



# SAN FRANCISCO PLANNING DEPARTMENT

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December 1, 2016

Ms. Angela Calvillo, Clerk of the Board  
Honorable Supervisor Kim  
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 2013-1049PCA: Waiving Fees and Exempting Requirements, Authorizing Land Dedication or Construction of Off-Site Units, Establishing 180 Jones Street Affordable Housing Fund, Accepting a \$2,000,000 Gift, Authorizing Payment - 950-974 Market Street**

**BOS File No: 161066**

**Planning Commission Recommendation: Approval with Modifications**

Dear Ms. Calvillo and Supervisor Kim:

On November 17, 2016 the Planning Commission conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance that would exempt the development project at 950 Market Street from a range of Planning Code requirements, including the inclusionary housing requirements of Section 415, and instead authorize the project to participate in one of two alternative affordable housing schemes, both involving the dedication of land to the City. The Ordinance was introduced by Supervisor Kim. At the hearing the Planning Commission (1) adopted a recommendation for approval with modifications and (2) directed the Planning Department to conduct additional analysis of the proposed Ordinance to ensure that any value conferred to the project sponsor through waivers and/or exceptions would be recaptured through increased affordable housing or other public benefits. The additional analysis was to be provided to the Board of Supervisors so that it could consider the additional information in its subsequent deliberations.

The *Commission's proposed modifications* were as follows:

1. The Ordinance should be amended to make the various waivers of Planning Code requirements contingent upon the fee payment, dedication of land, and/or provision of BMR housing.
2. The Ordinance identifies two options to provide affordable housing off-site through land dedication. Regarding the option requiring construction of those off-site units, clear AMI's should be established that are comparable to existing Planning Code requirements. Additionally, a clear timeline should be established within which the off-site project must be entitled and permitted. A contingency should be provided in the event that the off-site project isn't delivered following the construction of the principal project.

In response to this direction, Department staff worked with the Mayor's Office of Housing and Community Development to further evaluate the proposed Ordinance; we have prepared the following tables that illustrate our findings.

Regarding 180 Jones Street Affordable Housing Fund, and 950-974 Market Street

DEVELOPER COST OF PROVIDING AFFORDABLE HOUSING

PROJECT WITHOUT PROPOSED ORDINANCE 31 On-Site BMR Units 90% AMI - Homeownership		PROJECT WITH PROPOSED ORDINANCE <sup>1</sup> 68 Off-Site BMR Units at 180 Jones Street 40% - 60% AMI - Rental	
Development Cost of BMR units	(\$22,710,446)	Gift	(\$2,000,000)
Sales + Pkg Revenue	\$10,282,461	Section 415 In-Lieu Fee	(\$15,000,000)
Base Housing Cost	(\$12,427,985)	Base Housing Cost	(\$17,000,000)
Jobs Housing Fee	(\$400,000)	Jobs Housing Fee	(\$400,000)
Non-Potable Water Cost	(\$1,750,000) <sup>2</sup>	Non-Potable Water Cost	\$1,750,000 <sup>2</sup>
		Credit for TDR	\$700,000
		Discounted Value of Delayed Payment	\$833,000
<b>Total Developer Cost</b>	<b>(\$14,577,985)</b>	<b>Total Developer Cost</b>	<b>(\$14,117,000)</b>

The two tables above outline the cost to the developer to (1) construct affordable housing on-site at 950 Market, as provided for under current Planning Code provisions, and (2) dedicate land and provide money toward affordable housing construction at 180 Jones under the terms of the proposed Ordinance. This analysis shows that the cost to the developer under the proposed Ordinance is \$460,000 less than the cost of constructing affordable units on-site under current Code.

COST ANALYSIS OF BUILDING AFFORDABLE HOUSING AT 180 JONES STREET

180 JONES FUNDING SOURCES Using \$1.8M as JHLF payment		180 JONES FUNDING SOURCES Using \$400,000 as JHLF payment	
Total Building Costs – less land	(\$33,500,000)	Total Building Costs – less land	(\$33,500,000)
Tax Credit Equity	\$15,400,000	Tax Credit Equity	\$15,400,000
Debt, assuming VASH	\$2,750,000	Debt, assuming VASH	\$2,750,000
AHP	\$544,000	AHP	\$544,000
Sections 415/413 (less land)	\$12,800,000	Sections 415/413 (less land)	\$11,400,000
Gift	\$2,000,000	Gift	\$2,000,000
Total Sources	\$33,494,000	Total Sources	\$32,094,000
<b>Surplus / (Deficit)</b>	<b>(\$6,000)</b>	<b>Surplus / (Deficit)</b>	<b>(\$1,406,000)</b>

The two tables above outline funding sources the City would use in order to construct the affordable housing project at 180 Jones, as provided for under the Ordinance.<sup>1</sup> The tables differ in that the first assumes a \$1.8 million Jobs-Housing Linkage Fee payment, while the second assumes a \$400,000

<sup>1</sup> While the Ordinance provides for an option through which the project sponsor could construct the 180 Jones Street affordable housing project in-lieu of certain fee payments, the sponsor has stated that they do not intend to pursue this option.

<sup>2</sup> This figure is based on a written estimate provided by the project sponsor following the Planning Commission hearing on the matter.

payment. While \$400,000 is the correct figure, the proposed Ordinance erroneously represents this figure as \$1.8M. Assuming a fee payment of \$400,000 *and* success in obtaining the federal funding listed above – which is unclear owing to transitions in Washington D.C. – the tables illustrate a funding deficit of \$1.4 million. Assuming a fee payment of \$1.8M along with the same federal funding, the deficit would be \$6,000.

Regardless, Planning Department Staff recommends that the Board clarify the text of the Ordinance relating to fee payment figures.

The proposed amendments are not defined as a project under CEQA Guidelines Section 15060(c)(2) and 15378 because they do not result in a physical change in the environment. The project proposed at 950-974 Market Street is covered under CEQA with Planning Department Case No. 2013.1049E under a Mitigated Negative Declaration. Subsequent environmental review will be required for the 180 Jones Street project.

Supervisor Kim, please advise the City Attorney at your earliest convenience if you wish to incorporate the changes recommended by the Commission or in response to the additional information provided in this memorandum at the Commission's request.

