Inclusionary Affordable Housing Program

Material Modifications to Amendments

San Francisco Planning Commission
June 15, 2017
INCLUSIONARY PROGRAM and AMENDMENTS

COMMISSION RECOMMENDATIONS (APRIL)

PROPOSED COMMISSION RECOMMENDATIONS: MATERIAL MODIFICATIONS

PROPOSED COMMISSION RECOMMENDATIONS: TECHNICAL
INCLUSIONARY PROGRAM and AMENDMENTS

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PROPOSED COMMISSION RECOMMENDATIONS: MATERIAL MODIFICATIONS

PROPOSED COMMISSION RECOMMENDATIONS: TECHNICAL
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

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 2016</td>
<td>Proposition C</td>
</tr>
<tr>
<td></td>
<td>• Temporary requirements</td>
</tr>
<tr>
<td></td>
<td>• Feasibility Study and TAC</td>
</tr>
<tr>
<td>July 2016 – Feb 2017</td>
<td>Controller’s Economic Feasibility Study + Technical Advisory Committee (TAC)</td>
</tr>
<tr>
<td></td>
<td>• Maximum economically feasible requirements</td>
</tr>
<tr>
<td></td>
<td>• Additional recommendations</td>
</tr>
<tr>
<td>Feb – April 2017</td>
<td>Planning Commission hearings</td>
</tr>
<tr>
<td></td>
<td>• Commission Recommendations - April 27</td>
</tr>
<tr>
<td>May 2017</td>
<td>Board of Supervisors Committee hearings</td>
</tr>
<tr>
<td></td>
<td>• “Consensus” Ordinance - May 22</td>
</tr>
</tbody>
</table>
INCLUSIONARY PROGRAM and AMENDMENTS

COMMISSION RECOMMENDATIONS (APRIL)

PROPOSED COMMISSION RECOMMENDATIONS: MATERIAL MODIFICATIONS

PROPOSED COMMISSION RECOMMENDATIONS: TECHNICAL
## COMMISSION RECOMMENDATIONS

### 1. INCLUSIONARY REQUIREMENTS

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

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

### 2. SCHEDULE OF ANNUAL INCREASES

<table>
<thead>
<tr>
<th></th>
<th>COMMISSION REC.</th>
<th>BOARD CONSENSUS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Start Date</strong></td>
<td>24 months after effective date</td>
<td>January 1, 2018</td>
</tr>
<tr>
<td><strong>Increase Increment</strong></td>
<td>1.0% every two years</td>
<td>1.0% to low-income tier, 2 years 0.5% to moderate tiers</td>
</tr>
<tr>
<td><strong>Determination and Sunset</strong></td>
<td>• Set at Environmental Application&lt;br&gt;• Sunset 36 months after entitlement, if no Construction Document</td>
<td>• Set at Entitlement&lt;br&gt;• Sunset 30 months after entitlement, if no Site or Building Permit</td>
</tr>
</tbody>
</table>
## 3. AFFORDABLE HOUSING FEE

<table>
<thead>
<tr>
<th>COMMISSION REC.</th>
<th>BOARD CONSENSUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Apply the Fee on a per gross square foot basis</td>
<td>• Maintain the per unit method</td>
</tr>
<tr>
<td>• Change methodology to reflect the actual cost to construct BMR units.</td>
<td>• Require study by Controller and TAC before Jan 1, 2018 to recommend changes to Fee method</td>
</tr>
</tbody>
</table>
## 4. INCOME LEVELS

<table>
<thead>
<tr>
<th></th>
<th>COMMISSION REC.</th>
<th>BOARD CONSENSUS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Smaller Projects</strong></td>
<td><strong>Rental:</strong> 55% AMI</td>
<td><strong>Rental:</strong> 55% AMI</td>
</tr>
<tr>
<td>(10-24 units)</td>
<td><strong>Owner:</strong> 80% AMI</td>
<td><strong>Owner:</strong> 80% AMI</td>
</tr>
<tr>
<td><strong>Larger Project</strong></td>
<td><strong>Rental:</strong> • 2/3 low, 1/3 moderate: 55%, 80%, 110% AMI</td>
<td><strong>Rental:</strong> • 10%, 4%, 4% at 55%, 80%, 110% AMI</td>
</tr>
<tr>
<td>(25 or more units)</td>
<td><strong>Owner:</strong> • 2/3 low, 1/3 moderate: 90%, 110%, 140% AMI</td>
<td><strong>Owner:</strong> • 10%, 5%, 5% at 80%, 105%, 130% AMI</td>
</tr>
</tbody>
</table>
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.
## 7. Dwelling Unit Mix Requirements

