



COUNCIL OF COMMUNITY HOUSING ORGANIZATIONS

*The voice of San Francisco's
affordable housing movement*

December 1, 2014

Kearstin Dischinger
San Francisco Planning Department
1650 Mission Street

Subject: Response to DCP letter regarding CCHO comments on 2014-2022 Housing Element update preliminary draft

Dear Kearstin:

Thank you for your letter of October 24th with responses to our comments on the preliminary draft 2014-2022 Housing Element update. We are pleased to see some modifications to the policies and implementation measures language that reflect our suggestions. Below we have specific reactions to those modifications and offer followup comments and recommendations for your consideration.

1. Add new housing sales price data to the quarterly Residential Pipeline Summary report (Dashboard). While the added language to Implementation Measure 1 is in the spirit of connecting new housing sales price data to the quarterly Pipeline Summary, your proposal to simply add a link to the Assessor's Office creates minimal added value without ensuring that the data is sorted and formatted and summarized in a way that is user friendly. We realize that the Planning Department does not want to be responsible for the accuracy of Assessor Office data. However, with that caveat made clear it is still a very reasonable expectation for the Planning Department to package the sales price data from the Assessor in a manner that makes it informative for the Planning Commission and the public as an added component of the Residential Pipeline Summary.

Further, per item 10 in your letter regarding the Housing Balance Count, now that Proposition K has been overwhelmingly passed by voters we agree with your suggested addition to Implementation Measure 1 on that point as well.

Our recommendation is that Implementation Measure 1 be further modified as follows (with your latest language as the baseline and our additions [shown as tracked-change text](#)):

Implementation 1. Planning staff shall continue to provide data to the Planning Commission through the Quarterly Residential Pipeline Dashboard on the expected unit type and income level of any proposed projects or area plans under review, and the cumulative ratio of affordable and inclusionary housing to market rate housing, including how such units would address the City's fair

325 Clementina Street, San Francisco, CA 94103 | ccho@sfic-409.org | 415.882.0901

The Council of Community Housing Organizations (CCHO) is a coalition of 22 community-based housing developers and tenant advocates. We fight for funding and policies that shape urban development and empower low-income and working-class communities. The work of our member organizations has resulted in nearly 30,000 units of affordable housing, as well as thousands of construction and permanent jobs for city residents.

share of the Regional Housing Needs. The Department will also ~~add a link to retrieve and summarize sales price data for new housing from~~ the Office of the Assessor's ~~data and incorporate it into~~ the Quarterly Residential Pipeline Dashboard to help ~~the Planning Commission, planning staff and the public~~ understand real-time trends in housing prices of new construction.

The addition to Implementation Measure 2 is helpful as a way to begin seeing housing production trends at a more localized level. However, we want to ensure that the Housing Inventory will provide this data breakout by both Neighborhood Planning Areas, as already defined in the Housing Inventory, and adopted Area Plans (eg, Rincon Hill, Balboa, Eastern Neighborhoods, Market/Octavia, etc).

Our recommendation is that Implementation Measure 2 be further modified as follows:

Implementation 2. Planning shall continue to make data on housing production available to the public through the annual *Housing Inventory*, including breaking out housing production trends by income level for all Planning Areas citywide and for all adopted Area Plans, and increase its notification and distribution to neighborhood organizations.

2. Tiered zoning. We recommend that your new Implementation Measure 38b be further improved as follows:

Implementation 38b. Planning will develop a density bonus program with the goal of increasing the production of permanently deed-restricted affordable housing. The program will be structured ~~highly to~~ incentivize market rate projects to provide significantly greater deeper levels of affordable housing than already required by the existing City Inclusionary Housing Programs.

3. Incentivize mixed income housing. We recommend that Implementation Measure 43 be further modified as follows:

Implementation 43. Planning and MOH shall continue to implement and update the Citywide Inclusionary Housing Program which promotes the inclusion of permanently affordable units in housing developments of 10 or more units. The City shall evaluate the effectiveness of this program including: on-site, off-site, in-lieu fees, and land dedication options, and develop modifications to enhance-maximize the delivery ~~process of~~ affordable housing units and mixed-income development in San Francisco neighborhoods through this program and ensure that the in-lieu fees structure has an equivalent cost relative to different types of developments.

4. In-lieu fee tiers based on construction value to establish different fees for low rise, mid rise and high rise buildings. See above our recommended modifications to Implementation Measure 43.