Please find attached documents relating to the actions of the Commission. If you have any questions or require further information please do not hesitate to contact me.

Sincerely,

AnMarie Rodgers  
Senior Policy Advisor

cc:  
Andrea Ruiz-Esquide, Deputy City Attorney  
Jon Givner, Deputy City Attorney  
Alisa Somera, Office of the Clerk of the Board

Attachments:  
Planning Commission Resolution No. 19781  
Planning Department Executive Summary



# SAN FRANCISCO PLANNING DEPARTMENT

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## Planning Commission Resolution No. 19781

**Planning Code Amendment**  
**HEARING DATE: NOVEMBER 17, 2016**

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

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*Case No.:* **2013-1049CXVPCA [Board File No. 161066]**  
*Initiated by:* Supervisor Kim / Introduced October 4, 2016  
*Project Address:* **950-974 Market Street**  
*Zoning:* C-3-G Downtown General  
120-X Height and Bulk District  
*Block/Lot:* 0342/001, 002, 004, and 014  
*Project Sponsor:* Michelle Lin,  
Mid Market Center, LLC  
500 Sansome Street, Suite 750  
San Francisco, CA 94111  
[michelle@groupi.com](mailto:michelle@groupi.com)  
*Staff Contact:* Claudine Asbagh – (415) 575-9165  
[Claudine.Asbagh@sfgov.org](mailto:Claudine.Asbagh@sfgov.org)

RECOMMENDING APPROVAL WITH MODIFICATIONS FOR AN ORDINANCE [BOARD OF SUPERVISORS FILE NO. 161066] WAIVING THE JOBS-HOUSING LINKAGE FEE SET FORTH IN PLANNING CODE SECTION 413 ET SEQ., THE INCLUSIONARY AFFORDABLE HOUSING REQUIREMENTS SET FORTH IN PLANNING CODE SECTION 415 ET SEQ., AND THE ALTERNATIVE WATER SUPPLY REQUIREMENTS SET FORTH IN HEALTH CODE ARTICLE 12C; EXEMPTING 26,572 SQUARE FEET FROM THE CALCULATION OF GROSS FLOOR AREA PURSUANT TO PLANNING CODE SECTION 124 TO ALLOW THE ADDITIONAL FLOOR AREA, AND EXEMPTING 26,572 SQUARE FEET FROM PLANNING CODE SECTIONS 123 AND 128 TO REDUCE ANY REQUIRED TRANSFERABLE DEVELOPMENT RIGHTS BY SUCH AMOUNT, FOR A PROJECT LOCATED AT 950-974 MARKET STREET IN SAN FRANCISCO, IN EXCHANGE FOR EITHER (1) THE DEDICATION OF REAL PROPERTY AT 180 JONES STREET TO THE SAN FRANCISCO MAYOR'S OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT AT NO COST AND PAYMENT OF APPROXIMATELY \$12.8 MILLION TO THE 180 JONES STREET AFFORDABLE HOUSING FUND, OR (2) THE CONSTRUCTION OF A MINIMUM OF 60 AND A MAXIMUM OF 70 AFFORDABLE STUDIO OR EFFICIENCY RENTAL UNITS AT 180 JONES STREET; ESTABLISHING THE 180 JONES STREET AFFORDABLE HOUSING FUND; ACCEPTING A \$2 MILLION GIFT TO THE 180 JONES STREET AFFORDABLE HOUSING FUND; AUTHORIZING ACTIONS IN FURTHERANCE OF THIS ORDINANCE; AND ADOPTING FINDINGS REGARDING THE FINAL MITIGATED NEGATIVE DECLARATION UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT; MAKING FINDINGS UNDER PLANNING CODE SECTION 302; AND MAKING FINDINGS OF CONSISTENCY WITH THE GENERAL PLAN AND THE EIGHT PRIORITY POLICIES OF PLANNING CODE SECTION 101.1.

## PREAMBLE

On November 19, 2013, Michelle Lin on behalf of Mid Market Center, LLC ("Project Sponsor"), filed an application (Case No. 2013-1049) with the Planning Department ("Department") for Environmental Review, to allow the demolition of existing structures and associated surface parking lot and to construct a 190-foot-tall, 18-story, approximately 450,000 square-foot, mixed-use building with approximately 316 dwelling units, 310 hotel rooms, approximately 15,000 square feet of retail, 75,000 square feet of arts/educational uses, and 198 off-street parking spaces at 950-974 Market Street ("Project Site") within the C-3-G, Downtown General Commercial Zoning District, and the 120-X Height and Bulk district.

On May 28, 2014, the Project Sponsor filed applications with the Department including: 1) an application with the Department for Compliance with Planning Code Section 309, with exceptions for Rear Yard requirements (Section 134), off-street loading requirements (Section 155(s)), and off-street tour bus loading requirements (Sections 162(b)); 2) a Conditional Use Authorization to construct a hotel use in the C-3-G District (Section 210.2), to exceed the residential density limit (Section 215(b)), and to exceed the height limit per a proposed Mid-Market Special Use District (SUD); and 3) Variances from planning code requirements.

On September 15, 2015, the Project Sponsor submitted revised applications to the Department that included: 1) an application with the Department for Compliance with Planning Code Section 309, with exceptions for Rear Yard requirements (Section 134), off-street loading requirements to allow a 20-foot opening where 15 is permitted (Section 155(s)), and off-street tour bus loading to provide zero spaces where one is required (Sections 162(b)); 2) a Conditional Use Authorization to construct a hotel use in the C-3-G District (Section 210.2), and to exclude affordable units from the FAR calculation (Section 124(f)); and 3) a request for a Variance from off-street loading requirements to allow direct access to loading spaces off of Turk Street. The project proposed the demolition of existing structures and associated surface parking lot and to construct a new 120-foot-tall, 12-story, approximately 408,342 square-foot, mixed-use building with 242 dwelling units, a 232-room hotel, approximately 16,100 square feet of retail use, and 82 off-street parking spaces.

