

File No. 140036

Committee Item No. 1

Board Item No. 2

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Land Use and Economic Development Date June 23, 2014

Board of Supervisors Meeting

Date 7/15/14


Cmte Board

- | | | |
|-------------------------------------|-------------------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Ordinance |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Legislative Digest |
| <input type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
| <input type="checkbox"/> | <input type="checkbox"/> | Public Correspondence |

OTHER (Use back side if additional space is needed)

<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____

Completed by: Andrea Ausberry Date June 19, 2014

Completed by:  Date 7-2-14

[Planning Code - Dwelling Unit Density]

1
2 Ordinance amending the Planning Code to exclude Affordable Housing Units as
3 defined from density calculations for projects that provide at least 20% of their units as
4 Affordable Units and amending density calculations under certain scenarios; and
5 adopting findings, including environmental findings, Planning Code, Section 302,
6 findings, and findings of consistency with the General Plan, and the eight priority
7 policies of Planning Code, Section 101.1.

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

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

16 Section 1. Findings.

17 (a) The Planning Department has determined that the actions contemplated in this
18 ordinance comply with the California Environmental Quality Act (California Public Resources
19 Code Section 21000, et seq.). Said determination is on file with the Clerk of the Board of
20 Supervisors in File No. 140036 and is incorporated herein by reference.

21 (b) Pursuant to Planning Code Section 302, this Board finds that these Planning
22 Code amendments will serve the public necessity, convenience, and welfare for the reasons
23 set forth in Planning Commission Resolution No. 19173 and the Board incorporates such
24 reasons herein by reference. A copy of Planning Commission Resolution No. 19173 is on file
25 with the Board of Supervisors in File No. 140036.

1 (c) On June 12, 2014, the Planning Commission, in Resolution No. 19173, adopted
2 findings that the actions contemplated in this ordinance are consistent, on balance, with the
3 City's General Plan and eight priority policies of Planning Code Section 101.1. The Board
4 adopts these findings as its own. A copy of said Resolution is on file with the Clerk of the
5 Board of Supervisors in File No. 140036, and is incorporated herein by reference.

6 (d) The Board re-adopts and incorporates by reference the findings in Planning Code
7 Section 415.1. Specifically the Board re-adopts its findings in Section 415.1, Subsection 12,
8 related to the Keyser Marston nexus analysis in support of the Inclusionary Affordable
9 Housing Program, or an analysis of the impact of development of market rate housing on
10 affordable housing supply and demand. This study is found in Board of Supervisors File No.
11 061529. The Board finds that a higher on-site inclusionary housing requirement than that
12 required by Planning Code Section 415, et seq. may be justified in the event that a project
13 sponsor seeks and chooses to exempt the affordable units from the density calculations set
14 forth in Section 207.1.

15
16 Section 2. The Planning Code is hereby amended, by revising Sections 207.1 and
17 207.4, to read as follows:

18 **SEC. 207.1. RULES FOR CALCULATION OF DWELLING UNIT DENSITIES.**

19 In districts that establish a maximum dwelling unit density, the ~~The~~ following rules shall apply
20 in the calculation of dwelling unit densities under this Code:

21 (a) The entire amount of lot area per dwelling unit specified by the Code in Sections
22 207.5 or 209.1 of this Code shall be required for each dwelling unit on the lot. Fractional numbers
23 shall be adjusted downward to the next lower whole number of dwelling units. A remaining fraction of
24 one-half or more of the minimum amount of lot area per dwelling unit shall be adjusted upward to the
25 next higher whole number of dwelling units.

1 (b) Where permitted by this Code, ~~the provisions of Sections 207.5, 209.1 and 209.2 of~~
2 ~~this Code~~, two or more of the dwelling and other housing uses specified in the Code said sections
3 may be located on a single lot, either in one structure or in separate structures, provided that
4 the specified density limits are not exceeded by the total of such combined uses. Where
5 dwelling units and group housing are combined, the maximum permitted density for dwelling
6 units and for group housing shall be prorated to the total lot area according to the quantities of
7 these two uses that are combined on the lot.

8 (c) Where any portion of a lot is narrower than five feet, such a portion shall not be
9 counted as part of the lot area for purposes of calculating the permitted dwelling density.

10 (d) No private right-of-way used as the principal vehicular access to two or more lots
11 shall be counted as part of the lot area of any such lot for purposes of calculating the
12 permitted dwelling unit density.

13 (e) Where a lot is divided by a use district boundary line, the dwelling unit density
14 limit for each district shall be applied to the portion of the lot in that district, and none of the
15 dwelling units attributable to the district permitting the greater density shall be located in the
16 district permitting the lesser density.

17 (f) For projects that are not located in any RH-1 or RH-2 zoning district, or are not seeking
18 and receiving a density bonus under the provisions of California Government Code Section 65915,
19 where 20 percent or more of the dwelling units on-site are "Affordable Units," the on-site Affordable
20 Units shall not count towards the calculation of dwelling unit density. This Planning Code Section
21 does not provide exceptions to any other Planning Code requirements such as height or bulk. For
22 purposes of Section 207.1, "Affordable Units" shall be defined as meeting (1) the criteria of Section
23 406(b); (2) the requirements of Section 415 et seq. for on-site units; or (3) restricted units in a project
24 using California Debt Limit Allocation Committee (CDLAC) tax-exempt bond financing and 4 percent
25 tax credits under the Tax Credit Allocation Committee (TCAC). If a project sponsor proposes to

1 provide "Affordable Units" that are not restricted by any other program, in order to receive the benefit
2 of the additional density permitted under this Subsection (f) or Subsection (g), the project sponsor shall
3 elect and the Planning Department and MOHCD shall be authorized to enforce, restricting the units as
4 affordable under Planning Code Section 415.6 up to a maximum of 2025 percent of the units in the
5 principal project. The project sponsor shall make such election through the procedures described in
6 Section 415.5(g) including submitting an Affidavit of Compliance indicating the project sponsor's
7 election to pursue the benefits of Subsection (f) or (g) and committing to 20up to 25% on-site units
8 restricted under Section 415.6 prior to approval by the Planning Commission or Planning Department
9 staff. If a project sponsor obtains the exemption from the density calculation for Affordable Units
10 provided in this subsection, the exemption shall be recorded against the property. Any later request to
11 decrease the number of Affordable Units shall require the project to go back to the Planning
12 Commission or Planning Department, whichever entity approved the project as a whole.

3 (g) In ~~the~~ RTO Districts, on-site dwelling units that are "Affordable Units," as defined in
14 Subsection (f), affordable (meeting the criteria of Section 406(b) or the requirements of Section 415)
15 shall not count toward density calculations or be limited by lot area.

17 **SEC. 207.4. DENSITY OF DWELLING UNITS IN NEIGHBORHOOD COMMERCIAL**
18 **DISTRICTS.**

19 The density of dwelling units in Neighborhood Commercial Districts shall be as stated
20 in the following subsections:

21 (a) The rules for calculation of dwelling unit densities set forth in Section 207.1 of
22 this Code shall apply in Neighborhood Commercial Districts, except that any remaining
23 fraction of one-half or more of the minimum amount of lot area per dwelling unit shall be
24 adjusted upward to the next higher whole number of dwelling units.

1 The dwelling unit density in Neighborhood Commercial Districts shall be at a
2 density ratio not exceeding the number of dwelling units permitted in the nearest Residential
3 District, provided that the maximum density ratio shall in no case be less than the amount set
4 forth in the zoning control table for the district. The distance to each Residential District shall
5 be measured from ~~the midpoint of the front lot line~~ any portion of the lot or from a point directly
6 across the street therefrom, whichever permits the greater density.

7 (b) The dwelling unit density for dwellings specifically designed for and occupied by
8 senior citizens or persons with physical disabilities shall be at a density ratio not exceeding
9 twice the number of dwelling units permitted by the limits set forth in Subsection (a).

10 (c) The dwelling unit density in the RCD District and NCT Districts, as listed in
11 Section 702.1(b), shall not be limited by lot area, but by the applicable requirements and
12 limitations elsewhere in this Code, including but not limited to height, bulk, setbacks, open
13 space, exposure, and unit mix, as well as by applicable design guidelines, applicable
14 elements and area plans of the General Plan, and design review by the Planning Department.

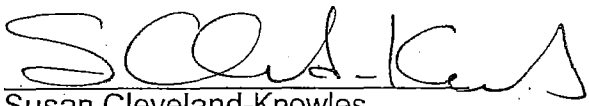
15
16 Section 3. In enacting this ordinance, the Board of Supervisors intends to revisit its
17 provisions, especially Section 207.1(f), should the 2014 Mayor's Housing Working Group
18 advance a broader legislative density bonus proposal for consideration.

19
20 Section 4. Effective Date. This ordinance shall become effective 30 days after
21 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the
22 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board
23 of Supervisors overrides the Mayor's veto of the ordinance.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

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:
DENNIS J. HERRERA, City Attorney

By: 
Susan Cleveland-Knowles
Deputy City Attorney

n:\eganas2014\1400328\00936772.doc

LEGISLATIVE DIGEST
(6/23/2014, Amended in Committee)

[Planning Code - Dwelling Unit Density]

Ordinance amending the Planning Code to exclude Affordable Housing Units as defined from density calculations for projects that provide at least 20% of their units as Affordable Units and amending density calculations under certain scenarios; and adopting findings, including environmental findings, Planning Code, Section 302, findings, and findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

Existing Law

Section 207.1 of the Planning Code currently provides for rules related to the calculation of dwelling unit density. In calculating dwelling unit density, the Code currently states that fractional numbers shall be adjusted downward to the next lower whole number of dwelling units. The Code provides that, in Residential Transit Oriented (RTO) districts only, Affordable Units, defined as units that meet the affordability requirements of Section 406 or 415 of the Planning Code will not count toward the calculation of density. Sections 406 and 415 require units to be restricted as affordable at or below a certain Area Median Income by a governmental entity for a certain time period.

Amendments to Current Law

The Proposed legislation clarifies several issues related to the calculation of dwelling unit densities. It provides that Section 207.1 addressing the calculation of dwelling unit density only applies in districts that establish a maximum dwelling unit density. It also provides that, if a calculation of density results in a fraction of over one-half, the number shall be rounded up to the nearest whole number of dwelling units. The Legislation also amends Section 207.4 to clarify how to measure the dwelling unit density in NC districts.

The Proposed Legislation also provides that "Affordable Units" as defined in the ordinance, will not count toward the calculation of dwelling unit density for a project if 20 percent or more of the project's units are Affordable Units. This provision does not apply if a project sponsor is located in an RH-1 or RH-2 district or if the project sponsor is seeking and receiving a density bonus under the State Density Bonus Statute. Similar to the existing provision for RTO districts, the Proposed Legislation defines "Affordable Units" for purposes of Section 207.1 as units that meet the requirements of Planning Code Section 406(b) or on site Inclusionary Units under Section 415. And, it expands the definition to include units restricted as part of certain tax credit projects. In all cases, the units are restricted at or below a certain Area Median Income by a governmental entity for a certain time period. If a project sponsor elects to pursue the additional density and its units are not otherwise restricted, the Proposed

Legislation authorizes the Planning Department and the Mayor's Office of Housing and Community Development to enforce restricting the units as affordable under Planning Code Section 415.6 up to a maximum of 25 percent. The Proposed Legislation continues to provide that any Affordable Unit in a project located in an RTO district will not count toward the calculation of dwelling unit density. The Proposed Legislation does not provide for any exceptions to other Planning Code requirements such as height or bulk.

An uncodified Section of the legislation provides that the Board of Supervisors will revisit the provisions of the Proposed Legislation if the Mayor's Housing Working Group advances a broader proposal related to density bonuses.

Background

Supervisor Wiener originally introduced this Legislation on January 14, 2014. He introduced substitute Legislation on June 3, 2014 and additional substitute Legislation on June 17, 2014. The Legislation was amended in Committee on June 23, 2014.



SAN FRANCISCO PLANNING DEPARTMENT

June 16, 2014

Supervisor Scott Wiener
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

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

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

**Re: Transmittal of Planning Department Case Number 2014.0348T
Revisions to Rules for Calculating Dwelling Unit Densities
Board of Supervisors File No. 140036
Planning Commission Recommendation: Approval as amended**

Dear Ms. Calvillo and Supervisor Wiener,

On June 12, 2014 the Planning Commission conducted a duly noticed public hearing at regularly scheduled meeting to consider the proposed Ordinance, introduced by Supervisor Wiener, which would amend Sections 207.1 and 207.4 to exclude Affordable Housing Units (AHUs) from density calculations for projects that provide at least 20 percent of their units as AHUs and would amend density calculations under certain other scenarios. The Commission voted unanimously to recommend that Board of Supervisors approve the proposed Ordinance as amended.

The proposed Ordinance was determined not to be a project per State CEQA Guidelines, Section 15060(c) and 15378.

Please find the attached documents relating to the actions of the Commissions. 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 "Aaron D. Starr", with a long horizontal flourish extending to the right.

Aaron D. Starr
Acting Manager of Legislative Affairs

cc:
Andres Power, Aide to Supervisor Wiener
Susan Cleveland Knowles, City Attorney
Andrea Ausberry, Office of the Clerk of the Board

Attachments

Planning Commission Resolution 19173

Planning Commission Executive Summary



SAN FRANCISCO PLANNING DEPARTMENT

Planning Commission Resolution Planning Code Text Change JUNE 12, 2014

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: Board of Supervisors File No. 140036; Revisions to Rules for
Calculating Dwelling Unit Densities
Case Number: 2014.0348T [Board File No. 14-0036]
Irritated by: Supervisor Weiner / Introduced January 14, 2014
Staff Contact: Kearstin Dischinger
Kearstin.Dischinger@sfgov.org , 415-558-6284
Reviewed by: Aaron Starr, Acting Manager Legislative Affairs
Aaron.starr@sfgov.org, 415.558.6362
Recommendation: Recommend Approval

RECOMMENDING THAT THE BOARD OF SUPERVISORS ADOPT A PROPOSED ORDINANCE THAT WOULD AMEND PLANNING CODE SECTIONS 207.1 AND 207.4 TO EXCLUDE AFFORDABLE HOUSING UNITS (AHUS)¹ FROM DENSITY CALCULATIONS FOR PROJECTS THAT PROVIDE AT LEAST 20 PERCENT OF THEIR UNITS AS AHUS AND WOULD AMEND DENSITY CALCULATIONS UNDER CERTAIN OTHER SCENARIOS AND AMENDING DENSITY CALCULATIONS UNDER CERTAIN SCENARIOS; ADOPTING FINDINGS, INCLUDING ENVIRONMENTAL FINDINGS, SECTION 302 FINDINGS, AND FINDINGS OF CONSISTENCY WITH THE GENERAL PLAN AND THE PRIORITY POLICIES OF PLANNING CODE SECTION 101.1.

WHEREAS, on January 14, 2014 and later on substituted on June 3, 2014, Supervisors Weiner introduced a proposed Ordinance under Board of Supervisors (hereinafter "Board") File Number 14-0036, which would amend Sections 207.1 and 207.4 to exclude Affordable Housing Units (AHUs)² from density calculations for projects that provide at least 20 percent of their units as AHUs and would amend density calculations under certain other scenarios;

¹ For purposes of this legislation, AHUs are defined as units where affordability is regulated through existing programs, specifically units that meet (1) the criteria of Section 406(b),1 (2) the requirements of Section 415 (Inclusionary Affordance Housing Ordinance), or (3) restricted units in a project using California Debt Limit Allocation Committee (CDLAC) tax-exempt bond financing and 4 percent tax credits under the Tax Credit Allocation Committee (TCAC).

² For purposes of this legislation, AHUs are defined as units where affordability is regulated through existing programs, specifically units that meet (1) the criteria of Section 406(b),2 (2) the requirements of Section 415 (Inclusionary Affordance Housing Ordinance), or (3) restricted units in a project using California Debt Limit Allocation Committee (CDLAC) tax-exempt bond financing and 4 percent tax credits under the Tax Credit Allocation Committee (TCAC).

WHEREAS, The Planning Commission (hereinafter "Commission") conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance on June 12, 2014; and,

WHEREAS, The Commission will revisit this ordinance while considering the proposal generated through the Mayor's Working Group around the *revised Housing Density Bonus Program*; and,

WHEREAS, the proposed Ordinance has been determined to be exempt from environmental review under the General Rule Exclusion (GRE), pursuant to CEQA Guidelines Section 15061(b)(3); and

WHEREAS, the Planning Commission has heard and considered the testimony presented to it at the public hearing and has further considered written materials and oral testimony presented on behalf of Department staff and other interested parties; and

WHEREAS, 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 Planning Commission has reviewed the proposed Ordinance; and

MOVED, that the Planning Commission hereby recommends that the Board of Supervisors **approve with modifications** the proposed ordinance. The proposed modifications include modifying the ordinance in alignment with the document circulated to the Commission at the June 12 hearing, included here as Exhibit A.

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 is currently working to identify a series of policies and programs to facilitate the development of affordable housing.
2. The proposed Ordinance aims to introduce more affordable housing to the current unaffordable market of housing in San Francisco. The value of density waivers would be recaptured by an increase in stock of affordable housing.
3. This ordinance directs the Board of Supervisors to revisit this ordinance while considering the proposal generated through the Mayor's Working Group around the *revised Housing Density Bonus Program*.
4. **General Plan Compliance.** The proposed Ordinance and the Commission's recommended modifications are consistent with the Objectives and Policies of the General Plan:

OBJECTIVE 1

IDENTIFY AND MAKE AVAILABLE FOR DEVELOPMENT ADEQUATE SITES TO MEET THE CITY'S HOUSING NEEDS, ESPECIALLY PERMANENTLY AFFORDABLE HOUSING.

The proposed Ordinance could facilitate additional affordable housing development, specifically, the ordinance could encourage project sponsors to pursue on-site affordable housing development in properties that otherwise are unlikely to host affordable housing.

OBJECTIVE 7

SECURE FUNDING AND RESOURCES FOR PERMANENTLY AFFORDABLE HOUSING, INCLUDING INNOVATIVE PROGRAMS THAT ARE NOT SOLELY RELIANT ON TRADITIONAL MECHANISMS OR CAPITAL.

The proposed Ordinance aims to support additional affordable housing without the need for further public subsidy. Offering an exception to density for affordable housing units does not rely on traditional mechanisms or Capital to produce affordable housing.

1. **Planning Code Section 101 Findings.** The proposed amendments to the Planning Code are consistent with the eight Priority Policies set forth in Section 101.1(b) of the Planning Code in that:

1. That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses enhanced;

The proposed Ordinance would not have a negative impact on neighborhood serving retail uses and will not impact opportunities for resident employment in and ownership of neighborhood-serving retail.

2. That existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods;

The proposed Ordinance would not have a negative effect on housing or neighborhood character. The new units would be built within the existing building envelope and therefore would impose minimal impact on the existing housing and neighborhood character.

3. That the City's supply of affordable housing be preserved and enhanced;

The proposed Ordinance could enhance the City's supply of affordable housing and aims to create additional affordable units within the allowable building envelope by offering exceptions to density for affordable units that comprise more than 20% of the project.

4. That commuter traffic not impede MUNI transit service or overburden our streets or neighborhood parking;

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

5. That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for resident employment and ownership in these sectors be enhanced;

The proposed Ordinance would not cause displacement of the industrial or service sectors due to office development, and future opportunities for resident employment or ownership in these sectors would not be impaired.

6. That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake;

The proposed Ordinance would not have an impact on City's preparedness against injury and loss of life in an earthquake.

7. That the landmarks and historic buildings be preserved;

The proposed Ordinance would not have a negative impact on the City's Landmarks and historic buildings as the new units would be added under the guidance of local law and policy protecting historic resources, when appropriate.

8. That our parks and open space and their access to sunlight and vistas be protected from development;

The proposed Ordinance would not have an impact on the City's parks and open space and their access to sunlight and vistas.

8. **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.

NOW THEREFORE BE IT RESOLVED that the Commission hereby recommends that the Board ADOPT the proposed Ordinance with modifications as described in this Resolution.

I hereby certify that the foregoing Resolution was adopted by the Commission at its meeting on June 12, 2014.

Jonas P. Ionin
Commission Secretary

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

NOES: None

ABSENT: None

ADOPTED: June 12, 2014



SAN FRANCISCO PLANNING DEPARTMENT

Executive Summary Planning Code Text Change

HEARING DATE: JUNE 12, 2014

Project Name: Board of Supervisors File No. 140036; Revisions to Rules for Calculating Dwelling Unit Densities

Case Number: 2014.0348T [Board File No. 140036]

Initiated by: Supervisor Weiner / Introduced January 14, 2014

Staff Contact: Kearstin Dischinger
Kearstin.Dischinger@sfgov.org , 415-558-6284

Reviewed by: Aaron Starr, Acting Manager Legislative Affairs
Aaron.starr@sfgov.org, 415.558.6362

Recommendation: Recommend Approval

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

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

PLANNING & ADMINISTRATIVE CODE AMENDMENTS

The proposed legislation, introduced by Supervisor Wiener on January 14, 2014, would amend the San Francisco Planning Code to exclude Affordable Housing Units (AHUs)¹ from density calculations for projects that provide at least 20 percent of their units as AHUs in districts with density maximums except RH-1 and RH-2 and would amend density calculations under certain other scenarios.

The Way It Is Now:

1. For many districts in the City, housing density standards are established in terms of numbers of dwelling units in proportion to the size of the building lot. For example, in an RM-1 district, one dwelling unit is permitted for each 800 square feet of lot area. This limitation generally applies regardless of the size of the unit and the number of people likely to occupy the unit or the level of affordability of the unit. There are many districts, in various areas of the city that, do not have numeric density limits, rather they regulate density indirectly by setting limits on building based on height and bulk.

¹ For purposes of this legislation, AHUs are defined as units where affordability is regulated through existing programs, specifically units that meet (1) the criteria of Section 406(b),¹ (2) the requirements of Section 415 (Inclusionary Affordance Housing Ordinance), or (3) restricted units in a project using California Debt Limit Allocation Committee (CDLAC) tax-exempt bond financing and 4 percent tax credits under the Tax Credit Allocation Committee (TCAC).

2. When calculating the number of residential units permitted in districts which establish a maximum dwelling unit density, the remaining fraction of one-half or more of the minimum amount of lot area per dwelling unit is rounded downward to the next whole number of dwelling units.
3. In NC Districts, the density limit is specified in the zoning control table for the district, or that of the nearest Residential or Residential-Commercial District, whichever permits the greater density. The distance to each Residential or Residential-Commercial District is currently measured from the midpoint of a lot or from a point directly across the street therefrom, whichever permits the greater density.

