San Francisco Planning

49 South Van Ness Avenue, Suite 1400
San Francisco, CA 94103
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July 23, 2025

Ms. Angela Calvillo, Clerk
Honorable Supervisor Melgar
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 2025-005221PCA:**
Use Size Limits
Board File No. 250634

Planning Commission Recommendation: **Approval**

Dear Ms. Calvillo and Supervisor Melgar,

On July 17, 2025, the Planning Commission conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance, introduced by Supervisor Melgar. The proposed ordinance would amend the Planning Code to eliminate limits on Non-Residential Use sizes in the Castro Street Neighborhood Commercial District (NCD), Pacific Avenue NCD, Polk Street NCD, West Portal Avenue NCD, North Beach NCD, North Beach Special Use District (SUD), Regional Commercial District (RCD), and Residential-Commercial Districts (RCs). It would also allow specified Non-Residential Uses that exceed the use size limits to divide into smaller spaces that may continue to exceed the use size limits, without requiring a Conditional Use authorization. At the hearing the Planning Commission adopted a recommendation for approval, adding a finding that encourages the sponsoring supervisors to conduct outreach to the Merchant Associations.

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.

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: Giulia Gualco-Nelson, Deputy City Attorney
Jen Low, Aide to Supervisor Melgar
John Carroll, Office of the Clerk of the Board

ATTACHMENTS :
Planning Commission Resolution
Planning Department Executive Summary

San Francisco Planning

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PLANNING COMMISSION RESOLUTION NO. 21782

HEARING DATE: July 17, 2025

Project Name:	Use Size Limits
Case Number:	2025-005221PCA [Board File No. 250634]
Initiated by:	Supervisor Melgar / Introduced June 3, 2025
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 TO ELIMINATE LIMITS ON NON-RESIDENTIAL USE SIZES IN THE CASTRO STREET NEIGHBORHOOD COMMERCIAL DISTRICT (NCD), PACIFIC AVENUE NCD, POLK STREET NCD, WEST PORTAL AVENUE NCD, NORTH BEACH NCD AND NORTH BEACH SPECIAL USE DISTRICT, REGIONAL COMMERCIAL DISTRICTS, AND RESIDENTIAL-COMMERCIAL DISTRICT; ALLOW SPECIFIED NON-RESIDENTIAL USES THAT EXCEED THE USE SIZE LIMITS TO DIVIDE INTO SMALLER SPACES THAT MAY CONTINUE TO EXCEED THE USE SIZE LIMITS, WITHOUT CONDITIONAL USE AUTHORIZATION; ADJUST THE USE SIZE LIMIT IN ALL NCDS TO A ROUND NUMBER; 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 101.1; AND MAKING FINDINGS OF PUBLIC NECESSITY, CONVENIENCE, AND WELFARE PURSUANT TO PLANNING CODE, SECTION 302.

WHEREAS, on June 3, 2025 Supervisor Melgar introduced a proposed Ordinance under Board of Supervisors (hereinafter "Board") File Number 250634, which would amend the Planning Code to eliminate limits on Non-Residential Use Sizes in the Castro Street Neighborhood Commercial District (NCD), Pacific Avenue NCD, Polk Street NCD, West Portal Avenue NCD, North Beach NCD and North Beach Special Use District, Regional Commercial Districts, and Residential-Commercial District; allow specified Non-Residential Uses that exceed the Use Size limits to divide into smaller spaces that may continue to exceed the Use Size limits, without conditional use authorization; adjust the Use Size limit in all NCDs to a round number;

WHEREAS, the Planning Commission (hereinafter "Commission") conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance on July 17, 2025; and,

WHEREAS, the proposed Ordinance has been determined to be categorically exempt from environmental review under the California Environmental Quality Act Section 15378 and 15060(c)(2); 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** of the proposed ordinance.