On January 20, 2016, the Planning Department's Environmental Review Office issued a Notice of Completion, and published a Preliminary Mitigated Negative Declaration ("PMND") for the originally proposed Project and for the proposed Mid-Market Arts and Arts Education Special Use District and Special Height District. The PMND was available for public comment until February 9, 2016.

On February 9, 2016, two appeals of the PMND were filed with the Department.

On February 22, 2016 the Planning Department's Environmental Review Office determined that the PMND should be recirculated because the Department was no longer seeking approval for the Mid-Market Arts and Arts Education SUD and Special Heights District and due to substantial changes in the project.

On July 6, 2016, the Planning Department's Environmental Review Office issued a Notice of Completion, and recirculated the PMND for the Project that superseded the prior January 20, 2016 PMND. The PMND was available for public comment until July 26, 2016.

On July 26, 2016, an appeal of the recirculated PMND was filed with the Department.

On October 4, 2016, the Board of Supervisors introduced an Ordinance waiving the Jobs-Housing Linkage Fee set forth in Planning Code Section 413 et seq., the Inclusionary Affordable Housing requirements set

forth in Planning Code Section 415 et seq., and the alternative water supply requirements set forth in Health Code Article 12C; exempting 26,572 square feet from the calculation of gross floor area pursuant to Planning Code Section 124 to allow the additional floor area, and exempting 26,572 square feet from Planning Code Sections 123 and 128 to reduce any required transferable development rights by such amount, for a project located at 950-974 Market Street in San Francisco, in exchange for either (1) the dedication of real property at 180 Jones Street to the San Francisco Mayor's Office of Housing and Community Development at no cost and payment of approximately \$12.8 million to the 180 Jones Street Affordable Housing Fund, or (2) the construction of a minimum of 60 and a maximum of 70 affordable studio or efficiency rental units at 180 Jones Street; establishing the 180 Jones Street Affordable Housing Fund; accepting a \$2 million gift to the 180 Jones Street Affordable Housing Fund; authorizing actions in furtherance of this ordinance; and adopting findings regarding the Final Mitigated Negative Declaration under the California Environmental Quality Act; making findings under Planning Code Section 302; and making findings of consistency with the General Plan and the eight priority policies of Planning Code Section 101.1 (the "Ordinance").

On November 17, 2016, the Commission conducted a duly noticed public hearing at a regularly scheduled meeting on Planning Application No. 2013-1049CXVPCA and the Appeal of the Preliminary Mitigated Negative Declaration, No. 2013-1049E.

Also on November 17, 2016, the Commission conducted a duly noticed public hearing at a regularly scheduled meeting to consider the Ordinance.

On November 17, 2016, the Commission upheld the PMND and approved the issuance of the Final Mitigated Negative Declaration (FMND) as prepared by the Planning Department in compliance with CEQA, the State CEQA Guidelines and Chapter 31.

On November 17, 2016, the Commission reviewed and considered the Final Mitigated Negative Declaration (FMND) and found that the contents of said report and the procedures through which the FMND was prepared, publicized, and reviewed complied with the California Environmental Quality Act (California Public Resources Code Sections 21000 et seq.) (CEQA), Title 14 California Code of Regulations Sections 15000 et seq. (the "CEQA Guidelines") and Chapter 31 of the San Francisco Administrative Code ("Chapter 31"); and

The Planning Department found the FMND was adequate, accurate and objective, reflected the independent analysis and judgment of the Planning Department, and that the summary of comments and responses contained no significant revisions to the Draft IS/MND, and approved the FMND for the Project in compliance with CEQA, the CEQA Guidelines and Chapter 31.

The Planning Department, Jonas P. Ionin, is the custodian of records; all pertinent documents are located in the File for Case No. 2013.1049E, at 1650 Mission Street, Fourth Floor, San Francisco, California.

Planning Department staff prepared a Mitigation Monitoring and Reporting program (MMRP), which material was made available to the public and this Commission for this Commission's review, consideration and action.

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 the applicant, Department staff, and other interested parties.

The Commission has reviewed the proposed Planning Code Amendment Ordinance; and

**RESOLVED**, that the Planning Commission hereby adopts the findings regarding the Final Mitigated Negative Declaration under the California Environmental Quality Act issued by Motion No. 19870, based on the findings as stated below.

**FURTHER RESOLVED**, that the Planning Commission hereby recommends that the Board of Supervisors approve the proposed ordinance with the following modifications:

- The technical Ordinance language does not tie the various waivers of Planning Code requirements to the payments, dedication of land, and/or provision of BMR units off site. The Ordinance should be amended to make the waivers contingent upon the fund payment, dedication of land, and/or provision of BMR housing.
- With respect to the Ordinance's off-site unit construction option, clear AMI's comparable to existing Planning Code requirements should be included. Additionally, a clear timeline should be established within which the off-site project must be entitled and permitted. A contingency should be provided in the event that the off-site project isn't delivered following the construction of the principal project.

**FURTHER RESOLVED**, that the Planning Commission hereby directs the Planning Department to further assess the proposed Ordinance to ensure that any value conferred to the project through waivers and/or exceptions is recaptured through increased affordable housing or other public benefits. This assessment should be provided to the Board of Supervisors so that it may consider the additional information in its subsequent deliberations.

## **FINDINGS**

Having reviewed the materials identified in the preamble above, and having heard all testimony and arguments and the record as a whole, including all information pertaining to the Project in the Planning Department's case files, this Commission finds, concludes, and determines as follows:

1. The MND is adequate, accurate and complete, and reflects the independent judgment and analysis of the Planning Department. The Project, as shown in the analysis of the MND, could not have a significant effect on the environment. The Planning Commission adopted the MND in Resolution No. 19780.
2. The Commission finds the Ordinance, with the recommended modifications, and the associated fee waivers in exchange for either (1) the dedication by the Project Sponsor of real property at 180 Jones Street to the San Francisco Mayor's Office of Housing and Community Development at no cost and payment by the Project Sponsor of approximately \$12.8 million to the 180 Jones Street Affordable Housing Fund, establishing the 180 Jones Street Affordable Housing Fund and accepting a \$2 million gift from the Project Sponsor to the fund, or (2) the construction by the Project Sponsor of a minimum of 60 and a maximum of 70 affordable studio or efficiency rental units at 180 Jones Street

is a benefit to the City by allowing the City to provide a greater number of affordable housing units at a lower median income level in the Downtown/Civic Center neighborhood than could otherwise be provided on-site at the Project site.

