SAN FRANCISCO PLANNING COMMISSION RESOLUTION NO. 16700

ADOPTING FINDINGS BY THE PLANNING COMMISSION ENACTING A TEMPORARY POLICY REQUIRING MANDATORY DISCRETIONARY REVIEW OF APPLICATIONS FOR DEMOLITION OF RESIDENTIAL STRUCTURES NOT SUBJECT TO CONDITIONAL USE FOR DEMOLITION, AND GOVERNING REVIEW AND APPROVAL OF SUCH APPLICATIONS.

Preamble

On May 8, 2003, the Planning Commission heard a review of the policy then in place for Mandatory Discretionary review of those residential demolition applications that were not subject to Conditional Use authorization.

That report suggested that review of residential demolitions be based on the Draft Housing Element of the General Plan, and identified relevant Policies and Objectives. ¹ The report described procedures the Department could use in demolition evaluations to bring greater consistency and clarity to the review process.

Staff received direction from the Commission at that hearing to apply some of the recommendations to applications on a trial basis, for an assessment of their efficacy. To that end, staff created a new Discretionary Review Report format for residential demolition applications. The keystone of that report format is a checklist of sixteen criteria.

These Interim criteria have been applied to Residential Demolitions during the past six months, during which time the Commission, staff and the public have been able to observe the utility and the results of the policies. The Department has tracked Commissioners' comments, public testimony, and information from meetings with stakeholders from neighborhood organizations, tenant groups, construction professionals, and Department of Building Inspection (DBI) staff. Planning staff now proposes formal adoption of "A Temporary Residential Demolition Policy."

Following adoption by the Commission a temporary policy, staff would continue to evaluate the effectiveness of the process, and return to the Commission in about six months (approximately May of 2004) with recommendations for adoption of a long-term policy.

On November 6, 2003, the Planning Commission (hereinafter "Commission") conducted a duly noticed public hearing on the temporary Residential Demolition Policy, at which time the Commission reviewed and discussed the findings prepared for its review by the staff of the Planning Department of the City and County of San Francisco (hereinafter "Department"). Keeping the Public Hearing open, the Commission continued this item to December 11, 2003.

On December 11, 2003, the Commission conducted a second duly noticed public hearing on the temporary Residential Demolition Policy, at which time the Commission reviewed and discussed the findings prepared for its review by the staff of the Planning Department of the City and County of San Francisco (hereinafter "Department").

These criteria are drawn from Policies and Objectives in the <u>draft</u> of the Housing Element. Revisions to that Element as adopted by the Commission and Board of Supervisors that effect Policies and Objectives relating to removal of dwellings will be incorporated into future proposals for demolition criteria presented to the Commission, prior to adoption of a longterm policy.

December 11, 2003

Temporary Residential Demolition Policy

Resolution No.16700

Page 2

After hearing and considering the testimony presented to it at the public hearing and after further considering the written materials and oral testimony presented on behalf of the Department staff and other interested parties, the Commission adopted the policy.

RESOLVED, that the Commission hereby adopts said policy based on the following findings:

Findings

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

- 1. The above recitals are accurate and also constitute findings of this Commission.
- 2. **Scope Of The Policy**: Under the proposed Temporary Residential Demolition Policy, permit applications to demolish any residential structure, unless Conditional Use authorization is required for demolition approval², are subject to mandatory Discretionary Review (DR) hearings, with the following exceptions: structures determined to be public hazards or structures damaged beyond feasible repair by fire, earthquake, or other act of God to be demolished and replaced in kind, and recommended for demolition by the Director of the Department of Building Inspection are exempt from Mandatory Discretionary Review under this policy.
- 3. The Department has created a Residential Demolition Application Form. The front of that Form solicits information from the applicant that addresses the project's consistency with the General Plan and its compliance with the Planning Code. It also requires the signature of the Applicant, signifying that the reverse of the form has been read and understood. The reverse side lists submittal requirements, and alludes to criteria that the Commission will consider in its review of the proposal. It refers the Project Sponsor to a new public information handout describing in detail the building soundness determination process. Environmental review of possible historical impacts of demolition is mentioned, and reference is made to a supplemental information sheet that must be completed by owners proposing demolition of structures older than fifty years, as required under the Department's "CEQA Guidelines for Historic Structures."
- 4. **Policy #1:** <u>Application</u>: The Commission shall require applicants to complete a residential demolition application similar to the draft in Exhibit 2, modified to reflect policy elements as adopted, and providing information, instructions and references to applicants, including informing them of the requirement for Discretionary Review hearings for approval or denial of the proposed demolitions.
- 5. Section 350(c) requires the Planning Department to charge the applicant for time and material costs in excess of basic fees, which for a Discretionary Review request is \$133 (for 1.46 hours of staff time, based on a current rate of \$91.17 per hour). A Discretionary Review Hearing before the Planning Commission on average requires about 20 hours of staff time. The Department cannot

