DOWNTOWN PLAN

ANNUAL MONITORING REPORT 2011

SAN FRANCISCO PLANNING DEPARTMENT | JULY 2012

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DOWNTOWN PLAN MONITORING REPORT GRAPHIC SUMMARY

The Legend above illustrates the color key used in the Summary InfoGraphic.

During 2011, Downtown San Francisco continued to be a resilient district for San Francisco and the region largely because of Downtown Plan polices.

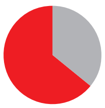
- Downtown contains a majority of the City's office (72.2 million square feet--msf--or 64%) and hotel space (20,000 rooms or 62%).
- About 13% or 1.8 msf of the upcoming commercial space proposed in the development entitlement pipeline is located Downtown.
- Vacancy rates declined in 2011, and are now at 11% for office and 6.7% for retail.
- Downtown office rents increased 16% during 2011 to $39.25 per square foot.
- Hotel occupancy rates increased to 82% and room rates to $188/night.
- Employment stabilized in 2011, increasing 1% citywide to 550,000 jobs, while it increased 14% to 233,500 jobs Downtown.
- Fiscal revenues, such as business, sales, hotel, property, increased 0 to 12% in fiscal year 2011-12.
- Residential production in 2011 continued to suffer from the Great Recession of 2008-9. Downtown had a net loss of 31 residential units from demolition, while there was a net gain of 269 units citywide. However, 9% of the proposed projects in the entitlement pipeline--or 3,900 units--are located Downtown.
- Transit ridership in fiscal year 2010-11 was substantial (650,000 boardings per day citywide, 45% during PM peak period of 4-6PM), with 36% of peak period boardings having a Downtown destination/origin—the highest ridership of any City neighborhood.
- Mode share in Superdistrict 1 (generally the northeast quadrant of San Francisco) changed relatively little from year 2000, with the 2010 split being 32% transit, 31% walk, 24% car, 2% bike, 8% work at home, and 2% other.

PART 1: Commercial

EXISTING COMMERCIAL SPACE

Downtown share of Citywide

Office
Square feet



64% 72,200,000 / 112,000,000

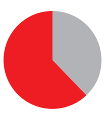
SEE TABLE 2

Retail
Square feet

8% 4,000,000 / 56,000,000

SEE TABLE 3

Hotel
Rooms



62% 20,000 / 33,000

215 hotels Citywide

COMMERCIAL PROJECT PIPELINE

SEE TABLE 1

Downtown share of Citywide

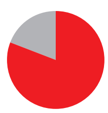
Office
Square feet

6% 522,000 / 9,500,000

Retail
Square feet

12% 361,550 / 3,100,000

Hotel
Square feet



-81% -154,500 / 190,500

TOTAL
Square feet

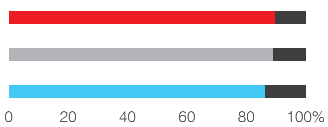
13% 1,800,000 / 14,000,000

PART 1: Commercial (cont'd)

VACANCY & OCCUPANCY

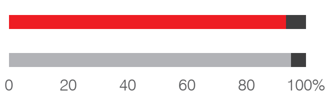
% Vacant

Office Vacancy ↓



SEE TABLE 3

Retail Vacancy ↓



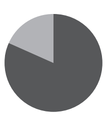
SEE TABLE 4

Office Rent

% Change (2010-11)

$39.25	/SQUARE FOOT (FULL SERVICE)	↑ 17%
$38.18	/SQUARE FOOT (FULL SERVICE)	↑ 16%

Hotel Occupancy & Rates



82% OCCUPANCY

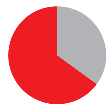
$188 AVERAGE RATE / ROOM

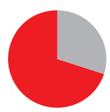
SEE TABLE 5

EMPLOYMENT (JOBS)

SEE TABLES 6 & 7

	Downtown share of Citywide	*Total*	*% Change (2010-11)*
Office Jobs	65%	139,162	↑ 12%
		214,476	↑ 2%
Retail Jobs	28%	27,484	↑ 7%
		97,373	↓ 1%
Hotel Jobs	70%	12,077	↑ 4%
		17,313	↓ 1%
TOTAL JOBS	43%	233,475	↑ 14%
		549,344	↑ 1%





FISCAL REVENUE

	Total	*% Change (2010-11)*
Business Tax	$401,000,000	↑ 5%
Sales & Use Tax	$106,000,000	↓ 0.3%
Hotel Tax	$177,400,000	↑ 12%
Property Tax	$1,220,000,000	↑ 2%

SEE TABLE 8
SEE TABLE 10
SEE TABLE 11
SEE TABLE 9

RESIDENTIAL UNITS

SEE TABLES 12 & 13

Net units	*% Change (2010-11)*
-31	↓ 111%
269	↓ 78%

DOWNTOWN PARKING SPACES

SEE TABLE 16

Net new spaces	*% Change (2010-11)*
282	↑ 13%

RESIDENTIAL PIPELINE PROJECTS 2011

SEE TABLE 14

Downtown % of Citywide	*Units*
9%	3,891
	42,400

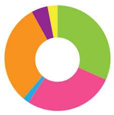
JOBS-HOUSING LINKAGE FEE COLLECTION 2010-2011

