

BOARD of SUPERVISORS




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MEMORANDUM

Date: March 13, 2023

To: Ben Rosenfield, City Controller, Office of the Controller
Jose Cisneros, Treasurer, Office of the Treasurer & Tax Collector
Rich Hillis, Director, Planning Department
Patrick O'Riordan, Director, Department of Building Inspection

From:  Angela Calvillo, Clerk of the Board, Board of Supervisors

Subject: Urging City Departments to Develop Comprehensive Adaptive Reuse Strategy for Downtown (File No. 230153)

On February 14, 2023, the Board of Supervisors adopted Resolution No. 71-23 sponsored by Supervisor Aaron Peskin (File No. 230153, Urging City Departments to Develop Comprehensive Adaptive Reuse Strategy for Downtown); enacted on February 24, 2023.

Please find the attached courtesy copy of the Resolution for your office's information and consideration.

If you have any questions or concerns, please contact the Office of the Clerk of the Board at (415) 554-5184, or by email: board.of.supervisors@sfgov.org.

- c: Members of the Board of Supervisors; Supervisors Aaron Peskin,
Rafael Mandelman, Matt Dorsey, Connie Chan, Ahsha Safai,
Catherine Stefani
Todd Rydstrom, Office of the Controller
Ted Egan, Office of the Controller
Amanda Kahn Fried, Office of the Treasurer & Tax Collector
Dan Sider, Planning Department
Corey Teague, Planning Department
Tina Tam, Planning Department
Lisa Gibson, Planning Department
Devyani Jain, Planning Department
AnMarie Rodgers, Planning Department
Aaron Starr, Planning Department
Joy Navarrete, Planning Department
Elizabeth Watty, Planning Department
Patty Lee, Department of Building Inspection
Tom Paulino, Mayor's Liaison to the Board of Supervisors
Andres Power, Mayor's Policy Director
Susanna Conine-Nakano, Mayor's Office

1 [Urging City Departments to Develop Comprehensive Adaptive Reuse Strategy for Downtown]

2
3 **Resolution urging the Planning Department to report on potential candidates for**
4 **adaptive reuse in the Downtown core; urging the Planning Department and Department**
5 **of Building Inspection to issue public facing criteria for members of the public and**
6 **stakeholder property owners on potential office conversion to residential eligibility;**
7 **and urging the Planning Department, City Controller and Treasurer Tax Collector to**
8 **investigate private market restraints on adaptive reuse, including shareholder and REIT**
9 **agreements that restrict conversion or the offering of commercial space for**
10 **competitive rates, and local, state and federal tax policies that disincentivize the**
11 **productive or adaptive reuse of properties that would otherwise be ripe for conversion.**

12
13 WHEREAS, In December 2022, the vacancy rate of office space in Downtown San
14 Francisco rose to between 23.7 and 27.6 percent, by some estimates nearly seven times the
15 pre-pandemic 2019 vacancy rate of just 4 percent; and

16 WHEREAS, Though pre-pandemic office space vacancies had been impacted by a rise
17 in remote work, a market trend embraced early on by San Francisco's high concentration of
18 technology and finance companies, the pandemic emergency and related public health
19 restrictions accelerated that trend; and

20 WHEREAS, While San Francisco's office space recession is not unique among cities
21 across the country, it has nevertheless contributed to a decrease in foot traffic, less business
22 patronage, and a hollowed out downtown; and

23 WHEREAS, The staggering increase in office space vacancies coincides with a
24 generational housing crisis and state mandates for the construction of over 82,000 homes, of
25 which 46,000 must be affordable to low- and moderate-income households; and

1 WHEREAS, In January 2023, the Budget and Legislative Analyst released a report (the
2 BLA Report) on repurposing commercial real estate for residential use; and

3 WHEREAS, The BLA Report cites adaptive reuse programs in Los Angeles and New
4 York that have facilitated the conversion of commercial office space to residential housing,
5 whereas others have pointed to Calgary, Alberta as a model for transforming downtown
6 commercial areas into diverse, thriving neighborhoods; and

7 WHEREAS, While the BLA Report calls for reduced regulatory hurdles, they fail to
8 acknowledge that all residential uses are principally permitted throughout the downtown C-3
9 zoning districts, with no density limits or minimum parking requirements; and

10 WHEREAS, The development community has nevertheless signaled that conversion
11 from office space to residential space is costly and unfeasible, despite some indication that
12 viable candidates for conversion would cost less than bottom-up construction; and

13 WHEREAS, Another impediment to conversions is the comparatively lower market
14 price for residential space as compared to commercial office space, with some estimates
15 placing the asking price for commercial office space as high as \$60 per square foot, a number
16 which has reportedly declined in recent years but remains much higher than residential rental
17 prices; and

18 WHEREAS, The commanding price for commercial office space presents additional
19 challenges for shareholder- and REIT-financed properties, which can be bound by restrictive
20 covenants that prevent adaptive reuse or the offering of space for more competitive rates; and

21 WHEREAS, A recent report by JK Dineen of the San Francisco Chronicle nevertheless
22 inspires renewed interest in identifying prime candidates for office-to-residential conversion;
23 now, therefore, be it

24 RESOLVED, That the Board of Supervisors of the City and County of San Francisco
25 urges the Planning Department to report to the Board of Supervisors a comprehensive list of

1 buildings in Downtown San Francisco that are potential candidates for commercial office to
2 residential conversion; and, be it

3 FURTHER RESOLVED, That the Board of Supervisors further urges the Planning
4 Department, in collaboration with the Department of Building Inspection, to issue public facing
5 criteria for members of the public and stakeholder property owners to assess the viability of
6 converting commercial office space to residential use; and, be it

7 FURTHER RESOLVED, That the Board of Supervisors urges the Planning
8 Department, in collaboration with the Office of the City Controller, the Office of the Treasurer
9 and Tax Collector, and other appropriate city partners, to investigate private market restraints
10 on adaptive reuse, including shareholder and REIT agreements that restrict conversion or the
11 offering of commercial space for competitive rates, and local, state and federal tax policies
12 that disincentivize the productive or adaptive reuse of properties that would otherwise be ripe
13 for conversion.



City and County of San Francisco

Tails Resolution

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 230153

Date Passed: February 14, 2023

Resolution urging the Planning Department to report on potential candidates for adaptive reuse in the Downtown core; urging the Planning Department and Department of Building Inspection to issue public facing criteria for members of the public and stakeholder property owners on potential office conversion to residential eligibility; and urging the Planning Department, City Controller and Treasurer Tax Collector to investigate private market restraints on adaptive reuse, including shareholder and REIT agreements that restrict conversion or the offering of commercial space for competitive rates, and local, state and federal tax policies that disincentivize the productive or adaptive reuse of properties that would otherwise be ripe for conversion.

February 14, 2023 Board of Supervisors - ADOPTED

Ayes: 11 - Chan, Dorsey, Engardio, Mandelman, Melgar, Peskin, Preston, Ronen, Safai, Stefani and Walton

File No. 230153

I hereby certify that the foregoing Resolution was ADOPTED on 2/14/2023 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

Unsigned

London N. Breed
Mayor

2/24/2023

Date Approved

I hereby certify that the foregoing resolution, not being signed by the Mayor within the time limit as set forth in Section 3.103 of the Charter, or time waived pursuant to Board Rule 2.14.2, became effective without her approval in accordance with the provision of said Section 3.103 of the Charter or Board Rule 2.14.2.

Angela Calvillo
Clerk of the Board

2/24/2023
Date