

# **Central SoMa Memo**

## **Potential Public Benefits**

**June 30, 2015**

### **Introduction**

As part of the Central SoMa Plan, the Planning Department has analyzed the amount of public benefits that could be provided by new development in the Plan Area (Market to Townsend Streets, 2<sup>nd</sup> to 6<sup>th</sup> Streets). This analysis determined that new development could provide up to \$2 billion in new public benefits (permanently affordable housing, transportation improvements, open space, subsidized space for non-profit offices and artists, etc.). The document below conveys the methodology behind this analysis, and the results. This document is meant to complement the June 25, 2015 Planning Commission presentation on this topic and the accompanying data on development prototypes.

### **Methodology**

#### Step 1. Determine Development Potential on All Parcels Based on Existing Zoning

There are approximately 1,000 parcels in the Central SoMa Plan Area. Planning Department staff assessed each to determine its potential for both commercial and residential development under the existing zoning.

Potential commercial development was estimated based on existing Floor Area Ratio (FAR) controls on the building, which set the upper bound of development potential. In the Downtown “C-3” Districts potential residential development was also based on existing FAR controls. In the Eastern Neighborhoods (which constitute the rest of the Plan Area, potential residential development was estimated to be 75% of the of the lot size times the number of potential stories of development. The 75% figure represents the Planning Department’s best practice estimate of such development, reflecting the requirement for design and livability controls such as rear yards, open space, and light and air.

#### Step 2. Determine Development Potential on All Parcels Based on Proposed Zoning

To understand the increment of growth that would be enabled by the Central SoMa Plan, staff conducted the same analysis as in Step 1, but used the proposed zoning to determine development potential on all sites. For purposes of this analysis, the proposed zoning is the combination of the “Proposed Zoning” (page 19) and the “Proposed Height Limits: High-Rise Alternative” (page 42) identified in the *Central Corridor Plan – Draft for Public Review (April 2013)*.

#### Step 3. Identify Potential Development Sites

After determining the maximum development potential on all sites under the existing and proposed zoning, staff assessed which sites are likely potential development sites under both

zoning scenarios within the 25-year time horizon of the Plan. A parcel was considered a potential development site if it met all of the following criteria:

- The current development on the parcel was substantially less than the development potential proposed by the Central SoMa Plan. Specifically, the current buildings represented less than 30% of the potential capacity.<sup>1</sup>
- The site contains less than three residential units.
- The site is not publicly owned.
- The site is not already designated as a landmark or significant historic resource, either individually or as part of a larger district.
- The site is not proposed by the Plan to become designated as a landmark or significant historic resource or district by the City.
- The site has not sold any Transferable Development Rights.
- The site is not in the Service/Light Industrial (SLI) or South of Market Arts and Light Industrial (SALI) zoning districts, which do not permit offices or housing.

#### Step 4. Apply and Calculate Existing Public Benefits Requirements

For each potential development site, staff applied existing and/or foreseeable fees and requirements, including:

- The existing inclusionary housing requirement, which is 12% of units if built on-site requirement or 20% of units if built off-site or paid through the in-lieu fee (or 17% for buildings taller than 160 feet).
- The existing Eastern Neighborhoods Infrastructure Impact Fee, which funds transportation, complete streets (i.e., pedestrian and bicycle improvements), open space and child care. The fee amount was applied according to the existing Fee Tier (based on the amount of development capacity granted during the 2008 Eastern Neighborhoods Plan) and the type of use (residential or non-residential).<sup>2</sup> The maximum fees are \$16.99 per gross square foot for non-residential uses and \$19.42 per gross square foot for residential uses.
- The existing Jobs-Housing Linkage Fee.<sup>3</sup> The fee is currently \$24.03 per gross square foot for office.
- The proposed [Transportation Sustainability Fee](#) (TSF). The proposed TSF is \$18.04 per gross square foot for non-residential uses and \$7.74 per gross square foot for residential uses.
- The existing Child Care Fee, which is \$1.21 per square foot for office and hotel uses.

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<sup>1</sup> The 30% standard is typically used by the Planning Department as an analytical benchmark, based on past history, to assess whether a lot has enough development potential to warrant the expenditure and risk of attaining entitlements and redeveloping the lot as compared to the economic value embedded in the existing buildings and uses on the lot.

<sup>2</sup> For the fee amounts used in this analysis, see the San Francisco Citywide Development Impact Fee Register at <http://www.sf-planning.org/Modules/ShowDocument.aspx?documentID=9349>

<sup>3</sup> Ibid

Development in the City is also subject to other fees which were not included in this analysis, including the School Impact Fee, Public Art Fee, and Water and Wastewater Capacity Charges, as well as several fees that would only apply only to the part of Central SoMa that overlaps with the Transit Center District Plan Area.<sup>4</sup>

The total amount of these benefits was summed across all the development sites for both the existing and proposed zoning.<sup>5</sup>

#### Step 5. Determine New Central SoMa “Public Benefits Tiers”

The Central SoMa Plan is adding development potential for economically attractive uses, specifically offices and housing, to a number of sites in the Plan Area. Because some sites are proposed to receive more development potential than others, they have more ability to provide public benefits. Like in Eastern Neighborhoods, the Planning Department is proposing to create “Public Benefits Tiers” in Central SoMa based on the development potential conveyed by the Plan, as shown below. For purposes of this analysis, “development potential” is calculated based on the additional height being considered for a site, and for parcels in the SLI and SALI zoning districts (which are currently not permitted to build new residential or office uses) it also includes the existing height limit.

