



SAN FRANCISCO
PLANNING DEPARTMENT

File No. 180187
Received via email
05/14/18

May 11, 2018

Ms. Angela Calvillo, Clerk
Honorable Supervisor Cohen
Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

1650 Mission St.
Suite 400
San Francisco,
CA 94103-2479

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

**Re: Transmittal of Planning Department Case Number: 2018-003257PCA
Reauthorizing Section 210.3C Concerning New Production,
Distribution, and Repair Space
Board File No. 180187
Planning Commission Recommendation: Approval**

Dear Ms. Calvillo and Supervisor Cohen,

On May 3, 2018, the Planning Commission conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance that would amend the Planning Code to reauthorize provisions that support the development of new Production, Distribution, and Repair (PDR) space in specified PDR Zoning Districts. At the hearing the Planning Commission recommended approval.

The proposed amendments are not defined as a project under CEQA Guidelines Section 15060(c) and 15378 because they do not result in a physical change in the environment.

Please find attached documents relating to the actions of the Commission. If you have any questions or require further information please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Aaron D. Starr", with a long horizontal flourish extending to the right.

Aaron D. Starr
Manager of Legislative Affairs

cc:

Judy Boyajian, Deputy City Attorney
Brittini Chicuata, Aide to Supervisor Cohen
Erica Major, Office of the Clerk of the Board

Attachments :

Planning Commission Resolution
Planning Department Executive Summary



SAN FRANCISCO PLANNING DEPARTMENT

Planning Commission Resolution No. 20175 HEARING DATE MAY 3, 2018

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Project Name: **Reauthorizing Section 210.3C Concerning New Production, Distribution, and Repair Space**
Case Number: **2018-003257PCA [Board File No. 180187]**
Initiated by: **Supervisor Cohen / Introduced February 27, 2018**
Staff Contact: **Audrey Butkus, Legislative Affairs**
audrey.butkus@sfgov.org, (415) 575-9129
Reviewed by: **Aaron Starr, Manager of Legislative Affairs**
aaron.starr@sfgov.org, 415-558-6362

RESOLUTION APPROVING A PROPOSED ORDINANCE THAT WOULD AMEND THE PLANNING CODE TO REAUTHORIZE PROVISIONS THAT SUPPORT THE DEVELOPMENT OF NEW PRODUCTION, DISTRIBUTION, AND REPAIR (PDR) SPACE IN SPECIFIED PDR ZONING DISTRICTS; ADOPTING FINDINGS, INCLUDING ENVIRONMENTAL FINDINGS, PLANNING CODE SECTION 302 FINDINGS, AND FINDINGS OF CONSISTENCY WITH THE GENERAL PLAN AND PLANNING CODE SECTION 101.1.

WHEREAS, on February 27, 2018, Supervisor Cohen introduced a proposed Ordinance under Board of Supervisors (hereinafter "Board") File Number 180187, which would amend the Planning Code to reauthorize provisions that support the development of new Production, Distribution, and Repair (PDR) space in specified PDR Zoning Districts;

WHEREAS, The Planning Commission (hereinafter "Commission") conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance on May 3, 2018; and,

WHEREAS, the proposed amendments are not defined as a project under CEQA Guidelines Section 15060(c) and 15378 because they do not result in a physical change in the environment; and

WHEREAS, the Planning Commission has heard and considered the testimony presented to it at the public hearing and has further considered written materials and oral testimony presented on behalf of Department staff and other interested parties; and

WHEREAS, all pertinent documents may be found in the files of the Department, as the custodian of records, at 1650 Mission Street, Suite 400, San Francisco; and

WHEREAS, the Planning Commission has reviewed the proposed Ordinance; and

WHEREAS, the Planning Commission finds from the facts presented that the public necessity, convenience, and general welfare require the proposed amendment; and

MOVED, that the Planning Commission hereby **approves** the proposed ordinance.

FINDINGS

Having reviewed the materials identified in the preamble above, and having heard all testimony and arguments, this Commission finds, concludes, and determines as follows:

1. **General Plan Compliance.** The proposed Ordinance is consistent with the following Objectives and Policies of the General Plan:

COMMERCE AND INDUSTRY ELEMENT

OBJECTIVE 2

MAINTAIN AND ENHANCE A SOUND AND DIVERSE ECONOMIC BASE AND FISCAL STRUCTURE FOR THE CITY.

Policy 2.1

Seek to retain existing commercial and industrial activity and to attract new such activity to the city.

Section 210.3C promotes the diversification of uses in a single, large parcel and enables industrial uses that would otherwise not be able to afford to locate in new spaces, to function alongside other non-residential uses that can afford to pay higher rent prices.

