

**MARKET AND OCTAVIA
AREA PLAN
HUB PUBLIC BENEFITS
PROGRAM**

Last Updated July 2020

HUB PUBLIC BENEFITS PROGRAM

The vision for the Hub is one with more housing, especially affordable housing, safer, walkable streets, active public spaces; increased transit capacity, and neighborhood services and amenities to serve a diverse population. The Hub sits within the most eastern boundary of the Market and Octavia Plan which came out of a robust ten year community planning effort. The Hub is fortunate enough to be located in a transit-rich part of the City. A multitude of major transit lines run through the neighborhood, all MUNI metro lines stop at Van Ness Station, a new bus rapid transit line is under construction on Van Ness Avenue and major improvements are planned for Market Street.

With space for approximately 12,000 housing units and 11,400 jobs, as the area grows and evolves over the next 20 years, the Hub area will require significant investments in infrastructure to meet the needs of a growing residential population. As such, the City places requirements on new development to help ameliorate and mitigate its impacts. These requirements and controls will result in approximately \$958 million in public benefits to serve the neighborhood – compared to the estimated \$728 million in revenues that could be generated under the existing zoning.

The purpose of this Public Benefits Program Document is to summarize the Plan’s public infrastructure program, sources of funding, relative allocation of revenues from the various sources among the infrastructure projects, and implementation processes and mechanisms. It includes the following sections:

1. **Process:** This section briefly outlines the process of developing the implementation program and strategy for the Hub, including describing the supporting needs assessments, community outreach and interagency process, and technical analyses.
2. **Public Benefits Package:** This section outlines a range of infrastructure and services that may serve new growth anticipated under the Plan, including a description of the implementing agencies/ organizations and anticipated timeline for delivery.
3. **Funding Strategy:** This section describes the requirements on new development to finance the improvements proposed in the Public Benefits Package.
4. **Administration & Monitoring:** This section describes the interagency processes for ensuring coordination during the plan implementation period, as well as procedures for ongoing monitoring to ensure that the Plan’s objectives are being met.

Several of the funding and implementation processes are legally established and more thoroughly described in other City codes and ordinances, including the Planning Code and Administrative Code. Also note that these proposals are designed to be consistent with the requirements of California Mitigation Fee Act and all proposed development impact fees have been evaluated against relevant maximum justified nexus amounts, where applicable.¹

1 Pursuant to the California Mitigation Fee Act (CA Government code § 66000 et seq.), Cities may enact development impact fee requirements provided they are roughly proportional in nature and extent to the impact of the new development.

I. PROCESS

The Planning Department worked closely with other agencies and stakeholders to develop the public benefits, financing, and administration strategies described in this Implementation Plan. Concepts for infrastructure and public benefits were first developed for the Public Realm Plan in March 2017, and further refined through additional outreach leading up to adoption hearings at the end of 2019. The Department held a series of public meetings and targeted outreach to neighborhood groups and the Market and Octavia Community Advisory Committee to solicit public feedback on needs and funding priorities for public benefits.

This document describes the list of infrastructure projects that has been prioritized based on City and community feedback. It may not reflect the entire scope of possible infrastructure and service needs in the Plan Area, nor the longer term needs beyond the life of the Plan (anticipated as 20 years). It reflects public input on key neighborhood priorities and needs, informed by feedback from implementing agencies on project feasibility and cost. The public benefits identified may require further scoping and analysis on project design, financial feasibility, environmental review, and implementation. Project scoping and planning has already begun for a number of the City agency projects identified here, with the goal of having projects ready for construction by the time that funding generated by the Plan becomes available. In addition, project scoping and planning has already begun for a number of the infrastructure projects that will be delivered by the private sector in coordination with the development project.

Approval of the Implementation Program does not bind the City to approving or proceeding with any of the projects described in this Public Benefits Program. The City may modify this list of projects in the future, as the neighborhood evolves, new needs are identified, and/or any additional required environmental review is completed. Any such process would involve substantial public input and would require a revision to this Implementation Document. As described further in Section IV (Administration & Monitoring), oversight for implementation of this plan will be shared among various public agencies and elected officials, with input from the public through the Community Advisory Committee (CAC) and other events or hearings. These regulatory bodies will be responsible for overseeing ongoing capital planning efforts, including: financial reporting and monitoring; deliberation regarding the sequencing and prioritization of expenditures; and if necessary, modifications to the Implementation Document, which would require ultimate approval by the Board of Supervisors.

II. PUBLIC BENEFITS PACKAGE

Public benefits are goods and services expected to be generated by new development that typically: 1) support the broader community’s wellbeing; 2) are not provided voluntarily by the private sector (or at least not in sufficient quantity or quality to meet demand); and, 3) require some sort of subsidy or opportunity cost (e.g. public or private funding) to create, operate, and maintain. Common types of public benefits include affordable housing, parks, and transit service. In order to fund public benefits, government agencies utilize “value capture” strategies – such as development requirements, taxes, fees, or other exactions. These strategies are often implemented concurrent to investments in public infrastructure (such as new transit service) or increases in development potential for property owners. The public benefits generated through these strategies are typically delivered through one or more of the following two mechanisms:

- **Direct provision of benefit by a specific development project** (e.g. on-site affordable housing units or the provision of Privately Owned Public Open Spaces (POPOS) or an in-kind improvement. These public benefits are typically provided at the same time as the new development or shortly thereafter.
- **One-time impact fees** paid when a project is ready for construction, such as citywide (e.g. Child Care Fee) and area plan fees (e.g. Market Octavia Community Infrastructure Fee).

