



# SAN FRANCISCO PLANNING DEPARTMENT

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## Executive Summary Planning Code Text Amendment

HEARING DATE: NOVEMBER 17, 2016

EXPIRATION DATE: JANUARY 30, 2017

*Project Name:* **Inclusionary Housing Small Sites Program**  
*Case Number:* **2016-013420PCA** [Board File No. 161157]  
*Initiated by:* Mayor Lee, Supervisor Campos / Introduced October 25, 2016  
*Staff Contact:* Diego R Sánchez, Legislative Affairs  
diego.sanchez@sfgov.org, 415-575-9082  
*Reviewed by:* Aaron Starr, Manager of Legislative Affairs  
aaron.starr@sfgov.org, 415-558-6362  
*Recommendation:* **Recommend Approval with Modifications**

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### PLANNING CODE AMENDMENT

The proposed Ordinance would amend Planning Code Section 415 to create an alternative for project sponsor of smaller market rate projects to direct the Affordable Housing Fee to Small Sites Projects.

#### The Way It Is Now:

A Project Sponsor may elect to pay the Affordable Housing Fee in compliance with Planning Code Section 415.5, Affordable Housing Fee, or select one of three alternatives.

#### The Way It Would Be:

Projects Sponsors of principal projects with no more than 25 residential units may select a new Small Sites alternative to paying the Affordable Housing Fee. If the funds are not used within two years of payment they would be reallocated to the general Citywide Affordable Housing Fund.

### BACKGROUND

San Francisco's Inclusionary Affordable Housing Program (Program) dates back to 2002.<sup>1</sup> The Program has required Project Sponsors of certain market rate projects to provide Inclusionary Housing Units or pay a commensurate fee. Since its inception the Program has been frequently amended, helping to address new concerns regarding the production of Inclusionary Housing Units. One example is the creation of the Small Sites Fund.

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<sup>1</sup> BF001262 <https://sfgov.legistar.com/View.ashx?M=F&ID=2607162&GUID=834416F9-DCED-42CF-A972-81D26DED2D9F>

Ordinance 63-09 established the Small Sites Fund.<sup>2</sup> This 2009 Ordinance directs the Mayor's Office on Housing and Community Development (MOHCD) to set aside 10% of collected Affordable Housing Fees for acquiring and rehabilitating properties with no more than 25 units. These "Small Sites" are typically rental properties, vacant properties that were formally rental properties or properties subject to foreclosure. Some have street level retail or commercial uses as well. These properties are required to remain affordable for at least 55 years after acquisition.

Since launching in 2014, 12 Small Sites properties have been acquired, totaling 68 units. These properties are found in a number of neighborhoods, including the Mission, SOMA, Bernal Heights, Bayview and North of Panhandle, among others. The location of these Small Sites projects has no geographic connection to the principal project that incurred the Affordable Housing Fees. These properties are generally renter occupied when acquired and less than half have ground floor retail uses. The typical household residing in these properties has an income between 40% to 80% of the Area Median Income. MOHCD reports that there are 10 properties with pending applications and that there is enormous interest in acquiring additional Small Sites.

The Housing Working Group, convened by Mayor Edwin M Lee in February 2014, is another example of the continual effort to improve affordable housing production. The Housing Working Group was comprised of multiple subcommittees, including the Legislative Subcommittee. The Legislative Subcommittee was tasked with exploring legislative changes to the Program. Market rate and affordable housing developers, advocates, property managers, and City staff involved in administering the Program formed the Legislative Subcommittee. The Legislative Subcommittee vetted and discussed possible amendments over the course of 12 meetings beginning in the spring of 2014. Amending the Small Sites Fund was one proposal developed from this effort.

## **ISSUES AND CONSIDERATIONS**

### **The Existing Small Sites Fund**

#### The Importance of Acquiring Small Sites

As mentioned above, the existing Small Sites Fund is administered by MOHCD for the purpose of acquiring and renovating Small Sites. Acquiring this building type is important for a number of reasons. First, this residential building type houses a significant share of units and consequentially residents (see Table 1 below). Given the steady number of "No-Fault" eviction notices over the last five years<sup>3</sup> it is important, and is City policy,<sup>4</sup> that the City help acquire this building type and protect tenants from

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<sup>2</sup> BF081249 <https://sfgov.legistar.com/View.ashx?M=F&ID=712557&GUID=6EF3D361-7BC9-4684-B35A-66672A8AEE75>

<sup>3</sup> The Rent Board provides data on the number of No-Fault eviction notices, which can serve as a proxy for tenant displacement.

