


**CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST**

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Policy Analysis Report

To: Supervisor Campos
From: Budget and Legislative Analyst's Office 
Re: Housing Development in the Mission District
Date: May 29, 2015

Summary of Requested Action

Your office requested that the Budget and Legislative Analyst research the following items regarding housing development in the Mission District:

- (1) The number of market rate units that have been built in the Mission in the past five years;
- (2) The number of affordable units that have been built in the Mission in the past five years;
- (3) The number of sites remaining in the Mission where five units or more of housing can be developed;
 - a. The number of affordable units that could be built if these sites were built to capacity for 100 percent affordable units;
 - b. The number of affordable units that could be built if these sites were built to capacity by market rate developers complying with the 12 percent Inclusionary Housing requirement;
 - c. The number of affordable units that could be built if these sites were built to capacity by a market rate developer at the BMR rate over the past five years of 9.6 percent;
- (4) The number of sites remaining in the Mission where 40 units or more of housing can be developed;
 - a. Additional questions as noted in (3) a, (3) b and (3) c.
- (5) The City's ability to meet Proposition K goals in the next five years, given the current development pipeline; and
- (6) The average sale price for units sold in the Mission in the last five years.

Your office requested that we review available sites for the development of 40 or more units based on the assumption that affordable housing financing, provided through the Mayor's Office of Housing and Community Development and Federal low income housing tax credits, typically requires a minimum threshold of 40 units.

Budget and Legislative Analyst

Recent Development in the Mission District

According to the annual Housing Inventory reports produced by the City Planning Department, since 2010, housing development in the Mission District has yielded a net gain of 627 residential units. This includes new units completed and units gained through alterations of existing buildings, less the number of units demolished.

Exhibit 1: Residential Construction, Mission District, 2010-2014

Year	Units Completed	Units Demolished	Units Altered	Net Gain Housing Units
2010	93	0	26	119
2011	0	14	1	-13
2012	88	0	90	178
2013	242	1	17	258
2014	75	1	11	85
Total	498	16	145	627

Source: Planning Department Housing Inventory Reports, 2010-2014

The San Francisco Planning Department defines affordable as housing that is either rented or owned at prices affordable to households with low or moderate incomes. Thresholds for these income levels are determined by the US Department of Housing and Urban Development (HUD), measured on a scale from Extremely Low Income (a household at or below 30 percent of the Area Median Income) to Moderate Income (a household at or below 120 percent of the Area Median Income).¹

The San Francisco Inclusionary Affordable Housing Program, as codified in Section 415 of the San Francisco Planning Code, requires developers building residential projects with 10 or more units to comply with one of three mandates: pay an Affordable Housing Fee; ensure that 12 percent of the project units on-site are below market rate; or build 20 percent of the project units off-site (within a one mile radius) and ensure below market rates on those units.

The City uses the in-lieu fees paid by developers opting not to build below market rate units to subsidize affordable housing development throughout the City. The fees are not restricted for spending within the planning area of the project source.

As shown below, 60 (or 9.6 percent) of the 627 units constructed in the Mission in the past five years were affordable.

¹ According to the Mayor's Office of Housing and Community Development, the Area Median Income (AMI) for a four-person household in San Francisco is \$101,900. Therefore, 30 percent of AMI is \$30,550 and 120 percent of AMI is \$122,300.

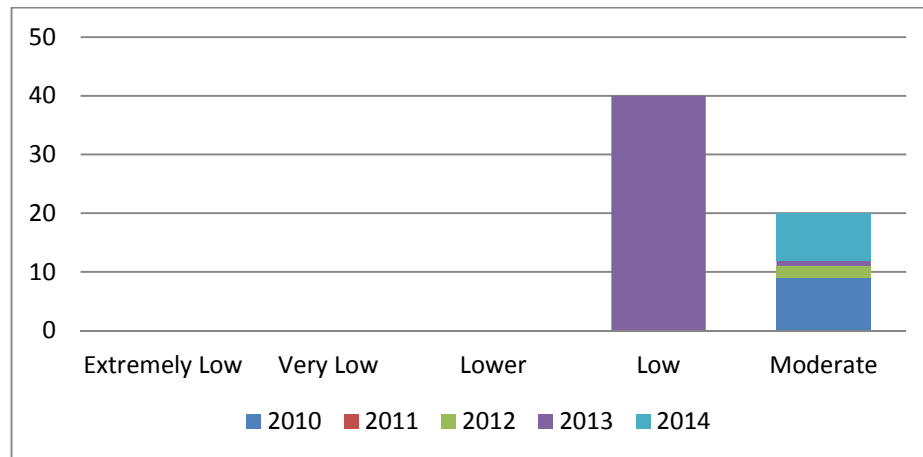
Exhibit 2: Affordable vs Market Rate Construction, Mission District, 2010-2014