The Way It Would Be:

1. For many districts in the City, housing density standards are established in terms of numbers of dwelling units in proportion to the size of the building lot. For example, in an RM-1 district, one dwelling unit is permitted for each 800 square feet of lot area. This legislation would exempt affordable units from the maximum density calculation. This legislation would not apply to RH-1, RH-2, nor to districts that do not have numeric maximum densities, such as RTO and NCT. This legislation does not provide exemptions from other Planning Code requirements that limit a site's development potential such as height, bulk, or open space requirements.
2. In districts which establish a maximum dwelling unit density, , the remaining fraction of one-half or more of the minimum amount of lot area per dwelling unit would be rounded upward to the next whole number of dwelling units.
3. In NC Districts, the density limit would be retained in the manner currently specified in the zoning control table for the district, or that of the nearest Residential or Residential-Commercial District, whichever permits the greater density; however, the proposed Ordinance would change the way the number was calculated such that the distance to each Residential or Residential-Commercial District would be measured from any portion of a lot or from a point directly across the street therefrom, whichever permits the greater density.

BACKGROUND

Other Efforts to Address San Francisco's Housing Crisis

San Francisco has a shortage of housing, particularly affordable housing. Policy makers are working to address this housing shortage, and particularly the affordable housing shortage, by pursuing numerous policies, funding mechanisms, and programs. This past winter Mayor Lee issued an Executive Directive which enacted a number of short term policies and identified

potential long term programs and policies to address the affordable housing issue. The Mayor has also established a number of working groups to develop implementable solutions to achieve a 30,000 housing unit production goal, which includes a 10,000 affordable housing unit production goal. In recent months the Planning Commission reviewed and endorsed a number of Board of Supervisor initiated Planning Code amendments in this vein. Additionally, the City recently established strong local funding tools for affordable housing through the voter supported Proposition C, which established the City's Housing Trust Fund.

No single legislation, policy, or program will solve the affordable housing issues in San Francisco; however, a series of programs, together will enable the city to work towards improving the supply of housing. This legislation is a Board of Supervisor initiated effort to contribute to the ongoing set of solutions to the affordable housing crisis. Specifically, this legislation could potentially result in greater on-site affordable unit production, slightly greater housing production overall, and could potentially encourage development on marginally feasible development sites.

Similar Work Now Underway: Mayor's Housing Working Group

The Planning Department and the Mayor's Housing Working Group, are currently working to develop a *revised housing density bonus program* that will establish the City's preferences, priorities, and procedures for projects seeking a density bonus through the State Density Bonus Law. The *revised housing density bonus program* developed through this work will supersede the City's existing process, which includes granting density bonuses consistent with State law through a Special Use District (SUD). The *revised housing density bonus program* is currently under development with input from the Mayor's Working Group; also the Department is working with architecture and financial consultants to inform the *revised program*.

The Supervisor's proposed legislation, which is before you today, excludes any projects that are seeking a density bonus through the State program (Government Code Section 65915). The *revised Housing Density Program* could afford greater flexibility for projects than the legislation before you today, as the State Density Bonus Law requires, under certain circumstances, that in addition to proscribed relief from density limits, a Project receives concessions and incentives to accommodate onsite affordable housing. This legislation generally has similar policy intent as the *revised housing density bonus program*.

ISSUES AND CONCERNS

Coordination with the Ongoing Mayor's Working Group Initiative.

This legislation is related to the Mayor's working group initiative around a *revised housing density bonus program*, which is currently under development. In some instances, such as with Formula Retail and Medical Cannabis Dispensaries, the Department has recommended that the Board of Supervisors coordinate their proposed legislation with related ongoing Department studies and initiatives. In this case, however, the Board legislation was introduced before the Mayor's working group was initiated. Additionally, this proposed legislation, is not in conflict with the ongoing *revised housing density bonus program*. Also, the Supervisor added language indicating

that the City will revisit this legislation while considering the proposal generated through the Mayor's Working Group.

The Mayor's working group *revised housing density bonus program* proposal will go further to incentivize affordable housing development in accordance with the State Density Bonus Law. Specifically, it will offer additional exceptions and incentives to support new affordable housing development, as required by State Law. However, there may be some projects that can benefit from this proposal, thus generating additional affordable housing units for the City, in the interim period. To date, the Department is not aware of any projects that intend to seek a density exception through this legislation. The legislation would not allow a project seeking a bonus through the State Density Bonus law to obtain the bonus under the legislation.

There are some limitations on the legislation's ability to incentivize a large number of additional housing units as described below.

Anticipated Impact on the Construction of New Affordable Housing.

The Department projects that this legislation could facilitate some new affordable and market rate housing production. First, the potential density benefit could encourage projects to provide 20% affordable units onsite. This is a net gain in affordable units from the required 12% onsite requirement. Also, this program could incentivize projects that might otherwise elect to pay the inclusionary housing fee to elect to build the affordable housing units on site, in order to receive the density bonus. This legislation could also benefit parcels, in a limited number of districts in the City, which are zoned for residential use yet their total development capacity is constrained by density limits, rather than the other Planning Code requirements that are discussed in the next section. This legislation offers some relief from density constraints for these parcels.

However, the Department projects that the total number of development projects that will elect to take advantage of this program will be limited based on a few factors. To start, most parcels in the City are not eligible to participate in this program. The proposed legislation would not apply to RH-1 and RH-2 districts, which make up approximately 72² percent of all existing land parcels, and 50³ percent of the City's developable acreage (meaning non-open space or land that is not federally owned). Combined, these two districts regulate the vast majority of residential parcels. It also would not apply in any areas subject to a redevelopment plan, such as Mission Bay and Transbay redevelopment areas. Finally, a number of zoning districts do not have numeric density limits, so there is no incentive for a project to participate in a density bonus program based on the

2 As of March 2014 there are 110,720 parcels zoned RH-1 or RH-2; there are 153,827 parcels in the city (this does not include multiple condos mapped to a single parcel). Source: SF Planning Department Zoning Map.

3 As of March 2014 8113 acres of land is zoned RH-1 or RH-2; less than 17,000 acres of land in San Francisco has other a zoning designation other than RH-1 or RH-2. Of the 17,000 some smaller parks, public lands, and zoning districts that do not allow housing have been included. For this reason, the ratio is presented as an approximate number to frame the relative ratio of land. Source: SF Planning Department Zoning Map.

calculation set forth in Section 207.1. See Exhibit A for a map of zoning districts which could potentially benefit from the legislation.

Other Limiting Factors

Within the geographies that could benefit from the legislation, only some projects will elect to pursue the density exemptions allowed through this legislation. First, there are considerable financial factors; projects that elect to participate in the program receive a limited level of relief from existing controls (density exemptions for affordable units only), however they must elect to provide 20% of their units as affordable. Given the existing 12% requirement under Planning Code Section 415 – this legislation nearly doubles the total number of required affordable units. The additional costs of providing a greater number of affordable units could exceed the potential density benefit permitted within the existing building envelope. In some cases, such as projects that intend to provide 20% or higher inclusionary housing under the California Debt Limit Allocation Committee (“CDLAC”) financing or are otherwise 100% affordable housing projects, projects could benefit from this legislation without considerable additional financial burdens.

Since this legislation does not offer any concessions or incentives that increase the total buildable area, some projects may not benefit from this legislation. In some cases, there are physical constraints that will not allow a project to achieve a 20% density bonus within the allowed building envelope. Other Planning Code requirements such as height, exposure, rear yard requirements, useable open space requirements, and parking requirements could limit the number of additional units that a given site could accommodate regardless of relief from the density limits made available through this legislation. These constraints will reduce the number of projects that are able to benefit from this potential density bonus.

REQUIRED COMMISSION ACTION

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

RECOMMENDATION AND BASIS FOR RECOMMENDATION

The Department recommends that the Commission recommend *approval* of the proposed Ordinance and adopt the attached Draft Resolution to that effect.

- The legislation could enable and facilitate additional construction of affordable housing units, including higher rates of affordable units in mixed income market rate housing developments.
- The legislation could encourage projects to select the onsite option to meet the requirements of Planning Code Section 415.
- The legislation includes a clause directing the Board of Supervisors to revisit this legislation, especially section 207.1(f), should the 2014 Mayor’s Housing Working Group advance a broader legislative density bonus proposal for consideration.

ENVIRONMENTAL REVIEW

The proposed Ordinance is covered under Case No. 2014.0348E, and is exempt from environmental review under the General Rule Exclusion (GRE), pursuant to CEQA Guidelines Section 15061(b)(3).

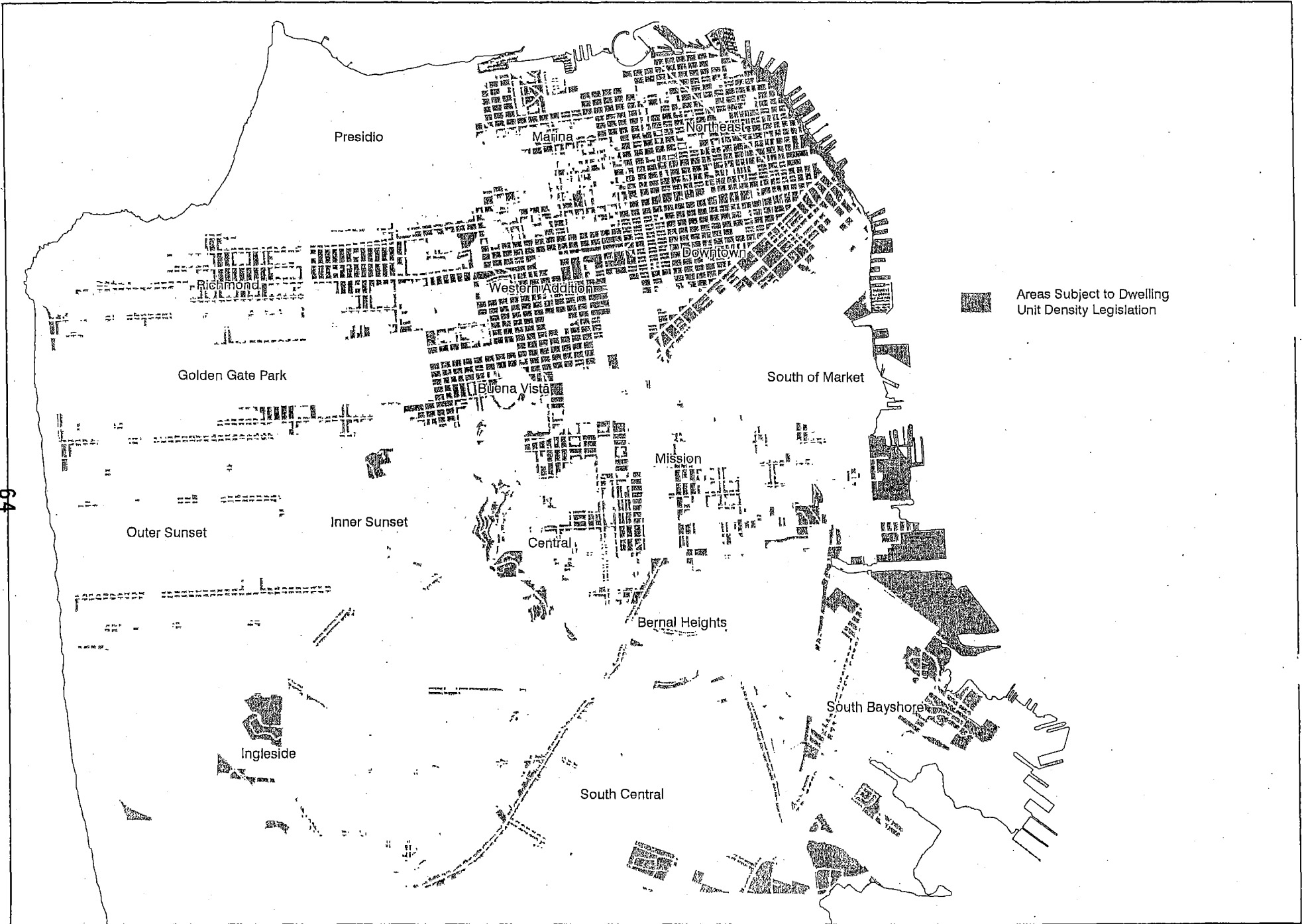
PUBLIC COMMENT

The Planning Department received one public comment from the Council of Community Housing (CCHO) suggesting that the legislation "should be part of the Mayor's Housing Task Force process. . . . and part of a package that builds political consensus through the Mayor's big tent process." Additionally the commenter questioned the relationship between this legislation, micro unit developments and the price of Below Market Rate Units.

RECOMMENDATION: Recommendation of Approval

Attachments:

- Exhibit A: Map of Districts that could potentially benefit from legislation
- Exhibit B: Draft Planning Commission Resolution
- Exhibit C: Draft Ordinance [Board of Supervisors File No. 140036]



64

SAN FRANCISCO
 Potential Locations of Bonus Units Under Dwelling Unit Density Legislation

2 Miles

Source: San Francisco Plan Department 2014



SAN FRANCISCO PLANNING DEPARTMENT

Certificate of Determination EXCLUSION/EXEMPTION FROM ENVIRONMENTAL REVIEW

Case No.: 2014.0348E
 Project Title: Board of Supervisors File No. 140036; Revisions to Rules for Calculating Dwelling Unit Densities
 Zoning: Various
 Block/Lot: Various
 Project Sponsor: Supervisor Scott Wiener, District 8, San Francisco Board of Supervisors
 Staff Contact: Tania Sheyner - (415) 575-9127
Tania.Sheyner@sfgov.org

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

Reception:
 415.558.6378

Fax:
 415.558.6409

Planning
 Information:
 415.558.6377

PROJECT DESCRIPTION:

The proposed legislation, introduced to the San Francisco Board of Supervisors (Board) by Supervisor Wiener on January 14, 2014, would amend the San Francisco Planning Code to exclude affordable housing units (AHUs) from density calculations for projects that provide at least 20 percent of their units as affordable and would amend density calculations under certain other scenarios. The additional units that could be incentivized by this legislation (referenced throughout this document as "bonus units") could include both AHUs and market-rate units.

(Continued on next page.)

EXEMPT STATUS:

General Rule Exclusion (State CEQA Guidelines, Section 15061(b)(3)).

REMARKS:

Please see next page.

DETERMINATION:

I do hereby certify that the above determination has been made pursuant to State and Local requirements.


 Sarah B. Jones
 Environmental Review Officer

June 11, 2014
 Date

cc: Kearstin Dischinger
 Board of Supervisors

Distribution List
 Vima Byrd, M.D.F

PROJECT DESCRIPTION (CONTINUED):

The proposed legislation would adopt findings, including environmental findings, Section 302 findings, and findings of consistency with the General Plan, and the eight priority policies of Planning Code Section 101.1.

For purposes of this legislation, AHUs are defined as units where affordability is regulated through existing programs, specifically units that meet (1) the criteria of Planning Code Section 406(b),¹ (2) the requirements of Planning Code Section 415 (Inclusionary Affordance Housing Ordinance), or (3) restricted units in a project using California Debt Limit Allocation Committee (CDLAC) tax-exempt bond financing and 4 percent tax credits under the Tax Credit Allocation Committee (TCAC).

The proposed ordinance would amend Section 207.1 and 207.4 of the Planning Code to revise some of the existing rules for calculating dwelling unit densities. The main revisions being proposed are as follows:

- For projects that are not located in any Residential, House, One-Family (RH-1) or Residential, Housing, Two-Family (RH-2) zoning district, or are not seeking and receiving a density bonus under existing state provisions, where 20 percent or more of the dwelling units are affordable housing units, those units shall not count towards the maximum allowable dwelling unit density.
- In districts that establish a maximum dwelling unit density, such as Residential-Commercial (RC) Districts, Residential Mixed (RM) Districts, Commercial (C) Districts, and others, the entire amount of lot area per dwelling unit specified by the Planning Code would remain in effect for such zoning districts. However, under the proposed legislation, a remaining fraction of one-half or more of the minimum amount of lot area per dwelling unit would be *adjusted upward* (rather than downward as under current rules) to the next higher whole number of dwelling units. This would result in one additional dwelling unit that could be developed.
- In Neighborhood Commercial (NC) Districts, the density limit shall be as specified in the zoning control table for the district, or that of the nearest Residential or Residential-Commercial District, whichever permits the greater density. The distance to each Residential or Residential-Commercial District shall be measured from *any portion of the lot* or from a point directly across the street therefrom, whichever permits the greater density (rather than from midpoint of a lot or from a point directly across the street therefrom, whichever permits the greater density, as under current rules). This change, under certain circumstances, could also increase density.
- The proposed legislation would not apply to RH-1 or RH-2 districts, nor to districts that do not have numeric maximum densities, such as Residential Transit Oriented (RTO) and Neighborhood Commercial Transit (NCT).
- The proposed legislation does not propose any other exceptions to Planning Code requirements including but not limited to height or bulk.

¹ According to this section, an affordable housing unit is defined as a unit that is affordable to a household at or below 80% of the Area Median Income (as published by the United States Department of Housing and Urban Development), including units that qualify as replacement Section 8 units under the HOPE SF program; is subsidized by Mayor's Office of Housing, the San Francisco Housing Authority, and/or the San Francisco Redevelopment Agency; and is subsidized in a manner which maintains its affordability for a term no less than 55 years, whether it is a rental or ownership opportunity.

PROJECT APPROVALS:

On June 12, 2014, the Planning Department will present the legislation to the Planning Commission. The Planning Commission will make a recommendation to the Board of Supervisors. The Land Use Committee of the Board will then hear the legislation, followed by a hearing before the full Board. The Board of Supervisors' approval of the proposed legislation would constitute the Approval Action pursuant to Chapter 31 of the Administrative Code. The Approval Action date establishes the start of the 30-day appeal period for this CEQA exemption determination pursuant to Section 31.04(h) of the San Francisco Administrative Code.

REMARKS:

Background and Legislation Applicability

As discussed in the San Francisco Housing Element, in San Francisco, housing density standards have traditionally been set in terms of numbers of dwelling units in proportion to the size of the building lot. For example, in an RM-1 district, one dwelling unit is permitted for each 800 square feet of lot area. This limitation generally applies regardless of the size of the unit and the number of people likely to occupy it. Thus, a small studio and a large four-bedroom apartment both count as a single unit. Setting density standards encourages larger units and is particularly tailored for lower density neighborhoods consisting primarily of one- or two-family dwellings.

While the proposed legislation appears to provide an incentive to allow increased density in a broad range of districts, it is limited in three important ways.

First, the legislation does not apply in zoning districts with no quantified density limits. As articulated in Housing Element Policy 1.6, the City and County of San Francisco has made efforts over the years to allow for more flexibility with respect to the number and size of units within established building envelopes in community-based planning processes (i.e., areas subject to community plans), especially if it increases the number of affordable units that could be allowed in multi-family structures. As a result, various areas of the city that benefit from more recent community plans are not subject to residential density limits. The primary zoning districts where this is true are the NCT districts and RTO districts. In these areas, proposed developments are subject to other applicable requirements, including those pertaining to height, bulk, setbacks, open space, exposure, and unit mix, as well as Residential Design Guidelines and other applicable design guidelines; generally this approach is known as form-based code or regulation. As drafted, while the legislation does not specifically exempt RTO and NCT districts or most zoning districts located within Area Plans, such as Mixed Use, General (MUG), Mixed Use, Office (MUO), and Urban Mixed Use (UMU) districts, the legislation does not offer any change or benefit to areas that are already subject to form-based code (and hence, already lack density limits).

Second, the proposed legislation does not apply (by a specific exemption in the proposed legislation) to RH-1 and RH-2 districts, which make up approximately 72 percent² of all existing land parcels, and 50 percent³ of the City's developable acreage (meaning non-open space or land that is not federally owned). Combined, these two districts regulate the vast majority of all parcels in the City, especially those that accommodate residential uses.

2 As of March 2014, there are 110,720 parcels zoned RH-1 or RH-2 in San Francisco; there are 153,827 parcels in the city (this does not include multiple condos mapped to a single parcel). Source: SF Planning Department Zoning Map.

3 As of March 2014, 8,113 acres of land in the city is zoned RH-1 or RH-2; less than 17,000 acres of land in San Francisco has a zoning designation other than RH-1 or RH-2. Of the 17,000, some smaller parks, public lands, and zoning districts that do not allow housing have been included. Source: SF Planning Department Zoning Map.

Third, the legislation does not apply in any areas subject to redevelopment plans, such as Mission Bay and Hunters Point Shipyard redevelopment areas, as these areas are not subject to the San Francisco Planning Code.

In light of these limitations, areas of the city in which the proposed legislation would be applicable would be limited to several generalized locations, as illustrated in Figure 1. They include large areas of the northeastern portion of the city; portions of Western Addition, Richmond, and Mission neighborhoods; as well as some parcels along several commercial streets, such as Mission, Third, Irving, Judah, and Taraval Streets and Geary Boulevard.

The proposed legislation would not directly result in or permit development of these sites, but would relax the land use controls pertaining to dwelling unit density that regulate development of these sites, when a project sponsor is willing to increase the number of affordable housing units above the base requirement, which is generally 12 percent for most projects that choose to provide inclusionary housing units on-site.⁴ Some projects, such as projects using tax credits, are already required to provide 20 percent or more of their units as AHUs under other requirements and, projects in the Urban Mixed Use (UMU) zoning district are required to provide 14.4 percent of their units as AHUs if the sponsor decides to provide on-site affordable units. Similarly, projects that receive public funding are often required as a condition of public financing to restrict 100 percent of their units as affordable. These types of projects would benefit from the legislation without providing any additional AHUs and are discussed further below.

