SPUR | VOTER GUIDE

SAN FRANCISCO MARCH 2020 | Local ballot analysis and recommendations

PROP A
City College Facilities Bond
VOTE YES

PROP B
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VOTE YES

PROP C
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VOTE YES

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VOTE YES

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VOTE NO

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SPUR provides in-depth analysis and recommendations on San Francisco local ballot propositions for the March 3, 2020, election.

The goal of the SPUR Voter Guide is to provide objective analysis and advise voters on which measures will deliver real solutions. We evaluate measures based on two sets of factors:

Outcomes

- Will the measure make the city better?
- Do the positive impacts of the measure outweigh any negative impacts?

Process

- Is it necessary and appropriate to be on the ballot?
- Is it written in a clear and straightforward way?
- Will it be implementable?
- Does the measure make it easier or harder to make future governance and management decisions?

SPUR's Ballot Analysis Committee heard arguments from both sides of the issues, debated the measures' merits and provided recommendations to our San Francisco Board of Directors. The board then voted, with a 60 percent vote required for SPUR to make a recommendation.

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IDEAS + ACTION FOR A BETTER CITY

SPUR promotes good planning and good government through research, education and advocacy.

We are a member-supported nonprofit organization.

SPUR's San Francisco Board of Directors debated and adopted these recommendations on December 12, 2019.

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A City College Facilities Bond

City College Job Training, Repair and Earthquake Safety Measure

Authorizes City College of San Francisco to issue $845 million in general obligation bonds for new construction and building upgrades across campus facilities.

VOTE YES

WHAT THE MEASURE WOULD DO

This measure would allow City College of San Francisco (CCSF) to sell $845 million in general obligation bonds to fund new building construction and upgrades across a range of campus facilities.

Prop. A focuses on CCSF's main Ocean Campus, which hasn't seen major renovations since the 1970s. Here, the district would prioritize the construction of a new science, engineering, arts and mathematics center, a new performing arts theater, a child care facility and a new student union. Renovations are planned for several existing academic buildings, including lighting upgrades, replacing heating and plumbing systems and repairing classrooms. The bond proceeds would also fund projects at other CCSF campuses across the city, including the renovation and expansion of a workforce training facility in the Bayview, upgrades to the buildings at 750 Eddy Street and general facility improvements across all campuses.

The bonds would be repaid by increasing property taxes by 1.1 cents per $100 of assessed real property values for 30 years. If the measure passes, an owner of a $1 million home would expect to pay an additional $110 a year. The measure would create a citizens' oversight committee to monitor and report on expenditures of the funds. The bond would be used for capital and infrastructure improvements only and not for salaries, operating expenses or pensions.

THE BACKSTORY

City College of San Francisco was founded in 1935 and is one of the largest community colleges in the nation, serving more than 65,000 full- and part-time students across 45 academic programs. Many of CCSF's academic and administrative buildings are at its Ocean Campus, located in Ingleside. Other campuses and facilities are located across the city, including in the Mission, Chinatown, Bayview Hunters Point and Fort Mason.

Most of the Ocean Campus buildings are over 40 years old, and CCSF has more than $450 million in deferred maintenance needs on that campus alone. According to a 2016 survey by the State Chancellor's Office, 70% of the buildings are in either "poor" or "very poor" condition.[1]

CCSF has raised revenue for past facilities upgrades through several previous bond measures. A $195 million bond in 2001 and a $246 million bond in 2005 raised revenue to complete construction of new campuses in the Mission and Chinatown/North Beach and to build a child development studies facility and a biotechnology lab, among other projects. Prior to these bonds, CCSF had not completed major facilities upgrades in 18 years, and the district has not issued another bond measure since. CCSF reports that 95% of prior bond revenues have been spent or assigned to planned projects. In 2019, CCSF completed a facilities master plan that evaluated existing facilities and laid out 10 years of needed construction and maintenance programs. The projects that would be funded by this bond align with the priorities set out in the master plan, and CCSF plans to complete the full scope of master plan projects with future bond measures.

The City College Board of Trustees voted unanimously to place Prop. A on the ballot. Because it is a special district tax measure, state law requires 55% voter approval to pass.

FOOTNOTE

[1] *CCSF 2019 Facilities Master Plan, https://www.ccsf.edu/dam/Organizational_Assets/About_CCSF/Admin/facilities_planning/2017FMP/20190318/FMP_03182019_2ExistingConditions.pdf*

A City College Facilities Bond

PROS

- The measure focuses on funding for new facilities that would train students for jobs in science, engineering and health sciences. This would increase CCSF's competitiveness and better serve students in a changing job market.
- The measure would expand vocational and skills-based training programs in the Bayview and other neighborhoods. Such programs have been virtually eliminated from the public school system, which means that community colleges now play a critical role in providing this type of job training.