SEE TABLE 15

2010	*2011*
$0	$1,950,000

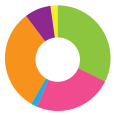
MODE SPLIT (SUPERDISTRICT 1)

2000	*Mode*	*2010*
32%	TRANSIT	32%
28%	CAR	24%
2%	BIKE	2%
31%	WALK	31%
5%	WORK AT HOME	8%
3%	OTHER	2%



2000

2010

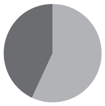


TRANSIT RIDERSHIP FY 2010-2011

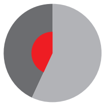
SEE TABLE 18

650,000
WEEKDAY BOARDINGS CITYWIDE

273,000
DURING PEAK PERIOD (4:00-6:00PM)



97,500
PEAK-PERIOD BOARDINGS HAD DOWNTOWN AS THEIR ORIGIN/DESTINATION



TRANSIT IMPACT DEVELOPMENT FEE

SEE TABLE 19

Total	*% Change (2010-11)*
$584,600	↑ 267%

INTRODUCTION

The Downtown Plan

The central premise of San Francisco's *Downtown Plan* is that a compact, walkable, and transit oriented downtown will create a notable, lively, and attractive center for the City and region. Over the years, Plan-related decision making became increasingly coordinated regionally. The Plan also capitalizes on the City's core assets, including its transit infrastructure, visitor economy, and vibrant diversity.

The vision behind the 1984 *Downtown Plan* is a district known the world over as a center of ideas, services, and trade; as a place rich in human experience, as is true of all great cities. The essential characteristics of such a place 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, San Francisco's *Downtown Plan* contains objectives and policies that guide land use decision making to create the physical form and pattern of a vibrant, compact, pedestrian-oriented, livable, and autonomically vital downtown.

The *Downtown Plan* emerged from a growing public awareness during the 1970s that proposed development threatened the essential character of downtown San Francisco. The issue often appears as a 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. This physical identify in turn reinforces economic vitality and informs cultural identity. However, the perceived conflicts between policies that support an vital economy and those that support a great place are more often appearance than reality. Further, good planning can and should create the conditions for not only a great place, but a vital economy too, as it has done for downtown San Francisco.

The *Downtown Plan* is one of the General Plan's Area Plans. The Downtown area is 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. This wider area is labelled the Greater Downtown area in Map 1, and is mostly in the South of Market area (SoMa) and the northeast quadrant of the City.

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.

Report Structure

This *Downtown Plan Annual Monitoring Report 2011* summarizes business and development trends affecting downtown San Francisco as required by SF Administrative Code, Chapter 10E. The report covers the 2011 calendar year or fiscal year 2011-12 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 relative to the objectives of the Downtown Plan and mandated 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

Map 1. Downtown C-3 Zone

Downtown basis. Part 2, "Downtown Support Infrastructure," reviews housing and available transportation trends – two key elements supporting the functioning of the Downtown core.

The 25-year report, *25 Years: Downtown Plan Monitoring Report 1985-2009*, contains more detailed information and assessment. Previous annual and five-year reports are available on the Department's web site.[1]

1 See the Planning Department's Home Page, Resource Center main menu tab, and Downtown Monitoring Reports at *http://www.sf-planning.org/index.aspx?page=1663#downtown_report*

Data Sources

This annual report includes information found in the Housing Inventory, the Commerce and Industry Inventory, and Pipeline quarterly reports, all published by the Planning Department. It also includes information from the state Employment and Development Department (EDD), the Municipal Transportation Agency (MTA), Dunn and Bradstreet business data, Cassidy Turley/BT Commercial and CBRE real estate reports, and information gathered from the Department of Building Inspection, and the Office of the Controller.

PART 1: COMMERCIAL SPACE, EMPLOYMENT, AND REVENUE TRENDS

The *Downtown Plan* seeks to manage commercial development and provides for most new office growth in San Francisco to occur in and around the Downtown C-3 zoned area. Over the 1985-2009 period, San Francisco's downtown commercial space grew by 26.2 million square feet–much of this within the C-3 district. The Plan shifted new commercial development to the South of Market (SoMa) as intended. The Plan's annual limit on new office space, institutionalized by a voter initiative passed in 1986, helped to manage the pace of new office development and reduce speculative development of office buildings.

Recent planning south of Market Street will add 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, will include some office and residential development. The Rincon Hill Plan will add housing even further south of the C-3 district. The Eastern Neighborhoods Community Plans rezoned the southeast quadrant of the City to accommodate the majority of future non-downtown office growth. The community plans will establish new mixed-use residential neighborhoods encompassing PDR, retail, smaller offices, and institutional uses. However, they will not be locations for dense, downtown high-rise office developments. As a result, future office development will remain concentrated in and near downtown San Francisco.

Commercial Space

Pipeline Development Projects

As of the fourth quarter of 2011, there were over 720 projects in the citywide development project "pipeline."[1] Two-thirds of the projects (69%) were exclusively residential; one-fifth (21%) were mixed-use with both residential and commercial components. The remaining nine percent (9%) of the projects were exclusively commercial (office, retail/entertainment, hotel, or PDR).

