

File No. 251268

Committee Item No. 10  
Board Item No. 20

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date January 28, 2026  
Board of Supervisors Meeting Date February 3, 2026

#### Cmte Board

<input type="checkbox"/>	<input checked="" type="checkbox"/>	<b>Motion</b>
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<b>Resolution</b>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<b>Ordinance</b>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<b>Legislative Digest</b>
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<b>Budget and Legislative Analyst Report</b>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<b>Youth Commission Report</b>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<b>Introduction Form</b>
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<b>Department/Agency Cover Letter and/or Report</b>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<b>MOU</b>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<b>Grant Information Form</b>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<b>Grant Budget</b>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<b>Subcontract Budget</b>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<b>Contract/Agreement</b>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<b>Form 126 – Ethics Commission</b>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<b>Award Letter</b>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<b>Application</b>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<b>Public Correspondence</b>

#### OTHER (Use back side if additional space is needed)

<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<u>Exhibit A – Draft Downtown Revitalization Financing Plan</u>
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<u>DRFD Resolution No. 2025-01 9/25/2025</u>
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<u>Noticing Documents</u>
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<u>OEWD Presentation 1/28/2026</u>
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Completed by: Brent Jalipa Date January 22, 2026  
Completed by: Brent Jalipa Date January 29, 2026

1 [Establishing the San Francisco Downtown Revitalization and Economic Recovery Financing  
2 District - Approving the Downtown Revitalization Financing Plan and Related Documents and  
Actions]

3

4 **Resolution establishing the San Francisco Downtown Revitalization and Economic  
5 Recovery Financing District, approving the Downtown Revitalization Financing Plan,  
6 including the division of taxes set forth therein, and documents and actions related  
7 thereto, and authorizing the filing of a judicial validation action.**

8

9 WHEREAS, The Board of Supervisors of the City and County of San Francisco ("City")  
10 is authorized to initiate the process to establish a downtown revitalization and economic  
11 recovery financing district pursuant to Division 8 of Title 6 of the California Government Code,  
12 commencing with Section 62450 ("Downtown Revitalization Law"); and

13 WHEREAS, A downtown revitalization and economic recovery financing district is a  
14 legally constituted governmental entity separate and distinct from the City established for the  
15 sole purpose of financing commercial-to-residential conversion projects or other projects of  
16 communitywide significance in downtown San Francisco (as defined in Government Code,  
17 Section 62450(h)) that support downtown revitalization and economic recovery; and

18 WHEREAS, The California Legislature has determined that a downtown revitalization  
19 and economic recovery financing district is a district within the meaning of Section 1 of Article  
20 XIII A of the California Constitution (Government Code, Section 62450(f)(2)); and

21 WHEREAS, On June 3, 2025, the Board of Supervisors adopted Resolution  
22 No. 279-25, signed by the Mayor on June 12, 2025 ("Resolution of Intention"), declaring its  
23 intention to establish the San Francisco Downtown Revitalization and Economic Recovery  
24 Financing District ("Downtown Revitalization District") to finance commercial-to-residential  
25 conversion projects of communitywide significance that provide significant benefits to the

1       Downtown Revitalization District or the City with incremental tax revenues generated by  
2       commercial-to-residential conversion projects within the Downtown Revitalization District; and

3           WHEREAS, The Board of Supervisors established the Board of Directors of the San  
4       Francisco Downtown Revitalization and Economic Recovery Financing District ("Board of  
5       Directors") to act as the governing board for the Downtown Revitalization District pursuant to  
6       Ordinance No. 82-25, adopted on June 10, 2025, and signed by the Mayor on June 12, 2025;  
7       and

8           WHEREAS, The members of the Board of Directors were appointed in accordance with  
9       Government Code, Section 62452; and

10          WHEREAS, The Board of Directors is responsible for causing preparation of the  
11       downtown revitalization financing plan for the Downtown Revitalization District ("Downtown  
12       Revitalization Plan"); and

13          WHEREAS, On September 25, 2025, pursuant to its Resolution No. 2025-01, the  
14       Board of Directors directed the Executive Director of the Board of Directors ("Executive  
15       Director") to work with the necessary City staff and professionals to prepare a draft of the  
16       Downtown Revitalization Plan; and

17          WHEREAS, On October 30, 2025, the Board of Directors held its first public hearing, at  
18       which the draft Downtown Revitalization Plan, including a fiscal impact analysis of the  
19       Downtown Revitalization District, was presented, which public hearing was properly noticed  
20       and held in accordance with all applicable law; and

21          WHEREAS, On December 11, 2025, the Board of Directors held its second public  
22       hearing on the draft Downtown Revitalization Plan, which public hearing was properly noticed  
23       and held in accordance with all applicable law; and

24          WHEREAS, The Downtown Revitalization Plan, a copy of which is on file with the Clerk  
25       of the Board of Supervisors as Exhibit A in File No. 251268 and is incorporated herein in its

1       entirety by this reference, has been presented to the Board of Supervisors for its review and  
2       approval, following a duly noticed public hearing; and

3           WHEREAS, In accordance with the Resolution of Intention, the Clerk of the Board of  
4       Supervisors (i) caused a notice of public hearing to be posted on the Downtown Revitalization  
5       District's internet website and (ii) published a notice of public hearing at least 10 days before  
6       the public hearing in the San Francisco Examiner; and

7           WHEREAS, The Budget and Finance Committee of the Board of Supervisors held a  
8       noticed public hearing relative to the Downtown Revitalization Plan on the date hereof; and

9           WHEREAS, At the hearing all interested persons desiring to be heard on all matters  
10      pertaining to the Downtown Revitalization Plan were heard and a full and fair hearing was  
11      held; and

12          WHEREAS, In accordance with Section 62451(d) of the Downtown Revitalization Law,  
13      the Board of Supervisors desires to approve the Downtown Revitalization Plan, including the  
14      division of taxes specified therein, pursuant to which incremental property tax revenue  
15      generated by commercial-to-residential conversion projects within the Downtown  
16      Revitalization District will be used to finance the activities of the Downtown Revitalization  
17      District, subject to, and in accordance with, the terms and conditions of the Downtown  
18      Revitalization Plan; and

19          WHEREAS, In accordance with Section 62451 of the Downtown Revitalization Law, the  
20      Board of Supervisors further desires to establish the Downtown Revitalization District; and

21          WHEREAS, Section 62459 of the Downtown Revitalization Law provides that, after the  
22      adoption of the Downtown Revitalization Plan, the Downtown Revitalization District shall  
23      establish a process for eligible commercial-to-residential conversion projects to opt into  
24      receiving incremental tax revenue generated by that same commercial-to-residential  
25      conversion project pursuant to the Downtown Revitalization Law; and

1           WHEREAS, In accordance with Section 62463 of the Downtown Revitalization Law, the  
2   Downtown Revitalization District and/or the City may file an action in the Superior Court of the  
3   City and County of San Francisco to determine the validity of the creation of the Downtown  
4   Revitalization District, the adoption of the Downtown Revitalization Plan, including the division  
5   of taxes thereunder, and related matters; now, therefore, be it

6           RESOLVED, That the Board of Supervisors hereby finds that the recitals are true and  
7   correct; and, be it

8           FURTHER RESOLVED, That the Board of Supervisors further finds and determines  
9   that all prior proceedings taken by the Board of Directors and the City with respect to the  
10   proposed establishment of the Downtown Revitalization District and adoption of the  
11   Downtown Revitalization Plan are valid and in conformity with applicable law; and, be it

12          FURTHER RESOLVED, That the Board of Supervisors hereby approves the  
13   Downtown Revitalization Plan, including the division of taxes set forth therein, in the form on  
14   file with the Clerk of the Board of Supervisors in File No. 251268 as Exhibit A and  
15   incorporated herein; and, be it

16          FURTHER RESOLVED, That pursuant to the Downtown Revitalization Plan,  
17   incremental property tax revenue from the City within the boundary of the Downtown  
18   Revitalization District will be used to finance the activities of the Downtown Revitalization  
19   District, subject to, and in accordance with, the terms and conditions of the Downtown  
20   Revitalization Plan; and, be it

21          FURTHER RESOLVED, That the Board of Supervisors hereby authorizes the  
22   Controller, in consultation with the Executive Director ("Authorized Officers"), to make such  
23   changes to the Downtown Revitalization Plan in the form on file with the Clerk of the Board of  
24   Supervisors in File No. 251268 as Exhibit A, as such Authorized Officers determines are  
25   consistent with and furthers the purposes of the Downtown Revitalization District and the

1       Downtown Revitalization Plan, provided such changes do not change the core purposes of  
2       the Downtown Revitalization District, and under no circumstances shall the Controller change  
3       the allocation of incremental property tax revenue generated by commercial-to-residential  
4       conversion projects from the City within the boundary of the Downtown Revitalization District  
5       as described in the Downtown Revitalization Plan; and, be it

6           FURTHER RESOLVED, That, in accordance with Section 62451 of the Downtown  
7       Revitalization Law, the Board of Supervisors hereby establishes the Downtown Revitalization  
8       District for the purposes set forth in the Downtown Revitalization Law and the Downtown  
9       Revitalization Plan; and, be it

10          FURTHER RESOLVED, That in connection with the process established by the  
11       Downtown Revitalization District for eligible commercial-to-residential conversion projects to  
12       opt into receiving incremental tax revenue, the Board of Supervisors hereby authorizes and  
13       approves the execution and delivery of one or more agreements between the City, the  
14       Downtown Revitalization District or an owner of a commercial-to-residential conversion project  
15       ("Project Owner"), including agreements providing for deposits to be made by the Project  
16       Owner to pay for costs related to the Downtown Revitalization District and agreements  
17       specifying the conditions to be satisfied by a Project Owner in order to receive incremental tax  
18       revenue, in such forms acceptable to an Authorized Officer, after consultation with the City  
19       Attorney, and an Authorized Officer is hereby authorized and directed to execute each such  
20       agreement; and, be it

21          FURTHER RESOLVED, That the Board of Supervisors hereby delegates to the  
22       Downtown Revitalization District the responsibility for complying with the Downtown  
23       Revitalization Law's requirements for annual reports and related actions; and, be it

24          FURTHER RESOLVED, That, pursuant to Section 62463 of the Downtown  
25       Revitalization Law and Section 860 et seq. of the California Code of Civil Procedure, an

1        Authorized Officer and the City Attorney, in consultation with Jones Hall LLP, as special  
2        counsel, are hereby authorized to initiate a judicial validation action with respect to the  
3        creation of the Downtown Revitalization District, the adoption of the Downtown Revitalization  
4        Plan, the allocation of incremental property tax revenue generated by commercial-to-  
5        residential conversion projects from the City within the boundary of the Downtown  
6        Revitalization District to the Downtown Revitalization District for the purpose of financing the  
7        activities of the Downtown Revitalization District, and such other matters as the City Attorney  
8        and special counsel deem appropriate in order to carry out the purposes of the Downtown  
9        Revitalization Plan; and, be it

10        FURTHER RESOLVED, That if any section, subsection, sentence, clause, phrase, or  
11        word of this Resolution, or any application thereof to any person or circumstance, is held to be  
12        invalid or unconstitutional by a decision of a court of competent jurisdiction, such decision  
13        shall not affect the validity of the remaining portions or applications of this Resolution, this  
14        Board of Supervisors hereby declaring that it would have passed this Resolution and each  
15        and every section, subsection, sentence, clause, phrase, and word not declared invalid or  
16        unconstitutional without regard to whether any other portion of this Resolution or application  
17        thereof would be subsequently declared invalid or unconstitutional; and, be it

18        FURTHER RESOLVED, That the Mayor, the Controller, the Executive Director, the  
19        Clerk of the Board of Supervisors and any and all other officers of the City are hereby  
20        authorized, for and in the name of and on behalf of the City, to do any and all things and take  
21        any and all actions, including execution and delivery of any and all documents, assignments,  
22        certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants  
23        and documents, which they, or any of them, may deem necessary or advisable in order to  
24        effectuate the purposes of this Resolution; provided however that any such actions be solely  
25

1 intended to further the purposes of this Resolution, and are subject in all respects to the terms  
2 of the Resolution; and, be it

3 FURTHER RESOLVED, That all actions authorized and directed by this Resolution,  
4 consistent with any documents presented herein, and heretofore taken are hereby ratified,  
5 approved and confirmed by this Board of Supervisors; and, be it

6 FURTHER RESOLVED, That this Resolution shall take effect upon its enactment.  
7 Enactment occurs when the Mayor signs the Resolution, the Mayor returns the Resolution  
8 unsigned or does not sign the Resolution within ten days of receiving it, or the Board of  
9 Supervisors overrides the Mayor's veto of the Resolution.

10

11 APPROVED AS TO FORM:  
12 DAVID CHIU, City Attorney

13

14 By: /s/ Mark D. Blake  
15 Mark D. Blake  
Deputy City Attorney

16 4937-4745-9713, v. 1

<b>Item 10</b> <b>File 25-1268</b>	<b>Department:</b> Office of Economic & Workforce Development (OEWD)
<b>EXECUTIVE SUMMARY</b>	
<b>Legislative Objectives</b>	
<ul style="list-style-type: none"> <li>The proposed resolution would (1) approve the Downtown Revitalization District's Financing Plan, (2) delegate authority to the District Board to approve contracts with property owners who opt-in to receive property tax distributions to pay for commercial-to-residential conversion projects and to prepare annual reports, (3) approve actions taken by the District Board and City officials in connection with establishing and managing the District and proposed Financing Plan.</li> </ul>	
<b>Key Points</b>	
<ul style="list-style-type: none"> <li>In June 2025, the Board of Supervisors approved a resolution stating its intention to form a Downtown Revitalization and Economic Recovery District (File 25-0423). The purpose of the District is to use property tax increment revenues to fund commercial-to-residential conversion projects in downtown San Francisco. The incremental property taxes resulting from the conversion projects would be returned to owners to offset their project costs.</li> <li>Property owners would receive annual funding from the District for up to thirty years after a project receives a certificate of occupancy. The annual funding amount for each property would be limited by the following factors: (1) no more than the incremental increase in the City share of property taxes (64.6% of the 1% percent property tax), based on the assessed value at opt-in and (2) no more than 1/30 of conversion project costs. The District may retain up to five percent of tax increment revenues to pay administrative costs.</li> </ul>	
<b>Fiscal Impact</b>	
<ul style="list-style-type: none"> <li>The proposed Financing Plan projects that the District will allocate \$610,424,000 in incremental property tax revenues to 48 properties over 45 years. If all these properties converted to residential uses, the City would benefit from 4,344 additional housing units, which would be built between FY 2028-29 – FY 2035-36.</li> <li>An accompanying fiscal impact analysis concluded that conversion projects would have an annual impact on the General Fund of -\$169,166 to \$11,027 per property, or -\$8,289,122 to \$540,339 if all 48 properties participated, depending on the assumptions used in the analysis.</li> </ul>	
<b>Policy Consideration</b>	
<ul style="list-style-type: none"> <li>Unlike most other tax increment financing districts, which normally fund affordable housing units, utilities, or some other type of public infrastructure improvement, this diversion of property tax revenues would be mostly for market rate housing.</li> </ul>	
<b>Recommendations</b>	
<ul style="list-style-type: none"> <li>The Board of Supervisors and District Board of Directors should consider establishing a cap on the percentage of project costs that the District will pay for, such as 15 percent (in present value).</li> <li>Approve the proposed resolution.</li> </ul>	

## MANDATE STATEMENT

California Government Code Section 62451 *et seq.* allows the San Francisco Board of Supervisors to establish one downtown revitalization and economic recovery financing District and approve the associated financing plan.

## BACKGROUND

### Downtown Revitalization District

In June 2025, the Board of Supervisors approved a resolution stating its intention to form a Downtown Revitalization and Economic Recovery District (File 25-0423). The purpose of the District is to use property tax increment revenues to fund commercial-to-residential conversion projects in downtown San Francisco. The incremental property taxes resulting from the conversion projects would be returned to owners to offset their project costs.

The District includes the neighborhoods of Financial District, Union Square, Civic Center, Yerba Buena, East Cut, South Beach, and Rincon Hill. We include a map of the District in Appendix I to this report.

The District is a separate legal entity from the City and governed by a Board of Directors, which includes three members of the Board of Supervisors, appointed by the President of the Board of Supervisors, and two members of the public and appointed by the Board of Supervisors. The financing plan for the District must be approved by both the District Board and Board of Supervisors.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (1) approve the Downtown Revitalization District's Financing Plan, (2) delegate authority to the District Board to approve contracts with property owners who opt-in to receive property tax distributions to pay for commercial-to-residential conversion projects and to prepare annual reports, (3) approve actions taken by the District Board and City officials in connection with establishing and managing the District and proposed Financing Plan.

### Financing Plan

The proposed Financing Plan allows for any commercial building within the District to opt-in to receive incremental property taxes to offset commercial-to-residential conversion project costs, so long as the building is in an area zoned for residential use and is not in an existing redevelopment area. Projects must opt-in by December 31, 2032 and before they receive their first building permit.

Property owners would receive annual funding from the District for up to thirty years after a project receives a certificate of occupancy. The tax increment funding stream would survive changes in property ownership. The District will self-terminate 45 years after the first distribution of property taxes. The annual funding amount for each property would be limited by the

following factors: (1) no more than the incremental increase in the City share of property taxes (64.6% of the 1% percent property tax), based on the assessed value at opt-in and (2) no more than 1/30 of conversion project costs, validated by a certified public accountant. The District pays the property tax increment on an annual basis; it is not allowed to issue debt. Projects could be 100 percent conversion from commercial-to-residential use or converting portions of buildings currently used for commercial purposes to residential uses, provided that the resulting project must be at least 60 percent residential.

The District may use up to five percent of diverted tax increment for administrative costs. If a project's costs are fully repaid by tax increment funding, the District may use the remaining tax increment to fund programs to revitalize downtown, as approved by the District Board. If there is unused increment following these distributions, it would be returned to the General Fund.

The Financing Plan proposes to disburse the entire diverted tax increment, less administrative costs, to opted-in conversion projects, so funding for such additional programs is not included in the Plan.

Projects seeking incremental property tax funding must pay prevailing wage but are otherwise not subject to the City's labor and public work regulations that typically follow from a City contract (such as competitive bidding, local business enterprise, apprenticeship and first source hiring, etc.). Per State law, projects with 50 or more units are required to employ workers in registered apprenticeship programs and provide healthcare contributions, while projects that are more than 85 feet in height are required to employ skilled and trained labor.

### **Affordability Requirements**

The first 1.5 million square feet of new residential space resulting from conversion projects will be subject only to local affordability requirements (which have been waived for the first seven million square feet of conversions in C-3 zoning within the District, File 24-0927). Thereafter, residential projects receiving tax increment must include affordable housing per one of the methods:

1. At least 5 percent of total units for rent are affordable to very low-income households or the local inclusionary requirement, whichever is higher, for a minimum of 55 years. (30 – 50 percent AMI), or
2. At least 10 percent of total units for rent are affordable to lower income households or the local inclusionary requirement, whichever is higher, for a minimum of 55 years. (50 – 80 percent AMI), or
  - A. At least 10 percent of total units for sale are affordable to households of moderate income or the local inclusionary requirement, whichever is higher, for a minimum of 45 years. (80 – 120 percent AMI)

According to an analysis completed by BAE Urban Economics in May 2025, 48 properties within the District comprising 3,714,446 square feet of rentable building area are likely to participate in the program. Based on these figures, approximately 40 percent of the conversions would not be subject to the above affordability requirements.

## Annual Reporting

Under State law, the District and City must both issue an annual report that contains a description of projects funded by District revenues, a comparison of the District's budgeted and actual revenues and expenditures, the amount of tax increment revenue received by the District, and a description of each commercial-to-residential conversion project within the district that opted in and the amount of tax increment revenues received. As noted above, the proposed resolution would delegate authority to the District Board to issue the required annual reports.

## FISCAL IMPACT

### Property Tax Diversion

The proposed Financing Plan projects that the District will allocate \$610,424,000 in incremental property tax revenues over 45 years. Property tax diversions are projected to begin in FY 2028-29 at \$1 million, increase to \$10 million by FY 2032-33, and reach a plateau of \$16 million in FY 2035-36, increasing by two percent annual thereafter. We show the projected allocations of property tax in Appendix II to this report. This estimate is based on analysis completed by BAE Urban Economics in May 2025, which concluded that 48 properties were likely to participate in the program, given their condition and level of vacancy. If all these properties converted to residential uses, BAE estimates that City would benefit from 4,344 additional housing units, which would receive the certificates of occupancy between FY 2028-29 – FY 2035-36.

The Financing Plan sets a maximum property tax diversion at \$1,220,852,000, or double the projected amount, to allow for more than 48 properties to participate in the program or for higher growth in assessed value for opted-in projects than are projected.

### Impact on the General Fund

The Financing Plan includes a fiscal impact analysis that assesses the impact of these conversions on the City's revenues and expenditures. The analysis was completed by BAE Urban Economics in October 2025 and uses the same assumptions regarding program participation as above. The analysis concluded that conversion projects would have an annual impact on the General Fund of -\$169,166 to \$11,027 per property, or -\$8,289,122 to \$540,339 if all 48 properties participated, depending on the assumptions used in the analysis.

The standard fiscal impact analysis estimates the value of new properties and change in service population and then estimates that population's economic activity and associated impact on General Fund revenues, net of baseline spending requirements. It then takes the most recently adopted General Fund budget per capita and applies those parameters to estimate the new service requirements and resulting net income for the General Fund. This results in the negative General Fund net income estimate of -\$169,166 per property above. The negative value is driven by the District diverting all incremental property taxes to offset eligible conversion project costs.

BAE also completed a sensitivity analysis that assumed higher level existing spending to account for fact that area within the District is already developed and serviced by the City. This results in

a smaller increase in City spending and a positive net income for the General Fund of \$11,027 per property.

## POLICY CONSIDERATION

### Project-Level Analysis

Using data from the fiscal impact analysis in the Financing Plan, we examined how the proposed diversion of property tax revenues could impact conversion project feasibility. BAE assumes existing assessed values of \$250 per square foot and new assessed values of approximately \$875 per square foot. These assumptions appear reasonable given recent City real estate transactions involving office space and publicly listed condominium prices. We analyzed how a range of sales prices, from \$600 to \$1,050 per square foot, and a range of conversion costs, from \$550 - \$850 per square foot for hard costs<sup>1</sup> (or \$660 - \$1,020 per square foot for total development costs), could impact project feasibility. We found that the proposed Financing Plan's allocation of property taxes would provide 5 – 23 percent of development costs over thirty years, depending on acquisition costs, conversion costs, and the final sales price (which influences the available tax increment). This range is similar to the percentage of total development costs enhanced infrastructure financing districts provide for the Power Station, 3333 California, and Stonestown projects, which ranges from 14 – 20 percent of total development costs. The Board of Supervisors and District Board of Directors should consider establishing a cap on the percentage of project costs that the District will pay for, such as 15 percent (in present value). This could be accomplished by amending the Financing Plan or Program Guidelines, the latter of which is approved by the Board of Directors.

Our analysis also concluded that the annual cap on property tax diversion to individual projects of 1/30 of conversion costs was not a limiting constraint on annual property tax distributions. The distributions would be limited to actual project costs and the amount of increment generated by an individual property, less administrative expenses for the District.

