

File No. 140844

Committee Item No. 3

Board Item No. 10

**COMMITTEE/BOARD OF SUPERVISORS**  
**AGENDA PACKET CONTENTS LIST**

Committee: Land Use and Economic Development Date October 27, 2014

Board of Supervisors Meeting Date 11/4/2014

**Cmte Board**

<input type="checkbox"/>	<input type="checkbox"/>	Motion
<input type="checkbox"/>	<input type="checkbox"/>	Resolution
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Ordinance
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Legislative Digest
<input type="checkbox"/>	<input type="checkbox"/>	Budget and Legislative Analyst Report
<input type="checkbox"/>	<input type="checkbox"/>	Youth Commission Report
<input type="checkbox"/>	<input type="checkbox"/>	Introduction Form
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Department/Agency Cover Letter and/or Report
<input type="checkbox"/>	<input type="checkbox"/>	MOU
<input type="checkbox"/>	<input type="checkbox"/>	Grant Information Form
<input type="checkbox"/>	<input type="checkbox"/>	Grant Budget
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<input type="checkbox"/>	<input type="checkbox"/>	Form 126 – Ethics Commission
<input type="checkbox"/>	<input type="checkbox"/>	Award Letter
<input type="checkbox"/>	<input type="checkbox"/>	Application
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Public Correspondence

**OTHER** (Use back side if additional space is needed)

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Completed by: Andrea Ausberry Date October 23, 2014

Completed by:  Date 10-29-14

10/27/14

FILE NO. 140844

ORDINANCE NO.

[Planning Code - Formula Retail and Large-Scale Retail Controls]

Ordinance amending the Planning Code to amend the definition of Formula Retail to include businesses that have 1149 or more outlets worldwide; expand the applicability of Formula Retail controls to other types of uses; require Conditional Use authorization for Formula Retail establishments in the C-3-G district with facades facing Market Street, between 6th Street and the intersection of Market Street, 12th Street and Franklin Street; provide a method for calculating the concentration of formula retail establishments in a certain area; require Planning Department staff to recommend disapproval of new formula retail in the Upper Market Neighborhood Commercial District based on concentration of existing Formula Retail; delete the requirement for Conditional Use authorization when a Formula Retail establishment changes operator but remains the same size and use category; define intensification and abandonment for Formula Retail uses; require Formula Retail uses to comply with performance guidelines; amend the Conditional Use criteria for Large-Scale Retail Uses, and for Formula Retail uses of 20,000 gross square feet or greater except for General and Specialty Grocery stores, to require an economic impact study and establish new fees for said study; require 30 days' public notice for conditional use hearings on proposed Formula Retail uses; amend Neighborhood Commercial Districts that required Conditional Use for Financial and Limited Financial Services to principally permit Financial and Limited Financial Services except in the Castro Street Neighborhood Commercial District, Upper Market Neighborhood Commercial Transit District, and 24th Street – Noe Valley Neighborhood Commercial District; delete the Conditional Use requirement for Walk-Up Facilities that are not set back 3 feet; and correct various Code provisions to ensure accuracy of cross-references; and adopting findings,



1 including environmental findings, Planning Code, Section 302 findings, and findings of  
2 consistency with the General Plan, and the eight priority policies of Planning Code,  
3 Section 101.1.

4  
5 NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.  
6 **Additions to Codes** are in single-underline italics Times New Roman font.  
7 **Deletions to Codes** are in ~~strikethrough italics Times New Roman font~~.  
8 **Board amendment additions** are in double-underlined Arial font.  
9 **Board amendment deletions** are in ~~strikethrough Arial font~~.  
10 **Asterisks (\* \* \* \*)** indicate the omission of unchanged Code  
11 subsections or parts of tables.

12 Be it ordained by the People of the City and County of San Francisco:

13 Section 1. Findings:

14 (a) The Planning Department has determined that the actions contemplated in this  
15 ordinance comply with the California Environmental Quality Act (California Public Resources  
16 Code Sections 21000 et seq.). Said determination is on file with the Clerk of the Board of  
17 Supervisors in File No. 140844 and is incorporated herein by reference. The Board of  
18 Supervisors hereby affirms this determination.

19 (b) On July 7, 2014, the Planning Commission, in Resolution No. 19193, adopted  
20 findings that the actions contemplated in this ordinance are consistent, on balance, with the  
21 City's General Plan and eight priority policies of Planning Code Section 101.1. The Board  
22 adopts these findings as its own. A copy of said Resolution is on file with the Clerk of the  
23 Board of Supervisors in File No. 140844, and is incorporated herein by reference.

24 (c) Pursuant to Planning Code Section 302, this Board finds that this Planning Code  
25 Amendment will serve the public necessity, convenience, and welfare for the reasons set forth  
in Planning Commission Resolution No. 19193 and the Board incorporates such reasons  
herein by reference.

1           Section 2. The Planning Code is hereby amended by moving Subsection 303(i) to new  
2           Section 303.1 and amending those provisions to read as follows, and revising Section 303 to  
3           read as follows:

4           **Section 303. CONDITIONAL USES.**

5           \* \* \* \*

6           ~~(i) Formula Retail Uses. See Section 303.1 for Formula Retail uses.~~

7           ~~(1) **Formula Retail Use.** A formula retail use is hereby defined as a type of retail sales~~  
8           ~~activity or retail sales establishment which has eleven or more other retail sales establishments located~~  
9           ~~in the United States. In addition to the eleven establishments, the business maintains two or more of the~~  
10           ~~following features: a standardized array of merchandise, a standardized facade, a standardized decor~~  
11           ~~and color scheme, uniform apparel, standardized signage, a trademark or a servicemark.~~

12           ~~(A) Standardized array of merchandise shall be defined as 50% or more of in-~~  
13           ~~stock merchandise from a single distributor bearing uniform markings.~~

14           ~~(B) Trademark shall be defined as a word, phrase, symbol or design, or a~~  
15           ~~combination of words, phrases, symbols or designs that identifies and distinguishes the source of the~~  
16           ~~goods from one party from those of others.~~

17           ~~(C) Servicemark shall be defined as word, phrase, symbol or design, or a~~  
18           ~~combination of words, phrases, symbols or designs that identifies and distinguishes the source of a~~  
19           ~~service from one party from those of others.~~

20           ~~(D) Decor shall be defined as the style of interior furnishings, which may~~  
21           ~~include but is not limited to, style of furniture, wall coverings or permanent fixtures.~~

22           ~~(E) Color Scheme shall be defined as selection of colors used throughout, such~~  
23           ~~as on the furnishings, permanent fixtures, and wall coverings, or as used on the facade.~~

24           ~~(F) Facade shall be defined as the face or front of a building, including~~  
25           ~~awnings, looking onto a street or an open space.~~

1 ~~(G) Uniform Apparel shall be defined as standardized items of clothing~~  
2 ~~including but not limited to standardized aprons, pants, shirts, smocks or dresses, hat, and pins (other~~  
3 ~~than name tags) as well as standardized colors of clothing.~~

4 ~~(H) Signage shall be defined as business sign pursuant to Section 602.3 of the~~  
5 ~~Planning Code.~~

6 ~~(2) "Retail Sales Activity or Retail Sales Establishment." For the purposes of~~  
7 ~~subsection (i), a retail sales activity or retail sales establishment shall include the following uses, as~~  
8 ~~defined in Article 7 and Article 8 of this Code: "Bar," "Drive-up Facility," "Eating and Drinking Use,"~~  
9 ~~"Liquor Store," "Sales and Service, Other Retail," "Restaurant," "Limited Restaurant," "Take-Out~~  
10 ~~Food," "Sales and Service, Retail," "Service, Financial," "Movie Theater," and "Amusement and Game~~  
11 ~~Arcade."~~

12 ~~(3) Conditional Use Criteria. With regard to a conditional use authorization~~  
13 ~~application for a formula retail use, the Planning Commission shall consider, in addition to the criteria~~  
14 ~~set forth in Subsection (c) above:~~

15 ~~(A) The existing concentrations of formula retail uses within the district.~~

16 ~~(B) The availability of other similar retail uses within the district.~~

17 ~~(C) The compatibility of the proposed formula retail use with the existing~~  
18 ~~architectural and aesthetic character of the district.~~

19 ~~(D) The existing retail vacancy rates within the district.~~

20 ~~(E) The existing mix of Citywide-serving retail uses and neighborhood-~~  
21 ~~serving retail uses within the district.~~

22 ~~(4) Conditional Use Authorization Required. A Conditional Use Authorization shall be~~  
23 ~~required for a Formula Retail use in the following zoning districts unless explicitly exempted:~~

24 ~~(A) All Neighborhood Commercial Districts in Article 7;~~

25 ~~(B) All Mixed Use General Districts in Section 840;~~

~~(C) All Urban Mixed Use Districts in Section 843;~~  
~~(D) All Residential Commercial Districts as defined in Section 206.3;~~  
~~(E) Japantown Special Use District as defined in Section 249.31;~~  
~~(F) Chinatown Community Business District as defined in Section 810.1;~~  
~~(G) Chinatown Residential/Neighborhood Commercial District as defined in 812.1;~~  
~~(H) Western SoMa Planning Area Special Use District as defined in 823;~~  
~~(I) Residential Transit Oriented Districts as defined in 206.4 and 206.5;~~  
~~(J) Limited Conforming Use/Non-Conforming Use in RH RM RTO and RED Districts.~~  
~~(K) Third Street Formula Retail Restricted Use District, as defined in Section 786.~~  
~~(5) **Formula Retail Uses Not Permitted.** Formula Retail Uses are not permitted in the following zoning districts:~~

~~(A) Hayes Gough Neighborhood Commercial Transit District;~~  
~~(B) North Beach Neighborhood Commercial District;~~  
~~(C) Chinatown Visitor Retail District;~~  
~~(D) Upper Fillmore District does not permit Formula Retail uses that are also Restaurant or Limited Restaurant uses as defined in Section 790.90 and 790.91;~~  
~~(E) Broadway Neighborhood Commercial District does not permit Formula Retail uses that are also Restaurant or Limited Restaurant uses as defined in Section 790.90 and 790.91;~~  
~~(F) Mission Street Formula Retail Restaurant Subdistrict does not permit Formula Retail uses that are also Restaurant or Limited Restaurant uses as defined in Section 790.90 and 790.91;~~  
~~(G) Geary Boulevard Formula Retail Pet Supply Store and Formula Retail Eating and Drinking Subdistrict does not permit Formula Retail uses that are also either a Retail Pet Supply Store or an Eating and Drinking use as set forth in Section 781.4;~~

1       ~~(H) Taraval Street Restaurant Subdistrict does not permit Formula Retail uses that~~  
2 ~~are also Restaurant or Limited Restaurant uses as defined in Section 790.90 and 790.91;~~

3       ~~(6) Neighborhood Commercial Notification and Design Review. Any building permit~~  
4 ~~application for a "formula retail use" as defined in this section and located within a Neighborhood~~  
5 ~~Commercial District in Article 7 shall be subject to the Neighborhood Commercial Notification and~~  
6 ~~Design Review Procedures of Section 312 of this Code.~~

7       ~~(7) Change in Use. A change from one formula retail use to another requires a new~~  
8 ~~Conditional Use Authorization, whether or not a Conditional Use Authorization would otherwise be~~  
9 ~~required by the particular change in use in question. This Conditional Use Authorization requirement~~  
10 ~~also applies to changes from Formula Retail operator to another within the same use category. A new~~  
11 ~~Conditional Use Authorization shall not apply to a change in a formula use retailer that meets the~~  
12 ~~following criteria:~~

13       ~~(A) the formula use operation remains the same in terms of its size, function and~~  
14 ~~general merchandise offering as determined by the Zoning Administrator, and~~

15       ~~(B) the change in the formula retail use operator is the result of the business being~~  
16 ~~purchased by another formula retail operator who will retain all components of the existing retailer,~~  
17 ~~including but not limited to the signage for the premises, the name of the premises and the general~~  
18 ~~merchandise offered on the premises.~~

19       ~~The new operator shall comply with all conditions of approval previously imposed on the~~  
20 ~~existing operator, including but not limited to signage programs and hours of operation; and shall~~  
21 ~~conduct the operation generally in the same manner and offer essentially the same services and/or type~~  
22 ~~of merchandise; or seek and be granted a new Conditional Use Authorization.~~

23       ~~(8) Determination of Formula Retail Use. In those areas in which "formula retail uses~~  
24 ~~are prohibited, any building permit application determined by the City to be for a "formula retail use"~~  
25 ~~that does not identify the use as a "formula retail use" is incomplete and cannot be processed until the~~

1 ~~omission is corrected. Any building permit approved that is determined by the City to have been, at the~~  
2 ~~time of application, for a "formula retail use" that did not identify the use as a "formula retail use" is~~  
3 ~~subject to revocation at any time. If the City determines that a building permit application or building~~  
4 ~~permit subject to this Section of the Code is for a "formula retail use", the building permit application~~  
5 ~~or holder bears the burden of proving to the City that the proposed or existing use is not a "formula~~  
6 ~~retail use".~~

7 (j) **Large-Scale Retail Uses.** With respect to applications for the establishment of  
8 large-scale retail uses under Section 121.6, ~~except for General or Specialty Grocery stores as~~  
9 ~~defined in Articles 2, 7 and 8,~~ in addition to the criteria set forth in Subsections (c) and (d)  
10 above, the Commission shall consider the following:

11 (1) The extent to which the retail use's parking is planned in a manner that  
12 creates or maintains active street frontage patterns;

13 (2) The extent to which the retail use is a component of a mixed-use project or  
14 is designed in a manner that encourages mixed-use building opportunities;

15 (3) The shift in traffic patterns that may result from drawing traffic to the  
16 location of the proposed use; ~~and~~

17 (4) The impact that the employees at the proposed use will have on the  
18 demand in the City for housing, public transit childcare, and other social services-; ~~and~~

19 (5) An economic impact study. The Planning Department shall prepare an economic  
20 impact study using qualified City staff or shall select a consultant from a pool of pre-qualified  
21 consultants to prepare the economic impact study required by this Subsection. The analysis, in the  
22 form of a study, shall be considered by the Planning Commission in its review of the application. The  
23 applicant shall bear the cost of paying the consultant for his or her work preparing the economic  
24 impact study, and any necessary documents prepared as part of that study. The applicant shall also  
25 pay an administrative fee to compensate Planning Department and City staff for its time reviewing the

1 study, as set forth in Section 359 of this Code. The study shall evaluate the potential economic impact  
2 of the applicant's proposed project, including:

3 (A) Employment Analysis. The report shall include the following employment  
4 information: a projection of both construction-related and permanent employment generated by the  
5 proposed project; ~~an analysis of whether the proposed project will result in a net increase or~~  
6 ~~decrease in permanent employment in the impact area; and a discussion of whether the employer~~  
7 of the proposed project will pay a living wage, inclusive of non-salary benefits expected to be provided,  
8 relative to San Francisco's cost of living.

9 (B) Fiscal Impact. The report shall itemize public revenue created by the  
10 proposed project and public services needed because of the proposed project, relative to net fiscal  
11 impacts to the General Fund. The impacts to the City's public facilities and infrastructure shall~~should~~  
12 be estimated using the e~~City's~~ current assumptions in existing nexus studies (including area plan,  
13 transit, open space in-lieu fee and other impact fees), and should account for any contributions the  
14 proposed project would make through such impact fee payments.

15 (C) Leakage Analysis Study. This portion of the report shall be twofold: both  
16 quantitative and qualitative. The quantitative portion shall provide an analysis of whether the  
17 proposed project will result in a net increase or decrease in the capture of spending by area residents  
18 on items that would otherwise be purchased outside the area. The area to be studied for potential  
19 economic impacts of the proposed project shall be determined by the City in consultation with the  
20 expert conducting the study as different sizes of study areas would be pertinent depending on a  
21 multitude of factors, including but not limited to, size and type of the proposed store. This quantitative  
22 leakage analysis should be paired with a qualitative assessment of whether the proposed use would  
23 complement existing merchandise selection in the area by adding greater variety of merchandise,  
24 bolstering the strength of an existing retail cluster, or matching evolving consumer preferences.  
25

1           \*\*\*\*\*

2           **(j) Movie Theater Uses.**

3           (1) With respect to a change in use or demolition of a movie theater use as set  
4 forth in Sections 221.1, 703.2(b)(1)(B)(ii), 803.2(b)(1)(B)(iii) or 803.3(b)(1)(B)(ii), in addition to  
5 the criteria set forth in Subsections (c) and (d) above, the Commission shall make the  
6 following findings:

7                   (A) Preservation of a movie theater use is no longer economically viable  
8 and cannot effect a reasonable economic return to the property owner;

9                   (i) For purposes of defining "reasonable economic return," the  
10 Planning Commission shall be guided by the criteria for "fair return on investment" as set forth  
11 in Section 228.4(a).

12                  (B) The change in use or demolition of the movie theater use will not  
13 undermine the economic diversity and vitality of the surrounding Neighborhood Commercial  
14 District; and

15                  (C) The resulting project will preserve the architectural integrity of  
16 important historic features of the movie theater use affected.

17           **(k) Relocation of Existing General Advertising Signs pursuant to a General**  
18 **Advertising Sign Company Relocation Agreement.**

19           (1) Before the Planning Commission may consider an application for a  
20 conditional use to relocate an existing lawfully permitted general advertising sign as  
21 authorized by Section 611 of this Code, the applicant sign company must have:

22                  (A) Obtained a current Relocation Agreement approved by the Board of  
23 Supervisors under Section 2.21 of the San Francisco Administrative Code that covers the sign  
24 or signs proposed to be relocated; and  
25



1 (B) Submitted to the Department a current sign inventory, site map, and  
2 the other information required under Section 604.2 of this Code; and

3 (C) Obtained the written consent to the relocation of the sign from the  
4 owner of the property upon which the existing sign structure is erected.

5 (D) Obtained a permit to demolish the sign structure at the existing  
6 location.

7 (2) The Department, in its discretion, may review in a single conditional use  
8 application all signs proposed for relocation by a general advertising company or may require  
9 that one or more of the signs proposed for relocation be considered in a separate application  
10 or applications. Prior to the Commission's public hearing on the application, the Department  
11 shall have verified the completeness and accuracy of the general advertising sign company's  
12 sign inventory.

13 (3) Only one sign may be erected in a new location, which shall be the same  
14 square footage or less than the existing sign proposed to be relocated. In no event may the  
15 square footage of several existing signs be aggregated in order to erect a new sign with  
16 greater square footage; provided however the square footage of one or more existing signs  
17 may be disaggregated in order to erect multiple smaller signs with lesser total square footage.

18 (4) In addition to applicable criteria set forth in subsection (c) above, the  
19 Planning Commission shall consider the size and visibility of the signs proposed to be located  
20 as well as the following factors in determining whether to approve or disapprove a proposed  
21 relocation:

22 (A) The factors set forth in this subsection (A) shall weigh in favor of the  
23 Commission's approval of the proposed relocation site:  
24  
25

1 (i) The sign or signs proposed for relocation are lawfully existing  
2 but are not in conformity with the sign regulations that existed prior to the adoption of  
3 Proposition G on March 5, 2002.

4 (ii) The sign or signs proposed for relocation are on a City list, if  
5 any, of priorities for sign removal or signs preferred for relocation.

6 (iii) The sign or signs proposed for relocation are within, adjacent  
7 to, or visible from property under the jurisdiction of the San Francisco Port Commission, the  
8 San Francisco Unified School District, or the San Francisco Recreation and Park  
9 Commission.

10 (iv) The sign or signs proposed for relocation are within, adjacent  
11 to, or visible from an Historic District or conservation district designated in Article 10 or Article  
12 11 of the Planning Code.

13 (v) The sign or signs proposed for relocation are within, adjacent  
14 to, or visible from a zoning district where general advertising signs are prohibited.

15 (vi) The sign or signs proposed for relocation are within, adjacent  
16 to, or visible from a designated view corridor.

17 (B) The factors set forth in this Subsection (B) shall weigh against the  
18 Commission's approval of the proposed relocation:

19 (i) The sign or signs proposed for relocation are or will be  
20 obstructed, partially obstructed, or removed from public view by another structure or by  
21 landscaping.

22 (ii) The proposed relocation site is adjacent to or visible from  
23 property under the jurisdiction of the San Francisco Port Commission, the San Francisco  
24 Unified School District, or the San Francisco Recreation and Park Commission.  
25

1 (iii) The proposed relocation site is adjacent to or visible from an  
2 Historic District or conservation district designated in Article 10 or Article 11 of the Planning  
3 Code.

4 (iv) The proposed relocation site is within, adjacent to, or visible  
5 from a zoning district where general advertising signs are prohibited.

6 (v) The proposed relocation site is within, adjacent to, or visible  
7 from a designated view corridor.

8 (vi) There is significant neighborhood opposition to the proposed  
9 relocation site.

10 (5) In no event may the Commission approve a relocation where:

11 (A) The sign or signs proposed for relocation have been erected, placed,  
12 replaced, reconstructed, or relocated on the property, or intensified in illumination or other  
13 aspect, or expanded in area or in any dimension in violation of Article 6 of this Code or without  
14 a permit having been duly issued; or

15 (B) The proposed relocation site is not a lawful location under Planning  
16 Code Section 611(c)(2); or

17 (C) The sign in its new location would exceed the size, height or  
18 dimensions, or increase the illumination or other intensity of the sign at its former location; or

19 (D) The sign in its new location would not comply with the Code  
20 requirements for that location as set forth in Article 6 of this Code; or

21 (E) The sign has been removed from its former location; or

22 (F) The owner of the property upon which the existing sign structure is  
23 erected has not consented in writing to the relocation of the sign.

1 (6) The Planning Commission may adopt additional criteria for relocation of  
2 general advertising signs that do not conflict with this Section 303(l) or Section 611 of this  
3 Code.

4 **(lm) General Grocery Store Uses.**

5 (1) With respect to a change in use or demolition of general grocery store use  
6 as set forth in Sections 218.2, 703.2(b)(1)(B)(iii), 803.2(b)(1)(B)(iv) or 803.3 (b)(1)(B)(iii) which  
7 use exceeds 5,000 gross square feet, in addition to the criteria set forth in Subsections (c) and  
8 (d) above, the Commission shall make the following findings:

9 (A) Preservation of a general grocery store use is no longer economically  
10 viable and cannot effect a reasonable economic return to the property owner. The  
11 Commission may disregard the above finding if it finds that the change in use or replacement  
12 structure in the case of demolition will contain a general grocery store that is of a sufficient  
13 size to serve the shopping needs of nearby residents and offers comparable services to the  
14 former general grocery store.

15 (i) For purposes of defining "reasonable economic return," the  
16 Planning Commission shall be guided by the criteria for "fair return on investment" as set forth  
17 in Section 228.4(a).

18 (B) The change in use or demolition of the general grocery store use will  
19 not undermine the economic diversity and vitality of the surrounding neighborhood.

20 **(mn) Tobacco Paraphernalia Establishments.**

21 (1) With respect to a Tobacco Paraphernalia Establishment, as defined in  
22 Section 227(v) of this Code, in addition to the criteria set forth in Subsections (c) and (d)  
23 above, the Commission shall make the following findings:

24 (A) The concentration of such establishments in the particular zoning  
25 district for which they are proposed does not appear to contribute directly to peace, health,

1 safety, and general welfare problems, including drug use, drug sales, drug trafficking, other  
2 crimes associated with drug use, loitering, and littering, as well as traffic circulation, parking,  
3 and noise problems on the district's public streets and lots;

4 (B) The concentration of such establishments in the particular zoning  
5 district for which they are proposed does not appear to adversely impact the health, safety,  
6 and welfare of residents of nearby areas, including fear for the safety of children, elderly and  
7 disabled residents, and visitors to San Francisco; and

8 (C) The proposed establishment is compatible with the existing character  
9 of the particular district for which it is proposed.

10 **(ne) Massage Establishments.**

11 (1) With respect to Massage Establishments that are subject to Conditional Use  
12 authorization, as defined in Sections 218.1, 790.60, and 890.60 of this Code, in addition to the  
13 criteria set forth in Subsection (c) above, the Commission shall make the following findings:

14 (A) Whether the applicant has obtained, and maintains in good standing,  
15 a permit for a Massage Establishment from the Department of Public Health pursuant to  
16 Section 1908 of the San Francisco Health Code;

17 (B) Whether the use's facade is transparent and open to the public.  
18 Permanent transparency and openness are preferable. Elements that lend openness and  
19 transparency to a facade include:

20 (i) active street frontage of at least 25' in length where 75% of that  
21 length is devoted to entrances to commercially used space or windows at the pedestrian eye-  
22 level;

23 (ii) windows that use clear, untinted glass, except for decorative or  
24 architectural accent;

1 (iii) any decorative railings or decorative grille work, other than  
2 wire mesh, which is placed in front of or behind such windows, should be at least 75 percent  
3 open to perpendicular view and no more than six feet in height above grade;

4 (C) Whether the use includes pedestrian-oriented lighting. Well lit  
5 establishments where lighting is installed and maintained along all public rights-of-way  
6 adjacent to the building with the massage use during the post-sunset hours of the massage  
7 use are encouraged:

8 (D) Whether the use is reasonably oriented to facilitate public access.  
9 Barriers that make entrance to the use more difficult than to an average service-provider in  
10 the area are to be strongly discouraged. These include (but are not limited to) foyers equipped  
11 with double doors that can be opened only from the inside and security cameras.

12 **(op) Eating and Drinking Uses.**

13 (1) Conditional Use Criteria. With regard to a conditional use authorization  
14 application for a Restaurant, Limited-Restaurant and Bar uses in Neighborhood Commercial  
15 Districts or Mixed Use Districts, the Planning Commission shall consider, in addition to the  
16 criteria set forth in Subsection (c) above:

17 ~~\_\_\_\_\_ (A) The, the~~ existing concentration of eating and drinking uses in the  
18 area. Such concentration should not exceed 25% of the total commercial frontage as  
19 measured in linear feet within the immediate area of the subject site. For the purposes of this  
20 Section of the Code, the immediate area shall be defined as all properties located within 300'  
21 of the subject property and also located within the same zoning district.

22  
23 **SEC. 303.1. FORMULA RETAIL USES.**

24 ~~\_\_\_\_\_ (a) Findings.~~

1                   (1) San Francisco is a city of diverse and distinct neighborhoods identified in large part  
2 by the character of their commercial areas.

3                   (2) One of the eight Priority Policies of the City's General Plan resolves that "existing  
4 neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident  
5 employment in and ownership of such businesses enhanced."

6                   (3) Retail uses are the land uses most critical to the success of the City's commercial  
7 districts.

8                   (4) Formula Retail businesses are increasing in number in San Francisco, as they are  
9 in cities and towns across the country.

10                  (5) San Francisco is one of a very few major urban centers in the State in which  
11 housing, shops, work places, schools, parks and civic facilities intimately co-exist to create strong  
12 identifiable neighborhoods. The neighborhood streets invite walking and bicycling and the City's mix of  
13 architecture contributes to a strong sense of neighborhood community within the larger City  
14 community.

15                  (6) Notwithstanding the marketability of a retailer's goods or services or the visual  
16 attractiveness of the storefront, the standardized architecture, color schemes, decor and signage of  
17 many Formula Retail businesses can detract from the distinctive character and aesthetics of certain  
18 Neighborhood Commercial Districts.

19                  (7) The increase of Formula Retail businesses in the City's neighborhood commercial  
20 areas, if not monitored and regulated, will hamper the City's goal of a diverse retail base with distinct  
21 neighborhood retailing personalities comprised of a mix of businesses. Specifically, the unregulated  
22 and unmonitored establishment of additional Formula Retail uses may unduly limit or eliminate  
23 business establishment opportunities for smaller or medium-sized businesses, many of which tend to be  
24 non-traditional or unique, and unduly skew the mix of businesses towards formula retailers in lieu of  
25

1 unique or start-up retailers, thereby decreasing the diversity of merchandise available to residents and  
2 visitors and the diversity of purveyors of merchandise.

3 (8) If, in the future, neighborhoods determine that the needs of their Neighborhood  
4 Commercial Districts are better served by eliminating the notice requirements for proposed Formula  
5 Retail uses, by converting Formula Retail uses into conditional uses in their district, or by prohibiting  
6 Formula Retail uses in their district, they can propose legislation to do so.

7 (9) Neighborhood Commercial Districts are intended to preserve the unique qualities of  
8 a district while also serving the daily needs of residents living in the immediate neighborhood; however  
9 community members have reported loss of daily needs uses due to inundation of formula retailers that  
10 target larger citywide or regional audiences. The City strives to ensure that goods and services that  
11 residents require for daily living are available within walking distance and at an affordable price.  
12 Establishments that serve daily needs and formula retail establishments are neither mutually exclusive  
13 nor completely overlapping.

14 (10) The San Francisco retail brokers' study of 28 Neighborhood Commercial  
15 Districts conducted in 2014 found that the healthiest and most viable retail environments offer a mix  
16 of retailers who vary in size and offerings; including a mix of conventional and cutting edge retailers as  
17 well as established players and newcomers.

18 (11) Formula retailers are establishments with multiple locations and standardized  
19 features or a recognizable appearance. Recognition is dependent upon the repetition of the same  
20 characteristics of one store in multiple locations. The sameness of Formula Retail outlets, while  
21 providing clear branding for consumers, counters the general direction of certain land use controls and  
22 General Plan Policies which value unique community character and therefore need controls, in certain  
23 areas, to maintain neighborhood individuality.

24 (12) The homogenizing effect of Formula Retail, based on its reliance on standardized  
25 branding, is greater if the size of the Formula Retail use, in number of locations or size of use or



1 branded elements, is larger. The increased level of homogeneity distracts from San Francisco's unique  
2 neighborhoods, which thrive on a high level of surprise and interest maintained by a balanced mix of  
3 uses and services, both independent and standardized.

4 (13) Due to the distinct impact that Formula Retail uses have on a neighborhood, these  
5 uses are the evaluated for concentration as well as compatibility within a neighborhood. As  
6 neighborhoods naturally evolve over time, changes and intensifications of Formula Retail uses should  
7 also be re-evaluated for concentration and compatibility within a neighborhood.

8 (14) According to an average of ten studies done by the firm Civic Economics and  
9 published by the American Independent Business Alliance in October of 2012, spending by independent  
10 retailers generated 3.7 times more direct local spending than that of Formula Retail chains.

11 (15) Money earned by independent businesses is more likely to circulate within the  
12 local neighborhood and City economy than the money earned by Formula Retail businesses which  
13 often have corporate offices and vendors located outside of San Francisco.

14 (16) According to a 2014 Sstudy by the San Francisco Office of Economic Analysis  
15 (OEA) report "Expanding Formula Retail Controls: Economic Impact Report" the uniqueness of San  
16 Francisco's neighborhoods is based on a combination of unique visual characteristics and a sense of  
17 community fostered by small merchants and resident relationships. A Formula Retail establishment is  
18 determined by its recognizable look which is repeated at every location, therefore, detracting from the  
19 unique community character.

20 (17) The OEA Report found that in general, chain stores charge lower prices and  
21 provide affordable goods, but may spend less within the local economy, and can be unpopular with  
22 some residents because they can be seen to diminish the character of the neighborhood. At the same  
23 time, this OEA Report found that excessively limiting chain stores can reduce commercial rents and  
24 raise vacancy rates.

1           (18) Through a 2014 study commissioned by the Planning Department, titled "San  
2 Francisco Formula Retail Economic Analysis," staff and consultants conducted one-on-one interviews  
3 and worked with small groups including independent retailers, small business owners, merchants  
4 associations, formula retailers, commercial brokers, neighborhood representatives and other  
5 stakeholders. The Study found that landlords often perceive a benefit in renting to large established  
6 chains, which landlords believe typically have better credit and can sign longer leases than local,  
7 independent retailers, lowering the risk that the tenant will be unable to pay its rent. The existing land  
8 use controls for Formula Retail may create a disincentive for formula retailers to locate where the  
9 formula retail controls apply.

10           (b) Definition. A Formula Retail use is hereby defined as a type of retail sales or service  
11 activity or retail sales or service establishment that has ~~nineteen~~eleven or more other retail sales  
12 establishments in operation, or with local land use or permit entitlements already approved, located  
13 anywhere in the world. In addition to the ~~nineteen~~eleven establishments either in operation or with  
14 local land use or permit entitlements approved for operation, the business maintains two or more of the  
15 following features: a standardized array of merchandise, a standardized facade, a standardized decor  
16 and color scheme, uniform apparel, standardized signage, a trademark or a servicemark.

17           (1) Standardized array of merchandise shall be defined as 50% or more of in-stock  
18 merchandise from a single distributor bearing uniform markings.

19           (2) Trademark shall be defined as a word, phrase, symbol or design, or a combination  
20 of words, phrases, symbols or designs that identifies and distinguishes the source of the goods from one  
21 party from those of others.

22           (3) Servicemark shall be defined as word, phrase, symbol or design, or a combination  
23 of words, phrases, symbols or designs that identifies and distinguishes the source of a service from one  
24 party from those of others.

1       (4) Decor shall be defined as the style of interior furnishings, which may include but is  
2 not limited to, style of furniture, wall coverings or permanent fixtures.

3       (5) Color Scheme shall be defined as selection of colors used throughout, such as on the  
4 furnishings, permanent fixtures, and wall coverings, or as used on the facade.

5       (6) Facade shall be defined as the face or front of a building, including awnings,  
6 looking onto a street or an open space.

7       (7) Uniform Apparel shall be defined as standardized items of clothing including but  
8 not limited to standardized aprons, pants, shirts, smocks or dresses, hats, and pins (other than name  
9 tags) as well as standardized colors of clothing.

10       (8) Signage shall be defined as business sign pursuant to Section 602.3 of the Planning  
11 Code.

12       (c) "Retail Sales or Service Activity or Retail Sales or Service Establishment." For the  
13 purposes of this Section 303.1, a retail sales or service activity or retail sales or service establishment  
14 shall include the following uses whether functioning as a principal or accessory use, as defined in  
15 Articles 1, 2, 7, and 8 of this Code:

16       (1) Bar;

17       (2) Drive-up Facility;

18       (3) Eating and Drinking Use;

19       (4) Liquor Store;

20       (5) Sales and Service, Other Retail;

21       (6) Restaurant;

22       (7) Limited-Restaurant;

23       (8) Take-Out Food;

24       (9) Sales and Service, Retail;

25       (10) Service, Financial;

1           (11) Movie Theater;  
2           (12) Amusement and Game Arcade;  
3           (13) Service, Limited Financial, except single automated teller machines at the street  
4 front that meet the Commission's adopted Performance-Based Design Guidelines and automated teller  
5 machines located within another use that are not visible from the street;  
6           (14) Service, Business or Professional;  
7           (145) Service, Fringe Financial;-  
8           (156) Tobacco Paraphernalia Establishment;  
9           (167) Massage Establishment; and  
10           (178) Service, Personal.  
11           (d) Conditional Use Criteria. With regard to a conditional use authorization application for a  
12 Formula Retail use, the Planning Commission shall consider, in addition to the criteria set forth in  
13 Section 303, the criteria below and the Performance-Based Design Guidelines adopted by the Planning  
14 Commission to implement the criteria below.  
15           (1) The existing concentrations of Formula Retail uses within the district and within the  
16 vicinity of the proposed project. To determine the existing concentration, the Planning  
17 Commission shall consider the percentage of the total linear street frontage within a 300-foot  
18 radius or a quarter of a mile radius, at the Planning Department's discretion, from the subject  
19 property that is occupied by Formula Retail and non-Formula Retail businesses. The  
20 Department's review shall include all parcels that are wholly or partially located within the 300-  
21 foot radius or quarter-mile radius. If the subject property is a corner parcel, the 300-foot  
22 radius or quarter mile radius shall include all corner parcels at the subject intersection. For  
23 each property, the Planning Department shall divide the total linear frontage of the lot facing a  
24 public-right of way by the number of storefronts, and then calculate the percentage of the total  
25

1 linear frontage for Formula Retail and non-Formula Retail. Half percentage points shall be  
2 rounded up.

3 For the Upper Market Street Neighborhood Commercial District only, if the application  
4 would bring the formula retail concentration within a 300-foot radius to a concentration of 20%  
5 or above, Planning Department staff shall recommend disapproval of the application to the  
6 Planning Commission. If the application would not bring the formula retail concentration  
7 within the 300-foot radius to a concentration of 20% or above, Planning Department staff shall  
8 assess the application according to all the other criteria listed in this Subsection 303.1(d), and  
9 recommend approval or disapproval to the Planning Commission, according to its discretion  
10 and professional judgment. In either case, the Planning Commission may approve or reject  
11 the application, considering all the criteria listed in this Subsection 303.1(d).

12 (2) The availability of other similar retail uses within the district and within the vicinity  
13 of the proposed project.

14 (3) The compatibility of the proposed Formula Retail use with the existing architectural  
15 and aesthetic character of the district.

16 (4) The existing retail vacancy rates within the district and within the vicinity of the  
17 proposed project.

18 (5) The existing mix of Citywide-serving retail uses and daily needs-serving retail uses  
19 within the district and within the vicinity of the proposed project.

20 (6) Additional relevant data and analysis set forth in the Performance-Based Design  
21 Guidelines adopted by the Planning Commission.

22 (7) For Formula Retail uses of 20,000 gross square feet or more, except for  
23 General or Specialty Grocery stores as defined in Articles 2, 7 and 8 of this Code. If required  
24 by Section 303(ji) for Large Retail Uses, preparation the contents of an economic impact study  
25 prepared pursuant to Section 303(i) of this Code.

1 (8) Notwithstanding anything to the contrary contained in Planning Code Article 6  
2 limiting the Planning Department's and Planning Commission's discretion to review signs, the  
3 Planning Department and Planning Commission may review and exercise discretion to require  
4 changes in the time, place and manner of the proposed signage for the proposed Formula Retail use,  
5 applying the Performance-Based Design Guidelines.

6 (e) **Conditional Use Authorization Required.** A Conditional Use Authorization shall be  
7 required for a Formula Retail use in the following zoning districts unless explicitly exempted:

8 (1) All Neighborhood Commercial Districts in Article 7;

9 (2) All Mixed Use-General Districts in Section 840;

10 (3) All Urban Mixed Use Districts in Section 843;

11 (4) All Residential-Commercial Districts as defined in Section 206.3;

12 (5) Japantown Special Use District as defined in Section 249.31;

13 (6) Chinatown Community Business District as defined in Section 810.1;

14 (7) Chinatown Residential/Neighborhood Commercial District as defined in 812.1;

15 (8) Western SoMa Planning Area Special Use District as defined in 823;

16 (9) Residential Transit-Oriented Districts as defined in 206.4 and 206.5;

17 (10) Limited Conforming Use/Non-Conforming Use in RH-RM-RTO and RED

18 Districts:

19 (11) Third Street Formula Retail Restricted Use District, as defined in Section 786;

20 (12) The C-3-G District with frontage on Market Street, between 6<sup>th</sup> Street and the  
21 intersection of Market Street, 12th Street and Franklin Street.

22 (f) **Formula Retail Uses Not Permitted.** Formula Retail uses are not permitted in the following  
23 zoning districts:

24 (1) Hayes-Gough Neighborhood Commercial Transit District;

25 (2) North Beach Neighborhood Commercial District;

1           (3) Chinatown Visitor Retail District;

2           (4) Upper Fillmore District does not permit Formula Retail uses that are also  
3 Restaurant or Limited-Restaurant uses as defined in Sections 790.90 and 790.91;

4           (5) Broadway Neighborhood Commercial District does not permit Formula Retail uses  
5 that are also Restaurant or Limited-Restaurant uses as defined in Sections 790.90 and 790.91;

6           (6) Mission Street Formula Retail Restaurant Subdistrict does not permit Formula  
7 Retail uses that are also Restaurant or Limited-Restaurant uses as defined in Sections 790.90 and  
8 790.91;

9           (7) Geary Boulevard Formula Retail Pet Supply Store and Formula Retail Eating and  
10 Drinking Subdistrict does not permit Formula Retail uses that are also either a Retail Pet Supply Store  
11 or an Eating and Drinking use as set forth in Section 781.4;

12           (8) Taraval Street Restaurant Subdistrict does not permit Formula Retail uses that are  
13 also Restaurant or Limited-Restaurant uses as defined in Sections 790.90 and 790.91;

14           (9) Chinatown Mixed Use Districts does not permit Formula Retail uses that are also  
15 Restaurant or Limited-Restaurant uses as defined in Sections 790.90 and 790.91.

16           (g) Neighborhood Notification and Design Review. Any application for a Formula Retail use  
17 as defined in this section shall be subject to the notification and review procedures of Subsections  
18 312(d) and (e) of this Code. A conditional use hearing on an application for a Formula Retail  
19 use may not be held less than 30 calendar days after the date of mailed notice.

20           (h) Determination of Formula Retail Use. In those areas in which Formula Retail uses are  
21 prohibited or subject to the provisions of Subsections 303.1(d) or (e), any application for an  
22 entitlement or determination determined by the City to be for a Formula Retail use that does not  
23 identify the use as a Formula Retail use is incomplete and cannot be processed until the omission is  
24 corrected. Any entitlement approved or determination made that is determined by the City to have been,  
25 at the time of application, for a Formula Retail use that did not identify the use as a Formula Retail use

1 is subject to revocation at any time. If the City determines that an entitlement or determination, or an  
2 application for the same, is for a Formula Retail use, the applicant or holder of the entitlement bears  
3 the burden of proving to the City that the proposed or existing use is not a Formula Retail use.

4 (i) **Performance-Based Design Guidelines.** All new, enlarged, intensified or non-intensified  
5 Formula Retail uses or establishments must comply with the Commission's adopted Performance-  
6 Based Design Guidelines for Formula Retail, as directed by the Planning Department and Planning  
7 Commission.

8 (j) **Change of Use.** Changes of Formula Retail establishments are generally described below,  
9 except that a change of a Formula Retail use that is also a nonconforming use pursuant to Section 182  
10 is prohibited. In all other instances, changes of Formula Retail establishments from one use category to  
11 another, including a change from one use to another within the sub-categories of uses set forth in  
12 Planning Code Section 790.102 and Section 890.102, require a new Conditional Use authorization as a  
13 new Formula Retail use. Changes of Formula Retail owner or operator within the same use category  
14 that are determined to be an enlargement or intensification of use pursuant to Subsection 178(c) are  
15 required to obtain Conditional Use authorization and shall meet the Commission's adopted  
16 Performance-Based Design Guidelines for Formula Retail. In cases determined not to be an  
17 enlargement or intensification of use, the Performance-Based Design Guidelines for Formula Retail  
18 may be applied and approved administratively by the Planning Department, unless the applicant  
19 requests a Conditional Use Hearing at the Planning Commission. The applicant shall also pay an  
20 administrative fee to compensate Planning Department and City staff for its time reviewing the project  
21 under this ~~s~~Subsection, as set forth in Section 360 of this Code.

22 (k) **Accessory uses.** Conditional use authorization shall be required for all accessory uses  
23 within those use categories subject to Formula Retail controls as defined in this Section (303.1), except  
24 for the following:



1                   (1) Single automated teller machines falling within the definition of Limited Financial  
2 Services that are located at the street front that meet the Commission's adopted Performance-Based  
3 Design Guidelines for automated teller machines;

4                   (2) Automated teller machines located within another use that are not visible from the  
5 street;

6                   (3) Vending machines that do not exceed 15 feet of street frontage or occupy more than  
7 200 square feet of area facing a public right of way.

