



SAN FRANCISCO PLANNING DEPARTMENT

April 1, 2015

Ms. Angela Calvillo, Clerk
Honorable
Supervisor Jane Kim
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 2015-002003PCA:
Amendments Relating to City Housing Balance Monitoring and Reporting
Board File No. 15-0029
Planning Commission Recommendation: Approval with Modification**

Dear Ms. Calvillo and Supervisor Kim,

On March 19, 2015, the San Francisco Planning Commission conducted duly noticed public hearing at a regularly scheduled meeting to consider the proposed amendments to the Planning Code introduced by Supervisor Mar. At the hearing, the Planning Commission unanimously recommended approval with modification of this Ordinance.

The proposed amendments have been determined not to be a project under the California Environmental Quality Act Section 15060(c) and 15378.

Please find attached documents relating to the actions by the Commission. 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
Manager of Legislative Affairs

cc:
Supervisor Jane Kim
Jon Givner, City Attorney
Kate Stacy, Deputy City Attorney
April Veneracion

Attachments (two hard copies of the following):
Planning Commission Resolution



SAN FRANCISCO PLANNING DEPARTMENT

Planning Commission Resolution No.19337 Planning Code Text Change HEARING DATE: MARCH 19, 2015

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: **Amendments Relating to City Housing Balance Monitoring and Reporting**
Case Number: 2015-002003PCA [Board File No. 150029]
Initiated by: **Supervisor Kim** / Introduced January 13, 2015
Staff Contact: Kimia Haddadan, Legislative Affairs
Kimia.haddadan@sfgov.org, 415-558-6257
Reviewed by: Aaron Starr, Manager Legislative Affairs
aaron.starr@sfgov.org, 415-558-6362
Recommendation: **Recommend Approval with Modification**

RECOMMENDING THAT THE BOARD OF SUPERVISORS ADOPT A PROPOSED ORDINANCE WOULD AMEND THE PLANNING CODE TO REQUIRE THE PLANNING DEPARTMENT TO MONITOR THE BALANCE BETWEEN NEW MARKET RATE HOUSING AND NEW AFFORDABLE HOUSING, AND PUBLISH A BI-ANNUAL HOUSING BALANCE REPORT; REQUIRING AN ANNUAL HEARING AT THE BOARD OF SUPERVISORS ON STRATEGIES FOR ACHIEVING AND MAINTAINING THE REQUIRED HOUSING BALANCE IN ACCORDANCE WITH SAN FRANCISCO'S HOUSING PRODUCTION GOALS; AND MAKING 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.

PREAMBLE

WHEREAS, on January 13th 2015 Supervisor Jane Kim introduced a proposed Ordinance under the Board of Supervisors (hereinafter "Board") File Number 150029, which would amend the Planning Code to require the Planning Department to publish and update a bi-annual Housing Balance Report which provides detail data on affordable housing production compared to market rate housing production; and would require calculating a new metric called the Cumulative Housing Balance to gauge the Mayor's on-third affordability goal ; and

WHEREAS, the proposed Ordinance has been determined not to be a project under the California Environmental Quality Act Section 15060(c) and 15378; and

WHEREAS, The Planning Commission (hereinafter "Commission") conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance on March 19, 2015; 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 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

MOVED, that the Planning Commission hereby recommends that the Board of Supervisors recommend **approval with modifications of** the proposed ordinance, with the proposed modifications as follows:

1. **Modify the dates by which the Department would publish bi-annual updates to the reports.** Currently, the Ordinance identifies February 1st and August 1st as the dates that this report is to be published. Staff proposes to modify these dates to **March 1st** and **September 1st**. In order to allow the City to have sufficient time before the April 1st hearing to review the report, the Commission proposes to publish a preliminary report on March 1st to be finalized for the April 1st hearing. This modification is intended to accommodate Planning Staff, which has also to publish the State mandated Annual Housing Element Progress Report by April 1st. If the report results have any budget implications for the City, publishing the final report by April 1st will still allow responsible City agencies to amend their budget proposals prior to the budget being adopted.
2. **Clarify the mandated presentations of the report.** Section 103(d) in the proposed Ordinance states the Department shall present the updated reports to any relevant body with geographic purview over a plan area. The Commission proposes to modify this requirement so that the Department would submit the updated reports to their list of neighborhood organizations. Requiring a presentation to a broad and undefined number of organizations would be a significant staffing commitment for the Department and it's not clear if a presentation to all of these organizations is necessary. Staff's recommendation would allow all organization to keep abreast of these updated reports so that they could request a presentation of the findings if needed.
3. **Modify the geographies by which the Housing Balance is reported to include the Area Plans.** The Commission approved modification presented by the Supervisor at the hearing to report Housing Balance at the Area Plan level as well as Planning Districts.

