



This Bulletin is an overview of the regulatory and financial programs available to commercial to residential adaptive reuse projects in San Francisco.

PLANNING DIRECTOR BULLETIN NO. 12

DOWNTOWN COMMERCIAL TO RESIDENTIAL

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References:
• Planning Code Section 210.5

INTRODUCTION

In July 2023, the City of San Francisco established a new Commercial to Residential Adaptive Reuse Program [Ordinance No. 159-23](#). The program is intended to facilitate the expansion of housing downtown by waiving certain Planning Code requirements for projects which meet certain eligibility criteria, pursuant to Planning Code Section 210.5. In addition, new financial incentives are in place to support economic feasibility of adaptive reuse projects, including real estate transfer tax waiver, inclusionary housing requirements and impacts fee waiver and annual incentive distributions based on incremental property tax growth. Eligible projects may take advantage of planning code waivers, real estate transfer tax waiver, inclusionary housing and impact fee waiver and/or incentive payments.

COMMERCIAL TO RESIDENTIAL ADAPTIVE REUSE PROGRAM

Overview

Projects which meet the eligibility criteria of Planning Code Section 210.5, may receive zoning modifications (or waivers) from the following Planning Code requirements. The Planning Code waivers also apply to an expansion of the building of add up to 33% additional volume. The waivers may apply to both the existing building and the expansion.

- Lot coverage ([Sec. 134](#))
- Open space ([Sec. 135](#))
- Streetscape and pedestrian improvements ([Sec. 138.1](#))
- Dwelling Unit Exposure ([Sec. 140](#))
- Bike parking ([Sec. 155.1](#))
- Dwelling unit mix ([Sec. 207.7](#))
- Live Work and Intermediate Length Occupancy uses would be permitted.
- Transportation Demand Management (TDM) Plan Requirements ([Sec. 169](#))
- Off-street loading ([Sec. 152 and 152.1](#))
- Protected Pedestrian, Cycling, and Transit-Oriented Street Frontages ([Sec. 155 \(r\)](#))
- Planning Commission Hearing ([Sec. 309](#))
- POPOS required per [Section 210.5](#)

Eligibility Criteria

- **Location.** A project must be located in [C-3 zoning district or C-2 zoning district](#) that is east of or fronting Franklin Street/13th Street and north of Townsend Street.
- **State Density Bonus.** A project cannot seek approval under the Individually Requested State Density Bonus Program, Planning Code Section 206.6.

For more information visit the [Adaptive Reuse Program webpage](#).

REAL ESTATE TRANSFER TAX WAIVER

Overview

In March 2024 San Francisco voters approved [Proposition C](#) which provides a waiver of the City's real estate transfer tax for eligible commercial-to-housing conversion projects throughout the City, effective April 12, 2024. The City's real estate transfer tax is waived on the first transfer of a property after a conversion from commercial to residential use, up to five million square feet of converted properties. The measure also allows commercial office space that is converted to housing to go back into the Prop M office allocation pool.

Eligibility Criteria

- **Location.** A project can be located anywhere in the city to be eligible.
- **Limitation.** The exemption is limited to the first five million square feet of Gross Floor Area of converted space and the first transfer following conversion must occur prior to January 1, 2055.
- **Approval.** Projects that receive Final Approval from the Planning Department before January 1, 2030 and receive a First Construction Document within three years of Final Approval are eligible for the exemption. Projects that received a Final Approval prior to the effective date of April 12, 2024 must receive a First Construction Document by April 12, 2027 and projects that received a First Construction Document before April 12, 2024 are not eligible for the waiver.
- **Nonresidential to Residential Conversion.** Projects must convert any amount of an existing Nonresidential use, whether by adaptive reuse of an existing building or by demolition and new construction, to Residential use, provided that the resulting project has a Floor Area Ratio of at least 1:1. Nonresidential use means any use other than a Residential Use, Residential Use is defined as a property or portion of a property with a structure or structures or portion thereof that may only be used for housing individuals, excluding travelers, vacationers, or other similarly transient individuals, for greater than 30 consecutive days (including permitted incidental uses). It includes, but is not limited to, dwelling units, student housing, group housing, residential hotels, senior housing, nursing homes, homeless shelters, and residential care facilities, regardless of how such uses would be considered under the Planning Code, and include 100% of the Gross Floor Area of a Live/Work unit.

