



SPUR

San Francisco | San José | Oakland

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Dear Housing Element Team:

Thank you for the opportunity to comment on San Francisco's Draft Housing Element dated March 2022. As you know, the Housing Element is a state-mandated policy document that guides future housing development and investments to accommodate population growth at a range of income levels. We appreciate the time and care that the Housing Element Team has put into drafting the Housing Element Sites Inventory and Rezoning Program Report; Goals, Objectives, Policies and Actions; and the Analysis of Government and Non-Government Constraints Report. We laud the Planning Department for its thoughtful outreach and engagement with community groups and residents across the city.

SPUR is a public policy non-profit organization in the Bay Area with offices in Oakland, San Francisco and San José. We employ a big tent approach working across the political spectrum to solve the big problems confronting our cities and region, including the housing affordability crisis. As you know, state law requires that the housing element identify sites that can accommodate planned housing growth at a variety of income levels, and develop strategies and policies to improve affordability. San Francisco's Housing Element must also achieve the objective of affirmatively furthering fair housing by ensuring that affordable housing is located in high-opportunity neighborhoods. We are committed to working in partnership with the City to develop a housing element that complies with state law and contains strong implementation mechanisms to remove barriers to housing development, stabilizes vulnerable communities, and meaningfully addresses social and racial equity in San Francisco. We submit the following comments for your consideration.

1. We encourage the Planning Department to develop a clear set of implementation policies to achieve equitable development in priority equity geographies and cultural districts.

We commend the Housing Element for its emphasis on preventing displacement in low-income communities of color. However, we are concerned that the Housing Element lacks specificity about how new development will be accommodated in cultural districts and in priority equity geographies (Policy 18). Many of these neighborhoods have historically been attractive for housing development in San Francisco because of their strong access to transit, jobs, and other

amenities. We believe it is important for these neighborhoods to continue being welcoming places for all San Franciscans, especially for lower income residents. The Housing Element seems to assume that allowing for more mixed-income housing in priority equity geographies will necessarily cause displacement of lower income people and people of color, and that those impacts cannot be mitigated. [Recent research published by the Federal Reserve Bank of San Francisco](#) suggests that it is possible to accommodate new mixed-income housing without worsening gentrification and displacement, provided that it is accompanied by new investments to enable more affordable housing production, policies to preserve existing affordable homes and commercial businesses, and protections for tenants and low-income homeowners.

We understand that the Planning Department's scope for a racial and social equity impact analysis is intended to provide a better understanding of the potential outcomes of the Housing Element for communities that have been historically harmed by racist laws and practices. However, that analysis is not scheduled to be complete until September 2022, and it is not clear how the findings of that analysis will lead to specific zoning changes without triggering a drawn out, politicized process. We are concerned that this analysis will only result in the adoption of highly discretionary approvals and onerous requirements for new development on a project-by-project basis that will make it impossible to feasibly build mixed-income housing in these areas.

It is urgent for the City to develop specific policies and implementation strategies for equity priority geographies and cultural districts on a faster timeline. We believe it is possible to create zoning and land use policies that will enable mixed-income housing development in equity priority geographies, while also strengthening community stabilization strategies. SPUR recommends that the Housing Element specifically call out the need to prepare additional neighborhood plans, especially for equity priority geographies and cultural districts.

2. We support planning for growth in well-resourced neighborhoods to meet fair housing goals, but we have questions about how to achieve these outcomes without also providing incentives to developers.

The sites inventory report assumes that San Francisco can accommodate 22,555 units in the next RHNA cycle in high-resourced neighborhoods by upzoning transit corridors and residential neighborhoods. The Housing Element has proposed policies to remove density controls and increase height limits along transit corridors and transit hubs in well-resourced areas (Policy 20a and Policy 24c), and to allow a minimum of 4 units on every lot without deed restrictions (Policy 20c). There are many benefits to the approach of intensifying the central and westside neighborhoods of the city. It provides more equitable outcomes by creating more housing opportunities in areas that have been historically exclusive, and it encourages more sustainable growth patterns by developing underutilized commercial sites on transit corridors.

However, such planning must be realistic, and take into account the likelihood of site redevelopment given 1) the limited number of appropriate sites available for redevelopment, 2) the political challenges housing sponsors will face, and 3) the economic viability of development. Specifically, we are concerned that the financial feasibility analysis conducted for the Housing Affordability Strategies indicates that low-rise and mid-rise development in most of the upzoned areas was infeasible, even prior to the pandemic. The rental rates in most of the Westside and central neighborhoods were insufficient to compensate for the cost of development. The feasibility equation has likely worsened with the drop in rents and skyrocketing construction costs.

