



SAN FRANCISCO PLANNING DEPARTMENT

Executive Summary Conditional Use Authorization

HEARING DATE: DECEMBER 6, 2018

Record No.: 2018-005694CUA
Project Address: 3060 FILLMORE ST
Zoning: Union Street NCD (Neighborhood Commercial District)
40-X Height and Bulk District
Block/Lot: 0533/040
Applicant: Alec Paddock
CenterCal LLC
1600 E Franklin Avenue
El Segundo, CA 90245
Staff Contact: Christopher May – (415) 575-9087
christopher.may@sfgov.org
Recommendation: **Approval with Conditions**

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PROJECT DESCRIPTION

The Project proposes to subdivide the approximately 11,700 square-foot building (currently vacant, formerly d.b.a. Real Food Company) into three retail spaces including a restaurant use (d.b.a. Shake Shack) measuring approximately 3,650 square feet, a gym use (d.b.a. Rumble Fitness) measuring approximately 6,583 square feet, and a specialty grocery use (d.b.a. Indie Superette) measuring approximately 700 square feet. The proposed restaurant will make use of the existing portico on the southeast corner of Fillmore and Filbert Streets to provide an outdoor seating area, located entirely within the subject property. The proposal involves interior tenant improvements to the building. Aside from a new secondary means of egress on the Filbert Street frontage, which is required by Building Code, and permitted business signage, no alterations to either façade are proposed. There will be no expansion of the existing building envelope.

REQUIRED COMMISSION ACTION

In order for the project to proceed, the Commission must grant a Conditional Use Authorization to allow a change in use from a general grocery use (currently vacant, formerly d.b.a. Real Food Company) to a Formula Retail/Restaurant use (d.b.a. Shake Shack), a Gym use (d.b.a. Rumble Fitness), and a Specialty Grocery use (d.b.a. Indie Superette) within the Union Street Neighborhood Commercial District.

ISSUES AND OTHER CONSIDERATIONS

- **Public Comment & Outreach.** As of November 26, 2018, the Department has received correspondence from 12 neighborhood residents expressed opposition to the project. Much of the opposition expressed concerns over the perceived abundance of burger restaurants and gyms already operating within the vicinity, as well as a lack of neighborhood grocery stores.

Additionally, some residents expressed concerns with potential traffic and parking impacts as a result of meal delivery vehicles queuing in front of the proposed Shake Shack. The Department has also received four letters of support, including one from the Union Street Association, which supports the project on the basis that it will be an asset to the business mix and will draw new foot traffic to Fillmore Street.

- **Removal of General Grocery Store Use.** Since the departure of the previous tenant (d.b.a. Real Food Company) in 2016, the subject property has remained vacant. Since that time, the current owner and the project sponsor have made attempts at leasing the subject tenant space to a new general grocery store business without success. A third-party economic analysis concludes that “due to a variety of site-specific and macroeconomic factors, it is not economically feasible for a grocery store to re-tenant and successfully operate at the property, while at the same time providing the landlord with a reasonable economic return based on the amount of capital investment required.”
- **Formula Retail Use.** The proposed Restaurant use (d.b.a. Shake Shack) is considered a Formula Retail use. Of the 95 storefronts in the vicinity, 11 storefronts contain Formula Retail uses, representing an existing concentration of approximately 12percent. As measured in linear feet of the total frontage, this concentration is also approximately 12percent. With the addition of the proposed new Formula Retail use, the concentration of Formula Retail uses within the vicinity would increase by approximately 1percent from 12percent to 13percent (as measured by number of storefronts subject to the Formula Retail controls) or by 4percent from 12percent to 16percent (as measured in linear feet of the total frontage).
- **Citywide Retail Uses and Daily Needs-Serving Retail Uses.** The existing mix of daily needs serving uses (generally considered to include Limited Restaurants; Other Retail, Sales and Services; Personal Services; Limited Financial Services; and Specific Trade Shops) versus Citywide retail uses (generally considered to include all other uses) is one with predominantly daily needs-serving retail uses within the district with 60percent versus 23percent for Citywide-serving uses (the remaining 17percent represents vacant storefronts). The proposed formula retail use is considered to be a Citywide serving use which will complement the mix of goods and services currently available within this portion of the Union Street Neighborhood Commercial District.
- **Performance-Based Design Guidelines.** As a Formula Retail use, the project has been reviewed for compliance with the Performance-Based Design Guidelines. The Department has determined that the project meets the Performance-Based Design Guidelines.
- **Eating and Drinking Uses.** When considering a Conditional Use Authorization application for a Restaurant, Limited-Restaurant and Bar use, the Planning Commission shall consider the existing concentration of Eating and Drinking uses in the area. Such concentration should not exceed 25 percent of the total commercial frontage as measured in linear feet within the immediate area of the subject site, defined as all properties located within 300' of the subject property and also located within the same zoning district. The proposed Restaurant use would increase the concentration of commercial frontage dedicated to eating and drinking establishments in this area by approximately 4 percent, from 25 percent to 29 percent. While the project would result in

the concentration of Eating and Drinking uses slightly exceeding 25 percent, half of the 4 percent increase is due to the project's location on a corner lot, which effectively doubles the project's frontage.

- **Union Street Restaurants.** The Planning Commission may approve a Restaurant use in the Union Street Neighborhood Commercial District if it would not result in a net total of more than 44 Restaurants in the District. The proposed Restaurant use would increase the number of Restaurant uses in the Union Street Neighborhood Commercial District from 35 to 36.

BASIS FOR RECOMMENDATION

The Department finds that the Project is, on balance, consistent with the Objectives and Policies of the General Plan. The proposed mix of Restaurant, Gym and Specialty Grocery uses will occupy a currently-vacant storefront, thereby enhancing the economic viability of the surrounding neighborhood commercial district. Aside from new signage and minor modifications to accommodate an additional means of egress, the project will not result in any significant changes to the façade of the building, which is located within a potential historic district. The Department also finds the project to be necessary, desirable, and compatible with the surrounding neighborhood, and not to be detrimental to persons or adjacent properties in the vicinity.

ATTACHMENTS:

- Draft Motion – Conditional Use Authorization
- Exhibit A – Conditions of Approval
- Exhibit B – Plans and Renderings
- Exhibit C – Environmental Determination
- Exhibit D – Land Use Data
- Exhibit E – Maps and Context Photos
- Exhibit F - Public Correspondence
- Exhibit G – Project Sponsor Submittal
- Exhibit H - 3060 Fillmore Street Economic Analysis
- Exhibit I – Formula Retail Affidavits



SAN FRANCISCO PLANNING DEPARTMENT

Planning Commission Draft Motion

HEARING DATE: DECEMBER 6, 2018

Record No.: 2018-005694CUA
Project Address: 3060 FILLMORE STREET
Zoning: Union Street NCD (Neighborhood Commercial) Zoning District
40-X Height and Bulk District
Block/Lot: 0533/040
Project Sponsor: Alec Paddock, CenterCal LLC
1600 East Franklin Avenue
El Segundo, CA 90245
Property Owner: Richard Rege
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ADOPTING FINDINGS RELATING TO A CONDITIONAL USE AUTHORIZATION PURSUANT TO PLANNING CODE SECTIONS 303(c), 303(l), 303(o) AND 725 TO ALLOW A CHANGE IN USE FROM A GENERAL GROCERY USE (CURRENTLY VACANT, FORMERLY D.B.A. REAL FOOD COMPANY) TO A FORMULA RETAIL/RESTAURANT USE (D.B.A. SHAKE SHACK) MEASURING APPROXIMATELY 3,650 SQUARE-FOOT, A GYM USE (D.B.A. RUMBLE FITNESS) MEASURING APPROXIMATELY 6,583 SQUARE FEET, AND A SPECIALTY GROCERY USE (D.B.A. INDIE SUPERETTE) MEASURING APPROXIMATELY 700 SQUARE FEET WITHIN THE UNION STREET NEIGHBORHOOD COMMERCIAL DISTRICT AND A 40-X HEIGHT AND BULK DISTRICT, AND ADOPTING FINDINGS UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT.

PREAMBLE

On April 13, 2018, Alec Paddock of CenterCal LLC (hereinafter "Project Sponsor") filed Application No. 2018-005694CUA (hereinafter "Application") with the Planning Department (hereinafter "Department") for a Conditional Use Authorization to allow a change in use from a General Grocery use (currently vacant, formerly d.b.a. Real Food Company) to a Formula Retail/Restaurant use (d.b.a. Shake Shack) measuring approximately 3,650 square-foot, a Gym use (d.b.a. Rumble Fitness) measuring approximately 6,583 square feet, and a Specialty Grocery use (d.b.a. Indie Superette) measuring approximately 700 square feet (hereinafter "Project") at 3060 Fillmore Street, Block 0533, Lot 040 (hereinafter "Project Site").

The Planning Department Commission Secretary is the custodian of records; the File for Record No. 2018-005694CUA is located at 1650 Mission Street, Suite 400, San Francisco, California.

On December 6, 2018, the San Francisco Planning Commission (hereinafter "Commission") conducted a duly noticed public hearing at a regularly scheduled meeting on Conditional Use Authorization Application No. 2018-005694CUA.

The Project is exempt from the California Environmental Quality Act ("CEQA") as a Class 1 categorical exemption.

The Commission has heard and considered the testimony presented to it at the public hearing and has further considered written materials and oral testimony presented on behalf of the applicant, Department staff, and other interested parties.

MOVED, that the Commission hereby authorizes the Conditional Use Authorization as requested in Application No. 2018-005694CUA, subject to the conditions contained in "EXHIBIT A" of this motion, based on the following findings:

FINDINGS

Having reviewed the materials identified in the preamble above, and having heard all testimony and arguments, this Commission finds, concludes, and determines as follows:

1. The above recitals are accurate and constitute findings of this Commission.
2. **Project Description.** The Project proposes to subdivide the approximately 11,700 square-foot building (currently vacant, formerly d.b.a. Real Food Company) into three retail spaces including a restaurant use (d.b.a. Shake Shack) measuring approximately 3,650 square feet, a gym use (d.b.a. Rumble Fitness) measuring approximately 6,583 square feet, and a specialty grocery use (d.b.a. Indie Superette) measuring approximately 700 square feet. The proposed restaurant will make use of the existing portico on the southeast corner of Fillmore and Filbert Streets to provide an outdoor seating area, located entirely within the subject property. The proposal involves interior tenant improvements to the building. Aside from a new secondary means of egress on the Filbert Street frontage, which is required by Building Code, and permitted business signage, no alterations to either façade are proposed. There will be no expansion of the existing building envelope.

According to the project sponsor, Shake Shack, which is headquartered in New York City, NY, has been in operation since 2004. Shake Shack is described as a "modern day burger stand" and while it has more than 200 locations worldwide, there are currently no Shake Shack restaurants open in Northern California – although one is pending in Palo Alto. The project sponsor has indicated that, in addition to hamburgers, hot dogs and french fries, Shake Shack plans to secure the appropriate ABC license in order to serve wine and beer, and will operate from 7:00 a.m. (if breakfast is served) or 11:00 a.m. (if breakfast is not served) to 10:00 p.m. The proposed project will allow for the establishment of a new Shake Shack location in San Francisco within the Marina neighborhood.

Rumble Fitness is described as a "hybrid boxing-group fitness" center catering primarily to women. It offers group classes as well as one-on-one sessions with personal trainers, with sessions lasting approximately 60 minutes. The project sponsor expects Rumble Fitness to operate from 6:00 a.m. to 9:00 p.m. There are three locations currently in operation, two of which are located in New York City, while the third location is in Los Angeles.

Indie Superette is a small-scale specialty grocery store operated by the Michael Mina Restaurant Group, and will sell staples and prepared foods, such as smoothies, salads and sandwiches. The project sponsor has indicated that Indie Superette will operate from 7:00 a.m. to 8:00 p.m.

3. **Site Description and Present Use.** The Project is located on an L-shaped lot (with a lot area of approximately 11,700 square feet) on the southeast corner of Fillmore and Filbert Streets. The subject property has approximately 55 feet of frontage on Fillmore Street and approximately 138 feet of frontage along Filbert Street. The subject property contains a one-story commercial building which, until October, 2016, had been occupied by a General Grocery use (formerly d.b.a. Real Food Company). The subject building, which was constructed circa 1915, occupies the entire lot, with a recessed curved façade and portico framing the corner of Fillmore and Filbert Streets. Currently, the existing building is vacant.
4. **Surrounding Properties and Neighborhood.** The Project Site is located in the Marina neighborhood, and within the Union Street NCD (Neighborhood Commercial District), which encompasses approximately 8 blocks of Union Street between Van Ness Avenue to the east and Steiner Street to the west, as well as portions of Fillmore Street between Union and Lombard Streets. The surrounding context is characterized primarily with commercial and mixed-use buildings of two- to three-stories in height. Immediately adjacent to the subject property, and to the south, is a two-story building with retail uses on the ground floor and residential uses above. Immediately adjacent to the subject property, and to the east, is a two-story, two-unit residential building. Directly across Filbert Street, and to the north, is a three-story building containing retail uses on the ground floor with residential units above. Directly across Fillmore Street, and to the west, is a four-story building containing retail uses on the ground floor with residential units above.
5. **Public Outreach and Comments.** As of November 26, 2018, the Department has received correspondence from 12 neighborhood residents expressing opposition to the project and four letters of support, including one from the Union Street Association, which supports the project on the basis that it will be an asset to the business mix and will draw new foot traffic to Fillmore Street. Those expressing opposition to the project cited concerns over the perceived abundance of burger restaurants and gyms already operating within the vicinity, as well as a lack of neighborhood grocery stores. Additionally, some residents expressed concerns with potential traffic and parking impacts as a result of meal delivery vehicles queuing in front of the proposed Shake Shack.
6. **Planning Code Compliance.** The Commission finds that the Project is consistent with the relevant provisions of the Planning Code in the following manner:
 - A. **Change in Use of General Grocery.** Planning Code Section 202.3 requires Conditional Use Authorization for change in use or demolition of a General Grocery use exceeding 5,000 gross square feet.

The project proposes the change of use of an existing General Grocery use measuring approximately 11,700 square feet and therefore requires Conditional Use Authorization. The additional required findings are listed below under Subsection 8.

- B. **Formula Retail Use.** A Formula Retail Use is defined under Planning Code Section 303.1 as a type of retail sales or service activity or retail sales or service establishment that has eleven or more other retail sales establishments in operation, or with local land use or permit entitlements already approved, located anywhere in the world. In addition to the eleven establishments either in operation or with local land use or permit entitlements approved for operation, the business maintains two or more of the following features: a standardized array of merchandise, a standardized facade, a standardized decor and color scheme, uniform apparel, standardized signage, a trademark or a servicemark.

Within the Union Street NCD, Formula Retail Uses require Conditional Use Authorization under Planning Code Section 725. Planning Code Section 303.1 provides additional criteria for the Planning Commission to consider when considering any conditional use pursuant to Formula Retail Uses.

The project proposes the establishment of a Formula Retail Use (d.b.a. Shake Shack, a restaurant use) in approximately 3,650 square feet of the vacant commercial space on the project site. The additional required findings are listed below under Subsection 9. Neither Rumble Fitness nor Indie Superette are considered Formula Retail Uses.

- C. **Eating and Drinking Uses.** Planning Code Section 303(o) establishes criteria with regard to a Conditional Use Authorization application for a Restaurant, Limited-Restaurant and Bar use. The Planning Commission shall consider, in addition to the criteria set forth in Subsection 303(c), the existing concentration of Eating and Drinking uses in the area. Such concentration should not exceed 25 percent of the total commercial frontage as measured in linear feet within the immediate area of the subject site, defined as all properties located within 300' of the subject property and also located within the same zoning district.

Based on a land use survey of the area within 300 feet of the project site and also located in the Union Street Neighborhood Commercial District that was completed by the project sponsor and reviewed by Department staff, the total concentration of commercial frontage currently dedicated to Eating and Drinking uses within this survey area is approximately 25 percent. With the proposed change of use to a restaurant, the concentration of commercial frontage dedicated to eating and drinking establishments in this survey area would increase by approximately 4 percent, to a total of approximately 29 percent. While the project would result in the concentration of Eating and Drinking uses slightly exceeding 25 percent, half of the 4 percent increase is due to the project's location on a corner lot, which effectively doubles the project's frontage.

- D. **Locating and Operating Conditions for Eating and Drinking Uses.** Planning Code Section 202.2 requires Eating and Drinking Uses to be subject to specific operating conditions including: 1) maintaining the main entrance to the building and all sidewalks abutting the subject property in a clean and sanitary condition in compliance with the Department of Public Works Street and Sidewalk Maintenance Standards; 2) being adequately soundproofed or insulated for noise and operated so that incidental noise shall not be audible beyond the premises or in other sections of the building, and fixed-source equipment noise shall not exceed the decibel levels specified in the San Francisco Noise Control Ordinance; 3) ensuring appropriate odor control equipment shall be installed in conformance with the approved plans and maintained to prevent any significant noxious or offensive odors from escaping the premises; and 4) keeping garbage, recycling, and compost containers within the premises and hidden from public view, and placed outside only when being serviced by the disposal company.

The project sponsor has acknowledged and will comply with the operating conditions for the proposed Eating and Drinking Use.

- E. **Union Street Restaurants.** Planning Code Section 725 states that the Planning Commission may approve a Restaurant if, in addition to meeting the criteria set forth in Planning Code Section 303, 1: the use is located on the ground floor, and 2: the Planning Commission finds that an additional Restaurant would not result in a net total of more than 44 Restaurants in the Union Street Neighborhood Commercial District.

There are currently 35 Restaurant uses within the Union Street Neighborhood Commercial District. The proposed Restaurant use would increase this number to 36.

- F. **Outdoor Activity Areas.** In order to provide for limited commercial Outdoor Activity Areas, which promote active street life, but do not detract from the livability of surrounding uses, Planning Code Section 145.2 permits Outdoor Activity Areas in NC Districts as a Principal Use if located outside a building and contiguous to the front property line of the lot on which the Commercial Use is located.

The project proposes an outdoor activity area within the existing unenclosed portico area facing the intersection of Fillmore and Filbert Streets, which is fully within the boundaries of the subject property.

- G. **Hours of Operation.** Planning Code Section 725 permits non-residential uses to maintain hours of operation from 6 a.m. to 2 a.m. as of right and requires Conditional Use Authorization to operate between the hours of 2 a.m. and 6 a.m.

The project sponsor has indicated that the proposed restaurant will operate from 7:00 a.m. (if breakfast is served) or 11:00 a.m. (if breakfast is not served) to 10:00 p.m., the proposed gym use will operate from 6:00 a.m. to 9:00 p.m., and the specialty grocery use will operate between the hours of 7 a.m. and 8 p.m.

- H. **Street Frontage in Neighborhood Commercial Districts.** Section 145.1 of the Planning Code requires that within NC Districts space for active uses shall be provided within the first 25 feet of building depth on the ground floor and 15 feet on floors above from any facade facing a street at least 30 feet in width. In addition, the floors of street-fronting interior spaces housing non-residential active uses and lobbies shall be as close as possible to the level of the adjacent sidewalk at the principal entrance to these spaces. Frontages with active uses that must be fenestrated with transparent windows and doorways for no less than 60 percent of the street frontage at the ground level and allow visibility to the inside of the building. The use of dark or mirrored glass shall not count towards the required transparent area. Any decorative railings or grillwork, other than wire mesh, which is placed in front of or behind ground floor windows, shall be at least 75 percent open to perpendicular view. Rolling or sliding security gates shall consist of open grillwork rather than solid material, so as to provide visual interest to pedestrians when the gates are closed, and to permit light to pass through mostly unobstructed. Gates, when both open and folded or rolled as well as the gate mechanism, shall be recessed within, or laid flush with, the building facade. Ground floor non-residential uses shall have a minimum floor-to-floor height of 10 feet.

The subject commercial space has approximately 55 feet of frontage on Fillmore Street and approximately 138 feet of frontage on Filbert Street with approximately 60 percent of the façade devoted to transparent windows looking into the restaurant, specialty grocery store or gym. Aside from a second means of egress required per the Building Code, there are no changes proposed to the commercial frontage. The existing floor-to-ceiling height is approximately 20 feet.

- I. **Off-Street Parking.** Planning Code Section 151 requires one off-street parking space per 200 square feet of occupied floor area for eating and drinking uses greater than 5,000 square feet, and one off-street parking space for each 500 square feet of occupied floor area for retail sales and service uses exceeding 5,000 square feet.

The proposed restaurant and specialty grocery uses would both occupy less than 5,000 square feet of the building and, therefore, do not require any off-street parking. The proposed gym use would occupy approximately 6,583 square feet and would therefore require 13 off-street parking spaces. The existing building is lawfully non-conforming in that it does not have any off-street parking spaces. Planning Code Section 150(c) permits any lawful existing deficiency in off-street parking or loading spaces to be carried forward for the structure or use, apart from a major addition.

- J. **Off-Street Freight Loading.** Planning Code Section 152 requires one off-street freight loading space for retail sales and services use between 10,001 and 60,000 square feet.

The project includes approximately 11,700 square feet of retail sales and service uses; thus, the project requires one off-street freight loading space. The existing building is lawfully non-conforming in that it does not have an off-street freight loading space. Planning Code Section 150(c) permits any lawful existing deficiency in off-street parking or loading spaces to be carried forward for the structure or use, apart from a major addition.

- K. **Bicycle Parking.** Planning Code Section 155.2 requires the provision of bicycle parking spaces for projects proposing a change of use which would increase the number of total required bicycle parking spaces (inclusive of Class 1 and 2 spaces in aggregate) by 15 percent.

The former general grocery use would have required the provision of two (2) Class 1 bicycle spaces and five (5) Class 2 bicycle spaces. The proposed restaurant, specialty grocery and gym uses would require one (1) Class 1 bicycle space and eight (8) Class 2 bicycle spaces. The project proposes one Class 1 bicycle parking spaces and eight Class 2 bicycle spaces.

- L. **Signage.** Any proposed signage will be subject to the review and approval of the Planning Department pursuant to Article 6 of the Planning Code.

The proposed signage will be required to have a separate sign permit and comply with the requirement of the Planning Code and Formula Retail sign guidelines. Although the Project generally complies with the guidelines and Planning Code, and does not have a significant adverse effect on the architectural and aesthetic character of the Neighborhood Commercial District, staff will continue to work with project sponsor on the proposed signage details.

7. **Conditional Use Findings.** Planning Code Section 303 establishes criteria for the Planning Commission to consider when reviewing applications for Conditional Use authorization. On balance, the project complies with said criteria in that:

- A. The proposed new uses and building, at the size and intensity contemplated and at the proposed location, will provide a development that is necessary or desirable, and compatible with, the neighborhood or the community.

The project site has been vacant for almost two years, which has resulted in a number of adverse impacts on the neighborhood and community, including perpetuating the rate of commercial vacancies in the area and allowing for the local homeless population congregating on the site and its vicinity. The project will repurpose this vacant space without expansion or substantial modification. Accordingly, the project's size and intensity are in keeping with the existing conditions and character of the building, as well as bringing new interest, activity, and vitality to the intersection, and so are compatible with the neighborhood and community. In addition, the proposed new uses will serve the neighborhood and community and are of the type, size, and intensity of use that already exist in the area.

- B. The proposed project will not be detrimental to the health, safety, convenience or general welfare of persons residing or working in the vicinity. There are no features of the project that

could be detrimental to the health, safety or convenience of those residing or working the area, in that:

- (1) Nature of proposed site, including its size and shape, and the proposed size, shape and arrangement of structures;

The project will repurpose and enhance a long-vacant existing space without expansion or substantial modification; accordingly, its size and shape are already in harmony with its vicinity and will remain as such with the proposed project.

- (2) The accessibility and traffic patterns for persons and vehicles, the type and volume of such traffic, and the adequacy of proposed off-street parking and loading;

The project is not anticipated to generate substantial additional traffic, particularly compared with the previous full-scale general grocery store use. The Project may attract some residents and visitors from outside of the neighborhood; however, this area is well serviced by transit, including Muni lines 22, 41, and 45. Furthermore, the nature of the uses/tenants that are proposed are neighborhood-serving rather than regional draws, and thus most of the patrons are expected to come from the surrounding areas, within walking and biking distance. Consistent with the historic uses on-site and within this urbanized area, there is no off-street parking proposed. Therefore the existing traffic and parking management will be sufficient to accommodate the project without any deleterious effects on local residents or property.

- (3) The safeguards afforded to prevent noxious or offensive emissions such as noise, glare, dust and odor;

Given the neighborhood serving retail uses proposed, which are similar to those in the surrounding area and typical for this type of neighborhood, the project will not produce any substantial noise, glare, dust, odor, or any other noxious or offensive emissions. Approval Condition Nos. 11 and 15 specifically obligates the project sponsor to mitigate any odor and noise generated by the restaurant use.

- (4) Treatment given, as appropriate, to such aspects as landscaping, screening, open spaces, parking and loading areas, service areas, lighting and signs;

The project will not entail any additional landscaping, screening, open space, parking or loading areas, or service areas. The Department shall review all lighting and signs proposed for the new business in accordance with Approval Condition No. 10.

- C. That the use as proposed will comply with the applicable provisions of the Planning Code and will not adversely affect the General Plan.

The Project complies with all relevant requirements and standards of the Planning Code and is consistent with objectives and policies of the General Plan as detailed below. The proposed Gym use

(d.b.a. Rumble Fitness) and Specialty Grocery use (d.b.a. Indie Superette) are permitted uses as-of-right and the proposed Restaurant use (d.b.a. Shake Shack) is conditionally permitted in the Union Street Neighborhood Commercial District (NCD) within which the project site is located. The project involves tenant improvements to an existing vacant retail space with few exterior modifications, and the project will adhere to all applicable development standards and design guidelines under the Planning Code, with no variances or exceptions being sought.

- D. That the use as proposed would provide development that is in conformity with the purpose of the applicable Neighborhood Commercial District.

The proposed project is consistent with the stated purpose of the Union Street Neighborhood Commercial District in that the intended use is located at the ground floor, will provide a compatible convenience service for the immediately surrounding neighborhoods.

8. **Change in Use or Demolition of General Grocery Use Findings.** Planning Code Section 303(l) establishes the following criteria for the Planning Commission to consider when reviewing applications that propose the change in use or demolition of General Grocery which use exceed 5,000 gross square feet:

- A. Preservation of a General Grocery store use is no longer economically viable and cannot effect reasonable economic return to the property owner. For purposes of defining “reasonable economic return,” the Planning Commission shall be guided by the criteria for Fair Return on Investment, as defined in Section 102 of the Planning Code.

Where the property owner does not own the business, the Planning Code defines “Fair Return on Investment” as “the before income tax total annual rent and other compensation received from the business for the lease of the land and buildings, less the expenses of the lessor, on a cash basis”.

The project sponsor has retained an independent third party to prepare a report entitled “3060 Fillmore Street Economic Analysis”, attached as Exhibit H, prepared by ALH Urban & Regional Economics and dated October, 2018. In the report, five scenarios are modeled with different occupancy and property acquisition assumptions, in order to determine their relative economic viability.

Scenario 1 generally comprises the status quo of the property during the last year of occupancy by Real Food Company, reflecting lease payments by Real Food Company and the property owner’s operating expenses. As such, there are no capital costs incorporated into this scenario for acquisition or upgrading.

Of the scenarios with capital costs, only Scenario 2 (which is representative of the proposed project) indicates a feasible outcome, with a positive difference between indicated value and capital costs. The net result is \$2.8 million, and a calculated Developer Incentive metric of 15.6percent, which is the percentage of the Value Less Capital Costs to Total Capital Costs. As a positive figure, this metric indicates this scenario results in a positive return to the developer.

Scenario 3A, which assumes replacement by a grocery store at the same effective gross income as Real Food Company, is infeasible at -\$11.4 million. Scenario 4, assuming a typical market rent for a non-grocery retail use in the space with fewer physical upgrades, is also infeasible at -\$4.4 million.

Scenario 3B indicates an economically feasible outcome for a general grocery use, assuming a significantly lower property acquisition cost of \$4,525,000, which is based on the indicated value less the non-acquisition capital costs (i.e., hard construction, tenant improvement, financing, permit & fees, and soft costs) and allowing for a similar developer incentive to that for Scenario 2. However, this acquisition cost is significantly below market range, and represents a \$9 million reduction (67percent) to the project sponsor's offer price.

In summary, the report concludes that "due to a variety of site-specific and macroeconomic factors, it is not economically feasible for a grocery store to re-tenant and successfully operate at the property, while at the same time providing the landlord with a reasonable economic return based on the amount of capital investment required." Since the departure of the previous tenant (d.b.a. Real Food Company) in 2016, the subject property has remained vacant. During its period of vacancy, according to the project sponsor, the current owner and the project sponsor have made attempts at leasing the subject tenant space to a new general grocery store business without success. Specifically, the project sponsor discussed renewing full-scale general grocery uses at the project site with 18 grocery companies, including Whole Foods, Trader Joes, Lunardi's, Andronico's, and New Leaf. These efforts involved meetings, extended discussions of lease economics, and site visits. However, all of the companies declined to lease the site, citing a variety of factors including the site's orientation and internal wall, the lack of parking, the narrow Filbert Street frontage, and general economic upheaval in the grocery industry. This is consistent with the general experience of knowledgeable brokers as well as others focused on economic development in San Francisco, where there is a broad-based concern about the significant challenge of bringing full-scale general grocery store uses to the San Francisco market environment.

Finally, the project does include a small-scale specialty grocery use (d.b.a. Indie Superette) measuring approximately 700 square feet. The project sponsor has indicated that this use is only feasible at below-market rent and will effectively be subsidized by the Shake Shack and Rumble Fitness uses. As such, there is no economically viable means to re-establish a full-scale general grocery use on the project site, and it cannot effect a reasonable economic return to the property owner.

- B. The change in use or demolition of the General Grocery store use will not undermine the economic diversity and vitality of the surrounding neighborhood.

The project site has been vacant for almost two years, and this vacancy occurred well in advance of, and was not precipitated by the proposed project. The proposal change in use to non-grocery uses will enhance the economic diversity and vitality of the surrounding neighborhood by revitalizing a vacant site with active, specialized neighborhood-serving retail uses. There are a number of grocery outlets within approximately one mile or less of the subject property, including a Safeway at 15 Marina Boulevard, Gino's Grocery Co. at 2500 Fillmore Street, Trader Joe's at 1095 Hyde Street, Whole Foods Market at 1765 California Street, and Mollie Stone's Markets at 2435 California Street. Moreover, the project will include a small-scale specialty grocery use subsidized by the restaurant and gym uses, helping to maintain and enhance economic diversity and vitality of the surrounding neighborhood.

9. **Formula Retail.** Planning Code Section 303.1 provides additional criteria for the Planning Commission when considering Conditional Use Authorization requests, including:

- A. The existing concentrations of formula retail uses within the district.

The project site is located within the Union Street Neighborhood Commercial District (NCD). This area is characterized by a wide variety of ground floor retail uses, often with residential units above. The commercial uses in the Union Street NCD are predominately neighborhood-serving restaurants, personal services, and retail uses. As of the date of submittal of the project application materials, there are approximately 95 commercial ground floor storefronts within 300 feet of the project site, 11 of which are Formula Retail, amounting to a concentration of approximately 12 percent. These include one Limited Financial Service use, two Non-Retail Professional Service uses, and eight Retail Sales and Service uses. As measured in linear feet of the total frontage, this concentration of is also approximately 12percent. With the addition of the proposed new Formula Retail use, the concentration of Formula Retail uses within the vicinity would increase by approximately 1percent from 12percent to 13percent (as measured by number of storefronts subject to the Formula Retail controls) or by 4percent from 12percent to 16percent (as measured in linear feet of the total frontage). Accordingly, there is no excessive concentration of Formula Retail uses in the district and vicinity of the project, and the addition of one Restaurant Formula Retail use will not lead to an excessive contribution.

- B. The availability of other similar retail uses within the district.

While the Union Street NCD and the vicinity of the project site include other restaurants, the formula retail restaurant component of the project is unique insofar as it does not duplicate other casual dining options in the area because it is new to San Francisco.

- C. The compatibility of the proposed formula retail use with the existing architectural and aesthetic character of the district.

The project entails the repurposing of an existing building with minimal exterior changes. Moreover, the project will reinvigorate a prominent corner building, which is currently vacant, with active, pedestrian-oriented, neighborhood-serving uses, which will enhance the overall aesthetic character of the area.

- D. The existing retail vacancy within the district.

According to the project sponsor, the vacancy rate within 300 feet of the project site is approximately 17percent (based on the number of storefronts), and 21percent (based on the total lot frontage). The project will help revitalize the corridor by repurposing a vacant building with active, pedestrian-oriented uses which will ensure a continuous commercial frontage and enhance the physical and economic condition of the project site and surrounding neighborhood.

- E. The existing mix of Citywide-serving retail uses and neighborhood-serving retail uses within the district.

The existing mix of daily needs serving uses (generally considered to include Limited Restaurants; Other Retail, Sales and Services; Personal Services; Limited Financial Services; and Specific Trade Shops) versus Citywide retail uses (generally considered to include all other uses) is one with predominantly daily needs-serving retail uses within the district with 60percent versus 23percent for Citywide-serving uses (the remaining 17percent represents vacant storefronts). The proposed formula retail use is considered to be a Citywide serving use which will complement the mix of goods and services currently available within this portion of the Union Street Neighborhood Commercial District.

- F. Additional data and analysis set forth in the Performance-Based Design Guidelines adopted by the Planning Commission.

The proposed use is consistent with the existing character of the district, which is composed of a variety of retail outlets, including Formula Retailers who specialize in a variety of goods and services. The Project signage is consistent with the Performance-Based Design Guidelines, and maintaining the facades of the existing building ensures that the storefronts will be consistent with the surrounding buildings while keeping a continuous street wall and edge. The entrances to the building are readily identifiable and inviting to passersby. Accordingly, the Project is consistent with the Guidelines.

- G. For formula retail uses of 20,000 square feet or more, except for General or Specialty Grocery stores as defined in Articles 2, 7, 8 of this Code, the contents of an economic impact study prepared pursuant to Section 303(i) of the Planning Code.

As the subject retail use is less than 20,000 square feet, an economic impact study is not required for the proposed project.

10. **General Plan Compliance.** The Project is, on balance, consistent with the following Objectives and Policies of the General Plan:

COMMERCE AND INDUSTRY ELEMENT

Objectives and Policies

OBJECTIVE 1:

MANAGE ECONOMIC GROWTH AND CHANGE TO ENSURE ENHANCEMENT OF THE TOTAL CITY LIVING AND WORKING ENVIRONMENT.

Policy 1.1

Encourage development which provides substantial net benefits and minimizes undesirable consequences. Discourage development which has substantial undesirable consequences that cannot be mitigated.

Policy 1.2

Assure that all commercial and industrial uses meet minimum reasonable performance standards.

OBJECTIVE 2:

MAINTAIN AND ENHANCE A SOUND AND DIVERSE ECONOMIC BASE AND FISCAL STRUCTURE FOR THE CITY.

Policy 2.1

Seek to retain existing commercial and industrial activity and to attract new such activity to the city.

OBJECTIVE 6:

MAINTAIN AND STRENGTHEN VIABLE NEIGHBORHOOD COMMERCIAL AREAS EASILY ACCESSIBLE TO CITY RESIDENTS.

Policy 6.1

Ensure and encourage the retention and provision of neighborhood-serving goods and services in the city's neighborhood commercial districts, while recognizing and encouraging diversity among the districts.

Policy 6.2

Promote economically vital neighborhood commercial districts which foster small business enterprises and entrepreneurship and which are responsive to economic and technological innovation in the marketplace and society.

Policy 6.3

Preserve and promote the mixed commercial-residential character in the neighborhood commercial districts. Strike a balance between the preservation of existing affordable housing and needed expansion of commercial activity.

Policy 6.4:

Encourage the location of neighborhood shopping areas throughout the city so that essential retail goods and personal services are accessible to all residents.

Policy 6.8:

Preserve historically and/or architecturally important buildings or groups of buildings in neighborhood commercial districts.

Policy 6.9:

Regulate uses so that traffic impacts and parking problems are minimized.

The project will promote and facilitate the achievement of the Objectives and Policies of the General Plan by repurposing a vacant and inactive building with neighborhood-serving retail uses that will provide

employment and economic benefits to local residents and the broader community while enhancing the overall neighborhood with vibrant, engaging uses. The proposed project would not adversely affect public transit or place a burden on the existing supply of parking in the neighborhood. Most patrons would be able to walk from their residences or places of employment, and the proposed project is well served by public transportation. There is on-street parking in the surrounding neighborhood, and the project proposes to provide a total of ten bicycle parking spaces for employees and customers of the proposed retail uses. The proposal will involve interior tenant improvements to the ground floor commercial tenant space which is compatible with the building's existing architectural and aesthetic character. There will be no expansion of the existing building envelope.

11. **Planning Code Section 101.1(b)** establishes eight priority-planning policies and requires review of permits for consistency with said policies. On balance, the project complies with said policies in that:

- A. That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses be enhanced.

The project will not adversely affect existing neighborhood-serving retail uses, as it will repurpose and reinvigorate a long-vacant existing building, which will contribute to a continuous retail frontage and reduce the retail vacancy rate in the area. Moreover, the introduction of three separate retail uses will create employment opportunities for area residents.

- B. That existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods.

The project repurposes an existing long-vacant non-residential building. Accordingly, it will have no effect on existing housing, and will maintain neighborhood character by restoring retail uses to an existing retail facility.

- C. That the City's supply of affordable housing be preserved and enhanced,

The project site is occupied by non-residential uses. As such, the project will have no impact on the City's supply of affordable housing.

- D. That commuter traffic not impede MUNI transit service or overburden our streets or neighborhood parking.

Given the nature and scope of the proposed uses, the project will not materially contribute to commuter traffic and will have minimal, if any, impacts on Muni transit service, street burden, and neighborhood parking.

- E. That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for resident employment and ownership in these sectors be enhanced.

The project does not include any commercial office uses and will not displace any industrial or service sector uses or otherwise adversely affect the opportunities for resident employment and ownership in these sectors.

- F. That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake.

The project does not involve any expansion or substantial structural modifications to the existing building. Any work performed will be required to adhere to current Building Code provisions addressing seismic safety and will not impact the property's ability to withstand an earthquake.

- G. That landmarks and historic buildings be preserved.

The project does not involve any expansion or substantial exterior modifications. Changes to the existing building will be minimal and will not adversely affect its character or integrity.

- H. That our parks and open space and their access to sunlight and vistas be protected from development.

The project will not adversely impact any parks or open space areas, or their access to sunlight or vistas.

12. The Project is consistent with and would promote the general and specific purposes of the Code provided under Section 101.1(b) in that, as designed, the Project would contribute to the character and stability of the neighborhood and would constitute a beneficial development.
13. The Commission hereby finds that approval of the Conditional Use Authorization would promote the health, safety and welfare of the City.

DECISION

That based upon the Record, the submissions by the Applicant, the staff of the Department and other interested parties, the oral testimony presented to this Commission at the public hearings, and all other written materials submitted by all parties, the Commission hereby **APPROVES Conditional Use Authorization Application No. 2018-005694CUA** subject to the following conditions attached hereto as "EXHIBIT A" in general conformance with plans on file, dated May 31, 2018, and stamped "EXHIBIT B", which is incorporated herein by reference as though fully set forth.

APPEAL AND EFFECTIVE DATE OF MOTION: Any aggrieved person may appeal this Conditional Use Authorization to the Board of Supervisors within thirty (30) days after the date of this Motion. The effective date of this Motion shall be the date of this Motion if not appealed (after the 30-day period has expired) OR the date of the decision of the Board of Supervisors if appealed to the Board of Supervisors. For further information, please contact the Board of Supervisors at (415) 554-5184, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

Protest of Fee or Exaction: You may protest any fee or exaction subject to Government Code Section 66000 that is imposed as a condition of approval by following the procedures set forth in Government Code Section 66020. The protest must satisfy the requirements of Government Code Section 66020(a) and must be filed within 90 days of the date of the first approval or conditional approval of the development referencing the challenged fee or exaction. For purposes of Government Code Section 66020, the date of imposition of the fee shall be the date of the earliest discretionary approval by the City of the subject development.

If the City has not previously given Notice of an earlier discretionary approval of the project, the Planning Commission's adoption of this Motion, Resolution, Discretionary Review Action or the Zoning Administrator's Variance Decision Letter constitutes the approval or conditional approval of the development and the City hereby gives **NOTICE** that the 90-day protest period under Government Code Section 66020 has begun. If the City has already given Notice that the 90-day approval period has begun for the subject development, then this document does not re-commence the 90-day approval period.

I hereby certify that the Planning Commission ADOPTED the foregoing Motion on December 6, 2018.

Jonas P. Ionin
Commission Secretary

AYES:

NAYS:

ABSENT:

Draft Motion
Hearing Date: December 6, 2018

RECORD NO. 2018-005694CUA
3060 Fillmore Street

ADOPTED: December 6, 2018

EXHIBIT A

AUTHORIZATION

This authorization is for a conditional use to allow a change of use of the approximately 11,700 square-foot building (currently vacant, formerly d.b.a. Real Food Company) to three retail spaces including a restaurant use (d.b.a. Shake Shack) measuring approximately 3,650 square feet, a gym use (d.b.a. Rumble Fitness) measuring approximately 6,583 square feet, and a specialty grocery use (d.b.a. Indie Superette) measuring approximately 700 square feet located at 3060 Fillmore Street, Block 0533, and Lot 040, pursuant to Planning Code Sections 303(c), 303(l), 303(o) and 725 within the Union Street Neighborhood Commercial District and a 40-X Height and Bulk District; in general conformance with plans, dated May 31, 2018, and stamped "EXHIBIT B" included in the docket for Record No. 2018-005694CUA and subject to conditions of approval reviewed and approved by the Commission on December 6, 2018 under Motion No XXXXXX. This authorization and the conditions contained herein run with the property and not with a particular Project Sponsor, business, or operator.

RECORDATION OF CONDITIONS OF APPROVAL

Prior to the issuance of the building permit or commencement of use for the Project the Zoning Administrator shall approve and order the recordation of a Notice in the Official Records of the Recorder of the City and County of San Francisco for the subject property. This Notice shall state that the project is subject to the conditions of approval contained herein and reviewed and approved by the Planning Commission on December 6, 2018 under Motion No XXXXXX.

PRINTING OF CONDITIONS OF APPROVAL ON PLANS

The conditions of approval under the 'Exhibit A' of this Planning Commission Motion No. XXXXXX shall be reproduced on the Index Sheet of construction plans submitted with the site or building permit application for the Project. The Index Sheet of the construction plans shall reference to the Conditional Use authorization and any subsequent amendments or modifications.

SEVERABILITY

The Project shall comply with all applicable City codes and requirements. If any clause, sentence, section or any part of these conditions of approval is for any reason held to be invalid, such invalidity shall not affect or impair other remaining clauses, sentences, or sections of these conditions. This decision conveys no right to construct, or to receive a building permit. "Project Sponsor" shall include any subsequent responsible party.

CHANGES AND MODIFICATIONS

Changes to the approved plans may be approved administratively by the Zoning Administrator. Significant changes and modifications of conditions shall require Planning Commission approval of a new Conditional Use authorization.

Conditions of Approval, Compliance, Monitoring, and Reporting PERFORMANCE

1. **Validity.** The authorization and right vested by virtue of this action is valid for three (3) years from the effective date of the Motion. The Department of Building Inspection shall have issued a Building Permit or Site Permit to construct the project and/or commence the approved use within this three-year period.

For information about compliance, contact Code Enforcement, Planning Department at 415-575-6863, www.sf-planning.org

2. **Expiration and Renewal.** Should a Building or Site Permit be sought after the three (3) year period has lapsed, the project sponsor must seek a renewal of this Authorization by filing an application for an amendment to the original Authorization or a new application for Authorization. Should the project sponsor decline to so file, and decline to withdraw the permit application, the Commission shall conduct a public hearing in order to consider the revocation of the Authorization. Should the Commission not revoke the Authorization following the closure of the public hearing, the Commission shall determine the extension of time for the continued validity of the Authorization.

For information about compliance, contact Code Enforcement, Planning Department at 415-575-6863, www.sf-planning.org

3. **Diligent pursuit.** Once a site or Building Permit has been issued, construction must commence within the timeframe required by the Department of Building Inspection and be continued diligently to completion. Failure to do so shall be grounds for the Commission to consider revoking the approval if more than three (3) years have passed since this Authorization was approved.

For information about compliance, contact Code Enforcement, Planning Department at 415-575-6863, www.sf-planning.org

4. **Extension.** All time limits in the preceding three paragraphs may be extended at the discretion of the Zoning Administrator where implementation of the project is delayed by a public agency, an appeal or a legal challenge and only by the length of time for which such public agency, appeal or challenge has caused delay.

For information about compliance, contact Code Enforcement, Planning Department at 415-575-6863, www.sf-planning.org

5. **Conformity with Current Law.** No application for Building Permit, Site Permit, or other entitlement shall be approved unless it complies with all applicable provisions of City Codes in effect at the time of such approval.

For information about compliance, contact Code Enforcement, Planning Department at 415-575-6863, www.sf-planning.org

DESIGN – COMPLIANCE AT PLAN STAGE

6. **Final Materials.** The Project Sponsor shall continue to work with Planning Department on the building design. Final materials, glazing, color, texture, landscaping, and detailing shall be subject to Department staff review and approval. The architectural addenda shall be reviewed and approved by the Planning Department prior to issuance.
For information about compliance, contact the Case Planner, Planning Department at 415-575-9087, www.sf-planning.org
7. **Garbage, composting and recycling storage.** Space for the collection and storage of garbage, composting, and recycling shall be provided within enclosed areas on the property and clearly labeled and illustrated on the building permit plans. Space for the collection and storage of recyclable and compostable materials that meets the size, location, accessibility and other standards specified by the San Francisco Recycling Program shall be provided at the ground level of the buildings.
For information about compliance, contact the Case Planner, Planning Department at 415-575-9087, www.sf-planning.org
8. **Rooftop Mechanical Equipment.** Pursuant to Planning Code 141, the Project Sponsor shall submit a roof plan to the Planning Department prior to Planning approval of the building permit application. Rooftop mechanical equipment, if any is proposed as part of the Project, is required to be screened so as not to be visible from any point at or below the roof level of the subject building.
For information about compliance, contact the Case Planner, Planning Department at 415-575-9087, www.sf-planning.org
9. **Streetscape Plan.** Pursuant to Planning Code Section 138.1, the Project Sponsor shall continue to work with Planning Department staff, in consultation with other City agencies, to refine the design and programming of the Streetscape Plan so that the plan generally meets the standards of the Better Streets Plan and all applicable City standards. The Project Sponsor shall complete final design of all required street improvements, including procurement of relevant City permits, prior to issuance of first architectural addenda, and shall complete construction of all required street improvements prior to issuance of first temporary certificate of occupancy.
For information about compliance, contact the Case Planner, Planning Department at 415-575-9087, www.sf-planning.org
10. **Signage.** The Project Sponsor shall develop a signage program for the Project which shall be subject to review and approval by Planning Department staff before submitting any building permits for construction of the Project. All subsequent sign permits shall conform to the approved signage program. Once approved by the Department, the signage program/plan information shall be submitted and approved as part of the site permit for the Project. All exterior signage shall be designed to compliment, not compete with, the existing architectural character and architectural features of the building.
For information about compliance, contact the Case Planner, Planning Department at 415-575-9087, www.sf-planning.org

11. **Odor Control Unit.** In order to ensure any significant noxious or offensive odors are prevented from escaping the premises once the project is operational, the building permit application to implement the project shall include air cleaning or odor control equipment details and manufacturer specifications on the plans. Odor control ducting shall not be applied to the primary façade of the building.

For information about compliance, contact the Case Planner, Planning Department at 415-575-9087, www.sf-planning.org

PARKING AND TRAFFIC

12. **Bicycle Parking.** Pursuant to Planning Code Sections 155.1 and 155.4, the Project shall provide no fewer than one (1) Class 1 and eight (8) Class 2 bicycle parking spaces. SFMTA has final authority on the type, placement and number of Class 2 bicycle racks within the public ROW. Prior to issuance of first architectural addenda, the project sponsor shall contact the SFMTA Bike Parking Program at bikeparking@sfmta.com to coordinate the installation of on-street bicycle racks and ensure that the proposed bicycle racks meet the SFMTA's bicycle parking guidelines. Depending on local site conditions and anticipated demand, SFMTA may request the project sponsor pay an in-lieu fee for Class II bike racks required by the Planning Code.

For information about compliance, contact Code Enforcement, Planning Department at 415-575-6863, www.sf-planning.org

MONITORING - AFTER ENTITLEMENT

13. **Enforcement.** Violation of any of the Planning Department conditions of approval contained in this Motion or of any other provisions of Planning Code applicable to this Project shall be subject to the enforcement procedures and administrative penalties set forth under Planning Code Section 176 or Section 176.1. The Planning Department may also refer the violation complaints to other city departments and agencies for appropriate enforcement action under their jurisdiction.

For information about compliance, contact Code Enforcement, Planning Department at 415-575-6863, www.sf-planning.org

14. **Revocation due to Violation of Conditions.** Should implementation of this Project result in complaints from interested property owners, residents, or commercial lessees which are not resolved by the Project Sponsor and found to be in violation of the Planning Code and/or the specific conditions of approval for the Project as set forth in Exhibit A of this Motion, the Zoning Administrator shall refer such complaints to the Commission, after which it may hold a public hearing on the matter to consider revocation of this authorization.

For information about compliance, contact Code Enforcement, Planning Department at 415-575-6863, www.sf-planning.org

OPERATION

15. **Eating and Drinking Uses.** As defined in Planning Code Section 202.2, Eating and Drinking Uses, as defined in Section [102](#), shall be subject to the following conditions:

- A. The business operator shall maintain the main entrance to the building and all sidewalks abutting the subject property in a clean and sanitary condition in compliance with the Department of Public Works Street and Sidewalk Maintenance Standards. In addition, the operator shall be responsible for daily monitoring of the sidewalk within a one-block radius of the subject business to maintain the sidewalk free of paper or other litter associated with the business during business hours, in accordance with Article 1, Section [34](#) of the San Francisco Police Code.

For information about compliance, contact the Bureau of Street Use and Mapping, Department of Public Works at 415-554-.5810, <http://sfdpw.org>.

- B. When located within an enclosed space, the premises shall be adequately soundproofed or insulated for noise and operated so that incidental noise shall not be audible beyond the premises or in other sections of the building, and fixed-source equipment noise shall not exceed the decibel levels specified in the San Francisco Noise Control Ordinance.

For information about compliance of fixed mechanical objects such as rooftop air conditioning, restaurant ventilation systems, and motors and compressors with acceptable noise levels, contact the Environmental Health Section, Department of Public Health at (415) 252-3800, www.sfdph.org.

For information about compliance with construction noise requirements, contact the Department of Building Inspection at 415-558-6570, www.sfdbi.org.

For information about compliance with the requirements for amplified sound, including music and television, contact the Police Department at 415-553-0123, www.sf-police.org.

- C. While it is inevitable that some low level of odor may be detectable to nearby residents and passersby, appropriate odor control equipment shall be installed in conformance with the approved plans and maintained to prevent any significant noxious or offensive odors from escaping the premises.

For information about compliance with odor or other chemical air pollutants standards, contact the Bay Area Air Quality Management District, (BAAQMD), 1-800-334-ODOR (6367), www.baaqmd.gov and Code Enforcement, Planning Department at 415-575-6863, www.sf-planning.org

- D. Garbage, recycling, and compost containers shall be kept within the premises and hidden from public view, and placed outside only when being serviced by the disposal company. Trash shall be contained and disposed of pursuant to garbage and recycling receptacles guidelines set forth by the Department of Public Works.

For information about compliance, contact the Bureau of Street Use and Mapping, Department of Public Works at 415-554-.5810, <http://sfdpw.org>.

