

File No. 180117 Committee Item No. 1  
 Board Item No. 7

**COMMITTEE/BOARD OF SUPERVISORS**  
 AGENDA PACKET CONTENTS LIST

Committee: Land Use and Transportation Committee Date May 21, 2018

Board of Supervisors Meeting Date JUNE 12, 2018

**Cmte Board**

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| <input type="checkbox"/>            | <input type="checkbox"/>            | Resolution                                   |
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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Legislative Digest                           |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Budget and Legislative Analyst Report        |
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**OTHER (Use back side if additional space is needed)**

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Completed by: Erica Major Date May 17, 2018  
 Completed by: Erica Major Date 5/24/18

1 [Planning Code - Increasing the Transportation Sustainability Fee for Large Non-Residential  
2 Projects]

3 **Ordinance amending the Planning Code to increase the Transportation Sustainability**  
4 **Fee by \$5 (to \$24.04) for Non-Residential Projects larger than 99,999 gross square feet,**  
5 **except in the Central South of Market Area Plan area, where the fee for such projects**  
6 **would be increased by \$2 (to \$21.04); affirming the Planning Department's**  
7 **determination under the California Environmental Quality Act; and making findings of**  
8 **public necessity, convenience and welfare, and findings of consistency with the**  
9 **General Plan, and the eight priority policies of Planning Code, Section 101.1.**

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

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

17 Section 1. Findings. The Board of Supervisors of the City and County of San  
18 Francisco hereby finds and determines that:

19 (a) The Planning Department has determined that the actions contemplated in this  
20 ordinance comply with the California Environmental Quality Act (California Public Resources  
21 Code Section 21000 et seq.). Said determination is on file with the Clerk of the Board of  
22 Supervisors in File No. 180117 and is incorporated herein by reference. The Board affirms  
23 this determination.

24 (b) On September 10, 2015, the Planning Commission, in Resolution No. 19454,  
25 adopted findings that the actions contemplated in this the ordinance adopting the original

1 Transportation Sustainability Fee, Ordinance No. 200-15, are were consistent, on balance,  
2 with the City's General Plan and eight priority policies of Planning Code Section 101.1. The  
3 Board adopts these findings as its own and extends them to this ordinance, because this  
4 ordinance increases the Transportation Sustainability Fee by a moderate amount, the fee as  
5 increased is supported by the nexus study prepared for Ordinance No. 200-15, and the fee as  
6 increased is within the recommendations of the feasibility study also prepared for Ordinance  
7 No. 200-15. A copy of said Resolution is on file with the Clerk of the Board of Supervisors in  
8 File No. 180117, and is incorporated herein by reference.

9 (c) On September 10, 2015, the Planning Commission, in Resolution No. 19454,  
10 approved this legislation adopting the original Transportation Sustainability Fee, Ordinance  
11 No. 200-15, recommended it for adoption by the Board of Supervisors, and adopted findings  
12 that it will serve the public necessity, convenience and welfare. Pursuant to Planning Code  
13 Section 302, the Board adopts these findings as its own, and extends them to this ordinance,  
14 because this ordinance increases the Transportation Sustainability Fee by a moderate  
15 amount, the fee as increased is supported by the nexus study prepared for Ordinance 200-15,  
16 and the fee as increased is within the recommendations of the feasibility study also prepared  
17 for Ordinance No. 200-15. A copy of said Resolution is on file with the Clerk of the Board of  
18 Supervisors in File No. 180117, and is incorporated by reference herein.

19  
20 Section 2. The Planning Code is hereby amended by revising Section 411A.5, to read  
21 as follows:

22 **SEC. 411A.5. TSF SCHEDULE.**

23 Development Projects subject to the TSF shall pay the following fees, as adjusted  
24 annually in accordance with Planning Code Section 409(b).  
25

**Table 411A.5. TSF Schedule**

<i>Land Use Categories</i>	<i>TSF</i>
Residential, 21-99 units	\$7.74 for all gsf of Residential use in the first 99 dwelling units (see Section 411A.4(c) above).
Residential, all units above 99 units	\$8.74 for all gsf of Residential use in all dwelling units at and above the 100th unit (see Section 411A.4(c) above).
Non-Residential, except Hospitals and Health Services, 800-99,999 gsf	\$18.04 for all gsf of Non-Residential uses less than 100,000 gsf.
Non-Residential, except Hospitals and Health Services, all gsf above 99,999 gsf, <u>in all areas of the City except the Central South of Market Area Plan</u>	<del>\$19.04</del> <u>\$24.04</u> for all gsf of Non-Residential use greater than 99,999 gsf.
<u>Non-Residential, except Hospitals and Health Services, all gsf above 99,999 gsf, in the Central South of Market Area Plan</u>	<u>\$21.04 for all gsf of Non-Residential use greater than 99,999 gsf.</u>
Hospitals	\$18.74 per calculation method set forth in Section 411A.4(d).
Health Services, all gsf above 12,000 gsf	\$11.00 for all gsf above 12,000 gsf
Production, Distribution and Repair	\$7.61

Section 3. Effective Date; Operative Dates.

(a) This ordinance shall become effective 30 days after enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the Mayor's veto of the ordinance.

(b) This ordinance shall become operative on its effective date, with the following exception: The amendments set forth in Section 2 of this ordinance, in the Table 411A.5. TSF

1 Schedule, pertaining to the Central South of Market Area Plan, shall become operative on the  
2 effective date of this ordinance or the effective date of the ordinance in Board File No.  
3 180184, whichever is later. If the ordinance in Board File No. 180184 does not become  
4 effective, all references to the Central South of Market Area Plan in the Table 411A.5. TSF  
5 Schedule in Section 2 of this ordinance shall not become operative.

6  
7 Section 4. This section is uncodified. This Ordinance shall not apply to projects that  
8 have Development Agreements approved before June 5, 2018.

9  
10 Section 45. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors  
11 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,  
12 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal  
13 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment  
14 additions, and Board amendment deletions in accordance with the "Note" that appears under  
15 the official title of the ordinance.

16  
17 APPROVED AS TO FORM:  
18 DENNIS J. HERRERA, City Attorney

19 By:

20   
21 ANDREA RUIZ-ESQUIDE  
22 Deputy City Attorney

23 n:\legana\as2018\1800350\01280790.docx

**REVISED LEGISLATIVE DIGEST**

(Amended in Board, 6/5/2018)

[Planning Code - Increasing the Transportation Sustainability Fee for Large Non-Residential Projects]

**Ordinance amending the Planning Code to increase the Transportation Sustainability Fee by \$5 (to \$24.04) for Non-Residential Projects larger than 99,999 gross square feet, except in the Central South of Market Area Plan area, where the fee for such projects would be increased by \$2 (to \$21.04); affirming the Planning Department's determination under the California Environmental Quality Act; and making findings of public necessity, convenience and welfare, and findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.**

Existing Law

On November 17, 2015, the Board of Supervisors passed Ordinance No. 200-15, creating the new Transportation Sustainability Fee, or TSF. The TSF became effective on December 25, 2015. The TSF requires Residential, Non-Residential and Production, Distribution and Repair (PDR) Development Projects in the City to pay a fee, to contribute to the City's provision of transit service necessary to accommodate the population growth related to such Development Projects.

Amendments to Current Law

This ordinance amends the TSF to increase the fee rate for a particular subgroup of Non-residential projects, those larger than 99,999 gross square feet (gsf). The Ordinance increases the fee for these projects by \$5.00 per square feet, from \$19.04 to \$24.04, except in the Central South of Market Area Plan area, where the fee for such projects would be increased by \$2 per square feet, from \$19.04 to \$21.04.

The ordinance includes a provision that says that if the ordinance in Board File No. 180184, related to the Central South of Market Area Plan area, does not become effective, all references to the that area in the Table 411A.5. TSF Schedule in Section 2 of the ordinance shall not become operative.

Background Information

This revised legislative digest was prepared to reflect amendments made to the ordinance in Land Use Committee, on May 7th, 2018.

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# SAN FRANCISCO PLANNING DEPARTMENT

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May 18, 2018

Ms. Angela Calvillo, Clerk  
Honorable Supervisor Peskin  
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 2018-002230PCA:  
Increasing the Transportation Sustainability Fee for Large Non-Residential  
Projects  
Board File No. 180117  
Planning Commission Recommendation: Approval with Modification

Dear Ms. Calvillo and Supervisor Peskin,

On May 17, 2018, the Planning Commission conducted a duly noticed public hearing at the regularly scheduled meeting to consider the proposed Ordinance, introduced by Supervisor Peskin that would amend the Planning Code to increase the Transportation Sustainability Fee for Large Non-Residential Projects. At the hearing the Planning Commission recommended approval with modification.

The Commission's proposed modifications were as follows:

- Increase the TSF for Non-Residential projects larger than 99,999 gross square feet within the Central SOMA Plan Area by \$2 and elsewhere by \$5 per gross square foot.

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.

Supervisor, please advise the City Attorney at your earliest convenience if you wish to incorporate the changes recommended by the Commission.

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.

