THIS PRINT COVERS CALENDAR ITEM NO. : 12

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY

DIVISION: Chief of Staff

BRIEF DESCRIPTION:

Requesting that the SFMTA Board of Directors recommend that the San Francisco Board of Supervisors approve the legislation establishing the Transportation Sustainability Fee ("TSF") as a revenue measure that will help fund transportation system efficiencies and expansion to serve the demand created from new residents and workers.

SUMMARY:

- The City is projected to grow substantially over the next 30 years. In order to accommodate this growth, the City's transportation system needs to be enhanced and expanded.
- Enhancing and expanding the system requires identifying additional funding opportunities.
- The Transportation Sustainability Program, or TSP, is a multi-agency effort comprised of three components:
    - California Environmental Quality Act ("CEQA") Reform;
    - Transportation Demand Management ("TDM") Program; and
    - Transportation Sustainability Fee ("TSF).
- The TSF will be the first component to be legislated and the main focus of this report.
- The TSF will replace the existing Transit Impact Development Fee ("TIDF") with the primary difference being the ability to assess the fee on residential development.
- The TSF is anticipated to generate approximately $14M and $430M in net new revenue per year and over 30 years, respectively, subject to economic conditions.

ENCLOSURES:
1. SFMTAB Resolution
2. TSF Nexus Study and TSF Economic Feasibility Study

APPROVALS:		DATE
DIRECTOR	[signature]	8/18/15
SECRETARY	R.Boomer	8/18/15

ASSIGNED SFMTAB CALENDAR DATE: September 1, 2015

PURPOSE

To recommend that the Board of Supervisors pass the Transportation Sustainability Fee ("TSF") as a revenue measure that will help fund transportation system efficiencies and expansion to serve the demand generated by new residents and workers.

GOAL

This action supports the following SFMTA Strategic Plan Goal and Objectives:

Goal 2: Objective 2.2 – Improve Transit Performance
Objective 2.3 – Increase Use of All Non-private auto modes

DESCRIPTION

San Francisco is a popular place to work, live and visit, placing strains on the City's existing transportation network. The City is projected to grow substantially over the next 25 years – by 2040, up to 100,000 new households and 190,000 new jobs are expected in San Francisco. This growth will lead to further increases in the number of trips on our transportation system. The City is addressing the need to enhance and expand the system in a comprehensive way, including making multiple public investments in key projects such as:

- Transit capital and operational investments (Central Subway, Muni Forward, BRT, DTX, etc.)
- Bicycle infrastructure (protected lanes, parking, etc.)
- Pedestrian safety (Vision Zero, Walk First, etc.)
- Demand Management (bike sharing, shuttles, citywide TDM, etc.)

However, to help accommodate future growth, new private development needs to contribute to minimizing its impact on the transportation system, including helping to pay for its enhancement and expansion. The Transportation Sustainability Program ("TSP") includes several components to achieve this.

1. Modernize Environmental Review: the program will change how the City analyzes impacts of new development on the transportation system under the California Environmental Quality Act ("CEQA).
2. Encourage Sustainable Travel: the program will work with sponsors of new development to manage demand on the transportation network through a Transportation Demand Management Program.
3. Fund Transportation Improvements: a fee will be assessed on new development, including residential development, to help fund improvements to transit capacity and reliability as well as bicycle and pedestrian improvements.

The focus of this calendar item is on the TSF, which was introduced at the Board of Supervisors on July 21st, 2015 (BOS File No. 150790). The modernization of environmental review is occurring at the State level and is expected to take effect in 2016. The TDM Program is currently in development and is expected to be brought to the Board of Directors for detailed discussion in the fall.

1. Modernizing Environmental Review - Level of Service Reform

On Sept. 27, 2013, Gov. Jerry Brown signed Senate Bill 743, which, among other things, declared that while transportation analyses under CEQA "typically study changes in automobile delay," new methodologies are needed for evaluating transportation impacts that are "better able to promote the state's goals of reducing greenhouse gas emissions and traffic-related air pollution, promoting the development of a multimodal transportation system, and providing clean, efficient access to destinations."

The legislature recognized that with the adoption of the *Sustainable Communities and Climate Protection Act of 2008* (Senate Bill 375), the State had signaled its commitment to encourage land use and transportation planning decisions that help reduce greenhouse gas emissions and vehicle miles traveled. Such reductions are required by the *California Global Warming Solutions Act of 2006* (Assembly Bill 32). Senate Bill 743 added Chapter 2.7, Modernization of Transportation Analysis for Transit-Oriented Infill Projects, to Division 13 (Section 21099) of the Public Resources Code, as a step in that direction.

