



PART II: **CENTRAL SOMA IMPLEMENTATION STRATEGY**

PUBLIC BENEFITS PACKAGE

CENTRAL SOMA PUBLIC BENEFITS PACKAGE

“Public benefits” are goods and services that 1) support the community’s wellbeing, 2) are not typically provided voluntarily by the private sector (or at least not in sufficient quantity or quality) and that 3) require public funding or subsidy (such as by development) to create and maintain. Common types of public benefits include affordable housing, parks, and transit service.

The Central SoMa Plan is expected to generate up to \$2 billion in public benefits to serve the neighborhood over the life of the Plan.¹ Without it, the neighborhood could receive approximately \$300 million in public benefits. The Plan therefore provides the potential for a 667 percent increase in public benefits for Central SoMa.

This \$2 billion would be derived exclusively from new development allowing for approximately 5,000 market-rate housing units and approximately 40,000 new jobs. The benefits would be delivered through one or more of the following three mechanisms: 1) direct provision of the benefit (such as “on-site” affordable housing), 2) one-time impact fees (such as the Transit Sustainability Fee), and 3) through on-going taxation (through a Mello-Roos Community Facilities District).

Table 1 describes the expected sources of funding for public benefits from new development. The amount of benefits required from new development is located in the Requirements for New Development document.

¹ The life of the Plan is assumed to be 25 years, but subject to local economic conditions and other social and environmental factors.

Table 1

SOURCES OF PUBLIC BENEFITS FUNDING

SOURCE	AMOUNT	PERCENT OF TOTAL	PUBLIC BENEFIT CATEGORY	MECHANISM
Below-Market Rate Housing Program ¹	\$600M	29%	Affordable Housing	Direct provision or one-time fee
Mello-Roos Community Facilities District Tax ²	\$350M	17%	Transit, Complete Streets, Parks and Recreation Environmental Sustainability, and Cultural Preservation	Annual tax
Eastern Neighborhoods Infrastructure Impact Fee ³	\$250M	12%	Transit, Complete Streets, Parks and Recreation, and Schools and Child Care	One-time fee
Jobs-Housing Linkage Fee ⁴	\$210M	10%	Affordable Housing	One-time fee
Transportation Sustainability Fee ⁵	\$210M	10%	Transit and Complete Streets	One-time fee
PDR Requirement	\$180M	9%	PDR	Direct provision
Central SoMa Fee ⁶	\$90M	4%	Affordable Housing	One-time fee
POPOS Requirement	\$80M	4%	Parks and Recreation	Direct provision
School Fee ⁷	\$20M	1%	Schools and Childcare	One-time fee
Community Services Fee ⁸	\$20M	1%	Community Services	One-time fee
Transferable Development Rights ⁹	\$20M	1%	Cultural Preservation	One-time transaction
Childcare Fee ¹⁰	\$10M	1%	Schools and Child care	One-time fee
Sustainability Requirements	\$10M	1%	Environmental Sustainability and Resilience	Direct provision
Total	\$2,050M	100%		