<https://housing.datasf.org/data-browser/rent-control/eviction-notices-impacting-supply>. Referenced November 1, 2016

<sup>4</sup> 2014 Housing Element

Objective 3 Protect the Affordability of the Existing Housing Stock, Especially Rental Units, Policy 3.2: Promote voluntary housing acquisition and rehabilitation to protect affordability for existing occupants  
Objective 6: Reduce Homelessness and the Risk of Homelessness

eviction. Second, when the MOHCD helps acquire multifamily properties it provides stability not only for the tenants but for the neighborhood as well. The Planning Commission has recognized the effect new market rate housing can have on neighborhood affordability and acquiring Small Sites in the same neighborhood can off-set those effects.<sup>5</sup> Third, acquiring Small Sites diversifies the City's affordable housing portfolio. When MOHCD finances 100% affordable housing projects they contain upwards of 45 units. Augmenting the City's holdings with Small Sites helps it serve a different, yet equally important, population. As the Table 1 indicates, buildings with 2 – 25 units comprise a significant portion of the City's housing stock. It is important that the City's affordable housing stock also include this building type. Last, acquiring Small Sites immediately increases the City's stock of affordable housing. In light of protracted affordable housing production timelines, Small Site acquisition is especially advantageous.

TABLE 1: RESIDENTIAL BUILDING TYPES

Building Size	No. of Buildings	No. of Units	% of Buildings	% of Units
1 Unit	97,342	97,342	70%	27%
2 -25 Units	40,010	164,831	29%	46%
26+ Units	1,356	97,062	1%	27%
TOTAL	138,708	359,235	100%	100%

#### Uncertain Funding Mechanism

MOHCD typically allocates 10% of collected Affordable Housing Fees towards the Small Sites Fund. However, these resources are capped and are not guaranteed. When the Small Sites Fund reaches a total of \$15 million, MOHCD stops allocating Affordable Housing Fees to this purpose. When less than \$10 million in Affordable Housing Fees is collected in any 12 month period, MOHCD diverts existing Small Sites funds to other purposes. This was the case during the last economic downturn. Taken together, this places the Small Sites effort on uncertain terms.

#### **Potential Improvements to the Small Sites Acquisition Effort**

##### Separate Financing Source

Creating a separate source of financing, distinct from the existing Small Sites Fund, is one way to improve the acquisition and rehabilitation of small renter occupied buildings. Project Sponsors could be allowed to designate 100% of their Affordable Housing Fee to be used toward this effort. This is in contrast to the Small Sites Fund which allocates only 10% when Affordable Housing Fees are being sufficiently collected.

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<sup>5</sup> San Francisco City Planning Commission Motion 13052:

Whereas, New market rate development can increase the rents and property values in a surrounding neighborhood. Low cost rental units become vacant and are rented at higher market rates. The value of owner occupied units increases and the units are sold at a higher price. While the upgrading of city neighborhoods is a valid and desirable objective, it has to be balanced with negative impacts on the ability of lower-income households to secure affordable housing, through appropriate mitigations. A certain amount of affordable housing in relation to the use of residential land will help provide needed affordable housing development.

#### Increased Connection between Market Rate and Small Sites Projects

Designated Affordable Housing Fee could also be restricted to acquiring Small Sites in proximity to the market rate project incurring the Affordable Housing Fee. This could take the form of requiring that Small Sites are located within the same “neighborhood” as the market rate project. The Planning Department (Department) maintains a Neighborhood Groups Map which is used as a tool for neighborhood groups to receive notification of projects within their neighborhoods.<sup>6</sup> This map, in conjunction with input from the Department and MOHCD, could serve as the tool to define “neighborhood.” This creates a geographic connection between both projects, which is lacking in the Small Sites Fund but is a fundamental principle of the Affordable Housing Program. It is also preferable to a radius restriction because it assures that Small Sites are located in the same neighborhood as the market rate project. Under a radius restriction a Small Site project could be located in a different neighborhood if the market rate project is near or along a neighborhood boundary.

Imposing time limits on the use of designated Affordable Housing Fees would also be a valuable feature of a new Small Sites program. A time limit would ensure that designated Affordable Housing Fees do not sit idle but are actively used. It would also create a temporal connection between the market rate project and the Small Site.

### RECOMMENDATION

The Department recommends that the Commission recommend *approval with modifications* of the proposed Ordinance and adopt the attached Draft Resolution to that effect. The Department’s proposed recommendations are as follows:

1. Modify the Ordinance to require designated Affordable Housing Fees to be used to acquire Small Sites within the neighborhood that the principal project incurring the Fee is located.

*A project sponsor of a principal project comprised of up to 25 residential units may elect under Section 415.5(g) to meet its Inclusionary Affordable Housing requirement by designating its payment of the Affordable Housing Fee due under Section 415.5 into a Small Site program that MOHCD shall establish for this purpose. Affordable Housing Fees designated for this program shall not be considered part of the designated funds specified by Section 415.5(f). MOHCD shall expend the funds from a principal project on a Small Sites Project that meets the requirements set forth in Section 415.5(f)(2)(B) within the geographic area described in Section 415.7 same neighborhood as the principal project, as determined by the Planning Department and MOHCD and using a definition of “neighborhood” in common use by the Planning Department, such as the Planning Department’s 37-neighborhood notification map. If MOHCD is unable to identify a qualifying Small Sites Project and apply the fee to a Small Sites Project within the geographic area required in Section 415.7 same neighborhood as the Principal Project within two years of the payment of the fee, such fee shall be released into the Affordable Housing Fund to fund other qualifying Small Sites Projects in San Francisco.*

### BASIS FOR RECOMMENDATION

The Department is in support of the proposed Ordinance because it creates another source of acquisition financing for smaller renter occupied buildings, helps diversify the City’s affordable housing stock and

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<sup>6</sup> <http://sf-planning.org/neighborhood-groups-map>

addresses community stabilization concerns. Because the Small Sites Fund's resources are capped and constrained by the collection of Affordable Housing Fee, establishing another source of financing will bolster the continued acquisition of Small Sites. The continued acquisition of Small Sites diversifies and augments the City's affordable housing stock while providing residents a large measure of housing stability. It also helps stabilize existing communities, which is increasingly important in neighborhoods experiencing rapid demographic change.

**Recommendation 1: Modify the Ordinance to require designated Affordable Housing Fees to be used to acquire Small Sites within the neighborhood that the principal project incurring the Fee is located.**

Staff recommends this change because it furthers the Department's goal of addressing community stabilization concerns, maintains the connection between market rate and Inclusionary housing and further affordable housing production. Locating Small Sites in the same neighborhood, as commonly recognized, as a market rate project helps foster the connection between projects. It also help offsets effects of the market rate project by creating a new supply of affordable housing. These are foundational concepts of the City's Affordable Housing Program. The time limits on the use of designated Affordable Housing Fee assure that the City actively uses Affordable Housing Fees for affordable production where they are needed.

## **REQUIRED COMMISSION ACTION**

The proposed Ordinance is before the Commission so that it may recommend adoption, rejection, or adoption with modifications to the Board of Supervisors.

## **IMPLEMENTATION**

The Department determined that this ordinance will not impact our current implementation procedures.

## **ENVIRONMENTAL REVIEW**

The proposed amendments are not defined as a project under CEQA Guidelines Section 15060(c)(2) and 15378 because they do not result in a physical change in the environment.

## **PUBLIC COMMENT**

As of the date of this report, the Planning Department has not received any public comment regarding the proposed Ordinance.

<b>RECOMMENDATION:</b>	<b>Recommendation of Approval with Modification</b>
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### **Attachments:**

Exhibit A: Draft Planning Commission Resolution  
Exhibit B: Board of Supervisors File No. 161157



# SAN FRANCISCO PLANNING DEPARTMENT

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## Planning Commission Draft Resolution

HEARING DATE NOVEMBER 17, 2016

*Project Name:* **Inclusionary Housing Small Sites Program**  
*Case Number:* **2016-013420PCA** [Board File No. 161157]  
*Initiated by:* Mayor Lee, Supervisor Campos / Introduced October 25, 2016  
*Staff Contact:* Diego R Sánchez, Legislative Affairs  
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**RECOMMENDING THAT THE BOARD OF SUPERVISORS ADOPT A PROPOSED ORDINANCE THAT WOULD CREATE AN ALTERNATIVE FOR PROJECT SPONSORS OF SMALLER MARKET RATE PROJECTS TO DIRECT THE AFFORDABLE HOUSING FEE TO SMALL SITES PROJECTS; ADOPTING FINDINGS, INCLUDING ENVIRONMENTAL FINDINGS, PLANNING CODE SECTION 302 FINDINGS, AND FINDINGS OF CONSISTENCY WITH THE GENERAL PLAN AND PLANNING CODE SECTION 101.1.**

WHEREAS, on October 25, 2016 Mayor Lee and Supervisor Campos introduced a proposed Ordinance under Board of Supervisors (hereinafter "Board") File Number 161157, which would create an alternative for Project Sponsors of smaller market rate projects to direct the Affordable Housing Fee to Small Sites projects;

WHEREAS, The Planning Commission (hereinafter "Commission") conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance on November 17, 2016; and,

WHEREAS, the proposed Ordinance has been determined to be categorically exempt from environmental review under the California Environmental Quality Act Section 15060(c)(2) and 15378; and

WHEREAS, the Planning Commission has heard and considered the testimony presented to it at the public hearing and has further considered written materials and oral testimony presented on behalf of Department staff and other interested parties; and

WHEREAS, all pertinent documents may be found in the files of the Department, as the custodian of records, at 1650 Mission Street, Suite 400, San Francisco; and

WHEREAS, the Planning Commission has reviewed the proposed Ordinance; and

MOVED, that the Planning Commission hereby recommends that the Board of Supervisors **approve with modifications** the proposed ordinance.

The modifications include:

1. Modify the Ordinance to require designated Affordable Housing Fees to be used to acquire Small Sites within the neighborhood that the principal project incurring the Fee is located.

A project sponsor of a principal project comprised of up to 25 residential units may elect under Section 415.5(g) to meet its Inclusionary Affordable Housing requirement by designating its payment of the Affordable Housing Fee due under Section 415.5 into a Small Site program that MOHCD shall establish for this purpose. Affordable Housing Fees designated for this program shall not be considered part of the designated funds specified by Section 415.5(f). MOHCD shall expend the funds from a principal project on a Small Sites Project that meets the requirements set forth in Section 415.5(f)(2)(B) within the geographic area described in Section 415.7 same neighborhood as the principal project, as determined by the Planning Department and MOHCD and using a definition of "neighborhood" in common use by the Planning Department, such as the Planning Department's 37-neighborhood notification map. If MOHCD is unable to identify a qualifying Small Sites Project and apply the fee to a Small Sites Project within the geographic area required in Section 415.7 same neighborhood as the principal project within two years of the payment of the fee, such fee shall be released into the Affordable Housing Fund to fund other qualifying Small Sites Projects in San Francisco.

## FINDINGS

Having reviewed the materials identified in the preamble above, and having heard all testimony and arguments, this Commission finds, concludes, and determines as follows:

1. The Inclusionary Affordable Housing Program, which requires Project Sponsors to pay the Affordable Housing Fee or elect one of three alternatives, can help the City meet its goals for affordable housing production.
2. Project Sponsors of smaller market rate projects with 25 residential units or less should have the option of designating the Affordable Housing Fee for the purpose of acquiring and rehabilitating smaller residential buildings within the same neighborhood as their project.
3. Smaller residential buildings contain a disproportionate number of units in comparison to their proportion of all residential buildings in the City. Owing to this, the City's affordable housing portfolio should include this building type.
4. Acquiring, rehabilitating and making permanently affordable this housing stock is a worthy goal as the City strives to address its shortage of affordable housing. Amending the Inclusionary Affordable Housing Program to facilitate this goal is therefore imperative.
5. **General Plan Compliance.** The proposed Ordinance and the Commission's recommended modifications are consistent with the following Objectives and Policies of the General Plan:

## HOUSING ELEMENT

### OBJECTIVE 3

PROTECT THE AFFORDABILITY OF THE EXISTING HOUSING STOCK, ESPECIALLY RENTAL UNITS.

#### Policy 3.2

Promote voluntary housing acquisition and rehabilitation to protect affordability for existing occupants.

*The proposed Ordinance will create a new source of financing that will aid in the acquisition and rehabilitation of affordable housing for existing occupants.*

### OBJECTIVE 4

FOSTER A HOUSING STOCK THAT MEETS THE NEEDS OF ALL RESIDENTS ACROSS LIFECYCLES.

#### Policy 4.1

Develop new housing, and encourage the remodeling of existing housing, for families with children.

#### Policy 4.4

Encourage sufficient and suitable rental housing opportunities, emphasizing permanently affordable rental units wherever possible.

*The proposed Ordinance will generate new resources for the acquisition and renovation of existing rental housing that will remain affordable to households for at least 55 years.*

### OBJECTIVE 7

SECURE FUNDING AND RESOURCES FOR PERMANENTLY AFFORDABLE HOUSING, INCLUDING INNOVATIVE PROGRAMS THAT ARE NOT SOLELY RELIANT ON TRADITIONAL MECHANISMS OR CAPITAL.

#### Policy 7.1

Expand the financial resources available for permanently affordable housing, especially permanent sources.

#### Policy 7.6

Acquire and rehabilitate existing housing to maximize effective use of affordable housing resources.

*The proposed Ordinance will expand the City's financial resources allowing the acquisition and rehabilitation of existing housing and require that it be affordable to households for at least 55 years.*



6. **Planning Code Section 101 Findings.** The proposed amendments to the Planning Code are consistent with the eight Priority Policies set forth in Section 101.1(b) of the Planning Code in that:

1. That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses enhanced;

*The proposed Ordinance may help preserve neighborhood serving retail uses by having the City acquire the buildings in which they are located and extend their tenancies*

2. That existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods;

*The proposed Ordinance will have a beneficial effect on housing and neighborhood character because it seeks to improve the delivery of affordable housing. This improves the diversity of the City's neighborhoods.*

3. That the City's supply of affordable housing be preserved and enhanced;

*The proposed Ordinance will help to enhance the City's supply of affordable housing by facilitating the acquisition of smaller rental buildings that will be made affordable to households for at least 55 years.*

4. That commuter traffic not impede MUNI transit service or overburden our streets or neighborhood parking;

*The proposed Ordinance will not result in commuter traffic impeding MUNI transit service or overburdening the streets or neighborhood parking as it deals with creating a new method of compliance with the City's Inclusionary Affordable Housing Program.*

5. That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for resident employment and ownership in these sectors be enhanced;

*The proposed Ordinance will not cause displacement of the industrial or service sectors due to office development, and future opportunities for resident employment or ownership in these sectors would not be impaired because the Ordinance deals creating a new method of compliance with the City's Inclusionary Affordable Housing Program.*

6. That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake;

*The proposed Ordinance will not have an adverse effect on City's preparedness against injury and loss of life in an earthquake because it deals with the Inclusionary Affordable Housing Program.*

7. That the landmarks and historic buildings be preserved;

*The proposed Ordinance will not have an adverse effect on the preservation of the City's Landmarks and historic buildings as the Ordinance seeks to acquire and rehabilitate small residential buildings and make them affordable to households.*

8. That our parks and open space and their access to sunlight and vistas be protected from development;

*The proposed Ordinance will not have an adverse effect on the City's parks and open space and their access to sunlight and vistas because it seeks to amend the City's Inclusionary Affordable Housing Program.*

7. **Planning Code Section 302 Findings.** The Planning Commission finds from the facts presented that the public necessity, convenience and general welfare require the proposed amendments to the Planning Code as set forth in Section 302.

NOW THEREFORE BE IT RESOLVED that the Commission hereby recommends that the Board ADOPT the proposed Ordinance with modifications as described in this Resolution.

I hereby certify that the foregoing Resolution was adopted by the Commission at its meeting on November 17, 2016.

Jonas P. Ionin  
Commission Secretary

AYES:

NOES:

ABSENT:

ADOPTED: November 17, 2016

[Planning Code - Inclusionary Housing Small Sites Program]

**Ordinance amending the Planning Code to create an alternative for project sponsors of smaller market rate projects to direct the Affordable Housing Fee to Small Sites Projects; affirming the Planning Department's determination under the California Environmental Quality Act; and making findings of consistency with the General Plan, the eight priority policies of Planning Code, Section 101.1; and making a finding of public necessity, convenience, and welfare under Planning Code, Section 302.**

NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.  
**Additions to Codes** are in *single-underline italics Times New Roman font*.  
**Deletions to Codes** are in ~~*strikethrough italics Times New Roman font*~~.  
**Board amendment additions** are in double-underlined Arial font.  
**Board amendment deletions** are in ~~Arial font~~.  
**Asterisks (\* \* \* \*)** indicate the omission of unchanged Code subsections or parts of tables.

Be it ordained by the People of the City and County of San Francisco:

Section 1. Findings.

(a) The Planning Department has determined that the actions contemplated in this ordinance comply with the California Environmental Quality Act (California Public Resources Code Sections 21000 et seq.). Said determination is on file with the Clerk of the Board of Supervisors in File No. \_\_\_\_ and is incorporated herein by reference. The Board affirms this determination.

(b) On \_\_\_\_\_, the Planning Commission, in Resolution No. \_\_\_\_\_, adopted findings that the actions contemplated in this ordinance are consistent, on balance, with the City's General Plan and eight priority policies of Planning Code Section 101.1. The

1 Board adopts these findings as its own. A copy of said Resolution is on file with the Clerk of  
2 the Board of Supervisors in File No. \_\_\_\_\_, and is incorporated herein by reference.

3 (c) Pursuant to Planning Code Section 302, the Board of Supervisors finds that the  
4 proposed Planning Code amendments will serve the public necessity, convenience, and  
5 welfare for the reasons set forth in Planning Commission Resolution No. \_\_\_\_\_, and  
6 the Board incorporates such reasons herein by reference.

7  
8 Section 2. The Planning Code is hereby amended by revising Section 415.2 and 415.5  
9 and adding Section 415.7-1, to read as follows:

10 **SEC. 415.2. DEFINITIONS.**

11 See Section 401 of this Article. For purposes of Sections 415.3et seq., "low income"  
12 households shall be defined as households whose total household income does not exceed  
13 55% of Area Median Income for purposes of renting an affordable unit, or 80% of Area  
14 Median Income for purposes of purchasing an affordable unit, and "moderate income" and  
15 "middle income" households shall mean households whose total household income does not  
16 exceed 100% of Area Median Income for purposes of renting an affordable unit, or 120% of  
17 Area Median Income for purposes of purchasing an affordable unit. The Small Sites Fund,  
18 defined in Section 415.5(f)(2), and the Small Sites Program, including any program established  
19 pursuant to Section 415.7-1, may use Affordable Housing Fees to acquire sites and buildings  
20 consistent with the income parameters of the Programs, as periodically updated and  
21 administered by MOHCD.

22  
23 **SEC. 415.5. AFFORDABLE HOUSING FEE.**

24 The fees set forth in this Section 415.5 will be reviewed when the City completes an  
25 Economic Feasibility Study. Except as provided in Section 415.5(g), all development projects

1 subject to this Program shall be required to pay an Affordable Housing Fee subject to the  
2 following requirements:

3 \* \* \* \*

4 (f) **Use of Fees.** All monies contributed pursuant to the Inclusionary Affordable  
5 Housing Program shall be deposited in the Citywide Affordable Housing Fund ("the Fund"),  
6 established in Administrative Code Section 10.100-49. The Mayor's Office of Housing and  
7 Community Development ("MOHCD") shall use the funds collected under this Section 415.5 in  
8 the following manner:

9 \* \* \* \*

10 (2) **"Small Sites Funds."**

11 (A) **Designation of Funds.** MOHCD shall designate and separately  
12 account for 10% ~~percent~~ of all fees that it receives under Section 415.1 et seq. that are  
13 deposited into the Citywide Affordable Housing Fund, established in Administrative Code  
14 Section 10.100-49, excluding fees that are geographically targeted such as those referred to  
15 in Sections 415.5(b)(1) and 827(b)(1), to support acquisition and rehabilitation of Small Sites  
16 ("Small Sites Funds"). MOHCD shall continue to divert 10% ~~percent~~ of all fees for this purpose  
17 until the Small Sites Funds reach a total of \$15 million at which point, MOHCD will stop  
18 designating funds for this purpose. At such time as designated Small Sites Funds are  
19 expended and dip below \$15 million, MOHCD shall start designating funds again for this  
20 purpose, such that at no time the Small Sites Funds shall exceed \$15 million. When the total  
21 amount of fees paid to the City under Section 415.1 et seq. totals less than \$10 million over  
22 the preceding 12-month period, MOHCD is authorized to temporarily divert funds from the  
23 Small Sites Fund for other purposes. MOHCD must keep track of the diverted funds, however,  
24 such that when the amount of fees paid to the City under Section 415.1 et seq. meets or  
25 exceeds \$10 million over the preceding 12-month period, MOHCD shall commit all of the

1 previously diverted funds and 10% ~~percent~~ of any new funds, subject to the cap above, to the  
2 Small Sites Fund.

3 (B) **Use of Small Sites Funds.** The funds shall be used exclusively to  
4 acquire or rehabilitate "Small Sites" defined as properties consisting of 2-25 units. Units  
5 supported by monies from the fund shall be designated as housing affordable to qualified  
6 households as set forth in Section 415.2 for no less than 55 years. Properties supported by  
7 the Small Sites Funds must be:

- 8 (i) rental properties that will be maintained as rental properties;
- 9 (ii) vacant properties that were formerly rental properties as long  
10 as those properties have been vacant for a minimum of two years prior to the effective date of  
11 this legislation;
- 12 (iii) properties that have been the subject of foreclosure; or
- 13 (iv) a Limited Equity Housing Cooperative as defined in  
14 Subdivision Code Sections 1399.1 et seq. or a property owned or leased by a non-profit entity  
15 modeled as a Community Land Trust.

16 \* \* \* \*

17 (E) **Intent.** In establishing guidelines for Small Sites Funds, the Board of  
18 Supervisors does not intend to preclude MOHCD from expending other eligible sources of  
19 funding on Small Sites as described in this Section 415.5, or from allocating or expending  
20 more than \$15 million of other eligible funds on Small Sites.

21 \* \* \* \*

22 (g) **Alternatives to Payment of Affordable Housing Fee.**

23 (1) **Eligibility:** A project sponsor must pay the Affordable Housing Fee unless it  
24 qualifies for and chooses to meet the requirements of the Program through an Alternative  
25

provided in this subsection (g). The project sponsor may choose one of the following Alternatives:

(A) **Alternative #1: On-Site Units.** Project sponsors may elect to construct units affordable to qualifying households on-site of the principal project pursuant to the requirements of Section 415.6.

(B) **Alternative #2: Off-Site Units.** Project sponsors may elect to construct units affordable to qualifying households at an alternative site within the City and County of San Francisco pursuant to the requirements of Section 415.7.

(C) **Alternative #3: Small Sites.** Qualifying project sponsors may elect to fund buildings as set forth in Section 415.7-1.

~~(D)~~ **Alternative #34: Combination.** Project sponsors may elect any combination of payment of the Affordable Housing Fee as provided in Section 415.5, construction of on-site units as provided in Section 415.6, or construction of off-site units as provided in Section 415.7, provided that the project applicant constructs or pays the fee at the appropriate percentage or fee level required for that option.

\* \* \* \*

**SEC. 415.7-1. SMALL SITES AFFORDABLE HOUSING ALTERNATIVE.**

A project sponsor of a principal project comprised of up to 25 residential units may elect under Section 415.5(g) to meet its Inclusionary Affordable Housing requirement by designating its payment of the Affordable Housing Fee due under Section 415.5 into a Small Sites program that MOHCD shall establish for this purpose. Affordable Housing Fees designated for this program shall not be considered part of the designated funds specified by Section 415.5(f). MOHCD shall expend the funds from a principal project on a Small Sites Project that meets the requirements set forth in Section 415.5(f)(2)(B) within the geographic area described in Section 415.7. If MOHCD is unable to identify



1 a qualifying Small Sites Project and apply the fee to a Small Sites Project within the geographic area  
2 required in Section 415.7 within two years of the payment of the fee, such fee shall be released into the  
3 Affordable Housing Fund to fund other qualifying Small Sites Projects in San Francisco.

4  
5 Section 3. Effective Date. This ordinance shall become effective 30 days after  
6 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the  
7 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board  
8 of Supervisors overrides the Mayor's veto of the ordinance.

9  
10 Section 4. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors  
11 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,  
12 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal  
13 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment  
14 additions, and Board amendment deletions in accordance with the "Note" that appears under  
15 the official title of the ordinance.

16  
17  
18 APPROVED AS TO FORM:  
19 DENNIS J. HERRERA, City Attorney

20 By: \_\_\_\_\_  
21 VICTORIA WONG  
22 Deputy City Attorney

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