

City and County of San Francisco

OFFICE OF THE CONTROLLER

Review of San Francisco's Development Impact Fees



May 30, 2001



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May 30, 2001

Tom Ammiano, President
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President Ammiano:

In response to questions that have arisen during committee hearings, the Controller's Audits Division presents its review of the impact fees paid by developers in the City and County of San Francisco (City). We analyzed the assessment, collection and administration of the five impact fees:

- Child Care Requirement,
- Jobs-Housing Linkage,
- Downtown Park Fee,
- Transit Impact Development Fee and
- School Facility Impact Fee.

Our analysis revealed that the City's handling of these fees is neither efficient nor effective, and we recommend changes to standardize the process and collect fees more consistently. Our review also presents options to ensure that the fees mitigate the impacts of growth more comprehensively, which would increase fee revenues, as well as estimates the amount of additional revenue the City could have collected if it had increased the four City impact fees (excluding the School Facility Impact Fee) over time.

Specifically, we analyzed the 32 large office projects approved by the Planning Commission in the last four years and found:

- Most of these recent projects have not yet reached the stage where most of the fees are due.
- Of the 22 projects that received a building permit and, therefore, should have paid the housing fee, 3 paid late and 2 still have not paid. The outstanding fees amount to \$1.1 million.
- If the City had increased the four City impact fees annually by a modest amount since the fees were created, the City would have collected an additional \$9.5 million in the impact fees paid to date for the large projects we analyzed.
- If the City had increased the four City impact fees annually by a modest amount since the fees were created, it would be able to collect an additional \$36 million in fee revenue for the fees not yet paid for the large projects we analyzed.

The Controller's Audits Division will be working with the relevant departments to follow up the status of the recommendations made in this report.

Respectfully submitted,

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cc:

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Impact Fee Review

INTRODUCTION

Development impact fees (impact fees) are assessed on new development projects to mitigate specific consequences of increased growth. Impact fees may be used to finance large capital projects or increase levels of service that are needed as a result of a new or increased demand on the existing services or facilities.

Developers in San Francisco are subject to one or more of five impact fees:

- Jobs-Housing Linkage Program (housing fee)
- Child Care Requirement (child care fee)
- Downtown Park Fee (park fee)
- Transit Impact Development Fee (transit fee)
- School Facility Impact Fee (school fee)

The fees are collected during the planning and development stages of new building projects. State, federal and Redevelopment Agency property is exempt from the fees. The San Francisco Unified School District (school district) imposes the school fee and collects it from new residential and commercial development projects; the other four fees are collected by and for departments of the City and County of San Francisco (City).

Exhibit A illustrates some of the basic characteristics of these fees.

Exhibit A					
Characteristics of Impact Fees					
	Housing Fee	Child Care Fee	Park Fee	Transit Fee	School Fee
Who identifies projects subject to fee	Planning Department	Planning Department	Planning Department	Department of Building Inspection	Department of Building Inspection
Who actually collects the fee	Planning Department	Planning Department	Planning Department	Municipal Railway	School District
Projects subject to fee	Office, hotel, retail, research/development & large entertainment projects ≥ 25,000 sq. ft.	Office & hotel projects ≥ 50,000 sq. ft.	New offices in C-3 (dense commercial) use districts	New offices in Downtown Area, as defined in Admin. Code, Section 38	New residential > 500 sq. ft. and all new commercial space: rates vary by use
Units of impact	\$11.34/sq.ft.	\$1/sq. ft.	\$2/sq. ft.	\$5/sq. ft.	Variable rates/sq. ft.
Year fee was approved	1985	1985	1985	1981	1987
Increase/review	Reviewed: 2000 Increased: 2001	Not since inception	Not since inception	Reviewed: 2001	Increased: 1994
When fee is due	Before building permit issuance	Before Certificate of Final Completion	Before Certificate of Final Completion	Before Certificate of Final Completion	Before Certificate of Final Completion

For the complete fee matrix, please see Appendix A.

BACKGROUND

The City developed some of its fees in conjunction with the adoption of the Downtown Plan of 1985. As part of the City's Master Plan, the Downtown Plan proposed a design to develop the downtown area in a way that maintained both the economic vitality and the urban patterns and structures that form the "physical essence of San Francisco." The Downtown Plan included policies to encourage growth, but also to ensure that "undesirable consequences of such growth can be controlled." The Downtown Plan specifically addressed issues of transportation, housing and open space needs, and the four impact fees the City collects were designed to control the impacts of growth in these areas. While the Downtown Plan did not directly address child care needs, a study conducted at the time the Downtown Plan was written indicated that child care needs would increase with downtown office growth. The transit fee was adopted before the Downtown Plan; however, it was still considered part of the wave of mitigation policies that followed.

Though impact fees are much more common today, the City began levying such fees when few other local governments did. In 1989, several years after the City enacted these fees, the State passed the Mitigation Fee Act (AB 1600) which regulates the way impact fees are imposed on development projects. This act requires that agencies imposing fees do the following:

1. Identify the purpose of the fee.
2. Identify the use to which the fee is to be put.
3. Demonstrate the nexus, or relationship, between the fee's use and the type of development project.
4. Demonstrate the nexus between the public facility being constructed or services being provided and the development project.
5. Spend and account for the fees only for the purposes and projects used in developing the fee.

The Mitigation Fee Act illustrates the importance of establishing a nexus between development and the use of the fee. Without a demonstrated nexus, a city cannot be sure that the fees effectively mitigate the increased need for public facilities or services resulting from new development. A nexus is usually expressed as a mathematical equation using a unit of impact assessed on the development. The units of impact should adjust to the growth patterns of an area so that the established nexus stays valid.

All of the City's impact fees were enacted before the State passed the Mitigation Fee Act, and the City Attorney believes that these fees are not subject to the act. However, changes and amendments to the fees, including the Board of Supervisors' recent revision of the housing fee, are subject to the act.

FEE ASSESSMENT AND COLLECTION ISSUES

To evaluate the City's fee collection process accurately, we needed a comprehensive list of projects that were subject to fees based on the criteria set forth in the ordinances. Because such a comprehensive list does not exist, we instead analyzed all 32 large office projects (greater than 25,000 square feet) that were approved by the Planning Commission in the past four fiscal years (fiscal year 1997-98 through March 1 of fiscal year 2000-01) and subject to impact fees (see