CONS

- It would be a better fiscal practice to request bond authorization on a regular basis rather than wait so many years and make such a large request. This would help manage the cost of issuing bonds, as well as allowing the district to better maintain its facilities on an ongoing basis.
- The City and County of San Francisco has a policy to keep the property tax rate below 2006 levels by issuing new bonds only as older ones are retired and the tax base grows (see page 5 for more on this). While this policy does not apply to CCSF, the district should coordinate its bond measure cycles with those of other San Francisco bonds to keep the overall tax burden low.

SPUR'S RECOMMENDATION

There are good reasons to question this measure. It is a large bond request after a 14-year hiatus; cycling bonds more often would help CCSF stay on top of maintenance needs and could save voters money over time. Voters may be understandably skeptical about approving such a large bond in light of concerns over CCSF's accreditation crisis, historical management challenges, budget and enrollment.

However, SPUR recognizes that building upgrades are decades overdue and that investments in new academic facilities are critical to CCSF's success. In a rapidly changing and inequitable economy, San Francisco must continue to invest in the success of CCSF and the opportunities it provides.

Vote YES on Prop A.

B Earthquake Bond

Earthquake Safety and Emergency Response Bond

Authorizes $628.5 million in general obligation bonds to retrofit emergency management facilities and infrastructure to make them resilient to earthquakes.

VOTE YES

WHAT THE MEASURE WOULD DO

This measure would allow San Francisco to sell $628.5 million in bonds to finance the construction, acquisition, improvement and seismic retrofitting of the city's emergency management infrastructure, including fire and police facilities and the 911 call center. The ultimate uses of the bond revenues would be determined if the measure passes, but the city has identified the following possible uses:

- $275 million for seismically upgrading select neighborhood firehouses and replacing the Treasure Island firefighter academy and training facility
- $153.5 million to fund upgrades to the city's Emergency Firefighting Water System
- $121 million to support seismic upgrades to district police stations and other police facilities
- $70 million for seismic improvements to other disaster response facilities
- $9 million to fund an expansion of the Department of Emergency Management's 911 call center

This bond would generate approximately $40 million each year to be spent on these potential uses. It would be funded through property taxes at the rate of 1.5 cents for every $100 of assessed property value for 30 years (equivalent to $150 a year for a $1 million home). It would not raise taxes above today's levels, because it would be part of the city's capital planning program, which holds property taxes steady at the 2006 rate. The city achieves this by only issuing new bonds as older ones retire and the tax base grows. This measure would require annual reporting on expenditures by a citizens' oversight committee, as well as periodic public reporting and the creation of a website describing bond projects and progress.

THE BACKSTORY

There is a 72% likelihood that a major earthquake (6.7 magnitude or greater) will strike the Bay Area within the next 25 years. San Francisco's emergency response system depends on a citywide network of critical infrastructure, including first responder facilities, cisterns, water pipes, disaster response shelters and more.

This bond would extend the Earthquake Safety and Emergency Response (ESER) bond program, which began in June 2010 with voter approval of a $412 million bond and continued in June 2014 with voter approval of a $400 million bond. All of the authorized 2010 and 2014 bonds have been sold and put to use.

Prop. B was placed on the ballot by a majority vote of the Board of Supervisors and the signature of the mayor. As a bond measure, it requires a two-thirds majority to pass.

B Earthquake Bond

PROS

- The projects that would be funded by Prop. B would improve San Francisco's ability to respond to — and recover from — a major disaster. Efficient disaster response can save lives, reduce injuries and limit property damage.
- This measure is part of a long-planned capital improvement program that was developed to sequence investments at a level that the city can afford, without a property tax increase.
- Prop. B would improve the fair distribution of city services by extending San Francisco's high-pressure firefighting water system to neighborhoods it does not currently serve. In addition, this extension would provide a backup emergency supply for the drinking water distribution system.
- This measure would help support public health by retrofitting certain community facilities to provide multiple disaster-related services, including shelter, cooling and clean air.

CONS

- This measure does not specify which or how many facilities would be retrofitted for $628.5 million. As a result, we don't know how much closer this level of investment would bring the city toward its overall seismic performance targets.
- Earthquakes are just one hazard the city faces; in a world of growing risks to the built environment from climate change, a major public bond program should invest in resilience to multiple hazards, not just earthquakes. San Francisco also needs safety from flooding, extreme heat, power service interruption and more. There is currently no bond program dedicated to retrofitting our public infrastructure to protect from these hazards.

