



SAN FRANCISCO PLANNING DEPARTMENT

MEMO

Memorandum

Date: June 29, 2020

Re: Market Octavia Plan Amendment (Hub) Community Facilities Fee Nexus Analysis and Review of Central SoMa Community Facilities Nexus Study

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EXECUTIVE SUMMARY

This memorandum provides a nexus analysis for a Community Facilities Impact Fee to be considered in the Hub area of the Market and Octavia Area Plan (“Hub”), generally located on several blocks near the intersections of Van Ness Avenue and Market Street and South Van Ness Avenue and Mission Street. The proposed Market and Octavia Plan Amendment for the Hub area, approved by the Planning Commission on May 21, 2020 and pending consideration by the Board of Supervisors, includes the rezoning of 18 sites in order to increase the amount of housing that can be accommodated in the area, which is already zoned for high-density, transit-oriented housing development.

The analysis in this memo explains the methodology used to determine the maximum justifiable fee applicable to net new residential development in the Hub area to fund certain community facilities, including Cultural/Arts Facilities, Social Welfare Facilities, and Community Health Facilities, as defined below. The increase in residential population that will accompany new development will increase the demand for community facilities. A Community Facilities Impact Fee would be used to help design, acquire, construct, or expand community facilities in order to meet this increased demand and maintain the current level of service provided to existing residents of San Francisco by existing community facilities.

This nexus analysis relies on, and incorporates by reference, the “Central SoMa Nonprofit Community Facilities Nexus Study,” (“Central SoMa Nexus Study”) published in 2016 and attached as Attachment A, which provides legal support for the City’s adoption of a similar fee assessed on new development in the Central SoMa Plan Area (Planning Code Section 432 et seq.).

The Planning Department has reviewed the Central SoMa Nexus Study to assess its applicability to adoption of a similar Community Facility Fee in the Hub area of the Market Octavia Plan Area. The Department’s analysis, below, demonstrates that significant portions of the Central SoMa Nexus Study primarily rely on factors that are citywide in nature, and broadly applicable or easily adaptable to the Hub area. Some aspects of the Central SoMa Nexus Study are not immediately applicable to the Hub area, or present technical challenges or other problems that make it difficult to replicate that analysis in the Hub area. These challenges include the risk of “double counting” development in Central SoMa, and between residential and commercial development. In light of these challenges, as well as the insignificant amount of net new commercial development anticipated in the Hub area, the analysis in this Memorandum supports adoption of a Community

Facilities Fee on net new residential development in the Hub area, but not on commercial development.

The maximum justified amount for a Community Facilities Fee in the Hub is \$1.16 per square foot of net new residential development, which represents the combined total of the following two components:

Cultural/Arts Facilities:	\$0.95/residential square foot
Social Welfare and Community Health Facilities:	\$0.21/residential square foot

ANALYSIS

The City established a Central SoMa Community Facilities Impact Fee (“Central SoMa Fee”) as part of its adoption of the Central SoMa Area Plan in 2018. The Central SoMa Fee is described in Planning Code Section 432 et seq. That fee was supported by the Central SoMa Nexus Study, completed in March 2016, prepared by Economics & Planning Systems (“EPS”) for the City of San Francisco. That study evaluated the justification for impact fees on three broad categories of community facilities: Cultural/Arts Facilities, Social Welfare Facilities, and Community Health Facilities. The Central SoMa Nexus Study defines these categories of nonprofit¹ community facilities as follows:

- a) Cultural/Arts: Facilities providing accessible arts opportunities through cultural arts and programs, and facilities to promote the production of arts and arts programs

- b) Social Welfare: Facilities that provide employment and workforce development services, services for seniors and adults with disabilities, and youth or family services

- c) Community Health: Health care clinics

Although the Central SoMa Nexus Study is titled the “Central SoMa Nonprofit Community Facilities Nexus Study,” a review of the study indicates that core aspects and metrics of the methodology used to generate and support impact fees for these three types of facilities relies fundamentally on generic citywide standards and metrics and can be easily adapted and recalculated to apply beyond Central SoMa. This memo analyzes the methodology for each category of facility from the Central SoMa Nexus Study and refines and adjusts that methodology to support adoption of a Community Facilities Impact fee in the Hub area of the Market Octavia Area Plan. This Memorandum analyzes each of the three categories of community facility below. The quantitative methodology described below rests on several key factors: Service Population, Level of Service, and Facility Cost.

¹ The Central SoMa Nexus Study analysis relies on inventories and other community facilities data from non-profit registries, including sources provided by the IRS, National Center for Charitable Statistics, and the San Francisco Department of Public Health. See Central SoMa Nexus Study at pages 8-9.

The Service Population identifies who benefits from the services being provided by each type of community facility. For Cultural/Arts Facilities, the Service Population is the citywide residential population; for Social Welfare and Community Health Facilities, the Service Population is the citywide residential population in households earning at or below 55 percent of Area Median Income. The Level of Service is the amount of new community facility space needed to serve new residents and is determined based on the current relationship between the number of existing community facilities in the respective categories and the Service Population. The Facility Cost is the per square foot cost of acquiring and/or developing the new community facility space, net of the capitalized value of the rent paid by the facility operator. The Central SoMa Nexus Study contains a detailed description of these factors and the methodology for their calculation.

CULTURAL/ARTS FACILITIES

At its most fundamental level, the Central SoMa Nexus Study methodology for this facility type relies on projected new residential population generated by new development within the City. The Level of Service standard in the Central SoMa Nexus Study is based on a purely citywide calculation that is not specific to Central SoMa. While the Central SoMa Nexus Study generates and uses Central SoMa-specific population estimates in order to calculate the costs of facilities generated by the population, the Study ultimately divides those Central SoMa-specific population projections out of the calculation. A more straightforward, and still accurate, approach would be to use all of the citywide factors provided in the Central SoMa Nexus Study – facility LOS per person, cost per facility, and persons per square foot of development – to derive the maximum justifiable fee amount for the Hub area. This Memorandum provides that analysis.

Service Population

The service population defined for Cultural/Arts Facilities in the Central SoMa Nexus Study is the citywide population, not the Central SoMa population. As stated on pages 3 and 10 and in Table 3: “The service population for Cultural/Arts facilities is the citywide residential population, based on the logic that all residents, regardless of income, benefit from the cultural and art programs and offerings provided by Cultural/Arts nonprofit facilities.”

Level of Service

As stated clearly on page 7 of the Central SoMa Nexus Study, “a citywide Level of Service standard is used in this Nexus Study rather than a Plan Area-specific level of service...” because community facilities serve a broader population than the immediate neighborhood around the facility, and the locations of such facilities is not evenly distributed around the city. Thus, the citywide Level of Service standard from the Study is equally applicable to the Hub and all other parts of the City.

As shown in Tables 2 and 3 on pages 9-10 of the Central SoMa Nexus Study, the LOS for Cultural/Arts facilities (0.8 facilities per 1,000 residents) is based entirely on the citywide service population and the number of facilities citywide.

Size per Facility

The size per facility factor used in the Central SoMa Nexus Study was taken from a citywide analysis, and not a Central SoMa-specific analysis, conducted by the Board of Supervisors Legislative Analyst (BLA) and published in October 2013.² The facility size factor of 3,258 square feet per facility from the Central SoMa Nexus Study is equally applicable to the Hub area. There is no reason to believe that any meaningful changes in the average size per facility have occurred since 2013, and it is therefore reasonable to use the size per facility factor from the Central SoMa Nexus Study.

Cost per Facility

The factors for construction cost and rents per facility in the Central SoMa Nexus Study were based on an analysis of existing facilities and construction costs, using an average cost per square foot (net of rental value) of \$279/sf. As described in more detail below, although this data was specific to Central SoMa, construction/acquisition costs and rents have increased dramatically in San Francisco since the Study was concluded in 2016 (using data from 2013-2015). Despite the very recent economic downturn as a result of the COVID-19 pandemic, updated contemporary data for the Hub and surrounding areas would likely result in a higher facility cost per square foot, and would therefore justify higher impact fees. As a result, using the Central SoMa Nexus Study's cost factors to support a Hub-specific fee in 2020 represents a conservative approach. This Memorandum takes such a conservative approach by relying on the Central SoMa Nexus Study's cost figures.

The Central SoMa Study used data from office building acquisitions in the greater Central SoMa area in 2014 and early 2015, generated from the real estate data service CoStar, as a proxy for construction cost. The acquisition costs for the 16 buildings in that survey ranged from \$208/sf to \$1,150/sf, with a weighted average of \$614/sf, and all were located in the broader Central SoMa area (including some properties outside of Central SoMa Plan area). While the Hub area may be a somewhat less desirable office location, and may therefore command somewhat lower office building valuations than Central SoMa, commercial real estate throughout San Francisco has appreciated dramatically and construction costs have risen dramatically in San Francisco in the five years since 2014-2015.³ As a result, despite the recent economic downturn related to the COVID-19 pandemic, an updated analysis for either the Hub or Central SoMa would result in a much higher building cost than used in the Central SoMa Nexus Study, which would off-set any relative lower building cost in the Hub compared to Central SoMa based on the 2014-2015 data.⁴ Indeed, the few available comparables for office building valuations and costs in and around the Hub currently show current per square foot property values that greatly exceed those in the Study.⁵ For these

² "Review of the Impact of Increasing Rents in San Francisco on Local Nonprofits", October 8, 2013. See Exhibit 11, page 14.

³ According to a construction cost index published by Cumming Corp, a global construction management company, construction costs in San Francisco in 2019 for office buildings ran between \$800 and \$1,100 per square foot. (<https://www.commercialcafe.com/blog/2019-us-office-construction-costs/>)

⁴ According to the Cushman & Wakefield Q1 2020 Office Market "Beat" report, the Mid-Market corridor (the closest sub-market to the Hub) commanded rents of \$74.21/sf compared to \$90.51/sf in SoMa. Office rents in the areas adjacent to the Hub area today are on the order of 370% higher (i.e. \$74.21/sf vs \$20.11/sf) than those used in the Central SoMa Nexus Study.

⁵ The City's new office building in the Hub, currently under construction, at 49 South Van Ness, is estimated to cost over \$700/sf (at least \$327m for approximately 430,000 sf). According to the current Tax Assessor rolls, the commercial building in the Hub at 1563 Mission Street has a value of \$800/sf. According to the current Tax Assessor rolls, the office building at

reasons, the financial analysis in the Central SoMa Nexus Study is conservative estimate of the facilities costs today, and current costs would result in a higher justifiable impact fee.

Despite using Central SoMa-specific building construction/acquisition cost data, the Central SoMa Nexus Study used citywide rent data from the 2013 BLA report, using the median rent of \$20.11, to create an overall Net building cost per square foot. The Central SoMa Nexus Study therefore uses a mixture of Central SoMa-specific data and citywide data to generate a building cost per square foot. Nonetheless, using current data that reflects the substantial escalation in commercial buildings costs and values in all of San Francisco since the Central SoMa Nexus Study was completed would likely result in a higher justifiable fee. Using the facilities cost data from the Central SoMa Nexus Study for purposes of this Hub analysis is a reasonable, conservative approach.

Residential factors

Key to converting the LOS and cost factors to a fee per square foot of development are assumptions regarding number of residents per square foot of development. The Central SoMa Nexus Study provide these assumptions in Table 5 on page 13 of the Study.

Average Unit Size. The Study used 1,200 square feet per housing unit. This is a common, generally used metric for unit sizes. This metric is referenced in the 2014 Housing Element, Appendix D, as the standard citywide factor for assessing site housing capacity under zoning rules, and was also used in the Hub EIR for the “Hub Plan, 30 Van Ness Avenue Project, 98 Franklin Street Project, and Hub Housing Sustainability District” (See Initial Study, Table E3-4).

Average Persons per Household. The Central SoMa Nexus Study used 1.77 persons per household. While the overall citywide population density is approximately 2.28 persons/household, factors lower than this have been used in environmental impact reports for denser parts of the City that feature a higher percentage of smaller units and single person households, including all of the South of Market, the Hub, and others. The Central SoMa Plan EIR used 1.77 persons per household (Initial Study, page 75). The Hub EIR used 1.9 persons per household for its plan-wide calculations based on the general prevailing requirement of minimum 40% units having 2 bedrooms or more, though the project specific analyses in that EIR for 98 Franklin and 30 Van Ness (See Hub Initial Study, Table E3-4) used 1.70 and 1.75, respectively, based on higher percentages of smaller units in those projects. The 10 South Van Ness EIR, which evaluates a development project proposed in the Hub area, used 2.19 persons per household. Using a higher population per household (such as 1.9, 2.2, or 2.3) would derive a higher justifiable fee per square foot, because the LOS methodology is scaled to the number of new residents. As a result, the 1.77 persons/household metric used in this Memorandum is conservative, because it is lower than the 1.9 persons/household used in the Hub EIR, and therefore it may underestimate the potential future residential population, resulting in a lower maximum justifiable fee amount.

1275 Market (at 9th St), just outside the Hub boundary, has a value of \$660/sf. The City sold its office buildings at 1660 and 1680 Mission in 2017 to a private entity for \$52 million, or \$464/sf, however these were not typical transactions, and were likely devalued by the City’s need to continue occupying the buildings for several years, through 2020.

