

October 26, 2016

San Francisco Planning Commission  
1650 Mission Street, Suite 400  
San Francisco, CA 94103

**RE: Inclusionary Housing Working Group:  
Preliminary Report September 2016**

Dear Commission President Fong, Vice President Richards and Commissioners Hillis, Johnson, Koppel, Melgar and Moore:

Thank you for the opportunity to share SPUR's perspective on the Inclusionary Housing Working Group's Preliminary Report from September 2016. SPUR has been a long-time advocate for thoughtful inclusionary housing policy in San Francisco. We appreciate the recent work of the Controller's Office, its consultants and the Technical Advisory Committee (TAC); the process and analysis to date has been both thorough and well considered.

The five policy recommendations included in the preliminary report reflect the nuanced discussion that has been occurring at the TAC. On the whole, we are supportive of the recommendations. We urge the city's decision-makers to keep the following principles in mind as this discussion continues:

- **The assumptions of this analysis are aggressive and therefore policymakers should proceed with caution when establishing the initial inclusionary levels.**

The TAC's proposed initial onsite requirements (14 to 18 percent for rental, 17 to 20 percent for ownership) reflect aggressive assumptions at each step of the analysis and fall in the yellow zone where development is actually "uncertain."

- **It is critical that the TAC recommendations support economic feasibility while maximizing affordable housing production.**

In the spirit of the "springing" legislation that was passed by the Board in April and requires the completion of this study, the TAC's final recommendations should continue to emphasize the goal of maximizing the feasibility of producing below market rate housing without significantly impacting the overall production of housing.

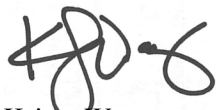
We are glad to see that the Controller's office is continuing to study a few additional aspects: the state density bonus, the appropriate income limits to serve and when inclusionary requirements should be set for each project. While widespread application of the state density bonus program could result in higher residual land values, it is too early to assume that all or most developers will utilize the state program. Further, we caution against setting up a system that essentially requires all projects to take advantage of the state program.

We suggest that the city incorporate the proposed local Affordable Housing Bonus Program (AHBP) into the analysis. The local program was designed to both provide better benefits to the city of San Francisco and work better for housing developers so that it would prove to be a more attractive choice than the state density bonus program (which is more unwieldy and less tailored to San Francisco's needs).

As the city's decision-makers move this forward, we suggest that financial feasibility be kept front of mind. Adding to the market rate housing supply while continuing to build affordable housing and make existing housing permanently affordable are key strategies to addressing the housing crisis. Inclusionary housing requirements that are set at infeasible levels will merely exacerbate the pressures we are experiencing today.

Thank you for considering these points as you further the discussion. Please feel free to contact me at 415-644-4884 or [kwang@spur.org](mailto:kwang@spur.org) with any questions.

Sincerely

A handwritten signature in black ink, appearing to read 'KWANG' with a stylized flourish at the end.

Kristy Wang  
Community Planning Policy Director

cc: Ben Rosenfield, SF Controller  
Ted Egan, SF Controller's Office  
SPUR Board