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Transit Center District Plan
Program Implementation Document

Case Report

HEARING DATE: OCTOBER 18, 2012

Case Nos.: **2007.0558EMTZU**
Transit Center District Plan –
Amending the Program Implementation Document

Staff Contact: *Joshua Switzky* - (415) 575-6815
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ATTACHMENTS: Transit Center District Plan Program Implementation Document (adopted May 24, 2012)

SUMMARY

The Planning Commission approved the Transit Center District Plan on May 24, 2012. The Plan and its implementing ordinances were subsequently approved by the Board of Supervisors and Mayor, and the Plan and its zoning are now effective. In adopting the Plan, the Planning Commission adopted Resolution No. 18635 approving the Plan Program Implementation Document. The Program Implementation document inventories the public improvements recommended by the Plan and lays out a Funding Program to allocate projected revenues from new and existing funding sources to these improvements. The Funding Program projects total net new Plan revenues from Plan Impact Fees of approximately $170 million and from a Mello-Roos Community Facilities District of approximately $420 million. Actual revenues will vary from these projections based on many factors. Plan revenues will be administered by the Board of Supervisors based on recommendations by the Interagency Plan Implementation Committee as identified in Administrative Code Chapter 36. The Board of Supervisors, with input from the Interagency Plan Implementation Committee, shall monitor and allocate revenues according to these proportional allocations based on actual revenues over time and the readiness of the various public improvements for expenditure.

The Implementation Document and Funding Program therein do not include stated priorities for funding of particular improvements based on the timing of incoming revenues. The specific timing of projected revenues is uncertain and dependent on the timing of new development. Development in the Plan Area is expected to proceed over approximately 20-25 years.

The Funding Program anticipates that new development in the Plan Area will generate a total of approximately $47 million from Plan Open Space Impact Fees, required by Planning Code Section 424.6 et seq., over the course of 20-25 years of Plan Area buildout. Based on these projections and consistent with the Nexus Study supporting these fees, the Funding Program allocates $12.5 million for open space improvements outside of the Plan Area, of which $9 million would be used to fund open space improvements in the Chinatown area.

The Chinatown neighborhood is one of the densest neighborhoods in the City, is adjacent to the Financial District, and has limited and intensively used public open space. Growth in the Plan Area will substantially increase demand for and usage of open space throughout the downtown, causing ripple effects into adjacent neighborhoods, particularly Chinatown, which is very proximate to the downtown core.

Ordinance No. 182-12 amended the Planning Code as part of adoption of the Transit Center District Plan. Pursuant to the uncodified Section 3(a) of that Ordinance, the Planning Director shall enter into an In-Kind Agreement with the Transit Tower (101 1st Street) developer to provide that the developer may satisfy the requirements for the payment of the Transit Center District Plan Open Space Fee and Transportation and Street Improvement Fee (the "TCDP Impact Fees") by constructing or causing to be constructed identified public improvements in the Transit Center District Plan Area, including City Park. As provided in provided in Section 3(a)(2) of Ordinance No. 182-12, the fee offset shall be the full amount of the TCDP Impact Fees, except for $2 million of the Plan Open Space Fee. The Transit Tower would otherwise owe approximately $10 million total in Plan Open Space Fees pursuant to Section 424.6 et seq. Thus, approximately $8 million will be dedicated via the In-Kind Agreement to the Transbay Joint Powers Authority toward the construction of City Park, the 5.4-acre park being built atop the Transit Center.

While several open spaces in the Plan Area, such as Oscar Park, will be implemented in the near term with identified funds other than those from the Impact Fees per the Funding Program, growth in the Plan area will also create immediate needs for open space enhancements in Chinatown. Therefore prioritizing early investment in park improvements in Chinatown from the Plan's initial project Open Space Fee revenues would serve the greatest public good and consistency with the objectives of the Transit Center District Plan.

The proposed amendment would add language to Page 19 of the Program Implementation Document to read:

> ### IMPLEMENTATION AND AGENCY RESPONSIBILITIES
>
> Implementation of the Transit Center District funding program will occur much in the same fashion as has been adopted for other plan areas. Administration of the impact fee funds and the Mello-Roos CFD funds will be done by the Board of Supervisors. The Interagency Plan Implementation Committee, ("IPIC") established in Administrative Code Chapter 36, will make recommendations to the Board for consideration consistent

with the Transit Center District Plan and this document. The IPIC is chaired by the Planning Director (or his or her designee) and comprised of representatives of numerous City and County agencies, including the MTA, Recreation & Parks, Public Works, SFPUC, Office of Economic and Workforce Development, and the County Transportation Authority. As part of the Plan's adoption process, the Board amended Chapter 36 to state that the TJPA and BART are also invited to send representatives and provide input to the IPIC, because the Plan's implementation program includes substantial funding to these regional agencies. Based on annually updated projections of revenue availability, the IPIC will make recommendations to the Board regarding expenditure priorities. There is no Citizen's Advisory Committee for this Plan area. *Notwithstanding the above, growth in the Plan area will create immediate needs for open space enhancements in Chinatown. Several open spaces in the Plan Area, such as Oscar Park, will be implemented in the near term with identified funds other than those from the Impact Fees per the Funding Program, and all but $2 million of the Transit Tower's owed Plan Open Space Impact Fees will be dedicated toward City Park via an In-Kind Agreement described in uncodified Section 3(a)(2) of Ordinance No. 182-12. Therefore prioritizing early investment in park improvements in Chinatown from the Plan's initial Open Space Fee revenues, including the Transit Tower's required $2 million payment, would serve the greatest public good and consistency with the objectives of the Transit Center District Plan.*

PRELIMINARY STAFF RECOMMENDATION

Adopt the Draft Resolution Amending the Implementation Document

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Planning Commission Draft Resolution

HEARING DATE OCTOBER 18, 2012

Date:	October 18, 2012
Case No.:	**2007.0558EMTZU**
	Transit Center District Plan –
	Amending the Program Implementation Document
Staff Contact:	Joshua Switzky - (415) 575-6815
	joshua.switzky@sfgov.org
Recommendation:	**Approval**

ADOPTING A RESOLUTION TO AMEND THE TRANSIT CENTER DISTRICT PLAN PROGRAM IMPLEMENTATION DOCUMENT TO INCORPORATE STATED PRIORITIES FOR PLAN OPEN SPACE IMPACT FEE REVENUES

WHEREAS the Planning Commission approved the Transit Center District Plan on May 24, 2012. The Plan and its implementing ordinances were subsequently approved by the Board of Supervisors and Mayor, and the Plan and its zoning are now effective. In adopting the Plan, the Planning Commission adopted Resolution No. 18635 approving the Plan Program Implementation Document, attached hereto as Exhibit A. The Program Implementation document inventories the public improvements recommended by the Plan and lays out a Funding Program to allocate projected revenues from new and existing funding sources to these improvements. The Funding Program projects total net new Plan revenues from Plan Impact Fees of approximately $170 million and from a Mello-Roos Community Facilities District of approximately $420 million. Actual revenues will vary from these projections based on many factors. Plan revenues will be administered by the Board of Supervisors based on recommendations by the Interagency Plan Implementation Committee as identified in Administrative Code Chapter 36. The Board of Supervisors, with input from the Interagency Plan Implementation Committee, shall monitor and allocate revenues according to these proportional allocations based on actual revenues over time and the readiness of the various public improvements for expenditure.

The Implementation Document and Funding Program therein do not include stated priorities for funding of particular improvements based on the timing of incoming revenues. The specific timing of projected revenues is uncertain and dependent on the timing of new development. Development in the Plan Area is expected to proceed over approximately 20-25 years.

The Funding Program anticipates that new development in the Plan Area will generate a total of approximately $47 million from Plan Open Space Impact Fees, required by Planning Code Section 424.6 et seq., over the course of 20-25 years of Plan Area buildout. Based on these projections and consistent with the Nexus Study supporting these fees, the Funding Program allocates $12.5 million for open space improvements outside of the Plan Area, of which $9 million would be used to fund open space improvements in the Chinatown area.

The Chinatown neighborhood is one of the densest neighborhoods in the City, is adjacent to the Financial District, and has limited and intensively used public open space. Growth in the Plan Area will substantially increase demand for and usage of open space throughout the downtown, causing ripple effects into adjacent neighborhoods, particularly Chinatown, which is very proximate to the downtown core.