16. **Sidewalk Maintenance.** The Project Sponsor shall maintain the main entrance to the building and all sidewalks abutting the subject property in a clean and sanitary condition in compliance with the Department of Public Works Streets and Sidewalk Maintenance Standards.
For information about compliance, contact Bureau of Street Use and Mapping, Department of Public Works, 415-695-2017, <http://sfdpw.org>
17. **Community Liaison.** Prior to issuance of a building permit to construct the project and implement the approved use, the Project Sponsor shall appoint a community liaison officer to deal with the issues of concern to owners and occupants of nearby properties. The Project Sponsor shall provide the Zoning Administrator and all registered neighborhood groups for the area with written notice of the name, business address, and telephone number of the community liaison. Should the contact information change, the Zoning Administrator and registered neighborhood groups shall be made aware of such change. The community liaison shall report to the Zoning Administrator what issues, if any, are of concern to the community and what issues have not been resolved by the Project Sponsor.
For information about compliance, contact Code Enforcement, Planning Department at 415-575-6863, www.sf-planning.org
18. **Lighting.** All Project lighting shall be directed onto the Project site and immediately surrounding sidewalk area only, and designed and managed so as not to be a nuisance to adjacent residents. Nighttime lighting shall be the minimum necessary to ensure safety, but shall in no case be directed so as to constitute a nuisance to any surrounding property.
For information about compliance, contact Code Enforcement, Planning Department at 415-575-6863, www.sf-planning.org
19. **Hours of Operation.** The subject establishment is limited to the following hours of operation:
Daily from 6:00 a.m. to 2:00 a.m.
For information about compliance, contact Code Enforcement, Planning Department at 415-575-6863, www.sf-planning.org

Exhibit B:

Plans and Renderings

APPLICATION FOR 3060 FILLMORE STREET FOR CONDITIONAL USE AUTHORIZATION

(CASE #2018-005694 CUA)

3060 FILLMORE STREET
SAN FRANCISCO, CA 94123

DRAWING INDEX

- 1 COVER SHEET
- 2 SITE PLAN
- 3A EXISTING FIRST FLOOR PLAN
- 3B EXISTING MEZZANINE FLOOR PLAN
- 4 EXISTING EXTERIOR ELEVATIONS
- 5 EXISTING SITE PHOTOS
- 6 PRELIMINARY LAYOUT
- 7 PRELIMINARY EXTERIOR ELEVATIONS
- 7A PRELIMINARY EXTERIOR ELEVATION RENDERING
- 7B PRELIMINARY EXTERIOR ELEVATION RENDERING
- 7C PRELIMINARY EXTERIOR ELEVATION RENDERING
- 8 PRELIMINARY SIGNAGE/SIGNAGE DETAILS
- 9 PROPOSED ROOF SCREENING (AS REQUIRED)

VICINITY MAP



ARCHITECT



DRAWN BY: XX
REVIEWED BY: XX
ACR PROJECT #: 52573

SEAL

CONSULTANT

PROJECT ADDRESS

3060 FILLMORE ST,
SAN FRANCISCO, CA
94123

STORE NUMBER

XXX

ISSUED DATES

NO. DATE: DESCRIPTION:

PRELIMINARY PLANNING
PACKAGE FOR CLIENT REVIEW
05-31-2018

DRAWING DESCRIPTION

COVER SHEET

SHEET NUMBER

1

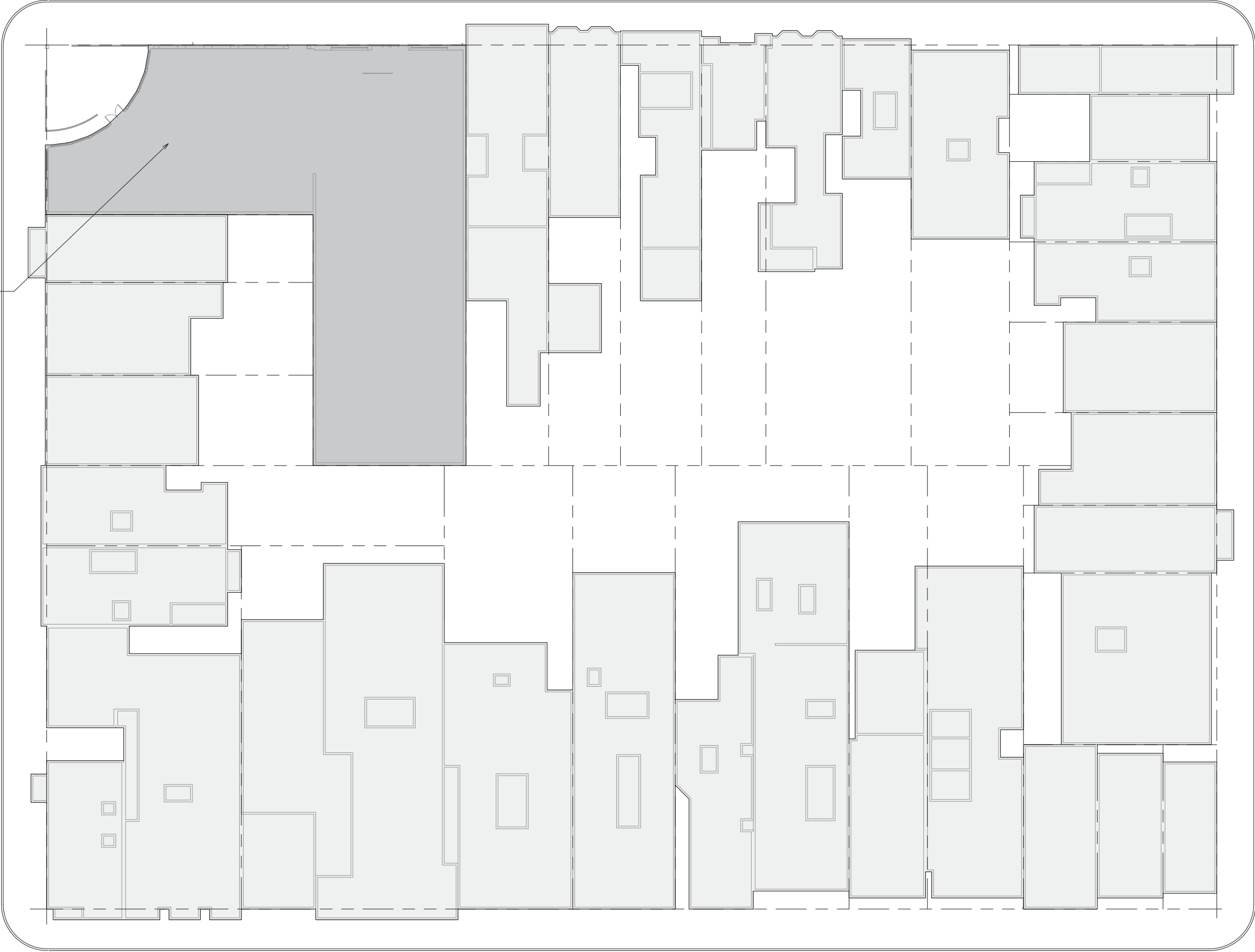
FILBERT STREET

FILLMORE STREET

WEBSTER STREET

UNION STREET

PROJECT ADDRESS:
3060 FILLMORE
STREET



ARCHITECT



960 Atlantic Avenue
Alameda, CA 94501
510 865 8663
mbharch.com

DRAWN BY:	XX
REVIEWED BY:	XX
AOR PROJECT #:	52573

SEAL

CONSULTANT

PROJECT ADDRESS

3060 FILLMORE ST,
SAN FRANCISCO, CA
94123

STORE NUMBER

XXX

ISSUED DATES

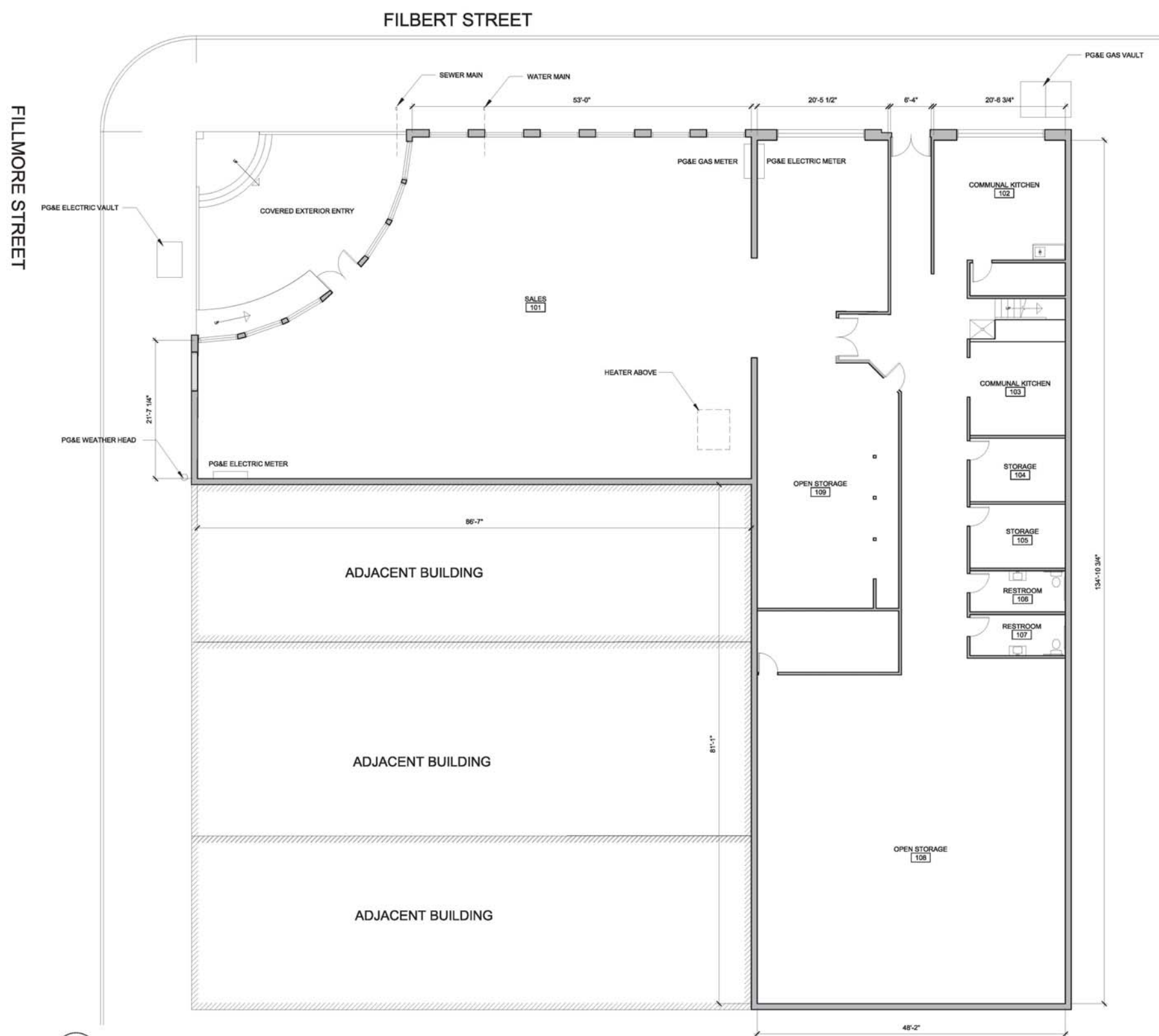
NO.	DATE	DESCRIPTION
		PRELIMINARY PLANNING PACKAGE FOR CLIENT REVIEW 05-31-2018

DRAWING DESCRIPTION

SITE PLAN

SHEET NUMBER

2



legend:
 [hatched box] EXISTING TO REMAIN
 [solid box] NEW PARTITION



49 Powell Street 4F
 San Francisco, CA 94102

key notes:
 TOTAL SQUARE FOOTAGE OF FIRST FLOOR: 10,300 SF
 830 outdoor covered space

project:
3060 FILLMORE
 3060 Fillmore Street
 San Francisco, CA 94123

project team:

sheet notes:
 1. X

sheet title:
Existing First Floor Plan

project: 1771

scale @ 22"x34": 1/8" = 1'-0"
 file: a100 as built.dwg
 drawn by: KD checked by:

north: **A100**

1 EXISTING FIRST FLOOR PLAN
 1/8" = 1'-0"

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 5/12/2018 4:02:20 PM

ARCHITECT



960 Atlantic Avenue
 Alameda, CA 94501
 510 865 8663
 mbharch.com

DRAWN BY: XX
 REVIEWED BY: XX
 AOR PROJECT #: 52573

SEAL

CONSULTANT

PROJECT ADDRESS
**3060 FILLMORE ST,
 SAN FRANCISCO, CA
 94123**

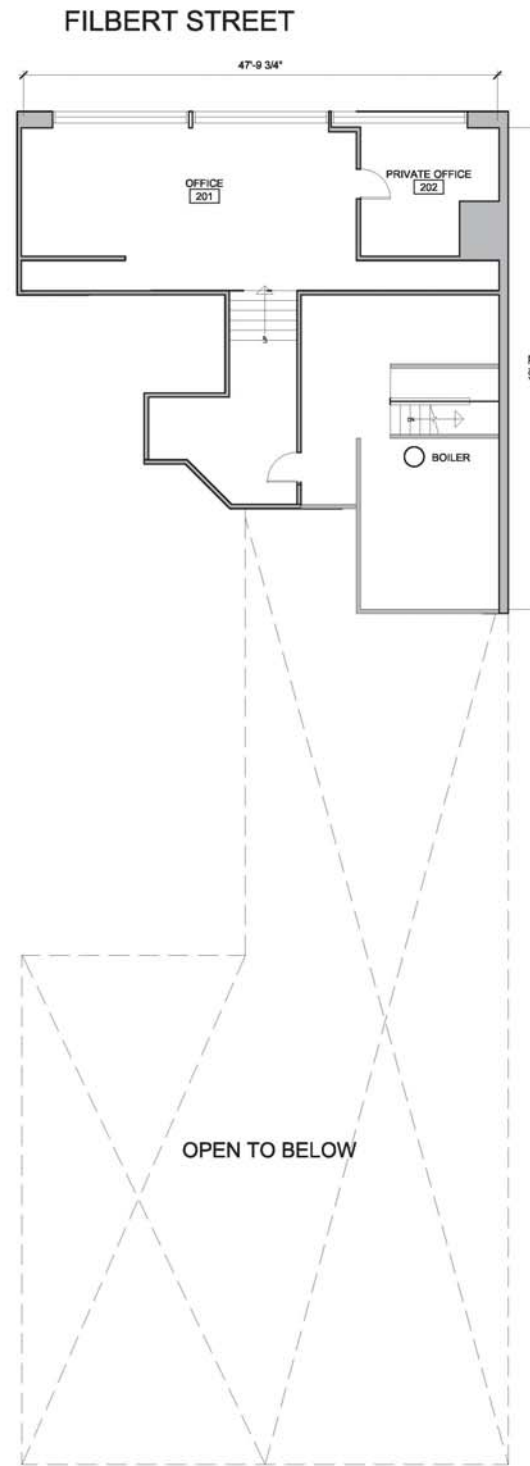
STORE NUMBER
XXX

ISSUED DATES
 NO. DATE: DESCRIPTION:
 PRELIMINARY PLANNING
 PACKAGE FOR CLIENT REVIEW
 05-31-2018

DRAWING DESCRIPTION:
**EXISTING FIRST FLOOR
 PLAN**

SHEET NUMBER:
3A

1 EXISTING MEZZANINE FLOOR PLAN
1/8" = 1'-0"



legend:
 [Grey Box] EXISTING TO REMAIN
 [Dark Grey Box] NEW PARTITION



49 Powell Street 4F
 San Francisco, CA 94102

key notes:
 TOTAL SQUARE FOOTAGE OF SECOND FLOOR: 1,500 SF

project:
3060 FILLMORE

3060 Fillmore Street
 San Francisco, CA 94123

project team:

sheet notes:
 1. X

sheet title:
**Existing Mezzanine
 Floor Plan**

project: 1771

scale @ 22"x34": 1/8" = 1'-0"
 file: a110 as built.dwg
 drawn by: KD checked by:

north: **A110**
 2004 v1.1 14885

ARCHITECT



DRAWN BY: XX
 REVIEWED BY: XX
 AOR PROJECT #: 52573

SEAL

CONSULTANT

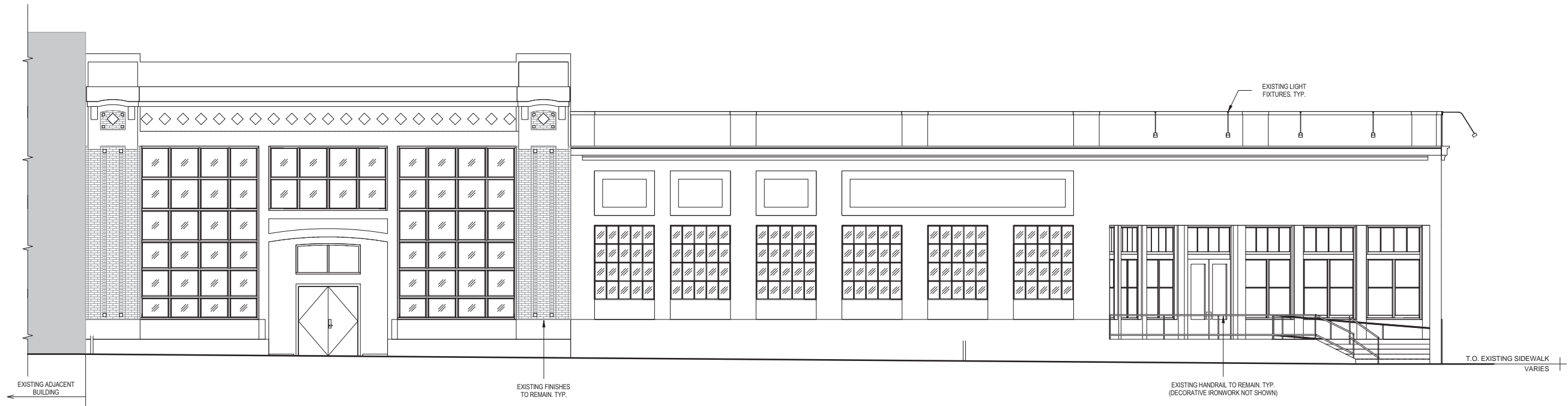
PROJECT ADDRESS
**3060 FILLMORE ST,
 SAN FRANCISCO, CA
 94123**

STORE NUMBER
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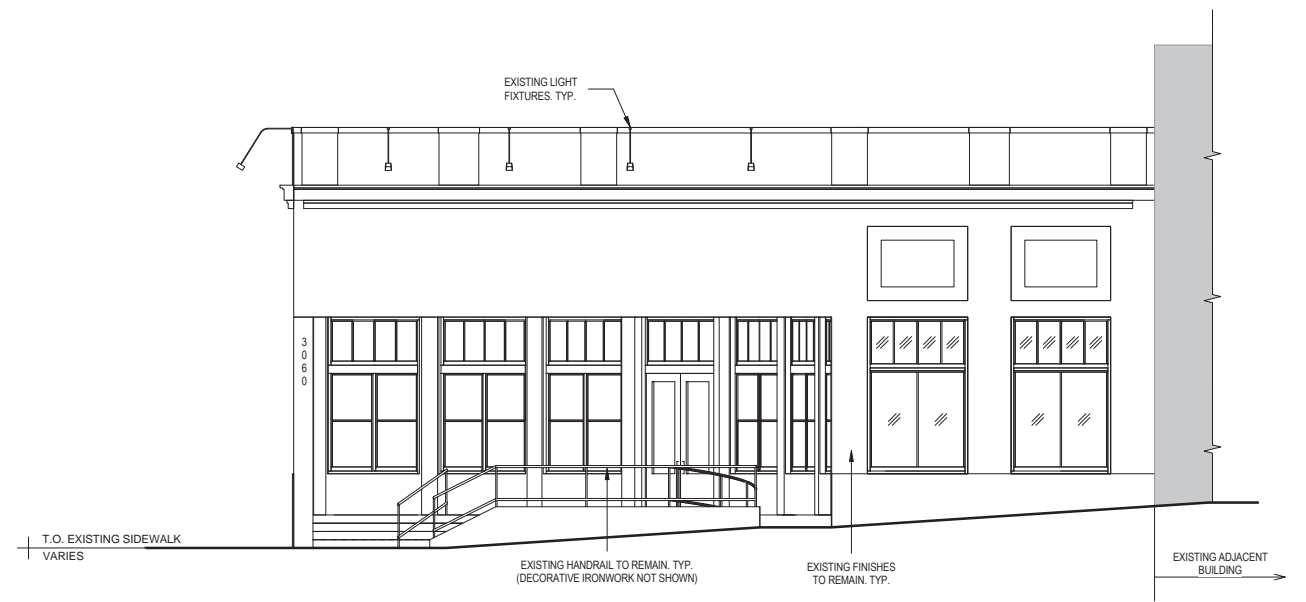
ISSUED DATES
 NO. DATE: DESCRIPTION:
 PRELIMINARY PLANNING
 PACKAGE FOR CLIENT REVIEW
 05-31-2018

DRAWING DESCRIPTION:
**EXISTING MEZZANINE
 FLOOR PLAN**

SHEET NUMBER:
3B



1
EE-001
EXISTING EXTERIOR ELEVATION (ALONG FILBERT STREET)
SCALE: 3/16" = 1'-0"



2
EE-001
EXISTING EXTERIOR ELEVATION (ALONG FILLMORE STREET)
SCALE: 3/16" = 1'-0"

ARCHITECT



DRAWN BY: XX
REVIEWED BY: XX
AOR PROJECT #: 52573

SEAL

CONSULTANT

PROJECT ADDRESS
**3060 FILLMORE ST,
SAN FRANCISCO, CA
94123**

STORE NUMBER
XXX

ISSUED DATES
NO. DATE: DESCRIPTION:

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**EXISTING EXTERIOR
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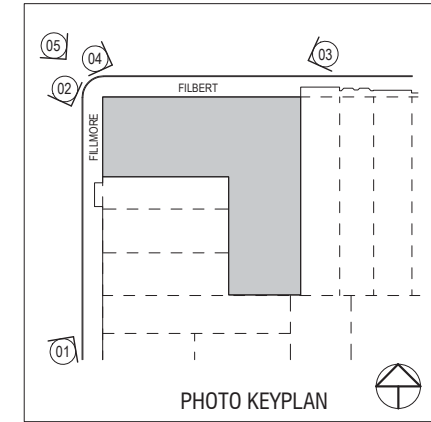
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EE-001



01 - VIEW ALONG FILLMORE STREET



02 - VIEW ALONG FILLMORE STREET



03 - VIEW ALONG FILBERT STREET



04 - VIEW ALONG FILBERT STREET



05 - LOOKING FROM THE INTERSECTION AT FILLMORE AND FILBERT STREET

ARCHITECT

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DRAWN BY: XX
REVIEWED BY: XX
AOR PROJECT #: 52573

SEAL

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STORE NUMBER
XXX

ISSUED DATES
NO. DATE: DESCRIPTION:

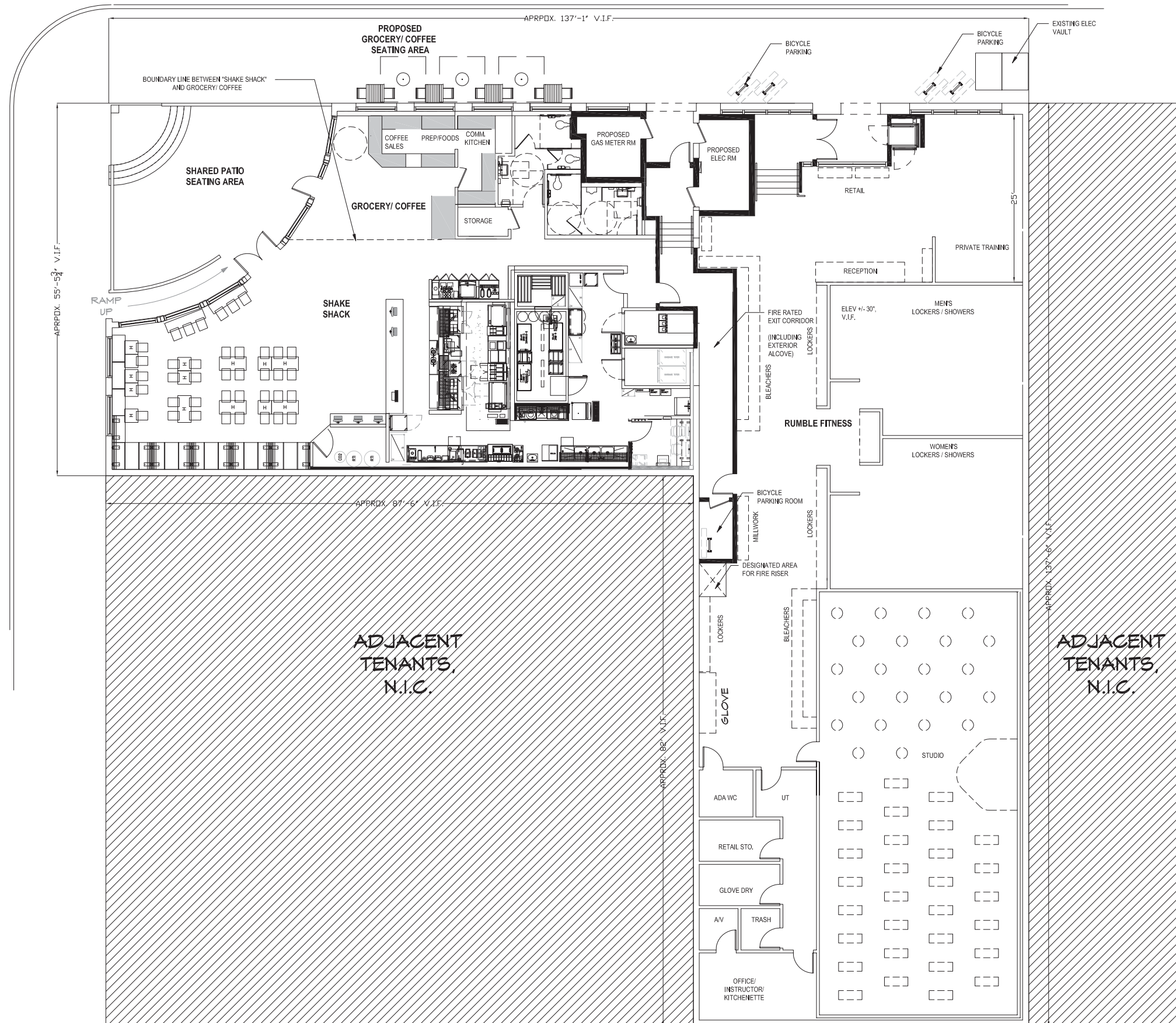
PRELIMINARY PLANNING
PACKAGE FOR CLIENT REVIEW
05-31-2018

DRAWING DESCRIPTION:
EXISTING SITE PHOTOS

SHEET NUMBER:
5

FILBERT STREET

FILLMORE STREET



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 SAN FRANCISCO, CA
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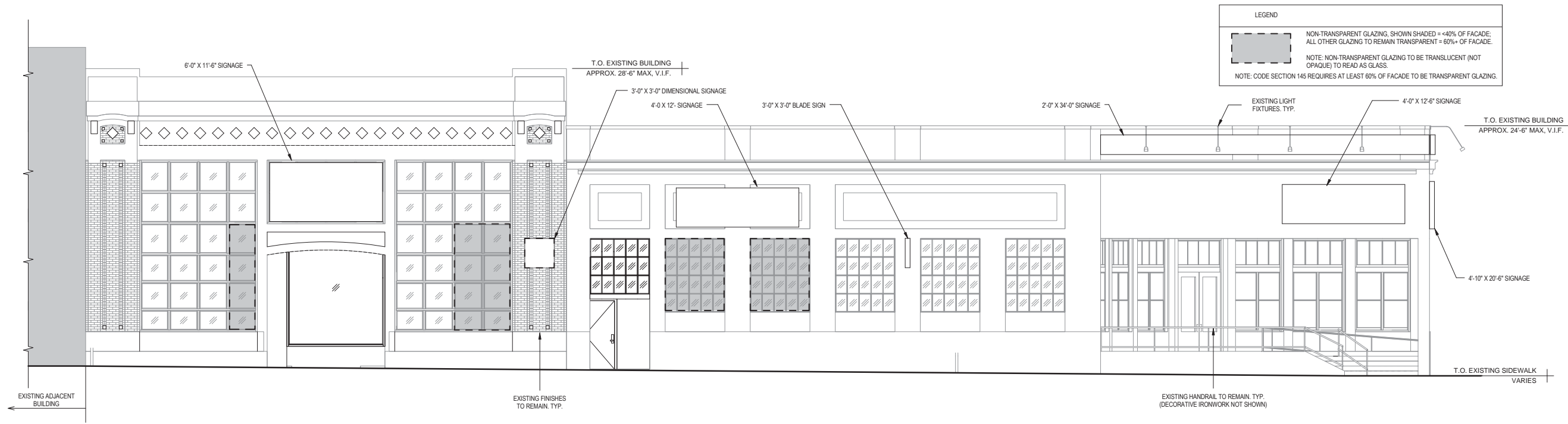
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ISSUED DATES
 NO. DATE: DESCRIPTION:

DRAWING DESCRIPTION:
PRELIMINARY LAYOUT

SHEET NUMBER:
6

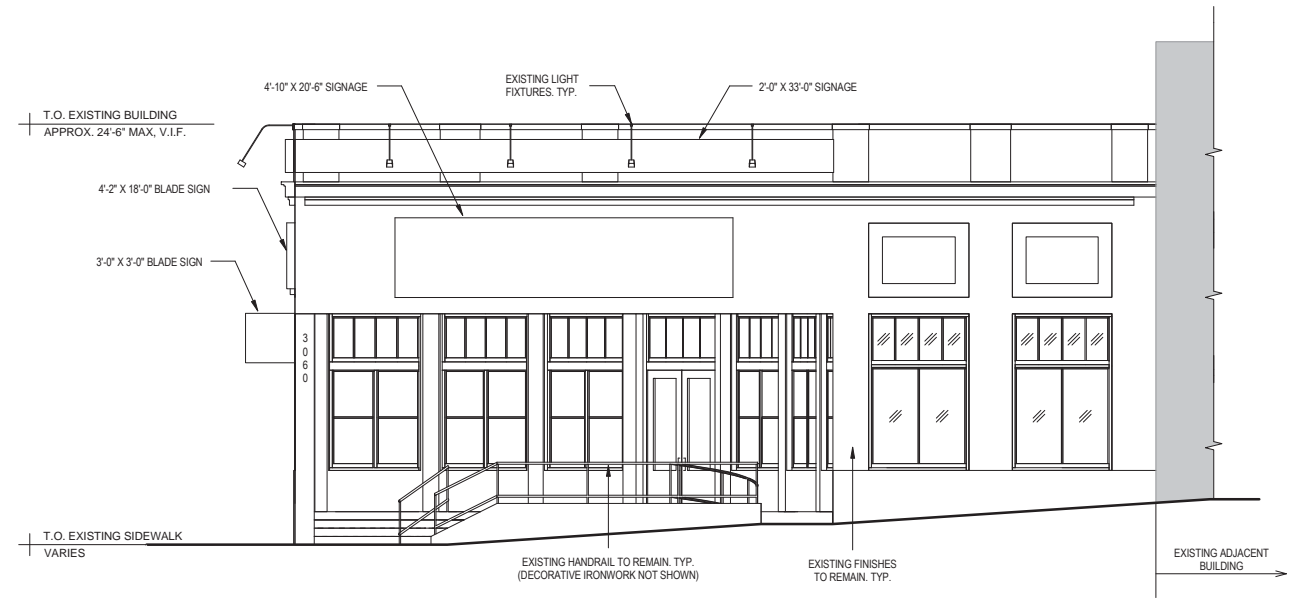




LEGEND
 [Shaded Box] NON-TRANSPARENT GLAZING, SHOWN SHADED = <40% OF FACADE. ALL OTHER GLAZING TO REMAIN TRANSPARENT = 60%+ OF FACADE.
 NOTE: NON-TRANSPARENT GLAZING TO BE TRANSLUCENT (NOT OPAQUE) TO READ AS GLASS.
 NOTE: CODE SECTION 145 REQUIRES AT LEAST 60% OF FACADE TO BE TRANSPARENT GLAZING.

EXTERIOR ELEVATION (ALONG FILBERT STREET)

3/16" = 1'-0"
 1



EXISTING EXTERIOR ELEVATION (ALONG FILLMORE STREET)

3/16" = 1'-0"
 2

ARCHITECT



DRAWN BY: XX
 REVIEWED BY: XX
 AOR PROJECT #: 52573
 SEAL

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 SAN FRANCISCO, CA
 94123

STORE NUMBER
 XXX

ISSUED DATES
 NO. DATE: DESCRIPTION:

DRAWING DESCRIPTION:
 GLAZING EXHIBIT

SHEET NUMBER:
 PE-001.2



EXTERIOR VIEW - RUMBLE FITNESS AND COFFEE SHOP

5/31/2018 4:00:30 PM C:\Users\j050\Fillmore\XXX_360\Fillmore Street_SF_CA_Planning Package_180530 - Item1_180330.rvt

ARCHITECT



DRAWN BY: XX
 REVIEWED BY: XX
 AOR PROJECT #: 52573

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STORE NUMBER
XXX

ISSUED DATES
 NO. DATE: DESCRIPTION:
 PRELIMINARY PLANNING
 PACKAGE FOR CLIENT REVIEW
 05-31-2018

DRAWING DESCRIPTION:
 PRELIMINARY
 EXTERIOR ELEVATION
 RENDERING

SHEET NUMBER:
7A



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REVIEWED BY: XX

AOR PROJECT #: 52573

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STORE NUMBER

XXX

ISSUED DATES

NO. DATE: DESCRIPTION:

PRELIMINARY PLANNING
PACKAGE FOR CLIENT REVIEW
05-31-2018

DRAWING DESCRIPTION:

PRELIMINARY
EXTERIOR ELEVATION
RENDERING

SHEET NUMBER:

7B

EXTERIOR VIEW - COFFEE SHOP/ SHAKE SHACK



EXTERIOR VIEW - SHAKE SHACK

5/31/2018 9:13:50 PM C:\Users\j020\Fillmore\XXX_360\Fillmore\XXX_360\Fillmore\Package_160530 - external_160531.rvt

ARCHITECT



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DRAWN BY: XX
REVIEWED BY: XX
A/C PROJECT #: 52573

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CONSULTANT

PROJECT ADDRESS

3060 FILLMORE ST,
SAN FRANCISCO, CA
94123

STORE NUMBER

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ISSUED DATES

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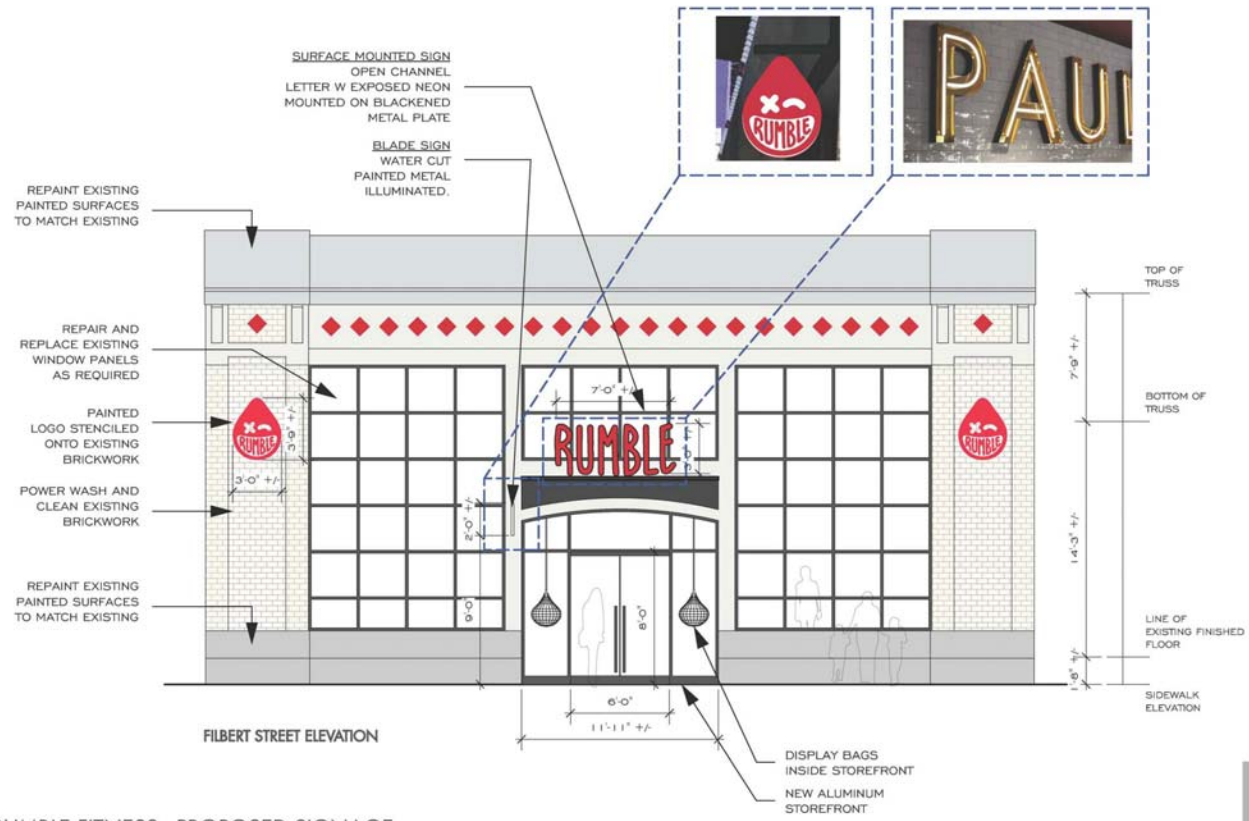
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PACKAGE FOR CLIENT REVIEW
05-31-2018

DRAWING DESCRIPTION

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RENDERING

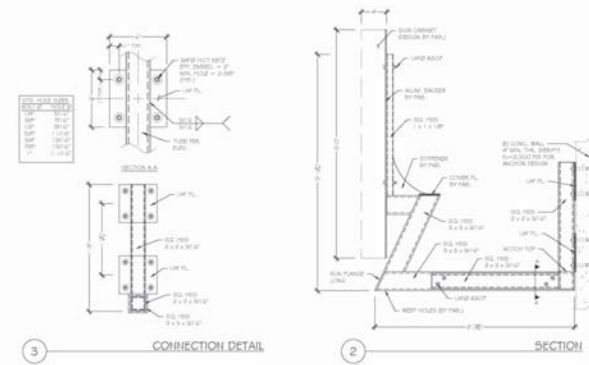
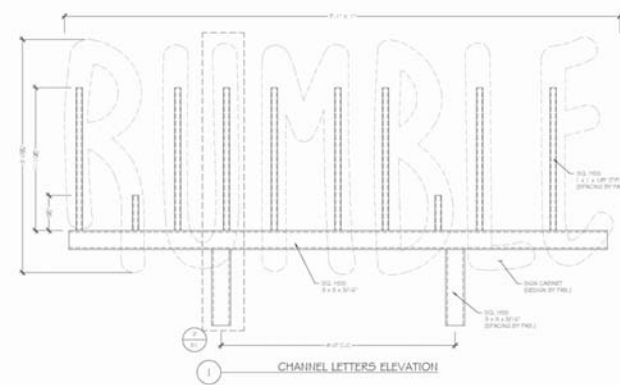
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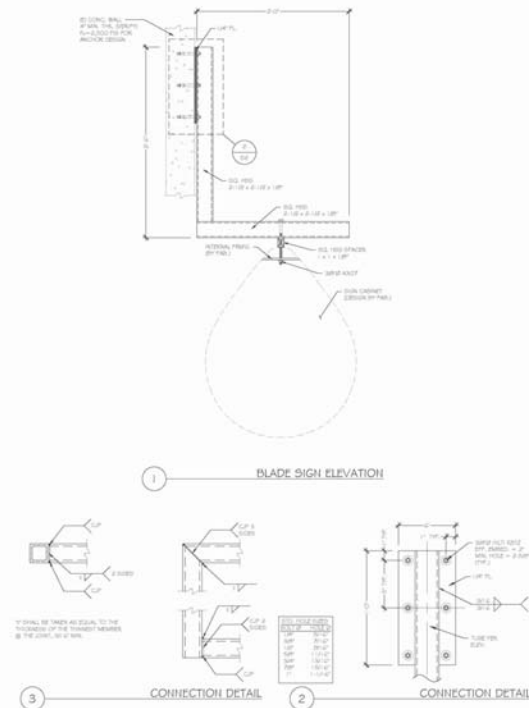


RUMBLE FITNESS - PROPOSED SIGNAGE
BRIGHT ARCHITECTURE

2/23/2018



TYPICAL CONNECTION DETAILS
RUMBLE FITNESS - PROPOSED SIGNAGE
BRIGHT ARCHITECTURE



2/23/2018



ARCHITECT

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REVIEWED BY: XX

ACR PROJECT #: 52573

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XXX

ISSUED DATES

NO. DATE: DESCRIPTION:

PRELIMINARY PLANNING
PACKAGE FOR CLIENT REVIEW
05-31-2018

DRAWING DESCRIPTION

PRELIMINARY SIGNAGE
& SIGNAGE DETAILS

SHEET NUMBER

8

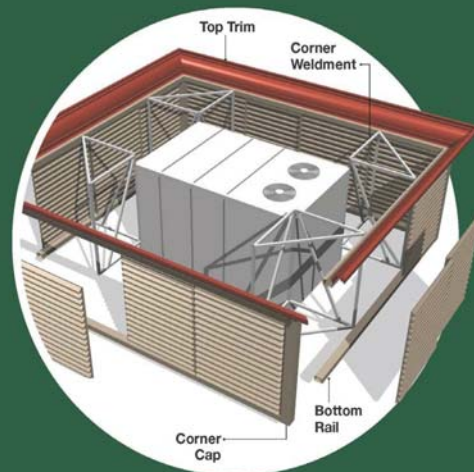
INNOVATIVE ROOFTOP SCREENS



- ZERO ROOFTOP PENETRATION
- APPROVED FOR USE WITH MOST MAJOR BRANDS
- SLIDING PANELS FOR EASY SERVICE ACCESS

Attractive, code-compliant and long lasting, Envisor equipment screens offer affordable, elegant, customized screening solutions that blend into the overall design, all with no rooftop penetration.

Our patented roof screen system provides practical solutions for municipal screening requirements of HVAC units, chillers, air handlers, power exhausts, roof stacks, communication equipment – you name it!

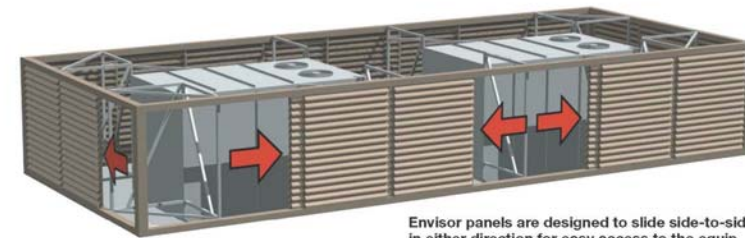


U.S. Patent No. 5,664,384
U.S. Patent No. 7,000,362
U.S. Patent No. 7,707,798

NOTE: THE INTENT IS TO INSTALL MECH EQUIPMENT/UNITS INSIDE THE BUILDING. IF EQUIPMENT IS LOCATED ON THE ROOF, THE PROPOSED ROOF SCREENING METHOD IS TO USE ENVISOR SCREENS PER CUTSHEETS ON THIS SHEET.

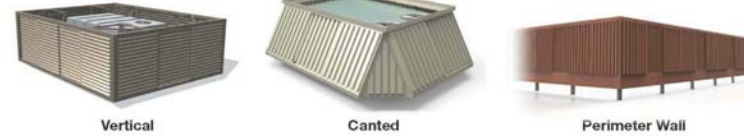
Customizing a screen to fit your needs is easy. Simply choose your design, panel style, trim option and color and tell us about the units you want to screen, our project managers will take care of it.

- Professional grade extruded aluminum structural components
- Patented panel guide tracks
- Acrylicap® ABS with UV co-extruded cap on both sides or durable, weather-resistant aluminum



Envisor panels are designed to slide side-to-side in either direction for easy access to the equipment for servicing and routine maintenance.

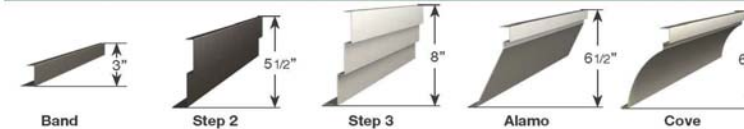
DESIGN OPTIONS



PANEL STYLES



TOP TRIM OPTIONS



COLOR OPTIONS



CUSTOM SOLUTIONS

Envisor equipment screens can be manufactured in a limitless combination of shapes and configurations. Let us design one for you! Just tell us the equipment manufacturer, the model numbers, and the special requirements you might have. Call or visit us online.

(877) 727-3367 CITYSCAPESINC.COM
Envisor | Covrit | ToughGate | NatureScreen | Planx

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DRAWN BY: XX

REVIEWED BY: XX

ACR PROJECT #: 52573

SEAL

CONSULTANT

PROJECT ADDRESS

3060 FILLMORE ST,
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94123

STORE NUMBER

XXX

ISSUED DATES

NO. DATE: DESCRIPTION:

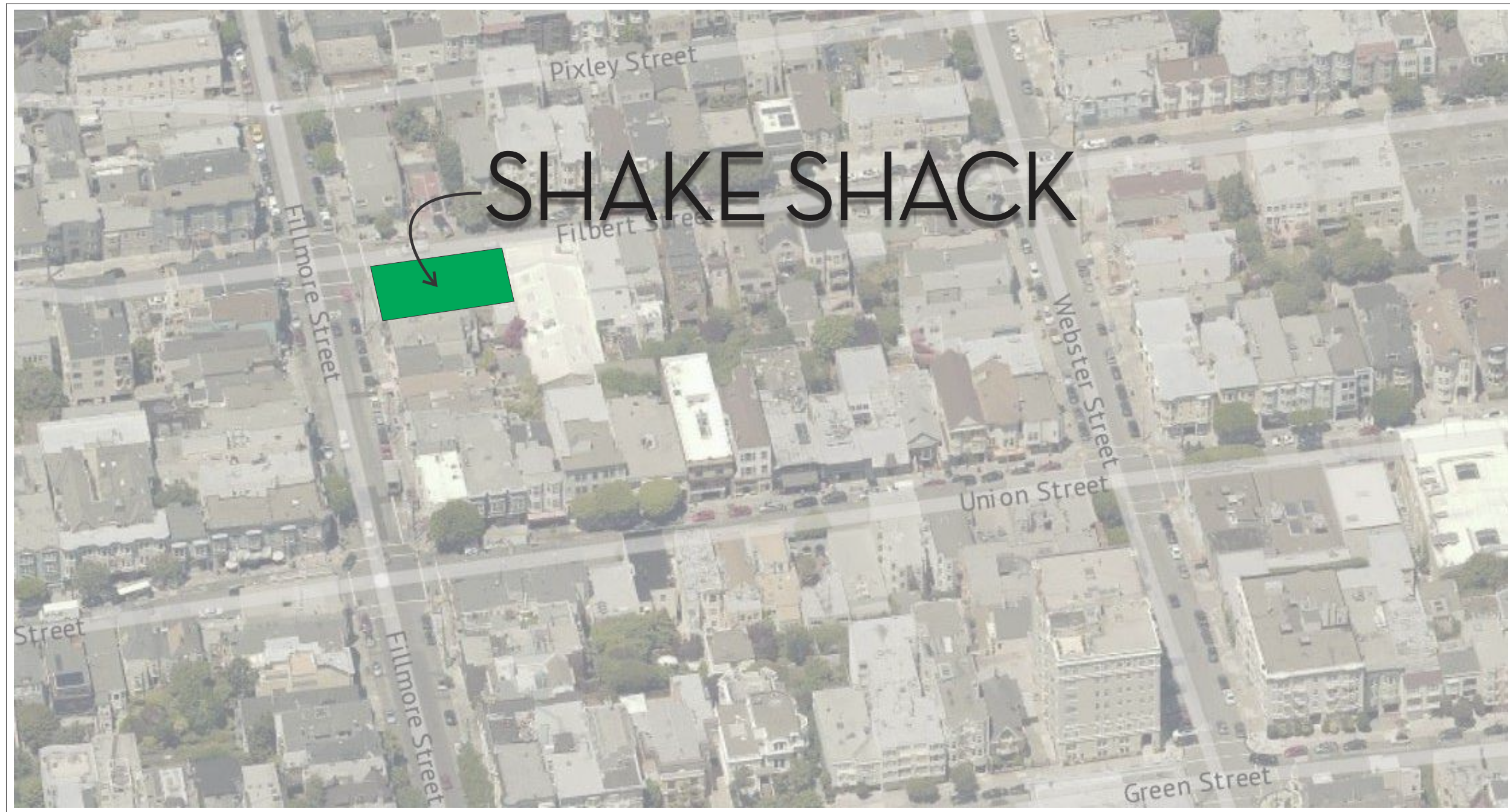
PRELIMINARY PLANNING
PACKAGE FOR CLIENT REVIEW
05-31-2018

DRAWING DESCRIPTION

PROPOSED ROOF
SCREENING (AS
REQUIRED)

SHEET NUMBER

9



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JOB #: **233240-R0**
 DATE: 06.14.2018
 DESIGNER: A. Rocco
 SALES REP:
 PROJ MGR: B. Smith

REV.	DATE	BY	DESCRIPTION
1	00.00.00	XX	XXXX
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CLIENT APPROVAL	DATE
LANDLORD APPROVAL	DATE
QC	

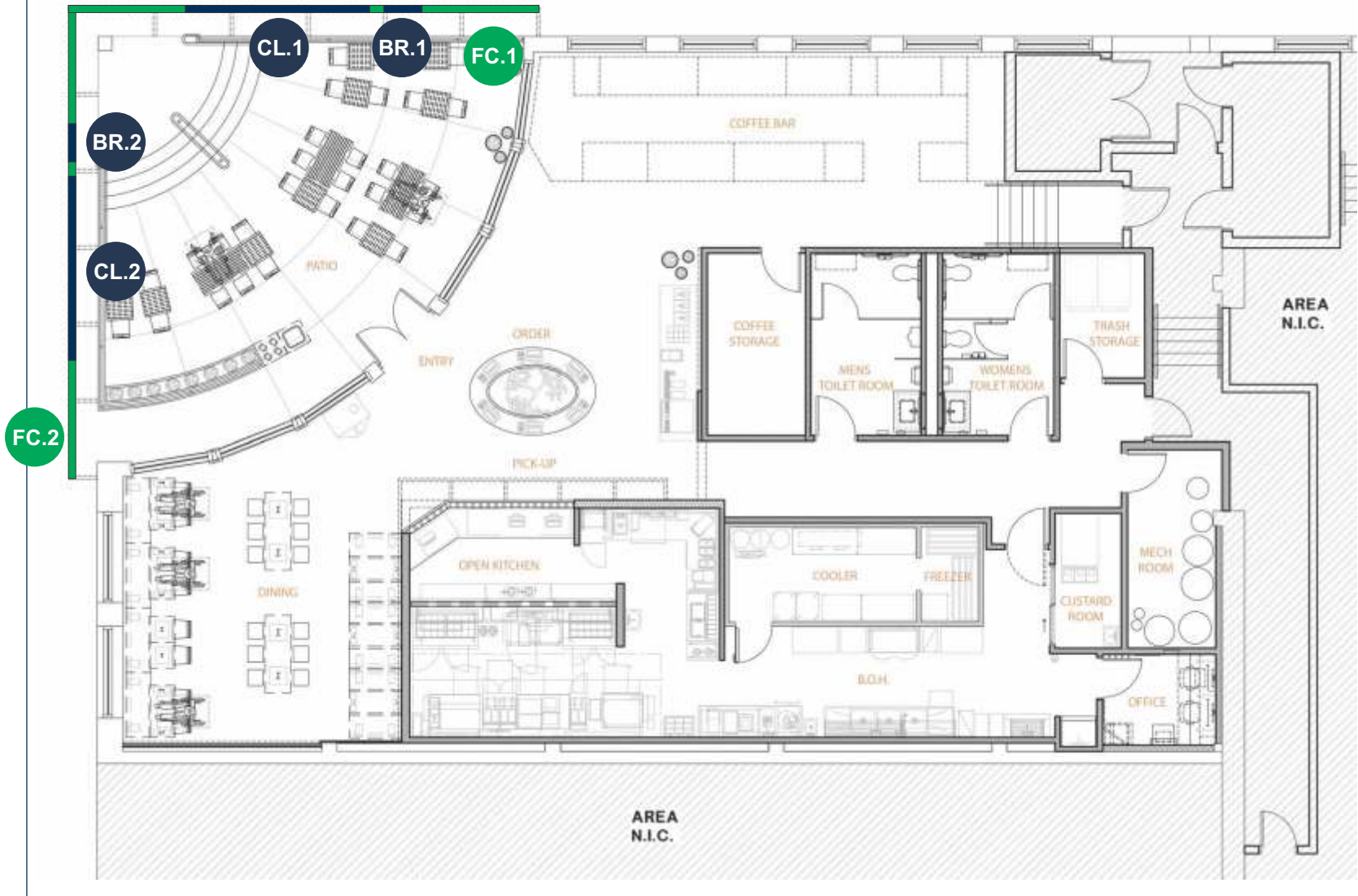
SHAKE SHACK

SHAKE SHACK
 3060 FILLMORE ST.
 SAN FRANCISCO, CA 94123
 DESIGN PHASE: CONCEPTUAL

SHEET NUMBER
0.0

SHAKE SHACK

SITEPLAN



N.T.S.

