



MINUTES
SPECIAL MEETING
OF THE
HOUSING STANDING COMMITTEE OF
THE CITY COUNCIL AND
PLANNING COMMISSION
CITY OF SOUTH SAN FRANCISCO

P.O. Box 711 (City Hall, 400 Grand Avenue)
South San Francisco, California 94083

Meeting will be held at:

CITY MANAGER'S CONFERENCE ROOM
400 GRAND AVENUE
SOUTH SAN FRANCISCO, CA

MONDAY, JUNE 18, 2018
6:00 p.m.

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| 1. Call to Order. | TIME: 6:08 p.m. |
| 2. Roll Call. | PRESENT: Mayor Pro Tem Matsumoto, Planning Commissioners Faria, Wong and Shihadeh. Councilmember Addiego arrived at 6:08 p.m. |
| 3. Public Comments. | |

None.

Matters for Consideration

1. Motion to approve the Minutes from the meetings of March 12, 2018, March 13, 2018, March 20, 2018 and May 7, 2018.

Motion - Planning Commissioner Faria / Second - Planning Commissioner Wong: to approve the Minutes from the meetings of March 12, 2018, March 13, 2018, March 20, 2018 and May 7, 2018.

Approved by roll call vote:

Yes: 5 - Mayor Pro Tem Matsumoto, and Councilmember Addiego, Planning Commissioners Faria, Planning Commissioner Wong, and Planning Commissioner Shihadeh.

2. Report regarding inclusionary housing policies, City-owned property, commercial linkage fee timeline, and other housing programs. (Nell Selander, Economic & Community Development Deputy Director)

Deputy Director Selander introduced Josh Abrams of Feredin Driscoll, Jake Kraft of Century Urban, Director Alex Greenwood, and Management Analyst Deanna Talavera.

Mayor Pro Tem Matsumoto asked the intended outcome of the meeting. Deputy Director Selander stated the goal was to reach consensus on a path forward for inclusionary housing

and to report requested information back to the committee from the previous Housing Committee meeting.

Deputy Director Selander discussed the Committee's conversations on inclusionary housing and commercial linkage fees. She stated staff was working with Strategic Economics to update the nexus study and feasibility analysis from 2015 and that an ordinance would be presented to the Planning Commission for recommendation and then on to Council for consideration. She provided a brief timeline for the ordinance. She discussed live/work units and provided brief history of the units.

Planning Commissioner Faria inquired if the ordinance would need to be changed with the value of the living units. Jake Kraft, Century Urban, explained that the ordinance did not set income limits but did have requirements regarding occupation and work being done inside of the unit. He stated that the City's development restrictions resulted in negative effects for the community. He discussed different strategies used to work around the ordinance.

Deputy Director Selander discussed the for-sale prices of housing units. She informed the Committee that the price per square foot of for sale units in the City were in line with what was estimated in the previous housing peak. She went on to discuss City fees including the fee estimate and breakdown of development impact fees.

Planning Commissioner Wong asked if fees would scale down for smaller projects. Deputy Director Selander informed him that the fees would not be scaled down significantly due to the park fee being scaled to development size.

Deputy Director Selander discussed prevailing wage and impact fee reductions.

Mayor Pro Tem Matsumoto inquired about the rise of prevailing wage. Director Greenwood stated prevailing wage had risen eight percent each year for the past three years. He suggested the Committee approach the numbers with skepticism because they were averaged over different types of construction. He stated the eight percent was given for all types of residential construction.

Planning Commissioner Faria questioned the fluctuation of construction and prevailing wage prices. Director Greenwood stated volatility of steel and construction material prices were expected to continue.

Deputy Director Selander discussed reduction of impact fees on affordable units versus all units. Josh Abrams added that State or outside dollars could not be leveraged while reducing impact fees.

Council Member Addiego asked if implementation of a fee reduction would activate prevailing wage. Deputy Director Selander explained that one off reductions created waivers. Director Greenwood provided examples of instances triggering prevailing wage.

