# San Francisco's Formula Retail Economic Analysis

## Planning Commission Update: Phase 1 Preliminary Draft

February 27, 2014

SAN FRANCISCO
PLANNING DEPARTMENT

STRATEGIC ECONOMICS INC

# Today's Agenda

- Background & Project Overview
- Presentation
  - Summary: Citywide Analysis of existing formula retail
  - Initial Release of 4 DRAFT Issue Briefs
- Next steps
  - Public and Stakeholder review of Issue Briefs
  - Develop framework for Neighborhood Case Study selection
  - Draft Neighborhood Case Study reports

# Formula Retail Study -- Schedule

| Approximate Dates | Scope of tasks | Hearing Dates |
|---|---|---|
| **Completed** | | |
| January | Initial Citywide and Supervisor District analysis | |
| Jan 17 & 22 | Stakeholder focus group meetings | Commission 1/23 |
| Jan-Feb | Conduct issue brief research (4 topics) | |
| **Today** | **Phase 1: Refine citywide data; release draft of 4 issue briefs** | **Commission 2/27** |
| **Upcoming** | | |
| Feb-March | Begin Phase 2: Conduct neighborhood case studies (3); Continue Phase I refinements (issue briefs & citywide data) | |
| March | Stakeholder focus group meetings; Public feedback | Commission 3/27 |
| April | Finalize Both Phase 1 and Phase 2 work | Commission 4/24 |


*Christopher Beland / Wikimedia Commons*

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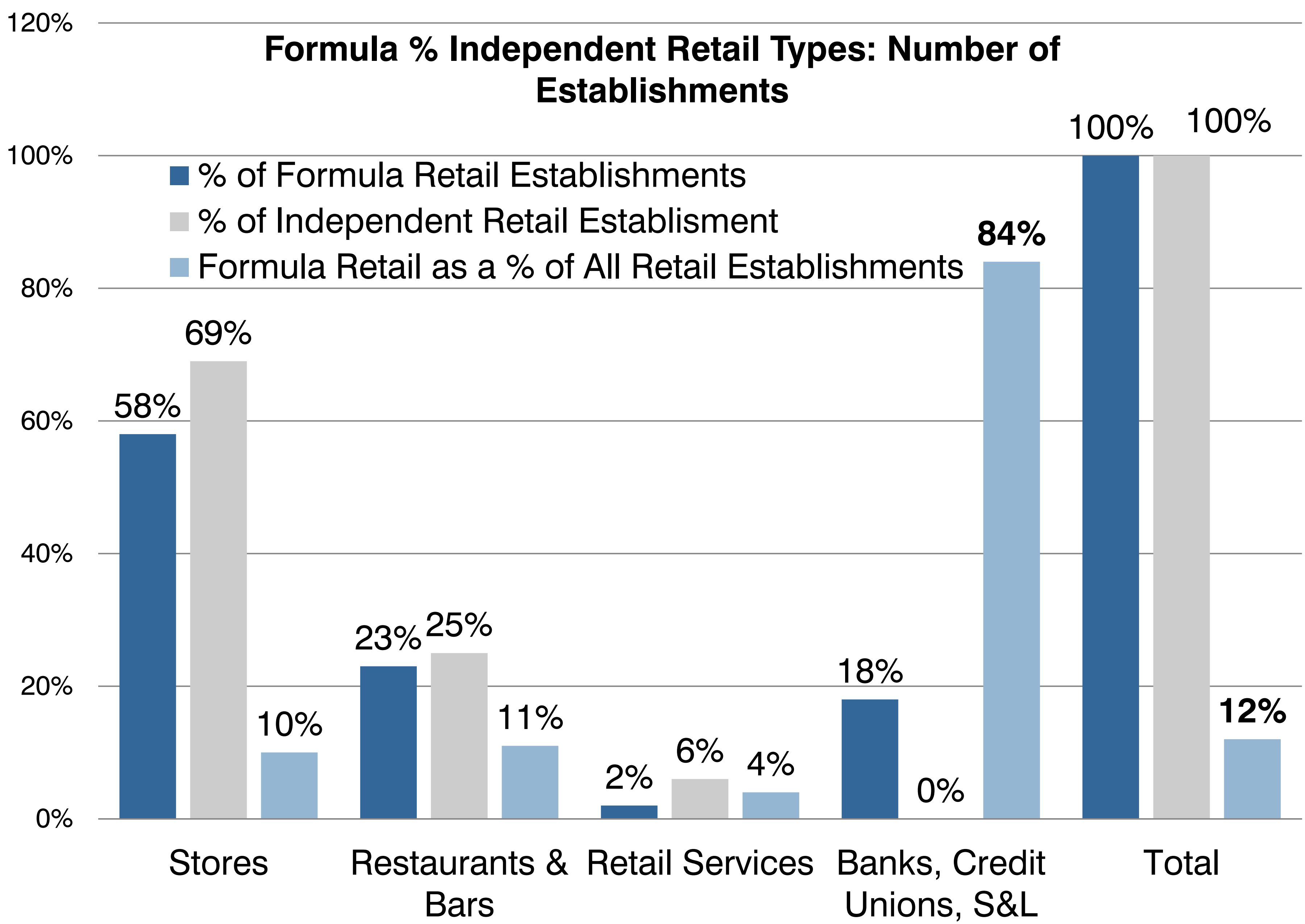
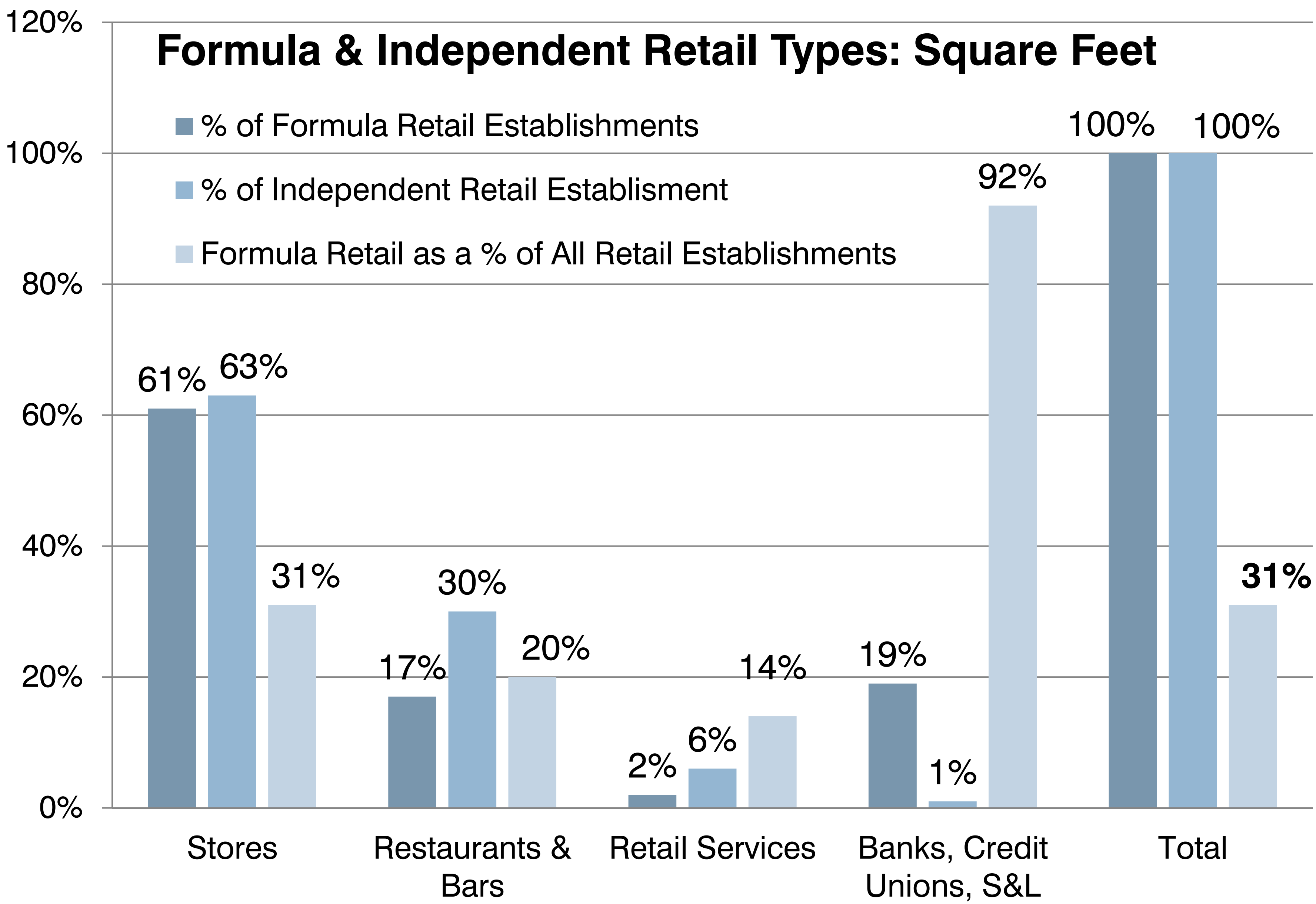
  - Draft Neighborhood Case Studies
  - Continued refinement of all work


