

MAY 2018

San Francisco's Next Mayor

A Blueprint for Change

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SPUR WHITE PAPER

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Introduction

By any measure, the previous decade has been a period of dramatic change and growth for San Francisco. But for many, this unprecedented prosperity has failed to address — and has even contributed to — the many challenges our city still faces. The severe housing shortage results directly in ever-rising rents, displacement and homelessness. There are more options for moving around the city, yet congestion is greater than ever. The city's tax revenue collection is booming, but we face yawning budget deficits and pension liabilities into the future.

On June 5, San Francisco voters will elect a new mayor — a person who will be eligible to lead the city for up to 10 years. SPUR does not endorse mayoral candidates; we focus instead on policy ideas and on working with whomever is in office to address the city's biggest challenges. What we offer here is a platform of specific policy goals and practical solutions for our city for the years ahead, grounded in SPUR's respected policy research and complemented by significant input from community leaders and subject matter experts.

San Franciscans are living through a time of great change. Though some choose resistance or denial, SPUR believes we must instead harness the energy, dynamism and wealth of our city to do more and do better for *all* people — those here today and those who will come tomorrow.

Housing

Housing affordability is a direct threat to the livelihood, diversity and sustainability of our city and region. In San Francisco, the median home value is \$1.3 million, and the average rent for a one-bedroom apartment is over \$3,200. The causes of the high cost of housing are numerous and complex. However, there are policies that the new mayor can and should implement immediately to address our housing challenges and make San Francisco a more affordable place to live. These policies should advance the development of subsidized housing for lower income households and free up the market to develop homes without public subsidies.

1. Eliminate expensive city requirements.

In 2017, San Francisco won the dubious distinction of being the world's second-most expensive city to build in. While the tight local labor market is certainly a contributing factor, much of the problem is attributable to expensive city building code requirements that are layered on top of the state's building code. The next mayor should address these cost drivers while working to secure an ongoing source of funding for affordable housing.

- a. **Establish a technical committee of contractors, architects, engineers and other experts to perform an audit of the city's building code, with the intention of reducing the production cost of housing.** This is

a world of trade-offs and the choices will not be easy, but we must identify some ways to reduce the cost of building housing.

- b. **Work with contractors and developers to establish a mandatory cost-per-unit cap on affordable housing units.** Between 2000 and 2016, the per-unit construction cost of affordable family housing in San Francisco rose from \$265,000 to \$425,000, and has continued to rise dramatically since then. The mayor should set a cost-per-unit cap that no project can exceed. If any project exceeds this threshold, the mayor's office should work with the developer as well as Planning Department staff, the Office of Community Investment and Infrastructure, the Public Utilities Commission and any other departments and agencies that impose development costs to reduce the scope of design and cost of construction. This should include reducing impact and service fees.

2. De-politicize the inclusionary housing program.

San Francisco's inclusionary housing program, which requires that developers of market-rate housing build a certain percentage of affordable units, should maximize the number of affordable units built. The current program, established in 2016 by Proposition C and subsequent trailing legislation, requires that the controller's office hire a third-party consultant to advise on an inclusionary percentage to a Technical Advisory Committee, which then makes a recommendation to the Board of Supervisors. The board can either defer to the controller and the committee or ignore their recommendation and implement a new number. The system has produced inclusionary percentages that are too high for most projects to meet and still be financially feasible to build. Importantly, it has also politicized an exercise that should be largely driven by data and financial analysis.

- a. **Initiate legislation that would give the controller's office the authority to update the inclusionary housing percentage.** The process should occur annually or bi-annually, and the controller's office recommendation should be binding and not subject to further increase or changes by any political body.

3. Promote factory-built construction.

Shifting construction to a factory — where it is less vulnerable to weather-related delays and complications — promises greater control, quality, efficiency and safety for housing construction projects. While all recent housing projects that have used this technology have achieved some level of time and cost savings compared to conventional site-built work, the city needs to invest more — financially and politically — in order to achieve maximum cost savings.

- a. **Support market-rate and affordable housing projects that are using modular construction.** The mayor's office should give higher scores to affordable housing projects seeking public funding that use factory-built housing, based on a realistic assessment of time and money saved compared to conventional construction.

b. **Work with the Board of Supervisors to amend the Planning Code to allow nominal height increases for modular construction.** Modular housing units stack fully built floors on top of fully built ceilings, which means they often rise a few feet above height limits. The Planning Code amendments should allow for minor height increases that can be approved without having to go back to a public body for a discretionary hearing.

c. **Invest funds to educate planning staff, commissioners, building department officials and staff about factory-built housing.** Emphasize that work done in the factory is under the purview of the State Housing and Community Development Department, while site work, structural connections, fire life safety, existing and overall building systems are reviewed, approved and inspected by the city. In addition, emphasize that factory construction is a building method and not under the Planning Department's purview.