<table>
<thead>
<tr>
<th></th>
<th>COMMISSION REC.</th>
<th>BOARD CONSENSUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application</td>
<td>Larger Projects only</td>
<td>Larger Projects, and Smaller Projects</td>
</tr>
<tr>
<td>Requirement</td>
<td>3-bedroom requirement should be included in total requirement</td>
<td>3-bedroom requirement in addition to total requirement.</td>
</tr>
</tbody>
</table>
### COMMISSION RECOMMENDATIONS

#### 8. ADDITIONAL FEASIBILITY STUDIES

<table>
<thead>
<tr>
<th>COMMISSION REC.</th>
<th>BOARD CONSENSUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Require feasibility study for significant upzonings after effective date of ordinance</td>
<td>Require feasibility study for significant upzonings after January 1, 2015</td>
</tr>
</tbody>
</table>
INCLUSIONARY PROGRAM and AMENDMENTS

COMMISSION RECOMMENDATIONS (APRIL)

PROPOSED COMMISSION RECOMMENDATIONS: MATERIAL MODIFICATIONS

PROPOSED COMMISSION RECOMMENDATIONS: TECHNICAL
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.
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.
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.
INCLUSIONARY PROGRAM and AMENDMENTS

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PROPOSED COMMISSION RECOMMENDATIONS: MATERIAL MODIFICATIONS

PROPOSED COMMISSION RECOMMENDATIONS: TECHNICAL
PROPOSED, NEW RECOMMENDATIONS: TECHNICAL and IMPLEMENTATION


- **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.
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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AFFORDABLE HOUSING NEED

LEAST SERVED NEED

MOHCD 100% Affordable Projects and SFHA Public Housing

Least served need
AFFORDABLE HOUSING SUPPLY

Above 60% AMI (~20% of total)
- Redevelopment
- Inclusionary On-Site (55% AMI)
- Inclusionary On-Site (90% AMI)
- Inclusionary Fee (MOHCD portfolio)
- MOHCD Portfolio (other sources)
- RAD & HOPE-SF

Below 60% AMI (~80% of total)

27,000 existing BMR units
6,900 BMR units in pipeline
RECOMMENDATIONS – PROCESS

CONTROLLER’S FEASIBILITY STUDY
TECHNICAL ADVISORY COMMITTEE
JULY, 2016 – FEBRUARY, 2017

PROPOSITION C
JUNE 2016

PLANNING COMMISSION
FEBRUARY – APRIL, 2017
RECOMMENDATIONS – PROCESS

CONTROLLER’S FEASIBILITY STUDY
TECHNICAL ADVISORY COMMITTEE
JULY, 2016 – FEBRUARY, 2017

PROPOSITION C
JUNE 2016

- 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
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- COMMISSION RECOMMENDATIONS to meet policy goals, effectively
## COMMISSION RECOMMENDATIONS

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<th>Owner</th>
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<tbody>
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<td></td>
<td></td>
</tr>
<tr>
<td>On-Site</td>
<td>12% (no change)</td>
<td></td>
</tr>
<tr>
<td>Fee or Off-Site</td>
<td>20% (no change)</td>
<td></td>
</tr>
<tr>
<td><strong>Larger Projects</strong> (25 or more units)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-Site</td>
<td>18%</td>
<td>20%</td>
</tr>
<tr>
<td>Fee or Off-Site</td>
<td>23%</td>
<td>28%</td>
</tr>
</tbody>
</table>
# COMMISSION RECOMMENDATIONS

