

REVISED LEGISLATIVE DIGEST
(Amended in Committee, 6/5/2023)

[Planning Code - Development Impact Fees for Commercial to Residential Adaptive Reuse Projects]

Ordinance amending the Planning Code to exempt eligible Commercial to Residential Adaptive Reuse Projects from development impact fees, with the exception of inclusionary housing requirements; affirming the Planning Department’s determination under the California Environmental Quality Act; making findings of consistency with the General Plan and the eight priority policies of Planning Code, Section 101; and making findings of public necessity, convenience, and welfare pursuant to Planning Code, Section 302.

Existing Law

Article 4 of the Planning Code contains many of the City’s development impact fees, including the City’s inclusionary housing requirements codified in Section 415. Section 406 governs waiver, reductions, or adjustments of development impact fees. Section 406 contains waivers for certain affordable housing projects and homeless shelters.

Amendments to Current Law

This ordinance would amend Section 406 to add a new development impact fee waiver for Commercial to Residential Adaptive Reuse Projects in C zoning districts. Eligible projects would be exempt from the development impact fees in Article 4 of the Planning Code, with the exception of the inclusionary housing requirements of Section 415.

This ordinance would define a Commercial to Residential Adaptive Reuse Project as one that:

- includes a change of use of any existing Gross Floor Area from a non-residential use to a residential use as those uses are defined in Section 102;
- is located in a C-2 or C-3 zoning district that is east of or fronting Franklin Street/13th Street and north of Harrison Street;
- does not seek approval under Section 206.5 or 206.6;
- does not expand an existing building’s envelope in a manner where the addition to the building envelope represents more than 33% of the existing building’s Gross Floor Area, but if the project exceeds the 33% limit, then those portions in excess of the 33% limit would be subject to the then applicable development impact fees. Additional Gross Floor Area would be counted from the lowest floor to the highest floor.

The fee waiver in this ordinance would only apply to development impact fees or development impact requirements for the residential Gross Floor Area of a Commercial to Residential

Adaptive Reuse Project. This ordinance would not waive development impact fees and development impact requirements associated with non-residential uses.

Background Information

The ordinance contains numerous findings about the importance of Downtown to San Francisco's economic vitality, and the negative impacts the COVID-19 pandemic have had on Downtown. It describes how San Francisco is faced with a crisis of housing affordability at the same time commercial vacancy rates have increased. It describes how the shift to hybrid work, with its consequent reduction in office workers and foot traffic, has adversely impacted Downtown and other sectors of the City's economy, including retail and, small business, and more broadly has impacted use and activation of public space, transportation, and public safety. To remedy these problems, this ordinance would exempt eligible adaptive reuse projects Downtown from payment of development impact fees, with the exception of inclusionary housing requirements.

The substitute ordinance introduced on April 11, 2023 clarifies that the fee waiver extends to all residential floor area of an eligible adaptive reuse project, including new residential square footage constructed through an addition to the existing structure.

The ordinance was amended in Land Use and Transportation Committee on June 5, 2023. The amendments in committee modified the applicable zoning areas from all C districts east of Van Ness/South Van Ness Avenue and north of Townsend to applicable C-2 and C-3 zoning districts east of Franklin Street/13th Street and north of Townsend. The amendments also modified the permissible limit for new Gross Floor Area from 20% and one vertical story addition to 33% with no vertical limit. But any Gross Floor Area in excess of the 33% limit would be subject to the then applicable development impact fees.

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