



April 8, 2025

Ms. Angela Calvillo, Clerk
Honorable Supervisor Sherrill
Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Re: **Transmittal of Planning Department Case Number 2025-001050PCA:**
Removing Conditional Use Requirement for Formula Retail Uses on Van Ness Avenue, between Broadway
and Redwood Street
Board File No. 250101

Planning Commission Recommendation: Approval with Modifications

Dear Ms. Calvillo and Supervisor Sherrill,

On April 3, 2025, the Planning Commission conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance, introduced by Supervisor Sherrill. The proposed ordinance would amend the Planning Code to remove the conditional use authorization requirement for Formula Retail uses in the Residential-Commercial 4 (RC-4) zoning district along Van Ness Avenue, between Broadway and Redwood Street, for properties fronting Van Ness Avenue. At the hearing the Planning Commission adopted a recommendation for approval with modifications.

The Commission's proposed modifications were as follows:

1. Modify the Ordinance to additionally exempt RC-3 zoned parcels with frontage along Van Ness Avenue from the Conditional Use requirement for Formula Retail uses.
2. Remove the requirement for changes in Formula Retail operators to obtain Conditional Use authorization if the previous Formula Retail operator did not possess a CUA for Formula Retail.
3. Replace the word "properties" with the word "lots" when referring to where Conditional Use authorization is not required.

4. Require a report to be produced one year after the effective date of the Ordinance on the state of the section of Van Ness Avenue that is subject to the Ordinance.

The proposed amendments are not defined as a project under CEQA Guidelines Section 15060(c)(2) and 15378 because they do not result in a physical change in the environment.

Supervisor, please advise the City Attorney at your earliest convenience if you wish to incorporate the changes recommended by the Commission.

Please find attached documents relating to the actions of the Commission. If you have any questions or require further information please do not hesitate to contact me.

Sincerely,



Aaron D. Starr
Manager of Legislative Affairs

cc: Andrea Ruiz-Esquide, Deputy City Attorney
Lorenzo Rosas, Aide to Supervisor Sherrill
John Carroll, Office of the Clerk of the Board

ATTACHMENTS :

Planning Commission Resolution
Planning Department Executive Summary



PLANNING COMMISSION RESOLUTION NO. 21720

HEARING DATE: April 3, 2025

Project Name: Removing Conditional Use Requirement for Formula Retail Uses on Van Ness Avenue, between Broadway and Redwood Street
Case Number: 2025-001050PCA [Board File No. 250101]
Initiated by: Supervisor Sherrill / Introduced January 28, 2025
Staff Contact: Audrey Merlone, Legislative Affairs
Audrey.Merlone@sfgov.org, 628-652-7534
Reviewed by: Aaron D Starr, Manager of Legislative Affairs
aaron.starr@sfgov.org, 628-652-7533

RESOLUTION ADOPTING A RECOMMENDATION FOR APPROVAL OF A PROPOSED ORDINANCE THAT WOULD AMEND THE PLANNING CODE TO REMOVE THE CONDITIONAL USE AUTHORIZATION FOR FORMULA RETAIL USES IN THE RESIDENTIAL-COMMERCIAL ZONING DISTRICT ALONG VAN NESS AVENUE, BETWEEN BROADWAY AND REDWOOD STREET, FOR PROPERTIES FRONTING VAN NESS AVENUE; AFFIRMING THE PLANNING DEPARTMENT'S DETERMINATION UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT; MAKING FINDINGS OF CONSISTENCY WITH THE GENERAL PLAN, AND THE EIGHT PRIORITY POLICIES OF PLANNING CODE, SECTION 101.1; AND MAKING FINDINGS OF PUBLIC NECESSITY, CONVENIENCE, AND WELFARE UNDER PLANNING CODE, SECTION 302.