Maximum Fee Calculation: Residential

The Central SoMa Nexus Study includes Central SoMa-specific projections for future residents⁶ to derive the maximum justified impact fee of \$1.07/sf for housing. However, these Central SoMa projections can be isolated and removed from the calculations to generate a straightforward citywide fee rate. As demonstrated below, this modified approach, using the metrics described above, results in the exact same maximum fee rate of \$1.07/sf as shown in the Study:

0.8 facilities per 1,000 residents /1,000 = .0008 facilities per resident

3,258 sf/facility * \$279 per sf = \$908,982 per facility

\$908,982 * 0.0008 = \$727.19 facility cost per resident

1,200 gross square feet ("gsf") per unit/1.77 residents per unit = 678 gsf per resident

\$727.19 / 678 = \$1.07 per residential square foot

This approach presents one challenge for using this fee rate outside of Central SoMa: the Central SoMa Nexus Study supports the adoption of a facilities fee on commercial development using a methodology based solely on the number of SF residents who would work in that new office development and who do not live in Central SoMa. In other words, the commercial fee in Central SoMa is based on residents in new residential development in the rest of the City, including the Hub. In order to avoid double-counting the same residents in this Hub area analysis, both at their residences outside Central SoMa (i.e., in the Hub) and at their workplaces in Central SoMa, this Hub fee analysis must discount the potential new Hub residents who work in new development in Central SoMa, as described below.

According to the Central SoMa Nexus Study, the total number of Central SoMa future workers living in the City was calculated to be approximately 21,000 people.⁷ New development in the Hub (9,700 units) represents roughly 7% of projected household growth in the City by 2040 (a total of 138,000 units). Assuming an even distribution of these new workers into new housing, 1,470 workers (7% of 21,000) would live in new housing in the Hub. This residential distributional methodology for workers (i.e., using the plan area's share of citywide projected housing growth) is consistent with the methodology used in the Central SoMa Nexus Study.⁸ At the citywide average of 1.4 workers per household, approximately 1,050 new units in the Hub (1,470 / 1.4) would be occupied by Central SoMa workers. Therefore, the maximum Hub residential fee should be discounted by 10.8% (1,050/9,700) to avoid double counting with the Central SoMa non-residential Fee. This results in a maximum of fee of \$0.95/residential square foot:

⁶ See Table 6 page 17

⁷ See Central SoMa Nexus Study at page 15. Of the 38,250 projected new workers in new development in the Central SoMa Plan area, 55% were assumed to live in San Francisco. $38,250 * 0.55 = 21,038$.

⁸ See Study at pages 15-16. "To [avoid double-counting individuals who are both new employees and residents in Central SoMa], EPS estimates the share of future residential development in the Plan Area relative to the citywide residential development forecast; this share ... is multiplied by the 21,038 Plan Area employees who live in San Francisco."

$$21,000 * 9,700 / 138,000 / 1.4 / 9,700 = 21,000 / 138,000 / 1.4 = 0.108$$

To further demonstrate the citywide applicability of this approach to avoid double counting Central SoMa worker-residents, a simpler alternative methodology that does not use Hub information arrives at the same discount factor, as follows:

The total number of Central SoMa future workers by 2040 living in the City (including in Central SoMa) was calculated to be approximately 21,000 people (38,250 * 55%). Those 21,000 workers need 15,000 housing units (21,000 / 1.4 workers per household). This represents approximately 10.9% of the projected household growth by 2040 (15,000 / 138,000). Again, this would justify a maximum fee on residential space citywide at \$0.95/residential square foot:

$$21,000 / 1.4 / 138,000 = 0.108$$

Non-Residential

The Central SoMa Nexus Study arrives at a non-residential maximum fee rate of \$1.72/sf. Approximately the same maximum fee rate of \$1.67 to \$2.00 per square foot can be derived by removing the Central SoMa worker projection information and using standard Citywide factors, depending on whether the analysis uses 240 gsf per worker or 200 gsf per worker, respectively, as shown below.

Non-residential factors:

200 square feet per office worker. This factor was used in the Central SoMa Plan EIR and represents much denser development than the standard metric of 276 gsf per office worker, which the City used for multiple decades prior to 2016. Although the Central SoMa EIR only provided anecdotal evidence to support this approach, its use of a denser standard made the CEQA analysis very conservative by assuming more workers than the City's past analyses. However, since then, the recently completed Jobs-Housing Linkage Fee Nexus Study by KMA in 2019 showed that the current figure citywide is 240 gsf/worker, and this figure is now used citywide, proving the Central SoMa EIR (and thus the Central SoMa Nexus Study) to be overly conservative in terms of projecting new workers in new development. Using the lower current density figure would result in a slightly lower justified maximum fee.

55% Percent of workers are City residents. This factor used in the Central SoMa Nexus Study is the current/historical citywide figure for all jobs citywide, based on Census data.

Maximum Fee Calculation for Non-Residential using 200 gsf/worker:

0.8 facilities per 1,000 residents /1,000 = .0008 facilities per resident

3,258 sf/facility * \$279 per sf = \$908,982 per facility

$\$908,982 * 0.0008 = \727.19 per resident

200 square feet per worker / 55% resident-workers = 364 square feet per resident-worker

$\$727.19 / 364 = \2.00 per commercial square foot

Maximum Fee Calculation for Non-Residential using 240 gsf/worker:

240 square feet per worker / 55% resident-workers = 436 square feet per resident-worker

$\$727.19 / 436 = \1.67 per commercial square foot

Despite the fact that this generalized methodology reaches approximately the same maximum fee as the Central SoMa Nexus Study, it presents a double-counting problem with respect to fees on residential space in both Central SoMa and the Hub. The Central SoMa Nexus Study methodology presents problems in extending to non-residential space outside of Central SoMa because it is purely based on the number of additional residents resulting from new development. This leads to the opposite double-counting problem of the residential fee: this analysis must avoid assessing fees on workers outside Central SoMa who have already provided the basis for assessment of the same fee at their residences in Central SoMa (in addition to avoiding assessing a fee based on Hub workers who live in the Hub).

Three approaches can be taken to address this challenge:

(1) *Craft a Hub-specific non-residential fee that discounts residents who might live in Central SoMa and the Hub.* While it is mathematically possible to perform the necessary calculations, this approach could not be consistently expanded citywide. This is because a fee assessed on all new housing citywide and all new non-residential development citywide would, by definition, be double counting 100% of the workers in the non-residential space that live in the City. Extending the Central SoMa methodology beyond Central SoMa for non-residential development presents a “first in the door” diminishing nexus with rapidly increasing double-counting problems that become challenging to calculate. The methodology in the Central SoMa Nexus Study for assessing non-residential development can consistently avoid double counting challenges by only imposing fees on commercial development in a small part of the City. If new Community Facilities Fees are set at or near the maximum justified fee amount (as in Central SoMa), this methodology is incompatible with extending the Fee citywide for both residential *and* non-residential development. The Department does not recommend using a methodology that resists broad application or replicability, because it is possible that future efforts will be made to consider adoption of community facilities fees in other parts of the City.

(2) *Use the methodology described above (under “Maximum Fee Calculation for Non-Residential using 240 gsf/worker”) but charge fees at a much lower rate that “splits the burden” of the maximum justified fees between residential and non-residential development (e.g., 50/50) for the worker residents.* This approach would split the costs of contributing to new community facilities between new residential and non-residential uses, and avoid double counting the same residents. Because there is a very small amount of non-residential development anticipated in the Hub area, and the vast majority of the anticipated development is residential, this approach would yield lower future revenue from such

a fee structure. Also, calculating the potential split to avoid double counting would be complex, and would likely require providing a substantial margin of error in estimating the split to avoid any risk of double counting, thus further lowering anticipated fee revenues.

(3) Do not charge a Community Facilities Fee on any non-residential space in the Hub. There is a de minimis amount of non-residential development anticipated in the Hub area. The zoning for the Hub area requires a minimum of 3:1 residential to non-residential space in new development. Only one currently proposed project, at 30 Van Ness Avenue, proposes to include any significant expansion of non-residential space in the Hub, and its approximately 50,000 net new square feet of office space is not substantial in comparison to the several million square feet of anticipated net new residential development.

The first two of these approaches to refining the non-residential fee involve complex calculations. For this reason, and because a fee on non-residential development in the Hub is anticipated to result in a de minimis amount of fee revenue, Planning staff has not calculated the potential facilities fee for non-residential development at this time. Staff recommends approach #3 for the Hub area: to only assess a Community Facilities Fee on net new residential development.

SOCIAL WELFARE AND COMMUNITY HEALTH FACILITIES

As with the Cultural/Arts Facilities analysis, the Central SoMa Nexus Study methodology for Social Welfare and Community Health facilities largely relies on citywide factors for Service Population, Level of Service, and Facility Costs. The following analysis demonstrates how the methodology in the Central SoMa Nexus Study is either directly applicable citywide (including in the Hub) or can be easily adapted to apply to the Hub area.

Service Population

The service population defined for Social Welfare and Community Health Facilities is the citywide population, not the Central SoMa population. As stated in the Central SoMa Nexus Study on page 10 and in Table 3: “The service population for Social Welfare and Community Health facilities is the citywide residential population comprising households earning at or below 55 percent of Area Median Income (AMI) which limits the service population to just those new residents who would use the Social Welfare and Community Health Facilities.”

Level of Service

As stated clearly on page 7 of the Central SoMa Nexus Study, “a citywide Level of Service standard is used in this Nexus Study rather than a Plan Area-specific level of service...” because community facilities serve a broader population than the immediate neighborhood around the facility, and the locations of such facilities is not evenly distributed around the city. For the same reasons, the citywide Level of Service standard from the Central SoMa Nexus Study is equally applicable to the Hub and all other parts of the City.

As shown on Tables 2 and 3 on pages 9-10 of the Central SoMa Nexus, the LOS for Social Welfare and Community Health facilities of 3.2 and 0.2 facilities per 1,000 residents at 55% AMI or less, respectively, is based on purely citywide service population and number facilities citywide. Combined, these are 3.4 facilities per 1,000 residents at 55% AMI or less.

Cost and size per facility

The factors used in the Central SoMa Nexus Study for this category of facilities are identical to the factors used for Cultural/Arts facilities. See analyses above under *Cultural/Arts Facilities* for “Size of Facility” and “Cost of Facility”. The Size of Facility is 3,258 square feet per facility and the Cost is \$279 per square foot of facility.

Residential Factors

Key to converting the LOS and cost factors to a fee per square foot of development are assumptions regarding number of residents at or below 55% AMI per square foot of development. Table 5 (at page 13) of the Central SoMa Nexus Study provide these assumptions.

Average Unit Size. The factor used in the Central SoMa Nexus Study of 1,200 square feet per unit is the same as is used for Cultural/Arts facilities. See analysis above under *Cultural/Arts Facilities* for “Average Unit Size.”

Average persons per household. The factor used in the Central SoMa Nexus Study of 1.77 persons per household is the same as is used for Cultural/Arts facilities. See analysis above under *Cultural/Arts Facilities* for “Average persons per household.”

20% Inclusionary Rate. As described in the Central SoMa Nexus Study on page 18, this figure was assumed to be the applicable rate for Central SoMa. Despite the fact that at the time of the Study the prevailing Inclusionary Requirement was only 12% on site/20% off-site, the Study assumed that decision-makers would increase the applicable inclusionary rates in Central SoMa. The citywide Inclusionary Rates (under Planning Code Section 415) were indeed increased, including in both Central SoMa and the Hub. The current prevailing rate is approximately 20% on site/33% offsite. An assumption of 20% is therefore a reasonable citywide assumption (including for the Hub).

25% of BMR Units at or Below 55% AMI. The Central SoMa Nexus Study reviewed MOHCD’s historical housing portfolio to determine that, citywide, the overall percentage of BMR units created in recent years at or below 55% AMI was 25% of all BMR units produced. This figure is influenced by the proportion of new developments that are rental versus ownership, with only rental projects potentially offering units at those low AMIs. There is no reason to believe that the percentage of future units at or below 55% AMI would substantially differ in 2020 compared to 2016. This is consistent with the reasonable assumptions used for purposes of this analysis. This analysis assumes that approximately half of future housing projects would be ownership and half would be

rental. For rental projects, approximately half of the required inclusionary units must be at or below 55% AMI. (50% * 50% = 25%).

Maximum Fee Calculation: Residential

Despite the inclusion of Central SoMa specific projections for future residents in the calculations shown in Table 6 on page 17 to derive the maximum justified impact fee of \$0.23/sf for housing, the Central SoMa projections can be removed to generate a citywide fee rate. In fact, the exact same maximum fee rate of \$0.23/sf from the Central SoMa Nexus Study results from this calculation using the above metrics:

3.4 facilities per 1,000 residents <55%AMI / 1,000 = .0034 facilities per resident <55%AMI

3,258 sf/facility * \$279 per sf = \$908,982 per facility

\$908,982 * 0.0034 = \$3,090.54 facility cost per resident <55%AMI

1,200 gross square feet per unit/1.77 residents per unit = 678 gsf per resident

20% BMR inclusionary rate * 25% of BMR at <55%AMI = 5% units at <55%AMI

678 / 0.05 = 13,560 gsf per resident <55%AMI

\$3,090.54 / 13,560 = \$0.23 per residential square foot

As described above in the Cultural/Arts Facilities section, to avoid double counting workers from Central SoMa development that may live in the Hub, this analysis discounts the maximum applicable Hub rate by 10.8%. This would result in a maximum justifiable fee on residential space citywide for Social Welfare and Community Health Facilities of \$0.21 per residential square foot.

