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TITLE 6. DISTRICTS [58000 - 62464] (Title 6 added by Stats. 1951, Ch. 331.)

DIVISION 8. Downtown Revitalization and Economic Recovery Financing Districts [62450 - 62464] (Division 8 added by Stats. 2024, Ch. 274, Sec. 1.)

62450. For purposes of this part:

- (a) "Board of Supervisors" means the Board of Supervisors of the City and County of San Francisco.
- (b) "Commercial-to-residential conversion project" means a housing development project that converts an existing qualifying commercial building to market rate or affordable housing by either reuse of the existing commercial building or by replacing the commercial building with a new residential building.
- (c) "Communitywide significance" means benefits associated with the commercial-to-residential conversion project beyond the conversion of commercial space to residential dwelling units.
- (d) "Designated official" means the appropriate official designated pursuant to Section 62455.
- (e) "District board" means the governing board of the downtown revitalization and economic recovery financing district.
- (f) (1) "Downtown revitalization and economic recovery financing district" or "district" means a legally constituted governmental entity separate and distinct from the City and County of San Francisco for the sole purpose of financing commercial-to-residential conversion projects or other projects of communitywide significance in downtown San Francisco that support downtown revitalization and economic recovery as authorized by this division. A downtown revitalization and economic recovery financing district is a local agency for purposes of Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5.

(2) A downtown revitalization and economic recovery financing district shall be deemed a district within the meaning of Section 1 of Article XIII A of the California Constitution.
- (g) "Downtown revitalization financing plan" means an adopted financing plan prepared pursuant to Section 62456.
- (h) "Downtown San Francisco" means an area in the City and County of San Francisco bounded beginning at the intersection of Washington Street and The Embarcadero, running southerly along The Embarcadero and then King Street to 3rd Street, running northwesterly on 3rd Street to Townsend Street, running southwesterly along Townsend Street to 6th Street, running northwesterly along 6th Street to Mission Street, running southwesterly along Mission Street to 10th Street, running southeasterly along 10th Street to Minna Street, running southwesterly along Minna Street to Lafayette Street, running southeasterly along Lafayette Street to Howard Street, running southerly along Howard Street to the junction with the Central Freeway, running westerly along the Central Freeway to Market Street, running northeasterly along Market Street to Franklin Street, running northerly along Franklin Street to Golden Gate Avenue, running easterly along Golden Gate Avenue to Taylor Street, running northerly along Taylor Street to Turk Street, running easterly along Turk Street to Mason Street, running northerly along Mason Street to Ellis Street, running westerly along Ellis Street to Taylor Street, running northerly along Taylor Street to O'Farrell Street, running westerly along O'Farrell Street to Shannon Street, running northerly along Shannon Street to Geary Street, running easterly along Geary Street to Taylor Street, running northerly along Taylor Street to Bush Street, running easterly along Bush Street to Kearny Street, running northerly along Kearny Street to Sacramento Street, running easterly along Sacramento Street to Montgomery Street, running northerly along Montgomery Street to Washington Street, and running easterly along Washington Street to The Embarcadero.
- (i) "Lower income households" has the same meaning as defined in Section 50079.5 of the Health and Safety Code.
- (j) "Moderate-income households" means households of persons and families of moderate income, as defined in Section 50093 of the Health and Safety Code.
- (k) "Net available revenue" means periodic distributions to San Francisco from the Redevelopment Property Tax Trust Fund, created pursuant to Section 34170.5 of the Health and Safety Code, that are available to San Francisco after all preexisting legal commitments and statutory obligations funded from that revenue are made pursuant to Part 1.85 (commencing with Section 34170)

of Division 24 of the Health and Safety Code. "Net available revenue" shall not include any funds deposited by the county auditor-controller into the Redevelopment Property Tax Trust Fund or funds remaining in the Redevelopment Property Tax Trust Fund prior to distribution. "Net available revenue" shall not include any moneys payable to a school district that maintains kindergarten and grades 1 to 12, inclusive, community college districts, county office of education, or to the Educational Revenue Augmentation Fund, pursuant to paragraph (4) of subdivision (a) of Section 34183 of the Health and Safety Code.

(l) "Opted-in taxable property" means the property of a commercial-to-residential conversion project that has opted in to receive incremental tax revenue pursuant to Section 62459.

(m) "Qualifying commercial building" means a commercial building identified in the downtown revitalization financing plan pursuant to subdivision (d) of Section 62456.

(n) "San Francisco" means the City and County of San Francisco.

(o) "Very low income households" has the same meaning as defined in Section 50105 of the Health and Safety Code.

(Added by Stats. 2024, Ch. 274, Sec. 1. (AB 2488) Effective January 1, 2025.)

62451. The Board of Supervisors of the City and County of San Francisco may establish one downtown revitalization and economic recovery financing district pursuant to this division. Proceedings for the establishment of a district shall be instituted by the adoption of a resolution of intention to establish the proposed district and shall do all of the following:

(a) (1) State that a district is proposed to be established under the terms of this division and describe the boundaries of the proposed district, which may be accomplished by reference to a map on file in the office of the recorder of the county.

(2) The boundaries of the district shall be limited to downtown San Francisco.

(b) State the need for the district and the goals the district proposes to achieve.

(c) State that incremental property tax revenue generated by investment in the commercial-to-residential conversion project from San Francisco will be used to finance these activities.

(d) Fix a time and place for a public hearing by the Board of Supervisors on the proposed downtown revitalization financing plan. The Board of Supervisors shall hold the public hearing before the district board's third public hearing, described in subdivision (d) of Section 62458. After the Board of Supervisors public hearing, the Board of Supervisors may approve or reject the proposed downtown revitalization financing plan.

(Added by Stats. 2024, Ch. 274, Sec. 1. (AB 2488) Effective January 1, 2025.)

62452. (a) (1) The district board's membership shall consist of three members of the Board of Supervisors, and two members of the public chosen by the Board of Supervisors. The Board of Supervisors may appoint one of its members to be an alternate member of the district board who may serve and vote in place of a member who is absent or disqualifies themselves from participating in a meeting of the district. The appointment of the public members shall be subject to the provisions of Sections 54970 and 54972.

(2) For purposes of this subdivision, the district board may include a directly elected mayor.

(b) The Board of Supervisors shall ensure the district board is established at the same time that it adopts a resolution of intention pursuant to Section 62451.

(c) Members of the district board shall not receive compensation but may receive reimbursement for actual and necessary expenses incurred in the performance of official duties pursuant to Article 2.3 (commencing with Section 53232) of Chapter 2 of Part 1 of Division 2 of Title 5.

(d) Members of the district board are subject to Article 2.4 (commencing with Section 53234) of Chapter 2 of Part 1 of Division 2 of Title 5.

(e) The district board shall be a local public agency subject to the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5), the California Public Records Act (Division 10 (commencing with Section 7920.000) of Title 1), and the Political Reform Act of 1974 (Title 9 (commencing with Section 81000)).

(Added by Stats. 2024, Ch. 274, Sec. 1. (AB 2488) Effective January 1, 2025.)

62453. (a) The purpose of the district is to finance commercial-to-residential conversion projects with incremental tax revenues generated by commercial-to-residential conversion projects within the district.

(b) Incremental tax revenues generated by commercial-to-residential conversion projects within the district shall be allocated to, and when collected shall be paid into a special fund of, the district for all lawful purposes described in this section.

(c) The district shall finance only commercial-to-residential conversion projects that the district determines are of communitywide significance and that provide significant benefits to the district or San Francisco.

(d) The district shall ensure that incremental tax revenues allocated to the district are limited to those revenues described in Section 62457 that are generated through commercial-to-residential conversion projects within the district that have opted in pursuant to Section 62459.

(e) (1) The district shall take all of the following actions:

- (A) Hold an annual public hearing.
- (B) On or before June 30, after holding a public hearing, adopt an annual report.
- (C) Make available written copies of the draft of the annual report available to the public 30 days before the public hearing.
- (D) Post the draft of the annual report in an easily identifiable and accessible location on the district's internet website.

(2) The annual report shall contain all of the following:

- (A) A description of the projects undertaken by the district in the fiscal year, including any rehabilitation of structures, and a comparison of the progress expected to be made on those projects compared to the actual progress.
- (B) A chart comparing the actual revenues and expenses, including administrative costs, of the district to the budgeted revenues and expenses.
- (C) The amount of tax increment revenues received by the district.
- (D) A description of each commercial-to-residential conversion project within the district that opted in and the amount of tax increment revenues received.
- (E) An assessment of the status regarding completion of the district's projects.
- (F) The amount of revenues expended by the district to assist private businesses.

(3) If the district fails to adopt the annual report required by subparagraph (B) of paragraph (1), the district shall not allow for any additional properties to opt in to receiving funds from the district until the district has adopted the report.

(4) Every 10 years at a public hearing required by subparagraph (A) of paragraph (1), the district shall consider the following:

- (A) Whether the requirements of this division continue to be met.
- (B) Whether amendments to the downtown revitalization plan are necessary to ensure the requirements of this division continue to be met.

(Added by Stats. 2024, Ch. 274, Sec. 1. (AB 2488) Effective January 1, 2025.)

62454. The creation of the district and the adoption of a downtown revitalization financing plan pursuant to this division shall not be deemed a "project" for purposes of the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code).

(Added by Stats. 2024, Ch. 274, Sec. 1. (AB 2488) Effective January 1, 2025.)

62455. After adopting the resolution pursuant to Section 62451, the Board of Supervisors shall send a copy of the resolution to the district board. The district board shall designate and direct the appropriate government official to prepare a downtown revitalization financing plan pursuant to Section 62456.

(Added by Stats. 2024, Ch. 274, Sec. 1. (AB 2488) Effective January 1, 2025.)

62456. After receipt of a copy of the resolution of intention to establish the district, the official designated pursuant to Section 62455 shall prepare a proposed downtown revitalization financing plan. The downtown revitalization financing plan shall be consistent with the general plan and applicable specific plans of San Francisco, and shall include all of the following:

- (a) A map and legal description of the proposed district, which may include all or a portion of the district designated by the Board of Supervisors in its resolution of intention.
- (b) A description of the potential commercial-to-residential conversion projects that are proposed in the area of the district. A commercial-to-residential conversion project may be mixed use, but at least 60 percent of the square footage of the commercial-to-residential conversion shall be designated for residential use. Mixed-use developments shall be limited to residential and commercial uses.
- (c) A requirement that if nonresidential development is included in the development pursuant to subdivision (b), at least 25 percent of the total planned units affordable to lower income households shall be made available for lease or sale and permitted for use and

occupancy before or at the same time with every 25 percent of nonresidential development made available for lease or sale and permitted for use and occupancy.

(d) (1) A requirement that an opted-in taxable property shall not receive a property tax distribution from the district unless it meets one of the following:

(A) At least 5 percent of total units for rent are affordable to very low income households or the local inclusionary requirement, whichever is higher, for a minimum of 55 years.

(B) At least 10 percent of total units for rent are affordable to lower income households or the local inclusionary requirement, whichever is higher, for a minimum of 55 years.

(C) At least 10 percent of total units for sale are affordable to households of moderate income or the local inclusionary requirement, whichever is higher, for a minimum of 45 years.

(2) The affordability requirements established pursuant to this subdivision shall not apply to the first 1,500,000 square feet of opted-in commercial-to-residential conversion projects.

(e) A finding that the potential commercial-to-residential conversion projects and financial assistance are of communitywide significance and provide significant benefits to an area larger than the area of the district.

(f) Identification of each existing commercial building within the district that is eligible for conversion to residential use and that may opt in to receive incremental tax revenue pursuant to this division.

(g) A requirement that the incremental tax revenues generated by each individual commercial-to-residential conversion project within the district that are allocated to the district by San Francisco be distributed by the district back to that same project for the purpose of financing necessary development costs. Each individual commercial-to-residential conversion project shall receive an annual distribution on a pay-go basis in an amount no greater than the amount of incremental tax revenues generated by that same commercial-to-residential conversion project for a maximum of 30 years or until the district ceases to exist, whichever occurs first.

(h) A requirement that the first distribution of incremental tax revenue to a commercial-to-residential conversion project pursuant to subdivision (g) commence with the fiscal year that begins after the project is issued a certificate of occupancy.

(i) A requirement that if an opted-in taxable property is sold or otherwise transferred to a new property owner, the distribution described in subdivision (g) shall also be transferred to the new property owner.

(j) A requirement that any incremental tax revenues remaining after the distribution of revenues pursuant to subdivision (g) be used for downtown revitalization programs. Once the allocation of revenues has ceased, the tax increment shall be allocated to, and, when collected, shall be apportioned to, San Francisco.

(k) A requirement that local administrative costs to implement this section do not exceed 5 percent of the tax revenues allocated pursuant to the section, not including amounts required to reimburse San Francisco for the costs of establishing the district or the costs described in Section 62461.

(l) A financing section, which shall contain all of the following information:

(1) A specification of the maximum portion of the incremental tax revenue of San Francisco proposed to be committed to the district for each year during which the district will receive incremental tax revenue. The portion may change over time.

(2) A projection of the amount of tax revenues expected to be received by the district in each year during which the district will receive tax revenues.

(3) A limit on the total number of dollars of taxes that may be allocated to the district pursuant to the plan.

(4) A date on which the district will cease to exist, by which time all tax allocations to the district will end. The date shall not be more than 45 years from the date on which the district distributes funding to the first commercial-to-residential conversion project within the district.

(5) An analysis of the costs to San Francisco of providing facilities and services to the area of the district while the area is being developed and after the area is developed. The plan shall also include an analysis of the tax, fee, charge, and other revenues expected to be received by San Francisco as a result of expected development in the area of the district.

(6) An analysis of the projected fiscal impact of the district and the associated development upon San Francisco.

(m) If any residential dwelling units within the territory of the district are proposed to be removed or demolished in the course of a commercial-to-residential conversion project within the area of the district, a plan providing for replacement of those units and relocation of those persons or families consistent with the requirements of Article 2 (commencing with Section 66300.5) of Chapter 12 of Division 1 of Title 7.

(n) The goals the district proposes to achieve for each project financed pursuant to this division.

62457. (a) A downtown revitalization financing plan shall contain a provision that taxes, if any, levied upon opted-in taxable property in the area included within the downtown financing district each year by or for the benefit of the State of California, or San Francisco, shall be divided, subject to the provisions of Section 53993, as follows:

(1) That portion of the taxes that would be produced by the rate upon which the tax is levied each year by or for San Francisco upon the total sum of the assessed value of all of the opted-in taxable property in the district, as established pursuant to subdivision (b) of Section 62459, shall be allocated to, and when collected shall be paid to, San Francisco as taxes on all other property are paid.

(2) That portion of the levied taxes each year specified in the adopted downtown revitalization financing plan for San Francisco in excess of the amount specified in paragraph (1) shall be allocated to, and when collected shall be paid into a special fund of, the district for all lawful purposes of the district. Unless and until the total assessed valuation of the opted-in taxable property in a district exceeds the total assessed value of the opted-in taxable property in the district as shown by the last equalized assessment rolls referred to in paragraph (1), all of the taxes levied and collected upon the opted-in taxable property in the district shall be paid to San Francisco. When the district ceases to exist pursuant to the adopted downtown revitalization financing plan, all moneys thereafter received from taxes upon the opted-in taxable property in the district shall be allocated to, and, when collected, shall be apportioned to, San Francisco.

(b) Notwithstanding subdivision (a), where any district boundaries overlap with the boundaries of any former redevelopment project area, any debt or obligation of the district shall be subordinate to any and all enforceable obligations of the former redevelopment agency, as approved by the oversight board and the Department of Finance. For the purposes of this chapter, the division of taxes allocated to the district pursuant to subdivision (a) shall not include any taxes required to be deposited by the county auditor-controller into the Redevelopment Property Tax Trust Fund created pursuant to subdivision (b) of Section 34170.5 of the Health and Safety Code.

(c) The Board of Supervisors may choose to dedicate any portion of its net available revenue, as defined in subdivision (k) of Section 62450, to the district through the downtown revitalization financing plan.

(d) (1) That portion of any ad valorem property tax revenue annually allocated to San Francisco pursuant to Section 97.70 of the Revenue and Taxation Code that is specified in the adopted downtown revitalization financing plan for San Francisco, and that corresponds to the increase in the assessed valuation of taxable property shall be allocated to, and, when collected, shall be apportioned to, a special fund of the district for all lawful purposes of the district.

(2) When the district ceases to exist pursuant to the adopted downtown revitalization financing plan, the revenues described in this subdivision shall be allocated to, and, when collected, shall be apportioned to, San Francisco.

(e) The downtown revitalization financing plan shall not divide revenues that are allocated to other taxing entities that are not part of San Francisco.

(f) The portion of the incremental tax revenues described in subdivisions (a) and (c) generated by a commercial-to-residential conversion project that can be allocated to the district shall be limited to the incremental tax revenues generated by residential use in the project, with residential use measured based on square footage.

(Added by Stats. 2024, Ch. 274, Sec. 1. (AB 2488) Effective January 1, 2025.)

62458. (a) The district board shall consider adoption of the downtown revitalization financing plan at three public hearings.

(b) At the first public hearing, the district shall present the draft downtown revitalization financing plan, answer questions about the district, and consider comments about the downtown revitalization financing plan.

(c) At the second public hearing, the district shall consider any written and oral comments and take action to approve, modify, or reject the downtown revitalization financing plan.

(d) If the district takes action to approve or modify the downtown revitalization financing plan at the second public hearing, and if the Board of Supervisors approved the downtown revitalization financing plan pursuant to subdivision (d) of Section 62451, then the district may enact an ordinance or adopt a resolution to approve the downtown revitalization financing plan at the third public hearing.

(e) At least 10 days before each public hearing, the district board shall give notice of the public hearing as follows:

(1) The district board shall post notice of each public hearing required by this section in an easily identifiable and accessible location on the district's internet website.

(2) The district board shall do one of following:

(A) Mail a written notice of the public hearing at least 10 days before each scheduled public hearing date to each landowner, resident, business owner, and labor organization that represents workers in the geographic area of the project.

(B) If the district designates a contact person to receive and process any requests for an electronically mailed packet of all materials, email, at least 10 days before each scheduled public hearing date, notice of the public hearing to the email contact list assembled and maintained by the designated contact person.

(C) Publish notice of each public hearing at least 10 days before each public hearing in a newspaper of general circulation in San Francisco.

(Added by Stats. 2024, Ch. 274, Sec. 1. (AB 2488) Effective January 1, 2025.)

62459. (a) (1) After the adoption of the downtown revitalization financing plan, the district shall establish a process for eligible commercial-to-residential conversion projects identified pursuant to subdivision (d) of Section 62456 to opt into receiving incremental tax revenue generated by that same commercial-to-residential conversion project pursuant to this division. A district shall establish a process to reconsider the amount of incremental tax revenue to be distributed to a project if there is a change in use or the square footage of commercial space converted to housing planned to be built.

(2) An eligible commercial-to-residential conversion project may opt in to receive incremental tax revenue generated by that same commercial-to-residential conversion project pursuant to this division at any time before the project is issued the first building permit for the project.

(3) A commercial-to-residential conversion project shall not be eligible to opt in to receive incremental tax revenue pursuant to this division after December 31, 2032.