SPUR'S RECOMMENDATION

SPUR believes that seismic preparedness is a public health and safety issue deserving of public investment. That's why we supported both the 2010 and 2014 ESER bonds, which have funded:

- A vulnerability assessment of all 44 neighborhood firehouses and retrofits to 37 of them, including three full replacements
- Upgrades to the firefighting water system, including water supply retrofits and the construction of 30 new cisterns around the city
- Renovations and upgrades to nine of 12 district police stations and the construction of the brand-new Public Safety Building in Mission Bay

While debating the merits of Prop. B — the third, and by far the largest, bond in the city's 10-year capital program — the SPUR Board of Directors wished for more details on how the money would be spent, how much total investment in the seismic performance of disaster facilities is needed and how much further along this relatively large bond would get the city toward its seismic safety targets. However, we also recognize that complete seismic and disaster safety is not an achievable end state: Building codes and engineering standards change, policies change, and human knowledge regarding best practices in disaster management grows with each event. San Francisco and other cities will probably always need to invest in catching older buildings up to modern codes and maintaining infrastructure in a state of good repair. This bond would complete the program envisioned in the 10-year capital plan and would address many or most of the critical risks to emergency management infrastructure that the city identified after the Loma Prieta earthquake. SPUR has a considerable body of work on seismic safety,[1] and we have long supported San Francisco's earthquake safety programs, targets and goals. We continue to believe that significant reinvestment in lifeline public infrastructure is a critical priority.

Vote YES on Prop B.

FOOTNOTE

[1] *See: https://www.spur.org/featured-project/resilient-city*

C Retiree Health Benefits

Retiree Health Care Benefits for Former Housing Authority Employees

Extends San Francisco's retiree health benefits to former employees of the San Francisco Housing Authority.

VOTE YES

WHAT THE MEASURE WOULD DO

This measure would amend the San Francisco City Charter to provide retiree health care benefits to employees of the former San Francisco Housing Authority, which was absorbed by the City and County of San Francisco in 2019. To qualify, an employee would need to have begun work for the city after March 7, 2019, and before March 1, 2021, without a break in service between employment with the Housing Authority and employment with the city.

If the measure passes, approximately 25 former Housing Authority employees who now work for the city would qualify for retiree health benefits. The City Controller estimates an increased cost to the city of approximately $80,000 spread over many years. If it does not pass, former Housing Authority employees would have to start from zero in accruing retiree benefits, negatively impacting their ability to retire.

THE BACKSTORY

The San Francisco Housing Authority (SFHA) was jointly established by the San Francisco Board of Supervisors and the State of California in 1938. Until recently, the SFHA operated independently of the city and managed both public housing and the federal Section 8 voucher program (also known as Housing Choice Vouchers) for more than 20,000 San Francisco residents. The Department of Housing and Urban Development (HUD) requires at least 30% of Housing Authority employees to be public housing residents or very-low-income earners (defined as earning 50% or less of the area median income).[1]

SFHA has faced mounting financial and management challenges in recent years. In 2012, the agency was deemed "troubled" after a federal audit revealed a number of concerns, including a backlog of deferred maintenance on its properties. In 2013, then-Mayor Ed Lee led efforts to reorganize the agency, including the transfer of SFHA public housing properties into management by nonprofit housing organizations. In 2018, SFHA again came under scrutiny after discovering a $29.5 million budget shortfall due to accounting errors. Finally, in March 2019, HUD informed SFHA that it was in default on several contracts.[2] HUD requested that the City and County of San Francisco assume responsibility for SFHA's essential functions and contract with a third party to oversee programmatic and financial administration.[3]

Today, SFHA is under control of the city and is called the Housing Authority of the City and County of San Francisco.[4] The transition affected 90 employees represented by the Service Employees International Union, 25 of whom ultimately transitioned to employment with the city.[5] The measure is a result of negotiations between the city and the union over how to provide retiree benefits to these new city employees. If the proposed charter amendment passes, these 25 employees would be eligible for retiree health care benefits based on the date they began working at SFHA, not the date they began working for the city. The Service Employees International Union supports the measure.

In San Francisco, city retiree benefits are based on length of employment and the year in which an employee started working. Prior to 2009, all employees were eligible to receive fully paid health benefits upon retirement if they worked for at least five years. They received these benefits even if they changed employers and ultimately retired from another organization.