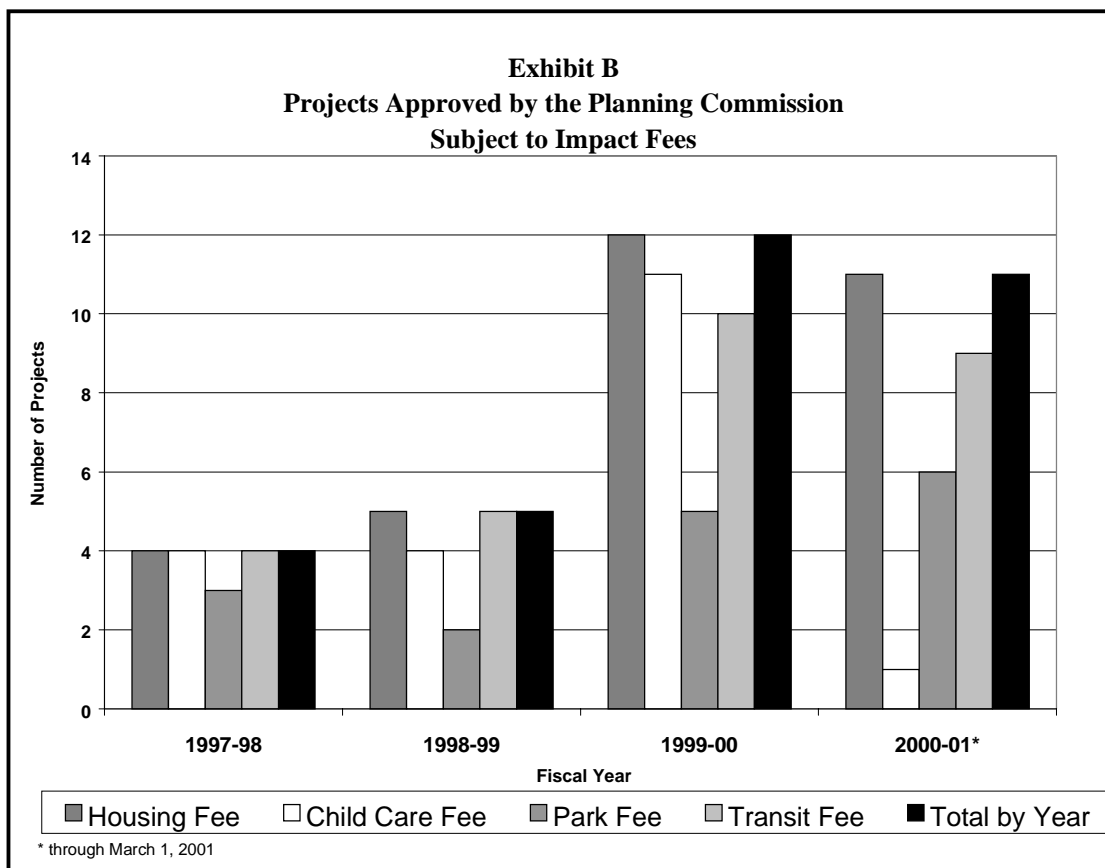
Appendix B for a full listing of projects and analysis). These projects are well documented by the Planning Department, provide a good overview of large office development in the City and meet the criteria of the fee ordinances. However, this sample does not show any other types of development, including hotel space and residential development, which would be subject to some impact fees, nor does it show projects smaller than 25,000 square feet. In addition, Planning Department staff does not consistently record the amount of new net square footage of projects so we were unable in some cases to determine the exact amount of fees owed.

Assessing Projects

Of the 32 large office projects approved by the Planning Commission that were subject to one or more of the fees according to the criteria in the fee ordinances:

- all 32 were subject to the housing fee,
- 28 were subject to the transit fee,
- 20 were subject to the child care fee,
- 16 were subject to the park fee.

For the 32 large office projects, we did not find any certificates of final completion and occupancy. We therefore could not determine whether projects that have not yet paid their park, transit, and child care fees are currently under construction or have failed to pay their fees. However, we could determine which housing fees are outstanding because those fees are due before the issuance of a site permit. Of the 32 projects subject to the housing fee, we found a record of 13 that had received a site permit as of March 1, 2001. Exhibit B illustrates the number of projects subject to individual fees by fiscal year.



Of these 13 projects with site permits, 2 (15 percent) have not paid. If not collected, these outstanding fees result in a loss of over \$1 million to the City.

This evaluation excludes projects subject to the school fee. School fee revenues are not used by the school district, but are remitted to the State, so we did not review specific collection and expenditure patterns for this fee.

In addition to the 32 large projects, we identified certain buildings subject to the transit fee and the school fee during our performance audit of the Department of Building Inspection, and many of these buildings appear to owe other fees as well. While data was not available for us to determine exactly how many buildings owe fees to the City, we believe that approximately 10 buildings still may owe the park fee, and 5 buildings may still owe the child care fee. We encourage the Planning Department to investigate the status of these properties and collect any unpaid fees. Appendix C shows the list of properties that may have been overlooked.

Fee Collection

The collection process varies for each of the City's five impact fees. While the ordinances state that the Controller is to collect the housing, child care and park fees, in practice the Planning Department collects these fees. The Municipal Railway (MUNI) and the school district collect the transit and school fees respectively, based on the Department of Building Inspection's referral to them of projects subject to the fees. With two different departments responsible for assessing and referring projects and three different departments responsible for collecting fees, this process is not only inefficient, but ineffective as well. Varied collection processes lead to an increased risk that fees will not be collected because the referral and enforcement mechanisms within the process are weak or non-existent.

Variations in rates of collection may be due to the following reasons:

- **Timing of Collection Varies**—Because the housing fee is due when the project's building permit is issued, the fee is collected early in the process and may be less likely to be overlooked. In contrast, the child care, park and transit fees are due when the project is ready for occupancy.
- **Different Entities Collect Different Fees**—The transit and school fees are assessed and collected by different departments than the housing, park and child care fees. The differences in how each department collects these fees may add to the variability in the frequency of collection.
- **Staff Attention**—Inconsistencies in rates of collection may also result from the varying attention these fees received in the past few years. Planning staff errors and oversights in the past may have lead to some fees not being collected. Additionally, we found in doing an audit of the Department of Building Inspection that its staff inconsistently referred to MUNI projects subject to the transit fee and inconsistently referred to the school district projects subject to the school fee, resulting in missed collections.

Given the weak enforcement mechanisms within the payment process, those projects that have not yet paid their fees are at risk of never paying. Without stronger enforcement procedures built into the collection process, the City will not collect these fees consistently.

Enforcement

Although the Planning Department, MUNI and the school district collect the fees, the Department of Building Inspection is to enforce payment by withholding the building permit (for the housing fee) or the certificate of final completion and occupancy (for the other fees). The effectiveness of the enforcement process depends heavily on thorough communication between the Department of Building Inspection and the Planning Department.¹ According to the Department of Building Inspection staff, the departments have not consistently engaged in this communication, and the Department of Building Inspection staff members were not fully aware of their role in the process until November 2000.

Although the housing fee is due before the issuance of the site permit rather than at the completion of the project, we found inconsistencies in how it has been collected that illustrate problems with enforcement. Of the 32 large projects for which we found accurate site permit data, as Exhibits C1 and C2 show, 5 projects were issued site permits without paying the housing fee. Of these projects, three have since paid and two are still outstanding.

