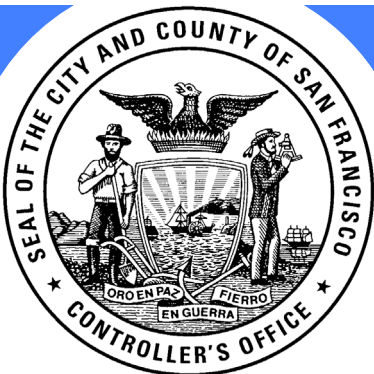


Stonestown Mixed-Use Development Project: Economic Impact Report



CITY & COUNTY OF SAN FRANCISCO

Office of the Controller
Office of Economic Analysis

Items #240409 & 240410

July 5, 2024

- On April 23, 2024, Mayor Breed introduced legislation to facilitate the redevelopment of the parking areas surrounding Stonestown Galleria in San Francisco.
- Brookfield Properties, the current owner of the property, would be the developer of the project.
- The Development Agreement (item #240410) and related documents plan for a replacement of surface parking with new structures, primarily housing.
- The Office of Economic Analysis has prepared this report after determining that the proposed ordinance would have a material economic impact on the City's economy.

- The site comprises 30 acres of private land in the southwest corner of San Francisco. The site is currently zoned C-2, RH-1D, and RM-1. The site is located in a 40-X and 65-D height and bulk district.
- The proposed project would preserve the existing Stonestown shopping mall, and turn the surface parking and surrounding parking structure into residential, office, retail, community amenity and institutional space, as well as new parking spaces.
- A Planning Code amendment (item #240409) would create a Special Use District (SUD) that would rezone all parcels except the mall itself, and establish development controls for the project.

Project Site: Stonestown Galleria

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Source: SF Planning, SFMTA

Project Site Planned Development: Renderings

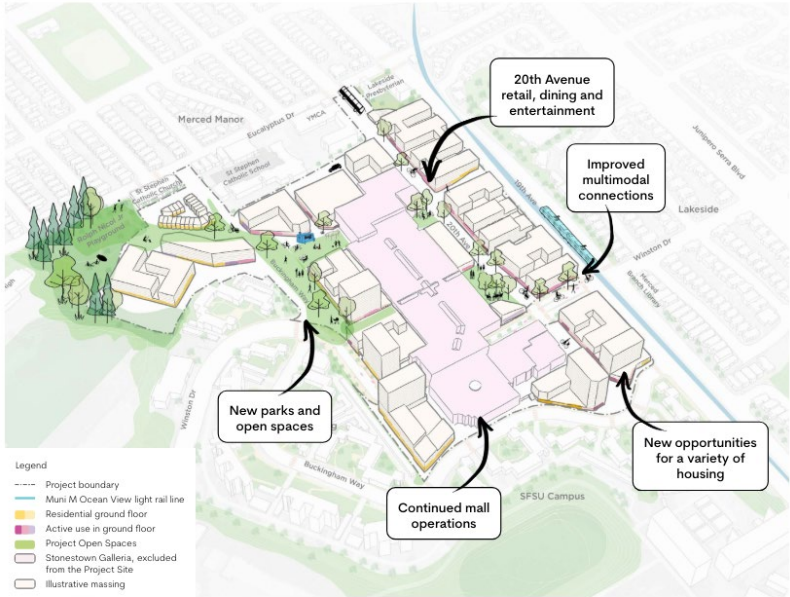


FIGURE 1.3: Illustrative representation of the Project

Development Agreement Key Provisions

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- **Residential Development:** At buildout, the project is expected to construct 3,419 housing units with a total square footage of 3,534,000 sq. ft.
- **Non-Residential Development:** The project is also expected add 96,000 sq. ft. of office space and 160,000 sq. ft. of retail space.
- **On-site Childcare:** The project will provide a new childcare facility with a capacity of 100 children. The facility will be rented to a nonprofit provider with partially subsidized rent.
- **Senior Center:** The project will build a new 7,000-square-foot on-site senior center to replace the existing on-site YMCA senior center annex.
- **Parking:** The new development will eliminate the approximately 2,450 surface parking spaces, but authorizes a total of 3,400 spaces, including parking for the new residential units, parking for the non-residential space, and partial replacement of parking spaces for mall customers.

