Committee Item	No
Board Item No.	33

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Board of Supervisors Meeting Date <u>March 15, 2011</u>	
Cmte Board	t
OTHER (Use back side if additional space is needed) Completed by: Andrea Ausberry Date March 10). 2011
Completed by:Date	,

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

[Extension of 45 Days for Planning Commission Review - Market and Octavia Plan Area]

Resolution extending by 45 days the prescribed time within which the Planning Commission may render its decision on a proposed Ordinance that would amend Planning Code Sections 415.5 to provide a new land dedication alternative in the Market and Octavia Plan Area, in lieu of payment of the affordable housing fee, and adding Section 415.10 to provide for the requirements of such land dedication, and making findings, including environmental findings and findings of consistence with the General Plan and priority policies of Planning Code Section 101.1.

WHEREAS, On January 4, 2011, Supervisor Dufty introduced legislation to initiate the process amending San Francisco Planning Code Sections 415.5 to provide a new land dedication alternative in the Market and Octavia Plan Area in lieu of payment of the Affordable Housing Fee; and adding Section 415.10 to provide for the requirements of such land dedication; and making findings, including environmental findings and findings of consistence with the General Plan and priority policies of Planning Code Section 101.1. A copy of said legislation is on file with the Clerk of the Board of Supervisors in File No. 110295 and is incorporated herein by reference; and

WHEREAS, On or about January 10, 2011, the Clerk of the Board of Supervisors referred the proposed Ordinance to the Planning Commission, which currently is reviewing the proposed Ordinance; and

WHEREAS, Newly elected Supervisor Wiener has agreed to sponsor this legislation; and would like to conduct additional work including working with community member, stakeholders, developers, the Mayor's Office of Housing, and the Planning Department, which may result in additional amendments; and

WHEREAS, The Board, in accordance with Planning Code Section 306.4(d) may, by Resolution, extend the prescribed time within which the Planning Commission is to render its decision on proposed amendments to the Planning Code that the Board of Supervisors initiates; and

WHEREAS, The Planning Department has requested additional time to review the proposed Ordinance; and

WHEREAS, The Board deems it appropriate in this instance to grant to the Planning Commission additional time to review the proposed Ordinance and render its decision; now therefore be it

RESOLVED, That by this Resolution, the Board hereby extends the prescribed time within which the Planning Commission may render its decision on the proposed Ordinance for an additional 45 days, or until May 25, 2011.

BOARD of SUPERVISORS



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January 10, 2011

Linda Avery
Planning Commission
1660 Mission Street, 5th Floor
San Francisco, CA 94103

Dear Commissioners:

On January 4, 2011, Supervisor Dufty introduced the following proposed legislation:

File No. 110008

Ordinance amending the San Francisco Planning Code by amending Section 415.5 to provide for a new land dedication alternative in the Market and Octavia Plan Area in lieu of payment of the Affordable Housing Fee; and adding Section 415.10 to provide for the requirements of such land dedication; making findings including environmental findings and findings of consistency with the Priority Policies and the General Plan.

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

AlisaComera

By: Alisa Somera, Committee Clerk

Land Use & Economic Development Committee

Attachment

c: John Rahaim, Director of Planning Scott Sanchez, Zoning Administrator AnMarie Rodgers, Legislative Affairs Tara Sullivan, Legislative Affairs Brett Bollinger, Major Environmental Analysis Kate Stacy, Deputy City Attorney

[Planning Code - Amending Inclusionary Housing Ordinance to Add New Alternative in Market and Octavia Plan Area]

Ordinance amending the Planning Code by amending Section 415.5 to provide for a new land dedication alternative in the Market and Octavia Plan Area in lieu of payment of the Affordable Housing Fee; and adding Section 415.10 to provide for the requirements of such land dedication; making findings including environmental findings and findings of consistency with the Priority Policies and the General Plan.