If all the commercial projects were completed, they would add 14 million square feet of commercial space, including 9.5 million square feet of office and 3.1 million square feet of retail space to San Francisco's existing 112 million square feet of office space and 55.9 million square feet of existing retail space.[2]

The Downtown C-3 area accounts for 1.75 million square feet, or 11% of commercial space in the pipeline (Table 1). The Downtown C-3 and Transbay pipeline projects together would add over 5.2 million square feet of commercial space, or 38% of the pipeline, to the downtown area.[3] Candlestick Point would add about 3.8 million square feet of commercial space (27% of the pipeline), including office, R&D, and retail.

Table 1. Commercial Project Pipeline

Neighborhood*	Square Feet	Percent
Candlestick	3,801,500	27%
Transbay	3,514,977	25%
Mission Bay	2,274,942	16%
Downtown C-3 Zone	1,754,046	13%
Rest of City	2,683,541	19%
TOTAL	**14,029,006**	**100%**

* As defined in the Pipeline Report at *http://www.sfplanning.org*

Source: Planning Department, Pipeline Report, Quarter 4, 2011, unpublished. For published reports, see *http://www.sf-planning.org/index.aspx?page=1691*.

Of the total 14 million net square feet of commercial space in the pipeline, about 6% of pipeline square footage is under construction (845,287 net square feet, of which 565,500 square feet is office and 79,000 square feet is retail). Another 7% of the pipeline projects have received building permit approval or have been issued a permit (964,890 square feet, of which 816,000 square feet is office and 55,500 square feet is retail), and may have begun construction. The

1 Planning Department, Pipeline Report, Quarter 4, 2011, unpublished. For published reports, see *http://www.sf-planning.org/index.aspx?page=1691*.

2 CoStar Group, Office Report and Retail Report, Quarter 1, 2011. No new projects have been completed (as of June 2012).

3 The Downtown C-3 district includes a part of the Transbay Project.

majority of the pipeline projects (87%) are still in the early stages of development, with permit applications filed or approved by the Planning Department or filed with the Department of Building Inspection but not yet approved.

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, 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), it represents one of the densest concentrations of office space in the country.

Table 2. Existing Office Space

Area	Square Feet
San Francisco	112,300,000
C-3 District	72,200,000
% office in C-3 District	*64%*

Source: Costar Group

Since peaking at its historic high of over 20% in 2002, San Francisco's office vacancy rate declined through 2008. By year end 2009, office vacancies had increased to 15.6%. In 2011, citywide office vacancy rates decreased from 14.5% to 11% (Table 3). At 10.7%, the Downtown Financial District continued to have an office vacancy rate slightly lower than the citywide average (11%).

Much of this activity is due to an increasingly active technology sector, but also to the banking and professional services sectors. Relocations or expansions in place were occurring with firms such as Solution Set, Linked In, Citigroup, Covington & Bruling, First Republic Bank, and Goodby, Silverstein & Partners.

Office space absorption

In 2011, market absorption of existing space in new leases amounted to 2.95 million square feet, surpassing rates set during the first tech boom of the late 1990s. At that rate, the approximately 9 million square feet of vacant office space at the beginning of 2011 would last about three years. Industry forecasts indicate a recovering market, even a "hot" office market for 2012.

The project pipeline

In addition to vacant existing space, there is approximately 6.3 million net square feet of office space in the project pipeline for the wider downtown area.[4] Of this total, 565,500 square feet is under construction in the Downtown and Transbay areas, with another 618,500 square feet in Mission Bay whose building permits have been issued. This development would likely be completed over the next three years and represents another one-third year of supply at 2011 absorption rates. Projects totaling another 5.1 million square feet of office space within the wider downtown area are in earlier stages of permitting (approximately 1.6 years of supply at 2011 absorption rates).

Although Salesforce.com signed an 18-year agreement in January 2012 for 400,000 square feet of space at 50 Fremont Street (at Mission Street), the firm continues to plan the development of its 2 million square foot, 14-acre Mission Bay campus over the next decade (purchased in November 2010).

Office rents[5]

By year end 2011, citywide office rents increased to $38.18 per square foot (on an annual full service basis), up from $32.91 per square foot in 2010. The Financial District experienced a similar increase to $39.25 per square foot, up from $33.42 in 2010. Increasing rental rates are expected to continue in 2012.

4 Downtown C-3, Transbay, Mission Bay, East SoMa, Rincon Hill, Showplace/Potrero areas. The 6.2 million square feet includes the SalesForce.com campus proposal for 1.3 million square feet of office space, which was an active pipeline project in Q4 2011. The company stopped the project in early 2012, but will continue planning and development.

5 Cassidy Turley, Office Market Snapshot, San Francisco County, Fourth Quarter 2011..

Table 3.
Office Vacancy Summary

Area	Q4 - 2009	Q4 - 2010	Q4 - 2011	Percentage Point Change 2010-11
San Francisco	15.6%	**14.5%**	**11.0%**	*-3.5 pts*
Downtown Financial District	14.5%	**13.9%**	**10.7%**	*-3.2 pts*
Other Downtown*	17.2%	**15.5%**	**11.4%**	*-1.1 pts*
Bay Area	17.6%	**16.6%**	**13.8%**	*-2.8 pts*

Source: CTBT Commercial, Class A & B office space.
* Includes Jackson Square, South Beach, Union Square, and Yerba Buena.