# Existing Formula Retail: Citywide Analysis


Formula % Independent Retail Types: Number of Establishments
% of Formula Retail Establishments
% of Independent Retail Establishment
Formula Retail as a % of All Retail Establishments
120%
100%
80%
60%
40%
20%
0%
58%
69%
10%
23%
25%
11%
2%
6%
4%
18%
0%
84%
100%
100%
12%
Stores
Restaurants & Bars
Retail Services
Banks, Credit Unions, S&L
Total


Formula & Independent Retail Types: Square Feet
% of Formula Retail Establishments
% of Independent Retail Establisment
Formula Retail as a % of All Retail Establishments
120%
100%
80%
60%
40%
20%
0%
61%
63%
31%
17%
30%
20%
2%
6%
14%
19%
1%
92%
100%
100%
31%
Stores
Restaurants & Bars
Retail Services
Banks, Credit Unions, S&L
Total


# Four Issue Briefs

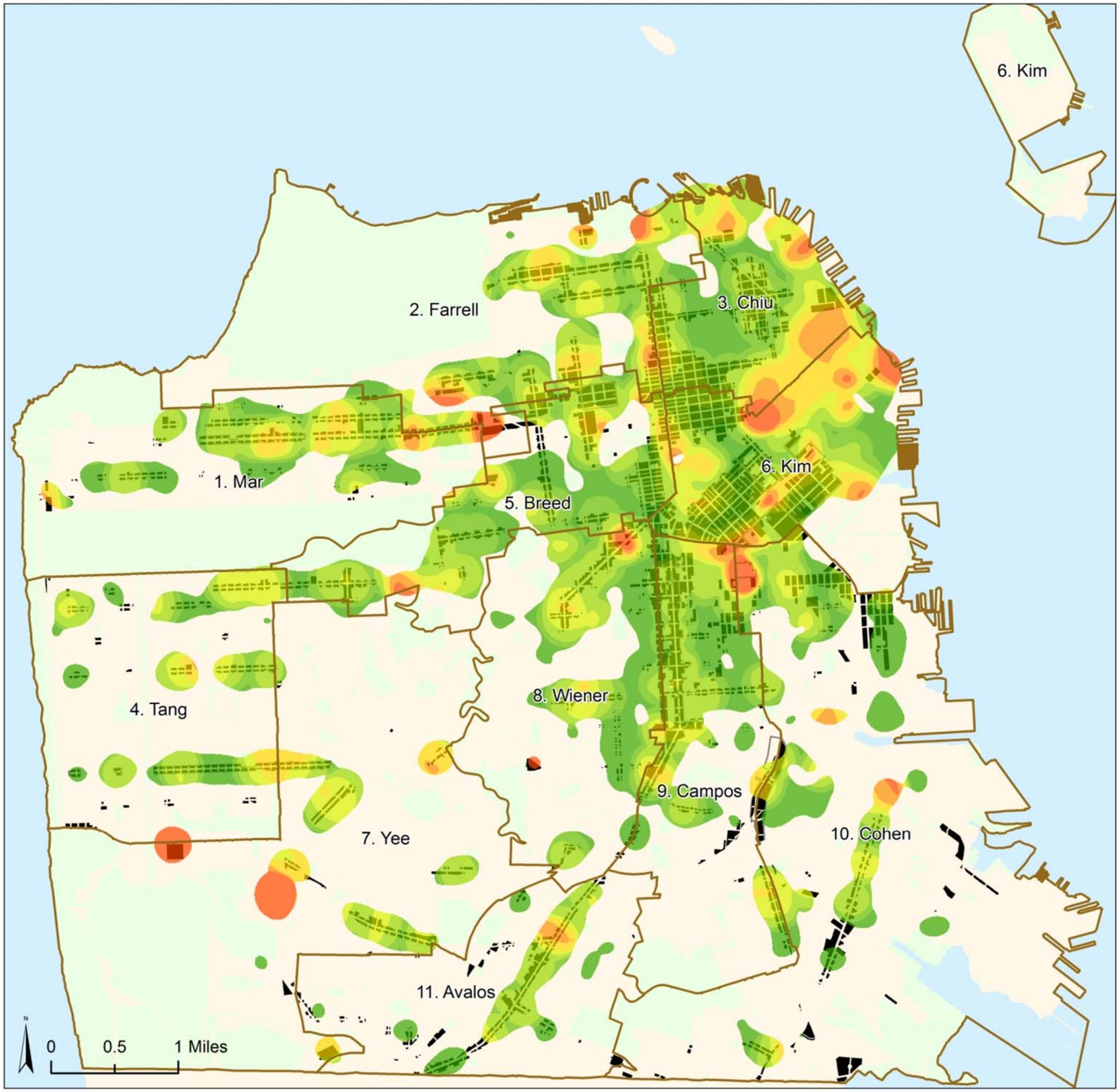
1. Understanding San Francisco’s Formula Retail
2. Employment and Formula Retail
3. Formula Retail and the Real Estate Market
4. Changing the Definition of Formula Retail


