



SAN FRANCISCO PLANNING DEPARTMENT

Executive Summary Planning Code Amendment

HEARING DATE: FEBRUARY 25, 2016
90-DAY DEADLINE: APRIL 11, 2016

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Project Name: Affordable Housing Bonus Program
Case Number: 2014-001503PCA [Board File No. 150969] and 2014-001503GPA
Initiated by: Mayor Ed Lee
Supervisor Katy Tang
Introduced September 29, 2015, December 16, 2015, and
January 12, 2016
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Recommendation: **Recommend Approval with Modifications**

BACKGROUND

On September 29, 2015, Mayor Edwin M. Lee and Supervisor Katy Tang introduced an ordinance to implement the Affordable Housing Bonus Program (AHBP). The Planning Commission has held four public hearings on the program to date:

- **October 15, 2015¹**
Initiation of General Plan Amendments: initiation at Planning Commission of the AHBP General Plan Amendments
- **November 5, 2015²**
Initiation Hearing: introduced the basics of the program and feedback received to date.
- **December 3, 2015³**
Initially scheduled for adoption. Response to public and Commissioner comments and concerns. Adoption hearing continued to January 28th.

¹Case packet for initiation of AHBP General Plan Amendments:

<http://commissions.sfplanning.org/cpcpackets/2014-001503GPA.pdf>

²Case packet for the Planning Code Amendment as presented to the Commission on November 5, 2015:

http://www.sf-planning.org/ftp/files/plans-and-programs/planning-for-the-city/ahbp/ahbp_memotoCPC_2014-001503PCA.pdf

³Presentation to Planning Commission: http://www.sf-planning.org/ftp/files/plans-and-programs/planning-for-the-city/ahbp/AHBP_CPC_Presentation-120315.pdf

- **January 28, 2016⁴**
Update to Commission on public on changes to the program, including Supervisor Breed's amendment removing existing rent-controlled units from AHBP eligibility.

REPORT STRUCTURE

The January 28th, 2016 Planning Commission hearing on the Affordable Housing Bonus Program (AHBP or Program) included several public comments and a detailed discussion of the proposed program. In consultation with the Commission President, this case report focuses on six (6) key topics raised at that hearing. Each topic includes the following sections:

- **Topic** a brief summary of the topic and issue raised;
- **AHBP Current Response** a discussion of the AHBP's proposed strategy to address the issues raised.
Note: the majority of these sections discuss the proposed Local Program which was crafted to respond to local housing policy goals. The Individually Requested and State Analyzed programs primarily implement the State Density Bonus Law; and
- **Recommended Amendments and Implications** a discussion of Amendment strategies to address the identified issues and potential implications of that Amendment. As proposed, the AHBP is intended to achieve increased levels of affordable housing production for low, moderate, and middle income households across San Francisco.

This program has been designed to: incentivize market-rate project applicants to choose a Local Program that achieves 30% affordability rather than the State density bonus program that allows for 12 to 18% affordability; increase the development of 100% affordable housing projects serving households below 60% AMI through the 100% AHBP program; and, increase the City's overall supply of affordable housing without drawing public resources away from existing affordable housing programs. All proposed Amendments to this program will be evaluated for their impact on project feasibility and on their ability to incentivize project sponsors to achieve the highest levels of affordability.

This case report is intended to provide a structure for the Commission to consider these six topics. To assist with this structure a summary Department recommendations has been provided as Exhibit C. These recommendations in no way limit the Commission's actions.

For more detail on the AHBP program goals, outcomes, and the proposed legislation please refer to the November 5, 2015² and January 28, 2016⁴ Planning Commission Packets. Related studies and reports are available in those packets or on the program website.

⁴ Case packet for the Planning Code Amendment and General Plan Amendment as presented to the Commission on January 28, 2016. <http://www.sf-planning.org/ftp/files/plans-and-programs/planning-for-the-city/ahbp/2014-001503PCA.pdf>

ISSUES AND CONSIDERATIONS

Topic 1 Program Eligibility

Commenters are generally supportive of encouraging housing on soft sites; however some have expressed concerns that the AHBP ordinance could incentivize development of parcels that house existing residents. The zoning districts within the AHBP area contain roughly 30,500 parcels, and cover neighborhoods throughout the city.

This section discusses the existing limitations on program eligibility, expected outcomes, and includes one recommendation for Commission consideration.

Current Proposal: AHBP and Limits to the Program Scale

To be eligible for the AHBP program, a site must meet several eligibility criteria. A parcel's zoning district **has been** the most discussed eligibility criterion for the Program; however there are a number of other legislated eligibility criteria proposed in the ordinance that further restrict the program's application. Furthermore, analysis of past development patterns under rezonings and the financial requirements of the program indicate that use of the program will be further limited in application. This section briefly discusses these limiting criteria and supporting analysis.

The Department estimates that of the eligible parcels, approximately 240 parcels citywide will potentially benefit from the AHBP. Generally, these are parcels that are currently developed to less than five percent of existing zoning, do not have any residential uses, and are not schools, churches, hospitals, or historic resources

Limiting Criterion 1: Program applies in only certain Zoning Districts ("Program Area")

The California State Density Bonus Law (State Law)⁵ applies to residential projects of five or more units anywhere in the state of California.⁶ The proposed San Francisco Affordable Housing Bonus Program focuses this broad law on zoning districts with all three of the following features: 1) allowance of residential uses; 2) control of density by a ratio of units to lot area; and 3) allowance of multi-unit residential buildings. The following districts are NOT eligible for the Local or State Analyzed Programs of the AHBP: RH-1 and RH-2 and any zoning districts where density is regulated by form (such as NCT, RTO, UMU, DTR, C-3, etc.).

Limiting Criterion 2: No demolition of Historic Resources (less 4,750 or More Parcels)

The AHBP ordinance explicitly disqualifies many parcels within eligible zoning districts based on a number of characteristics. Known historic resources, identified as CEQA Category A buildings by the Department's Historic Preservation division, cannot be demolished to build AHBP projects.⁷ Generally, the State Law does not recognize locally designated resources; however the State does allow cities to deny requested incentives, concessions or waivers only for properties listed on National or California Registers. The Local Program protects both eligible and listed

⁵California Government Code Sections 65915 – 65918

⁶ Please see Exhibit E which describes sponsor requested legislative changes.

⁷In addition, the Planning Commission does not approve demolition unless the proposed project is also approved.

resources under local, state and federal designations. Criterion 2 (exclusion of projects proposing to demolish historic resources) would reduce the number of eligible parcels by at least 4,750. Additional parcels could be excluded during the application or pre-application process as described below.

Properties in San Francisco are organized into three categories for the purposes of CEQA:

Status		Eligibility for AHBP
Category A	Known Historic Resources	<u>are not</u> eligible
Category B	Unknown (properties over 45 years of age)	<u>may be</u> eligible if determined not to have historic status
Category C	Not a Resource	<u>are</u> eligible to participate

The existing proposal is clear that “Known Historic Resources” sites are not eligible for the program and “Not a Resource” sites are eligible for the program. The only uncertainty that remains is for “Unknown” sites. It is not possible to determine which “Unknown” properties may be reclassified as “Category A” or “C” until a historic resource evaluation is filed with the environmental evaluation. The uncertainty in time and invested resources may reduce the incentive for a project sponsor to participate in the Local AHBP. There are an estimated 4,570 “Category A” buildings in the AHBP area. There are also 22,100 “Category B” buildings – with unknown potential as historic resources. Before a project could be approved on these sites, the necessary historic evaluation would be completed to determine the resource status.

Category B Properties – Initial Historic Resource Determination

As part of the AHBP entitlement process the Department may offer an initial historic resource determination. The initial historic resource determination application would not require information on the proposed project as only the historic status of the property would be evaluated. This would allow a project sponsor an opportunity to determine eligibility for the local AHBP without investing resources into the design of the proposed project.

Category B Properties - Citywide Historic Resources Survey

Since the beginning of the City’s historic preservation program, small-scale surveys have been completed on a piecemeal basis, depending on funding and staff resources. Beginning in the summer of 2016, the Department will begin the first phase of a citywide historic resource survey documenting those areas of San Francisco that have not yet been evaluated. The first priority of this work will be areas potentially eligible for the AHBP and areas currently experiencing, or anticipated to have, heightened development. The citywide historic resource survey project is anticipated to take four to six years to complete. Early determination of either disqualification or eligibility will allow projects to be withdrawn if a resource is present or, if appropriate, designed with greater efficiency and compatibility. This survey work will minimize program uncertainties and associated costs for both the project and the City.

Category B Properties - Neighborhood Commercial District Survey and Historic Context Statement

The Department recently completed a Neighborhood Commercial Storefronts Historic Context Statement and data collection phase of a Neighborhood Commercial District Survey. The primary goal of the survey is to identify historic properties that may require future seismic or accessibility upgrades. The Department is currently preparing the community outreach phase of the survey. The survey examined approximately 83 current or formally-zoned neighborhood commercial areas, totaling 5,500 buildings. Along with recent area plan historic surveys, such as Market & Octavia, SoMa, and Mission, the Department will have determinations for virtually all neighborhood commercial corridors within the City. This information will provide upfront information on which properties are Category A or C.

Limiting Criterion 3: No demolition of a Rent Control Unit

Board President Supervisor London Breed proposed an amendment to the AHBP ordinance that bans the demolition of any rent control units through this program. The ordinance sponsors, Mayor Edwin Lee and Supervisor Katy Tang, as well as by the Department fully support this proposed amendment. Removing parcels with rent-controlled units is estimated to reduce the number of eligible parcels by 17,000.

LIMITING CRITERIA TWO AND THREE REMOVE AN ESTIMATED 19,300 PARCELS FROM ELIGIBILITY (ROUGHLY 63% OF 30,500 PARCELS IN THE PROGRAM AREA).

Limiting Criterion 4: Cannot shadow a public park or open space

The AHBP ordinance further limits the use of the Local Program for any project that would cause a significant shadow impact on a public park. It is difficult to estimate the exact limitation this restriction could cause on the program area, because shadow impacts would be determined during the environmental evaluation process, and could vary based on the specific building design. A preliminary shadow fan analysis indicates that up to 9,800 parcels could potentially be limited in their ability to build two additional stories of height due to this restriction and proximity to public parks. Specific analysis of a particular building proposal could change these initial results.

Limiting Criterion 5: Gain Commission approval required to demolish a unit

The City of San Francisco currently has very strict regulations around the demolition of a housing unit (Planning Code Section 317). Any project proposing to demolish a residential unit would be required to make the necessary findings and receive Planning Commission approval for the project.

Past development patterns suggest development would primarily happen on underutilized (soft) sites

The vast majority of eligible parcels contain healthy buildings and uses that would make them unlikely to be redeveloped. For example, the Market Octavia Area Plan rezoned every parcel in the Plan Area, removing density restrictions and increasing the zoned potential of most parcels. Despite this widespread rezoning, the plan resulted in new development on underutilized parcels such as former freeway parcels and large underutilized lots on Market Street. Other

parcels that were rezoned as part of Market and Octavia that host healthy older buildings including single family homes, apartment buildings and mixed uses have not attracted new development proposals because the current uses are highly valued by the community. It is anticipated that the AHBP would lead to similar development patterns. For purposes of estimating potential housing unit yields from the AHBP program, the Department identified approximately 240 underutilized (“soft”) sites – sites where the current built envelope comprises five percent or less of the allowable building envelope under current zoning. Also, parcels containing residential uses, schools, hospitals and historic resources were also excluded as potential development sites.

While the Local AHBP offers clear development incentives, such as two stories of height and increased density, it also requires that project sponsors provide: 1) 30% of all units as permanently affordable; 2) 40% of the units as two bedroom; and 3) meet specific new design requirements of the Program. Financial analysis tested the program’s value recapture to ensure the maximum affordable housing was required while still providing an incentive for projects to elect to provide 30% affordable housing. The analysis found the program is feasible, but only in some cases.

The financial feasibility analysis assumes current land values of the existing parcels remain constant with the implementation of the AHBP. The financial analysis assumes that land values would not increase due to program benefits; accordingly, there is little flexibility in the price projects can afford to pay for land. Further, the analysis assumes that the existing uses did not add to land value, so any existing use that would add value not considered by the financial analysis and would likely tip a project into infeasibility. In other words, the AHBP Local Program is financially feasible only for projects on sites where the existing building does not add costs to acquiring the property. A site with several residential units would command a higher market price than what was tested, and therefore the Local Program or State Analyzed Programs would likely not be financially feasible on sites with existing buildings.

Department Recommended Amendment to Further Limit Program Eligibility

To address concern around the program’s scale, the Department recommends the following amendment:

- ❖ **ADD LIMITING CRITERION: PROJECTS THAT PROPOSE TO DEMOLISH ANY RESIDENTIAL UNITS SHALL NOT BE ELIGIBLE FOR AHBP.**

Supervisor Breed’s amendment to the program already prevents parcels containing existing rent-controlled units from developing through the AHBP. The City could further limit the eligibility for AHBP to projects that do not demolish any existing residential units (regardless of rent-controlled status).

Potential Implication of Proposed Amendment

If the AHBP was limited to projects that did *not have ANY residential units*:

The AHBP could still produce 5,000 affordable housing units on 240 potential soft sites over a 20 year period. None of the soft sites identified contain known existing housing units, as the Department considers the development of sites with existing units unlikely for the reasons discussed above. Should the Planning Commission recommend this amendment, the amendment would not reduce the development potential on the identified potential soft sites.

Smaller increases in density to parcels with existing residential uses would be prohibited. Generally, sites with existing residential uses are unlikely to redevelop under the AHBP. However in the occasional instance where an owner wanted to redevelop a property with residential uses, the density of the new building would be limited by existing regulations, and there would not be the incentive to provide 30% affordable housing. Especially on smaller sites, where total units are below the 10 unit threshold for inclusionary housing under Planning Code section 415, the amendment could mean a reduction or omission of affordable housing when these sites are developed. If even 5% of the sites with only one unit in the Program area chose to develop and add more units (as allowed under existing regulations), the City could gain an additional roughly 300 permanently affordable units.⁸ **These units would not be built if this amendment is adopted. Additionally, these sites could redevelop under existing zoning controls producing zero affordable housing units.**

For projects that include five or more units, property owners could still avail themselves of the State Density Bonus Law and receive up a 35% increase in density, up to three incentives and concessions and waivers of development standards as defined by the State Law, while providing less affordable housing and no middle income housing. In addition, the State Law would limit the Department and Commission's ability to disapprove any incentives, concessions or waivers requested by the project sponsor.

Topic 2: Infrastructure to Support New Growth

San Francisco residents enjoy a high level of public infrastructure including access to open space and parks, pedestrian and bicycle infrastructure, schools, and an urban transit system. As the City's population grows, these amenities must be managed and scaled to accommodate new residents and maintain the quality of life in San Francisco. Recent area plans have generally included a community improvements plan and commensurate revenue strategies to enable infrastructure growth with new development. Commenters have asked how transportation and other amenities will be provided to support new residential development enabled through the AHBP. This section describes the City's current strategy for planning infrastructure to support new growth, with a focus on transportation.

Current Proposal: AHBP and Transportation Services

⁸ There are roughly 4,100 single-family homes in the AHBP program area in zoning districts that currently allow higher density development. Based on the Department's analysis, if only 5% of these sites were to redevelop they could produce upwards of 350 new permanently affordable units and a total net increase of 1,000 units.

The Program area is generally within walking distance to the Muni Rapid Network, the high level of service corridors such as Muni's light rail lines, Geary Boulevard and Mission Street. This means that the AHBP is encouraging new housing where the City is currently investing in increased levels of transportation services. This land use and transportation planning coordination ensures the City's investments will support new residents.

Area plans such as Market & Octavia and Eastern Neighborhoods include neighborhood specific impact fees to support concentrated development. For the more dispersed development associated with the AHBP, the City has subsequently completed a citywide infrastructure standards analysis and created commensurate citywide infrastructure funding mechanisms and plans. Many of the City's our infrastructure systems, especially transit and childcare, operate on a citywide basis and generally require a citywide approach when planning improvements.

In the past several years, San Francisco has made great progress on several citywide transportation planning efforts and has established several new transportation revenue sources. In addition to the ongoing revenue sources, in 2014 voters approved a \$500 Million transportation bond. Also in 2014, voters supported Proposition B which tethers additional transportation funding to the rate of population growth.