8  
9           Section 3. The Planning Code is hereby amended by revising Subsection 178 to read  
10 as follows:

11 **SEC. 178. CONDITIONAL USES.**

12           The following provisions shall apply to conditional uses:

13           (a) **Definition.** For the purposes of this Section, a permitted conditional use shall refer  
14 to:

15                   (1) Any use or feature authorized as a conditional use pursuant to Article 3 of  
16 this Code, provided that such use or feature was established within the time limits specified as  
17 a condition of authorization or, if no time limit was specified, within a reasonable time from the  
18 date of authorization; or

19                   (2) Any use or feature which is classified as a conditional use in the district in  
20 which it is located and which lawfully existed either on the effective date of this Code, or on  
21 the effective date of any amendment imposing new conditional use requirements upon such  
22 use or feature; or

23                   (3) Any use deemed to be a permitted conditional use pursuant to Section 179  
24 of this Code.

1 (b) **Continuation.** Except as provided for temporary uses in Section 205 of this Code,  
2 and except where time limits are otherwise specified as a condition of authorization, any  
3 permitted conditional use may continue in the form in which it was authorized, or in the form in  
4 which it lawfully existed either on the effective date of this Code or the effective date of any  
5 amendment imposing new conditional use requirements upon such use or feature, unless  
6 otherwise provided in this Section or in Article 2 of this Code.

7 (c) **Enlargements or Alteration.**

8 (1) A permitted conditional use may not be significantly altered, enlarged, or  
9 intensified, except upon approval of a new conditional use application pursuant to the  
10 provisions of Article 3 of this Code.

11 (2) With regard to an Internet Services Exchange as defined in Section  
12 209.6(c), any physical alteration which will enlarge or expand the building for the purpose of  
13 intensifying the use shall be deemed to be significant under this sSection, and any increase in  
14 the size of electrical service to the building which will require a permit from the Department of  
15 Building Inspection shall be deemed to be significant under this sSection.

16 (3) With regard to Formula Retail uses, a change of owner or operator of a Formula  
17 Retail establishment is determined to be an intensification of use and a new Conditional Use  
18 authorization shall be required if one or more of the following occurs:

19 (A)(1) Change of use category, including a change from one use to another  
20 within the sub-categories of uses set forth in Planning Code Section 790.102 and Section 890.102;

21 (B)(2) Expansion of use size;

22 (C)(3) Change to a Formula Retail establishment that has more locations than  
23 the existing Formula Retail establishment, which results in an increase in visual homogeneity;

1                    (D)(4) Installation of a commercial kitchen, including but not limited to: ovens,  
2 open ranges or stoves, fryers, oven hoods or kitchen ventilation systems, heating stations, steam tables  
3 or cabinets, cold food storage, increased food preparation areas or self-service drink dispensers.

4                    (E)(5) A pre-existing Formula Retail use that had not previously been  
5 authorized via a Conditional Use from the Commission.

6            (d) **Abandonment.** A permitted conditional use which is discontinued for a period of  
7 three years, or otherwise abandoned, shall not be restored, except upon approval of a new  
8 conditional use application pursuant to the provisions of Article 3 of this Code. For purposes of  
9 this Subsection, the period of nonuse for a permitted conditional use to be deemed  
10 discontinued in the North Beach, Castro Street Neighborhood Commercial Districts, and the  
11 Jackson Square Special Use District shall be eighteen (18) months, except that in the North  
12 Beach Neighborhood Commercial District, the period of nonuse for a Restaurant use, as  
13 defined in Section 790.91, to be deemed discontinued shall be three years.

14            A permitted conditional Formula Retail use which is discontinued for a period of 18 months, or  
15 otherwise abandoned, shall not be restored, except upon approval of a new conditional use application  
16 pursuant to Article 3 of this Code.

17            (e) **Changes in Use.** The following provisions shall apply to permitted conditional uses  
18 with respect to changes in use, except as further limited by the change of use procedures for  
19 Formula Retail uses set forth in Section 303.1 of this Code:

20            (1) A permitted conditional use may be changed to another use listed in Articles  
21 2, 7 or 8 of this Code as a principal use for the district in which it is located and the new use  
22 may thereafter be continued as a permitted principal use.

23            (2) A permitted conditional use may be changed to another use listed in Articles  
24 2, 7 or 8 of this Code as a conditional use for the district in which the property is located,  
25

1 subject to the other applicable provisions of this Code, only upon approval of a new  
2 conditional use application, pursuant to the provisions of Article 3 of this Code.

3 (3) A permitted conditional use may not be changed to another use not  
4 permitted or prohibited by Articles 2, 7 or 8 of this Code. If a permitted conditional use has  
5 been wrongfully changed to another use in violation of the foregoing provisions and the  
6 violation is not immediately corrected when required by the Zoning Administrator, the wrongful  
7 change shall be deemed to be a discontinuance or abandonment of the permitted conditional  
8 use.

9 (4) Once a permitted conditional use has been changed to a principal use  
10 permitted in the district in which the property is located, or brought closer in any other manner  
11 to conformity with the use limitations of this Code, the use of the property may not thereafter  
12 be returned to its former permitted conditional use status, except upon approval of a new  
13 conditional use application pursuant to the provisions of Article 3 of this Code.

14 (5) In the North Beach Neighborhood Commercial District, any use that exceeds  
15 the use size provisions of Section 121.2(a) or 121.2(b) may be changed to a new use only  
16 upon approval of a new conditional use application. The Commission's approval of such  
17 conditional use application shall explicitly address the use size findings of Section 303(c).

18 (6) In the Castro Street Neighborhood Commercial District, any use that  
19 exceeds the use size provisions of Section 121.2(a), but is smaller than the maximum use  
20 size limit of Section 121.2(b), may be changed to a new use only upon approval of a new  
21 conditional use application. The Commission's approval of such conditional use application  
22 shall explicitly address the use size findings of Section 303(c).

23 (f) Notwithstanding the foregoing provisions of this Section 178, a structure occupied  
24 by a permitted conditional use that is damaged or destroyed by fire, or other calamity, or by  
25 Act of God, or by the public enemy, may be restored to its former condition and use without

1 the approval of a new conditional use application, provided that such restoration is permitted  
2 by the Building Code, and is started within 18 months and diligently pursued to completion.  
3 Except as provided in Subsection (g) below, no structure occupied by a permitted conditional  
4 use that is voluntarily razed or required by law to be razed by the owner thereof may  
5 thereafter be restored except upon approval of a new conditional use application pursuant to  
6 the provisions of Article 3 of this Code.

7 (g) None of the provisions of this Section 178 shall be construed to prevent any  
8 measures of construction, alteration or demolition necessary to correct the unsafe or  
9 dangerous condition of any structure, other feature, or part thereof, where such condition has  
10 been declared unsafe or dangerous by the Superintendent of the Bureau of Building  
11 Inspection or the Chief of the Bureau of Fire Prevention and Public Safety, and where the  
12 proposed measures have been declared necessary, by such official, to correct the said  
13 condition; provided, however, that only such work as is absolutely necessary to correct the  
14 unsafe or dangerous condition may be performed pursuant to this Section.

15  
16 Section 4. The Planning Code is hereby amended by revising Sections 182, 183 and  
17 186.1 to read as follows:

18 **SEC. 182. NONCONFORMING USES: CHANGES OF USE.**

19 The following provisions shall apply to nonconforming uses with respect to changes of  
20 use:

21 (a) A nonconforming use shall not be changed or modified so as to increase the  
22 degree of nonconformity under the use limitations of this Code, with respect to the type of use  
23 or its intensity except as provided in Section 181 for nighttime entertainment activities within  
24 the RSD, MUG, MUR, or SLR Districts. The degree of nonconformity shall be deemed to be  
25 increased if the new or modified use is less widely permitted by the use districts of the City

1 than the nonconforming use existing immediately prior thereto. For purposes of this sSection,  
2 intensification of a Formula Retail use as defined in sSection 178(c) is determined to be a change or  
3 modification that increases the degree of nonconformity of the use.

4 (b) Except as limited in this Subsection, a nonconforming use may be reduced in size,  
5 extent or intensity, or changed to a use that is more widely permitted by the use districts of the  
6 City than the existing use, subject to the other applicable provisions of this Code. Except as  
7 otherwise provided herein, the new use shall still be classified as a nonconforming use.

8 (1) A nonconforming use in a Residential District (other than a Residential-  
9 Commercial Combined District), which use is located more than ¼ mile from the nearest  
10 Individual Area Neighborhood Commercial District or Restricted Use Subdistrict described in  
11 Article 7 of this Code, may change to another use which is permitted as a principal use at the  
12 first story and below in an NC-1 District, or it may change to another use which is permitted as  
13 a conditional use at the first story and below in an NC-1 District only upon approval of a  
14 conditional use application pursuant to the provisions of Article 3 of this Code. If the  
15 nonconforming use is seeking a ~~to~~ change in use to a retail sales activity or retail sales  
16 establishment which is also a Fformula Retail use, as defined in Section ~~703.3303.1~~ 703.3303.1 of this  
17 Code, it shall comply with the provisions of Section ~~703.3303.1~~ 703.3303.1 of this Code. The  
18 nonconforming use shall comply with other building standards and use limitations of NC-1  
19 Districts, as set forth in Sections 710.10 through 710.95 of this Code.

20 If the nonconforming use is located within ¼ mile from any Individual Area  
21 Neighborhood Commercial District or Restricted Use Subdistrict described in Article 7 of this  
22 Code, the nonconforming use may change to another use which is permitted as a principal  
23 use at the first story and below in an NC-1 District and in the Individual Area Neighborhood  
24 Commercial District or Restricted Use Subdistrict or Districts within ¼ mile of the use, or it  
25 may change to another use which is permitted as a conditional use at the first story and below

1 in an NC-1 District and in the Individual Area Neighborhood Commercial District or Districts  
2 within ¼ mile of the use only upon approval of a conditional use application pursuant to the  
3 provisions of Article 3 of this Code. If the nonconforming use is seeking to change in use to a  
4 retail sales activity or retail sales establishment which is also a ~~F~~formula ~~R~~retail use, as  
5 defined in Section ~~703.3~~303.1 of this Code, it shall comply with the provisions of Section  
6 ~~703.3~~ 303.1 of this Code. The nonconforming use shall comply with other building standards  
7 and use limitations of NC-1 Districts and any Individual Area NC District or Districts located  
8 within ¼ mile of the use, as set forth in Article 7 of this Code.

9 (2) A nonconforming use in a Residential-Commercial Combined District may  
10 be changed to another use listed in Articles 2 or 7 of this Code as a principal use for the  
11 district in which the existing use would first be permitted as a principal or conditional use.

12 (3) A nonconforming use in a Neighborhood Commercial District may be  
13 changed to another use as provided in Subsections (c) and (d) below or as provided in  
14 Section 186.1 of this Code.

15 (4) A nonconforming use in any district other than a Residential, Downtown  
16 Residential, or Neighborhood Commercial District may be changed to another use listed in  
17 Articles 2 or 7 of this Code as a principal use for the district in which the existing use would  
18 first be permitted as a principal use.

19 (5) A nonconforming use in any South of Market Mixed Use District may not be  
20 changed to an office, retail, bar, restaurant, nighttime entertainment, adult entertainment,  
21 hotel, motel, inn, hostel, or movie theater use in any district where such use is otherwise not  
22 permitted or conditional, except as provided in Subsection (f) below.

23 (c) A nonconforming use may be changed to a use listed in Articles 2 or 7 of this Code  
24 as a conditional use for the district in which the property is located, subject to the other  
25 applicable provisions of this Code, without the necessity of specific authorization by the City

1 Planning Commission except where major work on a structure is involved, and the new use  
2 may thereafter be continued as a permitted conditional use, subject to the limitation of Section  
3 178(b) of this Code.

4 (d) A nonconforming use may be changed to a use listed in Articles 2, 7 or 8 of this  
5 Code as a principal use for the district in which the property is located, subject to the other  
6 applicable provisions of this Code, and the new use may thereafter be continued as a  
7 permitted principal use.

8 (e) A nonconforming use in an R District subject to termination under the provisions of  
9 Section 185 of this Code may be converted to a dwelling unit without regard to the  
10 requirements of this Code with respect to dwelling unit density under Article 2, dimensions,  
11 areas and open space under Article 1.2, or off-street parking under Article 1.5, provided the  
12 nonconforming use is eliminated by such conversion, provided further that the structure is not  
13 enlarged, extended or moved to another location, and provided further that the requirements  
14 of the Building Code, the Housing Code and other applicable portions of the Municipal Code  
15 are met.

16 (f) Once a nonconforming use has been changed to a principal or conditional use  
17 permitted in the district in which the property is located, or brought closer in any other manner  
18 to conformity with the use limitations of this Code, the use of the property may not thereafter  
19 be returned to its former nonconforming status, except that:

20 (1) Any area which is used as a live/work unit shall be allowed to return to its  
21 former nonconforming status.

22 (2) Within any South of Market Mixed Use District, any area occupied by a  
23 nonconforming office use which is changed to an arts, home and/or business service use  
24 falling within zoning categories 102.2 or 816.42 through 816.47 or a wholesale, storage or  
25



1 light manufacturing use falling within zoning categories 816.64 through 816.67 shall be  
2 allowed to return to its former nonconforming office use.

3 (3) Upon restoration of a previous nonconforming use as permitted by  
4 Subsection (1) or (2) above, any modification, enlargement, extension, or change of use, from  
5 circumstances which last lawfully existed prior to the creation of the live/work unit, or prior to  
6 the change from office use, shall be subject to the provisions of this Article, and the restored  
7 nonconforming use shall be considered to have existed continuously since its original  
8 establishment, prior to the live/work unit or change to office use, for purposes of this Article.

9 (g) If a nonconforming use has been wrongfully changed to another use in violation of  
10 any of the foregoing provisions, and the violation is not immediately corrected when required  
11 by the Zoning Administrator, the wrongful change shall be deemed to be a discontinuance or  
12 abandonment of the nonconforming use under Section 183 of this Code.

13 (h) If a nonconforming use is a Formula Retail use in a District that prohibits Formula Retail  
14 uses, the Formula Retail use is deemed abandoned if it is discontinued for a period of 18 months or  
15 more, or otherwise abandoned. The Formula Retail use shall not be restored.

16 (1) Change of one nonconforming Formula Retail use to another Formula Retail use  
17 that is determined to not be an enlargement or intensification of use, as defined in Subsection 178(c), is  
18 subject to the Commission's adopted Performance-Based Design Guidelines for Formula Retail, which  
19 may be applied and approved administratively by the Planning Department. Non-conformance with the  
20 Performance-Based Design Guidelines for Formula Retail as required by the Department may result in  
21 termination of the nonconforming Formula Retail use.

22 (2) Change of one nonconforming Formula Retail use to another Formula Retail use  
23 that is determined to be an enlargement or intensification of use, as defined in Subsection 178(c), is not  
24 permitted.

1    **SEC. 183. NONCONFORMING USES: DISCONTINUANCE AND ABANDONMENT.**

2    (a) Discontinuance and Abandonment of a Nonconforming Use, Generally. Whenever a  
3    nonconforming use has been changed to a conforming use, or discontinued for a continuous  
4    period of three years, or whenever there is otherwise evident a clear intent on the part of the  
5    owner to abandon a nonconforming use, such use shall not after being so changed,  
6    discontinued or abandoned be reestablished, and the use of the property thereafter shall be in  
7    conformity with the use limitations of this Code for the district in which the property is located.  
8    Where no enclosed building is involved, discontinuance of a nonconforming use for a period  
9    of six months shall constitute abandonment. Where a massage establishment is  
10   nonconforming for the reason that it is within 1,000 feet of another such establishment under  
11   Section 218.1 of this Code or because it is no longer permitted within the district,  
12   discontinuance for a continuous period of three months or change to a conforming use shall  
13   constitute abandonment.

14   (b) Discontinuance or Abandonment of a Nonconforming Formula Retail Use.  
15   Notwithstanding subsection (a) of this Section, when a nonconforming Formula Retail use has been  
16   changed to a conforming use or discontinued for a period of 18 months, or whenever there is otherwise  
17   evident a clear intent on the part of the owner to abandon a nonconforming Formula Retail use, such  
18   use shall not be reestablished after being so changed, discontinued or abandoned, and the use of the  
19   property thereafter shall be in conformity with the use limitations of this Code for the district in which  
20   the property is located.

21  
22   **SEC. 186.1. EXEMPTION OF NONCONFORMING USES IN NEIGHBORHOOD**  
23   **COMMERCIAL DISTRICTS.**

24        The purpose of this Section is to provide for the further continuance in NC Districts of  
25   nonconforming uses created by adoption of Ordinance No. 69-87, as herein described, and

1 subsequent ordinances that change the uses allowed in NC Districts, which are beneficial to,  
2 or can be accommodated within the neighborhood commercial areas in which they are  
3 located.

4 It is hereby found and declared that certain uses which traditionally have been  
5 permitted to locate in neighborhood commercial areas can be beneficial to a neighborhood  
6 commercial area in small or limited numbers, but which if allowed to proliferate, can disrupt  
7 the balanced mix of neighborhood-serving retail stores and services. It is further found and  
8 declared that in order to prevent undesirable over concentrations of such uses, the  
9 establishment of additional such uses shall be prohibited pursuant to controls governing uses  
10 in NC Districts. At the same time, however, it is desirable to provide for the further  
11 continuance, expansion, enlargement, alteration, changes, discontinuance, and relocation of  
12 such existing uses, which are nonconforming as a result of zoning controls governing uses in  
3 NC Districts.

14 The following provisions shall govern with respect to nonconforming uses and features  
15 located in Neighborhood Commercial Districts to the extent that there is a conflict between the  
16 provisions of this Section and other Sections contained in this Article 1.7.

17 (a) **Expansion.** A nonconforming use may expand ~~(it)~~ in floor area as provided in  
18 Subsection (b) below, but may not expand beyond the lot which it occupies, nor may the  
19 boundaries of such lot be expanded for purposes of expanding the use; nor may the use  
20 expand upward above the story or stories which it lawfully occupies, except as provided in  
21 Section 186.2 below.

22 (b) **Enlargements or Alteration.**

23 (1) A nonconforming use may not be significantly altered; enlarged or  
24 intensified, except upon approval of a conditional use application pursuant to the provisions  
25 of Article 3 of this Code, provided that the use not have or result in a greater height, bulk or

1 floor area ratio, less required rear yard or open space, or less required off-street parking  
2 space or loading space than permissible under the limitations set forth in this Code for the  
3 district or districts in which such use is located.

4 (2) A nonconforming use may expand to include public sidewalk space provided  
5 that such space is only occupied with tables and chairs as permitted by this Municipal Code.

6 (3) No existing use or structure which fails to meet the requirements of this  
7 Code in any manner as described above in this Subsection (b) shall be constructed,  
8 reconstructed, enlarged, altered or relocated so as to increase the discrepancy, or to create a  
9 new discrepancy, at any level of the structure, between existing conditions on the lot and the  
10 required standards for new construction set forth in this Code.

11 (c) **Changes in Use.** A nonconforming use may be changed to another use or feature  
12 as described below.

13 (1) A nonconforming use may be changed to a use listed in Article 7 of this  
14 Code as a principal use for the district in which the property is located, and the new use may  
15 thereafter be continued as a permitted principal use.

16 (2) A nonconforming use may be changed to a use listed in Article 7 of this  
17 Code as a conditional use for the district in which the use is located, only upon approval of a  
18 conditional use application pursuant to the provisions of Article 3 of this Code, and the new  
19 use may thereafter be continued as a permitted conditional use, subject to the provisions of  
20 Section 178 of this Code.

21 (3) A nonconforming use may be changed to a use which is not permitted in  
22 that Neighborhood Commercial District as described below, only upon approval of a  
23 conditional use application, pursuant to the provisions of Article 3 of this Code:

24 (A) Any use described in zoning categories .41, .43 or .44, as defined in  
25 Sections 790.22, 790.90 and 790.91, respectively, may change to another use described in

1 zoning categories .41 or .44, even though such other use is not permitted in that  
2 Neighborhood Commercial District, unless such other use is located in an Alcohol Restricted  
3 Use Subdistrict and is prohibited by the provisions governing that Alcohol Restricted Use  
4 Subdistrict.

5 (B) Any use described in zoning categories .51, .52 or .53, as defined in  
6 Sections 790.114, 790.116 and 790.108 respectively, may change to another use described in  
7 zoning categories .51, .52 or .53, even though such other use is not permitted in that  
8 Neighborhood Commercial District.

9 (C) Any use described in zoning categories .57, .58 or .59, as defined in  
10 Sections 790.14, 790.17 and 790.15 respectively, may be demolished and reconstructed as  
11 the same use or may change to another use described in zoning categories .57, .58 or .59,  
12 even though such other use is not permitted in that Neighborhood Commercial District.

13 The new use shall still be classified as a nonconforming use.

14 The changes in use described in this Subsection Paragraph (3) shall include remodeling  
15 activities involving the demolition and replacement of structures which result in a change of  
16 use.

17 (D) With regard to Formula Retail uses, a change of owner or operator of a  
18 Formula Retail establishment is determined to be an intensification of use and a new Conditional Use  
19 authorization shall be required as provided in Section 178(c) of this Code if one or more of the  
20 following occur:

21 (i) Change of use category, including a change from one use to  
22 another within the sub-categories of uses set forth in Planning Code Section 790.102 and  
23 Section 890.102;

24 (ii) Expansion of use size;  
25

1 ~~\_\_\_\_\_ (iii) Change to a Formula Retail establishment that has more~~  
2 ~~locations than the existing Formula Retail establishment, which results in an increase in visual~~  
3 ~~homogeneity;~~

4 ~~\_\_\_\_\_ (iv) Installation of a commercial kitchen, including but not limited~~  
5 ~~to: ovens, open ranges or stoves, fryers, oven hoods or kitchen ventilation systems, heating~~  
6 ~~stations, steam tables or cabinets, cold food storage, increased food preparation areas or self-~~  
7 ~~service drink dispensers;~~

8 ~~\_\_\_\_\_ (v) A pre-existing Formula Retail use which had not previously~~  
9 ~~been authorized via a Conditional Use from the Commission.~~

10 (4) In the North Beach Neighborhood Commercial District, any use that exceeds  
11 the use size provisions of Section 121.2(a) or 121.2(b) may be changed to a new use only  
12 upon the approval of a new conditional use application. The Commission's approval of such  
13 conditional use application shall explicitly address the use size findings of Section 303(c). In  
14 the North Beach Neighborhood Commercial District, a nonconforming use cannot be changed  
15 to any use which is not a permitted use under Section 722 (North Beach Controls).

16 (5) In the Castro Street Neighborhood Commercial District, any use in this  
17 district that exceeds the maximum use size limit of Section 121.2(b), may be not changed to a  
18 new use. The only method for changing a nonconforming use identified in this Subsection is to  
19 reduce the nonconforming use:

20 (A) to a conforming use size or

21 (B) to a size specified in Subsection 121.2(a) pursuant to conditional use  
22 authorization.

23 Notwithstanding the above, any use in this District that exceeds the maximum use size  
24 limit of Section 121.2(b) and is categorized in the Other Retail Sales and Services zoning  
25 classification, as defined in Section 790.102, may change to another use category

1 enumerated in Section 790.102 as long as the use size is not increased and the Commission  
2 approves a conditional use application for such change. The Commission's approval of such  
3 conditional use application shall explicitly address the use size findings of Section 303(c).

4 (d) **Discontinuance.** A nonconforming use which is discontinued for a period of three  
5 years, or otherwise abandoned or changed to another use which is listed in Article 7 of this  
6 Code as a principal or conditional use for the district in which the use is located shall not be  
7 reestablished. For purposes of this Subsection, the period of nonuse for a nonconforming use  
8 to be deemed discontinued in the North Beach and Castro Street Neighborhood Commercial  
9 Districts, and in the Haight Street Neighborhood Commercial District, the Lower Haight Street  
10 Tobacco Paraphernalia Restricted Use Subdistrict, and the Polk Street Neighborhood  
11 Commercial District for Tobacco Paraphernalia Establishments, as defined in Sections 227(v)  
12 and 790.123 of this Code, only, shall be eighteen (18) months, except in the North Beach  
13 Neighborhood Commercial District, the period of non-use for a Restaurant use, as defined in  
14 Section 790.91, to be deemed discontinued shall be three years. *For Formula Retail uses in any*  
15 *District that prohibits or requires Conditional Use authorization for Formula Retail uses, the period of*  
16 *non-use to be deemed discontinued is 18 months.*

17 (e) **Relocation.** A nonconforming use in a Neighborhood Commercial District may be  
18 reestablished at another location within that Neighborhood Commercial District only upon  
19 approval of a new conditional use application pursuant to the provisions of Article 3 of this  
20 Code, provided that the following conditions are met:

21 (1) The original premises shall not be occupied by an establishment of the  
22 same type of use as the relocating use unless by another establishment that is relocating from  
23 within the district; and

24 (2) No final permits to operate the relocated use at the new premises are  
25 granted prior to the issuance of a certificate of final completion of any work to the original

1 premises which is required as conditions attached to the approval of the conditional use  
2 application; and

3 (3) Deed restrictions are recorded for the original premises in the Official  
4 Records of the City and County of San Francisco, which restrictions prohibit for the duration of  
5 the Code sections prohibiting the use for the district in which the use is located, the  
6 establishment and operation of a new use of the same type of use as the relocated use,  
7 unless such new use is relocating from within the district.

8  
9 Section 5. The Planning Code is hereby amended by revising Sections 710, 711, 712, 713,  
10 714, 715, 716, 717, 718, 719, 720, 721, 723, 724, 725, 726, 727, 728, 729, 730, 731,  
11 732, 733, 733A, 734, 735, 736, 737, 738, 739, 740, 741, 742, and 745 and Tables 743 and  
12 744 to read as follows:



SEC. 710. NEIGHBORHOOD COMMERCIAL CLUSTER DISTRICT NC-1

ZONING CONTROL TABLE

			NC-1
No.	Zoning Category	§ References	Controls
*****	*****	*****	*****
710.26	Walk-Up Facility	§ 790.140	<i>P-if recessed 3 ft.;</i> <i>C-if not recessed</i> <i>§ 145.2(b)</i>
*****	*****	*****	*****

SEC. 711. SMALL-SCALE NEIGHBORHOOD COMMERCIAL DISTRICT NC-2

ZONING CONTROL TABLE

			NC-2
No.	Zoning Category	§ References	Controls
*****	*****	*****	*****
711.26	Walk-Up Facility	§ 790.140	<i>P-if recessed 3 ft.;</i> <i>C-if not recessed</i> <i>§ 145.2(b)</i>
*****	*****	*****	*****

SEC. 712. MODERATE-SCALE NEIGHBORHOOD COMMERCIAL DISTRICT NC-3

ZONING CONTROL TABLE

			NC-3
No.	Zoning Category	§ References	Controls
*****	*****	*****	*****
712.26	Walk-Up Facility	§ 790.140	<i>P-if recessed 3 ft.;</i> <i>C-if not recessed</i> <i>§ 145.2(b)</i>
*****	*****	*****	*****

SEC. 713. NEIGHBORHOOD COMMERCIAL SHOPPING CENTER DISTRICT NC-S

ZONING CONTROL TABLE

			NC-S
No.	Zoning Category	§ References	Controls
*****	*****	*****	*****
713.26	Walk-Up Facility	§ 790.140	<i>P-if recessed 3 ft.;</i> <i>C-if not recessed</i> <i>§ 145.2(b)</i>
*****	*****	*****	*****



SEC. 714. BROADWAY NEIGHBORHOOD COMMERCIAL DISTRICT

ZONING CONTROL TABLE

No.	Zoning Category	§ References	Broadway
			Controls
*****	*****	*****	*****
714.26	Walk-Up Facility	§ 790.140	<i>P if recessed 3 ft.;</i> <i>C if not recessed</i> <i>§ 145.2(b)</i>
*****	*****	*****	*****

No.	Zoning Category	§ References	Broadway		
			Controls by Story		
		§ 790.118	1st	2nd	3rd+
*****	*****	*****	*****	*****	*****
714.49	Financial Service	§ 790.110	<u>CP</u>		
714.50	Limited Financial Service	§ 790.112	<u>CP</u>		
*****	*****	*****	*****	*****	*****

SEC. 715. CASTRO STREET NEIGHBORHOOD COMMERCIAL DISTRICT

ZONING CONTROL TABLE

			Castro Street
No.	Zoning Category	§ References	Controls
*****	*****	*****	*****
715.26	Walk-Up Facility	§ 790.140	<del>P-if recessed 3 ft.;</del> <del>C-if not recessed</del> <del>§ 145.2(b)</del>
*****	*****	*****	*****

No.	Zoning Category	§ References	Castro Street		
			Controls by Story		
		§ 790.118	1st	2nd	3rd+
*****	*****	*****	*****	*****	*****
715.49	Financial Service	§ 790.110	<u>CPC</u>	C	

1		Limited			
2	715.50	Financial	§ 790.112	CPC	
3		Service			
4	*****	*****	*****	*****	*****
5					

6

7 **SEC. 716. INNER CLEMENT STREET NEIGHBORHOOD COMMERCIAL DISTRICT**

8 **ZONING CONTROL TABLE**

9

			Inner Clement Street
No.	Zoning Category	§ References	Controls
12	*****	*****	*****
14	716.2 6	Walk-Up Facility	§ 790.140 <i>P if recessed 3 ft.;</i> <i>C if not recessed</i> <i>§ 145.2(b)</i>
16	*****	*****	*****

No.	Zoning Category	§ References	Castro Street		
			Controls by Story		
		§ 790.118	1st	2nd	3rd+
24	*****	*****	*****		

716.50	Limited Financial Service	§ 790.112	PC		
****	****	****	****	****	****

**SEC. 717. OUTER CLEMENT STREET NEIGHBORHOOD COMMERCIAL DISTRICT  
ZONING CONTROL TABLE**

			Inner Clement Street
No.	Zoning Category	§ References	Controls
****	****	****	****
717.2 6	Walk-Up Facility	§ 790.140	P-if recessed 3 ft.; C-if not recessed § 145.2(b)
****	****	****	****

No.	Zoning Category	§ References	Castro Street		
			Controls by Story		
		§ 790.118	1st	2nd	3rd+
****	****	****	****	****	****
717.49	Financial Service	§ 790.110	PC		
717.50	Limited Financial	§ 790.112	PC		

	Service				
*****	*****	*****	*****	*****	*****

**SEC. 718. UPPER FILLMORE STREET NEIGHBORHOOD COMMERCIAL DISTRICT  
ZONING CONTROL TABLE**

No.	Zoning Category	§ References	Upper Fillmore Street Controls
*****	*****	*****	*****
718.26	Walk-Up Facility	§ 790.140	P if recessed 3 ft.; C if not recessed § 145.2(b)
*****	*****	*****	*****

No.	Zoning Category	§ References	Upper Fillmore Street Controls by Story		
		§ 790.118	1st	2nd	3rd+
*****	*****	*****	*****	*****	*****
718.49	Financial Service	§ 790.110	PG		
718.50	Limited Financial Service	§ 790.112	PG		
*****	*****	*****	*****	*****	*****



SEC. 719. HAIGHT STREET NEIGHBORHOOD COMMERCIAL DISTRICT

ZONING CONTROL TABLE

No.	Zoning Category	§ References	Haight Street Controls
****	****	****	****
719.26	Walk-Up Facility	§ 790.140	P if recessed 3 ft.; C if not recessed § 145.2(b)
****	****	****	****

SEC. 720. HAYES-GOUGH NEIGHBORHOOD COMMERCIAL TRANSIT DISTRICT

ZONING CONTROL TABLE

No.	Zoning Category	§ References	Hayes-Gough Transit Controls
****	****	****	****
720.26	Walk-Up Facility	§ 790.140	P if recessed 3 ft.; C if not recessed § 145.2(b)
****	****	****	****

SEC. 721. UPPER MARKET STREET NEIGHBORHOOD COMMERCIAL DISTRICT

ZONING CONTROL TABLE

No.	Zoning Category	§ References	Upper Market Street Controls
****	****	****	****
721.26	Walk-Up Facility	§ 790.140	P if recessed 3 ft.; C if not recessed § 145.2(b)
****	****	****	****

No.	Zoning Category	§ References	Upper Market Street		
			Controls by Story		
		§ 790.118	1st	2nd	3rd+
****	****	****	****	****	****
721.49	Financial Service	§ 790.110	PC	C	
****	****	****	****	****	****

**SEC. 723. POLK STREET NEIGHBORHOOD COMMERCIAL DISTRICT**  
**ZONING CONTROL TABLE**

No.	Zoning Category	§ References	Polk Street
			Controls
****	****	****	****
723.26	Walk-Up Facility	§ 790.140	P if recessed 3 ft.; C if not recessed § 145.2(b)
****	****	****	****

No.	Zoning Category	§ References	Polk Street		
			Controls by Story		
		§ 790.118	1st	2nd	3rd+
****	****	****	****	****	****
723.49	Financial Service	§ 790.110	PC	C	
****	****	****	****	****	****

**SEC. 724. SACRAMENTO STREET NEIGHBORHOOD COMMERCIAL DISTRICT**  
**ZONING CONTROL TABLE**

No.	Zoning Category	§ References	Sacramento Street
			Controls
****	****	****	****
724.26	Walk-Up Facility	§ 790.140	P if recessed 3 ft.; C if not recessed § 145.2(b)
****	****	****	****

No.	Zoning Category	§ References	Sacramento Street		
			Controls by Story		
		§ 790.118	1st	2nd	3rd+
****	****	****	****	****	****
724.49	Financial Service	§ 790.110	PC		
724.50	Limited Financial Service	§ 790.112	PC		
****	****	****	****	****	****

**SEC. 725. UNION STREET NEIGHBORHOOD COMMERCIAL DISTRICT**  
**ZONING CONTROL TABLE**

No.	Zoning Category	§ References	Union Street Controls
****	****	****	****
725.26	Walk-Up Facility	§ 790.140	P-if recessed 3 ft.; C-if not recessed § 145.2(b)
****	****	****	****

No.	Zoning Category	§ References	Union Street		
			Controls by Story		
		§ 790.118	1st	2nd	3rd+
****	****	****	****	****	****
725.49	Financial Service	§ 790.110	PC	C	
****	****	****	****	****	****

SEC. 726. VALENCIA STREET NEIGHBORHOOD COMMERCIAL TRANSIT

DISTRICT ZONING CONTROL TABLE

			Valencia Street Transit
No.	Zoning Category	§ References	Controls
*****	*****	*****	*****
726.26	Walk-Up Facility	§ 790.140	P-if recessed 3 ft.; C-if not recessed § 145.2(b)
*****	*****	*****	*****

SEC. 727. 24TH STREET – MISSION NEIGHBORHOOD COMMERCIAL TRANSIT

DISTRICT ZONING CONTROL TABLE

			24th Street – Mission Transit
No.	Zoning Category	§ References	Controls
*****	*****	*****	*****
727.26	Walk-Up Facility	§ 790.140	P-if recessed 3 ft.; C-if not recessed § 145.2 (b)
*****	*****	*****	*****

SEC. 728. 24TH STREET – NOE VALLEY NEIGHBORHOOD COMMERCIAL DISTRICT

ZONING CONTROL TABLE

			24th Street – Noe Valley
No.	Zoning Category	§ References	Controls
*****	*****	*****	*****
728.26	Walk-Up Facility	§ 790.140	P-if recessed 3 ft.; C-if not recessed § 145.2(b)
*****	*****	*****	*****

No.	Zoning Category	§ References	24th Street – Noe Valley		
			Controls by Story		
		§ 790.118	1st	2nd	3rd+
****	****	****	****	****	****
728.49	Financial Service	§ 790.110	<u>C</u> PC		
728.50	Limited Financial Service	§ 790.112	<u>C</u> PC		
****	****	****	****	****	****

**SEC. 729. WEST PORTAL AVENUE NEIGHBORHOOD COMMERCIAL DISTRICT**  
**ZONING CONTROL TABLE**

No.	Zoning Category	§ References	West Portal Avenue
****	****	****	****
729.26	Walk-Up Facility	§ 790.140	P if recessed 3 ft.; C if not recessed § 145.2(b)
****	****	****	****

No.	Zoning Category	§ References	West Portal Avenue		
			Controls by Story		
		§ 790.118	1st	2nd	3rd+
****	****	****	****	****	****
729.50	Limited Financial Service	§ 790.112	<u>P</u> C		
****	****	****	****	****	****

SEC. 730. INNER SUNSET NEIGHBORHOOD COMMERCIAL DISTRICT

ZONING CONTROL TABLE

No.	Zoning Category	§ References	Inner Sunset Controls
****	****	****	****
730.26	Walk-Up Facility	§ 790.140	<i>P if recessed 3 ft.; C if not recessed § 145.2(b)</i>
****	****	****	****

SEC. 731. MODERATE-SCALE NEIGHBORHOOD COMMERCIAL TRANSIT DISTRICT

NCT-3 ZONING CONTROL TABLE

No.	Zoning Category	§ References	NCT-3 Controls
****	****	****	****
731.26	Walk-Up Facility	§ 790.140	<i>P if recessed 3 ft.; C if not recessed § 145.2(b)</i>
****	****	****	****

SEC. 732. PACIFIC AVENUE NEIGHBORHOOD COMMERCIAL DISTRICT

ZONING CONTROL TABLE

No.	Zoning Category	§ References	Pacific Avenue Controls
****	****	****	****
732.26	Walk-Up Facility	§ 790.140	<i>P if recessed 3 ft.; C if not recessed § 145.2(b)</i>
****	****	****	****

No.	Zoning Category	§References	Pacific Avenue		
			Controls by Story		
		§ 790.118	1st	2nd	3rd+
****	****	****	****	****	****
732.49	Financial Service	§ 790.110	<u>PC</u>		
****	****	****	****	****	****

**SEC. 733. UPPER MARKET STREET NEIGHBORHOOD COMMERCIAL TRANSIT  
DISTRICT ZONING CONTROL TABLE**

No.	Zoning Category	§ References	Upper Market Street Transit Controls
****	****	****	****
733.26	Walk-Up Facility	§ 790.140	P-if recessed 3 ft.; C-if not recessed § 145.2(b)
****	****	****	****

No.	Zoning Category	§ References	Upper Market Street Transit		
			Controls by Story		
		§ 790.118	1st	2nd	3rd+
****	****	****	****	****	****
733.49	Financial Service	§ 790.110	<u>CPC</u>	C	-
****	****	****	****	****	****

SEC. 733A. NEIGHBORHOOD COMMERCIAL TRANSIT CLUSTER DISTRICT NCT-1

ZONING CONTROL TABLE

NCT-1			
No.	Zoning Category	§ References	Controls
*****	*****	*****	*****
733A.26	Walk-Up Facility	§ 790.140	P <i>if recessed 3 ft.;</i> C <i>if not recessed</i>
*****	*****	*****	*****

SEC. 734. SMALL-SCALE NEIGHBORHOOD COMMERCIAL TRANSIT DISTRICT NCT-2

ZONING CONTROL TABLE

NCT-2			
No.	Zoning Category	§ References	Controls
*****	*****	*****	*****
734.26	Walk-Up Facility	§ 790.140	P <i>if recessed 3 ft.;</i> C <i>if not recessed</i> § 145.2(b)
*****	*****	*****	*****



SEC. 735. SOMA NEIGHBORHOOD COMMERCIAL TRANSIT DISTRICT

ZONING CONTROL TABLE

			SoMa Transit
No.	Zoning Category	§ References	Controls
*****	*****	*****	*****
735.26	Walk-Up Facility	§ 790.140	P if recessed 3 ft.; C if not recessed § 145.2(b)
*****	*****	*****	*****

SEC. 736. MISSION NEIGHBORHOOD COMMERCIAL TRANSIT DISTRICT

ZONING CONTROL TABLE

			Mission Street Transit
No.	Zoning Category	§ References	Controls
*****	*****	*****	*****
736.26	Walk-Up Facility	§ 790.140	P if recessed 3 ft.; C if not recessed § 145.2(b)
*****	*****	*****	*****

SEC. 737. OCEAN AVENUE NEIGHBORHOOD COMMERCIAL TRANSIT DISTRICT

ZONING CONTROL TABLE

			Ocean Avenue Transit
No.	Zoning Category	§ References	Controls
*****	*****	*****	*****

737.26	Walk-Up Facility	§ 790.140	<i>P-if recessed 3 ft.; C-if not recessed § 145.2(b)</i>
*****	*****	*****	*****

**SEC. 738. GLEN PARK NEIGHBORHOOD COMMERCIAL TRANSIT DISTRICT ZONING  
CONTROL TABLE**

			<i>Glen Park Transit</i>
<b>No.</b>	<b>Zoning Category</b>	<b>§ References</b>	<b>Controls</b>
*****	*****	*****	*****
738.26	Walk-Up Facility	§ 790.140	<i>P-if recessed 3 ft.; C-if not recessed § 145.2(b)</i>
*****	*****	*****	*****

**SEC. 739. NORIEGA STREET NEIGHBORHOOD COMMERCIAL DISTRICT  
ZONING CONTROL TABLE**

			<i>Noriega Street</i>
<b>No.</b>	<b>Zoning Category</b>	<b>§ References</b>	<b>Controls</b>
*****	*****	*****	*****
739.26	Walk-Up Facility	§ 790.140	<i>P-if recessed 3 ft.; C-if not recessed § 145.2(b)</i>
*****	*****	*****	*****

SEC. 740. IRVING STREET NEIGHBORHOOD COMMERCIAL DISTRICT

ZONING CONTROL TABLE

			<i>Irving Street</i>
<b>No.</b>	<b>Zoning Category</b>	<b>§ References</b>	<b>Controls</b>
****	****	****	****
740.26	Walk-Up Facility	§ 790.140	<i>P-if recessed 3 ft.; C-if not recessed § 145.2(b)</i>
****	****	****	****

SEC. 741. TARAVAL STREET NEIGHBORHOOD COMMERCIAL DISTRICT

ZONING CONTROL TABLE

			<i>Taraval Street</i>
<b>No.</b>	<b>Zoning Category</b>	<b>§ References</b>	<b>Controls</b>
****	****	****	****
741.26	Walk-Up Facility	§ 790.140	<i>P-if recessed 3 ft.; C-if not recessed § 145.2(b)</i>
****	****	****	****

SEC. 742. JUDAH STREET NEIGHBORHOOD COMMERCIAL DISTRICT

ZONING CONTROL TABLE

			<i>Judah Street</i>
<i>No.</i>	<i>Zoning Category</i>	<i>§ References</i>	<i>Controls</i>
*****	*****	*****	*****
742.26	Walk-Up Facility	§ 790.140	P-if recessed 3 ft.; C-if not recessed § 145.2(b)
*****	*****	*****	*****

Table 743

FOLSOM STREET NEIGHBORHOOD COMMERCIAL TRANSIT DISTRICT

ZONING CONTROL TABLE

			<i>Folsom Street</i>
<i>No.</i>	<i>Zoning Category</i>	<i>§ References</i>	<i>Controls</i>
*****	*****	*****	*****
743.26	Walk-Up Facility	§§ 145.2(b), 790.140	P-if recessed 3 ft.; C-if not recessed)
*****	*****	*****	*****

Table 744

REGIONAL COMMERCIAL DISTRICT ZONING CONTROL TABLE

			<i>Regional Commercial</i>
<i>No.</i>	<i>Zoning Category</i>	<i>§ References</i>	<i>Controls</i>

****	****	****	****
744.26	Walk-Up Facility	§§ 145.2(b), 790.140	P <i>if recessed 3 ft.;</i> C <i>if not recessed</i>
****	****	****	****

**SEC. 745. EXCELSIOR OUTER MISSION STREET NEIGHBORHOOD COMMERCIAL  
DISTRICT ZONING CONTROL TABLE**

			<i>Excelsior Outer Mission Street</i>
No.	Zoning Category	§ References	Controls
****	****	****	****
745.26	Walk-Up Facility	§§ 145.2(b), 790.140	P <i>if recessed 3 ft.;</i> C <i>if not recessed</i>
****	****	****	****

Section 6. The Planning Code is hereby amended by revising Section 145.2 to read as follows:

**SEC. 145.2. OUTDOOR ACTIVITY AREAS ~~AND WALK-UP FACILITIES~~ IN NC DISTRICTS.**

The following provisions governing outdoor activity areas ~~and walk-up facilities~~ shall apply in NC Districts.

