REPORT

Economic Tools for Preserving Social Heritage in Japantown

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Introduction

For over a century, the Japantown neighborhood of San Francisco has been home to the city's historic Japanese American community. One of three remaining historic "Japantown" communities in the United States, the neighborhood is a vital, resource-rich environment of people, places, activities, and community heritage that are all closely connected and involved in maintaining the community's cultural identity. Seifel Consulting Inc. has been working with the City of San Francisco Planning Department and the Japantown Organizing Committee to identify, research, and analyze available financial tools that could be used to help maintain this cultural identity. The following document contains results of this analysis, including background information on each potential tool as well as opportunities provides and associated challenges. Each tool is then assessed for its applicability to Japantown, as well as who would be involved in implementing the tool, and relevant next steps. The table below contains a summary of the results of this analysis.

Summary of Economic Tools for Preserving Social Heritage in Japantown

Sec.	Economic Tools Involving:	Applicability to Japantown	Preservation of Historic Structures/ Sites	Preservation of Heritage Businesses	Preservation of Cultural Activities	Page #
A.	**Nonprofit Community Organizations**					
1	Community Development Corporation	High	■	■	■	**2**
2	Community Land Trust	High	■	■		**3**
B.	**Local Government Tools and Assistance**					
1	San Francisco Office of Economic and Workforce Development	High	■	■	■	**4**
2	Community Benefits Agreements	High		■	■	**5**
3	San Francisco Grants for the Arts	High		■	■	**6**
4	Japan Center Garages' Capital Improvement Fund	Moderate		■	■	**7**
5a	Property and Business Improvement Districts	Moderate	■	■	■	**8**
5b	Tourism Improvement District	Moderate		■	■	**10**
5c	Mello-Roos Community Facilities District	Moderate		■	■	**11**
5d	Infrastructure Financing District	Low		■	■	**12**
6	San Francisco Parking Tax	Low		■	■	**13**
7	Parking Meter Revenue Sharing	Low		■	■	**14**
8	Building Permit and Planning Fees	Low	■	■		**15**
C.	**Regulatory Strategies**					
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2	Design Guidelines	High	■	■		**16**
3	Improvements Installed by and/or Paid for by New Development	Moderate		■	■	**17**
4	Transfer of Development Rights	Low	■			**17**
5	Neighborhood-Specific Impact Fee	Low	■	■	■	**18**
6	Land Use or Zoning Incentives	Low		■	■	**19**

Source: Seifel Consulting Inc.

A. Economic Tools Involving Nonprofit Community Organizations

Various nonprofit organizations—community development corporations and community land trusts—could provide ongoing resources and/or other assistance to implement strategies for preserving and promoting social heritage in Japantown.

1. Community Development Corporation

Community development corporations (CDCs) are nonprofit, community-based organizations dedicated to revitalizing neighborhoods and/or undertaking specific community development projects. CDCs usually service a defined geography (such as a neighborhood). Typical CDC activities include economic development, real estate development, education, social services, and organizing and advocacy activities. While many CDCs are active in the production of affordable housing, CDCs nationwide have historically been involved in: developing, owning and leasing commercial property; business enterprises; asset building; and workforce programs, as well as providing community social services and creating and operating community gardens.

CDCs can also function on a smaller scale, serving as facilitator and advocate for economic development and other activities in the neighborhoods they serve. For example, rather than create new programs that require large staffing numbers and that offer redundant services, the Tenderloin Economic Development Project (TEDP) collaborates and coordinates with existing community organizations, businesses, foundations, and City agencies to help realize the mission to transform the Tenderloin into a safe, livable neighborhood for its residents and businesses through economic, social, cultural, and educational initiatives.

It is important to note that a CDC is not a financing mechanism and does require dedicated resources and/or ongoing fundraising efforts to generate cash flow to support its work and accomplish its goals.

> *Opportunities:* Little Tokyo in Los Angeles and Chinatown in San Francisco each have successfully established CDCs that provide culturally sensitive social services, housing and community development, while simultaneously promoting the rich heritage of their ethnic communities. A CDC could link or merge with existing nonprofits in the Japantown neighborhood.
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> *Challenges:* A CDC requires active community participation and extensive fundraising efforts to help generate cash flow to support its work and accomplish the goals of the organization. CDCs require a diverse knowledge base ranging from finance, insurance, real estate, community development, economic development and small business development, to architecture, planning, and zoning laws. The implications of creating another community-based nonprofit organization in Japantown, which is already served by a dense nonprofit infrastructure, would need to be considered.

Applicability to Japantown: High

CDCs have a demonstrated track record of revitalizing and preserving cultural and historic districts. CDCs also provide a flexible economic development model that can be combined with other tools and scaled to the needs of the community. As an example, the Little Tokyo Service Center in Los Angeles provides both social services and community development services, and the TEDP in San Francisco is a CDC and a Community Benefits District. In Japantown, a CDC on a scale similar to the TEDP would likely be the most realistic.

> Key Leaders: Community stakeholders and Japantown Task Force
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> Next Steps: Creating a CDC requires active community participation and fundraising efforts. The first step would include a review of existing CDCs to determine an appropriate model and scale for Japantown and an outreach campaign to gauge interest in a CDC. The second step would involve identifying funding sources and developing a CDC formation plan.

2. Community Land Trust

The primary purpose of a community land trust (CLT) is to acquire targeted properties within a specific area to remove these properties from the speculative market and place long-term control of their use and disposition into the hands of the local community. Typically, nonprofit organizations have formed CLTs, however, more recently some local governments have taken the lead in adopting CLTs. CLTs generally lease the land they own to others who live on or operate businesses on the CLT land, although some CLTs own buildings and other improvements and lease out space to individual users. Most of the hundreds of CLTs that have been formed in the US focus on affordable housing, including the San Francisco Community Land Trust. However, some CLT missions encompass more than housing, and include owning, leasing and selling commercial properties; owning community gardens; and land banking. CLTs in Pottstown, Pennsylvania and Burlington, Vermont are examples of such CLTs. The Burlington CLT has entered disinvested neighborhoods as a commercial landlord, supporting businesses at a time when investment is unattractive to for-profit landlords.

