

SAN FRANCISCO
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2019 OCT 15 PM 3:48

DEPARTMENT OF ELECTIONS

**Submittal Form
For Proposed Initiative Measure(s)
Prior to Submittal to the Department of Elections**

by 4 or more Supervisors or the Mayor

I, hereby submit the following proposed initiative measure(s) for hearing before the Board of Supervisors' Rules Committee prior to the submittal of the proposed initiative measure to the Department of Elections (per Proposition C, November 2007).

This matter is for the **March 3, 2020** Election.

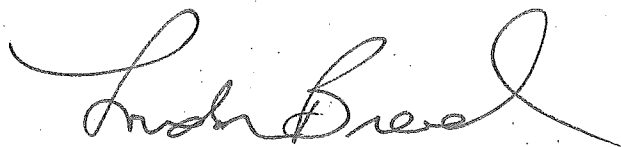
Sponsor(s): Mayor London Breed

Subject: Initiative Ordinance - Planning Code - Affordable Housing and Small Business Priority Reserve

The text is listed below or attached:

(See attached.)

Mayor Breed :



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(Clerk of the Board's Time Stamp)

**PROPOSED INITIATIVE ORDINANCE TO BE SUBMITTED BY THE
MAYOR TO THE VOTERS AT THE MARCH 3, 2020 ELECTION.**

[Under Charter Sections 3.100(16) and 2.113(b), this measure must be submitted to the Board of Supervisors and filed with the Department of Elections no less than *45 days prior* to deadline for submission of such initiatives to the Department of Elections set in Municipal Elections Code Section 300(b).]

[Initiative Ordinance - Planning Code - Affordable Housing and Small Business Priority Reserve]

Ordinance amending the Planning Code to 1) Add back certain converted office space to make it available for office development projects, 2) Establish the Affordable Housing and Small Business Priority reserve to make office space available for office developments that provide sites for affordable housing or include community arts, PDR space or neighborhood-serving retail, and 3) increase the cap for smaller office development projects.

NOTE: **Unchanged Code text and uncodified text** are in plain font.
Additions to Codes are in *single-underline italics Times New Roman font*.
Deletions to Codes are in *strikethrough italics Times New Roman 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. Findings.

(a) San Francisco's Office Development Annual Limit Program was established in 1985 with the adoption of the Downtown Plan. In 1986, San Francisco voters passed Proposition M, which amended the Office Development Annual Limit Program. These policies established an

annual limit on the amount of new office space that could be constructed every year in an effort to regulate growth. Since Proposition M's passage in 1986, the real estate market in San Francisco has dramatically changed.

(b) San Francisco has one of the lowest office space vacancy rates in the nation and increasing demand for office space has resulted in high rents. San Francisco is also home to an estimated 6,627 non-profit organizations and 43,570 businesses with fewer than 10 employees. Small businesses ranging from sole proprietorships to 100 employees account for 95.2 percent of registered businesses in San Francisco. Roughly one third of these small businesses are owned by minorities or women. As a result of these market pressures many small businesses and non-profit organizations cannot afford to locate or grow in San Francisco.

(c) Smaller office projects tend to provide more affordable and accessible space for small businesses and non-profit organizations. As currently written, Proposition M limits the size of small projects to those under 50,000 gross square feet. Any project larger than this, regardless of whether it is 75,000 gross square feet or one million gross square feet must compete for the same pool of available annual office space. By increasing the number of projects that qualify as small, this measure will potentially expand the amount of office space available for smaller businesses and non-profit organizations.

(d) Without changes to Proposition M to allow for new office space, small businesses will continue to be priced out of San Francisco's office market.

(e) We have seen the dominance of large businesses growing in relation to occupancy of San Francisco's office space. Currently companies over 100,000 square feet make up over 47% of the overall market – and this number is continuing to grow. As the vacancy rate has shrunk and office space has become scarcer, the average asking rent for Class b office space from 2009 to 2018 has seen an almost three fold increase. Class b office space is more

affordable and used by smaller businesses that cannot afford the higher rents of class a office space.

(f) As the vacancy rate has shrunk and office space has become more scarce, the average small lease size has more than doubled, resulting in small businesses having difficulty finding building owners that are willing to lease smaller blocks of space to them – preferring a larger lease size and fewer tenants. This has forced many of our small businesses into co-working spaces – where costs are on average 150% of stand-alone space.