Exhibit C1					
Projects Issued Site Permits Without Paying the Housing Fee					
Project Address	Approval Date	Site Permit Issued	Affordable Housing Fee Paid?	Square Footage	Estimated Fee Owed (Assessed at \$11.34/sq.ft.Rate)
178 Townsend	2-Nov-00	15-Feb-01	No	49,002	\$555,683
530 Folsom	2-Nov-00	25-Jan-01	No	45,944	521,005
Total					\$1,076,688

Exhibit C2					
Projects Issued Site Permits Without Paying the Housing Fee That Have Since Paid					
Project Address	Approval Date	Site Permit Issued	Affordable Housing Fee Paid	Square Footage	Fee Paid
475 Brannan	27-Aug-98	19-Dec-98	11-Feb-00	63,500	\$447,675
435 Pacific	20-Jan-00	30-Sep-00	6-Oct-00	32,500	229,125
215 Fremont	10-Aug-00	18-Dec-99	1-Dec-00	47,950	338,047
Total					\$1,014,847

Payment of the housing fee was not enforced on the 2 (15 percent) projects in Exhibit C1 and, consequently, the City did not collect over \$1 million. If the Department of Building Inspection

¹ For each project, the Department of Building Inspection is to notify the Planning Department that the certificate of final completion and occupancy will be issued in five days. The Planning Department then is to inform the Department of Building Inspection of unpaid fees, and the Department of Building Inspection is supposed to withhold the certificate until proof of payment is provided.

does not withhold site permits, and projects continue through the development process, there is a high risk that the fees will not be paid because withholding permits is the only way to enforce payment of the housing fee.

In our additional analysis of the 32 large projects, we found 29 examples of projects that will owe the park, child care or transit fees when they are completed. Because the Planning and Building Inspection departments do not communicate consistently regarding impact fee payments, the City risks losing fee revenues from these projects. Exhibits D1 through D3 show projects that will owe park, child care and transit fees and includes estimates of the amounts that these projects should pay based on current rates. These estimates are based on the square footage approved by the Planning Commission, which may not be the actual size built. Multiple listings of addresses indicate multiple approvals by the Planning Commission.

Exhibit D1			
Estimate of Park Fees That Will Be Owed to the City When Projects Are Complete			
Project Address	Sq. Ft. Allocation	Rate/Sq. Ft.	Estimate of Fees to Be Paid to City
One Second St.	345,000	\$2.00	\$690,000
244 Front/275 Sacramento	58,650	2.00	117,300
One Market	51,822	2.00	103,644
524 Howard	201,965	2.00	403,930
554 Mission	645,000	2.00	1,290,000
First & Howard	854,000	2.00	1,708,000
235 Second St.	180,000	2.00	360,000
535 Mission	252,000	2.00	504,000
899 Howard	153,500	2.00	307,000
820-880 Mission	49,100	2.00	98,200
38-44 Tehama	49,950	2.00	99,900
530 Folsom	45,944	2.00	91,888
272 Main	46,500	2.00	93,000
First & Howard	295,000	2.00	590,000
199 New Montgomery	49,345	2.00	98,690
Total*			\$6,555,552

*As of 3/1/01

Exhibit D2 Estimate of Child Care Fees That Will Be Owed to the City When Projects Are Complete			
Project Address	Sq. Ft. Allocation	Rate/Sq. Ft.	Estimate of Fees to Be Paid to City
650 Townsend	269,680	\$1.00	\$269,680
One Second St.	345,000	1.00	345,000
244 Front/275 Sacramento	58,650	1.00	58,650
475 Brannan	61,000	1.00	61,000
524 Howard	201,965	1.00	201,965
475 Brannan	2,500	1.00	2,500
700 Seventh St.	273,650	1.00	273,650
554 Mission	645,000	1.00	645,000
670 Second St.	60,000	1.00	60,000
160 King	176,000	1.00	176,000
350 Rhode Island	250,000	1.00	250,000
First & Howard	854,000	1.00	854,000
235 Second St.	180,000	1.00	180,000
535 Mission	252,000	1.00	252,000
2101 Bryant	148,000	1.00	148,000
899 Howard	153,500	1.00	153,500
First & Howard	295,000	1.00	295,000
Total*			\$4,225,945

*As of 3/1/01

Exhibit D3 Estimate of Transit Fees That Will Be Owed to the City When Projects Are Complete			
Project Address	Sq. Ft. Allocation	Rate/Sq. Ft.**	High End Estimate of Fees Still Owed to City
650 Townsend	269,680	\$5.00	\$1,348,400
One Second St.	345,000	5.00	1,725,000
945 Battery	52,715	5.00	263,575
1301 Sansome	31,606	5.00	158,030
524 Howard	201,965	5.00	1,009,825
700 Seventh St.	273,650	5.00	1,368,250
554 Mission	645,000	5.00	3,225,000
670 Second St.	60,000	5.00	300,000
160 King	176,000	5.00	880,000
435 Pacific	32,500	5.00	162,500
First & Howard	854,000	5.00	4,270,000
235 Second St.	180,000	5.00	900,000
535 Mission	252,000	5.00	1,260,000
899 Howard	153,500	5.00	767,500
820-880 Mission	49,100	5.00	245,500
38-44 Tehama	49,950	5.00	249,750
178 Townsend	49,002	5.00	245,010
530 Folsom	45,944	5.00	229,720
272 Main	46,500	5.00	232,500
First & Howard	295,000	5.00	1,475,000
35 Stanford	48,000	5.00	240,000
199 New Montgomery	49,345	5.00	246,725
Total*			\$20,802,285

*As of 3/1/01

**Buildings may be assessed at a lower rate depending on prior use credits

We found that 15 percent of the projects that should have paid the housing fee did not, resulting in a loss of over \$1 million to the City. If we assume that the same percentage of the child care, park and transit fees that have not yet been paid will not be collected, we can extrapolate how much the City may potentially lose. As illustrated in Exhibits D1 through D3, there is an estimated \$6,555,552 in park fees, \$4,225,945 in child care fees and \$20,802,285 in transit fees that will be owed to the City. Assuming that 15 percent of these fees are not collected, the City could lose \$983,333 in park fees, \$633,892 in child care fees and \$3,120,343 in transit fees, or a total loss of \$4,737,568. Because the transit fee is assessed using a system of credits for prior use of a building and some buildings may not actually be assessed at the full \$5 rate, this is a high-end estimate.

While the lack of communication between the Department of Building Inspection and the Planning Department has left the fee collection process virtually unenforceable, the two departments expect that enforcement will be improved soon by making project and fee data more

available between them. A project to link the departments' two databases is underway, and we encourage the departments to implement this link as soon as possible.

Other Fee Assessment and Collection Issues

- Language in the fee ordinances regarding fee “administration” is confusing and does not indicate clearly who is responsible for administrative oversight. Memoranda of understanding between the Planning Department and the other departments have not clarified the collection and expenditure process. For example, the child care, housing and park fees require authorization by the Planning Department before the departments that receive the fees can use the funds. Further, the Planning Department often does not notify the receiving departments when a fee is paid, making it difficult for them to anticipate revenues and plan expenditures.
- The fee-receiving departments do not review their fund activity or the collection process. While the departments' approaches vary somewhat, most wait for information and revenue to be delivered. With the exception of the Mayor's Office of Housing, the departments do not monitor the Planning Commission's approval of projects. Neither the Planning Department nor the Department of Building Inspection maintains a list of projects subject to the fees, so the departments lack the means to evaluate the collection process. MUNI and the school district cannot be sure that the Department of Building Inspection refers all the projects it should for fee collection, and the other departments do not know whether the Planning Department has collected all the fees it should have. Some departments expressed uncertainty not only about the Planning Department's collection of the fees but even about the balance of their funds.
- While the Planning Department maintains a list of the fees it receives, developers are not explicitly required to pay fees to the Planning Department, and there is no record of fees that may have been paid to the other departments or the school district. Nor does the Planning Department maintain a comprehensive list of projects subject to these fees against which actual collections can be compared.

