



SAN FRANCISCO PLANNING DEPARTMENT

June 13, 2019

Commissioners:

The Planning Department is pleased to send you a copy of the recently published *Downtown Plan Annual Monitoring Report 2018*. This report summarizes business and development trends affecting downtown San Francisco as required by SF Administrative Code, Chapter 10E.

This report covers the 2018 calendar year or fiscal years 2017-18 or 2018-19. It notes changes in the amount of commercial space, employment, housing production, parking supply, collection and use of fees and other revenues that occurred in 2018 relative to the objectives of the *Downtown Plan* and mandated monitoring requirements.

The report indicates that the economy continued to grow both downtown and citywide in 2018, as evidenced by continued development, record rents and employment, and growing tax revenue and use fees. The annual changes in Downtown land use are summarized in the first four pages of the attached report in the section entitled, "2018 Summary & InfoGraphic."

A PDF copy of the report can be accessed on line: <https://sfplanning.org/resource/downtown-plan-annual-monitoring-report-2018>. Questions, comments, or suggestions regarding the Downtown Plan Annual Monitoring Report can be directed to Audrey Harris, Senior Planner, at (415) 575-9136 or email: audrey.harris@sfgov.org.

Sincerely yours,

A handwritten signature in black ink, appearing to read "John Rahaim".

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DOWNTOWN PLAN
ANNUAL MONITORING REPORT

2018



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2018 Summary & Infographic

Downtown San Francisco continues to be a resilient district for San Francisco and the region in 2018, largely because of *Downtown Plan* policies. Adopted in 1985, these policies guide land use decisions to create the physical form and pattern of a vibrant, compact, pedestrian-oriented, livable, and vital downtown.

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

The city's economy continued to grow in 2018, at a slightly faster pace than in 2017. Office rents, employment, and tax revenue continued to grow. Though transit ridership, after record numbers in 2016, continues to fall with the exception of ridership from Caltrain that has continuously increased over the years. Although the retail vacancy rate continues to rise to almost double what it was in 2016, Downtown continues to have the majority of San Francisco's office and hotel jobs. Overall employment in the Downtown area grew by 5% in 2018, an increase from the 3% growth seen in 2017.

The housing and transportation goals are among the most important in the *Downtown Plan*. The Plan states that without sufficient and appropriate housing to serve new commercial development, local housing costs would increase, thereby compromising the vitality of downtown. The Plan also states that if employment growth increases the number of cars downtown, thereby significantly increasing traffic, the area's attractiveness and livability could be affected adversely. As a result, the Plan contains various targets relating to these policy issues.

After a significant downturn due to the global financial crisis, housing production in the city has rebounded from less than 270 net new units in 2011 to just over 5,000 in 2016, though it fell somewhat to 2,580 net new units in 2018. Nearly 40% of these new housing units in 2018 were located in the Downtown C-3 and DTR districts. Significant recent housing production downtown, along with the potential addition of thousands of new units (about 10,070 units in the current pipeline are planned for Downtown), will continue to increase the Downtown residential population and vitality of the district.

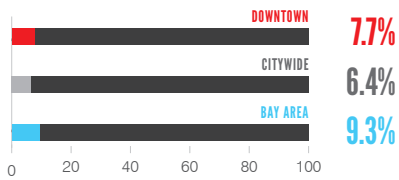
By most measures, the San Francisco *Downtown Plan* has been a success. It guided the creation of one of the most successful core areas of any American city. The vitality, job and housing density, retail activity and overall character of the downtown have improved dramatically. The Planning Department will continue to monitor these trends so that land use policy adjustments can be made as required to maintain and enhance a successful Downtown and Plan and avoid unintended consequences.

The annual changes in Downtown land use, employment, and transportation trends are summarized on the following pages (downtown's share of citywide total is listed in red when applicable).

PART 1: Commercial

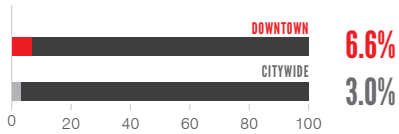
VACANCY

Office Vacancy



SEE TABLE 3

Retail Vacancy



SEE TABLE 4

Downtown Office Rent

\$75.57 / SQUARE FOOT **↑6%**

Hotel

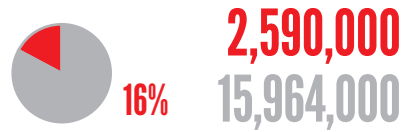


SEE TABLE 5

COMMERCIAL DEVELOPMENT PIPELINE

Downtown share of Citywide

Office *Net Square feet*

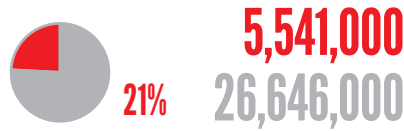


SEE TABLE 1

Retail *Net Square feet*



TOTAL *Net Square feet*



■ Downtown ■ Citywide ■ Bay Area

PART 1: Commercial (cont'd)

EMPLOYMENT (JOBS)

Downtown share of Citywide

Office Jobs



Retail Jobs



Hotel Jobs



TOTAL JOBS



CIE Jobs



PDR Jobs



Other Jobs



SEE TABLES 8 & 7

REVENUE

Business Taxes

\$879.4 million ↓ 2%

SEE TABLE 8

Property Taxes

\$2.4 billion ↑ 22%

SEE TABLE 9

Sales & Use Taxes

\$196.9 million ↑ 2%

SEE TABLE 10

Hotel Room Tax

\$375.8 million ↓ 2%

SEE TABLE 11

PART 2: Infrastructure

RESIDENTIAL UNITS

SEE TABLES 12 & 13

Units constructed

882	↓ 4%
2,309	↑ 46%

RESIDENTIAL PIPELINE PROJECTS

SEE TABLE 14

Downtown % of Citywide Units



JOBS-HOUSING LINKAGE FEE COLLECTION

SEE TABLE 15

Total

\$31.4 million	↓ 53%
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TRANSIT RIDERSHIP