# Issue Brief No. 1: Understanding San Francisco's Formula Retail

# Background and Methodology

- Zoning Districts were grouped into 4 categories:
  - Commercial/Mixed-Use (MU) with FR Controls
  - Commercial/Mixed-Use (MU) without FR Controls
  - Industrial Zoning with no FR controls
  - Residential Zoning with FR controls
- Because the Industrial and Residential Zoning Districts did not have enough FR establishments to produce robust results, most of the analysis is focused on the Commercial Mixed-Use Districts

# Formula Retail Establishments as a Percent of Total Retail Establishments




Density of FR /
Density of Retail
(only areas > 150 est. per sq mi)

- 0% - 0.1%
- 0.11% - 3%
- 3.01% - 11%
- 11.01% - 18%
- 18.01% - 28%
- 28.01% - 38%
- 38.01% - 100%
- Supervisorial District
- New FR Requires CU or NCT/ NCD where New FR is prohibited

Citywide, the average concentration of formula retail is 11%.

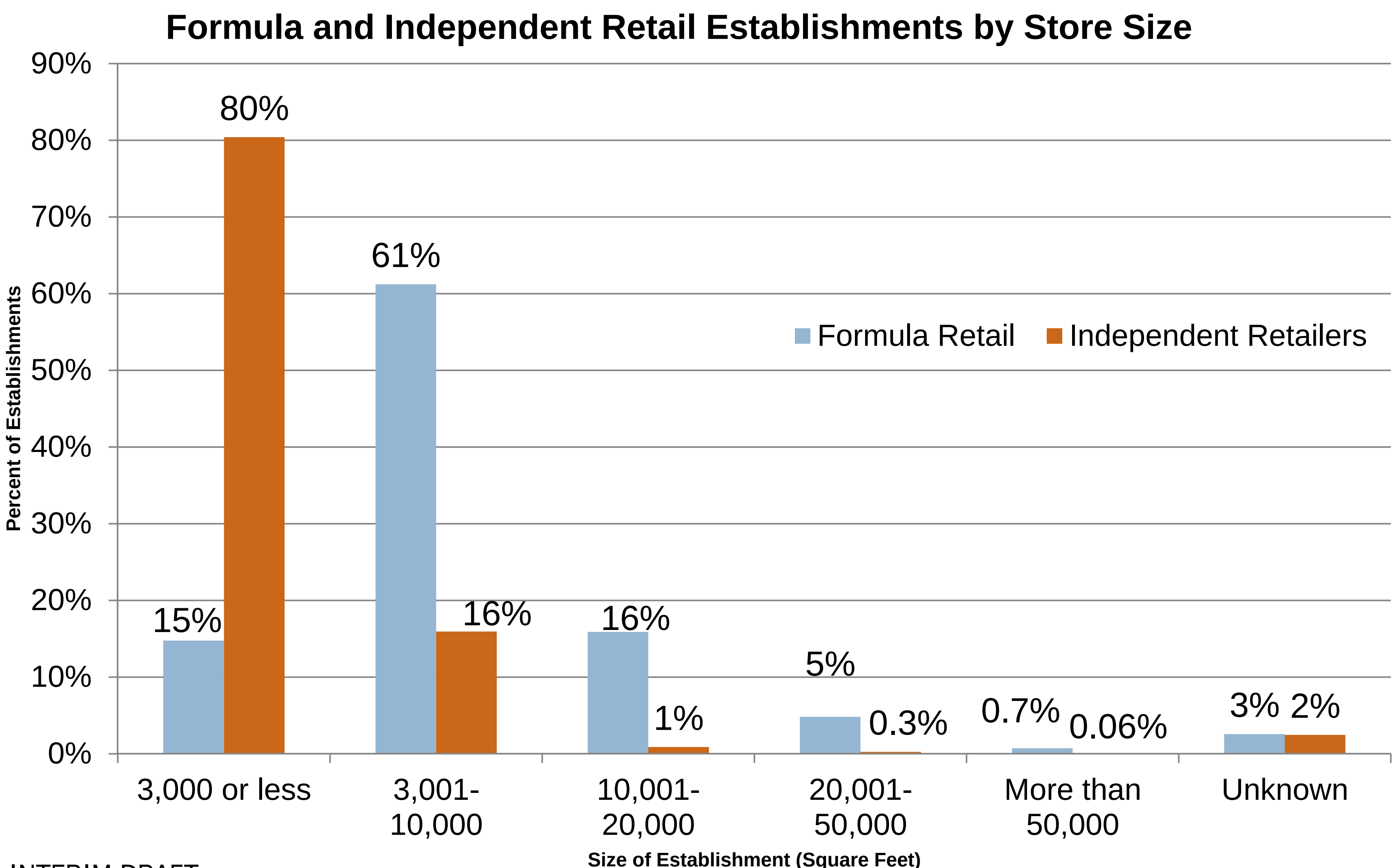
Based on Dun & Bradstreet business data that have not been independently verified; all numbers are approximate.

Interim Draft

Strategic Economics, 2014;

Data: Dun & Bradstreet, 2012, City of San Francisco, 2013.

# Findings: Size of Establishments




INTERIM DRAFT

Sources: Dun & Bradstreet, 2012; Strategic Economics, 2014. Based on Dun & Bradstreet business data that have not been independently verified; all numbers are approximate.