- Central SoMa Public Benefits (CSPB) Tier 1: Increase in development potential of 15-45 feet.
- CSPB Tier 2: Increase in development potential of 50-95 feet.
- CSPB Tier 3: Increase in development potential of 100-165 feet.
- CSPB Tier 4: Increase in development potential of 170 feet and up.

The Central SoMa Plan is not considering new public benefits requirements for sites that are not receiving an increase in development potential of at least 15 feet.

#### Step 6. Apply the New Public Benefits Requirements

Prior to the analysis described in this memo, staff (in collaboration with our economic analysis consultant, Seifel Consulting) had analyzed the viability of applying new public benefits to prototypical development projects (for more information on the analysis of development prototypes, please see the accompanying document on the [Central SoMa website](#)). This analysis revealed that it would not be possible to apply all the possible benefits being sought and for development projects to still be economically feasible. As such, staff developed three “Feasible Alternatives” – “Affordable Housing and Amenities,” “Jobs Diversity,” and “Infrastructure” that would all maximize public benefits while still enabling

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<sup>4</sup> This area includes parcels north of Folsom between 2<sup>nd</sup> Street and to just west of New Montgomery Street. The requirements not analyzed include the Downtown Parks fee, the TCDP fees for open space and transportation, and the TCDP Mello Roos. Collectively, these fees could add tens of millions of dollars to total public benefits for the area, with or without the Central SoMa Plan.

<sup>5</sup> For affordable housing, it was assumed that 50% of projects would provide on-site units and 50% would build off-site or pay the in-lieu fee. This percentage is based on both SoMa and citywide historical averages for buildings below 160 feet (67% of which build on-site) and buildings above 160 feet (almost all of which pay the in-lieu fee).

development to occur. These Alternatives were meant to convey the possibilities for public benefits in the Plan Area, and also to frame the potential tradeoffs and choices that will need to be made. A summary of each of these follows – for more information on the source of these benefits, see this document’s Appendix:

- Affordable Housing and Amenities – focus public benefits on permanently affordable housing; utilize the remainder on open space and child care.
- Jobs Diversity – subsidize new space for non-profit office and Production, Distribution, and Repair (PDR) uses; collect money to provide new community facilities; protect historic buildings; apply remainder to affordable housing.
- Infrastructure – maximize revenue for transportation, complete streets, and environmental amenities for the Eco-District.

The “Feasible Alternatives” were developed based on four development prototypes. Staff then translated these to the wide variety of potential development in Central SoMa according to Tables 1-3 below. The requirements in the Feasible Alternatives below are in addition to the existing and foreseeable public requirements outlined in Step 4. Please note that while these alternatives may be financially feasible, additional research is necessary to ensure that all of these requirements are legally feasible and logistically practical.<sup>6</sup>

These alternatives are meant to be illustrative baskets of public benefits that evaluate the ability to push certain benefits to the maximum requested by the community during the Planning process (and in some cases, beyond) – to the exclusion of other types of public benefits. The Planning Department does not endorse any of these alternatives and anticipates that, based on robust community dialogue and conversation about how best to achieve the many policy objectives of the Plan, that the final public benefits package is a mixture of many or all of the various benefits.

**Table 1: Feasible Alternative 1 – “Affordable Housing and Amenities”**

	<b>Tier 1 - Residential</b>	<b>Tier 2 - Residential</b>	<b>Tier 3 - Residential</b>	<b>Tier 4 - Residential</b>	<b>Tier 1 – Non-Residential</b>	<b>Tier 2 – Non-Residential</b>	<b>Tier 3 and 4 – Non-Residential</b>
<b>BMR Housing - On-Site</b>	15%	17.5%	17.5%	19%	N/A	N/A	N/A
<b>BMR Housing – In-Lieu Fee</b>	30%	35%	35%	38%	N/A	N/A	N/A
<b>Jobs-Housing Linkage Fee</b>	N/A	N/A	N/A	N/A	\$27/gsf	\$30/gsf	\$36/gsf
<b>Central SoMa Fee (CSF)</b>	\$0/gsf	\$0/gsf	\$0/gsf	\$0/gsf	\$5/gsf	\$10/gsf	\$20/gsf
<i>Portion of CSF to Affordable Housing</i>	N/A	N/A	N/A	N/A	75%	75%	75%

<sup>6</sup> The fees discussed for transportation, open space, complete streets, and child care are all within the limits established by the 2014 [San Francisco Citywide Nexus Analysis](#). Establishing other fees and requirements will likely necessitate additional or updated nexus studies (including community facilities and Jobs-Housing Linkage) as well as research, including understanding the implications of the June 15<sup>th</sup> State Supreme Court ruling in the California Building Industry Association v. City of San Jose et al (which upheld San Jose’s affordable housing program) and the potential expenditures for Mello-Roos Community Facilities Districts.

Portion of CSF to Transportation	N/A	N/A	N/A	N/A	0%	0%	0%
Portion of CSF to Open Space	N/A	N/A	N/A	N/A	17.5%	17.5%	17.5%
Portion of CSF to Complete Streets	N/A	N/A	N/A	N/A	0%	0%	0%
Portion of CSF to Child Care	N/A	N/A	N/A	N/A	7.5%	7.5%	7.5%
<b>Mello-Roos Community Facilities District (CFD)</b>	N/A	N/A	N/A	N/A	\$0/gsf	\$2.00/gsf	\$4.00/gsf
Portion of CFD to Affordable Housing	N/A	N/A	N/A	N/A	50%	50%	50%
Portion of CFD to Open Space	N/A	N/A	N/A	N/A	30%	30%	30%
Portion of CFD to Child Care	N/A	N/A	N/A	N/A	20%	20%	20%
<b>Historic Preservation (TDR)</b>	None	None	None	None	None	None	None
<b>Production, Distribution, and Repair</b>	None	None	None	None	None	None	None
<b>Non-Profit Office</b>	None	None	None	None	None	None	None
<b>Community Facilities Fee</b>	\$0/gsf	\$0/gsf	\$0/gsf	\$0/gsf	N/A	N/A	N/A

