

WORKING FAMILIES FIGHTING TO STAY IN SAN FRANCISCO

July 25, 2016

Members, Ballot Simplification Committee
Department of Elections
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place, Room 48
San Francisco, CA 94102

Re: Comments on Draft Digest for “Affordable Housing Requirements for Market-Rate Development Projects” Initiative

Dear Members of the Ballot Simplification Committee:

On behalf of the Working Families Fighting to Stay in San Francisco, a ballot measure committee primarily formed to support the above-referenced measure, we respectfully submit these comments on the draft digest which you will be considering at tomorrow’s meeting.

Before proceeding to discuss the specific changes that we propose, we make the following overarching observations. First, though the proposed word limit for the Digest is 300 words, the draft Digest is 648 words—more than twice the authorized length. Moreover, we believe that much of the discussion, including the extremely detailed discussion up front about how developers can meet the affordable housing requirements, is unduly complicated and wordy, in light of the Committee’s charge to prepare a Digest that is understandable to voters with an eighth-grade reading level. And, in truth, the key effect and main intent of the measure are to increase the eligibility of San Franciscans for affordable housing, regardless of the specific number of units or location, etc.

With these points in mind, the general theme of most of our changes is a desire to simplify and shorten the Digest to make it more readily understandable to the average voter.

The changes that we propose, which are discussed below, are reflected in the attached redline document.

Proposed Changes

1. “The Way It Is Now”

We believe that this Section is extremely complicated, and unnecessarily so. In particular, the three voluminous bullet points are unhelpful and confusing. The ability of a developer to meet its affordable housing obligations by paying in-lieu fees or building off-site affordable housing is unaffected by the measure, and is tangential to the discussion at best. Moreover, a summary of the specific mixes of low-income- and middle-income-affordable units required under City law, and the number of units that triggers them, are unnecessarily detailed and complicated.

Ultimately, the key legal effect of the measure is simple: it increases the eligibility cap for households to be deemed eligible for affordable housing. This section should simply say that. We, therefore, propose that the bullet points be deleted, which goes a long way toward bringing this Digest within hailing distance of the word limit.

In the same vein, a discussion of the affordability standards for units for sale is not pertinent to the measure, which only affects the eligibility requirements for rental units. We, therefore, would propose to delete the two sentences summarizing the standards for units for sale.

And finally, the statement that “Generally, a household living in an affordable housing unit pays no more than 30 percent of its total income on rent” is misleading. The maximum rent for an affordable rental unit is capped at 30 percent of the maximum limit for that category of affordable housing, but that cap “is not based on an individual Household’s income[.]” Mayor’s Office of Housing & Community Development, *City and County of San Francisco: Inclusionary Affordable Housing Program and Procedures Manual* (May 10, 2013), p. 49, available online at <http://sfmohcd.org/sites/default/files/FileCenter/Documents/6983-Inclusionary%20Procedures%20Manual%20051013.pdf>. In other words, under existing law the rent for a “low-income” household is capped at 30 percent of the income for a household earning 55 percent of the annual median income—as the Digest notes, \$1,121 for a two-person household. However, a two-person household earning only 45 percent of the annual median income is not entitled to proportionally lower rent; it, too, can be charged up to \$1,121 per month.

In fact, this is a major change that the Initiative implements that is overlooked by the Digest. Under the proposed measure, an “low-income” household that earns less than 55 percent of the annual median income would pay a lower rent—no more than 30 percent of its own household income, rather than 30 percent of some hypothetical household at the top of the range into which the renter falls.

2. “The Proposal”

Related to the discussion above, if the bullet points are deleted as they should be, the reference in the first paragraph of this section to developers “meet[ing] the affordable housing requirement” will lack context, and in any event it is unduly complicated and contributes unnecessarily to the Digest’s failure to comply with the word limit.

In the second paragraph, we believe it is important to clarify that only households at the top of the newly-expanded eligibility range would pay up to \$2,241, with households further down the range paying less. Otherwise, we believe that when considered in conjunction with the last paragraph of “The Way It Is Now,” this paragraph as currently worded may give the false impression that all households that are eligible for affordable housing will see an increase in their rent. That is not the case. Even after the measure passes, a household that earns only 55% of the

area median income will still have its rent for a two-bedroom apartment capped at \$1,261. Only a household earning 110% of the median would pay the higher amount of \$2,521.

