



SAN FRANCISCO PLANNING DEPARTMENT

June 12, 2013

Ms. Angela Calvillo, Clerk
Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

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

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

**Re: Transmittal of Planning Department Case Number 2013.0476T:
Tourist Hotel Size on Certain Parcels within the MUO Zoning District**

**BOS File No: _____ (pending)
Planning Commission Recommendation: *Approval***

Dear Ms. Calvillo,

On May 2, 2013 the San Francisco Planning Commission (hereinafter "Commission") conducted a duly noticed public hearing at a regularly scheduled meeting to consider the initiation of a proposed Ordinance. At that hearing, the Commission adopted Resolution No. 18854, initiating amendments to the Planning Code regarding the size of tourist hotels allowed on certain parcels within the Mixed-Use Office (MUO) Zoning District.

On June 6, 2013, the Commission conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance, and adopted Resolution No. 18896 (attached), recommending that the Board of Supervisors adopt the draft Ordinance (also attached).

The proposed Ordinance initiated by the Planning Commission would amend Section 842 of the Planning Code (hereinafter "Code") to allow tourist hotels of any size, with Conditional Use authorization, on parcels with a height designation of 105' or greater within the MUO Zoning District. Specifically, the Code amendments include:

- Adding a note to Section 842 clarifying that tourist hotels are permitted as a conditional use in certain height districts; and,
- Amending Table 842.49 by removing the size restriction under the "controls" for tourist hotels proposed on parcels with a height designation of 105' or greater. The Conditional Use authorization requirement would remain.

The proposed changes have been determined to be categorically exempt from environmental review under the California Environmental Quality Act Section 15060(c)(2).

At the June 6th hearing, the Commission voted to recommend approval of the proposed Ordinance. Please find attached documents relating to the Commission's action. If you have any questions or require further information please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'AM - R', with a horizontal line extending to the right.

AnMarie Rodgers
Manager of Legislative Affairs

cc:

Mayor's Office, Jason Elliot
Supervisor Scott Wiener
Supervisor David Chiu
Supervisor Jane Kim
City Attorney, Judy Boyajian

Attachments (one copy of the following):

Planning Commission Resolution No. 18896
Planning Commission Executive Summary for Case No. 2013.0476T
Draft Ordinance (original sent via interoffice mail)



SAN FRANCISCO PLANNING DEPARTMENT

Planning Commission Resolution 18896

HEARING DATE: JUNE 6, 2013

Date: May 30, 2013
Case No.: **2013.0476T**
Project Address: **Planning Code Amendment: Tourist Hotel Size on Certain Parcels in the MUO**
Initiated by: Planning Commission
Staff Contact: Sophie Hayward – (415) 558-6372
sophie.hayward@sfgov.org
Reviewed by: AnMarie Rodgers, Manager, Legislative Affairs
Anmarie.rodgers@sfgov.org
Recommendation: **Approval**

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

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

RECOMMENDING THAT THE BOARD OF SUPERVISORS ADOPT A PROPOSED ORDINANCE THAT WOULD AMEND PLANNING CODE SECTION 842 TO ALLOW TOURIST HOTELS WITHOUT A SPECIFIED ROOM LIMIT WITH CONDITIONAL USE AUTHORIZATION WITHIN THE MIXED-USE OFFICE (MUO) ZONING DISTRICT ON PARCELS WITH A HEIGHT DESIGNATION OF 105' OR GREATER AND TO AMEND TABLE 842, SECTION 842.49 TO REMOVE THE RESTRICTION ON THE NUMBER OF ROOMS A HOTEL MAY HAVE ON PARCELS WITH A HEIGHT DESIGNATION OF 105' OR HIGHER WHEN ALLOWED WITH CONDITIONAL USE AUTHORIZATION; ADOPTING FINDINGS, INCLUDING ENVIRONMENTAL FINDINGS, PLANNING CODE SECTION 302 FINDINGS, AND FINDINGS OF CONSISTENCY WITH THE GENERAL PLAN AND THE PRIORITY POLICIES OF PLANNING CODE SECTION 101.