Ordinance No. 182-12 amended the Planning Code as part of adoption of the Transit Center District Plan. Pursuant to Section 3(a) (uncodified) of that Ordinance, the Planning Director shall enter into an In-Kind Agreement with the Transit Tower Developer to provide that the Developer may satisfy the requirements for the payment of the Transit Center District Plan Open Space Fee and Transportation and Street Improvement Fee (the "TCDP Impact Fees") by constructing or causing to be constructed identified public improvements in the Transit Center District Plan Area, including City Park. As provided in provided in Section 3(a)(2) of Ordinance No. 182-12, the fee offset shall be the full amount of the TCDP Impact Fees, except for $2 million of the Plan Open Space Fee. The Transit Tower would otherwise owe approximately $10 million total in Plan Open Space Fees pursuant to Section 424.6 et seq. Thus, approximately $8 million will be dedicated via the In-Kind Agreement to the Transbay Joint Powers Authority toward the construction of City Park, the 5.4-acre park being built atop the Transit Center.

Growth in the Plan area will create immediate needs for open space enhancements in Chinatown, and several open spaces in the Plan Area, such as Oscar Park, will be implemented in the near term with identified funds other than those from the Impact Fees per the Funding Program. Therefore prioritizing early investment in park improvements in Chinatown from the Plan's initial project Open Space Fee revenues would serve the greatest public good and consistency with the objectives of the Transit Center District Plan.

The Planning Commission incorporates by reference the General Plan Findings and Section 101.1 Priority Policies related to adoption of the Transit Center District Plan as set forth in Planning Commission Resolution No. 18630.

Prior to considering relevant actions related to implementing the Transit Center District Plan, the Planning Commission adopted Motion No. 18628 certifying the Final Environmental Impact Report for the Transit Center District Plan in accordance with the California Environmental Quality Act (CEQA). The Planning Commission also adopted Motion No. 18629 adopting CEQA Findings related to the Transit Center District Plan.

NOW, THEREFORE, BE IT RESOLVED, the Commission adopts and incorporates by reference the CEQA Findings in Commission Motion No. 18629;

AND BE IT FURTHER RESOLVED, that the Planning Commission finds that the proposed amendment to the Program Implementation Document, hereto attached as Exhibit B, is necessary to implement the Transit Center District Plan and that the Funding Program and priorities as expressed in the amended Document reflects an appropriate proportionate allocation of projected revenues based on the needs and objectives of the Plan.

I hereby certify that the foregoing Resolution was adopted by the Commission at its meeting on _______, 2012.

Linda D. Avery
Commission Secretary

AYES:

NOES:

ABSENT:

ADOPTED:

EXHIBIT B

Page 19 of the Transit Center District Plan Program Implementation Document is hereby amended to read (additions shown in *underline italics*):

IMPLEMENTATION AND AGENCY RESPONSIBILITIES

Implementation of the Transit Center District funding program will occur much in the same fashion as has been adopted for other plan areas. Administration of the impact fee funds and the Mello-Roos CFD funds will be done by the Board of Supervisors. The Interagency Plan Implementation Committee, ("IPIC") established in Administrative Code Chapter 36, will make recommendations to the Board for consideration consistent with the Transit Center District Plan and this document. The IPIC is chaired by the Planning Director (or his or her designee) and comprised of representatives of numerous City and County agencies, including the MTA, Recreation & Parks, Public Works, SFPUC, Office of Economic and Workforce Development, and the County Transportation Authority. As part of the Plan's adoption process, the Board amended Chapter 36 to state that the TJPA and BART are also invited to send representatives and provide input to the IPIC, because the Plan's implementation program includes substantial funding to these regional agencies. Based on annually updated projections of revenue availability, the IPIC will make recommendations to the Board regarding expenditure priorities. There is no Citizen's Advisory Committee for this Plan area. *Notwithstanding the above, growth in the Plan area will create immediate needs for open space enhancements in Chinatown. Several open spaces in the Plan Area, such as Oscar Park, will be implemented in the near term with identified funds other than those from the Impact Fees per the Funding Program, and all but $2 million of the Transit Tower's owed Plan Open Space Impact Fees will be dedicated toward City Park via an In-Kind Agreement described in uncodified Section 3(a)(2) of Ordinance No. 182-12. Therefore prioritizing early investment in park improvements in Chinatown from the Plan's initial Open Space Fee revenues, including the Transit Tower's required $2 million payment, would serve the greatest public good and consistency with the objectives of the Transit Center District Plan.*

TRANSIT CENTER DISTRICT PLAN PROGRAM IMPLEMENTATION DOCUMENT

San Francisco Planning Department
Adopted May 24, 2012
by Planning Commission Resolution No. 18635

The primary goal of the Transit Center District Plan is to create a high-density, mixed-use urban neighborhood that capitalizes on and supports the major transportation investment and service represented by the Transbay Transit Center. Once the Plan, which proposes to allow significant density and height above the current zoning, is realized, new residents, workers, and visitors drawn to the area will create significant new demand for infrastructure and services which the area's dated infrastructure and services cannot meet. While new development will generate a variety of local public revenues (property taxes, sales taxes, real estate transfer taxes, etc.), additional investments in parks, streets, transportation facilities, and community facilities and services—beyond what can be provided through these local General Fund revenue sources—are essential to meet demand attributable to the new development. To address the impacts of the new development, the Plan includes mechanisms for development to contribute to the funding of public infrastructure.

The purpose of this document is to summarize the Plan's public infrastructure program, sources of funding, relative allocation of revenues from the various sources among the infrastructure projects, and implementation processes and mechanisms. Several of the funding mechanisms and implementation processes are legally established and more thoroughly described in other City codes and ordinances, including the Planning Code and Administrative Code.

PUBLIC INFRASTRUCTURE PROGRAM

To achieve the Plan's objectives and create the district envisioned in the Plan, a broad range of public improvements and related programs are needed, as described in the Plan. New residents, workers, and visitors drawn to new development in the Plan Area will increase demands on the existing transportation and transit network, open space and public facilities in the Plan Area and create demand for new infrastructure. In summary, four broad categories of public improvements are needed:

Streets and Pedestrian Circulation – including district-wide streetscape and pedestrian improvements, extensive widening of sidewalks, mid-block street crossings, signalization improvements, casual carpool waiting area improvements, landscaping and enhanced pedestrian routes from the Transit Center to nearby destinations and transit services.

Transit and Other Transportation – including the Transbay Transit Center Project (particularly the Downtown Rail Extension) and improvements to enhance transit operational effectiveness, capacity, enhance safety, reduce congestion, manage transportation demand, and provide better connections to local and regional transit systems.

Open Space – including new parks, public plazas, recreational amenities, and green infrastructure throughout the Plan Area.

Sustainable Resource District Utility – district-wide systems for non-potable water and for combined heating and power that will serve development in the Plan Area and reduce environmental and infrastructure pressures of growth.

A detailed list of these improvements and programs identified throughout this Plan as well as their preliminary cost estimates are shown in **Table 1**. The items listed in this table are in addition to infrastructure and services that existing impact fee programs would provide, including Muni, affordable housing, and childcare. (The projected revenues from those existing fee programs are listed at the end of the document in **Table 9**). In addition, funds will be needed to support the long-term maintenance and operation of these facilities. Estimates of these costs are not included.

