DOWNTOWN PLAN

ANNUAL MONITORING REPORT

2013

JULY 2014

SAN FRANCISCO
PLANNING DEPARTMENT

Cover photo of downtown Powell Street by Ray Smith
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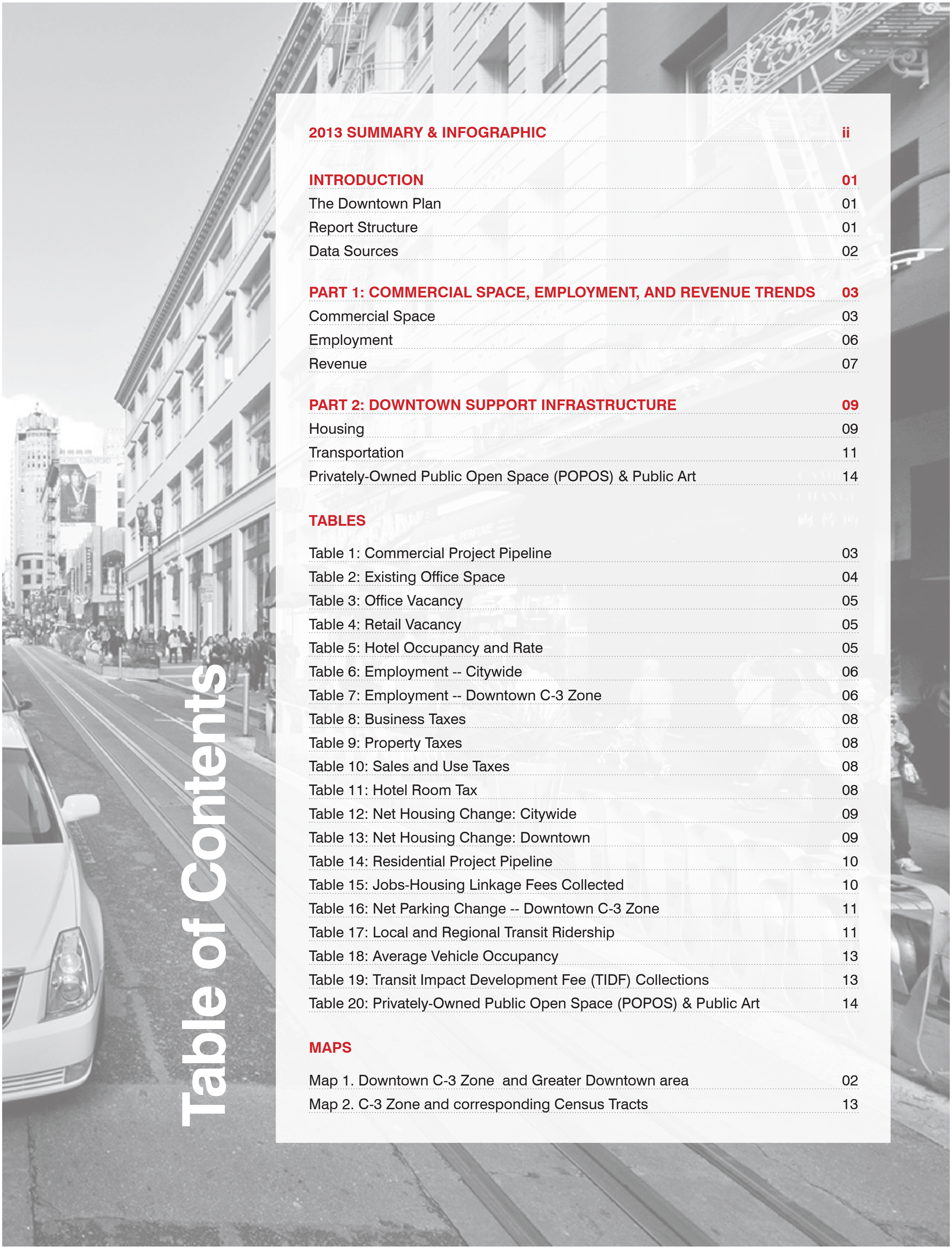

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2013 Summary & Infographic

Downtown San Francisco continued to be a resilient district for San Francisco and the region in 2013, 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.

As evidenced by rebounding development, declining vacancy rates, increasing rents, and growing employment, tax revenue and use fees, the city's economy continues to recover, and Downtown appears to be sharing in that recovery. Downtown continues to have the majority of San Francisco's office and hotel jobs, and overall employment in the Downtown area grew by approximately 5% over the previous year.

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 under 2,000 in 2013. Roughly a quarter of these new housing units were located in the Downtown C-3 district. This trend, along with the potential addition of thousands of new units of housing Downtown (almost 9,000 units in the current pipeline), will continue to increase the Downtown residential population and vitality of the district.

