

File No. 160698

Committee Item No. 3

Board Item No. 51

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Rules Committee

Date July 25, 2016

Board of Supervisors Meeting

Date _____

August 2, 2016

Cmte Board

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Completed by: Derek Evans Date July 22, 2016

Completed by: Derek Evans Date July 22, 2016- July 29, 2016

An asterisked item represents the cover sheet to a document that exceeds 25 pages.
The complete document can be found in the file.

1 [Initiative Ordinance – Planning Code – Conditional Use Requiring Replacement of Production,
2 Distribution, Repair, Institutional Community, and Arts Activities Uses]

3 **Motion ordering submitted to the voters, at an election to be held November 8, 2016,**
4 **“Ordinance amending the Planning Code to require replacement space and Conditional**
5 **Use authorization for conversion of Production, Distribution, and Repair Use,**
6 **Institutional Community Use, and Arts Activities Use”;** and affirming the Planning
7 Department’s determination under the California Environmental Quality Act.

8
9 **MOVED,** That the Planning Department has determined that the actions contemplated
10 in this ordinance comply with the California Environmental Quality Act (California Public
11 Resources Code Sections 21000 et seq.). Said determination is on file with the Clerk of the
12 Board of Supervisors in File No. 16098 and is incorporated herein by reference. The Board
13 affirms this determination; and be it

14 **MOVED,** That the Board of Supervisors hereby submits the following ordinance to the
15 voters of the City and County of San Francisco, at an election to be held on November 8,
16 2016.

17
18 **Ordinance amending the Planning Code to require replacement space and Conditional**
19 **Use authorization for conversion of Production, Distribution, and Repair Use,**
20 **Institutional Community Use, and Arts Activities Use.**

21 **NOTE:** **Unchanged Code text and uncodified text** are in plain font.
22 **Additions to Codes** are in *single-underline italics Times New Roman font.*
23 **Deletions to Codes** are in *strikethrough italics Times New Roman font.*
24 **Asterisks (* * * *)** indicate the omission of unchanged Code subsections or
25 parts of tables.

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

2 Section 1. Findings.

3 (a) San Francisco is a unique city and its character is made up of the diversity of its
4 people and its businesses.

5 (b) As outlined in San Francisco's General Plan, its density creates a rich variety of
6 experiences and encounters on every street. The City is cosmopolitan and affable, easily
7 traversed by foot or by bus, and offers an intriguing balance of urban architecture. San
8 Francisco is the center and the soul of the region and cooperative efforts to maintain the
9 area's quality of life are imperative. The City has long been a magnet for business, culture,
10 retailing, tourism and education. Its rich 150 year history reflects the cultures of the world and
11 gives energetic diversity to its neighborhoods. The residents strive to maintain this tradition,
12 welcoming people from around the world to participate in the promise of a healthy city.

13 (c) In recent years, this diversity has become threatened because of the high cost of
14 commercial real estate.

15 (d) Steady increases in commercial real estate rental rates have pushed office prices
16 to 122% above where they were five years ago to about \$70 per square foot.

17 (e) The Bay Area commercial real estate markets are now the toughest in the nation.

18 (f) This threatens organizations and businesses that are important to the City but find
19 themselves unable to compete for limited commercial space in this real estate market.
20 Nonprofit organizations, arts organizations, and spaces for people to work in jobs that do not
21 require high educational attainment find themselves pushed out of this market.

22 (g) In a recent report commissioned by the Northern California Grantmakers
23 Association, "Status of Nonprofit Space and Facilities", in March 2016, two out of every three
24 nonprofits surveyed say they will have to make a decision about moving within the next five
25 years.

1 (h) Many nonprofits fear they will have to abandon part of their mission because of the
2 economic pressure created by high real estate costs or move to new locations.

3 (i) The report identifies that some of this pressure can be addressed at the local
4 government level by using zoning to create space suitable for arts and other community
5 organizations, turning to publicly owned property for space, and including nonprofit space in
6 affordable housing development.

7 (j) These pressures, although City-wide, are felt acutely in San Francisco's South of
8 Market and Mission neighborhoods. Because of this, the Eastern Neighborhoods community
9 planning process began in 2001 with the goal of developing new zoning controls for the
10 industrial portions of these neighborhoods.

11 (k) At one time, land zoned for industrial uses covered almost the entire eastern
12 bayfront of San Francisco, from the southern county line to well north of Market Street. As the
13 city's economy has transformed over time, away from traditional manufacturing and "smoke-
14 stack" industry toward tourism, service, and "knowledge-based" functions, the city's industrial
15 lands have shrunk steadily.

16 (l) By the 1990s, land zoned for industrial uses stood at about 12% of the city's total
17 usable land (i.e., not including parks and streets). This period was one of strong economic
18 growth in which the city gained thousands of new jobs and residents. As a result, capital,
19 business, and building activity surged into the industrial and residential Eastern
20 Neighborhoods, south of Downtown. While this wealth brought needed resources, it also
21 created conflicts around the use of land. San Francisco's industrial zoning has historically
22 been permissive – allowing residences, offices, and other uses, in addition to industrial
23 businesses.

24 (m) As part of the Eastern Neighborhoods planning process, the Planning Department
25 conducted a series of workshops where stakeholders articulated goals for their neighborhood.

1 considered how new land use regulations (zoning) might promote these goals, and created
2 several rezoning options representing variations on the amount of industrial land to retain for
3 employment and business activity.

4 (n) Starting in 2005, the community planning process expanded to address other
5 issues critical to these communities including affordable housing, transportation, parks and
6 open space, urban design, and community facilities. The Planning Department began working
7 with the neighborhood stakeholders to create Area Plans for each neighborhood to articulate
8 a vision for the future.

9 (o) Based on several years of community input and technical analysis, the Eastern
10 Neighborhoods Program calls for transitioning about half of the existing industrial areas in
11 these four neighborhoods to mixed use zones that encourage new housing. The other
12 remaining half would be reserved for Production, Distribution and Repair zoning districts,
13 where a wide variety of functions such as Muni vehicle yards, caterers, and performance
14 spaces can continue to thrive.