Table 1:
Transit Center District Plan Public Improvements & Implementation Costs

	Project	Sub-project	Lead	Description	Est. Total Cost
STREETS & PEDESTRIAN CIRCULATION	District-wide Streetscape and Pedestrian Improvements Includes sidewalk widening, transit shelters, landscaping, pedestrian amenities (e.g. benches), security bollards, kiosks, bicycle parking, road re-striping	Primary Streets (e.g. Mission, Howard, New Montgomery, 2nd, 1st, Fremont), plus striping, signage and meter upgrades	SFMTA, Planning	Approx. $2 million per block	90,000,000
		Living Strees (Spear, Main, Beale)	SFMTA, Planning	Approx. $2.5 million per block	15,000,000
		Alleys (e.g. Stevenson, Jessie, Minna, Natoma, Tehama, Anthony,). Excludes Natoma between 1st and 2nd	SFMTA, Planning	Approx. $1.5 million per block	21,000,000
	Zone 1 Streets		City (Redevelopment)	Folsom, Living Streets and Alleys in Zone 1	32,875,000
	Mid-Block Crossings	Crossings between 1st and 2nd Streets on Mission, Howard, Folsom; at Natoma on 2nd, 1st, and Fremont Streets.	SFMTA, Planning	6 @ Approx. $500K each	3,000,000
	Signalization changes		SFMTA, Planning	25 intersections @ $350K per intersection	8,750,000
	Casual Carpool waiting area improvements		SFMTA, Planning	Shelters, signage, seating	250,000
	Natoma (between 1st and 2nd)		TJPA	Single grade, high-quality finishes and landscaping	13,300,000
	Shaw plaza		Developer, City, TJPA	Ped plaza, vehicular closure. Decorative paving, landscaping, signage, curb ramps, lighting, drainage	1,700,000
	Fremont/Folsom Off-Ramp Realignment		City (Redevelopment)	Realignment of Folsom/Fremont off-ramp to improve pedestrian conditions	2,500,000
	Underground Pedestrian Connector from the Transit Center to Market Street BART/Muni		TJPA		125,000,000
	Subtotal				*$313,375,000*
TRANSIT & OTHER TRANSPORTATION	Station Capacity Improvements to Montgomery and Embarcadero BART Stations		BART	For example: elevators, platform doors and screens; improved train arrival information for concourse level; others TBD; Approx. $5 million per station	10,000,000
	Transit Center Project	Phase 1: Transit Center including Train Box	TJPA		1,539,000,000
		Phase 2: Downtown Rail Extension (DTX)	TJPA, Caltrain	Includes Downtown Extension and train components of Transit Center building	2,596,000,000
	Muni Transit Delay Mitigation		SFMTA	Transit vehicle purchase	2,000,000
	Golden Gate Transit Delay Mitigation		Golden Gate Transit	Transit vehicle purchase	1,000,000
	Update to TMA Guidelines and Procedures		Planning, SFMTA, SFCTA	Full review and overhaul of Transportation Management Association guidelines and procedures, including inclusion of bicycle, car sharing, and other aspects.	250,000
	Additional Studies and Trials of Traffic and Circulation Changes in Plan		Planning, SFMTA, SFCTA	Including parking cap study, Metric Goal updates/Congesion analysis, Mission Street analysis, other ciruclation studies	2,500,000
	Congestion Charging Studies and Pilot Implementation		SFCTA, SFMTA		1,000,000
	Subtotal				*$4,151,750,000*
	Subtotal (excluding the Transit Center Project)				*$16,750,000*
OPEN SPACE	District-wide Open Space and Parks	City Park (Transit Center rooftop park)	TJPA		50,000,000
		Transit Center Park connections (x4)	Developer, TJPA	Approx. $4.6 million per connection (e.g. elevator, stairs, escalators, ramps)	18,500,000
		2nd/Howard public space and park connection	City, TJPA	24,000 gsf. High-quality hardscape and landscaping; small retail structure, public amenities	15,000,000
		Transbay Park	City (Redevelopment)		10,100,000
	Improvements to Other Downtown Open Spaces	Chinatown park improvements, others	Rec Park Dept		12,500,000
	Improvements to Mission Square		Developer, TJPA		5,000,000
	Groundplane improvements Underneath Bus Ramps / Oscar Park		City (Redevelopment), TJPA		18,300,000
	Subtotal				*$129,400,000*
SUSTAINABLE RESOURCE DISTRICT	District Combined Heat & Power	Plant	SFPUC, Private Utilities, Developer		50,000,000
		Distribution	SFPUC, Private Utilities, Developer		25,000,000
	District Non-Potable Water System	Treatment	SFPUC, Developer		63,000,000
		Distribution	SFPUC, Developer		16,000,000
	Upgrades to service Transit Center		TJPA		5,000,000
	Subtotal				*$159,000,000*
	Total				**$4,755,675,000**
	Total (excluding Transit Center Project)				**$620,675,000**

The Transit Center District Plan includes many improvements to public infrastructure, services, and programs necessary to support additional development. The focal point of the Plan's infrastructure improvements is the new multi-modal Transbay Transit Center, including Downtown Rail Extension. The former Transbay Terminal was a blighted and outdated facility. Because alleviating blight and creating new transit facilities adds substantial value to nearby real estate and facilitates higher density development than may otherwise be achievable, the Plan incorporates zoning changes that increase overall densities in the Plan Area. This higher density development can generate various sources of revenue that can then be used to offset the costs of the public improvements that have enabled the increased densities and values. However, it is important to balance the need for development-based revenues for public improvements with the economics of private development to enable the desired development to be financially feasible.

Objectives and policies that support this Implementation and Funding Program are found in the Transit Center District Plan.

PLAN-PROVIDED FUNDING PROGRAM COMPONENTS

To meet the demand for infrastructure and services created by the new development and to provide further support for the Transit Center project and other public improvements, new development must contribute additional resources. New development in the Plan area is required to participate in a funding program that includes both new impact fees and revenue programs, in addition to currently applicable impact fees and development requirements. The Funding Program includes the following two components applicable to new development:

Impact Fees – Two separate nexus studies satisfying the requirements of the Mitigation Fee Act, California Government Code Section 66001 et seq., were completed to determine the maximum justified impact fee amounts that could be reasonably assessed to new development in the Plan area to fund open space and transportation improvements necessary to mitigate the impacts of the new development. These studies are attached as **Appendices A and B** to this document. The studies analyze the impacts and new demand for infrastructure improvements created by new development. Two new fees have been established, one for open space and one for streets and transportation, that apply to all new development in the Plan area ("TCDP Impact Fees"). Both TCDP Impact Fees have tiered structures, whereby denser projects pay higher fee amounts for square footage above certain Floor Area Ratio thresholds. (Note that the two new fees will not be applicable to new development in Zone 1 of the Redevelopment Project Area, which is contained within the Plan Area.) The details of the fees are described below.

Mello-Roos Community Facilities District ("CFD")– To obtain approval to build a new project denser than a Floor Area Ratio of 9:1, newly developed properties must opt into a Mello-Roos Community Facilities District ("CFD") and pay a special tax to be used to fund Plan Area public infrastructure, facilities and services. (Note that the CFD tax also will apply in Zone 1 of the Transbay Redevelopment Area, where the City is overseeing the development of publicly-owned parcels and which is generally not otherwise subject to the land use controls in the Planning Code.) The CFD taxes would apply to the project for 30 years beginning at issuance of first temporary certificate of occupancy.

The implementation considerations, calculation methodologies, and total revenue projections of these two funding mechanisms are discussed in turn below. It should be noted that the revenue projections discussed below are based on market data gathered in 2007 and updated in 2012 and reflect the best estimate of the potential full-buildout of likely development sites in the Plan area over a 20-year period (and as analyzed in the *Transit Center District Plan Environmental Impact Report*). Actual revenues may be greater or lesser depending on economic cycles, pace of development, and the specifics of future development in the district. The purpose of this analysis and the Plan is to create a set of zoning controls and a fee structure that will remain in place for decades to come. While the real estate market declined since the projections of revenue were first analyzed, the office, tourism, and rental housing markets have strengthened substantially since the nadir of the recession in 2008-2010. Lease rates are rising substantially, vacancies are falling substantially, and new construction of several recently-entitled buildings is underway in 2012. The projections of revenue in the Plan are based on historical trends and the reasonable assumption that demand for commercial and residential development will at least match these average trends over time accounting for expected economic cycles.

IMPACT FEES

Open Space Fee

The Downtown Open Space Nexus Study, attached as **Appendix A** to this document, establishes the maximum justifiable amounts that can be charged to new development in the greater downtown San Francisco area based on the relative impacts on and demand for open space created by various land uses in this area. The study analysis covers all of the C-3 districts (of which the Transit Center District Plan area is a part) and the eastern portion of the South of Market area, which together are considered the general "downtown area" because of the high densities, concentration and distribution of non-residential uses, and comparable cost factors in terms of land and character of open space improvements. The analysis is based on accepted industry-wide standards and methodologies and reflects reasonable and uses supported and realistic cost factors for providing open space in downtown San Francisco.

The existing Downtown Open Space Fee applicable to all new office development in the C-3 districts, established in Planning Code Section 412 et seq., has been essentially unchanged at $2/gsf since first adopted in 1985 as part of the Downtown Plan. (This fee received its first increase, to $2.13/gsf, in January 2012 based on a newly adopted annual fee index applied to all impact fees in the City necessary to reflect the cost inflation of providing the improvements the fees are intended to fund.) The funds are used by the Recreation & Parks Department, upon joint approval by the Recreation & Parks and Planning Commissions, to provide open space enhancements in the downtown to support growth, including the improvement of existing open spaces and the creation of new open spaces. This fee will remain in place. Because the nexus study covers the same geographic area covered by this fee, the amount of this fee must be deducted from the maximum justifiable fee amounts as calculated by the nexus study to determine the maximum justifiable amounts for any new open space fees in the Transit Center District Plan area. In other words, the combined sum amount of the existing Downtown Open Space Fee and the Transit Center District Plan Open Space Fee must be less than the maximum fee amounts shown in the Open Space Nexus Study.

