

# Inclusionary Affordable Housing Program

Material Modifications to Amendments



SAN FRANCISCO  
**PLANNING DEPARTMENT**

San Francisco Planning Commission  
June 15, 2017

- **INCLUSIONARY PROGRAM and AMENDMENTS**
- **COMMISSION RECOMMENDATIONS (APRIL)**
- **PROPOSED COMMISSION RECOMMENDATIONS:  
MATERIAL MODIFICATIONS**
- **PROPOSED COMMISSION RECOMMENDATIONS:  
TECHNICAL**



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# INCLUSIONARY PROGRAM

## PROGRAM OVERVIEW

- Inclusionary Housing Ordinance in 2002
  - 4,600 affordable units produced in 15 years
    - 2,600 on-site units
    - \$210 million Affordable Housing Fee
    - 20% of affordable units in San Francisco
  
- Produces BMR units with no public subsidy
  
- Inclusionary units can serve any income level



# AMENDMENT PROCESS

June 2016	Proposition C <ul style="list-style-type: none"> <li>• Temporary requirements</li> <li>• Feasibility Study and TAC</li> </ul>
July 2016 – Feb 2017	Controller’s Economic Feasibility Study + Technical Advisory Committee (TAC) <ul style="list-style-type: none"> <li>• Maximum economically feasible requirements</li> <li>• Additional recommendations</li> </ul>
Feb – April 2017	Planning Commission hearings <ul style="list-style-type: none"> <li>• Commission Recommendations - April 27</li> </ul>
May 2017	Board of Supervisors Committee hearings <ul style="list-style-type: none"> <li>• “Consensus” Ordinance - May 22</li> </ul>



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# COMMISSION RECOMMENDATIONS

## 1. INCLUSIONARY REQUIREMENTS

	COMMISSION REC.	BOARD CONSENSUS
Smaller Projects (10-24 units)	12% On-site* / 20% Fee	12% On-Site* / 20% Fee
Larger Project (25 or more units)	<u>Rental:</u> 18% On-site* / 23% Fee	<u>Rental:</u> 18% On-site* / <u>30% Fee</u>
	<u>Owner:</u> 20% On-Site* / 28% Fee	<u>Owner:</u> 20% On-Site* / <u>33% Fee</u>

*\*Requirements in effect until December 31, 2017.  
Requirements would begin increasing January 1, 2018.*



# COMMISSION RECOMMENDATIONS

## 2. SCHEDULE OF ANNUAL INCREASES

	COMMISSION REC.	BOARD CONSENSUS
Start Date	24 months after effective date	January 1, 2018
Increase Increment	1.0% every two years	1.0% to low-income tier, 2 years 0.5% to moderate tiers
Determination and Sunset	<ul style="list-style-type: none"> <li>Set at Environmental Application</li> <li>Sunset 36 months after entitlement, if no Construction Document</li> </ul>	<ul style="list-style-type: none"> <li>Set at <u>Entitlement</u></li> <li>Sunset <u>30 months</u> after entitlement, if no <u>Site or Building Permit</u></li> </ul>



# COMMISSION RECOMMENDATIONS

## 3. AFFORDABLE HOUSING FEE

COMMISSION REC.	BOARD CONSENSUS
<ul style="list-style-type: none"> <li>• Apply the Fee on a <u>per gross square foot</u> basis</li> <li>• Change methodology to reflect the <u>actual cost to construct</u> BMR units.</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain the <u>per unit</u> method</li> <li>• Require study by Controller and TAC before Jan 1, 2018 to recommend changes to Fee method</li> </ul>



# COMMISSION RECOMMENDATIONS

## 4. INCOME LEVELS

	COMMISSION REC.	BOARD CONSENSUS
Smaller Projects (10-24 units)	<p><u>Rental</u>: 55% AMI</p> <p><u>Owner</u>: 80% AMI</p>	<p><u>Rental</u>: 55% AMI</p> <p><u>Owner</u>: 80% AMI</p>
Larger Project (25 or more units)	<p><u>Rental</u>:</p> <ul style="list-style-type: none"> <li>• 2/3 low, 1/3 moderate: 55%, 80%, 110% AMI</li> </ul> <p><u>Owner</u>:</p> <ul style="list-style-type: none"> <li>• 2/3 low, 1/3 moderate: 90%, 110%, 140% AMI</li> </ul>	<p><u>Rental</u>:</p> <ul style="list-style-type: none"> <li>• 10%, 4%, 4% at 55%, 80%, 110% AMI</li> </ul> <p><u>Owner</u>:</p> <ul style="list-style-type: none"> <li>• 10%, 5%, 5% at <u>80%</u>, <u>105%</u>, <u>130%</u> AMI</li> </ul>



# COMMISSION RECOMMENDATIONS

## 5. STATE DENSITY BONUS

- Commission and Board both propose applying Affordable Housing Fee on State Bonus Units
- Both propose reporting and reasonable documentation requirements

## 6. GRANDFATHERING

- **Commission Recommendation:**
  - Apply feasible requirements to pipeline projects
  - Clear grandfathering for other 415 provisions
- **Consensus Ordinance:** would apply requirements above the feasible level to some UMU district projects, projects over 120' in height; no grandfathering for other 415 provisions.



# COMMISSION RECOMMENDATIONS

## 7. DWELLING UNIT MIX REQUIREMENTS

	COMMISSION REC.	BOARD CONSENSUS
Application	Larger Projects only	Larger Projects, and Smaller Projects
Requirement	3-bedroom requirement should be included in total requirement	3-bedroom requirement <u>in addition</u> to total requirement.