15 (p) The initial Eastern Neighborhoods Area Plans were adopted in 2008.

16 (q) At their core, the Eastern Neighborhoods Plans try to accomplish two key policy
17 goals: 1) to ensure a stable future for Production, Distribution and Repair (PDR) uses in the
18 city, mainly by reserving a certain amount of land for this purpose; and 2) to provide a
19 significant amount of new housing affordable to low, moderate, and middle income families
20 and individuals, along with "complete neighborhoods" that provide appropriate amenities for
21 these new residents.

22 (r) Because San Francisco has very limited land available, it is important to evaluate
23 the current state of land available for PDR use and to protect PDR uses because of
24 competing pressure from residential and office uses, which can afford to pay far more to buy
25 and develop land.

1 (s) Office tenants are willing to pay well over twice what PDR commands — creative
2 tech space goes for \$70 a square foot in SoMa or the Inner Mission. This leads to the loss of
3 space critical for PDR activities and therefore the loss of jobs that result from these activities.

4 (t) The Planning Department prepared a report in April 2005, on the demand for and
5 supply of PDR in the City. This report is known as the EPS PDR Study. To alleviate the
6 impact of loss of PDR uses and to revitalize PDR uses and to attract technology and biotech
7 businesses to the City, it is necessary for the City to aggressively pursue retention of PDR
8 and its associated job sectors. Development that removes PDR use should have the option of
9 replacing the lost space at a one-to-one ratio. To accomplish this, a PDR replacement
10 program should be established.

11
12 Section 2. The Planning Code is hereby amended by adding a new Section 202.8, to
13 read as follows:

14 SEC. 202.8. LIMITATION ON CONVERSION OF PRODUCTION, DISTRIBUTION, AND
15 REPAIR USE, INSTITUTIONAL COMMUNITY USE, AND ARTS ACTIVITIES USE.

16 The following controls shall apply in the following Eastern Neighborhoods Plans Areas:
17 Mission, Eastern SoMa, Western SoMa, and, if adopted, Central SoMa. Notwithstanding any other
18 provision of this Code, conversion of building space where the prior use in such space was a
19 Production, Distribution, and Repair (PDR) use of at least 5,000 square feet, an Institutional
20 Community use of at least 2,500 square feet, or an Arts Activities use, all as defined in Section 102,
21 through change in use or any other removal, including but not limited to demolition of a building that is
22 not unsound, shall be subject to the following requirements:

23 (a) To preserve the existing stock of building space suitable for PDR, Institutional Community,
24 and Arts Activities uses, such conversion shall, if located within the following zoning districts, require
25

1 conditional use authorization under Section 303 and the space proposed for conversion shall be
2 replaced in compliance with the following criteria:

3 (1) In the areas that, as of July 1, 2016, are zoned SALI, the replacement space shall
4 include one square foot of PDR, Institutional Community, or Arts Activities use for each square foot of
5 the use proposed for conversion.

6 (2) In the areas that, as of July 1, 2016, are zoned UMU, MUO, or SLI, the replacement
7 space shall include 0.75 square foot of PDR, Institutional Community, or Arts Activities use for each
8 square foot of the use proposed for conversion.

9 (3) In the areas that, as of July 1, 2016, are zoned MUG or MUR, the replacement
10 space shall include 0.50 square foot of PDR, Institutional Community, or Arts Activities use for each
11 square foot of the use proposed for conversion.

12 (4) For any project located in the areas that, as of July 1, 2016, are zoned SALI, UMU,
13 MUO, SLI, MUG, or MUR, that would convert at least 15,000 square feet of PDR, Institutional
14 Community, or Arts Activities use, and for which an Environmental Evaluation application was
15 submitted to the Planning Department by June 14, 2016, the replacement space shall include 0.4
16 square foot of PDR, Institutional Community, or Arts Activities use for each square foot of the use
17 proposed for conversion. Notwithstanding the foregoing sentence, should the Board of Supervisors
18 overturn any such project's environmental review on appeal, such project shall provide replacement
19 space as required by subsections (a)(1), (2), or (3) above, as applicable.

20 (5) The replacement requirements of subsections (a)(1), (2), (3), and (4) may be
21 reduced by 0.25 for any project subject to any contract or agreement meeting the requirements of
22 California Civil Code Section 1954.28(d), including but not limited to a development agreement
23 approved by the City under California Government Code Section 65864 et seq. if, as part of the terms
24 of such agreement, the required replacement space is rented, leased, or sold at 50% below market rate
25 for such commercial space for a period of not less than 55 years and is subject to a deed restriction.

1 (6) Replacement space for PDR and Arts Activities use may be used for either PDR or
2 Arts Activities use, regardless of which of those uses is proposed for conversion. Replacement space for
3 Institutional Community use shall be used for Institutional Community use.

4 (b) Definitions. For the purposes of this Section 202.8, the following definitions shall apply:

5 "Prior use" shall mean the prior permanent and permitted use and shall not include any
6 approved temporary uses such as "pop-up" eating establishments, craft fairs, or other seasonal uses.

7 "Replacement space" shall mean newly developed building space and shall not include
8 building space that was previously used for PDR, Institutional Community, or Arts Activities.

9 "Unsound" shall mean a building for which rehabilitation to comply with City Codes for
10 continued use as PDR, Institutional Community, or Arts Activities use, as applicable, would cost 50%
11 or more of the cost to construct a comparable building.

12 (c) The amount of replacement space required under subsection (a)(1) may be reduced by the
13 amount that is necessary to provide building entrances and exits, maintenance, mechanical, and
14 utilities facilities; and on-site open space and bicycle facilities required under this Code; provided that
15 no reduction shall be permitted for non-car-share vehicle parking spaces.