Demolitions of residences located above the ground floor in NC Districts and the Van Ness S.U.D., and on any floor in C-3 Districts, the North of Market Residential S.U.D., and in many Mixed Use Districts, require Conditional Use Authorization from the Planning Commission, and thus are not subject to the mandatory DR requirement. An April, 1995 Residence Element Program Document entitled "Residential Conversion and Demolition Guidelines "was adopted to address Conditional Use Criteria (see *Exhibit 7.c*). However, the Commission may wish to consider whether the criteria developed for as-of-right applications should also be applied to Conditional Use authorizations, and whether the Program Document criteria should be up-dated following adoption of the Housing Element. Review of Conditional Use authorization related to residential demolitions is not part of the policy presently under consideration.

December 11, 2003

Temporary Residential Demolition Policy

Resolution No.16700

Page 3

collect time and materials charges beyond \$532 unless the applicant is provided with an estimate of costs. The Planning Department demolition application shall provide this estimate to the applicant.

- 6. **Policy #2:** <u>Fees</u> The Department shall charge applicants who request residential demolition approval the basic Discretionary Review fees and shall collect time and material fees as warranted. The application form shall advise applicants that they are financially responsible for Department time and materials expended on their application, and that total costs to the applicant for additional staff time shall not exceed \$1,823.40, unless the applicant is provided with a new written estimate of costs prior to commencement of any staff work in excess of 20 hours.
- 7. The Department intends to designate one or more Staff Planners in each quadrant of Neighborhood Planning as "Demolition Technical Specialists." These Planners will receive detailed training in the demolition policies adopted by the Commission, and will be a resource for the case Planners who would review demolition applications and report to the Commission. General training will be provided to all Neighborhood Planners, so that accurate and consistent information will be available to the public at the Planning Information Center.
- 8. **Policy #3:** The Department shall train designated planning staff to administer this policy within each Neighborhood Planning Quadrant.
- 9. **Policy #4:** The Commission shall require case Planners to conduct site visits to residential properties with demolition applications under review. Staff shall, during that visit, assess the scope and accuracy of information provided in the application, including the soundness report, if the applicant contends that the structure proposed for demolition is unsound.
- 10. Priority Policy 2 requires the City to "conserve existing housing." This Policy predisposes the Department to discourage residential demolition applications. It is incumbent on the Project Sponsor to provide information that demonstrates conformity of the proposed project with a sufficiency of other *General Plan* policies to outweigh this predisposition.
- 11. Unless the subject structure is determined to be unsound, consideration of both the existing building and the replacement structure is required to determine General Plan conformity. Although technically only the Demolition Permit Application is the subject of the Discretionary Review, information on the new building is required to assess the effects of the project on affordability, number of housing units, neighborhood character, cultural and economic diversity, new family housing opportunities, and impact of the project on renters.
- 12. To be approved, the project must have undergone review with respect to the California Environmental Quality Act or been determined to be exempt from review, must comply with all Planning Code requirements and must, on balance, meet General Plan Elements and Objectives to preserve affordable housing, maintain sound housing, protect neighborhood character and diversity, provide adequate rental opportunities, and maximize housing choice.
- 13. The Department has a Checklist of criteria, delineating the relevant *General Plan* Policies and Objectives. By applying the criteria to the project, the checklist can provide an overview of the project's conformity with the *General Plan*.
- 14. The criteria in this checklist are phrased so that a "YES" response indicates General Plan conformity, a "NO" indicates non-conformity, and "N/A" means the criterion is not applicable to the subject proposal. Where the "N/A" column is gray and without a checkbox, the criterion is deemed to be applicable in all cases.