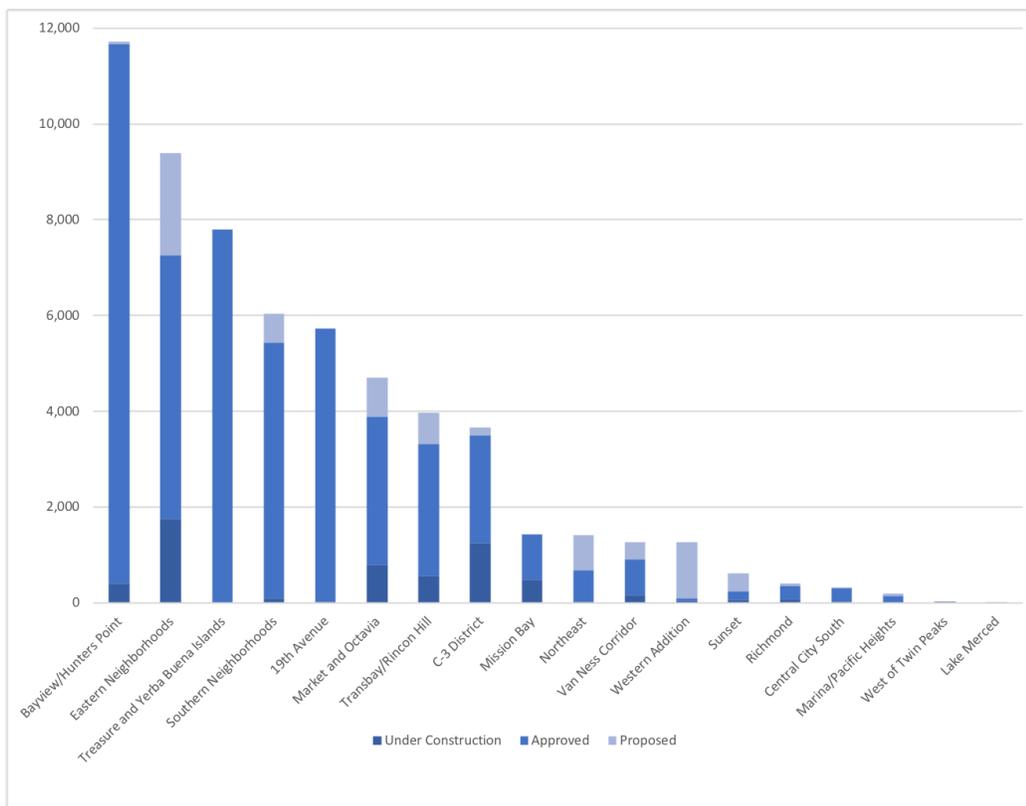


FIGURE 1.
San Francisco Housing Pipeline

Although many other neighborhoods have the infrastructure to support more housing, the majority of housing development is concentrated in a few neighborhoods on the east side of the city.

Source: San Francisco Planning Department Information & Analytics Group, Oct. 4, 2017

4. Initiate a new round of neighborhood plans.

San Francisco does not have adequate zoning capacity across the city to satisfy the existing housing demand, particularly in neighborhoods that already have the infrastructure to support additional density.

a. **Fund a new round of neighborhood plans.** The purpose is to increase housing opportunities, plan for public realm improvements and build

agreement in advance instead of having site-by-site development fights.

- b. **Undertake master environmental impact reviews to pre-clear projects that fulfill the vision in these new plans.** The goal is to conduct the environmental reviews in a rigorous enough way that individual projects can fall under the plan's completed Environmental Impact Report.

5. Add small-scale housing throughout the city.

Many of San Francisco's neighborhoods have the infrastructure to support additional density but are restricted by current zoning.

- a. **Work with the Board of Supervisors to amend the Planning Code to allow small multi-family buildings throughout the city's RH-1 and RH-2 zoned neighborhoods.**

6. Reduce the time it takes to review housing proposals.

In September 2017, the late Mayor Lee imposed an executive directive to create a faster review process for housing development projects. The directive created certain milestones for city departments to review projects depending on the level of review required under the California Environmental Quality Act (CEQA). The next mayor should build on this important step.

- a. **Convert the directive's 6-month "milestone" for projects exempt from CEQA review into a "deadline," after which point a project would be deemed approved.** By imposing a review deadline on these projects, the new mayor can provide additional urgency to project reviews and put a cap on the amount of project refinement by staff, which can lead to undue delays.
- b. **Work with the Board of Supervisors to amend the Planning Code to eliminate discretionary review and rely on the Board of Appeals process instead.** San Francisco is the only city in California where anyone can demand discretionary review of a building permit that is fully compliant with the underlying zoning, and then appeal that permit after the Planning Commission has approved the project and the building permit been issued. The process is one of the most significant causes of delay and high costs for new housing. This reform would provide the developer with certainty that, upon receiving planning approval, the project will be able to move forward with no more than one appeal.

- c. **Direct the planning director to more aggressively issue Class 32 infill development exemptions.** Established as part of a 1998 revision of CEQA, Class 32 exempts projects from CEQA if they are consistent with the city’s General Plan and zoning, are bordered by urban uses, and do not have significant impacts to traffic, noise, air quality or water quality. The majority of projects in the city qualify for this exemption, and the mayor can provide leadership and political cover to staff while signaling to the public that development will be expedited through all available legal means.

Homelessness and Street Behavior

Homelessness is the issue of greatest concern to San Franciscans. It is deeply dehumanizing to live on the street, and deeply dispiriting to live amid such acute and public suffering. It is at odds with San Francisco’s progressive values, and is particularly galling in a city with so much wealth. The social contract we have made to each other feels broken. San Francisco has reached a crisis. We can no longer view living on the street as an acceptable human experience. At the same time, we can no longer accept or normalize street behavior that endangers others and degrades public space and city life: the trash, the public use of intravenous drugs and, in some cases, criminal activity.