PREAMBLE

WHEREAS, the existing Code allows only hotels with fewer than 75 rooms to be allowed with Conditional Use authorization within the MUO Zoning District; and

WHEREAS, the MUO Zoning District is located predominantly along the 2nd Street corridor in the South of Market area, and is designed to encourage office uses and housing, as well as small-scale light industrial and arts activities; and

WHEREAS, hotels, even large hotels, may be appropriately located within the MUO Zoning District on parcels with a height designation of 105' or greater, and are compatible with the range of permitted and conditionally permitted uses in the area; and

WHEREAS, while there is a policy rationale to support careful review of any proposed new tourist hotel, there does not seem to be a need to restrict outright the size or room count of proposed new hotels on parcels with height designations of 105' or greater; and

WHEREAS, the proposed legislation is intended to resolve the aforementioned issues; and

WHEREAS, the Planning Commission (hereinafter "Commission") conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance on May 2, 2013; and

WHEREAS, pursuant to Planning Code Section 306.3 the Planning Commission adopted Resolution No. 18854 initiating amendments to the Planning Code on May 2, 2013; and

WHEREAS, the proposed Ordinance has been determined to be categorically exempt from environmental review under the California Environmental Quality Act Section 15060(c)(2); and

WHEREAS, the Commission conducted a duly noticed public hearing at a regularly scheduled meeting to consider adoption of the proposed Ordinance on June 6, 2013; and

WHEREAS, the Commission has heard and considered the testimony presented to it at the public hearing and has further considered written materials and oral testimony presented on behalf of Department staff and other interested parties; and

WHEREAS, the all pertinent documents may be found in the files of the Department, as the custodian of records, at 1650 Mission Street, Suite 400, San Francisco; and

MOVED, that the Commission hereby **adopts** this Resolution to recommend approval of the draft Ordinance to the Board of Supervisors; and,

FINDINGS

Having reviewed the materials identified in the preamble above, and having heard all testimony and arguments, this Commission finds, concludes, and determines as follows:

1. **General Plan Compliance.** This Resolution is consistent with the following Objectives and Policies of the General Plan:

- I. **COMMERCE AND INDUSTRY ELEMENT**

- OBJECTIVE 1**

- MANAGE ECONOMIC GROWTH AND CHANGE TO ENSURE ENHANCEMENT OF THE TOTAL CITY LIVING AND WORKING ENVIRONMENT.

- POLICY 1.1**

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

OBJECTIVE 3

PROVIDE EXPANDED EMPLOYMENT OPPORTUNITIES FOR CITY RESIDENTS, PARTICULARLY THE UNEMPLOYED AND ECONOMICALLY DISADVANTAGED.

POLICY 3.2

Promote measures designed to increase the number of San Francisco jobs held by San Francisco residents.

POLICY 3.4

Assist newly emerging economic activities.

2. This Resolution is consistent with the eight General Plan priority policies set forth in Section 101.1 in that:
 - A) The existing neighborhood-serving retail uses will be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses will be enhanced.
 - B) The existing housing and neighborhood character will be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods.
 - C) The City's supply of affordable housing will be preserved and enhanced.
 - D) The commuter traffic will not impede MUNI transit service or overburden our streets or neighborhood parking.
 - E) A diverse economic base will be maintained by protecting our industrial and service sectors from displacement due to commercial office development. And future opportunities for resident employment and ownership in these sectors will be enhanced.
 - F) The City will achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake.
 - G) That landmark and historic buildings will be preserved.
 - H) Parks and open space and their access to sunlight and vistas will be protected from development.

I hereby certify that the foregoing Resolution was ADOPTED by the San Francisco Planning Commission on June 6, 2013.

Jonas P. Ionin
Commission Secretary

AYES: Commissioners Antonini, Borden, Fong, Hillis, Moore, Sugaya, and Wu

NOES: None

ABSENT: None



SAN FRANCISCO PLANNING DEPARTMENT

Executive Summary Planning Code Amendment Adoption

HEARING DATE: JUNE 6, 2013

Date: May 30, 2013
Case No.: **2013.0476T**
Project Address: **Planning Code Amendment: Tourist Hotel Size on
Certain Parcels in the MUO Zoning District**
Initiated by: John Rahaim, Director of Planning
Staff Contact: Sophie Hayward – (415) 558-6372
sophie.hayward@sfgov.org
Reviewed by: AnMarie Rodgers, Manager, Legislative Affairs
anmarie.rodgers@sfgov.org
Recommendation: **Recommend Adoption**

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

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

At the May 2, 2013 Planning Commission hearing, the Commission initiated an amendment to the Planning Code related to the tourist hotel size allowed, with Conditional Use authorization, on certain parcels within the Mixed Use Office (MUO) Zoning District in the South of Market area. At that hearing and pursuant to Planning Code Section 306.3, the Planning Commission authorized the Department to provide notice for a hearing to consider the Planning Code amendments contained in the draft Ordinance, as modified at the public hearing (Planning Commission Resolution 18854). At the May 2 hearing, the Planning Commission directed staff to refine the proposal to limit the proposed amendment to a narrow scope in order to facilitate a proposed hotel project located at 144 King Street, which was considered and approved by the Commission in Case No. 2004.1326ACV¹.

