
SAN FRANCISCO DOWNTOWN REVITALIZATION AND ECONOMIC RECOVERY FINANCING DISTRICT

Downtown Revitalization Financing Plan

**Draft dated
December 10, 2025**

**Adoption date
____ 20____**

TABLE OF CONTENTS

Section	Page
A. LEGAL DESCRIPTION AND MAP	6
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	6
C. REQUIREMENTS APPLICABLE TO MIXED-USE DEVELOPMENTS.....	7
D. AFFORDABILITY RESTRICTIONS	8
E. USE OF INCREMENTAL TAX REVENUES.....	8
F. FINANCING OF COMMERCIAL-TO-RESIDENTIAL CONVERSION PROJECTS.....	10
G. REMOVAL OF DWELLING UNITS AND REPLACEMENT HOUSING PLAN	18
H. GOALS OF THE DOWNTOWN REVITALIZATION DISTRICT	19
I. LABOR STANDARDS	19
J. ANNUAL REPORTS	19

Exhibits

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

	Amount Available
City Portion	
City General Fund Portion	55.588206%
City Special Fund Portion	<u>9.000000%</u>
City Share of Increment	64.588206%
Other Taxing Agencies	
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%
Total, All Taxing Agencies	100.000000%

“*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
Cumulative Total Over District Term						\$610,426	\$30,521	\$579,905