16 (d) Undeveloped property. The requirements of this Section 202.8 shall only apply to those
17 portions of a site that are developed with building space where the prior use in such space was PDR
18 use of at least 5,000 square feet, an Institutional Community use of at least 2,500 square feet, or an
19 Arts Activities use.

20 (e) In determining whether to grant Conditional Use authorization, in addition to making the
21 required findings under Section 303, the Planning Commission shall consider the suitability of the
22 replacement space for the use proposed for conversion.

23 (f) Exemptions. The following shall be exempt from the requirements of this Section 202.8:
24
25

1 (1) Any property under the jurisdiction of the Port of San Francisco or the Recreation
2 and Park Commission; all Redevelopment Plan Areas in effect as of July 1, 2016; and any parcel zoned
3 P (Public) on or after July 1, 2016.

4 (2) Any project where the PDR use, Institutional Community use, or Arts Activities use
5 subject to conversion commenced after June 14, 2016.

6 (3) Any project that has been approved by the Planning Department or Planning
7 Commission by June 14, 2016, provided that, if subsequently appealed, such approval is upheld.

8 (4) Any project that would convert less than 15,000 square feet of PDR, Institutional
9 Community, or Arts Activities use and for which an Environmental Evaluation application was
10 submitted to the Planning Department by June 14, 2016.

11 (5) Any public transportation project.

12 (6) Any project that receives affordable housing credits associated with retention of
13 affordable units at the South Beach Marina Apartments, pursuant to Board of Supervisors Resolution
14 No. 197-16.

15 (7) Any project where all of the residential units with the exception of the manager's
16 unit are affordable housing units, as that term is defined in Section 406(b)(1). If feasible, such projects
17 shall make efforts to replace any converted PDR, Institutional Community, and Arts Activities uses.

18 (8) Any property in the Western SoMa Plan Area if the actual use functioning on the
19 property as of September 8, 2014, as determined by the Zoning Administrator, was principally
20 permitted, and not a PDR, Institutional Community, or Arts Activities use, such that a legal conversion
21 could have been approved prior to October 9, 2014. This exemption applies only to conversions of uses
22 smaller than 25,000 square feet.

23 (g) This Section 202.8 shall not authorize a change in use if the new use or uses are otherwise
24 prohibited.

1 (h) In Lieu Fee and Off-Site Replacement. The Board of Supervisors may enact an ordinance
2 adopting an in lieu fee and/or an off-site replacement option to meet the replacement requirements set
3 forth in subsection (a). The proceeds from any such in lieu fee shall be used for the preservation and
4 rehabilitation of existing PDR, Institutional Community, and Arts Activities spaces in the area plan
5 area where the project paying the fee is located.

6 (i) The Board of Supervisors by ordinance and by at least a two-thirds vote of all its members
7 may amend this Section 202.8 at any time after its effective date.

8
9 APPROVED AS TO FORM:

10 DENNIS J. HERRERA, City Attorney

11
12 By:


MARLENA BYRNE
Deputy City Attorney

13 n:\legana\as2016\1600794\01124676.docx

LEGISLATIVE DIGEST
(Revised 07/26/16)

[Initiative Ordinance - Planning Code - Conditional Use Requiring Replacement of Production, Distribution, Repair, Institutional Community, and Arts Activities Uses]

Motion ordering submitted to the voters, at an election to be held November 8, 2016, “Ordinance amending the Planning Code to require replacement space and Conditional Use authorization for conversion of Production, Distribution, and Repair Use, Institutional Community Use, and Arts Activities Use”; and affirming the Planning Department’s determination under the California Environmental Quality Act.

Existing Law

The Planning Code contains various provisions for conversion of Production, Distribution and Repair (PDR) uses, depending on where such uses are located. There is no general requirement for conditional use authorization for conversion of an Institutional Community use or an Arts Activities use. Planning Code Section 202.7 requires replacement of certain PDR space in the PDR zoning districts.

Amendments to Current Law

If this motion is approved, this measure would be placed on the November 2016 general election ballot as an initiative ordinance.

The measure would require conditional use authorization in certain zoning districts for conversion of a PDR use of at least 5,000 square feet, an Institutional Community use of at least 2,500 square feet, or an Arts Activities use of any size if the property where the use would be lost is within the following Eastern Neighborhoods Plans Areas: Mission; Eastern SoMa, Western SoMa, and, if adopted, Central SoMa.

Additionally, the measure would require replacement of the space proposed for conversion on-site as part of the new project. The zoning districts and the replacement requirements are as follows:

(1) In the areas that, as of July 1, 2016, are zoned SALI, the replacement space shall include one square foot of PDR, Institutional Community, or Arts Activities use for each square foot of the use proposed for conversion.

(2) In the areas that, as of July 1, 2016, are zoned UMU, MUO, or SLI, the replacement space shall include 0.75 square foot of PDR, Institutional Community, or Arts Activities use for each square foot of the use proposed for conversion.

(3) In the areas that, as of July 1, 2016, are zoned MUG or MUR, the replacement space shall include 0.50 square foot of PDR, Institutional Community, or Arts Activities use for each square foot of the use proposed for conversion.

If a project is located in one of the three categories of zoning districts listed above, and it would convert at least 15,000 square feet of PDR, Institutional Community, or Arts Activities use, but the project sponsors submitted an Environmental Evaluation application to the Planning Department by June 14, 2016, then the replacement requirement is 0.4 square foot for each square foot lost to conversion. But, if such a project's environmental review is overturned on appeal, then the replacement requirement reverts to whatever is required under (1), (2), or (3) above.

The measure allows the replacement space to be used for PDR or Arts Activities if the use proposed for conversion is either of those two. If the use proposed for conversion is Institutional Community, the replacement space may only be used for Institutional Community.

The measure only applies to developed building space, not vacant lots or the parts of a property that are not developed with building space.