SEE TABLE 17

Downtown Transit Boardings
(Average Weekday)

Citywide



PEAK-PERIOD TO/FROM DOWNTOWN

SYSTEMWIDE

n/a	711,000 ↓ 2%
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AT DOWNTOWN BART STATIONS

SYSTEMWIDE

142,900 ↓ 2%	414,200 ↓ 2%
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AT 4TH & KING STATION

SYSTEMWIDE

15,400 ↓ 2%	65,100 ↑ 2%
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TRANSBAY LINES

SYSTEMWIDE

14,500 ↑ 7%	169,000 ↓ 1%
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■ Downtown ■ Citywide

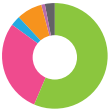
PART 2: Infrastructure (cont'd)

MODE SPLIT C-3 RESIDENTS

C-3 WORKERS

2012-16 ACS

33%	TRANSIT	57%
20%	CAR	29%
4%	BIKE	3%
34%	WALK	8%
5%	WORK AT HOME	1%
3%	OTHER	3%



PRIVATELY-OWNED PUBLIC OPEN SPACE (POPOS) & ART

SEE TABLE 20 (P. 19)

POPOS

Public Art

97	DOWNTOWN	24
101	CITYWIDE	26

TRANSIT IMPACT DEVELOPMENT FEE COLLECTION (FY 2018)

SEE TABLE 19

Total

\$18.4 million ↓ 63%

TRANSPORTATION SUSTAINABILITY FEE COLLECTION (DOWNTOWN, FY 2018)

SEE TABLE 20

Total

\$7.9 million ↑ 59 times

Introduction

The Downtown Plan

The *Downtown Plan*'s central premise is that a compact, walkable, and transit oriented downtown will create a lively and attractive center for the city and the region. The *Plan* also capitalizes on the city's core assets, including its transit infrastructure, visitor economy, and vibrant diversity.

The *Plan*'s vision is to create a vibrant district known the world over as a center of ideas, services, and trade, and as a place rich in human experience - characteristics that are true of all great cities. The essential components of such places are a compact mix of activities, historical values, distinctive architecture, and urban form that engenders the special excitement of a world city. To achieve this vision, the *Plan*'s objectives and policies guide land use decisions to create the physical form and pattern of a livable, compact, and pedestrian-oriented downtown.

The *Downtown Plan* is one Area Plan of the General Plan. The Downtown area is traditionally defined as the C-3-zoned district (see Map 1). Some of the *Plan*'s policies refer to a less precisely defined area germane to housing and transportation policies that have wider effects geographically. Some policies, such as those involving net new housing units, are citywide goals.

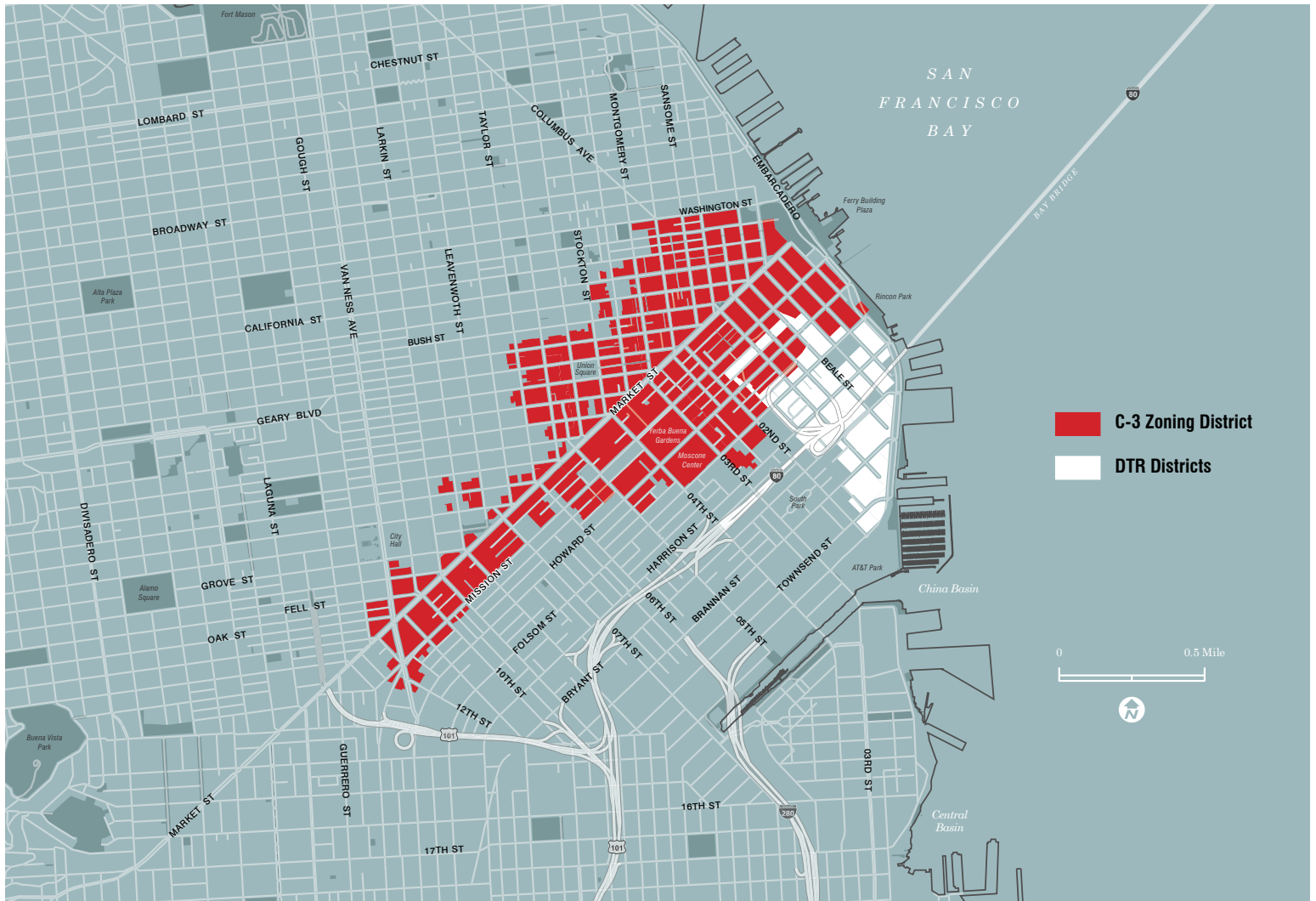
The *Downtown Plan* guides development decisions and public policy actions; it creates programs designed to improve services and infrastructure. When the Board of Supervisors approved the *Downtown Plan* in 1985, the Board also required that the Planning Department prepare monitoring reports periodically to track performance and make adjustments if required. This document is one such report as described below.