NOTE:

Additions are <u>single-underline italics Times New Roman</u>; deletions are <u>strike-through italies Times New Roman</u>. Board amendment additions are <u>double-underlined</u>; Board amendment deletions are <u>strikethrough normal</u>.

Be it ordained by the People of the City and County of San Francisco: Section 1. Findings. The Board of Supervisors finds and declares as follows:

(a) The Planning Department has determined that the actions contemplated in this Ordinance are in compliance with the California Environmental Quality Act (California Public Resources Code sections 21000 et seq.). Said determination is on file with the Clerk of the Board of Supervisors in File No. ______ and is incorporated herein by reference.

(b) On ______ , the Planning Commission, in Resolution No. ______ approved and recommended for adoption by the Board this legislation and adopted findings that it is consistent, on balance, with the City's General Plan and eight priority policies of Planning Code Section 101.1. The Board adopts these findings as its own. A copy of said Resolution is on file with the Clerk of the Board of Supervisors in File No. _____ , and is incorporated by reference herein.

Supervisor Dufty
BOARD OF SUPERVISORS

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(c)	Pursuant to Planning Code Section 3	02, this Board of Super	visors finds	that this			
legislation w	ill serve the public necessity, convenie	nce, and welfare for the	reasons s	et forth in			
Planning Commission Resolution No		, and incorporates such reasons by					
reference he	erein.			1			

Section 2. The San Francisco Planning Code is hereby amended by amending Sections 415.5, and adding Section 415.10:

SEC. 415.5. AFFORDABLE HOUSING FEE (formerly Code Section 315.6)

Except as provided in Section 415.5(g), all development projects subject to this Program shall be required to pay an Affordable Housing Fee subject to the following requirements:

- (a) Payment of a fee to the to the Development Collection Unit at DBI for deposit into the Citywide Affordable Housing Fund for the purposes of that Fund.
- (b) Amount of Fee. The amount of the fee which may be paid by the project sponsor subject to this Program shall be determined by MOH utilizing the following factors:
- (1) The number of units equivalent to the applicable percentage of the number of units in the principal project. The applicable percentage shall be 20 percent or the percentage that applied to the project if the project is subject to the requirements of an earlier version of this Program due to the date it submitted its application. For the purposes of this Section, the City shall calculate the fee using the direct fractional result of the total number of units multiplied by the applicable percentage, rather than rounding up the resulting figure as required by Section 415.6(a).
- (2) The affordability gap using data on the cost of construction of residential housing from the "San Francisco Sensitivity Analysis Summary Report: Inclusionary Housing Program" prepared by Keyser Marston Associates, Inc. in August 2006 for the Maximum Annual Rent or Maximum Purchase Price for the equivalent unit sizes. The Department and MOH shall

update the technical report from time to time as they deem appropriate in order to ensure that the affordability gap remains current.

- (3) No later than July 1 of each year, MOH shall adjust the fee and provide a report on its adjustment to the Board of Supervisors. MOH shall provide notice of any fee adjustment on its website at least 30 days prior to the adjustment taking effect. MOH is authorized to develop an appropriate methodology for indexing the fee, based on adjustments in the costs of constructing housing and in the price of housing in San Francisco. The method of indexing shall be published in the Procedures Manual.
- (c) Notice to Development Fee Collection Unit of Amount Owed. Prior to issuance of the first construction document for a development project subject to Section 415.5, MOH shall notify the Development Fee Collection Unit at DBI electronically or in writing of its calculation of the amount of the fee owed.
- (d) Lien Proceedings. If, for any reason, the Affordable Housing Fee imposed pursuant to Section 415.5 remains unpaid following issuance of the first Certificate of Occupancy, the Development Fee Collection Unit at DBI shall institute lien proceedings to make the entire unpaid balance of the fee, plus interest and any deferral surcharge, a lien against all parcels used for the development project in accordance with Section 408 of this Article and Section 107A.13.15 of the San Francisco Building Code.
- (e) If a housing project is located in an Area Plan with an additional or specific affordable housing requirements such as those set forth in section 416 and 417 or elsewhere in this code, the more specific provisions shall apply in lieu of or in addition to those provided in this Program, as applicable.
- (f) Use of Fees. All monies contributed pursuant to this Section shall be deposited in the special fund maintained by the Controller called the Citywide Affordable Housing Fund. MOH shall use the funds in the following manner:

- (1) Except as provided in subsection (2) below, the receipts in the Fund are hereby appropriated in accordance with law to be used to:
- (a) increase the supply of housing affordable to qualifying households subject to the conditions of this Section; and
 - (b) provide assistance to low and moderate income homebuyers; and
- (c) pay the expenses of MOH in connection with monitoring and administering compliance with the requirements of the Program. MOH is authorized to use funds in an amount not to exceed \$200,000 every 5 years to conduct follow-up studies under Section 415.9(e) and to update the affordable housing fee amounts as described above in Section 415.5(b). All other monitoring and administrative expenses shall be appropriated through the annual budget process or supplemental appropriation for MOH. The fund shall be administered and expended by MOH, which shall have the authority to prescribe rules and regulations governing the Fund which are consistent with this Section.
 - (2) "Small Sites Funds":
- (A) Designation of funds.: MOH shall designate and separately account for 10 percent of all fees that it receives under Section 415.1 et seq., excluding fees that are geographically targeted such as those in Sections 415.6(a)(1) and 827(b)(C), to support acquisition and rehabilitation of Small Sites ("Small Sites Funds"). MOH shall continue to divert 10 percent of all fees for this purpose until the Small Sites Funds reach a total of \$15 million at which point, MOH will stop designating funds for this purpose. At such time as designated Small Sites Funds are expended and dip below \$15 million, MOH shall start designating funds again for this purpose, such that at no time the Small Sites Funds shall exceed \$15 million. When the total amount of fees paid to the City under Section 415.1 et seq. totals less than \$10 million over the preceding 12 month period, MOH is authorized to temporarily divert funds from the Small Sites Fund for other purposes. MOH must keep track

of the diverted funds, however, such that when the amount of fees paid to the City under Section 415.1 et seq. meets or exceeds \$10 million over the preceding 12 month period, MOH shall commit all of the previously diverted funds and 10 percent of any new funds, subject to the cap above, to the Small Sites Fund.

- (B) Use of Small Sites Funds. The funds shall be used exclusively to acquire or rehabilitate "Small Sites" defined as properties consisting of less than 25 units. Units supported by monies from the fund shall be designated as housing affordable to qualifying households as defined in Section 415.1 for no less than 55 years. Properties supported by the Small Sites Funds must be either (i) rental properties that will be maintained as rental properties; (ii) vacant properties that were formerly rental properties as long as those properties have been vacant for a minimum of two years prior to the effective date of this legislation, (iii) properties that have been the subject of foreclosure or (iv) a Limited Equity Housing Cooperative as defined in Subdivision Code Sections 1399.1 et seq. or a property owned or leased by a non-profit entity modeled as a Community Land Trust.
- (C) Initial Funds. If, within 18 months from the date of adoption of this ordinance, MOH dedicates an initial one-time contribution of other eligible funds to be used initially as Small Sites Funds, MOH may use the equivalent amount of Small Sites Funds received from fees for other purposes permitted by the Citywide Affordable Housing Fund until the amount of the initial one-time contribution is reached.
- (D) Annual Report. At the end of each fiscal year, MOH shall issue a report to the Board of Supervisors regarding the amount of Small Sites Funds received from fees under this legislation, and a report of how those funds were used.
- (E) Intent. In adopting this ordinance regarding Small Sites Funds, the Board of Supervisors does not intend to preclude MOH from expending other eligible sources of

funding on Small Sites as described in this Section, or from allocating or expending more than \$15 million of other eligible funds on Small Sites.