Public discussion often combines homelessness and street behavior, but we see them as two distinct challenges. Not all homeless people are visible on the streets, and not all of the disturbing behavior we see on the streets is conducted by homeless people. Therefore, we offer separate policy recommendations on homelessness and street behavior, making a distinction between the two.

On many fronts, San Francisco is already doing more than other cities to address homelessness. The city has made significant investments in permanent supportive housing and pioneered a new model for shelters, the navigation center. But the current crisis is dwarfing even these impressive efforts. Many of SPUR’s recommendations have to do with expanding existing programs and doubling down on what the city is already doing well. But to address the profound emergency that has developed in recent years, we make one major recommendation: to scale up temporary shelters dramatically — a significant shift from current practice in San Francisco.

The next mayor should pursue a holistic approach, one that focuses on preventing homelessness before it begins, dramatically increases the number of short-term shelters and expands the city’s suite of mental health services. Separately, the next mayor should be a leader in renegotiating the social contract in San Francisco and should reaffirm our shared values and standards for safe behavior in the public realm. And, because homelessness is fundamentally a result of our extreme housing shortage, the next mayor should also be a creative and dogged advocate for building more housing of all kinds — permanently supportive, affordable and market-rate.

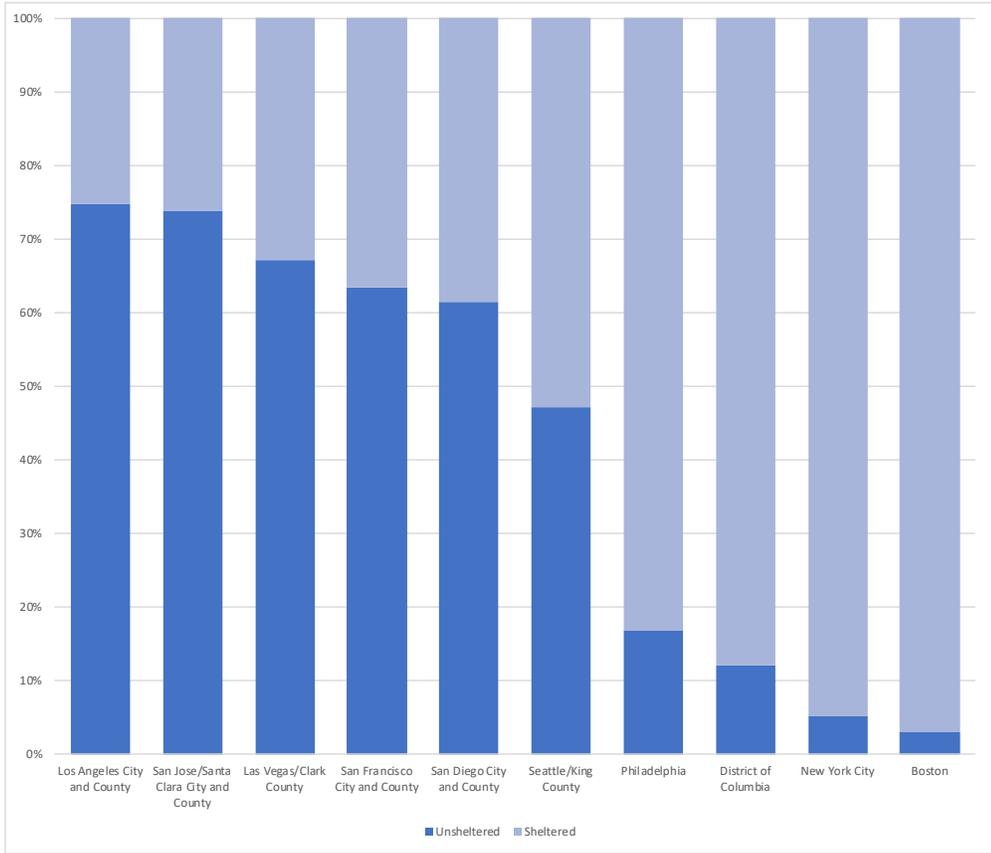


FIGURE 2
 Unsheltered vs. Sheltered as a Percent of Total Homeless Population
 San Francisco and other West Coast cities have some of the highest numbers of unsheltered homeless people as a percentage of their total homeless populations.

Source: 2017 Point in Time Count, U.S Department of Housing and Urban Development

1. Double down on prevention strategies.

The next mayor should expand San Francisco’s existing prevention programs, which stabilize people before they become homeless.

- a. **Expand the city’s program providing flexible spending pools.**
 Sometimes the difference between having a home and losing it comes down to making one rent payment. This service helps people pay security deposits, rent and utility bills.
- b. **Expand the rapid rehousing program serving youth and families.** This service helps find alternative housing within or outside of the city, covers moving costs and provides other short-term support.

- c. **Create a right-to-counsel program.** These programs provide legal representation to tenants facing eviction and help prevent homelessness before it happens. Proposition F on the June ballot would create a right-to-counsel program for all residential tenants in San Francisco. If Prop. F passes, the next mayor should find money in the budget to pay for it. If Prop. F doesn't pass, the next mayor should work with the Board of Supervisors to create a full-scope legal program legislatively.
- d. **Expand diversion strategies as part of the intake process.** Strategies that quickly connect people with social networks and safe housing can help meet their needs before they enter the shelter system.
- e. **Expand Homeward Bound.** The city's successful program reunites newly homeless people with family and friends and provides transportation to safe housing.