3. The Ordinance and this Resolution does not constitute an approval of any new or revised project located at 180 Jones Street. The Planning Commission adopted a mitigated negative declaration, CEQA findings and a Mitigation and Monitoring Reporting Program in its Motion No. 17838 for the previously approved 37-unit project at 180 Jones Street. The CEQA findings and the MMRP contained in Planning Commission Motion No. 17838 are incorporated herein by this reference thereto, as applicable to the land dedication or off-site units authorized by the Ordinance. The Commission is not otherwise approving any changes to the approved project at 180 Jones Street. If and when any revised project at 180 Jones Street is undertaken by the City, or is submitted to the City for review, the City will conduct any additional environmental review required by CEQA for that project.
4. **General Plan Compliance.** The Project is, on balance, consistent with the Objectives and Policies of the General Plan, for the reasons set forth in the findings for the Downtown Project Authorization (Motion No. 19783), which are incorporated by reference as though fully set forth herein.
5. **Planning Code Section 101.1(b)** On balance, the Project complies with Planning Code Section 101.1(b), for the reasons set forth in the Downtown Project Authorization (Motion No. 19783), which are incorporated by reference as though fully set forth herein and the following:
  - 1) That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses enhanced.

*The proposed property acceptance will not negatively affect existing neighborhood-serving retail uses or opportunities for employment in or ownership of such businesses. The new development will, however, provide new affordable housing for residents who may support such businesses in the surrounding area.*
  - 2) That existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods.

*The proposed property acceptance would not displace any existing housing and would provide 60-70 additional affordable housing units and will help preserve the cultural and economic diversity of the neighborhood.*
  - 3) That the City's supply of affordable housing be preserved and enhanced.

*The proposed property acceptance will increase the stock of permanent affordable housing in the City.*
  - 4) That commuter traffic not impede Muni transit service or overburden our streets or neighborhood parking.

*The proposed property acceptance will not result in commuter traffic impeding Muni's transit service, overburdening the streets or altering current neighborhood parking. The proposed affordable housing project will be transit-oriented given its location near Muni and BART.*
  - 5) That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for residential employment and ownership in these sectors be enhanced.



*The proposed property transfer would not affect the existing economic base in this area.*

- 6) That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake.

*The proposed property transfer would not affect the City's preparedness to protect against injury and loss of life in an earthquake.*

- 7) That landmarks and historic buildings be preserved.

*The proposed property transfer will not affect landmarks or historic buildings.*

- 8) That our parks and open space and their access to sunlight and vistas be protected from development.

*The proposed property acceptance will not affect City parks or open spaces, or their access to sunlight and vistas.*

6. The Project is consistent with and would promote the general and specific purposes of the Code provided under Section 101.1(b) for the reasons set forth in the Downtown Project Authorization (Motion No. 19783), which are incorporated by reference as though fully set forth herein. The project, would contribute to the community by adding 242 dwelling units to the City's housing stock, a 232-room hotel, and approximately 16,100 square feet of ground floor retail. The project would provide publicly accessible open space along Turk Street and create 12,752 square feet of common open space for the new dwelling units. The Ordinance would allow the project to provide more off-site affordable housing units than could be provided on-site through one of two options and thereby be a beneficial project.
7. **Planning Code Section 302 Findings.** The Planning Commission finds from the facts presented that the public necessity, convenience and general welfare require the proposed Planning Code waivers in the Ordinance as set forth in Section 302.

NOW THEREFORE BE IT RESOLVED that the Commission hereby recommends that the Board ADOPT the proposed Ordinance with modifications as described in this Resolution.

I hereby certify that the foregoing Resolution was ADOPTED by the San Francisco Planning Commission on November 17, 2016.



Jonas P. Ionin  
Commission Secretary

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

NOES: Moore

ABSENT: None

ADOPTED: November 17, 2016



# SAN FRANCISCO PLANNING DEPARTMENT

## Executive Summary Planning Code Amendment / Downtown Project Authorization / Conditional Use / Variance

HEARING DATE: NOVEMBER 3, 2016

*Date:* October 20, 2016  
*Project Address:* 950 Market Street  
*Project Proposal:* 1) Planning Code Amendment;  
2) Downtown Project Authorization  
3) Conditional Use; and 4) Variance  
*Case Number:* 2013.1049XCVPKA [Board of Supervisors File Number 161066]  
*Zoning:* C-3-G (Downtown General)  
120-X Height and Bulk District  
*Block/Lot:* 0342/001, 002, 004, and 014  
*Initiated by:* Supervisor Jane Kim on October 4, 2016  
*Project Sponsor:* Michelle Lin,  
Mid Market Center, LLC  
500 Sansome Street, Suite 750  
San Francisco, CA 94111  
*Staff Contact:* Claudine Asbagh – (415) 575-9165  
Claudine.asbagh@sfgov.org  
*Reviewed by:* AnMarie Rodgers, Senior Policy Advisor  
[anmarie.rodgers@sfov.org](mailto:anmarie.rodgers@sfov.org), 415-558-6395  
*Recommendation:* **PCA – Adopt resolution recommending approval with amendments  
Entitlements – Approval with Conditions**

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### BACKGROUND

The development proposal at 950-947 Market Street was originally submitted on November 19, 2013, and was substantially revised on September 15, 2015 to generally reflect the Code-compliant residential, hotel, and retail project now before the Commission for consideration.

On October 4, 2016, the Board of Supervisors introduced an Ordinance, sponsored by Supervisor Jane Kim, that would exempt the project from a range of Planning Code requirements, including the inclusionary affordable housing requirements of Section 415, and instead authorize the project to participate in one of two alternative affordable housing schemes, both involving the dedication of land to the City.

Both the development proposal and the Planning Code Amendment are before the Planning Commission for consideration.