The Citywide Transportation Sustainability Fee (TSF), which applies to new residential and commercial development, is anticipated to generate \$1.2 billion in revenue over 30 years. TSF revenues will enable the City to "invest in our transportation network" and "shift modeshare by requiring new developments to prioritize more sustainable travel methods". The Department anticipates that over 80% of the projected projects that take advantage of the AHBP would include 20 units or more, and therefore would be subject to the recently established TSP fee. Thus, the AHBP could generate upwards of 99 million dollars⁹ in new transportation funding to support new residents. These funds will contribute meaningfully to the City's overall transportation funding strategy and enable the City to accomplish planned improvements to the network.

In addition to the TSF, all projects entitled under the AHBP would be subject to existing citywide fees for Public Schools, Public Utilities Commission (sewer and water) and childcare facilities.

These fees enable the City to make initial investments in infrastructure systems to support new growth. Maintaining a high level of service for all infrastructure types is critical to the quality of life in San Francisco. Much of the AHBP area includes parts of the City with higher levels of service for open space and pedestrian amenities.¹⁰

Topic 3: Urban Design

Some commenters have expressed concerns about the compatibility of potential AHBP buildings and neighborhood context. Some have expressed concern that the AHBP takes a 'one-size-fits-all'

⁹ In today's dollars, at \$7.74 per GSF, this estimate does not account for annual indexing of fees to account for cost inflation.

¹⁰San Francisco Infrastructure Level of Service Analysis March 2014. http://www.sf-planning.org/ftp/files/plans-and-programs/plan-implementation/20140403_SFInfrastructureLOSAnalysis_March2014.pdf

approach, which applies too broadly across the City's many neighborhoods. Some have asked whether the consistent development incentives would cause a monotonous or "one size fits all" outcome in terms of urban form. The need for special consideration for infill projects in existing historic districts has been raised. Some commenters also raised questions about the relationship between potential heights and existing road widths, suggesting that narrow streets may warrant special consideration. And, some have suggested that the limits on lot mergers should relate to the neighborhood context more specifically.

Current Proposal: AHBP and Urban Design

As drafted, the AHBP includes several parameters to ensure neighborhood and context-specific urban form.

Existing Controls Vary to Reflect Neighborhood Context

The Local Program of the AHBP enables projects to include two additional stories of housing when 30% of affordable housing is provided. The height increases are based upon the existing height regulations. While the incentive is the same increment across the City, the outcomes of the program will vary based on the underlying height limits. In many districts, the program enables six-story buildings, in some seven-story buildings, and in others eight-story and above buildings. While an AHBP project providing 30% on-site affordable units in the Western Addition and one in the Sunset would both receive two extra stories of height; the former, in a 65-foot height district, would result in an eight story building and the latter, in a 40 foot height district, would result in a six-story building. Current variations in underlying height controls will continue to be expressed through the AHBP.

Urban design in many cities and neighborhood types follow different general principles. San Francisco considers building height in relation to street widths. In some areas, a building's maximum podium height might be related to a street width, while in less dense neighborhoods, the overall maximum height of a building might be related to the street width. Generally, a ratio of building heights and street widths between .75 to 1.5 is considered appropriate in San Francisco.¹¹ This means that streets that are 40 feet wide can comfortably host buildings from 30 to 60 feet tall. Streets 50 feet wide can host buildings 40 to 75 feet tall. Streets 55 feet wide can host buildings 41 to 83 feet tall. All of the Program area includes roads that are 50 feet or wider – meaning they can comfortably host buildings that are 60 feet or taller. Thus, **the AHBP does not currently allow buildings that would be considered too tall in relation to the street width, based on this ratio.**

Design Guidelines

AHBP projects will be subject to program specific design guidelines. The guidelines address four topic areas: tops of buildings, middle of buildings, ground floors, and infill projects within existing historic districts. These guidelines will ensure San Francisco's practice of emphasizing context-specific design in new construction. The AHBP draft Design Guidelines includes 25 design guidelines¹². Three of the most relevant to context-specific design include:

¹¹ Allan B. Jacobs, *Great Streets*, Fourth Printing, 1996, pages 277 to 280.

¹² The complete AHBP draft design guidelines are available here: http://www.sf-planning.org/ftp/files/plans-and-programs/planning-for-the-city/ahbp/AHBP_Draft_Design_Guidelines.pdf

- T1. Sculpt tops of buildings to contribute to neighborhood quality (page 6 of the AHBP Design Guidelines).
- T3. Express Exceptional and Complementary Architectural Character (page 7 of the AHBP Design Guidelines).
- B3. The façades of new buildings should extend patterns (page 10 of the AHBP Design Guidelines).

Development within Historic Districts

Some historic districts maintain a strong uniformity while other exhibit varied character. AHBP projects will likely result in developments of greater density than the surrounding historic context. Increased density in historic districts does not inherently conflict with historic preservation principles. Historic districts are capable of allowing increased housing density without affecting the historic character and features of a district.

Infill projects within an eligible district will be reviewed by Planning Department Preservation staff in addition to the Planning Commission for compatibility with the AHBP Design Guidelines. There is no proposed change in process for an infill project within a locally-designated district under Article 10 or Article 11 of the Planning Code. Historic Preservation Commission review and approval through a Certificate of Appropriateness or Permit to Alter entitlement would continue to be required. Findings of compliance with local guidelines and the Secretary of the Interior's Standards would also continue to be required.

Projects proposed for sites of non-contributing buildings and vacant lots within historic districts are required to meet the AHBP Design Guidelines for compatibility with surrounding historic context and features. AHBP projects will likely result in developments that may be taller than the surrounding historic context, thus it is crucial that the design of infill construction within historic districts not be so differentiated that it becomes the primary focus. Application of the AHBP Design Guidelines, by the Department, decision-makers, and with oversight from the community, will assist in achieving innovative and exceptional design solutions where the scale and massing of a project must relate to the surrounding historic context.

Below are two of the nine AHBP Design Guidelines for projects within a historic district:

- H2. Strengthen the primary characteristics of the district through infill construction by referencing and relating to the historic design, landscape, use, and cultural expressions found within the district (page 18 of the AHBP Design Guidelines).
- H6. Design to be identifiable as contemporary and harmonious with the historic district in terms of general site characteristics, materials, and features (page 18 of the AHBP Design Guidelines).

Lot Merger Limits and AHBP

Current Planning Code controls only regulate lot mergers in a limited number of districts¹³ in the AHBP area. The AHBP ordinance proposes to extend lot limit merger regulations. AHBP projects

¹³ Inner and Outer Clement NCDs, and NC-2 Districts on Balboa Street between 2nd Avenue and 8th Avenues, and between 32nd Avenue and 38th Avenues.

that request a lot merger would be limited to less than 125 feet of street frontage. This generally reflects 50% of a typical San Francisco block, reflecting prevailing patterns in the program area neighborhoods.

The AHBP lot merger language is based on research that looked at past trends and the typical commercial corridor block length in the Sunset. Given that the typical commercial corridor block length in the Richmond and the Sunset is approximately 240 feet, 125 feet provides a good proximate for a building to not exceed. Note that this regulation would only apply to projects that participate in the AHBP. Current regulations would still apply to projects that are not participating in the AHBP. Currently, lot mergers are regulated in a few of the City's districts. Most commercial corridor zoning districts currently require a Conditional Use if the lot size is 10,000 square feet and above.

Department Recommended Amendments to Urban Design

- ❖ *ADD A DESIGN GUIDELINE TO MAXIMIZE LIGHT AND AIR TO THE SIDEWALKS AND FRONTAGES ALONG THE STREETS, INCLUDING ALLEYS.*
- ❖ *BASE LOT MERGER LIMITATIONS ON 50% OF THE ACTUAL BLOCK LENGTH, RATHER THAN APPLY A CITYWIDE NUMERICAL CAP.*
- ❖ *DIRECT PLANNING STAFF TO INCLUDE ANALYSIS OF A PROJECT'S CONFORMITY TO DESIGN GUIDELINES IN A PLANNING COMMISSION CASE REPORT.*

Potential Implication of Proposed Amendments

Additional design guidelines would empower design review to focus on the relationship between street width and building heights. A design guideline to "maximize light and air to the sidewalks and frontages along the streets, including alleyways" would speak to the overall feel of a particular corridor and a specific housing proposal. The Planning Commission would be required to find projects consistent with all AHBP design guidelines as part of the approval process. This would enhance urban design outcomes and ensure that new buildings are context-sensitive.

Relating the lot merger limitations to block length rather than overall parcel size ensures that AHBP projects relate to the specific neighborhood context. Limitations on lot mergers could, in rare cases, reduce total units produced for an individual project. However the proposed ratio would result in good urban design consistent with prevailing patterns and would offer an appropriate limitation on the scale of potential AHBP projects.

Topic 4: Public Review and Commission Approval

Some commenters have expressed concern that AHBP projects will not have adequate public input, City review or Planning Commission review. In particular commenters raised questions about the appeals process proposed for the Local AHBP, the conditional use findings and the ability of the Commission to make modifications to the design of the building.

Current Proposal: The Local Affordable Housing Bonus Program Project Review

As drafted, the Local AHBP does not reduce public input nor public hearing requirements for projects entitled under this program. In fact, the Local Program increases the opportunity for public input because every Local AHBP project will require a Planning Commission hearing

under the Local and 100 percent Affordable Housing Bonus Project Authorization proposed in Section 328, including some projects that would not otherwise require Planning Commission approval. Under the proposal, only projects that provide 30% permanently affordable housing, or greater, would be eligible for the Local and 100 percent Affordable Housing Bonus Project Authorization process.

Entitlement Process for AHBP State Analyzed Program

Projects entitled under the State Analyzed Program will have no reduction in the City's current review process. These projects will either provide the minimum inclusionary amount, or may provide between 13% or 20% affordable housing in order to obtain a greater density bonus or an increased number of incentives and concessions. Projects entitled through the State-Analyzed program will be subject to the same review and approval processes as they would today – the triggers for Conditional Use Authorization or any other code section that requires a Planning Commission hearing will continue to have a Planning Commission hearing. Projects that use the State-Analyzed program and do not trigger a Planning Commission hearing under the Code are still subject to Discretionary Review (DR). Projects using the State-Analyzed program and choose an incentive off the pre-determined menu that would have required a variance would no longer be subject to a variance hearing. However, if the project seeks a variance that is not from the menu, a variance hearing would be required.

Entitlement Process for AHBP Local Program and 100% Affordable

Projects entitled under the Local Program and the 100% Affordable Program, which respectively provide 30% affordable units or are completely affordable developments, will be reviewed under the proposed "Local and 100 percent Affordable Housing Bonus Project Authorization," as proposed in Section 328. This entitlement process is similar to the existing Large Project Authorization (LPA) process in the Eastern Neighborhoods Mixed Use Districts set forth in Planning Code section 329. The goals of establishing a new process for projects that provide 30% affordable housing include: 1) create a single process for projects with clear requirements and procedures; 2) enable the Planning Commission to grant exceptions to proposed projects without requiring a variance; and 3) build on the success of the LPA process established as part of the Eastern Neighborhood Mixed Use Districts. Should a project include a component that would currently require a conditional use approval (CU), the Commission would continue to be required to make the necessary findings that would otherwise be made as part of a CU hearing under the new entitlement process, and in addition to the required findings set forth in the Local and 100 percent Affordable Housing Bonus Project Authorization.

Section 328 - the Local and 100 percent Affordable Housing Bonus Project Authorization process - has a consistent review process for all Local Program projects. The review allows the Commission to grant minor exceptions to the Code to respond to design concerns raised by staff and the community in ways that would otherwise require a variance from the Zoning Administrator.

The Local and 100 percent Affordable Housing Bonus Project Authorization process recognizes that projects that take advantage of the Local Program of the AHBP may be larger than the surrounding neighborhood context in order to facilitate higher levels of affordability. Projects must comply with the AHBP Design Guidelines. The Commission can *disapprove a project* if it fails to meet the AHBP Design Guidelines, other applicable design guidelines, the Better Streets Plan or the General Plan. A project must have the required 30% or more onsite affordability *to qualify* for the Local and 100 percent Affordable Housing Bonus Project Authorization.

CU findings and authority of CPC to change projects

The Planning Commission will continue to have the authority to shape a building and revise certain components of a project, such as proposed land use, or other elements that might otherwise be approved under a particular Conditional Use Authorization permit.

The Local and 100 percent Affordable Housing Bonus Project Authorization is designed to allow the Planning Commission the ability to make minor modifications to a project’s height, bulk, and mass. However, the process recognizes that these projects may be somewhat taller or bulkier than surrounding buildings, and the intent is to limit such modifications to ensure that projects meet the AHBP’s affordability goals. Additionally, as mentioned above, the Planning Commission will be able to grant Planning Code exceptions to shift the mass of a project, if appropriate, as a tool to respond to surrounding context.

Summary: Review Process Current Process and AHBP Projects

	Current Process	State Analyzed	Local Program, 328 Affordable Housing Benefit Review
Preliminary Project Assessment (PPA)	x	x	x
Environmental Review	x	x	x
Pre-Application Meeting (with neighbors)	x	x	x
Design and Plan Review	x	x	x
Neighborhood notification (Section 311/312), or Planning Commission Hearing Notification	x	x	x
Required Planning Commission Hearing	Sometimes, DR optional	Sometimes, DR optional	x
Entitlement Appeals Body	Board of Appeals, or Board of Supervisors	Board of Appeals, or Board of Supervisors	Board of Appeals

Priority Processing for Projects with High Levels of Affordability

Projects that provide 20% affordable housing or more are currently eligible for priority processing – which means they are the first priority project for assigned staff. Priority processing does not change or reduce the steps in the review process. However, it can reduce time related to backlogs or high volumes of projects. Local AHBP projects would be eligible for priority processing.

Department Recommended Amendments to Public Review and Commission Approval

The following amendments regarding the entitlement process for Local AHBP projects could further address the identified issues:

- ❖ **MODIFY THE LOCAL AND 100 PERCENT AFFORDABLE HOUSING BONUS PROJECT AUTHORIZATION SUCH THAT APPEALS WOULD BE CONSIDERED BY THE BOARD OF SUPERVISORS.**

As currently drafted, projects that apply under the Local AHBP are subject to the Local and 100 percent Affordable Housing Bonus Project Authorization (Section 328) are appealable to the Board of Appeals. The appeal of a Section 328 decision could be directed to the Board of Supervisors, using the process found in Section 308 et seq. Under this code section Planning Commission decisions are appealable to the Board of Supervisors within 30 days after the date of action by the Planning Commission, and would be subscribed by either (i) the owners of at least 20 percent of the property affected by the proposed amendment or (ii) five members of the Board of Supervisors.

Alternative Amendment:

- ❖ **CONVERT THE 328 PROCESS TO A SEPARATE CONDITIONAL USE AUTHORIZATION PERMIT FOR ALL PROJECTS THAT PARTICIPATE IN THE LOCAL AHBP.**

Potential Implications of Proposed Amendments

Shifting appeals of entitlement to the Board of Supervisors for Local AHBP projects would not substantially impact the outcomes of the AHBP program in terms of unit production. There is some chance that project sponsors perceive this appeals process as offering less certainty or potentially an increased entitlement process, because the Board of appeals requires four out five votes to overturn a Planning Commission decision.

In contrast, appeals to the BOS require support of 20% of adjacent property owners or five Board members to be considered, however a two-thirds majority of Supervisors can overturn a Planning Commission decision. Therefore entitlement of projects likely would not be further burdened by this requirement.

Topic 5: Preserving Small Business

San Francisco's small business community is an integral part of our neighborhood commercial corridors, local economy and San Francisco's rich culture. Some commenters have expressed concerns around the potential impacts of the AHBP on existing small businesses and neighborhood commercial corridors. Will small businesses be afforded the opportunity to successfully transition to new locations when necessary? Will neighborhoods continue to have the neighborhood serving businesses?

Current Proposal: Small Business Preservation and AHBP

Generally, AHBP infill housing is anticipated on soft sites that are predominantly vacant, parking lots or garages, gas stations, or other uses that use only a small amount of the total development potential. That said some of these sites include existing businesses on neighborhood commercial corridors. New development requires a willing seller, buyer and developer. The potential impact

of this Program to specific businesses locations or business types cannot be quantified in any certain terms due to these factors. However it is generally understood that there are existing structures on less than half of the 240 potential soft sites.

The City is committed to maintaining small businesses in its neighborhoods. For this reason, the AHBP includes general assistance and support for any business that might be impacted, which can be tailored on a case-by-case basis. Staff anticipates that developments using the AHBP will produce additional commercial spaces and enhance existing commercial corridors.