FEE ASSESSMENT AND COLLECTION RECOMMENDATIONS

FINDING

The current process for fee assessment and collection is not efficient or effective and puts the City at risk for not collecting its fees.

RECOMMENDATION

The City should standardize the timing of the collection process and centralize it in the Planning Department.

We recommend that the Planning Department be responsible for collecting all fees by the time the Department of Building Inspection issues the building permit. Standardizing the collection process will increase the likelihood that projects will pay all the fees to which they are subject. We also recommend that the process include final verification, before

the certificate of final completion and occupancy is issued, that the square footage and uses of the project are consistent with the assessed fees.

RECOMMENDATION

The Planning Department should add a full-time staff position and fill it with an employee to assess and collect the fees.

If the assessment and collection process is standardized and centralized at the Planning Department, a full-time staff position must be created to take on this new responsibility. Of the five City departments involved in these impact fees, only MUNI has staff directly responsible for an impact fee. A full-time staff person responsible for assessing and collecting these fees would add both consistency and accountability to the process. The fee revenues can be used fund this position. We encourage Mayor and the Board of Supervisors to approve this position and the Planning Department to fill this position as soon as possible.

FINDING

The departments involved in the assessment, collection and general administration of the fees do not communicate regularly regarding fee activity.

RECOMMENDATION

The departments concerned should create a working group of representatives from each department to meet quarterly to track projects and fees.

Information and interdepartmental communication is unorganized and inconsistent. An impact fee working group would allow all departments involved in fee assessment, collection and disbursement to meet and make sure that they are all current on the status of projects and revenues. Members of this working group would monitor the fee process to ensure that all fees were being collected. This group would consist of representatives from the Planning Department; the Department of Building Inspection; the Mayor's Office of Housing; the Department of Children, Youth and Their Families; the Recreation and Park Department; MUNI; and possibly the San Francisco Unified School District.

RECOMMENDATION

Integrate impact fee recording and notification mechanisms into the databases of both the Planning Department and the Department of Building Inspection.

The integration of the Planning Department's database and the Department of Building Inspection's database offers opportunities for the two departments to improve communication with each other and with the fee-receiving departments regarding impact fee assessment and collection. Linking the two databases should standardize the way in which project information and fees are recorded, so that their status can be reviewed easily.

FEE REVIEW AND MEANS OF INCREASING REVENUE

The child care, park and transit fees have never been increased. The school fees should have been increased twice since the previous increase in 1994, and only the equation for the housing fee has been updated to reflect current development and growth patterns. The other fee equations have not been updated, and nexus studies are needed to revise the fees with fixed rates. Fixed-rate fees, not based on a yearly index, must be reviewed regularly because a fixed rate does not reflect growth patterns.

Since only one fee of the five can be updated yearly using an annual index, we conducted an analysis evaluating the amounts projects paid versus what they would have paid if the fees had been increased annually since their inception.

Fixed Rate Fee Adjustment

To provide a hypothetical example of how fee revenue could have gone up, we adjusted the amounts collected on those projects from our group of 32 that paid the child care fee, park fee and transit fee. We adjusted the payments by the percent increase in the Consumer Price Index (CPI) from the year the fee was enacted to the year the payment was collected. Although we acknowledge that the fees are not directly related to the CPI, we used it as a gross indicator of the changes in costs to provide services and build facilities. This methodology also does not take into account that the projects pay at different times in the planning and permitting process. Information about when the fee was actually assessed was not available, so we used the date the Planning Commission approved the fee as the assessment date.

As shown in Exhibits E1 through E3, we subtracted the actual payment figure from the hypothetical estimate to determine the amount the City has lost by not increasing the fees.

Exhibit E1 Child Care Fee						
Project	Date Approved	Rate Paid	Actual Payments	Rate of Increase Since Approval Date	Adjusted Amount	Difference
101 Second St.	18-Sep-97	\$1.00	\$276,248	50%	\$414,372	\$138,124
945 Battery	13-Aug-98	1.00	52,715	52	80,127	27,412
One Market	17-Dec-98	1.00	51,822	52	78,769	26,947
Total			\$380,785		\$573,268	\$192,483

Exhibit E2 Park Fee						
Project	Date Approved	Rate Paid	Actual Payments	Rate of Increase Since Approval Date	Adjusted Amount	Difference
101 Second St.	18-Sep-97	\$2.00	\$552,496	50%	\$825,982	\$273,486
Total			\$552,496		\$825,982	\$273,486

Exhibit E3 Transit Fee					
Project	Date Approved	Actual Payments	Rate of Increase Since Approval Date	Adjusted Amount	Difference
101 Second St.	18-Sep-97	\$1,307,576	77%	\$2,311,794	\$1,004,218
244 Front	12-Mar-98	254,520	80	457,118	202,598
One Market	17-Dec-98	164,000	80	294,544	130,544
475 Brannan	16-Sep-99	317,500	83	582,295	264,795
215 Fremont	1-Dec-00	124,750	90	236,776	112,026
Total		\$2,168,346		\$3,882,527	\$1,714,181

Our estimates based on the CPI increases indicate that the City may have lost over \$2.1 million on just these six projects by not increasing these three fixed-rate impact fees.

Housing Fee Adjustment

To adjust the housing fee payments, we used the rate approved by the Board of Supervisors (on February 23, 2001) for new office space of \$11.34 per square foot for projects since March 11, 1999. We used the percent increase in the Average Area Purchase Price of New Homes for the San Francisco Primary Metropolitan Statistical Area (housing index) determined by the Mayor's Office of Housing, for projects approved before March 11, 1999. We multiplied these rates by the square footage of each project in our sample that had paid the housing fee. We used the square footage as determined by the Planning Commission, understanding that the size approved by the Planning Commission may not match the actual size of the project when built.

Exhibit E4 indicates how much the projects would have paid if they were assessed the housing fee at an increased rate per square foot. It also indicates the difference between what the project actually paid and the revenue at the adjusted rate.