The description of the Fee that follows is for descriptive purposes only. Fee amounts and procedures are established in the Planning Code Section 4XX.X et seq., and may vary over time as periodically amended and as allowed or required by law. As of the adoption of the Transit Center District Plan and this Implementation Document, the fee amounts and structure were as shown in **Table 2** below. The Fee consists of tiers based on development density. There is a base fee assessed to all square footage of new developments, and a second higher tier of fees assessed to denser projects for square footage exceeding a Floor Area Ratio (“FAR”) of 9:1. The fee tiers are cumulative. In other words, square footage that exceeds an FAR of 9:1 is assessed the sum of both tier amounts. For mixed-use buildings, square footage for various land uses are assessed independently of where they are physically located on the lot or within a building; that is, fees are assessed based on the relative proportion of each use throughout the entire development. Where a new building replaces a building to be demolished or where an addition is added to an existing building, the applicable fee is calculated based on the FAR of entire site as proposed. In other words, the square footage demolished or pre-existing on the site is not deducted from the site’s gross square footage before calculating FAR for the purpose of fee assessments; the total fee owed is the difference between the total fee for the entire site as proposed with the new construction minus the total theoretical fee for the portion demolished or existing before the addition.

While the total of the two fee tier levels might appear to exceed the maximum justifiable fee supported by the nexus study, the average fee per square foot for the entire building (i.e. if this amount were converted to a “flat fee” equivalent averaged over the whole building) is well within the maximum justifiable amounts. In other words, under no circumstance would any project pay on a total per square foot basis more than is supported by the nexus study for all building square footage.

Table 2:
Transit Center District Open Space Impact Fee -
Fee Schedule for Net Additions of Gross Square Feet within the Transit Center District Area

Use	Column A (Base Fee)	Column B (GSF Above 9:1)
Residential	$2.50/gsf	N/A
Office	$3.00/gsf	$7.00/gsf
Retail	$5.00/gsf	$4.50/gsf
Hotel	$4.00/gsf	N/A
Institutional/Cultural/Medical	$5.00/gsf	$4.30/gsf
Industrial	$2.50/gsf	N/A

Whereas the current Downtown Open Space Fee is administered by the Planning and Recreation & Parks Commissions for use only for Recreation and Parks Department facilities, the Transit Center District Open Space Fee will be administered, similar to other recent impact fees, by the Board of Supervisors in consideration of recommendations by the Interagency Plan Implementation Committee ("IPIC"), established in Administrative Code Section 36. The IPIC will make expenditure recommendations consistent with this Implementation Program Document and will monitor the implementation of the Plan's improvement program over time. As shown in **Table 9**, funds will be used to support planned open spaces under the jurisdiction of the Transbay Joint Powers Authority ("TJPA") and various agencies of the City (to be determined), as well as to support improvements at existing open spaces in and outside of the downtown under the jurisdiction of the Recreation & Parks Department.

Under the Transbay Redevelopment Plan, adopted in 2005, and Planning Code Section 249.28, Downtown Open Space Fees (i.e. those fees generated by the requirements of Section 412) generated by buildings within the Transbay Redevelopment Area (which is co-terminus with the Special Use District described in Section 249.28) must be used to fund open space improvements in the Redevelopment Area consistent with the Redevelopment Plan. Section 249.28 specifies that these funds would be administered by the Redevelopment Agency. While the Redevelopment Agency dissolved in early 2012 by State law, all of its obligations and assets transferred to the City as Successor Agency and the Transbay Redevelopment Plan and Transbay Redevelopment Project Area remain in effect, including this provision. Therefore, these funds will be administered by the Oversight Board that governs the Successor Agency consistent with the requirements of this provision. Section 412 Downtown Open Space Fee revenue generated in the Plan Area outside of the Transbay Redevelopment Project Area will be administered as normal (i.e. for Recreation & Parks Department purposes).

The proposed distribution of revenue from both the Transit Center District Open Space Fee and Downtown Open Space Fee paid projects in the Redevelopment Area is shown in **Table 9**.

Streets & Transportation Fee

The Transit Center District Streets and Transportation Nexus Study, attached as **Appendix B** to this document, establishes the maximum justifiable amounts that can be charged new development based on the relative impacts on and demand for improvements to streets and transportation systems created by various land uses in the Transit Center District area. The analysis is based on accepted industry-wide standards and methodologies to distribute the costs of necessary transportation improvements proportionally to all land uses based on person-trips generated by each land use and the proportion that trips from projected growth represents of the total population creating the need for the respective improvements.

The types of improvements and infrastructure covered by the Transit Center District Streets and Transportation Nexus Study and its associated Fee are not duplicative or overlapping with any other current fees assessed to new development in the Plan Area. The existing Transit Impact Development Fee ("TIDF," Planning Code Sections 411 et seq.) is assessed on new non-residential development to partially cover costs associated with expanding SFMTA transit capacity to serve the new development. TIDF fees will continue to assessed to new development in the Plan Area. The costs, facilities and services funded by the Transit Center District Street and Transportation Fee are related to needs generated by new development that are distinct and separate from what is funded by the TIDF. The Transit Center District Streets and Transportation Fee is a multi-modal, multi-agency streets and transportation fee, covering costs associated with providing necessary improvements for pedestrians, bicycles, autos (including carpools), local and regional bus operators, and regional rail operators (including Caltrain and BART). This Fee also includes a Transit Delay Mitigation Fee that funds projects identified in the Transit Center District Plan EIR necessary to mitigate cumulative significant impacts of development in the Plan Area pursuant to CEQA, such as related to transit delay resulting from congestion, which are also not addressed by the TIDF or other existing fees.

The description of the Fee that follows is for descriptive purposes only. Fee amounts and procedures are established in Planning Code Sections 4XX.X et seq., and may vary over time as periodically amended and as allowed or required by law. As of the adoption of the Transit Center District Plan and this Implementation Document, the fee amounts and structure were as shown in **Table 3** below. The Fee consists of tiers based on development density. There is a base fee assessed to all square footage of new developments, and two higher tiers of fees assessed to denser projects exceeding certain FAR thresholds. (There is also a Transit Delay Mitigation Fee that also applies to all square footage of new developments.) The second tier applies to square footage exceeds an FAR of 9:1, and the third tier applies to square footage that exceeds an FAR of 18:1. The fee tiers are cumulative. For example, square footage that exceeds an FAR of 18:1 is assessed the sum of the three tier amounts. Fees are calculated using the same methodology as the Open Space Fee.

Whereas the TIDF is administered by the SFMTA for use only for SFMTA transit services and facilities, the Transit Center District Streets and Transportation Fee will be administered, similar to other recent impact fees, by the Board of Supervisors in consideration of recommendations by the IPIC. The IPIC will make recommendations for expenditures consistent with this Implementation Program Document and will monitor the implementation of the Plan's improvement program over time. As shown in **Table 9**, funds will be used to support planned street and transportation improvements and related studies under the jurisdiction of the TJPA BART, SFMTA, Golden Gate Transit, and various (to be determined) City and regional agencies.