~~(a) Outdoor Activity Areas.~~ In order to provide for limited commercial outdoor activity areas, which promote active street life, but do not detract from the livability of surrounding uses, outdoor activity areas, as defined in Section 790.70 of this Code, in NC Districts shall be regulated below, except in the Outer Clement Street Neighborhood Commercial District, where outdoor activity areas shall be a principal permitted use if they existed prior to 1985.

These provisions shall not apply to those uses excepted from the requirement for location in an enclosed building, as set forth in Section 703.2(b) of this Code.

~~(a)——(1)~~ An outdoor activity area operated by a commercial use is permitted as a principal use if located outside a building and contiguous to the front property line of the lot on which the commercial use is located.

In NC-S Districts, an outdoor activity area is permitted as a principal use if located within the boundaries of the property and in front of the primary facades which contain customer entrances and if it does not obstruct pedestrian traffic flow between store entrances and parking facilities.

~~(b)——(2)~~ An outdoor activity area which does not comply with the provisions of Paragraph 1 of this Subsection is permitted as a conditional use, subject to the provisions set forth in Sections 316 through 316.8 of this Code.

In addition to the criteria of Section 303(c) of this Code, the City Planning Commission shall find that:

~~(1)——(A)~~ The nature of the activity operated in the outdoor activity area is compatible with surrounding uses;

~~(2)——(B)~~ The operation and design of the outdoor activity area does not significantly disturb the privacy or affect the livability of adjoining or surrounding residences;

~~(3)——(C)~~ The hours of operation of the activity operated in the outdoor activity area are limited so that the activity does not disrupt the viability of surrounding uses.

~~(b) Walk-up Facilities. In order to maintain free flows of pedestrian circulation in the Neighborhood Commercial Districts, walk-up facilities, as defined in Section 790.140 of this Code, shall be regulated in all NC Districts as provided below:~~

~~(1) A walk-up facility operated by a commercial use is permitted as a principal use if:~~

1 ~~—— (A) Recessed at least three feet from the property line of the lot on which the commercial use is~~  
2 ~~located; and~~  
3 ~~—— (B) Where a vehicular circulation area or parking area separates the building from the property~~  
4 ~~line, the walk-up facility is designed and located so that the users of the facility do not impede~~  
5 ~~pedestrian circulation on the lot nor create conflicts between pedestrian and vehicular circulation~~  
6 ~~flows; or~~  
7 ~~—— (C) The proposed walk-up facility is located on a block frontage which is totally in a~~  
8 ~~Neighborhood Commercial District.~~  
9 ~~—— (2) A walk-up facility which does not comply with the provisions of Paragraph 1 of this Subsection~~  
10 ~~is permitted only upon approval of a conditional use application pursuant to the provisions set forth in~~  
11 ~~Sections 316 through 316.8 of this Code.~~

12  
13 Section 7. The Planning Code is hereby amended by moving the provisions in Section  
14 703.3 to new Section 303.1 and revising those provisions, and amending Section 703.3 to  
15 read as follows:

16 **SEC. 703.3. FORMULA RETAIL USES.**

17 (a) The Formula Retail controls set forth in Section 303.1 of this Code apply to all  
18 Neighborhood Commercial Districts in Article 7 of this Code. ~~(a) Findings. The findings for~~  
19 ~~Formula Retail controls are set forth in Section 303.1.~~

20 ~~—— (1) San Francisco is a city of diverse and distinct neighborhoods identified in large part~~  
21 ~~by the character of their commercial areas.~~

22 ~~—— (2) San Francisco needs to protect its vibrant small business sector and create a~~  
23 ~~supportive environment for new small business innovations. One of the eight Priority Policies of the~~  
24 ~~City's General Plan resolves that "existing neighborhood-serving retail uses be preserved and~~  
25

1 ~~enhanced and future opportunities for resident employment in and ownership of such businesses~~  
2 ~~enhanced."~~

3 ~~—— (3) Retail uses are the land uses most critical to the success of the City's commercial~~  
4 ~~districts.~~

5 ~~—— (4) Formula retail businesses are increasing in number in San Francisco, as they are in~~  
6 ~~cities and towns across the country.~~

7 ~~—— (5) Money earned by independent businesses is more likely to circulate within the local~~  
8 ~~neighborhood and City economy than the money earned by formula retail businesses which often have~~  
9 ~~corporate offices and vendors located outside of San Francisco.~~

10 ~~—— (6) Formula retail businesses can have a competitive advantage over independent~~  
11 ~~operators because they are typically better capitalized and can absorb larger startup costs, pay more~~  
12 ~~for lease space, and commit to longer lease contracts. This can put pressure on existing businesses and~~  
13 ~~potentially price out new startup independent businesses.~~

14 ~~—— (7) San Francisco is one of a very few major urban centers in the State in which~~  
15 ~~housing, shops, work places, schools, parks and civic facilities intimately co-exist to create strong~~  
16 ~~identifiable neighborhoods. The neighborhood streets invite walking and bicycling and the City's mix of~~  
17 ~~architecture contributes to a strong sense of neighborhood community within the larger City~~  
18 ~~community.~~

19 ~~—— (8) Notwithstanding the marketability of a retailer's goods or services or the visual~~  
20 ~~attractiveness of the storefront, the standardized architecture, color schemes, decor and signage of~~  
21 ~~many formula retail businesses can detract from the distinctive character of certain Neighborhood~~  
22 ~~Commercial Districts.~~

23 ~~—— (9) The increase of formula retail businesses in the City's neighborhood commercial~~  
24 ~~areas, if not monitored and regulated, will hamper the City's goal of a diverse retail base with distinct~~  
25 ~~neighborhood retailing personalities comprised of a mix of businesses. Specifically, the unregulated~~



1 ~~and unmonitored establishment of additional formula retail uses may unduly limit or eliminate business~~  
2 ~~establishment opportunities for smaller or medium-sized businesses, many of which tend to be non-~~  
3 ~~traditional or unique, and unduly skew the mix of businesses towards national retailers in lieu of local~~  
4 ~~or regional retailers, thereby decreasing the diversity of merchandise available to residents and~~  
5 ~~visitors and the diversity of purveyors of merchandise.~~

6 ~~—— (10) If, in the future, neighborhoods determine that the needs of their Neighborhood~~  
7 ~~Commercial Districts are better served by eliminating the notice requirements for proposed formula~~  
8 ~~retail uses, by converting formula retail uses into conditional uses in their district, or by prohibiting~~  
9 ~~formula retail uses in their district, they can propose legislation to do so.~~

10 ~~(b) Formula Retail Use. Formula retail use is hereby defined in Section 303.1. as a type~~  
11 ~~of retail sales activity or retail sales establishment which, along with eleven or more other retail sales~~  
12 ~~establishments located, maintains two or more of the following features: a standardized array of~~  
13 ~~merchandise, a standardized facade, a standardized decor and color scheme, a uniform apparel,~~  
14 ~~standardized signage, a trademark or a servicemark.~~

15 ~~—— (1) Standardized array of merchandise shall be defined as 50% or more of in stock~~  
16 ~~merchandise from a single distributor bearing uniform markings.~~

17 ~~—— (2) Trademark shall be defined as a word, phrase, symbol or design, or a combination~~  
18 ~~of words, phrases, symbols or designs that identifies and distinguishes the source of the goods from one~~  
19 ~~party from those of others.~~

20 ~~—— (3) Servicemark shall be defined as word, phrase, symbol or design, or a combination~~  
21 ~~of words, phrases, symbols or designs that identifies and distinguishes the source of a service from one~~  
22 ~~party from those of others.~~

23 ~~—— (4) Decor shall be defined as the style of interior finishings, which may include but is~~  
24 ~~not limited to, style of furniture, wallcoverings or permanent fixtures.~~

1 ~~(5) Color Scheme shall be defined as selection of colors used throughout, such as on~~  
2 ~~the furnishings, permanent fixtures, and wallcoverings, or as used on the facade.~~

3 ~~(6) Facade shall be defined as the face or front of a building, including awnings,~~  
4 ~~looking onto a street or an open space.~~

5 ~~(7) Uniform Apparel shall be defined as standardized items of clothing including but~~  
6 ~~not limited to standardized aprons, pants, shirts, smocks or dresses, hat, and pins (other than name~~  
7 ~~tags) as well as standardized colors of clothing.~~

8 ~~(8) Signage shall be defined as business sign pursuant to Section 602.3 of the Planning~~  
9 ~~Code.~~

10 ~~(e) "Retail Sales Activity or Retail Sales Establishment" shall include the uses defined in Section~~  
11 ~~303(i)(2) of this Code.~~

12 ~~(d) Formula Retail Uses Permitted. Any use permitted in certain districts defined in Section~~  
13 ~~303(i)(5)(4), which is also a "formula retail use" as defined in this Section, is hereby permitted.~~

14 (b) Formula Retail Uses Permitted. Any use permitted in a Neighborhood Commercial  
15 District that is a "Formula Retail use" as defined in Section 303.1 of this Code is hereby  
16 permitted.

17 ~~(e) Formula Retail Use Prohibited. Notwithstanding subsection (d), certain districts may~~  
18 ~~prohibit formula retail uses or a subset of formula retail uses as described in Section 303(i)(5).~~

19 ~~(f) Conditional Uses. Notwithstanding subsections (d) or (e), a Conditional Use Authorization~~  
20 ~~shall be required for a formula retail use in the zoning districts listed in Section 303(i)(4) unless~~  
21 ~~explicitly exempted. Additional criteria to be used by the Planning Commission when considering~~  
22 ~~granting conditional use permits to formula retail uses in these districts are listed in Section 303(i).~~

23 ~~(g) Neighborhood Commercial Notification and Design Review. After the effective date of this~~  
24 ~~Ordinance, any building permit application for a use permitted in a Neighborhood Commercial~~  
25

~~District which is also a "formula retail use" as defined in this section shall be subject to the Neighborhood Commercial Notification and Design Review Procedures of Section 312 of this Code.~~

~~(h) Discretionary Review Guidelines. The Planning Commission shall develop and adopt guidelines which it shall employ when considering any request for discretionary review made pursuant to this Section. These guidelines shall include but are not limited to consideration of the following factors:~~

~~—— (1) Existing concentrations of formula retail uses within the Neighborhood Commercial District.~~

~~—— (2) Availability of other similar retail uses within the Neighborhood Commercial District.~~

~~—— (3) Compatibility of the proposed formula retail use with the existing architectural and aesthetic character of the Neighborhood Commercial District.~~

~~—— (4) Existing retail vacancy rates within the Neighborhood Commercial District.~~

~~—— (5) Existing mix of Citywide-serving retail uses and neighborhood-serving retail uses within the Neighborhood Commercial District.~~

~~(i) Determination of Formula Retail Use. After the effective date of this Ordinance, in those areas in which "formula retail uses" are prohibited, any building permit application determined by the City to be for a "formula retail use" that does not identify the use as a "formula retail use" is incomplete and cannot be processed until the omission is corrected. Any building permit approved after the effective date of this Ordinance that is determined by the City to have been, at the time of application, for a "formula retail use" that did not identify the use as a "formula retail use" is subject to revocation at any time.~~

~~After the effective date of this Ordinance, in those areas in which "formula retail uses" are subject to the Neighborhood Commercial Notification and Design Review provisions of subsection (g), any building permit application determined by the City to be for a "formula retail use" that does not~~

1 ~~identify the use as a "formula retail use" is incomplete and cannot be processed until the omission is~~  
2 ~~corrected. After the effective date of this Ordinance, any building permit approved that is determined~~  
3 ~~by the City to be for a "formula retail use" that does not identify the use as a "formula retail use" must~~  
4 ~~complete the Neighborhood Commercial Notification and Design Review required in subsection (g).~~

5 ~~If the City determines that a building permit application or building permit subject to this~~  
6 ~~Section of the Code is for a "formula retail use," the building permit applicant or holder bears the~~  
7 ~~burden of proving to the City that the proposed or existing use is not a "formula retail use."~~

8  
9 Section 8. The Planning Code is hereby amended by revising Section 703.4 to read as  
10 follows:

11 **SEC. 703.4. CONDITIONAL USE AUTHORIZATION FOR FORMULA RETAIL USES.**

12 (a) This Ordinance shall be known as the Small Business Protection Act.

13 (b) Notwithstanding Section 703.3(~~bd~~) and except for Section 303.1(f)~~703.3(e)~~,  
14 establishment of a formula retail use, as defined in Section 303.1~~703.3~~, in any Neighborhood  
15 Commercial District, as identified in Article 7, shall require conditional use authorization  
16 pursuant to the criteria of Sections 303(c) and 303.1(i) and be subject to the terms of Sections  
17 ~~703.3~~303.1(g) and (hi).

18 (c) Nothing herein shall preclude the Board of Supervisors from adopting more  
19 restrictive provisions for conditional use authorization of formula retail use or prohibiting  
20 formula retail use in any Neighborhood Commercial District.

21  
22 Section 89. The Planning Code is hereby amended by moving the provisions in  
23 Section 803.6 to new Section 303.1 and revising those provisions, and revising Section 803.6  
24 to read as follows:

1           **SEC. 803.6. FORMULA RETAIL USES IN ARTICLE 8 DISTRICTS~~THE MUG~~**  
2           **~~DISTRICT, UMU DISTRICT, CHINATOWN MIXED USE DISTRICTS AND IN THE WESTERN~~**  
3           **~~SOMA SPECIAL USE DISTRICT.~~**

4           The Formula Retail controls set forth in Section 303.1 of this Code apply to Article 8  
5           Districts. (a) ~~Findings. The findings for Formula Retail controls are set forth in Section 303.1.~~

6           ~~— (1) San Francisco is a city of diverse and distinct neighborhoods identified in large part by~~  
7           ~~the character of their commercial areas.~~

8           ~~— (2) San Francisco needs to protect its vibrant small business sector and create a~~  
9           ~~supportive environment for new small business innovations. One of the eight Priority Policies of the~~  
10           ~~City's General Plan resolves that "existing neighborhood serving retail uses be preserved and~~  
11           ~~enhanced and future opportunities for resident employment in and ownership of such businesses~~  
12           ~~enhanced."~~

13           ~~— (3) Retail uses are the land uses most critical to the success of the City's commercial~~  
14           ~~districts.~~

15           ~~— (4) Formula retail businesses are increasing in number in San Francisco, as they are in~~  
16           ~~cities and towns across the country.~~

17           ~~— (5) Money earned by independent businesses is more likely to circulate within the local~~  
18           ~~neighborhood and City economy than the money earned by formula retail businesses which often have~~  
19           ~~corporate offices and vendors located outside of San Francisco.~~

20           ~~— (6) Formula retail businesses can have a competitive advantage over independent~~  
21           ~~operators because they are typically better capitalized and can absorb larger startup costs, pay more~~  
22           ~~for lease space, and commit to longer lease contracts. This can put pressure on existing businesses and~~  
23           ~~potentially price out new startup independent businesses.~~

24           ~~— (7) San Francisco is one of a very few major urban centers in the State in which housing,~~  
25           ~~shops, work places, schools, parks and civic facilities intimately co-exist to create strong identifiable~~

1 ~~neighborhoods. The neighborhood streets invite walking and bicycling and the City's mix of~~  
2 ~~architecture contributes to a strong sense of neighborhood community within the larger City~~  
3 ~~community.~~

4 ~~—(8) Notwithstanding the marketability of a retailer's goods or services or the visual~~  
5 ~~attractiveness of the storefront, the standardized architecture, color schemes, decor and signage of~~  
6 ~~many formula retail businesses can detract from the distinctive character of certain neighborhood~~  
7 ~~commercial and mixed use districts.~~

8 ~~—(9) The increase of formula retail businesses in the City's neighborhood commercial areas,~~  
9 ~~if not monitored and regulated, will hamper the City's goal of a diverse retail base with distinct~~  
10 ~~neighborhood retailing personalities comprised of a mix of businesses. Specifically, the unregulated~~  
11 ~~and unmonitored establishment of additional formula retail uses may unduly limit or eliminate business~~  
12 ~~establishment opportunities for smaller or medium-sized businesses, many of which tend to be non-~~  
13 ~~traditional or unique, and unduly skew the mix of businesses towards national retailers in lieu of local~~  
14 ~~or regional retailers, thereby decreasing the diversity of merchandise available to residents and~~  
15 ~~visitors and the diversity of purveyors of merchandise.~~

16 (b) Formula Retail Uses.

17 ~~—(1) Formula Retail Uses Permitted as a Conditional Use. Section 303.1 sets~~  
18 ~~forth the requirements for conditional use authorization for Formula Retail uses within Article 8~~  
19 ~~districts. are permitted in the MUG District, UMU District, Western SoMA Special Use District, the~~  
20 ~~Chinatown Community Business District and the Chinatown Residential Neighborhood Commercial~~  
21 ~~District only as a conditional use. When considering an application for a conditional use permit under~~  
22 ~~this Section, the Planning Commission shall consider the criteria defined in Section 303(i) of this Code.~~

23 ~~—(2) Formula Retail Uses Prohibited. The establishment of new Formula Retail~~  
24 ~~uses within Article 8 districts may be prohibited, as set forth in Section 303.1, in the Chinatown~~  
25

~~Visitor Retail District is prohibited. The establishment of new Restaurant or Limited Restaurant uses that are also defined as formula retail in any Chinatown Mixed Use Districts is prohibited.~~

~~(c) Formula Retail Use Defined. Formula retail use is hereby defined in Section 303.1. as a type of retail sales activity or retail sales establishment which, along with eleven or more other retail sales establishments located in the United States, maintains two or more of the following features: a standardized array of merchandise, a standardized façade, a standardized décor and color scheme, a uniform apparel, standardized signage, a trademark or a servicemark.~~

~~—— (1) Standardized array of merchandise shall be defined as 50% or more of in-stock merchandise from a single distributor bearing uniform markings.~~

~~—— (2) Trademark shall be defined as a word, phrase, symbol or design, or a combination of words, phrases, symbols or designs that identifies and distinguishes the source of the goods from one party from those of others.~~

~~—— (3) Servicemark shall be defined as word, phrase, symbol or design, or a combination of words, phrases, symbols or designs that identifies and distinguishes the source of a service from one party from those of others.~~

~~—— (4) Decor shall be defined as the style of interior finishings, which may include but is not limited to, style of furniture, wallcoverings or permanent fixtures.~~

~~—— (5) Color Scheme shall be defined as selection of colors used throughout, such as on the furnishings, permanent fixtures, and wallcoverings, or as used on the façade.~~

~~—— (6) Facade shall be defined as the face or front of a building, including awnings, looking onto a street or an open space.~~

~~—— (7) Uniform Apparel shall be defined as standardized items of clothing including but not limited to standardized aprons, pants, shirts, smocks or dresses, hat, and pins (other than name tags) as well as standardized colors of clothing.~~

1       ~~(8) Signage shall be defined as business sign pursuant to Section 602.3 of the Planning~~  
2 ~~Code.~~

3       ~~(9) "Retail Sales Activity or Retail Sales Establishment" shall include the uses defined~~  
4 ~~in Section 303(i)(2).~~

5       ~~(d) Determination of Formula Retail Use. Section 303.1 establishes the process for~~  
6 ~~correcting omissions on any application for an entitlement, permit or other action determined~~  
7 ~~by the City to be a Formula Retail use that does not identify the use as a Formula Retail use.~~  
8 ~~If the City determines that a building permit application or building permit subject to this section of the~~  
9 ~~Code is for a "formula retail use," the building permit applicant or holder bears the burden of proving~~  
10 ~~to the City that the proposed or existing use is not a "formula retail use."~~

11       ~~(e) Permit Application Processing. After the effective date of this ordinance, any building~~  
12 ~~permit application determined by the City to be for a "formula retail use" that does not identify the use~~  
13 ~~as a "formula retail use" is incomplete and cannot be processed until the omission is corrected.~~

14  
15       Section 910. The Planning Code is amended by revising Section 350(g) to read as  
16 follows:

17       **SEC. 350. FEES, GENERAL**

18       Fees shall be imposed in order to compensate the Planning Department for the cost of  
19 processing applications and for the development and revision of land use controls. Fees shall  
20 be charged and collected as indicated for each class of application, permit, filing request or  
21 activity listed in Sections 351 through ~~358~~360 below.

22       \* \* \* \*

23       **(g) Fee Adjustments.**

24       (1) The Controller will annually adjust the fee amounts specified in Sections 350-  
25 ~~358~~360 by the two-year average consumer price index (CPI) change for the San



Francisco/San Jose Primary Metropolitan Statistical Area (PMSA). For a listing of the Department's current fees inclusive of annual indexing for inflation, reference the Schedule of Application Fees available on the Department website.

\* \* \* \*

Section 4011. The Planning Code is amended by adding new Sections 359 and 360 to read as follows:

**SEC. 359. ECONOMIC IMPACT STUDY FOR LARGE SCALE RETAIL USE.**

*The fee to review an economic impact study, as required by Section 303(i), shall be \$3,500.00, plus any additional time and materials as set forth in Section 350.*

**SEC. 360. PERFORMANCE REVIEW FOR FORMULA RETAIL USE.**

*The fee to provide performance review for Formula Retail uses as required by Section 303.1 shall be the standard building permit fee, plus time and materials as set forth in Section 350(c).*

Section 4412. The Planning Code is amended by revising Section 209.8 to read as follows:

**SEC. 209.8. COMMERCIAL ESTABLISHMENTS IN R DISTRICTS.**

RH -1 (D)	RH -1 (S)	RH -2	RH -3	RM -1	RM -2	RM -3	RM -4	RTO	RTOR -M	RC -3	RC -4	
										P	P	SEC. 209.8. COMMERCIAL ESTABLISHMENTS. (a) Except for massage establishments as noted in Section 218.1, retail, personal



							P	P	P	P			(e) Any use meeting the standards and limitations set forth in Section 231: Limited Corner Commercial Uses in RTO Districts.
											C	C	(f) Non-residential use exceeding 6,000 gross square feet.
											P	P	(g) Liquor Store on the ground floor, as defined in Section 790.55 of this Code, unless otherwise specified in this Code.
													(h) Drive-up Facility, as defined in Section 790.30 of this Code.
											P	P	(i) Walk-up Facility, as defined in Section 790.140 of this Code, <del>is permitted as a principle use on the ground floor if recessed 3 feet; requires a conditional use if not recessed.</del>
											P	P	(j) Outdoor Activity Area, as defined in Section 790.70 of this Code, if in front; requires a conditional use if elsewhere.

Section 4213. The Planning Code is amended by revising Section 212 to read as follows:

**SEC. 212. ADDITIONAL REQUIREMENTS FOR USES IN CERTAIN C AND M DISTRICTS.**

In the following C and M Districts, the permitted uses indicated in Sections 215 through 227 shall be subject to the additional requirements contained in this Section 212.

1       (a) **Uses in Enclosed Buildings.** In C-2 Districts, all permitted uses, and all storage,  
2 servicing, fabricating, processing or repair uses accessory thereto, shall be conducted within  
3 enclosed buildings, with the exceptions of:

- 4           (1) Those uses indicated by an asterisk (\*) in the column for the district;  
5           (2) Accessory off-street parking and loading areas where permitted;  
6           (3) Accessory outdoor dining areas where permitted;  
7           (4) Accessory recreation areas where permitted; and,  
8           (5) Mobile Food Facilities as defined in Section 102.34.

9           (b) **Drive-up Facilities.** In C-3 Districts, a Drive-up Facility, as defined in  
10 Section 790.30 of this Code, shall not be permitted.

11           (c) **Required Ground-floor Commercial Frontage in C-3 Districts.**

12           (1) **Purpose.** The purpose of this section is to assure continuity of retail and  
13 consumer service uses in the C-3-R District, and in other important commercial streets in C-3  
14 Districts.

15           (2) **Applicability.**

16                   (A) In the C-3-R District, along any block frontage that is entirely within  
17 such district or partly in such district and partly in the C-3-O District, where such block  
18 frontage faces a street 40 feet or more in width;

19                   (B) On building frontages facing Destination Alleyways, as defined in the  
20 Downtown Streetscape Plan;

21                   (C) Along any street frontage facing Market Street in all C-3 Districts  
22 except the Van Ness and Market Downtown Residential Special Use District.

23           (3) **Controls.**

24                   (A) **Ground Story.** Permitted uses listed in Sections 218 and 221 shall  
25 be located facing such street in the ground story of any building. At least 1/2 the total width of

any new or reconstructed building, parallel to and facing such street, shall be devoted at the ground story to entrances, show windows or other displays of such uses.

(B) **All Levels.** All other permitted uses shall be located either on stories above or below the ground story or at a distance of not less than 20 feet behind each street frontage at the ground story. No more than 1/3 the width of any lot, parallel to and facing such street, shall be devoted to entrances to such other permitted uses.

(d) **Hazardous, Noxious, or Offensive Uses Prohibited.** No use listed as permitted in any C District or M-1 District shall include any use that is hazardous, noxious or offensive for reasons described in Section 202(c) of this Code.

(e) **Formula Retail Uses.** Formula Retail uses, as defined in Section 303.1, with frontage on Market Street between 6<sup>th</sup> Street and the intersection of Market Street and the intersection of Market Street, 12<sup>th</sup> Street and Franklin Street, are subject to Conditional Use authorization as specified in Sections 303 and 303.1.

Section 4314. The Planning Code is amended by revising Section 218 to read as follows:

**SEC. 218. RETAIL SALES AND PERSONAL SERVICES.**

C-2	C-3-O	C-3-O (SD)	C-3-R	C-3-G	C-3-S	C-M	M-1	M-2	PDR-1-G	PDR-1-D	PDR-1-B	PDR-2	
													<b>SEC. 218. RETAIL SALES AND PERSONAL SERVICES.</b>
													The uses specified in this

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													Section shall not include any use first specifically listed in a subsequent Section of this Code.
P	P	P	P	P, #	P	P	P	P	P, under 2,500 gsf per lot; C above for Grocery stores, as defined in Section 790.102 (a) and Health club, fitness, gymnasium, or exercise facility when including equipment and space for weight-lifting and cardiovascular activities	P, under 5,000 gsf per lot; C above for Grocery stores, as defined in Section 790.102 (a) and Health club, fitness, gymnasium, or exercise facility when including equipment and space for weight-lifting and cardiovascular activities	P, under 2,500 gsf	P, under 2,500 gsf per lot*#	(a) Retail business or personal service establishment.  *Subject to the limitations of Section <u>121.6 and 121.8</u>  <u>#C for the establishment of new Formula Retail use, as described in Section 303.1, with frontage on Market Street between 6<sup>th</sup> Street and the intersection of Market Street and the intersection of Market Street, 12<sup>th</sup> Street and Franklin Street.</u>

Section 4415. The Planning Code is amended by revising Section 219 to read as follows:

**SEC. 219. OFFICES.**

C-1	C-2	C-3-O	C-3-O(SD)	C-3-R	C-3-G	C-3-S	C-M	M-1	M-2	PDR-1-G	PDR-1-D	PDR-1-B	PDR-2	
														SEC. 219. OFFICES.
P	P	P	P	P#	P	P	P	P	P	NP, unless in a designated landmark building. P in designated landmark buildings.	NP, unless in a designated landmark building. P in designated landmark buildings.	P*#	P*#	(a) Professional and business offices, as defined in 890.70, not more than 5,000 gross square feet in size and offering on-site services to the general public.
P	P	P	P	C#	P	P	P	P	P	NP, unless in a designated landmark building. P in designated landmark buildings.	NP, unless in a designated landmark building. P in designated landmark buildings.			(b) Professional and business offices, as defined in 890.70, larger than 5,000 gross square feet in size and offering on-site services to the general public.
P	P	P	P	C#	P	P	P	P	P	NP, unless in a designated landmark building. P in designated landmark buildings.	NP, unless in a designated landmark building. P in designated landmark buildings.	P under 5,000 gsf *#	P under 5,000 gsf *#	(c) Other professional and business offices, as defined in 890.70, above the ground floor. In the C-3-R District, in addition to the criteria set forth in Section 303, approval shall be given upon a determination that the use will not detract from the district's primary function as an area for comparison shopper retailing and direct consumer services.

P	P	C	C	#	C	C	P	P	P	NP, unless in a designated landmark building. P in designated landmark buildings.	NP, unless in a designated landmark building. P in designated landmark buildings.	P under 5,000 gsf *#	P under 5,000 gsf *#	(d) Other professional and business offices, as defined in 890.70 at or below the ground floor.
														Subject to limitations of Section 121.8. <u>#C for the establishment of new Formula Retail use, as described in Section 303.1, with frontage on Market Street between 6<sup>th</sup> Street and the intersection of Market Street and the intersection of Market Street, 12<sup>th</sup> Street and Franklin Street.</u>

Section ~~45~~16. Effective Date. This ordinance shall become effective 30 days after enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the Mayor's veto of the ordinance. This ordinance shall not apply to any application for a proposed Formula Retail use that was submitted to the City on or before October 24, 2014.

Section ~~46~~17. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors intends to amend only those words, phrases, paragraphs, subsections, sections, articles, numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal Code that are explicitly shown in this ordinance as additions, deletions, Board



1 amendment additions, and Board amendment deletions in accordance with the "Note" that  
2 appears under the official title of the ordinance.

3  
4 Section 18. The Municipal Code is hereby amended to revise the following Sections by  
5 revising citations to provisions of the Planning Code to correspond to the Planning Code  
6 amendments shown in this ordinance:

<u>Code</u>	<u>Section</u>	<u>Planning Code Section Cited Therein</u>	<u>Number of Times Planning Code Citation Appears</u>	<u>Replacement Citation</u>
<u>Planning</u>	<u>710 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
<u>Planning</u>	<u>711 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
<u>Planning</u>	<u>712 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
<u>Planning</u>	<u>713 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
<u>Planning</u>	<u>714 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
<u>Planning</u>	<u>715 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
<u>Planning</u>	<u>716 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
<u>Planning</u>	<u>717 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
<u>Planning</u>	<u>718 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
<u>Planning</u>	<u>719 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
<u>Planning</u>	<u>720 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
<u>Planning</u>	<u>721 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
<u>Planning</u>	<u>722 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
<u>Planning</u>	<u>723 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
<u>Planning</u>	<u>724 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
<u>Planning</u>	<u>725 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
<u>Planning</u>	<u>726 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
<u>Planning</u>	<u>727 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
<u>Planning</u>	<u>728 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
<u>Planning</u>	<u>729 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
<u>Planning</u>	<u>730 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
<u>Planning</u>	<u>731 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>

1	<u>Planning</u>	<u>732 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
	<u>Planning</u>	<u>733 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
2	<u>Planning</u>	<u>733A - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
	<u>Planning</u>	<u>734 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
3	<u>Planning</u>	<u>735 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
	<u>Planning</u>	<u>736 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
4	<u>Planning</u>	<u>737 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
	<u>Planning</u>	<u>738 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
5	<u>Planning</u>	<u>739 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
6	<u>Planning</u>	<u>740 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
	<u>Planning</u>	<u>741 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
7	<u>Planning</u>	<u>742 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
8	<u>Planning</u>	<u>743 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
	<u>Planning</u>	<u>744 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
9	<u>Planning</u>	<u>745 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
	<u>Planning</u>	<u>844 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
10	<u>Planning</u>	<u>845 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
11	<u>Planning</u>	<u>846 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
	<u>Planning</u>	<u>847 - Table</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
12	<u>Planning</u>	<u>909, 910, 911 - Tables</u>	<u>145.2(a)</u>	<u>1</u>	<u>145.2</u>
13	<u>Planning</u>	<u>909, 910, 911 - Tables</u>	<u>145.2(b)</u>	<u>1</u>	<u>Delete</u>
	<u>Planning</u>	<u>786(d)</u>	<u>303(i)</u>	<u>1</u>	<u>303.1</u>
14	<u>Administrative</u>	<u>59.3</u>	<u>303(i)</u>	<u>1</u>	<u>303.1</u>
15	<u>Public Works</u>	<u>184.86.1(a)</u>	<u>303(i)</u>	<u>1</u>	<u>303.1</u>
	<u>Planning</u>	<u>803.2(b)(1)(B)</u>	<u>303(i)</u>	<u>1</u>	<u>303.1</u>
16	<u>Planning</u>	<u>234.1(c)(5)</u>	<u>303(i)</u>	<u>1</u>	<u>303.1</u>
	<u>Planning</u>	<u>243(c)(9)(K)</u>	<u>303(i)</u>	<u>1</u>	<u>303.1</u>
17	<u>Planning</u>	<u>786(c)</u>	<u>303(i)(1)</u>	<u>1</u>	<u>303.1</u>
18	<u>Planning</u>	<u>786(e)</u>	<u>303(i)(3)</u>	<u>1</u>	<u>303.1</u>
19	<u>Public Works</u>	<u>184.86.1(a)(1)</u>	<u>303(i)(4) and</u> <u>(5)</u>	<u>1</u>	<u>303.1</u>
20	<u>Planning</u>	<u>604(h)</u>	<u>303(l)</u>	<u>1</u>	<u>303(k)</u>
	<u>Planning</u>	<u>303(l)(6)</u>	<u>303(l)</u>	<u>1</u>	<u>303(k)</u>
21	<u>Planning</u>	<u>711 - Specific Provisions</u> <u>Table</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
22	<u>Planning</u>	<u>712 - Specific Provisions</u> <u>Table</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
23	<u>Planning</u>	<u>713 - Specific Provisions</u> <u>Table</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
24	<u>Planning</u>	<u>714 - Specific Provisions</u> <u>Table</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
25					

1	<u>Planning</u>	<u>715 - Specific Provisions</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
2	<u>Planning</u>	<u>716 - Specific Provisions</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
3	<u>Planning</u>	<u>718 - Specific Provisions</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
4	<u>Planning</u>	<u>719 - Specific Provisions</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
5	<u>Planning</u>	<u>720 - Specific Provisions</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
6	<u>Planning</u>	<u>721 - Specific Provisions</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
7	<u>Planning</u>	<u>722 - Specific Provisions</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
8	<u>Planning</u>	<u>723 - Specific Provisions</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
9	<u>Planning</u>	<u>726 - Specific Provisions</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
10	<u>Planning</u>	<u>727 - Specific Provisions</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
11	<u>Planning</u>	<u>728 - Specific Provisions</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
12	<u>Planning</u>	<u>730 - Specific Provisions</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
13	<u>Planning</u>	<u>731 - Specific Provisions</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
14	<u>Planning</u>	<u>733 - Specific Provisions</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
15	<u>Planning</u>	<u>734 - Specific Provisions</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
16	<u>Planning</u>	<u>735 - Specific Provisions</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
17	<u>Planning</u>	<u>736 - Specific Provisions</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
18	<u>Planning</u>	<u>737 - Specific Provisions</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
19	<u>Planning</u>	<u>738 - Specific Provisions</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
20	<u>Planning</u>	<u>790.60(b)</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
21	<u>Planning</u>	<u>810 - Specific Provisions</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
22	<u>Planning</u>	<u>811 - Specific Provisions</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
23		<u>Table</u>			
24		<u>Table</u>			
5					

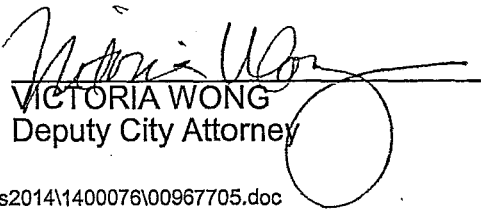
1	<u>Planning</u>	<u>812 - Specific Provisions</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
2	<u>Planning</u>	<u>Table</u>			
3	<u>Planning</u>	<u>815 - Specific Provisions</u>	<u>303(o)</u>	<u>2</u>	<u>303(n)</u>
4	<u>Planning</u>	<u>Table</u>			
5	<u>Planning</u>	<u>827 - Specific Provisions</u>	<u>303(o)</u>	<u>2</u>	<u>303(n)</u>
6	<u>Planning</u>	<u>Table</u>			
7	<u>Planning</u>	<u>829 - Specific Provisions</u>	<u>303(o)</u>	<u>2</u>	<u>303(n)</u>
8	<u>Planning</u>	<u>Table</u>			
9	<u>Planning</u>	<u>890.60(b)</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
10	<u>Planning</u>	<u>218.1(b)</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
11	<u>Planning</u>	<u>218.1 Table</u>	<u>303(o)</u>	<u>1</u>	<u>303(n)</u>
12	<u>Planning</u>	<u>728 - Specific Provisions</u>	<u>703.3</u>	<u>1</u>	<u>303.1</u>
13	<u>Planning</u>	<u>Table</u>			
14	<u>Planning</u>	<u>739 - Specific Provisions</u>	<u>703.3</u>	<u>2</u>	<u>303.1</u>
15	<u>Planning</u>	<u>Table</u>			
16	<u>Planning</u>	<u>740 - Specific Provisions</u>	<u>703.3</u>	<u>2</u>	<u>303.1</u>
17	<u>Planning</u>	<u>Table</u>			
18	<u>Planning</u>	<u>741 - Specific Provisions</u>	<u>703.3</u>	<u>2</u>	<u>303.1</u>
19	<u>Planning</u>	<u>Table</u>			
20	<u>Planning</u>	<u>742 - Specific Provisions</u>	<u>703.3</u>	<u>2</u>	<u>303.1</u>
21	<u>Planning</u>	<u>Table</u>			
22	<u>Planning</u>	<u>781.1(b)</u>	<u>703.3</u>	<u>1</u>	<u>303.1</u>
23	<u>Planning</u>	<u>781.5(a)</u>	<u>703.3</u>	<u>1</u>	<u>303.1</u>
24	<u>Planning</u>	<u>786(a)(14)</u>	<u>703.3</u>	<u>1</u>	<u>303.1</u>
25	<u>Planning</u>	<u>182(b)(1)</u>	<u>703.3</u>	<u>4</u>	<u>303.1</u>
26	<u>Planning</u>	<u>234.1(c)(5)</u>	<u>703.3</u>	<u>1</u>	<u>Delete</u>
27	<u>Planning</u>	<u>312(b)</u>	<u>703.3</u>	<u>1</u>	<u>303.1</u>
28	<u>Planning</u>	<u>781.4(a)</u>	<u>703.3(b)</u>	<u>2</u>	<u>303.1</u>
29	<u>Planning</u>	<u>781.9(a)(3)(C)</u>	<u>703.3(b)</u>	<u>1</u>	<u>303.1</u>
30	<u>Planning</u>	<u>186(c)</u>	<u>703.3(b)</u>	<u>1</u>	<u>303.1</u>
31	<u>Planning</u>	<u>209.8</u>	<u>703.3(b)</u>	<u>1</u>	<u>303.1</u>
32	<u>Planning</u>	<u>231(e)</u>	<u>703.3(b)</u>	<u>1</u>	<u>303.1</u>
33	<u>Planning</u>	<u>249.31(b)(1)(iii)</u>	<u>703.3(b)</u>	<u>1</u>	<u>303.1</u>
34	<u>Planning</u>	<u>249.65(c)(2)(A)</u>	<u>703.3(b)</u>	<u>1</u>	<u>303.1</u>
35	<u>Planning</u>	<u>249.65(c)(7)</u>	<u>703.3(b)</u>	<u>1</u>	<u>303.1</u>
36	<u>Planning</u>	<u>823(a)</u>	<u>803.6</u>	<u>1</u>	<u>303.1</u>
37	<u>Planning</u>	<u>823(c)(10)</u>	<u>803.6</u>	<u>1</u>	<u>303.1</u>
38	<u>Planning</u>	<u>840 Table</u>	<u>803.6</u>	<u>1</u>	<u>303.1</u>
39	<u>Planning</u>	<u>841 Table</u>	<u>803.6</u>	<u>1</u>	<u>303.1</u>
40	<u>Planning</u>	<u>842 Table</u>	<u>803.6</u>	<u>1</u>	<u>303.1</u>
41	<u>Planning</u>	<u>843 Table</u>	<u>803.6</u>	<u>1</u>	<u>303.1</u>

<u>Planning</u>	<u>844 Table</u>	<u>803.6</u>	<u>1</u>	<u>303.1</u>
<u>Planning</u>	<u>845 Table</u>	<u>803.6</u>	<u>1</u>	<u>303.1</u>
<u>Planning</u>	<u>846 Table</u>	<u>803.6</u>	<u>1</u>	<u>303.1</u>
<u>Planning</u>	<u>847 Table</u>	<u>803.6</u>	<u>1</u>	<u>303.1</u>
<u>Planning</u>	<u>234.1(c)(5)</u>	<u>803.6</u>	<u>1</u>	<u>Delete</u>
<u>Planning</u>	<u>249.40(c)(3)</u>	<u>803.6</u>	<u>1</u>	<u>303.1</u>

At the direction of the City Attorney, the publisher of the San Francisco Municipal Codes shall correct any additional cross-references to the Planning Code that require correction due to the amendment of the Planning Code by this Ordinance.

APPROVED AS TO FORM:  
DENNIS J. HERRERA, City Attorney

By:

  
VICTORIA WONG  
Deputy City Attorney

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**REVISED LEGISLATIVE DIGEST**  
(Amended in Committee - 10/27/14)

[Planning Code – Formula Retail and Large-Scale Retail Controls]

**Ordinance amending the Planning Code to amend the definition of Formula Retail to include businesses that have 11 or more outlets worldwide; expand the applicability of Formula Retail controls to other types of uses; require Conditional Use authorization for Formula Retail establishments in the C-3-G district with facades facing Market Street, between 6th Street and the intersection of Market Street, 12th Street and Franklin Street; provide a method for calculating the concentration of formula retail establishments in a certain area; require Planning Department staff to recommend disapproval of new formula retail in the Upper Market Neighborhood Commercial District based on concentration of existing Formula Retail; delete the requirement for Conditional Use authorization when a Formula Retail establishment changes operator but remains the same size and use category; define intensification and abandonment for Formula Retail uses; require Formula Retail uses to comply with performance guidelines; amend the Conditional Use criteria for Large-Scale Retail Uses, and for Formula Retail uses of 20,000 gross square feet or greater except for General and Specialty Grocery stores, to require an economic impact study and establish new fees for said study; require 30 days' public notice for conditional use hearings on proposed Formula Retail uses; amend Neighborhood Commercial Districts that required Conditional Use for Financial and Limited Financial Services to principally permit Financial and Limited Financial Services except in the Castro Street Neighborhood Commercial District, Upper Market Neighborhood Commercial Transit District, and 24th Street – Noe Valley Neighborhood Commercial District; delete the Conditional Use requirement for Walk-Up Facilities that are not set back 3 feet; and correct various Code provisions to ensure accuracy of cross-references; and adopting findings, including environmental findings, Planning Code, Section 302 findings, and findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.**

Existing Law

Existing law regulates formula retail uses in a number of ways. The Planning Code defines a formula retail use as “a type of retail sales activity or retail sales establishment which has eleven or more other retail sales establishments located in the United States” and “maintains two or more of the following features: a standardized array of merchandise, a standardized façade, a standardized décor and color scheme, uniform apparel, standardized signage, [and] a trademark or a servicemark.” (Planning Code § 303(i)(1).)

Retail sales activities and establishments included in the definition of formula retail include the following uses, as defined in Articles 7 and 8 of the Planning Code: Bar; Drive-up Facility;

Eating and Drinking Use; Liquor Store; Sales and Service, Other Retail; Restaurant; Limited Restaurant; Take Out Food; Sales and Service, Retail; Service, Financial; Movie Theater; and Amusement and Game Arcade. (Planning Code § 303(i)(2); 790.102; 890.102.)

A formula retail use within any of these categories may be prohibited, conditionally permitted or principally permitted, depending on the zoning district. Formula retail uses generally require a conditional use authorization (CU) in neighborhood commercial districts (NCDs) and certain other districts; are permitted downtown; and are prohibited in the North Beach NCD, Hayes Valley Neighborhood Commercial Transit District, and some areas of Chinatown. (Planning Code § 303(i)(4) and (5).) Other restrictions also apply to particular formula retail uses in certain districts and subdistricts. (Planning Code § 303(i)(4) & (5).)