Proportionality

The amount of tax waived will be proportional to the portion of the project's total square feet of Gross Floor Area that was converted from Nonresidential to Residential use, up to an amount of Residential use that is no more than 10% above the existing Nonresidential use. In a mixed use projects, Residential use includes mechanical space and common areas including but not limited to circulation, lobbies, storage rooms, balconies, roof terraces, laundry rooms, and other resident amenity spaces, and including parking spaces or garages, in the proportion that such areas serve the residential uses to the total square feet of Gross Floor Area served by such areas.housing to go back into the Prop M office allocation pool.

Application Process

Projects must submit a complete Project Application, or the applicable ministerial project application, and a Supplemental Application for Commercial-to-Residential Adaptive Reuse Projects.

Following the project's Final Approval, or acceptance of a Supplemental Application for Commercial-to-Residential Adaptive Reuse Projects for those projects that were previously approved, the Planning Department shall issue a Qualifying Certificate showing the square feet of Gross Floor Area that qualifies as converted Residential use within the 5 million square foot limitation. At any time after receiving a Qualifying Certificate, a request to confirm or adjust the square feet of gross floor area that is proposed to qualify as Converted Residential Property may be submitted to the Planning Department in the form and manner required by the Planning Department.

Following the project's First Certificate of Occupancy, the project sponsor shall request an Exemption Certificate from the Planning Department. Any increase in the square feet of Gross Floor Area that exceeds the qualifying square feet of Gross Floor Area stated on the Qualifying Certificate or any amendment thereto shall qualify for the exemption only to the extent that the 5 million square foot limitation has not been exceeded.

To claim the tax waiver, the project sponsor or property owner shall submit the Exemption Certificate to the County Recorder at the time the deed of transfer for the property is recorded pursuant to the provisions of Business and Tax Regulations Code Sec. 1111.

Project Tracking

For purposes of the transfer tax waiver, the first 5 million square feet of Gross Floor Area of conversion properties shall be determined in the order that the Planning Department receives each request for a Qualifying Certificate (submittal of a Supplemental Application for Commercial-to-Residential Adaptive Reuse Projects) and shall be aggregated across all Qualifying Certificates issued and outstanding, as may be amended so long as the 5 million square foot limitation has not been exceeded. If a project's square feet of Gross Floor Area partially exceeds the 5 million square foot limit, the property shall still be entitled to a proportional partial waiver of the transfer tax that shall be documented in the Qualifying Certificate and Certificate of Exemption.

For more information visit the Business and Tax Regulations Code Sec. [1108.7](#).

INCLUSIONARY HOUSING REQUIREMENTS AND IMPACT FEES WAIVER

Overview

In April 2025 the City passed legislation (Board File 240927) which waives the inclusionary housing requirement and development impact fees for eligible adaptive reuse projects pursuant to Planning Code Section 406(j), effective April 7, 2025.

Eligibility Criteria

To be eligible a project must replace Gross Floor Area of existing Non-Residential or PDR uses, other than a Hotel use, with Gross Floor Area established as Residential use, whether as part of a change of use of existing Gross Floor Area, or through the demolition of Non-Residential Gross Floor Area and construction of new Gross Floor Area for Residential use. Any Gross Floor Area established as Live/Work use shall be considered as Residential use.

Projects must have been

- a) Finally Approved on or after April 7, 2025 or
- b) Finally Approved prior to January 1, 2025 but not issued a First Construction Document before that date to be eligible.

Eligible projects shall be entitled to a waiver from any applicable Development fee or Development impact requirement imposed by Article 4 on any net new Gross Floor Area of Residential use in an amount up to 110% of the Gross Floor Area of Non-Residential use converted to Residential use. Converted Non-Residential Gross Floor Area shall be calculated as the net reduction of Non-Residential Gross Floor Area resulting from the project.

- **Location.** A project must be located in [C-3 zoning district or C-2 zoning district](#) that is east of or fronting Franklin Street/13th Street and north of Townsend Street.
- **Limitation.** The exemption is limited to the first seven million square feet of converted space.

Application Process

Projects must submit a complete Project Application, or the applicable ministerial project application, and a Supplemental Application for Commercial-to-Residential Adaptive Reuse Projects.