# COMMISSION RECOMMENDATIONS

## 8. ADDITIONAL FEASIBILITY STUDIES

COMMISSION REC.	BOARD CONSENSUS
Require feasibility study for significant upzonings after <u>effective date of ordinance</u>	Require feasibility study for significant upzonings after <u>January 1, 2015</u>



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# MATERIAL MODIFICATIONS

1. Dwelling Unit Mix: applied to Smaller Projects (10-24 units)
2. Minimum Unit Sizes: differ from state TCAC standards
3. BMR Studio Units: prohibited over 100% AMI
4. Replacement Units: increasing inclusionary requirement
5. Specific Areas: separate requirements for certain areas
6. Fee Requirement: disincentive to use State Bonus Law



# PROPOSED, NEW RECOMMENDATIONS: MATERIAL MODIFICATIONS

## 1. Dwelling Unit Mix

- **Issue:** The requirement is now proposed to apply to smaller projects as well. For these projects, the requirement would be more difficult to meet.
- **Recommendation:** Clarify that the requirement is for 25% large units, including 10% as 3-bedrooms or larger.

## 2. Minimum Unit Sizes

- **Issue:** Would establish new minimum sizes with no analysis or consideration by Commission
- **Recommendation:** Set minimum unit sizes for Inclusionary units equal to TCAC standards.



# PROPOSED, NEW RECOMMENDATIONS: MATERIAL MODIFICATIONS

## 3. BMR Studio Units

- **Issue:** Prohibiting Studio units above 100% AMI would reduce “family-size” units for low-income households.
- **Recommendation:** Do not prohibit Studio units above 100% of AMI; distribute units evenly across income levels.

## 5. Specific Area Requirements

- **Issue:** Specific area requirements without analysis would weaken effectiveness of Inclusionary Program.
- **Recommendation:** Apply citywide feasible requirement in all areas, unless specific requirements supported by appropriate study.



# PROPOSED, NEW RECOMMENDATIONS: MATERIAL MODIFICATIONS

## 4. Replacement of Affordable Units

- **Issue:** Replacement requirement above inclusionary requirement exceeds maximum feasible requirement.
- **Recommendation:** Count any replacement affordable units within the inclusionary requirement.

## 6. Fee and State Bonus Units

- **Issue:** Fee requirement (30/33%) above feasible; disincentive to provide State Bonus units, which are subject to the Fee.
- **Recommendation A:** Set feasible Fee requirement (23/28%).
- **Recommendation B:** Include Fee requirement in required 2017 TAC study of Fee methodology.



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# PROPOSED, NEW RECOMMENDATIONS: TECHNICAL and IMPLEMENTATION

## 7. Grandfathering Provisions

- **Issue:** Pipeline projects would be subject to new provisions.
- **Recommendation:** Clarify that new provisions only apply to pipeline projects after 1/12/2016; maintain the incremental requirements for 2013–2016 projects, per Prop C.

## 11. Determination of Requirement; Sunsetting of Entitlement

- **Issue:** Requirement would be determined later in the entitlement process than standard Department procedures.
- **Recommendation:** Determine requirement at time of EEA; reset the requirement if no First Construction Document within 30 months from Entitlement.



