



SAN FRANCISCO PLANNING DEPARTMENT

Executive Summary Planning Code Text Change

HEARING DATE: NOVEMBER 13, 2008

Project Name: Amendments relating to adding Section 319.5 adopting specific affordable housing requirements in the Mission and adding Section 231.1 to establish a PDR replacement program

Case Number: 2008.1207T [Board File No. 081332]

Initiated by: Supervisor Maxwell / Introduced October 21, 2008

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Recommendation: **Disapproval (with minor amendment)**

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PLANNING CODE AMENDMENT

The proposed Ordinance would add Planning Code Section 319.5, which would adopt specified affordable housing requirements in the Urban Mixed Use (UMU) zone within the Mission Plan Area, in the Residential Transit-Oriented Mission (RTO-Mission), and in the Valencia Street, 24th and Mission Streets, and the Mission Street Neighborhood Commercial Transit Districts (NCTs), including in-lieu affordable housing fees; adding Section 231.1 to establish a Production, Distribution, Repair (PDR) replacement program, including an in-lieu PDR Replacement fee.

The Way It Is Now:

The proposed Ordinance (Board File 081332), addresses the following components of the Eastern Neighborhoods legislation approved by the Commission on August 7, 2008:

- **Conditional use required.** Residential projects are permitted in the UMU, the RTO-Mission, the Valencia Street, 24th and Mission, and the Mission Street NCT districts as of right with no conditional use.
- **Unit Mix:** A unit mix of a minimum 40% two-bedroom units, or of 30% 3-bedroom units, is required.
- **Affordable Housing Requirements and Alternatives:** In the proposed Eastern Neighborhoods ordinance approved by the Commission on August 7, 2008, the affordable housing requirements in the Mission districts vary by district. Most zoning districts, including the RTO-Mission, the Valencia Street, 24th and Mission, and the Mission Street NCT require 15% onsite and 20% off-site. The UMU district requires affordable housing above those levels, with requirements increasing as heights are increased in certain areas. The UMU district also enables two new alternative methods of meeting inclusionary requirements. These requirements are summarized in the Table below.

Tier	Description	On-Site Housing Requirement	Off-Site/ In-Lieu Requirement	Middle Income Alternative	Land Dedication Alternative
A	Projects that remain at current height.	18%	23%	30%	35%
B	Projects in the UMU with minimal (1-2 story) height increase.	20%	25%	35%	40%
C	Projects in the UMU with significant (3+) height increase.	22%	27%	40%	45%

Units under this program are required to be provided at an average of 100% area median income if provided as for-sale units, and at 60% of area median income if provided as rental units.

- **PDR Replacement.:** The Mission District does not currently have any requirements for the replacement of PDR buildings that are proposed for conversion, demolition, or replacement.

The Way It Would Be:

In the UMU district, the RTO-Mission, the Valencia Street NCT, 24th and Mission NCT, and the Mission Street NCT, the proposed Ordinance would require the following:

- **Conditional Use Required:** If a project chooses not to provide on-site inclusionary housing the project will be subject to conditional use authorization.
- **Unit mix:** All projects which are would have to provide a minimum unit mix of 20% 2-bedrooms, 20% 3-bedrooms and 20% 4-bedrooms
- **Increased Affordable Housing Requirements:** Any project containing 5 or more dwelling units shall be subject to the Tier C affordable housing requirement, which requires 22% inclusionary affordable housing. This would correspond to 22% on-site and 27% off-site inclusionary requirements. If the housing is rented, the allowable average annual rent of the inclusionary units is reduced from 60%, to 50% of median income.
- **Affordable Housing Alternatives:** Within the UMU (only Mission UMU) RTO-Mission, the Valencia Street NCT, and the 24th and Mission NCT the project sponsor would not be allowed to avail of the middle income option or land dedication alternative. Within the Mission Street NCT, the land dedication alternative would be permitted, and may be satisfied through the dedication to the City of air space parcels above or adjacent to the project upon approval by the Mayor's Office of Housing.
- **PDR Replacement.:** In all of the Mission District, the proposed legislation would also require project Sponsors to provide one-for-one replacement of PDR space that is proposed to be demolished. Replacement may be provided through a number of options:
 1. Replaced on-site,
 2. Rehabilitated in an existing building off-site,
 3. Addressed by paying \$125 per square foot of PDR space demolished, or
 4. Addressed by paying 80% of the identified cost of constructing equivalent PDR space.

REQUIRED COMMISSION ACTION

The proposed Ordinance is before the Commission so that it may recommend adoption, rejection, or adoption with modifications to the Board of Supervisors,

RECOMMENDATION

The Department recommends that the Commission recommend *disapproval* of most of the proposed Ordinance and adopt the attached Draft Resolution to that effect. More specifically, the Department recommends disapproval of all portions of the proposed legislation except for the vertical dedication alternative (see below).