5. Family sized units. We appreciate that the Department is taking seriously this issue of establishing minimum size standards for units and bedrooms considered to be “family housing.” As noted previously, trends in market rate development are for smaller unit sizes. We would like to see the City set a clear timeline for its study on the issue and come back with recommended standards for adoption as soon as possible.

Our recommendation is that Implementation Measure 34 be modified as follows:

Implementation 34. The Mayor's Office of Housing shall develop, and City agencies shall utilize, a common definition for family housing (2 or more bedrooms) including common standards for

minimum unit sizes and bedroom sizes, to guide the provision of family units in both private and public construction

And our recommendation is that Implementation Measure 35 be further modified as follows:

Implementation 35. Planning should study the relation between unit sizes and household size and types through evaluating units build as a result of minimum percentages of two and three bedroom requirements in new recently adopted community plans. This study should also evaluate use of older stock of dwelling units by household type. Such study shall inform future policies and regulations related to minimum unit and bedroom sizes for both affordable housing and market-rate housing to accommodate larger households and/or families in San Francisco. The study shall be completed by June 2015 with recommended standards for adoption.

6. Public Sites program. We appreciate your modifications to Policy 1.3 and Implementation Measure 4, and have no further recommendations on this language.

7. Short-term rentals. We continue to recommend modifications to Housing Element policy language as articulated in our earlier comments, and again repeated below.

Our recommended modifications to Policy 2.6 are as follows:

POLICY 2.6

Discourage conversion of Ensure housing supply is not converted to de facto commercial use through short-term rentals.

Historically, some households have elected to rent or sublease their homes on a short term basis while they are out of town. Recently short term rental of housing units, especially to travelers and visitors, has increased in volume, in part due to recent technological innovations. Short-term rentals may generate more revenue because travelers generally can afford a higher per night rent than residents. The growing short-term rental market may have the unintended impact of inflating the costs and reducing supply of housing for San Francisco residents.

In some cases short term rentals can enable San Francisco residents to cover the offset costs of their housing (ie, rent or mortgage payment) while they are on vacation or own-travel, and enable them to maintain permanent residency in their home. The City should, with abundant care in crafting allowances and with strong enforceability to prevent the allowances from being abused, support such short term rentals that stabilize residents without impacting the housing market.

In other cases, residents may commit to higher housing prices because they assume additional income from renting their home on a short term basis, which could inflate housing values in the City. Of most concern, some property owners have chosen to rent exclusively to short term visitors, removing the units form the housing market. Theseis forms of short term rental could be considered de facto commercialization of housing, ie. conversion to a hotel use. Commercialization would reduce the overall supply of housing available to San Francisco residents and drive up housing prices. The City should protect the permanent housing stock from de facto conversion to commercial use through short-term rentals.

We also recommend that Policy 1.5 be revised as follows, as the risk of in-law units becoming de facto small hotel units rather than permanent “affordable by design” efficiency housing units clearly

undermines the intent of the secondary units regulations recently adopted and for which the Planning Department promotes further expanding.

POLICY 1.5.

Consider secondary units in community planning processes where there is neighborhood support and when other neighborhood goals can be achieved, especially if that housing is made permanently affordable to lower-income households.

...The process may also examine to further enhance the existing amnesty program where existing secondary units can be legalized. Such enhancements would allow building owners to increase their safety and habitability of their units. Secondary units should be limited in size to control their impact. In order to ensure their longterm affordability and intended use as an efficient below-market housing option, secondary units should be prohibited from use as Short-Term Rentals.

8. Affordable Housing Funding Strategy. Proposition K was overwhelmingly approved by voters. Thus the associated workplan calling out a number of specific new and expanded funding measures to be explored can be incorporated into the Housing Element update.

Our recommendation is that Implementation Measure 69 be further modified as follows:

Implementation 69. The City shall continue to implement the Housing Trust Fund. The San Francisco Housing Trust Fund was a ballot-initiative measure that was passed in November of 2012. The Housing Trust Fund begins in year one with a general fund revenue transfer of \$20 million and increases to \$50 million over time. The Housing Trust Fund will capture revenue from former Redevelopment Agency Tax Increment funds (an example of what is being referred to as “boomerang” funds in post-redevelopment California), a small portion of the Hotel Tax which has been appropriated yearly for affordable housing, plus an additional \$13 million in new General Fund revenue from an increase in business license fees. The consensus business tax reform measure, Proposition E, which also passed on the November ballot, will generate \$28.5 million in the first year—\$13 million of which will go to fund affordable and workforce housing. It is estimated that \$1.5 billion will be invested in affordable. In addition to the Housing Trust fund, City Agencies and other institutions will ~~continue to~~ work on additional funding sources for affordable housing in accordance with the Proposition K Affordable Housing Goals ballot-initiative measure passed in November 2014. Those new and expanded funding sources to be explored as part of a comprehensive Neighborhood Stabilization strategy include: General obligation bond; Tax increment set-aside; Jobs-Housing Linkage fees update; Luxury housing tax/fee; Non-primary residence tax/fee.