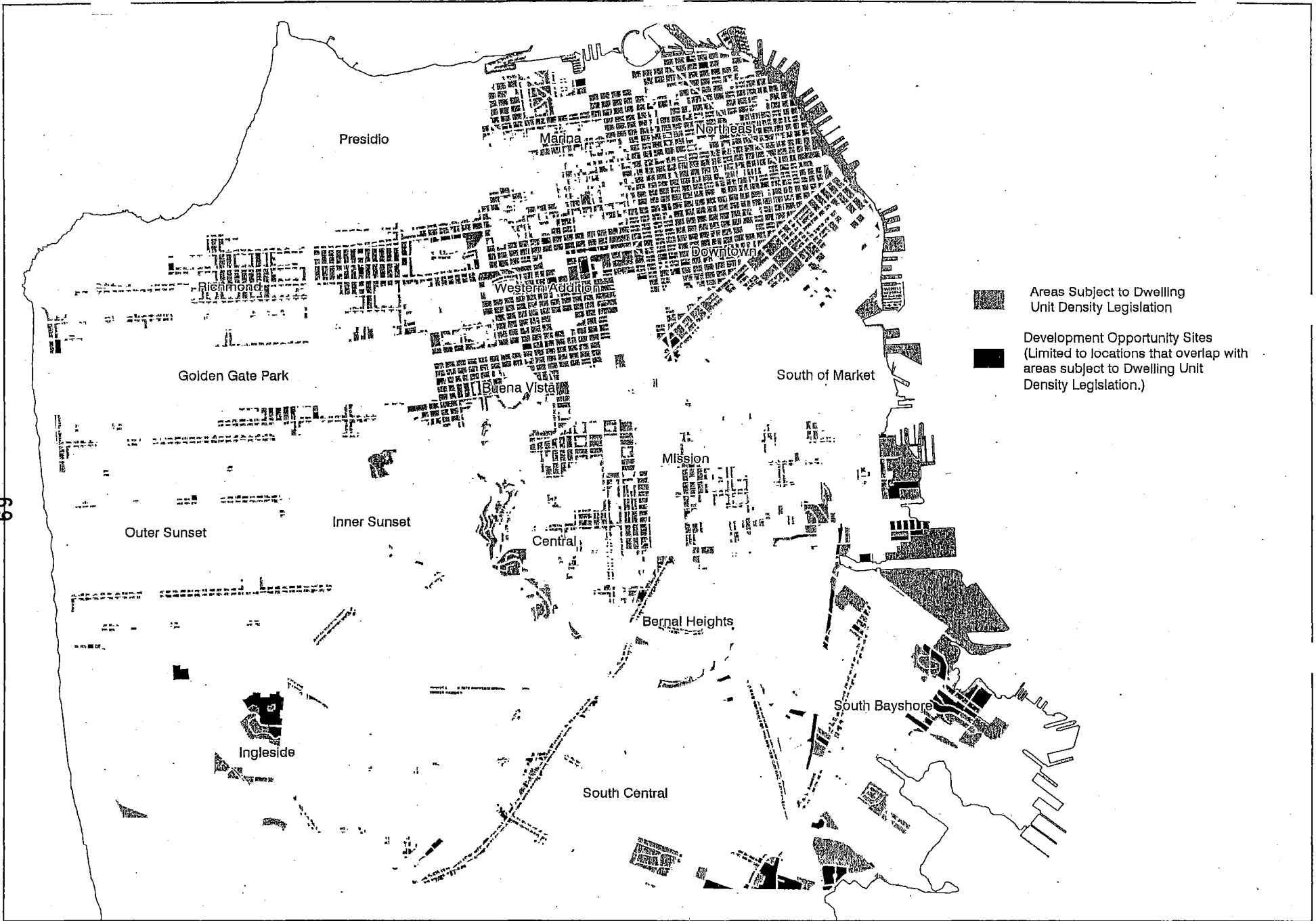
Overall, the Planning Department believes that the proposed legislation would not create a substantially greater incentive to develop additional dwelling units in the city due to other constraints to future development potential, discussed below. Nonetheless, for illustrative purposes, the Planning Department calculated the theoretical maximum number of bonus units that could be developed in the city, without consideration of development constraints.

Theoretical Maximum Number of Bonus Units

As noted above, the proposed legislation could increase the number of residential units within the city by amending density controls under certain scenarios such that affordable housing units would be exempt from density calculations. The most notable change likely would result from not counting affordable housing units toward the calculation of density limits where 20 percent or more of the proposed dwelling units are set aside as affordable. Other changes include allowing one more dwelling unit than permitted under existing conditions, due to new rules related to rounding or measuring distance to the nearest R or RC Districts. For the reasons articulated in more detail below, the Planning Department staff concludes that it is speculative to predict with certainty exactly how many new units (affordable and market rate) would be created by the proposed ordinance. However, Planning Department staff performed the following steps to estimate a theoretical maximum number of new units that could be incentivized with the proposed legislation.

Department staff first calculated the number of net new bonus units that could be constructed for development projects of varying sizes under the proposed legislation. For example, Table 1 shows the bonus unit potential for projects of up to 20 units that provide at least 20 percent of their onsite units as affordable. Projects of between 5 and 7 units would be able to potentially add one additional unit under the proposed legislation, for a total of 6 to 8 units; projects of between 8 and 12 units would be able to

⁴ The Inclusionary Affordable Housing Ordinance is found Planning Code Section 415 et seq. It requires project sponsors of residential projects with 10 units or more to pay an Affordable Housing Fee. Under certain circumstances a project sponsor may choose instead to provide on- or off-site AHUs instead of paying the fee. The most common on-site requirement is 12 percent, although it is higher in some Area Plan zoning districts. (See, e.g. Additional UMU Affordable Housing Requirements for UMU districts in Planning Code Section 419 et seq.)



SAN FRANCISCO

Figure 1. Potential Locations of Bonus Units Under Dwelling Unit Density Legislation

2 Miles

Source: San Francisco Planning Department 2014

include 2 additional units, for a total of 10 to 14 units; and projects of between 18 and 20 units would be able to add 4 units, for a total of 22 to 24 units. On average, this legislation would permit a roughly 20 percent increase in development potential on a given site, although the actual percentage would fluctuate between about 14 to about 25 percent, depending on the exact size of the proposed project.

In rare instances where projects could secure public financing to achieve more than 20 percent affordable units, they would be eligible to achieve density greater than 25 percent under the proposed legislation.

Table 1: Allowable Bonus Units for Market-Rate Residential Projects of up to 20 Units with the Bonus of 20% Onsite Affordable Units

Allowed Units per Existing Zoning ^a	Allowable Bonus Units ^b	Total with Bonus Units	Percentage Increase
1-4	0	1-4	0
5-7	1	6-8	14-20
8-12	2	10-14	17-25
13-17	3	16-20	18-23
18-20	4	22-24	20-22

Notes:

- a. Projects of greater than 20 units also would qualify to take advantage of the proposed ordinance; there is no cap on the unit size of projects that qualify.
- b. The actual additional development capacity on a given site may be less due to potential site constraints such as height, bulk, topography, etc.

However, those projects would nevertheless be limited by the maximum building envelope, exposure and open space requirements, and other Planning Code provisions (such as minimum unit and bedroom size requirements) that would continue to apply under the proposed legislation. Moreover, with the loss of redevelopment authority financing tools and devolution of funding to the local level, it is the Planning Department's opinion that the number of affordable projects that would be able to take advantage of this legislation is likely to decline.⁵

Following this calculation, Department staff performed a GIS database query of all existing "softsites" or opportunity sites (underutilized parcels) available for new development in the foreseeable future in areas that could potentially benefit from the proposed legislative changes. A two-tier query was used: 1) a search for 5 percent softsites (sites where 95 percent of the site's potential is not currently being used, i.e., vacant sites) and 2), a search for 30 percent softsites (sites where 70 percent of the site's potential is not currently being used, i.e., sites with underutilized structures that would be demolished to accommodate new construction).⁶ All districts that do not rely on density calculations to determine allowable dwelling

5 For various reasons, some of which are discussed in this document, most affordable housing projects effectively lose money on every unit constructed. Based on this, it is unlikely that developers of affordable housing units will have incentives, financial or otherwise, to take full advantage of this legislation and construct the maximum amount of dwelling units as permitted by height, bulk, exposure, and other applicable Planning Code restrictions. Moreover, many large affordable housing projects that could provide the greatest number of units per this legislation already do so through establishing Special Use Districts (SUDs). Examples of such projects are Third Street and Oakdale Avenue Affordable Housing SUD (Planning Code Section 249.30), Third Street and Armstrong Avenue Affordable Housing SUD (Planning Code Section 249.17), and Alabama and 18th Street Affordable Housing SUD (Planning Code Section 249.27). So for those types of large affordable housing projects, this legislation would essentially change (and perhaps simplify) the process through which density exceptions are already granted.

6 The use of two tiers of "softsites," based on percentage of the site's buildable potential (as per zoning), is consistent with methodology used for identifying opportunity sites for other Planning Department projects, such as Housing Elements and area plans.

unit number (and where this legislation would not be effective) were filtered out, including RH-1, RH-2, UMU, MUO, MUG, and NCT districts. Based on this calculation, which assumes full buildout of all opportunity sites, a maximum of approximately 1,083 bonus units could be accommodated on the 5 percent softsites, and a maximum of approximately 4,986 bonus units could be accommodated on 30 percent soft sites, for a theoretical maximum potential of approximately 6,069 bonus units throughout the city (see Table 2). Note that these two groups are considered separately because 5 percent softsites are more likely to be developed than are 30 percent softsites.

Table 2: Theoretical Maximum Number of Bonus Units by Neighborhood

Neighborhood	Maximum Permitted Housing Units under Current Zoning (on 5% and 30% Softsites) ^a	Maximum Potential Bonus Units on 5% Softsites	Maximum Potential Bonus Units on 30% Softsites	Maximum Potential Bonus Units
Bernal Heights	902	51	142	193
Buena Vista	507	17	103	120
Central	737	14	193	207
Downtown	2,782	138	416	554
Ingleside	1,384	46	254	300
Inner Sunset	499	18	113	131
Marina	1499	43	279	322
Mission	441	8	116	124
Northeast	2,878	104	518	622
Outer Sunset	1,257	22	317	339
Richmond	2,462	66	516	582
South Bayshore	6,205	186	729	1,251
South Central	2,299	74	463	537
South of Market	630	39	102	141
Western Addition	4,701	257	725	982
TOTAL	29,182	1,083	4,986	6,069

Note: a. Softsite analysis limited to areas where Dwelling Unit Density Legislation can be implemented.

Adjusted Maximum Bonus Unit Potential

Planning Department staff considers the 6,069 bonus units estimate to be a theoretical maximum that is unlikely to be reached, in light of physical, legal, and financial real-world constraints to developing these units. The constraints to bonus unit development generally fall into three general categories: 1) Planning Code requirements, 2) costs of constructing on-site affordable housing, and 3) additional constraints. Taking into account such factors, the Department anticipates that no more than 15 percent, or approximately 910, of these dwelling units would likely ever be constructed.

The constraints discussed below generally exist in all areas of the city affected by the proposed legislation; thus, they would apply to all future projects that wish to take advantage of the proposed rules allowing additional density. Furthermore, not all bonus units would be constructed at once. Rather, new bonus units would be created in a dispersed manner, both geographically and with respect to time. Such pattern and timing of development would likewise be diffuse and would reduce many environmental impacts, particularly construction-related impacts, attributable to the proposed legislation, such that impacts

associated with the incremental increases in density would be largely imperceptible from impacts associated with the overall development citywide.

Planning Code Requirements. Future development would continue to be subject to Planning Department regulation of the type and scale of land use activities that may take place at a given location. The Planning Department, through the Planning Code and Zoning Maps, places limits on these activities and the overall dimensions of the structures in which they occur. This is accomplished through establishment of controls pertaining to height, bulk, setbacks, open space, exposure, parking, and unit mix. Additional limitations on development result from application of the Residential Design Guidelines and other applicable design guidelines, applicable elements and area plans of the General Plan, and design review by the Planning Department. Depending on the particular site, these land use controls and limitations are likely to affect to a greater degree than density the number of units that could be developed.

For example, some sites may not have a permitted buildable envelope (height and bulk) to accommodate an additional 20 percent density. Other soft site parcels may be able to accommodate 30 percent more units by volume, but they cannot meet other Planning Code requirements, such as those regulating exposure, useable open space, and parking.

Therefore, while under this legislation a developer may be permitted to add, for example, two or three bonus units to a particular project, sufficient space within the permitted building envelope may not exist to do so. As a result, while this legislation would allow a greater number of units to be built on some sites, many softsites would not be able to be developed in a manner that reflects the [maximum potential permitted by this legislation. Based on past trends, under most circumstances, developers tend to maximize the building envelope to accommodate the largest number of dwelling units feasible. Thus, in order to accommodate additional units, unit sizes have to be reduced, which may conflict with some Planning Code or Building Code requirements and could make the development of bonus units infeasible from a regulatory perspective. For instance, Planning Code Section 415.6., On-Site Affordable Housing Alternative, states that, while affordable housing units are not required to be the same size as the principal project they must be "comparable in number of bedrooms, exterior appearance and overall quality of construction to market rate units in the principal project." In addition, Planning Code Section 318 limits the number of efficiency dwelling units with reduced square footage (living room of less than 220 square feet) that could be constructed citywide to a total of 375 citywide. The requirement to provide the same number of bedrooms as the principal project, as discussed above, combined with requirements concerning minimum bedroom sizes and unit sizes, would further limit the number of additional units that could be achieved under the proposed legislation.⁷

Costs of On-site Affordable Housing. The costs of constructing more on-site AHUs may prove to be financially infeasible or otherwise disadvantageous for developers. For this reason, some of the maximum estimated 1,083 to 6,069 bonus units would not materialize as a result of this program. First, participation in the program requires that project sponsors choose to provide affordable units on site and elect to provide 8 percent more affordable units than required by the current Planning Code requirements. Under the existing Inclusionary Housing Ordinance program,⁸ project sponsors must pay the affordable housing fee, or qualify for the on-site, off-site, or land dedication alternatives. The current on-site requirement for

7 Minimum bedroom size is provided in the Planning Code interpretation for Planning Code Section: 102.29 (titled "Definition of Bedroom"), which states that "a bedroom shall be defined as any room which meets all of the following criteria and which is subsequently determined by DBI to meet applicable Building and Housing Code standards: (1) contains at least 70 square feet, exclusive of closets, bathrooms, or similar spaces (as approved by DBI under the San Francisco Building and Housing Codes and related Administrative Bulletins), (2) has at least one window opening to an area which leads either to a street, light well, courtyard or rear yard (as approved by DBI under the San Francisco Building and Housing Codes and related Administrative Bulletins), and (3) is clearly labeled as a 'bedroom' on submitted plans.

8 This program is detailed in Planning Code Sections 415-415.9.

most sites is 12 percent (although as discussed above, these requirements are higher under certain scenarios and within the UMU zoning district).

Over the past year or so (from 2013), developers have chosen to construct AHUs on-site for about half of the proposed multi-unit development projects. For the other half of such projects, they opt to either pay an in-lieu fee or provide AHUs off-site or through a land dedication mechanism, even though the required percentages for developing AHUs off-site and/or paying the in-lieu fee (20 percent) are higher than constructing AHUs as part of the project (12 percent).⁹

In 2006, an Inclusionary Housing Program Sensitivity Analysis was performed under the direction of the Planning Department by Keyser Marston Associates, Inc. This study compared the relative financial feasibility of providing on-site affordable units, off-site affordable units, and paying an in-lieu fee. According to this study, the feasibility of providing on-site affordable units decreases with building height. This is due to higher costs associated with constructing taller buildings and the relative expense of concrete and steel as compared to wood.¹⁰

In many cases, the financial tradeoffs discourage project sponsors from meeting their affordable housing requirements on site. For example, in projects where the market-rate value of a new unit is very high, paying a fee is often a more financially feasible option. Also, sponsors of many smaller projects prefer to avoid the administrative burden of developing affordable units on site, which includes working with the Mayor's Office of Housing and Community Development (MOHCD) to promote affordable units and identify qualified tenants and completing various other requirements as specified in the MOHCD's Procedures Manual.¹¹ For smaller projects, in the 10 to 60 unit range, a 20 percent on site inclusionary requirement essentially doubles the inclusionary burden, but only offers a 20 percent density bonus.

Table 3: Number of Affordable Units under Existing and Proposed Projects; Assuming Minimum AHU Percentage

Number of Units	Number of Affordable Units with 12% Affordability Requirement	Number of Affordable Units with 20% Affordability Requirement
10	1.2	2
20	2.4	4
30	3.6	6
40	4.8	8
60	7.2	12

In addition, based on the large number of available soft sites that exist throughout the city, it is evident that opportunities to develop properties to high residential density potential already exist without the benefit of this legislation. Development is not certain to occur on soft sites, even with implementation of

9 Email from Chandra Egan, Senior Community Development Specialist, San Francisco Mayor's Office of Housing and Community Development to Planning Department staff, Subject: 2013 Inclusionary approvals, April 8, 2013. This email is on file and available for review at the Planning Department, 1650 Mission Street, Suite 400, as part of Case File No. 2014.0348E.

10 Keyser Marston Associates, Inc., *Summary Report, Inclusionary Housing Program, San Francisco, Sensitivity Analysis*, 2006. This report is on file and available for review at the Planning Department, 1650 Mission Street, Suite 400, as part of Case File No. 2014.0348E.

11 City and County of San Francisco, *Inclusionary Affordable Housing Program Monitoring and Procedures Manual*, Effective May 10, 2013. Available online at <http://sf-moh.org/modules/showdocument.aspx?documentid=6606>. Accessed on June 9, 2014.

the proposed relaxed density requirements. For example, the owner of a soft site located in a Mixed-Use, Residential (MUR) District could currently redevelop their site without a density limit and only provide the 12 percent AHU minimum requirement. However; many property owners have not taken advantage of redeveloping these properties. Factors such as revenues from existing uses, availability of financing, location and ownership of lots, the real estate market, regional housing market, regional economy and job market, and lack of knowledge about the development process are some of the many reasons all soft sites do not result in development proposals. Thus, it is unlikely that the opportunity to construct bonus units would incentivize all property owners to develop their sites to a greater density, especially with additional affordable housing requirements.

Additional Constraints. Additionally, on any given site, site-specific constraints may also result in a project with fewer units than the maximum density allowed by zoning. Factors such as site layout, building design, topography, and other considerations, such as neighborhood opposition, can affect the total number of units actually developed on a given site.

In conclusion, while the theoretical maximum bonus units is projected to be 1,083 to 6,069 future additional units citywide, factors such as Planning Code requirements, site-specific development constraints, and financial considerations would greatly limit the number of property owners that avail themselves of this program. It is the professional opinion of Planning Department staff that these factors would reduce this number by approximately 85 percent, such that in no case would more than approximately between 910 of these dwelling units be constructed.

POTENTIAL ENVIRONMENTAL EFFECTS:

California Environmental Quality Act (CEQA) Guidelines Section 15061(b)(3) establishes the general rule that CEQA applies only to projects that have the potential to cause a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.¹² This section discusses the potential for the proposed legislation to result in significant environmental effects and demonstrates that there is no reasonably foreseeable possibility of significant effects.

Approach to Analysis

As discussed in the project description, the Planning Department estimates that no more than 910 dwelling units would be incentivized by the proposed legislation. Furthermore, given all of the constraints identified above, the proposed legislation would not be expected to incentivize projects that would otherwise not occur; that is, the additional units would not themselves make projects feasible. In light of this, the methodology employed in analyzing environmental effects on transportation, noise, air quality and other environmental topics discussed below relies on assumptions made regarding where and when the new bonus units could be created. Specifically, the analysis assumes that only a small fraction of the hypothetical maximum development scenario would be developed and that new bonus units would be created in a dispersed manner, both geographically and with respect to time.

Also, as noted above, the new bonus units could not be created independent of larger residential developments which, in turn, could not increase the building envelope beyond what is permitted in order to accommodate the additional bonus units. The possible future development on those opportunity sites

¹² CEQA Guidelines section 15282(h) statutorily exempts the adoption of an ordinance to implement the provision of Government Code Section 65852.2, which regulates the adoption of ordinances related to second units in single-family and multi-family residential zones.

was already assumed in buildout assumptions made for the 2004 and 2009 Housing Element Environmental Impact Report¹³ and environmental impacts associated with implementing those Housing Element projects (without the increased density for certain projects contained in the proposed legislation) were already accounted for in that analysis. Therefore, this document focuses only on the net new units that could be incentivized by the proposed legislation.

Land Use

The proposed legislation would allow additional units as part of residential projects, which under most circumstances would be developed on sites that already allow residential uses. Therefore, the proposed legislation would not introduce any new land uses in a way that could affect existing land use character. With regard to increased density affecting land use character, the new bonus units could result in modest increases in density in areas where future projects are implemented. However, such increases would not be expected to result in any physical impacts. Moreover, the new bonus units would be dispersed throughout large areas of the city, which would further decrease any noticeable impacts related to density intensification. Overall, the change in density on a citywide level would be virtually imperceptible from background growth that would occur regardless of this legislation. Furthermore, the implementation of this legislation would not directly result in any new construction and any proposed project that take advantage of it would be limited by existing height and bulk limits. Based on the above, the proposed ordinance would not disrupt or divide the physical arrangement of an established community, and effects related to land use would not be significant.

Aesthetics, Wind, and Shadow

As noted above, the new bonus units constructed pursuant to the proposed legislation would be part of larger residential projects that would be subject to the existing Planning Code requirements concerning height, bulk, set-backs and other provisions that limit the building envelope. Therefore, the net new bonus units would not result in an increase of the building envelope beyond what is already permitted and would therefore, not result in any impacts to light, views, wind, or shadow.¹⁴

Population and Housing

Bonus units constructed pursuant to the legislation would not result in a significant increase in population or concentration of growth. The limited construction of additional bonus units would be dispersed over large areas of the city over time. Moreover, the new bonus units could only be constructed as part of larger development projects and would not, in and of themselves, induce substantial population growth or displace substantial numbers of housing or people. Any additional population that could be generated through the development of the additional units would not be considered significant.

Historical Resources

Projects taking advantage of the proposed legislation could result in infill development that could differ in scale, design, or materials from nearby historical resources, potentially altering their historic context. While no specific projects have been identified under this legislation, allowing greater density as part of

13 San Francisco Planning Department, 2004 and 2009 Housing Element Environmental Impact Report, April 10, 2014 (as revised and recirculated), Planning Department Case No. 2007.1275E. Available on the following website: <http://www.sf-planning.org/index.aspx?page=1828>, accessed on May 30, 2014.

14 Public Resources Code Section 21099(d), effective January 1, 2014, provides that, "aesthetics and parking impacts of a residential, mixed-use residential, or employment center project on an infill site located within a transit priority area shall not be considered significant impacts on the environment." It is likely that many future projects in San Francisco would meet the criteria under this provision and therefore, would not result in significant impacts with respect to aesthetics.

future residential projects could create greater development pressures on known historical resources than under current land use controls. Projects incorporating bonus units would be subject to all applicable protection and procedures for historic resources, further constraining development likelihood. The proposed legislation would permit creation of bonus units only as part of larger residential projects, which would be subject to project-specific environmental review that would determine whether projects (as a whole) could result in impacts to potential historical district or affect known historical resources. As part of that process, individual proposals would be evaluated for impacts on historic resources, including resources listed in Article 10 and Article 11 of the San Francisco Planning Code. The proposed legislation is not expected to incentivize development of projects in a way that would result in a material impairment to a potential historic district or potential/known historic buildings.

Moreover, since bonus units could only be constructed as part of larger development projects, and since those projects would continue to be subject to Planning Code provisions that regulate building size and massing, new buildings would be required to maintain, to the degree feasible, the scale, design, materials, and massing in a manner that reduces impacts to any identified historical resources. To this end, future development projects would be subject to the Department's Residential Design Team review, which mandates conformity with the surrounding neighborhood character. Based on the above, the proposed legislation would not have the potential to impact a historical district or affect known historic resources.

Archeological Resources

New bonus units created pursuant to the proposed legislation could only be constructed as part of larger development projects. Moreover, the proposed legislation would not change the maximum building envelope that could currently be constructed or increase the amount of excavation that would otherwise be required to accommodate future development projects. This is because, under most circumstances, developers are likely to maximize the building envelope with or without the additional bonus units. Moreover, the proposed units could only be developed as part of larger development projects that would be subject to project-specific environmental review. Though this process, the Planning Department's archeologists would ensure that measures are implemented to minimize any potential impacts on below-grade resources. Thus, the creation of bonus units, in itself, would not result on any significant impacts on archeological resources.