Exhibit E4 Affordable Housing Fee							
Project	Date Approved	Square Footage	Rate Paid	Actual Payments	New Assessment Rate	Increased Payments Possible	Difference
101 Second St.	18-Sep-97	159,150*	\$7.05	\$1,122,008	\$8.46	\$1,346,409	\$224,401
650 Townsend	8-Jan-98	269,680	7.05	1,901,244	8.46	2,281,493	380,249
One Second St.	12-Feb-98	345,000	7.05	1,997,272	8.46	2,918,700	921,428
244 Front	12-Mar-98	58,650	7.05	413,483	8.46	496,179	82,696
One Market	17-Dec-98	31,547**	7.05	222,406	8.46	266,888	44,482
670-680 Second St.	21-Oct-99	60,000	7.05	423,000	11.34	680,400	257,400
700 Seventh St.	7-Oct-99	273,650	7.05	1,929,233	11.34	3,103,191	1,173,958
475 Brannan	16-Sep-99	63,500	7.05	447,675	11.34	720,090	272,415
881-889 Howard	10-May-00	153,500	7.05	1,119,015	11.34	1,740,690	621,675
38-44 Tehama	7-Sep-00	49,950	7.05	348,975	11.34	566,433	217,458
215 Fremont	10-Aug-00	47,950	7.05	338,047	11.34	543,753	205,706
2801 Leavenworth	13-Jul-00	40,000	7.05	282,000	11.34	453,600	171,600
2101 Bryant	4-May-00	148,000	7.05	1,043,400	11.34	1,678,320	634,920
435 Pacific	20-Jan-00	32,500	7.05	229,125	11.34	368,550	139,425
350 Rhode Island	17-Feb-00	250,000	7.05	1,762,500	11.34	2,835,000	1,072,500
235 Second St.	2-Mar-00	180,000	7.05	1,262,979	11.34	2,041,200	778,221
Total				\$14,842,362		\$22,040,896	\$7,198,534

* 101 Second Street was built at 267,248 square feet but made a contribution so the project was assessed the fee based on 159,150 square feet.

** Because One Market Street purchased office housing production program credits to mitigate 20,275 square feet of its development, it was assessed this fee based on the difference, or 31,547 square feet.

As Exhibit E4 indicates, the total amount collected from these 16 projects was \$14,842,362. The total amount that could have been collected if the projects had been assessed at the increased rate per square foot is \$22,040,896—a difference of \$7,198,534 on these 16 projects alone.

Exhibit E5 shows the total amount paid, by fee, and the adjusted totals for all 32 projects in our sample.

Exhibit E5 Total Revenue from Four City Impact Fees: Actual Versus Possible			
Fee	Actual Payments	Increased Payments Possible	Difference
Child Care Fee	\$380,785	\$573,268	\$192,483
Park Fee	552,496	825,982	273,486
Transit Fee	2,168,346	3,919,575	1,751,229
Housing Fee	14,842,362	22,040,896	7,198,534
Total	\$17,943,989	\$27,359,721	\$9,415,732

When we combine the total adjusted payments of the projects we analyzed for these four fees (Exhibits E1 through E4), we see that the amount collected was \$9,415,732 less than the amount that could have been collected if the fees had been increased annually according to the CPI and the housing index.

We expanded our analysis to combine the increased fee revenue for both the large projects that have paid fees and for the large projects that will owe the fees when complete. We found that, if

the City had increased the fee rates annually for all four City fees according to the CPI—or, in the case of the housing fee, the housing index—the City would now be able to collect an additional \$36 million in fees for those projects that are not yet complete. Combined with the over \$9 million that the City could have collected from those projects that have already paid (if the City had increased the fees annually), the City could have realized a total of over \$45 million in additional fee revenue from the four City impact fees.

Expanding Fee Applicability

Increasing fees by a yearly updated index is just one way that fees can reflect the current costs of the impacts they mitigate and increase revenue to the City. MUNI and the Job-Housing Linkage Program have recently conducted nexus studies to update the transit and housing fees, and much of the information from these studies could be applied to the other fees, particularly regarding development patterns and possible ways to increase fee revenues.

- **Expanding the Types of Land Uses Subject to Fees**—Both nexus studies argue persuasively that development projects other than office space increase the demand for San Francisco’s public resources and facilities. For example, many employees and customers of large-scale retail and entertainment venues use MUNI, and research and development workers need just as much affordable housing, child care and park space as office workers. As the transit fee is only levied on office space, applying the fee to additional land uses, such as lodging and entertainment, could increase fee revenues considerably. Based on a recent nexus study of the housing fee, the rate of the fee was increased and the Job-Housing Linkage Program was expanded to apply the fee to hotel, large-scale entertainment, retail, and research and development space, as well as office space.
- **Expanding the Geographic Area in Which Fees Apply**—Both the transit and the park fee are limited by geography. Both apply to buildings in the downtown area only. Recent nexus studies indicate that many other parts of San Francisco are developing, not just downtown, and these areas need increased services as well.

These methods for more fully recovering the costs of development impacts in San Francisco and increasing fee revenue illustrate the importance of having accurate data from nexus studies to guide the updating of these fees. Without nexus studies it is difficult to know if a fee is sufficient to effectively mitigate the impacts. However, neither the child care fee nor the park fee have ever had a nexus study done. Consequently, the City has not demonstrated the relationship between the impact of new development on open space and child care needs. As a result, the child care and park fees are vulnerable to challenges by developers.

RECOMMENDATIONS FOR FEE REVIEW AND MEANS OF INCREASING REVENUE

FINDING

Without nexus studies or regular review, the City cannot determine whether the level of fees effectively mitigates the impacts of San Francisco's growth patterns.

RECOMMENDATION

The Planning Department should perform regular nexus studies and fee reviews.

The four City impact fees should be reviewed yearly and a regular schedule should be created to conduct nexus studies. Doing these studies is a necessary component in establishing a relationship between the fee and development. Understanding how these relationships change will indicate if fee rates should be changed.

The nexus studies conducted for the transit fee and the housing fee were done at different times by different agencies although they were based on similar growth data. Performing nexus studies and reviews of these fees at different times means that standardization among the fees will be much more difficult. Performing nexus studies consistently and at the same time for these four fees may also be more cost-effective. Much of the underlying data used to create a nexus study is based on growth patterns. Replicating this work each time a nexus study is commissioned is duplicative and inefficient. A regular nexus study schedule will allow the City to review the fees concurrently and maintain a standard administrative process.

RECOMMENDATION

The Planning Department should consider growth patterns in future nexus studies to determine if geographic boundaries for fees should change.

The City should also reassess the areas defined for the transit and park fees. While these two fees were initially based on the Downtown Plan, development has occurred elsewhere in San Francisco. New patterns of development must be addressed if these fees are to mitigate effectively the impacts of growth.

RECOMMENDATION

The City should make all the impact fees apply to the same types of development.

The housing fee was updated recently to expand its applicability to include not just office space, but retail, hotel, entertainment and research and development space also. If the City can establish a nexus between affordable housing and these various types of development, it could establish a nexus for the other fees as well.

ADMINISTRATION OF INDIVIDUAL FEES

This section highlights the main characteristics and administrative processes of each fee. We have also included fund information to show the balances and fund activity.

Child Care Fee

Exhibit F1				
Child Care Capital Fund				
	1997-98	1998-99	1999-00	2000-01*
Beginning Balance	\$1,050,777	\$1,450,363	\$336,660	\$972,188
Revenues	399,586	844,237	635,528	120,802
Expenditures	0	(1,957,940)	0	(388,500)
Ending Balance	1,450,363	336,660	972,188	704,490

* Amount as of May 23, 2001

Note: Actual expenditures may not reflect commitments made by the departments that expend these funds.