Section 21099 of the Public Resources Code requires the Office of Planning and Research ("OPR"), the State's long-range planning and research agency, to develop revisions to the CEQA Guidelines establishing criteria for determining the significance of transportation impacts of projects within transit priority areas that promote three major statewide policy goals: the "…reduction of greenhouse gas emissions, the development of multimodal transportation networks, and a diversity of land uses."

OPR is now working on improving the outdated way we measure a project's impact on transportation. On August 6th, 2014, it published the *Updating Transportation Impacts Analysis in the CEQA Guidelines* document in response to Senate Bill 743. The draft CEQA Guidelines indicate that the primary consideration in transportation environmental analysis should be the amount and distance that the project might cause people to drive. Accordingly, OPR proposes that the level of service ("LOS") metric, traditionally used to measure traffic congestion resulting from a project, be replaced with a vehicles miles traveled metric, also known as VMT.[1] The draft document also includes information about addressing safety.

The City and other jurisdictions have recognized for some time that LOS is not the best metric to use in assessing impacts to the environment.[2] This metric has been applied in ways that discourage both infill development and construction of infrastructure for transit, bicycles and pedestrians. With respect to infill development, it has a bias because of the 'last-in development' problem and therefore

1 Level of Service measures vehicle delay at intersections and on roadways and is represented as a letter grade A through F. LOS A represents free flowing traffic, while LOS F represents congested conditions.

2 For City research concerning the appropriateness of LOS for assessing transportation impacts, see Strategic Analysis Report 02-3 on Transportation System Level of Service Methodologies, available for download at http://www.sfcta.org/sites/default/files/content/legacy/documents/FinalSAR02-3LOS_Methods_000.pdf

requires infill to bear the burden of existing cumulative traffic problems. Further, LOS analysis rarely results in meaningful mitigation measures which typically require expansion of the roadway capacity, because such measures could result in other adverse environment and public health impacts and are often infeasible in a built out environment such as San Francisco.[3]

Vehicle miles traveled measures the amount and distance that a project might cause people to drive, including the number of passengers within a vehicle. This measurement is better than level of service for a number of reasons: it aligns better with adopted city and state policies that emphasize “Transit First”, it is easier to calculate, and it gives a better picture of the environmental effects of projects, beyond mere congestion. For example, an increase in VMT from proposed projects signifies an increase of emissions of air pollutants, including greenhouse gases, as well as increased consumption of energy.

Section 21099 states that upon adoption of the revisions to the CEQA Guidelines, automobile delay, as described solely by level of service or similar measures of vehicular capacity or traffic congestion, shall not be considered a significant impact on the environment under CEQA. That change is expected to apply to transit priority areas – those within ½-mile of a major transit stop – and possibly to additional areas. Nearly all of San Francisco is within a transit priority area.

Additionally, under the draft CEQA Guidelines, projects that generate a lower VMT ratio than the regional average, would also not be expected to result in a significant impact. The nine-county Bay Area regional average VMT per residents in 2010 was 15.6 whereas in San Francisco it was 7.4. This relationship is expected to continue into the future indicating that most development projects in the City would not result in a significant VMT impact. Finally, the draft CEQA Guidelines propose that transportation projects that do not add physical roadway capacity for automobiles but instead are for the primary purpose of improving safety or operations, undertaking maintenance or rehabilitation, providing rail grade separations, or improving transit operations, generally would not result in a significant transportation impact. This is expected to result in a streamline environmental review of SFMTA projects and thus, facilitate their delivery. It is important to note that LOS analysis could be used for traffic engineering, informational or transportation planning purposes but not for environmental review.

As mentioned above, in August of 2014 OPR released for public review a preliminary discussion draft of changes to the CEQA Guidelines (*Updating Transportation Impacts Analysis in the CEQA Guidelines*) that will change the way that transportation impacts are analyzed under CEQA. The public comment period was from August 6th, 2014 through November 21st, 2014. Office of Planning and Research has been working on revising the draft CEQA Guidelines in response to public comment and is expected to publish a revised version sometime this fall. The publication will be followed by another public review period after which OPR will transmit to the Secretary of the Natural Resources Agency for certification and adoption proposed revisions to the CEQA Guidelines. This is expected to occur in the first half of 2016.

3 For additional discussion of why LOS is not a good metric for assessing transportation impacts, particularly as it relates to infill development, please see OPR’s power point presentation here: http://opr.ca.gov/docs/LOS_in_CEQA_slides_for_website_v3.pdf

2. Encouraging Sustainable Travel – Implement Transportation Demand Management Program

The goal of the TDM Program is to encourage more sustainable travel behavior from new development, while providing more certainty and predictability during the development entitlement process. The program is designed to shift our development practices so new residents, employees and visitors will be able to get around more easily without a car. The City will work with developers to craft project-specific plans that emphasize environmentally friendly transportation in and around new housing and commercial developments.

