



December 30, 2024

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

Re: **Transmittal of Planning Department Case Number 2024-006988PCA/MAP:**
Central SoMa and Transit Center District Commercial Development Requirements
Board File No. 240787

Planning Commission Recommendation: Approval with Modification

Dear Ms. Calvillo and Mayor Breed,

On November 7, 2024, the Planning Commission conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance, introduced by Mayor Breed. The proposed ordinance would amend the Planning Code and Zoning Map to reduce commercial development requirements in the Central SoMa Special Use District and remove the Transit Center C-3-0(SD) Commercial Special Use District. At the hearing the Planning Commission adopted a recommendation for approval with modifications.

The Commission's proposed modifications were as follows:

1. Modify the Ordinance to exempt projects 600' in height and under from the mandatory office allocation requirements in the Central SoMa SUD instead of eliminating the requirement in that SUD. Clarify that these projects are also eligible to utilize any applicable state or local bonus program.
2. The sponsor and Board of Supervisors should explore site specific benefits for the key sites impacted by the legislation and prioritize the SoMa CHESS Implementation Plan (when adopted). They should encourage the retention of benefits that focus on complete streets and neighborhoods for these sites.

Mayor Breed, please advise the City Attorney at your earliest convenience if you wish to incorporate the changes recommended by the Commission.

The proposed Ordinance has been determined to be environmentally cleared under California Environmental Quality Act under Case File Nos. 2011.1356E (Central SoMa Plan EIR) certified on May 24, 2012 by the Planning Commission, and 2007.0558E and 2008.0789E (Transit Center District Plan and Transit Tower EIR) certified on May 10, 2018, by the Planning Commission.

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,



Aaron D. Starr
Manager of Legislative Affairs

cc: Peter Miljanich, Deputy City Attorney
Andres Powers, Office of Mayor London N. Breed
Anne Taupier, Director of Development, OEWD
John Carroll, Office of the Clerk of the Board

ATTACHMENTS :

Planning Commission Resolution
Planning Department Executive Summary



PLANNING COMMISSION RESOLUTION NO. 21641

HEARING DATE: NOVEMBER 7, 2024

Project Name: Central SoMa and Transit Center District Commercial Development Requirements
Case Number: 2024-006988PCA/MAP [Board File No. 240787]
Initiated by: Mayor Breed/ Introduced July 23, 2024
Staff Contact: Audrey Merlone, Legislative Affairs
Audrey.Merlone@sfgov.org, 628-652-7534
Reviewed by: Aaron D Starr, Manager of Legislative Affairs
aaron.starr@sfgov.org, 628-652-7533

RESOLUTION ADOPTING A RECOMMENDATION FOR APPROVAL OF A PROPOSED ORDINANCE THAT WOULD AMEND THE PLANNING CODE AND ZONING MAP TO REDUCE COMMERCIAL DEVELOPMENT REQUIREMENTS IN THE CENTRAL SOMA SPECIAL USE DISTRICT AND REMOVE THE TRANSIT CENTER C-3-0(SD) COMMERCIAL SPECIAL USE DISTRICT; AFFIRMING THE PLANNING DEPARTMENT’S DETERMINATION UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT; MAKING ADOPTING FINDINGS OF CONSISTENCY WITH THE GENERAL PLAN, AND THE EIGHT PRIORITY POLICIES OF PLANNING CODE, SECTION 101.1; AND ADOPTING FINDINGS OF PUBLIC NECESSITY, CONVENIENCE, AND WELFARE UNDER PLANNING CODE, SECTION 302.

WHEREAS, on July 23, 2024, Mayor Breed introduced a proposed Ordinance under Board of Supervisors (hereinafter “Board”) File Number 240787, which would the Planning Code and Zoning Map to reduce commercial development requirements in the Central SoMa Special Use District and remove the Transit Center C-3-0(SD) Commercial Special Use District;

WHEREAS, the Planning Commission (hereinafter “Commission”) conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance on November 7, 2024; and,

WHEREAS, the proposed Ordinance has been determined to be environmentally cleared under California Environmental Quality Act under Case File Nos. 2011.1356E (Central SoMa Plan EIR) certified on May 24, 2012 by the Planning Commission, and 2007.0558E and 2008.0789E (Transit Center District Plan and Transit Tower EIR) certified on May 10, 2018 by the Planning Commission; and

WHEREAS, the Planning 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, all pertinent documents may be found in the files of the Department, as the Custodian of Records, at 49 South Van Ness Avenue, Suite 1400, San Francisco; and

WHEREAS, the Planning Commission has reviewed the proposed Ordinance; and

WHEREAS, the Planning Commission finds from the facts presented that the public necessity, convenience, and general welfare require the proposed amendment; and

MOVED, that the Planning Commission hereby adopts a **recommendation for approval with modifications** of the proposed ordinance. The Commission's proposed recommendation is as follows:

1. Modify the Ordinance to exempt projects 600' in height and under from the mandatory office allocation requirements in the Central SoMa SUD instead of eliminating the requirement in that SUD. Clarify that these projects are also eligible to utilize any applicable state or local bonus program.
2. The sponsor and Board of Supervisors should explore site specific benefits for the key sites impacted by the legislation and prioritize the SoMa CHESS Implementation Plan (when adopted). They should encourage the retention of benefits that focus on complete streets and neighborhoods for these sites.

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:

The world's work model has shifted since the COVID-19 pandemic. Office space that was highly coveted in Downtown pre-pandemic now faces a nearly 45% vacancy rate in SoMa. Unlike typical market trends, hybrid and work-from-home models seem to be a lasting change. At the same time, the city's housing shortage drives out families, forces workers into long commutes, puts seniors at risk, and is a significant contributor to the top challenges we need to tackle, including homelessness, climate change, and our economic recovery. The proposed Ordinance ensures that the city is increasing zoning capacity to provide sufficient housing for the San Franciscans of today and tomorrow. By removing barriers, it improves the feasibility of large projects while still allowing office development if market demand returns. It is the city's responsibility to create clear, feasible paths for projects that will collectively deliver thousands of housing units, and the proposed Ordinance will serve that purpose. Together, with the mayor's other downtown recovery efforts, the proposed Ordinance will jumpstart development projects that have sat entitled but not built. The construction of these projects will assist in regenerating the Downtown as a "24-hour neighborhood" that serves both residents and San Francisco's workforce.

General Plan Compliance

The proposed Ordinance and the Commission’s recommended modifications are consistent with the following Objectives and Policies of the General Plan:

CENTRAL SOMA AREA PLAN

GOAL 1

ACCOMMODATE A SUBSTANTIAL AMOUNT OF JOBS AND HOUSING.



Map from page 21 of the Central SoMa Area Plan showing the previous zoning (left), and the zoning ideal for jobs and housing growth (right).

The plan identifies nearly the entire district as a “Growth Oriented Area”. These are areas the Department has identified as ripe for increased jobs and housing capacity. The proposed Ordinance accommodates increased housing growth by removing the commercial development allocation requirement, while still allowing for job growth by continuing to permit Commercial uses.