# Findings: Types of Establishments

## Most common types of retailers in Comm. MU Districts w. FR Controls

### *Formula Retailers*

### *Independent Retailers*


## Most common types of retailers in Comm. MU Districts w/o FR Controls

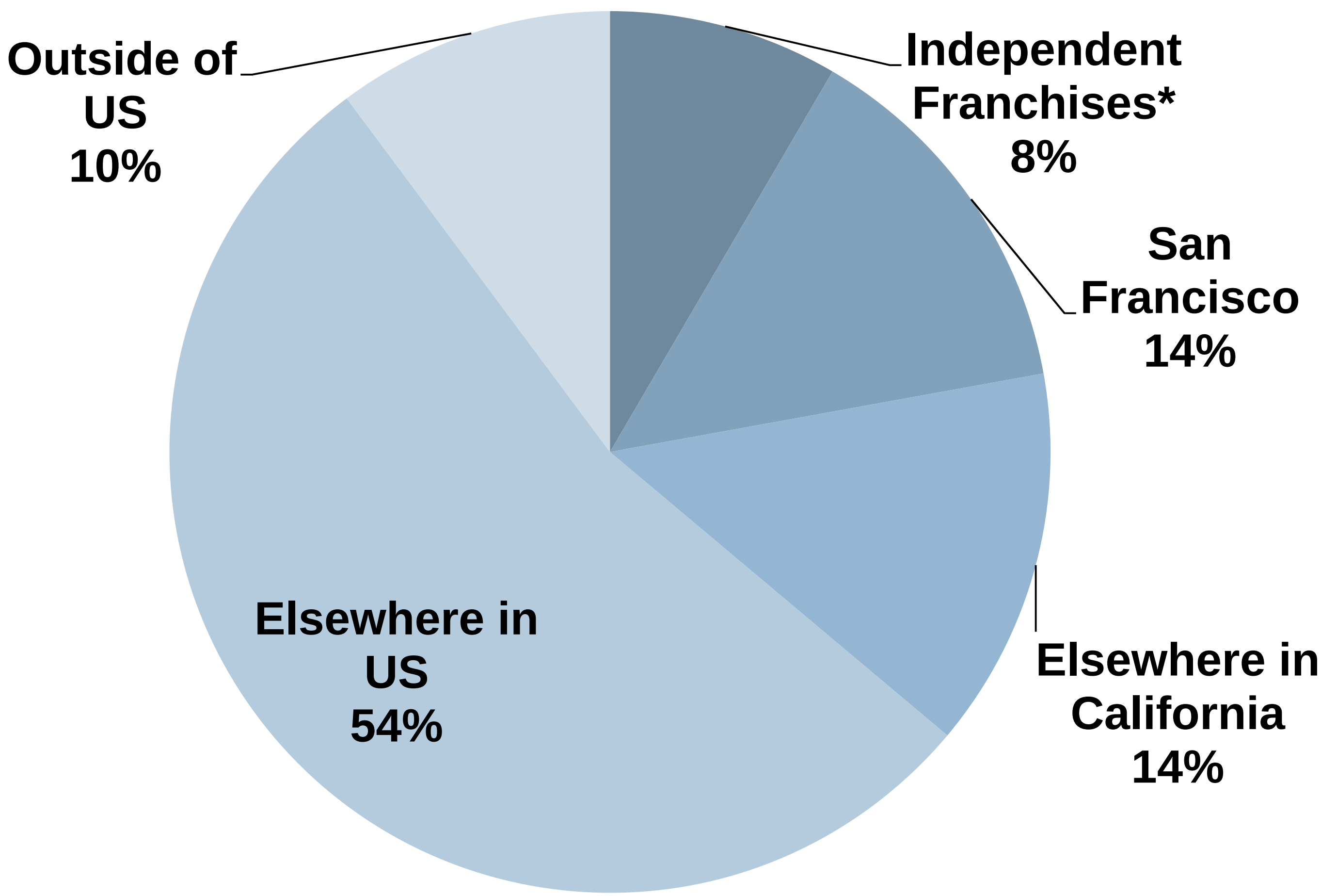
### *Formula Retailers*

### *Independent Retailers*

*Note: Logos shown are random selections used to illustrate retailers in San Francisco and by no means represent the full range of retailers.*

# Findings: Other Characteristics

## Formula Retail Establishments by Headquarters Location




*INTERIM DRAFT*

**Franchises that are not owned by or legally linked to the parent company; headquarters location unknown.*

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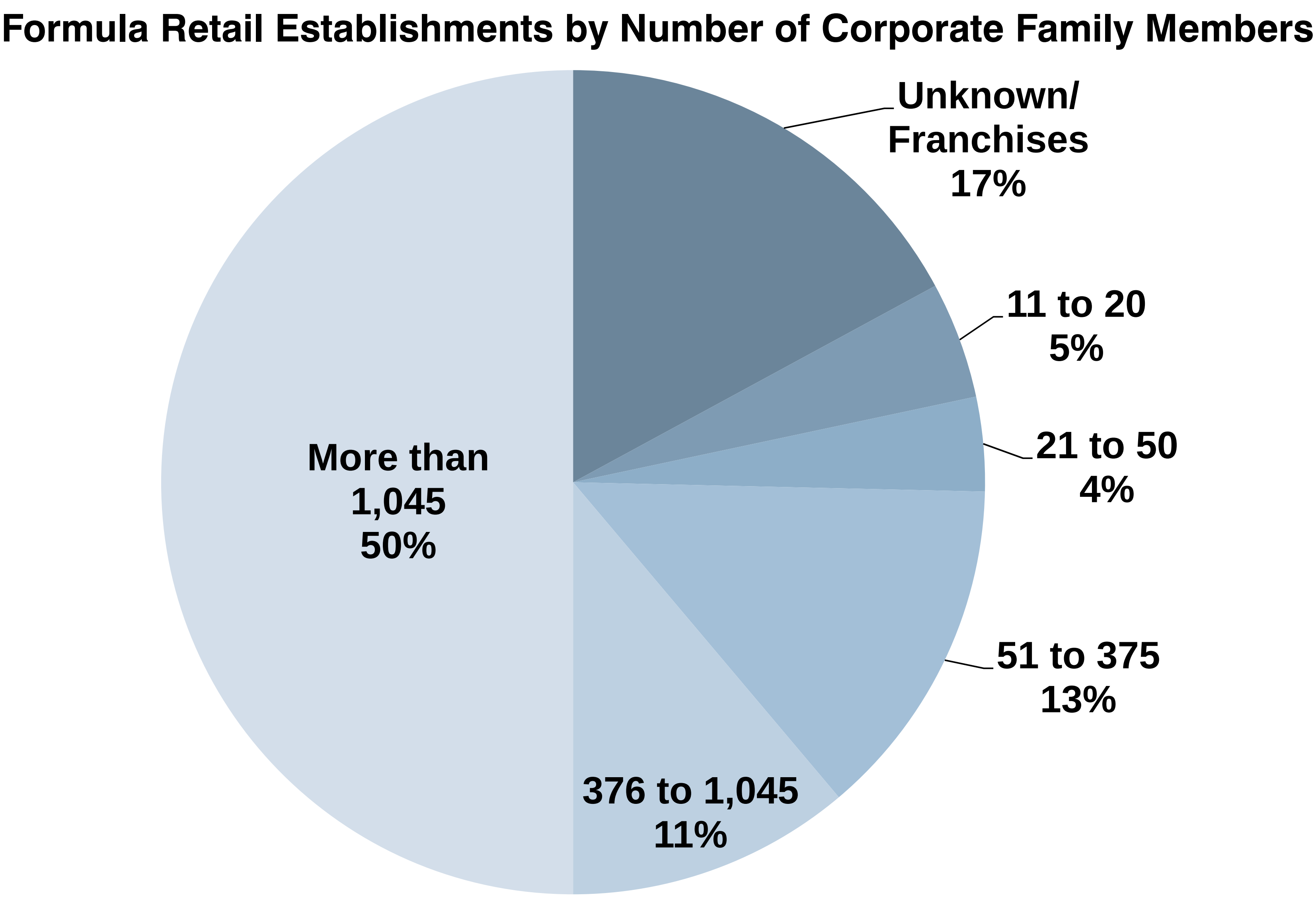
# Findings: Other Characteristics