Available transportation data suggests that transit use for commuting has grown 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 ride-sharing 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

EXISTING COMMERCIAL SPACE

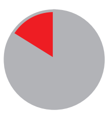
Downtown share of Citywide

Office — *Square feet*

64% — 72,400,000 / 112,500,000

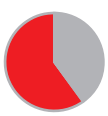
SEE TABLE 2

Retail — *Square feet*



16% — 8,800,000 / 56,100,000

Hotel — *Rooms*



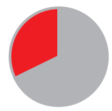
60% — 20,000 / 33,600

215 hotels Citywide

COMMERCIAL DEVELOPMENT PIPELINE

Downtown share of Citywide

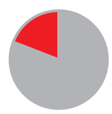
Office — *Net Square feet*



32% — 3,700,000 / 10,300,000

SEE TABLE 1

Retail — *Net Square feet*



19% — 500,000 / 2,600,000

TOTAL — *Net Square feet*

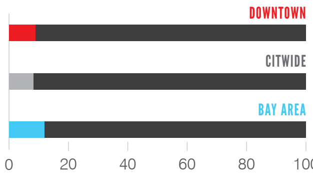
32% — 5,100,000 / 16,100,000

Downtown *Citywide*

PART 1: Commercial (cont'd)

VACANCY

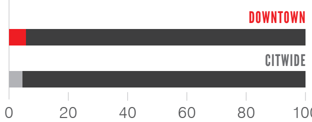
Office Vacancy ↓



8.8%
8.2%
11.9%

SEE TABLE 3

Retail Vacancy ↓



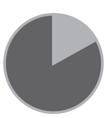
5.7%
4.5%

SEE TABLE 4

Office Rent

$52.21 / SQUARE FOOT ↑ 5%

Hotel ↑



83% OCCUPANCY

$214 AVERAGE RATE / ROOM

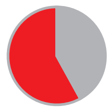
SEE TABLE 5

EMPLOYMENT (JOBS)

Downtown share of Citywide

SEE TABLES 6 & 7

Office Jobs



61%

145,000 ↑ 5%
238,000 ↑ 5%

Retail Jobs

28%

30,000 ↑ 8%
108,000 ↑ 6%

Hotel Jobs

67%

11,600 ↑ 2%
17,000 ↑ 4%

TOTAL JOBS

39%

236,000 ↑ 5%
599,000 ↑ 5%

REVENUE

Business Taxes

$534,700,000 ↑ 11%

SEE TABLE 8

Property Taxes

$1,400,000,000 ↑ 4%

SEE TABLE 9

Sales & Use Taxes

$130,200,000 ↑ 7%

SEE TABLE 10

Hotel Room Tax

$307,000,000 ↑ 68%

SEE TABLE 11

Downtown *Citywide* *Bay Area*

PART 2: Infrastructure

RESIDENTIAL UNITS

SEE TABLES 12 & 13

Net units

486	↑ 153%
1,960	↑ 49%

RESIDENTIAL PIPELINE PROJECTS

SEE TABLE 14

Downtown % of Citywide | *Units*

17%

Downtown	8,780
Citywide	50,400

DOWNTOWN PARKING SPACES

SEE TABLE 16

Net New Spaces

605

TRANSIT RIDERSHIP

SEE TABLE 17

Downtown Transit Boardings (Average Weekday) | *Citywide*

			Citywide	
PEAK-PERIOD TRIPS TO/FROM DOWNTOWN	189,000	↑ 2%	682,600	-
AT DOWNTOWN BART STATIONS	128,800	↑ 8%	392,300	▲ 7%
AT 4TH & KING STATION	12,200	↑ 13%	52,600	▲ 12%
TRANSBAY LINES	13,900	↑ 20%	192,500	▲ 8%

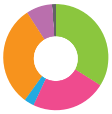
Downtown *Citywide*

PART 2: Infrastructure (cont'd)

MODE SPLIT

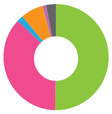
C-3 RESIDENTS | **C-3 WORKERS**

2012	*Mode*	*2010*
34%	TRANSIT	51%
23%	CAR	37%
3%	BIKE	2%
31%	WALK	7%
8%	WORK AT HOME	1%
1%	OTHER	3%



2012

2010



AVERAGE VEHICLE OCCUPANCY (WORKERS)

SEE TABLE 18

2010		*2012*
1.17	DOWNTOWN C-3	na
1.18	CITYWIDE	1.15

PRIVATELY-OWNED PUBLIC OPEN SPACE (POPOS) & ART

SEE TABLE 20

POPOS		*Public Art*
82	DOWNTOWN	23
86	CITYWIDE	na

TRANSIT IMPACT DEVELOPMENT FEE

SEE TABLE 19

Total

$9,900,000

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.