Protections for Existing Businesses

As currently proposed, the AHBP addresses small business preservation in several ways.

Having adequate notification time when re-location is necessary has been one of the top concerns raised by small businesses in their recent quarterly meetings with the Mayor. Recently required seismic upgrades have forced many businesses to relocate with only a few months' notice. To address this concern and at the suggestion of OEWD and the Small Business Commission, the AHBP requires that project sponsors notify tenants of their first application to the Planning Department for environment review. Generally project construction starts two or three years after a project files for environmental review, but this can vary based on project size and other factors. This notification will guarantee tenants adequate time to develop an updated business plan, identify necessary capital, find an appropriate location, and complete necessary tenant improvements in a new location. The notification letter will also refer the business owner to OEWD and other agencies that can provide technical assistance and support. These services can help small businesses achieve a successful transition.

Relocating businesses may qualify for and take advantage of the Community Business Priority Processing Program (CB3P). Projects that qualify for and enroll in the CB3P are guaranteed a Planning Commission hearing date within 90 days of filing a complete application, and placement on the Consent Calendar. Certain limitations do apply¹⁴. All CB3P applications are subject to the same level of neighborhood notice, the same Planning Code provisions, and the same (if applicable) CEQA review requirements, and may still be shifted from Consent to Regular Calendar if requested by a Planning Commissioner or member of the public.

Enhancing Neighborhood Commercial Corridors and AHBP

Existing Planning Code controls encourage neighborhood appropriate new commercial spaces. Existing commercial size limits, listed below, will apply to new commercial space constructed as part of AHBP buildings. Existing use limitations (including formula retail regulations) will apply. These use size limitations were established through community planning processes to reflect neighborhood character. Any new or expanded uses above these amounts will continue to trigger a conditional use authorization.

¹⁴ Generally, eligible businesses cannot be a formula retail store with more than 20 establishments and cannot expand or intensify the use and certain uses such as alcohol, adult entertainment, massage, fringe financial and certain other uses cannot participate. See the Planning Department website for more information: <http://www.sf-planning.org/Modules/ShowDocument.aspx?documentID=9130>.

The median independent retail size in San Francisco is 2,200 square feet and the median formula retail size in San Francisco is 6,500 square feet. Existing controls related to use size limitations generally encourage and support a continuation of small businesses on neighborhood commercial corridors. A sampling of use size controls is listed below.

NC District	Current Use Size Limit
North Beach, Castro Street, Pacific Avenue	2,000 sq. ft.
Inner Clement, Inner Sunset, Outer Clement, Upper Fillmore, Haight, Polk, Sacramento, Union, 24 th (Noe), West Portal	2,500 sq. ft.
NC-1, Broadway,	3,000 sq. ft.
NC-2	4,000 sq. ft.
NC-3, NC-S	6,000 sq. ft.

Most Neighborhood Commercial Districts encourage, but do not require, neighborhood commercial uses¹⁵. New infill projects would likely choose to include ground floor commercial uses. In fact, the AHBP Design Guidelines include eight specific controls for the ground floor (on page 13 of the AHBP Design Guidelines), which otherwise do not exist in many of our neighborhoods. For example, the AHBP Design Guidelines state that no more than 30 percent of the width of the ground floor may be devote to garage entries or blank walls; building entries and shop fronts should add to the character of the street by being clearly identifiable and inviting; and where present, retail frontages should occupy no less than 75 percent of a building frontage at the ground floor.

Department Recommended Amendments to Preserving Small Business

The Planning Department presented the AHBP to the Small Business Commission on February 8. Staff will return to the Small Business Commission on February 22 for further discussion. The following potential amendments have been identified by the Mayor's Office of Economic and Workforce Development (OEWD) staff and the Small Business Commission.

- ❖ *REQUIRE EXISTING BUSINESSES BE OFFERED FIRST RIGHT OF REFUSAL FOR COMMERCIAL SPACE IN NEW BUILDINGS.*
- ❖ *RECOMMEND THAT THE BOARD OF SUPERVISORS DIRECT THE CITY TO ESTABLISH A SMALL BUSINESS RELOCATION FEE TO BE PAID BY NEW*

¹⁵ Planning Code Section 145.4 establishes requirements for ground floor retail on certain parts of streets such as along Market Street from Castro through the Downtown; along Hayes Street through the NCT; and along Fillmore Street from Bush Street to McAllister Street. See all such requirements in [Planning Code Section 145.4](#).

DEVELOPMENT CONSISTENT WITH THE VALUES OFFERED UNDER THE UNIFORM RELOCATION ACT.

- ❖ *REQUIRE THAT EARLY NOTIFICATION TO COMMERCIAL TENANTS BE NO LESS THAN 18 MONTHS AND BE SENT TO BOTH THE TENANT AND THE OFFICE OF ECONOMIC AND WORKFORCE DEVELOPMENT (OEWD)*
- ❖ *ALLOW PLANNING COMMISSION TO REDUCE COMMERCIAL USE SIZES OR REQUIRE COMMERCIAL USES IN AHBP PROJECTS TO PROTECT NEIGHBORHOOD SERVING BUSINESSES*

Potential Implications of Proposed Amendments

A first right of refusal would enable existing businesses to have a competitive edge in securing space on their existing site. Businesses could participate in site design and potentially benefit from efficiencies in building the commercial spaces, for example, by making later tenant improvements unnecessary. While most businesses will likely not exercise this option because it would require relocating twice, the option offers the opportunity, especially for location sensitive businesses. This requirement would not reduce potential affordable housing production, but it may provide a developer with additional community support when valued businesses are retained.

Notifying OEWD will enable the City to take a proactive role in supporting small businesses and to coordinate support through various programs such as Invest and Neighborhoods and the Retention and Relocation Program. OEWD will know about proposed developments early enough in the process to effectively engage businesses and provide whatever supports are needed.

The Small Business Commission and OEWD staff suggest that the early notification would be most effective if businesses are afforded at least 18 months from first notification to required relocation date. Since relocation is required before environmental review commences, this required notification period should not delay a projects entitlement or development process.

The City can apply the standards of the federal Uniform Relocation Act to AHBP properties. For new construction that is funded all or in part with federal funds, the Act requires relocation advisory services for displaced businesses; a minimum 90 days written notice to vacate prior to requiring possession; and reimbursement for moving and reestablishment expenses. For a business, moving fees are based on a public bidding process plus a business is eligible for \$10,000 in reestablishment costs; or a business can receive a fixed payment of no more than \$20,000. The City could require project sponsors provide relocation costs consistent with the Uniform Relocation Act to existing commercial tenants. This payment would facilitate a business's successful transition to a new space in the neighborhood.

Topic 6: Who are we serving with this program? Affordability

Several commenters have asked if the affordable units generated through the AHBP are serving the right households. Some have suggested that the program should be adjusted to include a broader range of affordability. Some have suggested that households at 100 and 120% AMI should also be serviced through this program. Others have questioned whether affordability

targets should vary based on neighborhood demographics. In particular the following questions have been raised:

1. Why doesn't the program address the lowest income households?
2. Are middle income households served by market rate housing?
3. Should there be neighborhood specific elements of the program?

Current proposal: Households served and AHBP

The AHBP will be one of many affordable housing programs in San Francisco. The Program is unique in that it does not require public subsidy of the affordable units and incentivizes the private sector to provide a greater absolute number and greater percentage of affordable housing, similar to the City's inclusionary housing program. The AHBP proposes to increase the number of affordable units built to service low and moderate income households while also broadening the band of households eligible for permanently affordable housing to include middle income households. The AHBP proposes to increase low, moderate and middle income housing in San Francisco's neighborhoods.

Affordable Housing Programs and Housing Supply in San Francisco

The AHBP will be one of many tools to address housing affordability in San Francisco. Today, the majority (88% of affordable units produced) of the City's affordable housing programs¹⁶ serve households earning less than 60% AMI (\$42,800 for a one-person household and \$55,000 for a three-person household). Less than 9% of the affordable units created under the City's current programs serve those households at 80% AMI and above.

San Francisco is a leader in developing local funding sources for affordable housing, and has one of the nation's oldest inclusionary housing programs. The City's recent efforts include establishing a Local Housing Trust Fund and the Hope SF program. San Francisco dedicated a high proportion (40%) of all tax increment funding (TIF) generated in Redevelopment Areas to affordable housing. However, given that it costs \$250,000 or more to subsidize a single affordable housing unit in San Francisco, the City would need to generate \$4 billion in local subsidies to fund the Regional Housing Needs Allocation (RHNA) target of 16,000 affordable units by 2022. Local subsidies cannot be the only approach to securing permanently affordable housing. This underscores the need for programs such as our existing inclusionary program and the AHBP.

Over the next ten years, the Mayor's Office of Housing and Community Development plans to build an additional 4,640 housing units permanently affordable to households earning below 120% AMI. These new affordable units will be in addition to the thousands of affordable units that will be rehabilitated or preserved as part of RAD or other affordability preservation efforts. Roughly 4,400 of these units will service households earning 60% of the AMI or below. The remaining 241 units, most of which will be funded by federal and State dollars that often have further affordability restrictions, would service households at 60% AMI or below. With the construction of these pipeline projects the City will have a total of 42,640 permanently affordable housing units for households earning 60% AMI or below. The AHBP will add an additional 2,000

¹⁶This includes units provided under the Multifamily Housing Program, the Inclusionary Program, Former SFRA, Inclusionary Condo Conversion, Public Housing, HUS-assisted Projects, Master Lease, and other Tax Credit Projects. This does not include the Down Payment Assistance Loan Program or Section 8 vouchers that are used in San Francisco.

units for low and moderate income households – bringing the total to 44,640. In addition, the AHBP will provide 3,000 permanently affordable middle income units.

Affordability Level	Existing Permanently Affordable Units	MOHCD Pipeline housing (10 years)	AHBP Affordable Units (20 years)	Projected Total Affordable Units (with MOHCD known pipeline and AHBP)	
Very Low, Low and Moderate Income					
Less than 60% AMI	36,260 ¹⁷	4,640	2,000	44,640	94%
Less than 120% AMI	3,285 ¹⁸				
Middle Income (120% rental and 140% owner)			3,000	3,000	6%
Total	39,500		5,000	47,640	100%

The Local AHBP Program complements these existing and ongoing programs by providing affordable housing units to serve low, moderate, and middle income households making above 55% of AMI.

Affordable Housing Units encouraged through the AHBP

The AHBP builds on the City’s existing Inclusionary Housing Program, which serves low and moderate income households earning up to 55% of AMI (rental) and 90% of AMI (ownership)¹⁹. Only projects that provide the affordable units on site are eligible for the AHBP. This will incentivize projects, that might otherwise elect to pay the in lieu fee, to elect to provide affordable units on-site within the project.

The AHBP is projected to enable 5,000 permanently affordable units over a 20 year period. The Department estimates that the AHBP could result in 2,000 low and moderate income inclusionary units over the next 20 years. This will be more than double the 900 possible inclusionary units enabled under current zoning on the same sites. This is a significant enhancement to San

¹⁷ Roughly 13,180 of these units will service households earning 30% of the AMI or below.

¹⁸ Most of the existing units for 120% AMI and below are affordable to households earning no more than 80% AMI.

¹⁹ Note: the existing inclusionary program allows project sponsors to pay a fee in lieu of providing the affordable housing units.

Francisco’s ability to provide affordable housing for low and moderate income households.²⁰ This program will also generate an additional 3,000 permanently affordable middle income units.

Potential Affordable Housing Units produced in AHBP Area, under current controls or under AHBP, by affordability, over 20 years.

Affordability Levels	Current Controls (Units)	AHBP Maximum Potential (Units)
Low and Moderate Income Households (55% AMI for rental and 90% AMI for ownership)	900	2,000
Middle Income Households (120% AMI for rental and 140% AMI for ownership)	0	3,000
Total Permanently Affordable Housing Units	900	5,000

Low and Moderate Income Households Served

The AHBP could potentially double the number of inclusionary units serving low and moderate income households (55% or 90% of AMI) produced in the Program Area, compared to current zoning controls.

In 2015, a one-person household making 55%-90% of Area Median Income earns between \$39,250 and \$64,200. For a family of three, the range is \$50,450 to \$82,550. Households in this income category could include the following:

- A single housekeeper (55% AMI)
- A single entry level public school teacher (90% AMI)
- A single parent police officer or fire fighter with one child (90% AMI)
- A single parent postal clerk with two children (55% AMI)
- A construction worker and a dishwasher (90% AMI)
- Two cashiers and two children (55% AMI)
- A public school teacher and a housekeeping cleaner with two children (90% AMI)

THE AHBP WILL PRODUCE AN ADDITIONAL 2,000 UNITS AFFORDABLE TO THESE HOUSEHOLDS.

Middle Income Households Served

In 2015, a one-person household making 120% - 140% of Area Median Income earns between \$85,600 and \$99,900. For a family of three, the range is \$110,050 to \$128,400. This level of income

²⁰ Between 1992 through 2014 the inclusionary program has generated nearly 2,000 affordable units.

is significantly higher than households traditionally serviced by affordable housing programs; market rate housing is out of reach for these households in San Francisco. Households in this income category could include the following:

- A single Electrician (120% AMI)
- A single Electrical Engineer (140% AMI)
- A police officer or firefighter and a minimum wage worker (barista, etc.) (120% AMI)
- An ambulance dispatcher and a housekeeper (140% AMI)
- 2 Public School teachers with 1 child (140% AMI)
- 2 public school teachers with 2 children (120% AMI)
- A police officer and a firefighter with 2 children (140% AMI)

THE AHBP WILL PRODUCE AN ADDITIONAL 3,000 UNITS AFFORDABLE TO THESE HOUSEHOLDS.

Need for Permanently Affordable Middle Income Housing

Based on federal, state, and local standards, “affordable” housing costs no more than 30% of the household’s gross income. In 2015 middle income households earning 120% of AMI and 140% of AMI could afford the following maximum rents and sale prices:

	Affordable monthly rent ²¹	Median Rents in San Francisco, 2015	Affordable sales price ²²
1-person household (studio unit)	\$2,100	\$3,490 (one bedroom)	\$398,295
3-person household (2 bedroom unit)	\$2,689	\$4,630 Two bedroom	\$518,737

Comparatively, median rents are \$3,490 for a 1 bedroom, and \$4,630 for a 2 bedroom apartment in San Francisco²³. To afford these rents a middle income households (120% AMI) would be required to dedicate 50% or more of their income to housing costs, market San Francisco recently exceeded \$1 million²⁴, again twice what a middle income (140% AMI) household can afford.

The income categories serviced by the AHBP are the household types that are declining in San Francisco. Census data show that households earning between 50% of AMI and 150% of AMI fell from 49% of all households in 1990 to just 37% in 2013. These are the income categories for which new, permanently affordable housing would be created under the AHBP. Middle-income households (120-150% AMI, the dark orange bar below) include a diminishing share of the City’s growing population, falling from 11% of the population in 1990 to 9% in 2013.

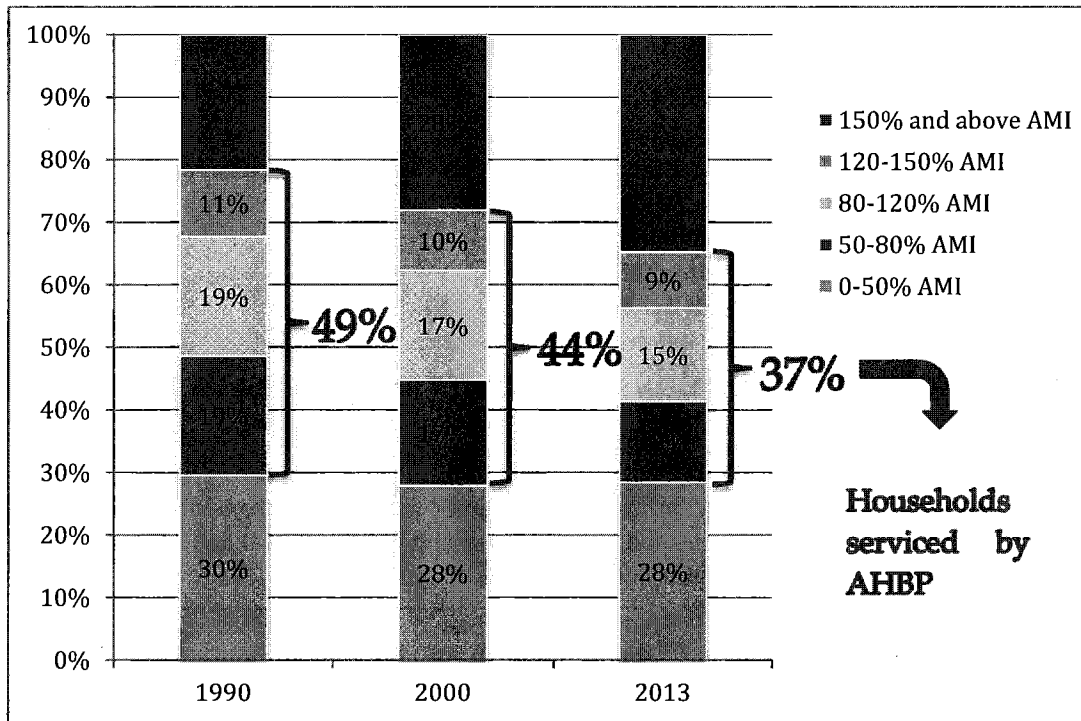
²¹ MOHCD. 2015 Maximum Monthly Rent by Unit Type; Studio and 2-bedroom unit “without utilities” figure.