N/A = Not applicable  
gsf = gross square feet

**Table 2: Feasible Alternative 2 – “Jobs Diversity”**

	<b>Tier 1 - Residential</b>	<b>Tier 2 - Residential</b>	<b>Tier 3 - Residential</b>	<b>Tier 4 - Residential</b>	<b>Tier 1 – Non-Residential</b>	<b>Tier 2 – Non-Residential</b>	<b>Tier 3 and 4 – Non-Residential</b>
<b>BMR Housing - On-Site</b>	12%	14%	14%	18.5%	N/A	N/A	N/A
<b>BMR Housing – In-Lieu Fee</b>	24%	28%	28%	37%	N/A	N/A	N/A
<b>Jobs-Housing Linkage Fee</b>	N/A	N/A	N/A	N/A	\$24/gsf	\$24/gsf	\$24/gsf
<b>Central SoMa Fee (CSF)</b>	\$0/gsf	\$0/gsf	\$0/gsf	\$0/gsf	\$0/gsf	\$0/gsf	\$0/gsf
<b>Mello-Roos Community Facilities District (CFD)</b>	\$0/gsf	\$0/gsf	\$0/gsf	\$0/gsf	\$0/gsf	\$0/gsf	\$0/gsf
<b>Historic Preservation (TDR)</b>	0 FAR	1.5 FAR	3.0 FAR	3.0 FAR	0 FAR	1.5 FAR	3.0 FAR
<b>Production, Distribution, and Repair</b>	None	None	None	None	None	0.5 FAR	0.5 FAR
<b>Non-Profit Office</b>	None	None	None	None	None	1 Floor	1 Floor
<b>Community Facilities Fee</b>	\$1.00/gsf	\$2.00/gsf	\$2.00/gsf	\$2.00/gsf	N/A	N/A	N/A

N/A = Not applicable  
gsf = gross square feet  
FAR = Floor Area Ratio (amount of development divided by lot area)

**Table 3: Feasible Alternative 3 – “Infrastructure”**

	<b>Tier 1 - Residential</b>	<b>Tier 2 - Residential</b>	<b>Tier 3 - Residential</b>	<b>Tier 4 - Residential</b>	<b>Tier 1 – Non-Residential</b>	<b>Tier 2 – Non-Residential</b>	<b>Tier 3 and 4 – Non-Residential</b>
<b>BMR Housing - On-Site</b>	12%	12%	12%	15.5%	N/A	N/A	N/A
<b>BMR Housing – In-Lieu Fee</b>	20%	23%	23%	31%	N/A	N/A	N/A
<b>Jobs-Housing Linkage Fee</b>	N/A	N/A	N/A	N/A	\$24	\$24	\$24
<b>Central SoMa Fee (CSF)</b>	\$5/gsf	\$7.50/gsf	\$7.50/gsf	\$10/gsf	\$6.25/gsf	\$12.50/gsf	\$25/gsf
<i>Portion of CSF to Affordable Housing</i>	0%	0%	0%	0%	0%	0%	0%
<i>Portion of CSF to Transportation</i>	80%	80%	80%	80%	100%	100%	100%
<i>Portion of CSF to Open Space</i>	0%	0%	0%	0%	0%	0%	0%
<i>Portion of CSF to Complete Streets</i>	20%	20%	20%	20%	0%	0%	0%
<i>Portion of CSF to Child Care</i>	0%	0%	0%	0%	0%	0%	0%
<b>Mello-Roos Community Facilities District (CFD)</b>	\$0/gsf	\$4.65/gsf	\$4.65/gsf	\$6.20/gsf	\$0/gsf	\$2.46/gsf	\$4.91/gsf
<i>Portion of CFD to Transportation</i>	N/A	50%	50%	50%	50%	50%	50%
<i>Portion of CFD to Environmental Sustainability</i>	N/A	35%	35%	35%	35%	35%	35%
<i>Portion of CFD to Complete Streets</i>	N/A	15%	15%	15%	15%	15%	15%
<b>Historic Preservation (TDR)</b>	None	None	None	None	1.5 FAR	1.5 FAR	1.5 FAR
<b>Production, Distribution, and Repair</b>	None	None	None	None	None	None	None
<b>Non-Profit Office</b>	None	None	None	None	None	None	None
<b>Community Facilities Fee</b>	\$0/gsf	\$0/gsf	\$0/gsf	\$0/gsf	N/A	N/A	N/A

N/A = Not applicable

gsf = gross square feet

FAR = Floor Area Ratio (amount of development divided by lot area)

## Results

Calculating the public benefits requirements for each of the three “Feasible Alternatives” from Tables 1-3 above results in the following public benefits, contained in Tables 4-17. The results include the public benefits generated by new development even if the Central SoMa Plan did not pass, if the Plan passed but there were no changes to the existing requirements, and if the Plan passed and new requirements discussed above were enacted.