Project Tracking

The waiver shall apply only to the first 7 million square feet of Gross Floor Area that replaces Gross Floor Area of existing PDR uses or Non-Residential uses, other than a Hotel use, with Gross Floor Area established as Residential use associated with Eligible Projects in the order that the projects receive a Final Approval. If an Eligible Project does not receive a building or site permit within five years of the Final Approval, the project shall forfeit any rights to the approved waiver, and any Gross Floor Area associated with such project shall no longer be counted against the 7 million square foot limit.

For more information see Planning Code [Section 406\(j\)](#).

DOWNTOWN REVITALIZATION FINANCING DISTRICT

Overview

The San Francisco Downtown Revitalization and Economic Recovery Financing District (“Downtown Revitalization District” or “District”) was established effective February 12, 2026 pursuant to Division 8 of Title 6 of the California Government Code (“Downtown Revitalization Law”) enacted by AB 2488 in 2024. The District is governed by a Board of Directors (“District Board”) under San Francisco Administrative Code Article XLIX pursuant to the Downtown Revitalization District Financing Plan (“Downtown Revitalization Plan”), as amended from time to time, and these Program Guidelines.

The Downtown Revitalization District’s primary purpose is to finance commercial-to-residential conversion projects within the District boundaries by providing an annual incentive distribution to eligible projects based on the property tax increment generated by the project for a period of 30 years. Projects must be enrolled in the District program on or before December 31, 2023, meaning that the project has an executed Project Agreement (“Agreement”) with the District. If a project has Enrolled as described in these Program Guidelines, it will be considered to have opted in to receive annual distributions for the purposes of the Downtown Revitalization Law.

Eligibility Criteria

Site Requirements

- **Location.** The project must be located within the Downtown Revitalization Financing District. (see the Planning Department’s [Property Information Map](#))
- **Zoning.** The project must be located on a legal parcel or parcels that allow for residential uses.
- **Redevelopment Project Areas.** The project must not be located within an existing Redevelopment Project Area with a designated Tax Rate Area established by the California Board of Equalization. (See the California State Board of Equalization Tax [Rate Area map](#))

Project Requirements

- **Commercial-to-Residential Conversion.** The project must convert existing building space from Commercial use to Residential use by any combination of reuse of the existing building or demolition and new construction. For the purposes of the Downtown Revitalization Financing District, Commercial use shall include any use other than a Residential use, as defined in Planning Code Sec. 102, and any off-street parking or loading space that serves the Commercial use. Residential use shall include all space that meets the definition of Residential use under Planning Code Sec. 102, and any off-street parking or loading that serves the Residential use. In a mixed-use project, Residential use shall include mechanical space and common areas of the building, including any off-street parking and loading space, in the proportion that such areas serve the Residential use.
- **Minimum Residential Use.** A commercial-to-residential project may be mixed-use, but at least 60 percent of the total square feet of Gross Floor Area, as defined in Planning Code Sec. 102, of the resulting project must be designated for Residential use. Mixed-use developments shall be limited to Residential and Commercial uses, and projects will only be eligible to receive annual distributions for the proportion of the resulting project’s total square feet of Gross Floor Area that represents a conversion from Commercial to Residential use.

- **Pre-Building Permit.** The project must be Enrolled in the District prior to being issued a building permit. For the purposes of the Downtown Revitalization Financing District, a building permit shall be defined as the First Construction Document as that term is defined in Planning Code Sec. 401.
- **Enrollment Deadline.** Projects must have Enrolled in the Downtown Revitalization Financing District, meaning the project has an executed Project Agreement with the District on or before December 31, 2032.

Affordable Housing Requirements

Projects are subject to both the City's local affordable housing requirements and the state minimum affordability requirements, as described below. Enrolled projects that fail to provide designated on-site affordable housing units for the duration required in the Downtown Revitalization Law shall cease receiving annual distributions from the District.

Local Affordability Requirements

Projects are subject to the local affordability requirements of Planning Code Sec. 415, as shall be waived for eligible commercial-to-residential projects pursuant to Sec. 406(j), which generally includes those located within the C-3 zoning districts, for up to the first 7 million square feet of completed conversion projects.

