

# ParkMerced Redevelopment: Economic Impact Report

Office of Economic Analysis

May 24, 2011

Items #110300-110303



## Introduction

- The ParkMerced Development Agreement and associated rezoning will permit the construction of approximately 5,700 new housing units in a redesigned ParkMerced neighborhood.
- Over 400,000 square feet of new non-residential construction is planned, and nearly 1,700 existing units will be renovated.
- Over 1,500 existing rent-controlled rental units will be demolished, and new replacement rent-controlled units constructed.
- The planned redevelopment will increase the population of ParkMerced by 12,000.
- This analysis is focused on the citywide economic impact of this redevelopment, and not an economic and fiscal impact of the project build-out per se.



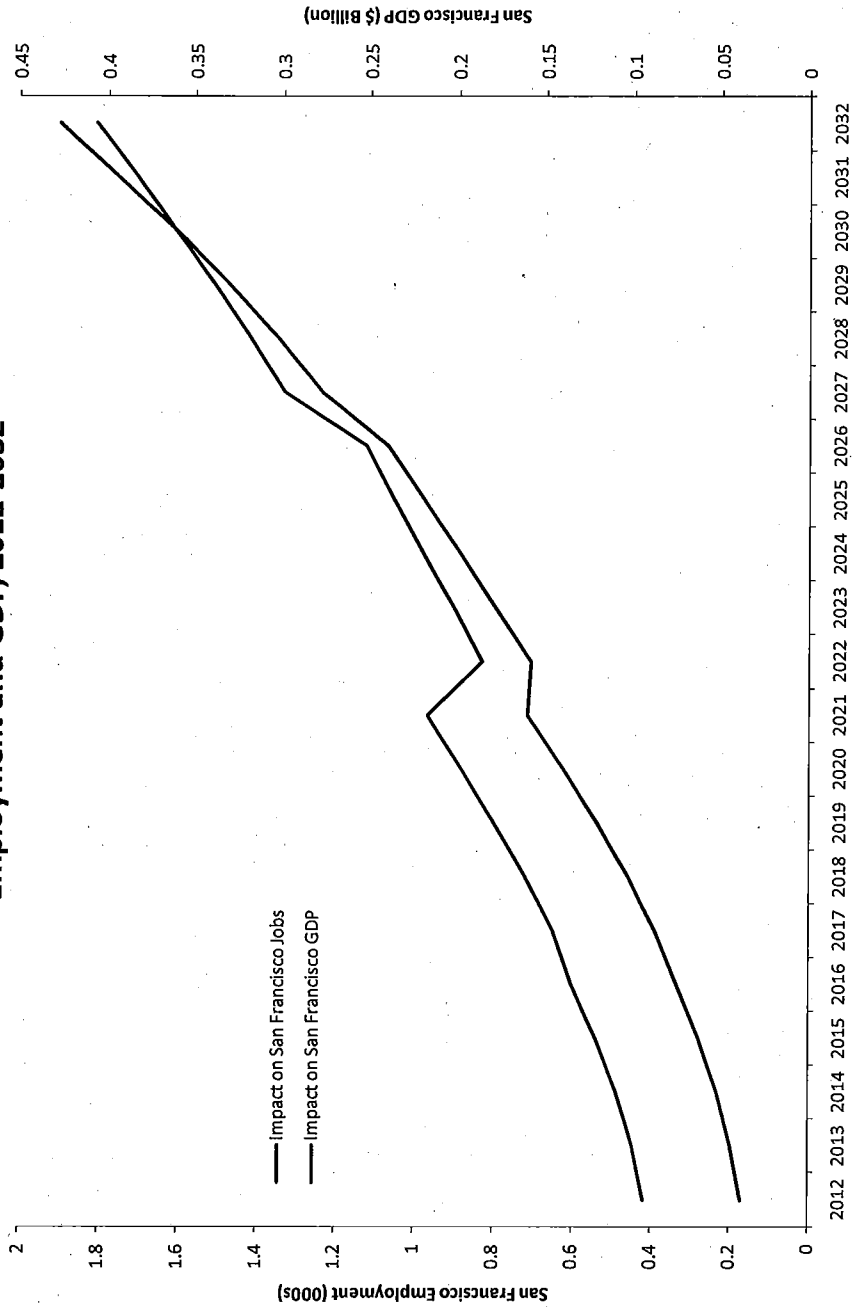
## Economic Impact Factors

- The anticipated redevelopment will have a positive citywide economic impact for the following reasons:
  - Greater economic activity from construction and demolition.
  - Downward pressure on citywide housing prices resulting from expanded housing supply in the neighborhood.
  - Downward pressure on citywide commercial rents, by expanded retail and office space.
- Lowering housing prices increases consumer incomes, indirectly reduces labor costs, and makes San Francisco a more competitive business location.
- Lowering commercial rent also makes San Francisco more competitive, by increasing business incomes.