Transmittal Materials

CASE NO. 2018-002230PCA  
Increasing the TSF for Large Non-Residential Projects

Sincerely,

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

Aaron D. Starr  
Manager of Legislative Affairs

cc:

Andrea Ruiz Esquide, Deputy City Attorney  
Sunny Angulo, Aide to Supervisor Peskin  
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. 20190

HEARING DATE MAY 17, 2018

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

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*Project Name:* Increasing the Transportation Sustainability Fee for Large Non-Residential Projects  
*Case Number:* 2018-002230PCA [Board File No. 180117]  
*Initiated by:* Supervisor Peskin / Introduced January 30, 2018  
*Staff Contact:* Diego R Sánchez, Legislative Affairs  
diego.sanchez@sfgov.org, 415-575-9082  
*Reviewed by:* Aaron D Starr, Manager of Legislative Affairs  
aaron.starr@sfgov.org, 415-558-6362

**RESOLUTION APPROVING WITH MODIFICATIONS A PROPOSED ORDINANCE THAT WOULD AMEND THE PLANNING CODE TO INCREASE THE TRANSPORTATION SUSTAINABILITY FEE BY \$5 FOR NON-RESIDENTIAL PROJECTS LARGER THAN 99,999 GROSS SQUARE FEET; 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 January 30, 2018 Supervisor Peskin introduced a proposed Ordinance under Board of Supervisors (hereinafter "Board") File Number 180117, which would amend the Planning Code to increase the Transportation Sustainability Fee by \$5 for Non-Residential Projects larger than 99,999 gross square feet;

WHEREAS, The Planning Commission (hereinafter "Commission") conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance on May 17, 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) 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

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 with modifications** the proposed ordinance.

Those modifications include:

1. Increase the TSF for Non-Residential projects larger than 99,999 gross square feet within the Central SOMA Plan Area by \$2 and elsewhere by \$5 per gross square foot.

## 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. The Commission supports the intent to impose a TSF on Large Non-Residential projects that meets the demand for transportation infrastructure and service generated by those projects. An appropriately levied TSF can help maintain existing levels of transportation service.
2. **General Plan Compliance.** The proposed Ordinance and the Commission's recommended modification are consistent with the following Objectives and Policies of the General Plan:

## TRANSPORTATION ELEMENT

### OBJECTIVE 1

MEET THE NEEDS OF ALL RESIDENTS AND VISITORS FOR SAFE, CONVENIENT AND INEXPENSIVE TRAVEL WITHIN SAN FRANCISCO AND BETWEEN THE CITY AND OTHER PARTS OF THE REGION WHILE MAINTAINING THE HIGH QUALITY LIVING ENVIRONMENT OF THE BAY AREA.

#### Policy 1.1

Encourage development which provides substantial net benefits and minimizes undesirable consequences. Discourage development which has substantial undesirable consequences that cannot be mitigated.

*The proposed Ordinance will facilitate the establishment of a retail use that provides net benefits in the form recreational and community gathering spaces. Any potential undesirable consequences may be addressed through existing regulatory controls.*

### OBJECTIVE 2

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

**Policy 1.2:** Ensure the safety and comfort of pedestrians throughout the City.

*By increasing the TSF, the Ordinance will produce additional resources to improve pedestrian mobility throughout San Francisco.*

**Policy 1.4:** Increase the capacity of transit during off-peak hours.

*Augmenting the TSF will generate new revenue to expand transit service and improve its reliability during peak and off-peak hours.*

**OBJECTIVE 14**

DEVELOPMENT AND IMPLEMENT A PLAN FOR OPERATION CHANGES AND LAND USE POLICIES THAT WILL MAINTAIN MOBILITY AND SAFETY DESPITE A RISE IN TRAVEL DEMAND THAT COULD OTHERWISE RESULT IN SYSTEM CAPACITY DEFICIENCIES

**Policy 14.4:** Reduce congestion by encouraging alternative to the single occupant auto through the reservation of right-of-way and enhancement of other facilities dedicated to multiple modes of transportation.

*The Ordinance will facilitate the creation of facilities for transit, bicycles, carpools, pedestrians, and other modes of travel by raising new resources through an increased TSF.*

**OBJECTIVE 15**

ENCOURAGE ALTERNATIVES TO THE AUTOMOBILE AND REDUCED TRAFFIC LEVELS ON RESIDENTIAL STREETS THAT SUFFER FROM EXCESSIVE TRAFFIC THROUGH THE MANAGEMENT OF TRANSPORTATION SYSTEMS AND FACILITIES

**Policy 15.1:** Discourage excessive automobile traffic on residential streets by incorporating traffic-calming treatments.

*An augmented TSF can provide the resources necessary for traffic calming treatments throughout the City.*

3. **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 because it concerns raising an impact fee upon large non-residential projects.*

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 because it deals with raising an impact fee upon large non-residential projects.*

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 because the Ordinance proposes to raise a development impact fee on large non-residential projects.*

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 but rather help improve transit service because it proposes to raise an impact fee that would generate resources for transit service.*

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 Ordinance proposes to raise the rate of an impact fee on large non-residential projects. This in and of itself 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 because it proposes to raise the rate of a development impact fee on large non-residential projects.*

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 because it proposes to raise the rate of a development impact fee on large non-residential projects.*

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 because the Ordinance proposes to change the rate of a development impact fee.*

4. **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.

Resolution No. 20190  
May 17, 2018

CASE NO. 2018-002230PCA  
Increasing the TSF for Large Non-Residential Projects

NOW THEREFORE BE IT RESOLVED that the Commission hereby APPROVES WITH MODIFICATIONS 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 17, 2018.

Jonas P. Ionin  
Commission Secretary

AYES: Hillis, Johnson, Koppel, Melgar, Moore, Richards

NOES: None

ABSENT: Fong

ADOPTED: May 17, 2018



# SAN FRANCISCO PLANNING DEPARTMENT

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## Executive Summary Planning Code Text Amendment HEARING DATE: MAY 17, 2018

*Project Name:* Increasing the Transportation Sustainability Fee for Large Non-Residential Projects  
*Case Number:* 2018-002230PCA [Board File No. 180117]  
*Initiated by:* Supervisor Peskin / Introduced January 30, 2018  
*Staff Contact:* Diego R Sánchez, Legislative Affairs  
diego.sanchez@sfgov.org, 415-575-9082  
*Reviewed by:* Aaron Starr, Manager of Legislative Affairs  
aaron.starr@sfgov.org, 415-558-6362  
*Recommendation:* **Approval with Modifications**

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### PLANNING CODE AMENDMENT

The proposed Ordinance would amend the Planning Code to increase the Transportation Sustainability Fee by \$5 for Non-Residential Projects larger than 99,999 gross square feet.

#### The Way It Is Now:

The Transportation Sustainability Fee for Non-Residential projects, except Hospitals and Health Services, larger than 99,999 gross square feet is \$19.04.<sup>1</sup>

#### The Way It Would Be:

The Transportation Sustainability Fee for Non-Residential Projects, except Hospitals and Health Services, larger than 99,999 gross square feet would be \$24.04.

### BACKGROUND

San Francisco has imposed impact fees upon new development to help offset the burden it places upon the City's transit system for decades. For example, in 1981 the City enacted the Transit Impact Development Fee (TIDF) on new office development in the downtown area.<sup>2</sup> The TIDF was based on studies demonstrating that new office development burdens transit during peak periods. The City subsequently expanded this impact fee to all new non-residential development throughout the City.

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<sup>1</sup> The Transportation Sustainability Fee is annually indexed based on the Annual Infrastructure Construction Cost Inflation Estimate published by the Office of the City Administrator's Capital Planning Group and approved by the City's Capital Planning Committee, in accordance with Planning Code Section 409(b). The current rate, in 2018 dollars, is \$21.14.

<sup>2</sup> Ordinance No. 224-81; the TIDF is found in Planning Code Section 411.

In 2009, the City and the San Francisco County Transportation Authority (SFCTA) began work to develop a comprehensive citywide transportation fee. This fee would offset the impacts of residential and non-residential development on the City's transit system, including the City's pedestrian and bicycle transportation infrastructure. To support this fee, and help inform its magnitude, the City and the SFCTA developed a nexus study (TSF Nexus Study).<sup>3</sup> The TSF Nexus Study found that all new land uses create demand for transportation infrastructure and services. The TSF Nexus Study also calculated the cost for future planned transit infrastructure, maintenance and streetscape improvements needed to meet projected growth in the City by 2040. The TSF Nexus Study calculations are used to determine the maximum justified fee rate.

The City also prepared an economic feasibility study (TSF Economic Feasibility Study) to account for the effect of a new transportation impact fee upon development feasibility.<sup>4</sup> The TSF Economic Feasibility Study examined the impact various fee rates would have upon typical new development in the City. It did this by analyzing the residual land value (RLV), the difference between the revenue a developer anticipates receiving for the project and all development costs, for fee rates. According to the TSF Economic Feasibility Study, a decrease of 10% in the RLV was designated as the maximum impact deemed economically feasible.

When the Transportation Sustainability Fee (TSF) was enacted in December 2015 large non-residential projects were required to pay \$19.04 per gross square foot above 99,999. As a result of annual indexing, the current rate is \$21.14 per gross square foot above 99,999. The TSF is due at the issuance of the first construction document, like many other development impact fees.

The following projects are exempted from the TSF:

- Projects on property owned and used by the City and County of San Francisco;
- Projects in Redevelopment Plan Areas or covered by a Development Agreement;
- Projects of the United States or the State of California;
- Affordable Housing Projects;
- Certain Small Businesses; and
- Certain Charitable Exemptions.

#### Board of Supervisor's May 7, 2018 Land Use and Transportation Committee Hearing

On May 7, 2018 the Land Use and Transportation Committee (Committee) heard the proposed Ordinance. At this hearing the Committee heard testimony from the Planning Department and the San Francisco Municipal Transportation Agency and also received public comment. The Committee then deliberated over the proposed Ordinance in light of the testimony and public comment. Supervisor Peskin moved to duplicate the Board File, with the Duplicate File proposing a \$2 increase to the TSF in the Central SOMA Plan Area and a \$5 increase elsewhere. This motion failed. The Committee successfully moved to continue the item until after the Planning Commission hearing on the proposed Ordinance.