December 11, 2003

Temporary Residential Demolition Policy

Resolution No.16700

Page 4

- 15. **Policy #5:** The Commission shall endorse the use of a checklist similar to the draft in Exhibit 3 (version 3), modified to reflect policy and criteria as adopted herein.
- 16. A primary intent of the General Plan's predisposition to protect existing housing is to conserve affordability. General Plan requirements protecting affordability should not apply to housing at the high end of the price spectrum, which are not affordable. In recognition of this, Criterion 1 of the checklist proposes to exempt the most expensive, least affordable housing from the mandatory DR policy by allowing administrative review of demolitions of the most expensive dwellings.
- 17. Information on the 80th percentile price, a threshold suggested in the Interim Criteria, was not readily available, but the median, or 50th percentile price is. By multiplying that figure by 1.6, the 80th percentile can be approximated. As of March 2003, the median sales price of a single-family home in The City was about \$720,000. The 80th percentile would equate to an approximate value of \$1,152,000, including land and structures. During review under the "Interim Criteria" (May 8, 2003 to the present), some discussion about the applicability of the average single-family price versus the average dwelling unit price arose, as did the desirability of exempting the high-priced residences from the Mandatory DR policy. Fewer than 4% of the demolition applications received in the last year involved property in this price range.
- 18. **Policy #6:** <u>Criterion 1: Affordability:</u> If the combined value of the existing structure and land, based on a credible appraisal conducted within the six months prior to application, is equal to or greater than \$1.2 million for a single family home, \$1.9 million for a two-family home, or \$2.5 million for a three-family home, then the Commission shall not require a Soundness review or a Discretionary Review hearing unless the project does not comply with other Department requirements or unless a member of the public requests a hearing. Proposals to demolish buildings with 4 or more units, regardless of value, are subject to a mandatory hearing.
- 19. An average of the ratio of some land-to-structure appraisal values in two of the City's most expensive neighborhoods was used to set the threshold values in the recommendation above. The 80th percentile value of land for single-family homes were then multiplied by a factor to reflect the higher land-value of a parcel zoned for two-family use. The single-family structure value was multiplied a factor reflecting the economy of scale inherent in building two units, with shared roof, foundation, utility access, et al. costs, so that structure cost was less than twice the cost of a single-family home. A similar process was applied to the proposed three-family threshold.
- 20. **Policy #7:** The Department shall produce and distribute a public information document entitled "Soundness Report Requirements for Proposed Demolition of Dwellings," similar to the draft in Exhibit 4, modified to reflect policy elements and criteria as adopted herein.
- 21. Staff and members of the Commission have expressed a desire to continue the requirement that Soundness Report authors not have a financial interest in the project they are analyzing. That constraint may not have been consistently applied during the Interim period, in part because of the presence of "pipeline" projects, with Soundness Reports already submitted. The following will make the requirement explicit:
- 22. **Policy #8:** Soundness Reports are required to be produced by licensed design or construction professionals (architects, engineers, and contractors) or by certified specifiers, construction cost estimators, or physical inspectors. The author of the report must be a disinterested third party at "arm's length" from the project, that is, not involved in its ownership, design or construction. Professionals who prepare such reports must be familiar with the procedures and standards adopted by the Planning Commission, with requirements of the San Francisco Building and

December 11, 2003

Temporary Residential Demolition Policy

Resolution No.16700

Page 5

Housing Codes, and knowledgeable about construction assemblies and processes and their cost. If the Commission rejects a Soundness Report, the Commission may require that any subsequent report for the project submitted to the Department be prepared by a new author meeting the requirements described above, not the original author.