FINDINGS

Having reviewed the materials identified in the preamble above, and having heard all testimony and arguments, the Commission finds, concludes and determines as follows:

1. On November 4, 2014, the City voters passed Proposition K, which established as City policy the commitment to construct or rehabilitate no less than 30,000 new units by 2020 with at least one-

third (33%) of those permanently affordable to low and moderate income households, and over 50% within financial reach of working middle class San Franciscans. Prop K also required that the Mayor's Office of Housing and the Planning Department and a lead sponsor from the Board of Supervisors to develop and introduce legislation requiring the City to review the cumulative ratio of affordable and inclusionary housing to market rate housing every year through an annual housing production calculation. The subject Ordinance is intended to fulfill this requirement and the information presented in this report will help inform the City's Housing Action Plan.

2. While the City currently provides reporting on housing, a specific consistent measure to gauge this affordability goal does not exist.
3. The existing housing related reports published by the Planning include:
 - a. The Housing Inventory report, which includes the number of affordable housing units based on affordability levels;
 - b. The Quarterly Pipeline Report, which includes the number of new units from units recently built or entitled;
 - c. The Quarterly Residential Pipeline, which compares the units produced based on affordability levels with the Regional Housing Needs Allocation (RHNA) housing projections in three income categories (low income: below 80% AMI, moderate income: 80% to 120% AMI, and above moderate: more than 120% AMI); and
 - d. The State mandated Annual Housing Element Progress Report, which reports on the status and progress in implementing the jurisdiction's housing element.
4. The Commission finds that the Housing Balance ratio would indicate the rate of affordable housing production compared with all housing construction using the following data points in this formula, **Housing Balance= (A-B)/C** where:
 - **A** is the number of all new housing units affordable to extremely low, very low, or moderate income (120% or below);
 - **B** is the number of all protected units lost; and
 - **C** is all new housing

For the purpose of calculation, all the numbers above would represent data from ten years prior to the most recent calendar quarter.

5. The Commission also finds the Cumulative Housing Balance as the metric to gauge the Mayor's 33% affordability goal, and requires that this metric be calculated in two different ways:
 - i. Where **A** in the formula above equals: units constructed (first Temporary Certificate of Occupancy obtained) + units that obtained site or building permit; and
 - ii. Where **A** in the formula above equals: units constructed (first Temporary Certificate of Occupancy obtained) + units that obtained site or building permit + HOPE SF and RAD public housing replacement and substantially rehabilitated units (TCO)
6. **General Plan Compliance.** The proposed Ordinance is consistent with the Objectives and Policies of the General Plan:

HOUSING ELEMENT

OBJECTIVE 1

Identify and make available for development adequate sites to meet the City's housing needs, especially permanently affordable housing.

POLICY 1.1

Plan for the full range of housing needs in the City and County of San Francisco, especially affordable housing.

San Franciscans are a diverse population, with a diverse set of housing needs. Future housing policy and planning efforts must take into account the diverse needs for housing. The RHNA projections indicate housing goals for various income levels, these provide basic planning goals for housing affordability. San Francisco's housing policies and programs should provide strategies that promote housing at each income level, and furthermore identify sub-groups, such as middle income and extremely low income households that require specific housing policy. In addition to planning for affordability, the City should plan for housing that serves a variety of household types and sizes.