CODE AMENDMENT

The proposed Ordinance would amend the Planning Code (herein after “Code”) to achieve the following: allow tourist hotels of any size, with Conditional Use authorization, on parcels with a height designation of 105’ or greater within the Mixed Use-Office (MUO) Zoning District.

The proposed Code amendment would amend both the narrative description of the MUO Zoning District (Section 842), and the accompanying Zoning Control Table (Table 842).

Specifically, the Code amendments include:

- Adding a note to Section 842 clarifying that tourist hotels are permitted as a conditional use; and,
- Amending Table 842.49 by removing the size restriction under the “controls” for tourist hotels proposed on parcels with a height designation of 105’ or greater. The Conditional Use authorization requirement would remain.

¹ The docket for Case No. 2004.1326ACV may be reviewed by request at the Planning Department, 1650 Mission Street, 4th Floor, San Francisco, CA 94103. The entitlements for the proposed project were extended in 2008 (Planning Commission Motion No. 17773) and again in 2011 (Planning Commission 18425). As currently approved, the entitlements for the proposed project will expire on September 8, 2014.

The Way It Is Now:

- Tourist Hotels are allowed within the MUO Zoning District with Conditional Use authorization provided that the hotels have fewer than 75 rooms.

The Way It Would Be:

- Tourist hotels of any size would be allowed with Conditional Use authorization on parcels with a height designation of 105' or greater within the MUO Zoning District.

REQUIRED COMMISSION ACTION

The proposed Ordinance is before the Commission so that it may approve or disapprove the proposed Planning Code amendments.

RECOMMENDATION

The Department recommends that the Commission recommend *approval* of the proposed Ordinance and adopt the attached Draft Resolution to that effect.

BASIS FOR RECOMMENDATION

The proposed ordinance would amend the MUO controls to allow hotels of any size with Conditional Use authorization on parcels with height limits of 105' or higher within the MUO Zoning District. The proposed amendment would remove the strict prohibition of hotels with 75 units or more on parcels that allow for higher buildings. Three distinct areas of limited size would be affected by the proposed Ordinance: a portion of 2nd Street between Folsom and Harrison Streets, and the block bounded by King, Townsend, 2nd and 3rd Streets.