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

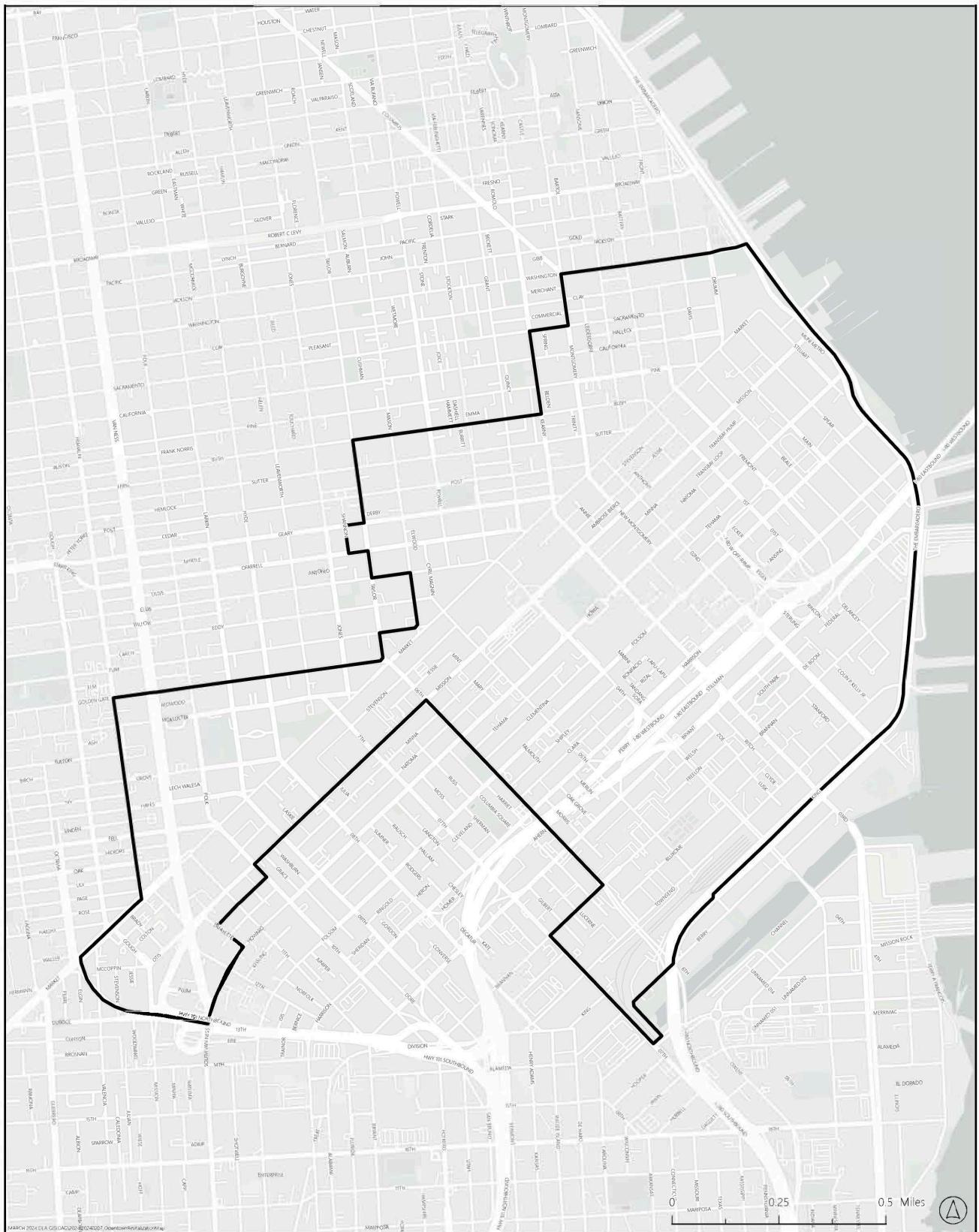


Exhibit C -Fiscal Impact Analysis

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

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)
Net Annual Fiscal Impact to the CCSF General Fund	\$540,339	\$11,027

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)
Net Annual Fiscal Impact to the CCSF General Fund	\$540,339	\$11,027

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
Subtotal General Fund Revenue	\$1,641,398	\$33,498	
General Fund Baseline Reqs (% of GF Revenue)	28.67%	28.67%	Assumption from recent FIAs
General Fund Baseline Requirements	(\$470,604)	(\$9,604)	
General Fund Revenue After Requirements	\$1,170,795	\$23,894	

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
General Fund Expenditures	\$9,459,916	\$193,060	

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
Net Change in Annual Transfer Tax Revenue (annual revenue after conversion net of annual revenue prior to conversion)						\$714,051	
<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>Household Taxable Spending</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>Worker Taxable Spending</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>Net Change in Annual General Fund Sales Tax Revenue</u>			
<i>Average per Property (b)</i>	1.0% of taxable sales	\$424,288	
		\$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

Change in Revenues from Commercial Properties	
Change in GRT & Commercial Rents Tax from Potential Conversion Candidates	
Change in Occupied Square Footage (a)	(1,119,091)
<i>Estimated Change Gross Receipts & 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>
Subtotal Change in Revenues from Commercial Properties	(\\$2,640,626)
Change in Revenues from Residential Properties	
<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>
Subtotal Change in Revenues from Residential Properties	\\$1,235,137
Net Change in Annual GRT and Commercial Rents Tax Revenue	(\\$1,405,488)
<i>Average per Property (g)</i>	<i>(\\$28,683)</i>

Assumptions

GRIT 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

Net Change in Revenue from Commercial Properties		Source
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
Net Change in Revenues from Commercial Properties	(\$303,654)	Calculation
Net Change in Revenue from Residential Properties		
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
Net Change in Revenues from Residential Properties	\$69,286	Calculation
Net Change in Annual Business Registration Revenue	(\$234,368)	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
Total Revenue			(\$99,948)
<i>Average per Property (b)</i>			<i>(\$2,040)</i>
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.		

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
Total Expenditures	\$5,682,250,000		\$1,956	\$9,459,916
<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

	Potential Conversion Candidates (a)
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

	Total at Buildout
Existing Service Population	
Rentable Building Area (sf)	3,764,246
Less Vacancy Allowance (sf)	(2,645,155)
Occupied Building Area (sf)	1,119,091
Total Workers (a)	4,476
Existing Service Population Subtotal (b)	2,238
New Service Population	
Dwelling Units	4,403
Less Vacancy Allowance (units)	(220)
Households	4,183
Resident Population	6,985
Workers	176
New Service Population Subtotal (b)	7,073
Net Service Population Increase (Decrease)	4,835
Net Employment Increase (Decrease)	(4,300)
Net Resident Increase (Decrease)	6,985
Assumptions	
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
Total Average Household Expenditures	\$46,849		\$29,667
Total Average Household Expenditures in San Francisco (a)	\$28,110		\$17,800
% of Annual Household Income	14%		9%
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.

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
Annual Household Taxable Spending in San Francisco (c)	9% of household income
Assumptions	
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.