- 1 The Below-Market Rate (BMR) Housing Program is an existing program requiring market rate housing development to provide affordable housing (see Planning Code Section 415). The existing requirements established by 2016's Proposition C are proposed to be adjusted based on the increase in development capacity derived from the Central SoMa Plan. Any fees collected will be directed to the Mayor's Office of Housing and Community Development. Note that the current rates are subject to change by the Board of Supervisors based on the analysis conducted to help implement Proposition C.
- 2 A CFD is a taxing mechanism to fund public benefits. The Central SoMa CFD would be a new tax that would need to be approved by vote by the owners of the affected properties. The amount reflected here presumes the City issues bonds against the revenue stream that would carry out at least 55 years.
- 3 The Eastern Neighborhoods Infrastructure Impact Fee is an existing fee on both residential and non-residential development (see Planning Code Section 423). It only applies to projects within the Eastern Neighborhoods, and can only be spent within the Eastern Neighborhoods. The fee is disseminated between different types of public benefits, based on its source: fees from residential development are apportioned 47.5% to parks and recreation, 31% to complete streets, 10% to transit, 6.5% to child care, and 5% to administering the fees; fees from non-residential development are apportioned 53% to transit, 34% to complete streets, 6% to parks and recreation, 2% to child care, and 5% to administering the fees.
- 4 The Jobs-Housing Linkage Fee is an existing fee on non-residential development that is dedicated to affordable housing (see Planning Code Section 413).
- 5 The Transportation Sustainability Fee (TSF) is an existing fee on both residential and non-residential development (see Planning Code Section 411A). Ninety five percent of this fee is dedicated to transit, and three percent to complete streets, with the remainder to administration.
- 6 The Central SoMa Fee is a new impact fee proposed for new development in Central SoMa. It is proposed to be dedicated to affordable housing.
- 7 The School Impact Fee is an existing fee that supports capital investment in new and existing schools (see State Education Code Section 17620).
- 8 The Community Services Fee is a new impact fee proposed by for new development in Central SoMa. It is proposed to be dedicated to building community services.
- 9 Transferable Development Rights is an existing concept that enables certain historically important buildings to sell their unused development rights to other development (see Planning Code Section 128).
- 10 The Child Care Fee is an existing impact fee on both residential and non-residential development (see Planning Code Section 414).

Note that the \$2 billion does not include many existing requirements whose benefits to community are not quantifiable or which may not have net cost impacts to developers, such as most green building and urban design requirements to achieve goals of maintaining light and air and improving the experience for pedestrians. Also note that while all dollar amounts are expressed here are in current year 2016 dollars, the amount of revenue collected each year will be higher. This is because all City fees index annually with the cost of constructing infrastructure, and the Mello-Roos Community Facilities District also escalates annually (at a rate determined at the establishment of the CFD).

In addition to this \$2 billion of direct development benefits, taxes from new development in the Plan Area are expected to generate up to \$1 billion for the City’s General Fund within the same time period. These taxes could be directed toward the neighborhood,

other citywide needs, or a combination of the two. Additionally, the City could choose to fund public benefits in the neighborhood via the General Fund or other mechanisms such as bonds (such as the Parks Bond, Transit Bond, and Affordable Housing Bond) or general taxes. The overall economic impact of the Central SoMa Plan to the City is required to be analyzed in a separate report by the City Economist.

There are nine categories of public benefits that would be funded by the Central SoMa Plan in support of its Goals, Objectives, and Policies. Table 2 provides a summary of how the Plan proposes to fund these benefits, accompanied by a detailed discussion of each benefit type, including sources of funding and the resulting benefits expected.

Table 2
SUMMARY OF PUBLIC BENEFITS FUNDING BY BENEFIT CATEGORY

BENEFIT	AMOUNT	PERCENT OF TOTAL
Affordable Housing	\$900 million	44%
Transit	\$500 million	24%
Production, Distribution, and Repair	\$180 million	9%
Parks and Recreation	\$160 million	8%
Complete Streets	\$130 million	6%
Environmental Sustainability	\$70 million	3%
Schools and Childcare	\$50 million	2%
Cultural Preservation	\$40 million	2%
Community Services	\$20 million	1%
Total	\$2,050 million	100%

Note that the information below is intended to be concise and user-friendly. To ensure that the program is memorialized and implemented upon adoption of the Central SoMa Plan, a Central SoMa Implementation Plan describing this program in detail will be provided by the Planning Department for approval by the Planning Commission and Board of Supervisors, as well as updates to the Eastern Neighborhoods Memorandum of Understanding between City agencies.

AFFORDABLE HOUSING

Objective

Ensure that at least 33% of new and rehabilitated housing is affordable to very low, low, and moderate-income households (see Plan Objective 2.3 and accompanying policies). Given that approximately 5,200 market rate units could be built within the Plan Area, the City would need to ensure the provision of approximately 2,600 units of housing that is affordable (i.e., requires 30% or less of annual income) to very low, low, and moderate-income households (up to a maximum of 55% of the City's median income for rental units and 100% for units for sale).