Report Structure

This *Downtown Plan Annual Monitoring Report 2018* summarizes business and development trends affecting downtown San Francisco as required by SF Administrative Code, Chapter 10E. The report covers the 2018 calendar year or fiscal years 2017-18 or 2018-19 depending on data available. This annual report notes changes in the amount of commercial space, employment, housing production, parking supply, collection and use of fees and other revenues that occurred over the year related to the objectives of the *Downtown Plan* and statutory monitoring requirements.

Part 1 of this report, "Commercial Space, Employment and Revenue Trends," highlights the growth that the *Downtown Plan* enabled, and discusses the production of new commercial space, employment activity, and recent sales tax revenues on both a citywide and Downtown basis. Part 2, "Downtown Support Infrastructure," reviews housing, transportation, Privately Owned Public Open Spaces (POPOS) and Public Art – key elements supporting the functioning of the Downtown core.

The most recent 5-year report, *2014 Downtown Plan 5 Year Monitoring Report*, contains more detailed information and assessment. Previous annual and five-year reports are available on the Department's web site: <https://sfplanning.org/publications>.



Map 1.
Greater Downtown

Data Sources

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

PART 1: Commercial Space, Employment, & Revenue Trends

Originally, the *Downtown Plan* guided commercial development and most new office growth in San Francisco to the Downtown C-3 District straddling Market Street (see Map 1). The *Plan* also expanded new commercial development to the South of Market (SoMa) district. The *Plan's* annual limit on new office space, institutionalized by a voter initiative passed in 1986, was intended to manage the pace of new office development and reduce speculation and boom-bust land use development issues.

Recent planning efforts south of Market Street encourage office, residential density, and new mixed-use neighborhoods to the south of the Downtown C-3 District. The *Transit Center District Plan*, which overlaps the C-3 District, also includes some office and residential development guidelines. The *Central SoMa Plan*, part of which also overlaps the C-3 district, is currently in draft form and includes a substantial amount of new capacity for office space. Mission Bay and Candlestick Point are two areas where more recent planning has directed substantial office development.

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

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

Commercial Space

Pipeline Development Projects

As of the fourth quarter of 2018, there were 1,987 projects in the citywide development project “pipeline.”¹ Roughly 74% of the projects were exclusively residential; roughly 12% were mixed-use with both residential and commercial components. The remaining fifteen percent (14%) of the projects were exclusively commercial (office, retail/entertainment, hotel, or production, distribution and repair).

In total, the commercial pipeline projects would add 26.6 million square feet (msf) of commercial space (Table 1). This includes nearly 16 msf of office space and 4.1 msf of retail space

¹ San Francisco Planning, *Pipeline Report*, Quarter 4, 2018

Table 1.
Commercial
Project
Pipeline

Area	Total	%	Office	%	Retail	%
Downtown C-3	5,541,151	21%	2,589,924	16%	416,468	10%
C-3-G	738,495		424,433		(41,721)	
C-3-O	(62,459)		(144,369)		(1,130)	
C-3-O(SD)	3,989,544		1,744,103		280,459	
C-3-R	156,034		(84,147)		163,627	
C-3-S	719,537		649,904		15,233	
PM, HPCP and TI	2,822,086	11%	970,000	6%	860,486	21%
Mission Bay	4,660,318	17%	2,717,115	17%	1,531,903	37%
NC Districts	(81,819)	0%	(104,596)	-1%	91,878	2%
Rest of City	13,704,250	51%	9,791,278	61%	1,216,944	30%
TOTAL	26,645,986	100%	15,963,721	100%	4,117,679	100%

Source: San Francisco Planning, *Pipeline Report*, Quarter 4, 2018

The Downtown C-3 districts account for about 5.5 million sf, or 21% of proposed commercial space in the pipeline. Large master planned developments in Candlestick Point, Treasure Island and Parkmerced would add about 2.8 msf (11%) of new commercial space, and Mission Bay would add 4.6 msf (17%). The rest of the city will receive about 13.7 msf of commercial development, or 51% of the pipeline project total. The vast majority of this development is slated for neighborhoods adjacent to downtown (other parts of SoMa and Showplace Square/Potrero Hill). The non-residential commercial projects include office, retail, visitor (hotel and entertainment), production-distribution-repair (PDR), and cultural-institutional-educational (CIE) land uses.

Of the total 5.5 msf of commercial space in the pipeline for downtown, 47% are office land uses. About 1.4 msf (14%) of downtown’s pipeline development is currently under construction. Another 2.9 msf (23%) worth of pipeline projects have received building permit approval or have been issued a permit, and should begin construction soon. The remaining 1.1 msf of the pipeline projects are still in the early stages of approval, with Planning applications filed or approved, and building permits filed but not yet approved with the Department of Building Inspection.

