



SAN FRANCISCO PLANNING DEPARTMENT

December 15, 2015

Ms. Angela Calvillo, Clerk
Honorable Supervisor John Avalos
Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

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**Re: Transmittal of Planning Department Case Number 2015.006712PCA:
Requiring Conditional Use Authorization for Residential Unit Removals
Including Unauthorized Units
Board File No. 150494
Planning Commission Recommendation: Approval with Modification**

Dear Ms. Calvillo and Supervisor Avalos,

On December 10, 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 Supervisors Avalos. At the hearing, the Planning Commission recommended approval with modification of this Ordinance.

The Commission's proposed modifications were as follows:

- 1. Amend the findings related to unit removal through demolition.** The commission proposes adding the following two findings: 1) whether or not the replacement project would maximize density on the subject lot; and 2) If replacing a residential building not subject to the Rent Ordinance, whether the new projects replaces all of the existing units with new dwelling units with the same number of bedrooms and of similar size.
- 2. Amend the finding related to cost of legalization when removing unauthorized unit** by using the average cost of legalization per unit instead of the proposed per square footage in the legislation.
- 3. Amend the tables within Article 2, Article 7, and 8 of the Planning Code to reflect the proposed changes in Section 317.**
- 4. Encourage Staff to reform the definition of "demolition" in Section 317 of the Planning Code.**

The proposed amendments are exempt from environmental review under Section 15060(c)(2) and 15378 of the CEQA Guidelines.

Supervisor, please advise the City Attorney at your earliest convenience if you wish to incorporate the changes recommended by the Commission.

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,



Aaron D. Starr
Manager of Legislative Affairs

cc:

Supervisor Jane Kim
Judy Boyajian, City Attorney
Jeremy Pollock, Legislative aid to Supervisor John Avalos
April Veneracion, Legislative aid to Supervisor Jane Kim
Andrea Ausberry, Office of the Clerk of the Board

Attachments

Planning Commission Resolution
Planning Department Executive Summary



SAN FRANCISCO PLANNING DEPARTMENT

Planning Commission Resolution No. 19532 Planning, and Building Code Text Change

HEARING DATE: DECEMBER 10TH, 2015

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Project Name: **Requiring Conditional Use Authorization to Remove Residential Units Including Unauthorized Units**

Case Number: 2015-006712PCA [Board File No. 150494]

Initiated by: Supervisor Avalos / Introduced May 12, 2015

Staff Contact: Kimia Haddadan, Legislative Affairs
Kimia.haddadan@sfgov.org, 415-575-9068

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 THAT WOULD AMEND THE PLANNING CODE TO REQUIRE CONDITIONAL USE AUTHORIZATION FOR THE REMOVAL OF ANY RESIDENTIAL UNIT, WHETHER LEGAL OR ILLEGAL, AND COMPLIANCE WITH LANDSCAPING AND PERMEABLE SURFACES REQUIREMENTS FOR BUILDING ADDITIONS AND RESIDENTIAL MERGERS; AMENDING THE BUILDING CODE TO REQUIRE THAT NOTICES OF VIOLATION MANDATE LEGALIZATION OF AN ILLEGAL UNIT UNLESS INFEASIBLE UNDER THE BUILDING CODE OR THE PLANNING COMMISSION APPROVES ITS REMOVAL; AFFIRMING THE PLANNING DEPARTMENT'S DETERMINATION UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT; AND MAKING FINDINGS OF CONSISTENCY WITH THE GENERAL PLAN, PLANNING CODE SECTION 302, AND THE EIGHT PRIORITY POLICIES OF PLANNING CODE SECTION 101.1.

WHEREAS, on May 12, 2015 Supervisor Avalos introduced a proposed Ordinance under Board of Supervisors (hereinafter "Board") File Number 150494, which would amend the Planning Code to require Conditional Use authorization for the removal of any residential unit, whether legal or illegal, and compliance with landscaping and permeable surfaces requirements for building additions and residential mergers; and would amend the Building Code to require that notices of violation mandate legalization of an illegal unit unless infeasible under the Building Code or the Planning Commission approves its removal.