Relatedly, the Digest identifies certain rental “caps” without specifying that those caps differ, depending on the size of the household. For example, the current \$1,261 cap discussed in the Digest applies to a household of three persons, but a lower cap applies to smaller households and a higher cap applies to larger households.

Also, as noted above, we think it is important that it be made clear that the Initiative would change current law to implement a “sliding scale,” providing that households that are not at the top of the range can no longer be charged the same rent as those households that are at the top of the range.

And finally, in the sentence that currently reads, “Under Proposition__ a rental unit would count toward the affordable housing requirement if it is affordable to households earning up to 110% of the area median income,” we think it would clarify the meaning for the average reader at an eighth grade reading level if the words “middle-income” were inserted before “households,” as “households earning up to 110% of the area median income” is rather technical, and may be confusing to some voters.

3. “A ‘YES’ Vote Means”

Finally, we believe that the “A ‘YES’ Vote Means” section can be readily simplified, by focusing less on the various means by which a developer can provide affordable housing, which is not the intent or focus of the measure, and focusing instead on the real change that would be accomplished by the measure: expanding the income eligibility of households for receiving affordable housing.

We would also note that, as a factual matter, it is inaccurate to say that a rental unit that is rented at the amounts specified in the Digest (up to \$2,521 for a two-bedroom apartment, for example) would necessarily “count toward the affordable housing requirement” in City law. It is possible for a unit to be rented at that price but still not count against the requirements, because maximum rent is not deed-restricted as required by the City.

4. Effect of Proposed Changes on Word Count.

As noted above, the present draft is 648 words—116% above the word limit. If the changes that we have proposed in the accompanying redline were adopted, the Digest would run to only 492 words—still over the limit, but more than 150 words closer to that line.

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We hope that these comments are useful as the Ballot Simplification Committee conducts the important task of drafting the digest. We would look forward to discussing these comments at tomorrow’s meeting.

Sincerely,

Tom Hsieh

Tom Hsieh

Enclosures

Affordable Housing Requirements for Market-Rate Development Projects*

Digest by the Ballot Simplification Committee

Status: Draft for Consideration

On: Tuesday, July 26, 2016

Members: Packard, Anderson, Fasick, Fraps, Jorgensen

Word count: *(suggested 300-word limit)*

Deadline to Request Reconsideration: TBD

The Way It Is Now: The City generally requires developers of market-rate housing to provide affordable housing, either by paying a fee or constructing housing that is affordable to low- and/or middle-income households. ~~A developer can meet this requirement in one of three ways:~~

- ~~• Pay an affordable housing fee. For development projects consisting of 10 or more units, the fee is equal to approximately 20% of the total units being developed. For development project consisting of 25 or more units, the fee is equal to approximately 33% of the total units being developed;~~
- ~~• Construct on-site affordable housing. For development projects consisting of 10 or more units but fewer than 25 units, 12% of all units on-site must be affordable. For development projects consisting of 25 or more units, 15% of all units on-site must be affordable to low income households, and 10% of all units on-site must be affordable to low or middle income households; or~~
- ~~• Construct off-site affordable housing. For development projects consisting of 10 or more units but fewer than 25 units, the number of off-site affordable units must be 20% of the number of units in the principal project. For development projects consisting of 25 or more units, the number of off-site affordable units must be 33% of the number of units in the principal project, with 20% of the units affordable to low income households, and 13% of all units on-site must be affordable to low or middle income households.~~

A rental unit counts as affordable to a "low income household" if it is affordable to households earning up to 55% of the area median income. ~~A unit for sale is affordable to a "low income household" if it is affordable to households earning up to 80% of the area median income.~~

A rental unit counts as affordable to a "middle income household" if it is affordable to households earning up to 100% of the area median income. ~~A unit for sale is affordable to a "middle income household" if it is affordable to households earning up to 120% of the area median income.~~

The City uses federal income standards to determine the maximum allowable rent levels for the affordable units. Generally, a household living in an affordable housing unit pays no more for rent than 30 percent of ~~its~~ the total income ~~on rent~~ earned by a household making 55 percent of the area median income (for "low income" households) and 100 percent of the area median income (for "middle income households").

