**File No.** 250680 **Committee Item No.** 4
**Board Item No.** _____

# COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

**Committee:** Budget and Finance Committee **Date** September 10, 2025
**Board of Supervisors Meeting** **Date** _____

## Cmte Board

| Cmte | Board | |
|---|---|---|
| ☐ | ☐ | **Motion** |
| ☐ | ☐ | **Resolution** |
| ☒ | ☐ | **Ordinance** |
| ☒ | ☐ | **Legislative Digest** |
| ☒ | ☐ | **Budget and Legislative Analyst Report** |
| ☐ | ☐ | **Youth Commission Report** |
| ☐ | ☐ | **Introduction Form** |
| ☒ | ☐ | **Department/Agency Cover Letter and/or Report** |
| ☐ | ☐ | **MOU** |
| ☐ | ☐ | **Grant Information Form** |
| ☐ | ☐ | **Grant Budget** |
| ☐ | ☐ | **Subcontract Budget** |
| ☒ | ☐ | **Contract/Agreement** |
| ☐ | ☐ | **Form 126 – Ethics Commission** |
| ☐ | ☐ | **Award Letter** |
| ☐ | ☐ | **Application** |
| ☐ | ☐ | **Public Correspondence** |

**OTHER** **(Use back side if additional space is needed)**

| | | |
|---|---|---|
| ☒ | ☐ | PLN CEQA Determination 7/3/2025 |
| ☒ | ☐ | PLN Transmittal 8/6/2025 |
| ☒ | ☐ | PAM Transfer – LUT-BFC 6/25/2025 |
| ☒ | ☐ | Referral CEQA PC – 6/25/2025 |
| ☒ | ☐ | Referral FYI – 6/25/2025 |
| ☐ | ☐ | |
| ☐ | ☐ | |
| ☐ | ☐ | |
| ☐ | ☐ | |

**Completed by:** Brent Jalipa **Date** September 4, 2025
**Completed by:** Brent Jalipa **Date** _____

FILE NO. 250680 ORDINANCE NO.

[Planning Code - Waiving Certain Development Impact Fees in the Market and Octavia Area Plan]

**Ordinance amending the Planning Code to waive certain development impact fees in the Market and Octavia Area Plan (the Market and Octavia Area Plan and Upper Market Neighborhood Commercial District Affordable Housing Fee, the Market and Octavia Community Improvements Fund, the Van Ness & Market Affordable Housing and Neighborhood Infrastructure Fee, and the Van Ness & Market Community Facilities Fee), to amend the Van Ness & Market Residential Special Use District, to provide that the Market and Octavia Community Advisory Committee shall sunset six months after the effective date of this Ordinance, and to make conforming amendments to some of the definitions in Planning Code, Section 401; affirming the Planning Department's determination under the California Environmental Quality Act; making public necessity, convenience, and welfare 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.**

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

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

Section 1. Environmental and Land Use Findings.

(a) The Planning Department has determined that the actions contemplated in this ordinance comply with the California Environmental Quality Act (California Public Resources Code Sections 21000 et seq.). Said determination is on file with the Clerk of the Board of Supervisors in File No. 250680 and is incorporated herein by reference. The Board affirms this determination.

(b) On July 24, 2025, the Planning Commission, in Resolution No. 21790, 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 Board adopts these findings as its own. A copy of said Resolution is on file with the Clerk of the Board of Supervisors in File No. 250680, and is incorporated herein by reference.

(c) Pursuant to Planning Code Section 302, this Board finds that these Planning Code amendments will serve the public necessity, convenience, and welfare for the reasons set forth in Planning Commission Resolution No. 21790, and the Board adopts such reasons as its own. A copy of said resolution is on file with the Clerk of the Board of Supervisors in File No. 250680 and is incorporated herein by reference.

Section 2. General Legislative Findings.

(a) California faces a severe crisis of housing affordability and availability, prompting the Legislature to declare, in Section 65589.5 of the Government Code, that the State has "a housing supply and affordability crisis of historic proportions. The consequences of failing to effectively and aggressively confront this crisis are hurting millions of Californians, robbing future generations of a chance to call California home, stifling economic opportunities for workers and businesses, worsening poverty and homelessness, and undermining the state's environmental and climate objectives."

(b) This crisis is particularly severe in San Francisco. It is characterized by dramatic increases in rent and home sale prices over recent years. According to the Planning Department's 2020 Housing Inventory, the cost of housing in San Francisco has increased dramatically since the Great Recession of 2008-2009, with the median sale price for a two-bedroom house more than tripling from $493,000 in 2011 to $1,580,000 in 2021. This includes a 9% increase in housing costs from 2019 to 2020, even in the face of the COVID-19 pandemic. The median rental price for a two-bedroom apartment saw similar although slightly smaller increases, nearly doubling from $2,570 per month in 2011 to $4,500 per month in 2019, before declining in 2020 due to the pandemic.

(c) On January 31, 2023, the City adopted the 2022 Update of the Housing Element of the General Plan ("2022 Housing Element"), as required by State law. This Update commits the City to meeting its Regional Housing Needs Allocation ("RHNA") goals that in the 2023-2031 Housing Element cycle total 82,069 units over eight years, which is more than 2.5 times the goal of the previous cycle. Among other policies, the 2022 Housing Element also commits the City to remove governmental constraints on housing.

(d) In 2008, the City adopted the Market and Octavia Area Plan ("Plan"), which, among other things, established new height and zoning controls within the Plan area. The Plan substantially upzoned the area around Van Ness Avenue and Market Street to create a high-density, transit-oriented residential neighborhood and established the Van Ness and Market Special Use District, which imposed certain additional development impact fees on projects in this area to fund affordable housing and infrastructure improvements for parks, streets, and transit. These new fee requirements supplement the City's Inclusionary Affordable Housing Program and Transportation Sustainability Fee, which continue to apply citywide, including in the Market and Octavia Plan area.

(e) The economic impacts of the COVID-19 pandemic have presented significant challenges to the financial feasibility of new residential development projects, including supply chain disruptions, labor market constraints, historically high inflation, dramatically increased federal interest rates, and a weaker housing market. These factors have contributed to a significant decrease in housing production. In 2024, 1,457 new units were constructed citywide, a substantial decrease from 4,716 units in 2020.

(f) In the Market and Octavia Area Plan, only two projects that were not subject to a Development Agreement that provided modified requirements to support financial feasibility have commenced construction since the onset of the COVID-19 pandemic in 2020: one 29-unit project that secured financing before the economic impacts of the pandemic became manifest, and one 333-unit project that began construction in 2023 but has since paused construction due to post-pandemic market conditions and increased development costs. As of May 14, 2024, 25 additional projects with a total of 2,213 units have been approved in the Area Plan, but have not commenced construction.

(g) In 2008, as part of the adoption of the Market and Octavia Area Plan ("Plan"), the Market and Octavia Community Advisory Committee ("CAC") was established. The CAC is an advisory body to the City whose primary responsibility is to advise City agencies on the allocation of impact fee revenue to fund the community improvements identified in the Area Plan. The Market and Octavia CAC was established without a sunset clause, unlike the other area plan CACs which have a similar purview and were established with a sunset clause. For example, the Eastern Neighborhoods CAC, also established in 2008, had a sunset clause of 2024, and the SoMa CAC established in 2019 has a sunset clause of 2035.

Section 3. Article 4 of the Planning Code is hereby amended by revising Sections 401, 406, 416.3, 421.3, 424.3, and 425.2, to read as follows:

**SEC. 401. DEFINITIONS.**

* * * *

**D**

* * * *

"Development Application" shall mean any application for a building permit, site permit, Conditional Use, Variance, Large Project Authorization, or any application pursuant to Planning Code Sections 309, 309.1, or 322~~.~~ *or any application to the Planning Department for ministerial approval pursuant to state law, including but not limited to California Government Code Sections 65913.4, 65650 et seq., or 65912.100 et seq.*

*** * * ***

**F**

* * * *

"Final Approval." For the purposes of this Section *401* shall mean *(*1) approval of a project's first Development Application, unless such approval is appealed; or *(*2) if a project only requires a building permit, ~~*issuance*~~ *planning approval* of the first site or building permit, unless such permit is appealed; or *(*3) if the first Development Application or first site or building permit is appealed, then the final decision upholding the Development Application, or first site or building permit, on the appeal by the relevant City Board or Commission.

* * * *

**SEC. 406. WAIVER, REDUCTION, OR ADJUSTMENT OF DEVELOPMENT PROJECT REQUIREMENTS.**

* * * *

***(k) Waiver of Fees for Projects in the Market and Octavia Area Plan.***

*(1) Development projects located within the Market and Octavia Area Plan that have not received Final Approval, as that term is defined in Section 401 of this Code, as of January 1, 2026 shall not be subject to development impact fee requirements under Sections 416, 421, 424, and 425 of this Code.*

*(2) Development projects located within the Market and Octavia Area Plan that have received Final Approval prior to January 1, 2026, and have not been issued a First Construction Document as of that date shall be entitled to a waiver of all development impact fee requirements under Sections 416, 421, 424, and 425 of this Code.*

*(3) Development projects located within the Market and Octavia Area Plan that have received Final Approval prior to January 1, 2026, and that have been issued a First Construction Document as of that date shall be entitled to a waiver of any portion of the development impact fee requirements under Sections 416, 421, 424, and 425 of this Code that has been deferred and not yet paid pursuant to Building Code Section 107A.13.3.*

**SEC. 416. MARKET AND OCTAVIA AREA PLAN AND UPPER MARKET NEIGHBORHOOD COMMERCIAL DISTRICT AFFORDABLE HOUSING FEE.**

* * * *

**SEC. 416.3. APPLICATION OF AFFORDABLE HOUSING FEE REQUIREMENT.**

The requirements of Sections 415.1 through 415.9 shall apply in the Market and Octavia Plan Area and the entirety of the Upper Market NCT District in addition to the following ~~*additional*~~ affordable housing requirement:

**(a) Amount of Fee.** ~~*All development projects that have not received Department or Commission approval as of the effective date of May 30, 2008 and that are subject to the Residential Inclusionary Affordable Housing Program*~~ *Development projects that are subject to the Residential*

*Inclusionary Affordable Housing Program* shall pay an additional affordable housing fee per the fee schedule in Table 416.3A*, except as provided under Section 406(k)*.

* * * *

**SEC. 421. MARKET AND OCTAVIA COMMUNITY IMPROVEMENTS FUND.**

* * * *

**SEC. 421.3. APPLICATION OF COMMUNITY IMPROVEMENTS IMPACT FEE.**

(a) **Application.** Section 421.1 et seq. shall apply to any development project located in the Market and Octavia Program Area as defined in Section 401 *of this Code, except as provided under Section 406(k) of this Code*.

* * * *

**SEC. 424. VAN NESS & MARKET AFFORDABLE HOUSING AND NEIGHBORHOOD INFRASTRUCTURE FEE AND PROGRAM.**

* * * *

**SEC. 424.3. APPLICATION OF VAN NESS & MARKET AFFORDABLE HOUSING AND NEIGHBORHOOD INFRASTRUCTURE FEE AND PROGRAM.**

**(a) Application and Timing of Fee Payments.** Section 424.1 et seq. shall apply to any development project located in the Van Ness & Market Residential Special Use District, as established in Section 249.33 of this Code*, except as provided under Section 406(k) of this Code*. The Fee shall be paid to DBI for deposit into either the Van Ness and Market Downtown Residential Special Use District Affordable Housing Fund or the Van Ness and Market Downtown Residential Special Use District Infrastructure Fund, as applicable, at the time required by Section 402(d) *of this Code*.

* * * *

**SEC. 425. VAN NESS & MARKET COMMUNITY FACILITIES FEE AND FUND.**

* * * *

**SEC. 425.2. APPLICATION OF FEES.**

(a) **Applicable Projects.** *Except as provided under Section 406(k) of this Code*, ~~*T*~~*t*he Van Ness & Market Community Facilities Fee is applicable to any development project within the Van Ness & Market Residential Special Use District, described in Section 249.33 *of this Code*, that:

(1) Includes new construction, or an addition of space, in excess of 800 gross square feet of residential use; or

(2) Converts 800 gross square feet or more of existing structure(s) from non-residential to residential use.

* * * *

Section 4. Articles 2 and 3 of the Planning Code are hereby amended by revising Sections 249.33 and 341.5, to read as follows:

**SEC. 249.33. VAN NESS & MARKET RESIDENTIAL SPECIAL USE DISTRICT.**

* * * *

(b) **Use Controls.**

~~*(1) Non-residential Uses. For newly-constructed buildings or additions which exceed 20 percent or more of an existing structure's Gross Floor Area, at least three occupied square feet of Residential Use shall be provided for each occupied square foot of Non-Residential Use. In order to accommodate local government office uses near City Hall, publicly-owned or leased buildings or lots are exempted from the requirements of this subsection. Replacement of existing office uses on the same parcel and other Public Facility and Art Activities, as defined in Section 102, are exempt from the requirements of this subsection (b)(1).*~~

(~~2~~*1*) **Residential Density.** There shall be no density limit for Residential Uses by lot area, but by the applicable requirements and limitations elsewhere in this Code, including but not limited to height, bulk, setbacks, open space, and exposure, as well as by the Market & Octavia Area Plan Fundamental Principles for Design, other applicable design guidelines, applicable elements and area plans of the General Plan, and design review by the Planning Department. The limitations set forth in the Zoning Control Table for the district in which the lot is located shall not apply.