Transportation

The proposed legislation would not in and of itself result in any direct physical changes to the environment. Rather, individual projects that could take advantage of it would be required to undergo project-specific environmental review, which would assess impacts to transportation, including traffic, transit, pedestrian safety, bicycles, emergency access, loading and construction impacts. Under the proposed legislation, the development of bonus units would be dispersed over large areas of the city and would occur over time. As a result, impacts related to transportation would also be dispersed.

It is unlikely that the effects of this legislation as a whole on transportation would be noticeable, since for any given project providing the required percentage of AHUs, the increase in density would not be substantial enough to result in such impacts. Thus, the increment of additional development density that could be incentivized by the proposed legislation on a project-by-project basis (and beyond what is already permitted under the existing Planning Code provisions), could not, under foreseeable and normal circumstance, trigger any significant impacts related to transportation, including those related to transit.

With respect to parking impacts, the availability of parking spaces (or lack thereof) is not a permanent physical condition, but changes over time as people change their modes and patterns of travel. While parking conditions change over time, a substantial shortfall in parking caused by a project that creates

hazardous conditions or significant delays to traffic, transit, bicycles or pedestrians could adversely affect the physical environment. Whether a shortfall in parking creates such conditions will depend on the magnitude of the shortfall and the ability of drivers to change travel patterns or switch to other travel modes. If a substantial shortfall in parking caused by a project creates hazardous conditions or significant delays in travel, such a condition could also result in secondary physical environmental impacts (e.g., air quality or noise impacts caused by congestion), depending on the project and its setting. Given the very limited amount of development that is likely to result from the proposed legislation, no conditions would be created that could result in a parking shortfall sufficient to create hazardous conditions. Moreover, as discussed in Footnote 14, above, Public Resources Code Section 21099(d) considers parking impacts to be less than significant for certain projects located in transit priority areas. It is likely that many future projects in San Francisco would meet the criteria under this provision and therefore, would not result in significant impacts with respect to parking. Based on the above, the proposed legislation would not result in significant impacts on transportation.

Noise

The proposed legislation could incentivize up to approximately 20 percent additional density beyond what is currently permitted under specific conditions as discussed above under Project Description. It is expected that any projects that take advantage of this legislation would be dispersed over large areas of the city and would be constructed over time. Thus, the incremental increase in construction activities or slightly greater intensity of use at future development projects sites would be minimal as compared to what could be constructed on those sites under existing conditions. Moreover, any future projects would be required to undergo project-specific environmental review. As part of that process, any impacts related to noise would be identified and mitigated to the degree feasible. However, any identified noise impacts would be attributable to the project as a whole and not specifically to the creation of bonus units under the proposed legislation, since the proposed ordinance could not result in an increased building envelope as compared to what could otherwise be constructed. Construction noise is regulated by the San Francisco Noise Ordinance (Article 29 of the Police Code). For these reasons, and due to the temporary and intermittent nature of this impact, construction noise would not be significant.

With respect to operational-phase noise impacts, ambient noise levels in urban areas are usually a by-product of vehicular traffic. Based on published scientific acoustic studies, the traffic volumes in a project area would need to approximately double to produce an increase in ambient noise levels noticeable to most people in the area.¹⁵ Given that the projected additional unit creation would be dispersed throughout vast areas of the city and, given that under the proposed legislation, approximately 20 percent of additional units could be constructed as part of a proposed development project, the new legislation would not result in significant operational-phase noise impacts. Moreover, Title 24 of the California Code of Regulations establishes uniform noise insulation standards for residential projects. The Department of Building Inspection (DBI) would review the final building plans to ensure that the building wall and floor/ceiling assemblies meet State standards regarding sound transmission. For the above reasons, noise-related impacts of the proposed legislation would not be significant.

Air Quality and Greenhouse Gas Emissions

Implementation of the proposed legislation could result in an incremental increase in construction activities or greater intensity of use at specific project sites. Since the bonus units would be constructed as part of larger residential developments that would be subject to existing height and bulk limits, they

15 http://www.fhwa.dot.gov/environment/noise/regulations_and_guidance/analysis_and_abatement_guidance/polguide01.cfm, accessed on February 4, 2014

would not result in any significant air quality or greenhouse gas emissions impacts beyond those that could result from developing those parcels to their maximum permissible height and bulk limits. Moreover, implementation of the legislation would not directly result in new development and any future proposals that may be incentivized by this legislation would be required to undergo project-specific environmental review.

Land use projects typically result in emissions of criteria air pollutants and toxic air contaminants primarily from an increase in motor vehicle trips. Implementation of the legislation would not result in a substantial increase in vehicle trips that would affect regional or local air quality or generate substantial emissions of greenhouse gases that would conflict with local, regional and state plans for reducing greenhouse gas emissions. Moreover, future major developments would also undergo environmental review prior to approval and, as such, the potential need for additional services or infrastructure due to a specific development would be addressed within those reviews. For these reasons, the proposed legislation would not result in significant impacts with regard to air quality or greenhouse gas emissions.

Utilities and Public Services

The proposed legislation would allow for the creation of additional residential units as part of larger development projects, without expanding the maximum allowable building envelope as permitted by Planning Code. Utilities and public services would already be provided for the proposed buildings with or without the additional density permitted under the legislation. Therefore, utility extensions would not be required specifically to accommodate the increased density in projects providing the required number of AHUs. The proposed legislation would incrementally increase the demand for, and the use of, public services and utilities within areas that could take advantage of it, but not in excess of amounts expected and already provided for. The proposed legislation would therefore not result in significant impacts associated with demand for utilities and public services.

Geology and Soils

As noted above, the new bonus units constructed pursuant to the proposed legislation would be part of larger residential projects that would be subject to the existing Planning Code requirements concerning height, bulk, set-backs and other provisions that limit the building envelope. Therefore, future projects would not be expected to result in any changes to the building envelope, including height and massing, to accommodate new units. Based on this, the proposed legislation is not expected to result in any additional impacts related to geology and soils as compared to existing conditions.

In addition, final building plans for any project proposing bonus units under this legislation above the allowable density would be reviewed by DBI. In reviewing building plans, DBI refers to a variety of information sources to determine existing hazards and assesses requirements for mitigation. DBI would require that additional site-specific soils report(s) be prepared in conjunction with permit applications, as needed. Therefore, potential damage to structures from geologic hazards on sites where bonus units are created would be avoided through the DBI review of building permit applications pursuant to its implementation of the Building Code and the requirement for geotechnical reports under certain circumstances.

Hazards and Hazardous Materials

As noted above, the new bonus units constructed pursuant to the proposed legislation would be part of larger residential projects that would be subject to the existing Planning Code requirements concerning height, bulk, set-backs and other provisions that limit the building envelope. Therefore, future projects would not be expected to result in any changes to the building envelope, including height and massing, to

accommodate new units. Based on this, the proposed legislation is not expected to result in any additional impacts related to hazards and hazardous materials as compared to existing conditions.

On a case-by-case basis, individual projects would be analyzed to determine whether they could result in impacts related to hazardous materials. For any projects that would include disturbance of soil or groundwater that may be contaminated, existing regulations would ensure that any contamination is remediated as part of project construction. Specifically, such projects would be subject to Article 22A of the Health Code, also known as the Maher Ordinance. The Maher Ordinance, which is administered and overseen by the Department of Public Health (DPH), requires the project sponsor to retain the services of a qualified professional to prepare a Phase I Environmental Site Assessment (ESA) that meets the requirements of Health Code Section 22.A.6. The Phase I ESA would determine the potential for site contamination and level of exposure risk associated with the project. Based on that information, soil and/or groundwater sampling and analysis, as well as remediation of any site contamination, may be required. These steps are required to be completed prior to the issuance of any building permit. Through this process, impacts related to subsurface contamination would be reduced to a less-than-significant level.

Similarly, the additional density (as part of larger development projects) could require demolition of existing buildings that contain asbestos-containing materials or lead-based paint. Such projects would also require compliance with applicable Federal, state, and local regulations and procedures, which are already established as a part of the permit review process and would ensure that any potential impacts associated with asbestos or lead-based paint would not be significant. Based on the above, the proposed legislation would not result in any significant impacts associated with hazardous materials.

Cumulative Impacts

The cumulative scenario for the purposes of this analysis is the additional development that could be incentivized by the proposed legislation (i.e., increased dwelling unit density) in addition to all other foreseeable growth in the city.

As discussed above, the proposed legislation would not apply in zoning districts where no formal density limits exist (i.e., within areas of the city subject to area plans). However, this is where much of the city's growth is being directed and where a large bulk of future development is likely to occur. Rather, additional dwelling units and additional density resulting from this legislation would be dispersed primarily throughout other areas of the city. Moreover, development that could occur under this legislation would be more incremental in nature and would occur over an extended period of time, such that construction of multiple projects that take advantage of this legislation is unlikely to occur simultaneously in the same geographical area. Lastly, as discussed above, this legislation would result in very modest increases in dwelling units and density as compared to the typical background growth expected citywide and in particular, growth anticipated through the community-based planning efforts.

Based on these factors, any incremental increase in dwelling unit density that could occur as a result of the proposed legislation is unlikely to result in significant cumulative impacts when viewed within the context of future citywide growth. Moreover, the proposed legislation would not directly result in new development, since additional approvals will continue to be required to implement any future projects. While no significant impacts would be expected to occur as a result of the proposed legislation (based on the reasons discussed above), as noted previously, any future projects would continue to be subject to project-specific environmental review. Thus, cumulative impacts of the proposed project would be less than significant.

NEIGHBORHOOD CONCERNS

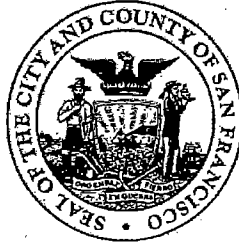
A "Notification of Project Receiving Environmental Review" was mailed on May 22, 2014, to community organizations and potentially interested parties. No comments from the public were received.

CONCLUSION

As discussed in more detail above, the proposed legislative amendments would likely facilitate a slight increase in the number of units that could be constructed as part of larger development projects in areas of the city that could take advantage of it. However, the increase in the number of dwelling units would be relatively small and new units would be distributed throughout a large geographical area and would be implemented over a long period of time. For these reasons, and the reasons cited above, it is determined with certainty that the proposed legislation would result in no significant environmental effects.

CEQA Guidelines Section 15061(b)(3) provides an exemption from environmental review where it can be seen with certainty that the proposed project would not have a significant impact on the environment. As noted above, there are no unusual circumstances surrounding the current proposal that would suggest a reasonable possibility of a significant effect. Since the proposed project would have no significant environmental effects, it is appropriately exempt from environmental review under the General Rule Exclusion (CEQA Guidelines Section 15061(b)(3)).

BOARD of SUPERVISORS



City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

TO: Olson Lee, Director, Mayor's Office of Housing

FROM: Andrea Ausberry, Clerk, Land Use and Economic Development Committee
Board of Supervisors

DATE: January 24, 2014

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Land Use and Economic Development Committee has received the following proposed legislation, introduced by Supervisor Wiener on January 14, 2014:

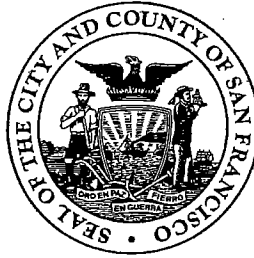
File No. 140036

Ordinance amending the Planning Code to exclude Affordable Housing Units as defined from density calculations for projects that provide at least 20% of their units as Affordable Units and amending density calculations under certain scenarios; adopting findings, including environmental findings, Section 302 findings, and findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

If you have any additional 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: Eugene Flannery, Mayor's Office of Housing

BOARD of SUPERVISORS



City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

January 24, 2014

Planning Commission
Attn: Jonas Ionin
1650 Mission Street, Ste. 400
San Francisco, CA 94103

Dear Commissioners:

On January 14, 2014, Supervisor Wiener introduced the following legislation:

File No. 140036

Ordinance amending the Planning Code to exclude Affordable Housing Units as defined from density calculations for projects that provide at least 20% of their units as Affordable Units and amending density calculations under certain scenarios; adopting findings, including environmental findings, Section 302 findings, and findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

The proposed ordinance is being transmitted pursuant to Planning Code Section 302(b) for public hearing and recommendation. The ordinance is pending before the Land Use & Economic Development Committee and will be scheduled for hearing upon receipt of your response.

Angela Calvillo, Clerk of the Board

A handwritten signature in cursive script, appearing to read "A. Ausberry".

By: Andrea Ausberry, Assistant Clerk
Land Use & Economic Development Committee

c: John Rahaim, Director of Planning
Scott Sanchez, Zoning Administrator
Sarah Jones, Chief, Major Environmental Analysis
AnMarie Rodgers, Legislative Affairs
Jeanie Polling, Environmental Planning
Nannie Turrell, Environmental Planning

BOARD of SUPERVISORS



City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

January 24, 2014

File No. 140036

Sarah Jones
Environmental Review Officer
Planning Department
1650 Mission Street, 4th Floor
San Francisco, CA 94103

Dear Ms. Jones:

On January 14, 2014, Supervisor Wiener introduced the following legislation:

File No. 140036

Ordinance amending the Planning Code to exclude Affordable Housing Units as defined from density calculations for projects that provide at least 20% of their units as Affordable Units and amending density calculations under certain scenarios; adopting findings, including environmental findings, Section 302 findings, and findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

This legislation is being transmitted to you for environmental review.

Angela Calvillo, Clerk of the Board

A handwritten signature in cursive script, appearing to read "A. Ausberry".

By: Andrea Ausberry, Committee Clerk
Land Use & Economic Development Committee

Attachment

c: Nannie Turrell, Environmental Planning
Jeanie Poling, Environmental Planning

**Residential Nexus Analysis
City and County of San Francisco**

**Prepared for:
*City and County of San Francisco***

**Prepared by:
*Keyser Marston Associates, Inc.***

April 2007

TABLE OF CONTENTS

	<i>Page</i>
Overview and Summary of Findings	1
Section I Market Rate Units and Disposable Income	9
Section II The IMPLAN Model	18
Section III The Nexus Model	22
Section IV Non-Duplication of Jobs Housing Linkage Fee	32
Appendix Tables	

TABLES

	<i>Page</i>
I-1: Condominium Units – Condo Sales Price to Income Ratio	14
I-2: Rental Units – Annual Rent to Income Ratio	15
I-3: Disposable Income	16
I-4: Residential Household Summary	17
II-1: IMPLAN Model Output	21
III-1: Net New Households and Occupation Distribution	27
III-2: Lower Income Employee Households Generated - Rental	28
III-3: Lower Income Employee Households Generated - Condos	29
III-4: Impact Analysis Summary	30
III-5: Inclusionary Requirement Supported	31
IV-1: Jobs Housing Linkage Fee as a Percent of Nexus	35
IV-2: Residential Mitigation Cost as a Percent of Nexus	36
IV-3: Affordability Gaps	37
IV-4: Value of Affordable Rental Units	38
IV-5: Affordable Sales Price	39

APPENDIX TABLES

A-1: 2005 National Resident Services Worker Distribution by Occupation Direct Employment Impacts within the City of San Francisco	
A-2: Average Annual Compensation, 2006 – Resident Services Worker Occupations Direct Employment Impacts within the City of San Francisco	
A-3: 2005 National Resident Services Worker Distribution by Occupation Direct, Indirect & Induced Employment Impacts within the City of San Francisco	
A-4: Average Annual Compensation, 2006 – Resident Services Worker Occupations Direct, Indirect & Induced Employment Impacts within the City of San Francisco	

OVERVIEW AND SUMMARY OF FINDINGS

Keyser Marston Associates (KMA) has prepared a residential nexus analysis for the City and County of San Francisco. The report has been prepared to support the City's Inclusionary Housing Program, including the updated requirements enacted in the summer of 2006. This residential nexus analysis addresses market rate residential projects which are subject to the inclusionary program and quantifies the linkages between new market rates units and the demand for affordable housing generated by the residents of the units.

Context and Purpose

The City of San Francisco is undertaking a comprehensive program of analyses to update its programs and supporting documentation for many types of fees, including updating nexus analyses in support of impact fees. As part of this program, the City has contracted with Keyser Marston Associates to prepare a nexus analysis in support of the Inclusionary Housing Program, or an analysis of the impact of the development of market rate housing on affordable housing demand.

The City's current position is that the City's Inclusionary Housing Program including the in lieu provision which is offered as an alternative to building units within market rate projects, is not subject to the requirements of the Mitigation Fee Act, Government Code Sections 66000 and following. The City does not expect to alter its position on this matter. However, because the City agreed to sponsor a supporting nexus analysis as part of past legislative actions, and because there is interest in determining whether the Inclusionary Program can be supported by a nexus type analysis as an additional support measure, the City has contracted for the preparation of a nexus analysis at this time.

San Francisco Inclusionary Program

The City of San Francisco Inclusionary program that is the subject of this analysis requires that all residential projects of five units or more provide a share of units affordable to lower income households. The San Francisco program, which was amended in the summer of 2006, is contained in Planning Code Sections 315 and following (the "Inclusionary Program"). Briefly summarized, the San Francisco program now requires 15% of units be affordable to lower income households and defines lower income as up to 120% of median income. For purposes of application, affordable units in condominium projects must average 100% of median and affordable units in rental projects must be provided at 60% of median or less. The Inclusionary Program also has off-site and in-lieu fee alternatives. The Inclusionary Program contains many particulars regarding application, definitions, entitlement process, and administration of the program.

Use of This Study

An impact analysis of this nature has been prepared for the limited purpose of demonstrating nexus support to the San Francisco Inclusionary Program. It has not been prepared as a document to guide policy design in the broader context. We caution against the use of this study, or any impact study for that matter, for purposes beyond the intended use. All impact studies are limited and imperfect, but can be helpful for addressing narrow concerns.

To cite a parallel example, a study could be prepared on the relative fiscal impacts of developing various price (or value) residential units in San Francisco. Fiscal impact analysis, unlike this nexus analysis, is a widely prepared type of analysis in which revenues to a governmental entity are quantified and compared to the costs of services provided by the entity. For residential development, revenues include property tax, sales tax from expenditures of residents, intergovernmental transfers and subventions (such as vehicle license tax) and a number of other revenues to the General Fund. Cost of services cover police, fire, health care, general administration and all else that the City/County expends from its General Fund to serve its residents. If such an analysis were prepared for various price residential units in San Francisco, it can be predicted with assurance that higher price units would yield more revenues to the City than lower price units and a more favorable fiscal balance. If fiscal impact analysis alone were to guide policy, then San Francisco would never pursue the development of another unit of affordable housing. Needless to say, governments must develop housing policy based on a range of competing goals and objectives.

Impact Methodology and Models Used

The methodology or analysis procedure for this nexus analysis starts with the sales price (or rental rate) of a market rate residential unit, and moves through a series of linkages to the income of the household that purchased or rented the unit, the disposable income of the household, the annual expenditures on goods and services, the jobs associated with the purchases and delivery of services, the income of the workers doing those jobs, the household income and, ultimately, the affordability level of the housing needed by the worker households. The steps of the analysis from disposable income to jobs generated was performed using the IMPLAN model, a model widely used for the past 25 years to quantify employment impacts from personal income. From jobs generation by industry, KMA used its own nexus model to quantify the income of worker households by affordability level.

To illustrate the linkages by looking at a simplified example, we can take an average household that buys a condominium at a certain price. From that price, we can determine the gross income of the household (from mortgage rates and lending practices) and the disposable income of the household. The disposable income, on average, will be used to "purchase" or consume a range of goods and services, such as purchases at the supermarket or services at the bank. Purchases in the local economy in turn generate employment. The jobs generated are at different compensation levels. Some of the jobs are low paying and as a result, even when there

is more than one worker in the household, there are some lower and middle-income households who cannot afford market rate housing in San Francisco.

The IMPLAN model quantifies direct, indirect and induced employment impacts. Direct jobs are generated at establishments that serve new residents directly (i.e. supermarket, bank or school); indirect jobs are generated by increased demand at firms which service or supply these establishments (wholesaler, janitorial contractor, accounting firm, or any jobs down the service/supply chain from direct jobs); induced jobs are generated when direct and indirect employees spend their wages in the local economy and generate additional jobs. The analysis is presented in a manner that indicates direct impacts alone and all impacts - direct, indirect and induced impacts. Consistent with other nexus analyses that have used the IMPLAN model and adopted programs supported by the analyses, KMA used all impacts, inclusive of indirect and induced impacts for nexus purposes.

Analysis Starting Point

An important starting point of the analysis is the sales price or rent level of market rate units. For this KMA was able to utilize material prepared in the spring of 2006 to analyze the inclusionary program and proposed changes to the program. KMA, under contract to the City, worked under the direction of the Planning Department and Major's Office of Housing (MOH), and was guided by a Technical Advisory Committee (TAC) comprised of residential developers, affordable housing advocates, non-profit developers, and others concerned with the policy issues. A major body of work was devoted to the identification of prototypical projects and full schedules of costs and revenues to establish pro forma feasible projects. A summary of the prototypes and the analysis of inclusionary impacts on them is contained in a report entitled *Keyser Marston Associates, Summary Report, Inclusionary Housing Program, San Francisco, Sensitivity Analysis, July 2006*. This report was released as a public document as part of the package for the July 12, 2006 meeting of the Land Use Committee of the Board of Supervisors.

The lowest cost and sales price (or rent level) of the four prototypes developed as part of the *Sensitivity Analysis* work program is utilized as the starting point of the nexus analysis. The analysis could have been conducted using an average price of a new unit, but the more conservative selection of least expensive prototype was used for the analysis.

Net New Underlying Assumption

An underlying assumption of the analysis is that households that rent or purchase new units represent net new households in the City of San Francisco. If purchasers or renters have relocated from elsewhere in the City, a vacancy has been created that will be filled. An adjustment to new construction of units would be warranted if the City were experiencing demolitions or loss of existing housing inventory. However, the rate of housing unit removal is so low as to not warrant an adjustment or offset.

Since the analysis addresses net new households in the City and the impacts generated by their consumption expenditures, the analysis quantifies net new demands for affordable units to accommodate new worker households. As such, the impact results do not address nor in any way include existing deficiencies in the supply of affordable housing.

Nexus Findings

Nexus analyses were conducted separately for condominium units (or other for-sale product) and for rental units since the occupants have different income levels which result in differentiated impacts. For summary overview purposes the results are presented together in the following synopsis of major steps and findings.

Income of Purchaser/Renter of New Units

The income of residents of new market rate buildings is estimated based upon the income required to purchase or rent a unit in a prototypical new low-rise wood frame building.

