



Housing Sustainability Districts Program (Chapter 371, Statutes of 2017 (AB 73)) 2018 Annual Report

Introduction

AB 73 (Chapter 371, statute of 2017) authorizes localities to create housing sustainability districts as a way to streamline the development of housing. The legislation provides a pathway for state financial incentives to cities and counties that create housing sustainability districts and, pursuant to Government Code Section 66209, requires the Department of Housing and Community Development (Department) to conduct a review and prepare and publish a report to be posted on the Department Web site by November 1st of each year.

Summary

AB 73 (Housing Sustainability Districts Program) allows a city or county to create a housing sustainability district to complete upfront zoning and streamlined environmental review in order to receive incentive payments for development projects that are consistent with the district's ordinance. At present, no funding exists to provide the financial incentive to local governments. As a result, interest from local governments has been minimal. However, the Department is committed to the successful implementation of this important legislation and is hopeful interest will increase in the near future. The following is a summary of achievements to date:

- *Preliminary Determinations:* As of this Date, the Department has received submittals from one locality, the City and County of San Francisco, and has made a preliminary determination. Please see Attachment 1.
- *Review Checklist:* As part of the preliminary determination, the Department prepared a checklist to facilitate its review of future submittals on a case by case basis.
- *SB 2 Planning Grants:* The Department is currently in the process of developing guidelines to implement the SB 2 Planning program (Chapter 354, Statutes of 2017). The Department has proposed Housing Sustainability Districts as an eligible use in the draft guidelines. See the draft guidelines at <http://www.hcd.ca.gov/policy-research/docs/sb2-plng-grant-draft-guidelines.pdf>.

Outreach and Future Consideration: The Department will continue to provide outreach materials regarding Housing Sustainability Districts and consider future opportunities to utilize this important new program. For a summary of the Governor's 2017 Housing Package, please see <http://www.hcd.ca.gov/policy-research/lhp.shtml>.

Report Contents

Pursuant to Government Code Section 66209, the following are the contents of the Department's review and report:

- *Status*: The Program took effect January 1, 2017 and remains in effect.
- *Description of Participating Cities and Counties*: To date, one locality, the City and County of San Francisco, has sought preliminary determination from the Department.
- *Identification of Approved Housing Sustainability Districts and Payments Awarded*: Preliminary determination of the Central South of Market ("HSD-Central SOMA") Housing Sustainability District and no payments awarded as of November 1, 2018.
- *Summary of Land Area and the Purpose for which It is Zoned*: The proposed Central SoMa HSD covers the entire Central SoMa Plan Area, pictured below. The Plan would enable the development of up to 32,500 jobs and 8,500 housing units in a centrally located, transit-rich neighborhood of San Francisco. The Plan would result in over to \$2 Billion in public benefits to serve the neighborhood.
- *Project Statistics*:
 - ✓ Number of Projects under Review: 4 pipeline projects potentially eligible for HSD as of October 31, 2018.
 - ✓ Proposed Number of Units: 612 units
 - ✓ Building Permits Issued: 0 units.
 - ✓ Completed Number of Units as of November 1, 2018: 0.
- *Estimate for the Current and Immediately Succeeding Fiscal Year*:
 - ✓ Number and Size of Proposed New Districts: 1 District.
 - ✓ Potential Number of Residential Units Allowed in New District: 8,500 units.
 - ✓ Anticipated Construction Activity: Substantial.

Attachment 1

City and County of San Francisco Preliminary Determination

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF HOUSING POLICY DEVELOPMENT**

2020 W. El Camino Avenue, Suite 500
Sacramento, CA 95833
(916) 263-2911 / FAX (916) 263-7453
www.hcd.ca.gov



July 6, 2018

San Francisco Board of Supervisors
1 Dr. Carlton B. Goodlett Place
City Hall, Room 244
San Francisco, CA 94102-4689

RE: Housing Sustainability District Ordinance

Dear Members of the Board of Supervisors:

Thank you for submitting the City and County of San Francisco's ("San Francisco") proposed ordinance establishing a housing sustainability district in central south of Market ("HSD-Central SOMA"). This letter serves as the preliminary determination by the Department of Housing and Community Development (HCD) required pursuant to Government Code (Gov. Code) section 66202.

HCD has preliminarily determined that the proposed HSD-Central SOMA ordinance addresses the requirements of housing sustainability districts, pursuant to Gov. Code, §§ 66200 through 66210. Please note that HCD's determination is only preliminary and may be subject to change for reasons including, but not limited to, the preparation of guidelines, new information in an adopted ordinance, certification of compliance, or other subsequent submittals (Gov. Code, § 66209). In addition, HCD has not conducted a full review of any design review standards for consistency with Gov. Code § 66207. Finally, please be aware that the Legislature has not appropriated funds for a zoning incentive payment and as a result, San Francisco is not entitled to a zoning incentive payment pursuant to Gov. Code, § 66202, subdivision (a)(2) or § 66204, subdivision (b) at this time.

Once the proposed HSD-Central SOMA ordinance takes effect, please submit an acknowledgement of such to HCD. Additionally, in the event the Legislature appropriates funds for zoning incentive payments, San Francisco should submit an application for a zoning incentive payment, including all of the information required by Gov. Code, §§ 66202, subdivisions (a) and (b), and 66204, subdivision (b).

HCD commends San Francisco for its leadership in advancing the state's housing goals, including with this implementation of AB 73 (Chiu) to streamline and incentivize housing production. Streamlining and production incentives such as housing sustainability districts are critical tools to increase housing supply and affordability, while conserving existing housing stock affordable to lower income households. HCD applauds San Francisco's long-standing commitment, innovation and success in promoting the development, conservation and preservation of affordable housing.

San Francisco Board of Supervisors
Housing Sustainability District Ordinance
Page 2

If HCD can provide any additional assistance, or if you or your staff have any questions, please contact Paul McDougall, Housing Policy Manager, at paul.mcdougall@hcd.ca.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Zachary Olmstead". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Zachary Olmstead
Deputy Director

Attachment 2
City and County of San Francisco
Map of Central SoMa
Housing Sustainability District