## Assessment: Citywide Impacts on Employment and GDP

ParkMerced Redevelopment Impact on San Francisco  
Employment and GDP, 2012-2032



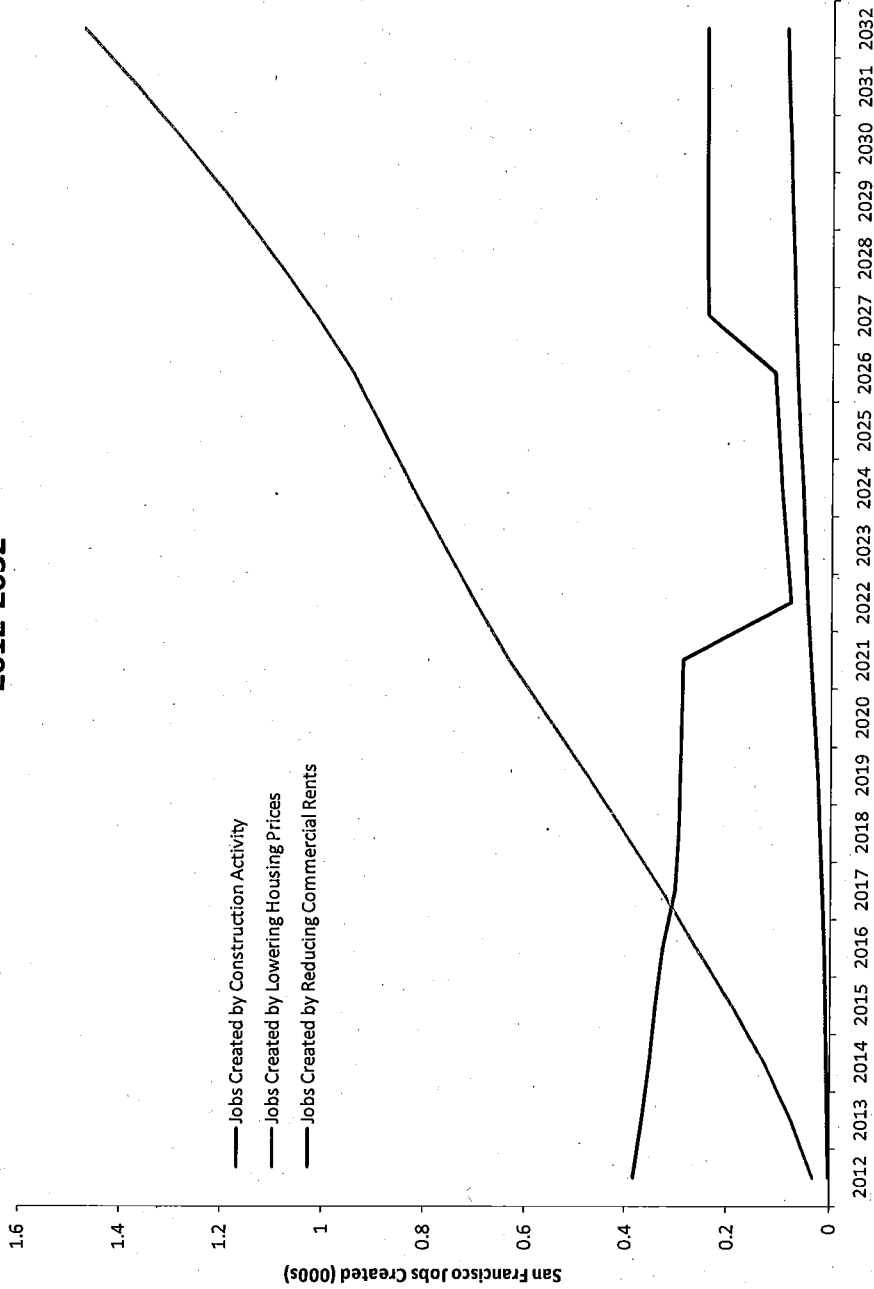
The combined impact of the construction activity, reduced housing prices, and reduced commercial rent will be to increase employment in San Francisco by nearly 2,000 jobs by 2032, and to increase the size of the City's economy by \$400 million.

Most of this growth will *not* occur in the ParkMerced area.



## Breakdown of Employment Impacts

Breakdown of Estimated Job Impacts of ParkMerced Redevelopment, 2012-2032



In the early years of the project, the bulk of the jobs benefit will be created by the construction itself.

Over time, however, the expansion of housing supply will be the most important impact to the city's economy.

The impact of the non-residential construction is comparatively small, in the context of the city as a whole.



## Impacts on the City's General Fund

- **Payroll Tax:**
  - Based on REMI model estimates of citywide growth in employee compensation, City payroll tax revenue is expected to increase by an average of \$1.6 million over the 20-year build-out period.
- **Sales Tax:**
  - Based on REMI model estimates of citywide growth in consumer spending, City sales tax revenue is expected to increase by an average of \$1.06 million per year.
- **Property Tax:**
  - Earlier work by EPS and CBRE confirmed significant incremental property tax revenue generated within the project area, equaling \$24 million per year to the General Fund.
  - However, the project will absorb housing demand from elsewhere in the city, and suppress housing prices, assessed valuations, and property tax revenue growth across the city as well.
  - The average annual reduction in citywide assessed value is projected to be 0.38% over the next twenty years.
  - Based on today's property tax base, such as reduction would cost the General Fund approximately \$3.6 million per year.
  - Thus, even with the expected citywide dampening of housing prices, the project will still generate significant new property tax revenues for the General Fund.



## Conclusions

- By expanding the ability to develop new housing in San Francisco, the proposed redevelopment of ParkMerced will create long-term economic benefits for the city as a whole.
- In helping to contain the expected future growth in housing prices, the project will, in the future, reduce what San Francisco residents pay for housing, and reduce what San Francisco businesses will have to pay for labor.
- The redevelopment of the neighborhood, and its economic impacts, will also expand the property, payroll, and sales tax revenues of the city over the long term.



## Staff Contacts

Ted Egan, Chief Economist (415) 554-5268

[ted.egan@sfgov.org](mailto:ted.egan@sfgov.org)

Office of the Controller - Office of Economic Analysis

**City and County of San Francisco**

