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July 6, 2018

Land Use & Transportation Committee
San Francisco Board of Supervisors
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: July 9, 2018 Agenda Item No. 3
**Amendments to HOME-SF and 100% Affordable Housing Bonus Programs
(Board File No. 180456)**

Dear Supervisors Tang, Kim and Safaí:

Thank you for the opportunity to weigh in on Supervisor Tang's proposal to amend the HOME-SF and 100% Affordable Housing Bonus programs. **SPUR has strongly supported the HOME-SF program since Supervisor Tang first introduced the AHBP in 2015.** The intention has always been for HOME-SF to be an attractive local option to the state density bonus.

Unfortunately, there has been a lack of demand for the program, perhaps due to the affordability requirements, or perhaps due to the extensive list of eligibility requirements. However, the examples of the four projects that as of late June have filed applications or revised applications are instructive. HOME-SF would create 172 units instead of 78 units overall, and it would create 52 affordable units instead of 6 affordable units and in lieu fee. If more projects selected HOME-SF, the impact could be very meaningful. But the number of projects in HOME-SF eligible areas that passed up using HOME-SF is significant, and ten of those projects chose the state density bonus.

We support the effort to offer a temporary pilot option with tiered affordability and commensurate benefits. It's a great idea to learn from experience and data. If the number of projects utilizing HOME-SF grows, then maybe there is a reason to study the changes and perhaps make them permanent. If this time-limited pilot works *too* well, then that would provide clear evidence that the market might be ready for the original HOME-SF parameters.

SPUR supports setting a limited timeframe for approvals and the proposed process changes, including switching from a Conditional Use Authorization process to a Section 328 process. Enhanced certainty around the entitlements process matters to developers considering their options; if we hope for more San Francisco homes to be provided in the outer

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neighborhoods and non-plan areas, then we must reduce the risk that these projects will be flat-out denied, if not shrunk.

SPUR also supports the Planning Department's recommendation to eliminate the limit on the number of zoning modifications allowed under HOME-SF. This list of modifications includes the most common exceptions requested of and granted by Planning. Making this change also helps to make the local option more attractive than the state density bonus.

A few notes of caution around two of the Planning Commission's recommended modifications: We agree that HOME-SF's requirements ought to be higher than the baseline inclusionary, but Tier 1 is really only offering density decontrol, not bonus volume. We understand that the original feasibility work for HOME-SF (when feasibility conditions were stronger than they are now) showed that more incentives were needed to make HOME-SF attractive than were ultimately included. And while the Divisadero/Fillmore inclusionary study did show feasibility between 20-23% inclusionary, we are still hearing that the high end of that may still be too high for Tier 1 rental.

Lastly, we do generally agree with providing flexibility on affordability levels, and there ought to be a path forward for 80/20 projects that use tax exempt bonds, but one of HOME-SF's selling points was that each project provided a range of affordability and specifically included moderate- and middle-income housing opportunities. Since we currently have so few tools to encourage the development of homes restricted to moderate and middle-income households, we hesitate to weaken this aspect of the HOME-SF program.

SPUR believes that additional steps should be considered to make HOME-SF more effective, including revisiting the prohibition on demolition and replacing it with strong tenant protections and right-to-return/replacement rules, and looking at income targets, unit size requirements and other parameters that may be a barrier to the HOME-SF option. If we are seeking to encourage density in outer neighborhoods and maximize the creation of affordable housing without subsidy, we should continue to look for opportunities to incentivize the use of HOME-SF at the highest density tier.

We appreciate Supervisor Tang's interest in increasing the effectiveness of the HOME-SF program and encourage you to approve this legislation in order to help address San Francisco's housing shortage.

Please feel free to reach out if you have any questions.

Best,


Kristy Wang

Community Planning Policy Director

cc: SPUR Board of Directors