This section describes the public benefits and the key funding sources expected to be generated by the Plan. There are five categories of public benefits that may be funded by development in the Hub in support of the Goals, Objectives, and Policies outlined in the Market and Octavia Area Plan. Table 1 summarizes the maximum amount of impact fee that is estimated for this area over time. The table also summarizes how the revenues generated by Plan may be allocated among these public benefits, accompanied by a detailed discussion of each category of public benefit provided in order of allocated funding.¹

¹ All dollar amounts expressed here are in 2019 dollars. Actual average revenues collected each year will be higher, due to scheduled tax rate escalation as well as indexing of City fees (which are escalated annually to reflect construction costs).

MARKET AND OCTAVIA AREA PLAN HUB PUBLIC BENEFITS PACKAGE

TABLE 1A. BENEFITS SUMMARY (IN 2019 DOLLARS)

BENEFIT	TOTAL REVENUES	ALLOCATION (%)
Affordable Housing	\$682,000,000	70%
New on-site units and affordable housing resources	\$682,000,000	70%
Transit	\$116,000,000	12%
Improvements to transit service and capacity including modernization of Van Ness Station	\$116,000,000	12%
Parks & Recreation*	\$32,000,000	3%
New Park at 11th and Natoma	7,500,000	.78%
Improvements to Buchanan Mall	7,500,000	.78%
Improvements to Koshland Park	2,000,000	.21%
New/Improved Civic Center Public Spaces	7,500,000	.78%
Other open spaces in the Plan Area TBD	7,500,000	.78%
Complete Streets*	\$71,000,000	7%
Priority 1:	11th Street (Market Street to Bryant Street)	
Redesign of major streets in the Plan Area to be safe and comfortable for people walking, biking, and on transit.	12th Street (Market Street to Mission Street) and 12th/Otis Plaza	
	13th Street (Valencia Street to Folsom Street)	
	Gough Street (Stevenson Street to Otis Street)	
	Market Street (11th Street to 12th Street)	
	Oak Street (Franklin Street to Van Ness Avenue) and Oak/Van Ness Plaza	
	Otis Street (Duboce Avenue to South Van Ness Avenue)	
	South Van Ness Avenue (Mission Street to 13th Street)	
	Valencia Street (Market Street to 15th Street) and Valencia Hub	
	Priority 2:	Brady Street (Market Street to Otis Street)
Living Alleys	Chase Court	
	Colton Street (Gough Street to Colusa Place)	
	Colusa Place	
	Stevenson Street (Gough Street to 12th Street)	
	Jessie Street (off McCoppin)	
	Lafayette Street (Mission Street to Howard Street)	
	Lily Street (Franklin to Gough Street)	
	Minna Street (10th Street to Lafayette Street)	
	Plum Street (Mission Street to South Van Ness Avenue)	
Rose Street (Gough Street to Market Street)		
Schools & Childcare	\$57,000,000	6%
New childcare centers	\$20,000,000	2%
Capital investments in schools serving K-12 population	\$37,000,000	4%
Community Facilities	\$7,000,000	.73%
Funding for new community facilities, including arts/cultural, social welfare and community health	\$7,000,000	.73%
TOTAL	\$965,000,000	100%

* This represents the maximum amount of impact fee money that could be generated for this infrastructure category. It does not represent the full cost of delivering the projects listed. The projects listed could be funded by a combination of revenue sources including impact fees. Numbers are rounded to the highest number.

MARKET AND OCTAVIA AREA PLAN HUB PUBLIC BENEFITS PACKAGE

TABLE 1B. DETAILED FUNDING SOURCES AND USES (IN 2019 DOLLARS)

PUBLIC BENEFIT	Direct Provision By New Development	Market Octavia + Van Ness And Market Sud Infrastructure Fee (\$421 And 424)	Transportation Sustainability Fee (\$411A)	Market Octavia + Van Ness And Market Sud Affordable Housing Fee (\$416 And 424)	School Impact Fee (Ca Ed. Code §17620)	Child Care Fee (\$414 and 414(A))	Community Facilities Fee (\$425)	TOTAL (BY CATEGORY)	% SHARE
Affordable Housing	\$528,000,000			\$154,000,000				\$682,000,000	70%
Transit		\$34,000,000	\$82,000,000					\$116,00,000	12%
Parks & Recreation		\$32,000,000						\$32,000,000	3%
Complete Streets		\$68,000,000	\$3,000,000					\$71,000,000	7%
Schools & Childcare					\$37,000,000	\$20,000,000		\$57,000,000	6%
Community Facilities							\$7,000,000	\$7,000,000	.73%
TOTAL (BY SOURCE)	\$528,000,000	\$134,000,000	\$85,000,000	\$154,000,000	\$37,000,000	\$20,000,000	\$7,000,000	\$965,000,000	100%

NOTE: Over the course of Plan build out (roughly 25 years), the City expects to allocate funds among the public benefit categories in the amounts listed (or proportionally according to the category allocation percentages listed, should the final amount of revenues differ from what is shown here). However, the sequence of fund disbursement will be determined based on a variety of factors, including project readiness, community priorities, completion of any additional required environmental review, and other funding opportunities. The list of specific projects is subject to change and is not legally binding.