OBJECTIVE 3

PROVIDE EXPANDED EMPLOYMENT OPPORTUNITIES FOR CITY RESIDENTS, PARTICULARLY THE UNEMPLOYED AND ECONOMICALLY DISADVANTAGED.

Policy 3.1

Promote the attraction, retention and expansion of commercial and industrial firms which provide employment improvement opportunities for unskilled and semi-skilled workers.

Policy 3.3

Promote measures designed to increase the number of San Francisco jobs held by San Francisco residents.

Section 210.3C creates a viable path forward for industrial uses to establish in new developments. Industrial uses bring with them employment opportunities for unskilled and semi-skilled San Francisco residents.

OBJECTIVE 4

IMPROVE THE VIABILITY OF EXISTING INDUSTRY IN THE CITY AND THE ATTRACTIVENESS OF THE CITY AS A LOCATION FOR NEW INDUSTRY.

Policy 4.1

Maintain and enhance a favorable business climate in the city.

Policy 4.6

Assist in the provision of available land for site expansion.

Section 210.3C creatively addresses the difficulties of industrial uses to afford to locate in new developments by allowing some non-residential uses like office space to co-exist with new PDR uses, thus creating an economically viable option for PDR uses to establish themselves in a market that would otherwise be unaffordable.

2. **Planning Code Section 101 Findings.** The proposed amendments to the Planning Code are consistent with the eight Priority Policies set forth in Section 101.1(b) of the Planning Code in that:

1. That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses enhanced;

The proposed Ordinance would not have a negative effect on neighborhood serving retail uses and will not have a negative effect on opportunities for resident employment in and ownership of neighborhood-serving retail.

2. That existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods;

The proposed Ordinance would not have a negative effect on housing or neighborhood character.

3. That the City's supply of affordable housing be preserved and enhanced;

The proposed Ordinance would not have an adverse effect on the City's supply of affordable housing.

4. That commuter traffic not impede MUNI transit service or overburden our streets or neighborhood parking;

The proposed Ordinance would not result in commuter traffic impeding MUNI transit service or overburdening the streets or neighborhood parking.

5. That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for resident employment and ownership in these sectors be enhanced;

The proposed Ordinance would not cause displacement of the industrial or service sectors due to office development, and future opportunities for resident employment or ownership in these sectors would not be impaired.

6. That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake;

The proposed Ordinance would not have an adverse effect on City's preparedness against injury and loss of life in an earthquake.

7. That the landmarks and historic buildings be preserved;

The proposed Ordinance would not have an adverse effect on the City's Landmarks and historic buildings.

8. That our parks and open space and their access to sunlight and vistas be protected from development;

The proposed Ordinance would not have an adverse effect on the City's parks and open space and their access to sunlight and vistas.

3. **Planning Code Section 302 Findings.** The Planning Commission finds from the facts presented that the public necessity, convenience and general welfare require the proposed amendments to the Planning Code as set forth in Section 302.

NOW THEREFORE BE IT RESOLVED that the Commission hereby APPROVES the proposed Ordinance as described in this Resolution.

I hereby certify that the foregoing Resolution was adopted by the Commission at its meeting on May 3, 2018.



Jonas P. Ionia
Commission Secretary

AYES: Hillis, Fong, Koppel, Moore

NOES: None

ABSENT: Johnson, Melgar, Richards

ADOPTED: May 3, 2018



SAN FRANCISCO PLANNING DEPARTMENT

Executive Summary Planning Code Text Amendment

HEARING DATE: MAY 3, 2018
EXPIRATION DATE: JUNE 4, 2018

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Project Name: **Reauthorizing Section 210.3C Concerning New Production, Distribution, and Repair Space**

Case Number: **2018-003257PCA** [Board File No. 180187]

Initiated by: Supervisor Cohen / Introduced February 27, 2018

Staff Contact: Audrey Butkus, Legislative Affairs
audrey.butkus@sfgov.org, (415) 575-9129

Reviewed by: Aaron Starr, Manager of Legislative Affairs
aaron.starr@sfgov.org, 415-558-6362

Recommendation: **Recommend Approval**

PLANNING CODE AMENDMENT

The Ordinance would reauthorize Planning Code Section 210.3C, which supports the development of new PDR space in PDR-1-D and PDR-1-G zoning districts. To be eligible for this program, the Section required project sponsors to have submitted all environmental application materials to the Planning Department on or before June 1, 2017. This Section expired on December 31, 2017.

The Way It Is Now:

1. Section 210.3C, which allowed new development for certain non-residential uses—such as office and institutional—in PDR Districts in exchange for dedicated PDR space, expired on December 31, 2017.

The Way It Would Be:

1. Section 210.3C would be re-authorized and the sunset provision would be removed, making the program permanent. The legislation would also make several minor clarifying amendments to the text of the Section.