Estimated Contribution from Development in Central SoMa

\$900 million

Funding Source(s)

- *Below-Market Rate (BMR) Housing Program* (\$600 million), through direct provision of affordable units built on-site or off-site as part of market-rate housing projects or payment of an in-lieu fee to the City;
- *Jobs-Housing Linkage Fee* (\$210 million), through payment of the fee to the City; and
- *The Central SoMa Fee* (\$90 million), through payment of the fee to the City.

Result and Timing

The three programs above are expected to result in approximately 2,600 affordable housing units. This includes approximately 700 “on-site” units via the Below Market Rate Housing Program, as well as 1,900 off-site and/or units funded through in-lieu fees (including 870 from the BMR Housing Program, 690 from the Jobs-Housing Linkage Fee, and 340 from the

Central SoMa Fee).² Estimating the cost of on-site units at \$500,000 each, and the off-site and in-lieu units at \$300,000 each, yields the overall total of \$880 million towards affordable housing.³

On-site and off-site units would be built at the same time as the market rate units of the affiliated project. In-lieu fees would accrue as development occurs. The funds are directed to the Mayor's Office of Housing and Community Development (MOHCD). MOHCD utilizes the money to identify and purchase sites and construct new affordable housing, typically in conjunction with non-profit housing developers. The development of these affordable units could fall behind the market rate development that provided the fees or land, in some instances by several years, assuming that additional funding is not directed to the Plan area.

TRANSIT

Objective

Ensure that transit is a safe and convenient option for people moving within and through the Plan Area (see Objective 4.3 and accompanying policies). This includes improvements to both local and regional transit systems.

Estimated Contribution from Development in Central SoMa

\$500 million

Funding Source(s)

² The Plan will provide additional mechanisms to fulfill affordability requirements, such as providing land and making existing housing permanently affordable. The value of these alternatives will be set to be equivalent to the value of the in-lieu fee.

³ The \$300,000 estimate of value for in-lieu units is a general rounding of the in-lieu fee (which itself is subject to unit size etc.). The \$500,000 estimate of value for on-site units is a conservative estimate. By setting the requirements for on-site units below the off-site and in-lieu options, the City has signaled that on-site units have higher value. The \$500,000 is based on an assumption that the value of on-site is 60% more than off-site/in-lieu, based on the recently amended affordability requirements of 12% on-site and 20% off-site/in-lieu. Alternatively, the value of on-site could be measured in the cost to the developer to subsidize the units. Given the average value of units exceeds \$1 million and the amount recouped from affordable units is approximately \$300,000, an alternative estimate would be that each on-site unit is worth the value of the subsidy, which is around \$700,000. No matter the estimate, the number of affordable units associated with the Plan is the same.

- *Central SoMa Mello-Roos Community Facilities District (CFD)* (\$210 million), through annual collection of the tax;
- *Transportation Sustainability Fee* (\$205 million), through payment of the fee to the City; and
- *Eastern Neighborhoods Infrastructure Impact Fee* (\$85 million), through payment of the fee to the City.

Results and Timing

Of the \$500 million, two-thirds (\$333 million) will go to the San Francisco Municipal Transportation Agency (SFMTA) to support a state of good repair on the existing Muni fleet and infrastructure, as well as enhancement and expansion of services. The portion of this funding from the Transportation Sustainability Fee (TSF) and Eastern Neighborhoods Infrastructure Impact Fee will accrue as development projects receive their building permits. The portion from the CFD would accumulate over the life span of the Plan and beyond – though it could substantially accrue earlier if the City issues bonds against this revenue stream.

The remaining one-third (\$167 million) will go towards regional transit capacity enhancement and expansion. Of this amount, about one-third would be set aside to pursue near term “core capacity” Transbay corridor enhancements (such as station capacity, operational and fleet improvements to BART stations, or augmentation of Transbay bus service), about one-third to pursue long-term “core capacity” projects (such as study a second Transbay rail crossing), and about one-third for the Caltrain corridor (e.g., DTX, alignment undergrounding). The preponderance of this money will come from the CFD and thus would accumulate over the life span of the Plan and beyond – though it could accrue earlier if the City bonds against it.