WHEREAS, The Planning Commission (hereinafter "Commission") conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance on December 10, 2015; and,

WHEREAS, the proposed Ordinance has been determined to be categorically exempt from environmental review under the California Environmental Quality Act Section 15060(c); 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/approve with modifications the proposed ordinance. The proposed modifications include:

1. **Amend the findings related to unit removal through demolition.** The commission proposes adding the following two findings: 1) whether or not the replacement project would maximize density on the subject lot; and 2) If replacing a residential building not subject to the Rent Ordinance, whether the new projects replaces all of the existing units with new dwelling units with the same number of bedrooms and of similar size.
2. **Amend the finding related to cost of legalization when removing unauthorized unit** by using the average cost of legalization per unit instead of the proposed per square footage in the legislation.
3. **Amend the tables within Article 2, Article 7, and 8 of the Planning Code to reflect the proposed changes in Section 317.**
4. **Encourage Staff to reform the definition of “demolition” in Section 317 of the Planning Code.**

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. The proposed CU authorization would allow the highest level of scrutiny for applications to remove any units whether legal or unauthorized. Strict protection of the existing housing stock would first and foremost help prevent evictions and displacement due to unwarranted demolition and merger of dwelling units. Secondly, it would also help the City to retain the housing stock, especially given the current housing crisis when demand for housing increasingly surpasses new housing development.
2. The proposed Ordinance would require a CU authorization for unit loss consistently across all zoning districts and building types. A CU authorization is preferred over a Mandatory DR because:
 - A Mandatory DR application is deemed approved unless the Planning Commission makes a decision. A CU authorization however would not be approved unless the Planning Commission reaches consensus.

- For a Mandatory DR application, the Planning Commission only relies on specified findings for unit removal listed in Section 317 of the Planning Code while a CU authorization also includes findings from Section 303 which would determine whether the proposed unit removal is necessary and desirable to the neighborhood.
 - A CU authorization can be appealed to the Board of Supervisors while a Mandatory DR is part of a building permit and can only be appealed to the Board of Appeals. The Board of Supervisors would provide a better opportunity to the tenant to justify their case as only a majority vote can overturn the building permit compared to the Board of Appeals where 4 out of 5 votes is necessary to overturn an issued building permit for removing a dwelling unit.
3. As for unauthorized units, the proposed legislation would create necessary controls for retaining this important portion of our housing stock. Many of these units are tenant occupied at lower rates of rent due to the illegal status of the unit. Removing these units only exacerbates the already critical state of evictions and displacement in San Francisco. These units can be retained and brought up to safety standards generally with small investments. To abate the cost burden on property owners, the City has also waived the required fees for legalization in order to encourage more owners to legalize their units. The proposed findings for the CU authorization would create flexibility for the Planning Commission to allow removal of units that are financially infeasible to legalize.
 4. The proposed legislation would also expand the type of permits that would result in landscaping and permeable pavers in front yards. The proposed new triggers include expansion of building by 20% as well as unit merger. Staff supports this proposal as it aligns with the City's policies on green landscaping and storm water management.
 5. **General Plan Compliance.** The proposed Ordinance and the Commission's recommended modifications are consistent with the following Objectives and Policies of the General Plan:

Housing Element

OBJECTIVE 2

RETAIN EXISTING HOUSING UNITS, AND PROMOTE SAFETY AND MAINTENANCE STANDARDS, WITHOUT JEOPARDIZING AFFORDABILITY.

POLICY 2.1

Discourage the demolition of sound existing housing, unless the demolition results in a net increase in affordable housing.

The proposed Ordinance would provide the highest scrutiny for removal of residential units through demolition-whether legal or unauthorized. This would help discourage demolition of existing housing unless necessary findings warrant the demolition.

POLICY 2.2

Retain existing housing by controlling the merger of residential units, except where a merger clearly creates new family housing.

The proposed Ordinance would provide the highest scrutiny for removal of residential units through merger-whether legal or unauthorized. This would help discourage merger of two residential units or merging an unauthorized units unless necessary findings warrant the merger.

6. **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 have a negative effect on 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 encourage retaining the existing housing stock and would help preserve the 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 and would help retain existing housing stock.

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 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 with modifications as described in this Resolution.

I hereby certify that the foregoing Resolution was adopted by the Commission at its meeting on December 10, 2015.

