

**Minutes of the
Community Advisory Committee of the
Market and Octavia Plan Area
City and County of San Francisco**

<http://www.sf-planning.org/index.aspx?page=1700>

**Planning Department, 1650 Mission St., Ste.400
Wednesday, February 24, 2010; 6:30pm
Regularly scheduled monthly meeting**

Cheryl Brinkman	Peter Cohen
Carmela Gold	Jason Henderson
Robin Levitt	Ted Olsson
Dennis Richards	Brad Villers
Kearstin Dischinger (ex officio)	

The Agenda & Minutes of all community meetings, a matter of public record, are available at the Planning Department, 1650 Mission Street, 4th Floor or on our website (above).

SUMMARY

AGENDA (Exhibit 1: Agenda)

1. Call to order and roll call
2. Announcements, upcoming meetings and general housekeeping [discuss]
3. Approval of Minutes from previous meeting (January 19, 2010) [act]
4. Coordination with Eastern Neighborhoods CAC (EN-CAC) [discuss; act]
5. Pipeline Report—developments in process; CAC project reviews [discuss; act]
6. Presentation by Office of Economic & Workforce Development (Michael Yarney): Development Fees Deferral Program proposed ordinance revisions [discuss; act]
7. Working Session on community improvements evaluation and prioritization [discuss; act]
8. Committee members' comments & Issues the Committee may consider in future meetings [discuss]
9. Public Comment
10. Adjournment

**Next Meeting: Wednesday, March 24, 2010 (Meetings: fourth Wednesday, 6:30pm)
(Jan27, Feb24, Mch24, Apr24, May26, Jun23, Jul28, Aug25, Sep22, Oct27, Nov24, Dec22)**

EXHIBITS (handout documents informing the discussion)

1. Exhibit 1: Agenda
2. Exhibit 2: Minutes
3. Exhibit 3: Pipeline Report [no changes]
4. Exhibit 4: San Francisco Planning Code—Article 3: Zoning Procedures—§341: Better Neighborhoods Area Plan Monitoring Program
5. Exhibit 5: “Development and Neighborhood Infrastructure Timeline (as currently contemplated)” [chart]
6. Exhibit 6: Roadmap for CAC meetings [schedule of topics for monthly meetings]
7. Exhibit 7: Market/Octavia CAC Community Improvements [MOP-CAC CIP] Prioritization Scorecard—compiled by Kearstin Dischinger (Feb.2010, Final Draft)

DECISIONS

1. Decision 1: Minutes (19JAN2010): moved, seconded, approved
2. Decision 2: Postpone adoption of resolution on deferral of impact fees until March meeting
3. Decision 3:

INFORMATION DUE

1. Topic 1: All: review Appendix C; complete and submit CIP Scorecard to Dischinger.
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MINUTES

1. Call to order and roll call (Quorum = 5 of 8)

ROLL CALL (√=present; 0=absent; X=excused_

- √ Cheryl Brinkman
- √ Peter Cohen (Chair)
- x Carmela Gold
- √ Jason Henderson (Vice Chair)
- √ Robin Levitt
- √ Ted Olsson (Secretary)
- √ Dennis Richards
- x Brad Villers

Ex Officio Members

- √ Kearstin Dischinger

Others attending

1. Michael Yarney, Head, Mayor's Office of Economic & Workforce Development
2. Andrea Aiello, Ex.Dir., Castro/Upper Market CBD

A quorum being present, the Chairman opened the meeting at 6:30pm.

2. **Announcements, upcoming meetings and general housekeeping** [discussion item]

2.1 Sunday Streets (Brinkman)

Next month's outing will be at the Embarcadero

2.2 2010 CAC Schedule of Meetings (Cohen)

This is Exhibit 6: "Roadmap for CAC meetings" [schedule of topics for monthly meetings]. This is the year's topics distributed across monthly meetings. This is included at the end of these minutes

2.3 Duboce Triangle Neighborhood Association (Richards)

Richards passed out the DTNA's monthly newsletter.

