

DOWNTOWN PLAN

ANNUAL MONITORING REPORT

2015



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2015 Summary & Infographic

Downtown San Francisco continued to be a resilient district for San Francisco and the region in 2015, largely because of *Downtown Plan* policies. Adopted in 1985, these policies guide land use decisions to create the physical form and pattern of a vibrant, compact, pedestrian-oriented, livable, and vital downtown.

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

The city's economy showed no signs of slowing in 2015, with continued declining vacancy rates, increasing rents, and growing employment, tax revenue and use fees. Downtown San Francisco appears to be sharing, if not leading, the city's economic prosperity, welcoming thousands of new jobs and residents. Downtown continues to have the majority of San Francisco's office and hotel jobs, and overall employment in the Downtown area grew by 7% 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 3,000 in 2015. Over a third of these new housing units were located in the Downtown C-3 and DTR districts. This trend, along with the potential addition of thousands of new units of housing Downtown (almost 12,300 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.

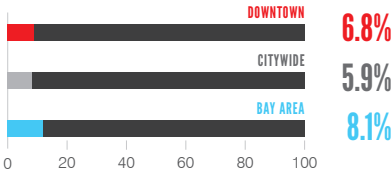
By most measures, the San Francisco *Downtown Plan* has been a success. It guided the creation of one of the most successful core areas of any American city. The vitality, job and housing density, retail activity and overall character of the downtown have improved dramatically. The Planning Department 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

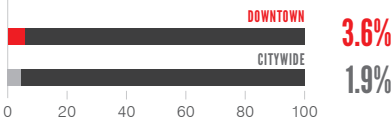
VACANCY

Office Vacancy ↓



SEE TABLE 3 (P. 5)

Retail Vacancy ↓



SEE TABLE 4 (P. 5)

Downtown Office Rent

\$68.14 / SQUARE FOOT ↑ **5%**

Hotel ↑



SEE TABLE 5 (P. 5)

COMMERCIAL DEVELOPMENT PIPELINE

Downtown share of Citywide

Office *Net Square feet*

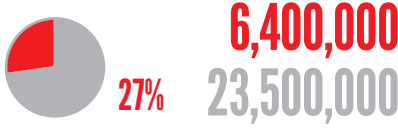


SEE TABLE 1 (P. 3)

Retail *Net Square feet*



TOTAL *Net Square feet*



■ Downtown ■ Citywide

PART 1: Commercial (cont'd)

EMPLOYMENT (JOBS)

Downtown share of Citywide

Office Jobs



Retail Jobs



Hotel Jobs



TOTAL JOBS



CIE Jobs



Jobs



Other Jobs



SEE TABLES 8, 9, 10, 11

REVENUE

Business Taxes

\$654,700,000 ↑ 6%

SEE TABLE 8

Sales & Use Taxes

\$166,500,000 ↑ 19%

SEE TABLE 10

Property Taxes

\$1,630,000,000 ↑ 3%

SEE TABLE 9

Hotel Room Tax

\$387,100,000 ↑ 2%

SEE TABLE 11

■ Downtown
 ■ Citywide
 ■ Bay Area

PART 2: Infrastructure


RESIDENTIAL UNITS

Net units

1,200	↑	2%
2,472	↓	28%

SEE TABLES 12 & 13 (P. 9)


RESIDENTIAL PIPELINE PROJECTS

<i>Downtown % of Citywide</i>	<i>Units</i>
 20%	12,300
	62,500

SEE TABLE 14 (P. 10)

TRANSIT RIDERSHIP


Downtown Transit Boardings (Average Weekday) *Citywide*



PEAK-PERIOD TRIPS TO/FROM DOWNTOWN

160,000


646,600



AT DOWNTOWN BART STATIONS

142,000 ↑ 8%


423,100 ↑ 6%



AT 4TH & KING STATION

13,600 ↑ 12%

58,200 ↑ 11%



TRANSBAY LINES

13,500 ↑ 2%

178,900 ↓ 9%

SEE TABLE 17 (P. 11)



PART 2: Infrastructure (cont'd)

