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**PLANNING DEPARTMENT**

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## Appeal of Community Plan Evaluation 1726-1730 Mission Street Project

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**DATE:** September 18, 2017

**TO:** Angela Calvillo, Clerk of the Board of Supervisors

**FROM:** Lisa Gibson, Environmental Review Officer – (415) 575-9032  
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**RE:** File No. 170808, Planning Department Case No. 2014-002026ENV – Appeal of the Community Plan Evaluation for the 1726-1730 Mission Street Project. Block/Lot: 3532/004A and 005

**PROJECT SPONSOR:** Jody Knight, Reuben, Junius & Rose, on behalf of Sustainable Living, LLC – (415) 567-9000

**APPELLANT:** J. Scott Weaver, Law Office of J. Scott Weaver, on behalf of Our Mission No Eviction – (415) 317-0832

**HEARING DATE:** September 26, 2017

**ATTACHMENTS:** A – Socioeconomic Analysis, Appeal of Community Plan Exemption for 2675 Folsom Street, March 13, 2017

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### INTRODUCTION

This memorandum and the attached documents are a response to a supplemental letter of appeal submitted on July 14, 2017 following the July 3, 2017 letter of appeal to the Board of Supervisors (the Board) regarding the Planning Department's (the "Department") issuance of a Community Plan Evaluation (CPE) under the *Eastern Neighborhoods Rezoning and Area Plan Final Environmental Impact Report*

(“Eastern Neighborhoods PEIR or PEIR”)<sup>1</sup> in compliance with the California Environmental Quality Act (“CEQA”) for the 1726-1730 Mission Street Project (the “Project”).

The Department, pursuant to CEQA, the CEQA Guidelines, 14 Cal. Code of Reg. Sections 15000 *et seq.*, and Chapter 31 of the San Francisco Administrative Code, determined that the Project is consistent with the development density established by zoning, community plan, and general plan policies in the Eastern Neighborhoods Rezoning and Area Plans (the “Eastern Neighborhoods Area Plans”) for the project site, for which a Programmatic EIR was certified, and issued the CPE for the Project on May 24, 2017. The Department determined that the Project would not result in new significant environmental effects, or effects of greater severity than were already analyzed and disclosed in the PEIR, and that the Project is therefore exempt from further environmental review beyond what was conducted in the CPE Initial Study and the Eastern Neighborhoods PEIR in accordance with CEQA Section 21083.3 and CEQA Guidelines Section 15183.

The decision before the Board is whether to uphold the Planning Department’s determination that the Project is exempt from further environmental review (beyond what was conducted in the CPE Initial Study and the PEIR) pursuant to CEQA Section 21083.3 and CEQA Guidelines Section 15183 and deny the appeal, or to overturn the Department’s CPE determination for the Project and return the CPE to the Department for additional environmental review.

#### CONCERNS RAISED AND PLANNING DEPARTMENT RESPONSES:

In general, the Supplemental Appeal Letter does not raise any new primary concerns but expands upon previously raised concerns. The Supplemental Appeal Letter repeats the appellant’s concerns regarding cumulative impacts on the Mission Area Plan, and that the Project does not qualify for a Community Plan Evaluation under Section 15183 of the CEQA Guidelines and Public Resources Code Section 21083.3 because the approval is based upon an out of date 2008 EIR prepared for the Eastern Neighborhoods Area Plan. Please refer to Response 1 in the Original Appeal Response, which states that the appeal does not identify new substantial information that was not known at the time the Eastern Neighborhoods PEIR was certified establishing that the Project would result in significant impacts that were not discussed in the Eastern Neighborhoods PEIR or in more severe adverse impacts than discussed in the PEIR.

The new concerns raised in the Supplemental Appeal Letter are cited in the issue summary below, followed by the Department’s response. The new concerns are identified as Appeal Issue 5 to reflect the

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<sup>1</sup> The Eastern Neighborhoods Rezoning and Area Plan Final EIR (Planning Department Case No. 2004.0160E), State Clearinghouse No. 2005032048) was certified by the Planning Commission on August 7, 2008. The project site is within the Eastern Neighborhoods Rezoning and Area Plan project area.

numbering of the issues addressed in the Department's Original Appeal Response, which ended with Appeal Issue 4.

**Concern 5:** The appellant alleges that the CPE reliance on the PEIR is improper because substantial new information affecting environmental analysis has become available. There have been numerous changes on the ground having direct, indirect and cumulative impact on the environment.

The appellant also alleges that the proposed project would result in potentially significant traffic impacts that were not known or considered at the time the Eastern Neighborhoods PEIR.

**Response 5:** This response addresses concerns about gentrification of the Mission District and related displacement of existing residents and local businesses. However, these socioeconomic effects are generally beyond the scope of the CEQA environmental review process. Under CEQA, socioeconomic effects may be considered only to the extent that a link can be established between anticipated socioeconomic effects of a proposed action and adverse physical environmental impacts.

The Department agrees with the appellant that the Mission is undergoing socioeconomic changes that are affecting existing residents, local small businesses, employment, and the character of the Mission community. The Department is actively engaging with the community, the Board, the Mayor's Office, and other City departments in initiatives designed to ease the socioeconomic pressures on the community. These efforts include the 2016 Mission Interim Controls, the Calle 24 Special Use District, MAP2020, and a broader citywide analysis of socioeconomic trends.

However, the Department disagrees with the appellant's position that development under the Eastern Neighborhoods rezoning and area plans such as the 1726-1730 Mission Street project are responsible for residential or commercial displacement. As shown in the attached analysis (Attachment A) prepared for the 2675 Folsom Street CEQA appeal, the appellant's contention that the proposed project would cause or contribute to socioeconomic effects that would in turn result in significant impacts on the physical environment that were not previously identified in the Eastern Neighborhoods PEIR is contrary to the evidence. Based on the available data and expert opinion presented in the academic literature, it appears that the fundamental causes of gentrification and displacement in the Mission and elsewhere in San Francisco are likely related to broader economic and social trends, such as the mismatch between the supply and demand for housing at all levels, the strength of the regional economy, low unemployment, high wages, favorable climate, and a preference for urban lifestyles and shorter commutes. These issues are clearly beyond the scope and reach of the environmental review process for individual projects under CEQA.

Finally, the issues raised by the appellant are not new. The Population, Housing, Business Activity, and Employment section of the Eastern Neighborhoods PEIR included a thorough analysis of these issues, examining, among other things, whether development under the rezoning and area plans would cause or contribute to gentrification or displacement. The impacts of growth afforded under the rezoning and area plans on the physical environment are evaluated and disclosed in both the plan-level and project-level CEQA documents under the relevant resource topics such as transportation, air quality, noise, parks and open space, and public services. The appellant has not demonstrated that the Department's CEQA determination for the 1726-1730 Mission Street project is not supported by substantial evidence. The Department therefore recommends that the Board reject the appeal and uphold the Department's CEQA

determination for the proposed project in accordance with CEQA section 21080.3 and CEQA Guidelines section 15183.

Attachment A  
Socioeconomic Analysis,  
Appeal of Community Plan Exemption for  
2675 Folsom Street,  
March 13, 2017



# SAN FRANCISCO PLANNING DEPARTMENT

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## APPEAL OF COMMUNITY PLAN EXEMPTION 2675 FOLSOM STREET PROJECT

**DATE:** March 13, 2017

**TO:** Angela Calvillo, Clerk of the Board of Supervisors

**FROM:** Lisa M. Gibson, Acting Environmental Review Officer – (415) 575-9032  
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**RE:** File No. 161146, Planning Department Case No. 2014.000601ENV – Appeal of the Community Plan Exemption for the 2675 Folsom Street Project. Block/Lot: 3639/006, 007

**PROJECT SPONSOR:** Muhammad Nadhiri, Axis Development Corporation – (415) 992-6997

**APPELLANT:** J. Scott Weaver, Law Office of J. Scott Weaver, on behalf of the Calle 24 Latino Cultural District Community Council – (415) 317-0832

**HEARING DATE:** March 21, 2017

**ATTACHMENTS:** Appendix A – Socio-Economic Effects of Market-Rate Development on the Calle 24 Latino Cultural District, San Francisco, CA  
Appendix B – Eastern Neighborhoods / Mission District Transportation and Demographic Trends

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### 1 INTRODUCTION

This memorandum and the attached documents are supplements to the Planning Department’s (the “Department”) November 29, 2016 responses to letters of appeal to the Board of Supervisors (the “Board”) regarding the Department’s issuance of a Community Plan Exemption (“CPE”) under the Eastern Neighborhoods Rezoning and Area Plan Final Environmental Impact Report (“Eastern Neighborhoods PEIR or PEIR”)<sup>1</sup> in compliance with the California Environmental Quality Act (“CEQA”)

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<sup>1</sup> [The Eastern Neighborhoods Rezoning and Area Plan Final EIR](#) (Planning Department Case No. 2004.0160E), State Clearinghouse No. 2005032048) was certified by the Planning Commission on August 7, 2008. The project site is within the Eastern Neighborhoods Rezoning and Area Plan project area.

for the 2675 Folsom Street project. Specifically, this memorandum expands on the Planning Department's previous response to the appellant's contentions concerning socioeconomic impacts.

On October 21, 2016, J. Scott Weaver, on behalf of the Calle 24 Latino Cultural District Community Council ("the appellant"), filed an appeal of the Planning Department's CEQA determination for the proposed project. On November 28, 2016, the Planning Department provided a response to the CEQA appeal. On November 29, 2016, the Board of Supervisors opened a hearing on the appeal of the CPE and continued the hearing to December 13, 2016, to allow additional time for the Department to prepare an analysis of potential socioeconomic effects of the proposed project within the Calle 24 Latino Cultural District.<sup>2</sup> The Board voted on December 13, 2016, to continue the appeal hearing to January 10, 2017, and on January 10, 2017, the Board continued the hearing to March 21, 2017, to provide additional time to allow the Department to complete the aforementioned socioeconomic impact analysis.

The decision before the Board is whether to uphold the Planning Department's determination that the proposed project is exempt from further environmental review (beyond what was conducted in the CPE Checklist) pursuant to CEQA section 21083.3 and CEQA Guidelines section 15183<sup>3</sup> and deny the appeal, or to overturn the Department's CPE determination for the project and return the CPE to the Department for additional environmental review.

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<sup>2</sup> The Calle 24 Latino Cultural District is the area bound by Mission Street to the west, Potrero Street to the East, 22<sup>nd</sup> Street to the North and 25<sup>th</sup> Street to the South, including the 24<sup>th</sup> Street commercial corridor from Bartlett Street to Potrero Avenue.

<sup>3</sup> 14 Cal. Code of Reg. Section 15000 *et seq.*, (CEQA Guidelines). The CEQA Guidelines are state regulations, developed by the California Office of Planning and Research and adopted by the California Secretary for Resources. They are "prescribed by the Secretary for Resources to be followed by all state and local agencies in California in the implementation of the California Environmental Quality Act." (CEQA Guidelines Section 15000.)

## Contents

1	Introduction.....	1
2	Executive Summary.....	4
3	Background.....	6
4	Approach to Analysis.....	8
5	Eastern Neighborhoods Plan-Level Socioeconomic Effects.....	9
6	Project-Level Socioeconomic Effects .....	13
6.1	Commercial Gentrification.....	13
6.2	Residential Displacement.....	17
6.3	Conclusion.....	20
7	Physical Environmental Impacts .....	20
7.1	Transportation .....	21
7.1.1	Transit.....	22
7.1.2	Traffic Congestion.....	26
7.1.3	Travel Behavior .....	28
7.1.4	Private Car Ownership and Driving Rates in the Mission.....	30
7.1.5	Commuter Shuttles.....	32
7.1.6	Parking .....	35
7.1.7	Conclusion .....	35
7.2	Aesthetic Impacts .....	35
7.3	Historic and Cultural Impacts.....	35
7.4	Greenhouse Gas Impacts.....	36
7.5	Air Quality Impacts .....	37
8	Conclusion.....	37



## 2 EXECUTIVE SUMMARY

This memorandum addresses concerns about gentrification of the Calle 24 Latino Cultural District and related displacement of existing residents and local businesses. The Planning Department acknowledges that gentrification and displacement are occurring in the Mission District and other San Francisco neighborhoods, and is devoting substantial resources aimed at addressing these socioeconomic issues with the community, Planning Commission, elected leaders, and City partners to undertake a series of policy and implementation efforts. However, these socioeconomic effects are generally beyond the scope of the CEQA<sup>4</sup> environmental review process. Under CEQA, socioeconomic effects may be considered only to the extent that a link can be established between anticipated socioeconomic effects of a proposed action and adverse physical environmental impacts.

