



# SAN FRANCISCO PLANNING DEPARTMENT

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## Executive Summary Planning Code Text Amendment

HEARING DATE: JUNE 28, 2018  
90-DAY DEADLINE: SEPTEMBER 11, 2018

*Project Name:* Office Development Conversions  
*Case Number:* 2018-008567PCA [Board File No. 180613]  
*Initiated by:* Mayor Farrell and Supervisor Peskin / Introduced June 5, 2018  
*Staff Contact:* Aaron Starr, Manager of Legislative Affairs  
aaron.starr@sfgov.org, 415-558-6362  
*Recommendation:* **Approval**

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### PLANNING CODE AMENDMENT

Ordinance amending the Planning Code to allow square footage of baseline office space that is converted to non-office uses to be available for allocation under the Office Development Limit Program and requiring Zoning Administrator written determination for such space.

#### The Way It Is Now:

The City has an annual cap of 950,000 sq. ft. of office space per year, with 75,000 of that reserved for projects that are between 25,000 and 50,000 sq. ft. (office space below 25,000 sq. ft. is exempt from this cap). Any amount of square footage not used in one reporting period is carried over to subsequent years. There is no provision in the Code that allows office space to be added back into the annual cap if the space has been converted to non-office uses.

#### The Way It Would Be:

The City's current office allocation process would basically remain unchanged; however, any Office Space of 25,000 square feet or more that lawfully existed before November 29, 1984 that is or was lawfully converted to non-office use on or after November 4, 1986, can be added to the amount available for allocation to new office developments.

### BACKGROUND

The Office Development Annual Limit ("Annual Limit") Program became effective in 1985 with the adoption of the Downtown Plan and associated amendments to the Planning Code. It was subsequently amended by 1986's Proposition M and 1987's Proposition C. The Annual Limit Program governs the approval of all development projects that contain more than 25,000 gross square feet of office space. Such projects require an "office space allocation" from the Planning Commission.

The central provision of the Annual Limit Program is a "metering limit" designed to restrict the amount of office space authorized in a given year. In doing so, the Annual Limit Program aims to ensure a manageable rate of new development and to guard against typical "boom and bust" cycles, among other goals.

A total of 950,000 gsf of office development potential becomes available for allocation in each approval period, which begins on October 17th every year. Of the total new available space, 75,000 gsf is reserved for Small Allocation projects (projects with between 25,000 and 49,999 gsf of office space), while the remaining 875,000 gsf is available for Large Allocation projects (projects with at least 50,000 gsf of office space). Office space not allocated in a given year is carried over to subsequent years.

## **ISSUES AND CONSIDERATIONS**

### **Current Allocation Status**

As of June 2018, staff is aware of seven proposed office projects seeking a total of 5.5 million square feet from the Large Allocation pool over the next year. Five of these projects are Key Development Sites in the Central SOMA Plan, and bring with them new parks, new affordable housing, and new affordable PDR spaces. These projects exist in addition to another 900,000 square feet of already approved, but not yet allocated, office space in Pier 70 and Mission Rock development areas, which could be drawn from the Prop M pool in early 2019. Staff estimates that in late 2018, when projects enabled by the Central SOMA Area Plan are ready to move forward, there will be at most 3 million square feet remaining in the Large Allocation pool, which is insufficient to enable the Key Development Sites in the Central SOMA Plan to all move forward. Based on initial estimates, staff believes that the proposed ordinance will create somewhere around 1.6 million sq. ft. of additional office space for allocation. While this number will not fulfill the need entirely, it will bring the city significantly closer to doing so.

### **Impacts on Other Uses**

As demand for office space increases, cities across the Bay Area have seen nonprofit organizations, arts organizations and lower revenue office users displaced by rising office rents, which result from high demand and low supply. San Francisco is working to increase accessibility to childcare, legal services, arts activities, counseling and health services to San Francisco residents by supporting permanent, nonprofit-owned space through the Nonprofit Sustainability Initiative. This program provides technical and financial assistance to support nonprofit sustainability amidst a changing, and volatile, real estate market. Yet the grants offered through this initiative cannot tackle the full scope of the problem. The proposed office projects would add significantly to the City's office supply, and relieve pressure from existing office buildings that have the potential to support lower-paying users.

### **Converting Office to Other Uses**

When the voters approved Prop M, they did not give direction as to how to deal with space that had been office, but was converted to other uses. In recent decades, cities across the United States, including San Francisco, have seen increased demand for housing and for hotels in downtown locations, close to workplaces, transit and amenities. As part of this trend, San Francisco has seen several older office buildings converted to alternative uses, such as 100 Van Ness, which converted from office use to apartment. Because these conversions were not considered in regards to the Annual Limit Program, their impact on the City's office pressures has never been addressed. Adding the cumulative total space that has been lost to conversions back into the cap would address that impact, and also offer the ability for the Central SoMa plan, and its myriad of public benefits, to move forward.

### **General Plan Compliance**

Commerce and Industry Element

OBJECTIVE 2  
MAINTAIN AND ENHANCE A SOUND AND DIVERSE ECONOMIC BASE AND FISCAL STRUCTURE FOR THE CITY.

POLICY 2.1  
Seek to retain existing commercial and industrial activity and to attract new such activity to the city.

*The proposed would allow office space that was removed through conversion to be added back without reducing the amount of square footage available in the annual cap. This will ensure that the city can continue to meet the demand for office and attract new commercial activity.*

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

*Ensuring there is enough office space available for commercial firms will reduce the pressure on office space currently rented to non-profits and arts organizations so they are not displaced. Having these types of organizations in San Francisco enhance our cultural climate.*

OBJECTIVE 3  
PROVIDE EXPANDED EMPLOYMENT OPPORTUNITIES FOR CITY RESIDENTS, PARTICULARLY THE UNEMPLOYED AND ECONOMICALLY DISADVANTAGED.

POLICY 3.4  
Assist newly emerging economic activities.

*Having an adequate supply of office space in San Francisco will help ensure that we can continue to attract newly emerging economic activities.*

OBJECTIVE 4  
IMPROVE THE VIABILITY OF EXISTING INDUSTRY IN THE CITY AND THE ATTRACTIVENESS OF THE CITY AS A LOCATION FOR NEW INDUSTRY.

POLICY 4.11  
Maintain an adequate supply of space appropriate to the needs of incubator industries.

*The proposed ordinance will allow the city to maintain an adequate supply of space appropriate to the needs of incubator industries*

Downtown Plan

OBJECTIVE 2  
MAINTAIN AND IMPROVE SAN FRANCISCO'S POSITION AS A PRIME LOCATION FOR FINANCIAL, ADMINISTRATIVE, CORPORATE, AND PROFESSIONAL ACTIVITY.

## **POLICY**

2.1

Encourage prime downtown office activities to grow as long as undesirable consequences of such growth can be controlled.

*The proposed ordinance will allow prime downtown office activities to grow in a measured way as to reduce any undesirable consequences. The ordinance will only allow office space that was constructed before 1987 and converted to another use to be included in the annual office allocation amount.*

## **Implementation**

The Department has determined that this Ordinance will impact our current implementation procedures. Currently the Department does not have a regimented system to evaluate whether or not a building that converted from office to another use is eligible for this program. If this ordinance passes, Staff anticipates developing a system to identify qualifying properties, and a certification process. We also anticipate reviewing buildings on a case-by-cases basis as we are made aware of them by members of the public.

## **RECOMMENDATION**

The Department recommends that the Commission *approve* the proposed Ordinance and adopt the attached Draft Resolution to that effect.

## **BASIS FOR RECOMMENDATION**

The Department supports the proposed ordinance because it will help the City keep up with the current demand for office space. As demand for office space increases, cities across the Bay Area have seen nonprofit organizations, arts organizations and lower revenue office users displaced by rising office rents, which result from high demand and low supply. This ordinance will help address this need. Further, the proposed ordinance will allow a significant amount of planned office space in Central SoMa and other plan areas to move forward.

## **REQUIRED COMMISSION ACTION**

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

## **ENVIRONMENTAL REVIEW**

The proposed amendments are not defined as a project under CEQA Guidelines Section 15060(c) and 15378 because they do not result in a physical change in the environment.

## **PUBLIC COMMENT**

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

## **Attachments:**

- Exhibit A: Draft Planning Commission Resolution
- Exhibit B: Board of Supervisors File No. 180613



Exhibit A

# SAN FRANCISCO PLANNING DEPARTMENT

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## Planning Commission Draft Resolution

HEARING DATE JUNE 28, 2018

*Project Name:* Office Development Conversions  
*Case Number:* 2018-008567PCA [Board File No. 180613]  
*Initiated by:* Mayor Farrell and Supervisor Peskin / Introduced June 5, 2018  
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**RESOLUTION APPROVING A PROPOSED ORDINANCE THAT WOULD AMEND THE PLANNING CODE TO ALLOW SQUARE FOOTAGE OF BASELINE OFFICE SPACE THAT IS CONVERTED TO NON-OFFICE USES TO BE AVAILABLE FOR ALLOCATION UNDER THE OFFICE DEVELOPMENT LIMIT PROGRAM AND REQUIRING ZONING ADMINISTRATOR WRITTEN DETERMINATION FOR SUCH SPACE; ADOPTING FINDINGS, INCLUDING ENVIRONMENTAL FINDINGS, PLANNING CODE SECTION 302 FINDINGS, AND FINDINGS OF CONSISTENCY WITH THE GENERAL PLAN AND PLANNING CODE SECTION 101.1.**

WHEREAS, on June 5, 2018 Mayor Mark Farrell and Supervisor Peskin introduced a proposed Ordinance under Board of Supervisors (hereinafter "Board") File Number 180613, which would amending the Planning Code to allow square footage of baseline office space that is converted to non-office uses to be available for allocation under the Office Development Limit Program and requiring Zoning Administrator written determination for such space; and

WHEREAS, The Planning Commission (hereinafter "Commission") conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance on June 28, 2018; and,

WHEREAS, the proposed amendments are not defined as a project under CEQA Guidelines Section 15060(c) and 15378 because they do not result in a physical change in the environment; and

WHEREAS, the Planning Commission has heard and considered the testimony presented to it at the public hearing and has further considered written materials and oral testimony presented on behalf of Department staff and other interested parties; and

WHEREAS, all pertinent documents may be found in the files of the Department, as the custodian of records, at 1650 Mission Street, Suite 400, San Francisco; and

WHEREAS, the Planning Commission has reviewed the proposed Ordinance; and

WHEREAS, the Planning Commission finds from the facts presented that the public necessity, convenience, and general welfare require the proposed amendment; and

MOVED, that the Planning Commission hereby **approves** the proposed ordinance.

## FINDINGS

Having reviewed the materials identified in the preamble above, and having heard all testimony and arguments, this Commission finds, concludes, and determines as follows:

1. The Commission supports the proposed ordinance because it will help the City keep up with the current demand for office space. As demand for office space increases, cities across the Bay Area have seen nonprofit organizations, arts organizations and lower revenue office users displaced by rising office rents, which result from high demand and low supply. This ordinance will help address this need. Further, the proposed ordinance will allow a significant amount of planned office space in Central SoMa and other plan areas to move forward.
2. **General Plan Compliance.** The proposed Ordinance is consistent with the following Objectives and Policies of the General Plan:

## COMMERCE AND INDUSTRY ELEMENT

### OBJECTIVE 2

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

#### POLICY 2.1

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

*The proposed would allow office space that was removed through conversion to be added back without reducing the amount of square footage available in the annual cap. This will ensure that the city can continue to meet the demand for office and attract new commercial activity.*

#### POLICY 2.3

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

*Ensuring there is enough office space available for commercial firms will reduce the pressure on office space currently rented to non-profits and arts organizations so they are not displaced. Having these types of organizations in San Francisco enhance our cultural climate.*

### OBJECTIVE 3

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

POLICY 3.4

Assist newly emerging economic activities.

*Having an adequate supply of office space in San Francisco will help ensure that we can continue to attract newly emerging economic activities.*

OBJECTIVE 4

IMPROVE THE VIABILITY OF EXISTING INDUSTRY IN THE CITY AND THE ATTRACTIVENESS OF THE CITY AS A LOCATION FOR NEW INDUSTRY.

POLICY 4.11

Maintain an adequate supply of space appropriate to the needs of incubator industries.

*The proposed ordinance will allow the city to maintain an adequate supply of space appropriate to the needs of incubator industries*

DOWNTOWN PLAN

OBJECTIVE 2

MAINTAIN AND IMPROVE SAN FRANCISCO'S POSITION AS A PRIME LOCATION FOR FINANCIAL, ADMINISTRATIVE, CORPORATE, AND PROFESSIONAL ACTIVITY.

POLICY 2.1

Encourage prime downtown office activities to grow as long as undesirable consequences of such growth can be controlled.

*The proposed ordinance will allow prime downtown office activities to grow in a measured way as to reduce any undesirable consequences. The ordinance will only allow office space that was constructed before 1987 and converted to another use to be included in the annual office allocation amount.*

3. **Planning Code Section 101 Findings.** The proposed amendments to the Planning Code are consistent with the eight Priority Policies set forth in Section 101.1(b) of the Planning Code in that:

1. That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses enhanced;

*The proposed Ordinance would not have a negative effect on neighborhood serving retail uses and will not have a negative effect on opportunities for resident employment in and ownership of neighborhood-serving retail.*

2. That existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods;

*The proposed Ordinance would not have a negative effect on housing or neighborhood character.*

3. That the City's supply of affordable housing be preserved and enhanced;

*The proposed Ordinance would not have an adverse effect on the City's supply of affordable housing.*

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

*The proposed Ordinance would not result in commuter traffic impeding MUNI transit service or overburdening the streets or neighborhood parking.*

5. That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for resident employment and ownership in these sectors be enhanced;

*The proposed Ordinance would not cause displacement of the industrial or service sectors due to office development, and future opportunities for resident employment or ownership in these sectors would not be impaired.*

6. That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake;

*The proposed Ordinance would not have an adverse effect on City's preparedness against injury and loss of life in an earthquake.*

7. That the landmarks and historic buildings be preserved;

*The proposed Ordinance would not have an adverse effect on the City's Landmarks and historic buildings.*

8. That our parks and open space and their access to sunlight and vistas be protected from development;

*The proposed Ordinance would not have an adverse effect on the City's parks and open space and their access to sunlight and vistas.*

4. **Planning Code Section 302 Findings.** The Planning Commission finds from the facts presented that the public necessity, convenience and general welfare require the proposed amendments to the Planning Code as set forth in Section 302.

NOW THEREFORE BE IT RESOLVED that the Commission hereby APPROVES the proposed Ordinance as described in this Resolution.

I hereby certify that the foregoing Resolution was adopted by the Commission at its meeting on June 28, 2018.

Jonas P. Ionin  
Commission Secretary

AYES:

NOES:

ABSENT:

ADOPTED: June 28, 2018

## Exhibit B

[Planning Code - Office Development Conversions]

**Ordinance amending the Planning Code to allow square footage of baseline office space that is converted to non-office uses to be available for allocation under the Office Development Limit Program and requiring Zoning Administrator written determination for such space; affirming the Planning Department's determination under the California Environmental Quality Act; making findings of public necessity, convenience, and welfare under Planning Code, Section 302; and making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.**

NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.  
**Additions to Codes** are in *single-underline italics Times New Roman font*.  
**Deletions to Codes** are in ~~*strikethrough italics Times New Roman font*~~.  
**Board amendment additions** are in double-underlined Arial font.  
**Board amendment deletions** are in ~~strikethrough Arial font~~.  
**Asterisks (\* \* \* \*)** indicate the omission of unchanged Code subsections or parts of tables.

Be it ordained by the People of the City and County of San Francisco:

Section 1. General Findings.

(a) The Planning Department has determined that the actions contemplated in this ordinance comply with the California Environmental Quality Act (California Public Resources Code Sections 21000 et seq.). Said determination is on file with the Clerk of the Board of Supervisors in File No. \_\_\_\_\_ and is incorporated herein by reference. The Board affirms this determination.

(b) On \_\_\_\_\_, the Planning Commission, in Resolution No. \_\_\_\_\_, adopted findings that the actions contemplated in this ordinance are consistent, on balance, with the

1 City's General Plan and eight priority policies of Planning Code, Section 101.1. The Board  
2 adopts these findings as its own. A copy of said Resolution is on file with the Clerk of the  
3 Board of Supervisors in File No. \_\_\_\_\_, and is incorporated herein by reference.

4 (c) Pursuant to Planning Code, Section 302, this Board finds that this Planning Code  
5 Amendment will serve the public necessity, convenience, and welfare for the reasons set forth  
6 in Planning Commission Resolution No. \_\_\_\_\_ and the Board incorporates such reasons  
7 herein by reference. A copy of Planning Commission Resolution No. \_\_\_\_\_ is on file with the  
8 Board of Supervisors in File No. \_\_\_\_\_.

9  
10 Section 2. Office Development Findings.

11 (a) In recent decades, cities across the United States, including San Francisco, have  
12 seen increased demand for housing and for hotels in downtown locations, close to  
13 workplaces, transit and amenities. At the same time, changes in workplace culture, including  
14 innovations in technology, and preferences for more flexible and collaborative spaces, have  
15 made many older office buildings less competitive in their markets.

16 (b) As a result, San Francisco has seen several older office buildings converted to  
17 alternative uses. The conversions of these existing office buildings were not considered  
18 explicitly by the City's Office Allocation Program. Because these conversions have not been  
19 considered, numerous office spaces that existed prior to the adoption of this program, and  
20 were considered part of the City's pre-existing supply of office, have been removed from the  
21 City's baseline supply of office space as they redeveloped into other uses. At the same time,  
22 constraints on office development combined with excessive costs for existing and remaining  
23 office space have combined to displace numerous Class B and C offices, as well as non-profit  
24 and industrial businesses. Ensuring that our baseline supply of office space is not unduly  
25

1 reduced will help to protect working class jobs from further displacement due to space  
2 constraints.

3 (c) The City has been considering ways to encourage an economically diverse and  
4 lively jobs center. Recently, the Planning Commission has recommended the Central SOMA  
5 Plan for approval. This Plan provides an example of the desire to facilitate an economically  
6 diversified and active jobs center. It supports the preservation of strong, local job uses like  
7 the San Francisco Flower Mart, requires production, distribution, and repair uses in most large  
8 scale projects, and requires an employment plan for all large scale developments, to provide a  
9 strategy for supporting permanent jobs for South of Market residents in future development,  
10 especially disadvantaged persons, at good living wages with benefits.

11 (d) The Planning Code already provides that previously approved office space that  
12 was not constructed must be returned to the Office Allocation Program. The Planning Code  
13 also provides credit for pre-existing on-site office space that is modified or converted as part  
14 of a new office development on-site. It is consistent with these allocation credit approaches to  
15 allow office space, constructed before 1984 and converted to another use, to be returned to  
16 the Allocation Program, so that projects that fulfill the City's vision for good jobs, with  
17 significant public benefits, are not unduly constrained by past conversions.

18  
19 Section 3. The Planning Code is hereby amended by revising Section 322, to read as  
20 follows:

21 **SEC. 322. PROCEDURES FOR ADMINISTRATION OF OFFICE DEVELOPMENT**  
22 **LIMIT.**

23 \* \* \* \*

24 (g) *Conversion of Baseline Office Space. In the event that any Office Space of 25,000 square*  
25 *feet or more that lawfully existed before November 29, 1984 ("Baseline Office Space") is or was*

1 lawfully converted to non-office use on or after November 4, 1986, such square footage shall be added  
2 to the amount available for allocation to new Office Developments as provided below. If the converted  
3 Baseline Office Space was part of a building containing office space totaling between 25,000 and  
4 49,999 square feet in gross floor area, such converted space shall be allocated to the Reserve for  
5 Smaller Buildings provided in Section 321(b)(4). If the converted Baseline Office Space was part of a  
6 building containing office space totaling more than 49,999 square feet in gross floor area, then such  
7 converted space shall be available for general allocation. Any unallocated amounts of the converted  
8 Baseline Office Space shall be carried over to the next approval period.

9 (1) Within one month of the effective date of this Ordinance, the Zoning Administrator shall  
10 make a written determination regarding conversion of any Baseline Office Space that was lawfully  
11 converted to non-office use on or before such effective date. If an individual believes there is  
12 additional Baseline Office Space that has been lawfully converted to non-office use, that individual may  
13 submit a request for a written determination to the Zoning Administrator regarding such additional  
14 Baseline Office Space.

15 (2) For Baseline Office Space that is converted to non-office use after the effective date of this  
16 Ordinance, the Zoning Administrator shall make a written determination regarding such conversion.  
17 When such written determination becomes final, any converted Baseline Office Space that is  
18 determined to be available shall be added to the amount available for allocation to new Office  
19 Developments. Such conversions shall be allocated consistent with Subsection (g) above: If the  
20 converted Baseline Office Space was part of a building containing office space totaling between 25,000  
21 and 49,999 square feet in gross floor area, such converted space shall be allocated to the Reserve for  
22 Smaller Buildings provided in Section 321(b)(4). If the converted Baseline Office Space was part of a  
23 building containing office space totaling more than 49,999 square feet in gross floor area, then such  
24 converted space shall be available for general allocation. Any unallocated amounts of the converted  
25 Baseline Office Space shall be carried over to the next approval period.

1           (3) In determining whether Baseline Office Space lawfully existed or was lawfully converted to  
2           a non-office use for the allocation set forth in Subsection (g) above, the Zoning Administrator shall  
3           presume that such space was lawfully existing or converted unless there is conclusive evidence  
4           otherwise.

5  
6           Section 4. Effective Date. This ordinance shall become effective 30 days after  
7           enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the  
8           ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board  
9           of Supervisors overrides the Mayor's veto of the ordinance.

10  
11           Section 5. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors  
12           intends to amend only those words, phrases, paragraphs, subsections, sections, articles,  
13           numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal  
14           Code that are explicitly shown in this ordinance as additions, deletions, Board amendment  
15           additions, and Board amendment deletions in accordance with the "Note" that appears under  
16           the official title of the ordinance.

17  
18           APPROVED AS TO FORM:  
19           DENNIS J. HERRERA, City Attorney

20  
21           By: \_\_\_\_\_  
22                KATE H. STACY  
                Deputy City Attorney

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