MODE SPLIT C-3 RESIDENTS

C-3 WORKERS

2015	Mode	2010
35%	TRANSIT	51%
20%	CAR	37%
3%	BIKE	2%
35%	WALK	7%
6%	WORK AT HOME	1%
1%	OTHER	3%



AVERAGE VEHICLE OCCUPANCY (WORKERS)

SEE TABLE 18 (P. 13)

2010		2015
1.17	DOWNTOWN C-3	na
1.18	CITYWIDE	1.14

PRIVATELY-OWNED PUBLIC OPEN SPACE (POPOS) & ART

SEE TABLE 20 (P. 14)

POPOS		Public Art
83	DOWNTOWN	23
87	CITYWIDE	na

TRANSIT IMPACT DEVELOPMENT FEE (FY 2015-16)

SEE TABLE 19 (P. 13)

Total

\$36,200,000

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.

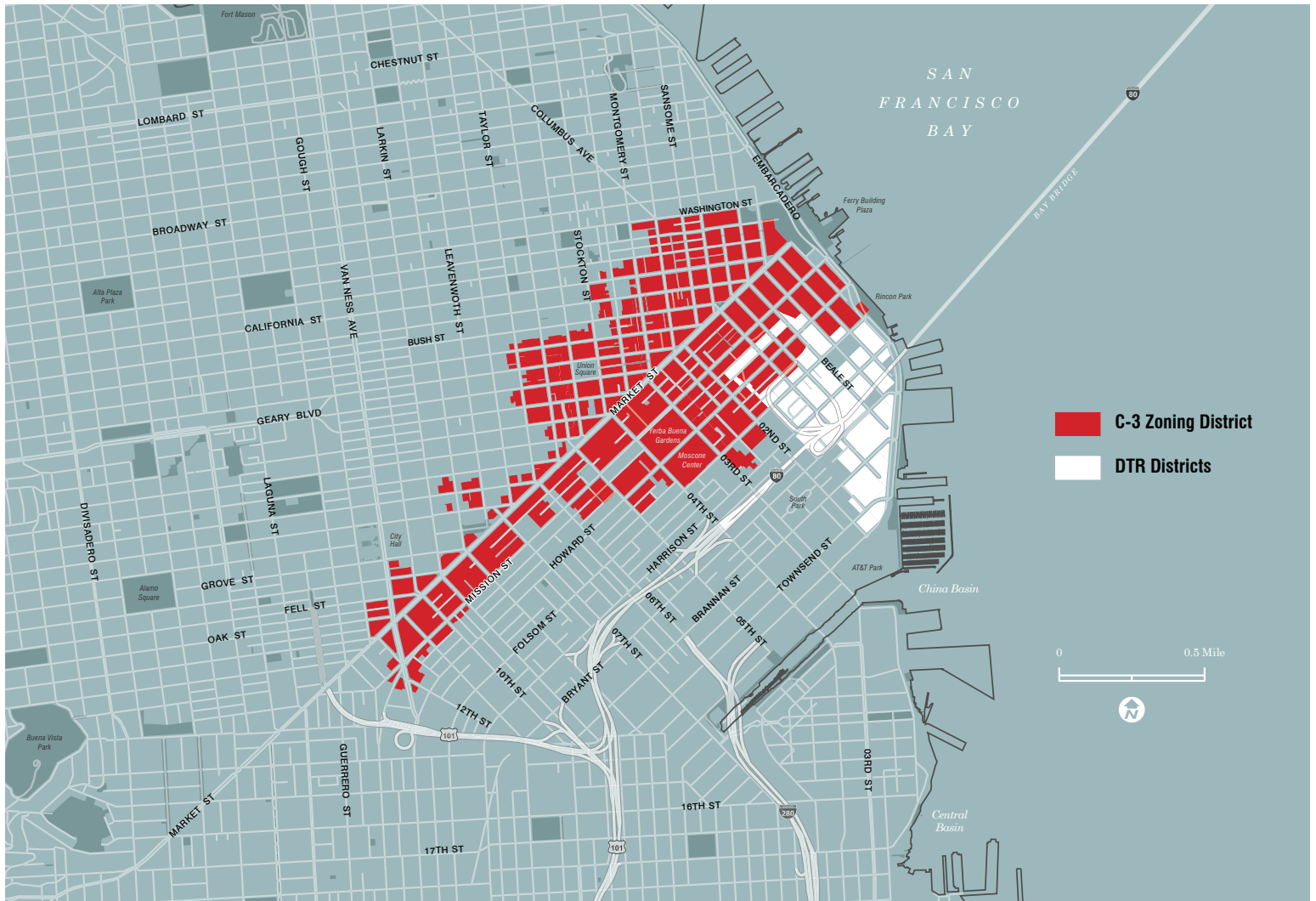
The *Downtown Plan* guides development decisions and public policy actions; it creates programs designed to improve services and infrastructure. When the Board of Supervisors approved the *Downtown Plan* in 1985, the Board also required that the Planning Department prepare monitoring reports periodically 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 2015* summarizes business and development trends affecting downtown San Francisco as required by SF Administrative Code, Chapter 10E. The report covers the 2015 calendar year or fiscal years 2014-15 or 2015-16 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: <http://sf-planning.org/citywide-policy-reports-and-publications#dag>