CEQA mandates streamlined review for projects like the 2675 Folsom Street project that are consistent with the development density established by existing zoning, community plan, or general plan policies for which an environmental impact report (“EIR”) was certified. Accordingly, additional environmental review for such projects shall not be required except to examine whether there are project-specific significant impacts that are peculiar to the project or its site. Pursuant to CEQA Guidelines section 15183(a): “This streamlines the review of such projects and reduces the need to prepare repetitive environmental studies.” As such, the additional analysis presented in this memorandum is limited to examining whether the project would cause or contribute to socioeconomic effects that would in turn lead to significant physical impacts beyond those identified in the Program EIR certified for the adoption of the Eastern Neighborhoods Rezoning and Area Plans (“Eastern Neighborhoods PEIR”).

The Eastern Neighborhoods PEIR included an extensive analysis of the socioeconomic effects of the area plans and rezoning generally concluding that: (1) the rezoning would have secondary socioeconomic effects, (2) these effects would be more severe without the rezoning, and (3) these socioeconomic effects would not in turn lead to significant physical environmental impacts. The PEIR identifies improvement measures to address less than significant effects of potential displacement of some neighborhood-serving uses. Thus, the concerns about the socioeconomic effects of development under the area plans and rezoning are not new and were not overlooked by the plan-level EIR.

The Planning Department worked with ALH Urban & Regional Economics to prepare analyses of retail supply and demand, commercial and residential displacement, as well as a review of the relevant academic literature to evaluate whether gentrification and displacement of existing residents or businesses can be attributed to market-rate residential and mixed-use development under the Eastern

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<sup>4</sup> California Environmental Quality Act (CEQA), Public Resources Code Section 21000 *et seq.*

Neighborhoods rezoning and area plans. Neither these analyses nor the literature establishes empirical evidence supporting the position that market-rate development under the rezoning and area plans is responsible for residential or commercial displacement.

The department also conducted additional analysis to evaluate whether the proposed project would cause or contribute to significant impacts on the physical environment related to population growth, such as transportation, air quality, and greenhouse gas emissions, beyond those identified in the Eastern Neighborhoods PEIR. This analysis, like that previously provided in the community plan exemption ("CPE") prepared for the project, is based on current data and modelling and uses the Planning Department's latest environmental impact analysis standards and methodologies. The analysis includes a report prepared by transportation consultant Fehr & Peers assessing transportation and demographic trends in the Mission District. This analysis shows that cumulative impacts on traffic congestion are the same or slightly less severe than anticipated in the Eastern Neighborhoods PEIR. In addition, current data provided by the San Francisco Municipal Transportation Agency ("SFMTA") show that transit capacity on most lines serving the Eastern Neighborhoods is better than previously anticipated. This is due largely to SFMTA's implementation of a number of major transportation system improvements that were assumed to be infeasible at the time that the Eastern Neighborhoods PEIR was certified. Thus, there is no evidence that transportation and related air quality, greenhouse gas, and other impacts in the Eastern Neighborhoods plan areas are substantially more severe than the Eastern Neighborhoods PEIR disclosed.

In conclusion, the Planning Department's determination that the 2675 Folsom Street project would not result in new or substantially more severe significant effects on the physical environment than were already disclosed in the Eastern Neighborhoods PEIR is valid. The department therefore recommends that the Board reject the appeal and uphold the department's CEQA determination in accordance with CEQA section 21080.3 and CEQA Guidelines section 15183.

### 3 BACKGROUND

The central issues raised by the appellant focus on gentrification of the Mission and displacement of both Mission residents and local small businesses.<sup>5</sup> As discussed in this supplemental appeal response, these socioeconomic issues, while real, are largely beyond the scope of CEQA environmental impact analysis.

Because the intent of CEQA is to provide information about the physical environmental impacts of a proposed action, public agencies have very limited authority under CEQA to address the non-physical effects of an action, such as social or economic effects, through the CEQA environmental review process.

The basic purposes of CEQA are to<sup>6</sup>:

1. Inform governmental decision makers and the public about the potential, significant environmental effects of proposed activities.
2. Identify the ways that environmental damage can be avoided or significantly reduced.
3. Prevent significant, avoidable damage to the environment by requiring changes in projects through the use of alternatives or mitigation measures when the governmental agency finds the changes to be feasible.
4. Disclose to the public the reasons why a governmental agency approved the project in the manner the agency chose if significant environmental effects are involved.

These objectives are achieved through the preparation of informational reports for review by the public and adoption by public agencies. A public agency's adoption of a CEQA environmental review document (e.g., certification of a final environmental impact report or adoption of a community plan evaluation) is the agency's determination that the informational requirements of CEQA have been satisfied, but is neither a judgement of the merits of the subject project, nor an approval of the project itself. Rather, the adoption of a CEQA document is an agency's determination that the document provides sufficient information about the potential environmental effects of a project to inform subsequent discretionary actions on the project, such as consideration of whether to grant a conditional use permit for the project.

The focus of CEQA is on *physical* environmental impacts, such as impacts of a project on air quality, water quality, or wildlife habitat. CEQA Guidelines section 15131(a) states:

Economic or social effects shall not be treated as significant effects on the environment. An EIR may trace a chain of cause and effect from a proposed decision on a project through anticipated economic or social changes resulting from the project to physical changes caused in turn by the economic or social changes. The intermediate economic or social changes need not be analyzed in any detail greater than necessary to trace the chain of cause and effect. The focus of the analysis shall be on the physical changes.

Moreover, CEQA section 21082.2 states, in part:

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<sup>5</sup> *Gentrification* is a process associated with increased investment in existing neighborhoods and the related influx of residents of higher socioeconomic status and increased property values. The effects of gentrification on residential, cultural, social, and political displacement have been the subject of substantial economic and planning research and analysis in the U.S. since at least the 1970s.

<sup>6</sup> CEQA Guidelines section 15002.

- (a) The lead agency shall determine whether a project may have a significant effect on the environment based on substantial evidence in light of the whole record.
- (b) The existence of public controversy over the environmental effects of a project shall not require preparation of an environmental impact report if there is no substantial evidence in light of the whole record before the lead agency that the project may have a significant effect on the environment.
- (c) Argument, speculation, unsubstantiated opinion or narrative, evidence which is clearly inaccurate or erroneous, or evidence of social or economic impacts which do not contribute to, or are not caused by, physical impacts on the environment, is not substantial evidence. Substantial evidence shall include facts, reasonable assumptions predicated upon facts, and expert opinion supported by facts.

[Emphasis added.]

CEQA Guideline section 15360 defines the term *environment* as follows:

“Environment” means the physical conditions which exist within the area which will be affected by a proposed project including land, air, water, minerals, flora, fauna, ambient noise, and objects of historical or aesthetic significance. The area involved shall be the area in which significant effects would occur either directly or indirectly as a result of the project. The “environment” includes both natural and man-made conditions.

Neither the CEQA statute nor the CEQA Guidelines provide an express definition of non-physical effects such as social or economic effects. However, the Planning Department understands non-physical social and economic effects under CEQA to include for example changes in demographics, changes in property ownership or occupancy, and changes in the types of retail businesses in a neighborhood. Such changes are not impacts on the physical environment as defined in CEQA Guidelines section 15360.

Recognizing that CEQA is not an effective or appropriate tool for managing the socioeconomic changes affecting the Mission and other San Francisco neighborhoods, the Planning Department is devoting substantial resources outside of the CEQA process towards this end. The Department is working with the community, Planning Commission, elected leaders, and City partners to undertake a series of policy and implementation efforts aimed at addressing socioeconomic issues. While economic displacement is a citywide phenomenon, the Department recognizes the heightened effects are acutely felt in communities of color, families, and neighborhoods that have historically been havens for immigrants and others seeking opportunity or freedom. The Department is at work on its Racial and Ethnic Equity Action Plan to train staff on these issues, and has been especially engaged in efforts with District 9 former Supervisor Campos and the Mayor’s Office to preserve the viability of the Latino community in the Mission, including the Mission 2016 Interim Zoning Controls, and Calle 24 Special Use District, which is developing commercial controls to help preserve the commercial character of the LCD, and 24<sup>th</sup> Street in particular.

The most robust effort to date, the Mission Action Plan 2020 (“MAP2020”) is a major and unprecedented collaboration between the City family and Mission community organizations and residents. MAP2020 has involved an ongoing dialogue with community members, City agencies, and elected leaders over the past two years. The Department has taken an innovative approach to building a set of broad strategies to preserve, strengthen and protect existing residents, community services, local businesses, and the Mission’s unique character. The most significant of these efforts is to provide nearly 1,000 affordable housing units in the neighborhood. The Planning Commission endorsed MAP2020 on March 2, 2017, and the Department will continue to work with the Board to advance its specific strategies through legislation in the spring and summer of 2017.

In addition, the Planning Department is undertaking a broader socioeconomic analysis of displacement and gentrification issues citywide with a focus on equity. City staff acknowledges that such an analysis is beyond the scope of environmental review under CEQA, but wish to inform decision-makers and the public that the Planning Department is working to address the socioeconomic issues of affordability, economic displacement, and gentrification through land use planning and policy efforts.

#### 4 APPROACH TO ANALYSIS

The analysis provided in this memorandum examines whether the proposed project would cause, either individually or cumulatively, socioeconomic changes within the Calle 24 Latino Cultural District that would in turn lead to significant physical environmental impacts beyond those identified in the Eastern Neighborhoods PEIR. The analysis consists of three parts.

The first part of this analysis examines whether the proposed project would *cause* gentrification or displacement, either individually or cumulatively. It is not enough under CEQA to show only that economic or social changes are occurring in the project area. Rather, the analysis must examine whether the project, either individually or in combination with other past, present, and reasonably foreseeable future projects, would cause these socioeconomic effects. The analysis need proceed further only if it establishes, based on substantial evidence, that the proposed project would cause the socioeconomic effects claimed by the appellant.

If the analysis determines that the project would cause gentrification or displacement, either individually or cumulatively, then the analysis must consider the second question: Would the economic or social effects attributable to the project result in a significant adverse physical impact on the environment? Changes in the types of businesses, cost of housing, or demographics in a project area are not considered physical environmental impacts under CEQA. These are examples of social and economic effects, not physical environmental impacts. As stated above, the focus of CEQA is on physical environmental impacts. Examples of physical impacts that could be linked to social or economic effects include impacts on transportation and related air quality, greenhouse gas, and noise impacts where such impacts are a direct or indirect result of social or economic changes.

Finally, if the analysis traces a chain of cause and effect establishing that the proposed project would result in significant adverse physical environmental impacts as a direct or indirect result of socioeconomic changes, the analysis must consider whether such impacts would constitute new or substantially more severe significant impacts than were identified in the Eastern Neighborhoods PEIR.

Because the proposed project is consistent with the development density established for the project site under the Eastern Neighborhoods area plans and rezoning, consideration of the potential socioeconomic impacts of the proposed project must be limited to significant physical impacts that are peculiar to the project or the project site in accordance with CEQA section 21083.3 and CEQA Guidelines section 15183.

CEQA Guidelines section 15183 states, in part:

- (a) CEQA mandates that projects which are consistent with the development density established by existing zoning, community plan, or general plan policies for which an EIR was certified shall not require additional environmental review, except as might be necessary to examine whether there

are project-specific significant effects which are peculiar to the project or its site. This streamlines the review of such projects and reduces the need to prepare repetitive environmental studies.

- (b) In approving a project meeting the requirements of this section, a public agency shall limit its examination of environmental effects to those which the agency determines, in an initial study or other analysis:
- (1) Are peculiar to the project or the parcel on which the project would be located,
  - (2) Were not analyzed as significant effects in a prior EIR on the zoning action, general plan, or community plan, with which the project is consistent,
  - (3) Are potentially significant off-site impacts and cumulative impacts which were not discussed in the prior EIR prepared for the general plan, community plan or zoning action, or
  - (4) Are previously identified significant effects which, as a result of substantial new information which was not known at the time the EIR was certified, are determined to have a more severe adverse impact than discussed in the prior EIR.