The proposed Ordinance would help advance this policy by providing detailed information on affordable housing production for the public and before the Planning Commission; and creating a metric to gauge the Prop K and the Mayor's one-third affordability goal in housing production.

OBJECTIVE 7

Secure funding and resources for permanently affordable housing, including innovative programs that are not solely reliant on traditional mechanisms or capital.

Policy 7.1

Expand the financial resources available for permanently affordable housing, especially permanent sources.

The proposed Ordinance would help advance this policy by informing the decision makers, reporting twice a year on how the city is meeting the City's one-third affordability goal in housing production. This information can inform the decision makers when making budget decisions every year.

7. **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 effect on neighborhood serving retail uses and will not affect 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 modifications proposed 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 would not have an adverse effect on the City's supply of affordable housing. The Ordinance aims to provide updates on how the City is meeting the on-third affordability goal for housing production.

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

The proposed Ordinance would not have an adverse effect on the City's commuter traffic and would not impede MUNI transit service or overburden the City's 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 adverse effect 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 an adverse effect on the City's Landmarks and historic buildings.

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 adverse effect 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, approved as to form by the City Attorney in Exhibit A, described in this Resolution.

I hereby certify that the foregoing Resolution was ADOPTED by the San Francisco Planning Commission on March 19th, 2015.

Jonas Ionin
Commission Secretary

AYES: Antonini, Hillis, Fong, Moore, Richards, Wu

NOES:

ABSENT: Johnston



SAN FRANCISCO PLANNING DEPARTMENT

Executive Summary Planning Code Text Change

HEARING DATE: MARCH 19, 2015

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: **Amendments Relating to City Housing Balance Monitoring and Reporting**

Case Number: 2015-002003PCA [Board File No. 150029]

Initiated by: **Supervisor Kim** / Introduced January 13, 2015

Staff Contact: Kimia Haddadan, Legislative Affairs
Kimia.haddadan@sfgov.org, 415-558-6257

Reviewed by: Aaron Starr, Manager Legislative Affairs
aaron.starr@sfgov.org, 415-558-6362

Recommendation: **Recommend Approval with Modification**

PLANNING CODE AMENDMENT

The proposed ordinance would amend the Planning Code to require the Planning Department to monitor the balance between new market rate housing and new affordable housing, and publish a bi-annual Housing Balance Report; requiring an annual hearing at the Board of Supervisors on strategies for achieving and maintaining the required housing balance in accordance with San Francisco's housing production goals; and making 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.

The Way It Is Now:

The Planning Department currently publishes four reports that address the state of the City's housing stock and the production of housing in the City. These reports include:

1. The Housing Inventory report, which includes the number of affordable housing units based on affordability levels;
2. The Quarterly Pipeline Report, which includes the number of new units from units recently built or entitled;
3. The Quarterly Residential Pipeline, which compares the units produced based on affordability levels with the Regional Housing Needs Allocation (RHNA) housing projections in three income categories (low income: below 80% AMI, moderate income: 80% to 120% AMI, and above moderate: more than 120% AMI); and
4. The State mandated Annual Housing Element Progress Report, which reports on the status and progress in implementing the jurisdiction's housing element.

The Way It Would Be:

The proposed Ordinance would require the Planning Department to publish an additional housing related report that addresses the state of the City's housing stock called the Bi-annual Housing Balance Report. The proposed reports would break down housing production data based on income categories,

geography, and specific types in housing production (HOPE SF & RAD) or unit loss (removal from rent control). The report would also provide updates on the balance between affordable and market rate housing production through a new metric called the Cumulative Housing Balance ratio for the past ten years starting from the most recent quarter. The report would present this information as a City-wide number, by Supervisorial District, and by Neighborhood Planning Districts. This report would be required to be published by February 1st and August 1st of each year. The Planning Department would be required to present this report at an informational hearing to the Planning Commission, the Board of Supervisors, and any relevant body with geographic purview over a plan area.

BACKGROUND

On November 4, 2014, the City voters passed Proposition K, which established as City policy the commitment to construct or rehabilitate no less than 30,000 new units by 2020 with at least one-third (33%) of those permanently affordable to low and moderate income households, and over 50% within financial reach of working middle class San Franciscans. Prop K also urge the Mayor and the Board of Supervisors to formalize and implement a Housing Action and Neighborhood Stabilization Plan to realize the 30,000 unit goal including at least one-third of those affordable to low and moderate income households.