The prototype condominium unit, drawn from the *Sensitivity Analysis*, is 800 square feet and sells for \$580,000 or \$725 per square foot. The household income required to purchase a unit at this price is estimated based upon standard long term mortgage lending practices. Key assumptions are a 20% down payment, and a mortgage at 7% interest, a longer term rate that is a little higher than would be achievable today, homeowner's association (HOA) dues and property taxes. All housing expenditures are assumed at 35% of gross income. This produces a gross household income of \$138,400 for the purchaser of the \$580,000 unit.

The prototype rental unit, also drawn from the *Sensitivity Analysis* work program is also 800 square feet and rents for \$2,500 per month or a little under \$3.20 per square foot per month. New rental units are not feasible in today's market; however, the inclusionary program will be in place beyond the current market cycle and must anticipate development of rental units in the future. The assumed rental rate is higher than is achievable in the current market except under extraordinary circumstances (luxury projects in premier locations, etc.). The rental rate has been estimated as the required minimum level for a project to be feasible, given total development costs, conventional financing terms, and typical operating expenses. The household living in this unit is likely to be paying approximately 30% of income on rent (not including utilities). This translates to a household with a gross income of \$102,000 per year.

	Condo Units	Rental Units
Sales Price or Rent	\$580,000	\$2,544 / Mo
Annual Housing Cost	\$48,400 (mortgage, property taxes, HOA)	\$30,500 (rent)
Percent of Income Spent on Housing	35%	30%
Gross Household Income	\$138,400	\$102,000

Disposable Income

A second step is to determine Disposable Household Income, the income that the IMPLAN model uses as a starting place. Disposable Income, as defined for purposes of the IMPLAN model, is income after state and federal income taxes, Social Security and Medicare deductions, and personal savings. Housing expenses are not deducted from disposable income; rather they are handled internally within the IMPLAN model. Disposable Income as a share of gross income is estimated at 69% for purchasers of condominium units. This percentage is based on consultation with a number of governmental and institutional sources as noted in the main body of the report. The household that purchases our prototypical condominium unit has a Disposable Income of \$95,500.

The renter household has a higher proportion of gross income that is disposable because the renter household is in a lower tax bracket. The renter household of the prototypical unit has a Disposable Income of a little over \$74,000 per year.

	Condo Units	Rental Units
Gross Household Income	\$138,400	\$102,000
Percent Disposable	69%	73%
Disposable Income	\$95,500	\$74,000

IMPLAN Job Generation

The IMPLAN model input is the Disposable Income of 100 condominium purchasers and 100 apartment renters. The output is numbers of jobs generated by the expenditures of the households for goods and services in San Francisco. The employment impacts associated with these 100 units are:

	100 Condo Units	100 Rental Units
Disposable Income	\$9.6 M	\$7.4 M
Job Generation		
Direct Jobs	49	38
Indirect & Induced Jobs	40	31
Total Jobs	89	69

The IMPLAN output provides the jobs by industry, for the most part a wide dispersion among over 30 industries with little concentration in any one. The highest single concentration is in Food Service and Drinking Places, representing 15% of direct jobs and 11% of total jobs.

Lower Income Worker Households

The jobs by industry, per the IMPLAN analysis, have been input into the KMA jobs housing nexus analysis model to quantify the income of the worker households. The first step is a conversion of jobs to worker households, recognizing that there is more than one worker in each household today.

The KMA nexus model converts jobs by industry per the IMPLAN output to a distribution of jobs by occupation. State of California data on compensation level in San Francisco is applied to each occupation. Workers are allocated into households of sizes ranging from one to six persons taking into account the fact that households with two or more persons may have multiple earners. The output of the model is the number of households by income level.

The nexus model was configured for this San Francisco application to produce findings for "lower income households" defined as households with incomes from zero through 120% of median. Income definitions are keyed to the San Francisco City and County Median (SF Median) for 2006 as revised in the Inclusionary Program amendments enacted in the summer of 2006. The income range is consistent with the range of incomes covered in the Inclusionary Housing Program in San Francisco and the range of incomes assisted by the City's housing programs overall.

Output of Households by Affordability Level

The findings of the analysis are as follows for 100 market rate units in low-rise wood-frame buildings in San Francisco:

Affordable Unit Demand Associated with 100 Market Rate Units	Direct Impacts Only	Direct, Indirect & Induced Impacts
Condominium Units - Number of New Lower Income Households	25.00	43.31
Rental Units - Number of New Lower Income Households	19.44	33.68

In summary, for every 100 market rate condominium units there are 25.0 lower income households generated through the direct impact of the consumption of the condominium buyers and a total of 43.31 households if total direct, indirect, and induced impacts are counted in the analysis.

For every 100 market rate rental units there are 19.44 lower income households generated through the direct impact of the consumption of the renters and a total of 33.68 households if total direct, indirect, and induced impacts are counted in the analysis.

The table below adjusts these figures to percentages for purposes of supporting "inclusionary" type requirements of total units. The percentages are calculated including both market rate and affordable units (for example to convert 25.0 affordable units per 100 market rate units into a percentage, 25.0 is divided by 125.0, which equals 20%).

Supported Inclusionary Requirement	Direct Impacts Only	Direct, Indirect & Induced Impacts
Condos	20.0%	30.2%
Rentals	16.3%	25.2%

Location of Jobs and Housing/Commute Issues

The findings of the nexus analysis count only the jobs located in San Francisco. The analysis results could have included jobs and worker households located elsewhere in the Bay Area and beyond the Bay Area as well. If the five county Bay Region (San Francisco, San Mateo, Marin, Alameda and Contra Costa) were included, results would be a third higher inclusive of Direct, Indirect and Induced Impacts. In summary, the analysis does not count total job impacts, only San Francisco located job impacts.

An inevitable question arises as to whether worker households are assumed to live in the same jurisdiction as the jobs. For purposes of this analysis, the interest was in determining job impacts in San Francisco. Whether all the new worker households associated with the San Francisco located jobs should also be assumed to live in San Francisco or commute from another county is a matter of policy.

Overlap / Duplication of Commercial Nexus Fee

San Francisco has a jobs-housing linkage fee designed to mitigate the need for affordable housing associated with jobs in new commercial buildings. The jobs housing analysis is based on a similar analytical framework as the residential nexus analysis and under certain circumstances counts some of the same jobs. A separate analysis has been prepared which demonstrates that in the rare situations where there is a high degree of overlap in jobs counted between the two analyses, the City's Inclusionary program and jobs-housing program combined remain within the nexus.

Conclusion

The residential nexus analysis has determined that 100 market rate condominium units generate direct impacts that result in the demand for 25.0 affordable units in San Francisco and 43.31 units if all indirect and induced impacts are taken into account. As percentages, these results translate to direct impacts supporting 20% of units affordable, or inclusive of indirect and induced impacts 30% of units affordable. Findings for rental units are roughly a third lower. Since the San Francisco Inclusionary Program requires that 15% of units be affordable, the San Francisco program is well supported by this nexus analysis.

SECTION I - MARKET RATE UNITS AND DISPOSABLE INCOME

Section I describes the prototypical market rate units that are subject to the inclusionary program, the income of the purchaser and renter households and the disposable income of the households. Disposable Income is the input to the IMPLAN model described in Section II of this report. These are the initial starting points of the chain of linkages that connect new market rate units to incremental demand for affordable residential units.

Introduction

The San Francisco inclusionary program is applicable to all residential projects of five units or more. Construction activity in the City for projects of five or more units includes a range of products including apartments and condominiums (or other forms of ownership units) in building types from low-rise wood-frame construction to steel high-rise buildings. The least expensive construction type, the low-rise wood-frame unit, has been selected as the prototype for the analysis. The selected prototype units are intended to represent the low-end of cost and value range for both the for-sale and the rental market in San Francisco. The objective is to establish the nexus for the least expensive product, on average, to be conservative. Mid- and high-rise buildings are more expensive to construct and must generally achieve greater sales prices or rents in order to be feasible; likewise, the disposable income of occupant households and consumer expenditures will, on average, be greater than in low-rise units. Use of an average price unit, such as in a mid-rise building, might well have been used in the analysis since use of averages is generally considered acceptable for establishing regulations and public policy.

The prototypes used in the analysis are drawn from the prior work program on proposed changes to the San Francisco inclusionary program. KMA, under contract to the City, worked under the direction of the Planning Department and Major's Office of Housing (MOH), and was guided by a Technical Advisory Committee (TAC) comprised of residential developers, affordable housing advocates, non profit developers, and other concerned with the policy issues. A major body of work was devoted to the identification of prototypical projects and full schedules of costs and revenues to establish pro forma feasible projects. A summary of the prototypes and the analysis of inclusionary impacts on them was assembled in a report entitled *Keyser Marston Associates, Summary Report, Inclusionary Housing Program, San Francisco, Sensitivity Analysis, July 2006*. This report was released as a public document as part of the package for the July 12, 2006 meeting of the Land Use Committee of the Board of Supervisors.

The major assumptions with respect to price or value of units and income of purchasers or renters are presented first for for-sale or condominium units, followed by rental units.

Prototypical Condominium Unit

For the purposes of the analysis, the low-rise wood-frame construction Prototype 1 articulated in the *Sensitivity Analysis* was selected as an average new unit to represent the lower-end of the for-sale market in San Francisco. As indicated above, prototypes in the *Sensitivity Analysis*, were fully analyzed for cost of development and sales prices. In addition, market surveys were conducted for establishing the sales prices of units and also sales per square foot basis.

A profile of the Prototype 1 size and sales price is:

	Prototypical Unit
Size	800 sq.ft.
Sales Price per Sq.Ft.	\$725
Sales Price Total	\$580,000

Most of the new condominium units constructed in San Francisco will sell for over this amount. Smaller one-bedrooms and studios may have lower sales prices, but will likely equal or exceed the prototype unit on a price per square foot basis. It is unlikely that significant sales activity will occur at lower prices, except for occasional projects or units. The vast majority of units will sell at a higher price per square foot than the Prototype 1 unit.

Income of Condominium Purchasers

The next step in the analysis is to determine the income of the purchasing household of the prototypical condominium. To make the determination, typical terms for the purchase of units in San Francisco are used — 20% down payment, 30 year fixed rate mortgage, property taxes, and homeowners or condominium association dues. The mortgage rate assumption was selected to cover a future average rate, 7% interest, recognizing that at the current time mortgages are available at lower rates. Also lesser down payments are currently achievable. However these terms are not likely to be available over the longer term.

A key assumption is that housing costs will, on average run about 35% of gross income. In recent years lending institutions have been more willing to accept higher than 35% for all debt as a share of income, but most households do have other forms of debt, such as auto loans, student loans, and credit card debt. Looking ahead, most analysts see a return to more conservative lending practices than those of the last few years. Housing costs are defined as mortgage payments and Homeowners Association dues and property taxes.

Table I-1 at the end of this section summarizes the analysis for the prototypical condo unit. The conclusion is that the purchaser of the \$580,000 prototypical unit must have an income of 138,400 per year. The ratio of sales price to income of the purchasing household is 4.2:1, which is to say that a condominium selling for \$420,000 would require a household income of \$100,000, using the assumptions of the analysis.

Rental Market Conditions

Development of new market rate apartments (with conventional financing) is generally not feasible in San Francisco and in most cities in the U.S. in the current cycle of the real estate development market due to a combination of factors. Over the past several years, historically low mortgage rates have propelled the homebuyer market, driving strong value escalations affecting all home ownership products from condominiums to single family detached homes, to vacation homes, etc. In addition, low mortgage rates have enabled renters to enter homeownership at unprecedented rates, leaving the rental housing stock with vacancies that have not been rapidly refilled due to weak job growth.

Over the past year, the number of home sales has decreased significantly and prices have leveled off or declined slightly in some markets (although there is little evidence of decline in San Francisco). Rents have trended upwards in the San Francisco in response to job growth, and would be first-time homebuyers are taking a "wait and see" approach to entry into the ownership market. If these trends continue or other conditions change, new rental buildings could become feasible again. In any case, the analysis must anticipate that at some point in the future, the market will produce new market rate rental projects subject to the inclusionary program.

Prototypical Rental Units

For the purposes of the analysis, Prototype 5, which was identified and analyzed in the *Sensitivity Analysis* work program, was used as the prototypical rental unit for purposes of this analysis. (Information on Prototype 5 was presented to the Technical Advisory Committee, but was not, however, contained in the aforementioned *Summary Report*) KMA with assistance from MOH, San Francisco Redevelopment Agency, and developers active in the market, prepared an analysis to determine total development costs and the rent level required for project feasibility. With no recently constructed market rate rentals, rental survey information was of limited value. Required rents for new units are higher than current prevailing rents.

The prototypical apartment unit is similar to the condominium at 800 square feet but assumed to be constructed to lesser standards than the condominium in terms of finishes, appliances, and amenities. The cost to develop the unit was estimated at \$330,000 (including land and all indirect costs but excluding developer profit) requiring a rent of approximately \$2,544 per month, or just under \$3.20 per square foot per month. This rent level is higher than the average rent achieved at this time in projects in the greater eastern half of the City, south of Market Street, where most new development is expected to occur.

It is noted that tax exempt bond money has been used to develop rental projects that contain the 20% low income units required to qualify for the bonds. Units in these projects may rent for less (for the project to be feasible) due to the lower interest rates afforded by the tax exempt bonds.

Income of Apartment Renter

The assumption for relating annual rent to household income is 30%. For affordable units, utilities are included in the 30%; for market rate units, the 30% does not include utilities. While leasing agents and landlords may permit rental payments to represent a slightly higher share of total income, 30% represents an average, given that renters are likely to have other debt; also many renters do not choose to spend more than 30% of their income on rent, since, unlike ownership of a condominium, the unit is not viewed as an investment with value enhancement potential. The resulting relationship is that annual household income is 3.3 times annual rent. See Table I-2.

The conclusion with respect to the Prototype 5 apartment renter household in a newly constructed building is an income of slightly over \$100,000 per year.

Disposable Income

The IMPLAN model used in this analysis uses disposable household income as the primary upfront input. To arrive at disposable income, gross income for residents of prototypical units must be adjusted downward to account for taxes and savings. Per KMA correspondence with the producers of the IMPLAN model (Minnesota IMPLAN Group), gross income is adjusted to disposable income for purposes of the model by deducting Federal and State Income taxes, Social Security and Medicare (FICA) taxes, and personal savings. Other taxes including sales tax, gas tax, and property tax are handled internally within the model.

Disposable income is estimated at approximately 69% of gross income in the case of the condominium owner. The assumption is based on a review of data from the Tax Policy Center (a joint venture of the Brookings Institution and the Urban Institute) and California Franchise Tax Board tax tables. Per the Tax Policy Center, households earning between \$100,000 and \$200,000 per year, or the residents of our prototypical condominium units, will pay an average of 15% of gross income for federal taxes. State taxes are estimated at 7% of gross income based on tax rates per the California Franchise Tax Board. The employee share of the FICA payroll taxes is 7.65% of gross income (conservatively assumes all earners in the household are within the \$94,200 ceiling on income subject to social security taxes).

Savings represent another adjustment from gross income to disposable income. Savings including various IRA and 401 K type programs are estimated at 1.3% of gross income based on the projected average for U.S. households per the 2006 RREEF report (a local real estate investment trust) "*Prospects for the U.S. Economy and Sectors*" and sourced to Global Insight a company that produces forecasts of market and economic data. This savings rate was also confirmed by a Federal Reserve Bank paper, sourced in the footnote of Table 1-3.

After deducting income taxes and savings, the disposable income factor for a condominium purchaser used in this analysis is 69%, for purposes of the IMPLAN model. This factor also works with higher incomes than the purchase income used in the analysis, because while the

average federal and state tax burden goes up with income, FICA taxes go down since Social Security taxes apply only to income below \$94,200. As indicated above, other forms of taxation (including property tax) are handled internally within the model.

The disposable income for the prototypical renter household is based on the same evaluation, but for a lower income tax bracket. The renter household would be in a lower tax bracket, with the result that the renter would have a disposable income factor of 73%. The savings rate for the renter and owner were assumed to be the same.

In summary the gross income and disposable income of the households in the new market rate units presented in detail in Table I-4 with the results indicated below:

	New Condo Units	New Apartment Units
Average Gross Household Income of Buyers / Renters	\$138,400/year	\$102,000/year
Disposable Income	69%	73%
Average Disposable Household Income	\$95,500/year	\$74,000/year

“Pied a Terre” Units

Before moving on to the next step of the analysis, it is important to acknowledge that there is some activity in the current market in sales of units as second homes or city “pied a terre” units. Based on a limited survey, it appears that the vast majority of such activity is occurring in the luxury price ranges, particularly in several new high rise towers now in marketing phases. Some of the towers report figures such as 10% to 20% of units being sold to buyers not for a primary place of residence. As a share of overall units built in the City 10% to 20% in a few individual projects represents a share closer to 2% to 4% of the total market.

In addition to second home sales representing a small share of the market overall, the prototype unit used in this analysis is at a far lower price unit than most of the units selling as second homes, which tend to be located in the luxury towers. The income of second home purchasers and all impacts attributable to the higher priced units would be substantially higher than the impacts attributable to the more modest priced unit used in the analysis. The net effect of second home purchasers (who do spend some income while in San Francisco) on the nexus being established in this analysis is negligible, in our opinion.

Summary

Table I-4 summaries the key assumptions and steps from the market rate residential price or rent level, to the annual income of the purchaser or renter household, to the disposable income of the household. The disposable income, used to consume goods and services, is the generator of jobs and ultimately the demand for more affordable housing for worker households.

**TABLE I-1
 CONDOMINIUM UNITS
 CONDO SALES PRICE TO INCOME RATIO
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN FRANCISCO**

			<u>Prototype Condo Unit</u>
Sales Price	\$725 /SF	800 SF	\$580,000
Mortgage Payment			
Downpayment @ 20%		20%	\$116,000
Loan Amount			\$464,000
Interest Rate			7.0%
Term of Mortgage			30 years
Annual Mortgage Payment			\$37,044
Other Costs			
HOA Dues	\$400 per month		\$4,800
Property Taxes	1.14% of sales price		\$6,600
Total Annual Housing Cost			\$48,444
% of Income Spent on Hsg			35%
Annual Income Required			\$138,412
Sales Price to Income Ratio			4.2

Source: KMA 2006 sensitivity analysis, prototype 1.

TABLE I-2
 RENTAL UNITS
 ANNUAL RENT TO INCOME RATIO
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN FRANCISCO

			<u>Prototype Rental Unit</u>
Market Rent			
Monthly	\$3.18 /SF	800 SF	\$2,544
Annual			\$30,528
% of Income Spent on Rent (excludes utilities)			30%
Annual Household Income Required			\$101,760
Annual Rent to Income Ratio			3.3

Source: KMA 2006 sensitivity analysis, prototype 5.

**TABLE I-3
DISPOSABLE INCOME¹
RESIDENTIAL NEXUS ANALYSIS
ECONOMIC NEXUS ANALYSIS**

	Residents of Prototypical Condo Units	Residents of Prototypical Rental Units
Gross Income	100%	100%
(Less) Average Federal Income Tax Rate ²	15.3% (for AGI of 100k-200k)	11.6% (for AGI of 75k-100k)
(Less) FICA Tax Rate ³	7.7%	7.7%
(Less) Average State Income Tax Rate ⁴	7.0%	6.0%
(Less) Savings ⁵	1.3%	1.3%
Disposable Income (Input to IMPLAN model)	69%	73%

Notes:

- ¹ As defined within the IMPLAN model. Includes all income except income taxes and saving;
- ² Per the Urban-Brookings Tax Policy Center (joint venture between the Brookings Institution and the Urban Institute)
- ³ Conservatively assumes all households will be below the ceiling applicable to social security taxes, currently \$94,200.
- ⁴ Estimated by KMA based on marginal rates per the California Franchise Tax Board.
- ⁵ Projected based on the forecast of average U.S. household savings rate included in the RREEF publication *Prospects for the US Economy and Property Sectors*. Page 7. November 8, 2006. Savings rate is consistent with the average U.S. household savings rate in 2000 per Maki, Dean M. and Palumbo, Michael G. Federal Reserve System Working Paper No. 2001-21. *Disentangling the Wealth Effect: A Cohort Analysis of Household Savings in the 1990s*. April 2001.

**TABLE I-4
RESIDENTIAL HOUSEHOLD SUMMARY
RESIDENTIAL NEXUS ANALYSIS
ECONOMIC NEXUS ANALYSIS**

		<u>Per Unit</u>	<u>Per Sq.Ft.</u>	<u>100 Unit Building Module</u>
Low-Rise Market Condominium Prototype				
Units				<i>100 Units</i>
Building Sq.Ft. (net rentable or salable area)		800	1	80,000
Sales Price		\$580,000	\$725	\$58,000,000
Sales Price to Income Ratio ¹		4.2		4.2
Gross Household Income		\$138,412	\$173.01	\$13,841,000
Disposable Household Income ²	69% of gross	\$95,500	\$119.38	\$9,550,000
Low-Rise Market Apartment Prototype				
Units				<i>100 Units</i>
Building Sq.Ft. (net rentable or salable area)		800	1	80,000
Rent				
Monthly		\$2,544	\$3.18	\$254,400
Annual		\$30,528	\$38.16	\$3,052,800
Gross Household Income	30% allocated to rent	\$101,760	\$127.20	\$10,176,000
Disposable Household Income ²	73% of gross	\$74,285	\$92.85	\$7,428,000

Notes:

¹ See Table I-1

² Estimated income available after deduction of federal income, state income, payroll taxes and savings. (Per discussions with the Minnesota IMPLAN group, sales tax and property tax are not deducted from disposable household income). See Table I-3.

SECTION II – THE IMPLAN MODEL

Consumer spending by residents of new residential buildings will create jobs, particularly in sectors such as restaurants, health care, and retail that are driven by the expenditures of residents. The widely used economic analysis tool, IMPLAN (IMpact Analysis for PLANning), was used to quantify these new jobs by industry sector.

IMPLAN Model Description

The IMPLAN model is an economic analysis software package now commercially available through the Minnesota IMPLAN Group. IMPLAN was originally developed by the U.S. Forest Service, the Federal Emergency Management Agency, and the U.S. Department of the Interior Bureau of Land Management and has been in use since 1979 and refined over time. It has become a widely used tool for analyzing economic impacts from a broad range of applications from major construction projects to natural resource programs.

IMPLAN is based on an input-output accounting of commodity flows within an economy from producers to intermediate and final consumers. The model establishes a matrix of supply chain relationships between industries and also between households and the producers of household goods and services. Assumptions about the portion of inputs or supplies for a given industry likely to be met by local suppliers, and the portion supplied from outside the region or study area are derived internally within the model using data on the industrial structure of the region.

The output or result of the model is driven by tracking how changes in purchases for final use (final demand) filter through the supply chain. Industries that produce goods and services for final demand or consumption must purchase inputs from other producers, which in turn, purchase goods and services. The model tracks these relationships through the economy to the point where leakages from the region stop the cycle. This allows the user to identify how a change in demand for one industry will affect a list of over 500 other industry sectors. The projected response of an economy to a change in final demand can be viewed in terms of economic output, employment, or income.

