AFFORDABLE HOUSING BONUS PROGRAM

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SAN FRANCISCO HOUSING CONTEXT

STATE DENSITY BONUS LAW

2013 Napa Court Case

AFFORDABLE HOUSING BONUS PROGRAM

No Public Subsidies

Tradeoffs
POLICY GOALS

- **Incentivize** greater levels of onsite affordable units
- **Improve** feasibility of underutilized sites
- **Establish** a ‘middle income’ program
- **Facilitate** entitlement of 100% affordable projects
PROGRAM AREA: RESIDENTIAL MIXED USE DISTRICTS

30,850 Parcels in Study Area

Program Area
Projected Maximum Total New Units Soft Sites in Program Area, 20 Years

Affordable Units – permanently affordable, deed restricted housing units built by market rate developers.
* Assumes all projects provide inclusionary units onsite. Does not include 100% affordable housing projects.
** Includes some middle income units.
Affordable Housing Bonus Program

Density Bonus up to 35%

1-3 Concessions

Heights up to 2 stories when needed

No density limit (40% 2-BR)

3 Concessions

2 additional stories of height
STATE PROGRAM, REQUIRED BY STATE LAW
GRADUATED DENSITY AND AFFORDABILITY

13 OR 20% OF THE TOTAL PROJECT AFFORDABLE

DENSITY BONUS
GRADUATED SCALE BASED ON

- % of affordable Units
- AMI served by Affordable Units
- 7 to 35% Density Bonus

MAXIMUM 2 STORIES
ONLY IF NECESSARY TO

REQUIRED
INCLUSIONARY
55% OR 90%

0 - 8%
VERY LOW, LOW, OR MODERATE INCOME
### State Program, Affordable Housing Layer Cake

#### Most Likely Outcome - Maximum Bonus

<table>
<thead>
<tr>
<th>Category</th>
<th>Permitted Units</th>
<th>Inclusionary Units</th>
<th>Bonus Market Units</th>
<th>Elective Affordable Units</th>
<th>Affordable Units</th>
<th>Total Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental</td>
<td>100</td>
<td>12</td>
<td>23</td>
<td>5</td>
<td>17</td>
<td>135</td>
</tr>
<tr>
<td></td>
<td><strong>Inclusionary</strong></td>
<td>12%</td>
<td><strong>5% at 50% AMI</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Bonus Market</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owner</td>
<td>100</td>
<td>12</td>
<td>28</td>
<td>15</td>
<td>27</td>
<td>135</td>
</tr>
<tr>
<td></td>
<td><strong>Inclusionary</strong></td>
<td>12%</td>
<td><strong>15% at 80% AMI</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Bonus Market</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Most projects in the program area will have fewer units.*

#### Easy Math Example

- **Rental**: 100 Units
  - Permitted Units: 100
  - Inclusionary Units: 12 @ 55% AMI
  - Bonus Market Units: 23
  - Elective Affordable Units: 5 @ 50% AMI
  - Total Affordable Units: 17
  - Total Units: 135

- **Owner**: 100 Units
  - Permitted Units: 100
  - Inclusionary Units: 12 @ 90% AMI
  - Bonus Market Units: 7
  - Elective Affordable Units: 15 @ 80% AMI
  - Total Affordable Units: 27
  - Total Units: 135

#### State Requirements

- **Maximum 35% Bonus**

#### Most Likely Outcome

- **Maximum Bonus**
DRAFT INCENTIVES AND CONCESSIONS

• **Rear Yard:** No less than 20% of lot area to meet the rear yard requirement

• **Exposure:** The exposure requirements of Section 140 apply, except that subsection (a)(2) may be satisfied through windows facing an unobstructed open area that is at least 25 feet in every horizontal direction that is not required to expand on subsequent floors

• **Parking:** Reduce parking requirements by 50%

• **Open Space:** 5% reduction for common open space requirements

• **Loading Requirements:** reduction from off street loading requirements
HEIGHT LIMIT CONSTRAINED, UNDER CURRENT CONTROLS

<table>
<thead>
<tr>
<th>NC-3</th>
<th>Building Envelope</th>
</tr>
</thead>
<tbody>
<tr>
<td>40-X</td>
<td>Existing Height Limit</td>
</tr>
<tr>
<td>5,000 sf Lot Area</td>
<td>Commercial and Parking</td>
</tr>
<tr>
<td>Density: 1/600 sf</td>
<td>Residential, Under Existing Controls</td>
</tr>
<tr>
<td>8 Units Allowed</td>
<td>35% Residential Density Bonus</td>
</tr>
</tbody>
</table>