- 23. The Interim Criteria definition and determination of soundness were an improvement over the previous ones on several levels: replacing Marshall & Swift Construction Costs with simpler and more realistic unit costs was a step forward in determining useful the Replacement Cost estimates; clearly limiting upgrade costs to repairs of initial construction deficiencies for a soundness threshold of 50%, and creating a 75% threshold to address deficiencies from deferred maintenance, have been successful.
- 24. **Policy #9:** The <u>soundness factor</u> for a structure shall be the ratio of an <u>upgrade cost</u> (i.e., an estimate to repair habitability deficiencies) to the <u>replacement cost</u> (i.e., the current cost of building a structure the same size as the existing proposed for demolition), expressed as a percent. A building is unsound if its soundness factor using upgrade costs to correct construction deficiencies exceeds 50%, or if its soundness factor using upgrade costs to correct construction deficiencies plus costs to correct deficiencies resulting from deferred maintenance exceeds 75%.
- 25. **Policy #10:** The <u>replacement cost</u> shall be determined as described on Page 1 of the document entitled "Soundness Report Requirements for Proposed Demolition of Dwellings," similar to the draft in Exhibit 4, modified to reflect policy elements and criteria as adopted herein, with construction costs updated at six month intervals to reflect current economic conditions.
- 26. **Policy #11:** The <u>50% upgrade cost</u> is the sum of costs to correct construction deficiencies affecting habitability, including but not limited to work as so listed in entitled "Soundness Report Requirements for Proposed Demolition of Dwellings," and excluding items so listed as exclusions. The <u>75% upgrade cost</u> is the sum of costs to correct construction deficiencies and deferred maintenance deficiencies affecting habitability including but not limited to work as so listed in entitled "Soundness Report Requirements for Proposed Demolition of Dwellings," and excluding items so listed as exclusions.
- 27. Under direction of the General Plan, the Department is predisposed to disapprove demolition applications of sound buildings. The Project Sponsor must demonstrate that the proposed project is in conformity with a preponderance of other General Plan policies to outweigh this predisposition if the building is sound. On the other hand, a recommendation of approval to the Commission is appropriate if a credible soundness report demonstrates the building is unsound, there is no negative impact on historic resources, and the project otherwise complies with the Planning Code and the Residential Design Guidelines, if applicable.
- 28. Criteria Numbers 4 and 5 on the Checklist enable the Department to assess the conformity of the property with the General Plan Objective encouraging property to be well-maintained, and by corollary, not to let an Owner's lack of proper maintenance ease the way for an approval to demolish rather than repair poorly maintained property.
- 29. **Policy #12**: <u>Criteria 4 & 5: Upkeep</u> Department staff shall determine whether the property is free of a history of serious, continuing code violations and whether the housing been maintained in a decent, safe, and sanitary condition through review of the Parcel Information Database and querying the Housing Inspection and other Divisions of DBI regarding records of violations. Staff shall make a site visit to assess condition of structure and examine the soundness report for items in the upgrade cost indicative of poor maintenance. If the property was a rental, staff shall query

December 11, 2003

Temporary Residential Demolition Policy

Resolution No.16700

Page 6

the Rent Board for any records of "Decrease of Service" complaints or "Failure to Maintain and Repair" complaints.

- 30. The Priority Policies codified in Section 101.1(b) require that landmarks and historic buildings be preserved. The California Environmental Quality Act (CEQA) is used to evaluate projects for potential impacts to "historical resources."
- 31. CEQA Guidelines put demolition on the list of actions that constitute a substantial adverse change to an historical resource. If a property that has been determined to be an historical resource were proposed for demolition, preparation of an Environmental Impact Report (EIR) would be required.
- 32. The Department has in place draft "CEQA Review Procedures for Historic Resources," which determine whether the property is an "historical resource" as defined in the CEQA Statutes and Guidelines. To ensure that structures that are historical resources under CEQA are not lost to demolition, applicants wishing to demolish certain structures built more than 50 years ago will submit a supplemental information form prepared by the Department to aid in the environmental determination required under CEQA.
- 33. **Policy #13**: <u>Criteria 6a & 6b: Historical Resources:</u> Department staff shall determine early in the review process whether the property is an historic resource under CEQA. To aid in this determination, applicants wishing to demolish structures built more than 50 years ago, but for which the City has no information indicating that the property qualifies as an historical resource, will submit a completed supplemental information form provided by the Department similar to the draft provided in Exhibit 5, to aid in the environmental determination required under CEQA.
- 34. For a large segment of SF residents, rental housing is *de facto* a more affordable tenure than forsale housing. The draft Housing Element recognizes this, and requires restricting the conversion of rental housing to other forms of occupancy, and provides direction for other tenant protections, for which there are no Planning Department mechanisms to implement or control.
- 35. Rent Control applies to apartment units built prior to 1979 and to single-family homes occupied by current renters prior to 1996. The demolition of such units and construction of new buildings removes the protection of rent control, and thus has a negative effect on housing affordability.
- 36. The Commission's demolition policy must achieve a balance between the requirements of the General Plan, which protect existing housing and renters' tenures, but which also encourage the development of new housing and ownership opportunities. The Commission shall weigh conservation of rental opportunities against other General Plan Objectives.
- 37. **Policy #14**: <u>Criteria 7 & 8: Rental Protection:</u> The Commission shall obtain information about the rental status of the property proposed for demolition, including tenant displacement and loss of rent-controlled housing stock, to weigh against other General Plan Objectives in its review of the demolition, as delineated in the Draft Checklist (Exhibit 3), with any modifications as adopted.
- 38. Checklist Criteria 9 and 10 address Priority Policy 101.1(b)(2). Demolition projects by definition do not conserve existing housing, so the answer to Criterion 9 is almost always "NO." Criterion 10 encourages a well-designed replacement structure in preserving or enhancing neighborhood character.
- 39. Priority Policy 101.1(b)(3) is examined in criteria 11 and 12. Preservation of affordable housing may be achieved in some cases if there are more units built than demolished, making it possible that some of the new units will be as affordable as those lost. To assess this, it is necessary to

December 11, 2003

Temporary Residential Demolition Policy

Resolution No.16700

Page 7

compare the sizes of the new units versus the old, as well as the cost. "Enhancing" the supply of affordable housing, as addressed in Criterion 12, requires increasing the number of affordable units, so most projects will not meet this criterion. "Permanently affordable" is interpreted here to mean affordability as defined by the M.O.H, rather than conservation of existing rent or sales value.