Data sets are available for each county and state, so the model can be tailored to the specific economic conditions of the region being analyzed. This analysis utilizes the data set for San Francisco City and County. The City is, of course, part of a larger regional economy and impacts will likewise extend throughout the region. However, consistent with the conservative approach taken in quantifying the nexus, only employment impacts occurring within the City of San Francisco have been included.

Economic impacts estimated using the IMPLAN model are divided into three categories:

- *Direct Impacts* – are associated with the direct final demand changes. A relevant example is restaurant employment created when households in new residential buildings

spend money dining out. Employment at the restaurant would be considered a direct impact.

- *Indirect Impacts* – are those associated with industries down the supply chain from the industry experiencing the direct impact. With the restaurant example, indirect impacts would include employment at food wholesalers, kitchen suppliers, and producers of agricultural products. Since the analysis has been run for San Francisco, only jobs located in San Francisco are counted.
- *Induced Impacts* – are generated by the household spending induced by direct and indirect employment. Again using the restaurant example, induced impacts would include employment generated when restaurant, food wholesaler and kitchen suppliers spend their earnings in the local economy.

We have summarized the results of the analysis separately for direct impacts alone and including all direct, indirect and induced impacts.

Application of the IMPLAN Model to Estimate Job Growth

IMPLAN has been applied to link household consumption expenditures to job growth occurring in San Francisco. Employment generated by the consumer spending of residents has been analyzed in our prototypical 100-unit buildings. The IMPLAN model distributes spending among various types of goods and services (industry sectors) based on data from the Consumer Expenditure Survey and the Bureau of Economic Analysis Benchmark input-output study to estimate direct, indirect, and induced employment generated. Job creation, driven by increased demand for products and services, is projected for each of the industries which serve the new households. The employment generated by this new household spending is summarized below.

Estimated Employment Growth Per IMPLAN

	Per 100 Market Rate Units	
	Condos	Rental
Disposable Household Income	\$9,550,000	\$7,428,000
Employment Generated Per IMPLAN (jobs)		
Direct	49.4	38.4
Indirect & Induced	<u>39.3</u>	<u>30.6</u>
Total	88.7	69.0

Table II-1 provides a detailed summary of direct employment by industry. The table shows industries sorted by projected employment. Estimated employment is shown for each IMPLAN industry sector representing 1% or more of employment.

As discussed previously, the analysis separately analyzes the nexus considering only direct impacts and with including total direct, indirect, and induced impacts. Considering total impacts yields approximately 80% more employees than considering direct impact alone.

Only employment growth occurring within San Francisco City and County has been included. Residents of new market-rate condo and apartment buildings will generate jobs that produce demand for units for worker households employed throughout San Francisco Bay Area and beyond. However, as discussed above, the analysis conservatively limits the nexus to the City and County of San Francisco.

**TABLE II-1
 IMPLAN MODEL OUTPUT
 EMPLOYMENT GENERATED
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN FRANCISCO**

	Per 100 Market Rate Units					
	Direct Impacts Only			Direct, Indirect & Induced Impacts		
	Condos	Rentals	% of Jobs ³	Condos	Rentals	% of Jobs ³
Disposable Income of New Residents(after taxes & savings¹)	\$9,550,000	\$7,428,000		\$9,550,000	\$7,428,000	
Employment Generated by Industry²						
Food services and drinking place:	7.4	5.7	15%	10.0	7.8	11%
Offices of physicians- dentists- and other health	3.1	2.4	6%	3.9	3.1	4%
Hospitals	3.0	2.3	6%	3.7	2.9	4%
Private households	2.3	1.8	5%	2.8	2.2	3%
Social assistance- except child day care service	2.2	1.7	4%	2.7	2.1	3%
Wholesale trade	1.8	1.4	4%	3.0	2.4	3%
Nursing and residential care facilities	1.8	1.4	4%	2.2	1.7	2%
Automotive repair and maintenance- except car wash	1.8	1.4	4%	2.3	1.8	3%
Food and beverage store:	1.8	1.4	4%	2.4	1.8	3%
Hotels and motels	1.7	1.3	3%	2.2	1.7	2%
Religious organization:	1.5	1.2	3%	1.9	1.5	2%
General merchandise store:	1.2	0.9	2%	1.5	1.2	2%
Miscellaneous store retailer:	1.0	0.8	2%	1.4	1.1	2%
Elementary and secondary school	1.0	0.8	2%	1.2	0.9	1%
Clothing and clothing accessories store:	1.0	0.7	2%	1.3	1.0	1%
Child day care service:	0.9	0.7	2%	1.1	0.8	1%
Insurance carriers	0.8	0.6	2%	1.3	1.0	1%
Other ambulatory health care service	0.8	0.6	2%	1.0	0.8	1%
Health and personal care store:	0.7	0.6	2%	1.0	0.8	1%
Other educational service:	0.6	0.5	1%	0.0	0.0	0%
Sporting goods- hobby- book and music store	0.6	0.5	1%	0.0	0.0	0%
Nonstore retailer:	0.6	0.4	1%	0.0	0.0	0%
Other amusement- gambling- and recreation	0.5	0.4	1%	0.0	0.0	0%
Legal services	0.5	0.4	1%	1.2	0.9	1%
Building material and garden supply store	0.5	0.4	1%	0.0	0.0	0%
State & Local Educator	0.0	0.0	0%	4.3	3.4	5%
State & Local Non-Educator	0.0	0.0	0%	2.2	1.7	3%
Fitness and recreational sports center:	0.0	0.0	0%	1.6	1.3	2%
Custom computer programming service:	0.0	0.0	0%	1.4	1.1	2%
Employment service:	0.0	0.0	0%	1.0	0.8	1%
Services to buildings and dwelling:	0.0	0.0	0%	1.0	0.8	1%
Other Industries	10.5	8.2	21%	29.1	22.6	33%
	49.4	38.4	100%	88.7	69.0	100%

¹ The IMPLAN model tracks how increases in consumer spending creates jobs in the local economy. See Tables I-4 for estimates of the disposable income available to residents of the prototypical 100 unit buildings.

² For Industries representing more than 1% of total employment.

³ Applies to both rental and condominium units.

SECTION III – THE NEXUS MODEL

This section presents a summary of the analysis linking the employment growth associated with residential development or the output of the IMPLAN model (see Section II) to the estimated number of lower income housing units required.

Analysis Approach and Framework

The analysis approach is to examine the employment growth for industries related to consumer spending by residents of the 100-unit residential building modules. Then, through a series of linkage steps, the number of employees is converted to the number of lower income households or housing units. The findings are expressed in terms of numbers of lower income households related to the 100-unit building module.

The analysis addresses affordable unit demand associated with both condominium and rental units in San Francisco. The table below shows the income limits for “lower income households,” defined as households from zero through 120% of median income. The median income definition is for San Francisco, not for a multi county region, per the amendments to the San Francisco Inclusionary Program enacted in the summer of 2006. The median income definition for San Francisco, described in the *Sensitivity Analysis* report, is at approximately 92% of the three county region (Primary Metropolitan Statistical Area defined as San Francisco, San Mateo and Marin) median income published annually by the U.S. Department Housing and Urban Development, adjusted based on information in the U.S. Census 2000. MOH will annually establish and publish the median income for San Francisco for a range of household sizes.

The nexus model was configured for this San Francisco application to produce findings for households with incomes from zero through 120% of median. The income range is consistent with the range of incomes covered in the Inclusionary Program in San Francisco and the range of incomes assisted by the City’s housing programs overall.

The current 2006 income definitions used in this analysis are:

	Household Size					
	1	2	3	4	5	6+
SF Income Limits						
120% of SF Median	\$73,350	\$83,800	\$94,300	\$104,750	\$113,150	\$121,500

The analysis is conducted using a model that KMA has developed for application in many other jurisdictions for which the firm has conducted similar analyses of jobs and housing demand analyses. This same model was utilized by KMA in 1996 in preparing the analysis in support of the Jobs Housing Linkage Program, contained in Section 313 of the San Francisco Code. (Jobs Housing Nexus Analysis, prepared for City and County of San Francisco, Keyser Marston Associates, Inc., Gabriel Roche, Inc., 1997.)

The model inputs are all local data to the extent possible, and are fully documented in the following description.

Analysis Steps

Tables III-1 through III-5 at the end of this section present a summary of the nexus analysis steps for the condominium and rental prototype units. Following is a description of each step of the analysis:

Step 1 – Estimate of Total New Employees

The first step in Table III-1 commences with the total number of employees associated with the new market rate unit. The employment figures applied here are estimated based on household expenditures of new residents using the IMPLAN model. The 100-unit condo building is associated with 49 new direct jobs and 89 total direct, indirect, and induced jobs. The prototype rental building is associated with 38 new direct jobs and 69 total direct, indirect, and induced jobs.

Step 2 – Adjustment from Employees to Employee Households

This step (Table III-1) converts the number of employees to the number of employee households. This step recognizes that there is, on average, more than one worker per household, and thus the number of housing units in demand for new workers must be reduced. The workers per worker household ratio eliminates from the equation all non-working households, such as retired persons, students, and those on public assistance. The San Francisco average of 1.63 workers per worker households (from the U. S. Census 2000) is used in the analysis. The number of jobs is divided by 1.63 to determine the number of worker households. (By comparison, average household size is a lower ratio because all households are counted in the denominator, not just worker households; using average household size produces greater demand for housing units.)

Step 3 – Occupational Distribution of Employees

The occupational breakdown of employees is the first step to arrive at income level. The output from the IMPLAN model provides the number of employees by industry sector. The IMPLAN output is paired with data from the Department of Labor, Bureau of Labor Statistics 2005 Occupational Employment Survey (OES) to estimate the occupational composition of employees for each industry sector.

Pairing of OES and IMPLAN data was accomplished by matching IMPLAN industry sector codes with the four-digit NAICS industry codes used in the OES. Each IMPLAN industry sector is associated with one or more North American Industry Classification System Codes (NAICS), with matching NAICS codes ranging from two to five digits. Employment for IMPLAN sectors with multiple matching NAICS codes were distributed among the matching codes based on the distribution of employment among those industries at the national level. Employment for

IMPLAN sectors where matching NAICS codes were only at the two or three-digit level of detail was distributed using a similar approach among all of the corresponding four-digit NAICS codes falling under the broader two or three-digit categories.

National-level employment totals for each industry within the Occupational Employment Survey were pro-rated to match the employment distribution projected using the IMPLAN model. Occupational composition within each industry was held constant. The result is the estimated occupational mix of employees.

As shown on Table III-1; new jobs will be distributed across a variety of occupational categories. The three largest occupational categories are food preparation and serving (16%), office and administrative support (14%), and sales (13%).

The numbers in Step #3 (Table III-1) indicate both the percentage of total employee households and the number of employee households by occupation associated with our hypothetical 100-unit market rate residential buildings.

Step 4 - Estimates of Employee Households Meeting the Lower Income Definitions

In this step, occupation is translated to income based on recent San Francisco PMSA wage and salary information (defined as San Francisco, Marin, and San Mateo Counties) from the California Employment Development Department (EDD). The wage and salary information indicated in Appendix Tables 2 and 4 provide the income inputs to the model. This step in the analysis calculates the number of lower income households for each size household.

Individual *employee* income data was used to calculate the number of lower income *households* by assuming that multiple earner households are, on average, formed of individuals with similar incomes. Employee households not falling into one of the major occupation categories per Appendix Tables 1 and 3 were assumed to have the same income distribution as the major occupation categories.

Step 5 - Estimate of Household Size Distribution

In this step, household size distribution is input into the model in order to estimate the income and household size combinations that meet the income definitions established by the City. The household size distribution utilized in the analysis is that of worker households in San Francisco City and County derived using a combination of Census sources.

Step 6 - Estimate of Households that meet Size and Income Criteria

For this step KMA built a cross-matrix of household size and income to establish probability factors for the two criteria in combination. For each occupational group a probability factor was calculated for each household size level applicable to San Francisco's income limits. This step is performed for each occupational category and multiplied by the number of households. Table III-2 shows the

result after completing Steps #4, #5, and #6. The calculated numbers of lower income households shown in Table III-2 are for rental projects. The methodology is repeated for condo projects (See Table III-3). At the end of these steps we have counted the worker households generated by our 100-unit prototypical residential buildings.

Summary Findings

Table III-4 indicates the results of the analysis for the two-prototypical 100-unit buildings. The summary indicates the number of new lower income households per 100 market rate units.

Based on the results in Tables III-2, 3, and 4, approximately 80% of households are "lower income." The finding that the jobs associated with consumer spending tend to be low paying jobs where the workers will require housing affordable at lower than market rate is not surprising. As noted above, employment is concentrated in lower paid occupations including food preparation, administrative, and retail sales occupations as well as jobs in the service sectors.

Many of the higher paying occupations in San Francisco are not directly tied to consumer spending by San Francisco residents and therefore have miniscule representation in the analysis. Financial and professional services firms, for example, largely export their products and services outside of the City, mostly to the Northern California region, but also beyond.

In summary, for every 100 market rate condominium units, there are 25.0 lower income households generated through the direct impact of the consumption of the condominium buyers. If indirect and induced impacts are included, as many as 43.31 households result. For rental projects, demand for 19.44 housing units is generated or 33.68 units including indirect and induced employees.

Comparison of Analysis Results to Inclusionary Program

The analysis findings identify how many lower income households are generated for every 100 market rate units.

The table below adjusts these figures to percentages for purposes of comparison to "inclusionary" type requirements of total units. The percentages are calculated including both market rate and affordable units (for example, to convert 25.0 affordable units per 100 market rate units into a percentage, 25.0 is divided into 125, which equals 20%.)

Supported Inclusionary Requirement	Direct Impacts Only	Direct, Indirect & Induced Impacts
Condos – Supported Inclusionary Requirement	20%	30.2%
Rentals – Supported Inclusionary Requirement	16.3%	25.2%

In other words, San Francisco's 15% base inclusionary required is supported by direct impacts for both condominium and rental units.

Calculation of Supported In-Lieu Fee

The San Francisco inclusionary ordinance includes an option to provide affordable housing off-site, or to pay an in-lieu fee. The off-site and in-lieu fee percent of units required increases from the base requirement of 15% to 20%. The increased percentage for off-site and in-lieu is grounded in the City policy objective to have dispersed affordable units within buildings and throughout the City. Since off-site compliance or payment of an in-lieu fee does not meet the policy objective, the City has elected to require a higher percentage to offset the less desirable compliance.

The maximum in-lieu fee supported by the nexus analysis may be calculated by multiplying the number of affordable units supported by the nexus by the current affordability gap. The affordability gap is the cost to provide the affordable housing and is equal to the difference between the value of an affordable unit based on allowable sales price or rent and the cost to develop the unit. MOH annually publishes affordability gap fees for condominium units. The affordability gap will vary based on the number of bedrooms in the units and whether the affordable units are ownership or rental:

Effect of Unit Size on Nexus Findings

The nexus findings are based on 800 square foot prototype units. Smaller or larger prototypes would have produced findings indicating a smaller or larger impact on the number of households within affordable income limits respectively. This is because households that purchase or rent smaller units on average have lower incomes than those that purchase or rent larger units. The structure of the inclusionary ordinance addresses this issue by varying the mitigation requirements based on unit size. Inclusionary units are required to have the same number of bedrooms as the market rate units. Larger market rate units therefore require larger affordable units and smaller market rate units require smaller affordable units.

TABLE III-1
NET NEW HOUSEHOLDS AND OCCUPATION DISTRIBUTION
EMPLOYEE HOUSEHOLDS GENERATED
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN FRANCISCO

PER 100 UNITS OF RESIDENTIAL HOUSING

	Per 100 Market Rate Units			
	Direct Impacts Only		Direct, Indirect & Induced Impacts	
	Condo Units	Rental Units	Condo Units	Rental Units
Step 1 - Employees ¹	49	38	89	69
Step 2 - Adjustment for Number of Households (1.63)	30	24	54	42
Step 3 - Occupation Distribution ²				
Management Occupations	3%	3%	4%	4%
Business and Financial Operations	2%	2%	4%	4%
Computer and Mathematical	1%	1%	2%	2%
Architecture and Engineering	0%	0%	1%	1%
Life, Physical, and Social Science	0%	0%	1%	1%
Community and Social Services	3%	3%	2%	2%
Legal	1%	1%	1%	1%
Education, Training, and Library	6%	6%	7%	7%
Arts, Design, Entertainment, Sports, and Media	1%	1%	1%	1%
Healthcare Practitioners and Technicians	8%	8%	6%	6%
Healthcare Support	4%	4%	3%	3%
Protective Service	1%	1%	2%	2%
Food Preparation and Serving Related	16%	16%	12%	12%
Building and Grounds Cleaning and Maintenance	3%	3%	3%	3%
Personal Care and Service	5%	5%	4%	4%
Sales and Related	13%	13%	11%	11%
Office and Administrative Support	14%	14%	16%	16%
Farming, Fishing, and Forestry	0%	0%	0%	0%
Construction and Extraction	0%	0%	2%	2%
Installation, Maintenance, and Repair	4%	4%	4%	4%
Production	3%	3%	2%	2%
Transportation and Material Moving	5%	5%	5%	5%
Other / Not Identified	7%	7%	7%	7%
Totals	100%	100%	100%	100%
Management Occupations	1.0	0.8	2.2	1.7
Business and Financial Operations	0.6	0.5	1.9	1.5
Computer and Mathematical	0.2	0.2	1.2	0.9
Architecture and Engineering	0.0	0.0	0.5	0.4
Life, Physical, and Social Science	0.1	0.1	0.4	0.3
Community and Social Services	0.9	0.7	1.3	1.0
Legal	0.2	0.1	0.5	0.4
Education, Training, and Library	1.8	1.4	3.8	3.0
Arts, Design, Entertainment, Sports, and Media	0.4	0.3	0.8	0.6
Healthcare Practitioners and Technicians	2.4	1.8	3.2	2.5
Healthcare Support	1.2	0.9	1.6	1.2
Protective Service	0.2	0.2	0.9	0.7
Food Preparation and Serving Related	4.8	3.8	6.7	5.2
Building and Grounds Cleaning and Maintenance	0.8	0.6	1.7	1.4
Personal Care and Service	1.6	1.2	2.1	1.7
Sales and Related	4.0	3.1	6.1	4.8
Office and Administrative Support	4.4	3.4	8.5	6.6
Farming, Fishing, and Forestry	0.0	0.0	0.1	0.0
Construction and Extraction	0.1	0.1	0.9	0.7
Installation, Maintenance, and Repair	1.2	0.9	2.0	1.6
Production	0.8	0.6	1.3	1.0
Transportation and Material Moving	1.6	1.3	2.8	2.2
Other / Not Identified	<u>2.1</u>	<u>1.6</u>	<u>3.8</u>	<u>3.0</u>
Totals	30.3	23.6	54.4	42.3

Notes:

¹ Estimated employment generated by household expenditures within the prototypical 100 unit market rate buildings. Employment estimates are based on the IMPLAN Group's economic model, IMPLAN, for San Francisco City and County. See Table II-1.

² See Appendix Tables 1, 2, 3, and 4 for additional information from which the percentage distributions were derived.

TABLE III-2
 LOWER INCOME EMPLOYEE HOUSEHOLDS¹ GENERATED - CONDOS
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN FRANCISCO

PER 100 MARKET RATE CONDO UNITS

	Direct Impacts Only	Direct, Indirect & Induced Impacts
Step 4, 5, & 6 - Lower Income Households¹ within Major Occupation Categories²		
Management	0.13	0.23
Business and Financial Operations	0.25	0.67
Computer and Mathematical	-	0.18
Architecture and Engineering	-	-
Life, Physical and Social Science	-	-
Community and Social Services	0.66	0.98
Legal	-	-
Education Training and Library	1.36	2.80
Arts, Design, Entertainment, Sports, & Media	-	0.54
Healthcare Practitioners and Technical	0.52	0.71
Healthcare Support	1.18	1.55
Protective Service	-	0.73
Food Preparation and Serving Related	4.82	6.71
Building Grounds and Maintenance	0.77	1.73
Personal Care and Service	1.56	2.11
Sales and Related	3.84	5.86
Office and Admin	4.05	7.96
Farm, Fishing, and Forestry	-	-
Construction and Extraction	-	0.50
Installation Maintenance and Repair	0.75	1.27
Production	0.74	1.22
Transportation and Material Moving	1.60	2.78
Total Lower Income Households - Major Occupations	22.25	38.54
Lower Income Households ¹ - "all other" occupations	2.75	4.77
Total Lower Income Households¹	25.00	43.31

¹ Includes households earning from zero through 120% of San Francisco Median Income.

² See Appendix Tables 1 and 3 for additional information on Major Occupation Categories.

**TABLE III-3
 LOWER INCOME EMPLOYEE HOUSEHOLDS¹ GENERATED - RENTAL
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN FRANCISCO**

PER 100 MARKET RATE RENTAL UNITS

	<u>Direct Impacts Only</u>	<u>Direct, Indirect & Induced Impacts</u>
Step 4, 5, & 6 - Lower Income Households¹ within Major Occupation Categories²		
Management	0.10	0.18
Business and Financial Operations	0.20	0.52
Computer and Mathematical	-	0.14
Architecture and Engineering	-	-
Life, Physical and Social Science	-	-
Community and Social Services	0.52	0.76
Legal	-	-
Education Training and Library	1.06	2.17
Arts, Design, Entertainment, Sports, & Media	-	0.42
Healthcare Practitioners and Technical	0.41	0.55
Healthcare Support	0.91	1.21
Protective Service	-	0.57
Food Preparation and Serving Related	3.75	5.22
Building Grounds and Maintenance	0.60	1.34
Personal Care and Service	1.21	1.64
Sales and Related	2.99	4.56
Office and Admin	3.15	6.19
Farm, Fishing, and Forestry	-	-
Construction and Extraction	-	0.39
Installation Maintenance and Repair	0.58	0.99
Production	0.57	0.95
Transportation and Material Moving	1.25	2.16
Total Lower Income Households - Major Occupations	17.30	29.98
Lower Income Households ¹ - "all other" occupations	2.14	3.71
Total Lower Income Households¹	19.44	33.68

¹ Includes households earning from zero through 120% of San Francisco Median Income.

² See Appendix Tables 1 and 3 for additional information on Major Occupation Categories.

TABLE III-4
 IMPACT ANALYSIS SUMMARY
 EMPLOYEE HOUSEHOLDS GENERATED
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN FRANCISCO

RESIDENTIAL UNIT DEMAND IMPACTS
 PER 100 MARKET RATE UNITS

	<u>Direct Impacts Only</u>	<u>Direct, Indirect & Induced Impacts</u>
Number of New Lower Income Households¹		
Per 100 Market Rate Condo Units	25.00	43.31
Per 100 Market Rate Rental Units	19.44	33.68

Notes:

¹ Includes households earning from zero through 120% of San Francisco Median Income.