WHEREAS, on January 28, 2025, Supervisor Sherrill introduced a proposed Ordinance under Board of Supervisors (hereinafter "Board") File Number 250101, which would amend the Planning Code to remove the conditional use authorization for formula retail uses in the Residential-Commercial zoning district along Van Ness Avenue, between Broadway and Redwood Street, for properties fronting Van Ness Avenue;

WHEREAS, the Planning Commission (hereinafter "Commission") conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance on April 3, 2025; and,

WHEREAS, the proposed Ordinance has been determined to be categorically exempt from environmental review under the California Environmental Quality Act Section 15378 and 15060(c)(2); and

WHEREAS, the Planning 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 Department staff and other interested parties; and

WHEREAS, all pertinent documents may be found in the files of the Department, as the Custodian of Records, at 49 South Van Ness Avenue, Suite 1400, San Francisco; and

WHEREAS, the Planning Commission has reviewed the proposed Ordinance; and

WHEREAS, the Planning Commission finds from the facts presented that the public necessity, convenience, and general welfare require the proposed amendment; and

MOVED, that the Planning Commission hereby adopts a **recommendation for approval with modifications** of the proposed ordinance. The Commission's proposed recommendations are as follows:

1. Modify the Ordinance to additionally exempt RC-3 zoned parcels with frontage along Van Ness Avenue from the Conditional Use requirement for Formula Retail uses.
2. Remove the requirement for changes in Formula Retail operators to obtain Conditional Use authorization if the previous Formula Retail operator did not possess a CUA for Formula Retail.
3. Replace the word "properties" with the word "lots" when referring to where Conditional Use authorization is not required.
4. Require a report to be produced one year after the effective date of the Ordinance on the state of the section of Van Ness Avenue that is subject to the Ordinance.

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:

The Van Ness corridor has a history of hosting brand-name retailers: from department stores, to banks, auto showrooms, and restaurants. Combined with the need to revitalize downtown corridors, allowing Formula Retail uses along Van Ness Avenue would stimulate the local economy by easing restrictions that contribute to retail vacancies. This approach would align with the historical character of the Van Ness commercial corridor and promote public interest without compromising the historical legacy of the corridor.

General Plan Compliance

The proposed Ordinance and the Commission's recommended modifications are consistent with the following Objectives and Policies of the General Plan:

COMMERCE AND INDUSTRY ELEMENT

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.

Policy 4.2

Promote and attract those economic activities with potential benefit to the City.

The proposed Ordinance removes unnecessary barriers to new business formation along the Van Ness Avenue corridor. In a district that is experiencing a ~50% ground floor retail vacancy rate, the City should support any proposal that will make it easier for businesses to locate on the Avenue.

Planning Code Section 101 Findings

The proposed amendments to the Planning Code are consistent with the eight Priority Policies set forth in Section 101.1(b) of the Planning Code in that:

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

The proposed Ordinance would not have a negative effect on neighborhood serving retail uses and will not have a negative effect on opportunities for resident employment in and ownership of neighborhood-serving retail.

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

The proposed Ordinance would not have a negative effect on housing or neighborhood character.

3. That the City's supply of affordable housing be preserved and enhanced;

The proposed Ordinance would not have an adverse effect on the City's supply of affordable housing.

4. That commuter traffic not impede MUNI transit service or overburden our streets or neighborhood parking;

The proposed Ordinance would not result in commuter traffic impeding MUNI transit service or overburdening the streets or neighborhood parking.

5. 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 proposed Ordinance would not cause displacement of the industrial or service sectors due to office development, and future opportunities for resident employment or ownership in these sectors would not be impaired.

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

The proposed Ordinance would not have an adverse effect on City's preparedness against injury and loss of life in an earthquake.

7. That the landmarks and historic buildings be preserved;

The proposed Ordinance would not have an adverse effect on the City's Landmarks and historic buildings.

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

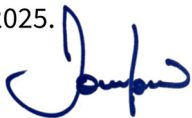
The proposed Ordinance would not have an adverse effect on the City's parks and open space and their access to sunlight and vistas.

Planning Code Section 302 Findings.

The Planning Commission finds from the facts presented that the public necessity, convenience and general welfare require the proposed amendments to the Planning Code as set forth in Section 302.

NOW THEREFORE BE IT RESOLVED that the Commission hereby ADOPTS A RECOMMENDATION FOR APPROVAL WITH MODIFICATIONS the proposed Ordinance as described in this Resolution.

I hereby certify that the foregoing Resolution was adopted by the Commission at its meeting on April 3, 2025.



