



SAN FRANCISCO PLANNING DEPARTMENT

October 19, 2018

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

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**Re: Transmittal of Planning Department Case Number 2018-010759PCA:
Mission Alcoholic Beverage SUD and Mission St. NCT District
Board File No. 180803
Planning Commission Recommendation: Approval with Modifications**

Dear Ms. Calvillo and Supervisor Ronen,

On October 18, 2018, the Planning Commission conducted duly noticed public hearings at regularly scheduled meetings to consider the proposed Ordinance, introduced by Supervisor Ronen, that would amend the Planning Code to require Conditional Use authorization for Restaurants and prohibit new brewpubs within a subarea of the Mission Alcoholic Beverage Special Use District. It would also amend the Planning Code to establish limits on the number of eating and drinking establishments, require Conditional Use authorization for replacing Legacy Businesses and new Bars, prohibit mergers of commercial space resulting in greater than 1,500 gross square feet, require ground-floor non-residential tenant space for large projects, and expand Philanthropic Service and Light Manufacturing uses in the Mission Street Neighborhood Commercial Transit District. At the hearing the Planning Commission recommended approval with modifications.

The Commission's proposed modifications were as follows:

- Amend Section 759 to allow Non-Retail Professional Services at the Third Floor and above within the MNCT. Limit each Non-Retail Professional Service use to 2,500 gross square feet and to those that can demonstrate active non-profit status.
- Amend the prohibition on the consolidation or merger of existing ground floor commercial spaces that result in a commercial space 1,500 square feet or larger to provide an exemption for projects having submitted to the Planning Department a development application by July 31, 2018.

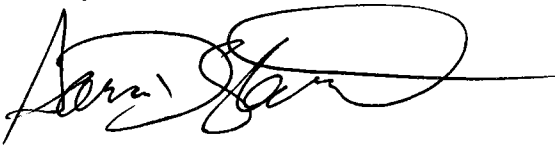
Any project for which a development application, as defined in Planning Code Section 401, that includes the consolidation or merger of existing ground floor commercial spaces and that was submitted by July 31, 2018 shall be exempt from the requirements of Section 754(c)(2)

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.

Supervisor, 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,

A handwritten signature in black ink, appearing to read "Aaron D. Starr". The signature is fluid and cursive, with a long horizontal line extending to the right.

Aaron D. Starr
Manager of Legislative Affairs

cc:

Robb W. Kapla, Deputy City Attorney
Amy Beinart, Aide to Supervisor Ronen
Erica Major, Office of the Clerk of the Board

Attachments:

Planning Commission Resolution
Planning Department Executive Summary



SAN FRANCISCO PLANNING DEPARTMENT

Planning Commission Resolution No. 20316 HEARING DATE OCTOBER 18, 2018

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Project Name: Mission Alcoholic Beverage Special Use District and Mission Street
Neighborhood Commercial Transit District

Case Number: 2018-010759PCA [Board File No. 180803]

Initiated by: Supervisor Ronen / Introduced July 31, 2018

Staff Contact: Diego R Sánchez, Legislative Affairs
diego.sanchez@sfgov.org, 415-575-9082

Reviewed by: Aaron Starr, Manager of Legislative Affairs
aaron.starr@sfgov.org, 415-558-6362

RESOLUTION APPROVING A PROPOSED ORDINANCE WITH MODIFICATIONS THAT WOULD AMEND THE PLANNING CODE TO REQUIRE CONDITIONAL USE AUTHORIZATION FOR RESTAURANTS AND PROHIBIT NEW BREWPUBS WITHIN A SUBAREA OF THE MISSION ALCOHOLIC BEVERAGE SPECIAL USE DISTRICT; ESTABLISH LIMITS ON THE NUMBER OF EATING AND DRINKING ESTABLISHMENTS, REQUIRE CONDITIONAL USE AUTHORIZATION FOR REPLACING LEGACY BUSINESSES AND NEW BARS, PROHIBIT MERGERS OF COMMERCIAL SPACE RESULTING IN GREATER THAN 1,500 GROSS SQUARE FEET, REQUIRE GROUND-FLOOR NON-RESIDENTIAL TENANT SPACE FOR LARGE PROJECTS AND EXPAND PHILANTHROPIC SERVICE AND LIGHT MANUFACTURING USES IN THE MISSION STREET NEIGHBORHOOD COMMERCIAL TRANSIT; ADOPTING FINDINGS, INCLUDING ENVIRONMENTAL FINDINGS, PLANNING CODE SECTION 302 FINDINGS, AND FINDINGS OF CONSISTENCY WITH THE GENERAL PLAN AND PLANNING CODE SECTION 101.1.

