DOWNTOWN PLAN

ANNUAL MONITORING REPORT 2008

This *Downtown Plan* annual report summarizes business and development trends affecting Downtown San Francisco and covers the 2008 calendar year, as required by Chapter 10E of the *San Francisco Administrative Code*. The first section 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 trends, and recent sales tax revenues on both a city-wide and Downtown basis. The second section, "Downtown Support Infrastructure," reviews housing and transportation trends – two key elements supporting the functioning of the Downtown core.

SAN FRANCISCO PLANNING DEPARTMENT | JANUARY 2010

Map 1. Downtown C-3 Zone

Adopted in 1984, the *Downtown Plan* contains objectives and policies to guide decisions impacting Downtown San Francisco, defined as the C-3 zoned district (Map 1). The *Downtown Plan* details development guidelines and public policy actions, and creates requirements for programs to improve services and infrastructure. It also requires monitoring reports that review key indicators affecting Downtown on both an annual and five year basis. The annual report highlights recent trends and developments, whereas the five-year report provides a more thorough analysis of the *Downtown Plan*'s performance.

This report relies on a wide range of data including 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), Co-Star Realty information, Dunn and Bradstreet business data, CBRE and NAI-BT Commercial real estate reports, and information gathered from the Department of Building Inspection, and the offices of the Treasurer and Tax Collector, the Controller, and the Assessor/Recorder.

In 2010, the *Downtown at 25* report will be published. This report will evaluate the performance of the Downtown Plan since it was adopted and suggest revisions if necessary.

COMMERCIAL SPACE, EMPLOYMENT, AND REVENUE TRENDS

The *Downtown Plan* enabled commercial development to occur in a managed fashion and assumed that most new growth in San Francisco would occur in and around the Downtown C-3 zoned area. This section discusses some recent development trends in this area.

Commercial Space Trends

Pipeline Development

As of the second quarter of 2009 there were 960 projects in the citywide development pipeline.[1] Of these projects, three out of every four are exclusively residential and one in eight are mixed-use projects with both residential and commercial components. Only about 10% are commercial developments without a residential component.

These projects, if completed, would add a net total of nearly 19.3 million square feet of commercial space. Within this total, office and retail space would see net gains of 13.5 million and four million square feet respectively. This would add to the City's 110 million square feet of existing office space and 46 million square feet of existing retail space.

The Downtown C-3 portion of overall commercial development in the pipeline is approximately 6.3 million square feet or 33% as shown in Table 1. This represents a substantial growth in the amount of new development activity from the *2007 Annual Report*, when 3.65 million square feet was reported for the Downtown C-3.

The greatest amount of commercial space being produced in the city is along the southeast waterfront in the Bayview District, where the Bayview Waterfront project alone accounts for 41%, followed by Transbay in the Downtown, which accounts for 27%. The Bayview Waterfront project, consisting of a number of sites along the southeastern waterfront, would account for nearly eight million square feet of commercial space including office, R&D, and retail[2]. The first phase of this project, if carried out, is not expected to be completed and occupied until 2012.

Table 1. Commercial Space Pipeline Summary*

Neighborhood**	Sq. Feet	% of Citywide Pipeline
Downtown C-3***	6,300,000	33%
Candlestick (Bayview)	7,996,870	41%
Mission Bay	2,232,710	12%
Rest of City	2,768,462	14%
TOTAL	**19,298,042**	**100%**

* As of 2nd Quarter 2009
** As summarized in the 2nd Quarter 2009, Pipeline Report.
*** Estimated

Nearly one in six pipeline projects are in the construction phase, while just over 30% have received building permit approvals or land use entitlements. About half of all projects are still at the early stages of development, with permit applications filed with the Planning Department or the Department of Building Inspection.

Projects under construction should become available for occupancy in the next two years. Projects not yet under construction but approved by the Planning Department could be available for occupancy in two to four years.[3]

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

	Total Office Square Feet
C-3 District	70,000,000
Total San Francisco	110,100,000
% office in C-3 District	64%

Source: Costar Group

1 For more information, refer to the Pipeline Report, 2nd Quarter 2009, at http://www.sfplanning.org

2 Bayview Waterfront projects include India Basin, Executive Park, and Hunters Point shipyard.

3 For more detailed information regarding pipeline projects, click on the Pipeline Report link at http://www.sfplanning.org

Since peaking at its historic high of over 20% in 2002, the overall office vacancy rate declined until the second quarter 2008, at which point the global recession began to be felt in local office markets as businesses laid off employees. As shown in Table 3 below, 2008 ended with citywide vacancy rates at 13.1%, an increase from year-end 2007 when the vacancy rate was 10.2%. Nevertheless, rents have declined.