- (g) Alternatives to Payment of Affordable Housing Fee:
- (1) Eligibility: A project sponsor must pay the Affordable Housing Fee unless it qualifies for and chooses to meet the requirements of the Program though an Alternative provided in this Subsection. The project sponsor may choose one of the following Alternatives:
- (A) Alternative #1: On-Site Units. Project sponsors may elect to construct units affordable to qualifying households on-site of the principal project pursuant to the requirements of Section 415.6.
- (B) Alternative #2: Off-Site Units. Project sponsors may elect to construct units affordable to qualifying households at an alternative site within the City and County of San Francisco pursuant to the requirements of Section 415.7.
- (C) Alternative #3: Land Dedication. Project sponsors may elect to dedicate a portion of the total developable area of the principal site or a comparable site in proximity to the principal site to the City and County of San Francisco for the purpose of constructing units affordable to qualifying households under the requirements of Section 415.10.
- (C) Alternative #34: Combination. Project sponsors may elect any combination of payment of the Affordable Housing Fee as provided in Section 415.5, construction of on-site units as provided in Section 415.6; or construction of off-site units as provided in Section 415.7; or dedication of land as provided in Section 415.10 provided that the project applicant constructs; or pays the fee; or dedicates land at the appropriate percentage or fee-level required for that option.
- (2) Qualifications: If a project sponsor wishes to comply with the Program through one of the Alternatives described in (1) rather than pay the Affordable Housing Fee, they must

demonstrate that they qualify for the Alternative to the satisfaction of the Department and MOH. <u>A project sponsor may only qualify for Alternative 3 with the written approval of the Mayor's Office of Housing.</u> A project sponsor may qualify for an Alternative <u>1 or 2 only</u> by the following methods:

- (i) Method #1 Ownership Units. All affordable units provided under this Program shall be sold as ownership units and will remain ownership units for the life of the project. Project sponsors must submit the 'Affidavit to Establish Eligibility for an Alternative to Affordable Housing Fee' to the Planning Department prior to project approval by the Department or the Commission; or
- (ii) Method #2- Government Financial Contribution or Assistance. Submit to the Department a contract demonstrating that the project's on- or off-site units are not subject to the Costa Hawkins Rental Housing Act, California Civil Code Section 1954.50 because, under Section 1954.52(b), it has entered into an agreement with a public entity in consideration for a direct financial contribution or any other form of assistance specified in California Government Code Sections 65915 et seq. and it submits an Affidavit of such to the Department. All such contracts entered into with the City and County of San Francisco must be reviewed and approved by the Mayor's Office Housing and the City Attorney's Office. All contracts that involve 100% affordable housing projects in the residential portion may be executed by the Mayor or the Director of the Mayor's Office of Housing. Any contract that involves less than 100% affordable housing in the residential portion, may be executed by either the Mayor, the Director of the Mayor's Office of Housing or, after review and comment by the Mayor's Office of Housing, the Planning Director; or
- (iii) Method #3 Development Agreement. A project sponsor may apply to enter into a Development Agreement with the City and County of San Francisco under California Government Code Section 65864 et seq. and Chapter 56 of the San Francisco Administrative

Supervisor Dufty BOARD OF SUPERVISORS

Code, permitting the project to be eligible for on-site units as an alternative to payment of the Affordable Housing Fee to satisfy the requirements of the Program and obligating the project sponsor to provide the affordable units on-site.

