



SAN FRANCISCO PLANNING DEPARTMENT

MEMO

DATE: January 11, 2013
TO: Current Planning Staff
FROM: Kate Conner
RE: Implications of Proposition C: the Housing Trust Fund and the new 10-unit Affordable Housing Threshold

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On November 6, 2012, the voters of San Francisco passed Proposition C, an amendment to the San Francisco Charter establishing a Housing Trust Fund that supports affordable housing for low-income and moderate-income households; limits future changes to affordable housing fees and obligations; and changes the affordable housing requirements imposed on private residential developments. This amendment included a 20% reduction of the current **on-site** Inclusionary Affordable Housing requirements of Planning Code Section 415. Additionally, prior to the passing of Proposition C, a Planning Code amendment was approved by the Planning Commission and Board of Supervisors raising the threshold for housing projects that are subject to the Inclusionary Affordable Housing Program from five (5) units to ten (10) units, contingent upon the passage of Proposition C. **Proposition C became effective on January 1, 2013 and the 10-unit threshold legislation will become effective on January 15, 2013.** While this memo outlines some of the key changes and implementation strategies, it does not replace or supersede applicable Code provisions.

RAISING THE UNIT THRESHOLD TO 10 UNITS

- Housing projects that propose less than 10 units (nine units or fewer) will **not** be subject to the Inclusionary Affordable Housing Program. The threshold was previously five units.
- Beginning January 15, 2012, any 5-9 unit housing project that has not received its first construction document will be able to take advantage of the higher threshold.
 - For housing projects that have not received their first construction document, the project sponsor may apply for a Letter of Determination to comply under the law of the day and record a new NSR for the housing requirements.

20% REDUCTION IN THE ON-SITE PERCENTAGE

For housing projects that provide on-site affordable units, there is a 20% reduction in the number of units that must be provided (e.g. a 15% requirement becomes a 12% requirement). This reduction only applies to the **on-site** alternative under Planning Code Section 415 (or other applicable Planning Code Sections that have affordable housing requirements). The reduction does not apply to off-site affordable units or fee calculations. Additionally, please note the following:

- The 20% reduction **cannot** result in an on-site percentage of less than 12%. Housing projects that already have a 12% requirement (e.g. projects where the first EE application was submitted prior

to July 1, 2006 or projects that were submitted after but are taking advantage of the 12% allowed for projects over 120 feet in height) cannot have a further reduction.

- New projects – Housing projects that have not received Planning approval can take advantage of the 20% reduction beginning January 1, 2013.
 - Please note that the Planning Code has not been updated to reflect the 20% reduction. Amendments to the Planning Code will follow shortly. In the interim, the charter changes adopted under Proposition C will take precedent over the current Planning Code.
- Older projects - For housing projects which have received their first construction document, no reduction is possible.

Older projects – For housing projects that have not received their first construction document, but have received Planning approval, a reduction must be authorized by the Planning Commission. This includes any project that has not received its first construction document but has received its Planning approval (this may even be at the Site Permit level) and has conditions of approval regarding the inclusionary requirement.

- Projects that received an entitlement from the Planning Commission may apply once to amend their existing conditions of approval to allow the reduction, or change their previously declared election to the onsite option.
- Projects that received a Planning approval as an as-of-right project may apply for a Mandatory Discretionary Review to allow the reduction.
- In either case, the project sponsor must demonstrate that the reduction enables the project to obtain financing and they must obtain their first construction document within one year of receiving approval for the reduction.
 - A condition of approval will be attached to the authorization stating the one year time frame. If the project sponsor does not obtain first construction document before the end of the one year time frame, the conditions of approval existing before the modification will apply unless the Zoning Administrator grants a one-time, up to one-year only extension. Any extension beyond that can only be granted by the Planning Commission.
 - It should be noted that the entire project will be before the Planning Commission for consideration. As such, there is some risk involved because the entire project will be under review. This applies to all projects, regardless of their original approval process (i.e. CU or as-of-right).
 - Proof of financial feasibility may include a lender agreement or a letter from the lender stating that financing will enable the Project Sponsor to secure a first construction document within one year.
 - This letter should be sent to MOH for review.
 - Should a lender agreement not be available, the project sponsor may choose to provide other forms of documentation at his/her discretion.

- Evaluation of request rests solely with the Planning Commission.
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