Year	Net Gain Housing Units	New Affordable Units Constructed	New Market Rates Units Constructed	% Affordable	% Market Rate
2010	119	9	110	7.6%	92.4%
2011	-13	0	0	0.0%	0.0%
2012	178	2	176	1.1%	98.9%
2013	258	43	215	16.7%	83.3%
2014	85	8	77	9.4%	90.6%
Total	627	60	567	9.6%	90.4%

Source: Planning Department Housing Inventory Reports, 2010-2014

Of the affordable residential units created in the past five years in the Mission District, 40 (or 67 percent) meet the threshold for Low Income and 20 (or 33 percent) meet the threshold for Moderate Income affordability.

Exhibit 3: Affordability Thresholds for New Affordable Units, Mission, 2010-2014

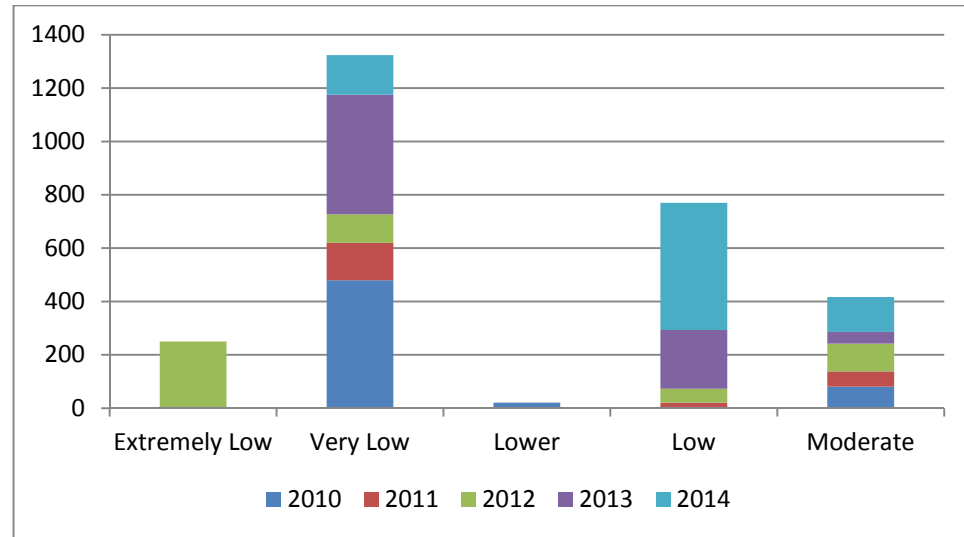


Source: Planning Department Housing Inventory Reports, 2010-2014

As shown above, no new units were built in the Mission between 2010 and 2014 to serve Extremely Low, Very Low or Lower Income households.

This does not reflect overall trends in citywide affordable housing development. The chart below shows that nearly half of the affordable units developed citywide between 2010 and 2014 serve Very Low Income households.

Exhibit 4: Affordability Thresholds for New Affordable Units, Citywide, 2010-2014



Source: Planning Department Housing Inventory Reports, 2010-2014

Land Available for the Development of Five or More Units

Based on data provided by the City Planning Department, there are currently 324 sites located in the Mission District on which five or more units of additional housing could be developed. This number excludes sites which have been identified as active in the permitting process or unlikely for near-term development.

Exhibit 5: Locations of Available Sites to Develop 5 or More Units in the Mission



Source: Planning Department data

If each site above was to be developed to produce the maximum number of residential units, with every unit at an affordable level, this would yield 4,240 more affordable units in the Mission. This total includes potential unit development from the sites on which 40 or more units of new housing could be developed, discussed separately below.

Of these sites, 140 can support 10 or more additional housing units. If the sites were developed by market rate developers who adhered strictly to the City's current BMR mandate of 12 percent affordability for developments that produce 10 or more net new units, 366 affordable units could be developed.