2. **Scale up temporary shelters immediately.**

The city needs to deliver between 1,500 and 2,000 additional shelter beds immediately. The majority of people experiencing homelessness need food and a safe place to sleep, but San Francisco's shelters are at capacity and frontline responders cannot provide an emergency exit from the street. Shelters are not a replacement for permanent housing. They are a replacement for tents on the sidewalk. Without question, the long-term solution is to build more affordable housing, including permanent supportive housing, which provides counselors and other support on-site. But because of its extraordinary cost to build and operate, and the time it takes to deliver these units, we will never have enough funding to provide permanent supportive housing for everyone who would benefit from it.

San Francisco has pioneered the navigation center model — small, longer-term shelters with on-site case managers and other services. Navigation centers are expensive to operate and cannot realistically become the default model for all new shelters, but we can borrow some of their best ideas. For example, new temporary shelters should allow people to come and go at will, allow people to bring their possessions, pets and partners with them and provide case managers on-site.

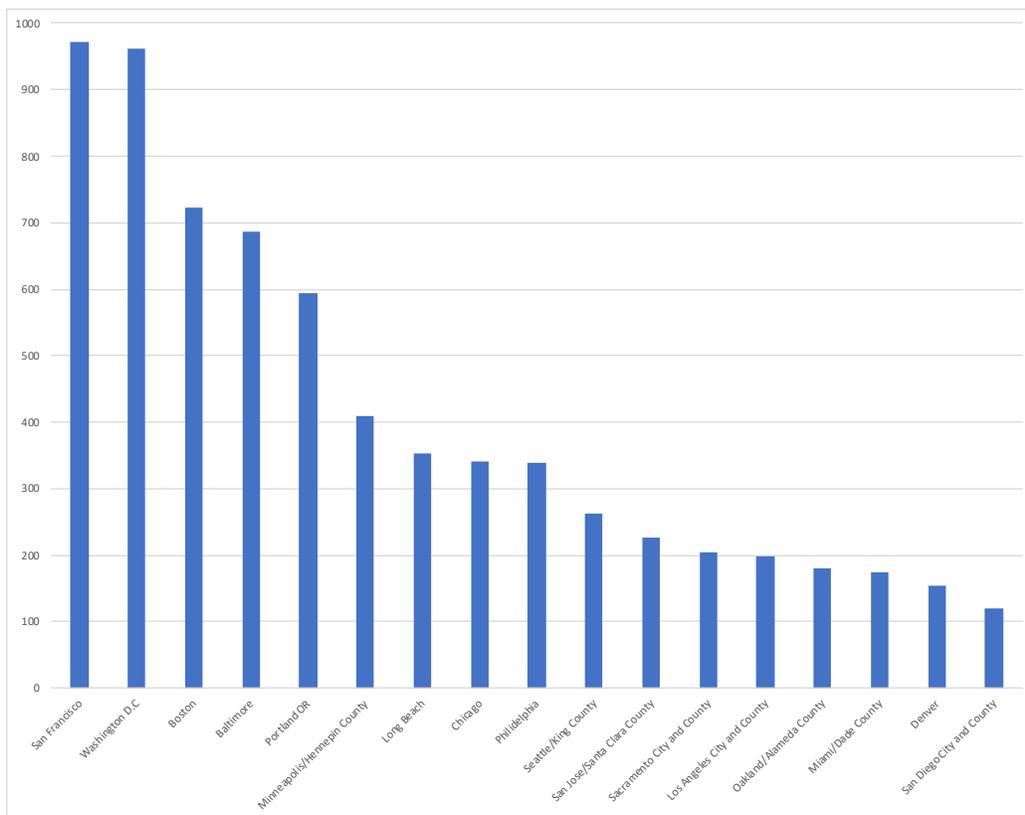


FIGURE 3
Permanent Supportive Housing Beds per 100,000 Residents
San Francisco provides among the highest number of permanent supportive housing beds in the country.

Source: SPUR rendering of San Francisco Controller’s Office city performance report: <http://sfcontroller.org/sites/default/files/Documents/Auditing/Homelessness%20Performance%20Overview.pdf>

capacity so that no one is ever turned away from shelter for lack of beds. Without reducing efforts on building permanent supportive housing, the next mayor should take the following steps to build more shelters right away.

- a. **Focus on publicly owned sites and on other mission-aligned land owners.** Develop a location plan for siting 1,500 to 2,000 temporary shelter beds on city-controlled land either inside or outside the city limits.
- b. **Work with the Board of Supervisors to amend city codes to ease regulations on construction of shelters.**
- c. **Improve the quality of existing shelters that serve higher-need individuals.** The next mayor should support the Department of Public Works’ ongoing audit of the city’s shelter conditions and implement the recommendations at shelters serving those with higher needs. Simple

design improvements can improve the quality of life in shelters at low cost.

- d. **As shelter beds are being built to serve 100 percent of the need, explore strategies for moving people off the sidewalks and into shelters.** It is important to note that SPUR is not advocating for the “right to shelter” approach used in New York and other cities, where it is illegal to sleep on the street and people are compelled into shelters. However, the next mayor should explore incentives and other tools to transition people into shelter and housing that meets their needs.

3. Expand mental health services.

The city’s mental health system (that includes a combination of facilities within public hospitals, private facilities and programs that provide affordable housing with a range of mental health services) is struggling to meet the spectrum of need in San Francisco’s homeless population, particularly with the recent influx of those with drug-induced mental health disorders.