Non-Residential

The Social Welfare and Community Health Facilities calculations for non-residential uses in the Hub (and elsewhere outside Central SoMa) face the same double-counting issues as described above in the Cultural/Arts section. The same three options for addressing these issues would apply to the Social Welfare and Community Health Facilities calculations. This Memorandum does not calculate this fee for non-residential development at this time. For the same reasons discussed above under the *Cultural/Arts Facilities* section, staff recommends the approach for the Hub area of only assessing a Community Facilities Fee on net new residential development.

MITIGATION FEE ACT NEXUS FINDINGS

This section of the Memo describes the necessary “nexus” between new development in the Hub sub-area of the Market Octavia Area Plan and the proposed community facilities investments, as required under the Mitigation Fee Act, as set forth in Government Code § 66000 et seq. The proposed Fee Program will help fund investments in community facilities (land acquisition and

improvements) required to maintain existing levels of community facilities services in the Hub area and vicinity – the “fair share” contribution of new development.

Nexus findings address the following, as required by state law: (1) the purpose of the fee and a related description of the type of facilities for which fee revenue will be used, (2) the specific use of fee revenue, 3) the relationship between the facility and the type of development, (4) the relationship between the need for the facility and the type of development, and (5) the relationship between the amount of the fee and the proportionality of cost specifically attributable to new development. The subsections below describe the nexus findings for the proposed Fee Program.

Purpose of the Fee

The Fee Program will generate revenue that will be used to ensure an expansion in community services facilities in the Hub area and vicinity as new development occurs.

Use of Fee Program Revenue

Fee Program revenue will be used to fund the capital costs associated with creating space for the following types of nonprofit community facilities uses in the Hub area and vicinity:

- Cultural/Arts facilities
- Community Health facilities
- Social Welfare facilities

Capital costs may include the purchase of existing space or the development of new space (land acquisition and development costs).

Relationship

New development in the Hub area will increase the resident populations in the Hub area, generating net new demand for and use of nonprofit community facilities in the Hub area and vicinity. Fee Program revenue will be used to help fund new community facilities in response to the increased demand.

Need

New revenues to fund investments in community services facilities are necessary to maintain the current citywide levels of service.

Proportionality

The maximum supportable fee schedule is based on the City’s current levels of service and reasonably conservative cost estimates for the acquisition of land and associated capital development costs. The per-square foot cost is applied to the net new development, ensuring that

the Fee Program cost estimates are directly proportional to the relative increase in costs to maintain the current levels of service for these facilities, citywide. Absent this fee, and if no additional community facility space is provided to meet the demands of new development, new development would not be contributing its fair share, and the overall levels of service for these facilities, citywide, would deteriorate.

Attachment A: *Central SoMa Nonprofit Community Facilities Nexus Study (2016)*

The Economics of Land Use



Final Report

Central SoMa Nonprofit Community Facilities Nexus Study

Prepared for:

City of San Francisco

Prepared by:

Economic & Planning Systems, Inc.

March 24, 2016

EPS #131124

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1. INTRODUCTION AND OVERVIEW

Community facilities operated by non-profit entities are a critical part of the City of San Francisco's social and cultural fabric, providing important social welfare and health care services to the City's poorest residents, and offering arts and cultural services and experiences for all of the City's residents and its many visitors. Due to its historically affordable rents, central location, proximity to underserved populations, and access to transit, the Central South of Market (SoMa) area has long been an important location for these community facilities in the City. At the same time, the neighborhood's well-educated workforce, its central geographic position linking the financial district with the educational and employment hub of Mission Bay, and the City's economic growth continues to attract new residents and employers to the area. Demand for commercial and residential space within the Central SoMa area is at an all-time high and expected to increase.

Purpose of the Nexus Study

At the request of the City of San Francisco, acting through the Controller's Office and City Attorney's Office, Economic & Planning Systems, Inc. (EPS) prepared this Nexus Study report pursuant to the California Mitigation Fee Act, Government Code Section 66000 et seq. (Mitigation Fee Act) to support the proposed Community Facilities Development Impact Fee program (Fee Program). As part of this technical work, EPS has evaluated the best available data to analyze the impacts of new development on the demand for nonprofit community facilities within the proposed Central SoMa Plan Area (Plan Area) based on citywide current levels of service.

Development Impact Fees

Development impact fees are an exaction on new development which must be satisfied as a condition of development approval. Local governments routinely impose such fees to pay for and/or defray the costs of infrastructure or facilities necessitated by new development. Development impact fees are generally subject to the requirements of the Mitigation Fee Act.

The purpose of this Nexus Study is to provide City decision-makers with technical analysis supporting a schedule of development impact fees. City decision-makers may use this Nexus Study as the basis for the adoption of a fee on new development in the proposed Central SoMa Plan Area. The Mitigation Fee Act sets forth procedural requirements for establishing and collecting many types of development impact fees. Specifically, the Mitigation Fee Act requires a local jurisdiction to make and support the following findings before adopting a new fee:

- (1) the **purpose** of the fee and a related description of the type of facilities for which fee revenue will be used,
- (2) the specific **use** of fee revenue,
- (3) the **relationship** between the facility and the type of development,
- (4) the relationship between the **need** for the facility and the type of development, and

(5) the relationship between the amount of the fee and the **proportionality** of cost specifically attributable to new development.

In addition, the Mitigation Fee Act provides that impact fee revenues should only be used to pay for new or expanded capital facilities needed to accommodate growth, not for the cost of existing deficiencies in capital facilities or infrastructure. The methodology used in this Nexus Study assumes that the proposed fees do not include the cost of remedying existing deficiencies. Rather, the City will fund the cost of capital projects or facilities that are designed to meet the needs of the City's existing population through other sources. Thus, while the Fee Program funding may need to be augmented by the City and other revenue sources to meet overall funding requirements, the fees imposed are directly proportional to the impacts caused by new development.

Summary of Proposed Fee Program

Local governments are generally authorized to collect development impact fees to mitigate the impact of increased demand for services resulting from new development. New development in the Plan Area will increase the demand for certain nonprofit community services and the facilities needed to provide them. The impact fee revenues are collected and expended to fund the portion of these new facility improvements needed to accommodate growth consistent with the current levels of service. Specifically, the impact fee revenues calculated in this Nexus Study will be used to fund the capital costs associated with creating and preserving space for the following types of nonprofit uses:

- **Cultural/Arts Facilities:** *Facilities providing accessible arts opportunities through cultural arts and programs; Facilities to promote the production of arts and arts programs*
- **Social Welfare Facilities:** *Facilities that provide employment and workforce development services, services for senior and adults with disabilities, and youth or family services¹*
- **Community Health Facilities:** *Health care clinics*

This Nexus Study supports a maximum fee of \$1.30 per residential gross square foot and \$2.68 per gross square foot of commercial space, composed of a component for Cultural/Arts facilities and a component for Social Welfare and Community Health facilities, as shown on **Table 1**.

¹ For purposes of this report, the City directed EPS to exclude child care facilities from the category of Social Welfare facilities. The City recently evaluated the impact of new residential and commercial development in San Francisco on child care facilities in the "San Francisco Citywide Nexus Study," prepared by AECOM and dated March 2014. This report is on file in Board of Supervisors file No. 150149.

Table 1 Summary of Fee Program Components and Maximum Fee Amounts

Fee Component by Type of Facility	Fee Amount	
	Residential (Per Gross Sq.Ft.)	Commercial (Per Gross Sq.Ft.)
Cultural/Arts	\$1.07	\$1.72
Social Welfare and Community Health	\$0.23	\$0.96
Total	\$1.30	\$2.68

Source: Economic & Planning Systems, Inc.

Summary of Methodology

A preview of the Nexus Study methodology follows, while **Chapters 2** and **3** describe all calculations in full detail.

Defining the Service Population

The service population identifies who benefits from the services being provided by each type of community facility. The service population for Cultural/Arts facilities is the citywide residential population, based on the logic that all residents, regardless of income, benefit from the cultural and art programs and offerings provided by Cultural/Arts nonprofit facilities. The service population for Social Welfare and Community Health facilities is the citywide residential population comprising households earning at or below 55 percent of Area Median Income (AMI) which limits the service population to just those new residents who would use the Social Welfare and Community Health facilities. The City’s Human Services Agency (HSA) staff confirmed in interviews that these services are used primarily by populations at or below this income level, as described in more detail in **Chapter 2**.

Establishment of Level of Service

The amount of new community facility space needed to serve new Plan Area residents and employees is determined based on the current relationship between the number of existing community facilities and the populations served by these facilities. This relationship is called the Level of Service (Level of Service) and is expressed as a ratio (i.e., number of facilities per 1,000 residents²). The Level of Service is then used as the basis for establishing the number of community facilities needed to mitigate the demand for community facility services from new development. The inventory, or count, of each type of community facility was prepared as part of

² Working in terms of 1,000 residents is conceptually more manageable and allows the Level of Service to be presented in whole numbers rather than decimals.

an earlier report, the Level of Services Standards and Best Practices Report, dated October 3, 2014.

New Plan Area Development

The City completed a draft of the Central SoMa Plan in April 2013.³ The Plan Area is bound by Market Street to the northwest, Townsend Street to the southeast, 2nd Street to the northeast and 6th Street to the southwest (see **Map 1**). Estimates of future population and employment growth in the Plan Area, as reported in the Central SoMa Plan Initial Study (Initial Study), are the basis for determining the future need for the community facilities which can be appropriately funded by the proposed development impact fee.

Summary of Calculation of Maximum Community Facilities Development Impact Fee

The maximum community facilities development impact fees are calculated by dividing the total costs associated with providing the required community facility space needed to serve new development by the service population. As described in more detail in **Chapter 3**, this Nexus Study supports a maximum fee of \$1.30 per residential gross square foot and \$2.68 per gross square foot of commercial space, composed of a component for Cultural/Arts facilities and a component for Social Welfare and Community Health facilities, as shown on **Table 1**.

These fee levels are associated with an estimated total program cost of \$37.5 million derived by estimating the square feet of community facility space required to serve the new development and multiplying that square footage by the cost per square foot to acquire/develop the space. The Cultural/Arts component of the fee program is approximately \$27.1 million (97,222 square feet of required community facility space x \$279 per square foot = \$27,121,035). The Social Welfare and Community Health component of the Fee Program is approximately \$10.4 million (37,201 square feet of required community facility space x \$279 per square foot = \$10,377,530).

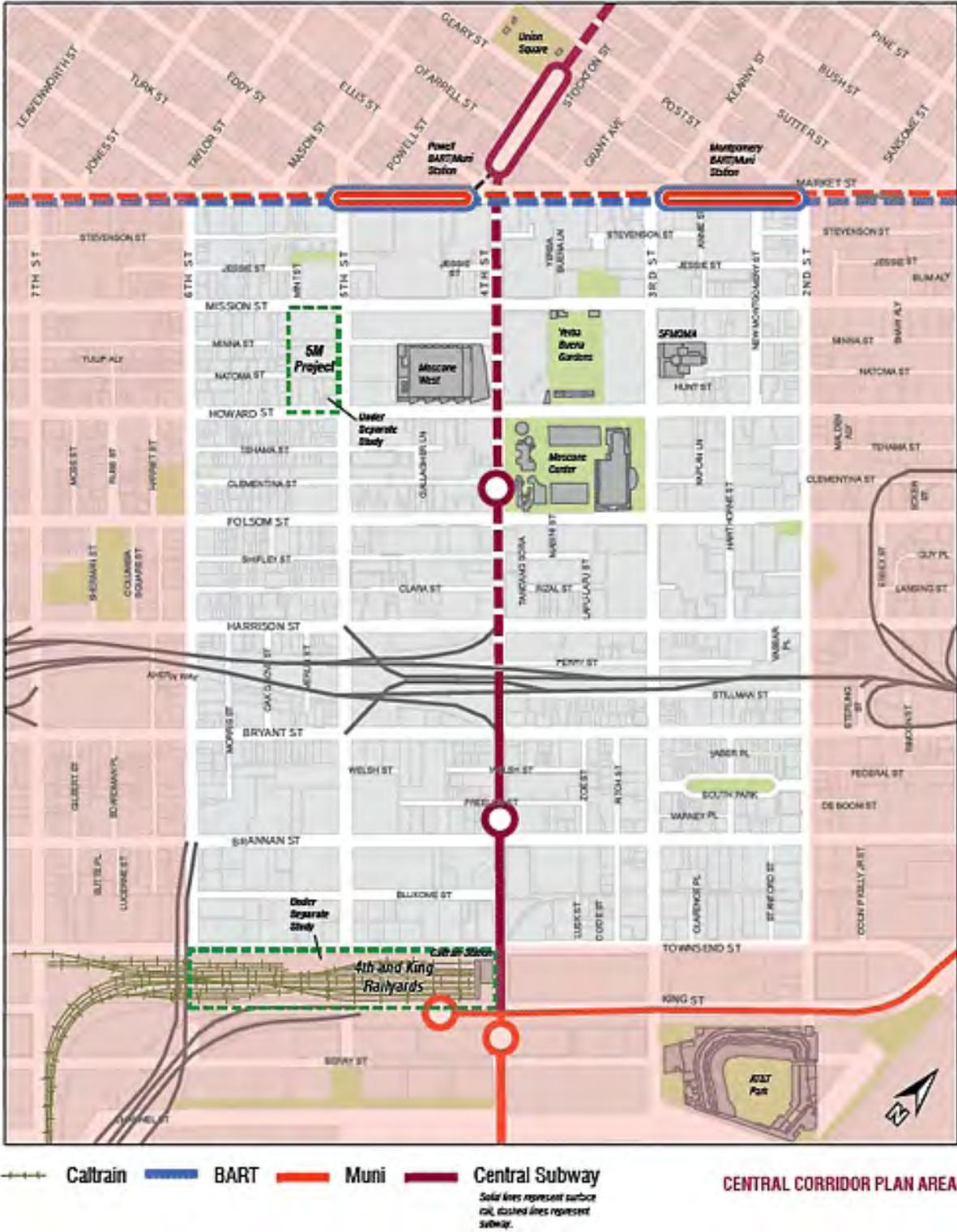
These fees will be collected and used to mitigate new demand for Cultural/Arts facilities, Social Welfare facilities and Community Health facilities. The total program cost of \$37.5 million is measured at Central SoMa Plan buildout (estimated at year 2040), and the revenue will be generated incrementally as new development occurs.