When a new formula retail use requires a CU, the Planning Commission is required to consider the following criteria, in addition to the criteria that apply to all CUs: the existing concentrations of formula retail uses within the district; the availability of other similar retail uses within the district; the compatibility of the proposed formula retail use with the existing architectural and aesthetic character of the district; the existing retail vacancy rates within the district; and the existing mix of Citywide-serving retail uses and neighborhood-serving retail uses within the district. (Planning Code § 303(i)(3).) In addition, in areas in which a conditional use authorization is required for a formula retail use, that requirement generally applies to changes from one formula retail operator to another within the same use category, except in some narrow circumstances. (Planning Code § 303(i)(7).)

#### Amendments to Current Law

This ordinance would amend formula retail controls in several ways. First, the legislation would define a formula retail use to include "a type of retail sales *or service* activity or retail sales or service establishment" that has eleven or more other establishments worldwide in operation or with local land use or permit entitlements already approved, compared to the current definition, which includes retail sales "activities" or "establishments" with eleven or more other existing establishments or leases in the United States. It would also expand the definition of formula retail to include Limited Financial Service (ATMs), with some exceptions; Personal Service (e.g., salons and certain instructional services); Fringe Financial Service (check cashing establishments); Tobacco Paraphernalia Establishment; and Massage Establishment. (See Planning Code §§ 790 & 890 for definitions of these uses.)

Second, the legislation would expand the CU requirements for formula retail establishments and require the Planning Commission to consider a project's compliance with a set of performance guidelines (to be adopted by the Commission concurrently with this legislation), as well as the CU criteria for formula retail contained in current Planning Code Section 303(i)(3); would require consideration of formula retail impacts within the vicinity of the proposed project, as well as within an NCD; would set forth a method for measuring the concentration of formula retail uses within a certain radius; would codify the Planning

Commission's policy directing staff to recommend disapproval of a proposed formula retail use in the Upper Market Street NCD if approval would result in a concentration of formula retail establishments of 20% or above within a 300-foot radius; would require a CU for formula retail establishments in the C-3-G District along a portion of Market Street; would require an economic impact study for proposed large formula retail uses and for formula retail uses of 20,000 gross square feet or more, except for General and Specialty Groceries, seeking a CU; and would require 30 days' public notice prior to a CU hearing for a formula retail use.

Third, the legislation would authorize the Planning Department and Commission to exercise discretion in reviewing proposed formula retail business signage as part of the CU process, as provided in the Commission's performance guidelines.

Fourth, the legislation would require a CU where an existing formula retail use is proposed to be enlarged or intensified, and delete the existing requirement for a CU for a change of formula retail owner or operator generally. Intensification would include a change of use within the use categories set forth in Planning Code Sections 790.102 and 890.102; a change from one formula retail establishment to another, where the new establishment is a formula retailer that has more locations than the previous establishment; expansion of the use size; installation of a commercial kitchen; and the absence of a conditional use authorization for the previously existing formula retail use. Where a change of formula retail owner or operator does not result in enlargement or intensification of the approved use, the new formula retail establishment would be subject to administrative review for compliance with the Commission's performance guidelines.

Fifth, the legislation would deem a conditional or nonconforming formula retail use to be abandoned if it is discontinued for 18 months.

Sixth, the legislation would eliminate the conditional use requirement for Financial and Limited Financial Services in all NCDs except the Castro Street NCD, Upper Market Neighborhood Commercial Transit District, and 24th Street – Noe Valley NCD, and eliminate the conditional use requirement in NCDs and Neighborhood Commercial Transit Districts for Walk-Up Facilities that are not set back 3 feet.

#### Background Information

This legislative digest relates to the ordinance as amended on October 27, 2014 by the Land Use Committee. The Committee amended the ordinance to: (1) define formula retail to include businesses with eleven or more outlets worldwide; (2) provide a method for calculating the concentration of formula retail establishments within a specified radius of the proposed formula retail use; (3) require that Planning Department staff recommend disapproval of a proposal formula use in the Upper Market Street NCD if the concentration of formula retail would meet or exceed a 20% threshold; (4) retain the requirement that Financial Services and Limited Financial Services receive a conditional use authorization in the Castro Street NCD,



24th Street – Noe Valley NCD, and Upper Market Street Neighborhood Commercial Transit District; (5) require 30 days' public notice for conditional use hearings on proposed formula retail uses; (6) require an economic impact study for proposed formula retail uses of 20,000 gross square feet or more, except for General and Specialty Grocery stores; (7) delete the requirement that an economic impact study for formula retail and large-scale retail uses analyze the project's impact on permanent employment in the impact area; (8) grandfather in applications for formula retail use entitlements that were pending as of October 24, 2014; and (9) move the formula retail provisions of the Planning Code to a new Section 303.1 and make conforming changes.

The City first adopted formula retail controls in 2004, and has amended these controls several times. A stated purpose of the formula retail controls is to protect the vitality and unique character of the City's NCDs. (See Planning Code § 703.3(a) ["the standardized architecture, color schemes, decor and signage of many formula retail businesses can detract from the distinctive character of certain Neighborhood Commercial Districts" and may "hamper the City's goal of a diverse retail base with distinct neighborhood retailing personalities comprised of a mix of businesses"].)

In 2006, the voters enacted an initiative ordinance known as Proposition G. Proposition G amended the City's formula retail controls to require that all formula retail uses in the City's NCDs obtain a CU from the Planning Commission. (See Planning Code § 703.4.) Proposition G also allowed the Board of Supervisors to adopt more restrictive measures applicable to formula retail, or to prohibit these uses altogether in NCDs. (Planning Code § 703.4(c).)

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# San Francisco's Formula Retail Controls Today and Tomorrow BOS: Land Use & Economic Development Committee

October 27, 2014



**SAN FRANCISCO  
PLANNING DEPARTMENT**

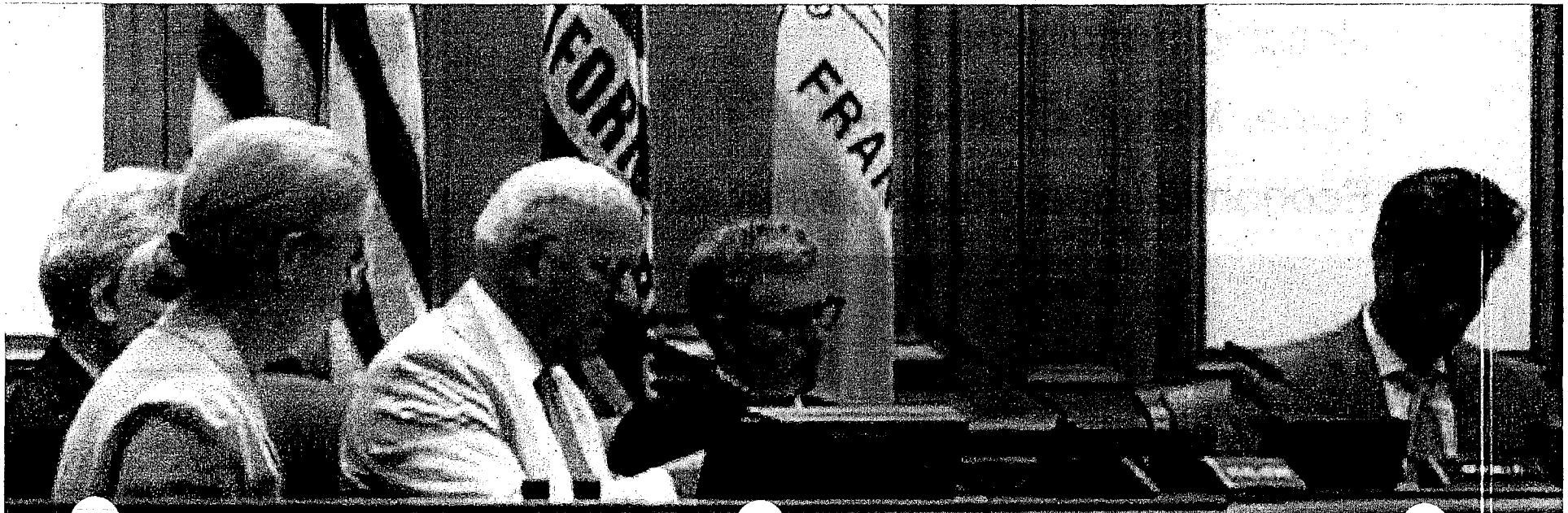
# Formula Retail

- The first comprehensive review since 2004 inception & voter's 2008 ballot initiative
- Planning Process
  - The Study: San Francisco Formula Retail Economic Analysis
  - Key Stakeholder Discussions and Public Hearings
- Fragmented approaches now largely unified



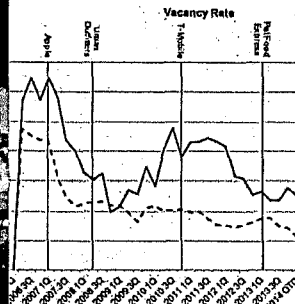
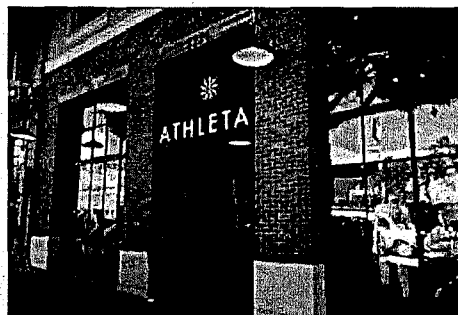
# Public Vetting and Process

- **Consultant Study**
- **Six Stakeholder Focus Group Meetings:** small business & formula retailers, merchant and neighborhood groups.
- **Additional Presentations:** Small Business Commission, Chamber of Commerce, and Council of District Merchants
- **Six Planning Commission Hearings:** July 2013 Study Launch; January – Citywide Data; February – Issue Briefs; April – Neighborhood Profiles; May – Policy Recommendations & Initiation of Ordinance; July – Ordinance Adoption



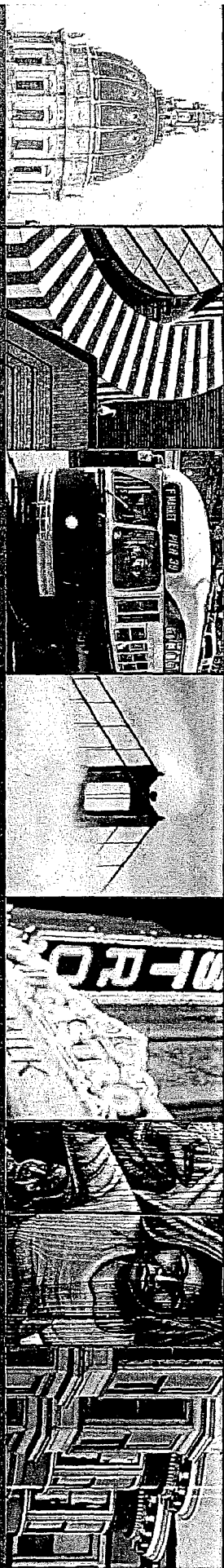
# What We Learned & What's Before the Committee Today

1. Study Highlights
2. Commonalities: Increased Rigor
3. Comparison of Commission Recommendation to Mar's Proposal
  - The Threshold to become formula retail
  - Noticing Requirement
  - Upper Market Codification
  - Economic Impact Study: what size store?



## Commission Guide for Formula Retail

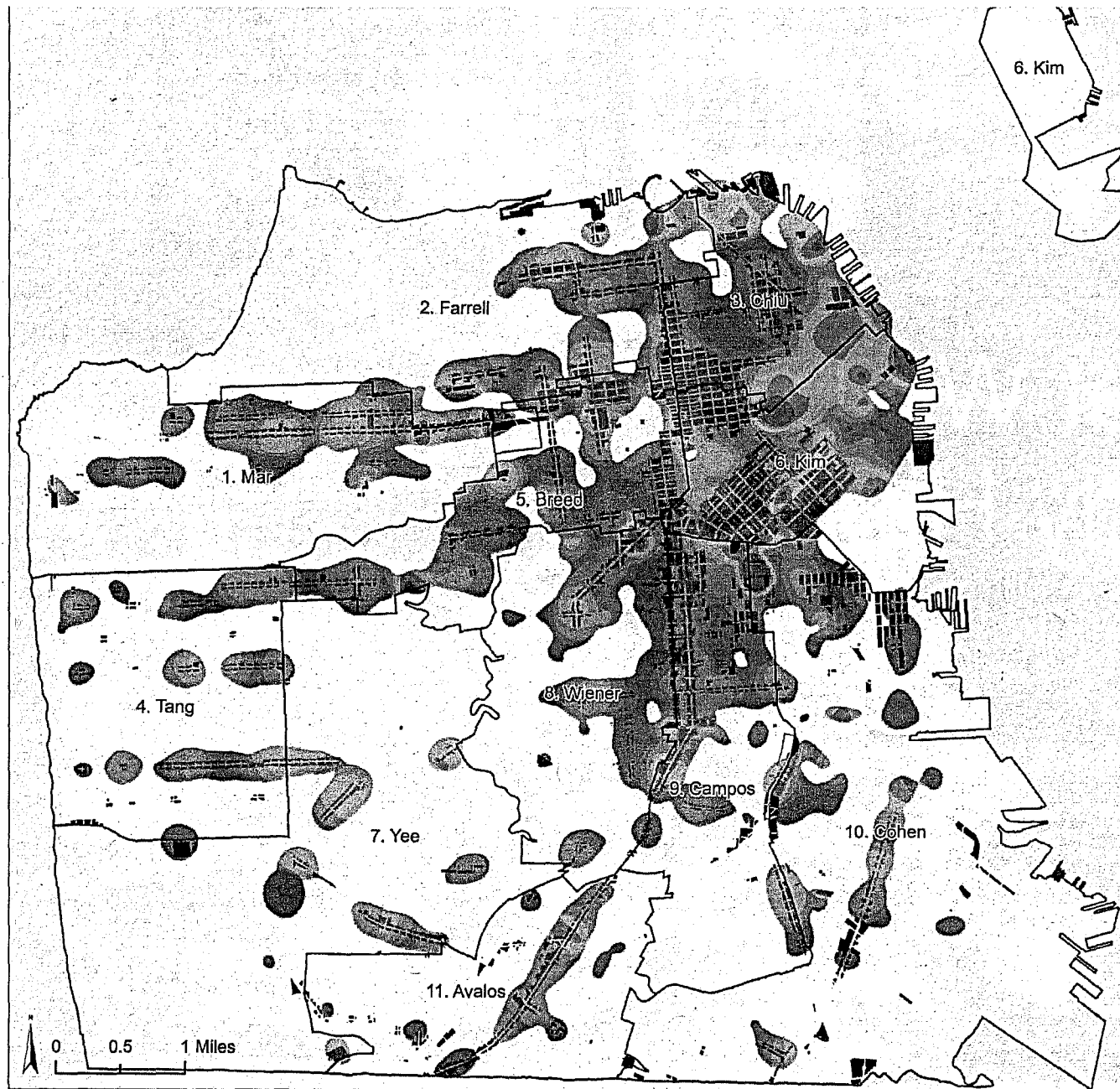
DETERMINING LOCATIONAL APPROPRIATENESS AND PERFORMANCE-BASED DESIGN GUIDELINES



# 1. What We Learned: Study Highlights



# Formula Retail Establishments as a Percent of Total Retail Establishments



Density of FR /  
Density of Retail  
(only areas > 150 est. per sq mi)

- 0% - 0.1%
- 0.11% - 3%
- 3.01% - 11%
- 11.01% - 18%
- 18.01% - 28%
- 28.01% - 38%
- 38.01% - 100%

Supervisorial District

New FR Requires CU or NCT/  
NCD where New FR is prohibited

Citywide, the average concentration of  
formula retail is 11%.

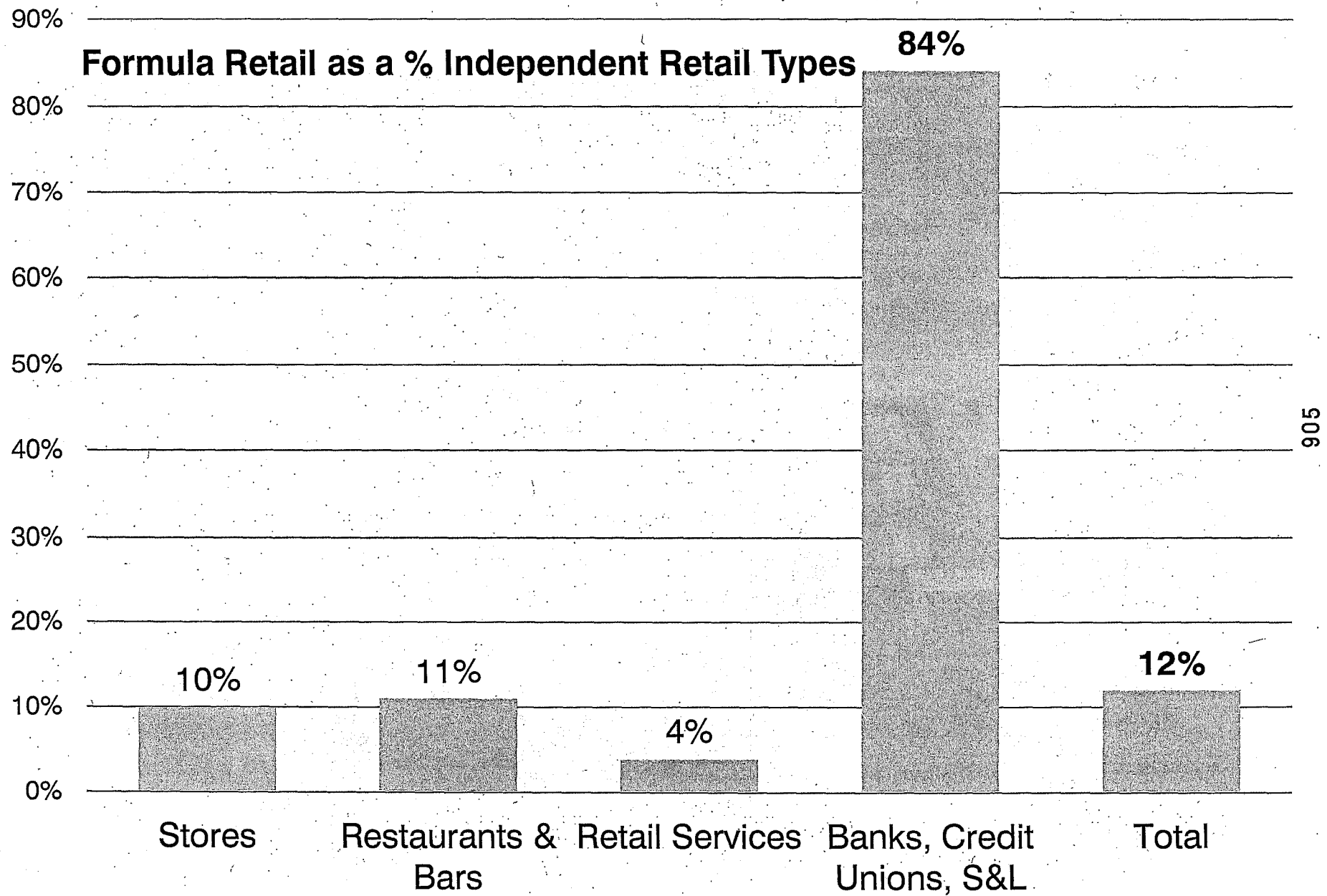
Based on Dun & Bradstreet business data  
that have not been independently verified;  
all numbers are approximate.

Interim Draft

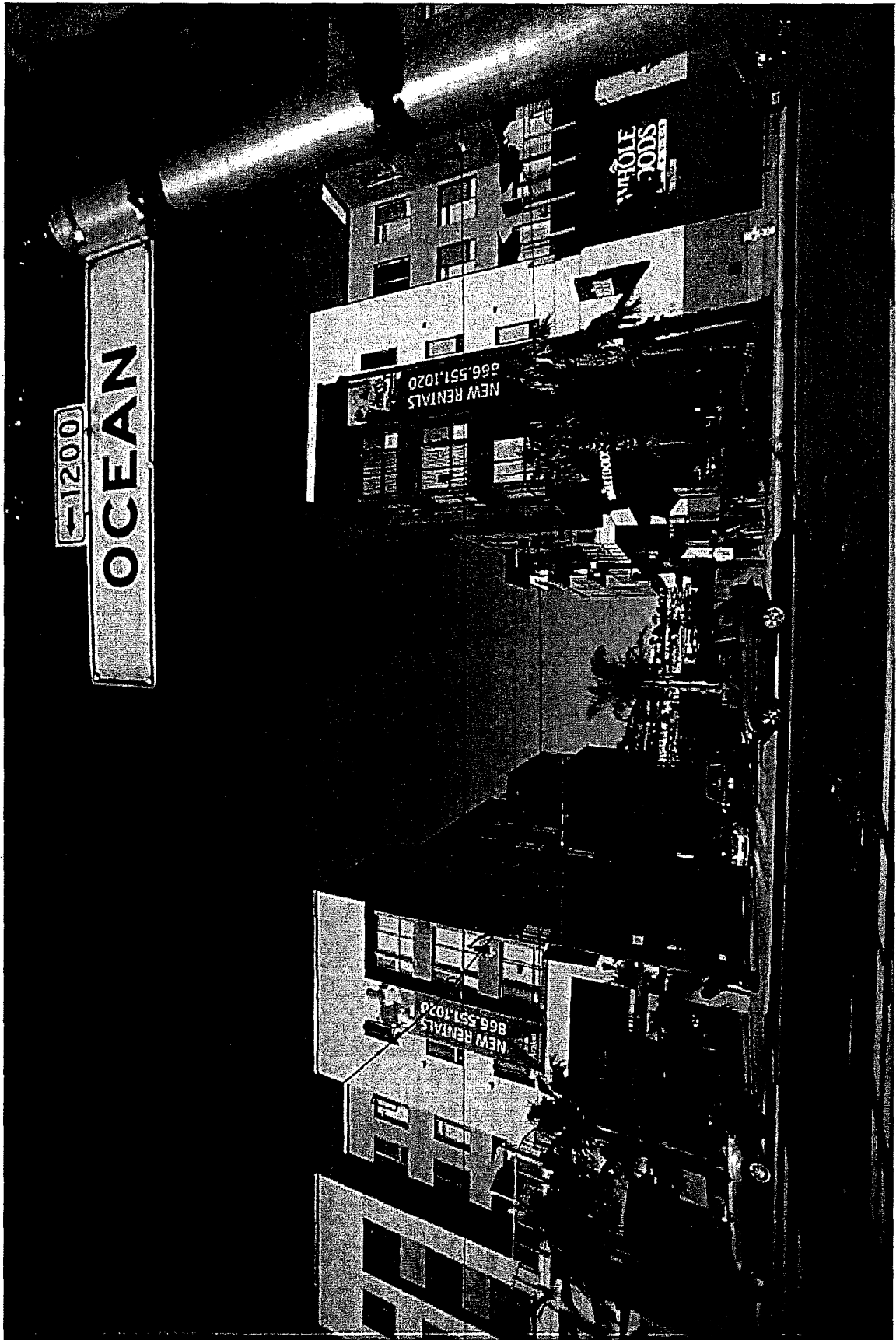
Strategic Economics, 2014;

Data: Dun & Bradstreet, 2012,  
City of San Francisco, 2013.

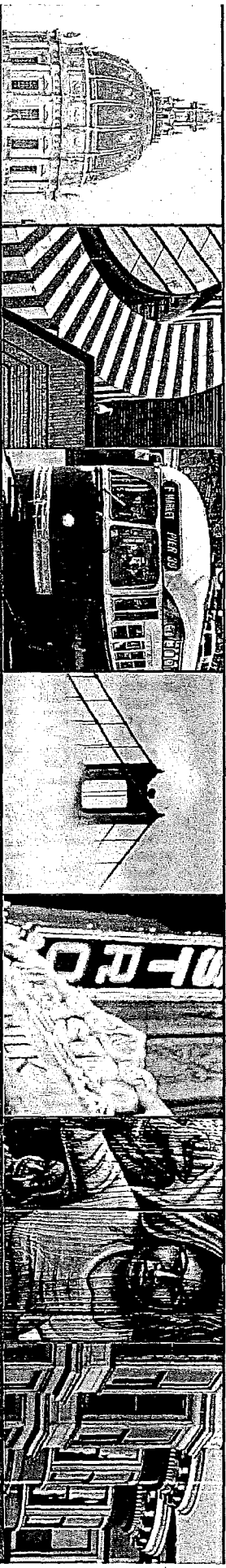




## FR: Benefits and Drawbacks



Lea Suzuki/The Chronicle



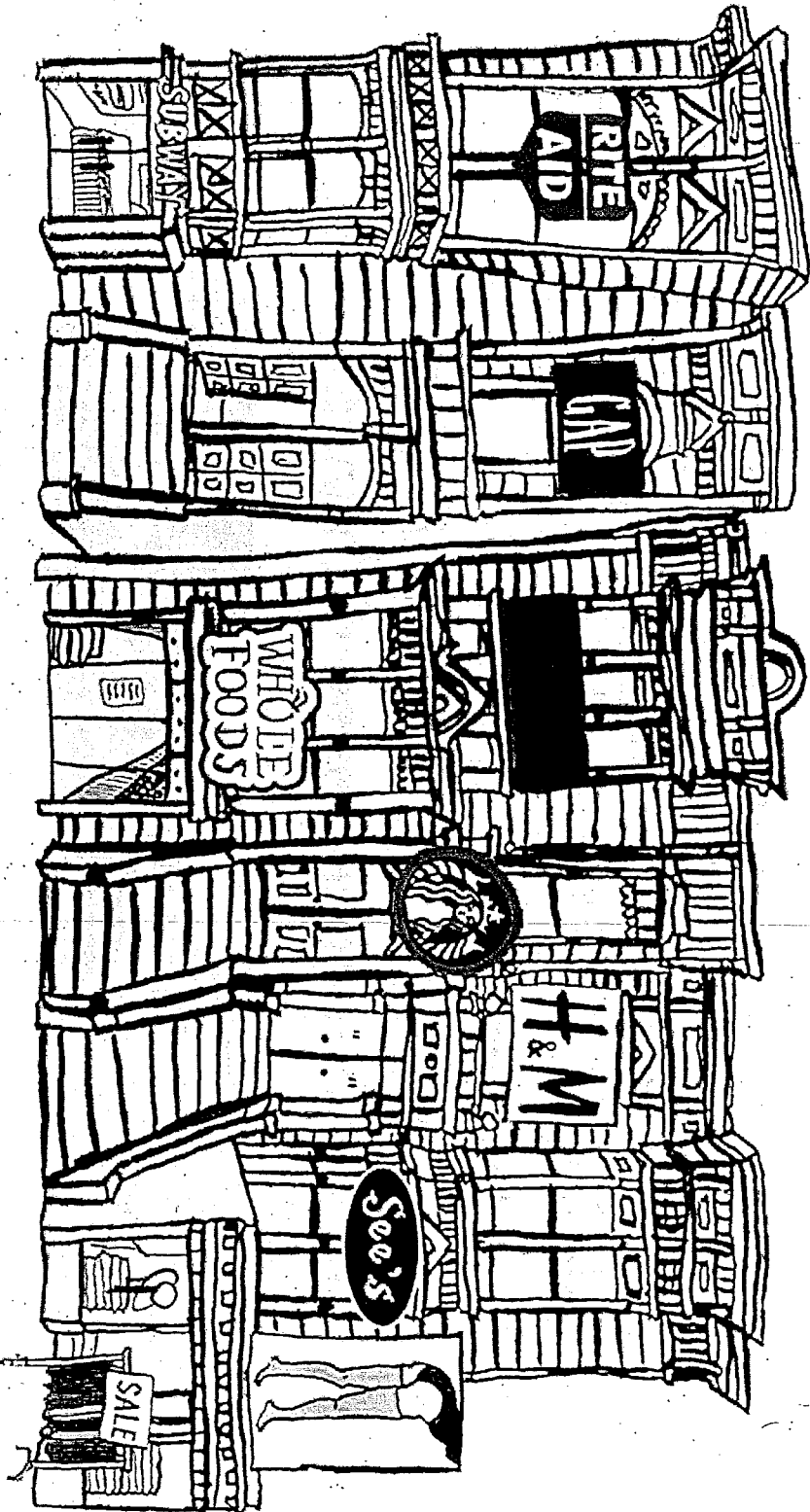
## 2. Commonalities: Increasing Rigor

## The Way It Is Now: Undefined Criteria

Planning Code directs staff to review 5 criteria and asks the Commission to develop policy expectations for this review.

1. Existing **concentrations** of formula retail uses within the district.
2. Availability of other **similar retail uses** within the district.
3. **Compatibility** of the proposed formula retail use with the existing architectural and **aesthetic character** of the district.
4. Existing retail **vacancy rates** within the district
5. Existing mix of **Citywide-serving retail** uses and **neighborhood-serving retail** uses within the district.

# Characterization, Concentration and Context

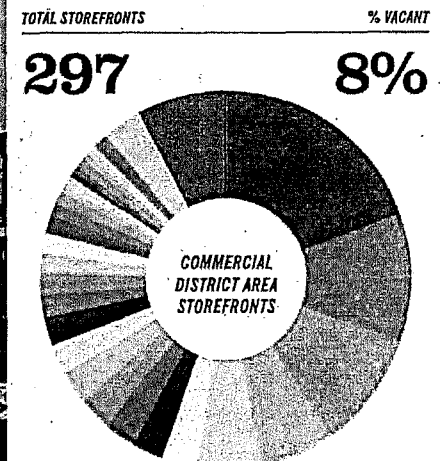
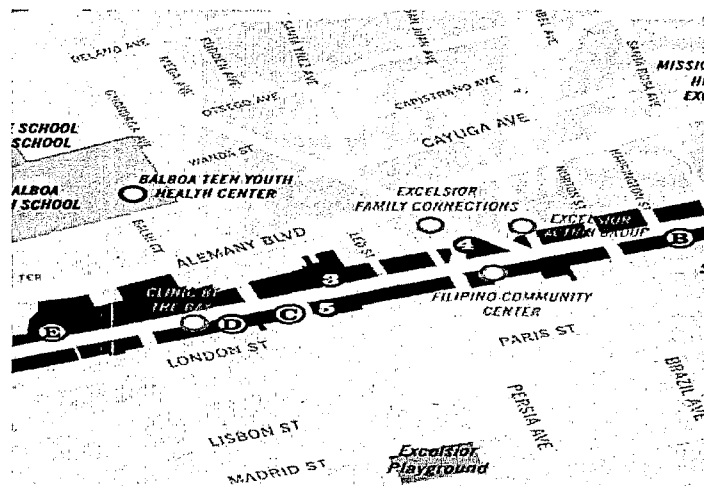


*Illustration by Raven Keller for The Bold Italic*

# The Way It Would Be: Increased Review

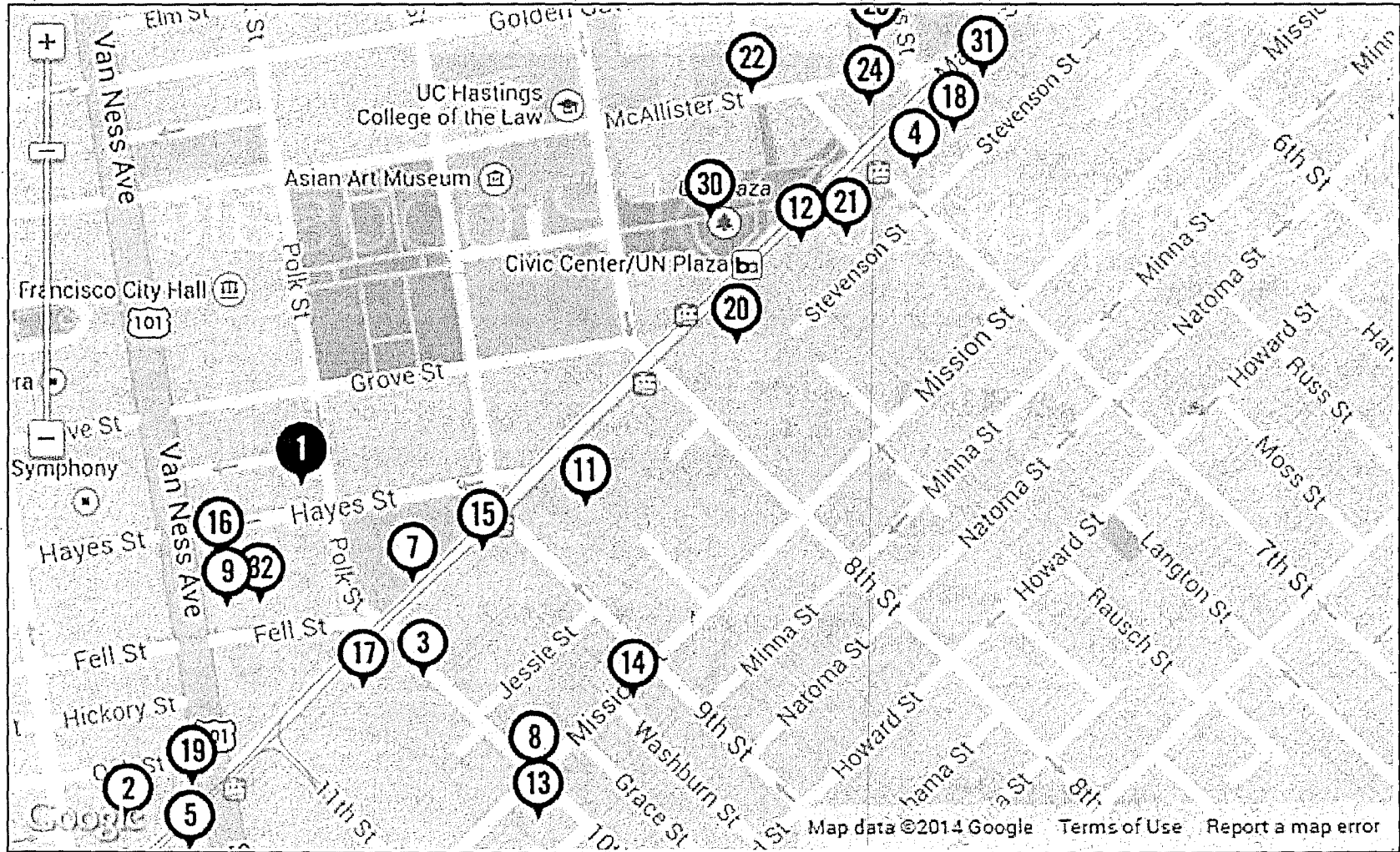
1. District Description: both quantitative *and* qualitative
2. Define “daily needs-serving” retail uses
3. Evaluate existing concentrations of
  - Formula retail uses
  - Similar retail uses
  - Daily-need serving vs. City serving uses
4. Apply *new* performance-based standards

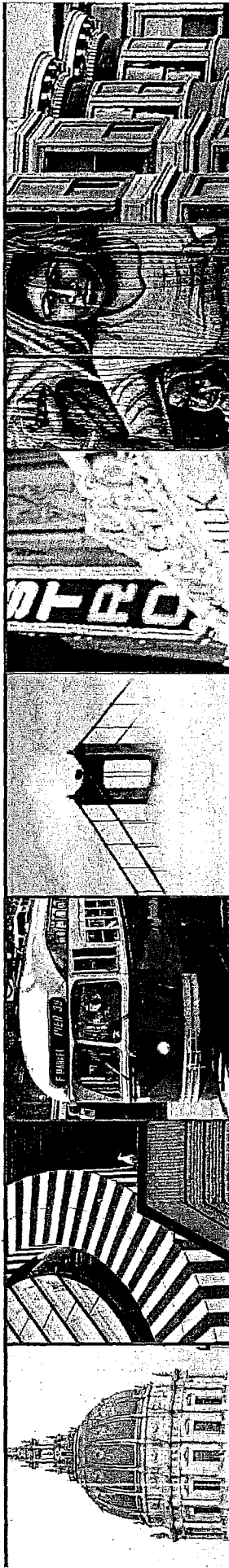
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# Central Market





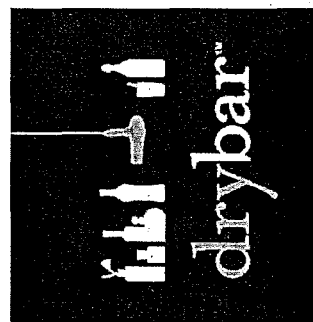
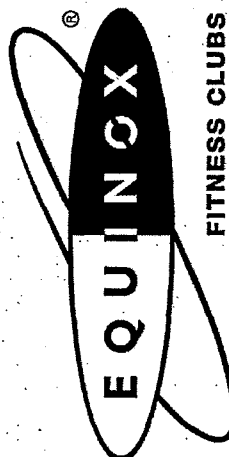
### 3. Comparison of Proposals



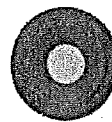
# Comparison of Proposals

Component	Planning Commission	Supervisor Mar	
<b>Number of Locations</b>	19 Global (CU required at 20)	11 Global (CU required at 12)	
<b>Noticing</b>	20 day newspaper ad, posting and mailing	30 day newspaper ad, posting and mailing	
<b>Upper Market</b>	Commission Policy to recommend disapproval at 20% FR concentration	Codify Commission Policy for Upper Market only	
<b>Economic Impact Study Threshold</b>	Required with large scale retail uses	20,000 square feet	913
<b>Economic Impact Study Content</b>	1) Employment analysis; 2) Fiscal impacts to public General Fund; 3) Both a quantitative & qualitative leakage study.		
<b>Added Use Types &amp; Geography</b>	Fringe financial, limited financial services, tobacco paraphernalia, massage, business/professional services, and personal services and expanded controls to Central Market		
<b>Review and Implementation</b>	Commission Guide policy document with higher regulation of signage and design		
<b>ATMs</b>	Design guidelines for stand alone ATMS and reduction in process for non Formula Retail ATMs and Banks in NCDs		
<b>Good Government</b>	General code clean up and removing ambiguity for Formula Retail		

# Expanded Land Use Categories



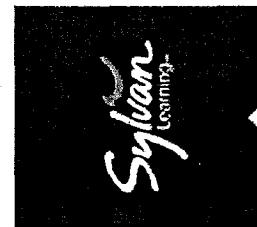
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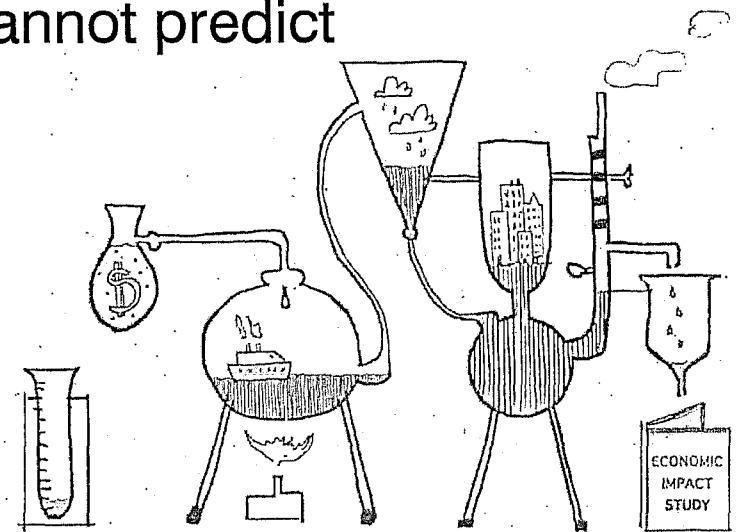


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# Economic Impact Study Best Practices

- **Size Threshold:** 100,000 sf is best. Impacts can be measured at smaller sizes with more data caveats for impact on public dollars
- **Leakage Study– should be Quantitative & Qualitative**
  - Quantitative: estimate increase/decrease in capture of spending which currently goes out
  - Qualitative: will proposed store complement existing neighborhood offerings; bolster strength of cluster; etc.?
- **Impact on Existing Employment:** Cannot predict
- **Cost \$20,000 - \$30,000**

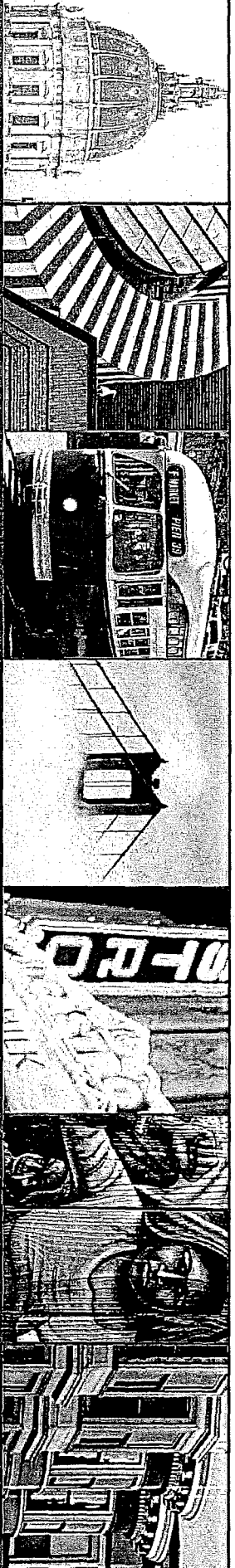


# Economic Impact Study Comparison

	Threshold	Study Area	Study Content
<b>Planning Commission</b>	50,000 sf (most districts) and 120,000 sf (Downtown)	Variable trade area based on use and size	<ol style="list-style-type: none"> <li>1. Employment analysis;</li> <li>2. Fiscal impacts to public General Fund; and</li> <li>3. Both a quantitative &amp; qualitative leakage study.</li> </ol>
<b>Supervisor Mar</b>	20,000 sf		



Thank You





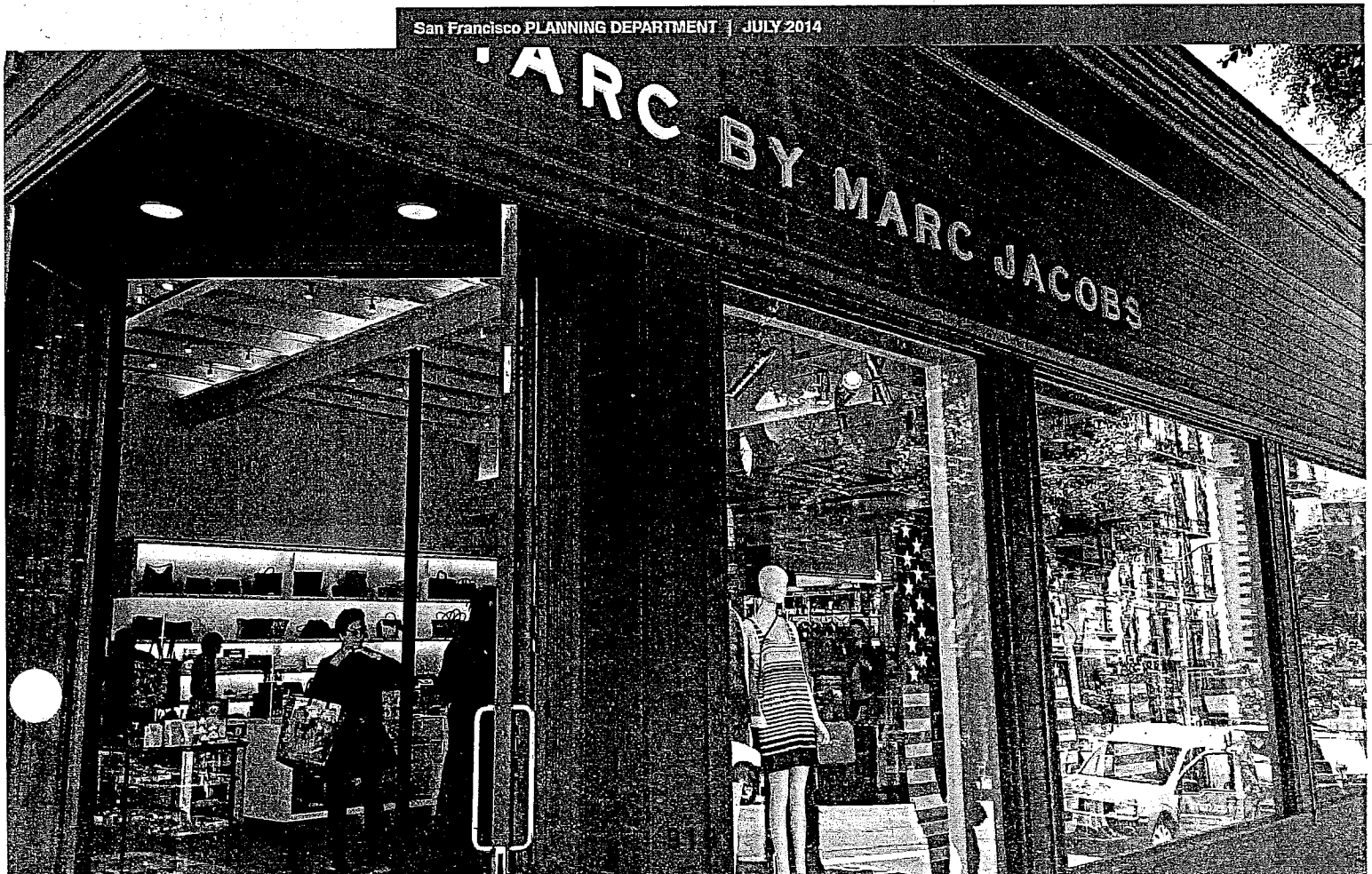


SAN FRANCISCO  
PLANNING  
DEPARTMENT

# Commission Guide for Formula Retail

DETERMINING LOCATIONAL APPROPRIATENESS AND  
PERFORMANCE-BASED DESIGN GUIDELINES

San Francisco PLANNING DEPARTMENT | JULY 2014





**SAN FRANCISCO  
PLANNING  
DEPARTMENT**

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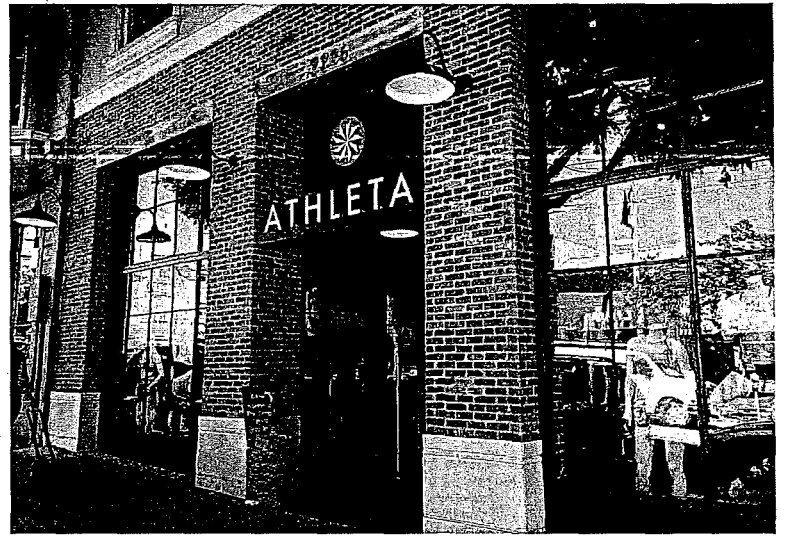
In addition to the project team, this work was informed by the formula retail stakeholder group and the project consultant, Strategic Economics.