HOUSING ELEMENT

IMPLEMENTATION MEASURE 7 EXPAND HOUSING CHOICES.

Objective 7 of the Housing Element is to expand housing choices, which, among other objectives, encourages actions to support additional housing near major transit nodes and jobs centers. Removing mandatory office allocations is a key step toward making such projects financially viable, potentially resulting in thousands of new housing units Downtown.

Planning Code Section 101 Findings

The proposed amendments to the Planning Code are consistent with the eight Priority Policies set forth in Section 101.1(b) of the Planning Code in that:

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 Ordinance would not have a negative effect on neighborhood serving retail uses and will not have a negative effect on opportunities for resident employment in and ownership of neighborhood-serving retail.

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 Ordinance would not have a negative effect on housing or neighborhood character.

3. That the City's supply of affordable housing be preserved and enhanced;

The proposed Ordinance would not have an adverse effect on the City's supply of affordable housing.

4. That commuter traffic not impede MUNI transit service or overburden our streets or neighborhood parking;

The proposed Ordinance would not result in commuter traffic impeding MUNI transit service or overburdening the streets or neighborhood parking.

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 resident employment and ownership in these sectors be enhanced;

The proposed Ordinance would not cause displacement of the industrial or service sectors due to office development, and future opportunities for resident employment or ownership in these sectors

would not be impaired.

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

The proposed Ordinance would not have an adverse effect on City's preparedness against injury and loss of life in an earthquake.

7. That the landmarks and historic buildings be preserved;

The proposed Ordinance would not have an adverse effect on the City's Landmarks and historic buildings.

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

The proposed Ordinance would not have an adverse effect on the City's parks and open space and their access to sunlight and vistas.

Planning Code Section 302 Findings.

The Planning Commission finds from the facts presented that the public necessity, convenience and general welfare require the proposed amendments to the Planning Code as set forth in Section 302.

NOW THEREFORE BE IT RESOLVED that the Commission hereby ADOPTS A RECOMMENDATION FOR APPROVAL WITH MODIFICATIONS the proposed Ordinance as described in this Resolution.

I hereby certify that the foregoing Resolution was adopted by the Commission at its meeting on November 7, 2024.



Jonas P. Ionin
Commission Secretary

Jonas P Ionin

Digitally signed by Jonas P Ionin
Date: 2024.11.13 12:30:01 -08'00'

AYES: Campbell, McGarry, Williams, Braun, Imperial, Moore, So

NOES: None

ABSENT: None

ADOPTED: November 7, 2024



EXECUTIVE SUMMARY

PLANNING CODE TEXT, ZONING MAP & GENERAL PLAN AMENDMENTS

HEARING DATE: October 24, 2024

90-Day Deadline for Board File No. 240787: October 24, 2024

Project Name: Central SoMa and Transit Center District Commercial Development Requirements
Case Number: 2024-006988PCA/MAP [Board File No. 240787]
2024-007906GPA
Initiated by: PCA & MAP: Mayor Breed/ Introduced July 23, 2024
GPA: Planning Commission/Initiated September 19, 2024
Staff Contact: Audrey Merlone, Legislative Affairs
Audrey.Merlone@sfgov.org, 628-652-7534
Reviewed by: Aaron Starr, Manager of Legislative Affairs
aaron.starr@sfgov.org, 628-652-7533
Environmental Review: Memorandum to File – Final Environmental Impact Report

RECOMMENDATION: Adopt a Recommendation for Approval with Modifications

Planning Code Amendment

The proposed Ordinance would amend the Planning Code and Zoning Map to reduce commercial development requirements in the Central SoMa Special Use District and remove the Transit Center C-3-0(SD) Commercial Special Use District.

The Way It Is Now:

1. The Central SoMa Special Use District contains development controls for the central portion of the South of Market (SoMa) neighborhood. These controls include a requirement that for development

projects in the Special Use District south of Harrison Street on sites larger than 40,000 square feet that entail new construction or addition of 100,000 square feet or more, **at least two-thirds of the Gross Floor Area of all building area below 160 feet in height shall be non-residential.**

2. The Transit Center C-3-O(SD) Commercial Special Use District requires development controls for a portion of the C-3-O(SD) Zoning District in the Downtown area around the Transbay Transit Center. This Special Use District's primary control states that all new development on lots larger than 20,000 square feet in the Special Use District shall include **not less than two gross square feet of principally or conditionally permitted commercial uses for every one gross square foot of dwellings or other housing uses.**

The Way It Would Be:

1. The Central SoMa SUD would not contain any requirement that a certain portion of new development in any part of the SUD contain non-residential uses.
2. The Transit Center C-3-0(SD) Commercial SUD would be deleted from the Planning Code and Zoning Map.

General Plan Amendment

The proposed Ordinance would amend the General Plan's Central SoMa Area Plan and the Transit Center District Sub Area Plan.

The Way It Is Now:

Two separate policies located in the Central SoMa Area Plan and the Transit Center District Sub Area Plan require non-residential uses on certain sites. Policy 3.1.1 of the Central SoMa Area Plan requires large parcels to contain at least 50% non-residential land uses. Policy 1.3 of the Transit Center District Sub Area Plan directs development to reserve the bulk of remaining space in the district's core for job growth by limiting the amount of non-commercial uses on major opportunity sites.

The Way It Would Be:

The Central SoMa Area Plan and the Transit Center District Sub Area Plan would encourage, but not require non-residential uses within their respective plan areas.

Background

The Commercial Development Requirements Ordinance is part of a broader effort to increase flexibility in the Downtown core to support COVID-19 recovery. In February 2023, Mayor Breed unveiled the "Roadmap to San Francisco's Future," a comprehensive plan to revitalize Downtown and reinforce San Francisco's role as a global destination and the Bay Area's economic center. In July 2023, the city passed the Commercial to

Residential Adaptive Reuse and Downtown Economic Revitalization legislation (BF 230371), which introduced flexible zoning to allow a wider variety of uses Downtown. This legislation also waived certain Planning Code requirements to make it easier to convert commercial buildings into housing.