~~*(3) **Residential Affordable Housing Program.** All projects in this District shall be subject to all the terms of Section 415 et seq. of the Inclusionary Affordable Housing Program. Notwithstanding the foregoing, projects within the Van Ness & Market Residential Special Use District shall at a minimum fulfill the requirements to the levels specified in this section. Should Section 415 require greater contributions to the affordable housing program, those requirements shall supersede this section. Proposed exceptions to these requirements due to hardships associated with construction type, specifically heights above 120 feet, are not applicable in this Special Use District because parcels are receiving an up zoning through increased density and benefits through the general transformation of the district to a transit oriented neighborhood with a mixed use character. Requirements and administration of this program shall follow the conditions outlined in Section 415 et seq. of this Code unless otherwise specified in this Section.*~~

~~*(A) **Payment of Affordable Housing Fee.** Except as provided in Section 415.5(g) of this Code, all development projects subject to Section 415 et seq. in the Van Ness Market Special Use District shall be required to pay an Affordable Housing Fee under Section 415.5 equivalent to 20 percent of the number of units in the principal project.*~~

~~*(B) **Alternatives to Payment of Affordable Housing Fee.** If a project sponsor both qualifies for and chooses to meet the requirements through an Alternative to the Program, the project sponsor may choose one of the Alternatives in Section 415.5(g).*~~

~~*(i) **On Site Housing Requirements and Benefits**. For projects that qualify for and choose to fulfill the requirements of Section 415 through the provision of onsite housing, the Planning Department shall require that 12 percent of all units constructed on the project site shall be affordable to qualifying households so that a project applicant must construct .12 times the total number of units produced in the principal project. If the total number of units is not a whole number, the project applicant shall round up to the nearest whole number for any portion of .5 or above.*~~

~~*(ii) **Compliance Through Off-Site Housing Development.** For projects that qualify for and choose to fulfill the requirements of Section 415 through the provision of off-site housing, the Planning Department shall require that 20 percent of all units constructed on the project site shall be affordable to qualifying households so that a project applicant must construct .20 times the total number of units produced in the principal project. If the total number of units is not a whole number, the project applicant shall round up to the nearest whole number for any portion of .5 or above.*~~

(~~*4*~~*2*) **Open Space Provider.** The off-site open space permitted by this Section *249.33* may be provided individually by the project sponsor or jointly by the project sponsor and other project sponsors, provided that each square foot of jointly developed open space may count toward only one sponsor's requirement. With the approval of the Planning Commission, a public or private agency may develop and maintain the open space, provided that (A) the project sponsor or sponsors pay for the cost of development of the number of square feet the project sponsor is required to provide, (B) provision satisfactory to the Commission is made for the continued maintenance of the open space for the actual lifetime of the building giving rise to the open space requirement, and (C) the Commission finds that there is reasonable assurance that the open space to be developed by such agency will be developed and open for use by the time the building, the open space requirement of which is being met by the payment, is ready for occupancy.

* * * *

(~~5~~3) **Lot Coverage.** The rear yard requirements of Section 134 of this Code shall not apply. Lot coverage is limited to 80% ~~percent~~ at all levels containing a dwelling unit or group housing bedroom. The unbuilt portion of the lot shall be open to the sky except for ~~those~~ obstructions permitted in yards per Section 136(c) of this Code. Exceptions to the 20% ~~percent~~ open area may be granted pursuant to the procedures of Section 309 *of this Code*.

(~~6~~4) **Floor Area Ratio.** ~~(A)~~ *For non-residential uses, T*~~t~~he maximum *Floor Area Ratio ("*FAR*")* allowed, except as allowed in this Section *249.33*, shall be that described in Section 123(c) *of this Code*, provided that it shall not be greater than 9:1. *For residential uses, there shall be no limits on FAR.* The definition of Gross Floor Area shall be that in Section 102 *of this Code* as of the date of approval of this Section 249.33~~, and shall include all Residential uses~~. The provisions of Section 124(g) of this Code shall not apply in this special use district.

~~*(B) **Floor Area Bonus Permitted for Public Improvements or In-lieu Contributions to the Van Ness and Market Neighborhood Infrastructure Fund and In lieu Contributions to the Citywide Affordable Housing Fund.***~~

~~*(i) The Gross Floor Area of a structure or structures on a lot may exceed the maximum ratio described in Section 123(c) of this Code through participation in the Van Ness and Market Affordable Housing and Neighborhood Infrastructure Program, according to the procedures described in Section 424.*~~

~~*(ii) Notwithstanding the provisions of Sections 127 and 128 of this Code projects in this Special Use District are not eligible to acquire Transferable Development Rights from a Transfer Lot or Lots pursuant to the provisions of Sections 127 and 128 for that increment of FAR above the base FAR limit in Section 124 up to the maximum FAR described in Section 123(c). Instead, a project may pay to the City's Citywide Affordable Housing Fund thirty dollars ($30) per additional gross square foot for that increment of FAR above the base FAR limit in Section 124 up to the*~~

~~*maximum FAR described in Section 123(c). Any monies deposited into the Citywide Affordable Housing Fund shall be administered as provided for in Section 415 et seq.*~~

~~*(7) **Retail Use Size.** Retail Uses shall be principally permitted up to 5,999 gross square feet and conditionally permitted if 6,000 gross square feet and above.*~~

~~*(8) **Formula Retail.** Formula Retail Uses, as defined in Section 102, shall require a Conditional Use Authorization as set forth in Section 303.1.*~~

(~~*9*~~*5*) **Micro-Retail.** "Micro-Retail" shall mean a Retail Use, other than a Formula Retail Use, measuring no less than 100 gross square feet, no greater than 1,000 gross square feet and a 10 foot minimum depth from the front façade.

* * * *

(~~*10*~~*6*) **Accessory Parking.** For projects that provide 25% or more on-site affordable housing units as defined in Section 415, accessory non-residential parking may be used jointly as accessory residential parking for residential uses within the same project, so long as the following criteria ~~*is*~~ *are* met:

* * * *

(~~*11*~~*7*) **Cannabis-Related Land Uses.** All cannabis-related uses, which includes Cannabis Retail (Retail Sales and Service Category), Medical Cannabis Dispensary, Industrial Agriculture, Agriculture and Beverage Processing 2, Light Manufacturing, Laboratory, Wholesale, or Parcel Delivery Service, as defined in Section 102 shall follow the land use controls of the NCT-3 Moderate-Scale Neighborhood Commercial Transit District, Section 752 of this Code.

(~~*12*~~*8*) **Living Roofs and Living Walls.**

* * * *

(~~*13*~~*9*) **Option for In-Kind Provision of Transportation Sustainability Fee.** Notwithstanding the requirements of Planning Code ~~*s*~~*S*ection 411A et seq., ~~*D*~~*d*evelopment

projects in this District may propose to provide transportation improvements to the City directly. In such a case, the City, at its sole discretion, may enter into an In-Kind Improvements Agreement with the sponsor of such project and issue a fee waiver for the *Transportation Sustainability Fee* ("TSF") from the Municipal Transportation Agency Board of Directors (the "MTA" and the "MTA Board," respectively), subject to the following rules and requirements:

* * * *

~~*(14) **Option for Provision of Affordable Housing Fees.** Development projects in this District may pay the affordable housing fees required under sections 416 and 424 by choosing any of the alternatives set forth in Section 415.5(g), upon approval by the Planning Director and the Director of the Mayor's Office of Housing and Community Development of the methodology to calculate the equivalency of the fees required under sections 416 and 424 to the alternatives set forth in Section 415.5(g). The Planning Department, in consultation with the Mayor's Office of Housing and Community Development, is authorized to prepare rules or regulations to establish this methodology, and to bring those rules or regulations to the Planning Commission for inclusion in the Procedures Manual, as set forth in Section 415. Nothing in this subsection shall be interpreted to change any obligations established by contract with the City.*~~

~~*(15) **Option for Income Levels of Affordable Units.** Notwithstanding the provisions of Section 415.6(h), a project may use California Debt Limit Allocation Committee (CDLAC) tax-exempt bond financing and 4% tax credits under the Tax Credit Allocation Committee (TCAC) to help fund its obligations under Section 415.1 et seq. as long as the project provides 20% of the units as affordable to households at 50% of Area Median Income for on-site housing, or 10% of the units as affordable to households at 50% of Area Median Income and 30% of the units as affordable to households at 60% of Area Median Income for on-site housing. The income table to be used for such projects when the units are priced at 50% or 60% of Area Median Income is the income table used by MOHCD for the*~~

~~*Inclusionary Affordable Housing Program, not that used by TCAC or CDLAC. Except as provided in this subsection (b)(15), all units provided under this Section must meet all of the requirements of Section 415.1 et seq. and the Procedures Manual for on-site housing, except that the requirement to provide moderate- and middle-income units under in Section 415.6(a) may be replaced with low income affordable units that satisfy TCAC requirements for 4% tax credits. If the number of affordable units required by Section 415.6 exceeds the number of affordable units required to use 4% tax credits, the project shall comply with higher requirement under Section 415.6 and the additional Inclusionary obligation above the tax credit units may be met by providing on-site affordable units equally distributed between moderate- and middle-income households as defined in Section 415.6.*~~

(~~16~~*10*) **Option for Dedication of Land.**

(A) Development projects in this District may opt to fulfill the Inclusionary Housing requirement of Section 415 through the Land Dedication alternative ~~*contained*~~ in Section 419.6. The Land Dedication alternative is available for development projects within the District under the same terms and conditions as provided for in Section 419.5(a)(2), except that in lieu of the Land Dedication Alternative requirements of Table 419.5, projects may satisfy the requirements of Section 415.5 by dedicating land for affordable housing if the dedicated land could accommodate a total amount of units that is equal to or greater than 35% of the units that are being provided on the principal development project site, as determined by the Planning Department. Any dedicated land shall be at least partly located within one mile of the boundaries of either the Market and Octavia Plan Area or the Upper Market NCT District.

(B) Notwithstanding the requirements of Section 419.5(a)(2)(H), development projects dedicating land shall obtain the required letter from the Mayor's Office of Housing and Community Development verifying acceptance of the dedicated land no later than 180 days following Planning Commission or Planning Department approval of the

development project. The Director of the Mayor's Office of Housing and Community Development may waive application of Section 419.5(a)(2)(G).

~~*(C) Development projects that elect to dedicate land pursuant to this subsection (b)(16) may be eligible for a waiver against all or a portion of their affordable housing fees under Sections 416 and 424 if the Planning Director determines that the land acquisition costs for the dedicated land exceed the development project's obligations under the fee option of Section 415. The Planning Director, in consultation with the Director of the Mayor's Office of Housing and Community Development and the Director of Property, shall calculate the waiver amount based on actual commercially reasonable costs to acquire the dedicated land. If the Director of the Mayor's Office of Housing and Community Development requests that the land dedication occur before the First Construction Document for the development project, the waiver amount shall be increased by the reasonable value of the City's early use of the dedicated land.*~~

(~~17~~11) **Required Minimum Dwelling Unit Mix.** Development projects in this District shall comply with Section 207.6.

(~~18~~12) **Active Uses.** For purposes of this ~~s~~Section 249.33, Arts Activities and Institutional Community Uses are considered to be "active uses," as defined in Section 145.4 of this Code.

(~~19~~13) Projects with on-site affordable housing units provided pursuant to a Purchase and Sale Agreement with the City ~~*and County of San Francisco*~~ that are in excess of the amount required by Planning Code Section 415 may deviate from the building floor distribution requirements of Section 415.6(f)(1) by up to 15%.

* * * *

**SEC. 341.5. MARKET AND OCTAVIA COMMUNITY ADVISORY COMMITTEE.**

*** * * ***

*(c) This Section 341.5 shall automatically terminate six months after this Ordinance No. _____, in Board of Supervisors File No. 250680 becomes effective, unless the Board of Supervisors extends it. After that date, the City Attorney is authorized to cause this Section 341.5 to be removed from the Planning Code.*

Section 5. 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 6. Scope of 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 amendment deletions in accordance with the "Note" that appears under the official title of the ordinance.

APPROVED AS TO FORM:
DAVID CHIU, City Attorney

By: /s/ Andrea Ruiz-Esquide
ANDREA RUIZ-ESQUIDE
Deputy City Attorney

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FILE NO. 250680

# LEGISLATIVE DIGEST

[Planning Code - Waiving Certain Development Impact Fees in the Market and Octavia Area Plan]

**Ordinance amending the Planning Code to waive certain development impact fees in the Market and Octavia Area Plan (the Market and Octavia Area Plan and Upper Market Neighborhood Commercial District Affordable Housing Fee, the Market and Octavia Community Improvements Fund, the Van Ness & Market Affordable Housing and Neighborhood Infrastructure Fee, and the Van Ness & Market Community Facilities Fee), to amend the Van Ness & Market Residential Special Use District, to provide that the Market and Octavia Community Advisory Committee shall sunset six months after the effective date of this Ordinance, and to make conforming amendments to some of the definitions in Planning Code, Section 401; affirming the Planning Department's determination under the California Environmental Quality Act; making public necessity, convenience, and welfare 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.**

## Existing Law

Article 4 of the Planning Code contains development impact fees that the City assesses as part of the development process. Some of those fees apply Citywide, while others apply to specific areas of the City. Four of these area-specific fees apply in the Market and Octavia Area Plan: the Market and Octavia Area Plan and Upper Market Neighborhood Commercial District Affordable Housing Fee, the Market and Octavia Community Improvements Fund, the Van Ness & Market Affordable Housing and Neighborhood Infrastructure Fee, and the Van Ness & Market Community Facilities Fee.

## Amendments to Current Law

This Ordinance waives the Market and Octavia Area Plan and Upper Market Neighborhood Commercial District Affordable Housing Fee, the Market and Octavia Community Improvements Fund, the Van Ness & Market Affordable Housing and Neighborhood Infrastructure Fee, and the Van Ness & Market Community Facilities Fee, under the following circumstances:

- Development projects located within the Market and Octavia Area Plan that have not received Final Approval, as that term is defined in Section 401 of this Code, as of January 1, 2026 shall not be subject to any of these fees;

- Development projects located within the Market and Octavia Area Plan that have received Final Approval prior to January 1, 2026, and have not been issued a First Construction Document as of that date shall be entitled to a waiver of these fees.

- Development projects located within the Market and Octavia Area Plan that have received Final Approval prior to January 1, 2026, and that have been issued a First Construction Document as of that date shall be entitled to a waiver of any portion of these fees that has been deferred and not yet paid pursuant to Building Code Section 107A.13.3.

As used in this Ordinance, “Final Approval” means “1) approval of a project’s first Development Application, unless such approval is appealed; or 2) if a project only requires a building permit, issuance of the first site or building permit, unless such permit is appealed; or 3) if the first Development Application or first site or building permit is appealed, then the final decision upholding the Development Application, or first site or building permit, on the appeal by the relevant City Board or Commission.”

"First construction document" is in turn defined in Section 107A.13.1 of the San Francisco Building Code as “the first building permit issued for a development project or, in the case of a site permit, the first building permit addendum issued or other document that authorizes construction of the development project. Construction document shall not include permits or addenda for demolition, grading, shoring, pile driving, or site preparation work.”

The Ordinance also amends Sections 249.33 of the Planning Code, which establishes the Van Ness & Market Residential Special Use District, and some of the definitions in Section 401 of the Planning Code, to make conforming changes. In addition, it also provides that the Market and Octavia Community Advisory Committee (CAC) shall automatically terminate six months after the Ordinance becomes effective, unless the Board of Supervisors extends it, and authorizes the City Attorney to remove the section that established the CAC from the Planning Code.