EXTERIOR-WORK SCOPE

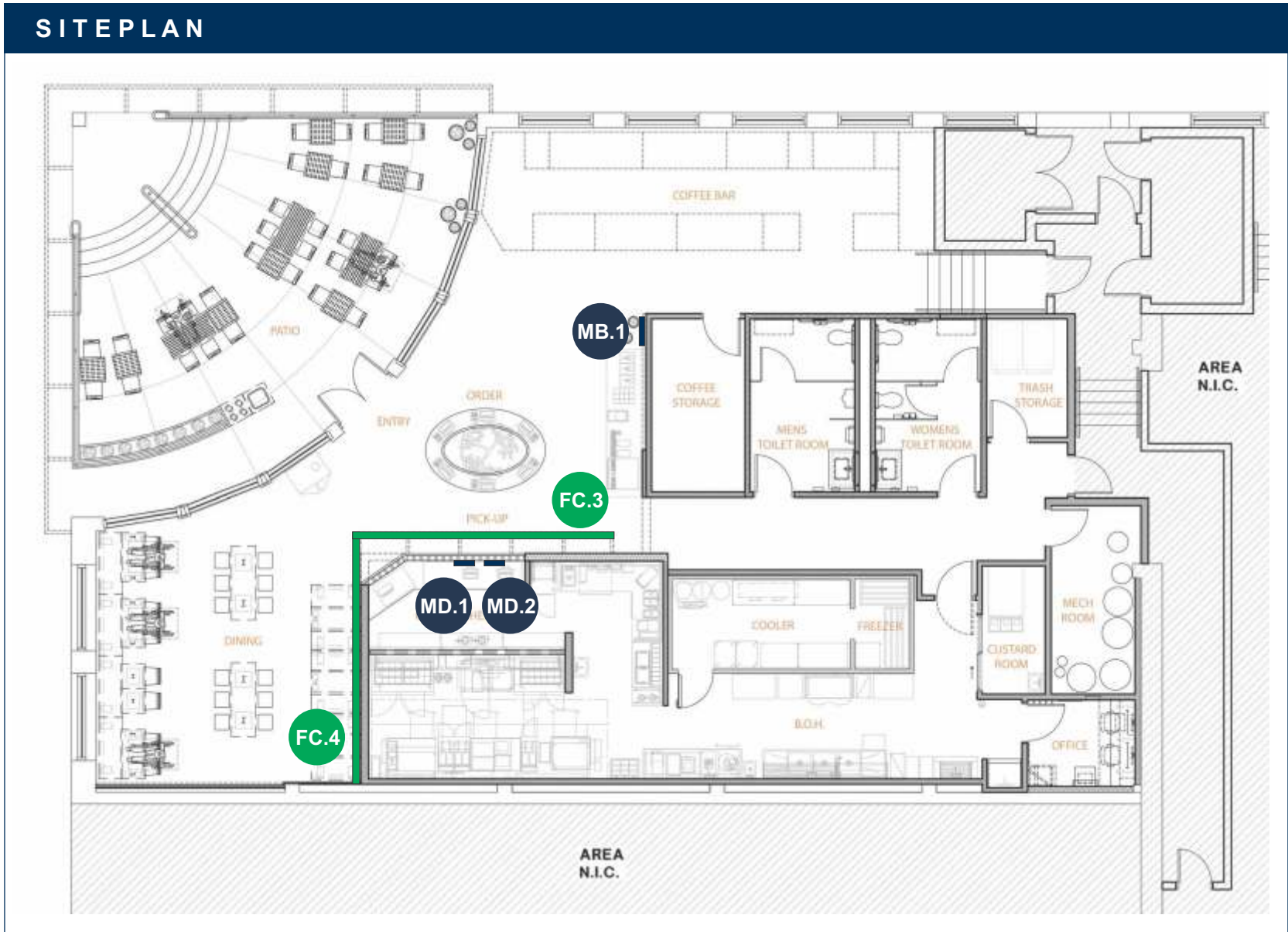
- CL.1 CL.2 24" H CHANNEL LETTERS (QTY 2)
- BR.1 BR.2 24" H S/F PUSH THROUGH BURGER (QTY 2)
- FC.1 8" H BAND OF LETTERS (QTY 1)
- FC.2 8" H BAND OF LETTERS (QTY 1)

CODE ALLOWANCE



JONES SIGN Your Vision. Accomplished. WWW.JONESSIGN.COM	JOB #: 233240-R0 DATE: 06.14.2018 DESIGNER: A. Rocco SALES REP: PROJ MGR: B. Smith	<table border="1"> <thead> <tr> <th>REV.</th> <th>DATE</th> <th>BY</th> <th>DESCRIPTION</th> </tr> </thead> <tbody> <tr><td>1</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> <tr><td>2</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> <tr><td>3</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> <tr><td>4</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> <tr><td>5</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> <tr><td>6</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> <tr><td>7</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> <tr><td>8</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> <tr><td>9</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> <tr><td>10</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> </tbody> </table>	REV.	DATE	BY	DESCRIPTION	1	00.00.00	XX	XXXX	2	00.00.00	XX	XXXX	3	00.00.00	XX	XXXX	4	00.00.00	XX	XXXX	5	00.00.00	XX	XXXX	6	00.00.00	XX	XXXX	7	00.00.00	XX	XXXX	8	00.00.00	XX	XXXX	9	00.00.00	XX	XXXX	10	00.00.00	XX	XXXX	CLIENT APPROVAL _____ DATE _____ LANDLORD APPROVAL _____ DATE _____ QC _____	<h1>SHAKE SHACK</h1>	SHAKE SHACK 3060 FILLMORE ST. SAN FRANCISCO, CA 94123	SHEET NUMBER <h1>0.1</h1>
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- ### INTERIOR-WORK SCOPE
- FC.3** 6" H BAND OF LETTERS (QTY 1)
 - FC.4** 6" H BAND OF LETTERS (QTY 1)
 - MB.1** MENU BOARD - WALL MOUNTED (QTY 1)
 - MD.1 MD.2** MENU DISPLAYS (QTY 2)

N.T.S.

INTERIOR LOCATION PLAN - Proposed
SCALE: N.T.S.

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JOB #: **233240-R0**
DATE: 06.14.2018
DESIGNER: A. Rocco
SALES REP:
PROJ MGR: B. Smith

REV.	DATE	BY	DESCRIPTION
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CLIENT APPROVAL	DATE
LANDLORD APPROVAL	DATE
QC	

SHAKE SHACK

SHAKE SHACK
3060 FILLMORE ST.
SAN FRANCISCO, CA 94123
DESIGN PHASE: CONCEPTUAL

SHEET NUMBER
0.2

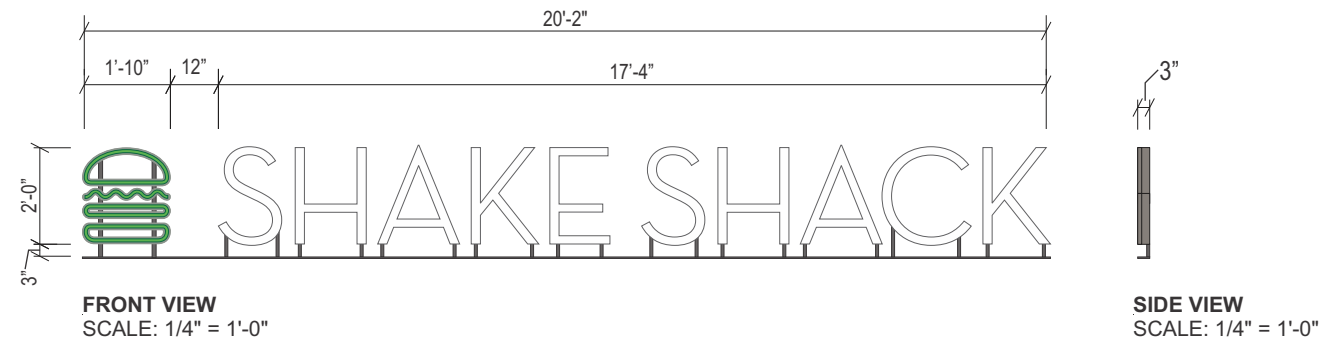
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CL.1/BR.1 FACE LIT CHANNEL LETTERS W/ S/F PUSH THROUGH BURGER (Qty 1)

SQUARE FOOTAGE: 40.33



EXTERIOR RENDER
SCALE: NTS

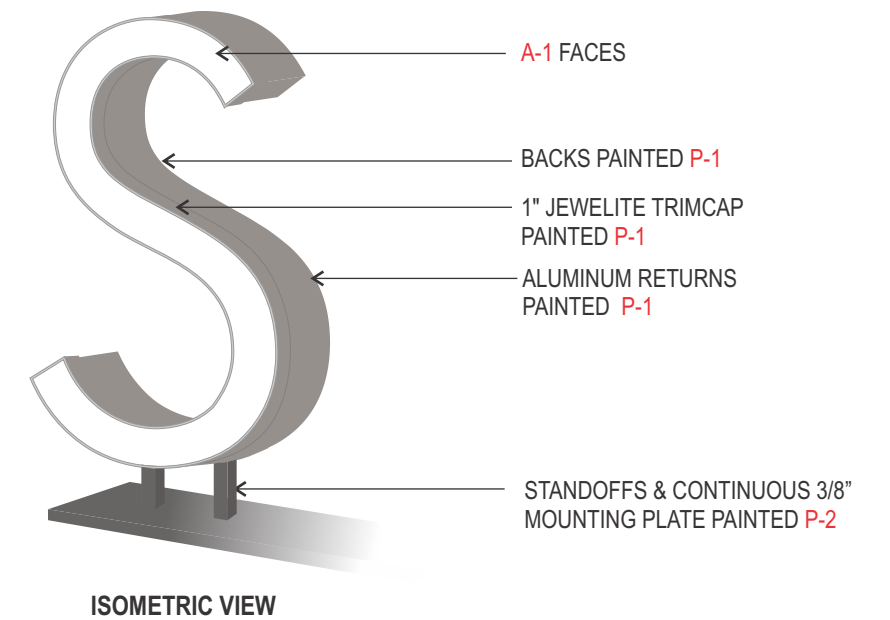


SPECIFICATIONS

- ILLUMINATED CHANNEL LETTERS W/ A-1 FACES W/ WHITE LED ILLUMINATION. ALUMINUM RETURNS & 1" JEWELITE TRIMCAP PAINTED P-1. 3/4" SQ. STAND-OFFS WELDED TO 3/8" THK. PLATE PAINTED P-2. RACEWAY PTD. P-2
- S/F LED ILLUMINATED ROUTED & PUSHED THRU FACE. ACRYLIC CABINET PAINTED P-1, WITH 1/2" PUSH THRU CLEAR ACRYLIC FACE. 1ST & 2ND SURFACE VINYL V-1. 1" SQ. SUPPORTS & HARDWARE P-2. RACEWAY PTD. P-2

COLORS/FINISHES

- P-1 MP 18140 SMOKY SILVER METALLIC - MATTE FINISH
- P-2 SW 7069 - IRON ORE - MATTE FINISH
- A-1 .1875" THICK WHITE ACRYLIC FACE
- A-2 CLEAR ACRYLIC
- V-1 3M 3630-106 BRILLIANT GREEN - TRANS VINYL (1ST & 2ND SURFACE)



JONES SIGN Your Vision. Accomplished. WWW.JONESSIGN.COM	JOB #: 233240-R0 DATE: 06.14.2018 DESIGNER: A. Rocco SALES REP: PROJ MGR: B. Smith	<table border="1" style="width: 100%; border-collapse: collapse; font-size: 8px;"> <thead> <tr> <th>REV.</th> <th>DATE</th> <th>BY</th> <th>DESCRIPTION</th> </tr> </thead> <tbody> <tr><td>1</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> <tr><td>2</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> <tr><td>3</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> <tr><td>4</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> <tr><td>5</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> <tr><td>6</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> <tr><td>7</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> <tr><td>8</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> <tr><td>9</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> <tr><td>10</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> </tbody> </table>	REV.	DATE	BY	DESCRIPTION	1	00.00.00	XX	XXXX	2	00.00.00	XX	XXXX	3	00.00.00	XX	XXXX	4	00.00.00	XX	XXXX	5	00.00.00	XX	XXXX	6	00.00.00	XX	XXXX	7	00.00.00	XX	XXXX	8	00.00.00	XX	XXXX	9	00.00.00	XX	XXXX	10	00.00.00	XX	XXXX	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">CLIENT APPROVAL</td> <td style="width: 50%;">DATE</td> </tr> <tr> <td>LANDLORD APPROVAL</td> <td>DATE</td> </tr> <tr> <td colspan="2" style="text-align: center;">QC</td> </tr> </table>	CLIENT APPROVAL	DATE	LANDLORD APPROVAL	DATE	QC		<h1 style="font-size: 48px; margin: 0;">SHAKE SHACK</h1>	SHAKE SHACK 3060 FILLMORE ST. SAN FRANCISCO, CA 94123 DESIGN PHASE: CONCEPTUAL	SHEET NUMBER <h1 style="font-size: 36px; margin: 0;">1.0</h1>
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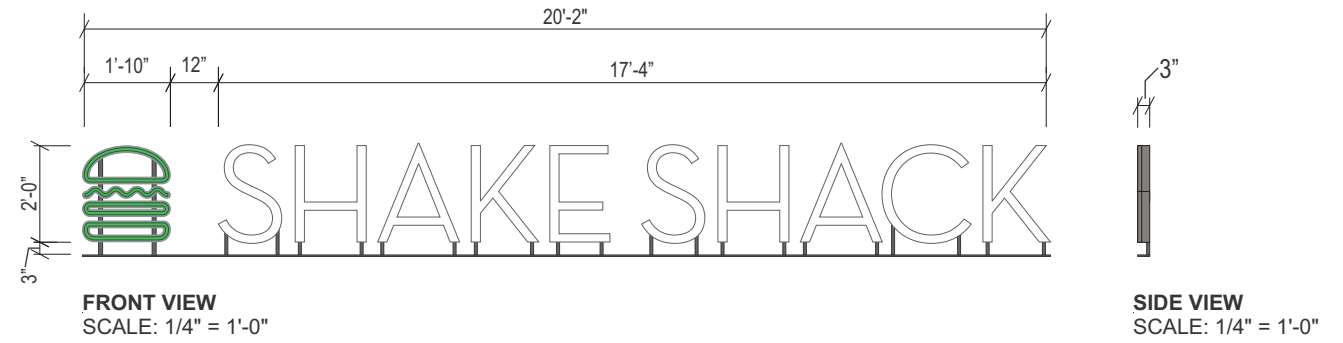
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CL.2/BR.2 FACE LIT CHANNEL LETTERS W/ S/F PUSH THROUGH BURGER (Qty 1)

SQUARE FOOTAGE: 40.33



EXTERIOR RENDER
SCALE: NTS

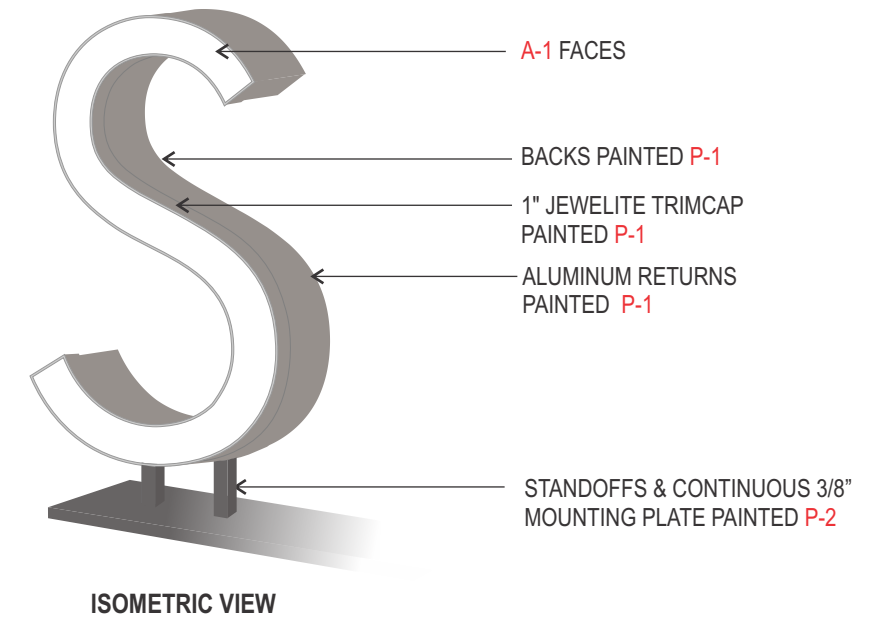


SPECIFICATIONS

- ILLUMINATED CHANNEL LETTERS W/ A-1 FACES W/ WHITE LED ILLUMINATION. ALUMINUM RETURNS & 1" JEWELITE TRIMCAP PAINTED P-1. 3/4" SQ. STAND-OFFS WELDED TO 3/8" THK. PLATE PAINTED P-2. RACEWAY PTD. P-2
- S/F LED ILLUMINATED ROUTED & PUSHED THRU FACE. ACRYLIC CABINET PAINTED P-1, WITH 1/2" PUSH THRU CLEAR ACRYLIC FACE. 1ST & 2ND SURFACE VINYL V-1. 1" SQ. SUPPORTS & HARDWARE P-2. RACEWAY PTD. P-2

COLORS/FINISHES

- P-1 MP 18140 SMOKY SILVER METALLIC - MATTE FINISH
- P-2 SW 7069 - IRON ORE - MATTE FINISH
- A-1 .1875" THICK WHITE ACRYLIC FACE
- A-2 CLEAR ACRYLIC
- V-1 3M 3630-106 BRILLIANT GREEN - TRANS VINYL (1ST & 2ND SURFACE)

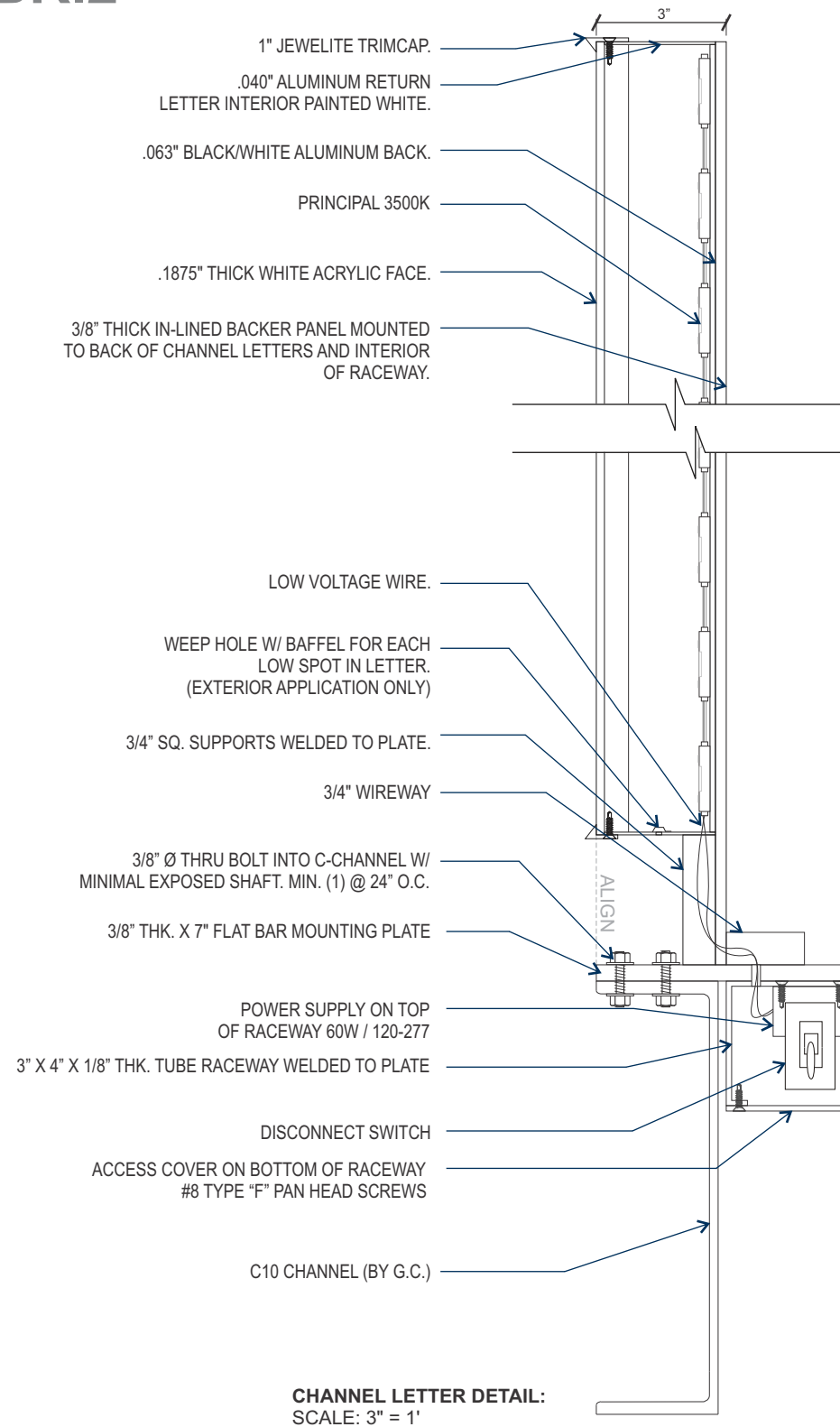


<h2 style="margin: 0;">JONES SIGN</h2> <p style="margin: 0;">Your Vision. Accomplished.</p> <p style="margin: 0;">WWW.JONESSIGN.COM</p>	JOB #: 233240-R0 DATE: 06.14.2018 DESIGNER: A. Rocco SALES REP: PROJ MGR: B. Smith	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>REV.</th> <th>DATE</th> <th>BY</th> <th>DESCRIPTION</th> </tr> </thead> <tbody> <tr><td>1</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> <tr><td>2</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> <tr><td>3</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> <tr><td>4</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> <tr><td>5</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> <tr><td>6</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> <tr><td>7</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> <tr><td>8</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> <tr><td>9</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> <tr><td>10</td><td>00.00.00</td><td>XX</td><td>XXXX</td></tr> </tbody> </table>	REV.	DATE	BY	DESCRIPTION	1	00.00.00	XX	XXXX	2	00.00.00	XX	XXXX	3	00.00.00	XX	XXXX	4	00.00.00	XX	XXXX	5	00.00.00	XX	XXXX	6	00.00.00	XX	XXXX	7	00.00.00	XX	XXXX	8	00.00.00	XX	XXXX	9	00.00.00	XX	XXXX	10	00.00.00	XX	XXXX	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">CLIENT APPROVAL</td> <td style="width: 50%;">DATE</td> </tr> <tr> <td> </td> <td> </td> </tr> <tr> <td>LANDLORD APPROVAL</td> <td>DATE</td> </tr> <tr> <td> </td> <td> </td> </tr> <tr> <td>QC</td> <td> </td> </tr> </table>	CLIENT APPROVAL	DATE			LANDLORD APPROVAL	DATE			QC		<h1 style="font-size: 48px; margin: 0;">SHAKE SHACK</h1>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"> SHAKE SHACK 3060 FILLMORE ST. SAN FRANCISCO, CA 94123 </td> <td style="width: 20%; text-align: center;"> SHEET NUMBER <h2 style="font-size: 24px; margin: 0;">2.0</h2> </td> </tr> <tr> <td colspan="2" style="text-align: center;">DESIGN PHASE: CONCEPTUAL</td> </tr> </table>	SHAKE SHACK 3060 FILLMORE ST. SAN FRANCISCO, CA 94123	SHEET NUMBER <h2 style="font-size: 24px; margin: 0;">2.0</h2>	DESIGN PHASE: CONCEPTUAL	
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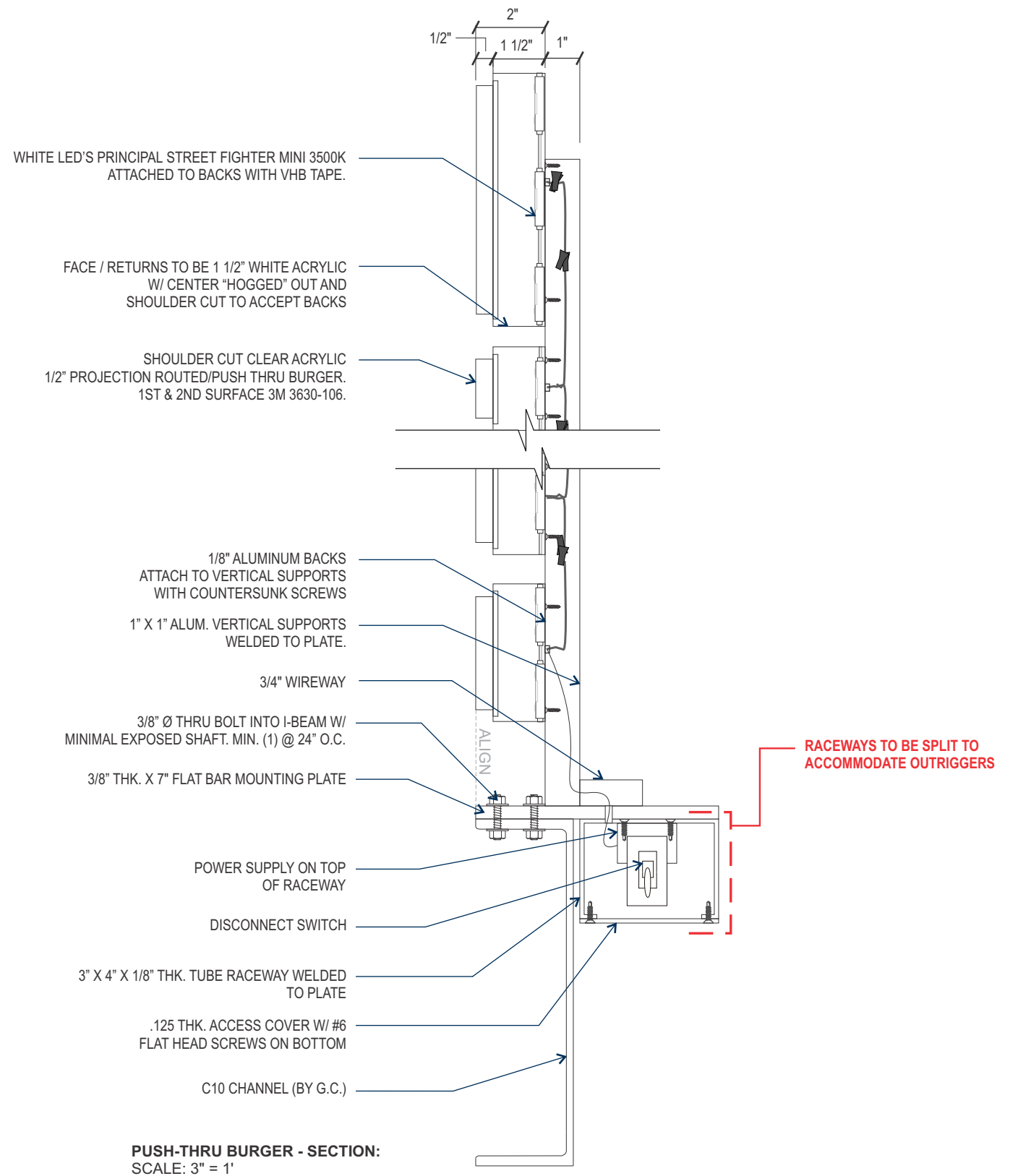
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CL.1/BR.1 FACE LIT CHANNEL LETTERS W/ PUSH THROUGH BURGER (Qty 1)

CL.2/BR.2



RACEWAYS TO BE SPLIT TO ACCOMMODATE OUTRIGGERS



RACEWAYS TO BE SPLIT TO ACCOMMODATE OUTRIGGERS

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JOB #: 233240-R0
DATE: 06.14.2018
DESIGNER: A. Rocco
SALES REP:
PROJ MGR: B. Smith

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CLIENT APPROVAL	DATE
LANDLORD APPROVAL	DATE
QC	

SHAKE SHACK

SHAKE SHACK
3060 FILLMORE ST.
SAN FRANCISCO, CA 94123

DESIGN PHASE: CONCEPTUAL

SHEET NUMBER

3.0

FC.1/FC.2 EXTERIOR BAND OF LETTERS W/ BACKER PANEL (Qty 2 Sets)

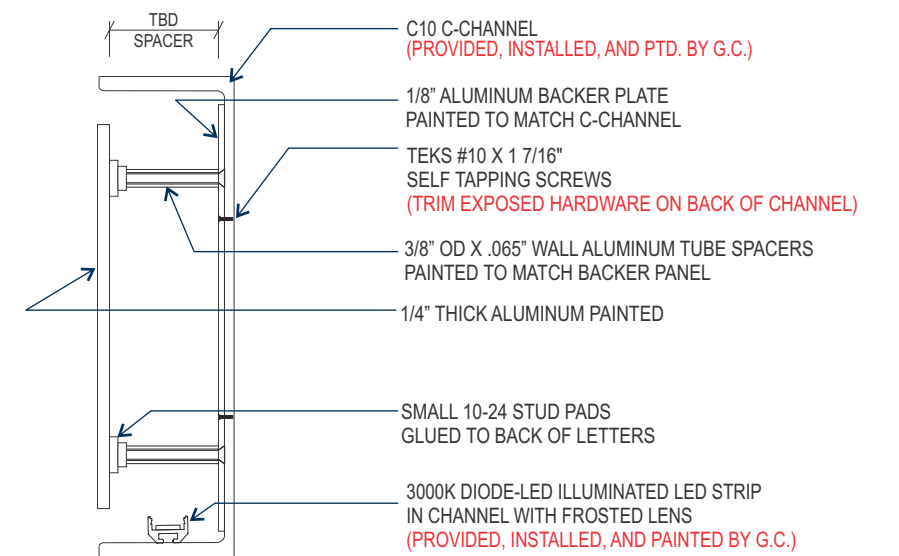
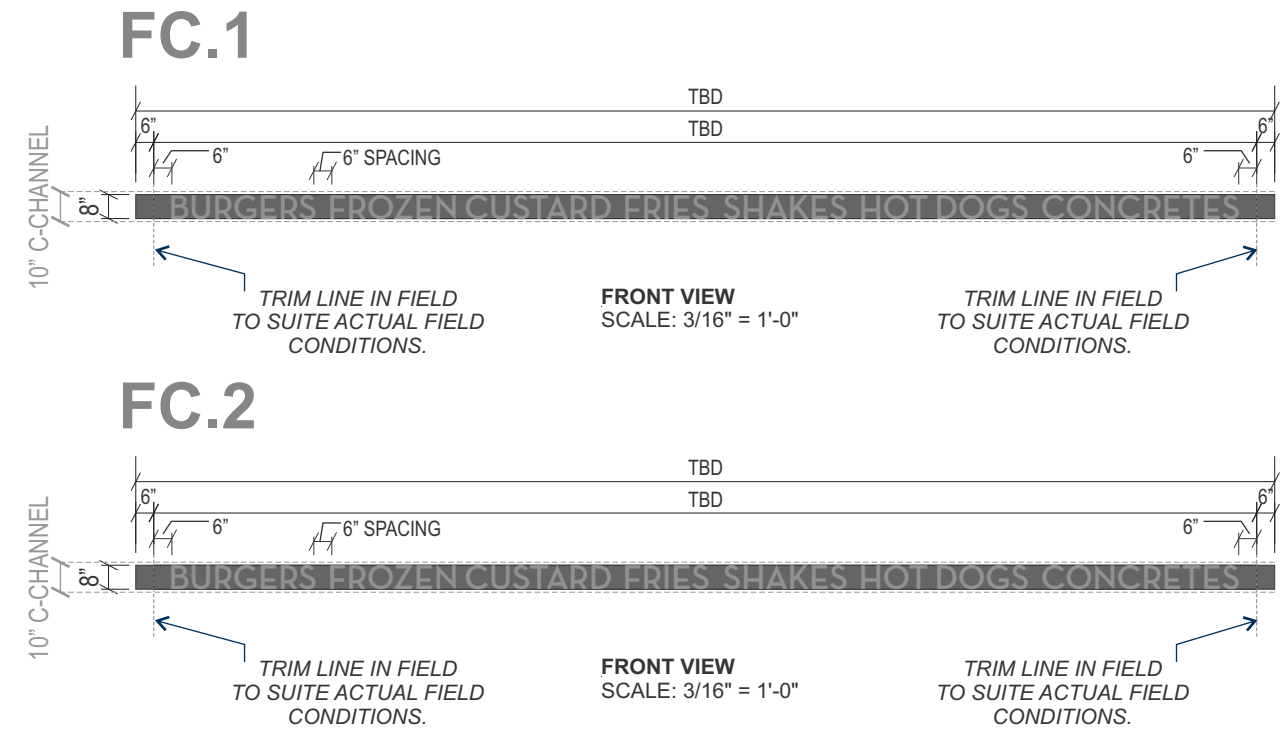
SQUARE FOOTAGE: FC.1 - TBD

SQUARE FOOTAGE: FC.2 - TBD

FIELD SURVEY REQUIRED



EXTERIOR RENDER
SCALE: NTS



C-CHANNEL - BAND OF LETTERS - DETAIL
SCALE: 3" = 1'-0"

SPECIFICATIONS

- 1/4" THK. ALUMINUM PAINTED P-5
- 3/8" Ø SPACER TUBES AND BACKER PANEL PTD. P-2

COLORS/FINISHES

- P-5 RAL 7042 TRAFFIC GREY - MATTE FINISH
- P-2 SW 7069 - IRON ORE - MATTE FINISH

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Exhibit C:

Environmental Determination

Conditional Use Hearing
Case Number 2018-005694CUA
3060 Fillmore Street
Block 0533 Lot 040



SAN FRANCISCO PLANNING DEPARTMENT

CEQA Categorical Exemption Determination

PROPERTY INFORMATION/PROJECT DESCRIPTION

Project Address		Block/Lot(s)
3060 FILLMORE ST		0533040
Case No.		Permit No.
2018-005694PRJ		
<input checked="" type="checkbox"/> Addition/ Alteration	<input type="checkbox"/> Demolition (requires HRE for Category B Building)	<input type="checkbox"/> New Construction
<p>Project description for Planning Department approval.</p> <p>Conditional Use Authorization request for a change of use from the approximately 11,700 square-foot General Grocery use (currently vacant, formerly d.b.a. Real Food Company) into three retail spaces including a Formula Retail/Restaurant use (d.b.a. Shake Shack) measuring approximately 3,650 square feet, a gGym use (d.b.a. Rumble Fitness) measuring approximately 6,583 square feet, and a Specialty Grocery use (d.b.a. Indie World Market) measuring approximately 700 square feet. The proposed restaurant will make use of the existing portico on the southeast corner of Fillmore and Filbert Streets to provide an outdoor seating area, located entirely within the subject property. The proposal involves interior tenant improvements to the building, a new secondary means of egress on the Filbert Street frontage, and permitted business signage. There will be no expansion of the existing building envelope.</p>		

STEP 1: EXEMPTION CLASS

Note: If neither class applies, an <i>Environmental Evaluation Application</i> is required.	
<input checked="" type="checkbox"/>	Class 1 - Existing Facilities. Interior and exterior alterations; additions under 10,000 sq. ft.
<input type="checkbox"/>	Class 3 - New Construction. Up to three new single-family residences or six dwelling units in one building; commercial/office structures; utility extensions; change of use under 10,000 sq. ft. if principally permitted or with a CU.
<input type="checkbox"/>	<p>Class 32 - In-Fill Development. New Construction of seven or more units or additions greater than 10,000 sq. ft. and meets the conditions described below:</p> <p>(a) The project is consistent with the applicable general plan designation and all applicable general plan policies as well as with applicable zoning designation and regulations.</p> <p>(b) The proposed development occurs within city limits on a project site of no more than 5 acres substantially surrounded by urban uses.</p> <p>(c) The project site has no value as habitat for endangered rare or threatened species.</p> <p>(d) Approval of the project would not result in any significant effects relating to traffic, noise, air quality, or water quality.</p> <p>(e) The site can be adequately served by all required utilities and public services.</p> <p>FOR ENVIRONMENTAL PLANNING USE ONLY</p>
<input type="checkbox"/>	Class _____

STEP 2: CEQA IMPACTS

TO BE COMPLETED BY PROJECT PLANNER

If any box is checked below, an *Environmental Evaluation Application* is required.

<input type="checkbox"/>	Air Quality: Would the project add new sensitive receptors (specifically, schools, day care facilities, hospitals, residential dwellings, and senior-care facilities within an Air Pollution Exposure Zone? Does the project have the potential to emit substantial pollutant concentrations (e.g., backup diesel generators, heavy industry, diesel trucks, etc.)? (refer to EP_ArcMap > CEQA Catex Determination Layers > Air Pollution Exposure Zone)
<input type="checkbox"/>	Hazardous Materials: If the project site is located on the Maher map or is suspected of containing hazardous materials (based on a previous use such as gas station, auto repair, dry cleaners, or heavy manufacturing, or a site with underground storage tanks): Would the project involve 50 cubic yards or more of soil disturbance - or a change of use from industrial to residential? If yes, this box must be checked and the project applicant must submit an Environmental Application with a Phase I Environmental Site Assessment. <i>Exceptions: do not check box if the applicant presents documentation of enrollment in the San Francisco Department of Public Health (DPH) Maher program, a DPH waiver from the Maher program, or other documentation from Environmental Planning staff that hazardous material effects would be less than significant (refer to EP_ArcMap > Maher layer).</i>
<input type="checkbox"/>	Transportation: Does the project create six (6) or more net new parking spaces or residential units? Does the project have the potential to adversely affect transit, pedestrian and/or bicycle safety (hazards) or the adequacy of nearby transit, pedestrian and/or bicycle facilities?
<input type="checkbox"/>	Archeological Resources: Would the project result in soil disturbance/modification greater than two (2) feet below grade in an archeological sensitive area or eight (8) feet in a non -archeological sensitive area? (refer to EP_ArcMap > CEQA Catex Determination Layers > Archeological Sensitive Area)
<input type="checkbox"/>	Subdivision/Lot Line Adjustment: Does the project site involve a subdivision or lot line adjustment on a lot with a slope average of 20% or more? (refer to EP_ArcMap > CEQA Catex Determination Layers > Topography)
<input type="checkbox"/>	Slope = or > 20%: Does the project involve any of the following: (1) square footage expansion greater than 1,000 sq. ft. outside of the existing building footprint, (2) excavation of 50 cubic yards or more of soil, (3) new construction? (refer to EP_ArcMap > CEQA Catex Determination Layers > Topography) If box is checked, a geotechnical report is required.
<input type="checkbox"/>	Seismic: Landslide Zone: Does the project involve any of the following: (1) square footage expansion greater than 1,000 sq. ft. outside of the existing building footprint, (2) excavation of 50 cubic yards or more of soil, (3) new construction? (refer to EP_ArcMap > CEQA Catex Determination Layers > Seismic Hazard Zones) If box is checked, a geotechnical report is required.
<input type="checkbox"/>	Seismic: Liquefaction Zone: Does the project involve any of the following: (1) square footage expansion greater than 1,000 sq. ft. outside of the existing building footprint, (2) excavation of 50 cubic yards or more of soil, (3) new construction? (refer to EP_ArcMap > CEQA Catex Determination Layers > Seismic Hazard Zones) If box is checked, a geotechnical report will likely be required.

If no boxes are checked above, GO TO STEP 3. If one or more boxes are checked above, an *Environmental Evaluation Application* is required, unless reviewed by an Environmental Planner.

Comments and Planner Signature (optional): Christopher May

STEP 3: PROPERTY STATUS - HISTORIC RESOURCE
TO BE COMPLETED BY PROJECT PLANNER

PROPERTY IS ONE OF THE FOLLOWING: (refer to Parcel Information Map)	
<input checked="" type="checkbox"/>	Category A: Known Historical Resource. GO TO STEP 5.
<input type="checkbox"/>	Category B: Potential Historical Resource (over 45 years of age). GO TO STEP 4.
<input type="checkbox"/>	Category C: Not a Historical Resource or Not Age Eligible (under 45 years of age). GO TO STEP 6.

STEP 4: PROPOSED WORK CHECKLIST
TO BE COMPLETED BY PROJECT PLANNER

Check all that apply to the project.	
<input type="checkbox"/>	1. Change of use and new construction. Tenant improvements not included.
<input type="checkbox"/>	2. Regular maintenance or repair to correct or repair deterioration, decay, or damage to building.
<input checked="" type="checkbox"/>	3. Window replacement that meets the Department's <i>Window Replacement Standards</i> . Does not include storefront window alterations.
<input type="checkbox"/>	4. Garage work. A new opening that meets the <i>Guidelines for Adding Garages and Curb Cuts</i> , and/or replacement of a garage door in an existing opening that meets the Residential Design Guidelines.
<input type="checkbox"/>	5. Deck, terrace construction, or fences not visible from any immediately adjacent public right-of-way.
<input type="checkbox"/>	6. Mechanical equipment installation that is not visible from any immediately adjacent public right-of-way.
<input type="checkbox"/>	7. Dormer installation that meets the requirements for exemption from public notification under <i>Zoning Administrator Bulletin No. 3: Dormer Windows</i> .
<input type="checkbox"/>	8. Addition(s) that are not visible from any immediately adjacent public right-of-way for 150 feet in each direction; does not extend vertically beyond the floor level of the top story of the structure or is only a single story in height; does not have a footprint that is more than 50% larger than that of the original building; and does not cause the removal of architectural significant roofing features.
Note: Project Planner must check box below before proceeding.	
<input type="checkbox"/>	Project is not listed. GO TO STEP 5.
<input type="checkbox"/>	Project does not conform to the scopes of work. GO TO STEP 5.
<input type="checkbox"/>	Project involves four or more work descriptions. GO TO STEP 5.
<input checked="" type="checkbox"/>	Project involves less than four work descriptions. GO TO STEP 6.

STEP 5: CEQA IMPACTS - ADVANCED HISTORICAL REVIEW
TO BE COMPLETED BY PROJECT PLANNER

Check all that apply to the project.	
<input type="checkbox"/>	1. Project involves a known historical resource (CEQA Category A) as determined by Step 3 and conforms entirely to proposed work checklist in Step 4.
<input checked="" type="checkbox"/>	2. Interior alterations to publicly accessible spaces.
<input type="checkbox"/>	3. Window replacement of original/historic windows that are not "in-kind" but are consistent with existing historic character.
<input checked="" type="checkbox"/>	4. Façade/storefront alterations that do not remove, alter, or obscure character-defining features.
<input type="checkbox"/>	5. Raising the building in a manner that does not remove, alter, or obscure character-defining features.
<input type="checkbox"/>	6. Restoration based upon documented evidence of a building's historic condition, such as historic photographs, plans, physical evidence, or similar buildings.

<input type="checkbox"/>	7. Addition(s) , including mechanical equipment that are minimally visible from a public right-of-way and meet the <i>Secretary of the Interior's Standards for Rehabilitation</i> .
<input checked="" type="checkbox"/>	8. Other work consistent with the <i>Secretary of the Interior Standards for the Treatment of Historic Properties</i> (specify or add comments): Proposed project would insert a secondary egress on the north (Filbert Street) facade within the width of the existing window opening. Other alterations include insertion of translucent glazing in existing window frames to obscure mechanical equipment.
<input type="checkbox"/>	9. Other work that would not materially impair a historic district (specify or add comments): (Requires approval by Senior Preservation Planner/Preservation Coordinator)
<input type="checkbox"/>	10. Reclassification of property status. (Requires approval by Senior Preservation Planner/Preservation <input type="checkbox"/> Reclassify to Category A <input type="checkbox"/> Reclassify to Category C a. Per HRER dated (attach HRER) b. Other (specify):
Note: If ANY box in STEP 5 above is checked, a Preservation Planner MUST check one box below.	
<input type="checkbox"/>	Further environmental review required. Based on the information provided, the project requires an <i>Environmental Evaluation Application</i> to be submitted. GO TO STEP 6.
<input checked="" type="checkbox"/>	Project can proceed with categorical exemption review. The project has been reviewed by the Preservation Planner and can proceed with categorical exemption review. GO TO STEP 6.
Comments (optional):	
Preservation Planner Signature: Alexandra Kirby	

**STEP 6: CATEGORICAL EXEMPTION DETERMINATION
TO BE COMPLETED BY PROJECT PLANNER**

<input type="checkbox"/>	Further environmental review required. Proposed project does not meet scopes of work in either (check all that apply): <input type="checkbox"/> Step 2 - CEQA Impacts <input type="checkbox"/> Step 5 - Advanced Historical Review STOP! Must file an <i>Environmental Evaluation Application</i>.	
<input checked="" type="checkbox"/>	No further environmental review is required. The project is categorically exempt under CEQA. There are no unusual circumstances that would result in a reasonable possibility of a significant effect.	
	Project Approval Action: Commission Hearing	Signature: Christopher May
	If Discretionary Review before the Planning Commission is requested, the Discretionary Review hearing is the Approval Action for the project.	11/16/2018
	Once signed or stamped and dated, this document constitutes a categorical exemption pursuant to CEQA Guidelines and Chapter 31 of the Administrative Code. In accordance with Chapter 31 of the San Francisco Administrative Code, an appeal of an exemption determination can only be filed within 30 days of the project receiving the first approval action. Please note that other approval actions may be required for the project. Please contact the assigned planner for these approvals.	

STEP 7: MODIFICATION OF A CEQA EXEMPT PROJECT

TO BE COMPLETED BY PROJECT PLANNER

In accordance with Chapter 31 of the San Francisco Administrative Code, when a California Environmental Quality Act (CEQA) exempt project changes after the Approval Action and requires a subsequent approval, the Environmental Review Officer (or his or her designee) must determine whether the proposed change constitutes a substantial modification of that project. This checklist shall be used to determine whether the proposed changes to the approved project would constitute a "substantial modification" and, therefore, be subject to additional environmental review pursuant to CEQA.

PROPERTY INFORMATION/PROJECT DESCRIPTION

Project Address (If different than front page)		Block/Lot(s) (If different than front page)
3060 FILLMORE ST		0533/040
Case No.	Previous Building Permit No.	New Building Permit No.
2018-005694PRJ		
Plans Dated	Previous Approval Action	New Approval Action
	Commission Hearing	
Modified Project Description:		

DETERMINATION IF PROJECT CONSTITUTES SUBSTANTIAL MODIFICATION

Compared to the approved project, would the modified project:	
<input type="checkbox"/>	Result in expansion of the building envelope, as defined in the Planning Code;
<input type="checkbox"/>	Result in the change of use that would require public notice under Planning Code Sections 311 or 312;
<input type="checkbox"/>	Result in demolition as defined under Planning Code Section 317 or 19005(f)?
<input type="checkbox"/>	Is any information being presented that was not known and could not have been known at the time of the original determination, that shows the originally approved project may no longer qualify for the exemption?
If at least one of the above boxes is checked, further environmental review is required.	