**The purpose of this document is to evaluate the appropriateness of each individual formula retail establishment's use, design, and necessity, to help preserve the character of the City's neighborhoods.**





Photos by Matthew Dito



## PURPOSE

The Commission Guide to Formula Retail is intended to maintain the character and aesthetic qualities of San Francisco neighborhoods. It is designed to encourage harmony between retailers and the districts they reside in.

This document seeks to promote such harmony in two ways. First, the document establishes the methodology the Department will use in evaluating the appropriateness of the formula retail use in the neighborhood. Second, this document articulates Performance-Based Design Guidelines to ensure that the proposed formula retail use is aesthetically compatible with the neighborhood.

## RELEVANT CODE SECTIONS

*Section 303.1:* Conditional Use Authorization for Formula Retail Establishments

*Section 703.3:* Neighborhood Commercial Districts and Formula Retail Uses

*Section 803.6(c):* Formula Retail Uses in the MUG District, UMU District, Chinatown Mixed Use Districts and in the Western SOMA Special Use District

*Article 6:* Signs

*Article 11:* Preservation of Buildings and Districts of Architectural, Historical, and Aesthetic Importance in the C-3 Districts

## INTRODUCTION

Formula retail can act as a homogenizing force in neighborhoods if its presence overwhelms neighborhood character. Formula retail, by nature, is repetitive. If not properly regulated, this repetition can detract from San Francisco's vibrant neighborhoods by inundating them with familiar brands that lack the uniqueness the City strives to maintain.

San Francisco is a city of surprises. Its diverse and distinct neighborhoods are identified in large part by the character of their commercial areas. This feeling of surprise invites both residents and visitors alike to explore the City.

Urban neighborhood streets should invite walking and bicycling. The City's mix of architecture contributes to a strong sense of neighborhood community within the larger City. Many formula retail concepts are developed and refined in suburban locations. Standard store design that primarily accommodates automobile traffic may not work in dense, transit-oriented cities.

The Performance-Based Design Guidelines can improve pedestrian walkability and encourage more walking in neighborhoods by helping to preserve a safe, aesthetically pleasing area that feels connected from beginning to end. This is achieved by improving pedestrian accessibility and by creating stores with unique visual identities that also don't overpower one another.



While any one formula retail establishment may fit well in a neighborhood, overconcentration of formula retail can degrade the character of a street.

Illustration by Raven Keller  
for The Bold Italic

The increase of formula retail businesses in the City's neighborhood commercial areas, if not monitored and regulated, will hamper the City's goal of a diverse retail base with distinct neighborhood retailing personalities comprised of a mix of businesses.

These standards are intended to lessen the visual impacts that the repetitiveness of formula retail brings by first evaluating whether the formula retail use is either necessary or desirable in the neighborhood. See a discussion of this topic in Part I: Determining Locational Appropriateness. Once the use is deemed appropriate, the next step is to ensure aesthetic compatibility. For more information on this topic, see Part II: Performance-Based Design Guidelines.

While a factor in the homogenization of neighborhoods, formula retail does provide lower-cost goods and services, and is generally recognized to provide more employment opportunities to minorities and low-income workers. Formula retail is neither good nor bad – and it

plays an irrefutable role in the City. To best accentuate the benefits of formula retail, the City should regulate it with care, helping to reduce its standardized features.

San Francisco needs to protect its vibrant small business sector and create a supportive environment for new business innovations. One of the eight Priority Policies of the City's General Plan resolves that "existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses enhances."

The Planning Department recognizes the benefits formula retail can bring to the City. Where the use would provide a necessary or desirable addition to the neighborhood, staff will work with applicants to improve their aesthetics, including signage, storefront design, transparency, and pedestrian accessibility, to help them successfully integrate into San Francisco's neighborhoods.

# I. Determining Locational Appropriateness

For every conditional use authorization the Planning Commission must determine if the proposed use is necessary or desirable for the community and compatible with the neighborhood, per Planning Code Sec. 303(c)(1). Beyond the general consideration of "necessary or desirable," the Commission reviews five more specific criteria in consideration of conditional use authorization for formula retail. This document establishes the methodology the department will use in assessing these five determining criteria, as required by Planning Code Sec. 303.1.

Determining location appropriateness should be by informed quantitative and qualitative analysis. In general, professional discretion should be used to identify factors not specifically required in this document. For example, if a daily need use is located immediately outside the selected appropriate vicinity, it should still be discussed in the case report. In addition to analyzing the five Planning Code required criteria, professional analysis of location appropriateness should include the following:

**A characterization of the district as a whole,** based on the stated intent of the district as well as how the district has evolved since it was created. Describe the scale and massing of buildings and uses. Discuss the dominant design orientation people vs. auto-orientation. Consider if the district can be described in other ways: family oriented, entertainment district, culturally-specific, for example. Determine whether there are capital improvements or large development projects in the pipeline.

**A characterization of the immediate vicinity of the proposed establishment location.** This can be 300 feet or a quarter mile based on the size and nature of the District. A distance of a quarter-mile is a standard metric to describe comfortable walking distance that would generally be appropriate. However, for very small districts such as the Upper Market District quarter mile would be approximately half of the district and therefore a reduced radius such as 300' would provide a greater differentiation of the area from the larger district. Larger

districts and districts that are adjacent to or near other commercial districts should use the larger, quarter mile radius to describe vicinity. The vicinity concentration should include all commercial uses, not just those within the same Zoning District.

**A description of the commercial nature of the district.**  
Are there retail anchors or clusters present or developing? Are there retail or other trends emerging?

**Identification of long term vacancies and/or any commercial use related issues and concerns.**

**A characterization of the demographics of the District.**  
Are there a large number of singles, or seniors, or culturally-specific groups? Are there a large number of families with children that may explain a concentration of certain types of retail uses? Demographic trends, where applicable, should also be identified. Is there a demographic shift underway?

**Identification of the unique characteristics of the District and/or neighborhood, where appropriate.**

The five criteria and methodology for analyzing locational appropriateness should be examined as described below:

**Existing concentrations of formula retail uses within general vicinity of the proposed project.**

- The concentration of formula retail uses as a percentage of all ground floor commercial uses within the district must first be established.
- Based on the size and nature of the district, identify the appropriate "vicinity" of the proposed project. The measure of vicinity is intended to differentiate the concentration levels near the proposed project from the overall concentration levels of the district. Generally, a comfortable walking distance of ¼ mile should be used. However, for smaller districts concentrations within a ¼ mile may be similar to the district measure, in which case a closer distance of 300' would be more appropriate. Staff discretion in determining the appropriate vicinity is required.
- Calculation shall include all parcels that are wholly or partially located within the selected radius that are also zoned commercial or contain commercial uses.

→ An evaluation of the linear frontage concentration of formula retail establishments within the selected vicinity shall be done.

→ An evaluation of the linear frontage concentration of formula retail establishments within a ¼ mile walk. Concentration is based on the Upper Market Neighborhood Commercial District methodology, adopted as policy by the Planning Commission on April 11, 2013 per Resolution No. 18843 and as summarized below. Staff will calculate the concentration of formula retail linear frontage within a ¼ mile walk of the subject property. Corner parcels are more heavily weighted when counting linear frontage due to their greater aesthetic impacts.

→ The methodology is as follows: for each property, including the subject property, the total linear frontage of the lot facing a public right-of-way is divided by the number of storefronts. Formula retail storefronts and their linear frontage are separated from the non-formula retail establishments and their linear frontage. The final calculations are the percentages (%) of formula retail and non-formula retail frontages (half of a percentage shall be rounded up).

→ An evaluation of the number of formula retail uses as a percentage (%) of all commercial uses within the selected vicinity. This calculation will count all ground floor storefronts as a commercial use.

→ The Department does not identify an ideal concentration threshold because it varies significantly by Neighborhood Commercial District. This variation is based on pre-existing uses, vacancy rates, massing and use sizes, and neighborhood needs. Comparisons of the formula retail concentration to citywide numbers and to comparable neighborhoods are encouraged.

The availability of other similar uses within the district and within the vicinity of the proposed project.

- An evaluation of similar retail uses within the district requires a concentration calculation of retail sales and/or service uses that offer the similar products or services to those being proposed. This concentration shall be based on the number of available uses as a percentage of all commercial uses.
- Using the same selected appropriate vicinity as identified in criterion 1B, an evaluation and accompanying map shall be produced showing the location of similar uses throughout the vicinity. If no similar uses are available within the vicinity or district, the closest offerings may be identified.

The compatibility of the proposed formula retail use with the existing architectural and aesthetic character of the district.

- Use the Performance-Based Design Guidelines to ensure compatibility with the signage, storefront design, storefront transparency, and pedestrian accessibility.
- Identify the business' place in the District (corner, anchor, recessed from street) and whether it is in a protected viewshed in the General Plan.

The existing retail vacancy rates within the district.

- Identify current vacancy rates in district and compared to historic vacancy rates, if this information is available.
- Identify vacancies within the selected vicinity and discuss the conditions and potential impacts of vacant buildings within the selected vicinity.

The existing mix of Citywide-serving retail uses and daily needs serving retail uses within the appropriate vicinity of the proposed location. Neighborhood Commercial Districts are intended to serve the daily needs of the neighborhood residents. As such, daily needs service retailers are those that provide goods and services that residents want within walking distance of their residence or workplace.

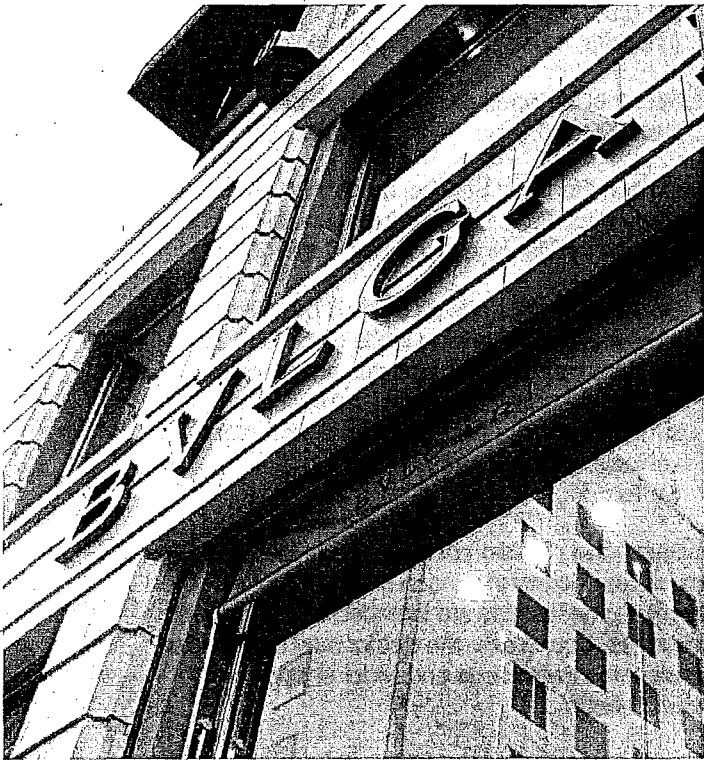
→ The following uses are considered "Daily Needs" uses:

- Limited Restaurant, as defined by Planning Code Sec. 790.90
- Specific Other Retail, Sales, and Services, as defined by the following subsections of Planning Code Sec 790.102
  - (a) General Grocery
  - (b) Specialty Grocery
  - (c) Pharmaceutical drugs and personal toiletries
  - (e) Self-service Laundromats and dry cleaning
  - (f) Household goods and services
  - (g) Variety merchandise, pet supply stores, and pet grooming services
  - (l) Books, music, sporting goods, etc.
- Personal services, as defined by Planning Code Sec. 790.116
- Limited Financial Service, as defined by Planning Code Sec. 790.1120, and/or Financial Service, as defined by Planning Code Sec. 790.110

- Specific Trade Shops as defined by the following subsections of Planning Code Sec. 790.124
  - (1) Repair of personal apparel, accessories, household goods, appliances, furniture and similar items, but excluding repair of motor vehicles and structures
  - (6) Tailoring

→ Evaluate the provision of daily needs for the immediate vicinity in relation to the district's defined intent. Some districts are intended to only support residents. Conversely, the district may be intended to meet resident needs and wider shopping or tourist needs.

## II. Performance-Based Design Guidelines



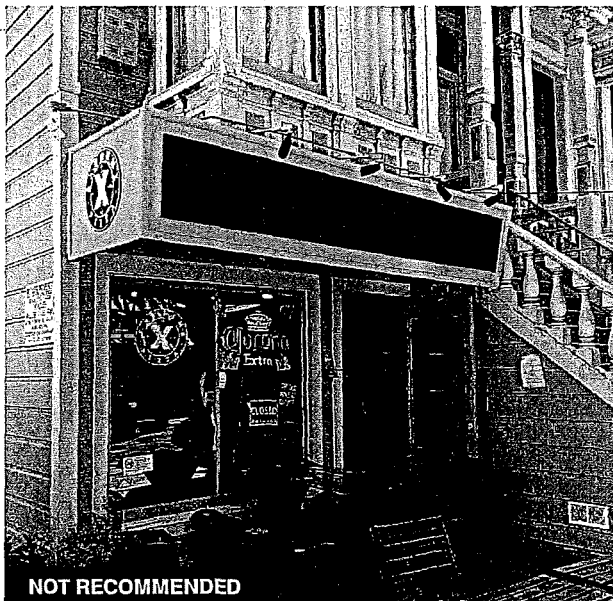
### FORMULA RETAIL SIGNAGE

This section establishes design guidelines to ensure the aesthetic compatibility of formula retail uses.

Signage creates visual impacts which affect how residents feel about their neighborhood and play a role in the attraction of visitors who are important to the City's economy. Signs serve as markers and create individual identities for businesses that add to the greater identity of a neighborhood and district, hence the need for guidelines to ensure compatibility between businesses and their surroundings.

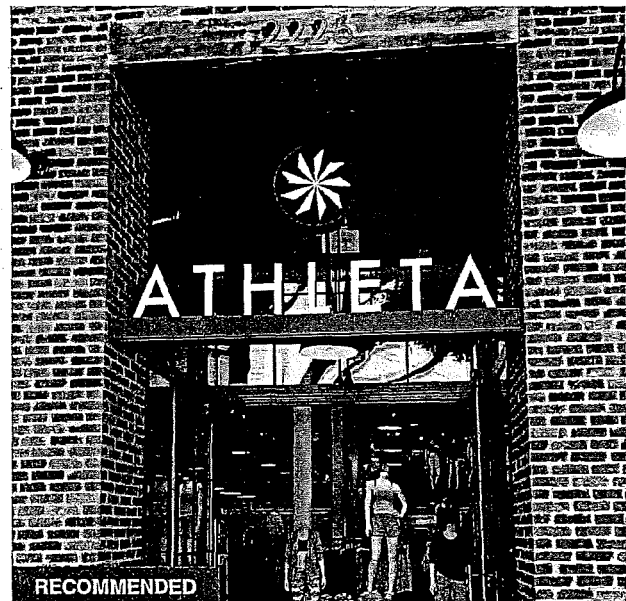
Formula retail uses can have a homogenizing effect on neighborhood character. This is largely due to standardized signage and branded features that promote recognition. These Performance-Based Design Guidelines seek to minimize the uniform aspects of formula retail signage.

Business signs are generally regulated to ensure an appropriate and equitable degree of commercial communication without contributing to visual clutter.



**NOT RECOMMENDED**

Scale of sign is inappropriate and extends beyond the storefront entrance.



**RECOMMENDED**

Sign does not extend out and beyond the width of the storefront opening.

Signage guidelines for formula retail business signs<sup>1</sup> are as follows:

- Signs should not extend beyond with width of the storefront opening.
- Signage, painted on glass doors, windows, and transoms, where the sign does not exceed 25% of the glazed area, is permitted.
- Sign depth should be reduced by placing the transformer in a remote location and not housed within the sign itself.
- Signs that are located on the inside of a storefront should be setback a minimum of 6" from the display glass.
- Scale of signs and placement on the building should be appropriate to the elements of the building and the character of the neighborhood.
- One sign per tenant shall be permitted. A ground floor establishment with a corner storefront may have one sign on each building façade.

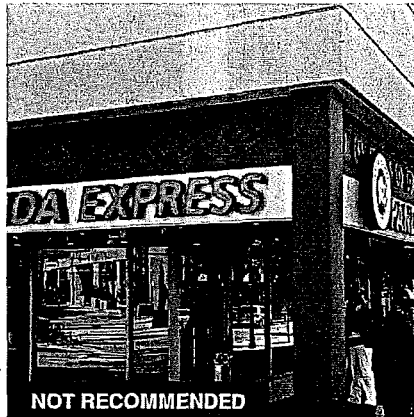
- Upper story establishments with a corner storefront may have one sign adjacent to the building entrance. It should be a small identification sign or plaque, installed adjacent to the ground floor entrances.
- Signs should be constructed of durable high-quality materials that retain their characteristics within a high-traffic area over time.
- Signage is to be scaled and placed primarily for pedestrian legibility, and secondarily for vehicular visibility.
- Materials should be compatible with the craftsmanship, and finishes associated with the District. Glossy or highly reflective surfaces will not be approved.
- Signs should be attached in a manner that avoids damaging or obscuring any of the character-defining features associated with the subject building. Signs should be attached in a manner that allows for their removal without adversely impacting the exterior of the building.

<sup>1</sup> A business sign is defined as a sign which directs attention to a business, commodity, service, industry, or other activity which is sold, offered, or conducted, other than incidentally, on the premises upon which such sign is located, or to which it is affixed.



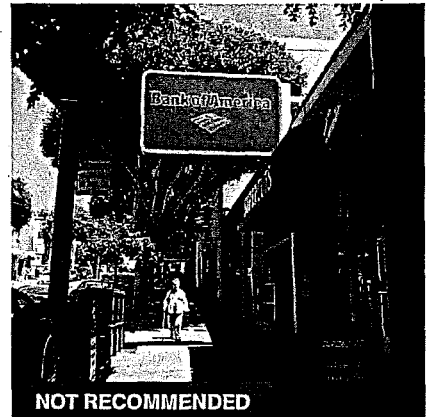
**NOT RECOMMENDED**

There is an excessive number of wall signs attached to the building facade, and the windows are covered, preventing visibility.



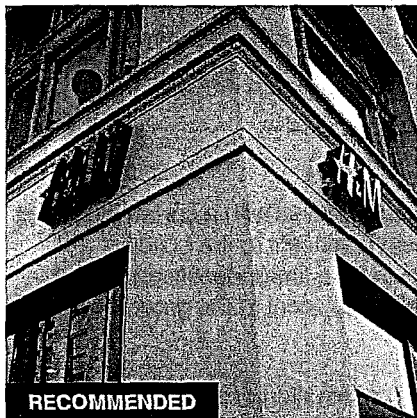
**NOT RECOMMENDED**

Sign is directly lit with visible lighting conduits.



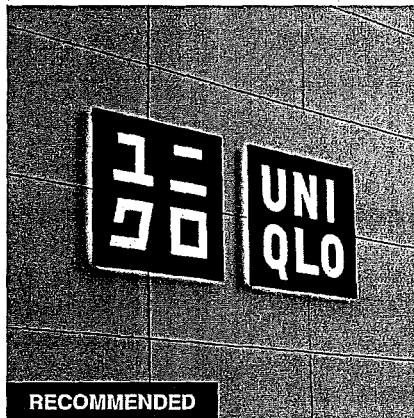
**NOT RECOMMENDED**

Scale, placement, and design of sign are inappropriate to the building and its surroundings.



**RECOMMENDED**

A corner storefront with one sign on each building facade, as permitted.



**RECOMMENDED**

Sign is indirectly lit with a reduced profile due to a light emitting diode (LED) method of illumination.



**RECOMMENDED**

Sign is attached above the entrance bay, and does not detract from the buildings aesthetic qualities.

- Signs should be externally illuminated, or appear to be indirectly illuminated, such as by installing an external fixture to illuminate the sign or by using a reverse channel halo-lit means of illumination.
- Signs should have an opaque background that does not transmit light and text.
- Signs should be minimized in profile or depth, for example, by using a light emitting diode method of illumination.

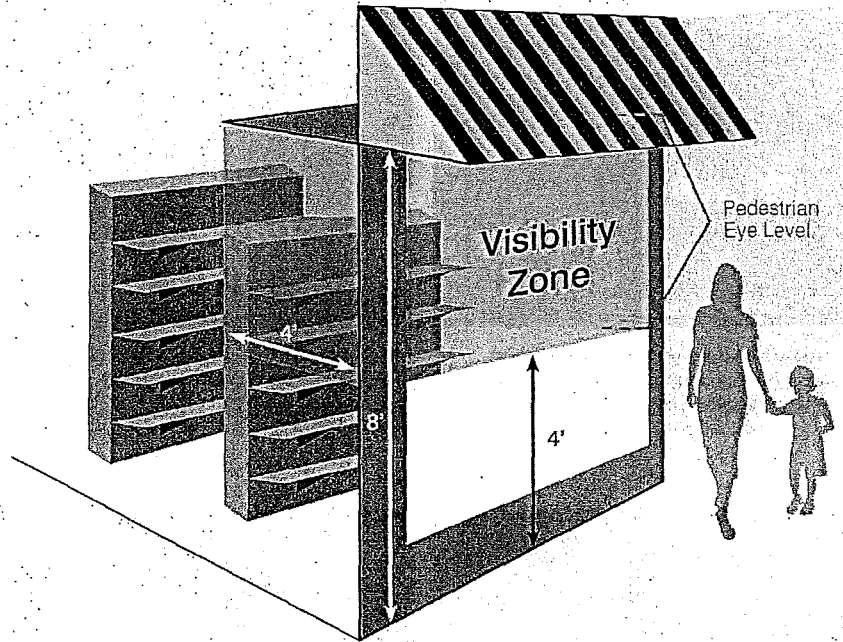
- Sign legibility shall be of minimum appropriate intensity to be visible while not being visually dominating.
- Signage lights should be dimmed or off when business is closed.
- Businesses should not use exterior digital or LED screens to amplify branding beyond the signage limits.



## FORMULA RETAIL TRANSPARENCY

A transparent storefront welcomes customers inside with products and services on display, discourages crime with more "eyes on the street", reduces energy consumption by allowing natural light into stores, and enhances the curb appeal and value of the store, as well as the entire neighborhood. As mentioned earlier, successful city living depends on surprise to maintain interest. Even if the formula retailer is familiar, a view into the store may spur interest in the people and products inside.

The City strives to ensure that tenant spaces remain transparent to the exterior, contribute to the activity of the public realm and do not devolve into de-facto sign boards for tenants.



### Visibility Requirements

To ensure visibility into active spaces, any fenestration provided at eye level must have visibility beyond a window display and into the store:

The following definitions apply:

- **Pedestrian Eye Level:** the space between 4 feet and 8 feet in height above the adjacent sidewalk level, following the slope if applicable.
- **Visibility to the Inside of the Building:** the area inside the building within 4 feet of the window surface at pedestrian eye level must be 75% open to perpendicular view.

Therefore, any fenestration of frontages with active uses must have visibility to the inside of the building with at least 75% open to perpendicular view with a

4-foot by 4-foot "visibility zone" at pedestrian eye level. In addition, 60% of all street frontages must be transparent windows, while any railings or grillwork placed in front of or behind storefront windows must be at least 75% transparent at a perpendicular view.

To ensure visibility, business signs may not exceed 1/3 the area of the window in which the sign is located. The Department will work with applicants to improve visibility wherever possible.

The Performance-Based Design Guidelines require formula retail applicants to work with staff to determine what transparency improvements can be made. Changes required may include converting windows to transparent glazing, relocating shelving and displays away from windows, or removing security grilles and other window coverings.



**NOT RECOMMENDED**

Views through the frontage fenestration are obstructed by advertising signs and business identifiers.



**NOT RECOMMENDED**

The 4-foot by 4-foot visibility zone inside the establishment is obstructed by excessive signage.



**NOT RECOMMENDED**

The security grille does not have at least 75% transparency at a perpendicular view.



**RECOMMENDED**

The space between 4 feet and 8 feet above the sidewalk has at least 75% of its frontage fenestrations open to perpendicular view.



**RECOMMENDED**

Limited window signage maximizes visibility inside the store.



**RECOMMENDED**

The security grille allows for visibility of at least 75% at a perpendicular view.

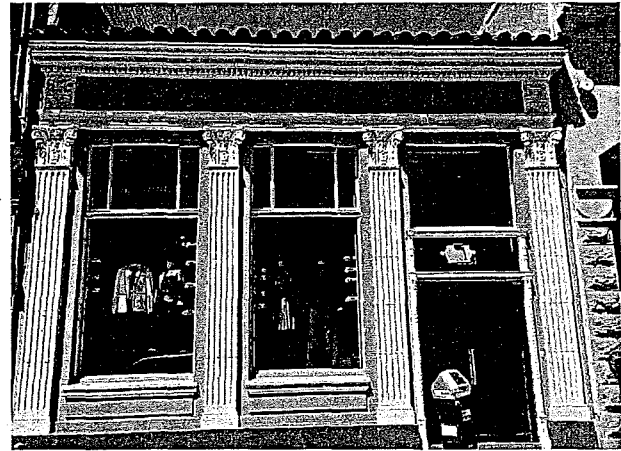
### What This Means For Formula Retail Use

1. Windows that have been covered over with boards, film, or paint must be restored to transparency.
2. Security gates or grillwork on the inside or outside of the window glass must be primarily transparent (at least 75% open to perpendicular view).
3. Shelving, display cases, appliances, and other items placed within four feet of the window glass must be no taller than four feet or be primarily transparent (at least 75% open to perpendicular view).
4. All exterior signs must have a sign permit or must be removed.
5. Business signs affixed to the window (painted or adhered to the glass) can be no larger than one-third the size of the window on which they are placed.

## FORMULA RETAIL STOREFRONT DESIGN

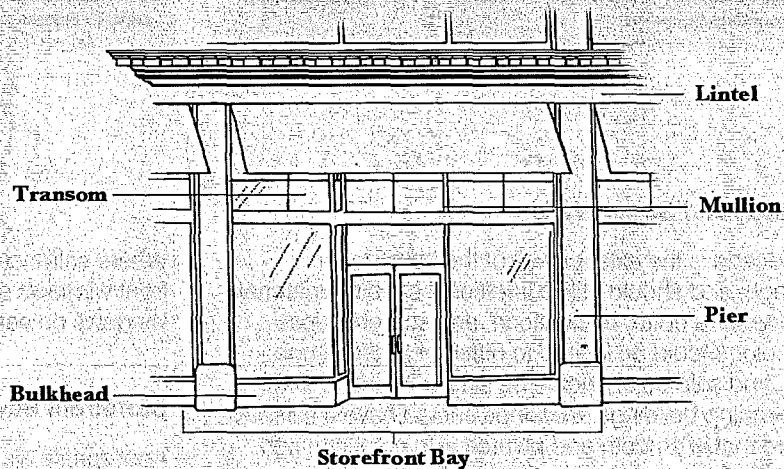
Storefront design can be used to extend branding beyond the dimensions of signage. To maintain emphasis on architecture and to prevent formula retail from overwhelming neighborhood character, it's important to prevent facades from becoming defacto branding opportunities.

Historic qualities present in a storefront should be preserved and maintained, as well as integrated into additions or modifications made to the storefront. The most successful storefronts combine contemporary design with sensitivity to the character defining storefront components.



### Storefront Components

The components of Performance-Based Design Guidelines for Storefront Design are: facades and street walls, corner lots, storefront bays, entrances, bulkheads, and display windows.



#### TYPICAL FEATURES INCLUDE:

**Bulkhead:** The low paneled base of a storefront bay that supports the glazing and elevates merchandise for pedestrian viewing.

**Façade Materials:** Original exterior cladding, typically brick, wood or stone provide a sense of permanence, scale and texture and often convey the work of skilled craftsmen.

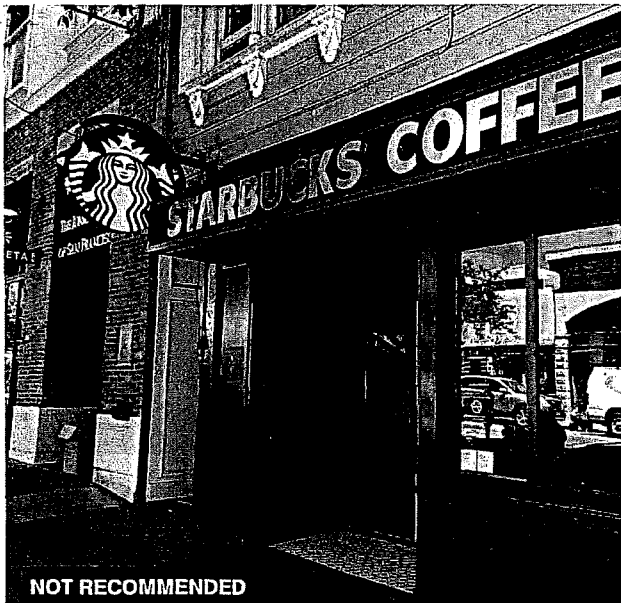
**Lintel:** The horizontal structural element that spans above the storefront bays to support the weight of the upper façade.

**Mullion:** The vertical element that separates window units or storefront glazing; typically not a structural support for the building.

**Pier:** The vertical structural or decorative elements, also known as a column, which supports and/or frames the glazing.

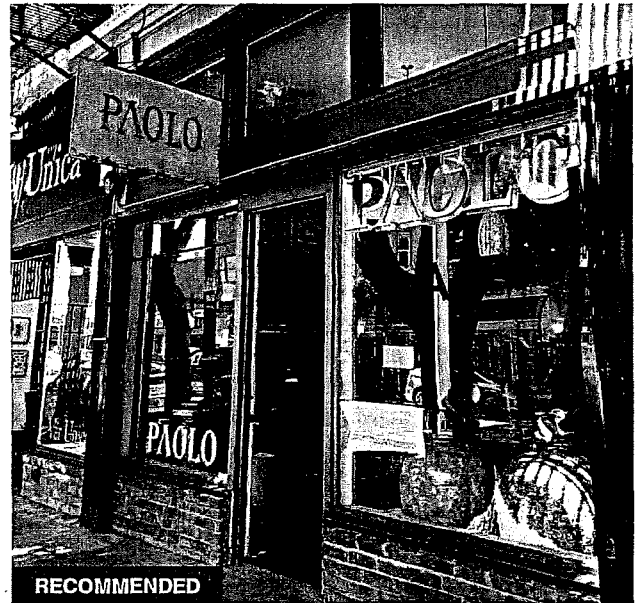
**Storefront Bay:** Defined by the height of the lintel and separated by piers, a storefront bay is composed of bulkhead, glazing, transom, and entry.

**Transom:** The small, operable or inoperable framed windows above the glazing and below the lintel that filter light into the ground floor space; sometimes sheltered by awnings.



**NOT RECOMMENDED**

Design, including colors, finish, and texture, is inconsistent with the surrounding buildings.



**RECOMMENDED**

Storefront design is consistent with surrounding buildings, and the setback creates a continuous street wall and edge.

## Façades and Street Walls

The façade is the exterior wall of the building, or frontage, and should utilize traditional building materials such as terra cotta, brick, stone, and scored stucco. The color should be limited to different tones of one color, and said color should be similar in profile to the surrounding buildings. Buildings should have a finished texture that is smooth and painted with a satin or light finish. Color washing an entire storefront to extend branding detracts from the character of a neighborhood and will not be permitted.

The design should remain consistent with surrounding buildings in the neighborhood. As such, the setback should be as such that it creates a consistent, continuous street wall and edge.

## Corner Lots

Many buildings on corner lots exhibit special features that emphasize the corner and add accent to both intersecting streets, providing visual interest to pedestrians. Corner entrances, storefront windows, and displays that extend along both street façades emphasize corner lots are encouraged.

Where entrances are not located at the corner, storefront windows should turn the corner, in addition to windows on each side of the building.

## Storefront Bays

Appropriate alignment and proportions of the storefront bay are critical in creating a unified appearance within the district.

Windows should be consistent in height and design with storefront doors to create a cohesive appearance; however, slight variations in alignment can add visual interest. Piers and lintels should be treated and designed as a single component. The lintel establishes the top of the storefront bay, visually separating it from upper floors. Proper proportions must be maintained between windows and the lintel. Elements such as signs and awnings that obscure the spacing of the bays or other elements that define those bays should be avoided. Colors should be similar in profile to the surrounding buildings, and limited to different tones of one color.

## Entrances

Typically, entrances are recessed by about two to six feet from the sidewalk, allowing for protection from the rain, providing additional display frontage, and creating a rhythm of defined commercial spaces. Together, these features can establish a sense of scale and identify business entrances. In San Francisco, entrances for people should be emphasized and entrances for cars should be minimized.

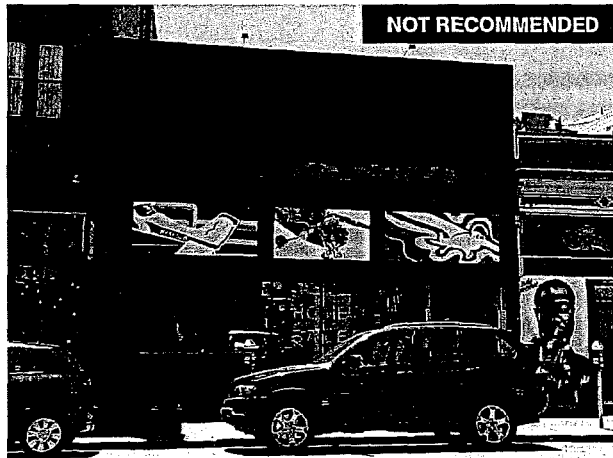
A service door may also exist for access to building systems.

## Bulkhead

The bulkhead is the one to two foot high based of the building, upon which the storefront display window is placed. Traditionally, bulkheads are made of painted wood, decorative metal, small ceramic tiles, or masonry. Replacements should match or be compatible with original materials. Bulkheads should be consistent with surrounding buildings in the neighborhood, and are typically between 18 inches and 24 inches.

## Storefront Displays

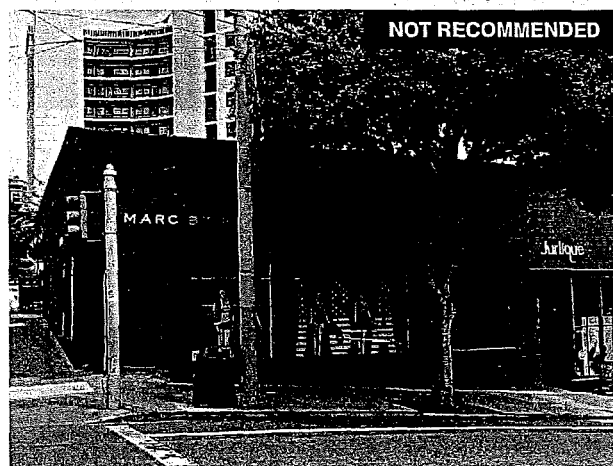
Storefront display windows typically consist of large panes of plate glass set in metal or wood frames, with the primary purpose of allowing passerby to see goods or services available inside. Individual panes of a window are separated by mullions, which should be as narrow and as limited in number as possible. This maximizes visibility into interior activity and merchandising.



Colorwashing a building facade in branded color serves as oversized signage and is not permitted.



Transparent display with simple, effective signage on the bulkhead.



While the establishment utilizes the corner lot with its entrance, the facade and bulkhead are incompatible with the surrounding buildings.

Photos by Matthew Dilo

## PEDESTRIAN ACCESSIBILITY

Ensuring that businesses are easily accessible creates a more inviting environment in commercial neighborhoods. For smaller formula retail establishments, pedestrian accessibility is usually not a problem. Larger formula retail establishments, however, tend to limit and control entrances. A suburban design may cater to those who arrive by car. In order to preserve the City's walkable character, formula retail in particular must be designed for pedestrians. Entrances that are distinguishable from the façade of a building invite and allow pedestrian access. Entrances should be located in a manner that keeps with the rhythm established by surrounding buildings. This consistency creates a familiarity that draws the attention of pedestrians.

Requirements for pedestrian accessibility are as follows:

- All businesses must have an ADA compliant entrance
- Corner lot locations should have at least an entrance on the corner, or one on each street
- Improve the pedestrian environment with clearly visible, easy, safe routes to business entries, including through parking lots and to the public sidewalk and transit stops.
- Provide pedestrian access onto the site from the main street on which the business is located.
- All existing street-facing doors, with the exception of emergency and service entrances, shall remain unlocked and open to the public during regular business hours.



The business entrance is not distinguishable from the corner lot window, and is located in a manner that does not utilize or promote pedestrian access to the building.



Business entrances are distinguishable from the building facade with a consistent rhythm that creates a familiarity to draw attention of pedestrians. Entrances are also visually compatible with the entrances to upper residences.

Photos by Matthew Dito

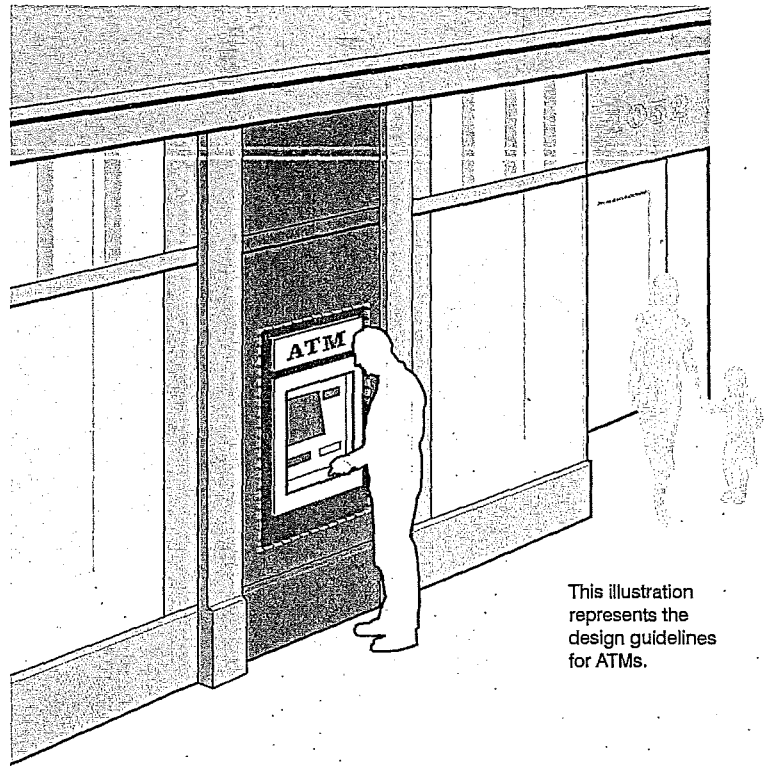


## LIMITED FINANCIAL SERVICES

Limited Financial Services are defined in Planning Code Sections 790.111 and 890.111 as a retail use which provides banking services, when not occupying more than 15 feet of linear frontage or 200 square feet of gross floor area. Automated teller machines (ATM), if installed within such a facility or on an exterior wall as a walk-up facility, are included in this category. A Conditional Use authorization is required for all Limited Financial Services that are also a formula retail use, with the exception of single automated teller machines located within another use that are not visible from the street [Sec. 303.1(b)(13)].

When placing an ATM, the feature should be integrated into the overall composition of the storefront, so as to not detract from the architecture of the quality of the pedestrian experience.

A single ATM at a street façade may be permitted without conditional use authorization if the machine meets the Performance-Based Design Guidelines in this document. A single automated teller machine may not be permitted at the street front if it compromises the storefronts ability to meet other Performance-Based Design Guidelines, including visibility and transparency goals.