Nexus Study Background

As mentioned previously, EPS documented the City's recent history of addressing the continued viability of nonprofit organizations in the Central SoMa area in the Level of Service Standards and Best Practices Report. This report documented the current Level of Service, reviewed a range of mitigation strategies, including but not limited to a development impact fee, and reviewed best practices from other jurisdictions. Please refer to this report for a more in-depth review of the City's various efforts to address the pressures on nonprofit organizations in the Central SoMa Plan Area.

³ The Planning Department originally named the Central SoMa Plan the Central Corridor Plan. San Francisco Planning Department, Central Corridor Specific Plan, Draft for Public Review, April 2013.

Map 1 Central SoMa Plan Area Map



Source: Central Corridor Plan, San Francisco Planning Department, Public Review Draft, Page 3, April 2013.

In response to various threats nonprofits are confronting, the San Francisco Board of Supervisors passed Ordinance No. 395-13 which urged the Director of the Mayor's Office of Housing and Community Development (MOHCD) to convene a Working Group on Nonprofit Displacement (Working Group) to develop a series of recommendations on how the City can address the issue of nonprofit displacement.

The Working Group Report was issued in final form on May 13, 2014. It provides a comprehensive overview of the City's actions, outlines the results of the Working Group survey, summarizes a selection of best practices, and presents the Group's recommendations.

The Working Group's recommendations are categorized into five areas:

- Technical assistance needs
- Planning/Zoning/Developer agreements
- Identifying available space
- Direct financial assistance
- Public-Private partnerships

One of the recommendations included in the Planning/Zoning/Developer agreements area was development impact fees, which, as conceived by the Working Group, would charge fees to commercial developers to be used to renovate or acquire facilities to be occupied by nonprofit organizations. Specifically, the Working Group recommended the City conduct a nexus analysis to determine the impact of new residential and commercial development on the demand for community services to support a development impact fee which could be assessed on new development in order to renovate or acquire facilities to be occupied by nonprofit organizations.

Central SoMa Plan and Policy Context

The City's draft Central SoMa Plan (April 2013) is a long-range planning document that plans for and accommodates future growth in this high-demand area. This Nexus Study may serve as support for decision makers, as part of the Central SoMa Plan approval process, to include a development impact fee on new residential and commercial development to mitigate impacts from new development on nonprofit organizations in the Plan Area.

Report Organization

This chapter summarizes the proposed Fee Program, Mitigation Fee Act requirements, and the Nexus Study background. Following this chapter, **Chapter 2** describes the methodology supporting the Level of Service and service population assumptions. **Chapter 3** describes the Nexus Study fee calculations in detail.⁴ The required Mitigation Fee Act findings are provided in **Chapter 4**.

⁴ It should be noted that calculations described in the text of this Study have been rounded for ease of presentation and represent summaries of the excel calculations shown in the accompanying tables.

2. EXISTING LEVEL OF SERVICE AND SERVICE POPULATION ASSUMPTIONS

This chapter describes the current relationship between the number of existing community facilities and the populations served by these facilities (Service Population). This relationship is expressed as a Level of Service ratio and is then used as the basis for establishing the number of community facilities needed to mitigate the demand for community facility services from new development. In the 2014 Level of Service Standards and Best Practices Report, EPS documented the Level of Service at a Plan Area level and citywide.

A citywide Level of Service standard is used in this Nexus Study rather than a Plan Area-specific level of service standard because the existing nonprofit community facilities level of service in the Plan Area is not reflective of the demand for services that will be created by new Plan Area residents and employees for the following reasons:

- 1) The existing facilities in Central SoMa serve a population beyond the Plan Area boundaries; and
- 2) Central SoMa contains a higher concentration of nonprofit community facilities compared to citywide but a lower density residential population due to the area's commercial character.

For the reasons described above, using an area-specific level of service would overstate the demand for community facilities generated by residents of new development in the Plan Area.

Level of Service Methodology

Definition of Community Facilities

For purposes of this Nexus Study, community facilities are defined as legally-designated nonprofit entities that provide one or more of the following services:⁵

- a) Cultural/Arts
 - Facilities providing accessible arts opportunities through cultural arts and programs
 - Facilities to promote the production of arts and arts programs

Example community facilities meeting the intended definition include: Bindlestiff Studio, Yerba Buena Center for the Arts and the Filipino Cultural Center, all of which provide a citywide benefit.

⁵ The original direction from the City was to also evaluate demand for nonprofits providing Technical Assistance services; however, further analysis indicated that there was not adequate support for a nexus to proceed with an evaluation of this category of community facilities and it was eliminated from the Nexus Study.

b) Social Welfare

- Facilities that provide employment and workforce development services, services for senior and adults with disabilities, and youth or family services⁶

Example community facilities meeting the intended definition include the Legal Assistance to the Elderly, Inc., Big Brothers/Big Sisters, California Youth Connection, and the TODCO Group. The TODCO Group is a community-based housing/community development nonprofit corporation that develops affordable senior and single room occupancy (SRO) housing in the SoMa area and provides programs and services for residents within their housing developments.

c) Community Health

- Health care clinics

Example community facilities meeting the intended definition include: St. James Infirmary and the South of Market Health Center, both of which provide direct health care services to the populations of SoMa and neighboring communities. As defined, Community Health facilities do not include either private or public hospitals.

Inventory of Community Facilities

The number and location of nonprofit community facilities that meet the Nexus Study's definition were estimated for both the Plan Area and citywide in order to establish a baseline current Level of Service for each specified type of nonprofit community facility.⁷ This spatial analysis also helps to clarify the relative concentrations of community facilities in the Plan Area and citywide.

The inventory of community facilities in the Plan Area and the City as a whole was prepared by EPS, using data tracked by the Internal Revenue Service (IRS) and available through the IRS website. EPS began with a complete list of tax-exempt nonprofit entities in San Francisco as collected and reported by the IRS to prepare the inventory of targeted community facilities. In addition to the name and address of each nonprofit, the IRS database categorizes each nonprofit's primary type of activity. The activity type was then assigned to one of the three community facility categories or to an "other" category. Other types of nonprofits that were not included in this Nexus Study include labor unions, hospitals, educational institutions, sports clubs/leagues, family trusts/foundations, and private grant-making foundations.

The nonprofits assigned to one of the three community facility categories were then assigned to the geographic areas of interest: either the Plan Area or elsewhere in the City. With this information, the number of community facilities by type of facility can be identified by location in the City.

EPS also compared the IRS list of nonprofits in San Francisco to the San Francisco Indicator Project (<http://www.sfindicatorproject.org/>) lists prepared by the San Francisco Department of Public Health as well as to the address-level business and employment data collected by Dunn &

⁶ As noted earlier and for purposes of this report, the City directed EPS to exclude child care facilities from the category of Social Welfare facilities.

⁷ Inventory analysis is current as of April 2015.

Bradstreet (D&B) and provided by the City to-date. A more detailed description of the inventory methodology is provided in **Appendix A**.

The review of nonprofit community facilities indicates that of the 7,062 registered nonprofits in San Francisco, 239 are located in the Plan Area. Of those 239 in the Plan Area, 80 fall into one of the three community facility categories: Cultural/Arts, Community Health, and Social Welfare.

Table 2 provides a summary of the number of identified community facilities by facility type and by location.⁸

Table 2 Number of Community Facilities by Type and by Location

Community Facility Type	Location of Community Facilities	
	Plan Area	Citywide
Cultural/Arts	33	654
Social Welfare	47	892
Community Health	0	68
Other Nonprofits	<u>159</u>	<u>5,448</u>
Total	239	7,062

Sources: Internal Revenue Service, Exempt Organizations Business Master File Extract (EO BMF); National Center for Charitable Statistics, NTEE documentation and 'crosswalk' correspondence to IRS Activity and NAICS codes; Texas A&M Geoservices; Economic & Planning Services, Inc.

Plan Area

The Plan Area corresponds to the Central SoMa Plan boundaries and represents 0.58 square miles. There are a total of 239 registered nonprofits located in the Plan Area, 80 of which fall into one of the three community facility categories: 33 Cultural/Arts facilities, 47 Social Welfare facilities and 0 Community Health facilities.

Citywide

Citywide (46.87 square miles) there are a total of 7,062 registered nonprofits, 1,614 of which fall into one of the three community facility categories: 654 Cultural/Arts facilities, 892 Social Welfare facilities and 68 Community Health facilities.

⁸ The number of Social Welfare community facilities varies from what was presented in the October 2014 Level of Service Standards and Best Practices Report due to the City's subsequent direction to exclude child care facilities from the inventory.

Service Population Methodology

The service population identifies who benefits from the services being provided by each type of community facility. Estimates of existing service population levels are used to formulate service standards for each type of facility as a way of establishing a relationship between the number of community facilities and the populations they serve. The service population for Cultural/Arts facilities is the citywide residential population of approximately 820,400; the service population for Community Health and Social Welfare facilities is the citywide population comprising households earning at or below 55 percent of AMI (approximately 279,300), as shown on **Table 3**.

Table 3 Density of Community Facilities per 1,000 Residents by Type of Facility

Community Facility Type	Amount Citywide
Cultural/Arts	654
<i>Service Population</i>	820,413
<i>Number of Facilities per 1,000 Residents [1]</i>	0.8
Social Welfare	892
<i>Service Population at or below 55% AMI [2]</i>	279,342
<i>Number of Facilities per 1,000 Residents at or below 55% AMI [1]</i>	3.2
Community Health	68
<i>Service Population at or below 55% AMI [2]</i>	279,342
<i>Number of Facilities per 1,000 Residents at or below 55% AMI [1]</i>	0.2
Subtotal, Community Facilities	1,614
<i>Number of Facilities per 1,000 Residents</i>	2.0
<i>Service Population (all incomes)</i>	820,413
<i>Service Population (at or below 55% AMI) [2]</i>	279,342

[1] The number of facilities per 1,000 residents is calculated for each type of facility by dividing the number of facilities citywide by the relevant population (expressed in terms of 1,000 residents).

[2] As shown on Table 4, approximately 34% of San Francisco households have annual incomes at or below 55% of the AMI, which is \$44,850 for a 2 person household in 2015. This share is applied to the citywide population of 820,413 to estimate the number of residents comprising households at or below 55% AMI. Applying the share of citywide households with incomes less than 55% to the citywide population assumes a constant people per household ratio, which is appropriate at the citywide level.

Sources: Internal Revenue Service, Exempt Organizations Business Master File Extract (EO BMF); National Center for Charitable Statistics, NTEE documentation and 'crosswalk' correspondence to IRS Activity and NAICS codes; Texas A&M Geoservices; Applied Geographic Solutions, 2013 [Core Demographics Database]; Economic & Planning Systems, Inc.

In developing the service populations for each type of facility, EPS met with representatives of the three identified categories of community facilities to understand more about the population each type of community facility serves. The interviews occurred between May and June 2014, and between two and six interviewees participated in each interview. The full summary of these interviews is provided in the Level of Service Standards and Best Practices Report. Anecdotally, the interviews confirmed that the service population for Cultural/Arts facilities varies from the service population for Social Welfare/Community Health facilities.

Specifically, the Cultural/Arts facilities serve all residents regardless of income, while the Community Health and Social Welfare community facilities typically serve a lower-income population. The City's Human Services Agency (HSA) confirmed in interviews that these services are used primarily by populations at or below 55 percent of Area Median Income (AMI).⁹ ¹⁰ This distinction results in a service population that is reflective of those new residents and employee-residents who are likely to rely on the services provided by the Community Health and Social Welfare facilities.

For Social Welfare and Community Health community facilities, which serve populations earning at or below 55 percent AMI, EPS calculated the percentage of the citywide households at or below this income range, estimated to be 34 percent of citywide households, as shown on **Table 4**.¹¹

⁹ As of 2015, 55 percent of AMI for a 2-person household was \$44,850, as derived by the San Francisco Mayor's Office of Housing and Community Development based on 4-person household data provided by the U.S. Department of Housing and Urban Development.

¹⁰ To substantiate this assumption, the Self-Sufficiency Standard for a 2-person household (2 adults, no children) in San Francisco is \$42,376. For a 3-person household (2 adults, 1 child), the Self-Sufficiency Standard is \$73,167. The Self-Sufficiency Standard measures how much income is needed for a family of a certain composition living in a particular county to adequately meet its minimal basic needs. It is based on the costs families face on a daily basis—housing, food, child care, out-of-pocket medical expenses, transportation, and other necessary spending—and provides a complete picture of what it takes for families to make ends meet.