(g) In December 2018, following years of public input and comprehensive planning, the City and County of San Francisco (“City”) approved the Central SoMa Plan, a comprehensive framework of planning and land use policies which govern the growth of 230 acres of land adjacent to downtown. Central SoMa has excellent transit access and is served by both local and regional transit lines. As such, the neighborhood is well positioned to accommodate needed employment, housing, and visitor facilities in the core of the City and Bay Area region. The Central SoMa Plan contains the goals, objectives, and policies to guide this growth of this area and envisions the creation of a transit-oriented, sustainable, mixed-use neighborhood with housing, commercial, and light industrial uses.

(h) Developments in the Central SoMa Plan Area will also provide critical public benefits to San Franciscans and the Central SoMa community. Developments in this area will provide up to \$2 billion for: affordable housing, transit, street and park improvements, support for childcare and local public schools, and support for historic and cultural preservation efforts. This \$2 billion represents a 667 percent increase over the \$300 million that would be generated without the Central SoMa Plan. Additionally, taxes from new development in the Central SoMa Plan Area are expected to generate up to \$1 billion in additional revenues for the City’s General Fund.

(i) The City has been reported to have the highest median residential rent in the United States. The City is also one of the highest-priced home ownership markets in the United States with a median home sales price of \$1.353 million. The Mayor's Office of Housing and Community Development continues to see a widening affordability gap for extremely-low, low and middle-income households in both the rental and homeownership markets. The affordability gap has the greatest impact on extremely-low and low-income households such as seniors, persons with disabilities, low-income working families, and veterans. The housing need in the City is also particularly acute for middle-income households, for whom there are no federal and limited state financing programs that the City can leverage with its own subsidies. Additionally, limited state and federal resources and the high cost of housing development put a greater burden on local governments to contribute their own limited resources, and consequently the City's supply of affordable housing has not kept pace with demand.

(j) Fees generated by office projects in San Francisco are an important source of funding for affordable housing. Additionally, office projects in the Central SoMa Plan Area are expected to generate more than \$200 million for affordable housing. This is a critical source of funding to expand affordable housing opportunities in the Central SoMa Plan Area for very low, low, and moderate income households.

(k) This measure will potentially increase the amount of office space available sooner allowing for the faster development of office space in the Central SoMa Plan Area thereby accelerating needed improvements such as affordable housing, transit, street and park improvements, support for childcare and local public schools, and support for historic and cultural preservation efforts.

Section 2. Article 3 of the Planning Code is hereby amended by revising Sections 320, 321, , 322, and 325, deleting existing Section 321.2, and renumbering existing Section 321.3 as Section 321.2, to read as follows:

SEC. 320. OFFICE DEVELOPMENT: DEFINITIONS.

When used in Sections 320, 321, 322 and 323, the following terms shall each have the meaning indicated. See also Section 102.

(a) "Additional office space" shall mean the number of square feet of gross floor area of office space created by an office development, reduced, in the case of a modification, *demolition*, or conversion, by the number of square feet of gross floor area of *preexisting* office space which is lost *in such office development*.

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SEC. 321. OFFICE DEVELOPMENT: ANNUAL LIMIT.

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(b) Guidelines.

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(4) Reserve for Smaller Buildings. In each approval period at least 75,000 square feet of office development shall be reserved for buildings between 25,000 and 99,999 ~~49,999~~ square feet in gross floor area of office development. To the extent the total square footage allowed under this Subsection in any approval period is not allocated, the unallocated amount shall be carried over to the next approval period and added only to the Reserve for Smaller Buildings.

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~~SEC. 321.2. LEGISLATIVE REDUCTION OF ANNUAL LIMIT.~~

~~The Board of Supervisors is permitted to reduce the annual limit defined in Subsection 321(a)(1).~~

SEC. ~~321.3~~ 321.2. VOTER APPROVAL OF EXEMPTIONS OF OFFICE PROJECTS AUTHORIZED BY DEVELOPMENT AGREEMENTS.

Any office development approved pursuant to a development agreement under Government Code Section 65865 or any successor Section may only be exempted from the annual limit set forth in Subsection 321(a)(1) after the exemption for such office development has been approved by the voters at a regularly scheduled election.

SEC. 322. PROCEDURES FOR ADMINISTRATION OF OFFICE DEVELOPMENT LIMIT.

* * * *

(g) Conversion of Baseline and Other Office Space.

(1) In the event that any Office Space of 25,000 square feet or more that lawfully existed before November 29, 1984 ("Baseline Office Space") is or was lawfully demolished or converted to non-office use on or after November 4, 1986, such square footage shall be added to a separate reserve entitled the Affordable Housing and Small Business Priority Reserve and shall remain in such reserve unless allocated as set forth in subsection 322(h) or allocated elsewhere as provided in subsection 322(i).

