

1 [Resolution of Intention to Establish San Francisco Downtown Revitalization and Economic  
2 Recovery Financing District]

3 **Resolution of Intention to establish San Francisco Downtown Revitalization and**  
4 **Economic Recovery Financing District (“District”) to finance commercial-to-residential**  
5 **conversion projects and other authorized costs, determining the boundaries of the**  
6 **District, stating the need for the District and goals the District proposes to achieve,**  
7 **describing the use of property tax revenue that will be used to finance the District’s**  
8 **activities, authorizing the Director of the Office of Public Finance to request the**  
9 **President of the Board of Supervisors to establish the time and date for a public**  
10 **hearing on the plan, and making related findings.**

11  
12 WHEREAS, The Board of Supervisors of the City and County of San Francisco (“City”)   
13 adopted the Housing Element 2022 Update as the Housing Element of the San Francisco   
14 General Plan pursuant to Ordinance No. 10-23, which was finally passed by the Board of   
15 Supervisors on January 31, 2023, and signed by the Mayor on January 31, 2023, and the   
16 Regional Housing Needs Allocation in the Housing Element is 82,069 units over the eight-year   
17 period of 2023-2031; and

18 WHEREAS, The impacts of the COVID-19 pandemic, most notably the shift to hybrid   
19 and remote work with the consequent reduction in office workers and foot traffic, have   
20 adversely impacted the City’s Downtown and other sectors of the City’s economy, including   
21 retail, tourism and small business, and more broadly have impacted use and activation of   
22 public space, transportation, and public safety; and

23 WHEREAS, The City’s office vacancy rate has increased more than six-fold between   
24 the third quarter of 2019 to the fourth quarter of 2024, from 5.2% to 34.3%, which equates to   
25 approximately 30 million square feet of vacant office space; and

1 WHEREAS, To address the twin problems of under-utilized office space and lack of  
2 housing in San Francisco, a recent report from the Board of Supervisors' Budget and  
3 Legislative Analyst, dated January 6, 2023, urged City policymakers to consider programs to  
4 incentivize the conversion of office space into residential units, and identified various policy  
5 options to incentivize the conversion of office buildings, including the following: reducing  
6 regulatory hurdles, such as protracted approval timeframes; exempting projects from or  
7 relaxing various standards in the Planning Code; and offering financial incentives to offset the  
8 costly architectural and engineering challenges of these conversions; and

9 WHEREAS, The Board of Supervisors is authorized to initiate the process to establish  
10 a downtown revitalization and economic recovery financing district pursuant to Division 8 of  
11 Title 6 of the California Government Code, commencing with Section 62450 ("Downtown  
12 Revitalization Law"); and

13 WHEREAS, The Board of Supervisors wishes to declare its intention to establish the  
14 San Francisco Downtown Revitalization and Economic Recovery Financing District  
15 ("Downtown Revitalization District") to finance commercial-to-residential conversion projects of  
16 communitywide significance that provide significant benefits to the Downtown Revitalization  
17 District and the City with incremental tax revenues generated by commercial-to-residential  
18 conversion projects within Downtown Revitalization District; and

19 WHEREAS, Preliminary analysis conducted by the Office of Economic and Workforce  
20 Development and third-party consultants has identified approximately 1,200 eligible properties  
21 within the allowable Downtown Revitalization District area and further estimates that  
22 approximately 50 non-residential properties, representing capacity for approximately 4,400  
23 residential units, would be suitable candidates to participate over the lifetime of the program  
24 authorized under the Downtown Revitalization Law; and

1           WHEREAS, The Downtown Revitalization Law defines “communitywide significance” to  
2 mean benefits associated with the commercial-to-residential conversion project beyond the  
3 conversion of commercial space to residential dwelling units; and

4           WHEREAS, The Downtown Revitalization Law defines “commercial-to-residential  
5 conversion projects” as housing development projects that convert an existing qualifying  
6 commercial building to housing by either reuse of the existing commercial building or by  
7 replacing the commercial building with a new residential building; and

8           WHEREAS, Pursuant to Government Code, Section 62450(f)(1) of the Downtown  
9 Revitalization Law, the Downtown Revitalization District shall be a legally constituted  
10 governmental entity separate and distinct from the City for the sole purpose of financing  
11 commercial-to-residential conversion projects in Downtown San Francisco (as defined in  
12 Government Code, Section 62450(h)) that support downtown revitalization and economic  
13 recovery, and a local agency for purposes of Chapter 9 (commencing with Section 54950) of  
14 Part 1 of Division 2 of Title 5 of the California Government Code; and