In addition, our analysis suggests that if property owners can minimize conversion costs and sell new condominiums at the higher end of our sales price range, they may not need the proposed property taxes to make their projects financially feasible. Similarly, in their 2023 analysis, HR&A found that most office conversions were not financially feasible without regulatory incentives but also that buildings with the highest vacancies may be able to convert without additional financial incentives. Given the broad eligibility criteria in the proposed Financing Plan, these projects could still benefit from the proposed diversion of property taxes.

### Differences With Other Tax Increment Financing Districts

Unlike most other tax increment financing districts, which normally fund affordable housing units, utilities, or some other type of public infrastructure improvement, this diversion of

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<sup>1</sup> The hard cost estimates are sourced from analysis completed by HR&A Advisors in February 2023 (and reviewed by BAE Urban Economics as part of their fiscal impact assessment).

property tax revenues would be mostly for market rate housing. In addition, the proposed Financing Plan contemplates allocating 100 percent of the City share of property taxes to project costs, rather than 50 percent, as the City's three enhanced infrastructure financing districts do for the Power Station, 3333 California, and Stonestown development projects. For this reason, these projects have a negative or modest impact on the General Fund. At the same time, Downtown Revitalization District could accelerate the delivery of downtown housing and refresh obsolete buildings.

### **Citywide Policy Regarding Infrastructure Financing Districts**

The City's FY 2026-2035 Capital Plan includes financial policies to (1) restrict the maximum incremental property tax revenue that is allocated to an infrastructure financing district to no more than 50% of the annual incremental property tax revenue, (2) require that each district have a projected positive General Fund net fiscal benefit over its term after subtracting the incremental property tax revenue allocated to the infrastructure financing district, and (3) limit infrastructure financing debt service payments to no more than five percent of Citywide annual property tax revenues. In FY 2025-26, property tax revenues are budgeted at \$2.49 billion, so five percent of property tax revenues are approximately \$124 million.

According to the Office of Public Finance and OEWD, although it uses tax increment financing to fund development projects, the proposed Downtown Revitalization District is not subject to the above-mentioned financial policies. However, if it were considered an infrastructure financing district, which we believe it should as it is a tax increment financing tool, it would not comply with the first two policies, as it allocates 100% of incremental property tax revenues to projects and the standard fiscal analysis shows that the District would have a negative impact on the General Fund. However, as noted above, the District has a modest positive impact on the General Fund when different assumptions are used regarding the level of existing City services in the downtown area.

Because the District does not issue debt, the proposed property tax diversions from the General Fund also do not count against the five percent debt service limit described above. The Office of Public Finance (OPF) is not tracking the impact of the proposed District on Citywide property taxes. However, OPF reported to our office that all applicable and pending infrastructure financing district debt are projected to constitute approximately 4.70% of City property tax revenues, including pending infrastructure financing districts for three Port projects: Piers 30-32, Piers 38-40, and Fisherman's Wharf. Excluding the proposed Port IFD project areas, the total is 4.14%. Our analysis concluded that proposed Downtown Revitalization District Financing Plan would encumber approximately 0.48% of property tax revenues, so if it were included in the City's tax increment financial policies and all other pending IFDs were approved, they would exceed the five percent cap, based on today's property tax revenues. If the City's economic recovery accelerates and property tax revenues increase by more than is currently projected, the projects could be below the cap.

### **Delegated Authority**

As noted above, the proposed resolution delegates authority to the Downtown Revitalization District to approve property tax distribution agreements with property owners. These

agreements would require otherwise require Board of Supervisors' approval under Charter Section 9.118(b) due to exceeding ten years.

In addition, the Financing Plan allows for unused property tax increment to fund downtown revitalization programs, as allowed under the State law authorizing the District. This would occur outside the annual appropriation process and, in our view, this diminishes the Board of Supervisor's budget authority and should be removed from the Financing Plan. However, the District Board includes three out of five seats for members of the Board of Supervisors, so if the provision remains in the Financing Plan the Board of Supervisors will retain influence over those decisions. In addition, because the District will only fund 5 – 23 percent of project costs, there is unlikely to be unused property tax increment.

### **Follow Up From Our Prior Recommendations**

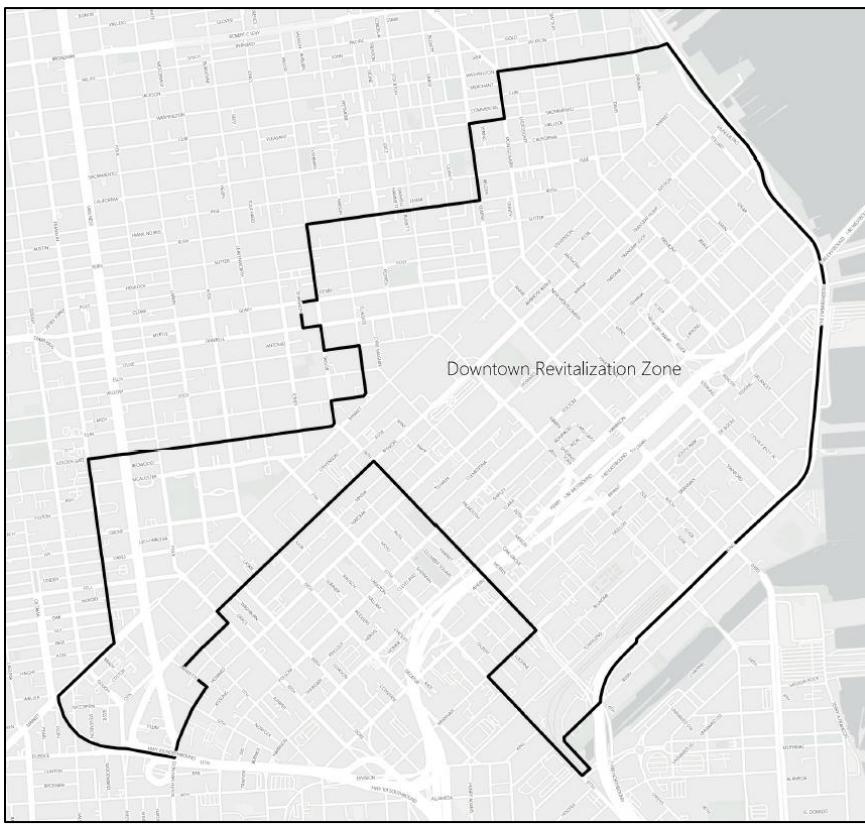
In our report on the resolution of intention to establish this District, we noted several unresolved policy issues, including whether the District will include existing redevelopment areas, whether it will allocate in-lieu vehicle license fee revenue, and whether City Departments such as the Controller, Board of Supervisors, Economic & Workforce Development, and Assessor, will be reimbursed for administrative costs, which we estimated at \$330,000 in ongoing costs. The proposed Financing Plan excludes projects in redevelopment areas and does not attempt to allocate in-lieu vehicle license fee revenues.

Based on revenue projections in the proposed Financing Plan, the District will not provide sufficient revenues to cover administrative expenses until FY 2033-34. The District provides no revenues for such expenses until FY 2028-29, when the District is projected to provide \$54,000 for administrative revenues, increasing to \$162,000 in FY 2029-30, \$270,000 in FY 2030-31, and to \$390,000 in FY 2032-33. The Mayor and Board of Supervisors should budget for these new, unreimbursed administrative expenses between FY 2026-27 – FY 2032-33. An alternative funding mechanism for administrative costs could be for OEWD to establish reimbursement agreements with developers, as they do for large development projects.

### **RECOMMENDATIONS**

1. The Board of Supervisors and District Board of Directors should consider establishing a cap on the percentage of project costs that the District will pay for, such as 15 percent (in present value).
2. Approve the proposed resolution.

**Appendix I: Map of Proposed Downtown Revitalization District**



Source: OEWD

## Appendix II: Projected Property Tax Allocations (excerpt from Financing Plan)

Table 2. Projected Allocated Tax Revenue

District Year	Fiscal Year	% of Units in District Receiving COO (a)	Estimated Incremental Assessed Value (\$000) (b)	Gross Tax Increment (1% Incremental Assessed Value) (\$000)	City Share of Increment (64.588206%) (\$000)	Allocated Tax Revenue (1% Ad Valorem Property Tax Revenue) (\$000) (c) (d)	District Admin Fee (000\$) (e)	Allocated Tax Revenue Minus Admin Fee (000\$)
1	2025/26	0.00%	\$0	\$0	\$0	\$0	\$0	\$0
2	2026/27	0.00%	\$0	\$0	\$0	\$0	\$0	\$0
3	2027/28	0.00%	\$0	\$0	\$0	\$0	\$0	\$0
4	2028/29	7.14%	\$166,405	\$1,664	\$1,075	\$1,075	\$54	\$1,021
5	2029/30	14.29%	\$502,544	\$5,025	\$3,246	\$3,246	\$162	\$3,084
6	2030/31	14.29%	\$845,406	\$8,454	\$5,460	\$5,460	\$273	\$5,187
7	2031/32	14.29%	\$1,195,124	\$11,951	\$7,719	\$7,719	\$386	\$7,333
8	2032/33	14.29%	\$1,551,837	\$15,518	\$10,023	\$10,023	\$501	\$9,522
9	2033/34	14.29%	\$1,915,685	\$19,157	\$12,373	\$12,373	\$619	\$11,754
10	2034/35	14.29%	\$2,286,809	\$22,868	\$14,770	\$14,770	\$739	\$14,032
11	2035/36	7.14%	\$2,498,951	\$24,990	\$16,140	\$16,140	\$807	\$15,333
12	2036/37	0.00%	\$2,548,930	\$25,489	\$16,463	\$16,463	\$823	\$15,640
13	2037/38	0.00%	\$2,599,908	\$25,999	\$16,792	\$16,792	\$840	\$15,953
14	2038/39	0.00%	\$2,651,906	\$26,519	\$17,128	\$17,128	\$856	\$16,272
15	2039/40	0.00%	\$2,704,945	\$27,049	\$17,471	\$17,471	\$874	\$16,597
16	2040/41	0.00%	\$2,759,043	\$27,590	\$17,820	\$17,820	\$891	\$16,929
17	2041/42	0.00%	\$2,814,224	\$28,142	\$18,177	\$18,177	\$909	\$17,268
18	2042/43	0.00%	\$2,870,509	\$28,705	\$18,540	\$18,540	\$927	\$17,613
19	2043/44	0.00%	\$2,927,919	\$29,279	\$18,911	\$18,911	\$946	\$17,965
20	2044/45	0.00%	\$2,986,477	\$29,865	\$19,289	\$19,289	\$964	\$18,325
21	2045/46	0.00%	\$3,046,207	\$30,462	\$19,675	\$19,675	\$984	\$18,691
22	2046/47	0.00%	\$3,107,131	\$31,071	\$20,068	\$20,068	\$1,003	\$19,065
23	2047/48	0.00%	\$3,169,274	\$31,693	\$20,470	\$20,470	\$1,023	\$19,446
24	2048/49	0.00%	\$3,232,659	\$32,327	\$20,879	\$20,879	\$1,044	\$19,835
25	2049/50	0.00%	\$3,297,312	\$32,973	\$21,297	\$21,297	\$1,065	\$20,232
26	2050/51	0.00%	\$3,363,259	\$33,633	\$21,723	\$21,723	\$1,086	\$20,637
27	2051/52	0.00%	\$3,430,524	\$34,305	\$22,157	\$22,157	\$1,108	\$21,049
28	2052/53	0.00%	\$3,499,134	\$34,991	\$22,600	\$22,600	\$1,130	\$21,470
29	2053/54	0.00%	\$3,569,117	\$35,691	\$23,052	\$23,052	\$1,153	\$21,900

30	2054/55	0.00%	\$3,640,499	\$36,405	\$23,513	\$23,513	\$1,176	\$22,338
31	2055/56	0.00%	\$3,713,309	\$37,133	\$23,984	\$23,984	\$1,199	\$22,784
32	2056/57	0.00%	\$3,787,575	\$37,876	\$24,463	\$24,463	\$1,223	\$23,240
33	2057/58	0.00%	\$3,863,327	\$38,633	\$24,953	\$24,953	\$1,248	\$23,705
34	2058/59	0.00%	\$3,940,593	\$39,406	\$25,452	\$23,505	\$1,175	\$22,330
35	2059/60	0.00%	\$4,019,405	\$40,194	\$25,961	\$20,081	\$1,004	\$19,077
36	2060/61	0.00%	\$4,099,793	\$40,998	\$26,480	\$16,589	\$829	\$15,760
37	2061/62	0.00%	\$4,181,789	\$41,818	\$27,009	\$13,027	\$651	\$12,376
38	2062/63	0.00%	\$4,265,425	\$42,654	\$27,550	\$9,394	\$470	\$8,925
39	2063/64	0.00%	\$4,350,734	\$43,507	\$28,101	\$5,689	\$284	\$5,404
40	2064/65	0.00%	\$4,437,748	\$44,377	\$28,663	\$1,909	\$95	\$1,813
41	2065/66	0.00%	\$4,526,503	\$45,265	\$29,236	\$0	\$0	\$0
42	2066/67	0.00%	\$4,617,033	\$46,170	\$29,821	\$0	\$0	\$0
43	2067/68	0.00%	\$4,709,374	\$47,094	\$30,417	\$0	\$0	\$0
44	2068/69	0.00%	\$4,803,561	\$48,036	\$31,025	\$0	\$0	\$0
45	2069/70	0.00%	\$4,899,633	\$48,996	\$31,646	\$0	\$0	\$0
<b>Cumulative Total Over District Term</b>						<b>\$610,426</b>	<b>\$30,521</b>	<b>\$579,905</b>

Total Assessed Value Increment at Buildout (000\$) (f)	\$2,329,674
Length of Opt-In Period (Years)	7
Annual Increase in Assessed Value after Issuance of Certificate of Occupancy (g)	2.00%

**[Footnotes are on the following page]**

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# **SAN FRANCISCO DOWNTOWN REVITALIZATION AND ECONOMIC RECOVERY FINANCING DISTRICT**

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## **Downtown Revitalization Financing Plan**

**Draft dated  
December 10, 2025**

**Adoption date  
\_\_\_\_\_ 20\_\_\_\_**

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### Exhibits

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Exhibit A - Legal Description of the Downtown Revitalization District

Exhibit B -Map of the Downtown Revitalization District

Exhibit C - Fiscal Impact Analysis

## INTRODUCTION

1. ***Downtown Revitalization District.*** This Downtown Revitalization Financing Plan (“Downtown Revitalization Plan”) has been prepared at the direction of the Board of Directors of the San Francisco Downtown Revitalization and Economic Recovery Financing District (“Board of Directors”), in its capacity as the governing body of the San Francisco Downtown Revitalization and Economic Recovery Financing District (“Downtown Revitalization District”), under Division 8 of Title 6 of the California Government Code (“Downtown Revitalization Law”).

The Downtown Revitalization Law defines the Downtown Revitalization District as a legally constituted governmental entity separate and distinct from the City and County of San Francisco (“City”). The Downtown Revitalization Law also declares that the Downtown Revitalization District shall be deemed a district within the meaning of Section 1 of Article XIII A of the California Constitution.

2. ***Purpose of the Downtown Revitalization District.*** Pursuant to the Downtown Revitalization Law, the sole purpose of the Downtown Revitalization District is to finance commercial-to-residential conversion projects in Downtown San Francisco that support downtown revitalization and economic recovery or other projects of communitywide significance in downtown San Francisco that support downtown revitalization and economic recovery.

In accordance with Government Code Section 62453(a), the Downtown Revitalization District will provide financing using incremental tax revenues generated by commercial-to-residential conversion projects within the District. The Downtown Revitalization District shall finance only (i) commercial-to-residential conversion projects that the Downtown Revitalization District determines are of communitywide significance and that provide significant benefits to the Downtown Revitalization District or San Francisco or (ii) other projects of communitywide significance in downtown San Francisco that support downtown revitalization and economic recovery.

3. ***Certain Definitions.*** The following terms are defined in the Downtown Revitalization Law and used in this Downtown Revitalization Plan:

“*Commercial-to-residential conversion project*” means a housing development project that converts an existing qualifying commercial building to market rate or affordable housing by either reuse of the existing commercial building or by replacing the commercial building with a new residential building. A commercial-to-residential conversion project may be mixed use, but at least 60 percent of the square footage of the commercial-to-residential conversion must be designated for residential use. Mixed-use developments must be limited to residential and commercial uses.

*“Communitywide significance”* means benefits associated with the commercial-to-residential conversion project beyond the conversion of commercial space to residential dwelling units.

*“Downtown San Francisco”* means an area in the City and County of San Francisco bounded beginning at the intersection of Washington Street and The Embarcadero, running southerly along The Embarcadero and then King Street to 3rd Street, running northwesterly on 3rd Street to Townsend Street, running southwesterly along Townsend Street to 6th Street, running northwesterly along 6th Street to Mission Street, running southwesterly along Mission Street to 10th Street, running southeasterly along 10th Street to Minna Street, running southwesterly along Minna Street to Lafayette Street, running southeasterly along Lafayette Street to Howard Street, running southerly along Howard Street to the junction with the Central Freeway, running westerly along the Central Freeway to Market Street, running northeasterly along Market Street to Franklin Street, running northerly along Franklin Street to Golden Gate Avenue, running easterly along Golden Gate Avenue to Taylor Street, running northerly along Taylor Street to Turk Street, running easterly along Turk Street to Mason Street, running northerly along Mason Street to Ellis Street, running westerly along Ellis Street to Taylor Street, running northerly along Taylor Street to O’Farrell Street, running westerly along O’Farrell Street to Shannon Street, running northerly along Shannon Street to Geary Street, running easterly along Geary Street to Taylor Street, running northerly along Taylor Street to Bush Street, running easterly along Bush Street to Kearny Street, running northerly along Kearny Street to Sacramento Street, running easterly along Sacramento Street to Montgomery Street, running northerly along Montgomery Street to Washington Street, and running easterly along Washington Street to The Embarcadero. See Section A below.

*“Lower income households”* is defined in Section 62450(i) of the Downtown Revitalization Law to have the same meaning as defined in Section 50079.5 of the California Health and Safety Code.

*“Moderate income households”* is defined in Section 62450(j) of the Downtown Revitalization Law to mean households of persons and families of moderate income, as defined in Section 50093 of the Health and Safety Code.

*“Opted-in taxable property”* is defined in Section 62450(l) of the Downtown Revitalization Law to mean the property of a commercial-to-residential conversion project that has opted in to receive incremental tax revenue pursuant to Section 62459.

*“Qualifying commercial building”* means a commercial building identified in the downtown revitalization financing plan.

*“Very low income households”* is defined in Section 62450(o) of the Downtown Revitalization Law to have the same meaning as defined in Section 50105 of the California Health and Safety Code.

4. ***Requirements of the Downtown Revitalization Plan.*** The Downtown Revitalization Law requires this Downtown Revitalization Plan to include the following information:

- (a) A legal description and map of the Downtown Revitalization District. *See Section A below.*
- (b) A description of the potential commercial-to-residential conversion projects that are proposed in the area of the Downtown Revitalization District. A commercial-to-residential conversion project may be mixed use, but at least 60 percent of the square footage of the commercial-to-residential conversion shall be designated for residential use. Mixed-use developments shall be limited to residential and commercial uses. *See Section B below.*
- (c) A requirement that if nonresidential development is included in the development pursuant to paragraph (b) above, at least 25 percent of the total planned units affordable to lower income households shall be made available for lease or sale and permitted for use and occupancy before or at the same time with every 25 percent of nonresidential development made available for lease or sale and permitted for use and occupancy. *See Section C below.*
- (d) (1) A requirement that an opted-in taxable property shall not receive a property tax distribution from the Downtown Revitalization District unless it meets one of the following:
  - (A) At least 5 percent of total units for rent are affordable to very low income households or the local inclusionary requirement, whichever is higher, for a minimum of 55 years.
  - (B) At least 10 percent of total units for rent are affordable to lower income households or the local inclusionary requirement, whichever is higher, for a minimum of 55 years.
  - (C) At least 10 percent of total units for sale are affordable to households of moderate income or the local inclusionary requirement, whichever is higher, for a minimum of 45 years.
- (2) The affordability requirements established pursuant to the Downtown Revitalization Law shall not apply to the first 1,500,000 square feet of opted-in commercial-to-residential conversion projects. *See Section D below.*

- (e) A finding that the potential commercial-to-residential conversion projects and financial assistance are of communitywide significance and provide significant benefits to an area larger than the area of the Downtown Revitalization District. *See Section B below.*
- (f) Identification of each existing commercial building within the Downtown Revitalization District that is eligible for conversion to residential use and that may opt in to receive incremental tax revenue pursuant to the Downtown Revitalization Law. *See Section B below.*
- (g) A requirement that the incremental tax revenues generated by each individual commercial-to-residential conversion project within the Downtown Revitalization District that are allocated to the Downtown Revitalization District by the City be distributed by the Downtown Revitalization District back to that same project for the purpose of financing necessary development costs. Each individual commercial-to-residential conversion project shall receive an annual distribution on a pay-go basis in an amount no greater than the amount of incremental tax revenues generated by that same commercial-to-residential conversion project for a maximum of 30 years or until the Downtown Revitalization District ceases to exist, whichever occurs first. *See Section E below.*
- (h) A requirement that the first distribution of incremental tax revenue to a commercial-to-residential conversion project pursuant to paragraph (g) above commence with the fiscal year that begins after the project is issued a certificate of occupancy. *See Section E below.*
- (i) A requirement that if an opted-in taxable property is sold or otherwise transferred to a new property owner, the distribution described in paragraph (g) above shall also be transferred to the new property owner. *See Section E below.*
- (j) A requirement that any incremental tax revenues remaining after the distribution of revenues pursuant to paragraph (g) above be used for downtown revitalization programs. Once the allocation of revenues has ceased, the tax increment shall be allocated to, and, when collected, shall be apportioned to, the City. *See Section E below.*
- (k) A requirement that local administrative costs to implement the Downtown Revitalization Plan do not exceed 5 percent of the tax revenues allocated pursuant to the Downtown Revitalization Plan, not including amounts required to reimburse the City for the costs of establishing the Downtown Revitalization District or the costs incurred by the City in connection with the division of taxes for the Downtown Revitalization District. *See Section E below.*

- (l) A financing section, which contains all of the following information (*see Section F below*):
  - (i) A specification of the maximum portion of the incremental tax revenue of the City proposed to be committed to the Downtown Revitalization District for each year during which the Downtown Revitalization District will receive incremental tax revenue. The portion may change over time.
  - (ii) A projection of the amount of tax revenues expected to be received by the Downtown Revitalization District in each year during which the Downtown Revitalization District will receive tax revenues.
  - (iii) A limit on the total number of dollars of taxes that may be allocated to the Downtown Revitalization District pursuant to the plan.
- (iv) A date on which the Downtown Revitalization District will cease to exist, by which time all tax allocations to the Downtown Revitalization District will end. The date shall not be more than 45 years from the date on which the Downtown Revitalization District distributes funding to the first commercial-to-residential conversion project within the district
- (v) An analysis of the costs to the City of providing facilities and services to the area of the Downtown Revitalization District while the area is being developed and after the area is developed. The plan shall also include an analysis of the tax, fee, charge, and other revenues expected to be received by the City as a result of expected development in the area of the Downtown Revitalization District.
- (vi) An analysis of the projected fiscal impact of the Downtown Revitalization District and the associated development upon the City.