**Table 4 – Total Public Benefits<sup>7</sup>**

	No Central SoMa Plan	With Central SoMa Plan – No Change to Existing Requirements	With Central SoMa Plan and New Requirements
Feasible Alternative 1 – “Affordable Housing and Amenities”	\$610,000,000	\$1,220,000,000	\$1,790,000,000
Feasible Alternative 2 – “Jobs Diversity”	\$610,000,000	\$1,220,000,000	\$2,000,000,000
Feasible Alternative 3 – “Infrastructure”	\$610,000,000	\$1,220,000,000	\$1,980,000,000

**Table 5 – Affordable Housing**

	No Central SoMa Plan	With Central SoMa Plan – No Change to Existing Requirements	With Central SoMa Plan and New Requirements
Feasible Alternative 1 – “Affordable Housing and Amenities”	1,100 units	2,300 units	3,600 units
Feasible Alternative 2 – “Jobs Diversity”	1,100 units	2,300 units	2,500 units
Feasible Alternative 3 – “Infrastructure”	1,100 units	2,300 units	2,300 units

**Table 6 – Childcare**

	No Central SoMa Plan	With Central SoMa Plan – No Change to Existing Requirements	With Central SoMa Plan and New Requirements
Feasible Alternative 1 – “Affordable Housing and Amenities”	\$10,000,000	\$21,000,000	\$79,000,000
Feasible Alternative 2 – “Jobs Diversity”	\$10,000,000	\$21,000,000	\$21,000,000
Feasible Alternative 3 – “Infrastructure”	\$10,000,000	\$21,000,000	\$21,000,000

**Table 7 – Community Facilities**

	No Central SoMa Plan	With Central SoMa Plan – No Change to Existing Requirements	With Central SoMa Plan and New Requirements
Feasible Alternative 1 – “Affordable Housing and Amenities”	\$0	\$0	\$0
Feasible Alternative 2 – “Jobs Diversity”	\$0	\$0	\$9,800,000
Feasible Alternative 3 – “Infrastructure”	\$0	\$0	\$0

<sup>7</sup> This table reflects the sum of tables 5-14. The following methodology was used to translate non-monetary results in revenue: 1) for affordable housing, each unit was valued at \$300,000 – which is approximately the amount of the average in-lieu fee received for new units (which itself is approximated on the cost for the City to build affordable housing), 2) for PDR and non-profit office, a placeholder figure of \$720/gsf was used to represent the cost to build new space for each of these uses. The Planning Department will conduct further research into the cost of such construction.

**Table 8 – Complete Streets**

	No Central SoMa Plan	With Central SoMa Plan – No Change to Existing Requirements	With Central SoMa Plan and New Requirements
Feasible Alternative 1 – “Affordable Housing and Amenities”	\$21,000,000	\$68,000,000	\$68,000,000
Feasible Alternative 2 – “Jobs Diversity”	\$21,000,000	\$68,000,000	\$68,000,000
Feasible Alternative 3 – “Infrastructure”	\$21,000,000	\$68,000,000	\$120,000,000

**Table 9 – Environmental Sustainability**

	No Central SoMa Plan	With Central SoMa Plan – No Change to Existing Requirements	With Central SoMa Plan and New Requirements
Feasible Alternative 1 – “Affordable Housing and Amenities”	\$0	\$0	\$0
Feasible Alternative 2 – “Jobs Diversity”	\$0	\$0	\$0
Feasible Alternative 3 – “Infrastructure”	\$0	\$0	\$187,000,000

**Table 10 – Historic Preservation**

	No Central SoMa Plan	With Central SoMa Plan – No Change to Existing Requirements	With Central SoMa Plan and New Requirements
Feasible Alternative 1 – “Affordable Housing and Amenities”	\$56,000,000	\$56,000,000	\$56,000,000
Feasible Alternative 2 – “Jobs Diversity”	\$56,000,000	\$56,000,000	\$118,000,000
Feasible Alternative 3 – “Infrastructure”	\$56,000,000	\$56,000,000	\$93,000,000

(note: this total presumes an average price of TDR sales of \$30/gsf)

**Table 11 – Non-Profit Office**

	No Central SoMa Plan	With Central SoMa Plan – No Change to Existing Requirements	With Central SoMa Plan and New Requirements
Feasible Alternative 1 – “Affordable Housing and Amenities”	None	None	None
Feasible Alternative 2 – “Jobs Diversity”	None	None	560,000 square feet
Feasible Alternative 3 – “Infrastructure”	None	None	None

**Table 12 – Open Space**

	No Central SoMa Plan	With Central SoMa Plan – No Change to Existing Requirements	With Central SoMa Plan and New Requirements
Feasible Alternative 1 – “Affordable Housing and Amenities”	\$22,000,000	\$42,000,000	\$137,000,000
Feasible Alternative 2 – “Jobs Diversity”	\$22,000,000	\$42,000,000	\$42,000,000
Feasible Alternative 3 – “Infrastructure”	\$22,000,000	\$42,000,000	\$42,000,000

**Table 13 – Production, Distribution, and Repair**

	No Central SoMa Plan	With Central SoMa Plan – No Change to Existing Requirements	With Central SoMa Plan and New Requirements
Feasible Alternative 1 – “Affordable Housing and Amenities”	None	None	None
Feasible Alternative 2 – “Jobs Diversity”	None	None	300,000 square feet
Feasible Alternative 3 – “Infrastructure”	None	None	None

**Table 14 – Public Transit**

	No Central SoMa Plan	With Central SoMa Plan – No Change to Existing Requirements	With Central SoMa Plan and New Requirements
Feasible Alternative 1 – “Affordable Housing and Amenities”	\$157,000,000	\$366,000,000	\$366,000,000
Feasible Alternative 2 – “Jobs Diversity”	\$157,000,000	\$366,000,000	\$366,000,000
Feasible Alternative 3 – “Infrastructure”	\$157,000,000	\$366,000,000	\$815,000,000