BACKGROUND

The Eastern Neighborhoods Area Plan (EN Plan), adopted in 2008, designated certain industrial areas within their boundaries as Production, Distribution, and Repair (PDR) Districts. The creation of PDR Districts was motivated by the recognition that industrial activity is an important source of employment for San Francisco's working class as well as an important part of the city's economic diversity. Since the adoption of the EN Plan, PDR zones have successfully achieved their goal of protecting PDR activity; however, demand for PDR space in the city has outstripped supply, resulting in low vacancy and quickly increasing rents. Accommodating this demand is possible on underutilized or vacant parcels in PDR

Districts. Unfortunately, given construction costs, the relatively low rent paid by PDR businesses, and lack of government subsidies, it is not economically viable to construct stand-alone PDR buildings – as witnessed by the fact that the City has not received applications for the development of new stand-alone PDR space in several decades.

To try to facilitate the creation of new PDR space, the Board of Supervisors approved Ordinance 71-14 (sponsored by the Mayor and Supervisors Cohen, Campos, Chiu, Wiener, and Mar) in 2014. This Ordinance created Planning Code Section 219.1 (later changed to 210.3C) to allow new development for certain non-residential uses—such as office and institutional—in PDR Districts, so long as those projects also include a significant amount of new PDR space. Specifically, the legislation:

- Applied to large parcels (greater than 20,000 square feet) in PDR-1-D and PDR-1-G Districts north of 20th Street that do not contain significant PDR space or activities (existing floor-to-area ratio must be less than 0.3);
- Required that the new developments dedicate at least 1/3 of its net new space to PDR activities;
- Required that projects present a “PDR Business Plan” conveying how their project will be designed and priced to be suitable for PDR businesses;
- Required Conditional Use authorization from the Planning Commission.

The legislation included a “sunset” provision that caused the program to expire on December 31, 2017 unless the Board of Supervisors acted to continue, extend, or modify it by ordinance. The proposed legislation that is the subject of this executive summary was introduced by Supervisor Cohen with the intent of reestablishing this program and removing the sunset clause.

ISSUES AND CONSIDERATIONS

Planning Department Report:

To fulfill a requirement of the now expired legislation, on November 20, 2017 the Planning Department submitted a report to the Planning Commission and the Board of Supervisors to help determine whether the program should be extended or discontinued. The Department’s report is attached to the executive summary as “Exhibit B”. The report found that the program should continue to be supported and the legislation should be extended. At the time of the report, the Department also recommended several minor changes including: 1. reducing the size threshold from 20,000 square feet to 15,000 square feet and; 2. increasing the maximum FAR from 0.3 to 0.33. At the time of the report, a space was identified that could utilize this program if the above modifications were made to the legislation. Since the publishing of the report, the Planning Department has determined that the site for which these modifications were recommended is not considered a desirable project. As this site is likely the only parcel that could have benefited from the proposed modifications, staff has since found these recommended modifications to be unnecessary.

Projects Utilizing the Legislation:

Since the adoption of this program in 2014, the Planning Department has received two applications for projects that would create a significant amount of new PDR space through the utilization of Section 210.3C including:

- 100 Hooper: Entitled by the Planning Commission in 2015, the project is under construction and expected to be completed in 2018. When completed, this development will provide more than 140,000 square feet of new PDR space, 56,000 of which will be leased at below market rates by a

non-profit provider (PlaceMade), as well as 280,000 square feet of office development. The property had previously sat unimproved and contained no PDR use. The site was used primarily for household storage in stackable shipping containers and for open-air truck rentals.

- 1 De Haro: Under review by Planning staff, this project proposes 47,000 square feet of PDR and 94,000 square feet of office space. The site presently includes 12,000 square feet of open storage sheds and warehouse facilities that were formerly occupied by the San Francisco Gravel Company. The existing facilities are not currently in operation. The project is likely to seek entitlement from the Planning Commission in Summer of 2018.

Aside from these two projects, the Planning Department has not received any other applications proposing to utilize Section 210.3C. The Planning Department has not received any complaints about misuse of this program.

Implementation:

The Ordinance would impact our current implementation procedures. The re-establishment of this Ordinance means staff will once again be required to review applicant's PDR Business Plans. The number of parcels under which this legislation applies is small; therefore, although the review of these plans will affect review time of permits, the number of applications for this program will likely remain low.

General Plan Priorities:

The proposed Ordinance is consistent with the following objectives and policies of the General Plan:

COMMERCE AND INDUSTRY ELEMENT

OBJECTIVE 2

MAINTAIN AND ENHANCE A SOUND AND DIVERSE ECONOMIC BASE AND FISCAL STRUCTURE FOR THE CITY.

Policy 2.1

Seek to retain existing commercial and industrial activity and to attract new such activity to the city.