- (m) If any residential dwelling units within the territory of the Downtown Revitalization District are proposed to be removed or demolished in the course of a commercial-to-residential conversion project within the area of the Downtown Revitalization District, a plan providing for replacement of those units and relocation of those persons or families consistent with the requirements of Article 2 (commencing with Section 66300.5) of Chapter 12 of Division 1 of Title 7 of the California Government Code. *See Section G below.*
- (n) The goals the Downtown Revitalization District proposes to achieve for each project financed pursuant to the Downtown Revitalization Law. *See Section H below.*

## **A. LEGAL DESCRIPTION AND MAP**

### **1. General Description of Property in the Downtown Revitalization District.**

The boundaries of the Downtown Revitalization District are coterminous with the boundaries of Downtown San Francisco as defined above. See Exhibit A for a legal description of the property in the Downtown Revitalization District and Exhibit B for a map of the Downtown Revitalization District.

**2. Overlap with Redevelopment Project Area(s).** Any properties in the boundaries of the Downtown Revitalization District that are also in a redevelopment project area that was created pursuant to Part 1 (commencing with Section 33000) of Division 24 of the California Health and Safety Code (“Redevelopment Project Area”) are not eligible to opt into receiving incremental tax revenue.

## **B. DESCRIPTION AND IDENTIFICATION OF POTENTIAL COMMERCIAL-TO-RESIDENTIAL CONVERSION PROJECTS; FINDING OF COMMUNITYWIDE SIGNIFICANCE AND SIGNIFICANT BENEFITS; PROCESS FOR OPTING INTO RECEIVING INCREMENTAL TAX REVENUE; LABOR STANDARDS**

**1. Description and Identification of Potential Commercial-to-Residential Conversion Projects.** As explained above, the purpose of the Downtown Revitalization District is to finance commercial-to-residential conversion projects or other projects of communitywide significance in downtown San Francisco that support downtown revitalization and economic recovery with incremental tax revenues generated by commercial-to-residential conversion projects within the Downtown Revitalization District. Each existing commercial building within the Downtown Revitalization District that is not in redevelopment project area described in Section A.2 above and is zoned for residential use is eligible for conversion to residential use and may opt in to receive incremental tax revenue pursuant to the Downtown Revitalization Law.

**2. Findings of Communitywide Significance and Significant Benefits; Finding of Consistency with General Plan and Specific Plans.** Under the Downtown Revitalization Law, the Downtown Revitalization District shall finance only commercial-to-residential conversion projects that the Downtown Revitalization District determines are of communitywide significance and that provide significant benefits to the Downtown Revitalization District or the City. Accordingly, it is hereby determined that any commercial-to-residential conversion projects in the boundaries of the Downtown Revitalization District that meet the requirement for assistance with incremental tax revenues under the Downtown Revitalization Law are of communitywide significance and provide significant benefits to the Downtown Revitalization District and the City. See Section H below for the goals of the Downtown Revitalization District.

The Downtown Revitalization District may also finance other projects of communitywide significance in downtown San Francisco that support downtown revitalization and economic recovery in accordance with the Downtown Revitalization Law.

In accordance with Section 62456 of the Downtown Revitalization Law, this Downtown Revitalization Plan is consistent with the general plan and applicable specific plans of the City.

**3. *Process for Commercial-to-Residential Conversion Projects to Opt into Receiving Incremental Tax Revenue.*** In accordance with the Downtown Revitalization Law, the Downtown Revitalization District will establish a process for eligible commercial-to-residential conversion projects to opt into receiving incremental tax revenue generated by that same commercial-to-residential conversion project.

An eligible commercial-to-residential conversion project may opt in to receive incremental tax revenue generated by that same commercial-to-residential conversion project at any time before the project is issued the first building permit for the project.

A commercial-to-residential conversion project shall not be eligible to opt in to receive incremental tax revenue after December 31, 2032.

After a commercial-to-residential conversion project opts in, the Downtown Revitalization District shall determine whether it meets the requirements of the Downtown Revitalization Law and can begin receiving property tax incremental revenues. If the Downtown Revitalization District determines that the project does not meet the requirements of the Downtown Revitalization Law, or that the Downtown Revitalization District does not have enough room for the project under the limit on the total number of dollars of taxes that may be allocated to the Downtown Revitalization District pursuant to this Downtown Revitalization Plan, the Downtown Revitalization District shall not allow the project to begin receiving incremental tax revenue.

## **C. REQUIREMENTS APPLICABLE TO MIXED-USE DEVELOPMENTS**

A commercial-to-residential conversion project may be mixed use, but at least 60 percent of the square footage of the commercial-to-residential conversion shall be designated for residential use. Mixed-use developments shall be limited to residential and commercial uses. Commercial use and residential use shall have the meanings given them in the guidelines adopted by the Board of Directors pursuant to Section 62459(a)(1) of the Downtown Revitalization Law.

If a commercial-to-residential conversion project includes nonresidential development, at least 25 percent of the total planned units affordable to lower income households shall be made available for lease or sale and permitted for use and occupancy before or at the

same time with every 25 percent of nonresidential development made available for lease or sale and permitted for use and occupancy. This restriction shall be enforced by recorded covenants or restrictions.

## **D. AFFORDABILITY RESTRICTIONS**

In accordance with the Downtown Revitalization Law, an opted-in taxable property shall not receive a property tax distribution from the Downtown Revitalization District unless it meets one of the following:

- (1) At least 5 percent of total units for rent are affordable to very low income households or the local inclusionary requirement, whichever is higher, for a minimum of 55 years.
- (2) At least 10 percent of total units for rent are affordable to lower income households or the local inclusionary requirement, whichever is higher, for a minimum of 55 years.
- (3) At least 10 percent of total units for sale are affordable to households of moderate income or the local inclusionary requirement, whichever is higher, for a minimum of 45 years.

This restriction shall be enforced by recorded covenants or restrictions.

These affordability requirements will not apply to the first 1,500,000 square feet of opted-in commercial-to-residential conversion projects.

## **E. USE OF INCREMENTAL TAX REVENUES**

**1. *Incremental Tax Revenues Allocated to the Downtown Revitalization District.*** Incremental tax revenues generated by commercial-to-residential conversion projects within the Downtown Revitalization District will be allocated to, and when collected will be paid into a special fund of, the Downtown Revitalization District for all lawful purposes. The incremental tax revenues allocated to the Downtown Revitalization District are limited to those revenues described in Section F that are generated through commercial-to-residential conversion projects within the Downtown Revitalization District that have opted in to receive incremental tax revenue in accordance with this Downtown Revitalization Plan.

**2. *Distribution to Commercial-to-Residential Conversion Projects.*** The incremental tax revenues generated by each individual commercial-to-residential conversion project within the Downtown Revitalization District that are allocated to the Downtown Revitalization District by the City will be distributed by the Downtown Revitalization District back to that same project for the purpose of financing necessary development costs (as defined in the guidelines adopted by the Board of Directors

pursuant to Section 62459(a)(1) of the Downtown Revitalization Law). Each individual commercial-to-residential conversion project shall receive an annual distribution on a pay-go basis in an amount no greater than the amount of incremental tax revenues generated by that same commercial-to-residential conversion project for a maximum of 30 years or until the Downtown Revitalization District ceases to exist, whichever occurs first.

**3. *First Distribution of Incremental Tax Revenue.*** The first distribution of incremental tax revenue to a commercial-to-residential conversion project will commence with the fiscal year that begins after the project is issued a certificate of occupancy.

**4. *Distribution of Incremental Tax Revenue after the Sale of an Opted-In Commercial-to-Residential Conversion Project.*** If an opted-in commercial-to-residential conversion project is sold or otherwise transferred to a new property owner, the future distribution of incremental tax revenue described in this Section E shall also be transferred to the new property owner.

**5. *Allocation of Remaining Incremental Tax Revenues.*** Any incremental tax revenues remaining after the distribution of revenues described in this Section E to commercial-to-residential conversion projects shall be used to finance other projects of communitywide significance in downtown San Francisco that support downtown revitalization and economic recovery identified by the City, and when the City has determined that no such projects remain to be financed, such revenues shall be allocated to, and, when collected, shall be apportioned to, the City.

**6. *Administrative Costs.*** Section 62456(k) of the Downtown Revitalization Law provides that local administrative costs to implement the Downtown Revitalization Plan may not exceed 5 percent of the tax revenues allocated pursuant to the Downtown Revitalization Plan, not including amounts required to reimburse San Francisco for the costs of establishing the district or the costs described in Section 62461 of the Downtown Revitalization Law.

Section 62461 of the Downtown Revitalization Law provides that all costs incurred by the City in connection with the division of taxes pursuant to the Downtown Revitalization Plan shall be paid by the Downtown Revitalization District.

The Downtown Revitalization District may finance any other expenses incidental to the formation, administration (including preparation of annual reports and audits required by the Downtown Revitalization Law and communicating with the owners of opted-in commercial-to-residential conversion projects) and implementation of the Downtown Revitalization District, including, but not limited to, the costs of creation and administration of the Downtown Revitalization District; and legal costs.

The City will pay to the Downtown Revitalization District, be deemed to have paid to the Downtown Revitalization District or advance to third parties on behalf of the

Downtown Revitalization District such amounts as the City deems necessary for the Downtown Revitalization District's administrative expenses and overhead. The funds paid by the City to the Downtown Revitalization District, deemed to have been paid to the Downtown Revitalization District or advanced to third parties on behalf of the Downtown Revitalization District for administrative expenses and overhead shall constitute an advance and shall be repaid by the Downtown Revitalization District.

Local administrative costs to implement the Downtown Revitalization Plan shall not exceed 5 percent of the tax revenues allocated pursuant to this Downtown Revitalization Plan, not including amounts required to reimburse the City for the costs of establishing the Downtown Revitalization District or the costs incurred by the City in connection with the division of taxes for the Downtown Revitalization District.

Allocated Tax Revenue allocated pursuant to this Downtown Revitalization Plan will be used to pay administrative costs before it is distributed to the owners of opted-in commercial-to-residential conversion projects.

## **F. FINANCING OF COMMERCIAL-TO-RESIDENTIAL CONVERSION PROJECTS**

1. *Allocation of 1% Ad Valorem Property Tax Revenue.* Section 62457(a) of the Downtown Revitalization Law authorizes this Downtown Revitalization Plan to include a provision that taxes, if any, levied upon opted-in taxable property in the area included within the Downtown Revitalization District each year by or for the benefit of the State of California, or the City, shall be divided as follows:

(1) That portion of the taxes that would be produced by the rate upon which the tax is levied each year by or for the City upon the total sum of the assessed value of all of the opted-in taxable property in the Downtown Revitalization District, as established pursuant to subdivision (b) of Section 62459, shall be allocated to, and when collected shall be paid to, the City as taxes on all other property are paid.

(2) That portion of the levied taxes each year specified in this Downtown Revitalization Plan for the City in excess of the amount specified in paragraph (1) shall be allocated to, and when collected shall be paid into a special fund of, the Downtown Revitalization District for all lawful purposes of the Downtown Revitalization District. Unless and until the total assessed valuation of the opted-in taxable property in the Downtown Revitalization District exceeds the total assessed value of the opted-in taxable property in the Downtown Revitalization District as shown by the last equalized assessment rolls referred to in paragraph (1), all of the taxes levied and collected upon the opted-in taxable property in the Downtown Revitalization District shall be paid to the City. When the Downtown Revitalization District ceases to exist pursuant to the adopted downtown revitalization financing plan, all moneys thereafter received from taxes upon the

opted-in taxable property in the district shall be allocated to, and, when collected, shall be apportioned to, the City.

In compliance with Section 62457(a) of the Downtown Revitalization Law, this Downtown Revitalization Plan provides as follows:

(1) That portion of the taxes that would be produced by the 1 percent ad valorem tax rate each year by or for the City upon the total sum of the assessed value of all of the opted-in taxable property in the Downtown Revitalization District, as established pursuant to subdivision (b) of Section 62459, shall be allocated to, and when collected shall be paid to, the City as taxes on all other property are paid.

(2) That portion of the 1 percent ad valorem tax rate each year specified in this Downtown Revitalization Plan for the City in excess of the amount specified in paragraph (1) shall be allocated to, and when collected shall be paid into a special fund of, the Downtown Revitalization District for all lawful purposes of the Downtown Revitalization District. Unless and until the total assessed valuation of the opted-in taxable property in the Downtown Revitalization District exceeds the total assessed value of the opted-in taxable property in the Downtown Revitalization District as shown by the last equalized assessment rolls referred to in paragraph (1), all of the taxes levied and collected upon the opted-in taxable property in the Downtown Revitalization District shall be paid to the City. When the Downtown Revitalization District ceases to exist pursuant to this Downtown Revitalization Plan, all moneys thereafter received from taxes upon the opted-in taxable property in the Downtown Revitalization District shall be allocated to, and, when collected, shall be apportioned to, the City.

Separately with respect to each commercial-to-residential conversion project, the City will not allocate to the Downtown Revitalization District any of the tax revenue described in this Section F.1 while the project is within a Redevelopment Project Area.

The portion of the incremental tax revenues described in this Section F.1 generated by a commercial-to-residential conversion project that can be allocated to the Downtown Revitalization District shall be limited to the incremental tax revenues generated by "converted residential use" in the project, with converted residential use measured based on the square footage converted from commercial use to residential use (not the total square footage of residential use). For illustrative purposes, if 60% of the square footage of the project is used for residential purposes, but only 50% of the square footage of the project is converted residential use, then 50% of the City Share of Increment is allocated to the Downtown Revitalization District.

**2. *No Allocation of Incremental Section 97.70 Property Tax Revenue.*** The Downtown Revitalization Law provides that the portion of any ad valorem property tax revenue annually allocated to the City pursuant to Section 97.70 of the Revenue and

Taxation Code that is specified in the adopted Downtown Revitalization Plan, and that corresponds to the increase in the assessed valuation of taxable property shall be allocated to, and, when collected, shall be apportioned to, a special fund of the district for all lawful purposes of the district. This revenue is referred to in this Downtown Revitalization Plan as "Section 97.70 Property Tax Revenue." The City shall not allocate to the Downtown Revitalization District any portion of the Section 97.70 Property Tax Revenue.

3. ***No Allocation of Net Available Revenue.*** The Downtown Revitalization Law authorizes the Board of Supervisors to dedicate any portion of its Net Available Revenue to the Downtown Revitalization District through the Downtown Revitalization Plan. The City shall not allocate to the Downtown Revitalization District any portion of its Net Available Revenue, and any properties in the boundaries of the Downtown Revitalization District that are also in a Redevelopment Project Area shall not be eligible to opt into receiving incremental tax revenue.

4. ***Definitions.*** This Downtown Revitalization Plan uses the following terms to describe the incremental property tax revenues allocated to the Downtown Revitalization District by the City:

*"Allocated Tax Revenue"* means, separately for each opted-in commercial-to-residential conversion project, 100% of the City Share of Increment (subject to the limitation in the final two paragraphs of Section F.1).

*"Base Year"* means, separately for each opted-in commercial-to-residential conversion project, the assessed value for the applicable property as shown on the assessment roll used in connection with the property by the City, last equalized prior to the first building permit being issued as a part of the conversion of the commercial-to-residential conversion project. For the avoidance of doubt, the last equalized roll shall be determined in accordance with Chapter 3 of Part 3 of Division 1 of the Revenue and Taxation Code (commencing with Section 2050).

*"City Share of Increment"* means 64.588206% of Gross Tax Increment. The following table shows the distribution of the 1% ad valorem property tax rate among taxing entities in the City, including the areas in the Downtown Revitalization District. *No taxing entity other than the City is allocating property tax revenue to the Downtown Revitalization District.*

**Table 1 – Distribution of 1% Property Tax Rate Among Taxing Agencies**

	<b>Amount Available</b>
<b>City Portion</b>	
City General Fund Portion	55.588206%
City Special Fund Portion	<u>9.000000%</u>
City Share of Increment	64.588206%
<b>Other Taxing Agencies</b>	
Education Revenue Augmentation Fund	25.330113%
San Francisco Unified School District	7.698857%
San Francisco Community College Fund	1.444422%
San Francisco County Office of Education	0.097335%
Bay Area Rapid Transit District	0.632528%
Bay Area Air Quality Management District	<u>0.208539%</u>
Total, Other Taxing Agencies	35.411794%
<b>Total, All Taxing Agencies</b>	<b>100.000000%</b>

“*Gross Tax Increment*” means 100% of the revenue produced by the application of the 1% ad valorem tax rate to the Incremental Assessed Property Value of property.

“*Incremental Assessed Property Value*” means, separately for each opted-in commercial-to-residential conversion project, in any fiscal year, the difference between the assessed value of the taxable property for that fiscal year and the assessed value of the taxable property in the Base Year, to the extent that the difference is a positive number.

4. ***Allocated Tax Revenue.*** Subject to Section F.1 above, the City has agreed to irrevocably allocate Allocated Tax Revenue to the Downtown Revitalization District, except to the extent provided in Section F.5 below and subject to the maximum amounts specified below (see Section F.6(d) - “Limit on Total Dollars Allocated to the Downtown Revitalization District”). The Allocated Tax Revenue will be distributed to a commercial-to-residential conversion project in accordance with the Downtown Revitalization Law.

5. ***Contingent Allocation.*** The annual allocation of Allocated Tax Revenue to the Downtown Revitalization District by the City is contingent upon the Downtown Revitalization District’s use of such increment in accordance with Section E above. The annual allocation of Allocated Tax Revenue to the Downtown Revitalization District by the City shall be subject to this condition, and in no event may future allocations of tax revenues be accelerated.

6. *Requirements of the Downtown Revitalization Law.*

(a) **Maximum Portion of Incremental Tax Revenue Allocated to the Downtown Revitalization District**

Subject to Section 62457(a) of the Downtown Revitalization Law as described in Section F.1 above, and except to the extent provided in Section F.5 above, the City is allocating to the Downtown Revitalization District 100% of the Allocated Tax Revenue for each year during which the Downtown Revitalization District will receive Allocated Tax Revenue for the purposes specified in Section E above.

(b) **Projection of Downtown Revitalization District Tax Revenues by Year**

Set forth in the following Table 2 is the projected annual Allocated Tax Revenue based on total assessed value increment of \$2,329,674,464 at buildout of converted properties, excluding properties in former Redevelopment Project Areas, as estimated in the San Francisco AB 2488 Commercial to Residential Conversion Analysis Initial Findings prepared by BAE Urban Economics for the City in May 2025. Projects are assumed to opt into the Downtown Revitalization District at a relatively even pace, with approximately 14% (one-seventh) of total units opting in each year. Each project is assumed to require a three-year construction period between opting in and receiving a Certificate of Occupancy. For each fiscal year, the projected incremental assessed value equals (1) the share of units receiving Certificates of Occupancy multiplied by the total assessed value increment at buildout, plus (2) the prior year's incremental assessed value increased by two percent, reflecting the maximum annual adjustment permitted under Proposition 13 for properties not subject to reassessment. The projection assumes initial allocations begin in fiscal year 2028-29, with total allocated revenue declining beginning in fiscal year 2058-59 as the first properties reach the end of their respective 30-year allocation periods, and in each subsequent year thereafter as additional properties expire.

Total Allocated Tax Revenue is projected at approximately \$610,426,000 across all Project Areas over the 45-year term of the Downtown Revitalization District. The Allocated Tax Revenue includes amounts expected to pay administrative expenses.

*The projections in this Downtown Revitalization Plan are based on available data at the time of Downtown Revitalization Plan preparation for purposes of planning and illustration. Actual results will likely differ depending on numerous factors including, but not limited to: (i) the timing of commercial-to-residential conversion projects; (ii) macroeconomic factors, such as interest rates (iii) microeconomic factors such as rents and vacancies; (iv) property valuation assessments; and (v) actual administrative costs.*

Table 2. Projected Allocated Tax Revenue

District Year	Fiscal Year	% of Units in District Receiving COO (a)	Estimated Incremental Assessed Value (\$000) (b)	Gross Tax Increment (1% Incremental Assessed Value) (\$000)	City Share of Increment (64.588206%) (\$000)	Allocated Tax Revenue (1% Ad Valorem Property Tax Revenue) (\$000) (c) (d)	District Admin Fee (000\$) (e)	Allocated Tax Revenue Minus Admin Fee (000\$)
1	2025/26	0.00%	\$0	\$0	\$0	\$0	\$0	\$0
2	2026/27	0.00%	\$0	\$0	\$0	\$0	\$0	\$0
3	2027/28	0.00%	\$0	\$0	\$0	\$0	\$0	\$0
4	2028/29	7.14%	\$166,405	\$1,664	\$1,075	\$1,075	\$54	\$1,021
5	2029/30	14.29%	\$502,544	\$5,025	\$3,246	\$3,246	\$162	\$3,084
6	2030/31	14.29%	\$845,406	\$8,454	\$5,460	\$5,460	\$273	\$5,187
7	2031/32	14.29%	\$1,195,124	\$11,951	\$7,719	\$7,719	\$386	\$7,333
8	2032/33	14.29%	\$1,551,837	\$15,518	\$10,023	\$10,023	\$501	\$9,522
9	2033/34	14.29%	\$1,915,685	\$19,157	\$12,373	\$12,373	\$619	\$11,754
10	2034/35	14.29%	\$2,286,809	\$22,868	\$14,770	\$14,770	\$739	\$14,032
11	2035/36	7.14%	\$2,498,951	\$24,990	\$16,140	\$16,140	\$807	\$15,333
12	2036/37	0.00%	\$2,548,930	\$25,489	\$16,463	\$16,463	\$823	\$15,640
13	2037/38	0.00%	\$2,599,908	\$25,999	\$16,792	\$16,792	\$840	\$15,953
14	2038/39	0.00%	\$2,651,906	\$26,519	\$17,128	\$17,128	\$856	\$16,272
15	2039/40	0.00%	\$2,704,945	\$27,049	\$17,471	\$17,471	\$874	\$16,597
16	2040/41	0.00%	\$2,759,043	\$27,590	\$17,820	\$17,820	\$891	\$16,929
17	2041/42	0.00%	\$2,814,224	\$28,142	\$18,177	\$18,177	\$909	\$17,268
18	2042/43	0.00%	\$2,870,509	\$28,705	\$18,540	\$18,540	\$927	\$17,613
19	2043/44	0.00%	\$2,927,919	\$29,279	\$18,911	\$18,911	\$946	\$17,965
20	2044/45	0.00%	\$2,986,477	\$29,865	\$19,289	\$19,289	\$964	\$18,325
21	2045/46	0.00%	\$3,046,207	\$30,462	\$19,675	\$19,675	\$984	\$18,691
22	2046/47	0.00%	\$3,107,131	\$31,071	\$20,068	\$20,068	\$1,003	\$19,065
23	2047/48	0.00%	\$3,169,274	\$31,693	\$20,470	\$20,470	\$1,023	\$19,446
24	2048/49	0.00%	\$3,232,659	\$32,327	\$20,879	\$20,879	\$1,044	\$19,835
25	2049/50	0.00%	\$3,297,312	\$32,973	\$21,297	\$21,297	\$1,065	\$20,232
26	2050/51	0.00%	\$3,363,259	\$33,633	\$21,723	\$21,723	\$1,086	\$20,637
27	2051/52	0.00%	\$3,430,524	\$34,305	\$22,157	\$22,157	\$1,108	\$21,049
28	2052/53	0.00%	\$3,499,134	\$34,991	\$22,600	\$22,600	\$1,130	\$21,470
29	2053/54	0.00%	\$3,569,117	\$35,691	\$23,052	\$23,052	\$1,153	\$21,900