If a space has been used for a temporary use, such as a "pop-up" restaurant, seasonal market, or craft fair, that temporary use would not get rid of the requirement to meet this measure's conditional use and replacement requirements if the prior permanent use of the property was PDR, Institutional Community, or Arts Activities.

If the proposed project is the subject of a contract or agreement with the City of one of the types listed in California Civil Code section 1954.28(d) (which is the state law prohibiting commercial rent control), including a development agreement, the required replacement space may be reduced by 0.25 if the agreement also requires the replacement space be rented, leased, or sold at 50% below market rate for at least 55 years.

In order to approve any conversions, the Planning Commission must make findings required under Planning Code Section 303 for conditional use authorization and must consider the suitability of the replacement space for the use proposed.

Certain property is exempt from the requirements of this ordinance, specifically: any property under the jurisdiction of the Port of San Francisco or the Recreation and Park Commission; Redevelopment Plan Areas in effect as of July 1, 2016; any parcel zoned P (Public) on or after July 1, 2016; any site where the use that is subject to conversion commenced after June 14, 2016; any project that has been approved by the Planning Department or Planning Commission by June 14, 2016, as long as any subsequent appeal is denied; any project that would convert less than 15,000 square feet of PDR, Institutional Community, or Arts Activities uses that submitted an environmental evaluation application to the Planning Department by June 14, 2016; any public transportation project; any project that receives affordable housing credits associated with retention of affordable units at the South Beach Marina Apartments;

FILE NO. 160698

any project for 100% affordable housing; and any property in the Western SoMa Plan Area if the actual use functioning on the property as of September 8, 2014, as determined by the Zoning Administrator, was principally permitted, and not a PDR, Institutional Community, or Arts Activities use, such that a legal conversion of less than 25,0000 could have been approved prior to October 9, 2014.

The measure states that the Board of Supervisors may adopt an in lieu fee and/or off-site replacement provisions to meet the replacement requirements. The fee would be used for the preservation and rehabilitation of existing PDR, Institutional Community, and Arts Activities uses.

The measure provides that the Board of Supervisors may amend it at any time by a two-thirds vote of all of its members.

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BOARD of SUPERVISORS



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Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

RULES COMMITTEE

SAN FRANCISCO BOARD OF SUPERVISORS

TO: Supervisor Katy Tang, Chair
Rules Committee

FROM: Derek Evans, Assistant Clerk

DATE: July 25, 2016

SUBJECT: **COMMITTEE REPORT, BOARD MEETING**
Tuesday, July 26, 2016

The following file should be presented as a **COMMITTEE REPORT** at the Board Meeting on Tuesday, July 26, 2016. This item was acted upon at the Rules Committee Meeting on Monday, July 25, 2016, at 10:45 a.m., by the votes indicated.

Item No. 74 File No. 160698

[Initiative Ordinance - Planning Code - Requiring Conditional Use Authorization for Replacement of Production, Distribution, Repair, Institutional Community, and Arts Activities Uses]

Motion ordering submitted to the voters an Ordinance amending the Planning Code to require Conditional Use authorization for conversion of Production, Distribution, and Repair Use, Institutional Community Use, and Arts Activities Use and replacement space; and affirming the Planning Department's determination under the California Environmental Quality Act, at an election to be held November 8, 2016.

REFERRED WITHOUT RECOMMENDATION AS A COMMITTEE REPORT

Vote: Supervisor Katy Tang - Aye
Supervisor Eric Mar - Excused
Supervisor Malia Cohen - Absent
Supervisor Mark Farrell - Aye

c: Board of Supervisors
Angela Calvillo, Clerk of the Board
Alisa Somera, Acting Legislative Deputy Director
Jon Givner, Deputy City Attorney

Member, Board of Supervisors
District 4

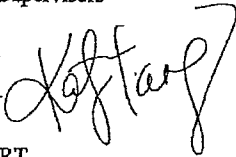


City and County of San Francisco

CO B, Leg Dep.
Rules,
Leg Clerk

KATY TANG

DATE: July 20, 2016
TO: Angela Calvillo
Clerk of the Board of Supervisors
FROM: Supervisor Katy Tang
Chairperson
RE: Rules Committee
COMMITTEE REPORT



Pursuant to Board Rule 4.20, as Chair of the Rules Committee, I have deemed the following matter is of an urgent nature and request it be considered by the full Board on July 26, 2016, as a Committee Report:

160698 Initiative Ordinance - Planning Code - Requiring Conditional Use Authorization for Replacement of Production, Distribution, Repair, Institutional Community, and Arts Activities Uses

Motion ordering submitted to the voters an Ordinance amending the Planning Code to require Conditional Use authorization for conversion of Production, Distribution, and Repair Use, Institutional Community Use, and Arts Activities Use and replacement space; and affirming the Planning Department's determination under the California Environmental Quality Act, at an election to be held November 8, 2016.

This matter will be heard at the Rules Committee Special Meeting on Monday, July 25, 2016, at 10:45 a.m.

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2016 JUL 20 PM 3:21



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

ORIG: Rules
0: 305-11, COB

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

July 25, 2016

The Honorable Board of Supervisors
City and County of San Francisco
Room 244, City Hall

Angela Calvillo
Clerk of the Board of Supervisors
Room 244, City Hall

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2016 JUL 25 PM 2:11
AK

Re: Office of Economic Analysis Impact Report for File Number 160698

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 number 160698, "Requiring Replacement Space: Economic Impact Report." If you have any questions about this report, please contact me at (415) 554-5268.