DETERMINATION OF NO SUBSTANTIAL MODIFICATION

<input type="checkbox"/>	The proposed modification would not result in any of the above changes.
If this box is checked, the proposed modifications are categorically exempt under CEQA, in accordance with prior project approval and no additional environmental review is required. This determination shall be posted on the Planning Department website and office and mailed to the applicant, City approving entities, and anyone requesting written notice.	
Planner Name:	Date:

Exhibit D:

Land Use Data

Conditional Use Hearing
Case Number 2018-005694CUA
3060 Fillmore Street
Block 0533 Lot 040



SAN FRANCISCO PLANNING DEPARTMENT

Land Use Information

PROJECT ADDRESS: 3060 FILLMORE ST
RECORD NO.: 2018-005694CUA

1650 Mission St.
Suite 400
San Francisco,
CA 94103-2479

Reception:
415.558.6378

Fax:
415.558.6409

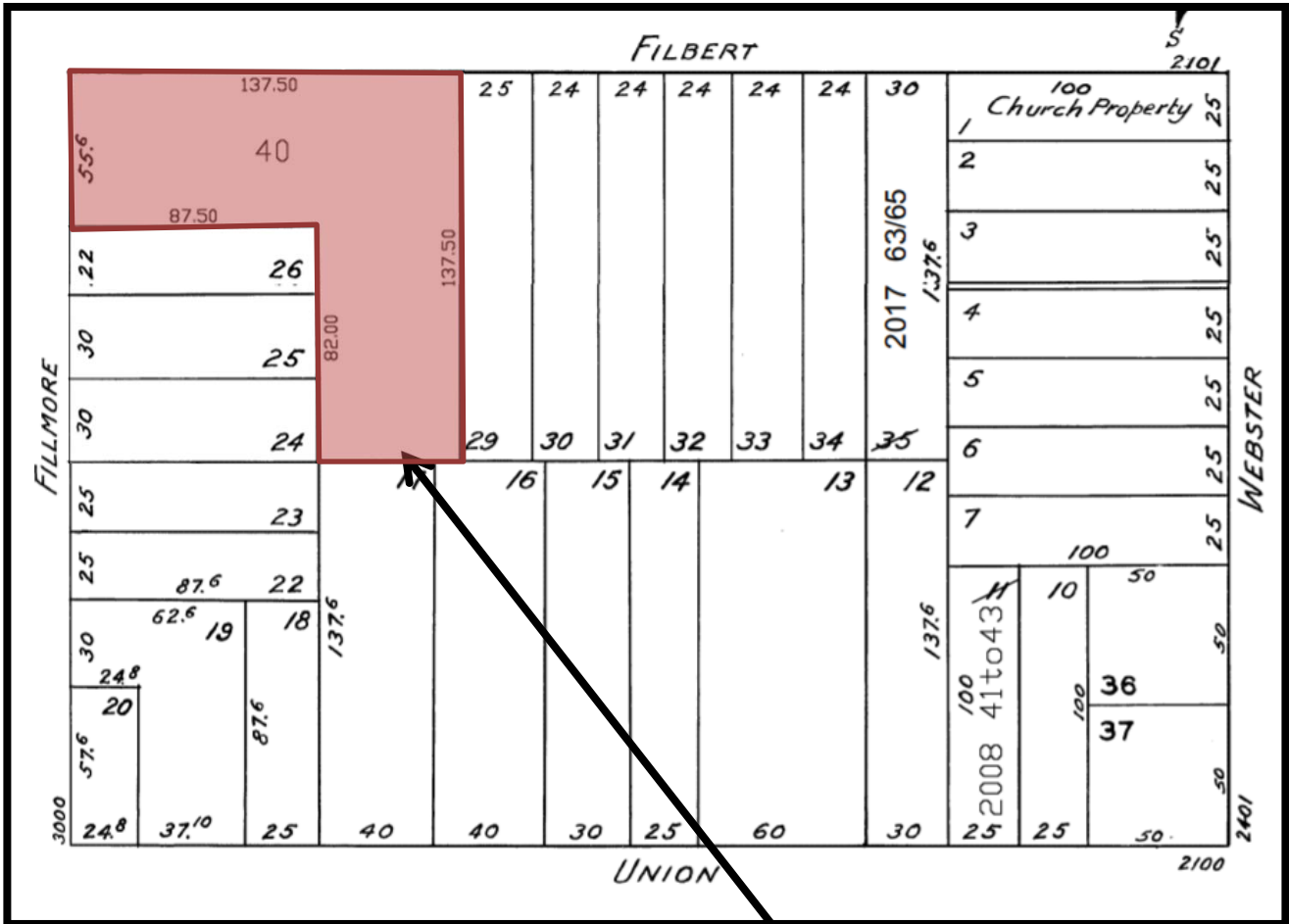
Planning
Information:
415.558.6377

	EXISTING	PROPOSED	NET NEW
GROSS SQUARE FOOTAGE (GSF)			
Parking GSF	0	0	0
Residential GSF	0	0	0
Retail/Commercial GSF	11,800	11,800	0
Office GSF	0	0	0
Industrial/PDR GSF <i>Production, Distribution, & Repair</i>	0	0	0
Medical GSF	0	0	0
Visitor GSF	0	0	0
CIE GSF	0	0	0
Usable Open Space	0	0	0
Public Open Space	0	0	0
Other ()	n/a	n/a	n/a
TOTAL GSF	11,800	11,800	
	EXISTING	NET NEW	TOTALS
PROJECT FEATURES (Units or Amounts)			
Number of Buildings	1	1	1
Number of Stories	1	1	1
Parking Spaces	0	0	0
Loading Spaces	0	0	0
Bicycle Spaces	0	9	9
Car Share Spaces	0	0	0
Other ()	n/a	n/a	n/a

Exhibit E:

Maps and Context Photos

Block Book Map



SUBJECT PROPERTY

SAN FRANCISCO
PLANNING DEPARTMENT



Conditional Use Hearing
Case Number 2018-005694CUA
3060 Fillmore Street
Block 0533 Lot 040

Sanborn Map*



SUBJECT PROPERTY

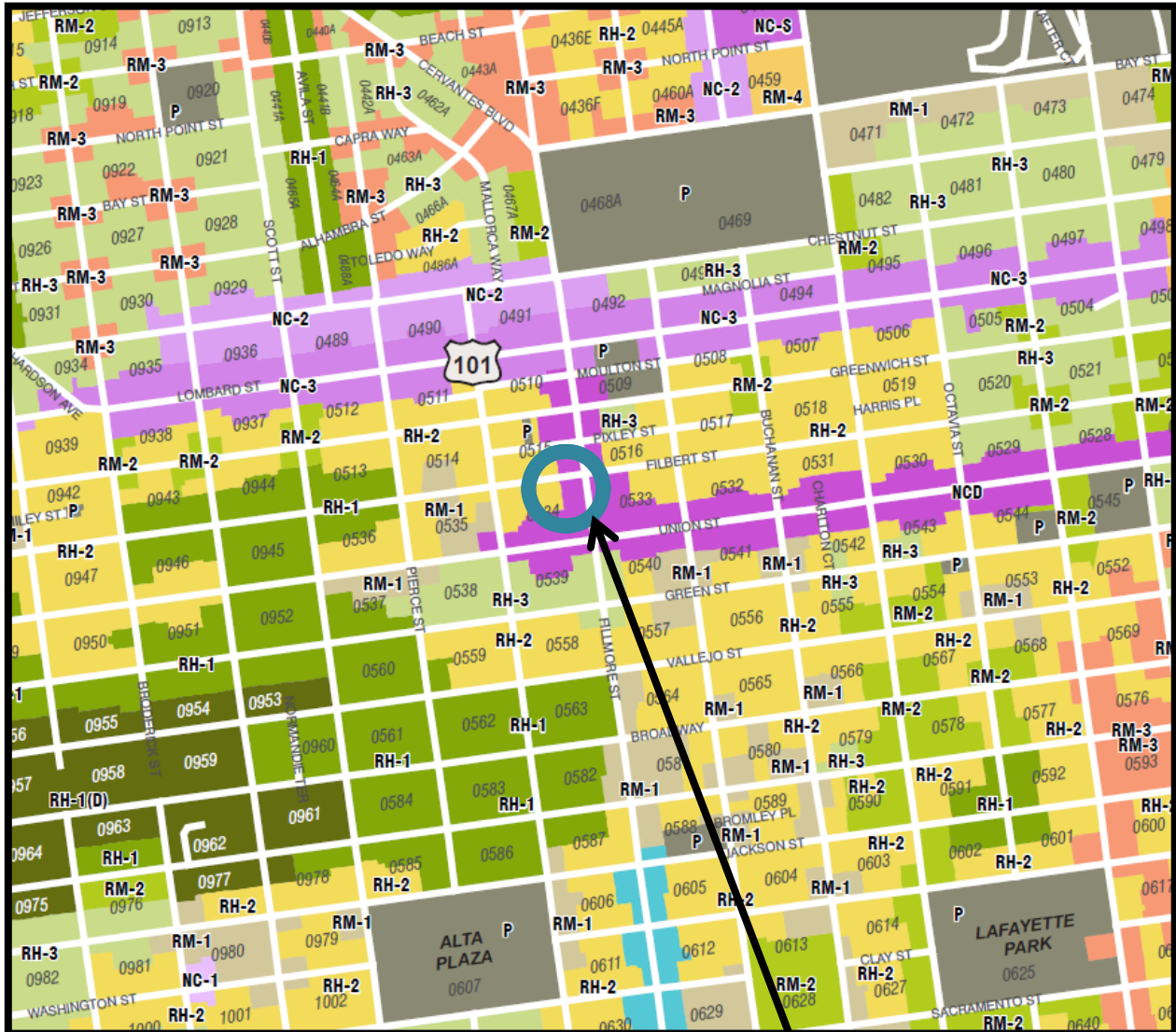
**The Sanborn Maps in San Francisco have not been updated since 1998, and this map may not accurately reflect existing conditions.*

**SAN FRANCISCO
PLANNING DEPARTMENT**



Conditional Use Hearing
Case Number 2018-005694CUA
3060 Fillmore Street
Block 0533 Lot 040

Zoning Map



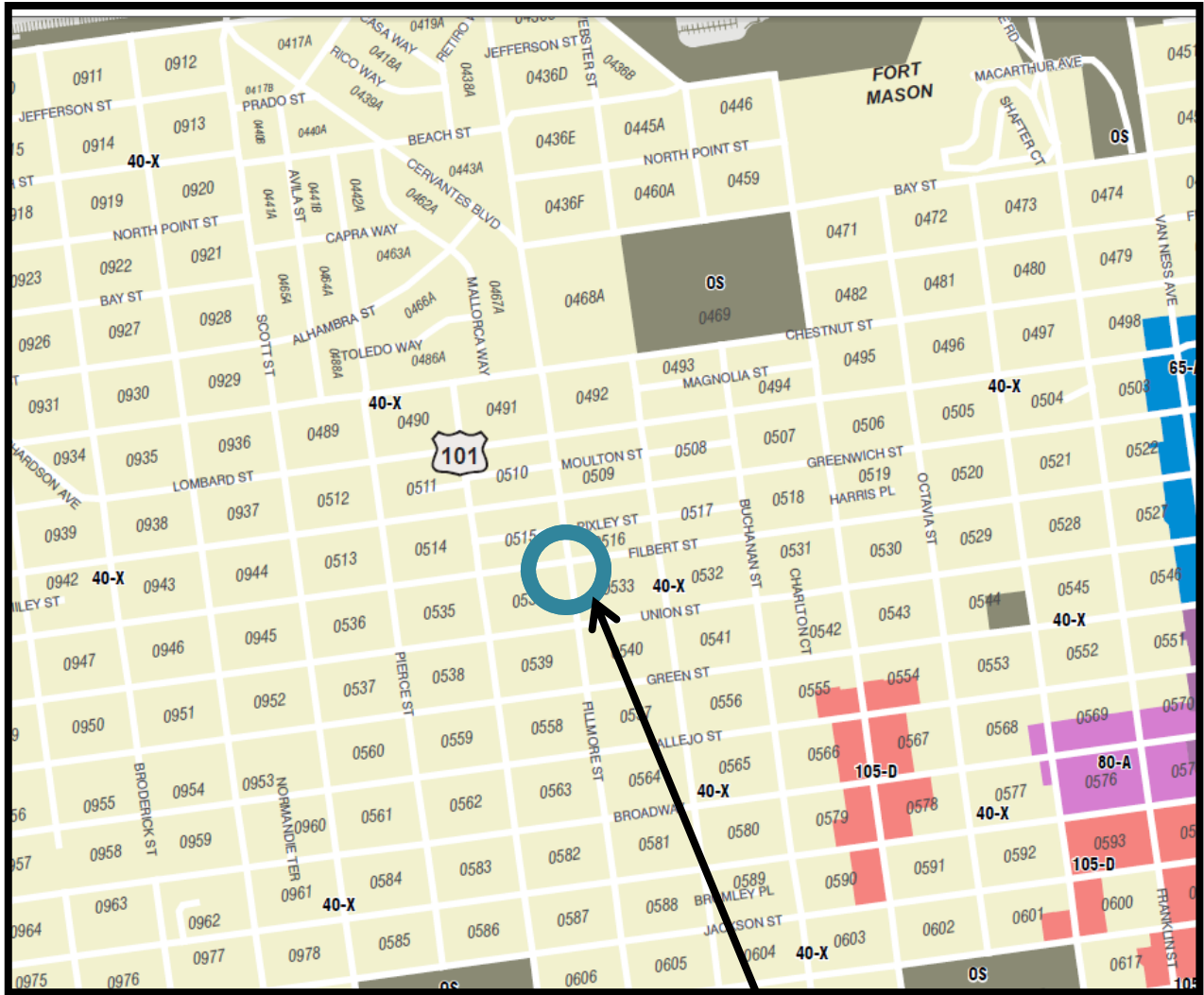
SUBJECT PROPERTY

SAN FRANCISCO
PLANNING DEPARTMENT



Conditional Use Hearing
Case Number 2018-005694CUA
3060 Fillmore Street
Block 0533 Lot 040

Height & Bulk Map



SUBJECT PROPERTY

**SAN FRANCISCO
PLANNING DEPARTMENT**



Conditional Use Hearing
Case Number 2018-005694CUA
3060 Fillmore Street
Block 0533 Lot 040

Aerial Photo

(looking southeast)



SUBJECT PROPERTY

**SAN FRANCISCO
PLANNING DEPARTMENT**



Conditional Use Hearing
Case Number 2018-005694CUA
3060 Fillmore Street
Block 0533 Lot 040

Site Photo

(looking east)



SAN FRANCISCO
PLANNING DEPARTMENT



Conditional Use Hearing
Case Number 2018-005694CUA
3060 Fillmore Street
Block 0533 Lot 040

Site Photo

(looking south)



SAN FRANCISCO
PLANNING DEPARTMENT



Conditional Use Hearing
Case Number 2018-005694CUA
3060 Fillmore Street
Block 0533 Lot 040

Exhibit F:

Public Correspondence

Conditional Use Hearing
Case Number 2018-005694CUA
3060 Fillmore Street
Block 0533 Lot 040

May, Christopher (CPC)

From: Anne Schnobrich <anne.schnobrich@gmail.com>
Sent: Wednesday, November 14, 2018 6:33 PM
To: May, Christopher (CPC)
Subject: 2060 Fillmore

Follow Up Flag: Follow up
Flag Status: Flagged

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Hi Christopher,

I am writing as a Cow Hollow resident and am writing in opposition of the CenterCal proposal. As much as I am personally a fan of Shake Shake and boutique fitness studios, our neighborhood is saturated with those businesses already.

We need a grocery store. There is no reasonably walkable grocery store in the area, and having Real Food on that corner was an asset to the neighborhood. If there is a viable grocery buyer, they should absolutely be prioritized for the space.

Shake Shack will generate long lines, garbage everywhere, and will provide unnecessary competition against beloved local favorites like Super Duper and Roam. Shake Shake would be a great addition to our city somewhere like the Financial District, but is out of place in Cow Hollow.

I am writing as a taxpayer to please consider the proposal for a grocery store. It would be an asset to the neighborhood and we are in desperate need.

Thank you,
Anne Ellis
Greenwich/Gough

May, Christopher (CPC)

From: Arrian Binnings <arrian@paytonbinnings.com>
Sent: Tuesday, June 26, 2018 2:24 PM
To: May, Christopher (CPC)
Subject: Shake Shack @ Real Foods Location

Follow Up Flag: Follow up
Flag Status: Flagged

Dear Christopher,

I hope all is well. I understand you are the City Planner assigned to the permits being applied for at 3060 Fillmore Street, the site of the old Real Foods Grocery store (Filbert is the cross). If I am in error, would you kindly let me know who I may contact?

The reason for my message today is to express my, and many of my neighbors', objection to the proposed Shake Shack going in at the old Real Foods site. I am a homeowner on the same block and we are not thrilled about having a formula retail burger/hot dog place serving greasy fare just a few doors down. Our belief is that the highest and best use for the site continues to be a Grocer.

I'm happy to elaborate if needed, and I recently attended a Neighbor's Meeting to voice my concern (although they didn't need me; the entire room objected).

Please feel free to contact me with any questions, concerns, or "boots on the ground" info you may need right here from my block. I'm happy to assist in any way. If you have any ideas as to how we can keep Shake Shack out (such as writing physical letters, attending certain meetings, etc), I'm all ears.

Kind Regards,

Arrian Binnings
@2130 Filbert Street

Realtor & Luxury Property Specialist
www.PaytonBinnings.com
arrian@paytonbinnings.com
m: 415.830.2384

May, Christopher (CPC)

From: Betsy Jasny <bjasny@comcast.net>
Sent: Monday, June 11, 2018 11:59 AM
To: May, Christopher (CPC)
Subject: Neighborhood opposition Regarding the Real Food Location & Shake Shack 2018-005694PRJ

Follow Up Flag: Follow up
Flag Status: Flagged

Hello,

I live across the street from the Real Food location that is being promoted as the next Shake Shack.

My neighbors and I are aligned that the neighborhood needs a grocery store. Bi-Rite would be a great fit.

We are very concerned about the air quality impact of a burger/french fry place along with the smell.

Additionally, we are concerned about the number of Uber Eats, Caviar, Postmates, Door Dash, etc drivers that will be lined up to deliver Shake Shack.

Filbert is a residential street and does not need a commercial, high volume hamburger place.

There are many available locations on Union for Shake Shack.

Betsy Jasny
bjasny@comcast.net
415.722.5895

May, Christopher (CPC)

From: concerned resident <concernedcowhollow@yahoo.com>
Sent: Friday, August 24, 2018 4:56 AM
To: May, Christopher (CPC)
Subject: Opposition to Rumble Fitness at 3060 Fillmore St
Attachments: 44C6C857-4FC1-4822-9843-DC740B173E42.jpeg

Follow Up Flag: Follow up
Flag Status: Flagged

Dear Mr. May

As a long-time neighborhood resident, I am writing to express my strong opposition to the Rumble Fitness “change of use” application pertaining to the former Real Food site at 3060 Fillmore Street. As I am sure you already know, there are already dozens of fitness studios and gyms within both a quarter-mile radius and half-mile radius of this site. Adding another New York based CHAIN fitness company without local operators or local ownership will be detrimental to this neighborhood. Not to mention that it will take a toll on the many mom and pop fitness operators around the area who have worked so hard to sustain their business and positively contribute to the local community.

I also wanted to point your attention to the fact that Rumble has both nationally AND publicly announced that it has **already received** its planning approval for this site. I was under the distinct impression that the approval was not formalized until a hearing. I find that both obnoxious and typical of a non-San Francisco based company to go so far as to announce their approval in ADVANCE of actually receiving it. See the attached photo from their global instagram account. I can only imagine how an egregiously incorrect announcement like this only goes to undermine the entire SF Planning Department staff and long-standing process that has been put in place by our amazing Planning staff and city leaders.

I hope this message finds you well. Is there an update on this project and its change of use application status and is there a hearing date set for Rumble Fitness so I can notify my fellow residents and send you additional opposition to this project.

Sincerely

A very concerned resident

See photo here of this Company’s very public announcement of their so called “approved project”.

May, Christopher (CPC)

From: David Soward <dsoward@Clamence.com>
Sent: Wednesday, November 14, 2018 4:45 PM
To: May, Christopher (CPC)
Subject: 3060 Fillmore Support of change

Follow Up Flag: Follow up
Flag Status: Flagged

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Dear Mr. May

While it is the nays that speak the loudest, I want to be on the record in supporting whatever conditional use designations would allow Shake Shack and a gym to occupy the former Real Foods at 3060 Fillmore. I have no financial interest in Shake Shack, the gym, or the landlord. I do live in the neighborhood.

Best regards,
David Soward

David C. Soward
President
& Management Company
Tel: 415-345-8448
Fax: 415-345-8877



May, Christopher (CPC)

From: Debbie Cucalon <debbiecucalon@me.com>
Sent: Wednesday, July 11, 2018 10:07 AM
To: May, Christopher (CPC)
Subject: 2018-005694PRJ

Follow Up Flag: Follow up
Flag Status: Flagged

Dear Mr. May,

Re: the proposed Shake Shack & Yoga Studio at 3060 Fillmore St.

I am a long time neighbor & live at 2124 Filbert St. I am writing to say I also strongly oppose putting another burger place, especially on a residential block. It will cause bad odors, a terrible traffic congestion with all the Lyfts and Uber drivers double parking to get people's orders, not to mention the streets becoming full of wrappers from the burgers, etc.

We are already inundated with the noise, trash and late night activities from the surrounding bars and restaurants.

Our neighborhood loved the Real Food Market and would definitely be in favor of another market we could and would support!! Please consider our plea to the landlord and bring back another store we so desperately need!

Thank you for your kind attention regarding this matter.

Best,
Debbie Cucalon

Jenne Raub
2090 Green Street #48
San Francisco, CA 94123
415-416-0647
jenneraub@gmail.com

To the members of the San Francisco Planning Department,

I'm writing in regards to the proposed re-zoning of 3060 Fillmore Street (at Filbert) from its current designation as General Grocery to a formula Retail/Restaurant (Shake Shack), boxing gym, and small specialty grocery. As a resident of the Cow Hollow neighborhood, this proposal concerns me for several reasons.

I've been a resident of the Cow Hollow neighborhood since January 2013, and was sad when Real Foods was forced to close a few years ago due a large rent increase. Since its closing, our neighborhood has lacked a grocery store, and it has been tough on a resident like me who depends solely on walking and public transit to access groceries.

A grocery store serves an essential and fundamental need of a neighborhood and community by providing access to fresh, healthy, and affordable food. Much has been made in the past few years of the "food deserts" plaguing metropolitan inner-cities, and by losing the only building in our neighborhood designated to serve as a grocery store, we will be guaranteed of living in one. It is imperative for the health of our communities to have access to fresh produce, grains, dairy, meat, and other sundries, especially as we continue to learn of the profound relationship between quality nutrition and our well being (physical, emotional, and mental health), and especially as the city wishes to reduce residents' car ownership and use.

It is equally important to remember not all residents of Cow Hollow are young or wealthy tech employees with the means to rely on expensive food delivery or meal kit services. As the cost of living in San Francisco continues to rise, one way we can ensure that people of all income levels have a greater chance of economic success is through access to affordable food — aka groceries.

Shake Shack is a national, publicly-traded fast food chain that will be supplanting the only property in the neighborhood zoned for General Grocery use. There are numerous vacant restaurant properties in the immediate vicinity, many of which have sat empty for several months or years, such as the former Osha Thai space which has been for lease since 2015. It seems bizarre to rezone a grocery space to accommodate a national fast food chain in a neighborhood that seemingly cannot find tenants for its existing restaurant spaces. Outside of the Cow Hollow area, there are hundreds of other restaurant-ready properties throughout the city, from high-foot traffic areas (North Beach, FiDi, SOMA) to struggling areas where a chain like Shake Shack could bring some much-needed vitality (mid-Market).

One thing the neighborhood is not lacking, however, is workout and fitness centers, from large gyms (Equinox and Crunch) to mid-sized Pilates, yoga, and cycling studios to small private training studios. Converting a building designated to sell groceries to yet-another-workout facility also seems short-sighted when there is clearly an overabundance of gyms in the neighborhood. Our neighborhood is not lacking places to work out but it is currently lacking one very vital necessity — a grocery store.

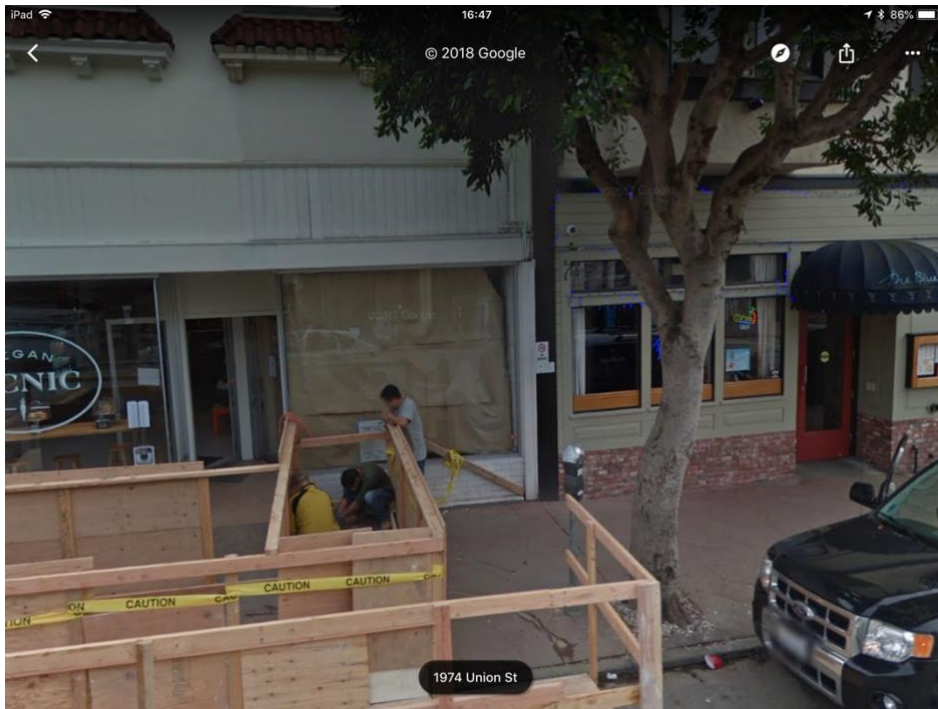
It is unclear what Shake Shack's motivations are in pursuing this rezoning when there are currently other properties in the city already zoned for restaurants, many of them in areas with higher foot traffic and greater residential density; I suspect it is financially-motivated since this property is both for lease and for sale. I hope that whatever Shake Shack's true motivations are, the San Francisco Planning Department will put the needs of our community above those of outside corporate forces and preserve the current grocery zoning designation in the hopes of sustaining and enhancing the health, vitality, and quality of life for the residents of Cow Hollow and, in turn, San Francisco. It is my hope that through preserving the current zoning designation, the landlords of the building will find they must make the property again tenable to a grocery tenant, or sell the building to another owner who will.

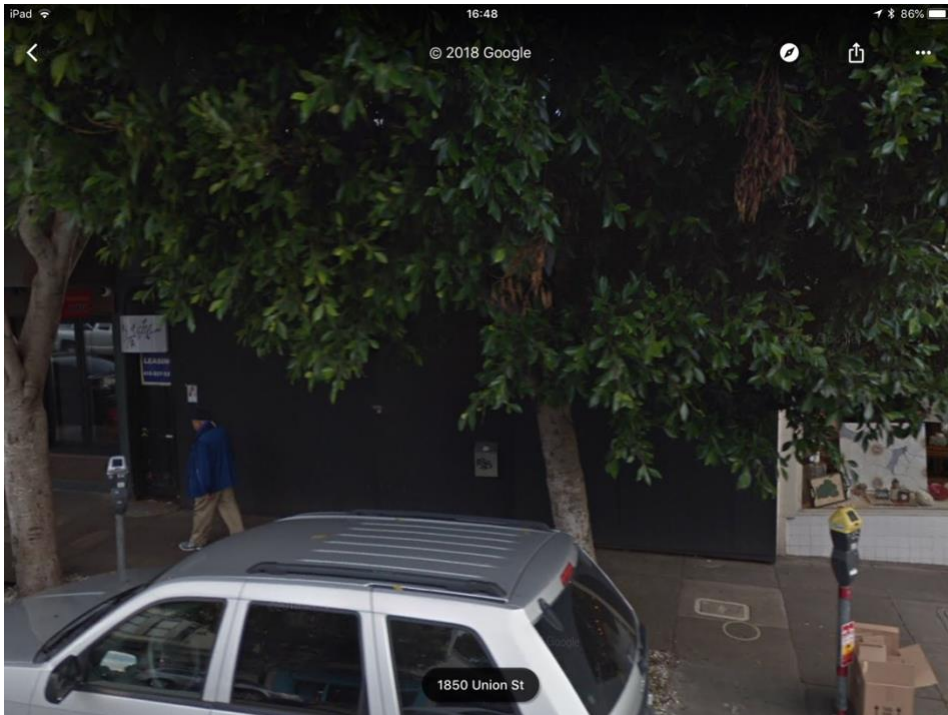
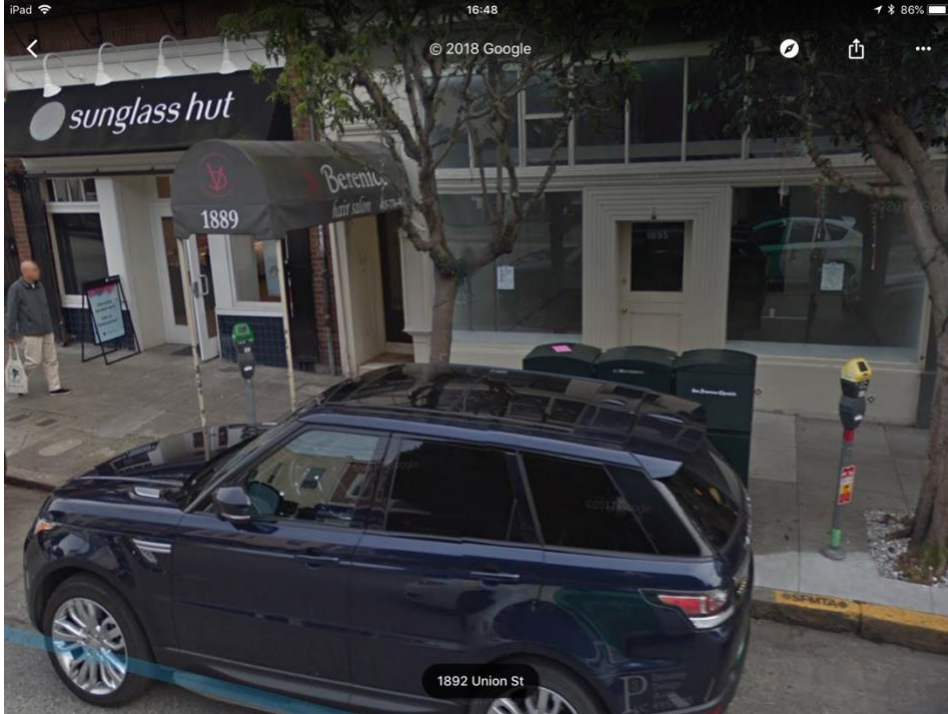
Thank you for taking the time to read this. I hope you will take a fundamental need of a San Francisco neighborhood into your consideration as you make this decision.

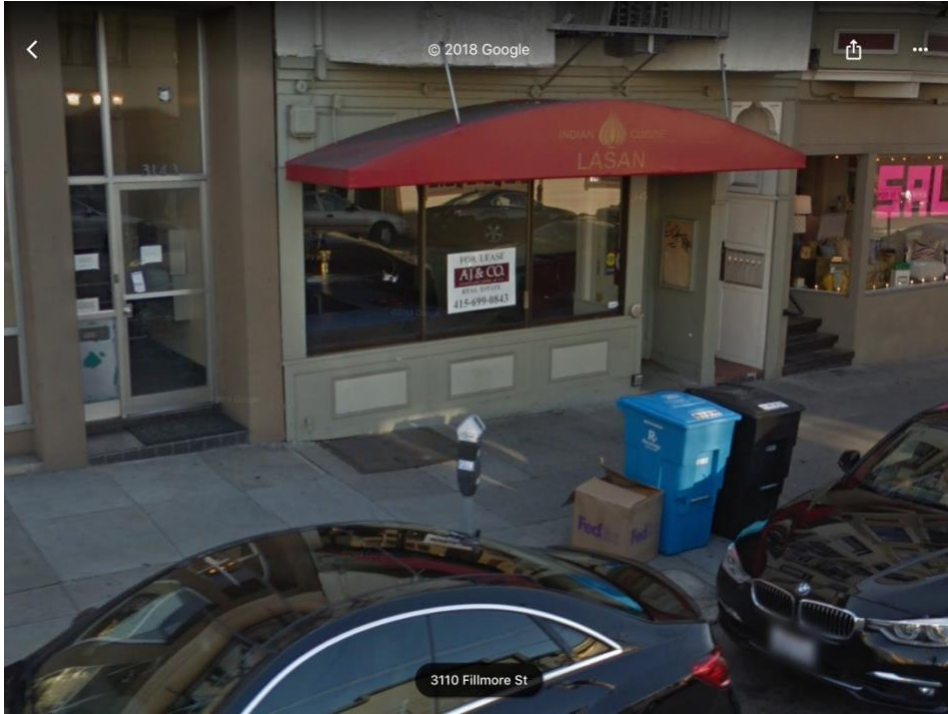
Sincerely,
Jenne Raub

The following are some of the vacant restaurant properties within a block or two of the grocery store space located at 3060 Fillmore; vacant retail spaces are not shown.











May, Christopher (CPC)

From: John Bickford <jbickford@localcapgroup.com>
Sent: Wednesday, November 21, 2018 1:50 PM
To: May, Christopher (CPC)
Subject: 3060 Fillmore Street CUA

Follow Up Flag: Flag for follow up
Flag Status: Flagged

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Christopher & Planning Commission,

I wanted to send an email to be shared with the Planning Commission in support of the CUA for Shake Shack and Rumble Fitness. I have been a long time resident of the immediate neighborhood at 2950 Fillmore Street, only a block away from 3060 Fillmore. While I miss the Real Foods as a neighborhood staple and convenience, I believe this new use will be a tremendous boost for the neighborhood.

Some neighbors and the Commission may be concerned about formula retail, but I would contend that there are no “mom and pop” businesses being displaced with this approval. In fact I’d be hard pressed to show any type of hardship for the neighborhood by enhancing it with the boxing and burger theme. It will attract people to the neighborhood which will help other businesses. I also point to the success of Equinox gym on Union which is formula retail. It took years to approve. Now it is a terrific use of the old movie theater that many residents thoroughly enjoy as part of their daily lifestyle.

While I have attempted to acquire the building at 3060 Fillmore for residential development and will continue to pursue if this CUA fails, I do think this use is compatible and a benefit to the neighborhood. With that being said, the best plan for the site (longer term) is ground floor commercial with residential above. This would add units while also maintaining a neighborhood serving retail use on the ground floor.

Thanks for the consideration,
John

John L. Bickford
Managing Partner

Local Capital Group
The Presidio
572 Ruger St, Suite A
San Francisco, CA 94129

jbickford@localcapgroup.com
415-553-4088 office
650-799-0775 cell

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August 5, 2018

Christopher May
(415) 575-9087
Christopher.May@sfgov.org

**Re: Opposition to the Change of Use Request for 3060 Fillmore Street
San Francisco CA 94123**

Dear Mr. May

I am writing to inform you of my strong opposition to the proposed change of use request for the former Real Food Company site located at 3060 Fillmore Street in the Cow Hollow district of San Francisco. I was made aware that there is a New York owned and operated fitness chain called **Rumble Boxing** that is part of the overall change of use approval for this property. I was also recently told that Rumble has several projects around the country in cities like New York, Los Angeles, Philadelphia and the Bay Area that are close to permitted approval that may now qualify them as a "Formula Retail" use.

There are a number of gyms and boutique fitness studios already in the Cow Hollow and Marina neighborhoods and adding another chain fitness company, especially a New York owned and operated chain, is going to put pressure on the local businesses that are doing everything they can to keep up with the rising cost of living here in San Francisco. Adding another fitness use is not only competitive to those other fitness uses, but also will only exacerbate a growing problem here in the neighborhood. Operating costs for the existing neighborhood fitness companies are on the rise and prices are creeping up. These businesses are under a great amount of pressure to simply keep the lights on and adding another user that will compete and potentially cannibalize these operators is a dangerous precedent to set in this neighborhood. Only so many fitness users can successfully operate a business in this neighborhood and the last thing this neighborhood needs are more vacant storefronts. In fact, within a ½ mile radius of this site, there are already several fitness uses including Equinox on Union Street, Pilates Pro Works, The Pad Studios, Karma Yoga, Core Power Yoga, SoulCycle, Bodyrok, Pelo Fitness, Pop Physique, Yoga Flow SF, The Dailey Method, Barry's Bootcamp and three (3) Crunch Fitness locations (Union Street, Polk Street and Chestnut Street). The number of residents in the area remains fairly stable and this is a dangerous trend that is not going to end well for some of the aforementioned fitness uses that have long been thriving in this neighborhood and serving the residents for the past several years.

I've spoken to several residents and business owners in the area who concur with this opposition but are nervous or afraid to publicly oppose this project. That is why I am choosing to deliver this letter anonymously. The residents of the neighborhood are not looking for another non-San Francisco based chain fitness company to enter this area and hurt the other fitness companies who have been playing a significant role in this community for the past several years and hope to continue to do so for many years to come.

I hope this letter finds you and I hope you can sympathize with the objection many residents have to this use.

Sincerely,
A concerned resident and local business owner

May, Christopher (CPC)

From: Maggie Dobbins <mnpdob@gmail.com>
Sent: Wednesday, November 14, 2018 3:40 PM
To: May, Christopher (CPC)
Subject: Former Real Foods space on Fillmore

Follow Up Flag: Follow up
Flag Status: Flagged

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Hello,

I would like to add my voice to my many neighbors who would like to see the building on Fillmore that housed Real Foods remain a grocery store. The nearest full grocery store is Mollie Stones and that is quite a distance away on Fillmore and California.

The Real Foods on Polk and Broadway is very small and is only used for pick up items. Whereas the Fillmore store is much bigger.

I would love to see a Millie Stones, Trader Joe's, Bi-Rite, Lonardi type store on Fillmore.

We do not need another fast food shop and gym in the neighborhood.

Thank you,

Maggie Dobbins
1800 Broadway
#606

Maggie

May, Christopher (CPC)

From: Patricia Lord <palord1926@gmail.com> on behalf of Patricia <patricialord@ameta4.com>
Sent: Wednesday, November 14, 2018 2:34 PM
To: May, Christopher (CPC)
Subject: Re: 3060 Fillmore Proposed Use

Follow Up Flag: Follow up
Flag Status: Flagged

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Dear Mr. May:

I currently live in the Marina and have followed the proposed usage of this property with great interest. Being an active senior citizen, I do not necessarily agree with what many of the young newbies to the area would like to see there. Seriously - another burger joint or gym - there are plenty within walking distance to satisfy even the needs and desires of these young folks. What - eat a burger and then go work out??

Enough sarcasm. My husband and I have spent the better part of the last 40 years in the Marina (living or visiting family here) and in my opinion our City has suffered much from it's gentrification. Old school establishments have been replaced by short term trendy food places that come and go.

I get the allure to be able to buy everything on line including toilet paper and have it delivered to your front door (our son did food delivery for awhile). But all you have to do is stop into Safeway or the Marina Market to know there is still a demand for a market in the neighborhood. From what I have read, there would be many challenges at that location for a market. But please at least consider it.

My hope is that the planning commission will hear what people have to say who have lived here and will continue to live here long after Shake Shack disappears, replaced by some other trendy fast food restaurant.

Thank you so much for hearing me out.

Patricia Lord

From: [Emily Scott](#)
To: [May, Christopher ES&](#)
Subject: Proposed use of 3060 Fillmore Street
Date: Monday, March 19, 2018 6:45:55 PM
Attachments: [3060 Fillmore.docx](#)

Dear Mr. May,

I am a resident of Pacific Heights and am concerned about the application for Shake Shack and Rumble for 3060 Fillmore Street. Attached is a letter that I wrote with specific facts about the area.

I would like to know when the public is allowed to be present to make comments to the Planning Commission and the Board of Supervisors.

I look forward to hearing from you.

Thank you - Emily Scott

--

Emily Scott, ES&

Legacy Exploration | Philanthropic Giving | Financial Prioritization

2288 Broadway St. #6
San Francisco, CA 94115
(p) 415-409-1000
(f) 415-502-6377
(e) emilyscottand.com
(w) www.emilyscottand.com







January 18, 2018

Re. Proposed Use of 3060 Fillmore

It has come to my attention that 2 New York based companies, Shake Shack (burgers, milk shakes, fast food) and Rumble (a boxing format workout program) are looking at developing 3060 Fillmore – the former site of Real Foods. This is not what the Marina/Cow Hollow neighborhood needs. Look at the facts:

Places that serve burgers within .5 miles of 3060 Fillmore (a partial list. This does not include the ability to cook your own hamburger in your own kitchen):

- 364 Ft: Balboa Café, 3199 Fillmore
- 394 Ft: Umami Burger, 2184 Union
- 417 Ft: Gamine, 2223 Union
- .1 mi: Brixton, 2140 Union
- .2 mi: Perry's, 2383 Greenwich
- .2mi: Dorian, 2001 Chestnut
- .3mi: Mel's, 2165 Lombard
- .4mi: Roam, 1785 Union
- .4mi: Super Duper, 2201 Chestnut
- .5mi: Causewell's, 2346 Chestnut

Gyms within .6 miles of 3060 Fillmore (This does not include the more than yoga, spin, pilates, specialty training such as the Bar Method, or trainer based facilities, soul cycle, etc, - according to YELP and Google, there are more than 30 workout facilities in the Marina/Cow Hollow neighborhood. Not does it include the ability to work out without having to go to a facility)

- .2mi: Equinox, 2055 Union (NOTE: Equinox owns a stake in Rumble)
- .3mi: Barry's, 2246 Lombard (NOTE: Same owner of Barry's also owns Rumble)
- .5mi: Jigalin, 1860 Lombard
- .5mi: Crunch, 2324 Chestnut
- .5mi: Crunch, 1725 Union

What we do need is a grocery store. There are only 2 Grocery Stores in the Marina/Cow Hollow neighborhoods (corner markets are not a replacement. They are overpriced and understocked):

- .5mi: Marina Market, 2323 Chestnut
- .7mi: Safeway, 15 Marina Blvd.

We are a neighborhood. We need operations that serve our neighborhood – our entire neighborhood – and not just those who choose to use their disposable income on specialty workouts and fast food.

-Emily Scott

Jamaica Stevens
2080 Vallejo Street Apt 7
San Francisco, CA 94123

To the Members of the San Francisco Planning Department,

I am writing in regards to the proposed re-zoning of 3060 Fillmore Street from General Grocery use to become a formula Retail/Restaurant (for a Shake Shack), gym, and small specialty grocery.

I am a native San Franciscan who has been a resident of the Cow Hollow neighborhood for over a decade. I am also the founder and CEO of a small company that is based here in Cow Hollow. Through the work my company does in education, I work directly with hundreds of schools and thousands of families throughout the bay area -many of these families are residents here in Cow Hollow. I have been an advocate for education and keeping families in San Francisco for 15 years and have seen firsthand how difficult it has been for families to stay in the city.

I think that providing access to fresh, healthy, affordable food and other household staples via a grocery store, is a necessity for everyone in every neighborhood especially for families. This need is even greater in San Francisco since the city has made it increasingly harder and more expensive for residents to own a vehicle. The space at 3060 Fillmore street is the only commercial space zoned as a general grocery store in the Cow Hollow neighborhood; therefore, I think preserving the zoning for this space is essential. I can confidently say that many of my clients and neighbors also feel strongly about preserving the zoning of this space.

Gentrification continues to be an issue in this city. Living here has become unattainable for many families and individuals. As the cost of living in San Francisco continues to increase, one way we can ensure that families and individuals are able to remain in the city is by providing them with access to affordable options not just for healthy food but also for house hold staples such as toilet paper, dish soap, toothpaste and diapers. A local grocery store in our neighborhood could provide such options for its residents.

Our neighborhood has plenty of commercial spaces that are zoned as restaurant spaces and many of them are sitting vacant. We urge Shake Shack to use one of those spaces rather than taking away a space currently zoned for grocery needs. Our neighborhood needs to provide its residents with the essentials that any neighborhood needs to ensure that its residents can raise a family and/or live a sustainable, healthy and affordable life.

Additionally, being in education I believe it is the communities responsibly to set our children up for success and I have concerns about placing an "American fast casual restaurant chain" in such close proximity to several of our neighborhood schools. Due to its inherent unhealthy meal options.

It is my hope that the city will do what is in the best interest of the residents of Cow Hollow and our community and preserve the current zoning designation ensuring a grocery store moves into the space at 3060 Fillmore street.

Thank you,
Jamaica Stevens
415-497-6682

jamaicastevens@gmail.com

May, Christopher (CPC)

From: Royee Chen <royeechen@earthlink.net>
Sent: Wednesday, September 26, 2018 1:18 PM
To: May, Christopher (CPC)
Subject: Re: Shake Shack's CU at 3060 Fillmore Street - in favor

Follow Up Flag: Flag for follow up
Flag Status: Flagged

Hi Christopher—you must have received considerable neighborhood response to Shake Shack's application. I'd like to express my SUPPORT of Shake Shack (and Rumble) occupying the space. It would bring much needed foot traffic and excitement to the corridor, as well as to Union Street. Shake Shack also has the corporate resources to ensure a successful, long-term commitment.

As much as we'd love to have a grocery store back in that space, it's clearly not feasible. No store has stepped up to the plate. Many millennials and New York-transplants living in the neighborhood would also welcome Shake Shack's presence, and the opportunity to 'Rumble' (yet they probably don't know how to reach out to Planning).

I think we should be pleased that Shake Shack has chosen Cow Hollow for its first San Francisco location. To that end, I hope the hearing is scheduled soon, and we can all move forward.—Regards, Royee

On Jun 13, 2018, at 1:24 PM, May, Christopher (CPC) <christopher.may@sfgov.org> wrote:

Hi Royee,

I've tentatively scheduled this item for the August 30th Planning Commission hearing. This is subject to change, and is dependent on the project sponsor providing the Planning Department with additional information in a timely manner.

Christopher May, Senior Planner
Northwest Team, Current Planning Division
San Francisco Planning Department
1650 Mission Street, Suite 400 San Francisco, CA 94103
Direct: 415.575.9087 | www.sfplanning.org
[San Francisco Property Information Map](#)

From: Royee Chen [<mailto:royeechen@earthlink.net>]
Sent: Wednesday, June 13, 2018 9:43 AM
To: May, Christopher (CPC)
Subject: Re: Shake Shack's CU at 3060 Fillmore Street

Hi Christopher—just following up to see if a hearing has been scheduled for Shake Shack's application at this location. (Please let me know if the info is available online - sorry to bother you.)—Regards, Royee Chen

On May 8, 2018, at 9:55 AM, May, Christopher (CPC) <christopher.may@sfgov.org> wrote:

Hi Royee,

The Planning Department received the CU application a couple of weeks ago, and it is currently in my queue for review. Once I have had a chance to review it, I will schedule a Planning Commission hearing, at which point neighborhood residents will be able to provide their comments. At this point the Commission is scheduling into July.

Regards,

Christopher May, Senior Planner
Northwest Team, Current Planning Division
San Francisco Planning Department
1650 Mission Street, Suite 400 San Francisco, CA 94103
Direct: 415.575.9087 | www.sfplanning.org
[San Francisco Property Information Map](#)

From: Royee Chen [<mailto:royeechen@earthlink.net>]
Sent: Tuesday, May 08, 2018 9:42 AM
To: May, Christopher (CPC)
Subject: Shake Shack's CU at 3060 Fillmore Street

Hi Christopher—just following up on my phone call re. the CU, and when the neighborhood will be able to provide comments. Can you please advise on Planning's next steps?—Thanks,
Royee Chen

From: [Arrian Binnings](#)
To: [May, Christopher \(CPC\)](#)
Subject: Shake Shack @ Real Foods Location
Date: Tuesday, June 26, 2018 2:24:32 PM

Dear Christopher,

I hope all is well. I understand you are the City Planner assigned to the permits being applied for at 3060 Fillmore Street, the site of the old Real Foods Grocery store (Filbert is the cross). If I am in error, would you kindly let me know who I may contact?

The reason for my message today is to express my, and many of my neighbors', objection to the proposed Shake Shack going in at the old Real Foods site. I am a homeowner on the same block and we are not thrilled about having a formula retail burger/hot dog place serving greasy fare just a few doors down. Our belief is that the highest and best use for the site continues to be a Grocer.

I'm happy to elaborate if needed, and I recently attended a Neighbor's Meeting to voice my concern (although they didn't need me; the entire room objected).

Please feel free to contact me with any questions, concerns, or "boots on the ground" info you may need right here from my block. I'm happy to assist in any way. If you have any ideas as to how we can keep Shake Shack out (such as writing physical letters, attending certain meetings, etc), I'm all ears.

Kind Regards,

Arrian Binnings
@2130 Filbert Street

Realtor & Luxury Property Specialist
www.PaytonBinnings.com
arrian@paytonbinnings.com
m: 415.830.2384

UNION STREET ASSOCIATION

**2036 Union Street
San Francisco, Ca. 94123
415-673-1273
LL@imagesnorth.com**

November 13, 2018

Christopher May
Department of City Planning
1650 Mission St. Suite 400
San Francisco, Ca. 94103

Re: Shake Shack / Rumble Fitness File #2018-005694CUA

Dear Mr. May,

The Union Street Association is in **full support** of this project as it meets the needs of the neighborhood in several ways making the project both necessary and desirable. The project sponsors have provided several venues for the public to voice their opinion over the past year and the residents and merchants have all provided their input. 70% of the respondents contacted by the USA are supportive of the project and feel it will be **beneficial** to the neighborhood.

As Executive Director of the USA, I am happy to say that the merchants are **eager** to have Shake Shack as part of the food services in Cow Hollow. The very fact that their beef is grass fed makes all the difference when compared with other similar burger restaurants.

Shake Shack believes that due to the support their business has in other locations they will no doubt be well received here in Cow Hollow. **Fillmore** can surely **benefit** from the new customers Shake Shack will bring to that part of our neighborhood and will no doubt benefit Union Street also.

The Association also **supports Rumble Fitness** as part of the project as well. This gym is unlike other fitness businesses as the focus is on self-protection and teaching how to protect from unwanted personal contact. The merchants felt this unique niche fitness concept was a positive addition to the mix already in the district adding a new aspect to personal fitness.

We therefore announce, once again, our **approval of the project** and believe it will be an asset to the business mix drawing new, sorely needed foot traffic to Fillmore Street benefitting us all whether on Union or Fillmore.

Thank you,

Lesley Leonhardt
Executive Director

May, Christopher (CPC)

From: Vicki Roos <vtroos@gmail.com>
Sent: Friday, November 16, 2018 12:58 PM
To: May, Christopher (CPC)
Subject: 3060 Fillmore Street

Follow Up Flag: Follow up
Flag Status: Flagged

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Dear Christopher,

I am writing to ask you to make sure that 3060 Fillmore remains a space for a grocery store, this is what the neighborhood needs. While I understand finding the right tenant and buyer might take while, I assure you they are out there. Please listen to the voices of the neighborhood and make sure the planning Commission is not swayed by big real estate companies who have no interest in our neighborhood.

Vicki Roos
3467 Fillmore Street

Exhibit G:

Project Sponsor Submittal

Conditional Use Hearing
Case Number 2018-005694CUA
3060 Fillmore Street
Block 0533 Lot 040

3060 Fillmore Street



CenterCal Properties, the project sponsor of 3060 Fillmore Street is pleased to propose an infill project that will activate this long-vacant building on the corner of Fillmore and Filbert Streets. CenterCal Properties introduced the project to then-Supervisor Farrell in January 2018, followed by an intensive year of outreach, solicitation of grocer tenants, and study of economic feasibility. From the outset, the project team has been focused on activating the building and introducing new vitality to the nearby Union Street corridor, and exploring every opportunity to respond to neighbors' requests for a grocer.

Several months were spent studying dozens of floorplans which could allow inventive use of the Filbert Street space for a market. CenterCal devoted company resources to find a solution that was both economically viable and amenable for niche local grocers.

CenterCal committed to robust community outreach, and has had dozens of conversations and meetings with local neighbors, the following community groups, and city agencies.

- Union Street Merchants
- Cow Hollow Neighbors
- Golden Gate Valley Neighborhood Association
- San Francisco Council of Merchants
- Office of Supervisor Catherine Stefani
- Office of Economic and Workforce Development
- SF Made

Support Synopsis:

- Union Street Merchants Formal Endorsement
- 586 indications of support on Rumble's social media channels
- Two dozen letters of support and petition signatures



KEY ENDORSEMENT:

The Union Street Merchants, the sole merchant group for the corridor, overwhelming voted to endorse the project.

PROJECT OVERVIEW



3060 Fillmore is situated on the corner of Fillmore and Filbert Streets. Long vacant, the building is a redevelopment opportunity that CenterCal Properties has spearheaded. CenterCal is committed to preserving the historic architectural beauty of 3060 Fillmore while establishing an exciting new mix of retail tenants that will re-energize this corner on Fillmore Street.

The Project will create a new hub of activity and retail destination that will support the Union Street and Chestnut Street retail corridors by generating new foot traffic. The project will consist of two new-to-San Francisco tenants in Shake Shack and Rumble Fitness, a niche/boutique fitness use that is unlike anything else available in the City today. CenterCal also recently partnered with the Michal Mina Restaurant Group to launch Indie Superette, a new small-footprint grab-and-go-market that will include fresh produce, nuts and grains, nut milks, eggs, dairy, and other staples. Additionally, Indie Superette will feature salads, smoothies, and other ready-to-eat items fresh from the nearby Mina Test Kitchen.

PRIMARY ISSUES

The issues of primary interest were somewhat split between neighbors and merchants.

Merchants have been overwhelmingly focused on the potential the project has to deliver new foot traffic, activation, and vitality to the nearby Union Street corridor. There has also been hope expressed that the new activity will help address several quality of life issues in the neighborhood, including homelessness, street trash, and safety. There were some early questions about Shake Shack's formula retailer status, and whether or not Rumble would add to the retail mix given the existing fitness options in the near vicinity, but those have largely been addressed.

Local merchants were also pleased to learn more about the company, namely that it focuses on the highest quality ingredients, and that each location customizes its menu to reflect local delicacies and specialties. For example, the coming Palo Alto location is serving wine from Napa and Berkeley, Dandelion Chocolate from San Francisco, and custard inspired by Los Gatos' Manresa Bread's dessert offerings.

Neighbors were hopeful a grocer would replace the Real Foods location that closed in 2016. CenterCal leveraged its network of national, regional and local grocery operators to find a grocer tenant primed for success in San Francisco's difficult retail market.

Despite months of effort and conversations with dozens of grocers a match was not made. Many of the features that make this charming, historic building attractive from an aesthetic perspective also introduce significant physical barriers which prevent a grocery store from operating efficiently and successfully at this location. These constraints (including large concrete sheer walls dividing the property in two, the long and narrow dimensions associated with the Filbert side of the property, and the significant grade change from Filbert Street to the finished floor of the building) rendered the space physically infeasible for a grocery store.

This was further borne out by an independent third-party review. As part of the planning process, CenterCal retained ALS Economics to conduct a market and economic feasibility study. The report concluded that given the existing economic conditions of the San Francisco real estate market it is not reasonable to expect a grocer would be economically viable at 3060 Fillmore, or the building owner would have to accept more than a 70% reduction in sale price. The building owner is understandably not willing to entertain such a reduction.

The small format of Indie Superette, which will be carved out of approximately 700 square feet of the Fillmore Street side of the building, will meet a neighborhood need by providing easy access to grocery staples while maintaining the overall economic viability of the proposal.