²² MOHCD. 2015 Sample Sales Prices for the San Francisco Inclusionary Housing Program.

²³ <https://www.zumper.com/blog/2016/01/zumper-national-rent-report-january-2016/>

²⁴ <http://www.sfgate.com/business/networth/article/1-million-city-S-F-median-home-price-hits-7-5626591.php>

San Francisco's Households by AMI, 1990-2013



The last several RHNA cycles show that San Francisco has consistently under-produced housing for these income category over the same period of time.²⁵

From the 2014 Housing Element:

Household Affordability	Housing Goals 2007-2014	Actual Production 2007-Q1 2014	% of Production Target Achieved 2007-Q1 2014	Production Deficit as of Q1 2014
	Total	Total		
Low Income (under 80% AMI)	12,124	4,978	41%	7,146
Moderate Income (80% - 120% AMI)	6,754	1,107	16%	5,647
Market Rate	12,315	11,903	97%	322
TOTALS	31,193	18,078	58%	13,115

Table I-64
Annual Production Targets and Average Annual Production, San Francisco, 2007-Q1 2014

SOURCE: SF Planning Department; ABAG

²⁵ Note that since the City does not currently have a program which guarantees affordability for households above 120% of the Area Median Income, the Department does not have data on the production of housing for that income level. Based on current understanding of market sales and rental costs, staff believes that newly constructed housing is not affordable to middle income households.

Table I-63
Annual Production Targets and Average Annual Production, San Francisco, 1999-2006

Household Affordability	Housing Goals	Actual Production	% of Production Target Achieved	Production Deficit (Surplus)
	1999-2006	1999-2006		
	Total	Total		
Very Low Income (below 50% AMI)	5,244	4,342	82.8%	902
Low Income (50% - 79% AMI)	2,126	1,113	52.4%	1,013
Moderate Income (80% - 120% AMI)	5,639	725	12.9%	4,914
Market Rate	7,363	11,293	153.4%	(3,930)
TOTALS	20,372	17,473	85.8%	

From the 2004 Housing Element:

TABLE I-65
Annual Production Targets and Average Annual Housing Production, 1989-1998*

Affordability Categories	Housing Goals		Actual Production		% of Annual Target Achieved
	1989-June 1995 (6.5 years)		1989-1998 (10 years)*		
	Total	Annual Targets	Total	Annual Average	
Very Low Income (below 50% AMI)	5,392	830	2,202	220	26.5%
Low Income (50% - 79% AMI)	3,595	553	1,515	152	27.4%
Moderate Income (80% - 120% AMI)	4,483	891	557	56	8.1%
Market Rate	8,987	1,383	9,893	989	71.6%
Annual Production Target, 1989 - June 1995	22,467	3,456	14,167	1,417	41.0%

*ABAG Reporting Period

The Local AHBP program will increase the amount of inclusionary housing produced for households making 55% or 90% of AMI while creating a new source of housing for middle income households making 120% (rental) or 140% (ownership) of AMI.

Why Provide Affordable Housing for Moderate and Middle Income Households?

The AHBP is designed to complement the existing affordable housing programs and housing units, to ensure that the City of San Francisco can remain an equitable and inclusive City as we continue to welcome new residents. In the past several decades middle income households have benefited from affordability assured through rent control, however vacancy de-control and changes in tenure have reduced the affordability of this housing supply. Limited public subsidies for affordable housing can continue to service the very low, low and moderate income households, while mixed income development projects such as the AHBP and those enabled under the inclusionary housing program will service low, moderate and middle income households.

How does the AHBP Respond to Specific Neighborhoods?

The AHBP is a citywide program that addresses the affordability needs of all of San Francisco. Much like the City's inclusionary programs, the intention of the AHBP is to increase the production of privately-financed housing for the City as a whole, by leveraging market-driven

development that otherwise would provide fewer or no affordable units for low, moderate, and middle income residents.

Neighborhood Specific AMI's: Focus on the Bayview

Some have commented that in some neighborhoods, the Bayview Neighborhood, in particular, could warrant a neighborhood specific adjustment to the AHBP program.

Because the Bayview neighborhood has a history of industrial uses that has left several large, underutilized sites that, if those sites were developed under AHBP, they could result in a large number of new housing units. For example, one of the soft sites identified in the Bayview is 43,681 square feet, as compared to a typical 2,500 square foot (25ft. by 100ft) commercial lot in an NC district. The prevalence of large underutilized lots in the Bayview means more units could be developed there under AHBP when compared to other neighborhoods in the city.

Although new development potential under this program would come with increases in affordable housing units for low, moderate and middle income households, some commenters suggested that the AHBP affordability targets do not adequately serve existing low-income households in the Bayview. Census data²⁶ in the below table shows households by income level in the Bayview and citywide.

²⁶ American Community Survey. 2010-14 5-Year Average

Households by Income Level, Bayview and San Francisco

% of AMI	Bayview		San Francisco	
	Households	% of HHs	Households	% of HHs
30%	3,468	31.6%	80,447	23.1%
50%	1,787	16.3%	40,146	11.5%
80%	1,841	16.8%	52,299	15.0%
100%	1,045	9.5%	28,683	8.2%
120%	828	7.6%	26,436	7.6%
150%	685	6.3%	31,267	9.0%
200%	646	5.9%	33,305	9.5%
>200%	662	6.0%	56,249	16.1%
Total	10,963	100.0%	348,832	100.0%

Bayview has a higher share of households earning 30% of AMI²⁷ and below than the citywide average. These households are typically served by SFHA public housing, of which there is a high concentration in the Bayview neighborhood relative to other neighborhoods in San Francisco.

Roughly 56% of Bayview households earn between 50% of AMI and 150% of AMI – these are the household incomes that will be served by the AHBP. Bayview households qualify at a higher proportion than the citywide average where only 51% of households earn between 50% and 150% of AMI.

Below is a demographic portrait of the Bayview Households by Race and Ethnicity.

Households by Race and Ethnicity, Bayview and San Francisco²⁸

Race	Bayview		San Francisco	
	Households	% of HHs	Households	% of HHs
Black HHs	4,760	44.6%	20,495	6.0%
Asian HHs	2,793	26.2%	95,032	27.9%
Hispanic HHs	1,666	15.6%	37,901	11.1%

²⁷ \$21,400 for a one-person household, \$27,500 for a household of three

²⁸ Source: U.S. Department of Housing and Urban Development. (October 28, 2015). Consolidated Planning/CHAS Data. 2008-12 ACS 5-Year Average.

White HHs	1,075	10.1%	176,841	51.9%
Other HHs	377	3.5%	10,156	3.0%
Total	10,671	100.0%	340,425	100.0%

The AHBP Local Program for mixed-income development is intended to complement existing and ongoing programs by providing affordable housing units to serve low, moderate, and middle income households making above 50% of AMI, including the half of Bayview households that fall into this income range. In addition, the 100% AHBP program is designed to yield a greater number of units affordable to households making below 60% of AMI, by allowing for greater density for 100% affordable housing developments.

Serving Existing Residents with Below Market Housing

There are two provisions to help ensure that existing residents can access below market housing in their neighborhood.

The first, which is recently adopted legislation separate from the AHBP, is often called ‘Neighborhood Preference’. The legislation prioritizes 40% of all affordable inclusionary units be to existing neighborhood residents. This provision enables existing residents to seek permanently affordable housing in their neighborhood. In the case of the Bayview – existing residents will be competitive for the low, moderate and middle income units.

The second provision is part of the draft AHBP ordinance. In order to ensure that the affordable units are below market rates the AHBP legislation requires that all affordable units be rented or sold at a price at least 20% below a particular neighborhood’s market housing costs. For example if a project in the Bayview was entitled under the Local AHBP program – before the 18% of units that are intended to service middle income households were marketed to residents (after construction) the project sponsors would be required to demonstrate that the middle income targets (120% and 140% AMI) were at least 20% below the prevailing market costs for housing in the Bayview. Should the City find that housing priced to be affordable to 140% AMI households was reflecting the market rate; the project sponsor would be required to reduce the cost to a price that is affordable to households at 120% AMI and market the units to qualifying households. This provision enables the program to be flexible to neighborhood specific market conditions and market variations over time.

Department Recommended Amendments to Affordability

- ❖ WITHIN THE CONSTRAINTS OF FEASIBLY CONVERT SOME OF THE 18% MIDDLE INCOME (120%/140%) UNITS TO 100%/120% AMI.

The AHBP Local Program for mixed-income developments could be modified to require that a higher share of affordable units are required to be provided for households making below 100% of AMI (rental) or 120% AMI (ownership). This approach would not impact the 100% AHBP program.

Potential Implications of Proposed Amendment

This amendment addresses the concern that a wider band of households’ affordable housing needs should be met through this program.

In general, lowering the income levels of required affordable units could have some impacts on financial feasibility for some projects. This approach could reduce participation in the Local

AHBP, in preference for the State Program or existing zoning requirements. A financial sensitivity analysis should be conducted in order to identify the exact relationship between lower income targets and project feasibility.

REQUIRED COMMISSION ACTION

Two draft ordinances are before the Commission for consideration today. These items may be acted upon or may be continued, at the discretion of the Commission.

1. Mayor Lee and Supervisor Tang introduced the AHBP Ordinance amending the Planning Code on September 29, 2015; substitute legislation was introduced on January 12, 2016. The proposed Ordinance is before the Commission so that it may recommend adoption, rejection, or adoption with modifications to the Board of Supervisors.
2. On October 15, 2015 the Planning Commission initiated hearings on a proposed Ordinance amending the General Plan. The Planning Commission can recommend adoption, rejection, or adoption with modifications to the Board of Supervisors.

RECOMMENDATION SUMMARY

The Department recommends that the Commission recommend approval with the amendments specified below to the Board of Supervisors of the proposed Ordinances and adopt the attached Draft Resolution to that effect. Further information; including the basis for the recommendations and potential implications of alternatives have been described in more detail earlier in the case report. The section merely summarizes the content to assist the Commission with voting on a potential recommendation. Please note the Commission's action is in no way constrained to the topics or recommendations listed below. This is only a summary of staff recommendations.

Topic 1: Program Eligibility (pages 3-7)

- A. Recommend approval with scale limitations as currently drafted.
- B. STAFF RECOMMENDATION: Modify to add that projects that propose to demolish any residential units shall not be eligible for AHBP.
- C. Advise Board of Supervisors regarding benefits and concerns. Direct staff to continue work on these issues.

Topic 2: Infrastructure to Support New Growth (pages 7-8)

- A. STAFF RECOMMENDATION: Recommend approval with infrastructure support as currently drafted.
- B. Advise Board of Supervisors of issues on concern and direct staff to continue work on these issues.

Topic 3: Urban Design (pages 8-11)

- A. Recommend approval with urban design limitations as currently drafted.
- B. STAFF RECOMMENDATION: Modify to add a design guideline to maximize light and air to the sidewalks and frontages along the streets, including alleyways.

- C. STAFF RECOMMENDATION: Modify lot merger limitations on 50% of the actual block length, rather than apply a citywide numerical cap.
- D. STAFF RECOMMENDATION: Direct Planning Staff to include analysis of a project's conformity to design guidelines in a Planning Commission Case Report.
- E. Advise Board of Supervisors of issues on concern and direct staff to continue work on these issues.

Topic 4: Public Review & Commission Approval (pages 11-14)

- A. Recommend approval with new review process as proposed whereby appeals are considered by the Board of Appeals.
- B. STAFF RECOMMENDATION: Modify the appeals body for the Local and 100 Percent Affordable Housing Bonus Project Authorization-Section 328-to be the Board of Supervisors
- C. Modify the process such that Conditional Use Authorizations (CU) would not be considered as findings within the entitlement for AHBP projects, but would require a separate CU.
- D. Advise Board of Supervisors of issues on concern and direct staff to continue work on these issues.

Topic 5: Preserving Small Business (pages 14-17)

- A. Recommend approval with small business preservation tools as currently drafted.
- B. STAFF RECOMMENDATION: Modify to add that a requirement that existing businesses be offered first right of refusal for commercial space in new buildings.
- C. STAFF RECOMMENDATION: Modify to ask that the Board of Supervisors direct the City to establish a small business relocation fee to be paid by new development consistent with the uniform relocation act.
- D. STAFF RECOMMENDATION: Modify to require early notification to commercial tenants be no less than 18 months and also reported to the Office of Economic and Workforce Development.
- E. STAFF RECOMMENDATION: Allow Planning Commission to reduce commercial use sizes or require commercial uses in AHBP projects to protect neighborhood serving businesses.
- F. Advise Board of Supervisors of issues on concern and direct staff to continue work on these issues.

Topic 6: Affordability (pages 17-27)

- A. Recommend approval with new review process as proposed whereby the local program provides 12% low or moderate income housing and 18% middle income housing.
- B. STAFF RECOMMENDATION: Within the constraints of feasibility convert some of the 18% middle income (120%/140%) units to 100%/120% AMI.
- C. Within the constraints of feasibility provide affordable housing units for a broader range of households than are currently served, by deepening income level targets.

ENVIRONMENTAL REVIEW

On April 24, 2014, the San Francisco Planning Commission, in Resolution No. 19121, certified the 2004 and 2009 Housing Element Final Environmental Impact Report ("Final EIR"), prepared in compliance with the California Environmental Quality Act ("CEQA"), Public Resources Code Section 21000 et seq. In Resolution No. 19122, the Planning Commission adopted the findings and conclusions required by CEQA regarding alternatives, mitigation measures, and significant environmental impacts analyzed in the Final EIR, and adopted a Mitigation Monitoring and Reporting Program and a Statement of Overriding Considerations as part of its approval of the 2009 Housing Element.

On January 14, 2016, in response to the proposed Affordable Housing Bonus Program and related General Plan Amendments, the San Francisco Planning Department prepared an Addendum to the 2004 and 2009 Housing Element Final EIR under CEQA Guidelines Section 15164 ("the Addendum"). The Addendum accessed here and the Note to File is Exhibit H: http://sfmea.sfplanning.org/2014.1304E_AHBP_Addendum03_011416%20Final.pdf

PUBLIC COMMENT

Public comment on the proposed AHBP has been received through the 20 plus public outreach events, direct correspondence with the Planning Commission or Department staff, and through several public forums and media discussions. Staff have maintained a log of public comments and responded to questions as they are received.

Public comments range greatly and cover a variety of topics. Most frequently public comments include a request for more information or details on a specific item. Key topics of discussion are summarized in the discussions above.

Many commenters support the program's approach to providing more affordable housing, while others express a clear lack of support for the program. More nuanced comments include a series of suggested amendments. Generally these issues are addressed by the discussion above and the related proposed amendments.

