



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller
Todd Rydstrom
Deputy Controller

MEMORANDUM

TO: The Honorable Board of Supervisors
Angela Calvillo, Clerk of the Board of Supervisors

FROM: Asim Khan, Senior Economist

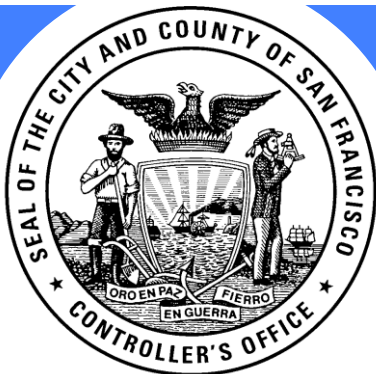
DATE: July 24, 2020

SUBJECT: Office of Economic Analysis Impact Report for File Numbers 200422 & 200423

Dear Madam Clerk and Members of the Board:

The Office of Economic Analysis is pleased to present you with its economic impact report on file numbers 200422 and 200423, "Balboa Reservoir Development Agreement: Economic Impact Report." If you have any questions about this report, please contact me at (415) 554-5369.

Balboa Reservoir Development Agreement: Economic Impact Report



CITY & COUNTY OF SAN FRANCISCO

Office of the Controller
Office of Economic Analysis

Items #200422 and 200423

07.24.2020

- On April 24, 2020, Supervisor Yee introduced an ordinance to create the Balboa Reservoir Special Use District (SUD) and proposed ordinance approving the Development Agreement (DA) between the city and the Reservoir Community Partners, LLC, for about 17.6 acres site.
- The site does not contain any permanent structures, and currently contains 1,007 surface parking spaces.
- The purpose of the project is to fully utilize an underutilized public land parcel to add as much affordable housing as financially feasible. The site was identified among the first sites slated for San Francisco's Public Land for Housing Program.
- The Office of Economic Analysis has prepared this report after determining that the proposed ordinances could have a material economic impact on the city's economy.