- **Affordable Housing:** At buildout, 20% of all housing built will be affordable. The developer can satisfy 20% requirement in any combination of the following options: (1) Transferring up to three development parcels, at no cost, to the MOHCD or an Affordable Housing Developer for the construction of 100% Affordable Units; (2) Constructing on-site Inclusionary Units within market-rate units; (3) Paying the Stonestown Affordable Housing In-Lieu Fee.
- **Streetscape Improvements:** The project will enhance multimodal connectivity and pedestrian safety through streetscape improvements. The developer will maintain publicly accessible private streets at no cost to the City.
- **Rolph Nicol Jr. Playground:** As part of the first phase of the project, the developer will improve Rolph Nicol Jr. Playground. The improvements will include two new accessible paths connecting the Rolph Nicol Jr. Playground main entrance to project open space, grading and drainage, and new landscaping. The developer will also make a \$1 million cash contribution to the SF Recreation and Park for any additional improvements.

Development Agreement Key Provisions: Continued

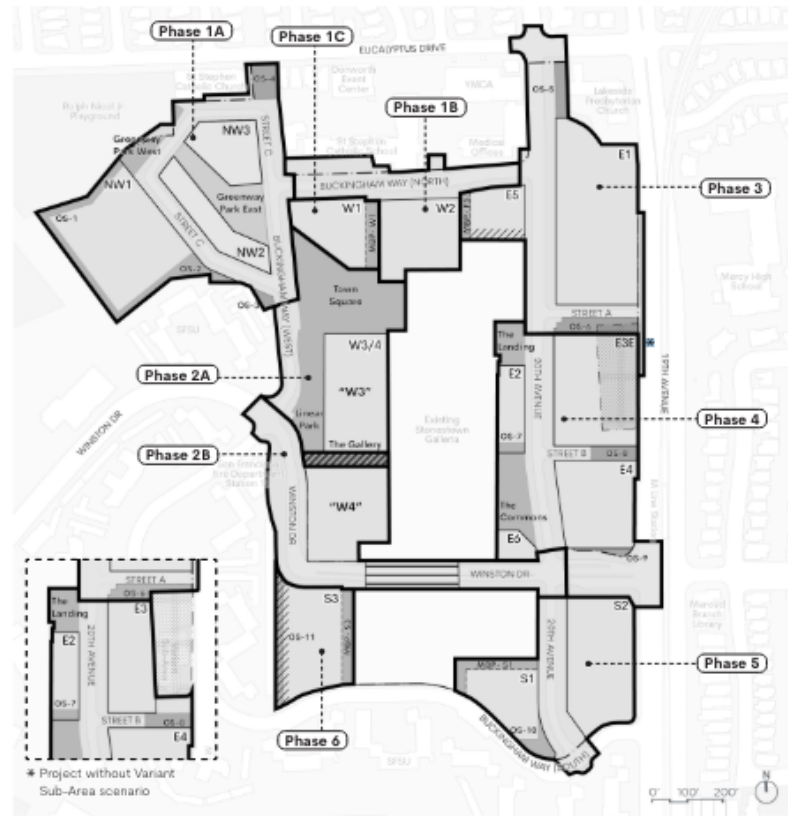
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- **Open Space:** The project will provide about 6 acres of publicly accessible private open space. The developer will construct, operate, and maintain the open space at no cost to the City.
- **East/West Connections:** To enhance connectivity to the existing mall, the project will provide two access routes for pedestrians through the mall between 6am- 1am, seven days a week.