RECOMMENDATION:	Recommendation of Approval with Modifications
------------------------	--

Attachments:

- Exhibit A: Draft Planning Commission Resolution for General Plan Amendments
- Exhibit B: Draft Planning Commission Resolution for BOS File 150969
- Exhibit C: Department Recommendation Summary
- Exhibit D: Public Comment received since November 5, 2015
- Exhibit E: Project Sponsors proposed Amendments to the Affordable Housing Bonus Program
- Exhibit F: Ordinance Adopting General Plan Amendments
- Exhibit G: Board of Supervisors File No. 150969
- Exhibit H: Note to File



SAN FRANCISCO PLANNING DEPARTMENT

Executive Summary Planning Code Amendment HEARING DATE: FEBRUARY 25, 2016 90-DAY DEADLINE: APRIL 11, 2016

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Project Name: **Affordable Housing Bonus Program**
Case Number: **2014-001503PCA [Board File No. 150969] and 2014-001503GPA**
Initiated by: **Mayor Ed Lee**
Supervisor Katy Tang
Introduced September 29, 2015, December 16, 2015, and
January 12, 2016
Staff Contact: **Menaka Mohan, Legislative Affairs**
menaka.mohan@sfgov.org, 415-575-9141
Paolo Ikezoe, Citywide Division
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Reviewed by: **Kearstin Dischinger, Manager of Housing Policy**
kearstin.dischinger@sfgov.org, 415-558-6284
Recommendation: **Recommend Approval with Modifications**

BACKGROUND

On September 29, 2015, Mayor Edwin M. Lee and Supervisor Katy Tang introduced an ordinance to implement the Affordable Housing Bonus Program (AHBP). The Planning Commission has held four public hearings on the program to date:

- **October 15, 2015¹**
Initiation of General Plan Amendments: initiation at Planning Commission of the AHBP General Plan Amendments
- **November 5, 2015²**
Initiation Hearing: introduced the basics of the program and feedback received to date.
- **December 3, 2015³**
Initially scheduled for adoption. Response to public and Commissioner comments and concerns. Adoption hearing continued to January 28th.

¹Case packet for initiation of AHBP General Plan Amendments:
<http://commissions.sfplanning.org/cpcpackets/2014-001503GPA.pdf>

²Case packet for the Planning Code Amendment as presented to the Commission on November 5, 2015:
http://www.sf-planning.org/ftp/files/plans-and-programs/planning-for-the-city/ahbp/ahbp_memotoCPC_2014-001503PCA.pdf

³Presentation to Planning Commission: http://www.sf-planning.org/ftp/files/plans-and-programs/planning-for-the-city/ahbp/AHBP_CPC_Presentation-120315.pdf

- **January 28, 2016⁴**
Update to Commission on public on changes to the program, including Supervisor Breed's amendment removing existing rent-controlled units from AHBP eligibility.

REPORT STRUCTURE

The January 28th, 2016 Planning Commission hearing on the Affordable Housing Bonus Program (AHBP or Program) included several public comments and a detailed discussion of the proposed program. In consultation with the Commission President, this case report focuses on six (6) key topics raised at that hearing. Each topic includes the following sections:

- **Topic** a brief summary of the topic and issue raised;
- **AHBP Current Response** a discussion of the AHBPs proposed strategy to address the issues raised.
Note: the majority of these sections discuss the proposed Local Program which was crafted to respond to local housing policy goals. The Individually Requested and State Analyzed programs primarily implement the State Density Bonus Law; and
- **Recommended Amendments and Implications** a discussion of Amendment strategies to address the identified issues and potential implications of that Amendment. As proposed, the AHBP is intended to achieve increased levels of affordable housing production for low, moderate, and middle income households across San Francisco.

This program has been designed to: incentivize market-rate project applicants to choose a Local Program that achieves 30% affordability rather than the State density bonus program that allows for 12 to 18% affordability; increase the development of 100% affordable housing projects serving households below 60% AMI through the 100% AHBP program; and, increase the City's overall supply of affordable housing without drawing public resources away from existing affordable housing programs. All proposed Amendments to this program will be evaluated for their impact on project feasibility and on their ability to incentivize project sponsors to achieve the highest levels of affordability.

This case report is intended to provide a structure for the Commission to consider these six topics. To assist with this structure a summary Department recommendations has been provided as Exhibit C. These recommendations in no way limit the Commission's actions.

For more detail on the AHBP program goals, outcomes, and the proposed legislation please refer to the November 5, 2015² and January 28, 2016⁴ Planning Commission Packets. Related studies and reports are available in those packets or on the program website.

⁴ Case packet for the Planning Code Amendment and General Plan Amendment as presented to the Commission on January 28, 2016. <http://www.sf-planning.org/ftp/files/plans-and-programs/planning-for-the-city/ahbp/2014-001503PCA.pdf>

ISSUES AND CONSIDERATIONS

Topic 1 Program Eligibility

Commenters are generally supportive of encouraging housing on soft sites; however some have expressed concerns that the AHBP ordinance could incentivize development of parcels that house existing residents. The zoning districts within the AHBP area contain roughly 30,500 parcels, and cover neighborhoods throughout the city.

This section discusses the existing limitations on program eligibility, expected outcomes, and includes one recommendation for Commission consideration.

Current Proposal: AHBP and Limits to the Program Scale

To be eligible for the AHBP program, a site must meet several eligibility criteria. A parcel's zoning district **has been** the most discussed eligibility criterion for the Program; however there are a number of other legislated eligibility criteria proposed in the ordinance that further restrict the program's application. Furthermore, analysis of past development patterns under rezonings and the financial requirements of the program indicate that use of the program will be further limited in application. This section briefly discusses these limiting criteria and supporting analysis.

The Department estimates that of the eligible parcels, approximately 240 parcels citywide will potentially benefit from the AHBP. Generally, these are parcels that are currently developed to less than five percent of existing zoning, do not have any residential uses, and are not schools, churches, hospitals, or historic resources

Limiting Criterion 1: Program applies in only certain Zoning Districts ("Program Area")

The California State Density Bonus Law (State Law)⁵ applies to residential projects of five or more units anywhere in the state of California.⁶ The proposed San Francisco Affordable Housing Bonus Program focuses this broad law on zoning districts with all three of the following features: 1) allowance of residential uses; 2) control of density by a ratio of units to lot area; and 3) allowance of multi-unit residential buildings. The following districts are NOT eligible for the Local or State Analyzed Programs of the AHBP: RH-1 and RH-2 and any zoning districts where density is regulated by form (such as NCT, RTO, UMU, DTR, C-3, etc.).

Limiting Criterion 2: No demolition of Historic Resources (less 4,750 or More Parcels)

The AHBP ordinance explicitly disqualifies many parcels within eligible zoning districts based on a number of characteristics. Known historic resources, identified as CEQA Category A buildings by the Department's Historic Preservation division, cannot be demolished to build AHBP projects.⁷ Generally, the State Law does not recognize locally designated resources; however the State does allow cities to deny requested incentives, concessions or waivers only for properties listed on National or California Registers. The Local Program protects both eligible and listed

⁵California Government Code Sections 65915 – 65918

⁶ Please see Exhibit E which describes sponsor requested legislative changes.

⁷In addition, the Planning Commission does not approve demolition unless the proposed project is also approved.

resources under local, state and federal designations. Criterion 2 (exclusion of projects proposing to demolish historic resources) would reduce the number of eligible parcels by at least 4,750. Additional parcels could be excluded during the application or pre-application process as described below.

Properties in San Francisco are organized into three categories for the purposes of CEQA:

Status		Eligibility for AHBP
Category A	Known Historic Resources	<u>are not</u> eligible
Category B	Unknown (properties over 45 years of age)	<u>may be</u> eligible if determined not to have historic status
Category C	Not a Resource	<u>are</u> eligible to participate

The existing proposal is clear that “Known Historic Resources” sites are not eligible for the program and “Not a Resource” sites are eligible for the program. The only uncertainty that remains is for “Unknown” sites. It is not possible to determine which “Unknown” properties may be reclassified as “Category A” or “C” until a historic resource evaluation is filed with the environmental evaluation. The uncertainty in time and invested resources may reduce the incentive for a project sponsor to participate in the Local AHBP. There are an estimated 4,570 “Category A” buildings in the AHBP area. There are also 22,100 “Category B” buildings - with unknown potential as historic resources. Before a project could be approved on these sites, the necessary historic evaluation would be completed to determine the resource status.

Category B Properties – Initial Historic Resource Determination

As part of the AHBP entitlement process the Department may offer an initial historic resource determination. The initial historic resource determination application would not require information on the proposed project as only the historic status of the property would be evaluated. This would allow a project sponsor an opportunity to determine eligibility for the local AHBP without investing resources into the design of the proposed project.

Category B Properties - Citywide Historic Resources Survey

Since the beginning of the City’s historic preservation program, small-scale surveys have been completed on a piecemeal basis, depending on funding and staff resources. Beginning in the summer of 2016, the Department will begin the first phase of a citywide historic resource survey documenting those areas of San Francisco that have not yet been evaluated. The first priority of this work will be areas potentially eligible for the AHBP and areas currently experiencing, or anticipated to have, heightened development. The citywide historic resource survey project is anticipated to take four to six years to complete. Early determination of either disqualification or eligibility will allow projects to be withdrawn if a resource is present or, if appropriate, designed with greater efficiency and compatibility. This survey work will minimize program uncertainties and associated costs for both the project and the City.

Category B Properties - Neighborhood Commercial District Survey and Historic Context Statement

The Department recently completed a Neighborhood Commercial Storefronts Historic Context Statement and data collection phase of a Neighborhood Commercial District Survey. The primary goal of the survey is to identify historic properties that may require future seismic or accessibility upgrades. The Department is currently preparing the community outreach phase of the survey. The survey examined approximately 83 current or formally-zoned neighborhood commercial areas, totaling 5,500 buildings. Along with recent area plan historic surveys, such as Market & Octavia, SoMa, and Mission, the Department will have determinations for virtually all neighborhood commercial corridors within the City. This information will provide upfront information on which properties are Category A or C.

Limiting Criterion 3: No demolition of a Rent Control Unit

Board President Supervisor London Breed proposed an amendment to the AHBP ordinance that bans the demolition of any rent control units through this program. The ordinance sponsors, Mayor Edwin Lee and Supervisor Katy Tang, as well as by the Department fully support this proposed amendment. Removing parcels with rent-controlled units is estimated to reduce the number of eligible parcels by 17,000.

LIMITING CRITERIA TWO AND THREE REMOVE AN ESTIMATED 19,300 PARCELS FROM ELIGIBILITY (ROUGHLY 63% OF 30,500 PARCELS IN THE PROGRAM AREA).

Limiting Criterion 4: Cannot shadow a public park or open space

The AHBP ordinance further limits the use of the Local Program for any project that would cause a significant shadow impact on a public park. It is difficult to estimate the exact limitation this restriction could cause on the program area, because shadow impacts would be determined during the environmental evaluation process, and could vary based on the specific building design. A preliminary shadow fan analysis indicates that up to 9,800 parcels could potentially be limited in their ability to build two additional stories of height due to this restriction and proximity to public parks. Specific analysis of a particular building proposal could change these initial results.

Limiting Criterion 5: Gain Commission approval required to demolish a unit

The City of San Francisco currently has very strict regulations around the demolition of a housing unit (Planning Code Section 317). Any project proposing to demolish a residential unit would be required to make the necessary findings and receive Planning Commission approval for the project.

Past development patterns suggest development would primarily happen on underutilized (soft) sites

The vast majority of eligible parcels contain healthy buildings and uses that would make them unlikely to be redeveloped. For example, the Market Octavia Area Plan rezoned every parcel in the Plan Area, removing density restrictions and increasing the zoned potential of most parcels. Despite this widespread rezoning, the plan resulted in new development on underutilized parcels such as former freeway parcels and large underutilized lots on Market Street. Other

parcels that were rezoned as part of Market and Octavia that host healthy older buildings including single family homes, apartment buildings and mixed uses have not attracted new development proposals because the current uses are highly valued by the community. It is anticipated that the AHBP would lead to similar development patterns. For purposes of estimating potential housing unit yields from the AHBP program, the Department identified approximately 240 underutilized (“soft”) sites – sites where the current built envelope comprises five percent or less of the allowable building envelope under current zoning. Also, parcels containing residential uses, schools, hospitals and historic resources were also excluded as potential development sites.

While the Local AHBP offers clear development incentives, such as two stories of height and increased density, it also requires that project sponsors provide: 1) 30% of all units as permanently affordable; 2) 40% of the units as two bedroom; and 3) meet specific new design requirements of the Program. Financial analysis tested the program’s value recapture to ensure the maximum affordable housing was required while still providing an incentive for projects to elect to provide 30% affordable housing. The analysis found the program is feasible, but only in some cases.

The financial feasibility analysis assumes current land values of the existing parcels remain constant with the implementation of the AHBP. The financial analysis assumes that land values would not increase due to program benefits; accordingly, there is little flexibility in the price projects can afford to pay for land. Further, the analysis assumes that the existing uses did not add to land value, so any existing use that would add value not considered by the financial analysis and would likely tip a project into infeasibility. In other words, the AHBP Local Program is financially feasible only for projects on sites where the existing building does not add costs to acquiring the property. A site with several residential units would command a higher market price than what was tested, and therefore the Local Program or State Analyzed Programs would likely not be financially feasible on sites with existing buildings.

Department Recommended Amendment to Further Limit Program Eligibility

To address concern around the program’s scale, the Department recommends the following amendment:

- ❖ **ADD LIMITING CRITERION: PROJECTS THAT PROPOSE TO DEMOLISH ANY RESIDENTIAL UNITS SHALL NOT BE ELIGIBLE FOR AHBP.**

Supervisor Breed’s amendment to the program already prevents parcels containing existing rent-controlled units from developing through the AHBP. The City could further limit the eligibility for AHBP to projects that do not demolish any existing residential units (regardless of rent-controlled status).

Potential Implication of Proposed Amendment

If the AHBP was limited to projects that did *not have ANY residential units*:

The AHBP could still produce 5,000 affordable housing units on 240 potential soft sites over a 20 year period. None of the soft sites identified contain known existing housing units, as the Department considers the development of sites with existing units unlikely for the reasons discussed above. Should the Planning Commission recommend this amendment, the amendment would not reduce the development potential on the identified potential soft sites.

Smaller increases in density to parcels with existing residential uses would be prohibited. Generally, sites with existing residential uses are unlikely to redevelop under the AHBP. However in the occasional instance where an owner wanted to redevelop a property with residential uses, the density of the new building would be limited by existing regulations, and there would not be the incentive to provide 30% affordable housing. Especially on smaller sites, where total units are below the 10 unit threshold for inclusionary housing under Planning Code section 415, the amendment could mean a reduction or omission of affordable housing when these sites are developed. If even 5% of the sites with only one unit in the Program area chose to develop and add more units (as allowed under existing regulations), the City could gain an additional roughly 300 permanently affordable units.⁸ **These units would not be built if this amendment is adopted. Additionally, these sites could redevelop under existing zoning controls producing zero affordable housing units.**

For projects that include five or more units, property owners could still avail themselves of the State Density Bonus Law and receive up a 35% increase in density, up to three incentives and concessions and waivers of development standards as defined by the State Law, while providing less affordable housing and no middle income housing. In addition, the State Law would limit the Department and Commission's ability to disapprove any incentives, concessions or waivers requested by the project sponsor.

Topic 2: Infrastructure to Support New Growth

San Francisco residents enjoy a high level of public infrastructure including access to open space and parks, pedestrian and bicycle infrastructure, schools, and an urban transit system. As the City's population grows, these amenities must be managed and scaled to accommodate new residents and maintain the quality of life in San Francisco. Recent area plans have generally included a community improvements plan and commensurate revenue strategies to enable infrastructure growth with new development. Commenters have asked how transportation and other amenities will be provided to support new residential development enabled through the AHBP. This section describes the City's current strategy for planning infrastructure to support new growth, with a focus on transportation.

Current Proposal: AHBP and Transportation Services

⁸ There are roughly 4,100 single-family homes in the AHBP program area in zoning districts that currently allow higher density development. Based on the Department's analysis, if only 5% of these sites were to redevelop they could produce upwards of 350 new permanently affordable units and a total net increase of 1,000 units.

The Program area is generally within walking distance to the Muni Rapid Network, the high level of service corridors such as Muni's light rail lines, Geary Boulevard and Mission Street. This means that the AHBP is encouraging new housing where the City is currently investing in increased levels of transportation services. This land use and transportation planning coordination ensures the City's investments will support new residents.

Area plans such as Market & Octavia and Eastern Neighborhoods include neighborhood specific impact fees to support concentrated development. For the more dispersed development associated with the AHBP, the City has subsequently completed a citywide infrastructure standards analysis and created commensurate citywide infrastructure funding mechanisms and plans. Many of the City's infrastructure systems, especially transit and childcare, operate on a citywide basis and generally require a citywide approach when planning improvements.

In the past several years, San Francisco has made great progress on several citywide transportation planning efforts and has established several new transportation revenue sources. In addition to the ongoing revenue sources, in 2014 voters approved a \$500 Million transportation bond. Also in 2014, voters supported Proposition B which tethers additional transportation funding to the rate of population growth.