15           WHEREAS, The California Legislature has determined that the Downtown  
16 Revitalization District shall be deemed a district within the meaning of Section 1 of Article  
17 XIII A of the California Constitution (see Government Code, Section 62450(f)(2)); and

18           WHEREAS, The Downtown Revitalization District will be governed by a governing  
19 board to be known as the Board of Directors of the Downtown Revitalization District ("District  
20 Board"), and the District Board will be established by an ordinance of the Board of  
21 Supervisors to be considered for approval concurrently with this Resolution; and

22           WHEREAS, The District Board will be responsible for designating an appropriate  
23 government official to prepare a downtown revitalization financing plan for the Downtown  
24 Revitalization District ("Downtown Revitalization Financing Plan"); and

1           WHEREAS, The Downtown Revitalization Financing Plan will include, among other  
2 things, (i) a description of the potential commercial-to-residential conversion projects that are  
3 proposed in the area of the Downtown Revitalization District, which projects may include a mix  
4 of residential and commercial uses, but at least 60 percent of which must be designated for  
5 residential use, (ii) a requirement that if nonresidential use is included in the commercial-to-  
6 residential conversion project, at least 25 percent of the total planned units affordable to lower  
7 income households shall be made available for lease or sale and permitted for use and  
8 occupancy before or at the same time with every 25 percent of nonresidential development  
9 made available for lease or sale and permitted for use and occupancy, (iii) in accordance with  
10 the Downtown Revitalization Law, a requirement that certain percentages of total residential  
11 units must be restricted for affordable housing, (iv) an identification of each existing  
12 commercial building within the Downtown Revitalization District that is eligible for conversion  
13 to residential use and that may opt in to receive incremental tax revenue pursuant to the  
14 Downtown Revitalization Law, (v) a requirement that the incremental tax revenues generated  
15 by each individual opted-in commercial-to-residential conversion project within the Downtown  
16 Revitalization District that are allocated by the City to the Downtown Revitalization District be  
17 distributed by the Downtown Revitalization District back to that same project for the purpose  
18 of financing necessary development costs, with each individual commercial-to-residential  
19 conversion project receiving an annual distribution on a pay-go basis in an amount no greater  
20 than the amount of incremental tax revenues generated by that same commercial-to-  
21 residential conversion project for a maximum of 30 years or until the Downtown Revitalization  
22 District ceases to exist, whichever occurs first, (vi) a requirement that the first distribution of  
23 incremental tax revenue to a commercial-to-residential conversion project commence with the  
24 fiscal year that begins after the project is issued a certificate of occupancy, (vii) a specification  
25 of the maximum portion of the incremental tax revenue of the City proposed to be committed

1 to the Downtown Revitalization District for each year during which the Downtown  
2 Revitalization District will receive incremental tax revenue, which portion may change over  
3 time, (viii) a limit on the total number of dollars of taxes that may be allocated by the City to  
4 the Downtown Revitalization District pursuant to the Downtown Revitalization Financing Plan,  
5 (ix) a date on which the Downtown Revitalization District will cease to exist, by which time all  
6 tax allocations to the Downtown Revitalization District will end, which date shall not be more  
7 than 45 years from the date on which the Downtown Revitalization District distributes funding  
8 to the first commercial-to-residential conversion project within the Downtown Revitalization  
9 District, (x) an analysis of the costs to the City of providing facilities and services to the area of  
10 the Downtown Revitalization District while the area is being developed and after the area is  
11 developed, (xi) an analysis of the tax, fee, charge, and other revenues expected to be  
12 received by the City as a result of expected development in the area of the Downtown  
13 Revitalization District and (xii) an analysis of the projected fiscal impact of the Downtown  
14 Revitalization District and the associated development upon the City; and