- According to the Development Agreement (DA), the project is expected to be built in 6 phases, as outlined below. The DA recognizes that the developer can't guarantee the exact timing of phases. Such decisions will depend on several factors that are not within the developer's or the City's control, such as market demand and absorption rate, interest rates, financing availability, competition, etc.
- The following page shows a map of the project phasing.

Project Phasing Plan Map

Exhibit x.1
STONESTOWN
 PHASING PLAN



- Legend**
- Phases
 - Stonestown Galleria
 - Variant Sub-Area Property
 - The Gallery may either be in Phase 2A or 2B as set forth in the Phasing Plan
 - Winston Drive Underpass (Mall air parcel not included as part of Project)
 - Open Spaces and Mid-block Passage
 - Alternate location of Mid-block Passage
 - OS - # Secondary Open Space
 - MBP - # Mid-block Passage

- The project is expected to affect the local economy in a number of ways.
 1. The development process will create construction jobs and generate positive multiplier effects throughout the economy.
 2. Upon completion, the construction of the new housing units will put downward pressure on housing prices across the city.
 3. Similarly the addition of the new non-residential space will reduce rents in office and retail markets, and expand employment.
 4. The loss of surface parking spaces, and the development of the new housing units, are likely to affect retail sales at the existing mall property.

1. Construction Spending

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- According to the DA, the project is expected to be built in 6 phases, as outlined in the phasing map on page 10. The OEA assumes phases 1-3 construction spending will occur over the first 15 years, whereas phases 4-6 will happen over the last ten years of the 25-year term.
- The OEA estimates that total construction spending (including soft costs) will be about \$1.6 billion.
- The residential construction spending share will be \$1.4 billion, while the non-residential share is about \$104 million. The remaining \$89 million will be in soft cost spending in the city.

2. Effect of New Housing on Prices and Affordability

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- An increase in the housing supply will put downward pressure on residential asking rents and home prices in the city. The housing prices could decrease by 1.3%.
- Increasing the number of subsidized affordable housing units will particularly benefit low- and moderate-income households, who generally face higher housing burdens than higher-income households in the city. Based on the OEA's prior research, we estimate that the subsidy is about \$7,690 per unit annually. This amounts to \$640 savings in monthly rent (or mortgage payments) for a family occupying an affordable unit.
- At the 20% affordability limit for the project, the 687 affordable units could reduce housing payments by as much as \$5.4 million annually for the households who occupy these units.

3. Effect of Non-Residential Space on Jobs

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- At build-out, the Stonestown project is expected to increase employment potential by 901 jobs.
- Office employment will increase by 403 jobs, retail employment by 435, and childcare employment by 63.
- The above job gains are direct and are on a permanent basis. These job gains will be in addition to any temporary gains during the project's construction phases.

4. Effect of Eliminated Parking Spaces on the Mall

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- The development agreement limits the total number of parking spaces at 4,861. A maximum of 3,400 of these spaces is permitted to serve the new residential units.
- It is likely that designating the new parking spaces for residential use would be more valuable to the developer than providing them as replacement parking for the mall. Accordingly, we assume that the number of spaces assigned to the residential units will be close to the maximum permitted.
- If so, this would represent a substantial loss of parking available for mall customers. This loss of parking spaces is likely to depress retail sales at the mall, although parking is currently under-utilized, and the decline in sales should be less than proportional to the loss of parking.
- For some retailers, the new residential units will make up for any demand lost by the redevelopment of the surface parking.

- The OEA uses the REMI model to produce quantitative estimates of the economic impacts of new development.
- Using REMI and the assumptions discussed on the previous pages, we project that the proposed project will generate a net positive impact on the city's economy.
- On average, over the twenty-year forecast period, citywide employment is expected to be 870 larger than it would have been without the project.
- Most sectors of the city's economy would participate in the growth, with the exception of retail trade, which would see little to no increase.
- The city's GDP is projected to be \$228 million larger, on average. Housing prices, relative to the U.S., would decline by 0.2%

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