Map 1.
Greater Downtown

Data Sources

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

PART 1: Commercial Space, Employment, & Revenue Trends

Originally, the *Downtown Plan* guided commercial development and most new office growth in San Francisco to the Downtown C-3 District straddling Market Street (see Map 1). The *Plan* also expanded new commercial development to the South of Market (SoMa). 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 efforts south of Market Street encourage office, residential density, and new mixed-use neighborhoods to the south of the Downtown C-3 District. The *Transit Center District Plan*, which overlaps the C-3 District, also includes some office and residential development guidelines. The *Central SoMa Plan*, part of which also overlaps the C-3 district, is currently in draft form and includes a substantial amount of new capacity for office space. Mission Bay and Candlestick Point are two areas where more recent planning has directed substantial office development.

The *Rincon Hill Plan* directs high density housing south of the C-3 districts. The *Eastern Neighborhoods Area Plans* include rezoning in the southeast quadrant of the city to accommodate the majority of non-downtown/non-high-rise office growth. In addition,

the Eastern Neighborhoods Area Plans will establish new mixed-use residential neighborhoods encompassing light industrial and production-distribution-repair, retail, smaller offices, and institutional uses. The Eastern Neighborhoods will not be locations for dense, high-rise office developments. As a result, future high-rise office development will remain concentrated in and around the Downtown Plan Area.

Commercial Space

Pipeline Development Projects

As of the fourth quarter of 2015, there were just under 1,300 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 23.5 million square feet (msf) of commercial space (Table 1). This includes 18 msf of office space and 3 msf of retail space

¹ Planning Department, *Pipeline Report*, Quarter 4, 2015.

Table 1.
Commercial
Project
Pipeline

Area	Total	%	Office	%	Retail	%
Downtown C-3	6,388,524	27%	5,062,446	28%	608,938	21%
C-3-O(SD)	4,328,165		3,858,714		64,931	
C-3-S	741,911		670,057		1,994	
C-3-G	668,422		196,000		404,916	
C-3-O	529,397		409,167		18,520	
C-3-R	120,629		(71,492)		118,577	
PM, HPCP and TI	3,660,824	16%	2,939,756	16%	788,051	27%
Mission Bay	2,726,485	12%	1,985,499	11%	7,500	0%
NC Districts	113,313	0%	(25,227)	0%	93,087	3%
Rest of City	10,634,853	45%	8,049,752	45%	1,461,213	49%
TOTAL	23,523,999	100%	18,012,226	100%	2,958,789	100%

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

The Downtown C-3 districts account for about 6.4 million sf, or 27% of proposed commercial space in the pipeline. Large master planned developments in Candlestick Point, Treasure Island and Parkmerced would add about 3.7 msf (16%) of new commercial space, and Mission Bay would add 2.7 msf (12%). The rest of the city will 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 6.4 msf of commercial space in the pipeline for downtown, 80% are office land uses and 10% are retail. About 3.6 msf (56%) of downtown's pipeline development is currently under construction. Another 100,000 sf worth of pipeline projects have received building permit approval or have been issued a permit, and should begin construction soon. The remaining 2.7 msf of the pipeline projects are still in the early stages of approval, with Planning applications filed or approved, and building permits filed but not yet approved with the Department of Building Inspection.