**Table 15 – Percent of Affordable Housing – The Central SoMa Plan Area**

	No Central SoMa Plan	With Central SoMa Plan – No Change to Existing Requirements	With Central SoMa Plan and New Requirements
Feasible Alternative 1 – “Affordable Housing and Amenities”	18%	22%	31%
Feasible Alternative 2 – “Jobs Diversity”	18%	22%	23%
Feasible Alternative 3 – “Infrastructure”	18%	22%	22%

**Table 16 – Percent of Affordable Housing – The Eastern Neighborhoods Portion of the Central SoMa Plan Area**

	No Central SoMa Plan	With Central SoMa Plan – No Change to Existing Requirements	With Central SoMa Plan and New Requirements
Feasible Alternative 1 – “Affordable Housing and Amenities”	17%	22%	35%
Feasible Alternative 2 – “Jobs Diversity”	17%	22%	25%
Feasible Alternative 3 – “Infrastructure”	17%	22%	23%

**Table 17 – Percent of Affordable Housing – The Parcels Receiving Increased Development Capacity from the Central SoMa Plan**

	No Central SoMa Plan	With Central SoMa Plan – No Change to Existing Requirements	With Central SoMa Plan and New Requirements
Feasible Alternative 1 – “Affordable Housing and Amenities”	20%	24%	41%
Feasible Alternative 2 – “Jobs Diversity”	20%	24%	28%
Feasible Alternative 3 – “Infrastructure”	20%	24%	26%

## **Appendix – Rationale, Targets, and Mechanisms for Public Benefits Included in this Analysis**

The information below describes the rationale behind the public benefits included in the three “Feasible Alternatives” and provides references to the portions of the Draft Plan, subsequent Policy Papers and other relevant material that provide more extensive background on that issue. Over the next few months the Planning Department will undertake more precise quantitative analyses of the demands for public benefits in the Plan Area, utilizing data generated for such sources as the Draft Environmental Impact Report.

Some of the mechanisms for creating public benefits have been studied under several topic areas. Rather than repeat the information each time, here is a summary of the primary mechanisms:

- **Existing Impact Fees:** The City has a number of existing impact fees in place, including the Eastern Neighborhoods Infrastructure Impact Fee (Planning Code Section 423) and the Child Care Fee (Planning Code Section 414).
- **New Impact Fees:** The City is exploring a new Central SoMa Public Benefits Fee. In the development prototype analysis, Seifel Consulting examined an increase of \$10/gsf. This analysis revealed that, for some non-residential projects, it would be possible to exceed this amount considerably.
- **Land Use Controls:** The City is exploring requirements for purchase of TDR, provision of space for non-profit office, and provision of space for PDR. These have either a direct cost or opportunity cost to the developer, but that are not exactions and do not have direct contribution to any public fund. These mechanisms are described in more detail below.
- **New Mello-Roos Community Facilities District:** The City is exploring the creation of a Mello-Roos Community Facilities District (CFD) in Central SoMa. A CFD is an addition to a parcel’s property tax, and would be paid for 30 years. In the development prototype analysis, Seifel Consulting examined a CFD of up to \$4/gsf/year for non-residential uses and \$5/gsf/year for residential uses. This analysis revealed that, for some non-residential projects, it would be possible to exceed this amount considerably. The economic feasibility of the CFD and the realm of potential expenditures under state law will be further studied by work undertaken by the City’s CFD consultant, NBS.

### **Affordable Housing**

#### Rationale for Inclusion

San Francisco is undeniably in a crisis of housing affordability. Affordable housing has been an important topic since the start of the Central SoMa Planning process in 2011, and increased affordability has always been discussed as a key component of the proposed Plan. Additionally, the conversation around affordable housing has become the pre-eminent topic in the city in the last 18-24 months. For more information on the affordable housing conversation in Central SoMa, see Chapter 2 of the 2013 [Draft Central SoMa Plan](#) and our 2014 [Affordable Housing Policy Paper](#).

## Target

The citywide 33% target set by 2014's voter-passed Proposition K is the de facto target for the additional growth enabled by the Plan, though this analysis looked at the possibility of achieving even beyond that rate. The Planning Department also looked at ways to maximize the amount of units, without having a particular target in mind.

## Mechanism(s) to Achieve the Target

- **Increasing the BMR Requirement:** Planning examined increasing the percent of Below-Market Rate units above that required for new residential development by the City's Inclusionary Housing program (Planning Code Section 415). In the development prototype analysis, Seifel Consulting studied increasing these amounts to 20% on-site and 33% in-lieu/off-site. This analysis revealed that, for some projects, it may be possible to exceed this amount given certain trade-offs with other public benefits. This analysis also revealed that the subsidy required to develop an on-site unit in Central SoMa is nearly twice the cost of paying the in-lieu fee – which is why the in-lieu/off-site option explored in the “Feasible Alternatives” is twice as high as the on-site option. The legal ability to set BMR requirements at these levels will be studied separately.
- **Increasing the Jobs-Housing Linkage Fee:** Planning examined increasing the Jobs-Housing Linkage Fee above that required by the City for new non-residential development (Planning Code Section 413). Planning explored an increase of \$12/gsf – which represents about a 50% increase over the existing fee of \$24.03/gsf for office development.<sup>8</sup> The rationale for maximizing this increase is the observed increase in worker densities in office space that has been observed as part of the current economic cycle, as well as national trends. The legal ability to set Jobs-Housing Linkage at this level (or above) will be studied as part of the City's update to the nexus analysis for this fee.
- **Utilizing new Impact Fees:** Planning studied dedicating up to \$15/gsf of this amount to housing. The legal ability to dedicate new impact fees to affordable housing will be studied separately.
- **Utilizing a Mello-Roos Community Facilities District:** Planning studied the potential of utilizing up to \$2.50/gsf/year from the CFD for affordable housing. The legal ability to expend CFD proceeds on affordable housing will be examined separately.
- **Utilizing additional Federal, State, and Local Programs:** In addition to utilizing developer contributions for affordable housing, there are multiple other mechanisms that could be utilized, including federal tax credits, federal and state funding programs, and local programs (such as an Infrastructure Finance District, the Housing Trust Fund, the Rental Assistance Demonstration Program, and the proposed 2015 Housing Bond). The Planning Department did not model these sources for this analysis, but will continue working with other agencies to secure funds for affordable housing in the Plan Area.