**TABLE III-5
 INCLUSIONARY REQUIREMENT SUPPORTED
 EMPLOYEE HOUSEHOLDS GENERATED
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN FRANCISCO**

SUPPORTED INCLUSIONARY PERCENTAGES¹

	<u>Direct Impacts Only</u>	<u>Direct, Indirect & Induced Impacts</u>
Percent Lower Income Households²		
Condos	20.0%	30.2%
Rentals	16.3%	25.2%

Notes:

¹ Calculated by dividing affordable unit demand impacts shown on Table III-4 by the total number of units including both the affordable units and the 100 market rate units in the prototypical buildings which creates demand for the affordable units.

² Includes households earning from zero through 120% of San Francisco Median Income.

SECTION IV – NON-DUPLICATION OF JOBS HOUSING LINKAGE FEE

Since the mid 1980's San Francisco has had a jobs-housing linkage fee adopted to help mitigate the impacts of new jobs associated with the development of new office buildings on the demand for affordable housing in San Francisco. The program, originally called the OAHPP (or Office Affordable Housing and Production Program) was expanded in the late 1990's to also include retail and hotel buildings. The nexus analysis which supports the updated program was prepared by KMA and is summarized in a 1997 report. That analysis was based on similar logic to this analysis: new workplace buildings are associated with new jobs some of which do not pay well enough for the new worker households to afford housing in San Francisco. This section addresses the issue of possible over-lap or double counting of impacts between this residential nexus and the jobs-housing linkage fee.

To briefly summarize the Jobs Housing Nexus Analysis, the logic begins with jobs located in new workplace buildings such as office buildings, retail spaces and hotels. The nexus analysis then identifies the compensation structure of the new jobs depending on the building type, the income of the new worker households, and the housing affordability level of the new worker households, concluding with the number of new worker households in the lower income affordability levels. In this analysis, there are no indirect or induced impacts, and no multipliers; only the jobs within the workplace buildings themselves are counted.

Some of the jobs which are counted in the Jobs Housing Nexus Analysis are also counted in the Residential Nexus Analysis. The overlap potential exists in jobs generated by direct expenditures of San Francisco residents, such as expenditures for food, personal services, restaurant meals and entertainment. Many jobs counted in the residential nexus are not addressed in the jobs housing analysis at all. For example, school and government employees are counted in the residential nexus analysis but are not counted in the jobs housing analysis which is limited to private sector office buildings, retail and hotel projects.

There is theoretically a set of conditions in which 100% of the jobs counted for purposes of the jobs-housing linkage fee are also counted for purposes of the residential nexus analysis. For example, a small retail store or restaurant might be located on the ground floor of a new condominium building and entirely dependant upon customers from the condominiums in the floors above. The commercial space on the ground floor pays the housing impact fee and the condominiums are subject to the Inclusionary Program. In this special case, the two programs mitigate the affordable housing demand of the very same workers. The combined requirements of the two programs to provide inclusionary units and fund construction of affordable units must not exceed 100% of nexus or the total demand for affordable units of employees in the new commercial space.

Complete overlap between jobs counted in the Jobs Housing Nexus Analysis and jobs counted in the Residential Nexus Analysis could occur only in a very narrow set of circumstances. The following analysis demonstrates that the combined mitigation requirements do not exceed nexus

even if every job counted in the Residential Nexus Analysis is also counted in the Jobs Housing Nexus Analysis.

Jobs-Housing Fee Requirement as a Percent of Nexus

The San Francisco Jobs Housing Nexus Analysis report was prepared by KMA during 1995 and 1996 (the final report date is 1997). To evaluate the combined programs today an update of the affordability gap figures was deemed appropriate since costs of residential development have increased so substantially since the analysis was prepared in the mid 1990's. The profile of job generation by affordability level, on the other hand, does not change much over time since both compensation levels and median income tend to rise more or less together. Tables IV-3 through IV-5 present the updated affordability gap estimates, drawn from the Sensitivity Analysis work for the Inclusionary Program by KMA spring 2006.

The conclusions of the Jobs Housing Nexus Analysis expressed as the number of new worker households by affordability level is summarized in Table IV -1. It is important to note that the number of worker households shown on the table is after an adjustment factor of 55%. The Jobs Housing Nexus Analysis starts with all the jobs in new workplace buildings. Recognizing that many jobs, especially those in the downtown area, are not held by city residents, an adjustment was made per the existing relationship of 45% commuters/55% city residents. Since it is a matter of policy, for nexus purposes, as to how many of its workers a city sets the goal of accommodating within its borders, the 45%/55% relationship could have readily been different.

The following table summarizes the total nexus cost per square foot using current affordability gap levels, drawn from Table IV-1. The total nexus cost is the maximum mitigation amount, or maximum fee that could be charged, supported by the analysis (after the 55% adjustment) The current fee charged by the City of San Francisco is indicated below and shown as a percent of the nexus cost.

	Office	Retail	Hotel
Updated Nexus Cost (Per Sq.Ft.)	\$130.48	\$113.09	\$88.27
Current Fee (Per Sq.Ft.)	\$14.96	\$13.95	\$11.21
Percent of Nexus Cost	11%	12%	13%

The conclusion is that the current fee levels represent 11% to 13% of the updated nexus cost, using current affordability gap figures. So, the jobs-housing fee mitigates approximately 11% to 13% of the demand for affordable units generated by the new commercial space.

Inclusionary Requirement Mitigation as a Percent of Nexus

The Inclusionary Housing Program requires that 15% of all units be affordable to lower income households. For comparing the Inclusionary Program and the findings of the residential nexus

analysis, a common denominator is required. Table IV-2 shows the Inclusionary Program requirement of 15% expressed in two different ways – per 100 market rate units and per 85 market rate units.

If there were 100 market rates units then 17.65 units are required to be affordable (17.65 is 15% of 117.65 units) to meet the 15% on-site requirement. The Residential Nexus Analysis conclusions support 43.31 affordable condominiums or (33.68 rental units) for every 100 market rate units, or well over the 17.65 level.

The more familiar way of looking at the 15% Inclusionary Program requirement is for every 85 market rate units, 15 affordable units are required, totaling 100 units. If the Residential Nexus Analysis conclusions are adjusted for 85 market rate units, the same relationship exists.

The conclusion is that the Inclusionary Program is charging 41% to 52% of the maximum supported by the analysis.

Combined Requirements within Nexus

The Jobs Housing Impact fee is at 11% to 13% of the supported nexus amount and the Inclusionary Housing Program requirement is at 41% to 52% of the supported nexus amount; therefore, the combined affordable housing mitigations would not exceed nexus even if there were 100% overlap in the jobs counted in the two nexus analyses.

To return to the example of a restaurant on the ground floor of a new condominium building, say there are a total of 30 new restaurant employees of which 20 are in lower income households. The 20 employees in lower income households are counted (or double counted) in both the Jobs Housing and Residential Nexus analyses. If the jobs housing impact fee mitigates the affordable housing demand of three of the employees (15% x 20) and the Inclusionary Program mitigates the housing demand for another ten employees (50% x 20), then together the two programs mitigate the housing demand of 13 out of 20 lower income employees. The combined requirements of the two programs satisfy the nexus test by not mitigating more than 100% of the housing demand. Extending this logic, the affordable housing demand mitigated by the Inclusionary Program and the housing impact fee as a percent of their respective nexus analyses can be added together to test whether the combined requirements would exceed 100% of nexus if the two analyses counted (or double counted) all the same demand for affordable housing.

**TABLE IV-1
JOBS HOUSING LINKAGE FEE AS A PERCENT OF NEXUS
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN FRANCISCO**

1997 JOBS HOUSING NEXUS ANALYSIS WITH UPDATED AFFORDABILITY GAPS

	Employee Households Per 100,000 SF of Building Area			Updated Affordability Gap Per Unit	Nexus Cost Per Square Foot of Building Area		
	Office	Retail	Hotel		Office	Retail	Hotel
Very Low (<50% Median)	11	10	8	\$341,000 ¹	\$37.51	\$34.10	\$27.28
Low (50% - 80% Median)	16	16	12	\$217,000 ²	\$34.72	\$34.72	\$26.04
Moderate (80% - 120% Median)	<u>25</u>	<u>19</u>	<u>15</u>	\$233,000 ³	<u>\$58.25</u>	<u>\$44.27</u>	<u>\$34.95</u>
Total through 120% of AMI	52	45	35		\$130.48	\$113.09	\$88.27
Current Jobs-Housing Linkage Fee					\$14.96	\$13.95	\$11.21
Current Fee as Percent of Nexus					11%	12%	13%

Notes:

¹ Assumes rental housing (apartment unit). Gap based on 35% SF Median. See Table IV.

² Assumes rental housing (apartment unit). Gap based on 70% SF Median. See Table IV.

³ Assumes ownership housing (condominium unit). Gap based on 100% SF Median. See Table IV-3.

Source: Keyser Martson Associates and Gabriel Roche, Inc. 1997 Jobs Housing Nexus Analysis, City of San Francisco. Prepared for the Office of Affordable Housing Production Program (OAHPP) City and County of San Francisco.

Prepared by: Keyser Marston Associates, Inc.

Filename: 12715.001/001-018 S4 Tables.xls; IV-1 ; 4/5/2007; dd

TABLE IV-2
 RESIDENTIAL MITIGATION AS A PERCENT OF NEXUS
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN FRANCISCO

RESIDENTIAL NEXUS AFFORDABLE UNITS	100 Market Rate Units		85 Market Rate Units	
	<u>Condos</u>	<u>Rental</u>	<u>Condos</u>	<u>Rental</u>
Mitigation: Required Affordable Units (15%) ¹	17.65	17.65	15.00	15.00
Nexus Supported: Number of Lower Income Households ²	43.31	33.68	36.81	28.63
Mitigation as Percent of Nexus	41%	52%	41%	52%

Notes:

¹ A 15% Inclusionary requirement equates to 17.65 affordable units for every 100 market rate units ($17.65 / 117.65 = 15\%$).

² See Table III-4, based on direct, indirect and induced.

**TABLE IV-3
AFFORDABILITY GAPS
UPDATED AFFORDABILITY GAPS FOR JOBS-HOUSING NEXUS
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN FRANCISCO**

	Prototype 1 ¹ <u>Low Rise Condos</u>	Prototype 2 ¹ <u>Mid Rise Condos</u>	Blended Condo <u>50% Low, 50% Mid</u>	Prototype 5 ¹ <u>Low Rise Rental</u>
Development Cost				
Average Unit Size ²	800 SF	800 SF	800 SF	800 SF
Development Cost per Net Sq. Ft.	\$550 /SF	\$589 /SF	\$570 /SF	\$412 /SF
Development Cost per Unit	\$440,000	\$471,000	\$455,500	\$330,000

Affordability Gaps

Low Income (35% SF Median)

Affordable Unit Value ³				(\$10,685)
Gap				\$340,685

70% SF Median

Affordable Unit Value / Sales Price ³				\$113,120
Gap				\$216,880

Median Income (100% SF Median)

Affordable Sales Price ³			\$222,645	
Gap			\$232,855	

Notes:

¹ Based on KMA sensitivity analysis prototypes 1, 2, and 5 with costs adjusted to reflect affordable units.

² KMA sensitivity analysis prototype 2 modified to reflect the same square footage as the low-rise unit.

³ See Tables IV-4 and IV-5.

TABLE IV-4
 VALUE OF AFFORDABLE RENTAL UNITS
 UPDATED AFFORDABILITY GAPS FOR JOBS-HOUSING NEXUS
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN FRANCISCO

Unit Mix	<u>Studio</u> 15%	<u>1 Bedroom</u> 60%	<u>2 Bedroom</u> 25%	<u>Average Rental</u> 100%
Low Income (35% SF Median)				
Annual Income Limit ¹	21,400	24,450	27,500	\$24,755
30% of Household Income Per Month	\$6,420	\$7,335	\$8,250	\$7,427
	\$535	\$611	\$688	\$619
<Less> Utility Allowance ²	(\$62)	(\$71)	(\$81)	(\$72)
Affordable Rent	\$473	\$540	\$607	\$547
Affordable Rent, Annual	\$5,676	\$6,483	\$7,278	\$6,561
<Less> Operating Expenses	(\$7,200)	(\$7,200)	(\$7,200)	(\$7,200)
Net Revenue per Unit	(\$1,524)	(\$717)	\$78	(\$639)
Capitalized Value (@ 6.0%)	(\$25,400)	(\$12,000)	\$1,300	(\$10,685)
70% SF Median				
Annual Income Limit ¹	42,800	48,900	55,000	\$49,510
30% of Household Income Per Month	\$12,840	\$14,670	\$16,500	\$14,853
	\$1,070	\$1,223	\$1,375	\$1,238
<Less> Utility Allowance ²	(\$62)	(\$71)	(\$81)	(\$72)
Affordable Rent	\$1,008	\$1,152	\$1,294	\$1,166
Affordable Rent, Annual	\$12,096	\$13,818	\$15,528	\$13,987
<Less> Operating Expenses	(\$7,200)	(\$7,200)	(\$7,200)	(\$7,200)
Net Revenue per Unit	\$4,896	\$6,618	\$8,328	\$6,787
Capitalized Value (@ 6.0%)	\$81,600	\$110,300	\$138,800	\$113,120

Notes:

¹ Household size based on number of bedrooms plus one.

² Utility allowance assumes tenant pays for heat, water, hot water, cooking, range, and electricity.

Source: KMA Sensitivity Analysis, City of San Francisco Mayor's Office of Housing

**TABLE IV-5
AFFORDABLE SALES PRICE
UPDATED AFFORDABILITY GAPS FOR JOBS-HOUSING NEXUS
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN FRANCISCO**

	<u>Studio</u>	<u>1 Bedroom</u>	<u>2 Bedroom</u>	<u>Average Condo</u>
100% SF Median				
Unit Mix	20%	35%	45%	100%
Annual Income Limit ¹	61,110	69,840	78,570	\$72,023
33% of Household Income	\$20,166	\$23,047	\$25,928	\$23,767
Annual Condo Association Fee	\$450	\$5,400	\$5,400	\$5,400
Property Taxes	1.144%	\$2,048	\$2,447	\$2,547
Available for P+I	\$12,719	\$15,200	\$17,681	\$15,820
Supportable Mortgage (10 yr avg rate ²)	6.89%	\$161,094	\$192,523	\$200,380
Down Payment	10%	\$17,899	\$21,391	\$22,264
Affordable Sales Price	\$178,993	\$213,914	\$248,836	\$222,645

Notes:

¹ Household size based on number of bedrooms plus one.

² Per the City of San Francisco Mayor's Office of Housing

Source: KMA, City of San Francisco Mayor's Office of Housing

APPENDIX

**APPENDIX TABLE 1
 2005 NATIONAL RESIDENT SERVICES WORKER DISTRIBUTION BY OCCUPATION
 DIRECT EMPLOYMENT IMPACTS WITHIN THE CITY OF SAN FRANCISCO
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN FRANCISCO, CA**

Major Occupations (2% or more)	2005 National Resident Services Occupation Distribution ¹
Management occupations	3.3%
Business and financial operations occupations	2.1%
Community and social services occupations	2.9%
Education, training, and library occupations	5.9%
Healthcare practitioners and technical occupations	7.8%
Healthcare support occupations	3.9%
Food preparation and serving related occupations	15.9%
Building and grounds cleaning and maintenance occupations	2.6%
Personal care and service occupations	5.2%
Sales and related occupations	13.2%
Office and administrative support occupations	14.4%
Installation, maintenance, and repair occupations	4.0%
Production occupations	2.5%
Transportation and material moving occupations	5.4%
All Other Resident Services Related Occupations	<u>11.0%</u>
INDUSTRY TOTAL	100.0%

¹ Distribution of employment by industry is per the IMPLAN model and the distribution of occupational employment within those industries is based on the Bureau of Labor Statistics Occupational Employment Survey.

APPENDIX TABLE 2
 AVERAGE ANNUAL COMPENSATION, 2006
 RESIDENT SERVICES WORKER OCCUPATIONS
 DIRECT EMPLOYMENT IMPACTS WITHIN THE CITY OF SAN FRANCISCO
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN FRANCISCO, CA

Occupation ³	2006 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Resident Services Workers
<i>Page 1 of 4</i>			
<i>Management occupations</i>			
Chief executives	\$172,200	4.7%	0.2%
General and operations managers	\$120,400	31.5%	1.0%
Sales managers	\$119,400	4.7%	0.2%
Administrative services managers	\$91,500	4.4%	0.1%
Financial managers	\$122,600	5.6%	0.2%
Food service managers	\$49,300	8.4%	0.3%
Medical and health services managers	\$108,800	8.1%	0.3%
Social and community service managers	\$61,000	6.3%	0.2%
All other Management Occupations	<u>\$110,000</u>	<u>26.4%</u>	<u>0.9%</u>
	Weighted Mean Annual Wage	100.0%	3.3%
<i>Business and financial operations occupations</i>			
Wholesale and retail buyers, except farm products	\$52,600	4.8%	0.1%
Claims adjusters, examiners, and investigators	\$58,000	10.2%	0.2%
Training and development specialists	\$62,000	4.7%	0.1%
Management analysts	\$90,300	4.3%	0.1%
Business operations specialists, all other	\$65,100	16.5%	0.3%
Accountants and auditors	\$67,800	16.9%	0.4%
Financial analysts	\$98,900	5.0%	0.1%
Insurance underwriters	\$62,800	4.4%	0.1%
All Other Business and financial operations occupations (Avg. All Categories)	<u>\$67,600</u>	<u>33.3%</u>	<u>0.7%</u>
	Weighted Mean Annual Wage	100.0%	2.1%
<i>Community and social services occupations</i>			
Substance abuse and behavioral disorder counselors	\$37,100	4.4%	0.1%
Educational, vocational, and school counselors	\$52,000	4.9%	0.1%
Mental health counselors	\$52,100	5.5%	0.2%
Rehabilitation counselors	\$43,900	4.8%	0.1%
Child, family, and school social workers	\$46,300	12.0%	0.3%
Medical and public health social workers	\$55,600	5.5%	0.2%
Mental health and substance abuse social workers	\$38,800	7.4%	0.2%
Social and human service assistants	\$32,900	16.6%	0.5%
Community and social service specialists, all other	\$39,700	4.7%	0.1%
Clergy	\$53,700	14.7%	0.4%
Directors, religious activities and education	\$43,600	8.1%	0.2%
All Other Community and social services occupations (Avg. All Categories)	<u>\$44,500</u>	<u>11.3%</u>	<u>0.3%</u>
	Weighted Mean Annual Wage	100.0%	2.9%

APPENDIX TABLE 2
 AVERAGE ANNUAL COMPENSATION, 2006
 RESIDENT SERVICES WORKER OCCUPATIONS
 DIRECT EMPLOYMENT IMPACTS WITHIN THE CITY OF SAN FRANCISCO
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN FRANCISCO, CA

Occupation ³	2006 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Resident Services Workers
<i>Page 2 of 4</i>			
<i>Education, training, and library occupations</i>			
Preschool teachers, except special education	\$30,700	14.0%	0.8%
Elementary school teachers, except special education	\$55,700	15.6%	0.9%
Middle school teachers, except special and vocational education	\$60,800	6.1%	0.4%
Secondary school teachers, except special and vocational education	\$61,600	9.7%	0.6%
Self-enrichment education teachers	\$46,700	4.5%	0.3%
Teachers and instructors, all other	\$50,000	5.5%	0.3%
Teacher assistants	\$31,800	17.9%	1.1%
All Other Education, training, and library occupations (Avg. All Categories)	<u>\$45,300</u>	<u>26.7%</u>	<u>1.6%</u>
Weighted Mean Annual Wage	\$45,300	100.0%	5.9%
<i>Healthcare practitioners and technical occupations</i>			
Physicians and surgeons, all other	\$114,200	4.2%	0.3%
Registered nurses	\$82,100	35.9%	2.8%
Pharmacy technicians	\$40,500	4.6%	0.4%
Licensed practical and licensed vocational nurses	\$53,200	11.0%	0.9%
All Other Healthcare practitioners and technical occupations (Avg. All Categories)	<u>\$75,300</u>	<u>44.3%</u>	<u>3.5%</u>
Weighted Mean Annual Wage	\$75,300	100.0%	7.8%
<i>Healthcare support occupations</i>			
Home health aides	\$22,600	22.6%	0.9%
Nursing aides, orderlies, and attendants	\$32,700	37.5%	1.5%
Medical assistants	\$36,300	21.1%	0.8%
Healthcare support workers, all other	\$40,200	4.3%	0.2%
All Other Healthcare support occupations (Avg. All Categories)	<u>\$31,300</u>	<u>14.5%</u>	<u>0.6%</u>
Weighted Mean Annual Wage	\$31,300	100.0%	3.9%
<i>Food preparation and serving related occupations</i>			
First-line supervisors/managers of food preparation and serving workers	\$29,700	6.9%	1.1%
Cooks, fast food	\$20,200	6.4%	1.0%
Cooks, restaurant	\$25,600	7.6%	1.2%
Food preparation workers	\$21,500	7.4%	1.2%
Bartenders	\$21,100	4.6%	0.7%
Combined food preparation and serving workers, including fast food	\$20,600	22.0%	3.5%
Counter attendants, cafeteria, food concession, and coffee shop	\$20,000	4.3%	0.7%
Waiters and waitresses	\$19,100	21.6%	3.4%
Dishwashers	\$19,400	4.7%	0.7%
All Other Food preparation and serving related occupations (Avg. All Categories)	<u>\$21,400</u>	<u>14.5%</u>	<u>2.3%</u>
Weighted Mean Annual Wage	\$21,400	100.0%	15.9%

APPENDIX TABLE 2
AVERAGE ANNUAL COMPENSATION, 2006
RESIDENT SERVICES WORKER OCCUPATIONS
DIRECT EMPLOYMENT IMPACTS WITHIN THE CITY OF SAN FRANCISCO
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN FRANCISCO, CA