9. Area Plans Strategy. Proposition K was overwhelmingly approved by voters. Thus the direction from that measure can be incorporated into the Housing Element. Specifically, the policy to strive toward a minimum 33% housing balance in Area Plans should be embedded in this Housing Element update.

Based on the idea in your letter of refining the existing Housing Element Objective 7 into a new Implementation Measure, we recommend language as follows:

Implementation #__. In accordance with the Proposition K Affordable Housing Goals ballot-initiative measure passed in November 2014, the City shall strive to achieve thirty-three percent of new residential units in new Area plans and Special Use Districts with significantly increased

development potential or those amended to significantly increase development potential shall be affordable to low and moderate income households. MOH and Planning ~~should shall continue to~~ consider, within the context of a community planning process, zoning categories which require a higher proportion of affordable housing where increased density or other benefits are granted. Options include Affordable Housing Only Zones (SLI); Affordable Housing Priority Zones (UMU) or Special Use Districts on opportunity sites.

10. Housing Balance Count. Proposition K was overwhelmingly approved by voters. Thus the direction from that measure can be incorporated into the Housing Element. Specifically, the Housing Element update should integrate the requirement for a new quarterly analysis of the housing pipeline by income level and the cumulative ratio of affordable and inclusionary housing to market rate housing (ie, the housing balance count).

Based on your proposed additional language to Implementation Measure 1 along with our recommended modifications in item 1 of this letter, we recommend language as follows (with your latest language as the baseline and our additions shown as tracked-change text):

Implementation 1. Planning staff shall continue to provide data to the Planning Commission through the Quarterly Residential Pipeline Dashboard on the expected unit type and income level of any proposed projects or area plans under review, and the cumulative ratio of affordable and inclusionary housing to market rate housing, including how such units would address the City's fair share of the Regional Housing Needs. The Department will also ~~add a link to~~ retrieve and summarize sales price data for new housing from the Office of the Assessor's ~~data and incorporate it into~~ the Quarterly Residential Pipeline Dashboard to help the Planning Commission, planning staff and the public understand real-time trends in housing prices of new construction.

11. Relocation Services. Based on the idea in your letter of adding a new Implementation Measure for Policy 5.5 calling for enhancing relocation services, we recommend language as follows:

Implementation #__. The City should pursue efforts to enhance relocation services for displaced households. Relocation services including counseling, locating replacement housing, and moving expenses should be provided by the property owner as a minimum to match the needs of displaced tenants.

12. Small Sites Acquisition/Rehab. We appreciate that the Small Sites Acquisition/Rehab Program is called out in the Housing Element update.

Our recommendation is that Implementation Measure 31 be modified as follows:

Implementation 31. MOH shall continue to implement the Small Site Acquisition and Rehabilitation Program which formally launched in July 2014 using inclusionary in-lieu fees and other public funds, to enable non-profits to acquire existing rental properties under 25 units for long-term affordability. The City will, and shall explore additional funding sources to expand the program to scale (at least 50 units annually), as well as other methods of support, such as low-interest rate financing and in-kind technical assistance for small sites affordable development acquisition and property management.

13. Planning process improvements. We appreciate your modifications to Policy 10.2, and have no further recommendations on this language.

Thank you again for considering and incorporating CCHO's comments here on the preliminary draft Housing Element update, and we are happy to continue providing feedback as you refine the draft in preparation to initiate adoption hearings at the Planning Commission.

Sincerely,

The image shows two handwritten signatures in blue ink. The first signature on the left is a stylized cursive signature, likely Peter Cohen. The second signature on the right is also in cursive and clearly reads "Fernando Martí".

Peter Cohen and Fernando Martí
Co-directors, Council of Community Housing Organizations

Cc: Gil Kelley, director Citywide Planning
Paul McDougall, Department of Housing and Community Development