



CATHERINE STEFANI

July 19, 2022

Dear Assessor Torres, Controller Rosenfield, Director Sofis, and Chief Economist Egan;

San Francisco's downtown core and Financial District have been devastated by the pandemic, and early signs indicate that our recovery continues to lag behind the rest of the nation. A report from February indicated that our job recovery is 15% lower than the national average, and 10% lower than California as a whole.

San Francisco, with its heavy concentration of tech employers, is particularly vulnerable to remote work that has kept workers out of downtown offices. The San Francisco metro area has the lowest share of workers back at the office among 10 U.S. cities, according to swipe-card data from security company Kastle Systems, with about a quarter of employees returning as of February. The city's office market had a 22.6% vacancy rate at the end of 2021, compared with 16.6% for the U.S., data from CBRE Group Inc. show.

Other indicators like hotel occupancy, domestic air travel, and transit ridership indicate that San Francisco is well behind other major U.S. metro areas. More than 42% of San Francisco's small businesses and 30% of its total employment are located within the area defined as the city's economic core, according to data from the Controller's Office.

Prior to the pandemic, the downtown area was responsible for generating more than 45% of the city's sales tax. Since then, the neighborhood has seen some of the largest declines in sales tax revenue, with some ZIP codes experiencing a more than 50% drop between 2019 and 2021.

The purpose of this letter of inquiry is to ask each of you to try and assess the likelihood and impact of reduced demand for commercial space in San Francisco, especially in our downtown, on local tax revenue. In order to better understand this issue, I would like to know: what is the share of property tax revenue from commercial real estate; have there been any recent trends in commercial real estate transaction activity that might impact property tax revenue; how have property values changed and can we forecast any impact to; and are property owners changing the rate at which they request reassessments?

I would be happy to discuss this request with you at any time, and I'm willing to augment this request and expand it to include other additional metrics that you believe are relevant to the economic future of our downtown core and commercial real estate market.

I intend to share the results of this letter of inquiry with the public at a hearing after the conclusion of the legislative recess, sometime in the early fall.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Catherine Stefani', with a large, sweeping flourish at the end.

Catherine Stefani
Member, Board of Supervisors