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
Total GRT Revenue	\$938,883

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

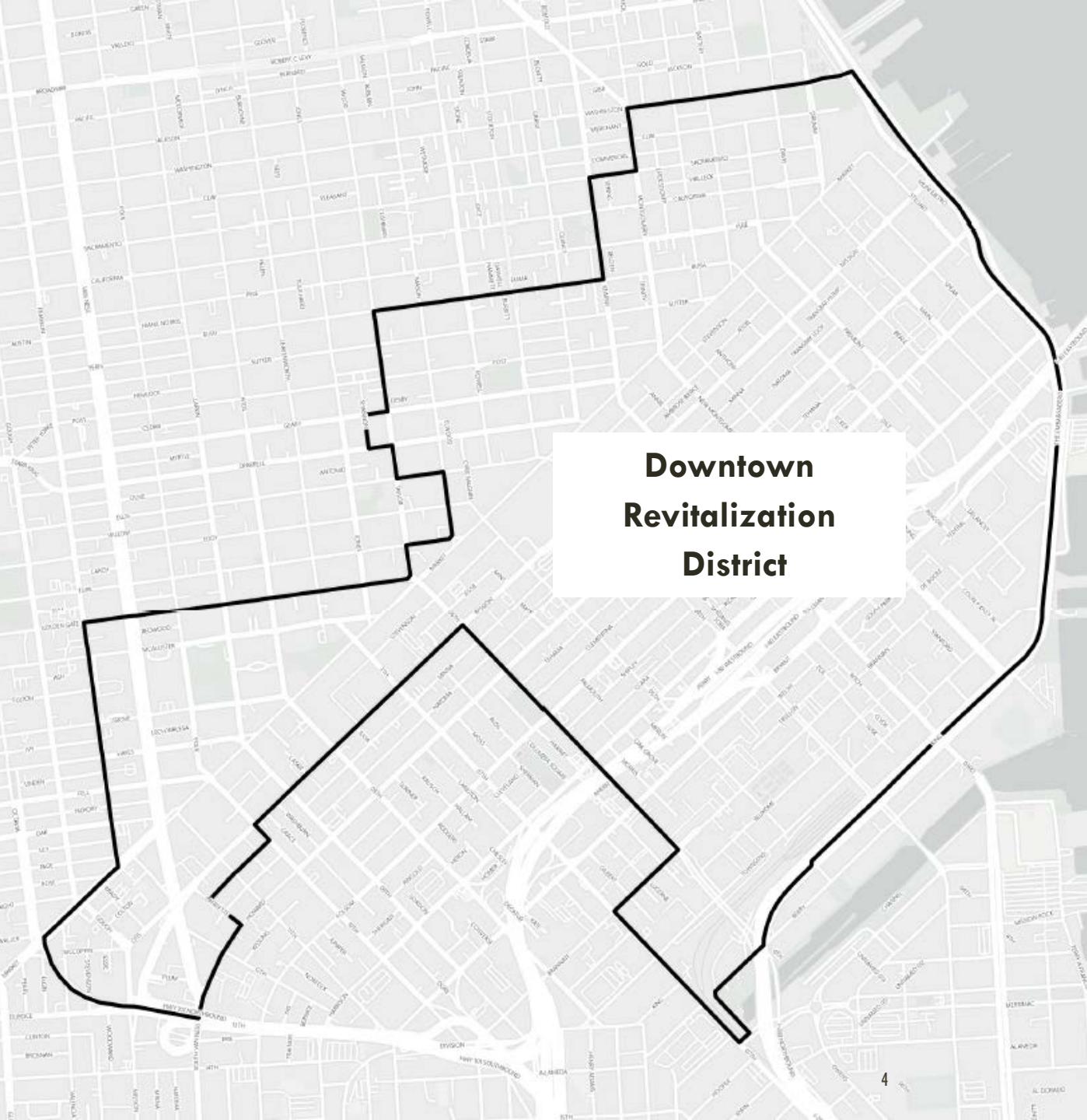
- I. Introduction and Study Purpose**
- II. Literature Review**
- III. Stakeholder Interviews**
- IV. Program Case Studies**
- V. Revitalization District Overview**
- VI. Estimate of Potential Buildings to Opt In to Program**
- VII. Estimate of Tax Revenue Over 30 Year Period**