Section 210.3C promotes the diversification of uses in a single, large parcel and enables industrial uses that would otherwise not be able to afford to locate in new spaces, to function alongside other non-residential uses that can afford to pay higher rent prices.

OBJECTIVE 3

PROVIDE EXPANDED EMPLOYMENT OPPORTUNITIES FOR CITY RESIDENTS, PARTICULARLY THE UNEMPLOYED AND ECONOMICALLY DISADVANTAGED.

Policy 3.1

Promote the attraction, retention and expansion of commercial and industrial firms which provide employment improvement opportunities for unskilled and semi-skilled workers.

Policy 3.3

Promote measures designed to increase the number of San Francisco jobs held by San Francisco residents.

Section 210.3C creates a viable path forward for industrial uses to establish in new developments. Industrial uses bring with them employment opportunities for unskilled and semi-skilled San Francisco residents.

OBJECTIVE 4

IMPROVE THE VIABILITY OF EXISTING INDUSTRY IN THE CITY AND THE ATTRACTIVENESS OF THE CITY AS A LOCATION FOR NEW INDUSTRY.

Policy 4.1

Maintain and enhance a favorable business climate in the city.

Policy 4.6

Assist in the provision of available land for site expansion.

Section 210.3C creatively addresses the difficulties of industrial uses to afford to locate in new developments by allowing some non-residential uses like office space to co-exist with new PDR uses, thus creating an economically viable option for PDR uses to establish themselves in a market that would otherwise be unaffordable.

RECOMMENDATION

The Department recommends that the Commission recommend *approval* of the proposed Ordinance and adopt the attached Draft Resolution to that effect.

BASIS FOR RECOMMENDATION

The Office-PDR cross-subsidy program enabled by Planning Code Section 210.3C has been successful at achieving its policy objective—facilitating the development of new PDR space in underdeveloped parcels in PDR Districts. The project at 100 Hooper is a perfect example of the type of creative and enhancing space that can exist because of the program. The program aligns with the General Plan including many objectives and policies of the Commerce and Industry Element to promote a healthy industrial industry and accommodate for the difficulties of new industrial uses to establish in a competitive real estate market.

REQUIRED COMMISSION ACTION

The proposed Ordinance is before the Commission so that it may recommend adoption, rejection, or adoption with modifications to the Board of Supervisors.

ENVIRONMENTAL REVIEW

The proposed amendments are not defined as a project under CEQA Guidelines Section 15060(c)(2) and 15378 because they do not result in a physical change in the environment.

PUBLIC COMMENT

As of the date of this report, the Planning Department has not received any public comment regarding the proposed Ordinance.

RECOMMENDATION: Recommendation of Approval
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Attachments:

- Exhibit A: Draft Planning Commission Resolution
- Exhibit B: Planning Department Report on Sec. 120.3C
- Exhibit C: Board of Supervisors File No. 180187



SAN FRANCISCO PLANNING DEPARTMENT

Planning Commission Draft Resolution

HEARING DATE APRIL 19, 2018

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Project Name: **Reauthorizing Section 210.3C Concerning New Production, Distribution, and Repair Space**

Case Number: **2018-003257PCA** [Board File No. 180187]

Initiated by: Supervisor Cohen / Introduced February 27, 2018

Staff Contact: Audrey Butkus, Legislative Affairs
audrey.butkus@sfgov.org, (415) 575-9129

Reviewed by: Aaron Starr, Manager of Legislative Affairs
aaron.starr@sfgov.org, 415-558-6362

Recommendation: **Recommend Approval**

RECOMMENDING THAT THE BOARD OF SUPERVISORS ADOPT A PROPOSED ORDINANCE THAT WOULD AMEND THE PLANNING CODE TO REAUTHORIZE PROVISIONS THAT SUPPORT THE DEVELOPMENT OF NEW PRODUCTION, DISTRIBUTION, AND REPAIR (PDR) SPACE IN SPECIFIED PDR ZONING DISTRICTS; AFFIRMING THE PLANNING DEPARTMENT'S DETERMINATION UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT; MAKING FINDINGS OF CONSISTENCY WITH THE GENERAL PLAN, AND THE EIGHT PRIORITY POLICIES OF THE PLANNING CODE, SECTION 101.1, AND FINDINGS OF PUBLIC NECESSITY, CONVENIENCE, AND WELFARE UNDER PLANNING CODE, SECTION 302..