As with a CDC, it is important to note that a CLT would require dedicated financing resources and/or ongoing fundraising efforts to generate cash flow to support the work and accomplish the goals of the organization.

> Opportunities: CLTs allow for ownership of land to be made available on a long-term basis for a specific community use. Establishment of a CLT in Japantown would provide the community with long-term control over the preservation, rehabilitation, and development of social heritage properties and assets. A CLT could contribute to the development and sustainability of housing, small businesses, community facilities, community gardens, and parks.
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> Challenges: It would take time, energy and commitment to build an organizational capacity to meet ongoing administrative, programmatic and stewardship responsibilities. A CLT would require a substantial infusion of financial resources in addition to securing potential land. Some concern may exist over the implications of creating another community-based nonprofit organization in Japantown, which already has a dense nonprofit infrastructure.

Applicability to Japantown: High

A commercial CLT could be used to acquire targeted properties within Japantown to maintain long-term control over the preservation, rehabilitation and development of community properties, assets and businesses that contribute to the preservation of Japantown's social heritage. In 2011, Burlington Associates assessed the feasibility of establishing a CLT in Japantown. The study recommended that the community proceed with the creation of a Japantown Community Land Trust and the development of a campaign to raise community capital. An attorney is currently conducting a viability analysis to determine whether cultural and historical preservation can support a 501(c)(3) tax exempt CLT if properties held by the CLT are largely used and leased for commercial purposes.

> *Key Leaders:* Community stakeholders and Japantown Task Force
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> *Next Steps:* The community would first need to clearly define the role of the CLT in preserving Japantown's social heritage. It could consider establishing a CDC or potentially supplementing a CLT with additional tools. Second, the community would conduct an outreach campaign to determine interest in a CLT, educate the community on the role of a CLT and how it would contribute to the preservation of Japantown's social heritage, identify funding sources, and develop a business plan.

B. Economic Tools Involving Local Government Tools and Assistance

Various local government tools and assistance could be considered to facilitate preservation or the creation of desired improvements in Japantown.

1. San Francisco Office of Economic and Workforce Development

The City of San Francisco Office of Economic and Workforce Development (OEWD) offers an array of tools focused on neighborhood revitalization and business assistance that could assist with the preservation of social heritage in Japantown. OEWD has identified Japantown as one of its priority neighborhoods to benefit from the Mayor's Invest in Neighborhoods program, which fosters job creation and economic development of neighborhood commercial districts through the strategic deployment of existing City programs from across multiple departments. Japantown will participate in the first wave of neighborhoods to benefit from the program, with an expected kick-off and community planning and outreach process to start in January 2013. The following programs are a small subset of the various economic tools that OWED provides that could assist with the preservation of social heritage in Japantown.

Neighborhood Revitalization

- Historic Preservation Fund Committee Grants – In partnership with the Planning Department, OEWD provides small grants to nonprofit organizations tasked with preserving historic buildings and districts in San Francisco. The City's $2.5 million Historic Preservation Fund must be used for historic preservation, including feasibility studies, research and documentation, nomination of properties to local, state and federal historic registers, historic context statements such as those related to potential historic districts and architectural surveys, historic preservation education programs, and other preservation-oriented purposes.
- SFShines Program – The SFShines Program provides façade improvements, which include grants, design services. and project management. Projects are eligible for up to $13,500.
- Funding Opportunities – The Neighborhood Economic Development Division provides ongoing support and improvement of the city's many neighborhood commercial districts. These improvements

take various forms, ranging from filling vacant storefronts with local-serving small businesses, to marketing and district promotion activities, beautification projects, graffiti removal and sidewalk cleaning, greening and tree maintenance, and special events like farmers markets and street festivals. The Division's overall goals are to support the City's commitment to cleaner, safer and more vibrant neighborhoods.

Business Assistance

- Office of Small Business – Provides assistance to small businesses on how to start and expand a business, including permit and licensing requirements, financing options, market research data, technical assistance, and site selection options.
- Tax Credits and Other Incentives – OEWD administers the City's tax credits and other incentives, many of which are targeted to specific locations.
- Small Business Financing Assistance – OEWD funds a menu of loan products for small businesses and commercial development. Additionally, the City funds an array of small business technical assistance organizations.

Opportunities: Neighborhood revitalization programs can encourage property owners to repair, restore and rehabilitate historic resources and improve properties. Business assistance programs could encourage local businesses to stay and expand in Japantown.

Challenges: Many of these programs may require property owners and businesses to apply for funds, meet specific program requirements, and undertake a complex or lengthy application or designation process. For example, historic preservation grants typically require some form of recognition process to be undertaken at the local, state and/or federal level, along with restrictions on how the property may be developed in the future.

Applicability to Japantown: High

OEWD's revitalization and small business assistance programs could be used to preserve Japantown's social heritage. OEWD selected Japantown to participate in the first wave of the Invest in Neighborhoods program, expected to start in January 2013.

Key Leaders: Community stakeholders, OEWD

Next Steps: The community would work with OEWD to select programs that are tailored to the needs of Japantown businesses and the overall community.

2. Community Benefits Agreements

Community Benefits Agreements (CBAs) create project-specific contracts between developers and communities designed to ensure that the local community shares in the benefits of major developments. Often, but not always, CBAs are negotiated for developments receiving public support or other public benefits. Examples of negotiated community benefits include living wage requirements for employees, local hiring agreements, job training and/or placement programs, affordable housing or retail space, community space, green building practices, child care facilities, and traffic mitigation. To date, most CBAs have been voluntary agreements among private entities (typically, developers and community groups) that provide benefits for the community in exchange for the right to develop a particular project and/or public financial support. Alternatively, new development could also provide community benefits through specific development agreements between the City and a developer with substantial input from the community.