The City adopted the child care requirement in 1985 to mitigate the increased need for child care that the development of new office and hotel buildings would create. With the growth of office and hotel space comes an increase in workers, especially women, and thus a need for more child care. The child care requirement is more than a simple impact fee because it can be fulfilled by means other than a lump sum fee payment. Project sponsors have six alternative means to fulfill this requirement:

1. Provide a child care facility at the project.
2. Provide a child care facility at the project in conjunction with one or more other building sponsors that are within one-half mile of each other.
3. Provide a child care facility within one mile of the project either singly or in conjunction with one or more other building sponsors that are within one-half mile of each other.
4. Pay a fee in lieu of providing a child care facility.
5. Combine the payment of an in-lieu fee with construction of a child care facility on or near the project either singly or in conjunction with other sponsors.
6. Arrange for a non-profit organization to provide a child care facility at a site within the City.

The equations used to calculate the cost of providing child care for the number of workers occupying new office and hotel space have not been reviewed or updated since 1985. The Board of Supervisors amended the ordinance to show changes in the name of the fund and expenditure regulations; however, the fee equation has not been updated to reflect current growth and child care needs in the City.

A 1998 memorandum of understanding between the Planning Department and the Department of Children, Youth and Their Families (DCYF) states that DCYF is responsible for all aspects of the administration of expenditures for the child care capital fund. While the Planning Department collects the fee, DCYF decides how it will be used. DCYF has an annual expenditure plan to transfer these funds to the child care facilities fund program of the low income housing fund. Once in the child care facilities fund program, the money is matched by various other programs and then used to build or expand existing facilities throughout the City. This allocation process occurs entirely within DCYF and is coordinated through the low income housing fund. Funds

from the child care capital fund were used to develop or improve 25 facilities in fiscal year 1999-2000.

Even though DCYF is responsible for allocating fee revenues, it does not have direct access to the child care capital fund. To execute transactions involving the fund, DCYF must contact the Planning Department to get the proper index codes for the City's accounting system, then ask the Controller's Office to effect the actual transfer.

Affordable Housing Fee

Exhibit F2				
Citywide Affordable Housing Fund				
	1997-98	1998-99	1999-00	2000-01*
Beginning Balance	\$2,294,353	\$5,239,216	\$5,990,276	\$17,289,109
Revenues	2,944,863	751,060	11,298,833	9,988,154
Expenditures	0	0	0	(1,598,440)
Ending Balance	5,239,216	5,990,276	17,289,109	25,678,823

* Amount as of May 23, 2001

Note: Actual expenditures may not reflect commitments made by the departments that expend these funds.

The housing fee was adopted in 1985 to mitigate the increased need for affordable housing that new office development creates. Like the child care requirement, the housing fee can be fulfilled in ways other than the payment of a fee. Project sponsors have three options to fulfill the requirements of the housing fee:

1. Pay an in-lieu fee to the City based on the square footage of the new project.
2. Contribute to a housing developer land or money at least equal to the in-lieu fee due.
3. Combine the above options.

Money collected through the in-lieu fee is deposited in to the citywide affordable housing fund. The money from this fund is pooled with other local, State and federal sources and then allocated by the Mayor's Office of Housing according to housing needs. In the past ten years, six affordable housing projects have been built or are currently under construction using funds from the citywide affordable housing fund.

The Board of Supervisors revised the housing fee in February 2001 for the first time since 1993. This major revision set new rates for the in-lieu fee and made more types of development projects subject to the fee. The Mayor's Office of Housing reviews this fee each year and issues an annual report.

Although a memorandum of understanding between the Planning Department and the Mayor's Office of Housing states the responsibilities for the administration of the citywide affordable housing fund, the agreement is outdated and has not been followed in some time. Superseding this agreement, a recent amendment to Ordinance 313, Section 12, states that the fund shall be administered and expended by the director of the Mayor's Office of Housing. Like DCYF, the Mayor's Office of Housing does not have direct access to the citywide affordable housing fund. When the Mayor's Office of Housing uses money from the fund, it must write to the director of planning requesting him to execute an agreement on behalf of the City with the housing sponsor.

Transit Impact Development Fee

Exhibit F3				
Transit Impact Development Fund				
	1997-98	1998-99	1999-00	2000-01*
Beginning Balance	\$56,459,367	\$57,477,155	\$56,388,112	\$60,357,437
Revenues	5,643,262	3,861,915	8,612,531	4,674,336
Expenditures	(4,625,474)	(4,950,958)	(4,643,206)	(9,024,698)
Ending Balance	57,477,155	56,388,112	60,357,437	56,007,075

* Amounts as of May 29, 2001

Note: Actual expenditures may not reflect commitments made by the departments that expend these funds.

The Board of Supervisors enacted the transit fee in 1981 to recover the capital and operating costs of increased peak-period transit service resulting from new office construction in downtown San Francisco. The transit fee applies to projects proposing any net addition of office space in the downtown area – as defined in Administrative Code, Section 38.1(d) – and roughly encompassing the Financial District, north Embarcadero area and South of Market to Bryant Street. Developers of office space pay a fixed rate of \$5 per square foot for new construction and a percentage of that amount for renovation of existing space.

The transit fee has been set by ordinance at \$5 per square foot since the fee was enacted in 1981. This rate is well below the cost of providing transit service to downtown. The Planning Department contracted with a consultant to do a nexus study of the transit fee, and that report was recently completed.

MUNI collects the transit fee from development projects referred by the Department of Building Inspection. Since the fee was enacted in 1981, MUNI has collected approximately \$93 million in transit fees and interest generated by the transit fund. By ordinance, MUNI is to spend the money only to expand service capacity for the downtown area through purchases of rolling stock, to install new lines, to add to existing lines and to support the long-term operation, maintenance and repair of these expanded facilities.

Downtown Park Fee

Exhibit F4				
Downtown Park Fund				
	1997-98	1998-99	1999-00	2000-01*
Beginning Balance	\$1,041,253	\$1,119,571	\$1,173,011	\$1,188,189
Revenues	78,318	53,440	996,731	913,785
Expenditures	0	0	(981,553)	0
Ending Balance	1,119,571	1,173,011	1,188,189	2,101,974

* Amounts as of May 23, 2001

Note: Actual expenditures may not reflect commitments made by the departments that expend these funds.

The park fee was established in 1985 to provide park space for the additional people that new office developments brought to downtown. New office projects in the C-3, or highest density commercial, use districts pay a fee of \$2 per square foot fee. The boundaries of C-3 use districts have expanded as development has increased. Park fee revenue is to fund projects for use by the

daytime population of the C-3 use districts, which means parks both within and bordering C-3 districts. Because acquiring land in those areas is so expensive, the fund is more likely to be applied to enhancing existing open space than actually creating new parks. The park fee has not been updated since it was enacted in 1985.

The Recreation and Park Commission and the Planning Commission are to administer the downtown park fund jointly, and the commissions must hold a hearing together before spending any money. The Board of Supervisors must then approve all appropriations.