The TDM Program includes three aspects:

1. Developing a consolidated menu of TDM options for developers to choose from when designing their projects;
2. Quantifying the efficacy or effectiveness of some these options at different locations in San Francisco; and
3. Monitoring that developers are implementing the measures they committed to and the program is effective.

Below is a list of some TDM measures that developers will be able to select from. Many of these are familiar to the development community as they are components of TDM programs found elsewhere and/or they are being implemented voluntarily by developers given the market demand for these types of measures.

- Subsidize Transit Passes
- Subsidize Bike Share or Car Share Membership
- Hire TDM Coordinator
- Shuttle or Vanpool Service
- Reduce On-site Parking Supply
- Provide Delivery Service
- Sponsor Bike-share Stations
- Commute Reduction Programs
- Charge for Parking/Parking Pricing

City staff is currently working on the technical details of the program, including quantifying the efficacy of some of the above-listed measures. Public outreach on the TDM component of the TSP is expected to occur this fall.

3. Fund Transportation Improvements – Transportation Sustainability Fee

In 2013, Mayor Edwin Lee convened a Transportation Task Force to investigate what San Francisco needs to do to fix our transportation network and prepare it for the future. The Task Force found that to meet current need and future demand, the City needs to invest $10 billion in transportation infrastructure through 2030, including $6.3 billion in new revenue. In November 2014, San Francisco voters passed Proposition A, approving a $500 million one-time investment. They also passed Proposition B, which is projected to contribute about $300 million for transportation over the next 15 years. These funds are dedicated to improving the City's existing transportation infrastructure, and do not address the need to expand the system's capacity, which will be required to accommodate new growth. The Transportation Sustainability Fee would provide additional revenue to help fill the City's transportation funding gap. Developers would pay the proposed fee, contributing their fair share to help pay for additional transportation system efficiencies and expansion to serve the demand created from new residents and workers.

The Transportation Sustainability Fee would replace the current TIDF imposed on new development. The TIDF is an impact fee levied on most nonresidential new development citywide to offset the impacts of new development on the public transit system. The TIDF was first enacted by local ordinance in 1981 as an outgrowth of the work on the Downtown Plan.[4] The TIDF was created to acknowledge that new office development in the downtown core would result in increased demand for transit to accommodate that area's new workers. The fee was initially imposed on new office space in the City's downtown core. While cities had used "exactions" to fund infrastructure projects since the 1920's, the TIDF remained the only developer fee specifically dedicated to public transit for more than 20 years after its adoption.

In 2001, the SFMTA commissioned a nexus study on the TIDF which determined that new non-residential uses outside the downtown core also have an impact on the City's transit system. In 2004, the Board of Supervisors enacted an expanded TIDF ordinance which extended the application of the fee citywide to most new non-residential uses and which increased the rates for the TIDF.[5] In 2010, the TIDF was moved from Chapter 38 of the Administrative Code and consolidated with other development impact fees in Article 4 of the Planning Code. At that time, responsibility for imposition of the TIDF was transferred from SFMTA to the Planning Department and responsibility for collection was transferred from SFMTA to the Department of Building Inspection, consistent with the procedures for imposition and collection of the City's other development fees.[6] In 2012, the TIDF ordinance was updated to adjust the fee rates based on an updated nexus study and to lower the thresholds triggering the fee (from 3,000 square feet of new commercial use to 800 square feet of new commercial use). The legislation also established a new policy credit against the fee that would be available for small businesses and projects that provide less parking than the maximum authorized under the Planning Code.[7]

Since that time, the City and the San Francisco County Transportation Authority has been working on the development of a comprehensive citywide transportation fee and supporting nexus study (the "TSF Nexus Study"). This fee would be intended to help offset impacts of development projects, both residential and non-residential, on the City's transportation network, including impacts on

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4 The San Francisco Transit Impact Development Fee was first established by Ordinance No. 224-81, approved May 5th, 1981.
5 Ordinance Ni, 199-04, approved August 5th, 2004.
6 Ordinance No. 108-10, approved May 25th, 2010.
7 Ordinance No. 247-12, approved December 18th, 2012.

transportation infrastructure that support pedestrian and bicycle travel. The TSF Nexus Study concluded that all new land uses in San Francisco will generate an increased demand for transportation infrastructure and services, and recommended that the TSF apply to both residential and non-residential development projects in the City.