Table 4.
Retail Vacancy Summary

Area	2009	2010	2011	Percentage Point Change 2010-11
San Francisco	6.8%	6.6%	**5.1%**	*-1.5 pts*
Downtown*	10.8%	10.6%	**6.7%**	*-3.9 pts*

Source: Terranomics.
* Labeled as "City Center" in Terranomics Report. Includes the Union Square area, the retail core of the C-3 zone.

Retail Space

The Downtown C-3 area contains about four million square feet, or 7%, of San Francisco's 56 million square feet of retail space.[6] It is the Bay Area's preeminent retail hub, and serves local, regional, and visitor shopping needs. 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.

As shown in Table 4 above, the retail vacancy rate for the downtown area at the end of 2011 was 6.7%, higher than the Citywide average of 5.1%. Vacancy rates decreased from 2010 levels for the Downtown area and citywide from 10.6% and 6.6%, respectively. Approximately 362,000 net square feet of retail space is in the development pipeline for the Downtown C-3 District. This amounts to 63% of the 575,000 net square feet anticipated for the wider Downtown area[7] and 12 % of the 3.1 million square feet of retail uses in the pipeline located citywide.

6 Co-Star, Retail Report, San Francisco Retail Market, 1st Quarter 20011.

7 The wider Downtown consists of the C-3, Transbay, Mission Bay, East SoMa, Rincon Hill, Showplace/Potrero areas.

Hotel Space

San Francisco has over 215 hotels with a total of 33,000 hotel rooms.[8] Just over 20,000 or 62% of these rooms are located in the Downtown C-3 District and within walking distance of the Moscone Convention Center. About 1,200 hotel rooms have been added between 2005 and 2008.[9] An additional 1,700 rooms are in the pipeline, of which 200 have a 2012 opening target.

Both hotel occupancy and average daily rates increased during 2011 (Table 5). Average hotel occupancy increased to almost 82% from 75% two years ago, and average daily rates increased to almost $188 per room from $160 two years ago.

Table 5. Hotel Occupancy and Rate

	2009	2010	2011
Occupancy	75.5%	79.5%	81.9%
Average Daily Rate	$160.27	$161.99	$187.90

Source: San Francisco Convention & Visitors Bureau

8 San Francisco Travel Association (www.sanfrancisco.travel/research/).

9 Source PDK Consulting. See .San Francisco Travel Association (www.sanfrancisco.travel/research/).

Table 6. **Employment -- Citywide**

Land Use	2009	2010	2011	*% Change*
Office	211,890	211,050	214,476	*2%*
Retail	98,280	98,139	97,373	*-1%*
PDR	76,730	72.967	71,077	*-3%*
Hotel	17,830	17,568	17,313	*-1%*
Cultural, Institutional, Educational (CIE)	124,830	126.208	128,248	*2%*
Private Households	19,440	19,819	20,857	*5%*
TOTAL	**549,000**	**545,751**	**549,344**	***1%***

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

Table 7. **Employment - Downtown C-3 Zone**

Land Use	2009	2010*	2011**	*% Change 2010 - 2011*	C-3 Share of SF Employment 2011
Office	127,090	124,810	139,162	*11.5%*	65%
Retail	26,500	25,720	27,484	*6.9%*	28%
PDR	21,740	17,320	18,505	*6.8%*	26%
Hotel	11,160	11,620	12,077	*3.9%*	70%
CIE	23,730	23,410	33,571	*43.4%*	26%
Private Households	1,820	1,840	2,676	*45.4%*	13%
TOTAL	**210,220**	**204,720**	**233,475**	***14.0%***	**43%**

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

* As of second quarter 2010.

** As of first quarter 2011.

Employment

San Francisco employment stabilized in 2011. As of the first quarter of 2011, San Francisco had approximately 549,350 jobs (Table 6). This represents a 1% gain of about 3,600 jobs from 2010. Within this overall gain, employment in retail, PDR, and hotel land uses declined 1%, 3%, and 1%, respectively. Employment and increased in office, Cultural, Institutional, Educational (CIE), and private household (employer) by 2%, 2%, and 5%, respectively.

As of the first quarter of 2011, approximately 43% of all San Francisco employment was located in the Downtown C-3 zone. Downtown employment increased by an estimated 14%. The majority of office and hotel jobs continue to be located in the larger downtown area.

Office Employment

The downtown Financial District remains the center of office employment in San Francisco. As of the first quarter of 2011, there were 214,476 office jobs in San Francisco (Table 6). Of these jobs, about 139,162 were located in the Downtown C-3 District (Table 7), or 65% of total office employment citywide.

Downtown office employment grew by 11.5% from 2010, or by 14,350 jobs. Downtown San Francisco maintains the greatest 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.

Retail Employment

San Francisco's high concentration of regional-serving retail establishments continue to be a primary destination offering not only goods and services, but a unique urban experience. Visitor traffic in particular represents a large share of downtown San Francisco's sales receipts.

