

# CENTRAL SOMA PUBLIC BENEFITS PROGRAM

## I. INTRODUCTION

The vision of the Central SoMa Plan is to create a social, economic, and environmentally sustainable neighborhood by 2040, with space for approximately 30,000 new jobs and 8,300 new housing units. With its centralized location near downtown, excellent transit access, and numerous undeveloped or underdeveloped sites, the neighborhood is well-positioned to become a new hub for employment and housing the core of the city and Bay Area Region.

As it grows and evolves over the next 25 years, Central SoMa will require significant investments in infrastructure. As such, the City places requirements on new development to help ameliorate and mitigate its impacts. These requirements and controls will result in approximately \$2 billion in public benefits to serve the neighborhood – compared to the \$500 million in revenues that would occur absent the plan.

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

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

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

<sup>1</sup> As required by California Mitigation Fee Act (CA Government code § 66000 et seq.), cities may enact development impact fee requirements provided they are roughly proportional in nature and extent to the impact of the new development.

## II. PROCESS

The Planning Department worked iteratively with other agencies and stakeholders to develop the public benefits, financing, and administration strategies described in this Implementation Plan. Concepts for infrastructure and public benefits were first developed for the Draft Central Corridor Plan in 2013, and further refined through additional outreach leading up to the Draft Central SoMa Plan in 2016. The Department held a series of public meetings and conducted an online survey in order to solicit public feedback on needs and funding priorities for public benefits. Details from these outreach events is chronicled at the project website (<http://centralsoma.sfplanning.org>).

This document describes a fiscally constrained list of projects that has been prioritized based on City and community feedback. It may not reflect the entire scope of possible infrastructure and service needs in the Plan Area, nor the longer term needs beyond the life of the Plan (anticipated as 25 years). It reflects public input on key neighborhood priorities and needs, informed by feedback from implementing agencies on project feasibility and cost. All public benefits identified will require further scoping and analysis on project design, financial feasibility, and implementation. Project scoping and planning has already begun for a number of the City agency projects identified here, with the goal of having projects ready for construction by the time that funding generated by the Plan becomes available.

Additional technical analysis was conducted to support these proposed public benefits. A financial feasibility analysis by Seifel Consulting, Inc. was conducted in order to quantify the value created by the Plan and establish a financially feasible level of development requirements. Other nexus studies conducted for the City's development impact fees provided further information on the amount of new infrastructure and services needed to serve new development. This document was also informed by methods and processes used for prior area planning processes (including Eastern Neighborhoods, Market & Octavia, and Transit Center District Plan).

The City may choose to revisit this list of projects in the future, as the neighborhood evolves and/or new needs are identified. Any such process would involve substantial public input and would require a revision to this Implementation Document. As described further in Section IV (Administration & Monitoring), oversight for implementation of this plan will be shared among various public agencies and elected officials, with input from the public through Community Advisory Committees (CACs) and other events or hearings. These regulatory bodies will be responsible for overseeing ongoing capital planning efforts, including: financial reporting and monitoring; deliberation regarding the sequencing and prioritization of expenditures; and if necessary, modifications to the Implementation Document, which would require ultimate approval by the Board of Supervisors.

Public benefits are goods and services expected to be generated by new development that typically: 1) support

### III. PUBLIC BENEFITS PACKAGE

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

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

This section describes the public benefits and the key funding sources expected to be generated by the Plan. There are nine categories of public benefits that would be funded by the Central SoMa Plan in support of its Goals, Objectives, and Policies. Table 1 summarizes how the revenues generated by Plan would be allocated among these public benefits, accompanied by a detailed discussion of each category of public benefit provided in order of allocated funding.<sup>2</sup>

Notably, in addition to this \$2 billion increase in funding for public benefits expected to be generated directly by new development, taxes from new development in the Plan Area are expected to generate up to \$1 billion additional revenues for the City’s General Fund within the same time period, through increased property taxes, sales taxes, and other means. These taxes could be directed toward the neighborhood, other citywide needs, or a combination of the two at the discretion of the City’s budgeting process. Additionally, the City could choose to fund public benefits in the neighborhood through other mechanisms, such as bonds or general taxes. Any of these funding sources could be directed to the Plan Area to accelerate delivery of public benefits, which would make the timing of implementation less dependent on the phasing of new development. However, pursuit of these mechanisms are dependent on processes and decision-making external to the adoption of this plan. Such additional funding sources would enable the City to address other neighborhood infrastructure needs, as identified at that time. For additional analysis of the overall economic impact of the Central SoMa Plan, see the Economic Impact Statement prepared by the Office of Economic Analysis.<sup>3</sup>

*Table 1*

<sup>2</sup> All dollar amounts expressed here are in 2017 dollars. Actual average revenues collected each year will be higher, due to scheduled tax rate escalation as well as indexing of City fees (which are escalated annually to reflect construction costs).

<sup>3</sup> The Economic Impact Statement is not expected until after Initiation of this Plan, at which point a link will be added to the report.

**CENTRAL SOMA PUBLIC BENEFITS PACKAGE: SUMMARY (IN 2017 DOLLARS)**

<b>BENEFIT</b>	<b>TOTAL REVENUES</b>	<b>CATEGORY ALLOCATION (%)</b>
<b>Affordable Housing</b>	<b>\$940,000,000</b>	<b>44%</b>
38% of new/rehabilitated housing is Below-Market Rate (BMR) (35% low/moderate income and 3% middle income)	\$940,000,000	44%
<b>Transit</b>	<b>\$500,000,000</b>	<b>23%</b>
Local transit improvements to enhance convenience and safety	\$340,000,000	16%
Regional transit capacity enhancement and expansion	\$160,000,000	7%
<b>Parks &amp; Recreation</b>	<b>\$185,000,000</b>	<b>9%</b>
Gene Friend Recreation Center Reconstruction/Expansion	\$25,000,000	1%
Victoria Manalo Draves Park Programming	\$5,000,000	0%
New 1-acre park in Southwest portion of Plan Area	\$35,000,000	2%
New public recreation center*	\$10,000,000	0%
Park and greenery maintenance and activation	\$15,000,000	1%
New large (2+ acre) SoMa park (initial site identification)*	\$5,000,000	0%
New Bluxome linear park*	\$5,000,000	0%
New under-freeway public recreation area	\$5,000,000	0%
Privately-Owned Public Open Spaces (POPOS)	\$80,000,000	4%
(Alternative project: 7th & Mission Park)	(\$20,000,000)	(1%)
<b>Production, Distribution, &amp; Repair</b>	<b>\$180,000,000</b>	<b>8%</b>
Preservation and creation of PDR space to ensure no net loss due to the Plan	\$180,000,000	8%
<b>Complete Streets</b>	<b>\$110,000,000</b>	<b>5%</b>
Redesign of all major streets in the Plan Area to be safe and comfortable for people walking, biking, and on transit.	\$110,000,000	5%
<b>Cultural Preservation &amp; Community Services</b>	<b>\$109,000,000</b>	<b>5%</b>
Restoration of the US Mint Building	\$20,000,000	1%
Preservation and maintenance of historic buildings	\$20,000,000	1%
New community facilities (e.g. health care clinics and job training centers)	\$20,000,000	1%
Social and cultural programming	\$25,000,000	1%
Capital for cultural amenities	\$15,000,000	1%
Neighborhood cleaning	\$9,000,000	0%
<b>Environmental Sustainability &amp; Resilience</b>	<b>\$70,000,000</b>	<b>3%</b>
Enhanced stormwater management in complete street projects	\$32,000,000	1%
Freeway corridor air quality and greening improvements	\$22,000,000	1%
Living Roofs enhanced requirements	\$6,000,000	0%
Other energy and water efficiency projects	\$10,000,000	0%
<b>Schools &amp; Childcare</b>	<b>\$64,000,000</b>	<b>3%</b>
New childcare centers	\$26,000,000	1%
New schools serving K-12 population	\$32,000,000	1%
Bessie Carmichael supplemental services	\$6,000,000	0%
<b>TOTAL</b>	<b>\$2,160,000,000</b>	<b>100%</b>

\* If funds for these Parks & Recreation projects are provided by other sources (such as contributions from new development) or if revenues exceed the projected amounts, funding could be allocated to the "Alternative" project listed here.

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

Table 2

**CENTRAL SOMA PUBLIC BENEFITS PACKAGE: DETAILED FUNDING SOURCES & USES (IN 2017 DOLLARS)**

PUBLIC BENEFIT	DIRECT PROVISION BY NEW DEVELOPMENT	CENTRAL SOMA COMMUNITY FACILITIES DISTRICT (CFD)	EASTERN NEIGHBORHOODS INFRASTRUCTURE FEE (\$423)	TRANSPORTATION SUSTAINABILITY FEE (\$411A)	JOBS-HOUSING LINKAGE FEE (\$413)	AFFORDABLE HOUSING FEE (\$415)	CENTRAL SOMA INFRASTRUCTURE FEE (\$428.2)	SCHOOL IMPACT FEE (CA ED, CODE \$17620)	CHILD CARE FEE (\$414 AND 414(A))	CENTRAL SOMA COMMUNITY FACILITIES FEE (\$428.1)	TOTAL (BY CATEGORY)	% SHARE
<b>AFFORDABLE HOUSING</b>	\$550,000,000			\$210,000,000	\$210,000,000	\$180,000,000					\$940,000,000	44%
<b>TRANSIT</b>		\$160,000,000	\$90,000,000	\$210,000,000			\$40,000,000				\$500,000,000	23%
<b>PARKS &amp; RECREATION</b>	\$80,000,000	\$45,000,000	\$60,000,000								\$185,000,000	9%
<b>PRODUCTION, DISTRIBUTION, &amp; REPAIR (PDR)</b>	\$180,000,000										\$180,000,000	8%
<b>COMPLETE STREETS</b>		\$10,000,000	\$90,000,000	\$10,000,000							\$110,000,000	5%
<b>CULTURAL PRESERVATION &amp; COMMUNITY SERVICES</b>	\$20,000,000	\$69,000,000								\$20,000,000	\$109,000,000	5%
<b>ENVIRONMENTAL SUSTAINABILITY</b>	\$6,000,000	\$64,000,000									\$70,000,000	3%
<b>SCHOOLS &amp; CHILDCARE</b>		\$6,000,000			\$26,000,000			\$26,000,000	\$32,000,000		\$64,000,000	3%
<b>TOTAL (BY SOURCE)</b>	\$836,000,000	\$354,000,000	\$240,000,000	\$220,000,000	\$210,000,000	\$180,000,000	\$40,000,000	\$26,000,000	\$32,000,000	\$20,000,000	\$2,160,000,000	100%

## AFFORDABLE HOUSING

Central SoMa Plan Objective 2.3, states that the City should “Ensure that at least 33% of new housing is affordable to very low, low, and moderate-income households”.<sup>4</sup> The Central SoMa Plan will generate approximately 2,670 affordable units. The Plan will require that these below market rate units are developed within SoMa (i.e., the area bounded by Market Street, the Embarcadero, King Street, Division Street, and South Van Ness Avenue).

Table 3

### TOTAL ESTIMATED COSTS – AFFORDABLE HOUSING

BENEFIT	TOTAL REVENUES	FUNDING SOURCES	DESCRIPTION	LEAD AGENCIES
1,970 BMR units	\$730,000,000	Inclusionary Housing Program (Planning Code Section (Sec.) 415)	Applicable to new residential projects. Individual developments may choose how to satisfy the program requirements, but revenues are generally expected to be split 50-50 between: 1) onsite Inclusionary Housing Program units provided directly by development projects; and, 2) off-site Inclusionary Housing units or units provided by MOHCD, funded by payment of the Affordable Housing Fee	MOHCD
700 BMR units	\$210,000,000	Jobs-Housing Linkage Fee (Sec. 413)	Fee is paid by new nonresidential developments, and units are provided by MOHCD.	MOHCD
<b>TOTAL</b>	<b>\$940,000,000</b>			

### Delivery and Timing

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

BMR units funded through impact fees at the time of development are directed to the Mayor’s Office of Housing and Community Development (MOHCD), which uses the money to identify and purchase sites and construct new affordable housing units, often in conjunction with nonprofit housing developers. MOHCD may need to assemble the impact fees from several market-rate projects to obtain sufficient funds for each new affordable housing project. Thus, the development of these units may lag behind the market rate units, unless additional affordable housing funds are directed to the Plan Area in the interim.

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

## TRANSIT

Central SoMa Plan Objective 4.3 states that the City should “Ensure that transit serving the Plan Area is adequate, reliable, and pleasant.” This is because new and enhanced public transportation infrastructure is fundamental to accommodating the influx of new jobs and housing units proposed for Central SoMa. Although the completion of the Central Subway system will provide a vital connection between the Plan Area and the rest of the city, additional improvements will be required over time to ensure that people can travel to and from the area safely and conveniently.

Funding from the Plan will be directed to both local and regional transportation systems, reflecting the important role that the Plan Area will serve as a hub in the Bay Area for jobs, housing, and culture. The Plan is expected to generate \$500 million in investments to both near- and long-term transit service and capacity enhancements, serving both local and regional transit. Local transportation funding needs include, but are not limited to: transit enhancement and expansion, preventive maintenance (e.g. state of good repair efforts), streetscape improvements (such as transit priority lanes and boarding islands), and service adjustments.

Regional transit funding would be directed towards “core capacity” enhancement and expansion projects meant to facilitate movement to the Plan Area from the East Bay and Peninsula/South Bay. Studies are ongoing at the regional level to further define the scope and specifics of such projects, including the Core Capacity Study, Plan Bay Area, and related efforts. Efforts may include BART station and fleet upgrades, Bay Bridge corridor efficiency improvements, Caltrain corridor improvements (such as the Downtown Extension, or DTX, project), and longer-term projects (such as advancement of a second Transbay transit crossing).

Table 4

### TOTAL ESTIMATED COSTS – TRANSIT<sup>5</sup>

BENEFIT	TOTAL REVENUES	FUNDING SOURCES	DESCRIPTION	LEAD AGENCIES
Local transportation enhancements	\$340,000,000	Transportation Sustainability Fee (TSF) (Sec. 411A); Eastern Neighborhoods Infrastructure Impact Fee (Sec. 423); Central SoMa Infrastructure Impact Fee (CSF) (Sec. 433); Central SoMa Mello-Roos Community Facilities District (CFD)	Funds will go to SFMTA to support transit service expansion/enhancement as well as preventive maintenance projects.	SFMTA
Regional transit capacity enhancement and expansion	\$160,000,000	TSF (Sec. 411A); CSF (Sec. 433); Central SoMa Mello-Roos Community Facilities District (CFD)	These funds will be split roughly equally between (1) near term enhancements on the Transbay corridor, (2) longer-term "core capacity" projects (such as a second Transbay rail crossing), and (3) enhancements on the Caltrain/High Speed Rail corridor.	TBD, but could include BART, Caltrain, MTC, and California High Speed Rail Authority, among others.
<b>TOTAL</b>	<b>\$500,000,000</b>			

<sup>5</sup> Central SoMa Planning Code sections pending Plan adoption

## Delivery and Timing

Funds for local transit improvements will be directed to and administered by the San Francisco Municipal Transportation Agency (SFMTA). The funds derived from impact fees (the TSF, Eastern Neighborhoods Infrastructure Impact Fee, and the Central SoMa Fee) will accrue as development projects receive their building permits, and are thus tied directly to the rate of new development. The remaining funds derived from the CFD would accumulate over the lifespan of the Plan and beyond, as new development comes online and begins paying the tax. However, the City also has the option of bonding against this revenue stream, thus accruing these funds substantially earlier. This may be desirable, in order to ensure that transportation investments are in place to attract and meet the needs of new development.

In addition, the portion of revenues from Eastern Neighborhoods Infrastructure Impact Fees is programmed through the Interagency Plan Implementation Committee (IPIC) and the Eastern Neighborhoods Community Advisory Committee (ENCAC), described further in Section IV. The ENCAC, comprised of community stakeholders, provides annual recommendations for how to allocate fee revenues to high priority public projects. These proposals are subsequently evaluated, modified, and approved by the IPIC and the City Capital Planning Committee, and included in the City's annual Capital Budget and 10-year Capital Plan (adopted biennially).

The funds for regional transit improvements will come primarily from the CFD following a similar timeline as described above. These funds would be collected by the Assessor-Recorder's office and directed to regional transportation agencies, through a process that will be governed by an interagency Memorandum of Understanding (MOU).

## PARKS & RECREATION

Central SoMa Plan Goal #5 states that the Plan area should “offer an abundance of parks and recreational opportunities.” Central SoMa and the broader SoMa neighborhood currently suffer from a shortage of public parks and recreational opportunities, largely due to the area's industrial history. The Plan envisions a range of new parks, recreational facilities, and public open spaces, in addition to funding for renovation and programming of existing facilities (thereby fulfilling Plan Objectives 5.1-5.6). These new and upgraded facilities may include playgrounds, sport facilities, recreational programs, and passive open spaces, catering to diverse open space needs.

*Table 5*



**TOTAL ESTIMATED COSTS - PARKS & RECREATION<sup>6</sup>**

BENEFIT	TOTAL REVENUES	FUNDING SOURCES	DESCRIPTION	LEAD AGENCIES
Gene Friend Recreation Center Reconstruction/Expansion	\$25,000,000	Eastern Neighborhoods Infrastructure Impact Fee (Sec. 423)	Enhancement/expansion of existing facility to accommodate growth in demand.	Rec & Park
Victoria Manalo Draves Park Programming	\$5,000,000	Central SoMa Mello-Roos Community Facilities District (CFD)	Funding for activation and programming.	Rec & Park
New 1-acre park in Southwest portion of Plan Area	\$35,000,000	Eastern Neighborhoods Infrastructure Impact Fee (Sec. 423)	Development of a potential park on the existing SFPUC-owned lot in the area between 4th, 5th, Bryant, and Brannan Streets. This may potentially be provided by an In-Kind Agreement with surrounding development.	Rec & Park
New public recreation center*	\$10,000,000	Eastern Neighborhoods Infrastructure Impact Fee (Sec. 423)	This may potentially be funded through direct provision on a development project.	Rec & Park
Park and greenery maintenance and activation	\$15,000,000	Central SoMa Mello-Roos Community Facilities District (CFD)	Maintenance and programming of public parks and open spaces. Priority for this funding is to ensure that the new 1-acre park is properly maintained.	Rec & Park; Department of Real Estate
New large (2+ acre) SoMa park (initial site identification)*	\$5,000,000	Eastern Neighborhoods Infrastructure Impact Fee (Sec. 423)	Funding for initial site identification and coordination for a large signature park in the larger SoMa area.	Rec & Park
New Bluxome linear park*	\$5,000,000	Central SoMa Mello-Roos Community Facilities District (CFD)	A park built on the existing Bluxome Street right of way. This may potentially be developed as a privately-owned public open space (POPOS) by nearby developments.	Planning
New under-freeway public recreation area	\$5,000,000	Eastern Neighborhoods Infrastructure Impact Fee (Sec. 423)	This may potentially be developed as a POPOS by nearby developments.	Rec & Park
Privately-Owned Public Open Spaces (POPOS)	\$80,000,000	Direct provision by new development (Sec. 138)	Up to four acres of net new publicly-accessible open space spread across the Plan area, provided directly on new development projects.	Planning
<i>(Alternative project: 7th &amp; Mission Park)</i>	<i>(\$20,000,000)</i>	<i>Central SoMa Mello-Roos Community Facilities District (CFD)</i>	<i>Funding to acquire and develop a new park site at 1133 Mission Street.</i>	<i>Rec &amp; Park</i>
<b>TOTAL</b>	<b>\$185,000,000</b>			

**Delivery and Timing**

Revenues from impact fees will accrue concurrently with the pace of new development, while the CFD revenues accrue annually as additional projects come online and begin paying the tax (or earlier should the City choose

\* Note: If funds for these Parks & Recreation projects are provided by other sources (such as contributions from new development) or if revenues exceed the projected amounts, funding could be allocated to the "Alternative" project listed here.

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

to bond against this revenue stream). The prioritization of projects is conveyed in Table 5, with the highest priority for funding at the top of the table. However, this order may be amended, through input from the Eastern Neighborhoods Community Advisory Committee and Interagency Plan Implementation Committee, policymakers, and other public feedback, based on timing considerations (such as shovel readiness) and financial considerations (such as leveraging other funds).

POPOS would be delivered at the same time as their associated development projects, and would undergo an urban design review process involving the Planning Department and Recreation and Parks Department to ensure that they meet minimum requirements for size, usability, and quality. Collectively, the POPOS requirement is expected in result in up to four acres of new publicly accessible open space, all of which will be provided at ground level.

### PRODUCTION, DISTRIBUTION, AND REPAIR (PDR)

Central SoMa Plan Objective 3.3 states that the City should “Ensure that the removal of protective zoning does not result in a loss of PDR in the Plan Area.” This is because the production, distribution, and repair (PDR) sector is critical to San Francisco. Companies in the PDR sector serve the needs of local residents and businesses, and tend to provide high-paying jobs and career advancement opportunities for people without a four-year college degree. PDR jobs also enhance the city’s economic diversity and therefore our ability to weather times of economic stress.

The SoMa neighborhood has a legacy as a home for PDR jobs. The Plan would ensure that the removal of protective zoning does not result in a net loss of PDR jobs in the Plan Area, by providing requirements to fund, build, and/or protect PDR spaces. The total amount of PDR space that will be preserved or created is approximately 900,000 square feet.

Table 6

#### TOTAL ESTIMATED COSTS – PRODUCTION, DISTRIBUTION, AND REPAIR<sup>7</sup>

BENEFIT	TOTAL REVENUES	FUNDING SOURCES	DESCRIPTION	LEAD AGENCIES
900,000 sq ft of PDR space	\$180,000,000	Direct provision by new development (Sec. 202.8 and Sec. 249.78)	PDR space directly provided by new development	Planning
<b>TOTAL</b>	<b>\$180,000,000</b>			

### Delivery and Timing

The direct provision of PDR space will come from land use controls and conditions for allowing residential and non-residential development, in the form of requirements to maintain and/or replace existing spaces and to include new space in developments. As a direct provision, no transfer of funds or payment of fees will occur.<sup>8</sup> The PDR space will be provided at the same time the associated space becomes ready for occupancy.

<sup>7</sup> Central SoMa Planning Code sections pending Plan adoption

<sup>8</sup> The Plan endorses the pursuit and analysis of an in-lieu fee for PDR, but the fee itself is not proposed as part of the Plan.

## COMPLETE STREETS

Central SoMa Plan Objective 4.1. states that the City should “Provide a safe, convenient, and attractive walking environment on all the streets in the Plan Area.” The current network of streets in the Plan Area provides a poor experience for all users – whether walking, driving, riding transit, or cycling. Streets are clogged with rush hour traffic, many sidewalks are not up to City standards, crosswalks are few and far between, and bicycle infrastructure is incomplete and discontinuous – all of which contribute to high rates of traffic crashes and injuries.

The Plan calls for complete streets improvements to make walking and biking more safe and convenient, in order to complement the transit improvements and encourage people to drive less. Funding generated by new development will be used to transform the vast majority of all major streets in the Plan Area into high quality streets for walking, biking, and transit.

Table 7

### TOTAL ESTIMATED COSTS - COMPLETE STREETS<sup>9</sup>

BENEFIT	TOTAL REVENUES	FUNDING SOURCES	DESCRIPTION	LEAD AGENCIES
Redesign of all major streets in the Plan Area	\$110,000,000	Transportation Sustainability Fee (TSF) (Sec. 411A); Eastern Neighborhoods Infrastructure Impact Fee (Sec. 423); Central SoMa Infrastructure Impact Fee (CSF) (Sec. 433); Central SoMa Mello-Roos CFD	Redesign of approximately four miles of major streets (including portions of 3rd, 4th, 5th, 6th, Howard, Folsom, Harrison, Bryant, Brannan, and Townsend Streets) at an estimated cost of \$4,400-\$5,400 per linear foot.	SFMTA
<b>TOTAL</b>	<b>\$110,000,000</b>			

### Delivery and Timing

All funding dedicated to complete streets would be directed to the SFMTA and San Francisco Department of Public Works (SFDPW) for planning, design, and construction. These funds are projected to be sufficient to redesign the vast majority of the major streets in the Plan Area. Although the Central SoMa Plan includes conceptual designs for the major streets, each street will need to undergo a more detailed design process, incorporating additional public feedback and environmental review as necessary, and including opportunities for incorporating environmental sustainability and green landscaping elements. Although improving main streets is the highest priority, improvements may also be implemented on alleyways in the Plan Area as funding allows. Within the main streets, prioritization will be set by SFMTA.

As noted in the Transit section above, revenues from the Eastern Neighborhoods Infrastructure Impact Fees receive additional oversight through the Eastern Neighborhoods Community Advisory Committee and the IPIC. The improvements funded by fees and the CFD could occur as money is accrued. The fees will accrue concurrently with the pace of development, while the CFD accrues annually as additional projects come online and begin paying the tax. As previously noted, the City has the option to accelerate projects by bonding against this revenue

<sup>9</sup> Central SoMa Planning Code sections pending Plan adoption

stream or utilizing other funds (including general fund revenues).

Alternatively, some improvements may be provided directly by development in order to meet minimum Better Streets Plan requirements or to satisfy an In-Kind Agreement, particularly on the new and renovated mid-block alleys that will not be included in SFMTA streetscape planning efforts. These improvements would be completed at the same time as the affiliated development project.

## **CULTURAL PRESERVATION & COMMUNITY SERVICES**

Central SoMa Plan Objective 2.6 states that the City should “Support the schools, child care, and community services that serve the local residents.” “Community services” includes space for nonprofit and government organizations that provide services to the community, such as health clinics and job training facilities. As commercial rents continue to increase citywide, it becomes increasingly difficult for many of these uses to start, grow, and stay in San Francisco. Central SoMa is already a popular location for many of these services, due to its central and transit-accessible location, and large number of commercial properties. The Plan will provide space for these types of facilities, as part of its central goals of increasing jobs and facilitating economic and cultural diversity. The City has recently developed a Community Facilities Nexus Study in order to quantify the demand for these services generated by new development, in order to establish a legal nexus for levying a Central SoMa Community Facilities Fee, a new development impact fee.<sup>10</sup> Community services also includes neighborhood cleaning services to help promote the cleanliness, and thus walkability, of the neighborhood’s streets.

Central SoMa Plan Objective 7.5 states that the City should “Support mechanisms for the rehabilitation and maintenance of cultural heritage properties.” To fulfill this Objective, revenues generated by the Plan will be used as seed funding for the restoration and seismic upgrade of the celebrated U.S. Mint building and grounds at 5th and Mission Streets, one of the City’s most significant historic properties. The building has long been envisioned as a major opportunity site to provide a cultural asset that celebrates the civic history of the City. Revenues from the Plan will also be used to provide capital for cultural amenities. This funding could be utilized for capital improvements at Yerba Buena Gardens and/or to help build or purchase a building for the neighborhood’s important cultural communities, the Filipino community and the LGBTQ community. Finally, revenues from the Plan will also be used to help preserve and maintain important historic buildings within the Plan Area. This revenue will come from the sale of Transfer of Development Rights (TDR), a voluntary program available to these historic buildings whereby they sell their unused development rights to new development in the area. To facilitate the process, large new non-residential developments will be required to purchase TDR from historic buildings in the Plan Area.

Central SoMa Plan Objective 7.2 states that the City should “Support the preservation, recognition, and wellbeing of the neighborhood’s cultural heritage resources.” To fulfill this Objective, revenues generated from the Plan would be used annually to support social and cultural programming in the neighborhood. This funding currently comes from the SoMa Stabilization Fund, which is expected to run out of resources in the near future. The Plan therefore enables the continuation of this valuable funding source for the foreseeable future.

<sup>10</sup> Available at: [http://sfcontroller.org/sites/default/files/Documents/Budget/131124\\_Central%20SoMa%20Nonprofit%20Nexus\\_FINAL\\_2016\\_03\\_24.pdf](http://sfcontroller.org/sites/default/files/Documents/Budget/131124_Central%20SoMa%20Nonprofit%20Nexus_FINAL_2016_03_24.pdf)

Table 8

**TOTAL ESTIMATED COSTS – CULTURAL PRESERVATION & COMMUNITY SERVICES<sup>11</sup>**

BENEFIT	TOTAL REVENUES	FUNDING SOURCES	DESCRIPTION	LEAD AGENCIES
Restoration of the US Mint Building	\$20,000,000	Central SoMa Mello-Roos Community Facilities District (CFD)	Restoration and seismic upgrade of the US Mint Building.	OEWD
Preservation and maintenance of historic buildings	\$20,000,000	Transfer of Development Rights (TDR) (Sec. 128.1)	The sale of Transferable Development Rights from historic buildings to new development. Revenues from these sales are required to be spent on the preservation and maintenance of the associated historic resource.	Planning
60,000 sq ft of new space for community services	\$20,000,000	Central SoMa Community Facilities Fee (Sec. 428.1)	Impact fees to develop new facilities for nonprofit community services (such as health care or job training) needed to serve new growth.	MOHCD
Social and cultural programming	\$25,000,000	Central SoMa Mello-Roos Community Facilities District (CFD)	Annual funding for social and cultural programming for such activities as arts, job training, and tenant protections.	MOHCD
Capital for cultural amenities	\$15,000,000	Central SoMa Mello-Roos Community Facilities District (CFD)	Capital improvements and/or funding to help build or purchase a building for the neighborhood’s important cultural communities.	MOHCD
Neighborhood cleaning	\$9,000,000	Central SoMa Mello-Roos Community Facilities District (CFD)	Ongoing funding for cleaning of neighborhood streets.	SFDPW
<b>TOTAL</b>	<b>\$109,000,000</b>			

**Delivery and Timing**

Revenues from the Central SoMa Community Facilities Fee will be directed to the Mayor’s Office of Housing and Community Development (MOHCD) to fund the development of new community facility space. As an impact fee, funding would accrue concurrently with development over the duration of the Plan. Facilities could potentially be developed through some combination of standalone locations (such as a centralized non-profit “hub” space) or potentially co-located within affordable housing projects. In the latter case, because the development of these affordable units would occur after the market rate development providing the necessary funding, the development of community facilities is likely to occur after these new developments as well. New developments will also be given the option to provide community facilities directly via an In-Kind Agreement with the City (instead of paying the Community Facilities Fee), which would result in faster delivery of the benefit.

Revenues from the CFD used to support the restoration of the US Mint Building will accrue annually as projects come online and begin paying the tax. As previously noted, the City has the option to accelerate projects by bonding against this revenue stream or utilizing other funds (including general fund revenues). Funding from the Plan will be part of a larger funding and programming effort for restoration, rehabilitation, and ongoing operations of the US Mint Building. This scope of work and budget is currently being developed, and it is anticipated that additional funds will need to be generated.

<sup>11</sup> Central SoMa Planning Code sections pending Plan adoption

Sale of TDRs for the preservation and maintenance of other significant historic buildings in the Plan Area could occur upon adoption of the Central SoMa Plan.

## ENVIRONMENTAL SUSTAINABILITY & RESILIENCE

Central SoMa Plan Goal #6 is to “Create an Environmentally Sustainable and Resilient Neighborhood” where urban development gives more to the environment than it takes (thereby fulfilling Plan Objectives 6.1–6.8). The Plan proposes innovative building- and neighborhood-scale interventions to improve environmental performance, providing a model for the rest of the city and beyond. New development will be required to incorporate living roofs, generate renewable energy onsite, and use only 100% greenhouse gas-free (GHG-free) electricity for the balance. Funds will also be directed to adding habitat-supportive landscaping and green infrastructure to streets and open spaces, to beautify them while also improving air quality, micro climate comfort, stormwater management, and ecological function. District-scale utility systems (e.g., shared energy and/or water systems linked between both new and existing buildings) are encouraged in order to enhance resource and cost efficiencies.

Table 9

### TOTAL ESTIMATED COSTS – ENVIRONMENTAL SUSTAINABILITY & RESILIENCE<sup>12</sup>

BENEFIT	TOTAL REVENUES	FUNDING SOURCES	DESCRIPTION	LEAD AGENCIES
Enhanced stormwater management in complete street projects	\$32,000,000	Central SoMa Mello-Roos Community Facilities District (CFD)	Stormwater infrastructure (grey infrastructure, landscaping, etc.) on all major streets.	Planning, SFPUC
Freeway corridor air quality and greening	\$22,000,000	Central SoMa Mello-Roos Community Facilities District (CFD)	Greening improvements along/under the freeway corridor to improve air quality and enhance pedestrian comfort.	Planning
Living Roofs enhanced requirements	\$6,000,000	Direct provision by new development (Sec. 249.77)	Living Roofs requirement of 50% of usable roof area on projects 160' or shorter, surpassing City policy.	Planning
Better Roofs demonstration projects	\$2,000,000	Central SoMa Mello-Roos Community Facilities District (CFD)	Demonstration projects to highlight best practices, including a Living Roof project (\$1mn) and a solar project (\$500k).	Planning
Water recycling and stormwater management in public spaces	\$5,000,000	Central SoMa Mello-Roos Community Facilities District (CFD)	Infrastructure for 100% recycled (non-potable) water for street cleaning and public park irrigation; green stormwater management in parks.	Planning, SFPUC
100% energy-efficient street lights	\$1,000,000	Central SoMa Mello-Roos Community Facilities District (CFD)	Energy efficient upgrades to street lights throughout the Plan area.	Planning, SFPUC
Sustainability studies & guideline documents	\$2,000,000	Central SoMa Mello-Roos Community Facilities District (CFD)	Funding for a District Energy & Water Utility Systems Study (\$500k), a Central SoMa Sea Level Rise & Flood Management Strategy (\$400k), a Fossil Fuel Free Buildings Study & Guidelines Document (\$300k), and Flood Resilient Design Guidelines (\$300k)	Planning
<b>TOTAL</b>	<b>\$70,000,000</b>			

<sup>12</sup> Central SoMa Planning Code sections pending Plan adoption. Enhanced Living Roof requirements will be applied to all properties in the Plan Area (private and public). Better Roofs demonstration projects will be developed on public-owned properties.

## Delivery and Timing

The majority of funding for environmental sustainability improvements will be provided by the CFD, and will occur upon accrual of revenues, or earlier if the City chooses to bond against the CFD revenue stream. The sustainability studies and guideline documents discussed above are proposed to be delivered within two years after adoption of the Central SoMa Plan, and may lead to additional new requirements or public benefits.

The Living Roofs are provided directly onsite by new development and will occur with their respective projects. Additional benefits will be directly provided through new development via existing requirements (such as current energy and water efficiency requirements) and are not quantified here.

## SCHOOLS AND CHILD CARE

Central SoMa Plan Objective 2.6 states that the City should “Support the schools, child care, and community services that serve the local residents.” In terms of schools and child care, the Plan Area is expected to see a large increase in the number of children as it continues to transition from a primarily industrial neighborhood to a mixed-use hub for jobs and housing. The Plan will generate funding to meet the demand for schools and childcare for youth ages 0-18 through existing City impact fees.

Additionally, the Plan will help fund supplemental services at Bessie Carmichael, the neighborhood’s only public school. At Bessie Carmichael, which serves children in K-8 grade, 100% of the students receive free and reduced lunch and 20% of the student population is self-identified homeless students. The supplemental services would be intended to address the challenges of addressing the needs of this student population through such strategies as additional mental health services and a summer program to fund year-round support to the children.

Table 10

### TOTAL ESTIMATED COSTS – SCHOOLS & CHILDCARE<sup>13</sup>

BENEFIT	TOTAL REVENUES	FUNDING SOURCES	DESCRIPTION	LEAD AGENCIES
Schools	\$32,000,000	School Impact Fee (State Education Code Sec. 17620)	Impact fees to meet demand for school facilities to serve growth generated within the Plan Area.	SFUSD
Childcare	\$26,000,000	Child Care Fee (Sec. 414 and Sec. 414A); Eastern Neighborhoods Impact Fee (Sec. 423)	Impact fees to meet demand for child care facilities to serve growth, located within the Plan area.	HSA Office of Early Care & Education
Bessie Carmichael Supplemental Services	\$6,000,000	Central SoMa Mello-Roos Community Facilities District (CFD)	Annual funding to provide supplementary services to the school, such as additional mental health services and the ability to provide year-round programming	SFUSD
<b>TOTAL</b>	<b>\$64,000,000</b>			

<sup>13</sup> Central SoMa Planning Code sections pending Plan adoption

## Delivery and Timing

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

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

The funding for Bessie Carmichael School will be provided by the CFD, and will occur upon accrual of revenues. As an ongoing allocation, it need not be bonded against, and will be disbursed annually to the School District, with community oversight.



## IV. FUNDING STRATEGY

The previous section describes the funding necessary for infrastructure and other investments to accommodate the significant number of jobs and housing units envisioned in the Central SoMa Plan, as well as to address social, economic, and environmental needs and achieve the Plan’s policy goals. To provide this funding, the City proposes requirements on new developments to help ameliorate and mitigate its impacts, in addition to the existing fees and development requirements in place. As stated previously, these requirements are designed to be consistent with the requirements of California Mitigation Fee Act and all proposed development impact fees have been evaluated against applicable maximum justified nexus amounts.

To help determine the requirements on new development, the City conducted a financial feasibility analysis (*Financial Analysis of San Francisco’s Central SoMa Plan*<sup>1</sup>). This analysis utilized a Residual Land Value (RLV) model to evaluate the financial feasibility of prototypical development types (both before and after potential Plan adoption), estimate the amount of value created by the Plan, and test the financial impact of applying proposed development requirements and charges that would offset some amount of the new value created (a “land value capture” approach).

The resulting funding strategy includes different levels of requirements, based on the amount of development potential conferred on each property through adoption of the Plan (expressed as an increase in developable height and/or modifications to permit a greater number of land uses). All parcels in the Plan Area are assigned into one of several Central SoMa Public Benefit Tiers (Table 12), based on the amount of additional development potential created.<sup>2</sup>

Table 11

**CENTRAL SOMA DEVELOPMENT TIERS<sup>3</sup>**

INCREASED DEVELOPMENT CAPACITY	TIER
15-45 feet	Tier A
50-85 feet	Tier B
90 feet or more	Tier C

Tables 13 and 14 below summarize what a specific new development project would be obligated to pay in impact fees and taxes, based on the Development Tier of the underlying parcel and proposed land uses. Figures 15 and 16 map where these public benefit tiers occur in the Plan Area.

1 Developed by Seifel Consulting Inc. Available for download at: [http://default.sfplanning.org/Citywide/Central\\_Corridor/Central\\_SoMa\\_Financial\\_Analysis\\_Jan2017\\_FINAL.pdf](http://default.sfplanning.org/Citywide/Central_Corridor/Central_SoMa_Financial_Analysis_Jan2017_FINAL.pdf)

2 For areas currently zoned SLI or SALI and being rezoned to CMUO or WMUO, “additional development potential” is equal to the height limit proposed by the Central SoMa Plan. Elsewhere, “additional development capacity” is the change in height limit proposed by the Central SoMa Plan.

3 The Financial Analysis from December 2016 had four public benefit tiers; the prior Tier C (90-165 feet) and Tier D (165+ feet) are now collapsed into a single tier.

Table 12

**CENTRAL SOMA REQUIREMENTS FOR NEW DEVELOPMENT: NON-RESIDENTIAL (2017 RATES)<sup>4</sup>**

REQUIREMENT	TIER A & B	TIER C
<b>EXISTING REQUIREMENTS</b>		
<b>Jobs-Housing Linkage Fee</b> (\$/GSF; office rate shown; Sec. 413)		\$25.49
<b>Eastern Neighborhoods Infrastructure Impact Fee</b> (\$/GSF; Sec. 423)		\$18.73
<b>Transportation Sustainability Fee</b> (\$/GSF; office rate shown; Sec. 411A)		800-99,999 GSF: \$18.94
		>99,999 GSF: \$19.99
<b>Childcare Fee</b> (\$/GSF; office and hotel rate; Sec 414 & 414A)		\$1.65
<b>School Impact Fee</b> (\$/GSF; office rate shown; CA Ed. Code Sec. 17620)		\$0.54
<b>Public Art Fee</b> (\$)		1% of construction cost (or direct provision on-site)
<b>Production, Distribution, and Repair (PDR) [# of Floor Area Ratios (FAR); Sec 202.8 &amp; 249.78*]</b>		
For projects seeking an Office Allocation of 50,000s square feet or more		0.4 FAR or replacement requirements per 2016's Proposition X (Planning Code Section 202.8), whichever is higher
For projects not seeking an Office Allocation, or providing <50,000 square feet of Office		Replacement requirements per 2016's Proposition X (Planning Code Section 202.8)
<b>NEW REQUIREMENTS UNDER THE PLAN</b>		
<b>Central SoMa Community Infrastructure Fee</b> (\$/GSF; Sec. 433*)		
For projects seeking an Office Allocation of 50,000 square feet or more	\$21.50	\$0
All other projects	\$41.50	\$20
<b>Mello-Roos Special Tax Community Facilities District</b> (CFD; \$/GSF/yr)	\$0	\$2.75 (4% escalation annually for 25 years, 2% thereafter)
<b>Community Facilities Fee</b> (\$/GSF; Sec 428.1*)		\$1.75
<b>Transferable Development Rights</b> (# of Floor Area Ratios; Sec 128.1)	\$0	1.25 FAR
<b>Privately-Owned Public Open Space</b> (POPOS; Sec 138)		1 square foot for every 50 GSF of development

\*Planning Code section pending Plan adoption.

<sup>4</sup> These tables show the amount of requirements on new development at the time of Plan Adoption. Impact fees shall be updated on an annual basis as fees are indexed or otherwise changed. The Fee Register and related information can be found online at <http://impactfees.sfplanning.org>. The Financial Analysis from December 2016 had four public benefit tiers; the prior Tier C (90-165 feet) and Tier D (165+ feet) are now collapsed into a single tier.

Table 13

**CENTRAL SOMA REQUIREMENTS FOR NEW DEVELOPMENT: RESIDENTIAL (2017 RATES)<sup>5</sup>**

REQUIREMENT	TIER A	TIER B	TIER C
<b>EXISTING REQUIREMENTS</b>			
<b>Inclusionary Housing (Sec. 415)</b>			
On-Site Option	18% for rental and 20% for condo, escalating annually, per the requirements of Planning Code Section 415		
Affordable Housing Fee and Off-Site Options	30% for rental and 33% for condo		
<b>Eastern Neighborhoods Infrastructure Impact Fee</b> (\$/GSF; Sec. 423)	\$21.41		
<b>Transportation Sustainability Fee</b> (\$/GSF; Sec. 411A)	21-99 Units: \$8.13 100+ Units: \$9.18		
<b>Childcare Fee</b> (\$/GSF; Sec 414 & 414A)	1-9 Units: \$0.96 10+ Units: \$1.92		
<b>School Impact Fee</b> (\$/GSF; CA Ed. Code Sec. 17620)	\$3.48		
<b>Production, Distribution, and Repair (PDR)</b> [# of Floor Area Ratios (FAR); Sec 202.8 & 249.78]	Replacement requirements per 2016's Proposition X (Planning Code Section 202.8)		
<b>NEW REQUIREMENTS UNDER THE PLAN</b>			
<b>Central SoMa Community Infrastructure Fee</b> (\$/GSF; Sec. 433*)	\$0	\$10	\$0
<b>Mello-Roos Special Tax Community Facilities District</b> (CFD; \$/GSF/yr)			
Condo	\$0	\$3.30 (2% escalation)	\$5.50 (2% escalation)
Rental	\$0	\$0	\$0
<b>Community Facilities Fee</b> (\$/GSF; Sec 428.1*)	\$1.30		
<b>Production, Distribution, and Repair (PDR)</b> ; Sec 202.8 & 249.78)	For every gross square foot of PDR required per Proposition X (Planning Code Section 202.8), the project gets a waiver of four gross square feet (GSF) from the Eastern Neighborhoods Impact Fee		

\*Planning Code section pending Plan adoption.

<sup>5</sup> These tables show the amount of requirements on new development at the time of Plan Adoption. Impact fees shall be updated on an annual basis as fees are indexed or otherwise changed. The Fee Register and related information can be found online at <http://impactfees.sfplanning.org>. The Financial Analysis from December 2016 had four public benefit tiers; the prior Tier C (90-165 feet) and Tier D (165+ feet) are now collapsed into a single tier.

Figure 14



**NON-RESIDENTIAL  
DEVELOPMENT TIERS  
CENTRAL SOMA**

- Tier A & B (15'-85' increased development capacity)
- Tier C (Over 90' increased development capacity)

1,000 Feet

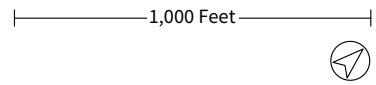


Figure 15



**RESIDENTIAL  
DEVELOPMENT TIERS  
CENTRAL SOMA**

- Tier A (15'-45' increased development capacity)
- Tier B (50'-85' increased development capacity)
- Tier C (90' or more increased development capacity)



## V. ADMINISTRATION & MONITORING

The successful implementation of the Central SoMa Plan will require collaboration among a diverse array of agencies, community members, and private actors. This section describes the interagency governance bodies and processes that will be chiefly responsible for overseeing implementation of the Central SoMa Plan and its public benefits. In addition, a number of the aforementioned funding sources each have their own processes for implementation, administration, and monitoring.

### PLAN IMPLEMENTATION GOVERNANCE ENTITIES

#### San Francisco Controller's Office

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

The Controller's Office, working in concert with the Mayor's Office, IPIC, and other entities mentioned below, will also be responsible for overseeing a funding prioritization process in Central SoMa to help ensure that funds are allocated to public benefits in a logical and equitable manner.

The City is required to regularly report on impact fees revenues and expenditures. San Francisco Planning Code Article 4, Section 409 requires the San Francisco Controller's Office to issue a biennial Citywide Development Impact Fee Report<sup>1</sup> including:

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

<sup>1</sup> The FY2012-2013 and 2013-2014 report is available at: <http://sfcontroller.org/sites/default/files/FileCenter/Documents/6093-FY12-13%20%26%2013-14%20Development%20Impact%20Fee%20Report.Revised.pdf>

the percentage of the cost of the improvement funded with fees; an approximate construction start date; and a description of any transfers or loans made from the account.

Within the Controller's office, the Office of Public Finance (OPF) is responsible for issuing and managing the City's general fund debt obligations. The OPF will be responsible for administering the Central SoMa CFD, including developing revenue projections and overseeing the bond issuance process. Its mission is to provide and manage low-cost debt financing of large-scale, long-term capital projects and improvements that produce social and economic benefit to the City and its citizens while balancing market and credit risk with appropriate benefits, mitigations and controls.

### **Capital Planning Committee**

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

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

### **Interagency Plan Implementation Committee (IPIC)**

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

The IPIC is required to develop a capital plan for each Plan Area and an Annual Progress Report indicating the status of implementation of each of the Area Plans. This report includes a summary of the individual development projects (public and private) that have been approved during the report period, progress updates regarding

implementation of the various community improvements in accordance with the Plan's projected phasing, and proposed departmental work programs and budgets for the coming fiscal year that describe the steps to be taken by each responsible department, office, or agency to implement community improvements in each plan area. The IPIC Annual Progress Report is heard each year before the Capital Planning Committee, the Planning Commission, and the Land Use and Economic Development Committee of the Board of Supervisors prior to finalization of the report. In addition, the IPIC Annual Progress Report, impact fee allocations, and related agency work programs and budgets are inputs to the City's 10-year Capital Plan, developed by the Capital Planning Committee.

Upon adoption of the Central SoMa Plan, the scope of IPIC's duties and areas of investment will expand. IPIC will be responsible for overseeing allocation of revenues from the Central SoMa Mello-Roos Community Facilities District (CFD). It is anticipated that the City may issue one or more bonds secured by these CFD Special Tax revenues, in order to facilitate timely implementation of public benefits. Annually, the IPIC shall develop a five-year plan for proposed expenditures of Special Tax revenues (these plans will be coordinated with projected Bond Proceeds), as forecasted by the Office of Public Finance.

As needed, the sub-committees will be formed to deliberate on specific issues of relevance to a subset of IPIC agencies, and/or on funding areas that involve non-City public agencies (such as the regional transportation funds). In the latter case, Joint Communities Facilities Agreements (JCFAs) will be formed for projects involving allocation of CFD funds to non-City public agencies.

The IPIC will also oversee administration of capital funding for environmental sustainability projects.

The Board of Supervisors has final authority over CFD revenue expenditures, based on recommendations by the Director of the Office of Public Finance, the Capital Planning Committee, and the IPIC.

### **Eastern Neighborhoods Community Advisory Committee**

The Eastern Neighborhoods Citizens Advisory Committee (EN CAC) is the central community advisory body charged with providing input to City agencies and decision makers with regard to all activities related to implementation of the Eastern Neighborhoods Area Plans. The group was established as part of the Eastern Neighborhoods Area Plans (EN) and accompanying Code Amendments, and is comprised of 19 members representing the diversity of the plan areas, including renters, homeowners, low-income residents, local merchants, and community-based organizations.<sup>2</sup>

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

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<sup>2</sup> More information is available at: <http://sf-planning.org/eastern-neighborhoods-citizens-advisory-committee>



The EN CAC also advises on the allocation of development fees to public benefits in each of the EN Plan Areas. These recommendations are advisory, as an input to the IPIC and Capital Planning Committee processes described above. The EN CAC will play a similar advisory role to recommend how Central SoMa Mello-Roos CFD revenues will be allocated, with the exception of funds for regional transit.

## **PLAN MONITORING & REPORTING**

City agencies will be required to monitor and report on the implementation of the Central SoMa Plan, similar to the process in other established plan areas. The Planning Department, in coordination with the EN CAC, will be required to develop a Central SoMa Monitoring Report concurrently with the Eastern Neighborhoods Monitoring Report (scheduled to be updated in 2021, and at five-year intervals thereafter). This community and data-driven report will provide information on the residential and commercial development in the plan area, revenues from impact fees and other sources, and public/private investments in community benefits and infrastructure, and will include the following components:

- Central SoMa Implementation Matrix
- Development Activity
- Public Benefit
- Fees and Revenues
- Agency Responsibilities
- Budget Implications

Consistent with the procedure in other Plan Areas, this report shall be discussed at a hearing of the Planning Commission, and then forwarded to (and possibly heard at) the Board of Supervisors.

## VI. DESCRIPTION OF CENTRAL SOMA FUNDING SOURCES

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

### AFFORDABLE HOUSING

#### **Inclusionary Housing Program (Sec. 415)**

The Inclusionary Housing Program (Planning Code §415) requires new market-rate residential development projects to provide funding for affordable housing, either through direct on-site provision or via payment of the Affordable Housing Fee. Revenues from this Fee are directed to the Mayor's Office of Housing and Community Development (MOHCD), which utilizes the Fee to develop 100 percent affordable housing development and/or preservation of existing affordable units. Revenues from the Affordable Housing Fee may typically be used anywhere within the city. However, as discussed in Section III above, fees generated by projects within Central SoMa will be required to be expended within SoMa (i.e., the area bounded by Market Street, the Embarcadero, King Street, Division Street, and South Van Ness Avenue).

#### **Jobs-Housing Linkage Fee (Sec. 413)**

The Jobs-Housing Linkage Fee (§413) is a citywide impact fee levied on new non-residential developments of 25,000 GSF or greater. Analogous to the Affordable Housing fee, revenues from this Fee are directed to MOHCD, which utilizes the Fee to develop 100 percent affordable housing development and/or preservation of existing affordable units. Revenues from the Jobs-Housing Linkage Fee may typically be used anywhere within the city. However, as discussed in Section III above, Fees generated by projects within Central SoMa will be required to be expended within SoMa (i.e., the area bounded by Market Street, the Embarcadero, King Street, Division Street, and South Van Ness Avenue).

### TRANSPORTATION

#### **Transportation Sustainability Fee (Sec. 411A)**

The Transportation Sustainability Fee (TSF; §411A) is a citywide impact fee assessed on both Residential and Nonresidential development, with funds directed to the Controller's Office and the San Francisco Municipal Transportation Agency (SFMTA) for programming and administration. Funds are allocated to projects specified in the Expenditure Program shown in Table 16 below: state of good repair projects (capital maintenance), system capacity expansion, complete streets projects, and regional transit improvements. Some uses are exempt from

paying the fee, including smaller market-rate residential projects (20 units or fewer), 100% affordable housing projects, and most nonprofit owned and operated uses.

Table 16

**TSF EXPENDITURE PROGRAM**

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

Although TSF funds may be spent on transportation system improvements citywide, the Planning Code specifies that revenues will prioritize new/existing area plans and areas anticipated to receive significant new growth.

**Central SoMa Infrastructure Impact Fee (Sec. 433)**

In order to achieve the Plan’s objective of ensuring that the area is well-served by transit, a new Central SoMa Fee (Sec. 433) is proposed on new residential and nonresidential development that would be used to fund local transit improvements within Central SoMa. The fee will be collected by the Planning Department and programmed through the IPIC and Capital Planning process, similar to other area plan impact fees.

**PRODUCTION, DISTRIBUTION, & REPAIR (PDR)**

**Preservation of Production, Distribution & Repair Uses (Proposition X; Sec. 202.8)**

Preserving Production, Distribution & Repair (PDR) space is a critical strategy to ensure ongoing economic diversity in the Plan Area. Preservation of existing space will naturally occur on sites where industrial protective zoning remains, such as along the freeway west of 4th Street (an area that is adjacent to other PDR uses and ill-suited for new development due to its lot configuration). In addition, preservation of PDR uses in much of the rest of the Plan Area will be necessitated based on the requirements of San Francisco’s Proposition X, passed by the voters in November of 2016. This Proposition, codified in Section 202.8 of the Planning Code, requires retention or replacement of PDR space ranging from 50% of existing space (in areas zoned MUG or MUR before adoption of the Central SoMa Plan) to 75% (in areas zoned SLI or MUO before adoption of the Central SoMa Plan) to 100% (in areas zoned SALI before adoption of the Central SoMa Plan).

**Creation of Production, Distribution & Repair Uses (Sec. 249.78)**

In addition to the PDR preservation requirements of Proposition X (as discussed above), the Plan will require large office development to provide new PDR space of an area equivalent to 0.4 FAR (40 percent of their lot area). This amount of PDR may exceed what is already required.

The Planning Department will be responsible for overseeing compliance with these requirements, as part of the development review process. The process will verify Planning Code requirements are met to ensure that spaces are suitable for PDR use (including elements such as ceiling heights and parking/loading requirements).

## **PARKS & RECREATION**

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

Currently, the Plan Area has a great deficit of open spaces and recreation facilities, and significant investment will be needed to meet demand from new growth. In addition to providing new and rehabilitated public parks and recreation facilities, the Central SoMa Plan will also require larger nonresidential developments to provide Privately-Owned Public Open Spaces (POPOS), similar to the requirement in the Downtown Area Plan. Much of this space will be located outdoors at street level, open seven days a week. Some developments will have the option of providing space indoors and/or paying an in-lieu fee. All new office projects will be required to provide one square foot of POPOS for every 50 occupied square feet of office use. Unlike the policy in the Downtown C-3 districts, Central SoMa requires that this space be provided at ground level (for up to 15% of the parcel area), and provides an incentive for “active” recreation uses (including playgrounds, athletic courts, community gardens or dog runs).

The Planning Department is the agency primarily responsible for reviewing and approving POPOS proposals as part of the associated development application.

## **SCHOOLS & CHILDCARE**

### **School Impact Fee (CA Education Code Sec. 17620)**

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

### **Child Care Fee (Sec. 414 & 414A)**

The Child Care Fee (Planning Code §414 & 414A) is a citywide impact fee collected on Office and Hotel projects

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

## **CULTURAL PRESERVATION**

### **Transferable Development Rights (TDR; Sec. 128.1)**

In order to support the preservation of historic resources in the Plan Area, Central SoMa includes a Transferable Development Rights (TDR) requirement, similar to the requirement in the Downtown Area Plan. Non-residential development projects in Public Benefits Tiers C and D will be required to purchase the equivalent of 1.25 Floor Area Ratio (FAR) worth of TDR credits from historic buildings in exchange for the right to build to higher densities. In essence, the program allows historic properties to sell “excess” development capacity (e.g. since the historic resource precludes building to similar densities as surrounding parcels), providing funds for building restoration and maintenance. Although the Planning Department administers and enforces the TDR program, the transactions themselves are implemented privately and purchase terms (i.e. prices) are not regulated by the City.

## **CULTURAL PRESERVATION & NEIGHBORHOOD STABILIZATION**

### **Community Facilities Fee (Sec. 428.1)**

The Community Facilities Fee is a new impact fee that would be applicable to all new development in the Plan Area. Fees will be collected by the Planning Department and directed to MOHCD to support the development of new space for nonprofit community facilities, such as health clinics and job training sites. The City, potentially in partnership with nonprofit developers, will use the funds to develop new space for community facilities. This may take several forms, such as a centralized hub for nonprofit space and/or a network of individual sites. In addition, the City is exploring the potential to provide such spaces collocated with new affordable housing developments, developed by MOHCD and its partners.

## **AREA-PLAN & MULTI-CATEGORY FUNDING SOURCES**

### **Eastern Neighborhoods Infrastructure Impact Fee (Sec. 423)**

The Eastern Neighborhoods Infrastructure Impact Fee (Planning Code §423) is an area plan impact fee that was

adopted concurrently with the Eastern Neighborhoods Area Plan in 2008. The Central SoMa Plan Area is an Eastern Neighborhoods Plan, being constituted of areas that were formerly parts of the East SoMa and Western SoMa Plan Areas. Projects in Central SoMa will continue to pay the Eastern Neighborhoods Infrastructure Impact Fee, which is administered by the Planning Department and the Interagency Plan Implementation Committee (IPIC) in consultation with the Eastern Neighborhoods Community Advisory Committee (ENCAC). Funds are used to pay for infrastructure within the following Plan Areas: East SoMa, Showplace/Potrero Hill, Mission, Central Waterfront, Western SoMa, and Central SoMa. Funds are allocated into public benefit categories shown in table 17 below.

*Table 17*

**EASTERN NEIGHBORHOODS INFRASTRUCTURE IMPACT FEE EXPENDITURE PROGRAM**

IMPROVEMENT TYPE	% ALLOCATION (RESIDENTIAL DEVELOPMENT)	% ALLOCATION (NON-RESIDENTIAL DEVELOPMENT)
Complete Streets: Pedestrian and Streetscape Improvements, Bicycle Facilities	31%	34%
Transit	10%	53%
Recreation and Open Space	47.5%	6%
Childcare	6.5%	2%
Program Administration	5%	5%

**Central SoMa Mello-Roos Community Facilities District (CFD)**

A Mello-Roos Community Facilities District (CFD) is an ongoing tax to pay for necessary infrastructure and services. The Central SoMa Plan proposes to establish a Mello-Roos CFD that would be paid by new developments receiving a significant upzoning through the Plan (Non-Residential Tier C and Residential Tiers B & C). This CFD will be established through a legal formation process roughly concurrent with the adoption of the Central SoMa Plan.

CFDs are beneficial for infrastructure planning because they offer a reliable and predictable revenue stream, as the taxes are paid annually over the life of the subject development project for a set term defined by the CFD (as opposed to a one-time payment for impact fees). In addition, the CFD could be established to fund both capital infrastructure and ongoing operations & maintenance, the latter of which is a critical funding need that cannot legally be funded by impact fees. Finally, a CFD provides the City with the option to bond against the future revenue stream, thus providing funding to build needed infrastructure much sooner, ideally before or at the same time as the anticipated new development.

**OTHER SOURCES OF FUNDING**

The fees and requirements discussed above are largely designed to mitigate the infrastructure needs created by new development. However, there are already substantial needs in the neighborhood. The responsibility for responding to some needs will need to be shared with a broader set of stakeholders than just new developments (sea level rise mitigation, for instance). As such, additional revenue sources will be needed to create a fully sustainable neighborhood. These additional revenue mechanisms will require interdepartmental efforts that

continue after the Plan's adoption, and may require future authorization by the Mayor and Board of Supervisors. A few potential sources of additional funding are described below

### **General Fund**

The City's discretionary property tax proceeds are deposited into the General Fund, and are available for the appropriation to any public purpose, including operations, programs, maintenance, and capital projects. Theoretically, these revenues could be directed to the Plan Area to accelerate the delivery of public benefits, or to fund other public benefits not identified here.

### **Grants & Bonds**

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

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

### **Direct provision through Development Agreements and other negotiated conditions of approval**

The Plan's Key Development Sites and other sites with significant development potential represent another potential mechanism to provide needed infrastructure. Project sponsors may elect to provide some of these community benefits directly, through mechanisms such as a Development Agreement or other negotiated condition of approval. These benefits may be provided in-lieu of some other requirement, or they may be voluntarily provided above and beyond the development requirements. It is impossible to predict how many projects would opt to do this; however, a number of the initial project proposals for the Key Development Sites do include some amount of voluntary community benefits.