<u>Opportunities:</u> CBAs could provide some benefits that participating Japantown organizations desire, and developers are willing to confer. Alternatively, a well-designed and implemented development agreement program between the City and a specific developer could potentially secure more consistent community benefits from new development.

<u>Challenges:</u> Encouraging CBAs would secure community benefits, however, there would be no guarantee that the broader needs identified in Japantown would be met by the benefits individually negotiated between developers and community stakeholders. Such a practice could also decrease certainty in the development process. It could also increase the cost to the end users or deter developers from undertaking projects if costs are too high.

Applicability to Japantown: High

Several individual projects in Japantown could be candidates for a CBA. CBAs in Japantown could be used to provide a wide variety of community benefits that would contribute to the preservation of Japantown's cultural activities, including open space and other community-serving facilities and programs.

<u>Key Leaders:</u> Community stakeholders, Japantown Task Force, Planning Department

<u>Next Steps:</u> The community would assess community deficiencies and prioritize community needs that could potentially be provided through a CBA. The community could actively monitor proposed new development within Japantown and be ready to approach and negotiate with developers.

3. San Francisco Grants for the Arts

The City of San Francisco levies a Transient Occupancy Tax (TOT) on every hotel room in San Francisco equivalent to 14 percent of rental receipts charged by a hotel operator to hotel guests. The authority to levy TOT is granted to the legislative bodies of both cities and counties by California State Revenue and Taxation Code Section 7280. The tax rate is set by the Board of Supervisors and is charged when occupying a room, rooms, or other living space in a hotel inn, tourist home or house, motel or other lodging for a period of 30 days or less. In FY 2011/12, San Francisco TOT was allocated as follows: 64 percent to the City's General Fund, 16 percent to the Moscone Center, and 5 percent for Grants for the Arts, with the remaining 15 percent allocated to various other convention, tourism, and cultural and arts programs.

San Francisco Grants for the Arts/San Francisco Hotel Tax Fund (GFTA) derives revenue from a portion of the TOT revenue collected in San Francisco. The City established GFTA in 1961 as an independent agency under the City's Office of the City Administrator to administer the program. GFTA has a goal of providing general operating funding for performing, visual, literary, and media arts organizations ranging from at least 15 percent of expense budgets for small organizations to approximately 2.5 percent of expense budgets of the largest groups. GFTA also provides funding for annual celebrations and parades. Since its inception, GFTA has distributed more than $320 million to hundreds of nonprofit cultural organizations in San Francisco.

Opportunities: In FY 2012/13, GFTA allocated $30,000 to Japantown's Cherry Blossom Festival. Other GFTA funding opportunities may exist for additional cultural heritage activities in Japantown related to annual celebrations and parades as well as performing, visual media and literary arts.

Additionally, while the City likely has the authority to allocate a portion of the TOT revenue collected in the City to the preservation of social heritage in Japantown, it doesn't appear that the City has returned TOT revenues to a neighborhood in which the revenue was generated. Generally, the City makes allocations on a citywide basis, such as the citywide GFTA.

Challenges: For GFTA grants, an applicant's mission must be clearly focused on developing, producing and/or presenting art activities in San Francisco. Applicants must have 501(c)(3) nonprofit status. Funds cannot be used for start-up money for a program not yet established, non-reoccurring projects or events, or activities not available to the general public.

Applicability to Japantown: High

Receiving approval from the Board of Supervisors to allocate a specific portion of TOT on a noncompetitive basis, and based on TOT revenue generated by hotels located in Japantown, likely would be difficult, and as such, the applicability for an earmarked allocation of TOT to Japantown is low.

However, nonprofit organizations in Japantown such as the Cherry Blossom Festival currently benefit from the GFTA program and potential exists for additional nonprofits to benefit from the grant program. In FY 2011/12, approximately $11.2 million of TOT revenue was allocated through GFTA to various groups and activities throughout San Francisco.

Key Leaders: GFTA, community nonprofits and other stakeholders, and Japantown Task Force

Next Steps: The deadline for general operating funds is mid-February for funding the following fiscal year. The applicant review is an ongoing six-month process. Japantown nonprofits should contact GFTA regarding additional funding opportunities and may want to seek outside assistance from OEWD and planning consultants to make applications for funding more competitive.

4. Japan Center Garages' Capital Improvement Fund

The Japan Center Garages consist of the Main Garage located at 1610 Geary Boulevard and the Fillmore Street Annex Garage located underneath the Sundance Kabuki Cinemas. The City of San Francisco owns the garages under the authority of the San Francisco Municipal Transportation Agency (SFMTA).
On July 2, 2002 the City leased the garages to the Japan Center Garage Corporation (JCGC) for an initial term of 15 years, with the option to renew the lease for an additional 15 years. A professional garage management company operates the garages on a day-to-day basis.

As part of the JCGC agreement with the City, 75 percent of the net revenue generated by the garages is returned to the City. The remaining 25 percent is deposited into a Capital Improvement Fund for seismic improvements and maintenance of the garages. Annual net revenue generated by the garages is estimated at $1.8 million. Thus, the Capital Improvement Fund accrues approximately $450,000 annually. SFMTA recently utilized the Capital Improvement Fund balance in order to help pay for the structural examination of all of the City's garages. It is estimated that the fund balance will start accruing again in 2015 or 2016. The City also provides JCGC with $5,000 annually for marketing expenses.

Opportunities: Beginning again in 2015 or 2016 approximately $450,000 will start accruing annually to the JCGC Capital Improvement Fund pursuant to the revised lease agreement with the City. A portion of these funds could potentially be allocated for social heritage events and marketing activities in Japantown.