Accordingly, the analysis below examines whether socioeconomic effects of the proposed project would result in significant adverse impacts on the physical environment that:

- Are peculiar to the project or the parcel on which the project would be located
- Were not analyzed as significant effects in the Eastern Neighborhoods PEIR
- Are potentially significant off-site impacts and cumulative impacts which were not discussed in the Eastern Neighborhoods PEIR, or
- Are previously identified significant effects which, as a result of substantial new information which was not known at the time the Eastern Neighborhoods PEIR was certified, are determined to have a more severe adverse impact than discussed in the PEIR

## 5 EASTERN NEIGHBORHOODS PLAN-LEVEL SOCIOECONOMIC EFFECTS

To evaluate whether socioeconomic effects that might be caused or exacerbated by the proposed project would result in new or more severe significant environmental impacts than were previously identified in the Eastern Neighborhoods PEIR, it is necessary to first review how such effects are addressed in the PEIR. The Eastern Neighborhoods PEIR included a thorough analysis of the socioeconomic effects of the rezoning and area plans. Specifically, the Population, Housing, Business Activity, and Employment section of the PEIR examines whether adoption of the area plans and rezoning would cause or substantially contribute to gentrification and the displacement of existing residents and businesses in the Eastern Neighborhoods plan areas, and if so, whether such effects would result in significant adverse

impacts on the physical environment<sup>7</sup>. A socioeconomic impact study prepared as a background report to the PEIR<sup>8</sup> provides the basis for this analysis.

The PEIR determined that the adoption and implementation of the area plans and rezoning would induce substantial growth and concentration of population in San Francisco. In fact, one of the four citywide goals that serve as the “project sponsor’s objectives” for the Eastern Neighborhood Rezoning and Area Plans is:

*Increase Housing:* To identify appropriate locations for housing in the City’s industrially zoned land to meet a citywide need for more housing, and affordable housing in particular.

Notably, unlike other sections of the PEIR that base their analysis on *projected* growth through 2025, the Population, Housing, Business Activity, and Employment section considers the *total* housing supply potential of up to 26,500 new housing units on undeveloped parcels and soft sites under the rezoning. The analysis of potential gentrification and displacement effects in the PEIR is based on this full build out scenario, which assumes substantially greater population growth than the 2025 projections used to assess potential impacts on transportation, air quality and other growth-related impacts on the physical environment.<sup>9</sup>

The PEIR determined that the increase in population expected as a secondary effect of the rezoning and area plans would not, in itself, result in adverse physical effects, and would serve to advance some key City policy objectives, such as decreasing the air quality impacts of development by coordination of land use and transportation decisions (General Plan Air Quality Element Objective 3); provision of new housing, especially permanently affordable housing, in appropriate locations that meets identified housing needs and takes into account the demand for affordable housing created by employment demand (Housing Element Objective 1); encouragement of higher residential density in areas adjacent to downtown, in underutilized commercial and industrial areas proposed for conversion to housing, and in neighborhood commercial districts where higher density will not have harmful effects, especially if the higher density provides a significant number of units that are affordable to lower income households (Housing Element Policy 1.1); identification of opportunities for housing and mixed-use districts near downtown and former industrial portions of the City (Housing Element Policy 1.2); identification of opportunities for housing and mixed use districts near downtown and former industrial portions of the City (Housing Element Policy 1.3); establishment of public transit as the primary mode of transportation in San Francisco and as a means through which to guide future development and improve regional mobility and air quality (Transportation Element Objective 11); and giving first priority to improving transit service throughout the city, providing a convenient and efficient system as a preferable alternative to automobile use (Transportation Element Objective 20).

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<sup>7</sup> City and County of San Francisco, *Eastern Neighborhoods Rezoning and Area Plans, Final EIR*, p. 175-252, August 7, 2008.

<sup>8</sup> Hausrath Economics Group, *San Francisco’s Eastern Neighborhoods Rezoning – Socioeconomic Impacts*, March 29, 2007.

<sup>9</sup> City and County of San Francisco, *Eastern Neighborhoods Rezoning and Area Plans, Final EIR*, p. 240-241, August 7, 2008.

Moreover, the PEIR concluded that implementation of the plans would result in more housing options and a broader range of housing prices and rents, compared to conditions under the No-Project scenario. The PEIR determined that the rezoning and area plans could result in a better match between housing supply and demand in San Francisco than would otherwise be the case without the rezoning while potentially providing benefits such as a reduction in traffic and vehicle emissions if San Francisco workers could live closer to their jobs. The PEIR anticipated that the population increase expected from the rezoning could also generate economic growth by increasing demand for neighborhood-serving retail and personal services, although some existing businesses could be displaced by other businesses that might better serve new residents. The PEIR also determined that the additional population would increase demand for other City services (parks, libraries, health care and human services, police and fire protection, schools, and childcare).<sup>10</sup>

Second, the PEIR determined that none of the proposed rezoning options would result in the direct displacement of residents, given that the rezoning would not lead to the demolition of existing residential development and would result in a substantial increase in residential units throughout the plan areas. As stated above, the PEIR determined that the rezoning would result in less displacement because of housing demand than otherwise expected under the No-Project scenario, because the addition of more new housing in the Eastern Neighborhoods would provide some relief for housing market pressures without directly affecting existing residents.

However, the PEIR recognized that residential displacement is not solely a function of housing supply, and that adoption of the area plans and rezoning could result in indirect, secondary effects on neighborhood character—through gentrification—that could result in some displacement of existing residents over time. The PEIR disclosed that the replacement of former industrial uses with housing could result in gentrification of existing nearby residential areas and displacement of lower income households. The PEIR also observed, however, that the rezoning could help to ameliorate the potential effects of residential displacement by increasing the supply of affordable dwelling units sized to accommodate families.

The PEIR also disclosed that as a result of the rezoning and area plans, the real estate market would favor residential, retail, and other higher-value uses, leading to PDR displacement, either to other locations in the city or outside San Francisco, and to some business closures. While this was an existing trend prior to adoption of the area plans and rezoning, the PEIR anticipated that this trend would accelerate in areas rezoned for non-PDR uses. The PEIR further anticipated that displacement of PDR businesses would result in some San Franciscans, including Eastern Neighborhoods residents, with limited education, skills, and language abilities losing opportunities for local, higher wage jobs, which in turn could increase demand for affordable housing in San Francisco.

The PEIR concluded that adoption and implementation of the area plans and rezoning would not create a substantial demand for additional housing in San Francisco, or substantially reduce the housing supply. As stated above, the PEIR determined that adoption of the area plans and rezoning would not substantially increase the overall economic growth potential in San Francisco and would not result in

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<sup>10</sup> Ibid. p. 240-250



substantially more primary employment growth than otherwise expected in the city or the region, because most of the employment growth that would result from new housing in the Eastern Neighborhoods would be in neighborhood-serving retail and services, which are employment categories that tend to respond to increased population, not employment that precedes or leads to population growth.

Instead, the PEIR determined that implementation of the rezoning and area plans would increase the housing supply potential in the Eastern Neighborhoods and citywide, compared to conditions under the No-Project scenario without implementation of the proposed rezoning and area plans. The PEIR determined that by increasing housing supply relative to demand, more housing choices, and more (relatively) affordable housing units would be developed than without the rezoning, and that the Inclusionary Affordable Housing Program would require below-market-rate units to be developed in conjunction with market-rate projects. Therefore, housing prices and rents for both new and existing housing would generally be lower than would be the case with the more limited housing supply potential in these areas under the prior zoning and continuation of existing market trends. Additionally, the PEIR determined that the area plans and rezoning would reduce pressure to convert existing rental housing stock to relatively affordable for-sale housing (such as through condominium conversions and the tenants-in-common process), compared to No-Project conditions.

Still, the PEIR anticipated that for-sale housing in the Eastern Neighborhoods (and citywide) is likely to remain too expensive for most residents, underscoring the importance of providing and maintaining below-market-rate housing. A possible secondary impact of the area plans and rezoning would be a reduction in the number of sites where City-funded and other subsidized affordable housing units could be built, particularly on new development sites. The PEIR determined however, that maintaining the previous less-restrictive zoning would result in continued increase in land values in the Eastern Neighborhoods, which would also result in elimination of potential affordable housing sites, albeit on a more *ad hoc* basis. Nevertheless, the PEIR included Improvement Measure D-2: Affordable Housing Production and Retention, to reduce the less-than-significant physical effects of potential displacement of existing residents as a secondary effect of the rezoning.

The PEIR also determined that the rezoning would result in economic impacts that could displace existing neighborhood-serving businesses because, despite potential increases in business activity, some smaller, marginally profitable, and locally owned businesses would be likely to be displaced as economic conditions change, landlords begin to increase commercial rents, and more strongly capitalized businesses seek to locate in higher-priced neighborhoods. The PEIR identified improvement measures that could reduce the less-than-significant physical effects of potential displacement of neighborhood serving uses (i.e., Improvement Measure D-1: Support for Local, Neighborhood-Serving Businesses; Improvement Measure D-2: Affordable Housing Production and Retention; Improvement Measure D-3: Affordable Housing Sites; Improvement Measure D-4: Support for PDR Businesses; Improvement Measure D-5: Support for PDR Workers). The PEIR also notes that physical environmental impacts resulting from the growth under the rezoning and area plans are addressed under the relevant sections of the PEIR, such as transportation, air quality, noise, parks and open space, and public services.<sup>11</sup>

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<sup>11</sup> Ibid p. 239

In summary, the Eastern Neighborhoods PEIR identified the potential effects of the rezoning and area plans on housing supply and affordability, gentrification, displacement, locally owned businesses, and PDR use, and evaluated whether these socioeconomic effects would result in significant impacts on the physical environment consistent with the requirements of CEQA. The appellant's contention that these socioeconomic effects represent new information or changed circumstances that the Eastern Neighborhoods PEIR failed to consider is therefore incorrect.

## 6 PROJECT-LEVEL SOCIOECONOMIC EFFECTS

The proposed project at 2675 Folsom Street would demolish three existing warehouses and construct a mixed-use building with 100 market rate and 17 below market rate residential units (15 percent) and 5,200 square feet of PDR space. Because it would not directly displace any existing residents, the proposed project would not result in any related socioeconomic effects.<sup>12</sup>

The appellant contends, however, that even in the absence of direct displacement the project would have indirect displacement effects on existing residents and businesses as a result of gentrification pressures in the Calle 24 Latino Cultural District. As discussed above, the Eastern Neighborhoods PEIR analyzed the possibility that the increase in market rate housing anticipated under the area plans and rezoning could result in indirect displacement of existing residents and businesses as a secondary effect of gentrification and found that these socioeconomic effects would not result in significant physical environmental impacts. Because, as discussed in Section 5 above, the Eastern Neighborhoods PEIR identified potential cumulative gentrification and displacement effects of development under the rezoning and area plans, any such effects attributable to the proposed project would not be peculiar to the project or its site.

In the appellant's letter, the argument that market rate development may cause displacement through gentrification in the Latino Cultural District is primarily supported in two ways. The appellant asserts that displacement of "mom and pop Latino owned and operated concerns" with "high end restaurants, clothing and accessory stores, and personal trainer gyms and yoga studios," (p. 7) along Valencia Street was caused by new market rate development. The appellant also argues that a research brief by UC Berkeley's Institute for Governmental Studies ("IGS") supports the position that market rate development causes displacement.

### 6.1 COMMERCIAL GENTRIFICATION

The first part of the appellant's argument—the assertion that the project would contribute to or accelerate the "Valenciazation" (p. 7) of the Calle 24 District—is presented only as a theoretical possibility, without

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<sup>12</sup> As reported in the project-specific CPE, the proposed project would result in the net loss of 25,322 square feet of warehouse (PDR) space, which represents a considerable contribution to the significant unavoidable cumulative impact on land use within the Eastern Neighborhoods plan areas resulting from the loss of PDR space.

empirical evidence as to the causes of the changes along Valencia Street. The transition of Valencia Street to a regional shopping, dining, and entertainment destination has been underway at least since the early 2000s, predating the recent uptick in residential development in the corridor. The types of “gentrifying” businesses cited by the appellants, such as “high end restaurants, clothing and accessory stores, and personal trainer gyms and yoga studios,” have been in operation along Valencia Street since well before the adoption of the Mission Area Plan. For example, the French bistro Garcon opened in 2005, the flagship store of the Weston boutique has been on Valencia Street since 2003, and the Yoga Tree studio opened in 2002. During the five-year period preceding the opening of Garcon (2001-2005), the number of market-rate units on Valencia increased by 108 (2.5% above the number of units in 2001) while the housing stock citywide expanded by 3.4%. While it is clear that the mix of businesses along Valencia has changed in recent decades, there is no evidence that market rate residential development caused the displacement of “mom and pop” businesses with upscale shopping and dining establishments.