In March 2024, Mayor Breed set an ambitious goal to bring 30,000 new residents and students Downtown by 2030. The "30 x 30" action plan builds on the Mayor's Roadmap and outlines four specific strategies to attract people Downtown. The proposed legislation would remove restrictions on specific land uses, allowing more flexibility to help achieve Strategy #2: *Build at least 5,000 new housing units to accommodate 10,000 additional residents Downtown.*

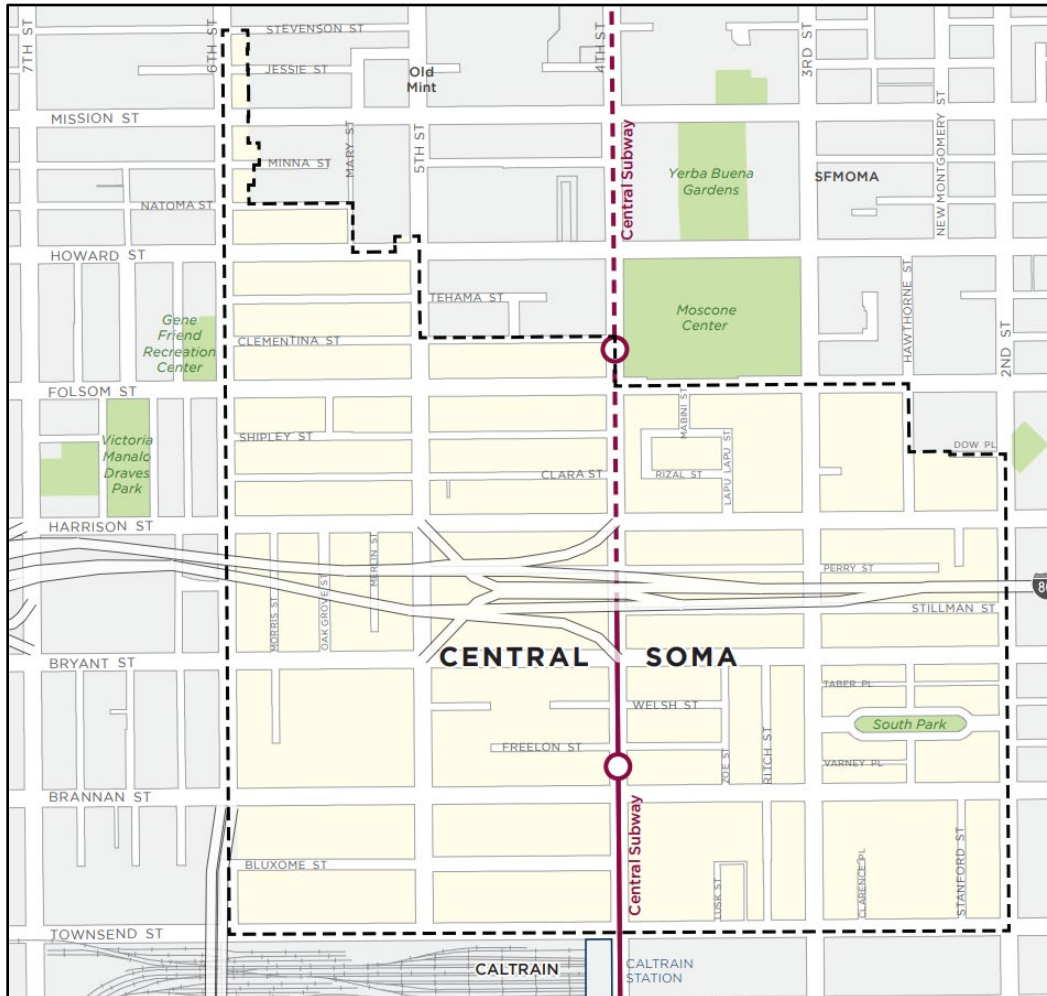
The proposed legislation would remove restrictions on specific land uses, allowing more flexibility in the mix of uses Downtown.

The General Plan Amendments are essential for the proposed Ordinance (BF 240787) to advance. On September 19, 2024, the Planning Commission unanimously voted to initiate these amendments for both the Central SoMa and Transit Center District Sub-Area plans.

Issues and Considerations

The Central SoMa Plan

Adopted in 2018, the Central SoMa Plan envisions a sustainable neighborhood by 2040, meeting present needs without compromising future generations. The plan aims to achieve social, economic, and environmental sustainability, complementing broader sustainability efforts in the city, region, nation, and world.



Area covered by the Central SoMa Plan.

At the time of the plan's drafting, San Francisco was experiencing a booming tech-focused economy. This regional shift into the "idea based" economy resulted in job growth nearly doubling in the Bay Area. It increased demand in areas with easy access to transit, walkable neighborhoods, and nearby amenities. In a largely suburban, car-dependent region, many of these urban neighborhoods are in San Francisco, fueling high demand for space. Meeting this demand required building additional space for jobs, housing, and other essential facilities; however, building in San Francisco is often slow and difficult. Housing and commercial

rents had risen to socially unsustainable levels, becoming the highest in the country. Rising costs pushed out nonprofits, small businesses, artists, and industrial companies.

The plan identified Central SoMa as an appropriate location for commercial and residential development. The area is served by some of the region's best transit, including BART and Caltrain, Muni Metro and many bus lines. Flat streets and a regular grid pattern make destinations easy to reach for people walking and bicycling.

At the time of the plan's drafting, the area contained an incredibly strong cluster of technology companies. It also had a variety of other uses, including thousands of residential units, local and regional-serving retail, cultural and entertainment facilities, hotels, and production/distribution/repair businesses. Simultaneously, the plan identified a substantial opportunity to increase density in Central SoMa. There were numerous undeveloped or underdeveloped sites, such as surface parking lots and single-story commercial buildings.

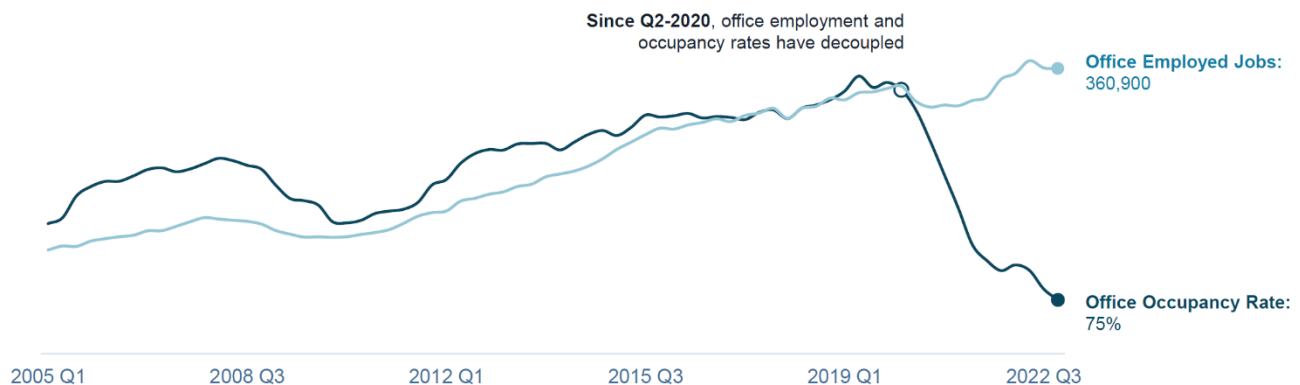
In the proceeding years since the plan's adoption, approximately 5 million square feet of office space has been entitled across six key sites; however, none of it has been constructed.

State of the Downtown

According to a Q2 2024 report on the pulse of the market out of the Office of Economic Workforce Development:

- San Francisco office employment and occupancy are no longer highly correlated (*see graph below*).
- The SoMa District is experiencing some of the highest office vacancy rates in the city, and the city is still experiencing the highest office vacancy rates of any major metro area in the nation. SoMa's commercial vacancy rate is currently 45.2%.
- Citywide, office vacancy rates have *increased* by 28.5% from 2019, with vacancy expected to continue to rise through Q1 of 2025.