Jonas P. Ionin
Commission Secretary

AYES: Johnston, Fong, Hillis, Moore, Richards,

NOES: Antonini

ABSENT: Wu

ADOPTED: December 10, 2015



SAN FRANCISCO PLANNING DEPARTMENT

Executive Summary Planning, and Building Code Text Change

HEARING DATE: DECEMBER 10TH, 2015

Project Name: **Requiring Conditional Use Authorization to Remove Residential Units Including Unauthorized Units**

Case Number: 2015-006712PCA [Board File No. 150494]

Initiated by: Supervisor Avalos / Introduced May 12, 2015

Staff Contact: Kimia Haddadan, Legislative Affairs
Kimia.haddadan@sfgov.org, 415-575-9068

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

Recommendation: **Recommend Approval with Modification**

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PLANNING & BUILDING CODE AMENDMENTS

The Proposed Ordinance would amend the Planning Code to require Conditional Use authorization for the removal of any residential unit, whether legal or illegal, and compliance with landscaping and permeable surfaces requirements for building additions and residential mergers; amending the Building Code to require that notices of violation mandate legalization of an illegal unit unless infeasible under the Building Code or the Planning Commission approves its removal.

The Way It Is Now:

1. The loss of one or more Residential Units requires Conditional Use authorization in the RTO, RTO-M, NCT, and Upper Market NCD Zoning Districts, and above the ground floor of the C-3 Zoning Districts.
2. In all other districts, the loss of three or more Residential Units requires Conditional Use authorization, and the loss of one to two Residential Units requires Mandatory Discretionary Review; however, interim controls require a Conditional Use authorization in case of loss through merger.
3. For Residential Units that are demonstrably not affordable or financially accessible housing, the Planning Code allows administrative approval for loss of the unit through merger, demolition, or conversion; however, interim controls require CU authorization for loss of any unit through merger regardless of affordability.
4. Unauthorized Units - units constructed without proper permits - are not defined in the Planning Code.
5. Loss of Unauthorized Units in buildings of three or more legal units requires a Mandatory Discretionary Review per the Mayor's Executive Directive in January 2014. Loss of such units in buildings of one or two legal units is permitted administratively over the counter.

6. The requirements for landscaping and permeable surfaces in front setback are triggered in cases of new construction, the addition of a new dwelling unit, or the addition of parking.

Building Code

7. A Department of Building Inspection (DBI) Notice of Violation (NOV) for an Unauthorized Unit requires the property owner to remove the unit. The property owner can also voluntarily legalize the unit but the discretion is up to the owner.

The Way It Would Be:

1. The loss of one or more Residential Units would still require Conditional Use authorization in the RTO, RTO-M, NCT, and Upper Market NCD Zoning Districts, and above the ground floor of the C-3 Zoning Districts.
2. CU authorization would be required in all zoning districts for loss of any Residential Units, through all three ways of removal(demolition, conversion, or merger).
3. Administrative approval would no longer be available for Residential Units that are demonstrably unaffordable. Such Units would be subject to similar requirements for removal as all other Residential Units.
4. The Ordinance would create a definition for Unauthorized Units.
5. In zoning districts where residential use is allowed, CU authorization would be required for the loss of any Unauthorized Units through demolition, conversion, or merger. Establish criteria for CU authorization when removing Unauthorized Units.
6. Add new triggers for requiring landscaping and permeable surfaces in the front setback when the Gross Floor Area is increased by 20% and when a Residential Merger occurs.

Building Code Modifications:

7. A DBI NOV for an Unauthorized Unit would require the property owner to file a permit to legalize the unit unless the Planning Commission approves removal of the unit through CU authorization.

BACKGROUND

San Francisco has been experiencing a boom in development in the past couple years. Over 3,500 units were completed in 2014; approximately 70% over the 10-year average of 2,075 units added per year. Additionally, over 7,000 units are currently either under construction or are entitled by the Planning Department. Despite this increase in development, housing production has not kept up with population growth and the rising demand for housing due to an economic boom in the

Bay Area as a region. Rental prices in San Francisco remained the most expensive market in the country with median 1-bedroom rents rising to \$3,670 according to Zumper¹.

In the midst of such housing shortage, since 2010, the City has lost an average of about 240² units a year due to demolition, conversion, or merger of legal units or removal of Unauthorized Units.

The City's Housing Element calls for preserving the existing housing stock and promoting the safety standards of residential buildings. In several policies the Housing Element discourages demolition or merger of existing residential units. Responding to this policy direction, the Planning Code generally requires a public process for removing residential units through either a Conditional Use authorization or a Mandatory Discretionary review.

