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Contact: Mayor's Office of Communications, mayorspressoffice@sfgov.org

PRESS RELEASE
MAYOR BREED AND BOARD PRESIDENT PESKIN ANNOUNCE HOUSING FEE REFORM PLAN TO ADVANCE, ACCELERATE, AND BUILD MORE HOUSING

Proposals will reduce inclusionary housing requirements for development projects and reform impact fees based on data to ensure new housing projects move forward

San Francisco, CA--Mayor London N. Breed and President of the Board of Supervisors Aaron Peskin today announced a Housing Fee Reform Plan that will unlock the housing pipeline and accelerate the planning, approval and construction of existing and new projects citywide. The Housing Fee Reform Plan is composed of two pieces of legislation that will reduce inclusionary housing requirements on new and already approved development projects and reform and defer development impact fees in order to spur development projects and economic activity. Both pieces of legislation are being introduced at the Board of Supervisors today.

The Housing Fee Reform Plan bases San Francisco's policies on data and sets fees at levels to support new housing. As currently structured, San Francisco's fees are preventing new projects from being proposed and stalling thousands of already approved homes in the pipeline from moving forward due to escalating costs. This legislation will encourage new housing proposals and help unlock pipeline projects so they can quickly begin construction, resulting in desperately needed new housing, an increase in construction jobs, and growth of the City's tax base.

This legislation is a key piece of Mayor Breed's Housing For All Plan, which is the City's effort to allow for 82,000 new homes to be built over the next 8 years. This legislation meets obligations set out in the City's Housing Element, which was unanimously approved by the Board of Supervisors in January and certified by the State.

"We are fundamentally changing how we approve and build housing in San Francisco," said **Mayor London Breed**. "When fees are set so high that everything freezes, it halts housing and hurts our entire City. By reforming our fees and setting them based on data, we can make sure we are delivering new housing, jobs, and the economic benefits we all want for our City. I want to thank the Controller for his work on this, President Peskin for his partnership, and all the City staff and stakeholders who have been working to make these significant and necessary changes."

"Our Inclusionary Housing laws have always been about maximizing the highest amount of affordable units that the private market will bear," said **Board President Aaron Peskin**. "This temporary reduction in affordable housing obligations is intended to kickstart housing development at this critical time in San Francisco's economic recovery. I want to thank the Mayor's Office, the

Controller and the affordable housing and private market rate developers for their collaboration throughout this process."

Setting Inclusionary Housing Requirements Based on Data

San Francisco's current inclusionary housing requirements, which is the what certain housing projects must set aside for affordable housing, are among the highest in the country. An analysis conducted by the Controller showed that the current inclusionary housing levels set in 2017 make the construction of new housing infeasible. By setting these requirements based on data, San Francisco can remove a significant barrier to new housing being built.

The Inclusionary Housing legislation will reduce inclusionary requirements for both Pipeline Projects — those that are already approved by the City and new housing projects. The current citywide rates range from 22% for on-site affordable units to 33% for units built off-site or paying an in-lieu fee. The new reduced levels being proposed are:

- Pipeline Project requirements will be reduced to 12% for on-site and 16% for off-site or paying an in-lieu fee.
- New Projects approved in the next three years will be reduced to 15% on-site and 21% for off-site or paying an in-lieu fee.

In addition, the proposal will also reduce all other development impact fees by 33% for the next three years.

This legislation has the potential to unlock almost 8,000 already approved but unbuilt units in the pipeline across the City. In our Downtown areas alone, there are over 2,500 units in this pipeline that when built, will accelerate the mixed-use vision set forth in the Mayor's Downtown Roadmap.

There are over 10,000 units in proposed projects that are not yet approved that will be able to take advantage of the reduced inclusionary package, which will enable them to move more quickly from approval into construction.

This legislation was born out of the Affordable Housing Technical Advisory Committee (TAC), a group of development and affordable housing experts appointed by the Mayor and Board of Supervisors that advises the City on the Inclusionary Housing Program. The TAC is convened by the Controller, who provides the technical analysis for the committee and this legislation.

Stabilizing and Reforming Impact Fees

San Francisco charges a number of impact fees on new construction projects to cover partial or total costs of public infrastructure such as open space, transportation, and arts as designated in the annual impact fee register published by the Planning Department. The structure of how these fees is calculated is unpredictable and causes severe cost escalations through the life of a project. By simplifying and standardizing these fees, San Francisco can create stability for projects to move forward without disruption.

The Impact Fee Reform legislation will change the way development impact fees are escalated so they are no longer tied to a complicated construction cost estimate and instead are simply raised by 2% annually. The legislation will also allow development projects to lock in the type and rate of impact fees they will need to pay at the time they are approved by the City – instead of continuing to increase the fee rates each year until a project is able to break ground. It would reinstate the fee deferral program so projects don't have to pay development impact fees until after construction.

Supporters of Housing Fee Reform

"The Housing Fee Reform Plan is a critical step in our economic recovery," said **Jesse Blout, TAC member and Founding Partner of Strada Investment Group**. "These are meaningful policy changes that will help spur housing production, including both market rate and affordable housing. If passed, this package of reforms will send a strong message that San Francisco policy makers understand the challenges in today's market and I applaud Mayor Breed and President Peskin for their leadership."

"One of SPUR's key policy priorities is reducing the cost to build housing," said **Alicia John-Baptiste, CEO of the San Francisco Bay Area Planning and Urban Research Association (SPUR)**. "This legislative package does so in a way that is responsive to today's economic climate and needs, while still making retaining San Francisco's commitment to affordable housing and complete neighborhoods."

"The Housing Fee Reform Plan being introduced by Mayor Breed and Board President Peskin is a very important step toward accelerating the provision of much-needed housing, construction jobs, and the economic revitalization of San Francisco," said **Dan Safier, President and CEO of the Prado Group.** "While there is still much work to do, this legislation provides meaningful changes to begin reducing the costs that are constraining new housing development citywide. This is one critical step and I am encouraged by the spirit of cooperation that we are seeing from our City's leaders for the benefit of all San Franciscans."

"While accepting any reduction to the City's Inclusionary Housing affordability requirements is a tough pill to swallow, we appreciate the work to take specific recommendations from CCHO," said **John Avalos, the Executive Director of the Council of Community Housing Organizations (CCHO)**, which represents community-based affordable housing developers. "Specifically ensuring a limited-time offer for these reductions, as well as preserving hard-fought Community Benefit Agreements, are both key recommendations from CCHO. Ultimately, though, we know that San Francisco will continue to underproduce affordable housing unless or until the State invests in a permanent funding source, making the adoption of next year's housing bonds critical to our success."

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