30	2054/55	0.00%	\$3,640,499	\$36,405	\$23,513	\$23,513	\$1,176	\$22,338
31	2055/56	0.00%	\$3,713,309	\$37,133	\$23,984	\$23,984	\$1,199	\$22,784
32	2056/57	0.00%	\$3,787,575	\$37,876	\$24,463	\$24,463	\$1,223	\$23,240
33	2057/58	0.00%	\$3,863,327	\$38,633	\$24,953	\$24,953	\$1,248	\$23,705
34	2058/59	0.00%	\$3,940,593	\$39,406	\$25,452	\$23,505	\$1,175	\$22,330
35	2059/60	0.00%	\$4,019,405	\$40,194	\$25,961	\$20,081	\$1,004	\$19,077
36	2060/61	0.00%	\$4,099,793	\$40,998	\$26,480	\$16,589	\$829	\$15,760
37	2061/62	0.00%	\$4,181,789	\$41,818	\$27,009	\$13,027	\$651	\$12,376
38	2062/63	0.00%	\$4,265,425	\$42,654	\$27,550	\$9,394	\$470	\$8,925
39	2063/64	0.00%	\$4,350,734	\$43,507	\$28,101	\$5,689	\$284	\$5,404
40	2064/65	0.00%	\$4,437,748	\$44,377	\$28,663	\$1,909	\$95	\$1,813
41	2065/66	0.00%	\$4,526,503	\$45,265	\$29,236	\$0	\$0	\$0
42	2066/67	0.00%	\$4,617,033	\$46,170	\$29,821	\$0	\$0	\$0
43	2067/68	0.00%	\$4,709,374	\$47,094	\$30,417	\$0	\$0	\$0
44	2068/69	0.00%	\$4,803,561	\$48,036	\$31,025	\$0	\$0	\$0
45	2069/70	0.00%	\$4,899,633	\$48,996	\$31,646	\$0	\$0	\$0
<b>Cumulative Total Over District Term</b>						<b>\$610,426</b>	<b>\$30,521</b>	<b>\$579,905</b>

Total Assessed Value Increment at Buildout (000\$) (f)	\$2,329,674
Length of Opt-In Period (Years)	7
Annual Increase in Assessed Value after Issuance of Certificate of Occupancy (g)	2.00%

**[Footnotes are on the following page]**

Notes:

- (a) Assumes that projects opt into the Downtown Revitalization District at a relatively even pace over the seven-year opt-in period (January 1, 2026–December 31, 2032), with about 14% (1/7) of total units opting in each year. The 2025-26 and 2032-33 years reflect about half this amount, since the Downtown Revitalization District would be active for only half of each fiscal year. Assumes a three-year construction period between opt-in and Certificate of Occupancy.
- (b) Estimated incremental assessed value in each fiscal year equals: (1) the share of units receiving Certificates of Occupancy that year multiplied by the total nominal assessed value increment at buildout, plus (2) the prior year's incremental assessed value increased by 2 percent, reflecting an assumed average annual appreciation in assessed value after conversion.
- (c) The City is allocating 100% of the City Share of Increment.
- (d) Formation of the Downtown Revitalization District would allow 100% of the City Share of Increment (i.e., Allocated Tax Increment) to be allocated to each participating property for 30 years, beginning when that property first receives a tax allocation. Because the projection assumes initial allocations begin in fiscal year 2028-29, the model shows a decline in the total allocated tax revenue starting in fiscal year 2058-59, when the first properties reach the end of their 30-year allocation period. In that year, and in each subsequent year, Allocated Tax Revenue is reduced by the share of tax increment associated with properties whose allocation periods have expired.
- (e) Reflects the maximum of five percent of the Allocated Tax Revenue that may be allocated to cover Downtown Revitalization District administrative fees.
- (f) This projection uses the estimated total assessed value increment at buildout that is shown in the San Francisco AB 2488 Commercial to Residential Conversion Analysis Initial Findings presentation that BAE prepared for the City in May 2025, excluding the increment associated with potential conversions in former Redevelopment Project Areas. For the purposes of this analysis, the increment in assessed value associated with commercial-to-residential conversion projects is assumed to remain relatively constant throughout the opt-in period for the Downtown Revitalization District.
- (g) Once converted properties have received a Certificate of Occupancy, this analysis assumes an annual average assessed value increase of two percent per year, consistent with the maximum allowable increase under Proposition 13 for properties that have not experienced a change in ownership or construction of improvements that would trigger a reassessment.

(c) **Limit on Total Dollars Allocated to the Downtown Revitalization District**

After providing an allowance for variations in future inflation, it has been determined that the total nominal dollar amount of Allocated Tax Revenue to be allocated to the Downtown Revitalization District over the life of the Downtown Revitalization District (including amounts used to pay administrative expenses) shall not exceed \$1,220,852,000, which reflects a contingency factor of approximately 100% over the projections presented in Table 2 to account for potential changes in the escalation rates of assessed values.

(d) **Termination Date**

A date on which the Downtown Revitalization District will cease to exist, by which time all tax allocations to the Downtown Revitalization District will end. The date shall be the final day of the fiscal year that is 45 years from the date on which the Downtown Revitalization District distributes funding to the first commercial-to-residential conversion project within the Downtown Revitalization District.

(e) **Fiscal Impact Analysis**

Exhibit C of this Downtown Revitalization Plan provides (1) an analysis of the costs to the City of providing facilities and services to the area of the Downtown Revitalization District while the area is being developed and after the area is developed, (2) an analysis of the tax, fee, charge, and other revenues expected to be received by the City as a result of expected development in the area of the Downtown Revitalization District and (3) an analysis of the projected fiscal impact of the Downtown Revitalization District and the associated development upon the City.

## **G. REMOVAL OF DWELLING UNITS AND REPLACEMENT HOUSING PLAN**

If any residential dwelling units within the territory of the Downtown Revitalization District are removed or demolished in the course of a commercial-to-residential conversion project within the area of the Downtown Revitalization District, the project shall comply with applicable City and State law, including but not limited to Article 2 (commencing with Section 66300.5) of Chapter 12 of Division 1 of Title 7.

## **H. GOALS OF THE DOWNTOWN REVITALIZATION DISTRICT**

The City's goals in proposing establishment of the Downtown Revitalization District were to provide for the conversion of underutilized and vacant commercial buildings to residential buildings; increase the supply of housing in the City; increase foot traffic and activity in Downtown San Francisco that will support small business, retail operators, transit ridership, and tourism visits to the City; generate jobs in the City's construction sector; and generally revitalize Downtown San Francisco.

## **I. LABOR STANDARDS**

An eligible commercial-to-residential conversion project that opts in to receive incremental tax revenue must comply with the labor standards established by the Downtown Revitalization Law.

Under the Downtown Revitalization Law, the developers of commercial-to-residential conversion projects that opt in to receive incremental tax revenue are required to pay prevailing wages (as described in Chapter 1 (commencing with Section 1720) of Part 7 of Division 2 of the Labor Code), but they are not obligated to comply with other requirements applicable to public projects, including but not limited to the bidding requirements under the Public Contract Code.

In addition, for commercial-to-residential conversion projects that opt in to receive incremental tax revenue, the following labor standard provisions shall apply:

(1) Except as provided in paragraphs (2) and (3), for projects comprising 50 or more housing units, the labor standards of Government Code Section 65912.131 shall apply.

(2) Notwithstanding paragraph (1) and except as provided in paragraph (3), for projects involving buildings over 85 feet in height above grade, the labor standards of paragraph (8) of subdivision (a) of Government Code Section 65913.4 shall apply.

(3) (A) Notwithstanding paragraphs (1) and (2), for projects that are streamlined under the Office to Housing Conversion Act (Article 11.5 (commencing with Government Code Section 65658) of Chapter 3 of Division 1 of Title 7), the labor standards of that act shall apply.

## **J. ANNUAL REPORTS**

1. *District Annual Reports.* The District will comply with the provisions of the Downtown Revitalization Law requiring annual reports and related actions.

2. *District Decennial Reviews.* The District will comply with the provisions of the Downtown Revitalization Law requiring decennial public hearings and related consideration.

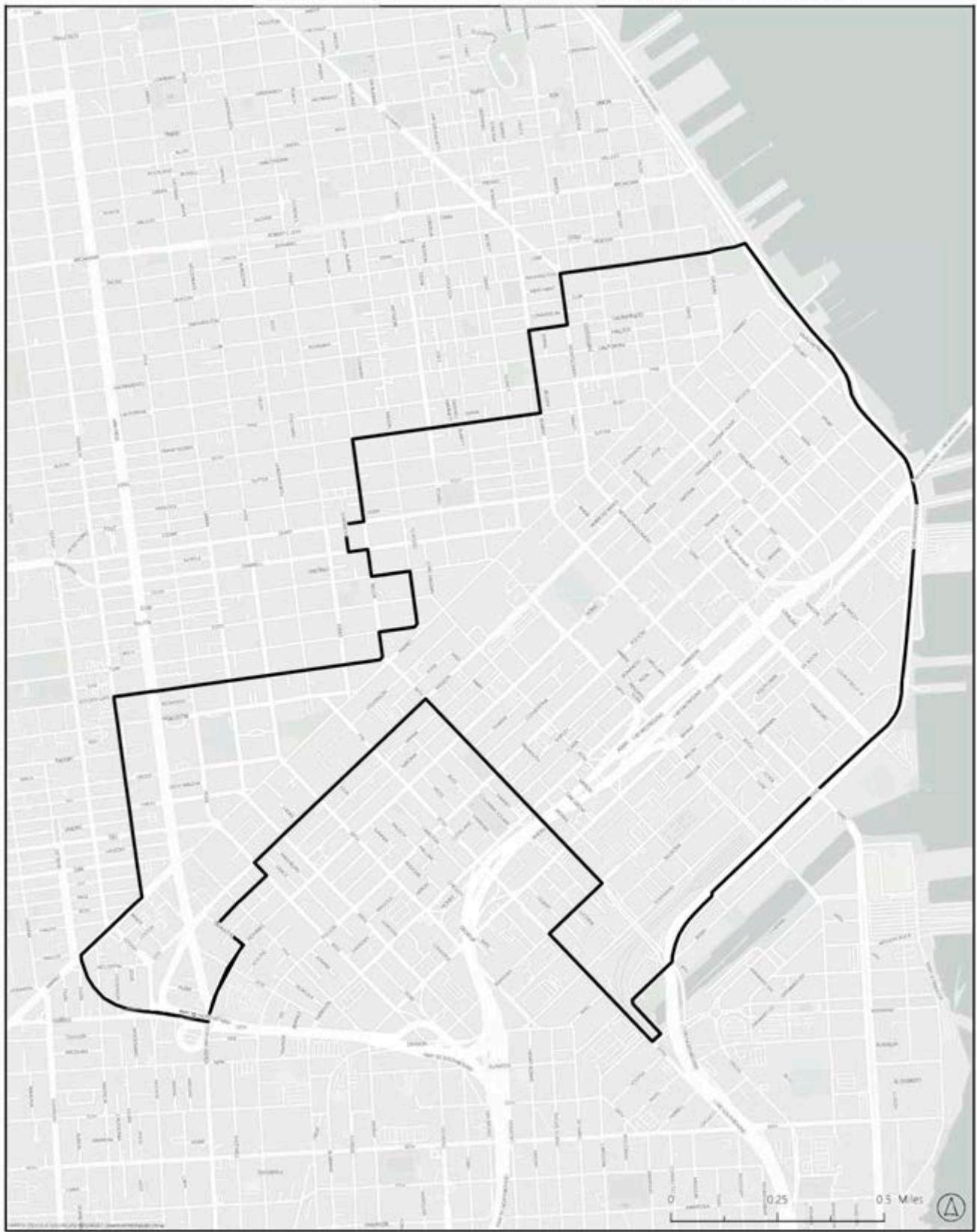
3. *City Annual Reports.* The City will comply with the provisions of the Downtown Revitalization Law requiring annual reports and related actions, either directly or by delegation to the Downtown Revitalization District.

## **Exhibit A – Legal Description**

An area in the City and County of San Francisco bounded beginning at the intersection of Washington Street and The Embarcadero, running southerly along The Embarcadero and then King Street to 3rd Street, running northwesterly on 3rd Street to Townsend Street, running southwesterly along Townsend Street to 6th Street, running northwesterly along 6th Street to Mission Street, running southwesterly along Mission Street to 10th Street, running southeasterly along 10th Street to Minna Street, running southwesterly along Minna Street to Lafayette Street, running southeasterly along Lafayette Street to Howard Street, running southerly along Howard Street to the junction with the Central Freeway, running westerly along the Central Freeway to Market Street, running northeasterly along Market Street to Franklin Street, running northerly along Franklin Street to Golden Gate Avenue, running easterly along Golden Gate Avenue to Taylor Street, running northerly along Taylor Street to Turk Street, running easterly along Turk Street to Mason Street, running northerly along Mason Street to Ellis Street, running westerly along Ellis Street to Taylor Street, running northerly along Taylor Street to O'Farrell Street, running westerly along O'Farrell Street to Shannon Street, running northerly along Shannon Street to Geary Street, running easterly along Geary Street to Taylor Street, running northerly along Taylor Street to Bush Street, running easterly along Bush Street to Kearny Street, running northerly along Kearny Street to Sacramento Street, running easterly along Sacramento Street to Montgomery Street, running northerly along Montgomery Street to Washington Street, and running easterly along Washington Street to The Embarcadero.

**Exhibit B -Map**

## Downtown Revitalization District



## **Exhibit C -Fiscal Impact Analysis**

# bae urban economics

## San Francisco Downtown Revitalization and Economic Recovery Financing District Fiscal Impact Analysis

### Purpose

This memorandum provides an estimate of the net fiscal impact to the City and County of San Francisco (CCSF) General Fund resulting from conversions of commercial properties to residential use within the potential future Downtown Revitalization and Economic Recovery Financing District (District). Pursuant to the passage of AB 2488 into State law in 2024, CCSF is considering the adoption of the District for the purpose of financing commercial-to-residential conversion projects. Adoption of the District would create a program that would enable qualifying commercial-to-residential projects to opt in to the District. CCSF would divert the property tax increment from each participating project, which would otherwise accrue to the CCSF General Fund, to provide an annual payment to each project every year for up to 30 years, in an amount not to exceed the CCSF share of the annual property tax increment. Therefore, any available property tax in lieu of vehicle license fees would constitute the only new CCSF General Fund property tax revenues from participating projects would during the 30-year term, assuming that participating projects receive the maximum annual payment. Projects have until December 2032 to opt in to the program. This memorandum presents an analysis of the net fiscal impact on the CCSF General Fund due to eligible conversions that could take place in the District, based on the findings from the “San Francisco AB 2488 Commercial to Residential Conversion Analysis Initial Findings” (Initial Findings Analysis) described below and included here as Attachment C.

### Key Findings

The major findings from the fiscal impact analysis are described below. These findings are based on a future point in time when all candidate commercial-to-residential conversion projects have been completed and the resulting residential developments have reached stabilization, using a standard method of fiscal impact analysis employed for a typical development site where the resulting project represents primarily new development. An Adaptive Reuse sensitivity analysis is also provided to reflect the adaptive reuse development scenario contemplated under the District program.

**Commercial-to-residential conversions that could occur in the AB 2488 District are estimated to have a maximum net negative fiscal impact on the CCSF General Fund, totaling up to approximately \$8.3 million per year, or an average of \$169,000 per year per converted property.** The new residential units created through conversions would generate approximately \$1.6 million in net new annual General Fund revenues compared to the existing commercial properties that would be converted. Of this total, approximately \$471,000 would

be allocated to General Fund Baseline Requirements. The estimated annual cost to provide CCSF services to the new residential units that would be created through conversions would exceed the cost of providing services to the existing commercial properties by an estimated \$9.5 million in General Fund expenditures, resulting in a maximum net negative annual fiscal impact totaling \$8.3 million, or approximately \$169,000 per property on average across the 49 conversion candidate properties. The following table provides a summary of these findings. Table 1 provides a more detailed summary of estimated revenues and expenditures.

	Annual Fiscal Impact of Commercial-to-Residential Conversions at Stabilization (2025\$)	
	Total	Average per Property
Net Change in General Fund Revenues	\$1,641,398	\$33,498
Less: General Fund Baseline Requirements	(\$470,604)	(\$9,604)
Less: General Fund Expenditures	(\$9,459,916)	(\$193,060)
<b>Net Annual Fiscal Impact to the CCSF General Fund</b>	<b>(\$8,289,122)</b>	<b>(\$169,166)</b>

**The conversions would have a net positive impact on the CCSF General Fund if the property tax increment from the converted properties were to accrue to the General Fund.** The Initial Findings Analysis found that the property tax increment from conversions that could occur in the District would total an estimated \$15.2 million per year (\$10.9 million after General Fund Baseline Requirements). If this total were added to the net General Fund Revenues from the conversions, the positive net fiscal impact would total \$2.6 million per year after accounting for General Fund Baseline Requirements and General Fund expenditures. However, revenue from participation in the District is likely to be critical to the financial feasibility of at least some commercial-to-residential conversion projects. This means that conversions would be less likely to occur in a scenario in which CCSF did not divert the property tax increment from the projects, and so a significant portion of this projected revenue would not be likely to be realized by CCSF in the absence of the District program.

**Conversions could have a net positive fiscal impact on the CCSF General Fund of up to \$540,339 per year**, according to an Adaptive Reuse sensitivity analysis. The sensitivity analysis reflects the unique dynamics of an adaptive reuse development program in the largely built-out, service-rich setting in Downtown San Francisco, as contemplated in the District program. The analysis assumes a higher level of baseline CCSF General Fund service costs associated with the conversion candidate properties that results in a smaller estimated net increase in annual service costs (\$630,000) due to the conversions. The analysis assumes the same net increase in annual CCSF General Fund revenues as in Table 1 (\$1.6 million, less \$471,000 in General Fund Baseline Requirements), resulting in a positive net fiscal impact.

Annual Fiscal Impact of Commercial-to-Residential Conversions at Stabilization (2025\$), Adaptive Reuse Sensitivity Analysis		
	Total	Average Per Property
Net Change in General Fund Revenues	\$1,641,398	\$33,498
Less: General Fund Baseline Requirements	(\$470,604)	(\$9,604)
Less: General Fund Expenditures	(\$630,456)	(\$12,866)
<b>Net Annual Fiscal Impact to the CCSF General Fund</b>	<b>\$540,339</b>	<b>\$11,027</b>

## Methodology

This analysis evaluates the net fiscal impact to the CCSF General Fund operating budget, which is the primary source of discretionary funds available to CCSF to finance public services. To pay for these services, CCSF is dependent on discretionary revenue sources such as property taxes, sales tax, and transient occupancy taxes. The following subsections provide background information on the development program that this analysis evaluates and the methodology used to estimate General Fund revenues and expenditures.

### *Development Program*

This analysis uses the findings from the “San Francisco AB 2488 Commercial to Residential Conversion Analysis Initial Findings” analysis (Initial Findings Analysis), prepared in May 2025 by BAE Urban Economics for the Office of Economic and Workforce Development, to establish the development program for the fiscal impact analysis. The Initial Findings analysis provided an evaluation of the commercial properties in the District to estimate the number of properties that are comparatively attractive for commercial-to-residential conversions due to high vacancies (50 percent or more), building class (Class B and C buildings), building size (at least 20,000 square feet), and building age (built before 1990). The Initial Findings analysis estimated that there are 49 properties within the potential District boundaries that meet the criteria that make properties attractive for commercial to residential conversions. Based on the Initial Findings analysis, the development program evaluated in this analysis consists of the following:

- **49 properties** converted from commercial to residential use
- **3,764,246 square feet** of rentable building area within the 49 converted properties, comprised of:
  - 3,625,750 square feet of office space
  - 82,302 square feet of flex space
  - 56,194 square feet of retail space
- **4,403 residential units** resulting from the conversions

The development program based on the potential conversion candidates is shown in Table B.1.

### ***General Fund Revenues***

This section provides a description of the methodology used to estimate each source of CCSF General Fund revenue that is included in this analysis.

**Property Tax.** Property tax revenues are excluded from this analysis based on an assumption that CCSF will divert all of the property tax increment associated with the conversions that would otherwise flow to the CCSF General Fund (equal to approximately 64.6 percent of the base 1.0 percent property tax rate) for 30 years, making these revenues unavailable to fund CCSF services during this period.

**Property Tax In Lieu of Vehicle License Fees (VLF).** Local jurisdictions' property tax in lieu of VLF revenues increase each year in proportion to increases in the total assessed valuation within the jurisdiction. The commercial to residential conversion projects evaluated in this analysis would increase the total assessed value of the converted sites and would therefore increase CCSF property tax in lieu of VLF revenues.

According to information provided by CCSF staff, CCSF's annual property tax in lieu of VLF revenues are equal to approximately 0.095 percent of the citywide assessed value. According to the Initial Findings Analysis, the conversions included in the development program would increase the cumulative assessed value of the 49 conversion properties by approximately \$2.36 billion, resulting in a net increase in annual property tax in lieu of VLF revenues totaling approximately \$2.24 million.

This analysis assumes that VLF revenue will continue to flow to CCSF in the manner currently in effect. However, it should be noted that any State legislative changes could reduce the amount of VLF revenue the City receives in the future.

**Property Transfer Tax (Table 2).** Real estate that is sold or transferred is generally subject to property transfer tax. San Francisco has a tiered property transfer tax structure, with higher tax rates for sales of higher value. This analysis estimated property transfer tax revenue for the 49 potential conversion candidate properties on an annual average basis, assuming an average of five percent of buildings selling each year, reflecting an average turnover rate of once every 20 years.

To estimate the baseline annual average property transfer tax revenue from the existing commercial buildings, the value of property transfers was estimated using the baseline assessed value of the conversion candidate properties, as estimated in the May 2025 AB 2488 Analysis. That analysis estimated a baseline total assessed value of approximately \$941 million for these properties. Using this value, the average annual value of transfers for

these properties would total \$47 million ( $\$941 \text{ million} \times 5.0\% \text{ per year}$ ). Based on an average property value of approximately \$19 million per property ( $\$941 \text{ million} / 49 \text{ properties}$ ), this analysis assumes a transfer tax rate of 5.5 percent, the rate that applies to sales valued between \$10 million and \$25 million, resulting in estimated annual average property transfer taxes of approximately \$2.6 million.

After conversion, the May 2025 AB 2488 Analysis estimated that the value of the properties would total approximately \$3.3 billion. Assuming an average turnover rate of five percent per year, average annual sales would total an estimated \$165 million ( $\$3.3 \text{ billion} \times 5.0\% \text{ per year}$ ). Based on an average property value of over \$25 million per property, this analysis assumes a transfer tax rate of 6.0 percent. If this rate were charged in full, this would result in \$9.9 million in annual property transfer tax revenue ( $\$165 \text{ million} \times 6.0\%$ ). However, the Downtown Adaptive Reuse Program provides a transfer tax waiver for properties that are converted from commercial to residential use, which applies to the first sale of each property following a conversion. Based on an average holding period of 20 years, each property would turn over 1.5 times on average during the 30-year term of the AB 2488 district. Therefore, two thirds of all transfer tax that would otherwise apply during this period would be waived (1 sale eligible for a waiver/ 1.5 sales per property), averaging \$6.6 million per year in waived transfer tax revenues over the 30-year period. The remaining transfer tax revenue would total an estimated \$3.3 million per year, approximately \$714,000 more per year than the estimated transfer tax revenue from the properties prior to conversion.

**Sales Tax (Table 3).** The potential conversion candidate buildings generate sales tax due to workers making taxable purchases in San Francisco, such as prepared food and other convenience goods retail purchases. After conversion, the converted properties would generate sales tax due to new households making taxable purchases in San Francisco. The portion of sales tax that accrues to the CCSF General Fund is equal to 1.0 percent of the taxable sale price.