2.4 MOP Amendments (Dischinger)

Dischinger announced that the Planning Department will bring amendments for the MOP in early March before the Board of Supervisors (Land Use Committee) in terms of heights of buildings along Market Street.

3. MINUTES

A motion to approve the minutes of the previous meeting (19Jan10) was moved, seconded (Brinkman/Richards) and approved.

4. COORDINATION WITH EASTERN NEIGHBORHOOD COMMUNITY ADVISORY COMMITTEE (EN-CAC) (Cohen)

Cohen mentioned that EN-CAC now has 19 members. They are evaluating in-kind Community Improvement Projects (CIPs) rather than only developers fees. In one case a developer was willing to build a CIP (childcare center?) in place of paying the fee. Cohen also noted that we share a border with EN.

5. PIPELINE REPORT (Dischinger)

Dischinger announced that there are three new developments with activity at the end of the chart highlighted in yellow (including the Trader Joe's development on Market Street).

6. MAYOR'S OEWD: DEFERRING DEVELOPER'S FEES (Michael Yarney)

Exhibit 1. CAC Resolution against deferring developers impact fees

Exhibit 2. Development and Neighborhood Infrastructure Timeline

Exhibit 3. San Francisco Planning Code—Article 3 §341.

Yarney appreciated the opportunity to explain the rationale of his proposal to defer impact fees and was only sorry that he had not been able to do so before the proposal was released. His department has two core principles in this regard: 1) do no harm but rather improve the General Fund; and 2) do not reduce the impact fees. According to him the purpose of his proposal was for the city to get property taxes from new developments sooner.

He proposed a Neighborhood Infrastructure Seed Fund, which the Planning Commission limited to a 3-year sunset period. This would require a one-time shift of funds (~\$2m) from the General Fund to this new fund. The purpose of the new fund is for the City to loan money in an expedited manner for a developer's soft costs (design & engineering of a project) to get them shovel-ready. This would apply to a select group of priority projects in each of the city's plan areas and would also apply to CIPs, particularly if they can leverage additional revenue. Another aspect of the fund's loans is that the developer would sign a legally binding IOU requiring full payment of the loan with interest before the project could be occupied. This then allows the city to anticipate a predictable flow of income from these projects as well as the resulting property taxes once these projects are completed. Hastening the entire process by speeding up the preliminary planning and expediting the construction results in completed projects generating property taxes, which projects otherwise would linger without adequate loans from commercial banks.

His office's policy belief is that it is better to spend money on projects which have impact fees and in areas where you can actually leverage more money, than in disbursing these citywide. So, the funds would be invested in areas that have accepted smart growth. Although the initial Seed Fund is limited to three years, following its success Yarney is intending to propose following this with a Bridge Loan Fund, making this a permanent city policy. After the economy revives in several years, whenever there is a noticeable surge in these IOUs, signaling the city to anticipate a revenue stream in the near future, his office would look for shovel-ready projects to invest in, which would otherwise be delayed for lack of funds. In this case, they would temporarily move money from the General Fund to the Bridge Fund to the project, so that it could begin construction on one of our CIPs (e.g., a pocket park). When the impact fees start to come in, then they repay the General Fund but meanwhile we have a new CIP constructed. Presumably the Bridge Fund could grow in proportion to the impact fee revenues.

Yarney thought that the proposal is necessary to aid CIPs because currently there are no impact fees whatsoever—because there are no loans, there is no construction to generate fees. The timing is urgent because the supervisors are currently discussing next year's budget—including this provision—to be approved this July. So, his goal is to gain approval by the supervisors on the Land Use Committee to establish the Seed Fund with a capitalization of \$2m. The EN-CAC has already approved the concept of his proposal conditional upon including and capitalizing the Seed Fund. He's asking us for similar support.