PRODUCTION, DISTRIBUTION, AND REPAIR (PDR)

Objective

Ensure that the removal of protective zoning does not result in a net loss of PDR in the Plan Area, as well as provide incentives to fund, build, and/or protect PDR (see Objective 3.3 and accompanying policies). The amount of PDR space sought is approximately 500,000 square feet.⁴

Estimated Contribution from Development in Central SoMa

\$180 million

Funding Source(s)

Direct provision of PDR space by new development (\$180 million)⁵

Results and Timing

The direct provision of PDR space will come from land use controls and conditions for allowing new office development, in the form of requirements to replace existing spaces and to include new space in large projects. As a direct provision, no transfer of funds or payment of fees will occur.⁶ The PDR space will be provided at the same time the office space becomes occupiable.

PARKS AND RECREATION

Objective

Provide an abundance of parks and recreational opportunities in the neighborhood (see Objectives 5.1 through 5.5 and accompanying policies).

⁴ The strategies discussed herein will complement other Plan strategies that will protect approximately 400,000 square feet of PDR space.

⁵ Additional funding could occur if developers choose to apply their 1% Art Program requirement to the City's Public Arts Trust. The Arts Commission presides over the funding in the Trust, and has substantial discretionary powers over the benefits provided, which could include programming and funding for arts space.

⁶ The Plan endorses the pursuit and analysis of an in-lieu fee for PDR, but the fee itself is not proposed as part of the Plan.

Estimated Contribution from Development in Central SoMa

\$160 million

Funding Source(s)

Direct provision of privately-owned public open space (POPOS) (\$80 million);

- *Eastern Neighborhoods Infrastructure Impact Fee* (\$70 million), through payment of the fee to the City; and
- *Central SoMa Mello-Roos Community Facilities District (CFD)* (\$10 million), through annual collection of the tax.

Results and Timing

The funding would be allocated to the following benefits, as it accrues:⁷

- Reconstruction/expansion of Gene Friend Recreation Center in SoMa: up to \$25 million;
- A new one-acre park in the southwest part of the Plan area, (identified in the Plan as between 4th, 5th, Bryant, and Brannan Streets): up to \$30 million. There is potential for this to be provided as an In-Kind Agreement with surrounding development, which could potentially create the park within five years of Plan adoption;
- A new public recreation center: up to \$15 million. There is also potential for this to be provided as part of surrounding development, which could create the recreation center sooner than if constructed by the City;
- Programming of Victoria Manalo Draves Park: up to \$5 million from the CFD;
- Large (2+ acres) new SoMa park: up to \$10 million

⁷ The cost of parks and recreational benefits is highly subject to design decisions and identification of complementary funding sources. If the benefits listed all cost the City the maximum foreseeable, then the sum of these benefits will exceed the amount allocated. Recognizing this, the list is sorted in general order of priority.

for identification of potential site(s) and initial design and coordination;

- A new Bluxome linear park: up to \$5 million. There is also potential for this to be developed as a “privately-owned public open space” (POPOS) from nearby development; and
- New under-freeway public recreation area: up to \$10 million. There is also potential for this to be developed as a “privately-owned public open space” (POPOS) from nearby development.
- The POPOS requirement in the Plan would also result in up to four acres (in aggregate) of net new publicly-accessible space across the Plan area. These would be provided at the same time as the new development that constructs it.

COMPLETE STREETS

Objective

Redesign all major streets in the Plan Area to be safe and comfortable for all people walking, biking, and on transit (see Plan Objectives 4.1 and 4.2 and accompanying policies). There are approximately 25,000 linear feet of major streets within the Plan Area, including portions of 3rd, 4th, 5th, 6th, Howard, Folsom, Harrison, Bryant, Brannan, and Townsend Streets.⁸ Depending on the street and the proposed improvements, costs are estimated at between \$4,400 and \$5,400 per linear foot.⁹

Estimated Contribution from Development in Central SoMa

\$130 million

⁸ This number accounts for improvements on both sides of the street. Within the Plan Area, 2nd Street is already funded and approved for construction, and the southern half of 4th Street is currently being improved as part of the Central Subway project. The costs discussed here exclude improvements to the south side of Townsend Street and the west side of 6th Street.