Challenges: SFMTA continues to face budgetary constraints. It would be difficult to persuade SFMTA to agree to a revised lease agreement that would result in the loss of revenue to SFMTA. Also, any restrictions on the use of Fund revenues would need to be reviewed. However, even if funds could be used for marketing, because the capital improvement funds are earmarked for seismic retrofitting and preventative maintenance of the garages, it would be unwise to reduce available funding without first assessing what future maintenance may be required.

Applicability to Japantown: Moderate

JCGC could potentially negotiate a revised lease agreement with SFMTA that would include allocating a portion of funds deposited in JCGC's Capital Improvement Fund for social heritage events and marketing activities, particularly as they relate to Japan Center. However, these funds are not estimated to start accruing again until 2015 or 2016. Additionally, SFMTA is unlikely to agree to a revised lease agreement that would result in a loss of potential revenue or cash reserves for maintenance of the garages.

Key Leaders: SFMTA, JCGC, community stakeholders, and Japantown Task Force

Next Steps: JCGC would reach out to SFMTA representatives to assess the viability of revising the lease agreement. Prior to negotiations, JCGC should determine what activities need funding and what an appropriate allocation would be.

5. Community Improvement Districts

Community improvement districts are formed by local governments and enable property owners and/or businesses within a specific geographic area to pay for enhanced community improvements, facilities or special services by securing a predictable stream of revenue. Two types of these districts—Mello-Roos Community Facilities Districts and Infrastructure Financing Districts—are authorized under California law to borrow money by issuing bonds or incurring other debt to assist with the financing of the improvements. Each district must be established in accordance with the particular enabling legislation chosen to meet the needs of a given district. Each law also sets forth specific rules on the use of the funds.

a. *Property and Business Improvement Districts*

Business improvement districts are public-private partnerships that enable property owners and/or businesses within set boundaries to pay for enhanced services that confer a benefit to the real property owner and/or business owner over and above what a local government normally provides through its general fund. Specifically, they are specialized assessment districts that establish a partnership between property owners and/or businesses for the purpose of improving the business climate in a defined area. Services typically provided by these improvement districts include maintenance, marketing, economic development, parking, special events, and other enhanced services or improvements.

Two California laws authorize the formation of business improvement districts (BIDs), the Parking and Business Improvement Area Law of 1989 and the Property and Business Improvement District Law of 1994. Both laws authorize a city to establish BIDs and levy annual assessments within their boundaries. The 1989 law authorized BIDs to charge an additional fee to be added to annual business licensing fees or other fee mechanisms related to business revenues. The 1994 Act authorized BIDs to levy an assessment on commercial property. The BID is limited to those types of improvements and activities that are specified during the district formation. Neither law allows BIDs to issue bonds.

In 2004, the San Francisco Board of Supervisors adopted and the Mayor signed into law the San Francisco Community Benefit District (CBD) Ordinance, amending the state legislation to lengthen the term that the BID could be in place, allow assessments on both commercial and residential properties, and provide a more reasonably weighted petition threshold that would trigger the assessment balloting procedure. In order to establish a CBD, the Board of Supervisors must hold a public hearing and mail out assessment ballots in order to gauge the level of support of the weighted property owners in the proposed CBD.

Property assessments can only fund special (not general) benefits.[1] General benefits are those allocated to all parcels in the city and funded out of public or general fund revenues. Cities throughout California typically adopt "baseline services agreements" that require the city not to withdraw services once the special benefits district has been formed.

Examples of BIDs/CBDs formed in San Francisco include Noe Valley/24th Street, North of Market/Tenderloin, Castro/Upper Market, Fillmore Jazz District, Central Market CBD, Portside CBD, Yerba Buena CBD, and the Tourism Improvement District (TID). Japantown is located in Zone 2 of the TID, and as such, hotels in Japantown are assessed an annual fee of 1 percent of gross revenue (see TID section below for additional information).

> *Opportunities:* Funds generated could be used to provide benefits such as signage, façade work, interpretive displays in the right-of-way, business retention, beautification, and tree establishment/maintenance as well as capital improvements and real estate development projects. They could also be used to establish a process for qualifying heritage businesses and to support intangible heritage assets by providing permits for events and performances.

> *Challenges:* Forming a BID/CBD requires extensive outreach to property owners and businesses who would be assessed and community stakeholders in order to develop a management plan with defined boundaries, services, assessment rates, terms, and a governing body. Typically, a two-phase special election must take place beginning with a petition vote, followed by legislation approved by the Board of Supervisors, a mailed ballot election and additional legislation and public hearings at the Board of Supervisors.

Applicability to Japantown: Moderate

A BID/CBD in Japantown could provide maintenance and public safety, marketing, advocacy, beautification, and capital improvement programs that would contribute to the preservation of heritage businesses, and public and community space. Business owners in Japantown previously considered adoption of a BID/CBD and prepared a preliminary plan. They did not, however, proceed with adoption due to a lack of support by property and business owners. Key property owners continue to express a lack of support for this strategy.

> *Key Leaders:* Motivated property owners and businesses, community stakeholders, Mayor's Office of Economic and Workforce Development

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[1] By law, the City cannot replace its general benefit services in a district once the special benefits district has been formed [Article XIII(d) of the California Constitution].

