

**REVISED LEGISLATIVE DIGEST**  
(Amended in Board, 10/29/2019)

[Planning Code - Jobs Housing Linkage Fee and Inclusionary Housing]

**Ordinance amending the Planning Code to modify the Jobs Housing Linkage Fee by clarifying the indexing of the fee, adding options for complying with the fee, phasing increases to the fee, dedicating funds for permanent supportive housing and the preservation and acquisition of affordable housing, requiring periodic evaluation of the nexus study and fee, and to remove the monetary limit for the Small Sites Funds under the Inclusionary Housing Program; affirming the Planning Department’s determination under the California Environmental Quality Act; making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1; and making findings of public necessity, convenience, and welfare pursuant to Planning Code, Section 302**

Existing Law

Consistent with the California Mitigation Fee Act, the Planning Code provides that certain commercial developments must pay a Jobs-Housing Linkage fee (“JHLF”). The Jobs-Housing Linkage program requires projects constructing new or expanded non-residential buildings of more than 25,000 square feet of development to offset the demand for new affordable housing created by those projects.

The JHLF is codified in Planning Code Section 413.1 *et seq.* Section 413.5 allows a project sponsor to comply with the JHLF by either making a payment, or dedicating land to a housing developer. While most citywide development fees are indexed annually according to the Annual Infrastructure Construction Cost Inflation Estimate, as set forth in Planning Code Section 409, the JHLF is indexed according to procedures developed by the Mayor’s Office of Housing and Community Development, pursuant to Section 413.6. Section 413.7 allows projects within the Central SoMa Special Use District to comply with the JHLF by offering land to the City. Projects may receive credit up to the value of the land donated.

Typically, a project must pay any development fees before the issuance of the first construction document. Any funds received pursuant to the JHLF are deposited into the Citywide Affordable Housing Fund.

The Small Sites Funds is a program under the City’s Inclusionary Housing program to support acquisition and rehabilitation of “Small Sites,” as codified in Planning Code Section 415.1 *et seq.* Funding for the Small Sites program is capped at \$15 million.

Amendments to Current Law

This ordinance would make the following amendments to the JHLF.

- Align the indexing of the JHLF with other fees. Most citywide development fees are indexed according to the Annual Infrastructure Construction Cost Inflation Estimate, pursuant to the Section 409. This amendment would remove the exception to that requirement for the JHLF codified in Section 409, and Section 413.6
- Require the JHLF Nexus Analysis to be updated every five years, and as part of the comprehensive evaluation of fees to address the feasibility of the fee based on several factors, including available office allocation.
- Streamline the findings in Section 413.1. This ordinance would update many of the historical findings related to the JHLF.
- Allow a project sponsor to comply with the JHLF by: paying a fee to the City; offering the City land of equal value to the proposed fee, or a combination of fee and land dedication to the City. It no longer permits a project sponsor to comply with the JHLF by offering to pay a fee or offer land to a housing developer.
- Beginning on January 1, 2021, set the JHLF for large capital Office use (projects 50,000 gsf and greater) at \$69.60, small capital Office use (projects up to 49,999 gsf) at \$62.64, and Laboratory use at \$38.37. Prior to January 1, 2021, the fee amounts would be phased based.
- Require that certain projects pay any additional amounts due under the JHLF prior to the first Certificate of Occupancy.
- Set aside 10% of the fees received through the JHLF for the preservation and acquisition of rent restricted affordable housing, and 30% for permanent supportive housing.

The ordinance would amend the Small Sites Funds under the Inclusionary Housing program by removing the \$15 million cap.

At the Land Use Committee on October 21, 2019, the sponsor introduced amendments phasing the increases to the fee for Office Use, and Laboratory Use.

At the full Board on October 29, 2019, the sponsor introduced amendments setting different fees for Office projects greater than 50,000 gsf, and those projects creating up to 49,999 gsf of Office. The sponsor also introduced amendments requiring an update to the nexus study every five years, and an evaluation of the fee. The update and evaluation would be part of the City's comprehensive evaluation of fees pursuant to Section 410.

Background Information

This ordinance was initially introduced on May 14, 2019. That ordinance made proposed amendments to the findings of section 413.1, and raised the fee for office projects to \$38.00. Substitute legislation was introduced on September 10, 2019. The City published an updated

FILE NO. 190548

Nexus Study by Keyser Marsten Associates, Inc. in May 2019, and a Feasibility Report by Economic & Planning Systems, Inc. in June 2019. Both the Nexus Study and Feasibility Report are in this Board file.

On September 10, 2019, the sponsor introduced substitute legislation. Following a hearing at the Planning Commission on September 19, 2019, additional amendments were introduced at the Land Use Committee on October 21, 2019. Additional amendments were introduced at the full Board meeting on October 29, 2019.

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