# Issue Brief No. 2: Employment and Formula Retail

# Local Context: SF Labor Laws

| Local Laws | Applicability |
|---|---|
| **Minimum Wage Ordinance** | Will apply equally to formula retailers and independent retailers, in general. |
| **Paid Sick Leave Ordinance** | |
| **Health Care Security Ordinance** | Applies to firms with 20 or more workers, nationwide, which will generally include all formula retailers. |
| **Family Friendly Workplace Ordinance** | |

# National Scale

**Large Firms (200+ workers)**

**Small Firms (3-199 workers)**

*Logos were selected to illustrate firm size and do not reflect employment benefits and practices discussed*

# Retail & Restaurant Employment in SF

- Approximately 47% of San Francisco's retail workers are employed at firms with multiple locations in California
  - Within this retail sector, the industries that employ the most people in SF are: grocery, clothing, department stores, and health and personal care stores.
- Approximately 18% of the City's restaurant workers are employed at firms with multiple locations in California.
- Multiple site firms tend to employ more workers in SF than firms with single sites.

FALLETTI FOODS


BOUDIN | SF
BREAKFAST · LUNCH · DINNER · SOURDOUGH

PIZZERIA DELFINA
SAN FRANCISCO

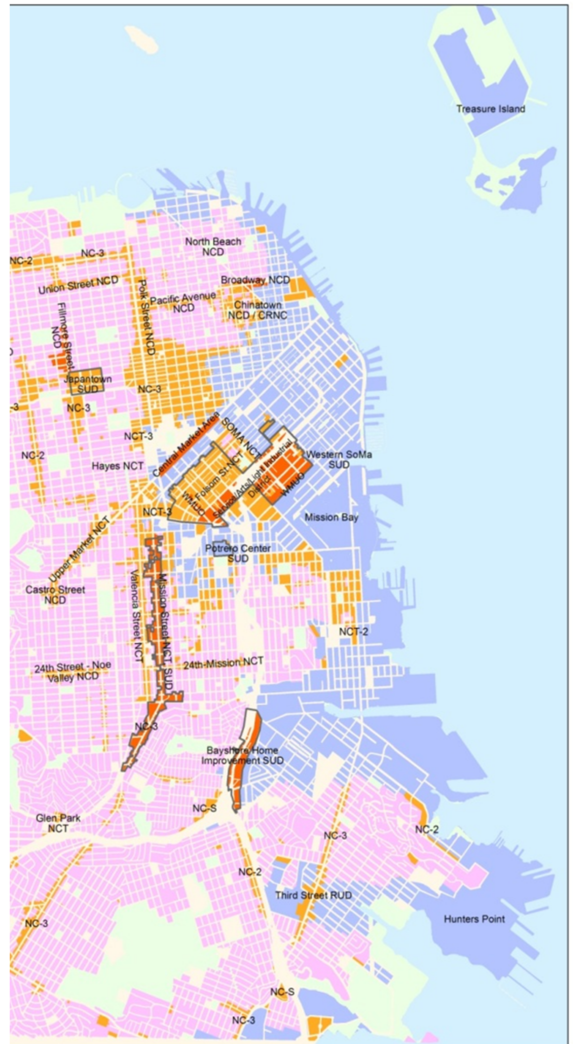
# Average Weekly Retail and Restaurant Wages in SF

| | All Stores | Multiple-Site | Single-Site |
|---|---|---|---|
| **Average for all workers in 2012** | $1,680 | N/A | N/A |
| **Retail Stores (overall)** | $815 | $820 | $823 |
| Electronics and Appliance Stores | $1,650 | $2,270 | $980 |
| Shoe Stores | $510 | $425 | $640 |
| **Restaurants** | $490 | $512 | $485 |


# Issue Brief No. 3: Formula Retail and the Real Estate Market

# Findings: Understanding the Retail Market






New FR Not Permitted
Specific FR Controls
New FR Requires CU
New FR Permitted
Public or Unknown
FR-Related Special Use District

FR: Formula Retail
CU: Conditional Use authorization

P-zoned districts at times defer to the controls of the nearest Neighborhood Commercial district; see Planning Code Section 234.

See Figure 2 for explanation of specific restrictions in individual zoning districts.