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

Office Space

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

Table 2.
Existing
Office Space

Area	Square Feet
San Francisco	112,000,000
C-3 District	70,900,000
% office in C-3 District	63%

Source: Costar Group, SF Planning.

San Francisco's office vacancy rate declined to 5.9% at the end of 2015, and is at its lowest rate since the end of 2000. (Table 3). Downtown's vacancy rate of 6.8% is slightly higher than the city overall, but lower than the Bay Area's 8.1%.

A total of 6.3 msf was leased in 2015, surpassing the 10-year average of 5.8 msf. About 4.4 msf of that activity was located in the downtown area. Market absorption of existing space in new leases amounted to 900,000 sf, 590,000 sf of which was downtown. Much of this activity is due to continued technology sector growth, though the banking, professional services and healthcare sectors saw leasing growth as well.²

By year end 2015, Downtown office rents increased to an average of \$68.14 per square foot, up 26% from \$53.97 per square foot in 2013.³ Asking office rents have increased for 22 straight quarters, and a strong rental market is expected to continue in 2016.

2 Cushman & Wakefield, MarketBeat, Office Snapshot, San Francisco, Q4 2015.

3 Cushman & Wakefield, MarketBeat, Office Snapshot, San Francisco, Q4 2013 and 2015. Rates are for all building classes, gross rental rate, full service.

Table 3.
Office Vacancy

Area	2013	2014	2015	% Change 2014-15
San Francisco	8.2%	6.0%	5.9%	-0.1 pts
Downtown Financial District	8.8%	7.2%	6.8%	-0.4 pts
Other Downtown*	6.5%	5.1%	5.0%	-0.2 pts
Bay Area	11.9%	10.2%	8.1%	-2.1 pts

* Includes Jackson Square, South Beach, Union Square, and Yerba Buena.
Sources: Cassidy Turley, Office Market Snapshot, San Francisco, Q4 2015; Cushman & Wakefield Bay Area Office Report, Q4 2015.

Table 4.
Retail Vacancy

Area	2013	2014	2015	% Change 2014-15
San Francisco	4.5%	3.1%	1.9%	-1.2 pts
Downtown*	5.7%	6.1%	3.6%**	n/a

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

Table 5.
Hotel Occupancy and Rate

	2013	2014	2015
Average Occupancy	83.0%	86.5%	86.6%
Average Daily Room Rate	\$213.81	\$254.00	\$268.17

Source: San Francisco Center for Economic Development.

Retail Space

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

At the end of 2015, San Francisco's retail vacancy rate was 1.9%, one of the lowest rates in the country (Table 4). The retail vacancy rate for the Union Square area was 3.6%. Retail rents in Union Square have increased 8.3% year-over-year, and now average \$650 psf/year.⁵

There is approximately 609,000 net sf (nsf) of retail space in the development pipeline for the Downtown C-3 area, with another 2.4m nsf anticipated for the rest of the city, for a total of 3m nsf citywide. Major downtown retail projects in the pipeline include Market Place (240,000 sf) and the Transbay Transit Center (100,000 sf).

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

⁵ Cushman & Wakefield, San Francisco Retail Snapshot Q4 2015.

Hotel Space

San Francisco has 223 hotels with a total of over 33,880 hotel rooms.⁶ After several years of slow activity, construction of new hotels appears to be picking up again, with four new hotels in the pipeline in and around the Downtown C-3 area: 1053 Market Street (155 rooms), 250 4th Street (215 rooms) and 72 Ellis Street (156 rooms).

Both hotel occupancy and average daily rates increased in 2015 (Table 5). Average hotel occupancy increased slightly to 86.6% from 83% in 2013. Average daily room rates increased to \$268 per room, compared to \$214 in 2013.

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

Employment

San Francisco employment grew 6.1% in 2015, by approximately 38,200 jobs. As of the second quarter of 2015, San Francisco had approximately 668,740 jobs (Table 6). Employment grew across all land uses except Hotel.

Downtown employment grew at a slightly faster rate (7.2%) than the city overall (6.1%). As of the first quarter of 2015, approximately 40% of all San Francisco employment was located in the Downtown C-3 zone. The majority of the city's office jobs (58%) and hotel jobs (64%) continue to be located Downtown.