III. FUNDING STRATEGY

Affordable Housing

Market and Octavia Area Plan Objective 2.4, states that “Provide increased housing opportunities affordable to households at varying income levels”. The Hub area could have up to 2,200 affordable units. This includes an additional 430 affordable units that could be generated by the proposed amendment to the Market and Octavia Area Plan. The Market and Octavia Area Plan requires that the Market and Octavia Affordable Housing fee be spent in order of priority; (1) within the Market and Octavia Plan Area and the Upper Market NCT District, (2) within 1 mile of the Market and Octavia Plan Area and the Upper Market NCT District, and (3) citywide. As part of the Market Octavia Plan Amendment, the priorities for the Van Ness and Market Special Use District Affordable Housing fee are being established.

TABLE 2. TOTAL ESTIMATED COSTS AFFORDABLE HOUSING

BENEFIT	TOTAL REVENUES	FUNDING SOURCES	DESCRIPTION	LEAD AGENCIES
2,200 BMR units	\$525,800,000	Inclusionary Housing Program (Planning Code Section (Sec.) 415)	Applicable to new residential projects. Individual developments may choose how to satisfy the program requirements, but revenues are generally expected to be split 50-50 between: 1) on-site Inclusionary Housing Program units provided directly by development projects; and, 2) off-site Inclusionary Housing units or units provided by MOHCD, funded by payment of the Affordable Housing Fee	MOHCD
643 BMR units	\$154,000,000	Market and Octavia Area Plan and Upper Market Neighborhood Commercial District Affordable Housing Fee (Sec. 416); Van Ness and Market Affordable Housing and Neighborhood Infrastructure Fee and Program (Sec 424)	Applicable to new residential projects.	MOHCD
TOTAL	\$682,000,000			

DELIVERY AND TIMING

All of the funding sources for below-market rate (BMR) units in the Plan Area are provided through either direct provision or impact fees paid by new developments. As such, the delivery of BMR units is highly dependent on the volume of new development. On-site and off-site BMR units provided through the Inclusionary Housing Program are expected to be provided at the same time as market rate units of the affiliated project.

BMR units funded through impact fees at the time of development are directed to the Mayor’s Office of Housing and Community Development (MOHCD), which uses the money to identify and purchase sites and construct new affordable housing units, often in conjunction with nonprofit housing developers.

MOHCD may need to assemble the impact fees from several market-rate projects to obtain sufficient funds for each new affordable housing project. Thus, the development of these units may lag behind the market rate units, unless additional affordable housing funds are directed to the Plan Area in the interim.

In addition, MOHCD is increasingly exploring affordable housing preservation strategies, in which they convert existing housing units (such as rent-controlled apartments) into permanently affordable BMR units. The City’s Small Sites Program is one such tool, funding acquisition and rehabilitation of 5-to-25-unit rental buildings. The Hub could rely on both production and preservation strategies outlined in the Community Stabilization Initiative¹ in order to achieve the Plan’s affordable housing goals.

Transit

Market and Octavia Area Plan Objective 5.1, states that “Improve public transit to make it more reliable, attractive, convenient, and responsive to increasing demand”. New and enhanced public transportation infrastructure is fundamental to accommodating new housing units in this area.

TABLE 3. TOTAL ESTIMATED COSTS – TRANSIT

BENEFIT	TOTAL REVENUES	FUNDING SOURCES	DESCRIPTION	LEAD AGENCIES
Improvements to transit service and capacity including modernization of Van Ness Station	\$116,000,000	Transportation Sustainability Fee (TSF) (Sec. 411A); Market and Octavia Infrastructure Impact Fee (Sec. 421); Van Ness Market Special Use District Infrastructure Fund (Sec 424)	Funds may go to SFMTA to improve transit service and capacity including modernization of Van Ness Station.	SFMTA
TOTAL	\$116,000,000			

DELIVERY AND TIMING

Funds for local transit improvements would be directed to and administered by the San Francisco Municipal Transportation Agency (SFMTA). The funds derived from impact fees (the TSF, Market Octavia Infrastructure Impact Fee, and the Van Ness and Market Special Use District Infrastructure Impact Fee) will accrue as development projects receive their building permits, and are thus tied directly to the rate of new development.

