based on the new, increased maximum percentage of AMI established pursuant to this subsection (b)(9).

(C) Eligibility. An Owned Unit is eligible for an increase in the Affordable Price and corresponding maximum income limit or income range for the Owned Unit if: 1) the Owner purchased the unit at a price above the Affordable Price at the time of resale, which Affordable Price shall be determined by MOHCD based on the existing Notice of Special Restrictions or other document establishing affordability requirements for the unit at the time MOHCD processes the Owner's resale request-; and 2) the Owner submits a resale request for the unit to MOHCD within three years from the effective date of the ordinance in Board File No.240802, enacting this subsection (b)(9). The Owner is not required to attempt to sell the unit prior to the adjustment described in this subsection (b)(9) to qualify for said adjustment.

(D) Maximum Allowable Adjustment. For the resale of an Owned Unit eligible for an adjustment under this subsection (b)(9), MOHCD may establish an adjusted Affordable Price up to the original purchase price paid by the current Owner. MOHCD may increase the maximum income limit or income range for the unit to reflect the adjusted Affordable Price, up to a maximum of 130% AMI. In addition, once per eligible Owned Unit, MOHCD may increase the maximum Qualifying Income level for the unit by up to 20% above the maximum income limit or income range in the new Notice of

Special Restrictions or other document establishing affordability requirements for the unit, provided that the increased maximum Qualifying Income level does not exceed 150% of AMI. The ultimate resale price may be lower or higher than the adjusted Affordable Price. Nothing in this subsection (b)(9) ensures or entitles an Owner to a resale price equal to the adjusted Affordable Price when reselling their Owned Unit.

(E) Procedures.

(i) MOHCD shall propose policies and procedures for implementing price and AMI level adjustments consistent with this subsection (b)(9) to the Planning Commission for inclusion in the Procedures Manual.

(ii) MOHCD may establish an adjusted Affordable Price and increase the maximum AMI level consistent with this subsection (b)(9) for the purposes of processing the resale, including marketing the Affordable Unit. If approved pursuant to subsections (b)(9)(E)(iii) through (vi), the increased maximum AMI level shall be established for all other purposes by the recording of a new Notice of Special Restrictions upon closing the resale of the Owned Unit that reflects the increased AMI level. As a condition of MOHCD's approval of the adjustments under this subsection (b)(9), the Owner shall execute and authorize the recordation of the new Notice of Special Restrictions in senior lien priority upon closing the resale of the Owned Unit.

(iii) For units in principal projects that required Planning Commission approval, the Planning Commission, in consultation with MOHCD, may modify any original conditions of approval for the principal project related to the maximum price or income levels consistent with this subsection (b)(9), including, but not limited to, modification to the required terms of a Notice of Special Restrictions recorded or to be recorded against the project or the Owned Unit. If the Planning Commission has delegated its authority to the Planning Department to review and approve requests for pricing and AMI level adjustments, such adjustments shall be reviewed and considered for approval by

the Director of the Planning Department, and the Planning Commission shall not hold a public hearing for discretionary review.

- (iv) For units in principal projects that required Planning Department approval but not Planning Commission approval, the Planning Department, in consultation with MOHCD, may modify any original conditions of approval for the principal project related to the maximum price or income levels including but not limited to modification to the required terms of a Notice of Special Restrictions recorded or to be recorded against the project or the Owned Unit.
- (v) For units in principal projects that did not require Planning Commission or

 Planning Department approval, the Planning Department, in consultation with MOHCD, may modify
 the required terms of a Notice of Special Restrictions recorded or to be recorded against the project or
 the Owned Unit.
- (vi) Any other City approval required prior to modifying the terms of a Notice of Special Restrictions, such as amending a development agreement, shall be obtained.
- (vii) Modifications under this subsection (b)(9) shall not be subject to review under any other Planning Code provision applicable to a change of use or change of condition including but not limited to Sections 303(e), 309(f), or 329(f)(7).
- (F) Reporting. MOHCD shall provide a report to the Inclusionary Housing Technical Advisory Committee, Planning Commission, and Board of Supervisors or a committee thereof after 10 adjustments are approved under this subsection (b)(9), and after every tenth adjustment approved thereafter. In addition, MOHCD shall provide a report to the Inclusionary Housing Technical Advisory Committee, Planning Commission, and Board of Supervisors or a committee thereof within twelve months from the effective date of the ordinance in Board File No. 240802 enacting this subsection (b)(9), and every twelve months thereafter. The Board of Supervisors or a committee thereof shall hold a public hearing on the first annual report; accordingly, that report must be accompanied by a draft resolution for the

Board to accept the report. Each report provided pursuant to this subsection (F) shall include at least the following information for each approved adjustment:

- (i) The location of the Affordable Unit;
- (ii) The date the adjustment was approved; and
- (iii) Pricing and AMI level information before and after the adjustment.
- (b)(9), and the related subsection (a)(4)(F), shall expire by operation of law four years from the effective date of the ordinance in Board File No. 240802 enacting those two subsections.