The relatively slow pace of residential development on Valencia (compared to the rest of the city) is also evident over a longer time period. Market rate units along Valencia Street increased by 318 between 2001 and 2015, or roughly 7.9 percent, while the growth of market rate units citywide during the same period has been roughly 9.1 percent. A 2015 report by the City’s Office of Economic Analysis finds, through the analysis of census microdata, that 97 percent of all high-income households new to San Francisco move into existing housing.<sup>13</sup> As the stock of new market rate housing units on the Valencia corridor has only expanded by roughly 0.5 percent each year over the past 15 years, it is more likely that the shift towards higher end retail along the corridor was caused by an influx of higher income residents into the existing housing stock. Therefore, appellant’s position that new market rate units caused the changes in that corridor and that the project would contribute to a similar process in the Calle 24 District is not supported by empirical evidence.

Although the appellant does not provide evidence in support of the contention that the proposed project would lead to the displacement of Latino-owned businesses, the Planning Department engaged ALH Urban & Regional Economics to evaluate the potential effects of new development under the Eastern Neighborhoods rezoning and area plans on existing businesses in the Calle 24 District.<sup>14</sup> The results of this analysis are summarized below, and the full report is attached as Appendix A.

ALH found that there is little existing literature or study of commercial gentrification effects of new development, but cites a 2016 case study analysis in New York City, which indicates that: “The results of gentrification are mixed and show that gentrification is associated with both business retention and

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<sup>13</sup> City and County of San Francisco Office of the Controller, “Potential Effects of Limiting Market-Rate Housing in the Mission”, September 10, 2015.

<sup>14</sup> Amy Herman, ALH Urban & Regional Economics, *Socio-Economic Effects of Market-Rate Development on the Calle 24 Latino Cultural District, San Francisco, CA*, February 2017.

disruption.”<sup>15</sup> The study further found that most businesses stay in place, and “displacement is no more prevalent in the typical gentrifying neighborhood than in non-gentrifying neighborhoods.”<sup>16</sup> The study concludes that: “The fact that displacement is not systematically higher in New York City’s gentrifying neighborhoods bodes well for cities experiencing less aggressive gentrification; however, cities with less vibrant neighborhood retail markets could be more vulnerable to gentrification-induced displacement.”<sup>17</sup> These findings are similar to the conclusions in the Eastern Neighborhoods PEIR as discussed in Section 5 above.

Based on this study, ALH suggests that it is reasonable to conclude that commercial displacement is no more likely to occur in the Calle 24 District than in other San Francisco neighborhoods not experiencing gentrification. ALH also notes that the study suggests that opportunity exists for neighborhoods to gain quality-of-life services through new businesses and retain more businesses under conditions of gentrification, perhaps due to new and increased spending power locally, recognizing, however, that in “neighborhoods where services grow and/or change, the new products, price points, or cultural orientation could be more alienating than useful for incumbent residents.”<sup>18</sup>

ALH observes that this latter point is similar to the appellant’s concern about the “Valenciazation” of the Calle 24 District. However, as discussed above, the changes in the commercial character of the Valencia Street corridor occurred during a period with a limited amount of new market rate development on or near Valencia Street. This suggests that other factors may be more directly associated with commercial gentrification in the Mission than market rate residential development. Thus, in the absence of evidence, and supported by the limited existing academic literature, ALH does not accept the appellant’s premise that market rate residential development causes gentrification of commercial space.

Nevertheless, at the Planning Department’s direction, ALH conducted an analysis of the effects of development anticipated under the Eastern Neighborhoods rezoning and area plans on retail supply and demand within the Calle 24 District. The results of this analysis are summarized below, and the complete analysis is presented in Appendix A.

ALH’s analysis considers entitled projects and projects in the pipeline (i.e., projects with filed permit applications but not yet approved) within a three to four block radius of the Calle 24 District. ALH

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<sup>15</sup> Rachel Meltzer, *Gentrification and Small Business: Threat or Opportunity?*, *Cityscape: A Journal of Policy Development and Research*, Volume 18, Number 3, 2016, page 57. See <https://www.huduser.gov/portal/periodicals/cityscpe/vol18num3/index.html>.

<sup>16</sup> *Ibid.*

<sup>17</sup> *Ibid* p. 80.

<sup>18</sup> *Ibid.*

conservatively estimates<sup>19</sup> demand for retail services that could be generated by new residential development within this study area. Although the focus of the appellant's concern is on market rate development, the analysis estimates retail demand of all residential development, both market rate and below market rate.

ALH estimates that new residential development within the study area would generate demand for a total of 34,400 square feet of neighborhood-oriented retail and commercial space, representing 3.6 percent of the existing approximately 480,000 square feet of commercial base within the Calle 24 District. The largest share of the total demand includes services, followed by grocery stores (food and beverage stores), and restaurants and bars (food services and drinking places). The remaining increments are relatively small, all less than 4,000 square feet. ALH notes that a large portion of this demand comprises grocery store demand, which could help support the Grocery Outlet store currently under construction at 1245 South Van Ness, the location of the defunct DeLano's Market closed since 2010, as well as other existing small markets in the area. ALH also observes that because residents of new development within the study area would not likely shop and dine exclusively within the Calle 24 District, some portion of new demand for neighborhood-oriented services would be expressed outside of the study area.

New development under the Eastern Neighborhoods rezoning and area plans would create a total of approximately 30,400 square feet of net new retail space within the study area. Thus, there is essentially equilibrium between the amount of neighborhood-oriented retail demand and net new retail space resulting from anticipated development within the study area. Because not all neighborhood-oriented demand is likely to be expressed for only the retail space in the Calle 24 District, there would likely be a relative surplus of net new neighborhood-oriented retail space relative to new demand. ALH therefore concludes that demand for retail services generated by new residential development within the study area would not result in substantial pressure on the existing retail base in the Calle 24 District.

This commercial displacement finding is reinforced by analysis regarding the existing balance between retail supply and demand in the Calle 24 District as well as the larger Mission District as a whole. As noted above, the Calle 24 District is estimated to have 480,000 square feet of retail space. The Mission District has 3,022,780 square feet of retail space.<sup>20</sup> Demand analysis for existing households in the Mission and Calle 24 District indicates that both areas are characterized by retail attraction, meaning they attract more retail sales, or demand, than is supportable by their population bases (see Exhibits 10 through 13 of Appendix A). The demand analysis for each area was prepared using the same methodology and assumptions as for the Calle 24 District pipeline households.

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<sup>19</sup> The ALH retail demand estimate is considered conservative for purposes of this analysis because assumptions made in the analysis (e.g., average household income and spending patterns) are more likely to result in overestimation rather than underestimation of the actual retail demand that could be generated.

<sup>20</sup> San Francisco Planning Department, *Mission Area Plan Monitoring Report: 2011- 2015*, Table 2.1.1, page 9.

The retail demand analyses are summarized in **Table 1**, which indicates that for the Mission as a whole, residents are estimated to generate total retail demand for 1.1 million square feet, with just under 500,000 square feet of this amount comprising neighborhood-oriented demand. Comparable figures for existing Calle 24 District households are 325,500 square feet of total demand, including 141,500 square feet of neighborhood-oriented demand.

<b>Table 1: Retail Inventory and Demand Mission and Calle 24 Latino Cultural District</b>					
Area	Retail Inventory	Square Feet Supported		Supply Multiplier	
		Total	Neighborhood Oriented	Total	Neighborhood Oriented
Mission District	3,022,780	1,134,500	493,200	2.7	6.1
Calle 24 District	480,000	325,500	141,500	1.5	3.4
Sources: San Francisco Planning Department, <i>Mission Area Plan Monitoring Report: 2011-2015</i> , Table 2.1.1, page 9 ALH Urban & Regional Economics					

These demand estimates indicate that the supply of retail in the Mission as a whole and the Calle 24 District outstrip locally-generated demand. In the Mission, the total retail supply is more than 2.5 times the amount of retail supportable by its residents. In the Calle 24 District, the figure is smaller at 1.5 times, but is still strongly suggestive of retail attraction, meaning that the existing retail base is attracting clientele from a broader geographic area. This is especially the case considering that neighborhood-oriented demand is only a small subset of total demand, with the supply of neighborhood-oriented businesses in both areas greatly exceeding demand for neighborhood retail.

The San Francisco Controller’s Office peer reviewed the ALH report, and concurred with its conclusions, stating: “There is no reason to believe that development in the pipeline would increase commercial rents in the neighborhood, considering that new development in the pipeline would raise the neighborhood’s supply of commercial space, as well as demand.”<sup>21</sup>

In summary, neither the relevant literature, nor the available evidence support the appellant’s contention that the proposed project would result, either individually or cumulatively, in commercial gentrification within the Calle 24 Latino Cultural District.

## 6.2 RESIDENTIAL DISPLACEMENT

ALH reviewed numerous studies and papers to identify the existing published research that best address the relationships between housing production, housing cost, and displacement. Based upon this review of the literature and related studies, five papers stand out in regards to their consideration of this issue.

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<sup>21</sup> City and County of San Francisco, Office of the Controller, *Review of ALH Socioeconomics Report*, February 22, 2017.

These papers were authored by state and local policy analysts as well as urban planning academics, and include the following:

Mac Taylor, Legislative Analyst, California Legislative Analyst's Office, "California's High Housing Costs: Causes and Consequences," March 17, 2015. <http://www.lao.ca.gov/reports/2015/finance/housing-costs/housing-costs.pdf>

Mac Taylor, Legislative Analyst, California Legislative Analyst's Office, "Perspectives on Helping Low-Income Californians Afford Housing," (February 2016). <http://www.lao.ca.gov/Reports/2016/3345/Low-Income-Housing-020816.pdf>

City and County of San Francisco, Office of the Controller-Office of Economic Analysis, "Potential Effects of Limiting Market-Rate Housing in the Mission," (September 10, 2015). [http://sfcontroller.org/sites/default/files/FileCenter/Documents/6742-mission\\_moratorium\\_final.pdf](http://sfcontroller.org/sites/default/files/FileCenter/Documents/6742-mission_moratorium_final.pdf)

Miriam Zuk, Karen Chapple, "Housing Production, Filtering and Displacement: Untangling the Relationships," University of California, Berkeley, Institute of Governmental Studies Research Brief (May 2016). [http://www.urbandisplacement.org/sites/default/files/images/udp\\_research\\_brief\\_052316.pdf](http://www.urbandisplacement.org/sites/default/files/images/udp_research_brief_052316.pdf)

Paavo Monkkonen, Associate Professor Urban Planning, University of California Los Angeles, "Understanding and Challenging Opposition to Housing Construction in California's Urban Areas," Housing, Land Use and Development Lectureship & White Paper, December 1, 2016. <http://uccs.ucdavis.edu/uccs-crre-housing-policy-brief-white-paper>

Appendix A includes a synopsis of the findings from each of these studies most specifically addressing housing production and housing costs, with an emphasis, if possible, on rental housing, as this is most applicable to the Calle 24 District and San Francisco.

The findings from the five studies identified above support the conclusion that housing production does not result in increased costs of the existing housing base, but rather helps suppress existing home prices and rents. In addition, through filtering<sup>22</sup>, new home development makes other units available for households with lower incomes than those occupying newer units, although the rate at which this filtering occurs can vary, depending upon the housing market dynamics. Further, the studies find that both market-rate and affordable housing development help to suppress price appreciation and reduce displacement, with affordable housing having double the protective effect of market-rate housing, although the rate at which this occurs in small, localized areas requires further analysis to best understand the relationship between development, affordability, and displacement at the local level.

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<sup>22</sup> *Filtering* is the process by which the cost of older market rate housing stock is suppressed through the increased availability of newer market rate development.

The appellant references one of the studies reviewed by ALH (the Zuk and Chapple brief) to argue that the proposed project would cause displacement. However, as further discussed in Appendix A, the Zuk and Chapple brief does not support this conclusion. As the appellant's letter itself highlights, the brief stresses the importance of building both market rate and subsidized housing in order to ease displacement pressures at the regional scale. The report finds "that market-rate housing built in the 1990s significantly reduces the incidence of displacement from 2000 to 2013",<sup>23</sup> and states further: "These findings provide further support for continuing the push to ease housing pressures by producing more housing at all levels of affordability throughout strong-market regions."<sup>24</sup> Another way of phrasing these findings is that if the project was not built, displacement pressures in the city and region would increase, as the project includes both market rate and affordable units, both of which have an attenuating effect on displacement, according to the study. Zuk and Chapple find that the effect at finer grained scales (such as the census block group level) is "insignificant"<sup>25</sup>, meaning that neither a positive nor a negative impact could be detected. Thus, the Zuk and Chapple brief does not support the appellant's contention that development like the proposed project causes displacement.

