SAN FRANCISCO BUSINESS TIMES

New California affordable housing law sparks backlash in San Francisco

SUBSCRIBER CONTENT:
Sep 6, 2016, 12:21pm PDT

San Francisco housing activists and some city officials say a new state housing bill passed last week is a "developer giveaway" and are pushing for higher local affordable housing requirements in response. But supporters of the bill say it will boost all of California's affordable housing production, reflecting more tension between the city and Sacramento over housing policy.

MACY ARCHITECTURE
A rendering of Panoramic Interests' 200-unit proposal at 333 12th St., one of two San Francisco housing projects to ever seek to use the state's density bonus program.

Assembly Bill 2501, sponsored by Assemblyman Richard Bloom and supported by Gov. Jerry Brown, makes it easier for developers to use the state's density bonus program, which allows them to build larger market-rate projects if they include 5 percent or more affordable units on-site.

Attempts at the state level to modify the Bay Area's development process have met fierce resistance. San Francisco's efforts to be exempt from AB 2501 echoes previous calls for the city to be carved out from Gov. Brown's now defunct "as of right" proposal for mixed-income projects, which was ultimately defeated by widespread opposition.

AB 2501 seeks to prevent local cities from delaying approvals of projects that use the density bonus program, with the goal of creating low-income housing without spending scarce public subsidies. A source familiar with the bill's drafting said it was meant to target California cities, particularly wealthier areas, which have delayed projects with affordable units by "holding hostage" proposals and refusing to process them.

But San Francisco is different, say activists and local supervisors. The city builds more affordable housing than most of the state using public funding and already requires developers of market-rate projects to build or pay for affordable units at higher rates than the density program.

The Board of Supervisors unanimously passed a resolution in April urging state legislators to exempt cities where at least 25 percent of units built were affordable from AB 2501, which would include San Francisco. The exemption was rejected by the bill's sponsors because it would have likely killed the bill, said a source familiar with discussions.

City officials remain hostile to the new law. "AB 2501 continues to allow for the undervaluing of city benefits when negotiating affordable housing. In other words, it smooths the way for developer giveaways and undercuts San Francisco's ongoing work to maximize our affordable housing creation in the midst of an affordability crisis," said Supervisor Aaron Peskin in a statement. "What might be a step forward for Santa Monica and Campbell is a definite step back for San Francisco."

With AB 2501 now law, focus is shifting to its effects on a crucial study expected to be released on Wednesday: The Controller's Prop. C feasibility study to establish the city's affordable requirements for all new market-rate projects. The study will affect San Francisco's future development pipeline, valued at billions of dollars. A preliminary study prepared by three independent consultants said that the current plan to require developers to build 25 percent of units as affordable housing would slow down development.

Activists argue that the passage AB 2501 means that future proposals can easily build more units under the density program, so the Prop. C study should consider that possibility – and potentially make affordability requirements higher for all projects as a result.

John Elberling of the Tenants and Owners Development Corp., who is a member of the Prop. C advisory group, wrote in a letter to city officials last week that AB 2501 was a "de facto citywide height limit upzoning for all residential development without limitation, which in turn increases the number of units that can be developed on almost any site anywhere." He wrote that it was a "fatal flaw" that the preliminary Prop. C study didn't consider its implications.

The Controller's preliminary report also stated that the effects of the density program merited further study. "If you're going to give away development value...it has to be recaptured at the local level," said Peter Cohen, co-director of the Council of Community Housing Organizations, which represents nonprofit developers and also supports further study of AB 2501's effects on Prop. C.

No San Francisco projects to date have successfully used the state density program, but two proposed projects are now seeking to use it: Panoramic Interests' 200-unit 333 12th St. and the Toboni Group's 93 South Van Ness Ave.

Local officials appear resistant to the entire program, even though it's targeted to boost affordable housing, because it would benefit developers more than local laws.

State Senator Mark Leno and Assemblyman Phil Ting, both representatives of San Francisco, were two of only seven officials who voted against AB 2501 last week. Assemblyman Marc Levine, who represents Marin County, also voted no. In all, 108 Senators and Assembly members voted in support, including Assemblyman David Chiu, former president of the Board of Supervisors, who represents the east side of the city.

Elected officials have touted San Francisco as a model of funding affordable housing as state and federal financing has plummeted. Yet the city has the highest housing prices in the country. For each affordable unit built, 10 or more people apply through a lottery to become tenants.

San Francisco has been developing its own version of the density program with higher affordability requirements to comply with state law. Some community groups have fought the proposal, and the portion that will apply to mixed-use projects isn't expected to pass until next year.

But the specter of developers building taller in a city often resistant to change – activist Calvin Welch said the density program was "ethnic cleansing"– appears to be sparking a renewed fight.

Critics of Prop. C, which include developers, have said that requiring more affordable units would mean millions of dollars in additional expenses and would prevent many projects from obtaining financing.

Roland Li
Reporter
San Francisco Business Times