In addition, the portion of revenues from Market Octavia Infrastructure Impact Fee and the Van Ness and Market Special Use District Infrastructure Impact Fee are programmed through the Interagency Plan Implementation Committee (IPIC) and the Market and Octavia Community Advisory Committee (MOCAC), described further in Section IV. The MOCAC, comprised of community stakeholders, provides annual recommendations for how to allocate fee revenues to high priority public projects. These proposals are subsequently evaluated, modified, and approved by the IPIC and the City Capital Planning Committee, and included in the City’s annual Capital Budget and 10-year Capital Plan (adopted biennially).

¹ <https://sfplanning.org/community-stabilization-strategy>

Parks & Recreation

Market and Octavia Area Plan Objective 7.2 states “Establish a functional, attractive and well-integrated system of public streets and open spaces in the Hub to improve the public realm”. Because the Hub is a relatively small area, many of the opportunities to create significant new parks and open spaces fall just outside the Plan area boundary. The Plan proposes to expand the area in which impact fee money can be spent to make improvements to existing facilities and create new open space opportunities to serve a wide variety of needs.

TABLE 4. TOTAL ESTIMATED COSTS – PARKS & RECREATION¹

BENEFIT	TOTAL REVENUES	FUNDING SOURCES ²	DESCRIPTION	LEAD AGENCIES
New Park at 11th and Natoma	\$7,500,000	Market and Octavia Infrastructure Impact Fee (Sec. 421); Van Ness Market Special Use District Infrastructure Fund (Sec 424)	Development of a new park on 11th and Natoma.	Rec & Park
Improvements to Buchanan Mall	\$7,500,000	Market and Octavia Infrastructure Impact Fee (Sec. 421); Van Ness Market Special Use District Infrastructure Fund (Sec 424)	Enhancement/expansion of existing facility to accommodate growth in demand.	Rec & Park
Improvements to Koshland Park	\$2,000,000	Market and Octavia Infrastructure Impact Fee (Sec. 421); Van Ness Market Special Use District Infrastructure Fund (Sec 424)	Enhancement/expansion of existing facility to accommodate growth in demand.	Rec & Park
New / Improved Civic Center Spaces	\$7,500,000	Market and Octavia Infrastructure Impact Fee (Sec. 421); Van Ness Market Special Use District Infrastructure Fund (Sec 424)	Enhancement/expansion of existing facility to accommodate growth in demand.	Rec & Park
Other open spaces in the Plan Area TBD	\$7,500,000	Market and Octavia Infrastructure Impact Fee (Sec. 421); Van Ness Market Special Use District Infrastructure Fund (Sec 424)	Development of a new parks or recreation amenities in the Plan area to accommodate new growth.	Rec & Park
TOTAL	\$32,000,000			

DELIVERY AND TIMING

Revenues from impact fees will accrue concurrently with the pace of new development. The prioritization of projects is conveyed in table 4, with the highest priority for funding at the top of the table. However, this order may be amended, through input from the Market and Octavia Community Advisory Committee and Interagency Plan Implementation Committee, policy makers, and other public feedback, based on timing considerations (such as shovel readiness) and financial considerations (such as leveraging other funds).

¹ This list of projects is ordered by priority, based on community feedback and discussions with the Recreation and Parks Department. It is not legally binding and is subject to change in response to future open space opportunities and priorities in the Plan Area. The cost of parks and recreational benefits is highly subject to design decisions and identification of complementary funding sources. If the benefits listed all cost the City the maximum foreseeable, then the sum of these benefits will exceed the amount allocated.

Complete Streets

Market and Octavia Area Plan Objective 7.2 states “Establish a functional, attractive and well-integrated system of public streets and open spaces in the Hub to improve the public realm”. The current network of streets in the Plan Area provides a poor experience for people walking and riding bikes. In addition, with the freeway on and off ramps directly adjacent to this area, there is a strong presence of cars. The Plan calls for improvements to make walking and biking more safe and convenient, and encourage people to drive less. Funding generated by new development may be used to transform the vast majority of all major streets in the Plan Area into high quality streets for walking, biking, and transit.

TABLE 5. TOTAL ESTIMATED COSTS – COMPLETE STREETS

BENEFIT	TOTAL REVENUES	FUNDING SOURCES	DESCRIPTION	LEAD AGENCIES
Redesign of all major streets in the Plan Area		Transportation Sustainability Fee (TSF) (Sec. 411A); Market and Octavia Infrastructure Impact Fee (Sec. 421); Van Ness Market Special Use District Infrastructure Fund (Sec 424)	Redesign of all major streets (including portions of 11th, 12th, 13th, Gough, Market, Oak, Otis, South Van Ness, and Valencia Streets)	SFMTA, Public Works
Living Alleys		Transportation Sustainability Fee (TSF) (Sec. 411A); Market and Octavia Infrastructure Impact Fee (Sec. 421); Van Ness Market Special Use District Infrastructure Fund (Sec 424)	Create new living alleys in the plan area	Public Works
TOTAL	\$71,000,000			

DELIVERY AND TIMING

All funding dedicated to complete streets would be directed to the SFMTA and San Francisco Department of Public Works (Public Works) for planning, design, and construction. These funds are projected to be used in combination with other funding sources to redesign the vast majority of the major streets in the Plan Area and construct new living alleys. The Hub Public Realm Plan includes conceptual designs for the major streets, each street will need to undergo a more detailed design process, incorporating additional public feedback and environmental review as necessary, and including opportunities for incorporating environmental sustainability and green landscaping elements. Although improving the major streets is the highest priority, improvements may also be implemented to create more living alleys in the Plan Area as funding allows. Within the major streets, prioritization will be set by SFMTA and Public Works.