Interim Controls for Restricting Unit Loss

In early 2015, Supervisor Avalos proposed interim controls to further restrict the loss of existing residential units. Effective July 3, 2015, the interim controls require Conditional Use authorization for the merger of all residential units regardless of the zoning district or the affordability level of units being merged. Since then, the Department was tasked with looking into additional controls to help retain our existing housing stock and address the loss of what are referred to as Unauthorized Units, units added without the benefit of a permit. The goal is 1) to prevent eviction of tenants due to demolition and removal of units and 2) to retain the existing housing stock.

Legalizing Unauthorized Units

Anecdotally, Unauthorized Units constitute a large portion of San Francisco's housing stock. While the City does not maintain any database on these units, estimates range between 30,000 to 50,000 of such units in San Francisco. These units are generally affordable to lower income households as they offer lower rates of rent.³ In May 2014, the City established a new program that created a path to legalize Unauthorized Units. This voluntary program provides waivers from many of the Planning Code requirements, including exceeding density limits to legalize one Unauthorized Unit per lot. Since then the City has received 238 applications of which about 130 permits are issued and the rest are under review.

This program was a turning point in the City's approach towards Unauthorized Units. Previously, if the City was made aware of such unit, DBI would issue a NOV requiring removal of the unit. In the past ten years (2004-2014), over 225 of such units were removed⁴. Given the housing crisis in San Francisco the City is shifting its approach to instead encourage the retention of Unauthorized Units.

¹ Zumper National Rent Report: February 2015, Retrieved at <https://www.zumper.com/blog/2015/11/zumper-national-rent-report-november-2015/> on November 19th

² Ranging from 140 units in 2014 to 539 in 2013 (San Francisco 2014 Housing Inventory Published by the San Francisco Planning Department)

³ Karen Chapple, Jake Wegmann, Alison Nemirow, Colin Dentel-Post; *Yes to My Back Yard, Mobilizing the Market for Secondary Units*; Center for Community Innovation at the Institute of Urban and Regional Development, June 2012.

⁴ San Francisco Housing Element 2014 Part I (Table I-54) and Housing Inventory 2014 (Table 8)

The Mayor's Executive Directive

In December 2013, the Mayor published an Executive Directive to all Departments, to implement processes for protecting existing residential units as well as prioritizing affordable housing. One new process established in response to this direction called for requiring a Mandatory Discretionary Review for removal of Unauthorized Units in buildings of three units or more. This new process aimed to ensure that property owners have made every effort to maintain a housing unit before pursuing removal of the unit.

ISSUES AND CONSIDERATIONS

Loss of residential units: Implications

San Francisco has about 379,600 residential units, representing a valuable resource in addressing housing demand in the city and region. Analysis of a one year data indicates a 3.5% turnover for sales and over 10% turnover for rental⁵, both of which are higher than the net increase in number of housing units over the last year⁶ (1%). This indicates a stronger role for the existing housing stock to address the housing demand compared to the new housing developed.

With the rising demand for housing in the region, protecting our existing housing stock remains a crucial long-term housing strategy. The high cost of construction makes replacing units lost through demolition or merger extremely expensive incurring additional financial burden on the City's resources. Higher construction costs also translate into higher rental and sales prices for the replacement unit and a wider gap in housing available to low to middle income households.

Removal of residential units is also a major cause of tenant eviction in those units. Eviction rates have increased by 45% Citywide from 2010-2014. Of approximately 4,500 no-fault evictions from 2005-2015, about 500 (11%) were due to demolition⁷.

Preserving the housing stock is also an effective tool for neighborhood stabilization. The tenants in the existing rental housing stock- especially in rent controlled units- pay much lower rents compared to current asking rent on the market. If these tenants were to be evicted due to removal of the unit, finding replacement housing at the same affordability rate in the same neighborhood could prove infeasible. The displacement of tenants would transform the neighborhoods and weaken the social ties and resources that people shape during the years of living in one place.

Types of Approval for Unit Loss

Currently, for applications to remove residential units, the Planning Code requires different types of approval decisions in different zoning districts and based on the number of units being removed. The table below summarizes the existing, interim, and proposed controls:

⁵ Analysis of Zillow data, April 2014 to March 2015 for sales, March 2014 to April 2015 for rentals, and 2013 households by tenure from an analysis of Census Public Use Microdata Sample (PUMS) data, accessed via IPUMS USA.

