



# SAN FRANCISCO PLANNING DEPARTMENT

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DEPARTMENT OF ELECTIONS

July 21, 2016

Mr. John Arntz  
Director of Elections  
Department of Elections  
City and County of San Francisco  
1 Carlton B. Goodlett Place  
City Hall, Room 48  
San Francisco, CA 94102

**RE: "Expanding Affordable Housing for Middle-Income San Franciscans Ordinance"**

Dear Director Arntz,

Thank you for the opportunity to review the "Expanding Affordable Housing for Middle-Income San Franciscans Ordinance" initiative measure ("Measure") that will appear on the November 2016 ballot. As you requested, and in anticipation of the Ballot Simplification Committee's ("BSC") preparation of a fair and impartial summary of the Measure, the Planning Department ("Department") is providing an objective analysis of the Measure's impact on current law and current Department and City practices along with technical observations intended to inform the BSC's deliberations.

This letter discusses three points of change to the City's current law and practices. Point number four describes technical observations of factual errors contained within the Initiative Measure.

1. This Measure would change City law by adjusting the value and purpose of the inclusionary program established through Planning Code Section 415, by increasing the income eligibility for BMR units.
2. This Measure proposes to apply middle income affordability levels (110% AMI) retroactively to existing affordable housing units that are currently dedicated to households earning 55% AMI.
3. This Measure raises the eligible income levels for all existing and future rental BMRs and requires that all tenants pay 30% of their household income in rent.
4. There are factual errors in the draft Measure in regards to existing affordable housing opportunities for middle income households.

The Department discusses each issue in turn.

1. **This Measure would change City law by adjusting the value and purpose of the inclusionary program established through Planning Code Section 415, by increasing the income eligibility for BMR units.** The public value is adjusted by reducing the public benefit accrued through the below market rate (BMR) units. The purpose is adjusted by changing the need these BMR units serve in the City's affordable housing supply.

The Planning Department and the Mayor's Office of Housing and Community Development (MOHCD) have administered this program since its inception.<sup>1</sup> Development of this program was conducted through careful study of the legal restrictions, affordable housing needs, Regional Housing Needs Allocation projections for future affordable housing needs, and relation of the inclusionary housing program to other potential affordable housing tools by the Planning Department and MOHCD. The Measure takes what is now a two tiered system (55% and 100%) and creates a one-tiered system at 110%.

2. **This Measure proposes to apply middle income affordability levels (110% AMI) retroactively to existing affordable housing units that are currently dedicated to households earning 55% AMI. This could result in a reduction in the City's achievement of State mandated affordable housing goals.**

*"all existing and new Below Market Rate rental housing units shall be made available to households whose total household income does not exceed 110% of the Area Median Income, and such households shall be eligible to participate in any BMR rental housing lottery conducted for such units." The allowable average annual rent for an affordable rental unit. . . shall be 30 percent of the annual gross income of the qualifying household that is selected to rent the affordable rental unit. . . ."*

BMR units that are currently restricted to low income households (those earning 55% of AMI) have helped the City to achieve its State Mandated affordable housing goals. The City reports progress towards these goals annually. The existing BMR units are credited towards the City's achievement of low income housing goals and requirements. The potential for households up to 110% AMI to qualify for these previously "low income" units would reduce the City's overall affordability achievements in terms of these goals.

Failure to achieve State mandated housing goals has fiscal implications for the City beyond impacts to the housing stock. The State and Region prioritize competitive infrastructure grants for municipalities based on affordable housing production and achievement of state mandated goals. A reduction in the City's achievement of State mandated affordable housing goals could reduce the City's ability to compete for important State and Regional transportation, parks and other infrastructure dollars.

3. **This Measure raises the eligible income levels for all existing and future rental BMRs and requires that all tenants pay 30% of their household income in rent.** Developers and property owners would be financially motivated to lease BMR units to higher earning households, as their

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<sup>1</sup> In 2003, the program began as a Planning Commission policy and in 2006 the program was codified in the Planning Code through adoption by city ordinance.

rental payment is directly associated with the household income. Also existing tenants that earn more than 55% AMI will be required to pay higher rental costs.

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4. **The draft measure includes several factual errors in regards to existing affordable housing opportunities for middle income households.** In Section 2 Findings, the Measure states that *"teachers earning \$59,700 make too much to qualify for affordable housing, but not enough for market rate housing."* And *"Both these declining populations (Middle class households earning \$50,000 - \$75,000 and \$75,000- \$100,000) would in most circumstances not be eligible for affordable housing under the status quo"*.

While Below Market Rate (BMR) rental units produced through the inclusionary housing program (Section 415 of the Planning Code) were previously limited to households earning 55% AMI and below, there are other affordable housing programs that produce affordable housing for households over 55% AMI, including, for example, homeownership and down payment assistance, and the Teachers Next Door program, which provides closing costs for employees of SFUSD.

More significantly, the Inclusionary Housing Program was amended in May 2016 to require that future housing developments include affordable housing for a broader range of households, including middle income households.

Please do not hesitate to consult us if needed.

Sincerely,



John Rahaim  
Director of Planning

Cc: Olson Lee, Director of Mayor's Office of Housing and Community Development  
Jeff Buckley, Senior Advisor to Mayor Edwin M. Lee