Jonas P. Ionin
Commission Secretary

Jonas P Ionin

Digitally signed by Jonas P Ionin
Date: 2025.04.07 14:32:33 -07'00'

AYES: Campbell, McGarry, Williams, Braun, Imperial, Moore, So
NOES: None
ABSENT: None
ADOPTED: April 3, 2025



EXECUTIVE SUMMARY

PLANNING CODE TEXT AMENDMENT

HEARING DATE: March 27, 2025

90-Day Deadline: May 6, 2025

Project Name: Removing Conditional Use Requirement for Formula Retail Uses on Van Ness Avenue, between Broadway and Redwood Street

Case Number: 2025-001050PCA [Board File No. 250101]

Initiated by: Supervisor Sherrill / Introduced January 28, 2025

Staff Contact: Audrey Merlone, Legislative Affairs
Audrey.Merlone@sfgov.org, 628-652-7534

Reviewed by: Aaron Starr, Manager of Legislative Affairs
aaron.starr@sfgov.org, 628-652-7533

Environmental Review: Not a Project Under CEQA

RECOMMENDATION: Adopt of Recommendation for Approval with Modifications

Planning Code Amendment

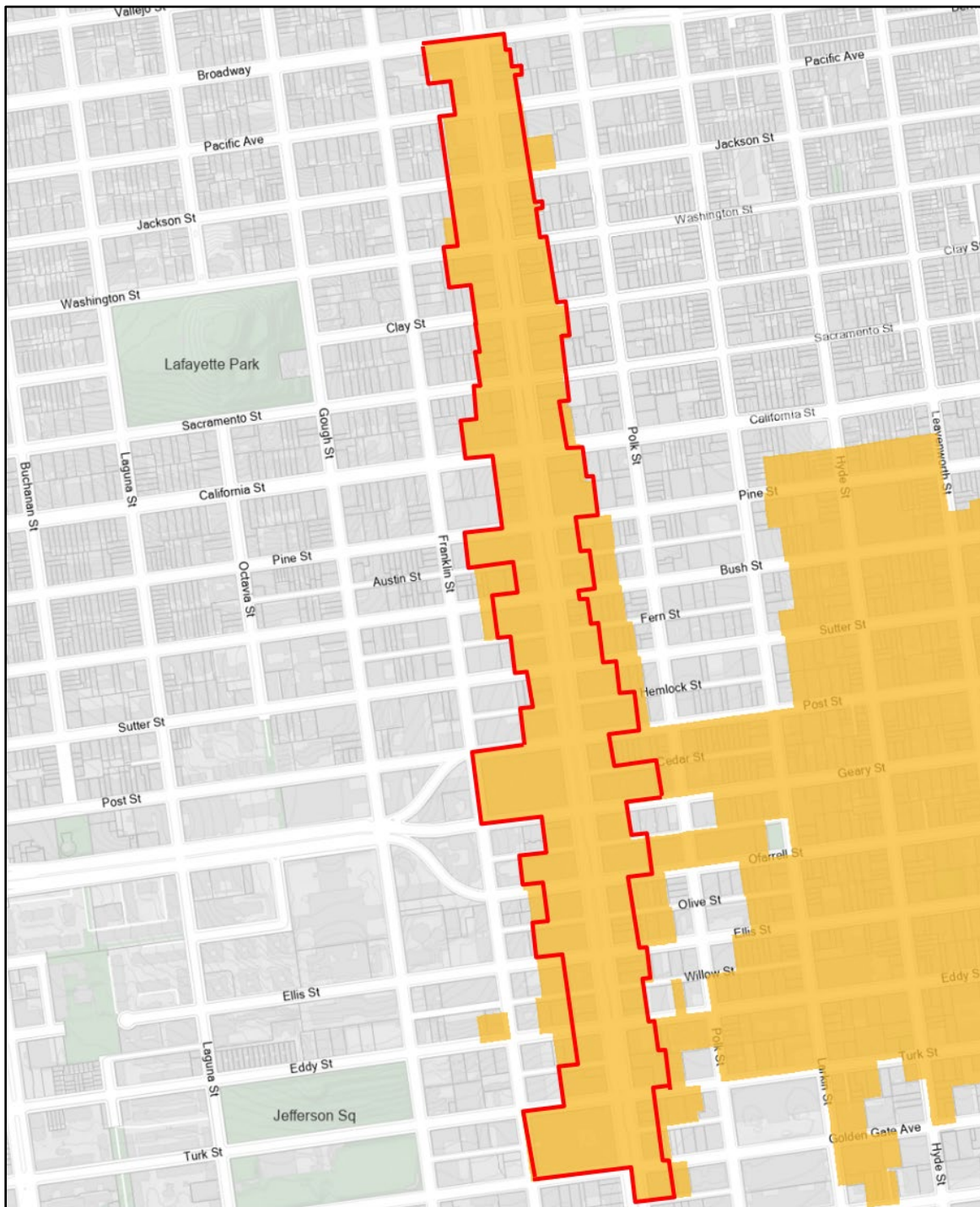
The proposed Ordinance would amend the Planning Code to remove the conditional use authorization requirement for Formula Retail uses in the Residential-Commercial 4 (RC-4) zoning district along Van Ness Avenue, between Broadway and Redwood Street, for properties fronting Van Ness Avenue.