⁶ From 2013 to 2014, Housing Inventory 2014, SF Planning

⁷ Housing Balance Report, September 2015, SF Planning

Subcategories of Controls	Existing Planning Code Requirements	Existing Interim Controls	Proposed Controls
RTO, RTO-M, NCT, and Upper Market NCD Zoning Districts, and above the ground floor of the C-3 Zoning Districts	CU	CU	CU
All Other Zoning Districts	<ul style="list-style-type: none"> ▪ CU for three or more units ▪ Mandatory DR for one or two units 	<ul style="list-style-type: none"> ▪ CU for all mergers ▪ CU for demolition or conversion of three or more units ▪ Mandatory DR for demolition or conversion of one or two units 	CU
Single Family buildings and condos that are demonstrably unaffordable or financially inaccessible or Buildings of two or less units that are unsound	<ul style="list-style-type: none"> ▪ Administrative approval for loss through demolition or merger 	<ul style="list-style-type: none"> ▪ Administrative approval for loss through demolition ▪ CU for loss through merger 	CU
Loss of Unauthorized Units	Mandatory DR for buildings with three or more legal units	N/A	CU

The interim controls in place since July aimed to apply stricter levels of scrutiny for unit removal applications. The CU authorization requirement per the interim controls only applies to unit removal as a result of unit merger. The interim controls did not change the controls for loss of residential units through demolition or conversion; the controls also did not regulate loss of Unauthorized Units. The proposed legislation would make the interim controls permanent and expand its scope to apply the controls consistently based on different types of unit loss: demolition, merger, or conversion.

Loss of Residential Units: Administrative Approval

As listed in the table above, the Planning Code currently allows administrative approval for removal of a single family building that is demonstrably unaffordable or financially inaccessible, and also for buildings of two or less units that are unsound. The Planning Code further defines demonstrably unaffordable as “housing that has a value greater than at least 80% of the combined land and structure values of single-family homes in San Francisco as determined by a credible appraisal” The Department defines a numerical value for this threshold through an appraisal process every year.

The interim controls removed the administrative approval process in cases of a unit merger, subjecting all unit merger application to a CU authorization. The Planning Code still allows administrative approval for removal applications through demolition. The proposed legislation would expand the stricter review process to demolition applications even for buildings that may be demonstrably unaffordable. The goal for this proposal is to ensure retaining the existing housing stock for two main reasons: 1) the existing residential units are generally larger in size compared to the newly constructed residential units. Of the rental units built since 2010, only about 10% are 3 or more bedrooms, while about 33% of rental units built before 2010 are 3 or more bedrooms⁸; 2) the existing housing stock is generally more affordable than the new residential units being built. Newly constructed rental units on the market (since 2005) ask for higher rent premium of about \$300 to \$600 compared to the rental units built before 2005⁹.

By entirely removing the administrative approval process from the Planning Code, the proposed Ordinance aims to achieve the goal of retaining the housing stock but may also subject development projects that would not inherently override this goal to the CU authorization. Examples are when a single family unit not subject to rent control is being replaced by more than one residential units to maximize the allowable density; or the a rundown single family unit not subject to rent control is being replaced by another single family unit of similar size. Additional finding criteria for the CU authorization for demolition would help evaluate the net gain that a replacement project would provide for demolition permits.

Loss of Unauthorized Units: Challenges of Existing Controls

The only existing control to regulate loss of Unauthorized Units was established as a response to the Mayor's Executive Directive discussed above: the City required a Mandatory Discretionary review for removal of Unauthorized Units in buildings of three or more legal units. However, to date the Department has not received any such application even though many Unauthorized Units have been removed or are slated for removal.

This challenge is due to the narrow scope of this policy. A snapshot of the Department's alteration permits filed since May 2014¹⁰ includes over 180 permits filed for removal of illegal units of which at least 120 are located in single family or two unit buildings. Similar pattern is also present in permits to legalize Unauthorized Units: approximately 75% of the applications received are one or two unit buildings. Based on this data, it is safe to assume that Unauthorized Units in the City are mostly in one or two unit buildings not in building with three or more, which are the buildings covered under the Mayor's Executive Order.

Approval for removing Unauthorized Units in buildings with one or two legal units is administrative and can be approved at the Department's Planning Information Center (The PIC).

