

**CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST**

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Policy Analysis Report

To: Supervisor Christensen
From: Budget and Legislative Analyst's Office
Re: North Beach Central Subway Station
Date: November 16, 2015



Summary of Requested Action

Your office requested that the Budget and Legislative Analyst review the current status of a T-Third Line Phase Three extension to North Beach and Fisherman's Wharf, which has been studied by the San Francisco Municipal Transportation Agency (SFMTA) and the San Francisco County Transportation Authority (Transportation Authority) in concept only.

You asked that we review the status of the City's discussions with the owner of the Pagoda Palace site for possible acquisition for the North Beach station, as well as alternative station site options. You additionally requested that we look at what type of development would be feasible at the site above a transit station, as well as interim revenue generating uses for the site during a holding period.

For further information about this report, contact Severin Campbell at the Budget and Legislative Analyst's Office.

Executive Summary

- The Third Street Light Rail Transit Line (T-Third Line) is a transportation project which, upon completion, will connect the Bayview, Union Square and Chinatown by light rail. Phase One, which was completed in 2007, connected Visitation Valley to the Caltrain station at 4th and King Streets, and Phase Two, or the "Central Subway," is currently under construction, and will connect the Caltrain station to Chinatown among completion in 2019. Phase Three, which would extend the Central Subway to North Beach and Fisherman's Wharf has been studied in concept only.
- The T-Third Line Phase Three Concept Study, completed in October 2014, analyzed four potential concept alignments. Since that time, no formal work has been done on the project. The next step to move Phase Three forward would be inclusion and prioritization of the project in a variety of City and regional transportation planning documents, which would make it eligible for federal funding. The T-Third Line Extension is currently identified in the San Francisco Transportation Plan and Plan Bay Area 2040 as a project considered for further analysis. Once funding is secured, more technical analysis, environmental review and community outreach would be conducted. The

Budget and Legislative Analyst

Phase Three extension is estimated to cost between \$500 million and \$1 billion.

- There are several potential site alternatives for a North Beach Central Subway station. 1731 Powell Street, or the “Pagoda Palace” site, is an opportune site for the station as the Central Subway tunnel is already excavated directly below it. In addition, the site is currently an empty lot so there would be no displacement of businesses. It would also have minimal impact on the streets or sidewalks, as equipment could be stored on the empty site. However, the owner of the Pagoda Palace site has not expressed interest in selling the site to the City, and holds entitlements to develop the site into 19 residential units above a restaurant.
- Within current zoning regulations, approximately 11 to 30 residential units could potentially be built on top of a North Beach transit station, depending on which site option is selected, and the final design of the development. However, if a developer took advantage of a variety of incentives including increased height limits, conversion to a Neighborhood Commercial Transit District and providing 30 percent of more affordable housing, up to 53 residential units could potentially be built above a transit station.
- Revenue-generating interim site uses during the station construction period could include: lease-back of the sites to current business owners for continued operation, temporary retail, cultural activities, festivals and urban agriculture among others.

Project Staff: Jadie Wasilco and Severin Campbell

T-Third Line & Central Subway Extension Overview

The T-Third Street Light Rail Transit Line (T-Third Line) is a transportation project which, upon completion, will connect the Bayview, Union Square and Chinatown by light rail. Phase One of the project was completed in 2007, and construction of Phase Two is currently underway. Phases Three and Four have been discussed in concept only.

Exhibit 1: T-Third Line Project Phases

Phase	Stations	Project Timeline
1	Visitacion Valley to Caltrain (4 th & King Streets)	Completed in 2007
2	Caltrain Station to Chinatown	Expected completion 2019
3	Chinatown to Fisherman's Wharf	Discussed in concept only
4	Fisherman's Wharf to The Presidio	Discussed in concept only

Phase One of the T-Third Line opened in 2007, adding 5.1 miles of track and 18 stations along the Third Street Corridor on the east side of San Francisco. Phase One begins in Visitacion Valley and ends at the Caltrain station at 4th and King Streets in the South of Market (SOMA) neighborhood.

Phase Two of the T-Third Line project is a 1.7 mile extension, termed the "Central Subway," which is currently under construction. Phase Two will connect the Caltrain Station to Stockton and Clay Streets in Chinatown. New stops serviced by the Central Subway will include stations at: 4th and Brannan, Yerba Buena/Moscone Center, Union Square and Chinatown, as shown in Exhibit 2 below.