BASIS FOR RECOMMENDATION

The Mission Area Plan has been developed with a number of mechanisms intended to recognize the need for affordable housing in the area. It includes higher affordability requirements, as previously discussed in formerly industrial areas of the new UMU zoning district. It requires new buildings along Mission Street to pay high impact fees of \$16/gsf (\$20/nsf), the majority of which will fund affordable housing directly in the Mission District. The Plan includes a dedicated affordable housing rehabilitation and acquisition program focused in the Mission District using these fees. Finally, the Mayor's Office of Housing has committed to providing a minimum of 50 (and up to 150) units of affordable housing in the District.

The proposed Ordinance is intended to further affordability in the Mission, a need said to be exacerbated by previous housing approvals in the Eastern Neighborhoods particularly during the Live-Work era. However, most of these well-intended amendments would either have minimal effect in addressing this intent, or would prove financially burdensome enough to seriously hinder the production of needed housing and hinder many of the Plan's other objectives. Specific responses and recommendations are discussed below.

- **Conditional Use Required:** The proposed legislation favors on-site inclusionary option, and by doing so discourages innovative use of land dedication requirement. Therefore, staff recommends disapproval of this component of the legislation.
- **Unit Mix:** The unit mix of the proposed legislation is more onerous than current staff proposal. The response staff has heard from project sponsors and developers indicates that this rigorous a unit mix may be difficult to rent or sell, resulting in units remaining on the market. Therefore, staff recommends disapproval of this component of the legislation.
- **Increased Inclusionary:** The fees and affordable housing requirements, as originally proposed by staff, enabled projects to absorb these new exactions while still receiving, in most cases, an increase in site value. The *Eastern Neighborhoods Financial Analysis* found that after the costs of new requirements are taken into account, those proposed policies result in a net positive return for land owners and a financially feasible project, as compared to conditions prior to the rezoning.

For those sites in the Mission District that do not receive a height increase, the proposed legislation's increased requirements would result, in most cases, in a decrease in site value. This would likely reduce the economic incentive to redevelop in the District. Combined with recent turmoil in real

estate finance markets, increased requirements could jeopardize the financial feasibility of many residential projects that would otherwise pencil. Therefore, staff recommends disapproval of this component of the legislation.

- ***Inclusionary Alternatives (Land Dedication in Mission):*** Staff believes that the allowance of the land dedication alternative for satisfying the inclusionary requirements in the Mission NCT would be a positive addition to the menu of inclusionary options for this district and recommends ***approval*** of this component.
- ***Inclusionary Alternatives (Vertical Dedication):*** The provision of the proposed legislation which allows land dedication to occur via the dedication of air space parcels above or adjacent to the project is an interesting, yet complex idea. Air space dedication would require vertical subdivision, which is a complicated negotiation that would likely only work on very large sites. However, in very few cases, it may allow for innovative joint ventures between market rate and affordable housing developers, provided it is subject to MOH approval. ***Therefore, staff recommends approval of this component, provided it is incorporated into existing land dedication proposal of Section 319 of the proposed Eastern Neighborhoods ordinance.***
- ***PDR Demolition Fee:*** On June 3, 2008, Supervisor Daly introduced a proposed Ordinance which would accomplish similar goals as the proposed Section 231.3, creating a PDR replacement fund and imposing fees on removal of PDR. The Planning Commission, in Resolution 17660, found that the fee would inappropriately assess equally requirements on PDR protection areas and areas where housing and commercial uses are encouraged, that no program has been established or proposed for spending the proposed fee, and that a more tailored approach to PDR retention was favored, and disapproved the Ordinance. Staff would recommend that the Commission recall this decision, and recommends disapproval of this component of the legislation.

CONSISTENCY WITH GENERAL PLAN AND PRORITY POLICIES

The proposed legislation has been reviewed for consistency with the General Plan and priority policies and has been found consistent, with these based on the analysis in the Eastern Neighborhoods staff report dated August 7, 2008

ENVIRONMENTAL REVIEW

The proposed legislation has been reviewed for consistency with the findings of the Final Environmental Impact Report for the Eastern Neighborhoods Area Plans and Rezoning Project and no new or more severe environmental impacts associated with the legislation have been identified. Please see a memo to be delivered to the Commission under separate cover for a more detailed discussion of this legislation as it relates to CEQA.

PUBLIC COMMENT

As of the date of this report, the Planning Department has not received any comment in regards to the proposed Ordinance.

RECOMMENDATION: Recommend disapproval (with minor amendment)
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Attachments:

Exhibit A: Draft Planning Commission Resolution
Exhibit B: Board of Supervisors File No. 081332