As of the first quarter of 2011, there were 97,375 retail jobs in San Francisco (Table 6). About 27,500 of these jobs could be found in the C-3 District (Table 7), or about 28% of total retail jobs citywide.[10] This is roughly the same share of retail jobs reported in the 2010.

Hotel Employment

The majority of hotel jobs and rooms continue to be located downtown. As of the fourth quarter of 2011, there were over 17,310 hotel jobs in the City. Approximately 12,075 of these jobs were in the C-3 District or about 70% of all hotel jobs citywide. Downtown hotel jobs increased 3.9% from 2010.

Fiscal Revenues

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 2010-2011 fiscal year (FY).[11] The revenue information reported reflects deposits to the City's general fund, rather than the total amount of all revenues the City received, and is reported in nominal dollars.[12] In general, the FY 2011-12 budget assumed continued moderate recovery in tax revenues throughout the fiscal year. Tax revenues that are projected to recover beyond budgeted levels include property, payroll, sales, hotel, and property transfer taxes. These gains are partially offset by projected shortfalls in state health and social service subventions, utility users tax, and charges for services."[13]

10 For more information on regional trends, business formation and relocation see the *Commerce and Industry Inventory* at *http://www.sfplanning.org*.

11 July 1, 2010 to June 30, 2011.

12 All revenues would include money allocated by law to specific uses and not available for general city services and expenses.

13 City and County of San Francisco, Controller's Office, FY 2011-12 Six-Month Budget Status Report, February 13, 2012, p 6.

Business Taxes

Estimated business tax revenue (Table 8) in FY 2011-12 is estimated at $409.8 million, a 4.8% increase from $391.1 million collected in FY 2011-12. Total business tax revenue is comprised of business payroll tax and registration tax.

Business payroll taxes assess the payroll expense of persons and associations engaging in business in San Francisco and 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 2011-12, the Controller's Office estimated that it will collect $401.4 million in payroll taxes, up from $383 million in FY 2010-11.

Business registration tax is an annual fee assessed for general revenue purposes on all business in the City. The Controller's Office estimates that approximately $8.4 million in business registration fees will be collected in FY 2011-12, up from $8.1 million in FY 2010-11.

Property Taxes

Real property taxes (Table 9) are the largest single source of tax revenue for the City. The Controller's office expects them to remain stable in fiscal year 2011 and that property transfer taxes will increase.[14] Together, an estimated $1.2 billion in property related taxes will be collected in FY 2011-12.

Real property taxes allocated to the general fund in FY 2011-12 are estimated at $1.06 billion dollars, about the same as the $1.062 billion in FY 2010-11 (Table 9), mainly because of the slow economic recovery.

Property transfer taxes are estimated to increase during the reporting period. Projected collections for FY 2011-12 are estimated to be about $162.5 million, up from $135.2 million in FY 2010-11. (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 it is based on sales price.

14 Ibid.

Table 8. Business Taxes

Revenue Source ($ Millions)	FY 2009-10	FY 2010-11	FY 2011-12*	% Change 2011-2012
Payroll	$345.6	$383	**$401.4**	*4.8%*
Registration	$7.9	$8.1	**$8.4**	*3.7%*
TOTAL	**$353.5**	**$391.1**	**$409.8**	***4.8%***

* Estimates from Office of the Controller, FY 2011-12 Six-Month Budget Status Report.

Table 9. Property Taxes

Revenue Source ($ Millions)	FY 2009-10	FY 2010-11	FY 2010-11*	% Change 2011-2012
Property Tax	$1,060.3	$1,061.9	**$1,060.0**	*-0.2%*
Property Transfer Tax	$83.7	$135.2	**$162.5**	*20.2%*
TOTAL	**$1,144.0**	**$1,197.1**	**$1,222.5**	***2.1%***

* Estimates from Office of the Controller, FY 2011-12 Six-Month Budget Status Report.

Table 10. Sales and Use Taxes

Revenue Source ($ Millions)	FY 2009-10	FY 2010-11	FY 2011-12*	% Change 2011-2012
Sales and Use Tax	$96.6	$106.3	**$106.0**	*-0.3%*

* Estimates from Office of the Controller, FY 2011-12 Six-Month Budget Status Report.

Table 11. Hotel Room Tax

Revenue Source ($ Millions)	FY 2009-10	FY 2010-11	FY 2011-12*	% Change 2011-2012
Hotel Room Tax	$135.5	$158.9	**$177.4**	*11.6%*

* Estimates from Office of the Controller, FY 2011-12 Six-Month Budget Status Report.

Sales Tax

Sales tax revenues (Table 10) fluctuate with economic conditions and reflect consumer confidence and spending. Of the 8.5% 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 2011-12 sales tax collections are expected to be flat, with an estimated 0.3% decrease to $106 million from $106.3 million in FY 2010-11. An estimated 20% of sales tax revenues are collected in the Downtown C-3 zoned area, which continues to account for roughly one-quarter of general retail store sales tax and business to business sales tax.

Hotel Tax

The hotel tax (Table 11) remained at 14% for the 2011-12 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, $177.4 million in hotel taxes are expected to be collected and deposited into the general fund in fiscal year 2011-12. This represents nearly a 12% increase from FY 2010-11, when $158.9 million was collected.