The San Francisco Controller's Office concurred with ALH's analysis, stating: "There is no reason to believe that new housing increases the market rents of vacant rental units or the sales prices of for-sale units."<sup>26</sup>

In addition to ALH's review of the relevant research, the Planning Department undertook exploratory analysis to test the proposition that market rate development has caused displacement at a finer grained scale (the census tract) in San Francisco over the past 15 years and has similarly found no clear cause and effect relationship. A statistical simple correlation analysis between new units added between 2000 and 2015 by census tract and eviction notices served between 2011 and 2015 shows only a weak *negative* correlation, that is census tracts with *more* development saw *fewer* evictions.<sup>27,28</sup> This analysis uses the

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<sup>23</sup> Miriam Zuk & Karen Chapple, *Housing Production, Filtering and Displacement: Untangling the Relationships*, University of California, Berkeley, Institute of Governmental Studies Research Brief (May 2016), page 6.

<sup>24</sup> *Ibid* p. 3.

<sup>25</sup> *Ibid* p. 7.

<sup>26</sup> City and County of San Francisco, Office of the Controller, *Review of ALH Socioeconomics Report*, February 22, 2017.

<sup>27</sup> The Planning Department analyzed both "no fault" and "for cause" evictions, since "for cause" evictions currently make up a majority of all cases. This relationship holds for both types of evictions.

<sup>28</sup> This analysis standardized evictions in census tracts across the city by dividing them by the total number of rental units in the census tract in order to compare relative rates of evictions between tracts and not to compare absolute numbers of evictions, since tracts with greater amounts of rental housing would be assumed to have a proportionately greater absolute number of evictions.



frequency of eviction notices as an appropriate proxy and indicator for overall displacement pressure. In order to detect whether new market rate housing “signals” the desirability of neighborhoods and attracts high-income residents in a later period, staff correlated eviction notices given between 2011 and 2015 with new market rate units built during four periods (2001 to 2005, 2006 to 2010, 2011 to 2015, and 2001 to 2015). Each showed a weak and non-statistically significant correlation between evictions and new development and a very low “goodness of fit”, meaning that to the extent that a correlation exists, new market rate development explains very little of the variability of evictions across neighborhoods. In the absence of a statistically significant correlation between these two variables, the causal relationship between new market rate development and evictions/displacement claimed by the appellants is extremely speculative (if not unlikely) and is not supported by any empirical evidence in the record.

### 6.3 CONCLUSION

Neither the relevant published research nor available data support the appellant’s contention that the proposed project would result, either individually or cumulatively, in indirect displacement of existing residents or businesses as a secondary effect of gentrification. Moreover, even if the proposed project could have these effects, this would not represent a new or more severe impact that is peculiar to the project or its site because the Eastern Neighborhoods PEIR included a detailed analysis of this topic. Finally, to the extent that the proposed project would cause or contribute to gentrification or displacement effects identified in the Eastern Neighborhoods PEIR, these socioeconomic effects would not in and of themselves constitute environmental impacts under CEQA.

## 7 PHYSICAL ENVIRONMENTAL IMPACTS

Pursuant to CEQA Guidelines section 15131(a): “[a]n EIR may trace a chain of cause and effect from a proposed decision on a project through anticipated economic or social changes resulting from the project to physical changes caused in turn by the economic or social changes. The intermediate economic or social changes need not be analyzed in any detail greater than necessary to trace the chain of cause and effect. The focus of the analysis shall be on the physical changes.” Accordingly, the following analysis examines the appellant’s claim that the proposed project would result in *physical* changes to the environment as a consequence of gentrification and displacement that were not analyzed as significant effects in the Eastern Neighborhoods PEIR.

As discussed above, the Eastern Neighborhoods PEIR determined that adoption and implementation of the area plans and rezoning would result in economic impacts that could potentially displace existing businesses and residents, and identifies improvement measures that could reduce the less-than-significant physical effects of potential displacement of neighborhood serving businesses and residents. Although the PEIR did not establish a causal link between potential displacement effects and significant physical environmental impacts, the PEIR did identify physical environmental impacts related to growth under the area plans and rezoning. The PEIR analyses the physical environmental impacts caused by

growth anticipated under the area plans and rezoning in the relevant resource topic sections, such as transportation, air quality, noise, and parks and open space.

The appellant claims that the proposed project would cause or contribute to socioeconomic effects that would in turn cause significant physical environmental impacts beyond those identified in the Eastern Neighborhoods PEIR. Specifically, the appellant contends that the proposed project, through gentrification and displacement, would have significant cumulative impacts on traffic, parking, health and safety, and greenhouse gasses, and on aesthetic, historic, and cultural aspect of the Calle 24 Latino Cultural District. Since, as shown above, there is no evidence to support the appellant's claim that the proposed project would cause or contribute to gentrification or displacement effects, it follows that there is also no evidence to establish a causal link between gentrification and displacement and physical environmental impacts beyond those identified in the Eastern Neighborhoods PEIR. Notwithstanding the above, the following analysis tests the appellant's claims by examining whether, regardless of the cause, physical impacts are occurring within the Calle 24 Latino Cultural District beyond those anticipated in the Eastern Neighborhoods PEIR.

## 7.1 TRANSPORTATION

Pursuant to the requirements of CEQA section 21083.3 and CEQA Guidelines section 15183, the CPE checklist prepared for the 2675 Folsom Street project evaluates whether the proposed project would result in significant impacts on transportation, either individually or cumulatively, beyond those identified in the Eastern Neighborhoods PEIR.<sup>29</sup> This analysis is supported by a 222-page project-specific transportation impact study, that evaluates the project-level and cumulative impacts of the proposed project on vehicle miles traveled, transit, bicycle and pedestrian safety (including pick up and drop off at the nearby Cesar Chavez Elementary School), loading, and emergency services and access.<sup>30</sup> Contrary to the appellant's contentions, the project-specific transportation impact analysis does not rely on "outdated" information. Instead, the analysis uses the latest transportation models, forecasting, and impact assessment methodologies, incorporating up-to-date transportation, population, growth, and demographic data to evaluate the effects of the proposed project on both existing and 2040 cumulative transportation conditions. Based on this analysis, the CPE determines that the proposed project would not result in significant impacts on transportation beyond those identified in the Eastern Neighborhoods PEIR.

Even though the analysis provided in the CPE fully satisfies the requirements of CEQA and no further analysis of the transportation impacts of the proposed project is required, the Planning Department worked with transportation consultants at Fehr & Peers to explore the appellant's claims that the proposed project would cause or contribute to new or substantially more severe transportation impacts than were identified in the Eastern Neighborhoods PEIR due to new information or changed

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<sup>29</sup> San Francisco Planning Department, *2675 Folsom Street Project Community Plan Exemption Checklist*, pp. 17-21, September 20, 2016.

<sup>30</sup> Fehr & Peers, *2675 Folsom Street Transportation Impact Study*, April 2016.

circumstances not previously considered. This analysis compares the transportation impacts anticipated in the Eastern Neighborhoods PEIR with up-to-date transportation impact data and models. As summarized below and further detailed in Appendix B, the results of this analysis demonstrate that current transit and traffic conditions are generally better than the Eastern Neighborhoods PEIR anticipated would be the case by this time. The PEIR anticipated there would be less transit capacity and correspondingly higher capacity utilization (crowding) on the Muni lines serving the Mission and estimated that a slightly higher percentage of new trips would be made by private vehicles than current data demonstrate. In addition, while the Mission has undergone significant demographic and economic change, residents on average still own around the same number of vehicles, and use non-auto modes at similar rates as they did prior to adoption of the rezoning and area plans.

### 7.1.1 Transit

The Eastern Neighborhoods PEIR determined that population growth under the rezoning and area plans would result in significant cumulative impacts on transit. Specifically, the PEIR anticipated that daily transit trips between 2000 and 2025 would increase by approximately 254,000 trips or about 20 percent over baseline conditions within San Francisco as a whole and by approximately 28,000 daily trips or approximately 38 percent in the Eastern Neighborhoods. The PEIR determined that without increases in peak-hour capacity, population growth in the Eastern Neighborhoods would result in significant cumulative impacts on transit capacity. The PEIR identified Mitigation Measures E-5 through E-11 to address impacts and transit capacity. These measures call for:

- Transit corridor improvements (e.g., along Mission Street between 14th and Cesar Chavez streets, 16th Street between Mission and Third streets, Bryant Street or other parallel corridor between Third and Cesar Chavez streets, a north-south corridor through portions of SoMa west of Fifth Street, and service connecting Potrero Hill with SoMa and downtown)
- Implementing service recommendations from the Transit Effectiveness Project, Better Streets Plan and Bicycle Plan when available and as feasible
- Providing additional funding for Muni maintenance and storage facilities
- Increasing passenger amenities, such as expanded installation of the Next Bus service and new bus shelters
- Expanding use of transit preferential street technologies to prioritize transit circulation, and
- Expanding the Transportation Demand Management program to promote the use of alternate modes of transportation.

The PEIR determined that while these measures would reduce operating impacts and improve transit service within the Eastern Neighborhoods, the adverse effects to transit could not be fully mitigated. Also, given the inability to determine the outcome of the Transit Effectiveness Program, Better Streets Plan, Bicycle Plan, and other plans and programs that were in process at the time that the PEIR was certified and uncertainty regarding future funding of these plans and programs, the PEIR determined that the feasibility of these mitigation measures could not be assured. Thus, the PEIR determined that cumulative impacts on transit under the rezoning and area plans would be significant and unavoidable.

Since the certification of the Eastern Neighborhoods PEIR, the City has implemented many of the plans, programs, and improvements identified in Eastern Neighborhoods PEIR Mitigation Measures E-5 through E-11 as summarized below.

In compliance with a portion of Mitigation Measure E-5: Enhanced Transit Funding, the City adopted impact fees for development in Eastern Neighborhoods that go towards funding transit and complete streets projects. In addition, the Board of Supervisors approved amendments to the San Francisco Planning Code, referred to as the Transportation Sustainability Fee (Ordinance 200-154, effective December 25, 2015).<sup>[1]</sup> The fee updated, expanded, and replaced the prior Transit Impact Development Fee, which is in compliance with portions of Mitigation Measure E-5: Enhanced Transit Funding. With respect to Mitigation Measures E-5: Enhanced Transit Funding and Mitigation Measure E-11: Transportation Demand Management, on February 7, 2017 the Board of Supervisors adopted amendments to the planning code, referred to as the Transportation Demand Management Program.<sup>[2]</sup> Additionally, SFMTA has sought grants through local Proposition A funds directly supporting the 14 Mission Rapid Project, the Potrero Avenue Project for the 9 San Bruno and 9R San Bruno Rapid routes (currently under construction), and the 16<sup>th</sup> Street Transit Priority Project for the 22 Fillmore (expected construction between 2017 and 2020). The SFMTA also pursued funding from the Federal Transit Administration and the Metropolitan Transportation Commission for the transit corridor projects for the 14 Mission along Mission Street and for the 22 Fillmore along 16<sup>th</sup> Street. In compliance with all or portions of Mitigation Measure E-6: Transit Corridor Improvements, Mitigation Measure E-7: Transit Accessibility, Mitigation Measure E-9: Rider Improvements, and Mitigation Measure E-10: Transit Enhancement, the SFMTA is implementing NextBus, Customer First, and the Transit Effectiveness Project, which was approved by the SFMTA Board of Directors in March 2014. There are about 850 NextBus displays throughout the City with strong coverage throughout the Mission District. Customer First improved lighting and shelters at stops. The Transit Effectiveness Project is now called Muni Forward and includes system-wide review, evaluation, and recommendations to improve service and increase transportation efficiency.

In addition, Muni Forward also includes transit service improvements to various routes with the Eastern Neighborhoods Plan area the service improvements include the creation of new routes such as the implementation of Route 55 on 16<sup>th</sup> Street between the intersection of 16<sup>th</sup> and Mission Streets and Mission Bay, changes to route alignment such as for the 27 Bryant, the elimination of underused existing routes or route segments, changes to the frequency and hours of transit service, changes to the transit vehicle type on specific routes, and changes to the mix of local/limited/express services on specific routes. Many of the service improvements analyzed as part of Muni Forward in the Transit Effectiveness Project EIR have been implemented, but some are receiving further study.

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<sup>[1]</sup> Two additional files were created at the Board of Supervisors for TSF regarding hospitals and health services, grandfathering, and additional fees for larger projects: see Board file nos. 151121 and 151257.