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 Commission supports the overall goals of the proposed Ordinance to create increase flexibility in Non-Residential Use sizes across the city. Rigid use size limits have prevented both the reuse and effective subdivision of large vacant spaces, such as former pharmacies or financial institutions, which are often located in lower-income neighborhoods with limited access to essential goods and services. Removing hard caps on Non-Residential Use sizes restores the Planning Commission's ability to evaluate proposals based on neighborhood needs, helping to reduce long-term vacancies and support inclusive economic recovery. Additionally, facilitating the division of large commercial spaces not only assists small businesses and the city's economic recovery, but also brings these larger spaces into closer conformity with the Planning Code. Allowing both the consideration of larger commercial uses and increasing flexibility in the subdivision of large spaces creates new opportunities for community-serving businesses, attracts investment, and supports neighborhood stability. Providing the Commission with discretion to evaluate these proposals case by case is a more equitable and adaptive approach to land use, better aligning planning tools with the economic realities facing many commercial corridors today.

The Commission additionally encourages the sponsoring Supervisors of this Ordinance to conduct outreach to Merchant Associations.

General Plan Compliance

The proposed Ordinance is consistent with the following Objectives and Policies of the General Plan:

COMMERCE AND INDUSTRY ELEMENT

OBJECTIVE 2
MAINTAIN AND ENHANCE A SOUND AND DIVERSE ECONOMIC BASE AND FISCAL STRUCTURE FOR THE CITY.

Policy 2.1
Seek to retain existing commercial and industrial activity and to attract new such activity to the city.

OBJECTIVE 4
IMPROVE THE VIABILITY OF EXISTING INDUSTRY IN THE CITY, THE EQUITABLE DISTRIBUTION OF INFRASTRUCTURE, AND THE ATTRACTIVENESS OF THE CITY AS A LOCATION FOR NEW INDUSTRY.

Policy 4.2
Promote and attract those economic activities with potential benefit to the City.

OBJECTIVE 6
MAINTAIN AND STRENGTHEN VIABLE NEIGHBORHOOD COMMERCIAL AREAS EASILY ACCESSIBLE TO CITY RESIDENTS.

Policy 6.1
Ensure and encourage the retention and provision of neighborhood-serving goods and services in the city's neighborhood commercial districts, while recognizing and encouraging diversity among the districts.

The proposed Ordinance removes unnecessary barriers to new business formation by ensuring that spaces can be created that serve a businesses' needs. As the retail landscape continues to shift, and the City continues to struggle with commercial vacancies, any proposal that will make it easier for businesses to open and for commercial vacancies to be reduced should be supported.

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 of the proposed Ordinance as described in this Resolution.

I hereby certify that the foregoing Resolution was adopted by the Commission at its meeting on July 17, 2025.

Jonas P Ionin Digitally signed by Jonas P Ionin
Date: 2025.07.21 13:23:32 -07'00'

Jonas P. Ionin
Commission Secretary

AYES:	Braun, Campbell, Imperial, McGarry, So
NOES:	Moore, Williams
ABSENT:	None
ADOPTED:	July 17, 2025

San Francisco Planning

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EXECUTIVE SUMMARY
PLANNING CODE TEXT AMENDMENT

HEARING DATE: **July 17, 2025**

90-Day Deadline: September 9, 2025

Project Name:	Use Size Limits
Case Number:	2025-005221PCA [Board File No. 250634]
Initiated by:	Supervisor Melgar / Introduced June 3, 2025
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:	Not a Project Under CEQA

RECOMMENDATION: **Adopt a Recommendation for Approval**

Planning Code Amendment

The proposed Ordinance would amend the Planning Code to eliminate limits on Non-Residential Use sizes in the Castro Street Neighborhood Commercial District (NCD), Pacific Avenue NCD, Polk Street NCD, West Portal Avenue NCD, North Beach NCD, North Beach Special Use District (SUD), Regional Commercial District (RCD), and Residential-Commercial Districts (RCs). It would also allow specified Non-Residential Uses that exceed the use size limits to divide into smaller spaces that may continue to exceed the use size limits, without requiring a Conditional Use authorization.