Next Steps: Creating a BID/CBD requires active participation and extensive outreach to community members, property owners and business owners. A first step would be to contact the Mayor's Office of Economic and Workforce Development (OEWD) to revisit the feasibility of creating a BID/CBD for Japantown. Second, a steering committee could be formed among interested parties, including property owners and businesses. The committee would re-evaluate the district boundaries and analyze the current level of support for district formation. If enough support exists, the steering committee would enter into the formation stage, including expansion of the committee to all interested parties, endorsing a focused district plan that would benefit district property owners and businesses, and submission of the plan to the City for review and certification.

b. *Tourism Improvement District*

The City of San Francisco levies a San Francisco Tourism Improvement District (TID) assessment on gross hotel room revenue, depending on the proximity of the hotel room to the main San Francisco tourism infrastructure. The City established the 15–year TID assessment in January 2009 under the state's 1994 Property and Business Improvement District (PBID) Law of 1994, as augmented by Article 15 of the San Francisco Business and Tax Regulations Code. The purposes of the TID are to (1) ensure funding for the San Francisco Convention & Visitors Bureau (also known as San Francisco Travel) marketing programs specifically targeting tourist hotels and promoting the city as a visitor destination (years 1 through 15 funding), and (2) the renovation and expansion of the Moscone Center (years 1 through 5 funding). For the first five years of the TID, hotels located in Zone 1 (hotels on and east of Van Ness Avenue and on and north of 16th Street) are assessed at a rate of 1.5 percent and hotels located in Zone 2 (all other hotels within San Francisco) are assessed at a rate of 1 percent. In years 6 through 15, the rates drop to 1 percent and 0.75 percent, respectively. The Board of Supervisors has expressed its intention to establish another PBID known as the Moscone Expansion District, which would levy an assessment for 32 years on hotels. Unlike the TID, it appears that the new PBID would be solely focused on Moscone Center, and would not include funding for San Francisco Travel.

About 50 percent of the budget for San Francisco Travel is funded by the TID assessment. The total maximum assessment for the TID duration is $917 million (with $856.4 million for San Francisco Travel marketing and operations and $60.7 million for Moscone Center improvements).

Opportunities: The Japantown Merchants Association (JMA) currently has a reciprocal partnership with San Francisco Travel in which both are members of each other's organization. San Francisco Travel membership provides admission to events, market briefings, outlook forums and partner business exchanges, listings online and in publications, and access to the convention calendar.

JMA could work with San Francisco Travel to further emphasize Japantown's social heritage and other visitor attractions through San Francisco Travel marketing materials, including its website.

Challenges: While SF Travel performs neighborhood-specific marketing, its focused efforts could be strengthened for Japantown. For example, the SF Travel website features the "Japantown Fillmore" neighborhood. A search on "To Do" for Fillmore-Japantown yields three results: Cherry Blossom Festival, The Fillmore, and Yoshi's. A keyword search for "Japantown" on the "Events" page yields three items: the Osechi Ryori New Year's Celebration Fundraiser, Gourmet Japantown/Fillmore, and the Japantown San Jose Beerwalk. The JMA could work with SF Travel to explore the possibility of focusing on Japantown as a specific neighborhood, in and of itself, rather than part of Japantown-Fillmore.

Applicability to Japantown: Moderate

While funding generated by the TID is primarily allocated to San Francisco Travel and the renovation and potential expansion of Moscone Center, opportunities likely exist to work with San Francisco Travel to emphasize Japantown's social heritage and attract visitors through marketing partnerships and assistance.

Key Leaders: San Francisco Travel, Japantown Merchants Association (JMA), community stakeholders, and Japantown Task Force

Next Steps: Japantown community stakeholders would contact San Francisco Travel regarding more focused and additional marketing and partnership opportunities. Local businesses would apply for grants through the Neighborhood Partnership Grant program.

c. *Mello-Roos Community Facilities District*

The California Legislature enacted the Mello-Roos Community Facilities Act in 1982, which allows local governments to form Community Facilities Districts (CFDs) to finance public improvements. CFDs can be funded on a "pay-as-you-go" basis. However, facilities are more frequently paid for using long-term tax-exempt bonds to fund public improvements, which are repaid through the levy of special taxes collected on the property tax bill of property owners within the boundary of the CFD. A CFD is created by a sponsoring local government entity and requires approval by two-thirds of voters living within the proposed boundaries, or a vote of current landowners if there are fewer than 12 registered voters within these boundaries. The landowner vote is weighted based on the amount of land each owns, and two-thirds support is required for approval. After approval, a lien is placed against each property in the CFD, and property owners pay an annual special tax. The taxes continue at least until the infrastructure is paid for and/or bonds are repaid. At such a point, the taxes will either be discontinued or lowered and used to maintain improvements.

Opportunities: CFDs can finance a broad range of public facilities, services, maintenance or operations. Examples of public facilities and infrastructure that a CFD may finance include streets, sidewalks, water, sewer, storm drainage facilities, parks, schools, libraries, jails, childcare, and administrative facilities. CFDs may also fund a variety of public services, however bond proceeds are not authorized to fund CFD services. Services authorized by either a registered voter or landowner election include police protection, fire protection, ambulance and paramedic services, maintenance of parks, and environmental cleanup and remediation. A second group of services, only authorized by a registered voter election, include recreation program services, library services, operation of museum and cultural facilities, and maintenance of school sites and structures. Unlike general obligation bonds, the boundaries and structure of CFDs can be targeted towards a particular issue and geographic area, greatly improving its chances for voter approval.

Challenges: Two-thirds voter approval for all local special taxes and a tax imposed for a specific purpose. Voters are those to be assessed under the proposed district, weighted based on the share of the assessment they will pay. This requirement makes it difficult to finance improvements in developed areas with large numbers of registered voters and property owners. Services that may be financed with a CFD are quite limited, and must be authorized by either a registered voter or landowner election.

Applicability to Japantown: Moderate

A CFD in Japantown could be used to fund and maintain street and sidewalk improvements, parks, public plazas, and community facilities as well as police protection, park maintenance, and operation of museum and cultural facilities. CFDs require property owners to agree to tax themselves to finance these improvements. In already built-out areas such as Japantown, it might be difficult to get two-thirds of property owners to agree to such a tax.

