

OFFICE OF THE MAYOR  
SAN FRANCISCO



LONDON N. BREED  
MAYOR

Bos-11  
Colb, Aides,  
Mayor's Office  
Dep. City Atty  
Leg. Dep.

November 15, 2019

Angela Calvillo  
Clerk of the Board of Supervisors  
1 Dr. Carlton B. Goodlett Place  
City Hall, Room 244  
San Francisco, Ca. 94102

RECEIVED  
BOARD OF SUPERVISORS  
SAN FRANCISCO  
2019 NOV 15 PM 4:50  
JCS

Re: File Number 190548: Planning Code - Jobs Housing Linkage Fee and Inclusionary Housing

Dear Madam Clerk,

I am returning the ordinance associated with file number 190548 unsigned. I understand and share a number of the policy goals of this ordinance, particularly a desire to generate revenue for affordable housing which is desperately needed in our City. Since taking office I have prioritized funding for more affordable housing including through my budget investments and our collaborative efforts to develop and successfully pass a \$600 million affordable housing bond earlier this month.

However, I remain concerned that this legislation, while well intended, will not produce the revenue it promises for affordable housing. The Feasibility Analysis prepared for the City demonstrated that projects could afford to pay a Jobs Housing Linkage Fee of \$38.57 per square foot of new office space before they become economically infeasible to build. This amount is a 35% increase above the prior fee of \$28.57 per square foot. Despite this analysis, the legislation passed by the Board of Supervisors increases the Jobs Housing Linkage Fee on office development above the feasibility amount to \$69.60 per square foot by January 1, 2021, a 144% increase above the prior fee and a 80% increase above the feasibility amount. If projects become infeasible to build, the result is less funding for affordable housing.

The City Economist also concluded this higher fee would lead to an approximate loss of 520 to 585 office jobs annually and an annual decline of between \$61 -\$87 million per year in office construction spending. Additionally, the fee amount set by the Board of Supervisors does not take into account the overall impacts this increase will have to property and business tax revenues. Our City Controller has estimated that over the next 20 years, the lost property tax and business tax revenue associated with this fee increase will exceed the funds generated for affordable housing, resulting in loss of approximately \$30 million to the City.

I am also concerned about the impact this fee increase will have on our smaller businesses which are increasingly being priced out of a competitive and expensive office market. We have

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continued to see the dominance of larger businesses growing in relation to our City's available office space. Currently companies over 100,000 square feet make up over 47% of the overall market, and this number is continuing to grow. Simultaneously, office space has become scarcer and more expensive. This has forced many of our small businesses into co-working spaces where we see the average cost for space at 150% more than stand-alone space. Office developers will simply pass on this increased fee to tenants which will result in higher rents only affordable to larger and wealthier companies. While I appreciate the authors' inclusion of a lower fee for smaller office space projects, both the size of the fee and the rate at which it grows still presents a barrier to ensuring office space is affordable and accessible for our smaller businesses.

I firmly believe the Jobs Housing Linkage Fee can and should be increased. However, it must be done in a way that takes into account economic analysis, financial feasibility, and the different impacts experienced by our small businesses. I do not believe the ordinance, as currently before me, adequately balances these factors.

Sincerely

A handwritten signature in cursive script, appearing to read "London Breed".

London N. Breed  
Mayor