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

Office Space

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

Table 2.
Existing
Office Space

Area	Square Feet
San Francisco	117,200,000
C-3 District	75,100,000
<i>% office in C-3 District</i>	<i>64%</i>

Source: Costar Group, San Francisco Planning

2018 saw the completion of over 1.05 msf of new office space in San Francisco. At the end of Q4 2018, the pipeline shows an estimated 2.6 msf of office space under construction.

San Francisco’s office vacancy rate dropped to 6.4% at the end of 2018, a decrease of 2.2 percentage points under the previous year. The city’s office vacancy rate still remains lower than the Bay Area’s vacancy rate of 9.3%. (Table 3). Downtown’s vacancy rate fell again to 7.7%.

A total of 6.7 msf of office space was leased in 2018, down 23% from 8.7 msf in 2017. About 4.4 msf of that activity was located in the downtown area.²

By year end 2018, San Francisco office rents had increased to an average of \$75.57 per square foot, up 6% from \$71.02 per square foot in 2017.³

2 Cushman & Wakefield, MarketBeat, Office Snapshot, San Francisco, Q4 2018

3 Cushman & Wakefield, MarketBeat, Office Snapshot, San Francisco, Q4 2017 and 2018; Rates are for all building classes, gross rental rate, full service.

Table 3.
Office Vacancy

Area	2016	2017	2018	% Change 2017-18
San Francisco	8.0%	8.6%	6.4%	-2.2 pts
Downtown Financial District	12.2%	9.7%	7.7%	-2.0 pts
Other Downtown*	6.4%	5.5%	3.1%	-2.4 pts
Bay Area	9.6%	9.8%	9.3%	0.4 pts

* Includes Jackson Square, South of Market, Union Square, Mid Market and Van Ness
Sources: Cushman & Wakefield San Francisco Market Beat Office Report, Q4 2018, Cushman & Wakefield US Office Marketbeat, Q4 2018

Table 4.
Retail Vacancy

Area	2016	2017	2018	% Change 2017-18
San Francisco	1.9%	3.2%	3.0%	-0.2 pts
Downtown*	3.5%	4.1%	6.6%	2.5 pts

* Defined as Union Square and Post Street, the retail core of the C-3 zone
Source: Cushman & Wakefield, San Francisco Retail Snapshot, Q4 2018

Table 5.
Hotel Occupancy and Rate

	2016	2017	2018
Average Occupancy	87.6%	83.3%	85.4%
Average Daily Room Rate	\$276.43	\$249.49	\$287.71

Source: San Francisco Office of the Controller, Performance Scorecards

Retail Space

San Francisco’s downtown is the Bay Area’s preeminent retail hub, with the Union Square area serving local, regional, and visitor shopping needs. However, the majority of retail space in San Francisco is outside the downtown area, mostly along the city’s many neighborhood commercial streets and shopping areas.

At the end of 2018, San Francisco’s retail vacancy rate was 3%, down from 3.2% the previous year (Table 4). The retail vacancy rate for the Union Square area was 6.6%. Retail rents in Union Square now average \$650 psf/year, \$50 less than last year.⁴

There is approximately 434,030 net square feet of retail space in the development pipeline for the Downtown C-3 area, with another 3.5m net square feet anticipated for the rest of the city. Major downtown retail projects in the pipeline include the soon to re-open Transbay Transit Center (43,000 sf) and retail spaces in the ground floors of various residential mixed-use projects.

Hotel Space

San Francisco has 218 hotels with a total of nearly 33,600 hotel rooms.⁵ Several large hotel projects in the Downtown C-3 area have entered the pipeline since 2015: 950 Market Street, Transbay Parcel F, 250 4th Street, and 555 Howard Street. As of the end of 2018, there were 1,740 hotel rooms within ten projects in the development pipeline.

Both hotel occupancy and average daily rates increased in 2018 (Table 5). Average hotel occupancy increased to 85.4% from 83.3% in 2017. Average daily room rates increased to \$288 per room, compared to \$249 in 2017.

4 Cushman & Wakefield, San Francisco Retail Snapshot Q4 2018

5 San Francisco Travel Association, February 2019

Employment

San Francisco employment continued to grow in 2018, though at a slower pace than in recent years. As of the second quarter of 2018, San Francisco had approximately 724,600 jobs (Table 6). Office, PDR and CIE employment saw growth, Retail and Private Household jobs held steady, and Hotel employment continued to decline.

Downtown employment grew at a faster rate (5%) than the city overall (2%). As of the second quarter of 2018, approximately 41% of all San Francisco employment was located in the Downtown C-3 zone. The majority of the city's office jobs (62%) and hotel jobs (65%) continue to be located Downtown.

Office Employment

The downtown Financial District remains the center of office employment in San Francisco. As of the second quarter of 2018, there were about 307,250 office jobs in San Francisco (Table 6). Of these jobs, about 189,160 were located in the Downtown C-3 District (Table 7), or 62% of total office employment citywide.

Downtown office employment rose 5% from 2017, by nearly 9,470 jobs. Furthermore, PDR jobs downtown appear to have grown by 13% since 2017.

Retail Employment

As of the second quarter of 2018, there were 122,525 retail jobs in San Francisco (Table 6). About 33,740 (28%) of these jobs are found in the C-3 District (Table 7).

Table 6. Employment - Citywide

Land Use	2016	2017	2018	% Change 2017 - 2018
Office	293,320	295,836	307,252	3.9%
Retail	125,333	125,593	122,525	-2.4%
Production, Distribution, Repair (PDR)	94,138	97,394	100,414	3.1%
Hotel	16,520	16,166	16,143	-0.1%
Cultural, Institutional, Educational (CIE)	167,069	168,778	172,776	2.4%
Other*	6,853	6,846	5,497	-19.7%
TOTAL	703,233	710,613	724,606	2.0%

Note: Variations from other published employment numbers can be due to rounding, NAICS self-reporting changes, and EDD confidentiality requirements.