Key Leaders: Community stakeholders, Mayor's Office of Economic and Workforce Development

Next Steps: The community would conduct a needs assessment to determine what improvements and services a CFD could potentially fund. The community would then conduct community outreach to assess interest in a CFD, as implementation of a CFD would represent an additional tax levied on property within the district and would require two-thirds voter approval by property owners.

d. *Infrastructure Financing District*

Infrastructure financing districts (IFDs) allow cities and counties to issue bonds to pay for community scale public works projects, including but not limited to highways, transit, water systems, sewer projects, flood control, child care facilities, libraries, parks, and solid waste facilities. Facilities financed through an IFD may not replace existing facilities or services, but they may supplement existing facilities and services as necessary to serve new development. To repay bonds, IFDs are allowed to invest property tax increment revenues for a maximum term of 30 years.[2]

Opportunities: In the absence of redevelopment, IFDs allow local government to issue bonds to pay for public works projects using property tax increment. IFDs can fund many of the same types of infrastructure improvements as CFDs.

Challenges: Requires two-thirds voter approval of registered voters if there are at least 12 registered voters within the proposed district. If there are fewer than 12 registered voters within the proposed district, a two-thirds vote of property owners is required to form an IFD and issue bonds. Under current law, there are several other limitations to IFDs. For instance, an IFD cannot overlap a redevelopment project area.[3] Further, any IFD that constructs housing is required to set aside at least 20 percent of those units for low and moderate-income housing, while the law does not specifically enable IFD funding for new affordable housing. Recently, the Governor vetoed proposed IFD reform bills that would have allowed parts of former redevelopment project areas to be included in IFDs and modified other key requirements.

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[2] Tax increment is calculated based on increases in assessed value from properties within the district multiplied by the participating entities' share of the basic one percent property tax rate. In San Francisco, this could typically represent about 0.06 percent of assessed value increases in the district.

[3] With the exception of San Francisco's Special Waterfront District established by Chapter 314 of the Statutes of 2011, State law prohibits IFDs from being established in redevelopment project areas.

Applicability to Japantown: Low

An IFD in Japantown could be used to fund street and sidewalk improvements, parks, parking facilities, and community facilities. The advantage of an IFD over a CFD is that a share of basic property tax increment revenues can be used to fund improvements rather than levying additional assessments or special taxes on properties within the district. In San Francisco, IFDs have largely been considered in geographic areas where development capacity is being increased, and thus, the area has potential for increased property tax. The Japantown area is not being considered for a large increase in development capacity. Therefore, there is very limited potential to capture increment of new property tax.

> Key Leaders: Community stakeholders, Mayor's Office of Economic and Workforce Development
>
> Next Steps: The community would conduct a needs assessment to determine what improvements an IFD could potentially fund. Second, the community would conduct community outreach to assess interest in an IFD, as implementation of an IFD would require two-thirds voter approval.

6. San Francisco Parking Tax

The City of San Francisco imposes a parking tax on all off-street non-residential parking spaces throughout the city. The parking tax is 25 percent of total parking charged for occupancy of the parking space. Currently 40 percent of the parking tax revenue is allocated to SFMTA with the remaining 60 percent allocated to the City's General Fund, of which one-third (or 20 percent of the total parking tax collected) is set-aside for senior programs.

> Opportunities: During FY 2010/11 parking taxes in San Francisco generated approximately $72.7 million in parking tax revenue for the City's General Fund. The City could allocate a portion from its share of parking tax revenue collected in Japantown for preservation of social heritage and cultural festivals and events in Japantown.
>
> Challenges: Given limited funding sources and current budgetary constraints, SFMTA is unlikely to relinquish any portion of its share of the parking tax revenue. While the City continues to earmark a portion of the parking tax revenue for seniors, it is unlikely to earmark additional parking tax revenue for other programs, given its own budgetary constraints. Also, the City does not allocate parking tax revenue to the neighborhood where it was generated.

Applicability to Japantown: Low

Gaining approval from the Board of Supervisors would likely be difficult. While the possibility exists that parking tax revenue could be earmarked for cultural resources, it is unlikely that the funding would be directed to a specific geographic area. Rather any funds would more likely be made available through a competitive application process citywide, similar to the GFTA.

> Key Leaders: Community stakeholders and Japantown Task Force
>
> Next Steps: Japantown community stakeholders would consult with city officials to assess political support and feasibility of a proposal to allocate parking tax revenue collected in Japantown for the preservation of social heritage in Japantown.

7. Parking Meter Revenue Sharing

The concept of returning parking meter revenue to businesses where the parking revenue is generated was first popularized in Old Pasadena, the historic downtown district of the City of Pasadena. In 1993, the City devised a parking policy that used Old Pasadena's parking meter revenue to finance additional public spending in the district. The City, working with Old Pasadena's BID, established a Parking Meter Zone (PMZ) in Old Pasadena. The City installed parking meters and then borrowed $5 million to finance streetscape and alley improvements with the parking meter revenue pledged to repay the bond debt. Bond proceeds financed street furniture, trees, tree gates, and historic lighting fixtures. Using the remaining parking meter revenue after debt service, the BID arranged for daily sweeping of streets and sidewalks, trash collection, removal of decals from street fixtures, and steam cleaning of street fixtures. By 2001, net annual parking meter revenues in Old Pasadena had reached $1.2 million.[4] Other cities have adopted similar policies for returning parking meter revenues to the districts where meter revenue was generated. Redwood City returns revenues generated from on-street and off-street parking within the Downtown Meter Zone boundaries.