¹¹ The share of San Francisco households with annual incomes at or below 55% of the AMI is applied to the citywide population of 820,413 to estimate the number of residents comprising households at or below 55% AMI. Applying the share of citywide households with incomes less than 55% to the citywide population assumes a constant people per household ratio, which is appropriate at the citywide level.

Table 4 Household Income Distribution in San Francisco

Household Income	Number of Households	Percent of Total
Total	348,751	100%
Less than \$10,000	24,826	7%
\$10,000 to \$14,999	21,914	6%
\$15,000 to \$19,999	13,699	4%
\$20,000 to \$24,999	14,246	4%
\$25,000 to \$29,999	10,983	3%
\$30,000 to \$34,999	12,464	4%
\$35,000 to \$39,999	9,608	3%
\$40,000 to \$44,999	11,006	3%
\$45,000 to \$49,999	9,646	3%
\$50,000 to \$59,999	19,767	6%
\$60,000 to \$74,999	26,965	8%
\$75,000 to \$99,999	36,298	10%
\$100,000 to \$124,999	32,120	9%
\$125,000 to \$149,999	22,825	7%
\$150,000 to \$199,999	31,933	9%
\$200,000 or more	50,451	14%
Percent of Households Earning less than \$45,000		34%

Sources: 2011-2013 American Community Survey 3-Year Estimates; Economic & Planning Systems, Inc.

Determination of Community Facilities Level of Service

The increased demand for new community facilities from new development is estimated based on current Levels of Service for each type of community facility, as defined above. EPS developed the Levels of Service for each community facility type by taking the number of facilities and dividing by the service population in terms of 1,000 residents, as shown on **Table 3**. For example, for Cultural/Arts facilities, there are 654 facilities citywide meeting the established definition and a citywide population of 820,413. Expressing the number of Cultural/Arts facilities in terms of 1,000 residents results in a normative level of service standard of 0.8 per 1,000 population. $[654 / (820,413 / 1,000) = 0.8]$

For Social Welfare and Community Health, the population is limited to reflect only those citywide residents comprising households earning at or below 55 percent AMI, approximately 279,342 people. The level of service standard for Social Welfare is 3.2 facilities per 1,000 population at or below 55 percent AMI, and the level of service standard for Community Health facilities is 0.2 facilities per 1,000 population at or below 55 percent AMI.

Population and Employment Growth Projections

Estimates of future population and employment growth in the Plan Area, as reported in the Central SoMa Plan Initial Study (Initial Study), are the basis for determining the future need for the community facilities which can be appropriately funded by the proposed development impact fee revenue. **Table 5** summarizes the assumptions from the Initial Study used in this analysis.

Land Use Density Assumptions

Estimates related to residential and employment density (e.g., persons per household, square feet per residential unit or employees per square foot) are used to differentiate residential and commercial fee levels. The density assumptions are consistent with those assumptions used in the Initial Study.¹²

Table 5 Central SoMa Plan Initial Study Assumptions

Category	Option A: Residential Focus	Source
Residential Density	12,800 residents	Initial Study, page 75.
Unit Size	1.77 persons per household	Initial Study, page 82.
	1,200 gross sq.ft./unit	Initial Study, page 75.
Non-Residential Density	45,000 jobs	Initial Study, page 75.
	200 sq.ft. per employee	Initial Study, page 75.
Employee-Resident Percentage	55% of City employees live in the City	Initial Study, page 85.

Sources: San Francisco Planning Department; Initial Study for the Central SoMa Plan, February 2014.

¹² The density assumptions used in the Initial Study for the Central SoMa Plan are different in many cases than assumptions used for citywide analyses and are intended to reflect the characteristics of new development anticipated in the Plan Area.

3. DETAILED NEXUS CALCULATIONS AND MAXIMUM FEES

This chapter describes the calculations for the proposed Fee Program. If approved and implemented, this Fee Program would generate revenue from a fee charged to new development in the Plan Area that would be used to mitigate the new demand for nonprofit community facilities services (e.g., Cultural/Arts, Social Welfare and Community Health facilities) from residents and employees living or working in the new development.

Overview of Nexus Calculation Methodology

The Fee Program consists of two components: 1) the Cultural/Arts component, which serves all residents regardless of household income; and 2) the Social Welfare and Community Health component, which generally serves households earning up to 55 percent of the AMI. For each component, the fee calculations fall into four steps as summarized below:

1. Step 1 identifies the service populations (generated by both residential and commercial development in the Plan Area) that use or take advantage of the services offered by the three types of community facilities.
2. Step 2 applies the Level of Service standards established for each type of community facility to the new service population to estimate the number (and square feet) of new community facilities that will be needed to meet the demand generated by new development.
3. Step 3 determines the per square foot cost of acquiring and/or developing the new space to be offered to eligible nonprofit facilities, net of the capitalized value of the rent that is estimated to be affordable to nonprofits.
4. Step 4 calculates the fee levels per square foot of residential and commercial development.

Detailed fee calculations for the Cultural/Arts component are shown on **Table 6** and for the Social Welfare/Community Health component on **Table 9**.

Step 1: Service Population

Cultural/Arts Fee Calculations

The following calculations can be followed on **Table 6**.

Calculating the Residential Service Population

For the Cultural/Arts component, all new Plan Area residents are counted in the service population, as all new Plan Area residents are expected to benefit from the provision of Cultural/Arts community facilities services.

- As shown on **Table 5**, 12,800 residential units are anticipated for the Plan Area, approximately 15 percent of which have already been approved or built, resulting in 10,880 new residential units for purposes of this Nexus Study.¹³
- 10,880 new units, results in 19,258 new residents (using an estimate of 1.77 people per household, consistent with the Initial Study).¹⁴

Calculating the Employee Service Population

For the Cultural/Arts component, new Plan Area employees who live in the City but not in the Plan Area are counted in the service population. Plan Area employees who also live in the Plan Area are excluded in order to not double count. The calculation also limits the service population to San Francisco residents (i.e., employees who live in San Francisco) and excludes Plan Area employees who live outside of the City. The following calculations are shown on **Table 6**.

- The Central SoMa Plan is expected to generate 45,000 new employees, approximately 15 percent of whom are occupying recently approved or built space, leaving 38,250 new employees still to be accommodated by new commercial development.
- At 200 square feet per employee and 38,250 new employees,¹⁵ 7.65 million new square feet of commercial space is expected.
- Currently 55 percent of the jobs in San Francisco are filled by employees who also live in San Francisco, based on an assumption used in the Initial Study.¹⁶ According to United States Census Bureau (Census) data for the last decade, this ratio has remained relatively constant in recent years and it is reasonable to expect it to continue. Accordingly, new commercial development in Central SoMa can be expected to attract 21,038 Plan Area employees who live in San Francisco.¹⁷
- Each new person—whether a Plan Area employee who lives in the City or a Plan Area resident—will only create demand for community facility services once. Thus, in order to avoid double-counting individuals who are both new employees in the Plan Area and new residents in the Plan Area, EPS excludes those employee-residents already accounted for above in the resident calculation. To do so, EPS estimates the share of future residential development in the Plan Area relative to the citywide residential development forecast; this

¹³ The City's Planning Department estimates that approximately 15 percent of the potential new development accommodated by the Central SoMa Plan has already been approved and/or constructed.

¹⁴ Central SoMa Plan Initial Study, Option A, Residential Focus, page 75.

¹⁵ Central SoMa Plan Initial Study, page 75.

¹⁶ Central SoMa Plan Initial Study, page 85.

¹⁷ This step allows the exclusion of employees who do not live in the City, effectively discounting the demand of an employee relative to a resident.

share is estimated to be 14 percent,¹⁸ which is multiplied by the 21,038 Plan Area employees who live in San Francisco, and the result is deducted from the 21,038 Plan Area employees who live in San Francisco. This leaves a remainder of 18,176 Plan Area employees who will live in San Francisco but outside of the Plan Area.

- The average commercial square footage per new Plan Area employee who lives in San Francisco but not in the Plan Area is calculated to be 421 square feet, which is the result of dividing the commercial square footage anticipated in the Plan Area (7.65 million square feet) by the relevant service population of 18,176 (as opposed to all 38,250 new Plan Area employees). This reallocation from the development assumption of 200 square feet per employee to the calculated 421 square feet per employee reflects that the service population is nearly one-half of the total number of Plan Area employees.

Calculating the Combined Service Populations

In order to calculate the number of new Cultural/Arts community facilities needed to meet the demands of new Plan Area residents and employees, the residential and employee service populations described above are combined, as shown on **Table 6**.

- The total number of Plan Area residents plus Plan Area employees who live in San Francisco but not in Central SoMa is estimated to be 37,434 (19,258 new residents + 18,176 new employees). This is the service population generated by new development in the Plan Area that is used as the basis for calculating the number of Cultural/Arts community facilities needed to serve new Plan Area residents and employees.¹⁹

¹⁸ In the next 20 years, the City's Planning Department estimates there will be approximately 80,000 new residential units developed in the City. Excluding those already approved or built, the Plan Area has capacity for 10,880 new units. As a share of the future citywide total residential development, the Plan Area represents capacity of 14 percent ($80,000 \text{ units citywide} / 10,880 \text{ units in the Plan Area} = 13.6\%$).

¹⁹ The Nexus Study assumes that demand for community services will be based on where someone lives and not where they work, and therefore only counts new residents and employees in the service population if they live in the City. Thus, new employees commuting in from outside of the City are excluded. To the extent this assumption is incorrect and employees actually demand services near their place of work outside of the City rather than near their homes in the City, it is likely that an approximately equal number of new City residents employed outside of the City would also demand services near their work rather than near their homes. For simplicity, the Nexus Study assumes these factors balance.

Table 6
Cultural/Arts Component Fee Calculation

Ref. #	Item	Amount	Formula	Source
a CULTURAL/ARTS SERVICE POPULATION				
b	New Plan Area Residents			
c	Total New Residential Units in Plan Area	10,880	= 12,800 units x 15% adjustment for development already complete or underway	Central SoMa Plan Initial Study, Option A, Residential Focus, page 75.
d	Average Gross Sq.Ft./Unit	1,200	Direct input	Central SoMa Plan Initial Study, page 75.
e	Average Residents/Unit	1.77	Direct input	Central SoMa Plan Initial Study, page 82.
f	Average Sq.Ft./Resident	678	= d / e	
g	Total New Plan Area Residents (Residential Service Population)	19,258	= c * e	
h				
i	New Plan Area Employees			
j	Total New Plan Area Employees	38,250	= 45,000 employees x adjustment for development already complete or underway	Central SoMa Plan Initial Study, Option A, Residential Focus, page 75.
k	Commercial Sq.Ft./Employee	200	Direct input	Central SoMa Plan Initial Study, page 75.
l	New Commercial Sq.Ft.	7,650,000	= j * k	
m	% of New Plan Area Employees Living in City	55.0%	Direct input	Central SoMa Plan Initial Study, page 85.
n	Total New Plan Area Employees Living in City	21,038	= j * m	
o	% of Plan Area Employees Expected to Live in Plan Area (Employee-Residents)	14%	= c / 80,000	Citywide residential capacity estimated at 80,000 by Planning Dept. for 25-year planning horizon.
p	Total New Plan Area Employee-Residents	2,861	= n * o	
q	Total New Plan Area Employees Living in City but not in Plan Area (Employee Service Population)	18,176	= n - p	
r	Commercial Sq.Ft. divided by New Plan Area Employees Living in City but not in Plan Area	421	= l / q	
s				
t	Cultural/Arts Service Population (Total New Plan Area Residents plus Total New Plan Area Employees Living in City but not in Plan Area)	37,434	= g + q	
u				
v CULTURAL/ARTS SERVICE REQUIREMENTS				
w	Level of Service: # of Facilities/1,000 Service Population	0.8	Direct input	Citywide Level of Service Estimated by
x	Total Facilities	29.84	= (t / 1,000) * w	
y	Avg. Sq.Ft./Facility	3,258	Direct input	BLA Report, Exhibit 11, page 14, 10/8/14
z	Total Sq.Ft.	97,222	= x * y	
aa				
bb CULTURAL/ARTS FACILITIES COST				
cc	Avg. Cost/Sq.Ft.	\$614	Direct input	CoStar Office Building Transactions (2014 and 2015)
dd	Avg. Net Rent/Sq.Ft.	\$20.11	Direct input	BLA Report, Exhibit 11, page 14, 10/8/14
ee	Capitalized value of rent (at 6%)	\$335	= dd / cap rate	
ff	Cost/Sq.Ft. (net of rental value)	\$279	= cc - ee	
gg				
hh	Total Cost	\$27,121,035	= z * ff	
ii	Cost per Service Population	\$725	= hh / t	
jj	Cost per Residential Gross Sq.Ft.	\$1.07	= ii / f	
kk	Cost per Commercial Sq.Ft.	\$1.72	= ii / r	
ll				
mm	Average Revenue per Year	\$1,085,000	= hh / 25 years	Total costs divided by 25 years (2015 - 2040)

Sources: Central SoMa Initial Study; Dunn & Bradstreet; BLS; City and County of San Francisco; Economic & Planning Systems, Inc.

Social Welfare/Community Health Fee Calculations

Calculating the Residential Service Population

For the Social Welfare/Community Health component, new Plan Area residents living in households with household incomes at or below 55 percent AMI are counted in the service population. All calculations are shown on **Table 9**.