Office Employment

The downtown Financial District remains the center of office employment in San Francisco. As of the second quarter of 2015, there were about 293,000 office jobs in San Francisco (Table 6). Of these jobs, about 169,670 were located in the Downtown C-3 District (Table 7), or 58% of total office employment citywide.

Downtown office employment grew 8.6% from 2014, by almost 13,400 jobs. Downtown San Francisco maintains the densest concentration of office jobs in the region, including financial, legal, and other specialized business services. Many of these jobs continue to be in the financial, insurance, and real estate sectors, though there is strong growth in the technology sector.

Table 6. Employment - Citywide

Land Use	2013	2014	2015	% Change 2013 - 2015
Office	244,262	272,208	293,014	7.6%
Retail	111,754	122,446	130,550	6.6%
Production, Distribution, Repair (PDR)	78,234	84,142	88,135	4.7%
Hotel	18,136	16,719	16,688	-0.2%
Cultural, Institutional, Educational (CIE)	156,157	130,268	133,396	2.4%
Private Households	4,113	4,756	6,953	46.2%
TOTAL	612,656	630,539	668,736	6.1%

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

Source: State of California Employment Development Department (EDD), Q2 2013, Q2 2014 and Q2 2015.

Table 7. Employment - Downtown C-3 Zone

Land Use	2013	2014	2015	% Change 2014 - 2015	C-3 Share of SF Employment 2015
Office	144,496	156,298	169,671	8.6%	58%
Retail	30,286	34,993	37,412	6.9%	29%
Production, Distribution, Repair (PDR)	21,380	22,429	24,100	7.5%	27%
Hotel	11,611	10,769	10,660	-1.0%	64%
Cultural, Institutional, Educational (CIE)	28,037	23,687	23,692	0.0%	18%
Private Households	578	523	1,140	118.0%	16.4%
TOTAL	236,388	248,698	266,675	7.2%	40%

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

Source: State of California Employment Development Department (EDD), Q2 2013, Q2 2014 and Q2 2015.

Retail Employment

As of the second quarter of 2015, there were 130,550 retail jobs in San Francisco (Table 6). About 37,400 (29%) of these jobs are found in the C-3 District (Table 7). This is roughly the same share of retail jobs reported in 2014.

Hotel Employment

San Francisco's hotel jobs are heavily concentrated downtown. As of the second quarter of 2015, there were approximately 16,700 hotel jobs in the city. About 10,660 (64%) 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 2015-2016 fiscal year (FY).⁷ The information reported for FY15-16 are revenue projections for the full fiscal year, and are based on the amount collected as of March 31, 2016. In general, the FY 2015-16 budget assumed increases in tax revenue thanks to continued economic growth.⁸

Business Taxes

Business tax revenue (Table 8) in FY 2015-16 is estimated at \$654.7 million, up 6% from \$616 million in FY 2014-15. In November 2012, San Francisco voters approved the Gross Receipts Tax and Business Registration Fees Ordinance (Proposition E), which introduced major changes to the way businesses are taxed in the city. On January 1, 2014, the City started collecting a Gross Receipts tax, and phasing out the existing Payroll tax. In this fiscal year, total business tax revenue is comprised of business payroll tax, registration tax, gross receipts tax, and administrative office tax.

Business payroll taxes assess the payroll expense of persons and associations engaging in business in San Francisco and continue to represent the vast majority of business taxes collected. This tax imposes a fee on all businesses that employ or contract with one or more employees to perform work or render services

within the city. In FY 2015-16, the Controller's Office estimated that it will collect \$464.2 million in payroll taxes, down 8.3% from \$506.4 million in FY 2014-15.

Business registration tax is an annual fee assessed for general revenue purposes on all business in the city. The formula for calculating this fee was amended as part of Prop E, resulting in significantly higher collections starting in FY 13-14. The Controller's Office estimates that approximately \$35.7 million in business registration fees will be collected in FY 2015-16, up 5.3% from \$33.9 million in FY 2014-15.

Gross receipts and Administrative office taxes are based on a business's gross receipts from business done in San Francisco, rather than on a business's payroll expense. As the Gross Receipts Tax is phased in to replace the Payroll Tax, collections have grown significantly, to an estimated \$133.1 million in FY 2015-16, a 141% increase over FY 14-15. The Controller's Office estimates that approximately \$21.7 in administrative office taxes will be collected in FY 2015-16.

