# San Francisco Places More Limits on Office Development

San Francisco voters adopted Proposition E, the "San Francisco Balanced Development Act," (the act) tying future office development to the city's production of housing—particularly affordable housing.

The act finds that large office developments in the city "have attracted and continue to attract employees to the city, and there is a causal connection between such developments and the need for additional housing in the city, particularly housing affordable to households of lower and moderate income." It also recognizes that "housing development in the City has not kept pace with the demand for housing created by these new employees."

State law requires local governments to establish housing goals to meet existing and projected housing needs for all income levels. The Regional Housing Needs Allocation (RHNA) process determines these needs and identifies how many new housing units the city must plan to accommodate. RHNA's allocation for the city's very-low, low, and moderate income housing is 16,333 new affordable units over an 8-year period, or 2,042 new affordable units per year. State law requires the city to *plan* for accommodating its RHNA housing allocation but does not mandate *development* of these units. The act is the city's attempt to bridge this gap by directly connecting the amount of office space San Francisco may approve to the number of affordable units built in the city.

**Limits on Large Office Development Approvals**

Proposition M (Planning Code Section 320 *et seq.*), adopted in 1986, already limits the amount of office development the city may approve each year to 950,000 square feet of gross floor area (gsf). The "large cap maximum" limits large projects with at least 50,000 gsf of office space to 875,000 square feet per approval period, while the act places further restrictions on large developments:

- **Five-Year Adjustment for Approval Period 2020-2021.** For the 1-year period starting October 1, 2020, the large cap maximum is reduced by the same percentage by which the total number of new affordable housing units produced in the city during the calendar years 2015-2019 is less than *five years* of the annual RHNA housing goal (which is 10,210 affordable housing units). For the purposes of the act, "produced" means that the first construction document approval has been issued for the unit. (For example, if the city produces 75% of its RHNA affordable housing goal for 2015-2019, then the city can only approve 75% of office development permitted by the large cap maximum.)
- **Annual Adjustment for Approval Period After 2021.** The large cap maximum for each approval period is reduced by the same percentage by which the total number of new affordable housing units produced in the city for the approval period is less than the *annual* RHNA housing goal (which is 2,042 units per year). The approval period begins on October 17 every year.
- **Limits in the Central SOMA Area Plan.** In addition to the large cap maximum, no more than 6,000,000 gsf of office space shall be approved after January 1, 2019, unless at least 15,000 new residential units are produced in the South of Market (SOMA) neighborhood.

The act does not amend existing restrictions on buildings between 25,000 and 49,999 gsf of office development. Of the total new available office space, 75,000 gsf remains reserved for these small projects each approval period.

**Developers Incentivized to Provide Affordable Housing or Community Benefits**

The city must prioritize projects that include public benefits and may approve projects in excess of the large cap maximum that meet certain criteria.

**Central SOMA Area Plan Incentives.** Notwithstanding the large cap maximum, an additional 1,700,000 gsf of office space may be developed in Central SOMA, subject to the 6,000,000 gsf limit, if several factors are met, including the following:

1. A dedication of an on-site or off-site parcel in the SOMA neighborhood of not less than 10,000 gsf for affordable housing
2. Not less than 10,000 gsf of production, distribution, and repair (PDR) use or neighborhood-serving retail space at less than 60% of fair market commercial rent
3. Includes the construction of a public safety facility of not less than 10,000 gsf in the SOMA neighborhood

**Employee Housing.** The act also authorizes the planning commission to approve office projects that exceed the maximum cap limit if the project includes new affordable housing units for all employees of the project. To qualify for the exception, the project must include 809 affordable housing units per 1,000,000 gsf of office space. The office project developer can pay an in-lieu fee to satisfy one-half of the affordable housing requirements under this option.

Any additional office space approved in excess of the maximum cap limit under this option will be deducted from the next 10 maximum cap limits in equal installments.

**Priority Projects.** When approving new office projects, the planning commission must consider (1) the amount of new affordable housing units produced; and (2) whether the project includes "community improvements." A wide range of public benefits qualify as community improvements, including construction, financing, land dedication, or land exchanges for the creation of any of the following community-serving facilities:

- Childcare facilities and tot lots
- Community gardens, parks, indoor and outdoor neighborhood-oriented plazas and open space, neighborhood recreation centers, and dog parks
- Public safety facilities
- Affordable space for community-serving retail services and food markets, and community arts and cultural activities

The act makes clear that if more office space is to be developed, more housing, particularly affordable housing, needs to be developed.

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