FOOTNOTES

1 *HUD, "Section 3 Brochure," https://www.hud.gov/program_offices/fair_housing_equal_opp/section3/section3brochure*

2 *Joshua Sabatini, "SF Preparing to Assume Control of Troubled Housing Authority in Face of Federal Takeover Threat," San Francisco Examiner, March 8, 2019, https://www.sfexaminer.com/news/sf-preparing-to-assume-control-of-troubled-housing-authority-in-face-of-federal-takeover-threat/*

3 *Adam Brinklow, "San Francisco Must Take Over Troubled Housing Authority," Curbed San Francisco, May 8, 2019, https://sf.curbed.com/2019/3/8/18256742/san-francisco-housing-authority-takeover-assistance-federal-government*

4 *SPUR supported a reorganization of the SFHA similar to this in our 2013 report, Re-Envisioning The San Francisco Housing Authority, https://www.spur.org/publications/white-paper/2013-06-24/re-envisioning-san-francisco-housing-authority*

5 *It is possible that additional SFHA staff could transition to city employment before March 2021 and be covered by this measure.*

C Retiree Health Benefits

In 2008, voters approved Prop. B, which changed the retiree benefits calculation for city employees hired in 2009 or later. Under the new policy, employees who began working at the city prior to 2009 retain the previous benefits package. Employees who began working after 2009 receive between 50% and 100% of the full retiree benefits subsidy based on their years of service. Prop. B made another significant change: The years-of-service calculation only applies for consecutive years of employment with the city and only if the employee ultimately retires from the city. All employees affected by this year's Prop. C would receive benefits based on the year they were hired by SFHA and how long they have been employed by both the SFHA and the city combined.

The Board of Supervisors unanimously voted to place Prop. C on the ballot, and Mayor Breed is a co-sponsor. Because it amends the City Charter, the measure must appear on the ballot. It requires a simple majority (50% plus one vote) to pass.

PROS

- This measure would prevent serious impacts to a small number of employees at little financial cost to the city.
- This measure would provide critical retirement support to current and former public housing residents and low-income earners, some of whom are reaching retirement age and would have difficulty finding employment elsewhere.

CONS

- The Ballot Analysis Committee could not identify any downsides to this measure.

SPUR'S RECOMMENDATION

The eligibility of approximately 25 employees for retiree health benefits may seem like a small matter to take to the voters, but because eligibility is defined in the City Charter, there is no other way to modify the rules. Prop. C would prevent long-time Housing Authority employees from having to start at zero in accruing retiree benefits, increasing the likelihood that they will be able to retire. This is a matter of enormous consequence for the affected employees, who include current and former public housing residents and very-low-income earners. Both the population at risk and the small financial cost to the city make this measure worthy of support.

Vote YES on Prop C.

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so we can help you navigate
the elections of **tomorrow.**

D Vacancy Tax

Vacancy Tax

Establishes a graduated annual tax on vacant commercial properties in certain areas of San Francisco.

VOTE YES

WHAT THE MEASURE WOULD DO

This measure would levy an annual tax on owners of commercial spaces that have been vacant for more than six months of a tax year[1]. Beginning in tax year 2021, the tax would be calculated based on a building's frontage (the total length of commercial space facing the street) and the amount of time the commercial space is vacant.

The tax would be $250 per linear foot of frontage in the first tax year the vacancy occurs. The tax would rise to $500 per linear foot for vacancies that occur in two consecutive tax years and to $1,000 per linear foot for vacancies that occur in three or more consecutive tax years. The tax would apply to commercial properties in neighborhood commercial business districts and commercial transit districts. This designation would include areas like Divisadero Street in NoPa, Taraval Street in the Sunset neighborhood and 24th Street in Noe Valley.

The measure lays out the following exceptions to calculating vacancy:

- The period after a property owner has applied for a permit for repair, rehabilitation or construction would not count toward a commercial space's vacancy (but could not exceed one year).
- The one-year period after the city issues a permit for repair, rehabilitation or construction would not count toward a commercial space's vacancy.
- The 183-day period after a property owner applies for a conditional use permit would not count toward a commercial space's vacancy. If the Planning Commission has not granted or denied the permit within 183 days, this period could extend up to December 31 of the year the application is filed.
- The two-year period following the date that a commercial space is severely damaged because of fire or natural disaster would not count toward the space's vacancy.

The tax would apply to city-owned properties, but nonprofit organizations would be exempt. Because Prop. D is an excise tax, it could be passed on to tenants, but the measure includes an exemption to protect tenants who go out of business. If a tenant or subtenant has kept a commercial space in use for more than six months during a lease of at least two years but then goes out of business, they would be exempt from paying the tax for the remainder of their lease.