- 40. **Policy #15**: <u>Criteria 9 through 12: Priority Policies</u>: The Commission shall assess the compliance of the demolition proposal with the Priority Policies as delineated in the Draft Checklist (Exhibit 3), with any modifications as adopted.
- 41. The mandatory Discretionary Review of the demolition is triggered by the Demolition Permit application, not by the Building Permit application to construct a replacement building. However, it would be difficult to find the demolition permit in conformity with the General Plan without consideration of the whole project, including the proposed new structure. (E.g., how does a lot with a recently demolished residence but no replacement structure preserve or enhance neighborhood character, or conserve the supply of housing, or create new, quality family housing, or locate in-fill housing on appropriate sites in established neighborhoods?) Further, the Planning Code requires that the replacement building site or building permit be approved prior to issuance of the demolition permit. For these reasons, consideration of the replacement structure shall be a part of the Discretionary Review.
- 42. **Policy #16**: <u>Criteria 13 and 15</u>: <u>Replacement Structure</u>: After an existing building is demolished, the replacement structure is built on what is briefly an infill lot. The Commission shall assess underlying zoning, neighborhood character, and surrounding unit density to encourage appropriate in-fill housing on sites in established neighborhoods, and to promote the construction of well-designed housing that preserves or enhances existing neighborhood character in conformity with the General Plan and the Residential Design Guidelines, where applicable. Therefore, the Discretionary Review of projects subject to this policy shall be advertised and noticed to include the permit application for the replacement structure, for the purpose of evaluating compliance of the project with Criteria 14 through 16.
- 43. The Draft Housing Element has identified the creation of quality, new family housing as a priority.
- 44. **Policy #17a**: <u>Criterion 14a</u>: <u>Family Housing</u>: The Commission shall define "family housing" as dwellings containing at least two bedrooms in use districts allowing three or more units per lot as a principal use, and as dwellings containing at least three bedrooms in use districts allowing two or fewer units per lot as a principal use.
- 45. The Draft Housing Element also seeks to increase the availability of units suitable for occupants with supportive housing needs, including disabled and elderly citizens, large households, and other special users.
- 46. **Policy #17b**: <u>Criterion 14b</u>: <u>Supportive Housing</u>: The Commission shall consider whether the proposed project increases the availability of supportive housing.
- 47. **Policy #18:** <u>Criterion 16: Housing Stock:</u> The Commission shall assess the effect of the project on San Francisco's housing stock, comparing the proposed and existing number of units, unit sizes, unit mix within a building, and numbers of bedrooms.
- 48. **Policy #19:** The Temporary Policy shall be applied to all residential demolition projects subject to mandatory DR upon which the Commission has not yet acted, until superseded by future long-term controls, with the exception of Recommendation #2, regarding fee recovery. That policy shall

December 11, 2003

Temporary Residential Demolition Policy

Resolution No.16700

Page 8

be applied to applications received after January 1, 2004.

49. **Policy #20:** Staff shall report to the Commission with an informational presentation approximately 4 months after adoption of the Temporary Policy. The report shall review the cases acted upon in that time period, with an assessment of the efficacy of the Temporary Policy, and for feedback from the Commission and for Public comment. Staff shall return to the Commission approximately 6 months after adoption of the Temporary Policy with a motion to adopt criteria for a long-term Residential Demolition Policy, which upon adoption would supersede this Temporary Policy.

December 11, 2003

Temporary Residential Demolition Policy

Resolution No.16700

Page 9

DECISION

Whereas, based upon the Record, the submissions by the staff of the Planning Department and other interested parties, the oral testimony presented to this Commission at the public hearing, and all other written materials submitted by all parties, the Planning Commission hereby **adopts** the Temporary Residential Demolition Policy.

I hereby certify that the Planning Commission ADOPTED the foregoing Resolution on December 11, 2003.

Linda Avery Commission Secretary

AYES: Antonini, Bell, Boyd, Feldstein, Hughes, S. Lee

NOES: (none)

ABSENT: W. Lee

ADOPTED: December 11, 2003