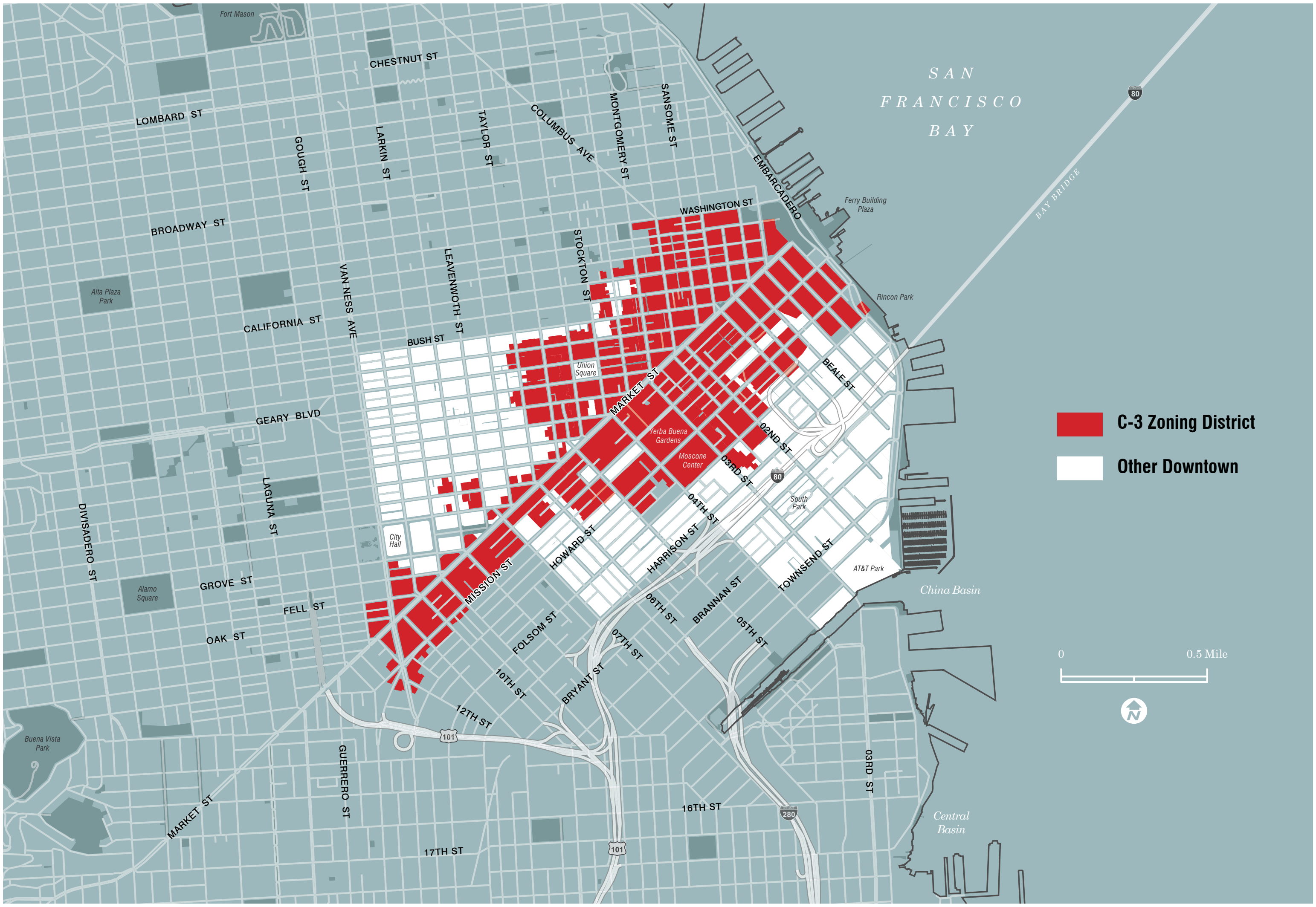
Report Structure

This *Downtown Plan Annual Monitoring Report 2013* summarizes business and development trends affecting downtown San Francisco as required by SF Administrative Code, Chapter 10E. The report covers the 2013 calendar year or fiscal years 2012-13 or 2013-14 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 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 *http://www.sf-planning.org/index.aspx?page=1663#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). 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 speculation and boom-bust land use development issues.

Recent planning south of Market Street encourages 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 district. The *Eastern Neighborhoods Area Plans* (ENAPs) include rezoning in the southeast quadrant of the city to accommodate the majority of non-downtown/non-high-rise office growth. In addition, the ENAPs 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 2013, there were over 850 projects in the citywide development project "pipeline."[1] Three-quarters of the projects (74%) were exclusively residential; roughly one-fifth (17%) were mixed-use with both residential and commercial components. The remaining eight percent (8%) of the projects were exclusively commercial (office, retail/entertainment, hotel, or production, distribution and repair).