 Upon expiration of those subsections, the City Attorney is authorized to cause their removal from the Planning Code, which removal may include as appropriate nonsubstantive modifications in subsection lettering, numbering, punctuation, and language.

Section 3. Article 1.5 of the Planning Code is hereby amended by revising Section 167, to read as follows:

SEC. 167. PARKING COSTS SEPARATED FROM HOUSING COSTS IN NEW RESIDENTIAL BUILDINGS.

(a) All off-street parking spaces accessory to residential uses in new structures of 10 dwelling units or more, or in new conversions of non-residential buildings to residential use of 10 dwelling units or more, shall be leased or sold separately from the rental or purchase fees for dwelling units for the life of the dwelling units, such that potential renters or buyers have the option of renting or buying a residential unit at a price lower than would be the case if there were a single price for both the residential unit and the parking space. In cases where there are fewer parking spaces than dwelling units, the parking spaces shall be offered first to the potential owners or renters of three-bedroom or more units, second to the owners or

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renters of two bedroom units, and then to the owners or renters of other units. Renters or buyers of on-site inclusionary affordable units provided pursuant to Section 415 et seq. shall have an equal opportunity to rent or buy a parking space on the same terms and conditions as offered to renters or buyers of other dwelling units, and at a price determined by the Mayor's Office of Housing and Community Development (MOHCD), subject to procedures adopted by the Planning Commission notwithstanding any other provision of Section 415 et seg.

- (b) **Exception**. The Planning Commission may grant an exception from thisthe requirements in subsection (a) for projects which include financing for affordable housing that requires that costs for parking and housing be bundled together.
- (c) Affordable Unit Resale Exemption. For the initial sale, Affordable Units that are both On-site Units and Owned Units, as defined in Section 401, must be offered for sale separate from parking spaces pursuant to subsection (a), subject to the exception provided in subsection (b). Where the initial sale of such a unit included a parking space, the requirement of subsection (a) that parking be sold separately from the unit shall not apply to any future resale of such unit and parking space.

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

Section 5. 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. APPROVED AS TO FORM: DAVID CHIU, City Attorney <u>/s/ HEATHER GOODMAN</u> HEATHER GOODMAN By: n:\legana\as2024\2300392\01796409.docx



City and County of San Francisco Tails

Ordinance

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 24

240802

Date Passed: November 05, 2024

Ordinance amending the Planning Code to allow certain Below Market Rate (BMR) Owned Units to be resold at a price affordable to households at an increased Area Median Income (AMI) level, increase the qualifying AMI limit for BMR purchasers, require BMR Owned Units originally purchased with parking spaces and other amenities to be resold with the same parking and amenities, and require periodic reporting to the Inclusionary Housing Technical Advisory Committee, Planning Commission, and Board of Supervisors of AMI level increases approved under this ordinance; affirming the Planning Department's determination under the California Environmental Quality Act; and making findings of consistency with the General Plan and the eight priority policies of Planning Code, Section 101.1, and findings of public necessity, convenience, and welfare pursuant to Planning Code, Section 302.

October 28, 2024 Land Use and Transportation Committee - AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE

October 28, 2024 Land Use and Transportation Committee - DUPLICATED AS AMENDED

October 28, 2024 Land Use and Transportation Committee - RECOMMENDED AS AMENDED AS A COMMITTEE REPORT

October 29, 2024 Board of Supervisors - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

Ayes: 11 - Chan, Dorsey, Engardio, Mandelman, Melgar, Peskin, Preston, Ronen, Safai, Stefani and Walton

October 29, 2024 Board of Supervisors - PASSED ON FIRST READING AS AMENDED

Ayes: 11 - Chan, Dorsey, Engardio, Mandelman, Melgar, Peskin, Preston, Ronen, Safai. Stefani and Walton

November 05, 2024 Board of Supervisors - FINALLY PASSED

Ayes: 11 - Chan, Dorsey, Engardio, Mandelman, Melgar, Peskin, Preston, Ronen, Safai, Stefani and Walton

I hereby certify that the foregoing Ordinance was FINALLY PASSED on 11/5/2024 by the Board of Supervisors of the City and County of San Francisco.

> Angela Calvillo Clerk of the Board

London N. Breed Mayor Date Approved