Table 3:
Transportation & Street Improvement Impact Fee -
Fee Schedule for Net Additions of Gross Square Feet in the Transit Center District Area

Use	Column A (Transit Delay Mitigation Fee)	Column B (Base Fee)	Column C (GSF Above 9:1)	Column D (GSF Above 18:1)
Residential	$0.06/gsf	$3.94/gsf	$6.00/gsf	$3.00/gsf
Office	$0.20/gsf	$3.80/gsf	$19.50/gsf	$10.00/gsf
Retail	$1.95/gsf	$2.05/gsf	$19.50/gsf	$10.00/gsf
Hotel	$0.10/gsf	$3.90/gsf	$8.00/gsf	$3.00/gsf
Institutional/Cultural/Medical	$0.30/gsf	$3.70/gsf	$19.50/gsf	$10.00/gsf
Industrial	N/A	$4.00/gsf	N/A	N/A

IMPACT FEE FEASIBILITY ASSESSMENT

The Funding Program evaluated the feasibility of the impact fees as they may be imposed on square footage of new developments in the Plan Area. Prior to adoption of the Transit Center District Plan and associated Planning Code amendments, project sponsors in the Plan area were required to acquire Transferrable Development Rights ("TDR") to exceed the base FAR limit established in the Planning Code, which varied from 6:1 for the C-3-O(SD) District and 9:1 for the C-3-O District. (Note that the entire Plan area was rezoned as C-3-O(SD) under the Plan.) The Plan reduced this requirement to acquire TDR. Instead of requiring the acquisition of TDR for all square footage exceeding the base FAR limit (i.e. all square footage in excess of 6:1), under the revised controls projects are now required to purchase TDR only for the increment of square footage exceeding the base FAR limit of 6:1 up to a maximum of FAR of 9:1. To exceed an FAR of 9:1 projects are no longer required to purchase TDR. This substantially reduced financial burden on development projects allows for the imposition of new fees without compromising the financial feasibility of development projects. Historically, the cost of acquiring TDRs has averaged between $19 and $39 per square foot, depending on market conditions. It would be expected that TDR would equal or surpass the high end of that range in the future given the market conditions necessary to support the construction of the major new commercial and residential buildings projected in the Plan. The new TCDP Impact Fees will result in a cost per square foot that generally falls within the historical and expected range of TDR costs. Further, while the maximum impact fees per square foot that would apply to square footage over an FAR of 9:1 or 18:1 could be at the upper range or exceed the historical price of TDR, the average cost per square foot for the entire building (i.e. if this amount were converted to a "flat fee" equivalent averaged over the whole building) would be lower. While no development will be required to pay more per square foot than is justified by the nexus studies, denser projects are assessed amounts closer to the maximum justifiable amounts than are less dense projects. This is because denser, taller buildings which typically feature superior views are more valuable. Accordingly, it is economically feasible for such buildings to pay TCDP Impact Fees closer to the maximum amounts justified by the nexus studies.

IMPACT FEE IMPLEMENTATION

According to Planning Code provisions establishing the TCDP Impact Fees, project sponsors may seek to enter into in-kind agreements to provide public improvements called for in the Transit Center District Plan and this document in lieu of paying some or all of the required fees. The Planning Commission considers and, if appropriate, approves these agreements and must consider the recommendations of the Interagency Plan Implementation Committee. Typically these agreements require that the project sponsor complete these public improvements prior to issuance of the first Temporary Certificate of Occupancy for the development project or the project sponsor must provide a letter of credit or other comparable financial security equivalent to the waived fees to guarantee completion of the improvements. In this Plan area, an in-kind agreement for a development project proposed on Block 3720 Lot 009 may credit the sponsor for improvements being completed by third parties, particularly the TJPA. These third-party public improvements may reasonably not be expected to be completed prior to completion of the development project. In such cases, the Planning Commission should structure the In-Kind Agreement to require that a Notice of Special Restrictions against the development project property be recorded to confirm that the owner shall be responsible for paying TCDP Impact Fees or providing substitute improvements in the event that the in-kind improvements are not completed on a timeline determined in the Agreement, are demolished, or are withdrawn from public use.

Note that because the Transit Delay Mitigation Fee (Column A) is intended to mitigate a cumulative significant impact found under CEQA in the Transit Center District Plan EIR, projects may not be granted in-kind agreements or other waivers in-lieu of paying this portion of the Impact Fee.

The Funding Program assumes that new development in Zone 1 would not pay the Plan Impact Fees.

It is important to note that some property owners and developers may have already purchased TDR from historic properties in advance of this Plan draft in anticipation of a perpetuation of the existing requirements. The City would accept TDR already acquired for projects entitled before January 1, 2012 to exceed base FAR greater than 9:1 in lieu of TCDP Impact Fees.

IMPACT FEE REVENUE PROJECTIONS

The Impact Fees would be paid as individual properties are developed. The ultimate revenues collected may vary according to the specific development proposals received for each parcel, which may include higher or lower densities than are envisioned in the Plan and the specific developments sites actually built may vary to some extent from those projected in the Plan analysis. **Table 4** estimates the total Plan Impact Fee revenues that would be generated by the rezoning as envisioned in the Plan.

Table 4:
Transit Center District Plan Tiered Impact Fee Total Revenue Estimates

	Base Fee		*Fee above 9:1*		*Fee above 18:1*		
Fee	*Square Footage Subject to Fee*	*Total Fee*	*Square Footage Subject to Fee*	*Total Fee*	*Square Footage Subject to Fee*	*Total Fee*	*Total Fees*
Open Space Fee	8,888,033	$23,882,034	6,145,117	$26,222,088	NA	NA	$50,104,122
Transportation Fee	8,888,033	$30,437,357	6,145,117	$26,222,088	3,145,164	$19,889,294	$129,034,725

MELLO-ROOS COMMUNITY FACILITIES DISTRICT

Mello-Roos Community Facilities Districts (CFDs) are used throughout California to fund the construction and maintenance of public infrastructure and facilities that enable new development to occur. A CFD can be used to fund the planning, design, purchase, construction, expansion, improvement, or rehabilitation of publicly owned improvements with a useful life of five years or more. To fund these improvements up front, a CFD enables the issuance of bonds to be paid back over time by a future stream of property tax payments, referred to as Special Taxes, or it can support a loan that will be repaid by these future tax payments. Mello-Roos Special Taxes can also be used to fund services on a pay-as-you-go basis without bonding or securing loans.

The Mello-Roos Special Taxes are levied in addition to the basic property tax rate (1.00 percent of Assessed Value, plus adjustments, by California law) plus any additional levies approved by the voters for special purposes such as libraries, parks, or enhanced services. In the Plan Area, the current overall tax rate is about 1.15 percent of each property's assessed value. Because high density development on parcels in the Plan area will benefit substantially—both functionally and financially—from the public facilities and services provided by the Transit Center and other public improvements, it is reasonable to require that these new developments contribute to the costs of those public facilities through a Mello-Roos Special Tax. As established in Planning Code Section 4XX.XX, development in the Plan Area that proposes to exceed a density of 9:1 is required to opt-in to the CFD as a condition of approval by the City.

MELLO-ROOS SPECIAL TAX CALCULATION METHODOLOGY & REVENUE ESTIMATES

To estimate the revenues that could be generated by a Mello-Roos Special Tax from the Plan area, the Funding Program assumes that each new development or net addition of square footage in the Plan Area that would exceed the 9:1 FAR threshold would pay a Special Tax equivalent to 0.55 percent of the assessed value of the entire development project, which would raise the overall tax rate to roughly 1.70 percent of assessed value of the affected property. In actuality, if a CFD were to be formed, the Special Tax would be established through an election that would authorize the imposition of the Special Tax. The Special Tax structure would likely not be directly related to property value. Rather, it will likely be assessed based on a variety of factors, as determined through a detailed CFD formation study, such as the amount of development on the property and other factors, and the Special Tax will be a per-square foot assessment. However regardless of the ultimate methodology and tax structure, the final Special Tax assessed to each property will be calculated to be equivalent to 0.55 percent of property value.

The Funding Program also assumes that each new building developed in Zone 1 of the Redevelopment Area (except for affordable housing projects) will pay into the CFD at the same rate as in the rest of the Plan Area. The Funding Program assumes that all properties will pay the Special Tax for a period of 30 years. Such payments may be made annually or as a one-time lump sum payment equal to the Net Present Value of the Special Taxes over 30 years when the project begins construction, assuming a discount rate to be determined by the City.

New development in the Plan Area is expected to occur over many years. The amount and type of development will be affected by market fluctuations and subjective decisions of individual properties owners and developers. **Table 5** shows the total revenues that would be generated by a CFD in the Plan Area if implemented as envisioned in the Funding Program. The table shows the total Special Tax revenues and Net Present Value of those revenues assuming that the Plan is adopted in 2012 and build-out begins in 2015. Total build-out of the subject parcels is assumed to occur over a period of 15 years, and each building is obligated to pay the Special Taxes for 30 years from commencement of construction. Thus, the last building constructed will have completed its Special Tax obligations 45 years after the first building was constructed. Because it is not possible to predict which properties might be developed in which years, the projections assume an even spread of the total Plan build-out over a 15-year period. For comparative purposes with historic construction and absorption, this build-out schedule represents an annual average production and net absorption of approximately 400,000 gross square feet of office space. This is on par with San Francisco's downtown average production and absorption over the past two decades (and represents a little less than half of the annual citywide production). In actuality, development and revenues will likely occur in much more concentrated and larger lumps spread out over the build-out horizon. As shown in **Table 5**, the Net Present Value (in Year 2012 dollars) of revenues that can be generated through the Mello-Roos Special Tax is estimated to be more than $420 million.