WHEREAS, on February 27, 2018, Supervisor Cohen introduced a proposed Ordinance under Board of Supervisors (hereinafter "Board") File Number 180187, which would amend the Planning Code to reauthorize provisions that support the development of new Production, Distribution, and Repair (PDR) space in specified PDR Zoning Districts;

WHEREAS, The Planning Commission (hereinafter "Commission") conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance on May 3, 2018; and,

WHEREAS, the proposed Ordinance has been determined to be categorically exempt from environmental review under the California Environmental Quality Act Section 15060(c)(2) and 15378; and

WHEREAS, the Planning Commission has heard and considered the testimony presented to it at the public hearing and has further considered written materials and oral testimony presented on behalf of Department staff and other interested parties; and

WHEREAS, all pertinent documents may be found in the files of the Department, as the custodian of records, at 1650 Mission Street, Suite 400, San Francisco; and

WHEREAS, the Planning Commission has reviewed the proposed Ordinance; and

MOVED, that the Planning Commission hereby recommends that the Board of Supervisors **approve** the proposed ordinance.

FINDINGS

Having reviewed the materials identified in the preamble above, and having heard all testimony and arguments, this Commission finds, concludes, and determines as follows:

1. **General Plan Compliance.** The proposed Ordinance is consistent with the following Objectives and Policies of the General Plan:

COMMERCE AND INDUSTRY ELEMENT

OBJECTIVE 2

MAINTAIN AND ENHANCE A SOUND AND DIVERSE ECONOMIC BASE AND FISCAL STRUCTURE FOR THE CITY.

Policy 2.1

Seek to retain existing commercial and industrial activity and to attract new such activity to the city.

Section 210.3C promotes the diversification of uses in a single, large parcel and enables industrial uses that would otherwise not be able to afford to locate in new spaces, to function alongside other non-residential uses that can afford to pay higher rent prices.

OBJECTIVE 3

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Policy 3.3

Promote measures designed to increase the number of San Francisco jobs held by San Francisco residents.

Section 210.3C creates a viable path forward for industrial uses to establish in new developments. Industrial uses bring with them employment opportunities for unskilled and semi-skilled San Francisco residents.

OBJECTIVE 4

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Policy 4.1

Maintain and enhance a favorable business climate in the city.

Policy 4.6

Assist in the provision of available land for site expansion.

Section 210.3C creatively addresses the difficulties of industrial uses to afford to locate in new developments by allowing some non-residential uses like office space to co-exist with new PDR uses, thus creating an economically viable option for PDR uses to establish themselves in a market that would otherwise be unaffordable.

2. **Planning Code Section 101 Findings.** The proposed amendments to the Planning Code are consistent with the eight Priority Policies set forth in Section 101.1(b) of the Planning Code in that:

1. That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses enhanced;

The proposed Ordinance would not have a negative effect on neighborhood serving retail uses and will not have a negative effect on opportunities for resident employment in and ownership of neighborhood-serving retail.

2. That existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods;

The proposed Ordinance would not have a negative effect on housing or neighborhood character.

3. That the City's supply of affordable housing be preserved and enhanced;

The proposed Ordinance would not have an adverse effect on the City's supply of affordable housing.

4. That commuter traffic not impede MUNI transit service or overburden our streets or neighborhood parking;

The proposed Ordinance would not result in commuter traffic impeding MUNI transit service or overburdening the streets or neighborhood parking.

5. That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for resident employment and ownership in these sectors be enhanced;

The proposed Ordinance would not cause displacement of the industrial or service sectors due to office development, and future opportunities for resident employment or ownership in these sectors would not be impaired.

6. That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake;

The proposed Ordinance would not have an adverse effect on City's preparedness against injury and loss of life in an earthquake.

7. That the landmarks and historic buildings be preserved;

The proposed Ordinance would not have an adverse effect on the City's Landmarks and historic buildings.

8. That our parks and open space and their access to sunlight and vistas be protected from development;

The proposed Ordinance would not have an adverse effect on the City's parks and open space and their access to sunlight and vistas.

3. **Planning Code Section 302 Findings.** The Planning Commission finds from the facts presented that the public necessity, convenience and general welfare require the proposed amendments to the Planning Code as set forth in Section 302.

NOW THEREFORE BE IT RESOLVED that the Commission hereby recommends that the Board ADOPT the proposed Ordinance described in this Resolution.

I hereby certify that the foregoing Resolution was adopted by the Commission at its meeting on May 3, 2018.

Jonas P. Ionin
Commission Secretary

AYES:

NOES:

ABSENT:

ADOPTED: May 3, 2018



SAN FRANCISCO PLANNING DEPARTMENT

EXHIBIT B

Planning Department Report

Date: November 20, 2017
Report Name: Report on the allowance for uses to support the development of new PDR space in the PDR-1-D and PDR-1-G Districts pursuant to Code Section 120.3C
Case No.: 2017-008422PCA
Staff Contact: Pedro Peterson, Planner
(415) 575-9163 pedro.peterson@sfgov.org
Reviewed by: Steve Wertheim, Senior Planner
steve.wertheim@sfgov.org

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BACKGROUND

The Eastern Neighborhoods Area Plans (EN Plan), adopted in 2008, designated certain industrial areas within their boundaries as Production, Distribution, and Repair (PDR) districts. The creation of PDR Districts was motivated by the recognition that industrial activity is an important source of employment for San Francisco's working class as well as an important part of the city's economic diversity. PDR Districts limit or prohibit the development of uses—such as housing or office—that are able to pay much more for land than industrial activities, thereby protecting PDR businesses from being priced out of neighborhoods where they have grown and thrived.