Best Regards,

Ted Egan
Chief Economist



Requiring Replacement Space: Economic Impact Report

Office of Economic Analysis

Item #160698

July 25th, 2016

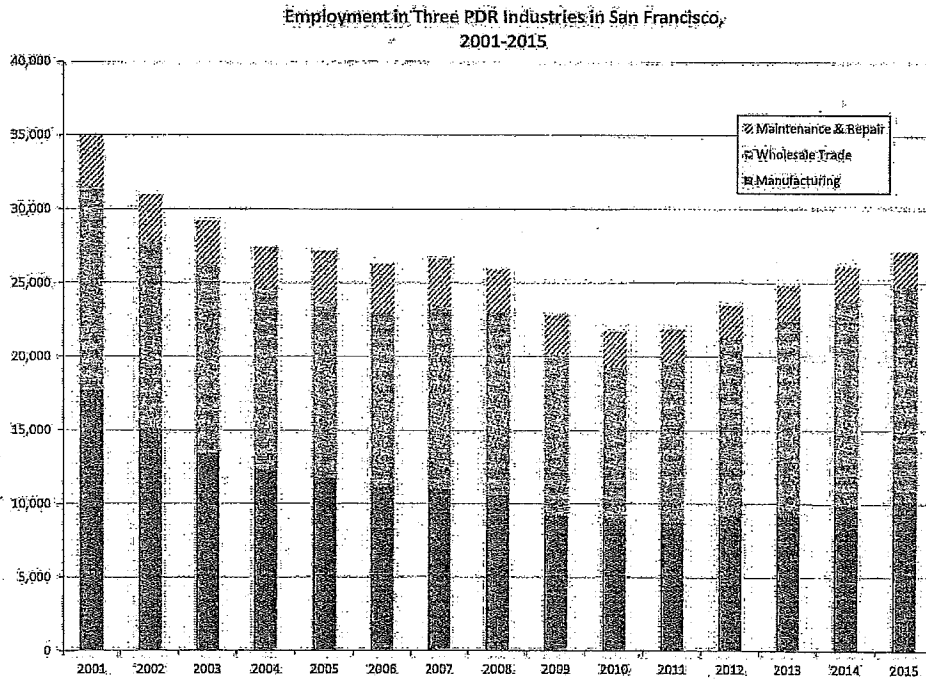
Introduction

- The proposed legislation, which has been introduced as an initiative ordinance to be submitted to the voters for the November 2016 ballot, would create new restrictions on certain development projects within the Mission and South of Market neighborhoods of San Francisco.
- The legislation would require projects that seek to convert or demolish existing space used by production, distribution, repair (PDR), or institutional community uses, generally to build a greater amount of office space or housing, to obtain a conditional use authorization from the Planning Commission. These projects would also be required to provide a certain amount of new space to replace the PDR or community space that is converted or demolished.
- The provision of replacement space is likely to support employment in the PDR and community sectors of the city's economy, while reducing the City's property tax revenue and curtailing the development of new housing and office space.
- For these reasons, the Office of Economic Analysis has determined that the proposed legislation could have a material impact on the city's economy, and prepared this report.

Applicability and Exemptions

- The proposed replacement requirements apply to certain zoning districts within the Mission, East SoMa, Western SoMa plan areas. The requirements will also apply within the pending Central SoMa plan area, if and when that plan is adopted.
- Depending on the zoning where the project takes place, affected projects would have to replace 100%, 75%, or 50% of the space that was lost.
- Projects are exempt from the replacement requirements for the following reasons (among others):
 - they contain less than 5,000 square feet of PDR, 2,500 square feet of institutional community space, and have no arts activities.
 - they are controlled by the Port of San Francisco, the City's Recreation and Parks Department, or are located in a redevelopment area.
 - they have submitted an Environmental Evaluation Application to the Planning Department by June 14, 2016.

Employment Trends in PDR Industries in San Francisco



PDR includes industrial activities such as manufacturing, warehousing, wholesale trade, maintenance and repair services. It also includes arts activities, including motion picture, video, and sound production.

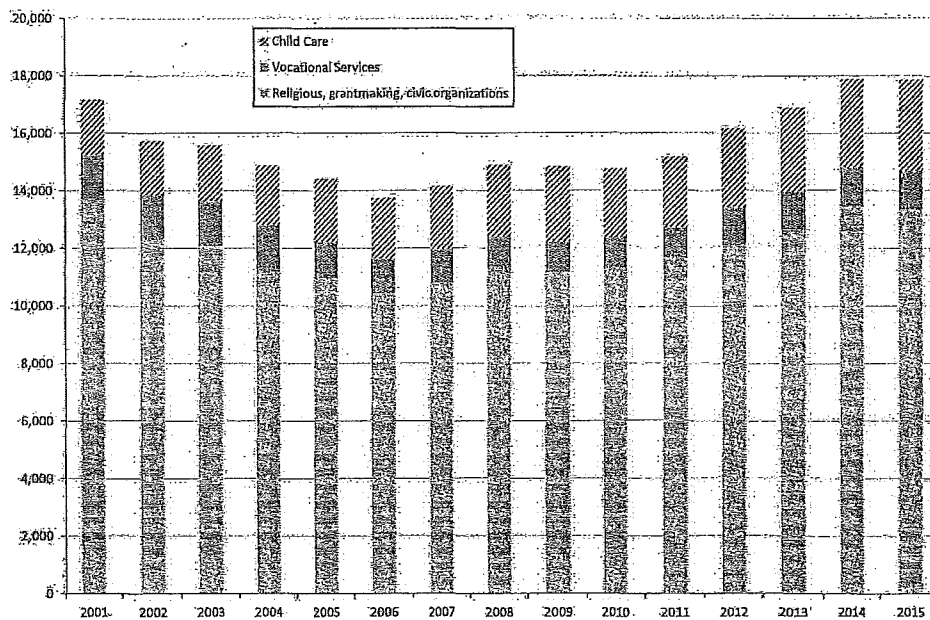
Employment trends in the three largest PDR industries are shown to the left. Long-term decline in manufacturing and wholesaling came to an end in 2010, and most segments of PDR have grown since then. Wholesale trade has grown 6.8%, faster than the overall city economy.