The TSF ordinance was introduced at the Board of Supervisors on July 21, 2015. If enacted, the TSF would replace the current TIDF as long as the TSF remains in effect and cover more types of development, including residential. New commercial developments, market-rate residential developments with 21 or more units, and large private universities (typically those that have more than 50,000 square feet of space) would be required to pay the TSF. Under the TSF, there would be no change in the status quo for the vast majority of nonprofits. The only difference would be for major universities. **Table 1** shows the proposed fee rates and how they compare to the current TIDF rates.

Table 1
Current TIDF and Proposed TSF Rates (per gross square foot)

Land Use Category	Existing TIDF Rates	Proposed TSF Rates
Residential	N/A	$7.74
Non-Residential	$13.87 - $14.59	$18.04
Production, Distribution and Repair	$7.46	$7.61

Notes:

- Exemptions would apply for certain types of development projects.
- Residential projects in some Area Plans would receive a fee reduction in the amount of the transportation portion of the Area Plan fee, up to the amount of the TSF.
- The various economic land use categories (e.g., Management, Information and Professional Services) have been collapsed into one Non-Residential category.

The fees presented in Table 1 were informed by the TSF Nexus Study and Economic Feasibility Study. The TSF Nexus Study describes the maximum legally justifiable fee amount – it is based on the increased transportation demand from new development. The Economic Feasibility Study shows the extent to which the fee could burden development before having a dampening effect on the ability to develop. The fees rates are set such that they do not exceed the maximum amount justified by cost to the City to provide the services, as described in the Nexus Study, and are under the maximum feasibility amount. Every five years, or sooner if requested by the Mayor or the Board of Supervisors, the SFMTA will update the TSF Economic Feasibility Study. This update will analyze the impact of the TSF on the feasibility of development throughout the City, and will be in addition to the five-year evaluation of all development fees mandated by Section 410 of Planning Code.

The following types of development would be exempt from the fee:

- Deed restricted affordable and middle-income housing developments (except required inclusionary housing);
- Residential development with 20 or fewer units;
- Small businesses (< 5,000 square feet), except formula retail;
- Nonprofits (same rules as existing TIDF, except for large non-profit private universities); and
- Non-profit hospitals will continue to be exempt. The Board of Supervisors may vote to apply the TSF when California's Seismic Safety Law requirements are exhausted (currently 2030).

The proposed legislation includes a number of grandfathering provisions for projects underway as of the effective date of the ordinance, as follows:

- Projects with existing planning entitlements would not be subject to the TSF but would pay the existing TIDF rates;
- Residential projects with development applications filed prior to the effective date of the ordinance would pay 50 percent of the TSF rate; and
- Non-residential projects with development applications filed prior to the effective date of the ordinance would pay the existing TIDF rate.

The TSF is projected to generate a total of approximately $1.2 billion in over 30 years. Currently TIDF generates about $24 million a year on average. The TSF is expected to generate an additional $14 million a year in revenue, subject to the economy. **Table 2** shows the expenditure program.

Table 2
TSF Expenditure Program

Transit Capital Maintenance	61%
Transit Service Expansion and Reliability Improvements - SF	32%
Transit Service Expansion and Reliability Improvements - Regional	2%
Complete Streets (Bicycle and Pedestrian Improvements)	3%

Transportation Sustainability Fee revenue would help fund the expansion of the Muni fleet, reliability and travel time improvements projects such as Geary BRT, upgrades to Muni maintenance facilities, improvements to regional transit such as retrofit of BART train cars to provide more space for passengers and bikes, and improvements to bike and pedestrian infrastructure.

PUBLIC OUTREACH

The Transportation Sustainability Program is a joint effort by the Mayor's Office, the San Francisco Planning Department, the San Francisco County Transportation Authority and the SFMTA. In the course of developing the TSF proposal, staff has conducted extensive outreach to affected stakeholders. Public outreach has included but was not limited to the following groups: Citizen Advisory Committees (SFMTA, SFCTA, Eastern Neighborhoods, Market/Octavia); SFCTA Board; Housing Action Coalition, Chamber of Commerce, Residential Builders Association, BART, Hospital Council, MTAB PAG, San Francisco Bicycle Coalition, WalkSF, Large Developers roundtable, participants in the Muni Equity Strategy Working Group – including Chinatown Community Development Center, Transit Riders, Senior & Disability Action, Council of Community Housing Organizations – the Small Business Commission, and others. The proposed legislation incorporates the feedback staff received as part of the stakeholder engagement process.