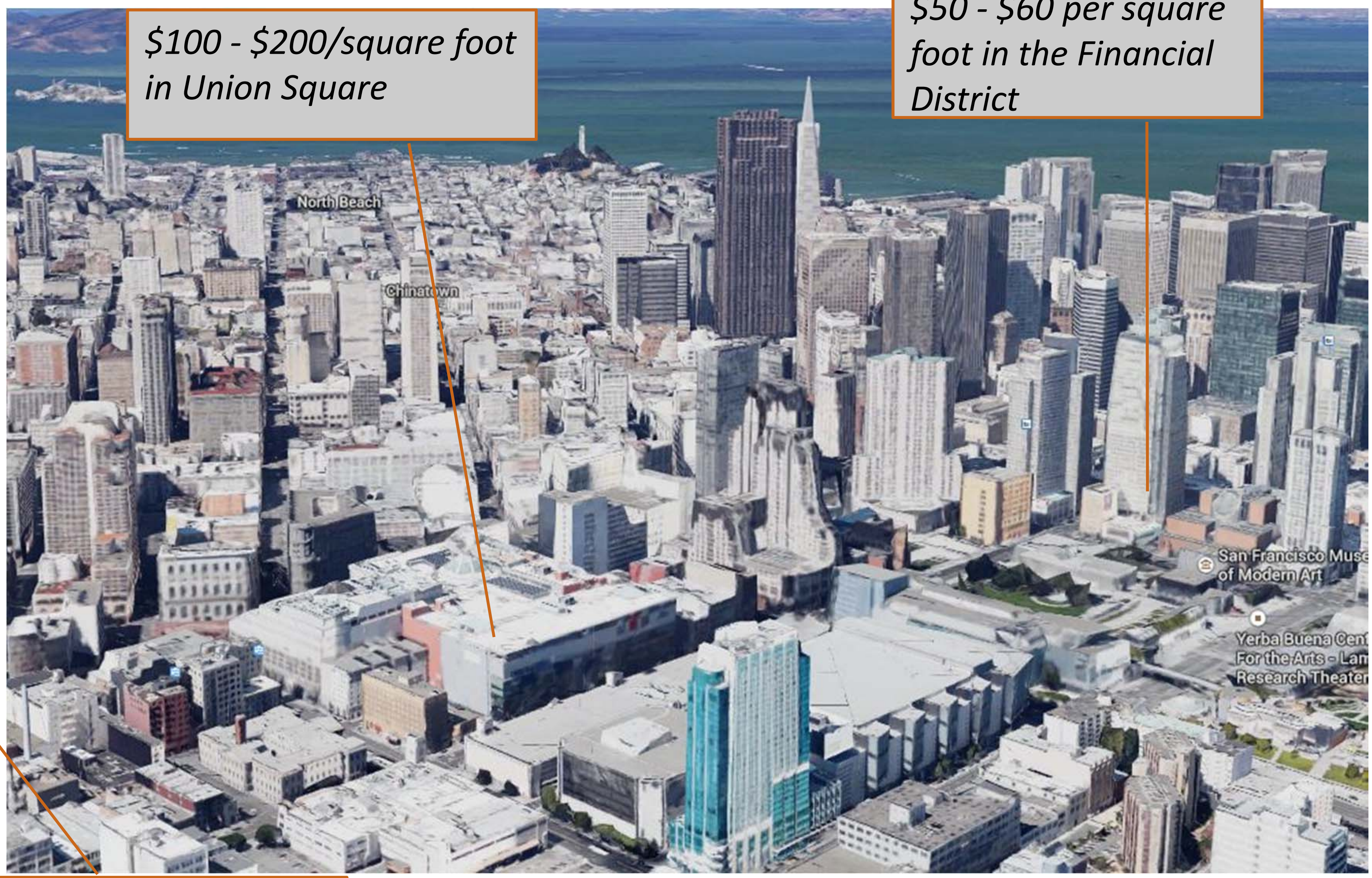
Interim Draft

Strategic Economics, 2014;
Data: City and County of San Francisco, 2013.

# Findings: Commercial Real Estate & FR

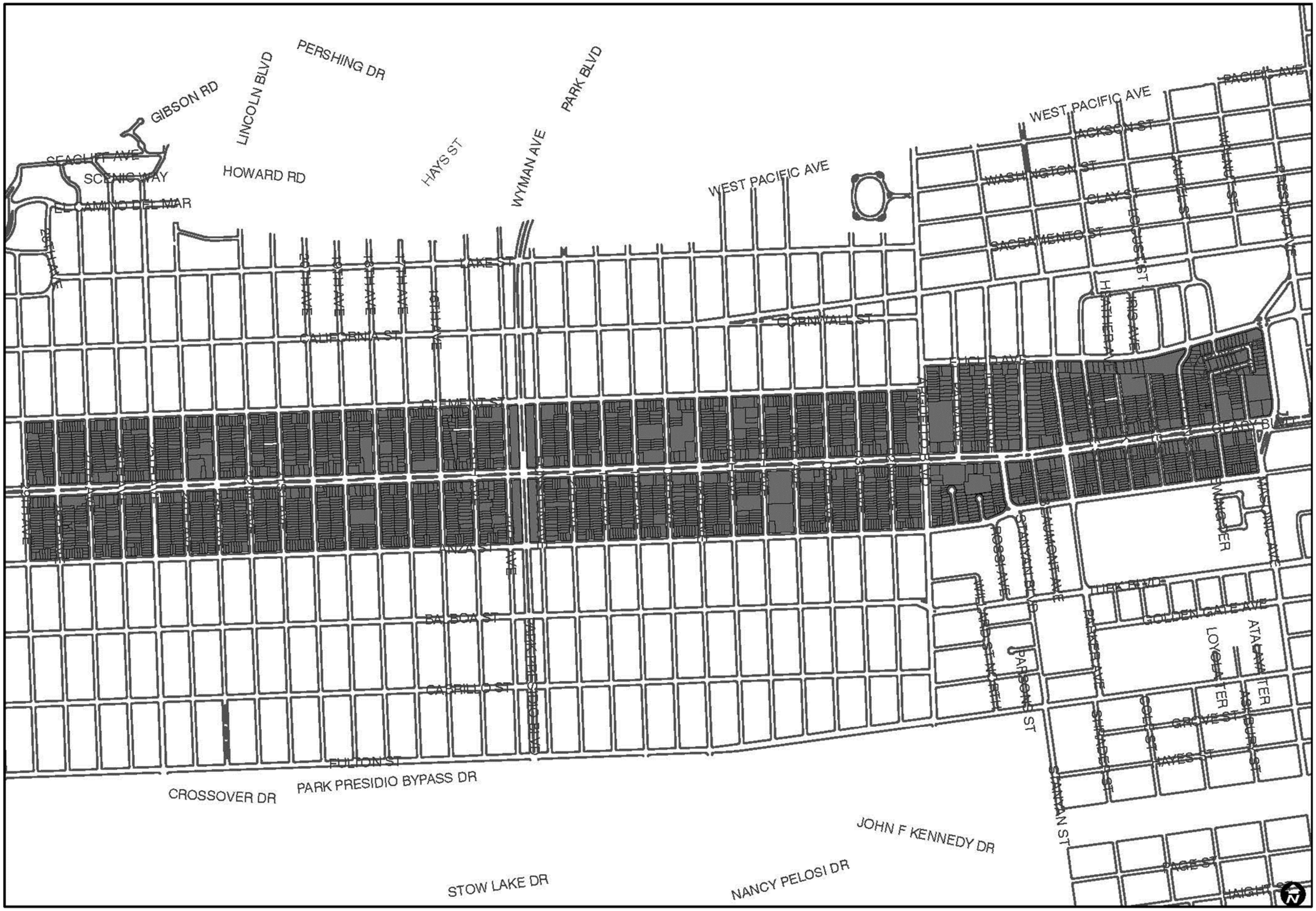
*$100 - $200/square foot in Union Square*