As noted in the Transit section above, revenues from the Market and Octavia Infrastructure Impact Fees receive additional oversight through the Market and Octavia Community Advisory Committee and the IPIIC.

Alternatively, some improvements may be provided directly by private development in order to meet minimum Better Streets Plan requirements or to satisfy an In-Kind Agreement. These improvements would be completed at the same time as the affiliated development project.

Schools and Child Care

In terms of schools and child care, the Plan Area is expected to see an increase in the number of children as it continues to transition from a primarily industrial neighborhood to a mixed-use hub. The Plan will generate funding to meet the demand for schools and childcare for youth ages 0-18 through existing City impact fees.

TABLE 6. TOTAL ESTIMATED COSTS – SCHOOLS & CHILDCARE

BENEFIT	TOTAL REVENUES	FUNDING SOURCES	DESCRIPTION	LEAD AGENCIES
Schools	\$37,000,000	School Impact Fee (State Education Code Sec. 17620)	Impact fees to meet demand for school facilities to serve growth generated within the Plan Area.	SFUSD
Childcare	\$20,000,000	Child Care Fee (Sec. 414, 414A); Market Octavia Impact Fee (Sec. 414 and 414.A)	Impact fees to meet demand for child care facilities to serve growth, located within the Plan area.	HSA Office of Early Care & Education
TOTAL	\$57,000,000			

DELIVERY AND TIMING

The School Impact Fee will accrue at the time projects receive building permits. It is directed to the San Francisco Unified School District for use at their discretion throughout the city. New school facilities are expected to serve a broader area than just the Market and Octavia Plan Area and will cost significantly more than the funds generated by the fees in the Plan Area. Additional fees, including those collected by the School Impact Fee in previous years, will be required to accrue enough to build new facilities.

Funds from the Child Care Fee and Market and Octavia Infrastructure Impact Fee will accrue at the time projects receive building permits. They will go to the Child Care Facilities Fund, which is administered jointly by the City’s Human Services Agency Office of Early Care and Education and the Low-Income Investment Fund (LIIF). The Child Care Fee money can be spent throughout the City, while the Market Octavia fee must be spent within 1,250 feet of the Plan Area. Child care facilities are less costly than school facilities and might come online sooner. New developments have the option to satisfy their entire Market Octavia Neighborhoods Impact Fee requirement by directly providing publicly-accessible child care on-site through an In-Kind Agreement (IKA), which could result in faster delivery of services.

Community Facilities

The Plan will generate funding for new community facilities in the plan area and the adjacent neighborhoods. Facilities could include Arts/Cultural Facilities, Social Welfare Facilities, and/or Community Health Facilities

TABLE 7. TOTAL ESTIMATED COSTS – COMMUNITY FACILITIES

BENEFIT	TOTAL REVENUES	FUNDING SOURCES	DESCRIPTION	LEAD AGENCIES
Community Facilities	\$7,000,000	Community Facilities Fee (Section 425)	Impact fees to fund community facilities	MOHCD
TOTAL	\$7,000,000			

IV. ADMINISTRATION & MONITORING

Implementation of the Market Octavia Area Plan requires collaboration among a diverse group of stakeholders, city agencies, community members, and private actors. This section describes the interagency governance bodies and processes that are responsible for overseeing implementation of the Market and Octavia Area Plan and its public benefits. In addition, a number of the aforementioned funding sources each have their own processes for implementation, administration, and monitoring.

PLAN IMPLEMENTATION GOVERNANCE ENTITIES

San Francisco Controller's Office

The Controller serves as the chief accounting officer and auditor for the City and County of San Francisco, and is responsible for governance and conduct of key aspects of the City's financial operations. The office plays a key role in implementing area plans by managing the City's bonds and debt portfolio, and processing and monitoring the City's budget. The department produces regular reports and audits on the City's financial and economic condition and the operations and performance of City government.

The Controller's Office, working in concert with the Mayor's Office, IPIC, and other entities mentioned below, is responsible for overseeing a funding prioritization process for the Market and Octavia Area Plan to help ensure that funds are allocated to public benefits in a logical and equitable manner.

The City is required to regularly report on impact fees revenues and expenditures. San Francisco Planning Code Article 4, Section 409 requires the San Francisco Controller's Office to issue a biennial Citywide Development Impact Fee Report¹ including:

- All development fees collected during the prior two fiscal years, organized by development fee account;
- All cumulative monies collected and expended over the life of each fee;
- The number of projects that elected to satisfy development impact requirements through in-kind improvements;
- Any annual construction cost inflation adjustments to fees made using the Annual Infrastructure Construction Cost Inflation Estimate published by the Office of the City Administrator's Office of Resilience and Capital Planning; and
- Other information required pursuant to the California Mitigation Fee Act Government Code Section 66001, including: fee rate and description; the beginning and ending balance of the fee account; the amount of fees collected and interest earned; an identification of each public improvement on which fees were expended and the percentage of the cost of the improvement funded with fees; an approximate construction start date; and a description of any transfers or loans made from the account.

