



# SAN FRANCISCO PLANNING DEPARTMENT

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## Planning Commission Motion No. XXXXX

HEARING DATE: May 12, 2016

*Hearing Date:* May 12, 2016  
*Case No.:* 2011.1300E  
*Project Address:* 901 16<sup>th</sup> Street and 1200 17<sup>th</sup> Street  
*Zoning:* UMU (Urban Mixed Use) Zoning District  
48-X Height and Bulk District (1200 17<sup>th</sup> Street Site);  
68-X Height and Bulk District (901 16<sup>th</sup> Street Site)  
*Block/Lot:* 3949/001, 001A, 002, & 3950/001  
*Project Sponsor:* Josh Smith for Potrero Partners, LLC – (650) 348-3232  
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ADOPTING ENVIRONMENTAL FINDINGS PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, INCLUDING FINDINGS OF FACT, FINDINGS REGARDING SIGNIFICANT IMPACTS AND SIGNIFICANT AND UNAVOIDABLE IMPACTS, EVALUATION OF MITIGATION MEASURES AND ALTERNATIVES, AND A STATEMENT OF OVERRIDING CONSIDERATIONS RELATED TO APPROVALS FOR THE PROJECT, LOCATED AT 901 16<sup>TH</sup> STREET AND 1200 17<sup>TH</sup> STREET, TO MERGE FOUR LOTS INTO TWO LOTS, DEMOLISH TWO WAREHOUSES AND A MODULAR OFFICE STRUCTURE, PRESERVE THE BRICK OFFICE BUILDING, AND CONSTRUCT TWO NEW MIXED USE BUILDINGS ON SITE. THE "16<sup>TH</sup> STREET BUILDING" AT 901 16<sup>TH</sup> STREET WOULD CONSIST OF A NEW SIX-STORY, APPROXIMATELY 402,943 GROSS SQUARE FOOT RESIDENTIAL MIXED USE BUILDING WITH 260 DWELLING UNITS AND 20,138 GROSS SQUARE FEET OF RETAIL ON THE NORTHERN LOT. THE "17<sup>TH</sup> STREET BUILDING" AT 1200 17<sup>TH</sup> STREET WOULD CONSIST OF A NEW FOUR-STORY, APPROXIMATELY 213,509 GROSS SQUARE FEET RESIDENTIAL MIXED USE BUILDING WITH 135 DWELLING UNITS AND 4,650 GROSS SQUARE FEET ON THE SOUTHERN LOT. THE HISTORIC BRICK OFFICE BUILDING WOULD BE REHABILITATED FOR RETAIL OR RESTAURANT USE. COMBINED, THE TWO NEW BUILDINGS WOULD CONTAIN A TOTAL OF 395 DWELLING UNITS AND APPROXIMATELY 24,968 GROSS SQUARE FEET OF RETAIL SPACE, WITH A TOTAL OF 389 VEHICULAR PARKING SPACES, 455 OFF-STREET BICYCLE PARKING SPACES, AND APPROXIMATELY 14,669 SQUARE FEET OF PUBLIC OPEN SPACE, 33,149 SQUARE FEET OF COMMON OPEN SPACE SHARED BY PROJECT OCCUPANTS, AND 3,114 SQUARE FEET OF OPEN SPACE PRIVATE TO UNITS.

### PREAMBLE

On June 19, 2014, Potrero Partners, LLC (Attn: Josh Smith) (hereinafter "Project Sponsor"), filed Application No. 2011.1300EX (hereinafter "Application") with the Planning Department (hereinafter "Department") for a Large Project Authorization to construct one six-story building and one four-story building, referred to as the "16<sup>th</sup> Street" and "17<sup>th</sup> Street" Buildings

(approximately 616,452 gross square feet and 395 dwelling units total) with ground floor retail and open space at 901 16<sup>th</sup> Street and 1200 17<sup>th</sup> Street (Block 3949/Lots: 001, 001A, 002, and Block 3950/Lots 001) in San Francisco, California.

On August 12, 2015, the Department published a Draft Environmental Impact Report (“DEIR”) for the Project for public review (Case No. 2011.1300E). The DEIR was available for public comment until October 5, 2015. On October 1, 2015, the Commission conducted a duly noticed public hearing at a regularly scheduled meeting to solicit comments regarding the DEIR. On April 28, 2016, the Department published a Comments and Responses document, responding to comments made regarding the DEIR for the Project.

On May 12, 2016, the Commission certified the FEIR for the Project as adequate, accurate and complete.

On May 12, 2016, at a duly noticed public hearing at a regularly scheduled meeting, the Commission adopted findings, including a statement of overriding considerations and a Mitigation, Monitoring and Reporting Program.

MOVED, that the Commission hereby adopts the Project findings required by the California Environmental Quality Act, attached hereto as Attachment A including a statement of overriding considerations and adopts the Mitigation, Monitoring and Reporting Program, included as Exhibit 1 to Attachment B.

I hereby certify that the foregoing Motion was ADOPTED by the Planning Commission at its regular meeting of May 12, 2016.

Jonas Ionin  
Commission Secretary

AYES:

NOES:

ABSENT:

EXCUSED:

ACTION: Adoption of CEQA Findings

## Attachment A

# California Environmental Quality Act Findings

### PREAMBLE

In determining to approve the project described in Section I, below, (the "Project"), the San Francisco Planning Commission (the "Commission") makes and adopts the following findings of fact and decisions regarding the Project description and objectives, significant impacts, significant and unavoidable impacts, mitigation measures and alternatives, and a statement of overriding considerations, based on substantial evidence in the whole record of this proceeding and pursuant to the California Environmental Quality Act, California Public Resources Code Section 21000 et seq. ("CEQA"), particularly Section 21081 and 21081.5, the Guidelines for Implementation of CEQA, 14 California Code of Regulations Section 15000 et seq. ("CEQA Guidelines"), Section 15091 through 15093, and Chapter 31 of the San Francisco Administrative Code ("Chapter 31"). The Commission adopts these findings in conjunction with the Approval Actions described in Section I(c), below, as required by CEQA.

These findings are organized as follows:

**Section I** provides a description of the proposed project at 901 16th Street / 1200 17th Street, the environmental review process for the Project, the City approval actions to be taken, and the location and custodian of the record.

**Section II** lists the Project's less-than-significant impacts that do not require mitigation.

**Section III** identifies potentially significant impacts that can be avoided or reduced to less-than-significant levels through mitigation and describes the disposition of the mitigation measures.

**Section IV** identifies significant project-specific or cumulative impacts that would not be eliminated or reduced to a less-than-significant level and describes any applicable mitigation measures as well as the disposition of the mitigation measures. The Final EIR identified mitigation measures to address these impacts, but implementation of the mitigation measures will not reduce the impacts to a less than significant level.

Sections III and IV set forth findings as to the mitigation measures proposed in the Final EIR. (The Draft EIR and the Comments and Responses document together comprise the Final EIR, or "FEIR.") Attachment B to the Planning Commission Motion contains the Mitigation Monitoring and Reporting Program ("MMRP"), which provides a table setting forth each mitigation measure listed in the Final Environmental Impact Report that is required to reduce a significant adverse impact.

**Section V** identifies the project alternatives that were analyzed in the EIR and discusses the reasons for their rejection.

**Section VI** sets forth the Planning Commission's Statement of Overriding Considerations pursuant to CEQA Guidelines Section 15093.

The MMRP for the mitigation measures that have been proposed for adoption is attached with these findings as **Attachment B** to this Motion. The MMRP is required by CEQA Section 21081.6 and CEQA Guidelines Section 15091. Attachment B provides a table setting forth each mitigation measure listed in the FEIR that is required to reduce a significant adverse impact. Attachment B also specifies the agency responsible for implementation of each measure and establishes monitoring actions and a monitoring schedule. The full text of the mitigation measures is set forth in Attachment B.

These findings are based upon substantial evidence in the entire record before the Commission. The references set forth in these findings to certain pages or sections of the Draft Environmental Impact Report ("Draft EIR" or "DEIR") or the Comments and Responses document ("C&R") in the Final EIR are for ease of reference and are not intended to provide an exhaustive list of the evidence relied upon for these findings.

## **I. PROJECT DESCRIPTION AND PROCEDURAL BACKGROUND**

### **A. Project Description**

The Project Site consists of four adjacent lots in the lower Potrero Hill neighborhood (Assessor's block/lot: 3949/001, 001A, 002, and 3950/001). The approximately 3.5-acre Project Site is bounded by 16th Street to the north, Mississippi Street to the east, 17th Street to the south, and residential and industrial buildings to the west. The Project Site currently contains four existing buildings: two metal shed industrial warehouse buildings, a vacant brick office building, and a modular office structure. The vacant brick building was originally constructed by the Pacific Rolling Mill Co. in 1926 to house the office functions of the company's steel fabricating operation at the site, while the modular office structure is currently occupied by Cor-O-Van Moving and Storage Company. In total, the four existing buildings on the Project Site amount to approximately 109,500 gsf of building space. Surrounding the modular office structure is an open surface parking lot which is also used for access to the University of California, San Francisco (UCSF) storage and for fleet storage of the Cor-O-Van trucks and moving vans. The Project Site is within the Urban Mixed-Use (UMU) Zoning District. Per the San Francisco General Plan (General Plan), UMU is a land use designation intended to promote a vibrant mix of uses while maintaining the characteristics of this formerly industrial-zoned area. The site is located within the Showplace Square/Potrero Plan Area of the Eastern Neighborhoods Rezoning and Area Plan.

The proposed Project would merge the four lots into two lots, demolish the two warehouses and the modular office structure, and preserve the brick office building. Two new buildings would be constructed on site. The "16th Street Building" at 901 16th Street would consist of a new six-story, 68-foot tall (excluding rooftop projections of up to 82 feet), approximately 402,943 gross square foot (gsf) residential mixed use building with 260 dwelling units and 20,318 gsf of retail on the northern lot. The "17th Street Building" at 1200 17th Street would consist of a new four-story 48-foot tall (excluding rooftop projections of up to 52 feet), approximately 213,509 gsf residential mixed use building with 135 dwelling units and 4,650 gsf of retail on the southern lot.

Additionally, the historic brick office building would be rehabilitated for retail or restaurant use, which would generally involve retaining and rehabilitating the outer walls and features and renovating the

interior non-historic improvements. The proposed Project would also construct a new publicly accessible pedestrian alley along the entirety of its western property line.

Combined, the two new buildings would contain a total of 395 dwelling units and 24,968 gsf of retail space, in addition to a total of 389 vehicular parking spaces and 455 off-street bicycle parking spaces. The proposed Project would include 14,669 square feet of public open space, 33,149 square feet of common open space shared by Project occupants, and 3,114 square feet of open space private to units.

## **B. Project Objectives**

The Project Sponsor has developed the following objectives for the proposed Project:

- ▶ Redevelop a large underutilized site into a development with a mix of ground floor retail uses along 16th Street and 17th Street, residential dwelling units, and substantial open space amenities.
- ▶ Create a mixed-use project consistent with the Urban Mixed Use (UMU) zoning and the Showplace Square/Potrero Area Plan's policies that encourage a mix of land uses by providing both residential uses and community-serving retail uses on the site.
- ▶ Build a substantial number of residential dwelling units on the site to contribute to the City's General Plan Housing Element goals and ABAG's Regional Housing Needs Allocation for the City and County of San Francisco.
- ▶ Create a project that is consistent with the site's 48-X and 68-X height and bulk districts and is compatible with existing and contemplated development in the immediate vicinity.
- ▶ Incorporate open space for the use of project residents in an amount equal to or greater than required by the UMU zoning.
- ▶ Preserve and integrate the historic brick office building into the development, while removing the obsolete metal shed warehouses.
- ▶ Develop a financially feasible project capable of providing a market-based return on investment and sufficient to satisfy both equity capital investment and debt financing providers.

## **C. Project Approvals**

The Project requires the following Planning Commission approvals:

- ▶ Planning Commission Certification of the EIR
- ▶ Findings of General Plan and Priority Policies consistency
- ▶ Large Project Authorization, which includes exceptions to the following Planning Code standards:
  - Planning Code Section 134 for the required rear yard
  - Planning Code Section 152.1 for the required loading zones

- Planning Code Section 151.1 for the off-street parking
- Planning Code Section 145.1 for the parking/loading entrance width
- Planning Code Section 136 for the projecting bay dimension

***Actions by Other City Departments and State Agencies***

- ▶ Demolition, grading, building and occupancy permits (Department of Building Inspection)
- ▶ Approval of Color Curb Program for all proposed changes in curb cuts, parking and loading zones, and Class 2 bicycle parking, as well as all crosswalk markings and pedestrian signage required (San Francisco Municipal Transportation Agency)
- ▶ Approval of Lot Merger and Condominium Map to merge and re-subdivide the separate lots that comprise the Project Site and the sidewalk widening plans (San Francisco Department of Public Works)
- ▶ Approval of Site Mitigation Plan and Enhanced Ventilation Plan, as well as Soil Management Plan, Air Monitoring Plan, and Dust Control Plan for construction-period activities (San Francisco Department of Public Health)
- ▶ Issuance of permits for installation and operation of emergency generator (Bay Area Air Quality Management District)

**D. Environmental Review**

The Project is within the Eastern Neighborhoods Area Plan area, the environmental impacts of which were examined in the Eastern Neighborhoods Program EIR (Eastern Neighborhoods PEIR). The Planning Commission (hereafter referred to as “Commission”) certified the Eastern Neighborhoods PEIR on August 7, 2008.

Section 15183 of the CEQA Guidelines provides an exemption from environmental review for projects that are consistent with the development density established by existing zoning, community plan, or general plan policies for which an EIR has been certified, except as may be necessary to examine whether an Project-specific effects are peculiar to the Project or Project Site. Under this exemption, examination of environmental effects shall be limited to those effects that: a) are peculiar to the Project or parcel on which the Project would be located; b) were not analyzed as significant effects in the prior EIR for the underlying zoning or plan; c) are potentially significant off-site or cumulative impacts that were not discussed in the underlying EIR; or d) were previously identified as significant effects in the underlying EIR, but that have been determined to have a more severe adverse impact than that discussed in the underlying EIR.

Because this Project is within the Showplace Square/Potrero Plan Area, a community plan exemption (“CPE”) Checklist was prepared for the Project to analyze whether it would result in peculiar, Project-specific environmental effects that were not sufficiently examined in the Eastern Neighborhoods PEIR. The CPE Checklist (Appendix A to the Draft EIR) concluded that, with the exception of transportation and circulation and historic architectural resources the proposed Project would not result in any new

significant environmental impacts or impacts of greater severity than were analyzed in the Eastern Neighborhoods PEIR.

Thus, the Department determined that a focused Environmental Impact Report (hereinafter “EIR”) should be prepared and published a NOP with a CPE Checklist under the Eastern Neighborhoods PEIR on February 11, 2015. Topics analyzed in the EIR were Transportation and Circulation and Historic Architectural Resources.

On August 12, 2015, the Department published the Draft Environmental Impact Report (hereinafter “DEIR”) and provided public notice in a newspaper of general circulation of the availability of the DEIR for public review and comment and of the date and time of the Planning Commission public hearing on the DEIR; this notice was mailed to the Department’s list of persons requesting such notice.

Notices of availability of the DEIR and of the date and time of the public hearing were posted near the Project Site by the Project Sponsor on August 12, 2015.

On August 12, 2015, copies of the DEIR were mailed or otherwise delivered to a list of persons requesting it, to those noted on the distribution list in the DEIR, to adjacent property owners, and to government agencies, the latter both directly and through the State Clearinghouse.

Notice of Completion was filed with the State Secretary of Resources via the State Clearinghouse on August 12, 2015.

The Commission held a duly advertised public hearing on the DEIR on September 17, 2015, at which opportunity for public comment was given, and public comment was received on the DEIR. The period for commenting on the EIR ended on September 28, 2015.

The Department prepared responses to comments on environmental issues received during the 45 day public review period for the DEIR, prepared revisions to the text of the DEIR in response to comments received or based on additional information that became available during the public review period, and corrected clerical errors in the DEIR. This material was presented in a Responses to Comments document, published on April 28, 2016, distributed to the Commission and all parties who commented on the DEIR, and made available to others upon request at the Department.

A Final Environmental Impact Report (hereinafter “FEIR”) has been prepared by the Department, consisting of the DEIR, any consultations and comments received during the review process, any additional information that became available, and the Responses to Comments document all as required by law. The CPE Checklist is included as Appendix A to the DEIR and is incorporated by reference thereto.

Project EIR files have been made available for review by the Commission and the public. These files are available for public review at the Department at 1650 Mission Street, Suite 400, and are part of the record before the Commission.

On May 12, 2016, the Commission reviewed and considered the FEIR and found that the contents of said report and the procedures through which the FEIR was prepared, publicized, and reviewed comply with the provisions of CEQA, the CEQA Guidelines, and Chapter 31 of the San Francisco Administrative Code. The FEIR was certified by the Commission on May 12, 2016 by adoption of its Motion No. XXXXX.

## **E. Content and Location of Record**

The record upon which all findings and determinations related to the adoption of the proposed Project are based include the following:

- The FEIR, and all documents referenced in or relied upon by the FEIR, including the CPE Checklist prepared under the Eastern Neighborhoods PEIR;
- All information (including written evidence and testimony) provided by City staff to the Planning Commission relating to the FEIR, the proposed approvals and entitlements, the Project, and the alternatives set forth in the FEIR;
- All information (including written evidence and testimony) presented to the Planning Commission by the environmental consultant and subconsultants who prepared the FEIR, or incorporated into reports presented to the Planning Commission;
- All information (including written evidence and testimony) presented to the City from other public agencies relating to the project or the FEIR;
- All applications, letters, testimony, and presentations presented to the City by the Project Sponsor and its consultants in connection with the Project;
- All information (including written evidence and testimony) presented at any public hearing or workshop related to the Project and the EIR;
- The MMRP; and,
- All other documents comprising the record pursuant to Public Resources Code Section 21167.6(e).

The public hearing transcripts and audio files, a copy of all letters regarding the FEIR received during the public review period, the administrative record, and background documentation for the FEIR are located at the Planning Department, 1650 Mission Street, 4th Floor, San Francisco. The Planning Department, Jonas P. Ionin, is the custodian of these documents and materials.

## **F. Findings about Environmental Impacts and Mitigation Measures**

The following Sections II, III and IV set forth the Commission's findings about the FEIR's determinations regarding significant environmental impacts and the mitigation measures proposed to address them. These findings provide the written analysis and conclusions of the Commission regarding the environmental impacts of the Project and the mitigation measures included as part of the FEIR and adopted by the Commission as part of the Project. These findings do not attempt to describe the full analysis of each environmental impact contained in the FEIR. Instead, a full explanation of these environmental findings and conclusions can be found in the FEIR, and these findings hereby incorporate by reference the discussion and analysis in the FEIR supporting the determination regarding the project impact and mitigation measures designed to address those impacts. In making these findings, the Commission ratifies, adopts and incorporates in these findings the determinations and conclusions of the FEIR relating to environmental impacts and mitigation measures, except to the extent any such



determinations and conclusions are specifically and expressly modified by these findings, and relies upon them as substantial evidence supporting these findings.

In making these findings, the Commission has considered the opinions of staff and experts, other agencies, and members of the public. The Commission finds that (i) the determination of significance thresholds is a judgment decision within the discretion of the City and County of San Francisco; (ii) the significance thresholds used in the FEIR are supported by substantial evidence in the record, including the expert opinion of the FEIR preparers and City staff; and (iii) the significance thresholds used in the FEIR provide reasonable and appropriate means of assessing the significance of the adverse environmental effects of the Project. Thus, although, as a legal matter, the Commission is not bound by the significance determinations in the FEIR (see Public Resources Code, Section 21082.2, subdivision (e)), the Commission finds them persuasive and hereby adopts them as its own.

As set forth below, the Commission adopts and incorporates the applicable mitigation measures found in the Eastern Neighborhoods PEIR and all of the mitigation measures set forth in the Project FEIR, which are set forth in the attached MMRP, to reduce the significant and unavoidable impacts of the Project. The Commission intends to adopt the mitigation measures proposed in the FEIR as well as the applicable mitigation measures proposed in the Eastern Neighborhoods PEIR. Accordingly, in the event a mitigation measure recommended in the FEIR or Eastern Neighborhoods PEIR has inadvertently been omitted in these findings or the MMRP, such mitigation measure is hereby adopted and incorporated in the findings below by reference. In addition, in the event the language describing a mitigation measure set forth in these findings or the MMRP fails to accurately reflect the mitigation measures in the FEIR or Eastern Neighborhoods PEIR due to a clerical error, the language of the policies and implementation measures as set forth in the FEIR or Eastern Neighborhoods PEIR shall control. The impact numbers and mitigation measure numbers used in these findings reflect the information contained in the FEIR and Eastern Neighborhoods PEIR.

In Sections II, III and IV below, the same findings are made for a category of environmental impacts and mitigation measures. Rather than repeat the identical finding to address each and every significant effect and mitigation measure, the initial finding obviates the need for such repetition because in no instance is the Commission rejecting the conclusions of the FEIR or the Eastern Neighborhoods PEIR or the mitigation measures recommended in the FEIR or in the Eastern Neighborhoods PEIR for the Project.

These findings are based upon substantial evidence in the entire record before the Planning Commission. The references set forth in these findings to certain pages or sections of the EIR or responses to comments in the Final EIR are for ease of reference and are not intended to provide an exhaustive list of the evidence relied upon for these findings.

## **II. LESS-THAN-SIGNIFICANT IMPACTS**

The CPE Checklist (Appendix A to the DEIR) and/or the Final EIR found that implementation of the Project would result in less-than-significant impacts in the following environmental topic areas: Land Use and Land Use Planning (with the exception of significant and unavoidable impacts due to the cumulative loss of PDR (Production, Distribution, and Repair), as further discussed in Section IV herein); Aesthetics; Population and Housing; Cultural Resources; Greenhouse Gas Emissions; Wind and Shadow; Recreation; Utilities and Service Systems; Public Services; Biological Resources; Geology and Soils; Hydrology and Water Quality; Mineral and Energy Resources; Agriculture and Forest Resources.

Note: Senate Bill (SB) 743 became effective on January 1, 2014. Among other things, SB 743 added § 21099 to the Public Resources Code and eliminated the requirement to analyze aesthetics and parking impacts for certain urban infill projects under CEQA. The proposed Project meets the definition of a mixed-use residential project on an infill site within a transit priority area as specified by Public Resources Code § 21099. Accordingly, the FEIR did not discuss the topic of Aesthetics, which are no longer considered in determining the significance of the proposed Project's physical environmental effects under CEQA. The FEIR nonetheless provided visual simulations for informational purposes. Similarly, the FEIR included a discussion of parking for informational purposes. This information, however, did not relate to the significance determinations in the FEIR.

### **III. FINDINGS OF SIGNIFICANT IMPACTS THAT CAN BE AVOIDED OR REDUCED TO A LESS-THAN-SIGNIFICANT LEVEL THROUGH MITIGATION AND THE DISPOSITION OF THE MITIGATION MEASURES**

CEQA requires agencies to adopt mitigation measures that would avoid or substantially lessen a project's identified significant impacts or potential significant impacts if such measures are feasible. The findings in this section concern four potential impacts and mitigation measures proposed in the Eastern Neighborhoods PEIR and the CPE Checklist for this Project and four potential impacts and mitigation measures proposed in the FEIR. These mitigation measures are included in the MMRP. A copy of the MMRP is included as Attachment B to the Planning Commission Motion adopting these findings. The CPE Checklist found that one mitigation measure proposed in the Eastern Neighborhoods PEIR would be required for this Project to avoid any potential adverse effect from the proposed Project on accidentally discovered buried or submerged historical resources as defined in CEQA Guidelines Section 15064.5(a)(c). The CPE Checklist also found that four mitigation measures identified in the Eastern Neighborhoods PEIR would be required for this Project to eliminate or reduce to a less-than-significant level potential noise impacts, as set forth below. The CPE Checklist also found that two mitigation measures identified in the Eastern Neighborhoods PEIR would be required for this Project to eliminate or reduce to a less-than-significant level potential air quality impacts, as set forth below. The CPE Checklist also found that one mitigation measure identified in the Eastern Neighborhoods PEIR would be required for this Project to eliminate or reduce to a less-than-significant level potential hazardous materials impacts, as set forth below.

The Project Sponsor has agreed to implement the following mitigation measures to address the potential archeological resource, noise, air quality, hazardous materials impacts identified in the CPE Checklist and FEIR. As authorized by CEQA Section 21081 and CEQA Guidelines Section 15091, 15092, and 15093, based on substantial evidence in the whole record of this proceeding, the Planning Commission finds that, unless otherwise stated, the Project will be required to incorporate mitigation measures identified in the FEIR and the Eastern Neighborhoods PEIR into the Project to mitigate or to avoid significant or potentially significant environmental impacts. Except as otherwise noted, these mitigation measures will reduce or avoid the potentially significant impacts described in the Final EIR, and the Commission finds that these mitigation measures are feasible to implement and are within the responsibility and jurisdiction of the City and County of San Francisco to implement or enforce.

Additionally, the required mitigation measures are fully enforceable and are included as conditions of approval in the Planning Commission's Large Project Authorization under Planning Code Section 329 and also will be enforced through conditions of approval in any building permits issued for the Project by the San Francisco Department of Building Inspection. With the required mitigation measures, these

Project impacts would be avoided or reduced to a less-than-significant level. The Planning Commission finds that the mitigation measures presented in the MMRP are feasible and shall be adopted as conditions of project approval.

The following mitigation measures would be required to reduce cultural, paleontological and archeological impacts, noise impacts, air quality impacts, and hazards and hazardous materials impacts identified in the Eastern Neighborhoods PEIR and FEIR to a less-than-significant level:

**Impacts to Archeological Resources (Impact CPE-1) (FEIR, Appendix A, CPE Checklist, pp. 28-30)**

The proposed Project would include demolition of existing site buildings, excavation and soil disturbance, and construction activities, which has the potential to impact archeological resources that may be present within the Project site. Project Mitigation Measure M-CP-1 / Eastern Neighborhoods PEIR Mitigation Measure J-2 (Archeological Resources Testing) requires retention of an archaeological consultant, implementation of an Archeological Testing Program, and other measures to protect archeological resources. With implementation of Project Mitigation Measure M-CP-1 / Eastern Neighborhood PEIR Mitigation Measure J-2, Impact CPE-1 is reduced to a less than significant level.

**Impacts Associated with Construction Noise, Pile-Driving (Impact CPE-2) (FEIR, Appendix A, CPE Checklist, pp. 31-32)**

The proposed Project would include demolition, excavation and construction activities that are likely to include pile-driving activities and other particularly noisy construction procedures. Project Mitigation Measure M-NO-1 / Eastern Neighborhoods PEIR Mitigation Measure F-1 (Construction Noise, Pile-Driving) requires the use of drilled piles only (not pile-driving) unless pile-driving is absolutely necessary. With implementation of Project Mitigation Measure M-NO-1 / Eastern Neighborhood PEIR Mitigation Measure F-1, Impact CPE-2 is reduced to a less than significant level.

**Impacts Associated with Construction Noise (Impact CPE-3) (FEIR, Appendix A, CPE Checklist, pp. 31-32)**

The proposed Project would include demolition, excavation and construction activities that involve potentially noisy construction procedures in proximity to sensitive land uses. Project Mitigation Measure M-NO-2 / Eastern Neighborhoods PEIR Mitigation Measure F-2 (Construction Noise) requires the submittal of site-specific noise attenuation measures prior to commencing construction. With implementation of Project Mitigation Measure M-NO-2 / Eastern Neighborhood PEIR Mitigation Measure F-2, Impact CPE-3 is reduced to a less than significant level.

**Impacts Associated with Operation-Period Noise Impacts to Sensitive Uses (Impact CPE-4) (FEIR, Appendix A, CPE Checklist, pp. 32-35)**

The proposed Project would introduce sensitive residential land uses to existing noise-generating uses in the vicinity. Project Mitigation Measure M-NO-3 / Eastern Neighborhoods PEIR Mitigation Measure F-4 (Siting of Noise-Sensitive Uses) addresses the exposure of noise-sensitive uses to existing noise-generating uses in the vicinity. With implementation of Project Mitigation Measure M-NO-3 / Eastern Neighborhood PEIR Mitigation Measure F-4, Impact CPE-4 is reduced to a less than significant level.

**Impacts Associated with Generation of Operation-Period Noise Impacts to Sensitive Uses (Impact CPE-5) (FEIR, Appendix A, CPE Checklist, pp. 34-35)**

The proposed Project would include a backup diesel generator that is considered a noise-generating source. Project Mitigation Measure M-NO-4 / Eastern Neighborhoods PEIR Mitigation Measure F-5 (Siting of Noise-Generating Uses) addresses the potential impacts to sensitive uses associated with the generation of operation-period noise. With implementation of Project Mitigation Measure M-NO-4 / Eastern Neighborhood PEIR Mitigation Measure F-5, Impact CPE-5 is reduced to a less than significant level.

**Impacts Associated with Machinery Use During Construction Activities (Impact CPE-6) (FEIR, Appendix A, CPE Checklist, pp. 35-41)**

The proposed Project would include demolition, excavation and construction activities that are likely to require off- and on-road equipment that will increase emissions exhaust and air pollutants. Project Mitigation Measure M-AQ-1 / Eastern Neighborhoods PEIR Mitigation Measure G-1 (Construction Air Quality) requires engines to meet higher emissions standards on certain types of construction equipment, thereby reducing NOx emissions. With implementation of Project Mitigation Measure M-AQ-1 / Eastern Neighborhood PEIR Mitigation Measure G-1, Impact CPE-6 is reduced to a less than significant level.

**Impacts Associated with Potential Release of Hazardous Materials During Demolition (Impact HZ-1) (FEIR, Appendix A, CPE Checklist, pp. 57-58)**

The proposed Project would include demolition of existing site buildings that may contain hazardous building materials which could result in a public health risk. Project Mitigation Measure M-HZ-1 / Eastern Neighborhoods PEIR Mitigation Measure L-1 (Hazardous Building Materials) addresses the removal and disposition of potentially hazardous materials. With implementation of Project Mitigation Measure M-HZ-1 / Eastern Neighborhood PEIR Mitigation Measure L-1, Impact CPE-HZ-1 is reduced to a less than significant level.

**IV. SIGNIFICANT IMPACTS THAT CANNOT BE AVOIDED OR REDUCED TO A LESS-THAN-SIGNIFICANT LEVEL**

Based on substantial evidence in the whole record of these proceedings, the Planning Commission finds that there are significant project-specific and cumulative impacts that would not be eliminated or reduced to an insignificant level by the mitigation measures listed in the MMRP. The FEIR identifies two significant and unavoidable impacts on transportation and circulation, and one significant and unavoidable impact on land use and land use planning with respect to cumulative loss of PDR.

The Planning Commission further finds based on the analysis contained within the FEIR, other considerations in the record, and the significance criteria identified in the FEIR, that feasible mitigation measures are not available to reduce the significant Project impacts to less-than-significant levels, and thus those impacts remain significant and unavoidable. The Commission also finds that, although measures were considered in the FEIR that could reduce some significant impacts, certain measures, as described in this Section IV below, are infeasible for reasons set forth below, and therefore those impacts remain significant and unavoidable or potentially significant and unavoidable.

Thus, the following significant impacts on the environment, as reflected in the FEIR, are unavoidable. But, as more fully explained in Section VI, below, under Public Resources Code Section 21081(a)(3) and (b), and CEQA Guidelines 15091(a)(3), 15092(b)(2)(B), and 15093, the Planning Commission finds that these impacts are acceptable for the legal, environmental, economic, social, technological and other benefits of the Project. This finding is supported by substantial evidence in the record of this proceeding.

Additionally, on September 27, 2013, Governor Brown signed SB 743, which became effective on January 1, 2014. As noted in the Draft EIR on page IV.2, Public Resources Code Section 21099 requires that the State Office of Planning and Research (OPR) develop revisions to the CEQA Guidelines establishing criteria for determining the significance of transportation impacts of projects within transit priority areas that promote the “reduction of greenhouse gas emissions, the development of multimodal transportation networks, and a diversity of land uses.” The statute provides that, upon certification and adoption of the revised CEQA Guidelines by the Secretary of the Natural Resources Agency, “automobile delay, as described solely by level of service (LOS) or similar measures of vehicular capacity or traffic congestion shall not be considered a significant impact on the environment.” In other words, LOS or any other automobile delay metric more generally shall not be used as a significance threshold under CEQA.

Since publication of the DEIR for this Project on August 12, 2015, the California Office of Planning and Research (OPR) published for public review and comment a *Revised Proposal on Updates to the CEQA Guidelines on Evaluating Transportation Impacts in CEQA* (“proposed transportation impact guidelines”) in January 2016. OPR’s proposed transportation impact guidelines recommends that transportation impacts can be best measured using an alternative metric known as vehicle miles traveled (VMT). VMT measures the amount and distance that a project might cause people to drive, accounting for the number of passengers within a vehicle.

OPR’s proposed transportation impact guidelines provides substantial evidence that VMT is an appropriate standard to use in analyzing transportation impacts to protect environmental quality and a better indicator of greenhouse gas, air quality, and energy impacts than automobile delay. Acknowledging this, San Francisco Planning Commission Resolution 19579, adopted on March 3, 2016:

- Found that automobile delay, as described solely by LOS or similar measures of vehicular capacity or traffic congestion, shall no longer be considered a significant impact on the environment pursuant to CEQA, because it does not measure environmental impacts and therefore it does not protect environmental quality.
- Directed the Environmental Review Officer to remove automobile delay as a factor in determining significant impacts pursuant to CEQA for all guidelines, criteria, and list of exemptions, and to update the Transportation Impact Analysis Guidelines for Environmental Review and Categorical Exemptions from CEQA to reflect this change.
- Directed the Environmental Planning Division and Environmental Review Officer to replace automobile delay with VMT criteria which promote the reduction of greenhouse gas emissions, the development of multimodal transportation networks, and a diversity of land uses; and consistent with proposed and forthcoming changes to the CEQA Guidelines by OPR.

Planning Commission Resolution 19579, adopted on March 3, 2016, became effective immediately for all projects that have not received a CEQA determination and all projects that have previously received CEQA determinations, but require additional environmental analysis.

Under the VMT metric required by Planning Commission Resolution 19579, the Transportation and Circulation impacts would shift from significant to less-than-significant. As no Final CEQA determination for this Project was in place at the time Planning Commission Resolution 19579 went into effect, it would be permissible to rely only on the VMT metric in analyzing impacts of the Project. However, in recognition of the DEIR that had previously been circulated for comment, the newness of the VMT rather than LOS metric, and the fact that the public and decision-makers nonetheless may be interested in information pertaining to the automobile delay effects of this proposed Project and may desire that such information be provided as part of the environmental review process, the FEIR will continue to identify significant and unavoidable impacts to transportation and circulation based on automobile delay or traffic congestion.

Therefore, under Existing Plus Project conditions, the Project would contribute to the existing unacceptable operating conditions at three intersections (17th Street and Mississippi Street, Mariposa Street and Pennsylvania Street, and Mariposa Street and Mississippi Street). In addition, the Project (combined with past, present, and reasonably foreseeable future projects) would result in a considerable contribution to significant cumulative traffic impacts at four intersections (Mariposa Street and Mississippi Street, Mariposa Street and Pennsylvania Street, 17th Street and Mississippi Street, and 7th/16th/Mississippi Street). These impacts have been identified as significant, and no feasible mitigation measures have been identified to reduce these impacts to a less than significant level.

The FEIR identifies the following impacts for which no feasible mitigation measures were identified that would reduce these impacts to a less than significant level:

**Transportation and Circulation Impacts Associated with Level of Service at Three Study Intersections (Impact TR-2) (FEIR, IV.A.41-45)**

The proposed Project would cause a substantial increase in traffic that would substantially affect traffic operations at three of the 14 study intersections: 17th Street and Mississippi Street, Mariposa Street and Pennsylvania Street, and Mariposa Street and Mississippi Street. No feasible mitigation measures were identified that would reduce this impact to a less than significant level after consideration of several potential mitigation measures. The Project Sponsor has agreed to implement two mitigation measures, however the feasibility of each is not assured or assumed. The following mitigation measures were considered:

- **Mitigation Measure M-TR-2a (17th Street and Mississippi Street Signalization) (FEIR, IV.A.42-43):** This mitigation measure was evaluated to mitigate the poor operating conditions at the intersection of 17th Street and Mississippi Street. Under this mitigation measure, the Project Sponsor would be required to pay their fair share for the cost of design and of signalization or other similar mitigation to improve automobile delay at this intersection, as determined by the SFMTA. However, full funding of this measure has not been identified, so feasibility of implementation is not assured or assumed. Therefore, Impact TR-2 will remain significant and unavoidable with mitigation.

- **Mitigation Measure M-TR-2b (Mariposa Street and Pennsylvania Street Signalization) (FEIR, IV.A.43-44):** This mitigation measure was evaluated to mitigate the poor operating conditions at the intersection of Mariposa Street and Pennsylvania Street, and the Project Sponsor has agreed to pay their fair share for the cost of design and of signalization or other similar mitigation to improve automobile delay at this intersection, as determined by the SFMTA. However, full funding of this measure has not been identified, so feasibility of implementation is not assured or assumed. Therefore, Impact TR-2 will remain significant and unavoidable with mitigation.
- **Mitigation Measure M-TR-2c (Implement a Transportation Demand Management Plan) (FEIR, IV.A.44-45):** This mitigation measure was evaluated to mitigate the overall transportation and circulation impacts of the Project. The Project Sponsor has agreed to implement this mitigation measure, which requires preparation and implementation of a Transportation Demand Management Plan. However, this mitigation measure would not reduce volumes by the 50% required to reduce the impacts at the target intersections to a less than significant level. Therefore, Impact TR-2 will remain significant and unavoidable with mitigation.

Additionally, the Project FEIR identified a mitigation measure that would reduce impacts at the Mariposa and Mississippi Street intersection. However, the mitigation measure was found infeasible because it conflicts with SFMTA's goals and policies for the area as the considered improvements would conflict with the desired operation of this intersection. (FEIR, IV.A.43). Specifically, one option considered by SFMTA staff included the installation of turn pockets, but it was rejected because it did not improve intersection LOS to an acceptable level. Another option considered by SFMTA staff was the installation of a traffic signal. With signalization, the intersection would operate at LOS C during the Existing Plus Project weekday PM peak hour conditions. After review of this potential mitigation, SFMTA concluded that the existing all-way STOP sign-controlled intersection of Mariposa and Mississippi streets is not a desirable candidate for traffic signalization because the traffic patterns at this particular intersection are more effectively served by an all-way STOP control than by a traffic signal. The existing STOP sign on westbound Mariposa Street slows traffic on westbound Mariposa Street as it approaches Mississippi Street, where the land uses change from generally commercial to mostly residential. SFMTA does not want to encourage a substantial amount of through westbound movements on Mariposa Street west of Mississippi Street, which a traffic signal could encourage. Thus no feasible mitigation was identified for this intersection, and therefore Impact TR-2 will remain significant and unavoidable.

Therefore, no feasible mitigation measures were found to reduce the proposed Project's significant impact at the intersections of 17th Street and Mississippi Street, Mariposa Street and Pennsylvania Street, and Mariposa Street and Mississippi Street to less-than-significant levels, rendering Impact TR-2 significant and unavoidable.

**Transportation and Circulation Impacts Associated with Cumulative Level of Service at Four Study Intersections (Impact C-TR-2) (FEIR, IV.A.66-68)**

The proposed Project, combined with past, present, and reasonably foreseeable future projects, would contribute considerably to significant cumulative traffic impacts at four of the 14 study intersections: Mariposa Street and Mississippi Street, Mariposa Street and Pennsylvania Street, 17th Street and Mississippi Street, and 7th/16th/Mississippi Street. No feasible mitigation measures were identified that would reduce this impact to a less than significant level after consideration of several potential mitigation

measures. The Project Sponsor has agreed to implement two of the mitigation measures discussed above for Impact TR-2, however as noted the feasibility of each is not assured or assumed. Additionally, SFMTA has determined no improvements would be feasible at the already signalized 7th/16th/Mississippi Street intersection as additional or reconfigured lanes would conflict with goals for pedestrian and transit usage of this intersection. Therefore, no feasible mitigation measures were found to reduce the proposed Project's contribution to significant cumulative impacts at the intersections of Mariposa Street and Mississippi Street, Mariposa Street and Pennsylvania Street, 17th Street and Mississippi Street, and 7th/16th/Mississippi Street to less-than-significant levels, rendering Impact C-TR-2 significant and unavoidable.

**Land Use and Land Use Planning Impacts Associated with Loss of PDR (FEIR, S.3-4; Appendix A, CPE Checklist, pp. 25-26)**

The proposed Project would also contribute to a significant and unavoidable impact identified in the *Eastern Neighborhoods PEIR*. The *Eastern Neighborhoods PEIR* determined that adoption of the Eastern Neighborhoods Area Plans would result in an unavoidable significant impact on land use due to the cumulative loss of PDR (Production, Distribution, and Repair). While land use controls in Western SoMa were identified as possible mitigation, this was determined not to be feasible and would not be applicable to the proposed project in any case, as the proposed project is not located in that area. A Statement of Overriding Considerations was adopted by the City accepting this significant impact because retention of the PDR uses would conflict with planned growth of the area. The Project's proposed loss of 109,500 square feet of existing PDR uses represents a considerable contribution to the loss of the PDR space analyzed in the *Eastern Neighborhoods PEIR*, but would not result in significant impacts that were not identified or more severe impacts than were analyzed in the *Eastern Neighborhoods PEIR*. The findings and analysis of the *Eastern Neighborhoods PEIR* with respect to loss of PDR is hereby incorporated by reference.

## **V. EVALUATION OF PROJECT ALTERNATIVES**

### **A. Alternatives Analyzed in the FEIR**

This section describes the alternatives analyzed in the Project FEIR and the reasons for rejecting the alternatives as infeasible. CEQA mandates that an EIR evaluate a reasonable range of alternatives to the Project or the Project location that generally reduce or avoid potentially significant impacts of the Project. CEQA requires that every EIR also evaluate a "No Project" alternative. Alternatives provide a basis of comparison to the Project in terms of their significant impacts and their ability to meet project objectives. This comparative analysis is used to consider reasonable, potentially feasible options for minimizing environmental consequences of the Project.

The Planning Department considered a range of alternatives in Chapter 6 of the FEIR. The FEIR analyzed the No Project Alternative, the Reduced Density Alternative, and the Metal Shed Reuse Alternative. Each alternative is discussed and analyzed in these findings, in addition to being analyzed in Chapter 6 of the FEIR. The Planning Commission certifies that it has independently reviewed and considered the information on the alternatives provided in the FEIR and in the record. The FEIR reflects the Planning Commission's and the City's independent judgment as to the alternatives. The Planning Commission finds that the Project provides the best balance between satisfaction of Project objectives and mitigation of environmental impacts to the extent feasible, as described and analyzed in the FEIR.



## **B. Reasons for Approving the Project**

- ▶ To redevelop a large underutilized site into a development with a mix of ground floor retail uses along 16th Street and 17th Street, residential dwelling units, and substantial open space amenities.
- ▶ To create a mixed-use project consistent with the Urban Mixed Use (UMU) zoning and the Showplace Square/Potrero Area Plan's policies that encourage a mix of land uses by providing both residential uses and community-serving retail uses on the site.
- ▶ To build a substantial number of residential dwelling units on the site to contribute to the City's General Plan Housing Element goals and ABAG's Regional Housing Needs Allocation for the City and County of San Francisco.
- ▶ To create a project that is consistent with the site's 48-X and 68-X height and bulk districts and is compatible with existing and contemplated development in the immediate vicinity.
- ▶ To incorporate open space for the use of project residents in an amount equal to or greater than required by the UMU zoning.
- ▶ To preserve and integrate the historic brick office building into the development, while removing the obsolete metal shed warehouses.

## **C. Evaluation of Project Alternatives**

CEQA provides that alternatives analyzed in an EIR may be rejected if "specific economic, legal, social, technological, or other considerations, including provision of employment opportunities for highly trained workers, make infeasible . . . the project alternatives identified in the EIR." (CEQA Guidelines § 15091(a)(3).) The Commission has reviewed each of the alternatives to the Project as described in the FEIR that would reduce or avoid the impacts of the Project and finds that there is substantial evidence of specific economic, legal, social, technological and other considerations that make these Alternatives infeasible, for the reasons set forth below.

In making these determinations, the Planning Commission is aware that CEQA defines "feasibility" to mean "capable of being accomplished in a successful manner within a reasonable period of time, taking into account economic, environmental, social, legal, and technological factors." The Commission is also aware that under CEQA case law the concept of "feasibility" encompasses (i) the question of whether a particular alternative promotes the underlying goals and objectives of a project, and (ii) the question of whether an alternative is "desirable" from a policy standpoint to the extent that desirability is based on a reasonable balancing of the relevant economic, environmental, social, legal, and technological factors.

Three alternatives were considered as part of the FEIR's overall alternatives analysis, but ultimately rejected from detailed analysis. Those alternatives are as follows:

- **Off-site Alternative.** This alternative was rejected because the Project sponsor does not have control of another site that would be of sufficient size to develop a mixed-use project with the intensities and mix of uses that would be necessary to achieve most of the basic Project objectives.

- **Open Space Alternative.** An alternative which considers the development of exclusive open space on the site was not considered for further analysis as it would not meet most of the basic project objectives, the proposed Project exceeds the Planning Code open space requirements for the proposed development, the City does not own the Project site, and acquisition of the site for City open space is not within the City's open space acquisition priority list.
- **Medical Office and Residential Alternative.** The Project was originally proposed in 2011 with a medical office building along 16th Street and a mixed use residential building along 17th Street. The medical group has since moved forward with the medical office project at a different location and is no longer interested in this type of development at this site. An alternative with a medical office building would not substantially reduce Project impacts and was therefore rejected as an alternative.

The following alternatives were fully considered and compared in the FEIR:

### **1. No Project Alternative**

Under the No Project Alternative, the Project Site would remain in its existing condition and would not be redeveloped with a mix of residential, commercial, and open space uses. No open space would be developed within the site and no changes to surrounding loading or curb space would occur. The existing warehouse and office uses totaling approximately 109,500 square feet would continue operating at the site. The existing buildings would likely continue to remain in their current condition for the foreseeable future. Baseline conditions described in detail for each environmental topic in Chapter 4, Environmental Setting, Impacts and Mitigation Measures, would remain and none of the impacts associated with the Project would occur.

The Planning Commission rejects the No Project Alternative as infeasible because it would fail to meet the Project Objectives and the City's policy objectives for the following reasons:

- 1) The No Project Alternative would not meet any of the Project Sponsor's objectives;
- 2) The No Project Alternative would be inconsistent with key goals of the Eastern Neighborhood Plan with respect to housing production. With no new housing created here and no construction, the No Project Alternative would not increase the City's housing stock of both market rate and affordable housing, would not create new job opportunities for construction workers, and would not expand the City's property tax base.
- 3) The No Project Alternative would leave the Project Site physically unchanged, and thus would not achieve any of the objectives regarding the redevelopment of a large underutilized site (primarily consisting of obsolete warehouses and a surface parking lot), creation of a mixed-use project within the UMU District, contribution to regional housing needs, provision of affordable dwelling units, provision of publicly-accessible open space, and provision of new neighborhood services.

For the foregoing reasons, the Planning Commission rejects the No Project Alternative as infeasible.

## **2. Reduced Density Alternative**

The FEIR identified the Reduced Density Alternative as an environmentally superior alternative under the LOS analysis because it would reduce the project's significant impacts at four study intersections.

Under the Reduced Density Alternative, all existing on-site buildings (with the exception of the historic brick building) and surface pavements on the Project Site would be demolished and the site would be redeveloped with a mix of residential and commercial uses within two buildings. The configuration of the buildings would be similar to the configuration of the proposed Project, although compared to the proposed Project: 1) the courtyards would be expanded, reducing the footprint of the buildings; 2) there would be less commercial frontage, with locations toward the western end of the buildings, including the existing brick building, becoming residential amenities or lobby areas instead of commercial areas. A total of 273 residential units and 16,880 square feet of commercial uses would be developed, for a total building area of 561,625 gsf. This alternative would include 122 fewer residential units and 7,588 fewer square feet of commercial space compared to the proposed Project. Similar to the proposed Project, this alternative would feature a public pedestrian alley along the west side of the development with residences opening onto a mews and residential courtyards.

The Reduced Density Alternative would include underground residential parking garages in both the 16th Street Building and 17th Street Building with access via two driveways with 20-foot curb cuts from Mississippi Street. Class 1 bicycle parking would be included in the underground garages. Retail parking as well as additional bicycle parking would be provided at ground level in the 16th Street Building. Two off-street loading spaces would be provided with one being adjacent to the retail parking area and the other off of 17th Street (a 12-foot curb cut).

This alternative would eliminate some (but not all) of the Project-specific and cumulative traffic-related significant and unavoidable impacts of the proposed Project. Specifically, the Reduced Density Alternative would, under Existing Plus Project conditions, reduce the number of significantly-impacted intersections from three to one (at Mariposa Street and Pennsylvania Street), and under Cumulative Conditions, reduce the number of significantly-impacted intersections from four to two (7th/16th/Mississippi Street, and Mariposa Street and Pennsylvania Street).

Based on substantial evidence in the record, the Planning Commission rejects the Reduced Density Alternative as infeasible because it would fail to meet the Project Objectives and City policy objections for reasons including, but not limited to, the following:

- 1) The Reduced Density Alternative would limit the Project to 273 dwelling units; whereas the proposed Project would provide 395 units to the City's housing stock and maximize the creation of new residential units. The City's important policy objective as expressed in Policy 1.1 of the Housing Element of the General Plan and Policy 1.2.1 of the Showplace Square/Potrero Area Plan of the General Plan is to increase the housing stock whenever possible to address a shortage of housing in the City.
- 2) The Reduced Density Alternative would create a project that would not fully utilize this site for housing production, thereby not fully satisfying General Plan policies such as Housing Element Policies 1.1 and 1.4, among others. While the Reduced Density Alternative would ameliorate certain of the significant unavoidable impacts of the proposed Project, the alternative would

not create a project that is consistent with and enhances the existing scale and urban design character of the area or furthers the City's housing policies to create more housing, particularly affordable housing opportunities, and would not remove all significant unavailable impacts.

- 3) The Reduced Density Alternative would create a project with fewer housing units in an area well-served by transit, services and shopping and adjacent to employment opportunities which would then push demand for residential development to other sites in the City or the Bay Area. This would result in the Reduced Density Alternative not meeting, to the same degree as the Project, the City's *Strategies to Address Greenhouse Gas Emissions* or CEQA and the Bay Area Air Quality Management District's ("BAAQMD") requirements for GHG reductions, by not maximizing housing development in an area with abundant local and region-serving transit options.
- 4) The Reduced Density Alternative is also economically infeasible. Large development projects are capital-intensive and depend on obtaining financing from equity investors to cover a significant portion of the project's costs, obtain a construction loan for the bulk of construction costs, and provide significant costs out-of-pocket. Equity investors require a certain profit margin to finance development projects and must achieve established targets for their internal rate of return and return multiple on the investment. Because the Reduced Density Alternative would result in a project that is significantly smaller than the Project, and contains 122 fewer residential units, the total potential for generating revenue is lower while the construction cost per square foot is higher due to lower economies of scale and the impact of fixed project costs associated with development. The reduced unit count would not generate a sufficient economic return to obtain financing and allow development of the proposed Project and therefore would not be built.

The Project Sponsor provided the City a memorandum entitled "Financial Feasibility Analysis of 901 16th Street and 1200 17th Street Project" prepared by Seifel Consulting, Inc., which is included in the record. The memorandum concludes that the Reduced Density Alternative is not financially feasible because the development costs for the Reduced Density Alternative significantly exceed potential revenues, resulting in a negative developer margin or return. Specifically, implementation of the Reduced Density Alternative will result in total development costs of \$258,440,000 million and result in a total value of \$254,123,000 million, resulting in negative \$4,317,000 million net developer margin or return. In addition, the Reduced Density Alternative does not meet either of the return thresholds as measured by Yield On Cost or Return on Cost. Given the significant fixed development costs (such as property acquisition and site improvement costs), the lower number of units in the Reduced Density Alternative negatively impacts its financial viability, as there are fewer units over which these fixed development costs can be spread in comparison to the Project.

- 5) On March 3, 2016, the Planning Commission adopted Motion No. 19579 to no longer consider intersection level of service impacts as significant impacts under CEQA. Under this new policy, the Reduced Density Alternative would not avoid or reduce any significant impacts of the Proposed Project.

For the foregoing reasons, the Planning Commission rejects the Reduced Density Alternative as infeasible.

### **3. Metal Shed Reuse Alternative**

The FEIR identified the Metal Shed Reuse Alternative as an environmentally superior alternative because it would reduce the Proposed Project's contribution to the cumulative loss of PDR space identified in the Eastern Neighborhoods PEIR.

The Metal Shed Reuse Alternative would repurpose the existing warehouse buildings on the site and redevelop the existing parking lot and modular office building as follows. The existing metal shed warehouse building at 1200/1100 17th Street would be reused to include 46,957 square feet of artists' workspaces on two floors, 13,200 square feet of restaurant and retail space, and 8,366 square feet of public arts activity space. The warehouse building at 1210 17th Street/975 16th Street would also be retained but modified with windows and cutouts for light and air access and with new construction added above to four stories encompassing a total of 95 residential units and residential lobby and amenity areas. The Cor-O-Van modular office building and parking lot at 901 16th Street (the northeast corner of the site) would be developed with underground parking and a new five story mixed-use building and courtyard above encompassing 82 residential units and related lobby and amenity areas as well as 7,000 gsf of ground-level commercial space along 16th Street, for a total of 177 dwelling units.

This alternative would include 36,291 square feet of open space. A publically-accessible pedestrian alley would be provided cutting through the warehouse turned artist workshops at 1200 17th Street and continuing between the 975 16th Street warehouse turned residential building and the new mixed-use building at 901 16th Street. Additionally, off-street parking would be provided in a single basement-level garage with 123 residential parking spaces accessed via a driveway off of Mississippi Street. The size of the parking area would be limited by areas with existing structures to remain above. Three off-street loading spaces would be provided, including one adjacent to the basement garage ramp, utilizing the same curb cut. The other two loading spaces would be accessed via two 12-foot curb cuts off of 17th Street.

Under the Metal Shed Reuse Alternative, none of the Proposed Project's significant transportation and circulation impacts would be avoided, but the Project's impacts regarding the loss of PDR would be avoided.

The Planning Commission rejects the Metal Shed Reuse Alternative as infeasible because it would not reduce any of the significant unavoidable individual impacts of the proposed Project and it would not meet the Project Objectives or City policy objectives as well as the proposed Project, for reasons including, but not limited to, the following:

- 1) The Metal Shed Reuse Alternative would limit the Project to 177 dwelling units; whereas the proposed Project would provide 395 units to the City's housing stock. The City's important policy objective as expressed in Policy 1.1 of the Housing Element of the General Plan and Policy 1.2.1 of the Showplace Square/Potrero Area Plan of the General Plan is to increase the housing stock whenever possible to address a shortage of housing in the City.
- 2) The Metal Shed Reuse Alternative would not successfully address any of the significant and unavoidable traffic-related project- and cumulative-level impacts of the proposed Project, which are the only "significant and unavoidable" individual impacts of the Project.

- 3) In adopting the Showplace Square/Potrero Plan Area, the City rezoned formerly M-1 and M-2 zoned areas to either PDR zoning districts, designed to protect and accommodate new PDR uses, or to the UMU zoning district, designed to encourage housing development and mixed use structures. In adopting the Showplace Square/Potrero Plan Area, the City adopted overriding findings that the loss of PDR space and uses within the UMU district was an unavoidable but acceptable cumulative land use impact, and the Project's contribution to that cumulative impact is within the projections of the Showplace Square/Potrero Plan Area, without the need to reuse one of the metal sheds for PDR uses.
- 4) The Metal Shed Reuse Alternative would create a project with fewer housing units and significantly less neighborhood serving retail space than the proposed Project in an area well-served by transit, services and shopping and adjacent to employment opportunities which would then push demand for residential development to other sites in the City or the Bay Area. This would result in the Metal Shed Reuse Alternative not meeting, to the same degree as the Project, the City's *Strategies to Address Greenhouse Gas Emissions* or CEQA and the Bay Area Air Quality Management District's ("BAAQMD") requirements for a GHG reductions, by not maximizing mixed use housing development in an area with abundant local and region-serving transit options. This would result in the Metal Shed Reuse Alternative not meeting, to the same degree as the Project, the City's *Strategies to Address Greenhouse Gas Emissions* or CEQA and the Bay Area Air Quality Management District's ("BAAQMD") requirements for GHG reductions, by not maximizing housing development in an area with abundant local and region-serving transit options.
- 5) The Metal Shed Alternative retains much of the blank metal façades of the existing warehouses along 17<sup>th</sup> Street and Mississippi Street and does not incorporate many of the positive urban design features of the proposed Project, including a mid-block pedestrian alley along the western property line, walk-up stoop residential units along 17<sup>th</sup> Street and the pedestrian alley, and removal of incompatible elements surrounding the historic brick office building. In addition, approximately 48 residential units in the Metal Shed Alternative would have light and air exposure only onto small courtyards along the western property line, which would provide inferior unit exposure compared to the light and air exposure provided to courtyard units in the proposed Project by the proposed Project's much larger courtyards.
- 6) The Metal Shed Reuse Alternative is also economically infeasible. Large development projects are capital-intensive and depend on obtaining financing from equity investors to cover a significant portion of the Project's costs, obtain a construction loan for the bulk of construction costs, and provide significant costs out-of-pocket. Equity investors require a certain profit margin to finance development projects and must achieve established targets for their internal rate of return and return multiple on the investment. Because the Metal Shed Reuse Alternative would result in a project that is significantly smaller than the Project, and contains 218 fewer residential units, the total potential for generating revenue is lower while the construction cost per square foot is higher due to lower economies of scale and the impact of fixed project costs associated with development. The reduced unit count would not generate a sufficient economic return to obtain financing and allow development of the proposed Project and therefore would not be built.

The Project Sponsor provided the City a memorandum entitled “Financial Feasibility Analysis of 901 16th Street and 1200 17th Street Project” prepared by Seifel Consulting, Inc., which is included in the record. The memorandum concludes that the Metal Shed Reuse Alternative is not financially feasible because the development costs for the Metal Shed Reuse Alternative significantly exceed potential revenues, resulting in a negative developer margin or return. Specifically, implementation of the Metal Shed Reuse Alternative will result in total development costs of \$185,790,000 and result in a total value of \$190,090,000, resulting in only \$4,300,000 net developer margin or return. In addition, the Metal Shed Reuse Alternative does not meet either of the return thresholds as measured by Yield On Cost or Return on Cost. Given the significant fixed development costs (such as property acquisition and site improvement costs), the lower number of units and the high cost to rehabilitate the metal sheds in the Metal Shed Reuse Alternative negatively impacts its financial viability, as there are fewer units over which these fixed development costs can be spread in comparison to the Project and estimated PDR rent levels are relatively low compared to the rehabilitation costs.

For the foregoing reasons, the Planning Commission rejects the Metal Shed Reuse Alternative as infeasible.

## **VI. STATEMENT OF OVERRIDING CONSIDERATIONS**

The Planning Commission finds that, notwithstanding the imposition of all feasible mitigation measures, impacts related to Transportation and Circulation, when analyzed according to vehicle delay, and loss of PDR, will remain significant and unavoidable. Pursuant to CEQA section 21081 and CEQA Guidelines Section 15093, the Planning Commission hereby finds, after consideration of the Final EIR and the evidence in the record, and incorporating by reference the findings in the *Eastern Neighborhoods PEIR* regarding loss of PDR, that each of the specific overriding economic, legal, social, technological and other benefits of the Project as set forth below independently and collectively outweighs these significant and unavoidable impacts and is an overriding consideration warranting approval of the Project. Any one of the reasons for approval cited below is sufficient to justify approval of the Project. Thus, even if a court were to conclude that not every reason is supported by substantial evidence, the Commission will stand by its determination that each individual reason is sufficient. The substantial evidence supporting the various benefits can be found in the preceding findings, which are incorporated by reference into this Section, and in the documents found in the record, as defined in Section I.

On the basis of the above findings and the substantial evidence in the whole record of this proceeding, the Planning Commission specifically finds that there are significant benefits of the Project to support approval of the Project in spite of the unavoidable significant impacts, and therefore makes this Statement of Overriding Considerations. The Commission further finds that, as part of the process of obtaining Project approval, significant effects on the environment from implementation of the Project have been eliminated or substantially lessened where feasible. All mitigation measures proposed in the FEIR and MMRP are adopted as part of the Approval Actions described in Section I, above.

Additionally, the Planning Commission finds that, under a VMT analysis for transportation and circulation impacts as required by Planning Commission Resolution 19579, there would be no significant and unavoidable impacts from the Project, and all impacts would be either less-than-significant or less-than-significant with mitigation. The Commission further finds that, while the FEIR characterized the transportation and circulation impacts as significant and unavoidable, and properly analyzed the impacts

as such, the implementation of Planning Commission Resolution 19579 is one of the overriding considerations for the Commission's approval of the Project.

Furthermore, the Commission has determined that any remaining significant effects on the environment found to be unavoidable are acceptable due to the following specific overriding economic, technological, legal, social and other considerations.

The Project will have the following benefits:

1. The Project would add up to 395 dwelling units to the City's housing stock. The City's important policy objective as expressed in Policy 1.1 of the Housing Element of the General Plan and Policy 1.2.1 of the Showplace Square/Potrero Area Plan of the General Plan is to increase the housing stock whenever possible to address a shortage of housing in the City.
2. The Project would increase the stock of permanently affordable housing by creating approximately 42 units affordable to low-income households on-site and by contributing significant funds to the City's Affordable Housing Fund, as, required by the City's Affordable Inclusionary Housing Ordinance.
3. The Project Site is currently underused and the construction of up to 395 new housing units at this underutilized site will directly help to alleviate the City's housing shortage and lead to more affordable housing. A primary objective of the Eastern Neighborhood Area Plan is to increase housing locally through the build out of the plan area. The Project develops the Project Site in a manner envisioned by the Plan in its density and design.
4. The Project promotes a number of General Plan Objectives and Policies, including Housing Element Policy 1.1, which provides that "Future housing policy and planning efforts must take into account the diverse needs for housing;" and Policies 11.1, 11.3 and 11.6, which "Support and respect the diverse and distinct character of San Francisco's Neighborhoods." San Francisco's housing policies and programs should provide strategies that promote housing at each income level, and furthermore identify sub-groups, such as middle income and extremely low income households that require specific housing policy. In addition to planning for affordability, the City should plan for housing that serves a variety of household types and sizes." The Project will provide a mix of housing types at this location, including 53 studio units, 182 one-bedroom units, 146 two-bedroom units, and 14 three-bedroom units, increasing the diversity of housing types in this area of the City.
5. The Project adds nearly 25,000 gross square feet of neighborhood serving retail sales and service space in an area with a growing residential and workplace population, consistent with the site's Urban Mixed Use zoning.
6. The Project provides both publicly accessible and private open space in excess of the amounts required by the Planning Code.
7. The Project provides 455 Class 1 secure indoor bicycle parking spaces, significantly more than the minimum required by the Planning Code, and 52 Class 2 sidewalk bike racks, encouraging residents and visitors to access the site by bicycle.



8. The Project reduces the number of vehicular curb cuts around the site from eight to three, thereby minimizing conflicts between vehicles and pedestrians and bicyclists. No vehicular curb cuts are proposed along 16<sup>th</sup> Street, in conformance with the City's approved plans for a bus rapid transit line with a dedicated transit lane on 16<sup>th</sup> Street, or along 17<sup>th</sup> Street, where the City proposes to relocate Bicycle Route No. 40 with a dedicated Class II bike lane adjacent to the Project.
9. The Project will implement a Transportation Demand Management program to reduce trips by single occupant vehicles.
10. The Project meets the City's *Strategies to Address Greenhouse Gas Emissions* and the BAAQMD requirements for a GHG reductions by maximizing development on an infill site that is well-served by transit, services and shopping and is suited for dense residential development, where residents can commute and satisfy convenience needs without frequent use of a private automobile and is adjacent to employment opportunities, in an area with abundant local and region-serving transit options. The Project would leverage the site's location and proximity to transit by building a dense mixed use project that allows people to live and work close to transit sources.
11. The Project's innovative design furthers Housing Element Policy 11.1, which provides that "The City should continue to improve design review to ensure that the review process results in good design that complements existing character."
12. The Project promotes a number of Showplace Square/Potrero Area Plan Objectives and Policies, including Policies 1.2.1 and 1.2.2, which "In areas of Showplace/Potrero where housing and mixed use is encouraged, maximize development potential in keeping with neighborhood character;" Policies 2.1.1 and 2.1.3, which "Ensure that a significant percentage of new housing created in the Showplace/Potrero is affordable to people with a wide range of incomes;" and Policies 2.3.1 and 2.3.3, which "Require that a significant number of units in new developments have two or more bedrooms." As discussed in Paragraphs 2 and 4 above, the Project includes a mix of housing types, a substantial number of two-plus bedroom units, and complies with the Inclusionary Affordable Housing Program.
13. The Project would construct a development that is in keeping with the scale, massing and density of other structures in the immediate vicinity, with minimal effects on public views from uphill locations on Potrero Hill.
14. The Project rehabilitates the historic brick office building on 17<sup>th</sup> Street in a manner consistent with the Secretary of the Interior's Standards for Rehabilitation and removes and replaces the site's unsightly and obsolete non-historic metal shed warehouses.
15. The Conditions of Approval for the Project include all the mitigation and improvement measures that would mitigate the Project's potentially significant impact to insignificant levels, except for its impact on Transportation and Circulation.
16. The Project will create temporary construction jobs and permanent jobs in the retail sector. These jobs will provide employment opportunities for San Francisco residents, promote the City's role

as a commercial center, and provide additional payroll tax revenue to the City, providing direct and indirect economic benefits to the City.

17. The Project will substantially increase the assessed value of the Project Site, resulting in corresponding increases in tax revenue to the City.

Having considered the above, the Planning Commission finds that the benefits of the Project outweigh the unavoidable adverse environmental effects identified in the FEIR, and that those adverse environmental effects are therefore acceptable.