### SITE DESCRIPTION AND PRESENT USE

The 34,262 square-foot, triangular-shaped project site is located on four lots on the north side of Market Street between Mason and Taylor Streets- Block 0342, Lots 001, 002, 004, and 014. The site is occupied by four two- and three-story commercial buildings and a surface parking lot over a below grade parking

structure. The project site has 268 feet of frontage on Market Street, 411 feet of frontage on Turk, and 78 feet of frontage on Taylor Street. The project also fronts onto Opal Place, a 10-foot-wide, east-to-west, dead-end public right-of-way between the project site and neighboring Warfield and Crazy Horse Theaters.

The site is located within the Downtown General Commercial Zoning District (C-3-G), the 120-X Height and Bulk District, and is located within the Downtown Plan Area.

## **SURROUNDING PROPERTIES AND NEIGHBORHOOD**

The project site is located within the Mid-Market area at the edge of the Downtown/Civic Center neighborhood and adjacent to the South of Market (SoMa) and Tenderloin neighborhoods. Other zoning districts in the vicinity include: the SoMa NCT (Neighborhood Commercial) and C-3-S (Downtown Support) Districts to the south and RC-4 (Residential-Commercial – High Density) Zoning District to the north. The surrounding mixed-use area contains diverse building types and uses and is near the Market Street Theatre and Loft Historic District as well as the Uptown Tenderloin Historic District. The project site is approximately one block west of Hallidie Plaza and directly across Market Street from the currently under construction CityPlace Mall.

Existing development in the area surrounding the Project site is varied in scale and intensity. Buildings along Turk Street are generally lower and range in height from four to seven stories while buildings along Market Street tend to be taller but range in height from two to 15 stories. Surrounding land uses include commercial, hotel, office, retail, residential, and theater uses.

## **PROJECT DESCRIPTION**

### Development Proposal

The proposal would demolish four existing structures and a surface parking lot and construct a 120-foot tall, 12-story-over-basement, approximately 408,000 gross-square-foot building containing 242 dwelling units, a 232-room hotel, and approximately 16,000 square feet of ground floor retail and arts activities. The project includes a residential unit mix of 132 studios (54.5%), 66 one-bedroom units (27.2%), and 44 two-bedroom units (18.2%). Common open space is provided through a 10,400 square-foot roof deck and a publicly accessible, 2,350 square-foot plaza on Turk Street. The proposed project includes 146 Class 1 bicycle parking spaces, 42 Class 2 bicycle parking spaces, and 82 off-street parking spaces located within a below-grade garage accessible from Taylor Street.

The project's hotel component would be located in the northwestern portion of the building primarily along Turk Street, and accessed via a lobby located with openings on both Turk and Market Streets. The residential component of the project would be located in the southeastern portion of the site, and face onto Turk, Mason and Market Streets. The entrances for the residential units would be located on Market Street and Turk Street, separate from the hotel entries. The ground floor would contain multiple retail spaces along all frontages and a private open courtyard located mid-block on Market Street. In addition, the project would provide publicly accessible open space along Turk Street in the form of a 2,352 square foot plaza, and a 2,300 square foot landscaped sidewalk seating area.

### Planning Code Amendment

The proposed Ordinance is an uncodified amendment to the Planning Code and Public Health Code Article 12C. It would do the following:

- **Affordable Housing Fund.** The ordinance would establish the “180 Jones Street Affordable Housing Fund” to receive fee revenue dedicated mainly to affordable housing.
- **Land Dedication/Affordable Housing Requirements.** The ordinance proposes an alternative to providing 13% of the units (31) at the 950 Market Street site as BMR ownership units. The ordinance would authorize the dedication of land located at 180 Jones Street to the Mayor’s Office of Housing and Community Development (“MOHCD”) at no cost and 1) payment of \$14.8 million through various means to the 180 Jones Street Fund in order to develop a 100% affordable housing project with 60-70 units (equivalent to 25%-29% of the units in the Market Street project), at the 180 Jones site, or 2) the project sponsor would develop the 100% affordable project with 60-70 units at the Jones site and provide a gift of \$2million to the 180 Jones Street Fund.

180 Jones Street is a surface parking lot located at the southeast corner of the intersection of Turk and Jones Streets. Zoned C-3-G, the property is 500 feet from the 950 Market site and was approved by the Commission on September 13, 2012 for a mixed-use project containing 37 dwelling units and 2,700 square feet of retail.

- **Jobs-Housing Linkage Fee.** The ordinance would take the Jobs-Housing Linkage fee for the project and deposit said funds into the 180 Jones Street Fund. It should be noted that the ordinance estimates the fee to be \$1.8 million; however after credits for existing uses, would be \$901,000.
- **Gross Floor Area and Transfer of Development Rights.** The ordinance would exempt 26,576 square feet of gross floor area from the otherwise applicable maximum 9:1 Floor Area Ratio (FAR) limit. Prior to the introduction of the Ordinance, this floor area would have been occupied by on-site BMR units, which, under the provisions of Planning Code Section 124(f), can be exempted from FAR calculations with a Conditional Use Authorization. Following the introduction of the Ordinance, this floor area was proposed for use as market-rate units, which would not otherwise be permitted.

Furthermore, the ordinance would exempt the project from the requirement of purchasing Transferable Development Rights (TDR) for the 26,576 square feet of floor area that exceeds the maximum FAR of 9:1.

- **Non-potable Water Ordinance.** The ordinance would exempt the project at 950-974 Market Street from the requirements of the Non-potable Water Ordinance. Total costs to comply with this requirement for the proposed building are thought to be between \$3.9 and \$5.6 million.

**HEARING NOTIFICATION**

TYPE	REQUIRED PERIOD	REQUIRED NOTICE DATE	ACTUAL NOTICE DATE	ACTUAL PERIOD
Classified News Ad	20 days	October 14, 2016	October 5, 2016	29 days
Posted Notice	20 days	October 14, 2016	October 6, 2016	28 days
Mailed Notice	20 days	October 14, 2016	October 6, 2016	28 days

## **PUBLIC COMMENT/COMMUNITY OUTREACH**

The Department has been informed that community outreach has included meetings with the Project's neighbors, local businesses, community groups, individual residents, schools, religious organizations, and non-profits, including the Tenderloin Neighborhood Development Corporation, Tenderloin Housing Clinic, Tenderloin Economic Development Project, Central City SRO Collaborative, UC Hastings, Community Housing Partnerships, Urban Solutions, SF Bike Coalition, CounterPulse, St. Francis Foundation / Tenderloin Help Improvement Project, Central Market Community Benefit District, Housing Action Coalition, SPUR, Golden Gate Theatre, Market Street for the Masses, Mid-Market Business Association, as well as project sponsors, property owners, resident coordinators and tenants of neighboring properties.