In total, the commercial pipeline projects would add 16.1 million square feet (msf) of commercial space (Table 1). This would include 10.3 msf of office space and 2.6 msf of retail space added to San Francisco's existing 112 msf of office space and 56 msf of retail space.[2]

1 Planning Department, *Pipeline Report*, Quarter 4, 2013.

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

Table 1. Commercial Project Pipeline

Area	Total	%	Office	%	Retail	%
C-3 District*	5,135,251	32%	3,658,822	36%	507,522	19%
*Other Downtown**	*449,627*	*3%*	*512,223*	*5%*	*88,324*	*3%*
Candlestick	4,110,000	25%	2,756,250	27%	750,000	29%
Mission Bay	2,445,499	15%	637,499	6%	7,500	0%
Rest of City	4,000,329	25%	2,722,748	32%	1,255,186	45%
TOTAL	**16,140,706**	**100%**	**10,287,542**	**100%**	**2,608,532**	**100%**

*See Map 1.

Source: Planning Department, *Pipeline Report*, Quarter 4, 2013

The Downtown C-3 area (Table 1) accounts for about 5.1 million sf, or 32% of proposed commercial space in the pipeline. The 'Other Downtown' area is composed of the East Soma and Rincon Hill districts adjacent to and south of the C-3 zone, which would add almost 450,000 sf of the pipeline commercial space. Thus the Greater Downtown area accounts for just over a third of projected pipeline commercial development (35%). Candlestick Point and Mission Bay would add about 4.1 msf (25%) and 2.4 msf (15%), respectively. The rest of the city would receive about 4 msf of commercial development, or 25% 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 16.1 msf of commercial space in the pipeline, 64% are office land uses and 25% are retail. About 2.7 msf (17%) of pipeline development are under construction. Another 16% of the pipeline projects have received building permit approval or have been issued a permit (3.8 msf), and should begin construction soon. The majority of the pipeline projects (67%) are still in the early stages of approval, with Planning applications filed (18%) or approved (21%), and building permits filed but not yet approved with the Department of Building Inspection (28%).

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	112,500,000
C-3 District	72,400,000
% office in C-3 District	*64%*

Source: Costar Group, SF Planning.

San Francisco's office vacancy rate declined to 8.2% at the end of 2013, after peaking at over 20% in 2002 (Table 3). Citywide office vacancy is at its lowest rate since the end of 2000.

A total of 7.2 msf was leased in 2013, surpassing the 10-year average of 5.8 msf. Market absorption of existing space in new leases amounted to 1.1 msf. Much of this activity is due to continued technology sector growth, with companies such as Google, Demandforce and Neustar either expanding existing leases or relocating into the downtown area. However, the banking and professional services sectors saw leasing growth as well.[3]

There is approximately 3.7 million net square feet (nsf) of office space in the project pipeline for the Downtown C-3 District (Table 1). In the Greater Downtown Area[4] there is approximately 512,000 nsf of office development in the pipeline.

By year end 2013, Downtown office rents increased to an average of $53.97 per square foot, up 5% from last year, and up 23% from $42.50 per square foot in 2010.[5] A strong rental market is expected to continue in 2014.

3 Cushman & Wakefield, MarketBeat, Office Snapshot, San Francisco, Q4 2013.

4 Includes East SoMa and Rincon Hill.

5 Cushman & Wakefield, MarketBeat, Office Snapshot, San Francisco, Q4 2012 and 2013. Rates are for all building classes, gross rental rate, full service.

Table 3.
Office Vacancy

Area	2011	2012	2013	% Change 2012-13
San Francisco	11.0%	8.9%	**8.2%**	*-0.7 pts*
Downtown Financial District	10.7%	8.7%	**8.8%**	*0.1 pts*
Other Downtown*	11.4%	6.6%	**6.5%**	*-0.1 pts*
Bay Area	13.8%	13.4%	**11.9%**	*-1.6 pts*

* Includes Jackson Square, South Beach, Union Square, and Yerba Buena.
Source: Cassidy Turley, Office Market Snapshot, San Francisco, Fourth Quarter, 2013.

Table 4.
Retail Vacancy

Area	2011	2012	2013	% Change 2012-13
San Francisco	5.1%	4.3%	**4.5%**	*0.2 pts*
Downtown*	6.7%	6.0%	**5.7%**	*-0.3 pts*

* Labeled as "City Center." Includes the Union Square area, the retail core of the C-3 zone.
Source: Terranomics, San Francisco County, Shopping Centers Report, Q4 2013.

Table 5.
Hotel Occupancy and Rate

	2011	2012	2013
Average Occupancy	79.0%	80.5%	**83.0%**
Average Daily Room Rate	$155.00	$175.00	**$213.81**

Source: Cushman & Wakefield, MarketBeat Retail Snapshot, San Francisco, Q4 2013.

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.[6] San Francisco's downtown is the Bay Area's preeminent retail hub, and it serves 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.