# PROPOSED, NEW RECOMMENDATIONS: TECHNICAL and IMPLEMENTATION

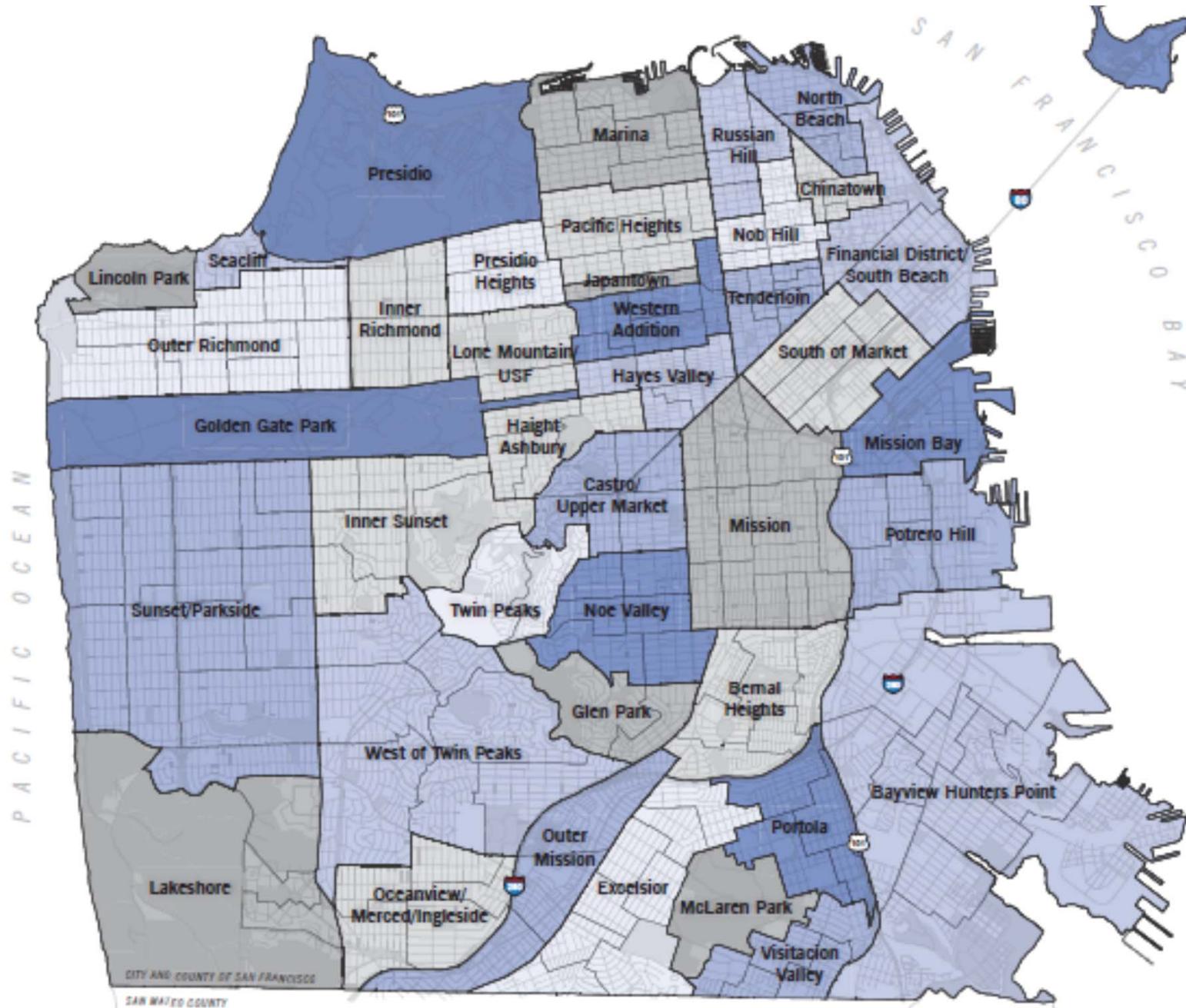
## 8. Rounding of Required BMR Units

- **Issue:** Rounding required BMR units by AMI tier would result in a higher inclusionary requirement for smaller projects.
- **Recommendation:** Clarify that the total percentage of inclusionary units provided not exceed the applicable requirements.

## 9. Neighborhood Profile Map

- **Issue:** Ordinance references the incorrect Planning Department map for the purpose of market analysis.
- **Recommendation:** Reference the Planning Department's ACS Neighborhood Profile Boundaries Map for the required market analysis.





# PROPOSED, NEW RECOMMENDATIONS: TECHNICAL and IMPLEMENTATION

## 10. Transbay District Provisions

- **Issue:** Transbay Redevelopment Area must meet inclusionary targets set in Transbay Redevelopment Plan and State law.
- **Recommendation:** Amend Section 249.28 of the Planning Code to clarify that in the Transbay Area:
  - Higher of 15% or Section 415 requirement applies
  - All inclusionary units must be provided On-Site
  - All inclusionary units must serve Condo units below 100% of AMI, or Rental units below 60% of AMI.



# THANK YOU

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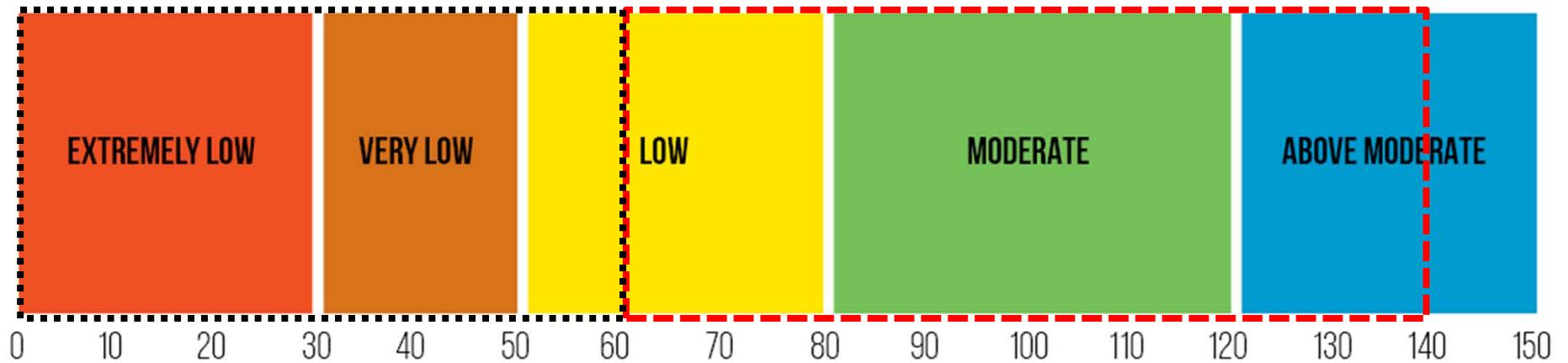
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San Francisco  
**Planning**