Exhibit 2: Central Subway Project Map



Source: SFMTA

Funding

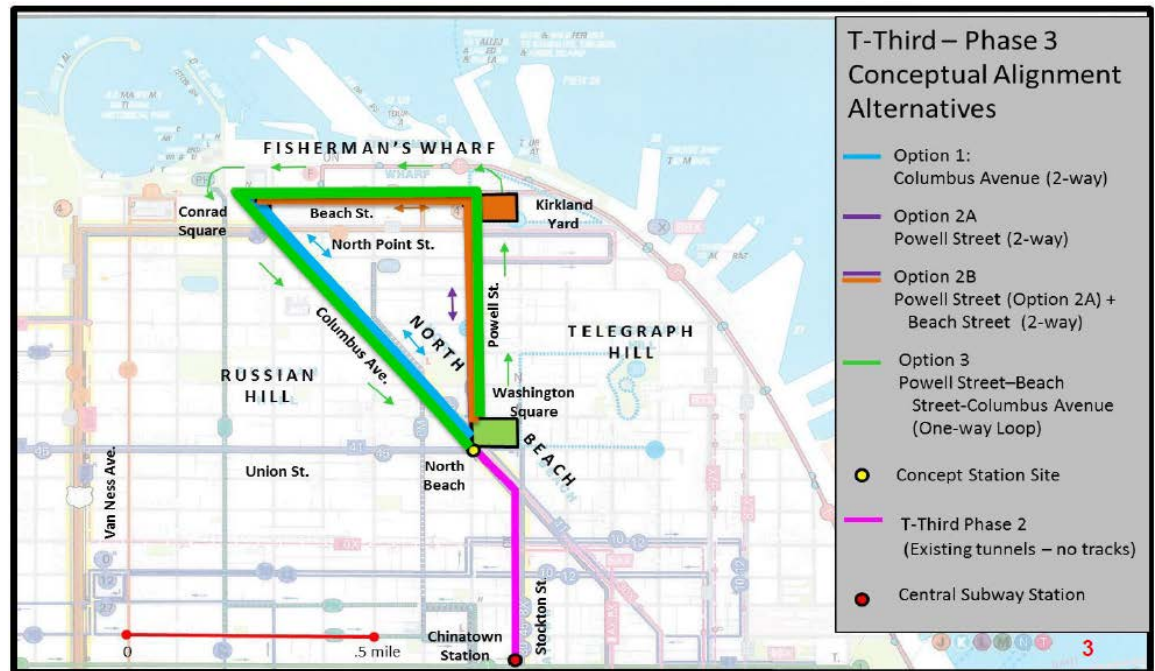
Phase One of the T-Third Line improvements cost the City \$748 million, and the Central Subway (Phase Two), is projected to cost \$1.5 billion, for a total project cost of \$2.2 billion for both phases. The Central Subway project has a full funding grant agreement with the Federal Transit Administration's New Starts program, and is expected to open in 2019.¹

Central Subway: Phase Three to Fisherman's Wharf

The San Francisco County Transportation Authority (Transportation Authority) and the San Francisco Municipal Transportation Agency (SFMTA), and Planning Department conducted a T-Third Line Phase Three Concept Study (Concept Study) for a Phase Three of the T-Third Line project, which would add two additional stops in North Beach and Fisherman's Wharf. This study was completed in October 2014 and is discussed in further detail in the next section.

¹ The Federal Transit Administration's (FTA) discretionary New Starts program is the federal government's primary financial resource for supporting locally-planned, implemented, and operated transit "guideway" capital investments.

Exhibit 3: T-Third Line Phase Three Conceptual Alignment Alternatives



Source: SFMTA

Central Subway: Phase Four to the Presidio

A further extension of the Central Subway to the Marina district and the Presidio is additionally presented in the Concept Study. Although this would likely be several years in the future, an initial assessment of issues is included for discussion purposes only.

According to the Concept Study, a Phase Four extension would likely result in an increase of several thousand passengers per day on the T-Third Line, and could potentially overload the existing system infrastructure to a level beyond currently planned capacity with the two car trains and platforms. Further westward expansion would likely require current T-Third Line infrastructure to be rebuilt to accommodate longer three or four car trains, or a second parallel rail line. The authors of the Concept Study suggest that this extension should be seriously considered in conjunction with any Phase Three extension.

T-Third Line Phase Three Concept Study Findings

The T-Third Line Phase Three Concept Study analyzed four possible rail alignments. The study did not select a preferred alignment; however, it did rule out options deemed infeasible.

The Concept Study evaluated the four alignments on the variables below:

- Passenger experience
- Operational efficiency
- System performance
- Local operations considerations
- Infrastructure resiliency
- Construction disturbance
- Capital construction cost & risk

On December 2, 2014, representatives from SFMTA and the Transportation Authority presented the findings of the Concept Study to the SFMTA Board of Directors. Since that time, no further study or analysis has been done on this project.