PART 2: DOWNTOWN SUPPORT INFRASTRUCTURE

This section discusses the *Downtown Plan's* housing and transportation targets. The *Downtown Plan* was developed under 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 of the financial center north of Market. 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 urban service 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, only 348 new units were completed in 2011, down 68% from 1,082 units completed in 2010 (Table 12). Accounting for alterations, conversions and demolitions, the total net change in the number of units constructed was 269, a 78% drop in production from the 1,230 net units produced citywide in 2010.

In the Downtown C-3 District, a total of 20 new units were constructed, but the demolition of 52 units and merger of 1 unit produced a net areawide reduction of 31 units compared to a net increase of 281 units in 2010. In SoMa, 21 net units were completed in 2011 compared to 150 in 2010. Combined, the two areas lost 10 units in contrast to producing more than one-third of net housing completed citywide in

Table 12.
Net Housing Change: Citywide

Change	2009	2010	2011	*% change 2011-2012*
New construction	3,366	1,082	348	*-68%*
+ alterations, conversions	117	318	5	
- less demolitions	-29	-170	-84	
Total net change	**3,454**	**1,230**	**269**	**-78%**
% in C3	*32%*	*23%*	*-12%*	*-150%*

Source: *Housing Inventory 2010*1
* Net change accounts for units gained or lost due to alterations, conversions and demolitions.

Table 13.
Net Housing Change: Downtown

Area	2009	2010	2011	*% change 2011-2012*
Downtown C-3 Zone	1,091	281	-31	-111%
SoMa*	1,523	150	21	-86%
Rest of City	840	799	279	-65%
TOTAL	**3,454**	**1,230**	**269**	**-78%**

Source: *Housing Inventory 2011*
* Housing Inventory SoMa planning district, excluding C-3.

2010. Housing production in Downtown has slowed considerably since production of 1,091 units in 2009 (Table 13, above).

Housing production in 2011 did not meet the *Downtown Plan's* goal of adding between 1,000 and 1,500 units to the City's housing stock annually. However, annual variation around the average housing production target is to be expected, particularly in association with financial downturns like the national and global Great Recession of 2008-09 and the continuing slow recovery.

Residential Pipeline Projects

As of the fourth quarter 2011, the citywide pipeline of residential development projects under construction or seeking planning approval and building permits contained a total of 42,400 residential units. The top five areas with the most proposed units are Candlestick, Treasure Island, Park Merced, Downtown, and Market Octavia (see Table 14). The permit status of the proposed units is as follows: 13% filed for planning approval, 66% have planning approval, 7% filed for a building permit, 7% have an approved or issued building permit, and 8% are under construction.

Table 14. Residential Project Pipeline (net units)

Rank	Area	Units	*% Share*
1	Candlestick	10,435	*25%*
2	Treasure Island	7,800	*18%*
3	Park Merced	5,859	*14%*
4	Downtown	3,891	*9%*
5	Market Octavia	2,128	*5%*
	Rest of city	12,288	*29%*
	TOTAL	**42,401**	***100%***

Source: Planning Department, Pipeline Report, Quarter 4, 2011, unpublished. For published reports, see *http://www.sf-planning.org/index.aspx?page=1691* (scroll down for earlier reports).

Approximately 24,000 units are associated with the three large, recently entitled projects that will be built out over a longer period (Candlestick, Treasure Island, Park Merced). The remaining 18,800 units of smaller projects 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. Given the City's historical production rate of 1,534 units per year, the 18,400 units associated with smaller projects would be expected to be built out in 12 years, by 2024.

In Table 14, the Downtown District ranks fourth in number of proposed units, with 3,891 units or 9% of the total. The permit status of those units is as follows: 17% filed for planning approval, 17% with planning approval, 12% filed for a building permit, 36% have an approved or issued building permit, and 18% are under construction. With 36% of the units related to projects that already have building permits or that will receive them soon, the number of units under construction would be expected to increase over the next two years.

Jobs Housing Linkage Program (JHLP)

Prompted by the *Downtown Plan*, the City determined that large office development projects, by increasing employment, 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.

Due to the reduction in commercial development as a result of the 2008-2009 economic recession, the program has collected no money since fiscal year 2008 when $10.2 million in JHLP fees were collected, until this fiscal year (2011-12), in which $1.95 million was collected (Table 15). Since the program was established in 1985 however, a total of $74.25 million has been collected to partially subsidize the construction of over 1,000 units of affordable housing.

Table 15. Jobs-Housing Linkage Fees Collected

Fiscal Year	Revenue
2009-10	$0
2010-11	$0
2011-12*	$1,950,905
TOTAL	**$1,950,905**

* Department of Building Inspection as of 5/23/2012

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

The *Downtown Plan's* goal to limit the number of long-term parking spaces to the number that existed in 1984 has generally been achieved. Although the supply of off-street parking has continued to grow with new development, the Downtown Plan policies slowed the growth. There are over 33,430 off-street parking spaces in the Downtown C-3 district, about 20% of the 166,520 off-street parking spaces citywide.[1]

In terms of recent changes to the supply of parking, available information only includes projects approved by the Planning Commission which likely under-estimates the number of spaces added. For example projects permitted as of right, including those in redevelopment areas, typically do not require Planning Department approval and are not counted as a result.