To date, the Department has received correspondence expressing both support and opposition to the Project. In addition, an appeal of the PMND was filed and is scheduled to be heard on November 3, 2016, along with the development proposal and Planning Code Amendment.

## **DEVELOPMENT PROPOSAL – ISSUES AND OTHER CONSIDERATIONS**

### **Planning Code Exceptions:**

The Project does not strictly conform to several aspects of the Planning Code. As part of the Section 309 review process, the Commission may grant exceptions from certain requirements of the Planning Code for projects that meet specified criteria. The project requests exceptions regarding Rear Yard (Section 134), Reduction of Ground-Level Wind Currents in C-3 Districts (Section 148), and Tour Bus Loading Spaces (Section 162). Compliance with the specific criteria for each exception is summarized below, and discussed further in the attached draft Section 309 motion.

- **Rear Yard.** Planning Code Section 134 requires that buildings containing dwelling units provide a rear yard equal to 25 percent of the total lot depth at all residential levels. While the Project does not propose a rear yard and thus does not meet the strict requirements of the Planning Code, it does ensure adequate open space and allows sufficient light and air to reach the residential units. Additionally, the Project would provide a 10,400 square foot roof deck and solarium that would have full, unobstructed access to light and provide protected common open space. An additional 2,352 square foot plaza along Turk Street would further provide open space for the residences.
- **Ground Level Wind Currents.** Per Section 148, when existing ambient wind speeds exceed the comfort levels (7mph for seated areas/11mph for pedestrian areas), new development must be designed to reduce the ambient wind speeds to meet the specified comfort level. An exception to these requirements may be granted if the building cannot be shaped to meet the requirements without creating an ungainly building form and unduly restricting the development potential of the building site.

Wind tunnel tests show that the project would alter comfort exceedances at the test sites: 14 would be increased, one decreased, 11 remain unchanged, and 9 created resulting in a total of 36 comfort exceedances. An exception is justified under the circumstances, because the changes in wind speed and frequency due to the project are slight and unlikely to be noticeable. For the existing configuration in the vicinity of the project site, wind conditions were generally low with wind speeds averaging 11 mph for all 27 measurement locations. For the existing plus project configuration, wind speeds generally remained similar with the average wind speed for all test locations increased slightly from 11 mph to 12 mph. The 11mph criterion was exceeded 16% of

the time, a minor increase when compared to existing conditions on and around the project site. The project would minimally increase winds and there is no reason to believe that modification of the design would improve the existing windy conditions that currently exist.

- **Tour Bus Loading Spaces.** Section 162 sets the requirements for Tour Bus Loading Spaces for Hotel projects within C-3 Districts. Due to the unique combination of uses, the unusual configuration and size of the site, compliance with the tour bus requirements would substantially reduce the amount of retail, pedestrian circulation and open space uses on the site and along the sidewalk within the public realm. Additionally, there is ample loading space located along the Turk Street frontage that would accommodate bus loading without impeding vehicular traffic.

**Conditional Use Authorization:**

- **Floor Area Ratio.** Sections 124(f) and 303 to allow additional square footage above the base floor area ratio for the development of on-site affordable dwelling units. The project would exceed the maximum floor area allowed by 26,575 square feet, which is equivalent to the floor area of the on-site BMR units. Once the floor area of the BMR units is exempted, the FAR of the project would be reduced from an FAR of 9.6:1 to an FAR of 8.8:1, within the allowed maximum of 9:1. The project sponsor has requested that the project moves forward with this Conditional Use Authorization so as to maintain the option of providing on-site units in the even the proposed ordinance is not adopted.
- **Hotel Use.** The project includes a 232-room hotel and therefore requires a Conditional Use Authorization (CUA). In addition to standard findings, the Commission must consider additional criteria related to the impacts of the hotel when granting a Conditional Use Authorization. The hotel would employ an estimated 250 employees, however, it is anticipated that most would come from the local and regional labor pools, and the number of employees moving from outside of the region would be negligible compared to the total population. The Department has been informed that the sponsor has taken measures to work with Tenderloin based community organizations as well as to partner with Unite Here Local 2 to ensure that local residents are employed. As such, the impact of the employees of the hotel on the demand in the City for housing, public transit, child-care, and other social services would be minimal. A demand analysis prepared for the project found that the proposed boutique-style hotel would help alleviate the shortage of hotel rooms within the city and operate at a functional capacity year-round by the year 2019.achieve an 84% occupancy rate by 2019.

**Variance:**

Section 155(d) requires that all off-street freight loading and service vehicle spaces be accessed by means of a private driveway that is completely contained within the structure and Section 155(s)(5)(A) restricts the width of loading dock openings to 15 feet in C-3 Districts. The project does not meet the requirement and is seeking Variances from the Zoning Administrator to allow direct access to loading off of Turk Street and the width of the loading access to exceed 15 feet.

**Downtown Area Plan:**

The project would add 242 dwelling units to the city's housing stock as well as provide 232 hotel rooms in a location that is well served by public transit. The hotel, by virtue of its location, will help meet the demands created by visitors to the city and minimize the negative effects of those visitors on people living and working in the city. The project will provide 16,100 square feet of retail at the ground floor that will serve the hotel and new dwelling units as well as those already living and working in the vicinity.

On balance, the project meets the goals of the plan and would create substantial benefits for the City while minimizing undesirable consequences.