Revenue generated by the tax would go into the Small Business Assistance Fund to support the maintenance and operation of small businesses in San Francisco. The measure would require the City Controller's Office to submit an annual report that details the revenue generated by the tax and the expenditures of the fund. The Board of Supervisors could amend the measure to lower the rate with a two-thirds majority vote.[2]

THE BACKSTORY

Nearly every neighborhood commercial district in San Francisco struggles with vacant storefronts, despite a remarkable period of sustained overall economic growth in the city. The full picture of commercial vacancy is complicated because the city has incomplete information against which to compare anecdotal observations and complaints. Vacancy rates of commercial properties are not currently tracked citywide, although the Office of Economic and Workforce Development (OEWD) measures storefront vacancies across 24 commercial corridors on a biannual basis, and the U.S. Postal Service tracks undeliverable mail at vacant business addresses on a census-tract level. The

FOOTNOTES

1 *The measure defines "vacant" as unoccupied, uninhabited or unused for at least 183 days, whether consecutive or nonconsecutive, in a tax year.*

2 *State law requires that amendments to increase or extend local taxes be approved by the voters. However, amendments to lower a local tax may be passed legislatively. See: California Constitution, Article XII C.*

D Vacancy Tax

Department of Building Inspection maintains a registry of vacant buildings, including commercial space, which is self-reported.[3] Although commercial broker reports show low and stable vacancy rates city-wide, these rates vary widely between neighborhoods (from 1% to as much as 24%). More recent data from OEWD indicate that from 2015 to 2017, vacancy rates in about a third of neighborhood commercial districts rose by at least 2%.[4]

Prop. D seeks to address one reason behind neighborhood commercial vacancies: landlords who intentionally keep properties vacant to wait for a higher-paying tenant. The measure's author, Supervisor Peskin, points to examples in North Beach in particular, where vacancies have increased and long-time businesses have struggled to stay open. A recent OEWD report named landlords who hold out for higher rents as a possible reason for some long-term vacancies in certain districts, but it is unclear if the trend is widespread across the city.[5]

Aside from landlords, commercial vacancies in San Francisco can be caused by a number of other factors, including high rents, the cost of construction, the lengthy process to get a construction permit, the city's seismic retrofitting requirement and rules around chain stores, among others. Importantly, retail vacancies are on the rise in cities across the country as the traditional retail, personal service and restaurant industries change.[6] In San Francisco, private sector employment has grown by 32% since 2001, while brick-and-mortar retail employment has declined by 12%. Retail employment has declined by 8% since 2015 alone. On top of that, most small businesses agree that city processes are a major hurdle to filling vacancies and opening doors.[7]

The city has recently responded to commercial vacancies by increasing funding for small business assistance and implementing process reforms. Legislation passed in 2019 streamlined the permitting process, eliminated duplicative inspections and relaxed some restrictions around opening new lines of business in existing storefronts, such as serving coffee in laundromats or adding nighttime bar service at a daytime coworking space. Property owners are now required to register vacant properties with the Department of Building Inspection within 30 days of the space becoming vacant and to pay a $711 fee. Failure to register results in a further penalty of $2,844.[8]

This measure was placed on the ballot by a vote of eight supervisors. As a dedicated tax, it requires a two-thirds majority to pass.

PROS

- Prop. D is the result of an iterative process that included feedback and amendments from the small business community, neighborhood districts and city agencies.
- The measure includes exemptions to protect small businesses from paying the tax, including resetting the months of vacancy to zero when a new tenant signs a lease agreement with a property owner and allowing an exemption if a tenant goes out of business during their lease term.
- By creating a generous grace period before the onset of the tax, Prop. D is designed to protect landlords acting in good faith.
- The tax amount would probably be high enough to change behavior. Average frontage for neighborhood commercial properties is 25 feet, meaning a property in its third year of vacancy would face a $25,000 tax.
- Prop. D tax revenue would be appropriately tied to programs that help small businesses fight the impacts of neighborhood commercial vacancies.
- The tax could be amended legislatively in the future by the Board of Supervisors.

FOOTNOTES

[3] *A recent Budget and Legislative Analyst report found that these methods are likely underreporting vacancies across the city. See: https://sfbos.org/sites/default/files/BLA_Report_Commercial_Vacancies-011618.pdf*

[4] *OEWD, State of the Retail Sector: Challenges and Opportunities for San Francisco's Neighborhood Commercial Districts, Feb. 15, 2018, p. 14, https://oewd.org/sites/default/files/Invest%20In%20Neighborhoods/State%20of%20the%20Retail%20Sector%20-%20Final%20Report.pdf*

[5] *OEWD, State of the Retail Sector: Challenges and Opportunities for San Francisco's Neighborhood Commercial Districts, Feb. 15, 2018, p. 60*

