

Transportation Sustainability Fee (TSF) - Increase

Definition and Examples

An increase to the Transportation Sustainability Fee (TSF) imposed on new development in San Francisco.

The Transportation Sustainability Fee (TSF) is a citywide transportation fee placed on new development in the City and County of San Francisco. The TSF, established in 2015, expanded the previous Transportation Impact Development Fee (TIDF) to include market-rate residential development and certain large institutions. The fee was established so developers pay their fair share for transportation impacts from new residents and workers. TSF funds may be used to fund transit capital maintenance, transit capital facilities, and complete streets infrastructure.

The Transportation Sustainability Fee is one component of the broader Transportation Sustainability Program. The program is designed to modernize transportation review, invest in the transportation network by ensuring that new development pays its fair share, and reducing the vehicle miles traveled associated with new development. The TSF was based on a nexus study prepared by SFMTA and the Planning Department, as required under the California Mitigation Fee Act. The Nexus Study established a maximum justified transportation impact fee for all new development in the city¹. The City may choose to impose any amount up to the maximum justified amount. Those rates were:

- \$30.93 per building square foot for residential development
- \$87.42 per building square foot for nonresidential development
- \$26.07 per building square foot for production, distribution and repair development

The Planning Department also completed an Economic Feasibility Study on the TSF², which evaluated the potential impact of the TSF on development feasibility as measured by changes in residual land value. The Economic Feasibility Study used a sensitivity analysis to determine how the proposed fee would increase development costs and thereby affect overall development feasibility for prototype development projects (e.g. large residential project, small mixed-use project), in order to provide understanding of how the fee might affect the type and amount of future development. Based on the Economic Feasibility Study's findings, the Board of Supervisors adopted the following fee levels that were determined to have a minimal effect on the feasibility of most types of development (right-most column below).

Development Category	Economically Feasible	Adopted
Residential (21-99 units)	\$7.74	\$7.74
Residential (>99 units)		\$8.74
Nonresidential (800-99,999 GSF)	\$18.04	\$18.04
Nonresidential (>99,999 GSF)		\$19.04
Production, Distribution, Repair (PDR)	N/A	\$7.61
Hospitals	N/A	\$18.74
Health Services (>12,000 GSF)	N/A	\$11.00

Table 1: TSF Fee Comparison (2015\$)

¹ http://www.sf-planning.org/ftp/files/plans-and-programs/emerging_issues/tsp/TSF_NexusStudy_May2015.pdf

² http://default.sfplanning.org/plans-and-programs/emerging_issues/tsp/TSF_EconomicFeasibilityStudy_Spring2015.pdf

Establishment and Administration

To increase or modify the TSF, the San Francisco Board of Supervisors would need to approve an ordinance to amend the Planning Code. Impact fees are assessed by the Planning Department and collected upon permit issuance. Program administration costs are limited to 2% of the program.

Expenditures

Revenues generated by the TSF may only be used to reduce the burden imposed by the new development on the City's transportation system. The ordinance establishes the categories the revenues can be allocated to, and the percentage of revenues allocated to each category, and the San Francisco Municipal Transportation Agency (SFMTA), along with other City and County agencies, develops a five-year spending plan for each of the categories identified in the ordinance³.

Revenues

The TSF has different rates for different types of development. For this paper, we are basing these estimates on a 2016 proposal⁴ to increase the fee for large non-residential projects (projects over 100,000 GSF) by \$1 to \$3 (from \$19.04 to \$20.04 and \$22.04 respectively per gross square foot, on all GSF greater than 99,999), potential revenue generated this increase to the TSF is estimated to generate:

- First year (2018/19): \$1.2 – \$3.6 million
- 25-year total (in \$2017): \$30 - \$90 million

Based on the feasibility study, it is expected that higher fees would have an impact on development rates, and therefore potentially result in lower revenue levels than shown here. Development fees in San Francisco automatically increase every year. Despite this, compared with other revenue sources, the TSF is more vulnerable to economic downturns, when there may be less development occurring in the City. Large commercial projects require large development parcels, which there are already few of in San Francisco, and so revenues from this TSF increase are not likely to grow significantly. The TSF is an unreliable funding source given the year-to-year fluctuations in revenues.

Policy and Equity Considerations

As noted above, the TSF is one component of the broader Transportation Sustainability Program, which is designed to help reduce reliance on driving and ensure that new development pays its fair share for transit and safer streets. The current TSF rates were established in 2015, and were set based on the market for development at that time. If the City's real estate market were to experience a downturn, new development might be more sensitive to higher impact fees. The City Code section establishing the TSF states that the SFMTA will update the Economic Feasibility Study every three years, looking at the impacts of the fee on the feasibility of development throughout the city⁵. The next required review would be in 2018. The City is also required to update the Nexus Study for the TSF every five years, with the first update anticipated in 2020.

3

[http://library.amlegal.com/nxt/gateway.dll/California/planning/article4developmentimpactfeesandprojectr?f=templates\\$fn=default.htm\\$3.0\\$vid=amlegal:sanfrancisco_ca\\$anc=JD_411A.6](http://library.amlegal.com/nxt/gateway.dll/California/planning/article4developmentimpactfeesandprojectr?f=templates$fn=default.htm$3.0$vid=amlegal:sanfrancisco_ca$anc=JD_411A.6)

⁴ <https://sf.streetsblog.org/2016/03/22/sf-mayors-veto-of-increased-transportation-sustainability-fee-stands/>

5

[http://library.amlegal.com/nxt/gateway.dll/California/planning/article4developmentimpactfeesandprojectr?f=templates\\$fn=default.htm\\$3.0\\$vid=amlegal:sanfrancisco_ca\\$anc=JD_411A.8](http://library.amlegal.com/nxt/gateway.dll/California/planning/article4developmentimpactfeesandprojectr?f=templates$fn=default.htm$3.0$vid=amlegal:sanfrancisco_ca$anc=JD_411A.8)