# AFFORDABLE HOUSING NEED

## LEAST SERVED NEED



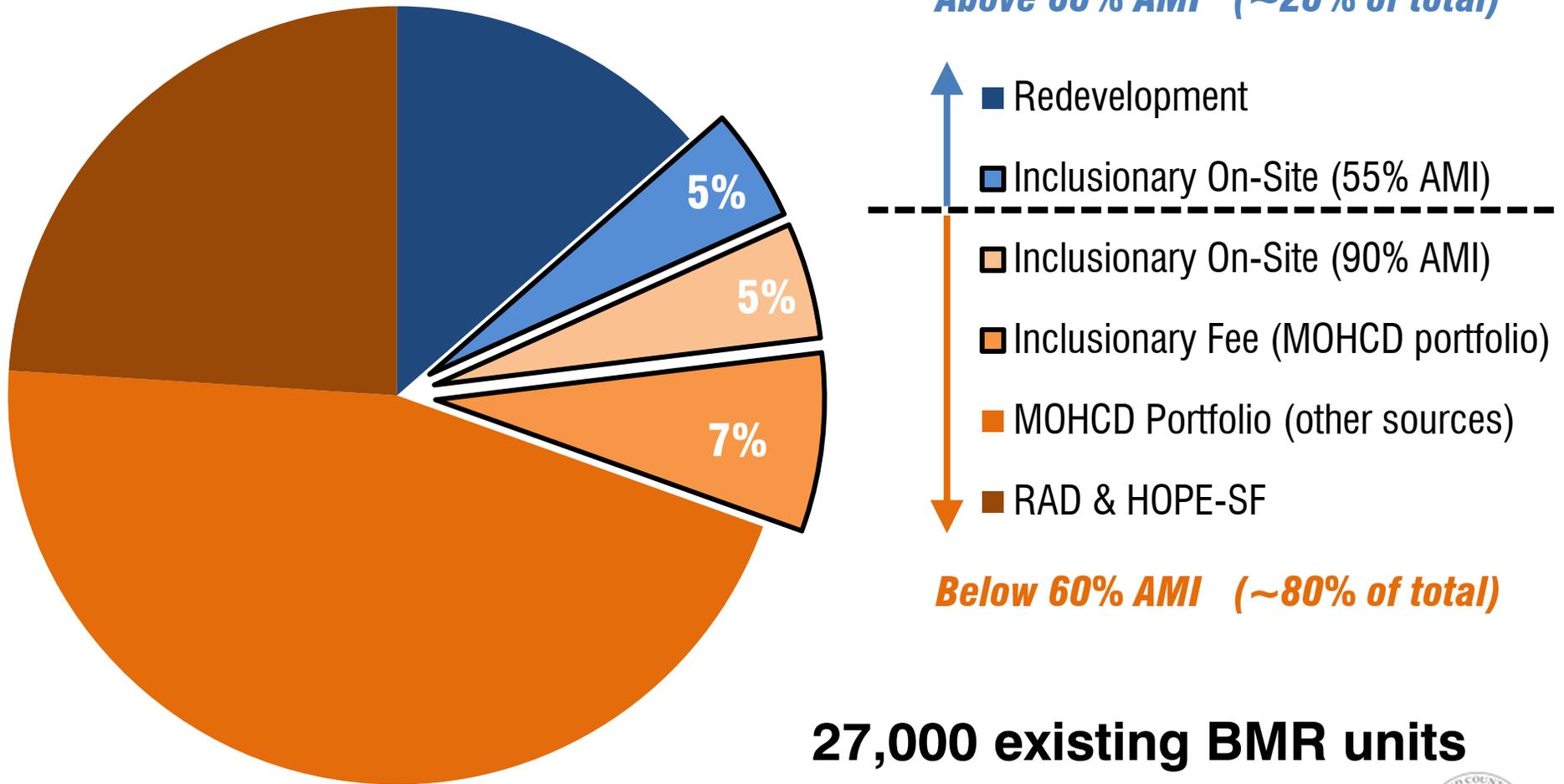
MOHCD 100% Affordable Projects and SFHA Public Housing