In 2011, 282 net new parking spaces were approved in the C-3 district, including 129 new spaces as part of the 350 Mission Street office development, 113 net spaces at 55 9th Street residential with groundfloor retail project, and 40 net spaces at 300 Grant Street (aka 272 Sutter).

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

Year	Net Parking
2009	-80
2010	250
2011	282
TOTAL	**452**

* Approved projects only

1 SFMTA , Parking Census 2011.

Peak Period Transit Ridership

According to available Automatic Passenger Count (APC) data collected by the San Francisco Municipal Transportation Agency (SFMTA) in 2010, the downtown area continues to maintain the highest number of peak period transit trips in the city with more than one-third having downtown as their origin or destination. Of the approximately 650,000 total weekday boardings in 2010, about 273,000 (42%) occurred during the peak period (4:00-6:00pm; Table 18). Of these peak period trips, approximately 97,500 had downtown as their origin or destination (or 36% of total weekday boardings)

Table 18.
Peak Period Transit Ridership to and from Downtown

Area	Ridership	% of Total Trips
San Francisco	272,854	100%
Downtown	97,504	36%

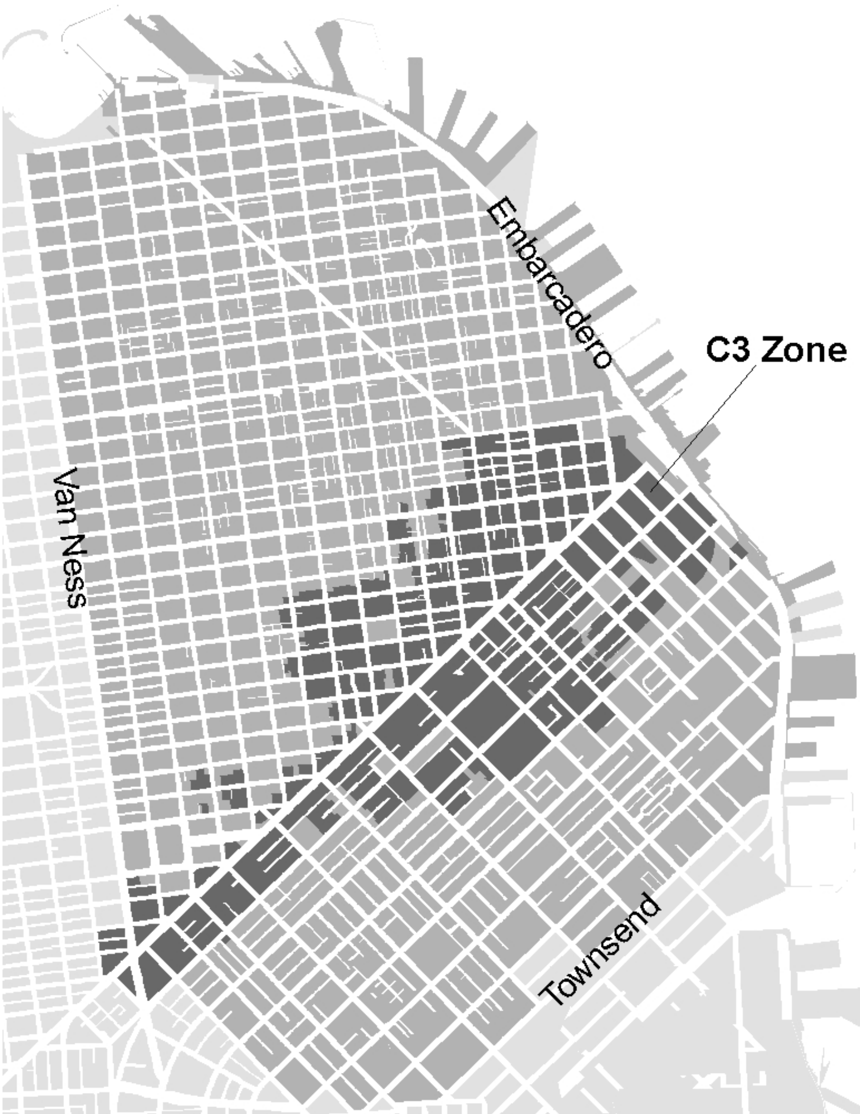
Source: Municipal Transportation Agency (MTA), 2010.

Downtown Commute Mode Split

The *Downtown Plan* assumed that transit share of all peak period trips into the Downtown C-3 District would increase from 64% when the Plan was adopted in 1984, to 70% by 2000. It is not clear whether this goal has been met, although available information suggests that transit share has increased.

Complete commute mode information for the Downtown C-3 District was not available as of the writing of this report. Data from the most recent Transportation Management Association's Commuter Behavior Survey (2009) estimated transit ridership at approximately 72% for select buildings surveyed in the Downtown Financial District core, where transit share is highest. However, this result represents only a portion of the overall C-3 District.