15 WHEREAS, Under Section 62457 of the Downtown Revitalization Law, the incremental  
16 tax revenues that may be allocated by the City to the Downtown Revitalization District include  
17 the following: (i) for each opted-in commercial-to-residential conversion project, the portion of  
18 the taxes produced by the levy of the 1% ad valorem tax rate upon the assessed value of  
19 such project that exceeds the assessed value for such property as shown on the assessment  
20 roll last equalized prior to the first building permit being issued as a part of the conversion of  
21 the commercial-to-residential conversion project; (ii) for each opted-in commercial-to-  
22 residential conversion project, the portion of any ad valorem property tax revenue annually  
23 allocated to the City pursuant to Section 97.70 of the Revenue and Taxation Code that  
24 corresponds to the increase in the assessed valuation of the opted-in commercial-to-  
25 residential conversion project; and (iii) for each opted-in commercial-to-residential conversion

1 project, “net available revenue” (defined in the Downtown Revitalization Law to mean periodic  
2 distributions to the City from the Redevelopment Property Tax Trust Fund, created pursuant to  
3 Section 34170.5 of the California Health and Safety Code, that are available to the City after  
4 all preexisting legal commitments and statutory obligations funded from that revenue are  
5 made pursuant to Part 1.85 (commencing with Section 34170) of Division 24 of the Health and  
6 Safety Code) and that corresponds to the increase in the assessed valuation of the opted-in  
7 commercial-to-residential conversion project; and

8 WHEREAS, The Downtown Revitalization Financing Plan will be subject to adoption  
9 and implementation by the District Board following three public hearings; and

10 WHEREAS, The Board of Supervisors is obligated to hold a public hearing on the  
11 Downtown Revitalization Financing Plan before the District Board’s third public hearing, and  
12 shall thereafter approve or reject the Downtown Revitalization Plan; and

13 WHEREAS, The Downtown Revitalization Law provides that, after the adoption of the  
14 Downtown Revitalization Financing Plan, the Downtown Revitalization District shall establish a  
15 process for eligible commercial-to-residential conversion projects identified in the Downtown  
16 Revitalization Financing Plan to opt into receiving incremental tax revenue, and a process to  
17 reconsider the amount of incremental tax revenue to be distributed to a project if there is a  
18 change in use or the square footage of commercial space converted to housing planned to be  
19 built; and

20 WHEREAS, The Legislature has determined in the Downtown Revitalization Law that  
21 the creation of the Downtown Revitalization District and the adoption of the Downtown  
22 Revitalization Financing Plan shall not be deemed a “project” for purposes of the California  
23 Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public  
24 Resources Code; now, therefore, be it

1           RESOLVED, That the Board of Supervisors hereby finds that the recitals are true and  
2 correct; and, be it

3           FURTHER RESOLVED, That the Board of Supervisors hereby proposes and intends to  
4 cause the establishment of the Downtown Revitalization District, to be known as the "San  
5 Francisco Downtown Revitalization and Economic Recovery Financing District," under the  
6 provisions of the Downtown Revitalization Law; and, be it

7           FURTHER RESOLVED, That the Board of Supervisors hereby determines that the  
8 proposed boundaries of the Downtown Revitalization District shall be coterminous with  
9 Downtown San Francisco as defined in California Government Code, Section 62450 of the  
10 Downtown Revitalization Law, as shown on the map of the Downtown Revitalization District  
11 on file with the Clerk of the Board of Supervisors in File No. 250423, the boundaries of which  
12 are hereby preliminarily approved; and, be it

13           FURTHER RESOLVED, That the purpose of the Downtown Revitalization District is to  
14 finance commercial-to-residential conversion projects with incremental tax revenues  
15 generated by commercial-to-residential conversion projects within Downtown Revitalization  
16 District; and, be it

17           FURTHER RESOLVED, That the Board of Supervisors hereby determines and finds  
18 that the Downtown Revitalization District is needed to accomplish the following goals: to  
19 provide for the conversion of underutilized and vacant commercial buildings to residential  
20 buildings; increase the supply of housing in the City; increase foot traffic and activity in the  
21 Downtown area that will support small business, retail operators, transit ridership, and tourism  
22 visits to the City; generate jobs in the City's construction sector; and generally revitalize  
23 downtown San Francisco; and, be it

24           FURTHER RESOLVED, That the Board of Supervisors hereby determines and finds  
25 that by addressing such goals and needs, the commercial-to-residential conversion projects

1 financed by the Downtown Revitalization District are of communitywide significance and will  
2 provide significant benefits to the Downtown Revitalization District and the City; and, be it