The Citywide Transportation Sustainability Fee (TSF), which applies to new residential and commercial development, is anticipated to generate \$1.2 billion in revenue over 30 years. TSF revenues will enable the City to "invest in our transportation network" and "shift modeshare by requiring new developments to prioritize more sustainable travel methods". The Department anticipates that over 80% of the projected projects that take advantage of the AHBP would include 20 units or more, and therefore would be subject to the recently established TSP fee. Thus, the AHBP could generate upwards of 99 million dollars⁹ in new transportation funding to support new residents. These funds will contribute meaningfully to the City's overall transportation funding strategy and enable the City to accomplish planned improvements to the network.

In addition to the TSF, all projects entitled under the AHBP would be subject to existing citywide fees for Public Schools, Public Utilities Commission (sewer and water) and childcare facilities.

These fees enable the City to make initial investments in infrastructure systems to support new growth. Maintaining a high level of service for all infrastructure types is critical to the quality of life in San Francisco. Much of the AHBP area includes parts of the City with higher levels of service for open space and pedestrian amenities.¹⁰

Topic 3: Urban Design

Some commenters have expressed concerns about the compatibility of potential AHBP buildings and neighborhood context. Some have expressed concern that the AHBP takes a 'one-size-fits-all'

⁹ In today's dollars, at \$7.74 per GSF, this estimate does not account for annual indexing of fees to account for cost inflation.

¹⁰San Francisco Infrastructure Level of Service Analysis March 2014. http://www.sf-planning.org/ftp/files/plans-and-programs/plan-implementation/20140403_SFInfrastructureLOSAnalysis_March2014.pdf

approach, which applies too broadly across the City's many neighborhoods. Some have asked whether the consistent development incentives would cause a monotonous or "one size fits all" outcome in terms of urban form. The need for special consideration for infill projects in existing historic districts has been raised. Some commenters also raised questions about the relationship between potential heights and existing road widths, suggesting that narrow streets may warrant special consideration. And, some have suggested that the limits on lot mergers should relate to the neighborhood context more specifically.

Current Proposal: AHBP and Urban Design

As drafted, the AHBP includes several parameters to ensure neighborhood and context-specific urban form.

Existing Controls Vary to Reflect Neighborhood Context

The Local Program of the AHBP enables projects to include two additional stories of housing when 30% of affordable housing is provided. The height increases are based upon the existing height regulations. While the incentive is the same increment across the City, the outcomes of the program will vary based on the underlying height limits. In many districts, the program enables six-story buildings, in some seven-story buildings, and in others eight-story and above buildings. While an AHBP project providing 30% on-site affordable units in the Western Addition and one in the Sunset would both receive two extra stories of height; the former, in a 65-foot height district, would result in an eight story building and the latter, in a 40 foot height district, would result in a six-story building. Current variations in underlying height controls will continue to be expressed through the AHBP.

Urban design in many cities and neighborhood types follow different general principles. San Francisco considers building height in relation to street widths. In some areas, a building's maximum podium height might be related to a street width, while in less dense neighborhoods, the overall maximum height of a building might be related to the street width. Generally, a ratio of building heights and street widths between .75 to 1.5 is considered appropriate in San Francisco.¹¹ This means that streets that are 40 feet wide can comfortably host buildings from 30 to 60 feet tall. Streets 50 feet wide can host buildings 40 to 75 feet tall. Streets 55 feet wide can host buildings 41 to 83 feet tall. All of the Program area includes roads that are 50 feet or wider – meaning they can comfortably host buildings that are 60 feet or taller. Thus, **the AHBP does not currently allow buildings that would be considered too tall in relation to the street width, based on this ratio.**

Design Guidelines

AHBP projects will be subject to program specific design guidelines. The guidelines address four topic areas: tops of buildings, middle of buildings, ground floors, and infill projects within existing historic districts. These guidelines will ensure San Francisco's practice of emphasizing context-specific design in new construction. The AHBP draft Design Guidelines includes 25 design guidelines¹². Three of the most relevant to context-specific design include:

¹¹ Allan B. Jacobs, *Great Streets*, Fourth Printing, 1996, pages 277 to 280.

¹² The complete AHBP draft design guidelines are available here: http://www.sf-planning.org/ftp/files/plans-and-programs/planning-for-the-city/ahbp/AHBP_Draft_Design_Guidelines.pdf

- T1. Sculpt tops of buildings to contribute to neighborhood quality (page 6 of the AHBP Design Guidelines).
- T3. Express Exceptional and Complementary Architectural Character (page 7 of the AHBP Design Guidelines).
- B3. The façades of new buildings should extend patterns (page 10 of the AHBP Design Guidelines).

Development within Historic Districts

Some historic districts maintain a strong uniformity while other exhibit varied character. AHBP projects will likely result in developments of greater density than the surrounding historic context. Increased density in historic districts does not inherently conflict with historic preservation principles. Historic districts are capable of allowing increased housing density without affecting the historic character and features of a district.

Infill projects within an eligible district will be reviewed by Planning Department Preservation staff in addition to the Planning Commission for compatibility with the AHBP Design Guidelines. There is no proposed change in process for an infill project within a locally-designated district under Article 10 or Article 11 of the Planning Code. Historic Preservation Commission review and approval through a Certificate of Appropriateness or Permit to Alter entitlement would continue to be required. Findings of compliance with local guidelines and the Secretary of the Interior's Standards would also continue to be required.

Projects proposed for sites of non-contributing buildings and vacant lots within historic districts are required to meet the AHBP Design Guidelines for compatibility with surrounding historic context and features. AHBP projects will likely result in developments that may be taller than the surrounding historic context, thus it is crucial that the design of infill construction within historic districts not be so differentiated that it becomes the primary focus. Application of the AHBP Design Guidelines, by the Department, decision-makers, and with oversight from the community, will assist in achieving innovative and exceptional design solutions where the scale and massing of a project must relate to the surrounding historic context.

Below are two of the nine AHBP Design Guidelines for projects within a historic district:

- H2. Strengthen the primary characteristics of the district through infill construction by referencing and relating to the historic design, landscape, use, and cultural expressions found within the district (page 18 of the AHBP Design Guidelines).
- H6. Design to be identifiable as contemporary and harmonious with the historic district in terms of general site characteristics, materials, and features (page 18 of the AHBP Design Guidelines).

Lot Merger Limits and AHBP

Current Planning Code controls only regulate lot mergers in a limited number of districts¹³ in the AHBP area. The AHBP ordinance proposes to extend lot limit merger regulations. AHBP projects

¹³ Inner and Outer Clement NCDs, and NC-2 Districts on Balboa Street between 2nd Avenue and 8th Avenues, and between 32nd Avenue and 38th Avenues.

that request a lot merger would be limited to less than 125 feet of street frontage. This generally reflects 50% of a typical San Francisco block, reflecting prevailing patterns in the program area neighborhoods.

The AHBP lot merger language is based on research that looked at past trends and the typical commercial corridor block length in the Sunset. Given that the typical commercial corridor block length in the Richmond and the Sunset is approximately 240 feet, 125 feet provides a good proximate for a building to not exceed. Note that this regulation would only apply to projects that participate in the AHBP. Current regulations would still apply to projects that are not participating in the AHBP. Currently, lot mergers are regulated in a few of the City's districts. Most commercial corridor zoning districts currently require a Conditional Use if the lot size is 10,000 square feet and above.

Department Recommended Amendments to Urban Design

- ❖ *ADD A DESIGN GUIDELINE TO MAXIMIZE LIGHT AND AIR TO THE SIDEWALKS AND FRONTAGES ALONG THE STREETS, INCLUDING ALLEYS.*
- ❖ *BASE LOT MERGER LIMITATIONS ON 50% OF THE ACTUAL BLOCK LENGTH, RATHER THAN APPLY A CITYWIDE NUMERICAL CAP.*
- ❖ *DIRECT PLANNING STAFF TO INCLUDE ANALYSIS OF A PROJECT'S CONFORMITY TO DESIGN GUIDELINES IN A PLANNING COMMISSION CASE REPORT.*

Potential Implication of Proposed Amendments

Additional design guidelines would empower design review to focus on the relationship between street width and building heights. A design guideline to "maximize light and air to the sidewalks and frontages along the streets, including alleyways" would speak to the overall feel of a particular corridor and a specific housing proposal. The Planning Commission would be required to find projects consistent with all AHBP design guidelines as part of the approval process. This would enhance urban design outcomes and ensure that new buildings are context-sensitive.

Relating the lot merger limitations to block length rather than overall parcel size ensures that AHBP projects relate to the specific neighborhood context. Limitations on lot mergers could, in rare cases, reduce total units produced for an individual project. However the proposed ratio would result in good urban design consistent with prevailing patterns and would offer an appropriate limitation on the scale of potential AHBP projects.

Topic 4: Public Review and Commission Approval

Some commenters have expressed concern that AHBP projects will not have adequate public input, City review or Planning Commission review. In particular commenters raised questions about the appeals process proposed for the Local AHBP, the conditional use findings and the ability of the Commission to make modifications to the design of the building.

Current Proposal: The Local Affordable Housing Bonus Program Project Review

As drafted, the Local AHBP does not reduce public input nor public hearing requirements for projects entitled under this program. In fact, the Local Program increases the opportunity for public input because every Local AHBP project will require a Planning Commission hearing

under the Local and 100 percent Affordable Housing Bonus Project Authorization proposed in Section 328, including some projects that would not otherwise require Planning Commission approval. Under the proposal, only projects that provide 30% permanently affordable housing, or greater, would be eligible for the Local and 100 percent Affordable Housing Bonus Project Authorization process.

Entitlement Process for AHBP State Analyzed Program

Projects entitled under the State Analyzed Program will have no reduction in the City's current review process. These projects will either provide the minimum inclusionary amount, or may provide between 13% or 20% affordable housing in order to obtain a greater density bonus or an increased number of incentives and concessions. Projects entitled through the State-Analyzed program will be subject to the same review and approval processes as they would today – the triggers for Conditional Use Authorization or any other code section that requires a Planning Commission hearing will continue to have a Planning Commission hearing. Projects that use the State-Analyzed program and do not trigger a Planning Commission hearing under the Code are still subject to Discretionary Review (DR). Projects using the State-Analyzed program and choose an incentive off the pre-determined menu that would have required a variance would no longer be subject to a variance hearing. However, if the project seeks a variance that is not from the menu, a variance hearing would be required.

Entitlement Process for AHBP Local Program and 100% Affordable

Projects entitled under the Local Program and the 100% Affordable Program, which respectively provide 30% affordable units or are completely affordable developments, will be reviewed under the proposed "Local and 100 percent Affordable Housing Bonus Project Authorization," as proposed in Section 328. This entitlement process is similar to the existing Large Project Authorization (LPA) process in the Eastern Neighborhoods Mixed Use Districts set forth in Planning Code section 329. The goals of establishing a new process for projects that provide 30% affordable housing include: 1) create a single process for projects with clear requirements and procedures; 2) enable the Planning Commission to grant exceptions to proposed projects without requiring a variance; and 3) build on the success of the LPA process established as part of the Eastern Neighborhood Mixed Use Districts. Should a project include a component that would currently require a conditional use approval (CU), the Commission would continue to be required to make the necessary findings that would otherwise be made as part of a CU hearing under the new entitlement process, and in addition to the required findings set forth in the Local and 100 percent Affordable Housing Bonus Project Authorization.

Section 328 - the Local and 100 percent Affordable Housing Bonus Project Authorization process - has a consistent review process for all Local Program projects. The review allows the Commission to grant minor exceptions to the Code to respond to design concerns raised by staff and the community in ways that would otherwise require a variance from the Zoning Administrator.

The Local and 100 percent Affordable Housing Bonus Project Authorization process recognizes that projects that take advantage of the Local Program of the AHBP may be larger than the surrounding neighborhood context in order to facilitate higher levels of affordability. Projects must comply with the AHBP Design Guidelines. The Commission can *disapprove a project* if it fails to meet the AHBP Design Guidelines, other applicable design guidelines, the Better Streets Plan or the General Plan. A project must have the required 30% or more onsite affordability to *qualify for* the Local and 100 percent Affordable Housing Bonus Project Authorization.

CU findings and authority of CPC to change projects

The Planning Commission will continue to have the authority to shape a building and revise certain components of a project, such as proposed land use, or other elements that might otherwise be approved under a particular Conditional Use Authorization permit.

The Local and 100 percent Affordable Housing Bonus Project Authorization is designed to allow the Planning Commission the ability to make minor modifications to a project’s height, bulk, and mass. However, the process recognizes that these projects may be somewhat taller or bulkier than surrounding buildings, and the intent is to limit such modifications to ensure that projects meet the AHBP’s affordability goals. Additionally, as mentioned above, the Planning Commission will be able to grant Planning Code exceptions to shift the mass of a project, if appropriate, as a tool to respond to surrounding context.

Summary: Review Process Current Process and AHBP Projects

	Current Process	State Analyzed	Local Program, 328 Affordable Housing Benefit Review
Preliminary Project Assessment (PPA)	x	x	x
Environmental Review	x	x	x
Pre-Application Meeting (with neighbors)	x	x	x
Design and Plan Review	x	x	x
Neighborhood notification (Section 311/312), or Planning Commission Hearing Notification	x	x	x
Required Planning Commission Hearing	Sometimes, DR optional	Sometimes, DR optional	x
Entitlement Appeals Body	Board of Appeals, or Board of Supervisors	Board of Appeals, or Board of Supervisors	Board of Appeals

Priority Processing for Projects with High Levels of Affordability

Projects that provide 20% affordable housing or more are currently eligible for priority processing – which means they are the first priority project for assigned staff. Priority processing does not change or reduce the steps in the review process. However, it can reduce time related to backlogs or high volumes of projects. Local AHBP projects would be eligible for priority processing.

Department Recommended Amendments to Public Review and Commission Approval

The following amendments regarding the entitlement process for Local AHBP projects could further address the identified issues:

- ❖ **MODIFY THE LOCAL AND 100 PERCENT AFFORDABLE HOUSING BONUS PROJECT AUTHORIZATION SUCH THAT APPEALS WOULD BE CONSIDERED BY THE BOARD OF SUPERVISORS.**

As currently drafted, projects that apply under the Local AHBP are subject to the Local and 100 percent Affordable Housing Bonus Project Authorization (Section 328) are appealable to the Board of Appeals. The appeal of a Section 328 decision could be directed to the Board of Supervisors, using the process found in Section 308 et seq. Under this code section Planning Commission decisions are appealable to the Board of Supervisors within 30 days after the date of action by the Planning Commission, and would be subscribed by either (i) the owners of at least 20 percent of the property affected by the proposed amendment or (ii) five members of the Board of Supervisors.

Alternative Amendment:

- ❖ **CONVERT THE 328 PROCESS TO A SEPARATE CONDITIONAL USE AUTHORIZATION PERMIT FOR ALL PROJECTS THAT PARTICIPATE IN THE LOCAL AHBP.**

Potential Implications of Proposed Amendments

Shifting appeals of entitlement to the Board of Supervisors for Local AHBP projects would not substantially impact the outcomes of the AHBP program in terms of unit production. There is some chance that project sponsors perceive this appeals process as offering less certainty or potentially an increased entitlement process, because the Board of appeals requires four out five votes to overturn a Planning Commission decision.

In contrast, appeals to the BOS require support of 20% of adjacent property owners or five Board members to be considered, however a two-thirds majority of Supervisors can overturn a Planning Commission decision. Therefore entitlement of projects likely would not be further burdened by this requirement.

Topic 5: Preserving Small Business

San Francisco's small business community is an integral part of our neighborhood commercial corridors, local economy and San Francisco's rich culture. Some commenters have expressed concerns around the potential impacts of the AHBP on existing small businesses and neighborhood commercial corridors. Will small businesses be afforded the opportunity to successfully transition to new locations when necessary? Will neighborhoods continue to have the neighborhood serving businesses?

Current Proposal: Small Business Preservation and AHBP

Generally, AHBP infill housing is anticipated on soft sites that are predominantly vacant, parking lots or garages, gas stations, or other uses that use only a small amount of the total development potential. That said some of these sites include existing businesses on neighborhood commercial corridors. New development requires a willing seller, buyer and developer. The potential impact

of this Program to specific businesses locations or business types cannot be quantified in any certain terms due to these factors. However it is generally understood that there are existing structures on less than half of the 240 potential soft sites.