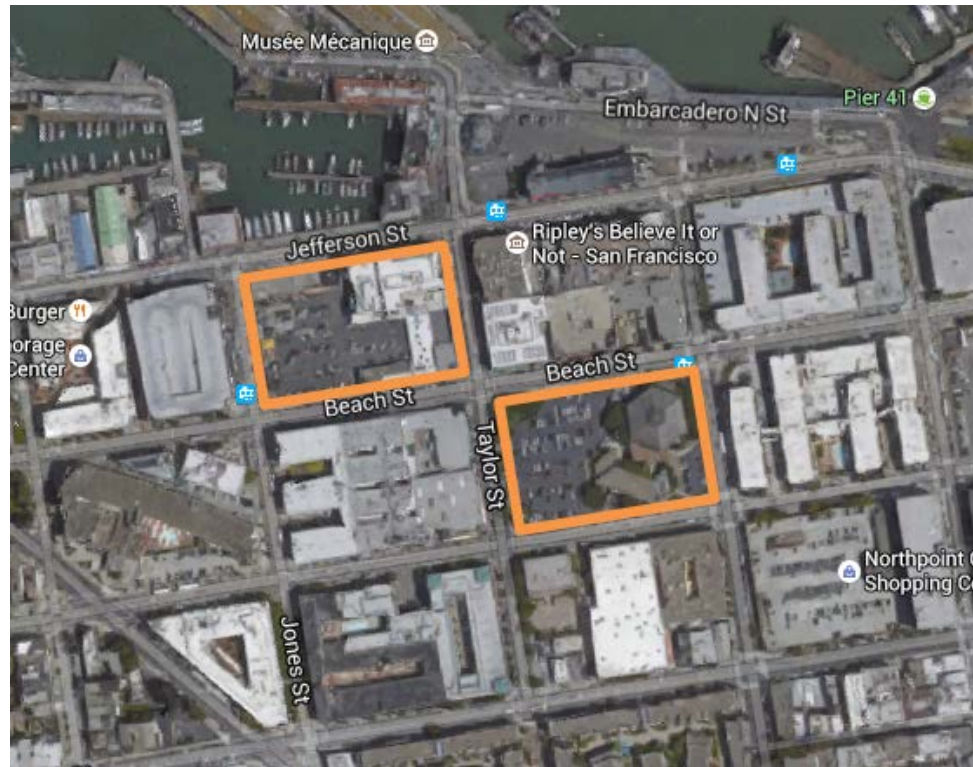
Additional Alignment

According to senior staff at the Transportation Authority, additional alignments are possible that could be considered and are worthy of further study since they were identified after the Concept Study concluded. As shown in Exhibit 4 below, in one alignment, a tunnel would turn from Columbus Avenue onto Taylor Street, terminating at the Fisherman's Wharf station located at the intersection of Taylor Street and Beach Street. The site is an 113,438 square foot (SF) lot, which consists of a two-story building occupied by the International Longshore & Warehouse Union. The building covers approximately 16,000 SF of the lot, the rest of which is a large surface parking lot.

Another possible station site is the lot on the northwest corner of Taylor Street and Beach Street, which could be served by a tunnel on either Taylor Street or Jones Street. This 113,492 SF block currently has six buildings and approximately 53,880 SF of surface parking lot.

Both of these sites have significant portions currently devoted to surface parking. Further study would be needed to evaluate the alignments and identify physical and regulatory site constraints.

Exhibit 4: Additional Fisherman's Wharf Station Options



If an off-street site in the Wharf is selected, most tunneling construction could be done from the north end of the tunnel, including storage of equipment. This would result in less community disruption on the streets and sidewalks of both the Fisherman's Wharf and North Beach neighborhoods. In this scenario, SFMTA could also potentially utilize the cut and cover construction method for the Wharf station, rather than the shaft mining method, which is significantly cheaper. The North Beach station site construction would still cause some disruption, but the land area needed may be reduced. Further study would be needed to determine the space requirements.

Local & Regional Transportation Planning Priorities

The extension of the T-Third Line to North Beach and Fisherman's Wharf under Phase Three will require inclusion of this project in the San Francisco Transportation Plan 2050 and the Plan Bay Area 2040. Inclusion in these plans would facilitate access to federal, state and local funding for the T-Third Line Phase Three.

San Francisco Transportation Plan

The San Francisco Transportation Plan is a long range plan developed by the San Francisco County Transportation Authority (Transportation Authority). The plan prioritizes City transportation projects to receive Proposition K sales tax

allocations. The current plan extends through 2040 and was adopted by the Transportation Authority Board of Directors in December 2013.² The Transportation Authority will update the plan in 2016 to reassess projects previously identified for funding.

The next San Francisco Transportation Plan will extend through 2050, with plan adoption by the Transportation Authority Board of Directors by January 2024. The first phase of the planning process is consideration of the universe of transportation projects to be included in the plan. The T-Third Line extension to North Beach and Fisherman's Wharf under Phase Three is one of the projects under consideration. Selection of projects to be further studied for the San Francisco Transportation Plan 2050 is scheduled for the end of 2016.³ If the T-Third Line Phase Three is selected for further study, the project will be included in a concept study (Transit Modal Concept Study, planned for 2017) and the technical analysis (planned for 2018/2019).

Plan Bay Area 2040

Plan Bay Area is the long range transportation and housing/land use plan for the Bay Area. Plan Bay Area was jointly approved by the Association of Bay Area Governments (ABAG) Board of Directors and Metropolitan Transportation Commission (MTC) Board of Directors in July 2013. Plan Bay Area 2040 is the update to Plan Bay Area.

The T-Third Line Phase Three is included in the list of projects to be considered in Plan Bay Area 2040 in a program category for Rail Capacity Long Term Planning and Conceptual Design. Large transportation projects only need to be individually included in Plan Bay Area 2040, rather than in a program category, if they expect a federal action (e.g. National Environmental Policy Act [NEPA] approval), wish to seek construction funding prior to the next Plan Bay Area update, which is expected to be adopted in 2021, or if they trigger federal air quality analysis.

If projects require state or federal funds, or a federal action prior to 2021, it is possible to amend the Plan Bay Area for a specific change.

Other City Planning Documents

SFMTA Rail Capacity Study

The SFMTA Rail Capacity Study examines the City's current rail network and expansion priorities. The study is currently underway, and findings will be presented to the SFMTA Board Policy and Governance Committee in November 2015. Phase Three of the T-Third Line is on the list of expansion projects to be considered; however, the SFMTA has not yet determined where it ranks in priority amongst other projects.

² The SFCTA is made up of the San Francisco Board of Supervisors. Therefore, the Board can set their transportation priorities through approval of the San Francisco Transportation Plan.

³ Representatives from the SFCTA, Planning Department, SFMTA, and Mayor's Office make up the planning process.

SFMTA & City of San Francisco Capital Plans

The SFMTA's 20 year capital plan released on September 16, 2015, identifies the T-Third Line Phase Three Project as a capital need within the Transit Optimization and Expansion Program. Inclusion in this plan, which feeds into the City's Ten-Year Capital Plan, will further prioritize this project. Within the City's current Capital Plan, Phase Two of the Central Subway is identified as the highest priority transit project for San Francisco, and the largest project in the SFMTA Capital Plan.