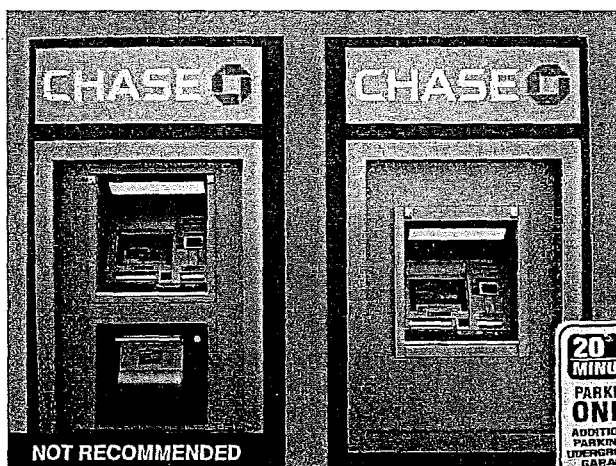


This illustration represents the design guidelines for ATMs.

General guidelines for ATMs are as follows:

- Minimize lighting elements and brightness intensity.
- Areas using materials that need to be lit, or backlit, should be minimized.
- ATMs should be proportionate to the storefront or building facade.
- Framing elements should be used, as appropriate, to integrate ATMs into the facade composition.
- Architectural quality should be maximized.

Photos by Matthew Dito



This requires a conditional use permit because there is more than one ATM at the street front.



Colorwashing a building facade in branded color serves as oversized signage and is not permitted.



**SAN FRANCISCO  
PLANNING  
DEPARTMENT**

**FOR MORE INFORMATION:**  
Call or visit the San Francisco Planning Department

**Central Reception**  
1650 Mission Street, Suite 400  
San Francisco CA 94103-2479

TEL: **415.558.6378**  
FAX: **415.558.6409**  
WEB: **<http://www.sfplanning.org>**

**Planning Information Center (PIC)**  
1660 Mission Street, First Floor  
San Francisco CA 94103-2479

TEL: **415.558.6377**  
*Planning staff are available by phone and at the PIC counter.  
No appointment is necessary.*



October 22, 2014

Supervisor Eric Mar  
City Hall  
1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco, Ca 94102-4689

Dear Supervisor Mar,

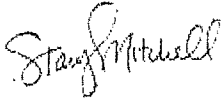
You requested my perspective on the merits and viability of setting the threshold for triggering an economic impact review for formula businesses at 3,000 square feet.

Setting the threshold as low as 3,000 square feet makes sense for several reasons:

1. San Francisco is a very dense city, where commercial uses are significantly smaller on average than in other cities and regions. The majority of formula retail businesses in the city are quite small, under 10,000 square feet. While many small towns have set a larger threshold of 20,000 square feet or more, these communities generally have ample open space and regularly have proposals for much larger versions of the same formula business brands that propose smaller outlets in San Francisco. A threshold of 50,000 square feet would not be particularly useful, because very few businesses coming to San Francisco are of that scale.
2. The trend in the formula retail sector is moving towards smaller stores. Even Walmart, which, as recently as a couple of years ago, concentrated its growth in 200,000-square-foot supercenters, this year is opening 70 "Express" stores, which are as small as 10,000 square feet. The retailer is also experimenting with a new convenience format that can be as small as 2,500 square feet. Most formula retail companies are headed in the same direction.
3. Even at smaller outlet sizes formula retail business have been shown to have a significant negative impact on the economic well-being of the surrounding area, including a negative impact on existing businesses, jobs, and wages. Conducting an economic impact analysis of these projects is the same basic process as analyzing larger retail projects.

4. Providing factual objective data provides a significant value to decision-makers and community members who are presented with often difficult decisions and with highly passionate advocates on both sides of a proposed project.
5. Other communities have set thresholds as low as 10,000 square feet. An example is the Cape Cod Commission, a regional planning body established in 1990, which undertakes a review of the economic and other impacts of proposed commercial projects that are 10,000 square feet or more and also requires some smaller projects that meet certain criteria for significant impact to undergo a review. Examples include a bank with a 15,000-square-foot footprint, a 22,000-square-foot Circuit City, and a 2,000-square-foot Dunkin Donuts.

Sincerely,

A handwritten signature in cursive script that reads "Stacy Mitchell".

Stacy Mitchell  
Co-Director  
Institute for Local Self-Reliance



**SAN FRANCISCO  
PLANNING DEPARTMENT**

RECEIVED  
SUPERVISOR  
SAN FRANCISCO

2014 JUL 21 AM 9:38

July 18, 2014

Ms. Angela Calvillo, Clerk  
Board of Supervisors  
City and County of San Francisco  
City Hall, Room 244  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

1650 Mission St.  
Suite 400  
San Francisco,  
CA 94103-2479

Reception:  
**415.558.6378**

Fax:  
**415.558.6409**

Planning  
Information:  
**415.558.6377**

**Re: Transmittal of Planning Department Case Number 2013.0936UT  
Formula Retail and Large-Scale Retail Controls  
Planning Commission Recommendation: Approval**

Dear Ms. Calvillo,

On July 17, 2014, the Planning Commission conducted a duly noticed public hearing at regularly scheduled meeting to consider the proposed Ordinance, introduced by the Planning Department, which would amend the definition of formula retail and expand controls. The Commission voted to recommend that Board of Supervisors approve the proposed Ordinance.

The proposed Ordinance was determined not to be a project per State CEQA Guidelines, Section 15060(c)(2) and 15378.

Please find the attached documents relating to the actions of the Commission. If you have any questions or require further information please do not hesitate to contact me.

Sincerely,

Aaron Starr  
Acting Manager of Legislative Affairs

cc:  
Victoria Wong, Deputy City Attorney  
Andrea Ausberry, Office of the Clerk of the Board

Attachments  
Planning Commission Resolution 19193  
Planning Commission Executive Summary



## SAN FRANCISCO PLANNING DEPARTMENT

### Planning Commission Resolution No. 19193 Planning Code Amendment Adoption

HEARING DATE: JULY 17, 2014

*Date:* July 18, 2014  
*Project Name:* Formula Retail & Large-Scale Retail Controls  
*Case Number:* 2013.0936UT  
*Initiated by:* Planning Department  
*Staff Contact:* Kanishka Burns, Project Manager  
[kanishka.burns@sfgov.org](mailto:kanishka.burns@sfgov.org), 415-575-9112  
*Reviewed by:* AnMarie Rodgers, Senior Policy Advisor  
[anmarie.rodgers@sfgov.org](mailto:anmarie.rodgers@sfgov.org), 415-558-6395  
*Recommendation:* Adoption of Planning Code Text Changes

1650 Mission St.  
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ADOPTING A RESOLUTION APPROVING AN ORDINANCE THAT WOULD AMEND THE PLANNING CODE TEXT TO AMEND THE DEFINITION OF FORMULA RETAIL TO INCLUDE BUSINESSES THAT HAVE 19 OR MORE OUTLETS WORLDWIDE; EXPAND THE APPLICABILITY OF FORMULA RETAIL CONTROLS TO OTHER TYPES OF USES; REQUIRE CONDITIONAL USE AUTHORIZATION FOR FORMULA RETAIL ESTABLISHMENTS IN THE C-3-G DISTRICT WITH FACADES FACING MARKET STREET, BETWEEN 6TH STREET AND 12TH STREET; DELETE THE REQUIREMENT FOR CONDITIONAL USE AUTHORIZATION WHEN A FORMULA RETAIL ESTABLISHMENT CHANGES OPERATOR BUT REMAINS THE SAME SIZE AND USE CATEGORY; DEFINE INTENSIFICATION AND ABANDONMENT FOR FORMULA RETAIL USES; REQUIRE FORMULA RETAIL USES TO COMPLY WITH PERFORMANCE GUIDELINES; AMEND THE CONDITIONAL USE CRITERIA FOR LARGE-SCALE RETAIL USES EXCEPT FOR GENERAL AND SPECIALTY GROCERY STORES, TO REQUIRE AN ECONOMIC IMPACT STUDY AND ESTABLISH NEW FEES FOR SAID STUDY; AMEND NEIGHBORHOOD COMMERCIAL DISTRICTS THAT REQUIRED CONDITIONAL USE FOR FINANCIAL AND LIMITED FINANCIAL SERVICES TO PRINCIPALLY PERMIT FINANCIAL AND LIMITED FINANCIAL SERVICES; DELETE THE CONDITIONAL USE REQUIREMENT FOR WALK-UP FACILITIES THAT ARE NOT SET BACK 3 FEET; AND ADOPTING FINDINGS, INCLUDING ENVIRONMENTAL FINDINGS; PLANNING CODE SECTION 302 FINDINGS, AND FINDINGS OF CONSISTENCY WITH THE GENERAL PLAN AND THE PRIORITY POLICIES OF PLANNING CODE SECTION 101.1.

#### PREAMBLE

Whereas, in 2004 the Board of Supervisor adopted San Francisco's first formula retail controls in three neighborhoods to provide a definition of formula retail and a regulatory framework that intended to

protect a "diverse base with distinct neighborhood retailing personalities comprised of a mix of businesses;"<sup>1</sup> and

Whereas, a number of amendments in quick succession added other formula retail controls to other district and neighborhoods, demonstrating growing concern around the proliferation of chain stores in San Francisco; and

Whereas, in 2007 San Francisco voters adopted Proposition G, the "Small Business Protection Act" which required Conditional Use authorization in all Neighborhood Commercial Districts; and

Whereas, Resolution Number 18843, adopted on April 11, 2013, set forth a policy that provides the first quantitative measure for concentration in the Upper Market Neighborhood, which established a formula for calculating the visual impacts of formula retail uses on a street frontage and determined that if the concentration of formula retail linear frontage is greater than or equal to 20% of the total linear frontage of all parcels located within 300 feet of the subject property and also zoned neighborhood commercial, the Planning Department shall recommend disapproval; and

Whereas, the summer of 2013 saw five ordinances introduced at the Board of Supervisors to alter the definition and implementation of formula retail controls; and

Whereas, on June 13, 2013, then-Planning Commission President Fong directed staff to review and analyze planning controls for formula retail uses in San Francisco due to the numerous pending proposals to change these controls; and

Whereas, the Board of Appeals ruled on June 19, 2013, that if a company has signed a lease for a location (even if the location is not yet occupied) those leases count toward the 11 establishments needed to be considered formula retail, and, while discussed, no action was taken on web-based establishments; and

Whereas, on June 25, 2013, Supervisor Weiner's ordinance Department of Public Works Code to restrict food trucks that are associated with formula retail establishments in the public right-of-way, including affiliates of formula retail restaurants; and

Whereas, the Planning Commission passed Resolution Number 18931 in July 2013, recommending to the Board of Supervisors that the issue of Formula Retail be further studied, with a focus on the economic, neighborhood, and visual impacts of the existing formula retail controls, as well as the anticipated impacts due to the potential expansion of controls; and

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<sup>1</sup> Ordinance Number 62-04, Board File 031501, available on-line at: <https://sfgov.legistar.com/LegislationDetail.aspx?ID=473759&GUID=A83D3A84-B457-4B93-BCF5-11058DDA5598&Options=ID|Text|&Search=62-04> (March 20, 2014).

Whereas, on August 7, 2013, Supervisor Kim enacted Interim Controls for retailers with frontage on a stretch of Market Street requiring Conditional Use authorization for certain formula retail uses and fringe financial services; and

Whereas, on June 24, 2014, Supervisor Weiner introduced Interim Controls for Formula Retail uses in the Castro Street Neighborhood Commercial District requiring Conditional Use authorization by the Planning Commission for a proposed use that has been determined to be formula retail, even if the project sponsor subsequently removes one or more distinguishing formula retail use features from the project proposal; and

Whereas, in 2013-2014 the Planning Department commissioned a study prepared by Strategic Economics which described the existing formula retailers in San Francisco; the impact of these formula retailers on San Francisco's neighborhoods; the wages and benefits of formula retailers; the effects of San Francisco's existing formula retail controls; and current issues revolving around formula retail in the City; and

Whereas, in February 2014, Office of the Controller prepared an economic analysis in response to proposed changes to San Francisco's formula retail policies, which included an analysis of consumer price and local spending differences between formula and independent retailers and an evaluation of the overall economic impact of expanding the City's formula retail controls.

WHEREAS, on May 22, 2014 the Planning Commission (hereinafter "Commission") approved initiation of an ordinance at duly noticed public hearing at a regularly scheduled meeting to consider adopting the proposed Ordinance amending formula retail controls on or after July 10, 2014; and

WHEREAS, the proposed legislation is intended to resolve the aforementioned issues; and

WHEREAS, the Planning Commission (hereinafter "Commission") conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance on July 17, 2014; and

Whereas, the Planning Department has determined that the proposed Ordinance will not result in a direct or reasonably foreseeable indirect physical change on the environment, and therefore no further environmental review is required, as set forth in the California Environmental Quality Act Section 15060(c)(2); and

WHEREAS, the Commission has heard and considered the testimony presented to it at the public hearing and has further considered written materials and oral testimony presented on behalf of Department staff and other interested parties; and

WHEREAS, the all pertinent documents may be found in the files of the Department, as the custodian of records, at 1650 Mission Street, Suite 400, San Francisco; and

WHEREAS, the Commission has reviewed the proposed Ordinance:

MOVED, that the Planning Commission recommends approval of the above referenced Planning Code amendments contained in the draft ordinance, approved as to form by the City Attorney in Exhibit F with the modification to remove the non-severability clause.

## FINDINGS

Having reviewed the materials identified in the preamble above, and having heard all testimony and arguments, this Commission finds, concludes, and determines as follows:

- With the experience of applying the formula retail controls over the last ten years and the benefit of the recent Study "San Francisco Formula Retail Economic Analysis", the originally identified concerns of the voters remain relevant. The Departments core findings are that the Conditional Use process is working and can be adjusted to better serve residents.
- Resident concerns include a displacement of critical goods and services to meet the daily needs of the neighborhood, a homogenization of the neighborhood's aesthetics and that formula retailers are of less economic benefit than nonformula retailers.
- The Office of Economic Analysis (OEA) report "Expanding Formula Retail Controls: Economic Impact Report" was unable to quantify the impact of the presence of formula retailers on premium that residents pay to live in the City's unique neighborhoods. However, the report found the uniqueness of San Francisco's neighborhoods is based on a combination of unique visual characteristics and a sense of community fostered by small merchants and resident relationships. A formula retail establishment is determined by its recognizable look which is repeated at every location, therefore, detracting from the unique community character.
- The OEA report found that non-formula retailers may spend up to 9.5 percent more within the City economy than chain stores, but charge prices that average 17 percent more. The Report determined that, on balance, the economic benefits of greater local spending by non-formula retailers are outweighed by higher consumer prices.<sup>2</sup>
- The Planning Department commissioned a report by Strategic Economics that found the existing formula retail Conditional Use process creates a disincentive for formula retailers to be located in the NCDs.<sup>3</sup> This report also found formula retail controls continue to be a useful tool in promoting small, startup businesses.

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<sup>2</sup> City and County of San Francisco, Office of the Controller, Office of Economic Analysis, "Expanding Formula Retail Controls: Economic Impact Report", February 12, 2014 [http://www.sf-planning.org/ftp/files/legislative\\_changes/form\\_retail/formretail\\_130788\\_economic\\_impact\\_final.pdf](http://www.sf-planning.org/ftp/files/legislative_changes/form_retail/formretail_130788_economic_impact_final.pdf)

<sup>3</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 5.

- Neighborhood Commercial Districts are intended to preserve the unique qualities of a district while also serving the daily needs of residents living in the immediate neighborhood; however community members have reported loss of daily needs uses due to inundation of formula retailers that target larger citywide or regional audiences<sup>4</sup>. The City strives to ensure that goods and services that residents require for daily living are available within walking distance and at an affordable price. Establishments that serve daily needs and formula retail establishments are neither mutually exclusive nor overlapping.
- The San Francisco retail brokers study of 28 neighborhood commercial districts, conducted in 2014 found that the healthiest and most viable retail environments offer a mix of retailers who vary in size and offerings; including a mix of conventional and cutting edge retailers as well as established players and newcomers<sup>5</sup>.
- When considering the appearance for a new formula retail establishment, these businesses, are ubiquitous and diminish the unique qualities of a shopping street. Under the Planning Code, formula retail establishments are defined as "an...establishment which, along with eleven or more other retail sales establishments...maintains two or more [standardized] features". In other words, formula retailers are stores with multiple locations and a recognizable "look" or appearance. What makes a look recognizable in this case, is the repetition of the same characteristics of one store in multiple locations. The sameness of formula retail outlets, while providing clear branding for consumers, counters the general direction existing land use controls which value unique community character. The standardized characteristics that are found other places provide some level of homogenization. Formula retailers cannot be unique because there are at least 11 others with the same look.
- The homogenizing effect of formula retail, based on its reliance on standardized branding, is greater if the size of the formula retail use, in number of locations or size of use or branded elements is larger. The increased level of homogeneity distracts from San Francisco's unique neighborhoods which thrive on a high level of surprise and interest maintained by a balanced mix of uses and service, both independent and standardized.
- Due to the distinct impact that formula retail uses have on a neighborhood, these uses are evaluated for concentration as well as compatibility within a neighborhood. As neighborhoods naturally evolve over time, changes and intensifications of formula retail uses should also be evaluated for concentration and compatibility within a neighborhood.

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<sup>4</sup> Strategic Economics; "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 110.

<sup>5</sup> Formula Retail Mapping Project, Colliers International, 2014 [http://www.sf-planning.org/ftp/files/legislative changes/form retail/formretail BOS brokers study Formula Retail Final.pdf](http://www.sf-planning.org/ftp/files/legislative%20changes/form%20retail/formretail%20BOS%20brokers%20study%20Formula%20Retail%20Final.pdf)



- San Francisco is an international city that seeks to attract innovative business development. Established corporations as well as new startups choose San Francisco to test new concepts and ideas. Citywide, subsidiaries account for only three percent of retail businesses in San Francisco formula retail businesses and most of these would already qualify as formula retail under the existing Planning Code because they have 12 or more locations in the United States. Expanding the definition of formula retail to include subsidiaries is not recommended as it would constrain business development and innovation, be inconsistently applied and further complicate an existing process with minimal, if any, benefit.
  - The National Bureau of Economic Research published a study titled "The Effects of Wal-Mart on Local Labor Markets" examined one specific brand of superstore, Wal-Mart, and found a negative effect on overall retail employment<sup>6</sup>. Specifically, this report found, "The employment results indicate that a Wal-Mart store opening reduces county-level retail employment by about 150 workers, implying that each Wal-Mart worker replaces approximately 1.4 retail workers. This represents a 2.7 percent reduction in average retail employment. The payroll results indicate that Wal-Mart store openings lead to declines in county-level retail earnings of about \$1.4 million, or 1.5 percent.
  - Similarly, studies indicate that in terms of tax revenue, mixed-use is the most beneficial to the economy, while big box retailers do not significantly help the economy<sup>7</sup>. This is largely due to property taxes. The standard for a super store (a large, single-floor structure), does not yield the same multiplier effect that comes from vertical expansion that can be seen in a dense mixed-used development. The sales tax is negligible, because even the increase in sales is offset by lower prices in super stores.
1. **General Plan Compliance.** The proposed Ordinance is consistent with the following Objectives and Policies of the General Plan:

**I. COMMERCE & INDUSTRY ELEMENT**

THE COMMERCE AND INDUSTRY ELEMENT OF THE GENERAL PLAN SETS FORTH OBJECTIVES AND POLICIES THAT ADDRESS THE BROAD RANGE OF ECONOMIC ACTIVITIES, FACILITIES, AND SUPPORT SYSTEMS THAT CONSTITUTE SAN FRANCISCO'S EMPLOYMENT AND SERVICE BASE.

**OBJECTIVE 2**

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<sup>6</sup> David Neumark, Junfu Zhang, and Stephen Ciccarella. National Bureau of Economic Research, "The Effects of Wal-Mart on Local Labor Markets." Originally published 2005, revised on July 31, 2007. Journal of Urban Economics. Volume 67, Issue 1 (2010). Retrieved from <http://www.nber.org/papers/w11782.pdf>, Page 28.

<sup>7</sup> Philip Langdon. New Urban News, "Best bet for tax revenue: mixed-use downtown development." Published September 13, 2010. Retrieved from <http://bettercities.net/article/best-bet-tax-revenue-mixed-use-downtown-development-13144> on May 14 2014.

MAINTAIN AND ENHANCE A SOUND AND DIVERSE ECONOMIC BASE AND FISCAL STRUCTURE FOR THE CITY.

**Policy 2.3**

Maintain a favorable social and cultural climate in the city in order to enhance its attractiveness as a firm location.

*The proposed changes in both the Ordinance and the Commission's review procedures would further strengthen the attractiveness of the City as a unique place to live, work, and pursue recreational interests, by encouraging more diversified business uses, which strengthens the distinct nature of the surrounding neighborhoods. Very large retail sales and service uses should be carefully evaluated for their economic impact on the area.*

**OBJECTIVE 3**

PROVIDE EXPANDED EMPLOYMENT OPPORTUNITIES FOR CITY RESIDENTS, PARTICULARLY THE UNEMPLOYED AND ECONOMICALLY DISADVANTAGED.

**Policy 3.4**

Assist newly emerging economic activities.

*Formula Retail establishments can typically pay more for lease space and commit to longer lease contracts, whereas emerging economic activities typically cannot. Adding rigor to the review of Formula Retail applications could help relieve pressure on emerging economic activities and ease the process of finding affordable commercial spaces to lease.*

**OBJECTIVE 6**

MAINTAIN AND STRENGTHEN VIABLE NEIGHBORHOOD COMMERCIAL AREAS EASILY ACCESSIBLE TO CITY RESIDENTS.

**Policy 6.1**

Ensure and encourage the retention and provision of neighborhood-serving goods and services in the city's neighborhood commercial districts, while recognizing and encouraging diversity among the districts.

*By encouraging independent, small businesses, the proposed changes help to enhance the diversity of the City's neighborhoods and their shopping areas. The added rigor in consideration of neighborhood-serving goods intended to meet the daily needs of residents will further the retention and addition of these valuable goods and services, whether provided by a formula retail or nonformula retail establishment. Neighborhood commercial areas vary widely in function, form, design, and character, and the proposed changes to Commission review would ease the approval of formula retailers that would meet such unmet needs for daily needs while also providing a critical review of formula retail establishments that would displace critical daily need uses. Overall, the changes would help to prevent any one area from becoming saturated by familiar brands and promotes the retention of unique character and diversity.*

**Policy 6.2**

Promote economically vital neighborhood commercial districts which foster small business enterprises and entrepreneurship and which are responsive to economic and technological innovation in the marketplace and society.

*The proposed changes are intended to create a balance between Formula Retail and independent owned businesses by establishing a more rigorous and data driven method of analysis balance with a qualitative analysis of the District, neighborhood and walking area. Having a healthy mix of these two types of businesses would promote vital commercial districts throughout the City, which could help foster small business enterprises and entrepreneurship.*

**Policy 6.7**

Promote high quality urban design on commercial streets.

*The proposed changes to aesthetic review and functionality of the façade would help to clarify design expectations for signage and performance standards. They are intended to help neighborhoods give their commercial areas a lively character and ensure pedestrian-oriented design. By seeking an active visual identity which performs and is distinct from formulaic designs will create an inviting atmosphere beneficial to businesses and neighbors alike.*

**II. TRANSPORTATION ELEMENT**

**Market Street**

Market Street should be honored and protected as San Francisco's visual and functional spine. The City should engage in a comprehensive redesign of Market Street from the Embarcadero to Castro Street. Improvements to Market Street should emphasize its importance for pedestrians, cyclists, and transit.

**III. URBAN DESIGN ELEMENT**

**Principles for City Pattern 16**

Certain streets, because of unusual width or direction, are important form elements in themselves, giving identity to districts and order to the city structure.

COMMENT: Columbus Avenue and Market Street are examples of such streets. Any major interruptions of these streets would reduce their value as form elements.

**IV. MARKET AND OCTAVIA PLAN**

**Policy 1.1.5**

Reinforce the importance of Market Street as the city's cultural and ceremonial spine.

Market Street has historically been the city's most important street. New uses along Market Street should respond to this role and reinforce its value as a civic space. Ground-floor activities should be public in nature, contributing to the life of the street. High-density residential uses are encouraged above the ground floor as a valuable means of activating the street and providing a 24-hour presence. A limited amount of office use is permitted in the Civic Center area as part of the overall mix of activities along Market Street.

*The General Plan recognizes the critical importance of Market Street as the City's "cultural and ceremonial spine". Special care should be given to ensure the retail service and sales offerings enrich both the aesthesis and the function of the spine. The proposed changes include expansion of formula retail controls on a developing portion of Market Street that will function as this burgeoning neighborhoods commercial street and ensures development of unique neighborhood character on this significant street.*

2. The proposed replacement project is consistent with the eight General Plan priority policies set forth in Section 101.1 in that:

- A) The existing neighborhood-serving retail uses will be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses will be enhanced:

*Stakeholders have raised concerns that some landlords prefer formula retailers or other established brands over independent retailers<sup>8</sup>. Formula retailers will typically be better equipped to sign long term leases and can provide the stability and activation that lenders seek<sup>9</sup>. In addition, formula retailers often serve as an anchor to energize a new development and bring foot traffic to a redevelopment area<sup>10</sup>. The proposed Ordinance and Commission Guide for Formula Retail include changes that will further a balance of existing and new neighborhood serving uses to meet residents' needs, further small business development, and maximize employment opportunities.*

- B) The existing housing and neighborhood character will be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods:

*By adopting the proposed amendments, the Planning Commission's intends to conserve and protect neighborhood character by ensuring a balance of formula and independent retail that does not erode existing neighborhood character and provide uses critical to daily living within an easy walk and without the need for auto-generated trips.*

- C) The City's supply of affordable housing will be preserved and enhanced:

*The proposed Ordinance and procedural changes will have no adverse effect on the City's supply of affordable housing.*

- D) The commuter traffic will not impede MUNI transit service or overburden our streets or neighborhood parking:

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<sup>8</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 64.

<sup>9</sup> Planning Department and OEWD Developer Roundtable, March 28, 2014

<sup>10</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 27.

*The proposed Ordinance and procedural changes will not result in commuter traffic impeding MUNI transit service or overburdening the streets or neighborhood parking. In fact, the proposed changes are intended to improve neighborhood services so that more daily needs can be met within an easy walk, decreasing demand for auto-generated trips.*

- E) A diverse economic base will be maintained by protecting our industrial and service sectors from displacement due to commercial office development. And future opportunities for resident employment and ownership in these sectors will be enhanced:

*The proposed Ordinance would consider changes to the industrial or service sectors or future opportunities for resident employment or ownership in these sectors, through the addition of an economic analysis of new large retail uses. The changes were designed to increase economic opportunities for all residents through entrepreneurship, business ownership and employment.*

- F) The City will achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake.

*Preparedness against injury and loss of life in an earthquake is unaffected. Any new construction or alteration associated with a use would be executed in compliance with all applicable construction and safety measures.*

- G) That landmark and historic buildings will be preserved:

*Landmarks and historic buildings would be unaffected by the proposed amendments and procedural changes. Should a proposed use be located within a landmark or historic building, such site would be evaluated under all applicable Planning Code provisions and comprehensive Planning Department policies.*

- H) Parks and open space and their access to sunlight and vistas will be protected from development:

*The City's parks and open space and their access to sunlight and vistas would be unaffected by the proposal. It is not anticipated that permits would be such that sunlight access, to public or private property, would be adversely impacted.*

Resolution No. 19193  
Hearing Date: July 17, 2014

**CASE NO. 2013.0936UT**  
**Formula Retail Controls and**  
**Large-Scale Retail Control Amendments**

I hereby certify that the Planning Commission ADOPTED the foregoing Resolution on July 17, 2014.

Christine Lamorena  
Acting Commission Secretary

AYES: Commission President Wu, Commissioners Antonini, Fong, Hillis and Johnson

NAYS: Commissioners Moore and Sugaya

ABSENT: N/A

ADOPTED: July 17, 2014



# SAN FRANCISCO PLANNING DEPARTMENT

## Memo to the Planning Commission

HEARING DATE: JULY 17, 2014

*Date:* July 10, 2014  
*Project Name:* Formula Retail and Large-Scale Retail Controls  
*Case Number:* 2013.0936UT  
*Initiated by:* Planning Department  
*Staff Contact:* Kanishka Burns, Project Manager  
[kanishka.burns@sfgov.org](mailto:kanishka.burns@sfgov.org), 415-575-9112  
*Reviewed by:* AnMarie Rodgers, Senior Policy Advisor  
[anmarie.rodgers@sfgov.org](mailto:anmarie.rodgers@sfgov.org), 415-558-6395  
*Recommendation:* Adoption of Planning Code Text Changes

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### Summary

The following report "Policy Discussion and Adoption of Planning Code Text Changes" related to Formula Retail and Large-Scale Retail Controls is the complete Planning Department Formula Retail report. It represents a comprehensive study of formula retail in San Francisco, drawing on the Department's Study of formula retail, as well as related local and national studies. The ensuing policy recommendations are representative of the Planning Departments desire to put forth a balanced policy proposal designed to regulate formula retail in a manner that encourages economic development and job creation while maintaining the unique and distinctive nature of San Francisco's neighborhoods. For a concise comparison of the way formula retail is currently regulated and the Planning Departments proposal, please see the attached table.

### Since Commission Initiation

Since the Commission initiated the ordinance on May 22, 2014, Planning Department staff have continued to meet with interested parties. In response to these discussions and additional research, the following elements have been added or changed:

- Revisions to the economic impact study for large retail uses.
- The addition of a fully articulated Commission Policy for formula retail. This document serves as a detailed explanation of two topics discussed at the initiation hearing:
  - Commission direction on how to consider the five codified criteria for review of formula retail
  - Performance-Based Design Review for Formula Retail
- Expanding the land use categories regulated as formula retail
- Replacing the proposed Administrative Performance Based Review process with a new definition for changes of formula retail uses
- Removing restrictions on independent financial and limited financial services
- Permitting some ATMs visible from the street without a Conditional Use authorization
- While not codified in the attached draft ordinance, the Department supports Supervisor Mar's proposal to refrain from regulating subsidiaries at this point and instead convene a committee to explore the topic for a six-month time period



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### Existing and Proposed Formula Retail Controls

Existing	Proposed	Basis for Recommendation
<b>Definitional Changes</b>		
11 locations with two standardized features (CU required for 12 <sup>th</sup> location)	19 locations with two standardized features (CU required for 20 <sup>th</sup> location)	<ul style="list-style-type: none"> <li>Of all existing FR in SF, only 5% have fewer than 20 locations</li> <li>Small businesses like Blue Bottle and Philz Coffee with 14 locations currently are reviewed under the same process as Subway and Starbucks with over 20,000 locations.</li> <li>Raising the threshold to would allow for greater small business development in SF</li> </ul>
Count only locations in the United States	Count all locations, internationally	<ul style="list-style-type: none"> <li>Of all existing FR in SF, 10% are headquartered outside the U.S. and many of these are already U.S. based chains</li> <li>International flagship stores are likely to locate downtown/Union Square where they are permitted and more compatible</li> <li>The combined change to 20 international locations isn't expected to capture more FR, altogether it will be a balanced way to promote small business growth while maintaining unique neighborhood character.</li> </ul>
Count leases held as potential locations	Count entitled or permitted locations as potential locations	<ul style="list-style-type: none"> <li>Addresses concerns of proposed locations not being counted in manner that is enforceable (leases can't be independently verified but entitlements can)</li> <li>Entitled/permitted operations are planned operations while leases can be held for years without operation</li> </ul>
Do not count subsidiaries	Continue to not count subsidiaries at this time. Form a working group to study best practices for regulation of subsidiaries and report to the Planning Commission within 6 months.	<ul style="list-style-type: none"> <li>Subsidiaries that aren't FR on their own don't meet the standardized features part of the definition of FR and therefore don't contribute to homogenization/visual impacts</li> <li>San Francisco is unique positioned to attract innovative business development and should encourage the testing of new concepts, as they can attract additional visitors and businesses on their own</li> <li>Spin-off or subsidiary retail brands are designed to be brick and mortar competition to e-commerce and should be encouraged as a way to fill vacancies</li> <li>Parent companies of FR chains are often corporations that have no brick and mortar presence and can therefore not be counted as FR anyway.</li> <li>Likely to affect only 3% of existing business in SF</li> </ul>
<b>Existing Use Categories:</b>	<b>Add the following Uses:</b>	
Eating and Drinking Uses (bars, cafés & restaurants); Liquor Stores, Retail, banks, Movies Theaters, Amusement & Game Arcades and Trade Shops	<ul style="list-style-type: none"> <li>Limited Financial (ATMs)</li> </ul>	<ul style="list-style-type: none"> <li>Analogous to Financial Services (banks) which already are FR and when located at the street front, detract from active street vibrancy and have maximum signage contributing to visual homogeneity</li> </ul>
	<ul style="list-style-type: none"> <li>Fringe Financial (Check Cashing)</li> </ul>	<ul style="list-style-type: none"> <li>Heavily restricted uses and part of interim controls on Market Street demonstrating community concern for their proliferation.</li> </ul>
	<ul style="list-style-type: none"> <li>Business &amp; Professional Services (H&amp;R Block, State Farm, Coldwell Banker)</li> </ul>	<ul style="list-style-type: none"> <li>In many cases, function like an office use at the ground floor and have standardized features similar to existing FR uses.</li> </ul>
	<ul style="list-style-type: none"> <li>Personal Services (gyms, hair salons and nail salons)</li> </ul>	<ul style="list-style-type: none"> <li>Are generally thought of as formula retail uses, particularly in regards to gyms.</li> <li>Growth of small fitness studio uses as franchises and chains is expected to increase.</li> </ul>
	<ul style="list-style-type: none"> <li>Tobacco Paraphernalia Establishment</li> </ul>	<ul style="list-style-type: none"> <li>An undesired use that is already heavily regulated.</li> </ul>
	<ul style="list-style-type: none"> <li>Massage Establishment</li> </ul>	<ul style="list-style-type: none"> <li>Heavily regulated use, demonstrating a desire to discourage proliferation</li> </ul>
<b>Market Street</b>		
Interim Controls on Market St. btwn Van ness and 6 <sup>th</sup> for specific FR uses	CU required for FR on Market St. btwn 12 <sup>th</sup> St and 6 <sup>th</sup> St. for all FR	<ul style="list-style-type: none"> <li>Market Street is the City's premiere street and should retain SF character</li> <li>Central Market is a burgeoning neighborhood with 17 new companies since 2011, over 5,500 units under construction or approved and 40 additional development projects in the pipeline making this the ideal time to apply controls intended to guide the development of neighborhood character.</li> <li>Interim controls demonstrate community concern, permanent controls would address them.</li> </ul>

### Existing and Proposed Formula Retail Controls

Existing	Proposed	Basis for Recommendation
<b>Conditional Use Review Process</b>		
CU Criteria	CU Criteria + Performance Based Design Guidelines specified in Commission Guide for Formula Retail	<ul style="list-style-type: none"> <li>CU Process is working as evidenced by the low concentration of FR in districts with controls</li> <li>The Commission is influenced by the local community in their decisions</li> <li>The Code requires the development of guidelines for existing CU criteria</li> <li>Overall strengthening of controls by applying rigorous, data driven review applied consistently</li> </ul>
Analyze concentrations and use mix within the District	Analyze concentrations and use mix within the district as well as the vicinity of the project. Further clarified in the Commission Guide for Formula Retail	<ul style="list-style-type: none"> <li>Zoning Districts can be miles long, not analogous and unfamiliar to residents</li> <li>¼ mile is the generally accepted walking radius that people identify with and 300 feet is a better radius for smaller zoning districts</li> <li>The vicinity calculation will capture all commercial uses that service and impact residents, regardless of zoning district and the zoning district calculation will provide 2 different measures of analysis.</li> </ul>
Analyze mix of Citywide-serving and neighborhood-serving retail	Analyze mix of Citywide-serving and daily needs serving retail	<ul style="list-style-type: none"> <li>"Neighborhood serving" is defined elsewhere in the code and not applicable to this analysis</li> <li>NCDs are intended to serve the needs of residents living in the surrounding neighborhood. Providing daily needs within an appropriate vicinity of a ¼ mile or 300 feet.</li> <li>If proposed FR is meeting a daily need they would be fulfilling a need that is currently unmet while those that are detracting from existing daily needs services would be identified.</li> </ul>
Signage deferred to Article 6	Performance-Based Design Review	<ul style="list-style-type: none"> <li>Sign controls are administrative and permissive, allowing no discretion. Commission may engage in discussions of signage at hearings but signage is permitted separately through the administrative process.</li> <li>Focus on minimized signage, maximized transparency and pedestrian friendly design</li> </ul>
<b>Super Stores</b>		
<ul style="list-style-type: none"> <li>CU required for any single retail use over 50,000sq in all but C3 Zoning District; over 120,000sf prohibited</li> <li>C3 – requires CU over 120,000sf</li> <li>CU considerations: parking, active street frontage, mixed use encouraged, traffic impacts, and employee demand on housing, transit, child care and social services</li> </ul>	Require economic impact report with CU review for all super stores to include: <ul style="list-style-type: none"> <li>Expected employment benefits</li> <li>Fiscal Impact</li> <li>Leakage study</li> <li>Does not apply to grocery stores</li> </ul>	<ul style="list-style-type: none"> <li>Superstores can initially bring an influx of jobs but gains can be nullified over time by impacts on small businesses</li> <li>Tax revenue doesn't generally benefit the economy because Super Stores are single story and mixed use development has the greatest tax revenue</li> <li>Large parking lots with vehicular focus has significant visual impacts and detracts from City's transit first and pedestrian friendly goals</li> </ul>
<b>Change of Formula Retail Operator where a CU has been granted</b>		
New CU required – unless it's triggered by a chain being bought by another chain and no other changes are proposed, contradictory to other parts of the Code and established land use law	If new FR use is an intensification as defined: <ul style="list-style-type: none"> <li>Larger use size</li> <li>Change of use category</li> <li>Change to a chain with more locations, worldwide</li> <li>Installation of commercial kitchen features</li> </ul>	<ul style="list-style-type: none"> <li>Consistent with established land use law and the Planning Code</li> <li>Clear cut definition of intensification allows for new CU analysis based on a new or intensified use</li> <li>Able to apply Performance-Based Design Guidelines, regardless of previous approvals and conditions of approval</li> </ul>
	If new FR use is not an intensification, administrative review of building permit to ensure compliance with Performance-Based Design Guidelines	<ul style="list-style-type: none"> <li>Use has already been evaluated through original CU approval; existing conditions of approval would continue to apply</li> <li>Incentivize FR to improve pedestrian friendly design, storefront transparency and reduce signage to avoid review of full CU criteria</li> <li>Use mix has previously been evaluated, changes of tenant/operator will only have visual impact so analysis is focused on visual impacts and improving storefronts</li> <li>Opportunity to improve design of shopping centers that are heavily FR and often change tenants</li> </ul>
<b>Change of Formula Retail Operator where a CU has NEVER been granted</b>		
New CU required – unless it's triggered by a chain being bought by another chain and no other changes are proposed, contradictory to other parts of the Code and established land use law	First CU required to allow for compatibility and use mix analysis of FR use	<ul style="list-style-type: none"> <li>Use has never been evaluated against CU criteria and Design Guidelines.</li> <li>Existing code language is contradictory. This update clarifies that FR uses that predate CU requirement are required to get a new CU when the FR changes.</li> <li>A location is not "lost" to FR</li> </ul>

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### Attachments (located behind primary report)

Exhibit A: Background Documenting the History of San Francisco's Formula Retail Controls

Exhibit B: Market Street Map

Exhibit C: Draft Commission Guide for Formula Retail

Exhibit D: Public Comment

Exhibit E: Draft Planning Commission Resolution Adopting Planning Code Text Changes

Exhibit F: Draft Planning Commission Ordinance



# SAN FRANCISCO PLANNING DEPARTMENT

## Executive Summary Policy Discussion and Adoption of Planning Code Text Changes

HEARING DATE: JULY 17, 2014

*Date:* July 10, 2014  
*Project Name:* Formula Retail and Large-Scale Retail Controls  
*Case Number:* 2013.0936UT  
*Initiated by:* Planning Department  
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*Recommendation:* Adoption of Planning Code Text Changes

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### Proposed Policy Changes and Planning Code Amendments

#### The Way It Is Now:

**Definition:** The Planning Code includes an identical definition of "Formula Retail<sup>1</sup>" in three locations: Section 303(i)(1), 703.3, and 803.6(c). The definition of formula retail hinges on the following 3 characterizations:

1. **Number of Establishments:** The Planning Code defines a formula retail use as retail sales activity or retail sales establishment with 11 or more other retail sales establishments located in the United States, including leases held<sup>2</sup>.
2. **Features:** A formula retail use maintains two or more of the following features:
  - a standardized array of merchandise,

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<sup>1</sup> Formula Retail is defined in Section 703.3 of the Planning Code as : "a type of retail sales activity or retail sales establishment which, along with eleven or more other retail sales establishments located in the United States, maintains two or more of the following features: a standardize array of merchandise, a standardized façade, a standardized décor and color scheme, a uniform apparel, standardized signage, a trademark or a servicemark."

<sup>2</sup> On June 19, 2013, the Board of Appeals adopted findings related to Appeal No. 13-030 that set a precedent to consider lease agreements equivalent to brick and mortar store that should count towards the threshold for becoming a formula retailer. <http://www.sfgov3.org/Modules/ShowDocument.aspx?documentID=4949>

- a standardized façade,
  - a standardized décor and color scheme,
  - a uniform apparel,
  - standardized signage, a trademark or a servicemark.
3. **Use Category.** In addition, the Planning Code adds the following uses to the definition of retail, for purposes of formula retail regulation. Section 303(i)(2) refines the definition of formula retail to include the following specific retail uses:
- Bars (defined in Section 790.22);
  - Drive-Up Facilities (Section 790.30);
  - Eating and Drinking Use, Take Out Food, Limited Restaurants, and Restaurants (Sections 790.34, 790.122, 790.90 and 790.91);
  - Liquor Stores (Section 790.55);
  - Sales and Service, Retail (Section 790.104);
  - Financial Service (Section 790.110);
  - Movie Theatre, Amusement & Game Arcade (Sections 790.64 and 790.4), and
  - Trade Shop (Section 790.14)<sup>3</sup>

The formula retail controls described in Articles 7 and 8 refer to Section 303(i)(2) for the above listed uses. The exception to this list is "Trade Shop", a use defined in Section 790.124, which is only subject to the formula retail controls when proposed in the Taraval Street NCD, Noriega Street NCD and the Irving Street NCD.<sup>4</sup>

**Zoning Districts that Control Formula Retail.** Retail uses that fall into the category of formula retail, may be permitted, prohibited, or may require Conditional Use authorization, depending on the zoning district in which the use is proposed. In addition, there are specific controls or combinations of controls that apply only in certain districts.

Controls for formula retail uses are summarized in Figure 1 and Table 1, which show that formula retail uses typically require Conditional Use authorization in NC districts; are generally not permitted in residential districts;<sup>5</sup> and are permitted in downtown and South of Market industrial districts.

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<sup>3</sup> Trade Shops are only defined as Formula Retail uses in Taraval Street NCD, Noriega Street NCD and Irving Street NCD.

<sup>4</sup> Section 790.124 defines Trade Shop as: "A retail use which provides custom crafted goods and/or services for sale directly to the consumer, reserving some storefront space for display and retail service for the goods being produced on site..." includes: repair of personal apparel, accessories, household goods, appliances, furniture and similar items, but excluding repair of motor vehicles and structures; upholstery services; carpentry; building, plumbing, electrical, painting, roofing, furnace or pest control contractors; printing of a minor processing nature; tailoring; and other artisan craft uses, including fine arts uses.

<sup>5</sup> Planning Code Section 209.8 prohibits commercial establishments in R Districts, with the exception of Limited Corner Commercial Uses in RTO Districts (Section 231). Commercial establishments are permitted in RC-3 and RC-4 Zoning Districts.

