

**Transit Impact Development Fee: San Francisco Municipal Railway, San Francisco, California. Chapter IV (2) in *Funding Strategies for Public Transportation (Part B)*. Transit Cooperative Research Program (TCRP) Report 31 Volume 2, pg: 55-66. National Academy Press: Washington D.C. 1998.**

Downtown development in the late 1970s led the city and county of San Francisco (referred to as San Francisco) to enact an ordinance to collect a Transit Impact Development Fee (TIDF). The ordinance that authorized the fee was passed by the San Francisco Board of Supervisors in April 1981. The fee was designed to recover the operating subsidy and capital expansion costs of the San Francisco Municipal Railway (MUNI).

#### Key Features of the Ordinance

- a) *Justification*. The fee is only on new office development, as office workers are the primary users of transit; uses such as shopping and lunching that complement office space are exempt. There is a clear definition of the area where the fee applies
- b) *Calculation of the fee*. The fee is charged one time to cover the cost of providing transit services over the 45-year useful life of an office building. The fee is per square foot, the maximum being \$5/sq ft.
- c) *The manner in which proceeds will be used to serve the developments that pay the fee*. The money is transferred from the TIDF account to Muni's operating revenue fund to cover the incremental operating costs attributable to downtown office development. Muni can withdraw money to pay the salaries of staff administering the impact fee program or to pay for the incremental capital costs generated by the ridership. For example, the money may be used to expand a bus shelter that has been overcrowded by people commuting to the new office space; or if more buses are required to serve capacity on downtown routes, the impact fee

funds can be used to purchase the buses and pay for the salaries of the operators and bus maintenance.

**d) *Payment timing and methodology and provisions for lack of payment.***

Payment is due upon 50 percent occupancy of the net rentable area or issuance of the first temporary permit or the final certificate of occupancy, whichever comes first. If the fee is not paid on time, Muni receives a lien on the property for the amount of the fee outstanding, plus interest and penalties. If the lien is not paid in 30 days (60 days for missed installment), a special assessment lien is then placed on the property. This lien is on parity with all other state, county, and municipal taxes, and the amount is included in the property tax bill (and can therefore be recovered under foreclosure of the property). If a building or a portion of it is no longer used for office space, a pro-rated portion of the TIDF must be returned.

**Lessons Learned**

- The impact fee ordinance should be airtight.
- Perform plenty of studies before adopting legislation.
- Involve the public in hearings.
- Write the language of the ordinance to stand up to law suits.