San Francisco County
Office Employment and Occupancy Rates



Source: Office of Economic and Workforce Development

San Francisco faces dual challenges of a shortage of housing production and high commercial property vacancy rates due to reduced demand. The Covid-19 pandemic has had a significant impact on commercial building use and activity levels throughout the city, but particularly Downtown. Remote work for the approximately 245,505 office workers that were working Downtown prior to the pandemic has continued well past the public health emergency. According to many experts, remote work will continue, either in the form of full-time work from home, or hybrid work arrangements. Both these models result in reduced worker attendance at the office. This change in office work patterns has resulted in reduced demand for Downtown office space and large increases in commercial real estate vacancy rates.

The decline in office workers has hurt other Downtown businesses, particularly restaurants and retail stores that relied on their presence. As a result, Downtown has become far less active than it was pre-pandemic. The reduced foot traffic has affected public spaces, transportation systems, and public safety in the area.

Central SoMa's Key Sites

The Central SoMa Plan identified eight “key development sites” - large, underutilized development opportunities with lot areas ranging from 25,000 square feet to well over 100,000 square feet. The purpose of identifying these sites was to ensure that their development directly delivered critical public benefits. The mandatory office development requirement that the proposed Ordinance would remove currently applies to six of the eight key sites. All six sites have entitled projects, of which five¹ include non-residential space per the requirement, primarily in the form of office space (one project also included a sizable hotel). None of the six entitled projects, including the one primarily housing project, have pulled a building permit to date to start construction.

Other Large Sites within the Two SUDs

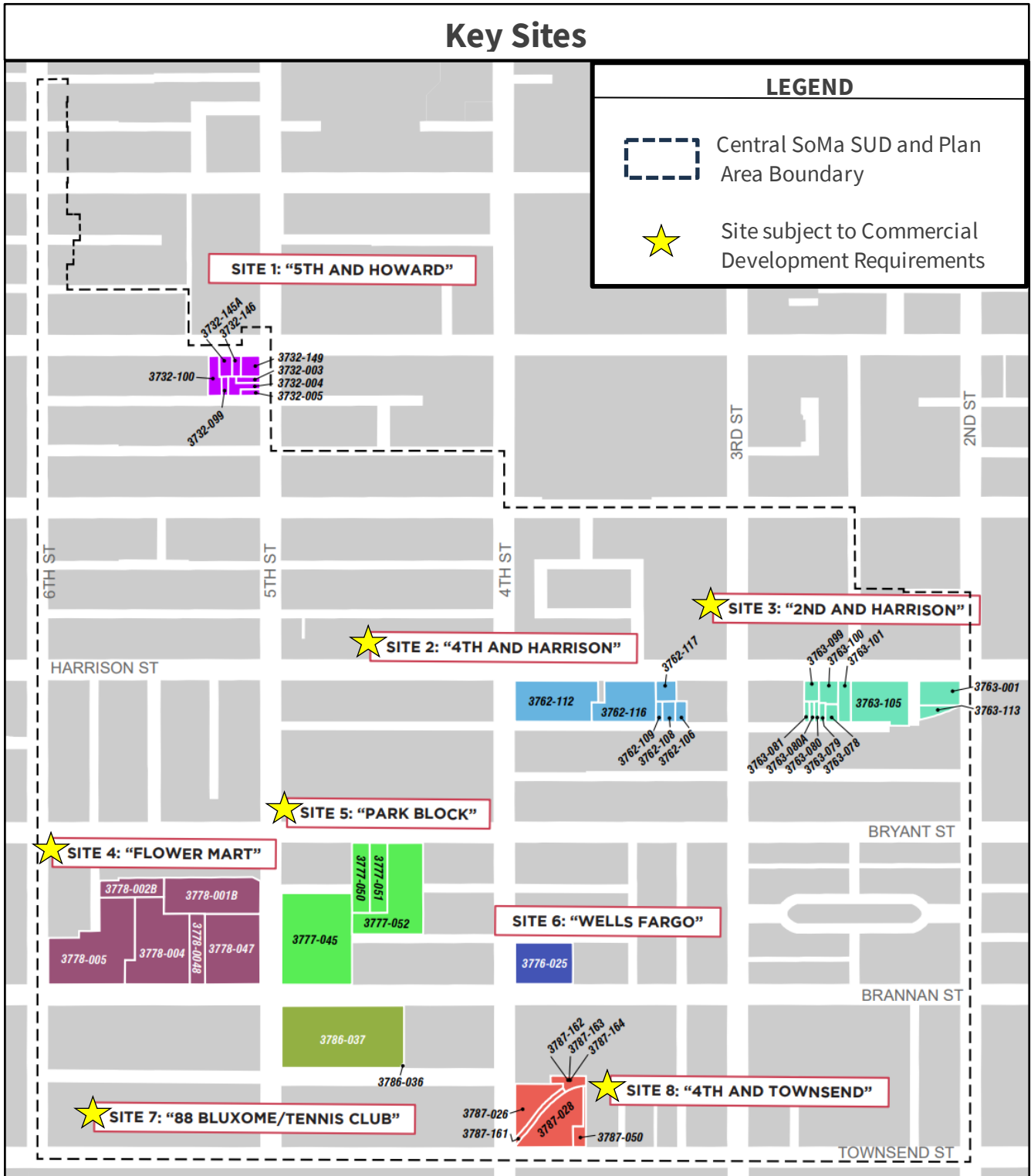
In addition to the key sites, several dozen parcels are subject to commercial development requirements based on their size and location within one of the two SUDs. Many of these parcels are already developed with substantial office, residential, or other uses, making demolition for new development unlikely. In addition to the Central SoMa Key Sites described above, the Department has identified three “soft sites”, or sites that are prime for development due to their existing undeveloped or underdeveloped conditions, where the commercial development requirements would apply. None of these sites have entitlements or an active project application. One of these sites is in the Transit Center District and two are in Central SoMa.

| The proposed Ordinance would not prevent office development in SoMa.

Though the proposed Ordinance would allow the sites with existing entitlements to reduce or remove their current office allocations it would not prevent the entitled projects from moving forward. It also would not prevent any new development from proposing office uses. Instead, the Ordinance would create greater flexibility in the combination of uses projects may pursue. It would allow developers to adapt projects where

¹ One specific key site subject was explicitly permitted by the Plan to be eligible for, and was granted, an exception from the use requirement subject to Planning Commission approval.

needed: making them not only more financially viable, but also responsive to the realities of the new workforce.



Map of the Key Sites in Central SoMa with those subject to the commercial development requirements starred.