Least served need



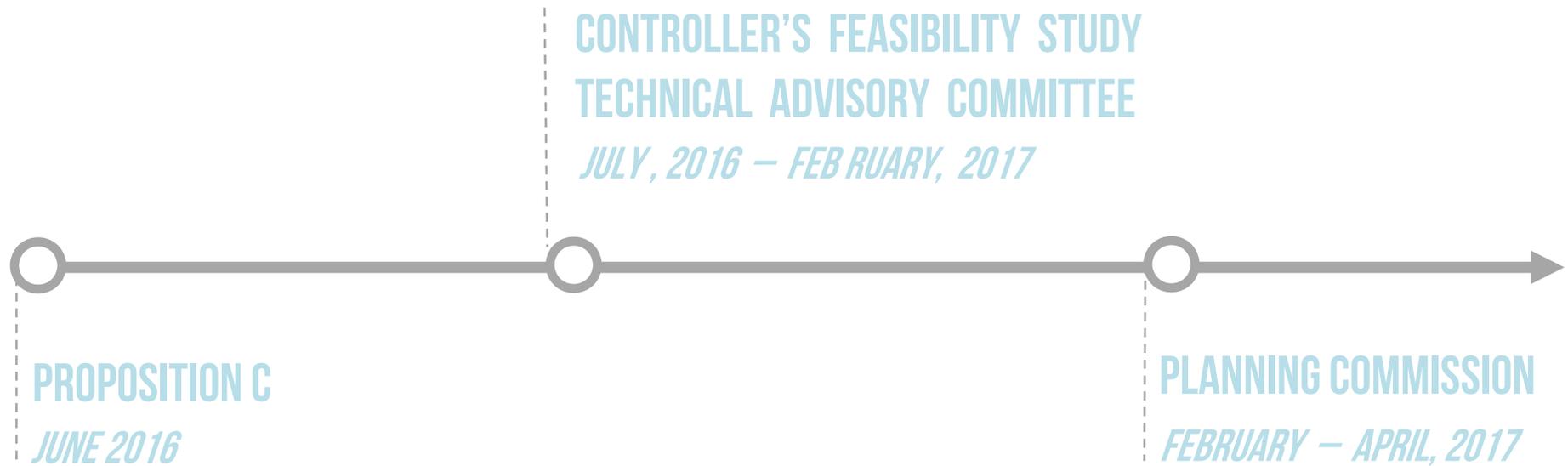
# AFFORDABLE HOUSING SUPPLY



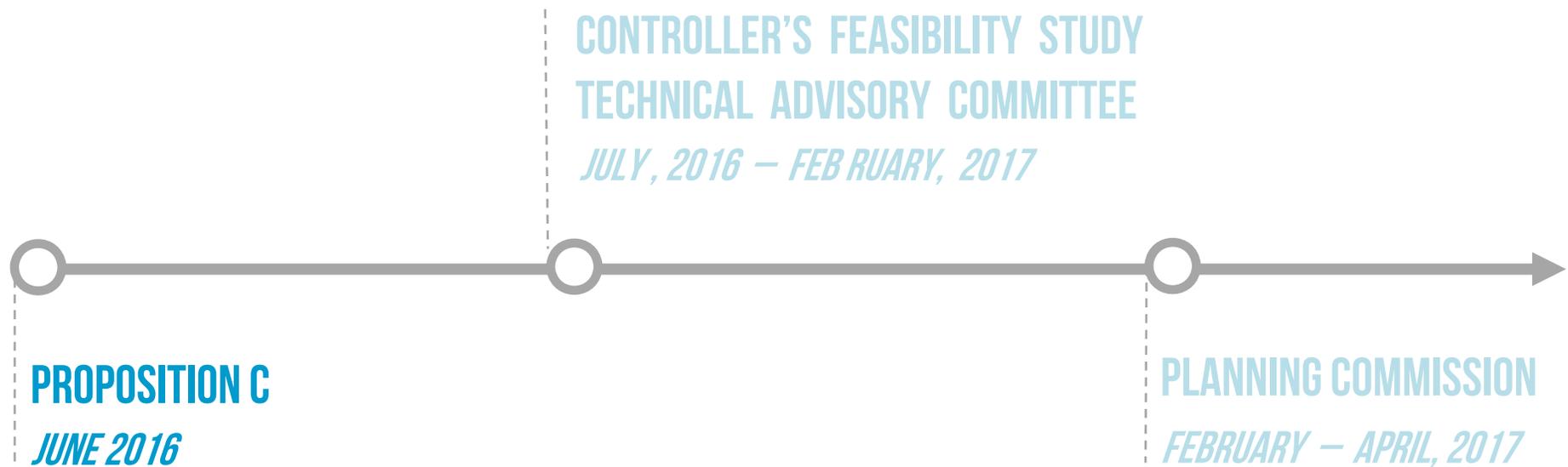
**27,000 existing BMR units**  
**6,900 BMR units in pipeline**



# RECOMMENDATIONS – PROCESS



# RECOMMENDATIONS – PROCESS



- **CITY POLICY:** *“maximize the economically feasible percentage of inclusionary affordable housing in market rate development”*
- **TEMPORARY REQUIREMENTS** pending Controller’s Study and final Board action

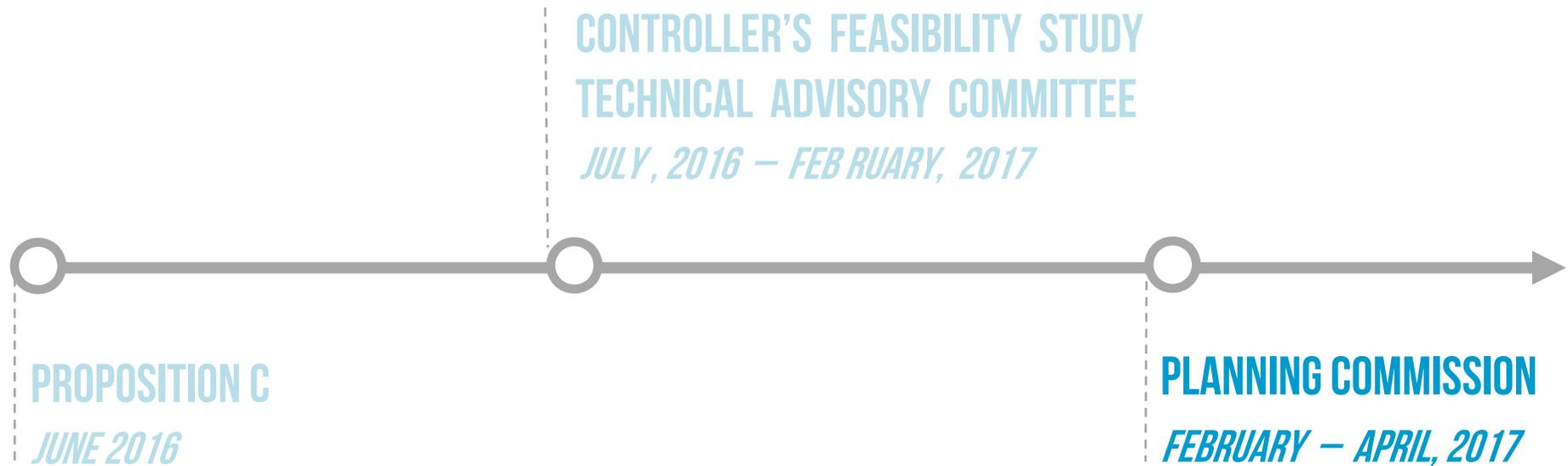
# RECOMMENDATIONS – PROCESS



- **CITY POLICY:** “*maximize the economically feasible percentage of inclusionary affordable housing in market rate development*”
- **TEMPORARY REQUIREMENTS** pending Controller’s Study and final Board action
- **MAXIMUM FEASIBLE REQUIREMENTS** higher rates would impede typical development