Proposed Subway Master Plan

An ordinance is pending before the Board of Supervisors, which would direct the City to develop a Subway Master Plan within 12 months, and update the Plan every four years. If this ordinance is passed, the first set of projects would be identified within the next year. Prioritization within the Subway Master Plan could potentially help move the T-Third Line Phase Three forward.

Project Cost & Potential Funding Sources

It is unlikely that any bonding capacity will fully fund the project, so multiple funding sources and options must be considered. If the project were to be built using any federal funds, a federal environmental review process outlined in NEPA would need to be completed, along with CEQA to clear the project at both the federal and state levels.

The Concept Study conducted preliminary cost estimates for the four potential alignments extending the subway to North Beach and Fisherman's Wharf (Columbus Avenue, Powell Street, Powell and Beach Streets, Powell/Beach/Columbus triangle) using the Federal Transit Administration's (FTA) Capital Cost Database. The cost estimates included value capture options to help finance the project.⁴ The analysis identifies a point estimate, as well as a high estimate, which adds 50 percent on top of the point estimate, as large-scale capital transportation projects in San Francisco have generally fallen between the original point and high estimates in the past.

According to the Concept Study, the order of magnitude cost estimates range from a low of \$367 million (Alternative 2A-1, Powell Street subway and surface alignment) up to \$1.49 billion (Alt. 2B-2, two-way subway development along Powell and Beach Streets).⁵ Three quarters of the cost estimates for all four concept alignments fall between \$500 million and \$1 billion. These estimates do not include major land acquisition costs. Note that these estimates are in 2014 dollars, since no timeline was assumed as a basis to take into account inflation

⁴ Value capture options are revenue mechanisms, such as infrastructure financing districts discussed in Exhibit 16, to capture some of the increase in private property value resulting from public infrastructure investments.

⁵ All costs are in 2014 dollars, adjusted locally to San Francisco. All costs are based on total lineal miles of surface or underground guideway including necessary tail tracks as required. Soft costs were added at 49 percent to account for Professional Services.

between now and construction. Based on the analysis, the project would expect to receive a “high” rating by the FTA.⁶

Exhibit 5 below lists potential funding sources for this project.

Exhibit 5: Potential Funding Sources

Funding Program	Description
FTA New Starts Program	Provides grants for large projects on a competitive basis. Applicants must complete project development and engineering prior to receiving a grant, which includes initiation of the environmental review process.
Proposition K (Local Sales Tax)	Proposition K is a 30-year transportation Expenditure Plan funded by a half-cent sales tax approved by voters in 2003. There is currently no funding in the current Expenditure Plan for the T-Third Line Phase Three project. However, the Transportation Authority Board of Commissioners may adopt a new Expenditure Plan in 2023-2024, at which time funding could be identified.
FTA Formula Funds (Section 5307 –Urban Transit Formula Funds)	SFMTA is eligible to receive federal transit formula funds that can be used on a variety of transit capital projects, including the T-Third Line Phase Three project.
Land-Based Funding Sources	<p>There are numerous land based funding sources that can be used to finance capital transportation projects including:</p> <ul style="list-style-type: none"> • <i>Infrastructure Financing District (IFD)</i>—Diversion of property tax increment revenues for 30 years to finance capital projects with a 67 percent voter threshold approval of property owners. • <i>Enhanced Infrastructure Financing District</i>—Same financing mechanism as the IFD, however the voter threshold for approval is 55 percent. • <i>Community Facilities District (Mello-Roos)</i>—A designated area where a special property tax on real estate is established to pay for public works. • <i>Special Assessment District</i>- An assessment on property owners in a designated area where each property owner pays their fair share of costs of improvements that receive a direct and special benefit. • <i>Development Impact Fees</i>—An impact fee imposed on a new development project to pay for all or a portion of the costs of providing a public service to a new development.

Land Use & Value Capture Financing Tools

Leveraging local land-based value capture tools such as special assessment districts would demonstrate to policy makers that the community is committed to this project. By agreeing to tax themselves, local business owners and residents would indicate they believe this investment would have land use benefits, and are willing to pay back a part of the increased value that could result from this project.

⁶ Two cost estimates were calculated, resulting in a cost per new trip ranging from \$1.78 to \$2.87, both of which are below the cost threshold of \$4.00 required to obtain a “high” rating by the FTA.

Upzoning in the area could potentially increase the amount of value capture revenue, because as the size of the developments increased, so would their assessed value and therefore the amount of property tax owed to the City. An analysis done by Strategic Economics found that value capture mechanisms could pay for approximately five to 20 percent of total construction costs, dependent upon on the alignment and financing mechanism selected, as well as changes in land use regulations. Infrastructure finance districts, whether by land-owner, cities or transit operators, are another form of this financing mechanism.

North Beach Central Subway Station Options

According to senior staff at the Transportation Authority, there are several potential alternatives for a North Beach Central Subway station site, four of which are discussed in detail below. Other configurations are also possible, such as conducting construction in Columbus Avenue while using Powell Street and Union Street for detours. Station design development would be needed to determine the extent needed for construction and the final footprint of the station at surface level. As such, these four options should be considered for discussion purposes only, as none have been formally studied.