(2) In the event that any other office space is approved under the provisions of Planning Code Sections 320 – 325, and then is lawfully converted at any time to non-office use, such square footage shall be added to the amount available for allocation to new Office Developments as provided herein. If the converted office space was part of a building containing office space totaling between

25,000 and 49,999 square feet in gross floor area, such converted space shall be allocated to the Reserve for Smaller Buildings provided in Section 321(b)(4). If the converted office space was part of a building containing office space totaling more than 49,999 square feet in gross floor area, then such converted space shall be available for general allocation. Any unallocated amounts of the converted office space shall be carried over to the next approval period.

(3) Within two months of the effective date of this Ordinance, the Zoning Administrator shall make a written determination regarding conversion of any Baseline Office Space that was lawfully converted to non-office use on or before such effective date and shall allocate such Baseline Office Space to the Affordable Housing and Small Business Priority Reserve. If an individual believes there is additional Baseline Office Space that has been lawfully converted to non-office use, that individual may submit a request for a written determination to the Zoning Administrator regarding such additional Baseline Office Space. In determining whether Baseline Office Space lawfully existed or was lawfully demolished or converted to a non-office use for the allocation set forth in subsection (g)(1) above, the Zoning Administrator shall presume that such space was lawfully existing or converted unless there is conclusive evidence otherwise.

(4) For office space that is converted to non-office use after the effective date of this Ordinance, the Zoning Administrator shall make a written determination regarding such conversion. When such written determination becomes final, any converted office space that is determined to be available shall be added to the amount available for allocation to new Office Developments. Such conversions shall be allocated consistent with Subsection 322(g)(2) above. Any unallocated amounts of the converted office space shall be carried over to the next approval period.

(h) **Affordable Housing and Small Business Priority Reserve.** Notwithstanding the limits on office development set forth in Planning Code Sections 320-324, a property owner may elect to apply for allocation of office space from the Affordable Housing and Small Business Priority Reserve for an office development project, and the Planning Commission may allocate such office space, if:

(1) the Preliminary Project Assessment application for the proposed office development was submitted prior to September 11, 2019;

(2) the proposed office development contains more than 99,999 square feet of office space; and

(3) any current or prior phase of the project of which the proposed office development is a part satisfies either of the following criteria:

(A) the project includes a parcel on-site or off-site to be deeded to the City or deed-restricted entirely for future development of affordable housing; or

(B) the project includes community arts PDR space or neighborhood-serving retail space of no less than 10,000 square feet that will be affordable to such tenants at no more than 60% of comparable market rent for no less than 30 years.

(i) Annual Review of Affordable Housing and Small Business Priority Reserve; Reallocation.

On an annual basis, the Zoning Administrator shall assess whether any proposed office development projects could meet the criteria set forth in subsection (h). If no proposed office development project could meet this criteria, the Planning Commission may allocate any Baseline Office Space remaining in the Affordable Housing and Small Business Priority Reserve to any proposed office development located elsewhere in the City, notwithstanding the limits set forth in subsections 322(g)(1) and 322(h).

SEC. 325. SUNSET CLAUSE; AMENDMENT.

(a) The limit on office development set out in Planning Code Sections 320, 321, 322, 323, 324 and 324.1 as of October 17, 1985, as amended by the voters on November 4, 1986, ~~and~~ November 8, 2016, and March 3, 2020, shall remain in effect until amended or repealed by the voters of San Francisco at a regularly scheduled election.

(b) The Board of Supervisors may by ordinance amend Sections 320-324 if:

(1) The amendment does not decrease the amount of office space that is allocated annually as provided in Section 321 or the allocations and adjustments that are provided in this Ordinance; and

(2) The Board of Supervisors approves the proposed amendment by at least a two-thirds vote of all its members.

Section 3. Scope of Ordinance. In enacting this ordinance, the People of the City and County of San Francisco intend 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 or deletions, in accordance with the "Note" that appears under the official title of the ordinance.

Section 4. Conflicting Measures. In the event that this initiative ordinance shall receive a greater number of affirmative votes than any other measure or measures related to limits on office development in the City at the March 3, 2020 election, the provisions of this initiative ordinance shall prevail in their entirety and each and every provision of the other measure or measures shall be null and void in their entirety. In the event that the other measure or measures shall receive a greater number of votes, the provisions of this initiative ordinance shall take effect to the extent permitted by law.

SUBMITTED.

A handwritten signature in cursive script, appearing to read "London Breed", written over a horizontal line.

London M. Breed
Mayor, City and County of San
Francisco

Date: _____