¹ The FY2014-2015 and 2015-2016 report is available at: <https://sfcontroller.org/sites/default/files/Documents/Budget/FY2014-15%20&%20FY2015-16%20Biennial%20Development%20Impact%20Fee%20Report.pdf>

Capital Planning Committee

The Capital Planning Committee (CPC) makes recommendations to the Mayor and Board of Supervisors on all of the City's capital expenditures. The CPC annually reviews and approves the 10-year Capital Plan, Capital Budget, and issuances of long-term debt. The CPC is chaired by the City Administrator and includes the President of the Board of Supervisors, the Mayor's Finance Director, the Controller, the City Planning Director, the Director of Public Works, the Airport Director, the Executive Director of the Municipal Transportation Agency, the General Manager of the Public Utilities System, the General Manager of the Recreation and Parks Department, and the Executive Director of the Port of San Francisco.

The IPIC fee revenue budgets and associated agency project work programs / budgets are incorporated as part of the 10-year Capital Plan. Updated every odd-numbered year, the Plan is a fiscally constrained expenditure plan that lays out infrastructure investments over the next decade. The Capital Plan recommends projects based on the availability of funding from various sources and the relative priority of each project. Enterprise departments (such as the San Francisco International Airport and Public Utilities Commission) can meet most needs from usage fees and rate payers. However, other fundamental programs that serve the general public (such as streets and fire stations) rely primarily on funding from the City's General Fund and debt financing programs.

Interagency Plan Implementation Committee (IPIC)

The Interagency Plan Implementation Committee (IPIC) is comprised of City staff members from various City Departments who are collectively charged with implementing capital improvements in connection with the City's Area Plans: Eastern Neighborhoods (comprised of separate Area Plans for Central SoMa, Central Waterfront, East Soma, Mission, Showplace Square / Potrero, and Western Soma), Market and Octavia, Rincon Hill, Transit Center District, Balboa Park and Visitacion Valley (including the Executive Park Subarea Plan and the Schlage Lock Master Development). Developments within these area plan boundaries are required to pay impact fees specific to the respective Plan geographies, which are allocated through the IPIC and Capital Planning processes towards priority projects and other infrastructure needed to serve new growth.

The IPIC is required to develop a capital plan for each Plan Area and an Annual Progress Report indicating the status of implementation of each of the Area Plans. This report includes a summary of the individual development projects (public and private) that have been approved during the report period, progress updates regarding implementation of the various community improvements in accordance with the Plan's projected phasing, and proposed departmental work programs and budgets for the coming fiscal year that describe the steps to be taken by each responsible department, office, or agency to implement community improvements in each plan area. The IPIC Annual Progress Report is heard each year before the Capital Planning Committee, the Planning Commission, and the Land Use and Economic Development Committee of the Board of Supervisors prior to finalization of the report. In addition, the IPIC Annual Progress Report, impact fee allocations, and related agency work programs and budgets are inputs to the City's 10-year Capital Plan, developed by the Capital Planning Committee.

Market and Octavia Community Advisory Committee (MOCAC)

The Market and Octavia Citizens Advisory Committee (MOCAC) is the central community advisory body charged with providing input to City agencies and decision makers with regard to all activities related to implementation of the Market and Octavia Area Plans. The group was established as part of the Market and Octavia Area Plan, and is comprised of 7 members representing the diversity of the plan areas, including renters, homeowners, low-income residents, local merchants, and established neighborhood groups within the Plan area.¹

The MOCAC is established for the purposes of providing input on the prioritization of public benefits, updating the community improvements program, relaying information to community members regarding the status of development proposals in the Market and Octavia Plan Area, and providing input to plan area monitoring efforts as appropriate (described further in the Plan Monitoring & Reporting section below). The MOCAC serves an advisory role, as appropriate, to the Planning Department, the IPIC, the Planning Commission, and the Board of Supervisors.

The MOCAC also advises on the allocation of development fees to public benefits in the Market and Octavia Plan Area. These recommendations are advisory, as an input to the IPIC and Capital Planning Committee processes described above.

PLAN MONITORING & REPORTING

City agencies are required to monitor and report on the implementation of the Market and Octavia Area Plan. The Planning Department, in coordination with the MOCAC, is required to produce the Market and Octavia Monitoring Report (scheduled to be updated in 2020, and at five-year intervals thereafter). This community and data-driven report provides information on the housing supply and development, commercial activities and transportation in the plan area. The report is required to be presented to the Board of Supervisors, Planning Commission, the Citizens Advisory Committee and Mayor.

¹ More information is available at: <https://sfplanning.org/project/market-octavia-community-advisory-committee-cac>

V. DESCRIPTION OF MARKET AND OCTAVIA AREA PLAN FUNDING SOURCES

This section provides further information on the purpose, administration, and uses of various funding sources at time of Plan Adoption. For the most updated information on these funding sources, consult the Planning Code and associated legislation.

