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Memorandum:

To: *SF CHPA Member Companies*

From: *Ground Floor Public Affairs*

Date: 1/31/20

Re: *BMR Housing in San Francisco*

Overview

San Francisco's Inclusionary Housing or Below Market Rate Program seeks to create affordable housing opportunities for medium, moderate, and low-income individuals and families in market-rate buildings. Codified into law in 2002 by then-Supervisor Mark Leno, the Inclusionary Housing Program laid the foundation for what is now considered the standard of operation in San Francisco. The program is lottery-based and managed by the Mayor's Office of Housing and Community Development.

Developers have several options when seeking approval by the San Francisco Planning Department to construct residential buildings and commercial buildings. Developers work with the Planning Department to determine what percentage of units need to be BMR based on the total number of units in a building and location. Additionally, developers can agree to reserve BMR units in an off-site residential project or pay an in-lieu fee. Commercial developers are similarly required to pay what is called a linkage fee which funds efforts to purchase buildings through the City's Small Sites Program, develop Permanent Supportive Housing for people experiencing homelessness, and other investments in affordable. In 2019 the San Francisco Planning Commission approved an ordinance that increases the linkage fee for commercial developers. This fee increase would provide \$500 million dollars over a decade to support affordable housing projects in the city.

Amendments

In 2016 then-Supervisor Jane Kim introduced a Charter Amendment that significantly increased the requirement for market-rate residential building projects, added annual inclusionary rate increases, and extended the income range for eligibility. After being passed by voters the legislation was amended again in 2017. These amendments decreased the unit percentage requirements. Under the amended legislation new developments with 25 or more units are required to reserve 18-20% of their development as affordable. Developers who choose to allocate BMR units off-site in a separate residential project will have to reserve 30-33% of their units. These percentages can vary based on location and whether the development is intended to be used for rental or ownership purposes.

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Process

Currently, there are 3000 operating below-market-rate units in San Francisco. For prospective renters and owners alike the process to qualify for units begins with a lottery-based system where individuals are chosen at random. To meet the rental standards set for by the Mayor's Office of Housing, individuals must reach the income requirements set by the Area Median Income (AMI), fall within the correct household size, and provide all other necessary information that is standard when renting a unit. In addition to the requirement of renters, prospective buyers are substantially vetted, participate in an extensive workshop and mandatory counseling sessions before being selected.

It is illegal in San Francisco to rent your BMR unit out—should you want to sell you cannot do so independently, sellers are required to work with Mayor's Office of Housing and Community Development to do so. There have been several high profile lawsuits from the San Francisco City Attorney's Office against landlords who have rented their BMR units.