# RECOMMENDATIONS – PROCESS



- **CITY POLICY:** *“maximize the economically feasible percentage of inclusionary affordable housing in market rate development”*
- **TEMPORARY REQUIREMENTS** pending Controller’s Study and final Board action
- **MAXIMUM FEASIBLE REQUIREMENTS** higher rates would impede typical development
- **COMMISSION RECOMMENDATIONS** to meet policy goals, effectively

# COMMISSION RECOMMENDATIONS

## 1. INCLUSIONARY REQUIREMENTS

	Rental	Owner
<b><u>Smaller Projects</u> (10 – 24 units)</b>		
On-Site	12% (no change)	
Fee or Off-Site	20% (no change)	
<b><u>Larger Projects</u> (25 or more units)</b>		
On-Site	18%	20%
Fee or Off-Site	23%	28%



# COMMISSION RECOMMENDATIONS

## 2. SCHEDULE OF ANNUAL INCREASES

Start Date	24 months after effective date
Increase Increment	1.0% every two years
Maximum Requirement	<u>Rental</u> : 23% / 28% (on/off-site)  <u>Owner</u> : 25% / 33% (on/off-site)
Determination and Sunset	<ul style="list-style-type: none"> <li>• Set at Environmental Application</li> <li>• Sunset 3 years after entitlement, if no Construction Document</li> </ul>



# COMMISSION RECOMMENDATIONS

## 3. AFFORDABLE HOUSING FEE

Application of Fee	Apply fee on a <u>per gross square foot</u> basis
Calculation of Fee	Change to allow MOHCD to calculate fee based on <u>actual cost to construct</u> BMR units



# COMMISSION RECOMMENDATIONS

## 4. INCOME LEVELS

	Rental	Owner
Smaller Projects	<u>1 Tier:</u> 55% AMI	<u>1 Tier:</u> 80% AMI
Larger Projects	<u>3 Tiers:</u> 55%, 80%, 110% AMI	<u>3 Tiers:</u> 90%, 110%, 140% AMI



# INCLUSIONARY PROGRAM



Occupation

**LANDSCAPER  
OR GROUNDS-  
KEEPER**

Annual Income (Median)

**\$48,400**

AMI (Area Median Income)  
Category

**60%**



Occupation

**POSTAL  
CLERK**

Annual Income (Median)

**\$64,550**

AMI (Area Median Income)  
Category

**80%**



Occupation

**ELEMENTARY/  
SECONDARY SCHOOL  
TEACHER**

Annual Income (Median)

**\$72,650**

AMI (Area Median Income)  
Category

**90%**



Occupation

**POLICE, FIRE,  
AMBULANCE  
DISPATCH**

Annual Income (Median)

**\$88,750**

AMI (Area Median Income)  
Category

**110%**



Occupation

**ELECTRICIAN**

Annual Income (Median)

**\$99,850**

AMI (Area Median Income)  
Category

**120%**



*\$1,350*

*\$1,800*

*\$2,000*

*\$2,500*

*\$2,700*

*(maximum affordable 1-bedroom rent)*

# COMMISSION RECOMMENDATIONS

## 5. STATE DENSITY BONUS LAW

On-Site Requirement	Should be feasible <u>without</u> use of State Bonus Law
Affordable Housing Fee	Bonus units should pay the Affordable Housing Fee
Additional Provisions	<ul style="list-style-type: none"> <li>• Require “<u>reasonable documentation</u>” from applicants, consistent with state law, and local bonus program</li> <li>• Require <u>annual reporting</u> to the Planning Commission on use of State Bonus.</li> </ul>



# COMMISSION RECOMMENDATIONS

## 6. UNIT MIX REQUIREMENTS

Application	Should apply to <u>total project units</u> , not only to inclusionary units
Required mix	<ul style="list-style-type: none"> <li>• 40% of total units as 2-bedrooms or larger</li> <li>• with 10% as 3-bedrooms or larger</li> </ul>



# COMMISSION RECOMMENDATIONS

- **Application** – No change (smaller, larger projects)
- **Inclusionary Requirements**
  - Feasible for typical projects
- **Income Levels**
  - Compliment existing programs, expand the reach
- **Annual Increases**
  - Give time to adjust, support increases over time
- **State Density Bonus Law provisions**
  - “Reasonable documentation” and reporting, fee on bonus units
- **Unit Mix Requirements**
  - Total project requirement, feasible and supportable



# BACK POCKET



# RECOMMENDATIONS

## 7. “GRANDFATHERING” and AREA REQUIREMENTS

- “Grandfathered” increments should not exceed the feasible level:
  - Maintain on-site increments (i.e. 13%, 13.5%, 14.5%)
  - Remove fee and off-site increments (max: 23% rental, 28% owner)
- Area-specific requirements
  - Remove UMU district increments
  - Retain original UMU requirements, or citywide requirement, whichever is higher (e.g. small project at 17.6%, greater than 12%)
- Grandfathering of other provisions
  - All projects should be subject to provisions of Section 415, as amended, unless already entitled (e.g. AMIs, Conversion fee, etc)