WHEREAS, on July 31, 2018 Supervisor Ronen introduced a proposed Ordinance under Board of Supervisors (hereinafter "Board") File Number 180803, which would amend the Planning Code to require Conditional Use authorization for Restaurants and prohibit new brewpubs within a subarea of the Mission Alcoholic Beverage Special Use District; to establish limits on the number of eating and drinking establishments, require Conditional Use authorization for replacing Legacy Businesses and new Bars, prohibit mergers of commercial space resulting in greater than 1,500 gross square feet, require ground-floor non-residential tenant space for large projects, and expand Philanthropic Service and Light Manufacturing uses in the Mission Street Neighborhood Commercial Transit District;

WHEREAS, The Planning Commission (hereinafter "Commission") conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance on October 18, 2018; and,

WHEREAS, the proposed Ordinance has been determined to be categorically exempt from environmental review under the California Environmental Quality Act Section 15060(c) and 15378; 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 1650 Mission Street, Suite 400, 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 **approves with modifications** the proposed ordinance. The modifications include:

1. **Amend Planning Code Section 759 to allow Non-Retail Professional Services at the Third Floor and above within the Mission Street Neighborhood Commercial Transit District. Limit each Non-Retail Professional Service use to 2,500 gross square feet and to those that can demonstrate active non-profit status.**
2. Amend the prohibition on the consolidation or merger of existing ground floor commercial spaces that result in a commercial space 1,500 square feet or larger to provide an exemption for projects having submitted to the Planning Department a development application by July 31, 2018

Any project for which a development application, as defined in Planning Code Section 401, that includes the consolidation or merger of existing ground floor commercial spaces and that was submitted by July 31, 2018 shall be exempt from the requirements of Section 754(c)(2)

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:

1. The Ordinance is the product of a City-Community partnership aimed at addressing the rapidly changing character of the Mission Street retail corridor and the non-residential areas to the east. The proposed Planning Code amendments are the result of approximately one year of stakeholder meetings and deliberation between City staff and Mission area community members.
2. Planning Code amendments in the Mission area should balance the need to preserve neighborhood commercial district character with the need to allow new uses and users into the retail corridor. This can be accomplished by applying restrictive controls on uses already deemed in abundance and by loosening controls on uses that are currently prohibited or desired.

3. The Ordinance increases regulations on uses that are of concern, such as alcohol dispensing establishments, while promoting, preserving or requiring the provision of other neighborhood-serving uses, such as Legacy Businesses, or neighborhood-serving facilities, such as smaller retail tenant spaces.
4. **General Plan Compliance.** The proposed Ordinance and the Commission's recommended modifications are consistent with the following Objectives and Policies of the General Plan:

COMMERCE AND INDUSTRY ELEMENT

OBJECTIVE 1

MANAGE ECONOMIC GROWTH AND CHANGE TO ENSURE ENHANCEMENT OF THE TOTAL CITY LIVING AND WORKING ENVIRONMENT.

Policy 1.1

Encourage development which provides substantial net benefits and minimizes undesirable consequences. Discourage development which has substantial undesirable consequences that cannot be mitigated.

The proposed Ordinance will establish regulations encouraging new uses that are compatible within the Mission Alcoholic Beverage Special Use District and the Mission Street Neighborhood Commercial Transit District. This will help provide substantial net benefits and minimize undesirable consequences.

OBJECTIVE 2

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

Policy 2.1

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

Policy 2.3

Maintain a favorable social and cultural climate in the city in order to enhance its attractiveness as a firm location.

The proposed Ordinance establishes land use controls that encourage the retention of character defining businesses. This helps maintain a favorable social and cultural climate and can attract other compatible commercial activity to the Mission Alcoholic Beverage Special Use District and the Mission Street Neighborhood Commercial Transit District.

OBJECTIVE 3

MAINTAIN PROVIDE EXPANDED EMPLOYMENT OPPORTUNITIES FOR CITY RESIDENTS, PARTICULARLY THE UNEMPLOYED AND ECONOMICALLY DISADVANTAGED.

Policy 3.2

Promote measures designed to increase the number of San Francisco jobs held by San Francisco residents.

Policy 3.3

Emphasize job training and retraining programs that will impart skills necessary for participation in the San Francisco labor.