OUTREACH TIMELINE

The CenterCal project team began its outreach in January 2018 with several background conversations with community leaders. Beginning with then-Supervisor Farrell's office, the team sought input as to which individuals and neighborhood groups were critical to include, and what issues would be of the highest importance. Additional early meetings included the Union Street Association of Merchants and the Cow Hollow Neighbors, as well as several fixtures in the Cow Hollow and Marina hospitality industry. A more detailed timeline is below.

January 2018

Union Street Association (USA) of Merchants: The team made an introductory presentation to the USA leadership. Initial excitement was focused on building and street activation. CenterCal explained the headwinds to finding a grocer to occupy the space.

Cow Hollow Neighbors: The team met with the Cow Hollow Neighbors, which was also interested in a grocer, but appreciated a discussion of the roadblocks, and Shake Shack was a point of excitement.

Then-Supervisor Farrell: Then-Supervisor Farrell's office made clear it was pleased to see activation on such a prominent corner, and that given it's a retail project, the merchant community's support would be critical.

Pre-Application Meeting: While formula retail and Change of Use CUPs only require notification up to 150' and the adjoining property owners, the project team increased the notification radius to 500' to ensure a larger swath of the community could weigh in. Approximately 70 people attended and discussed activating the building, the need for a grocer, and how trash and traffic will be managed.

February 2018

Union Street Association of Merchants: The team presented to the February monthly meeting of the USA. There were questions about formula retail, but the attendees were thrilled for the coming activity.

Neighbor Meetings: The team met with neighbors in its first installment of community "office hours" in a local coffee shop where neighbors dropped in to ask questions.

San Francisco Council of District Merchants Associations: The team sat down with the leadership of the CDMA to discuss the project and to understand the priorities merchant organizations from across the city were establishing to adapt to the changing retail climate.

Office of Economic and Workforce Development: The team discussed the project, neighborhood feedback, and options for the City to leverage its resources and facilitate a grocer.

Supervisor Catherine Stefani: The team briefed then-newly appointed Supervisor Stefani on the proposal, neighborhood feedback and opportunities for City assistance.

March 2018

Neighboring Businesses: The team met with business owners who were interested in the project and were supportive of activated space.

Gus's Market: The team sat down with Gus's Market, Supervisor Stefani and OEWD to discuss whether city subsidies or other avenues existed to reduce the financial headwinds to successfully operating a grocer in the current real estate market.

March 2018 Continued

Union Street Association of Merchants Board Meeting:

The team presented updated project details to the USA Board, answered operational questions, and received several constructive notes.

Supervisor Catherine Stefani: Met with Supervisor Stefani's staff to provide an outreach update and hear continued feedback as the Supervisor settled into office.

The team met with Supervisor Stefani a second time later in the month detailing every grocer and non-fitness tenant it toured in the building.

Golden Gate Valley Neighborhood Association Board Meeting:

The team presented updated project plans to approximately six members of the Golden Gate Valley Neighborhood Association. The main discussion point was how the project could contribute to and improve the quality of life in Cow Hollow.

Business Walk and Outreach: The team visited and held discussions with dozens of nearby businesses in the Cow Hollow and Marina neighborhoods. Supportive businesses included:

- Perry's San Francisco
- The Brixton
- Glaze Teriyaki
- Hollow Cow and Jaxson
- TaylorFit
- Salma Real Estate
- Sabrosa
- Rooster & Rice
- Stock in Trade
- Fredericksen Hardware

April 2018

Luke's Local Site Walk: The team invited Luke Chappel to 3060 Fillmore to walk the building and discuss possible scenarios for a small grocer.

Nearby Neighbors: The team invited interested neighbors to participate in a second "office hours" event to hear feedback and answer questions.

May 2018

Grocer Engagement: The team continued working with Luke's Local and Bi-Rite markets in an effort to find creative ways to make a grocer economically feasible in the space.

To further this goal, CenterCal provided design resources to Luke's, including flying Luke to Los Angeles and making its architects and contractors available to brainstorm layouts and floor plans.

June 2018

Golden Gate Valley Neighborhood Association: The team provided project updates to the Golden Gate Valley Neighborhood Association board, answered questions, and addressed operational concerns.

July-September 2018

Economic Study: The team paused direct engagement with neighbors while it conducted an in-depth economic study to fully understand existing economic conditions and what, if any, viability a grocer had in the current market.

During this period, the team continued engagement with Luke's Local, which ultimately decided it could not make 3060 Fillmore viable in August 2018.

October 2018

Office of Economic and Workforce Development:

The team met with OEWD to share the conclusions of the economic study.

Supervisor Catherine Stefani: The team briefed Supervisor Stefani on the conclusions of the economic study.

November 2018

Golden Gate Valley Neighborhood Association: The team shared final plans, including the Indie Superette concept.

Nearby neighbors: The team held its final "office hours" session to answer questions and share updated plans, including the Indie Superette concept.

UNION STREET ASSOCIATION

2036 Union Street
San Francisco, Ca. 94123
415-673-1273
LL@imagesnorth.com

November 13, 2018

Christopher May
Department of City Planning
1650 Mission St. Suite 400
San Francisco, Ca. 94103

Re: Shake Shack / Rumble Fitness File #2018-005694CUA

Dear Mr. May,

The Union Street Association is in **full support** of this project as it meets the needs of the neighborhood in several ways making the project both necessary and desirable. The project sponsors have provided several venues for the public to voice their opinion over the past year and the residents and merchants have all provided their input. 70% of the respondents contacted by the USA are supportive of the project and feel it will be **beneficial** to the neighborhood.

As Executive Director of the USA, I am happy to say that the merchants are **eager** to have Shake Shack as part of the food services in Cow Hollow. The very fact that their beef is grass fed makes all the difference when compared with other similar burger restaurants.

Shake Shack believes that due to the support their business has in other locations they will no doubt be well received here in Cow Hollow. **Fillmore** can surely **benefit** from the new customers Shake Shack will bring to that part of our neighborhood and will no doubt benefit Union Street also.

The Association also **supports Rumble Fitness** as part of the project as well. This gym is unlike other fitness businesses as the focus is on self-protection and teaching how to protect from unwanted personal contact. The merchants felt this unique niche fitness concept was a positive addition to the mix already in the district adding a new aspect to personal fitness.

We therefore announce, once again, our **approval of the project** and believe it will be an asset to the business mix drawing new, sorely needed foot traffic to Fillmore Street benefitting us all whether on Union or Fillmore.

Thank you,

Lesley Leonhardt
Executive Director



EAT GOOD FOOD

May 18, 2018

Dear Christopher May,

We are writing to clarify our position on the former Real Foods market at 3060 Fillmore Street, which we passed on when Max Sander presented it to us a second time back in November of 2017, after an initial presentation in 2016 by another broker.

Our primary motivation for growing our family of businesses is to create community and nourish the neighborhoods in which we operate. In order for us to be successful and to serve the neighborhood well, we still need the economics to make sense. We crunched our numbers again, and unfortunately, even with a potential subsidy, the economics for this location just don't pencil out for our type of business, our margins in grocery are just too low. Additionally, the required capital expenditure for tenant improvements make the economics look even worse. Lastly, confining the market space to just the Filbert Street side reduces the functionality of the layout and diminishes the ability to draw in adequate foot traffic for us to make the impact we want to have.

Therefore, we are not able to provide for a grocery use at 3060 Fillmore, and are respectfully moving on from this opportunity.

Sincerely,

Sam Mogannam

Jeff Hoover

From: regan caponi <wordpress@3060fillmore.com>
Sent: Wednesday, November 14, 2018 7:06 PM
To: kim@kmarq.com; Jeff Hoover
Subject: I Support 3060 Fillmore Street

Dear President Hillis and Planning Commissioners,

My name is regan caponi and I live at 3107 fillmore street sf ca 94123. I am contacting you to express my support for the proposed Shake Shack and Rumble Fitness at 3060 Fillmore. San Francisco's first Shake Shack and second Rumble will revitalize a long-vacant building and spark new energy in the Union Street corridor.

The neighborhood is known for its walkability, but the pedestrian experience, street cleanliness, and overall neighborhood vitality have suffered as vacancies have increased. I hope this project helps us get back to a livelier corridor with even more new businesses.

I strongly encourage you to approve this proposal.

Sincerely,

regan caponi
fillmoreco@aol.com

Jeff Hoover

From: Kiki Lo <wordpress@3060fillmore.com>
Sent: Tuesday, November 13, 2018 1:00 PM
To: kim@kmarq.com; Jeff Hoover
Subject: I Support 3060 Fillmore Street

Dear President Hillis and Planning Commissioners,

My name is Kiki Lo and I live at 828 Masonic Ave. I am contacting you to express my support for the proposed Shake Shack and Rumble Fitness at 3060 Fillmore. San Francisco's first Shake Shack and second Rumble will revitalize a long-vacant building and spark new energy in the Union Street corridor.

The neighborhood is known for its walkability, but the pedestrian experience, street cleanliness, and overall neighborhood vitality have suffered as vacancies have increased. I hope this project helps us get back to a livelier corridor with even more new businesses.

I strongly encourage you to approve this proposal.

Sincerely,

Kiki Lo
kianalmlo@gmail.com

Jeff Hoover

From: Kiki Lo <wordpress@3060fillmore.com>
Sent: Tuesday, November 13, 2018 1:00 PM
To: kim@kmarq.com; Jeff Hoover
Subject: I Support 3060 Fillmore Street

Dear President Hillis and Planning Commissioners,

My name is Kiki Lo and I live at 828 Masonic Ave. I am contacting you to express my support for the proposed Shake Shack and Rumble Fitness at 3060 Fillmore. San Francisco's first Shake Shack and second Rumble will revitalize a long-vacant building and spark new energy in the Union Street corridor.

The neighborhood is known for its walkability, but the pedestrian experience, street cleanliness, and overall neighborhood vitality have suffered as vacancies have increased. I hope this project helps us get back to a livelier corridor with even more new businesses.

I strongly encourage you to approve this proposal.

Sincerely,

Kiki Lo
kianalmlo@gmail.com

March 7th, 2018

President Rich Hillis
San Francisco Planning Commission
1650 Mission Street, Suite 400
San Francisco, CA 94103

Re: 3060 Fillmore Street

Dear President Hillis,

On behalf of Glaze Teriyaki, please accept this letter of support for CenterCal Properties' proposed retail project at 3060 Fillmore Street.

It has come to my attention there are some in the neighborhood who are not supportive of this project. Please let me share why I disagree think this project is not just helpful, but necessary for the continued vitality of the Union Street commercial area.

Both proposed tenants - Shake Shack and Rumble - are new-to-San Francisco and will be the major draw and anchor the Union Street corridor needs. Retail is changing; shoppers require something new to overcome the ease and convenience of e-commerce and on-demand delivery, and these two experiences have the draw to get customers away from their screens and into our neighborhood.

As the owner of Glaze Teriyaki, I've seen first hand the impact extended vacancies have on our local retail corridors. 3060 Fillmore has been empty for nearly 18 months, and the lack of activity has been having an impact up and down the street.

CenterCal has been an engaged partner since the idea was first proposed. We've already had the opportunity to discuss CenterCal's eagerness to actively participate in local events and contribute to increased sanitation and quality of life initiatives.

I am confident new, fun retail in this location will better the Union Street commercial corridor, and I support this project and urge the Planning Commission to approve it.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jesse Kay-Rugen', with a long horizontal flourish extending to the right.

Jesse Kay-Rugen
Glaze Teriyaki

Jeff Hoover

From: Fredericksen Hardware <fredericksen.management@gmail.com>
Sent: Tuesday, March 13, 2018 4:29 PM
To: Jeff Hoover
Subject: Fwd: 3060 Fillmore project

----- Forwarded message -----

From: **Fredericksen Hardware** <fredericksen.management@gmail.com>
Date: Tue, Mar 13, 2018 at 3:15 PM
Subject: 3060 Fillmore project
To: Dyanna.quizon@sfgov.org

I'm emailing you to give my support of the 3060 Fillmore st. project. That building has been vacant for too long. I understand everyone wanted a grocery store there, myself included, but it hasn't and won't happen.

--
Sam Black
Manager
[415.292.2950](tel:415.292.2950)
Fredericksen Hardware & Paint
3029 Fillmore St. SF, CA 94123

--
Sam Black
Manager
[415.292.2950](tel:415.292.2950)
Fredericksen Hardware & Paint
3029 Fillmore St. SF, CA 94123

Jeff Hoover

From: Donna O'Leary <wordpress@3060fillmore.com>
Sent: Monday, November 5, 2018 12:34 PM
To: kim@kmarq.com; Jeff Hoover
Subject: I Support 3060 Fillmore Street

Dear President Hillis and Planning Commissioners,

My name is Donna O'Leary and I live at 1858 Union Street. I am contacting you to express my support for the proposed Shake Shack and Rumble Fitness at 3060 Fillmore. San Francisco's first Shake Shack and second Rumble will revitalize a long-vacant building and spark new energy in the Union Street corridor.

The neighborhood is known for its walkability, but the pedestrian experience, street cleanliness, and overall neighborhood vitality have suffered as vacancies have increased. I hope this project helps us get back to a livelier corridor with even more new businesses.

I strongly encourage you to approve this proposal.

Sincerely,

Donna O'Leary
donkie1996@gmail.com

Jeff Hoover

From: Whitney Branco <wordpress@3060fillmore.com>
Sent: Monday, November 5, 2018 8:22 AM
To: kim@kmarq.com; Jeff Hoover
Subject: I Support 3060 Fillmore Street

Dear President Hillis and Planning Commissioners,

My name is Whitney Branco and I live at Work at 1828 Union St. I am contacting you to express my support for the proposed Shake Shack and Rumble Fitness at 3060 Fillmore. San Francisco's first Shake Shack and second Rumble will revitalize a long-vacant building and spark new energy in the Union Street corridor.

The neighborhood is known for its walkability, but the pedestrian experience, street cleanliness, and overall neighborhood vitality have suffered as vacancies have increased. I hope this project helps us get back to a livelier corridor with even more new businesses.

I strongly encourage you to approve this proposal.

Sincerely,

Whitney Branco
whitney@sproutsanfrancisco.com

Jeff Hoover

From: Linda Kha <mail@3060fillmore.com>
Sent: Wednesday, November 7, 2018 7:54 PM
To: Jeff Hoover
Subject: New Message From 3060 Fillmore Street

Please add this person to the mailing list for 3060 Fillmore to receive updates.

Name: Linda Kha

Email Address: Falalala@att.net

Zipcode: 94123

I support the 3060 Fillmore project!, Please email me project updates.

Jeff Hoover

From: Lia Branning-Chen <wordpress@3060fillmore.com>
Sent: Thursday, November 1, 2018 1:50 PM
To: kim@kmarq.com; Jeff Hoover
Subject: I Support 3060 Fillmore Street

Dear President Hillis and Planning Commissioners,

My name is Lia Branning-Chen and I live at 2739 Octavia Street. I am contacting you to express my support for the proposed Shake Shack and Rumble Fitness at 3060 Fillmore. San Francisco's first Shake Shack and second Rumble will revitalize a long-vacant building and spark new energy in the Union Street corridor.

The neighborhood is known for its walkability, but the pedestrian experience, street cleanliness, and overall neighborhood vitality have suffered as vacancies have increased. I hope this project helps us get back to a livelier corridor with even more new businesses.

I strongly encourage you to approve this proposal.

Sincerely,

Lia Branning-Chen
lbranning@icloud.com

Jeff Hoover

From: Royee Chen <wordpress@3060fillmore.com>
Sent: Thursday, November 1, 2018 11:13 AM
To: kim@kmarq.com; Jeff Hoover
Subject: I Support 3060 Fillmore Street

Dear President Hillis and Planning Commissioners,

My name is Royee Chen and I live at 2741 Octavia Street, I am contacting you to express my support for the proposed Shake Shack and Rumble Fitness at 3060 Fillmore. San Francisco's first Shake Shack and second Rumble will revitalize a long-vacant building and spark new energy in the Union Street corridor.

The neighborhood is known for its walkability, but the pedestrian experience, street cleanliness, and overall neighborhood vitality have suffered as vacancies have increased. I hope this project helps us get back to a livelier corridor with even more new businesses.

I strongly encourage you to approve this proposal.

Sincerely,

Royee Chen
oryxsf@earthlink.net

Jeff Hoover

From: butler.perry@gmail.com on behalf of Perry Butler <perry@perryssf.com>
Sent: Monday, March 5, 2018 3:37 PM
To: Catherine.stefani@sfgov.org; Dyanna.Quizon@sfgov.org
Cc: Jeff Hoover
Subject: Shake Shack and Rumble Fitness

Dear Supervisor Stefani and Ms. Quizon -

Perry Butler here, owner of Perry's on Union Street. I am writing to chime in on the Shake Shack / Rumble Fitness matter at 3600 Fillmore Street.

As someone who is very concerned about the current status and the future well being of this neighborhood, I think the addition of Shake Shack and Rumble Fitness would be a tremendously positive thing and would inject some much needed energy and vibrancy to that site and to the entire surrounding neighborhood. I am 100% supportive and in favor of it.

In my 48+ years, I have seen a lot of ups and downs in this neighborhood, have never felt terribly concerned because the pendulum always manages to swing out and then back. That is not how I feel now, however, because the present situation seems much more dire than any previous downturns and the outlook is pretty darn gloomy. We all know that the overarching problem is landlords charging unrealistically high rents that many retailers cannot successfully afford. A market correction is badly needed, but that is not likely to happen soon enough to prevent more store closures and resulting vacancies.

Shake Shack is a national success story that brings with it a ton of cachet. Danny Meyer, the founder, is easily the smartest and most successful restaurateur in America. I am utterly certain that their presence on Fillmore Street will light a fire under this neighborhood in a manner that virtually nothing else could. It will bring new people here, it will shine a bright spotlight on the neighborhood and everyone will benefit.

It is way too easy to say "no thanks" or "not in my backyard" and take a protectionist stance against a retailer this successful and this powerful. But to do so would be nothing short of neighborhood malfeasance and would doom that historic building to years of sitting vacant. No one in their right mind should want that.

Sincerely,
Perry

--
Perry Butler

Direct: 415-292-1727
Cell: 415-613-6384
Fax: 415-922-0843
www.perryssf.com



From: [Michelle Carandang](#)
To: kim@kmarq.com; [Jeff Hoover](#)
Subject: I Support 3060 Fillmore Street
Date: Wednesday, November 21, 2018 10:17:05 AM

Dear President Hillis and Planning Commissioners,

My name is Michelle Carandang and I live at 28th Ave. I am contacting you to express my support for the proposed Shake Shack and Rumble Fitness at 3060 Fillmore. San Francisco's first Shake Shack and second Rumble will revitalize a long-vacant building and spark new energy in the Union Street corridor.

The neighborhood is known for its walkability, but the pedestrian experience, street cleanliness, and overall neighborhood vitality have suffered as vacancies have increased. I hope this project helps us get back to a livelier corridor with even more new businesses.

I strongly encourage you to approve this proposal.

Sincerely,

Michelle Carandang
mikala11@sbcglobal.net

3060 Fillmore Street Petition



Dear Supervisor Stefani, Union Street Merchants, and the San Francisco Planning Commission,
We, the undersigned and neighbors, business owners, and residents of San Francisco and the Marina/Cow Hollow neighborhoods support CenterCal Properties' proposal for 3060 Fillmore Street for Shake Shack and Rumble Fitness. The proposal will provide new, fun retail options and will be an anchor near the Union Street corridor.



Name

Signature

Address

Email

I am a neighborhood business owner

Ryan Salma

[Handwritten signature]

3060 Fillmore Street

ryan@salma-cc.com

Treed Trevaire

[Handwritten signature]

2140 Filbert St

Rachl.Rachford@t.com

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3060 Fillmore Street Petition



Dear Supervisor Stefani, Union Street Merchants, and the San Francisco Planning Commission,
 We, the undersigned and neighbors, business owners, and residents of San Francisco and the Marina/Cow Hollow neighborhoods support CenterCal Properties' proposal for 3060 Fillmore Street for Shake Shack and Rumble Fitness. The proposal will provide new, fun retail options and will be an anchor near the Union Street corridor.



Name

Signature

Address

Email

I am a neighborhood business owner

PERRY BUZZAR

[Handwritten Signature]

1444 UNION ST

PERRY@PERRYNSRF.COM

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Tiffany Lam

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JEFF JURAN

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Hugo Lumban

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2140 Union St

HUGO@DRISTONSF.COM



Shake Shack at a Glance

Shake Shack sprouted from a single hot dog cart in Madison Square Park in New York City to support the Madison Square Park Conservancy's first art installation. The cart was quite the success, with Shack fans lined up daily for three summers. This model has shaped Shake Shack ever since and inspires the company's service and philanthropic commitment to all the communities The Shack calls home.



New to San Francisco, A Draw to the Neighborhood

- San Francisco is emerging as a towering culinary destination, and the City's first Shack has been a long time in the making.
- As Shake Shack considers where and when to open new locations, it seeks places where it will be an instant neighborhood fixture. The City's first Shake Shack will welcome people from all over the Bay who want to gather together and enjoy fresh, simple, high-quality versions of the classics in an iconic San Francisco setting.
- Just off the Union Street merchant corridor, Shake Shack will attract visitors from around the city, eager to have a burger and enjoy the neighborhood. Shacks all over the country spur activity, energy, and a sense of community, and the Fillmore Shack will bring new lunchtime activation where it doesn't currently exist.

Good Burgers Make Good Neighbors

- Shake Shack is an experienced urban operator and will utilize well-established best practices to manage trash and cleanliness, keep lines orderly and respectful, and be a positive addition to San Francisco.
- Shake Shack and its in-store partners are known for rolling up their sleeves and doing good work for local charitable partners. Shake Shack is eager to hear about local organizations and causes to support in its newest home. Please email [\[insert email\]](#) to share your ideas.
- 3060 Fillmore is at the gate to the Union Street Corridor, and Shake Shack is keen to contribute to the commercial vitality as an active member of the Union Street Merchants. Shake Shack is ready to join the fun in San Francisco and will be a partner during local festivals and events by providing tasty samples and refreshments.



Rumble Fitness at a Glance

Rumble is the next generation of group fitness and brings boxing to the masses. Rumble is focused on providing a fun and inclusionary experience to everyone. Rumble is not “just another gym,” but instead is an exciting, new, and compelling draw for the neighborhood.



New to San Francisco, A Draw to the Neighborhood

- San Francisco is one of the fittest, most active cities in the country, which made it and the Union Street Corridor a natural next step. It’s clear the neighborhood values an array of fitness options as the nearby SoulCycle and Barry’s Bootcamp are top national performers in each company. Most importantly, Rumble’s dedicated pool of clients overwhelmingly requested the Marina/Cow Hollow neighborhoods for an early San Francisco location.
- Rumble empowers its clients – 70% of whom are women – by training how to move, throw punches, and control one’s body.
- Most Rumble clients participate in several fitness activities, including spin, yoga, and pilates. Rumble expects to supplement the vibrant neighborhood fitness available in the neighborhood, not oversaturate it.
- Rumble expects the Fillmore studio to serve more than 600 clients per day. This means hundreds more shoppers, diners, and patrons for the eclectic Union Street merchants.
- Rumbles are busiest in the mornings and evenings during the week, and the morning through late afternoon on the weekends. After their 60-minute workout, Rumble’s clients will patronize neighborhood cafes and shops at different times than traditional restaurant traffic.

Good Sparring Partners Make Good Neighbors

- Rumble uses the most advanced technology to soundproof its locations ensuring the nearby neighbors, day care center, and businesses continue operating without interruption. Rumble looks forward to meeting its new neighbors and working together for a vital, fun neighborhood.
- Rumble embraces local businesses and provides opportunities to build corporate partnerships focused on health and wellness.

INDIE SUPERETTE

Indie Superette at a Glance

Indie Superette is a wellness superette market and café that suits the refueling desires of all with a curated grab-and-go grocery assortment, plant-based acai bowls, smoothies, juices, elixirs, kombuchas, salads, wraps and more.



Get the fuel you need to optimize your mental and physical performance.



Fuel Your Spirit

- Indie Superette is the newest offering from Michael Mina Restaurant Group. Situated in the heart of Cow Hollow just off Union Street, Indie Superette will be a new entrant into a venerable neighborhood and serve residents with staples and prepared food alike from 7 a.m. – 8 p.m.
- CenterCal heard from neighbors that a market to replace Real Food was desirable and after more than 18 months of engagement and dozens of grocers declining the space, it was clear 3060 Fillmore is not suited for a large - or medium - scale grocer.
- Indie Superette carves out 700 square feet from the Fillmore Street side of the building for an open “food hall” style concept fed from the nearby Mina Test Kitchen. Indie Superette will specialize in the freshest produce Northern California has to offer: nut milks, grains, dairy, and dozens of other staples one might get from a larger grocer. Shoppers will also be able to grab a smoothie, salad, or other healthy dining options you’d find in a local markets prepared food section.

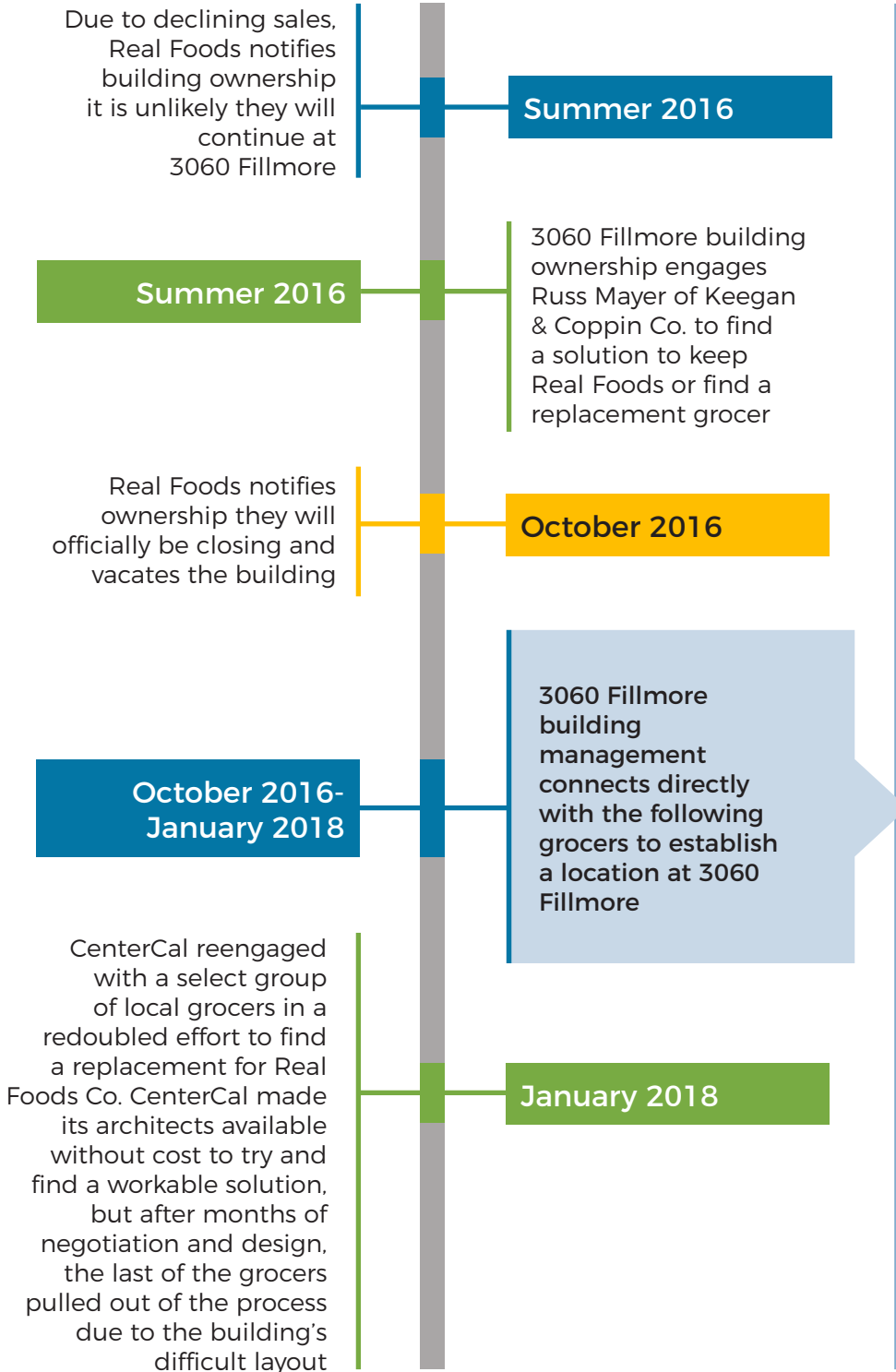
Wellness Bar + Grocery Cafe

- Fresh cold pressed juices & smoothies
- Lamill coffee & teas
- Breakfast indie food: toasts / overnight oats / yogi & chia & parfaits / cut fruit
- Lunch indie food: salads / toasts / veggie burgers/sausage (Beyond Meat) & chips
- Grab & go food: salads / wraps / tapas / desserts (similar to options offered at Kreation Juice)
- Grab & go beverage: cold pressed juice / shots / protein / energy / natural soda / teas / coffee / waters / sparkling waters / ciders / kombuchas / coconut waters
- Snacks: wide variety of top selections offered at Whole Foods Market
- Refrigerated beverage-focused case
- Chilled retail food / bars and healthy supplements case

The Search for a Grocer



3060 Fillmore



3060 FILLMORE SEARCH FOR A GROCERY STORE OVERVIEW

CenterCal develops and operates projects with grocery store across California, Oregon, Washington, Idaho and Utah. Since learning of the desire for a grocery store at this location, CenterCal has leveraged its relationships with over 20 national, regional and local grocery stores in an effort to find an operator for this location. Despite significant effort, CenterCal was unable to find a grocery tenant that was able to make this property work from a layout and economic perspective.

In addition to CenterCal's efforts, it is important to recognize that the current owners of the property have also expended significant efforts to lease the building to a grocery tenant prior to CenterCal's involvement in the project. The owners began their leasing efforts immediately upon learning of Real Foods Company plans to close their store and vacate the building in October of 2016.

GROCERY BRANDS



DEAN & DELUCA



.....

3060 FILLMORE SEARCH FOR A GROCERY STORE - FEEDBACK AND CONSTRAINTS

As a result of CenterCal's continued conversations with over 20 grocery operators, it became evident that significant physical, operational and economic constraints associated with the property and grocery industry exist that will prohibit a grocery store from operating and producing the sales volumes necessary to be successful at 3060 Fillmore. These constraints included:

- The physical constraints associated with the property that would render a grocery use infeasible from an operational standpoint
- The economic constraints associated with the property and market that would not enable a grocery store to produce the sales volumes necessary to remain financially solvent
- The macroeconomic trends of the brick and mortar grocery industry impacting all potential tenants in the City of San Francisco and across the country



3060 FILLMORE PROPERTY AND BUILDING OVERVIEW - HISTORY & TIMELINE

- The building was constructed in 1905 originally as two buildings.
- The building was operated as a parking garage for vehicles for 89 years from 1905 - 1996.
- The building was structurally upgraded in 1992 to meet updated seismic code.
- The building was retrofitted for a grocery store in 1996. Occupied by Real Foods Company for 20 years from October 1996 to October 2016
- Real Foods Company closed its doors on October of 2016. The building has remained vacant for 22 months despite constant efforts to release to a new grocery or retail operator



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3060 FILLMORE PROPERTY AND BUILDING OVERVIEW - PHYSICAL CONSTRAINTS

The property is encumbered with a number of physical constraints that limit the redevelopment and tenancy potential of the building and viability of new tenants to operate successfully. These constraints include:

LAYOUT OF EXISTING BUILDING

- A large concrete shear wall that divides the building down the middle. This constraint prevents potential tenants from utilizing the entire property in an efficient manner. It creates a natural barrier.
- Long and narrow dimensions of Filbert portion of the building. 48'2" X 134'10 3/4" not conducive to the majority of retail operators and users.
- 3+ feet of grade change between Filbert street elevation and existing finished floor.
- Property is underserved with regards to power and gas. Majority of new tenants require significant capacity upgrades with PG&E in order to operate

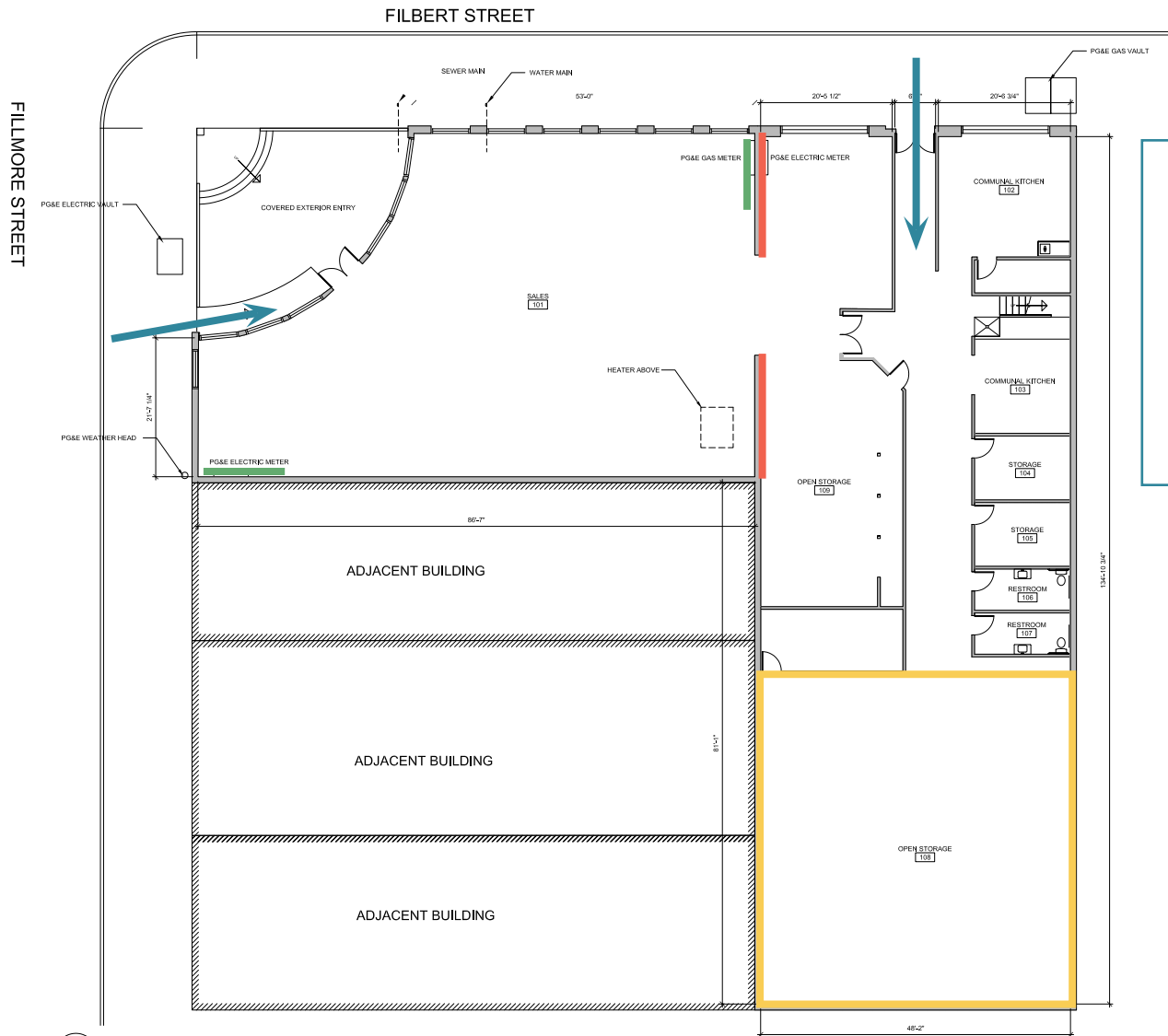
HISTORIC DESIGNATION OF THE BUILDING

- 3060 Fillmore is protected with a Class A Historical Designation by the City of San Francisco. This prevents a prospective developer/landlord from modifying the existing building without triggering an exhaustive environmental impact analysis.



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3060 FILLMORE BUILDING CONSTRAINTS EXHIBIT

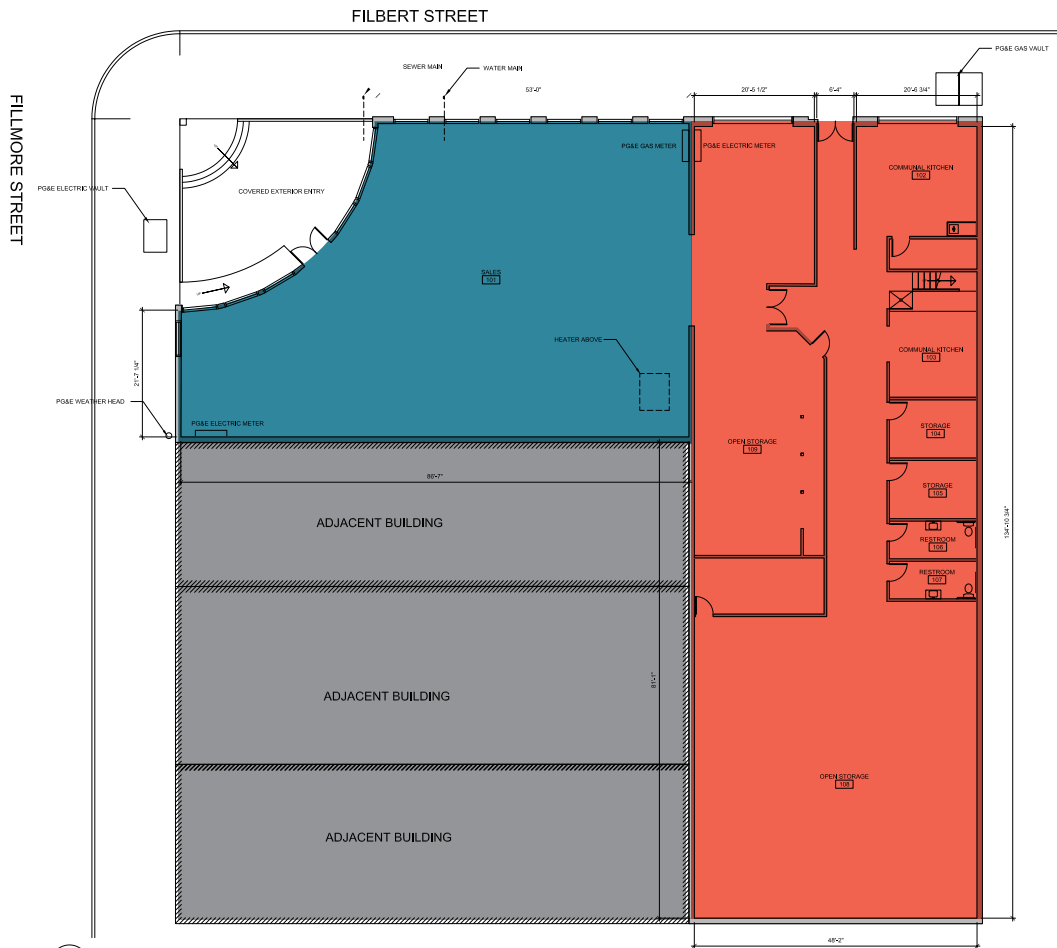


BUILDING PHYSICAL CONSTRAINTS

- Load Bearing Walls
- Undersized Utility Meters
- Back of House Unusable "dead space"
- ➔ 3+ Foot Grade Change

1 EXISTING FIRST FLOOR PLAN
1/8" = 1'-0"

3060 FILLMORE BUILDING CONSTRAINTS EXHIBIT



1 EXISTING FIRST FLOOR PLAN
1/8" = 1'-0"

KEY	
■	Sales Area
■	Back of House

- Building originally utilized as a parking garage for first 89 years of operation
- Real Foods Company opens small format grocer in October 1996
- 35% of the building was operated as a sales area by Real Foods Co with 65% allocated to refrigeration, kitchen and storage
- Typical grocery stores utilize 75% - 85% of total area to sales floor
- October 2016, Real Foods Co closes down their store and vacates the property

You asked, we listened!



3060 Fillmore

CenterCal Properties has spent the last several months talking with the Marina and Cow Hollow communities and we've heard loud and clear concerns and priorities from neighbors adjacent to 3060 Fillmore Street. We're experienced property managers and are committed to ensuring 3060 Fillmore will be a positive addition to the neighborhood.



Commitments:

- Daily trash clean-up and sweeping around the perimeter of the building will keep trash out of the neighborhood.
- CenterCal will power wash its sidewalks to the street every week.
- Security patrols on Friday and Saturday nights from closing past last call will eliminate nuisances at the building.
- Limited hours of operation in tenant leases will avoid disruption to neighbors. No bar hours!
- CenterCal will be an active member in the Union Street Association and will participate in and support community events including the Easter Parade and Union Street Festival.
- CenterCal is working with local community groups to establish an ongoing local charitable partner to support.
- Tenant signage and décor will keep the building true to its history and neighborhood character.



Commitments:

- Hours of operation will be approximately 7 a.m. (if breakfast is served) or 11 a.m. (if not). The store will close at 10 p.m. to avoid disruption to neighborhood quality of life.
- Shake Shack is an experienced urban operator and is committed to maintaining a clean environment free of litter and trash.
- Shake Shack believes in community service and is eager for input to pick a local charitable partner to support.
- Shake Shack will be an active member of the Union Street Association and will serve up delectable snacks at community events and celebrations.
- As promised, Shake Shack isn't going to keep bar hours and it won't behave like a bar either. There will not be any hard liquor sales at Shake Shack.



Commitments:

- Early to rise, early to close. Rumble's expected hours of operations will be from 6 a.m. to 9 p.m.
- Rumble's state-of-the-art soundproofing will minimize the noise experienced by its neighbors. At all times Rumble will be required by its lease and city code to keep noise consistent with similar uses in the City.
- Rumble is thrilled to make the Marina its home and is seeking opportunities to join community events.

**3060 Fillmore Street
Economic Analysis**

Prepared by:

ALH | ECON

ALH Urban & Regional Economics

October 2018

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LIST OF EXHIBITS

Appendix A

- Exhibit 1. Grocery Store Supportable Rents Sensitivity Analysis Based on Percent of Sales
- Exhibit 2. Grocery and Major Food Stores Proximate to 3060 Fillmore Street, August 2018
- Exhibit 3. 3060 Fillmore Street Prospective Grocery Market Area, Total Estimated Income and Spending on Retail from Existing Area Households, 2018 Dollars
- Exhibit 4. 3060 Fillmore Street Grocery Market Area, Estimated Brick-and-Mortar Grocery Demand and Supportable Square Feet, Existing Area Households, 2018 Dollars
- Exhibit 5. Cow Hollow and Other Relevant New Retail Tenants and Recent Retail Lease Transactions, Approximately 2017 Through July 2018
- Exhibit 6. Representative Cow Hollow and Nearby Area Retail Vacancies, August 2018

Appendix B

- Exhibit B-1. Household Income Spent on Retail, United States, 2016
- Exhibit B-2. State of California Board of Equalization Taxable Retail Sales Estimate by Retail Category, 2016 (in \$000s)

Appendix C

- Exhibit C-1. 3060 Fillmore Street Economic Analysis – 5 Scenarios, 2018 Dollars

I. EXECUTIVE SUMMARY

This third party independent economic analysis evaluates the economic viability of a grocery store re-tenanting and successfully operating at 3060 Fillmore Street, an approximately 11,300-square-foot existing structure ("Property") in San Francisco's Cow Hollow district, which has been vacant for almost two years. This analysis is being prepared in connection with the proposed re-use and re-tenanting of the Property by CenterCal ("CenterCal" or "Applicant"), the prospective buyer/landlord.

For the reasons explained more fully in this report, this analysis concludes that due to a variety of site-specific and macroeconomic factors, it is not economically feasible for a grocery store to re-tenant and successfully operate at the Property, while at the same time providing the landlord with a reasonable economic return based on the amount of capital investment required. This conclusion is based on four fundamental findings:

1. The Property's building and site characteristics substantially constrain CenterCal's ability to reconfigure the Property in a manner necessary to efficiently and effectively serve a grocery store use and its related needs. These physical constraints both: (a) limit the number of prospective grocery tenants that would be interested in pursuing a lease for the Property in the first instance; and (b) result in a reduced amount of rent that a grocery store operator would be able to pay in the unlikely event that a grocer sought to re-tenant the Property.

2. The current market value of the Property, as well as the capital improvement costs that would be required to improve and upgrade the Property to serve a grocery store tenant, are substantial. Accordingly, a certain amount of rent must be paid in order to make re-tenanting the Property economically viable, i.e., the rent must reflect a reasonable return to induce private investment. Given various macroeconomic conditions and the substantial required capital outlay, a grocery store tenant for the Property could not be reasonably expected to pay the required rent needed to meet the minimum return threshold.

3. Macroeconomic conditions (a) significantly limit the number of potential grocery store tenants for the Property, (b) constrain the amount of rent that any prospective grocery store tenant could feasibly pay, and (c) require the presence of certain site and building conditions to optimize chances for a grocery store to succeed. Because the Property is not in the position to successfully accommodate these macroeconomic conditions, this further constrains the number of prospective grocery tenants, and results in a reduced amount of rent that a grocery store operator would be able to feasibly pay in the unlikely event that a grocer sought to re-tenant the Property. Aggregate brick-and-mortar grocery stores sales are trending downward due to shifts in consumer shopping habits. The operating and sales margins required by grocery stores - which are very low compared to other retail uses - do not support the level of rent needed to make the Property economically viable for a grocery tenant.

4. In general, the retail market in San Francisco and across the country is in turmoil. The City of San Francisco itself has been documenting the rising vacancies in Neighborhood Commercial Districts (NCDs) and the significant challenges that traditional operators face as on-line shopping assumes a greater percentage of consumer sales. The City's leading newspaper frequently documents the problems major retail corridors such as Union Square are having filling vacancies, as well as the closure of historic retailers such as Gump's.^{1,2}

¹ See <https://www.sfchronicle.com/business/article/157-year-old-S-F-retailer-Gump-s-could-close-13144900.php>.

² See <https://www.sfchronicle.com/politics/article/At-SF-s-Mid-Market-6X6-mall-street-life-is-an-13170003.php>.

II. INTRODUCTION

ALH Urban & Regional Economics (“ALH Economics”) prepared this independent economic analysis in connection with the planned purchase by CenterCal Properties LLC (“CenterCal” or “Applicant”) of an approximately 11,300-square-foot building located at 3060 Fillmore Street (“3060 Fillmore” or “Property”) in San Francisco’s Cow Hollow neighborhood. The Property was originally constructed as a parking garage, with the current building configuration dating from 1930, and over the years was occupied by several types of commercial retail uses. From 1997 to 2016, the Property was occupied by the neighborhood grocer, Real Food Company (“Real Food Co”), which operated a natural foods grocery store. Real Food Co vacated the Property in October of 2016. There remains one Real Food Co store in San Francisco on Polk Street, down from a peak of 5 Bay Area stores (3 in San Francisco). Three of these stores were sold in 2003 to Nutraceutical, which since closed all three stores (first 1 in 2003 and the remaining 2 in early 2018). The other 2 stores, the one in Cow Hollow and one on Polk Street, were sold in 2002 to an independent operator. Only the Polk Street store remains in operation today, under the same ownership as the former Cow Hollow location.

The Property’s current owner took a number of steps to re-tenant the Property prior to CenterCal’s involvement, including marketing the property for sale and lease to numerous grocery tenants. Once this re-tenanting effort did not succeed, the Property owner offered the Property for purchase. Based on information provided by CenterCal, ALH Economics understands that there were several offers presented — some of which were higher than CenterCal’s — that proposed demolishing the building and redeveloping the Property with multifamily housing. However, the current owner selected CenterCal, in part, due to its stated goal of re-purposing the Property with neighborhood-serving retail uses rather than demolishing it and significantly intensifying uses on-site.³

In order to re-tenant the Property as proposed, CenterCal must obtain certain land use entitlements from the City and County of San Francisco. As part of that process, this independent economic analysis has been prepared to evaluate the economic viability of a grocery store re-tenanting and operating at the Property.

This analysis is organized as follows:

- Chapter I: Executive Summary
- Chapter II: Introduction
- Chapter III: Building and Site Characteristics Relevant to Grocery Store Tenancy
- Chapter IV: Macroeconomic Conditions Generally Affecting Grocery Store Tenancy
- Chapter V: Area Grocery Store Supply and Demand
- Chapter VI: Potential Re-Tenanting Scenarios and Economic Analysis
- Chapter VII: Retailer Expansion Trends and Area Real Estate Characteristics

Exhibits referenced in the report are located in Appendix A. Appendix B includes a Grocery Demand Methodology relied upon in **Chapter V. Area Grocery Store Supply and Demand**, and Appendix

³ ALH Economics understands that since entering into a purchase and sale agreement with the Property’s owner in 2017, CenterCal has been pursuing prospective tenant(s) for the Property, with a particular focus on a potential replacement grocery tenant to backfill the space with a use similar to Real Food Co. However, to date, CenterCal has not been successful in obtaining a lease commitment for a replacement grocery tenant.

C includes the Economic Analysis Methodology relied upon in **Chapter VI. Potential Re-Tenancing Scenarios and Economic Analysis**. Referenced maps are inserted on the page following their first reference.

The contents of this report are subject to the attached Assumptions and General Limiting Conditions.

III. BUILDING AND SITE CHARACTERISTICS RELEVANT TO GROCERY STORE TENANCY

This report chapter highlights the features of the Property's site and building characteristics that impact the potential for a grocery store to successfully operate within the existing building. This includes a review of the limitations of the physical space to suit the operations of grocery stores, even with improvements, designed to upgrade and modernize the space.

PROPERTY CHARACTERISTICS

The Property's Age, Nature, and Other Physical Site and Building Characteristics Impact the Economic Viability of Leasing to Grocery Store Tenants Generally

The age and nature of structures, as well as the related physical building and site characteristics, impact a property owner's ability to lease a space to retail tenants for several reasons. This is because how a retail space is designed and configured impacts the customer's product perception, optimizes store sales, and creates the best shopping experience possible, including enabling customers to see as much store inventory as possible and providing natural direction to payment areas. A key aspect of store design is to provide sufficient space (especially wide aisles) to allow customers to think and freely move around while offering an immersion experience. Key components of retail space planning include the circulation system, space utilization, product placement, interior design, and light staging. Retailers recognize the importance of proper customer circulation patterns and visual merchandising placement, thus retail space planning is often outsourced to experts to accomplish creative and analytical space allocation and merchandise placement.

These considerations are why multi-outlet stores, such as regional and national chain stores, have similarities in the store design and layout. Successful retail operators expend effort and resources researching human psychology and buying habits, with which knowledge they then design their stores to optimize sales. Accordingly, these retailers understand the size, shape, and configuration of space they need to maximize their product sales.

The Property's Site, Building Configuration, and Other Physical Characteristics Adversely Affect the Ability to Successfully Lease to a Grocery Store Tenant

The Property originally sat on two separate tax lots and was constructed as two separate buildings in 1905, which were later combined into a single building to house a parking garage for cars and limousines. Structurally, the original intent to have two distinct spaces is still present, as a large and thick concrete wall between the two buildings remains. This wall results in the physical and visual separation of the building. The concrete wall functions as a sheer wall and thus cannot be removed without compromising the structural integrity of the building.

A pass-through cut out was created in later years to facilitate access between the two buildings. In addition to the concrete shear wall that separates the building, it is important to recognize that the building possesses an "L" shape, which serves to further segment the two sides of the building.

There are three general retail floor plans, with the grid plan most common for grocery stores, as well as other stores selling shelf-stocked goods. This floor plan results in very efficient use of both

floor and wall space. With fixtures and displays running parallel to walls, a grid floor plan maximizes every inch of available floor space, including the corners. Grid layouts are easy for customers to navigate and for store owners to categorize. Plus they offer plenty of endcap and feature wall exposure for promotional items and seasonal products.⁴ A grid plan is extremely difficult at this location due to the presence of the concrete sheer wall and narrow nature of the back space on Filbert. The lack of continuity makes a traditional grid plan infeasible.