1. 1731 Powell Street – Former Pagoda Palace site
2. 659 Columbus Ave – Piazza Pelligrini Parking Lot
3. 721 Filbert Street – Public Parking Garage
4. Park triangle bounded by Powell Street, Columbus Ave and Union Street

Exhibit 6: North Beach Station Site Options



Site Option 1: 1731 Powell St – Pagoda Palace Site

1731 Powell Street is currently an empty lot, which used to house the historic Pagoda Palace Theater until it was demolished in February 2013. The Pagoda

Palace site is the opportune site for a future subway station in North Beach as the Central Subway tunnel is already excavated directly underneath it. The site is currently an empty lot and would avoid displacement of businesses. In addition, construction would be minimally disruptive to the surrounding community as equipment could be stored on the lot, having little impact on the streets or sidewalks.

Exhibit 7: North Beach Station Site Option #1



1731 Powell St Site Location



Pagoda Site Current Conditions

The owner of the Pagoda Palace site secured entitlements in 2009 to develop a five-story mixed-use project permitting 19 residential units above a 4,700 square foot restaurant. However, given the economic climate in 2009, the owner did not begin construction on the project.

In 2013, SFMTA approached the owner to use the site for extraction of the tunnel boring machines used to create the tunnel for Phase Two of the T-Third Line Project. The owner was amenable to this, and entered into a lease with the SFMTA for two years, beginning in 2013. The SFMTA paid the owner an annual base rent of \$400,000 per year for use of the site, in addition to reimbursements up to \$2,350,000 for out of pocket costs, construction cost increases and reimbursement of backfill and removal costs.

The “Central Subway Tunnel Boring Machine Extraction Site Special Use District (SUD)” was created specifically for the site in order to provide specific exceptions to zoning regulations for the North Beach Neighborhood Commercial District (North Beach NCD) that guide development on the site. The most important variations include a taller height allowance of 55 feet—the height of the previous Pagoda Palace Theater—and the allowance for restaurant uses. The SUD will sunset on April 5, 2018, five years after its implementation. The owner has until this time to begin construction.

The Planning Department issued the site permit to begin construction in February 2013. Generally, owners need a series of addenda to the site permit providing

further details on technical project components such as mechanical and electrical to begin construction. To date, the owner has not yet pursued acquiring the necessary addenda. However, on August 28, 2015, the owner filed for shoring permits with the Department of Building Inspection.

The lease included a “right of first offer” purchase option for the City in the event that the owner wanted to sell the property. However, the lease along with the right of first offer expired on May 9, 2015.

Eminent Domain

If the City determines the Pagoda Palace site is necessary to move the T-Third Line Phase Three project forward and the owner is not willing to sell, the City may use eminent domain to secure the site for public use.⁷ One of the primary difficulties of acquiring property through eminent domain is that the City must have California Environmental Quality Act (CEQA) clearance at the project level, which it currently does not have. Therefore, the timeline for property acquisition is driven by this project’s CEQA approval process, as the City is not able to use eminent domain to secure a parcel for speculative purposes. In addition, any purchase price would be consistent with fair market value based on the property’s highest and best use, which is not necessarily the mixed-use development for which it is currently entitled.

To deploy eminent domain, the Board must find and determine the following⁸:

1. The public interest and necessity require the Project;
2. The Project is planned and located in the manner that will be most compatible with the greatest public good and the least private injury;
3. The property sought to be acquired is necessary for the Project;
4. The offer required by California Government Code 7267.2 has been made to the owner of record of the Subject Property.

Site Option 2: 659 Columbus Ave – Piazza Pelligrini Site

Adjacent to the Pagoda Palace site is the Italian restaurant, Piazza Pelligrini. This site is 6,380 SF total, including 1,476 SF of restaurant space and 4,904 SF of parking lot.

⁷ California Government Code Sections 25350.5 and 37350.5

⁸ California Code of Civil Procedures Sections 1240.030 and 1245.230

Exhibit 8: North Beach Station Site Option #2



659 Columbus Ave Site Location



Piazza Pelligrini Parking Lot

Given the size of the site and the current open space in the parking lot, this option would impose less disruption in the streets and sidewalks than other options. However, temporary or permanent displacement of the Piazza Pelligrini restaurant is an issue that would need to be discussed in the public realm. Whether or not the restaurant needs to be removed would be further explored once the engineering requirements for the station are determined.

Site Option 3: 721 Filbert Street—Public Parking Garage

A two-story brick building at 721 Filbert Street currently operates as a public parking garage. This lot is 10,974 SF, all of which is currently covered by the building. According to the Planning Department, the building was constructed in 1907 and is not currently listed as an historic resource. However, if it were proposed for demolition, it would need re-evaluation which may find it to be significant, as well as an Environmental Impact Report.

If this site was selected for the new station, construction equipment could potentially be temporarily placed in the parking lot of Piazza Pelligrini next door, providing minimal interruption to the streets or sidewalks. However, this would remove parking spaces for the restaurant.

Exhibit 9: North Beach Station Site Option #3



721 Filbert St Site Location



Front view of parking garage

Site Option 4: Park Triangle

A 2,730 SF triangle of parkland located across Columbus Avenue from Washington Square Park is another potential site for the North Beach station. The triangular park is currently fenced off so visitors are unable to enter. However, it does provide green space and mature trees in a dense neighborhood, which is valued by local residents.