## Background Information

The Ordinance contains ample findings setting forth its intent – primarily, to improve the financial feasibility of development projects in the Plan Area, in order to facilitate housing development, address the housing crisis, and meet the City’s obligations under the Housing Element.

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| Item 4<br>File 25-0680 | Department:<br>Office of Economic and Workforce Development (OEWD) |
|---|---|

## EXECUTIVE SUMMARY

### Legislative Objectives

- The proposed ordinance amends the Planning Code to waive five development impact fees for projects located in the Market and Octavia Area Plan and Van Ness and Market Special Use District (SUD). The proposed ordinance also amends the Planning Code to sunset the Market and Octavia Community Advisory Committee six months after enactment.

### Key Points

- The impact fees proposed for waivers include two fees in the Market and Octavia plan area and three additional fees for projects located in the SUD. At present, there are 26 projects representing 2,685 units in the Market and Octavia development pipeline that would be eligible for the fee waiver, including 674 affordable housing units.
- The Planning Department does not expect any of the projects to be built within the next three years due to market conditions. For this reason, no fee revenue from these projects is expected during that time.

### Fiscal Impact

- The 26 pipeline projects are expected to generate $47,640,000 in Market Octavia/SUD fee revenue earmarked for community infrastructure and $33,390,628 in Market Octavia/SUD affordable housing fee revenue for a combined $81,030,628 over the next ten years, if the projects were built.
- The projects would still be subject to citywide development impact fees, which total $135,522,922 for the 26 pipeline projects.

### Policy Consideration

- The proposed ordinance would improve the financial feasibility of development in the Market Octavia area but limit the City's funding sources for community infrastructure and affordable housing. The Board of Supervisors could consider retaining one or more of the subject fees, adding a sunset date for the proposed fee waivers, and/or establishing a goal of budgeting new tax revenue resulting from development in the area for community infrastructure and/or affordable housing.

### Recommendation

- Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

## MANDATE STATEMENT

City Charter Section 2.105 states that all legislative acts shall be by ordinance, approved by a majority of the members of the Board of Supervisors.

## BACKGROUND

### Market and Octavia Plan

The Market and Octavia Area Plan was enacted by the Board of Supervisors and the San Francisco Planning Commission in 2008 and is part of the City's General Plan. The plan outlines objectives and directives for increasing housing density, infrastructure, and overall improved livability within the plan area's boundaries. In alignment with the plan's policies, the Board of Supervisors has amended the Planning Code to establish impact fee schedules for development projects in the plan area which are imposed on top of citywide impact fees. These localized fees generate revenue for special funds that are earmarked for public improvements, affordable housing development, and other projects within the plan area.

The Board of Supervisors also passed legislation (File 07-1157) establishing the Market and Octavia Community Advisory Committee (CAC) under Section 341.5 of the Planning Code. Since the implementation of the Market and Octavia Area Plan, the CAC has acted as an advisory body to the Planning Director, the City's Interagency Plan Implementation Committee (IPIC), the Planning Commission, and the Board of Supervisors to prioritize community improvement projects and plan expenditures in line with the Area Plan's initiatives. The CAC is made up of nine appointed members who live and work within (or within 1,250 feet of) the plan area. Members serve two-year terms.

OEWD reports that the Market and Octavia Area Plan and Van Ness and Market SUD fees have generated $53,333,488 in revenue for public infrastructure projects and community programming since 2008. Over the same time period, $40,339,400 in affordable housing fees localized to the Area Plan and SUD were collected and transferred to the Mayor's Office of Housing and Community Development (MOHCD). Finally, the 2007 Environmental Impact Report (EIR) for the Market and Octavia Area Plan projected 4,440 net additional units within the plan area by 2025. As of 2024, 4,758 units have been constructed within the plan's boundaries and 1,652 or 35 percent of these units were dedicated for affordable housing.

### Citywide Impact Fees

In September 2023, the Board of Supervisors passed an ordinance (File 23-0764) to reduce the amount of citywide development impact fees for public improvement projects by 33 percent through December 2026.[1] These fees include the childcare fee, the school impact fee, and the

[1] Funds for these programs are collected, assessed, and dispersed by various Departments and are authorized by the Planning Code.

transit impact development fee, and the transportation sustainability fee, among others (not including the inclusionary housing fees). Furthermore, the legislation delayed the timing at which these fees are collected by the City. Development impact fees had historically been imposed between the Planning Department approval of a project and the construction phase of development. As of 2023, however, development impact fees for citywide and area-specific projects are due when a certificate of occupancy is issued, and this issuance timing is now mandated by State law as of January 2025.[2] Finally, in October 2023, the Board of Supervisors also reduced the City's requirements for the inclusionary affordable housing program by approximately 54 percent through May 1, 2029 for pipeline projects and by 32 percent through November 2026 for new projects (File 23-0855).

## DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend the Planning Code to waive five development impact fees in the Market and Octavia Area Plan Area. Applicable citywide impact fees would not be changed. The proposed fee waivers, as outlined in Exhibit 1 below, include up to two fees for developments in the plan area and three additional fees for projects located in the Van Ness and Market Special Use District (SUD). Each fee is imposed on a fixed fee per square foot or gross square foot basis for applicable developments. If approved, the ordinance would waive impact fees for all approved projects in the plan area's pipeline as well as all projects approved by the Planning Department on or after January 2026. In summary, the proposed ordinance would effectively eliminate the following impact fees indefinitely at the time of enactment.

- Market and Octavia Area Plan and Upper Market NCT Affordable Housing Fee (Planning Code Section 416)
- Market and Octavia Community Improvements Fund (Planning Code Section 421)
- Van Ness & Market Affordable Housing Fee (Planning Code Section 424)
- Van Ness & Market Neighborhood Infrastructure Fee (Planning Code Section 424)
- Van Ness & Market Community Facilities Fee (Planning Code Section 425)

The proposed ordinance would also delete Section 341.5 of the Planning Code six months from the effective date. This action would sunset the Market and Octavia CAC.

Finally, the proposed ordinance relaxes land use controls within the Van Ness & Market Special Use District. In particular:

- Deleting the 3:1 residential to non-residential use requirement for newly constructed buildings that exceed 20 percent or more of an existing structure's gross floor area
- Deleting the floor to area limit for residential uses
- Deleting a requirement for Conditional Use authorization for retail projects greater than 6,000 square feet

[2] Enacted by California Senate Bill 937.

**Exhibit 1: Market and Octavia and SUD Impact Fees Proposed for Elimination**

| Planning Code | Fee | Applicable Basis | Restricted Revenue Uses |
|---|---|---|---|
| **416** | Market & Octavia Area Plan and Upper Market Neighborhood Commercial District Affordable Housing Fee | Market rate residential square footage in the Upper Market Neighborhood Commercial Transit District | Paid into the Citywide Affordable Housing Fund and expended by MOHCD:<br>1. To support affordable housing in the plan area.<br>2. To support affordable housing within one mile of the plan area.<br>3. To support affordable housing citywide. |
| **421** | Market & Octavia Community Improvements Fund | Non-residential or residential square footage for units above 120% AMI | Dollars received from residential and non-residential developments must each be proportionally expended on streetscape improvements, transit, recreation and open space, childcare, and program administration. |
| **424** | Van Ness & Market Affordable Housing Fee | Any development square footage with a Floor Area Ratio (FAR) between 6:1 and 9:1 | Paid into the Citywide Affordable Housing Fund and expended by MOHCD:<br>1. To support affordable housing in the plan area.<br>2. To support affordable housing within one mile of the plan area.<br>3. To support affordable housing citywide. |
| **424** | Van Ness & Market Neighborhood Infrastructure Fee | Any development square footage with a Floor Area Ratio (FAR) over 9:1 | Dollars received from residential and non-residential developments must each be proportionally expended on streetscape improvements, transit, recreation and open space, childcare, and program administration. |
| **425** | Van Ness & Market Community Facilities Fee | Non-residential or residential square footage for units above 120% AMI | Fund cultural and arts facilities, social welfare facilities, and community health facilities in (or within 1,250 feet of) the Market and Octavia Plan Area. |

Source: San Francisco Planning Code

Notes: Infrastructure impact fees may be waived or reduced by in-kind contributions. Van Ness & Market fees only apply within the Van Ness and Market Special Use District.

We have requested the amount of revenue projected for each fee. The Planning Department states it will provide that information prior to the September 10, 2025, Budget & Finance meeting.

According to discussions and correspondence with OEWD and Planning, the elimination of the five area-specific fees is intended to remove barriers for development within the Market and

Octavia Area Plan. The Planning Department reports that none of the projects in the pipeline are projected to complete construction in the next three years and therefore no revenue is projected from any of the five impact fees proposed for deletion. OEWD reported that it is not anticipating similar reductions to area-specific impact fees in other parts of the City. According to OEWD, the Market and Octavia planning area have a density of unfinished projects, the area is also centrally located among key transit corridors, and has high-density zoning. The City is therefore targeting fee relief in this area to increase the financial feasibility of the projects and create a ripple effect on investment.

**Current Market & Octavia Pipeline Projects**

According to correspondence from OEWD and Planning, there are 26 projects in the development pipeline that are eligible for the waived fees under the proposed ordinance. These developments, which have already been approved by the Planning Department but have not yet entered construction, represent a total of 2,685 units in the Market and Octavia plan area. Included in this pipeline estimate are 1,853 units within the Van Ness and Market SUD and one development with 24 units located in the Market and Octavia Upper Market NCT. 674 of these units are affordable housing, and four of the 26 developments are 100 percent affordable projects.[3] Exhibit 2 below lists each of the pipeline developments alongside their approved unit count, applicable fee area(s), and status within Planning's development pipeline.

According to OEWD, impact fees comprise a larger share of development costs for smaller projects. As a result, smaller projects are more likely to achieve financial feasibility with the proposed fee reductions. Larger projects in the pipeline, such as those within the Van Ness and Market SUD, have higher development costs and are likely to remain financially infeasible even with the proposed waivers, although the waivers may increase the likelihood of earlier development.

[3] OEWD Project Manager Jacob Bintliff reports that there are discrepancies with MOHCD in terms of project status tracking. MOHCD's pipeline currently reports that there are up to 784 affordable units that have been approved by Planning but have not yet reached construction.

**Exhibit 2: Market and Octavia Residential Developments as of May 2025**

| Project Location | Total Units | On Site BMR Units | Area(s) | Approved by Planning | Pipeline Status |
|---|---|---|---|---|---|
| 10 South Van Ness Ave | 966 | 0 | MO, SUD | 6/11/2020 | Building Permit Filed |
| 115 Haight St | 1 | 0 | MO | 11/9/2021 | Planning Approved |
| 1338-1342 Stevenson St | 2 | 0 | MO, SUD | 3/19/2021 | Building Permit Approved |
| 159 Fell St | 24 | 0 | MO, SUD | 7/29/2021 | Building Permit Issued |
| 16 Laguna Street | 4 | 0 | MO | 8/22/2023 | Building Permit Filed |
| 1687 Market St* | 101 | 101 | MO | 3/17/2025 | Building Permit Filed |
| 1939 Market St* | 187 | 185 | MO | 9/20/2023 | Building Permit Issued |
| 194 Guerrero St | 2 | 0 | MO | 4/26/2024 | Building Permit Filed |
| 2051 Market St | 29 | 3 | MO | 6/27/2024 | Building Permit Issued |
| 2164-2166 15Th St (ADU) | 1 | 0 | MO | 1/18/2024 | Building Permit Issued |
| 237 Sanchez St | 5 | 0 | MO | 3/6/2025 | Building Permit Filed |
| 240-250 Church St | 24 | 3 | MO | 12/2/2021 | Building Permit Approved |
| 300 Buchanan St | 9 | 0 | MO | 8/10/2023 | Building Permit Approved |
| 301 Grove St | 9 | 0 | MO | 5/7/2019 | Building Permit Approved |
| 36-38 Gough St | 8 | 0 | MO | 9/30/2021 | Building Permit Approved |
| 380 Ivy St/534 Octavia St | 3 | 0 | MO | 9/25/2023 | Building Permit Issued |
| 55 Belcher St | 25 | 5 | MO | 11/25/2019 | Building Permit Issued |
| 600 Mcallister | 196 | 29 | MO | 2/10/2022 | Planning Approved |
| 618-630 Octavia St | 40 | 8 | MO | 4/28/2022 | Building Permit Filed |
| 652 Hayes St | 1 | 0 | MO | 11/21/2023 | Building Permit Issued |
| 67 Belcher St | 31 | 5 | MO | 3/23/2023 | Building Permit Filed |
| 78 Haight St^* | 64 | 64 | MO | 4/9/2025 | Planning Approved |
| 83 Noe Street | 1 | 0 | MO | 3/7/2024 | Building Permit Approved |
| 880 Mcallister St* | 91 | 91 | MO | 4/22/2025 | Planning Approved |
| 98 Franklin St | 345 | 69 | MO, SUD | 5/28/2020 | Building Permit Filed |
| 1500-1540 Market St^ | 516 | 111 | MO, SUD | 6/15/2017 | Planning Approved |
| **Total** | **2,685** | **674** | | | |

Source: Office of Economic and Workforce Development, Data SF

(*) Development is a 100 percent affordable project.

(^) Development is a modified project from its original approved specifications.

SUD refers to the Van Ness and Market Special Use District.

Building Permit Approved refers to a building permit application that has been approved by the Department of Building Inspection. This must occur before a building permit is issued.

**Planned Area Plan Programming**

Through their routine capital planning process,[4] IPIC and the Market and Octavia CAC have recommended funding to City Departments or programmed the unrealized revenue from the 26 projects in the area plan pipeline through Fiscal Year 2034-35. The proposed ordinance would eliminate Market Octavia and Van Ness and Market SUD fee revenue for these projects, which are listed in Exhibit 3 below. Appendix B to this report includes excerpts from the January 2025 IPIC report that show summaries of projects funded by the subject fees.

[4] Expenditures from development impact fee revenues for the three infrastructure fees are planned by IPIC and the Market and Octavia CAC on a five-year schedule and adjusted annually when such funds are appropriated for City Departments.

