



The Honorable Mayor Edwin Lee
City Hall, Room 200
1 Carlton B. Goodlett Place
San Francisco, CA 94102

November 12, 2015

Ref: Geographic Radius – Off-Site Inclusionary Reform

Dear Mayor Lee,

I am writing on behalf of the San Francisco Housing Action Coalition's (SFHAC's) 300 businesses, organizations and individual members. Our coalition respectfully requests that you consider supporting two amendments to strengthen proposed legislation to reform the off-site Inclusionary Housing Ordinance (IHO). In particular, we believe it's time for a frank assessment of the IHO's Off-Site Radius (OSR) and how to make it a more effective tool for increasing production of permanently affordable housing that requires no taxpayer support.

Background

We believe San Francisco's housing production record clearly demonstrates that the numerous restrictions that were put on the off-site option in 2006 have resulted in its effective nullification as a viable tool to produce permanently affordable housing. Given the City's unprecedented housing affordability crisis, it is vital that we make the Off-Site Inclusionary option more attractive.

According to the Mayor's Office of Housing, of all the housing that has been subject to the IHO since 2006, about 75 percent used the on-site option; about 20 percent paid the *in lieu* fee; and about five percent pursued the off-site option. In fact, the SFHAC is aware of only **one** off-site BMR project, 1600 Market Street, which was built within one mile of the principal project, as required by the OSR.

The OSR was not part of the original IHO in 2002; it was added at the last minute when Sup. Chris Daly introduced amendments to the ordinance in 2006. The OSR was added in response to Supervisor Sophie Maxwell's concerns that, without it, new inclusionary housing would be disproportionately concentrated in D10.

Finally, data from the Mayor's Office of Housing for various recently completed developments show that, for every successful applicant for a permanently

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affordable on-site Inclusionary home, about 30 unsuccessful applicants were turned away. We must reduce this ratio!

The Problem

The OSR was added to the IHO in 2006 with good intentions. It was supposed to result in mixed-income communities where residents would benefit from living in proximity to the principal market-rate housing project that funded it. A well-known local housing non-profit created the one-mile radius and its rationale by arbitrarily drawing circles on a map. We do not know why one mile was chosen as opposed to some other distance.

It is clear that the theoretical principle of using the OSR to achieve the social goal of mixed-income communities has collided with the actuality that it has prevented much off-site affordable housing from being built at all.

The current one-mile rule applies, even when much of the area within the radius is in the Bay or otherwise not zoned for development. Developer members of SFHAC who have tried to pursue off-site projects have repeatedly said that the one-mile radius limit makes it very difficult to find feasible off-site locations. Very few even bother looking.

The draft proposal from MOH to retain the one-mile radius and increase it to 1.25 miles is an inadequate response to the urgent problem of increasing housing affordability. Both distances seem like arbitrary choices intended to achieve an abstract outcome. Building one off-site project within the one-mile radius since the ordinance was amended 10 years ago is concrete evidence this idea hasn't worked.

Legislation was recently introduced that proposes a comprehensive list of reforms that might yet succeed in making off-site Inclusionary housing a realistic alternative. The SFHAC believes that because it was drafted as an outgrowth of the Mayor's Housing Working Group and benefited from a wide spectrum of perspectives, it is likely close to being ready for adoption. We participated in these discussions and support its speedy passage.

However, the SFHAC believes that the inclusion of a modified OSR in the draft legislation weakens the proposal and preserves a powerful obstacle to building off-site affordable housing. We would be saddened if, after all the participation and hard work by both City agencies and the entire development community, developers continue to ignore it and it results in little or no off-site housing being built. That has certainly been the case for the last decade.

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The Solution

The SFHAC suggests that in order for off-site option to finally become a successful tool to increase production of permanently affordable housing, the

OSR must be changed. Therefore, we suggest that the IHO legislation be amended to allow the following:

- 1. Allow the OSR to be waived for off-site projects that would be built in neighborhoods that have experienced elevated levels of displacement and evictions. These are the neighborhoods most in need of permanently affordable housing. The Planning Department already has ways to define this. In fact, we know of at least two instances where developers have control of sites in the Mission district where 100-percent off-site affordable housing could be built, but are more than 1.25 miles from their principal projects.*
- 2. Allow the OSR to be waived for off-site projects that are built using the "Nonprofit Partner Provider Project" option, as defined in the draft legislation. We understand that the City's recognized nonprofit builders, some of whom are SFHAC members, already have sites intended for affordable housing, yet lack the financing necessary to begin building. Conversely, we have heard frequently from many of SFHAC's market-rate builders that they would be glad to partner with these nonprofits. It does not make sense to apply arbitrary restrictions that prevent mutually beneficial joint venture projects from building affordable housing.*

We urge you to consider these modifications and look forward to working with your office as this important housing legislation moves forward.

Sincerely,



Tim Colen, Executive Director

Cc: John Rahaim, Director SF Planning Department
Olson Lee, Director, Mayor's Office of Housing
President London Breed and Members of the SF Board of Supervisors
President Rodney Fong and Members of the SF Planning Commission