Since the adoption of the EN Plan, PDR zones have successfully achieved their goal of protecting PDR activity. However, demand for PDR space in the city has outstripped supply, resulting in low vacancy and quickly increasing rents. Accommodating this demand is possible on underutilized or vacant parcels in PDR Districts. Unfortunately, given construction costs, the relatively low rent paid by PDR businesses, and lack of government subsidies, it is not economically viable to construct stand-alone PDR buildings – as witnessed by the fact that the City has not received applications for the development of new stand-alone PDR space in several decades.

LEGISLATION

To try to facilitate the creation of new PDR space, in 2014, the Board of Supervisors approved Ordinance 71-14 (sponsored by the Mayor and Supervisors Cohen, Campos, Chiu, Wiener, and Mar). This Ordinance created Planning Code Section 219.1 (later changed to 210.3C) to allow new development for certain non-residential uses—such as office and institutional—in PDR Districts if those projects also include a significant amount of new PDR space. Specifically, the legislation:

- Applies to large parcels (greater than 20,000 square feet) in PDR-1-D and PDR-1-G Districts north of 20th Street that do not contain significant PDR space or activities (existing floor-to-area ratio must be less than 0.3);
- Requires that the new developments dedicate at least 1/3 of its net new space to PDR activities;
- Requires that projects present a "PDR Business Plan" conveying how their project will be designed and priced to be suitable for PDR businesses; and

- Requires Conditional Use authorization from the Planning Commission.

The legislation includes a “sunset” provision—that it would expire on December 31, 2017 unless the Board of Supervisors acts to continue, extend, or modify it by Ordinance. It also requires that, “Prior to the sunset date of this Section, the Planning Department shall submit a report to the Planning Commission and the Board of Supervisors that provides information the Planning Department determines to be relevant in determining whether to continue, expand or limit the allowances for new construction of PDR addressed in this Section” (Planning Code Section 210.3C(f)(2)). This memorandum fulfills the legislation’s requirement that Planning staff complete a report outlining relevant information about the program’s implementation.

ANALYSIS

The Office-PDR cross-subsidy program enabled by Planning Code Section 210.3C has been successful at achieving its policy objective—facilitating the development of new PDR space in underdeveloped parcels in PDR Districts. Since the program was launched in 2014, the Planning Department has received two applications for projects proposing to build a substantial amount of net new PDR space under the provisions of Planning Code Section 210.3C:

- 100 Hooper: Entitled by the Planning Commission in 2015, the project is under construction and expected to be completed in 2018. When completed, this development will provide more than 140,000 square feet of new PDR space, 56,000 of which will be leased at below market rates by a non-profit provider (PlaceMade), as well as 280,000 square feet of office development. The property had previously sat unimproved and contained no PDR use, and was used primarily for household storage in stackable shipping containers and for open-air truck rentals.
- 1 De Haro: Under review by Planning staff, this project proposes 47,000 square feet of PDR and 94,000 square feet of office space. The site presently includes 12,000 square feet of open storage sheds and warehouse facilities that were formerly occupied by the San Francisco Gravel Company. The existing facilities are not currently in operation. The project is likely to seek entitlement from the Planning Commission in 2018.

Aside from these two projects, the Planning Department has not received any other applications proposing to utilize Section 210.3C. The Planning Department has not received any complaints about misuse of this program.

RECOMMENDATION

Planning staff recommends the renewal of Planning Code Section 210.3C with some modest modifications that are likely to enable more new PDR space to be built while avoiding unintended consequences. First, we recommend that the parcel size threshold in the legislation be reduced from 20,000 square feet to 15,000. Second, the maximum existing FAR on the parcel should be increased slightly from 0.3 to 0.33. These modifications would be in keeping with the intent of the program, and would result in three new sites being eligible for the program.