Source: State of California Employment Development Department (EDD), 2016, 2017 and Q1 + Q2 of 2018

* Other includes private households and unclassified establishments.

Table 7. Employment - Downtown C-3 Zone

Land Use	2016	2017	2018	% Change 2017 - 2018	C-3 Share of SF Employment 2018
Office	186,296	179,690	189,158	5%	62%
Retail	38,770	35,190	33,740	-4%	28%
Production, Distribution, Repair (PDR)	18,918	32,535	36,836	13%	37%
Hotel	10,423	9,784	10,506	7%	65%
Cultural, Institutional, Educational (CIE)	24,053	22,019	23,315	6%	13%
Other*	789	975	757	-22%	14%
TOTAL	279,249	279,249	294,312	5.4%	41%

Note: Variations from other published employment numbers can be due to rounding, NAICS self-reporting changes, and EDD confidentiality requirements.

Source: State of California Employment Development Department (EDD), 2016, 2017 and Q1 + Q2 of 2018

* Other includes private households and unclassified establishments.

Hotel Employment

San Francisco's hotel jobs are heavily concentrated downtown. As of the second quarter of 2018, there were approximately 16,140 hotel jobs in the city. About 10,500 (65%) of these jobs were in the C-3 District.

Revenue

This section reports tax revenues from business taxes (including registration and payroll), property taxes (including transfer tax and annual tax), sales and use taxes, and the hotel tax for the 2018-2019 fiscal year (FY).⁶ The information reported for FY 2018-19 are revenue projections for the full fiscal year, and are based on the amount collected as of May 15, 2019. In general, the FY 2018-19 budget assumed increases in tax revenue thanks to continued economic growth.⁷

Business Taxes

Business tax revenue (Table 8) in FY 2018-19 is estimated at \$879.4 million, down 2% from \$897 million collected in FY 2017-18. In November 2012, San Francisco voters approved the Gross Receipts Tax and Business Registration Fees Ordinance (Proposition E), which introduced major changes to the way businesses are taxed in the city. On January 1, 2014, the City started collecting a Gross Receipts tax, and phasing out the existing Payroll tax. In this fiscal year, total business tax revenue is comprised of business payroll tax, registration tax, gross receipts tax, and administrative office tax.

Business payroll taxes assess the payroll expense of persons and associations engaging in business in San Francisco and continue to represent the vast majority of business taxes collected. This tax imposes a fee on all businesses that employ or contract with one or more employees to perform work or render services within the city. In FY 2018-19, the Controller's Office estimated that it will collect \$254.4 million in payroll taxes, down 43% from \$442.2 million in FY 2017-18. Payroll tax collections should continue to fall as this tax continues to be phased out in coming years.

Business registration tax is an annual fee assessed for general revenue purposes on all business in the city. The formula for calculating this fee was amended as part of Prop E, resulting in significantly higher collections starting in FY 2013-14. The Controller's Office estimates that approximately \$46.8 million in business registration fees will be collected in FY 2018-19, up 8% from \$43.3 million in FY 2017-18.

Gross receipts and Administrative office taxes are based on a business's gross receipts from business done in San Francisco, rather than on a business's payroll expense. As the Gross Receipts Tax is phased in to replace the Payroll Tax, collections have grown significantly, to an estimated \$550 million in FY 2018-19, a 41% increase over FY 2017-18. The Controller's Office estimates that approximately \$28.2 million in administrative office taxes will be collected in FY 2018-19, a 25% increase from FY 2017-18.

Property Taxes

Real property taxes (Table 9) are the largest single source of tax revenue for the City. The Controller's Office expects property taxes to increase in fiscal year 2018-19. Together, an estimated \$2.4 billion in property related taxes will be collected in FY 2018-19, up 22% from \$1.9 billion last year.

Real property taxes allocated to the general fund in FY 2018-19 are estimated at \$2.1 billion, up 29% from \$1.7 billion in FY 2017-18 (Table 9).

Property transfer taxes are estimated to drop by 19% during the reporting period. Projected collections for FY 2018-19 are estimated to be about \$228 million, down from \$280.4 million in FY 2017-18. (Table 9). Unlike real property taxes, which are collected annually and based on property valuation assessments, property transfer tax is highly volatile because it is collected only at the time of sale and is based on sales price.

⁶ Fiscal Year 2018 begins on July 1, 2018 and ends on June 30, 2019.

⁷ San Francisco, Controller's Office, FY 2018-19 Nine-Month Budget Status Report, May 15, 2019

Sales Tax

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

As shown in Table 10, FY 2018-19 sales tax collections are expected to increase 2% to \$196.9 million from \$192.9.5 million in FY 2017-18.

Hotel Tax

The hotel tax rate (Table 11) remained at 14% for the 2018-19 fiscal year reporting period. A substantial portion of this revenue is dedicated to the Cutrue and Recreation Hotel Tax Fund - to the Moscone Convention Center, grants for the arts, museums, and other visitor amenities with the balance deposited into the City's general fund.

As shown in Table 11, \$375.8 million in hotel taxes are expected to be collected and deposited into the general fund in fiscal year 2018-19. This represents an almost 2% decrease from FY 2017-18, when \$382.2 million was deposited into the general fund.