⁹ Cost estimates are based on budgets for the completed plans for 2nd Street.

Funding Source(s)

- *Eastern Neighborhoods Infrastructure Impact Fee* (\$80 million), through payment of the fee to the City;
- *Central SoMa Mello-Roos Community Facilities District (CFD)* (\$40 million), through annual collection of the tax;
- *Transportation Sustainability Fee* (\$10 million), through payment of the fee to the City; and
- *Better Streets Plan Requirements*¹⁰ (\$0-\$15 million), through direct provision of benefits by new development.

Results and Timing

All funding dedicated to complete streets (including other sources discussed in this section) would be used by the City for planning, design, and construction. The result will be sufficient funding to redesign all of the major streets in the Plan Area. The improvements funded by fees and the CFD could occur as money accrues: for fees this occurs when projects receive their building permits; for the CFD funding accrues each year with the property tax, although it is likely that the City will seek to bond against this income in five-year increments. Improvements made directly by development per the Better Streets Plan would be completed at the same time as the affiliated development project.

ENVIRONMENTAL SUSTAINABILITY

Objective

Support strategies to address a range of objectives, including minimizing greenhouse gas emissions, minimizing water waste, supporting biodiversity,

access to nature, and a healthy ecosystem, improving air quality, ensuring a flood-resilient neighborhood, maximizing earthquake resilience, and helping achieve zero solid waste (see Plan Objectives 6.1 through 6.8 and accompanying policies).

Estimated Contribution from Development in Central SoMa

\$70 million

Funding Source(s)

- *Central SoMa Mello-Roos Community Facilities District (CFD)* (\$60 million), through annual collection of the tax; and
- Direct provision of benefits by new development (\$10 million).

Results and Timing

Funding for environmental sustainability will support strategies to address a range of issues discussed under the “Objective” above. Specific strategies are as follows:¹¹

- Fund enhanced stormwater management in complete street projects (\$32 million)
- Fund freeway corridor air quality and greening improvements (\$20 million)
- Require 50% “living roofs” on all new development 160 feet and less in height (\$6 million)
- Fund 100% non-potable (recycled) water for street cleaning (\$3 million)
- Fund 100% non-potable (recycled) water for public park irrigation (\$1 million)
- Fund 100% energy-efficiency street lights (\$1 million)

¹⁰ The Better Streets Plan is an adopted City policy codified in Section 138.1 of the Planning Code. This Section requires that large new development improve the sidewalks and streets in front of their property (up to the entire block face) to meet adopted standards. In instances where such development occurs before the City re-builds the street, the development would make the proposed complete streets improvements. In instances where the development occurs after the City re-builds the street, the development would not. Because of the uncertainty in timing for both scenarios, this number is shown as a range, with \$15 million being the maximum contribution. Any such contribution would reduce the City's cost to build complete streets.

¹¹ In addition to these strategies, there are other new requirements being proposed that are expected to be cost neutral or even beneficial to new development, such as expanding the City's existing solar energy requirement to more buildings and requiring the purchase of 100% greenhouse-gas free electricity in all new buildings.

- Build a “Better Roofs” “living roof” demonstration project (\$1 million)
- Build a “Better Roofs” solar demonstration project (\$0.5 million)
- Fund 100% “green” stormwater management in parks (\$0.5 million)
- Study district utility for energy and water (\$0.5 million)
- Develop a *Central SoMa Sea Level Rise and Flood Management Strategy* (\$0.4 million)
- Develop *Fossil Fuel Free Buildings Study & Guidelines* (\$0.3 million)
- Develop *Flood Resilient Design Guidelines* for new development (\$0.3 million)

In terms of timing, the development requirements listed above would be delivered by new development upon its completion. Benefits funded through the CFD could be delivered upon accrual of the revenue. The Studies, Strategies, and Guidelines discussed above are proposed to be delivered within two years after adoption of the Central SoMa Plan. These themselves may lead to new requirements or benefits.