INTRODUCTION AND STUDY PURPOSE

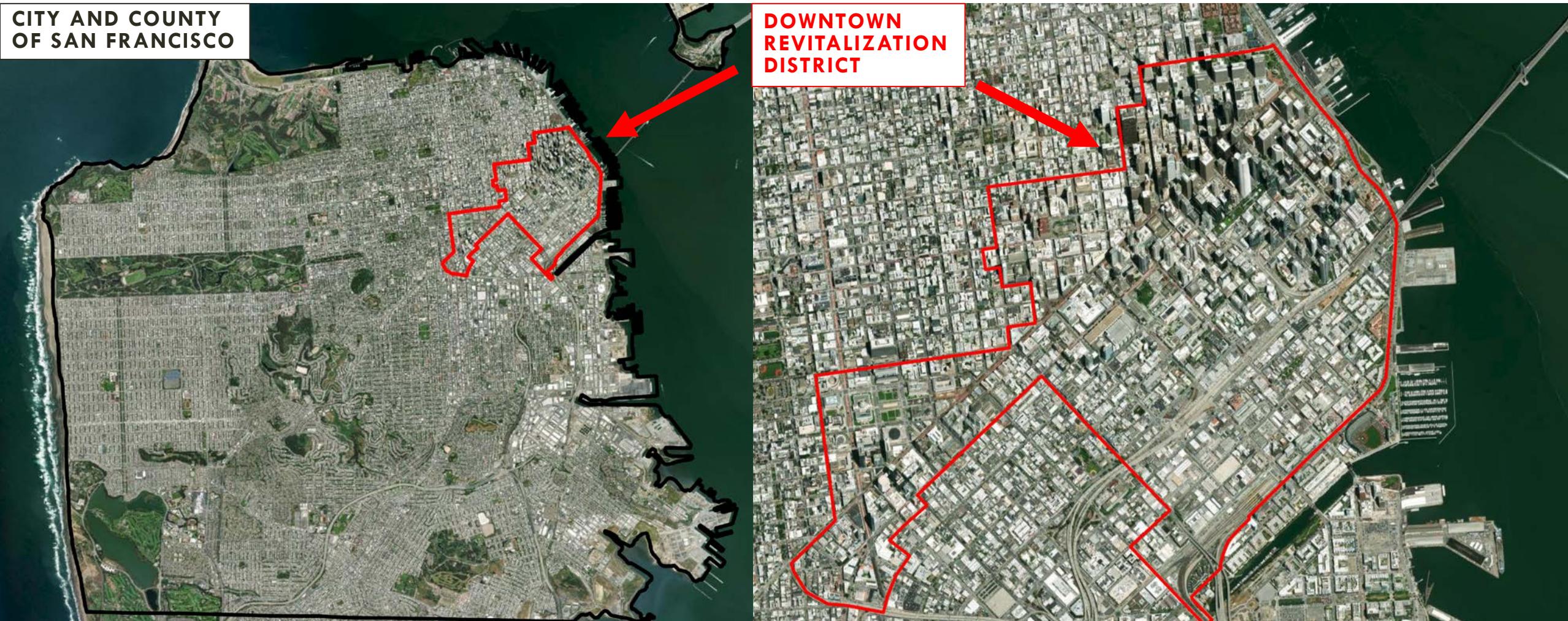
- Signed into law by Governor Newsom in 2024, AB 2488 provides the City and County of San Francisco with the unique ability to create a **Downtown Revitalization and Economic Recovery Financing District for the purpose of financing commercial-to-residential conversion projects** with incremental tax 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. 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>	
Total Parcels in the District	2,335	
Exclusions		
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
Total Excluded Parcels	1,033	
Parcels Remaining after Exclusions	1,302	

AB 2488 DISTRICT SUMMARY STATISTICS

By Existing Land Use

Parcels with Eligible Buildings	Total Parcels	Total Properties	Rentable Building Area
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
Total, Parcels w/ Eligible Bldgs	1,302	1,205	102,679,464

By Tax Rate Area

Eligible Parcels by Tax Rate Area	Total Parcels	Total Properties	Rentable Building Area
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
Total, Parcels w/ Eligible Bldgs	1,302	1,205	102,679,464

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
Subtotal	52	49	3,764,246	4,403

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
Subtotal	52	49	3,764,246	4,403

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
Subtotal	52	49	3,764,246	4,403

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 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)
Subtotal	\$941,061,500	\$3,301,970,175	\$2,360,908,675	\$15,248,686	\$2,242,863	\$17,491,549

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
Subtotal	\$941,061,500	\$3,301,970,175	\$2,360,908,675	\$15,248,686	\$2,242,863	\$17,491,549

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.

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
Subtotal	\$941,061,500	\$3,301,970,175	\$2,360,908,675	\$15,248,686	\$2,242,863	\$17,491,549

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.