# RECOMMENDATIONS

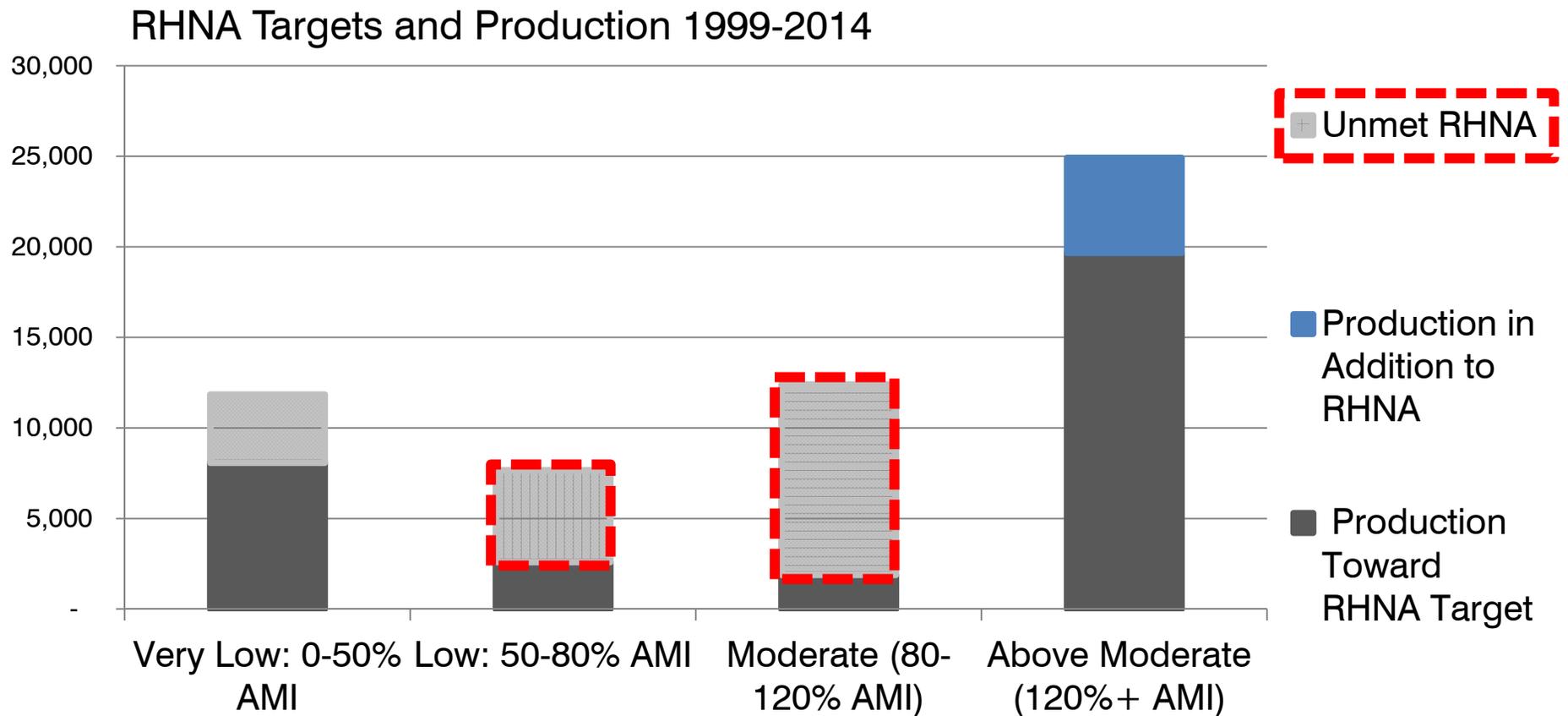
## 8. ADDITIONAL CONSIDERATIONS

- Consider measure to subsidize ancillary housing costs to BMR ownership households.
- Require regular reporting on racial and household composition demographics of inclusionary households from MOHCD to Planning Commission.
- Additional feasibility studies should only be required for significant Area Plan or other re-zonings after effective date or ordinance.