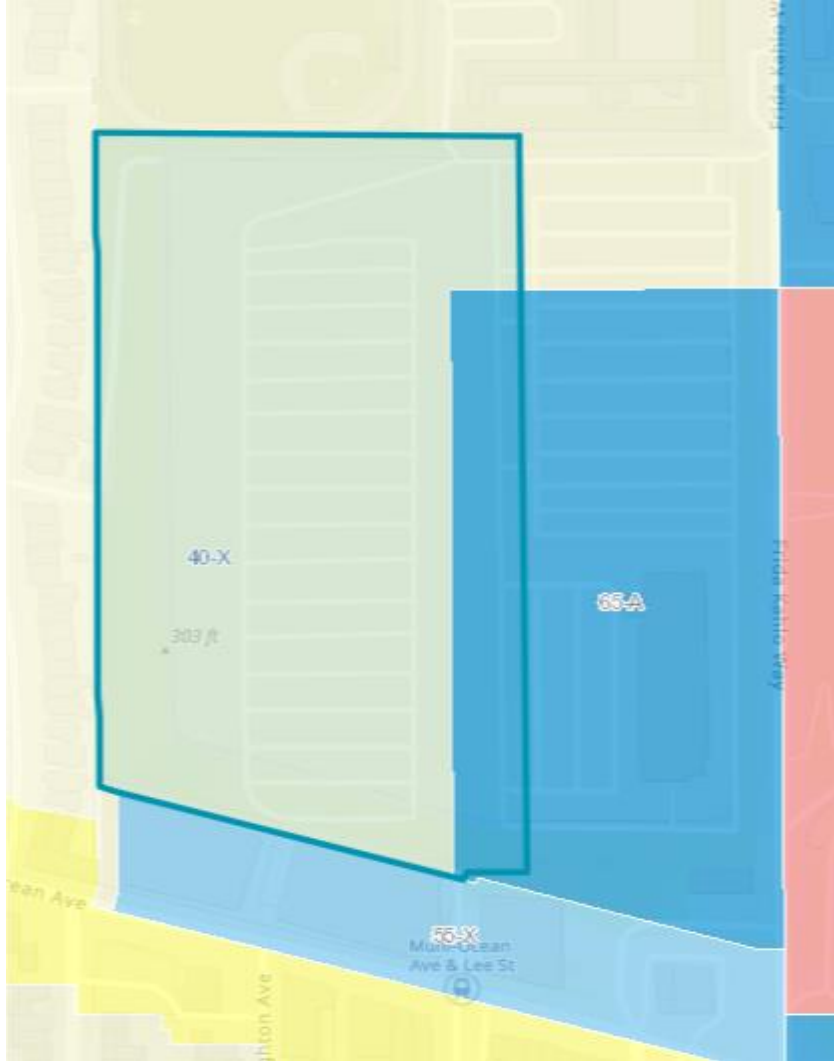
Rezoning Details

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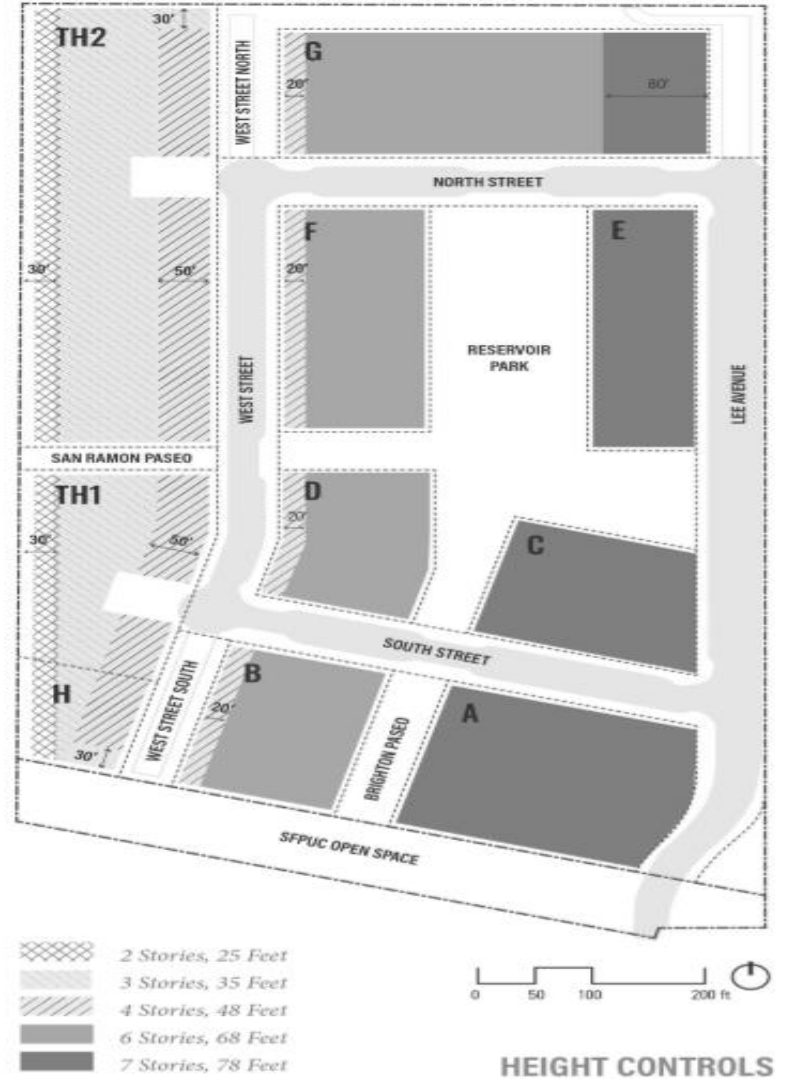
- The project site is considered underutilized and currently only has surface parking, providing overflow parking for City College students, faculty, and staff.
- The site's existing zoning is P (Public), and most of the height limit in the project area is 40 feet, except for a small (about 2.2 acres) easterly portion, which has 65 feet height limit (Slide 4).
- The SUD would change the height limit to 48 feet or 78 feet depending upon the particular bloc in the SUD. The maximum building height would range from 25 feet (2 stories) to 78 feet (7 stories).
- In the absence of any SUD changes and the development agreement, there is no financially feasible alternative use, and the site will likely continue to be used as surface parking.