As shown in Table 4 above, the retail vacancy rate for the Downtown C-3 Area at the end of 2013 was 5.7%, higher than the citywide average of 4.5%. Compared to 2012, vacancy rates declined for the Downtown C-3 area and citywide from 6.7% and 5.1%, respectively.

There is approximately 560,000 net sf (nsf) of retail space in the development pipeline for the Downtown C-3 area, with another 2 mnsf anticipated for the rest of the city, for a total of 2.6 mnsf citywide. However, the majority of these pipeline projects are in the early stages of permitting, with only about 10,000 sf under construction in the C-3 area and about 61,300 nsf citywide.

Hotel Space

San Francisco has over 215 hotels with a total of 33,750 hotel rooms.[7] Approximately 20,000 (60%) of these rooms are located within walking distance of the Moscone Convention Center. Only one hotel opened in 2013, Hotel Zetta, on 5th Street with 116 rooms. Another 174 room hotel is under construction at 943 Mission Street as of June 2014.

Both hotel occupancy and average daily rates increased in 2013 (Table 5). Average hotel occupancy increased to about 83%, up from 79% two years ago. Average daily room rates increased to $214 per room compared to $175 in 2012.

6 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.

7 San Francisco Travel Association (www.sanfrancisco.travel/research/), June 20, 2013. Room figures from September 2012 survey.

Employment

San Francisco employment grew almost 5% in 2013, by approximately 27,130 jobs. As of the first quarter of 2013, San Francisco had approximately 599,360 jobs (Table 6). Employment grew across all land uses, though Private Households show a steep drop due to a change in the way the US Bureau of Labor Statistics classifies certain home-based jobs. Many jobs previously classified as 'Private Households' were moved into the 'Cultural, Insitutional, Educational (CIE) category in 2013.[8]

Downtown employment grew at roughly the same rate as the city overall. As of the first quarter of 2013, approximately 39% of all San Francisco employment was located in the Downtown C-3 zone. The majority of the city's office jobs (61%) and hotel jobs (67%) continue to be located Downtown.

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

Office Employment

The downtown Financial District remains the center of office employment in San Francisco. As of the first quarter of 2013, there were about 238,400 office jobs in San Francisco (Table 6). Of these jobs, about 144,500 were located in the Downtown C-3 District (Table 7), or 61% of total office employment citywide.

Downtown office employment grew almost 5% from 2012, or by about 6,600 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.

Table 6. Employment - Citywide

Land Use	2011	2012	2013	% Change 2012 - 2013
Office	214,476	228,057	**238,394**	*4.5%*
Retail	97,373	101,845	**107,740**	*5.8%*
Production, Distribution, Repair (PDR)	71,077	73,453	**76,224**	*3.8%*
Hotel (& Entertainment)	17,313	16,683	**17,369**	*4.1%*
Cultural, Institutional, Educational (CIE)	128,248	131,482	**155,829***	*18.5%**
Private Households	20,857	20,714	**3,802***	*-81.6%**
TOTAL	**549,344**	**572,234**	**599,359**	***4.7%***

*Starting in 2013, the Bureau of Labor Statistics reclassified "In-home supportive services" jobs from Private Households to CIE.
Note: variations from other published employment numbers are due to rounding and EDD confidentiality requirements).

Source: State of California Employment Development Department (EDD), Q1 2011, Q1 2012 and Q1 2013.

Table 7. Employment - Downtown C-3 Zone

Land Use	2011	2012	2013	% Change 2012 - 2013	C-3 Share of SF Employment 2013
Office	139,162	137,875	**144,496**	*4.8%*	61%
Retail	27,484	28,019	**30,286**	*8.1%*	28%
Production, Distribution, Repair (PDR)	18,505	20,054	**21,380**	*6.6%*	28%
Hotel	12,077	11,339	**11,611**	*2.4%*	67%
Cultural, Institutional, Educational (CIE)	33,571	25,384	**28,037**	*10.5%*	18%
Private Households	2,676	1,935	**578**	*-70.1%*	15.2%
TOTAL	**233,475**	**224,606**	**236,388**	***5.2%***	**39%**

*Starting in 2013, the Bureau of Labor Statistics reclassified "In-home supportive services" jobs from Private Households to CIE.
Note: variations from other published employment numbers are due to rounding and EDD confidentiality requirements).

Source: State of California Employment Development Department (EDD), Q1 2011, Q1 2012 and Q1 2013.

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.

As of the first quarter of 2013, there were 107,740 retail jobs in San Francisco (Table 6). About 30,290 (28%) of these jobs could be found in the C-3 District (Table 7). This is roughly the same share of retail jobs reported in 2012.