**Exhibit 3: Market and Octavia Area Plan Projects Expecting Fee Revenue Through FY 2035**

| Category | Department | Project | Total Fee Revenue Allocated |
|---|---|---|---|
| Transit | SFMTA | Hub Transportation Improvements Fund | 9,395,228 |
| | SFMTA | Valencia Protected Bike Lanes | 3,650,000 |
| Streets | In-Kind | Oak Plaza IKA | 2,180,893 |
| | DPW | Living Alleys Community Challenges Grants | 1,000,000 |
| | DPW | Better Market Street | 500,000 |
| | ART | Patricia Green's Rotating Art Project | 300,000 |
| | DPW | Sidewalk Greening Program | 600,000 |
| | DPW | Re-Establish Octavia Blvd ROW with Hayward Park | 150,000 |
| | DPW | Streetscape Enhancement Fund | 2,000,000 |
| | DPW | HUB Public Realm Improvements Plan | 7,707,678 |
| | SFMTA | 13th Street | 1,604,231 |
| Recreation and Open Space | REC | Buchanan Street Mall | 505,250 |
| | REC | HUB Open Spaces Improvement Fund | 498,810 |
| | REC | Rachele Sullivan Park | 2,605,250 |
| | REC | Civic Center | 2,524,345 |
| | REC | Koshland Park | 2,000,000 |
| Childcare | DCYF | OECE Childcare Facilities Program | 4,808,000 |
| Administration | | Administration fees | 3,106,150 |
| **Total** | | | **45,135,835** |

Source: IPIC Annual Report 2025

This table does not include $33,390,628 in affordable housing fees nor the Van Ness & Market Community Facilities Fee for art/cultural projects associated with pending development projects in the Market-Octavia area plan area, neither of which are subject to the IPIC planning process.

OEWD and Planning posit that there will be minimal impact to programming if the Board of Supervisors approves the proposed ordinance. The combined effect of cooling development and the recent legislation to delay impact fee collection has reduced collected fee revenues. With no projects expected to finish construction in the next three years, IPIC does not expect to collect any revenue until at least that time. IPIC will not be recommending new appropriations of fee revenue to City agencies until conditions change. At present and because of the fee collection

drag, the Market and Octavia improvement projects with appropriated but unrealized impact fee funding must find alternative funding sources to complete construction on schedule.

*Affordable Housing*

The affordable housing fees are deposited into the Citywide Affordable Housing Fund upon collection. The fund, authorized under Section 10.100-49 of the San Francisco Administrative Code, is administered by MOHCD to provide loan financing for affordable housing developments across the City. It receives revenues from multiple impact fees, some applied citywide and others tied to specific neighborhoods. According to MOHCD's annual progress reports, the Department incorporates already-assessed funds into its five-year expenditure cycle. Within the Citywide Affordable Housing Fund, Market and Octavia and Van Ness and Market SUD fees are earmarked to be allocated first to developments within the respective area plans and then, if available, to projects citywide. The proposed ordinance would therefore limit the resources specifically allocated to affordable housing development within the Market and Octavia plan area.

## FISCAL IMPACT

The proposed ordinance would eliminate the fee revenue collected from current and future approved development within the Market and Octavia plan area. Estimates provided from Planning and OEWD show that the 26 Market and Octavia pipeline projects represent a total of $47,640,000 in fee revenue earmarked for community infrastructure development and $33,390,628 in affordable housing fee revenue for a combined $81,030,628 in fee revenue waived through FY 2034-35. These estimates assume that all 26 developments are constructed as approved. They do not include fee revenue loss from the Van Ness & Market Community Facilities Fee (Planning Code Section 425), for which the Planning Department and OEWD were unable to provide an estimate.

Exhibit 4 below summarizes the $81,030,628 Market-Octavia fee revenue that would be waived, by fee, as well as the citywide impact fees that would remain on the projects currently in the pipeline, which total $135,522,922.

**Exhibit 4: Proposed Impact Fee Waivers & Retained Citywide Impact Fees in the Market-Octavia Area**

| Proposed Fee Waivers | Amount |
|---|---|
| Market and Octavia Affordable Housing Fee | $21,104,197 |
| Market and Octavia Community Improvements Fee | $35,013,000 |
| Van Ness & Market Affordable Housing Fee | $12,286,431 |
| Van Ness & Market Neighborhood Infrastructure Fee | $12,627,000 |
| Van Ness & Market Community Facilities Fee | Unknown |
| **Total Proposed Fee Waivers** | **$81,030,628** |
| **Citywide Fees within Market-Octavia Area Retained** | |
| Transportation Sustainability Fee | $28,282,006 |
| Child Care Fee | $5,612,272 |
| Affordable Housing Fee (In Lieu) | $66,461,572 |
| Affordable Housing | $35,167,072 |
| **Total Citywide Fees within Market-Octavia Area Retained** | **$135,522,922** |

Source: OEWD and Planning

Note: Data is based on the 26 Market-Octavia pipeline projects detailed in Exhibit 2 above. The in-lieu affordable housing amounts are based on land dedications from the 10 South Van Ness and 98 Franklin projects.

The proposed fee waivers total $40,294 per market rate unit within the plan area. Remaining citywide fees total $67,391 per market rate unit.

**Citywide Impact**

The proposed ordinance may have additional fiscal implications if the waiver of Market and Octavia fees affects the timing or completion of developments within the area plan. Each new housing unit is estimated to generate approximately $6,700 annually in property tax revenue,[5] while other citywide impact fees would still apply. If all 2,011 market rate units in the Market-Octavia pipeline are built, we estimate this would generate $13.5 million in annual property tax revenues for the City (in 2025 dollars). This would offset the proposed $80 million in fee revenue loss in approximately six years.

These revenue sources, however, would only produce a net fiscal impact relative to the status quo if the ordinance accelerates the delivery of projects or enables the completion of developments that otherwise would not have proceeded due to the existing fee requirements.

[5] The BLA generated this estimate from recorded property tax assessments from new developments in 2023 as reported by Data SF. The $6,700 in property tax revenue per unit assumes 55.6% of property tax revenues go to the City, including the General Fund and does not include the Library Preservation, Children's Funds, and Open Space set-asides.

## POLICY CONSIDERATION

### Shifting Revenue Obligations

Waiving the Market and Octavia–specific impact fees would shift the cost burden for certain public infrastructure projects from developers to the City. This would make those developments more financially feasible and more likely to be built. This is consistent with the City's housing goals. In addition, by making developments more financially feasible, the City is more likely to obtain higher property taxes and other tax revenues resulting from more residents.

While the City would continue to collect property taxes and citywide impact fees, the elimination of these earmarked local fees would remove a dedicated source of funding for improvements within the Market and Octavia area. As a result, projects in this neighborhood would need to compete with other citywide priorities for financing, potentially delaying or scaling back local improvements. Furthermore, resources that would have otherwise supported other developments or infrastructure projects across the City may be redirected to fill funding gaps in the Market and Octavia district. This reallocation could limit the City's flexibility to advance projects in other neighborhoods or fund additional citywide initiatives.

OEWD reports that Market and Octavia impact fee funds are typically a small portion of a project's total financing stack. However, some projects—particularly recreation and open space projects—rely on impact fee funds for 25 percent or more of total financing. In these cases, any reduction to planned funding can result in delays for projects in progress or prohibit planned projects from starting at all. Recreation and Parks finance staff reported that delays in obtaining impact fee revenues have already caused delays for several Market and Octavia improvement projects due to an inability to secure alternative funding sources. Similarly, affordable housing in San Francisco is increasingly expensive and relies heavily on local funding for gap financing. According to a report published by MOHCD in July 2025, affordable housing units rely on City-provided funds (including fees) for 32% of development costs. Given the recent decreases to the citywide inclusionary housing fee, the City will further reduce its ability to finance affordable housing development and slow the addition of new affordable units to the City's housing stock.

The Board of Supervisors could amend the proposed ordinance to establish a goal of using incremental increases in property taxes generated by development in the Market Octavia plan for affordable housing and/or public infrastructure. Such a goal would be non-binding but could guide future budget decisions.

The Board of Supervisors could also consider amending the proposed legislation to retain one or more of the Market and Octavia and Van Ness and Market SUD affordable housing impact fees. This option would still provide fee relief for developers but preserve some revenue for the City. However, retaining these fees may render the pending development projects infeasible in the short term.

### Sunset

The Board of Supervisors could consider amending the proposed ordinance to sunset the Market Octavia developmental impact fee waivers for a period of three to five years. A time-limited

waiver could more effectively incentivize developers to move projects to completion quickly. Other recent impact fee reductions, such as those enacted in 2023, also included sunset provisions. A sunset provision would allow the City to assess the impact of the proposed fee waivers on housing development.

## RECOMMENDATION

The proposed ordinance is a policy matter for the Board of Supervisors.

Appendix A: Market-Octavia Plan Area and Van Ness & Market Special Use District

Source: Planning Department

# MARKET AND OCTAVIA

## Background and Highlights

The Market and Octavia Area Plan has been in effect since May 2007. The Plan envisions a neighborhood that functions holistically as a truly urban place by providing mixed-use infill development and affordable housing, buildings and open spaces that foster a unique sense of place, a neighborhood with balanced transportation options, and a street and public realm experience that is inviting to people walking, biking and socializing The Plan included new heights and zoning to encourage the development of mixed-use infill projects.

In 2015, the Planning Department began a community planning process to update a portion of the Market and Octavia Plan historically called the Hub, and previously known in the Plan as "SOMA-West." Following the community planning process, in 2020, the Board of Supervisors adopted amendments to the Market and Octavia Area Plan, planning code, and new heights for three projects at the Van Ness and Market intersection. For more information, visit https://sfplanning.org/ market-street-hub-project

Since 2008, 4,758 units have been constructed in the Plan area. In addition, approximately 2,851 units are in the Planning Department's development pipeline and have not yet started construction as of the end of 2024.

In support of this growth and the Plan Area vision, the Plan also included a list of programmatic and discrete community improvements (Market and Octavia Plan, Community Improvements Appendix C), the majority of which have been completed or are underway. These improvements have been funded with impact fees from development in the plan area as well as other funding sources.

More information, visit the Plan Area website: http:// sf-planning.org/ market-octavia-area-plan

### COMMUNITY BENEFITS FUNDING

Projects in the Plan Area are subject to the Market and Octavia Area Plan and Upper Market NCT Affordable Housing Fee and the Market and Octavia Community Infrastructure Fee. Revenue from the infrastructure fee must be allocated to projects within and adjacent to the Plan Area for transportation, complete streets, recreation and open space, childcare, and program administration in the proportion set out in the Planning Code.

Projects in the Van Ness and Market Special Use District (SUD) may be subject to three additional impact fees: affordable housing, infrastructure and community facilities. The City expects to collect $48 million over the next ten years from these three fees. Funds collected from the SUD infrastructure fee are required to be allocated to the same funding categories as the Market and Octavia infrastructure fee, but revenue must be prioritized for community improvement projects located within and adjacent to the SUD. $54 million has been collected to date from the Market and Octavia infrastructure fee and the SUD infrastructure fee (including the value of in-kind projects). With regards to affordable housing fees, the City expects to collect $34 million from the SUD Affordable Housing fee and the Market and Octavia Affordable Housing Fee.

In addition to impact fee revenue, other funding sources have been identified for Plan Area improvements, including revenues from the sale of the Central Freeway parcels. Parcel sales to date have yielded a total of $56,162,107. Most of these revenues have been spent on a series of community amenities adjacent to the Central Freeway, including the West SoMa skate park and dog run and maintaining a state of good repair for Van Ness Avenue. There may be additional revenue upon any future sale of remaining parcels. The funds from these sales have not yet been programmed but must be dedicated to transportation and streetscape improvements in the Market and Octavia area.

In the next five years (FY26 through FY30), the City expects to collect about $20.8 million in impact fees, with the combination of actuals and projections through FY30 projected to be $74 million which is less than last year's due to the recent adoption of fee reduction and deferral legislation.

## Ongoing Planning

### THE MARKET AND OCTAVIA COMMUNITY ADVISORY COMMITTEE

The Market and Octavia Community Advisory Committee (MO CAC) is a representative body that provides advice to the City regarding implementation of the Market and Octavia Area Plan and the Plan's community improvements. The Market Octavia CAC aims to have a varied composition of renters, owners, small business advocates, and members of other neighborhood groups. The Market and Octavia CAC is composed of nine members of the public, appointed by the Board of Supervisors or the Mayor. The CAC currently has no open seats. The Market Octavia IPIC Expenditure Plan was presented to the CAC at their June, September, and December meetings. While members were generally supportive of the expenditure plan, they did not take an official vote due to lack of quorum at their December meeting.

## Project Descriptions

### WESTERN ADDITION CBTP IMPLEMENTATION (MAP / EXPENDITURE LINE ITEM NO. 9

Implement medium-term project efforts identified in the Western Addition Community Based Transportation Plan. This includes traffic-calming, pedestrian safety corridor treatments, pedestrian countdown signals, and accessible pedestrian signals on Golden Gate Avenue, Fulton Street, Turk Street and Laguna Street and pedestrian rapid flashing beacons at mid-block crossings on the former Octavia Street ROW corridor.

For more see the Western Addition CBTP recommendations at Western Addition Community Based Transportation Plan Implementation | SFMTA

#### Project Origin:

Western Addition Community Based Transportation Plan (SFMTA CIP)

#### Project Status and Delivery:

The Western Addition Traffic Signal Upgrades Phase 1 project is under construction and expected to be completed in early 2025.

The Western Addition Traffic Signal Upgrades Phase 2 project is under design and expected to start construction in early 2026.

#### Total Costs:

$3,711,000

#### IPIC Funds:

$725,000 total (transferred)

### HUB TRANSPORATION IMPROVEMENTS FUND (MAP / EXPENDITURE PLAN LINE ITEM NO. 10

To fund projects consistent with the Hub Public Realm Plan and SFMTA Capital Improvements Plan to ensure that transit and transportation services are enhanced to support significant growth in the Hub area over the next several years, including Local Muni Bus Transit Signal Priority devices that will improve transit reliability.

Projects will be scoped by SFMTA on a rolling basis, with input from the MO CAC, and are anticipated to include substantial enhancements to the Van Ness Muni Station and circulation improvements in the Hub area to reduce traffic, bicycle, and pedestrian conflicts in the area. Some of this fund will be used to purchase and deploy Transit Signal Priority (TSP) devices and communications equipment in the Hub area in FY20.