The Way It Is Now:

Formula Retail uses require Conditional Use authorization in the RC-4 zoning district.

The Way It Would Be:

Formula Retail uses would be Principally permitted in the RC-4 on parcels with frontage on Van Ness Ave between Broadway and Redwood St.



The RC-4 Zoning District (orange) with the parcels fronting Van Ness Ave between Broadway and Redwood Street outlined in red.

Issues and Considerations

Formula Retail

Formula retailers, or chain stores, are businesses with multiple locations that share standardized features or a recognizable appearance. This recognition comes from repeating the same characteristics across locations. While Formula Retail provides clear branding, it can conflict with General Plan Policies that prioritize preserving and enhancing unique community identity. To preserve neighborhood individuality, certain zoning districts restrict or prohibit Formula Retail stores.

To qualify as a Formula Retail business there must be a standardized merchandise array, façade, décor and color scheme, uniform apparel, signage, trademark, or service mark. It must also have 11 or more locations worldwide, either operating or approved to operate, and fall into one of the following categories:

Amusement Game Arcade	Pharmacy
Bar	Restaurant
Cannabis Retail	Retail Sales and Service, General
Drive-up Facility	Sales and Service, Other Retail
Eating and Drinking Use	Sales and Service, Retail
General Grocery	Service, Financial
Gym	Service, Fringe Financial
Jewelry Store	Service, Instructional
Limited-Restaurant	Service, Limited Financial
Liquor Store	Service, Personal
Massage Establishment	Specialty Grocery
Movie Theater	Tobacco Paraphernalia Establishment
Non-Auto Vehicle Sales or Rental	Tourist Oriented Gift Store

These controls have evolved through various ordinances over the last two decades. That evolution has included broadening the definition of Formula Retail, extending restrictions to more areas, and lowering the threshold for businesses to qualify through updated criteria. Some of these reforms were passed by the voters through Proposition G; however, these voter-mandated restrictions only applied the Neighborhood Commercial Districts, not Residential-Commercial Districts – the zoning district controls that govern the Van Ness corridor.

Economic impact studies conducted by several City agencies accompanied many of the legislative efforts over the years. Counter to many of the increased restrictions on Formula Retail that were ultimately passed, many reports found that over-restriction of Formula Retail uses could have unintended negative consequences. For example, a June 2014 report produced for the Planning Department¹ found that:

¹ https://default.sfplanning.org/legislative_changes/form_retail/Final_Formula_Retail_Report_06-06-14.pdf

- Nearly 85% of San Francisco’s formula retailers occupy over 3,000 square feet, while 80% of independent retailers operate in smaller spaces. This means that on Van Ness Avenue, where larger floorplates are common, small local businesses are less likely to seek these spaces.
- In general, pharmacies, grocery stores, banks, and other uses that serve residents’ daily needs account for much of the Formula Retail in districts where Formula Retail is subject to additional controls.
- There does not appear to be a consistent relationship between the approval of a new Formula Retail Conditional Use application and the subsequent direction of local rents and vacancies.
- While formula retailers could potentially afford to pay higher rents in some individual transactions, retail market trends over time are primarily related to regional and national economic cycles.

These findings highlight the complexity of Formula Retail regulations and their broader economic implications. While restrictions aim to support local businesses, overly limiting Formula Retail may unintentionally hinder commercial vitality and access to essential services.