State Minimum Affordability Requirements

Pursuant to the Downtown Revitalization Law, no additional affordability requirements shall apply to the first 1.5 million square feet of conversion projects to enroll in the District. Projects that enroll after the first 1.5 million square feet of conversion projects have been enrolled must meet one of the following minimum on-site affordable housing requirements or the applicable requirement under Planning Code Sec. 415, whichever is higher:

- At least 5 percent of total units for rent are affordable to very low income households (50% of AMI) for a minimum of 55 years.
- At least 10 percent of total units for rent are affordable to lower income households (80% of AMI) for a minimum of 55 years.
- At least 10 percent of total units for sale are affordable to households of moderate income (120% of AMI) for a minimum of 45 years.

For more information visit <https://www.sf.gov/drfd>.

Project Tracking

For the purpose of determining whether a project falls within the first 1.5 million square feet of conversion projects, the Planning Department will maintain a tracking list of the cumulative square footage of projects under review and Enrolled, in the order the project received a Notice of Eligibility.

For more information visit <https://www.sf.gov/drfd>.

Labor Requirements

Under the Downtown Revitalization Law all commercial-to-residential conversion projects that opt in to receive incremental tax revenue are required to pay prevailing wages as described in Chapter

1 (commencing with Section 1720) of Part 7 of Division 2 of the Labor Code.

Under Section 62460 of the Downtown Revitalization Law, projects must also satisfy the following labor standards, as applicable:

- Projects with 50 or more units and that are less than 85 feet in height or less must comply with the labor standards of CA Govt. Code Section 65912.131, including apprenticeship program and healthcare expenditure requirements.
- Projects that are over 85 feet in height must comply with the skilled and trained workforce provisions of CA Govt. Code Section 65913.4(a)(8).

Notwithstanding the above, Projects that utilize the ministerial approval program established in the Office to Housing Conversion Act (CA Govt. Code Sec. 65658) shall be subject to the labor requirements of that Act.

Applicants must certify to the Revitalization District Board through an Affidavit of Labor Standards Compliance that the project shall meet all applicable labor standards established in CA Govt. Section 62460, and San Francisco Labor and Employment Code Articles 101, 103, and 105-107, subject to enforcement by the San Francisco Office of Labor Standards and Enforcement. The Affidavit shall be submitted with the project's Supplemental Application for Commercial-to-Residential Adaptive Reuse Projects.

Downtown Revitalization District Enrollment Process

Projects are subject to all applicable City and State review and permitting requirements and are subject to the Planning Department's standard [Planning Approval Process](#). Projects may be eligible for ministerial approval under other applicable State programs, such as those established under SB 423 (CA Govt. Code Section 65913.4), AB 2011 (CA Govt. Code Section 65912.100), or AB 507 (CA Govt. Code Sec. 65658). (See the Planning Department's [Planning Director Bulletin No. 9](#) for more information).

Project applicants may apply to Enroll in the Downtown Revitalization District and shall receive annual distributions in the following manner:

Enrollment Process

Project Application

Projects shall submit a complete Project Application and Supplemental Application for Commercial-to-Residential Adaptive Reuse Projects to the Planning Department. Projects that are eligible for the Downtown Revitalization District will be issued a Notice of Eligibility by the Planning Department within 30 days of the application being deemed complete through issuance of a Complete Application Notice.

Projects that submitted a complete Project Application prior to February 12, 2026 should instead submit the Supplemental Application to the project planner to be issued a Notice of Eligibility.

Application for Enrollment

Projects shall open an application for Enrollment into the Downtown Revitalization District by submitting the Notice of Eligibility to the District at DRFD@sfgov.org within 30 days of issuance. Once the Notice of Eligibility is submitted, the project applicant shall enter into a cost recovery Memorandum of Understanding (MOU) with the District to allow for the City and District to recoup actual administrative costs associated with processing the project's application for Enrollment.

Enrollment

A project shall be Enrolled in the Downtown Revitalization District and considered to have opted in to receive annual distributions for purposes of Section 62459(a) (2) of the Downtown Revitalization Law once it has entered into an executed Project Agreement[BJ24.1] ("Agreement") with the District.

For more information visit <https://www.sf.gov/drfd>.



FOR MORE INFORMATION:
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