- a. **Add new beds to facilities for those suffering an emergency mental health crisis.** The next mayor should identify space and secure funding to increase capacity at mental health facilities across the city.
- b. **Expand the city’s capacity to serve those who have been stabilized but are not ready to reintegrate into the community.** A number of the city’s psychiatric hospital beds are filled with patients who do not need emergency mental health care but do need additional support and services. An estimated 800 more beds are needed for those who have transitioned away from urgent mental health need but still require stable housing and consistent services.
- c. **Increase staffing levels to meet demand.** The mental health needs of those experiencing homelessness are diverse and complicated and require enough staff capacity to coordinate existing city resources. The next mayor should identify funding in the budget to increase behavioral health professionals working in the department and in the city’s shelter system.

4. Enforce existing laws to end unsafe street behavior.

It is difficult to define a standard of public behavior that is accepting of cultural diversity and honors individual rights. Yet a society has a duty to protect its members from behavior that endangers them and degrades their daily environment. For the most part, we don’t need new laws — our existing laws give sufficient scope to address the most problematic aspects of street behavior. The mayor should take the lead in enforcing city laws regulating behavior that is illegal, especially that which is dangerous to others or degrades the shared public realm.

- a. **Provide leadership and support for the Healthy Streets Operations Center.** This new center coordinates responses to non-life threatening

homelessness issues among the Department of Homelessness and Supportive Housing, the Department of Public Works, the Department of Public Health, the Police Department and 311. The center delegates complaints to a department or team depending on the need, so that appropriate service providers can lead the response. The next mayor should provide strong leadership and clear direction to ensure that this coordination continues.

b. Expand new strategies to address chronic drug and alcohol use.

Much of what the public considers negative and unsafe street behavior is the public use of intravenous drugs and behavior that results from chronic alcoholism and drug-induced psychotic episodes. The city can address these challenges with programs that both support users and take drug use off the streets. Safe injection sites provide a safe place for people to inject drugs under medical supervision and offer a range of addiction services. Research on this model in Canada and Europe shows that safe injection sites reduce overdose deaths and disease transmitted by needles and lead more users to seek treatment. The city is opening its first two sites in July, and the next mayor should direct the Department of Public Health to study their effectiveness and pursue opening other sites. Similarly, wet houses provide a safe and medically supervised space for people with severe chronic alcoholism to drink. The city should explore opening a wet house, an approach that has proven successful in reducing alcohol-related deaths and in leading to users seeking long-term treatment. This population in particular is not well-served by the city's current programs.

c. Pair social workers with police officers to respond to street behavior complaints. Trained social workers should lead interactions on the street, with support from police if needed. The City of Oakland runs a similar program and the next mayor should explore a pilot in San Francisco.

5. Promote collaboration across city departments — and across the region.

Four major departments and dozens more service providers work on homelessness in San Francisco. The next mayor should collaborate, set clear directives and responsibilities and hold each of the city partners accountable. The next mayor should also be a leader in solving homelessness at the regional scale by working closely with other Bay Area cities and county agencies.

a. Complete the coordinated entry triage system by the end of 2018.

The Department of Homelessness and Supportive Housing is building a system that will track every homeless individual who engages with city departments and services. The next mayor should direct the department to complete this project by the end of 2018 and begin sharing the data with nonprofit partners and service providers in San Francisco and around the region.

- b. **Create an interdepartmental council comprised of key staff from every county, city and nonprofit partner that works on homelessness.** The council should collaborate on projects as well as develop and pursue shared goals. The next mayor should also convene leaders from cities across the region to share best practices.
- c. **Better support the Department of Homelessness and Supportive Housing.** HSH is understaffed to deliver on its goals, particularly given the current emergency. The next mayor should grant the department contracting flexibility, including the ability to enter into contracts quickly without traditional civil service requirements, so the department can increase staff capacity quickly.

6. Build more housing.

San Francisco won't solve its homelessness challenges without solving its housing shortage. Part of the story behind the increase in homelessness is the cascade of price increases that has pushed working-class households down to the lowest rung on the housing ladder (such as single-room occupancy hotel rooms), which has then pushed some un-employed and marginally employed people into homelessness. Homelessness in this sense is a symptom of the much deeper shortage of housing in the city and the region. In addition to short-term policies aimed at scaling up shelters, the next mayor should facilitate the construction of new housing, including permanent supportive housing, to ease the downward pressure that forces people onto the street. See the Housing section for our ideas on immediate action.

Transportation

The next mayor will inherit a transportation system that is continuing to improve: Muni service is getting better and more frequent, and the Transbay Transit Center and Central Subway will open during the next mayor's term. But transportation is also changing rapidly, and San Francisco is struggling to develop policies that keep pace with emerging technology, address intensifying problems like congestion and make good on the promise of a world-class transportation system that serves all people with quality options. The next mayor needs to:

1. Stand by San Francisco's commitment to putting transit first.

San Francisco's Transit First policy, now 45 years old, is the visionary framework for the city's transportation system, prioritizing biking, walking and transit use. However, it is still a fight to get Muni what it needs and get the system to work for people reliably. The next mayor should prioritize Muni Forward, a series of initiatives to improve Muni's frequency and reliability, and work with the Metropolitan Transportation Commission (MTC) to make it easier for San Franciscans to use transit services all around the region, not just the ones in the city.