The City is committed to maintaining small businesses in its neighborhoods. For this reason, the AHBP includes general assistance and support for any business that might be impacted, which can be tailored on a case-by-case basis. Staff anticipates that developments using the AHBP will produce additional commercial spaces and enhance existing commercial corridors.

Protections for Existing Businesses

As currently proposed, the AHBP addresses small business preservation in several ways.

Having adequate notification time when re-location is necessary has been one of the top concerns raised by small businesses in their recent quarterly meetings with the Mayor. Recently required seismic upgrades have forced many businesses to relocate with only a few months' notice. To address this concern and at the suggestion of OEWD and the Small Business Commission, the AHBP requires that project sponsors notify tenants of their first application to the Planning Department for environment review. Generally project construction starts two or three years after a project files for environmental review, but this can vary based on project size and other factors. This notification will guarantee tenants adequate time to develop an updated business plan, identify necessary capital, find an appropriate location, and complete necessary tenant improvements in a new location. The notification letter will also refer the business owner to OEWD and other agencies that can provide technical assistance and support. These services can help small businesses achieve a successful transition.

Relocating businesses may qualify for and take advantage of the Community Business Priority Processing Program (CB3P). Projects that qualify for and enroll in the CB3P are guaranteed a Planning Commission hearing date within 90 days of filing a complete application, and placement on the Consent Calendar. Certain limitations do apply¹⁴. All CB3P applications are subject to the same level of neighborhood notice, the same Planning Code provisions, and the same (if applicable) CEQA review requirements, and may still be shifted from Consent to Regular Calendar if requested by a Planning Commissioner or member of the public.

Enhancing Neighborhood Commercial Corridors and AHBP

Existing Planning Code controls encourage neighborhood appropriate new commercial spaces. Existing commercial size limits, listed below, will apply to new commercial space constructed as part of AHBP buildings. Existing use limitations (including formula retail regulations) will apply. These use size limitations were established through community planning processes to reflect neighborhood character. Any new or expanded uses above these amounts will continue to trigger a conditional use authorization.

¹⁴ Generally, eligible businesses cannot be a formula retail store with more than 20 establishments and cannot expand or intensify the use and certain uses such as alcohol, adult entertainment, massage, fringe financial and certain other uses cannot participate. See the Planning Department website for more information: <http://www.sf-planning.org/Modules/ShowDocument.aspx?documentID=9130>.

The median independent retail size in San Francisco is 2,200 square feet and the median formula retail size in San Francisco is 6,500 square feet. Existing controls related to use size limitations generally encourage and support a continuation of small businesses on neighborhood commercial corridors. A sampling of use size controls is listed below.

NC District	Current Use Size Limit
North Beach, Castro Street, Pacific Avenue	2,000 sq. ft.
Inner Clement, Inner Sunset, Outer Clement, Upper Fillmore, Haight, Polk, Sacramento, Union, 24 th (Noe), West Portal	2,500 sq. ft.
NC-1, Broadway,	3,000 sq. ft.
NC-2	4,000 sq. ft.
NC-3, NC-S	6,000 sq. ft.

Most Neighborhood Commercial Districts encourage, but do not require, neighborhood commercial uses¹⁵. New infill projects would likely choose to include ground floor commercial uses. In fact, the AHBP Design Guidelines include eight specific controls for the ground floor (on page 13 of the AHBP Design Guidelines), which otherwise do not exist in many of our neighborhoods. For example, the AHBP Design Guidelines state that no more than 30 percent of the width of the ground floor may be devote to garage entries or blank walls; building entries and shop fronts should add to the character of the street by being clearly identifiable and inviting; and where present, retail frontages should occupy no less than 75 percent of a building frontage at the ground floor.

Department Recommended Amendments to Preserving Small Business

The Planning Department presented the AHBP to the Small Business Commission on February 8. Staff will return to the Small Business Commission on February 22 for further discussion. The following potential amendments have been identified by the Mayor’s Office of Economic and Workforce Development (OEWD) staff and the Small Business Commission.

- ❖ *REQUIRE EXISTING BUSINESSES BE OFFERED FIRST RIGHT OF REFUSAL FOR COMMERCIAL SPACE IN NEW BUILDINGS.*
- ❖ *RECOMMEND THAT THE BOARD OF SUPERVISORS DIRECT THE CITY TO ESTABLISH A SMALL BUSINESS RELOCATION FEE TO BE PAID BY NEW*

¹⁵ Planning Code Section 145.4 establishes requirements for ground floor retail on certain parts of streets such as along Market Street from Castro through the Downtown; along Hayes Street through the NCT; and along Fillmore Street from Bush Street to McAllister Street. See all such requirements in Planning Code Section 145.4.

DEVELOPMENT CONSISTENT WITH THE VALUES OFFERED UNDER THE UNIFORM RELOCATION ACT.

- ❖ *REQUIRE THAT EARLY NOTIFICATION TO COMMERCIAL TENANTS BE NO LESS THAN 18 MONTHS AND BE SENT TO BOTH THE TENANT AND THE OFFICE OF ECONOMIC AND WORKFORCE DEVELOPMENT (OEWD)*
- ❖ *ALLOW PLANNING COMMISSION TO REDUCE COMMERCIAL USE SIZES OR REQUIRE COMMERCIAL USES IN AHBP PROJECTS TO PROTECT NEIGHBORHOOD SERVING BUSINESSES*

Potential Implications of Proposed Amendments

A first right of refusal would enable existing businesses to have a competitive edge in securing space on their existing site. Businesses could participate in site design and potentially benefit from efficiencies in building the commercial spaces, for example, by making later tenant improvements unnecessary. While most businesses will likely not exercise this option because it would require relocating twice, the option offers the opportunity, especially for location sensitive businesses. This requirement would not reduce potential affordable housing production, but it may provide a developer with additional community support when valued businesses are retained.

Notifying OEWD will enable the City to take a proactive role in supporting small businesses and to coordinate support through various programs such as Invest and Neighborhoods and the Retention and Relocation Program. OEWD will know about proposed developments early enough in the process to effectively engage businesses and provide whatever supports are needed.

The Small Business Commission and OEWD staff suggest that the early notification would be most effective if businesses are afforded at least 18 months from first notification to required relocation date. Since relocation is required before environmental review commences, this required notification period should not delay a projects entitlement or development process.

The City can apply the standards of the federal Uniform Relocation Act to AHBP properties. For new construction that is funded all or in part with federal funds, the Act requires relocation advisory services for displaced businesses; a minimum 90 days written notice to vacate prior to requiring possession; and reimbursement for moving and reestablishment expenses. For a business, moving fees are based on a public bidding process plus a business is eligible for \$10,000 in reestablishment costs; or a business can receive a fixed payment of no more than \$20,000. The City could require project sponsors provide relocation costs consistent with the Uniform Relocation Act to existing commercial tenants. This payment would facilitate a business's successful transition to a new space in the neighborhood.

Topic 6: Who are we serving with this program? Affordability

Several commenters have asked if the affordable units generated through the AHBP are serving the right households. Some have suggested that the program should be adjusted to include a broader range of affordability. Some have suggested that households at 100 and 120% AMI should also be serviced through this program. Others have questioned whether affordability

targets should vary based on neighborhood demographics. In particular the following questions have been raised:

1. Why doesn't the program address the lowest income households?
2. Are middle income households served by market rate housing?
3. Should there be neighborhood specific elements of the program?

Current proposal: Households served and AHBP

The AHBP will be one of many affordable housing programs in San Francisco. The Program is unique in that it does not require public subsidy of the affordable units and incentivizes the private sector to provide a greater absolute number and greater percentage of affordable housing, similar to the City's inclusionary housing program. The AHBP proposes to increase the number of affordable units built to service low and moderate income households while also broadening the band of households eligible for permanently affordable housing to include middle income households. The AHBP proposes to increase low, moderate and middle income housing in San Francisco's neighborhoods.

Affordable Housing Programs and Housing Supply in San Francisco

The AHBP will be one of many tools to address housing affordability in San Francisco. Today, the majority (88% of affordable units produced) of the City's affordable housing programs¹⁶ serve households earning less than 60% AMI (\$42,800 for a one-person household and \$55,000 for a three-person household). Less than 9% of the affordable units created under the City's current programs serve those households at 80% AMI and above.

San Francisco is a leader in developing local funding sources for affordable housing, and has one of the nation's oldest inclusionary housing programs. The City's recent efforts include establishing a Local Housing Trust Fund and the Hope SF program. San Francisco dedicated a high proportion (40%) of all tax increment funding (TIF) generated in Redevelopment Areas to affordable housing. However, given that it costs \$250,000 or more to subsidize a single affordable housing unit in San Francisco, the City would need to generate \$4 billion in local subsidies to fund the Regional Housing Needs Allocation (RHNA) target of 16,000 affordable units by 2022. Local subsidies cannot be the only approach to securing permanently affordable housing. This underscores the need for programs such as our existing inclusionary program and the AHBP.

Over the next ten years, the Mayor's Office of Housing and Community Development plans to build an additional 4,640 housing units permanently affordable to households earning below 120% AMI. These new affordable units will be in addition to the thousands of affordable units that will be rehabilitated or preserved as part of RAD or other affordability preservation efforts. Roughly 4,400 of these units will service households earning 60% of the AMI or below. The remaining 241 units, most of which will be funded by federal and State dollars that often have further affordability restrictions, would service households at 60% AMI or below. With the construction of these pipeline projects the City will have a total of 42,640 permanently affordable housing units for households earning 60% AMI or below. The AHBP will add an additional 2,000

¹⁶This includes units provided under the Multifamily Housing Program, the Inclusionary Program, Former SFRA, Inclusionary Condo Conversion, Public Housing, HUS-assisted Projects, Master Lease, and other Tax Credit Projects. This does not include the Down Payment Assistance Loan Program or Section 8 vouchers that are used in San Francisco.

units for low and moderate income households – bringing the total to 44,640. In addition, the AHBP will provide 3,000 permanently affordable middle income units.

Affordability Level	Existing Permanently Affordable Units	MOHCD Pipeline housing (10 years)	AHBP Affordable Units (20 years)	Projected Total Affordable Units (with MOHCD known pipeline and AHBP)	
Very Low, Low and Moderate Income	36,260 ¹⁷				
Less than 60% AMI		4,640	2,000	44,640	94%
Less than 120% AMI	3,285 ¹⁸				
Middle Income (120% rental and 140% owner)			3,000	3,000	6%
Total	39,500		5,000	47,640	100%

The Local AHBP Program complements these existing and ongoing programs by providing affordable housing units to serve low, moderate, and middle income households making above 55% of AMI.

Affordable Housing Units encouraged through the AHBP

The AHBP builds on the City’s existing Inclusionary Housing Program, which serves low and moderate income households earning up to 55% of AMI (rental) and 90% of AMI (ownership)¹⁹. Only projects that provide the affordable units on site are eligible for the AHBP. This will incentivize projects, that might otherwise elect to pay the in lieu fee, to elect to provide affordable units on-site within the project.

The AHBP is projected to enable 5,000 permanently affordable units over a 20 year period. The Department estimates that the AHBP could result in 2,000 low and moderate income inclusionary units over the next 20 years. This will be more than double the 900 possible inclusionary units enabled under current zoning on the same sites. This is a significant enhancement to San

¹⁷ Roughly 13,180 of these units will service households earning 30% of the AMI or below.

¹⁸ Most of the existing units for 120% AMI and below are affordable to households earning no more than 80% AMI.

¹⁹ Note: the existing inclusionary program allows project sponsors to pay a fee in lieu of providing the affordable housing units.

Francisco’s ability to provide affordable housing for low and moderate income households.²⁰ This program will also generate an additional 3,000 permanently affordable middle income units.

Potential Affordable Housing Units produced in AHBP Area, under current controls or under AHBP, by affordability, over 20 years.

Affordability Levels	Current Controls (Units)	AHBP Maximum Potential (Units)
Low and Moderate Income Households (55% AMI for rental and 90% AMI for ownership)	900	2,000
Middle Income Households (120% AMI for rental and 140% AMI for ownership)	0	3,000
Total Permanently Affordable Housing Units	900	5,000

Low and Moderate Income Households Served

The AHBP could potentially double the number of inclusionary units serving low and moderate income households (55% or 90% of AMI) produced in the Program Area, compared to current zoning controls.

In 2015, a one-person household making 55%-90% of Area Median Income earns between \$39,250 and \$64,200. For a family of three, the range is \$50,450 to \$82,550. Households in this income category could include the following:

- A single housekeeper (55% AMI)
- A single entry level public school teacher (90% AMI)
- A single parent police officer or fire fighter with one child (90% AMI)
- A single parent postal clerk with two children (55% AMI)
- A construction worker and a dishwasher (90% AMI)
- Two cashiers and two children (55% AMI)
- A public school teacher and a housekeeping cleaner with two children (90% AMI)

THE AHBP WILL PRODUCE AN ADDITIONAL 2,000 UNITS AFFORDABLE TO THESE HOUSEHOLDS.

Middle Income Households Served

In 2015, a one-person household making 120% - 140% of Area Median Income earns between \$85,600 and \$99,900. For a family of three, the range is \$110,050 to \$128,400. This level of income

²⁰ Between 1992 through 2014 the inclusionary program has generated nearly 2,000 affordable units.

is significantly higher than households traditionally serviced by affordable housing programs; market rate housing is out of reach for these households in San Francisco. Households in this income category could include the following:

- A single Electrician (120% AMI)
- A single Electrical Engineer (140% AMI)
- A police officer or firefighter and a minimum wage worker (barista, etc.) (120% AMI)
- An ambulance dispatcher and a housekeeper (140% AMI)
- 2 Public School teachers with 1 child (140% AMI)
- 2 public school teachers with 2 children (120% AMI)
- A police officer and a firefighter with 2 children (140% AMI)

THE AHBP WILL PRODUCE AN ADDITIONAL 3,000 UNITS AFFORDABLE TO THESE HOUSEHOLDS.

Need for Permanently Affordable Middle Income Housing

Based on federal, state, and local standards, “affordable” housing costs no more than 30% of the household’s gross income. In 2015 middle income households earning 120% of AMI and 140% of AMI could afford the following maximum rents and sale prices:

	Affordable monthly rent ²¹	Median Rents in San Francisco, 2015	Affordable sales price ²²
1-person household (studio unit)	\$2,100	\$3,490 (one bedroom)	\$398,295
3-person household (2 bedroom unit)	\$2,689	\$4,630 Two bedroom	\$518,737

Comparatively, median rents are \$3,490 for a 1 bedroom, and \$4,630 for a 2 bedroom apartment in San Francisco²³. To afford these rents a middle income households (120% AMI) would be required to dedicate 50% or more of their income to housing costs, market San Francisco recently exceeded \$1 million²⁴, again twice what a middle income (140% AMI) household can afford.

The income categories serviced by the AHBP are the household types that are declining in San Francisco. Census data show that households earning between 50% of AMI and 150% of AMI fell from 49% of all households in 1990 to just 37% in 2013. These are the income categories for which new, permanently affordable housing would be created under the AHBP. Middle-income households (120-150% AMI, the dark orange bar below) include a diminishing share of the City’s growing population, falling from 11% of the population in 1990 to 9% in 2013.

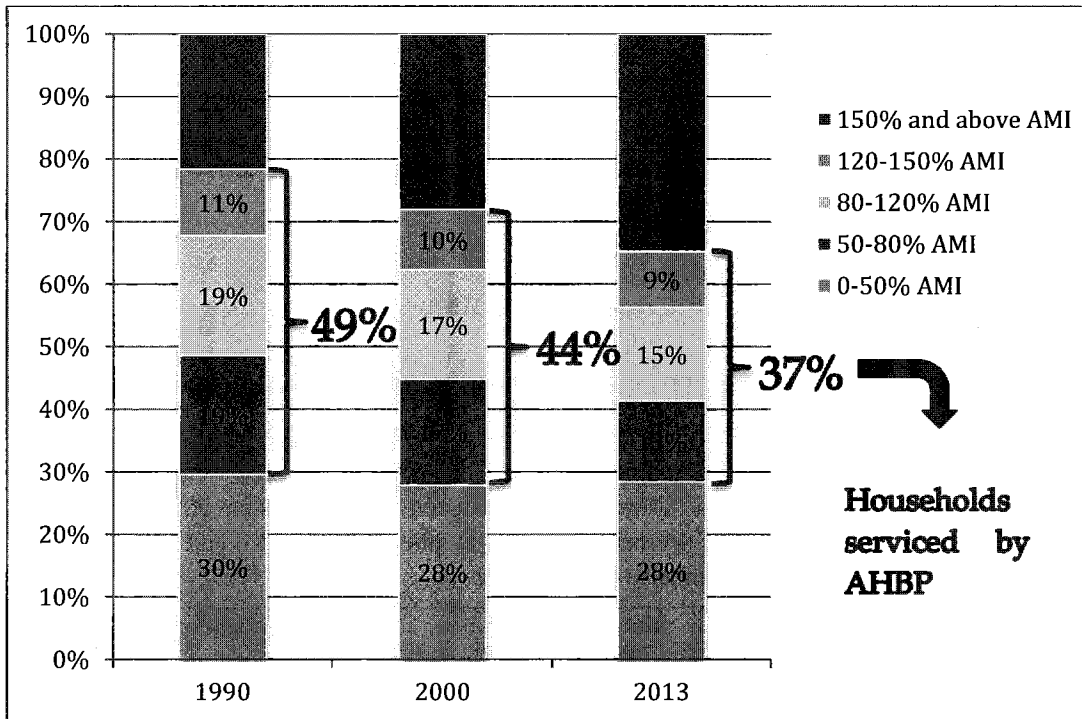
²¹ MOHCD. 2015 Maximum Monthly Rent by Unit Type; Studio and 2-bedroom unit “without utilities” figure.