Interactions with State Bonus Programs

Assembly Bill (AB) 1287, which became effective on January 1, 2024, allows a further density bonus of up to 50% in exchange for providing additional affordable units on site. This is in addition to existing State Density Bonus law, which already allows a 50% bonus. Under AB 1287, projects could achieve a maximum bonus of 100% if they meet the additional affordability requirements. In an ownership or rental project, a sponsor may provide up to an additional 10% of the number of units in the base project at the very-low-income level. This could result in up to an additional 38.75% bonus. Alternatively, in an ownership project, the sponsor may provide up to an additional 15% of the number of units at the moderate-income level. This could result in up to an additional 50% bonus. In theory, AB 1287 could significantly increase the size and height of residential projects.

The sites subject to commercial development requirements are currently ineligible for State Density Bonus programs because their commercial-to-residential ratios exceed state limits on non-residential uses. If the proposed Ordinance is enacted, it would allow projects to utilize the state's bonus programs by reducing or removing their office allocation. As a result, in theory projects could become much larger and taller than what is currently allowed.

The sites subject to commercial development requirements are currently ineligible for State Density Bonus programs because their commercial-to-residential ratios exceed state limits on non-residential uses.

The Need for Housing

The need to accommodate the RHNA housing targets across income levels also requires rezoning for over 36,282 homes in addition to current capacity. As such, various City agencies have taken a multi-pronged approach to accommodating and encouraging new housing development. The mayor has several initiatives aimed at making housing easier to develop in the Downtown, as was highlighted in the "Background" section of this report. The Planning Department has two current efforts aimed at encouraging housing in the city's High Opportunity Areas: The Housing Element Rezoning and The Expanding Housing Choices Program.

The Housing Element Zoning effort will amend zoning in the Housing Opportunity Areas to increase housing capacity to satisfy the city's Regional Housing Needs Allocation (RHNA) gap. The zoning program will focus most housing growth on increasing allowable heights and density on transit corridors, commercial corridors, and key opportunity sites within the High Opportunity Areas.

The Expanding Housing Choices Program includes various initiatives that will increase housing choices for residents around the city in a variety of housing types. These initiatives include rezoning to allow more homes in small and mid-rise multifamily buildings, support for ADUs in existing residential buildings, and actions to support additional housing near major transit nodes and jobs centers, including in Downtown. The area the proposed Ordinance would affect is in one of the most transit-rich neighborhoods in the city and borders the city's business district. To that end, the Ordinance would succeed in encouraging housing near job centers and major transit nodes.

General Plan Compliance

Goal 1 of the Central SoMa Area Plan is to “Accommodate a substantial amount of jobs and housing”. The plan identifies nearly the entire district as a “Growth Oriented Area”. These are areas the Department has identified as ripe for increased jobs and housing capacity.



Map from page 21 of the Central SoMa Area Plan showing the previous zoning (left), and the zoning ideal for jobs and housing growth (right).

The overarching premise of the Transit Center District Sub Area Plan is to continue the concentration of additional growth where it is most responsible and productive to do so—in proximity to San Francisco’s greatest concentration of public transit service. The increase in development will provide additional revenue for the Transit Center project and for the necessary improvements and infrastructure in the district. The proposed Ordinance will assist in making larger development projects more feasible by removing the office allocation requirement. This requirement has proven to be cost prohibitive and unnecessary for a Downtown facing high office vacancy rates for the foreseeable future.

Implementation Objective 7 of the Housing Element is to expand housing choices, which, among other objectives, encourages actions to support additional housing near major transit nodes and jobs centers. Removing mandatory office allocations is a key step toward making such projects financially viable, potentially resulting in thousands of new housing units Downtown.

Area Plans to be Amended:

Policy 3.1.1 of the Central SoMa Area Plan requires large parcels to contain at least 50% non-residential land uses. Policy 1.3 of the Transit Center District Sub Area Plan directs development to reserve the bulk of remaining space in the district's core for job growth by limiting the number of non-commercial uses on major opportunity sites. Both policies are proposed to be amended through the General Plan Amendment initiated by the Planning Commission on September 19, 2024. If approved, the policies will continue to encourage office development, but not require a particular percentage/proportion. The amendments will make the proposed Ordinance consistent with the above policies of both plans.

Racial and Social Equity Analysis

The area in which commercial development requirements are proposed to be removed is considered one of the most central, transit-rich areas of the city. It is vital for racial and social equity to focus affordable housing units in areas that are well connected to jobs, transit, and other resources. Much of this same geography, however, falls within the city's Priority Equity Geographies SUD. Priority Equity Geographies are areas with a higher density of vulnerable populations as defined by the San Francisco Department of Health. This demographic includes people of color, seniors, youth, people with disabilities, linguistically isolated households, and people living in poverty or unemployed. It is the city's goal to increase resources within Priority Equity Geographies for acquisition and rehabilitation, tenant protections, and homeownership, *without* causing additional displacement pressures or harm to existing vulnerable populations. Though the Housing Element does not prohibit increasing housing capacity within the SUD, it actively encourages focusing housing development on areas of the city that have been historically underdeveloped (the city's High Opportunity Areas).

Key sites projects were often entitled with voluntarily provided community benefits beyond existing code requirements like parks, public facilities, and infrastructure improvements. It is possible that with the removal of the office allocation requirement, projects may be altered so that some community benefits are no longer required; however, as noted earlier in this report, none of the entitled Key Sites have filed permits to begin construction. While it is important to recognize that the currently stalled projects provide no community benefits unless they move forward to construction, if major sites in Central SoMa change to become all or mostly housing, the city may need to adjust its adopted plans and resources for public facilities and services in the district.

These needs will also evolve with a potentially more residential, and less worker-oriented, neighborhood. The Plan's implementation program anticipated development would provide approximately \$900m over the buildout of the plan area (estimated at 25 years) from impact fees and CFD special taxes for public facilities and services. Most of these revenues would be provided by commercial development. Commercial development has a greater impact than residential development on city infrastructure and services. As such, commercial development pays a higher rate of certain development impact fees than residential development. If all subject sites entitled or assumed under the Plan to be developed with non-residential use were to pivot to housing, the effect would be to lower the projection of development impact fee revenue. However, any project that pivots to residential will be subject to all the applicable standards for residential projects, which includes the Inclusionary Housing Program: Projects with 10 units or more are required to pay into the city's affordable housing fund, provide on-site or off-site units, or dedicate land for affordable housing development.

Implementation

The Department has determined that this Ordinance will impact our current implementation procedures; however, the proposed changes can be implemented without increasing permit costs or review time.

Recommendation for Board File No. 240787

The Department recommends that the Commission ***adopt a recommendation for approval with modifications*** of the proposed Ordinance and adopt the attached Draft Resolution to that effect. The Department's proposed recommendations are as follows:

1. Modify the Ordinance to exempt projects 600' in height and under from the mandatory office allocation requirements in these two SUDs instead of eliminating the requirement. Further, clarify that these projects are also eligible to utilize any applicable state or local bonus program.