Table 8. Business Taxes

Revenue Source (\$ Millions)	FY 2016-17	FY 2017-18	*FY 2018-19	% Change 2018-19
Payroll	\$349.8	\$442.2	\$254.4	-42.5%
Registration	\$43.8	\$43.3	\$46.8	8.1%
Gross Receipts	\$283.8	\$388.9	\$550.0	41.4%
Administrative Office	\$26.4	\$22.6	\$28.2	25%
Total	\$703.8	\$897.0	\$879.4	-2.0%

* Estimates from San Francisco Office of the Controller, FY 2018-19 Nine-Month Budget Status Report, May 15, 2019

Table 9. Property Taxes

Revenue Source (\$ Millions)	FY 2016-17	FY 2017-18	*FY 2018-19	% Change 2018-19
Property Tax	\$1,591.4	\$1,661.0	\$2,142.7	29%
Property Transfer Tax	\$410.6	\$280.4	\$228.0	-19%
TOTAL	\$2,002.0	\$1,941.4	\$2,370.7	22%

* Estimates from San Francisco Office of the Controller, FY 2018-19 Nine-Month Budget Status Report, May 15, 2019

Table 10. Sales and Use Taxes

Revenue Source (\$ Millions)	FY 2016-17	FY 2017-18	*FY 2018-19	% Change 2017-18
Sales and Use Tax	\$189.5	\$192.9	\$196.9	2.1%

* Estimates from San Francisco Office of the Controller, FY 2018-19 Nine-Month Budget Status Report, May 15, 2019

Table 11. Hotel Room Tax

Revenue Source (\$ Millions)	FY 2016-17	FY 2017-18	*FY 2018-19	% Change 2017-17
Hotel Room Tax	\$370.3	\$382.2	\$375.8	-1.7%

* Estimates from San Francisco Office of the Controller, FY 2018-19 Nine-Month Budget Status Report, May 15, 2019

PART 2: Downtown Support Infrastructure

This section discusses the *Downtown Plan's* housing and transportation targets. The *Downtown Plan* was developed with the assumption that significant employment growth and office development would occur and that this growth must be managed to enhance—not detract from—the Downtown. In the absence of new policies and programs, automobile traffic would continue to grow and important historic buildings located north of Market Street could be lost.

The Plan established a special use district around the Transbay Terminal to shift office construction to that area as a means of reducing further disruption to the financial center north of Market Street. As an incentive to save historic buildings and to shift office development to the planned area south of Market Street, the Plan enabled owners of buildings designated for preservation to sell development rights to developers in the special use district. New commercial development would provide revenue to partially cover the costs of improvements. Specific programs were created to address needs for additional housing, transit, child care and open space, as were specific targets for new housing production and transportation management.

In December 2010, the Transfer of Development Rights ordinance was amended by the Board of Supervisors to allow eligible owners of historic buildings to sell development rights to any C-3 zoned lot.

Housing

Residential Units Completed

Citywide 2018 housing production of 2,579 net new units is a 42% decrease from last year's production of 4,441 units (Table 12). The net change in units accounts for alterations, conversions and demolitions. Housing production in 2018 surpassed the *Downtown Plan's* annual goal of 1,000 to 1,500 net new housing units citywide.

In the Downtown area, comprised of the C-3 and adjacent Downtown Residential (DTR) districts, a total of 882 new units were constructed, representing 38% of citywide housing production for the year (Table 13).

Table 12.
Net Housing Change:
Citywide

Change	2016	2017	2018	% Change 2017-18
New construction	4,895	4,270	2,309	-46%
+ alterations, conversions	181	189	323	71%
- less demolitions	-30	-18	-53	194%
Total net change	5,046	4,441	2,579	-42%

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

Table 13.
New Housing
Construction:
Downtown and
Citywide

Area	2016	2017	2018	% Change 2017-18
Downtown	974	916	882	-4%
C-3 Districts	174	916	762	-17%
DTR Districts	800	-	120	-
Citywide	4,895	4,270	2,309	-46%

Source: San Francisco Planning, *Housing Inventory*

Residential Pipeline Projects

As of the fourth quarter 2018, the citywide pipeline of projects under construction or seeking planning approval and building permits contained a total of about 70,963 residential units, up 9% from 65,250 units in 2017. The area with the largest number of pipeline units is in the master-planned Candlestick-Hunters Point development (11,791 units). The Downtown C-3 and DTR zoning districts, taken together, contain the second largest number of housing units in the pipeline: 10,068 units, or 14% of the city’s total pipeline. The remainder of units in the pipeline are located in large master-planned developments such as Treasure Island (7,676) and Parkmerced (5,679 units), or scattered throughout the rest of the city (35,749 units) (see Table 14).

Table 14. Residential Project Pipeline (net units)

Rank	Area	Units	% Share
1	Candlestick-HP	11,096	16%
2	Greater Downtown*	10,068	14%
3	Treasure Island	7,676	11%
4	Parkmerced	5,679	8%
	Rest of city	35,749	51%
TOTAL		70,963	100%

*Includes Downtown C-3 and DTR zoning districts
 Source: San Francisco Planning, Pipeline Report, Quarter 4, 2018

The permit status of the proposed units is as follows: 17% are under construction (8,073 units); 24% hold a building permit that has been approved, reinstated, or issued, 42% have filed for a building permit, 4% have planning approval and need to seek a building permit, and 13% have filed for planning approval.

Approximately 24,451 units (just under 34%) are associated with the three large projects that will be built out over a longer period (Candlestick, Treasure Island and Parkmerced). These units have received planning approval.

The remaining approximately 46,512 units would be expected to be built out under the more typical time frames: two years from beginning construction and two to four years from planning approval. If production were to follow the pace of the city’s average annual production, roughly 2,532 units per year over the past ten years, the 46,512 units associated with smaller projects would be expected to be built out over 15-16 years.

Jobs Housing Linkage Program (JHLP)

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

In fiscal year 2017-2018, nearly \$31.4 million was collected in Jobs-Housing Linkage fees (Table 15).

Table 15. Jobs-Housing Linkage Fees Collected

Fiscal Year	Revenue
2015-2016	\$30,198,421
2016-2017	\$66,930,604
2017-2018	\$31,392,100

Source: San Francisco Controller’s Office

Transportation

This section reports on *Downtown Plan* transportation targets including an inventory of parking spaces, vehicle occupancy rates, peak period transit ridership, commute mode split, and fees collected by the Transit Impact Development Fee (TIDF) as required by the *Downtown Plan* monitoring ordinance.