Within a number of zoning districts formula retail controls are further refined and differ from the basic uses and controls that apply to formula retail, as shown in the "Specific Restrictions" column of Table 1. These controls have typically been added in response to concern regarding over-concentration of certain uses, perceived threats to independent business and the related threat of neighborhood homogenization, or the impacts to neighborhood character caused by large use sizes within geographic area. Examples of these specific controls include the stipulation that Trade Shops (defined in Section 790.124) are subject to formula retail controls in certain NC districts in the Sunset, and that Pet Supply stores are subject to the controls on Geary Boulevard – a district that does not restrict many other uses categorized as formula retail.

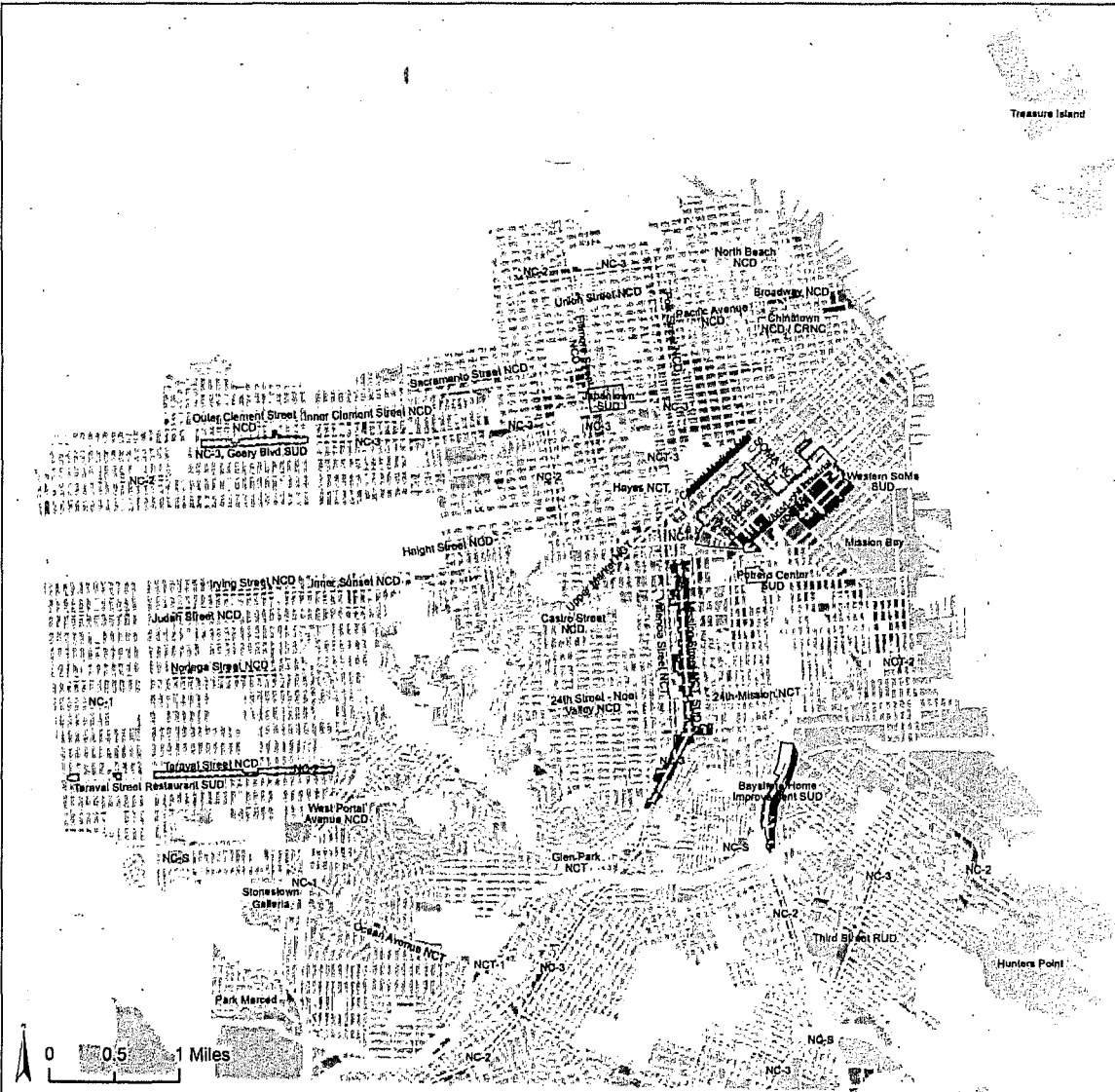
**Table 1. Summary of Existing Specific Formula Retail Controls Applicable in Individual Zoning Districts**

Zoning District	Underlying formula retail Control	Specific Restriction
Upper Fillmore NCD	Conditional Use	Formula retail Restaurants and Limited Restaurants not permitted
Broadway NCD	Conditional Use	Formula retail Restaurants and Limited Restaurants not permitted
Mission Street formula retail Restaurant SUD	Conditional Use	Formula retail Restaurants and Limited Restaurants not permitted
Taraval Street Restaurant SUD	Conditional Use	Formula retail Restaurants and Limited Restaurants not permitted
Geary Boulevard formula retail Pet Store and Restaurant SUD	Permitted	Formula retail Pet Supply Store not permitted; Formula retail Restaurants and Limited Restaurants not permitted
Taraval Street NCD	Conditional Use	Trade Shops are subject to formula retail controls
Noriega Street NCD	Conditional Use	Trade Shops are subject to formula retail controls
Irving Street NCD	Conditional Use	Trade Shops are subject to formula retail controls
WSoMa Mixed-Use Office District (WMUO)	Conditional Use	Formula retail not permitted if use is over 25,000 square feet
Service/Arts/Light Industrial District (SALI)	Conditional Use	Formula retail not permitted if use is over 25,000 square feet
Upper Market NCT	Conditional Use	CU required for Limited Financial Services and Business or Professional Services (18-month interim control)
Central Market Area	Permitted	CU required for formula retail fronting on Market Street between 6th and Van Ness (18-month interim control)
Bayshore Boulevard Home Improvement SUD	Permitted	formula retail over 10,000 square feet requires CU
Third Street Formula Retail RUD	Mixed zoning: in some zoning districts within this SUD formula retail	Any new formula retail requires CU

requires CU and in some districts formula retail is permitted.		
<b>Potrero Center Mixed-Use SUD</b>	Conditional Use	Relieves formula retail requirements for parcels which would otherwise require a CU



# SAN FRANCISCO PLANNING DEPARTMENT



- New FR Not Permitted
- Specific FR Controls
- New FR Requires CU
- New FR Permitted
- Public or Unknown
- FR-Related Special Use District

FR: Formula Retail  
CU: Conditional Use authorization

P-zoned districts at times defer to the controls of the nearest Neighborhood Commercial district; see Planning Code Section 234.

See Figure 2 for explanation of specific restrictions in individual zoning districts.

Interim Draft

Strategic Economics, 2014;  
Data: City and County of  
San Francisco, 2013.

Figure 1. Existing Formula Retail Controls in San Francisco



**Conditional Use Criteria.** When hearing a request for Conditional Use (hereinafter "CU") authorization for a formula retail use, Section 303(i)(3) outlines five criteria the Commission is required to consider in addition to the standard CU criteria set forth in Section 303(c):

1. The existing concentrations of formula retail uses within the district.
2. The availability of other similar retail uses within the district.
3. The compatibility of the proposed formula retail use with the existing architectural and aesthetic character of the district.
4. The existing retail vacancy rates within the district.
5. The existing mix of Citywide-serving retail uses and neighborhood-serving retail uses within the district.

**Changes of Use.** Planning Code Section 303(i)(7) requires that a change of use from one formula retail use to another formula retail use requires a new CU authorization. In addition, a new CU authorization is required when the use remains the same, but the operator changes, except if the new retailer meets the following two criteria:

1. Where the formula use establishment remains the same size, function and with the same merchandise, and
2. Where the change in the formula retail operator is the result of the "business being purchased by another formula retail operator who will retain all components of the existing retailer, including but not limited to signage for the premises, the name of the premises and the general merchandise offered on the premises."

When the exceptions apply and no new CU authorization is required, all conditions of approval that were imposed with the first authorization remain associated with the entitlement.

**Large-Scale Retail Uses.** Planning Code Section 121.6 establishes controls for large-scale retail uses as follows:

- All districts, except the C-3: require CU authorization for any retail use between 50,000-120,000sf. Retail uses above 120,000 sf are prohibited.
- C-3 District: require CU authorization for any retail use over 120,000sf. In addition, the establishment of a single retail use in excess of 120,000 gross square feet in a C-3 Zoning District shall be prohibited if it would sell groceries; contain more than 20,000 Stockkeeping Units (SKUs); and devote more than five percent (5%) of its total sales floor area to the sale of non-taxable merchandise.

When the Commission considers such large-scale retail uses, Section 303(j) provides that in addition to the standard CU criteria, the Commission shall also consider:

1. The extent to which the retail use's parking is planned in a manner that creates or maintains active street frontage patterns;
2. The extent to which the retail use is a component of a mixed-use project or is designed in a manner that encourages mixed-use building opportunities;

3. The shift in traffic patterns that may result from drawing traffic to the location of the proposed use; and
4. The impact that the employees at the proposed use will have on the demand in the City for housing, public transit, childcare, and other social services.

### The Way It Would Be:

The Planning Department is proposing that the Commission consider the following changes to formula retail controls.

1. **Refine the definition of formula retail, while maintaining a balance.**
  - A. **Numerical Threshold and Definition.** Increase numerical threshold and broaden definition to include more uses and business types.
  - B. **Location of Establishments.** Expand the definition of formula retail by including international locations and entitled locations.
  - C. **Use Categories.** Expand the definition of formula retail to include the following uses as formula retail uses:
    1. Limited Financial Service
    2. Fringe Financial Service
    3. Business and Professional Service
    4. Personal Services
    5. Massage Establishment
    6. Tobacco Paraphernalia Establishment
  - D. **Subsidiaries.** In response to significant public concern, establish a taskforce to further study the impact of subsidiary businesses and how these businesses may be regulated within the formula retail framework.
2. **Expand formula retail controls to areas of concern**
  - A. **Require Conditional Use authorization for formula retail establishments with frontage on Market Street between 6<sup>th</sup> Street and the intersection of Franklin Street, 12<sup>th</sup> Street and Market Street, in the C-3-G District.** Permanent controls to replace the existing interim controls on this portion of Market Street regarding specific formula retail uses.<sup>6</sup>
3. **Focus review on issues of most importance to residents.**
  - A. **Strengthen review criteria and process for new formula retail in districts with controls.** The existing Code provides a loose framework for formula retail review that has been applied inconsistently. Adopt Commission Guide for Formula Retail (see Exhibit C) as directed by the Code, which includes guidance on

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<sup>6</sup> Resolution Number 305-13 [Board File No. 130712] is available online: <https://sfgov.legistar.com/View.ashx?M=F&ID=2588632&GUID=63B9534F-8427-400B-A2FF-A17A25081C23>

implementation of the Planning Code criteria as well as Performance-Based Design Guidelines (hereinafter "Commission Guide").

- B. **Look more closely at Super Stores.** Require an economic impact statement to evaluate large-scale retail uses. Exempt grocery stores from submitting such reports required by other large-scale retail uses.
- 4. **Define specific circumstances where a change of Formula Retail operator should be considered a change of use.** Require a new CU authorization if there is a change of use category (including certain use subcategories); an increase in size of use; an intensification of a use; and where no CU has been previously granted. In all instances, ensure aesthetic impacts are minimized through compliance with the Commission Guide.
- 5. **Small Business Support.**
  - A. **Outreach and Education.** Small businesses contribute significantly to the unique neighborhood character of each district. The Department recommends further outreach and education by OWED to maximize utilization of their programs to support neighborhood serving businesses.
  - B. **Remove restrictions on independent financial services.** Allow non-formula retail financial and limited financial services to operate in NCDs that current require a CU for these services. Formula retail financial and limited financial services would still be subject to CU.
  - C. **Allow walk-up facilities without a three foot setback.** The Planning Code currently requires walk-up facilities that are not recessed three feet from the front property line to get CU authorization. This requirement applies to ATMs. In addition to allowing one ATM to be visible from the street and in compliance with the Performance-Based Design Guidelines, the Department proposes to remove the CU requirement for walk-up facilities not recessed three feet from the front property line.

## BACKGROUND

Formula retail controls have been in effect in San Francisco since 2004. In the summer of 2013 a number of Supervisors introduced legislation to amend formula retail controls only in certain zoning districts. In response, the Planning Commission directed staff to conduct a study of formula retail controls before putting forth a Planning Department policy response. A detailed account of the background of formula retail controls can be found in Exhibit A.

## ISSUES AND CONCERNS

Formula Retail controls began in selected areas in 2004 and were adopted citywide as the Small Business Protection Act in 2006.<sup>7</sup> Now that the Department and the Commission have had 10 years of experience applying the formula retail controls and with benefit of the recent local studies, we can review the intent of the law and evaluate the effectiveness. It seems many of the concerns identified by the voters remain relevant in today's discussion. From the focus groups and public hearings this year, it seems the primary concerns with formula retail include 1) a displacement of critical goods and services to meet daily needs within the neighborhood; 2) a homogenization of the neighborhood's aesthetic; 3) a belief that formula retailers are of less economic benefit than nonformula retailers; and 4) assertions that formula retailers have an unfair competitive advantage over independent businesses. These expressed concerns are amplified as the use size of the formula retailer and the number of outlets increases. The issues and potential impacts are subjective. As such, the Conditional Use process provides the best remedy as this process allows for case by case analysis and the discretion of the Commission. Our department's core findings are that the existing conditional use process is working and can be adjusted to better serve the residents.

San Francisco's retail brokers completed a study of 28 neighborhood commercial streets in early 2014 and found that successful retail districts include the characteristics described below. All of these characteristics were further emphasized in similar studies conducted by the Office of Economic Analysis, the Planning Department and San Francisco Budget and Legislative Analyst.

- Massing: two blocks of shops have greater potential to become a popular shopping destination than two stores on a residential street;
- Tenant Mix: the healthiest and most viable retail environments offer a mix of retailers who vary in size and offerings; including a mix of conventional and cutting edge retailers as well as established players and newcomers;
- Visibility: particularly if a store is on a corner, will impact whether shoppers will visit and increase the perceived presence of the establishment in the neighborhood;<sup>8</sup>

**Importance of Distinct & Diverse Neighborhoods to the City.** The Office of Economic Analysis (OEA) report "Expanding Formula Retail Controls: Economic Impact Report" (hereinafter "The OEA Report") found that formula retail controls may have an effect on the City's economy, through their effect on the City's neighborhoods. Proposition G was passed by a wide majority and can be read as evidence that many residents do not favor the unrestricted growth of formula retail in their neighborhoods. The OEA Report's analysis of the Bay Area housing market

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<sup>7</sup> Proposition G, added 11/7/2006

<sup>8</sup> Formula Retail Mapping Project, Colliers International, 2014 [http://www.sf-planning.org/ftp/files/legislative\\_changes/form\\_retail/formretail\\_BOS\\_brokers\\_study\\_Formula\\_Retail\\_Final.pdf](http://www.sf-planning.org/ftp/files/legislative_changes/form_retail/formretail_BOS_brokers_study_Formula_Retail_Final.pdf)

suggests that San Francisco residents pay a premium to live in the City and neighborhood quality is included in the price of housing. However, the OEA is unable to quantify the impact of the presence of formula retailers on this neighborhood premium, if any. Consequently, the OEA Report recommends that the impact of formula retailers on neighborhood quality be weighed by directing the Commission to consider both the opinions of neighborhood residents and whether a proposed store could prevent "blight".<sup>9</sup>

As the center of neighborhood activity and through the shared use of commercial facilities, the commercial street plays the vital sociological role of linking neighborhood residents to one another and to the neighborhood.<sup>10</sup> Indeed, the orientation and development of a commercial street is a significant factor in determining a successful and interesting neighborhood.<sup>11</sup> The commercial street is perhaps the greatest source of vitality and character of a city neighborhood.<sup>12</sup> Neighborhood character is intimately related to a variety of commercial uses, and leads to broader diversity as Jane Jacobs observed in *The Death and Life of Great American Cities*:

*Whenever we find a city district with an exuberant variety and plenty of commerce, we are apt to find that it contains a good many kinds of diversity also, including variety of its population and other uses. This is more than a coincidence. The same physical and economic conditions that generate diverse commerce are intimately related to the production, or the presence of other kinds of city variety.*<sup>13</sup>

As early as the Planning Commission recommendations made in May 1980 to the Board of Supervisors, the importance of the sociological function a locally-oriented commercial street performs was recognized<sup>14</sup>. The Neighborhood Commercial Rezoning Study found that such character and orientation should be preserved and encouraged.<sup>15</sup> San Francisco is a city of surprises. Its diverse and distinct neighborhoods are identified in large part by the character of their commercial areas. This feeling of surprise invites both residents and visitors alike to explore

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<sup>9</sup> Expanding Formula Retail Controls: Economic Impact Report, Office of Economic Analysis, February 12, 2014, Pages 20 and 28.

<sup>10</sup> Suzanne Keller, *The Urban Neighborhood: A Sociological Perspective* 1968, page 103.

<sup>11</sup> Mark Cohen, *San Francisco's Neighborhood Commercial Special Use District Ordinance: An Innovative Approach to Commercial Gentrification*, Golden Gate University Law Review, Vol. 13, Issue 2, September 3, 2010, Page 367 <http://digitalcommons.law.ggu.edu/cgi/viewcontent.cgi?article=1300&context=ggulrev>

<sup>12</sup> Jane Jacobs, *The Death and Life of Great American Cities* (1961) page 148

<sup>13</sup> Jane Jacobs, *The Death and Life of Great American Cities*, (1961), page 148.

<sup>14</sup> San Francisco Board of Supervisors Res. 432-80, 451-80 through 457-80 (1980).

<sup>15</sup> San Francisco Dept. of City Planning, *Neighborhood Commercial Rezoning Study: Proposed Article of the Planning Code for Neighborhood Commercial Districts* (January 1983); Department of City Planning, City and County of San Francisco, Memorandum to Dean Marcis (March 7, 1983).

the City. The recommendations put forth by the Planning Department today seek to continue working toward the ideal balance of commercial diversity to create and maintain unique neighborhoods as they evolve.

**Small Businesses.** Existing formula retail controls generally consider the neighborhood impacts when formula retailers locate in San Francisco neighborhoods. However, if the City also wants to protect the small business sector, there should be a focus on supporting small businesses to make them more competitive rather than hindering formula retailers. Through the process of developing the "San Francisco Formula Retail Economic Analysis" (The Department's Study), staff and consultants conducted one on one interviews and worked with small groups including independent retailers, small business owners, merchants associations, formula retailers, commercial brokers, neighborhood representatives and other stakeholders. The Department's Study found that landlords often perceive a benefit in renting to large established chains, which typically have better credit and can sign longer leases than independent retailers, lowering the risk that the tenant will be unable to pay its rent<sup>16</sup>. Conversely, the formula retail Conditional Use process may create a disincentive for formula retailers to be located in areas with controls.

**Economic Viability.** Small businesses have raised concerns that formula retailers are willing and able to pay higher rents than independent retailers, contributing to rapidly rising rents in the City's NCDs. Stakeholders have also raised concerns that some landlords prefer formula retailers or other established brands over independent retailers<sup>17</sup>.

The development conditions and constraints of small infill sites may be one explanation. In terms of redevelopment potential, some vacant retail buildings that are too big for independent retailers are located on parcels that are too small to support enough residential units to justify the expense of demolition and new construction. Vacant retail buildings may present other challenges for redevelopment, based on location, adjacent uses, historical preservation and cost.

Department policy encourages mixed use developments, with ground floor retail and housing above. In Neighborhood Commercial Districts where height limits typically only allows four stories, the ground floor retail space accounts for a quarter of the entire development. For these projects, developers report difficulty in securing financing from a bank without a stable, known tenant. Developers must secure financing partners and lenders who want the stability of a commercial tenant with a strong credit rating as well as branding and name recognition. San Francisco developers prefer to have a mix of commercial tenants (both independent and formula

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<sup>16</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 64.

<sup>17</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 64.

retailers), however the credibility of the formula retailer is what provides confidence for the lender. Formula retailers will typically be better equipped to sign long term leases and can provide the stability and activation that lenders look for<sup>18</sup>. In addition, formula retailers often serve as an anchor to energize a new development and bring foot traffic to a redevelopment area<sup>19</sup>. Sophisticated developers recognize that part of what makes San Francisco a desirable place to live is the unique nature of its neighborhoods and seek to find a balance between formula retailers that can activate a neighborhood, energize lenders and anchor independent retailers to create a thriving district.

**Changing Nature of Retail.** As San Francisco continues to grow, underutilized parcels redeveloped as mixed use developments increase the amount of available commercial space<sup>20</sup>. As of 2012, 26 percent of the 55,471 establishments in San Francisco were retail establishments<sup>21</sup>. Commercial uses occupy 17 percent of the City's 46.9 square miles of land area and mixed uses occupy an additional seven percent (7%)<sup>22</sup>. Combined with the increasing amount of commercial space, residents express concern over the long-term commercial vacancies in some NCDs, as evidenced by the request of Supervisor Mar's office to prepare a policy analysis report on preventing and filling commercial vacancies. The Budget and Legislative Analyst report on commercial vacancies found that some reasons for commercial vacancies include building owners that purposely keep their retail space vacant to avoid investment and/or speculate that rents will increase significantly in the near future, absentee landlords who are less fervent about keeping their property occupied and large formula retail establishments resulting in the closure of nearby small non-formula retail establishments<sup>23</sup>.

Real estate brokers report that the formula retail controls make it more difficult to fill vacancies, particularly of large spaces (more than 3,000 square feet). Cities across the country are finding it increasingly difficult to fill retail space with retail stores (i.e. businesses selling goods directly to consumers) as the number of potential retail tenants has shrunk due to competition with e-commerce and the consolidation of national retail brands<sup>24</sup>. As consumers seek an experience,

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<sup>18</sup> Planning Department and OEWD Developer Roundtable, March 28, 2014

<sup>19</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 27.

<sup>20</sup> San Francisco is not alone in this trend. Nationwide the amount of retail space per person is increasing (<http://urbanland.uli.org/economy-markets-trends/the-future-of-the-strip/>).

<sup>21</sup> San Francisco Planning Department, Commerce and Industry Inventory, 2012, Page 18.

<sup>22</sup> San Francisco Planning Department, Commerce and Industry Inventory, 2012, Page 20.

<sup>23</sup> San Francisco Budget and Legislative Analyst, "Preventing and Filling Commercial Vacancies in San Francisco," August 20, 2013.

<sup>24</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 11.

rather than a specific product, real estate professionals note a nationwide shift toward retail uses that do not compete directly with online sales<sup>25</sup>. Uses which may be appropriate in retail spaces include eating and drinking uses, grocery stores, personal services, financial advising, automotive services and dry cleaners.<sup>26</sup>

The Department's Study reviews the Ocean Avenue NCT and found that the total number of stores reporting sales tax revenues declined from 62 in 2002 to 47 in 2013. The overall decline in stores may be linked to national trends including e-commerce competition and the consolidation of national retail brands. Traditional retail spaces across the country are increasingly being filled with service-oriented uses such as personal, financial and medical service uses<sup>27</sup>. These findings indicate that service-oriented uses play an important role in both filling vacancies and meeting the daily needs of neighborhood residents.

**Retail Clusters.** Comparison goods are products like clothes, shoes, furniture and cars. They are items shoppers like to test and compare before purchasing. Comparison retailers, such as apparel and accessories stores, are especially likely to cluster together in concentrated nodes. Comparison retailers are particularly likely to benefit from co-locating with similar retailers in destinations where shoppers can walk from store to store. We see this trend not only in the Downtown and Union Square area but also in some Neighborhood Commercial Districts like the Upper Fillmore and Hayes Valley. These retail clusters can provide convenience to shoppers and help to create a neighborhood identity.

At the same time, there is growing concern that such clusters, both formula and independent, are increasingly serving a luxury or high-end market and may be displacing businesses that serve residents' daily needs. Stakeholders, including people from both the Upper Fillmore and Hayes Valley neighborhoods, have observed that long-standing retail uses that once provided affordable goods and services to serve daily needs are being replaced by stores that predominantly sell jewelry, clothing, shoes and furniture – items that most households purchase

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<sup>25</sup> ChainLinks Retail Advisors, Fall/Winter 2013 Retail Review and Forecast.

<sup>26</sup> Stakeholders have expressed concern over e-commerce grocery services such as Amazon Fresh and Google Express. However, both of these services shop at local stores in many instances and make brick and mortar supplied specialty products delivery available through their websites. Amazon Fresh does maintain its own grocery distribution centers which compete directly with brick and mortar grocers. ([https://fresh.amazon.com/Category?cat=spotlight&appendmp=true&pf\\_rd\\_s=center-5&pf\\_rd\\_p=1808047122&pf\\_rd\\_t=101&pf\\_rd\\_i=1&pf\\_rd\\_r=15QK7R6BD56K84GC450Y;http://online.wsj.com/news/articles/SB10001424127887324798904578526820771744676;https://www.google.com/shopping/express/?gclid=CLiu2r2HrL4CFQGTfgodJEgAZA#HomePlace:s=0&c=24&mall=SanFrancisco](https://fresh.amazon.com/Category?cat=spotlight&appendmp=true&pf_rd_s=center-5&pf_rd_p=1808047122&pf_rd_t=101&pf_rd_i=1&pf_rd_r=15QK7R6BD56K84GC450Y;http://online.wsj.com/news/articles/SB10001424127887324798904578526820771744676;https://www.google.com/shopping/express/?gclid=CLiu2r2HrL4CFQGTfgodJEgAZA#HomePlace:s=0&c=24&mall=SanFrancisco))

<sup>27</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 94.



only occasionally<sup>28</sup>. The shift towards higher-end, comparison shopping stores may in part reflect a regional and national decline in consumer demand from the middle class, accompanied by strong growth in retail sectors serving either the most affluent households or struggling low-income households<sup>29</sup>.

**Parent and Subsidiary Companies.** Some of the pending Ordinances include expanding the definition of formula retail to include subsidiary companies. Subsidiaries are defined as establishments "where 50 percent or more of the stock, shares, or any similar ownership interest of such establishment is owned by a formula retail use, or a subsidiary, affiliate or parent of a formula retail use, even if the establishment itself may have fewer than 11 retail sales establishments located anywhere in the world."<sup>30</sup> The Department's Study found that expanding the definition to include establishments that are majority-owned by formula retail businesses is also likely to affect a small number of potential new businesses<sup>31</sup>. This proposed policy change is designed to address several recent cases of new or proposed establishments that did not have to go through the formula retail Conditional Use process even though they were owned by formula retailers, such as the Jack Spade store in the Mission (owned by Fifth and Company, the same holding company that owns Kate Spade an established formula retailer), and Athleta and Evolution Juice in the Upper Fillmore (owned by The Gap and Starbucks, respectively). However, based on the businesses that are already located in San Francisco, this proposed change is unlikely to have a wide-ranging effect. Citywide, subsidiaries account for only three percent of retail businesses in San Francisco that have 12 or more corporate family members. Most of these would already qualify as formula retail under the existing Planning Code, because they have 12 or more locations of the same trade name in the United States<sup>32</sup>.

The Department believes that San Francisco is an international city that seeks to attract innovative business development<sup>33</sup>. San Francisco is attractive to start ups and experimental

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<sup>28</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 11.

<sup>29</sup> Nelson D. Schwartz, "The Middle Class is Steadily Eroding. Just Ask the Business World", The New York Times. February 2, 2014, [www.nytimes.com/2014/02/03/business/the-middle-class-is-steadily-eroding-just-ask-the-business-world.html](http://www.nytimes.com/2014/02/03/business/the-middle-class-is-steadily-eroding-just-ask-the-business-world.html).

<sup>30</sup> Board File No. 130486 Legislative Digest <https://sfgov.legistar.com/View.ashx?M=F&ID=2516654&GU-ID=F9DAA5F2-CDBF-4089-AFAE-3BA772DCADDE>

<sup>31</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 117.

<sup>32</sup> Note that because the majority of subsidiaries have at least 12 outlets in the U.S., these businesses were generally considered to be "formula retail" for the purposes of the study.

<sup>33</sup> The Atlantic, "The World's 26 Best Cities for Business, Life and Innovation" by Derek Thompson published on May 6, 2011 lists San Francisco as the 3<sup>rd</sup> most successful international city, ranked #1 in percent of population with higher education and #2 in entrepreneurial environment and life satisfaction

services based on its ideal nature of a densely packed city with a high concentration of educated, young, urban professionals and its relationship to the greater Bay Area region<sup>34</sup>. Many established corporations choose San Francisco as one of their primary testing locations for new concepts<sup>35</sup>. Gap Inc. opened its first Athleta store in San Francisco in 2011. There are now over 50 Athleta locations across the country. Starbucks opened its second Evolution Fresh location in San Francisco in 2012 and even today there are only four locations. Starbucks is a Seattle based company (the three other Evolution Fresh stores are in Washington) with its Evolution Fresh production facility located outside Los Angeles<sup>36</sup>. Black Fleece, a subsidiary of formula retailers Brooks Brothers, opened its second location in San Francisco in 2009. There are still only two Black Fleece locations (the other is in New York City). These concept stores were tested in San Francisco and continue to be successful. At the time of their opening, they did not have standardized features meeting the formula retail definition and with the exception of Athleta, they still do not. Without the standardized features, these businesses do not contribute to the homogenization of a street face and neighborhood. In fact, the businesses are unique and draw people who are attracted to a new concept that can only be found here to the neighborhood

As specialty retailers face more and more competition from fast-fashion and online retailers, spin-off brands have become more ubiquitous. The Ann Taylor brand launched Loft in 1996, J. Crew launched Madwell in 2009 and Kate Spade has Kate Spade Saturday. The spin off brands are intended to capture the interest of younger customers or in some cases retain customers as they age. Spin off brands "give consumers a reason to shop at their physical stores once again with a new brand" and can help to retain brick and mortar retailers<sup>37</sup>. Proponents of regulating subsidiaries argue that an established formula retail chain could create a subsidiary that has the same offerings with a different name and distinguishing features, allowing this subsidiary to have an unfair advantage over independent retailers. Typically formula retail chains are heavily

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(<http://www.theatlantic.com/business/archive/2011/05/the-worlds-26-best-cities-for-business-life-and-innovation/238436/#slide24>). San Francisco ranked #6 in Price Waterhouse Coopers 2012 analysis of a city's performance and functionality by evaluating ten indicators across 60 variables to reveal how well-balances a city is for both businesses and residents ([http://www.baruch.cuny.edu/nycdata/world\\_cities/cities-favorable\\_characteristics.htm](http://www.baruch.cuny.edu/nycdata/world_cities/cities-favorable_characteristics.htm)). The Office of Economic and Workforce Development houses an International Trade and Commerce Division to attract new international business (<http://www.oewd.org/International.aspx>).

<sup>34</sup>Mike Elgan, "Why San Francisco Today is Like Every City Tomorrow" September 28, 2013, [http://www.computerworld.com/s/article/9242772/Why\\_San\\_Francisco\\_today\\_is\\_like\\_every\\_city\\_tomorrow](http://www.computerworld.com/s/article/9242772/Why_San_Francisco_today_is_like_every_city_tomorrow)

<sup>35</sup>The New York Times, David Leonhardt, January 23, 2014 [http://www.nytimes.com/2014/01/23/business/upward-mobility-has-not-declined-study-says.html?\\_r=0](http://www.nytimes.com/2014/01/23/business/upward-mobility-has-not-declined-study-says.html?_r=0)

<sup>36</sup> Los Angeles Times, Tiffany Hsu, October 8, 2013 <http://www.latimes.com/business/money/la-fi-mo-starbucks-evolution-fresh-juice-20131008,0,1952256.story#axzz30Trx6E29>

<sup>37</sup> Fashionista, Lauren Sherman, March 26, 2014 "Spin-Off Brands Are on the Rise" <http://fashionista.com/2014/03/the-rise-of-spin-off-brand#awesm=-oD1KVicGqVw3I>

invested in their brand recognition and do not make it common practice to create subdivisions with the same offerings and different branding.

The inherent advantage that large companies have over small independent companies, based on economies of scale and purchasing power, are mitigated through other regulatory avenues. Labor and benefit laws are one example of laws that exempt small businesses from having to provide employment benefits that large companies are required to provide, as further discussed in the Employment subsection of this document. Regulating land use based on ownership in an attempt to level the competitive retail playing field is a slippery slope to regulating the user rather than the use. Formula Retail controls in San Francisco have been successfully implemented for ten years.

While generally, subsidiaries are thought of as large established corporations funding a new concept to compete with existing businesses; subsidiary regulations can also affect small business owners. A local business owner, Adriano Paganini, owns 14 restaurants including seven Super Duper Burgers. The remaining restaurants are neighborhood serving unique restaurant concepts including Beretta, Delarosa, Starbelly, Pesce, Lolida and most recently, Uno Dos Tacos. Per Mr. Paganini's letter to the Board, he prides himself on crafting one-of-a-kind concepts to unique neighborhoods<sup>38</sup>. While Super Duper Burgers is not currently a formula retail use, it is on its way to becoming one if more than 11 locations open. If the definition of formula retail is expanded to include subsidiaries, all restaurants that Mr. Paganini owns more than 50 percent of may be considered formula retail establishments (after Super Duper Burgers reaches 11 locations) and any new restaurant concepts would be subject to Conditional Use authorization. If Mr. Paganini wished to open a clothing store it would also be considered formula retail because he also owns at least 50 percent of a formula retail chain.

Including subsidiaries is not only counter intuitive to small business growth and active neighborhood commercial districts; but it would also be extremely challenging to apply consistently. The formula retail evaluation process would require applicants to complete an affidavit certifying that the proposed business is not 50 percent or more owned by a company that also owns a formula retail use. In order to evaluate the application, the Department would need to evaluate the concentration of formula retail existing within the district. To truly assess these existing levels, it seems the Department should confirm that the ownership of all of the other retail sales and service establishments. The Planning Department would only investigate and verify these statements based on complaints. The Department would not be able to verify ownership stakes in companies that are not publically traded. Including subsidiaries would mostly affect large corporations whose ownership structures are subject to change at any time.

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<sup>38</sup> Adriano Paganini, Letter to the Board of Supervisor (Attached in Public Comments)

When Jack Spade was trying to open in the Mission it was owned by Liz Claiborne Inc., which also owned Kate Spade. In February 2014 the ownership company was known as Fifth and Pacific Companies and is now known as Kate Spade & Company. Fifth and Pacific Companies is not a formula retailer, so again, the proposed definition to capture subsidiaries would not capture Jack Spade as it's owning corporation is not a formula retailer. Further, these large corporations regularly change names, ownership structures and buy and sell subsidiaries. Corporations could easily create separate holding companies to avoid formula retail controls.

The very definition of "formula retail" requires standardized features that make a use a "formula" use. In this case, the effort to include subsidiaries seems to conflict with the defining characteristics of the use. Further, review of a proposed formula retail use is identifying the concentration of formula retail uses within a given area. However, because Staff cannot review every potential business to determine their ownership structure, this concentration number would not be accurate. The proposed use would be considered formula retail by one part of the definition (ownership and financing) while the other uses in the area would be considered formula retail by another part of the definition (number of locations and standardized features). Expanding the formula retail definition to include subsidiaries is not recommended as it would constrain business development and innovation, be inconsistently applied and further complicate an existing process with minimal, if any, benefit.

**Recirculation of Local Dollars.** Often called the "multiplier effect", recirculation describes higher spending by local, non-formula retailers, generating positive multiplier effects as dollars circulate throughout the local economy, further expanding both spending and employment. One of the main concerns voiced by the public at both the Commission hearings and stakeholder meetings is that formula retailers do not recirculate tax revenue within the local economy. According to an average of ten studies conducted by Civic Economics, a much cited firm that produces studies comparing independent and formula retailers, spending by independent retailers generated 3.7 times more direct local spending than that of national chains.<sup>39</sup> Studies by this firm indicate that the percentage of revenue returned to the local economy may be as high as 52 percent for local businesses, and 13.6 percent for national chains<sup>40</sup>. When it comes to restaurants, 78.6 percent of independent restaurant revenue is returned to the local economy compared to 30.4 percent of restaurant chains<sup>41</sup>. The OEA Report found that formula retail controls primarily affect the economy by changing the retail prices paid by consumers, the

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<sup>39</sup> The American Independent Business Alliance. "Ten New Studies of the 'Local Economic Premium'". Published October 2012. Retrieved at <http://www.amiba.net/resources/studies-recommended-reading/local-premium> on 5/10/14.

<sup>40</sup> Civic Economics, "Indie Impact Study Series", Summer 2012, retrieved from <http://www.localfirst.org/images/stories/SLC-Final-Impact-Study-Series.pdf>

<sup>41</sup> Civic Economics, "Indie Impact Study Series", Summer 2012, retrieved from <http://www.localfirst.org/images/stories/SLC-Final-Impact-Study-Series.pdf>

amount of local spending by retail businesses, commercial rents and vacancy rates and the perceptions of neighborhood quality. In general, chain stores charge lower prices, but may spend less within the local economy. Research by the Office of Economic Analysis suggests that local retailers may spend up to 9.5 percent more within the local economy than chain stores, but charge prices that average 17 percent more. In stark contrast to the Civic Economic Reports, the OEA Report determined that, on balance, the economic benefits of greater local spending by non-formula retailers are outweighed by higher consumer prices<sup>42</sup>.

**Employment.** The public has voiced concerns about differences in hiring practices and the quality of jobs offered by formula and independent retailers. As gathered from public comment at Planning Commission hearings and focus group meetings, the overwhelming public sentiment is that formula retail in San Francisco is more diverse in hiring practices and more willing to hire workers without experience and provide training. However, it has been difficult to substantiate these experiences with data. Studying employment and job quality factors as they related to formula retail has proved challenging. The Department's Study found relatively few sources that provide data on employment at the local level. The data found was limited by the need to protect the privacy of workers and firms. As a result of these constraints, detailed data on the demographics of workers or part-time versus full-time status are only available at the national level, through sources that do not distinguish between independent and formula retailers. Adding to this challenge, the definition of "formula retail" in our Planning Code is very specific and is neither reflected in the literature on retail employment nor possible to exactly replicate with available data sources.

The Department's Study found that nationally, retail stores and restaurants tend to provide workers with lower wages, more limited benefit coverage and fewer and more irregular work hours compared to other industries. These industries face pressure to compete on low pricing and customer convenience (e.g. to be open long hours and on weekends and holidays).<sup>43</sup> There is also significant variation in pay and job quality within the retail sectors. For example, some firms

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<sup>42</sup> City and County of San Francisco, Office of the Controller, Office of Economic Analysis, "Expanding Formula Retail Controls: Economic Impact Report", February 12, 2014 [http://www.sf-planning.org/ftp/files/legislative\\_changes/form\\_retail/formretail\\_130788\\_economic\\_impact\\_final.pdf](http://www.sf-planning.org/ftp/files/legislative_changes/form_retail/formretail_130788_economic_impact_final.pdf)

<sup>43</sup> Francoise Carre, Chris Tilly and Diana Denham, "Explaining Variation in the Quality of U.S. Retail Jobs" (presented at the Annual Meeting of the Labor and Employment Relations Association, Denver, CO, 2010), <http://www.russellsage.org/sites/all/files/Carre-Tilly-Retail%20job%20quality-LERA-01.03.10-final-rev2.pdf>; Francoise Carré and Chris Tilly, *Short Hours, Long Hours: Hour Levels and Trends in the Retail Industry in the United States, Canada, and Mexico*, Upjohn Institute Working Paper 12-183 (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research., 2012), <http://www.econstor.eu/handle/10419/64322>; Annette D. Bernhardt, *The Future of Low-Wage Jobs: Case Studies in the Retail Industry*, IEE Working Paper (Institute on Education and the Economy, Teachers College, Columbia University, 1999), <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.41.885&rep=rep1&type=pdf>.

pay more and provide better benefits to attract better talent, reduce turnover and increase productivity. Examples include many electronics, hardware and high-end clothing stores that compete for customer business based on quality of service and where knowledgeable salespersons are often highly valued. In contrast, other stores put a higher priority on low costs and low prices, and tend to pay lower wages.<sup>44</sup> Walmart is the classic example; workers there earn approximately 12 percent less than other retail workers and 14.5 percent less than workers at large retailers and rely heavily on public programs for health care and other needs.<sup>45</sup> Beyond business strategy, other factors that influence retail job quality include state and local labor laws, unionization, and the competitiveness of the local labor market.<sup>46</sup>

Nationally, retail firms with fewer than 10 outlets tend to pay higher average wages than firms with more than 10 outlets. Studies have shown that large firms are generally more likely to offer better health care coverage, hire more minorities and comply with labor laws compared to smaller firms<sup>47</sup>. A 2001 national survey of employers and households found that larger firm size was associated with hiring significantly more African-Americans<sup>48</sup>. These differences between small and large firms may have to do with a number of factors, including awareness of labor laws, hiring methods and financial resources.

While there is significant variation in the provision of benefits and hiring practices, San Francisco's progressive labor laws raise the floor for all workers. San Francisco is nationally known for its progressive laws improving pay, access to health care and paid sick leave for all workers, particularly lower-wage workers.<sup>49</sup> Table 2 shows the required provisions of employment benefits in San Francisco based on firm size and employment status. Because benefits such as paid sick leave and health care are applicable based on the number of employees, firms with more employees will be required to provide more benefits. Most formula retailers are likely to be subject to the Health Care Security and Family Friendly Workplace Ordinance given that they have more than 11 locations and therefore will have more than 20 employees.

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<sup>44</sup> Carré, Tilly, and Denham, "Explaining Variation in the Quality of U.S. Retail Jobs."

<sup>45</sup> Ken Jacobs, Dave Graham-Squire, and Stephanie Luce, *Living Wage Policies and Big-Box Retail: How a Higher Wage Standard Would Impact Walmart Workers and Shoppers*, Research Brief (UC Berkeley Center for Labor Research and Education, 2011), <http://www.mef101.org/Issues/Resources/11-0428%20-%20Bigbox%20Living%20Wage%20Policies.pdf>.

<sup>46</sup> Carré, Tilly, and Denham, "Explaining Variation in the Quality of U.S. Retail Jobs."

<sup>47</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 53.

<sup>48</sup> Philip Moss and Chris Tilly, *Stories Employers Tell: Race, Skill, and Hiring in America* (Russell Sage Foundation, 2001).

<sup>49</sup> Michael Reich, Ken Jacobs, and Miranda Dietz, eds., *When Mandates Work: Raising Labor Standards at the Local Level*, 2014, <http://www.ucpress.edu/book.php?isbn=9780520278141>.