SCHOOLS AND CHILD CARE

Objective

Help fund public schools and childcare centers serving the needs of children aged 0-18 (see Plan Objective 2.6 and Policies 2.6.1 and 2.6.2).

Estimated Contribution from Development in Central SoMa

\$50 million

Funding Source(s)

- *School Impact Fee* (\$25 million), through payment of the fee to the City;

- *Eastern Neighborhoods Infrastructure Impact Fee* (\$15 million), through payment of the fee to the City; and
- *Child Care Fee* (\$10 million) through payment of the fee to the City.

Results and Timing

The \$25 million in funds from the School Impact Fee will be allocated to the San Francisco Unified School District for use throughout the city, at their discretion. The \$25 million in funds from the Child Care Fee and Eastern Neighborhoods Infrastructure Impact Fee will go to the Human Services Agency. The Child Care Fee money can be spent throughout the city, while the Eastern Neighborhoods Infrastructure Impact Fee money must be spent within the Eastern Neighborhoods. For child care, new development has the option to provide directly via an In-Kind Agreement with the City instead of paying the fees, which would result in faster delivery of the public benefit. For all these fees, the amount required for new development in Central SoMa is the maximum allowed under the City’s nexus studies related to schools and child care.

The timing of delivery of these public benefits is uncertain. New school facilities will cost significantly more than the contribution expected from Central SoMa, and therefore will rely on additional revenues, including those collected by the School Impact Fee over the previous and future years. New child care facilities could be constructed in the near term, based on previously collected fees, or not until later in the lifespan of the project, as revenue accrues.

CULTURAL PRESERVATION

Objective

Support mechanisms that fund the preservation, rehabilitation, and maintenance of historically significant buildings and other cultural resources (see Plan Objective 6.5 and accompanying policies).

Estimated Contribution from Development in Central SoMa

\$40 million

Funding Source(s)

- *Central SoMa Mello-Roos Community Facilities District (CFD)* (\$20 million), through annual collection of the tax; and
- Requirement on new development to purchase Transferable Development Rights (\$20 million).

Results and Timing

The \$20 million from the CFD would be allocated to preservation and rehabilitation of the Old Mint. The CFD is a tax tied to new development that typically lasts for 30 years. As such, it would accumulate over the life span of the Plan and beyond. It could accrue earlier if the City bonds against it.

Transferable Development Rights (TDR) is a development requirement for new large development to acquire unused development rights from historic buildings with unused zoning potential (and thus funding their preservation). While the transfer of these rights is recorded and monitored by the City, the transactions themselves are private and the cost fluctuates with market conditions. The Plan proposes to enact this program in the Plan area where it does not currently apply. The \$20 million is based on the cost to new development of purchasing 800,000 square feet of TDR at an average of \$25 per square foot.¹² The 800,000 square feet purchased represents about 50% of the approximately 1.6 million square feet of TDR potentially eligible for sale from buildings in Central SoMa.

COMMUNITY SERVICES

Objective

Provide space for community services (such as health care and job training) to meet the needs generated by new development in the neighborhood (see Plan Objective 2.6 and Policy 2.6.3). The demand is estimated at approximately 60,000 square feet of space, based on the City's recent nexus study.

Estimated Contribution from Development in Central SoMa

\$20 million

Funding Source(s)

Central SoMa Community Services Fee (\$20 million), through direct payment of the fee to the City.

Results and Timing

All of the fee revenue would be directed to funding the development of space for community services in the neighborhood. The amount of funding is intended to facilitate the construction of approximately 60,000 square feet of space, thereby meeting the demand. As an impact fee, the funding would accrue with development over the lifespan of the Plan. The fee would be directed to the Mayor's Office of Housing and Community Development, potentially to support co-location of community services in new affordable housing developments. Because the development of these affordable units would fall behind the market rate development that provided the fees or land, the development of community facilities is likely to fall behind as well. New development will be given the option to provide community facilities directly via an In-Kind Agreement with the City instead of paying the fees, which would result in faster delivery of the public benefit.

¹² \$25 represents the average price for the sale of TDR over the 30 year history of the program. See http://onesanfrancisco.org/wp-content/uploads/R_TDR_Market_Study_062113.pdf