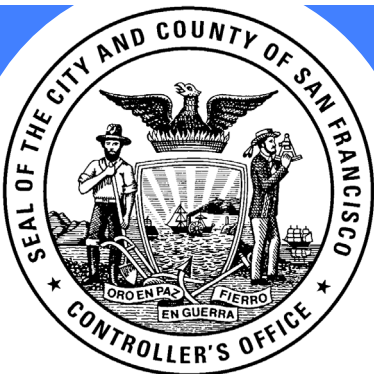


Inclusionary Housing Technical Advisory Committee: Affordable Housing Context and Additional Policy Options



CITY & COUNTY OF SAN FRANCISCO

Office of the Controller

Office of Economic Analysis

April 19, 2023

Affordable Housing Context

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1. Annual Affordable Housing production from 2019-2022
2. Annual and total housing production needs per Housing Element 2023-2030
3. Required funding for Housing Element numbers
4. Total housing production over the 2015-2022 RHNA cycle by category

1. Affordable Housing Production Trends

New Affordable Housing Production by Source, 2018-2022

Year	Inclusionary Units	100% Affordable Units	ADU or Legalizations	Total
2018	442	546	142	1,130
2019	449	693	245	1,387
2020	392	325	186	903
2021	321	910	282	1,513
2022	314	632	259	1,205
TOTAL	1,918	3,106	1,114	6,138

Source: SF Planning Department; Mayor's Office of Housing

2. Needs from RHNA / Housing Element

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Table 2. San Francisco 2023–2031 RHNA by Income Group

	<i>Units</i>	<i>Annual Target</i>	<i>Percent of Total</i>
Extremely Low Income ¹	13,981	1,748	17%
Very Low Income	6,886	861	8%
Low Income	12,014	1,502	15%
Moderate Income	13,717	1,715	17%
Above Moderate Income	35,471	4,434	43%
Total RHNA	82,069	10,258	100%

Source: Bay Area Metro. SF Planning.

3. Funding Gap

How much is the funding gap?

Funding needs to grow substantially



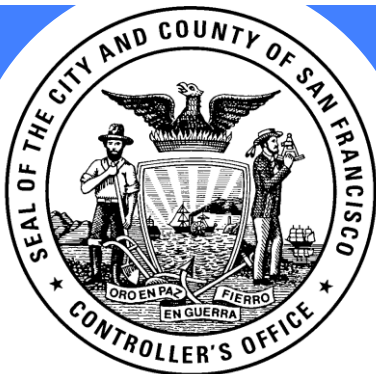
4. Total Housing Production, 2015-22 Period

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16. RHNA Progress, Planning Period 2015 - 2022

Household Affordability	Housing Goals	Progress toward RHNA Targets	Deficit	% Progress*	Actual Production
Above Moderate (> 120% AMI)	12,536	19,253	0	154%	23,053
Moderate Income (80–120% AMI)	5,460	3,156	2,304	58%	1,880
Low Income (50- <80% AMI)	4,639	2,801	1,838	60%	2,623
Very Low Income (< 50% AMI)	6,234	3,522	2,712	56%	3,992
TOTALS	28,869	22,015	6,854	76%	31,548

Additional Options for Improving Feasibility



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Additional Options for Improving Feasibility

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1. City Subsidy / Cost Reimbursement to Support Economic Feasibility
 - May include City-sponsored grants, subsidies, and/or tax-exempt bond financing to support goal of producing new affordable housing units within market-rate projects.
2. Provide City Subsidy Equivalent to Reducing or Temporarily Abating Property Taxes for Period of Time
 - Review potential to provide City subsidy to offset property taxes on incremental value created by improvements (i.e., implied net initial property tax basis equates to underlying land value instead of land and improvements value) potentially in exchange for higher onsite inclusionary percentage.
 - Project would receive City subsidy during construction and for set period (e.g., 10 years) after project completion.
 - Subsidy term and phase-out may vary based on location, onsite inclusionary percentage, and other governmental subsidies.

Additional Options for Improving Feasibility

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3. Lower Onsite Inclusionary Percentage & Review AMI Affordability Tiers
 - Lower Citywide onsite inclusionary housing percentage (e.g., 10%-14%) and revise AMI affordability tiers (e.g., 90% AMI average with range of 50% to 120% AMI, etc.) to support production of middle-income housing units given lack of federal, state, and local funding sources.
4. Align Onsite Inclusionary Percentages and AMI Tiers with State Density Bonus
 - Align MOHCD AMI tier rental rates and sales prices with HCD AMI tier rental rates and sales prices.
 - Support incremental flexibility, by tenure, to align onsite inclusionary percentages and AMI tiers further to optimize State Density Bonus ("SDB") usage based on actual SDB utilization.
5. Phase-In Inclusionary Housing Units Over Time
 - Establish minimum onsite inclusionary requirements for new development, by tenure, to enhance/achieve economic feasibility.
 - Phase-in incremental onsite inclusionary units over set period (e.g., 5 years) based on pre-established performance benchmarks.

Additional Options for Improving Feasibility

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6. City Bond Issuance to Fund Affordable Housing
 - Explore and study opportunity to issue City-sponsored tax-exempt bonds to fund feasibility gap created by onsite inclusionary units to support production of affordable units within market-rate projects.
7. Reduce City-Imposed Impact Fees
 - Evaluate City-imposed impact fees and potential for fee reductions to support production of affordable units within market rate projects.
8. Defer and Spread Out Timing for Payment of City-Imposed Fees
 - Review and study impact of deferring and spreading out timing for payment of City-Imposed fees on economic feasibility of new residential development projects.
9. Reduce and/or Eliminate City-Imposed Fee on State Density Bonus Units
 - Review and study further impact of City-imposed fee on SDB units on economic feasibility of new residential development projects that utilize SDB.

Additional Options for Improving Feasibility

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10. Reduce and/or Eliminate City-Imposed Transfer Tax
 - Review and study impact of City-imposed transfer tax on economic feasibility of new residential development projects.
11. Revise City Building Code Requirements to Reduce Project Costs
 - Study City-specific building code requirements, which increase housing production costs, to identify code requirements that materially increase costs.
12. Evaluate and Promote Alternative Construction Types (e.g., CLT & Modular) to Achieve Cost Savings
 - Evaluate potential alternative construction types to confirm potential cost savings and identify measures City may deploy to encourage use of alternative construction types.