Recommendation for General Plan Amendment

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

Basis for Recommendation

The world's work model has shifted since the COVID-19 pandemic. Office space that was highly coveted in Downtown pre-pandemic now faces a nearly 45% vacancy rate in SoMa. Unlike typical market trends, hybrid and work-from-home models seem to be a lasting change. At the same time, the city's housing shortage drives out families, forces workers into long commutes, puts seniors at risk, and is a significant contributor to the top challenges we need to tackle, including homelessness, climate change, and our economic recovery. The proposed Ordinance ensures that the city is increasing zoning capacity to provide sufficient housing for the San Franciscans of today and tomorrow. By removing barriers, it improves the feasibility of large projects while still allowing office development if market demand returns. It is the city's responsibility to create clear, feasible paths for projects that will collectively deliver thousands of housing units, and the proposed Ordinance will serve that purpose. Together, with the mayor's other downtown recovery efforts, the proposed Ordinance will jumpstart development projects that have sat entitled but not built. The construction of these projects will assist in regenerating the Downtown as a "24-hour neighborhood" that serves both residents and San Francisco's workforce.

Recommendation 1: Modify the Ordinance to exempt projects 600' in height and under from the mandatory office allocation requirements in these two SUDs instead of eliminating the requirement. Further, clarify that these projects are also eligible to utilize any applicable state or local bonus program.

San Francisco, driven by both state mandates and its own Housing Element, must promote residential development and reduce governmental barriers to housing construction. The Department does, however, acknowledge the potential impacts of projects utilizing new State bonuses that could allow for 100% or more height increases. As such, the Department recommends allowing projects to qualify for State bonus programs by reducing or removing their commercial development allocation so long as the project is governed by reasonable physical parameters. This recommendation will help to mold a project's massing while still allowing it to take full advantage of any density bonuses. By allowing for additional height bonuses with limits, the proposed modification will promote new homes in our transit-rich neighborhoods, while fostering a coherent development landscape.

Required Commission Action

The proposed Ordinance is before the Commission so that it may adopt a recommendation of approval, disapproval, or approval with modifications.

Environmental Review

The proposed Ordinance has been determined to be environmentally cleared under California Environmental Quality Act under Case File Nos. 2011.1356E (Central SoMa Plan EIR) certified on May 24, 2012 by the Planning Commission, and 2007.0558E and 2008.0789E (Transit Center District Plan and Transit Tower EIR) certified on May 10, 2018 by the Planning Commission.

Public Comment

As of the date of this report, the Planning Department has not received any public comment regarding the proposed Ordinance.

1 [Planning Code, Zoning Map - Central SoMa and Transit Center District Commercial
2 Development Requirements]

3 **Ordinance amending the Planning Code and Zoning Map to reduce commercial**
4 **development requirements in the Central SoMa Special Use District and remove the**
5 **Transit Center C-3-0(SD) Commercial Special Use District; affirming the Planning**
6 **Department's determination under the California Environmental Quality Act; making**
7 **findings of consistency with the General Plan, and the eight priority policies of**
8 **Planning Code, Section 101.1; and adopting findings of public necessity, convenience,**
9 **and welfare under Planning Code, Section 302.**

10 NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
11 **Additions to Codes** are in *single-underline italics Times New Roman font*.
12 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.
13 **Board amendment additions** are in double-underlined Arial font.
14 **Board amendment deletions** are in ~~strikethrough Arial font~~.
15 **Asterisks (* * * *)** indicate the omission of unchanged Code
16 subsections or parts of tables.

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

18 Section 1. Environmental and Land Use Findings.

19 (a) The Planning Department has determined that the actions contemplated in this
20 ordinance comply with the California Environmental Quality Act (California Public Resources
21 Code Sections 21000 et seq.). Said determination is on file with the Clerk of the Board of
22 Supervisors in File No. ____ and is incorporated herein by reference. The Board affirms this
23 determination.

24 (b) On _____, the Planning Commission, in Resolution No. _____,
25 adopted findings that the actions contemplated in this ordinance are consistent, on balance,
with the City's General Plan and eight priority policies of Planning Code Section 101.1. The

1 Board adopts these findings as its own. A copy of said Resolution is on file with the Clerk of
2 the Board of Supervisors in File No. _____, and is incorporated herein by reference.

3 (c) Pursuant to Planning Code Section 302, this Board finds that these Planning Code
4 amendments will serve the public necessity, convenience, and welfare for the reasons set
5 forth in Planning Commission Resolution No. _____, and the Board adopts such
6 reasons as its own. A copy of said resolution is on file with the Clerk of the Board of
7 Supervisors in File No. _____ and is incorporated herein by reference.

8
9 Section 2. Articles 2 and 3 of the Planning Code are hereby amended by revising
10 Sections 249.78, 303, 309, and 329, and deleting Section 248, to read as follows:

11
12 ~~**SEC. 248. TRANSIT CENTER C-3-O(SD) COMMERCIAL SPECIAL USE DISTRICT.**~~

13 ~~*A Special Use District entitled the “Transit Center C-3-O(SD) Commercial Special Use*~~
14 ~~*District” is hereby established for a portion of the C-3-O(SD) district in the downtown area around the*~~
15 ~~*Transbay Transit Center within San Francisco, the boundaries of which are designated on Sectional*~~
16 ~~*Map SU01 of the Zoning Map of the City and County of San Francisco. The following provisions shall*~~
17 ~~*apply within the Special Use District:*~~

18 ~~*(a) Purpose. There are limited remaining development sites in the core of the downtown large*~~
19 ~~*enough to be feasibly developed with workplace-oriented uses, particularly adjacent to the region's*~~
20 ~~*premier concentration of regional and local public transit infrastructure, such as the Transbay Transit*~~
21 ~~*Center, BART, Muni Metro, and the Ferry Building. Significant areas surrounding and within walking*~~
22 ~~*distance of the downtown, including Rincon Hill and Zone 1 of the Transbay Redevelopment Area*~~
23 ~~*along Folsom Street, have been zoned and planned almost exclusively for residential neighborhoods to*~~
24 ~~*the exclusion of major commercial uses. Many academic studies have shown that locating jobs*~~
25 ~~*immediately proximate to regional transit is a greater influence on use of public transit than is*~~

1 ~~proximity of housing to regional transit, and decentralization of jobs is one of the leading factors~~
2 ~~increasing auto commuting in the Bay Area. Further, very few districts outside of the C-3 district allow~~
3 ~~high-density job uses, so it is important to ensure that the few sites large enough for high-density~~
4 ~~workplace uses in the Transit Center area are preserved primarily for that purpose.~~

5 ~~(b) **Definition of Commercial Use.** "Commercial Use" shall mean any use other than a~~
6 ~~Residential Use, as defined in Section 102 of this Code, permitted in the underlying zoning district.~~

7 ~~(c) **Controls.** All new development on lots larger than 20,000 square feet in the Special Use~~
8 ~~District shall include not less than two gross square feet of principally or conditionally permitted~~
9 ~~commercial uses for every one gross square foot of dwellings or other housing uses.~~

10 ~~(d) **Exceptions.** Exceptions to the controls in subsection (c) may be granted by the Planning~~
11 ~~Commission according to the procedures in Section 309 only if the Commission makes one of the~~
12 ~~following affirmative findings:~~