Conversion of the potential conversion candidate properties would lead to a net decrease in worker taxable spending, which would be offset by a larger net increase in household taxable spending, leading to an overall net increase in CCSF General Fund sales tax revenue. The conversions would result in an estimated net decrease of 4,300 workers, with estimated annual taxable expenditures totaling \$4,675 per worker per year in San Francisco, resulting a net decrease of \$20.1 million in annual taxable worker spending. Meanwhile, the conversions would generate an estimated 4,183 households, with estimated annual taxable expenditures totaling \$14,950 per household per year in San Francisco, resulting a net increase of \$62.5 million in annual taxable household spending. The resulting net increase of \$42.4 million in annual taxable sales would generate approximately \$424,000 in annual sales tax revenue to the CCSF General Fund.

**Gross Receipts and Commercial Rent Tax (Table 4).** The potential conversion candidate buildings currently generate gross receipts tax (GRT) and Commercial Rent Tax to the extent the businesses in these buildings pay GRT and Commercial Rent Tax and due to workers' spending that generates GRT. After conversion, the new residential properties would generate GRT due to new households' spending that generates GRT.

The potential conversion candidate buildings currently generate an estimated \$2.6 million in GRT and Commercial Rents Tax. Most of this total is due to GRT and Commercial Rents Tax paid by businesses located in the properties. A prior analysis by CCSF indicated that a sample of Class B office buildings in San Francisco generated an average of \$2.28 per square foot in Gross Receipts, Homelessness Gross Receipts, Commercial Rents, and Overpaid Executives Tax. Applying this assumption to an estimate of 1.1 million occupied square feet in the potential conversion candidate buildings results in estimated annual revenues totaling approximately \$2.6 million. Spending by workers currently employed in potential conversion candidate buildings is estimated to generate a small additional amount of GRT.

After conversion, the loss of GRT revenue from the businesses and workers in the potential conversion candidate buildings would be partially offset by GRT that would be paid by the owners of the newly-converted residential properties and by GRT generated through spending by households in the new residential units. Based on the estimated rental income from the newly-converted rental properties and the applicable GRT rate, the new residential units would generate approximately \$939,000 per year in GRT revenue. Based on an average spending estimate of approximately \$23,600 per year on retail, restaurants, and entertainment in San Francisco by households in the new units, spending by new households would generate an estimated \$296,000 in annual GRT revenue. After accounting for the loss of GRT and Commercial Rent Tax revenue associated with the existing commercial buildings, the conversions would result in an estimated net decrease of approximately \$1.4 million in annual GRT and Commercial Rent Tax revenue.

**Business Registration Fees (Table 5).** The potential conversion candidate buildings generate business registration fees that are paid by the businesses that occupy the buildings. After conversion, the converted properties would pay the business registration fees that apply to residential rental properties.

Total CCSF business registration fee revenues are projected to total \$48 million in the 2025-2026 fiscal year, at an average rate of \$67.83 per worker. Based on this average and an estimate of 4,476 workers currently employed in the potential conversion candidate properties, the properties currently generate an estimated \$304,000 per year in business registration fee revenues.

After conversion, the potential conversion candidate properties would generate an estimated \$69,000 per year in business registration fee revenues. This estimate is based on the

estimated gross receipts per property and the City's fee schedule. After accounting for the estimated decrease in business registration fees from businesses currently located in the conversion candidate properties, the conversions would result in an estimated net decrease of approximately \$234,000 in annual business registration fee revenues.

**Other General Fund Revenues (Table 6).** Other sources of CCSF General Fund revenue include Gas Electric Steam Users Tax, Telephone Users' Tax, Water Users Tax, and Access Line Tax. This analysis estimates each of these revenues based on the projected total CCSF revenues from each source in the 2025-2026 fiscal year, divided by the applicable population factor (workers, residents + workers, or service population) to estimate current average citywide revenues. The current averages are then applied to the estimated change in population associated with the commercial to residential conversions to estimate the change in revenues due to the conversions. Based on this analysis, conversion of the potential conversion candidate buildings would result in an estimated net decrease of approximately \$100,000 in annual CCSF General Fund revenue from these four taxes combined.

**Total General Fund Revenue Impacts (Table 1).** In total, conversion of **all 49** candidate properties from commercial to residential use would result in an estimated net increase in annual CCSF General Fund revenues totaling approximately \$1.6 million. A portion of this revenue would be dedicated to specific programs as specified by voter-approved requirements on CCSF General Fund spending (General Fund Baseline Requirements). These programs include the MTA Fund, Children's Services, Library Preservation, Street Trees, Early Care and Education, the Housing Trust Fund, Recreation and Parks, the Dignity Fund, and the Student Success Fund. Based on information provided in recent fiscal impact analyses prepared for CCSF, these baseline requirements account for 28.67 percent of total General Fund revenues, meaning that approximately \$471,000 of the net increase in annual General Fund revenues associated with the conversion projects would be dedicated to General Fund Baseline Requirements. Net of General Fund revenues that would be dedicated to General Fund Baseline requirements, the conversion projects would result in a net increase in annual CCSF General Fund revenues totaling approximately \$1.2 million.

#### ***General Fund Expenditures***

In general, cities need to increase expenditures on municipal services in response to increases in population in order to maintain service levels as the population grows. Standard practice in fiscal impact analysis is to evaluate service costs in terms of costs per member of the service population, with the service population being equal to all residents in a jurisdiction plus a prorated number of workers employed in the jurisdiction. This fiscal impact analysis uses a service population calculation that is equal to the number of residents in San Francisco plus half or the number of workers that work in San Francisco. Calculating service population in this way reflects that people who work in a city generally spend less time in the community than residents and tend to generate a smaller share of demand for public services.

For this fiscal impact analysis, BAE estimated current service costs based on the fiscal year 2025-2026 allocated General Fund expenses as identified in the CCSF Budget and Appropriation Ordinance. Table 7 shows the allocated General Fund expenditures by budget category. For each budget category, BAE incorporated an assumption regarding the proportion of service costs that are variable, meaning the share of costs that would need to increase to maintain current levels of service as the service population increases. The remainder of expenses in each budget category are assumed to be fixed and generally not impacted by growth in the service population. BAE used the same variable cost percentage assumptions as another recent fiscal impact analysis that was prepared for CCSF. Based on the total budget in each budget category and the assumed variable cost percentage for each budget category, BAE calculated the current variable General Fund service cost per member of the service population.

To estimate the impact of the conversion projects on General Fund expenditures, BAE multiplied the current variable General Fund service cost per member of the service population by the estimated increase in the service population associated with the conversion projects. Based on an estimated total net increase in the service population of 4,835, the net increase in annual service costs would total approximately \$9.5 million.

#### ***Net Fiscal Impact***

Table 1 provides a summary of the estimated annual net fiscal impact on the CCSF General Fund that would result from full buildout of all conversion projects in accordance with the development program shown in Table B.1. As shown, the conversions would result in an estimated maximum negative net fiscal impact to CCSF totaling of up to \$8.3 million per year. This total reflects a net increase in annual General Fund revenue totaling \$1.2 million (after accounting for General Fund Baseline Requirements) and a net increase in annual General Fund expenditures on service costs totaling \$9.5 million.

#### **Adaptive Reuse Sensitivity Analysis**

This section provides the methodology and findings from a sensitivity analysis that evaluated the net fiscal impact of the commercial to residential conversion projects in a scenario in which the net increase in service costs associated with the projects would be lower than shown in Table 7. The methodology used for the sensitivity analysis differs from the methodology described above in its approach to estimating the level of baseline service costs (i.e., the cost of providing municipal services to the commercial properties prior to redevelopment) associated with these largely vacant commercial buildings.

#### ***Sensitivity Analysis Methodology***

The methodology described in the previous section of the memorandum assumes that the current level of CCSF service costs associated with the conversion properties is proportionate to the number of workers currently present in the properties. Based on an estimated 70 percent average vacancy rate across the properties that are most likely to convert, that

methodology reflects a significant reduction in occupancy compared to pre-Covid conditions. Accordingly, it assumes that CCSF's service expenditures related to these properties have decreased commensurately with the reduction in workers. That approach aligns with standard fiscal impact analysis practices, which generally assume that baseline service costs are proportional to existing activity levels at the time of analysis.

The methodology used for this sensitivity analysis assumed that, although worker presence in the AB 2488 District has declined since the Covid pandemic, CCSF has continued to provide municipal services at levels sufficient to support a return to pre-pandemic occupancy. Under this approach, baseline service costs are estimated assuming a 90 percent occupancy rate (reflecting a 10 percent vacancy rate, consistent with 2019 conditions). This assumption reflects the view that CCSF's service expenditures have not decreased proportionally with the decline in worker occupancy. Because the sensitivity analysis methodology assumes a higher baseline worker count, it produces a smaller net increase in the population served and, therefore, a lower estimated net increase in service costs after conversion compared to the findings shown in Table 7.

At the same time, the sensitivity analysis methodology assumes that the actual occupancy levels in the conversion candidate buildings will remain low prior to conversion, resulting in the same estimate of CCSF General Fund revenues as shown in Table 1. The properties expected to convert are among the least competitive properties in San Francisco's office market and many are functionally obsolete for modern office use. These properties are unlikely to benefit from the broader recovery in the city's broader office market, even as other properties regain occupancy.

Accordingly, while the sensitivity analysis assumes that CCSF continues to provide services at levels consistent with near-full occupancy, it also recognizes that the specific buildings expected to convert will likely remain underoccupied in the foreseeable future. Revenues that are generally related to the level of worker activity in the properties, such as sales tax from worker spending, Gross Receipts Tax, and Commercial Rents Tax, have likely declined due to reduced occupancy, regardless of the baseline service cost assumption.

### ***Sensitivity Analysis Findings***

Based on the methodology used for the sensitivity analysis, the conversions would have a net positive fiscal impact on the CCSF General Fund. Because the sensitivity analysis methodology assumes a higher level of baseline CCSF General Fund service costs associated with the conversion candidate properties, it results in a smaller estimated net increase in annual service costs (\$630,000) due to the conversions. The sensitivity analysis assumes the same net increase in annual CCSF General Fund revenues as in Table 1 (\$1.6 million, less \$471,000 in General Fund Baseline Requirements), resulting in a positive net fiscal impact.

Annual Fiscal Impact of Commercial-to-Residential Conversions at Stabilization (2025\$), Adaptive Reuse Sensitivity Analysis		
	Total	Average Per Property
Net Change in General Fund Revenues	\$1,641,398	\$33,498
Less: General Fund Baseline Requirements	(\$470,604)	(\$9,604)
Less: General Fund Expenditures	(\$630,456)	(\$12,866)
<b>Net Annual Fiscal Impact to the CCSF General Fund</b>	<b>\$540,339</b>	<b>\$11,027</b>

## ATTACHMENT A: FISCAL IMPACT ANALYSIS TABLES

**Table 1: Summary of Annual Fiscal Impacts at Buildout**

*All figures shown at Project Stabilization in 2025\$*

### General Fund Revenues

	Total	Average per Property (a)	Source
Property Tax	\$0	\$0	Property tax increment diverted
Property Tax in Lieu of VLF	\$2,242,863	\$45,773	AB 2488 Analysis Initial Findings
Property Transfer Tax	\$714,051	\$14,572	Table 2
Sales Tax	\$424,288	\$8,659	Table 3
Gross Receipts & Commercial Rents Tax	(\$1,405,488)	(\$28,683)	Table 4
Business Registration	(\$234,368)	(\$4,783)	Table 5
Gas Electric Steam Users Tax	(\$372,655)	(\$7,605)	Table 6
Telephone Users Tax Land & Mobile	\$79,187	\$1,616	Table 6
Water Users Tax	(\$29,231)	(\$597)	Table 6
Access Line Tax	\$222,752	\$4,546	Table 6
<b>Subtotal General Fund Revenue</b>	<b>\$1,641,398</b>	<b>\$33,498</b>	
General Fund Baseline Reqs (% of GF Revenue)	28.67%	28.67%	Assumption from recent FIAs
General Fund Baseline Requirements	(\$470,604)	(\$9,604)	
<b>General Fund Revenue After Requirements</b>	<b>\$1,170,795</b>	<b>\$23,894</b>	

### General Fund Expenditures

	Total	Average per Property (a)	Table
Community Health	\$1,171,429	\$23,907	Table 7
Culture & Recreation	\$199,010	\$4,061	Table 7
General Administration & Finance	\$364,740	\$7,444	Table 7
General City Responsibilities	\$206,583	\$4,216	Table 7
Human Welfare & Neighborhood Development	\$1,689,326	\$34,476	Table 7
Police	\$2,716,904	\$55,447	Table 7
Fire	\$1,514,252	\$30,903	Table 7
Other Public Protection	\$846,365	\$17,273	Table 7
Public Works, Transportation & Commerce	\$751,307	\$15,333	Table 7
<b>General Fund Expenditures</b>	<b>\$9,459,916</b>	<b>\$193,060</b>	

**Net Annual Fiscal Impact (CCSF General Fund) (\$8,289,122) (\$169,166)**

Note:

(a) Average per property is based on a total of 49 properties, consistent with the May 2025 "San Francisco AB 2488 Commercial to Residential Conversion Analysis Initial Findings" analysis.

Source: BAE, 2025

**Table 2: Estimated Change in Annual Property Transfer Tax Revenue at Buildout**

Assessed Value of Conversion Candidate Properties (a)	Assumed Turnover Rate	Annual Average Sale Value (b)	Tax Rate (c)	Gross Annual Property Tax Revenues	Less: Transfer Tax Waivers (d)	Net Annual Property Transfer Tax Revenues	
Prior to Conversion	\$941,061,500	5.0% per year	\$47,053,075	5.5%	\$2,587,919	\$0	\$2,587,919
After Conversion	\$3,301,970,175	5.0% per year	\$165,098,509	6.0%	\$9,905,911	\$6,603,940	\$3,301,970
<b>Net Change in Annual Transfer Tax Revenue (annual revenue after conversion net of annual revenue prior to conversion)</b>						<b>\$714,051</b>	
<i>Average per Property (e)</i>						<i>\$14,572</i>	

Notes:

(a) Estimates per AB 2488 Analysis Initial Findings Report prepared for the Office of Economic and Workforce Development, May 2025.

(b) Based on the cumulative estimated assessed value of all properties and an assumed average turnover rate of once every 20 years (five percent of properties each year on average).

(c) Prior to conversion, the transfer tax rate reflects an assumption that properties will generally have sale prices between \$10 million and \$25 million, consistent with the average existing assessed value of approximately \$19 million per property among the conversion candidates. CCSF has a transfer tax rate of 5.5 percent for sales valued between \$10 million and \$25 million. After conversion, the property transfer tax rate reflects an assumption that the new residential properties will generally all be valued at over \$25 million. CCSF has a transfer tax rate of 6.0 percent for sales valued at over \$25 million.

(d) The Downtown Adaptive Reuse Program provides a transfer tax waiver for properties converted to residential use, which applies to the first sale of each property subsequent to the conversion. Assuming an annual holding period of 20 years, each property would turn over at least one time within the 30-year term for the AB 2488 program, with approximately half of the properties turning over a second time. As a result, waivers would apply to approximately two thirds of all sales after conversion during the 30-year term (one waiver per property / 1.5 sales per property on average).

(e) Average per property is based on a total of 49 properties, consistent with the May 2025 "San Francisco AB 2488 Commercial to Residential Conversion Analysis Initial Findings" analysis.

Sources: City of San Francisco 2025; BAE, 2025.

**Table 3: Estimated Change in Annual Sales Tax Revenue at Buildout**

	<u>Assumption</u>	<u>Net Change</u>	<u>Source</u>
<u><b>Household Taxable Spending</b></u>			
Net Change in Households		4,183	Table B.2
Net Change in Annual Taxable Household Spending in San Francisco	\$14,950 per household	\$62,533,552	Table B.4
<u><b>Worker Taxable Spending</b></u>			
Net Change in Workers		(4,300)	Table 2
Net Change in Annual Taxable Worker Spending in San Francisco (a)	\$4,675 per worker	(\$20,104,749)	
Total Net Change in Annual Taxable Spending in San Francisco		\$42,428,803	
<u><b>Net Change in Annual General Fund Sales Tax Revenue</b></u>			
<i>Average per Property (b)</i>	1.0% of taxable sales	<b>\$424,288</b>	
		\$8,659	

Note:

(a) Taxable Worker Spending per worker based on data from the International Council of Shopping Centers (ICSC) survey of office worker spending. The taxable expenditure estimates used in this analysis reflect adjustments to the ICSC survey findings to estimate the share of taxable expenditures. Estimates are based on an average of four in-person workdays per worker per week over an average of 49 work weeks per year.

(b) Average per property is based on a total of 49 properties, consistent with the May 2025 "San Francisco AB 2488 Commercial to Residential Conversion Analysis Initial Findings" analysis.

Source: BAE, 2025.

**Table 4: Estimated Change in Gross Receipts Tax and Commercial Rents Tax Revenues at Buildout**

<b>Change in Revenues from Commercial Properties</b>	
Change in GRT & Commercial Rents Tax from Potential Conversion Candidates	
Change in Occupied Square Footage (a)	(1,119,091)
<i>Estimated Change Gross Receipts &amp; Commercial Rents Tax Revenue (b)</i>	<i>(\$2,551,527)</i>
Change in GRT from Worker Spending	
Average Annual Spending by Workers in Potential Conversion Candidates (c)	\$6,906
Net Change in Workers (d)	(4,300)
Total Change in Worker Spending	(\$29,699,365)
<i>Estimated Change in Gross Receipts Tax Revenue</i>	<i>(\$89,098)</i>
<b>Subtotal Change in Revenues from Commercial Properties</b>	<b>(\$2,640,626)</b>
<b>Change in Revenues from Residential Properties</b>	
<i>GRT from Rental of Residential Units in Converted Properties (e)</i>	<i>\$938,883</i>
GRT from Residents in Converted Properties at Buildout	
Average Annual Household Spending in San Francisco, per Household (f)	\$23,609
Net Change in Households (d)	4,183
Net Change in Household Spending (f)	\$98,751,556
<i>Estimated Change in GRT Revenue from Household Spending</i>	<i>\$296,255</i>
<b>Subtotal Change in Revenues from Residential Properties</b>	<b>\$1,235,137</b>
<b>Net Change in Annual GRT and Commercial Rents Tax Revenue</b>	<b>(\$1,405,488)</b>
<i>Average per Property (g)</i>	<i>(\$28,683)</i>

**Assumptions**

GRT Revenue Per occupied office sq. ft (h)	\$2.28
Percent of CCSF Sales Subject to GRT (i)	75%
Effective Tax Rate (j)	0.40%

Notes:

- (a) Total square footage among potential conversion candidates multiplied by an assumed vacancy rate of approximately 70 percent, consistent with the analysis provided in the AB 2488 Analysis Initial Findings Report, May 2025.
- (b) Equal to occupied square footage multiplied by the assumed GRT revenue per occupied square foot.
- (c) Worker Spending per worker based on data from the International Council of Shopping Centers (ICSC) survey of office worker spending. Estimates are based on an average of four in-person work days per worker per week over an average of 49 work weeks per year.
- (d) See B.2.
- (e) See Table B.5.
- (f) Estimated annual spending on retail, restaurants, and entertainment in San Francisco. See Table B.4.
- (g) Average per property is based on a total of 49 properties, consistent with the May 2025 "San Francisco AB 2488 Commercial to Residential Conversion Analysis Initial Findings" analysis.
- (h) Based on 2022 tax filing data, average business tax per square foot for a sample of Class B office buildings (Gross Receipts, Homelessness Gross Receipts, Commercial Rents, and Overpaid Executives Tax), as reported in "Real Estate Transfer Tax Exemption and Office Space Allocation: Economic Impact Report" prepared by the City and County of San Francisco Office of the Controller, 2024.
- (i) For the business categories included in the household spending estimates, gross receipts is calculated as 75 percent of San Francisco sales + 25 percent of their worldwide sales apportioned to San Francisco.
- (j) Assumption provided by Office of the Controller staff, July 2025.

Source: City and County of San Francisco Office of the Controller, 2024; Esri Business Analyst, 2025; BAE, 2025.

**Table 5: Estimated Change in Business Registration Tax Revenue at Buildout**

<b>Net Change in Revenue from Commercial Properties</b>		<b>Source</b>
Total Projected Business License Fee Revenues, 2025-26 <i>per worker</i>	\$48,000,000 \$67.83	openbook.sfgov.org Calculation
Change in Workers in Commercial Properties	(4,476)	Table B.2
<b>Net Change in Revenues from Commercial Properties</b>	<b>(\$303,654)</b>	Calculation
<b>Net Change in Revenue from Residential Properties</b>		
Number of New Residential Properties	49	Table B.1
Estimated Gross Receipts per Property	\$4,404,797	Table B.5
Business Registration Fee Per Property (a)	\$1,414	City Fee Schedule
<b>Net Change in Revenues from Residential Properties</b>	<b>\$69,286</b>	Calculation
<b>Net Change in Annual Business Registration Revenue</b>	<b>(\$234,368)</b>	Calculation
<i>Average per Property (b)</i>	<i>(\$4,783)</i>	

Notes:

(a) 2025-26 business registration renewal fee for businesses with gross receipts between \$2.5 million and \$5 million.  
 (b) Average per property is based on a total of 49 properties, consistent with the May 2025 "San Francisco AB 2488 Commercial to Residential Conversion Analysis Initial Findings" analysis.

Sources: Office of the Controller, openbook.sfgov.org, BAE, 2025.

**Table 6: Estimated Change in Other General Fund Revenues at Buildout**

General Fund Revenue (FY2025-26)	Assumptions /Factor	Project Characteristic (a)	Net Change at at Buildout
Gas Electric Steam Users Tax \$61,320,000	\$86.66 per worker	(4,300) Net Change in Workers	(\$372,655)
Telephone Users Tax - Land & Mobile \$45,700,000	\$29.49 per resident + worker	2,685 Net Change in Residents + Workers	\$79,187
Water Users Tax \$4,810,000	\$6.80 per worker	(4,300) Net Change in Workers	(\$29,231)
Access Line Tax \$55,090,000	\$46.07 per service population	4,835 Net Change in Service population	\$222,752
<b>Total Revenue</b>			<b>(\$99,948)</b>
<i>Average per Property (b)</i>			<i>(\$2,040)</i>
<b>Assumptions</b>			
CCSF Population 842,027	California Department of Finance. Table E-1 City/County Population Estimates, 1/1/2025		
CCSF Employment 707,600	Bureau of Labor Statistics Quarterly Census of Employment and Wages, 2024		
CCSF Service Population 1,195,827	Equal to resident population plus half of employment base.		

Notes:

(a) See Table B.2.

(b) Average per property is based on a total of 49 properties, consistent with the May 2025 "San Francisco AB 2488 Commercial to Residential Conversion Analysis Initial Findings" analysis.

Sources: US Bureau of Labor Statistics Quarterly Census of Employment and Wages, 2024; California Department of Finance, 2025; Office of the Controller, 2025; openbook.sfgov.org, 2025; BAE, 2025.