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<sup>3</sup> Board File No. 150790 <https://sfgov.legistar.com/View.ashx?M=F&ID=4133896&GUID=ECF4DA54-C8A0-4D9F-97E9-8428CB95FF6B>

<sup>4</sup> *Ibid.*

## ISSUES AND CONSIDERATIONS

### The City's Pipeline of Large Non-Residential Projects

The proposed increase to the TSF will only be imposed on the portion of Non-Residential projects over 99,999 gross square feet in size (Large Non-Residential projects). Projects of this size tend to be localized in the eastern half of the City. Staff analysis of the development pipeline indicates that projects affected by the proposed increase in the TSF would be in the Downtown/C-3 zoning district, the proposed Central SOMA Plan Area, the Eastern Neighborhoods Plan Area and the Transbay/Rincon Hill area. Staff estimates that the revenue generated from an increased TSF on Large Non-Residential projects will overwhelmingly come from the proposed Central SOMA Plan Area. This is because the Central SOMA Plan Area has more sites suitable for Large Non-Residential projects than other areas and most projects outside of the Central SOMA Plan Area have building permits issued and already paid development impact fees, are subject to separate Development Agreement-specific fees, or are State projects that are not subject to local impact fees. Staff estimates that more than 85% of projected fees from the proposed increased TSF would come from Central SOMA Plan Area projects.

### Large Non-Residential Project Feasibility

In light of Central SOMA's outsized role in TSF revenue generation from the proposed fee increase, Staff reviewed the 2015 financial feasibility analyses establishing the TSF. A large part of the analyses was to update construction cost and real estate revenue assumptions for Central SOMA prototype projects. Staff used construction cost increases to reflect the fiscal year 15-16 and fiscal year 16-17 values projected by the 2017 Annual Infrastructure Construction Cost Inflation Estimate. It also relied on real estate revenue from Zillow, Axiometrics and Jones Lang La Salle. Updated feasibility analysis using these new values indicated a value capture exceeding rates considered conducive to new development. This is in part because the rate of increase in construction costs is outpacing the increase in real estate revenues. When the proposed increased TSF is included, the analysis indicates that Large Non-Residential project feasibility in Central SOMA is worsened, and in certain instances projects become infeasible.

The effect upon feasibility in East SOMA (Eastern Neighborhoods) and the Transit Center, two other areas with Large Non-Residential project capacity, was also modeled. This analysis studied the change in residual land value due to updated 2017 costs and revenues and the proposed increase in TSF. This analysis indicated that the construction cost and revenue escalations result in a return on cost below targeted rates. This circumstance is compounded when increased TSF rates are included.

Feasibility in other parts of the City is unknown; further analyses would be required to determine the effect of an increased TSF in these areas. This would include updating assumptions about construction costs, real estate revenues as well as other assumptions about typical development prototypes in these areas.

### Planning Code Required Three Year Review of Economic Feasibility Study

When the TSF was enacted in December 2015, the Ordinance included a requirement to update the TSF Economic Feasibility Study every three years.<sup>5</sup> This update is meant to analyze the impact of the TSF on

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<sup>5</sup> Planning Code Section 411A.8, Three Year Review of Economic Feasibility Study

the feasibility of development citywide, and would be a more robust analysis than what Staff has currently compiled. Adjusting TSF rates based on the updated TSF Economic Feasibility Study would ensure new development projects are assessed impact fees that do not endanger their feasibility. It would also ensure that we capture as much value as possible.

#### Alternatives or Complements to Increasing the TSF in the Central SOMA Plan Area

Should TSF rates increase, the City should explore measures to ensure Large Non-Residential project feasibility, in particular for Central SOMA Plan Area projects. One option would be to exempt the Central SOMA Plan Area from the higher TSF rate for Large Non-Residential projects. This would be a straightforward solution to the compounding feasibility concerns in the Central SOMA Plan Area. It is also a solution that could be accomplished with a simple and clean amendment to the Planning Code.

Another option is to adjust the other development impact fees proposed for the Central SOMA Plan Areas. In particular, the Central SOMA Plan Area is proposing a Mello-Roos Community Facilities District (CFD) to fund a number of infrastructure needs, including regional transportation. Adjusting the CFD downward could offset the effect of an increased TSF while still providing resources to the local transportation system.

#### General Plan Compliance

##### Transportation Element

**Objective 1:** Meet the needs of all residents and visitors for safe, convenient and inexpensive travel within San Francisco and between the City and other parts of the region while maintaining the high quality living environment of the Bay Area.

**Policy 1.2:** Ensure the safety and comfort of pedestrians throughout the City.

*By increasing the TSF, the Ordinance will produce additional resources to improve pedestrian mobility throughout San Francisco.*

**Policy 1.4:** Increase the capacity of transit during off-peak hours.

*Augmenting the TSF will generate new revenue to expand transit service and improve its reliability during peak and off-peak hours.*

**Objective 2:** Use the transportation system as a means for guiding development and improving the environment.

**Policy 2.2:** Reduce pollution, noise and energy consumption.

*The share of trips made by bicycle and walking, the cleanest and most energy-efficient forms of transportation, may increase with increased resources dedicated from the TSF to infrastructure serving those modes.*

**Objective 14:** Develop and implement a plan for operation changes and land use policies that will maintain mobility and safety despite a rise in travel demand that could otherwise result in system capacity deficiencies.

**Policy 14.4:** Reduce congestion by encouraging alternative to the single occupant auto through the reservation of right-of-way and enhancement of other facilities dedicated to multiple modes of transportation.

*The Ordinance will facilitate the creation of facilities for transit, bicycles, carpools, pedestrians, and other modes of travel by raising new resources through an increased TSF.*

**Objective 15:** Encourage alternatives to the automobile and reduced traffic levels on residential streets that suffer from excessive traffic through the management of transportation systems and facilities.

**Policy 15.1:** Discourage excessive automobile traffic on residential streets by incorporating traffic-calming treatments.

*An augmented TSF can provide the resources necessary for traffic calming treatments throughout the City.*

#### Implementation

The Department has determined that this ordinance will not impact our current implementation procedures.

### RECOMMENDATION

The Department recommends that the Commission *approve with modifications* the proposed Ordinance and adopt the attached Draft Resolution to that effect. The Department's proposed recommendations are as follows:

1. If the TSF for Large Non-Residential projects increases, explore measures to avoid aggravating project feasibility, including exempting the Central SOMA Plan Area from the increased TSF or adjusting the CFD fees in the Central SOMA Plan Area.

### BASIS FOR RECOMMENDATION

The Department supports the intent to impose a TSF on Large Non-Residential projects that meets the demand for transportation infrastructure and service generated by those projects. An appropriately levied TSF can help maintain existing levels of transportation service; however, the Department is concerned about existing levels of project feasibility in the Central SOMA Plan Area. This concern is heightened in the context of an increased TSF for Large Non-Residential projects larger than 99,999 gross square feet.

**Recommendation 1:** Explore measures to avoid aggravating project feasibility, including exempting the Central SOMA Plan Area from the increased TSF or adjusting the CFD fees in the Central SOMA Plan Area.

Should an increased TSF for large non-residential projects be imposed, measures to offset the effects upon feasibility should be considered. Exempting the Central SOMA Plan Area from an increased TSF for Large Non-Residential projects would accomplish multiple goals. It would avoid aggravating worsening feasibility, maintain current Central SOMA impact fees, and still generate new TSF revenues. Adjusting the Central SOMA Plan Area CFD downward could also offset effects upon worsening feasibility. These would be adjusted during the Board of Supervisors legislative process and would effectively reallocate resources from regional transportation infrastructure and services to local infrastructure and services.

### **REQUIRED COMMISSION ACTION**

The proposed Ordinance is before the Commission so that it may approve it, reject it, or approve it with modifications.

### **ENVIRONMENTAL REVIEW**

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.

### **PUBLIC COMMENT**

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

#### **Attachments:**

- Exhibit A: Draft Planning Commission Resolution
- Exhibit B: Board of Supervisors File No. 180117



# SAN FRANCISCO PLANNING DEPARTMENT

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May 18, 2018

Ms. Angela Calvillo, Clerk  
Honorable Supervisor Peskin  
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**

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**415.558.6409**

Planning  
Information:  
**415.558.6377**

Re: Transmittal of Planning Department Case Number 2018-002230PCA:  
Increasing the Transportation Sustainability Fee for Large Non-Residential  
Projects  
Board File No. 180117  
Planning Commission Recommendation: Approval with Modification

Dear Ms. Calvillo and Supervisor Peskin,

On May 17, 2018, the Planning Commission conducted a duly noticed public hearing at the regularly scheduled meeting to consider the proposed Ordinance, introduced by Supervisor Peskin that would amend the Planning Code to increase the Transportation Sustainability Fee for Large Non-Residential Projects. At the hearing the Planning Commission recommended approval with modification.

The Commission's proposed modifications were as follows:

- Increase the TSF for Non-Residential projects larger than 99,999 gross square feet within the Central SOMA Plan Area by \$2 and elsewhere by \$5 per gross square foot.

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.

Supervisor, please advise the City Attorney at your earliest convenience if you wish to incorporate the changes recommended by the Commission.

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.

Transmittal Materials

CASE NO. 2018-002230PCA  
Increasing the TSF for Large Non-Residential Projects

Sincerely,

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

Aaron D. Starr  
Manager of Legislative Affairs

cc:

Andrea Ruiz Esquide, Deputy City Attorney  
Sunny Angulo, Aide to Supervisor Peskin  
Erica Major, Office of the Clerk of the Board

Attachments:

Planning Commission Resolution  
Planning Department Executive Summary



# SAN FRANCISCO PLANNING DEPARTMENT

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## Planning Commission Resolution No. 20190

HEARING DATE MAY 17, 2018

*Project Name:* Increasing the Transportation Sustainability Fee for Large Non-Residential Projects  
*Case Number:* 2018-002230PCA [Board File No. 180117]  
*Initiated by:* Supervisor Peskin / Introduced January 30, 2018  
*Staff Contact:* Diego R Sánchez, Legislative Affairs  
diego.sanchez@sfgov.org, 415-575-9082  
*Reviewed by:* Aaron D Starr, Manager of Legislative Affairs  
aaron.starr@sfgov.org, 415-558-6362

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**RESOLUTION APPROVING WITH MODIFICATIONS A PROPOSED ORDINANCE THAT WOULD AMEND THE PLANNING CODE TO INCREASE THE TRANSPORTATION SUSTAINABILITY FEE BY \$5 FOR NON-RESIDENTIAL PROJECTS LARGER THAN 99,999 GROSS SQUARE FEET; 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 January 30, 2018 Supervisor Peskin introduced a proposed Ordinance under Board of Supervisors (hereinafter "Board") File Number 180117, which would amend the Planning Code to increase the Transportation Sustainability Fee by \$5 for Non-Residential Projects larger than 99,999 gross square feet;

WHEREAS, The Planning Commission (hereinafter "Commission") conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance on May 17, 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) 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

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 with modifications the proposed ordinance.