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<sup>8</sup> Seifel Consulting studied an increase of \$10/gsf in the development prototype analysis.

## Childcare

### Rationale for Inclusion

The 2014 [San Francisco Infrastructure Level of Service Analysis](#) identified that there are licensed childcare spaces for only 37% of infants and toddlers – though nearly 100% of 3-5 year olds.

### Target

At this time, the City does not have a target for the amount of childcare desired in the Central SoMa Plan Area. To ensure that adequate funding is generated to create new space, Planning explored dedicating a substantial amount of money (up to \$80 million) to childcare. The Planning Department will continue exploring this conversation with the relevant City agencies, including overall demand and the cost for meeting it.

### Mechanism(s) to Achieve the Target

- **Utilizing existing and proposed Impact Fees:** Currently, revenues for childcare in the Plan Area are collected through both the Eastern Neighborhoods Infrastructure Impact Fee and the City's Childcare Fee. The Planning Department did not examine increasing these fees – and instead considered creating supplemental new impact fees.
- **Utilizing new Impact Fees:** Planning studied dedicating up to \$1.50/gsf of this amount to childcare. This amount, combined with the existing fees, fits within the City's nexus analysis for childcare.
- **Utilizing a Mello-Roos Community Facilities District:** Planning studied the potential of utilizing up to \$0.80/gsf/year from the CFD for childcare. The legal ability to expend CFD proceeds on childcare will be examined separately.

## Community Facilities

### Rationale for Inclusion

As neighborhoods grow, they need new community facilities to support them – including health clinics, space for service providers, and arts space. Currently, there is not a city impact fee that covers the provision of such space.

### Target

At this time, the City does not have a target for the amount of community facilities desired in the Central SoMa Plan Area. The City Controller's Office is currently undertaking a level of service study to determine the amount of service desired.

### Mechanism(s) to Achieve the Target

- **Community Facilities Fee:** Complementary to the level of service study, the Controller’s Office is also currently undertaking a nexus study to determine whether such a fee is legally feasible and how much is justified. This study is preliminarily considering a fee of up to \$2 per gross square foot of development, which is the rate being considered in our Central SoMa analysis.<sup>9</sup>

## **Complete Streets**

### Rationale for Inclusion

Central SoMa’s main thoroughfares have long blocks with substandard pedestrian and bicycle facilities that are both uncomfortable and unsafe to walk or bicycle upon. Many public planning processes, from Eastern Neighborhoods through the current Vision Zero effort, have identified the need for improved conditions throughout the Plan Area. Most of the sidewalks and other pedestrian conditions in the Plan Area do not meet the minimum standards of the City’s Better Streets Plan. For more information on the complete streets conversation in Central SoMa, see Chapter 4 of the 2013 [Draft Central SoMa Plan](#)

### Target

The Central SoMa Plan proposes to improve conditions to meet Better Streets Plan standards and achieve other City and Plan goals for livability, safety and mobility by widening the sidewalks, providing high-quality bicycle facilities, providing signalized mid-block crosswalks, creating new alleys to break up large blocks, creating dedicated bus lanes, and other means. The amount of funding for complete streets utilized in this analysis (\$120 million) was based on a preliminary cost estimate of improving all of the major thoroughfares in the Plan Area, utilizing costs from the recently designed 2<sup>nd</sup> Street streetscape plan.

### Mechanism(s) to Achieve the Target

- **Utilizing the Eastern Neighborhoods Infrastructure Impact Fees:** Through the Eastern Neighborhood Citizens Advisory Committee and Interagency Plan Implementation Committee, a portion of these funds have already been targeted to support complete streets improvements in and around the Plan Area, including re-visioning both Folsom and Howard Streets. These fees will continue to be available for street improvements in Central SoMa as part of that process. The Planning Department did not examine increasing these fees – and instead considered creating new impact fees.
- **Utilizing new Impact Fees:** Planning studied dedicating up to \$2/gsf of this amount to complete streets. This amount, combined with the portion of the Eastern Neighborhoods Fee dedicated to Complete Streets, fits within the City’s nexus analysis for complete streets.

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<sup>9</sup> The City might also consider utilizing CFD money for Community Facilities – although this was not studied as part of this analysis.

- **Utilizing a Mello-Roos Community Facilities District:** Planning studied the potential of utilizing the CFD for complete streets – up to \$0.93/gsf/year from residential uses and \$0.74/gsf/year from non-residential uses.
- **Utilizing the Better Streets Plan:** The City’s Better Streets Plan (Planning Code Section 138.1) requires that new large development projects build their adjacent sidewalks out to the widths and design standards in that Plan. Given the narrowness of existing sidewalks in Central SoMa, implementation of the Better Streets requirements will facilitate the creation of better sidewalks in front of many of the Plan’s large development projects. This standard citywide zoning requirement was not modeled as part of this analysis.
- **Utilizing additional Federal, State, and Local Programs:** There are multiple other mechanisms that could be utilized to fund complete streets, including federal, state, and regional funding programs, local sales tax, and an Infrastructure Finance District. The Planning Department did not model these sources for this analysis, but will continue working with other agencies to secure funds for complete streets in the Plan Area.