**Table 7: Estimated Change in General Fund Service Costs at Buildout**

General Fund Budget Category	Allocated General Fund Expenses (FY2025-26) (a)	Percent Variable (b)	Per Capita General Fund Expense (c)	Annual Service Cost Total at Buildout (d)
Community Health	\$1,158,848,000	25%	\$242	\$1,171,429
Culture & Recreation	\$196,873,000	25%	\$41	\$199,010
General Administration & Finance	\$360,823,000	25%	\$75	\$364,740
General City Responsibilities	\$204,364,000	25%	\$43	\$206,583
Human Welfare & Neighborhood Development	\$1,671,183,000	25%	\$349	\$1,689,326
Police	\$671,931,246	100%	\$562	\$2,716,904
Fire	\$374,497,237	100%	\$313	\$1,514,252
Other Public Protection	\$837,275,517	25%	\$175	\$846,365
Public Works, Transportation & Commerce	\$206,455,000	90%	\$155	\$751,307
<b>Total Expenditures</b>	<b>\$5,682,250,000</b>		<b>\$1,956</b>	<b>\$9,459,916</b>
<i>Average per Property (e)</i>				\$193,060

**Assumptions**

CCSF Population	842,027	California Department of Finance. Table E-1 City/County Population Estimates, 1/1/2025
CCSF Employment	707,600	Bureau of Labor Statistics Quarterly Census of Employment and Wages, 2024
CCSF Service Population	1,195,827	Equal to resident population plus half of employment base.
Net Change in Service Population	4,835	Table B.2

**Notes:**

- (a) Per the CCSF Budget and Appropriation Ordinance for the fiscal year ending June 30, 2025 and the fiscal year ending June 30, 2026.
- (b) Percentage of costs that are service population-dependent, as opposed to fixed costs or costs recovered through fees or charges. Assumptions are consistent with assumptions used in the fiscal impact analysis for the 3333/3700 California Street project.
- (c) Variable general fund expense per CCSF service population
- (d) Per capita general fund expense multiplied by the net increase service population.
- (e) Average per property is based on a total of 49 properties, consistent with the May 2025 "San Francisco AB 2488 Commercial to Residential Conversion Analysis Initial Findings" analysis.

Sources: City and County of San Francisco Budget and Appropriations Ordinance Fiscal Year Ending June 30, 2024 and Fiscal Year Ending June 30, 2025; EPS, 2024; BAE, 2025.

## ATTACHMENT B: SUPPORTING TABLES

**Appendix Table B.1: Development Program**

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	<b>Potential Conversion Candidates (a)</b>
Number Converted Properties	49
Rentable Square Footage in Converted Properties	3,764,246
Office	3,625,750
Flex	82,302
Retail	56,194
Residential Units Created from Conversions	4,403

---

Notes:

(a) Characteristics of Potential Conversion Candidates are based on the Initial Findings Report (May 2025).

Source: BAE, 2025.

---

**Appendix Table B.2: Estimated Change in Service Population at Buildout**


---

	<b>Total at Buildout</b>
Existing Service Population	
Rentable Building Area (sf)	3,764,246
Less Vacancy Allowance (sf)	<b>(2,645,155)</b>
Occupied Building Area (sf)	1,119,091
Total Workers (a)	4,476
<b>Existing Service Population Subtotal (b)</b>	<b>2,238</b>
New Service Population	
Dwelling Units	4,403
Less Vacancy Allowance (units)	<b>(220)</b>
Households	4,183
Resident Population	6,985
Workers	176
<b>New Service Population Subtotal (b)</b>	<b>7,073</b>
<b>Net Service Population Increase (Decrease)</b>	<b>4,835</b>
Net Employment Increase (Decrease)	<b>(4,300)</b>
Net Resident Increase (Decrease)	6,985
<b>Assumptions</b>	
Existing Potential Conversion Candidates Vacancy Rate (c)	70%
Employees per sf of occupied commercial space	0.004
New Residential Vacancy Rate	5%
Persons per Household	1.67
Property management employees per DU (d)	0.04

---

**Notes:**

- (a) The estimated number of workers in the potential conversion candidate buildings is based on the current estimated average occupancy rate of approximately 30 percent among these buildings.
- (b) Service population is calculated as resident population plus half of the employment base. This reflects a standard assumption across multiple CCSF FIAs.
- (c) Vacancy rate is based on the current vacancy rate among potential conversion candidate buildings.
- (d) Based on an assumption of one employee for every 25 units, consistent with a recent FIA completed for the City and County of San Francisco.

Sources: CoStar, 2025; 3333/3700 California St FIA, 2024; ESRI, 2025; BAE, 2025.

**Appendix Table B.3: Estimated Annual Household Expenditures, San Francisco, 2025**

Retail, Food, and Beverage Spending Category	Average Annual Spending	Percent Taxable	Average Annual Taxable Spending
Apparel and Services			
Apparel Products	\$4,408	100%	\$4,408
Apparel Services	\$94	0%	\$0
Computer Products	\$459	100%	\$459
Entertainment & Recreation			
Fees and Admissions	\$1,694	0%	\$0
TV/Video	\$341	100%	\$341
Audio	\$248	50%	\$124
Pets	\$1,718	100%	\$1,718
Toys/Games/Crafts/Hobbies	\$303	100%	\$303
Sports/Recreation/Exercise Equipment	\$424	100%	\$424
Photo Equipment and Supplies	\$139	50%	\$70
Reading	\$245	90%	\$220
Catered Affairs	\$103	0%	\$0
Food			
Food at Home	\$12,977	0%	\$0
Food Away from Home	\$7,663	100%	\$7,663
Alcoholic Beverages	\$1,278	100%	\$1,278
Health			
Nonprescription Drugs	\$301	100%	\$301
Prescription Drugs	\$525	0%	\$0
Eyeglasses and Contact Lenses	\$211	100%	\$211
Home			
Maintenance and Remodeling Materials	\$941	100%	\$941
Household Furnishings and Equipment			
Household Textiles	\$207	100%	\$207
Furniture	\$1,452	100%	\$1,452
Rugs	\$68	100%	\$68
Major Appliances	\$763	100%	\$763
Housewares	\$176	100%	\$176
Small Appliances	\$151	100%	\$151
Luggage	\$46	100%	\$46
Telephones and Accessories	\$150	100%	\$150
Household Operations			
Lawn and Garden	\$941	50%	\$471
Housekeeping Supplies	\$1,429	100%	\$1,429
Transportation			
Gasoline/Diesel Fuel/Electric Vehicle Charging	\$5,507	80%	\$4,405
Other			
Personal Care Products	\$1,049	100%	\$1,049
Educational Books/Supplies/Other Expenditures	\$162	100%	\$162
Smoking Products	\$676	100%	\$676
<b>Total Average Household Expenditures</b>	<b>\$46,849</b>		<b>\$29,667</b>
<b>Total Average Household Expenditures in San Francisco (a)</b>	<b>\$28,110</b>		<b>\$17,800</b>
<b>% of Annual Household Income</b>	<b>14%</b>		<b>9%</b>
Average Annual Household Income	\$204,791		
Share of Expenditures in San Francisco (a)	60%		

Note:

(a) Reflects the assumed proportion of sales that occur at San Francisco outlets, rather than online or at outlets outside of San Francisco.

Sources: Esri Business Analyst, BAE, 2025.

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#### Appendix Table B.4: Estimated Annual Household Expenditures, Households in Converted Properties at Stabilization

---

	Assumption	Potential Conversion Candidates
Estimated Monthly Rent, Residential Units in Converted Properties (a)		\$4,300
Average Annual Household Income (b)		\$172,000
Annual Household Spending Subject to GRT (c)	14% of household income	\$23,609
Annual Household Taxable Spending in San Francisco (c)	9% of household income	\$14,950
<b>Assumptions</b>		
Rent as a % of annual income		30%

---

Notes:

(a) Average rent assumption is based on assumptions shown in prior analyses of commercial to residential conversion projects, including *Downtown San Francisco Office Conversion Study* (HR&A, February 2003) and *Office to Residential Repositioning Analysis* (SPUR + Gensler, January 2023), which informed the property valuation assumptions used in the *San Francisco AB 2488 Commercial to Residential Conversion Analysis Initial Findings* analysis (BAE, May 2025). BAE reviewed data from CoStar to verify that this rent assumption is consistent with rental rates for some of the existing rental properties in the District.

(b) Based on average monthly rent of \$4,300 and assuming rent comprises 30% of household income.

(b) Spending on retail, restaurants, and entertainment, based on Table B.3.

Sources: *Downtown San Francisco Office Conversion Study* (HR&A, February 2003); *Office to Residential Repositioning Analysis* (SPUR + Gensler, January 2023); CoStar, 2025; BAE, 2025.

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#### Appendix Table B.5: Estimated Gross Receipts Tax Revenue from Converted Properties at Stabilization

---

Total Residential Units in Converted Properties (a)	4,403
Number of Properties	49
Avg. # of Units per Property	89.9
Estimated Average Rental Rate per Unit/Month (b)	\$4,300
Average Total Rental Income per Property (c)	\$4,404,797
Applicable GRT Rate (d)	0.44%
Average Annual GRT Revenue per Property	\$19,161
<b>Total GRT Revenue</b>	<b>\$938,883</b>

---

Notes:

(a) Number of total residential units and properties are based on the AB 2488 Initial Findings Report, May 2025.

(b) Average rent assumption is based on assumptions shown in prior analyses of commercial to residential conversion projects, including *Downtown San Francisco Office Conversion Study* (HR&A, February 2003) and *Office to Residential Repositioning Analysis* (SPUR + Gensler, January 2023), which informed the property valuation assumptions used in the *San Francisco AB 2488 Commercial to Residential Conversion Analysis Initial Findings* analysis (BAE, May 2025). BAE reviewed data from CoStar to verify that this rent assumption is consistent with rental rates for some of the existing rental properties in the District.

(c) Average rental income per property = Average Rental Rate per Unit/Month x 12 months x 95% occupancy rate.

(d) GRT rate for Category 3 for businesses with \$2.5 million or more in gross receipts.

Sources: *Downtown San Francisco Office Conversion Study* (HR&A, February 2003); *Office to Residential Repositioning Analysis* (SPUR + Gensler, January 2023); CoStar, 2025; BAE, 2025.

## ATTACHMENT C: INITIAL FINDINGS ANALYSIS



**SAN FRANCISCO AB 2488 COMMERCIAL  
TO RESIDENTIAL CONVERSION ANALYSIS  
INITIAL FINDINGS**

**bae urban economics**

May 13, 2025

# CONTENTS

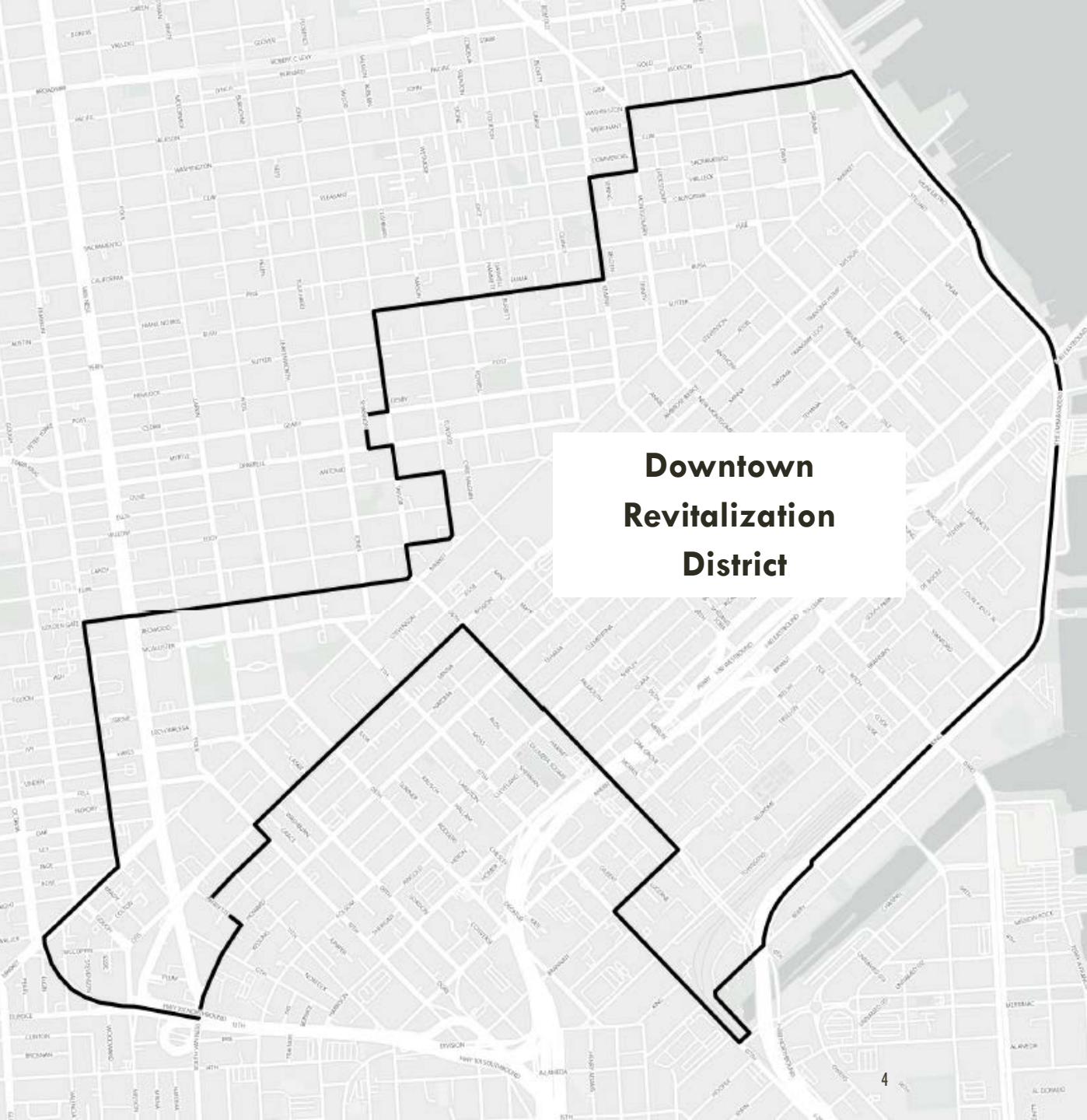
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- V. Revitalization District Overview**
- VI. Estimate of Potential Buildings to Opt In to Program**
- VII. Estimate of Tax Revenue Over 30 Year Period**

# INTRODUCTION AND STUDY PURPOSE

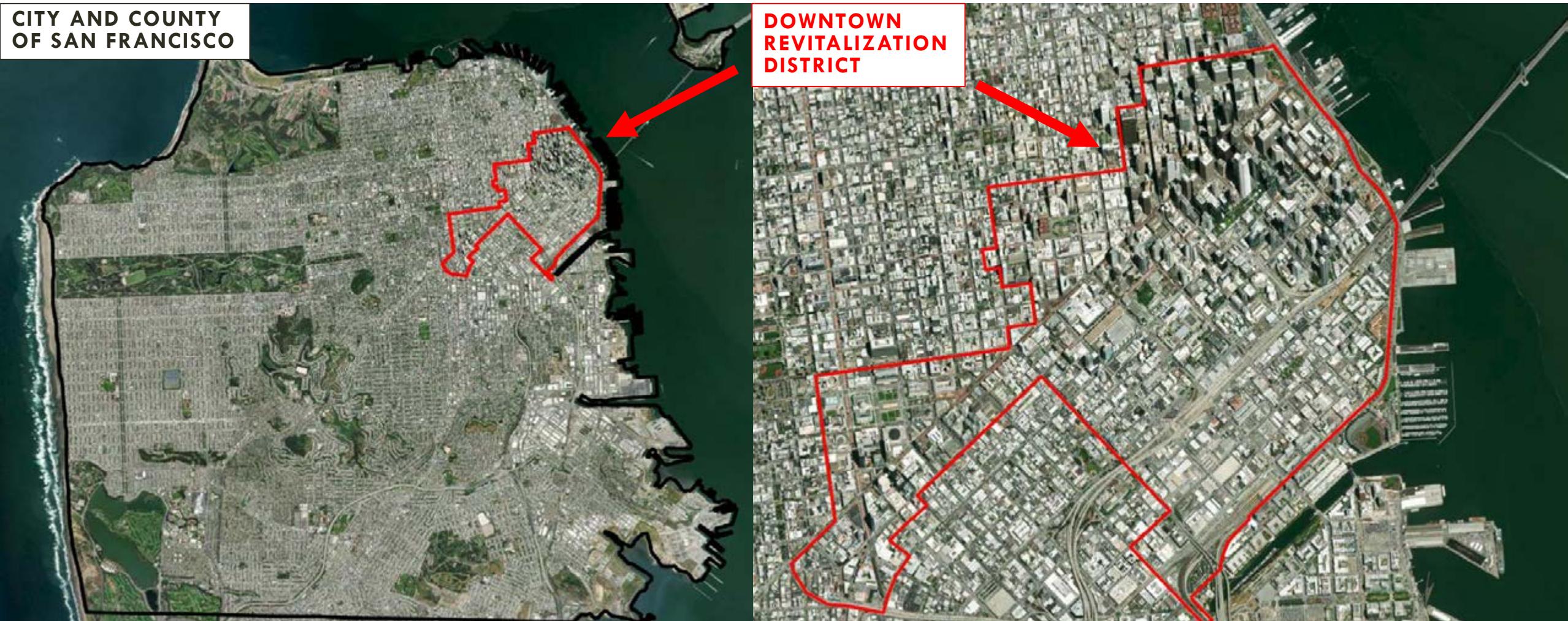
- Signed into law by Governor Newsom in 2024, AB 2488 provides the City and County of San Francisco with the unique ability to create a **Downtown Revitalization and Economic Recovery Financing District for the purpose of financing commercial-to-residential conversion projects** with incremental tax revenues generated by commercial-to-residential conversion projects within the district
- The purpose of this analysis is to assist OEWD in preparing a Plan for the implementation of AB 2488 by **quantifying the number of properties that would be likely to participate in the Financing District as well as the associated economic and fiscal impact of commercial to residential conversions over a 30-year time frame.**

# REVITALIZATION DISTRICT GEOGRAPHY

- Area includes Financial District, Union Square, Civic Center, Yerba Buena, East Cut, South Beach, and Rincon Hill



# REVITALIZATION DISTRICT GEOGRAPHY



# LITERATURE REVIEW

BAE completed extensive review of recent academic and professional studies related to commercial to residential conversion. Major studies informing BAE's methodology and filtering criteria include:

- **Hamilton Project, Converting Brown Offices to Green Apartments, November 2023**
- **HR&A, Downtown San Francisco Office Conversion Study, February 2023**
- **Moody's Analytics, San Francisco Office Conversion, December 2023**
- **SPUR + Gensler, Office to Residential Repositioning Analysis, January 2023**

# LITERATURE REVIEW: KEY FINDINGS

- **Hamilton Project** – National study proposes the following criteria for identifying office buildings that are suitable for conversion to residential uses:; Location; Built before 1990; Class A-, B, and C buildings; Min building size of 25,000 sq. ft.; Large buildings with deep floor plates excluded; Buildings with major long-term leases are excluded; Brown buildings.
- **HR&A** - Office to multifamily conversions not generally financially feasible now; however, individual office buildings with the highest vacancies may have a pathway to convert with regulatory and financial incentives.
- **Moody's** - Based on sample of 406 San Francisco office properties, determined that **13% would be suitable for conversion to residential**. Filtering criteria included: Buildings built before 1990; Class B/C buildings; Min building size of 25,000 sq. ft.; Buildings withing C-2 and C-3 zoning designations; Smaller floorplates; Buildings with few or no long-term leases; Neighborhood safety; Proximity to public transportation.
- **SPUR/Gensler** - Based on in-depth analysis of 25 San Francisco office properties using Gensler's office to residential conversion tool, determined that **40% would be suitable for conversion to residential**. Key filtering criteria included: Floor Plate; Building Form; Site Context; Servicing; Envelope.

# LITERATURE REVIEW: SUMMARY FILTERING CRITERIA

Criteria		Source
Age of building	Built before 1990	Hamilton Project Moody's
Building Class	A-, B, & C B & C	Hamilton Project Moody's
Building Size	At least 25,000 sq. ft. total area  At least 20,000 sq. ft. rentable area	Hamilton Project Moody's Report SPUR/Gensler
Building Floorplate/Depth	Large buildings with deep floor plates excluded  Properties with depths greater than 60 feet excluded	Hamilton Project Moody's
Existing Commercial Leases/Vacancies	Lease duration estimate Lease duration estimate Vacancy rate of at least 30%	Hamilton Moody's SPUR Report
Other	Average vacancy rate of 49% for "Category 1" buildings High Vacancy Rate	SPUR/Gensler All Sources
	Brown Buildings  Location criteria: safety + proximity to public transportation Registered historic buildings excluded	Hamilton Project Moody's SPUR/Gensler

# STAKEHOLDER INTERVIEWS

BAE conducted interviews with five experts representing for-profit developers, non-profit developers, architects and real estate brokers. Key takeaways include:

- There is strong interest in the development community in pursuing commercial to residential conversion projects despite challenges to feasibility.
- Office buildings most likely to convert are those that are “functionally obsolete for office uses” and have high chronic vacancy rates.
- Mixed feedback on the potential for buildings with a historic designation: costs may be higher and historic tax credit financing is competitive and limited; however, for properties that are successful in obtaining financing, historic properties are often very attractive in terms of architectural design and layout.
- Tax increment financing is seen as an incentive that could improve the feasibility of adaptive reuse projects currently being considered.

# COMPARATIVE JURISDICTION CASE STUDIES

- City of Los Angeles Adaptive Reuse Ordinance
- City of New York 421-g Tax Abatement Program
- City of New York Office Conversion Accelerator Program

# LA CASE STUDY: ADAPTIVE REUSE ORDINANCE

- 1999 Adaptive Reuse Ordinance resulted in the creation of 12,000 housing units in Downtown LA.
- The 2024 Citywide Adaptive Reuse Ordinance (ARO) builds upon the original ordinance, increasing the feasibility of converting commercial spaces to residential uses by reducing building regulations, broadening eligibility and simplifying approvals.



## Citywide Adaptive Reuse Ordinance

The City of Los Angeles has been a national leader in facilitating the reuse of existing buildings, sparking the revitalization of Downtown Los Angeles, Hollywood, and other historic neighborhoods. These successes have been made possible through the City's 1999 Adaptive Reuse Ordinance (ARO), which enabled the creation of more than 12,000 housing units in Downtown alone. This has led to economic regeneration, housing opportunities, and preserving and reinvigorating the City's architectural legacy.

Nearly a quarter-century later, with a different set of challenges now facing Los Angeles, including its housing emergency and post-pandemic economic recovery, Los Angeles City Planning is proposing an expansion and reimagining of the City's adaptive reuse policies for a new era – a Citywide Adaptive Reuse Ordinance. Proposed revisions to the Adaptive Reuse Ordinance, would make it easier to convert vacant office and commercial spaces impacted by the pandemic into much needed housing.

Expanding the Adaptive Reuse Program is one of six key strategies of the [Citywide Housing Incentive Program](#). The Citywide Housing Incentive Program aims to address Los Angeles' significant housing needs, for the City to expand housing availability and meet its state Housing Element obligations. The draft Adaptive Reuse Ordinance is the first of the six strategies to be released for public feedback and input. To provide comments please email [housingelement@lacity.org](mailto:housingelement@lacity.org). Outreach activities are planned in June and opportunities to provide feedback will continue throughout the development and adoption process.