Those modifications include:

1. Increase the TSF for Non-Residential projects larger than 99,999 gross square feet within the Central SOMA Plan Area by \$2 and elsewhere by \$5 per gross square foot.

## 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. The Commission supports the intent to impose a TSF on Large Non-Residential projects that meets the demand for transportation infrastructure and service generated by those projects. An appropriately levied TSF can help maintain existing levels of transportation service.
2. **General Plan Compliance.** The proposed Ordinance and the Commission's recommended modification are consistent with the following Objectives and Policies of the General Plan:

## TRANSPORTATION ELEMENT

### OBJECTIVE 1

MEET THE NEEDS OF ALL RESIDENTS AND VISITORS FOR SAFE, CONVENIENT AND INEXPENSIVE TRAVEL WITHIN SAN FRANCISCO AND BETWEEN THE CITY AND OTHER PARTS OF THE REGION, WHILE MAINTAINING THE HIGH QUALITY LIVING ENVIRONMENT OF THE BAY AREA.

#### Policy 1.1

Encourage development which provides substantial net benefits and minimizes undesirable consequences. Discourage development which has substantial undesirable consequences that cannot be mitigated.

*The proposed Ordinance will facilitate the establishment of a retail use that provides net benefits in the form recreational and community gathering spaces. Any potential undesirable consequences may be addressed through existing regulatory controls.*

### OBJECTIVE 2

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

**Policy 1.2:** Ensure the safety and comfort of pedestrians throughout the City.

*By increasing the TSF, the Ordinance will produce additional resources to improve pedestrian mobility throughout San Francisco.*

**Policy 1.4:** Increase the capacity of transit during off-peak hours.

*Augmenting the TSF will generate new revenue to expand transit service and improve its reliability during peak and off-peak hours.*

**OBJECTIVE 14**

DEVELOPMENT AND IMPLEMENT A PLAN FOR OPERATION CHANGES AND LAND USE POLICIES THAT WILL MAINTAIN MOBILITY AND SAFETY DESPITE A RISE IN TRAVEL DEMAND THAT COULD OTHERWISE RESULT IN SYSTEM CAPACITY DEFICIENCIES

**Policy 14.4:** Reduce congestion by encouraging alternative to the single occupant auto through the reservation of right-of-way and enhancement of other facilities dedicated to multiple modes of transportation.

*The Ordinance will facilitate the creation of facilities for transit, bicycles, carpools, pedestrians, and other modes of travel by raising new resources through an increased TSF.*

**OBJECTIVE 15**

ENCOURAGE ALTERNATIVES TO THE AUTOMOBILE AND REDUCED TRAFFIC LEVELS ON RESIDENTIAL STREETS THAT SUFFER FROM EXCESSIVE TRAFFIC THROUGH THE MANAGEMENT OF TRANSPORTATION SYSTEMS AND FACILITIES

**Policy 15.1:** Discourage excessive automobile traffic on residential streets by incorporating traffic-calming treatments.

*An augmented TSF can provide the resources necessary for traffic calming treatments throughout the City.*

3. **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 because it concerns raising an impact fee upon large non-residential projects.*

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 because it deals with raising an impact fee upon large non-residential projects.*

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 because the Ordinance proposes to raise a development impact fee on large non-residential projects.*

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 but rather help improve transit service because it proposes to raise an impact fee that would generate resources for transit service.*

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 Ordinance proposes to raise the rate of an impact fee on large non-residential projects. This in and of itself 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 because it proposes to raise the rate of a development impact fee on large non-residential projects.*

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 because it proposes to raise the rate of a development impact fee on large non-residential projects.*

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 because the Ordinance proposes to change the rate of a development impact fee.*

4. **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.

Resolution No. 20190  
May 17, 2018

CASE NO. 2018-002230PCA  
Increasing the TSF for Large Non-Residential Projects

NOW THEREFORE BE IT RESOLVED that the Commission hereby APPROVES WITH MODIFICATIONS 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 17, 2018.

Jonas P. Ionin  
Commission Secretary

AYES: Hillis, Johnson, Koppel, Melgar, Moore, Richards

NOES: None

ABSENT: Fong

ADOPTED: May 17, 2018



# SAN FRANCISCO PLANNING DEPARTMENT

## Executive Summary Planning Code Text Amendment HEARING DATE: MAY 17, 2018

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San Francisco,  
CA 94103-2479

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*Project Name:* Increasing the Transportation Sustainability Fee for Large Non-Residential Projects  
*Case Number:* 2018-002230PCA [Board File No. 180117]  
*Initiated by:* Supervisor Peskin / Introduced January 30, 2018  
*Staff Contact:* Diego R Sánchez, Legislative Affairs  
diego.sanchez@sfgov.org, 415-575-9082  
*Reviewed by:* Aaron Starr, Manager of Legislative Affairs  
aaron.starr@sfgov.org, 415-558-6362  
*Recommendation:* Approval with Modifications

### PLANNING CODE AMENDMENT

The proposed Ordinance would amend the Planning Code to increase the Transportation Sustainability Fee by \$5 for Non-Residential Projects larger than 99,999 gross square feet.

#### The Way It Is Now:

The Transportation Sustainability Fee for Non-Residential projects, except Hospitals and Health Services, larger than 99,999 gross square feet is \$19.04.<sup>1</sup>

#### The Way It Would Be:

The Transportation Sustainability Fee for Non-Residential Projects, except Hospitals and Health Services, larger than 99,999 gross square feet would be \$24.04.

### BACKGROUND

San Francisco has imposed impact fees upon new development to help offset the burden it places upon the City's transit system for decades. For example, in 1981 the City enacted the Transit Impact Development Fee (TIDF) on new office development in the downtown area.<sup>2</sup> The TIDF was based on studies demonstrating that new office development burdens transit during peak periods. The City subsequently expanded this impact fee to all new non-residential development throughout the City.

<sup>1</sup> The Transportation Sustainability Fee is annually indexed based on the Annual Infrastructure Construction Cost Inflation Estimate published by the Office of the City Administrator's Capital Planning Group and approved by the City's Capital Planning Committee, in accordance with Planning Code Section 409(b). The current rate, in 2018-dollars, is \$21.14.

<sup>2</sup> Ordinance No. 224-81; the TIDF is found in Planning Code Section 411.

In 2009, the City and the San Francisco County Transportation Authority (SFCTA) began work to develop a comprehensive citywide transportation fee. This fee would offset the impacts of residential and non-residential development on the City's transit system, including the City's pedestrian and bicycle transportation infrastructure. To support this fee, and help inform its magnitude, the City and the SFCTA developed a nexus study (TSF Nexus Study).<sup>3</sup> The TSF Nexus Study found that all new land uses create demand for transportation infrastructure and services. The TSF Nexus Study also calculated the cost for future planned transit infrastructure, maintenance and streetscape improvements needed to meet projected growth in the City by 2040. The TSF Nexus Study calculations are used to determine the maximum justified fee rate.

The City also prepared an economic feasibility study (TSF Economic Feasibility Study) to account for the effect of a new transportation impact fee upon development feasibility.<sup>4</sup> The TSF Economic Feasibility Study examined the impact various fee rates would have upon typical new development in the City. It did this by analyzing the residual land value (RLV), the difference between the revenue a developer anticipates receiving for the project and all development costs, for fee rates. According to the TSF Economic Feasibility Study, a decrease of 10% in the RLV was designated as the maximum impact deemed economically feasible.

When the Transportation Sustainability Fee (TSF) was enacted in December 2015 large non-residential projects were required to pay \$19.04 per gross square foot above 99,999. As a result of annual indexing, the current rate is \$21.14 per gross square foot above 99,999. The TSF is due at the issuance of the first construction document, like many other development impact fees.

The following projects are exempted from the TSF:

- Projects on property owned and used by the City and County of San Francisco;
- Projects in Redevelopment Plan Areas or covered by a Development Agreement;
- Projects of the United States or the State of California;
- Affordable Housing Projects;
- Certain Small Businesses; and
- Certain Charitable Exemptions.

#### Board of Supervisor's May 7, 2018 Land Use and Transportation Committee Hearing

On May 7, 2018 the Land Use and Transportation Committee (Committee) heard the proposed Ordinance. At this hearing the Committee heard testimony from the Planning Department and the San Francisco Municipal Transportation Agency and also received public comment. The Committee then deliberated over the proposed Ordinance in light of the testimony and public comment. Supervisor Peskin moved to duplicate the Board File, with the Duplicate File proposing a \$2 increase to the TSF in the Central SOMA Plan Area and a \$5 increase elsewhere. This motion failed. The Committee successfully moved to continue the item until after the Planning Commission hearing on the proposed Ordinance.