[6] *Ibid.*

[7] *Ibid.*

[8] *See: https://sfdbi.org/vacantstorefront*

D Vacancy Tax

CONS

- Prop. D includes few details on implementation and could be challenging to enforce among the Tax Collector, the Department of Building Inspection, OEWD and other city agencies.
- The measure does not include an exception in the event of a recession.
- The measure does not include an appeals process to provide relief for those landlords unfairly taxed or experiencing hardship.
- This measure could unfairly impact property owners who don't have the resources needed to navigate city processes, fund required retrofits or otherwise bring their properties into active use.
- It's hard to know what percent of vacancies are due to landlords intentionally holding units vacant versus other factors like online shopping, the cost of labor or permitting barriers. It is therefore unknown how many vacancies this might resolve relative to other, less-penalizing solutions the city is working on.

SPUR'S RECOMMENDATION

Commercial vacancies hurt San Francisco neighborhoods. It's clear that there are a number of reasons behind vacancies and that speculative landlords are just one part of the problem. Small business owners, landlords, district supervisors and city staff all agree that major reform of city processes is needed to help fill vacant commercial space. Supervisor Peskin is committed to a package of legislation in the coming months that will provide business fee relief, more flexibility and streamlined processes. In concert with these other important changes, Prop. D could be an effective tool to push property owners to put their buildings into active use. The tax is certainly imperfect, but it has been thoughtfully tailored to protect small businesses and landlords who are acting in good faith. Importantly, the Board of Supervisors could revisit the tax and amend it as circumstances change.

Empty storefronts are bad for cities. They impact safety and threaten the physical and social cohesion of neighborhoods. SPUR hopes that Prop. D sparks a reimagining of how to plan for commercial space in San Francisco. The city needs a comprehensive effort to reform zoning, tackle the broader changes to retail, address barriers to opening small businesses and double down on the work to create dense, walkable neighborhoods — the places where businesses and people want to be.

Vote YES on Prop D.

E Limits on Office Development

Limits on Office Development

Links the approval of new office development to the construction of affordable housing and changes the Planning Commission's criteria for approvals.

VOTE NO

WHAT THE MEASURE WOULD DO

Prop. E proposes amendments to existing citywide limits on new office development. It would link the amount of new office space that can be approved annually in San Francisco to the city's performance on building new affordable housing. It would allow projects that provide affordable housing and space for community arts or local retail, particularly in the Central SoMa neighborhood, to proceed sooner by borrowing from future allocations. The measure would also change the city's criteria for approving new office development.

San Francisco currently limits the total amount of new office construction that can be approved each year to 950,000 square feet, a program commonly known as Prop. M after the 1986 ballot measure of that name.[1] Of this, 75,000 square feet is reserved for projects between 25,000 and 50,000 square feet (called the "small cap"), while 875,000 square feet is reserved for office buildings greater than 50,000 square feet (called the "large cap"). Any office development less than 25,000 square feet is exempt from the cap.[2] If the Planning Commission does not allocate the full cap amount in one year, the remaining square footage accrues to future years.

Prop. E would link the amount of office construction allowed in the large cap category to the amount of affordable housing that began construction in the prior calendar year. More specifically, the 875,000-square-foot large cap would be reduced by the same percentage that San Francisco is falling short on meeting its affordable housing goals. (California sets a housing goal for each city in the state through a process called the Regional Housing Needs Allocation, or RHNA.) For example, if San Francisco produces only 50% of its affordable housing goal one year, then the city can only approve 50% of the 875,000 square feet in the large cap category the following year.

The measure would also limit the amount of large cap office space that may be allocated in the Central SoMa neighborhood to 6 million square feet until at least 15,000 new housing units are produced in the larger South of Market area.

Two categories of projects would be treated differently:

1. The measure has created a 1.7-million-square-foot **Central SoMa Incentive Reserve** in order to enable six specific office projects already in the pipeline to move forward. This reserve would be separate from the large cap category in the year of approval but would borrow square footage from future large cap allocations. Prop. E establishes a set of criteria to allow these already-negotiated deals to proceed: All submitted their preliminary applications before September 11, 2019, and each provides one of the following public benefits: dedicating land of more than 10,000 square feet for affordable housing, reserving at least 10,000 square feet for nonprofit arts groups or local retail at below-market rent for 30 years or funding and building a new or replacement public safety facility of more than 10,000 square feet in SoMa.
2. The measure would create an **Office Jobs/Affordable Housing Balance Incentive Reserve**, which would also allow certain projects to borrow against future large cap allocations. A project could access this reserve if it includes sufficient affordable housing to meet 100% of the affordable housing demand it would generate (meaning that it could house all of the people who would hold lower-wage jobs on the site). The city's current calculation would require 809 housing units per 1 million square feet of new office space.[3] Prop. E would mandate that this calculation be updated every five years, and it would require the affordable housing to be either on site or within a Community of Concern as determined by the Board of Supervisors.