#### Project Origin:

Hub Public Realm Plan

#### Project Status and Delivery:

Ongoing

#### Total Costs:

TBD

#### MO Impact Fee Funds:

- $9,699,000 total
- $304,000 transferred
- $3,911,000 appropriated not transferred
- $5,483,000 programmed FY26 through FY30

## LOCAL MUNI BUS TRANSIT SIGNAL PRIORITY (MAP / EXPENDITURE PLAN LINE ITEM NO. 10.1

To purchase and deploy Transit Signal Priority (TSP) devices and communications equipment for intersections on the Local Muni Bus TSP network and to replace aging traffic signal controllers and cabinets within and servicing the plan area. This project will improve travel time and service reliability for Muni riders.

### Project Origin:

SFMTA

### Project Status and Delivery:

Project is on-going with intersections in the Market-Octavia area scheduled for TSP implementation. Project is continuing implementation along the 14 Mission and 22 Fillmore lines serving the plan area.

### Total Costs:

$38,700,000

### MO Impact Fee Funds:

$196,000

### Funding Status:

Project seeking additional funds

## 13TH STREET BIKE IMPROVEMENTS (MAP / EXPENDITURE PLAN LINE ITEM NO. 39.2)

This project will create protected bikeways on 13th Street from Folsom Street to Valencia Street, following the recommendations of the Hub Public Realm Plan. The project will provide an important bike connection from Valencia Street to the existing protected bike lanes on 13th St, substantial signal modifications, and key pedestrian safety elements. This project does not include long-term elements of the Hub Public Realm Plan design, including sidewalk widening, re-paving, lighting, and green infrastructure.

### Project Origin:

Hub Public Realm Plan

### Project Status and Delivery:

Design in 2020; Construction is planned to commence in early 2025

### Total Costs:

$9,388,000

### MO Impact Fee Funds:

$175,000

## LIVING ALLEYS (MAP / EXPENDITURE PLAN LINE ITEM NO. 24)

Living Alleys are an ongoing effort led by Public Works to engage residents in re-imagining the area's extensive network of alleys as an alternative transportation network and opportunity for community-scale places for public life. This program may utilize impact fee revenue through Public Works to design, build, and maintain living alleys.

### Project Origin:

Market and Octavia Area Plan

### Project Status and Delivery:

Design underway for the Ivy Street blocks between Laguna and Octavia. Project is anticipated to start construction Winter 2025.

### Total Costs:

$4,500,000 over 10 years

### MO Impact Fee Funds:

- $4,500,000 total
- $3,500,000 transferred
- $500,000 appropriated not transferred
- $500,000 programmed through FY 35

## SIDEWALK GREENING PROGRAM (MAP / EXPENDITURE PLAN LINE ITEM NO. 33)

The Sidewalk Greening Program (formerly the Street Tree Planting Program) is an initiative to facilitate new community-maintained street trees and sidewalk gardens throughout the Plan Area.

Utilizing a portion of these funds, Public Works will partner with non-profit organizations and interested community members to implement tree planting and sidewalk landscaping installation. Additional tree planting and establishment activities will be performed by Public Works Urban Forestry (BUF) staff or through a City-managed contractor.

### Project Origin:

Market and Octavia Area Plan

### Project Status and Delivery:

Ongoing

### Total Costs:

$1,300,000 through FY28

### MO Impact Fee Funds:

- $1,300,000 total
- $ 700,000 transferred
- $600,000 programmed through FY35

## OCTAVIA BOULEVARD IRRIGATION SYSTEM (MAP / EXPENDITURE PLAN LINE ITEM NO. 38)

### Project Description:

Install a new sub-surface drip irrigation system, building off of the existing water pipes and backflow preventers, to replace the existing deficient pop-up overspray system in the side medians of Octavia Boulevard. The new irrigation system will service the street trees and landscaping in the side medians of Octavia Boulevard, which was the central infrastructure enhancement of the Market and Octavia Plan, while reducing water loss and maintenance obligation for the system.

### Project Origin:

Market and Octavia CAC

### Project Status and Delivery:

Ongoing

### Total Costs:

$100,000

### MO Impact Fee Funds:

$100,000

## THE HUB PUBLIC REALM IMPROVEMENT PLAN (MAP / EXPENDITURE PLAN LINE ITEM 39)

### Project Description:

This line item has been created to capture all potential projects that are delineated in the HUB Public Realm Plan which includes streetscape and transportation enhancements on the following street segments:

- Valencia Street: Market St. to 15th St.
- 11th Street: Market St. to Bryant St.
- 13th Street: Valencia St. to Folsom St.
- South Van Ness Avenue: Mission St. to 13th St.
- Otis St: Duboce Ave. to South Van Ness Ave.
- Mission / South Van Ness Intersection
- Oak Street: Market St. to Franklin St.
- 12th St. Market St. to Mission St.

Work has begun on 11th Street, which is an important street for transit and bicycles connecting SoMa to Market Street. Currently, the street has three lanes of traffic, including a center turn lane; bicycle lanes; and curb-side parking lanes. Planning efforts are underway to repurpose the roadway to create a parking protected bicycle lane in both directions, with shortened crosswalks and transit boarding islands, for a safer street for people taking transit and riding bikes. Additional improvements may include curb ramp improvements, bulb-outs, landscaping, traffic signals, street lighting, site furnishing and other streetscape elements.

### Project Status and Delivery:

The Public Works Project team has started coordination efforts with MTA to confirm conceptual plans

**Total Costs:**

[to be provided from implementation plan]

**MO Impact Fee Funds:**

- $6,000,000 Transferred
- $5,468,000 Appropriated not transferred
- $2,262,437 programmed through FY35

## BUCHANAN STREET MALL – FULTON TO GROVE (MAP / EXPENDITURE PLAN LINE ITEM NO. 47

Buchanan Street Mall is comprised of five consecutive blocks of green space, asphalt paths, and underperforming playgrounds from Eddy Street to Grove Street. Developed through a robust community process, the renovation project is intended to reinvigorate a long-underfunded community by creating a place that serves as a primary gathering place for the neighborhood. Core design elements on all five blocks will include new pedestrian lighting, new planting areas, pathways and seating areas, the memory walk, and stormwater retention features. New children's play areas (CPAs) will be constructed on the two northernmost blocks; communal gardens on the two southernmost blocks and Turk-Golden Gate; and microenterprise kiosks that support park activation and local entrepreneurship will be installed on the three central blocks. Other program highlights include a new lawn, stage, picnic and BBQ areas, a multiuse sports court, and full basketball court.

**Project Origin:**

Market and Octavia CAC

**Project Status and Delivery:**

The Buchanan Vision Plan was completed early 2017 and the conceptual design for all five blocks was approved by the Recreation and Park Commission in April 2020. Adequate funding has now been secured to renovate all 5 blocks under one singular construction project. Funding has been secured from Let'sPlaySF!, 2020 Health & Recovery Bond, SFPUC Joint Capital Infrastructure Project, IPIC funds, General Funds, CA State budget allocation and State grants (Prop 68 and ORLP).

The project is currently out to bid with construction expected to begin early 2025.

**IPIC Funds:**

$34.5 million

**IPIC Funds:**

- $3.6 million transferred
- $0.5 million appropriated not yet transferred

## CIVIC CENTER / IMPROVED CIVIC CENTER PUBLIC SPACES (MAP/EXPENDITURE PLAN LINE ITEM NO. 48.5)

In 2019, the Planning Department in collaboration with RPD and other involved agencies, developed the City's Civic Center Public Realm Plan (PRP) with the neighboring community. In alignment with the goals and priorities of the PRP, RPD delivered improvements at UN Plaza to activate the space and drive positive activation. The Plan is currently under environmental review by the Planning Department and calls for modernization at Civic Center, UN Plaza and Fulton St that connects the two.

**Project Origin:**

Civic Center Public Realm Plan

**IPIC Funds:**

$2.5 million through FY35

## RACHELE SULLIVAN PARK (MAP / EXPENDITURE PLAN LINE ITEM NO. 48.25)

See 11TH STREET PARK in the Eastern Neighborhoods Project Descriptions section.

## KOSHLAND PARK (MAP / EXPENDITURE PLAN LINE ITEM NO. 48.75)

This line item was created to set aside funds for open space improvements at Koshland Park

### Project Origin:

Market and Octavia Area Plan

### Project Status and Delivery:

TBD

### Total Costs:

TBD

### IPIC Funds:

$2 million through FY35

## CHILD CARE (EXPENDITURE PLAN ITEM NO. 59)

A portion of Market and Octavia impact fee funds are dedicated to supporting the provision of new or expanded licensed child care facilities within the plan area. These funds are administered by the Department of Early Childhood (DEC), which was previously appropriated $1,273,000 in FY16 to solicited applications for new or expanded facilities. These funds supported the construction of a new child care center at 49 South Van Ness, which opened in January 2024.

### Project Status and Delivery:

This line item was kept flexible to enable further scoping and prioritization with the community.

### Total Costs:

$3.2M

### IPIC Funds:

$1.5M

San Francisco Planning

49 South Van Ness Avenue, Suite 1400
San Francisco, CA 94103
628.652.7600
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August 6, 2025

Ms. Angela Calvillo, Clerk
Mayor Daniel Lurie
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 2025-005224PCA:**
Waiving Certain Development Impact Fees in the Market and Octavia Area Plan
Board File No. 250680

| **Planning Commission Recommendation:** | **Approval with Modifications** |
|---|---|

Dear Ms. Calvillo and Mayor Lurie,

On July 24, 2025, the Planning Commission conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance, introduced by Mayor Lurie. The proposed ordinance would waive development impact fees in the Market and Octavia Area Plan, amend some provisions in the Van Ness & Market Residential Special Use District (SUD) and add a sunset clause to the Market and Octavia Community Advisory Committee (CAC). At the hearing the Planning Commission adopted a recommendation for approval with modifications.

The Commission's proposed modifications were as follows:

- Recommendations to include community engagement and consideration for a partial fee waiver.

The proposed amendments are not defined as a project under CEQA Guidelines Section 15060(c) and 15378 because they do not result in a physical change in the environment.

Mayor Lurie, please advise the City Attorney at your earliest convenience if you wish to incorporate the changes recommended by the 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 Starr
*Manager of Legislative Affairs*

cc: Andrea Ruiz-Esquide, Deputy City Attorney
Jacob Bintliff, OEWD
John Carroll, Office of the Clerk of the Board

**ATTACHMENTS :**

Planning Commission Resolution
Planning Department Executive Summary
Letters of Support / Opposition

**BOARD of SUPERVISORS**

**City Hall**
**1 Dr. Carlton B. Goodlett Place, Room 244**
**San Francisco, CA 94102-4689**
**Tel. No. (415) 554-5184**
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**TDD/TTY No. (415) 554-5227**

# MEMORANDUM

Date: June 25, 2025

To: Planning Department/Planning Commission

From: John Carroll, Assistant Clerk, Land Use and Transportation Committee

Subject: Board of Supervisors Legislation Referral - File No. 250680
Planning Code - Waiving Certain Development Impact Fees in the Market and Octavia Area Plan

☒ California Environmental Quality Act (CEQA) Determination
*(California Public Resources Code, Sections 21000 et seq.)*
☒ Ordinance / Resolution
☐ Ballot Measure

Not defined as a project under CEQA Guidelines Sections 15378 and 15060(c)(2) because it would not result in a direct or indirect physical change in the environment.

7/3/2025

Joy Navarrete

☒ Amendment to the Planning Code, including the following Findings:
*(Planning Code, Section 302(b): 90 days for Planning Commission review)*
☒ General Plan ☒ Planning Code, Section 101.1 ☒ Planning Code, Section 302

☐ Amendment to the Administrative Code, involving Land Use/Planning
*(Board Rule 3.23: 30 days for possible Planning Department review)*

☐ General Plan Referral for Non-Planning Code Amendments
*(Charter, Section 4.105, and Administrative Code, Section 2A.53)*
(Required for legislation concerning the acquisition, vacation, sale, or change in use of City property; subdivision of land; construction, improvement, extension, widening, narrowing, removal, or relocation of public ways, transportation routes, ground, open space, buildings, or structures; plans for public housing and publicly-assisted private housing; redevelopment plans; development agreements; the annual capital expenditure plan and six-year capital improvement program; and any capital improvement project or long-term financing proposal such as general obligation or revenue bonds.)

☐ Historic Preservation Commission
☐ Landmark *(Planning Code, Section 1004.3)*
☐ Cultural Districts *(Charter, Section 4.135 & Board Rule 3.23)*
☐ Mills Act Contract *(Government Code, Section 50280)*
☐ Designation for Significant/Contributory Buildings *(Planning Code, Article 11)*

Please send the Planning Department/Commission recommendation/determination to John Carroll at john.carroll@sfgov.org.

San Francisco Planning

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San Francisco, CA 94103
628.652.7600
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# PLANNING COMMISSION RESOLUTION NO. 21790

**HEARING DATE: July 24, 2025**

| | |
|---|---|
| *Project Name:* | Waiving Certain Development Impact Fees in the Market and Octavia Area Plan |
| *Case Number:* | 2025-005224PCA / Board File No. 250680 |
| *Initiated by:* | Mayor Lurie; Supervisors Dorsey, Mahmood / Introduced June 17, 2025 |
| *Staff Contact:* | Lily Langlois, Citywide Planning<br>Lily.langlois@sfgov.org, 628-652-7472 |
| *Reviewed by:* | Rachael Tanner, Director of Citywide Planning<br>Rachael.Tanner@sfgov.org, 628-652-7471 |

**RESOLUTION ADOPTING A RECOMMENDATION FOR APPROVAL OF A PROPOSED ORDINANCE THAT WAIVE CERTAIN DEVELOPMENT IMPACT FEES IN THE MARKET AND OCTAVIA AREA PLAN (THE MARKET AND OCTAVIA AREA PLAN AND UPPER MARKET NEIGHBORHOOD COMMERCIAL DISTRICT AFFORDABLE HOUSING FEE, THE MARKET AND OCTAVIA COMMUNITY IMPROVEMENTS FUND, THE VAN NESS & MARKET AFFORDABLE HOUSING AND NEIGHBORHOOD INFRASTRUCTURE FEE, AND THE VAN NESS & MARKET COMMUNITY FACILITIES FEE), TO AMEND THE VAN NESS & MARKET RESIDENTIAL SPECIAL USE DISTRICT, TO PROVIDE THAT THE MARKET AND OCTAVIA COMMUNITY ADVISORY COMMITTEE SHALL SUNSET SIX MONTHS AFTER THE EFFECTIVE DATE OF THIS ORDINANCE, AND TO MAKE CONFORMING AMENDMENTS TO SOME OF THE DEFINITIONS IN PLANNING CODE, SECTION 401; AFFIRMING THE PLANNING DEPARTMENT'S DETERMINATION UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT; MAKING PUBLIC NECESSITY, CONVENIENCE, AND WELFARE 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.**

WHEREAS, on June 17, 2025 Mayor Lurie and Supervisors Dorsey and Mahmood introduced a proposed Ordinance under Board of Supervisors (hereinafter "Board") File Number 250680, which would amend section 406, 416, 421, 424 and 425 to waive the Market and Octavia Area Plan and Upper Market Neighborhood Commercial District Affordable Housing Fee, the Market and Octavia Community Improvements Fund, the Van Ness & Market Affordable Housing Fee and Infrastructure Fee, and the Van Ness & Market Community Facilities Fee. The proposed Ordinance would also amend the Van Ness and Market Residential Special Use District section 249.33 and add a sunset clause to the Market & Octavia Community Advisory Committee section 341.5.