The Way It Is Now:

1. Most Neighborhood Commercial districts (NCs) require Non-Residential uses to obtain a Conditional Use authorization (CUA) if the use will exceed a specified size, but do not place a hard cap on said use

sizes, with the exception of the following districts:

- Castro Street Neighborhood Commercial District (*4k sqft maximum*)
- North Beach Neighborhood Commercial District (*4k sqft maximum*)
- Polk Street Neighborhood Commercial District (*4k sqft maximum*)
- West Portal Avenue Neighborhood Commercial District (*4k sqft maximum*)
- Regional Commercial District (*25k sqft maximum*)
- Residential-Commercial Districts *(120k sqft maximum)*

2. The North Beach SUD prohibits Specialty Grocery Stores from exceeding 1,000 square feet.

3. Existing, Non-Residential units that already exceed the size limit are either prohibited from being subdivided or must obtain Conditional Use authorization (depending on the zoning district) if the proposed subdivision would *increase* the number of units that individually exceed the district's size limits.

4. Use size limits in certain zoning districts' control tables are described as odd numbers, with an even number describing when a stricter control is applied (ex: *Permitted up to 1,999 square feet, Conditional Use required 2,000 square feet and above*).

The Way It Would Be:

1. Hard caps on Non-Residential Use sizes would be eliminated from the remaining NC and RC districts. Conditional Use requirements for uses over a certain size would be retained, as would any use size limit that is specifically listed in a zoning district's zoning control table.

2. The North Beach SUD would Conditionally permit Specialty Grocery Stores that exceed 1,000 square feet.

3. Large, Non-Residential units may subdivide into smaller units without Conditional Use authorization, even if the subdivision would result in an increased number of units that exceed the allowable size limits for the designated use. Proposals that seek to increase the overall Gross Floor Area (GFA) would not be eligible. This provision would not apply to any Special Use Districts (SUDs) that have specific use size limits, use size limits that apply per lot, use sizes set by Development Agreements or Redevelopment Plans, use sizes in Public zoning districts, or the use size limits in Chinatown Mixed Use districts.

4. Use size limits in certain zoning control districts' zoning control tables would be described as even numbers, with an odd number describing when a stricter control is applied (ex: *Permitted up to 2,000 square feet, Conditional Use required 2,001 square feet and above*).

Background

On December 5, 2024, the Planning Commission considered an ordinance[1] that would allow a specific lot/block within the West Portal Avenue NCD to exceed the Non-Residential Use size limit up to 5,000gsf and without requiring a Conditional Use authorization(CUA). The Commission recommended modifying the ordinance to instead remove the maximum use size limit of 4,000sqft for the *entire* West Portal Avenue NCD. Supervisor Melgar, the sponsor of the legislation, moved the ordinance forward without the Commission's recommended modification; instead committing to address hard caps on use sizes through a more comprehensive effort. The proposed Ordinance that is the subject of this report is the result of that effort. It would not only remove the maximum use size limit in the West Portal Avenue NCD, but also remove said limit for all remaining NCDs and RCs where one exists.

Issues and Considerations

How Use Sizes Are Regulated

The Planning Code regulates the maximum size of Non-Residential Uses in a handful ways. The restrictions on size can be: 1. A blanket limit across all Non-Residential Uses in a zoning district above which a *CUA* is required; 2. A blanket maximum across all Non-Residential Uses in a zoning district above which Non-Residential Uses are *Not Permitted*, or; 3. A size limit for an individual use or group of uses regulated through a particular zoning district's zoning control table, above which either a CUA is required, or the size is Not Permitted.

Nonconforming Use Sizes

A space that would be too large under current size limitations, but was established before the limitations were in place is considered a legal, nonconforming space. These spaces may remain indefinitely so long as they are not expanded. These large spaces can be subdivided, but only if the subdivision into multiple units does not create additional "noncompliant" spaces (spaces that are larger than the size cap). Because of these restrictions, filling a large, vacant space in an NCD with a maximum use size cap , aka hard cap, can be challenging.

> In districts with hard caps, a large commercial space can only be subdivided if it does not result in any net-new unit that exceeds the zoning district's use size limit.