## Environmental Sustainability

### Rationale for Inclusion

From the local scale (e.g., habitat and flooding) to the global scale (e.g., climate change and sea level rise), there are myriad environmental concerns that affect or implicate Central SoMa. Simultaneously, the amount of anticipated development provides an opportunity to proactively address and proactively contribute to the solutions to some of these issues, both on and between private property and on public land. For more information on the environmental sustainability conversation in Central SoMa, see Chapter 7 of the 2013 [Draft Central SoMa Plan](#), the [Central SoMa Eco-District Task Force Recommendations](#), and our 2015 [Environmental Sustainability Policy Paper](#).

### Target

The Central SoMa Plan aims to become the first regenerative neighborhood in San Francisco – a true “eco-district” where urban development returns more to the environment than it takes. Many of the requirements for achieving this goal are already in place, while others are being considered, and yet others are only aspirational given existing technology. As such, there is no way to know the “right” amount of funding for environmental sustainability at this time – although in general this type of infrastructure investment (e.g., stormwater management, water treatment, power generation and storage) has high up-front capital costs. This analysis therefore explored ways to dedicate a large amount (nearly \$200 million) of funding for this program.

- **Utilizing a Mello-Roos Community Facilities District:** Planning studied the potential of utilizing the CFD for environmental sustainability – up to \$2.17/gsf/year from residential uses and \$1.72/gsf/year from non-residential uses. While infrastructure is the bread and butter of CFDs, further research may be needed to

explore the ability for the CFD to fund eco-district projects that are outside the typical realm of publicly-owned infrastructure.

- **Utilizing additional Federal, State, and Local Programs:** In addition to the CFD, there are multiple other mechanisms that are already being utilized to support environmental sustainability, including the State’s “Title 24” requirements for energy conservation, San Francisco’s expedited permitting process for LEED Platinum buildings, and the Board of Supervisor’s recent adoption of requirements for on-site grey-water systems for large developments. The Planning Department did not model these mechanisms for this analysis, but will continue working with the various City agencies involved in sustainability to develop a long-term program for the Plan Area.

## **Historic Preservation**

### Rationale for Inclusion

The preservation of important historic resources is an established policy objective in San Francisco. For the past 30 years, the City has supported the preservation of historic buildings in Downtown through a transferable development rights (TDR) program, whereby new development seeking to exceed certain FAR levels must purchase unused development rights from designated historic buildings that are not built up to zoning allowances. These market-based, City-certified transactions provide revenues for owners of the historic buildings to fund repair, maintenance, and upkeep of their buildings. For more information on the historic preservation conversation in Central SoMa, see Chapter 6 of the 2013 [Draft Central SoMa Plan](#)

### Target

At this time, the City does not have a target for the amount of historic preservation funding in the Central SoMa Plan Area. Further analysis will be necessary to calculate the amount of TDR on both the supply and demand side generated within the Plan Area based on under different assumptions of requirements, and look at how this relates to the overall TDR program in the City.

### Mechanism(s) to Achieve the Target

- **Extend the TDR Program to Central SoMa:** The Central SoMa Plan proposes to extend this existing C-3-focused program to the Eastern Neighborhoods portion of the Plan Area, and to require new development to purchase this TDR. The analysis assumed the provisions of the Transit Center District Plan (3.0 FAR) as a baseline for the amount of TDR required for purchase. The development prototype analysis by Seifel Consulting conservatively assumed a TDR price of \$30/gsf (which is slightly higher than the historic average of \$18-\$25/gsf, to account for inflation and potential for increased demand).
- **Utilizing additional Federal, State, and Local Programs:** In addition to utilizing developer contributions for historic preservation, there are multiple other mechanisms that could be utilized, including federal and state tax breaks available upon local designation as a historic resource. The Planning Department did not model

these sources for this analysis, but will continue working to secure funds for historic preservation in the Plan Area.<sup>10</sup>

## **Non-Profit Office**

### Rationale for Inclusion

The steady increase in office rents and decrease in vacancy throughout the city has put non-profits that rent office space at risk of economic displacement. For more information on the office development conversation, see Chapter 2 of the 2013 [Draft Central SoMa Plan](#).

### Target

During public outreach, a segment of the community voiced a desire to ensure that new office development would provide at least one floor of space for non-profits. This is therefore the amount being studied in this initial analysis. Planning will undertake further analysis to determine if there is a better target for a Plan Area-wide provision of non-profit office space.

### Mechanism(s) to Achieve the Target

- **Require Non-Profit Office in New Office Development:** Planning examined requiring non-profit office in new office development sites. Planning set a minimum parcel size of 10,000 square feet, recognizing that it would be challenging to get meaningful office space on a smaller site. Planning studied a PDR requirement of an entire floor, recognizing that it facilitated the ongoing enforceability of any such requirement. The legal and practical ability to require and enforce non-profit office space will be studied separately.

## **Open Space**

### Rationale for Inclusion

Given the dense nature of South of Market and the growth envisioned by the Plan, there is substantial need for new and improved open space and recreational facilities in the area. For more information on the open space conversation in Central SoMa, see Chapter 5 of the 2013 [Draft Central SoMa Plan](#) and our four open space Policy Papers ([1](#), [2](#), [3](#), [4](#)).

### Target

At this time, the City does not have a target for the amount of open space desired in the Central SoMa Plan Area. The Planning Department is engaging in an effort with the Recreation and Parks Department to ascertain what it will take to ensure that everyone in Central SoMa has access to a diversity of high quality open space and recreational assets. To ensure that a significant investment in open space is adequately funded, Planning explored

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<sup>10</sup> The City might also consider utilizing CFD money for Community Facilities – although this was not studied as part of this analysis.

dedicating a substantial amount of money (up to \$140 million) to open space – recognizing that there be substantial cost to acquisition of land in this neighborhood.