Property Taxes

Real property taxes (Table 9) are the largest single source of tax revenue for the City. The Controller's Office expects property taxes to increase in fiscal year 2015-16.⁹ Together, an estimated \$1.63 billion in property related taxes will be collected in FY 2015-16, up 2.7% from \$1.59 billion last year.

Real property taxes allocated to the general fund in FY 2015-16 are estimated at \$1.37 billion, up 8% from \$1.27 billion in FY 2014-15 (Table 9).

Property transfer taxes are estimated to decrease by 18.6% during the reporting period. Projected collections for FY 2015-16 are estimated to be about \$256 million, down from \$314.6 million in FY 2014-15. (Table 9). Unlike real property taxes, which are collected annually and based on property valuation assessments, property transfer tax is highly volatile because it is collected only at the time of sale and is based on sales price.

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

8 City and County of San Francisco, Controller's Office, FY 2015-16 Nine-Month Budget Status Report, May 19, 2016.

9 Ibid.

Sales Tax

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

As shown in Table 10, FY 2015-16 sales tax collections are expected to increase 18.8% to \$166.5 million from \$140.1 million in FY 2014-15.

Hotel Tax

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

As shown in Table 11, \$307 million in hotel taxes are expected to be collected and deposited into the general fund in fiscal year 2015-16. This represents a 1.8% decrease from FY 2014-15, when \$394.3 million was deposited into the general fund. This decrease comes despite record occupancy and average daily rates, and is due to ongoing litigation involving deferred payments from prior years.

Table 8. Business Taxes

Revenue Source (\$ Millions)	FY 2013-14	FY 2014-15	FY 2015-16*	% Change 2014-15
Payroll	\$467.4	\$506.4	\$464.2	-8.3%
Registration	\$33.9	\$33.9	\$35.7	5.3%
Gross Receipts	\$20.7	\$55.2	\$133.1	141.1%
Administrative Office	\$12.7	\$20.5	\$21.7	5.9%
Total	\$534.7	\$616.0	\$654.7	6.3%

* Estimates from Office of the Controller, FY 2015-16 Nine-Month Budget Status Report, May 9, 2016

Table 9. Property Taxes

Revenue Source (\$ Millions)	FY 2013-14	FY 2014-15	FY 2015-16*	% Change 2014-15
Property Tax	\$1,177.4	\$1,272.6	\$1,374.0	8.0%
Property Transfer Tax	\$261.9	\$314.6	\$256.0	-18.6%
TOTAL	\$1,439.3	\$1,587.2	\$1,630.0	2.7%

* Estimates from Office of the Controller, FY 2015-16 Nine-Month Budget Status Report, May 9, 2016

Table 10. Sales and Use Taxes

Revenue Source (\$ Millions)	FY 2013-14	FY 2014-15	FY 2015-16*	% Change 2014-15
Sales and Use Tax	\$133.7	\$140.1	\$166.5	18.8%

* Estimates from Office of the Controller, FY 2015-16 Nine-Month Budget Status Report, May 9, 2016

Table 11. Hotel Room Tax

Revenue Source (\$ Millions)	FY 2013-14	FY 2014-15	FY 2015-16*	% Change 2014-15
Hotel Room Tax	\$310.1	\$394.3	\$387.1	-1.8%

* Estimates from Office of the Controller, FY 2015-16 Nine-Month Budget Status Report, May 9, 2016

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 2015 housing production of about 2,950 net new units is a 16% decrease from last year's production of 3,514 units (Table 12). The net change in units accounts for alterations, conversions and demolitions. Housing production in 2015 surpassed the *Downtown Plan's* annual goal of 1,000 to 1,500 net new housing units citywide.

In the Downtown area, comprised of the C-3 and adjacent Downtown Residential (DTR) districts, a total of 1,200 net new units were constructed, representing 40% of citywide housing production for the year (Table 13).