Exhibit 10: North Beach Station Site Option #4



Park triangle site location



View of park triangle from Columbus Avenue

The advantage of using the small park is that there are no existing structures on the land, and no businesses would be affected. Any impacts to publicly-owned parks from a federally-funded project would be additionally subject to federal Section 4(f)⁹ compliance, which in some cases can prevent a project from selecting

⁹ Section 4(f) refers to the original section within the U.S. Department of Transportation Act of 1966 which established the requirement for consideration of park and recreational lands, wildlife and waterfowl refuges, and historic sites in transportation project development. The law, now codified in 49 U.S.C. §303 and 23 U.S.C. §138, is implemented by the Federal Highway Administration (FHWA) through the regulation 23 CFR 774.

alternatives that impact parks when other alternatives are available. Further study would be needed to assess this issue.

Due to the small size of the park, construction at this site would likely roll over into the adjacent streets and sidewalks. It is possible that the demands of the station might even require the City to use part of the street to accommodate the station.

Site Options 1 & 2 Combined

Combining Site Options 1 and 2 would result in a large site of approximately 17,765 square feet. This larger site could potentially support substantially more space for a transit station, retail and residential units, than any of the smaller sites individually. However, the shadows cast on Washington Square Park would need to be considered for any tall development. Exhibit 11 below shows the two sites combined.

Exhibit 11: North Beach Station Site Options 1 & 2 Combined



North Beach Station Site Development Options

If the T-Third Line Phase Three project moves forward, the City would have an opportunity to build a transit-oriented development (TOD), or a mixed-used development within one half-mile of a transit station, on top of the North Beach station. The San Francisco Planning Department supports TOD as a policy, and would likely be supportive of such a development at any of the potential sites.

Site Development Standards

Three of the four sites (site options 1, 2 and 3) are within the North Beach NCD, which limits new development on a small to moderate scale. Small-scale neighborhood-serving businesses are strongly encouraged, and formula, or chain store, retail is prohibited. Special controls are in place due to the over-concentration of food and beverage service establishments. Residential development in new buildings is encouraged above the second story. The height limit in this zoning district is 40 feet.

Residential Development Options

Within these restrictions, a mixed-use development over a transit station would likely consist of residential units above either the station, or related retail uses. Exhibit 12 below shows the maximum number of residential units that could be developed on each site if it were developed as 100 percent residential, as well as two-thirds of the maximum number of residential units, to account for one floor of potential development occupied by the transit station or related uses under existing zoning. It additionally shows the scenario of Site Options One and Two combined to create one larger site.

Exhibit 12: Residential Development at Station Site Options Under Existing Zoning

Site	Zoning	Maximum Number of Residential Units*	2/3 Max Number of Residential Units
Site 1- 1731 Powell Street	North Beach NCD	29	19
Site 2- 659 Columbus Ave	North Beach NCD	16	11
Sites 1 & 2 Combined	North Beach NCD	45	30
Site 3- 721 Filbert Street	North Beach NCD	27	18
Site 4- Washington Square Park Triangle	Public	Residential uses would require rezoning	Residential uses would require rezoning

Source: SF Planning Department

*Maximum allowable density based on 1 unit per 400 square feet. Actual yield of units is based on other restrictions such as height limits, bulk controls, design, and spatial demands for other uses, such as a transit station.

If the residential development on any of the sites produced 10 or more units, it would be subject to the City's inclusionary requirement of 12 percent of affordable units on-site, or payment of an in-lieu fee. If the residential units were sold or rented at market-rate, they could potentially provide a source of financing for the project.

Alternate Residential Development Scenarios

A developer could potentially increase the allowable number of residential units on these sites under a variety of scenarios, discussed below and shown in Exhibit 13.

A. Create a Special Use District for an Increased Height Limit. The Pagoda site is currently governed by an SUD through 2018, which provides it with an increased

height limit of 55 feet, since the previous theater building's height was 55 feet. Maintaining the 55 foot height limit past 2018 would require a new SUD to be approved by the Planning Department.

B. Conversion from NCD to a Neighborhood Commercial Transit District (NCT).

NCTs remove density constraints based on lot area size for developments. Rather, developments are governed by other Planning code requirements including height and bulk, open space, rear yard setbacks and exposure requirements. Generally, developments are able to build taller projects when zoned as NCTs.

The below steps would need to be taken in order to rezone the North Beach NCD to an NCT:

1. Prepare a draft ordinance to include the following amendment:
"Residential density is now regulated by other Planning Code requirements such as height/bulk limitations, open space, rear yard setbacks, and exposure requirements."
2. Secure sponsorship of the draft ordinance by a member of the Board of Supervisors.
3. Planning Commission reviews the draft ordinance and makes a recommendation to the Board of Supervisors.
4. Draft ordinance is heard by the Board of Supervisors Land Use Committee.
5. Draft ordinance is heard by the full Board of Supervisors.
6. Approved ordinance is signed by the Mayor.

C. Provide 30 Percent Affordable Housing. The proposed local Affordable Housing Bonus Program (AHBP) was introduced in September 2015, and will be heard by the Planning Commission and the Board of Supervisors in the upcoming months. If the AHBP is approved, it will provide incentives for project sponsors to provide 30 percent or more affordable units on-site. Of the 30 percent, 12 percent must be permanently affordable to low- and moderate-income housings, and 18 percent must be permanently affordable to middle-income households. In addition, 40 percent of the total number of housing units must be two-bedrooms.

If the development meets these affordability thresholds and required unit mix, the Planning Department would remove the density limit from the site, and permit two extra stories of height above the current allowable height. According to the Planning Department, this would provide all of the benefits of the NCT, in addition to allowing a project sponsor up to two stories above the zoned height.