- As shown on **Table 5**, 12,800 residential units are anticipated for the Plan Area, approximately 15 percent of which have already been approved or built, resulting in 10,880 new residential units for purposes of this Nexus Study.²⁰
- 10,880 new units, results in 19,258 new residents (using an estimate of 1.77 people per household, consistent with the Initial Study).²¹
- To estimate the percentage of new Central SoMa residents comprising households earning 55 percent AMI or less, EPS assumes: (1) that new market-rate residential development in the Plan Area will need to comply with the City's Inclusionary Housing Program; and, (2) that additional affordable housing may be built through Development Agreements or by using public subsidies or tax credits. The current Inclusionary Housing Program generally requires new residential development to provide 12 percent of the units in the principal project as affordable on-site or 20 percent of the units as affordable off-site but within one mile of the principal project. Additionally, based on feedback from Planning Department staff, this analysis anticipates that the Central SoMa Plan is likely to include higher inclusionary housing requirements in the Plan Area. Given all of these factors, EPS believes that a 20 percent inclusionary housing assumption is justified, and may even be conservative depending on the actual inclusionary requirements of the Central SoMa Plan.²² As such, of the 10,880 new residential units in the Plan Area, it is assumed that 20 percent of the new units will be provided through the City's Inclusionary Housing Program (2,176 units). Based on publicly available historical data provided by the San Francisco Mayor's Office of Housing and Community Development (MOHCD) regarding the percentage of rental vs. for-sale units, the analysis assumes that approximately 25.2 percent of new on-site inclusionary units (548 units) will be rental units available to households earning 55 percent AMI or less.²³ Support for the 25.2 percent assumption is shown below on **Table 7**.

²⁰ The City's Planning Department estimates that approximately 15 percent of the potential new development accommodated by the Central SoMa Plan has already been approved and/or constructed.

²¹ Central SoMa Plan Initial Study, Option A, Residential Focus, page 75.

²² The 20 percent inclusionary requirement includes both on- and off-site units. It is possible that by using the 20 percent requirement, the analysis may include off-site units outside of the Plan Area, which may be occupied by new Plan Area employees, potentially overstating the impact of new employees. Given the dimensions of the Plan Area and available opportunity sites for housing, this number is expected to be minimal.

²³ The City's Inclusionary Housing Program stipulates that rental units must be affordable to households earning 55 percent AMI or less.

- At 1.77 people per household and 548 units expected to be affordable rental units and occupied by residents earning less than 55 percent of AMI, the number of new residents in the Plan Area comprising households earning less than 55 percent AMI is 970.
- The total residential square footage expected in the Plan Area is approximately 13 million, as shown on **Table 9**.²⁴ This number divided by the number of residents earning less than 55 percent AMI (970 residents) results in an allocation of 13,457 square feet per resident. This figure is used in a later step to convert total Social Welfare/Community Health facilities costs into a cost per residential square foot.

Table 7 MOHCD Affordable Housing Portfolio, Inclusionary Housing Program

Inclusionary Housing Program	Total Units	
	Number	% of Total
Rental	765	25.2%
Ownership	<u>2,272</u>	<u>74.8%</u>
Total, Inclusionary Housing	3,037	100.0%

Source: San Francisco Mayor's Office of Housing and Community Development Annual Report, 2012-13 and 2013-14, page 3.

Calculating the Employee Service Population

For the Social Welfare/Community Health component, new Plan Area employees who live in the City but not in the Plan Area and who comprise households earning 55 percent AMI or below are counted in the service population. The following calculations are shown on **Table 9**.

- The Central SoMa Plan is expected to generate 45,000 new employees, approximately 15 percent of whom are occupying recently approved or built space, leaving 38,250 new employees still to be accommodated by new commercial development.
- At 200 square feet per employee and 38,250 new employees,²⁵ 7.65 million new square feet of commercial space is expected.

²⁴ This calculation does not distinguish between the size of market-rate units and affordable units, as that level of detail is not available at this time. Section 415.6(c) of the Planning Code states: "The square footage of affordable units do not need to be same as or equivalent to those in market rate units in the principal project, so long as it is consistent with then-current standards for new housing."

²⁵ Central SoMa Plan Initial Study, page 75.

- Currently 55 percent of the jobs in San Francisco are filled by employees who also live in San Francisco, based on an assumption from the Initial Study.²⁶ Accordingly, new commercial development in Central SoMa can be expected to attract 21,038 Plan Area employees who live in San Francisco.
- Each new person—whether an employee or a resident—will only create demand for community facility services once. Thus, in order to avoid double-counting individuals who are both new employees in the Plan Area and new residents in the Plan Area, EPS excludes those employee-residents already accounted for above in the resident calculation. To do so, EPS estimates the share of future residential development in the Plan Area relative to the citywide residential development forecast, and the result is deducted from the 21,038 Plan Area employees who live in San Francisco.²⁷ This leaves a remainder of 18,176 Plan Area employees who will live in San Francisco but outside of Central SoMa.
- To estimate the percentage of new Plan Area employees who comprise households earning 55 percent AMI or less, EPS analyzed United States Bureau of Labor Statistics occupation and wage data for the San Francisco region. Lacking more detailed data, EPS assumes that the distribution of new employment and wages in Central SoMa will be consistent with the regional employment and wage distribution. In addition, EPS assumes that new households will have two wage earners and the secondary workers earn wages equivalent to the primary workers.²⁸ Given these assumptions, approximately 12.9 percent of new employees comprise households at or below 55 percent AMI, as shown on **Table 8**.
- The average square feet of commercial space per Plan Area employee living in San Francisco but not in Central SoMa and earning less than 55 percent AMI is calculated to be approximately 3,252 square feet (line *x* on **Table 9**). This figure will be used as the denominator in calculating facility costs that will be expressed in terms of Plan Area employees living in San Francisco but not Central SoMa.

²⁶ Central SoMa Plan Initial Study, page 85.

²⁷ See footnote 16.

²⁸ The average number of workers per working households is estimated to be 1.74 based on Census data. The assumption that the Plan Area Employee is the primary earner in the household and that the secondary worker earns an equivalent salary is consistent with the approach anticipated for the Jobs Housing Linkage Study, currently underway.

Table 8
Occupation and Wage Data to Estimate Share of Employees Comprising Households Earning Less Than 55% AMI

Occupation Code	Occupation Title	Total Regional Employment	Percent of Total	Income Level at Various Percentiles of Earnings [1, 2]					Affected Percentile [3]	Revised Percent of Total [4]
				10th Percentile	25th Percentile	50th Percentile	75th Percentile	90th Percentile		
00-0000	All Occupations	1,045,700	100.0%	\$22,110	\$30,280	\$51,320	\$88,240	\$135,920		
11-0000	Management Occupations	78,810	7.5%	\$61,040	\$89,240	\$133,570	\$185,120	#		
23-0000	Legal Occupations	15,060	1.4%	\$55,300	\$80,860	\$128,300	\$179,260	#		
29-0000	Healthcare Practitioners and Technical Occupations	40,380	3.9%	\$46,890	\$67,720	\$111,450	\$140,800	\$173,040		
15-0000	Computer and Mathematical Occupations	68,810	6.6%	\$60,430	\$78,350	\$101,560	\$128,300	\$150,340		
17-0000	Architecture and Engineering Occupations	19,550	1.9%	\$55,900	\$71,640	\$93,560	\$122,550	\$148,550		
19-0000	Life, Physical, and Social Science Occupations	21,310	2.0%	\$46,230	\$67,830	\$91,180	\$116,680	\$146,870		
13-0000	Business and Financial Operations Occupations	87,630	8.4%	\$47,510	\$62,620	\$84,380	\$115,040	\$153,100		
27-0000	Arts, Design, Entertainment, Sports, and Media Occupations	25,970	2.5%	\$30,250	\$42,980	\$61,850	\$87,270	\$118,430		
47-0000	Construction and Extraction Occupations	29,970	2.9%	\$29,530	\$41,140	\$60,160	\$81,270	\$101,550		
49-0000	Installation, Maintenance, and Repair Occupations	24,670	2.4%	\$28,880	\$38,740	\$55,610	\$74,100	\$89,000		
25-0000	Education, Training, and Library Occupations	52,300	5.0%	\$27,940	\$37,220	\$53,120	\$73,340	\$94,520		
21-0000	Community and Social Service Occupations	15,760	1.5%	\$28,540	\$36,000	\$47,900	\$69,870	\$90,390		
33-0000	Protective Service Occupations	24,760	2.4%	\$24,490	\$29,720	\$47,870	\$90,580	\$112,690	10%	0.24%
43-0000	Office and Administrative Support Occupations	167,320	16.0%	\$24,870	\$32,290	\$43,750	\$56,510	\$71,370	10%	1.60%
31-0000	Healthcare Support Occupations	18,600	1.8%	\$23,900	\$30,760	\$39,150	\$51,730	\$59,060	10%	0.18%
41-0000	Sales and Related Occupations	106,560	10.2%	\$20,500	\$23,780	\$34,720	\$61,370	\$117,260	25%	2.55%
51-0000	Production Occupations	25,260	2.4%	\$20,410	\$23,810	\$34,250	\$50,900	\$72,610	25%	0.60%
53-0000	Transportation and Material Moving Occupations	52,300	5.0%	\$20,510	\$24,950	\$34,160	\$47,610	\$70,770	25%	1.25%
37-0000	Building and Grounds Cleaning and Maintenance Occupations	39,910	3.8%	\$19,700	\$22,760	\$29,500	\$41,980	\$53,050	25%	0.95%
39-0000	Personal Care and Service Occupations	27,300	2.6%	\$19,080	\$21,710	\$26,890	\$37,720	\$59,260	25%	0.65%
45-0000	Farming, Fishing, and Forestry Occupations	620	0.1%	\$18,320	\$20,750	\$25,920	\$37,380	\$66,630	50%	0.03%
35-0000	Food Preparation and Serving Related Occupations	102,860	9.8%	\$18,500	\$20,450	\$23,140	\$29,230	\$40,240	50%	4.92%
TOTAL										12.97%
TOTAL (Less Farming)										12.94%

Income Limit Assumptions

City of San Francisco 2015 Income Limits at 55% AMI

Average People per Household (Citywide) [5]	2.30
2-Person Household	\$44,850
3-Person Household	\$50,450
2.3-Person Household (Derived Proportionally)	\$46,530

Worker Income Limits

Average Workers per Working Household (Citywide) [5]	1.74
Primary Worker Income Limit (\$46,530 / 1.74)	\$26,741
Secondary Worker Income Limit (\$46,530 - \$26,741)	\$19,789
2.3-Person Household Income Limit	\$46,530

Note: This methodology assumes the Plan Area Employee is the primary earner in the household and that the secondary worker earns an equivalent salary, consistent with the approach anticipated for the Jobs Housing Linkage Study, currently underway.

[1, 2] Interpretation: For workers across all occupations, those workers earning at the 10th percentile earn \$22,110 per year. The yellow highlighting identifies the highest percentile for each occupation category with earnings below \$26,741, the primary worker income limit if the secondary worker is earning \$19,789. Together these two earnings amounts comprise a household earning 55% AMI.

[3] For Protective Service Occupations, the income limit of \$26,741 is reached at the 10th percentile. For Food Preparation and Serving Related Occupations, the income limit is not reached until the 50th percentile.

[4] The affected percentile is multiplied by the percent of total employment to derive an approximate percentage of employees earning below the income limit of \$26,741. The "TOTAL (Less Farming)" line indicates that approximately 12.9 percent of employees in the San Francisco-San Mateo-Redwood City region comprise households earning less than 55 percent of the San Francisco AMI as derived for a 2.3 person household.

[5] The citywide average household size is 2.3 people per household. Although the household size is expected to be smaller in the Plan Area, the citywide average is used to reflect the household size of Plan Area employees who live in San Francisco but not in the Plan Area. The number of workers per household in the City is 1.74 based on US Census data.

Sources: BLS Occupation and Wage data for the San Francisco-San Mateo-Redwood City, CA Metropolitan Division; U.S. Census American Community Survey 2011-2013 for San Francisco; 2015 Maximum Income by Household Size, San Francisco Mayor's Office of Housing and Community Development; Economic & Planning Systems, Inc.