Existing Height Limit

Building Envelope

- Commercial and Parking
- Residential, Under Existing Controls
- 35% Residential Density Bonus

ALLOWED ENVELOPE

8 Units
1,275 GSF Avg. Unit Size

35% INCREASE

11 Units
Exceeds Height Limit
DENSITY LIMIT CONSTRAINED, UNDER CURRENT CONTROLS

NC-3
130-E
35,000 sf Lot Area
Density: 1/600 sf
60 Units Allowed

BASE CASE
60 Units
1,000 GSF Avg. Unit Size

35% INCREASE
81 Units

Building Envelope
- Existing Height Limit
- Commercial and Parking
- Residential, Under Existing Controls
- 35% Residential Density Bonus
LOCAL PROGRAM, ACHIEVING LOCAL GOALS
30% AFFORDABLE AND MIDDLE INCOME

30% OF THE TOTAL PROJECT AFFORDABLE

- 18% MIDDLE INCOME (120% RENTAL OR 140% OWNER)
- 12% INCLUSIONARY 55% OR 90%

DENSITY REGULATIONS BASED ON

- Height and Bulk Controls
- 40% two bedroom requirement
- Design Principles

UP TO 2 STORIES ABOVE EXISTING HEIGHT LIMITS

THIS PROGRAM DOES **NOT** HAVE A MINIMUM UNIT THRESHOLD
LOCAL PROGRAM: 100% AFFORDABLE PROJECTS

CURRENT PROCESS
DENSITY BONUS

SUD process provides exceptions to current zoning code
Entitlements - 3 years
Time Consuming

PROPOSED PROGRAM

Height to not exceed 3 floors above permitted
Exceptions, while maintaining quality of life standards
Extended Entitlements - 10 years
NO CHANGE – review process

Local Program: 100% Affordable Projects
PROGRAM OFFERS DEVELOPERS TWO NEW OPTIONS:

STATE PROGRAM
MAXIMUM 35% BONUS

LOCAL PROGRAM
DENSITY REGULATED BY FORM

13% TOTAL PROJECT
20% TOTAL PROJECT
30% TOTAL PROJECT
PROGRAMS ARE FEASIBLE, ASSUME LAND BEARS THE COST

PROTOTYPE: Development Costs Before Profit / Per Unit

Current Controls: Hard Cost $300,000, Soft Cost $40,000, Land $269,000, Total Cost $609,000

Baseline State: Hard Cost $280,000, Soft Cost $40,000, Land $289,000, Total Cost $549,000

Local Goals (Middle & 30%): Hard Cost $270,000, Soft Cost $40,000, Land $237,000, Total Cost $467,000

Hard Costs: Residential hard construction; parking hard construction; hard cost contingency.
Soft Costs: Impact public fees; construction finance; other soft costs.
STATE DENSITY BONUS LAW
AFFORDABLE UNITS, BY DENSITY BONUS, BY AMI

Density bonus, if onsite affordable units are:
- Very Low Income 50% AMI
- Low Income 80% AMI
- Moderate Income 120% AMI
- Not likely

Affordable Housing Bonus Program 17
## STATE DENSITY BONUS LAW
### AFFORDABLE UNITS, BY DENSITY BONUS, BY AMI

<table>
<thead>
<tr>
<th>DENSITY BONUS*</th>
<th>VERY LOW (50% AMI OR BELOW)</th>
<th>LOW (80% AMI TO 51%AMI)</th>
<th>MODERATE (120% AMI TO 81% AMI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>7% bonus</td>
<td></td>
<td></td>
<td>12% units**</td>
</tr>
<tr>
<td>15% bonus</td>
<td></td>
<td></td>
<td>20% units</td>
</tr>
<tr>
<td>20% bonus</td>
<td>5% units</td>
<td>10% units</td>
<td>25% units</td>
</tr>
<tr>
<td>23% bonus</td>
<td>~7% units</td>
<td>12% units*</td>
<td>28% units</td>
</tr>
<tr>
<td>30% bonus</td>
<td>9% units</td>
<td>~17% units</td>
<td>35% units</td>
</tr>
<tr>
<td>35% bonus</td>
<td>11% or more units</td>
<td>20% units</td>
<td>40% units</td>
</tr>
</tbody>
</table>

*Per state law

Blue text – 12% inclusionary at various AMIs: *rental, **owner