A prime example of this is the former Lombardi Sports (Lombardi) storefront at 1600 Jackson Street in the Polk Street NCD, which has been vacant for over ten years. This commercial space is more than 40,000 square feet in size, and it has been difficult to find a tenant to fill the entire space. Over the years, several prospective tenants have reached out to the District 3 Supervisor's Office and the Planning Department; however, those proposals never came to fruition because the proposed use was unable to fill the entire space or was a Formula Retail use. Alternatively, this space could be subdivided into smaller commercial

[1] *https://sfgov.legistar.com/LegislationDetail.aspx?ID=6869080&GUID=EBE604E1-031A-4D43-808D-4D75E3ACD7F9&*

spaces. However, because there is an absolute use size limit of 4,000 square feet, all but one subdivided tenant space would need to be 4,000 square feet or smaller (to not increase the number of nonconforming spaces). In this case, and in the cases of other large vacant spaces in NCDs with hard caps, it has been difficult to attract enough small businesses to subdivide the large space into smaller code-complying spaces all at once.

Allowing Consideration of Large Retail Proposals

While subdividing large spaces is often necessary, there are also cases where larger retail uses are desirable for a neighborhood. In NCDs and RCDs with hard use-size limits, such proposals cannot be considered. A hard cap on use size means the only way to allow larger uses is through legislation exempting a specific parcel, unit, or use from the hard limit. The Department has reviewed seven such ordinances in recent years, including in the Castro, Polk, and most recently, West Portal neighborhoods. These one-off ordinances highlight a broader issue with hard caps on Non-Residential Use size. Past cases show that larger commercial spaces can sometimes benefit a neighborhood. However, maximum Non-Residential Use size limits prevent any flexibility to consider this need. They also remove the Planning Commission's discretion to determine whether a larger space is appropriate for a given location.

> In recent years, the Department has reviewed seven proposed ordinances seeking to exempt specific businesses from strict use size limits in zoning districts with hard caps.

One example is the Health Clinic at 470 Castro Street, located within the Castro Street Neighborhood Commercial District (NCD). In 2013, the San Francisco AIDS Foundation aimed to consolidate three valued health programs into one comprehensive location. They identified 470 Castro Street, which included two ground-floor retail spaces and several offices on the second story. The project proposed to combine the upper offices into one unit and add a ~3,750 sqft expansion to support vital community services. The project was strongly supported by the neighborhood and seen as a highly desirable use of the space. However, because it exceeded 4,000 sqft, it was not permitted under existing size restrictions. The only way for the project to move forward was if legislation was passed to grant an exemption from the use size cap. As such, Supervisor Wiener introduced legislation to exempt certain Institutional uses from the Castro NCD's size limits. Only after the legislation passed could the AIDS Foundation seek Conditional Use authorization for a unit over 2,000 sqft. Without the hard size cap, the project could have directly applied for Conditional Use authorization and begun public review. It would still have been evaluated, publicly noticed, and conditioned to address impacts - without requiring special carveout legislation.

State of the Retail Sector

The Controller's Office of Economic Analysis released a report[2] in November of 2024 on the status of the City's economy. Among the key findings was the fact that new business formation (tracked by the number of business registration certificates filed) remained far below pre-pandemic rates, especially in the retail trades

[2] *www.sf.gov/sites/default/files/2024-12/Status%20of%20the%20San%20Francisco%20Economy%20November%202024.pdf*

and restaurant/bar categories. The report revealed that although tourism and office vacancies are slowly improving, they are still below pre-pandemic levels. Many businesses are still attempting to recover from the pandemic amidst a period of slow economic growth both locally and nationally.

> The reduction in economic activity results in less visitors to the neighborhood and harms the businesses that remain.

Citywide, the retail vacancy rate was approximately 7.7% in Q4 2024, rising to 22.1% in the Union Square District and ~50% in the Van Ness corridor. Economists typically consider a healthy commercial vacancy rate to be between 5% and 10%. This is because a small percentage of retail vacancies is healthy, preventing demand from exceeding supply and displacing less profitable businesses. However, vacancy rates above 10% typically harm surrounding neighborhoods. The reduction in economic activity results in less visitors to the neighborhood and harms the businesses that remain. High vacancy rates can trigger a downward spiral: fewer businesses stay, which creates an ever-increasing number of vacancies. The decrease in demand for retail spaces not only results in reduced property values, but also deters potential investors and leads to increased crime and vandalism. These factors can create retail deserts like the one seen along the Van Ness Avenue corridor and in Union Square - where essential goods and services have become scarce, further harming nearby communities.

