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**PROPOSED INITIATIVE ORDINANCE TO BE SUBMITTED BY THE
MAYOR TO THE VOTERS AT THE June 7, 2016 ELECTION**

[Under Charter Sections 3.100(16) and 2.113(b), this measure must be submitted to the Board of Supervisors and filed with the Department of Elections no less than 45 days prior to deadline for submission of such initiatives to the Department of Elections set in Municipal Elections Code Section 30(b).]

Initiative Ordinance

Ordinance amending the Planning Code to maximize inclusionary or affordable housing obligations for housing development projects based on economic feasibility studies.

NOTE: **Unchanged Code text and uncodified text** are in plain font.
Additions to Codes are in *single-underline italics Times New Roman font*.
Deletions to Codes are in *strikethrough italics Times New Roman font*.
Asterisks (* * * *) indicate the omission of unchanged Code subsections or parts of tables.

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

Section 1. Findings

To date, San Francisco's Inclusionary Housing Program has produced approximately 1,000 rental units in mixed income developments, and has contributed, with other sources, to the production of close to 20,000 affordable housing units citywide. The program has created stable rental homes for tens of thousands of low-income households, and has produced more than 2,000 first time home ownership opportunities for moderate- and middle-class San Francisco families.

Despite production and preservation of over 1,750 affordable units in the last two years alone, San Francisco continues to experience a housing crisis that requires a broad spectrum of land use and financing tools to address. San Francisco's inclusionary and affordable housing obligations, which require housing developers to provide affordable units at no cost to the City, are a critical component of expanding the City's affordable housing options.

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Private developers will only build new housing if it is economically feasible to do so, and the levels of affordable housing obligations the City requires is a major factor in these decisions.

If affordable housing requirements are set significantly lower than the maximum generally found to be economically feasible, the ability to produce affordable housing will not be maximized because the City would not be asking housing developers to provide their fair share.

However, if affordable housing requirements are set significantly higher than what is generally found to be economically feasible, most housing projects – including middle class housing – will not be able to move forward, and it is possible that only very high end, luxury housing projects will be able to afford to comply with City requirements.

The purpose of this ordinance is to maximize housing affordability in San Francisco by setting inclusionary and affordable housing obligations at such a level that market-rate developers provide the greatest amount of affordable units possible while maintaining general economic feasibility for residential development, within the established legal framework. To do otherwise would constrict production, increase housing prices, and could inadvertently lead to not much else except high-end, luxury housing projects.

Section 2. The Planning Code is hereby amended by adding Section 415.10, to read as follows:

SEC. 415.10. ECONOMIC FEASIBILITY STUDY TO MAXIMIZE HOUSING AFFORDABILITY

With the support of an independent consultant, the Controller and the Planning Department shall study the economic feasibility of San Francisco's inclusionary or affordable housing obligations, including the affordable housing fee and on-site and off-site alternatives, and report to the Board of Supervisors within six months of the effective date of this Ordinance.

If such study demonstrates that San Francisco's existing inclusionary or affordable housing obligations are either not set high enough to maximize housing affordability or are set too high to be generally economically feasible, the Planning Department shall propose adjusted levels of inclusionary or affordable housing obligations and income levels based on this study, with the objective to maximize housing production and affordability. The Planning Commission shall forward a proposed ordinance amending the inclusionary or affordable housing requirements to the Board of Supervisors within nine months of the effective date of this

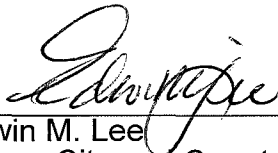
Ordinance, setting forth the recommended levels of inclusionary or affordable housing for various income levels.

The proposed ordinance should include affordable housing obligation levels based on the economic feasibility study, in conjunction with other relevant data, including but not limited to the City's Nexus Analysis, and should address affordable housing fees, onsite affordable housing and off-site affordable housing, as well as the provision of affordable housing available to low-income households at or below 55% of Area Median Income, moderate-income households at or below 120% of Area Median Income, and middle-income households at or below 150% of Area Median Income.

The Controller and the Planning Department shall repeat this process no less frequently than every 24 months after the issuance of the first report to the Board of Supervisors.

* * *

SUBMITTED.



Edwin M. Lee
Mayor, City and County of San
Francisco

Date:

1/19/16

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