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<sup>3</sup> Board File No. 150790 <https://sfgov.legistar.com/View.ashx?M=F&ID=4133896&GUID=ECF4DA54-C8A0-4D9F-97E9-8428CB95FF6B>

<sup>4</sup> *Ibid.*

## ISSUES AND CONSIDERATIONS

### The City's Pipeline of Large Non-Residential Projects

The proposed increase to the TSF will only be imposed on the portion of Non-Residential projects over 99,999 gross square feet in size (Large Non-Residential projects). Projects of this size tend to be localized in the eastern half of the City. Staff analysis of the development pipeline indicates that projects affected by the proposed increase in the TSF would be in the Downtown/C-3 zoning district, the proposed Central SOMA Plan Area, the Eastern Neighborhoods Plan Area and the Transbay/Rincon Hill area. Staff estimates that the revenue generated from an increased TSF on Large Non-Residential projects will overwhelmingly come from the proposed Central SOMA Plan Area. This is because the Central SOMA Plan Area has more sites suitable for Large Non-Residential projects than other areas and most projects outside of the Central SOMA Plan Area have building permits issued and already paid development impact fees, are subject to separate Development Agreement-specific fees, or are State projects that are not subject to local impact fees. Staff estimates that more than 85% of projected fees from the proposed increased TSF would come from Central SOMA Plan Area projects.

### Large Non-Residential Project Feasibility

In light of Central SOMA's outsized role in TSF revenue generation from the proposed fee increase, Staff reviewed the 2015 financial feasibility analyses establishing the TSF. A large part of the analyses was to update construction cost and real estate revenue assumptions for Central SOMA prototype projects. Staff used construction cost increases to reflect the fiscal year 15-16 and fiscal year 16-17 values projected by the 2017 Annual Infrastructure Construction Cost Inflation Estimate. It also relied on real estate revenue from Zillow, Axiometrics and Jones Lang La Salle. Updated feasibility analysis using these new values indicated a value capture exceeding rates considered conducive to new development. This is in part because the rate of increase in construction costs is outpacing the increase in real estate revenues. When the proposed increased TSF is included, the analysis indicates that Large Non-Residential project feasibility in Central SOMA is worsened, and in certain instances projects become infeasible.

The effect upon feasibility in East SOMA (Eastern Neighborhoods) and the Transit Center, two other areas with Large Non-Residential project capacity, was also modeled. This analysis studied the change in residual land value due to updated 2017 costs and revenues and the proposed increase in TSF. This analysis indicated that the construction cost and revenue escalations result in a return on cost below targeted rates. This circumstance is compounded when increased TSF rates are included.

Feasibility in other parts of the City is unknown; further analyses would be required to determine the effect of an increased TSF in these areas. This would include updating assumptions about construction costs, real estate revenues as well as other assumptions about typical development prototypes in these areas.

### Planning Code Required Three Year Review of Economic Feasibility Study

When the TSF was enacted in December 2015, the Ordinance included a requirement to update the TSF Economic Feasibility Study every three years.<sup>5</sup> This update is meant to analyze the impact of the TSF on

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the feasibility of development citywide, and would be a more robust analysis than what Staff has currently compiled. Adjusting TSF rates based on the updated TSF Economic Feasibility Study would ensure new development projects are assessed impact fees that do not endanger their feasibility. It would also ensure that we capture as much value as possible.

#### **Alternatives or Complements to Increasing the TSF in the Central SOMA Plan Area**

Should TSF rates increase, the City should explore measures to ensure Large Non-Residential project feasibility, in particular for Central SOMA Plan Area projects. One option would be to exempt the Central SOMA Plan Area from the higher TSF rate for Large Non-Residential projects. This would be a straightforward solution to the compounding feasibility concerns in the Central SOMA Plan Area. It is also a solution that could be accomplished with a simple and clean amendment to the Planning Code.

Another option is to adjust the other development impact fees proposed for the Central SOMA Plan Areas. In particular, the Central SOMA Plan Area is proposing a Mello-Roos Community Facilities District (CFD) to fund a number of infrastructure needs, including regional transportation. Adjusting the CFD downward could offset the effect of an increased TSF while still providing resources to the local transportation system.

#### **General Plan Compliance**

##### Transportation Element

**Objective 1:** Meet the needs of all residents and visitors for safe, convenient and inexpensive travel within San Francisco and between the City and other parts of the region while maintaining the high quality living environment of the Bay Area.

**Policy 1.2:** Ensure the safety and comfort of pedestrians throughout the City.

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*The share of trips made by bicycle and walking, the cleanest and most energy-efficient forms of transportation, may increase with increased resources dedicated from the TSF to infrastructure serving those modes.*

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*The Ordinance will facilitate the creation of facilities for transit, bicycles, carpools, pedestrians, and other modes of travel by raising new resources through an increased TSF.*

**Objective 15:** Encourage alternatives to the automobile and reduced traffic levels on residential streets that suffer from excessive traffic through the management of transportation systems and facilities.

**Policy 15.1:** Discourage excessive automobile traffic on residential streets by incorporating traffic-calming treatments.

*An augmented TSF can provide the resources necessary for traffic calming treatments throughout the City.*

### Implementation

The Department has determined that this ordinance will not impact our current implementation procedures.

## RECOMMENDATION

The Department recommends that the Commission *approve with modifications* the proposed Ordinance and adopt the attached Draft Resolution to that effect. The Department's proposed recommendations are as follows:

1. If the TSF for Large Non-Residential projects increases, explore measures to avoid aggravating project feasibility, including exempting the Central SOMA Plan Area from the increased TSF or adjusting the CFD fees in the Central SOMA Plan Area.

## BASIS FOR RECOMMENDATION

The Department supports the intent to impose a TSF on Large Non-Residential projects that meets the demand for transportation infrastructure and service generated by those projects. An appropriately levied TSF can help maintain existing levels of transportation service; however, the Department is concerned about existing levels of project feasibility in the Central SOMA Plan Area. This concern is heightened in the context of an increased TSF for Large Non-Residential projects larger than 99,999 gross square feet.

**Recommendation 1:** Explore measures to avoid aggravating project feasibility, including exempting the Central SOMA Plan Area from the increased TSF or adjusting the CFD fees in the Central SOMA Plan Area.

Should an increased TSF for large non-residential projects be imposed, measures to offset the effects upon feasibility should be considered. Exempting the Central SOMA Plan Area from an increased TSF for Large Non-Residential projects would accomplish multiple goals. It would avoid aggravating worsening feasibility, maintain current Central SOMA impact fees, and still generate new TSF revenues. Adjusting the Central SOMA Plan Area CFD downward could also offset effects upon worsening feasibility. These would be adjusted during the Board of Supervisors legislative process and would effectively reallocate resources from regional transportation infrastructure and services to local infrastructure and services.

**REQUIRED COMMISSION ACTION**

The proposed Ordinance is before the Commission so that it may approve it, reject it, or approve it with modifications.

**ENVIRONMENTAL REVIEW**

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.

**PUBLIC COMMENT**

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

**Attachments:**

- Exhibit A: Draft Planning Commission Resolution
- Exhibit B: Board of Supervisors File No. 180117



# SAN FRANCISCO PLANNING DEPARTMENT

## Planning Commission Resolution No. 19454

HEARING DATE SEPTEMBER 10, 2015

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San Francisco,  
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*Project Name:* Establishing a New Transportation Sustainability Fee  
*Case Number:* 2015-009096PCA [Board File No. 150790]  
*Initiated by:* Mayor Lee and Supervisor Wiener, Supervisor Breed, and Supervisor Christensen / Substituted September 8, 2015  
*Staff Contact:* Lisa Chen, Planner, Citywide Division  
 lisa.chen@sfgov.org, 415-575-9124  
*Reviewed by:* Adam Varat, Senior Planner, Citywide Division  
 adam.varat@sfgov.org, 415-558-6405  
*Recommendation:* Recommend Approval

**RECOMMENDING THAT THE BOARD OF SUPERVISORS ADOPT A PROPOSED ORDINANCE AMENDING THE PLANNING CODE BY ESTABLISHING A NEW CITYWIDE TRANSPORTATION SUSTAINABILITY FEE AND SUSPENDING APPLICATION OF THE EXISTING TRANSIT IMPACT DEVELOPMENT FEE, WITH SOME EXCEPTIONS, AS LONG AS THE TRANSPORTATION SUSTAINABILITY FEE REMAINS OPERATIVE; AMENDING SECTION 401 TO ADD DEFINITIONS REFLECTING THESE CHANGES; AMENDING SECTION 406 TO CLARIFY AFFORDABLE HOUSING AND HOMELESS SHELTER EXEMPTIONS FROM THE TRANSPORTATION SUSTAINABILITY FEE; MAKING CONFORMING AMENDMENTS TO THE AREA PLAN FEES IN ARTICLE 4 OF THE PLANNING CODE; AFFIRMING THE PLANNING DEPARTMENT'S DETERMINATION UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, AND MAKING FINDINGS, INCLUDING GENERAL FINDINGS, FINDINGS OF PUBLIC NECESSITY, CONVENIENCE AND WELFARE, AND FINDINGS OF CONSISTENCY WITH THE GENERAL PLAN AND THE EIGHT PRIORITY POLICIES OF PLANNING CODE SECTION 101.1.**

WHEREAS, on September 8, 2015 Mayor Lee and Supervisors Wiener, Breed, and Christensen introduced a proposed Ordinance under Board of Supervisors (hereinafter "Board") File Number 150790, which would amend the Planning Code to establish a new Transportation Sustainability Fee (hereinafter TSF) and suspend application of the current Transit Impact Development Fee (TIDF), with some exceptions, for as long as the TSF is in effect; and

WHEREAS, San Francisco is a popular place to work, live and visit, placing strain on the City's existing transportation network; and

WHEREAS, Since 1981, the City has imposed a Transit Impact Development Fee ("TIDF") on new development in the City, first limited to office space in the downtown core, and expanded to most non-residential uses citywide in 2004; and

MOVED, that the Planning Commission hereby recommends that the Board of Supervisors approval the proposed ordinance with the following modifications:

1. Grandfather residential projects before July 1, 2014 with a 50% fee reduction and residential projects after July 1, 2014 with a 25% fee reduction;
2. Exempt non-profit secondary institutions that require a full Institutional Master Plan from paying the fee;
3. Apply the fee to non-profit hospitals that require a full Institutional Master Plan;
4. Request that the Board consider fee rates of up to 33% of nexus, subject to further analysis of development feasibility;
5. Request that the Board consider graduated fee rates based on area/neighborhood of the city, and/or consider removing the area plan fee reduction; and,
6. Require economic feasibility analysis updates every three years rather than five, and include the Planning Commission as an entity that may request analyses sooner.