Table 5:
Mello-Roos Community Facilities District Total Revenue Estimates

	Assumptions by Land Use Category			
	Residential	***Office***	***Hotel***	***Retail***
Estimated Value per Net SF (1)	$1,000	$600	$800	$450
Special Tax Rate (% of AV)	0.550%	0.550%	0.550%	0.550%
Assumed Value Impact (2)	3.438%	6.875%	6.875%	6.875%
Per-Square Foot Annual Cost Equivalent	$5.50	$3.30	$4.40	$2.48
NPV of Special Taxes Per Square Foot over 30 Years	$89.69	$53.82	$71.75	$40.36
NPV in 2012 Dollars of CFD Tax at 7% (2015-2058)	$420,787,966			

(1) Value estimates are based on market analysis conducted by the Concord Group in 2007.
(2) New calculations conservatively assume that Mello-Roos payments are factored into Net Operating Income for commercial properties, thus reducing their capitalized value. "Assumed Value Impact" is calculated using a conservative 8.0% capitalization rate. Value impact on residential uses is assumed to be half that of commercial uses, assuming 50% rentals and 50% for-sale units (for which buyers may not discount their offers at the tax rates shown herein).

Source: The Concord Group; Economic & Planning Systems, Inc.

MELLO-ROOS CFD FEASIBILITY ASSESSMENT

Mello-Roos special taxes can be paid by the developer or subsequent owner of a new building, or can be passed on to the end users, either as additions to their tax bills (for condominiums) or their rents (for tenants). **Table 6** illustrates the effects that the institution of a Mello-Roos special tax would have on the costs of occupancy for residential and office tenants, if the full amount of the tax is passed on to the end user. The actual effects of CFD special taxes on land values, rents, and overall development feasibility and economic activity is subject to substantial debate. CFDs are common in California. Based on research into other CFDs, creators of CFDs seem to strive to calibrate the additional tax burden of CFD to a rate that keeps the total property tax rate under 2%, and preferably under 1.8%. (Again, the base tax rate in San Francisco is about 1.15%). The proposed CFD for the approved Treasure Island development area will bring the tax rate there to 1.8%. The total tax burden in the Transit Center District Plan area, including the 0.55% CFD rate, would be about 1.7%, which is within the range of other CFDs in San Francisco and statewide.

While no conclusive studies exist on the subject, many professional economic analysts have concluded that at the rates proposed for the Transit Center District Plan, there is no evidence, including in San Francisco specifically, to conclude that Mello-Roos special taxes have a significant or even appreciable negative impact on either development feasibility or property values. Certainly at some high CFD rate, that would not be the case. To be conservative, the financial analysis underlying the revenue projections in Table 5 conservatively assumes some impact to property values. The following analysis demonstrates that the rate required in the Plan Area would not render development infeasible, additional. First is an analysis based on an assumption that the developer would be able to pass on the full cost of the CFD to the end-user (e.g. the condo buyer or office tenant), followed by an analysis based on the opposite assumption that the developer would bear the full burden.

For a market-rate condominium with an average expected value of roughly $1.0 million, the annual cost of occupying that unit would be roughly $89,900, combining mortgage payments, homeowner association dues, homeowner's insurance, and basic property taxes. Adding $5,500 in Mello-Roos Special Taxes to these annual obligations increases the overall annual cost of occupancy by 5.8 percent. Given the fact that the improvements to be funded by the Mello-Roos Special Tax will improve property values for condominium owners (potentially by an equal or greater amount than the Special Tax itself), this additional Special Tax burden can be considered relatively minor in the overall cost of purchasing and occupying a condominium in downtown San Francisco, and thus is not expected to result in significant adjustments to the market value of such units. The Funding Program assumes that affordable housing units would not be subject to the Mello-Roos Special Tax, because the City has decided, as a matter of policy, that the proportionate burden of the special tax would be too burdensome for lower-income households.

Table 6 also shows a similar Special Tax burden calculation for commercial office space. Market analysis has suggested that average office rents in the Plan Area could be expected to be $66.00 per square foot per year or more. If the office tenant pays the special tax, a Mello-Roos tax at 0.55 percent of the value of office space would increase the tenant's cost of occupancy by roughly $3.33 per square foot per year, representing a 5.0 percent additional burden. Assuming rent payments represent roughly 10 percent of a commercial tenant's total business costs,[1] the Mello-Roos special tax at 0.55 percent of assessed value represents 0.5 percent of the tenant's total cost of doing business. Again, given the fact that the improvements funded by the Special Tax will substantially improve the desirability of office space in the area, this level of additional cost burden for the tenants of new office space in downtown San Francisco is not expected to require adjustments to achievable rent levels and building value assumptions.

Table 6:
Potential Effect of Mello-Roos on Cost of Occupancy (1)

Residential	
Home Value	$1,000,000
Mello-Roos Special Tax at 0.55% of Value	$5,500
Base Taxes at 1.14% of Value	$11,400
Annual HOA Dues (2)	$9,000
Annual Mortgage Payments (3)	$64,649
Homeowner's Insurance at 0.5% of Value	$5,000
Total Occupancy Cost/Year	$95,369
Mello-Roos as % of Annual Occupancy Costs	5.8%
Office	
Annual Gross Lease Cost/Net SF (4)	$66.00
Capitalized Building Value per Net SF	$605.81
Mello-Roos Special Tax/Net SF at 0.55% of Value	$3.33
Mello-Roos as % of Occupancy Costs	5.0%
Gross Lease Cost as % of Total Business Cost (5)	10.0%
Mello-Roos as % of Total Business Costs	0.5%

1) Assumes full amount of the tax is passed on to the end user.

(2) Assumes association dues of $750 per month, based on survey of comparable properties in San Francisco (November 2008)

(3) Assumes 7% interest for 30 years with 20% down payment.

(4) Average lease rates and capitalized values from the Concord Group market study

(5) Based on EPS experience, gross lease costs as a percentage of total business cost can range from 5% to 15%. As such, an average of 10% is assumed.

Source: The Concord Group; Economic & Planning Systems, Inc.

Some may reasonably argue that tenants and homebuyers of the new buildings do not absorb the costs of the Mello-Roos Special Tax, and instead those costs are borne by the property owner or developer. If this is the case, the financial burden created by the Mello-Roos Special Tax can be more than accounted for by minor improvements in market conditions. A 2008 market study for the Plan Area found that premier buildings in Downtown San Francisco were achieving rents in the $70s and $80s in 2007. Despite the economic downturn, in 2012, Class A office rents in downtown and the South of Market Area exceeded $50 and have been rising, resulting in the developers of several major commercial buildings securing entitlements in 2011 and seeking to break ground in 2012. The analysis of the Mello-Roos Special Tax impact on feasibility assumes office rents of $66 per square foot. Academic research indicates that commercial development near transit can generate significantly stronger performance than buildings farther from transit, in terms of lease rates, occupancy rates, and appreciation. Based on the substantial public improvements in the Transit Center district and the premium quality and amenities of new buildings in the district, it is reasonable to assume that new buildings will attain rents comparable to or greater than the top buildings anywhere in San Francisco.

As opposed to the analysis represented in the previous table, **Table 7** assesses the impact, as measured by building values, of the Mello-Roos Special Tax if the full amount of the tax is borne by the property owner or developer. If the office space in the Plan Area achieves rents of $66 per square foot, the total building value is estimated at $606 per square foot without a Mello-Roos Special Tax. If the Transit Center District buildings can achieve $69.33 per square foot rents—

just 5 percent higher than the $66 per square foot conservative rent estimate but still below the best buildings in the market in 2007—the total value of the building is unchanged with a Special Tax at $3.33 per square foot, even if that entire Special Tax burden is borne entirely by the developer or building owner rather than the tenants. If the office space can achieve rents of $70 per square foot, the building could support a Special Tax at $4.00 per square foot without losing value compared to the same building with $66 per square foot rents and no Special Tax. Therefore, only a relatively minor increase in rent above the $66 per square foot conservative rent estimate is necessary for the building value to remain unchanged and the developer or property owner to recover the costs of the tax. For context, it is noteworthy that average Class A office rents in San Francisco have fluctuated significantly both upward and downward between 2003-2009, but yielded an average annual increase of more than eight percent over that time period. Thus, it is highly probable that over the decades in which this Funding Program is in effect, rents in the Plan Area could be three percent higher than were conservatively estimated as proposed in 2012. It is important to note that anecdotal evidence suggests that the full cost of Mello-Roos taxes is not entirely borne by developers or property owners, but instead a portion of the cost is passed on to the homebuyers or building tenants, reducing the upfront cost burden to the developer or property owner.