The proposed Ordinance establishes compatibility findings for new Conditional Uses that can help increase the number of jobs held by San Francisco residents as well as provide job training programs.

OBJECTIVE 6

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

Policy 6.1

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

By requiring Conditional Use authorization to replace a Legacy Business, the proposed Ordinance helps to retain long standing, character defining businesses that provide neighborhood-serving goods and services.

MISSION AREA PLAN

OBJECTIVE 1.1

STRENGTHEN THE MISSION'S EXISTING MIXED USE CHARACTER, WHILE MAINTAINING THE NEIGHBORHOOD AS A PLACE TO LIVE AND WORK

Policy 1.1.3

Maintain the successful Mission Street, 24th Street, and Valencia Street Neighborhood Commercial districts; recognize the proximity to good transit service by eliminating residential density limits and minimum parking requirements.

The proposed Ordinance will establish regulations encouraging new uses that are compatible with the existing, distinctive character of Mission Street.

OBJECTIVE 1.8

MAINTAIN AND STRENGTHEN MISSION'S NEIGHBORHOOD COMMERCIAL AREAS

Policy 1.8.2

Ensure that the Mission's neighborhood commercial districts continue to serve the needs of residents, including immigrant and low-income households.

The proposed Ordinance will establish compatibility findings for new Conditional Uses that can help ensure that the Mission Street corridor continues to serve the needs of residents, including immigrant and low-income households.

OBJECTIVE 7.3

REINFORCE THE IMPORTANCE OF THE MISSION AS THE CENTER OF LATINO LIFE IN SAN FRANCISCO

Policy 7.3.1

Support efforts to preserve and enhance social and cultural institutions.

Policy 7.3.3

Protect and support Latino and other culturally significant local business, structures, property and institutions in the Mission.

The proposed Ordinance will require Conditional Use authorization to replace Legacy Businesses within the Mission Street NCT. These establishments are long standing, character-defining business and institutions that are often culturally significant to the Latino community and are generally important to the Mission as a whole.

5. **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 Ordinance proposes amendments to the Planning Code that would help preserve long standing retail uses within the Mission Street Neighborhood Commercial Transit District.

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 enact land use regulations that help preserve the existing neighborhood character of the Mission area, helping to conserve and protect the cultural and economic diversity of that neighborhood.

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 as the Ordinance concerns itself with the retail composition of the Mission area.

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

Because the Ordinance concerns itself with modifying the land use regulations on retail uses to assure the preservation of neighborhood-serving uses, it 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 because the Ordinance modifies retail controls within the Mission area.

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 because the Ordinance modifies retail controls within the Mission area.

7. That the landmarks and historic buildings be preserved;

Because the Ordinance concerns itself with the land use regulations on retail uses in the Mission area, 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.

6. **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 APPROVES 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 October 18, 2018.



Jonas P. Ionin
Commission Secretary

AYES: Fong, Hillis, Johnson, Koppel, Melgar, Moore

NOES: None

ABSENT: Richards

ADOPTED: October 18, 2018



SAN FRANCISCO PLANNING DEPARTMENT

Executive Summary Planning Code Text Amendment

HEARING DATE: OCTOBER 11, 2018
90-DAY DEADLINE: NOVEMBER 1, 2018

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Project Name: **Mission Alcoholic Beverage Special Use District and Mission Street Neighborhood Commercial Transit District**

Case Number: **2018-010759PCA [Board File No. 180803]**

Initiated by: **Supervisor Ronen / Introduced July 31, 2018**

Staff Contact: **Diego R Sánchez, Legislative Affairs
diego.sanchez@sfgov.org, 415-575-9082**

Reviewed by: **Aaron Starr, Manager of Legislative Affairs
aaron.starr@sfgov.org, 415-558-6362**

Recommendation: **Approval with Modifications**

PLANNING CODE AMENDMENT

The proposed Ordinance would amend the Planning Code to require Conditional Use authorization for Restaurants and prohibit new brewpubs within a subarea of the Mission Alcoholic Beverage Special Use District. It would also amend the Planning Code to establish limits on the number of eating and drinking establishments, require Conditional Use authorization for replacing Legacy Businesses and new Bars, prohibit mergers of commercial space resulting in greater than 1,500 gross square feet, require ground-floor non-residential tenant space for large projects, and expand Philanthropic Service and Light Manufacturing uses in the Mission Street Neighborhood Commercial Transit District.