Occupation ³	2006 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Resident Services Workers
<i>Building and grounds cleaning and maintenance occupations</i>			
First-line supervisors/managers of housekeeping and janitorial workers	\$43,600	4.7%	0.1%
Janitors and cleaners, except maids and housekeeping cleaners	\$25,300	48.0%	1.2%
Maids and housekeeping cleaners	\$26,500	30.0%	0.8%
Landscaping and groundskeeping workers	\$32,800	14.0%	0.4%
All Other Building and grounds cleaning and maintenance occupations (Avg. All Cat)	<u>\$27,600</u>	<u>3.3%</u>	<u>0.1%</u>
Weighted Mean Annual Wage	\$27,600	100.0%	2.6%
<i>Personal care and service occupations</i>			
Amusement and recreation attendants	\$19,800	7.9%	0.4%
Hairdressers, hairstylists, and cosmetologists	\$34,000	15.9%	0.8%
Child care workers	\$26,200	19.8%	1.0%
Personal and home care aides	\$22,000	22.2%	1.2%
Recreation workers	\$29,700	5.7%	0.3%
All Other Personal care and service occupations (Avg. All Categories)	<u>\$26,200</u>	<u>28.6%</u>	<u>1.5%</u>
Weighted Mean Annual Wage	\$26,200	100.0%	5.2%
<i>Sales and related occupations</i>			
First-line supervisors/managers of retail sales workers	\$41,800	9.5%	1.3%
Cashiers	\$23,400	30.9%	4.1%
Counter and rental clerks	\$28,100	5.1%	0.7%
Retail salespersons	\$27,100	39.4%	5.2%
Sales representatives, wholesale and manufacturing, except technical and scientific	\$68,800	5.5%	0.7%
All Other Sales and related occupations (Avg. All Categories)	<u>\$30,000</u>	<u>9.7%</u>	<u>1.3%</u>
Weighted Mean Annual Wage	\$30,000	100.0%	13.2%
<i>Office and administrative support occupations</i>			
First-line supervisors/managers of office and administrative support workers	\$56,000	5.6%	0.8%
Bookkeeping, accounting, and auditing clerks	\$40,200	8.3%	1.2%
Customer service representatives	\$37,600	7.4%	1.1%
Receptionists and information clerks	\$30,200	8.2%	1.2%
Stock clerks and order fillers	\$28,200	10.1%	1.5%
Executive secretaries and administrative assistants	\$47,200	5.7%	0.8%
Medical secretaries	\$39,700	4.5%	0.6%
Secretaries, except legal, medical, and executive	\$39,100	9.0%	1.3%
Office clerks, general	\$29,900	13.5%	1.9%
All Other Office and administrative support occupations (Avg. All Categories)	<u>\$36,800</u>	<u>27.6%</u>	<u>4.0%</u>
Weighted Mean Annual Wage	\$36,800	100.0%	14.4%

APPENDIX TABLE 2
 AVERAGE ANNUAL COMPENSATION, 2006
 RESIDENT SERVICES WORKER OCCUPATIONS
 DIRECT EMPLOYMENT IMPACTS WITHIN THE CITY OF SAN FRANCISCO
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN FRANCISCO, CA

Occupation ³	2006 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Resident Services Workers
<i>Page 4 of 4</i>			
<i>Installation, maintenance, and repair occupations</i>			
First-line supervisors/managers of mechanics, installers, and repairers	\$71,200	8.5%	0.3%
Automotive body and related repairers	\$50,300	12.2%	0.5%
Automotive service technicians and mechanics	\$51,500	30.5%	1.2%
Bus and truck mechanics and diesel engine specialists	\$46,800	5.1%	0.2%
Maintenance and repair workers, general	\$44,400	16.6%	0.7%
All Other Installation, maintenance, and repair occupations (Avg. All Categories)	<u>\$51,700</u>	<u>27.1%</u>	<u>1.1%</u>
Weighted Mean Annual Wage	\$51,700	100.0%	4.0%
<i>Production occupations</i>			
First-line supervisors/managers of production and operating workers	\$57,800	6.0%	0.2%
Bakers	\$25,800	6.3%	0.2%
Butchers and meat cutters	\$34,600	5.4%	0.1%
Laundry and dry-cleaning workers	\$24,500	13.7%	0.3%
Pressers, textile, garment, and related materials	\$22,100	6.0%	0.2%
Sewing machine operators	\$19,100	12.1%	0.3%
Painters, transportation equipment	\$48,700	4.2%	0.1%
All Other Production occupations (Avg. All Categories)	<u>\$29,800</u>	<u>46.3%</u>	<u>1.2%</u>
Weighted Mean Annual Wage	\$29,800	100.0%	2.5%
<i>Transportation and material moving occupations</i>			
Bus drivers, school	\$28,200	9.9%	0.5%
Driver/sales workers	\$30,500	8.5%	0.5%
Truck drivers, heavy and tractor-trailer	\$41,900	8.3%	0.4%
Truck drivers, light or delivery services	\$31,800	10.2%	0.5%
Taxi drivers and chauffeurs	\$25,500	4.1%	0.2%
Parking lot attendants	\$26,200	5.5%	0.3%
Cleaners of vehicles and equipment	\$24,500	12.6%	0.7%
Laborers and freight, stock, and material movers, hand	\$27,800	15.0%	0.8%
Packers and packagers, hand	\$19,100	7.4%	0.4%
All Other Transportation and material moving occupations (Avg. All Categories)	<u>\$28,500</u>	<u>18.5%</u>	<u>1.0%</u>
Weighted Mean Annual Wage	\$28,500	100.0%	5.4%

89.0%

¹ The methodology utilized by the California Employment Development Department (EDD) assumes that hourly paid employees are employed full-time. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

² Occupation percentages are based on the 2005 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2005 Occupational Employment Survey data for San Francisco-San Mateo-Redwood City MD, California (San Francisco, San Mateo, and Marin Counties) updated by the California Employment Development Department to 2006 wage levels.

³ Including occupations representing 4% or more of the major occupation group

**APPENDIX TABLE 3
 2005 NATIONAL RESIDENT SERVICES WORKER DISTRIBUTION BY OCCUPATION
 DIRECT, INDIRECT & INDUCED EMPLOYMENT IMPACTS WITHIN THE CITY OF SAN FRANCISCO
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN FRANCISCO, CA**

Major Occupations (1% or more)	2005 National Resident Services Occupation Distribution ¹
Management occupations	4.0%
Business and financial operations occupations	3.5%
Computer and mathematical occupations	2.2%
Community and social services occupations	2.4%
Education, training, and library occupations	7.1%
Arts, design, entertainment, sports, and media occupations	1.4%
Healthcare practitioners and technical occupations	5.9%
Healthcare support occupations	2.9%
Protective service occupations	1.7%
Food preparation and serving related occupations	12.4%
Building and grounds cleaning and maintenance occupations	3.2%
Personal care and service occupations	3.9%
Sales and related occupations	11.2%
Office and administrative support occupations	15.7%
Construction and extraction occupations	1.7%
Installation, maintenance, and repair occupations	3.7%
Production occupations	2.3%
Transportation and material moving occupations	5.2%
All Other Resident Services Related Occupations	<u>9.7%</u>
INDUSTRY TOTAL	100.0%

¹ Distribution of employment by industry is per the IMPLAN model and the distribution of occupational employment within those industries is based on the Bureau of Labor Statistics Occupational Employment Survey.

APPENDIX TABLE 4
 AVERAGE ANNUAL COMPENSATION, 2006
 RESIDENT SERVICES WORKER OCCUPATIONS
 DIRECT, INDIRECT & INDUCED EMPLOYMENT IMPACTS WITHIN THE CITY OF SAN FRANCISCO
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN FRANCISCO, CA

Occupation ³	2006 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Resident Services Workers
<i>Page 1 of 5</i>			
<i>Management occupations</i>			
Chief executives	\$172,200	4.8%	0.2%
General and operations managers	\$120,400	27.8%	1.1%
Sales managers	\$119,400	4.3%	0.2%
Administrative services managers	\$91,500	4.4%	0.2%
Computer and information systems managers	\$133,300	4.4%	0.2%
Financial managers	\$122,600	6.7%	0.3%
Education administrators, elementary and secondary school	\$101,700	4.4%	0.2%
Food service managers	\$49,300	5.4%	0.2%
Medical and health services managers	\$108,800	5.4%	0.2%
Property, real estate, and community association managers	\$56,500	4.1%	0.2%
Managers, all other	\$110,000	5.4%	0.2%
All Other Management occupations (Avg. All Categories)	<u>\$111,800</u>	<u>23.0%</u>	<u>0.9%</u>
	Weighted Mean Annual Wage	\$111,800	100.0%
<i>Business and financial operations occupations</i>			
Claims adjusters, examiners, and investigators	\$58,000	6.5%	0.2%
Management analysts	\$90,300	7.9%	0.3%
Business operations specialists, all other	\$65,100	17.4%	0.6%
Accountants and auditors	\$67,800	19.6%	0.7%
Financial analysts	\$98,900	4.3%	0.2%
All Other Business and financial operations occupations (Avg. All Categories)	<u>\$71,400</u>	<u>44.2%</u>	<u>1.6%</u>
	Weighted Mean Annual Wage	\$71,400	100.0%
<i>Computer and mathematical occupations</i>			
Computer programmers	\$88,500	14.6%	0.3%
Computer software engineers, applications	\$99,400	15.9%	0.3%
Computer software engineers, systems software	\$98,600	9.5%	0.2%
Computer support specialists	\$61,600	17.0%	0.4%
Computer systems analysts	\$83,600	17.7%	0.4%
Network and computer systems administrators	\$81,100	8.5%	0.2%
Network systems and data communications analysts	\$79,900	6.0%	0.1%
All Other Computer and mathematical occupations (Avg. All Categories)	<u>\$84,100</u>	<u>10.7%</u>	<u>0.2%</u>
	Weighted Mean Annual Wage	\$84,100	100.0%

APPENDIX TABLE 4
 AVERAGE ANNUAL COMPENSATION, 2006
 RESIDENT SERVICES WORKER OCCUPATIONS
 DIRECT, INDIRECT & INDUCED EMPLOYMENT IMPACTS WITHIN THE CITY OF SAN FRANCISCO
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN FRANCISCO, CA

Occupation ³	2006 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Resident Services Workers
<i>Community and social services occupations</i>			
Educational, vocational, and school counselors	\$52,000	7.4%	0.2%
Mental health counselors	\$52,100	4.8%	0.1%
Rehabilitation counselors	\$43,900	4.8%	0.1%
Child, family, and school social workers	\$46,300	13.5%	0.3%
Medical and public health social workers	\$55,600	5.0%	0.1%
Mental health and substance abuse social workers	\$38,800	6.7%	0.2%
Social and human service assistants	\$32,900	16.5%	0.4%
Community and social service specialists, all other	\$39,700	4.9%	0.1%
Clergy	\$53,700	12.2%	0.3%
Directors, religious activities and education	\$43,600	6.7%	0.2%
All Other Community and social services occupations (Avg. All Categories)	<u>\$44,800</u>	<u>17.4%</u>	<u>0.4%</u>
Weighted Mean Annual Wage	\$44,800	100.0%	2.4%
<i>Education, training, and library occupations</i>			
Preschool teachers, except special education	\$30,700	8.4%	0.6%
Elementary school teachers, except special education	\$55,700	17.5%	1.2%
Middle school teachers, except special and vocational education	\$60,800	7.2%	0.5%
Secondary school teachers, except special and vocational education	\$61,600	11.4%	0.8%
Teachers and instructors, all other	\$50,000	6.2%	0.4%
Teacher assistants	\$31,800	16.5%	1.2%
All Other Education, training, and library occupations (Avg. All Categories)	<u>\$47,700</u>	<u>32.9%</u>	<u>2.3%</u>
Weighted Mean Annual Wage	\$47,700	100.0%	7.1%
<i>Arts, design, entertainment, sports, and media occupations</i>			
Floral designers	\$39,500	6.4%	0.1%
Graphic designers	\$60,700	5.2%	0.1%
Coaches and scouts	\$34,600	9.1%	0.1%
Public relations specialists	\$61,500	12.1%	0.2%
All Other Arts, design, entertainment, sports, & media (Avg. All Categories) ⁴	<u>\$49,600</u>	<u>67.3%</u>	<u>1.0%</u>
Weighted Mean Annual Wage	\$49,600	100.0%	1.4%
<i>Healthcare practitioners and technical occupations</i>			
Physicians and surgeons, all other	\$114,200	4.3%	0.3%
Registered nurses	\$82,100	36.1%	2.1%
Pharmacy technicians	\$40,500	4.6%	0.3%
Licensed practical and licensed vocational nurses	\$53,200	11.1%	0.7%
All Other Healthcare practitioners and technical occupations (Avg. All Categories)	<u>\$75,400</u>	<u>43.9%</u>	<u>2.6%</u>
Weighted Mean Annual Wage	\$75,400	100.0%	5.9%

APPENDIX TABLE 4
 AVERAGE ANNUAL COMPENSATION, 2006
 RESIDENT SERVICES WORKER OCCUPATIONS
 DIRECT, INDIRECT & INDUCED EMPLOYMENT IMPACTS WITHIN THE CITY OF SAN FRANCISCO
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN FRANCISCO, CA

Occupation ³	2006 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Resident Services Workers
<i>Page 3 of 5</i>			
<i>Healthcare support occupations</i>			
Home health aides	\$22,600	22.2%	0.6%
Nursing aides, orderlies, and attendants	\$32,700	37.8%	1.1%
Medical assistants	\$36,300	20.5%	0.6%
Healthcare support workers, all other	\$40,200	4.7%	0.1%
All Other Healthcare support occupations (Avg. All Categories)	<u>\$31,300</u>	<u>14.9%</u>	<u>0.4%</u>
	Weighted Mean Annual Wage	\$31,300	100.0%
<i>Protective service occupations</i>			
Correctional officers and jailers	\$59,300	17.6%	0.3%
Police and sheriff's patrol officers	\$61,200	8.8%	0.1%
Security guards	\$26,400	47.9%	0.8%
Lifeguards, ski patrol, and other recreational protective service workers	\$24,800	4.3%	0.1%
Protective service workers, all other	\$55,600	5.3%	0.1%
All Other Protective service occupations (Avg. All Categories)	<u>\$38,700</u>	<u>16.1%</u>	<u>0.3%</u>
	Weighted Mean Annual Wage	\$38,700	100.0%
<i>Food preparation and serving related occupations</i>			
First-line supervisors/managers of food preparation and serving workers	\$29,700	6.9%	0.9%
Cooks, fast food	\$20,200	6.3%	0.8%
Cooks, restaurant	\$25,600	7.5%	0.9%
Food preparation workers	\$21,500	7.5%	0.9%
Bartenders	\$21,100	4.7%	0.6%
Combined food preparation and serving workers, including fast food	\$20,600	21.9%	2.7%
Counter attendants, cafeteria, food concession, and coffee shop	\$20,000	4.4%	0.5%
Waiters and waitresses	\$19,100	21.4%	2.6%
Dishwashers	\$19,400	4.6%	0.6%
All Other Food preparation and serving related occupations (Avg. All Categories)	<u>\$21,400</u>	<u>14.8%</u>	<u>1.8%</u>
	Weighted Mean Annual Wage	\$21,400	100.0%
<i>Building and grounds cleaning and maintenance occupations</i>			
First-line supervisors/managers of housekeeping and janitorial workers	\$43,600	4.4%	0.1%
Janitors and cleaners, except maids and housekeeping cleaners	\$25,300	51.1%	1.6%
Maids and housekeeping cleaners	\$26,500	20.8%	0.7%
Landscaping and groundskeeping workers	\$32,800	18.1%	0.6%
All Other Building and grounds cleaning and maintenance occupations (Avg. All Categories)	<u>\$27,900</u>	<u>5.5%</u>	<u>0.2%</u>
	Weighted Mean Annual Wage	\$27,900	100.0%

APPENDIX TABLE 4
 AVERAGE ANNUAL COMPENSATION, 2006
 RESIDENT SERVICES WORKER OCCUPATIONS
 DIRECT, INDIRECT & INDUCED EMPLOYMENT IMPACTS WITHIN THE CITY OF SAN FRANCISCO
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN FRANCISCO, CA

Occupation ³	2006 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Resident Services Workers
<i>Personal care and service occupations</i>			
First-line supervisors/managers of personal service workers	\$47,100	4.0%	0.2%
Ushers, lobby attendants, and ticket takers	\$19,600	4.5%	0.2%
Amusement and recreation attendants	\$19,800	7.8%	0.3%
Hairdressers, hairstylists, and cosmetologists	\$34,000	15.0%	0.6%
Child care workers	\$26,200	19.9%	0.8%
Personal and home care aides	\$22,000	20.6%	0.8%
Recreation workers	\$29,700	6.1%	0.2%
All Other Personal care and service occupations (Avg. All Categories)	<u>\$26,900</u>	<u>22.2%</u>	<u>0.9%</u>
Weighted Mean Annual Wage	\$26,900	100.0%	3.9%
<i>Sales and related occupations</i>			
First-line supervisors/managers of retail sales workers	\$41,800	8.6%	1.0%
Cashiers	\$23,400	27.6%	3.1%
Counter and rental clerks	\$28,100	5.2%	0.6%
Retail salespersons	\$27,100	34.9%	3.9%
Sales representatives, wholesale and manufacturing, except technical and scientific	\$68,800	6.3%	0.7%
All Other Sales and related occupations (Avg. All Categories)	<u>\$30,600</u>	<u>17.5%</u>	<u>2.0%</u>
Weighted Mean Annual Wage	\$30,600	100.0%	11.2%
<i>Office and administrative support occupations</i>			
First-line supervisors/managers of office and administrative support workers	\$56,000	5.6%	0.9%
Bookkeeping, accounting, and auditing clerks	\$40,200	8.3%	1.3%
Customer service representatives	\$37,600	7.9%	1.2%
Receptionists and information clerks	\$30,200	6.5%	1.0%
Stock clerks and order fillers	\$28,200	7.4%	1.2%
Executive secretaries and administrative assistants	\$47,200	6.7%	1.0%
Secretaries, except legal, medical, and executive	\$39,100	9.2%	1.4%
Office clerks, general	\$29,900	14.1%	2.2%
All Other Office and administrative support occupations (Avg. All Categories)	<u>\$37,200</u>	<u>34.3%</u>	<u>5.4%</u>
Weighted Mean Annual Wage	\$37,200	100.0%	15.7%
<i>Construction and extraction occupations</i>			
First-line supervisors/managers of construction trades and extraction workers	\$82,800	12.8%	0.2%
Carpenters	\$52,300	31.7%	0.5%
Construction laborers	\$42,700	18.5%	0.3%
All Other Construction and extraction occupations (Avg. All Categories)	<u>\$55,700</u>	<u>37.0%</u>	<u>0.6%</u>
Weighted Mean Annual Wage	\$55,700	100.0%	1.7%

APPENDIX TABLE 4
 AVERAGE ANNUAL COMPENSATION, 2006
 RESIDENT SERVICES WORKER OCCUPATIONS
 DIRECT, INDIRECT & INDUCED EMPLOYMENT IMPACTS WITHIN THE CITY OF SAN FRANCISCO
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN FRANCISCO, CA

Occupation ³	2006 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Resident Services Workers
<i>Page 5 of 5</i>			
<i>Installation, maintenance, and repair occupations</i>			
First-line supervisors/managers of mechanics, installers, and repairers	\$71,200	8.6%	0.3%
Automotive body and related repairers	\$50,300	9.7%	0.4%
Automotive service technicians and mechanics	\$51,500	24.8%	0.9%
Bus and truck mechanics and diesel engine specialists	\$46,800	4.8%	0.2%
Maintenance and repair workers, general	\$44,400	22.7%	0.8%
All Other Installation, maintenance, and repair occupations (Avg. All Categories)	<u>\$51,100</u>	<u>29.4%</u>	<u>1.1%</u>
Weighted Mean Annual Wage	\$51,100	100.0%	3.7%
<i>Production occupations</i>			
First-line supervisors/managers of production and operating workers	\$57,800	5.9%	0.1%
Team assemblers	\$29,600	5.8%	0.1%
Bakers	\$25,800	5.9%	0.1%
Butchers and meat cutters	\$34,600	4.5%	0.1%
Laundry and dry-cleaning workers	\$24,500	12.8%	0.3%
Pressers, textile, garment, and related materials	\$22,100	5.8%	0.1%
Sewing machine operators	\$19,100	9.5%	0.2%
Inspectors, testers, sorters, samplers, and weighers	\$34,600	4.7%	0.1%
Helpers—production workers	\$25,400	4.3%	0.1%
All Other Production occupations (Avg. All Categories)	<u>\$29,000</u>	<u>40.9%</u>	<u>0.9%</u>
Weighted Mean Annual Wage	\$29,000	100.0%	2.3%
<i>Transportation and material moving occupations</i>			
Bus drivers, school	\$28,200	10.4%	0.5%
Driver/sales workers	\$30,500	7.0%	0.4%
Truck drivers, heavy and tractor-trailer	\$41,900	8.9%	0.5%
Truck drivers, light or delivery services	\$31,800	10.2%	0.5%
Parking lot attendants	\$26,200	4.3%	0.2%
Cleaners of vehicles and equipment	\$24,500	9.9%	0.5%
Laborers and freight, stock, and material movers, hand	\$27,800	18.2%	0.9%
Packers and packagers, hand	\$19,100	7.1%	0.4%
All Other Transportation and material moving occupations (Avg. All Categories)	<u>\$29,000</u>	<u>24.0%</u>	<u>1.2%</u>
Weighted Mean Annual Wage	\$29,000	100.0%	5.2%

90.3%

¹ The methodology utilized by the California Employment Development Department (EDD) assumes that hourly paid employees are employed full-time. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

² Occupation percentages are based on the 2005 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2005 Occupational Employment Survey data for San Francisco-San Mateo-Redwood City MD, California (San Francisco, San Mateo, and Marin Counties) updated by the California Employment Development Department to 2006 wage levels.

³ Including occupations representing 4% or more of the major occupation group

⁴ Includes Artists and Musicians which represent 5% and 16% of the occupation group respectively. The Occupational Employment Survey did not calculate annual

APPENDIX TABLE 4
AVERAGE ANNUAL COMPENSATION, 2006
RESIDENT SERVICES WORKER OCCUPATIONS
DIRECT, INDIRECT & INDUCED EMPLOYMENT IMPACTS WITHIN THE CITY OF SAN FRANCISCO
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN FRANCISCO, CA

Occupation ³	2006 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Resident Services Workers
-------------------------	--	--	--

wage and salary information for these occupations.

Introduction Form

By a Member of the Board of Supervisors or the Mayor

Time stamp
or meeting date

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee.
An ordinance, resolution, motion, or charter amendment.
- 2. Request for next printed agenda without reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning "Supervisor [] inquires"
- 5. City Attorney request.
- 6. Call File No. [] from Committee.
- 7. Budget Analyst request (attach written motion).
- 8. Substitute Legislation File No. [140036]
- 9. Request for Closed Session (attach written motion).
- 10. Board to Sit as A Committee of the Whole.
- 11. Question(s) submitted for Mayoral Appearance before the BOS on []

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission Youth Commission Ethics Commission
- Planning Commission Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use a Imperative

Sponsor(s):

Supervisor Wiener

Subject:

Planning Code—Dwelling Unit Density

The text is listed below or attached:

Ordinance amending the Planning Code to exclude Affordable Housing Units as defined from density calculations for projects that provide at least twenty (20) percent of their units as Affordable Units and amending density calculations under certain scenarios; adopting findings, including environmental findings, Section 302 findings, and findings of consistency with the General Plan and the Priority Policies of Planning Code Section 101.1.

Signature of Sponsoring Supervisor: Scott Wiener

For Clerk's Use Only:

