



# IMPLEMENTING PROPOSITION E AND THE OFFICE DEVELOPMENT ANNUAL LIMIT PROGRAM

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Implementing Proposition E / October 1, 2020 / Planning Commission Presentation



**San Francisco**  
**Planning**

# Presentation Purpose

- Provide a baseline of information regarding:
  - Program history
  - Program mechanics
  - Historical and current data
- Provide an overview of Proposition E
- Discuss proposed implementation policies



# WHAT IS THE OFFICE DEVELOPMENT ANNUAL LIMIT PROGRAM?



# Presentation Purpose

- Regulation to limit major office development
- City-wide, independent of zoning districts
- Applies to any office development of 25,000gsf or more
- Provides 950,000gsf each year for allocation (on Oct. 17<sup>th</sup>)
- 75,000gsf for small projects (25,000-49,999 gsf)
  - aka “Small Cap”
- 875,000 gsf for large projects (50,000gsf or more)
  - aka “Large Cap”

# History of the Annual Limit Program

- 1985 – The Downtown Plan established the Program
  - 50,000gsf threshold
- Permitted up to 2,850,000 gsf over a 3-year period
  - 1988 expiration
- Included exemptions for certain types of projects
- Adopted by, and modifiable by BoS

# History of the Annual Limit Program

- 1986 – Proposition M amended the Program
- Initiated and adopted based on concerns related to office development impacts on transit, housing, and neighborhood character
- Created the Small Cap (25,000-49,999gsf)
- Created an annual limit with no expiration
- Language added by Prop M cannot be modified except by Voters

# Mechanics of the Annual Limit Program

- All office projects 25,000gsf or more require Planning Commission approval
- Unallocated gsf in each cap rolls over year-to-year
- Approved projects may be revoked by Planning Commission due to:
  - Performance period expiration (i.e. inactivity)
  - Conversion to other use (i.e. Residential)
- Revoked projects' gsf added back to appropriate cap

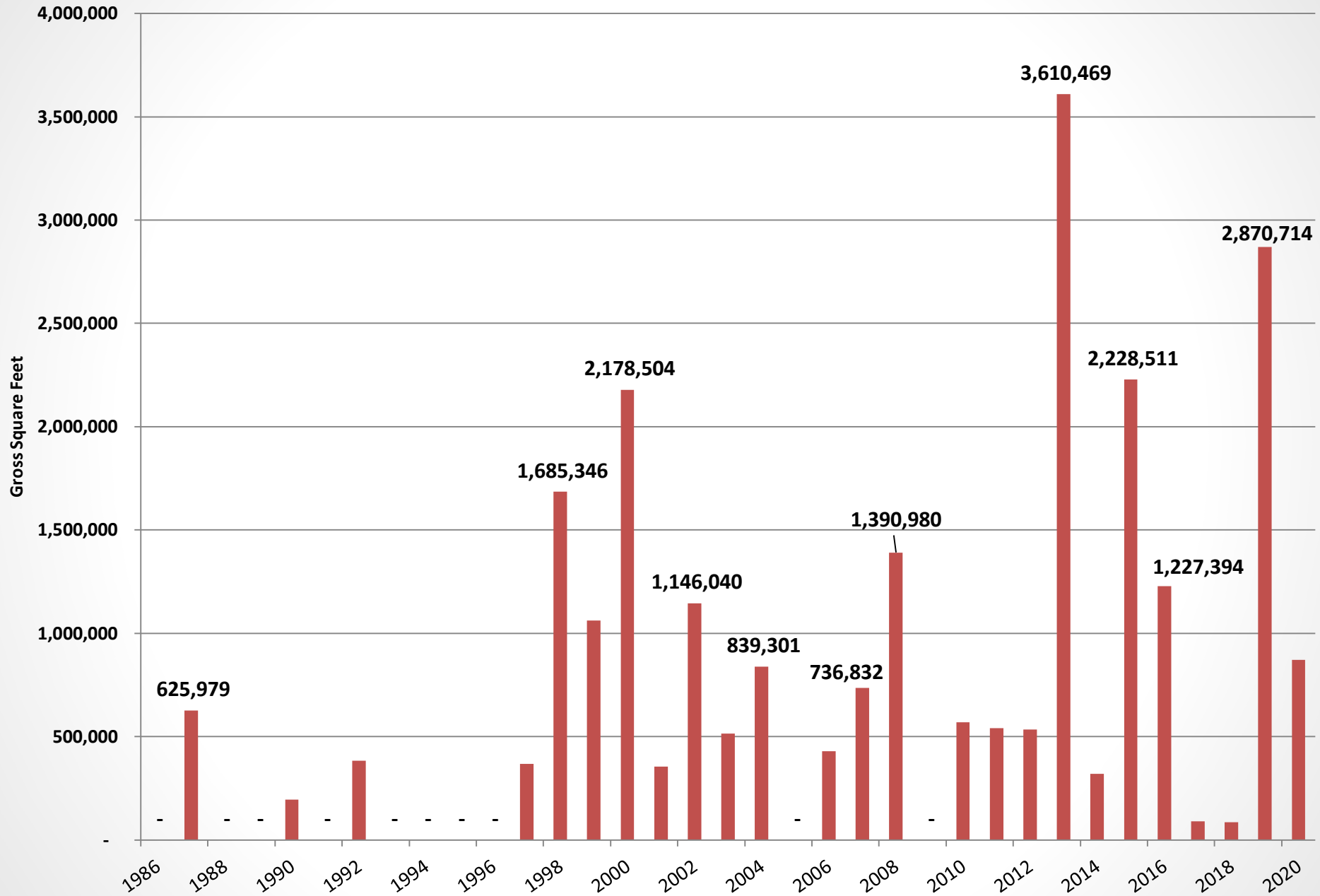
# Mechanics of the Annual Limit Program

## Exceptions:

- State and Federal office buildings
  - GSF removed from cap, but no Planning Commission review
  - GSF removed from cap at commencement of construction
- SF Port and Redevelopment Project Areas
  - Approvals and timing vary, but GSF removed from cap
- City and County of SF office buildings
  - Not subject to the Program



# Large Cap Office Allocation 1986-2020\*



\*Allocation Year runs from 10/17 of previous year to 10/16 of the stated year

# Current Program Status

- Small Cap

Available Square Footage: **752,624 gsf**

Pending: **694,282 gsf**

Pre-Application: **67,000 gsf**

Pipeline Availability: **-8,658 gsf**

- Large Cap

Available Square Footage: **24,949 gsf**

Pending: **4,671,401 gsf\***

Pre-Application: **597,723 gsf**

Pipeline Availability: **-5,244,175 gsf**

PENDING
<u>+ PRE-APPLICATION</u>
PIPELINE

*\*Includes larger Port projects that will draw down over time*

# WHAT IS PROPOSITION E?



# Proposition E – Primary Impacts

- Links allocation of office space to the production of housing:
  - Ties office space availability to the City's production of affordable housing
  - Limits office development in Central SoMa related to housing production in the larger SoMA area
  - Allows new projects to be allocated office space if affordable housing is also provided

# Annual Allotment Reduced

- 875,000 gsf for Large Cap each year reduced by % of RHNA affordable housing goal NOT achieved in prior year

2020 Updated Annual Allotment	
2015-2019 RHNA Affordable Housing Goal	10,210 Units
2015-2019 SF Affordable Housing Produced	6,156 Units
Percent of Goal Met	60.3 %
Baseline Annual Large Cap Allotment	875,000 gsf
<b>Updated 2020 Large Cap Allotment</b>	<b>527,625 gsf</b>

# Housing Balance Reserve

- If Large Cap has insufficient office space to allocate:
  - Office projects may still be approved if they produce affordable housing (up to 120% AMI) to meet the demand of the office space
    - Ratio of 809 housing units per 1 Million square feet of office space
    - 50% of inclusionary housing fee may be credited toward this requirement
    - Affordable housing may be on-site, or off-site within a “Community of Concern”
    - Affordable housing must be produced in conjunction with office space
    - Development Agreements may be approved to provide affordable housing later
    - No City capital funding may be used to develop the required affordable housing

# Central SoMa Reserve

- If Large Cap has insufficient office space to allocate:
  - Office projects in Central SoMa may still be approved if they meet characteristics of identified “Key Sites” projects
  - Such projects will provide either:
    - Land dedicated for affordable housing
    - Affordable “Community Arts PDR” or “Neighborhood-Serving Retail” space
    - A new or replacement City public safety facility
  - This reserve is limited to a total of 1.7 Million square feet

# Central SoMa Housing Requirement

- Large Cap office allocation in Central SoMa is limited to 6 Million square feet until:
  - At least 15,000 housing units are produced in the larger SoMa area
  - This calculation is taken from January 1, 2019 and thereafter
  - The Small Cap is not affected
  - 4.1 Million square feet of Large Cap office space allocated in Central SoMa since 1/1/19
  - Total housing produced in SoMa will be finalized by 10/17/20



# Incremental Deductions from Reserves

- Allocations from Reserves borrow from future annual allotments
  - 1/10 deductions over 10 years following a reserve allocation

## EXAMPLE

- 100,000 gsf allocation in 2020
  - 875,000 gsf annual Large Cap allotment in 2021
    - Reduction of Large Cap to account for 2020 allocation (-10,000 gsf)
    - Effective annual Large Cap allotment in 2021 = 865,000 gsf
    - Continue for 9 more years until full “debt” is paid

# Commission Review Criteria

- Removed prohibition to consider additional fees and affordable housing
- Reduced review criteria from 7 to 4

REMOVED	ADDED
General Plan	Inclusion of Affordable Housing
Design	Inclusion of Community Improvements
Anticipated Uses	
Anticipated Occupancy	
Use of TDR	

# Additional Legislation Required

- Board of Supervisors required to define “Communities of Concern”
- Waiver for Jobs Housing Linkage Program Fee due to production of housing to meet the nexus-established demand

# RECOMMENDED COMMISSION POLICIES



# Policy 1

- Proposition E ties certain provisions to the production of “Housing Units.”
- Proposition E does not define “Housing Unit.”
- The Inclusionary Affordable Housing Program considers each Group Housing bedroom to be a “Housing Unit” for the purpose of calculating a project’s affordable housing requirement.
- **RECOMMENDATION 1:** Adopt the Planning Code Section 401 definition of “Housing Unit” to be used for implementation of Proposition E.

## Policy 2

- Proposition E does not define “Community Arts PDR,” “Neighborhood-Serving Retail,” or “City Public Safety Facility.”
- Also not defined in the Planning Code, which may present challenges for review and implementation.
- **RECOMMENDATION 2:** Considering the challenge of defining these terms within the land use context of the Planning Code, the Department recommends that the Planning Commission does not define these terms, but instead adopts a policy to review the specifics of each project proposal on a case-by-case basis.

# Policy 3

- Timing of required affordable housing production is not explicit.
- However, DA projects are allowed to produce in later phases
- Prop E findings strongly imply affordable housing should be produced in conjunction with approved office space
- Inclusionary Affordable Housing Program requires off-site affordable units to be completed concurrently with the associated market-rate units.
- **RECOMMENDATION 3:** Adopt a policy that all affordable housing required for a project pursuant to Proposition E must receive its first certificate of occupancy prior to or concurrent with the issuance of first certificate of occupancy for the associated office space. However, consistent with the terms of Proposition E, the Planning Commission may allow projects subject to a Development Agreement to provide such affordable housing at later dates.

# Policy 4

- Housing Balance Reserve projects get credit for 50% of their Inclusionary Affordable Housing Program fee (when applicable)
- Proposition E provides no methodology for calculating such credit.
- Inclusionary Affordable Housing Program includes a fee option.
- Fee determined by MOHCD with input from the TAC and updated every three years.
- **RECOMMENDATION 4:** Adopt a policy that the raw number of housing units represented by the percentage of housing units within a project that pays the Inclusionary Affordable Housing Program fee will equal the number of housing units provided to meet the affordable housing requirement of the Housing Balance Reserve provision.



THANK YOU



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