The Way It Is Now:

Mission Alcoholic Beverage Special Use District

1. Restaurant uses are regulated according to the underlying zoning district in which they are located.
2. Alcoholic Beverage Control (ABC) Type 75 (Brewpub) licenses are allowed in conjunction with a Bona Fide Eating Place.

Mission Street Neighborhood Commercial Transit District

3. The merging of existing ground-floor commercial spaces is regulated by the use size controls which require conditional use authorization for establishing a use 6,000 square feet or larger.
4. There is no requirement for projects larger than 10,000 gross square feet to provide first story non-residential tenant spaces 1,500 gross square feet or smaller and with immediate access to the street frontage.
5. New non-residential uses are not required to secure Conditional Use authorization to occupy a space where the immediately prior use was a Legacy Business solely because the immediately prior use occupying that space was a Legacy Business
6. Light Manufacturing uses are not allowed at any story.
7. Philanthropic Administrative Services are not allowed at any story.

8. Bars are principally permitted at the first and second stories, and Restaurants are principally permitted at the first story.
9. There is no strict quantitative limit on the total number of Eating and Drinking Uses. Concentration of these uses is regulated through underlying zoning districts and the standard concentration guidelines for Eating and Drinking uses found in the General Plan and Planning Code Section 303 (that proposed Eating and Drinking uses increasing the proportion of total occupied commercial frontage above 25% should be reviewed to ensure they do not reduce the variety of neighborhood serving uses and that the concentration of Eating and Drinking uses in the immediate area *should not* exceed 25%, respectively).
10. New commercial uses subject to Conditional Use authorization are not required to make compatibility findings particular to the Mission Street NCT.

The Way It Would Be:

Mission Alcoholic Beverage Special Use District

1. Within a subarea of the Mission Alcoholic Beverage Special Use District, Restaurant uses would require Conditional Use authorization. (*See Exhibit B: Map of subarea of Mission Alcoholic Beverage Special Use District*)
2. ABC Type 75 (Brewpub) licenses would be prohibited within a subarea of the Mission Alcoholic Beverage Special Use District. (*See Exhibit B: Map of subarea of Mission Alcoholic Beverage Special Use District*)

Mission Street Neighborhood Commercial Transit District

3. Mergers of ground floor commercial space resulting in greater than 1,500 gross square feet would be prohibited, except for Legacy Businesses, Arts Activities, and Institutional Community uses.
4. Projects larger than 10,000 gross square feet would be required to provide at least one first story non-residential tenant space not exceeding 1,500 gross square feet with immediate access to the street frontage.
5. Conditional Use authorization would be required for any new non-residential use where the immediately prior use was a Legacy Business and where the property has been vacant for less than three years.
6. Light Manufacturing uses would be allowed at all stories except within first story spaces that front Mission Street.
7. Philanthropic Administrative Services would be allowed at the third story and above, but could not exceed 2,500 gross square feet per individual use.
8. Bars would require Conditional Use authorization at the first and second stories and Restaurants would require Conditional Use authorization at the first story.
9. The total number of Eating and Drinking uses would not be allowed to exceed 167. A new Eating and Drinking use would not be permitted if it would result in a net total of more than 167.
10. New commercial uses subject to Conditional Use authorization would be required to make compatibility findings particular to the Mission Street NCT.

BACKGROUND

Mission Action Plan 2020

Since early 2015, the City has engaged with the Mission neighborhood community groups on the Mission Action Plan 2020 (MAP 2020) to address issues related to gentrification and displacement. MAP 2020

included strategies in seven categories, including tenant protections, affordable housing, and economic development. The focus on economic development emphasizes maintaining and strengthening neighborhood-serving uses and activities. The Planning Commission endorsed the recommendations of MAP 2020 on March 2, 2017. Since then, City staff has continued to work with community stakeholders to develop policies and programs, including new land use regulations, to address concerns around neighborhood character and retail corridor viability. This proposed legislation is the third Planning Code change to implement MAP2020.

Exhibit D of this case report includes the first MAP2020 Annual Status Report, which tracks data on neighborhood trends, and progress on MAP2020 targets and strategies. Of note from the Status Report: a drop in formal evictions in 2017 (to 134) from 175 in 2015; a slowing of the decrease of the Latino population in the neighborhood (holding steady at 39% since 2012 after a significant drop from 50% in 2000 to 38% in 2011); but a continued decline of households with >50% to <100 % of Area Median Income. Future Annual Status updates will aim to include more data on commercial and economic development trends as well as on whether harassment and unlawful evictions are increasing with the decrease in lawful evictions. Ongoing work with the Mission community will identify additional strategies needed to stem displacement and stabilize existing residents, businesses, nonprofits, and arts organizations.