<sup>[2]</sup> San Francisco Board of Supervisors. 2017. BOS File 160925. Available online at <https://sfgov.legistar.com/LegislationDetail.aspx?ID=2830460&GUID=EFCB06B2-19CB-4777-B3A5-1638670C3A2C> accessed February 21, 2017. Additional information is available at the Planning Department web page for TDM at <http://sf-planning.org/shift-transportation-demand-management-tdm> accessed February 21, 2017.

Mitigation Measure E-7 also identifies implementing recommendations of the Bicycle Plan and Better Streets Plan. As part of the San Francisco Bicycle Plan, adopted in 2009, a series of minor, near-term, and long-term bicycle facility improvements are planned within the Eastern Neighborhoods, including along 2<sup>nd</sup> Street, 5<sup>th</sup> Street, 17<sup>th</sup> Street, Townsend Street, Illinois Street, and Cesar Chavez Street. The minor improvements consist of a toolkit of treatments implemented on an as-needed basis to support bicycling in the city such as shared lane markings called sharrows and the provision of bicycle parking within the public right-of-way including bicycle racks on sidewalks and on-street bicycle corrals. Most near-term improvements have been implemented as indicated above. With the implementation of bicycle facilities as part of the Bicycle Plan and envisioned as part of the 2013 Bicycle Strategy, San Francisco has experienced an increase in bicycle ridership. Since 2006, the SFMTA has conducted annual bicycle counts during peak commute hours at various intersections throughout the city.<sup>31</sup> While the bicycle counts at any one intersection may fluctuate from year to year, the most recent counts from 2015 demonstrate that the overall the number of bicyclists in the city, including in the Mission District, have increased over the counts from 2008, when the Eastern Neighborhoods PEIR was certified. For example, at the intersection of 17<sup>th</sup> and Valencia Streets in the p.m. peak there were 485 cyclists in 2008 compared with 1,219 in 2015, and at the intersection of 23<sup>rd</sup> Street and Potrero Avenue in the p.m. peak there were 50 cyclists in 2008 compared with 106 in 2015.

The San Francisco Better Streets Plan, adopted in 2010, describes a vision for the future of San Francisco's pedestrian realm and calls for streets that work for all users. The Better Streets Plan requirements were codified in section 138.1 of the planning code and new projects constructed in the Eastern Neighborhoods Plan area are subject to varying requirements, dependent on project size.

Another effort which addresses transit accessibility, Vision Zero, was adopted by various City agencies in 2014. Vision Zero focuses on building better and safer streets through education, evaluation, enforcement, and engineering. The goal is to eliminate all traffic fatalities by 2024. Vision Zero projects within the Eastern Neighborhoods Plan areas include pedestrian intersection treatments along Mission Street from 18<sup>th</sup> to 23<sup>rd</sup> streets, the Potrero Avenue Streetscape Project from Division to Cesar Chavez streets, and the Howard Street Pilot Project, which includes pedestrian intersection treatments from 4<sup>th</sup> to 6<sup>th</sup> streets.

Overall, compared to the transit service analyzed in the Eastern Neighborhoods PEIR, current transit service has increased by 8 percent in the a.m. peak hour, 14 percent during midday, and 6 percent in the p.m. peak hour. As a result, the significant impacts identified in the Eastern Neighborhoods PEIR on transit capacity have not materialized. The following analysis compares the impacts on transit capacity anticipated in the Eastern Neighborhoods PEIR with current and projected future transit conditions in light of the transit system improvements described above.

The SFMTA Board has adopted an 85-percent capacity utilization performance standard for transit vehicle loads, meaning that Muni transit lines should operate at or below 85 percent of transit vehicle capacity. This performance standard more accurately reflects actual operations and the likelihood of "pass-ups" (i.e., vehicles not stopping to pick up more passengers). The Planning Department applies this

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<sup>31</sup> SFMTA. 2009-2016. Bike Reports Available online at <https://www.sfmta.com/about-sfmta/reports/bike-reports>. Accessed February 21, 2017.

standard as a CEQA threshold of significance for determining peak period transit demand impacts to the SFMTA lines. **Table 2** shows the capacity utilization for the 11 Muni lines serving the Eastern Neighborhoods plan areas under the 2000 CEQA baseline and the 2025 no project and with project cumulative scenarios as reported in the Eastern Neighborhoods PEIR. The last two columns of the table show 2013 capacity utilization on these same lines based on SFMTA data and the SF-CHAMP<sup>32</sup> 2040 cumulative scenario based on current model inputs. As shown in **Table 2**, capacity utilization on the Muni bus and light rail lines serving the Eastern Neighborhoods is generally lower than the PEIR baseline conditions, and the anticipated 2040 cumulative conditions are better than the anticipated 2025 cumulative conditions.

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<sup>32</sup> The San Francisco Chained Activity Modeling Process (“SF-CHAMP”) is a regional travel demand model designed to assess the impacts of land use, socioeconomic, and transportation system changes on the performance of the local transportation system. The San Francisco County Transportation Authority developed SF-CHAMP to reflect San Francisco’s unique transportation system and socioeconomic and land use characteristics. It uses San Francisco residents’ observed travel patterns, detailed representations of San Francisco’s transportation system, population and employment characteristics, transit line boardings, roadway volumes, and the number of vehicles available to San Francisco households to produce measures relevant to transportation and land use planning. Using future year transportation, land use, and socioeconomic inputs, the model forecasts future travel demand.

<b>Table 2: Muni Capacity Utilization at Maximum Load Point Weekday PM Peak Hour Inbound/Outbound</b>							
Line	EN PEIR 2000 Baseline	EN 2025 No Project	EN 2025 Option A	EN 2025 Option B	EN 2025 Option C	SFMTA Fall 2013	SF-CHAMP 2040
9-San Bruno	94%/110%	120%/151%	134%/151%	135%/149%	148%/165%	57%/68%	61%/84%
12-Folsom	94%/30%	109%/42%	112%/42%	113%/41%	120%/52%	73%/57%	N/A <sup>1</sup>
14-Mission	47%/86%	60%/113%	62%/113%	63%/112%	69%/122%	49%/40%	39%/76%
22-Fillmore	82%/85%	95%/102%	98%/102%	100%/101%	107%/109%	61%/58%	68%/83%
26-Valencia	26%/76%	33%/89%	33%/89%	33%/90%	35%/94%	N/A <sup>2</sup>	N/A <sup>2</sup>
27-Bryant	86%/57%	111%/78%	118%/78%	119%/77%	126%/84%	60%/46%	63%/55%
33-Stanyan	68%/56%	87%/74%	89%/74%	91%/73%	97%/81%	53%/42%	63%/55%
48-Quintara	87%/72%	112%/94%	113%/94%	115%/93%	119%/100%	57%/65%	67%/63%
49-Van Ness-Mission	73%/93%	85%/112%	89%/112%	91%/111%	100%/121%	48%/47%	N/A <sup>3</sup>
53-Southern Heights	27%/31%	34%/44%	35%/44%	35%/43%	37%/48%	N/A <sup>4</sup>	N/A <sup>4</sup>
67-Bernal Heights	67%/68%	86%/88%	87%/88%	87%/88%	88%/88%	15%/46%	22%/66%

<sup>1</sup> Under Muni-Forward, the 12-Folsom may be replaced by the 10 Sansome on a portion of the route and by the 27 Bryant on the remainder of the route.  
<sup>2</sup> The 26-Valencia route was eliminated in December 2009.  
<sup>3</sup> The 49-Van Ness-Mission will change to limited stop/rapid service at the time that the Van Ness BRT service commences.  
<sup>4</sup> The 53-Southern Heights route was eliminated in December 2009.

**Bold text** denotes significant impact based on exceedance of 85-percent capacity utilization significance threshold.

Sources:  
 Eastern Neighborhoods PEIR p. 282  
 San Francisco Planning Department, *Transit Data for Transportation Impact Studies*, May 15, 2015.  
 SFCTA, *SF-CHAMP model run for Central Corridor 2040 Cumulative Scenario*, November 12, 2013.

In conclusion, as a result of substantial increases in transit capacity, the cumulative impacts on transit resulting from growth under the Eastern Neighborhoods rezoning and area plans is *less* severe rather than more severe than anticipated in the PEIR. As such, it is evident that the demographic changes occurring in the Mission have not resulted in significant impacts on transit service that were not anticipated in the Eastern Neighborhoods PEIR. Therefore, the proposed project would not result in significant impacts, either individually or cumulatively, on transit beyond those identified in the PEIR.

### 7.1.2 Traffic Congestion

At the time that the Eastern Neighborhoods PEIR was certified in 2008, the Planning Department considered increased traffic congestion as measured by the level of service metric to be a physical environmental impact under CEQA. However, in 2013, the state legislature amended CEQA adding Chapter 2.7: Modernization for Transportation Analysis of Transit Oriented Infill Projects. Accordingly, CEQA section 21099(b)(1) requires that the State Office of Planning and Research (OPR) develop revisions to the state CEQA Guidelines establishing criteria for determining the significance of transportation impacts of projects that promote the “reduction of greenhouse gas emissions, the development of multimodal transportation networks, and a diversity of land uses.” CEQA section 21099(b)(2) states that upon certification of the revised CEQA Guidelines for determining transportation impacts pursuant to

section 21099(b)(1), automobile delay, as described solely by level of service (LOS) or similar measures of vehicular capacity or traffic congestion, shall not be considered a significant impact on the environment under CEQA.

In January 2016, OPR published for public review and comment a *Revised Proposal on Updates to the CEQA Guidelines on Evaluating Transportation Impacts in CEQA*<sup>33</sup> (proposed transportation impact guidelines) recommending that transportation impacts for projects be measured using a vehicle miles traveled (“VMT”) metric. VMT measures the amount and distance that a project might cause people to drive, accounting for the number of passengers within a vehicle.

OPR’s proposed transportation impact guidelines provides substantial evidence that VMT is an appropriate standard to use in analyzing transportation impacts to protect environmental quality and a better indicator of greenhouse gas, air quality, and energy impacts than automobile delay. Acknowledging this, San Francisco Planning Commission Resolution 19579, adopted on March 3, 2016:

- Found that automobile delay, as described solely by LOS or similar measures of vehicular capacity or traffic congestion, shall no longer be considered a significant impact on the environment pursuant to CEQA, because it does not measure environmental impacts and therefore it does not protect environmental quality.
- Directed the Environmental Review Officer to remove automobile delay as a factor in determining significant impacts pursuant to CEQA for all guidelines, criteria, and list of exemptions, and to update the Transportation Impact Analysis Guidelines for Environmental Review and Categorical Exemptions from CEQA to reflect this change.
- Directed the Environmental Planning Division and Environmental Review Officer to replace automobile delay with VMT criteria which promote the reduction of greenhouse gas emissions, the development of multimodal transportation networks, and a diversity of land uses; and consistent with proposed and forthcoming changes to the CEQA Guidelines by OPR.

Planning Commission Resolution 19579 became effective immediately for all projects that had not received a CEQA determination as of March 3, 2016, and for all projects that have previously received CEQA determinations, but require additional environmental analysis. Therefore, the CPE for the proposed project does not consider whether the proposed project would have significant impacts either individually or cumulatively on traffic congestion as measured by LOS. Instead, in accordance with CEQA section 21099 and Planning Commission Resolution 19579, the CPE evaluates whether the proposed project would result in significant impacts on VMT. As stated in the CPE checklist and supported by the project-specific transportation impact study, the proposed project would not have a significant impact either individually or cumulatively on VMT. As noted above, this analysis uses the latest transportation models and impact assessment methodologies, incorporating up-to-date transportation, population, growth, and demographic data to evaluate the effects of the proposed project on both existing and 2040 cumulative transportation conditions. Based on this analysis, the CPE concludes that the project would not have a significant impact on traffic that is peculiar to the project or

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<sup>33</sup> This document is available online at: [https://www.opr.ca.gov/s\\_sb743.php](https://www.opr.ca.gov/s_sb743.php).



the project site, and that no further environmental review of the project's effects on traffic congestion is required in accordance with CEQA section 21083.3 and CEQA Guidelines section 15183.

Even though, as discussed above, the CPE establishes that the proposed project would not have significant impacts either individually or cumulatively related to increased VMT, the following analysis further examines the appellant's contentions that the project would have substantially more severe impacts on traffic than were identified in the Eastern Neighborhoods PEIR.

### 7.1.3 Travel Behavior

The appellant contends that gentrification and displacement that the proposed project would contribute to are resulting in increased traffic due to "reverse commutes," stating:

"The PEIR did not anticipate the "advanced gentrification" of the neighborhood, along with the extensive displacement of Latino families and businesses, the reverse commute to distant areas, and that impact on greenhouse gas emissions and on traffic congestion... Due to the unexpected rise in rents throughout the Bay Area, displaced residents are now required to commute distances as far as Vallejo and Tracy, distances was [sic] not contemplated in the PEIR for the Eastern Neighborhoods."