In addition, due to its age and nature, the Property has been given a local “Class A” historic designation, which results in the imposition of certain requirements that must be satisfied prior to making any significant exterior modifications to the on-site structures. Accordingly, this designation can have the practical effect of constraining market opportunities to re-use and/or redevelop the Property given the additional governmental approvals and related environmental review that may be triggered by any such proposed exterior changes.⁵

SPACE AND SITE CONSTRAINTS

In Order To Be Successful, Smaller Grocery Stores Typically Require Approximately 80% of Space to Display Goods, Which Is Not Available at the Property

As discussed in **Chapter II. Introduction**, CenterCal proposes to retain the Property in its current state, with minimal exterior modifications. While certain on-site improvements are planned to modernize the space, in order to sufficiently upgrade the Property to attract potential tenants, the Property’s interior cannot be significantly reconfigured. This has the effect of limiting the amount of sales display area that a grocery store tenant could expect to use, which impairs the economic viability of the Property for this use (see later discussion).

Based on the Property’s current configuration, this would result in about 40% of the building space being available for grocery display area, with the remaining space being available for back-of-house uses like storage and refrigeration. As explained further below, this is about half of the display area that would be necessary for a grocery store to successfully re-tenant the Property.⁶

This allocation of space (between display area and back-of-house) is well below industry standards for grocery stores. ALH Economics reviewed building square footage information for 10 San Francisco grocery stores that are currently operating, including some near the Property. The percent of sales space utilized at these stores depended, in part, on the overall size of store, with the average sales space being as follows:

- Stores with < 14,000 total square feet: 80% of the total building square footage was used for sales display

⁴ See <https://fitsmallbusiness.com/planning-your-store-layout/>.

⁵ Obtaining these additional governmental approvals would add a substantial amount of time and uncertainty to the entitlement process, and would necessitate a significant amount of additional capital investment (e.g., preparation of an Environmental Impact Report can often cost \$150,000 and more), thereby further impairing the ability of a grocer to feasibly re-tenant the Property.

⁶ ALH Economics understands that these physical constraints had a similar adverse impact on Real Food Co when it was a tenant at the Property. Historical data provided by CenterCal and the Property owner indicate that Real Food Co used only approximately 40% of the building square footage for sales space, with the remaining approximately 60% used for back-of-house space for storage and refrigeration.

- Stores with 14,000 – 25,000 total square feet: 69% of the total building square footage was used for sales display
- Stores with >25,000 total square feet: 65% of the total building square footage was used for sales display

The above data are consistent with a 2017 survey of independent grocery operators throughout the United States, with an average store size of 35,000 square feet. This survey found that stores utilized an average of 79% of the total square footage for sales display area.⁷ For those stores in operation less than 10 years, the average was slightly higher - at 82%.⁸

These figures indicate that grocery stores require that a significant majority of building space be available for display in order to maximize their return on investment per square foot. The figures also suggest that the smaller and newer the grocery store, the larger the portion of total building square footage needed for sales space, averaging 80%. This high percentage helps ensure the operator's economic success. As discussed more fully in **Chapter IV. Macroeconomic Conditions Generally Affecting Grocery Store Tenancy**, this is particularly important given certain macroeconomic conditions that make grocery stores a very low margin business, thereby requiring grocery stores to maximize their return on investment per square foot as much as feasible.

Comparing the typical display area figure to the case at hand, the physical configuration of the Property only allows for approximately 40% of the square footage to be devoted for sales space. In other words, the physical layout of the Property is comparatively inefficient for a small grocery operator, with only approximately half of the display area typically required. This negatively impacts the desirability and marketability of the Property, thereby resulting in: (a) fewer potential tenants that CenterCal could pursue in the first instance; and (b) a lower rent that could be feasibly paid in the unlikely event that a grocery store operator elected to pursue a lease for the Property.

A Lack of On-Site Parking Can Limit Re-Tenancy Options For Grocery Stores

Typically, grocers without parking are most successful in highly-dense urban settings with a large daytime population supplied by high-density office users. The Property is located in a less dense urban setting, primarily with residential and neighborhood-serving restaurant and retail uses in the vicinity and without a large daytime office population. Similar to other sites in the vicinity, the Property does not have any on-site customer parking, and therefore customers driving their cars to the Property must rely solely on limited street parking. This lack of parking does not lend itself to supporting a convenient shopping experience for customers in more residential areas such as where the Property is located, and would likely be viewed by prospective grocery tenants as a significant disadvantage relative to other potential sites. While certain customers in residential, urban areas like Cow Hollow may choose to walk to a nearby grocery store, for many customers, doing so may be physically challenging given the relatively hilly topography and the need to carry heavy bags of groceries a fair distance.

⁷ The 79% figure is based on ALH Economics analysis of data included in "2018 Independent Grocers Financial Survey," FMS and National Grocers Association, page 10.

⁸ Ibid.

IV. MACROECONOMIC CONDITIONS GENERALLY AFFECTING GROCERY STORE TENANCY

This chapter discusses broad macroeconomic trends in the grocery store industry with respect to net profit margins, including a comparison to other retail sectors, as well as supportable rent levels for the Property as a result of these industry trends. These broad macroeconomic conditions significantly and adversely impact the economic viability of a grocery store at the Property. The supportable rent analysis strongly suggests that in a real estate market such as Cow Hollow, despite potential market area support for grocery store space, with a premium per square foot in real estate acquisition costs, grocery stores do not generate sufficient store sales revenue per square foot to support the thin profit margin inherent in the industry. This is especially the case in a time of grocery industry upheaval and uncertainty (see following chapter).

GROCERY STORE PROFITABILITY

Grocery Stores Are a Very Low Margin Industry

Grocery stores face many challenges, from competition on a variety of fronts to increasing labor and benefit costs. Perhaps the most important factor is that the grocery store sector is a low net margin industry. This section presents statistics regarding trends in grocery store net margins, followed by a comparison of these net margins to other retail sectors, most of which are slightly to substantially higher than grocery stores.

Research highlights on grocery store margins indicate:

- Grocery stores typically experience low net margins (i.e., net profits). Among all U.S. industries, the grocery store sector is consistently among the 10 lowest profit industries among hundreds in the United States. Among eight retail categories, one academic survey found that Grocery Stores achieved the lowest net profit, averaging 1.62%, compared to General Retail at 2.62% (second lowest) and Restaurant/Dining at 9.98% (highest).⁹
- Nationally, the average net profit for surveyed independent grocery stores was 0.09% in 2017, with grocery stores in the West Region faring slightly better, with an average net profit of 1.47%.
- This low margin results in challenges to attracting new and expanding grocery businesses.

Net margin, or net profit, represents the net of total sales less operating expenses before taxes. This measure of business profitability indicates how desirable a sector is in terms of attracting new and expanding companies. Grocery stores have historically had low net margins, as is well-established in business literature.

One comprehensive source of information on grocery store net profits is an annual survey published by FMS Solutions Holdings LLC in conjunction with the National Grocers Association, which is an organization of independent grocers in the U.S. and Canada.¹⁰ The 2018 survey, "2018

⁹ See (<http://pages.stern.nyu.edu/~adamodar/>).

¹⁰ This group has 1,400 members that operate approximately 7,000 stores.

Independent Grocers Financial Survey,” reports on 2017 operations. This survey provides a wealth of information regarding independent, non-public, grocery stores. The average store size for those responding to the survey is 35,000 square feet, of which 79% (rounded) is selling space. Average sales were reported at \$9 per square foot per week across all departments, comprising \$468 per square foot annually.¹¹

With regard to operating expenses, labor and benefits is by far the largest category, at 15.2% of sales. By contrast, rent and common area maintenance (CAM) expense represents 2.0% of sales. These latter expenses vary by region, with stores in the West Region having higher labor and rent/CAM costs at 17% and 2.6% of sales, respectively.¹²

Net Margin (Net Profit) for the independent operators surveyed averaged a scant 0.09% in 2017, down significantly from levels reported in previous years. For stores in the West Region, profit margins were higher than those for the entire survey, but nonetheless were very low at 1.47%. Since 2013, the peak year for the West Region was 2015, when net profits averaged 2.79%. For context, the survey included a comparison to publicly-traded companies, which indicated higher net profits, ranging from 2.0% to 3.5%, compared to the independent stores, but with a similar trend of declining profits since 2015.¹³

Importantly, the averages cover a wide range of individual performances. Survey-wide, 38.4% of retailers reported a *negative* net profit, with a low percentage of 14.3% in the West Region.¹⁴ The reported net profit range was -10.66% to 4.78%, with the median at 0.42%.¹⁵

Net Profits of the Grocery Store Sector Are Significantly Lower Compared to Other Retail Sectors

Data show that the net profits of grocery stores are substantially less than those in other retail sectors. For example, as cited above, figures from 2018 indicate that net profits for grocery and food retailers averaged 1.62%.¹⁶ In order to further compare grocery stores to other sectors, ALH Economics researched net profit margins among finer grain retail sectors. This finer level includes net profit information across all U.S. economic sectors at the four-digit NAICS level compiled by Sageworks, a financial information company.¹⁷ In a 2016 Forbes article citing Sageworks findings on the 15 least profitable industries in the U.S., grocery stores were reported to have an average net profit margin of

¹¹ Ibid, FMS and National Grocers Association. Applies to all figures in the paragraph.

¹² The relatively low proportion of rent/CAM costs to sales may, in part, reflect that these operators have been in operation an average of 39 years. Ibid, pages 22 and 39. The West Region comprises Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, New Mexico, Nevada, Oregon, Utah, Washington, and Wyoming.

¹³ Ibid, page 26.

¹⁴ Ibid, page 33. The majority of the survey respondents are located in the Midwest Region, at 41.1%; the West Region represented 12.3% of survey respondents. The Northeast Region had the lowest participation rate at 8.2% of respondents.

¹⁵ Ibid, page 24.

¹⁶ The eight retail sectors include Grocery and Food Retailers, General Retail, Restaurant/Dining, Automotive, Building Supply, Distributors, and Online, and Special Lines.

¹⁷ All sectors of the economy are assigned a NAICS code, or North American Industry Classification System. These codes are up to 6 digits, which provide the greatest industry specificity. There is less specificity at the 4 digit level, but at this level there are hundreds of industries. Thus the referenced Forbes article is presenting results pertaining to analysis of hundreds of industries.

2.5%.¹⁸ While grocery store sector performance topped that of Lawn & Garden Stores at 2.0%, it was below that of other retail categories such as Automobile Dealers (3.2%), Building Material & Supplies Dealers (3.2%), Home Furnishings Stores (3.3%), Furniture Stores (3.3%), and Beer, Wine & Liquor Stores (3.4%). Other retail categories not included in this “bottom 15” list have higher profit margins. An updated September 2017 article indicated that grocery store profit margins declined to 2.2% in 2017, resulting in grocery stores comprising the lowest-rated retail among 2017’s 15 least profitable industries.¹⁹

SUPPORTABLE GROCERY RENTS

A Grocery Store Likely Cannot Support the Market Rent Necessary for the Property to Meet the Minimum Threshold to Ensure a Reasonable Rate of Return

Because of the low net profits for most grocery stores, these retailers can only afford to pay a certain amount of rent (and related CAM expenses). Operating costs above typical ratios significantly impact a grocery store’s feasibility. For the reasons explained herein, it is not likely that a grocery store could support the market rent necessary for the Property to meet the minimum threshold to ensure a reasonable rate of return.

In summary, this section finds:

- Industry resources indicate that grocery store rent and CAM expenses comprise a low percentage of store sales volume, such as 2.56% to 3.21% of store sales volume.²⁰
- The 2017 national average of independent grocery store performance is \$468 per square foot, and high performing stores like Trader Joe’s achieve national average sales per square foot over \$1,700. However, a grocery store at 3060 Fillmore under new ownership would need to well exceed the latter figure and achieve sales ranging from at least \$2,800 to \$3,500 per square foot to support the prevailing market rents in the Cow Hollow district, which are \$90.00 or more per square foot for select new Cow Hollow retail leases.
- A grocery store at 3060 Fillmore would not be expected to be a high performing store and would therefore not be anticipated to achieve the extremely high above-referenced sales. Rather, it would more likely achieve sales at or below the approximately \$700 to \$1,400 per square foot range. This range would support annual rents ranging from \$17.92 to \$44.94 per square foot, well below the rate required to support re-tenanting of 3060 Fillmore under new ownership.

¹⁸ Mary Ellen Biery, “The 15 Least Profitable Industries In The U.S.,” Forbes, Oct. 3, 2016.

¹⁹ Mary Ellen Biery, “These Industries Generate The Lowest Profit Margins,” Forbes, Sept. 24, 2017.

²⁰ The 2018 Independent Grocers Association Financial Survey referenced above indicated that for the West Region, rent and CAM expenses represent 2.56%. Another industry resource indicated this typical ratio for grocery stores is 3.21%. See “What Percentage of your Sales Can You Expect to Go For Rent?,” Hartman, April 16, 2016 (<http://www.hi-reit.com/what-percentage-of-your-sales-can-you-expect-to-go-for-rent/>).

In a real estate market such as Cow Hollow, with a premium per square foot in real estate acquisition costs, grocery stores do not generate sufficient store sales to support the thin profit margin inherent in the industry

As noted above, grocery stores have a very low net margin or net profit, especially relative to other retail categories. Consequently, any significant operating cost above typical ratios would have an especially swift and direct impact on profitability, and ultimately business feasibility for a grocery store compared to other retailers. One of these operating costs is rent and related CAM expenses. For purpose of evaluation, analysis was prepared considering the impact on supportable rents utilizing the above-referenced figures of 2.56% and 3.21% of sales.

Exhibit 1 in Appendix A demonstrates the relationship between store sales per square foot and supportable annual rent. The Exhibit 1 findings are summarized and expanded in Table 1, below.

The supportable rents sensitivity analysis indicates that if a grocery operator at the Property achieved sales of \$700 per square foot per year, the supportable rent would be \$17.92 to \$22.47 per square foot at the gross-to-rent ratios of 2.56% and 3.21%, respectively. For perspective, this level of rent is comparable to the \$24.00 per square foot rent being paid by the discount grocery operator, Grocery Outlet for 13,651 square feet of space in Bayshore, leased in 2013.²¹

**Table 1
Grocery Store Supportable Rents Sensitivity Analysis Based on Percent of Sales**

Illustrative Sales per Sq. Ft.	Total Sales	Rents at 2.56% of Sales		Rents at 3.21% of Sales	
		Supportable Annual Total Rent	Supportable Annual Rent/Sq. Ft.	Supportable Annual Total Rent	Supportable Annual Rent/Sq. Ft.
\$700	\$7,910,000	\$202,496	\$17.92	\$253,911	\$22.47
\$1,400	\$15,820,000	\$404,992	\$35.84	\$507,822	\$44.94
\$2,800	\$31,640,000	Not Applicable		\$1,015,644	\$89.88
\$3,500	\$39,550,000	\$1,012,480	\$89.60	Not Applicable	

Sources: Exhibit 1; and ALH Urban & Regional Economics.

If sales were double the illustrative \$700 per square foot level, or \$1,400 per square foot, the supportable rents would increase to \$35.84 and \$44.94, respectively. (Note for perspective that the high-performing Trader Joe’s chain in 2015 was reported to have sales of \$1,735 per square foot).²² The supportable rents would increase if annual sales per square foot exceed \$1,400, but it is highly unlikely that a new grocery store at this location could expect to achieve this level of sales given the distribution of other area grocery and food stores and the rise in internet-based food sales, both of which are discussed in subsequent chapters

Further sensitivity analysis indicates that at the 2.56% gross-to-rent ratio, the sales per square foot would need to be at least \$3,500 to reach the approximately \$90.00 or more per square foot level of prevailing market rents for select new Cow Hollow retail leases (see report **Chapter VII. Retailer**

²¹ Pursuant to a 2013 lease comp for Grocery Outlet’s 2630 Bayshore location, provided by CBRE.

²² “Whole Foods is Opening a Cheaper Store,” Business Insider, Hayley Peterson, May 7, 2015 (<https://www.businessinsider.com/whole-foods-launches-trader-joes-rival-2015-5>).

Expansion Trends and Area Real Estate Characteristics). At the 3.21% gross-to-rent ratio, the sales per square foot required to reach this target rental rate would be \$2,800. The previously referenced IGA survey indicated the average sales per square foot for surveyed stores in 2017 was \$468 per square foot. Typically, stores in the Western United States outperform national averages. Therefore, the California average is likely higher than this \$468 figure. However, with this context, neither the \$2,800 or \$3,500 per square foot sales figures required to meet area rents are likely to comprise an achievable level of sales for a new grocery store operator at the Property because these are unprecedented levels, unlikely to be met by even the most successful high end grocery operator, thus further demonstrating that given the economics of grocery store operations, it is not economically feasible for a grocery store tenant to occupy 3060 Fillmore following the anticipated market rate-based sale of the Property.

V. AREA GROCERY STORE SUPPLY AND DEMAND

The closure of Real Food Co left a gap in grocery store sales in Cow Hollow. This report chapter identifies the existing stores most proximate to this area, some of which are readily accessible and some of which are not, especially for pedestrian-oriented customers. The chapter also discusses trends in brick-and-mortar grocery stores, especially focusing on the impact of growing internet-based sales, and how this has impacted the brick-and-mortar grocery industry. The chapter closes with an estimate of demand for grocery sales generated by residents within a compact, walkable market area of 3060 Fillmore, and its implications in support of grocery store space.

GROCERY AND FOOD STORES NEAR PROPERTY

There are a Number of Existing Grocery Stores in the Vicinity of the Property that Would Compete for Customers if the Property Were Re-Tenanted with a Grocery Store

The Real Food Co store at 3060 Fillmore was the only food store in San Francisco's Cow Hollow Neighborhood Shopping District. However, there are six other food and major grocery stores very near Cow Hollow that can serve the residents in and around Cow Hollow, especially given the growing availability and propensity for grocery delivery services.

In summary, this section concludes:

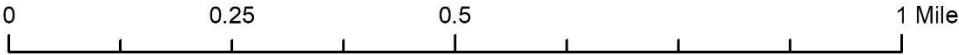
- Even prior to the closure of Real Food Co, the Marina Supermarket, located 0.4 miles from 3060 Fillmore, experienced increased customer volume as shoppers shifted away from Real Food Co due to reduced store offerings.
- There are three small and three large food or grocery stores within 1.2 miles of 3060 Fillmore. Some of these stores are not walkable given the area topography, but the three larger stores (located 0.7 to 1.2 miles from 3060 Fillmore) have on-site parking, delivery service availability, and one provides free shuttle transportation to shopper homes. Accordingly, any grocery tenant located at the Property would be competing for business with these other established stores.
- The existing area grocery and food stores would present competition to any grocery store that re-tenanted the Property, thereby potentially impairing its ability to achieve the required sales and retain its economic viability.

The six food and other major grocery stores near Cow Hollow, located 0.4 to 1.2 miles from the Property, are identified in Exhibit 2 in Appendix A and mapped in Map 1 (see next page)^{23,24} Among the three larger stores, the sales space comprises 64% to 71% of the total store area.

²³ The order in which the six nearby stores are listed in Exhibit 3 corresponds with their distance from 3060 Fillmore, from nearest to most distant, regardless of directionality from 3060 Fillmore.

²⁴ There are also numerous small convenience markets that serve Cow Hollow and its immediate surroundings, but as these provide only minimal food goods (such as milk, cheese, limited fruits and vegetables, and packaged sausage), they are not enumerated herein. They are, however, a resource for select convenience food items, some deli items, and other household goods.

Map 1
Grocery and Major Food Stores Near 3060 Fillmore Street and Market Area



The 3 smaller stores near the Property are similar to the Property in that they do not feature any off-street parking

The 3 smaller area stores are located 0.4 to 0.6 miles from the Property. These stores include the following:

- **Mayflower Market**, at 2498 Fillmore, an approximately 3,060-square-foot store with a small deli counter and limited food offerings, but across a wide range of food products. This store is located 0.4 miles from 3060 Fillmore, but up a steep hill from the Cow Hollow area. Given the area topography, a store representative suggests that most store patrons live within several blocks of the store.
- **Marina Supermarket**, an approximately 4,000-square-foot store at 2323 Chestnut Street with a broad range of products, including a full deli counter and pre-prepared meals. This store is located 0.5 miles from 3060 Fillmore, situated on flat terrain, with no nearby hills limiting pedestrian access. Field observations suggest this is a very well-patronized store with strong customer volume.
- **Marina Meats**, an approximately 1,000-square-foot meat market at 2395 Chestnut Street that sells fresh meats, pastas, and other complementary goods. Given its proximity to Marina Supermarket just a few storefronts away, Marina Meats effectively functions as the meat counter for Marina Supermarket. This store is located 0.6 miles from 3060 Fillmore.

None of these small stores has dedicated parking, which means that customers seeking to patronize the stores are reliant upon street parking, walking, public transportation, or other means of transportation to support their shopping trips. This is similar to 3060 Fillmore. On a field visit to Marina Supermarket, one of the store workers shared with ALH Economics that the store benefitted from the closure of Real Food Co, even experiencing increased customer volume during the waning days of the Real Food Co store, as offerings at the store reputedly dwindled as the store struggled.

The 3 larger area stores have on-site parking, delivery services, and free shuttle transportation. With delivery services, Cow Hollow residents can patronize these stores, customizing their orders and delivery times.

The larger grocery stores proximate to 3060 Fillmore, comprising full-service grocery stores, are located 0.7 to 1.2 miles away, all of which have dedicated parking available for shoppers, enhancing their accessibility. Only the Marina Safeway is accessible via flat terrain. The other two stores are situated significantly uphill from Cow Hollow. These stores include the following:

- **Marina Safeway**, a full-service Safeway store totaling 34,739 square feet. This is the largest food store in the area, located at 15 Marina Boulevard, 0.7 miles from 3060 Fillmore. This store has a large surface parking lot. Safeway provides same day delivery services, but the goods delivered are coming from one of two other Safeway stores in San Francisco, not the Marina Safeway.²⁵ However, store delivery services are available through Instacart within as little as 1 to 2 hours, either for a fee or free for minimum orders of \$35 with an annual paid

²⁵ Information provided by a Marina Safeway Customer Service representative, August 18, 2018.

membership in Instacart Express.²⁶ This store is also an Amazon locker location, able to support pickup or returns of Amazon merchandise.

- **Mollie Stone's**, comprises an upscale, moderately-sized, approximately 11,775-square-foot full-service grocery store with specialized fish, deli, and meat counters, located at 2435 California Street, 0.7 miles from 3060 Fillmore. This store has a dedicated surface parking lot and thus is readily accessible via automobile from Cow Hollow. The size of this store is generally comparable to the total building square footage of 11,300 square feet at 3060 Fillmore. This store is located up a steep hill from the Cow Hollow area, and thus is not accessible via foot or bicycle except for the very determined. However, similar to Safeway, delivery service from Mollie Stone's is available through Instacart. In addition, there is a free one-way shuttle from Mollie Stone's to shoppers' homes available between 11:00 a.m. and 7:00 p.m., which will transport shoppers with a minimum \$25 purchase directly to their homes within a 3-4 mile radius of the store.²⁷
- **Whole Foods**, located 1.2 miles from 3060 Fillmore, totals approximately 28,000 square feet of full-service grocery shopping with a ground floor parking garage. The main store featuring a meat counter, seafood counter, deli area, and other prepared foods such as salad bar and hot soups, is located on the second floor, with a coffee bar on the first floor near the parking. Instacart delivery services are also available for this store. In addition, while not directly associated with this particular Whole Foods store, free on demand delivery from Whole Foods is available to Amazon Prime members in Cow Hollow. This store is also an Amazon locker location, able to support pickup or returns of Amazon merchandise.

Based on recent field observations, these three larger existing area food stores appear to be well-patronized with strong performance. Both Mollie Stone's and Whole Foods, in particular, place an emphasis on organic produce, and all stores have extensive specialty food offerings. Through the available delivery services, Cow Hollow residents can patronize these stores, customizing their orders and delivery times.

TRENDS IN THE BRICK-AND-MORTAR GROCERY INDUSTRY

Internet Sales Trends are Reducing the Demand for Brick-and-Mortar Grocery Stores, Which Would Further Impair a Grocery Store's Ability to Achieve the Necessary Sales

The grocery landscape has experienced significant shifts in recent years, including consolidations, the proliferation of delivery services, and online shopping. Even before the industry upheaval resulting from Amazon's August 2017 acquisition of Whole Foods, the "new normal" in grocery shopping was evolving. Retail, in general, has become a 24/7 shopping opportunity, with customers able to cross shopping channels and shop in person, on the phone, or online. The percent of online retailing by retail category varies because, for some categories of sales, going to a physical store is still the preferred method of shopping. Grocery shopping is one of the retail sectors with a low level of online penetration, but this trend is rapidly changing.

Research on brick-and-mortar grocery trends indicates the following:

²⁶ See Molliestones.com and Instacart.com.

²⁷ Per a Mollie Stone's employee over the telephone, August 17, 2018.

- Online retailing in the United States has surged, increasing from 5.1% of retail sales in 2007 to 13.0% in 2017.²⁸ Online grocery purchases are lagging, currently projected at 2.0% to 4.3% of all grocery sales, but is projected to increase to 20% of all sales by 2025.²⁹
- In 2014, 19% of households purchased some groceries online. This increased to 25% in 2017 and is projected to increase to 70% about 10 years from now.³⁰
- Continuing strategies will be required for brick-and-mortar stores to compete and retain marketing positioning given the strong growth trajectory in online grocery purchases, but in 2017, online nationwide sales were the equivalent of 764 grocery stores, projected to increase to nearly 3,900 stores by 2025.³¹

The rate at which online grocery sales are growing suggests that further strategies will be required for existing stores to competitively serve their customers and retain their market share, potentially crowding out new market entrants

- At this moment, market analysts suggest that Amazon dominates the market by capturing 18% of online grocery sales.³² Brick-and-mortar grocery stores have developed adaptive strategies to counter this rise in online retailing, including home delivery or store pickup, high quality private brands, specialty product offerings, among others. The cited strategies are already in place among the area's largest, well-established stores, with loyal customers. It is not clear that a new grocery store located at the Property without existing market share and customer loyalty would have the ability to successfully implement these strategies such that it could effectively compete with on-line retailers.

GROCERY STORE MARKET SUPPORTABILITY

3060 Fillmore Street is not Best Suited to Meet Existing Market Area Grocery Demand

A summary of the grocery store market supportability analysis indicates the following:

- The compact, walkable grocery store market area for 3060 Fillmore currently generates estimated demand for \$11.8 million in brick-and-mortar grocery sales. As internet sales grow, it is anticipated that this level of demand will diminish.
- The amount of grocery store space supportable by the market area depends upon grocery store sales per square foot, with illustrative estimates ranging from 8,400 square feet at \$1,400 per square foot sales to 19,700 square feet at \$600 per square foot sales.

²⁸ "A decade in review: E-commerce sales vs. retail sales for 2007-2017," Fareeha Ali, digitalcommerce360.com, July 24, 2018. These figures factor out the sale of items not normally purchased online, such as fuel, automobiles, and sales in bars and restaurants.

²⁹ "Online Grocery Sales To Reach \$100 Billion In 2025; Amazon Is Current And Future Leader," Pamela N. Danziger, Forbes.com, January 18, 2018.

³⁰ "Online grocery sales set to surge, grabbing 20% of market by 2025," Jeff Daniels, CNBC, January 31, 2017.

³¹ Ibid.

³² "One Click Retail's 2017 Grocery Report Reveals Amazon Captured 18% of the US Online Grocery Market," One Click Retail, January 16, 2018.

- While area demand for grocery space exists, the fundamental economics associated with 3060 Fillmore and grocery industry margins indicate that 3060 Fillmore is not best suited to meet this demand.

A Grocery Store is Marginally Market-Supportable at the Property Only at a Sales Level at or Below \$600 per Square Foot

ALH Economics identified a market area for the purpose of assessing demand for a prospective grocery store operation at 3060 Fillmore. Given the site's lack of on-site parking and reliance on street parking, the market area is designed to comprise the area from which any prospective grocery operation at the site would derive the majority of its pedestrian-oriented customer base. This is an area within easy walking distance, avoiding any significant change in the topography, or the crossing of major roads, such as Lombard Street (e.g., US Route 101). This area is presented on Map 1, outlined in blue, and is bounded by Pierce, Green, Octavia, and Lombard streets. Beyond this area in the direction of Pierce and Green streets the topography becomes steep and challenging to walk on a regular basis.

ALH Economics prepared a grocery spending analysis, or demand analysis, for the market area households. The methodology for this analysis is presented in Appendix B.

The market area is estimated to have 2,134 households with an average household income around \$216,000 (see Exhibit 3 in Appendix A). Pursuant to retail spending patterns, these households are estimated to spend 22% of household income on retail, or \$48,300 per household, totaling \$103.1 million annually in retail demand. Exhibit 4 in Appendix A further identifies the portion of retail spending for supermarket and grocery goods, comprising 12.0% of total household spending on retail. Thus, annual grocery demand from market area households totals \$12.3 million. Assuming at least 4.3% of groceries are purchased online, consistent with recent documented industry trends, market area demand for brick-and-mortar grocery goods is estimated to total \$11.8 million.

The amount of grocery store space the market area demand for brick-and-mortar stores can support is dependent upon the per square foot sales performance achieved by stores. As shown in Exhibit 4, the amount of grocery store space supportable by market area households depends upon average store sales per square foot. This sensitivity analysis demonstrates that the amount of space supported by the households depends upon the sales per square foot achieved by the stores at which the householders shop. As noted in the preceding section, there are numerous grocery stores proximate to the market area, including ones providing delivery services to Cow Hollow, such that any grocery store located at 3060 Fillmore would need to compete for demand with these stores as well as others located elsewhere.

The sensitivity analysis demonstrates the amount of space supportable at sales per square feet ranges from \$600 to \$1400, in \$200 increments. This range is generally consistent with the illustrative range reflected in the earlier supportable rents analysis. The resulting estimate of market area supportable square feet of grocery store space ranges from 8,400 square feet (\$1,400/sq. ft. sales) to 19,700 square feet (\$600/sq. ft. sales).

If a grocery operator believed it could successfully operate at \$600 per square foot in sales at the Property, then such a store would need to capture approximately 55%-60% of all market area demand. Given the existing, well-established stores in the area, however, it would likely be difficult for

a new store operator to capture this level of demand on a sustained basis. The picture worsens yet more if an operator required a higher level of sales. For example, a store requiring \$1,000 per square foot in sales would need to capture 100% of market area demand to be viable. Yet, given the existing competitive venues, it is not reasonable for a new market to achieve a 100% capture rate, as shoppers already have established shopping patterns, including patronage at even other stores beyond the general area. Since store sales above \$1,000 per square foot would require more than 100% the estimated existing level of demand, a new operator would not likely find sufficient market support if the store required average sales above \$1,000 per square foot.

Based on the Preceding Macroeconomic Conditions, 3060 Fillmore is Not Best Suited to Meet Area Grocery Demand

Many factors influence the amount of space supportable by the market area, such as the level of sales achieved by stores currently serving this customer base, evolving trends in internet grocery sales and delivery, and shopper interest in frequenting multiple stores when one store alone does not satisfy all needs. Of greatest significance to this analysis, however, is the likelihood that a grocery store achieving sales at any of the levels analyzed could not afford to be a tenant at 3060 Fillmore given the anticipated rents required to support market-driven acquisition of the property and capital investment to modernize the space for tenant occupancy and improve the efficiency of the space. Thus, while market area demand for grocery space exists, the fundamental economics associated with 3060 Fillmore and the grocery industry indicate that 3060 Fillmore is not best suited to meet this demand.

In conclusion, a new grocery store at 3060 Fillmore would need to compete with existing stores, which could pose significant challenges (as evidenced by the experience of Real Food Co). Since the closure of Real Food Co, delivery services from certain of the existing nearby stores have proliferated, compounded by an increasing propensity for internet-based sales. Both of these trends would impact the demand for a new store, despite general market area support for grocery store space. These factors, plus the other economic factors involved in grocery store tenancy (as explained further herein), strongly indicate that the establishment of a new grocery store at 3060 Fillmore is not a feasible venture.

VI. POTENTIAL RE-TENANTING SCENARIOS AND ECONOMIC ANALYSIS

This chapter describes the detailed site-specific economic analysis performed by ALH Economics regarding different occupancy scenarios for 3060 Fillmore. In brief, this analysis compares each of 5 scenarios in terms of the value of the property with different occupancy assumptions, in order to determine their relative economic viability. This analysis shows that the only economically feasible scenario, given the anticipated sale of the property to CenterCal with attendant improvement costs, includes the occupancy scenario proposed by CenterCal, involving new tenants paying the rent levels necessary to support the purchase price, necessary capital improvements, and updated operating expenses, particularly real estate taxes.

SCENARIOS ANALYZED AND SUMMARY FINDINGS

Scenarios Test Various Occupancy and Rent Assumptions

ALH Economics prepared an economic analysis of 3060 Fillmore with four different occupancy scenarios, as follows:

- Scenario 1:** The final year of occupancy by Real Food Co, with actual rent and operating expenses.
- Scenario 2:** The proposed occupancy of the Property by prospective new tenants at rent levels to support the anticipated Property acquisition cost as well as necessary improvement costs, with updated operating expenses, particularly real estate taxes.
- Scenario 3A:** An assumed scenario with a new grocer at the same occupancy cost as Real Food Co (i.e., same effective gross income as Scenario 1, reflecting higher expense reimbursements mainly due to real estate taxes).
- Scenario 3B:** An assumed scenario with a new grocer at an **offered** total rent of \$47.35/SF, including all reimbursed operating expenses. In this scenario, the acquisition cost is adjusted to reflect the indicated value less needed capital costs.
- Scenario 4:** A scenario assuming occupancy by one or more new tenants at an estimated market rent of \$55 per square foot, with triple net expenses (e.g., tenant reimburses operating expenses).³³

Scenario Analysis Indicates Grocery Use Infeasible

The economic analysis findings indicate that grocery use in the Property upon acquisition by a new owner is infeasible, for the following reasons:

- For a new Property owner, the economic analysis indicates that leasing the building to a grocery store at the same effective gross income as Real Food Co is a significantly infeasible proposition, with capital improvement costs far exceeding potential estimated value.

³³ Market rent was based on the asking rate for the Property reflected in a real estate brokerage listing viewed on Costar for the Property.

- For a new owner to lease the entire building in approximately “as is” condition at market rent is also very infeasible, but the negative result is not as dire as that for a scenario based on the historic grocery store rent.
- Based on an **offered** rent of \$47.35/SF for the entire building as a grocery use by an existing grocery operation, the indicated value less capital costs shows that a potential purchaser would pay only \$4,525,000 (\$400/SF) in this situation, assuming the same Developer Incentive as Scenario 2, which comprises CenterCal’s preferred scenario. This is more than \$9 million lower than the CenterCal offer price of the building (a 67% reduction), as well as far below the market value of area retail buildings indicated by recent transactions. This value is also about 33% lower than the value during the last year the building was occupied by Real Food Co. This estimated price would allow a similar ratio of Developer Incentive (surplus of indicated value after capital costs) to Scenario 2.
- Renovating and re-tenanting 3060 Fillmore for multiple new tenants is economically necessary in order to support acquisition of the Property by a new owner given the Property’s market-driven price and to put the Property back into productive use and reactivate an important commercial corner.

CAPITAL COSTS TO PURCHASE AND UPGRADE PROPERTY IMPACTING GROCERY TENANCY

The Property Purchase Price is Market-Based

Scenario 1 generally comprises the status quo of the Property during the last year of occupancy by Real Food Co, reflecting lease payments by Real Food Co and the property owner’s operating expenses. As such, there are no capital costs incorporated into this scenario for acquisition or upgrading. In contrast, Scenarios 2, 3A, and 4 incorporate the proposed 3060 Fillmore acquisition cost of \$13,750,000, which equates to \$1,217 per square foot, plus additional capital costs to upgrade the property for new tenant occupancy. This acquisition cost was set by the market, and is less than the cost offered by other prospective buyers, including buyers seeking to demolish the existing structure and develop the site with all new multifamily housing construction.

ALH Economics considers the \$1,217 per square foot acquisition cost to be within market range based upon recent area property sales. According to CoStar, 2000-2020 Union Street sold in January 2018 for \$8.8 million, which divided by the building’s 6,339 square feet equates to \$1,388 per square foot. A smaller building at 2106-2110 Chestnut Street, considered a superior shopping street to Fillmore Street, sold in June 2018 for \$9.2 million, or \$2,320 per square foot for a 3,966-square-foot building.³⁴ Given 3060 Fillmore’s size, current land use entitlement status, its configuration, and occupancy restrictions, a lower per-square-foot price is reasonable.

Capital Cost Improvements are Necessary to Upgrade the Outdated Building

Scenarios 2, 3A, 3B, and 4 assume both acquisition of the Property as well as capital improvement of the space. These capital improvements include both hard construction costs and tenant improvements, along with financing costs, permits and fees, and soft costs. There are needed building improvements to be made for any occupancy scenario, with the minimum being \$300,000 for an upgraded fire sprinkler and gas/electrical rooms – this cost was used for Scenarios 3 and 4. For Scenario 2, the hard costs are higher to accommodate multiple tenants and the associated need to divide the

³⁴ CoStar, “Retail Market Report: San Francisco Market,” July 30, 2018, page 12.

building, including a new fire-rated corridor, upgraded fire sprinkler system, electrical room, and gas metering room.

In addition to the hard costs, there will be tenant improvements costs – these are costs associated with building out the space to meet tenant needs. For the grocery store tenant in Scenario 3, a tenant improvement cost of \$100 per square foot was provided by CenterCal for the refrigerator and freezer space needed for this type of tenant. A more generic tenant would have substantially lower tenant improvement needs, with \$50 per square foot estimated by CenterCal. The tenant improvement cost for Scenario 2 is roughly in between the Scenario 3 and 4 costs. With the addition of financing and soft costs, capital costs range from \$15.0 million for Scenario 4 to \$17.8 million for Scenario 2.

Property Transfer Will Result in Significant Increase in Tax Basis, Property Tax Payments, and Tenant Expenses

The property tax basis for 3060 Fillmore will change markedly with the increase in value due to the purchase price and capital improvements. Due to Proposition 13 and the long-term ownership of the property, the property is presently assessed at \$1.1 million.³⁵ However, with transfer of the property and construction activity, the property will be reassessed to an amount approximating acquisition and construction costs. As a result, depending upon the scenario, property taxes could increase 12 to 15 times the current amount reflected in Scenario 1 (except Scenario 3B, where the increase is 4 to 5 times the current amount). While the City and County of San Francisco benefits from the increased assessed value and tax payments, retail tenants, which typically pay a pro-rata share of operating expenses including taxes, will experience a greater burden, which will influence the rent levels they can afford to pay. For many budget-minded retailers, the amount of pro-rata operating expenses are an important consideration in the rent negotiation process.

If Grocery Use Restriction is Retained, the Indicated Value is Reduced Significantly

Scenario 3B models retention of the property's existing grocery use restriction, with an **offered** total rent of \$47.35/SF, which includes all reimbursed operating expenses, and an acquisition cost based on the indicated value less capital costs. This is the maximum rent offered by an existing grocery operator for the entire building. Essentially, this scenario shows what an investor would pay for the building based on the offered maximum rent for grocery use and the anticipated capital costs needed to renovate the building for that use. As shown, an investor would only pay \$4,525,000 (\$400/SF) for the building in this scenario – this is more than 67% lower than the proposed acquisition cost that ALH Economics considers in market range, as well as significantly lower than other offers received on the building that were higher than CenterCal's offer.

APPROACH TO ANALYSIS

The economic analysis for each scenario includes similar steps, as follows:

- 1) Calculation of annual rent;
- 2) Addition of expense reimbursements for common area maintenance, real estate taxes, and insurance;
- 3) Deduction for vacancy to arrive at an effective gross income;

³⁵ According to <http://propertymap.sfplanning.org/> for Block 0533, Lot 040, the land is assessed at \$543,400 and the building is assessed at \$580,524, for a total of \$1,123,924.

- 4) Deduction of operating expenses to arrive at net operating income; and
- 5) Capitalization of net operating income at a market-derived capitalization rate to arrive at an indicated value (i.e., net operating income is divided by the capitalization rate).

The capitalization rate expresses the relationship between income and value – the lower the rate means that investors will pay more for the property’s income stream. Capital improvement costs are then deducted to arrive at the Value Less Capital Costs. Many of the inputs in the analysis, particularly for Scenarios 1 and 2, were provided by the existing owner and CenterCal. Specific inputs provided by ALH Economics included real estate taxes,³⁶ vacancy rates for Scenarios 3A, 3B, and 4,³⁷ and market rent for Scenario 4. The feasibility analysis methodology and findings are presented in detail in Appendix C.

SUMMARY OF FINDINGS

Occupancy by Multiple Tenants is the Only Scenario Where Indicated Value Exceeds Capital Costs

Economic feasibility is demonstrated by deducting capital costs from the indicated value. Table 2 on the next page summarizes the steps and illustrates the findings of the economic analysis.

Of the three scenarios with capital costs, **only Scenario 2 indicates a feasible outcome**, with a positive difference between indicated value and capital costs. The net result is \$2.8 million, and a calculated Developer Incentive metric of 15.6%, which is the percentage of the Value Less Capital Costs to Total Capital Costs. As a positive figure, this metric indicates this scenario results in a positive return to the developer. A project that merely breaks even does not include an incentive to the developer to undertake the risks associated with the project.

Scenario 3A, which assumes replacement by a grocery store at the same effective gross income as Real Food Co, is vastly infeasible at -\$11.4 million. This scenario, of course, assumes that a grocery retailer could even be attracted to the space, which is an unlikely proposition. Scenario 4, assuming a typical market rent for the space with less physical upgrades, is also infeasible at -\$4.4 million. Rent would need to be more than 40% higher, closer to \$80 per square foot, for this scenario to reach breakeven.

Scenario 3B indicates a feasible outcome, as the developer incentive was designed to match that of Scenario 2 to determine the acquisition cost necessary to make this scenario supportable. However, this feasible outcome is **only due to a significantly lower acquisition cost of \$4,525,000**, which is based on the indicated value less the non-acquisition capital costs (i.e., hard construction, tenant improvement, financing, permit & fees, and soft costs) and allowing for a similar developer incentive to that for Scenario 2. However, this acquisition cost is significantly below market range, and represents a \$9 million reduction (67%) to CenterCal’s offer price.

³⁶ Real estate taxes were based on the total capital costs times the current property tax rate of 1.1723% as found on <https://sftreasurer.org/property-taxes>.

³⁷ Vacancy rates of 5% are the low end of the range as indicated in the report, "State of the Retail Sector: Challenges and Opportunities for San Francisco's Neighborhood Commercial Districts," Final Report, February 15, 2018, Strategic Economics, page 33.

Table 2. Economic Analysis Summary Findings for 3060 Fillmore Street (1)

Economic Analysis Parameter	Scenario				
	1	2	3A	3B	4
Effective Gross Income (2)	\$451,287	\$1,268,455	\$451,485	\$508,303	\$786,336
Expenses (3)	\$47,336	\$239,379	\$214,247	\$105,055	\$206,222
Net Operating Income (4)	\$403,951	\$1,029,076	\$237,238	\$403,247	\$580,114
Capitalization Rate (5)	6.00%	5.00%	5.50%	5.5%	5.50%
Indicated Value (6)	\$6,732,517	\$20,581,510	\$4,313,412	\$7,331,768	\$10,547,525
Capital Costs (7)					
Acquisition Cost	NA	\$13,750,000	\$13,750,000	\$4,525,000	\$13,750,000
Other Capital Costs	\$0	\$4,060,068	\$1,916,230	\$1,826,911	\$1,231,666
Total	\$0	\$17,810,068	\$15,666,230	\$6,351,911	\$14,981,666
Value Less Capital Costs (8)	\$6,732,517	\$2,771,442	-\$11,352,819	\$979,856	-\$4,434,140
Developer Incentive (9)	N/App.	15.6%	-72.5%	15.4%	-29.6%

Source: Exhibit C-1.

(1) All figures in 2018 dollars.

(2) Comprises annual rent less expense reimbursement less vacancy allowance.

(3) Comprises common area maintenance, real estate taxes, and insurance.

(4) Comprises effective gross income less expenses.

(5) The selected capitalization rates reflect differing market positionings for the property, based on current market data.

(6) Comprises net operating income / capitalization rate.

(7) Includes acquisition, hard construction, tenant improvement, financing, permit & fees, and soft costs. For Scenario 3B, the acquisition costs are based on market value less hard construction, tenant improvement, financing, permit & fees, and soft costs.

(8) Comprises indicated value less capital costs.

(9) Comprises "Value Less Capital Costs" divided by "Capital Costs" - this indicator needs to be sufficient to attract developer interest. The result for 3B was solved for the Developer Incentive to match the result for Scenario 2, which presents CenterCal's preferred development program.

Scenario 1, which does not have any capital cost deduction, indicates a value of \$6.7 million. This suggests that an investor would only pay \$6.7 million for the Real Food Co income stream. However, this scenario is now purely theoretical as the tenant closed its doors. Therefore, the only economically feasible option is Scenario 2, which assumes dividing the building into multiple spaces and includes the capital costs needed to provide the desired space for these tenants.

VII. RETAILER EXPANSION TRENDS AND AREA REAL ESTATE CHARACTERISTICS

The type of tenant likely to be attracted to 3060 Fillmore is dependent upon many factors beyond the building configuration and economics already discussed. One of these additional factors is retailer expansion trends and plans, with the types and sizes of retailers seeking expansion changing over time. This report chapter reflects on those trends and their relevancy to the Property, as well as the existing vacancy characteristics of the area's commercial base and potential for re-tenanting at 3060 Fillmore to promote activation of the surrounding area and boost occupancy.

NATIONAL AND BAY AREA RETAILER EXPANSIONS

National Retailer Expansion Trends are Dominated by Off-Price Retailers/Discounters and Experience-Based Restaurants

In addition to a grocery store not being economically feasible at 3060 Fillmore, grocery stores are generally not among the types of stores currently in expansion or growth mode, albeit with some minor exceptions, such as Grocery Outlet, Sprouts, and Trader Joe's in the western United States.³⁸ However, among these stores, the typical space requirements range from 17,000-20,000 square feet for Grocery Outlet, 28,000-30,000 square feet for Sprouts, and 11,000-14,000 square feet for Trader Joe's.³⁹ The only one of these expansion-oriented stores for which the 11,300 square feet of space at 3060 Fillmore is at least a partial fit is Trader Joe's, which already has a store relatively nearby at 1095 Hyde Street, about 1.5 miles from 3060 Fillmore, and thus would not be interested in another nearby location such as the Property.

Looking nationally, CNBC reports that retailer expansions in 2018 are a mixed bag of discounter growth, e-commerce moving to storefronts, and international expansion, as well as more limited expansion by established mainstream retailers.⁴⁰ Specific examples include the following:

- Ross Stores, which is planning 100 stores, including 25 dd's Discounts;
- Dollar General has an aggressive 900 new stores planned for 2018;
- Target is emphasizing small-format stores in urban or college campus locations (35 stores);
- Gap, while closing 200 Gap and Banana Republic stores, is planning to open 270 Athleta and Old Navy brand stores;
- Ulta Beauty is planning 100 stores;
- Dick's Sporting Goods is planning 20 stores, but may open more as opportunities from centers with shuttered Toys R Us stores arise;

³⁸ See "State of the Retail Sector: Challenges and Opportunities for San Francisco's Neighborhood Commercial Districts," Final Report, February 15, 2018, prepared for San Francisco Office of Economic and Workforce Development by Strategic Economics, page 19.

³⁹ See Chainlinks Retail Advisors, "National Retailer & Restaurant Expansion Guide," Spring 2016, pages 119-120.

⁴⁰ Lauren Thomas, "Ulta, Gap, Target and More: These Retailers are Still Opening Stores in 2018," CNBC, March 24, 2018.

- Warby Parker, specializing in eyewear, is an example of an e-commerce company moving to brick-and-mortar; other companies include Allbirds, Away, Bonobos, Casper, Everlane, and Untuckit; and
- Two German discount-oriented supermarket chains, Aldi and Lidl, have plans to expand in the U.S. Aldi's plans are fairly aggressive, with 180 stores planned for 2018, to help reach a goal of 2,500 stores in 2022. (Aldi's typical space requirements are 16,000-20,000 square feet,⁴¹ thus not appropriate for 3060 Fillmore.) Lidl's expansion plans may have cooled after explosive growth in 2017.

Another CNBC article discusses restaurant growth in the United States, stating that restaurant customers are not just looking for uniformity and speed of service, but rather an experience. Restaurants cited as particularly able to adapt to this changing need include Cooper's Hawk, First Watch, Shake Shack, Blaze Pizza, and MOD Pizza.⁴²

Garrick Brown, national retail research director and Vice President of Cushman & Wakefield, indicated in a GlobeSt.com article, "Retail Woes Are Not All About Amazon," July 11, 2018, that there were more store openings than closings in 2017 and that retail categories generally in expansion were home improvement, dollar stores, discount grocery, off-price apparel, beauty/cosmetics, super stores, fitness/health clubs, fast food, coffee, and fast fashion. Most of these types are expected to continue to expand in 2018. This same GlobeSt.com article indicates that there has been a major shift in consumer spending patterns, with the largest consumer group, Millennials, spending less than previous generations and valuing experience over possessions. This, the author states, explains why food halls and breweries are "hot."⁴³

Similarly, the Cushman & Wakefield publication "Marketbeat U.S. Shopping Center Q2 2018" notes that retailers in expansion mode, in addition to Ross noted above, include Burlington, Marshall's, TJ Maxx, and Nordstrom Rack. The report also says that retail categories aggressively growing include discounters, off-price apparel, and dollar-store chains.

Bay Area Retailer Expansion Trends Somewhat Parallel National Trends

The referenced lists of national tenant expansions are in general agreement with each other, with the Bay Area experiencing somewhat similar retail expansion trends. Specific retailers opening in the Bay Area in 2018 include:

- Total Wine & More (discounter);
- Target, small format stores;
- Amazon Books (ecommerce);
- Dunkin' Donuts (coffee);
- MOD Pizza; and
- Daiso Japan.⁴⁴

As with the national scene, fitness is also a very strong retail trend in the Bay Area, with companies like CycleBar, SoulCycle, and Row House all in expansion mode. Row House is a

⁴¹ Chainlinks Retail Advisors, page 115.

⁴² Sarah Whitten, "These are the 5 fastest growing restaurants in America," CNBC, April 20, 2018.

⁴³ GlobeSt.com, "Retail Woes Are Not All About Amazon," Lisa Brown, July 11, 2018.

⁴⁴ Julie Littman, "7 National Retailers Expand Their Footprints in Bay Area," Bisnow Bay Area, October 11, 2017

new entrant locally that is planning to open nine locations as part of a national growth spurt.⁴⁵

COW HOLLOW RETAIL ENVIRONMENT

Optimal New Tenants for the Property Would Match the Trends in Retailing, Market Area Demographics, and Existing Mix of Area Retailers

Within just the Cow Hollow and surrounding area, the existing trend of new retail tenants locating in the area diverges somewhat from the national and Bay Area trends. Some of this divergence is due to the size of retail spaces, comprising mostly smaller spaces, as well as the City of San Francisco's formula retail controls, which requires conditional use authorization for all formula retail establishments within the City's neighborhood commercial districts.

Exhibit 5 in Appendix A presents information on 40 lease transactions in or immediately near Cow Hollow between early 2017 and July 2018. These 40 leases average 2,100 square feet, with the range comprising 350 to 7,000 square feet, and total at least 72,400 square feet (excluding 6,700 square feet in lease renewals).⁴⁶ The median new lease size is 1,514 square feet. At the low end, the 350-square-foot tenant is an avocado bar, or restaurant (Toasty), and the 7,000-square-foot tenant is a bar anticipated to open on Lombard Street. Within just Cow Hollow, the largest new tenant is Casper Wake Up, located in 5,800 square feet on Union Street in space previously occupied by American Apparel. Notably, this tenant is one of the retailers referenced as an example of a retailer experiencing national expansion. Untuckit, another retailer on the national expansion list, is also on Union Street in Cow Hollow, although that lease slightly predates the list included in Exhibit 5.

Overall, the distribution of new leases in the area by size were as follows:

- 8 < 1,000 square feet
- 13 between 1,000 and 1,999 square feet
- 7 between 2,000 and 2,999 square feet
- 7 between 3,000 and 4,999 square feet
- 2 between 5,000 and up to 7,000 square feet

None of these spaces is equivalent to the 11,300 square feet at 3060 Fillmore, indicating this amount of space availability is very uncommon in the area.