Mayor Pro Tem Matsumoto asked reducing or waiving a fee would trigger prevailing wage. Deputy Director Selander confirmed that it would and stated the idea was to create a uniform policy

In response to Council Member Addiego, Deputy Director Selander stated complete elimination of fees would not be considered a gift. She discussed the City Ventures town home project utilizing the State Density Bonus and that using the land for the PUC project for town homes would have resulted in far less units.

Deputy Director Selander recapped the staff recommendation provided in February 2018.

Council Member Addiego inquired about the time in between increases in the inclusionary agreement. Deputy Director Selander explained the purpose of the time between increases to let the market adjust to the effects of the new requirement and that an immediate jump to 10% inclusionary rate might affect the feasibility of some projects.

Deputy Director Selander discussed the projects included in the development pipeline.

Mayor Pro Tem Matsumoto inquired on the meaning of “under review.” Deputy Director Selander explained the projects under review had submitted a planning application but had not yet been approved and was going through the entitlement process.

Mayor Pro Tem Matsumoto then inquired on what would affect the projects in the project pipeline. Deputy Director Selander stated it was dependent on the effective date and the Committee had discretion to determine the date.

Deputy Director Selander discussed City owned and controlled properties.

Council Member Addiego and Planning Commissioner Wong asked about the parcel located off of South San Francisco Drive. Director Greenwood stated the parcel was deeded to the City for potential future open space as part of the development agreement but had grading issues.

Mayor Pro Tem Matsumoto asked who deeded the parcel to the City. Director Greenwood stated he believed it was deeded by Jack Meyers to the City with the Terra Bay Community Center.

Deputy Director Selander discussed properties removed from the list due to undevelopable characteristics.

Council Member Addiego asked about the parking lot. Deputy Director Selander clarified it was the Gardener Lot/Parking Lot open space.

Deputy Director Selander stated staff would work on an overarching policy to cover all City properties.

Sam Greason, Bella Vista Development Company, introduced his company and its application for a development of 240 apartment dwellings. He gave a brief description of the application process and noted an inclusionary requirement would greatly impact developers and projects. He noted examples of fee increases in neighboring cities causing builders to abandon developments. He discussed the impact of AB1505. He urged the Committee exempt projects in the pipeline from the inclusionary rate, supported staff's proposal to start at 5% inclusionary, ramping up the inclusionary rate over a year, and lowering the City's in lieu fee.

Council Member Addiego asked projections on building prior to declining rents. Mr. Greason stated the City needed 12,000 housing units to reach equilibrium and surrounding communities would need to partake in the building. He noted disincentives for developers and suggested a commercial linkage fees to ease the burden of the fees on developers.

Daniel Valverde, Housing Leadership Council, supported commercial linkage fees; suggested the fees be applied to developments not in the pipeline; that the ordinance take effect within six months to a year; and that the Council have the ability to modify based on development availability.

Planning Commissioner Wong inquired on the cap rates that the developers used in comparison to historical data. Jake Kraft, Century Urban, stated cap rates had traditionally been declining and recently stayed steady. Planning Commissioner Wong inquired on the reliability of the rate used in the analysis. Mr. Kraft stated the rates were based on data collected from current situations. Deputy Director Selander stated five-year check-ins were standard. Mr. Kraft explained that projects would become less valuable if cap rates increased and the inclusionary rate would be harder to implement.

Mayor Pro Tem Matsumoto inquired on the number of projects in the City's pipeline. Deputy Director Selander clarified that there were 119 affordable units in the pipeline. Mayor Pro Tem Matsumoto stated she would settle for a 15% inclusionary rate, but her target was 20%. She reflected on homelessness.

Council Member Addiego concurred with Mayor Pro Tem Matsumoto and reflected on his experience in Boston. He stated a 15% inclusionary rate could potentially harm growth.

Mayor Pro Tem Matsumoto stated she would not agree with a 5% inclusionary rate. She stated townhomes were expensive to build and residents of certain projects might have difficulty accessing the transportation. She stated the City would need to partner and work with leaders in the community to reach agreements on fees and rates.

Council Member Addiego discussed jobs for union workers.

Planning Commissioner Faria agreed that the inclusionary rate would need to be an evolving rate. Council Member Addiego added that the City was not in control of prevailing wage.