The proposed Adaptive Reuse Ordinance will expand the existing incentives to encourage converting underutilized buildings into new housing. Currently, only buildings constructed before July 1, 1974 are eligible. This updated ordinance establishes a faster approval process for the conversion of existing buildings and structures that are at least 15 years old to housing and expands the adaptive reuse incentive area citywide. Buildings between five and 15 years old or projects requesting additional relief from development standards will need approval from a Zoning Administrator through a Conditional Use Permit.

# LA ADAPTIVE REUSE ORDINANCE ELIGIBILITY

**By-Right Approval:** Buildings that are at least 15 years old from the original Certificate of Occupancy qualify for a faster, streamlined, approval process.

- Under the previous ordinance, buildings had to be built before July 1, 1974, to be eligible for conversion.

**Conditional Approval:** Projects converting newer buildings, or with zoning exceptions, require approval from a Zoning Administrator.

## Geographic Criteria

- The ARO expands to cover the entire city of Los Angeles.



San Fernando Building Lofts, Downtown LA

# NYC CASE STUDY: 421-G TAX ABATEMENT

Between 1995 and 2006, New York 421G program provided tax abatements that incentivized the development 12,865 office to residential conversion units. Citizens Budget Commission found:

- Program cost \$1.2 billion, or \$92,000 per unit.
- Incentive provided was greater than needed to support adaptive reuse in many cases
- Program incentivized many conversions to occur more quickly, and incentivized conversions that may not have otherwise occurred
- Development standards (FAR cap) and other regulatory constraints not aligned with incentive.
- Program was important in showing proof of concept that adaptive reuse was feasible.

Report ■ December 2022

## The Potential for Office-to-Residential Conversions Lessons from 421-g

*By Sean Campion  
Research Assistance by Angel Zhang*

### INTRODUCTION

Economic changes brought on by the COVID-19 pandemic have left the future of New York City's office market as uncertain as at any point in the modern era. Office vacancy rates have doubled since March 2020, exceeding the previous record level set in the early 1990s. Daily occupancy rates remain well below pre-pandemic levels due to the persistence of remote work. Many office buildings require significant investments to attract tenants and to comply with new building emissions requirements—cost pressures that come amidst flagging rents.

When New York City's office market last faced significant pressures in the early 1990s, policymakers implemented a plan focused on lower Manhattan, which was the epicenter of the vacancy crisis. One of the plan's components, the 421-g property tax incentive program, encouraged lower Manhattan property owners to convert functionally obsolete office buildings to residential uses. This brief analyzes how the 421-g program was used and offers lessons for designing a cost-effective program to support office-to-residential conversions in today's market.



# NYC CASE STUDY: OFFICE CONVERSION ACCELERATOR PROGRAM (OCA)

In 2021, The Office Adaptive Reuse Task Force, composed of appointees with direct or adjacent involvement in the City's housing market, established the [Office Adaptive Reuse Study](#). The report outlines policy recommendations to incentivize and make adaptive reuse projects more feasible.

The regulatory reforms recommended in the Office Adaptive Reuse Study are incorporated into the **City of Yes Housing Opportunity**, which expands eligibility for non-residential conversions citywide, moves the eligibility date to 1991, and allows for a broader range of residential conversions.

The Office Conversion Accelerator (OCA) Program supports the adaptive reuse of office buildings into housing (with a minimum of 50 units), contributing to the city's housing development goals. While not including the regulatory changes of the City of Yes program, the OCA streamlines processes to barriers to facilitate conversions.

The Program **brings together experts from relevant city agencies**, including City Hall, the Department of City Planning, the Department of Buildings, the Department of Housing Preservation & Development, the Board of Standards and Appeals, and the Landmarks Preservation Commission.

By providing direct access to expert agency representatives, the OCA ensures that applicants receive guidance for **efficient permit filing and administrative procedures**. This collaborative approach helps ensure that conversions are completed in a timely, accurate, and cost-effective manner.

# AB 2488 DISTRICT SUMMARY STATISTICS

- BAE merged CoStar property data with assessor aggregated database to define universe of potentially eligible parcels – 2,335 parcels total
- Excluded 1,033 parcels based on 8 factors (see table below)
- Result: **1,302 parcels with eligible commercial buildings**

	<u>Total Parcels</u>	
<b>Total Parcels in the District</b>	<b>2,335</b>	
<b>Exclusions</b>		
Residential	568	*Any building with residential uses; includes mixed-use buildings
Vacant	279	
Parking	80	*Parking lots and parking garages
Self Storage	5	
Institutional Uses	31	*Specialty buildings (schools, museums, auditoriums, theaters/concert halls, City Hall)
Under Construction Sites	6	
Non-Residential Buildings in the SALI District	52	*Service/Arts/Light Industrial District
No CoStar Data / Unconfirmed	12	*BAE unable to match CoStar property data to buildings on these parcels
<b>Total Excluded Parcels</b>	<b>1,033</b>	
<b>Parcels Remaining after Exclusions</b>	<b>1,302</b>	

# AB 2488 DISTRICT SUMMARY STATISTICS

## By Existing Land Use

<b>Parcels with Eligible Buildings</b>	<b>Total Parcels</b>	<b>Total Properties</b>	<b>Rentable Building Area</b>
Office	762	697	80,409,978
Flex	83	82	1,603,947
Retail	233	226	4,877,599
Hospitality	81	67	14,273,363
Industrial	134	126	1,338,042
Specialty / Sports & Entertainment	9	7	176,535
<b>Total, Parcels w/ Eligible Bldgs</b>	<b>1,302</b>	<b>1,205</b>	<b>102,679,464</b>

## By Tax Rate Area

<b>Eligible Parcels by Tax Rate Area</b>	<b>Total Parcels</b>	<b>Total Properties</b>	<b>Rentable Building Area</b>
1000	1,106	1,022	82,735,895
1001	7	7	3,936,068
1004	5	5	731,431
1005	49	45	3,922,608
1006	1	1	1,545,363
1007	6	2	270,768
1008	73	71	1,136,040
1012	2	2	656,190
1015	2	2	1,282,700
1016	51	48	6,462,401
<b>Total, Parcels w/ Eligible Bldgs</b>	<b>1,302</b>	<b>1,205</b>	<b>102,679,464</b>

Note: Properties can be comprised of more than one parcel.  
 Parcels and properties can include more than one building and buildings can span multiple parcels or properties.

# INITIAL ESTIMATE OF POTENTIAL BUILDINGS TO PARTICIPATE IN PROGRAM

**Methodology: Potential building candidates for conversion meet all four (4) of the following criteria.**

1. Built before 1990
2. At least 20,000 sq. ft. rentable building area
3. Building class B or C
4. Existing vacancy rate > 50%

# POTENTIAL BUILDING CANDIDATES BASED ON SELECTION CRITERIA

## By Existing Land Use

Building Use	Total	Total	Rentable	Residential
	Parcels	Properties	Building Area	Units
Office	47	44	3,625,750	4,241
Flex	3	3	82,302	96
Retail	2	2	56,194	66
Hospitality	0	0	0	0
Industrial	0	0	0	0
Specialty	0	0	0	0
Sports & Entertainment	0	0	0	0
<b>Subtotal</b>	<b>52</b>	<b>49</b>	<b>3,764,246</b>	<b>4,403</b>

## By Zoning District

Zoning District	Total	Total	Rentable	Residential
	Parcels	Properties	Building Area	Units
C-3-G	8	8	699,866	819
C-3-O	10	10	1,040,067	1,216
C-3-O(SD)	9	9	683,777	800
C-3-R	11	11	522,116	611
C-3-S	3	3	286,780	335
CMUO	6	6	308,086	360
MUO	4	1	23,554	28
RH DTR	1	1	200,000	234
<b>Subtotal</b>	<b>52</b>	<b>49</b>	<b>3,764,246</b>	<b>4,403</b>

## By Tax Rate Area

Tax Rate Area	Total	Total	Rentable	Residential
	Parcels	Properties	Building Area	Units
1000	51	48	3,714,446	4,344
1001	0	0	0	0
1004	0	0	0	0
1005	1	1	49,800	58
1006	0	0	0	0
1007	0	0	0	0
1008	0	0	0	0
1012	0	0	0	0
1015	0	0	0	0
1016	0	0	0	0
<b>Subtotal</b>	<b>52</b>	<b>49</b>	<b>3,764,246</b>	<b>4,403</b>

Note: Properties can be comprised of more than one parcel. Parcels and properties can include more than one building and buildings can span multiple parcels or properties.

# PRELIMINARY ESTIMATE OF ANNUAL TAX INCREMENT AT STABILIZATION

## Key Assumptions:

Assumed Commercial Building Efficiency	90%
Gross building sq ft per residential unit	950
Assumed Residential Building Efficiency	77.5%
Sale Price per Gross SF of Office (conversion candidates)	\$250
Market Value per Unit at Stabilization	\$750,000
City Share of Base 1% Prop Tax Increment	64.59%
ILVLF Share of Property Tax Rate	9.50%

# PRELIMINARY ESTIMATE OF ANNUAL TAX INCREMENT CONVERSION CANDIDATES BASED ON SELECTION CRITERIA

## By Existing Land Use

Building Use	Estimated Base Assessed Value (a)	Projected Taxable Assessed Value at Stabilization (b)	Projected Available Incremental Assessed Value	Projected Available Annual Property Tax Increment (c)	Projected Available Annual ILVLF Increment (d)	Total Projected Annual Property Tax & ILVLF Increment
Office	\$906,437,500	\$3,180,482,456	\$2,274,044,956	\$14,687,648	\$2,160,343	\$16,847,991
Flex	\$20,575,500	\$72,194,737	\$51,619,237	\$333,399	\$49,038	\$382,438
Retail	\$14,048,500	\$49,292,982	\$35,244,482	\$227,638	\$33,482	\$261,120
Hospitality (e)	(e)	(e)	(e)	(e)	(e)	(e)
Industrial (f)	(f)	(f)	(f)	(f)	(f)	(f)
Specialty (f)	(f)	(f)	(f)	(f)	(f)	(f)
Sports & Entertainment (f)	(f)	(f)	(f)	(f)	(f)	(f)
<b>Subtotal</b>	<b>\$941,061,500</b>	<b>\$3,301,970,175</b>	<b>\$2,360,908,675</b>	<b>\$15,248,686</b>	<b>\$2,242,863</b>	<b>\$17,491,549</b>

Notes:

(a) Assumed average baseline assessed value of \$250 per gross square foot of office space, based on information provided in stakeholder interviews.

(b) Assumed average value of \$750,000 per unit at stabilization.

(c) Annual property tax increment is equal to the incremental assessed value multiplied by the base 1.0% property tax rate, multiplied by the City's share of the base 1.0% property tax rate at 64.588206%

(d) In FY 2005-2006, former VLF revenues were swapped for property tax in-lieu of vehicle license fees (ILVLF) revenues, which set each local jurisdiction's ILVLF "base." The base increases each year thereafter in proportion to the increase in total assessed valuation within the jurisdiction. The estimated annual ILVLF revenue calculated in this table is equal to the incremental assessed value multiplied by the base 1.0% property tax rate, multiplied by the City's estimated associated ILVLF revenue at 9.5%. ILVLF revenues may or may not be included in the total revenue used for financing conversion projects under AB 2488.

(e) This preliminary analysis did not include estimates of hospitality properties that are good conversion candidates based on the selection criteria because the Costar data used to provide vacancy data for other commercial property types does not include the same vacancy data for hospitality properties. Forthcoming analysis will identify hospitality properties that are good candidates for conversion based on selection criteria for hospitality properties.

(f) The analysis did not identify any industrial, specialty, or sports and entertainment properties that met the selection criteria used to identify good conversion candidates.

# PRELIMINARY ESTIMATE OF ANNUAL TAX INCREMENT

## CONVERSION CANDIDATES BASED ON SELECTION CRITERIA

### By Zoning District

Zoning District	Estimated Base	Projected Taxable	Projected Available	Projected Available	Total Projected	
	Assessed Value (a)	Assessed Value at Stabilization (b)	Incremental Assessed Value	Annual Property Tax Increment (c)	Annual ILVLF Increment (d)	
C-3-G	\$174,966,500	\$613,917,544	\$438,951,044	\$2,835,106	\$417,003	\$3,252,110
C-3-O	\$260,016,750	\$912,339,474	\$652,322,724	\$4,213,235	\$619,707	\$4,832,942
C-3-O(SD)	\$170,944,250	\$599,804,386	\$428,860,136	\$2,769,931	\$407,417	\$3,177,348
C-3-R	\$130,529,000	\$457,996,491	\$327,467,491	\$2,115,054	\$311,094	\$2,426,148
C-3-S	\$71,695,000	\$251,561,404	\$179,866,404	\$1,161,725	\$170,873	\$1,332,598
CMUO	\$77,021,500	\$270,250,877	\$193,229,377	\$1,248,034	\$183,568	\$1,431,602
MUO	\$5,888,500	\$20,661,404	\$14,772,904	\$95,416	\$14,034	\$109,450
RH DTR	\$50,000,000	\$175,438,596	\$125,438,596	\$810,185	\$119,167	\$929,352
<b>Subtotal</b>	<b>\$941,061,500</b>	<b>\$3,301,970,175</b>	<b>\$2,360,908,675</b>	<b>\$15,248,686</b>	<b>\$2,242,863</b>	<b>\$17,491,549</b>

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# PRELIMINARY ESTIMATE OF ANNUAL TAX INCREMENT

## CONVERSION CANDIDATES BASED ON SELECTION CRITERIA

### By Tax Rate Area

Tax Rate Area	Estimated Base Assessed Value (a)	Projected Taxable Assessed Value at Stabilization (b)	Projected Available Incremental Assessed Value	Projected Available Annual Property Tax Increment (c)	Projected Available Annual ILVLF Increment (d)	Total Projected Annual Property Tax & ILVLF Increment
1000	\$928,611,500	\$3,258,285,965	\$2,329,674,465	\$15,046,949	\$2,213,191	\$17,260,140
1001	\$0	\$0	\$0	\$0	\$0	\$0
1004	\$0	\$0	\$0	\$0	\$0	\$0
1005	\$12,450,000	\$43,684,211	\$31,234,211	\$201,736	\$29,673	\$231,409
1006	\$0	\$0	\$0	\$0	\$0	\$0
1007	\$0	\$0	\$0	\$0	\$0	\$0
1008	\$0	\$0	\$0	\$0	\$0	\$0
1012	\$0	\$0	\$0	\$0	\$0	\$0
1015	\$0	\$0	\$0	\$0	\$0	\$0
1016	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal</b>	<b>\$941,061,500</b>	<b>\$3,301,970,175</b>	<b>\$2,360,908,675</b>	<b>\$15,248,686</b>	<b>\$2,242,863</b>	<b>\$17,491,549</b>

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# Downtown Revitalization Financing District

## Financing Plan



## Commercial-to-Residential Adaptive Reuse

### Policy Goals

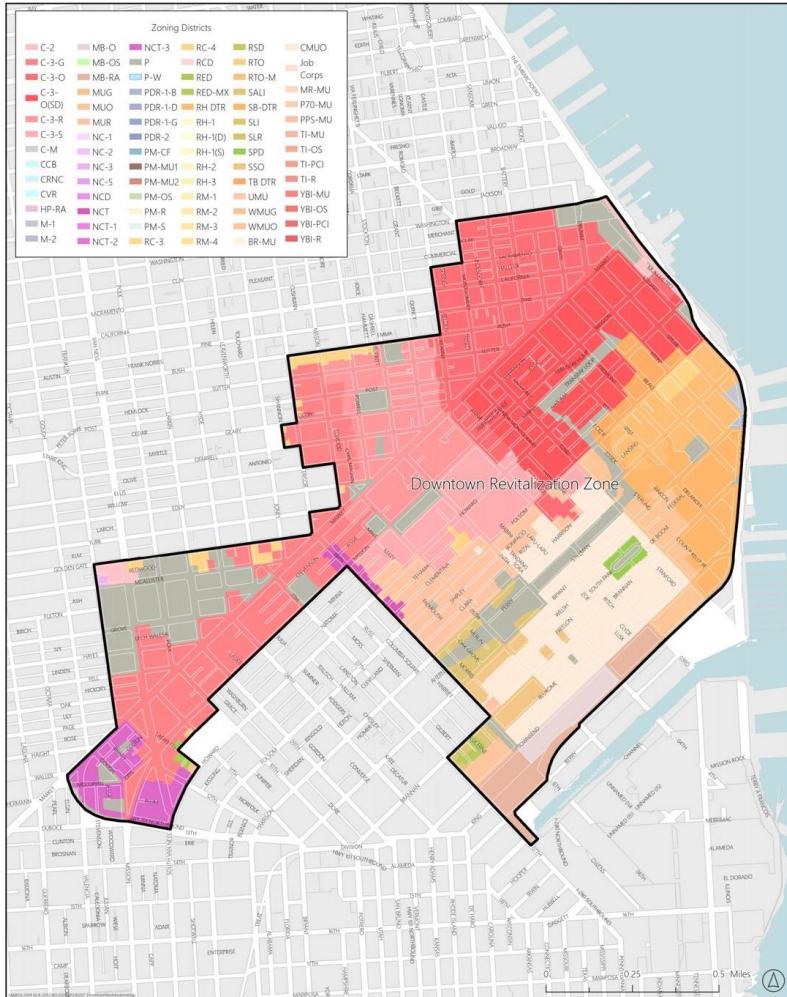
- Create a 24/7 mixed-use downtown
- Increase foot traffic for local businesses
- More riders for Muni and BART
- Safer, more active streets and plazas
- Greater resilience in future downturns
- Shore up City's long-term tax base
- Contribute to housing development goals

# Downtown Revitalization District

## Overview

- Enabled by AB 2488, effective Jan 1, 2025
- San Francisco may establish one "Downtown Revitalization and Economic Recovery Financing District"
- Provides annual property tax increment payments to commercial-to-residential conversion projects for up to 30 years
- Projects must opt in to the program by December 31, 2032
- Governed by a District Board that is a separate legal entity from the City

### Downtown Revitalization Zone





## Downtown Revitalization District

### Potential Impact

- **1,300 parcels** with eligible commercial buildings
- **48 commercial properties** likely suitable for conversion based on age, size, building class, and vacancy
- These properties could yield approx. **4,400 residential units** and add **7,000 new residents** downtown

# District Formation Process

Action	Board of Supervisors	District Board	Timeframe
Adopt Resolution of Intention; District Board Ordinance	X		June 2025
Appoint District Board members	X		Sept 2025
District Board Inaugural Meeting (Adopt Bylaws; Initiate Financing Plan)		X	Sept 2025
District Board Public Hearing #1 (Review Draft Financing Plan)		X	Oct 2025
District Board Public Hearing #2 (Approve Draft Financing Plan)		X	Dec 2025
<b>Board of Supervisors (Approve or Reject Financing Plan)</b>	X		<b>Jan 2026</b>
District Board Public Hearing #3 (Adopt Financing Plan)		-	<i>Feb 2026</i>

## District Financing Plan

### District Goals

- Increase the supply of housing
- Increase foot traffic to support businesses, transit ridership, and tourism Downtown
- Generate construction jobs
- Generally revitalize Downtown

### Required Findings

- Commercial-to-Residential conversion are of "communitywide significance"
- Consistency with City's General Plan



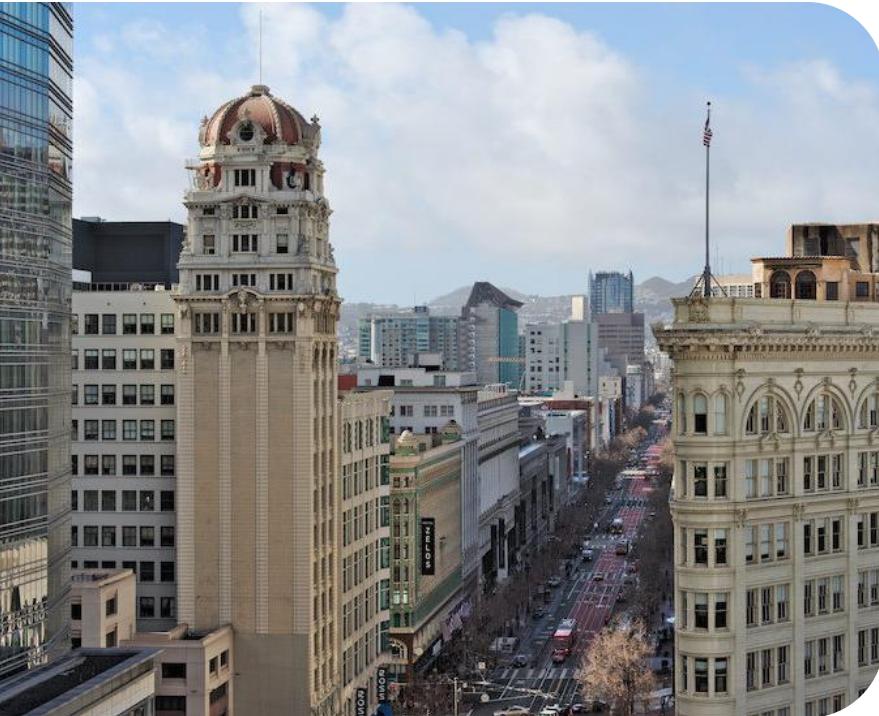


## District Financing Plan

### Eligible Projects

All properties within the district that meet the following criteria are potential projects:

- Located in a zoning district that allows residential uses or mixed-use
- Project is at least 60 percent residential
- Not located within an existing Redevelopment Plan Area
- Allocated Tax Increment will be proportional to the portion of the project that is "converted residential use"



## District Financing Plan

### Affordability and Dwelling Unit Removal Restrictions

- Projects must provide on-site affordable units, after the first 1.5M sq ft of conversions:
  - 5% very-low income or 10% low-income units for rental projects
  - 10% moderate-income units for sale projects
- Local on-site inclusionary housing requirements apply, if higher
- Any removal of existing residential dwelling units subject to City and State restrictions and relocation requirements



## District Financing Plan

### Project Labor Standards

- All projects must pay prevailing wage
- Projects of more than 50 units must use registered apprentices and provide health care benefits (AB 2011 standards)
- Projects of greater than 85' in height also must use "skilled and trained" union labor (SB 423 standards)



## District Financing Plan

### Amount and Use of Tax Increment

- City's **full share of property tax increment** (64.59% of 1% ad valorum tax) to be provided for 30 years per project
- **Property Tax In Lieu of Vehicle License Fees** (Section 97.70 revenue) **not to be allocated** and would flow to General Fund
- **Up to 5%** of allocated tax increment may be used for District **administrative use**
- **Total Allocated Tax Revenue** over 45 years projected at **\$610,426,000** (including admin)
- **Maximum limit of \$1,220,852,000** to be allocated (100% contingency factor)



## District Financing Plan

### Fiscal Impact Analysis

- Fiscal Impact Analysis estimates net new **annual General Fund revenue of \$1.6M** if all 48 conversion projects opt in
- Estimated **net fiscal impact of -\$8,289,112 to \$540,339 per year** if all 48 conversion projects opt in
- Estimated **net fiscal impact of -\$169,166 to \$11,027 per year**, per project
- Additional analysis suggests approx. **\$133M per year in total economic impact** if all 48 projects opt in



## District Financing Plan

### Program Guidelines

- District Board authorized to adopt detailed program guidelines and project opt-in procedures following Financing Plan

### Annual Reports

- District and City must hold an annual public hearing and provide an annual report of the program to the State each fiscal year
- City may delegate its annual report to District
- District must also hold a public hearing every 10 years to consider any changes to the Financing Plan

1 [Resolution Directing Preparation of Downtown Revitalization Financing Plan - San Francisco  
2 Downtown Revitalization and Economic Recovery Financing District]