Controller's Office • Office of Economic Analysis
City and County of San Francisco

Source: Bureau of Labor Statistics,
Quarterly Census of Employment and Wages

Employment Trends in Community Industries in San Francisco

Employment in Three Community Industries in San Francisco, 2001-2015



Employment in Institutional Community sector in the city has been more cyclical than PDR employment, though the main industries in the sector lost far employment during the 2001-5 recession than in the Great Recession.

Since 2010, the sector has generally grown, but employment stayed flat between 2014 and 2015.

Controller's Office • Office of Economic Analysis
City and County of San Francisco

Source: Bureau of Labor Statistics,
Quarterly Census of Employment and Wages

5

Economic Impact Factors

The proposed legislation would affect the economy in four primary ways:

1. First, mandating replacement of lost PDR and community space would increase the supply of that space in the city, putting downward pressure on the rents paid by these uses, and increasing their employment, relative to the status quo.
2. Second, because the legislation does not increase the total amount of space that can be built in the city, if more space has to be provided to replace PDR, arts, and community uses, less housing and office space can be built. Accordingly, the legislation would place upward pressure on housing prices and office rents.
3. Additionally, because the replacement space would a lower sales price than new residential or office space, the assessed value of the new property would be lower. This would reduce property tax revenues, and spending in the local economy by the City and other public agencies.
4. Finally, because the replacement requirement reduces the value of the completed project, it may make some projects financially infeasible. In such a case, the City would lose *all* of the project's property tax revenue, and the loss of residential and office space would be much greater than the amount of PDR/Arts space retained, unless prices rose to make the project feasible again.

Economic Impact Assessment: PDR and Community Space

- The Planning department estimates which land parcels in the city may be considered "soft sites" that are likely to experience redevelopment in the near future. This assessment is based on the size of the existing buildings on the site, and the size of potential buildings that could be built on the site, under the zoning rules in the Planning Code.
- PDR space on such soft sites is likely to be affected by this proposed legislation, since it otherwise would likely be converted or demolished to make way for larger residential and office buildings. However, PDR space on other sites which are not soft would not be affected by the legislation.
- The OEA analyzed the soft sites affected by the legislation, and determined that that approximately 315,000 square feet of PDR space on those sites could be preserved via replacement, representing slightly less than 1% of all the PDR space in San Francisco. Given the amount of space that a typical PDR job requires, preserving this much space is equivalent to protecting 350 to 400 PDR jobs.
- In addition, up to 90,000 square feet of community space could be replaced. At typical employment densities, this would maintain space for approximately 150 jobs in the social services sector.

Economic Impact Assessment: Property Tax Revenue

- As stated earlier, because the legislation does not permit new buildings to be built larger to accommodate the replacement space, creating new replacement space will necessarily lead to less housing and/or office space being built.
- The Property Tax revenue impact of this depends upon the relative prices of PDR and housing/office space, since property tax assessments are based on these sales prices. Recent broker reports suggest PDR space in San Francisco is currently selling for approximately \$420 per square foot*, while new housing, for example, is selling at between \$1,000 and \$1,500 per square foot.
- Less is known about current sales prices for community space, but prices may also fall in the \$500 - \$750 per square foot range.
- These estimates are subject to considerably uncertainty, but if they are roughly correct, the City and other public agencies that receive Property Tax revenue could stand to lose between \$2.1 to \$4.3 million per year, once all of the soft sites in the affected areas are redeveloped.

Economic Impact Assessment: Loss of of New Housing

- The proposed legislation will also result in the loss of new housing and office space for two reasons:
 1. The replacement PDR space will consume allowable building space that otherwise would have gone to new housing and/or office space, as discussed on the previous page.
 2. The reduced value of the development may make the project financially infeasible, meaning all of the new supply is foregone.
- Given recent development trends, the OEA modeled the loss as if it would all be developed as housing, and none as office space. At a typical size of a new housing units, the replacement PDR and community space will lead the loss of between 400 to 500 new housing units.
- To estimate the impact of higher replacement requirements on feasibility and the probability of new housing and office being produced, the OEA used a development model originally created to model higher inclusionary housing requirements earlier in 2016. This model, which is subject to considerable uncertainty and is currently in the process of being improved, nevertheless suggests a very low annual loss in overall new development because of the replacement requirements.
- Together, these effects lead to an estimate of a 0.2% average annual increase of housing prices

Economic Impact Assessment: Net Impact and REMI Simulation

- Using our REMI model of the San Francisco economy, the OEA has modeled the net economic impact of the following effects we project will be caused by the legislation:
 - Net gain of 350-400 PDR jobs, and 150 jobs in social services.
 - Loss of between \$2.1 - \$4.3 million in property tax revenue annually.
 - 0.2% increase in Citywide housing prices.
- The simulation results in a net positive economic impact: a job gain of between 120 and 225 jobs, and a net expansion in the city's economy of between \$25 - \$50 million per year.
- The impact of job gains in the PDR and social service sectors was found to outweigh a slight loss of public sector jobs caused by reduced property tax revenue, and a slight citywide decline in jobs in every sector caused by higher housing prices.
- The positive net impact is particularly sensitive to estimates of housing price inflation, which is closely associated with the number of housing units that would not be built because the cost of the new requirement makes development infeasible. Since our modeling of this process is subject to considerable uncertainty, our confidence in these overall conclusions is limited.

Staff Contacts

Ted Egan, Ph.D., Chief Economist
ted.egan@sfgov.org



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

July 25, 2016

Ms. Angela Calvillo
Clerk of the Board of Supervisors
1 Dr. Carlton B. Goodlett Place Room 244
San Francisco, CA 94102-4689

RE: File 160698 – Ordinance requiring conditional use authorization for replacement of production, distribution, repair, institutional community, and arts activities uses (first draft)

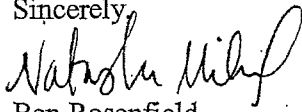
Dear Ms. Calvillo,

Should the proposed ordinance be approved by the voters, in my opinion, it would reduce the revenue available for general governmental services by several million dollars annually.