Mayor Pro Tem Matsumoto stated that lowering fees would automatically trigger prevailing wage. Deputy Selander reiterated that a standard policy that reduced fees would not implement the prevailing wage but a gift of public funds outside of the regular fee schedule would trigger prevailing wage. Council Member Addiego encouraged conversation on the fees that were included in developing housing. Mayor Pro Tem Matsumoto reflected on her meeting with other cities regarding building affordable housing and stated she would continue to push for affordable housing with surrounding cities.

Planning Commissioner Faria empathized with residents that would have to vacate their residencies but also stated that no one would be helped if there was no development at all due to excessive fees.

Mayor Pro Tem Matsumoto reflected on the building of biotech and development fees. She stated most developers could absorb the BMR's on a small number of units.

Council Member Addiego stated 50,000 units would need to be built to double existing stock.

Mayor Pro Tem Matsumoto mentioned higher density buildings and the impacts of heights. She mentioned the families that were being displaced by the non-affordable housing. She stated that she would not accept a 5% inclusionary rate with a gradual increase.

Planning Commissioner Wong stated that he was disheartened by the number of affordable housing units created in recent years. He expressed concern with waiting too long to implement a solution.

Council Member Addiego discussed the option of a 10% inclusionary rate while reducing fees. Deputy Director Selander anticipated concern with increasing fees and suggested 10% inclusionary rate with fee reduction to mitigate the push back from developers.

Mayor Pro Tem Matsumoto stated she did not agree with the proposition.

Planning Commissioner Shihadeh stated the City had no control of the contractors. He stated resident should not be misplaced by unaffordable housing and that affordable housing needed to be feasible for developers, residents, and the City.

Council Member Addiego mentioned linkage fees for restaurants and retail businesses on the west side of town in comparison to the east side of town. Deputy Director Selander noted the financial feasibility model was being redone on the commercial linkage fee because the industry was doing so well and that the fee rates would change based on current numbers. She stated the nexus study was not being redone because the maximum range still encompassed the rates.

Mayor Pro Tem Matsumoto stated the housing job balance would need to be met.

Council Member Addiego discussed consideration of a head tax for employers. Deputy Director Selander described the per head tax that was implemented in Seattle, Washington and its impacts.

Deputy Director Selander stated the development pipeline would provide large numbers of affordable projects.

Council Member Addiego inquired on the commercial linkage and the impacts of building six million square feet. Deputy Director Selander explained the use of \$120,000 per unit as a City subsidy required on a fully affordable unit.

Deputy Director Selander suggested discussion and consensus on the minimum inclusionary rate.

The Committee agreed that 10% was a fair starting rate.

Deputy Director Selander asked Committee if it would like staff to report back to it or to go directly to the Planning Commission with the ordinance. Mayor Pro Tem Matsumoto suggested taking the ordinance to Council before the Planning Commission.

Deputy Director Selander stated that the commercial linkage fee could be implemented by November 2018.

Mayor Pro Tem Matsumoto anticipated the fee would be well received by the Council.

Director Greenwood mentioned time pressure due to the units already in the pipeline. He suggested a memo to the Council on the commercial linkage fee and present it to the Planning Commission. He confirmed that the Committee wanted to grandfather in current pipeline projects, subject new projects to the ordinance, and analyze the possibility of fee reduction to accompany the minimum inclusionary rate (10%) gradually increased to 15%.

Council Member Addiego confirmed that there would be no BMR requirement for the next six months. Deputy Director Selander stated any approved or under construction projects would not pay the fee.

Council Member Addiego suggested enacting a 5% inclusionary rate as soon as possible to hold developers responsible.

Director Greenwood suggested speaking with the City Attorney regarding a retroactive effective date and informing the development community.

Mayor Pro Tem Matsumoto confirmed the projects that would be impacted by the fee and inclusionary rate. Director Greenwood stated that the development on 410 Noir was just beginning the review process.

Deputy Director Selander stated the Committee could revisit the inclusionary rate and commercial linkage fee with the entire City Council.

Adjournment

Being no further business the meeting was adjourned at 7:30 p.m.

Submitted by:

Approved by:

Gabriel Rodriguez, Deputy City Clerk
City of South San Francisco

Karyl Matsumoto, Mayor Pro Tem
City of South San Francisco