AFFORDABLE HOUSING

Inclusionary Housing Program (Sec. 415)

The Inclusionary Housing Program (Planning Code §415) requires new market-rate residential development projects to provide funding for affordable housing, either through direct on-site provision or via payment of the Affordable Housing Fee. Revenues from this Fee are directed to the Mayor's Office of Housing and Community Development (MOHCD), which utilizes the Fee to develop 100 percent affordable housing development and/or preservation of existing affordable units. Revenues from the Affordable Housing Fee may typically be used anywhere within the city. However, as discussed in Section III above, fees generated by projects within Market and Octavia Plan Area are required to be expended in order of priority, (1) within Market and Octavia, (2) within 1 mile of Market and Octavia, and (3) Citywide.

Jobs-Housing Linkage Fee (Sec. 413)

The Jobs-Housing Linkage Fee (§413) is a citywide impact fee levied on new non-residential developments of 25,000 GSF or greater. Revenues from this Fee are directed to MOHCD, which utilizes the Fee to develop 100 percent affordable housing development and/or preservation of existing affordable units. Revenues from the Jobs-Housing Linkage Fee may typically be used anywhere within the city.

TRANSPORTATION

Transportation Sustainability Fee (Sec. 411A)

The Transportation Sustainability Fee (TSF; §411A) is a citywide impact fee assessed on both Residential and Nonresidential development, with funds directed to the Controller's Office and the San Francisco Municipal Transportation Agency (SFMTA) for programming and administration. Funds are allocated to projects specified in the Expenditure Program shown in table 8 below: state of good repair projects (capital maintenance), system capacity expansion, complete streets projects, and regional transit improvements. Some uses are exempt from paying the fee, including smaller market-rate residential projects (20 units or fewer), 100% affordable housing projects, and most nonprofit owned and operated uses. Although TSF funds may be spent on transportation system improvements citywide, the Planning Code specifies that revenues will prioritize new/existing area plans and areas anticipated to receive significant new growth.

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TABLE 8. TSF EXPENDITURE PROGRAM

IMPROVEMENT TYPE	% ALLOCATION
Transit Capital Maintenance	61%
Transit Service Expansion & Reliability Improvements - San Francisco	32%
Transit Service Expansion & Reliability Improvements - Regional Transit Providers	2%
Complete Streets (Bicycle and Pedestrian) Improvements	3%
Program Administration	2%

Other Agency-Identified Transportation Funds

The SFMTA produces a biennial Capital Improvement Plan (CIP) that identifies projects that could be funded with a variety of funding sources including impact fees as presented in the CIP. The SFMTA is committed to funding projects listed in the CIP as funding becomes available. Many of the streets identified in this public benefits document are also listed in the SFMTA’s FY2019-2023 CIP including; 11th Street, 13th Street, Otis Street, South Van Ness Avenue, Valencia Street and Market Street.

PUBLIC ART

San Francisco has a 1% Art Program that requires all projects involving new building, or the addition of 25,000 square feet or more in the Downtown and nearby neighborhoods, to provide public art equal to at least 1% of the total construction cost or to dedicate a portion of this requirement to the City’s Public Art Trust. The program was established by the 1985 Downtown Plan and is governed by Section 429 of the Planning Code. Because the base zoning in this area is C-3-G, projects in the Hub would be subject to this fee.

PARKS & RECREATION

Downtown Park Fund (Sec. 412)

Office developments of a certain size are required to pay a fee to support new parks in the Downtown. The Fund are administered by the Recreation and Park Commission and the Planning Commission

Privately-Owned Public Open Spaces (POPOS) Requirement (Sec. 138)

Non-residential developments of a certain size are required to provide Privately-Owned Public Open Spaces (POPOS). This space can be located outdoors or indoors and must be accessible to the public open seven days a week. All new office projects are required to provide one square foot of POPOS for every 50 occupied square feet of office use. The Planning Department is the agency primarily responsible for reviewing and approving POPOS proposals as part of the associated development application.

SCHOOLS & CHILDCARE

School Impact Fee (CA Education Code Sec. 17620)

The School Impact Fee (enabled by CA State Education Code §17620) is a citywide impact fee on new/expanded Residential and Non-Residential developments, with funds directed to the San Francisco Unified School District (SFUSD) for new capital facilities serving the public school population. Funds are not required to be spent in the Plan Area; revenues are programmed at SFUSD's discretion based on current and future projections of growth in the school-aged population in each neighborhood.

Child Care Fee (Sec. 414 & 414A)

The Child Care Fee (Planning Code §414 & 414A) is a citywide impact fee collected on Office and Hotel projects greater than 25,000 GSF and on Residential and residential care developments adding more than 800 square feet of net new space. Funds are directed to the Human Services Agency Office of Early Care & Education and the Low-Income Investment Fund (LIIF, a non-profit child care developer contracting with the City) to develop new capital facilities for child care services. Funds may be spent citywide and are not required to be spent within the Plan area.