The proposed amendment would require certain projects seeking to convert or demolish existing space within the Mission and South of Market neighborhoods used by production, distribution, repair (PDR), or institutional community uses to obtain a conditional use authorization from the Planning Commission prior to constructing new office space or housing on those sites. These projects would also be required to provide a certain amount of new space to replace the PDR or community space that is converted or demolished.

The City and other public agencies would receive a reduced amount of property tax revenue, to the extent that the assessed values of new property for PDR or institutional community uses are lower than the assessed values of new residential or office space. My office projects a loss of revenue of between \$2.1 and \$4.3 million annually. The range of estimated revenue impacts reflects considerable uncertainty regarding the impact of the ordinance on future possible development in the City.

Sincerely,


for Ben Rosenfield
Controller

Note: This analysis reflects our understanding of the proposal as of the date shown. At times further information is provided to us which may result in revisions being made to this analysis before the final Controller's statement appears in the Voter Information Pamphlet.

Evans, Derek

From: Board of Supervisors, (BOS)
Sent: Monday, July 25, 2016 11:03 AM
To: Evans, Derek
Subject: FW: PDR Initiative Ordinance 160698

-----Original Message-----

From: mari eliza [mailto:mari.eliza@sbcglobal.net]
Sent: Monday, July 25, 2016 4:23 AM
To: Board of Supervisors, (BOS) <board.of.supervisors@sfgov.org>
Cc: Tang, Katy (BOS) <katy.tang@sfgov.org>; Yee, Norman (BOS) <norman.yee@sfgov.org>; Farrell, Mark (BOS) <mark.farrell@sfgov.org>; Peskin, Aaron (BOS) <aaron.peskin@sfgov.org>; Breed, London (BOS) <london.breed@sfgov.org>; Kim, Jane (BOS) <jane.kim@sfgov.org>; Wiener, Scott <scott.wiener@sfgov.org>; Campos, David (BOS) <david.campos@sfgov.org>; Chung Hagen, Sheila (BOS) <sheila.chung.hagen@sfgov.org>; Cohen, Malia (BOS) <malia.cohen@sfgov.org>; Avalos, John (BOS) <john.avalos@sfgov.org>; Ang, April (BOS) <april.ang@sfgov.org>; Mar, Eric (BOS) <eric.mar@sfgov.org>
Subject: re: PDR Initiative Ordinance 160698

July 25, 2016

Supervisors:

re: [Initiative Ordinance - Planning Code - Requiring Conditional Use Authorization for Replacement of Production, Distribution, Repair, Institutional Community, and Arts Activities Uses] Sponsors: Kim; Peskin

I've been promoting artists and musicians in San Francisco for a long time and I know a lot of people who have left. I joined a group of artists and activists who were trying to protect Cell Space and we eventually formed the Artists Displacement Task Force. We worked on many campaigns, projects and events to try to spread awareness about the state of the arts in San Francisco and we succeeded in getting a lot of attention and press.

While our main goal is to protect PDR space for artists, many other essential PDR businesses have also been forced out of San Francisco and that has resulted in more in-coming traffic and freeway congestion.

On my way to a party in Burlingame I experienced some really bad traffic at 4 PM on Saturday and when we got off the freeway in Burlingame I saw proof that displacement of PDRs is a major contributor to the increase in regional traffic.

We drove past acres of shops and warehouses with electrical engineers, plumbing contractors, auto-body repair shops and party rentals that used to reside in the city but now must drive in to work.

If you have a leak and call a plumber, chances are that plumber will be driving into town to fix your leak, and it may take a while for them to get there. The bill will probably be higher and your insurance rates may rise to reflect the increased costs. The increased insurance rates will raise the cost of everything, including rents, which contributes to inflation.

These are just a few of the unintended consequences that can and should be avoided by keeping a reasonable balance of zoning and property uses within city neighborhoods. Why not consider turning empty retail into PDR?

For this and many other reasons I believe we need a ballot initiative to bring these issues to the attention of the voting public. We need a dialogue about the importance of keeping a balance between the various types of housing, office and PDR spaces in the city. This is why I support the ballot initiative that Supervisor Kim is sponsoring.

Sincerely,

Mari Eliza



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

July 13, 2016

Ms. Angela Calvillo
Clerk of the Board of Supervisors
1 Dr. Carlton B. Goodlett Place Room 244
San Francisco, CA 94102-4689

RE: File 160698 – Ordinance requiring conditional use authorization for replacement of production, distribution, repair, institutional community, and arts activities uses (first draft)

Dear Ms. Calvillo,

Should the proposed ordinance be approved by the voters, in my opinion, it would have a minimal impact on the cost of government.

The proposed amendment would require conditional use authorization for conversion of production, distribution, and repair use; institutional community use; or arts activities use. The proposed amendment also provides criteria for when these spaces could be replaced. The Planning Department has an existing process for conditional use authorization. If the ordinance is passed, these authorization requirements would be incorporated into the existing approval process.

Sincerely,

fr Ben Rosenfield
Controller

Note: This analysis reflects our understanding of the proposal as of the date shown. At times further information is provided to us which may result in revisions being made to this analysis before the final Controller's statement appears in the Voter Information Pamphlet.

BOARD OF SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 234
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

June 27, 2016

File Nos. 160698

Sarah Jones
Environmental Review Officer
Planning Department
1650 Mission Street, 4th Floor
San Francisco, CA 94103

Dear Ms. Jones:

On June 14, 2016, Supervisor Kim introduced the following Motion to consider the proposed Initiative Ordinance for submission by the full Board, for the November 8, 2016, Election:

File No. 160698 Initiative Ordinance - Planning Code - Requiring Conditional Use Authorization for Replacement of Production, Distribution, Repair, Institutional Community, and Arts Activities Uses

Motion ordering submitted to the voters an Ordinance amending the Planning Code to require Conditional Use authorization for conversion of Production, Distribution, and Repair Use, Institutional Community Use, and Arts Activities Use and replacement space, and affirming the Planning Department's determination under the California Environmental Quality Act, at an election to be held November 8, 2016.