In response to Henderson's question about reducing the Seed Fund period to two years, Yarney replied that this would increase the uncertainty and defeat the purpose. It may take three years to get sufficient funding for the CIPs. Henderson also did not understand why a lender would be more likely to lend to a developer who must pay off the IOU impact fee with interest. Yarney explained, first, that lenders do not wish to expose themselves by making loans unless there is collateral which can be converted to cash. When a developer already has all his plans and permits and specifically is asking for a loan to cover construction, then the lender knows that he will have something concrete as collateral. This changes the risk profile for the lender.

Secondly and even more importantly, a developer borrowing \$2m on the front end of a 24-month construction loan is paying interest today at 7% at commercial, market rates. That money goes to big banks, leaving the city and neighborhood; no one in San Francisco benefits from this. Instead Yarney's proposal provides a multiplier effect because the city's opportunity costs are much smaller. The city gets money at the federal rate (2%) for buying Treasury Bonds. So, the first advantage is saving the developer interest since the city's carrying costs are so much lower. The second advantage is for the project's cash flow, since it is much easier to borrow against actual construction than against fees. And with all the planning and fees paid it is easier for the developers to get the loan based upon their actual construction. This last situation is a huge deal for small developers, who often must borrow from family and friends. For them the 5% difference between the loan from a bank and the investment from the city could make or break the deal.

The third reason is somewhat symbolic: the lenders are very impressed to learn that San Francisco itself is providing a stimulus package. This in turn becomes part of the city's strategy to show lenders

that it is less risky for them to invest in our development projects than anywhere else. Brinkman understood that if successful, this policy could prove itself by the result of more projects being built here than elsewhere. Richards also found the rationale behind the policy to be convincing.

Cohen then emphasized a couple of points about the proposal. First, what's being proposed is both a deferral of fees as an option as well as postponing until much later when developers must pay the fees. At this point Cohen passed around his flow chart demonstrating this difference in timing [Exhibit 5]. Currently when the developer pulls the initial permit to do site work is when they are required to pay a lot of fees. However, Yarney's policy postpones payment of those fees until they receive the construction permit to actually build a structure. That's now the point at which they would either pay or defer. According to Cohen, this proposal already moves the payment later, irrespective of the deferral option, and then potentially further defers the payment as well. Cohen's second point was that he had urged the authors of the proposal to require payment of at least 10% of the impact fee up front, deferring the remaining 90%. Practically this would provide the CAC with some money to spend on CIPs. Finally and even more importantly, this initial earnest payment signals that the developer is really committed to moving the project forward and that they will move fast enough to recover those fees by either constructing or selling the site.

Olsson asked about the CAC's concern to have CIPs in place before the growth from the projects occurs. Yarney indicated that this is a nice only in theory. It only works in the case of huge developments with bonding authority. Impact fees are based upon people, not buildings, to create communal amenities. It was noted by CAC members that CIPs often cost more than a developer's fees and that they must often wait for fees from additional developers. However, once the CIPs are in place they accelerate the sales of the properties and therefore tax revenue to the city.

In conclusion, Yarney said that his proposal is being revised and that he hoped to have a summary publicly available within a week. To the concern that citizens are less likely to support this proposal in light of the new 10% Muni cut, Yarney replied that to sacrifice smart growth to Muni's mismanagement and financial problems could only exacerbate the problems, whereas supporting the proposal and creating new properties faster would generate more tax revenues for the General Fund, which Muni also draws upon. That is, we are absolutely dependent upon growth and jobs to rescue us from this economy. Only then can we fix the finances of government. Before he left Yarney asked for our support, similar to that of the EN-CAC, before his meeting before the Land Use committee on March 15. The CAC said that it would need to read his revised summary before being able to support his proposal. He said that he would send a copy to Cohen and would inform him and Henderson of the time of the actual hearing.