At 12.5%, the Downtown Financial District continued to have an office vacancy rate lower than the citywide average and among the lowest in the Bay Area, highlighting the City's continuing desirability as the preeminent office location in the region.

Table 3. Office Vacancy Summary, 4th Quarter 2008

Downtown, Financial District	12.5%
Non-Financial District	14.0%
Total Citywide	13.1%
Total Bay Area	15.3%

Source: NAIBT Commercial, Class A & B office space.

Office space absorption

By the end of 2008, overall net activity ended with a total of 1,305,682 square feet of negative absorption, the first high level of occupancy losses since 2003. Negative absorption occurred in all submarkets, but the North Financial District core, where the majority of financial and legal firms reside, saw the greatest amount with 85% (1,115,108) of all negative absorption centered here.

Office rents

By year end 2008 citywide rents remained high at $40.42 per square foot, down only slightly from $41.03 at year end 2007. The Financial District experienced a similar decrease from $46.96 to $45.51 from year end 2007 to year end 2008.

Office Investment – Sales Transactions

Only five buildings over 100,000 square feet were sold in 2008, two of which were Class B properties. Several downtown office buildings that were for sale have been removed from the market or have fallen out of contract.

Retail Space

The Downtown C-3 area contains nearly nine million square feet of retail space and is the Bay Area's preeminent retail hub serving local, regional, and – significantly for San Francisco – visitor shopping needs (Table 4). However, the majority of retail space in San Francisco is outside the Downtown, along the City's many neighborhood commercial streets and shopping centers.

As shown in Table 4 below, the retail vacancy rate for the Downtown area at the end of 2008 was 2.8%, slightly higher than the Citywide average of 2.6% but still indicating a relatively tight market. For the Downtown, this represents a slight improvement over the 4.1% vacancy rate in 2007, although the Citywide vacancy rate increased slightly from 2.3% during the same period. An additional 1.28 million square feet of retail space is in the development pipeline.[4]

Table 4. Retail Vacancy Summary, 4th Quarter 2008

	Vacancy	Square Feet
Downtown**	2.8%	8,890,000
San Francisco	2.6%	45,975,000
% retail Downtown		19.30%

* Source: NAIBT Commercial
** Including the Union Square area, the retail core of the C-3 zone.

Hotel Space

There are approximately 33,000 hotel rooms in San Francisco. 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 1,100 hotel rooms have been added since 2005 and an additional 1,500 have been proposed.

Both hotel vacancy rates and average daily rates increased during most of 2008, although by year end this trend reversed. For 2008, hotel occupancy remained stable at 79.2%, a slight increase from 79% in 2007. Average daily rates increased to $190.28 from $181.22.

4 Refer to the annual Commerce and Industry Inventory for the annual net change in retail space.

Employment

Despite pending job losses due to the recession, San Francisco ended 2008 with 570,800 jobs (Table 5). This represents an increase of about 14,500 more jobs than in 2007, and nearly 34,800 additional jobs compared to 2006. Many of these new jobs were located in the Downtown area, including the South of Market and Mission Bay.

Table 5. San Francisco Employment 2008

Land Use	2006	2007	2008
Office	206,271	214,661	221,250
Retail	98,294	102,253	103,443
Industrial	81,699	84,986	84,710
Hotel	19,087	19,070	19,527
Cultural, Institutional, Educational	130,645	135,361	141,848
Total Employment	535,996	556,331	570,778

Source: EDD
* Variations from other published employment numbers are due to rounding and EDD confidentiality requirements.

The majority of office and hotel jobs continue to be located in the larger Downtown area. As of the writing of this report, employment estimates for the C-3 zone were unavailable; Financial District employment represents the core of the C-3 zone and is reported instead. At the close of 2008, approximately 32% of all San Francisco employment was located in the Financial District.

Office Employment

The Downtown financial district remains the center of office employment in San Francisco. At the end of 2008, there were 221,250 office jobs in San Francisco. Of these jobs, about 120,157 are located in the downtown Financial District, or 54% of total office employment citywide (Table 6).