Two sectors with particularly acute increases in vacancies are financial institutions and pharmacies. Over the past 10 years, at least 64 pharmacies have closed across the city, with more expected in the coming years.[3] In the first ten months of 2024, 20 bank branches closed across the city, affecting neighborhoods like the Richmond, Mission Bay, Fort Mason, and the Bayview.[4] These closures leave behind large, expensive spaces that small businesses often cannot afford or utilize. As with the Lombardi Sports example, it can also be difficult to subdivide many of these larger units due to the use size cap. These factors further exacerbate the problem of commercial vacancies across the city.

General Plan Compliance

Objective 2 of the Commerce and Industry Element is to “Maintain and enhance a sound and diverse economic base and fiscal structure for the City”. Policy 2.1 of this Objective is to “Seek to retain existing commercial and industrial activity and to attract new such activity to the City”. Policy 4.2 is to “Promote and attract those economic activities with potential benefit to the City”. The proposed Ordinance removes unnecessary barriers to new business formation by ensuring that spaces can be created that serve a businesses’ needs. As the retail landscape continues to shift, and the City continues to struggle with commercial vacancies, any proposal that will make it easier for businesses to open and for commercial vacancies to be reduced should be supported.

[3] *https://www.sfgate.com/bayarea/article/san-francisco-pharmacy-closures-getting-worse-20381895.php*
[4] *https://www.sfchronicle.com/bayarea/article/bank-branch-closings-sf-18299235.php*

Racial and Social Equity Analysis

Reducing restrictions on use size limits for commercial spaces could have positive racial and social equity impacts, especially in neighborhoods affected by disinvestment, limited services, and high commercial vacancy rates. Hard caps on use size often prevent the reuse of large vacant spaces like former pharmacies or banks, of which closures are more common in lower-income or historically underserved neighborhoods.[5] When these spaces remain empty for years, like the Lombardi Sports site, they contribute to blight and reduce access to goods and services. Easing use size limits will also better enable the establishment of community-serving businesses like grocery stores or clinics. As stated earlier, hard caps also remove the Planning Commission's ability to evaluate larger projects based on neighborhood needs. This inability to apply discretion based on the suitability of a particular use in a neighborhood can hinder communities with fewer resources from gaining essential services that require more space than current caps allow. Allowing more flexibility in commercial use sizes can support inclusive economic recovery and ensure marginalized neighborhoods are not left behind in the post-pandemic economy.

Implementation

The Department has determined that this ordinance will not impact our current implementation procedures.

Recommendation

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 Department supports the overall goals of the proposed Ordinance to create increase flexibility in Non-Residential Use sizes across the city. Rigid use size limits have prevented both the reuse and effective subdivision of large vacant spaces, such as former pharmacies or financial institutions, which are often located in lower-income neighborhoods with limited access to essential goods and services. Removing hard caps on Non-Residential Use sizes restores the Planning Commission's ability to evaluate proposals based on neighborhood needs, helping to reduce long-term vacancies and support inclusive economic recovery. Additionally, facilitating the division of large commercial spaces not only assists small businesses and the city's economic recovery, but also brings these larger spaces into closer conformity with the Planning Code. Allowing both the consideration of larger commercial uses and increasing flexibility in the subdivision of large spaces creates new opportunities for community-serving businesses, attracts investment, and supports neighborhood stability. Providing the Commission with discretion to evaluate these proposals case by case is a more equitable and adaptive approach to land use, better aligning planning tools with the economic realities facing many commercial corridors today.

[5] *https://apnews.com/article/drugstore-closings-cvs-walgreens-independent-pharmacies-6b54d4bd1564b2bff7a55a624da61c19*

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 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.

Public Comment

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

ATTACHMENTS: