



SAN FRANCISCO PLANNING DEPARTMENT

MEMO

DATE: May 2, 2019
TO: San Francisco Planning Commission
FROM: John Rahaim, Director of Planning
RE: Central SoMa and Prop M

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Commissioners:

As a follow-up to your April 4th hearing on the allocation of office space, we wanted to provide you with some additional details in response to your questions, and to further explain the basis of our recommendation.

1. Summary of current status of office allocation

Proposition M, approved by voters in 1986, gives the Planning Commission the sole authority to allocate office space, and provides for appeals of Commission actions to the Board of Appeals. (Proposition O, adopted in 2016, exempts Hunters Point Shipyard and Candlestick Point from this approval requirement).

As of the end of March, there was nearly 2.9 M sf of office space available for allocation in the Large Cap. (See attached chart). An additional 875,000 sf will be available in mid- October. Citywide, there are formal office proposals for 6.6M sf of office space. Of this, approximately 5.2M sf is in Central SOMA. The Planning Commission must therefore decide how to allocate the available space to the pool of projects currently proposed; this means that some projects, or parts of some projects, cannot be approved as-proposed at this time.

2. Public Benefits

There has been substantial interest in the topic of “public benefit” with respect to how the Commission might consider weighing proposed projects. The language of Sec 320-325 does not use the term “public benefit.” Instead, the Code directs the Commission to act on office projects according to the following, excerpted from the code:

“(3) In determining which office developments best promote the public welfare, convenience and necessity, the Board of Supervisors, Board of Appeals and Planning Commission shall consider:

- (A) Apportionment of office space over the course of the approval period in order to maintain a balance between economic growth, on the one hand, and housing, transportation and public services, on the other
- (B) The contribution of the office development to, and its effects on, the objectives and policies of the General Plan;
- (C) The quality of the design of the proposed office development;

- (D) The suitability of the proposed office development for its location, and any effects of the proposed office development specific to that location;
- (E) The anticipated uses of the proposed office development, in light of employment opportunities to be provided, needs of existing businesses, and the available supply of space suitable for such anticipated uses;
- (F) The extent to which the proposed development will be owned or occupied by a single entity;
- (G) The use, if any, of TDR by the project sponsor.

Payments, other than those provided for under applicable ordinances, which may be made to a transit or housing fund of the City, shall not be considered.” (Emphasis added)

The last sentence has been the cause of some discussion, since it implies that additional financial benefits shall not be considered by the Commission when allocating office space.

3. Review of previous allocations with insufficient space in the cap

The Commission asked staff to research the process by which earlier Planning Commission decisions were considered, when insufficient space was available to allocate for proposed projects. Specifically, questions arose as to whether the Commission adopted criteria beyond the provisions of the code, to guide their decisions.

There were two periods since 1986 where the amount of requested space from the Large Cap exceeded the amount of space available. One was in the late 1980s to early 1990s, and the second was in 2001. The Commission considered competing projects at public hearings, where each sponsor presented their project knowing that not all could be approved. This procedure led to the informal designation of the process as a “Beauty Contest” because projects were presented in competition to each other, and much of the discussion was based on the design of the projects.

In both time periods, the Commission adopted a resolution that references a Directors Memo; the Director outlined the recommended approach to approving office projects. That memo uses the 7 criteria outlined above in Section 320-325 (3) (A) – (G) above as the basis of the recommendation. To implement these criteria, the Director recommended a list of 10 criteria, each of which would be judged as “excellent”, “good”, “fair” or “poor”. The criteria changed in the two time periods, but the system was basically the same.

While the Director’s memo suggests the four-tiered ranking noted above, it does not suggest a way of comparing one criterion to another, nor does it rank the importance of the criteria. Further, to our knowledge, there was no formal process by which projects publicly competed with each other in such a way as to offer competing bids for public amenities, other than the aforementioned presentations at public hearings. Obviously, if such a process occurred in private, there is no public record of those discussions.

Our assumption is that the criteria specifically did not include items such as affordable housing or provision of additional open space, because of the paragraph noted above at the end of Section 325, regarding payments beyond those required in the code.

4. Proposed projects

Below is the chart of proposed “Large Cap” projects that have filed Office Allocation applications. All five of the Central SOMA projects presented at the Commission hearing are on this list as are other proposed projects outside Central SOMA. It is important to note that other office projects have been proposed but have not yet filed for their Office Allocation approvals.

Case No.	Address	Proposed Square Feet
2012.0640	598 Brannan Street	922,291
2013.1593	2 Henry Adams	245,697
2014.0154	1800 Mission Street	119,599
2012.1384	400 2nd Street	421,000
2017-000663	610-698 Brannan Street	2,030,560
2015-012490	88 Bluxome Street	833,040
2016-013312	542-550 Howard Street - Transbay Parcel F	288,677
2015-009704	505 Brannan Street	165,000
2005.0759	725-735 Harrison	770,301

5. Provision of affordable housing

All office projects in the city, including those in Central SOMA, must provide the required Jobs/Housing Linkage Program Fee (JHLP). In Central SOMA, projects are permitted to provide a portion of this fee in the form of land dedication. The four largest of the known office projects are using this option in Central SOMA. This information was also presented at the April 4 hearing.

With the combination of the JHLP Fee for the Central SOMA office projects and the in-lieu fee for the Creamery site, which is proposed to build nearly 1000 units, staff believes that sufficient funds will be available to the city to build affordable housing on the land dedication sites. Assuming these projects are approved this year, they could

move forward into construction by late 2020 or early 2021, and the affordable housing projects would proceed on that same schedule.

As you will recall, the Central SOMA plan requires that all JHLP fees and Affordable Housing in-lieu fees be expended within SOMA in order to achieve the voter approved goal that 33% of all new housing units in new plan areas and major re-zonings be affordable.

6. Prop K Shadow Impacts

All proposed projects are subject to Proposition K and require analysis of shadow impacts on Recreation and Park Department property. Of the Large Cap office allocation applications on file, only two projects would or have the potential to shade a Recreation and Park Department property. The project at 542-550 Howard Street (Transbay Parcel F) has completed a shadow study finding that the project would shade Union Square and Willie “Woo Woo” Wong Playground. The project at 400 Second Street has not completed a detailed shadow study, but initial evaluation indicates this project may add net new shadow to South Park. The review of this project will not be completed until mid to late Fall of this year.

No Central SOMA projects currently under consideration, except possibly 400 Second Street, will have shadow impacts on Rec/Park property. Shadows on other types of open spaces have been considered, per the normal procedures of the environmental review analysis.

7. Staff proposal

As presented at the hearing of April 4th, staff recommends that the Commission approve the available Large Cap office space by allocating the first traunch to Central SOMA projects in a phased manner, and to allocate these approvals in the order that the projects are otherwise ready to be approved. In other words, in Central SOMA, we believe the Commission should continue to approve projects on a case-by-case basis, with the only difference being a recommendation of phasing, to allow the first phase of several projects to proceed.

The reasons for this recommendation are as follows:

- a. Central SOMA projects should be considered before other proposed projects, because they have been in the department’s queue for the longest time, and, are providing a type of office space not available in other parts of the city. Further, as noted above, apart from the project at 400 Second Street, no other Central SOMA projects have Prop K shadow impacts.
- b. All Central SOMA projects have been designed in parallel to the plan itself, and staff worked with project sponsors of the Key Sites for several years to help ensure that their projects fulfill the goals of the Plan. The Central SOMA plan establishes the most robust exactions of any area plan in the city, due to the substantial up-zoning, infrastructure and design standards for the area, and the impacts to be addressed. These provisions were established in the plan and Planning Code, and, are therefore consistent with the provisions of Sec. 325 as noted above. This menu of exactions and requirements is well in excess of anything contemplated in 1986 when Proposition M was approved. Further, each site is different in size and scale and each is offering a package

of benefits — all within the Central SOMA menu — that suits that site based on the unique conditions of the site, and the impacts on the community.

- c. Staff does not believe that the Commission, or any approving entity, should base their decisions on a “pay to play” model, and should particularly not encourage an auction-type approach to these decisions, such that the highest bidder wins. We would submit that this is an inappropriate way of making land use decisions, both legally and with respect to appropriate planning.
- d. Some have suggested that, even within the menu of exactions and requirements of the Central SOMA plan, the Commission should create a weighted scale to compare one project to another. For example, one proposed weighted scale would suggest that the replacement of an existing private athletic facility should be weighted greater than the replacement of an existing PDR space with 250 jobs. Staff believes that such a comparison is not possible, given the variety and size of improvements proposed. The question is NOT whether projects are providing significant benefits, but whether the staff and Commission should be in a position of COMPARING one type of benefit against the other.
- e. The Commission has approved many large cap projects in the past several years. Each was judged on its own merits, on the basis of code provisions, design, and other criteria established in the Planning Code. The Commission has not weighted one project against another.

In summary, it is likely that all of the projects in Central SOMA would be recommended for approval by staff, and that the Commission would likely approve these projects based on their previous actions on similar projects.

Staff is continuing to recommend that the Commission allocate the first round of office space to the first three Central SOMA projects that we discussed on April 4: 598 Brannan at approximately 700,000 sf of a total of 922,000 sf proposed, 88 Bluxome at approximately 470,000 sf of a total of 833,000 sf proposed, and 610-698 Brannan at approximately 1.4M sf of a total 2.0M sf proposed.

8. Proposed Schedule

As requested, due to the size of the projects proposed, staff has proposed to schedule an informational hearing on each project, with the approval action scheduled several weeks later. For the three office projects noted above, we have tentatively scheduled these hearings in May, June, and July. This timeframe will also include at least one residential project at the Creamery site, 655 4th Street.

For the first informational hearing scheduled for May 9, staff will present an overview of the open spaces proposed in the plan and the overall system of interconnected open spaces that would result from the implementation of these projects.

Staff recognizes the challenge that is before the Commission in considering these projects. This challenge has not been before the Commission in 18 years. We are available to Commission for additional technical support as needed.

