



SAN FRANCISCO PLANNING DEPARTMENT

Economic Analysis of Formula Retail

The Planning Department is seeking proposals for an analysis of Formula Retail land use controls, including using sales tax and business data to evaluate how historic data and future projections could inform the process. The focus of the study will be the economic implications of formula retail uses for non-formula retail uses in San Francisco neighborhoods and the effects of formula retail uses on community vitality and character.

BACKGROUND

In 2004, the Board of Supervisors adopted San Francisco's first Formula Retail Use controls; this initial effort formed the basis for most of the City's current controls. This Ordinance established a definition of formula retail; prohibited Formula Retail in one district; required Conditional Use authorization in another; and established notification requirements in all neighborhood commercial (NC) districts. Since 2004, the Planning Code has been amended to expand Formula Retail Use controls. Notably the voters approved a ballot initiative in 2007 that established the existing requirement for Conditional Use authorization in all Neighborhood Commercial Districts. To date, there have been no less than 16 incremental changes to the City's controls of Formula Retail. Currently there are eight pending proposals which would further expand the geography of the controls, amend the definition of formula retail, or alter the criteria under which applications should be reviewed.

While there is clearly a great deal of interest in the topic, there is still much to learn about the effects of formula retail and its regulation.

REQUESTED SCOPE OF WORK

The Planning Department seeks a consultant to conduct an analysis of formula retail uses in San Francisco. The anticipated scope for the Formula Retail Study includes the following task categories and tasks:

Overall Assessments:

1. Identify, analyze and prepare case studies on San Francisco neighborhoods with existing formula retail controls vs. neighborhoods where formula retail is not regulated—both quantitative and qualitative measures of economic indicators and neighborhood character should be explored. The City recommends studying a neighborhood without Formula Retail controls such as Mid-Market; a neighborhood with a long-standing requirement for Conditional Use Authorization, for Formula Retail such as Divisadero, Lower 24th Street Mission, or Ocean Avenue; and a neighborhood with a long-standing prohibition on Formula Retail, such as Hayes Valley or North Beach. Note: The selection of neighborhoods should be done collaboratively with the City to get a contrast between neighborhoods with higher storefront vacancy rates and lower storefront vacancy rates (and/or with more or less development) and/or to compare neighborhoods with similar socioeconomic composition and scale with different controls for formula retail.

Economic Assessments:

1. Analyze the effect of a Conditional Use authorization on specific formula retail business types to determine which types of businesses may be deterred or inhibited from pursuing entitlements

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- where a conditional use authorization is required. Discuss differences in decision-making processes for business types such as restaurants vs. standard retailers.
2. Conduct stakeholder interviews with or subcontract with retail brokers who may be able to provide data on rental rates since 2004 for both formula retail and non-formula retail uses.
 3. Evaluate market activity in specific districts for correlations between business types on turn-over rates and length of vacancies and other statistics as budget allows such as unmet demand for goods/services in formula retail v. nonformula retail businesses of the same type; cost of goods/services in formula retail v. nonformula retail businesses of the same type; infrastructure investment completed by formula vs. nonformula retail; total employment and wage differentials paid in formula vs. nonformula retail; including employment data by income or race; impact on public revenues, i.e. sales tax, property tax, payroll tax; spillover consumer spending in neighboring business near formula vs. nonformula retail; and spillover effects on residential rates in no control, CUA, and outright ban neighborhoods.
 4. Examine impact that new formula retail businesses may have on existing non-formula retail businesses; for example but without limitation, procure and examine information about existing non-formula retail businesses that may have closed or experienced reduced income in the immediate vicinity following the opening of formula retail businesses.
 5. Examine how the replacement of one formula retail business for another and how a change of ownership of formula retail businesses may affect differently the on-going economic performance of non-formula retail.
 6. Study potential differences between businesses currently defined as formula retail; e.g., is there a difference between a business with 12 outlets vs. one with 300 outlets, number of international outlets vs. number of national outlets, restaurants vs. retail, and/or are some neighborhood services, such as groceries and pharmacies, which may be provided only by formula retail businesses.
 7. Evaluate the economic performance of non-formula retail businesses that sell products and/or merchandise distributed by formula retail businesses. Compare with and assess the potential impact on non-formula retail businesses that sell similar, but not formula retail, products and/or merchandise.

Neighborhood Character Assessments:

1. Compare and contrast economic indicators (such as relevant fit of retail for the community, visitor spending, analysis of business mix) with neighborhood character features (such as qualitative experience, signage differences, building reuse or new construction, design compatibility and aesthetic character) in districts with formula retail controls to those without and/or districts with a high concentration of formula retail to those with a lower concentration of formula retail.
2. Forecast the qualitative impact of proposed San Francisco zoning amendments on neighborhoods subject to the existing controls as well as on neighborhoods where the controls may be extended.

Larger Economic Assessments (may include, but not be limited to, any of the following):

1. Provide a comparative analysis on different types of formula retail controls in comparable cities evaluating how these different controls affected the neighborhood cultural and aesthetic character and economic landscape. By way of example but without limitation, a comparative analysis would analyze formula retail controls for smaller size formula retail uses within existing neighborhoods; an economic analysis of "big box" retail uses outside of downtown areas in other cities would not necessarily be helpful for purposes of analysis within San Francisco

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neighborhood commercial zoning districts. Note: If budget does not allow cover all of the potential scope requests, this item may be substituted with a literature search or deleted completely.

2. Research potential for multiplier effects in local economy, due to formula retail, as compared to non-formula retail.
3. Assess impact on local markets, evaluate formula retail effects such as increased selection, lower price, anchor tenant impacts, predatory pricing, and manipulation of suppliers.
4. Examine potential public revenues and costs of public services and facilities resulting from the construction and operation of formula retail.

PROPOSAL SUBMISSION

BUDGET

Firms should submit a proposed budget not to exceed \$40,000 relative to the scope proposed above.

DEPARTMENT RESOURCES

The Planning Department can make the Dunn & Bradstreet Business database available from 2004 to current times. The Office of Workforce and Economic Development can provide a list of local retailers and CUA petitioners who 1) do not qualify as formula retail, 2) qualify as formula retail with few outlets (<20) and 3) large retailers (>20outlets). Further recent work and business inventories by both Departments can be made available from the recent Invest In Neighborhoods effort.

CONTRACT REQUIREMENTS

The Planning Department will be using the City Controller's Office pre-approved economic consultant pool for this contract¹. The Contracting pool has assigned to it a 5% Local Business Enterprise (LBE) subcontracting requirement. Responses to this bid will need to specify a proposal for complying with the LBE requirement.

MINIMUM QUALIFICATIONS

Firms must be pre-qualified under San Francisco Controller's Office Pre-Qualified pool with at least two-year experience in land use economics/real estate market analysis.

¹ <http://famis.sfgov.org/economic2012/>