- a. **Support the SFMTA in the full and prompt implementation of Muni Forward and push for projects to be delivered on time and on budget, without compromising their effectiveness.** In many cases, this

means prioritizing Muni's effective operations in relationship to car parking and other street conflicts.

- b. **Work with MTC to develop regional transit passes, products and policies, building on the Muni + BART pass program.** Regional transit passes that are aligned with how people actually use Muni and other operators can help grow Muni's ridership and promote and encourage transit use throughout the region.
- c. **Deliver Geary and Geneva-Harney bus rapid transit and get other major Muni projects built.** Several planned projects are critical for the city, including bus rapid transit, the M-Ocean View subway and the extension of the Central Subway to North Beach and Fisherman's Wharf. The next mayor should ensure that these projects are prioritized, resourced, staffed and built.
- d. **Direct SFMTA to evaluate the most strategic ways that Muni services should evolve over the next 20 to 40 years.** Muni should identify opportunities to innovate and integrate new technologies into its service, including on-demand transit supplied by smaller vehicles. Examples could include choosing five micro-transit pilot locations, including some existing Muni lines with low ridership, and creating a regional micro-transit working group that coordinates efforts across the region.

2. **Make the city safe for walking and biking and bring an end to all traffic-related deaths.**

The default transportation choices in San Francisco should be walking or biking: two non-polluting, healthy and social ways to get around. While the city has made progress on street safety and adding bike facilities, we are a long way from the walking and biking utopia that the city could be.

- a. **Champion Vision Zero SF, the policy to end all traffic deaths in San Francisco.** The next mayor should ensure that the SFMTA's five-year Capital Improvement Program focuses on the city's High-Injury Network, the streets with the highest concentration of traffic-related injuries and deaths; promote automated speed enforcement; and work with the SFMTA to reduce delays on infrastructure projects. The next mayor can play an important role in resolving interagency conflicts that block safety projects and refuse to compromise safety for speed—or parking.
- b. **Create 30 more miles of physically-projected bike lanes in the city, in particular along high-injury corridors.**
- c. **Build out the Embarcadero as the city's next major bikeway.** The next mayor should ensure the SFMTA and its project partners (the Port of San Francisco, the Department of Public Works and others) collaborate to move the Embarcadero Enhancement Project from conceptual

design through subsequent phases to completion. The project should be closely coordinated with the other major capital projects being planned and designed along the northeast waterfront.

3. Manage car traffic.

Traffic congestion is frustrating, costly and creates pollution — and it can be managed. The next mayor should be the one to lead the development and implementation of a robust de-congestion program in San Francisco.

a. **Launch congestion pricing for downtown San Francisco and SoMa.**

The city needs a smart, specific pricing policy for downtown and SoMa that manages demand for the limited space we have on our roads and improves conditions for pedestrians, cyclists and transit users. Pricing tools include charges for specific areas, parking fees, tolled express lanes on Highway 101 and I-280. The next mayor should support these programs as well as legislation at the state level that would charge motorists based on how many miles they have traveled. Any congestion pricing scheme should put equity first by: 1) incorporating discounts and incentives that vary based on income; and 2) using revenues from pricing to improve surface transit, build more protected bicycle lanes and improve street management. The next mayor should also partner with San Mateo and Santa Clara counties to create a continuous tolled express lane on Highway 101.

b. **Convert curbs from vehicle storage to pick-up/drop-off space. The**

next mayor should direct the SFMTA to develop a comprehensive curb-management strategy that identifies additional loading zones, includes pricing curb access, and supports SFMTA's effort to expand the SFPark program citywide. The next mayor should also implement a pilot program proposed by the late Mayor Lee that would convert some parking spaces into painted curbs used for ride-sourcing and delivery services. This would help the city understand what it takes to safely and efficiently manage curb space, eliminate conflicts with Muni buses — the key curb user — and ensure the safety of bicyclists.

4. Make new transportation technology work for the city.

San Francisco is home to the world's emerging urban mobility industry and to many of the sector's experiments, including ridesourcing, microtransit, e-bikes, scooters, apps and more. We need a clear regulatory framework and pro-innovation approach to transportation technology, rather than the circus we have today.

- #### a. **Create a public-private partnership process modeled after LA Metro's Office of Extraordinary Innovation.** Rather than reacting to new technology after it emerges, the city should take the lead, explaining its transportation needs to the private sector and inviting solutions. This approach should also include a request for qualifications/request for proposals process for new transportation technology. The next mayor should lead the city in assessing its

technology needs and opening up an ongoing dialogue with the transportation technology sector.

- b. Create a coherent policy and regulatory approach for emerging mobility and new technologies.** This means developing permitting programs, data agreements and other expectations for private operators, while protecting safety, the Transit First policy and other core values. The next mayor should ensure that SFMTA and the San Francisco County Transportation Authority construct their emerging mobility strategies to do two things: integrate new mobility into SFMTA functions and develop a coherent regulatory code that is both consistent across different technologies and adaptable to tomorrow's technology.

5. Connect San Francisco to the region and the state — with rail.

The new California State Rail Plan sets forth a vision for a statewide network, and San Francisco is a lynchpin. San Francisco has taken initiative by designing the extension of Caltrain (and eventually, high-speed rail) from the 4th and King station to the new Transbay Transit Center downtown, but there is much more work to do.