The downtown park fund has not been active in the last few years. In 1999 the City appropriated \$1.1 million for work on the mid-Embarcadero project. In the early 1990's, \$1.4 million was used to purchase a parcel on the Embarcadero. Subsequent construction cast a shadow over this parcel, which was illegal, according to the City Attorney, because the City may not approve buildings that cast shadows on land purchased with downtown park fund money. Consequently, an agreement was reached that the Redevelopment Agency would repay the \$1.4 million from the downtown park fund when the building that casts the shadow is finished, which should be soon.

School Facility Impact Fee

The school fee was enacted in 1987 when the State legislature authorized local school districts to impose a fee as a way to repay money the State advanced to local school districts to pay for facilities improvements. This fee is based on the impact on the school district of increased development. While all new development in the City is subject to the school fee, the highest rate is for new residential development, based on the assumption that new residents will place the greatest demand for services on the school system. Since 1994, the San Francisco Unified School District has charged residential development \$1.72 per square foot of new habitable area over 500 square feet, excluding non-habitable spaces such as closets and hallways. The school district charges office development \$0.24 per square foot, while other types of development pay lower rates.

However, after 1994 the California Education Code provided for a higher rate (\$1.93/square foot for residential and \$0.31 for office space), with further increases to be implemented in 2000 to adjust for inflation. Local districts may retain 3 percent of the money collected to defray administration costs and also may use a portion of the money to perform facilities needs analyses; otherwise, the money is remitted to the State.

ADMINISTRATIVE RECOMMENDATIONS

FINDING

Fees are not reported annually as required by the ordinances.

RECOMMENDATION

The Planning Department and other administering departments should issue a regular comprehensive impact fee report.

While annual reports are required for each fee by ordinance, in practice such reports are not regularly issued. A regularly issued, comprehensive report of all the impact fees would show the extent of development in the City, the fees collected, and the projects initiated. Having one report would help all interested departments and stakeholders monitor these fees and provide greater accountability over the collection process.

FINDING

Departments do not have direct access to funds that would allow them to spend fee revenues.

RECOMMENDATION

The Controller should give access codes to departments to allow them to spend the money in the various funds.

Giving departments direct access to the funds in their accounts will allow these departments greater control over spending the fee revenue.

Appendix A Impact Fee Matrix

	Criteria	Affordable Housing Fee	Downtown Park Fee	Child-Care Requirement	TIDF	School Fee
Ordinance Review	City Code and Section*	Planning, Sec.313	Planning, Sec.139	Planning, Sec.314	Admin., Sec. 38	State Education Code, Sec. 17620-17626 Government Code, Sec. 65995-65998
	Year fee was approved	1985	1985	1985	1981	1987
	Is payment of a fee the only option for developers under this ordinance? (If no, how else can developers comply?)	No—Project sponsors can also donate land or money to developers for the construction of affordable housing.	Yes	No—Project sponsors can build an onsite facility, build a site nearby the development, or contract-out with an existing child-care provider in the city.	Yes	Yes
	Type of projects subject to the fee/requirement?	New large scale entertainment, hotel, office, research and development and retail space	New office space	New office and hotel space	New office space	New residential projects > 10,000 sq. ft. and all new commercial space
	Is the fee limited by geographic boundaries? (If yes, what are they?)	No	Yes: C-3 Use District	No	Yes: Downtown Area (defined in Code)	No
	Is the fee limited by project size? (If yes, what is the minimum qualifying size?)	Projects ≥ 25,000 sq. ft.	No	Projects ≥ 50,000 sq. ft.	No	No
	Does the code require that the fee be reviewed periodically? How often?	Annual reports, annual review and revision	Annual reports and reviewed every 3 years	Annual reports and reviewed every five years	Fee can be reviewed, but not increased	Fees can be reviewed, but cannot be changed without conducting a study
	Who identifies projects subject to the fee?	Planning	Planning	Planning	DBI	DBI
	Who collects the fee in practice?	Planning	Planning	Planning	MUNI	School District
	Who collects the fee per ordinance?	Controller	Planning	Controller	MUNI	School District
	When is the fee due?	Before the issuance of first building or site permit	Before Certificate of Final Completion	Before Certificate of Final Completion	Before Certificate of Final Completion	Before Certificate of Final Completion

	Who spends the fee revenue?	MOH	Rec/Park	DCYF	MUNI	State
	What are the units of impact used in the fee formula?	\$11.34/ sq. ft.	\$2/sq. ft.	\$1/ sq. ft.	\$5/sq. ft	Variable rates/sq. ft.
	Does the fee equation use a yearly updated index? (if so, what index?)	Yes - Average Area Purchase Price Safe Harbor Limitations for new Single-Family Residences for the SF PMSA	No	No	No	Fee can be adjusted for inflation
	Year the fee was last reviewed	2000	Not since inception	Not since inception	2001	1994
	Year the fee amount was last changed	February 2001	Not since inception	Not since inception	Not since inception	1994
	Fund in which the fee is deposited	Citywide Affordable Housing Fund	Downtown Park Fund	Child-care Capital Fund	MUNI-Transit Impact Development Fund	Remitted to State
Fund Information	Type of fund	Special Revenue Fund	Special Revenue Fund	Special Revenue Fund	Special Revenue Fund	Remitted to State
	New fee revenues in FY 1997-98	\$2,944,863	\$78,318	\$399,586	\$5,643,262	Information not available
	New fee revenues in FY 1998-99	\$751,060	\$53,440	\$844,237	\$3,861,915	Information not available
	New fee revenues in FY 1999-00	\$11,298,833	\$996,731	\$635,528	\$8,612,531	Information not available
	New fee revenues in FY 2000-01	\$9,988,154	\$913,785	\$120,802	\$4,674,336	Information not available
	Expenditures in the past four years	\$24,982,910	\$2,042,274	\$2,000,153	\$22,792,044	Information not available
Development Info.	How many projects were subject to the fee in 1997-98?	4	3	4	4	Information not available
	How many projects were subject to the fee in 1998-99?	5	2	4	5	Information not available
	How many projects were subject to the fee in 1999-00?	12	5	11	10	Information not available
	How many projects were subject to the fee in 2000-01?	11	6	1	9	Information not available

* All special fund language will be moved to the Administrative Code

** Based on Planning Commission decisions

Appendix B
Planning Commission Approvals for Large Office Space Projects: FY 1997-98 through FY 2000-01