Table 7:
Impact of Mello-Roos Special Tax Under Alternative Office Rent Scenarios (1)

Item	*Conservative Scenario (2)*	*Moderate Scenario*	*Aggressive Scenario*
Office Rents/SF/Year	$66.00	$69.33	$70.00
Operating Expenses/SF/Year	$29.65	$29.65	$29.65
Net Operating Income/SF/Year	$36.35	$39.68	$40.35
Capitalization Rate (3)	6.00%	6.00%	6.00%
Capitalized Value/Office SF with:			
$0.00 Special Tax/SF/Year	**$605.83**	$661.33	$672.50
$3.33 Special Tax/SF/Year (4)	$550.33	**$605.83**	$617.00
$4.00 Special Tax/SF/Year	$539.17	$594.66	**$605.83**

(1) Assume the full amount of the tax is borne by the developer or building owner.
(2) Conservative scenario uses rent figures estimated by the Concord Group.
(3) Per the Concord Group analysis of trophy buildings across the United States.
(4) $3.33/sf is based on a Special Tax equivalent to 0.55% of the capitalized value per square foot under the conservative scenario.

Sources: The Concord Group; Economic & Planning Systems

It is important to note that because a CFD is used to finance public improvements and is paid for by special property tax revenues, the interest rate and cost of capital for CFD bonds or loans secured by the tax revenues is less than if the developer were to privately finance the payment of an upfront fee or seek private financing for the construction of public improvements.

MELLO-ROOS CFD IMPLEMENTATION

The CFD could be administered by the Office of Public Finance or some other City entity. The CFD would terminate 75 years after its commencement. However, any individual building would be subject to Special Taxes for a period of only 30 years. The 75-year termination period ensures that any new development project constructed in the next 45 years would pay the full 30-year value of the Special Tax. These Special Taxes can be paid on an annual basis, or as a one-time payment as discussed above.

NEW IN-LIEU FEES

As described in the Public Realm chapter, the Plan proposes to allow developments to pay a fee in-lieu of providing the on-site publicly-accessible open space required per Planning Code Section 138 for non-residential uses (e.g. office, hotel, retail). This fee would be deposited into a dedicated open space fund for the Plan area to augment the funds from the TCDP Impact Fees. As an optional fee in-lieu of an existing requirement, it is possible that no funds may be collected. Since it is not possible to predict which, if any, project might opt to satisfy their open space requirement this way, the Funding Program does not assume any such funds will be available.

NON-PLAN FUNDING SOURCES

In addition to the new revenues proposed in the Plan, existing and potential sources of funds may augment the Plan's core revenue mechanisms to help meet the meet the public improvement funding needs described above. These potential sources include:

DIRECT PROVISION THROUGH ZONING REQUIREMENTS

Open Space Requirements (Planning Code Section 138)

Planning Code Section 138 requires new non-residential development projects in the C-3 Districts to provide publicly-accessible open space. In satisfying this requirement, some projects are likely provide open space otherwise called for under the Plan, such as Mission Square and public pedestrian connections to the Transit Center's rooftop park, and this is reflected in the Funding Program.

Better Streets Plan Requirements (Planning Code Section 138.1)

Planning Code Section 138.1 establishes comprehensive streetscape requirements consistent with the Better Streets Plan for new development, including street tree planting, sidewalk widening and other streetscape elements. For large development projects with significant street frontage (parcels that are ½-acre or larger, contain 250 feet or more of lot frontage, or encompass a full block face of lot frontage) or that will add a new building, add 20% or more to an existing building, or renovate 50% or more of an existing building, the Planning Department may require certain streetscape elements and a streetscape plan be submitted for review. The streetscape plan will be reviewed as part of overall project approvals. The City may also require sidewalk widening so that the resulting sidewalk meets or exceeds the recommended sidewalk width for the relevant street type from the Better Streets Plan or the specific district streetscape Plan, in this case the Transit Center District Plan. Where development projects would create new streets, sidewalks must meet or exceed the recommended sidewalk width. It is likely that several very large developments expected in the Plan area will be required to widen certain sidewalks and other implement other streetscape and circulation improvements as a requirement of development. The funding program therefore assumes some of the street improvements called for in the Plan are provided by development in satisfying Section 138.1 requirements. The total frontage of these large projects, however, represents only a small part of the overall street frontage in the Plan Area.

EXISTING FEE PROGRAMS

Downtown Open Space Fee

As discussed above under Impact Fees, the Downtown Open Space Fee required by Planning Code Sections 412 et seq., will continue to apply to office development in the Plan Area. The funds are used by the Recreation & Parks Department, upon joint approval by the Recreation & Parks and Planning Commissions. Also discussed above, the Transbay Redevelopment Plan and Planning Code Section 249.28 requires that Downtown Open Space Fees collected within the Redevelopment Project Area (co-terminus with the Special Use District established in Section 249.28), which is a sub-set of the Transit Center District Plan Area, must be used to fund open space improvements in the Redevelopment Area consistent with the Redevelopment Plan. Therefore, these funds are included in the Funding Program. Downtown Open Space Fee revenue generated in the Plan Area outside of the Transbay Redevelopment Project Area, however, will be administered as normal (i.e. for Recreation & Parks Department purposes) and are conservatively not included in the Funding Program.

TRANSBAY REDEVELOPMENT AREA TAX INCREMENT FUNDS

The Plan Area covers most of the Transbay Redevelopment Project Area ("Project Area"), including all of Zone 2. The Redevelopment Plan includes full funding of the street and open space improvements in Zone 1 and some contribution toward such improvements in Zone 2 to support the development planned for the Project Area. While the Redevelopment Agency was dissolved in 2012 by State law, the Transbay Redevelopment Plan remains in effect and enforceable obligations of tax increment funds can be carried forward and implemented. The City was named as Successor Agency to the Redevelopment Agency. An Oversight Board and Successor Agency were established to manage enforceable obligations of the former Agency in select redevelopment areas including the Transbay Redevelopment Project Area. The street and open space programmed obligations of the Redevelopment Plan total approximately $80 million, of which approximately $63 million is allocated to Zone 1 streets (including all of Folsom Street and portions of Spear, Main, Beale Fremont, and 1st Streets and several minor streets) and open spaces (including Transbay and Oscar Parks).

The improvements in Zone 1 are integral and indispensable geographically and functionally to the Plan's successful implementation and are included in this Program document. These enforceable obligations can continue to be implemented based on approval of San Francisco's Recognized Obligation Payment Schedule (ROPS) by the State Department of Finance in April 2012. The State ROPS approval is valid through June 30, 2012, but the Department of Finance has indicated in writing that these obligations will continue to be approved each year provided that no new facts come to light that change the situation. While not anticipated, if for some unknown reason, a determination is ever made by the State that some or all of these improvements are not enforceable obligations, the Funding Program shown in Table 9 must be adjusted accordingly to fund these improvements from a combination of Impact Fees and CFD revenues, with corresponding funding reductions from the CFD revenues for the Downtown Rail Extension.

AGENCY PROGRAMS

The two district-wide sustainable resource utility systems recommended in the Plan – non-potable water and district energy or heating/cooling – are extensions of existing plans or programs or are related to the core activities of existing agencies, specially, the San Francisco Public Utilities Commission ("SFPUC"). While the SFPUC currently has not identified or prioritized funding to undertake such programs in the Transit Center District Plan area within the time horizon of the Plan, the objectives and precepts of these programs are consistent with existing agency policies or long-term programs. To the extent that such investments may be incorporated in SFPUC plans in the future, funding can be identified to implement them.

PUBLIC-PRIVATE PARTNERSHIPS

Opportunities may surface to realize the district sustainable resource utility programs through means of partnerships of public agencies (e.g. SFPUC) with private utilities, developers, or other entities. In addition to the SFPUC, two private utilities, Pacific Gas & Electric and NRG, currently provide service to the downtown area. Pacific Gas & Electric (PG&E)

provides electricity and natural gas service to most private properties citywide. NRG owns and runs a steam loop through the downtown that provides steam for building heating and cooling. Providing such services requires significant upfront investment in plant facilities and distribution piping in right-of-ways in addition to the complexities of ongoing metering and servicing customers. Complex state regulatory structures control the provision of utility services. To realize the district utility programs, particularly district energy or district heating/cooling, a private utility could invest in and run the system or partner with the SFPUC. Because the SFPUC is the sole water utility and there are no private water utilities in San Francisco, it is less likely that such partnership would be realistic for treatment or provision of non-potable water supplies.

