San Francisco Planning

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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

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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 Lily.langlois@sfgov.org, 628-652-7472
Reviewed by:	Rachael Tanner, Director of Citywide Planning 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

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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 Lily.langlois@sfgov.org, 628-652-7472
Reviewed by:	Rachael Tanner, Director of Citywide Planning 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

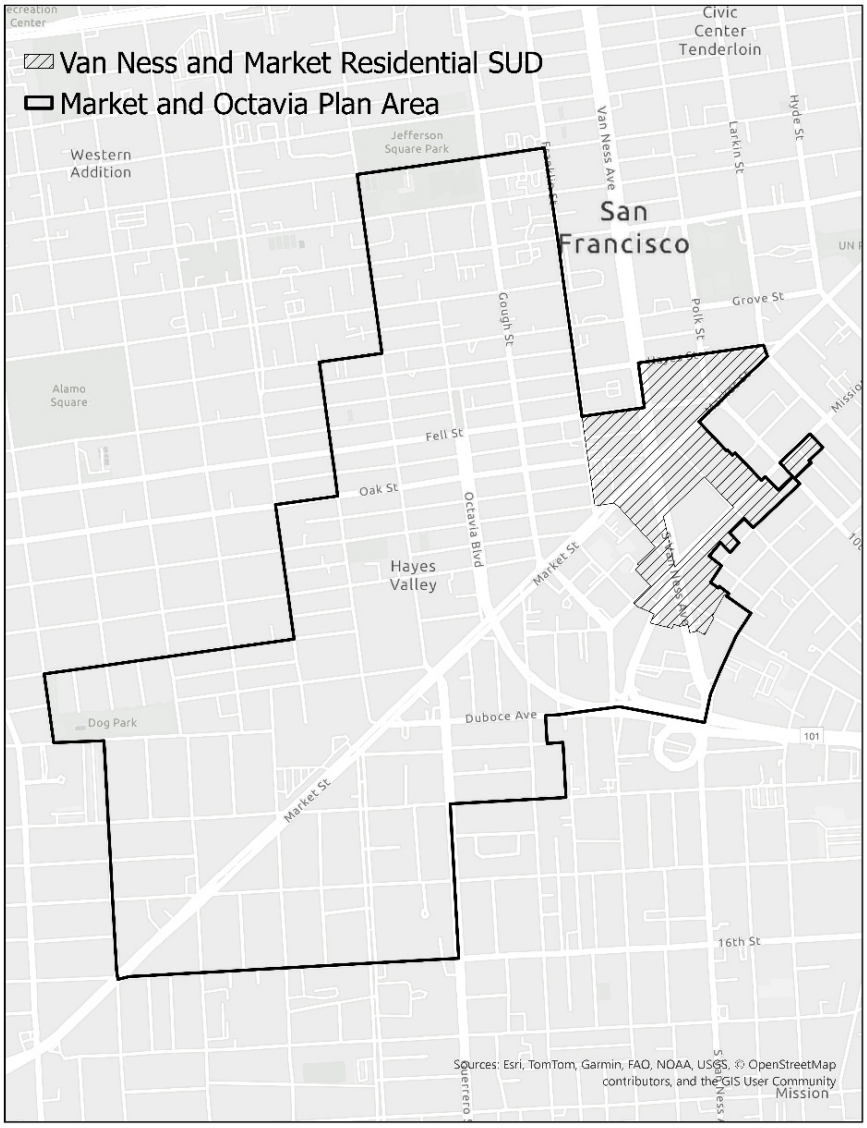
Market and Octavia Plan

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
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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

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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
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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

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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

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

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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