- a. Finalize the alignment for the downtown extension of Caltrain and plans for the 4th and King railyards, developed in cooperation with other jurisdictions.** The next mayor should also work with SFCTA, SFMTA, the Transbay Joint Powers Authority, the Metropolitan Transportation Commission, Caltrain, the California State Transportation Agency and the state legislature to secure the final pieces of funding to complete the downtown extension.
- b. Form a partnership with the mayor of Oakland to plan, design and deliver the next rail line that crosses the Bay.** It's getting more and more difficult to make trips across the Bay, and it's time to build out the rail network. A second transbay crossing should include connectivity by regional rail (Caltrain, high-speed rail and Capitol Corridor) as well as by BART. The next San Francisco mayor should partner with the mayor of Oakland to facilitate current planning efforts and help identify funding sources to upgrade today's BART crossing and build tomorrow's.

6. Secure funding for the next 50 years of transportation policies and get more built with the money we have now.

The next mayor needs to cultivate new sources of transportation funding — tens of billions of dollars — that will help the city meet its significant transportation needs, from roadway maintenance to unfunded bicycle projects to Muni service to large-scale regional projects like the downtown extension of Caltrain. In the meantime, the next mayor should identify time- and cost-saving strategies to deliver today's transportation projects.

- a. Build on the work of the Transportation 2030 and Transportation 2045 task forces to fund critical transportation system needs,**

including Muni service increases. The next mayor should then develop a strategy to fully fund the next generation of maintenance, operations and expansion needed.

- b. Develop a task force to identify ways to make it easier to build city-funded capital projects.** Make it a priority to bring more contractors into the city pool and revising rules so that building city projects becomes less expensive and time-consuming.

Sustainability and Resilience

San Francisco is already a leader on environmental sustainability and resilience to earthquakes and climate change. But there is more the city needs to do to prepare for future disasters and upgrade its systems to serve residents today. The next mayor should recommit to and extend the city's sustainability and seismic agendas.

1. Implement the city's action plan for seismic safety.

The city's Earthquake Safety Implementation Program is the result of a nine-year study to understand seismic risks and develop community-supported recommendations to reduce those risks. The work plan includes some programs that are already underway — like a mandatory ordinance to retrofit buildings with garages and other large openings on the ground floor, and a mandatory evaluation and retrofit program for private schools — but more must be done in the next four years in order to stay on track.

- a. Improve the seismic safety of nonductile concrete buildings built before 1975.** These taller, older buildings predate today's construction standards and may be subject to collapse. The new mayor should direct the Office of Resilience and Recovery to conduct an evaluation, make policy recommendations and develop an implementing ordinance to improve the safety of these buildings.
- b. Develop a recovery framework and governance plan that can be put in place after a major earthquake.** Successful recovery after a disaster depends on adopting a recovery plan before it happens. City leaders and departments need to agree on who will make decisions and what role each will play. The next mayor should work with the Office of Resilience and Recovery to develop a post-earthquake plan, including an interim housing strategy. SPUR's report *On Solid Ground*, a product of our multi-year Resilient City initiative, contains recommendations on developing a recovery and governance structure.

2. Initiate a city-wide climate adaptation plan with specific recommendations for sea level rise.

In the next few years, the city must commit to tying its numerous climate adaptation projects — including the Ocean Beach Master Plan, sea level rise studies at Mission Creek and plans to retrofit the northern waterfront's seawall — together in a citywide adaptation plan that is driven by equity.

- a. **Fund the development of a citywide climate adaptation plan.** The plan should include policies, programs, incentives and other measures to bolster coastal resilience and keep people’s homes from flooding — with particular emphasis on the city’s most vulnerable communities and neighborhoods.

3. **Rebuild San Francisco’s sewer system.**

Parts of San Francisco’s sewer and rainwater management systems are over a hundred years old and in dire need of seismic improvement and expansion to serve the city’s growing populace. Meanwhile, as climate change proceeds, extreme rainfall and high heat are among the impacts that threaten liveability in parts of San Francisco. The city has been planning a major rebuild of the wastewater system for over 10 years. It’s time to implement a publicly visible plan that will respond to future climate change and make our city better in the meantime. Beyond just conveying rainwater and sewage out to the ocean as fast as possible, infrastructure improvements can create green streets and schoolyards and reduce flooding in neighborhoods.

- a. **Direct the San Francisco Public Utilities Commission to finalize and publish a cogent 30-year plan for improving sustainability and resilience across the city’s watersheds and wastewater system.** The strategy has been in development for years but has yet to be finished and made public.
- b. **Support the SFPUC’s efforts to develop a stormwater fee to more equitably pay for green infrastructure improvements.** Every property pays to use the city’s wastewater infrastructure based on their water usage and stormwater runoff. Charging properties for wastewater and stormwater separately would more accurately distribute costs according to usage of the system, and would create clear incentives to manage stormwater runoff onsite.
- c. **Retrofit and rebuild the Southeast Treatment Plant.** The next mayor should complete Phase 1 of the planned Sewer System Improvement Program, which will bring the city’s oldest and largest wastewater facility up to date and fulfill a decades-long promise to the Bayview Hunters Point community.

4. **Retrofit the seawall to protect the city.**

The three-mile long northern Embarcadero seawall is over 100 years old. It is one of the most seismically fragile and at-risk pieces of infrastructure in the entire Bay Area. In 2015, the Port of San Francisco launched a program to identify improvements for the seawall. It found that immediate life-safety upgrades may exceed \$500 million, and full infrastructure improvements may cost up to \$5 billion.