Land Available for the Development of 40 or More Units

Based on data provided by the City Planning Department, there are currently 13 sites located in the Mission District on which 40 or more units of additional housing could be developed. This number excludes sites which have been identified as active in the permitting process or unlikely for near-term development.

Exhibit 6: Locations of Available Sites to Develop 40 or More Units in the Mission



Source: Planning Department data

If each site above was to be developed to produce the maximum number of residential units, and every unit was at an affordable level, this would yield 851 more affordable units.

If the sites were developed by market rate developers who adhered strictly to the City's current BMR mandate of 12 percent, 102 affordable units could be developed.

The table below provides a summary of potential development opportunities given the current number of sites available, using three goals for affordable

development: 100, 12 and 9.6 percent (based on the percentage of affordable housing built in the Mission over the past five years, as shown in Exhibit 2).

Exhibit 7: Summary of Current Affordable Housing Development Opportunities in the Mission

Housing Units Supported on Available Land	Potential Affordable Units		
	100% Affordable	12% Affordable	9.6% Affordable
5+ units*	4,240	366	293
10+ units	3,047	366	293
40+ units	851	102	82

Source: Planning Department data

*The City does not have affordability requirements for developments of 5 to 9 units. Only developments with a net increase of 10 or more units are subject to City affordability requirements. Therefore, the 366 units and 293 units reflected for 5+ units in the table above only include the affordable units mandated for developable sites with 10 or more units.

Housing Pipeline

According to the Planning Department, new construction developments with over ten units, or rehabilitation projects with a net increase of ten or more units, are subject to the City's requirement that 12 percent of units in the development be set aside as affordable. As of Q4 2014, there are currently 90 developments and 1,227 net new units in the pipeline in the Mission planning area. Of the 1,227 net new units, 1,060 units are subject to the City's affordability requirement.

If developers select to meet the affordable housing requirement by setting aside 12 percent of new units as affordable, 127 new affordable units will be on the market once these developments are complete. If these developers contribute affordable units at the 9.6 percent rate observed over the past five years, 102 new affordable units will be on the market once these developments are complete.

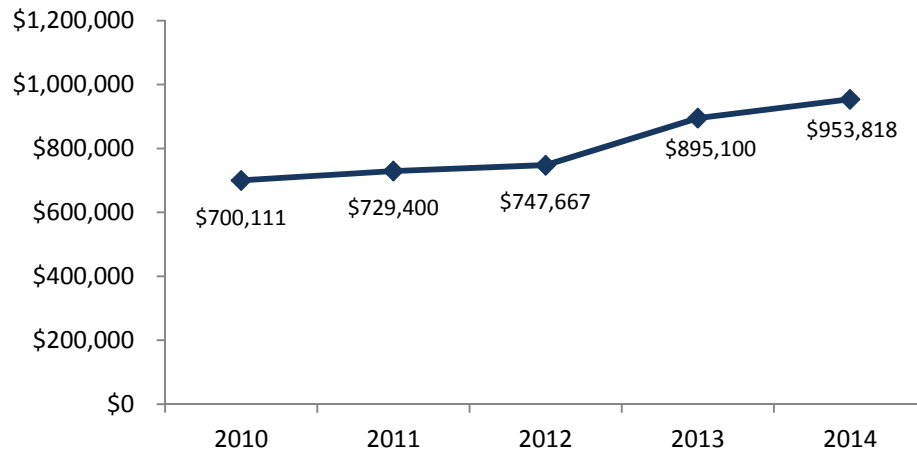
Proposition K Goals

Passed in November 2014 by San Francisco voters, Proposition K established new City policy requiring the construction or rehabilitation of at least 30,000 homes by 2020. More than 50 percent of the housing will be affordable for middle-class households, with at least 33 percent affordable for low- and moderate-income households. At a minimum, this policy requires an additional 9,900 affordable units to come on line in San Francisco by 2020.

Average Sales Price

Median sales prices of housing units in the Mission have increased since 2010. In 2010, the average of median sales prices by month was \$700,111. In 2014, the average of median sales prices by month rose to \$953,818, a 36 percent increase, as shown in Exhibit 8 below.

Exhibit 8: Average Median Sales Price of Housing Units in the Mission (2010-2014)



Source: Zillow

According to Zillow, as of April 30, 2015, the average home value in the Mission district is currently \$1,188,900. As of March 31, 2015, the median sales price in the Mission is \$1,300,000, which is nine percent higher than the average home value.