

Date: March 13, 2019

To: Eastern Neighborhoods CAC

From: Mat Snyder, Planning Staff

Subject: Eastern Neighborhood Fees – Split between Soma and Non-Soma

Summary

The forthcoming split of Eastern Neighborhoods impact fee revenue between infrastructure projects in Soma (East Soma, Western Soma and Central Soma) and outside of Soma (Central Waterfront, Showplace/Potrero, and the Mission) will not require any reconciliation of fee revenue between the two sub-areas.

Background

The Central Soma Plan was approved by the Board of Supervisors in December 2018. Also, in December, the BOS introduced legislation that creates a new CAC specifically for Soma. This legislation will be presented to the CAC as a separate agenda item at the same March 18 meeting.

The Central Soma Plan anticipates the portion of EN Fee revenue coming from Soma development projects being used to fund infrastructure projects in Soma going forward. Until now, fee revenue from the five EN neighborhoods have been placed in a single fund from which infrastructure projects throughout the five neighborhoods have been programmed; there has not been a formal separate accounting by neighborhood of revenue in and expenditures out.

Going forward, per the Central Soma Plan, EN revenue from Soma (East Soma, Western Soma, and Central Soma) will go to Soma infrastructure projects – conversely, revenue from the Non-Soma area (Central Waterfront, Showplace/Potrero, and the Mission), will go to Non-Soma infrastructure project.

Planning staff had been concerned that up until now, there had been more expenditures in Soma than revenue from Soma, thereby creating a Soma revenue deficit that needed to be reconciled prior to the formal split of revenue streams.

After a thorough analysis, Planning has found that such a reconcile is not necessary. At the end of the next fiscal years (FY 19 and FY 20), the City will have collected more revenue from Soma than programmed and therefore will not be in deficit; no reconciliation is required.

Methodology

All development projects that have paid fees are expected to pay fees were divided as either Soma or Non-Soma. Fee revenue was tabulated separately.

The revenue stream that had been attributable to “latent projects” – that is expected future development applications not yet in the application pipeline – were divided in half between Soma and Non-Soma.

All infrastructure projects were separated as being within either the Soma or the non-Soma portions of the EN.

The more general expenditure line items that were not attributable geographically (i.e. “Pedestrian Enhancement Fund”, “Park Bond Planning”) were either split based on how the funds were actually split (in the case of past expenditures) or based on the proportional share of revenue in a given year (in the case of proposed future expenditure).

The “EN IPIC Expenditure Plan with Soma Split” spreadsheet calculated the revenue, expenditures, annual balance and cumulative balance for Soma and Non-Soma separately and together.

Observations and Considerations

Earlier in 2018, Planning staff distributed to the CAC a table showing an analysis of revenue and expenditure broken out by each EN Plan Area. The intent of that analysis was to provide a general sense of what each neighborhoods’ proportional share of revenue and proportional share of expenditure relative to all Eastern Neighborhoods; its purpose was to provide guidance on how future expenditures could potentially be adjusted or emphasized if revenue and expenditure were out of balance for a given neighborhood. That table showed some of the Non-Soma Plan Areas showing less infrastructure spending than fee revenue, and conversely, some Soma areas as having more infrastructure spending than fee revenue.

The current analysis’ purpose is to more definitively test if there is an imbalance of revenue and expenditure between the Soma and Non-Soma halves of the Eastern Neighborhoods. Unlike the 2018 analysis, the current analysis includes the following: (1) revenue has been updated including additional fee revenue in Soma; (2) the latent revenue, which had not been distributed to the separate Plan Areas, has now been distributed to either Soma or Non-Soma; (3) previously shared expenditures have been distributed to either actually how funds had been spent, or based on proportional share of revenue in that given year. Also, the timeframes are different between the two analyses: FY17 vs FY18.

It is important to note that in the current analysis, differences in fee revenue and fee expenditures within a Plan Area, such as the Mission, are not distinguished separately than being a part of either “Soma” or “Non-Soma”.