WHEREAS, the Planning Commission hereinafter "Commission") conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance on July 24, 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 with modifications of the proposed ordinance. The Commission's proposed recommendation is as follows: to include recommendations to include community engagement and consideration for a partial fee waiver.

## 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 proposed Ordinance would help to support the financial feasibility of residential projects in the Market and Octavia Plan area. Development impact fees have been identified as a financial barrier for residential projects. Reducing constraints to support feasibility will help to increase the City's housing stock and establish new housing options for all San Franciscans.

The proposed Ordinance would allow greater flexibility for retail in the Van Ness and Market Residential Special Use District (SUD) by removing the conditional use authorization for retail use size and formula retail in the SUD. The removal of these provisions would make the rules for retail in this geography the same as the rules for retail in the rest of the C-3-G zoning district and consist with the City's efforts to create more flexibility for retail.

The proposed Ordinance would ensure the Market and Octavia CAC is in compliance with the Board of Supervisors rule for subordinate bodies. In 2021 a new Board of Supervisors rule (2.21) was added which requires that all ordinances creating subordinate bodies (such as a CAC) contain a sunset clause not to exceed three years. The Market and Octavia CAC has been out of compliance with this rule.

### General Plan Compliance

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

**DOWNTOWN PLAN**

OBJECTIVE 7

EXPAND THE SUPPLY OF HOUSING IN AND ADJACENT TO DOWNTOWN.

POLICY 7.1
Promote the inclusion of housing in downtown commercial developments

POLICY 7.2
Facilitate conversion of underused industrial and commercial areas to residential use.

*The proposed Ordinance would help to improve the financial feasibility of residential projects including at the intersection of Market and Van Ness which includes existing industrial and commercial uses.*

**MARKET AND OCTAVIA AREA PLAN**

POLICY 1.1.2
Concentrate more intense uses and activities in those areas best served by transit and most accessible on foot or by bicycle.

POLICY 1.1.3
Encourage housing and retail infill to support the vitality of the Hayes-Gough, Upper Market, and Valencia Neighborhood Commercial Districts.

*The proposed Ordinance would help to facilitate the construction of housing in the plan area.*

POLICY 1.1.4
As the Hub evolves into a high-density mixed-use neighborhood, encourage the concurrent development of neighborhood-serving uses to support an increasing residential population.

POLICY 1.1.8
Reinforce continuous retail activities on Market, Church, and Hayes Streets, as well as on Van Ness Avenue

*The proposed Ordinance would allow greater flexibility for retail in the Van Ness and Market Residential Special Use District (SUD) by removing the conditional use authorization for retail use size and formula retail in the SUD.*

OBJECTIVE 2.2
ENCOURAGE CONSTRUCTION OF RESIDENTIAL INFILL THROUGHOUT THE PLAN AREA
OBJECTIVE 7.1
CREATE A VIBRANT NEW MIXED-USE NEIGHBORHOOD IN THE HUB.

POLICY 7.1.1
Maintain a strong preference for housing as a desired use.

POLICY 7.1.2
Encourage residential towers on selected sites.

*The proposed Ordinance would help to facilitate the construction of housing in the plan area.*

**HOUSING ELEMENT**

OBJECTIVE 4.C
EXPAND AND DIVERSIFY HOUSING TYPES FOR ALL.

*The proposed Ordinance is designed to create an environment more conducive to project feasibility. In doing so, a greater number of projects are likely to be built.*

**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. The proposed ordinance adds additional flexibility for retail uses.*

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 July 24, 2025.

Jonas P. Ionin
*Commission Secretary*

| | |
|---|---|
| AYES: | Campell, McGarry, Braun, So |
| NOES: | Williams, Imperial, Moore |
| ABSENT: | None |
| ADOPTED: | July 24, 2025 |

San Francisco Planning

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# EXECUTIVE SUMMARY
# PLANNING CODE TEXT AMENDMENT

**HEARING DATE:** **July 24, 2025**

**90-Day Deadline:** When the 90-day review period ends or the new expiration date from an extension resolution

| | |
|---|---|
| *Project Name:* | Waiving Certain Development Impact Fees in the Market and Octavia Area Plan |
| *Case Number:* | 2025-005224PCA / Board File No. 250680 |
| *Initiated by:* | Mayor Lurie; Supervisors Dorsey, Mahmood / Introduced June 17, 2025 |
| *Staff Contact:* | Lily Langlois, Citywide Planning<br>Lily.langlois@sfgov.org, 628-652-7472 |
| *Reviewed by:* | Rachael Tanner, Director of Citywide Planning<br>Rachael.Tanner@sfgov.org, 628-652-7471 |
| Environmental *Review:* | Not a Project Under CEQA |

**RECOMMENDATION:** **Adopt of Recommendation for Approval**

## Planning Code Amendment

The proposed Ordinance would amend the Planning Code to waive development impact fees in the Market and Octavia Area Plan, amend some provisions in the Van Ness & Market Residential Special Use District (SUD) and add a sunset clause to the Market and Octavia Community Advisory Committee (CAC).

### The Way It Is Now:

1. The City charges development impact fees on residential and non-residential projects for various public purposes, including fees for transit, streets, parks, childcare and art. Development impact fees are set forth in Article 4 of the Planning Code. Some fees are applied citywide, while others apply only to specific geographic areas.

2. In the Market and Octavia Plan area several geographic based impact fees apply. All projects in the plan area are subject to the Market and Octavia Area Plan and Upper Market NCT Affordable Housing Fee (Planning Code Section 416) and Market and Octavia Community Improvements Fund (421). Projects that are also within the Van Ness and Market Special Use District are subject to three additional fees including the Van Ness & Market Affordable Housing Fee (Planning Code Section 424), Van Ness & Market Neighborhood Infrastructure Fee (Planning Code Section 424) and Van Ness & Market Community Facilities Fee (Planning Code Section 425).

3. In the Van Ness and Market Special Use District at least 3 sq/ft of residential uses is required for every 1 sq/ft of non-residential use.

4. In the Van Ness and Market Special Use District the maximum floor area ratio (FAR) is 9:1. However, projects can exceed this FAR but are required to pay the Van Ness and Market Neighborhood Infrastructure Fee (Planning Code Section 424).

5. In the Van Ness and Market Special Use District retail uses require conditional use if the size is over 6,000 sq/ft.

6. In the Van Ness and Market Special Use District formula retail uses require a conditional use authorization.

7. The Market and Octavia Community Advisory Body Committee does not have a sunset date.

**The Way It Would Be:**

1. Area plan impact fees would be waived. Citywide impact fees would remain in place.

2. In the Market and Octavia Plan area geographic based impact fees would not apply. This includes the Market and Octavia Area Plan and Upper Market NCT Affordable Housing Fee (Planning Code Section 416) and Market and Octavia Community Improvements Fund (421), Van Ness & Market Affordable Housing Fee (Planning Code Section 424), Van Ness & Market Neighborhood Infrastructure Fee (Planning Code Section 424), and Van Ness & Market Community Facilities Fee (Planning Code Section 425). The fees would be waived for pipeline projects that were approved before Jan 1, 2026 but have not yet pulled a First Construction Document; for pipeline projects that have pulled a FCD but have not yet paid deferred fees due at time of occupancy; and for future projects approved after January 1, 2026.

3. In the Van Ness and Market Special Use District there would not be a requirement for a ratio of non-residential to residential. A project could be residential or non-residential or a mix.

4. In the Van Ness and Market Special Use District the floor area ratio (FAR) for non-residential uses would be 9:1 and there would be no FAR limit for residential uses.

5. In the Van Ness and Market Special Use District retail uses would not require conditional use if the

size is over 6,000 sq/ft. Retail use size controls in the rest of the plan area would not change.

6. In the Van Ness and Market Special Use District formula retail uses would not require a conditional use authorization. Formula retail controls in the rest of the plan area would not change.

7. The Market and Octavia Community Committee would sunset six months after the effective date of the ordinance.

## Issues and Considerations

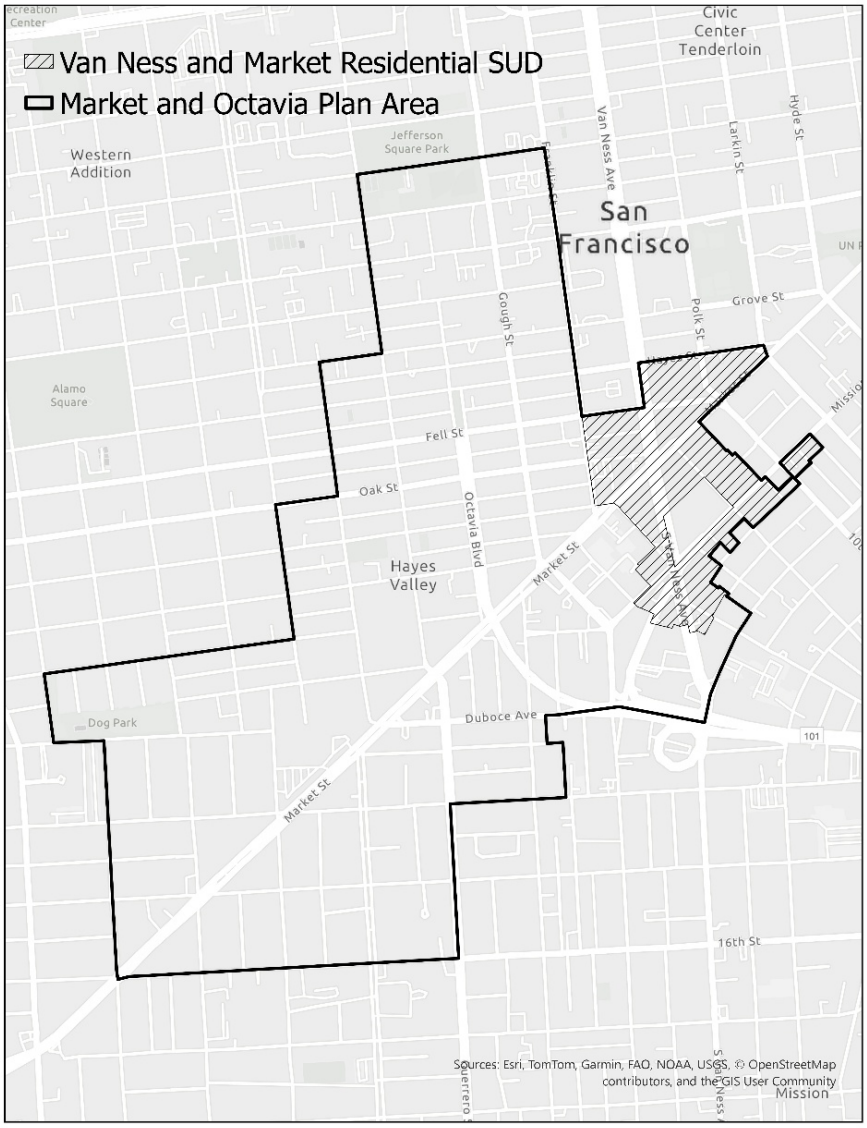
### Market and Octavia Plan

The Market and Octavia Area Plan was intended to create a mixed-use transit-oriented neighborhood following removal of the Central Freeway. The plan has been largely successful. Since adoption 4,785 units have been built, including 1,652 affordable units (35%); Octavia Boulevard has replaced the Central Freeway; and all but four of the former freeway parcels have been redeveloped, and significant investment has been made to transit, streets and parks.

Since the Market and Octavia Area Plan was adopted in 2008, the City has collected almost $54M in impact fee revenue to fund improvements to park, streets, transportation and childcare. To date, most of the community improvements called for in the original plan to support new residents have been completed including Brady Park, Dolores and Market Intersection Improvements, Haight and Market transit and pedestrian improvements, Hayes Street two-way, Franklin and Gough pedestrian improvements, Linden Living Alley, Margaret Hayward Park, McCoppin street greening, McCoppin Plaza, new Light Rail Vehicles, Page Street Neighborway, Polk Street contraflow bike lane, rotating art at Patricia's Green, Upper Market pedestrian improvements, and Van Ness BRT. Other key projects underway include Buchanan Street Mall and Ivy Living Alley.

### Area Plan Impact Fees

The Market and Octavia plan area is one of seven plan areas which have geographically based impact fees to fund infrastructure projects and affordable housing that serve the areas new growth. Certain projects in the Market and Octavia plan area can be subject to up to five area plan impact fees in addition to citywide impact fees. All projects in the Market and Octavia plan area are subject to an affordable housing fee (Planning Code Section 416) and an infrastructure fee (Planning Code Section 421). For projects that are also within the Van Ness and Market Special Use District, there is an additional affordable housing fee (Planning Code Section 424), infrastructure fee (Planning Code Section 424) and community facilities fee (Planning Code Section 425). Projects are also subject to citywide impact fees including inclusionary housing, transit sustainability fee (TSF), childcare fees, and public art.




Like many jurisdictions, San Francisco assesses impact fees on development projects that the City uses to offset the cost of infrastructure, providing public services, or other social costs associated with the new development. The size of these fees varies, based on the project location and scale. While generally carrying a smaller cost than the inclusionary housing requirement, these fees add to project costs and can therefore affect project feasibility, particularly in the downtown area and in other neighborhoods in the eastern portion of the City, where impact fees are generally higher. According to a 2018 analysis by the Terner Center of a range of development fees, including impact fees, the cumulative effect of development fees is to "substantially increase the cost of building housing".[1]

> The cumulative effect of development fees is to substantially increase the cost of building housing.