Most stakeholders, including residential developers, expressed support for the legislation. However, several concerns were raised during public outreach. The Small Business Commission had questions about the applicability of the fee, particularly as it relates to the 5,000 square foot threshold. Similarly, the Chamber of Commerce had questions about the applicability of the fee to changes of use as well as to formula retail. Staff is working on addressing the Small Business Commission's questions and is scheduled to meet with the Chamber of Commerce at the end of August to discuss the concerns. Concern has also been expressed with respect to fee not being high enough, the grandfathering provisions being too broad and the middle income exemption being too high. Finally, while members of the Market/Octavia and Eastern Neighborhoods CACs were supportive of the overall fee, they wanted to ensure that funding would be allocated to projects within their Area Plans. To address this concern, the proposed legislation states that when allocating revenues, priority should be given to specific projects identified in the different Area Plans.

City staff is anticipating doing additional outreach for the Transportation Demand Management Program this coming fall/winter.

ALTERNATIVES CONSIDERED

The alternative is to not implement the TSF and retain the existing TIDF. However, to help accommodate future growth, new development needs to contribute to minimizing its impact on the transportation system, including helping to pay for its enhancement and expansion. This need is particularly acute in light of the funding gap identified by the Transportation Task Force.

FUNDING IMPACT

The Transportation Sustainability Fee is projected to generate a total of approximately $1.2 billion in revenue over 30 years of which $430 million would be net new revenue. Currently TIDF generates about $24 million a year on average. The TSF is expected to generate an additional $14 million a year in revenue, subject to the economy.

ENVIRONMENTAL REVIEW

The Planning Department determined that the proposed legislation is not a project under the California Environmental Quality Act, as a "government funding mechanism or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment." (CEQA Guidelines Section 15378(b)(4)). The Planning Department's determination is on file with the Secretary of the SFMTA Board of Directors.

OTHER APPROVALS RECEIVED OR STILL REQUIRED

The legislation was introduced at the Board of Supervisors on July 21st, 2015. The legislation requires Board of Supervisors approval. The City Attorney's Office has reviewed this report.

RECOMMENDATION

Staff recommends that the SFMTA Board of Directors recommend that the Board of Supervisors approve the Transportation Sustainability Fee.

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. ______________

WHEREAS, San Francisco is a popular place to work, live and visit, placing strain on the City's existing transportation network; and,

WHEREAS, Since 1981, the City has imposed a Transit Impact Development Fee ("TIDF") on new development in the City, first limited to office space in the downtown core, and expanded to most non-residential uses citywide in 2004; and

WHEREAS, Starting in 2009, the City and the San Francisco County Transportation Authority have worked to develop a comprehensive citywide transportation fee and supporting nexus study (the "TSF Nexus Study"); and

WHEREAS, The TSF Nexus Study concluded that all new land uses in San Francisco will generate an increased demand for transportation infrastructure and services, and recommended that the TSF apply to both residential and non-residential development project in the City; and

WHEREAS, This fee would help offset impacts of both residential and non-residential development projects on the City's transportation network, including impacts on transportation infrastructure that support pedestrian and bicycle travel; and,

WHEREAS, As part of implementation of the TSP, the Board of Supervisors has pending before it legislation that would amend the City's Planning Code by establishing a new Section 411A, imposing a citywide transportation fee, the Transportation Sustainability Fee, which will help enable the San Francisco Municipal Transportation Agency ("SFMTA") and other regional transportation agencies serving San Francisco to meet the demand generated by new development and thus maintain their existing level of service, and

WHEREAS, Section 411A will require sponsors of development projects in the City to pay a fee that is reasonably related to the financial burden such projects impose on the City's transportation network; and

WHEREAS, The TSF is an efficient and equitable method of providing funds to address the transportation demands imposed on the City by new development projects; and

WHEREAS, Every five years, or sooner if requested by the Mayor or the Board of Supervisors, the SFMTA will update the TSF Economic Feasibility Study, analyzing the impact of the TSF on the feasibility of development, throughout the City and

WHEREAS, The TSF would replace the TIDF, suspending the TIDF as long as the TSF remains in effect; and

WHEREAS, Subject to economic conditions, the TSF is projected to generate approximately $1.2 billion in revenue over the next 30 years, of which approximately $430 million would be new revenue; and

WHEREAS, The Planning Department determined that the proposed legislation is not a project under the California Environmental Quality Act, as a "government funding mechanism or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment." (CEQA Guidelines Section 15378(b)(4)); now, therefore, be it

RESOLVED, That the SFMTA Board of Directors recommends that the San Francisco Board of Supervisors approve the legislation establishing the Transportation Sustainability Fee.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of September 1, 2015.

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Secretary to the Board of Directors
San Francisco Municipal Transportation Agency