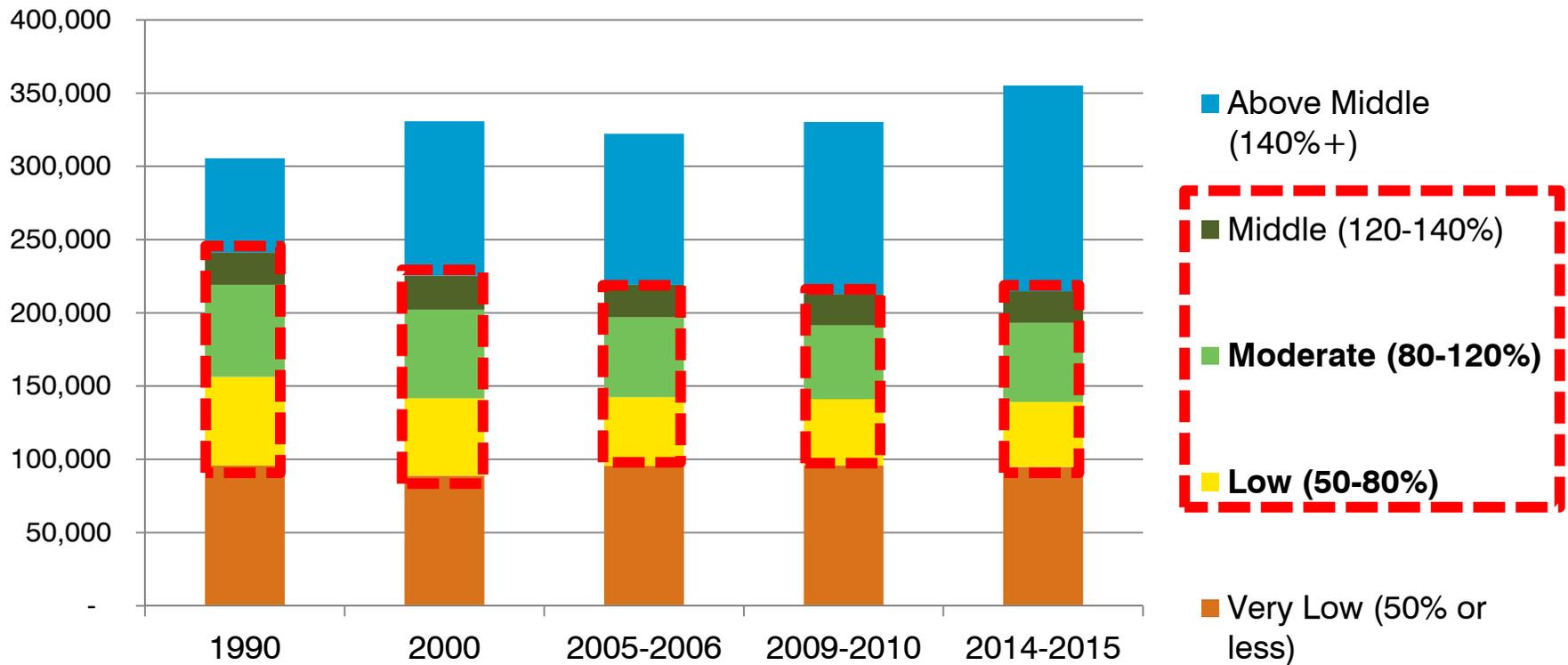
# AFFORDABLE HOUSING NEED

## HISTORIC PRODUCTION

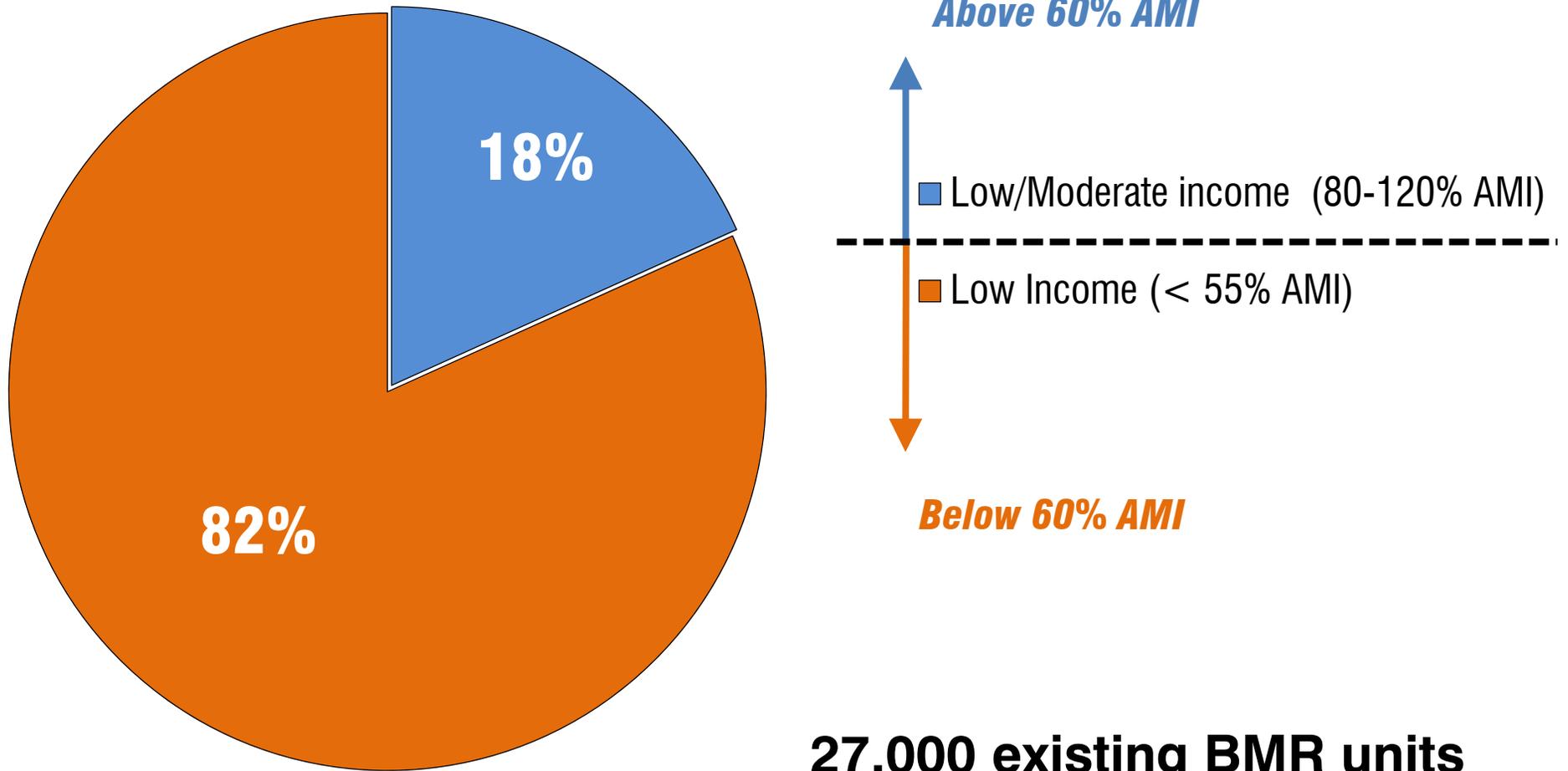


# AFFORDABLE HOUSING NEED

## HOUSEHOLD LOSS



# AFFORDABLE HOUSING SUPPLY



**27,000 existing BMR units**  
**6,900 BMR units in pipeline**



# Neighborhood Map