Following this question and answer session and Yarney's departure, Cohen asked the CAC how it wished to proceed on this matter. Brinkman understood and appreciated Yarney's rationale for the proposal as did Richards, who thought Yarney's funding idea was an ingenious means of stimulating construction. The CAC understands the dire climate for developers to obtain construction loans and how the city and citizens would benefit if we could move these projects forward with such a policy. While we believe in smart growth, still the CAC wanted to see Yarney's proposal summary in writing before we could discuss and approve our own resolution of support. CAC agreed to have Cohen revise our draft resolution for discussion at our March meeting.

7. WORKING SESSION

EXHIBIT 7: The Scoring Matrix (based upon CIPs described in MOP Appendix C)

Dischinger led this discussion explaining to the CAC some CIPs listed in Appendix C of the MOP as explanation of each of these items on the score sheet. The CAC is trying to finalize our prioritization of these CIPs. She explained two items:

A19. Market & Church Street Muni & Intersection improvements

There is little political energy for this. The Muni will not pay for proposed improvements of the portals to the Muni subway. The other aspect is providing pedestrian amenities and safety enhancements. For comparison we were reminded to consider the renovation of the Muni/BART subway station at 16th and Mission Streets.

A26. Church Street Improvements

This would include building long loading platforms to accommodate two flex-cars. However, there is a funding gap. This would also include a three-way pedestrian crossing for the triple crossing at 14th/Church/Market, which would allow people from the Safeway corner at Church St. to cross

either up Market or onto 14th Street at the same time as crossing 14th Street at Church near the Safeway. This too is not totally funded. No sidewalk treatments are funded. The remaining scope of improvements envisioned in MOP Appendix C thus still needs additional funding and the project will remain on the CAC's community improvements list.

9. **ADJOURNMENT**

No guests nor further business remaining, the meeting was adjourned at 8:45pm.

**The next meeting (fourth Wednesday) on March 24th from 6:30-8:30pm
will be at the Planning Department, 1650 Mission Street, Suite 400 conference room.**

CAC Meetings (Third Wednesday monthly, City Hall, Rm 279, 6:30-8:30pm)

Calendar: 4/24, 5/28, 6/23, 7/28, 8/25, 9/22, 10/27, 11/24, 12/22

Respectfully submitted,
~TED OLSSON
Secretary

MOP-CAC
2010 Draft Schedule of meeting Topics
(as of 24 FEB 2010)

January 27February 24

- Working session on CIP evaluation and prioritization
 - Explanations and updates on CIP Appendix C projects list
 - Projects evaluation and individual scoring
 - Review and discuss preliminary scoring results
 - Prep for next meeting: finalize 1st year CIP recommendations of projects and process

March 24

- Finalize 1st year program recommendations and text defining continuing refinement of the process
- Monitor and report; overview and discussion

April 24

- Neighborhood Planning and MEA staff presentations and discussions
- Discussion of Monitor Report by key topics of interest

May 28

- Review draft Monitor Report and potential action
- Review CAC draft section of Monitor Report; potential action

June 23

- IPIC presentation and discussion with CAC
- Discuss a process to continually refine and augment Appendix C's list of potential CIPs

July 28

- Finalize proposed process — potential action

August 25

- Implement Appendix C process
- Discuss MOP Fund expenditure categories; potential action
- Discuss additional funding sources for CIPs

September 22

- Update CAC CIP recommendations

October 27

- Finalize 2011 CAC CIP recommendations; potential action

November 24

- As needed; potential action to finalize 2011 CAC recommendations

December 22 HOLIDAY: NO MEETING

**LIST OF RELEVANT DOCUMENTS
TO BE INCLUDED ON MOP-CAC WEBSITE
(other than Exhibits, unless cross-referenced_
<http://www.sf-planning.org/index.aspx?page=1700>**

- Parking Nexus Study
- TEP
- NCD-20 (Neighborhood Community District) by Dan Sayer (model of superb government report)
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