Table 12.
Net Housing Change:
Citywide

Change	2013	2014	2015	% Change 2014-15
New construction	2,330	3,454	2,472	-28%
+ alterations, conversions	59	155	507	na
- less demolitions	-429	-95	-25	na
Total net change	1,960	3,514	2,954	-16%

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

Table 13.
New Housing Construction:
Downtown and Citywide

Area	2013	2014	2015	% Change 2014-15
Downtown	941	1,172	1,200	2%
C-3 Districts	495	777	810	4%
DTR Districts	446	395	390	-1%
Citywide	2,330	3,454	2,472	-28%

Source: SF Planning *Housing Inventory*.

Residential Pipeline Projects

As of the fourth quarter 2015, the citywide pipeline of projects under construction or seeking planning approval and building permits contained a total of about 62,500 residential units, up 43% from 43,600 units in 2012. Taken together, the Downtown C-3 and DTR zoning districts comprise the largest number of housing units in the pipeline: 12,285 units, or 20% of the city’s total pipeline. The remainder of units in the pipeline are located in large master-planned developments such as Candlestick-Hunters Point (10,950 units), Treasure Island (7,800 units), Parkmerced (5,680 units), or scattered throughout the rest of the city (25,800 units) (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	Greater Downtown*	12,285	20%
2	Candlestick-HP	10,947	18%
3	Treasure Island	7,800	12%
4	Parkmerced	5,679	9%
	Rest of city	25,803	41%
	TOTAL	62,514	100%

*Includes Downtown C-3 and DTR zoning districts.
 Source: Planning Department, Pipeline Report, Quarter 4, 2015.

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

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

Jobs Housing Linkage Program (JHLP)

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

In fiscal year 2014-2015, \$7.1 million was collected in Jobs-Housing Linkage fees ([Table 15](#)).

Table 15. Jobs-Housing Linkage Fees Collected

Fiscal Year	Revenue
2012-2013	\$5,678,329
2013-2014	\$11,974,893
2014-2015	\$7,145,637

Source: San Francisco Department of Building Inspection

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.

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

* Approved projects only

Year	Net Parking
2013	605
2014	n/a
2015	n/a

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

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

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	2013	2014	2015	% Change 2014-15
MUNI	679,664	682,583	645,915	n/a*
To/From Downtown (Peak)	185,671	192,764	159,718	n/a*
BART	392,293	399,145	423,120	6.0%
Downtown Stations**	128,862	132,542	141,986	7.1%
Caltrain	47,060	52,611	58,245	10.7%
4th and King Station	10,786	12,160	13,571	11.6%
AC Transit	192,553	196,778	178,851	-9.1%
Transbay Lines	13,897	13,233	13,500	2.0%

* In 2014 the method for counting ridership, both systemwide and into and out of downtown, was changed, and 2015 figures are thus not directly comparable to previous years.

**Downtown stations include Embarcadero, Montgomery, Powell and Civic Center.

Sources: SFMTA, BART, Caltrain and AC Transit.

Peak Period MUNI Transit Ridership

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

Regional Transit Ridership

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

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

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 2014 (2010-2014) 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.

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.