Currently, the monthly rent for a one-bedroom affordable housing unit for a two-person household is \$1,121, and the monthly rent for a two-bedroom affordable housing unit for a three-person household is \$1,261. Under existing law, a household earning 45 percent of the area median income does not have a lower rent than a household earning 55 percent of the area median income; both are treated as "low income" households with the same rent. Likewise, a household earning 80 percent of the area median income has the same rent as a household earning 100 percent of the area median income.

*Working title, for identification only. The Director of Elections determines the title of each local ballot measure; measure titles are not considered during Ballot Simplification Committee meetings.

The Proposal: Proposition ___ would ~~change one of the three ways developers can meet the affordable housing requirement by~~ increase the income eligibility limit for on-site rental units for all new and existing affordable housing units. Under Proposition ____, a rental unit would count toward the affordable housing requirement if it is affordable to "middle-income" households earning up to 110% of the area median income.

Proposition ___ would cap the rent for an on-site unit of affordable ~~on-site~~ housing at 30 percent of the household's total income as long as that household earns 110% of area median income or less. Under this measure, the most a two-person household at the top of the range could pay is up to \$2,241 for a one-bedroom affordable rental unit and up to \$2,521 for a two-bedroom affordable rental unit, but ~~could pay less depending on their income~~ households with lower incomes would pay less.

The chart below shows the area median income for some San Francisco households:

Income Definition	1 person	2 Person	3 Person	4 Person
55% of median	\$39,250	\$44,850	\$50,450	\$56,050
80% of median	\$57,100	\$65,200	\$73,350	\$81,500
100% of median	\$71,350	\$81,500	\$91,700	\$101,900
110% of median	\$78,500	\$89,650	\$100,850	\$112,100
120% of median	\$85,600	\$97,800	\$110,050	\$122,300

A "YES" Vote Means: If you vote "yes," you want increase the income eligibility limit for affordable housing, so that households earning up to 110% of the area median income on-site are eligible for rental units for all new and existing affordable housing rental units ~~so that a rental unit would count toward the affordable housing requirement if it is~~ affordable to households earning up to 110% of the area median income.

A "NO" Vote Means: If you vote "no," you do not want to make these changes.

Affordable Housing Requirements for Market-Rate Development Projects*

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Members: Packard, Anderson, Fasick, Fraps, Jorgensen
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A rental unit counts as affordable to a “low income household” if it is affordable to households earning up to 55% of the area median income.

A rental unit counts as affordable to a “middle income household” if it is affordable to households earning up to 100% of the area median income.

The City uses federal income standards to determine the maximum allowable rent levels for the affordable units. Generally, a household living in an affordable housing unit pays no more for rent than 30 percent of the total income earned by a household making 55 percent of the area median income (for “low income” households) and 100 percent of the area median income (for “middle income households”).

Currently, the monthly rent for a one-bedroom affordable housing unit for a two-person household is \$1,121, and the monthly rent for a two-bedroom affordable housing unit for a three-person household is \$1,261. Under existing law, a household earning 45 percent of the area median income does not have a lower rent than a household earning 55 percent of the area median income; both are treated as “low income” households with the same rent. Likewise, a household earning 80 percent of the area median income has the same rent as a household earning 100 percent of the area median income.

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The Proposal: Proposition ___ would increase the income eligibility limit for on-site rental units for all new and existing affordable housing units. Under Proposition ___, a rental unit would count toward the affordable housing requirement if it is affordable to “middle-income” households earning up to 110% of the area median income.

Proposition ___ would cap the rent for an on-site unit of affordable housing at 30 percent of the household’s total income as long as that household earns 110% of area median income or less. Under this measure, the most a two-person household at the top of the range could pay is up to \$2,241 for a one-bedroom affordable rental unit and up to \$2,521 for a two-bedroom affordable rental unit, but households with lower incomes would pay less.

The chart below shows the area median income for some San Francisco households:

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55% of median	\$39,250	\$44,850	\$50,450	\$56,050
80% of median	\$57,100	\$65,200	\$73,350	\$81,500
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110% of median	\$78,500	\$89,650	\$100,850	\$112,100
120% of median	\$85,600	\$97,800	\$110,050	\$122,300

A "YES" Vote Means: If you vote "yes," you want increase the income eligibility limit for affordable housing, so that households earning up to 110% of the area median income are eligible for all new and existing affordable housing rental units.

A "NO" Vote Means: If you vote "no," you do not want to make these changes.