Parking Inventory

Downtown Plan policies discourage new long-term commuter parking facilities (surface lots and garages) in and around the periphery of downtown. No new long-term parking facilities have been built Downtown since Plan adoption, although the supply of off-street parking in new buildings continues to grow with new development, as allowed under the Planning Code.

As the department’s Permit and Project Tracking System (PPTS) continues to roll out, more accurate accounting of parking spaces included in new downtown development is now available.

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

* Parking data is based on Planning Approval records and not site inspections, and thus are estimates.

Year	Net Parking
2016	n/a
2017	n/a
2018	715

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

MUNI Transit Ridership

According to data published by the San Francisco Municipal Transportation Agency (SFMTA), Muni averaged 711,015 daily weekday riders in Fiscal Year 2018 (Table 17). Due to changes to the methodology and technology used to estimate Muni ridership, it is no longer possible to estimate the portion of those riders with origins or destinations in the downtown area. However, in previous years, trips originating in or destined for downtown San Francisco have represented around 25% of Muni ridership.

Regional Transit Ridership

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

1 SFMTA, Off-Street Parking Census 2011

2 SFMTA, On-Street Parking Census April 2014

Table 17.
Local and Regional Transit Ridership (Average Weekday)

Regional Transit Agency	2016	2017	2018	% Change 2017-18
MUNI	726,300	714,910	711,015	-2.1%
To/From Downtown (Peak)	n/a	n/a	n/a	n/a
BART	433,394	423,395	414,166	-2.2%
Downtown Stations*	147,325	145,220	142,869	-1.6%
Caltrain	62,416	64,114	65,095	1.5%
4th and King Station	14,769	15,666	15,427	-1.5%
AC Transit	171,300	n/a	169,000	-1.0**
Transbay Lines	13,500	n/a	14,500	7.4%**

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

**Change from 2016

Sources: SFMTA, BART, Caltrain and AC Transit

All agencies but Caltrain experienced a slight decrease in citywide ridership. BART and Caltrain saw a slight decrease in ridership, while AC Transit saw over seven percent increase, across the portions of their networks that serve downtown San Francisco (Table 17). In 2018, the new Transit Center opened, and subsequently closed for maintenance indefinitely as of March 2019.

Downtown Commute Mode Split

Another goal of the *Downtown Plan* is that transit's share would increase from 64% when the Plan was adopted in 1984 to 70% by 2000 for all peak period commute trips to and from the Downtown C-3 District. While 70% transit mode-split has never been achieved, the share of downtown workers commuting by means other than single-occupancy vehicle now surpassed 70%.

The most recent commute mode information for workers with jobs located in the Downtown C-3 District is available at the census tract level, through the 2012-2016 ACS Census Transportation Planning Package (see Map 2). According to these figures, over half (57%) of downtown workers commute via public transportation. This compares to 34% of all San Francisco residents, and 41% of individuals working in San Francisco. Twenty-two percent of downtown workers drove alone to their jobs, 7% carpooled, and 8% walked. In general, individuals who work in Downtown San Francisco are far more likely to take transit, and less likely to drive alone, to their jobs than their counterparts city, region, and nation-wide.

Vehicle Occupancy Rate

In 1980, five years before the *Downtown Plan's* adoption, vehicle occupancy was 1.28 passengers per car. The *Downtown Plan* sought to increase ridesharing into downtown with a goal of increasing vehicle occupancy from 1.48 persons per vehicle in 1985, when the Plan was adopted, to 1.66 persons per vehicle by the year 2000.

The average vehicle occupancy for downtown workers has been declining steadily, mirroring nationwide trends. In 1990 it dropped to 1.22, and by the 2000 Census, vehicle occupancy had dropped to 1.21 for workers. In 2010, the rate fell even further to 1.17³. The latest available data at this scale for downtown workers comes from the 2012-2016 ACS Census Transportation Planning Package, which showed vehicle occupancy falling even further, to 0.86 for downtown workers. This figure is slightly less than that for all San Francisco workers (0.88) and is still lower than the regional average (0.92 persons per vehicle). ACS data shows vehicle occupancy rates are far below the 1.66 persons per vehicle goal, and are reduced from 2010 to 2016. San Francisco workers and residents do commute in carpools at a higher rate than the region as a whole (Table 18).

However, the decline in vehicle occupancy does not necessarily mean that more vehicles are entering downtown during peak hours. Census data shows the number of solo car commuters holding relatively steady since 2010, while the number of 2 and 3+ carpools declined for Downtown workers and slightly increased for Downtown residents. The slight decline for workers is more than made up for by increases in transit use, biking, and working from home, suggesting that downtown workers who previously carpooled, may be switching to those modes.

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

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

*ACS estimates are subject to margins of error of around 0.02, therefore the differences between 2010 and 2016 may not be statistically significant.