- a. **Pass the bond to fund the first phase of work.** A \$350 million to \$500 million bond will appear on the San Francisco ballot in

November 2018. The next mayor should be a leader in campaigning for its passage.

- b. **Put a funding plan in place to raise the rest of money needed for the seawall.**

Fiscal Health and Good Government

San Francisco is at the end of one of the longest economic expansions in the last century, which has translated into low unemployment and booming city coffers. The city’s budget grew from \$6 billion to \$10 billion over 10 years. But in spite of this growth, San Francisco faces looming shortfalls, primarily because of health care costs for current and retired city employees. The next mayor will have to deal with these costs — and almost certainly lead the city through a recession. The decisions the city makes will determine how we get through these financial pressures and how we provide the services that the public depends on.

	FY 18-19	FY 19-20	FY 20-21	FY 21-22
REVENUES	\$235	\$511	\$360	\$489
EXPENSES				
Baselines & Reserves	(\$84)	(\$118)	(\$164)	(\$191)
Salaries & Benefits	(\$113)	(\$261)	(\$411)	(\$531)
Citywide Operating Budget Costs	(\$51)	(\$153)	(\$210)	(\$283)
Departmental Costs	(\$26)	(\$77)	(\$97)	(\$136)
TOTAL EXPENSES	(\$273)	(\$610)	(\$881)	(\$1,141)
Project Cumulative Surplus/(Shortfall)	(\$38)	(\$99)	(\$521)	(\$652)

FIGURE 4

Projected Budget Surplus or Shortfall (in millions)

City expenses are projected to outpace revenues in the next four years, with a cumulative budget shortfall of \$652 million by fiscal year 2021–22.

Source: Controller’s Office memorandum update to the city’s financial plan: <http://sfcontroller.org/sites/default/files/Documents/Budget/FY18-19%20through%20FY21-22%20Joint%20Report%20March%20Update%20FINAL.pdf>

1. Negotiate changes to retiree pension and health care benefits.

The city controller projects annual budget deficits of more than \$500 million, starting two years from now and growing thereafter. Meanwhile, the city’s long-term pension obligations are not fully funded. The mayor and city leaders will have to drive down the costs to close these gaps.

- a. **Convene a working group to negotiate a package of changes to health care and pensions.** The group should develop and propose further changes that will keep the pension and health benefits for retirees fair, allow for reasonable salary and benefit increases for current staff and also permit the city to maintain its financial health. This negotiation with the city’s public sector unions will be difficult, but it is essential to the functioning of the city.

2. Review the city's financial resiliency policies based on today's needs and future downturn scenarios.

San Francisco has made important reforms to prepare for the next economic downturn. After the last recession, the mayor and Board of Supervisors adopted resiliency policies on reserve requirements, multi-year budgeting, budget prioritization and use of debt. The mayor and board established caps on the amount of revenue that could be placed into the reserve funds so that reserves wouldn't be filled at the expense of current needs.

- a. **Update the controller's analysis of reserve needs based on different downturn scenarios and assumptions — and test if the city has sufficient reserves to meet those needs.** Based on the result of the analysis, the city may need to increase the reserve caps or take other steps to boost the reserves to an appropriate level.

3. Finish phasing out the payroll tax.

In 2012, voters approved Proposition E, which authorized the city to phase out the corporate payroll tax over several years and replace it with a gross receipts tax that varies by industry. Prop E required that the phase-out be revenue-neutral, so that revenue raised by the new gross receipts tax could be used to fully retire the payroll tax. However, the gross receipts revenues have come in lower than expected and the next mayor faces an estimated \$230 million shortfall unless the gross receipts tax rates are raised.

- a. **Initiate a process to renegotiate the gross receipts tax rates and fully phase out the payroll tax.** The next mayor will need to develop a ballot measure that would adjust the gross receipts rates and make up for the tax shortfall. The mayor should shepherd the process using the same deliberate, collaborative, big-tent approach that Mayor Lee used to develop the initial tax measure. This ballot measure would ideally be on the ballot in 2020, when the city has more data on tax revenues and a better understanding of appropriate rates for each industry.

4. Reform the ballot initiative process.

The ballot initiative is an important part of California's progressive history, but the process is being abused. While San Francisco voters will weigh in on just nine local measures this June, they had to decide 25 local measures during the "ballot-pocalypse" of November 2016. Many of those proposals did not need to be on the ballot; ballot initiatives have become a way for politicians to build name recognition and short-circuit the give and take of the legislative process. This abuse of the ballot confuses and overwhelms voters and, in some cases, locks in city policy with language that cannot be amended over time. We need to reform the process to give elected leaders a chance to do their jobs.

- a. **Initiate a ballot measure to raise the threshold for adding ordinances and policy statements to the ballot.** Today, as few as

four supervisors or the mayor alone can add ordinances and policy statements directly to the ballot. The measure should amend the City Charter (Sections 2.113 and 3.100) to require a normal legislative process in order to place something on the ballot — in other words, approval from a majority of the Board of Supervisors and the mayor. This change forces the Board of Supervisors and the mayor to engage in the same rigorous debate and negotiation they do for all lawmaking before putting a question to the voters.

Through research, education and advocacy, SPUR promotes good planning and good government in the San Francisco Bay Area. We are a member-supported nonprofit organization.

Join us.

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