Additionally, the Controller's financial feasibility analysis of fourplex projects in San Francisco found that the redevelopment of single-family homes into four rental or ownership units would be infeasible, even if all of the units were priced for market-rate households. The recently approved legislation from the Board of Supervisors to legalize fourplexes is unlikely to have much of an impact on production because it places so many constraints on development in low-density neighborhoods. When you also consider the likely opposition of many neighborhood groups, it does not appear to be realistic to expect the development of 22,555 new units in neighborhoods and corridors without the provision of some types of incentives and streamlining of the approvals process.

SPUR recommends that the Planning Department explore coupling the upzoning of the high-resourced neighborhoods with other incentives, including a temporary reduction of the on-site inclusionary requirement, reduction of city fees, exempting projects from discretionary review, and other similar strategies to make mixed-income projects in the well-resourced neighborhoods and corridors more feasible in the short term.

3. The March 2022 site inventory relies on large Development Agreements and large projects to accommodate RHNA. However, many of those major development projects will require significant attention and investment in order to move forward, and those needs are not addressed in the Housing Element.

The site inventory calculates that nearly 26,000 units will be permitted at Hunters Point Shipyard, Treasure Island, Parkmerced, Mission Rock and many other large projects that have entitled development agreements (DA projects) during this RHNA cycle. However, though entitled for many years, development has been stalled for projects like ParkMerced, Schlage Lock and Hunters Point. Neither the analysis of constraints nor the proposed policies of the Housing Element meaningfully address how to remove the barriers to housing construction at those sites, which include substantial environmental and infrastructure needs.

A June 2022 report for the [Hunters Point Naval Shipyard](#) from the San Francisco Civil Grand Jury found that there are hazardous environmental and health risks related to climate change and groundwater rise that have to be resolved to make it safe for future residents, workers, and visitors. Yet, the Grand Jury determined that the City and its partners have done little to uncover these issues and invest in the solutions. SPUR recommends that the City take a more proactive role to correct the failures of the cleanup effort and provide the funding recommended in the report for further studies. Given the magnitude of the cleanup required at the site, the unanswered questions about the impacts of groundwater rise, and the lack of progress on these issues, it is hard to believe that Hunters Point can be reasonably expected to contribute towards meeting the RHNA in this cycle.

If DA projects are to be included in the RHNA, the Housing Element should contain more concrete actions for how to unlock these sites. This could include actions such as infrastructure investments and the provision of other incentives to accelerate housing development.

4. The Housing Element should prioritize the need to revisit the cost of city impact fees, including the inclusionary housing requirements, which have rendered many housing development projects infeasible.

San Francisco has the highest construction costs in the world. And on top of that, the city has a number of additional fees that cost \$20,000 per unit or more. The city's current inclusionary requirement for rental housing is almost 22% - higher than any other California city - and it goes up every year. Financial feasibility studies have repeatedly demonstrated that this rate is not feasible for most housing projects. The Housing Element's Policy 24a recommends that the City review inclusionary requirements regularly via the Technical Advisory Committee. However, this simple review is unlikely to be sufficient to comprehensively address the big picture of the City's cost structure that penalizes housing development. SPUR has long recommended that the City establish a technical committee of experts to audit the building code to find ways of reducing costs. We have also recommended that the Controller's office be given the authority to set the inclusionary housing rates to depoliticize the process and make sure that it is financially feasible.

5. One of the largest constraints on development is the City's burdensome approvals process, including discretionary review and associated environmental analysis. The Housing Element must include a commitment to reform the approvals process, which creates uncertainty, increases costs and delays the construction of much-needed housing.

[A new study by Moira O'Neill and Eric Biber](#) found that San Francisco has the longest time frames for housing approvals than any other large city in California. The median time frame for multi-family housing approvals for applications between 2014 and 2017 was 27 months— two and a half times longer than the median for other California cities. CEQA-exempt projects that meet all the code requirements take more than two years to approve. When you also add in CEQA lawsuits the time frame for approvals is extended to nearly 8 years. Developers and investors have a choice about where they build, and it is increasingly difficult to justify pursuing projects in San Francisco under these deeply problematic conditions.