Source: 2006-2010 and 2012-2016 ACS Census Transportation Planning Packages

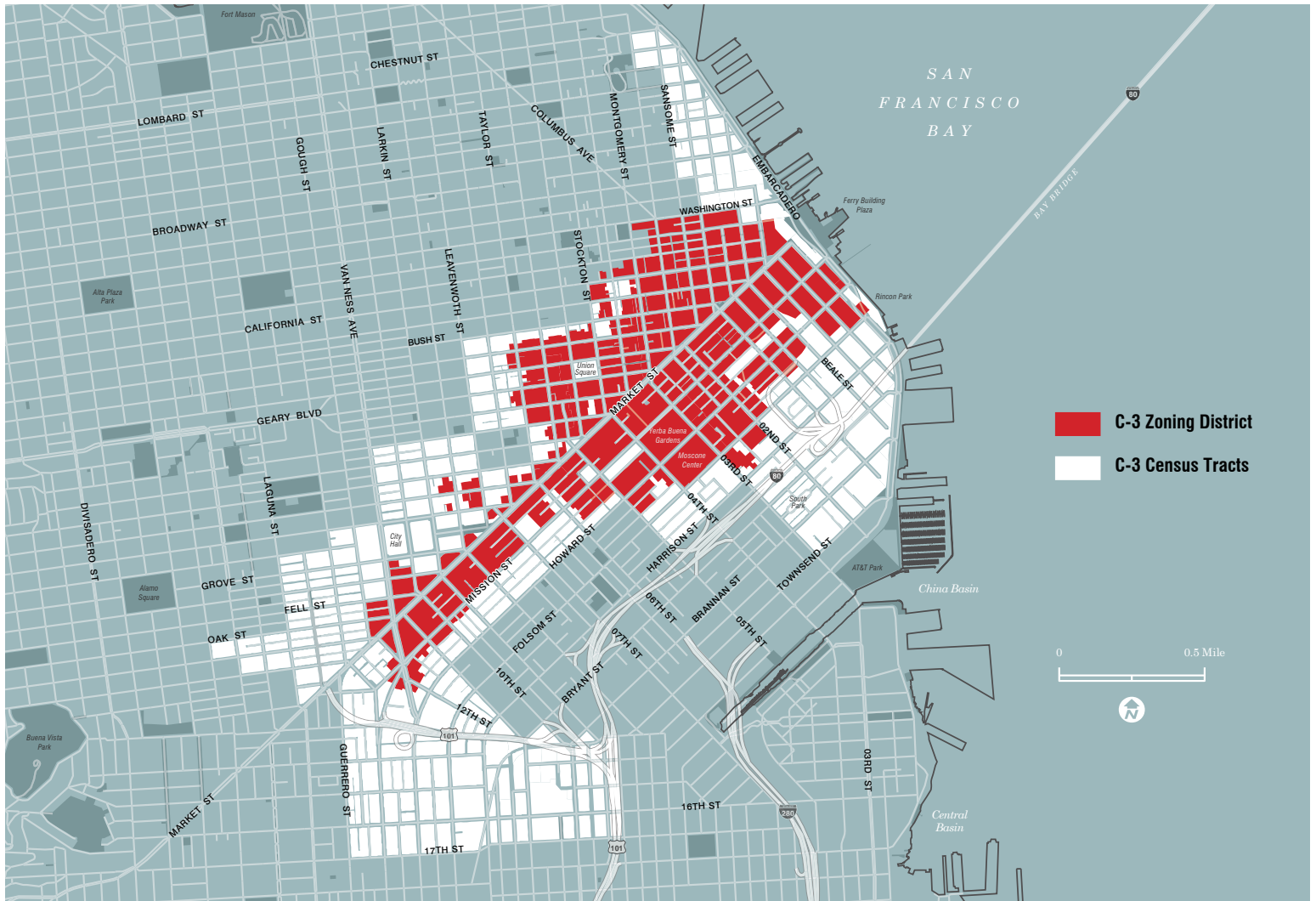
Transportation-Related Impact Fees

In 1981, as a precursor to the *Downtown Plan* and responding to a substantial increase in downtown office development, San Francisco enacted a fee to recover a portion of additional transit operating and capital costs incurred by this growth. Initially, all new office developments were required to pay \$5 per square foot of office space to cover the added transit service to downtown office buildings. In 2004, the Municipal Transportation Agency (MTA) modified this fee to include all proposed non-residential developments in San Francisco. On December 26, 2015, the Transportation Sustainability Fee (TSF) was made effective to replace the TIDF. The new fee is applicable citywide and not just in the Downtown area, and includes an expansion to capture large residential projects, as well as a fee rate increase to generate more funding to invest in the City's transportation system to address the impacts of growth.

San Francisco collected about \$18.4 million from the remaining developments subject to the TIDF in fiscal 2017-18 (Table 19). In the same fiscal year, the City has collected nearly \$7.9 million from downtown developments subject to the TSF, making up 50% of the TIDF collected citywide. During this fiscal year, large developments such as 526 Mission and 1066 Market accounted for nearly \$7.2 million combined in TSF revenue. Together \$26.2 million was collected in TIDF and TSF from downtown developments in the fiscal year 2017-18 (Table 20).

Table 18.
Average Vehicle Occupancy

Area	ACS 2010		ACS 2016*	
	Workers	Residents	Workers	Residents
San Francisco	1.18	1.13	0.88	0.90
Downtown C-3 zoned census tracts	1.17	1.08	0.86	0.91
Bay Area	1.10	1.10	0.92	0.92



Map 2. C-3 Zone and corresponding Census Tracts

Table 19. Transportation Impact Development Fee (TIDF) Collections

Fiscal Year	Revenue
2016-17	\$50,211,206
2017-18	\$18,357,365
2018-19*	\$2,595,624

* As of May 30, 2019
 Source: San Francisco Planning

Table 20. Transportation Sustainability Fee (TSF) Collections

Fiscal Year	Downtown Revenue	Citywide Revenue	Downtown Share of SF
2016-17	\$133,965	\$1,705,017	8%
2017-18	\$7,850,771	\$15,627,265	50%
2018-19*	\$504,988	\$11,632,498	4%

* As of May 30, 2019
 Source: San Francisco Planning

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

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

POPOS

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

Public Art

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

Table 21.
Number of Privately-Owned Public Open Space (POPOS)

POPOS	< 1985	1985–2018	Total
In C-3 District	54	43	97
with Art	6	18	24
Outside C-3 District	2	2	4
with Art	1	1	2
TOTAL	56	45	101

Source: San Francisco Planning

Acknowledgments

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