- (3) The Planning Commission or the Department may not require a project sponsor to select a specific Alternative. If a project sponsor elects to meet the Program requirements through one of the Alternatives described in (1), they must choose it and demonstrate that they qualify prior to any project approvals from the Planning Commission or Department. The Alternative will be a condition of project approval and recorded against the property in an NSR. Notwithstanding the foregoing, if a project sponsor qualifies for an Alternative described in (1) and elects to construct the affordable units on- or off-site, they must submit the 'Affidavit to Establish Eligibility for an Alternative to Affordable Housing Fee' based on the fact that the units will be sold as ownership units. A project sponsor who has elected to construct affordable ownership units on- or off-site may only elect to pay the Affordable Housing Fee up to the issuance of the first construction document if the project sponsor submits a new Affidavit establishing that the units will not be sold as ownership units. If a project sponsor fails to choose an Alternative before project approval by the Planning Commission or Planning Department or if a project becomes ineligible for an Alternative, the provisions of Section 415.5 shall apply.
- (4) If at any time, the project sponsor eliminates the on-site or off-site affordable ownership-only units, then the project sponsor must immediately inform the Department and MOH and pay the applicable Affordable Housing Fee plus interest and any applicable penalties provided for under this Code. If a project sponsor requests a modification to its conditions of approval for the sole purpose of complying with this Section, the Planning Commission shall be limited to considering issues related to Section 415 et seq. in considering the request for modification.

Sec. 415.10 LAND DEDICATION ALTERNATIVE

- (a) As an alternative to paying the Affordable Housing Fee, applicants may be eligible, with the written approval of the director of the Mayor's Office of Housing, to dedicate 40 % of the total developable area of the principal site or an equivalent area on another site to the City and County of San Francisco for the purpose of constructing units affordable to qualifying households. This percentage represents an equivalent to the percent of total potential affordable units to be constructed.
- (b) In order to qualify for this Alternative, the project applicant must convey title to land in fee simple absolute to MOH according to the Procedures Manual, provided the dedicated site is deemed of proportionally equivalent or greater value to the principal site per those procedures. In addition, MOH shall determine that the proposed land dedication is in line with the following requirements:
- (1) Both the principal project and the dedicated site are within the Market and Octavia

 Area as defined in the General Plan.
- (2) The dedicated site will result in a total amount of inclusionary units that is equivalent or greater than the minimum percentage of the units that would have been required on the principal site under the On-site Alternative. MOH may also accept dedicated sites located within the Market and Octavia Area that represent the equivalent of or greater than the required percentage of units for all units be provided on a collective of sites, provided the total amount of inclusionary units provided on the dedicated site is equivalent to or greater than the total requirements for all principal sites participating in the collective.
- (3) The dedicated site is suitable from the perspective of size, configuration, physical characteristics, physical and environmental constraints, access, location, adjacent use, and other relevant planning criteria. The site must allow development of affordable housing that is sound, safe and acceptable.

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(4) T	he dedicated site	e includes	infrastructur	e necessar	y to serv	e the	inclusionary	units,
1 /								
including sewer,	utilities, water,	light, stre	et access and	! sidewalks.	· •			•

- (5) The developer must submit full environmental clearance for the dedicated site before the land can be considered for conveyance, and before a first site or building permit may be conferred upon the principal project.
- (6) The project applicant has a letter from MOH verifying acceptance of site before it receives project approvals from the Planning Commission or Planning Department, which shall be used to verify dedication as a condition of approval.
- (7) The Land Dedication Alternative may be satisfied through the dedication to the City of air space above or adjacent to the project, upon the approval of MOH, or a successor entity, and provided the other requirements of this Section 415.10 are otherwise satisfied.
- (c) The Mayor's Office of Housing and the Planning Department shall, in consultation with the Market and Octavia Citizens Advisory Committee, representatives of the real estate development community, and other affected constituencies develop procedures to implement this Alternative. Such procedures shall be proposed to the Planning Commission for adoption as part of the Procedures Manual.
- (d) Upon adoption of this Section 415.10, any project that received approvals from the Planning Department or Planning Commission after July, 4, 2010 is eligible to apply to the Mayor's Office of Housing for this Alternative. If the conditions of approval for the Project do not specify this Alternative, the Mayor's Office of Housing shall refer the application to the Zoning Administrator for a determination of whether the Alternative is consistent with the conditions of approval.