Hotel Employment

The majority of hotel jobs are located downtown. As of the first quarter of 2013, there were approximately 17,370 hotel jobs in the city. About 11,600 (67%) 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 2013-2014 fiscal year (FY).[9] 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.[10] In general, the FY 2013-14 budget assumed continued moderate recovery in tax revenues throughout the fiscal year. Tax revenues projected to recover beyond budgeted levels include property, sales, and hotel taxes.[11]

Business Taxes

Business tax revenue (Table 8) in FY 2013-14 is estimated at $534.7 million, up 12% from $479.7 million in FY 2012-13. 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. Starting January 1, 2014, the City will now collect a Gross Receipts tax, and will phase out the existing Payroll tax over several years. In this fiscal year, total business tax revenue is comprised of business payroll tax, registration tax, gross receipts tax, and administrative office tax.

9 Fiscal Year 2013 begins on July 1, 2012 and ends on June 30, 2013.

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

11 City and County of San Francisco, Controller's Office, FY 2013-14 Nine-Month Budget Status Report, May 13, 2014.

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 2013-14, the Controller's Office estimated that it will collect $467.1 million in payroll taxes, down 0.5% from $469.7 million in FY 2012-13.

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 in FY 13-14. The Controller's Office estimates that approximately $33.9 million in business registration fees will be collected in FY 2013-14, up 240% from $10 million in FY 2012-13.

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. The Controller's Office estimates that approximately $20.7 million in gross receipts and $12.7 in administrative office taxes will be collected in FY 2013-14.

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 increase slightly this fiscal year 2014.[12] Together, an estimated $1.4 billion in property related taxes will be collected in FY 2013-14, up 4.1% from $1.35 billion last year.

Real property taxes allocated to the general fund in FY 2013-14 are estimated at $1.17 billion , up 5.6% from $1.11 billion in FY 2012-13 (Table 9).

Property transfer taxes are estimated to decrease slightly during the reporting period. Projected collections for FY 2013-14 are estimated to be about $225.2 million, down 3.2% from $232.7 million in FY 2012-13. (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.

12 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 2013-14 sales tax collections are expected to increase 6.5% to $130.2 million from $122.3 million in FY 2012-13. 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 rate (Table 11) remained at 14% for the 2012-13 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, $307 million in hotel taxes are expected to be collected and deposited into the general fund in fiscal year 2013-14. This represents a 60.8% increase from FY 2012-13, when $190.9 million was collected.

Table 8. Business Taxes

Revenue Source ($ Millions)	FY 2011-12	FY 2012-13	FY 2013-14*	% Change 2013-14
Payroll	$426.7	$469.7	**$467.4**	*-0.5%*
Registration	$8.6	$10.0	**$33.9**	*240.0%*
Gross Receipts	-	-	**$20.7**	*n/a*
Administrative Office	-	-	**$12.7**	*n/a*
Total	**$435.3**	**$479.7**	**$534.7**	***11.5%***

* Estimates from Office of the Controller, FY 2013-14 Nine-Month Budget Status Report, May 13, 2014

Table 9. Property Taxes

Revenue Source ($ Millions)	FY 2011-12	FY 2012-13	FY 2013-14*	% Change 2013-14
Property Tax	$1,059.2	$1,114.1	**$1,177.0**	*5.6%*
Property Transfer Tax	$233.6	$232.7	**$225.2**	*-3.2%*
TOTAL	**$1,292.8**	**$1,346.8**	**$1,402.2**	***4.1%***

* Estimates from Office of the Controller, FY 2013-14 Nine-Month Budget Status Report, May 13, 2014

Table 10. Sales and Use Taxes

Revenue Source ($ Millions)	FY 2011-12	FY 2012-13	FY 2013-14*	% Change 2013-14
Sales and Use Tax	$117.1	$122.3	**$130.2**	**6.5%**

* Estimates from Office of the Controller, FY 2013-14 Nine-Month Budget Status Report, May 13, 2014

Table 11. Hotel Room Tax

Revenue Source ($ Millions)	FY 2011-12	FY 2012-13	FY 2013-14*	% Change 2013-14
Hotel Room Tax	$188.7	$182.4	**$307.0**	**68.3%**

* Estimates from Office of the Controller, FY 2013-14 Nine-Month Budget Status Report, May 13, 2014

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 2013 housing production of about 1,960 net new units is a 49% increase over last year's production of 1,317 units (Table 12), and is one indicator of the economic recovery. The net change in units accounts for alterations, conversions and demolitions.

In the Downtown area, a total of 486 new units were constructed, 25% of citywide housing production for the year. A further 521 new units were constructed in SoMa, with 953 units produced in the rest of the city (Table 13).

Housing production in 2013 surpassed the *Downtown Plan's* annual goal of 1,000 to 1,500 net new housing units citywide.