Interim Controls and Community Outreach

On January 19, 2018, then Acting Mayor Breed approved interim zoning controls requiring Conditional Use authorization for Restaurants and Storefront Mergers in the Mission Interim Controls Area.¹ The interim controls expire on April 19, 2019 or upon the adoption of permanent legislation regulating Restaurant uses and Commercial Use sizes in the area. This timeframe allows for the MAP 2020 process to continue to study and generate land use controls aimed at the Mission neighborhood retail corridors.

Through MAP 2020 the City and community stakeholders have continued to study and generate land uses controls aimed at preserving and enhancing the retail corridors in the Mission neighborhood. This process also included extensive outreach to community stakeholders. For example, on April 18, 2018 staff from Planning Department and OEWD led a community meeting at the Women's Building. Department and OEWD Staff also engaged a wide array of community stakeholders about possible amendments to land use regulations. These included the San Francisco Brewers Guild, SFMADE, the Golden Gate Restaurant Association, North East Mission Business Association, Mission Merchants, Central Mission Neighborhood Association, Mission Dolores Neighborhood Association, United to Save the Mission, HOMEY, the Eastern Neighborhoods CAC and in-person visits with individual Mission Street Merchants.

Small Business Commission Hearing

On September 24, 2018 the Small Business Commission (SBC) heard the proposed Ordinance. Staff from Supervisor Ronen's Office, OEWD and the Planning Department presented the proposed Ordinance and answered questions from the SBC. Overall the proposed Ordinance was very well received. The SBC moved unanimously to approve the proposed Ordinance with a recommendation that the number of new

¹ Resolution No. 006-18

<https://sfgov.legistar.com/View.ashx?M=F&ID=5745478&GUID=35D27D37-5D67-4695-A8B7-257E1A8510EE>

accessory food service uses within the Mission Street Neighborhood Commercial Transit District be carefully tracked.

ISSUES AND CONSIDERATIONS

Mission Alcoholic Beverage Special Use District

The Mission Alcoholic Beverage Special Use District was established in 1996 in response to the effects the large number of alcohol dispensing uses had on the area.² It was argued that the alcohol dispensing uses contributed to a number of neighborhood problems including public drunkenness, excessive noise and impacted traffic circulation and parking. These alcohol dispensing establishments and their externalities were thought to discourage or block the entry of neighborhood-serving uses to the area.

At its inception, the Mission Alcoholic Beverage Special Use District prohibited new Bars and new off-sale liquor establishments. Off-sale liquor establishments include liquor stores, convenience markets, and supermarkets with specific State alcohol licenses. Bona fide restaurants, operating under specific conditions, were exempted from the alcohol license prohibitions.

Over time the Mission Alcoholic Beverage Special Use District has been amended. These amendments often loosened restrictions or provided clarifications for improved implementation. For example, Ordinance No. 220-11 allowed bowling alleys and single screen movie theaters to serve alcoholic beverages. Similarly, Ordinance No. 143-14 allowed mini-golf and other entertainment uses integrated with a Restaurant use to serve alcoholic beverages. In general, these amendments were responses to changing needs and perceptions about alcohol dispensing uses and the wellbeing of the neighborhood.

Today many community stakeholders are expressing concern again over the proliferation of alcohol dispensing establishments. New Restaurants and Brewpubs, in particular, are the source of unease. Both uses are allowed to serve not only beer and wine but also distilled spirits with specific State issued alcohol licenses. While healthy retail areas feature these uses, an overabundance can squeeze out other needed uses and foster the disturbances for which the Mission Alcoholic Beverage Special Use District was created to contain. Balancing the retail mix is therefore important to neighborhood wellbeing. Assuring that these uses are desirable and compatible with the neighborhood through the Conditional Use authorization process is one way to achieve a balance. Prohibiting them is another way. In general, closely reviewing or curbing their growth is in line with the original intentions of the Mission Alcoholic Beverage Special Use District.

Character and Retail Mix

Successful neighborhood serving commercial districts tend to reflect the surrounding neighborhood's social character. This is because adjacent residents rely on finding an array of goods and services at accessible price points in the neighborhood commercial district. Successful neighborhood commercial districts often feature unique goods or services that attract consumers from outside the neighborhood as well. It is therefore favorable that no one type of retail or other use dominates the neighborhood commercial district.