13 ~~(1) That the development consists of multiple buildings on a single lot or adjacent lots~~
14 ~~that are entitled as a single development project pursuant to Section 309, and that commercial uses~~
15 ~~account for greater than 50% of the project's aggregate total gross floor area for all buildings and~~
16 ~~where the project sponsor demonstrates that it is infeasible or impractical to construct commercial uses~~
17 ~~on the footprint of the portion of the site dedicated to dwellings and/or other housing uses due to the~~
18 ~~size and configuration of that portion of the lot; or~~

19 ~~(2) That the footprint of the portion of the site dedicated to dwellings and/or other~~
20 ~~housing uses is less than 15,000 square feet and the lot contains existing buildings which are to be~~
21 ~~retained; or~~

22 ~~(3) That the downtown commercial vacancy rate is persistently high and the project~~
23 ~~would fulfill its inclusionary requirement pursuant to Planning Code Section 415 through 100% on-site~~
24 ~~or off-site units within the C-3 District.~~

1 **SEC. 249.78. CENTRAL SOMA SPECIAL USE DISTRICT.**

2 (a) **Purpose.** ~~In order to~~ TO implement the goals, objectives, and policies of the
3 Central SoMa Plan (Ordinance No. 280-18, on file with the Clerk of the Board of Supervisors
4 in File No. 180185), the Central SoMa Special Use District (SUD) is hereby established.

5 (b) **Geography.** The SUD is within the South of Market (SoMa) neighborhood, and
6 its boundaries generally run from 2nd Street to the east to 6th Street to the west, and from
7 Townsend Street to the south to an irregular border that generally follows Folsom, Howard,
8 and Stevenson Streets to the north, as more specifically shown on Sectional Maps 1SU and
9 8SU of the Zoning Map.

10 (c) **Land Use Controls.**

11 * * * *

12 ~~(6) Use on Large Development Sites.~~

13 ~~—(A) Applicability. South of Harrison Street on sites larger than 40,000 square feet that~~
14 ~~entail new construction or an addition of 100,000 square feet or more.~~

15 ~~—(B) Requirement. At least two-thirds of the Gross Floor Area of all building area below~~
16 ~~160 feet in height shall be non-residential.~~

17 ~~(76) Single Room Occupancy.~~ Single Room Occupancy units that are Dwelling
18 Units are Not Permitted in the Central SoMa SUD except in buildings that consist of 100%
19 affordable units. For the purposes of this subsection ~~(c)(76)~~, “affordable units” shall mean units
20 rented, leased, or sold at rates or prices affordable to a household whose income is no
21 greater than 80% of the median income for households in San Francisco (“Lower Income
22 Households”), as determined by Title 25 of the California Code of Regulations Sections 6928
23 and 6932 and implemented by the Mayor’s Office of Housing and Community Development.

24 ~~(87) Group Housing.~~ Group Housing uses are Not Permitted in the Central SoMa
25 SUD except Group Housing uses that are also defined as Student Housing, Senior Housing,

1 or Residential Care Facility, are designated for persons with disabilities, are designated for
2 Transition Age Youth as defined by the Mayor’s Office of Housing and & Community
3 Development, or are contained in buildings that consist of 100% affordable units. For the
4 purposes of this subsection (c)(7&), “affordable units” shall mean units rented, leased, or sold
5 at rates or prices affordable to a household whose income is no greater than 80% of the
6 median income for households in San Francisco (“Lower Income Households”), as
7 determined by Title 25 of the California Code of Regulations Sections 6928 and 6932 and
8 implemented by the Mayor’s Office of Housing and Community Development.

9 * * * *

10
11 **SEC. 303. CONDITIONAL USES.**

12 (a) **General.** The Planning Commission shall hear and make determinations regarding
13 applications for the authorization of Conditional Uses in the specific situations in which such
14 authorization is provided for elsewhere in this Code. The procedures for Conditional Uses
15 shall be as specified in this Section 303 and in Sections 306 through 306.6, except that
16 Planned Unit Developments shall in addition be subject to Section 304, and Hospitals and
17 Post-Secondary Educational Institutions shall in addition be subject to the Institutional Master
18 Plan requirements of Section 304.5.

19 * * * *

20 (g) **Hotels and Motels.** With respect to applications for development of tourist hotels
21 and motels, the Planning Commission shall consider, in addition to the criteria set forth in
22 §subsections (c) and (d) above:

- 23 (1) The impact of the employees of the hotel or motel on the demand in the City
24 for housing, public transit, child-care, and other social services. To the extent relevant, the
25

1 Commission shall also consider the seasonal and part-time nature of employment in the hotel
2 or motel;

3 (2) The measures that will be taken by the project sponsor to employ residents
4 of San Francisco in order to minimize increased demand for regional transportation; and

5 (3) The market demand for a hotel or motel of the type proposed; and

6 ~~(4) In the Transit Center C-3-O(SD) Commercial Special Use District, the opportunity~~
7 ~~for commercial growth in the Special Use District and whether the proposed hotel, considered with~~
8 ~~other hotels and non-commercial uses approved or proposed for major development sites in the Special~~
9 ~~Use District since its adoption would substantially reduce the capacity to accommodate dense, transit-~~
10 ~~oriented job growth in the District.~~

11 * * * *

12

13 **SEC. 309. PERMIT REVIEW IN C-3 DISTRICTS.**

14 The provisions and procedures set forth in this Section 309 shall govern the review of
15 project authorization and building and site permit applications for (1) the construction or
16 substantial alteration of structures in C-3 Districts, (2) the granting of exceptions to certain
17 requirements of this Code where the provisions of this Section are invoked, and (3) the
18 approval of open space and streetscape requirements of the Planning Code. When any action
19 authorized by this Section is taken, any determination with respect to the proposed project
20 required or authorized pursuant to CEQA may also be considered. This Section shall not
21 require additional review in connection with a site or building permit application if review
22 hereunder was completed with respect to the same proposed structure or alteration in
23 connection with a project authorization application pursuant to Section 322.