If approved, the Local AHBP would differ from the State AHBP which requires 12 percent of units for low and moderate-income, and an additional one to eight percent of units for very low, low or moderate income, producing between 13 – 20 percent total affordable units on-site. The State AHBP density bonus is based on a graduated scale and can result in seven to 35 percent increased density, with a maximum of two additional stories permitted.

D. Develop 100 Percent Affordable Project. If a 100 percent affordable project is developed on-site, the project could build up to three extra stories above the

permitted height limit, and would not be subject to the 40 percent two-bedroom requirement.

Exhibit 13 below summarizes alternative development scenarios for three of the more probable station site options.

Exhibit 13: Residential Development Scenarios at Station Site Options

Scenario 1 – Site 1: 1731 Powell St			
Zoning	Max Number of Residential Units	2/3 Max Number of Residential Units	Affordability Requirements
Current Zoning (40ft)	29	19	12% on-site
State AHBP (40ft)	39	26	~15% on-site*
Local AHBP (40ft)	37	25	30% on-site
Local AHBP (55ft)	45	30	30% on-site
100% Affordable (40ft)	45	30	100% on-site
100% Affordable (55ft)	52	35	100% on-site
Scenario 2 – Site 2: 659 Columbus Ave			
Zoning	Max Number of Residential Units	2/3 Max Number of Residential Units	Affordability Requirements
Current Zoning (40ft)	16	11	12% on-site
State AHBP (40ft)	22	15	~15% on-site*
Local AHBP (40ft)	20	13	30% on-site
Local AHBP (55ft)	24	16	30% on-site
100% Affordable (40ft)	24	16	100% on-site
100% Affordable (55ft)	28	19	100% on-site
Scenario 3- Sites 1&2 Combined: 001731 Powell St & 659 Columbus Ave			
Zoning	Max Number of Residential Units	2/3 Max Number of Residential Units	Affordability Requirements
Current Zoning (40ft)	45	30	12% on-site
State AHBP (40ft)	61	41	~15% on-site*
Local AHBP (40ft)	57	38	30% on-site
Local AHBP (55ft)	69	46	30% on-site
100% Affordable (40ft)	69	46	100% on-site
100% Affordable (55ft)	80	53	100% on-site

**State AHBP produces between 13 and 20 percent total affordable units on-site. The Planning Department uses an average of 15 percent of affordable units on-site to estimate residential development potential.*

Although increased height limits could allow more residential units, there could potentially be an issue with casting a new shadow over Washington Square Park. This issue would need to be further studied by the Planning Department.

Lessons from Central Subway Chinatown Station

During the planning period for the Central Subway Chinatown station, planners discussed developing a mixed-use TOD project above the transit station. However, the initial engineering for the station was designed to support only one to one and half stories on top of the underground station, making residential development infeasible by the time the issue arose. Therefore, if the City wishes to consider residential development on the future North Beach Station site, it should ensure that preference is made clear in the engineering request for proposal (RFP) documents, so the station could be designed to support multiple stories from the outset.

Interim North Beach Station Site Uses

Should the City decide to move forward with the Central Subway extension, construction of the station would likely not occur on the site for several years. During the holding period, the City would need to determine interim uses for the site.

The North Beach NCD zoning controls govern permitted temporary uses at sites 1, 2 and 3, shown below in Exhibit 14.

Exhibit 14: North Beach Neighborhood Commercial District Permitted Temporary Uses

Time Limit	Temporary Uses
24 Hours, Once a Month	<ul style="list-style-type: none">• Performance, exhibition, dance celebration or festival
60 Days	<ul style="list-style-type: none">• Neighborhood carnival, exhibition, celebration or festival• Booth for charitable, patriotic or welfare purposes• Open air sale of seasonal agricultural decorations (ex: Christmas trees)
One to Two Years	<ul style="list-style-type: none">• Temporary uses incidental to construction of a group of buildings on the same or adjacent premises• Rental or sales offices incidental to the new residential development
Intermittent Activities*	<ul style="list-style-type: none">• Mobile food facilities, farmers markets, open air craft markets

Source: San Francisco Planning Code Section 205

* Intermittent activities are outdoor uses that occur occasionally with some routine or regularity. They cannot be located on the property for more than either six calendar days for longer than 12 hours per day in a seven day period, or three calendar days for longer than 24 hours per day in any seven day period.

Interim uses beyond the limitations of permitted temporary uses listed above would be regulated in the same manner as any other use in the North Beach NCD. Exhibit 15 below lists permitted and conditionally permitted uses.

Exhibit 15: North Beach NCD Permitted Uses

Permitted	Needs Planning Commission Approval
Movie theater Medical services Personal services Neighborhood agriculture Other retail sales and services	Bars Restaurant Limited-restaurant Business or professional service Automobile parking Trade shop Public use Other entertainment Large-scale urban agriculture

Source: San Francisco Planning Code, Section 722

However, because the community has determined there is an over concentration of food and beverage establishments, the North Beach NCD generally prohibits new restaurants and bars if they are seeking to open at a location that was not previously occupied by a restaurant or bar.

Piazza Pelligrini Site & Public Parking Garage

Two of the sites, the Piazza Pelligrini site, and the public parking garage, both currently have functioning businesses that would eventually be removed should their site be selected for the station. For these two properties, the least disruptive revenue generating interim use would be for the City to buy the parcels, and then lease them back to the current owners to continue operating their businesses until construction began.