² Ordinance No. 256-96

The description and purpose statement of the Mission Street Neighborhood Commercial Transit District (MNCT) aligns with this concept.³ The MNCT, it is noted, provides goods to satisfy daily needs of neighborhood residents and serves a wider trade area through its specialized retail offerings. Amendments to the MNCT should further this purpose in balancing retail corridor composition.

Using the Conditional Use authorization (CU) process is one way to help assure a healthy and balanced retail mix that is compatible with adjacent residents' needs. The standard findings for all CUs require the proposed use to be necessary or desirable for, and compatible with, the neighborhood or the community.⁴ These findings can help vet whether a proposed use is in fact needed within the retail corridor, including the MNCT, or if there exists an overabundance.

In certain areas of the City the land use controls also require specific compatibility findings in the CU process. For example, the North Beach Special Use District requires proposals to be found compatible with the five purposes of the district.⁵ Likewise, the Calle 24 Special Use District requires proposals to be compatible with at least four of the six purposes of the district.⁶ The purposes for each of those Special Use Districts are custom tailored to the needs of the area. For the MNCT specific criteria can be crafted to assure the following goals are met:

- Associated physical improvements are compatible with existing character defining elements of the built environment;
- Legacy Businesses are preserved or enhanced;
- New businesses strive to hire local residents; and
- Through robust outreach, new development responds to community concerns.

Together these findings are intended to assure a balanced and diverse mix of uses within the MNCT that provides for neighborhood-serving, visitor related, and foot traffic generating uses.

Another way to assure a balanced retail mix that responds to adjacent residents' needs is to set a limit on the number of particular uses allowed in the corridor. This can be of particular utility for eating and drinking uses. These uses comprise 25% of all storefront uses in the MNCT. Allowing another 5%, or 22 storefronts, to convert to eating and drinking uses would bring the concentration approximately in line with those of the 24th Street/Mission NCT (32%) and the Valencia Street NCT (33%). This simultaneously allows for new growth but also limits that growth to assure space for other neighborhood-serving uses within the MNCT.

Storefront Size

A neighborhood commercial corridor's character and its success are also influenced by the size and number of its retail establishments. Smaller, fined-grained storefronts lead to more retail offerings, and more visual interests for pedestrians helping create a critical mass of visitors to the district. A compact

³ Planning Code Section 754

⁴ Planning Code Section 303(c)

⁵ Planning Code Section 780.3

⁶ Planning Code Section 249.59

layout and concentration of retail establishments is one factor the OWED State of the Retail Sector report identified as a contributor to commercial corridor success.⁷

Smaller storefront sizes and retail spaces also tend to have lower total lease rates because commercial lease rates are typically based on a square foot basis. Larger spaces generally appeal to well established Formula Retail businesses, which if over represented in a NC District can homogenize a neighborhood so that it is indistinguishable from a standard shopping mall. Smaller storefronts also or provide a lower barrier to entry for new businesses. Landlords can also benefit from smaller retail spaces; deeper and larger spaces can be challenging to lease since they appeal to a limited number of tenants.⁸ The Mission Area Plan also encourages the small sized retail establishments, particularly in the neighborhood commercial areas.⁹

Assuring that Mission Street retains new, smaller-sized retail establishments is important to its character and success. One way to accomplish this is to prohibit the loss of smaller-sized retail spaces by merging them into fewer, larger ones. Another way is to require that new, larger developments provide smaller-sized retail spaces with direct street access. These strategies not only retain the existing stock of smaller tenant spaces but also augment the supply in conjunction with new and larger development.

Increasing Consumer Demand

Neighborhood commercial districts depend on the number and spending power of the households that patronize their businesses. Densely populated areas and areas where household income, either individually or in aggregate, is high are two sources of retail demand. Similarly, employees of firms located within a neighborhood commercial district are also a source of retail demand. Much like neighborhood residents, employees also seek goods and services throughout the day and often into the evening. Attracting uses that bring new patrons to neighborhood commercial districts is one strategy to increase consumer demand for available goods and services.¹⁰ Amending neighborhood commercial district land use controls to allow prohibited uses, such as light manufacturing, administrative service uses or other professional service uses is one way to draw new consumers. Non-Retail Professional Service uses provide services, including management, legal and other consultant services, to other businesses.¹¹ These uses can aptly serve as another source of demand for the goods and services in a neighborhood commercial district like the MNCT.