⁸ San Francisco Planning Housing Database, made summer 2015

⁹ Analysis of Padmapper rental listings, collected January to August 2015 and San Francisco Assessor-Recorder office data.

¹⁰ The program that allows legalizing Unauthorized Units was adopted in May 2014. The reason staff chose this date to create the snapshot is to look at a window in time that the City did allow legalization and the property owners chose to remove their unit despite the available voluntary program to legalize.

Most of these permits seek to remove an illegal kitchen on the ground floor of a single family or duplex building, merging the Unauthorized Unit with an existing legal unit. The proposed legislation would rely on the intent of the Mayor's Executive Directive, but would expand unit removal controls to apply to all Unauthorized Units. The proposed legislation would require any application to remove Unauthorized Units, regardless of the number of the legal units in the building, to seek a Conditional Use Authorization at the Planning Commission.

Another challenge with the existing controls is related to notification of tenants residing in the Unauthorized Units slated for removal. Removing an unwarranted unit often results in eviction of the tenant. Currently there is no requirement to notify the tenant that their home is slated for removal. Therefore, often the tenant is not aware of such permit and only finds out when the eviction notice is served after the permit is approved and the appeal period for the permit (15 days) has ended. Staff is aware of at least eight cases, dating back only to May of this year, filed with the Board of Appeals for a Jurisdiction Request¹¹ by tenants that were evicted because of the removal of an Unauthorized Unit. Most of these cases were denied by the Board of Appeals. Currently there is a pending ordinance¹², sponsored by Supervisor Weiner, that would require mailed notification as well as on site notice when removing an Unauthorized Unit in order to allow adequate time for the tenant to appeal or secure an alternative housing option. The proposed legislation would also require notification for at least 20 days before the CU authorization is heard at the Planning Commission. This legislation will become effective by the end of the year.

Lastly, another challenge in the existing controls relates to the enforceability of the Planning Commission decisions with regards to retaining Unauthorized Units. If a tenant appeals a permit for removal to the Planning Commission through a Discretionary Review, the Planning Commission can determine that the unit shall not be removed. However, the existing controls do not require the property owner to legalize the unit which would raise a challenge if the property owner is not willing to legalize the unit. The proposed legislation would amend the Building Code so that the Notice of Violation to a property owner would require legalization of the Unauthorized Unit unless the Planning Commission approves removal of the unit.

Loss of Unauthorized Units: Section 317 Findings

Section 317 of the Planning Code includes a list of findings for each type of removal: demolition, conversion, or merger. The proposed legislation would subject the merger applications of Unauthorized Units to the same findings as merger of Residential units. It would also define additional findings for removal of Unauthorized Units. These include three new findings:

First is whether or not the Unauthorized Unit is eligible to be legalized. The existing program that allows legalization of Unauthorized Units includes certain limitations. For example only one Unauthorized Unit per lot can be legalized above the density limits.

¹¹ After the appeal period has expired, the Board of Appeals would hear the matter only in extraordinary cases where the Board finds that the City intentionally or inadvertently caused the requestor to be late in filing the appeal.

¹² Board File 150587 "Building and Planning Codes - Notice to Tenants of Dwelling Unit Merger or Demolition"

The second finding is whether the cost of legalization is reasonable. The cost for legalizing Unauthorized Units ranges significantly from \$2000 to \$150,000 per unit according to the applications that the City has received so far. The proposed legislation defines “reasonable cost for legalization” as cost that falls within this range, which is frequently updated based on new applications the Department receives.

The third and last finding relates to whether or not the cost for legalization is offset by the added value to the property. The proposed legislation would require an appraisal of the property for when the unit is legalized compared with when the unit remains unauthorized. If the value added to the property is equal or greater than the costs, legalization would be found financially feasible.

It is also worth noting that the proposed legislation would remove one of the findings for Residential Unit merger that determines “whether removal of the unit(s) will bring the building closer into conformance with prescribed zoning.” Since 2014, the City has increasingly emphasized the need to retain the existing residential units, even if the unit exceeds the allowed density limits. Removing this finding would further align the Planning Code with the goal of preserving our existing housing stock.

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.