The Housing Element contains some modest streamlined approvals for a selected group of mid-rise and small projects, provided that they also include community benefits such as increased affordable units, middle income units and below-market rents for commercial space (Policy 25 and Policy 25b). However, much more aggressive reform of the discretionary review process will be needed to make a dent in the housing production goals for this RHNA cycle. San Francisco is the only jurisdiction in the state that makes every permit discretionary and thus requires CEQA review of every permit, adding time, cost and uncertainty to housing development entitlements. SPUR recommends that the Housing Element address this structural constraint head on. Among recommended actions for the City to commit to implement would be: (1) amending Section 26 of the Business and Tax Regulation Code to remove discretionary review for any code-compliant housing projects; (2) asking the voters to amend the Charter to remove discretionary review of code-compliant housing projects; and (3) amending the Planning Code to remove or reduce current conditional use, downtown project authorizations and large project authorization requirements for even modestly sized code-compliant housing projects, such as lot size thresholds in neighborhood commercial districts and density or square footage thresholds in other zoning districts.

The City should also explore expediting approvals by setting specific time tables for processing housing projects. As described in the analysis of constraints, there is currently no systematic way for the Planning Department to track the amount of time that it takes to move through the permitting process. The Planning Department needs to commit to complying with the Permit

Streamlining Act and establish a ministerial review process similar to SB-35 for all code-compliant housing projects which would require completed review periods of 90 days for small and medium projects (150 units or less) and 180 days for large projects (more than 150 units).

The City also needs to reduce the time it takes to conduct environmental review of those housing projects that remain discretionary. For example, community plan exemption initial studies should be based on a simple checklist rather than the lengthy text heavy documents now produced, reaching about 70 pages each, to simply determine that a project has no peculiar features impacts not previously analyzed in an area plan EIR. The City should also commit to issuing Class 32 and other CEQA exemptions in a more timely manner.

Please see the Appendix table on the following page for a summary of our comments relating to actions that could be undertaken to remove governmental constraints and strengthen the Housing Element.

Thank you for your consideration of our comments. Should you have any questions, please do not hesitate to contact me.

Sincerely,



Sujata Srivastava
San Francisco Director

Cc: San Francisco Planning Commission
Planning Director Rich Hillis
SPUR Housing Policy Board
SPUR San Francisco Board of Directors
California Department of Housing and Community Development

Appendix: Summary of Constraints and Recommended Response

Governmental constraint	Proposed Response in draft Policies and Actions	Recommended Response
General Plan and Area Plans	No policy recommending that additional area plans be prepared	Create additional neighborhood plans especially for equity priority geographies and cultural districts to address equitable development strategies
Zoning Constraints, including density limits and height limits	Policy 20.a: Remove density controls and increase height limits along transit corridors in well resourced areas	Consider increased height limits and density decontrol citywide
	20.c: Allow a minimum of 4 units on every lot without deed restrictions	
	24.b: Expand density bonus programs	
	24.c: Increase height limits and remove density controls at transit hubs in well resourced areas	
		Simplify the Planning Code and align development standards to mid-rise and high-rise building types, rather than low-rise buildings as currently structured (for example, large rear yard and open space requirements)
Impact fee burden, including inclusionary housing requirements	24.a: Via TAC, review inclusionary requirements regularly to maintain feasibility and deliver maximum number of inclusionary units	With input from TAC, give decision making on inclusionary rates to the Controller, rather than BOS.
	25.k: Expand fee exemptions for projects with units up to 120% of AMI	
		Should be a policy to eliminate or reduce TSF, child care and infrastructure fees as a burden on housing production
Burdensome approval processes, including discretionary review; C/U requirements on lot size only; discouragement of lot consolidation; demolition controls;	25.a: Establish streamlined and ministerial approvals only for mid-rise and small housing projects that provide various community benefits such as middle income units and reduced rent commercial space	Amend section 26 of the Business and Tax Regulation Code to not apply to housing; amend charter to limit discretion of the Board of Appeals regarding housing projects; amend Planning Code to eliminate C/U and LPA thresholds.
	25.b: Ministerial approvals only for projects that provided more on-site inclusionary units than required.	Expand ministerial approvals for project that comply with inclusionary requirements

Governmental constraint	Proposed Response in draft Policies and Actions	Recommended Response
	25.d: Eliminate Planning Commission hearings for state density bonus projects "when not required."	Eliminate Planning Code requirements for density bonus hearings
		Housing Sustainability districts (no policy currently)
	25.f: Continue to implement Mayor Lee's 2017 directive	
	25.g: Prioritize D.R.s filed by tenants and those that add density in well resourced neighborhoods	Reform discretionary review for all types of housing projects
	25.h: Develop objective design standards	
Processing time (see table on page 36)	No policy	Reduce processing time by making housing projects ministerial
Length of CEQA review	25.c: Pursue streamlining through use of CPEs or Housing Sustainability Districts	Use addenda process when available; use Class 32 CEQA exemptions rather than CPE's.