## PROPOSED ORDINANCE – ISSUES AND OTHER CONSIDERATIONS

### Planning Code Exemptions and Affordable Housing Options

#### **Land Dedication**

The Ordinance includes a land dedication of the property located at 180 Jones Street. Although there is no land dedication option for properties in the C-3 Zoning Districts in the current Planning Code, Planning Code Section 419.5 allows land dedication as a way to comply with the inclusionary housing requirements in some zoning districts, like the UMU and Mission NCT. These districts require a higher percentage of affordability than in C-3 Districts. Per Section 419.5, if this project were located in the UMU District, it would be required to dedicate land that could accommodate 35% of the total number of units as affordable units (equivalent to 85 units). The Jones Street site is slated to accommodate between 60 and 70 units under the proposed Ordinance. The sponsor estimates the cost of acquiring the land at 180 Jones to be approximately \$4 million.

#### **GFA and TDR**

The Ordinance would exempt 26,575 square feet of floor area from the otherwise applicable maximum 9:1 FAR limit and TDR requirements. The City's TDR program supports the preservation of historic resources; an exemption from the need to purchase 26,575 square feet of TDR diminishes support of that program by approximately \$664,000, assuming a current per TDR price of TDR \$25 per square foot.

#### **Jobs-Housing Linkage Fee**

The Ordinance would waive the Jobs-Housing Linkage Fee and would instead divert this fee into the 180 Jones Street fund. The Department estimates that (after credits for existing uses) the fee would be approximately \$0.9 million and thus be less than the projected \$1.8 million stated in the Ordinance.

#### **Affordable Housing**

The proposed Ordinance would waive the requirements of Sections 413 and 415 and authorize affordable housing through one of two land dedication options. If the proposed legislation is not adopted, the sponsor would utilize the existing on-site alternative to satisfy affordable housing requirements and provide 31 ownership units, priced at 80% of AMI.

#### Option 1: Monetary Contribution

- **Value of Contributions.** In addition to the land dedication, the Ordinance would allow the sponsor to pay approximately **\$14.8 million** into the 180 Jones Street Affordable Housing Fund. The total value of the land, payment, and gift amounts to roughly **\$18.8 million** – greater than the face value of either the on-site BMR units at 13% or the in-lieu fee at 25% (\$15 million).
- **Number, Size, and Affordability of Units.** The Ordinance would authorize 60-70 off-site, rental units targeted at an average AMI of 50% (40%-60%).
  - **Existing Requirement.** There is no existing land dedication option in this zoning district, however, if this project were located in the UMU District, it would be required to dedicate land that could accommodate 35% of the total number of units as affordable units (equivalent to 85 units). The existing requirement for on-site units would result in a requirement for 31 on-site units.

- **Number of Units.** The final project at 180 Jones would provide for 15-25 fewer units than would typically be required via land dedication.
  - **Size of Units to Be Provided.** Under both options, the Ordinance would produce smaller, efficiency-type units than what would be required under existing law. The unit mix of the principal project is 54.5% studios, 27.2% one-bedroom units, and 7.4% two-bedroom units.
  - **Affordability.** The proposed ordinance provides housing for residents at lower income levels, consistent with community needs, as identified by Supervisor Kim's office. While the inclusion of on-site BMR units would result in affordable units that are immediately available for residents upon completion of the principal project, the on-site units would be ownership units and therefore, under the Planning Code, would target higher income households (80% AMI).
- **Cost to City.** According to MOHCD, given the proposal to construct efficiency units at 180 Jones that rent to individuals or households earning 40% AMI and 60% AMI, and assuming the City secures State funding to cover the difference in fees paid to the City, this option would meet or exceed the monetary value of current Planning Code affordable housing requirements. While MOHCD reports that requesting State funding is feasible under current conditions, funding in future years – when the off-site project would be ripe for fund allocation – is unclear. **If the City cannot secure State funding, the City will have to pay approximately \$3M to develop the 100% affordable project at 180 Jones.**
  - **Timing of Contributions.** Projects paying the affordable housing fee are required to submit full payment of the fee at the time of issuance of the first construction document. The proposed Ordinance requires the dedication of land prior to issuance of a site permit and \$1.5 million of fees to be paid prior to issuance of the first construction document, or July 1, 2017, whichever is sooner. The remaining \$13.3 million would be due prior to issuance of the project's first temporary certificate of occupancy, likely at least 18-months after issuance of first construction document.
  - **Timing of Approvals and Construction of 180 Jones.** The Ordinance does not restrict the timeframe for MOHCD to secure funding, approvals and to complete construction. Because the project would not provide funding to MOHCD until the Temporary Certificate of Occupancy for the main Project, MOHCD estimates that this process could take four years (approximately 18-24 months for 950 Market project, plus time to entitle and construct 180 Jones).

Option 2: Project Sponsor Constructs Units at 180 Jones

- **Value of Contributions.** Under this option, the sponsor would contribute \$2 million to the Jones Street Fund.
- **Number, Size, and Affordability of Units.** This option would authorize the same unit types and number of units as described above in Option 1. However, under this option, the Ordinance does not specify the household AMI targets for the affordable units.
- **Cost to City.** In this option, the project sponsor would be responsible for delivery of an occupant-ready complete project with no additional cost to the City.



- **Timing of Approvals and Construction of 180 Jones.** The ordinance requires the affordable project to be completed, ready for occupancy, and marketed no less than three years after approval. The project sponsor of the principal project would be responsible for obtaining all required permits and CEQA clearance in the time frame specified by the Ordinance.

### Non-Potable Water Ordinance

In September 2012, the City adopted the Non-potable Water Ordinance<sup>1</sup> by amending Article 12C of the San Francisco Health Code which requires the collection, treatment, and use of alternate water sources for non-potable applications. In July 2015, the Non-potable Water Ordinance was amended to require that new buildings of 250,000 gross square feet or more located outside the boundaries of San Francisco's designated recycled water use area be constructed, operated, and maintained using available alternate water sources for toilet and urinal flushing and irrigation, beginning November 1, 2016. Specifically, the Ordinance required that no site permit for such a building be issued after that date without full compliance with the Ordinance's non-potable requirements.

Because the project would obtain a site permit after November 1, 2016, the project would be required to comply with this Ordinance. According to the San Francisco Public Utilities Commission, the costs associated with this requirement typically amount to approximately 3-4% of construction cost or \$3.4 - \$4.6 million plus an additional filtration system that would cost approximately \$.5 - \$1 million. The proposed Ordinance exempts the project from complying with this requirement. According to the SFPUC, projects that have been in the process of entitlements for extended periods of time have been working with the SFPUC to satisfy the requirements by alternative means.