ISSUES FOR CONSIDERATION

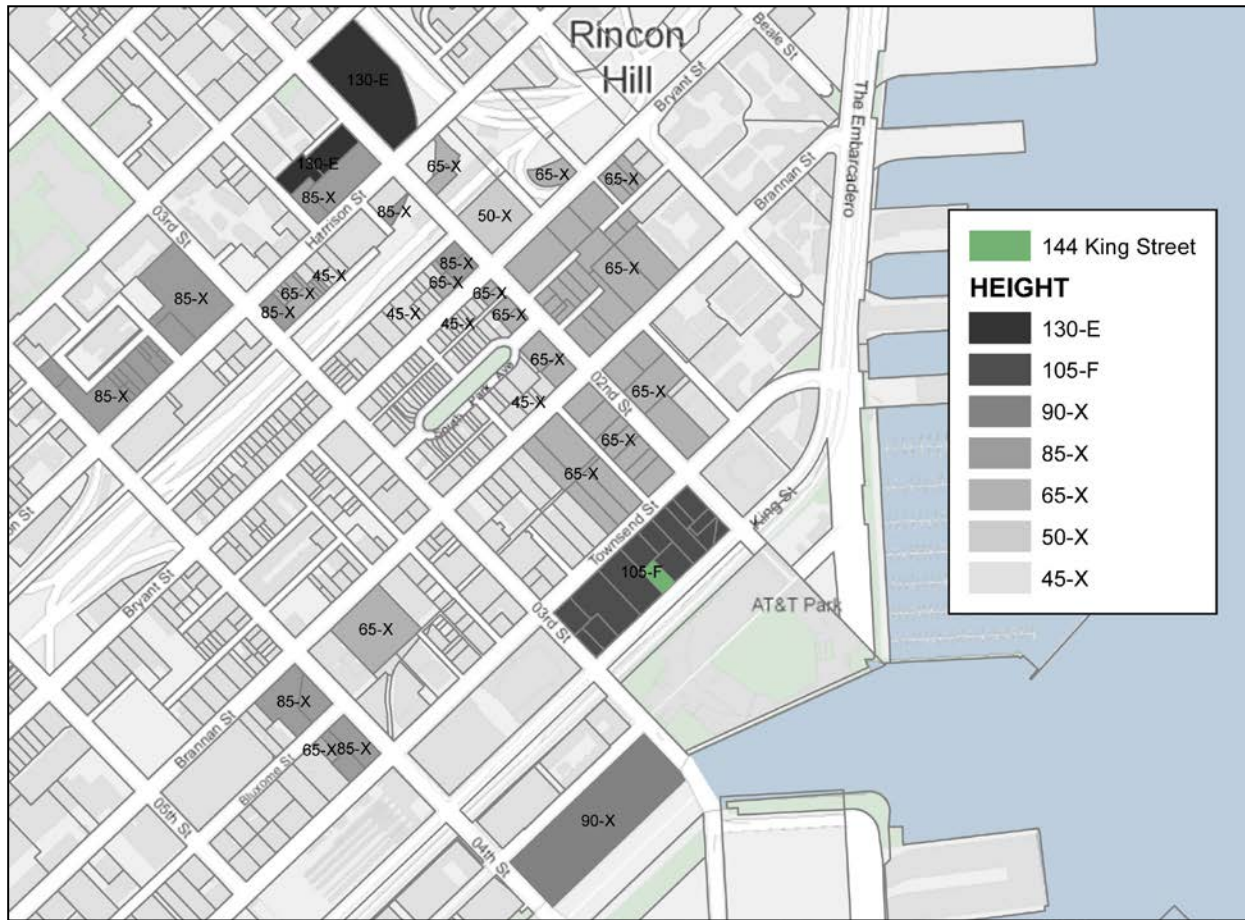
The MUO Zoning District

The MUO Zoning District is a small district in the South of Market area that contains specific parcels within an area bound by Folsom Street to the north 5th Street to the west, Berry Street to the south, and roughly 2nd Street to the east. Most of the area of the MUO district is located along the 2nd Street corridor and is designed to encourage office uses and housing, as well as small-scale light industrial and arts activities.



This zoning map shows the location of the MUO Zoning District within the SoMa area.

Height designations within the MUO range from 45' to 130', with the majority of the parcels mapped at 65'. The highest height designation – 130' – is limited to the east, and a portion of the west, sides of 2nd Street between Harrison and Folsom Streets. The 105' height designation is located on the block bounded by 2nd, 3rd, Townsend, and King Streets, across from AT&T Park. On this block, there is a parcel located at 144 King Street, for which a hotel that is greater than 75 rooms has been proposed.



This zoning map shows the Height and Bulk designations within the MUO district, and identifies the parcel on which a hotel larger than 75 rooms has been proposed.

Hotel Controls within the Service Secondary Office (SSO) and MUO Zoning Districts

The existing MUO controls allow hotels with fewer than 75 rooms to be approved via Conditional Use authorization by the Planning Commission. Larger hotels are prohibited. This existing control (Sec 842.49) is in the MUO district not because of any policy considered during the Eastern Neighborhoods effort, but rather because the MUO District was based upon the Service Secondary Office (SSO) Zoning District which allows only small hotels that receive Conditional Use authorization (Sec 818.78).

The SSO district was created in 1990 as part of the South of Market Zoning Controls, and was designed to accommodate small scale light industrial uses, arts activities, home and business services, and various types of office space.² When the SSO district was created, hotels of any size were not permitted. In 2005, an amendment allowing small hotels (defined as hotels with 75 rooms or less) with Conditional Use

² The South of Market Zoning Controls were added to the Planning Code with Ordinance No. 115-90, and defined in Article 8 the new South of Market Mixed Use Districts and detailed their land use controls.

authorization by the Planning Commission was adopted, provided that a specific finding was made that “disallows project proposals that displace existing Production, Distribution, and Repair (PDR) uses.”³

As noted above, the MUO District was based primarily on the SSO District. However, during the drafting process, it appears that the control limiting the size of hotels that may be allowed through the Conditional Use authorization process was a) copied into the new MUO District zoning table without specific consideration of hotel use in the area, and b) inadvertently reduced from a prohibition on hotels with over 75 rooms to a prohibition on hotels with 75 rooms or more.

