



SAN FRANCISCO PLANNING DEPARTMENT

August 1, 2007

Angela Calvillo, Clerk
Board of Supervisors
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

**Re: Market and Octavia Neighborhood Plan
Transmittal of Planning Case No. 2003.0347EMTTUZ
Consistency with Affordable Housing Nexus Study**

Dear Ms. Calvillo:

The Planning Department has transmitted to the Board of Supervisors ("the Board") the Market and Octavia Neighborhood Plan approved by the Planning Commission ("the Commission") on April 5, 2007 and the trailing case approved by the Commission on July 12, 2007 by Planning Commission resolution 17460.

The ordinance forwarded to the board through Planning Commission resolution 17460, recommends a new Planning Code Section 249.33 ("the new section") to supersede the version approved on April 5th. The new section could require new development in the Van Ness and Market Downtown Residential Special Use District to contribute \$15 per gross square foot should they choose to pursue Floor Area Ratio (FAR) above 9 to 1 pursuant to provisions of the new section.

The City's current position is that the City's Inclusionary Housing Program including the in lieu fee provision which is offered as an alternative to building units within market rate projects, is not subject to the requirements of the Mitigation Fee Act, Government Code Sections 66000 et seq. While the City does not expect to alter its position on this matter, to the City did agree in past legislative actions to sponsor such a study, and has a general interest in determining whether the Inclusionary Program can be supported by a nexus type analysis as an additional support measure, the City contracted to undertake the preparation of a nexus analysis.

The nexus study finds that every 100 units of new market-rate for-sale housing generates a demand for as many as 30.2 affordable units. The current citywide requirement is 15%. Although the Planning Department's citywide feasibility study demonstrated that is not financially feasible to require more than 15% inclusionary housing without development incentives, an additional increase up to the cap of 30.2% would be supported by the findings of the affordable housing nexus study. An increase in 1 percent is the equivalent of \$3.43 sq.ft. based on 1000 sq.ft. 2-bedroom apartment. Assuming that the average new

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unit ranges 950 to 1500 sf, a new fee of \$15 per sf would be the equivalent of an 4.4% percent increase in the inclusionary housing requirement. Therefore, the addition of a new \$15 fee to be dedicated for affordable housing, in addition to the City's current inclusionary requirement, would still amount to a total requirement that is still significantly below the demonstrated nexus.

Sincerely,

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