(b) After a commercial-to-residential conversion project opts in, the district shall determine whether it meets the requirements of this division and can begin receiving property tax incremental revenues. If the district determines that the project does not meet the requirements of this division, or that it does not have enough room under the limit established pursuant to paragraph (3) of subdivision (l) of Section 62456 for the project, the district shall not allow the project to begin receiving incremental tax revenue.

(c) For purposes of paragraph (1) of subdivision (a) of Section 62457, after a commercial-to-residential conversion project opts in to receive incremental tax revenue, and the district approves the project's ability to receive incremental tax revenue, the district shall establish the base assessed value for the applicable property, which shall be the assessed value for the applicable property as shown on the assessment roll used in connection with the property by San Francisco, last equalized prior to the first building permit being issued as a part of the conversion of the commercial-to-residential conversion project.

(d) An eligible commercial-to-residential conversion project that opts in to receive incremental tax revenue pursuant to subdivision (a) shall comply with the labor standards established in Section 62460.

(Added by Stats. 2024, Ch. 274, Sec. 1. (AB 2488) Effective January 1, 2025.)

62460. (a) Commercial-to-residential conversion projects that opt in to receive incremental tax revenue pursuant to Section 62459 are public works for which prevailing wages shall be paid for purposes of Chapter 1 (commencing with Section 1720) of Part 7 of Division 2 of the Labor Code.

(b) (1) Notwithstanding any other law, commercial-to-residential conversion projects that opt in to receive incremental tax revenue pursuant to Section 62459 shall comply with labor standards adopted by the Board of Supervisors and applicable to projects funded pursuant to subparagraph (A) of paragraph (1) of subdivision (d) of Section 64650.

(2) If the Board of Supervisors does not adopt labor standards applicable to projects funded pursuant to subparagraph (A) of paragraph (1) of subdivision (d) of Section 64650, then the commercial-to-residential conversion project shall not receive incremental tax revenue or net available revenue.

(Added by Stats. 2024, Ch. 274, Sec. 1. (AB 2488) Effective January 1, 2025.)

62461. All costs incurred by San Francisco in connection with the division of taxes pursuant to this division for the district shall be paid by the district.

(Added by Stats. 2024, Ch. 274, Sec. 1. (AB 2488) Effective January 1, 2025.)

62462. (a) If San Francisco establishes a district pursuant to this division, it shall develop and submit an annual report to the relevant committees of the Legislature regarding the commercial-to-residential conversion projects financed by the district.

(b) The reports submitted pursuant to subdivision (a) shall be submitted in compliance with Section 9795.

(Added by Stats. 2024, Ch. 274, Sec. 1. (AB 2488) Effective January 1, 2025.)

62463. Any action or proceeding to attack, review, set aside, void, or annul the creation of a district, adoption of a downtown revitalization financing plan, including a division of taxes, shall be commenced within 30 days after the enactment of the resolution creating the district pursuant to Section 62451. Consistent with the time limitations of this section, an action or proceeding with respect to a division of taxes under this chapter may be brought pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure.

(Added by Stats. 2024, Ch. 274, Sec. 1. (AB 2488) Effective January 1, 2025.)

62464. This section implements and fulfills the intent of this chapter and of Article XIII B of the California Constitution. The allocation and payment to a district of the portion of taxes specified in Section 62453 for the purpose of paying principal of, or interest on, loans, or advances incurred by the district pursuant to this chapter, shall not be deemed the receipt by a district of proceeds of taxes levied by or on behalf of the district within the meaning or for the purposes of Article XIII B of the California Constitution, nor shall that portion of taxes be deemed receipt of proceeds of taxes by, or an appropriation subject to limitation of, any other public body within the meaning or for purposes of Article XIII B of the California Constitution or any statutory provision enacted in implementation of Article XIII B of the California Constitution.

(Added by Stats. 2024, Ch. 274, Sec. 1. (AB 2488) Effective January 1, 2025.)