These matters are being transmitted to you for environmental review.

Angela Galville, Clerk of the Board

A handwritten signature in black ink, appearing to read "Derek Evans".

By: Derek Evans, Clerk
Rules Committee

Attachment

cc Joy Navarrete, Environmental Planner
Jeanie Poling, Environmental Planner

Not defined as a project under CEQA Guidelines Sections 15378 and 15060(c)2 because it does not result in a physical change in the environment. Individual physical projects would require environmental review.

BOARD of SUPERVISORS



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June 27, 2016

File Nos. 160698

Sarah Jones
Environmental Review Officer
Planning Department
1650 Mission Street, 4th Floor
San Francisco, CA 94103

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Angela Calvillo, Clerk of the Board

A handwritten signature in black ink, appearing to read "Derek Evans".

By: Derek Evans, Clerk
Rules Committee:

Attachment

c: Joy Navarrete, Environmental Planner
Jeanie Poling, Environmental Planner

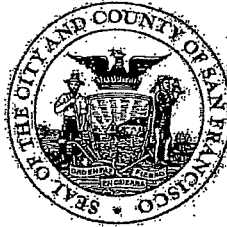
Not defined as a project under CEQA Guidelines Sections 15378 and 15060(c)2) because it does not result in a physical change in the environment. Individual physical projects would require environmental review.

Joy Navarrete

Digitally signed by Joy Navarrete
DN: cn=Derek Evans, o=Planning,
email=joy.navarrete@sfgov.org, c=US
Date: 2016.06.30 08:19:55 -0700

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6000

BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

TO: Ben Rosenfield, City Controller

FROM: ~~My~~ Derek Evans, Clerk, Rules Committee
Board of Supervisors

DATE: June 27, 2016

SUBJECT: INITIATIVE ORDINANCE MOTION INTRODUCED
November 8, 2016, Election

The Board of Supervisors' Rules Committee has received the following Motion to consider the proposed Initiative Ordinance for submission by the full Board, for the November 8, 2016, Election, introduced by Supervisor Kim on June 14, 2016.

File No. 160698 Initiative Ordinance - Planning Code - Requiring Conditional Use Authorization for Replacement of Production, Distribution, Repair, Institutional Community, and Arts Activities Uses

Motion ordering submitted to the voters an Ordinance amending the Planning Code to require Conditional Use authorization for conversion of Production, Distribution, and Repair Use, Institutional Community Use, and Arts Activities Use and replacement space; and affirming the Planning Department's determination under the California Environmental Quality Act, at an election to be held November 8, 2016.

This matter is being referred to you in accordance with Elections Code, Section 305(B)(2) and Rules of Order 2.22.3. Please review and prepare a financial analysis on the proposed measures prior to the first Rules Committee hearing.

If you have any questions or concerns please call me at (415) 554-7702 or email derek.evans@sfgov.org. To submit documentation, please forward to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

cc: Todd Rydstrom, Deputy City Controller
Peg Stevenson, City Performance Director


BOARD of SUPERVISORS



City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
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MEMORANDUM

TO: Nicole Elliott, Mayor's Office
Jon Givner, Office of the City Attorney
Naomi Kelly, City Administrator
LeeAnn Pelham, Executive Director, Ethics Commission
John Aratz, Director, Department of Elections
John Rahaim, Director, Planning Department

FROM:  Derek Evans, Clerk, Rules Committee
Board of Supervisors

DATE: June 27, 2016

SUBJECT: INITIATIVE ORDINANCE MOTION INTRODUCED
November 8, 2016, Election

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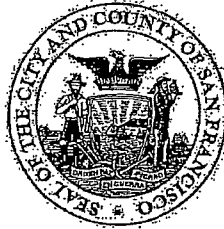
Motion ordering submitted to the voters an Ordinance amending the Planning Code to require Conditional Use authorization for conversion of Production, Distribution, and Repair Use, Institutional Community Use, and Arts Activities Use and replacement space, and affirming the Planning Department's determination under the California Environmental Quality Act, at an election to be held November 8, 2016.

This matter is being referred to you in accordance with Board Rules of Order 2.22.4. Please review and submit any reports or comments you wish to be considered with the legislative files.

If you have any questions or concerns, please call me at (415) 554-7702 or email derek.kevans@sfgov.org. To submit documentation, please forward to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

cc: Scott Sanchez, Planning Department
AnMarie Rodgers, Planning Department
Aaron Starr, Planning Department

BOARD of SUPERVISORS



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San Francisco 94102-4689
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June 27, 2016

File Nos. 160698

Sarah Jones
Environmental Review Officer
Planning Department
1650 Mission Street, 4th Floor
San Francisco, CA 94103

Dear Ms. Jones:

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A handwritten signature in black ink, appearing to read "Derek Evans".

By: Derek Evans, Clerk
Rules Committee

Attachment

c: Joy Navarrete, Environmental Planner
Jeanie Poling, Environmental Planner

Print Form

Introduction Form

By a Member of the Board of Supervisors or the Mayor.

Time stamp
or meeting date:

I hereby submit the following item for Introduction (select only one):

- 1. For reference to Committee. (An Ordinance, Resolution, Motion, or Charter Amendment)
- 2. Request for next printed agenda. Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning "Supervisor [] inquires"
- 5. City Attorney request.
- 6. Call File No. [] from Committee.
- 7. Budget Analyst request (attach written motion).
- 8. Substitute Legislation File No. []
- 9. Reactivate File No. []
- 10. Question(s) submitted for Mayoral Appearance before the BOS on []

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use a Imperative Form.

Sponsor(s):

Supervisor Kim

Subject:

Anti-displacement Initiative Ordinance

The text is listed below or attached:

Please see attached.

Signature of Sponsoring Supervisor:

For Clerk's Use Only:

7158
6005