Existing and Proposed SUD Height Changes Maps

Existing Height Limits



Proposed Height Limits



Description and Overview of the Project

- The proposed project, authorized by the development agreement, is a mixed-use project that would construct up to approximately 1.8 million gross square feet (gsf) of uses. These uses include 1.3 million gsf of residential space (1,100 dwelling units), 10,000 gsf of community space (childcare and a community room for public use), 7,500 gsf of neighborhood-serving retail.
- The project proposes to build 1,000 parking spaces. The number of parking spaces currently existing on the site is 1,007, so there will be a potential loss of 7 spaces at buildout.
- Fifty percent (or 550) of the units will be affordable to low to moderate-income households, earning 30% to 120% AMI. These units are expected to be built on parcels A, B, E, F, and H, whereas 450 market-rate rental units will be built on parcels C, D, and G. The project would also include about 100 for-sale townhomes to be constructed on parcels TH-1 and TH-2.
- About 4 acres will be devoted to publicly accessible open space, including the approximately 2-acre "Reservoir Park."
- The SFPUC will retain ownership of an 80-foot-wide strip of a parcel located along the southern edge of the site where an underground water transmission pipeline is located. The piece of land will be used as a publicly-accessible open space.

Difference in Development Capacity at Buildout

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Usage	Difference in Development Capacity
Parking Spaces (Compared to the existing 1,007 surface parking spaces)	-7
Community Facilities – Child Care Center (Sq. Ft.)	10,000
Retail (Sq. Ft.)	7,500
Residential	
Residential Space (Sq. Ft.)	1,300,000
Total Housing Units	1,100
<i>Affordable Units</i>	550
Total Development Capacity at Buildout (Sq. Ft.)	1,317,500

- The proposed development will affect the local economy in two ways:
 - The rezoning will increase the number of housing units on the site, putting downward pressure on housing prices and rents across the city.
 - There will be a modest increase in employment (30 direct jobs) in retail and childcare & community servicing space, serving the residential and neighboring population of the project area.
- The modest increase in retail and childcare space is intended to serve the new population, and therefore is not expected to affect city-wide rents for those spaces.

Impact of New Housing

- An increase in the housing supply will put downward pressure on residential asking rents and home prices in the city.
- Increasing the number of subsidized housing units will particularly benefit low- and moderate-income households, who generally face higher housing burdens than higher-income households in the city.
- Under the development agreement, the project will develop 50% (or 550 units) of all residential units built within the project site as below-market-rate units affordable to low to moderate-income households, earning between 30% to 120% area AMI.
- The 550 additional affordable units could reduce housing payments by as much as \$3.8 million annually, for the households who occupy these units.
- However, this could be a significant over-estimate, since it was developed for other City development agreements which featured less moderate-income housing.

REMI Model Inputs

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- The OEA uses the REMI model to simulate the impact of the proposed re-zoning and the development agreement potential difference (as shown on slide 7) on the city's economy. The simulation inputs are presented below.

Inputs	Value
Housing Price Change	-0.44%
Affordable Housing Subsidy Value (\$ million)	\$3.8
Value of Residential Investment (\$ billion)	\$1.6
Direct Retail Employment	20
Direct Childcare Employment	10

Economic Impact Assessment

- The project is assumed to develop over twenty-five years (term of the agreement), from 2021-2045. The summary of the average city-wide impacts at buildout is shown below.

Citywide Impacts	REMI Simulation Results
Employment Change	556
Population Change	892
GDP Change (\$2020, million)	\$101
Housing Price Change	-0.45%

- The proposed rezoning and the associated project under the development agreement will expand the city's economy. Employment, population, and GDP are expected to rise as a result of the proposed project under the associated zoning, land use, and development agreement changes.
- The OEA estimates that over the forecast horizon (on average), the project would add 556 jobs or about \$101 million annually to the local GDP.
- The REMI simulation further shows that citywide housing prices will decline by 0.45 percent due to additional housing supply on the market.

Staff Contacts

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