Prop. E would also change the criteria that the Planning Commission must consider when approving office allocations.

FOOTNOTES

[1] *City and County of San Francisco, Planning Department, "Office Development Annual Limitation Program," https://sfplanning.org/office-development-annual-limitation-program*

[2] *Office development by the state or federal government is also exempt from the cap. However, the square footage of a federal or state office project does count toward the annual limit and could impact other office developments that are also seeking approval.*

[3] *The calculation comes from the city's Jobs Housing Nexus Analysis, May 2019.*

E Limits on Office Development

First, it would remove criteria related to the General Plan, design quality, anticipated uses of the project, the needs of existing businesses and the existing office supply's ability to meet those needs, proposed occupancy (single vs. multiple tenants) and the use of transferable development rights. It also would remove language in the planning code that bars the Planning Commission from considering how much a project sponsor pays into the city's housing or transit coffers.

Second, it would add new criteria for the Planning Commission to consider, including whether the project includes new affordable housing units that are on site or in a Community of Concern, as defined by the Board of Supervisors, whether the affordable units are required by a development agreement with the city, whether the project will produce 100% of the affordable housing demand it generates and to what extent the project includes community improvements beyond what is required.

The measure would also change the appeals body for office allocation applications linked with projects with a development agreement from the Board of Appeals to the Board of Supervisors.

THE BACKSTORY

Prop. M was passed in 1986 as the culmination of years of debate over the growth of downtown San Francisco and the role the city should play as a job center in the region. Between 1965 and 1982, the city's office space more than doubled. Much of this growth was within walking distance of the new BART and Muni Metro systems, which were built in part to accommodate the new workers downtown. These changes were significant, and not everyone embraced them. The downtown high-rise boom spurred a series of ballot initiatives by growth-control advocates, along with bitter case-by-case fights over new buildings and warring studies on the fiscal impacts of high-rises.

The 1985 Downtown Plan represented a "grand compromise" in the high-rise growth wars. It significantly shifted where new commercial buildings could go and what they could look like, while allowing San Francisco to create new jobs near transit and respond to global economic shifts toward a service and innovation-based economy.

The office cap was first included on an interim basis in the Downtown Plan and then permanently adopted by voters as Prop. M in 1986.[4] It was the first annual limit on office development in the United States.

During the real estate crash of the late 1980s and the recession of the early 1990s, few office developments went forward, and the amount of allowable office space accrued to several million square feet. In fact, the office cap was not likely a major limiting factor to new office development until the dot-com boom of the late 1990s. More recently, the office cap has again constrained new office projects: As of September 2019, there were more than 6 million square feet of pending large office projects that had applied for less than 25,000 square feet of allowable office space within the cap. An additional 900,000 square feet of proposed office projects are now going through the pre-application permitting process and will join the backlog.

Debate around Prop. M has recently resurfaced due to a confluence of factors. High-wage jobs have grown, and new housing construction has not kept pace, creating severe competition for housing and exacerbating displacement and homelessness. At the same time, one of the city's newest tools for addressing these challenges is currently hamstrung. The Central SoMa Plan, which creates new development opportunities near the planned SoMa Central Subway station, is anticipated to generate more than $2 billion in public benefits, including affordable housing. However, those benefits cannot move forward if several key office sites do not receive a large cap office allocation.

Prop. E is sponsored by TODCO, a nonprofit affordable housing owner and advocacy organization. TODCO was among several groups that sued and settled with the city over the Central SoMa Plan. After this measure was proposed, Mayor Breed introduced a competing measure, the Affordable Housing and Small Business Priority Reserve, which would have allowed for additional office allocations for projects that provide extraordinary public benefits. She later pulled this measure from the ballot.

As an amendment to Prop. M, which was passed at the ballot, Prop. E must go back to the voters for approval. Any future amendments to Prop. E would also need to go back to the voters. It was placed on the ballot with signatures and requires a simple majority (50% plus one vote) to pass.