1 [Planning Code - Reauthorizing Section 210.3C Concerning New Production, Distribution, and
2 Repair Space]

3 **Ordinance amending the Planning Code to reauthorize provisions that support the**
4 **development of new Production, Distribution, and Repair (PDR) space in specified PDR**
5 **Zoning Districts; affirming the Planning Department’s determination under the**
6 **California Environmental Quality Act; making findings of consistency with the General**
7 **Plan, and the eight priority policies of Planning Code, Section 101.1, and findings of**
8 **public necessity, convenience, and welfare under Planning Code, Section 302.**

9 NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
10 **Additions to Codes** are in *single-underline italics Times New Roman font*.
11 **Deletions to Codes** are in ~~*strikethrough italics Times New Roman font*~~.
12 **Board amendment additions** are in double-underlined Arial font.
13 **Board amendment deletions** are in ~~Arial font~~.
14 **Asterisks (* * * *)** indicate the omission of unchanged Code
15 subsections or parts of tables.

16 Be it ordained by the People of the City and County of San Francisco:

17 Section 1. Environmental and Land Use Findings.

18 (a) The Planning Department has determined that the actions contemplated in this
19 ordinance comply with the California Environmental Quality Act (California Public Resources
20 Code Sections 21000 et seq.). Said determination is on file with the Clerk of the Board of
21 Supervisors in File No. _____ and is incorporated herein by reference. The Board
22 affirms this determination.

23 (b) On _____, the Planning Commission, in Resolution No. _____, adopted
24 findings that the actions contemplated in this ordinance are consistent, on balance, with the
25 City’s General Plan and eight priority policies of Planning Code Section 101.1. The Board
///

1 adopts these findings as its own. A copy of said Resolution is on file with the Clerk of the
2 Board of Supervisors in File No. _____, and is incorporated herein by reference.

3 (c) On _____, the Planning Commission, in Resolution No. _____, adopted
4 findings under Planning Code Section 302 that the amendments to the Planning Code
5 contemplated in this ordinance will serve the public necessity, convenience, and general
6 welfare. The Board adopts these findings as its own. A copy of said Resolution is on file with
7 the Clerk of the Board of Supervisors in File No. _____, and is incorporated herein by
8 reference.

9

10 Section 2. The Planning Code is hereby amended by revising Section 210.3C, to read
11 as follows:

12

13 **SEC. 210.3C. ALLOWANCE FOR USES TO SUPPORT THE DEVELOPMENT OF**
14 **NEW PDR SPACE IN THE PDR-1-D AND PDR-1-G DISTRICTS.**

15 * * * * *

16 (c) **Controls.** The Planning Commission may permit, per the procedures described
17 below in §subsection (d), non-PDR uses on the subject lot pursuant to the following
18 provisions:

19 (1) At least 1/3 of the total Gross Floor Area developed on the parcel shall
20 contain PDR Uses, as defined in Section 102.

21 (2) For purposes of this §subsection (c), every square foot of Small Enterprise
22 Workspace, as defined in Section 102, shall count as 0.5 square feet of PDR space and 0.5
23 square feet of non-PDR space as specified in §subsection (3) below.

24 (3) The non-PDR space may contain one or a combination of the following
25 uses:

- 1 (A) Office Uses, as defined in Section 102;
- 2 (B) Institutional Uses, as defined in Section 102, except for Hospitals;
- 3 and/or
- 4 (C) Gym Use, as defined in Section 102.

5 (4) Uses other than those listed in ~~§§~~ subsections (2) and (3) above, such as
6 retail, are subject to the controls of the underlying district.

7 (5) No residential uses are permitted, even as part of Institutions as defined
8 under Section 890.50, except as allowed pursuant to Section 204.4.

- 9 (6) The PDR space in any building must be served by:
- 10 (A) Sufficient off-street loading, and
 - 11 (B) One or more freight elevators, in accordance with Planning Code
12 Section 155(j).

13 (7) The project shall meet the Transportation Management Program
14 requirements of Section 163(c) of the Planning Code.

15 (8) Accessory parking for uses listed in subsection (2) above may be permitted
16 up to one space per each 1,500 square feet of occupied floor area, and all such parking shall
17 be subject to the pricing requirements of Section 155(g) of the Planning Code.

18 (9) The project sponsor must develop a "PDR Business Plan." The purpose of
19 this PDR Business Plan is to maximize the potential for the project to produce new PDR
20 space that is viable and affordable. The features of the PDR Business Plan should include,
21 but are not limited to:

- 22 (A) Overall strategy to incorporate PDR businesses, including specifying
23 which kinds of PDR businesses are the target for the development;

24
25

1 (B) A description of the kinds of non-PDR businesses intended for the
2 site and a plan for how they will co-exist with the PDR businesses and any strategies required
3 to achieve this balance;

4 (C) A description of how the site's marketing and outreach plan will
5 effectively target these same PDR businesses;

6 (D) A description of how the development's design is suited to PDR
7 businesses;

8 (E) A description of the rent/purchase price proposed by the developer
9 for the PDR spaces and the approach to keep these rents ~~accessible~~ affordable to PDR tenants
10 over time;

11 (F) A detailed overview of the workforce and hiring strategy for the PDR
12 businesses on the site, as well as for the non-PDR businesses, including how the project
13 sponsor will abide by City programs such as the First Source Hiring Program; how the project
14 sponsor might utilize other local, State, and federal subsidized hiring programs such as work
15 opportunity tax credits, Jobs Now!, Hire SF, and the California ~~new~~ employment tax credit set
16 forth in Chapter 93 of the California 2013-2014 legislative session; and how the project
17 sponsor will inform its tenants about other relevant public programs; and,

18 (G) A detailed community outreach plan, including a plan for engaging
19 any specific community partners in the development, tenanting of the project, and ongoing
20 management of the PDR portions of the property.