[1] https://ternercenter.berkeley.edu/wp-content/uploads/pdfs/Development_Fees_Report_Final_2.pdf

In 2023, changes were made to the way that the City sets, imposes, and collects impact fees. Importantly, it creates predictability and stability by setting a flat rate at which impact fees increase over time, assigns and stabilizes fees upon project approval, reinstates a fee deferral program to allow projects to pay their fees immediately prior to the project being ready for occupancy, and reduced fees by 33% for development projects approved by November of 2026 and begin construction within 30 months of approval projects. In addition, the City reduced the Inclusionary Housing Program requirements of the Planning Code (BF 230769) for all housing projects citywide.

Even with these reductions and reforms in place, according to analysis by OEWD, for projects in the Market and Octavia plan area, area plan impact fees account for about 33% of a project's total impact fees or about $20,000 per unit; and for projects in the Van Ness and Market Special Use District (SUD), area plan impact fees account for approximately 50% of a project's total impact fees and $60,000 per unit of additional development cost.

## Development Pipeline and Capital Planning

With the exception of the Market and Colton Street Project (Brady Block Development Agreement), since 2020 only two new market-rate residential projects in the plan area have broken ground and completed construction, a 29-unit project at 198 Valencia and an 8-unit project at 311 Grove. Another project at 30 Van Ness (348-units) broke ground but subsequently had to pause construction due to market conditions, and a 12-unit project on the former freeway parcel at 300 Octavia halted construction following a fire in 2023. This drop-off in development has caused impact fee revenues to stall. Since 2020, the department has only collected $18.8M in Market & Octavia plan area impact fees, of which $18.5M was generated by the 30 Van Ness project.

There are currently 26 approved residential projects in the pipeline that have not yet commenced construction due to market conditions, representing 2,685 units. While the Department projects approximately $46M in impact fee revenue would be realized if the current pipeline projects were to be completed, none are currently under construction and the Department currently does not project any fee revenue over the next three years.

This dynamic highlights the inherent volatility in impact fee revenues that make them an unreliable funding source for capital projects. Accordingly, area plan impact fees typically make up only a small portion of overall capital project costs, as City departments cannot rely on these funds being available on a specific schedule or at all, and often have to find other sources to fill in for lagging impact fee revenue or delay project delivery. The City's Capital Plan recognized this dynamic, stating that the City cannot assume impact fees will be a "primary source" for funding capital projects.

> "The City generally, and the capital plan specifically, need to assume that impact fees, even in the best of economic times, are always a supplemental, and not the primary, source of funding long-term capital needs to support growth."

## Amendments to the Van Ness & Market Residential Special Use District

The Van Ness & Market Residential Special Use District (SUD) falls within the plan's eastern boundary and all parcels in the SUD are zoned C-3-G. The proposed ordinance includes amendments to the SUD (Planning Code Section 249.33) related to retail controls, land use mix and clean-up language for FAR and inclusionary requirements to reflect the proposed fee waivers. The proposed ordinance would remove the formula retail restriction and the retail use size limitation. This would ensure that the retail controls in the SUD are consistent with the rest of the C-3-G zoning district and will support flexibility for retail. There would be no change to the formula retail controls and retail use size limitations in the rest of the Market & Octavia plan area.

The proposed ordinance would remove the required ratio of non-residential uses to residential uses in the SUD. This would allow flexibility to build a residential project or commercial project or a mixed-use project in this area. The proposed ordinance would also remove the FAR limit for residential uses. Because FAR limits in the SUD are contingent upon paying the SUD affordable housing and infrastructure impact fees (Section 424), these FAR rules would no longer be applicable. Finally, because the affordable housing impact fees (Section 416 and 424) are proposed to be waived, the language in the SUD about the affordable housing fee is no longer needed and would be removed. The citywide inclusionary housing requirements would still apply for all projects.

## Market and Octavia Community Advisory Committee (CAC)

The Market and Octavia Community Advisory Committee (CAC) was established in 2008 with the adoption of the Market and Octavia Area Plan. The CAC's primary role is to collaborate with the Planning Department and the Inter-Agency Plan Implementation Committee (IPIC) to prioritize funding for the community improvements identified in the area plan. The Market and Octavia CAC meet monthly beginning April 2009 and in 2021 the CAC began to meet quarterly. The CAC is composed of nine members of the public, appointed by the Board of Supervisors or the Mayor. When the legislation to form the Market and Octavia CAC was passed in 2008, a sunset clause was not included in the original legislation, unlike the Eastern Neighborhoods CAC and the SoMa CAC, two other Community Advisory Committees which were established with a sunset clause. The Eastern Neighborhoods CAC established in 2009 had a sunset date of January 2024. The SoMa CAC which is the newest of the CACs was established in 2019 and has a sunset date of 2035 (San Francisco Administrative Code Section 5.26-1). In 2021 a new Board of Supervisors rule (2.21) was added which requires that all ordinances creating subordinate bodies (such as a CAC) contain a sunset clause not to exceed three years. The Market and Octavia CAC has been out of compliance with this board rule. Adding a sunset clause would bring the body into compliance.

## General Plan Compliance

Program Area 7 of the Housing Element Implementation Program is to expand housing choices. The Expanding Housing Choices program area includes various programs that will increase housing choices for residents in a variety of housing types. This program includes rezoning to accommodate Regional Housing Needs Assessment (RHNA) goals, allowing more homes in small and mid-rise multifamily buildings, and

support for ADUs in existing residential buildings. Importantly, it also encourages actions to support additional housing near major transit nodes and jobs centers, such as new housing around the intersection of Market Street and Van Ness Avenue, a major transportation hub.

> Removing the burden of many of the City's development impact fees will make these types of projects more financially feasible.

Numerous policies in the Market and Octavia Area Plan support creating a high-rise mixed use neighborhood at the intersection of Market Street and Van Ness Avenue. The legislation would help to support the feasibility of these projects and deliver housing to the City.

### Racial and Social Equity Analysis

One of the primary goals of the proposed ordinance is to improve the feasibility of residential development in San Francisco, which is consistent with the policies in the City's Housing Element and contributes to the City's state-mandated housing production targets. Improving the feasibility of residential development increases the City's housing stock.

The proposed Ordinance would help to improve the feasibility of residential development in the Market and Octavia Plan area and increase the City's housing stock. The waiver of impact fees could mean more housing could be built in the near-term, but the City would receive less money from impact fees to fund infrastructure projects in the plan area. The proposed legislation is intended to stimulate development and provide more housing, add more people to support local businesses and the transportation system and grow the local economy and tax base. These benefits would apply to the plan area and broadly to San Francisco.

### 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 proposed legislation would waive five geographic-based impact fees for projects within the Market and Octavia Plan Area. This includes the Market and Octavia Area Plan and Upper Market NCT Affordable Housing Fe (Planning Code Section 416), Market and Octavia Community Improvements Fund (421), Van Ness & Market Affordable Housing Fee (Planning Code Section 424), Van Ness & Market Neighborhood Infrastructure Fee (Planning Code Section 424), and Van Ness & Market Community Facilities Fee (Planning Code Section 425.

While most infrastructure projects that were envisioned in the Market and Octavia Area Plan have been implemented, waiving these fees would forego approximately $46M in potential impact fee revenue based on the existing projects in the pipeline. Projects to which this funding would have been allocated include Koshland Park, Rachele Sullivan Park, Living Alleys, rotating art at Patricia's Green, sidewalk greening program, and improvements to streets identified in the HUB public realm plan. However, given the significant slow-down in development since 2020 and the current lack of projects under construction, the waiver of these fees is unlikely to result in any near-term loss of funding for outstanding community improvements or affordable housing projects.

Area plan impact fees have been one important revenue source to fund capital projects but are not the only funding source available for capital projects. These projects may also be funded through other citywide impact fees and capital funding programs. Future funding for these projects can be addressed through the capital planning process with guidance from the list of capital projects that have been identified by the community and vetted by city agencies for this area.

There are currently 2,685 units in the pipeline representing 26 projects that have been approved but have not commenced construction. Waiving some development impact fees would help the economic feasibility of these projects which could result in more housing and affordable housing being built in the near term. Projects in the Market and Octavia Plan Area would continue to be subject to the inclusionary housing fee, as well as other applicable citywide fees such as Childcare Fee, Public Art Fee, School Impact fee, and the Transportation Sustainability Fee, generating revenue for affordable housing, childcare, public art, schools, and public transit. Increased housing production would also generate significant additional property tax revenues to the City's general fund that would support City services and future general obligation bonds for various capital projects.

Over the last sixteen years, the Market and Octavia CAC has played a significant role in the implementation of the area plan by advocating for projects, identifying priorities and shaping specific projects. The ordinance proposes adding a sunset date of six months to account for the fact that the CAC's primary responsibility is to prioritize the implementation of community improvements funded with impact fees. Without impact fees to program and the fact that most infrastructure projects that were envisioned in the Area Plan have been implemented, the CAC has largely served its purpose. As noted previously, the Eastern Neighborhoods CAC which was established in 2009 with a similar purview sunset January 2024. In addition, it has been challenging to maintain a fully seated CAC and retain quorum for CAC meetings. The CAC had quorum 13 out of the last 22 meetings and did not have quorum to vote on the expenditure plan the last two years. This legislation was shared at the June 16, 2025, CAC meeting. Some members expressed support for the legislation, and no members expressed opposition.

For capital projects, including parks, streets and transit, the implementing agency will lead a community planning process to develop a concept design and implementation plan. Participating in this process in one way for CAC members to continue to be engaged in these projects and give feedback on design elements. The Planning Department will continue to be a resource and connect CAC members and the broader community with the appropriate staff at MTA, RPD or Public Works to learn more and be engaged with the implementation of the capital project as projects advance towards implementation and funding becomes available.

## 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 Sections 15378 and 15060(c)(2) because it would not result in a direct or indirect physical change in the environment.

## Public Comment

As of the date of this report, the Planning Department has received one letter regarding the proposed Ordinance.

July 17th, 2025

Lydia So
President, San Francisco Planning Commission
Rm 400, 1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: **July 24th 2025 Planning Commission Meeting, File 250680: Planning Code - Waiving Certain Development Impact Fees in the Market and Octavia Area Plan**

Dear Commission President So and Planning Commissioners,

I am writing to urge that you continue until September the proposed ordinance waving impact fees for Market and Octavia [**File 250680: Planning Code - Waiving Certain Development Impact Fees in the Market and Octavia Area Plan**]. There are three reasons to continue until September. First, this was calendared within the past month, and many, including myself, are out of town and therefore cannot attend a July 24th meeting. Second, the evidence justifying the waiver is missing, and third, the community deserves a secure offset if this does get adopted. Below I will elaborate.

I have been actively involved with the Market and Octavia Better Neighborhoods Plan for over twenty years. I served as Chair of the Market and Octavia Community Advisory Committee (CAC) from 2012 to 2018. Before that I served as Vice Chair from 2009-2012, and as Co-Chair from 2018-2023. I also served as Chair of the Hayes Valley Neighborhood Association Transportation and Planning Committee from 2006-2023 and was an elected board member of HVNA from 2004 to 2023. HVNA was deeply involved in championing this plan. Additionally, I served for five years (2008-2013) on the Van Ness Bus Rapid Transit Citizens Advisory Committee, a critical component of the plan.

Given the State's political climate then and now, municipalities have not been able to adequately raise property taxes to pay for the external costs of new development. To offset the impacts of new growth, impact fees were necessary. These fees were part of a **grand bargain** between the City, the community directly impacted by the new growth, and the private real estate firms benefitting from generous upzoning. Notably, these fees were implemented with **trust** that the City would protect the public good. Removing these fees without an adequate and guaranteed substitute is a breach of that trust.

If you breach that trust, you will find it more difficult to implement future landmark plans such as Market and Octavia.

The proposed ordinance fails to justify or provide evidence for the claim that the fees are impeding new development. Factors such as excessive height increases (which increases building costs and therefore housing costs) or the downsizing of the tech workforce, are far greater contributing factors. Before moving forward, the exact impact that the fees have on

discouraging development must be made transparent. We need evidence that does not rely solely on the conjecture of the real estate lobby.

The item should also be continued until the mayor's office, the other ordinance sponsors, and the Planning Department come up with a viable, transparent, and secure offset to the revenue lost with the proposed waiver. There is an estimated $46 million on the table which the community will lose. If this is not offset, then the fees must remain in place.

Consider that already in June important public transportation service in the M & O Plan Area was cut. The 6-Trolleybus was removed from Haight Street and no longer serves Market and Van Ness, reducing capacity on an important east west transit route. Moreover, the diversion of the 21-Trolley bus at Masonic means that the city has broken another promise – linking communities like the Tenderloin and Market and Octavia to Golden Gate Park and car free JFK.

Lastly, some of the language in the ordinance suggest the authors have no institutional memory or familiarity with how the plan emerged. The fees were not "imposed" as the proposed ordinance states. They were not punitive. The fees were meant to create a "complete" community out of Market Octavia including traffic mitigation, green mobility, green spaces, childcare, and affordable housing. The fees were about fairness and developers doing their part in exchange for a very generous upzone.

Again, I urge that you continue this item until September, when people are back from summer, and transparent evidence is provided, and a secure alternative is identified. I also urge that you further engage with neighborhood and community organizations beyond HVNA, Duboce Triangle and Castro.

Sincerely,

Jason Henderson

Jason Henderson
San Francisco, CA
94102
Jhenders@sonic.net

CC:

Kathrin Moore
Vice President
kathrin.moore@sfgov.org

Derek W. Braun
derek.braun@sfgov.org

Amy Campbell
Commissioner
amy.campbell@sfgov.org

Theresa Imperial
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theresa.imperial@sfgov.org

Sean McGarry
Commissioner
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Gilbert Williams
Commissioner
gilbert.a.williams@sfgov.org

Jonas P. Ionin
Director of Commission Affairs
jonas.ionin@sfgov.org

**Subject:** FW: Item 13 on 7/24 calendar
**Date:** Wednesday, July 23, 2025 at 7:33:11 AM Pacific Daylight Time
**From:** Ionin, Jonas (CPC)
**CC:** Feliciano, Josephine (CPC), Dennis Phillips, Sarah (CPC), Langlois, Lily (CPC)

**Jonas P Ionin**
**Director of Commission Affairs**
San Francisco Planning
49 South Van Ness Avenue, Suite 1400, San Francisco, CA 94103
Direct: 628.652.7589 | www.sfplanning.org
San Francisco Property Information Map

**From:** Gail Baugh <gailbaugh40@gmail.com>
**Date:** Tuesday, July 22, 2025 at 8:20 PM
**To:** Ionin, Jonas (CPC) <jonas.ionin@sfgov.org>
**Cc:** Mahmood, Bilal (BOS) <bilal.mahmood@sfgov.org>, Cooper, Raynell (BOS) <raynell.cooper@sfgov.org>
**Subject:** Item 13 on 7/24 calendar

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Jonas, please submit my comments to the Planning Commissioners and the Director.