The Van Ness Corridor²

The Van Ness Avenue commercial corridor has special historical significance for San Francisco. The unusually wide avenue served as a vital fire break during the 1906 disaster. Since much of the corridor was cleared by dynamite to serve as the fire break, or burned in the fire itself, the area needed to be rebuilt. The avenue re-emerged as a “temporary downtown”, with new department stores, trade shops, restaurants, and banks. After downtown was rebuilt, however, many of these businesses deserted Van Ness Avenue. Rather than returning to the residential uses common before 1906, Van Ness Avenue again transformed – this time into “Auto Row”: featuring 50 auto showrooms by 1921.

Starting in the 1920s, Van Ness Avenue was designated as part of U.S. Highway 101, and from the 1920s to the 1970s, the Van Ness corridor rapidly grew as a commercial hub in San Francisco. Although automobile showrooms were the most common use on Van Ness between City Hall and Jackson Street, movie theaters, banks and restaurants also thrived in the corridor. Since the late 1970’s, however, the



Rebuilt Emporium Department Store at Post St. and Van Ness Ave, 1906. Source: SF Public Library



Auto-related businesses at 1207 Van Ness Ave, 1928. Source: SF Public Library

²<https://sfplanning.org/sites/default/files/documents/preserv/DPRforms/Van%20Ness%20AutoRow%20ContextDraft%20Feb2010.pdf>

automobile showrooms have largely relocated elsewhere, leaving their large commercial spaces vacant and often difficult to fill with other retailers.



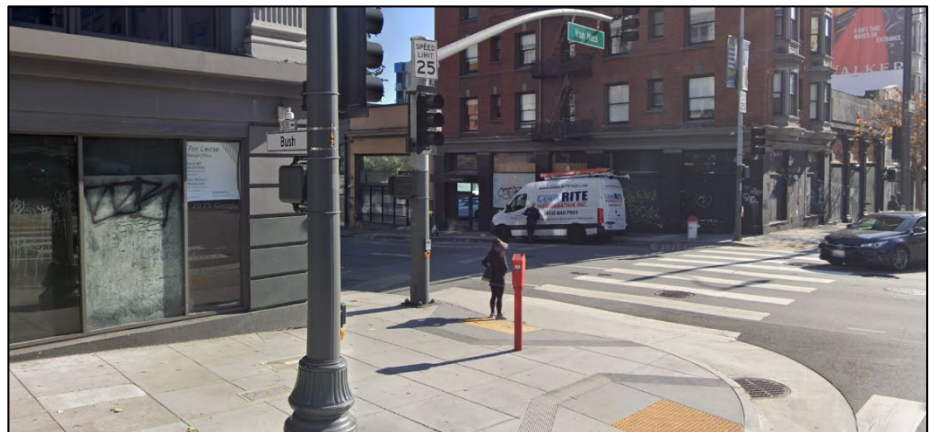
Van Ness Ave at Sutter Street, 1978. Source: SFMTA

Still part of U.S. Highway 101, the Van Ness commercial corridor remains a crucial north-south artery in San Francisco, essential for both visitors and residents traveling within and through the City. High vacancy rates along the corridor signal economic struggles to countless passersby, reinforcing concerns about San Francisco's ability to revive commerce. This lingering image disproportionately affects public perception of the City's overall economic health.

State of the Retail Sector

The Controller's Office of Economic Analysis released a report³ in November of 2024 on the status of the City's economy. Among the key findings was the fact that new business formation (tracked by the number of business registration certificates filed) remained far below pre-pandemic rates, especially in the retail trades and restaurant/bar categories.

The report revealed that although tourism and office vacancies are slowly improving, they are still below pre-pandemic levels. Many businesses are still attempting to recover from the pandemic amidst a period of slow economic growth both locally and nationally.