> Opportunities: Japantown could institute a parking meter zone with demand-responsive pricing. The City could continue to receive the current or baseline revenue and then split any increase in meter revenue with the meter district. The parking increment would result from increasing the number of parking meters, hours of operation, enforcement, and the higher meter rates during peak hours (based on demand). The meter revenue could be used for streetscape improvements, additional public services, maintenance, marketing, and community events in Japantown.
>
> Challenges: Given budgetary constraints, SFMTA is unlikely to release any portion of parking meter revenue generated in Japantown. In addition, business owners have historically opposed increases to parking meter rates, and paid parking in general, over concerns that the cost of parking will discourage economic activity.

Applicability to Japantown: Low

SFMTA has implemented SF*park* in eight San Francisco neighborhoods, including the Fillmore. SF*park* is a demand-responsive pricing program for parking meters that adjusts the meter and garage pricing up and down to match demand. The primary goal of *SFpark* is to improve parking availability and reduce congestion, not raise additional revenue. Under the program, hourly parking rates have increased in high-demand areas and at high-demand times, yet rates have also decreased in low-demand areas and times. Given budgetary constraints at SFMTA and the City, as well as the recently established SF*park* program, it is unlikely that the City would establish a meter revenue sharing model in the near future.

> Key Leaders: SFMTA, community stakeholders and Japantown Task Force
>
> Next Steps: Community stakeholders should contact SFMTA to assess potential of participating in SF*park*.

[4] Shoup and Kolozsvari, "Turning Small Change into Big Changes," Access 23 (2003): 2-7.

8. Building Permit and Planning Fees

Permits are required in the City to operate business and to perform construction activity. The Planning Department reviews most applications for permits in order to ensure that the proposed activity complies with the City's Planning Code and charges user fees for these review services. The Department's fees structure is divided into seven application categories:

- Environmental applications—related to Environmental Impact Reports (EIR)
- Commission and variance hearing applications—conditional use permits, variances and planning code and zoning changes
- Downtown applications
- Preservation applications—related to landmarks, historic resources and transfer of development rights
- Subdivision applications—land and condominium subdivisions
- Miscellaneous applications—variety of fees including reviews for other departments, permit reactivations and tourist related reviews
- Building permit applications

> Opportunities: The Planning Department could provide assistance to owners of historic resources and cultural start-ups in Japantown by waving building permit and planning fees. In order to promote quality rehabilitation, restoration and new construction projects, many cities waive building and permit fees assessed on historic resources or new construction within historic districts.
>
> Challenges: No precedent exists for a city to waive building permit and planning fees for cultural start-ups. However, as stated above, it is common for cities to waive such fees for historic resources.

Applicability to Japantown: Low

In order to provide financial assistance to cultural start-ups as well as promote the preservation of historic and cultural resources in Japantown, the City could waive building and permit fees. However, the city is facing budgetary constraints and may not be in a position to cover the costs that would have been paid for by the fees. Additionally, this action would require approval of the Board of Supervisors as well as cooperation of the Planning Department. Given the City's budgetary constraints and the potential loss of revenue, it is unlikely the City would agree to fee waivers.

> Key Leaders: Planning Department, community stakeholders and Japantown Task Force
>
> Next Steps: Japantown community stakeholders should consult with city officials to assess political support and feasibility.

C. Economic Tools Involving Regulatory Strategies

Various regulatory strategies could be considered to facilitate preservation or the creation of desired improvements in Japantown.

1. Mills Act Property Tax Abatement Program

The Mills Act Property Tax Abatement Program provides eligible historic private property owners the opportunity to participate in the restoration of their properties while receiving property tax relief. Owners must enter into a 10-year contract with a participating city to rehabilitate the building in exchange for a reduction in local property taxes. Owner-occupied single-family residences and income-producing commercial properties may qualify.

> Opportunities: Participants who qualify may realize substantial property tax savings ranging from 40 to 60 percent annually, which can be used to rehabilitate and maintain the historical and architectural character of their properties.
>
> Challenges: Eligible properties must be listed individually or as a contributor to a district on the National Register of Historic Places, or locally designated per Articles 10 and 11 of the San Francisco Planning Code. Eligibility is limited to a property tax assessment value of $3 million for residential, and $5 million for commercial, industrial or mixed use buildings. Properties require historic designations to participate in program.

Applicability to Japantown: High

The Mills Act Property Tax Abatement Program could be used to rehabilitate historic buildings in Japantown. This program already exists in San Francisco, and thus requires no additional effort to establish and develop.

> Key Leaders: Community stakeholders, Planning Department
>
> Next Steps: The community would identify properties based on eligibility requirements described above, and work with the Planning Department to apply for Mills Act contracts for individual qualifying properties.

2. Design Guidelines

Design guidelines articulate expectations regarding the character of the built environment and are intended to promote design that protects neighborhood character, enhancing the attractiveness and quality of life. Design guidelines address basic principles of urban design that result in development that maintains cohesive neighborhood identity, preserves historic resources, and enhances the unique setting and character of a city or neighborhood. Guidelines can cover a broad range of topics including general site planning, architectural details and materials, and sustainability.

> Opportunities: Design guidelines would function to preserve and enhance the existing character of Japantown, and improve the aesthetic and functional quality of new development projects. Certificates of Heritage Compliance could be granted to local properties for compliance with applicable design guidelines.
>
> Challenges: Adoption of design guidelines without accompanying land use regulations could fail to achieve desired results, such as the preservation of historic resources and enhancement of Japantown's unique setting and character.

Applicability to Japantown: High

Design guidelines could be used to preserve and enhance the attractiveness and quality of buildings in Japantown.

> *Key Leaders:* Community stakeholders, Planning Department
>
> *Next Steps:* The community could work with the Planning Department to determine the appropriate steps to establish design guidelines for Japantown, as well as potential options to assure consistent compliance. The community could also conduct a survey of buildings in Japantown to identify architectural elements and details, awnings, building massing, sidewalks and setbacks, and signage requirements that may be incorporated into the design guidelines.