Table 9
Social Welfare/Community Health Component Fee Calculation

Ref. #	Item	Amount	Formula	Source
<i>a</i>	SOCIAL WELFARE AND COMMUNITY HEALTH SERVICE POPULATION			
<i>b</i>	New Plan Area Residents			
<i>c</i>	Total New Residential Units in Plan Area	10,880	= 12,800 units x 15% adjustment for development already complete or underway	Central SoMa Plan Initial Study, Option A, Residential Focus, page 75.
<i>d</i>	Average Gross Sq.Ft./Unit	1,200	Direct input	Central SoMa Plan Initial Study, page 75.
<i>e</i>	New Residential Sq.Ft.	13,056,000	= c * d	
<i>f</i>	% Inclusionary Affordable Units	20.0%	Direct input	City's Inclusionary Housing Program, Sec. 415.3
<i>g</i>	% Rental Units at 55% AMI or Below	25.2%	Direct input	MOHCD Inclusionary Housing Portfolio
<i>h</i>	Plan Area Units Affordable to Households at 55% of AMI or Below	548	= c * f * g	
<i>i</i>	Average Residents/Unit	1.77	Direct input	Central SoMa Plan Initial Study, page 82.
<i>j</i>	Total New Plan Area Residents at 55% of AMI or Below (Residential Service Population)	970	= h * i	
<i>k</i>	Residential Sq.Ft. divided by New Plan Area Residents at 55% of AMI or Below	13,457	= e / j	
<i>l</i>	New Plan Area Employees			
<i>m</i>	New Plan Area Employees			
<i>n</i>	Total New Plan Area Employees	38,250	= 45,000 employees x adjustment for development already complete or underway	Central SoMa Plan Initial Study, Option A, Residential Focus, page 75.
<i>o</i>	Commercial Sq.Ft./Employee	200	Direct input	Central SoMa Plan Initial Study, page 75.
<i>p</i>	New Commercial Sq.Ft.	7,650,000	= n * o	
<i>q</i>	% of New Plan Area Employees Living in City	55.0%	Direct input	Central SoMa Plan Initial Study, page 85.
<i>r</i>	Total New Plan Area Employees Living in City	21,038	= n * q	
<i>s</i>	% of Plan Area Employees Expected to Live in Plan Area (Employee-Residents)	14%	= c / 80,000	Citywide residential capacity estimated at 80,000 by Planning Dept. for 25-year planning horizon.
<i>t</i>	Total New Plan Area Employee-Residents	2,861	= r * s	
<i>u</i>	Total New Plan Area Employees Living in City but not in Plan Area	18,176	= r - t	
<i>v</i>	% Comprising Households at 55% of AMI or below	12.9%	Direct input	BLS Occupation and Wage Data for San Francisco-San Mateo-Redwood City, CA Metropolitan Division (See Table 8)
<i>w</i>	New Plan Area Employees Living in City but not in Plan Area at 55% of AMI or Below (Employee Service Population)	2,352	= u * v	
<i>x</i>	Commercial Sq.Ft. divided by Plan Area Employees Living in City but not in Plan Area at 55% of AMI or Below	3,252	= p / w	
<i>y</i>	Social Welfare/Community Health Service Population (Total Plan Area Residents at 55% of AMI or Below plus Plan Area Employees Living in City but not in Plan Area at 55% of AMI or Below)			
<i>z</i>		3,322	= j + w	
<i>aa</i>				

Table 9
Social Welfare/Community Health Component Fee Calculation

Ref. #	Item	Amount	Formula	Source
bb SOCIAL WELFARE AND COMMUNITY HEALTH SERVICE REQUIREMENTS				
<i>cc</i> Community Health				
<i>dd</i>	Level of Service: # of Facilities/1,000 Service Population	0.2	Direct input	Citywide LOS Estimated by EPS
<i>ee</i>	Total Facilities	0.81	= (z / 1,000) * dd	
<i>ff</i>	Avg. Sq.Ft./Facility	3,258	Direct input	BLA Report, Exhibit 11, page 14, 10/8/14
<i>gg</i>	Total Sq.Ft.	2,635	= ee * ff	Calculated
<i>hh</i>				
<i>ii</i> Social Welfare				
<i>jj</i>	Level of Service: # of Facilities/1,000 Service Population	3.2	Direct input	Citywide LOS Estimated by EPS
<i>kk</i>	Total Facilities	10.61	= (z / 1,000) * jj	
<i>ll</i>	Avg. Sq.Ft./Facility	3,258	Direct input	BLA Report, Exhibit 11, page 14, 10/8/14
<i>mm</i>	Total Sq.Ft.	34,566	= kk * ll	
<i>nn</i>				
<i>oo</i>	Total Community Health and Social Welfare Facilities	11.42	= ee + kk	
<i>pp</i>	Total Sq.Ft.	37,201	= gg + mm	
<i>qq</i>				
rr SOCIAL WELFARE AND COMMUNITY HEALTH FACILITIES COST				
<i>ss</i>	Avg. Cost/Sq.Ft.	\$614	Direct input	CoStar Office Building Transactions (2014 and 2015)
<i>tt</i>	Avg. Net Rent/Sq.Ft.	\$20.11	Direct input	BLA Report, Exhibit 11, page 14, 10/8/14
<i>uu</i>	Capitalized value of rent (at 6%)	\$335	= tt / cap rate	
<i>vv</i>	Cost/Sq.Ft. (net of rental value)	\$279	= ss - uu	
<i>ww</i>				
<i>xx</i>	Total Cost	\$10,377,530	= pp * v v	
<i>yy</i>	Cost per Service Population	\$3,123	= xx / z	
<i>zz</i>	Cost per Residential Gross Sq.Ft.	\$0.23	= yy / k	
<i>aaa</i>	Cost per Commercial Sq.Ft.	\$0.96	= yy / x	
<i>bbb</i>				
<i>ccc</i>	Average Revenue per Year	\$415,000	= xx / 25 years	Total costs divided by 25 years (2015 - 2040)

Sources: Central SoMa Initial Study; Dunn & Bradstreet; BLS; City and County of San Francisco; Economic & Planning Systems, Inc.

Calculating the Combined Service Populations

In order to calculate the number of new Social Welfare/Community Health community facilities needed to meet the demands of new Plan Area residents and employees, the residential and employee service populations described above are combined, as shown on **Table 9**.

- The total number of Plan area residents plus Plan Area employees who live in San Francisco but not in Central SoMa earning less than 55 percent AMI is estimated to be 3,322 (970 new residents + 2,352 new employees). This is the service population generated by new development in the Plan Area that is used as the basis for calculating the number of Social Welfare and Community Health community facilities needed to serve new Plan Area residents and employees.

Step 2: Service Requirements

Step 2 applies the Level of Service standards established for each type of community facility to the new Plan Area service population to estimate the number (and square feet) of new community facilities that will be needed to meet the demand generated by new development in the Plan Area.

The average community facility size is estimated to be approximately 3,258 square feet.²⁹ The average community facility size is multiplied by the number of new facilities needed to meet demand to estimate the total square footage to be provided with revenues collected from the impact fee. The total square footage of community facilities needed to serve residents earning less than 55 percent AMI is 37,201. The total square footage of facilities needed to serve all residents is 97,222. The combined total is approximately 134,422 square feet, as shown on **Table 10**.

²⁹ BLA Report, Exhibit 11, page 14.

Table 10 Calculation of Total Demand for Community Facilities

Community Facility Type	Level of Service Standard <i>(per 1,000 residents)</i>	Population Served [1]	Number of Facilities Needed [2]	Square Footage Needed [3]
Cultural/Arts	0.8	37,434	30	97,222
Social Welfare	3.2	3,322	11	34,566
Community Health	0.2	3,322	<u>1</u>	<u>2,635</u>
Total			41	134,422

[1] For Cultural/Arts community facilities, the population served reflects new Plan Area residents plus new Plan Area employees who live in San Francisco but not in the Plan Area. For Community Health and Social Welfare community facilities, the population served reflects new Plan Area residents plus new Plan Area employees who live in San Francisco but not in the Plan Area comprising households with earnings of less than 55 percent of AMI.

[2] To calculate the number of facilities needed, the population served is divided by 1,000 and then multiplied by the level of service standard.

[3] Each facility is assumed to require 3,258 square feet based on data provided in the BLA Report, Exhibit 11, page 14, 10/8/14.

Sources: Economic & Planning Systems, Inc.

Step 3: Facilities Cost

Step 3 determines the per square foot cost of purchasing or developing the new space to be offered to eligible nonprofit facilities, net of the capitalized value of the rent that is estimated to be affordable to nonprofits. This approach is used to reflect the fact that the rents paid by the nonprofit tenant(s) will offset a portion of building acquisition or development costs. It is anticipated that the City will use the Fee Program revenue to purchase or assist in the construction of space that will be available to eligible community facilities. This revenue will be used in addition and as a complement to the rent that the community facilities will pay, which is expected to be less than market rate rents. The per square foot cost is estimated based on office building transactions in the SoMa area during 2014 and through August of 2015, as shown in **Table 11**.³⁰

³⁰ The office building transactions contributing to the per square foot cost estimate reflect a broad range of type and quality of space, including ground floor and second floor space that could be appropriate for nonprofit tenants.

Table 11 Weighted Average Sales Price per Sq. Ft. of Office Properties in SoMa (2014-August 2015)

Property Address	Property Type	Transaction Date	Bldg. Sq.Ft.	Sales Price	Price/Sq.Ft.
667 Howard St	Office	8/18/2015	8,000	\$9,200,000	\$1,150
2 Mint Plaza, 101/Ground	Office	9/5/2014	65,355	\$1,820,000	\$794
943 Howard St	Office	6/26/2015	6,352	\$4,999,999	\$787
132-142 2nd St	Office	7/1/2014	37,089	\$28,300,000	\$763
655 3rd St, 1	Office	10/22/2014	4,000	\$1,500,000	\$750
731 Market St	Office	1/9/2015	92,023	\$65,200,000	\$709
241-245 5th St, 111/1st Floor	Office	4/1/2015	66,000	\$2,800,000	\$649
33 New Montgomery St	Office	6/16/2014	240,134	\$148,900,000	\$620
55 Hawthorne St (2 Properties)	Office	7/18/2014	239,299	\$138,000,000	\$577
602-606 Mission St	Office	8/8/2014	22,370	\$12,700,000	\$568
989 Market St	Office	6/30/2014	111,497	\$61,250,000	\$549
80 Tehama St (4 Properties)	Mixed	8/5/2014	14,495	\$7,700,000	\$531
340 Brannan St	Office	2/20/2014	38,317	\$20,000,000	\$522
431 Tehama St (2 Office Condo Units)	Office	10/29/2014	9,960	\$5,000,000	\$502
984 Folsom St	Office	7/2/2014	22,294	\$6,000,000	\$269
987-991 Mission St	Office	5/19/2015	11,994	\$2,500,000	<u>\$208</u>
Weighted Average Price per Square Foot					\$614

Sources: CoStar Group, Inc.; Economic & Planning Systems, Inc.

Based on data for recent sales transactions in SoMa, the average cost per square foot is estimated at \$614. However, the capitalized value of the rent that will be paid by the tenants needs to be netted out of the development cost. Although Class A market rate rents are more than \$60 per square foot year in the SoMa submarket, the BLA Report estimates nonprofit organizations can afford to pay \$20.11 per square foot per year, the capitalized value of which is \$335 (assuming a capitalization rate of 6 percent). The resulting cost per square foot of developing the space is estimated to be \$279 per square foot ($\$614 - \$335 = \279).

Step 4: Fee Calculations

Step 4 calculates the fee levels per new square foot of residential and commercial development, based on the total cost of development calculated in steps 2 and 3. The total cost of development is divided by the service population calculated in step 1 to generate a cost per service population.

As shown on **Table 6**, the total cost of the Cultural/Arts facilities needed to serve all new Plan Area residents and Plan Area employees who live in San Francisco but not in Central SoMa is approximately \$27.1 million (97,222 square feet of Cultural/Arts facility space needed x \$279 of capital costs per square foot = \$27,121,035). The Cultural/Arts service population is 37,434. The cost per service population (i.e., new Plan Area residents plus new Plan Area employees who

live in San Francisco but not in Central SoMa) is approximately \$725 ($\$27,121,035 / 37,434 = \725).

- On a per residential square foot basis, this translates to \$1.07 per gross square foot ($\$725/678$ square feet per resident = \$1.07).
- On a per commercial square foot basis, this translates to \$1.72 per gross square foot ($\$725/421$ square feet per employee = \$1.72).

As shown on **Table 9**, the total cost of the Social Welfare and Community Health facilities serving those who earn less than 55 percent AMI is approximately \$10.4 million (37,201 square feet of Social Welfare/Community Health facility space needed x \$279 of capital costs per square foot = \$10,377,530). The Social Welfare/Community Health service population is 3,322. The cost per service population (i.e., new Plan Area residents plus new Plan Area employees who live in San Francisco but not in Central SoMa, earning less than 55 percent AMI) is approximately \$3,123 ($\$10,377,530 / 3,322 = \$3,123$).

- On a per residential square foot basis, this translates to \$0.23 per gross square foot ($\$3,123/13,457$ square feet per resident = \$0.23).
- On a per commercial square foot basis, this translates to \$0.96 per gross square foot ($\$3,123/3,252$ square feet per employee = \$0.96).

These fees are then combined into single fee that mitigates new demand for all three types of community facilities, for a total program size of approximately \$37.5 million.

- On a per residential square foot basis, this translates to \$1.30 per square foot.
- On a per commercial square foot basis, this translates to \$2.68 per square foot.

Estimated Fee Program Revenue

The total estimated revenue from the Fee Program is \$37.5 million as of Central SoMa Plan buildout, which is expected to occur over a 25-year period. The revenue would be generated over time as new development occurs and will be used to fund the capital costs associated with providing space for eligible nonprofit community facilities. Capital costs may include the purchase of existing space or the development of new space (land acquisition and development costs).

Potential Duplication and Fee Credits

The City currently has a Public Art Fee that is required of certain projects in order to enhance and enliven urban spaces and places. Section 429 of the Planning Code requires all new development in the C-3 District and large residential developments to provide public artwork on the private property of a value equal to 1 percent of project costs. Effective May 2012, in certain projects, all or part of this requirement may be satisfied by either providing accepted art on-site, or paying such amount to the Public Art Trust Fund, which is administered by the San Francisco Arts Commission. Revenue collected through the payment in-lieu provision is used primarily to fund art in public places, but can also be used to fund capital improvements for cultural facilities in certain districts. Therefore, requiring developers to pay both the Public Art Fee as well as the Cultural/Arts component of the proposed Fee Program could, in certain limited instances, be construed as a duplicative fee.

