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<b>Legislative Review:</b>	BOS File #240901 Impact Fees for Changes of Use From Production, Distribution, and Repair to other Non-Residential Uses
<b>Sponsor:</b>	Mayor
<b>Date Introduced:</b>	9/17/24
<b>Scheduled for BOS Committee:</b>	Land Use and Transportation Committee

**Legislative Overview:** This legislation removes impact fees for projects that change use from production, distribution, and repair (PDR) uses, such as manufacturing or industrial uses, to a different non-residential use when there is no change in the building footprint.

#### **Amendments to Current Law**

Impact fees apply in some neighborhoods when a property changes away from a manufacturing or industrial type use and are generally in place to offset increased demands on San Francisco's public services and infrastructure due to new development. The legislation waives impact fees associated with commercial projects that are changing from a PDR use to other non-residential uses, where there is no change in square footage of the space (no building expansions or additions).

This legislation would impact businesses located primarily in industrially zoned areas including the Eastern Neighborhoods Area (Mission District, Central Waterfront, SOMA, Showplace Square) and Bayview Hunters Point.

#### **Background, Issues, and Considerations**

PDR uses include, but are not limited to: Industrial and Agricultural Uses, Ambulance Services, Animal Hospital, Automotive Service Station, Automotive Repair, Automotive Wash, Arts Activities, Business Services, Catering, Commercial Storage, Kennel, Motor Vehicle Tow Service, Livery Stable, Parcel Delivery Service, Public Utilities Yard, Storage Yard, Trade Office, Trade Shop, Wholesale Sales, and Wholesale Storage.

Examples of the wide variety of businesses that have paid significant impact fees include health centers, biotech lab, daycare facilities, a dance studio, breweries, a chocolate maker and retailer, and a restaurant. This legislation can assist future businesses like those.

Who benefits from or will be burdened by your proposal (geographically, ethnically, linguistically)? What are your strategies for advancing racial equity or mitigating unintended consequences?

- This legislation cuts start up costs for businesses opening in industrially zoned areas. There are only a handful of businesses each year that are assessed impact fees for changing from PDR uses. In those examples, the impact fees have been significant, costing up to \$200,000.
- There are some concerns that a loss of PDR zoning will contribute to gentrification and eliminate blue collar jobs.

What was the development process of this proposal? Whose input have you sought out? What feedback did you hear and did you incorporate it into this proposal? If not, why not?

- This legislation was developed in response to businesses who reported paying high impact fees to open.
- The Office of Small Business met with the Mission Economic Development Agency (MEDA), Mission Creek Business Association (formerly NEMBA) and SF Made to review this proposal. MEDA has ongoing concerns about the impact that this may have on declining PDR uses, and was concerned that incoming businesses would not be neighborhood serving. SF Made understood the goal of this legislation and took no position on it. Mission Creek Business Association supports this proposal.
- Outreach on the legislation will continue.

Is this proposal punitive or enforcement based? What are the other alternatives for proactive compliance?

- This proposal removes a punitive fee.

Given the diversity of San Francisco, how would this policy play out in different cultural settings? How does it accommodate cultural norms?

1. This proposal will help reduce the up front cost of running a business. Past examples of businesses who were assessed impact fees show that there a wide variety of business types that would benefit from this legislation moving forward.