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Increase in San Francisco Office and Laboratory Use Development Fees to Pay for Affordable Housing

The San Francisco Jobs Housing Linkage Fee (JHLF) is set to more than double under the "Housing for SF Workers" ordinance recently passed by the San Francisco Board of Supervisors (Ordinance). Mayor London Breed refused to sign the Ordinance, but even without the Mayor's signature, Housing for SF Workers becomes effective on December 15, 2019.



Increase in Jobs Housing Linkage Fee and Inclusionary Housing The City creates seven jobs for every one unit of housing, causing a crucial jobs/housing imbalance. The JHLF impact fee was established in 1996 and applies to certain new commercial spaces in an effort to solve this issue. The JHLF is supported by a [Jobs Housing Nexus Analysis](#) showing that non-residential uses create a potential demand for affordable housing. On October 29, 2019, the Board unanimously passed the Ordinance, which more than doubles the JHLF and applies to construction or expansion of more than 25,000 square feet of entertainment, hotel, integrated PDR, office, research and development, retail, and/or small enterprise workspace development. The new rates approved by the Board impose a \$52.20 fee for office projects of 50,000 square feet and above that submitted a complete Preliminary Project Assessment (PPA) to the Planning Department before September 10, 2019. A PPA is an initial evaluation process that the Planning Department requires for certain projects, including construction of a new non-residential building or an addition of at least 10,000 square feet. The PPA process is separate from the primary Development Application procedure. The fee increases to \$60.90 for projects that submitted a complete Development Application between September 11, 2019 and January 1, 2021. Starting January 1, 2021, the fee increases to \$69.60. Projects in the application pipeline are not grandfathered into the current JHLF. Thus, projects must obtain a building or site permit prior to the effective date of the Ordinance in order to avoid the JHLF increase. There is a lower rate for projects under 50,000 square feet. A summary of the JHLF increases for office construction is below:

	Current JHLF	Projects that submitted a PPA on or before September 10, 2019	Projects that submit a Development Application between September 11, 2019 and January 1, 2021	Projects that submit a Development Application on and after January 1, 2021
Large Office Project (? 50,000 gross square feet.)	\$28.57 per gsf	\$52.50 per gsf	\$60.90 per gsf	\$69.60 per gsf

Small Office

Project (< 50,000 gross square feet)	\$28.57 per gsf	\$46.98 per gsf	\$54.81 per gsf	\$62.62 per gsf
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The JHLF fee for laboratory development will increase to \$46.43 per gsf. Developers may elect to donate land to the City in-lieu of the fee. Additionally, projects that were approved by the Planning Commission or Planning Department before September 10, 2019, with the condition that they would be subject to the JHLF increase if enacted prior to issuance of a certificate of occupancy for the project, will be required to pay the difference between any fee assessed at site permit issuance and the higher fee effective when the certificate of occupancy is issued. *Allocation of the JHLF* The JHLF collected will be deposited into the San Francisco Citywide Affordable Housing Fund. 10% of the fees received will be allocated for the preservation and acquisition of rent restricted affordable housing, and 30% for permanent supportive housing. Proponents estimate that the increased fees will generate \$400 million for affordable housing projects. *Potential Negative Implications of the Fee Increase* As the Mayor noted in her statement opposing the Ordinance, the Feasibility Analysis prepared for the City in anticipation of the JHLF increase shows that developers could afford \$38.57 per gsf before construction becomes infeasible. The fee increase approved by the Board of Supervisors goes above and beyond this threshold. A [report](#) prepared by the Office of the Controller also warns that the increase in the JHLF could decrease the feasibility of office construction. This report estimates a reduction of 125,000 – 140,000 square feet per year, on average, or the annual decline in office construction spending is estimated at \$61 million - \$87 million per year. **Mayor's Opposition to the Ordinance** The Mayor did not sign the Ordinance within the statutory time period. While the Ordinance still became law, this enabled her to go on the record against the JHLF increase. In a [letter](#) to the San Francisco Board of Supervisors, the Mayor wrote "if projects become infeasible to build, the result is less funding for affordable housing." The letter indicates that the Mayor's opposition to the fee increase is based, in part, on concerns that it will lead to smaller businesses being priced out of an already expensive office market. In response, Supervisor Haney, the author of the Ordinance responded, "San Francisco has the worst jobs-housing ratio in the Bay Area, the highest cost of housing nationally, and an out-of-control homeless crisis. There is tremendous urgency for the city to act. It is disappointing that the mayor is so strongly opposed to a policy that has such wide support from labor and the community." The debate on the best way to solve the City's job/housing imbalance is likely to continue as politicians and other stakeholders advocate for competing proposals.

Authors