02. Introduction

Capital Planning in San Francisco

The Fiscal Year (FY) 2026-35 City and County of San Francisco Capital Plan (the Plan) is a commitment to building a more resilient, equitable, and vibrant future for the residents, workers, and visitors of San Francisco. Updated every odd-numbered year, the Plan is a fiscally constrained expenditure plan that lays out anticipated infrastructure investments over the next decade. This document is the product of input from Citywide stakeholders, who have put forth their best ideas and most realistic estimates of San Francisco's future capital needs.

Through the application of consistent funding principles and fiscal policies, the Plan prioritizes departmental capital needs within defined fiscal constraints. The result is a road map for investments in San Francisco's streets, facilities, utilities, parks, waterfront, transportation network, and affordable housing.

The FY2026-35 Capital Plan comes amid ongoing challenges and new opportunities. Increased labor costs, vacant office space and lower property values downtown, and the slow return of public transit ridership and tourism are contributing to an anticipated $800 million budget deficit over the next two years. At the same time, interest rates and inflation appear to be headed downward and the San Francisco voters recently passed two large general obligation (G.O.) bonds and revised the tax code to better support medium-sized businesses. The State of California also passed two significant bonds to address infrastructure needs related to climate change and school facilities. As discussed in the **Capital Sources Chapter**, San Francsico is deploying considerable amount of new tax increment financing through Enhanced Infrastructure Financing Districts that support multifamily housing along the waterfront, at Treasure Island, and on the west side of the city.

San Francisco voters have approved $6.3 billion in G.O. bonds since 2008, more than the previous 50 years of G.O. bonds combined.

San Francisco is continuing to move toward a more resilient future. The **Building our Future Chapter** has been updated with more details on the various policies, programs, and efforts that span beyond the 10-year time horizon of this Plan. It includes objectives contained in the Climate Action Plan, Hazards and Resilience Plan, ClimateSF Program, and the Earthquake Safety Implementation Program, including seismic hazard ratings of the most vulnerable city-owned buildings.

The current Plan recommends over $52 billion in critical infrastructure improvements over the next 10 years.

TABLE 2.1: G.O. Bonds Passed Since 2008

Year	G.O. Bond Program	Amount (Dollars in Millions)
2008	Neighborhood Parks and Open Space	180
2008	Public Health Seismic Facilities (SFGH rebuild)	887
2010	Earthquake Safety & Emergency Response	412
2011	Road Resurfacing and Street Safety	248
2012	Neighborhood Parks and Open Space	195
2014	Earthquake Safety & Emergency Response	400
2014	Transportation	500
2015	Affordable Housing	310
2016	Public Health and Safety	350
2018	Seawall Resilience	425
2019	Affordable Housing	600
2020	Earthquake Safety & Emergency Response	629
2020	Health and Recovery	488
2024	Affordable Housing	300
2024	Healthy, Safe and Vibrant SF	390
Total		**6,313**

The $52 billion total level of investment recommended here is 27% higher than the previous Capital Plan, which was highly impacted by shortfalls caused by the COVID-19 pandemic, forcing reductions in the General Fund Pay-As-You-Go Program, as well as Enterprise department budgets. This increase represents an effort to restore pre-pandemic levels of capital investment in San Francisco. The recommendations in this Capital Plan reflect confidence in the City's capacity to navigate near-term budget constraints and administer capital projects and programs in a responsible manner. San Francisco understands that ongoing investment in public assets is an essential function of government and will continue to act as a good steward of the City's public spaces, facilities, and infrastructure.

This Plan begins to restore the severe COVID-19 induced funding reductions to previous levels by starting at a higher baseline and making large annual increases so that backlogs begin to decline.

In 2024, San Francisco passed a $300 million Affordable Housing G.O. Bond to acquire, build, and rehabilitate affordable housing; as well as a $390 million Healthy, Safe and Vibrant San Francisco G.O. Bond to improve medical, mental health, and shelter services to San Franciscans, deliver street safety and resurfacing projects, and revitalize public spaces.

Policies, Principles, and Goals

The FY2026-35 Capital Plan preserves San Francisco's longstanding funding principles that prioritize how capital dollars are spent. The Plan also places constraints around the use of General Fund dollars, debt, and other revenue sources through clearly described and transparent policies that are adopted by the Capital Planning Committee. The policies govern the level and distribution of funds that feed into the Plan while the funding principles guide how the funds are prioritized.

Pay-Go Program Policies

The Capital Plan recommends a Pay-Go Program funding level based on the goal of restoring and eventually exceeding pre-pandemic levels of investment in capital. This Plan recommends a General Fund investment of $149 million in FY2026 growing by $30 million per year until FY2028, and $25 million per year thereafter. This program is the City's primary source for basic public facilities and right-of-way repairs, an essential function of government that the City is required to deliver.

The Pay-Go Program policies recommended by the Plan are:

- The General Fund funding level will be $149 million in FY2026 growing by $30 million per year until FY2028, and $25 million per year thereafter.
- The Street Resurfacing Program will be funded at the level needed to achieve and maintain a "Good" Pavement Condition Index (PCI) score of 75.

TABLE 2.2

Pay-Go Program Funding (Dollars in Millions)	FY26-30	FY31-35	Plan Total
Routine Maintenance	109	140	249
ADA: Facilities	9	9	18
ADA: Public Right-of-Way	55	71	125
Street Resurfacing	207	290	497
Enhancements	50	50	100
Recreation and Parks Base Commitment	71	71	142
Capital Contribution to Street Tree Set-aside	37	48	85
ROW Infrastructure Renewal	52	107	158
Facility Renewal	439	885	1,325
Total Projected Funding	**1,030**	**1,670**	**2,700**

- ADA barrier access removal projects and the ongoing curb ramps right-of-way program will continue to be a program priority.
- Funding for critical enhancements will be restored by setting aside $10 million per year.

Several voter-determined outcomes have affected the Pay-Go Program. Approved set-asides for the Recreation and Parks Department and street tree maintenance without associated revenue sources have resulted in restrictions on General Fund spending. Voters also renewed the Library's set-aside in 2022. These measures limit the flexibility of the Pay-Go Program.

For more information on the Pay-Go Program, please see the **Capital Sources Chapter**.

Debt Program Policies

The policy constraint for the General Obligation (G.O.) Bond Program is:

G.O. bonds under the control of the City will not increase long-term property tax rates above FY2006 levels. In other words, G.O. bonds under control of the City and County of San Francisco will only be used as existing bonds are retired and/or the city's assessed value grows.

Consistent with the 2026 update of the Five-Year Financial Plan, the G.O. Bond Program assumes growth in Net Assessed Value of 0.52% in FY2027, 2.63% in FY2028, 3.28% in FY30, and 3% annually thereafter.

The policy constraint for the Certificates of Participation (General Fund Debt) Program is:

- The amount spent on debt service in the General Fund Debt Program will not exceed 3.25% of General Fund discretionary revenues.

Consistent with the Five-Year Financial Plan, the Plan assumes that General Fund discretionary revenues grow 1.84% in FY2026, 5.65% in FY2027, 1.03% in FY2028, 3.91% in FY2029, 2.54% in FY30, and 2.70% annually thereafter.

For more information on City's Debt Programs, please see the **Capital Sources Chapter**.

Special Financing District Policies

Following the Capital Planning Committee's recommendations, the Board of Supervisors first adopted guidelines for the establishment and use of Infrastructure Financing Districts (IFDs) in San Francisco in 2011. As the types of IFDs expanded over the past several years to include infrastructure revitalization and financing districts (IRFDs) and enhanced infrastructure financing districts (EIFDs), the Capital Planning Committee and Board of Supervisors approved updated guidelines that were consistent with the FY2024-33 Capital Plan. These guidelines apply to any IFDs established by the former Redevelopment Agency. The policies regarding the 50/50 share and the 5% General Fund cap do not apply to IFDs at the Port. A copy of the guidelines can be found in Appendix D. The uses of IFDs are also discussed in the **Capital Sources Chapter**.

General Policies

The Capital Plan uses the Annual Infrastructure Construction Cost Inflation Estimate (AICCIE) developed by the Office of Resilience and Capital Planning and approved by the Capital Planning Committee for the first year of the Capital Plan. For this Plan, that figure is 3.5%. Thereafter, the Plan assumes an annual escalation rate of 5.0% unless otherwise noted.

The City uses a revolving Capital Planning Fund primarily to support pre-development of projects for inclusion in bonds with the expectation that these funds will be reimbursed at bond issuance.

Departments with major building projects within the Plan's time horizon are expected to develop estimates for the impact on the City's operating budget as part of project development. Those impacts appear in the Plan to the extent they are known at publication and are further discussed as a standard component of requests made to the Capital Planning Committee. Operating impacts are also considered during the City's annual budget development process. The financial impact of operations is not recorded in the Plan but is addressed for major projects in the City's Five-Year Financial Plan.

Funding Principles

The funding principles for the Capital Plan are used to make trade-offs between competing needs. They help San Francisco to keep our long-term perspective when it comes time to make choices about major projects and offer a consistent and logical framework for some of the City's most difficult conversations.

San Francisco strives for racial and social equity across our programs and investments. For capital, this means allocating resources towards expanding equitable access to quality housing, open space, transportation, health, and other public services for Black, Brown, Indigenous, and people of color while improving outcomes for all groups experiencing marginalization, including based on gender, sexual orientation, ability, age, and more. The 10-Year Capital Plan strives to fund projects that address racial and social disparities and promote equity in the services delivered by the City's facilities and infrastructure.

FUNDING PRINCIPLE 1: ADDRESSES LEGAL OR REGULATORY MANDATE

Improvement is necessary to comply with a federal, state, or local legal or regulatory mandate.

The City faces a wide range of directives and requirements for our facilities, some with significant consequences for failure to perform. Action in these cases is required by law, legal judgment, or court order, or it can proactively reduce the City's exposure to legal liability. The legal, financial, operating, and accreditation consequences for failure to perform are all weighed when considering these types of projects.

FUNDING PRINCIPLE 2: PROTECTS LIFE SAFETY AND ENHANCES RESILIENCE, INCLUDING RACIAL EQUITY

Improvement provides for the imminent life, health, safety, and/or security of occupants and/or the public or prevents the loss of use of an asset.

Life safety projects minimize physical danger to those who use and work in City facilities, including protection during seismic events and from hazardous materials. Considerations for these projects include the seismic rating of a facility, the potential for increased resilience in the face of disaster, and the mitigation of material and environmental hazards for those who visit, use, and work in City facilities. Resilience includes eliminating racial and social disparities so that all San Franciscans may recover and thrive no matter the shocks and stresses they face.

FUNDING PRINCIPLE 3: ENSURES ASSET PRESERVATION AND SUSTAINABILITY

Asset preservation projects ensure timely maintenance and renewal of existing infrastructure.

It is imperative to maintain the City's infrastructure in a state of good repair so that the City's operations are not compromised, and resources are not squandered by failing to care for what we own. It is also important to support projects that lessen the City's impact on the environment. Some assets are more critical than others; for example, some facilities provide services that cannot be easily reproduced at another location or serve as emergency operations centers.

Considerations for these projects include the effect on the asset's long-term life, importance for government operations, and environmental impact.

FUNDING PRINCIPLE 4: SERVES PROGRAMMATIC OR PLANNED NEEDS

This set of projects supports formal programs or objectives of an adopted plan or action by the City's elected officials.

Integrated with departmental and Citywide goals and objectives, this funding principle aims to align capital projects with operational priorities. Considerations for this type of project include confirmation that they will contribute to a formally adopted plan or action from the Board of Supervisors or the Mayor.

FUNDING PRINCIPLE 5: PROMOTES ECONOMIC DEVELOPMENT

Economic development projects enhance the City's economic vitality by stimulating the local economy, increasing revenue, improving government effectiveness, or reducing operating costs.

These projects may have a direct or indirect effect on the City's revenues or may help to realize cost savings. Considerations for this type of project include the potential for savings, the level of revenue generation (either direct through leases, fees, service charges, or other sources; or indirect, such as increased tax base, business attraction or retention, etc.), and any improvements to government service delivery, such as faster response times, improved customer service, or increased departmental coordination.

Resilience and Sustainability

As the stewards of San Francisco's public infrastructure, capital planning stakeholders in San Francisco look for ways to increase the City's resilience and sustainability via our capital program. Resilience describes the capacity of San Francisco's individuals, communities, institutions, businesses, and systems to survive, adapt, and grow, no matter what kind of chronic stresses and acute shocks they may experience. For San Francisco this means (1) the ability to quickly respond and recover from a disaster or large shock; (2) the ability to address systemic crises such as lack of economic mobility, inequity, poverty, and housing shortages; and (3) the ability to prepare for and address slow-moving disasters like climate change and sea level rise.

As a coastal city in a dense metropolitan region, San Francisco faces a wide range of challenges when it comes to promoting sustainability in our infrastructure programs and projects. Sustainability in San Francisco means promoting green building, clean energy, mass transit, urban forestry, and careful planning, as well as preserving our existing assets to reduce the need for additional building. Large resilience investment needs are becoming clearer, including the investments needed to get to net-zero greenhouse gas emissions, adapting the waterfront for sea level rise, and preparing buildings and infrastructure for other climate impacts like extreme precipitation, heat waves, and wildfire smoke. For more information about capital-related efforts supporting these goals, please see **Building Our Future Chapter**.

Capital Outlook

The Plan recommends a level of funding of over $52 billion over 10 years. Despite this, the Plan defers nearly $7.5 billion in identified needs for General Fund departments, assuming recommended Pay-As-You-Go program funding levels as shown in Chart 2.1.

Years of historic underinvestment in the City's capital program, exacerbated by recent economic difficulties, has resulted in a current facilities backlog of over $1 billion for General Fund facilities. The backlog is defined as the difference between the total current renewal need and the portion of this need that is funded in the first year of the Plan. The total current renewal need includes both items identified by departments as deferred maintenance, as well as first-year renewal needs. This backlog does not include buildings and sites for Recreation and Parks. While the Recreation and Parks department has identified a 10-year renewal need of $1.8 billion, funding towards those needs will come from the Recreation and Parks set-aside within the Pay-Go Program, as well as the planned 2030 Neighborhood Parks and Open Space G.O. Bond, pending voter approval.

If the City meets this Plan's funding recommendations, the existing backlog is projected to start trending downward. As compared to the current level,

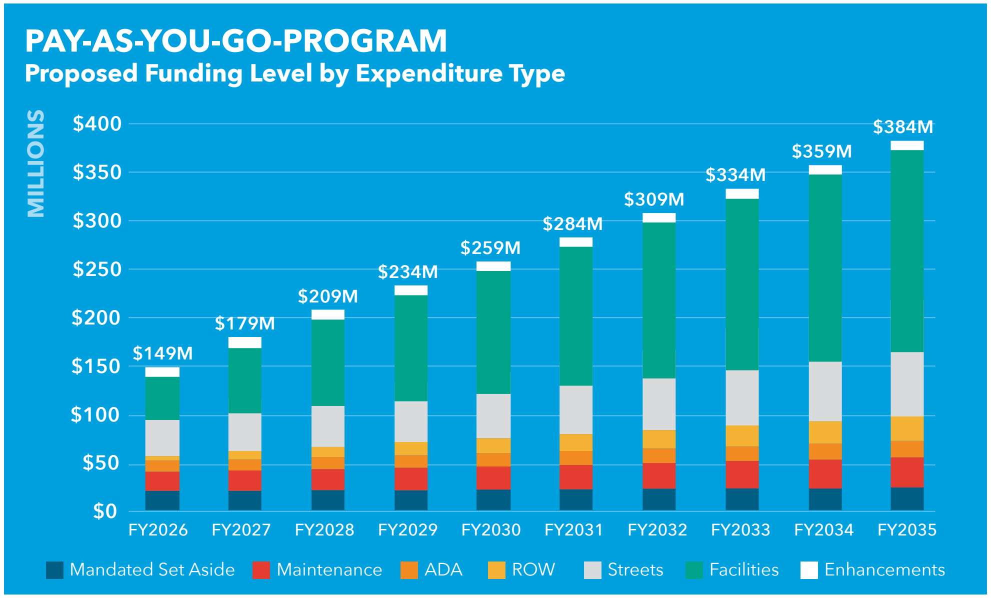

CHART 2.1

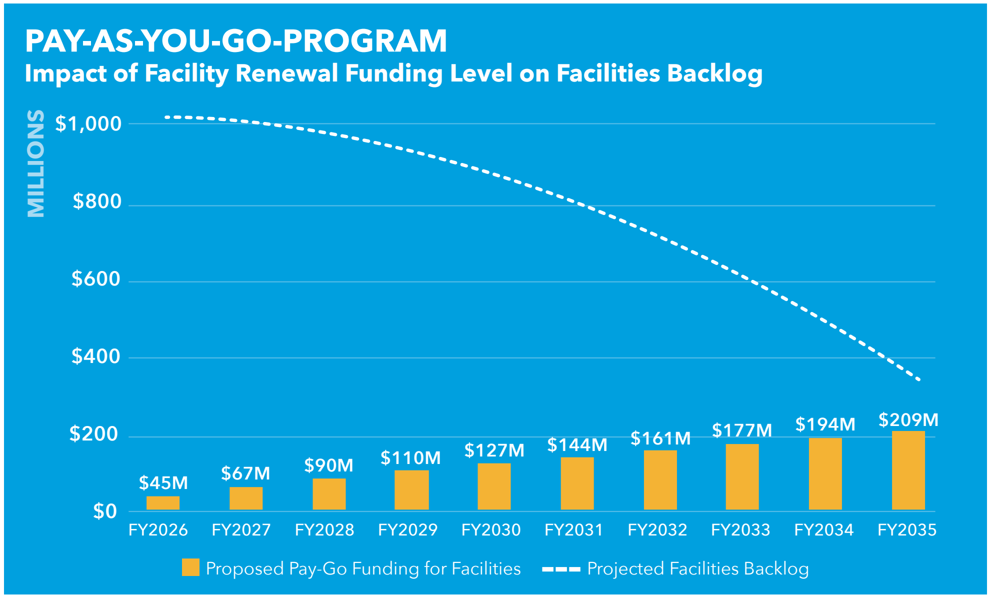

CHART 2.2

the backlog is projected to decrease 65% to $351 million, as shown in Chart 2.2. To address the remaining gap, the City continues to investigate various approaches, including revising funding benchmarks, leveraging the value of City-owned assets for debt financing, preparing projects for voter consideration at the ballot, forming public-private partnerships, and exploring new revenue sources.

While the City has made significant progress in improving the quality of its streets in recent years, currently at a Pavement Condition Index (PCI) of 75, a backlog of $466 million remains if the City is to reach a PCI of 83, at which point the year-on-year cost of maintaining the streets declines significantly. The street resurfacing program will be supported by the General Fund to maintain a PCI of 75 over the 10-year period of this Plan, though the existing backlog is projected to increase to over $1 billion by FY2035, as shown in Chart 2.3.

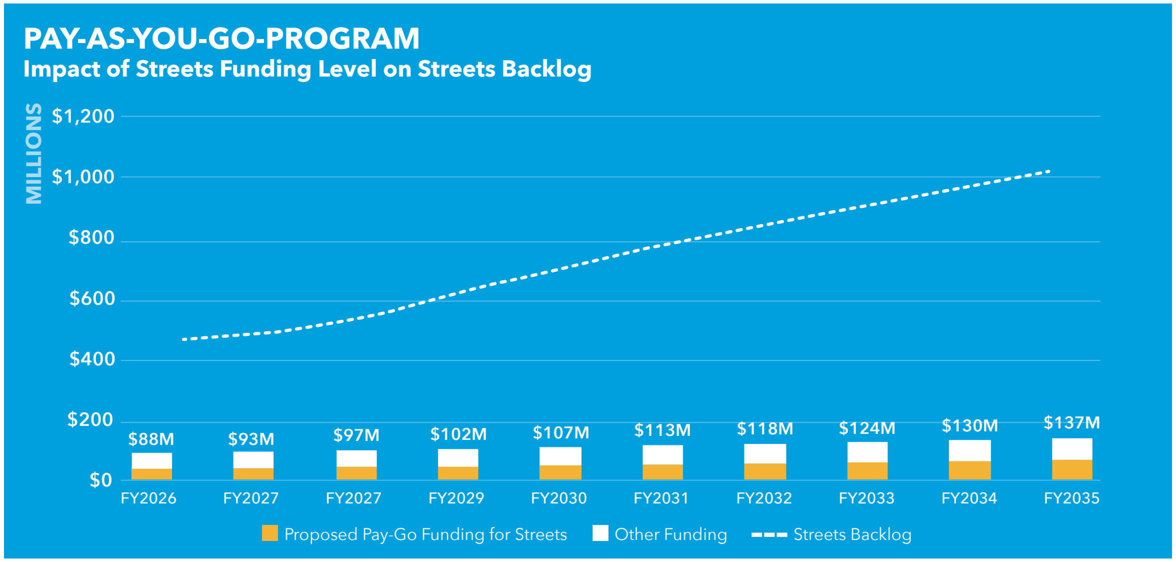

CHART 2.3

Despite the challenges associated with the capital program, there is also reason to be optimistic. The total amount of capital investments exceeds $50 billion for the first time and is a marked improvement over the previous Capital Plan. Building on lessons learned during the pandemic, San Francisco is committed to building a stronger, more equitable, and resilient future. This includes commitments to increase housing, plans to address increasing hazards like heat, poor air quality, flooding, and sea level rise through planning documents like the Hazards and Climate Resilience Plan, the Climate Action Plan, and new General Plan Elements such as Safety and Resilience, Housing, Transportation, and Environmental Justice. While the investments needed are substantial, the commitment to an open and transparent capital planning process has proven that large challenges can be overcome by working together.

This Capital Plan puts forth a robust plan that balances maintaining current assets in a state of good repair with investments in major projects. Though there are risks associated with construction costs, a substantial capital backlog, and the scale of need, the City's capital program is well positioned to respond and deliver a strong program of investment for San Francisco.

Mission Library Exterior Rendering

Golden Gate Park Golf Clubhouse

SOMArts Exterior ADA Barrier Removal and Retaining Wall


AirTrain
All Terminals
Check-in
Exit
Gates
Meet & Greet
AirTrain
All Terminals
Exit