⁷ State of the Retail Sector: Challenges and Opportunities for San Francisco's Neighborhood Commercial Districts. Final Report. February 15, 2018. Prepared for the San Francisco Office of Economic and Workforce Development by Strategic Economics. Accessed September 6, 2018.

<https://oewd.org/sites/default/files/Invest%20In%20Neighborhoods/State%20of%20the%20Retail%20Sector%20-%20Final%20Report.pdf>

⁸ *Ibid.*

⁹ Mission Area Plan, Objective 1.1 Strengthen the Mission's existing mixed use character, while maintaining the neighborhood as a place to live and work, Policy 1.1.6 Permit and encourage small and moderate size retail establishments in neighborhood commercial areas of the Mission, while allowing larger retail in the formerly industrial areas when part of a mixed-use development.

¹⁰ State of the Retail Sector: Challenges and Opportunities for San Francisco's Neighborhood Commercial Districts.

¹¹ Planning Code Section 102 Definitions

Care must be taken to assure that new uses do not crowd out other uses. This competition for space can result in an escalation in lease rates, and in certain circumstances result in the loss of establishments serving resident's daily needs. Higher lease rates can also prevent new neighborhood serving uses from locating in the corridor as well. To manage this, new uses that do not necessarily serve daily resident needs can be directed toward upper stories within retail corridor buildings or off principal street frontages. This maintains these spaces for those neighborhood serving retail and institutional uses that are vital to the community's wellbeing. Size limitations may also be imposed to assure any one use is not of a magnitude so as to prevent other smaller but similar uses from locating within the retail corridor.

Legacy Businesses

Longtime retailers and institutions greatly influence neighborhood commercial corridor character. By serving as anchors or landmarks, these establishments help develop and define corridor identity. They also lend a sense of place and act as a bridge to the corridor's past. In this way they can draw foot traffic to the retail corridor. Losing these establishments can be harmful to the corridor's character and businesses.¹²

The City's Legacy Business Program and Legacy Business Registry (Registry) recognizes the importance of longstanding retail and institutions to the City's commercial corridors.¹³ Inclusion on the Registry indicates the establishment's significant contribution to a neighborhood's history and/or identity. The process includes nomination by the Mayor or the Board of Supervisors, and review by the Historic Planning Commission and the Small Business Commission. San Francisco's voters bolstered the Registry by approving grant programs for Legacy Businesses and for landlord of properties housing Legacy Businesses.¹⁴

The Registry and accompanying grant programs are ways the City recognizes the contributions of longstanding retailers and institutions. Adding land use controls that help deter the loss of these businesses is another way the City can demonstrate its support. The North Beach Special Use District, the

¹² Commerce and Industry Element, Policy 6.1: Ensure and Encourage the Retention and Provision of Neighborhood-Serving Goods and Services in the City's Neighborhood Commercial Districts, while Recognizing and Encouraging Diversity among the Districts.

¹³ San Francisco Legacy Business Program

<https://sfosb.org/legacy-Business>

San Francisco Administrative Code Section 2A.242, Legacy Business Registry

<https://sfosb.org/legacy-business/registry>

¹⁴ San Francisco Administrative Code Section 2A.243, Legacy Business Historic Preservation Fund

Legacy Business Assistance Grant

<https://sfosb.org/legacy-business/businessgrant>

Legacy Business Rent Stabilization Grant

<https://sfosb.org/legacy-business/rentgrant>

Proposition J, November 2015

<http://www.amlegal.com/pdffiles/sanfran/Admin%20App.%20117.pdf>

Calle 24 Special Use District and the Polk Street Neighborhood Commercial District all require Conditional Use authorization to replace a Legacy Business with another business. This requirement can be extended to other commercial corridors seeking to retain these crucial establishments, including the MNCT.

General Plan Compliance

Commerce and Industry Element

Objective 1: Manage economic growth and change to ensure enhancement of the total City living and working environment.

Policy 1.1: Encourage development which provides substantial net benefits and minimizes undesirable consequences. Discourage development which has substantial undesirable consequences that cannot be mitigated.

The proposed Ordinance will establish regulations encouraging new uses that are compatible within the Mission Alcoholic Beverage SUD and the Mission Street NCT. This will help provide substantial net benefits and minimize undesirable consequences.

Objective 2: Maintain and enhance a sound and diverse economic base and fiscal structure for the City.

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

Policy 2.3: Maintain a favorable social and cultural climate in the city in order to enhance its attractiveness as a firm location.