As presented in Appendix B and summarized below, updated local and regional transportation modeling, census data, and traffic counts at representative intersections in the Mission do not support the appellant's claim that increased commute distances by displaced workers is causing significant cumulative transportation impacts beyond those anticipated under the Eastern Neighborhoods PEIR.

Many factors affect travel behavior, including land-use density and diversity, design of the transportation network, access to regional destinations, distance to high-quality transit, development scale, demographics, and transportation demand management. Typically, low-density development located in areas with poor access to non-private vehicular modes of travel generate more automobile travel compared to development located in urban areas, where a higher density mix of land uses and travel options other than private vehicles are available. Given these travel behavior factors, San Francisco has a lower ratio of VMT per household than the San Francisco Bay Area regional average.

The San Francisco County Transportation Authority uses the SF-CHAMP model to estimate VMT by private automobiles and taxis for different land use types. The SF-CHAMP model assigns all predicted trips within, across, and to or from San Francisco onto the roadway network and the transit system by mode and transit carrier for a particular scenario. For example, the 2040 SF-CHAMP model run assigns trips to and from each of the 981 transportation analysis zones across San Francisco based on the land use development that is projected. Trips that cross San Francisco, but do not have an origin or destination in the city are projected using inputs from the regional transportation model. SF-CHAMP models travel behavior based on the following inputs:

- Projected land use development (based on the Planning Department's pipeline) and population and employment numbers – as provided by the Planning Department, based on the Association

of Bay Area Governments (“ABAG”) Projections (currently the Projections 2013 (Sustainable Communities Strategy).

- Observed behavior from the California Household Travel Survey 2010-2012
- Census data regarding automobile ownership rates and county-to-county worker flows
- Observed vehicle counts and transit boardings.

Neither SF-CHAMP nor the regional travel model<sup>34</sup> explicitly link low-income workers living in one area with lower paying jobs in another area, or high-income workers with high-paying jobs for that matter; this level of analysis is generally considered to be more fine-grained than is appropriate for regional travel forecasts. Instead, household-job links are established using existing research on typical commute patterns and distances, including the distribution of workers living in a given area who travel longer distances to work, and so forth<sup>35</sup>. Based on the model inputs, which as noted above include development in the Planning Department’s pipeline, both regional average and local San Francisco VMT is expected to decrease in the future.

Regardless of the model assumptions, some households will move from San Francisco and have increased commute distances, while others may change jobs and have decreased commute distances. However, the model indicates that overall aggregate regional growth is expected to reduce the average distance that a typical worker travels between home and work. The Transportation Authority estimates that existing average VMT per household is 17.2 for the region and 5.9 for the project area (Transportation Analysis Zone 170). VMT per household is expected to decrease to 16.1 for the region and to 5.3 for the project area by 2040<sup>36</sup>. Employment data shows that the share of Bay Area residents living more than 10 miles from their employer increased from 2004 to 2014; over the same period, the absolute number of individuals living more than 10 miles from their employer also increased. As such, a larger number of individuals are likely driving alone to work across longer distances. This does not, however, translate into a higher share of individuals driving alone to work; the regional drive alone commute modeshare is at its lowest point since 1960, based on census data. Moreover, the Eastern Neighborhoods PEIR anticipated traffic impacts due to increased vehicle trips associated with population growth.

The Eastern Neighborhoods PEIR determined that increased vehicle trips resulting from population growth and development under the rezoning and area plans would result in level of service impacts at representative intersections in the Mission. Of the 13 study intersections in the Mission, the PEIR determined that significant LOS impacts would occur at three intersections during the weekday p.m. peak hour under rezoning Option A, five under Option B, and four under Option C. The PEIR also

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<sup>34</sup> SF-CHAMP is built using the regional travel model, and adding additional detail to TAZs located within San Francisco.

<sup>35</sup>For additional detail on the process of developing the travel model, see the MTC documentation at: <http://mtcgis.mtc.ca.gov/foswiki/Main/Development>

<sup>36</sup> Schwartz, Michael, Coper, Drew, *Quantification of Impacts under CEQA following new guidelines from the Governor’s Office of Planning and Research*, February 2016. Kosinski, Andy, *VMT Analysis for 2675 Folsom Street, Case No 2014-000601*, April 2016.

determined that three additional intersections in the Mission would operate at unacceptable levels of service under both the no project and each of the three rezoning options by 2025.

To test the appellant's assertion that traffic conditions in the Mission are worse than anticipated in the PEIR, Fehr & Peers worked with Planning to select four of the intersections studied in the Mission for the Eastern Neighborhoods PEIR and conduct one-day p.m. peak hour turning movement counts in December 2016<sup>37</sup>. In order to present a representative count of vehicles, these intersection counts do not include Mission Street due to the installation of bus-only lanes (which act to divert some private vehicle traffic from Mission Street) in 2015. These counts were then compared to the level of traffic expected in the PEIR based on the total change in housing units constructed in the Mission from 2011 to 2015. Full turning movement volumes and estimated calculations are included in Appendix B.

As shown in Appendix B, on average, observed traffic volumes in 2016 were around 5 to 10 percent *lower* than expected in the Eastern Neighborhoods PEIR and the percentage of estimated development completed; this indicates traffic volumes similar to or slightly below PEIR projections<sup>38</sup>. At three of the four intersections counted, total traffic volume had in fact decreased from the 2000 baseline count data. The exception is at 16<sup>th</sup> Street and South Van Ness, where there was an increase in traffic volume traveling northbound and southbound. This likely reflects shifts from other north/south streets such as Mission Street that have seen changes in their roadway configurations that were not anticipated by the analysis in the Eastern Neighborhoods PEIR.

#### 7.1.4 Private Car Ownership and Driving Rates in the Mission

The appellant contends that gentrification and displacement are also resulting in increased traffic and related impacts because higher income correlates with higher private car ownership and driving rates. Again, available evidence does not support the underlying premise that the proposed project would cause or contribute to gentrification or displacement in the first place. Moreover, the appellant's claim that the rate of private car ownership in the Mission has increased, and that this is causing significant cumulative traffic and greenhouse gas impacts beyond those anticipated under the Eastern Neighborhoods PEIR is not supported by the available evidence.

Partially due to the in-migration of higher income earners, the median household living in the Mission in 2014 has a significantly higher income than the median household living there in 2000. Median annual income increased from around \$67,000 to around \$74,000 during that time (in 2014 inflation-adjusted dollars). This reflects the migration patterns partially discussed above, as well as some level of general increases in incomes over that time. The same pattern can be seen by examining the share of all households with incomes above \$100,000, which has more than doubled from 2000 to 2014.

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<sup>37</sup> While vehicle counts are typically not taken in December due to changes in travel patterns during that time, schedule constraints necessitated immediate counts. Counts were collected on a weekday with average weather, while area schools were still in session.

<sup>38</sup> Projected traffic volumes for EIR Option A (at 30% complete) and the No Project scenario were similar to those for Option C, and were on average higher than the observed 2016 traffic volumes.

However, although the typical household has a higher income, automobile availability on a per capita basis has not increased over the same period. The same percentage of households have zero cars available (39 percent to 40 percent of households), and the average number of vehicles available per household has remained nearly constant over that same period. Similarly, the share of Mission residents commuting to work by driving alone has also remained steady, at 25 percent to 29 percent. Due to population growth, this does result in more vehicles and more people driving alone compared to in 2000; however, the Eastern Neighborhoods PEIR transportation impact analysis accounted for this growth, and as discussed above, observed traffic volumes in 2016 were around 5 to 10 percent lower on average than expected in the Eastern Neighborhoods PEIR.

In addition to census data, the Planning Department has conducted three case studies at residential developments built in the past ten years in the Mission neighborhood. These sites are located at 2558 Mission Street, 555 Bartlett Street, and 1600 15<sup>th</sup> Street. Each building consists of newer, market-rate housing, although 555 Bartlett Street and 1600 15<sup>th</sup> Street each include between 15 and 20 percent onsite below market rate units. Surveys at these sites were conducted in 2014 and 2015 during the extended a.m. and p.m. peak hours, and consisted of intercepting individuals at all project entrances and exits to inquire about their mode choice. In addition, person counts and vehicle counts were conducted at all entrances. Results from these surveys are shown by site in **Table 4**.

<b>Table 3: Comparison of Shifts in Income and Automobile Travel Indicators</b>						
<b>Mission Residents</b>						
<b>Year</b>	<b>Median Household Income (2014 Dollars)</b>	<b>Average Household Income (2014 Dollars)</b>	<b>Share of Households with Income Above \$100,000 (nominal)</b>	<b>Share of Commuters Driving Alone to Work</b>	<b>Share of Households with Zero Cars Available</b>	<b>Vehicles Available per Household</b>
2000	\$67,000	\$81,000	15%	29 %	39%	0.85
2004 - 2009	\$70,000	\$98,000	31%	25 %	40%	0.82
(% Change from 2000)	+ 4%	+21%	+ 106%	- 14%	<1%	-3%
2009 – 2014	\$74,000	\$109,000	40%	27 %	40%	0.82
(% Change from 2000)	+ 10%	+35%	+ 166%	- 7%	<1%	-3%

Source: Decennial Census, 2000, Tables H044, P030, DP3; American Community Survey, 5-year averages, 2009 & 2014, Tables S1901, S0802, B25044; Fehr & Peers, 2016.

Table 4: Observed Mode Splits at Residential Developments in the Mission								
Address	Drive Alone	Carpool	Walk	Taxi / TNC	Bike	SF Muni	BART	Private Shuttle
<b>1600 15th St<sup>1</sup></b> (596 total person trips)	19%	15%	33%	4%	5%	7%	16%	2%
<b>555 Bartlett Street<sup>2</sup></b> (183 total person trips)	25%	28%	19%	3%	6%	4%	14%	1%
<b>2558 Mission Street<sup>3</sup></b> (288 total person trips)	13%	13%	38%	8%	1%	7%	17%	4%

<sup>1</sup> Survey conducted August 13, 2014.  
<sup>2</sup> Survey conducted August 27, 2014.  
<sup>3</sup> Survey conducted July 9, 2015.

Based on trips made between 7 a.m. – 10 a.m. and 3 p.m. – 7 p.m. on a typical weekday in the summer. Total number of trips represented all counted person trips; response rates to survey varied between sites. Final percentages are imputed from survey responses and vehicle counts.

Source: SF Planning, 2015; Fehr & Peers, 2016

The three sites showed a drive alone mode share that ranged from 13 percent to 25 percent, all of which are below the average drive alone commute mode for the area (of around 27 percent; see **Table 3**). The total auto mode share (drive alone + carpool + taxi/TNC) ranges from 34 percent to 56 percent of all trips, which is similar to the total auto mode share for all trips as modeled by SF-CHAMP (ranging from 31 percent to 53 percent for key transportation analysis zones in the Mission).<sup>39</sup> Thus, the available evidence demonstrates that new or substantially more severe impacts on the Latino Cultural District are not occurring as a result of increased private vehicle ownership.

### 7.1.5 Commuter Shuttles

The appellant states that the increase in commuter shuttles since the Eastern Neighborhoods PEIR was certified constitutes substantial new information and/or changed circumstances that “render the current PEIR obsolete,” stating:

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<sup>39</sup> SF-CHAMP auto mode share is based on the Central SoMa 2012 Baseline model run; the presented mode shares are for the analysis zones where each of the case study developments is located.

“The PEIR did not anticipate the impact of tech shuttles from a traffic standpoint, nor from that of the demand for housing. The specter of living within a few blocks of a free ride to work has caused many tech employees to move to areas where the shuttles stop – predominantly in the Mission. As such we have high earning employees exacerbating the already high demand for housing. The anti-eviction mapping project has documented the connection between shuttle stops and higher incidences of no fault evictions.”