The types of identified tenants most recently entering the area range widely, but the more dominant categories include restaurants and bars, personal services (including medical), and apparel/women's wear. Hint, a trendy maker of flavored water, has an especially large new presence on Union Street, including a retail showcase as well as headquarters office space. The pattern of tenants leaving the area as noted in the "Prior Tenant" column of Exhibit 5 is generally similar, with many including restaurants/bakeries, apparel and apparel accessories, and furniture stores. Furniture stores in particular retracted in the area, with Casper Wake Up comprising the new tenant most likely to be classified in this category.

⁴⁵ Julie Littman, "Boutique Fitness Company Focused on Rowing Docks in San Francisco as part of Nationwide Expansion," *Bisnow Bay Area*, July 19, 2018.

⁴⁶ The cited square footages pertain to the 37 (93%) leases with known square footage.

In general, while not fully reflected by the list of newer area tenants, the retail mix in the area has shifted, to a significant degree, to focus on uses such as gyms, cycle shops, yoga and spas and numerous beauty, health and fitness venues, boutiques, sports bars and coffee shops.⁴⁷ Within the 3060 Fillmore market area, the largest population group is ages 25-34, comprising 38% of all people living in the area. This demographic bulge emphasizes the youth orientation of this market. As noted by the Union Street Merchants Association, among the member businesses, the largest categories of businesses include beauty (62), apparel (46), food, drink, and restaurants (40), health (34), medical (26), professional services (26), and home décor and furnishings (20).⁴⁸

Optimal new tenants for the Property would be tenants matching the trends in retailing, demographics of the market area, existing mix of area retailers, and the ability to pay prevailing market rents. The lease rates for new area tenants are highest on Union Street and Chestnut Street, which comprise the core retail areas for their respective neighborhood commercial districts (Cow Hollow and the Marina, respectively). The cited lease rates on Union Street range from \$70.20 per SF/year to \$97.14 per SF/year. On Chestnut Street the highest cited rent is \$115.38 per SF/year. For the one retail lease on Fillmore with a cited lease rate the rate is \$91.79 per SF/year for a 1,450-square-foot space occupied by the salad-based restaurant Mixt Greens, one block away from 3060 Fillmore.

Area Vacancy is High Similar to Other Neighborhood Shopping Districts

Despite the number of new tenants occupying retail space in and around Cow Hollow since early 2017, totaling at least 72,400 square feet (excluding 6,700 square feet in lease renewals), the area continues to be characterized by high retail vacancy. Many of these vacancies are identified in Exhibit 6 in Appendix A and sited on Map 2, on the next page.

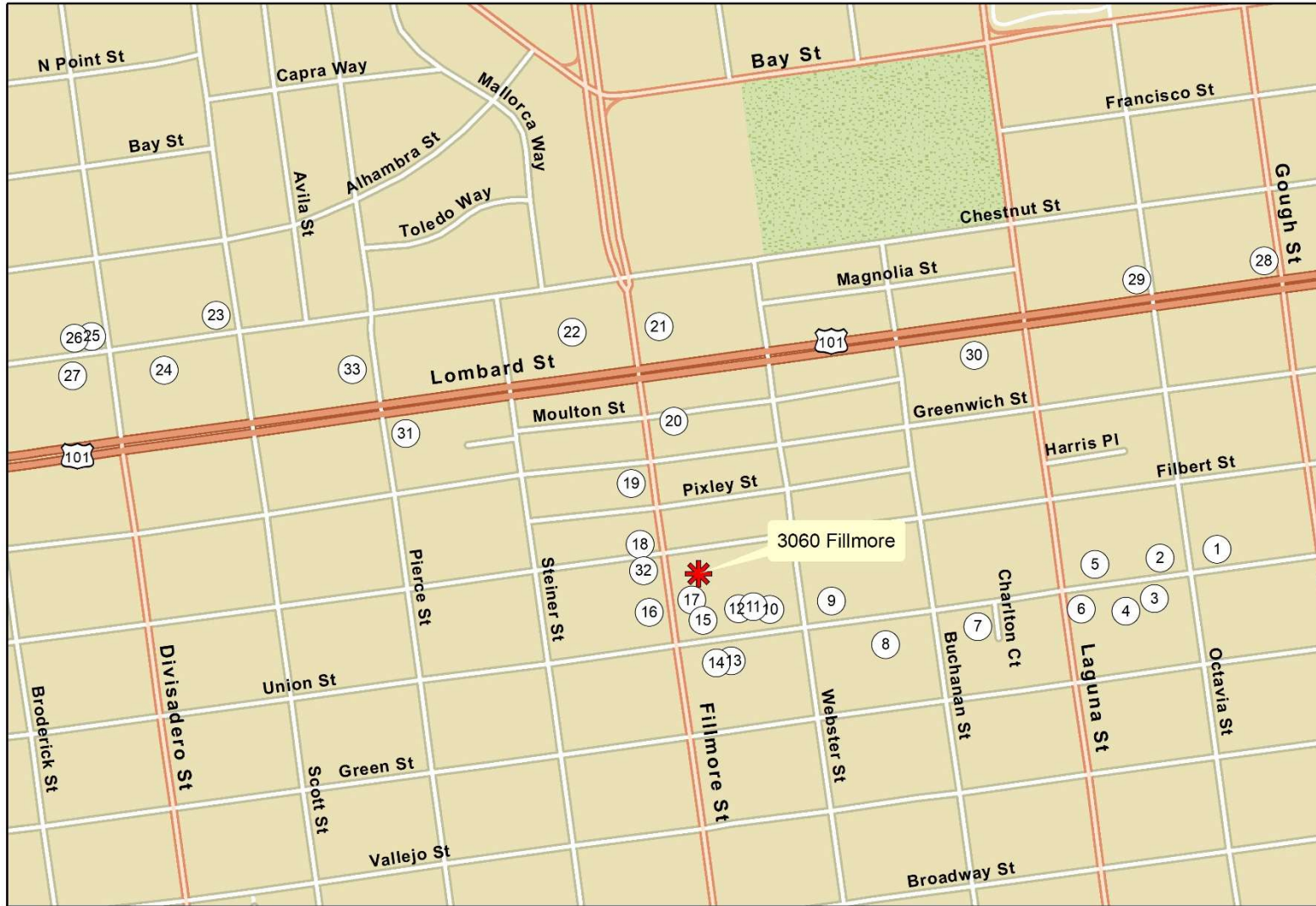
There are 33 vacancies in and around Cow Hollow identified in Exhibit 6. The size of some of the vacancies is not identified. However, among the 23 spaces with identified square footages plus 3060 Fillmore the total is approximately 54,300 square feet, with an average size about 2,300 square feet. Since these vacancies comprise about two-thirds of all identified vacancies, the total vacancy among existing properties is significantly higher than this total. Notably, this space is all vacant *at this moment*, compared to the 72,400 square feet of space leased to new tenants over an approximately 1.5 year period. Clearly, the likelihood is that as much space as was leased over the prior 1.5 years still remains vacant in the area.

Some of the identified retail vacancies are chronic vacancies, not occupied for many years, such as vacancy #8, at 2033 Union Street, with nearly 4,000 square feet of restaurant space available since 2015. There are also two buildings on Union Street in need of significant attention, including #2 at 1814 Union Street with a Fire Department violation and squatters reputedly living on the 2nd floor and #5 at 1870 Union Street with a compromised foundation. Closer to 3060 Fillmore there is vacancy #20, with 950 square feet at 3218 Fillmore vacant for more than 1.5 years, vacancy #17 at 3030 Fillmore with 2,000 square feet vacant for eight months, and vacancy #18 at 3101 Fillmore vacant for approximately three years and with no visible marketing attempts.

⁴⁷ See unionstreetsf.com, the website for the Union Street Merchant's Association.

⁴⁸ Ibid.

Map 2
Cow Hollow and Surrounding Area Retail Vacancies
August 2018



0 0.125 0.25 0.5 Miles

Cow Hollow's high vacancy is symptomatic of what is occurring in other San Francisco neighborhood commercial districts (NCDs). A February 2018 report prepared for San Francisco's Office of Economic and Workforce Development (MOEWD) discusses retail sector challenges and opportunities for San Francisco's NCDs. The report was commissioned to provide background information and analysis on changing industry trends and other conditions affecting the NCDs that City agencies may use in exploring policy changes, programs, and other strategies to help the NCDs adapt to changing conditions. This report is a compendium of three issue briefs that address the following: restructuring of the retail, restaurant, and personal services industries; what constitutes a successful San Francisco neighborhood commercial district; and costs and challenges for retail, restaurants, and personal services in San Francisco's neighborhood commercial districts.⁴⁹ This report, full of rich information and research on retail trends, culminated more than half a year of study on these topics, including more in depth review and analysis of some of the research trends reviewed herein, such as retail growth trends, the rise in online retailing, and neighborhood commercial district rising vacancy and resulting challenges for neighborhood commercial districts. The Executive Summary of this report is included as Appendix D.

The MOEWD report Executive Summary states that a significant number of San Francisco's neighborhood commercial districts experienced an increase in retail vacancy between 2015 and 2017, with one-third experiencing increases of at least 2%.⁵⁰ Thus, Cow Hollow's high vacancy is symptomatic of what is happening in other San Francisco NCD's, as retailers and retail districts succumb to the changing competitive landscape due to restructuring of the retail, restaurant, and personal services industries.

New Tenant Occupancy at the Property Will Help Activate Cow Hollow

There are many conclusions and recommendations in the MOEWD report oriented toward helping businesses and NCD's adapt to remain successful given national trends, including key conclusions for both retailers and NCD's. The conclusions and recommendations most relevant to Cow Hollow as an NCD include the following:⁵¹

- Diversifying the mix of uses in an NCD can help retailers expand their customer base; and
- By offering an attractive, fun shopping and dining experience, NCDs can help retailers continue to draw foot traffic.

The attraction of new tenants to the Property will support implementation of these recommendations. This is especially the case if the new tenants add to the existing retail mix and incorporate fun and experience-oriented dining. Given the large volume of vacancies in the vicinity of 3060 Fillmore, vacant itself for nearly 2 years, retrofitting and re-tenanting 3060 Fillmore with new tenants in growth mode and matching the area demographics will boost the market, improving overall occupancy, and provide a catalyst for the attraction of yet other retailers seeking to benefit from the customer traffic generated by new businesses and addressing the area's high vacancy rate.

⁴⁹ The full report, prepared by Strategic Economics, can be found here: <https://oewd.org/sites/default/files/Invest%20In%20Neighborhoods/State%20of%20the%20Retail%20Sector%20-%20Final%20Report.pdf>

⁵⁰ See page 18 of Appendix D.

⁵¹ See page 35 of Appendix D.

ASSUMPTIONS AND GENERAL LIMITING CONDITIONS

ALH Urban & Regional Economics has made extensive efforts to confirm the accuracy and timeliness of the information contained in this study. Such information was compiled from a variety of sources, including interviews with government officials, review of City and County documents, and other neutral third parties. Although ALH Urban & Regional Economics believes all information in this study is correct, it does not guarantee the accuracy of such information and assumes no responsibility for inaccuracies in the information by third parties. We have no responsibility to update this report for events and circumstances occurring after the date of this report. Further, no guarantee is made as to the possible effect on development of present or future federal, state, or local legislation, including any regarding environmental or ecological matters.

The accompanying projections and analyses are based on estimates and assumptions developed in connection with the study. In turn, these assumptions, and their relation to the projections, were developed using currently available economic data and other relevant information. It is the nature of forecasting, however, that some assumptions may not materialize, and unanticipated events and circumstances may occur. Therefore, actual results achieved during the projection period will likely vary from the projections, and some of the variations may be material to the conclusions of the analysis.

Contractual obligations do not include access to or ownership transfer of any electronic data processing files, programs or models completed directly for or as by-products of this research effort, unless explicitly so agreed as part of the contract.

APPENDIX A: EXHIBITS

Exhibit 1
Grocery Store Supportable Rents Sensitivity Analysis Based on Percent of Sales

Illustrative Sales per Sq. Ft.	Total Sales (1)	Rents at 2.56% of Sales (2)		Rents at 3.21% of Sales (3)	
		Supportable Annual Total Rent	Supportable Annual Rent/Sq. Ft.	Supportable Annual Total Rent	Supportable Annual Rent/Sq. Ft.
\$500	\$5,650,000	\$144,640	\$12.80	\$181,365	\$16.05
\$600	\$6,780,000	\$173,568	\$15.36	\$217,638	\$19.26
\$700	\$7,910,000	\$202,496	\$17.92	\$253,911	\$22.47
\$800	\$9,040,000	\$231,424	\$20.48	\$290,184	\$25.68
\$900	\$10,170,000	\$260,352	\$23.04	\$326,457	\$28.89
\$1,000	\$11,300,000	\$289,280	\$25.60	\$362,730	\$32.10
\$1,100	\$12,430,000	\$318,208	\$28.16	\$399,003	\$35.31
\$1,200	\$13,560,000	\$347,136	\$30.72	\$435,276	\$38.52
\$1,300	\$14,690,000	\$376,064	\$33.28	\$471,549	\$41.73
\$1,400	\$15,820,000	\$404,992	\$35.84	\$507,822	\$44.94

Sources: "2018 Independent Grocers Financial Survey," Independent Grocers Association; "What Percentage of your Sales Can You Expect to Go For Rent?," Hartman, April 16, 2016 (<http://www.hi-reit.com/what-percentage-of-your-sales-can-you-expect-to-go-for-rent/>); and ALH Urban & Regional Economics.

(1) Assumes full occupancy of 3060 Fillmore Street, of 11,300 square feet of grocery space. However, the findings are not sensitive to the amount of occupied space.

(2) Per the Independent Grocers Association "2018 Independent Grocers Financial Survey," page 32, the average operator in the West Region of the United States spent 2.56% of sales on rent/CAM costs in 2017.

(3) Because the Independent Grocers Association survey respondents have been in operation many years on average, this sensitivity analysis tests the impacts of a higher percentage of sales spent on rent/CAM, for illustrative purposes. This higher percentage is pursuant to another source (Hartman), which suggests food and beverage shops have a typical gross-to-rent percentage of 3.21%.

Exhibit 2
Grocery and Major Food Stores Proximate to 3060 Fillmore Street
August 2018

Store Name	Address	Distance from 3060 Fillmore (1)	Dedicated Parking	Gross Bldg. Sq. Ft. (excludes parking) (2)
Mayflower Market	2498 Fillmore	.4 miles	N	3,060
Marina Supermarket	2323 Chestnut	.5 miles	N	4,000
Marina Meats	2395 Chestnut	.6 miles	N	1,000
Marina Safeway	15 Marina Boulevard	.7 miles	Y	34,739
Mollie Stone's	2435 California Street	.7 miles	Y	11,775
Whole Foods	1765 California Street	1.2 miles	Y	28,000

Sources: Google Maps; Kidder Matthews; Realquest; and ALH Urban & Regional Economics.

(1) Distances determined by Google Maps. Comprise walking or driving distances, not linear, or as the crow flies.

(2) Building sizes provided by Kidder Matthews or Realquest.

Exhibit 3
3060 Fillmore Street Prospective Grocery Market Area
Total Estimated Income and Spending on Retail from Existing Area Households
2018 Dollars

Geographic Area	Number of Households (1)	Average Household Income (1)	Percent Income Spent on Retail (3)	Per Household Retail Spending (4)	Total Retail Demand (4)
Market Area (5)	2,134	\$215,750	22%	\$48,300	\$103,091,400

Sources: Environics Analytics; and ALH Urban & Regional Economics.

(1) Estimates prepared by Environics Analytics.

(3) Percent of income spent on retail is based on analysis of the U.S. Bureau of Labor Statistics Consumer Expenditure Survey, summarized in Exhibit B-1, which demonstrates that as income increase the percent of income spent on retail decreases. The selected percentages by area were identified based upon interpolation of the findings summarized in Exhibit B-1.

(4) Figures rounded to the nearest \$1,000.

(5) This area is bounded by Pierce, Green, Octavia, and Lombard streets. The determination of this area is based on a combination of topography and pedestrian accessibility, or walkability, with no perimeter beyond approximately 0.4 miles from 3060 Fillmore Street.

Exhibit 4
Geographic Areas Around 3060 Fillmore Street
Estimated Brick-and-Mortar Grocery Demand and Supportable Square Feet
Existing Area Households
2018 Dollars

Area Around 3060 Fillmore Street	Total Retail Demand (1)	Percent Demand Spent on Groceries (2)	Grocery Demand	Percent Internet Sales (3)	Brick-and-Mortar Grocery Demand	Supportable Square Feet at Average Store Sales/Sq. Ft. (4)				
						\$600	\$800	\$1,000	\$1,200	\$1,400
Compact, Walkable Market Area (5)	\$103,091,400	12%	\$12,324,890	4.3%	\$11,794,920	19,700	14,700	11,800	9,800	8,400
0.33-Mile Radius (6)	\$0	12%	\$0	4.3%	\$0	0	0	0	0	0

Sources: Environics Analytics; Forbes.com ("Online Grocery Sales to Reach \$100 Billion in 2025; Amazon is Current and Future Leader," Pamela N. Danziger, January 18, 2018); and ALH Urban & Regional Economics.

(1) See Exhibit 3.

(2) Based on analysis of statewide spending, as presented in Exhibit B-2.

(3) A January 2018 Forbes.com article, "Online Grocery Sales to Reach \$100 Billion in 2025; Amazon is Current and Future Leader," by Pamela N. Danziger, January 18, 2018, cites that FMI-Nielsen estimates that the online grocery market comprises 2.0% to 4.3% of the U.S. grocery market, predicted to increase to 20% by 2025. Because California is a state with early adoption of new technology, this analysis assumes a current figure of at least the 4.3% current upper estimate, although all indications are that this percentage will be increasing rapidly in the near future.

(4) Illustrative average square foot sales, demonstrating the amount of brick-and-mortar grocery demand at various levels of average performance for the stores serving this population base. Figures rounded to the nearest \$1,000.

(5) This area is bounded by Pierce, Green, Octavia, and Lombard streets. The determination of this area is based on a combination of topography and pedestrian accessibility, or walkability, with no perimeter beyond 0.5 miles from 3060 Fillmore Street.

(6) Comprises geographic area with a 0.4-mile radius around 3060 Fillmore Street. The 0.4-mile distance was selected because it is one-half the distance between 3060 Fillmore Street and two major area food stores, Mollie Stone's and Marina Safeway.

Exhibit 5
Cow Hollow and Other Relevant New Retail Tenants and Recent Retail Lease Transactions
Approximately 2017 through July 2018

Address	Square Feet	New Tenant (1)	Lease Rate/Sq. Ft.	Lease Date	Occupancy Date	Prior Tenant	Notes
Union Street							
1735-1739	1,100	Tech Tenant		June 2017			
1808	1,475	SF Color Collective (hair salon)		January 2018			Was vacant at least by 2/17
1815	900	ei home		October 2017		Women's Boutique	
1835	4,875	One Medical Group		February 2017		BCBG Maxazria (Women's clothing)	Space was vacant at least one year
1846	965	Morning Lavender		January 2018		Chronicle Books	
1861	2,825	Space prepping for new tenant		July 2018		Eurasian Interiors	
1875	3,000	Hollow Cow	\$80.00 (NNN)	In Contract		Hollow Cow	Likely comprises lease renewal
1889-1899	3,070	Starbucks	\$97.14 (NNN)	1/1/2017		Starbucks	Comprises lease renewal
1898	1,977	Neomodern Gallery	\$91.05 (NNN)	2/1/2017		Stuart Moore (jewelry)	
1931	DK	Jewelry store		February 2-18		Jewelry store	
1998	1,500	Gio Gelati		Oct. 2017			
2040	620	Dr. Erika Horowitz (Naturopath)		February 2017			
2071	3,559	Kuhl		Dec. 2017		Nike	Tenant not yet in occupancy
2120	1,350	Hint	\$70.20	June 2017			
2164	1,150	Undetermined		May 2017			
2174	5,800	Casper Wake Up (Mattress Store).	\$84.00 (NNN)	Nov. 2017		American Apparel	April 2017 closing sale
2118	1,350	Hint	\$74.30 (NNN)		6/1/2017		
2201	800	Loving Cup (frozen yogurt)		May 2017		Pacific Puffs (bakery)	
2266	620	Lovely	\$72.00 (NNN)	August 2017		Bee Market	Likely comprises lease renewal
Fillmore Street							
3027	1,514	Westward Leaning Sunglasses			April 2018		
3108	900	Ginger Elizabeth Chocolates			Nov. 2017	Bubble (moved to Union Street)	Became vacant bet. 6/16 and 2/17
3130	1,450	Mixt Greens	\$91.79 (NNN)	3/1/2017			15-year base term
3131		Bar Crenn			March 2018	Restaurant	Became vacant bet. 6/16 and 2/17
3145		Appears to be pending occupant				Lasan (Indian restaurant)	Became vacant bet. 6/16 and 2/17
3151	1,100	Island Society and Lashout SF		Oct. and/or Feb. 2017	Nov. 2017	Furniture store	
3231-3235	1,000	Airelle Wines		March 2017			
Chestnut Street							
2086	4,145	SF Siren (shoes)	\$115.38		6/1/2017	Retail Therapy	
2272	2,000	Souvla	TBD	Early 2018		David's Tea	Space under preparation
2359	2,500	Media Noche (Cuban rest.)	\$72.00 (FS)	In Leases		Chestnut Bakery	Space vacant for at least 2 years
Lombard Street							
2036	7,000	New Country Bar		Early 2018		Stock in Trade	New tenant not yet in occupancy
2298	2,257	First Federal Savings		March 2018		Golden One Credit Union	
2353	2,460			May 2017		None, located in VELA Apts.	Ground floor retail in new apt. project

Exhibit 5**Cow Hollow and Other Relevant New Retail Tenants and Recent Retail Lease Transactions
Approximately 2017 through July 2018**

Address	Square Feet	New Tenant	Lease Rate/Sq. Ft.	Lease Date	Occupancy Date	Prior Tenant	Notes
Scott Street							
3206	576	Marina Psychic			Nov. 2017	Stomp Studio	
3208	1,445	Sarah Seven Inc. (bridal boutique)	\$44.88 (IG)		April 2017	Cable Car Dental	
3242	1,900	Roma Anitica Neighborhood Eatery			Feb. 2017	Kobani Mediterranean Grill	Prior tenant vacated after 6/16
Other Area Streets							
1801 Divisadero	3,100	Dignity Health	\$72.00 (NNN)		1/1/2017	King of Falafil	Became vacant bet. 10/15 and 6/16
2801 California	2,000	New Bar	\$90.00 (NNN)	In Contract		Wild Hare	
2909 Webster	4,000	Pending	\$60.00 (NNN)	TBD		Umami (Sushi)	Recently signed deal. Became vacant between 6/16 and 2/17
2180-2186 Greenwich	2,500	DK			August 2018		
2760 Octavia	350	Toasty (avocado bar)			Feb. 2017	Back Yard Kitchen	

Sources: Kidder Mathews; CBRE; Google Maps Street View; and ALH Urban & Regional Economics.

(1) In some cases the new tenant was identified by ALH Urban & Regional Economics based upon the address provided. Best efforts were made to identify the specific tenant comprising the new tenant. However, as some addresses were originally provided as ranges, some tenants may be mistakenly identified as new while others may not be identified.

Exhibit 6
Representative Cow Hollow and Nearby Area Retail Vacancies
August 2018

Map #	Address	Square Feet	Asking Lease Rate/Sq. Ft./Yr.	Prior Tenant	Vacancy Date/Information	Notes (Including listing commercial broker)
Union Street						
1	1782	2,081	\$60.00 (NNN)	Jewelry/Art Co-Op Before was Fillmore & 5th (closed early 2015)	On market for almost 6 months and frequently vacant.	Union Street building with consistent vacancy issues.
2	1814		NA	Women's Clothing (Cara Mia)	Store closed some time between 1/15 and 8/15	Fire Department violation; squatters reportedly on 2nd floor.
3	1827	1,320	\$86.36 (NNN)	Denim & Soul	Retail vacant space that has been on the market for 4 plus months	Blatteis Realty.
4	1851			Luisa's Restaurant/Notte Lounge	January 2013	Space was originally planned to be redeveloped as a Puerto Rican restaurant. No broker signate.
5	1870			Women's Clothing (LF)	Store closed sometime between 10/17 and 2/18	Compromised Foundation, unsafe violation.
6	1895			Bridal, Jewelry (The Enchanted Crystal)	Store closed sometime between 8/15 and 11/15	Space does not appear to be marketed. Windows covered in paper with no broker signage.
7	1977B			Skin Care (Black Pearl)	Store closed sometime between 8/15 and 11/15	Was to be Globo Acai + Tea Bar, Spring 2017 opening. Paper in windows, no action evident. No broker signage.
8	2033	3,968	\$17,000 per month (NNN) or \$51.41/sq. ft.	Osha Thai Restaurant (previously was Amici's Pizza)	Restaruant closed between 10/14 and 1/15	Union Street building with consistent vacancy issues. Blatteis Realty.
9	2070-2078	3,450	\$83.00 (NNN)	Modern Citizen, Bike Shop, The Collector's Cave (toys)	Three retail spaces that have been on the market for over 4 months	Three separate retail spaces. 2,000 SF, 750 SF, and 700 SF. Tenant prep work appears underway in 2/3 spaces. Another prior tenant was Glassybaby, closed June 30, 2017. Modern Citizen occuppied pop-up space in August 2017, then closed after April 2018. Blatteis Realty.
10	2118	1,648	For Sale	Union Street Goldsmith	Store closed after 42 years in early 2018	Commercial Condo for sale. Consistent vacancy issues. Carlee McCarthy.
11	2136			Contrada Restaurant	Closed mid-July 2018	No broker signage.
12	2150			Morning Lavendar	January 2018	Tenant relocated to 1846 Union St. No broker signage.
13	2163	750	\$102.00 (NNN)	Bubble	Recent listing	Union Street building with consistent vacancy issues. Current tenant going out of business.
14	2181A	750	\$104.00 (IG)	Prince Estate Jewelry	Small retail building with two retail spaces that have both been on and off the market for quite some time	Mom & Pop tenant going out of business. Opened 2015. Restaurant closed overnight with no advance notice. Established in 2011. No broker signage on space.
15	2184			Umami Burger	June 2018	
Fillmore Street						
16	3023-3027	684	\$5.85/ig/mo., or \$70.20/yr.		Retail vacant space that has been on the market for 8 months with no action	Paragon Commercial Brokerage.
17	3030	2,000	\$60.00 (NNN)	Liv Fashion Boutique		Prior asking rent was in the \$70+ psf range. Blatteis Realty.
18	3101			Café (Caffe Dolce)	Café closed sometime between 8/15 and 11/15	No brokerage signage on space.
19	3157			Pizza Orgasmica	Closed about March, 2018. This location opened in early 2005	Edward Plant
20	3218	950	\$82.11 (MG)	Marina Cards & Stationary	Store closed between 6/16 and 2/17	Fillmore Street building with consistent vacancy issues. Blatteis Realty.
21	3322	6,300	TBD	Urban Outfitters	Not renewing lease. Space will be available soon.	9,000 SF building. Effective Rent in December, 2007 for Urban Outfitters was \$80.28 (NNN).

**Exhibit 6
Representative Cow Hollow and Nearby Area Retail Vacancies
August 2018**

Map #	Address	Square Feet	Asking Lease Rate/Sq. Ft.	Prior Tenant	Vacancy Date/Information	Notes (Including listing commercial broker)
Chestnut Street						
22	2055	32,079	TBD	New Development. Site currently occupied by Wells Fargo.	On market July 2018	Residential Development with over 32,000 SF of retail. Retail space will consist of 19,861 SF on the ground floor and 12,218 SF of basement. Cushman & Wakefield.
23	2300			Ristorbar	Closed about December 2016. Was to reopen after February 2017 after building retrofit but remains vacant	No brokerage signage on space.
24	2359	2,500		The Chestnut Bakery	Bakery closed between 10/15 and 6/16	Owner seeking long-term tenant, preferably bakery, restaurant, coffee shop, etc. Reputedly in discussion with prospective tenants, and is shown on New Tenant Exhibit.
25	2400	1,796		First Federal	Closed after 2/17	Cushman & Wakefield.
26	2414	960		Mud Puppies Tub & Scrub	This business operation closed around summer 2017	Cushman & Wakefield.
27	2417	650	\$2,700/mo., or \$49.85/sq. ft.	The Animal Connection (Pet Supplies)	Business opened 2007 and was still in operation in 2/17, per Google Street View	Edward Plant.
Lombard Street						
28	1600	1,600	\$60 (MG)	NA	Appears to be vacant since at least 2008	Consistent vacancy issues. Starboard commercial broker.
29	1700			Azadeh Couture	Business was still in operation in 4/17, per Google Street View	Touchstone commercial broker .
30	1839	900	\$55 (NNN)	NA	Appears to be vacant since at least 2008	Lombard Street building with consistent vacancy issues. Blatteis Realty.
31	2299	3,614	\$66.00 (NNN)	IHOP	Closed approximately 6/18 due to lease expiration	Lot size is 8,400 SF. Net charges are approx. \$1,146/mo. Blatteis Realty.
Filbert Street						
<i>Bldg purchased in 2018. New rental listing 8/18, Jimenez & Associates.</i>						
32	2201	300	TBD	Internal Medicine Physician	Closed between 1/15 and 10/15	four-room suite
	2215	1,950	TBD	NA	NA	3rd floor space
	2219	800	TBD	NA	NA	2nd floor space
	2221	2,177	TBD	Zazen Yoga Studio	Closed abruptly January 2018	1,400 sq. ft. ground floor, 777 sq. ft. 2nd floor
Pierce Street						
33	3225	2,100	\$71.40 (NNN)	NA	Appears to be vacant since at least 2008	Building permit on site. May be lease activity. Camisa Properties.

Sources: Kidder Mathews; CBRE/Costar; Jimenez & Associates; Yelp; Google Maps Street View; Assorted on-line articles; and ALH Urban & Regional Economics.

APPENDIX B: GROCERY DEMAND METHODOLOGY

ALH Economics prepared a grocery spending analysis, or demand analysis, for the market area households. This spending analysis takes into consideration average household income, the percent of household income spent on retail goods, prospective spending at grocery stores (per trends derived from the State of California Board of Equalization, which collects and reports business count and taxable sales data by retail category), and the percent of grocery demand captured by internet sales, which as demonstrated above is growing in popularity. Exhibits in support of this methodology follow this text.

The market area demographic information for the analysis was obtained from Environics Analytics, a national purveyor of demographic and economic data. The amount households spend on retail goods varies by household income. Data published by the U.S. Bureau of Labor Statistics, 2016 Consumer Expenditures Survey, provides information regarding household spending on retail based upon income. This information is presented in Exhibit B-1, pursuant to ALH Economics estimates of the percentage of income spent on retail goods comparable to the goods categories by the State of California Board of Equalization (BOE). As an example, households in the \$40,000 to \$49,999 annual income range, with an average household income of \$44,568, are estimated to spend 40% of income on retail goods.

As a proxy for household retail spending patterns, especially for grocery store merchandise, market area households are assumed to make retail expenditures consistent with statewide taxable sales trends for 2016 converted to estimated total sales (adjusting for select nontaxable sales, such as a portion of food sales). Using California as a benchmark is more appropriate than using San Francisco as a benchmark because the City of San Francisco is a significant retail attraction community, and thus using San Francisco's sales pattern as a baseline would distort typical household spending patterns. The results, presented in Exhibit B-2, indicate that assumed household spending at supermarkets and other grocery stores comprises 12.0% of total household spending on retail.

As noted earlier, internet-based sales have infiltrated the grocery goods market, thus reducing demand for brick-and-mortar stores. Pursuant to the Forbes.com article referenced earlier, currently 2.0% to 4.3% of groceries are purchased online, increasing to a projected 20% by 2025. Because Californians are earlier adapters of new technology, this analysis assumes a current figure of at least 4.3% of grocery goods are purchased online. The amount of store space the resulting demand estimates can support is dependent upon the per square foot sales performance achieved by stores.

Exhibit B-1
Household Income Spent on Retail (1)
United States
2016

Characteristic	All Consumer Units	Household Income Range							
		\$15,000 to \$29,999	\$30,000 to \$39,999	\$40,000 to \$49,999	\$50,000 to \$69,999	\$70,000 to \$99,999	\$100,000 to \$149,999	\$150,000 to \$199,999	\$200,000 and more
Average HH Income	\$74,664	\$22,167	\$34,703	\$44,589	\$59,369	\$83,595	\$120,512	\$170,704	\$345,002
Amount Spent on Retail (2)	\$21,411	\$12,614	\$16,512	\$17,949	\$20,648	\$25,238	\$31,377	\$39,324	\$47,687
Percent Spent on Retail (3)	29%	57%	48%	40%	35%	30%	26%	23%	14%

Sources: Table 1203. Income before taxes: Annual expenditure means, shares, standard errors, and coefficient of variation, Consumer Expenditure Survey, 2016, U.S. Bureau of Labor Statistics; and ALH Urban & Regional Economics.

(1) Includes retail categories estimated to be equivalent to the retail sales categories compiled by the State of California, Board of Equalization.

(2) Includes the Consumer Expenditures categories of: food; alcoholic beverages; laundry and cleaning supplies; other household products; household furnishings and equipment; apparel and services; vehicle purchases, cars and trucks, new; vehicle purchases, cars and trucks, used; vehicle purchases, other vehicles; gasoline and motor oil; 1/2 of maintenance and repairs (as a proxy for taxable parts); drugs; medical supplies; audio and visual equipment and services; pets, toys, hobbies, and playground equipment; other entertainment supplies, equipment, and services; personal care products and services; and reading; tobacco products and smoking supplies.

(3) Percentages may be low as some expenditure categories may be conservatively undercounted by ALH Economics.

Exhibit B-2
State of California Board of Equalization Taxable Retail Sales Estimate by Retail Category
2016
(in \$000s)

Type of Retailer	Total Taxable Sales (1)	State of California Taxable Sales Adjusted to Total Retail	Percent of Total
Motor Vehicle & Parts Dealers	\$84,225,652	\$84,225,652	15.7%
Home Furnishings & Appliances	\$29,910,071	\$29,910,071	5.6%
Building Materials & Garden Equipment	\$35,238,333	\$35,238,333	6.6%
Food & Beverage Stores	\$27,678,056	\$92,260,187 (2)	17.2%
<i>Supermarkets and Other Grocery Stores</i>	<i>19,290,666</i>	<i>\$64,302,221</i>	<i>12.0%</i>
<i>Convenience Stores</i>	<i>2,933,516</i>	<i>\$9,778,388</i>	<i>1.8%</i>
<i>Specialty Food Stores</i>	<i>1,138,398</i>	<i>\$3,794,659</i>	<i>0.7%</i>
<i>Beer, Wine, and Liquor Stores</i>	<i>4,315,476</i>	<i>\$14,384,919</i>	<i>2.7%</i>
Gasoline Stations	\$43,273,082	\$43,273,082	8.0%
Clothing & Clothing Accessories	\$39,698,156	\$39,698,156	7.4%
General Merchandise Stores	\$48,255,569	\$64,340,759 (3)	12.0%
Food Services & Drinking Places	\$78,494,623	\$78,494,623	14.6%
Other Retail Group (4)	\$55,940,351	\$70,414,309 (5)	13.1%
Total (6)	\$470,391,950	\$537,855,172	100%

Sources: California State Board of Equalization (BOE), "Taxable Sales in California (Sales & Use Tax) during 2016; U.S. Economic Census, "Retail Trade: Subject Series - Product Lines: Product Lines Statistics by Kind of Business for the United States and States: 2007"; and ALH Urban & Regional Economics.

(1) Taxable sales are pursuant to reporting by the BOE.

(2) Sales for Food and Beverage Stores have been adjusted to account for non-taxable sales; only 30.0% of all food store sales are estimated to be taxable.

(3) Sales for General Merchandise Stores have been adjusted to account for non-taxable food sales, since some General Merchandise Store sales include non-taxable food items. ALH Urban & Regional Economics estimates that at least 25% of General Merchandise sales are for grocery items that are also non-taxable. This estimate is based on analysis of the 2007 U.S. Economic Census, which attributes approximately 26% of General Merchandise Stores sales to food.

(4) Other Retail Group includes drug stores, electronics, health and personal care, pet supplies, gifts, art goods and novelties, sporting goods, florists, electronics, musical instruments, stationary and books, office and school supplies, second-hand merchandise, and miscellaneous other retail stores.

(5) Sales for Other Retail Group have been adjusted to account for non-taxable drug store sales, since drug store sales are included in the Other Retail Group category. ALH Urban & Regional Economics estimates that 33.0% of drug store sales are taxable, based on discussions with the California BOE and examination of U.S. Census data. In California, drug store sales in 2015 represented approximately 12.74% of all Other Retail Group sales. Sedway Consulting applied that percentage and then adjusted upward for non-taxable sales.

(6) Totals may not add up due to rounding.

APPENDIX C: ECONOMIC ANALYSIS METHODOLOGY

This methodology describes the economic analysis performed by ALH Economics regarding different occupancy scenarios for 3060 Fillmore, resulting in an assessment of the economic feasibility of grocery store occupancy of the space upon acquisition by a new owner. The methodology defines the scenarios and discusses return metrics, capital costs, and economic feasibility findings. The economic analysis is fully presented and documented in Exhibit C-1.

SCENARIO DEFINITIONS

The five different occupancy scenarios are as follows:

- Scenario 1:** The final year of occupancy by Real Food Co, with actual rent and operating expenses.
- Scenario 2:** The proposed occupancy of the Property by prospective new tenants at rent levels to support the anticipated Property acquisition cost as well as necessary improvement costs, with updated operating expenses, particularly real estate taxes;
- Scenario 3A:** An assumed scenario with a new grocer at the same occupancy cost as Real Food Co (i.e., same effective gross income as Scenario 1, reflecting higher expense reimbursements mainly due to real estate taxes).
- Scenario 3B:** An assumed scenario with a new grocer at an **offered** total rent of \$47.35/SF, including all reimbursed operating expenses. In this scenario, the acquisition cost is adjusted to reflect the indicated value less needed capital costs.
- Scenario 4:** A scenario assuming occupancy by one or more new tenants at an estimated market rent of \$55 per square foot, with triple net expenses (e.g., tenant reimburses operating expenses).⁵²

APPROACH TO FINANCIAL FEASIBILITY ANALYSIS

In Exhibit C-1, each scenario is presented with three similar steps, featuring:

- 1) calculation of annual rent;
- 2) addition of expense reimbursements for common area maintenance, real estate taxes, and insurance; and
- 3) deduction for vacancy to arrive at an effective gross income.

From effective gross income, expenses are deducted to arrive at net operating income. Net operating income is capitalized at a market-derived capitalization rate to arrive at an indicated value. Many of the inputs in the analysis, particularly for Scenarios 1 and 2, were provided by the existing owner and CenterCal. Specific inputs provided by ALH Economics

⁵² Market rent was based on the asking rate for the Property reflected in a real estate brokerage listing for the Property.

included real estate taxes,⁵³ vacancy rates for Scenarios 3A, 3B and 4,⁵⁴ and market rent for Scenario 4.

A critical expense that varies among the scenarios is real estate taxes. Due to Proposition 13 and the long-term ownership of the property, the property is presently assessed at \$1.1 million.⁵⁵ However, with transfer of the property and construction activity, the property will be reassessed to an amount approximating acquisition and construction costs. As a result, depending upon the scenario, property taxes could increase 12 to 15 times the current amount reflected in Scenario 1 (except Scenario 3B, where the increase is 4 to 5 times the current amount). While the City and County of San Francisco benefits from the increased assessed value and tax payments, retail tenants, which typically pay a pro-rata share of operating expenses including taxes, will experience a greater burden. Many retailers have a limit as to how much they can pay for total occupancy costs (i.e., rent + pro-rata operating expenses). If a certain retail space has significantly higher operating expenses than a comparable space, then holding everything else constant, a retailer would likely offer to pay less rent for the space with higher operating expenses. There are exceptions to this rule, but for many budget-minded retailers, the amount of pro-rata operating expenses are an important consideration in the rent negotiation process.

RETURN METRICS

ALH Economics determined that capitalization of net operating income is the most appropriate method of estimating economic return for an existing building. The capitalization rate expresses the relationship between income and value – the lower the rate means that investors will pay more for the property's income stream. For example, investors are willing to pay more for properties in San Francisco than for properties in many other cities, accounting for why properties outside San Francisco generally have higher capitalization rates for equivalent properties. Newer high-quality properties also command lower capitalization rates than older low-quality properties.

In order to estimate an appropriate capitalization rate, ALH Economics relied on a survey prepared by CBRE, i.e., "CBRE North America, "Cap Rate Survey Second Half 2017." This survey includes rates for Class A (i.e., high-quality) and Class B (i.e., more average space that is not as competitive as Class A space) retail space in neighborhood/community centers in San Francisco. ALH Economics believes the market area for 3060 Fillmore is analogous to a neighborhood/community center as it is a dense shopping environment that draws shoppers for a variety of convenience and comparison goods. The capitalization rate range for Class A space is reported at 4.25% to 5.0%, while that for Class B space is 5.75% to 7.0%.⁵⁶ Both ranges are applicable to assets that are "stabilized" – at market occupancy level at market rents. Properties that are at below-market rents, have significant vacancies, or in need of capital improvements, are considered "value-add" properties. Capitalization rates for these

⁵³ Real estate taxes were based on the total capital costs times the current property tax rate of 1.1723% as found on <https://sftreasurer.org/property-taxes>.

⁵⁴ Vacancy rates of 5% is the low end of the range as indicated in the report, "State of the Retail Sector: Challenges and Opportunities for San Francisco's Neighborhood Commercial Districts," Final Report, February 15, 2018, Strategic Economics, page 33.

⁵⁵ According to <http://propertymap.sfplanning.org/> for Block 0533, Lot 040, the land is assessed at \$543,400 and the building is assessed at \$580,524, for a total of \$1,123,924.

⁵⁶ CBRE, "CBRE North America, "Cap Rate Survey Second Half 2017," page 29.

assets are higher to reflect the risk associated with upgrading, re-tenanting, or bringing the property to a stabilized status. For Class B properties, CBRE indicates this capitalization rate range is 6.75% to 7.75%.

Additional capitalization rate information was provided by CoStar, in its “Retail Market Report: San Francisco Market,” dated July 30, 2018. In this report, overall retail market capitalization rates are 5.0% in the San Francisco market (which includes San Mateo County), based on the estimated price movement of all properties in the market. Actual retail sales tracked by CoStar indicate an average capitalization rate of 4.7%, with a median capitalization rate of 4.6%. Sales in West of Van Ness shopping districts indicate a capitalization rate range of 3.6% to 6.0%.⁵⁷

For Scenario 1, the 3060 Fillmore building is a Class B property, but is well-located and leased. For this scenario, ALH Economics believes that a 6.0% capitalization rate is appropriate. In Scenario 2, the Property is assumed to be re-leased to new tenants with a significant capital investment (see subsequent discussion). Based on the investment, the Property is now a Class A building, but there is risk associated in this process of acquiring, improving, and re-tenanting the building. Therefore, ALH Economics believes that a 5.0% capitalization rate is appropriate. This is in the upper end of the range identified by CBRE and CoStar for Class A properties. For Scenarios 3A, 3B and 4, the improvements do not quite result in a Class A building, and the future tenants of the building are unknown. Therefore, the capitalization rate for these higher-risk scenarios should be higher than that for Scenario 2 – ALH Economics used 5.5%.

CAPITAL COSTS

As Scenario 1 assumed continuation of the Real Food Co lease, there are no capital costs associated with the scenario. However, for the remaining four scenarios, there are costs associated with acquisition and improvement of the space (both hard construction costs and tenant improvements), along with financing costs, permits and fees, and soft costs. CenterCal provided the majority of these inputs, except for financing and soft costs for Scenarios 3A, 3B, and 4. In these cases, ALH Economics used a standard calculation methodology for financing costs (65% loan-to-cost ratio, 65% average draw, 5.5% interest rate, and a 5-month construction period per CenterCal). For soft costs, ALH Economics assumed an amount equal to 20% of hard costs and tenant improvements. This covers Architects and Engineering fees (usually 6%), insurance/legal, other soft costs, and contingency. Capital costs range from \$15.0 million for Scenario 4 to \$17.8 million for Scenario 2. Scenario 3B, which assumes a lower acquisition cost, as discussed below, has the lowest capital cost of \$7.2 million.

The proposed 3060 Fillmore acquisition cost of \$13,750,000, which equates to \$1,217 per square foot, is considered by ALH Economics to be within market range. According to CoStar, 2000-2020 Union Street sold in January 2018 for \$8.8 million, which divided by the building’s 6,339 square feet equates to \$1,388 per square foot. A smaller building at 2106-2110 Chestnut Street, considered a superior shopping street, sold in June 2018 for \$9.2 million, or \$2,320 per square foot for a 3,966-square-foot building.⁵⁸ Given 3060 Fillmore’s size, current land use entitlement status, its configuration, and occupancy restrictions, a lower per-square-foot price is reasonable.

⁵⁷ CoStar, “Retail Market Report: San Francisco Market,” July 30, 2018, pages 11, 12, and 31.

⁵⁸ Ibid, page 12.

For Scenario 3B, the acquisition cost is instead derived pursuant to the indicated value based on an **offered** rate for the entire building by an existing grocery operation less the needed capital costs (hard construction costs, tenant improvements, financing costs, permits and fees, and soft costs). In this case, the acquisition cost is estimated at \$4,525,000, or \$400 per square foot. This is well below the market range indicated by the sales described above, and is a fraction of CenterCal's offer price on the property (33%), as well as other even higher offers received by the property owner.

ECONOMIC FEASIBILITY

The economic feasibility determination is the deduction of capital costs from the indicated value. Of the three scenarios with capital costs, only Scenario 2 indicates a feasible outcome, with a positive difference between indicated value and capital costs. The net result is \$2.8 million. Scenario 3A, which assumes replacement by a grocery store at the same effective gross income as Real Food Co, is vastly infeasible at -\$11.4 million. This scenario, of course, assumes that a grocery retailer could be attracted to the space, which is an unlikely proposition. Scenario 4, assuming a typical market rent for the space, is also infeasible at -\$4.4 million. Rent would need to be more than 40% higher, closer to \$80 per square foot, for this scenario to reach breakeven.

Scenario 3B indicates feasible outcome, with a developer incentive similar to Scenario 2, ***only due to a significantly lower acquisition cost of \$4,525,000***. However, this acquisition cost is significantly below market range and represents only a fraction of the amount (about 33%) of CenterCal's offer price.

Scenario 1, which does not have any capital cost deduction, indicates a value of \$6.7 million. This suggests that an investor would only pay \$6.7 million for the Real Food Co income stream. However, this scenario is now purely theoretical as the tenant closed its doors. In contrast, at the agreed upon acquisition cost with additional improvement costs, Scenario 2 comprises an economically feasible option, with new tenants paying the rent levels necessary to support these costs along with updated operating expenses, particularly real estate taxes.

Exhibit C-1
3060 Fillmore Street Economic Analysis - 5 Scenarios (1)
2018 Dollars

Scenario 1		Scenario 2		Scenario 3A	
Real Foods		New Tenants		New Grocer at Same Occupancy Cost as Real Foods	
Final Year Annualized, Actual Expenses		Projected Rent and Expenses		Solve for Same Effective Gross Income as Scenario 1	
		Avg. rent \$93.95/SF NNN			
Income		Income		Income	
Annual Rent	\$420,000	Annual Rent	\$1,061,600	Annual Rent	\$261,000
Expense Reimbursements		Expense Reimbursements		Expense Reimbursements	
Common Area Maintenance	\$0	Common Area Maintenance	\$20,494	Common Area Maintenance	\$20,494
Real Estate Taxes	\$17,340	Real Estate Taxes (3)	\$208,787	Real Estate Taxes (3)	\$183,655
Insurance	<u>\$13,947</u>	Insurance	<u>\$10,098</u>	Insurance	<u>\$10,098</u>
Total Income	\$451,287	Total Income	\$1,300,979	Total Income	\$475,247
Less: Vacancy	<u>\$0</u>	Less: Vacancy (2.5%)	<u>-\$32,524</u>	Less: Vacancy (5%) (4)	<u>-\$23,762</u>
Effective Gross Income	\$451,287	Effective Gross Income	\$1,268,455	Effective Gross Income	\$451,485
Expenses		Expenses		Expenses	
Common Area Maintenance	\$21,127	Common Area Maintenance	\$20,494	Common Area Maintenance	\$20,494
Real Estate Taxes	\$13,348	Real Estate Taxes	\$208,787	Real Estate Taxes	\$183,655
Insurance	<u>\$12,861</u>	Insurance	<u>\$10,098</u>	Insurance	<u>\$10,098</u>
Total Expenses	\$47,336	Total Expenses	\$239,379	Total Expenses	\$214,247
Net Operating Income	\$403,951	Net Operating Income	\$1,029,076	Net Operating Income	\$237,238
Capitalization Rate (2)	6.00%	Capitalization Rate (2)	5.00%	Capitalization Rate (2)	5.50%
Indicated Value	\$6,732,517	Indicated Value	\$20,581,510	Indicated Value	\$4,313,412
		Capital Costs		Capital Costs (5)	
		Acquisition	\$13,750,000	Acquisition	\$13,750,000
		Hard Construction Costs	\$1,226,371	Hard Construction Costs	\$300,000
		Tenant Improvements	\$839,050	Tenant Improvements (\$100/SF)	\$1,130,000
		Financing	\$578,229	Financing	\$150,230
		Permit & Fees	\$102,440	Permit & Fees	\$50,000
		Soft Costs	<u>\$1,313,978</u>	Soft Costs-20% of hard costs/Tis	<u>\$286,000</u>
		Total Capital Costs	\$17,810,068	Total Capital Costs	\$15,666,230
Value Less Capital Costs	\$6,732,517	Value Less Capital Costs	\$2,771,442	Value Less Capital Costs	-\$11,352,819
Developer Incentive (7)	N/App.	Developer Incentive (7)	15.6%	Developer Incentive (7)	-72.5%

Exhibit C-1
3060 Fillmore Street Economic Analysis - 5 Scenarios (1)
2018 Dollars
continued

Scenario 3B		Scenario 4	
New Grocer at Offered Total Rent of \$47.35/SF Including Expenses		New Tenant at Market Rent Estimated at \$55/SF NNN	
Income		Income	
Annual Rent (6)	\$430,000	Annual Rent (6)	\$621,500
Expense Reimbursements		Expense Reimbursements	
Common Area Maintenance	\$20,494	Common Area Maintenance	\$20,494
Real Estate Taxes (3)	\$74,463	Real Estate Taxes (3)	\$175,630
Insurance	<u>\$10,098</u>	Insurance	<u>\$10,098</u>
Total Income	\$535,055	Total Income	\$827,722
Less: Vacancy (5%) (4)	<u>-\$26,753</u>	Less: Vacancy (5%) (4)	<u>-\$41,386</u>
Effective Gross Income	\$508,303	Effective Gross Income	\$786,336
Expenses		Expenses	
Common Area Maintenance	\$20,494	Common Area Maintenance	\$20,494
Real Estate Taxes	\$74,463	Real Estate Taxes	\$175,630
Insurance	<u>\$10,098</u>	Insurance	<u>\$10,098</u>
Total Expenses	\$105,055	Total Expenses	\$206,222
Net Operating Income	\$403,247	Net Operating Income	\$580,114
Capitalization Rate (2)	5.50%	Capitalization Rate (2)	5.50%
Indicated Value	\$7,331,768	Indicated Value	\$10,547,525
Capital Costs (5)		Capital Costs (5)	
Acquisition	\$4,525,000	Acquisition	\$13,750,000
Hard Construction Costs	\$300,000	Hard Construction Costs	\$300,000
Tenant Improvements (\$100/SF)	\$1,130,000	Tenant Improvements (\$50/SF)	\$565,000
Financing	\$60,911	Financing	\$143,666
Permit & Fees	\$50,000	Permit & Fees	\$50,000
Soft Costs-20% of hard costs/Tis	<u>\$286,000</u>	Soft Costs-20% of hard costs/Tis	<u>\$173,000</u>
Total Capital Costs	\$6,351,911	Total Capital Costs	\$14,981,666
Value Less Capital Costs	\$979,856	Value Less Capital Costs	-\$4,434,140
Developer Incentive (7)	15.4%	Developer Incentive (7)	-29.6%

Exhibit C-1
3060 Fillmore Street Economic Analysis - 5 Scenarios (1)
2018 Dollars
continued

Sources: CenterCal Properties LLC; CBRE North America, "Cap Rate Survey Second Half 2017," San Francisco Neighborhood/Community Centers, Class A and Class B, Stabilized and Value Add; Strategic Economics, "State of the Retail Sector: Challenges and Opportunities for San Francisco's Neighborhood Commercial Districts," Final Report, February 15, 2018; CoStar; and ALH Urban & Regional Economics.