SUMMARY OF FUNDING PROGRAM

As described at the beginning of this chapter, the Plan identifies and proposes numerous public infrastructure improvements and related programs necessary to support and enhance the Transit Center District. In summary, four broad categories of public improvements are needed in order to meet the needs of new development, as well as create a sustainable, transit-oriented, livable district:

- Streets and Pedestrian Circulation
- Transit and Other Transportation
- Open Space
- Sustainable Resource District Utility

Table 1 at the beginning of the document provides a list of the improvements and programs identified throughout this Plan as well as their estimated capital costs. The total estimated cost of the proposed public improvements excluding the Transit Center project is $567 million; the total cost of Transit Center Project is approximately $4 billion. In addition, funds will be needed to support the long-term maintenance and operation of these facilities. (At this time, these annual maintenance and service costs have not been estimated or included in the Funding Program.)

Existing impact fees applicable to downtown projects, listed in **Table 8,** will provide funding for several other key supporting aspects of the Plan, including SF Muni transit service, affordable housing, and childcare. Funds from the Plan new revenue sources are not proposed for these purposes, nor improvements or programs to be funded by these existing fees identified in **Table 1** listing the Plan's necessary public improvements.

Table 8:
Existing Impact Fees Applicable to Downtown Projects

Financing Mechanism	Total Revenues[1] (Nominal $)
Downtown Open Space	$9,900,000
Transit (Muni)	$59,600,000
Job-Housing	$104,300,000
Child Care	$5,700,000
Water and Wastewater Capacity	$5,000,000
Total Existing Impact Fees	**$184,500,000**

[1] Revenue projections do not include fees expected from projects already entitled but not yet built in Plan area, including 350 Mission and 222 Second Streets.

The basic tenet of the Implementation Program is to fully fund all Plan-related infrastructure improvements through Plan-related revenues unless specified and dedicated funds from other sources have been identified. The exceptions to this are funding for large scale TJPA-related regional transportation infrastructure, including the Downtown Rail Extension and Underground Pedestrian Connection (between the Transit Center and the Embarcadero BART/Muni station), whose financial need substantially exceeds all potential Plan-revenues that will be available. While the Funding Program dedicates funds for these projects from the Plan's Impact Fees (as appropriately calibrated per the Nexus Studies described above), the Implementation Program dedicates to these purposes as much funding as possible from the Mello-Roos CFD. This overall approach projects that a substantial amount of funding – over $346 million -- from the CFD would be available for these TJPA projects, as the majority of the CFD will be available to the TJPA. A total of approximately $409 million would be available to the TJPA considering the CFD funds and Impact Fees for both the Downtown Rail Extension and City Park.

Table 9 shows the preliminary proposed sources of funding for all of the Plan's infrastructure improvements and the proposed allocation of each revenue source. Note that since the timing and pace of development (and hence the timing and pace of revenues) is uncertain, the element of time is not incorporated into this chart or the Implementation Program. This program also does not determine temporal priorities for funding among the various improvement projects. As described below, priorities will be vetted by the Interagency Plan Implementation Committee (IPIC) as funds become available.

Table 9:
Transit Center District Plan Funding Program ***(for projection purposes only)***

Contributions by Source >		PLAN REVENUES			OTHER SOURCES				
PUBLIC IMPROVEMENT	COST	Plan Open Space Fee	Plan Transportation Fee	Mello Roos CFD	Development Open Space Requirements (Sec. 138)	Development Streetscape Requirements (Sec 138.1)	Redevelopment Plan Tax Increment Funding	Downtown Open Space Fee (Sec 412) -- Redevelopment Area Only	TJPA/Other Funding
STREETSCAPE AND PEDESTRIAN									
ROW Improvements (sidewalks, transit lanes, landscaping, etc)									
Living Streets (Spear, Main, Beale)	$15,000,000		$5,000,000	$5,000,000			$5,000,000		
Primary Streets (Mission, Howard, Fremont, 1st, 2nd, New Montgomery)	$90,000,000		$34,000,000	$47,000,000		$2,400,000	$6,600,000		
Alleys	$21,000,000		$5,000,000	$11,500,000		$3,000,000	$1,500,000		
Zone 1 Streets	$32,875,000						$32,875,000		
Fremont/Folsom Off-ramp realignment	$2,500,000						$2,500,000		
Mid-Block Crossings	$3,000,000		$2,700,000				$300,000		
Signalization	$8,750,000		$1,500,000	$7,250,000					
Casual Carpool	$250,000		$27,000				$223,000		
Natoma	$13,300,000		$13,300,000						
Shaw Plaza	$1,700,000		$1,530,000				$170,000		
Underground Pedestrian Connector	$125,000,000								$125,000,000
TRANSIT AND OTHER TRANSPORTATION									
Transit Delay Mitigation	$3,000,000		$3,000,000						
BART Station Capacity	$10,000,000		$9,000,000	$1,000,000					
TMA Guidelines	$250,000		$80,000	$170,000					
Traffic Studies	$2,500,000		$1,900,000	$600,000					
Congestion Charging Studies and Pilot	$1,000,000		$400,000	$600,000					
DOWNTOWN RAIL EXTENSION	$2,596,000,000		$45,300,000	$332,880,000					$2,220,620,000
OPEN SPACE									
City Park	$50,000,000	$18,200,000		$15,000,000				$3,750,000	$13,050,000
City Park connections	$18,500,000	$4,650,000			$13,850,000				
2nd/Howard	$15,000,000	$12,150,000						$2,850,000	
Transbay Park	$10,100,000						$10,100,000		
Improvements to Downtown/Chinatown Parks outside Plan Area									
Chinatown Open Space Improvements	$9,000,000	$9,000,000							
Other Downtown Open Space Improvements	$3,500,000	$3,500,000							
Mission Square	$5,000,000				$5,000,000				
Bus Ramps/Oscar Park	$18,300,000						$18,300,000		
	Total by Source	$47,500,000[1]	$122,737,000[1]	$421,000,000	$14,200,000	$5,400,000	$77,568,000	$6,600,000	$2,364,520,000
	SUBTOTALS	$591,237,000			$108,418,000				

[1]Totals for Plan Impact Fee expenditures do not include fee administration costs, allowed up to 5% of impact fee revenues per the enabling ordinances.

IMPLEMENTATION AND AGENCY RESPONSIBILITIES

Implementation of the Transit Center District funding program will occur much in the same fashion as has been adopted for other plan areas. Administration of the impact fee funds and the Mello-Roos CFD funds will be done by the Board of Supervisors. The Interagency Plan Implementation Committee, ("IPIC") established in Administrative Code Chapter 36, will make recommendations to the Board for consideration consistent with the Transit Center District Plan and this document. The IPIC is chaired by the Planning Director (or his or her designee) and comprised of representatives of numerous City and County agencies, including the MTA, Recreation & Parks, Public Works, SFPUC, Office of Economic and Workforce Development, and the County Transportation Authority. As part of the Plan's adoption process, the Board amended Chapter 36 to state that the TJPA and BART are also invited to send representatives and provide input to the IPIC, because the Plan's implementation program includes substantial funding to these regional agencies. Based on annually updated projections of revenue availability, the IPIC will make recommendations to the Board regarding expenditure priorities. There is no Citizen's Advisory Committee for this Plan area.

The Planning Code establishes that the Planning Commission has the authority to approve in-kind agreements with development sponsors to partially or fully waive required impact fees in exchange for the sponsors constructing and maintaining physical public improvements called for in the Plan's Implementation Program. The Planning Commission must consider the recommendation of the IPIC prior to approving such agreements.

As part of its monitoring requirements for the Downtown Plan, described in Chapter 10E of the Administrative Code and amended as part of adoption of this Plan, the Planning Department will be required to report on progress and issues regarding implementation of this Plan's funding program, because the Plan is a sub-area of the Downtown Plan. The Planning Department is required to annually provide a monitoring report with basic data, and every five years to provide a more comprehensive report that includes policy analysis and discussion of various issues regarding the long-term development of the downtown.

Table 1 of this document lists the presumptive lead agency or entity responsible for the planning and/or implementation of the various public improvements. As required by Chapter 36 establishing the IPIC, each agency implicated in these improvements must participate in the planning, design and implementation of these improvements and to incorporate these projects into their respective work and funding programs as appropriate.

APPENDICES

Appendix A: Open Space Nexus Study

Appendix B: Streets and Transportation Nexus Study