CEQA Guidelines section 15183(b)(4) provides that in conducting the streamlined environmental review mandated for projects that are consistent with the development density established under an adopted community plan or zoning, a public agency must limit its examination of environmental effects to those which the agency determines are previously identified significant effects which, as a result of substantial new information which was not known at the time the EIR was certified, are determined to have a more severe adverse impact than discussed in the prior EIR. Accordingly, the increase in the use of commuter shuttles since the certification of the Eastern Neighborhoods PEIR is relevant only to the extent that the proposed project, either individually or cumulatively, would result in more severe adverse impacts than were identified in the Eastern Neighborhoods PEIR because of the increase in shuttles. Thus, whether or not commuter shuttles cause or exacerbate displacement as the appellant contends, which is a matter of substantial debate<sup>40</sup>, is not relevant to determining if the proposed project would have new or more severe impacts on the physical environment than previously identified. Nevertheless, by increasing the supply of both market rate and below market rate housing, the proposed project along with other housing development under the Eastern Neighborhoods rezoning and area plans would serve to alleviate market pressures from any increased demand for housing attributable to commuter shuttles. Regardless, as discussed above, any such effects are socioeconomic in nature, and are not in and of themselves significant impacts on the physical environment.

#### **7.1.5.1 San Francisco Commuter Shuttle Program**

The number of privately operated shuttles in San Francisco has grown in recent years. Numerous employers, educational institutions, medical facilities, office buildings, and transportation management associations offer shuttle service to their employees, students, and clients. Some development projects are required to provide shuttle services as part of their conditions of approval (and the impacts of their shuttle services are considered within the development project’s environmental review), and an employer may comply with San Francisco’s Commuter Benefits Ordinance and the Bay Area’s Commuter Benefits Program by offering a free commute shuttle to employees. The majority of the commuter shuttles are closed systems that provide service to a specific population and are not open to the general public. Most shuttles are provided for free to employees (or students, tenants, etc.). There are two distinct markets within the shuttle sector: those that operate within San Francisco (intra-city) and those that operate between San Francisco and another county (inter-city regional). Shuttles support local San Francisco and regional goals by decreasing single occupancy vehicle trips, vehicle miles traveled, and private vehicle ownership.

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<sup>40</sup> According to rider surveys conducted as part of the environmental review for SFMTA’s Commuter Shuttle Program, only 5 percent of shuttle riders would move closer to their jobs if shuttles were unavailable.

Prior to August 2014, San Francisco did not regulate commuter shuttle activity on city streets. Shuttles operated throughout the city on both large arterial streets, such as Van Ness Avenue and Mission Streets, and smaller residential streets. Shuttles loaded and unloaded passengers in a variety of zones, including passenger loading (white) zones, Muni bus stops (red) zones, and other vacant curb space. When curb space was unavailable, shuttles often would load or unload passengers within a travel lane. The lack of rules and guidelines for where and when loading and unloading activities were permitted, and the lack of vacant space in general, resulted in confusion for shuttle operators and neighborhood residents, inconsistent enforcement, and real and perceived conflicts with other transportation modes.

To address these issues, in January 2014, the SFMTA Board of Directors approved an 18-month pilot program to test sharing of designated Muni zones and establish permitted commuter shuttle-only passenger loading (white) zones for use by eligible commuter shuttles that paid a fee and received a permit containing the terms and conditions for use of the shared zones. The pilot program began in August 2014, and created a network of shared stops for use by Muni and commuter shuttle buses that applied to participate, and restricted parking for some hours of the day in certain locations to create passenger loading (white) zones exclusively for the use of permitted commuter shuttles.

Based on information collected through the pilot program, SFMTA developed and adopted a Commuter Shuttle Program effective February 2016. As required under CEQA, the Planning Department conducted a detailed evaluation of the potential environmental effects of the Commuter Shuttle Program prior to its adoption.<sup>41</sup> The environmental review for the shuttle program concluded that the program would not have significant environmental impacts, including impacts on traffic, transit, bicycles, pedestrians, loading, air quality, greenhouse gas emissions, and noise. According to this review, the availability of commuter shuttles:

- Reduces the number of commuters who drive alone to work
- Reduces regional VMT
- Reduces regional emissions of ROG, PM<sub>10</sub>, and PM<sub>2.5</sub>
- Increases regional NO<sub>x</sub> emissions, but not in excess of the applicable CEQA significance threshold
- Reduces greenhouse gas emissions
- Increases health risk from exposure to diesel exhaust, but not in excess of the applicable CEQA significance thresholds
- Increases traffic noise but not in excess of applicable CEQA significance thresholds

Thus, the available evidence demonstrates that the increased use of commuter shuttles has not resulted in new or substantially more severe significant impacts on transportation than previously identified in the Eastern Neighborhoods PEIR.

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<sup>41</sup> San Francisco Planning Department, Case No. 2015-007975ENV, October 22, 2015.

### 7.1.6 Parking

In accordance with CEQA section 21099 parking shall not be considered in determining if a project has the potential to result in significant environmental effects, provided the project meets all of the following three criteria:

- a) The project is in a transit priority area;
- b) The project is on an infill site; and
- c) The project is residential, mixed-use residential, or an employment center.

The proposed project meets each of the above three criteria and thus, the appellant's concerns regarding impacts of the proposed project on parking are not subject to review under CEQA.

### 7.1.7 Conclusion

Based on the evidence and analysis presented above, the transportation impacts resulting from planned growth under the Eastern Neighborhoods rezoning and area plans appear to be less severe than expected in the Eastern Neighborhoods PEIR. Therefore, socioeconomic effects of the proposed project would not result in an increase in the severity of previously identified significant impacts on transportation as a result of substantial new information that was not known at the time the Eastern Neighborhoods PEIR was certified.

## 7.2 AESTHETIC IMPACTS

In accordance with CEQA section 21099 – Modernization of Transportation Analysis for Transit Oriented Projects – aesthetics shall not be considered in determining if a project has the potential to result in significant environmental effects, provided the project meets all of the following three criteria:

- a) The project is in a transit priority area;
- b) The project is on an infill site; and
- c) The project is residential, mixed-use residential, or an employment center.

The proposed project meets each of the above three criteria and thus, the environmental review for the proposed project does not consider aesthetic effects.

## 7.3 HISTORIC AND CULTURAL IMPACTS

The Calle 24 Latino Cultural District is the area bound by Mission Street to the west, Potrero Street to the East, 22<sup>nd</sup> Street to the North and 25<sup>th</sup> Street to the South, including the 24<sup>th</sup> Street commercial corridor from Bartlett Street to Potrero Avenue. The district is defined as a region and community linked together by similar cultural or heritage assets, and offering a visitor experiences that showcase those resources.<sup>42</sup>

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<sup>42</sup> Garo Consulting for the Calle 24 Latino Cultural District Community Council, Calle 24 Latino Cultural District Report on the Community Planning Process Report, December 2014. <http://www.calle24sf.org/wp-content/uploads/2016/02/LCD-final-report.pdf>, accessed June 8, 2016.



The district hosts longstanding activities, traditions, or organizations that have proven to bridge more than one generation, or approximately 25 years. Cultural heritage assets identified within the district fall under the following themes: cultural events; arts and culture - installations and public art, organizations and venues, and retail; religion; services and non-profits; food and culinary arts; and parks. Cultural heritage assets as such are not eligible for designation to local, state, and national historical resource registries. Cultural heritage assets may be associated with a physical property, but they are immaterial elements that are not eligible for listing on local, state, and federal registries of historic properties, and thus are not considered historical resources under CEQA or state or local landmarking law. Therefore, any effects that the proposed project might have on the cultural heritage assets within the Calle 24 Latino Cultural District (assuming those assets are not linked to a physical eligible historical resource) would be considered social or economic effects, and not impacts on the physical environment.

The appellant incorrectly characterizes economic and social effects as physical environmental impacts, stating:

“Here, the cumulative impacts of the proposed project and other projects poses the risk of accelerated Valenciazation [sic] of the LCD. Here, mom and pop Latino owned and operated concerns are at risk of being replaced by high end restaurants, clothing and accessory stores, and personal trainer gyms and yoga studios. This is a change in the physical environment...”

As discussed above in Section 5.1 Commercial Gentrification, the appellant’s claim that the proposed project would cause or contribute to commercial gentrification is not supported by empirical evidence. However, even if the project would lead to such effects, this would not constitute a physical environmental impact. The replacement of existing retail businesses with other retail businesses that the appellant claims the project would cause may constitute a change in the character of the 24<sup>th</sup> Street commercial corridor. Contrary to the appellant’s assertion, such a change is an economic and social effect that shall not be treated as a significant effect on the environment per CEQA Guidelines section 15131(a) (see Section 3.0 Approach to Analysis above).

#### 7.4 GREENHOUSE GAS IMPACTS

The appellant claims that the proposed project would cause or contribute to displacement of lower income residents leading to increased transportation impacts, which in turn would result in significant greenhouse gas impacts that were not identified in the Eastern Neighborhoods PEIR. As discussed above, the appellant’s claim that the proposed project would cause displacement that would lead to new or more severe transportation impacts is not supported by the available evidence. As such, there is no basis for the appellant’s assertions regarding greenhouse gas impacts.

Moreover, unlike the PEIR, which was certified prior to the addition of greenhouse gas impacts to the Planning Department’s CEQA initial study checklist, the CPE includes an assessment of the proposed project’s greenhouse gas emissions. This analysis uses the Planning Department’s current greenhouse gas impact assessment methodology, which evaluates projects for conformity with San Francisco’s *Strategies*

to Address Greenhouse Gas Emissions.<sup>43</sup> The analysis presented in the CPE demonstrates that the proposed project would not result in a significant impact either individually or cumulatively due to greenhouse gas emissions not previously identified in the Eastern Neighborhoods PEIR. The appellant has not shown that this determination is not supported by substantial evidence.

## 7.5 AIR QUALITY IMPACTS

The appellant claims that the proposed project would cause or contribute to displacement of lower income residents leading to increased transportation impacts, which in turn would result in significant air quality impacts that were not identified in the Eastern Neighborhoods PEIR. As discussed above, the appellant's claim that the proposed project would cause displacement that would lead to new or more severe transportation impacts is not supported by the available evidence. As such, there is no basis for the appellant's assertions regarding air quality impacts.

The CPE evaluates whether the proposed project would result in significant impacts on air quality beyond those identified in the Eastern Neighborhoods PEIR. This analysis applies current air quality regulations and modelling to update the analysis conducted for the Eastern Neighborhoods PEIR. As presented in the CPE checklist, this up-to-date, project-specific analysis demonstrates that the proposed project would not result in new or more severe impacts on air quality than previously identified in the Eastern Neighborhoods PEIR. The appellant has not shown that this determination is not supported by substantial evidence.

## 8 CONCLUSION

The Planning Department agrees with the appellant that the Mission is undergoing socioeconomic changes that are affecting existing residents, local small businesses, employment, and the character of the Mission community. The department is actively engaging with the community, the Board of Supervisors, the Mayor's Office, and other City departments in initiatives designed to ease the socioeconomic pressures on the community. These efforts include the 2016 Mission Interim Controls, the Calle 24 Special Use District, MAP2020, and a broader citywide analysis of socioeconomic trends.

However, the Planning Department disagrees with the appellant's position that development under the Eastern Neighborhoods rezoning and area plans such as the 2675 Folsom Street project are responsible for residential or commercial displacement. As shown in the above analysis, the appellant's contention that the proposed project would cause or contribute to socioeconomic effects that would in turn result in significant impacts on the physical environment that were not previously identified in the Eastern Neighborhoods PEIR is contrary to the evidence. Based on the available data and expert opinion presented in the academic literature, it appears that the fundamental causes of gentrification and displacement in the Mission and elsewhere in San Francisco are likely related to broader economic and social trends, such as the mismatch between the supply and demand for housing at all levels, the strength of the regional economy, low unemployment, high wages, favorable climate, and a preference for urban

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<sup>43</sup> San Francisco Planning Department, *Strategies to Address Greenhouse Gas Emissions in San Francisco*, November 2010. Available at [http://sfmea.sfplanning.org/GHG\\_Reduction\\_Strategy.pdf](http://sfmea.sfplanning.org/GHG_Reduction_Strategy.pdf), accessed March 3, 2016.

lifestyles and shorter commutes. These issues are clearly beyond the scope and reach of the environmental review process for individual projects under CEQA.

Finally, the issues raised by the appellant are not new. The Population, Housing, Business Activity, and Employment section of the Eastern Neighborhoods PEIR included a thorough analysis of these issues, examining, among other things, whether development under the rezoning and area plans would cause or contribute to gentrification or displacement. The impacts of growth afforded under the rezoning and area plans on the physical environment are evaluated and disclosed in both the plan level and project level CEQA documents under the relevant resource topics such as transportation, air quality, noise, parks and open space, and public services. The appellant has not demonstrated that the department's CEQA determination for the 2675 Folsom Street project is not supported by substantial evidence. The Planning Department therefore recommends that the Board reject the appeal and uphold the department's CEQA determination for the proposed project in accordance with CEQA section 21080.3 and CEQA Guidelines section 15183.