			Transit Fee		Park Fee		Child Care Fee		Housing Fee		
	Project Address	Project Allocation	Subject?	Payment Status	Subject?	Payment Status	Subject?	Payment Status	Subject?	Payment Status	Permit Issued
FY 1998											
1	101 Second St.	368,800	Yes	Paid	Yes	Paid	Yes	Paid	Yes	Paid	
2	650 Townsend	269,680	Yes	Pending	No	NA	Yes	Pending	Yes	Paid	
3	One Second St.	345,000	Yes	Pending	Yes	Pending	Yes	Pending	Yes	Paid	
4	244 Front/275 Sacramento	58,650	Yes	Paid	Yes	Pending	Yes	Pending	Yes	Paid	Site Permit
FY 1999											
5	945 Battery	52,715	Yes	Pending	No	NA	Yes	Paid	Yes	Complied	
6	475 Brannan	61,000	Yes	Paid	No	NA	Yes	Pending	Yes	Paid	Site Permit
7	One Market	51,822	Yes	Paid	Yes	Pending	Yes	Paid	Yes	Paid	Undetermined
8	1301 Sansome	31,606	Yes	Pending	No	NA	No	NA	Yes	Complied	**
9	524 Howard	201,965	Yes	Pending	Yes	Pending	Yes	Pending	Yes	***	Site Permit
FY 2000											
10	475 Brannan	2,500	Yes	Paid	No	NA	Yes	Pending	Yes	Paid	
11	700 Seventh St.	273,650	Yes	Pending	No	NA	Yes	Pending	Yes	Paid	
12	554 Mission	645,000	Yes	Pending	Yes	Pending	Yes	Pending	Yes	Pending	Site Permit
13	670 Second St.	60,000	Yes	Pending	No	NA	Yes	Pending	Yes	Paid	
14	160 King	176,000	Yes	Pending	No	NA	Yes	Pending	Yes	Pending	
15	435 Pacific	32,500	Yes	Pending	No	NA	No	NA	Yes	Paid	Site Permit
16	350 Rhode Island	250,000	No	NA	No	NA	Yes	Pending	Yes	Paid	Site Permit
17	First & Howard	854,000	Yes	Pending	Yes	Pending	Yes	Pending	Yes	Pending	
18	235 Second St.	180,000	Yes	Pending	Yes	Pending	Yes	Pending	Yes	Paid	Site Permit
19	535 Mission	252,000	Yes	Pending	Yes	Pending	Yes	Pending	Yes	Pending	
20	2101 Bryant	148,000	No	NA	No	NA	Yes	Pending	Yes	Paid	Site Permit
21	899 Howard	153,500	Yes	Pending	Yes	Pending	Yes	Pending	Yes	Paid	Undetermined
FY 2001*											
22	2801 Leavenworth	40,000	No	NA	No	NA	No	NA	Yes	Paid	Site Permit
23	215 Fremont	47,950	Yes	Paid	No	NA	No	NA	Yes	Paid	Site Permit
24	820-880 Mission	49,100	Yes	Pending	Yes	Pending	No	NA	Yes	Pending	
25	38-44 Tehama	49,950	Yes	Pending	Yes	Pending	No	NA	Yes	Paid	Site Permit
26	178 Townsend	49,002	Yes	Pending	No	NA	No	NA	Yes	Outstanding	Site Permit
27	530 Folsom	45,944	Yes	Pending	Yes	Pending	No	NA	Yes	Outstanding	Site Permit
28	272 Main	46,500	Yes	Pending	Yes	Pending	No	NA	Yes	Pending	
29	First & Howard	295,000	Yes	Pending	Yes	Pending	Yes	Pending	Yes	Pending	
30	35 Stanford	48,000	Yes	Pending	No	NA	No	NA	Yes	Pending	
31	2800 Leavenworth	34,945	No	NA	No	NA	No	NA	Yes	Pending	
32	199 New Montgomery	49,345	Yes	Pending	Yes	Pending	No	NA	Yes	Pending	
Total Yes/Paid			28	6	16	1	20	3	32	17	

NA = Not Applicable

"Pending" indicates that we did not find a certificate of final completion and occupancy or site permit record and therefore could not determine whether projects that are subject to a fee are currently under construction or have failed to pay their fees.

* Approvals and payments as of 3/1/01

** Building is complete, but there is no record of a certificate of final completion or occupancy or site permit

*** The original conditions of approval for 524 Howard state that the housing fee is not due until the issuance of the certificate of final completion or occupancy.

Note: Square footage information is based on the amount of square footage approved, not the actual square footage built. The actual square footage built is not tracked by the Planning Department.

Appendix C

Projects That Warrant Further Review

We identified the following projects that warrant further review. We believe these buildings may be subject to additional fees, but we did not have the specific data to confirm. The zoning administrator determined that projects designated “business service” were exempt from the fees because the fee ordinances specify that “office” projects are subject to impact fees. Policy makers should consider including designations such as business service in future versions of the fee ordinances.

	Project Address		Subject to Transit Fee	Subject to School Fee	Subject to Park Fee	Subject to Child Care/ Housing Fees
1	495	3rd	Yes	Yes	No	Business service
2	499	3rd	Probable	Yes	No	Business service
3	438	8th	Probable	Yes, Paid	No	Business service
4	1150	16th	No	Yes, Paid	No	Need better data
5	77	Bluxome	Yes	Yes	No	Business service
6	149	Bluxome	Yes, Paid	Yes	No	Business service
7	230-250	Brannan	Yes	Yes	No	Business service
8	424	Brannan	Probable	Yes	No	Business service
9	800	Bryant	Yes	Yes	No	Business service
10	925	Bryant	Probable	Yes	No	Business service
11	945	Bryant	Yes	Yes	No	Business service
12	61-63	Clementina	Yes	Yes, Paid	Yes	No
13	550	Kearny	Yes, Paid	Yes	Probable	Need better data
14	726	Market	Yes	Yes	Probable	Need better data
15	1145	Market	Yes, Paid	Yes	Probable	Possible
16	616	Minna	Yes, Paid	Yes	Possible	Business service
17	1328	Mission	Yes	Yes	Possible	Possible
18	1475	Mission	Yes	Yes	Possible	Business service
19	55	Natoma/540 Howard	No	Yes	Probable	No
20	66	Potrero	No	Yes	Possible	Business service
21	181	South Park	Yes	Yes	No	Business service
22	126	South Park	Yes, Paid	Yes	No	Business service
23	851	Van Ness	No	Yes, Paid	Possible	No

We strongly encourage the Planning Department to review the records for these projects to ensure fees are assessed appropriately.

Appendix D

Basis of Recommendations to Centralize Fee Collection in the Planning Department

Our decision to recommend centralizing the fee collection responsibilities in the Planning Department, rather than in the Department of Building Inspection, was based on several factors that are summarized below.

Fee Collection Centralized at the Department of Building Inspection:

Pro:	Con:	Mitigating factor:
All projects and permits go through DBI, so more information on specific projects is available.	Projects are farther along in the permitting process, thus developers have less notice.	Developers know about the fees before building permits are issued.
DBI collects other fees effectively and could probably collect impact fees as well.	DBI handles a high volume of permits; some may be overlooked.	A dedicated staff person would be held accountable.

Fee Collection Centralized at the Planning Department:

Pro:	Con:	Mitigating factor:
Dept. handles fewer projects, so fees are less likely to be overlooked.	Not all projects go through Planning Department; those that don't need Planning approval may be missed.	Dept. of Building Inspection and an improved database could notify them.
Dept. is already thinking about improving the collection process.	Dept. has high staff turnover, which does not promote consistency.	Dept. may stabilize over time.
Dept. already collects 3 of 5 fees.	Projects might change after Planning approval.	DBI can notify, and staff person would be accountable for following the progress of subject projects.
Planning Dept. is likely to perform or oversee future nexus studies.		