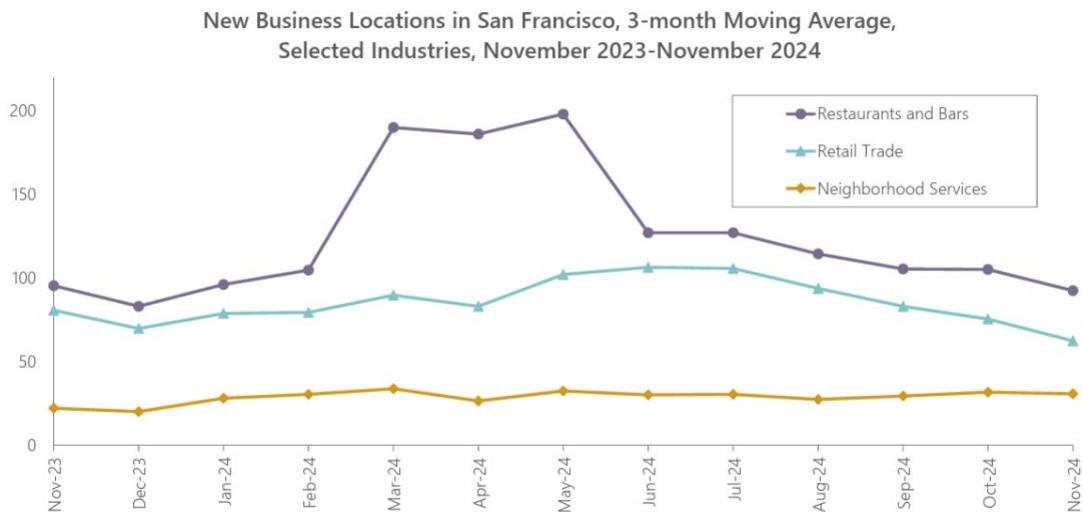


Two vacant retail spaces at Van Ness Ave & Bush Street, December 2024

Citywide, the retail vacancy rate was approximately 7.7% in Q4 2024, rising to 22.1% in the Union Square District. While no official data was collected for Van Ness Avenue, a staff-led visual survey in December 2024 found striking vacancy rates. Ground-floor commercial units with frontage on Van Ness Avenue between Redwood Street and Broadway had a 53% vacancy rate, dropping only slightly to 50% between Broadway and Chestnut Street. Economists typically consider a healthy commercial vacancy rate to be between 5% and 10%.

³ www.sf.gov/sites/default/files/2024-12/Status%20of%20the%20San%20Francisco%20Economy%20November%202024.pdf

Drops in New Restaurants and Retail Stores



A small percentage of retail vacancies is healthy, preventing demand from exceeding supply and displacing less profitable businesses. However, vacancy rates above 10% typically harm surrounding neighborhoods. The reduction in economic activity results in less visitors to the neighborhood and harms the businesses that remain. High vacancy rates can trigger a downward spiral: fewer businesses stay, which creates an ever-increasing number of vacancies. The decrease in demand for retail spaces not only results in reduced property values, but also deters potential investors and leads to increased crime and vandalism. These factors can create retail deserts like the one seen along the Van Ness Avenue corridor: where essential goods and services have become scarce, further harming nearby communities.

Additional Considerations on Exceptions for Change of Owner/Operator

Adding to the complexity of the regulations surrounding Formula Retail uses is an exception to the requirements for change of owner or operator. This provision allows new Formula Retail establishments to occupy the same unit that has been vacated by a previous Formula Retail establishment if:

- The new and former operators are the same land use category (including same subcategory);
- There is no expansion of use size;
- The new operator has less locations (worldwide) than the previous operator;
- There is no installment of a commercial kitchen, including any increase in food prep or self-service drink dispensers, **and**;
- The former operator had obtained a Conditional Use authorization for Formula Retail.

If a new operator cannot meet all the above criteria, they must obtain a *new* Conditional Use authorization for Formula Retail. Many of the city's largest essential retailers, like grocery stores, have been in operation

since before the establishment of Formula Retail controls. As such, when they vacate a space, *any* new business that is considered a Formula Retail use must obtain a new CUA to locate in the space vacated by the former Formula Retail use.

General Plan Compliance

Objective 2 of the Commerce and Industry Element is to “Maintain and enhance a sound and diverse economic base and fiscal structure for the City”. Policy 2.1 of this Objective is to “Seek to retain existing commercial and industrial activity and to attract new such activity to the City”. Policy 4.2 is to “Promote and attract those economic activities with potential benefit to the City”. The proposed Ordinance removes unnecessary barriers to new business formation along the Van Ness Avenue corridor. In a district that is experiencing a ~50% ground floor retail vacancy rate, the City should support any proposal that will make it easier for businesses to locate on the Avenue.