Hotel Controls in the Central Corridor Plan Compared with this Proposed Ordinance

Portions of the MUO Zoning District are located within the Central Corridor Plan Area, an effort launched by the Department intended to provide strategies for supporting managed change along the Fourth Street transit spine. The Draft Plan, published in April of this year, includes specific Land Use principles and implementation strategies intended to accommodate transit-oriented growth while preserving the area’s dynamic history and sense of place.⁴

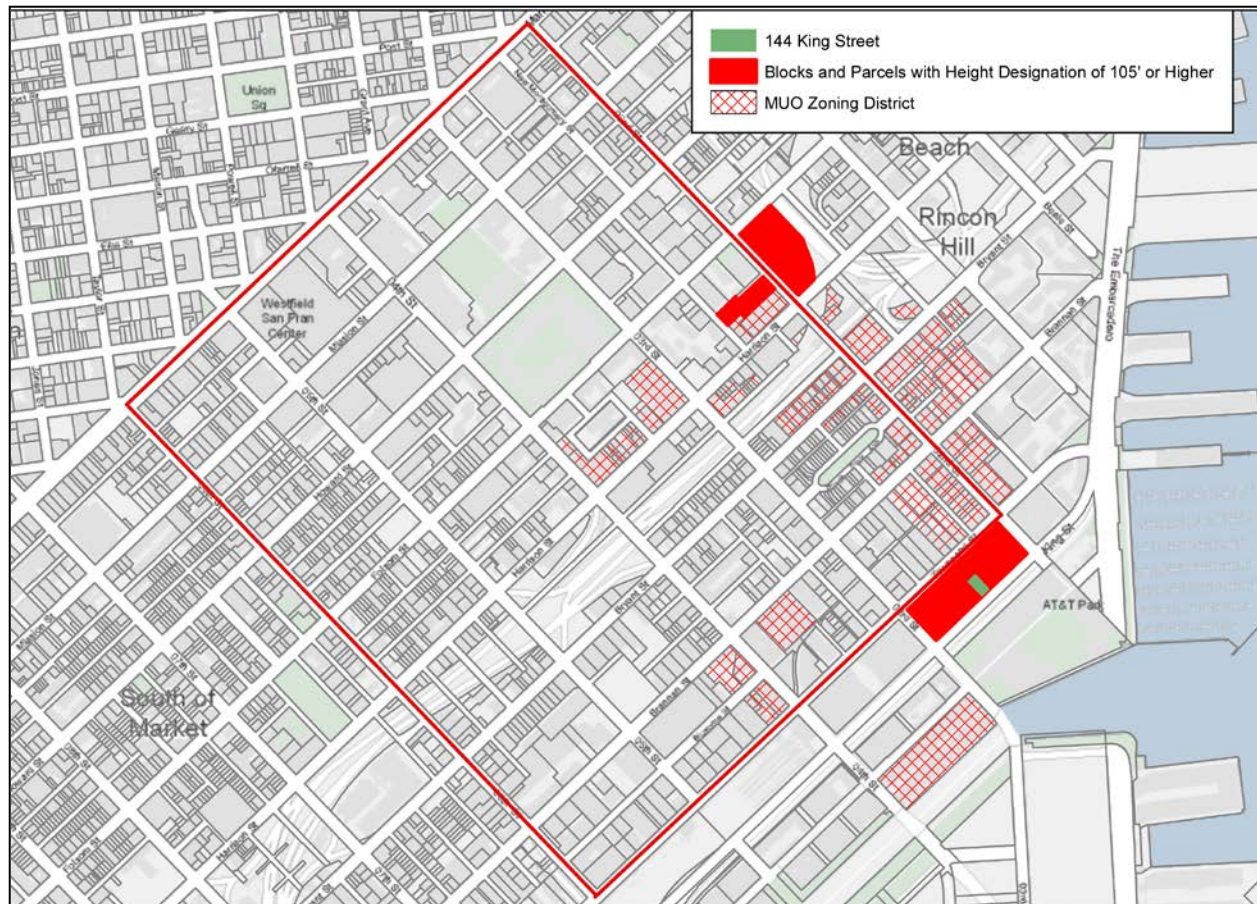
Principle 5 is to “Reinforce SoMa’s Mixed-Use Character by Permitting a Diversity of Land Uses,” and includes implementation strategy 5.3: Permit Larger Hotels. As noted in the Draft Plan, hotels “often provide the best characteristics of residential and commercial uses by providing 24-hour activation of the nearby streets, helping support nearby retail and restaurant uses, caring for street appearance and maintenance, and sometimes providing their own retail and entertainment venues.”⁵ While there is a policy rationale to support careful review of any proposed new tourist hotel through the Conditional Use authorization process, there does not seem to be a need to restrict outright the size or room count of proposed new hotels. Hotels, even large hotels, may be appropriately located within the MUO Zoning District and are compatible with the range of permitted and conditionally permitted uses in the area, provided that they comply with height and bulk requirements.