The proposed Ordinance establishes land use controls that encourage the retention of character defining businesses. This helps maintain a favorable social and cultural climate and can attract other compatible commercial activity to the Mission Alcoholic Beverage SUD and the Mission Street NCT.

Objective 3: Provide expanded employment opportunities for City residents, particularly the unemployed and economically disadvantaged.

Policy 3.2: Promote measures designed to increase the number of San Francisco jobs held by San Francisco residents.

Policy 3.3: Emphasize job training and retraining programs that will impart skills necessary for participation in the San Francisco labor market.

The proposed Ordinance establishes compatibility findings for new Conditional Uses that can help increase the number of jobs held by San Francisco residents as well as provide job training programs.

Objective 6: Maintain and strengthen viable neighborhood commercial areas easily accessible to City residents.

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

By requiring Conditional Use authorization to replace a Legacy Business, the proposed Ordinance helps to retain long standing, character defining businesses that provide neighborhood-serving goods and services.

Mission Area Plan

Objective 1.1: Strengthen the Mission’s existing mixed use character, while maintaining the neighborhood as a place to live and work.

Policy 1.1.3: Maintain the successful Mission Street, 24th Street, and Valencia Street Neighborhood Commercial districts; recognize the proximity to good transit service by eliminating residential density limits and minimum parking requirements.

The proposed Ordinance will establish regulations encouraging new uses that are compatible with the existing, distinctive character of Mission Street.

Objective 1.8: Maintain and strengthen Mission’s neighborhood commercial areas

Policy 1.8.2: Ensure that the Mission’s neighborhood commercial districts continue to serve the needs of residents, including immigrant and low-income households.

The proposed Ordinance will establish compatibility findings for new Conditional Uses that can help ensure that the Mission Street corridor continues to serve the needs of residents, including immigrant and low-income households.

Objective 7.3: Reinforce the importance of the Mission as the Center of Latino Life in San Francisco.

Policy 7.3.1: Support efforts to preserve and enhance social and cultural institutions.

Policy 7.3.3: Protect and support Latino and other culturally significant local business, structures, property and institutions in the Mission.

The proposed Ordinance will require Conditional Use authorization to replace Legacy Businesses within the Mission Street NCT. These establishments are long standing, character-defining business and institutions that are often culturally significant to the Latino community and are generally important to the Mission as a whole.

Implementation

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

RECOMMENDATION

The Department recommends that the Commission *approve with modifications* the proposed Ordinance and adopt the attached Draft Resolution to that effect. The Department’s proposed recommendations are as follows:

1. Modify the Ordinance to allow Non-Retail Professional Services on the Third Floor and above within the Mission Street Neighborhood Commercial Transit District (MNCT). Limit each Non-Retail Professional Service use to 2,500 gross square feet and to those that can demonstrate active non-profit status.

BASIS FOR RECOMMENDATION

The Department supports the Ordinance's intent and proposed Planning Code Amendments to the Mission area land use controls. They represent an attempt to balance preservation of neighborhood and retail corridor character while allowing entry of new uses and users. The proposed Planning Code Amendments are also a product of over six months of stakeholder engagement and as such have been vetted thoroughly.

The Department is proposing one minor modification to the Ordinance regarding allowed uses within the MNCT.

Recommendation 1: Amend Section 759 to allow Non-Retail Professional Services at the Third Floor and above within the MNCT. Limit each Non-Retail Professional Service use to 2,500 gross square feet and to those that can demonstrate active non-profit status. The health of retail corridors depends upon demand for the goods and services offered there. Demand for the goods and services offered in the MNCT comes from many sources, including employees of firms located in the corridor. Expanding the types of firms allowed to locate in the MNCT can augment this demand. Allowing Non-Retail Professional Services within the MNCT is one way to help augment demand. Restrictions on the location of new Non-Retail Professional Service firms to the third floor and above, to their size and to active non-profit status can help balance concern of these firms contributing to the gentrification of the corridor by occupying tenant spaces aimed at establishments serving the daily needs of neighborhood residents.

REQUIRED COMMISSION ACTION

The proposed Ordinance is before the Commission so that it may approve it, reject it, or approve it with modifications.

ENVIRONMENTAL REVIEW

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.

PUBLIC COMMENT

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

Attachments:

- Exhibit A: Draft Planning Commission Resolution
- Exhibit B: Map of subarea of Mission Alcoholic Beverage Special Use District
- Exhibit C: Board of Supervisors File No. 180803
- Exhibit D: MAP2020 Annual Status Report