### Mechanism(s) to Achieve the Target

- **Utilizing the Eastern Neighborhoods Infrastructure Impact Fees:** Through the Eastern Neighborhood Citizens Advisory Committee and Interagency Plan Implementation Committee, a portion of these funds have already been targeted to support open space improvements in and around the Plan Area, including rehabilitation of both South Park and the Gene Friend Recreation Center, and funds towards the acquisition and construction of a new park. The Planning Department did not examine increasing these fees – and instead considered creating new impact fees.
- **Utilizing new Impact Fees:** Planning studied dedicating up to \$3.50/gsf of this amount to open space. This amount, combined with the portion of the Eastern Neighborhoods Fee dedicated to open space, fits within the City’s nexus analysis for open space.
- **Utilizing a Mello-Roos Community Facilities District:** Planning studied the potential of utilizing up to \$1.20/gsf/year from the CFD for open space.
- **Utilizing POPOS:** The Central SoMa Plan is proposing that new office development provide Privately-Owned Public Open Space (POPOS) in the same ratio as required in the C-3 districts and generally meet the same standards except that a minimum percentage of the required space be at street level. This proposed requirement was reflected in the development prototypes in the calculation of buildable square footage for each prototype.
- **Utilizing additional Federal, State, and Local Programs:** There are multiple other mechanisms that could be utilized to fund open space, including state parks grants, local park bonds, developer in-kind agreements, and an Infrastructure Finance District. The Planning Department did not model these sources for this analysis, but will continue working with other agencies to secure funds for open space in the Plan Area.

## **Production, Distribution, and Repair (PDR)**

### Rationale for Inclusion

SoMa has historically had – and continues to have – an important PDR presence. Though this area is no longer the city’s primary PDR area, PDR jobs provide an important economic, employment and social diversity to the Plan Area. For more information on the PDR conversation in Central SoMa, see Chapter 2 of the 2013 [Draft Central SoMa Plan](#), our 2014 [PDR Policy Paper](#), and our 2015 [Revised PDR Policy Paper](#).

### Target

Previous Planning Department analysis had determined that the Central SoMa Plan zoning proposal could remove protections on land that currently houses up to 1,800 PDR jobs. During public outreach, a segment of the community voiced a desire to ensure that there would be “no net loss” of PDR due to the Plan.

### Mechanism(s) to Achieve the Target

- **Require PDR in New Office Development:** Planning examined requiring PDR on new office development sites. Planning set a minimum parcel size of 10,000 square feet as a threshold to trigger this requirement, recognizing that it would be challenging to get meaningful PDR on a smaller site. Planning studied a PDR requirement of 0.5 FAR per project, which is intended to recognize that the ideal location of PDR would be on the ground floor (for both loading access and diversity of the street-building interface), and that other space on the ground floor is necessary for important uses – such as retail, lobbies, and access to parking and loading. The legal and practical aspects of requiring PDR will be studied separately.
- **Require replacement of existing PDR space:** In the SALI and SLI zoning districts, the Planning Department has proposed requiring the replacement of existing PDR space in the SALI and SLI zoning districts (100% replacement and 50% replacement, respectively). This requirement was not modeled in the feasibility analysis. However, for many of the sites that trigger the requirement for new PDR, the new amount required exceeds this replacement requirement.

### **Public Transit**

#### Rationale for Inclusion

Despite the rich transit environment in the Plan area, there is always substantial investment in improving public transit infrastructure that could and should be made. Indeed, there are major investments that ultimately will be necessary to serve the burgeoning broader southeast part of San Francisco that are beyond the funding means of any one plan or rezoning, but to which development in these areas should help advance. Though the Central Subway is fully funded, other desired and identified and future rail projects are not – including the Downtown Extension and undergrounding of the Caltrain and High Speed Rail corridor and a second Transbay rail connection. For more information on the transportation conversation in Central SoMa, see Chapter 4 of the 2013 [Draft Central SoMa Plan](#).

#### Target

Recognizing these significant potential demands, the analysis did not seek a target amount of transportation funding, as much as explore ways to maximize it. However, Planning will work with the City's transportation agencies (SFMTA and SFCTA) to identify key transportation investments that would serve the Plan Area and their affiliated price tags.

### Mechanism(s) to Achieve the Target

- **Utilizing existing and proposed Impact Fees:** Currently, revenues for public transit in the Plan Area are collected through both the Eastern Neighborhoods Infrastructure Impact Fee and the Transit Impact Development Fee (TIDF) (Planning Code Section 411). The City has proposed to replace the TIDF with the Transportation Sustainability Fee (TSF), which will also include residential development. The

Planning Department did not examine increasing these fees – and instead considered creating new impact fees.

- **Utilizing new Impact Fees:** Planning studied dedicating up to \$25/gsf of this amount to public transit. This amount, combined with the other transportation-related fees, fits within the City’s nexus analysis for public transit.
- **Utilizing a Mello-Roos Community Facilities District:** Planning studied the potential of utilizing the CFD to fund public transit – up to \$3.10/gsf/year for residential uses and \$2.46/gsf/year for non-residential uses (these numbers reflect 50% of the maximum CFD studied).
- **Utilizing additional Federal, State, and Local Programs:** There are multiple other mechanisms that could be utilized to fund public transit, including federal, state, and regional funding programs, local sales tax, and an Infrastructure Finance District. The Planning Department did not model these sources for this analysis, but will continue working with other agencies to secure funds for public transit in the Plan Area.