24 (a) **Exceptions.** Exceptions to the following provisions of this Code may be granted
25 as provided in the code sections referred to below:

1 * * * *

2 ~~(8) Exceptions to the use requirements in the C-3-O(SD) Commercial Special Use~~
3 ~~Subdistrict in Section 248;~~

4 (98) Exceptions to the height limits for buildings taller than 550 feet in height in
5 the S-2 Bulk District for allowance of non-occupied architectural, screening, and rooftop
6 elements that meet the criteria of Section 260(b)(1)(M);

7 ~~(109)~~ Exceptions to the volumetric limitations for roof enclosures and screens
8 as prescribed in Section 260(b)(1)(F). For existing buildings, exceptions to the volumetric
9 limitations for roof enclosures and screens shall be granted only if all rooftop equipment that is
10 unused or permanently out of operation is removed from the building;

11 ~~(110)~~ Exceptions to the height limits for vertical extensions as permitted in
12 Section 260(b)(1)(G) and for upper tower extensions as permitted in Section 263.9;

13 ~~(121)~~ Exceptions to the height limits in the 80-130F and 80-130X Height and
14 Bulk Districts as permitted in Section 263.8 and in the 200-400S Height and Bulk District as
15 permitted in Section 263.10;

16 ~~(132)~~ Exceptions to the bulk requirements as permitted in Sections 270 and
17 272.;

18 ~~(143)~~ Exceptions to the exposure requirements as permitted in Section 140.;

19 ~~(154)~~ Exceptions to the usable open space requirements of Section 135.;

20 ~~(165)~~ Exceptions to the Micro-Retail requirements as permitted in Section
21 249.33.;

22 ~~(176)~~ Exceptions to the height and bulk limits for parcels within the Van Ness &
23 Market Residential Special Use District as defined by Section 270(f)(2). In considering such
24 exceptions, the Planning Commission shall consider the extent to which the project achieves
25 the following: (A) sculpts the building massing to achieve an elegant and creative tower form

1 that enhances the skyline; (B) reduces or minimizes potential impacts on winds and shadows;
2 (C) provides ground floor uses that serve a range of income levels and enrich the social
3 landscape of the area such as: Arts Activities, Child Care Facility, Community Facility, Public
4 Facility, School, Social Service, priority health service or neighborhood-serving retail; and (D)
5 maximizes housing density within the allowed envelope;

6 (187) Exceptions to the percent lot coverage requirements of Section
7 270.2(e)(6) for projects within the Van Ness & Market Residential Special Use District. The
8 Planning Commission shall only grant such exceptions if the Planning Commission finds that:
9 (A) the proposed mid-block alley and percent coverage do not negatively affect the use and
10 purpose of the alley as a means of creating a more efficient pedestrian network, as described
11 in subsections 270.2(a)-(b); and (B) the proposed percent coverage does not negatively
12 impact the quality of the mid-block alley as an area of pedestrian and retail activity and public
13 open space. An exception shall not be granted for any mid-block alley that is less than 35
14 percent open to the sky;

15 (198) Exceptions to the required minimum dwelling unit mix in Section 207.6 for
16 projects within the Van Ness & Market Residential Special Use District. In considering such
17 exceptions, the Planning Commission shall consider the following criteria:

18 (A) whether the project demonstrates a need or mission to serve unique
19 populations; or

20 (B) whether the project site or existing building(s), if any, feature
21 physical constraints that make it unreasonable to fulfill the requirements of Section 207.6 or
22 subsection 309(a)(189)(A); *and*

23 (2019) Exceptions to the permitted obstructions requirements in Section 136 for
24 projects within the Van Ness & Market Special Use District as defined by Section 270(f)(2).
25 The Planning Commission shall only grant such an exception if it finds that the proposed

1 obstructions assist the proposed development to meet the requirements of Section 148, or
2 otherwise reduce wind speeds at the ground-level or at upper level open space.

3 * * * *

4 ↻

5 (e) **Imposition of Conditions, General.** If, pursuant to the provisions of this Section
6 309, the Planning Commission determines that conditions should be imposed on the approval
7 of a building or site permit application or Section 309 application, and the applicant agrees to
8 comply, the Planning Commission may approve the application subject to those conditions,
9 and if the applicant refuses to so agree, the Planning Commission may disapprove the
10 application.

11 * * * *

12
13 **SEC. 329. LARGE PROJECT AUTHORIZATION IN EASTERN NEIGHBORHOODS MIXED**
14 **USE DISTRICTS.**

15 * * * *

16 (e) **Exceptions for Key Sites in Central SoMa.**

17 * * * *

18 (3) **Controls.** Pursuant to this Section 329(e) and the Key Site Guidelines
19 adopted as part of the Central SoMa Area Plan, the Planning Commission may grant
20 exceptions to the provisions of this Code as set forth in subsection (d) above and may also
21 grant the exceptions listed below for projects that provide qualified amenities in excess of
22 what is required by the Code.

23 * * * *

24 (B) **Exceptions.** Upon consideration of qualified amenities in excess of
25 what is required by the Code, the Planning Commission may grant one or more exceptions to

1 the following requirements: the streetwall and setback controls in Section 132.4; the building
2 separation controls in Section 132.4, including but not limited to the controls in subsection
3 132.4(d)(3)(B); the setback requirements in Section 261.1; bulk controls in Section 270(h);
4 and the lot merger restrictions in Section 249.78(d)(7).

5 In addition to these exceptions, the Planning Commission may grant one
6 or more of the following exceptions:

7 * * * *

8 (vi) On the Key Site identified in Section 329(e)(2)(H), exception
9 to the protected pedestrian-, cycling-, and transit-oriented street frontage requirements of
10 Section 155(r), the street frontage requirements in Section 145.1, the required ground floor
11 commercial uses in Section 145.4, ~~the requirement that at least two thirds of the Gross Floor Area~~
12 ~~of all building area below 160 feet be non-residential in Section 249.78(e)(6)~~, and the requirement in
13 Section 138(d)(2)(E)(i) that ground floor POPOS be open to the sky. In addition, the usable
14 open space requirement pursuant to Section 135 may be reduced to 60 square feet of usable
15 open space required for each dwelling unit if not publicly accessible.

16 * * * *

17
18 Section 3. Article 8 of the Planning Code is hereby amended by replacing all
19 references to Planning Code subsection “249.78(c)(7)” in each of the Sections, subsections,
20 and tables listed below with the term “249.78(c)(6).” If any references in the Planning Code to
21 “249.78(c)(7)” have been inadvertently omitted from the list below, the City Attorney is
22 authorized to cause such references to be changed to “249.78(c)(6).”

- 23 - Table 830
- 24 - Table 831
- 25 - Table 833

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Section 4. Article 8 of the Planning Code is hereby amended by replacing all references to Planning Code subsection “249.78(c)(8)” in each of the Sections, subsections, and tables listed below with the term “249.78(c)(7).” If any references in the Planning Code to “249.78(c)(8)” have been inadvertently omitted from the list below, the City Attorney is authorized to cause such references to be changed to “249.78(c)(7).”

- Table 830
- Table 831
- Table 833
- Table 839

Section 5. Zoning Map. The Planning Code is hereby amended by revising Special Use District Map SU01 of the Zoning Map of the City and County of San Francisco to delete the Transit Center C-3-O(SD) Commercial Special Use District.

Section 6. Effective Date. This ordinance shall become effective 30 days after enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the Mayor’s veto of the ordinance.

Section 7. Scope of Ordinance. Except as stated in Sections 3 and 4 of this ordinance, in enacting this ordinance, the Board of Supervisors intends to amend only those words, phrases, paragraphs, subsections, sections, articles, numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal Code that are explicitly shown in this ordinance as additions, deletions, Board amendment additions, and Board

1 amendment deletions in accordance with the "Note" that appears under the official title of the
2 ordinance.

3

4 APPROVED AS TO FORM:
5 DAVID CHIU, City Attorney

6 By: /s/ Peter R. Miljanich
7 PETER MILJANICH
8 Deputy City Attorney

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