San Francisco's Downtown 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

Within San Francisco, retail continues to be concentrated downtown as well as in the City's numerous neighborhood commercial areas. San Francisco's downtown, however, remains the primary retail destination in the region, offering not just goods and services, but a unique urban experience. Visitor traffic in particular represents a large share of Downtown San Francisco sales receipts.

At the end of 2008, there were 103,443 retail jobs in San Francisco. About 18,183 of these jobs could be found in the Financial District or about 18% of total retail jobs citywide.[5] However because the Financial District does not include the entire C-3 zone, (and most notably for retail the Union Square area), it is estimated that at least 27% of all retail jobs continue to be located in the C-3 as reported in the preceding *Downtown Plan Annual Report*.

5 For more information on regional trends, business formation and relocation see the Commerce and Industry Report.

Table 6. Downtown Financial District Employment 2008*

Land Use	2006	2007	2008	Financial District Share of SF Employment 2008
Office	114,140	119,144	120,157	54%
Retail**	17,915	o18,386	18,183	18%
Industrial	19,866	21,116	21,709	26%
Hotel	6,249	6,780	7,150	37%
Cultural, Institutional, Educational	11,808	12,378	13,611	10%
TOTAL	169,978	177,804	180,810	32%

Source: EDD
* Includes select portions of the C-3 zone; variations from other published employment numbers are due to rounding and EDD data confidentiality requirements.
** Does not include Union Square

Hotel Employment

The majority of hotel jobs and rooms continue to be located Downtown. At the end of 2008, of the 19,527 hotel jobs found in the City; 7,150 were in the Financial District or about 37%. However like retail, because the Financial District does not include the entire C-3 zone, it is estimated that at least 67% of all hotel jobs continue to be located in the C-3.

Fiscal Revenues

This section describes tax revenues from business tax (including registration and payroll), property tax (including transfer tax and annual tax), sales tax, and hotel taxes for the 2008-2009 fiscal year that runs from July 1st to June 30th of the following year.[6] The revenue information reported also reflects deposits to the City's general fund, rather than the total amount of all revenues received, and is reported in nominal dollars.[7]

Business Taxes

As shown in Table 7, total business tax revenue in 2008 was $387.3 million, a decline from $394.2 million collected in 2007. Total business tax revenue is comprised of business payroll tax and registration tax.

Table 7. Business Taxes

	Payroll	Registration	Total Business Taxes
2007	385,178,303	9,088,964	$394,267,267
2008	$378,653,616	8,659,551	$387,313,167

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.

6 For example, fiscal year 2008 covers the period between July 1st 2008 and June 30th 2009.

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

In 2008, $378.6 million in payroll taxes were collected, down from $385.1 million in 2007. In light of the recession, business taxes are not expected to resume growth in the short term.

Business registration tax is an annual fee assessed for general revenue purposes on all business in the City. Over $8.6 million in business registration fees were collected in 2008, down from nearly $9.1 million in 2007.

Real Property Taxes and Property Transfer Taxes

Real property taxes, the largest single tax revenue source for the City, continued to grow in fiscal year 2008. Property transfer taxes, however, continued to decline. Together, these taxes collected $1.07 billion in 2008 (Table 8).

Real property taxes allocated to the general fund in 2008 were over $1 billion dollars, up from $943.5 million in 2007 (Table 8). This increase, despite the annual inflationary limit of Proposition 13, was due to the earlier period of dramatic real estate price increases coupled with constant buying and selling of real property which allowed continual reassessments at ever higher values. The volume of real estate transactions has decreased significantly in the last year, as have prices in some areas.

Property transfer taxes decreased substantially during the reporting period. About $49 million was collected in fiscal year 2008, down from $86.2 million in 2007. (Table 8). Unlike real property taxes, which are collected annually and based on property valuation assessments, property transfer tax is highly volatile as it is collected only at the time of sale and based on the sales price.

Although real property tax revenues increased in 2008, revenues may decrease in the short-term as property owners contest current assessments due to declining prices.