3. Improvements Installed by and/or Paid for by New Development

Requiring developers to include certain improvements as part of their projects could be a tool to provide streetscape improvements, community-servicing spaces such as public art and open space accessible to the public. This is standard practice in San Francisco where the Planning Code and other City requirements necessitate that new development provide improvements. Such rules typically apply citywide. Developers often have a choice between actually constructing these improvements and contributing to an in-lieu fee. This tool has been used in San Francisco as part of the approval process for major development projects, such as Mission Bay and Hunters Point Shipyard.

> *Opportunities:* Certain improvements could be built with little involvement of City staff. In-lieu fees could provide significant revenues to build needed amenities not constructed by developers.
>
> *Challenges:* Mandating improvement projects would negatively impact a development's financial feasibility, potentially increasing the cost to the end user (tenant or home buyer) or even preventing developers from undertaking development projects subject to the regulations.
> If developers choose to construct the facilities, the City may have less control over their location and design.

Applicability to Japantown: Moderate

New development in Japantown is already required by the Planning Code and other City standards to pay for public improvements, such as installing street trees and other landscaping, improving sidewalks, providing open space, and contributing to better transportation and affordable housing.

> *Key Leaders:* Community stakeholders, Planning Department
>
> *Next Steps:* The community should continue to be involved in city policymaking activities to ensure that any changes to existing requirements benefit the community.

4. Transfer of Development Rights

The transfer of development rights (TDRs) allows for the exchange of building development potential from one site to another. Designated preservation areas or sites may sell development rights so that higher density may be built elsewhere. Conservation easements prevent development once the TDR has been sold. In cities, TDRs are usually traded on a site-by-site basis within a designated district, and are often called a transfer of "air rights".

Opportunities: TDRs allow development to be flexible while preserving important historic assets. The sale of development rights results in financial benefits that can be applied to the conservation of the site or structure.

Challenges: Zoning designations must be well defined, and the outcome is uncertain because the program is voluntary. The TDR market incentives must be compatible with the real estate market and provide an attractive incentive to developers.

Applicability to Japantown: Low

TDRs could be used to preserve historic assets in Japantown. However, TDRs are currently only permitted in Downtown San Francisco. Additionally, utilizing a TDR is only viable where there is a substantial difference between the existing height of a historic building and the allowed height on the property. Because most historic buildings in Japantown are at or near their maximum height, there are very limited development rights that could be transferred.

Key Leaders: Community stakeholders, Planning Department

Next Steps: The first step would be to analyze existing development potential in Japantown based on current height limits. If numerous parcels with historic assets have unused density that could be transferred, the community could consider permitting TDRs in Japantown. Second, the community would work with the Planning Department to determine the appropriate steps to establish a TDR district, and potentially consider upzoning for parcels in Japantown.

5. Neighborhood-Specific Impact Fee

A neighborhood-specific impact fee could be levied on new commercial and residential development that generates additional needs for community improvements or facilities in Japantown. In California, impact fees are typically dedicated to the provision of street and transit improvements, utility infrastructure, schools, civic buildings such as libraries, arts facilities, recreation and daycare facilities, and parks needed to serve new residents and workers. Impact fees must be used to increase capacity to handle additional demands from new development, and cannot be used to address existing deficiencies.

A Japantown Social Heritage Stabilization and Improvement Fund could potentially be established, with the proceeds used to enhance cultural resources and assets in the area if a connection or nexus could be established between the demands created by new development and the provision of these improvements. Developers could be required to display culturally sensitive artwork on the building site or in a public area. Payment of in-lieu fee equivalent to cost of work could be allowed. Proceeds could be used to fund a social-heritage path/tourist trail, pavement treatment, commemorative inscriptions, and other features to educate and recognize the historic and heritage resources in the area. An advisory committee could be formed to advise on the use of funds.

Opportunities: Funds generated from the fee could be used to address the impact of new development on cultural resources in Japantown.

Challenges: Further analysis would be required to ensure the legal soundness of such a fee and the determination of appropriate fee level.

Applicability to Japantown: Low

A neighborhood-specific impact fee could be used to enhance cultural resources and assets in Japantown. However, in San Francisco new impact fees are typically applied in large geographic areas where development capacity has increased. Because no increase in development capacity has been proposed in Japantown, it is not a strong candidate for a neighborhood-specific impact fee.

Key Leaders: Community stakeholders, Planning Department

Next Steps: The first step would be to analyze development potential in Japantown based on an analysis of vacant sites, zoning and potential density, as well as an analysis of underutilized sites that could potentially be redeveloped. Second, the community could work with the Planning Department to determine appropriate steps to establish a neighborhood-specific impact fee, and potentially consider upzoning for parcels in Japantown.

6. Land Use or Zoning Incentives

Land use and zoning incentive programs provide developers with specific land use or zoning incentives if they provide certain amenities. For example, some cities provide density bonuses for projects that provide senior housing, arts uses or other community benefits.

Opportunities: A land use or zoning incentive program could serve as both a planning and funding tool to provide Japantown with amenities to meet community goals. Moreover, those amenities would be "master planned," located and designed to best serve the existing and future population.

Challenges: A rezoning process would be a substantial undertaking. If not well-executed and adequately codified, it could increase frustration over the development process, be cumbersome to implement, and have piecemeal results if done on a project-by-project basis.

Applicability to Japantown: Low

Land use and zoning incentives require agreement that increases in development capacity can be granted for providing other benefits, such as senior housing. Such increases in development capacity are not being contemplated at this time.

Key Leaders: Community stakeholders, Planning Department

Next Steps: The community could work with the Planning Department to determine the appropriate steps to establish land use or zoning incentives for Japantown. The three key steps would be as follow: (1) Conduct a needs assessment to determine what amenities are currently and/or will be needed in Japantown; (2) Produce a land use plan that lays out the desired extent, design and location of those amenities; and (3) Determine what incentives would be exchanged for a certain level of participation in the program.