Park Triangle Site

The park triangle site is a City owned parcel that is part of the neighboring Washington Square Park. This small park currently provides open space and greenery in a dense commercial area. As the City already owns and maintains this property, it would likely maintain the park as is until site construction begins. Maintaining the community benefit of open space might be a more appropriate alternative for this site, rather than a revenue generating use.

Pagoda Palace Site

The Pagoda Palace site is currently a vacant lot, which presents more possibilities for creative revenue generating interim uses than the other sites.

Temporary Retail

A popular temporary use option for vacant lots is to create temporary retail uses, whose tenants pay rent to the City for the use of the land. A local example is the Proxy Development located at Hayes Street and Octavia Boulevard in Hayes Valley. The City currently owns this property, which is slated to be developed into housing in the future. In the interim, it is home to temporary retail establishments which sell food and beverages out of mobile shipping containers, rather than

permanent structures. It provides a public space for both residents and visitors to gather, while simultaneously offering casual dining options.

Exhibit 16: Proxy Development, Hayes Valley



A partnership with Piazza Pelligrini, the restaurant currently located on Site Option Two, could be pursued for temporary restaurant uses. If interested, Piazza Pelligrini could create a pop-up space serving food to people who sit in the plaza, or potentially go across the street and eat in the park. This option could help promote the local business and simultaneously activate the vacant lot.

A temporary development such as the Proxy development would lie outside of the scope of permitted temporary uses, and would be regulated under the North Beach NCD. It would likely be classified as a limited-restaurant which would need approval by the Planning Commission. It could face opposition, as new restaurants are not generally permitted unless they are in a location that was previously occupied by a restaurant or bar.

Flexible Parking Lot & Community Space

While parking lots are not generally considered the highest and best use for sites, they can provide a revenue generating amenity for the area. The Pagoda Palace site could be suitable for a surface parking lot at designated days or hours, and used for community purposes at other times.

Community uses for the lot could include a pedestrian plaza, farmer's market, art and performance space or activity space for children. As shown in Exhibit 12 above, parking and public uses fall outside of the scope of temporary uses, but may be permitted with Planning Commission approval.

Community performances are permitted temporary uses, with a frequency limit of once a month. Food trucks, craft fairs and farmers markets are permitted temporary uses on an intermittent basis. All of these options would activate the empty lot in an area with heavy pedestrian foot traffic.

Exhibit 17: Interim Use Possibilities at Pagoda Palace Site



*Pedestrian Plaza at Bryant Park
New York City, NY*



*Pop-up Performance Venue
Detroit, MI*



*Divisadero Farmers' Market
San Francisco, CA*

Potential Difficulties in a T-Third Line Phase Three

According to the Phase Three Concept Study, potential difficulties in expanding the T-Third Line in Phase Three require further study in order to assess the technical feasibility of this project. The specific difficulties will vary depending on whether or not the light rail alignment would be above or below ground. Although below ground options carry more risks and are more expensive, they provide quicker and more consistent levels of service.

Engineering

The two main construction engineering issues that arise with the alignments are risks of liquefaction and sea-level rise. These are two environmental issues that would be studied in-depth during the federal and state environmental review process. However, it is important to understand the major engineering issues early in the process to help determine any future alignment options. As shown in Exhibit 18 below, the Concept Study identifies the following subsurface risks with a high to very high probability of occurring.

Exhibit 18: Subsurface Engineering Risks with a High to Very High Probability of Occurring

Subsurface Engineering Risk	Probability of Occurring
Encountering sewer tunnels	Very High
Encountering underground utility supports	Very High
Mixed face excavation resulting in potential ground loss due to tunneling	Very High
Relatively high groundwater levels where groundwater could enter excavated opening causing unstable excavation, ground loss and settlements	Very High
Sea level rise during service life resulting in flooding of tunnels and stations	Very High
Seismic hazard during service life resulting in tunnel and station damage	High
Ground settlement due to excavation which could impact existing structures, streets and utilities	High

Environmental Review

The project must undergo the federal and state environmental review process (NEPA and CEQA), which will analyze the environmental impact of the project, as well as the feasibility of alternatives. According to the Concept Study, the comprehensive environmental review process including design and engineering work for this extension would take approximately three or more years to complete, unless expedited measures are taken.

Generally, the City is able to purchase a site without a specific project if the transaction is in conformance with the General Plan. However, according to senior management at the Real Estate Department, with a complicated large-scale project such as the Central Subway as reason for site acquisition, it would be unlikely that a purchase could go forward without the project's completed environmental review, absent a compelling and viable alternative public use.

Community Engagement

The City must engage in community outreach efforts with local residents and business owners in order to understand their preferences regarding both the T-Third Line extension, as well the preferred North Beach station site and potential Fisherman's Wharf sites. Feedback gained during this process will be influential in the planning process for this project, should it move forward.

Conclusion

Extending the T-Third Line to North Beach and Fisherman's Wharf would provide a community asset by offering more transit options and further connectivity with other parts of the City. However, the fate of the project will likely be determined by its prioritization in various City and regional planning documents over the next few years. Prioritization in these plans will allow the project to move forward by securing funding to conduct further technical analysis, including the CEQA and NEPA environmental review process, and community outreach efforts, which will be influential in the final project design.

Further technical analysis, along with the input of the community, will also help determine which of the station sites the City should pursue. During the construction holding period, whichever site is selected will be available for temporary interim uses. Depending on which site is chosen, interim uses could range from leasing back businesses to the previous owners to continue operation, to temporary retail, community uses and surface parking.