While I support removal of fees that complicate building within the Market/Octavia Better Neighborhood Plan, I do **not** support sunsetting fees put in place to support and implement:

**1. Transit-first corridors and walkable/bikeable improvements** within the Market/Octavia Better Neighborhood and the reduction/elimination of car space storage in a transit-rich neighborhood.

**2. Creation of green spaces, such as Living Alleys,** permeable landscapes, more trees, park improvements, and more. ***Green spaces, especially the Living Alleys, were a promise in exchange for high-density housing, which the Hayes Valley Neighborhood Assn (HVNA) embraced.***

a. The promise of green spaces, supported by development fees, have not been fulfilled. Instead of sunsetting fees, **redirecting these fees to implement promised green spaces**

**and more** in the Market/Octavia Plan area, which is includes some of the densest housing to be built in SF

I was HVNA president for 3 years, and we were successful in implementing only 2 living alleys (1st block of Hickory at Van Ness and another on Lily Street that spanned several blocks between Octavia and Buchanan). Neither allowed full design requests by the neighbors, which included bulb outs for existing/additional trees and adding more greenery at street level. Living Alley neighbors were allowed murals for Lily street and lights/murals for Hickory. Both were given **$250K grants** to implement their severely cut back Living Alley designs. Hickory was money poorly spent. Street level murals were destroyed during COVID. Lights remain an asset.

b. Existing funds from fees for Living Alleys have been transferred to Public Works, managed by Arun Bhatia. We have requested an update on Living Alley funds available, but have yet to receive an answer.

There have been no new applications in 5 years (includes COVID lockdown), with no public outreach from Public Works to create more living alleys. It appears Public Works designed and implemented a new living alley on the **400 block of Ivy which cost in excess of $1 million,** far more than other Living Alleys already constructed.

Therefore, sunsetting developers' fees in the Market/Octavia Plan should be carefully considered for the impact their removal will have on the Plan and the residents in this still emerging area. The fees are the means to fund important infrastructure and assets to a new and still forming community after the Central Freeway was demolished. Thousands of new residents are coming when developments are completed. 1 and 2 above must be a part of life for our expanding city.

**I strongly recommend your seeking more community input before voting on your recommendation to the BOS.**

Gail Baugh, former president HVNA
415-265-0546

**Subject:** FW: Item 13 on 7/24 calendar
**Date:** Wednesday, July 23, 2025 at 2:53:01 PM Pacific Daylight Time
**From:** Ionin, Jonas (CPC)
**CC:** Feliciano, Josephine (CPC), Langlois, Lily (CPC)

**Jonas P Ionin**
**Director of Commission Affairs**
San Francisco Planning
49 South Van Ness Avenue, Suite 1400, San Francisco, CA 94103
Direct: 628.652.7589 | www.sfplanning.org
San Francisco Property Information Map

**From:** james warshell <jimwarshell@yahoo.com>
**Date:** Tuesday, July 22, 2025 at 5:37 PM
**To:** Ionin, Jonas (CPC) <jonas.ionin@sfgov.org>
**Cc:** Bilal Mahmood <bilal@bilalmahmood.com>, Cooper, Raynell (BOS) <raynell.cooper@sfgov.org>
**Subject:** Item 13 on 7/24 calendar

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Please include these comments regard in item 13, fee reductions and sunsetting of MO in your upcoming Planning Commission Meeting.

Commissioners:
As a Hayes Valley resident of 22 years, I have fully supported development. It has helped add to the vitality of our community and we have enjoyed welcoming the new residents. I continue to be very pro development. I have been on record for supporting extensions and revisions for One Oak, height increases for French American and even raising 30 SVN from 400' to 600' (I can probably also accept their recent request to go near 800' with performance guarantees). My frustration is that these entitled projects show no sign of actually getting going.
Covid, economic issues, costs and demand issues have created challenges which have presented real difficulties. While I am not saying I oppose these revisions to make development feasible, it appears to me we are rushing this and we should now be having an informational hearing rather than an actionable vote item.
My other concern is that giving the concessions without firm commitments for performance on getting projects built is not the right course. Carrots and sticks, benefits tied to performance are what I recommend to get results. Fail to meet your performance standards and the benefit goes away.

We want housing built. It is good for the city, our citizens and the economy. Concessions which only increase the value of the entitlement without performance standard and penalties for failure to comply will get us nowhere. History proves it.
Please treat today as informational, consider revisions that can make success in getting housing built more likely and allow more San Franciscans to understand the consequences of this legislation to weigh in. Let's get this right.
Thank you,
Jim Warshell
Sent from my iPhone. "They tried to bury us....they didn't know that we were seeds"

**Subject:** FW: Market & Octavia area impact fee
**Date:** Thursday, July 24, 2025 at 9:38:14 AM Pacific Daylight Time
**From:** CPC-Commissions Secretary
**CC:** Langlois, Lily (CPC), Feliciano, Josephine (CPC)

**Best,**
**Josephine O. Feliciano, Planning Technician II**
**Commission Affairs**
San Francisco Planning
49 South Van Ness Avenue, Suite 1400, San Francisco, CA 94103
Direct: 628.652.7600 | www.sfplanning.org
San Francisco Property Information Map

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**From:** Shadi AbouKhater <shadi@sakdesignbuild.com>
**Sent:** Wednesday, July 23, 2025 4:13 PM
**To:** CPC-Commissions Secretary <commissions.secretary@sfgov.org>
**Subject:** Market & Octavia area impact fee

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Dear Commissioners,

I am writing in support of waiving the Market & Octavia area impact fees.

I currently have two multi-unit projects in the area. One is 25 units and the other is 30 units. We purchased both of these properties before the market downturn in San Francisco.

My project at 159 Fell Street was purchased in 2019. In order to make the project viable we had to remove the basement and add another unit on the ground floor. It took us 6 years from purchase of the property to entitlement. To be honest we still don't have all the addendums approved yet. The cost of construction has risen dramatically and the condo market sales have declined. Additionally, OCIP insurance ballooned due to so many claims in the city and having to manage neighbors not giving us access to their properties. This 25 unit project has had to do a full EIR, a shadow study, archeology study, and acoustic study. The professionals outside of typical architects and engineers were close to a million dollars in fees.

My project at 2051 Market Street was purchased in 2020. This project has many of the same cost hurdles that my Fell project has. It also has to contend with the engineering costs being near BART and on Market street. The professional fees, Insurance Fees and the lengthy carrying costs to get entitlement in the city makes these projects very difficult to pencil out. We are currently at 5 years of owning the property and still do not have entitlements.

I know that the larger projects get more attention due to bringing in more units. But, these smaller projects need more help since we can not spread out the costs of all the studies required by the city over many more units. We really hope you will waive these impact fees to help make these projects viable and look to invest in future projects in the city.

Respectfully,
Shadi

**Shadi AbouKhater**
Shadi@SAKDesignBuild.com
415.823.1110

Tuesday, July 22, 2025

San Francisco Planning Commission
Commission Chambers, Room 400
City Hall, 1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Re: July 24, 2025 Meeting - Item 2025-005224PCA

San Francisco Planning Commissioners:

I write to you today to urge you to approve item #2025-005224PCA to waive certain development impact fees in the Market and Octavia Area [BOARD FILE NO. 250680]. As the current Vice Chair of the Market and Octavia Community Advisory Committee (CAC), I strongly support the provision within this item to sunset the CAC six months after the effective date of this Ordinance. I have served on the Market and Octavia CAC since November 2019, and the usefulness of this CAC has diminished over time as projects in the Plan area have stalled. The purpose of CAC will further diminish with the waiver of certain development fees in the Plan area, which is a necessary and needed effort to jumpstart projects throughout San Francisco. Sunseting this CAC will also free up Planning Department staff time which could be dedicated to more urgent matters.

In closing, while I have enjoyed my time serving on the Market and Octavia Community Advisory Committee, it is now time to sunset the CAC.

Best,

Tony Tolentino

**BOARD of SUPERVISORS**

**City Hall**
**1 Dr. Carlton B. Goodlett Place, Room 244**
**San Francisco, CA 94102-4689**
**Tel. No. (415) 554-5184**
**Fax No. (415) 554-5163**
**TDD/TTY No. (415) 554-5227**

# MEMORANDUM

Date: June 25, 2025

To: Planning Department/Planning Commission

From: John Carroll, Assistant Clerk, Land Use and Transportation Committee

Subject: Board of Supervisors Legislation Referral - File No. 250680
Planning Code - Waiving Certain Development Impact Fees in the Market and Octavia Area Plan

☒ California Environmental Quality Act (CEQA) Determination
*(California Public Resources Code, Sections 21000 et seq.)*
☒ Ordinance / Resolution
☐ Ballot Measure

☒ Amendment to the Planning Code, including the following Findings:
*(Planning Code, Section 302(b): 90 days for Planning Commission review)*
☒ General Plan ☒ Planning Code, Section 101.1 ☒ Planning Code, Section 302

☐ Amendment to the Administrative Code, involving Land Use/Planning
*(Board Rule 3.23: 30 days for possible Planning Department review)*

☐ General Plan Referral for Non-Planning Code Amendments
*(Charter, Section 4.105, and Administrative Code, Section 2A.53)*
(Required for legislation concerning the acquisition, vacation, sale, or change in use of City property; subdivision of land; construction, improvement, extension, widening, narrowing, removal, or relocation of public ways, transportation routes, ground, open space, buildings, or structures; plans for public housing and publicly-assisted private housing; redevelopment plans; development agreements; the annual capital expenditure plan and six-year capital improvement program; and any capital improvement project or long-term financing proposal such as general obligation or revenue bonds.)

☐ Historic Preservation Commission
☐ Landmark *(Planning Code, Section 1004.3)*
☐ Cultural Districts *(Charter, Section 4.135 & Board Rule 3.23)*
☐ Mills Act Contract *(Government Code, Section 50280)*
☐ Designation for Significant/Contributory Buildings *(Planning Code, Article 11)*

Please send the Planning Department/Commission recommendation/determination to John Carroll at john.carroll@sfgov.org.

**BOARD of SUPERVISORS**

**City Hall**
**1 Dr. Carlton B. Goodlett Place, Room 244**
**San Francisco, CA 94102-4689**
**Tel. No. (415) 554-5184**
**Fax No. (415) 554-5163**
**TDD/TTY No. (415) 554-5227**

# M E M O R A N D U M

TO: Daniel Adams, Director, Mayor's Office of Housing and Community Development

FROM: John Carroll, Assistant Clerk, Land Use and Transportation Committee

DATE: June 25, 2025

SUBJECT: LEGISLATION INTRODUCED

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The Board of Supervisors' Land Use and Transportation Committee has received the following proposed legislation, introduced by Mayor Lurie on June 17, 2025.

**File No. 250680**

Ordinance amending the Planning Code to waive certain development impact fees in the Market and Octavia Area Plan (the Market and Octavia Area Plan and Upper Market Neighborhood Commercial District Affordable Housing Fee, the Market and Octavia Community Improvements Fund, the Van Ness & Market Affordable Housing and Neighborhood Infrastructure Fee, and the Van Ness & Market Community Facilities Fee), to amend the Van Ness & Market Residential Special Use District, to provide that the Market and Octavia Community Advisory Committee shall sunset six months after the effective date of this Ordinance, and to make conforming amendments to some of the definitions in Planning Code, Section 401; affirming the Planning Department's determination under the California Environmental Quality Act; making public necessity, convenience, and welfare 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.

If you have comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102 or by email at: john.carroll@sfgov.org.

cc:
Offices of Chair Melgar and Mayor Lurie
Lydia Ely, Mayor's Office of Housing and Community Development
Maria Benjamin, Mayor's Office of Housing and Community Development
Sheila Nickolopoulos, Mayor's Office of Housing and Community Development
Kyra Geithman, Mayor's Office of Housing and Community Development
Julia Sabory, Mayor's Office of Housing and Community Development

President, District 8
BOARD of SUPERVISORS

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**RAFAEL MANDELMAN**

# PRESIDENTIAL ACTION

Date: 6/25/25

To: Angela Calvillo, Clerk of the Board of Supervisors

Madam Clerk,
Pursuant to Board Rules, I am hereby:

☐ Waiving 30-Day Rule (Board Rule No. 3.23)

File No. _____ _____ (Primary Sponsor)

Title. _____

☒ Transferring (Board Rule No 3.3)

File No. 250680 Mayor (Primary Sponsor)

Title. [Planning Code - Waiving Certain Development Impact Fees in the Market and Octavia Area Plan]

From: Land Use & Transportation Committee

To: Budget & Finance Committee

☐ Assigning Temporary Committee Appointment (Board Rule No. 3.1)

Supervisor: _____ Replacing Supervisor: _____

For: _____ (Date) _____ (Committee) Meeting

Start Time: _____ End Time: _____

Temporary Assignment: ◉ Partial ○ Full Meeting

Rafael Mandelman, President
Board of Supervisors

OFFICE OF THE MAYOR
SAN FRANCISCO

DANIEL LURIE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Adam Thongsavat, Liaison to the Board of Supervisors
RE: Planning Code - Waiving Certain Development Impact Fees in the Market and Octavia Area Plan
DATE: June 17, 2025

---

Ordinance amending the Planning Code to waive certain development impact fees in the Market and Octavia Area Plan (the Market and Octavia Area Plan and Upper Market Neighborhood Commercial District Affordable Housing Fee, the Market and Octavia Community Improvements Fund, the Van Ness & Market Affordable Housing and Neighborhood Infrastructure Fee, and the Van Ness & Market Community Facilities Fee), to amend the Van Ness & Market Residential Special Use District, to provide that the Market & Octavia Community Advisory Committee shall sunset six months after the effective date of this Ordinance, and to make conforming amendments to some of the definitions in Planning Code Section 401; affirming the Planning Department's determination under the California Environmental Quality Act; and making public necessity, convenience, and welfare findings under Planning Code, Section 302, and findings of consistency with the General Plan and the eight priority policies of Planning Code, Section 101.1.

Should you have any questions, please contact Adam Thongsavat at adam.thongsavat@sfgov.org

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200
SAN FRANCISCO, CALIFORNIA 94102-4681
TELEPHONE: (415) 554-6141