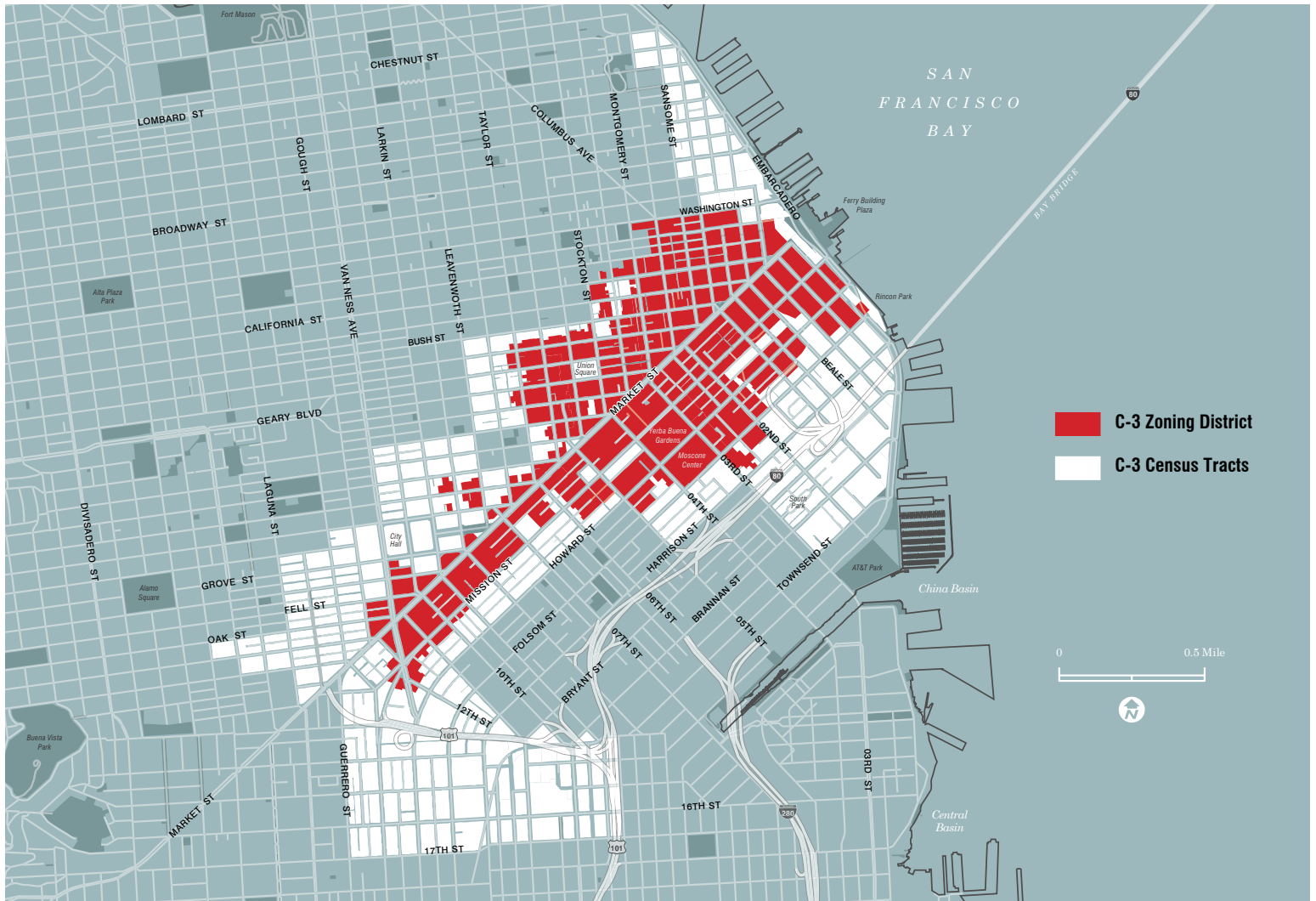
Transit Impact Development Fee (TIDF)

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 \$36.2 million in TIDF revenues to date for fiscal year 2015-16 (Table 19). This is almost triple the amount collected in the previous fiscal year.

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

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



Map 2. C-3 Zone and corresponding Census Tracts

Table 18. Average Vehicle Occupancy

Area	CTPP 2006-2010		ACS 2014*	
	Workers	Residents	Workers	Residents
San Francisco	1.18	1.13	1.14	1.10
Downtown C-3 zoned census tracts	1.17	1.08	NA	1.12
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
2013-14	\$12,572,845
2014-15	\$13,380,933
2015-16*	\$36,231,651

*2016 is a partial year
Source: San Francisco Controller's Office.

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

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

POPOS

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

Public Art

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

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

POPOS	< 1985	1985–2015	Total
In C-3 District	50	34	83
with Art	2	21	23
Outside C-3 District	2	2	4
with Art	1	1	2
TOTAL	52	34	87

Source: SF Planning Department.

Development

In 2015, one new POPOS was opened – a plaza space in front of the newly completed 535 Mission Street. This brings the total number of POPOS in the Downtown C-3 district to 87 (Table 20).

Downtown development has added 34 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.

Acknowledgments

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Data Sources:

AC Transit
Association of Bay Area Governments (ABAG)
Bay Area Rapid Transit
California Department of Finance
California Employment Development Department
Caltrain
Cassidy Turley
Costar Group
Cushman & Wakefield
Dun & Bradstreet
San Francisco Controller's Office
San Francisco Department of Building Inspection
San Francisco Planning Department
San Francisco Municipal Transportation Agency
Terranomics
U.S. Bureau of Labor Statistics
U.S. Census Bureau



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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>