Table 8. Property Tax and Property Transfer Tax

	Property Tax	Property Transfer Tax	Total
2007	943,500,421	86,219,184	$1,029,719,605
2008	1,021,325,256	48,957,059	$1,070,282,315

Sales Tax

Sales tax revenues fluctuate with economic conditions and reflect consumer confidence and spending. Of the 9.5% sales tax rate, San Francisco receives 1% with the rest going to the State and other districts.[8] 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 9, total fiscal year 2008 retail sales declined to $101.6 million, from $111.4 million collected in 2007. Approximately 20% of sales tax revenues are estimated to be 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.

Table 9. Sales and Use Tax

2007	$111,410,367
2008	$101,661,770

Hotel Tax

There are over 220 hotels in San Francisco with approximately 33,000 rooms.[9] About 62% of these are located in the Downtown C-3 District.

The hotel tax remained at 14% for the 2008 reporting period. A substantial portion of this revenue is dedicated to the Moscone Convention Center, museums, and other visitor amenities with the balance deposited into the city's general fund.

As shown in Table 10, about $161.7 million in hotel taxes were collected and deposited into the general fund in fiscal year 2008, a decrease from 2007 when $165.5 million was collected. Hotel taxes were budgeted at $188.7 million for fiscal year 2008, but revenues deposited into the General Fund have fallen short by about $21 million due to the economic recession.

Table 10. Hotel Room Tax

2007	$165,541,108
2008	$161,713,879

8 Effective April 1, 2009, the sales tax rate for the City of San Francisco was increased from 8.5% to 9.5% due to State measures to balance the budget.

9 This information is from the Visitors and Convention Bureau which tracks primary visitor hotel operations that account for the vast majority of sales tax revenues; a variety of smaller establishments also exist within the City.

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 and office development growth would occur and that this growth must be managed in order to remain sustainable. Absent 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 construction to the South of Market (SoMa), the *Plan* enabled owners of buildings designated for preservation to sell development rights to office builders in the special use district. New commercial development would provide revenue sources to cover a portion of the costs of necessary 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.

Housing

Residential units completed

As shown in Table 11, 3,019 units were completed from new construction citywide in 2008, up from 2,197 units completed in 2007. Accounting for demolitions and alterations, the total net change in the number of units was 3,263.

Of the total 3,263 net units completed in the City in 2008, most were in the South of Market planning district (Table 12). This surpasses the *Downtown Plan*'s goal of adding between 1,000 and 1,500 units to the City's housing stock annually, but does not meet the goal of 4,159 units per year established by the state Housing and Community Development Department (HCD) for the 2007-2014 period as part of the regional housing needs allocation (RHNA) process.

In 2008 a total of 750 net units were completed in the C-3 District, up from 208 net units completed in 2007. This represents 23% of all housing units completed citywide (Table 12).

Table 11. San Francisco Housing Trends

Year	Units Authorized for Construction	Units Completed from New Construction	Net Change In Number of Units*	C-3 Zone Net Units	% of C-3 Zone
2007	3,281	2,197	2,567	208	8%
2008	2,346	3,019	3,263	750	23%
TOTAL	16,825	12,514	5,830	958	

* Net Change equals Units Completed less Units Demolished plus Units Gained or Lost from Alterations.
Source: Housing Inventory 2008

Table 12. Net New Housing Completed 2008

	Net Units	%
Downtown C-3 Zone	750	23%
SoMa planning district (excluding C-3)*	1,390	43%
Rest of City	1,123	34%
TOTAL	3,263	100%

Source: *Housing Inventory 2008*
* Housing Inventory planning district, excluding C-3.

Residential Pipeline

The Downtown C-3 has approximately 6,000 units in the development pipeline, a substantial increase from 4,820 units reported in the *2007 Annual Report*. A significant share of new housing remains in production outside the Downtown core (Table 13).

At the end of the second quarter of 2009, about 14,320 new units are proposed to be built in the Bayview/Candlestick area or 26% of the citywide pipeline. Another 12,000 units total, or 6,000 each, are proposed for Park Merced and Treasure Island respectively. Although historically only 85% of the pipeline is constructed within five to seven years from the date of application, if the total pipeline at the end of second quarter 2009 is completed, it could add over 54,600 net new housing units to the City's housing stock. (Table 13).