21 (10) The first Certificate of Occupancy for the PDR portion of the development
22 must be issued by the Department of Building Inspection before or concurrently with the first
23 Certificate of Occupancy for the non-PDR portion of the development unless the PDR and
24 non-PDR portions are part of a single site or building permit.

25 * * * * *

1 (e) **Approvals.**

2 (1) All projects seeking entitlement pursuant to this Section 210.3C shall be
3 required to receive a Conditional Use authorization, per Section 303 of the Planning Code. In
4 evaluating a proposed authorization under this Section, the Planning Commission shall
5 consider:

6 (A) The likely viability of the new PDR space created by the
7 development, as influenced by such factors as the content of the project sponsor's PDR
8 Business Plan, and whether the project sponsor has the commitments of established PDR
9 tenants and/or a demonstrated relationship with organizations established in the PDR
10 community.

11 (B) Whether the project is an appropriate location and intensity for the
12 proposed non-PDR use, including but not limited to whether the location of non-PDR uses
13 would be compatible with or disruptive to PDR uses on the site and in the vicinity, recognizing
14 that PDR uses may generate noise, vibrations, odors, trucking activity, or other PDR-related
15 operational characteristics.

16 (2) A Notice of Special Restriction ("NSR") shall be recorded on the title of any
17 property receiving approval under this Section ~~219.1~~210.3C. Such NSR shall:

18 (A) Designate the PDR portion of parcel, building, and/or development;

19 (B) State that the proportion of gross floor area on the site dedicated to
20 PDR uses shall never be less than 1/3 of the total gross floor area on the parcel, including any
21 future building or use alterations or expansions;

22 (C) Require the property owner to submit an annual report to the
23 Planning Department and OEWD, on or before January 31 of each year, starting in the year
24 after the Department of Building Inspection issues the first Certificate of Occupancy that applies to the
25 PDR portion of the development, describing the status of the implementation of its PDR Business

1 Plan, identifying PDR tenants on the property during the prior year, describing the rents for the
2 PDR portions of the property and any lease terms, and providing information on their
3 respective square footages, number of employees, contact information for each tenant, a
4 description of the business or industry characteristics of each business, and the PDR space
5 vacancy on the parcel as of the date of each report; ~~and,~~

6 (D) Provide the Planning Department with the ability to enforce the
7 provisions of this Section.; ~~and,~~

8 (E) Restrict the ability of the non-PDR portion of the development from
9 limiting the PDR portion from undertaking activities necessary to maintain PDR business
10 operations in such matters as trucking and noise generation.

11 (f) ~~Reporting and Sunset Clause.~~

12 ~~—— (1) The Planning Department shall receive all applications for environmental review~~
13 ~~for projects eligible under this Section on or before June 1, 2017.~~

14 ~~—— (2) Prior to the sunset date of this Section, the Planning Department shall submit a~~
15 ~~report to the Planning Commission and the Board of Supervisors that provides information the~~
16 ~~Planning Department determines to be relevant in determining whether to continue, expand or limit the~~
17 ~~allowances for new construction of PDR addressed in this Section.~~

18 ~~—— (3) On December 31, 2017, this Section shall sunset unless the Board of Supervisors~~
19 ~~acts to continue, extend, or modify it by ordinance.~~

20 (g) **Uses Established Under This Section.** Notwithstanding any contrary provision
21 of this Code, Office Uses established pursuant to this Section 210.3C shall be deemed Code-
22 conforming uses after the expiration of this Section and such uses shall not constitute
23 nonconforming uses under the provisions of Article 1.7.

1 Section 3. Effective Date. This ordinance shall become effective 30 days after
2 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the
3 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board
4 of Supervisors overrides the Mayor's veto of the ordinance.

5
6 Section 4. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors
7 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,
8 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal
9 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment
10 additions, and Board amendment deletions in accordance with the "Note" that appears under
11 the official title of the ordinance.

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14
15 APPROVED AS TO FORM:
16 DENNIS J. HERRERA, City Attorney

17
18 By: _____
19 JOHN D. MALAMUT
20 Deputy City Attorney
21 n:\legana\as2018\1800427\01255690.docx