3 FURTHER RESOLVED, That the Board of Supervisors hereby declares that, pursuant  
4 to the Downtown Revitalization Law, if the Downtown Revitalization District is approved by the  
5 District Board in accordance with the Downtown Revitalization Law, and if the Downtown  
6 Revitalization Financing Plan is approved by Resolution of the Board of Supervisors pursuant  
7 to Government Code, Section 62451(d), in each case after any public hearings required by  
8 the Downtown Revitalization Law, the incremental property tax revenue that is generated by  
9 the investment in the commercial-to-residential conversion projects allocated by the City to the  
10 Downtown Revitalization District, which may include incremental property tax revenue  
11 described in Government Code, Sections 62457(a), (c) and (d), will be used to finance the  
12 commercial-to-residential conversion projects that generated the revenue; and, be it

13 FURTHER RESOLVED, That the Board of Supervisors hereby authorizes the Director  
14 of the Office of Public Finance to request the President of the Board of Supervisors set a time  
15 and date for a public hearing of the Board of Supervisors on the proposed Downtown  
16 Revitalization Financing Plan and to cause the Clerk of the Board of Supervisors to provide  
17 notice of such public hearing by (i) causing a notice to be posted on the Downtown  
18 Revitalization District's internet website and (ii) publishing a notice at least 10 days before the  
19 public hearing in a newspaper of general circulation in the City; and, be it

20 FURTHER RESOLVED, Pursuant to Government Code, Section 62455, the Board of  
21 Supervisors hereby directs the Clerk of the Board of Supervisors to transmit a copy of this  
22 Resolution to the District Board; and, be it

23 FURTHER RESOLVED, That this Resolution in no way obligates the Board of  
24 Supervisors or the District Board to form the Downtown Revitalization District; the  
25 establishment of the Downtown Revitalization District is subject to all requirements of the



1 Downtown Revitalization Law, including (i) the Board of Supervisors' approval or rejection of a  
2 proposed Downtown Revitalization Financing Plan following a public hearing and (ii) the  
3 District Board's approval or rejection of the Downtown Revitalization Financing Plan following  
4 three public hearings conducted pursuant to Downtown Revitalization Law; and, be it

5 FURTHER RESOLVED, That the Board of Supervisors hereby finds and determines  
6 that the Legislature has determined in the Downtown Revitalization Law that the creation of  
7 the Downtown Revitalization District and the adoption of the Downtown Revitalization  
8 Financing Plan shall not be deemed a "project" for purposes of the California Environmental  
9 Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code;  
10 and, be it

11 FURTHER RESOLVED, That if any section, subsection, sentence, clause, phrase, or  
12 word of this Resolution, or any application thereof to any person or circumstance, is held to be  
13 invalid or unconstitutional by a decision of a court of competent jurisdiction, such decision  
14 shall not affect the validity of the remaining portions or applications of this Resolution, the  
15 Board of Supervisors hereby declaring that it would have passed this Resolution and each  
16 and every section, subsection, sentence, clause, phrase, and word not declared invalid or  
17 unconstitutional without regard to whether any other portion of this Resolution or application  
18 thereof would be subsequently declared invalid or unconstitutional; and, be it

19 FURTHER RESOLVED, That the Mayor, the Controller, the Director of the Office of  
20 Public Finance, the Clerk of the Board of Supervisors and any and all other officers of the City  
21 are hereby authorized, for and in the name of and on behalf of the City, to do any and all  
22 things and take any and all actions, including execution and delivery of any and all  
23 documents, assignments, certificates, requisitions, agreements, notices, consents,  
24 instruments of conveyance, warrants and documents, which they, or any of them, may deem  
25 necessary or advisable in order to effectuate the purposes of this Resolution; provided

1 however that any such actions be solely intended to further the purposes of this Resolution,  
2 and are subject in all respects to the terms of the Resolution; and, be it

3 FURTHER RESOLVED, That all actions authorized and directed by this Resolution,  
4 consistent with any documents presented herein, and heretofore taken are hereby ratified,  
5 approved and confirmed by this Board of Supervisors.

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7 APPROVED AS TO FORM:  
8 DAVID CHIU, City Attorney

9 By: /s/ MARK D. BLAKE  
10 MARK D. BLAKE  
11 Deputy City Attorney

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