Table 13. Residential Pipeline - 2nd Quarter 2009

Neighborhood	Units	Percent of Citywide Pipeline
Downtown C-3*	6,000	11%
**Bayview/Candlestick	14,320	26%
Park Merced/ Treasure Island	12,000	22%
Rest of City	22,287	41%
TOTAL	54,607	100%

* Estimate
** Includes Bayview Hunters Point Area A and B, Candlestick, Executive Park, India Basin and Other S. Bayshore.

Jobs Housing Linkage Program

Prompted by the *Downtown Plan* in 1985, the City determined that large office development attracts additional employees and therefore increases 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 and revised to require all commercial projects, with a net addition of 25,000 gross square feet or more, to contribute to the fund.

The program has collected more than $10.2 million in fiscal year 2008 and almost $44.9 million since 2002 (Table 14). Since the program was established in 1985 a total of $72.3 million has been collected, partially subsidizing the construction of over 1,000 units of affordable housing.

Table 14. Jobs Housing Linkage Fees 2002-2008

Year	Amount Collected
2002	662,250
2003	20,380
2004	4,808,601
2005	7,213,768
2006	10,087,487
2007	11,880,503
2008	10,213,342
TOTAL	$44,886,331

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* sought to limit the number of long-term parking spaces to the number that existed in 1984. This goal has generally been achieved. The supply of off-street parking has continued to grow however. Between 2002 and 2008, a total of 4,932 off-street parking spaces were approved in the C-3 district.[10] In 2008, 347 parking spaces were approved in the C-3 district.

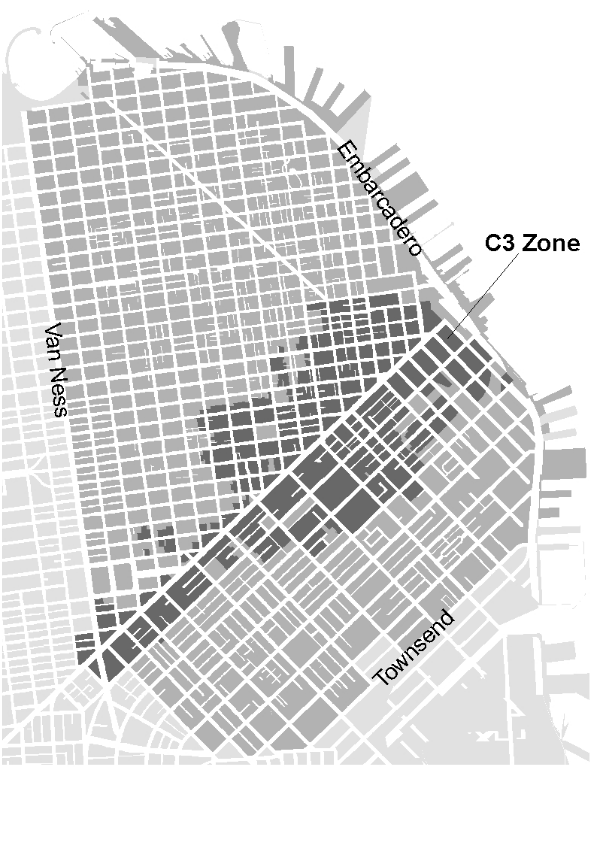
10 For the purposes of this report, only approved projects in the C-3 area were included.

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, historic trends for the larger area suggest that this target has not been met and that vehicle occupancy may have declined.

In the U.S. Census Superdistrict 1 – an area encompassing Downtown San Francisco, including South of Market and North Beach (Map 2) – the average vehicle occupancy for workers commuting to the area has been declining. In 1980, five years before the *Downtown Plan*'s adoption, vehicle occupancy was 1.28 passengers per car. However, in 1990 it dropped to 1.22 and by the 2000 Census, vehicle occupancy had further declined to 1.21.

Map 2. Census Super District 1



Average vehicle occupancy for Downtown workers remains higher than other areas. According to the 2000 Census, Superdistrict 1 had an average vehicle occupancy rate of 1.21 for those working in that area and an occupancy rate of 1.13 for those who live in the area (Table 16).[11] These figures compare with a vehicle occupancy rate of 1.18 for all individuals working in San Francisco and an occupancy rate of 1.13 for all San Francisco residents. The entire Bay Area region has an even lower rate of 1.10.[12]

Table 16.
Average Vehicle Occupancy Rates for Workers, Residents

	Work Based*	Residence based*
San Francisco Downtown (Superdistrict 1)	1.21	1.13
San Francisco Citywide	1.18	1.13
Bay Area	1.10	1.10

* Average for all workers employed at employment sites in the geographic area designated
** Average for all residents living in the geographic area designated
Source: Census 2000.