*$50 - $60 per square foot in the Financial District*



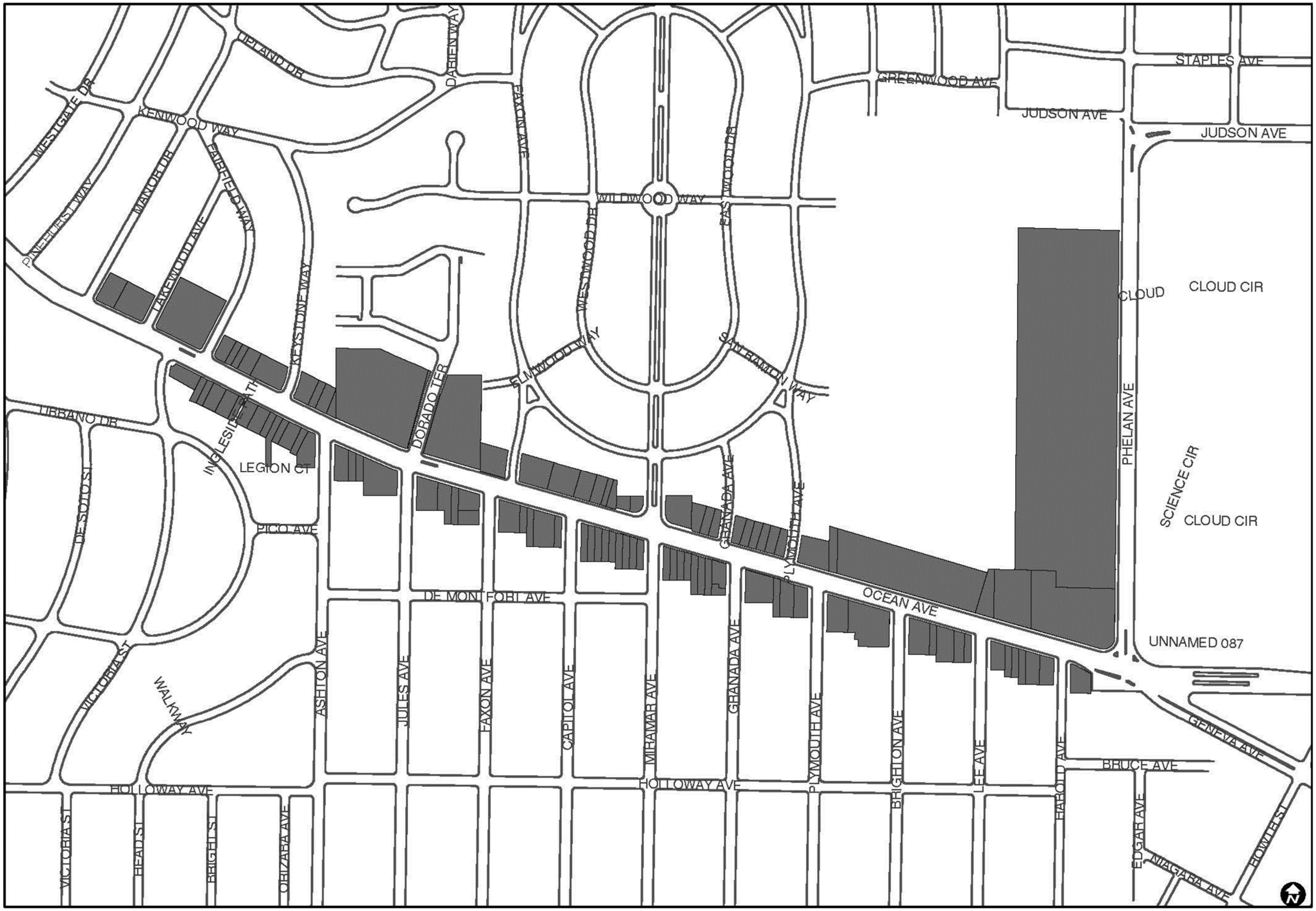

*$20 per square foot in outlying areas*


Chestnut and Lombard Streets between Divisadero & Fillmore Streets




Geary Boulevard between 28th Avenue & Masonic Avenue

0 550 1,100 2,200 Feet




0 225 450 900 Feet

Ocean Avenue Neighborhood Commerical Transit District

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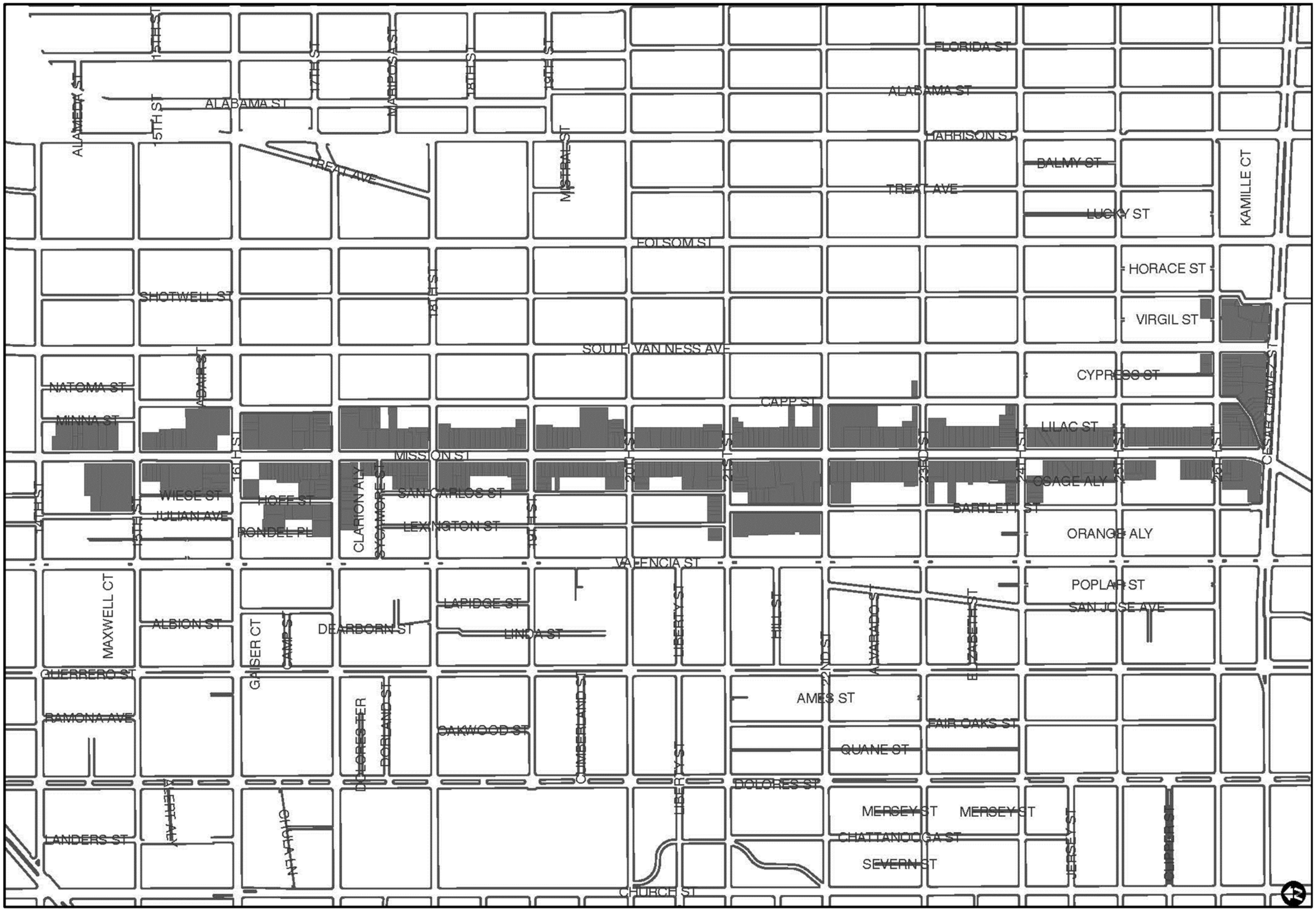