Racial and Social Equity Analysis

Formula Retail establishments often struggle to engage in merchant and community organizing efforts. While they attract customers and improve storefronts, it is uncommon for large formula retailers to invest in the specific goals of neighborhood. Community members report difficulties in building relationships with formula retailers due to frequent managerial turnover and limited decision-making authority at the store level. As a result, local merchant associations find that formula retailers rarely participate in organizing events and activities. This lack of involvement can disproportionately harm communities that rely on strong local identity and investment. However, Van Ness Avenue, a major arterial and U.S. Highway, lacks deep ties to any single neighborhood or cultural group. Although this potential downfall of formula retailers should be considered for other neighborhoods, it is unlikely to cause harm to the identity of this corridor.

Conversely, many Formula Retail businesses provide essential services, including grocery stores, banks, and pharmacies. A 2014 economic report for the Planning Department found that most pharmacies over 3,000 square feet and supermarkets over 10,000 square feet are formula retailers. Additionally, 80% of all banking institutions are Formula Retail.

These essential services are rarely independent yet remain subject to Formula Retail controls. In neighborhoods vulnerable to high vacancy rates, added barriers like Conditional Use authorizations further deter the establishment of these essential businesses. Removing these restrictions can help communities facing food, financial, and pharmacy shortages to access critical services.

Implementation

The Department has determined that this ordinance will positively impact our current review times as it will reduce the number of Conditional Use authorizations submitted.

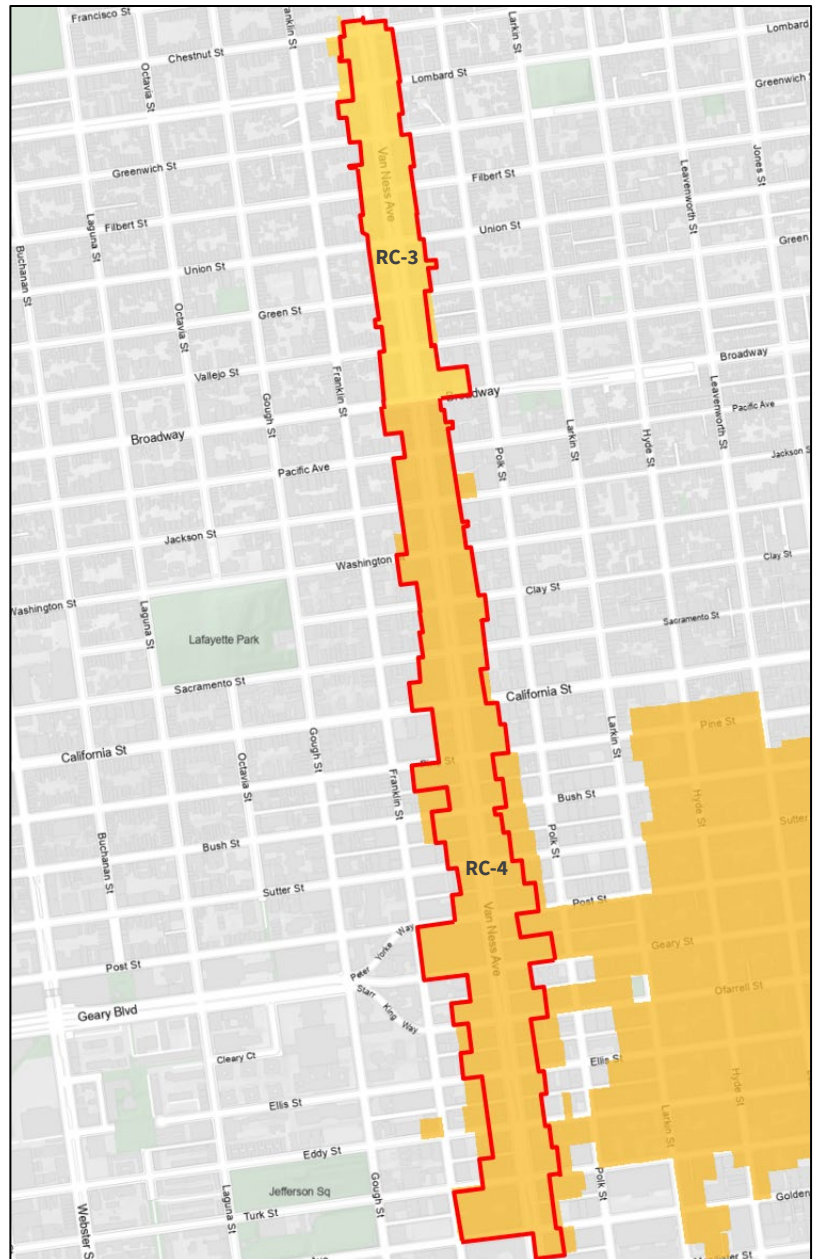
Recommendation

The Department recommends that the Commission ***adopt a recommendation for approval with modifications*** of the proposed Ordinance and adopt the attached Draft Resolution to that effect. The Department's proposed recommendations are as follows:

1. Modify the Ordinance to additionally exempt RC-3 zoned parcels with frontage along Van Ness Avenue from the Conditional Use requirement for Formula Retail uses.
2. Remove the requirement for changes in Formula Retail operators to obtain Conditional Use authorization if the previous Formula Retail operator did not possess a CUA for Formula Retail.
3. Replace the word "properties" with the word "lots" when referring to where Conditional Use authorization is not required.

Basis for Recommendation

The Van Ness corridor has a history of hosting brand-name retailers: from department stores, to banks, auto showrooms, and restaurants. Combined with the need to revitalize downtown corridors, allowing Formula Retail uses along Van Ness Avenue would stimulate the local economy by easing restrictions that contribute to retail vacancies. This approach would align with the historical character of the Van Ness commercial corridor and promote public interest without compromising the historical legacy of the corridor.



Proposed boundary for Principally permitted Formula Retail, covering RC-4 and RC-3 parcels along Van Ness Ave.

Recommendation 1: Modify the Ordinance to additionally exempt RC-3 zoned parcels with frontage along Van Ness Avenue from the Conditional Use requirement for Formula Retail uses. Staff recommend principally permitting Formula Retail along the entire Van Ness Avenue RC-zoned commercial corridor, as vacancies in RC-3 are nearly as high as those in RC-4. While the RC-3 stretch of Van Ness Avenue may not have the same amount of large retail floorplates as the RC-4 zone further south, it is still a part of the major arterial and commuter passthrough. The entire Van Ness corridor should have equal opportunity to reduce their retail vacancies and become an active commerce center again.



RC-3 zoned lots along Van Ness, looking south from Union Street. This level of density and mix of uses is common in the RC-3 along Van Ness Ave.

Recommendation 2: Remove the requirement for changes in Formula Retail operators to obtain Conditional Use authorization if the previous Formula Retail operator did not possess a CUA for Formula Retail. The proposed Ordinance offers a crucial opportunity for a neighborhood struggling to retain essential services. The Safeway on Webster Street served as the Fillmore and Western Addition’s primary grocery store and pharmacy for over 40 years before closing in early 2025, leaving approximately 34,000 residents without a large-format grocery store nearby. The community has expressed an urgent need for a new grocer in the space.

As outlined earlier, the Planning Code allows Formula Retail businesses to change operators without requiring a new Conditional Use authorization. However, to qualify for administrative approval, the previous Formula Retail operator must have obtained a Conditional Use authorization. Since Safeway opened before Formula Retail controls were enacted, it never obtained one, meaning any new grocer classified as Formula Retail must secure a Conditional Use authorization.

Removing the requirement for a new Conditional Use authorization in cases where a prior Formula Retail operator was never subject to one would eliminate unnecessary barriers. Grocers that meet other exception criteria—such as maintaining the same footprint and having fewer locations—could move in more easily. This common-sense amendment would immediately help the Fillmore neighborhood clear the way to restoring critical grocery services. Beyond assisting the Fillmore neighborhood, it could serve other

neighborhoods when essential service retailers that were established before Formula Retail controls announce closures.

Recommendation 3: Replace the word “properties” with the word “lots” when referring to where Conditional Use authorization is not required. This non-substantive amendment is in service of the Department’s continued efforts to standardize Planning Code language.

Required Commission Action

The proposed Ordinance is before the Commission so that it may adopt a recommendation of approval, disapproval, or approval with modifications.

Environmental Review

The proposed amendments are not defined as a project under CEQA Guidelines Section 15060(c)(2) and 15378 because they do not result in a physical change in the environment.

Public Comment

As of the date of this report, the Planning Department has not received any public comment regarding the proposed Ordinance.