The Housing Action Plan is intended to implement (1) A Funding Strategy sufficient to support a range of housing both rental and homeownership housing affordable to low, moderate and middle income households. (2) Funding for a Neighborhood Stabilization Trust for the purpose of preserving the affordability of existing rental units and stabilizing neighborhoods with historically high levels of evictions. (3) A land acquisition strategy to purchase sites appropriate for affordable housing, and (4) Funding for public housing rehabilitation.

Prop K also required that the Mayor's Office of Housing and the Planning Department and a lead sponsor from the Board of Supervisors develop and introduce legislation requiring the City to review the cumulative ratio of affordable and inclusionary housing to market rate housing every year through an annual housing production calculation. The subject Ordinance is intended to fulfill this requirement and the information presented in the Housing Balance Report will help inform the City's Housing Action Plan.

ISSUES AND CONSIDERATIONS

Mayor's Executive Directive

In January 2014, Mayor Lee published an executive directive where he pledged 30,000 new and rehabilitated homes throughout the City by 2020, of which at least one-third of those are permanently affordable to low and moderate income families, and with the majority of them within financial reach of working, middle income San Franciscans. While the City currently provides reporting on housing, a specific consistent measure to gauge this affordability goal does not exist.

Existing Reports on Housing

Below is the list of current reports that the Department prepares for housing:

1. *State mandated Annual Housing Element Progress Report*: State law¹ requires all government bodies to prepare an annual report on the status and progress in implementing the jurisdiction's housing element using forms and definitions adopted by the Department of Housing and Community Development. The Annual Progress Report is due every 1st of April and reports on the preceding calendar year. This report includes information on jurisdiction's progress in addressing the Regional Housing Need Allocation (RHNA) projections, as well as the status of housing programs and efforts to remove government constraints. The content of this existing report addresses most of the requirements proposed in the Ordinance.
2. *Annual Housing Inventory Report (non-mandated)*: The Housing Inventory is the Planning Department's annual survey of housing production trends in San Francisco. It has reported changes in the City's housing stock, including housing construction, demolition, and alterations, since 1967. The Housing Inventory reports housing production, which begins when a building permit application for a project is filed with the City (See Figure A). The report includes the following information:
 - Housing production trends
 - Affordable housing production (including inclusionary housing)
 - Changes in housing stock (by unit type) by planning district

Figure A- Housing Production Process



3. *Quarterly project pipeline reports (non-mandated)*: The Department has produced this report every three months since 2003. The San Francisco consolidated pipeline consists of development projects that would add residential units or commercial space, applications for which have been formally submitted to the Planning Department or the Department of Building Inspection (DBI). Pipeline projects are at various stages of development: from applications having been filed to entitlements secured; from building permits approved and issued to projects under construction. This would constitute any project falling under the first three boxes illustrated in Figure A².
4. *Quarterly Housing Production Summary Report (mandated)*: The Administrative Code requires the Department to develop quarterly reports on how the City has been meeting the RHNA projections.

¹ Government Code Section 65400.

² To filter inactive projects, the current pipeline only includes projects filed during the last five years, projects approved in the last four years, and projects that started construction during the past three years. In addition, when a project is issued a Certificate of Final Completion by the DBI, it is taken out of the pipeline.

Proposed Calculation of Housing Balance

The Housing Balance ratio would indicate the rate of affordable housing production compared with all housing construction using the following data points in this formula, **Housing Balance**= (A-B)/C where:

- A is the number of all new housing units affordable to extremely low, very low, or moderate income (120% or below);
- B is the number of all protected units lost; and
- C is all new housing

For the purpose of calculation, all the numbers above would represent data from ten years prior to the most recent calendar quarter.