## 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:

7. Substantial investments in infrastructure are needed to address the predicted demands on the transportation system and street network generated by new growth.
8. The TSF is an efficient and equitable method of providing funds to address the transportation demands imposed on the City by new development projects, and is projected to generate approximately \$1.2 billion in revenue over the next 30 years, of which approximately \$420 million would be new revenue.
9. The TSF rates were set to maximize revenues for transportation and complete streets without making developments too costly to build, and were based on the findings of the TSF Nexus Study and TSF Economic Feasibility Study.
10. **General Plan Compliance.** The proposed amendments to the Planning Code are not addressed in the General Plan; the Commission finds that the proposed Ordinance is not inconsistent with the Objectives and Policies of the General Plan.
11. **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:

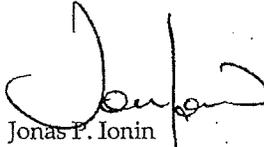
Resolution 19454  
September 10, 2015

CASE NO. 2015-009096PCA  
Establishing a New Transportation Sustainability Fee

8. **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 as described in this Resolution.

I hereby certify that the foregoing Resolution was adopted by the Commission at its meeting on September 10, 2015.



Jonas F. Ionin  
Commission Secretary

AYES: Fong, Wu, Antonini, Hillis, Johnson, Moore, Richards

NOES:

ABSENT:

ADOPTED:

BOARD of SUPERVISORS



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

February 6, 2018

File No. 180117

Lisa Gibson  
Environmental Review Officer  
Planning Department  
1650 Mission Street, Ste. 400  
San Francisco, CA 94103

Dear Ms. Gibson:

On January 30, 2018, Supervisor Peskin introduced the following proposed legislation:

**File No. 180117**

**Ordinance amending the Planning Code to increase the Transportation Sustainability Fee by \$5 for Non-Residential Projects larger than 99,999 gross square feet; affirming the Planning Department's determination under the California Environmental Quality Act; and making findings of public necessity, convenience and welfare, and findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.**

This legislation is being transmitted to you for environmental review.

Angela Calvillo, Clerk of the Board

*for* By:  Alisa Somera, Legislative Deputy Director  
Land Use and Transportation Committee

Attachment

c: Joy Navarrete, Environmental Planning  
Laura Lynch, Environmental Planning

Not defined as a project under CEQA Sections 15378 and 15060(c)(2) because it does not result in a physical change in the environment.

Joy Navarrete 2/16/18

# Central SoMa Plan: Financial Analysis Results

UPDATE: Sensitivity Analysis + Supervisor Peskin TSF Proposal (UPDATED: 5/7/18)

**KEY**

- 50-75% value capture
- 75-100% value capture
- not financially feasible

OFFICE	Tier A&B	Tier C
<b>1. PROTOTYPE</b>	A	A
Baseline zoning	85' MUO	85' SLI
Upzoned prototype	160' MUO	160' MUO
<b>JANUARY 2018 PROPOSAL</b>		
<b>2. FINANCIAL RETURNS</b>		
Land Value capture (2015 assumptions)	75%	74%
Updated 2017 assumptions (7% rent increase, 10% construction cost increase)	99%	86%
Supervisor Peskin proposal: 2017 assumptions + \$5.00 TSF increase	<i>not feasible</i>	90%
5/7 Alternative proposal: \$2.00 TSF increase	<i>not feasible</i>	87%
<b>3. NEW &amp; INCREASED CENTRAL SOMA REQUIREMENTS</b>		
Central SoMa Impact Fee (\$/GSF)	\$21.50	\$0.00
Mello Roos CFD, Non-Residential (\$/NSF/yr)	\$0.00	\$2.75
Community facilities fee (\$/GSF)	\$1.75	\$1.75
PDR (# of FAR)	0.4	0.4
TDR (# of FAR)	0.0	1.25

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**Assumptions:**

Sensitivity analysis reflects two years of escalation for most assumptions that were presented in Central SoMa Financial Analysis (updating them from 2015 to 2017 values). Construction cost increases reflect the FY15-16 and FY16-17 values projected by the Controller Office's Annual Infrastructure Construction Cost Inflation Estimate (AICCIE). Real estate revenue data are from Zillow (residential condo), Axiometrics (residential rental), and Jones Lang La Salle (office).

SUBMITTED AND PRESENTED  
 5/7/18  
 180117

**TSF ECONOMIC FEASIBILITY STUDY: NON-RESIDENTIAL PROTOTYPES**

Supervisor Peskin TSF Amendment

% Change in Residual Land Value - Updated 3/6/18

Prototype Description*	Lot size	Project size		Residual Land Value (RLV) Change: Supervisor Peskin Amendment + 2017 Cost Escalation**	
		GSF	Height	2017 Sensitivity analysis (cost + revenue escalation)	2017 Sensitivity analysis + Peskin amendment
7. East SoMa	35,000 sf	249,300 sf	160'	-6%	-9%
<i>return on cost (target: 6 to 6.25%)</i>				5.86%	5.83%
10. Transit Center	20,000 sf	384,700 sf	400'	-8%	-12%
<i>return on cost (target: 6 to 6.25%)</i>				5.65%	5.63%

\*numbers correspond to prototypes in 2015 TSF Financial Analysis

\*\* RLV change target = <10%

**TSF Proposal Analysis: Nonresidential (Office & Hotel) Development Capacity**

Greater than or Equal to 100,000 GSF (gross square feet)

Prepared by SF Planning, Information & Analysis, 03/01/2018, UPDATED 5/7/18

updated with 3Q 2017 Pipeline

<b>TOTAL ADDITIONAL REVENUE</b>	<b>\$26,429,960</b>	<b>% share:</b>
<b>TOTAL (Central SoMa)</b>	<b>\$23,267,915</b>	<b>88%</b>
<b>TOTAL (less Central SoMa)</b>	<b>\$3,162,045</b>	<b>12%</b>

Area	Block/Lot	PROJECT	Alternative Name	Zoned capacity (sq ft)	Current pipeline (sq ft)	Status	Date	PROPOSED RATE WOULD APPLY	CENTRAL SOMA FEE TIER	PROPOSED ADDITIONAL REVENUE (\$5 increase above 100k GSF)	NOTES
<b>Bayview/Hunters Point</b>											
	4884025	HPS/CP: Candlestick Point		124,752	124,752	PL APPROVED	4/10/2014	N		\$0	Development Agreement
	4884025	HPS/CP: Hunters Point Shipyard		623,484	623,484	PL APPROVED	4/10/2014	N		\$0	Development Agreement
	4884025	HPS/CP: Hunters Point Shipyard		1,870,176	1,870,176	PL APPROVED	4/10/2014	N		\$0	Development Agreement
<b>C-3</b>											
	0269028	350 BUSH ST		340,000	340,000	CONSTRUCTION		N		\$0	
	3725093	5M		550,000	550,000	PL APPROVED	1/4/2016	N		\$0	Development Agreement
	3703084	Soft Sites (5) 1		208,272				Y		\$541,360	
	3704045	Soft Sites (5) 2		125,451				Y		\$127,255	
<b>Central City South</b>											
	6594010	CPMC HOSPITAL - ST. LUKE'S CAMPUS		217,600	217,600	CONSTRUCTION	3/31/2017	N		\$0	
<b>Central SoMa</b>											
	3778004	Flower Mart	Flower Mart	1,254,813		PL FILED	7/16/2015	Y	C	\$5,774,065	
	3778005	Flower Mart	Flower Mart	462,245				Y	C	\$1,811,225	
	3778047	Flower Mart	Flower Mart	416,054		PL APPROVED	6/14/2014	Y	C	\$1,580,270	
	3785132	Flower Mart	Academy of Art	338,720				N		\$0	Change of use office to education
	3786014	330-332 Townsend		101,749		PL FILED		Y	C	\$8,745	
	3787028	4th & Townsend (The Creamery site)		291,416				Y	C	\$957,080	
	3778001B	Flower Mart	Flower Mart	293,596				Y	C	\$967,980	
	3762112	4th & Harrison		266,023				Y	A&B/C (split)	\$830,115	
	3762116	4th & Harrison		182,633				Y	C	\$413,165	
	3776025	4th & Brannan (Wells Fargo site)		193,959				Y	C	\$469,795	
	3777045	5th & Brannan (Park Block)		516,560		PL FILED	8/23/2012	Y	C	\$2,082,800	
	3786037	88 BLUXOME ST (645 05TH ST)	Tennis Club	870,540	870,540	PL FILED	12/1/2016	Y	A&B/C (split)	\$3,852,700	
	3786035	620 4th St		187,814	187,814	PL FILED	9/16/2015	Y	C	\$439,070	
	3750003	350 2nd St		206,117				Y	A&B	\$530,585	
	3750086	395 3rd St		163,943				Y	C	\$319,715	
	3763001	400 - 416 02ND ST (2nd & Harrison)		421,516	421,516	PL FILED	4/29/2016	Y	C	\$1,607,580	
	3786038	505 BRANNAN ST (ADDITION TO 2012.1187)		165,000	165,000	PL FILED	10/10/2017	Y	C	\$325,000	
	3786038	501 - 505 BRANNAN ST		132,095	132,095	CONSTRUCTION	10/10/2017	N		\$0	
	3750003	350 2nd (hotel)		157,062				Y	A&B	\$285,310	
	3776455	424 Brannan (hotel)		105,989				Y	A&B	\$29,945	
	3752590	399 5th St (hotel)		101,754				Y	A&B	\$8,770	
	3776039	565 Bryant (hotel)		190,800				Y	A&B	\$454,000	
	3763001	1 Vassar (hotel)		204,000				Y	C	\$520,000	
<b>Eastern Neighborhoods</b>											
	3808003	100 HOOVER ST		284,471	284,471	CONSTRUCTION	10/26/2017	N		\$0	
	3774026	270 BRANNAN ST		171,650	171,650	CONSTRUCTION		N		\$0	
	3774073	274 BRANNAN ST		120,000	120,000	BP ISSUED	10/15/2004	N		\$0	
	3784007	510 -520 TOWNSEND ST		268,992	268,992	CONSTRUCTION	10/31/2017	N		\$0	
	3800003	552 BERRY ST / 1 DE HARO ST		115,200	115,200	PL FILED	6/1/2016	Y		\$76,000	
	4052001	MIPS_DENSE_NEW 17		215,280				Y		\$576,400	
	4304002	MIPS_DENSE_NEW 18		290,615				Y		\$953,075	
	4110008A	PIER 70		1,102,250	1,102,250	PL FILED	2/10/2015	N		\$0	

