DOWNTOWN PLAN

ANNUAL MONITORING REPORT

2016

SEPTEMBER 2017

San Francisco Planning

Cover photo by:
Paolo Ikezoe | San Francisco Planning Department

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2016 Summary & Infographic

Downtown San Francisco continues to be a resilient district for San Francisco and the region in 2016, largely because of *Downtown Plan* polices. Adopted in 1985, these policies guide land use decisions to create the physical form and pattern of a vibrant, compact, pedestrian-oriented, livable, and vital downtown.

The *Downtown Plan* directed dense employment growth to the C-3 district, generally along both sides of Market Street from the Embarcadero to Van Ness Avenue. In order to accommodate this growth, the Plan contains a series of goals, policies and targets designed to ensure that new development is supported with the infrastructure and services required of great places, pays its way, and generates a net benefit for the city.

The city's economy continued to grow in 2016, at a slightly slower pace than in 2015. Office rents, employment, and tax revenue continued to grow, though office vacancy rates appear to be on the rise. Downtown continues to have the majority of San Francisco's office and hotel jobs, and overall employment in the Downtown area grew by 5% in 2016, a slight decrease from the 7% growth seen in 2015.

The housing and transportation goals are among the most important in the *Downtown Plan*. The Plan states that without sufficient and appropriate housing to serve new commercial development, local housing costs would increase, thereby compromising the vitality of downtown. The Plan also states that if employment growth increases the number of cars downtown, thereby significantly increasing traffic, the area's attractiveness and livability could be affected adversely. As a result, the Plan contains various targets relating to these policy issues.

After a significant downturn due to the global financial crisis, housing production in the city has rebounded from less than 270 net new units in 2011 to just over 5,000 in 2016. Over a fifth of these new housing units in 2016 were located in the Downtown C-3 and DTR districts. Significant recent housing production downtown, along with the potential addition of thousands of new units (almost 10,600 units in the current pipeline are planned for Downtown), will continue to increase the Downtown residential population and vitality of the district.

Available transportation data suggests that transit use for commuting grows along with jobs in the Downtown, and that transit continues to serve a high proportion of trips for downtown workers and residents. The data also indicates that carpooling has declined, but this could be due to a larger nationwide trend, an increase in the use of other forms of transportation, or an increase in the number of individuals working from home.

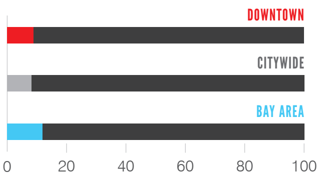
By most measures, the San Francisco *Downtown Plan* has been a success. It guided the creation of one of the most successful core areas of any American city. The vitality, job and housing density, retail activity and overall character of the downtown have improved dramatically. The Planning Department will continue to monitor these trends so that land use policy adjustments can be made as required to maintain and enhance a successful Downtown and Plan and avoid unintended consequences.

The annual changes in Downtown land use, employment, and transportation trends are summarized on the following pages (downtown's share of citywide total is listed in red when applicable).

PART 1: Commercial

VACANCY

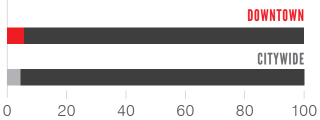
Office Vacancy ↑



12.2%
8.0%
9.6%

SEE TABLE 3 (P. 5)

Retail Vacancy -



3.5%
1.9%

SEE TABLE 4 (P. 5)

Downtown Office Rent

$70.57 / SQUARE FOOT ↑4%

Hotel ↑

88% OCCUPANCY

$276 AVERAGE RATE / ROOM

SEE TABLE 5 (P. 5)

COMMERCIAL DEVELOPMENT PIPELINE

Downtown share of Citywide

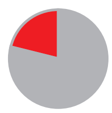
Office — *Net Square feet*

23%

4,000,000
17,200,000

SEE TABLE 1 (P. 3)

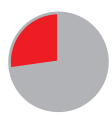
Retail — *Net Square feet*



1%

30,000
3,500,000

TOTAL — *Net Square feet*



24%

5,500,000
22,800,000

Downtown *Citywide* *Bay Area*

PART 1: Commercial (cont'd)

EMPLOYMENT (JOBS)

Downtown share of Citywide

SEE TABLES 6 & 7 (P. 6)

Office Jobs

58%	186,300	↑10%
	319,800	↑14%

Retail Jobs

29%	38,800	↑4%
	135,400	↑10%

Hotel Jobs

64%	10,400	↓2%
	16,700	↓4%

TOTAL JOBS

40%	279,200	↑5%
	700,500	↑4%

CIE Jobs

18%	24,100	↑2%
	136,900	↓15%

PDR Jobs

27%	18,900	↓22%
	85,800	--

Other Jobs

16%	800	↓31%
	6,000	↓15%

REVENUE

Business Taxes

$676.2 million ↓ 1%

SEE TABLE 8

Property Taxes

$1.872 billion ↑ 13%

SEE TABLE 9

Sales & Use Taxes

$195.5 million ↑ 16%

SEE TABLE 10

Hotel Room Tax

$371.3 million ↓ 4%

SEE TABLE 11

PART 2: Infrastructure

RESIDENTIAL UNITS

SEE TABLES 12 & 13 (P. 9)

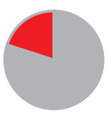
Net units

975	↓	19%
5,025	↑	70%

RESIDENTIAL PIPELINE PROJECTS

SEE TABLE 14 (P. 10)

Downtown % of Citywide | *Units*



17%

10,600
63,600

TRANSIT RIDERSHIP

SEE TABLE 17 (P. 11)

Downtown Transit Boardings (Average Weekday) | *Citywide*

AT DOWNTOWN BART STATIONS

147,300 ↑ 4% | 433,400 ↑ 3%

AT 4TH & KING STATION

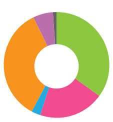
14,800 ↑ 9% | 62,400 ↑ 7%

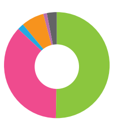
Downtown *Citywide*

PART 2: Infrastructure (cont'd)

MODE SPLIT

C-3 RESIDENTS		C-3 WORKERS
2015	*Mode*	*2010*
35%	TRANSIT	51%
20%	CAR	37%
3%	BIKE	2%
35%	WALK	7%
5%	WORK AT HOME	1%
2%	OTHER	3%


2015


2010

PRIVATELY-OWNED PUBLIC OPEN SPACE (POPOS) & ART

SEE TABLE 20 (P. 14)

POPOS		*Public Art*
86	DOWNTOWN	24
90	CITYWIDE	26

TRANSIT IMPACT DEVELOPMENT FEE (FY 2015-16)

SEE TABLE 19 (P. 13)

Total

$37.5 million

JOBS-HOUSING LINKAGE FEES (FY 2015-16)

SEE TABLE 15

Total

$30.2 million

Introduction

The Downtown Plan

The *Downtown Plan*'s central premise is that a compact, walkable, and transit oriented downtown will create a lively and attractive center for the city and the region. The *Plan* also capitalizes on the city's core assets, including its transit infrastructure, visitor economy, and vibrant diversity.

The *Plan*'s vision is to create a vibrant district known the world over as a center of ideas, services, and trade, and as a place rich in human experience - characteristics that are true of all great cities. The essential components of such places are a compact mix of activities, historical values, distinctive architecture, and urban form that engenders the special excitement of a world city. To achieve this vision, the *Plan*'s objectives and policies guide land use decisions to create the physical form and pattern of a livable, compact, and pedestrian-oriented downtown.

The *Downtown Plan* emerged from growing public awareness during the 1970s that development threatened the essential character of downtown San Francisco. At issue is a potential conflict between civic objectives to foster a vital economy on the one hand and those aimed at forming the urban patterns, structures, and unique physical identity of a vibrant downtown on the other hand. The *Downtown Plan* supports land use decisions that create the conditions for a great place and a vital economy.

The *Downtown Plan* is one Area Plan of the General Plan. The Downtown area is traditionally defined as the C-3-zoned district (see Map 1). Some of the *Plan's* policies refer to a less precisely defined area germane to housing and transportation policies that have wider effects geographically. Some policies, such as those involving net new housing units, are citywide goals.

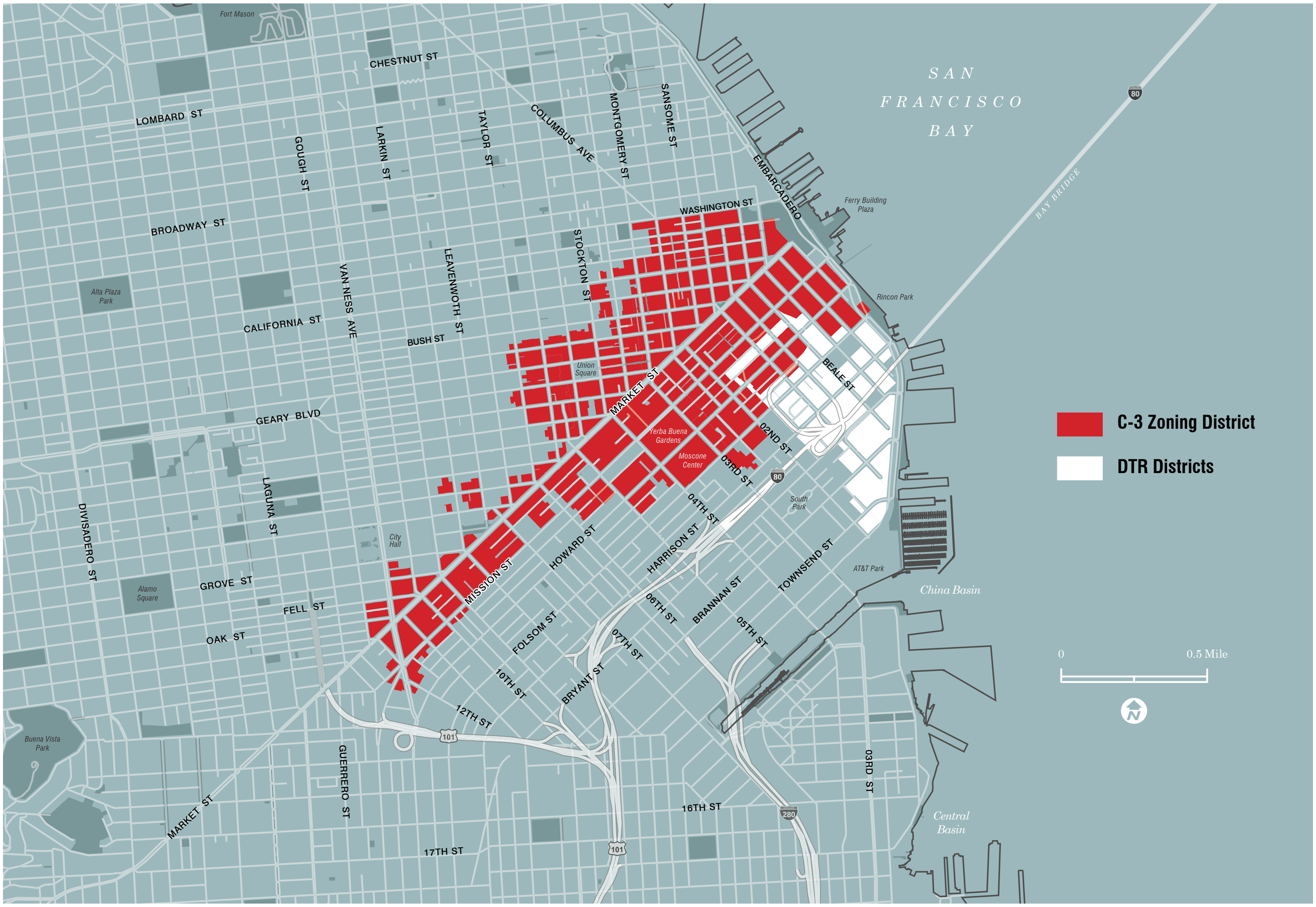
The *Downtown Plan* guides development decisions and public policy actions; it creates programs designed to improve services and infrastructure. When the Board of Supervisors approved the *Downtown Plan* in 1985, the Board also required that the Planning Department prepare monitoring reports periodically to track performance and make adjustments if required. This document is one such report as described below.

Report Structure

This *Downtown Plan Annual Monitoring Report 2016* summarizes business and development trends affecting downtown San Francisco as required by SF Administrative Code, Chapter 10E. The report covers the 2016 calendar year or fiscal years 2015-16 or 2016-17 depending on data available. This annual report notes changes in the amount of commercial space, employment, housing production, parking supply, collection and use of fees and other revenues that occurred over the year related to the objectives of the *Downtown Plan* and statutory monitoring requirements.

Part 1 of this report, "Commercial Space, Employment and Revenue Trends," highlights the growth that the *Downtown Plan* enabled, and discusses the production of new commercial space, employment activity, and recent sales tax revenues on both a citywide and Downtown basis. Part 2, "Downtown Support Infrastructure," reviews housing, transportation, Privately Owned Public Open Spaces (POPOS) and Public Art – key elements supporting the functioning of the Downtown core.

The most recent 5-year report, *2014 Downtown Plan 5 Year Monitoring Report*, contains more detailed information and assessment. Previous annual and five-year reports are available on the Department's web site: *http://sf-planning.org/citywide-policy-reports-and-publications#dag*



Map 1.
Greater Downtown

Data Sources

This annual report includes information from the Department's *Housing Inventory*, *Commerce and Industry Inventory*, and *Pipeline Quarterly Report*. It also includes information from many other sources, including the state Employment and Development Department (EDD), the SF Municipal Transportation Agency (SFMTA), Dun and Bradstreet business data, Cassidy Turley Research Services, Cushman & Wakefield Research Services, and information gathered from the SF Department of Building Inspection, and the SF Office of the Controller.

PART 1: Commercial Space, Employment, & Revenue Trends

Originally, the *Downtown Plan* guided commercial development and most new office growth in San Francisco to the Downtown C-3 District straddling Market Street (see Map 1). The *Plan* also expanded new commercial development to the South of Market (SoMa) district. The *Plan*'s annual limit on new office space, institutionalized by a voter initiative passed in 1986, was intended to manage the pace of new office development and reduce speculation and boom-bust land use development issues.

Recent planning efforts south of Market Street encourage office, residential density, and new mixed-use neighborhoods to the south of the Downtown C-3 District. The *Transit Center District Plan*, which overlaps the C-3 District, also includes some office and residential development guidelines. The *Central SoMa Plan*, part of which also overlaps the C-3 district, is currently in draft form and includes a substantial amount of new capacity for office space. Mission Bay and Candlestick Point are two areas where more recent planning has directed substantial office development.

The *Rincon Hill Plan* directs high density housing south of the C-3 districts. The *Eastern Neighborhoods Area Plans* include rezoning in the southeast quadrant of the city to accommodate the majority of non-downtown/non-high-rise office growth. In addition, the Eastern Neighborhoods Area Plans will establish new mixed-use residential neighborhoods encompassing light industrial and production-distribution-repair, retail, smaller offices, and institutional uses. The Eastern Neighborhoods will not be locations for dense, high-rise office developments. As a result, future high-rise office development will remain concentrated in and around the Downtown Plan Area.

Commercial Space

Pipeline Development Projects

As of the fourth quarter of 2016, there were just under 1,400 projects in the citywide development project "pipeline."[1] Just over two-thirds of the projects (68%) were exclusively residential; roughly one-fifth (17%) were mixed-use with both residential and commercial components. The remaining fifteen percent (15%) of the projects were exclusively commercial (office, retail/entertainment, hotel, or production, distribution and repair).

In total, the commercial pipeline projects would add 22.8 million square feet (msf) of commercial space (Table 1). This includes 17.2 msf of office space and 3.5 msf of retail space

1 Planning Department, *Pipeline Report*, Quarter 4, 2016.

Table 1. Commercial Project Pipeline

Area	Total	%	Office	%	Retail	%
Downtown C-3	5,497,529	24%	3,971,889	23%	32,739	1%
C-3-O(SD)	*3,901,536*		*2,857,084*		*31,788*	
C-3-S	*722,608*		*649,904*		*18,304*	
C-3-G	*445,248*		*160,860*		*(533)*	
C-3-O	*433,238*		*365,883*		*2,993*	
C-3-R	*(5,101)*		*(61,842)*		*(19,813)*	
PM, HPCP and TI	4,660,318	20%	2,717,115	16%	1,531,903	44%
Mission Bay	2,719,500	12%	1,650,000	10%	862,500	25%
NC Districts	3,689	0%	(65,183)	0%	127,226	4%
Rest of City	9,931,657	44%	8,966,216	52%	936,941	27%
TOTAL	**22,812,693**	**100%**	**17,240,037**	**100%**	**3,491,309**	**100%**

Source: Planning Department, *Pipeline Report*, Quarter 4, 2015

The Downtown C-3 districts account for about 5.4 million sf, or 24% of proposed commercial space in the pipeline. Large master planned developments in Candlestick Point, Treasure Island and Parkmerced would add about 4.6 msf (20%) of new commercial space, and Mission Bay would add 2.7 msf (12%). The rest of the city will receive about 10 msf of commercial development, or 44% of the pipeline project total. The vast majority of this development is slated for neighborhoods adjacent to downtown (other parts of SoMa and Showplace Square/Potrero Hill). The non-residential commercial projects include office, retail, visitor (hotel and entertainment), production-distribution-repair (PDR), and cultural-institutional-educational (CIE) land uses.

Of the total 5.5 msf of commercial space in the pipeline for downtown, 71% are office land uses. About 2.5 msf (46%) of downtown's pipeline development is currently under construction. Another 700,000 sf worth of pipeline projects have received building permit approval or have been issued a permit, and should begin construction soon. The remaining 1.8 msf of the pipeline projects are still in the early stages of approval, with Planning applications filed or approved, and building permits filed but not yet approved with the Department of Building Inspection.

Projects under construction are typically ready for occupancy within two years. Projects not yet under construction but approved by the Planning Department are usually available for occupancy within two to four years. Projects filed for planning approval take two to four or more years to complete, depending on complexity.

Office Space

Close to two-thirds of the city's office space is located in the Downtown C-3 District (Table 2). At 343 acres (or slightly more than half a square mile), the district represents one of the densest concentrations of office space in the country.

Table 2. Existing Office Space

Area	Square Feet
San Francisco	113,500,000
C-3 District	72,400,000
% office in C-3 District	*64%*

Source: Costar Group, SF Planning.

2016 saw the completion of almost 1.5 msf of new office space in San Francisco, a much larger increase in inventory than the city has seen in recent years. Cushman & Wakefield expect an additional 3 msf of office space to open in 2017.

San Francisco's office vacancy rate rose to 8% at the end of 2016, an increase of two percentage points over last year but still lower than the Bay Area's vacancy rate of 9.6%. (Table 3). Downtown's vacancy rose even further, to 12.2%, likely as a result of relatively large amounts of new office space coming online.

A total of 6.1 msf of office space was leased in 2016, down slightly from 6.3 msf in 2015. About 3.9 msf of that activity was located in the downtown area.[2]

By year end 2016, Downtown office rents had increased to an average of $70.57 per square foot, up 4% from $68.14 per square foot in 2015.[3]

2 Cushman & Wakefield, MarketBeat, Office Snapshot, San Francisco, Q4 2016.

3 Cushman & Wakefield, MarketBeat, Office Snapshot, San Francisco, Q4 2015 and 2016. Rates are for all building classes, gross rental rate, full service.

Table 3.
Office Vacancy

Area	2014	2015	2016	% Change 2014-15
San Francisco	6.0%	5.9%	**8.0%**	*2.1 pts*
Downtown Financial District	7.2%	6.8%	**12.2%**	*5.4 pts*
Other Downtown*	5.1%	5.0%	**6.4%**	*1.4 pts*
Bay Area	10.2%	8.1%	**9.6%**	*1.5 pts*

* Includes Jackson Square, South Beach, Union Square, and Yerba Buena.
Sources: Cushman & Wakefield Bay Area Office Report, Q4 2016, Cushman & Wakefield US Office Marketbeat, Q4 2016.

Table 4.
Retail Vacancy

Area	2014	2015	2016	% Change 2015-16
San Francisco	3.1%	1.9%	**1.9%**	*0 pts*
Downtown*	6.1%	3.6%	**3.5%**	*-0.1 pts*

* Labeled as "City Center." Includes the Union Square area, the retail core of the C-3 zone.
**Starting in 2015, this figure includes only Union Square.
Source: Cushman & Wakefield, San Francisco Retail Snapshot, Q4 2015.

Table 5.
Hotel Occupancy and Rate

	2014	2015	2016
Average Occupancy	86.5%	86.6%	**87.6%**
Average Daily Room Rate	$254.00	$268.17	**$276.43**

Source: San Francisco Center for Economic Development.

Retail Space

The Downtown C-3 Area contains about 16% (8.7 msf) of San Francisco's 56 msf of retail space, with about 1.4 msf in the Downtown Core.[4] San Francisco's downtown is the Bay Area's preeminent retail hub, with the Union Square area serving local, regional, and visitor shopping needs. However, the majority of retail space in San Francisco is outside the downtown area, mostly along the city's many neighborhood commercial streets and shopping areas.

At the end of 2016, San Francisco's retail vacancy rate was 1.9%, one of the lowest rates in the country (Table 4). The retail vacancy rate for the Union Square area was 3.5%. Retail rents in Union Square have increased 7.7% year-over-year, and now average $700 psf/year.[5]

There is approximately 32,740 net square feet of retail space in the development pipeline for the Downtown C-3 area, with another 3.4m net square feet anticipated for the rest of the city. Major downtown retail projects in the pipeline include the Transbay Transit Center (43,000 sf) and retail spaces in the ground floors of various residential mixed-use projects.

4 Co-Star, Retail Report, San Francisco Retail Market, 1st Quarter 2011. The Downtown Core is composed of the traditional Financial District north and south of Market Street, while the larger C-3 area adds Union Square, Yerba Buena, and the Civic Center areas.

5 Cushman & Wakefield, San Francisco Retail Snapshot Q4 2016.

Hotel Space

San Francisco has 223 hotels with a total of over 33,880 hotel rooms.[6] Several large hotel projects in the Downtown C-3 area have entered the pipeline since 2015: 526 Mission Street (Oceanwide Project), 555 Howard Street, 950 Market Street and 447 Battery Street.

Both hotel occupancy and average daily rates continued to increase in 2016 (Table 5). Average hotel occupancy increased slightly to 87.6% from 86.6% in 2015. Average daily room rates increased to $276 per room, compared to $268 in 2015.

6 San Francisco Travel Association (http://www.sanfrancisco.travel/article/san-francisco-fact-sheet), May 27, 2016.

Employment

San Francisco employment continued to grow in 2016, though at a slightly slower pace than in recent years. As of the second quarter of 2016, San Francisco had approximately 700,540 jobs (Table 6). Office and Retail employment saw strong growth, PDR jobs held steady, and Hotel, CIE and Private Households lost jobs.

Downtown employment grew at a slightly faster rate (4.7%) than the city overall (3.9%). As of the second quarter of 2016, approximately 40% of all San Francisco employment was located in the Downtown C-3 zone. The majority of the city's office jobs (58%) and hotel jobs (63%) continue to be located Downtown.

Office Employment

The downtown Financial District remains the center of office employment in San Francisco. As of the second quarter of 2016, there were about 319,800 office jobs in San Francisco (Table 6). Of these jobs, about 186,300 were located in the Downtown C-3 District (Table 7), or 58% of total office employment citywide.

Downtown office employment grew 10% from 2015, by almost 16,600 jobs. Downtown San Francisco maintains the densest concentration of office jobs in the region, including financial, legal, and other specialized business services. Many of these jobs continue to be in the financial, insurance, and real estate sectors, though there is strong growth in the technology sector.

Table 6. Employment - Citywide

Land Use	2014	2015	2016*	*% Change 2015 - 2016*
Office	260,976	279,911	**319,823**	*14.3%*
Retail	117,654	122,860	**135,414**	*10.2%*
Production, Distribution, Repair (PDR)	81,519	85,589	**85,784**	*0.2%*
Hotel	16,646	17,282	**16,636**	*-3.7%*
Cultural, Institutional, Educational (CIE)	157,988	161,801	**136,897**	*-15.4%*
Private Households	5,597	7,015	**5,984**	*-14.7%*
TOTAL	**640,380**	**674,458**	**700,538**	***3.9%***

Note: variations from other published employment numbers are due to rounding and EDD confidentiality requirements).

Source: State of California Employment Development Department (EDD), Q2 2014, Q2 2015 and Q2 2016.

Table 7. Employment - Downtown C-3 Zone

Land Use	2014	2015	2016*	*% Change 2015 - 2016*	C-3 Share of SF Employment 2016
Office	156,298	169,671	**186,296**	*9.8%*	58%
Retail	34,993	37,412	**38,770**	*3.6%*	29%
Production, Distribution, Repair (PDR)	22,429	24,100	**18,918**	*-21.5%*	22%
Hotel	10,769	10,660	**10,423**	*-2.2%*	63%
Cultural, Institutional, Educational (CIE)	23,687	23,692	**24,053**	*1.5%*	18%
Private Households	523	1,140	**789**	*-30.8%*	13.2%
TOTAL	**248,698**	**266,675**	**279,249**	***4.7%***	**40%**

Note: variations from other published employment numbers are due to rounding and EDD confidentiality requirements).

Source: State of California Employment Development Department (EDD), Q2 2014, Q2 2015 and Q2 2016.

Retail Employment

As of the second quarter of 2016, there were 135,400 retail jobs in San Francisco (Table 6). About 38,800 (29%) of these jobs are found in the C-3 District (Table 7). This is roughly the same share of retail jobs reported in 2015.

Hotel Employment

San Francisco's hotel jobs are heavily concentrated downtown. As of the second quarter of 2016, there were approximately 16,640 hotel jobs in the city. About 10,420 (63%) of these jobs were in the C-3 District.

Revenue

This section reports tax revenues from business taxes (including registration and payroll), property taxes (including transfer tax and annual tax), sales and use taxes, and the hotel tax for the 2016-2017 fiscal year (FY).[7] The information reported for FY16-17 are revenue projections for the full fiscal year, and are based on the amount collected as of March 31, 2017. In general, the FY 2016-17 budget assumed increases in tax revenue thanks to continued economic growth.[8]

Business Taxes

Business tax revenue (Table 8) in FY 2016-17 is estimated at $676.2 million, down 1.3% from $685 million collected in FY 2015-16. In November 2012, San Francisco voters approved the Gross Receipts Tax and Business Registration Fees Ordinance (Proposition E), which introduced major changes to the way businesses are taxed in the city. On January 1, 2014, the City started collecting a Gross Receipts tax, and phasing out the existing Payroll tax. In this fiscal year, total business tax revenue is comprised of business payroll tax, registration tax, gross receipts tax, and administrative office tax.

Business payroll taxes assess the payroll expense of persons and associations engaging in business in San Francisco and continue to represent the vast majority of business taxes collected. This tax imposes a fee on all businesses that employ or contract with one or more employees to perform work or render services within the city. In FY 2016-17, the Controller's Office estimated that it will collect $345.2 million in payroll taxes, down 30% from $492.9 million in FY 2015-16. Payroll tax collections should continue to fall as this tax continues to be phased out in coming years.

Business registration tax is an annual fee assessed for general revenue purposes on all business in the city. The formula for calculating this fee was amended as part of Prop E, resulting in significantly higher collections starting in FY 13-14. The Controller's Office estimates that approximately $39 million in business registration fees will be collected in FY 2016-17, up 3.4% from $37.7 million in FY 2015-16.

Gross receipts and Administrative office taxes are based on a business's gross receipts from business done in San Francisco, rather than on a business's payroll expense. As the Gross Receipts Tax is phased in to replace the Payroll Tax, collections have grown significantly, to an estimated $270 million in FY 2016-17, a 93.7% increase over FY 15-16. The Controller's Office estimates that approximately $22m in administrative office taxes will be collected in FY 2016-17.

Property Taxes

Real property taxes (Table 9) are the largest single source of tax revenue for the City. The Controller's Office expects property taxes to increase in fiscal year 2016-17.[9] Together, an estimated $1.87 billion in property related taxes will be collected in FY 2016-17, up 12.7% from $1.66 billion last year.

Real property taxes allocated to the general fund in FY 2016-17 are estimated at $1.47 billion, up 5.7% from $1.39 billion in FY 2015-16 (Table 9).

Property transfer taxes are estimated to increase by 48.6% during the reporting period. Projected collections for FY 2016-17 are estimated to be about $400 million, up from $269 million in FY 2015-16. (Table 9). Unlike real property taxes, which are collected annually and based on property valuation assessments, property transfer tax is highly volatile because it is collected only at the time of sale and is based on sales price.

7 Fiscal Year 2015 begins on July 1, 2015 and ends on June 30, 2016.

8 City and County of San Francisco, Controller's Office, FY 2016-17 Nine-Month Budget Status Report, May 10, 2017.

9 Ibid.

Sales Tax

Sales tax revenues (Table 10) fluctuate with economic conditions and reflect consumer confidence and spending. Of the 8.75% sales tax rate, San Francisco receives 1%, with the rest going to the State and other districts. A portion of this revenue is deposited in the City's general fund with the balance allocated by law for specific programs and services.

As shown in Table 10, FY 2016-17 sales tax collections are expected to increase 16.4% to $195.5 million from $167.9 million in FY 2015-16.

Hotel Tax

The hotel tax rate (Table 11) remained at 14% for the 2015-16 fiscal year reporting period. A substantial portion of this revenue is dedicated to the Moscone Convention Center, grants for the arts, museums, and other visitor amenities with the balance deposited into the City's general fund.

As shown in Table 11, $371.3 million in hotel taxes are expected to be collected and deposited into the general fund in fiscal year 2016-17. This represents a 4.2% decrease from FY 2015-16, when $387.7 million was deposited into the general fund. The controller's office attributes this projected decline to lower than expected collections in the first nine months of this fiscal year.

Table 8. Business Taxes

Revenue Source ($ Millions)	FY 2014-15	FY 2015-16	*FY 2016-17	% Change 2015-16
Payroll	$506.4	$492.9	**$345.2**	*-30.0%*
Registration	$33.9	$37.7	**$39.0**	*3.4%*
Gross Receipts	$55.2	$139.4	**$270.0**	*93.7%*
Administrative Office	$20.5	$15.0	**$22.0**	*46.7%*
Total	**$616.0**	**$685.0**	**$676.2**	***-1.3%***

* Estimates from Office of the Controller, FY 2016-17 Nine-Month Budget Status Report, May 10, 2017.

Table 9. Property Taxes

Revenue Source ($ Millions)	FY 2014-15	FY 2015-16	*FY 2016-17	% Change 2015-16
Property Tax	$1,272.6	$1,392.3	**$1,472.0**	*5.7%*
Property Transfer Tax	$314.6	$269.1	**$400.0**	*48.6%*
TOTAL	**$1,587.2**	**$1,661.4**	**$1,872.0**	***12.7%***

* Estimates from Office of the Controller, FY 2016-17 Nine-Month Budget Status Report, May 10, 2017.

Table 10. Sales and Use Taxes

Revenue Source ($ Millions)	FY 2014-15	FY 2015-16	*FY 2016-17	% Change 2015-16
Sales and Use Tax	$140.1	$167.9	**$195.5**	**16.4%**

* Estimates from Office of the Controller, FY 2016-17 Nine-Month Budget Status Report, May 10, 2017.

Table 11. Hotel Room Tax

Revenue Source ($ Millions)	FY 2014-15	FY 2015-16	*FY 2016-17	% Change 2015-16
Hotel Room Tax	$394.3	$387.7	**$371.3**	**-4.2%**

* Estimates from Office of the Controller, FY 2016-17 Nine-Month Budget Status Report, May 10, 2017.

PART 2: Downtown Support Infrastructure

This section discusses the *Downtown Plan's* housing and transportation targets. The *Downtown Plan* was developed with the assumption that significant employment growth and office development would occur and that this growth must be managed to enhance–not detract from– the Downtown. In the absence of new policies and programs, automobile traffic would continue to grow and important historic buildings located north of Market Street could be lost.

The Plan established a special use district around the Transbay Terminal to shift office construction to that area as a means of reducing further disruption to the financial center north of Market Street. As an incentive to save historic buildings and to shift office development to the planned area south of Market Street, the Plan enabled owners of buildings designated for preservation to sell development rights to developers in the special use district. New commercial development would provide revenue to partially cover the costs of improvements. Specific programs were created to address needs for additional housing, transit, child care and open space, as were specific targets for new housing production and transportation management.

In December 2010, the Transfer of Development Rights ordinance was amended by the Board of Supervisors to allow eligible owners of historic buildings to sell development rights to any C-3 zoned lot.

Housing

Residential Units Completed

Citywide 2016 housing production of about 5,025 net new units is a 70% increase from last year's production of 2,954 units (Table 12). The net change in units accounts for alterations, conversions and demolitions. Housing production in 2016 surpassed the *Downtown Plan's* annual goal of 1,000 to 1,500 net new housing units citywide.

In the Downtown area, comprised of the C-3 and adjecent Downtown Residential (DTR) districts, a total of 974 net new units were constructed, representing 20% of citywide housing production for the year (Table 13).

Table 12.
Net Housing Change: Citywide

Change	2014	2015	2016	% Change 2015-16
New construction	3,454	2,472	4,895	*98%*
+ alterations, conversions	155	507	160	*na*
- less demolitions	-95	-25	-30	*na*
Total net change	**3,514**	**2,954**	**5,025**	**70%**

* Net change accounts for units gained or lost due to alterations, conversions and demolitions.
Source: SF Planning Department, *Housing Inventory.*

Table 13.
New Housing Construction: Downtown and Citywide

Area	2014	2015	2016	% Change 2015-16
Downtown	1,172	1,200	974	*-19%*
C-3 Districts	*777*	*810*	*174*	*-79%*
DTR Districts	*395*	*390*	*800*	*105%*
Citywide	**3,514**	**2,954**	**4,895**	**66%**

Source: SF Planning *Housing Inventory.*

Residential Pipeline Projects

As of the fourth quarter 2016, the citywide pipeline of projects under construction or seeking planning approval and building permits contained a total of about 63,600 residential units, up 1.8% from 62,500 units in 2015. The area with the largest number of pipeline units is in the master-planned Candlestick-Hunters Point development (11,300 units). The Downtown C-3 and DTR zoning districts, taken together, contain the second largest number of housing units in the pipeline: 10,575 units, or 17% of the city's total pipeline. The remainder of units in the pipeline are located in large master-planned developments such as Treasure Island (7,800 units) and Parkmerced (5,680 units), or scattered throughout the rest of the city (28,300 units) (see Table 14).

Table 14. Residential Project Pipeline (net units)

Rank	Area	Units	*% Share*
1	Candlestick-HP	11,294	*18%*
2	Greater Downtown*	10,575	*17%*
3	Treasure Island	7,800	*12%*
4	Parkmerced	5,679	*9%*
	Rest of city	28,271	*44%*
	TOTAL	**63,619**	***100.0%***

*Includes Downtown C-3 and DTR zoning districts.
Source: Planning Department, Pipeline Report, Quarter 4, 2016.

The permit status of the proposed units is as follows: 10% are under construction (6,160 units); 7% hold a building permit that has been approved, reinstated, or issued, 14% have filed for a building permit, 48% have planning approval and need to seek a building permit, and 21% have filed for planning approval.

Approximately 24,000 units (just under 50%) are associated with the three large projects that will be built out over a longer period (Candlestick, Treasure Island and Parkmerced). These units have all received planning approval.

The remaining approximately 26,300 units would be expected to be built out under the more typical time frames: two years from beginning construction and two to four years from planning approval. If production were to follow the pace of the city's average annual production, roughly 2,100 units per year over the past ten years, the 26,300 units associated with smaller projects would be expected to be built out over 12-13 years.

Jobs Housing Linkage Program (JHLP)

Prompted by the *Downtown Plan*, the City determined that employment growth associated with large office development projects would attract new residents and therefore increase demand for housing. In response, the Office Affordable Housing Production Program (OAHPP) was established in 1985 to require large office developments to contribute to a fund to increase the amount of affordable housing. In 2001, the OAHPP was re-named the Jobs-Housing Linkage Program (JHLP) and revised to require all commercial projects with a net addition of 25,000 gross square feet or more to contribute to the fund.

In fiscal year 2014-2015, $7.1 million was collected in Jobs-Housing Linkage fees (Table 15). 2015-2016 data is pending.

Table 15. Jobs-Housing Linkage Fees Collected

Fiscal Year	Revenue
2013-2014	$11,974,893
2014-2015	$8,918,731
2015-2016	**$30,198,421**

Source: San Francisco Controller's Office.

Transportation

This section reports on *Downtown Plan* transportation targets including an inventory of parking spaces, vehicle occupancy rates, peak period transit ridership, commute mode split, and fees collected by the Transit Impact Development Fee (TIDF) as required by the Downtown Plan monitoring ordinance.

Parking Inventory

Downtown Plan policies discourage new long-term commuter parking facilities (surface lots and garages) in and around the periphery of downtown. No new long-term parking facilities have been built Downtown since Plan adoption, although the supply of off-street parking in new buildings continues to grow with new development, as allowed under the Planning Code.

Table 16.
Net Parking Change - Downtown C-3 Zone*

Year	Net Parking
2014	n/a
2015	n/a
2016	**n/a**

* Parking data will be updated once the full roll-out of PPTS is completed

As the department's Permit and Project Tracking System (PPTS) continues to roll out, more accurate accounting of parking spaces included in new downtown development should be possible in the coming years.

There are over 25,640 off-street parking spaces in the Downtown C-3 district, about 15% of the 166,520 off-street parking spaces citywide.[1] The SFMTA on-street parking census counts roughly 5,300 on-street parking spaces in the C-3 district.[2]

Peak Period MUNI Transit Ridership

According to available Automatic Passenger Count (APC) data collected by the San Francisco Municipal Transportation Agency (SFMTA) in Fiscal Year 2015 (FY 2014-15, the latest year for which data is available), the downtown area continues to be a major origin and destination of transit trips within the city. Of the approximately 646,600 total weekday boardings in FY2015, about 160,000 (25%) trips were to or from Downtown during the peak period (7:00 - 9:00 am and 4:00-6:00 pm; Table 17).

Regional Transit Ridership

Downtown San Francisco's jobs draw workers from all around the region. One of the goals of the *Downtown Plan* is to develop transit as the primary mode of transportation to and from Downtown for suburban commuters as well as intra-city commuters.

Ridership continues to grow on many of the regional transit lines that serve Downtown San Francisco. The agencies for which data is available – BART, Caltrain, and AC Transit – all saw increased ridership across the portions of their networks that serve downtown San Francisco. Ridership on BART and Caltrain continues to break records (Table 17).

1 SFMTA, Off-Street Parking Census 2011

2 SFMTA, On-Street Parking Census April 2014

Table 17.
Local and Regional Transit Ridership (Average Weekday)

Regional Transit Agency	2014	2015	2016	% Change 2015-16
MUNI	682,583	678,700	n/a	*n/a**
To/From Downtown (Peak)	192,764	159,718	n/a	*n/a**
BART	399,145	423,120	433,394	*2.4%*
Downtown Stations**	132,542	141,986	147,325	*3.8%*
Caltrain	52,611	58,245	62,416	7.2%
4th and King Station	12,160	13,571	14,769	*8.8%*
AC Transit	196,778	178,851	n/a	*n/a*
Transbay Lines	13,233	13,500	n/a	*n/a*

* In 2014 the method for counting ridership, both systemwide and into and out of downtown, was changed, and 2015 figures are thus not directly comparable to previous years.
**Downtown stations include Embarcadero, Montgomery, Powell and Civic Center.
Sources: SFMTA, BART, Caltrain and AC Transit.

Downtown Commute Mode Split

Another goal of the *Downtown Plan* is that transit's share would increase from 64% when the Plan was adopted in 1984 to 70% by 2000 for all peak period commute trips to and from the Downtown C-3 District. While 70% transit mode-split has never been achieved, the share of downtown workers commuting by means other than single-occupancy vehicle now appears to surpass 70%.

The most recent commute mode information for workers with jobs located in the Downtown C-3 District is available at the census tract level, through the 2006-2010 ACS Census Transportation Planning Package (see Map 2). According to these figures, just over half (51.4%) of downtown workers commute via public transportation. This compares to 32.4% of all San Francisco residents, and 36.9% of individuals working in San Francisco. 27.4% of downtown workers drove alone to their jobs, 9.5% carpooled, and 6.6% walked. In general, individuals who work in Downtown San Francisco are far more likely to take transit, and less likely to drive alone, to their jobs than their counterparts city, region, and nation-wide.

Vehicle Occupancy Rate

The *Downtown Plan* sought to increase ridesharing into downtown with a goal of increasing vehicle occupancy from 1.48 persons per vehicle in 1985, when the Plan was adopted, to 1.66 persons per vehicle by the year 2000. Indicative information is available for the census tracts that generally correspond to the zone (Map 2).

The average vehicle occupancy for downtown workers has been declining steadily, mirroring nationwide trends. In 1980, five years before the *Downtown Plan's* adoption, vehicle occupancy was 1.28 passengers per car. In 1990 it dropped to 1.22, and by the 2000 Census, vehicle occupancy had dropped to 1.21 for workers. The latest available data at this scale for downtown workers comes from the 2006-2010 ACS Census Transportation Planning Package, which showed vehicle occupancy falling even further, to 1.17 for downtown workers.[3] [4]

Vehicle occupancy rates for workers and residents are now available from the American Community Survey (ACS) for the City of San Francisco and the Bay Area. For smaller areas, such as the Downtown C-3 census tracts, information is only available for residents. ACS data shows vehicle occupancy rates are far below the 1.66 persons per vehicle goal, and are essentially unchanged from 2011 to 2015. San Francisco workers and residents do appear to commute in carpools at a higher rate than the region as a whole (Table 18).

However, the decline in vehicle occupancy does not necessarily mean that more vehicles are entering downtown during peak hours. Census data shows the number of solo car commuters holding relatively steady since 2000, while the number of 2 and 3+ carpools declined. However, that decline is more than made up for by increases in transit use, biking, and working from home, suggesting that downtown workers who previously carpooled, may be switching to those modes.

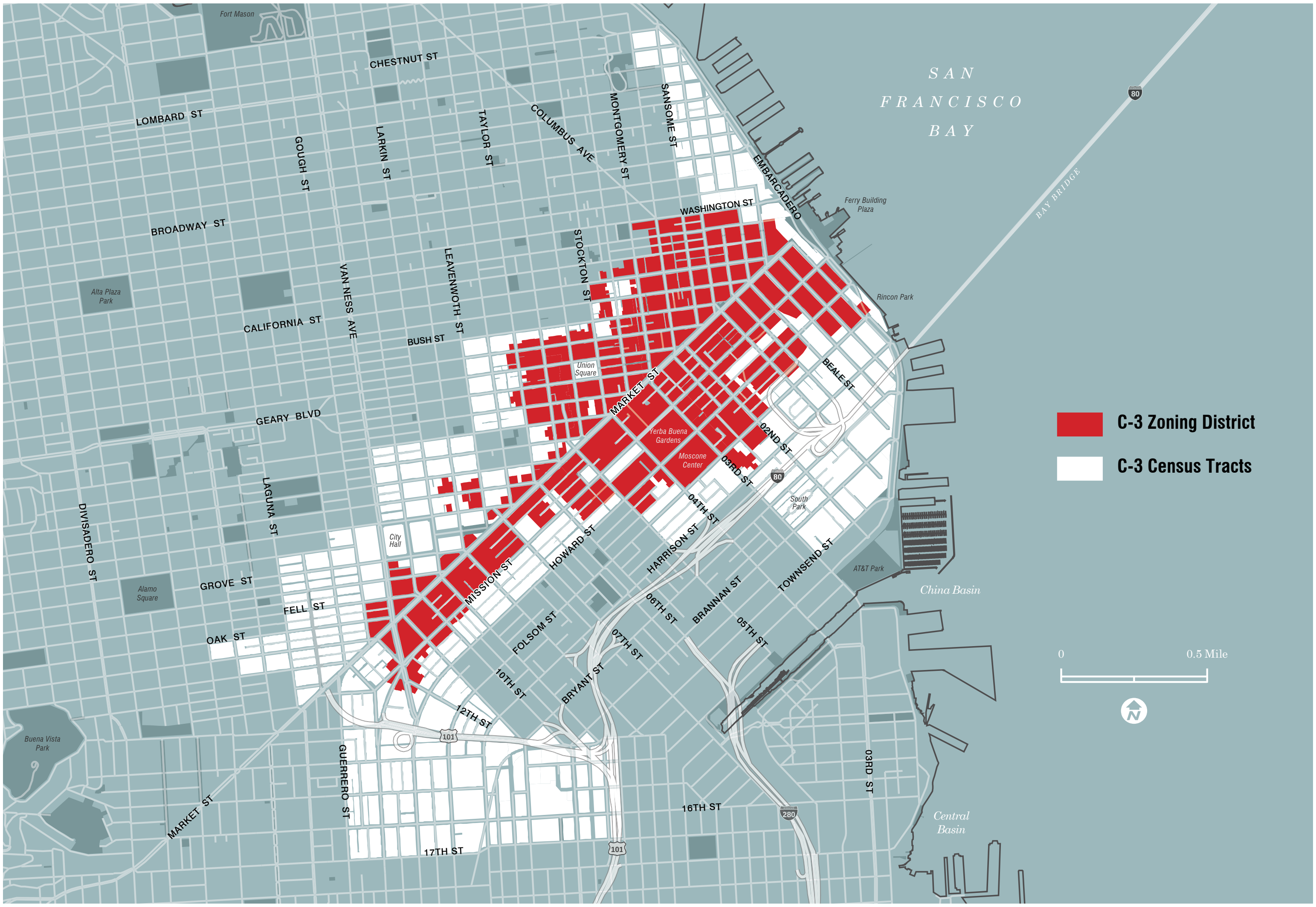
Transit Impact Development Fee (TIDF)

In 1981, as a precursor to the *Downtown Plan* and responding to a substantial increase in downtown office development, San Francisco enacted a fee to recover a portion of additional transit operating and capital costs incurred by this growth. Initially, all new office developments were required to pay $5 per square foot of office space to cover the added transit service to downtown office buildings. In 2004, the Municipal Transportation Agency (MTA) modified this fee to include all proposed non-residential developments in San Francisco.

San Francisco collected about $36.2 million in TIDF revenues in fiscal year 2015-16 (Table 19). This is almost triple the amount collected in the previous fiscal year.

3 The vehicle occupancy rate is the average number of individuals riding in a vehicle. The lowest possible rate is 1, where all vehicles are single occupant.

4 These rates are for commute trips to work and do not necessarily reflect peak period patterns.



Map 2. C-3 Zone and corresponding Census Tracts

Table 18.
Average Vehicle Occupancy

Area	ACS 2011 Workers	ACS 2011 Residents	ACS 2015* Workers	ACS 2015* Residents
San Francisco	1.15	1.10	1.14	1.10
Downtown C-3 zoned census tracts	NA	1.10	NA	1.12
Bay Area	1.08	1.08	1.08	1.08

* ACS estimates are subject to margins of error of around 0.02, therefore the differences between 2011 and 2015 may not be statistically significant.

Source: US Census, American Community Survey 2007-2011 and 2011-2015.

Table 19. Transit Impact Development Fee (TIDF) Collections

Fiscal Year	Revenue
2013-14	$12,572,845
2014-15	$13,799,570
2015-16	**$37,468,397**

Source: San Francisco Controller's Office.

Privately-Owned Public Open Space (POPOS) and Public Art

Presuming that significant employment and office development growth would occur, the *Downtown Plan* requires new commercial development to support associated urban service improvements, including specific programs for open space and art.

POPOS

Privately-owned public open spaces (POPOS) are publicly accessible spaces in forms of plazas, terraces, atriums, and small parks that are provided and maintained by private developers. In San Francisco, POPOS are mostly in the Downtown office district. Prior to 1985, developers provided POPOS under three general circumstances: voluntarily, in exchange for a density bonus, or as a condition of approval. The *Downtown Plan* created the first requirements for developers to provide publicly accessible open space as a part of projects in C-3 Districts. The goal was to provide quality open space in sufficient quantity and variety to meet the needs of downtown workers, residents and visitors. Since then, project sponsors may provide POPOS instead of their required open spaces, and locate them in other districts such as Eastern Neighborhoods (Section 135 of the Planning Code).

Public Art

The public art requirement created by the *Downtown Plan* is commonly known as the "1% for Art" program. Its purpose is to ensure that the public has access to a variety of high-quality art. This requirement, governed by Section 429 of the Planning Code, provides that construction of a new building or addition of 25,000 square feet or more within the downtown C-3 district triggers a requirement to provide public art that equals at least 1% of the total construction cost. After more than 25 years since the adoption of the *Downtown Plan*, development has created an extensive outdoor gallery that enriches the Downtown environment for workers and tourists alike.

Table 20.
Number of Privately-Owned Public Open Space (POPOS)

POPOS	< 1985	1985–2015	Total
In C-3 District	50	36	**86**
with Art	2	22	**24**
Outside C-3 District	2	2	**4**
with Art	1	1	**2**
TOTAL	**52**	**38**	**90**

Source: SF Planning Department.

Development

In 2016, two new POPOS were opened – an interior plaza space at 222 2nd Street, and a rooftop space at 942 Mission Street. This brings the total number of POPOS in the Downtown C-3 district to 86 (Table 20).

Downtown development has added 36 POPOS since 1985, approximately 60% of which include public art.

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NOTE: For additional information that is available on the Planning Department web site under the heading "Data and Analysis Reports," please see previous reports (annual, five-year, and 25-year) at: *http://www.sf-planning.org/index.aspx?page=1663*