

## **Central SoMa Draft Policy Document**

# **Community Facilities**

**November 2014**

### **Introduction**

The Land Use chapter (Chapter 2) of the draft Plan states that the Plan should “reinforce SoMa’s mixed-use character by permitting a diversity of land uses” (Principle 5). This diversity includes community facilities, which are non-profit entities that serve the existing residential population and workforce. The draft Plan proposes to facilitate the wellbeing community facilities by not only permitting them in the area, but proactively supporting them, and even enabling their expansion by providing development exemptions and/or bonuses. The discussion below seeks to convey how these strategies can ensure community facilities will continue to exist and thrive in the Plan Area.

### **Summary**

Ensure space for community facilities is provided in the area as it evolves with new development. Concepts being explored include a potential impact fee on new development to be used for building community facilities, incentivizing protection of existing facilities, and requiring and/or incentivizing the development of new space for community facilities.

### **Background**

Community Facilities are spaces hosting non-profit entities that provide services for local residents and/or workers, including childcare centers, recreation centers, job training centers, cultural and arts facilities, community health care clinics, social welfare organizations, and technical assistance organizations (i.e., those organizations that provide policy and business support services for small businesses, other non-profit organizations or residents). The work undertaken by these organizations enhances the lives of all of the community, and particularly those that could not otherwise afford these services.

Community facilities span a wide range of land uses – many are found in offices, others in production, distribution, and repair (PDR) space (e.g., arts groups), others are recreation and entertainment space (cultural facilities and recreation centers), and some – like childcare and health clinics, have their own land use category. These distinctions will be important when crafting strategies to protect and support the different kinds of community facilities.

Like PDR businesses, community facilities are often not able to compete on rents with higher paying uses like housing, offices and retail. Unlike PDR, many of these community facilities receive direct funding from the City to help defray their rent (in

non-City owned buildings) and operating costs. Nevertheless, many community facilities are at risk of losing their spaces either by being displaced from their existing buildings to higher-paying tenants, or because their buildings may be replaced by new buildings.

In May 2014 the Mayor's Office of Housing and Community Development's (MOHCD) Working Group on Nonprofit Displacement completed a study on how to address the displacement of community facilities in the city, focusing on organizations receiving funding from the City –many of which are in SoMa (the report can be found [here](#)). The report included a wide range of recommendations that the City is now working to implement. One of the recommendations was to look further into the potential of charging a development impact fee to support the creation of new community facilities. The City Controller's Office is currently undertaking a study to understand if such an impact fee is legally and financially feasible in the Central SoMa Plan Area. As part of the background research for this study, the City has determined that there are over 100 community facilities within the Plan Area (which is a higher concentration than found in most areas of the city, but still represents only about five percent of the 2,000 community facilities in the city).

### **Concepts under Review**

The Department is strongly supportive of the City's ongoing implementation of the report by the MOHCD Working Group on Non-profit Displacement. As part of that effort, the Department is considering a number of mechanisms to ensure that community facilities continue to exist in Central SoMa, as discussed below. There strategies are in addition to other mechanisms being explored by the City to support community facilities at direct risk of displacement, such as technical assistance and financial support. It is important to note that many of the details of this proposal still need to be determined, and will be fleshed out over the coming months.

#### Creating a Community Facilities Impact Fee

The City already charges development impact fees for important civic benefits, including such community facilities as recreation centers and childcare. As discussed above, the City Controller's Office is currently studying the legal and technical feasibility of adding a similar fee for community facilities in the Central SoMa Plan Area. This analysis is expected to be completed by early 2015.

#### Incentivizing and Facilitating Protection of Existing Community Facilities

Incentives to protect existing community facilities could include development bonuses for protecting existing community facilities. Such preservation could occur by maintaining them on site, or by protecting community facilities on a different property that would otherwise be at risk through mechanisms such as buying and deed-restricting the other property.

#### Requiring and/or Incentivizing Development of New Community Facilities

The City could facilitate the development of new community facilities in new construction by requiring it and/or providing a development incentive (in the form of more development capacity) for building it. This strategy could be fulfilled by building it on site, on a different location, or by potentially paying into a fund to the City for the construction of new community facilities. This mechanism would likely be the most effective in those zoning districts (SLI and SALI) where new residential and office space is being permitted for the first time.

The advantages of such a requirement include:

- It would leverage the market demand for higher-paying uses to create new space for community facilities. This is known as “cross-subsidization.”
- It would ensure that large sites are truly mixed use and exhibit the kind of fine grain and eclectic diversity of uses, activities, and buildings that is characteristic of SoMa, and would mitigate against homogenous office complexes.
- It would be applied fairly, equitably and predictably across all properties in the same zoning district, regardless of the happenstance of whether community facilities were present on site already. It effectively shares the “burden” of ensuring a future for community facilities amongst all major developers and opportunity sites.

This strategy could be implemented in coordination with a similar strategy to support the creation of other non-residential uses that have a difficult time competing for space, including PDR. The decision of how to move forward with this mechanism will be informed by the economic analysis of the value created by the Plan currently being undertaken, which is expected to be completed by early 2015.

#### A Note on a Strategy Not Being Considered: Limiting Conversion of Community Facilities

Conversion of community facilities could take place in one of two ways – the replacement of these uses with other uses in existing buildings, and the demolition of buildings with community facilities and replacement with buildings without them. The Department considered limiting the amount of conversion of existing community facilities uses to other uses. However, there are two significant drawbacks to such a strategy that make it infeasible to implement.

The first drawback is that there is an issue of fairness. Over the years, property owners in SoMa have been able to rent to a range of uses, including community facilities. Were the City to require that buildings maintain existing community facilities over time, this could be considered a penalty on those very property owners who chose to rent to community facilities over other kinds of uses. Moreover, this would create a strong disincentive for building owners to ever rent space to community service providers in the future.

The second drawback is that many community facilities (particularly social welfare organizations and technical assistance organizations) function as office uses, and are in spaces permitted by the City as office. Being that they are office uses, there is no mechanism for the City to require that a particular tenant stay in place once their lease is up and not be replaced by other office tenants. Theoretically, this concern could be addressed if the City could set rents to a level affordable to community facilities. However, this strategy is hampered by the fact that, in California, commercial rent control is illegal.