The Ordinance identifies the Cumulative Housing Balance as the metric to gauge the Mayor's 33% affordability goal, and requires that this metric be calculated in two different ways:

- i. Where A in the formula above equals: units constructed (first Temporary Certificate of Occupancy obtained) + units that obtained site or building permit; and
- ii. Where A in the formula above equals: units constructed (first Temporary Certificate of Occupancy obtained) + units that obtained site or building permit + HOPE SF and RAD public housing replacement and substantially rehabilitated units (TCO)

The Ordinance also requires calculation of the Projected Housing Balance, where the A in the formula above equals units that received approval from Planning Commission or Department (even without site or building permit, and excluding master planned entitlements)

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

The Department recommends that the Commission recommend *approval with modification* of the proposed Ordinance and adopt the attached Draft Resolution to that effect. The proposed modifications are as follows:

1. **Modify the dates by which the Department would publish bi-annual updates to the reports.**
2. **Clarify the mandated presentations of the report.**
3. **Include necessary staffing budget for the additional work load for the Department and delay the publication of the first report until 6 months after the Mayor's signature on this Ordinance.**

BASIS FOR RECOMMENDATION

The proposed reporting in the Ordinance provides a detailed overview of affordable housing production, which would help the City in maintaining a thorough and consistent inventory of our new housing stock. City agencies would rely on the information produced as a result of the proposed monitoring reports when developing strategies to facilitate affordable housing production. The proposed annual hearings

would provide a public setting where all responsible city agencies would discuss strategies to address affordable housing production which is a major challenge in San Francisco.

Staff proposes the following modifications to the proposed Ordinance:

1. **Modify the dates by which the Department would publish bi-annual updates to the reports.** Currently, the Ordinance identifies February 1st and August 1st as the dates that this report is to be published. Staff proposes to modify these dates to March 1st and September 1st. In order to allow the City to have sufficient time before the April 1st hearing to review the report, the Department is proposing to publish a preliminary report on March 1st to be finalized for the April 1st hearing. This modification is intended to accommodate Planning Staff, which has also to publish the State mandated Annual Housing Element Progress Report by April 1st. If the report results have any budget implications for the City, publishing the final report by April 1st will still allow responsible City agencies to amend their budget proposals prior to the budget being adopted.
2. **Clarify the mandated presentations of the report.** Section 103(d) in the proposed Ordinance states the Department shall present the updated reports to any relevant body with geographic purview over a plan area. The Department proposes to modify this requirement so that the Department would submit the updated reports to their list of neighborhood organizations. Requiring a presentation to a broad and undefined number of organizations would be a significant staffing commitment for the Department and it's not clear if a presentation to all of these organizations is necessary. Staff's recommendation would allow all organization to keep abreast of these updated reports so that they could request a presentation of the findings if needed.
3. **Include necessary staffing budget for the additional work load for the Department and publish the first report 6 months after the Mayor's signature on the Ordinance.** The Department estimates an additional 0.2 Full Time Employee (FTE) needed to complete the tasks mandated in the proposed Ordinance. In the past year, the Department has received significant increase in data and reporting requests; the proposed reporting in this Ordinance would require additional staffing, adding to a cumulative need for a new hire. Staff recommends incorporating this need in the proposed legislation. In order to account for the time needed for hiring the needed staffing, the Department is also recommending that the first report be published six months after the Mayor's signature. The Department's Informational and Analysis Group is currently short two positions. The increase data request in the past year along with the proposed reporting in this Ordinance would create additional commitments to an already understaffed division of the Planning Department. The proposed 6-month wait will give the Department time to hire and train new employees and complete the first Housing Balance Report.

ENVIRONMENTAL REVIEW

The proposed Ordinance would result in no physical impact on the environment. The proposed amendments are exempt from environmental review under Sections 15080(c)(3) and 15378 of the CEQA Guidelines.

PUBLIC COMMENT

The Department has not received any public comments for this Ordinance. Staff has worked closely with Supervisor Kim's Office as well as the Council of Community Housing Organizations (CCHO) to craft this Ordinance.

RECOMMENDATION: Recommendation of Approval with Modifications

Attachments:

- Exhibit A: Draft Planning Commission Resolution
- Exhibit B: Board of Supervisors File No. 150029