3 **Resolution of the San Francisco Downtown Revitalization and Economic Recovery**  
4 **Financing District directing the Executive Director to cause the preparation of a**  
5 **Downtown Revitalization Financing Plan, and determining other matters in connection**  
6 **therewith.**

7  
8 WHEREAS, The Board of Supervisors of the City and County of San Francisco ("City")  
9 is authorized to initiate the process to establish a downtown revitalization and economic  
10 recovery financing district pursuant to Division 8 of Title 6 of the California Government Code,  
11 commencing with Section 62450 ("Downtown Revitalization Law"); and

12 WHEREAS, A downtown revitalization and economic recovery financing district is a  
13 legally constituted governmental entity separate and distinct from the City established for the  
14 sole purpose of financing commercial-to-residential conversion projects or other projects of  
15 communitywide significance in downtown San Francisco (as defined in Government Code  
16 Section 62450(h)) that support downtown revitalization and economic recovery; and

17 WHEREAS, On June 3, 2025, the Board of Supervisors adopted Resolution No.  
18 279-25, and signed by the Mayor on June 12, 2025, declaring its intention to establish the  
19 San Francisco Downtown Revitalization and Economic Recovery Financing District  
20 ("Downtown Revitalization District") to finance commercial-to-residential conversion projects  
21 of communitywide significance that provide significant benefits to the Downtown  
22 Revitalization District or the City with incremental tax revenues generated by commercial-to-  
23 residential conversion projects within Downtown Revitalization District; and

24 WHEREAS, The Board of Supervisors established the Board of Directors of the San  
25 Francisco Downtown Revitalization and Economic Recovery District ("Board of Directors") to

1 act as the governing board for the Downtown Revitalization District pursuant to Ordinance No.  
2 082-25, adopted on June 10, 2025, and signed by the Mayor on June 12, 2025 ("Ordinance  
3 Establishing Board of Directors"); and

4 WHEREAS, The Board of Directors were appointed in accordance with Government  
5 Code Section 62452; and

6 WHEREAS, The Board of Directors is responsible for causing preparation of the  
7 downtown revitalization financing plan for the Downtown Revitalization District ("Downtown  
8 Revitalization Plan"); and

9 WHEREAS, Pursuant to the Resolution of Intention, the Board of Supervisors directed  
10 the Clerk of the Board of Supervisors to transmit a copy of the Resolution of Intention to the  
11 Board of Directors; and

12 WHEREAS, Upon receipt of the Resolution of Intention, the Board of Directors is  
13 required by Government Code Section 62455 to designate and direct an appropriate  
14 government official to prepare the Downtown Revitalization Plan pursuant to Government  
15 Code Section 62456; now, therefore, be it

16 RESOLVED, That the Board of Directors hereby finds that the recitals are true and  
17 correct; and, be it

18 FURTHER RESOLVED, That the Board of Directors has received the Resolution of  
19 Intention; and, be it

20 FURTHER RESOLVED, That pursuant to Government Code Section 62455, the Board  
21 of Directors hereby designates and directs the Executive Director to work with the necessary  
22 City staff and professionals to prepare a draft of the Downtown Revitalization Plan; and, be it

23 FURTHER RESOLVED, That pursuant to Government Code Section 62458, the Board  
24 of Directors shall consider adoption of the Downtown Revitalization Plan at three public  
25 hearings, and the Chair of the Board of Directors, in coordination with the Executive Director,

1 shall determine the date, time and location of such public hearings and provide notice of the  
2 three public hearings in accordance with Government Code Section 62458(e) and, be it

3 FURTHER RESOLVED, That if any section, subsection, sentence, clause, phrase, or  
4 word of this Resolution, or any application thereof to any person or circumstance, is held to be  
5 invalid or unconstitutional by a decision of a court of competent jurisdiction, such decision  
6 shall not affect the validity of the remaining portions or applications of this Resolution, this  
7 Board of Directors hereby declaring that it would have passed this Resolution and each and  
8 every section, subsection, sentence, clause, phrase, and word not declared invalid or  
9 unconstitutional without regard to whether any other portion of this Resolution or application  
10 thereof would be subsequently declared invalid or unconstitutional; and, be it

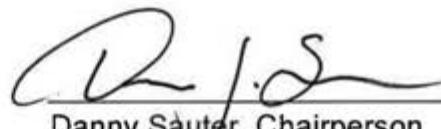
11 FURTHER RESOLVED, That the Chair, the Vice-Chair, the Executive Director, the  
12 Treasurer and the Secretary, or designees of each of the foregoing, are hereby authorized, for  
13 and in the name of and on behalf of the Downtown Revitalization District, to do any and all  
14 things and take any and all actions which they, or any of them, may deem necessary or  
15 advisable in order to effectuate the purposes of this Resolution; provided however that any  
16 such actions be solely intended to further the purposes of this Resolution, and are subject in  
17 all respects to the terms of the Resolution; and, be it

18 FURTHER RESOLVED, That all actions authorized and directed by this Resolution,  
19 consistent with any documents presented herein, and heretofore taken are hereby ratified,  
20 approved and confirmed by the Board of Directors; and, be it

21 FURTHER RESOLVED, That this Resolution shall take effect upon its adoption.

1  
2 On a motion by Director Mahmood, seconded by Director Dorsey, the foregoing Resolution  
3 was passed and adopted by the San Francisco Downtown Revitalization and Economic  
4 Recovery Financing District, State of California, this 25th day of September 2025, by the  
5 following vote:

6  
7  
8 AYES: Dorsey, Mahmood, Sauter, Tolentino, Wang  
9  
10  
11  
12  
13  
14  
15  
16 ATTEST:



Danny Sauter, Chairperson  
San Francisco Downtown Revitalization and  
Economic Recovery Financing District



20 Erica Major, Clerk  
21 San Francisco Downtown Revitalization and  
22 Economic Recovery Financing District  
23  
24  
25



**NOTICE OF PUBLIC HEARING  
BUDGET AND FINANCE COMMITTEE  
BOARD OF SUPERVISORS OF THE CITY AND COUNTY OF SAN FRANCISCO**

NOTICE IS HEREBY GIVEN THAT the Board of Supervisors of the City and County of San Francisco's Budget and Finance Committee will hold a public hearing to consider the following proposal and said public hearing will be held as follows, at which time all interested parties may attend and be heard:

**Date:** **Wednesday, January 28, 2026**

**Time:** **10:00 a.m.**

**Location:** **Legislative Chamber, Room 250, located at City Hall  
1 Dr. Carlton B. Goodlett Place, San Francisco, CA**

**Subject:** **File No. 251268.** Resolution establishing the San Francisco Downtown Revitalization and Economic Recovery Financing District, approving the Downtown Revitalization Financing Plan, including the division of taxes set forth therein, and documents and actions related thereto, and authorizing the filing of a judicial validation action.

Background: On June 3, 2025, the Board of Supervisors of the City and County of San Francisco ("City") adopted Resolution No. 279-25 ("Resolution of Intention"), which was signed by the Mayor on June 12, 2025, stating its intention to cause the establishment of the San Francisco Downtown Revitalization and Economic Recovery Financing District ("District"). The Board of Supervisors adopted the Resolution of Intention pursuant to Division 8 of Title 6 of the California Government Code (commencing with Section 62450) ("District Law").

The District would be a legally constituted governmental entity separate and distinct from the City. The District would be established for the sole purpose of financing commercial-to-residential conversion projects or other projects of communitywide significance in downtown San Francisco (as defined in Government Code Section 62450(h)) that support downtown revitalization and economic recovery.

The Board of Supervisors established the Board of Directors of the San Francisco Downtown Revitalization and Economic Recovery District ("Board of Directors") to act as the governing board for the District pursuant to Ordinance No. 082-25, adopted on June 10, 2025, and signed by the Mayor on June 12, 2025 ("Ordinance Establishing Board of Directors").

## NOTICE OF PUBLIC HEARING

File No. 251268 - Establishing the San Francisco Downtown Revitalization and Economic Recovery Financing District -

Approving the Downtown Revitalization Financing Plan and Related Documents and Actions

Hearing Date: January 28, 2026

Page 2

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On September 25, 2025, the Board of Directors adopted Resolution No. 01, directing the preparation of a Downtown Revitalization Financing Plan (“Downtown Revitalization Plan”) for the District. The Downtown Revitalization Plan will include a description of the boundaries of the District and the potential commercial-to-residential conversion projects or other projects of communitywide significance that may receive financial assistance from the District; a financing section including a description of the incremental tax revenue of the City to be committed to the District; and other such information and analyses required by the District Law.

Previous Public Hearings: Pursuant to the District Law, the Board of Directors previously held two public hearings on the Downtown Revitalization Plan. Upon the completion of the second public hearing, the Board of Directors approved by resolution certain modifications of the Plan.

Meeting Description: At the meeting described in this Notice, which is the third public hearing, the Board of Directors will consider any written and oral comments, and may enact a resolution to approve the Downtown Revitalization Plan.

Access to Downtown Revitalization Plan: The Board of Directors has made the draft Downtown Revitalization Plan available on the following internet website:

<https://sfbos.org/san-francisco-downtown-revitalization-and-economic-recovery-financing-district>.

This notice is being delivered in the manner required by the District Law.

In accordance with Administrative Code, Section 67.7-1, persons who are unable to attend the hearing on this matter may submit written comments prior to the time the hearing begins. These comments will be made as part of the official public record in this matter and shall be brought to the attention of the Board of Supervisors. Written comments should be addressed to Angela Calvillo, Clerk of the Board, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA, 94102 or sent via email ([board.of.supervisors@sfgov.org](mailto:board.of.supervisors@sfgov.org)). Information relating to this matter is available in the Office of the Clerk of the Board or the Board of Supervisors’ Legislative Research Center (<https://sfbos.org/legislative-research-center-lrc>). Agenda information relating to this matter will be available for public review on Friday, January 23, 2026.

For any questions about this hearing, please contact the Assistant Clerk for the Budget and Finance Committee:

Brent Jalipa ([Brent.Jalipa@sfgov.org](mailto:Brent.Jalipa@sfgov.org) – (415) 554-7712)



Angela Calvillo  
Clerk of the Board of Supervisors  
City and County of San Francisco

bjj; edm

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EXM# 4002556

NOTICE OF PUBLIC  
HEARING BUDGET AND  
FINANCE COMMITTEE  
BOARD OF SUPERVISORS  
OF THE CITY AND  
COUNTY OF SAN FRAN-  
CISCO

NOTICE IS HEREBY GIVEN THAT the Board of Supervisors of the City and County of San Francisco's Budget and Finance Committee will hold a public hearing to consider the following proposal and said public hearing will be held as follows, at which time all interested parties may attend and be heard: Date: Wednesday, January 28, 2026 Time: 10:00 a.m. Location:

Legislative Chamber, Room 250, located at City Hall 1 Dr. Carlton B. Goodlett Place, San Francisco, CA Subject: File No. 251268. Resolution establishing the San Francisco Downtown Revitalization and Economic Recovery Financing District, approving the Downtown Revitalization Financing Plan, including the division of taxes set forth therein, and documents and actions related thereto, and authorizing the filing of a judicial validation action. Background: On June 3, 2025, the Board of Supervisors of the City and County of San Francisco ("City") adopted Resolution No. 279-25 ("Resolution of Intention"), which was signed by the Mayor on June 12, 2025, stating its intention to cause the establishment of the San Francisco Downtown Revitalization and Economic Recovery Financing District ("District"). The Board of Supervisors adopted the Resolution of Intention pursuant to Division 8 of Title 6 of the California Government Code (commencing with Section 62450) ("District Law"). The District would be a legally constituted governmental entity separate and distinct from the City. The District would be established for the sole purpose of financing commercial-to-residential conversion projects or other projects of communitywide significance in downtown San Francisco (as defined in Government Code Section 62450(h)) that support downtown revitalization and economic recovery. The Board of Supervisors established the Board of Directors of the San Francisco Downtown Revitalization and Economic Recovery District ("Board of Directors") to act as the governing board for the District pursuant to Ordinance No. 082-25, adopted on June 10, 2025, and signed by the Mayor on June 12, 2025 ("Ordinance Establishing Board of Directors"). On September 25, 2025, the Board of Directors adopted Resolution No. 2025-01, directing the preparation of a Downtown Revitalization Financing Plan ("Downtown Revitalization Plan") for the District. The Downtown Revitalization Plan will include a description of the boundaries of the District and the potential commercial-to-residential conversion projects or other projects of communitywide significance that may receive financial assistance from the District; a financing section including a description of the incremental tax revenue of the City to be committed to the District; and other such information and analyses required by the District Law. Previous Public Hearings: Pursuant to the District Law, the Board of Directors previously held two public hearings on the Downtown Revitalization Plan. Upon the completion of the second public hearing, the Board of Directors approved by resolution certain modifications of the Plan. Meeting Description: At the meeting described in this Notice, which is the third public hearing, the Board of Directors will consider any written and oral comments, and may enact a resolution to approve the Downtown Revitalization Plan. Access to Downtown Revitalization Plan: The Board of Directors has made the draft Downtown Revitalization Plan available on the following internet website: <https://sfbos.org/san-francisco-downtown-revitalization-and-economic-recovery-financing-district>. This notice is being delivered in the manner required by the District Law. In accordance with Administrative Code, Section 67.7-1, persons who are unable to attend the hearing on this matter may submit written comments prior to the time the hearing begins. These comments will be made as part of the official public record in this matter and shall be brought to the attention of the Board of Supervisors. Written comments should be addressed to Angela Calvillo, Clerk of the Board, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA, 94102 or sent via email ([board.of.supervisors@sfgov.org](mailto:board.of.supervisors@sfgov.org)). Information relating to

## COPY OF NOTICE

Notice Type: GPN GOVT PUBLIC NOTICE

Ad Description

EDM for Budget & Finance - 251268 Hearing Notice DRFD

To the right is a copy of the notice you sent to us for publication in the SAN FRANCISCO EXAMINER. Thank you for using our newspaper. Please read this notice carefully and call us with any corrections. The Proof of Publication will be filed with the County Clerk, if required, and mailed to you after the last date below. Publication date(s) for this notice is (are):

01/18/2026

The charge(s) for this order is as follows. An invoice will be sent after the last date of publication. If you prepaid this order in full, you will not receive an invoice.

Publication	\$1134.00
Set aside for CCSF Outreach Fund	\$126.00
Total	\$1260.00



this matter is available in the Office of the Clerk of the Board or the Board of Supervisors' Legislative Research Center (<https://sfbos.org/legislative-research-center-lrc>). Agenda information relating to this matter will be available for public review on Friday, January 23, 2026.

**EXM-4002556#**

## LURIE

Continued from page A1

ments in The City over the prior year.

Empire last year bought the historic and long-vacant One Montgomery building downtown, and Ghazi has said he's working to turn it into an innovative headquarters complex.

"I thought it was pragmatic," Ghazi said Thursday of Lurie's speech. "He has a real understanding of where The City is at and where we need to progress."

David Harrison, director of public policy for the San Francisco Chamber of Commerce, praised the mayor Friday for helping to improve people's outlook about The City's future.

"I applaud Mayor Lurie for the work that he's done to make real positive change in how folks are feeling about San Francisco's recovery," Harrison said.

Harrison said he also welcomed Lurie's efforts to help small businesses, especially by simplifying and streamlining permitting functions, and he said he looked forward to working with the mayor to make "San Francisco a place that is affordable, predictable and thriving."

The mayor, speaking amid an ongoing surge of federal law and immigration agents into Minneapolis, received a standing ovation Thursday when he recalled — without mentioning President Donald Trump by name — how an influx of federal agents into San Francisco was called off in October.

Lurie said at the time that he told President Donald Trump in a telephone call that The City was making progress in lowering crime rates and stimulating its economic recovery. Some business leaders interceded with the president as well to say such a deployment was not needed.

"Under my administration, San Francisco will always be a city that takes care of its own," said Lurie, referring to a \$3.5 million appropriation he and the Board of Supervisors approved for additional legal-defense funding "for our immigrant communities during an unprecedented time of fear and insecurity."

Highlighting a less tolerant approach to public drug use, Lurie pointed to passage in February by the Board of Supervisors of his Fentanyl State of Emergency Ordinance, which gave his administration more flexibility in contracting with mental-health services and addiction-treatment providers.

Lurie subsequently ordered that city-funded programs not distribute fentanyl-smoking paraphernalia, a departure from harm-reduction policies, while also expanding shelter beds.

"We stopped freely handing out drug supplies and letting people kill them-



CRAIG LEE/THE EXAMINER

**District Attorney Brooke Jenkins, left, and former Mayor Willie Brown — seen greeting Mayor Daniel Lurie — were among the attendees Thursday at the State of the City address.**

selves on our streets," Lurie said. "It is not a basic right to use drugs openly in front of our kids."

The fentanyl crisis raged on, nonetheless, with fatal drug overdoses on track to roughly match the 2024 total at year's end.

Lurie promised that this spring, The City will open a stabilization center in SoMa for people arrested for public intoxication that will serve as an alternative to jail and hospitalization, as well as a connection to addiction treatment and other behavioral health programs. Those taken into custody will get access to help, while officers can get back on the beat faster, Lurie said.

"San Francisco is no longer a safe haven for those who want to sell drugs, do drugs and live on our streets," Lurie said.

On the homelessness front, Lurie — who founded the antipoverty nonprofit Tipping Point before becoming mayor — said The City opened 600 new treatment-focused beds and pushed for better coordination among health services, social services, law enforcement and other emergency responders, and the effort is showing results.

He said shelter placements are up by 40%, and The City logged a record-low number of street encampments in December. Newly passed legislation is getting families living in recreational vehicles into housing and helping to "restore" public spaces, he said.

During the coming year, Lurie said that The City, which spends more than \$1 billion per year on homelessness programs, will begin "redoing" every single homelessness-services contract "with a clear focus on accountability and results," he said.

In a related vein, Lurie laid out a variety of other initiatives aimed at making The City more affordable — a theme increasingly prevalent in politics across the nation.

The recent passage of his Family Zoning plan will help produce more housing that people can afford, Lurie said, though housing development is a slow-moving train.

A coalition that includes a neighborhood alliance and a small-business organization also filed a lawsuit filed this month challenging the plan, a move that drew an apparent swipe from the mayor. Lurie said Thursday that "some people are still putting their own interests ahead of what's good for San Francisco families by trying to shut down this plan."

The mayor promised to fund affordable-housing projects and down-payment and loan-support programs "to assist educators and first responders striving to become homeowners and build generational wealth in the communities they serve."

In addition, Lurie announced an expansion of free and subsidized early child care using money from a 2018 ballot measure voters approved for that purpose. Starting this month, he said, a family of four making less than \$230,000 a year will qualify for free child care at providers across San Francisco, and by the fall, those earning up to \$310,000 a year will receive a 50% subsidy. Money will also go to raising the salaries of early-childhood educators and creating or expanding child-care facilities, among other purposes.

Lurie also unveiled a partnership with the San Francisco Unified School District that will enable high-school students to earn associate degrees and industry cer-

tifications at San Francisco City College, with guaranteed transfers to San Francisco State University. A student could thus earn a Community Health Worker Certification at City College and then a Bachelor of Science in nursing at SF State.

Supervisor Bilal Mahmood said he welcomed Lurie's emphasis on varied approaches to making life in The City less costly. Mahmood represents District 5, which includes the Tenderloin, Hayes Valley, Lower Haight, Western Addition, Fillmore, Alamo Square, Japantown, NoPa and Haight Ashbury.

"I appreciated the focus on affordability," Mahmood said. "It's a holistic issue that has to address housing, childcare and transit."

Lurie vowed to keep leaning into public-private partnerships, such as the San Francisco Downtown Development Corporation, a privately funded nonprofit he called for on the campaign trail that has raised more than \$60 million dollars for civic-improvement projects that have included increased street cleaning and the fielding of welcoming ambassadors outside BART stations.

Lurie said a top goal will be winning voter approval in November for two anticipated ballot measures — one authorizing a city parcel tax to fund the San Francisco Municipal Transportation Agency, the other a regional sales tax to fund SFMTA, BART and other local agencies facing budget deficits.

The proposed parcel tax would raise an estimated \$183 million to \$187 million, with annual levies starting at \$129 for a single-family home up to 3,000 square feet. Charges to tenants in rent-controlled apartments would be capped at \$65, and single-room-occupancy units would be exempted.

The five-county regional sales-tax measure, meanwhile, would allow for an additional 1% levy in The City.

San Francisco is facing an estimated \$936.6 million budget shortfall in the upcoming two fiscal years. Lurie has directed municipal departments to identify \$400 million in ongoing savings as The City prepares a budget, which must be finished by late July.

Lurie closed his speech by urging citizens "to roll up their sleeves and show their civic pride" by contributing personally, particularly by participating in a first-ever city-wide day of service this summer. His wife, Becca Prowda, is pioneering the initiative.

"I'm calling on each and every one of you to join us — service, accountability, and change in big ways and small," Lurie said. "By staying focused on the problems that need solving right here in San Francisco, we can reclaim our place as the greatest city in the world."

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## San Francisco Examiner

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### GOVERNMENT

#### LEGISLATION

##### INTRODUCED AT, AND

##### SUMMARY OF ACTIONS

##### OF THE JANUARY 13, 2026

##### MEETING OF THE SAN

##### FRANCISCO BOARD OF

##### SUPERVISORS

are available at [www.sfbos.org](http://www.sfbos.org); 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 or by calling (415) 554-5184.

**EXM-4004431#**

#### NOTICE OF REGULAR

#### MEETING

#### SAN FRANCISCO BOARD

#### OF SUPERVISORS

#### PUBLIC SAFETY AND

#### NEIGHBORHOOD

#### SERVICES COMMITTEE

#### CITY HALL, LEGISLATIVE

#### CHAMBER, ROOM 250

#### 1 DR. CARLTON B.

#### GOODLETT PLACE

#### SAN FRANCISCO, CA 94102

Thursday, January 22, 2026

- 10:00 AM

The agenda packet and

legislative files are available

for review <https://sfbos.org/legislative-research-center-lrc>, in Room 244 at City Hall, or by calling (415) 554-5184.

**EXM-4004264#**

#### NOTICE OF PUBLIC

#### BUDGET AND

#### FINANCE COMMITTEE

#### OF THE CITY AND COUNTY

#### OF SAN FRANCISCO

#### NOTICE IS HEREBY GIVEN

THAT the Board of Supervisors of the City and County of San Francisco's Budget and

Finance Committee will hold

a public hearing to consider

the following proposal and

will be held as follows, at which time all

interested parties may

attend and be heard: Date:

Wednesday, January 26, 2026

Time: 10:00 a.m. Location:

Legislative Chamber, Room

250, located at City Hall 1

OFFICE OF THE MAYOR  
SAN FRANCISCO



DANIEL LURIE  
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors  
FROM: Adam Thongsavat, Liaison to the Board of Supervisors  
RE: Resolution Establishing the San Francisco Downtown Revitalization and Economic Recovery Financing District and Approving the Downtown Revitalization Financing Plan and Related Documents and Actions  
DATE: December 16, 2025

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Resolution establishing the San Francisco Downtown Revitalization and Economic Recovery Financing District, approving the Downtown Revitalization Financing Plan, including the division of taxes set forth therein, and documents and actions related thereto, and authorizing the filing of a judicial validation action.

Should you have any questions, please contact Adam Thongsavat at [adam.thongsavat@sfgov.org](mailto:adam.thongsavat@sfgov.org)