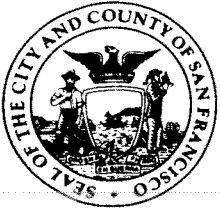


Mayor's Office of Housing and Community Development
City and County of San Francisco



Edwin M. Lee
Mayor

Olson Lee
Director

April 29, 2014

Mayor Ed Lee
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place, Room 200
San Francisco, CA 94102

Subject: Request for Departmental Analysis of the Proposed Waterfront Ballot Initiative

Dear Mayor Lee:

I write in response to your request for a departmental analysis from the Mayor's Office of Housing of the proposed initiative titled, "Voter Approval for Waterfront Development Height Increases," to be considered on the June, 2014 ballot.

A memo provided by Port of San Francisco director Monique Moyer (dated February 20, 2014), and a memo from Planning Department Director John Rahaim (also dated February 20, 2014) to Department of Elections Director John Arntz, outline a broad range of potential outcomes based on the proposed ballot initiative. These memos summarize the risks and opportunities to development projects that require a ballot measure, as well as detail potential impacts to specific project components such as bulk, massing, view corridors for three known projects currently in various stages of pre-development. **This memo is intended to augment the information provided by the Port of San Francisco and the Planning Department by providing information related to the initiative's potential impact to two specific projects and their capacity to produce on-site affordable housing units along the waterfront as well as to generate fees to develop affordable housing units citywide.**

As noted in the Port's memo, the "long-term impacts of the initiative measure are not known at this time as the Port does not yet have plans for development of approximately 14 of its parcels."¹ The Port does, however, have two development projects in various stages of predevelopment that would be subject to the proposed initiative measure: Seawall Lot 337 ("Mission Rock"), and the waterfront site at Pier 70 ("Pier 70"). Each of the projects is described in detail in the Port's February 20th memo. The proposed ballot measure introduces an (additional) element of uncertainty to the lengthy and complex development process at each

¹ Memo titled, "Request for Departmental Analysis, Ballot Simplification Committee," from Monique Moyer, Executive Director of the Port of San Francisco, to John Arntz, Director of the Department of Elections, dated February 20, 2014.

of the sites; it is impossible to know whether voters will approve future height increases that would enable the development of the two projects as currently proposed.

It is important to note that while both of the projects includes a number of on-site inclusionary housing units as well as fees related to affordable housing, the projects themselves are not subject to Planning Code Sections 413 (Jobs-Housing Linkage Fees) and 415 (Inclusionary Housing Program), as they are on Port of San Francisco property. Built into the term sheets of each project is an assumption that 15% of residential units will be provided as on-site affordable units (this percentage is higher than the 12% inclusionary housing on-site option outlined in the Planning Code), or that a so-called in-lieu fee will be paid. The total number of housing units, on-site affordable units, and fees dedicated to producing affordable housing citywide for each project are summarized in the table below:

	Mission Rock Project	Pier 70 -- Waterfront	Pier 70 -- Illinois and 20th Street	Total
Total Market Rate Housing	650-1300	950-2000	215	1,815-3,515 units
On-Site Inclusionary Housing	15% on site rental, fee out for condos (estimated at 98-196 on-site)	15% on site rental, fee out for condos+ 170-400 through 80/20 bonds	15% on site rental, fee out for condos	268-526 on-site units
Affordable Housing Fees	\$32,729,000.00	\$50,607,000.00	\$10,288,000.00	\$93,624,000.00
Citywide Units Generated by Fee	131	202	41	374
Total Affordable Units (on-site + fee)	229	372	73	674

Table 1: Summary of housing related data for three proposed projects that would be subject to the proposed Waterfront Ballot Initiative.

Table 1 uses conservative assessments related to total affordable housing units on-site, as well as to the number of units produced through affordable housing fees: a \$250,000 per unit City cost was assumed for the use of affordable housing fees, to be combined with the use of the Low Income Housing Tax Credit as well the leveraging of bank debt. The total number of affordable units was derived by adding the assumed number of on-site affordable units (the lowest number if a range was provided) to the number of units that could be produced by way of affordable housing fees.

As summarized in Table 1, a conservative estimate is that there are 643 affordable housing units that would be produced as a result of the two known projects currently in predevelopment on Port property. Of that total number, as currently proposed, the three projects would provide a total of \$93,624,000 in affordable housing fees, which can be leveraged to produce approximately 375 units of housing. An additional 268 units would be produced through private, developer-generated funds and provided on-site.

It is difficult to know in advance the precise impact the initiative measure would have on development, including affordable housing development, on Port-owned property. What is inevitable, should the initiative pass, are delays to projects currently in the public planning and predevelopment phase. As Port Director Monique Moyer notes in her February 20th memo to John Artz, “should the Port’s partners choose not to pursue such voter approval, the projects, and thus their corresponding benefits will either be reduced or abandoned resulting in a diminishment or full loss of long awaited benefits. [...]” The extent to which private developers are willing to engage in individual public ballot initiatives in addition to existing Planning and Port processes and review will ultimately determine the impacts of the Waterfront Ballot Initiative on the production of affordable housing.

Sincerely,

A handwritten signature in cursive script, appearing to read "Olson Lee". The signature is written in dark ink on a white background.

Olson Lee
Director