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

By: Susan Cleveland-Knowles
Deputy City Attorney

Supervisor Dufty BOARD OF SUPERVISORS

LEGISLATIVE DIGEST

[Planning Code - Amending Inclusionary Housing Ordinance to Add New Alternative in Market and Octavia Plan Area]

Ordinance amending the Planning Code by amending Section 415.5 to provide for a new land dedication alternative in the Market and Octavia Plan Area in lieu of payment of the Affordable Housing Fee; and adding Section 415.10 to provide for the requirements of such land dedication; making findings including environmental findings and findings of consistency with the Priority Policies and the General Plan.

Existing Law

The Inclusionary Affordable Housing Program, Planning Code Sections 415 and following provides that a developer of market rate rental housing must pay an Affordable Housing Fee or, if it is eligible, meet the requirement by building affordable units on- or off-site. Projects in the Eastern Neighborhoods Area may, in some circumstances, meet the Affordable Housing requirement through the dedication of land to the City for the purpose of constructing affordable housing. This alternative is currently limited to projects in the Eastern Neighborhoods.

Amendments to Current Law

The proposed amendment provides that projects located in the Market and Octavia Area may now also be eligible to apply for a land dedication alternative in lieu of or in combination with payment of the Affordable Housing Fee. The project application must receive approval in writing from the Mayor's Office of Housing (MOH). The dedicated land may be on- or off- the principal site, but must equal 40% of the total developable area of the principal site and must convey title to land in fee simple absolute to MOH. In addition, the Mayor's Office of Housing shall determine:

- Both the principal project and the dedicated site are within the Market and Octavia Area.
- The dedicated site will result in a total amount of inclusionary units that is equivalent or greater than the minimum percentage of the units that would have been required on the principal site under the On-site Alternative.
- The dedicated site is suitable from the perspective of size, configuration, physical characteristics, physical and environmental constraints, access, location, adjacent use, and other relevant planning criteria. The site must allow development of affordable housing that is sound, safe and acceptable.
- The dedicated site includes infrastructure necessary to serve the affordable units, including sewer, utilities, water, light, street access and sidewalks.

- The developer has submitted full environmental clearance for the dedicated site before the land can be considered for conveyance, and before a first site or building permit may be conferred upon the principal project.
- The project applicant has a letter from MOH verifying acceptance of site before it receives project approvals from the Planning Commission or Planning Department, which shall be used to verify dedication as a condition of approval.
- The Land Dedication Alternative may be satisfied through the dedication to the City of air space above or adjacent to the project, upon the approval of MOH, or a successor entity, and provided the other requirements of this Section 415.10 are otherwise satisfied.

If the legislation is approved, projects approved on or after July 4, 2010 may apply for this Alternative under certain circumstances.

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:	
1. For reference to Committee:	
An ordinance, resolution, motion, or charter amendment	
XII ordinance, resolution, motion, or charter amendment X 2. Request for next printed agenda without reference to Committee	
3. Request for Committee hearing on a subject matter	
4. Request for letter beginning "Supervisor inquires"	
5. City Attorney request	
6. Call file from Committee	•
7. Budget Analyst request (attach written motion).	
8. Substitute Legislation File Nos.	
9. Request for Closed Session	
10. Board to Sit as A Committee of the Whole	
	,
Sponsor(s): Supervisor Wiener	٠.
SUBJECT: Approval of an Additional 45 Days for Planning Commission Review	
The text is listed below or attached:	
Resolution extending by 45 days the prescribed time within which the Pla Commission may render its decision on a proposed Ordinance that would a Planning Code Sections 415.5 to provide a new land dedication alternative in the N and Octavia Plan Area in lieu of payment of the Affordable Housing Fee; and a Section 415.10 to provide for the requirements of such land dedication; and n findings, including environmental findings and findings of consistence with the G Plan and priority policies of Planning Code Section 101.1.	amend Market adding naking
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Signature of Sponsoring Supervisor:	
Signature of Spontoning Superinori	

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For Clerk's Use Only:

Revised 4/2