²² MOHCD. 2015 Sample Sales Prices for the San Francisco Inclusionary Housing Program.

²³ <https://www.zumper.com/blog/2016/01/zumper-national-rent-report-january-2016/>

²⁴ <http://www.sfgate.com/business/networth/article/1-million-city-S-F-median-home-price-hits-7-5626591.php>

San Francisco's Households by AMI, 1990-2013



The last several RHNA cycles show that San Francisco has consistently under-produced housing for these income category over the same period of time.²⁵

From the 2014 Housing Element:

Household Affordability	Housing Goals 2007-2014	Actual Production 2007-Q1 2014	% of Production Target Achieved 2007-Q1 2014	Production Deficit as of Q1 2014
	Total	Total		
Low Income (under 80% AMI)	12,124	4,978	41%	7,146
Moderate Income (80% - 120% AMI)	6,754	1,107	16%	5,647
Market Rate	12,315	11,993	97%	322
TOTALS	31,193	18,078	58%	13,115

Table I-64
Annual Production Targets and Average Annual Production, San Francisco, 2007-Q1 2014

SOURCE: SF Planning Department; ABAG

²⁵ Note that since the City does not currently have a program which guarantees affordability for households above 120% of the Area Median Income, the Department does not have data on the production of housing for that income level. Based on current understanding of market sales and rental costs, staff believes that newly constructed housing is not affordable to middle income households.

Table I-63
Annual Production Targets
and Average Annual
Production, San Francisco,
1999-2006

Household Affordability	Housing Goals 1999-2006	Actual Production 1999-2006	% of Production Target Achieved	Production Deficit (Surplus)
	Total	Total		
Very Low Income (below 50% AMI)	5,244	4,342	82.8%	902
Low Income (50% - 79% AMI)	2,126	1,113	52.4%	1,013
Moderate Income (80% - 120% AMI)	5,639	725	12.9%	4,914
Market Rate	7,363	11,293	153.4%	(3,930)
TOTALS	20,372	17,473	85.8%	

From the 2004 Housing Element:

TABLE I-65

Annual Production Targets and Average Annual Housing Production, 1989-1998*

Affordability Categories	Housing Goals 1989-June 1995 (6.5 years)		Actual Production 1989-1998 (10 years)*		% of Annual Target Achieved
	Total	Annual Targets	Total	Annual Average	
	Very Low Income (below 50% AMI)	5,382	830	2,202	
Low Income (50% - 79% AMI)	3,585	553	1,515	152	27.4%
Moderate Income (80% - 120% AMI)	4,483	681	557	56	8.1%
Market Rate	8,987	1,353	9,893	989	71.6%
Annual Production Target, 1989 - June 1995	22,467	3,456	14,187	1,417	41.0%

*ABAG Reporting Period

The Local AHBP program will increase the amount of inclusionary housing produced for households making 55% or 90% of AMI while creating a new source of housing for middle income households making 120% (rental) or 140% (ownership) of AMI.

Why Provide Affordable Housing for Moderate and Middle Income Households?

The AHBP is designed to complement the existing affordable housing programs and housing units, to ensure that the City of San Francisco can remain an equitable and inclusive City as we continue to welcome new residents. In the past several decades middle income households have benefited from affordability assured through rent control, however vacancy de-control and changes in tenure have reduced the affordability of this housing supply. Limited public subsidies for affordable housing can continue to service the very low, low and moderate income households, while mixed income development projects such as the AHBP and those enabled under the inclusionary housing program will service low, moderate and middle income households.

How does the AHBP Respond to Specific Neighborhoods?

The AHBP is a citywide program that addresses the affordability needs of all of San Francisco. Much like the City's inclusionary programs, the intention of the AHBP is to increase the production of privately-financed housing for the City as a whole, by leveraging market-driven

development that otherwise would provide fewer or no affordable units for low, moderate, and middle income residents.

Neighborhood Specific AMI's: Focus on the Bayview

Some have commented that in some neighborhoods, the Bayview Neighborhood, in particular, could warrant a neighborhood specific adjustment to the AHBP program.

Because the Bayview neighborhood has a history of industrial uses that has left several large, underutilized sites that, if those sites were developed under AHBP, they could result in a large number of new housing units. For example, one of the soft sites identified in the Bayview is 43,681 square feet, as compared to a typical 2,500 square foot (25ft. by 100ft) commercial lot in an NC district. The prevalence of large underutilized lots in the Bayview means more units could be developed there under AHBP when compared to other neighborhoods in the city.

Although new development potential under this program would come with increases in affordable housing units for low, moderate and middle income households, some commenters suggested that the AHBP affordability targets do not adequately serve existing low-income households in the Bayview. Census data²⁶ in the below table shows households by income level in the Bayview and citywide.

²⁶ American Community Survey. 2010-14 5-Year Average

Households by Income Level, Bayview and San Francisco

% of AMI	Bayview		San Francisco	
	Households	% of HHs	Households	% of HHs
30%	3,468	31.6%	80,447	23.1%
50%	1,787	16.3%	40,146	11.5%
80%	1,841	16.8%	52,299	15.0%
100%	1,045	9.5%	28,683	8.2%
120%	828	7.6%	26,436	7.6%
150%	685	6.3%	31,267	9.0%
200%	646	5.9%	33,305	9.5%
>200%	662	6.0%	56,249	16.1%
Total	10,963	100.0%	348,832	100.0%

Bayview has a higher share of households earning 30% of AMI²⁷ and below than the citywide average. These households are typically served by SFHA public housing, of which there is a high concentration in the Bayview neighborhood relative to other neighborhoods in San Francisco.

Roughly 56% of Bayview households earn between 50% of AMI and 150% of AMI – these are the household incomes that will be served by the AHBP. Bayview households qualify at a higher proportion than the citywide average where only 51% of households earn between 50% and 150% of AMI.

Below is a demographic portrait of the Bayview Households by Race and Ethnicity.

Households by Race and Ethnicity, Bayview and San Francisco²⁸

Race	Bayview		San Francisco	
	Households	% of HHs	Households	% of HHs
Black HHs	4,760	44.6%	20,495	6.0%
Asian HHs	2,793	26.2%	95,032	27.9%
Hispanic HHs	1,666	15.6%	37,901	11.1%

²⁷ \$21,400 for a one-person household, \$27,500 for a household of three

²⁸ Source: U.S. Department of Housing and Urban Development. (October 28, 2015). Consolidated Planning/CHAS Data. 2008-12 ACS 5-Year Average.

White HHs	1,075	10.1%	176,841	51.9%
Other HHs	377	3.5%	10,156	3.0%
Total	10,671	100.0%	340,425	100.0%

The AHBP Local Program for mixed-income development is intended to complement existing and ongoing programs by providing affordable housing units to serve low, moderate, and middle income households making above 50% of AMI, including the half of Bayview households that fall into this income range. In addition, the 100% AHBP program is designed to yield a greater number of units affordable to households making below 60% of AMI, by allowing for greater density for 100% affordable housing developments.

Serving Existing Residents with Below Market Housing

There are two provisions to help ensure that existing residents can access below market housing in their neighborhood.

The first, which is recently adopted legislation separate from the AHBP, is often called ‘Neighborhood Preference’. The legislation prioritizes 40% of all affordable inclusionary units be to existing neighborhood residents. This provision enables existing residents to seek permanently affordable housing in their neighborhood. In the case of the Bayview – existing residents will be competitive for the low, moderate and middle income units.

The second provision is part of the draft AHBP ordinance. In order to ensure that the affordable units are below market rates the AHBP legislation requires that all affordable units be rented or sold at a price at least 20% below a particular neighborhood’s market housing costs. For example if a project in the Bayview was entitled under the Local AHBP program – before the 18% of units that are intended to service middle income households were marketed to residents (after construction) the project sponsors would be required to demonstrate that the middle income targets (120% and 140% AMI) were at least 20% below the prevailing market costs for housing in the Bayview. Should the City find that housing priced to be affordable to 140% AMI households was reflecting the market rate; the project sponsor would be required to reduce the cost to a price that is affordable to households at 120% AMI and market the units to qualifying households. This provision enables the program to be flexible to neighborhood specific market conditions and market variations over time.

Department Recommended Amendments to Affordability

- ❖ WITHIN THE CONSTRAINTS OF FEASIBLY CONVERT SOME OF THE 18% MIDDLE INCOME (120%/140%) UNITS TO 100%/120% AMI.

The AHBP Local Program for mixed-income developments could be modified to require that a higher share of affordable units are required to be provided for households making below 100% of AMI (rental) or 120% AMI (ownership). This approach would not impact the 100% AHBP program.

Potential Implications of Proposed Amendment

This amendment addresses the concern that a wider band of households’ affordable housing needs should be met through this program.

In general, lowering the income levels of required affordable units could have some impacts on financial feasibility for some projects. This approach could reduce participation in the Local

AHBP, in preference for the State Program or existing zoning requirements. A financial sensitivity analysis should be conducted in order to identify the exact relationship between lower income targets and project feasibility.

REQUIRED COMMISSION ACTION

Two draft ordinances are before the Commission for consideration today. These items may be acted upon or may be continued, at the discretion of the Commission.

1. Mayor Lee and Supervisor Tang introduced the AHBP Ordinance amending the Planning Code on September 29, 2015; substitute legislation was introduced on January 12, 2016. The proposed Ordinance is before the Commission so that it may recommend adoption, rejection, or adoption with modifications to the Board of Supervisors.
2. On October 15, 2015 the Planning Commission initiated hearings on a proposed Ordinance amending the General Plan. The Planning Commission can recommend adoption, rejection, or adoption with modifications to the Board of Supervisors.

RECOMMENDATION SUMMARY

The Department recommends that the Commission recommend approval with the amendments specified below to the Board of Supervisors of the proposed Ordinances and adopt the attached Draft Resolution to that effect. Further information; including the basis for the recommendations and potential implications of alternatives have been described in more detail earlier in the case report. The section merely summarizes the content to assist the Commission with voting on a potential recommendation. Please note the Commission's action is in no way constrained to the topics or recommendations listed below. This is only a summary of staff recommendations.

Topic 1: Program Eligibility (pages 3-7)

- A. Recommend approval with scale limitations as currently drafted.
- B. STAFF RECOMMENDATION: Modify to add that projects that propose to demolish any residential units shall not be eligible for AHBP.
- C. Advise Board of Supervisors regarding benefits and concerns. Direct staff to continue work on these issues.

Topic 2: Infrastructure to Support New Growth (pages 7-8)

- A. STAFF RECOMMENDATION: Recommend approval with infrastructure support as currently drafted.
- B. Advise Board of Supervisors of issues on concern and direct staff to continue work on these issues.

Topic 3: Urban Design (pages 8-11)

- A. Recommend approval with urban design limitations as currently drafted.
- B. STAFF RECOMMENDATION: Modify to add a design guideline to maximize light and air to the sidewalks and frontages along the streets, including alleyways.

- C. STAFF RECOMMENDATION: Modify lot merger limitations on 50% of the actual block length, rather than apply a citywide numerical cap.
- D. STAFF RECOMMENDATION: Direct Planning Staff to include analysis of a project's conformity to design guidelines in a Planning Commission Case Report.
- E. Advise Board of Supervisors of issues on concern and direct staff to continue work on these issues.

Topic 4: Public Review & Commission Approval (pages 11-14)

- A. Recommend approval with new review process as proposed whereby appeals are considered by the Board of Appeals.
- B. STAFF RECOMMENDATION: Modify the appeals body for the Local and 100 Percent Affordable Housing Bonus Project Authorization-Section 328-to be the Board of Supervisors
- C. Modify the process such that Conditional Use Authorizations (CU) would not be considered as findings within the entitlement for AHBP projects, but would require a separate CU.
- D. Advise Board of Supervisors of issues on concern and direct staff to continue work on these issues.

Topic 5: Preserving Small Business (pages 14-17)

- A. Recommend approval with small business preservation tools as currently drafted.
- B. STAFF RECOMMENDATION: Modify to add that a requirement that existing businesses be offered first right of refusal for commercial space in new buildings.
- C. STAFF RECOMMENDATION: Modify to ask that the Board of Supervisors direct the City to establish a small business relocation fee to be paid by new development consistent with the uniform relocation act.
- D. STAFF RECOMMENDATION: Modify to require early notification to commercial tenants be no less than 18 months and also reported to the Office of Economic and Workforce Development.
- E. STAFF RECOMMENDATION: Allow Planning Commission to reduce commercial use sizes or require commercial uses in AHBP projects to protect neighborhood serving businesses.
- F. Advise Board of Supervisors of issues on concern and direct staff to continue work on these issues.

Topic 6: Affordability (pages 17-27)

- A. Recommend approval with new review process as proposed whereby the local program provides 12% low or moderate income housing and 18% middle income housing.
- B. STAFF RECOMMENDATION: Within the constraints of feasibility convert some of the 18% middle income (120%/140%) units to 100%/120% AMI.
- C. Within the constraints of feasibility provide affordable housing units for a broader range of households than are currently served, by deepening income level targets.

ENVIRONMENTAL REVIEW

On April 24, 2014, the San Francisco Planning Commission, in Resolution No. 19121, certified the 2004 and 2009 Housing Element Final Environmental Impact Report ("Final EIR"), prepared in compliance with the California Environmental Quality Act ("CEQA"), Public Resources Code Section 21000 et seq. In Resolution No. 19122, the Planning Commission adopted the findings and conclusions required by CEQA regarding alternatives, mitigation measures, and significant environmental impacts analyzed in the Final EIR, and adopted a Mitigation Monitoring and Reporting Program and a Statement of Overriding Considerations as part of its approval of the 2009 Housing Element.

On January 14, 2016, in response to the proposed Affordable Housing Bonus Program and related General Plan Amendments, the San Francisco Planning Department prepared an Addendum to the 2004 and 2009 Housing Element Final EIR under CEQA Guidelines Section 15164 ("the Addendum"). The Addendum accessed here and the Note to File is Exhibit H: http://sfmea.sfplanning.org/2014.1304E_AHBP_Addendum03_011416%20Final.pdf

PUBLIC COMMENT

Public comment on the proposed AHBP has been received through the 20 plus public outreach events, direct correspondence with the Planning Commission or Department staff, and through several public forums and media discussions. Staff have maintained a log of public comments and responded to questions as they are received.

Public comments range greatly and cover a variety of topics. Most frequently public comments include a request for more information or details on a specific item. Key topics of discussion are summarized in the discussions above.

Many commenters support the program's approach to providing more affordable housing, while others express a clear lack of support for the program. More nuanced comments include a series of suggested amendments. Generally these issues are addressed by the discussion above and the related proposed amendments.

RECOMMENDATION: Recommendation of Approval with Modifications
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Attachments:

- Exhibit A: ~~Draft Planning Commission Resolution for General Plan Amendments~~
- Exhibit B: ~~Draft Planning Commission Resolution for BOS File 150969~~
- Exhibit C: ~~Department Recommendation Summary~~
- Exhibit D: ~~Public Comment received since November 5, 2015~~
- Exhibit E: ~~Project Sponsors proposed Amendments to the Affordable Housing Bonus Program~~
- Exhibit F: Ordinance Adopting General Plan Amendments
- Exhibit G: ~~Board of Supervisors File No. 150969~~
- Exhibit H: ~~Note to File~~