Area	Block/Lot	PROJECT	Alternative Name	Zoned capacity (sq ft)	Current pipeline (sq ft)	Status	Date	PROPOSED RATE WOULD APPLY	CENTRAL SOMA FEE TIER	PROPOSED ADDITIONAL REVENUE (\$5 Increase above 100k GSF)	NOTES
<b>Market and Octavia</b>											
	3506002	1500 - 1580 MISSION ST		552,309	552,309	BP ISSUED	10/3/2017	N		\$0	
<b>Mission Bay</b>											
	8727005	1800 - 1900 OWENS ST		680,000	680,000	CONSTRUCTION	10/31/2017	N		\$0	
	8722001	CHASE CENTER (OFFICE)	Warriors Arena	547,000	547,000	BP ISSUED	4/11/2017	N		\$0	
	21	Component 11 (UCSF LRDP) 20		1,318,857				N		\$0	University of California (exempt)
	38	Component 11 (UCSF LRDP) 21		309,941				N		\$0	University of California (exempt)
	8721033	MISSION BAY BLOCK 26		423,000	423,000	CONSTRUCTION	10/26/2017	N		\$0	
	9900048	Mission Rock (PIER 48 / SEAWALL LOT 337)		1,286,200	1,286,200	PL FILED	4/23/2013	N		\$0	Development Agreement
<b>Transbay/Pinon Hill</b>											
	3719010	181 FREMONT ST		492,866	492,866	CONSTRUCTION	10/20/2017	N		\$0	
	3720009	MIPS_DENSE_NEW 22		176,800				Y		\$384,000	
	3708055	OCEANWIDE (FIRST ST TOWER)		790,236	790,236	BP ISSUED	7/5/2017	N		\$0	Grandparented under TIDF
	3735010	Soft Sites (30) 23		167,125				Y		\$335,625	
	3735012	Soft Sites (30) 24		133,666	133,666	PL FILED	9/28/2016	Y		\$168,330	
	3718025	TRANSBAY BLOCK 5		766,745	766,745	CONSTRUCTION	10/18/2017	N		\$0	
	3721016	TRANSBAY PARCEL F		288,677	288,677	PL FILED	2/14/2017	?		\$0	OClI
	3720001	TRANSBAY TOWER / SALESFORCE TOWER		1,700,000	1,700,000	CONSTRUCTION		N		\$0	
<b>Western Addition</b>											
	1077027	Component 11 (UCSF LRDP) 25		172,200				N		\$0	University of California (exempt)
<b>TOTAL</b>				<b>23,658,213</b>	<b>15,226,239</b>						

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180117

SUBMITTED PRESENTED

1/3 PGS

5/7/18

Table E.2: Maximum Justified TSF per Building Square Foot (2015 dollars)

	Transit <sup>1</sup>	Complete Streets <sup>2</sup>	Total
Residential	\$22.59	\$8.34	\$30.93
Nonresidential (excluding PDR)	\$80.68	\$6.74	\$87.42
Production, Distribution, Repair (PDR)	\$22.59	\$3.48	\$26.07

<sup>1</sup> Includes transit capital maintenance and transit capital facilities.  
<sup>2</sup> Includes bicycle facilities plus pedestrian and other streetscape infrastructure.  
Source: Table 6.1.

Transit Sustainability Fee Nexus Study, May 2015 page x

Nexus Study Justified Nonresidential (excluding PDR) \$80.68 s/f  
Current Fee \$19.04 s/f  
Proposed Fee \$24.04 s/f

Table E.1: Growth Projections (2010-2040)

	Non-TSF Development <sup>1</sup>	TSF Development	Total
<i>Residential</i>			
<i>Housing Units</i>			
Housing Units	47,000	54,400	101,400
Percent	46%	54%	100%
<i>Nonresidential</i>			
<i>Employment (Jobs)</i>			
Nonresidential (excluding PDR)	27,700	159,600	187,300
Production, Distribution, Repair (PDR)	(700)	10,300	9,600
Total	27,000	169,900	196,900
Percent	14%	86%	100%
<p>Note: Growth projections for 2010 and 2040 households (occupied housing units) and total employment (jobs) are within one percent of citywide totals estimated by the Association of Bay Area Governments (ABAG). See Tables A.1 and A.2 in Appendix A for details.</p> <p><sup>1</sup> Includes major projects not subject to the TSF because of separate development or other contractual agreements or whose impacts are regulated by other agencies, plus an estimate of constructed, entitled, or approved projects from 2010 through 2014 that would be too far along in the development process to have a new fee applied to them.</p> <p>Sources: Table 2.4.</p>			

Non Residential (excluding PDR) TSF Development  
 Annual Rate: 5,320 jobs a year



180117

**From:** Jeremy Pollock <pollock.jeremy@gmail.com>  
**Sent:** Monday, May 21, 2018 8:26 AM  
**To:** Board of Supervisors, (BOS)  
**Cc:** Major, Erica (BOS)  
**Subject:** Support #180117 to increase the TSF

Supervisors,

I urge you to support ordinance #180117 to increase the TSF by \$5/sq.ft. for non-residential projects larger than 99,999 sq.ft.

Instead of exempting the Central SOMA Plan Area, you should increase this fee beyond the \$5/sq.ft. for other areas, and you should create additional higher tiers for projects larger than 400,000 sq.ft. or 800,000 sq.ft, which are the subject of bidding wars by large tech firms. In addition, I urge you to evaluate increasing the Jobs-Housing Linkage Fee based on the current economic climate.

I greatly appreciate the Planning Department's work analyzing the financial feasibility of the TSF. As a legislative aide to Supervisor Avalos, I saw first hand their skill and dedication. But recent press reports show that the assumptions their analysis is based on dramatically underestimate the profitability of new, large office buildings.

Facebook just signed a lease for all 750,000 square feet of Park Tower, and the Business Times reports the **"asking rents in new buildings in San Francisco are upwards of \$100 per square foot." This is 35% higher than the \$74/sq.ft. assumed in the fiscal feasibility analysis!**

It also seems clear that the feasibility analysis overestimates the vacancy rate in office space in our current economic climate. Virtually every new office building is fully leased while still under construction.

CBRE's recent report, "San Francisco Office Market View Q4 2017" states, "Looking ahead, overall market conditions will likely strengthen in favor of landlords based on elevated demand from large tech tenants. Limited relief is expected from 2018 construction deliveries that are 84% pre-leased. These conditions are likely to put upward pressure on asking rents."

**The 2015 Central SOMA Financial Analysis assumed a 10% vacancy rate in office space.** However the Controller's website shows the office vacancy rate at 8% as of Q4 2017. And the CBRE report shows the citywide vacancy rate at 5.8% for Q4 2017. **For Class A office space, CBRE says the vacancy rate is 5.1% citywide and 3.0% South of Market.**

Taken together, it seems clear that the high demand for large, Class A office buildings ensures that these projects will remain financially feasible even with significant increases in the TSF and other fees beyond what Supervisor Peskin has proposed.

Thank you for your consideration.

Sincerely,

Jeremy Pollock



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CLUB  
FOUNDED 1892

RECEIVED VIA EMAIL  
5/17/18  
180117

San Francisco Group of the San Francisco Bay Chapter

May 17, 2018

Board of Supervisors  
City Hall  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102-4689

*Re: Support for Ordinance Increasing the Transportation Sustainability Fee for Large Non-Residential Projects (File No: 180117)*

Honorable Members of the Board of Supervisors:

The Sierra Club supports the proposed ordinance increasing the Transportation Sustainability Fee (TSF) by \$5 for large Non-Residential projects, except in the Central South of Market Plan Area, where the fee would only be increased by \$2.

However, the Sierra Club also notes that over the next 27 years, the Transportation Task Force 2045 has identified a \$22 billion shortfall for necessary transportation projects. The proposed increase is a good first step in closing that gap, but must be followed by many more that will, sooner rather than later, assess development projects for the true and fair costs of their impacts to transit. This true and fair assessment of impacts to transit should also be extended to the residential and parking projects that support the commercial projects.

It is imperative that local government do what is fully within its power to see that transit expands commensurate with each approved project in order to provide people with alternatives to driving and to fight climate change. The consequences of failing to do so are dire for San Franciscans and the planet, as scientists predict sea level rise, prolonged droughts, and an increase in the frequency and intensity of storms.

Thank you for your consideration.