## 2. SCHEDULE OF ANNUAL INCREASES

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<td><strong>Increase Increment</strong></td>
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<td><strong>Maximum Requirement</strong></td>
<td>Rental: 23% / 28% (on/off-site)</td>
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</tr>
<tr>
<td><strong>Determination and Sunset</strong></td>
<td>• Set at Environmental Application</td>
</tr>
<tr>
<td></td>
<td>• Sunset 3 years after entitlement, if no Construction Document</td>
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</tbody>
</table>
### COMMISSION RECOMMENDATIONS

#### 3. AFFORDABLE HOUSING FEE

<table>
<thead>
<tr>
<th>Application of Fee</th>
<th>Apply fee on a per gross square foot basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calculation of Fee</td>
<td>Change to allow MOHCD to calculate fee based on actual cost to construct BMR units</td>
</tr>
</tbody>
</table>
## COMMISSION RECOMMENDATIONS

### 4. INCOME LEVELS

<table>
<thead>
<tr>
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<th>Rental</th>
<th>Owner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smaller Projects</td>
<td><strong>1 Tier:</strong> 55% AMI</td>
<td><strong>1 Tier:</strong> 80% AMI</td>
</tr>
<tr>
<td>Larger Projects</td>
<td><strong>3 Tiers:</strong> 55%, 80%, 110% AMI</td>
<td><strong>3 Tiers:</strong> 90%, 110%, 140% AMI</td>
</tr>
</tbody>
</table>
INCLUSIONARY PROGRAM

- **LANDSCAPER OR GROUNDS-KEEPER**
  - Annual Income (Median): $48,400
  - ANI (Area Median Income) Category: 60%
  - Maximum Affordable 1-bedroom Rent: $1,350

- **POSTAL CLERK**
  - Annual Income (Median): $64,550
  - ANI (Area Median Income) Category: 80%
  - Maximum Affordable 1-bedroom Rent: $1,800

- **ELEMENTARY/SECONDARY SCHOOL TEACHER**
  - Annual Income (Median): $72,650
  - ANI (Area Median Income) Category: 90%
  - Maximum Affordable 1-bedroom Rent: $2,000

- **POLICE, FIRE, AMBULANCE DISPATCH**
  - Annual Income (Median): $88,750
  - ANI (Area Median Income) Category: 110%
  - Maximum Affordable 1-bedroom Rent: $2,500

- **ELECTRICIAN**
  - Annual Income (Median): $99,850
  - ANI (Area Median Income) Category: 120%
  - Maximum Affordable 1-bedroom Rent: $2,700

*maximum affordable 1-bedroom rent*
### COMMISSION RECOMMENDATIONS

#### 5. STATE DENSITY BONUS LAW

<table>
<thead>
<tr>
<th>On-Site Requirement</th>
<th>Should be feasible <em>without</em> use of State Bonus Law</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable Housing Fee</td>
<td>Bonus units should pay the Affordable Housing Fee</td>
</tr>
</tbody>
</table>
| Additional Provisions | • Require “*reasonable documentation*” from applicants, consistent with state law, and local bonus program  
                             • Require *annual reporting* to the Planning Commission on use of State Bonus. |
### COMMISSION RECOMMENDATIONS

#### 6. UNIT MIX REQUIREMENTS

<table>
<thead>
<tr>
<th>Application</th>
<th>Should apply to total project units, not only to inclusionary units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required mix</td>
<td>• 40% of total units as 2-bedrooms or larger</td>
</tr>
<tr>
<td></td>
<td>• with 10% as 3-bedrooms or larger</td>
</tr>
</tbody>
</table>
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

RHNA Targets and Production 1999-2014

- Very Low: 0-50% AMI
- Low: 50-80% AMI
- Moderate (80-120% AMI)
- Above Moderate (120%+ AMI)

Unmet RHNA
Production in Addition to RHNA
Production Toward RHNA Target
AFFORDABLE HOUSING NEED

HOUSEHOLD LOSS

- Above Middle (140%+)
- Middle (120-140%)
- Moderate (80-120%)
- Low (50-80%)
- Very Low (50% or less)
AFFORDABLE HOUSING SUPPLY

27,000 existing BMR units
6,900 BMR units in pipeline
Neighborhood Map