While Article 4 of the City's Planning Code describes a process for resolving questions of potential fee duplication, the City could consider language specific to the Fee Program that would require applicants to install public art or pay an in lieu fee according to the Public Art Fee requirements and also require applicants to pay the full amount required by the Fee Program, less a credit for the Cultural/Arts component applied to the Public Art Fee. The credit eliminates any overlap or duplication of the Public Art Fee and the proposed Fee Program and ensures that the full amount of the Cultural/Arts component of the fee is paid. The credit would be capped so as not to exceed the amount of the Cultural/Arts component of the Fee Program. Section 406(d) of the Planning Code contains standard waiver language specifically to address duplication.

Additional Implementation Measures

A development impact fee will be more effective and easier to administer if accompanied by other support actions that the City could undertake, such as the following:

- Establish a nonprofit registry that tracks the number, type, location, and size (employees and square footage) of legally designated nonprofits in San Francisco. Being on the registry (or on the registry for some period of time) could constitute eligibility for certain benefits (i.e., affordable space that results from mitigation strategies that may be implemented). This registry would solicit voluntary participation from nonprofits and would provide improved information to supplement the sources described in this report.
- Establish an entity to oversee the ongoing leasing, operation and management of nonprofit space created through these mechanisms, coordinate the use of in-lieu and/or impact fees, and enter into ventures with other entities to provide nonprofit space utilizing dedicated space and in-lieu fees. This entity could be an existing City department working in collaboration with foundations, nonprofits and other City departments.
- Create an additional source of funding, derived from incremental tax revenues in the area or other City sources to support a rent subsidy program for qualifying community-serving nonprofit service providers.

4. MITIGATION FEE ACT NEXUS FINDINGS

This chapter describes the necessary "nexus" between new development in the Plan Area and the proposed community services facilities investments, as required under the Mitigation Fee Act. The proposed Fee Program will help fund investments in community facilities (land acquisition and improvements) required to maintain existing levels of community facilities services in the Plan Area – the "fair share" contribution of new development.

Nexus findings address the following, as required by state law: (1) the **purpose** of the fee and a related description of the type of facilities for which fee revenue will be used, (2) the specific **use** of fee revenue, (3) the **relationship** between the facility and the type of development, (4) the relationship between the **need** for the facility and the type of development, and (5) the relationship between the amount of the fee and the **proportionality** of cost specifically attributable to new development. The subsections below describe the nexus findings for the proposed Fee Program.

Purpose

The Fee Program will generate revenue that will be used to ensure an expansion in community services facilities in the Plan Area as new development occurs.

Use of Fee Program Revenue

Fee Program revenue will be used to fund the capital costs associated with creating space for the following types of nonprofit uses in the Plan Area:

- Cultural/Arts facilities
- Community Health facilities
- Social Welfare facilities

Capital costs may include the purchase of existing space or the development of new space (land acquisition and development costs).

Relationship

New development in the Plan Area will increase the resident and employee populations in the Plan Area, generating net new demand for and use of nonprofit community services facilities. Fee Program revenue will be used to help fund new community facilities in response to the increased demand.

Need

New revenues to fund investments in community services facilities are necessary to maintain the current citywide levels of service.

Proportionality

The maximum supportable fee schedule is based on the City's current levels of service and current cost estimates for the acquisition of land and associated capital development costs. The per-square foot cost is applied to the net new development, ensuring that the Fee Program cost estimates are directly proportional to the relative increase in new development. If no additional community facility space is provided to meet the demands of new development, new development would not be contributing its fair share.

APPENDIX A:

Community Facility Inventory Methodology



APPENDIX A: COMMUNITY FACILITY INVENTORY METHODOLOGY

EPS obtained a full list of tax-exempt nonprofit entities in San Francisco as collected and reported by the Internal Revenue Service (IRS).¹ The list of 7,000+ nonprofit (501c tax-exempt) entities located in San Francisco is current as of May 2014. In addition to the name and address of each nonprofit, the IRS database categorizes each nonprofit's primary type of activity. The current system for categorizing nonprofits is called the National Taxonomy of Exempt Entities (NTEE), which consists of 600+ categories in 26 groups and 10 super-groups.

Nonprofits with tax exemptions registered before 1995 were assigned one or more of 260+ older activity codes by the IRS, and the IRS has not systematically recoded all of the older entity records using the newer, more detailed NTEE Classification.²

As San Francisco has long had a concentration of nonprofits, the proportion of IRS tax-exempt records lacking NTEE codes is relatively high, with 3,327 of the 7,065 IRS listings (47 percent) lacking NTEE codes as originally extracted. Applying National Center for Charitable Statistics (NCCS) crosswalks³ and automated keyword matching where possible with high confidence, EPS has reduced the NTEE-uncoded entities to 1,152 or 16 percent of the total list. This latter proportion is more in line with a 2004 review of Southern California nonprofit organizations by the Center for Nonprofit Management, which found 8 percent of examined nonprofit records lacking NTEE Codes.⁴

¹ Internal Revenue Service, Exempt Organizations Business Master File Extract (EO BMF).

² The National Center for Charitable Statistics (NCCS) maintains the data dictionary for the NTEE classifications, and has defined draft crosswalks of IRS Activity Codes to NTEE Codes and NTEE Codes to North American Industry Classification System (NAICS) industrial classifications. While the NCCS crosswalk of NTEE=>NAICS correspondences is one-to-one, the IRS Activity=>NTEE crosswalk has many instances where a single IRS Activity may be relevant to multiple NTEE classes, and so conversion of all older IRS records to appropriate NTEE categories cannot be done automatically.

³ When used in this context, "crosswalk" refers to the process of reconciling two or more different methods of categorizing data. More specifically, the National Center for Charitable Statistics (NCCS) had reconciled the older and newer IRS activity codes so that the older activity codes could be assigned to the newer activity codes. This is often an imperfect process, and the NCCS crosswalk did not allow EPS to assign all of the older activity codes to the newer system.

⁴ *Coding California: Results of an NTEE-CC Verification Project*, a working paper Prepared for presentation at the 2004 Annual Meeting of the Association for Research on Nonprofit Organizations and Voluntary Action, Los Angeles, California, November 2004, by the Center for Nonprofit Management. This paper indicates the 16,000+ record sample was obtained from the NCCS master list; NCCS currently adds NTEE codes to many IRS records lacking NTEE classification and EPS understanding is that the 16,000 records had NTEE coding by the NCCS.

EPS assigned each NTEE Code to one of five categories, corresponding to the four types of community facilities defined in the current EPS report, plus an "other" (or Not Applicable) category. This assignment has been done for all NTEE codes, not just those currently assigned to the IRS listings for San Francisco, so that assignment to community facility type can be done automatically if and as additional records are coded. The correlation of community facility category to NTEE code has been stored as added attributes of the NTEE code dataset, so that any revisions and edits can be handled efficiently.

Using Texas A&M geo-coding services⁵ and GIS shape files provided by the City of San Francisco's Planning Department, the location of each nonprofit is indicated as "In_CC" (meaning in the Central Corridor Plan Study Area), and "SF_Remainder" (meaning in San Francisco, excluding the Study Area and the Buffer). The "In_SF" location reflects the Citywide count. With this information, the number of community facilities by type of facility can be identified by location in the City.

EPS also compared the IRS list of nonprofits in San Francisco to the San Francisco Indicator Project (<http://www.sfindicatorproject.org/>) lists prepared by the San Francisco Department of Public Health as a way of confirming the effectiveness of the methodology.⁶ The IRS list of nonprofits also was compared to the Dunn & Bradstreet (D&B) data provided by the City to-date. Of the 397 SCI records, 241 can be matched to the IRS database, while 183 of the 7,065 IRS listings have been matched to the SCI records. There are many possible reasons for not finding the SCI organizations on the IRS list, including name differences that are not easily reconcilable. This match of 60 percent (241/397) suggests that there is room to improve the methodology, but it likely would require going through the list, entry by entry, which is beyond the current scope and budget of this Study.

Of the 397 SCI records, 265 can be matched to the D&B data, while 163 of the 7,065 IRS listings have been matched to the D&B data. This is not a strong match, and improving the match between the IRS and D&B may be an important future step as the D&B data provides additional information about each entity that may be important for determining an impact fee (i.e., the number of employees and the square footage of the nonprofits could help to determine the cost of providing space to meet future demands). If the results of matching the IRS list to the D&B data are unsatisfactory, County Business Patterns (CBP) data aggregates information about the average size of nonprofits (in terms of number of employees) that could be used to derive average square footage; however, the CBP data does not differentiate between one entity with multiple locations (i.e., Goodwill). If used to derive square footage, this information could be checked against national nonprofit office use trends, as tracked by CBRE.

⁵ The Texas A&M batch geocoding tool uses both digitized street segment and tax parcel address reference layers, and is programmed to automatically and incrementally relax matching criteria and Fuzzy Matching algorithms.

⁶ The San Francisco Indicator Project was formerly called the Sustainable Communities Index (SCI).

Matching up the IRS listings to the SCI and D&B lists is a work-in-progress, requiring “Fuzzy Matching” and manual review. Fuzzy Matching applies text analysis and genetic matching and similarity algorithms to facilitate matchups of entity/program/facility names and addresses where variations in spelling, word order, abbreviation and acronyms may make exact linkage of identical data fields impossible.⁷

Limitations

There are a number of caveats about the data source, methodology, and the applicability of the results to various mitigation strategies proposed as part of this Study:

- The IRS is tracking tax exempt entities and not those entities’ program activities or the individual locations or facilities where community-serving programs are implemented, so any one entity may have more than one location where services are provided. Conversely, individual community-serving facilities may be financially supported by more than one nonprofit entity.
- The available classification systems or taxonomies defined for nonprofit entities, programs and sites are not universally inter-convertible. In particular, the NAICS codes (used in the D&B dataset) were intended and designed for categorizing for-profit industries, businesses and trades and do not distinguish between for-profit and nonprofit sites, or the size of the organization per se. This is the reason for relying more heavily on the IRS data, and it limits the ability to use the D&B data except where there is a known match to an IRS nonprofit.
- The D&B records contain an additional field to indicate the size of the entities, but EPS’ experience has been that D&B does not always or uniformly distinguish local from regional or national quantifiers for entities that have multiple locations, so the D&B data may not be an entirely reliable source for size.
- The IRS is primarily interested in identifying the tax status of the entities that it tracks, and, as a result, there may be multiple listings for single organizations, such as organizations that have one or more endowments or trusts funding their operations.
- The D&B dataset, even where it matches an IRS organization may not fully distinguish community service outreach sites (e.g., free clinics or youth activity sites) operated by entities such as fraternal organizations and professional associations from the places where those entities conduct their member meetings and general administrative functions.
- Changes of address by all organizations have grown more frequent in recent decades, tend to be more frequent in relatively high-rent cities like San Francisco, and have been accelerated over the last several years by commercial space vacancies and competitive lease rates due to

⁷ EPS applied the Fuzzy Lookup Add-In for Excel, obtained from and developed by Microsoft Research, to combinations of entity/program/facility names and addresses and contact personnel (IRS and D&B datasets), so that similarity of name alone would not trigger excessive false matchups. For work to-date, EPS has set the minimum similarity index to 0.80 (1.00 similarity indicating an exact matchup) to maximize ‘good hits’ and to minimize the labor-intensive review and rejection of false or questionable matchups.

the Recession and its evolving impacts on the local economy. These changes of location compound the challenge of identifying actual community facility/service locations.

- The IRS and other datasets may record addresses where administrative and/or financial management are performed, as distinct from the sites where community outreach and services are provided.
- EPS has used its judgment in assigning the NTEE activity groups to the four categories of community facilities.
- Any reconciliation between the IRS database and the D&B data that may occur will be subject to further judgment as the crosswalks between older IRS activity codes, NTEE classifications and industry-based NAICS codes continue to be refined and revised. Where matches of IRS entities to D&B records are confirmed, the NTEE classification and NAICS associations as defined by the NCCS will be used in preference to the D&B NAICS coding.

Confidence in Community Facilities Inventory Data

The inventory of community facilities provides a good “broad brush” overview of the type and magnitude of categories of nonprofits in Central SoMa relative to the City. This overview is helpful in understanding and evaluating policy measures applicable to the Central SoMa Plan Area. However, as described above, there are a number of issues related to the precision of the data that may temper the use of the detailed results for specific purposes, (e.g., development impact fees, which require a high standard of analysis and documentation).

The *Coding California: Results of an NTEE-CC Verification Project* working paper referenced above found that about 20 percent of 16,000 examined records for Southern California nonprofit (tax-exempt) entities required NTEE coding or recoding when reviewed in detail, but also verified the majority of that Southern California dataset as correctly coded. EPS has made tests using the NCCS search engine to supply NTEE codes for uncoded IRS records of San Francisco entities, but along with intuitively reasonable matches also found evidence of keyword/key phrase matching algorithms gone astray, e.g., the assignment of the Duck Sin Benevolent Association, whose mission statement includes support and services to seniors, students, the poor and underprivileged, to NTEE category D32 - Bird Sanctuaries.

This sort of miscoding, while understandable given the likely frequency of associations for the character string ‘DUCK’ for nonprofit names nationally, suggests obtaining a full NCCS dataset at cost might assist but would not eliminate NTEE coding gaps and inconsistencies.

The challenge of distinguishing the actual locations of community facilities and services (as distinct from the parent entities and programs) remains for any Community Asset Mapping effort. From a literature review, this challenge is a current topic of discussion for many cities and counties across the USA, as well as for the IRS and nonprofit analysts and regulators.