The Central Corridor Plan is large in scope, and it will provide a forum in which to consider a broader change to the existing hotel controls through the MUO Zoning District as a whole. The draft Ordinance under consideration for adoption outlined in this report is a much smaller, more targeted approach to amending the hotel controls for a subset of blocks and parcels – those with height designations of 105’ or higher – within the MUO. As proposed in the attached draft Ordinance, the limited change to hotel controls within the MUO will facilitate a project for which the Commission has previously shown support, while laying the groundwork for a broader policy discussion in the context of the Central Corridor Plan.

³ Ordinance 174-05, signed by Mayor Gavin Newsom on July 29, 2005 (available online at: <http://www.sfbos.org/index.aspx?page=2293> (May 20, 2013)).

⁴ “The Central Corridor Plan: Draft for Public Review, April, 2013,” available by request or online at: <http://www.sfplanning.org/index.aspx?page=2557> (May 20, 2013).

⁵ Ibid., page 25.



This zoning map shows the MUO district in relation to the area studied in the Central Corridor Plan, and highlights the specific blocks that would be impacted by the proposal to remove the restriction on the number of rooms a hotel may have with Conditional Use authorization within the MUO Zoning District.

Importance of Tourism & Conventions to City's Economy

Tourism is the city's largest industry. In 2012, 16.5 million visitors spent more than \$8.93 billion in local businesses, a 5% increase from 2011.⁶ Revenue from tourism spills across many sectors of the City's economy helping to fuel the industries as diverse as restaurants, entertainment and even production, distribution & repair sectors that support the provision of tourist goods and services. According to research conducted by San Francisco Travel, San Francisco tourism generated \$562 million in taxes in 2012 (up 6.7% from 2011) and supports 74,000 jobs with an annual payroll of \$2.18 billion (up 6.2% from 2011). Within the tourism industry, conventions play a disproportionately large role. San Francisco Travel also reports the following statistics: Conventions account for 1,150 booked meetings, \$1.1 billion in direct spending, and 2 million booked room nights. San Francisco currently has 33,642 hotel rooms available in 215 hotels.⁷

⁶ Information provided by San Francisco Travel (formerly the San Francisco Travel Association). Information available online at: <http://www.sanfrancisco.travel/research/> (May 22, 2013).

⁷ Ibid.

The San Francisco General Plan's Commerce and Industry Element states:

"Visitor trade constitutes an important economic base for San Francisco and is responsible for employing, directly and indirectly, more residents than any other economic sector. It generates substantial revenues in many related economic areas including transportation, general merchandising, eating and drinking places, food stores, other retail trade, motor vehicles and service stations, personal services, and entertainment and recreation. By far the largest expense for visitors is hotels or motels, followed by restaurants and retail sales.

Such spending is important, for it stems from sources outside the Bay Area, and thus provides a substantial input of new dollars to the local economy. The expenditure of these new dollars in the local economy has a powerful effect in generating additional spending by local merchants and, in turn, generates higher personal incomes for resident owners and employees of visitor trade facilities. Tourist demand also has the effect of expanding the availability and selection of local goods and services. "

Hotel Room Stock and Occupancy Rates

According to PKF Consulting, the 2012 hotel occupancy rate was 82.7%, and the five year average hotel occupancy rate from 2008 to 2012 was 79.7%. At just over 20 % vacancy the City is left with an average of 6,829 rooms unoccupied each night. While this may seem high, this rate compares favorably with the national average of 37%⁸.