Table 12.
Net Housing Change: Citywide

Change	2011	2012	2013	% Change 2012-13
New construction	348	794	2,330	*197%*
+ alterations, conversions	5	650	59	*na*
- less demolitions	-84	-127	-429	*na*
Total net change	**269**	**1,317**	**1,960**	***49%***

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

Table 13.
Net Housing Change: Downtown

Area	2011	2012	2013	% Change 2012-13
Downtown	-31	192	486	*153%*
% of citywide total	*na*	*15%*	*25%*	*na*
SoMa*	21	701	521	*-26%*
Rest of City	279	424	953	*125%*
TOTAL	**269**	**1,317**	**1,960**	***49%***

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

Residential Pipeline Projects

As of the fourth quarter 2013, the citywide pipeline of projects under construction or seeking planning approval and building permits contained a total of about 50,400 residential units, up 15% from 43,600 units in 2012. The top five areas with the most proposed units are Candlestick, Downtown, Treasure Island, Parkmerced, and Showplace Square (see Table 14).

The permit status of the proposed units is as follows: 20% are under construction (6,000 units); 21% hold a building permit that has been approved, reinstated, or issued, 38% have filed for a building permit, 12% have planning approval and need to seek a building permit, and 10% have filed for planning approval.

Table 14. Residential Project Pipeline (net units)

Rank	Area	Units	*% Share*
1	Candlestick	10,430	*21%*
2	Greater Downtown*	8,780	*17%*
3	Treasure Island	7,800	*15%*
4	Park Merced	5,860	*12%*
5	Showplace Sq/Potrero	3,590	*7%*
	Rest of city	13,920	28%
	TOTAL	**50,380**	***100%***

*See Map 1.
Source: Planning Department, Pipeline Report, Quarter 4, 2013.

It should be noted that 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. Should they be completed within four years (by 2018), that would be over 5,000 units per year on average, which is twice the maximum annual housing production rate in any of the past 20 years. If production were to follow the city's historical average production rate of 1,530 units per year, the 26,300 units associated with smaller projects would be expected to be built out over 17 years.

In Table 14, the Greater Downtown area ranks second in number of proposed units (but first of all areas with typical project proposals and not that of large project-plans), with 8,780 units or 17% of the total. Of those units, 29% are under construction, 27% have an approved or issued building permit, 14% have filed for a building permit, 17% have planning approval, and 13% have filed for planning approval.

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.

Due to the decrease in commercial development as a result of the 2008-2009 economic recession, the program collected no revenue from fiscal year 2008 through 2011. This fiscal year (2013-14), $5.7 million was collected (Table 15).

Table 15. Jobs-Housing Linkage Fees Collected

Fiscal Year	Revenue
2010-11	$0
2011-12	$567,015
2012-13*	**$5,717,152**

Source: Department of Building Inspection as of May 2013

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 (see Table 16) continues to grow with new development, as allowed under the Planning Code. In 2013, just over 600 net new parking spaces were approved in the downtown C-3 district.

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

* Approved projects only

Year	Net Parking
2011	282
2012	0
2013	**605**

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 by right under the Planning Code, including those in past redevelopment areas, typically do not require Planning Department approval and are not counted as a result.

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 recently released 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 2013 (FY 2012-13), the downtown area continues to be a major origin and destination of transit trips within the city. Of the approximately 682,600 total weekday boardings in FY2013, about 189,250 (27%) 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 their entire networks. Notably, ridership grew faster on the portions of those systems that serve Downtown San Francisco than it did overall (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	2011	2012	2013	*% Change 2012-13*
MUNI	649,848	679,664	682,582	*0.4%*
To/From Downtown (Peak)*	179,961	185,671	189,243	*1.9%*
BART	345,256	366,565	392,293	*7.0%*
Downtown Stations*	112,572	119,356	128,862	*8.0%*
Caltrain	42,354	47,060	52,611	11.8%
4th and King Station	9,670	10,786	12,160	*12.7%*
AC Transit	-	178,042	192,553	8.2%
Transbay Lines	-	11,545	13,897	*20.4%*

* Downtown stations include Embarcadero, Montgomery, Powell and Civic Center.
Source: 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 (see 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 comes from the 2006-2010 ACS Census Transportation Planning Package, which shows vehicle occupancy falling even further, to 1.17 for downtown workers (Table 18).[3] This figure is slightly less than that for all San Francisco workers (1.18) but still higher than the regional average (1.1 persons per vehicle). [4]

Vehicle occupancy rates for workers and residents are now available from the 2012 (2008-2012) 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. These estimates however, continue to show a drop in average vehicle occupancy.

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.