### REQUIRED COMMISSION ACTION

In order for the project to proceed, the Commission must 1) Approve a Downtown Project Authorization pursuant to Planning Code Section 309, granting exceptions to the requirements for "Rear Yard" (Section 134), "Ground Level Wind Currents" (Section 148), and "Tour Bus Loading" (Sections 134); and 2) approve a Conditional Use Authorization pursuant to Planning Code Sections 124(f) and 303 to allow additional square footage above the base floor area ratio for the development of on-site affordable dwelling units within the Project and Section 210.2 to allow for the Hotel.

The proposed Ordinance is before the Commission so that it may recommend that the Board of Supervisors approve or disapprove the proposed ordinance.

### RECOMMENDATION

**Development Proposal.** The Department recommends that the Commission approve the Downtown Project Authorization with requested exceptions and Conditional Use Authorization, with conditions.

**Proposed Ordinance.** The Department recommends that the Commission adopt a resolution recommending that the Board of Supervisors approve the proposed Ordinance with the following modifications:

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<sup>1</sup> Health, Public Works Codes - Mandatory Use of Alternate Water Supplies in New Construction. Board File Number 150350, Ordinance Number 109-15. Introduced on May 19, 2015. Signed by the Mayor on July 2, 2015.

- The Ordinance should be amended to reflect a payment of \$1.8 million to the 180 Street Affordable Housing Fund regardless of the Jobs-Housing Linkage Fee the project would have paid to the city.
- The technical Ordinance language does not tie the various waivers of Planning Code requirements to the payments, dedication of land, and/or provision of BMR units off site. The Ordinance should be amended to make the waivers contingent upon the fund payment, dedication of land, and/or provision of BMR housing.
- The Ordinance should be amended to remove the exemption from the Non-Potable Water Ordinance, and instead the Board should urge that the project sponsor work with the SFPUC to explore satisfying the requirements through alternative means.
- With respect to the Ordinance's off-site unit construction option, clear AMI's comparable to the requirements outlined in the monetary contribution option (option one) should be included. Additionally, a clear timeline should be established within which the off-site project must be entitled and permitted. A contingency should be provided in the event that the off-site project isn't delivered following the construction of the principal project.

## BASIS FOR RECOMMENDATION

- The **principal project** would provide much-needed housing, create new hotel rooms to support the City's tourism sector and generate additional Hotel Occupancy Tax, provide publicly accessible open space along Turk Street and create ground level retail space that will activate and enliven the abutting sidewalks.
- With respect to **affordable housing** production, the proposed Ordinance would afford two options that, on balance, would provide generally equal benefit to the City. Either option would facilitate the provision of a greater number of affordable units, at sizes more appropriate for the immediate context, and at AMI levels more consistent with the needs of nearby current residents than would otherwise be provided on-site. Assuming the City is able to secure State funding, the monetary value of either option under the Ordinance would meet or exceed the monetary value of current Planning Code requirements. Concerns regarding (1) the delay required to deliver the occupant-ready affordable housing proposed under the Ordinance, (2) the absence of a direct comparability between the unit sizes proposed under the Ordinance versus those otherwise required, (3) the uncertainty of being able to secure State financing should the sponsor select the land-dedication and monetary contribution option, are generally outweighed by the policy priorities that would be addressed by the nature of the housing proposed at 180 Jones Street.
- The **Non-potable Water Ordinance** was adopted in July 2015. California is currently experiencing a historic drought. According to the Department of Water Resources, the period from 2012-2015 encompassed the driest four consecutive water years in California since 1895<sup>2</sup>. Implementation of the Non-potable Water Ordinance is an important step that the City can take towards reducing unnecessary water consumption. Providing greywater systems is identified by

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<sup>2</sup> California Department of Water Resources. "Drought and Water Year 2016". September 2016. Retrieved from [http://water.ca.gov/waterconditions/docs/a3065\\_Drought\\_8page\\_v8\\_FINALsm.pdf](http://water.ca.gov/waterconditions/docs/a3065_Drought_8page_v8_FINALsm.pdf) on October 18, 2016.

the Pacific Institute as a “best practice” for new buildings<sup>3</sup>. For these reasons, the Department recommends that the proposed project comply with the Non-potable Water Ordinance through either the standard or alternative means.

- With respect to the City’s existing **Non-Potable Water Ordinance**, the proposed Ordinance would exempt the project from requirements to install “grey-water” building systems and thus (1) impede implementation of adopted City policy and achievement of sustainability goals and (2) reduce construction costs at the principal project by approximately \$3.9 - \$5.6 million without a clear policy rationale. Existing exemptions in the Non-Potable Water Ordinance apply only to projects that obtain their site permit prior to November 1, 2016. It is unlikely in the extreme that this development project, in any of the multiple proposed iterations, could have obtained a site permit by this date.
- With respect to the proposed waiver of the requirement to acquire 26,575 square feet of TDR, Staff remains concerned regarding the loss of funding to this important preservation component of the Downtown Plan. Nonetheless, the net benefits conferred by both the principal project and the off-site project appear to provide substantial benefits.

**Attachments:**

- Property Info (Assessor’s map, Sanborn, etc.)
- Draft Motion, Downtown Project Authorization
- Draft Motion, Conditional Use Authorization
- Draft Resolution for Recommendation of Approval to BOS
- Draft Ordinance – Board File No. 161066
- Project Sponsor Materials
- Project Plans, dated October 7, 2016

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<sup>3</sup> Pacific Institute. “Where We Agree: Building Consensus on Solutions to California’s Urban Water Challenges”. March 2016. Retrieved from: [http://pacinst.org/app/uploads/2016/03/Where\\_We\\_Agree\\_Building\\_Consensus\\_on\\_Solutions\\_to\\_CAs\\_Urban\\_Water\\_Challenges.pdf](http://pacinst.org/app/uploads/2016/03/Where_We_Agree_Building_Consensus_on_Solutions_to_CAs_Urban_Water_Challenges.pdf) on October 18, 2016.