AREA-PLAN & MULTI-CATEGORY FUNDING SOURCES

Market and Octavia Area Plan and Upper Market Neighborhood Commercial District Affordable Housing Fee (Sec. 416)

The Market and Octavia Area Plan and Upper Market Neighborhood Commercial District Affordable Housing Fee (Planning Code §421) is an area plan impact fee that was adopted concurrently with the Market Octavia Area Plan in 2008. Projects in Market Octavia will continue to pay this impact fee that is used for affordable housing. The fee is administered by the Planning Department and the Interagency Plan Implementation Committee (IPIC) in consultation with the Market and Octavia Community Advisory Committee (MOCAC).

Market and Octavia Community Improvement Fund (Sec. 421)

The Market and Octavia Community Improvement Fund (Planning Code §421) is an area plan impact fee that was adopted concurrently with the Market Octavia Area Plan in 2008. Projects in Market Octavia will continue to pay this impact fee that is used for infrastructure. The fee is administered by the Planning Department and the Interagency Plan Implementation Committee (IPIC) in consultation with the Market and Octavia Community Advisory Committee (MOCAC). Funds are allocated into public benefit categories shown in table 9.

Van Ness and Market Affordable Housing and Neighborhood Infrastructure Fee and Program (Sec 424)

The Van Ness and Market Affordable Housing and Neighborhood Infrastructure Fee and Program (Planning Code §424) is an area plan impact fee that was also adopted concurrently with the Market Octavia Area Plan in 2008. Projects in Market and Octavia will continue to pay this impact fee. Funds are allocated to affordable housing and infrastructure based on the development site floor area ratio (FAR). The fee is administered by the Planning Department and the Interagency Plan Implementation Committee (IPIC) in consultation with the Market and Octavia Community Advisory Committee (MOCAC). Funds are allocated into public benefit categories shown in table 10 below.

Community Facilities Fee (Sec 425)

The Community Facilities Fee (Planning Code Section 425) is an impact fee applied to applicable projects in the Van Ness and Market Residential Special Use District. The fee is collected on new residential projects, that include the addition of 800 square feet or the conversion of 800 square feet of a non-residential use to residential use. Funds are directed to the Mayor’s Office of Housing and Community Development. Funds may be spent within 1,250 feet of the Plan Area.

TABLE 9. MARKET AND OCTAVIA COMMUNITY IMPROVEMENTS FUND EXPENDITURE PROGRAM

IMPROVEMENT TYPE	% ALLOCATION (RESIDENTIAL DEVELOPMENT)	% ALLOCATION (NON-RESIDENTIAL DEVELOPMENT)
Complete Streets: Pedestrian and Streetscape Improvements, Bicycle Facilities	44%	61%
Transit	22%	20%
Recreation and Open Space	21%	14%
Childcare	8%	Not applicable
Program Administration	5%	5%

TABLE 10. VAN NESS AND MARKET DOWNTOWN RESIDENTIAL SPECIAL USE DISTRICT INFRASTRUCTURE FUND

IMPROVEMENT TYPE	% ALLOCATION (RESIDENTIAL DEVELOPMENT)	% ALLOCATION (NON-RESIDENTIAL DEVELOPMENT)
Complete Streets: Pedestrian and Streetscape Improvements, Bicycle Facilities	44%	30%
Transit	22%	45%
Recreation and Open Space	21%	20%
Childcare	8%	Not applicable
Program Administration	5%	5%

OTHER SOURCES OF FUNDING

The fees and requirements discussed above are largely designed to mitigate the infrastructure needs created by new development. However, there are already substantial needs in the neighborhood. The responsibility for responding to some needs will need to be shared with a broader set of stakeholders than just new developments (sea level rise mitigation, for instance). As such, additional revenue sources will be needed to create a fully sustainable neighborhood. These additional revenue mechanisms will require interdepartmental efforts that continue after the Plan’s adoption, and may require future authorization by the Mayor and Board of Supervisors. A few potential sources of additional funding are described below

General Fund

The City's discretionary property tax proceeds are deposited into the General Fund, and are available for the appropriation to any public purpose, including operations, programs, maintenance, and capital projects.

Theoretically, these revenues could be directed to the Plan Area to accelerate the delivery of public benefits, or to fund other public benefits not identified here.

Grants & Bonds

Many local, state, and federal agencies offer potential grants to fund needed capital projects. In particular, regional and state funds earmarked to facilitate higher density development near major transit infrastructure (such as the One Bay Area Grants run by the Metropolitan Transportation Commission) are a good fit for the goals of the Plan and could potentially be paired with matching local funds.

Other local bond measures may provide additional opportunities to fund projects identified here or in the future. For instance, San Francisco voters have adopted multiple bond measures in recent years to fund new or renovated parks and open spaces.

Direct provision through Development Agreements and other negotiated conditions of approval

Project sponsors may elect to provide community benefits directly, through mechanisms such as a Development Agreement or other negotiated condition of approval. These benefits may be provided in-lieu of some other requirement, or they may be voluntarily provided above and beyond the development requirements. It is impossible to predict how many projects would opt to do this.