Can the City accommodate future growth in our tourism? The City needs rooms to accommodate the tourist today as well new rooms to grow for the future. To date, the City appears to be meeting existing need. The question of import is, will the City be prepared to meet future demand. As of July 2005, the City had 33,500 hotel rooms. As noted above, the City currently has 33, 642 hotels rooms. Recent hotels in the City have seen 6-10 years pass from inception to completion. This means the City can feel the pressures of short supply for years before the market will begin to produce a correction. Commission President Fong has asked SF Travel to provide a more detailed presentation to the Commission this July.

ENVIRONMENTAL REVIEW

The proposal to amend the Planning Code would result in no physical impact on the environment. The proposed amendment is exempt from environmental review under Section 15060(c)(2) of the CEQA Guidelines.

PUBLIC COMMENT

As of the date of this report, the Planning Department has received no public comment on the proposal.

RECOMMENDATION:	Recommendation of Approval
------------------------	-----------------------------------

⁸ The average national vacancy rate is based on a presentation by Smith Travel Research available online: http://www.lodgingconference.com/presentations/STR_LodgingConf_2012.pdf (May 22, 2013)

1 [Planning Code – Mixed Use Office District]

2

3 **Ordinance amending the Planning Code by amending Section 842 and Section 842.49**
4 **of the Zoning Control Table to permit a tourist hotel without a specified room limit in a**
5 **Mixed Use Office District in height districts that are 105 feet and above with a**
6 **Conditional Use authorization; and making environmental findings, Planning Code**
7 **Section 302 findings, and findings of consistency with the General Plan and the Priority**
8 **Policies of Planning Code Section 101.1.**

9 NOTE: Additions are *single-underline italics Times New Roman*;
10 deletions are ~~*strike-through italics Times New Roman*~~.
11 Board amendment additions are double-underlined;
12 Board amendment deletions are ~~strikethrough normal~~.
13 Ellipses indicate text that is omitted but unchanged.

12

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

14 Section 1. Findings.

15 (a) The Planning Department has determined that the actions contemplated in this
16 ordinance comply with the California Environmental Quality Act (California Public Resources
17 Code Section 21000 et seq.). Said determination is on file with the Clerk of the Board of
18 Supervisors in File No. _____ and is incorporated herein by reference.

19 (b) Pursuant to Planning Code Section 302, this Board finds that these Planning Code
20 amendments will serve the public necessity, convenience and welfare for the reasons set forth
21 in Planning Commission Resolution No. _____ and the Board hereby incorporates such
22 reasons herein by reference. A copy of Planning Commission Resolution No. _____ is on file
23 with the Clerk of the Board of Supervisors in File No. _____.

24 Section 2. The Planning Code is hereby amended by amending Section 842 and
25 Section 842.49 of the Zoning Control Table, to read as follows:

Planning Commission
BOARD OF SUPERVISORS

SEC. 842.49. MUO – MIXED USE-OFFICE DISTRICT.

The Mixed Use-Office (MUO) runs predominantly along the 2nd Street corridor in the South of Market area. The MUO is designed to encourage office uses and housing, as well as small-scale light industrial and arts activities. Nighttime entertainment and small tourist hotels are is permitted as a conditional use. Large tourist hotels are permitted as a conditional use in certain height districts. Dwelling units and group housing are permitted, while demolition or conversion of existing dwelling units or group housing requires conditional use authorization. Family-sized housing is encouraged.

Office, general commercial, most retail, production, distribution, and repair uses are also principal permitted uses. ~~Large hotel, a~~ Adult entertainment and heavy industrial uses are not permitted.

Table 842
MUO – MIXED USE-OFFICE DISTRICT
ZONING CONTROL TABLE

			Mixed Use-Office District
No.	Zoning Category	§ References	Controls
... Retail Sales and Services			
842.49 ...	Tourist Hotel	§ 890.46	C if less than 75 rooms; <u>C with no room limit in height districts that are 105 feet and above.</u>

1 Section 3. Effective Date. This ordinance shall become effective 30 days from the
2 date of passage.

3 Section 4. This section is uncodified. In enacting this ordinance, the Board intends to
4 amend only those words, phrases, paragraphs, subsections, sections, articles, numbers,
5 punctuation, charts, diagrams, or any other constituent part of the Planning Code that are
6 explicitly shown in this legislation as additions, deletions, Board amendment additions, and
7 Board amendment deletions in accordance with the "Note" that appears under the official title
8 of the legislation.

9
10 APPROVED AS TO FORM:
11 DENNIS J. HERRERA, City Attorney

12 By: _____
13 JUDITH A. BOYAJIAN
14 Deputy City Attorney