Mission Street Neighborhood Commerical Transit District

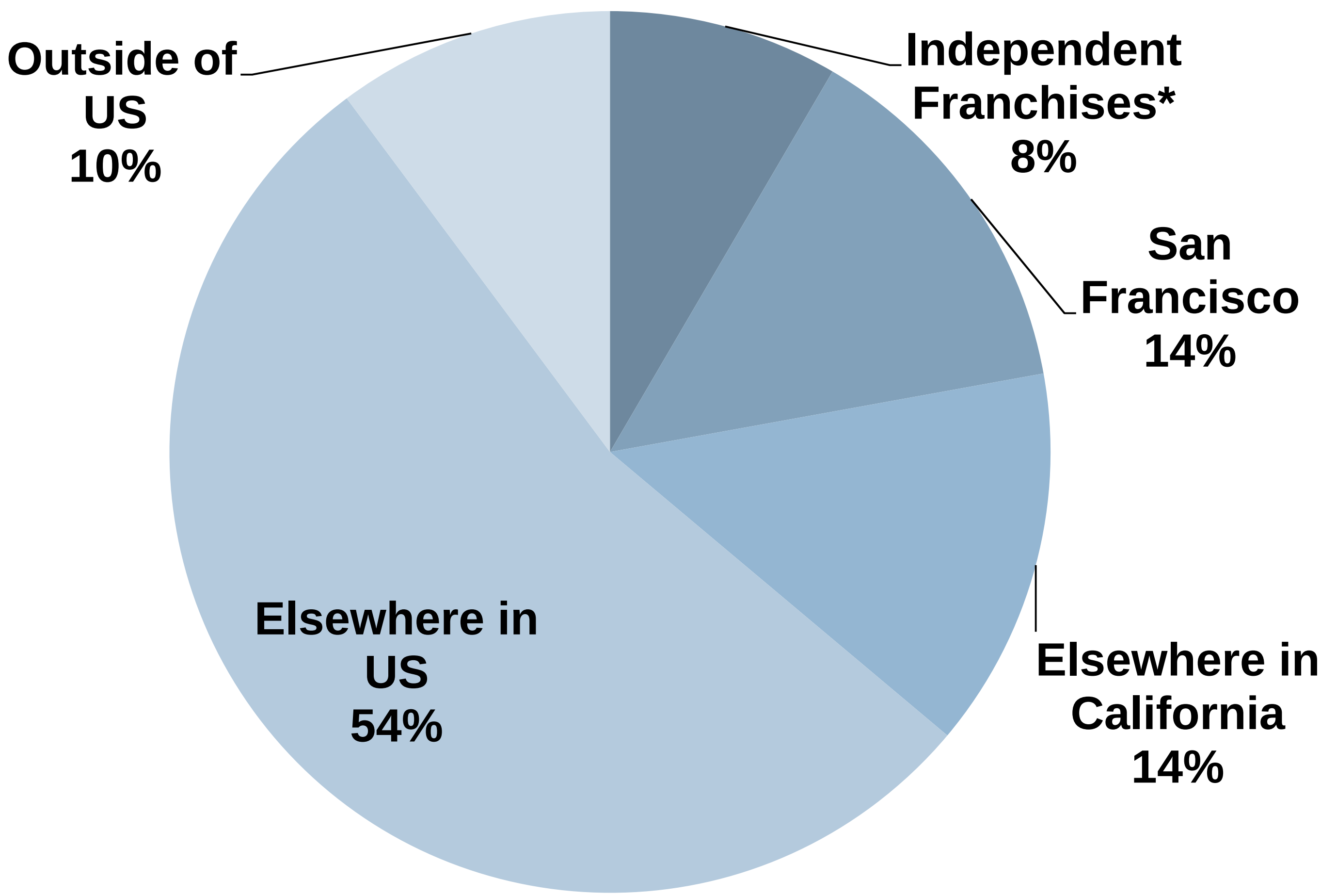
0 365 730 1,460 Feet

# Rents and FR CU Activity in the Mission Street NCT


# Issue Brief No. 4: Changing the Definition of Formula Retail

# Number of Establishments *Worldwide*

**Formula Retail Establishments by Headquarters Location**

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# Parent and *Subsidiary* Companies

FIFTH & PACIFIC
COMPANIES™

kate spade
NEW YORK

JACK SPADE

KATE SPADE
SATURDAY

LIZ
CLAIBORNE

MONET

LUCKY BRAND
BLUE JEANS
OF
AMERICA
TOO TOUGH TO DIE

MEXX

# *Expanded* Land Use Categories

| Land Use | Potential Formula Establishments (a) | Potential Formula Establishments as a % of Total |
|---|---|---|
| Automobile Sale or Rental | 50 | 24% |
| Automotive Gas Station | 40 | 31% |
| Automotive Service Station and Repair | 20 | 4% |
| Hotel, Tourist | 90 | 16% |
| Service, Administrative | 140 | 3% |
| Service, Business or Professional | 150 | 5% |
| Service, Fringe Financial | 30 | 16% |
| Service, Medical | 80 | 2% |
| Service, Personal & Massage Establishment | 50 | 2% |
| Trade Shops | 30 | 4% |
| Wholesale Sales | 160 | 4% |
| Other (b) | 30 | 4% |
| **Total** | 860 | 4% |

*INTERIM DRAFT*
*(a) Includes franchises and businesses with 12 or more total global corporate family members (branches or subsidiaries).*
*(b) Includes ambulance service, animal hospital, automobile parking, automotive wash, other entertainment, mortuary, and storage land uses.*
*Certain land uses excluded (light manufacturing, limited service financial, adult entertainment, neighborhood agriculture, large-scale agriculture) from analysis because no corresponding NAICS codes were identified; remaining land uses (tobacco paraphernalia establishments, gift store tourist oriented, jewelry store) excluded because already covered under existing formula retail legislation. Columns may not add due to rounding.*
*Sources: Dun & Bradstreet, 2012; Strategic Economics, 2014. Based on Dun & Bradstreet business data that have not been independently verified; all numbers are approximate.*


# Next Steps


*Christopher Beland / Wikimedia Commons*

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- Project Origins & Overview
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- **Next steps**
  - **Public and Stakeholder review of Issue Briefs**
  - **Draft Neighborhood Case Studies:** Assess relationship among formula retail, controls, and economic and neighborhood factors in 3 neighborhoods/commercial corridors
  - **Further Refinements of all work**

# Next Steps: Formula Retail Study

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http://www.sf-planning.org/formularetail

Controller's Study is now published.  Will seek a presentation from the controller at this commission in March.  Stay tuned…

# Next Steps: Post-Study

- Policy Recommendations for the Commission's Consideration
- Potential Legislative Action by the Board of Supervisors


# Thank you!