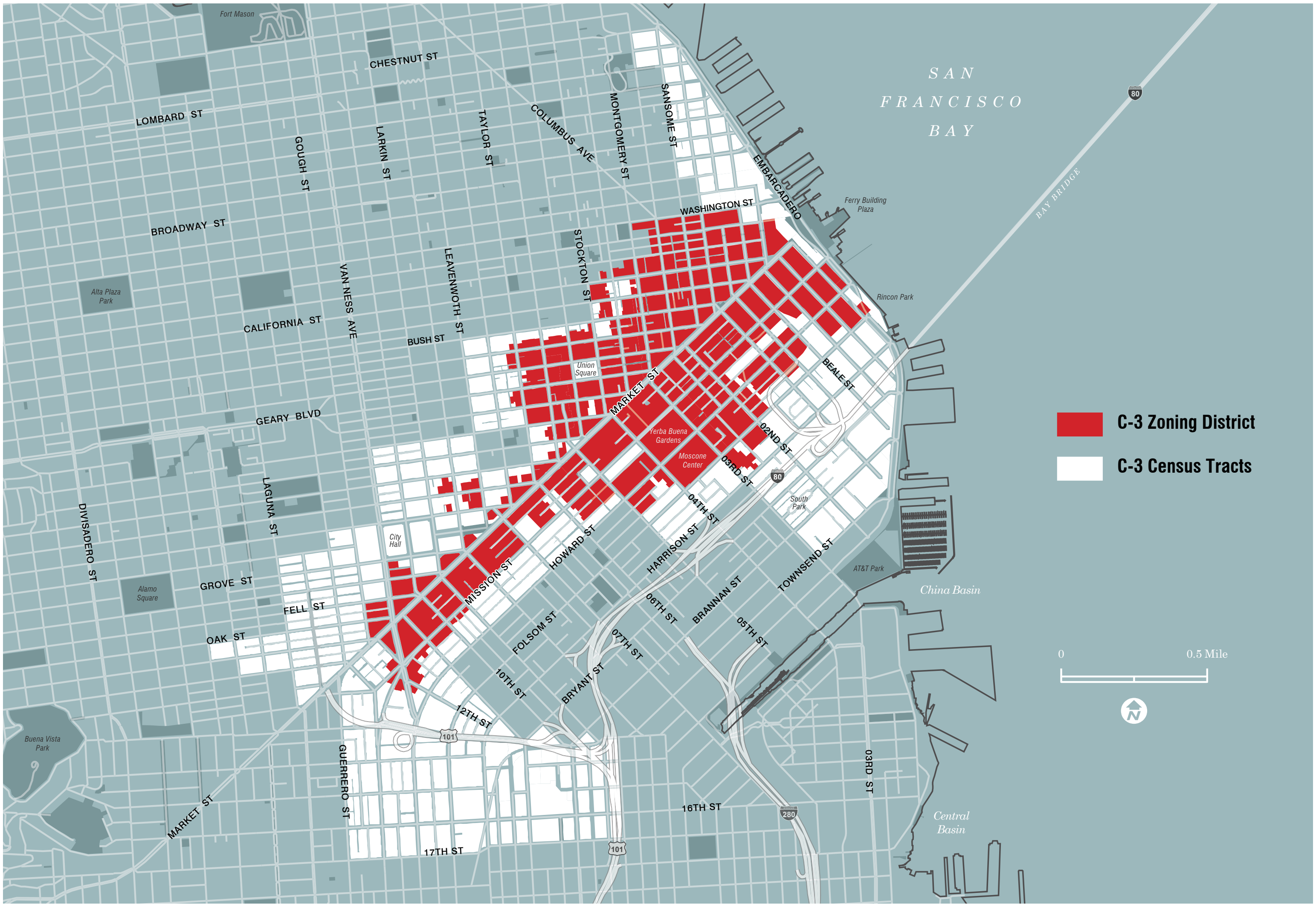
Transit Impact Development Fee (TIDF)

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 has collected about $9.9 million in TIDF revenues to date for fiscal year 2013-14 (Table 19). This is over double 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	CTPP 2006-2010 Workers	CTPP 2006-2010 Residents	ACS 2012* Workers	ACS 2012* Residents
San Francisco	1.18	1.13	1.15	1.11
Downtown C-3 zoned census tracts	1.17	1.08	NA	1.11
Bay Area	1.10	1.10	1.08	1.08

* ACS 2008-2012 estimates are subject to margins of error of around 0.02, therefore the difference since the 2010 Census may not be statistically significant.

Source: US Census, Census Transportation Planning Package 2006-2010 and American Community Survey 2008-2012.

Table 19. Transit Impact Development Fee (TIDF) Collections

Fiscal Year	Revenue
2011-12	$1,735,281
2012-13	$4,574,916
2013-14*	**$9,886,190**

Source: SFMTA, May 2014.

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	1985-2013	Total
In C-3 District	50	32	**82**
with Art	2	21	**23**
Outside C-3 District	2	2	**4**
with Art	1	1	**2**
TOTAL	**52**	**34**	**86**

Source: SF Planning Department.

Development

In 2013, one new POPOS was opened, a plaza space in front of the newly completed 505-525 Howard Street. This brings the total number of POPOS in the Downtown C-3 district to 82. (Table 20).

Downtown development has added 32 POPOS since 1985, approximately 60% of which include public art. The public art requirement has produced 39 pieces of art related to 31 development projects. With the economic recovery gathering strength, more POPOS and public art will be added in the future.

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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*