Mode share is available for Superdistrict 1 (a much larger area covering the northeastern portion of San Francisco, see Map 2), and this report uses it as an approximation of transit and mode share behavior. According to the 2006-2010 ACS, most Superdistrict 1 employed residents used transit to get to work (32%), although almost an equal share walked (31%), which is a remarkably high share, with only 2% biking and 2%



Map 2. Superdistrict 1

Table 17. Average Vehicle Occupancy Rates

Area	Census 2000 Workers	Census 2000 Residents	ACS 2010*** Workers	ACS 2010*** Residents
San Francisco	1.18	1.13	1.15	1.11
Superdistrict 1*	1.21	1.13	NA	1.09
Downtown C-3 zoned census tracts**	NA	NA	NA	1.08
Bay Area	1.10	1.10	1.08	1.08

* Superdistrict 1 covers northeast San Francisco and is the smallest area information available from Census 2000
** Includes Downtown C-3 zoned census tracts; this information is not available from Census 2000
** ACS 2010 estimates are subject to margins of error of around .02, therefore the difference since 2000 may not be statistically significant

using other modes. One in four used a car (24%) and 8% worked at home without generating any commute trips. In comparison to the 2000 Census data, transit and walk shares remained the same at 32% and 31%, respectively. The share of car use declined from 28% to 24%. Bike share was unchanged at 2%, although hidden in this share is a 60% increase of almost 600 riders. The share of persons working at home is small, but up from 5% to 8%.

Vehicle Occupancy Rate

The *Downtown Plan* sought to increase ridesharing into downtown from 1.48 persons per vehicle in 1985 when the Plan was adopted, to 1.66 persons per vehicle by the year 2000. Although ridesharing data for the Downtown C-3 is not available, available information suggests that this target has not been met and that vehicle occupancy may have declined to about 1.21 for Superdistrict 1 in year 2000 and 1.09 for year 2010.

In Superdistrict 1, the average vehicle occupancy for workers has been declining. 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. By the 2000 Census, vehicle occupancy had dropped to 1.21 for workers and 1.13 for residents (Table 17).[2] These figures compare with a vehicle occupancy rate of 1.18 for all individuals working in San Francisco and 1.13 for all San Francisco residents. The entire Bay Area region had an even lower rate of 1.10.[3]

Vehicle occupancy rates are now available from the 2010 American Community Survey (ACS) for the City of San Francisco and the Bay Area. For smaller areas, such as Superdistrict 1 and the Downtown C-3, information is only available for residents. These estimates however, continue to show a drop in average vehicle occupancy for both workers and residents: from 1.18 for workers and 1.13 for residents in 2000 to 1.15 for workers and 1.11 for residents in 2010. For Superdistrict 1, vehicle occupancy rates for residents dropped to 1.09 (from 1.13). For census tracts covering the Downtown C-3 zone, vehicle occupancy for residents was even lower at 1.08 in 2010.

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 has collected about $584,600 in TIDF revenues to date for fiscal year 2011-12 (Table 19). The City has collected approximately $5.25 million since FY 2019-10. This represents about 4% of the total $142.7 million in TIDF revenues the fee has generated since its inception in 1981 through the FY 2011-12 estimate in Table 19.[4]

Table 19. Transit Impact Development Fee (TIDF) Collections

Fiscal Year	Revenue
2009-10	$4,513,011
2010-11	$159.470
2011-12*	$584,600
TOTAL	**$5,561,956**

* Department of Building Inspection as of 5/23/12.

2 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.

3 Occupancy rates for Superdistrict 1 are from Tables 17, 18 and 19 of the 2000 Census Data Summary #5 (Journey-to-Work in the San Francisco Bay Area), released in June 2005. These rates are for commute trips to work and do not necessarily reflect peak period patterns.

4 This total also includes $5.5 million in interest charges on TIDF fees paid by installments between 1983 and 2001. See "25 Years--Downtown Monitoring Report," Table 16. The Ordinance was enacted in 1981. Collections from 1983 through FY 2008-09 totaled $137,436,791. The additional $5,257,081 collected in FY 2009-10 through 2011-12 (estimate) in Table 19, above, brings the total collected from inception through the FY 2011-12 estimate to $142,693,872.

CONCLUSION

The *Downtown Plan* directed that dense employment growth be concentrated in the C-3 district and immediately adjacent areas. In order to accommodate this growth, the Plan contains a series of goals, policies and targets that were designed to ensure that new development would represent a net benefit to the City.

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. These trends must continue to be monitored so that decisionmakers can make adjustments when required to continue the success and avoid unintended consequences.

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 areas attractiveness and livability could be affected adversely. As a result, the Plan contains various targets relating to each policy issue.

The City has produced more housing than the Plan target. The cost of housing has increased substantially since the adoption of the Plan, yet this is in part the result of regional economic forces and job growth that has increased the attractiveness of San Francisco and the Bay Area. This housing is increasingly taking the form of downtown office conversions. This trend, along with the potential addition of thousands of new units of pipeline housing, promises to substantially increase the residential population of downtown.

Since the Plan was adopted, the growth in downtown office space has served to enhance the vitality of the area. But further analysis of transportation trends is needed. Available data suggests that while transit use may have increased for downtown workers, the areas growing residential population is more likely to own cars but may not be driving more. Also, ridesharing may have declined, but this could be due to an increase in other forms of transportation including an increase in the number of individuals working from home. These trends will be analyzed in the future when additional transportation information for San Francisco becomes available from the American Community Survey.

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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*