

San Francisco Downtown Revitalization Financing District

Program Guidelines

February 12, 2026

Overview

The San Francisco Downtown Revitalization and Economic Recovery Financing District (“Downtown Revitalization Financing District” or “District”) was established effective February 12, 2026 pursuant to Division 8 of Title 6 of the California Government Code (“Downtown Revitalization Law”) enacted by AB 2488 in 2024. The District is governed by a Board of Directors (“District Board”) under San Francisco Administrative Code Article XLIX pursuant to the Downtown Revitalization District Financing Plan (“Downtown Revitalization Plan”), as amended from time to time, and these Program Guidelines.

The District’s primary purpose is to finance commercial-to-residential conversion projects within the District boundaries by providing an annual incentive distribution to eligible projects based on the property tax increment generated by the project for a period of up to 30 years. Projects must be Enrolled in the District on or before December 31, 2032, meaning that the project has an executed Project Agreement (“Agreement”) with the District. If a project has Enrolled as described in these Program Guidelines, it will be considered to have opted in to receive annual distributions for the purposes of the Downtown Revitalization Law.

Capitalized terms used in these Program Guidelines but not defined herein have the meanings given to them in the San Francisco Planning Code or the Downtown Revitalization Plan.

San Francisco Downtown Revitalization Financing District
Program Guidelines

Eligibility Criteria

Site Requirements

1. **Location.** The project must be located within the Downtown Revitalization Financing District. (see the Planning Department's [Property Information Map](#))
2. **Zoning.** The project must be located on a legal parcel or parcels that allow for Residential uses.
3. **Redevelopment Project Areas.** The project must not be located within an existing Redevelopment Project Area with a designated Tax Rate Area established by the California Board of Equalization. (See the BOE [Tax Rate Area map](#))

Project Requirements

1. **Commercial-to-Residential Conversion.** The project must convert existing building space from Commercial use to Residential use by any combination of reuse of the existing building or demolition and new construction. For the purposes of the Downtown Revitalization Financing District, **Commercial use** shall include any use other than a Residential use, as defined in Planning Code Sec. 102, and any off-street parking or loading space that serves the Commercial use. **Residential use** shall include all space that meets the definition of Residential use under Planning Code Sec. 102, and any off-street parking or loading that serves the Residential use. In a mixed-use project, Residential use shall include mechanical space and common areas of the building, including any off-street parking and loading space, in the proportion that such areas serve the Residential use.
2. **Minimum Residential Use.** A commercial-to-residential project may be mixed-use, but at least 60 percent of the total square feet of Gross Floor Area, as defined in Planning Code Sec. 102, of the resulting project must be designated for Residential use. Mixed-use developments shall be limited to Residential and Commercial uses, and projects will only be eligible to receive annual distributions for the proportion of the resulting project's total square feet of Gross Floor Area that represents a conversion from Commercial to Residential use.

San Francisco Downtown Revitalization Financing District Program Guidelines

3. **Pre-Building Permit.** The project must be Enrolled in the District prior to being issued a building permit. For the purposes of the Downtown Revitalization Financing District, a building permit shall be defined as the First Construction Document as that term is defined in Planning Code Sec. 401.
4. **Enrollment Deadline.** Projects must have Enrolled in the Downtown Revitalization Financing District, meaning the project has an executed **Project Agreement** with the District on or before December 31, 2032.

Affordable Housing Requirements

Projects are subject to both the City's local affordable housing requirements and the state minimum affordability requirements, as described below. Enrolled projects that fail to provide designated on-site affordable housing units for the duration required in the Downtown Revitalization Law shall cease receiving annual distributions from the District.

Local Affordability Requirements

Projects are subject to the local affordability requirements of Planning Code Sec. 415, as shall be waived for eligible commercial-to-residential projects pursuant to Sec. 406(j), which generally includes those located within the C-3 zoning districts, for up to the first 7 million square feet of completed conversion projects.

State Minimum Affordability Requirements

Pursuant to the Downtown Revitalization Law, no additional affordability requirements shall apply to the first 1.5 million square feet of conversion projects to Enroll in the District. Projects that Enroll after the first 1.5 million square feet of conversion projects have been Enrolled must meet one of the following minimum on-site affordable housing requirements or the applicable requirement under Planning Code Sec. 415, whichever is higher:

- (1) At least 5 percent of total units for rent are affordable to very low income households (50% of AMI) for a minimum of 55 years.
- (2) At least 10 percent of total units for rent are affordable to lower income households (80% of AMI) for a minimum of 55 years.
- (3) At least 10 percent of total units for sale are affordable to households of moderate income (120% of AMI) for a minimum of 45 years.

San Francisco Downtown Revitalization Financing District Program Guidelines

Affordable units provided to satisfy these state requirements only shall be subject to the household income limits, unit pricing and income qualification standards as specified in the California Health and Safety Code and specified in the Rent Limits tables published by the California Department of Housing and Community Development. Affordable units shall be subject to all other requirements and provisions of Planning Code Sec. 415 and the Affordable Housing Program Monitoring and Procedures Manual, as amended from time to time, published by the Mayor's Office of Housing and Community Development.

The location of all on-site affordable units and the applicable affordability restrictions shall be recorded in a Notice of Special Restriction for the property with the San Francisco Assessor-Recorder.

In a mixed-use project, at least 25 percent of the total planned units affordable to lower income households provided to satisfy the requirements of the Downtown Revitalization Law shall be made available for lease or sale and permitted for use and occupancy before or at the same time as every 25 percent of nonresidential development made available for lease or sale and permitted for use and occupancy.

Project Tracking

For the purpose of determining whether a project falls within the first 1.5 million square feet of conversion projects, the Planning Department will maintain a tracking list of the cumulative square footage of projects under review and Enrolled.

Projects will be tracked in the order they receive a **Notice of Eligibility** from the Planning Department, except as described below, and regardless of the order in which they receive a Certificate of Completion. Projects will be tracked initially by total square feet of Gross Floor Area, as defined in Planning Code Sec. 102, as recorded in the Notice of Eligibility, and then by the total square feet of Gross Floor Area recorded in the Planning Approval Letter once one is issued.

A project that does not obtain a **Planning Approval Letter** within 18 months of receiving a Notice of Eligibility shall be dropped to the bottom of the tracking list, meaning that it may fall below other higher-ranked projects that cumulatively total more than 1.5 million square feet of Gross Floor Area and thus be subject to the state minimum affordability requirements. The project shall then be given another 18 months to obtain a Planning Approval Letter or be dropped again to the bottom of the tracking list. This process shall be repeated until the project obtains a Planning Approval Letter or its application for Enrollment is withdrawn, or the deadline for Enrollment has passed.

San Francisco Downtown Revitalization Financing District Program Guidelines

Should an approved project subsequently be issued a revised Planning Approval Letter that increases its Gross Floor Area in an amount that would cause the cumulative total square feet of Gross Floor Area of projects on the tracking list to exceed 1.5 million square feet, the project shall be dropped to the bottom of the tracking list based on the date on which the revised Planning Approval Letter was issued.

Projects for which a **First Construction Document** is not issued within 36 months of obtaining a Planning Approval Letter shall be dropped to the bottom of the tracking list and, if already Enrolled, the Agreement with the District shall automatically terminate and the project will no longer be considered as Enrolled. A project may re-Enroll by entering into a new Agreement at any time prior to December 31, 2032 and shall then be given another 36 months to obtain a First Construction Document or be dropped again to the bottom of the tracking list and the Agreement with the District shall automatically terminate. This process shall be repeated until the project obtains a First Construction Document or its application for Enrollment is withdrawn, or the deadline for Enrollment has passed.

The project shall be responsible for notifying the Planning Department within 30 days of receiving a First Construction Document. Please contact Carly Grob at carly.grob@sfgov.org or the assigned project planner.

A project that falls at any time without being Enrolled below other higher-ranked projects that cumulatively total more than 1.5 million square feet of Gross Floor Area shall be subject to the state minimum affordability requirements, even if it was not subject to those requirements at the time it received a Notice of Eligibility or Planning Approval Letter.

Conversely, a project that rises at any time without being Enrolled to a position on the tracking list where it is within the first 1.5 million square feet of Gross Floor Area shall not be subject to the state minimum requirements. Once a project is Enrolled, its affordability requirement shall not be changed unless its Agreement is terminated as described above. Once a cumulative 1.5 million square feet of conversion projects have been Enrolled and have been issued a Certificate of Completion from the District, all subsequent projects shall be subject to the state minimum requirements.

Labor Requirements

Under the Downtown Revitalization Law all commercial-to-residential conversion projects that opt in to receive incremental tax revenue are required to pay prevailing wages as described in Chapter 1 (commencing with Section 1720) of Part 7 of Division 2 of the California Labor Code.

San Francisco Downtown Revitalization Financing District Program Guidelines

Under Section 62460 of the Downtown Revitalization Law, projects must also satisfy the following labor standards, as applicable:

- Projects with 50 or more units and that are 85 feet in height or less must comply with the labor standards of CA Govt. Code Section 65912.131, including apprenticeship program and healthcare expenditure requirements.
- Projects that are over 85 feet in height must comply with the skilled and trained workforce provisions of CA Govt. Code Section 65913.4(a)(8).

Notwithstanding the above, projects that utilize the ministerial approval program established in the Office to Housing Conversion Act (CA Govt. Code Sec. 65658) shall be subject to the labor requirements of that Act.

Applicants must certify through an **Affidavit of Labor Standards Compliance** that the project shall meet all applicable labor standards established in CA Govt. Section 62460 and San Francisco Labor and Employment Code Articles 101, 103, and 105-107, subject to enforcement by the San Francisco Office of Labor Standards and Enforcement. The Affidavit shall be submitted with the project's Supplemental Application for Commercial-to-Residential Adaptive Reuse Projects.

Annual Incentive Distributions

Qualified Development Costs

Pursuant to the Downtown Revitalization Law, projects may only receive annual distributions through the Downtown Revitalization District for the purpose of financing "necessary development costs." The Downtown Revitalization Plan refers to these Guidelines for the definition of such costs, which are referred to herein as **Qualified Development Costs** and are hereby defined as all hard and soft construction costs incurred in connection with the development of the project, excluding land acquisition costs, and including: (a) architectural, design, engineering, legal and other professional services and consulting fees; (b) financing and insurance costs related to project construction; (c) project administration and management fees; (d) permit and inspection fees; and (e) material, labor and equipment costs of demolition, site preparation, construction, and tenant improvements provided by the owner.

Projects shall document estimated Qualified Development Costs at the time of application to enroll in the District Program via an **Affidavit of Projected Qualified Development Costs** to the District that shall be in the form of the San Francisco Assessor-Recorder's 441(d) Construction Cost Report.

San Francisco Downtown Revitalization Financing District Program Guidelines

Projects shall also submit an **Affidavit of Final Qualified Development Costs** to the District Board in the same form at any time following issuance of the project's First Certificate of Occupancy. This affidavit must be completed by a third-party Certified Public Accountant.

A project's annual distribution shall be limited to one-thirtieth of the project's total Qualified Development Costs, or to the equivalent annual share of Qualified Development Costs for any project that receives fewer than 30 years of annual payments, as described in the following section.

Calculation of Annual Distribution

Duration of Annual Distributions

Under the Downtown Revitalization Law, projects shall receive an annual distribution in an amount no greater than the amount of incremental tax revenues generated by that same project beginning in the first fiscal year after the project is issued a certificate of occupancy for a maximum of 30 years or until the District ceases to exist, whichever occurs first.

The termination date of the District is defined as the final day of the fiscal year that is 45 years from the date on which the District distributes funds to the first project, which is projected to be no sooner than fiscal year 2073-2074 assuming that the earliest year the District would begin making annual distributions to a project that has Enrolled and completed construction would be fiscal year 2028-2029. Therefore, projects that begin receiving annual distributions by fiscal year 2043-2044 are projected to receive the full 30 years of annual distributions and any projects that begin receiving annual distributions after that year may receive a fewer number of annual distributions.

Method of Calculation

Pursuant to the Downtown Revitalization Plan, the **maximum amount of annual distribution** that a project may receive shall be calculated as the City's share (approximately 64.59%) of the base 1 percent ad valorem property tax rate, as applied to the incremental taxable assessed value of the property on which the project is located above the project's Base Assessed Value, provided that in no case shall the project's annual distribution exceed one-thirtieth of the project's total Qualified Development Costs, or the equivalent annual share of Qualified Development Costs for any project that receives fewer than 30 years of annual distributions.

San Francisco Downtown Revitalization Financing District Program Guidelines

For the purposes of the District, the **Base Assessed Value** is defined in the Downtown Revitalization Law as the assessed value for the applicable property as shown on the assessment roll used in connection with the property, last equalized prior to the building permit (First Construction Document) being issued for the project. The last equalized roll shall be determined in accordance with Chapter 3 of Part 3 of Division 1 of the California Revenue and Taxation Code (commencing with Section 2050).

The annual distribution shall be limited to the project's **Converted Residential Use**, meaning the proportion of the project that has been converted from Commercial to Residential use, as measured by square feet of Gross Floor Area as determined by the Planning Department and recorded in the project's Certificate of Completion.

Example: A project that converts 90,000 square feet from Commercial use to Residential use and provides an additional 10,000 square feet of Residential use for a total of 100,000 square feet would receive 90% of the maximum annual distribution.

Total Assessed Value of Projects within the District

Applicants are advised that pursuant to Section 62457(a)(2) of the Downtown Revitalization Law, incremental revenue will not be allocated to the Downtown Revitalization District or distributed to projects unless the total assessed value of the opted-in taxable property in the Downtown Revitalization District exceeds the total Base Assessed Value of the opted-in taxable property in the District. In the event that incremental revenue is not allocated for this reason in any fiscal year, the project may receive replacement distributions in later years, provided that no more than 30 total annual distributions shall be made and that no distributions shall be made following the termination date of the District.

Maximum Tax Increment Limit

The Downtown Revitalization Plan includes a \$1,220,852,000 limit (Maximum Tax Increment Limit) on the nominal dollar amount of Allocated Tax Revenue that may be allocated to the District over the life of the District (including amounts used to pay administrative expenses).

In order to reduce the possibility that the Maximum Tax Increment Limit will adversely affect distributions to Enrolled projects, each time an applicant submits an application for Enrollment into the District, (1) the District will update its projection of the Allocated Tax Revenue to be allocated to the Downtown Revitalization District over the District's remaining life, and (2) if the Maximum Tax Increment Limit is projected to be reached before the maximum number of distributions could be made to the project, the District will either structure the distributions to the project to remain within the Maximum Tax Increment Limit, which may result in a lower amount or number of annual distributions than the maximum allowable, or may reject the

San Francisco Downtown Revitalization Financing District Program Guidelines

application if the District projects that no additional amount of distributions will be available for the project within the Maximum Tax Increment Limit.

If at any time the Downtown Revitalization District determines that it will reach the Maximum Tax Increment Limit before all of the expected distributions to the Enrolled projects have been made, it will notify the owners of the Enrolled projects as soon as practicable that the Maximum Tax Increment Limit is projected to be reached and that the project's remaining annual distributions may be proportionally reduced or curtailed accordingly.

Administrative Costs

The Downtown Revitalization Law requires that all costs incurred by the City in connection with the annual division of taxes to the District be paid by the District, and allows the City and District to recoup additional administrative costs to implement the District program, provided that such administrative costs may not exceed 5 percent of the tax revenues allocated by the District.

To recoup such costs, the project applicant shall enter into a cost recovery **Memorandum of Understanding (MOU)** with the District at the time it opens an application for Enrollment. The MOU will provide a mechanism for the City and District to recover actual administrative costs associated with the project prior to the project's Enrollment and shall include an estimate of annual administrative costs to be recovered.

Once the project is Enrolled, its **Project Agreement** shall include a cost recovery mechanism to recoup the City's and District's actual administrative costs associated with the project, and an estimate of such costs, until the project begins receiving annual distributions.

The Agreement shall also specify that once the project begins receiving annual distributions the City's and District's actual costs associated with the division of taxes to the project and other actual administrative costs shall be recouped by withholding the corresponding portion of the project's annual distribution amount, and provide an estimate of the annual amount to be withheld.

San Francisco Downtown Revitalization Financing District
Program Guidelines

Downtown Revitalization District Enrollment and Annual Distributions Process

Projects are subject to all applicable City and State review and permitting requirements and are subject to the Planning Department's standard [Planning Approval Process](#). Projects may be eligible for ministerial approval under other applicable State programs, such as those established under SB 423 (CA Govt. Code Section 65913.4), AB 2011 (CA Govt. Code Section 65912.100), or AB 507 (CA Govt. Code Sec. 65658). (See the Planning Department's [Planning Director Bulletin No. 9](#) for more information).

Project applicants may apply to Enroll in the Downtown Revitalization District and shall receive annual distributions in the following manner. An Enrolled project shall be entitled to receive annual distributions subject to the terms as described in these Guidelines.

Enrollment Process

Project Application

Projects shall submit a complete **Project Application** and **Supplemental Application for Commercial-to-Residential Adaptive Reuse Projects** to the Planning Department. Projects that are eligible for the Downtown Revitalization District will be issued a **Notice of Eligibility** by the Planning Department within 30 days of the application being deemed complete through issuance of a Complete Application Notice.

Projects that submitted a complete Project Application prior to February 12, 2026 should instead submit the Supplemental Application to the project planner to be issued a Notice of Eligibility.

Application for Enrollment

Projects shall open an application for Enrollment into the Downtown Revitalization District by submitting the Notice of Eligibility to the District at DRFD@sfgov.org within 30 days of issuance. Once the Notice of Eligibility is submitted, the project applicant shall enter into a cost recovery **Memorandum of Understanding (MOU)** with the District to allow for the City and District to recoup actual administrative costs associated with processing the project's application for Enrollment.

Enrollment

A project shall be Enrolled in the Downtown Revitalization District and considered to have opted in to receive annual distributions for purposes of Section 62459(a)(2) of the Downtown

San Francisco Downtown Revitalization Financing District Program Guidelines

Revitalization Law once it has entered into an executed **Project Agreement** (“Agreement”) with the District. In order to enter into an Agreement, the applicant must submit the following materials to the District at DRFD@sfgov.org:

- Copy of the project’s **Planning Approval Letter** issued by the Planning Department
- **Affidavit of Projected Qualified Development Costs**

The Agreement will describe the square footage of the project that represents a conversion from Commercial to Residential use, the applicable affordable housing and labor requirements, and the process for documenting the project’s Base Assessed Value and incremental taxable assessed value following project completion.

The Agreement will also include a cost recovery mechanism for the District to recoup the District’s and City’s annual actual costs associated with the division of taxes to the project and administrative costs associated with the project.

Projects must obtain a **First Construction Document**, as defined in Planning Code Section 401, with 36 months of Planning Approval Letter issuance, or the Agreement shall automatically terminate and the project will no longer be considered as Enrolled. Projects may re-Enroll by entering into a new Agreement at any time prior to December 31, 2032, and prior to being issued a First Construction Document.

Annual Distributions Process

Certificate of Completion

A project shall begin receiving annual distributions by June 30 of the first fiscal year (beginning July 1) following the fiscal year (ending June 30) in which the project receives a **Certificate of Completion** from the Downtown Revitalization District. In order to receive a Certificate of Completion, the applicant must submit the following materials to the District Board at DRFD@sfgov.org:

- Copy of the project’s **First Certificate of Occupancy**, as defined in Planning Code Section 401, issued by the Department of Building Inspection
- **Affidavit of Final Qualified Development Costs**

Example: A project that receives a Certificate of Completion between July 1, 2026 and June 30, 2027 would receive its first annual distribution by June 30, 2028.

San Francisco Downtown Revitalization Financing District Program Guidelines

Projects *shall not* receive a Certificate of Completion from the Revitalization District unless the District has confirmed with the Office of Labor Standards Enforcement that there are no active investigations of labor standard violations for the project.

Annual Compliance

In each subsequent fiscal year to the fiscal year in which the project received its first annual distribution, the project must submit an **Affidavit of Annual Compliance** to the District Board at DRFD@sfgov.org by no later than July 31 in order to receive an annual distribution for that fiscal year.

The Affidavit of Annual Compliance will require the project to verify that the project continues to include the same number of square feet of Residential use as in the prior year, or disclose that the amount of Residential use has changed from the prior year, and that the project continues to designate any on-site affordable units required by the Downtown Revitalization Law.

Should the square feet of Gross Floor Area of the project that represents converted Commercial to Residential use be reduced in any fiscal year, the amount of annual distribution for that fiscal year shall be reduced proportionally.

A project *shall not* receive an annual distribution for any fiscal year in which a) the Affidavit of Annual Compliance is not filed, b) the project ceases to include at least 60 percent of total square footage as Residential use, or c) the project ceases to provide the required number of designated affordable units. The amount of a project's distribution may be impacted by the Maximum Lifetime Limit on Allocated Tax Revenue allocated to the District, as described above.

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