Peak period transit ridership

According to recent Automatic Passenger Count (APC) data collected by the Municipal Transportation Agency (MTA) in 2006, the downtown area continues to maintain the highest number of peak period transit trips in the city with nearly one-third having Downtown as their origin or destination.[13] Of the more than 650,000 total weekday boardings in 2006, more than 280,000 (43.3%) occurred during the peak period, and almost 88,000 (or 13.4% of all weekday boardings) were peak period trips either going to the downtown area in the morning, or coming from the downtown area in the afternoon (Table 17).

11 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.

12 These occupancy rates for Superdistrict 1 were directly taken 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.

13 2006 marks the first year that MTA gathered extensive APC data. Data does not exist for other years at this time, although additional surveys are planned for the future.

Table 17.
Peak Period Transit Ridership to and from Downtown 2006

	Ridership	% of Total Trips
San Francisco Downtown	87,738	31%
San Francisco Citywide	282,520	100%

Source: Municipal Transportation Agency (MTA), 2006.

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.

Although commute mode split data for the Downtown C-3 District is not available, data from the 2007 Transportation Management Associations' Commuter Behavior Survey estimated transit ridership at approximately 68% for select buildings surveyed in the Downtown Financial District core, where transit share is highest. This however represents only a portion of the overall C-3 District.

Transit Impact Development Fee (TIDF)

In 1981, as a precursor to the *Downtown Plan* and responding to significantly increased downtown office development at that time, San Francisco enacted a fee aimed at recovering the transit operating subsidy and capital expansion 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.

Table 18 lists all TIDF revenues collected between Fiscal Year 2002 and Fiscal Year 2008. Over $28.2 million was collected between 2002 and 2008. This represents approximately 21% of the total $132.9 million in TIDF revenues collected since its inception in 1983.[14]

Table 18. TIDF Collections

Fiscal Year	Total Collections
2002	7,879,767
2003	4,023,552
2004	1,344,207
2005	928,449
2006	11,161,809
2007	1,980,198
2008	889,475
Total Collected	$28,207,457

Source: MTA, 2009

14 This number also includes $5.5 million in interest charges on TIDF fees paid by installments between 1983 and 2001.

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 has aided in 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 in the past 20 years. But the trends must continue to be monitored to enable this continued success and to ensure that unintended consequences do not occur.

The housing and transportation goals are among the most significant in the *Downtown Plan*. The *Plan* states that without sufficient and appropriate housing to serve new commercial development, increasing competition would affect local housing costs compromising the vitality of Downtown. The *Plan* also states that if employment growth results in many more cars downtown, traffic conditions would deteriorate, significantly affecting the areas sustainability. As a result, the *Plan* contains various targets relating to each.

Housing targets have been met as the City has produced more housing than the *Plan* called for. The cost of housing has increased substantially since the adoption of the *Plan*, yet this is largely the result of regional economic forces and job growth that has increased the attractiveness of San Francisco and the Bay Area. In the Downtown area itself, this housing is increasingly taking the form of office conversions. This trend, as well as the potential addition of thousands of new units of pipeline housing in and around the area, promises to significantly increase the residential population of Downtown. The Planning Department should closely monitor these conditions to determine if this housing growth could decrease the long term capacity of the area to absorb employment growth or reduce the supply of Class B office space.

Since the *Plan* was adopted the growth in Downtown office space has served to enhance the vitality of the area. However, more analysis is needed to determine whether the transportation targets have been met. Some data suggest that transit use and auto occupancy may have declined. However, this may be offset by the numbers of bicycle commuters and the numbers of workers who now walk to work from the immediate area. In addition, regional decentralization and suburbanization of growth since the *Plan* was adopted may have contributed to these trends as well.

Sustaining the growth that the *Plan* enabled could be compromised if the data indeed show a decline in transit use overall. Adopted in 1984, the *Downtown Plan* could not have anticipated local, and especially regional, growth patterns that decentralized employment and housing over the past several decades. These trends will be further evaluated in the upcoming *Downtown Plan at 25* report that will consider updates to the *Plan*, while exploring the larger question of the City's growth in relation to the region.