RECOMMENDATIONS

The Department recommends that the Commission recommend approval with modifications of the proposed Ordinance and adopt the attached Draft Resolution to that effect. The proposed modifications include:

1. **Amend the findings related to unit removal through demolition-** Staff proposes to add two findings for CU authorization in case of demolition: 1) whether or not the replacement project would maximize density on the subject lot; and 2) If replacing a residential building not subject to the Rent Ordinance, whether the new projects replaces all of the existing units with new dwelling units with the same number of bedrooms and of similar size.
2. **Amend the finding related to cost of legalization when removing Unauthorized Unit-** Staff recommend to use the average cost of legalization per unit instead of the proposed per square footage in the legislation.
3. **Amend the tables within Article 2, Article 7, and 8 of the Planning Code to reflect the proposed changes in Section 317.**

Basis for Recommendations:

The proposed CU authorization would allow the highest level of scrutiny for applications to remove any units whether legal or unauthorized. Strict protection of the existing housing stock

would first and foremost help prevent evictions and displacement due to unwarranted demolition and merger of dwelling units. Secondly, it would also help the City to retain the housing stock, especially given the current housing crisis when demand for housing increasingly surpasses new housing development.

The proposed Ordinance would require a CU authorization for unit loss consistently across all zoning districts and building types. A CU authorization is preferred over a Mandatory DR because:

- A Mandatory DR application is deemed approved unless the Planning Commission makes a decision. A CU authorization however would not be approved unless the Planning Commission reaches consensus.
- For a Mandatory DR application, the Planning Commission only relies on specified findings for unit removal listed in Section 317 of the Planning Code while a CU authorization also includes findings from Section 303 which would determine whether the proposed unit removal is necessary and desirable to the neighborhood.
- A CU authorization can be appealed to the Board of Supervisors while a Mandatory DR is part of a building permit and can only be appealed to the Board of Appeals. The Board of Supervisors would provide a better opportunity to the tenant to justify their case as only a majority vote can overturn the building permit compared to the Board of Appeals where 4 out of 5 votes is necessary to overturn an issued building permit for removing a dwelling unit.

As for Unauthorized Units, the proposed legislation would fill the void of necessary controls for retaining this important portion of our housing stock. Many of these units are tenant occupied at lower rates of rent due to the illegal status of the unit. Removing these units only exacerbates the already critical state of evictions and displacement in San Francisco. These units can be retained and brought up to safety standards generally with small investments. To abate the cost burden on property owners, the City has also waived the required fees for legalization in order to encourage more owners to legalize their units. The proposed findings for the CU authorization would create flexibility for the Planning Commission to allow removal of units that are financially infeasible to legalize.

The proposed legislation would also expand the type of permits that would result in landscaping and permeable pavers in front yards. The proposed new triggers include expansion of building by 20% as well as unit merger. Staff supports this proposal as it aligns with the City's policies on green landscaping and storm water management.

Recommended Modification 1: Amend the findings related to unit removal through demolition - The proposed new findings would help the Commission understand the net gain or loss as a result of the proposed replacement project. The proposed finding regarding maximizing density would help identify whether or not the replacement project presents a net gain for the city in terms of number of units. Given the existing housing crisis and shortage, the City generally encourages development projects to maximize the development capacity. This finding would indicate and highlight if the replacement project acknowledges this policy.

The second proposed finding relates to unit size and affordability. Units not subject to the Rent Ordinance usually are offered at the market rate since increasing rent in these units does not

require any due process. It is safe to assume that a newer unit of similar size would offer similar affordability levels. If the city is gaining more units, maintaining the affordability level, while retaining the variety of unit size, the replacement project may present a net gain.

Recommended Modification 2: Amend the finding related to cost of legalization of removing Unauthorized Unit - The proposed recommendation would slightly change the criteria to evaluate whether the legalization cost is reasonable. This change is largely due to lack of available square footage data for the legalization permits in the format that Department tracks the data. Staff believes that the average cost of legalization is good proxy to measure cost as the database includes a variety of unit sizes.

Recommended Modification 3: Amend the tables within Article 2, Article 7, and 8 of the Planning Code to reflect the proposed changes in Section 317- The Planning Code includes regulations of removal of residential units throughout different zoning tables. Staff recommends amending all relevant tables and Code section to reflect the changes proposed in the legislation.

Environmental Review

The proposed Ordinance is identified not a project under CEQA guidelines Sections 15060(c) and 15378.

PUBLIC COMMENT

As of the date of this report, the Planning Department has received no public comment about this Ordinance.



Attachments:

Exhibit A: Draft Resolution

Exhibit F: Draft Ordinance [Board of Supervisors File No. 15-0494]