(1) The source of all inputs in this spreadsheet is CenterCal Properties LLC, unless noted otherwise. ALH Urban & Regional Economics modeled Scenario 4 similar to Scenario 3A. The property comprises 11,300 square feet. The Scenarios include #1, #2, #3A, #3B, and #4, hence 5 total scenarios.

(2) The selected capitalization rates reflect differing market positionings for the property, which is well-located in a dense retail shopping area analogous to a neighborhood/community shopping center. Sources include the referenced CBRE cap rate survey and CoStar, which defines a relevant cap rate range of 3.6 to 6.0%, with 5.0% being most prevalent. In its current condition, the property is Class B space in terms of quality, with a lease about to turn over. For such properties, the reported CBRE cap rate range is 5.75%-7.0%. After renovation, such as for Scenario 2, the resulting space will be closer to a Class A asset, but there is risk associated with the renovation and retenanting process, with a cap rate at the high end of the Class A stabilized range of 4.25%-5.0%, which is similar to the CoStar rate of 5.0%. For a new grocer and "market tenant," reflected in Scenarios 3A, 3B, and 4, the quality of the work reflected by tenant improvements is assumed to improve the property's to a high Class B/low Class A status, but with more risk due to the fact that tenants are not in hand.

Scenario 1: Real Foods: High end Class B Stabilized	6.00%
Scenario 2: New Tenants: Interpolated Class A Value Add/CoStar	5.00%
Scenarios 3A, 3B, & 4: New Grocer/New Tenant: Class A-B Value Add/CoStar	5.50%

(3) Real Estate Taxes for Scenarios 2, 3A, 3B, and 4 are based on the total capital costs multiplied by San Francisco's current property tax rate of 1.1723% as per <https://sftreasurer.org/property-taxes>.

(4) The market vacancy rate for Scenarios 3A, 3B, and 4 is 5.0%, which is at the low end of the range as indicated in the report "State of the Retail Sector: Challenges and Opportunities for San Francisco's Neighborhood Commercial Districts," Final Report, February 15, 2018, Strategic Economics, page 33.

(5) Hard Construction Costs and Tenant Improvements for Scenarios 3A, 3B, and 4 were provided by CenterCal Properties LLC, with soft costs at 20% of hard costs and tenant improvement costs estimated by ALH Urban & Regional Economics. Financing for these scenarios is based on total costs times 65% loan-to-cost ratio, 65% average draw, 5.5% interest rate, and a 5-month construction period. For Scenario 3B, the acquisition cost is based on the indicated value less capital costs.

(6) For Scenario 3B, the rent is based on a maximum total rent offered on the entire building at \$47.35/SF, which includes all expense reimbursements. For Scenario 4, ALH Urban & Regional Economics reviewed existing Costar listings for retail space in and around the Cow Hollow area. Among the listings was an asking lease rate for the 3060 Fillmore Street building at \$4.58 per square foot/month, equivalent to \$55 per square foot/year.

(7) Developer Incentive is an amount (percentage) over capital costs in order to attract a developer to a project. A project that merely breaks even does not include an incentive to the developer to undertake the risks associated with the project. The equation for Developer Incentive is Value Less Capital Costs/Total Capital Costs. The result for Scenario 3B was solved to match the result for Scenario 2, which comprises CenterCal's preferred development program.

**APPENDIX D: MOEWD 2018 REPORT ON NEIGHBORHOOD COMMERCIAL
DISTRICTS EXECUTIVE SUMMARY**

State of the Retail Sector: Challenges and Opportunities for San Francisco's Neighborhood Commercial Districts

EXECUTIVE SUMMARY

January 2018

Overview

- **Introduction**
- **Overview of national trends**
- **Impact of national trends on San Francisco's neighborhood retail**
- **Other local challenges**
- **Business adaptations**
- **Best practices for successful commercial districts**
- **Conclusions and implications**



Introduction

Concerns motivating the study

- **How are national trends in the retail, restaurant, and personal services industries affecting businesses in San Francisco's Neighborhood Commercial Districts (NCDs)?**
- **What local challenges do San Francisco businesses face?** E.g., changing customer base, employee recruitment and retention, real estate conditions.
- **What characteristics do successful NCDs share?**
- **How might businesses and NCDs need to adapt to remain successful given national trends?**

Retail Apocalypse? The Sky Isn't Falling -- The Sector Is Just Evolving



Greg Maloney, CONTRIBUTOR

I write on the confluence of shopping centers, e-commerce, and retail.

[FULL BIO](#)

Opinions expressed by Forbes Contributors are their own.

America's 'Retail Apocalypse' Is Really Just Beginning

By Matt Townsend, Jenny Sumane, Emma Orr and Christopher Cannon
November 8, 2017

WIKIPEDIA
The Free Encyclopedia

Article Talk Read Edit

Retail apocalypse

From Wikipedia, the free encyclopedia

The retail apocalypse refers to the closing of a large number of American retail stores beginning in 2016.^[1] Over 4,000 physical stores are affected as American consumers shift their purchasing habits due to various factors, including the rise of e-commerce.^[1]

Study overview

- **Strategic Economics prepared a series of related issue briefs for the San Francisco Office of Economic and Workforce Development (OEWD):**
 - Issue Brief 1: National Retail Industry Trends and Implications for San Francisco
 - Issue Brief 2: What Makes a Successful San Francisco NCD?
 - Issue Brief 3: Costs and Challenges of Doing Business in San Francisco
- **This presentation serves as the executive summary for the issue briefs.**
 - Synthesizes key findings
 - Summarizes major implications for individual businesses and districts
- **Study does not provide specific policy and program recommendations, but is intended to inform future recommendations by departments and policy makers.**

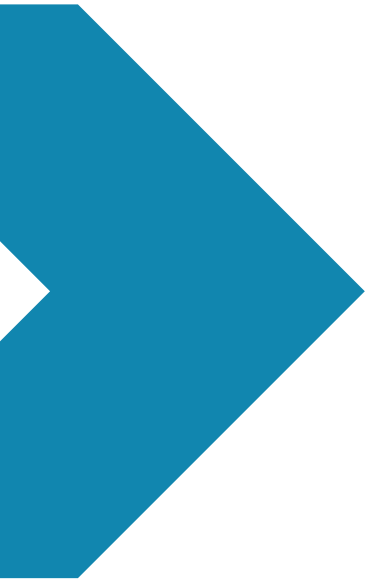
Approach

- **Literature review** on national retail trends.
- **Interviews with San Francisco stakeholders** including business owners, brokers, merchant associations, developers, neighborhood advocates
- **Case studies** of selected NCDs: Ocean Avenue, Upper Fillmore, Outer Geary, Mission Street, Calle 24
- **Analysis of available data** on sales and vacancies
 - Citywide
 - For selected districts (comprehensive data on NCD sales and vacancies are not available)
- **Research and analysis focused on neighborhood retail** (excluding Downtown, Union Square, mid-Market, the northeastern waterfront, and Stonestown Galleria)

Introduction

Focus of the study: retail, restaurant, nightlife and entertainment, personal services industries

- **Retail Sales Establishments:** Brick-and-mortar and online stores selling physical products (such as groceries, clothing, sports equipment, toys, etc.).
- **Restaurants:** Establishments serving food and/or beverages for consumption on the premises (or in some cases for take-out), generally including cafés and bars as well as fine dining, casual, and other restaurants.
- **Nightlife and Entertainment:** Restaurants, bars, clubs, theaters, and other venues open during evening hours.
- **Personal Services & Fitness:** Establishments providing personal services to the general public, such as hair salons, nail salons, barber shops, gyms or other fitness centers, etc.



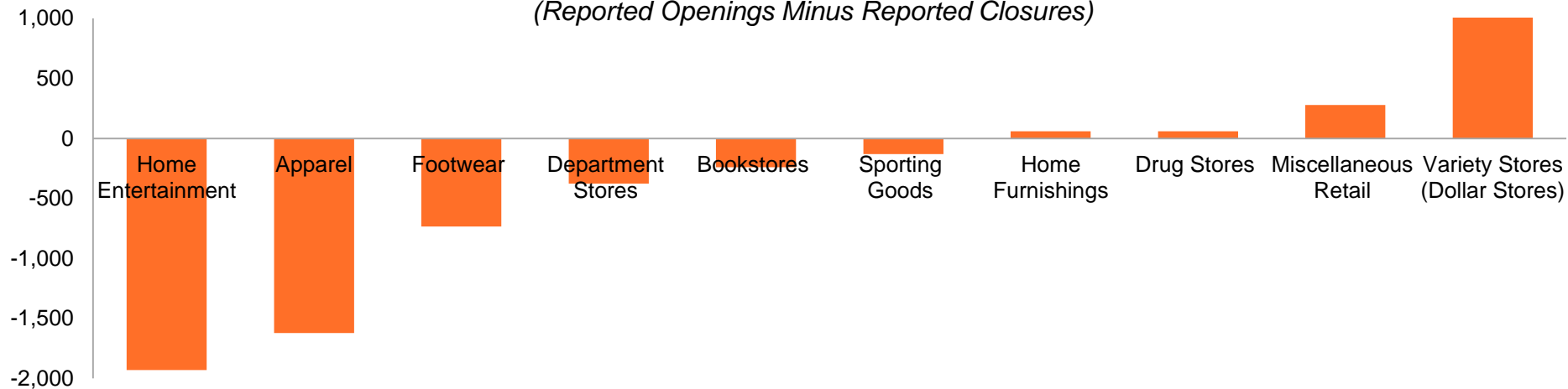
Overview of National Trends

National Trends

Expanding and contracting retailers

- **Major retailers are closing stores in record numbers**, reflecting a national oversupply of retail space, increased competition with online sales, and (for some retail chains) debt obligations associated with leveraged buyouts.

National Announced Net Store Openings for Selected Retail Categories, Q1 to Q3 2017
(Reported Openings Minus Reported Closures)



Note: Only categories for which data are available are shown. Different sources vary in reported numbers.

Source: ICSC and PNC Real Estate, 2017, from Bloomberg's 2017 article, "America's Retail Apocalypse is Really Just Beginning"

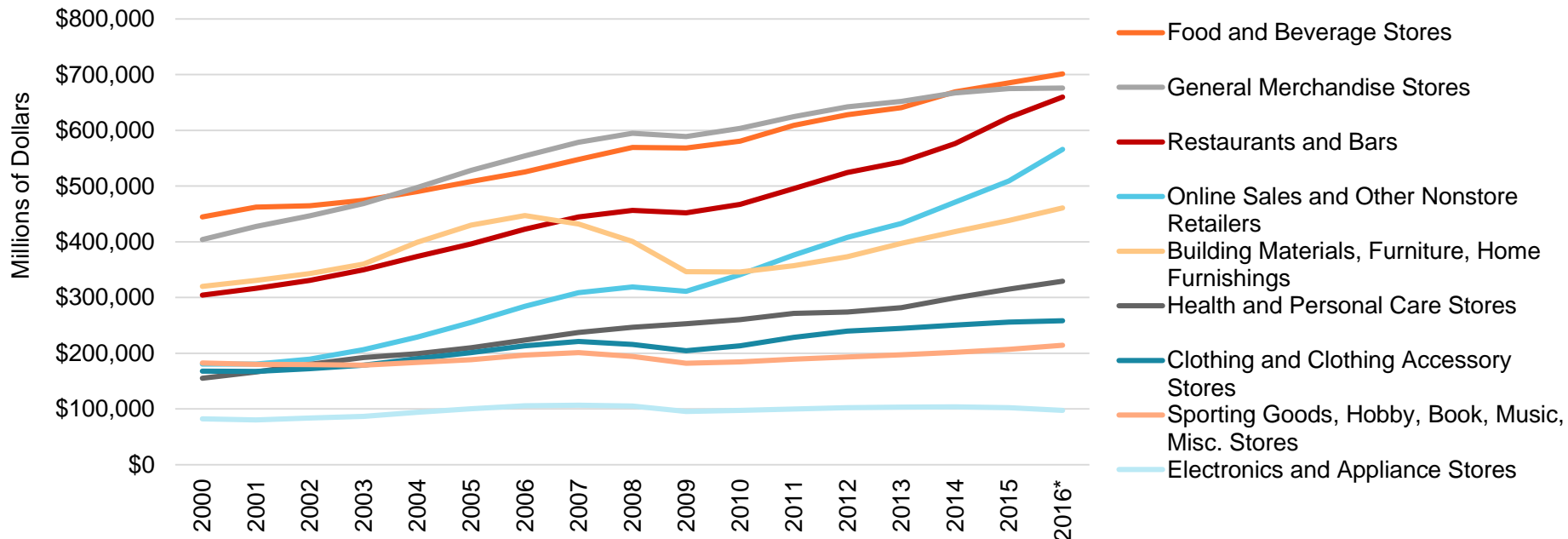
- **Discount stores are seeing continued growth, while luxury brands are struggling.** Discount retailers are adding stores, including discount clothing stores (TJ Maxx, Marshalls), discount grocery stores (Grocery Outlet, Trader Joes), warehouse and general merchandise stores (Costco, Target), and dollar stores.

National Trends

Restructuring of the national retail, restaurant, and personal services industries

- **Nationally, growth in retail and restaurant sales is concentrated in a few categories** including online sales, food and beverage stores, restaurants and bars, building materials and home furnishings, and health and personal care stores.

Estimated Annual Sales of U.S. Retail Firms by Type of Business: 2000-2016
(in Millions of Dollars, not Adjusted for Inflation)



Based on monthly sales for 2016; annual 2016 estimates have not yet been released.

Sources: U.S. Census Bureau, 2015 Annual Retail Trade Survey (released March 6, 2017) and Annual Revision of Monthly Retail and Food Services: Sales and Inventories—January 1992 Through March 2017; Strategic Economics, 2017.

Increasing influence of e-commerce

- **Online sales are driving retail growth, and expanding into new categories.** Nationally, non-store retailers accounted for 40 percent of retail sales growth between 2014 and 2016.
- **At the same time, technology is allowing retailers, restaurant owners, and service providers to integrate brick-and-mortar and online sales strategies.** Including online sales, app-based delivery services, and online reservation services.

E-commerce as a Share of Total Revenue, by Retail Category



National Trends

Employment & real estate impacts of e-commerce

- **E-commerce employment is growing, as overall retail employment remains flat.** In the last five years, national employment attributed directly to e-commerce has doubled – even without accounting for associated increases in warehousing and logistics jobs.
- **While there is a national oversupply of traditional retail space, demand for “last mile” distribution space is growing.** This includes warehouses located within close proximity to major population centers (e.g., five to seven miles), as well as lockers and other types of small-scale distribution and fulfillment facilities.



Source: Flickr Commercial Use Photographs; see footnotes for citation.

Growing importance of offering an “experience”

- **Americans are increasingly spending their money on experiences – such as dining, personal services, and fitness – rather than objects.** Increased spending on food away from home, health and wellness, and travel.
- **Retail stores are experimenting with new strategies to capitalize on increasing demand for experiences.** For example, by serving food and drinks, offering classes or events, and expanding opportunities for customers to interact with products before purchasing.



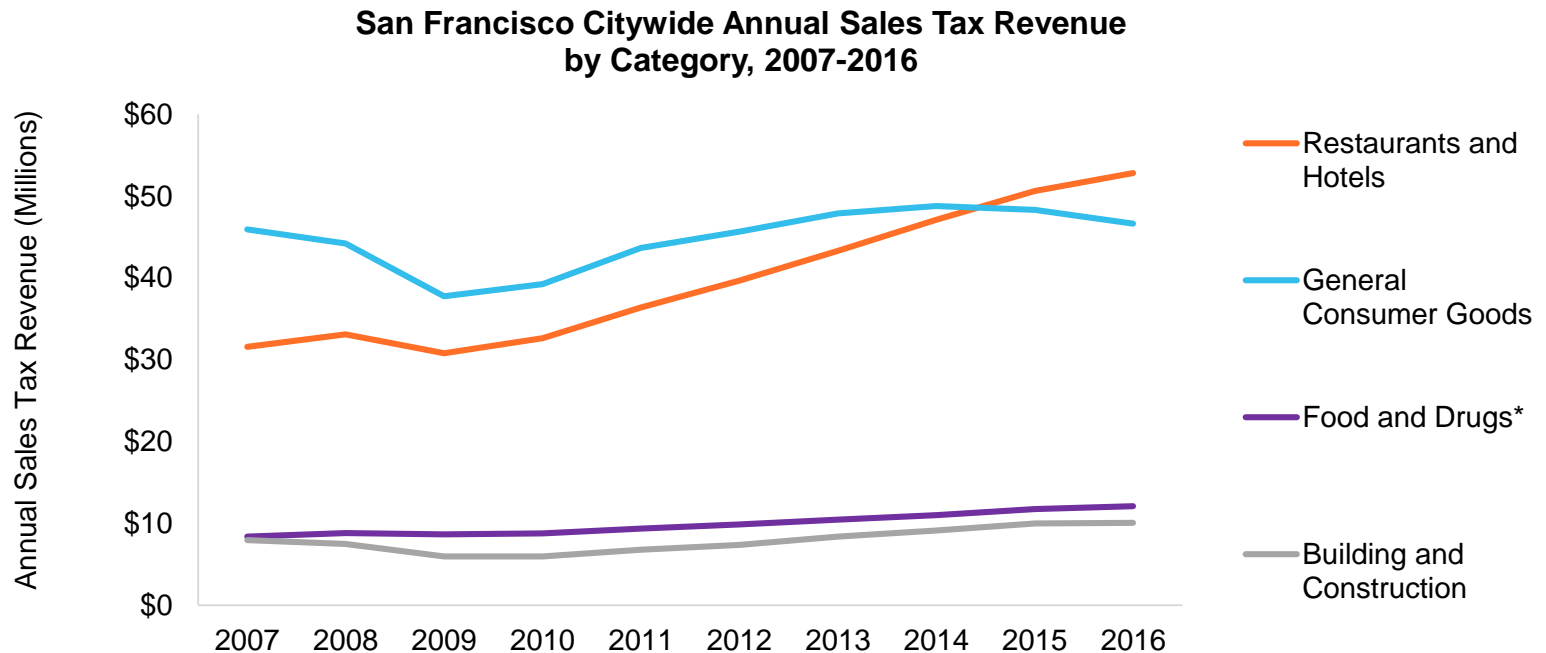
Source: Bird & Beckett, 2015 (left); San Franpsycho 9th Avenue, Yelp; 2017 (right)



Impact of National Trends on San Francisco's Neighborhood Retail

San Francisco's retail has been somewhat insulated from national challenges

- **Between 2007 and 2016, retail and restaurant sales in San Francisco increased more quickly than the national average.** However, retail sales started to slow in 2016.



*Note that because food for home consumption and prescription medications are not taxable, the taxable sales data shown here significantly underrepresent total (gross) sales at food and drug stores.

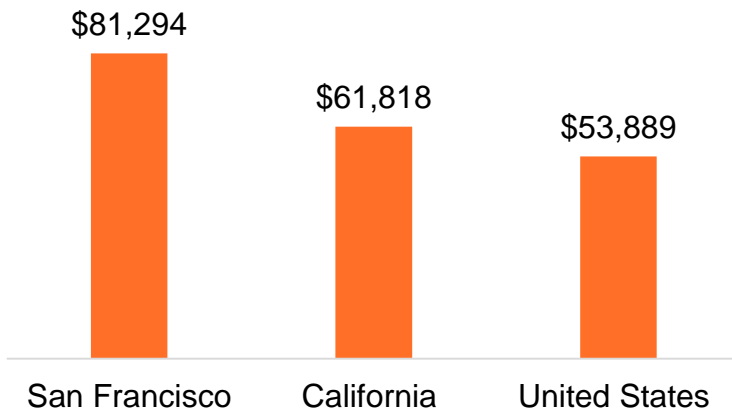
Sources: San Francisco Office of the Controller, 2017; Strategic Economics, 2017.

Impact of National Trends on San Francisco Retail

San Francisco has many competitive advantages for retail and restaurants

- **Strong economy**, including job growth, high household incomes, and low unemployment rates
- **Local culture** that values shopping local and eating out
- **Significant regional and international tourism**
- **Limited number of regional shopping malls & a large number of independent businesses**
- **Many NCDs offer an attractive, interesting shopping experience**

Median Household Income (in 2015 dollars)



San Francisco Top Tourist Activities in 2016

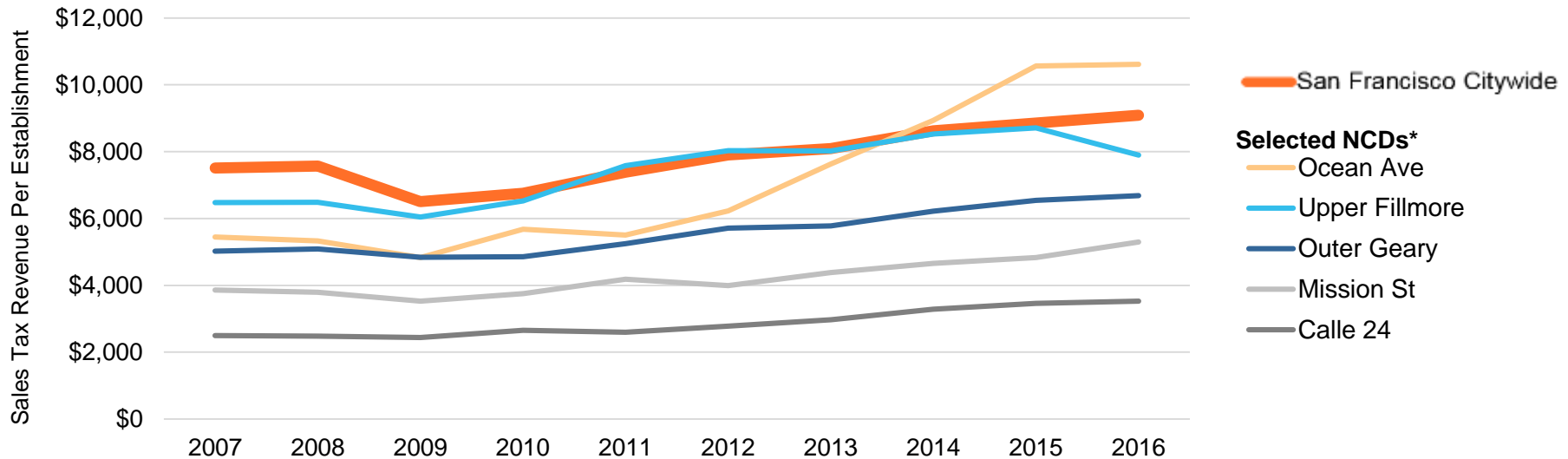
1. **Dine in Restaurants**
2. **Shop**
3. **Visit Parks**
4. **Visit Friends & Family**

Impact of National Trends on San Francisco Retail

While SF offers many advantages, the local retail sector is not immune to the changes

- **Sales appear to have flattened** between 2015 and 2016.
- Business owners report **increased competition with e-commerce** and in more categories (e.g., groceries, clothing, personal care goods).

Sales Tax Revenue Per Establishment in San Francisco and Selected NCDs, 2007-2016



*NCD sales tax revenues include estimates of revenues generated by stores with multiple locations. Stores with multiple locations in San Francisco report their total sales in the city, but do not report sales for individual locations. Per-store sales for individual locations are estimated by dividing the citywide total by the number of locations citywide. Sources: San Francisco Office of the Controller, 2017; Strategic Economics, 2017.

Demand for ground floor retail space in the NCDs appears to be slowing

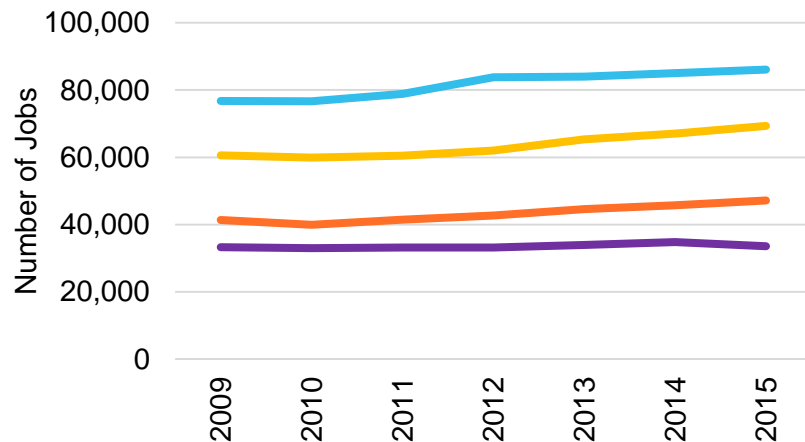
- Real estate brokers report **NCD rents are plateauing**, after many years of growth.
- **Fewer traditional retailers are seeking space**, while there is increased interest from other potential tenants of ground floor commercial space (e.g., personal service, restaurants, medical services).
- Between 2015 and 2017, **a significant number** of the 24 NCDs for which OEWD survey vacancy data is available **experienced an increase in vacancy**. About one-third of these NCDs saw vacancies increase by at least 2%.
 - Note: this includes properties that OEWD classifies as either “vacant” (i.e., unoccupied and currently being marketed for a new lease) or “inactive” (i.e., unoccupied but currently under renovation or otherwise being prepared for a new lease, and not being actively marketed).

Impact of National Trends on San Francisco Retail

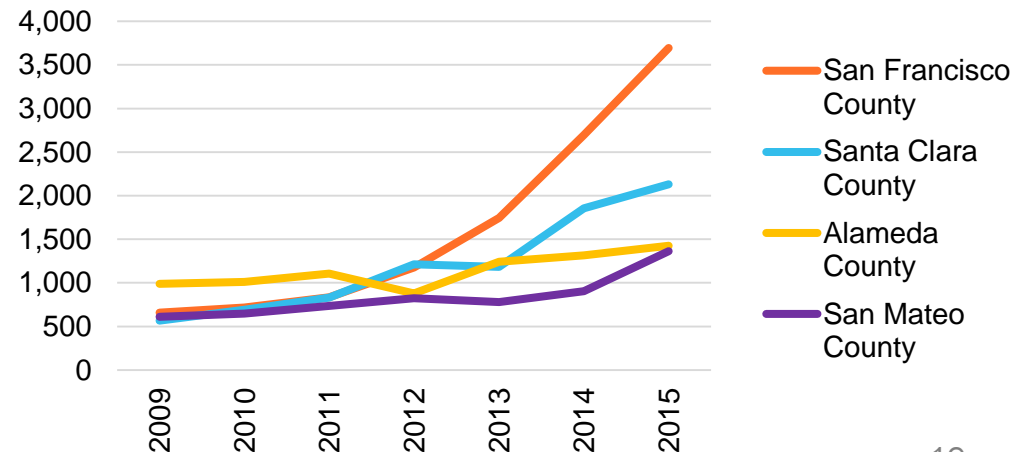
Retail employment is growing, but relatively slowly compared to incomes or the economy overall

- **Retail jobs in San Francisco increased by 14% between 2009 and 2015** (excludes jobs in restaurants and personal services) **compared to a 27% increase in the total number of jobs** in San Francisco over the same period.
- **Slightly more than half** of the City's net new jobs in retail (3,035 out of 5,800) were **in the “electronic shopping” category**. This category likely represents at least some office-based tech employment.

Retail Employment, 2009-2015



Electronic Shopping Employment*, 2009-2015



*NAICS Code 4541.

Sources: California Employment Development Department, Quarterly Census of Employment and Wages, 2009-2015; Strategic Economics, 2017.



Other Local Challenges

The cost of doing business is high

- **Employee recruitment and retention challenges**
 - Low unemployment rates
 - High housing costs
 - Competition with other industries offering better compensation or more flexible hours.
- **High labor costs** related to competition for labor, high cost of living, and the unintended consequences of San Francisco's progressive labor laws.
- **High rents**, including lease structures with automatic rent escalations.

Land use regulations and permitting requirements

- **The permitting process can add significant cost and time to the process of opening a new business.**
 - The length and complexity of the permitting process for opening a new business or completing tenant improvements may make it more difficult for businesses to open or upgrade their space.
 - Depending on lease agreement, tenants may be required to pay rent during the permitting process.
- **Some laws intended to protect traditional retail by limiting other uses may:**
 - Limit retailer's flexibility to adapt to changing economic conditions (e.g., by serving food and beverage).
 - Restrict complementary uses that could drive foot traffic to traditional retail (e.g., restaurants, personal services, professional services, medical or office uses).

SF retailers face challenges adapting to a changing market

- **Loss of long-time customer base** due to demographic change.
- **Increasing competition** from other brick-and-mortar locations (e.g., proliferation of grocery stores and restaurants) as well as e-commerce.
- **Lack of technical expertise or financial resources** to adopt new technologies, or invest in capital improvements or new inventory to appeal to a changing clientele.

Exhibit H:

3060 Fillmore Street Economic Analysis

Conditional Use Hearing
Case Number 2018-005694CUA
3060 Fillmore Street
Block 0533 Lot 040

Challenges for San Francisco Businesses

Businesses report public realm challenges

- **Real and perceived issues around cleanliness, order, and safety**, which may deter customers
- **Long-term vacancies**, which contribute to a sense of disinvestment



Source: Strategic Economics, 2017.



Business Adaptations

Rising costs and growing competition are prompting some businesses to adapt

- **In response to national trends and local challenges, some businesses are adopting creative and varied strategies to survive.** These strategies generally aim to:
 - Expand sales;
 - Reduce costs or pass costs on to customers; and/or
 - Diversify revenue streams.
- **While adopting these types of strategies will help some businesses continue to thrive, change is challenging and some businesses will not be able to adapt to a changing market.**
 - Policies and programs may support business owners by providing technical expertise or financial resources, but cannot force change on an unwilling business owner, or overcome fundamental challenges (e.g., lack of sufficient market demand for products or services).

Strategies to expand sales

- **Taking advantage of online apps and marketplaces:**
 - **For retailers, personal websites or third-party online platforms** facilitate online browsing and shopping.
 - **For restaurants, delivery through third-party delivery apps** is becoming a key way to compete and expand sales;
 - **For personal service providers, online booking platforms** are used to increase visibility and improve customers' experience/convenience;
- **Developing a stronger presence on social media:** In addition to maintaining a presence on Google Maps and Yelp, many business owners are taking advantage of social media (Facebook, Instagram, Twitter) to keep customers engaged and up-to-date on special sales and events.
- **Experimenting with ways to provide customers with a more interesting experience,** such as offering classes and workshops, hosting events, and serving food and beverage.

Business Adaptations

Strategies to reduce costs or pass costs on to customers

- **Adopting less labor-intensive business models.** For example:
 - **Fast casual dining.** This business model uses less labor than traditional table-service restaurants.
 - **Automation,** such as self-checkout kiosks at grocery stores or automats in restaurants (e.g. Eatsa).
- **Making do with fewer employees,** or employing family members who are not subject to the same labor laws as other workers;
- **Making do with less space,** by renting smaller spaces or co-locating with other uses;
- **Relocating to lower-cost locations,** either within San Francisco, or in some cases outside of the City.
- **Passing increased costs on to customers,** in the form of increased prices or restaurant surcharges.

Strategies to diversify revenue streams

- **Expanding or adjusting range of products to be more competitive and appeal to new customers.** For example, this could include a small grocery or corner store adding new local and organic produce.
- **Combining uses**, such as serving food or alcohol at stores and galleries, or combining PDR and retail space.
- **Subleasing part of their space to other retailers or other uses.**



Best Practices for Successful Commercial Districts

Successful Commercial Districts

Retail businesses function as part of neighborhood commercial districts

- Most businesses rely on the **spending power of households in the surrounding neighborhood (or trade area)** to generate demand.
 - Neighborhoods with more spending power (i.e., higher household densities and/or incomes) can support more local-serving retail.
- **Businesses also rely on each other, and on other uses in a district, to generate foot traffic.**
 - Customers may come to an NCD to buy groceries, eat lunch, or get a haircut, but stay to shop at a variety of other stores.
 - Other drivers of retail demand include local employers; cultural, educational, and medical institutions; professional services, medical, and other offices.
- The **quality of the pedestrian environment and of public spaces** can help attract (or potentially drive away) potential customers.
- **Cultural events, other special events, and public space programming** can also help draw foot traffic.

Successful Commercial Districts

From the national literature, factors that contribute to successful districts include:

- **Healthy business mix including:**
 - Anchors (or cluster of uses) that attract foot traffic
 - A diverse mix of retail and non-retail businesses, including restaurants, personal services, entertainment and nightlife
- **Appealing physical environment** including an attractive architectural character and street environment
- **Convenient, multi-modal access** including parking and curb space that is actively managed to balance the needs of different users.
- **Drivers of demand:** Local spending power, employment concentrations, medical/educational institutions, tourism.
- **High-capacity district management organizations** such as Community Benefit Districts, merchant associations, or Community Development Corporations.

What defines success?

- **Quantitative measures of success from the national literature include:**
 - Strong business sales performance
 - A healthy vacancy rate. While sources vary, 5-10% vacancy is generally seen as low enough to support a vibrant corridor, but not so low that there is no room for turnover.
- **However, different neighborhoods have different visions for what a successful NCD looks like, and how to achieve this vision.** Some of the more qualitative attributes that San Franciscans value in their NCDs include:
 - Cultural and historic preservation.
 - A business mix that provides goods and services to help meet the daily needs of residents, as well as the needs of workers and visitors.
 - A vibrant street life, both during the day and in the evening. At minimum, this involves safety and comfort in the public realm.
 - Opportunities for community gathering and social interaction.
 - Opportunities for small and independent businesses to thrive.



Conclusions & Implications

Conclusions

- 1. To thrive in a more challenging business environment, retailers need to embrace new technologies.**
- 2. Retailers need to be flexible and creative to provide customers with a more interesting experience.**
- 3. Diversifying the mix of uses in an NCD can help retailers expand their customer base.**
- 4. By offering an attractive, fun shopping and dining experience, NCDs can help retailers continue to draw foot traffic.**

Conclusions & Implications

Conclusion #1: To thrive in a more challenging business environment, **retailers need to embrace new technologies.** For example, this includes online sales, social media, and app-based delivery services.

Implications

- Businesses may benefit from **technical and financial support** in expanding their online presence, adjusting their inventories for a changing customer base, etc.
- **Curb management policies** may need to be revisited to effectively manage competing transportation needs (pedestrians, bicyclists, delivery vehicles, TNCs, and parking) to support a pedestrian-friendly environment and maintain customer access, while enabling new businesses to take advantage of emerging delivery technologies.

Conclusions & Implications

Conclusion #2: Retailers need to be flexible and creative to provide customers with a more interesting experience. For example, by offering classes and workshops, hosting events, and serving food and beverages, to draw shoppers into stores.

Implications

- **Land use policies may need to be modified to provide retailers more flexibility**, for example in experimenting with combining uses and expanding services (e.g., serving food and beverages or incorporating “maker” or PDR space).

Conclusions & Implications

Conclusion #3: Diversifying the mix of uses in an NCD can help retailers expand their customer base. The components of a healthy mix vary by district, but typically include some combination of the following:

- **Anchor businesses** that drive foot traffic to the district, including to other businesses in the same commercial district. Examples include full-service grocery stores, general merchandise stores, other larger stores (many of which are formula retail) or a cluster of related retail stores or restaurants.
- **Restaurants, nightlife, and entertainment** that complement retail sales and services by providing destinations and gathering spaces for potential customers.
- **Personal services & fitness centers** that provide needed services and also help draw foot traffic.
- **Professional services** that provide needed services in an office-like setting directly to the general public.
- **Office & housing uses** that may not directly serve the general public, but help generate foot traffic and demand for retail

Conclusions & Implications

Conclusion #3, Continued: Diversifying the mix of uses in an NCD can help retailers expand their customer base.

Implications

- New ground floor retail should **include a range of storefront sizes** and storefronts should be **designed to maximize marketability and be adaptable** to the needs of a diverse set of retailers, restaurants, etc. Design guidelines and use size regulations can help achieve this.
- **Office and housing** uses that may not be open to the general public could be located **above the ground floor, or on the ground floor in lower demand market locations** (e.g., at the periphery of an NCD)
 - In addition to supporting the long-term sustainability of ground floor retail by generating more demand, these uses can **help fill vacant space**.
- **Limiting ground floor retail requirements** for new development to the strongest locations for retail could help reduce potential vacancies. Concentrated nodes of retail are more appealing destinations, and allow shoppers to access multiple stores within easy walking distance.

Conclusions & Implications

Conclusion #4: By offering an **attractive, fun shopping and dining experience**, NCDs can help retailers continue to draw foot traffic.

Implications

- **Continuing to maintain and enhance the public realm** is critical to creating the kind of experience that will attract shoppers, while also supporting NCDs' role as community gathering places. This includes:
 - Streets that prioritize pedestrian comfort, safety, and security
 - Accessible and attractive public spaces
 - Cultural events, other special events, and public space programming
- **Celebrating local historic and cultural assets** can contribute to a unique and interesting environment.
- **High-capacity district management organizations can help districts create a great experience** for residents and visitors. These can include Community Benefit Districts (CBDs), Merchant Associations, Community Development Corporations (CDCs), or other types of management organizations

Exhibit I:

Formula Retail Affidavits

Conditional Use Hearing
Case Number 2018-005694CUA
3060 Fillmore Street
Block 0533 Lot 040



AFFIDAVIT FOR

Formula Retail Establishments

Planning Department
1650 Mission Street
Suite 400
San Francisco, CA
94103-9425

T: 415.558.6378
F: 415.558.6409

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WHAT IS A FORMULA RETAIL USE?

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WHAT TYPES OF BUSINESSES ARE REGULATED AS FORMULA RETAIL USES?

Businesses subject to the Formula Retail Use controls include the following 'Retail Sales Activity' or 'Retail Sales Establishment' as defined in Article 7 and Article 8 of the Code:

- Amusement Game Arcade (§§790.4, 890.4)
- Bar (§§790.22, 890.22)
- Drive-up Facility (§§790.30, 890.30)
- Eating and Drinking Use (§§790.34, 890.34)
- Gym (§§790.116, 890.116)
- Limited-Restaurant (§790.90)
- Liquor Store (§790.55)
- Massage Establishment (§790.60, 890.60)
- Movie Theater (§§790.64, 890.64)
- Restaurant (§790.91)
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- Service, Financial (§§790.110, 890.110)
- Service, Fringe Financial (§§790.111, 890.113)
- Service, Personal (§§790.116, 890.112)
- Service, Instructional
- Take-out Food (§§790.122)
- Tabacco Paraphernalia Establishment (§§790.123, 890.123)

This affidavit for Formular Retail must accompany any Permit Application for any Alterations, New Construction, Commercial Tenant Improvements, Change of Use or Signage which relates to the establishment of that use.

IS A CONDITIONAL USE AUTHORIZATION OR NEIGHBORHOOD NOTIFICATION NECESSARY?

If a use does qualify as Formula Retail, then additional controls may apply depending on the zoning district where the proposed business will be located. Please consult the Public Information Center (PIC) for guidance on whether a Conditional Use Authorization or Neighborhood Notification is required.

HOW IS FORMULA RETAIL STATUS DETERMINED?

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ARE PROPOSED LOCATIONS INCLUDED IN MY TOTAL QUANTITY OF RETAIL LOCATIONS?

Yes. Any location that has been given a land use permit or entitlement counts toward the total number of locations worldwide, even if it is not yet open for business. If you are unsure about the status of a location, please let staff know so that all proposed locations can be appropriately analysed.

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- (A) Standardized array of merchandise: Half or more of the products in stock are branded alike.
- (B) Trademark: A word, phrase, symbol or design that identifies products as being offered by them and no others.
- (C) Servicemark: A word, phrase, symbol or design that identifies a service as being offered by them and no others.
- (D) Décor: The style of interior furnishings, (i.e. furniture, wall coverings or permanent fixtures)
- (E) Color Scheme: A selection of colors used throughout the decor and/or used on the facade.
- (F) Façade: The face or front of a building (including awnings) looking onto a street or an open space.
- (G) Uniform Apparel: Standardized items of clothing (i.e. aprons, pants, shirts, smocks, dresses, hats, pins (other than name tags) including the colors of clothing.
- (H) Signage: A sign which directs attention to a business conducted on the premises. (see P.C. Sec. 602.3)

AFFIDAVIT FOR Formula Retail Establishments

1. Location and Classification

STREET ADDRESS OF PROJECT: 3060 Fillmore St		
ASSESSORS BLOCK/LOT: 0533 / 040	ZONING DISTRICT: Union Street NCD	HEIGHT/BULK DISTRICT: 40-X

2. Proposed Use Description

PROPOSED USE (USE CATEGORY PER ARTICLE 7 OR 8): Restaurant	
PROPOSED BUSINESS NAME: Shake Shack	
DESCRIPTION OF BUSINESS, INCLUDING PRODUCTS AND/OR SERVICES: Shake Shack is a modern day "roadside" burger stand known for its 100% all-natural Angus beef burgers, chicken sandwiches and flat-top Vienna beef dogs (no hormones or antibiotics – ever), spun-fresh frozen custard, crinkle cut fries, craft beer and wine (available at select locations) and more. With its fresh, simple, high-quality food at a great value, Shake Shack is a fun and lively community gathering place with widespread appeal. Shake Shack's mission is to Stand for Something Good®, from its premium ingredients and caring hiring practices to its inspiring designs and deep community investment. Since the original Shack opened in 2004 in NYC's Madison Square Park, the company has expanded to more than 100 locations in 19 U.S. States and the District of Columbia, and more than 50 international locations including London, Istanbul, Dubai, Tokyo, Moscow, Seoul and more.	
BUILDING PERMIT APPLICATION NO.: (if applicable)	CONDITIONAL USE CASE NO.: (if applicable)

3. Quantity of Retail Locations

		TOTAL
3.a	How many retail locations of this business are there worldwide? Please include any property for which a land use permit or entitlement has been granted.	200+
3.b	How many of the above total locations are in San Francisco?	0

If the number entered on Line 3.a above is 11 or more, then the proposed use *may* be a Formula Retail Use. *Continue to section 4 below.*

If the number entered on Line 3.a above is 10 or fewer, no additional information is required. Proceed to section 5 on the next page and complete the Applicant's Affidavit.

4. Standardized Features

Will the proposed business utilize any of the following Standardized Features?

	FEATURES	YES	NO
A	Array of Merchandise	<input checked="" type="checkbox"/>	<input type="checkbox"/>
B	Trademark	<input checked="" type="checkbox"/>	<input type="checkbox"/>
C	Servicemark	<input checked="" type="checkbox"/>	<input type="checkbox"/>
D	Décor	<input checked="" type="checkbox"/>	<input type="checkbox"/>
E	Color Scheme	<input checked="" type="checkbox"/>	<input type="checkbox"/>
F	Façade	<input type="checkbox"/>	<input checked="" type="checkbox"/>
G	Uniform Apparel	<input checked="" type="checkbox"/>	<input type="checkbox"/>
H	Signage	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	TOTAL	7	1

Enter the total number of Yes/No answers above.

If the total YES responses is **two (2) or more**, then the proposed use is a Formula Retail Use.

5. Applicant's Affidavit

NAME: Alec Paddock		<input type="checkbox"/> Property Owner	<input checked="" type="checkbox"/> Authorized Agent
MAILING ADDRESS: (STREET ADDRESS, CITY, STATE, ZIP) 1600 E Franklin Ave, El Segundo, CA 90245			
PHONE: (310) 563-6900		EMAIL: apaddock@centercal.com	

Under penalty of perjury the following declarations are made:

- a: The undersigned is the owner or authorized agent of the owner of this property.
- b: The information presented is true and correct to the best of my knowledge.
- c: Other information or applications may be required.

Applicant's Signature: *Alec Paddock* Date: 4/10/2018

PLANNING DEPARTMENT USE ONLY			
PLANNING CODE SECTION(S) APPLICABLE:			
HOW IS THE PROPOSED USE REGULATED AT THIS LOCATION?			
<input type="checkbox"/> Principally Permitted <input type="checkbox"/> Principally Permitted, Neighborhood Notice Required (Section 311/312) <input type="checkbox"/> Not Permitted <input type="checkbox"/> Conditional Use Authorization Required (Please list Case Number below)			
CASE NO.	MOTION NO.	EFFECTIVE DATE	NSR RECORDED? <input type="checkbox"/> Yes <input type="checkbox"/> No
COMMENTS:			
VERIFIED BY:			
Signature: _____		Date: _____	
Printed Name: _____		Phone: _____	



FOR MORE INFORMATION:
Call or visit the San Francisco Planning Department

<p>Central Reception 1650 Mission Street, Suite 400 San Francisco CA 94103-2479</p> <p>TEL: 415.558.6378 FAX: 415 558-6409 WEB: http://www.sfplanning.org</p>	<p>Planning Information Center (PIC) 1660 Mission Street, First Floor San Francisco CA 94103-2479</p> <p>TEL: 415.558.6377 <i>Planning staff are available by phone and at the PIC counter. No appointment is necessary.</i></p>
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SAN FRANCISCO
PLANNING
DEPARTMENT

AFFIDAVIT FOR

Formula Retail Establishments

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- (G) Uniform Apparel: Standardized items of clothing (i.e. aprons, pants, shirts, smocks, dresses, hats, pins (other than name tags) including the colors of clothing.
- (H) Signage: A sign which directs attention to a business conducted on the premises. (see P.C. Sec. 602.3)

AFFIDAVIT FOR Formula Retail Establishments

1. Location and Classification

STREET ADDRESS OF PROJECT: 3060 Fillmore Street		
ASSESSORS BLOCK/LOT: 0533 / 040	ZONING DISTRICT: Union Street NCD	HEIGHT/BULK DISTRICT: 40-X

2. Proposed Use Description

PROPOSED USE (USE CATEGORY PER ARTICLE 7 OR 8): Gym	
PROPOSED BUSINESS NAME: Rumble Fitness	
DESCRIPTION OF BUSINESS, INCLUDING PRODUCTS AND/OR SERVICES: Rumble is the next generation of group fitness and brings boxing to the masses. Rumble is focused on providing a fun and inclusionary experience to everyone. Rumble is not "just another fitness use," but instead is an exciting, new, and compelling draw for the neighborhood that offers a product unlike any other in San Francisco. Rumble empowers its clients – 70% of whom are women – by training how to move, throw punches, and control one's body.	
BUILDING PERMIT APPLICATION NO.: (if applicable)	CONDITIONAL USE CASE NO.: (if applicable)

3. Quantity of Retail Locations

		TOTAL
3.a	How many retail locations of this business are there worldwide? Please include any property for which a land use permit or entitlement has been granted.	2
3.b	How many of the above total locations are in San Francisco?	0

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4. Standardized Features

Will the proposed business utilize any of the following Standardized Features?

	FEATURES	YES	NO
A	Array of Merchandise	<input type="checkbox"/>	<input type="checkbox"/>
B	Trademark	<input type="checkbox"/>	<input type="checkbox"/>
C	Servicemark	<input type="checkbox"/>	<input type="checkbox"/>
D	Décor	<input type="checkbox"/>	<input type="checkbox"/>
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F	Façade	<input type="checkbox"/>	<input type="checkbox"/>
G	Uniform Apparel	<input type="checkbox"/>	<input type="checkbox"/>
H	Signage	<input type="checkbox"/>	<input type="checkbox"/>
TOTAL			

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AFFIDAVIT FOR Formula Retail Establishments

1. Location and Classification

STREET ADDRESS OF PROJECT: 3060 Fillmore Street		
ASSESSORS BLOCK/LOT: 0533 / 040	ZONING DISTRICT: Union Street NCD	HEIGHT/BULK DISTRICT: 40-X

2. Proposed Use Description

PROPOSED USE (USE CATEGORY PER ARTICLE 7 OR 8):	
PROPOSED BUSINESS NAME: Indie Superette	
Indie Superette is an exciting new grocery market and wellness cafe especially designed for this project. Indie Superette will be the newest offering from San Francisco based chef Michael Mina of The Mina Restaurant Group. The market will invigorate the community and fill a long standing void by offering grocery staples including produce, fruit, milk, dairy, eggs and dozens of grab-and-go smoothies, salads, sandwiches and other healthy offerings.	
BUILDING PERMIT APPLICATION NO.: (if applicable)	CONDITIONAL USE CASE NO.: (if applicable)

3. Quantity of Retail Locations

		TOTAL
3.a	How many retail locations of this business are there worldwide? Please include any property for which a land use permit or entitlement has been granted.	0
3.b	How many of the above total locations are in San Francisco?	0

If the number entered on Line 3.a above is 11 or more, then the proposed use *may* be a Formula Retail Use. *Continue to section 4 below.*

If the number entered on Line 3.a above is 10 or fewer, no additional information is required. Proceed to section 5 on the next page and complete the Applicant's Affidavit.

4. Standardized Features

Will the proposed business utilize any of the following Standardized Features?

	FEATURES	YES	NO
A	Array of Merchandise	<input type="checkbox"/>	<input checked="" type="checkbox"/>
B	Trademark	<input checked="" type="checkbox"/>	<input type="checkbox"/>
C	Servicemark	<input checked="" type="checkbox"/>	<input type="checkbox"/>
D	Décor	<input type="checkbox"/>	<input checked="" type="checkbox"/>
E	Color Scheme	<input type="checkbox"/>	<input checked="" type="checkbox"/>
F	Façade	<input type="checkbox"/>	<input checked="" type="checkbox"/>
G	Uniform Apparel	<input type="checkbox"/>	<input checked="" type="checkbox"/>
H	Signage	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	TOTAL		

Enter the total number of Yes/No answers above.

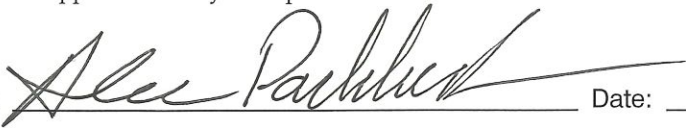
If the total YES responses is **two (2) or more**, then the proposed use is a Formula Retail Use.

5. Applicant's Affidavit

NAME: Alec Paddock		<input type="checkbox"/> Property Owner	<input checked="" type="checkbox"/> Authorized Agent
MAILING ADDRESS: (STREET ADDRESS, CITY, STATE, ZIP) 1600 E. Franklin Ave El Segundo, CA 90245			
PHONE: (310) 563 - 6900		EMAIL: apaddock@centercal.com	

Under penalty of perjury the following declarations are made:

- a: The undersigned is the owner or authorized agent of the owner of this property.
- b: The information presented is true and correct to the best of my knowledge.
- c: Other information or applications may be required.

Applicant's Signature:  Date: 11/16/18

PLANNING DEPARTMENT USE ONLY			
PLANNING CODE SECTION(S) APPLICABLE:			
HOW IS THE PROPOSED USE REGULATED AT THIS LOCATION?			
<input type="checkbox"/> Principally Permitted <input type="checkbox"/> Principally Permitted, Neighborhood Notice Required (Section 311/312) <input type="checkbox"/> Not Permitted <input type="checkbox"/> Conditional Use Authorization Required (Please list Case Number below)			
CASE NO.	MOTION NO.	EFFECTIVE DATE	NSR RECORDED? <input type="checkbox"/> Yes <input type="checkbox"/> No
COMMENTS:			
VERIFIED BY:			
Signature: _____		Date: _____	
Printed Name: _____		Phone: _____	



FOR MORE INFORMATION:
Call or visit the San Francisco Planning Department

<p>Central Reception 1650 Mission Street, Suite 400 San Francisco CA 94103-2479</p> <p>TEL: 415.558.6378 FAX: 415 558-6409 WEB: http://www.sfplanning.org</p>	<p>Planning Information Center (PIC) 1660 Mission Street, First Floor San Francisco CA 94103-2479</p> <p>TEL: 415.558.6377</p> <p><i>Planning staff are available by phone and at the PIC counter. No appointment is necessary.</i></p>
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