Susan Vaughan  
Member, SF Group Conservation Committee

Howard Strassner, Member SF Group Executive Committee  
419 Vicente, San Francisco CA 94116, (415) 661-8786  
email: ruthowl@gmail.com



May 11, 2018

The Honorable London Breed, President  
The Honorable Katy Tang, Chair, Land Use and Transportation Committee  
San Francisco Board of Supervisors  
1 Dr. Carlton B. Goodlett Place, #244  
San Francisco, CA 94012

Rich Hillis, President  
San Francisco Planning Commission  
John Rahaim, Planning Director  
San Francisco Planning Department  
1650 Mission Street, Suite 400  
San Francisco, CA 94103

RE: OPPOSE: File #180117, Increasing the Transportation Sustainability Fee for Non-Residential Projects (Peskin)

Dear President Breed, Supervisor Tang, President Hillis, and Director Rahaim,

The San Francisco Chamber of Commerce, representing thousands of local businesses, opposes Supervisor Peskin's proposed legislation (File #18117) that would increase the Transportation Sustainability Fee (TSF) on non-residential projects over 99,999 square feet.

The TSF, which replaced the Transportation Impact Development Fee (TIDF) in 2015, was crafted by the SFMTA, members of the Board of Supervisors and a diverse group of stakeholders who met together over several years to negotiate a fee structure that would raise much-needed revenue for transit without impeding residential and commercial development. This was a good faith collaborative effort to come to agreement on fees paid by developers for new construction projects across the city, fees which have been producing substantial funding for improvements and upgrades to the city's transportation systems for almost three years.

In February 2016, just two months after the TSF was approved by the Supervisors, former Supervisor John Avalos introduced legislation to further increase the TSF for non-residential development projects over 99,999 square feet by \$2/sf, from \$19.04 to \$21.04/sf. Though narrowly passed by the Board of Supervisors, the legislation was vetoed by the late Mayor Ed Lee on the grounds that the fee structure had been painstakingly worked out and agreed to by all stakeholders, and the increase could potentially have a negative impact on large-scale development projects by making them too costly to undertake.

Now, two years later, Supervisor Peskin is proposing an increase to the TSF of \$5/sf (from \$19.04 to \$24.04/sf) on all new non-residential development projects over 99,999 square feet except in Central SOMA, where the increase would be \$2/sf (from \$19.04 to \$21.04/sf). His proposal comes without stakeholder input, discussion or consensus that the additional increase is prudent and will not cause construction costs to rise beyond feasibility. While it has not yet been before the Planning Commission, which is scheduled to hear it on May 17<sup>th</sup>, the legislation was heard at the Land Use and Transportation Committee of the Board of Supervisors on May 7<sup>th</sup> where it was amended regarding Central SOMA, and continued to the Committee's meeting on May 21, 2018.

The San Francisco Chamber of Commerce supports the city reviewing these fees on a regular basis, perhaps every five years, informed by a complete and accurate financial analysis upon which decisions regarding whether to change the fees, on which projects, and by how much are based. We do not support targeting one type of development at random times to impose fee increases without analysis or input, and we therefore urge the Planning Commission and the Board of Supervisors to retain the current TSF fee structure and reject this legislation.

Sincerely,

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

Jim Lazarus  
Senior Vice President, Public Policy  
San Francisco Chamber of Commerce

cc: The Clerk of the Board of Supervisors, to be distributed to all Supervisors; Mayor Mark Farrell

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

## NOTICE OF PUBLIC HEARING

### BOARD OF SUPERVISORS OF THE CITY AND COUNTY OF SAN FRANCISCO LAND USE AND TRANSPORTATION COMMITTEE

NOTICE IS HEREBY GIVEN THAT the Land Use and Transportation Committee will hold a public hearing to consider the following proposal and said public hearing will be held as follows, at which time all interested parties may attend and be heard:

**Date:** Monday, May 7, 2018

**Time:** 1:30 p.m.

**Location:** Legislative Chamber, Room 250, located at City Hall  
1 Dr. Carlton B. Goodlett Place, San Francisco, CA

**Subject:** File No. 180117. Ordinance amending the Planning Code to increase the Transportation Sustainability Fee by \$5 for Non-Residential Projects larger than 99,999 gross square feet; affirming the Planning Department's determination under the California Environmental Quality Act; and making findings of public necessity, convenience and welfare, and findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

If this legislation passes, the Transportation Sustainability Fee (TSF) within the Planning Code, Section 411A.5., for large non-residential project fee rate will increase by \$5.00 per square feet, from \$19.04 to \$24.04. Non-residential, except hospitals and health services, all gross square feet over 99,999 are subject to the proposed TSF Fee Schedule.

In accordance with Administrative Code, Section 67.7-1, persons who are unable to attend the hearing on this matter may submit written comments to the City prior to the time the hearing begins. These comments will be made as part of the official public record in this matter, and shall be brought to the attention of the members of the Committee. Written comments should be addressed to Angela Calvillo, Clerk of the Board, City Hall, 1 Dr. Carlton Goodlett Place, Room 244, San Francisco, CA 94102. Information relating to this matter is available in the Office of the Clerk of the Board. Agenda information relating to this matter will be available for public review on Friday, May 4, 2018.

  
Angela Calvillo  
Clerk of the Board

DATED/POSTED/PUBLISHED: April 26 and May 2, 2018

BOARD of SUPERVISORS



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

February 6, 2018

File No. 180117

Lisa Gibson  
Environmental Review Officer  
Planning Department  
1650 Mission Street, Ste. 400  
San Francisco, CA 94103

Dear Ms. Gibson:

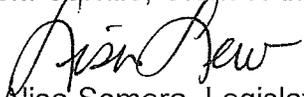
On January 30, 2018, Supervisor Peskin introduced the following proposed legislation:

**File No. 180117**

**Ordinance amending the Planning Code to increase the Transportation Sustainability Fee by \$5 for Non-Residential Projects larger than 99,999 gross square feet; affirming the Planning Department's determination under the California Environmental Quality Act; and making findings of public necessity, convenience and welfare, and findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.**

This legislation is being transmitted to you for environmental review.

Angela Calvillo, Clerk of the Board

*for* By:  Alisa Somera, Legislative Deputy Director  
Land Use and Transportation Committee

Attachment

c: Joy Navarrete, Environmental Planning  
Laura Lynch, Environmental Planning

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

February 6, 2018

Planning Commission  
Attn: Jonas Ionin  
1650 Mission Street, Ste. 400  
San Francisco, CA 94103

Dear Commissioners:

On January 30, 2018, Supervisor Peskin introduced the following legislation:

**File No. 180117**

**Ordinance amending the Planning Code to increase the Transportation Sustainability Fee by \$5 for Non-Residential Projects larger than 99,999 gross square feet; affirming the Planning Department's determination under the California Environmental Quality Act; and making findings of public necessity, convenience and welfare, and findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.**

The proposed ordinance is being transmitted pursuant to Planning Code, Section 302(b), for public hearing and recommendation. The ordinance is pending before the Land Use and Transportation Committee and will be scheduled for hearing upon receipt of your response.

Angela Galvillo, Clerk of the Board

*for* By:  Alisa Somera, Legislative Deputy Director  
Land Use and Transportation Committee

c: John Rahaim, Director of Planning  
Aaron Starr, Acting Manager of Legislative Affairs  
Scott Sanchez, Zoning Administrator  
Lisa Gibson, Environmental Review Officer  
AnMarie Rodgers, Senior Policy Advisor  
Laura Lynch, Environmental Planning  
Joy Navarrete, Environmental Planning

BOARD of SUPERVISORS



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# MEMORANDUM

TO: Regina Dick-Endrizzi, Director  
**Small Business Commission, City Hall, Room 448**

FROM: *ll* Alisa Somera, Legislative Deputy Director  
*fm* Land Use and Transportation Committee

DATE: February 6, 2018

SUBJECT: REFERRAL FROM BOARD OF SUPERVISORS  
Land Use and Transportation Committee

The Board of Supervisors' Land Use and Transportation Committee has received the following legislation, which is being referred to the Small Business Commission for comment and recommendation. The Commission may provide any response it deems appropriate within 12 days from the date of this referral.

**File No. 180117**

**Ordinance amending the Planning Code to increase the Transportation Sustainability Fee by \$5 for Non-Residential Projects larger than 99,999 gross square feet; affirming the Planning Department's determination under the California Environmental Quality Act; and making findings of public necessity, convenience and welfare, and findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.**

Please return this cover sheet with the Commission's response to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

\*\*\*\*\*

RESPONSE FROM SMALL BUSINESS COMMISSION - Date: \_\_\_\_\_

\_\_\_\_\_ No Comment

\_\_\_\_\_ Recommendation Attached

257  
Chairperson, Small Business Commission

Print Form

# Introduction Form

By a Member of the Board of Supervisors or Mayor

BOARD OF SUPERVISORS  
SANTA CLARA COUNTY

2010 JAN 30 PM 4:09  
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 [ ] inquiries"
- 5. City Attorney Request.
- 6. Call File No. [ ] from Committee.
- 7. Budget Analyst request (attached 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 the Imperative Form.**

Sponsor(s):

Supervisor Peskin

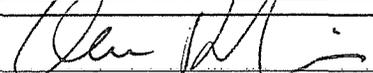
Subject:

[Planning Code - Increasing the Transportation Sustainability Fee for Large Non-Residential Projects]

The text is listed:

Ordinance amending the Plannig Code to increase the Transportation Sustainability Fee by \$5 for Non-Residential Projects larger than 99,999 gross square feet; affirming the Planning Department's determination under the California Environmental Quality Act; and making findings of public necessity, convenience and weffare, and findings of consistency with the General Plan and the eight priority policies of Planning Code Section 101.1.

Signature of Sponsoring Supervisor:



For Clerk's Use Only