FOOTNOTE

[4] *In 1985, in an effort to get the Downtown Plan approved by the Board of Supervisors, Mayor Dianne Feinstein's administration proposed an annual limit of office growth for three years based on an economist's projection of demand for 950,000 square feet of space per year. Feinstein's proposal would have expired in 1988 and could have been modified by the Board of Supervisors. However, in November 1986, voters approved Prop. M at the ballot, making the annual cap permanent and requiring voter approval for future modifications.*

E Limits on Office Development

PROS

- By tying the approval of new office space to San Francisco's affordable housing production, Prop. E could create additional political will and new allies for affordable housing funding.
- Prop. E would create a path forward for some developments that would bring a very high level of community benefits — including affordable housing — to Central SoMa, a key neighborhood for growth.
- The Bay Area's market for office development has evolved significantly over the past decade. Prop. E could benefit the region to the extent that any companies it pushes out of San Francisco choose to grow or settle in downtown Oakland, downtown San Jose or other transit- and pedestrian-oriented places.

CONS

- On its face, Prop. E promises to bring jobs and affordable housing into balance. While that is a reasonable goal, it would not create resources to produce affordable housing. All it could do is reduce future office development. In fact, reducing office development would also reduce impact fees that pay for affordable housing — precisely the opposite of the measure's goal.
- Downtown San Francisco/SoMa is one of the best locations in the region for jobs. Because the area is served by the highest-capacity transit, far fewer workers commute by car to these jobs, which reduces congestion, greenhouse gas emissions and air pollution. While we hope that businesses that cannot locate or stay in San Francisco choose to take root in downtown Oakland, downtown San Jose or other locations near regional transit, that hasn't been the case historically. Between 2010 and 2015, the vast majority of office space in the region was built more than a half mile away from regional transit.[5]
- Today, small businesses and nonprofits already struggle to compete with well-capitalized technology companies for office space in San Francisco.[6] If office development does not keep pace with demand, rents could increase further, making this pressure even worse. As a result of this measure, San Francisco could end up with a less diversified economy that is more vulnerable to economic downturns.
- The City Controller's Office projects that Prop. E would reduce the city's projected future gross domestic product by 8.5%, a loss of $23 billion over the next 20 years.[7] Impacts include reduced funding for affordable housing and less growth in property tax revenues and gross receipts tax revenues, both of which help fund social services and public infrastructure like parks and transit.
- Prop. E would radically change the Planning Commission's criteria for weighing office approvals, replacing objective criteria with subjective considerations and essentially making the approvals process "pay to play" for project sponsors. While this could result in additional benefits for the public, it is less transparent and less fair in the long run.
- Housing development takes many years, and the state designs its RHNA housing targets to be met over eight years. By pegging commercial development and affordable housing development to one-year time frames, this measure seems set up to ensure that San Francisco fails to meet its goals, particularly given the city's past track record and the significant increases to RHNA targets that are expected in the coming years.[8]

FOOTNOTES

[5] *SPUR, Rethinking the Corporate Campus, 2017, page 20, https://www.spur.org/sites/default/files/publications_pdfs/SPUR_Rethinking_the_Corporate-Campus.pdf*

[6] *Groups including Community Vision (formerly the Northern California Community Loan Fund), Northern California Grantmakers and several city departments work on fighting the displacement of nonprofits and small businesses through technical assistance, real estate advice and financial programs. See: https://communityvisionca.org/sfsustainability/ and https://ncg.org/nonprofit-displacement-project*

[7] *City and County of San Francisco, Office of the Controller, Office of Economic Analysis, Tying Office Development to Affordable Housing Production: Economic Impact Report, January 27, 2020, https://sfcontroller.org/sites/default/files/Documents/Economic%20Analysis/balanced_development_economic_impact_final.pdf*

[8] *According to the Planning Department, from 2015 to 2018, San Francisco produced between 35% and 69% of its RHNA goals. After 2023, we anticipate RHNA numbers to be significantly larger due to state legislation that has changed how the state develops projected need.*

E Limits on Office Development

SPUR'S RECOMMENDATION

While SPUR agrees that the city and region have not figured out how to grow gracefully, we resist this measure's presumption that limiting job growth will make San Francisco more affordable. Prop. E would not create new affordable housing and would likely decrease an existing source of affordable housing funding. In addition, by limiting the supply of commercial space, this measure would continue to increase office rents and force out small businesses, nonprofits and companies that employ middle-wage workers.

SPUR believes that a mix of commercial and residential growth is important to the health of a community, and we recognize how much more work San Francisco must do to build affordable housing. However, we believe that it makes more sense to seek a balance of jobs and housing at the regional level. Today's economy and housing market are regional. People often change jobs within the region without moving, or they move to new homes without switching jobs.

We believe that far better ways to address the challenges facing San Francisco are to build more housing across the region that is affordable to middle- and lower-income households, to invest more in the infrastructure and services that meet the needs of people who live and work in San Francisco and to focus on lifting up those left out of the Bay Area's economic boom.

Vote NO on Prop E.

SPUR

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