Table 2: San Francisco Labor Laws

Law	Employer Applicability	Requirement	Effective Date
<b>Minimum Wage Ordinance</b>	All employers with employees who work in San Francisco more than two hours per week, including part-time and temporary workers*	All employees who work in San Francisco more than two hours per week, including part-time and temporary workers, are entitled to the San Francisco minimum wage (\$10.74 per hour as of January 2014).	February 2004
<b>Paid Sick Leave Ordinance</b>	All employers** with employees who work in San Francisco, including part-time and temporary workers	All employees who work in San Francisco, including part-time and temporary workers, are entitled to paid time off from work when they are sick or need medical care, and to care for their family members or designated person when those persons are sick or need medical care.	February 2007
<b>Health Care Security Ordinance</b>	Employers with 20 or more employees nationwide, including part-time and temporary workers (and non-profit employers with 50 or more employees)	Employers must spend a minimum amount (set by law) on health care for each employee who works eight or more hours per week in San Francisco. The expenditure rate varies by employer size; in 2014, for-profit businesses with 20 to 99 employees nationwide are required to spend \$1.63 per worker per hour paid; employers with 100+ employees nationwide are required to spend \$2.44 per worker per hour paid.	January 2008
<b>Family Friendly Workplace Ordinance</b>	Employers with 20 or more employees nationwide, including part-time and temporary workers	Employers must allow any employee who is employed in San Francisco, has been employed for six months or more by the current employer, and works at least eight hours per week on a regular basis to request a flexible or predictable working arrangement to assist with care-giving responsibilities.	January 2014

**Neighborhood Character & Homogenization.** The intent of the neighborhood commercial districts is to provide convenience retail goods and services, primarily during the daytime hours. As the commercial intensity of the district varies, each district has its own scale and character description in the zoning control table. The districts feature commercial on the lower floors with residential uses above. The largest of these districts not only serve the immediate neighbors but also may offer a wide variety of comparison and specialty goods and services for the surrounding neighborhoods. Even in these cases, however, the Code is clear that a special emphasis on neighborhood-serving businesses is paramount<sup>50</sup>. Beyond that, each district begins with a description of the character so that future development can be compatible with the overall

<sup>50</sup> Planning Code Section 710-745. The largest NC district, NC-3, maintains an emphasis on neighborhood serving businesses.

character. The very nature of the Commission's discretion on Conditional Use applications requires that neighborhood compatibility be considered with each authorization. Certain neighborhoods may be more defined by uniqueness than other neighborhoods. For instance, the vice president of the Valencia Street Merchants Association described the relationship between formula retail and this neighborhood by stating, "We appreciate you can go a mile on Valencia Street and not see one formula-retail store," in the *New Yorker*<sup>51</sup>. As quoted earlier in this report, the OEA Report described an economic value to San Francisco that is inherent in its desirability as a unique city. This sentiment is reflected in other cities too. "The reaction is largely driven by sameness," says Dick Outcalt, a partner in Outcalt & Johnson Retail Strategists in Seattle. "The populace is more empowered protecting the feel of a community because they realize that commercially, aesthetically and from the property value standpoint, uniqueness has value<sup>52</sup>."

While homogenization is a factor, community participation is also part of neighborhood character. During the Department's focus group meetings, stakeholders reported difficulty in garnering the involvement of formula retail managers who often needed remote approval from corporate offices. The Department's Study found that community members in the Ocean Avenue NCT note that it is challenging to establish ongoing relationships with formula retailers because the managers rotate between stores or do not have the authority to make decisions<sup>53</sup>. New York City also had concern about the loss of "mom-and-pop" stores being replaced by Whole Foods, TJ Maxx, and Sephora. When asked by the *New York Times* about the issue, a neighbor replied, "We've lost a lot of feeling of being a community. There's a sense of community that comes from living with small merchants whom you get to know<sup>54</sup>."

When considering the appearance for a new formula retail establishment, these businesses, are ubiquitous and diminish the unique qualities of a shopping street. Under the Planning Code, formula retail establishments are defined as "an...establishment which, along with eleven or more other retail sales establishments...maintains two or more [standardized] features". In other words, formula retailers are stores with multiple locations and a recognizable "look" or appearance. What makes a look recognizable in this case, is the repetition of the same characteristics of one store in multiple locations. The sameness of formula retail outlets, while

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<sup>51</sup> Lauren Smiley. "What It Means to Keep Chain Stores Out of San Francisco" September 20, 2013. *The New Yorker*. Retrieved from <http://www.newyorker.com/online/blogs/currency/2013/09/what-it-means-to-keep-chain-stores-out-of-san-francisco.html>

<sup>52</sup> Haya El Nasser. "Cities put shackles on chain stores" July 20, 2004. *USA Today*. Retrieved from <http://sustainableconnections.org/ex-pdfs/USA%20Today%20Cities%20put%20shackles.pdf>

<sup>53</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 91.

<sup>54</sup> Joseph Berger. "Fear (and Shopping) When Big Stores Move In" June 4, 2010. *The New York Times*. Retrieved from [http://www.nytimes.com/2010/06/05/nyregion/05metjournal.html?\\_r=2&](http://www.nytimes.com/2010/06/05/nyregion/05metjournal.html?_r=2&)



providing clear branding for consumers, counters the general direction of existing land use controls which value unique community character. The standardized characteristics that are found other places provide some level of homogenization. Formula retailers cannot be unique because there are at least 11 others with the same look.

This effect has an impact on tourists and locals alike. A quick stroll through "Yelpers" review of Fisherman's Wharf elicits the following quotes<sup>55</sup>:

- *"This place is gross... and reeks of chain restaurants and poor examples of badly executed notions of Americana."*
- *"This area has some restaurants but they are chains or have only average food."*
- *"Restaurants are a mix of chains and tourist favorites."*
- *"Understandably, there are cheesy chain restaurants, expensive ventures for the kids and family, and more people crammed into one area than all of the rest of the city. There will be lots of distractions, gimmicky souvenirs to be sold, but that's not to say it's all a bad time."*
- *"It is fun to walk and window-shop here. Also, you can chose between fine seafood restaurants and street kiosk to satisfy any craving. The problem: too many chain restaurants spoil an area that should be an authentic neighborhood of San Francisco."*

While Fisherman's Wharf is not subject to formula retail controls, the sentiment above is a good indicator of some general reactions to a perceived overabundance of formula retail.

**The Existing Conditional Use Process.** The Department's Study and the OEA Report found that the Conditional Use process is working to retain unique neighborhood character. The relatively low concentration of formula retail in commercial and mixed-use neighborhoods with formula retail controls in places suggest that the controls are successful in limiting the amount of formula retail in the City's Neighborhood Commercial Districts<sup>56</sup>. The Conditional Use process creates disincentives for formula retailers to locate in NCDs. The upfront time and financial investment required to go through the Conditional Use process results in many formula retailers being unwilling to consider locating in the NCDs. However, formula retailers are more likely to submit applications in neighborhoods with strong market demand for new retail and where they anticipate a positive reception by the community. The process empowers the local community by giving community members the power to keep unwanted formula retail uses out. Excluding pending applications, 75 percent of formula retail Conditional Use applications have been

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<sup>55</sup> User reviews from Fisherman's Wharf Yelp! page. Retrieved on May 9, 2014 from <http://www.yelp.com/biz/fishermans-wharf-san-francisco-3>

<sup>56</sup> Page 28 of The Department's Study determined that formula retailers account for ten percent of the retail establishments in commercial/mixed-use districts with controls in place, while they account for 25 percent of the retail establishments in commercial/mixed-use districts without controls.

approved<sup>57</sup>. In cases where community members have reached a clear consensus that a proposed formula retailer is not desirable and appeared at Planning Commission hearings, the applications have often been denied or withdrawn. In general, community reaction to formula retail Conditional Use applications appears to depend on factors such as the potential impacts on existing and beloved businesses and whether the prospective formula retail tenants are filling long-standing vacancies and/or meeting unmet community needs.

Conversely, the City's formula retail controls may be a contributing factor in some long-term vacancies, particularly of larger storefronts. Brokers report that large, deep spaces may sit empty for extended periods of time if a formula retail Conditional Use application is disapproved or withdrawn, and that these vacant spaces can act as a drag on the vibrancy and overall performance of the surrounding district. Formula retailers can generally fill more floor space than independent retailers, and can more often afford to make needed tenant improvements and pay rents required to lease larger storefronts. While formula retail controls may make leasing some spaces more challenging, obsolete building designs, significant maintenance needs and challenging locations also likely contribute to long-term vacancies in many cases. There are significant limitations to the approach that formula retail controls encourage property owners to subdivide or redevelop large, vacant retail spaces. Some large retail buildings are not possible to subdivide into multiple smaller storefronts that would be more suitable for independent businesses because of structural or design issues<sup>58</sup>.

The Conditional Use process allows evaluation on a case by case basis and for consideration of community input. One recent example is Pet Food Express, a locally based chain that would have activated a long vacant building, potentially promoted additional commercial investment, provided two services that were not being provided in the neighborhood, increased street front transparency and improved the streetscape<sup>59</sup>. The project sponsor provided an economic impact study and had 42 speakers in favor of the project and 41 speakers opposed<sup>60</sup>. The controversial project was ultimately found to not be necessary or desirable and was disapproved.

## REQUIRED COMMISSION ACTION

The Commission is being asked to adopt the attached Ordinance and associated Commission Guide for Formula Retail.

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<sup>57</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 5.

<sup>58</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 6.

<sup>59</sup> Case No. 2013.0128C, heard on August 8, 2013

<sup>60</sup> Planning Commission Minutes for Case No. 2013.0128C heard on August 8, 2013

## POLICY RECOMMENDATIONS AND BASIS FOR RECOMMENDATIONS

The Department recommends that the Commission retain the existing framework of Conditional Use authorization, while making some changes to better respond to issues of concern and to facilitate consideration of formula retail uses which enrich a neighborhood. The proposal seeks to maintain the original intent of formula retail controls while adding rigor and consistency to the process. The specific recommendations of the Department and a discussion of why the changes are being proposed follows:

1. **Refine the definition of formula retailer, while maintaining a balance.** Increase the numerical threshold from 11 to 20 and broaden the definition to include more use types and businesses located outside of United States. In addition to physical establishments, locations that are permitted or entitled by the local jurisdiction would now be added toward the threshold for formula retail. The Department recommends not counting merely signed leases without any land use entitlements towards this threshold.

A. **Numerical Threshold.** Formula retail is currently defined as a retail establishment which, along with 11 or more retail sales establishments located in the United States, maintains two or more standardized features. When a qualifying use applies for the twelfth or more location and the new application is located in a zoning district with formula retail controls, it is required to procure Conditional Use authorization from the Planning Commission. When the original formula retail legislation was proposed in 2003, the definition of formula retail was four or more locations<sup>61</sup>. Through the Board of Supervisor's review of the ordinance, the number was increased to 11 to avoid negatively impacting small businesses.

Blue Bottle and Philz Coffee recently reached 14 locations and San Francisco Soup Company has 16 locations. These businesses are now considered formula retail and reviewed under the same process as much larger businesses such as Starbucks (over 20,000 locations) and Subway (over 40,00 locations). According to the San Francisco Formula Retail Economic Analysis, approximately half of San Francisco's formula retail establishments are associated with companies that have more than 1,045 branches and subsidiaries. Only five percent of formula retail establishments in San Francisco are associated with businesses with fewer than 20 total branches<sup>62</sup>. Raising the number of locations to 20 would mean that relatively small businesses such as Blue Bottle Coffee, Philz Coffee and Patxi's Pizza are no longer considered formula retail. The formula retail definition would continue to capture the majority of well-known formula retailers (such

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<sup>61</sup> Board File No. 031501 <https://sfgov.legistar.com/View.ashx?M=F&ID=704645&GUID=36C7A18F-7673-4720-BDCD-8A7F0FCE9DC6>

<sup>62</sup> This number is based on the number of existing formula retailers in San Francisco, i.e. those with more than 11 locations.

as Safeway, Wells Fargo, Peets Coffee, Gap) as well as some medium-sized businesses that have grown substantially, such as Umami Burger, Boudin, Extreme Pizza and the Cheesesteak Shop. Retailers such as Steven Alan, James Perse and Athleta would continue to be defined as formula retailers. Meanwhile, the number of smaller businesses such as Super Duper Burger and San Francisco Soup Company can continue to grow in San Francisco<sup>63</sup>.

The Department recommends counting locations that are permitted or entitled towards the numerical threshold. As previously discussed, a Board of Appeals ruling required that leases held count as potential locations toward meeting the formula retail threshold. However, leases are private agreements between landlords and tenants and cannot be independently verified. Leases are sometimes held for years before a retailer operates in a location. The long vacant former Walgreens on Ocean Avenue and the proposed Pet Food Express location on Lombard Street are local examples of this phenomenon. An entitled or permitted location is one that has already been approved to operate by a local jurisdiction. The proposed establishment would have at this point invested time and money in ensuring an operation. Further, entitlements and permits are public record and can be independently verified. These pending locations which have received land use approvals have a much greater likelihood of coming to fruition and should therefore be counted toward the numerical threshold of 20. This proposed change should address the concern of formula retail establishments coordinating their openings in an effort to circumvent San Francisco's formula retail controls.

- B. Location of Establishments.** Similarly, including international locations toward the 20 locations would balance the increase in number of locations while still allowing small businesses to grow. Data on the number of establishments located internationally were not available; however, by looking at the headquarters of formula retailers we can get an approximation of where retailers are primarily located. According to the Department's Study, within San Francisco, only 10 percent of businesses with 12 or more corporate family members are part of a corporation that is headquartered outside the United States<sup>64</sup>. A vast majority of these have long established presences in the U.S. and already qualify as formula retail under the current Planning Code. For example, highly recognizable brands such as T-Mobile (based in Germany), 7-Eleven (headquartered in Japan), The Body Shop (headquartered in England) and Sephora (based in France) account for many of the 130 businesses headquartered outside of the U.S.

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<sup>63</sup> Numbers are based on individual websites, accessed 4/7/2014.

<sup>64</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 3.

The proposal to include internationally based retailers who desire to open a flag ship U.S. location are unlikely to be hindered by formula retail controls, as flagship stores are likely to be located in a major regional shopping center such as Union Square, which does not have formula retail controls. When Japan-based Uniqlo opened its first west coast store in Union Square, it had 1,132 stores in 13 countries. The U.S. COO said, "We chose San Francisco because it's a hotbed of global technological innovation."<sup>65</sup> San Francisco is a desired retail location and will continue to be so.

By increasing the number of global locations to 20, businesses such as Uniqlo, Muji, Daiso, Loving Hut, Aesop and Oskia would continue to be formula retailers. The proposed increase can expect to capture approximately the same number of formula retailers that are currently captured. The number of retailers that would newly be captured by counting international locations is very small<sup>66</sup>.

C. **Use Categories.** The Department recommends expanding the definition of formula retail to include Limited Financial Service, Fringe Financial Service, Business and Professional Service, Tobacco Paraphernalia Establishments, Massage Establishments, and Personal Services.

1. **Limited Financial Service** is defined in Planning Code Section 790.112 as "*A retail use which provides banking services, when not occupying more than 15 feet of linear frontage of 200 square feet of gross floor area. Automated teller machines, if installed within such facility or on an exterior wall as a walk-up facility, are included in this category; however, these machines are not subject to the hours of operation...*" These uses tend to be ATMs but there is nothing in the Code that prevents a small branch from opening under this use category and it is therefore analogous to Financial Services, which are already subject to formula retail controls. The number of Limited Financial Service uses that would be captured by this definition change are not available because the data combines this use category with Financial Services in general. Supervisor Weiner's Interim Controls in the Upper Market Street NCT currently requires Conditional Use authorization for all Limited Financial Service uses, indicating a community desire to more heavily regulate these uses.

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<sup>65</sup> Carolyn Said, "Uniqlo Opens S.F. Store," *SFGate*, October 4, 2012, <http://www.sfgate.com/business/article/Uniqlo-opens-S-F-store-3919489.php#src=fb>.

<sup>66</sup> Strategic Economics reported that almost all (if not all) of the businesses with locations in San Francisco that are headquartered outside the U.S. and are currently captured by the definition of formula retail would still be captured by the definition of formula retail if the threshold was raised to 20 locations worldwide. Only one instance of an internally based retailer that may not meet the 20 location threshold was found. This example was Sheng Kee Bakery, which has 12 U.S. locations but is headquartered in Taiwan. The company appears to have locations in Taiwan, Singapore and Canada but it is unclear if they are all actually the same company. If they are the same company, there are fewer than 8 locations outside the U.S. (Reported via email on May 6, 2014).

The proposal includes an exemption for Limited Financial Services that are located within another use and that are not visible from the street and for a single exterior ATM that follows the draft Commission Guide for Formula Retail (Exhibit C) for Limited Financial Services. ATMs are currently further regulated as walk-up facilities and require a Conditional Use authorization if they are not recessed three feet from the front property line. The proposal includes removing this CU requirement, further discussed under Small Business Support. Board File No, 12-0047, which adopted Financial Services as a use category subject to formula retail controls found that Limited Financial Service uses would allow smaller size financial services with less of an impact on the aesthetic character and vibrancy of a NCD. While banking services are a desired neighborhood serving use, a row of ATMs or an ATM vestibule do not contribute to the vibrancy of street activity. Limited Financial Services, similar to Financial Services, tend to include maximum signage serving as advertising and branding on a street face. The proposed Commission's Guidelines include specific guidance to minimize ATM signage and design them to be pedestrian scaled. San Francisco is not unique in dealing with the aesthetic impacts that banking services have on neighborhood commercial districts. New York City addressed this issue in the Upper West Side neighborhoods by limiting the width of bank storefronts to no more than 25' wide. The concern there, however, was that the small fine grained nature of the existing neighborhood commercial district was being eroded by larger storefronts. San Francisco's NCDs generally feature storefronts that are 15 to 25', necessitating further controls applied to Limited Financial Services.

2. **Fringe Financial Service.** Fringe Financial Service is defined in Planning Code Section 790.111 as *"A retail use that provides banking services and products to the public and is owned or operated by a "check casher" as defined in California Civil Code Section 1789.31, as amended from time to time, or by a "licensee" as defined in California Financial Code Section 23001(d), as amended from time to time."* Fringe Financial Services are regulated within the Fringe Financial Service Restricted Use District (Sec. 249.34 of the Planning Code) because they have the *"potential to displace other financial service providers, including charter banks, which offer a much broader range of financial services, as well as other desired commercial development in the City, which provides a broad range of neighborhood commercial goods and services."* The Fringe Financial Service RUD only applies to the Mission Alcoholic Beverage District SUD, the North of Market Residential SUD, the Divisadero Street Alcohol RUD, the Third Street Alcohol RUD and the Haight Street Alcohol RUD. By applying the definition of formula retail to Fringe Financial Services, the Department will be better equipped to evaluate future locations in Neighborhood Commercial Districts, as well as evolving Mixed Use Districts. Supervisor Kim's Interim Zoning Controls on Market Street require

Conditional Use authorization for new Fringe Financial Services that front on Market Street between 6<sup>th</sup> Street and Van Ness Avenue, demonstrating a community desire to further control Fringe Financial Services. Currently, there are 10-20 fringe financial uses within San Francisco that have more than 20 locations<sup>67</sup>.

3. **Business and Professional Service.** Defined in Planning Code Section 790.108 as *"A retail use which provides to the general public, general business or professional services, including but not limited to, architectural, management, clerical, accounting, legal, consulting, insurance, real estate brokerage, and travel services. It also includes business offices of building, plumbing, electrical, painting, roofing, furnace or pest control contractors...It does not include research service of an industrial or scientific nature in a commercial or medical laboratory, other than routine medical testing and analysis by a health-care professional or hospital."* Business and professional services such as tax preparation firms, realtors and insurance agencies offer a retail sale or service and making them subject to formula retail controls would be consistent with the spirit and intent of the Act. Independent business and professional services account for approximately 95 percent of existing business and professional services in San Francisco. The remaining five percent bear the hallmarks of formula retail uses with standardized signage, décor and services<sup>68</sup>.

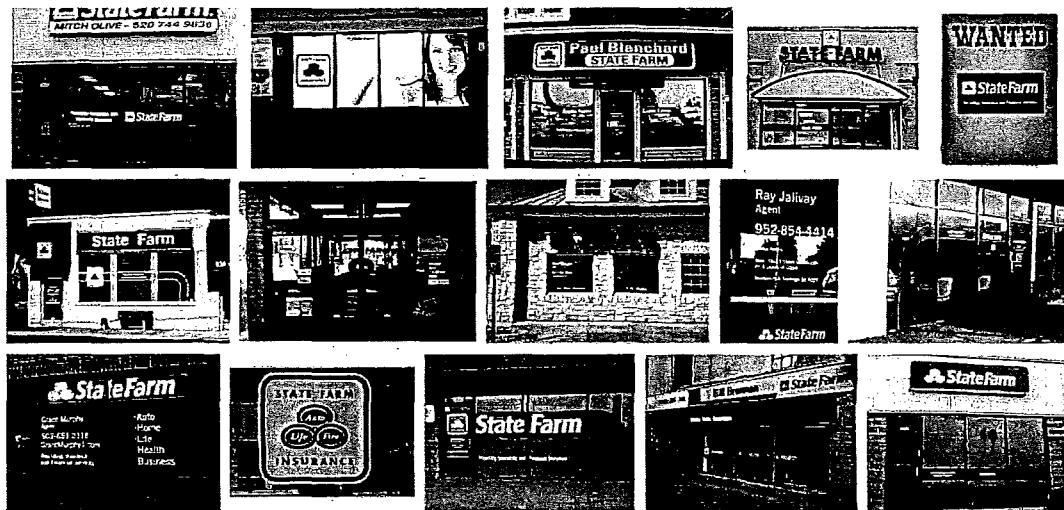


Figure 2: State Farm Insurance offices (Business and Professional Service)

<sup>67</sup> Source: Dun & Bradstreet, 2012; Strategic Economics, 2014. Based on Dun & Bradstreet business data that have not been independently verified; all numbers are approximate and includes branches or subsidiaries located anywhere in the world.

<sup>68</sup> Dun & Bradstreet, 2012; Strategic Economics, 2014. Based on Dun & Bradstreet business data that have not been independently verified; all numbers are approximate.

Expanding the definition of formula retail to include business and professional services will apply to businesses such as H&R Block, and real estate and insurance offices such as Coldwell Banker and State Farm Insurance. These businesses often seem to present the standardized features that determine when multiple outlets should be considered formula retail and therefore should be captured in the definition.

4. **Tobacco Paraphernalia Establishment.** Defined in Planning Code Section 790.123 as *"a retail use where more than 10% of the square footage of occupied floor area, as defined in Section 102.10, or more than 10 linear feet of display area projected to the floor, whichever is less, is dedicated to the sale, distribution, delivery, furnishing or marketing of Tobacco Paraphernalia from one person to another..."* Tobacco paraphernalia establishments, like liquor stores are generally not permitted or require a CU in most zoning districts. The Department is aware of two tobacco paraphernalia establishments that would also be Formula Retail uses, however, neither one is located in San Francisco.
5. **Massage Establishments.** Currently there are two avenues to seek an entitlement to operate a massage operation. The process heavy Conditional Use (CU) authorization for "Massage Establishment" required in all NC and mixed use, commercial, and PDR Zoning Districts (Planning Code Sections 790.60, 890.54, 281.1). This process requires filing with the Department of Public Health (for back ground checks and completion of rigorous DPH licensing requirements of therapists) then completing the CU process which requires a neighborhood notification (per Planning Code Section 311) and a public hearing in front of the Planning Commission; or, a massage operator may seek a building permit to operate under the Planning Code's Medical Service use (Planning Code Sections 790.114, 890.114) if all massage therapists are CA State certified via the state's Massage Therapy Council (CAMTC). Most massage establishments, including the recognizable establishments such as Massage Envy and Burke Williams, have elected to establish under the easier Medical Service use entitlement process. Under the proposal, all massage establishments not classified as a Medical Service use would be subject to FR CU controls. While the Department is unaware of any formula retail Massage Establishments, due to nuisance concerns it is appropriate to regulate these establishments as formula retail if the defining features of formula retail are present.
6. **Personal Service.** Personal service is defined in Planning Code Section 790.116 as *"a retail use which provides grooming service to the individual, including salons, cosmetic services, tattoo parlors and health spas or instructional services not certified by the State Educational Agency, such as art, dance, exercise, martial arts and music classes"*. Personal



service includes uses such as gyms, fitness studios, and hair and nail salons. While personal services are a desired daily needs use in many neighborhoods, gyms in particular, are generally thought of as chains with the standardized features as seen in traditional formula retailers. Gyms range from large use sizes such as 24 Hour Fitness, Equinox and Crunch, however, the trend of smaller boutique fitness studios is emerging in most metropolitan cities<sup>69</sup>. These smaller (use size) fitness studio chains such as Pop Physique, Soul Cycle and Dailey Method can have the same standardizing impact on a neighborhood as they grow and proliferate. Dailey Method and Bar Method are San Francisco based businesses now with more than 55 locations each. Additional fast growing fitness studio companies such as CrossFit, Pop Physique, and Soul Cycle are more likely to be aesthetically compatible with a NCD due to their use size as well as their ability to serve the daily needs of residents<sup>70</sup>. However, they should still be subject to the same review process as other chain retail sales and services.

Other personal service uses such as hair and nail salons that have grown to become formula retail uses should be treated as such. Hair salons include Dry Bar (37 U.S. locations) and Super Cuts. Nail salons are not as well known, however Regal Nails is approaching 1,000 franchised locations and Dashing Diva has 18 locations. There is a demonstrated interest in successfully creating a formula retail nail salon concept<sup>71</sup>. Together, these uses can have the same homogenizing effects of traditional formula retail stores offering goods rather than services. Their success is based on brand recognition and formulaic offerings and should be regulated as such.

## **2. Expand formula retail controls to areas of concern.**

- A. Require Conditional Use authorization for formula retail establishments with frontage on Market Street between 6<sup>th</sup> Street and 12<sup>th</sup> Street.** Long-standing policies adopted in the General Plan acknowledge the importance of Market Street as the city's

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<sup>69</sup> Pop Physique is currently in 17 U.S. locations with 3 new locations opening soon. Soul Cycle has 29 U.S. locations. Soul Cycle is now owned by Equinox.

<sup>70</sup> Kate Rockwood, "The World's Top 10 Most Innovative Companies in Fitness", *Fast Company*, February 11, 2013 <http://www.fastcompany.com/most-innovative-companies/2013/industry/fitness>. CrossFit opened 1000 United States locations between 2012-2013 and Soul Cycle has 60 locations planned by 2015.

<sup>71</sup> Lydia Dishman "Meet the Woman Who Wants to Make MiniLuxe the "Starbucks of Nail Salons"", *Fast Company*, May 30, 2012, <http://www.fastcompany.com/1838616/meet-woman-who-wants-make-miniluxe-starbucks-nail-salons> and Sree Roy, "Can One of These Emerging Salon Chains Become the "Starbucks of Nails"?", *Nails Magazine*, September 1, 2007, <http://www.nailsmag.com/article/40304/can-one-of-these-emerging-salon-chains-become-the-starbucks-of-nails> both discuss how nail salons can be franchise concepts similar to Starbucks based on standardized features and characteristics.

cultural and ceremonial spine. Given this elevated importance to the image of the City, the Department recommends permanent formula retail controls to replace the current interim controls along Market Street and expanding the area of controls from Van Ness to 12<sup>th</sup> Street. In January 2010, the Mayor's Office of Economic and Workforce Development launched the Central Market Partnership, a public/private initiative to renew and coordinate efforts to revitalize the Central market neighborhood. In November 2011, the Mayor released the Central Market Economic Strategy. In July 2013, Supervisor Kim sponsored legislation to place interim formula retail controls on Market Street between Van Ness and 6<sup>th</sup> Street in order to ensure that new development retained a unique neighborhood character.

This portion of Market Street is zoned C-3-G: Downtown General Commercial and had no restrictions on formula retail uses, prior to the adoption of interim controls. The C-3-G District is described in Planning Code Section 201.3, "This district covers the western portions of downtown and is composed of a variety of uses: Retail, offices, hotels, entertainment, clubs and institutions, and high-density residential. Many of these uses have a Citywide or regional function, although the intensity of development is lower here than in the downtown core area. As in the case of other downtown districts, no off-street parking is required for individual commercial buildings. In the vicinity of Market Street, the configuration of this district reflects easy accessibility by rapid transit."

Between 2011 and 2013, 17 new companies moved into the Central Market area. As this area experiences major growth, now is the time to ensure the land use controls create a neighborhood that is worthy of the importance of the street. Over 5,571 residential units are under construction or approved and 40 additional development projects are in the pipeline<sup>72</sup>. Central Market is a burgeoning mixed-use neighborhood and formula retail controls will help shape the future development of the community. The Department recommends applying the existing Conditional Use process to formula retail establishments that front on Market Street between 12<sup>th</sup> Street and 6<sup>th</sup> Street in order to ensure the development of balanced neighborhood character rather than producing a bland or generic retail presence. The approach itself is balanced in applying only to storefronts with a frontage on Market Street rather than the entire Central Market area. Key to this proposal is careful review of the uses visible from the right-of-way. The Conditional Use process will ensure that formula retail

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<sup>72</sup> Central Market Turnaround 2011 – 2013, San Francisco Office of Economic and Workforce Development, November 1, 2013. (Attached)  
<http://www.oewd.org/media/docs/Central%20Market/CENTRAL%20MARKET%20TURNAROUND%2011-1-13.pdf>

establishments that locate visibly on the central part of Market Street will be compatible with the development of neighborhood character and uses.

As the City continues to attract new businesses to this emerging retail corridor, there is a desire to preserve and attract neighborhood retail that is in keeping with the character of this historic area. Since 2011, 13 new small businesses have located in the Central Market area, with five additional businesses planning to open soon<sup>73</sup>. Through the Department's Study, merchants voiced concern that they see a pattern of independent startup businesses that turn a neighborhood around and are then forced out through rent increases. Startups take the risk of locating in transitional neighborhoods and help to improve the neighborhood through their presence and investment. This is generally due to these more risky neighborhoods being affordable to startup businesses. They draw in more foot traffic and as the neighborhood improves and becomes less risky, established businesses want to locate there. These established businesses tend to be formula retailers and are typically better capitalized, have better credit and can pay higher rents and commit to longer leases which may negatively impact the start-up businesses that played a key role in revitalizing a neighborhood. In the Central Market area there are already ten formula retail limited restaurants (fast food) and two formula retail pharmacies<sup>74</sup>. The unregulated and unmonitored establishment of additional formula retail uses may unduly limit or eliminate business establishment opportunities for startup businesses, many of which tend to be non-traditional or unique. Recent additions to this part of Market Street include Littlejohn's Candies, Beer Hall, Huckleberry Bicycles, Alta and Little Griddle. These business owners took a risk and made an investment on a transitional part of Market Street and are paving the way for future economic development in the City's historic core. Their efforts should not be hampered by a proliferation of formula retailers that can significantly alter neighborhood character.

The Department further recommends expanding formula retail Conditional Use controls beyond the interim control boundary of Van Ness Avenue to 12<sup>th</sup> Street and Franklin Street as the western boundary. Franklin Street and 12<sup>th</sup> Street divide the

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<sup>73</sup> Central Market Turnaround 2011 – 2013, San Francisco Office of Economic and Workforce Development, November 1, 2013. (Attached)  
<http://www.oewd.org/media/docs/Central%20Market/CENTRAL%20MARKET%20TURNAROUND%2011-1-13.pdf>

<sup>74</sup> Interim Zoning Controls – Specific Formula Retail Uses on Market Street, from 6<sup>th</sup> Street to Van Ness Avenue, Board File No. 130712, Resolution No. 305-13, page 2  
<https://sfgov.legistar.com/View.ashx?M=F&ID=2588632&GUID=63B9534F-8427-400B-A2FF-A17A25081C23>

NCT-3 zoning district in the Upper and Central Market neighborhoods and should be included in the permanent controls to ensure consistent application on Market Street.

**3. Focus review on issues of most importance to residents.**

- A. Strengthen review criteria and process for new formula retail in Districts with formula retail controls in place.** The existing Code establishes that the "Planning Commission shall develop and adopt guidelines which it shall employ when considering any request for discretionary review." The Code then lays out five criteria for consideration, which have not been interpreted or clarified. Review of previous staff prepared case reports indicates inconsistent application of these criteria.

The Department proposes developing formula retail review guidelines in a Commission Guide for Formula Retail document as directed by the current Code. The Commission Guide for Formula Retail (The Guide) will provide clarity to staff and increase rigor in the implementation of the five existing Conditional Use criteria.

**Consistent Data & Description Contextualized, When Possible.** The Commission Guide for Formula Retail will include direction to staff on how to construct consistent reports for the Commission's consideration. The reports for the Commission should include uniform assessments of key neighborhood features such as demographics, trends, a qualitative characterization the nature of the District, including massing, use size, anchors, and clusters. Data on the retail character should consistently describe vacancies, the amount of formula and non-formula retailers, as well as the prevalence of uses that meet daily needs. The data should be contextualized with comparisons to City-wide data and other Districts, where available. The Guide will provide interpretation and guidance to staff, applicants, and the public about how to apply the existing formula retail Conditional Use review criteria as detailed below.

**Area of Comparison: Zoning District and Appropriate Vicinity.** The existing codified evaluation criteria require analyzing the proposed use in the context of the entire zoning district. Most residents can identify their Neighborhood Commercial District; however Eastern Neighborhoods and Mixed Use Zoning Districts are not linear districts that residents can easily identify. Even NCDs that are linear can stretch over a mile, much greater than typical walking distance or a perceived "neighborhood". In addition to evaluating the zoning district, the Department recommends evaluating an appropriate vicinity, which may be a quarter mile or 300 feet, depending on the size and location of the zoning district. A distance of a quarter-mile is a standard metric to describe comfortable walking distance that would generally be appropriate. However, for very small districts such as the Upper Market NCT, a quarter mile would be approximately half of the district and therefore a reduced radius of 300 feet would provide a greater differentiation of the area from the larger district. Larger districts and districts that are

adjacent to or near other commercial districts should use the larger quarter mile radius to describe vicinity. Using an appropriate radius will capture uses in the walkable area that are not in the same District. For example, Mission and Valencia are parallel adjacent NCDs but currently, a formula retail proposal in the Mission NCT would not evaluate uses in the Valencia NCD even though they are separated by a block. Similarly, the NC-3 zoning district on Geary Boulevard stretches over two miles. The western side of Geary is very different from the middle and eastern sides. But residents along middle Geary Boulevard are very likely to consider middle Clement Street their neighborhood. Evaluating uses in the vicinity would provide a better comparison to the district and provide an analysis of all walkable commercial uses near a proposed formula retailer. Allowing staff to determine appropriate vicinity based on the zoning district will allow for more meaningful analysis based on locational context. Again, a literal interpretation of the existing criterion may to a meaningless evaluation of formula retail throughout the "zoning district" which may include parcels as far away as those on Geary Street in the Richmond with parcels having the same zoning designation on Mission Street in the Outer Mission neighborhood.

Specifically, how the existing criteria would be evaluated. Below is a discussion of the existing criteria with the proposed changes as well as a further guidance to staff that would be provided in the Commission Guide. No thresholds are provided that would require staff to recommend approval or disapproval on any one criterion, rather guidance is provided to ensure review of the project, the District and the immediate area holistically.

1. The existing concentrations of formula retail uses within the district and within the vicinity of the proposed project. Staff will inform the Commission discussion of concentration of formula retail by providing:
  - a. The concentration of formula retail uses as a percentage of all ground floor commercial uses within the district.
  - b. The concentration of formula retail uses as a percentage of all ground floor commercial uses within the appropriate vicinity of the proposed project. The appropriate vicinity, as previously discussed could be 300 feet or a quarter mile, based on the district.
  - c. A discussion of linear frontage concentration of formula retail establishments based on the Upper Market NCD and NCT methodology, adopted as policy by this Commission on April 11, 2013. This methodology has been incorporated into the draft Commission Guide (Exhibit C). Staff will be directed to calculate the concentration of formula retail linear frontage in the vicinity of the proposed project. By counting linear frontage, corner parcels are more heavily weighted due to their greater aesthetic impacts.
  - d. The Department does not identify an ideal concentration threshold because it varies significantly by Neighborhood Commercial District. This variation is based on pre-

existing uses, massing and use sizes and what the neighborhood demonstrates a need for.

2. **The availability of other similar retail uses within the district and within the vicinity of the proposed project.** This criterion directs staff to review whether the goods and/or services proposed are currently being provided in the district. There is no additional direction provided on how these similar retail uses are dispersed within the district as well as no analysis of similar retail uses in commercial areas immediately adjacent to the district or even the proposed location in some cases. For this criterion as well as number 1, it seems that the important question is not whether these goods are provided anywhere within the zoning district, but rather within an easy walk. As such, the Commission Guide includes further guidance on applying this criterion as discussed below:
  - a. A discussion of similar retail uses within the district and vicinity as well as mapping their location within the vicinity. Similar retail uses include those within the same land use category as well as retailers that provide similar goods and/or services. A comparison of similar uses and their locations will demonstrate how uses are scattered throughout the walkable area.
3. **The compatibility of the proposed formula retail use with the existing architectural and aesthetic character of the district.** Most formula retail CU applications include solely interior tenant improvements and signage. Signage is administratively approved per Planning Code Article 6 and generally permitted separate from the CU authorization. However, the CU process allows for the Commission to exercise discretion and negotiate reduced visual impacts with the project sponsor. Given the concerns around potential homogenization of neighborhoods by formula retail, more specific aesthetic and architectural features of concern should be identified under review of this criterion. The Commission Guide for Formula Retail will include direction on the following:
  - a. Compare the aesthetic characteristics of proposed formula retail to the nature of the district, addressing whether or not the use size is consistent with existing character, whether signage is appropriate and compatible, and whether the storefront design is more or less pedestrian-scaled than the district as a whole.
  - b. Provide discussion of the visual impact of the proposed formula retail location including identifying its place in the District (corner, anchor, recessed from street) and whether it is in a protected viewshed in the General Plan.
  - c. **Apply the proposed Performance-Based Design Guidelines to all Formula Retail Applications.** These criteria would include specifications on how the façade appears and would include; signage, storefront transparency and pedestrian-oriented design.
    - i. **Minimized Standard Business Signage.** Signage controls exist in Article 6 of the Planning Code to protect the distinctive appearance of San Francisco and its unique geography, topography, street patterns, skyline and architectural features.

These controls encourage sound practices and lessen objectionable effects in respect to the size and placement of signs. Signage creates visual impacts which play a role in the attraction of tourists and other visitors who are so important to the economy of the City and County. Signs serve as markers and create individual identities for businesses that add to the greater identity of a neighborhood and district<sup>75</sup>. The Department recommends adoption of signage guidelines as part of the Commission Guide that would also apply to all Conditional Use review for formula retail. Formula retailers going through the Conditional Use process would have to comply with these guidelines and conform to Department discretion regarding signage.

- ii. **Maximized Storefront Transparency and Pedestrian-oriented Design.** The vitality of a district's streetscape is dependent on the existence and success of business storefronts. In response to changing marketing and advertising strategies designed to draw in customers, storefronts are the most commonly altered architectural feature in commercial buildings. The purpose of storefront design standards are to protect and enhance the character of a neighborhood by encouraging storefront design that allows tenants to successfully convey their image and products, compliment the public realm and respect the architectural features of the building and character of the district<sup>76</sup>. A transparent storefront welcomes customers inside with products and services on display, discourages crime with more "eyes on the street", reduces energy consumption by letting in natural light, and enhances curb appeal and value of the store and the entire neighborhood<sup>77</sup>. The Planning Department strives to ensure that tenant spaces remain transparent to the exterior, contribute to the activity of the public realm and do not evolve into de facto sign boards for tenants. Planning Code Section 145.1(c)(6) requires that "frontages with active uses that are not residential or PDR must be fenestrated with transparent windows and doorways for no less than 60 percent of the street frontage at the ground level and allow visibility to the inside of the building". While this code section is reviewed as part of the Conditional Use review process for formula retail uses, businesses are not required to alter their storefronts to meet the Code requirement. In most cases, a business will occupy an existing storefront that does not meet the requirement and cannot make significant alterations to a potential historic resource. However, if the

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<sup>75</sup> San Francisco Planning Department, General Planning Information, Signs, November 2012.

<sup>76</sup> San Francisco Planning Department, Design Standards for Storefronts for Article 11 Conservation Districts, Draft November 2012.

<sup>77</sup> San Francisco Planning Department, Standards for Storefront Transparency, Planning Code Requirements for Commercial Businesses, November 2013.

existing storefront has opaque glazing or security gates or grillwork that obscures visibility, adoption of the Performance-Based Design Guidelines would require altering the storefront, where possible, to meet the Code requirement.

4. **The existing retail vacancy rates within the district and within the vicinity of the proposed project.** Like most data, vacancy rates are most useful when comparisons can be drawn. There is currently minimal tracking of vacancy rates in commercial districts and it is not maintained consistently. There is also no comparison to healthy vacancy a rate. The Department has access to vacancy rates in both the Retail Broker's Study and the Invest in Neighborhoods project. Using these existing data sources as a starting point, vacancies should be considered in relation to the proximity to the proposed site. The Department should work to update this information with each formula retail application and through subsequent studies so that time-series data may be established to demonstrate how neighborhoods change over time. The Commission Guide will specify the following with respect to this criterion:
  - a. Identify current vacancy rates in district and appropriate vicinity and historic vacancy rates, as this information becomes available in the future.
  - b. Identify commercial spaces that are long term vacancies and analyze potential factors contributing to long term vacancies
5. **The existing mix of Citywide-serving retail uses and neighborhood-serving daily needs serving retail uses within the district and within the vicinity of the proposed project.** This criterion in particular seems to be difficult to interpret and apply consistently. The Code has an existing definition of "neighborhood serving" but no definition of "citywide-serving". Neighborhood Commercial Districts are intended to serve the daily needs of residents living in the immediate neighborhood. The Department's Study found that formula retail can often serve the function of meeting daily needs; however, some Districts report loss of daily needs uses due to an inundation of formula retailers that target larger citywide or regional audiences. The City strives to ensure that goods and services that residents need for daily living are available within an easy walking distance and at an affordable price. These establishments include: corner markets and grocery stores, cafés and limited restaurants, drug stores and pharmacies, hardware and general variety stores, dry cleaners and laundry facilities, banking and financial institutions, personal services and some trade shops such as those that provide tailoring, alterations, shoe repair and furniture repair. Establishments that serve daily needs and those that are considered formula retail are neither mutually exclusive nor overlapping categories. For example, banks and financial institutions are subject to formula retail controls; however, most people value having a bank within walking distance of their residence and workplace. Pharmacies and drug stores also tend to predominantly be formula retailers but are a desired use in NCDs. Pharmacies, grocery stores, banks and other uses that serve



residents' daily needs account for much of the formula retail in NCDs and other mixed use districts with formula retail controls in place<sup>78</sup>.

To apply the principles behind this criterion and the intent of NCDs, the Department recommends changing the criterion as follows:

- a. Establish a definition of "Daily Needs" with the following use types as adopted in the Commission Guide.<sup>79</sup> The Department cautions against codifying this definition as resident needs are evolving and the intent of the Guide is to be responsive to these changes. For example, if Wells Fargo filed a Conditional Use application and it was found that the neighborhood lacked financial services, Wells Fargo would be providing a daily needs serving use and be more desirable.
    1. Limited Restaurant, as defined by Planning Code Sec. 790.90
    2. Specific Other Retail, Sales and Services as defined by the following subsections of Planning Code Sec. 790.102
      - (a) General Grocery;
      - (b) Specialty Grocery;
      - (c) Pharmaceutical drugs and personal toiletries;
      - (e) Self-service Laundromats and dry cleaning;
      - (f) Household goods and services;
      - (g) Variety merchandise, pet supply stores and pet grooming services;
      - (l) Books, music, sporting goods, etc.
    3. Personal services, as defined by Planning Code Sec. 790.116
    4. Limited Financial Service (Planning Code Sec. 790.1120) and/or Financial Service (Planning Code Sec. 790.110)
    5. Specific Trade Shops as defined by the following subsections of Planning Code Sec. 790.124
      - (1) Repair of personal apparel, accessories, household goods, appliances, furniture and similar items, but excluding repair of motor vehicles and structures;
      - (6) Tailoring
  - b. Evaluate the provision of daily needs for the 1/4-mile radius in relation to the district's defined intent. If the district is intended only to support residents, the mix of uses should reflect that. Conversely, if it is to meet wider shopping or tourist needs, the mix of uses and retailers should reflect that.
- B. Look more closely at Super Stores with an economic impact report.** Require an economic impact report for big box retail uses that are over 50,000 square feet in most districts and

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<sup>78</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 26.

<sup>79</sup> Corresponding definitions apply to zoning districts within Article 8 of the Planning Code.

that are over 120,000 square feet in the C-3 district, except that the proposal would exempt grocery stores and supermarkets from these requirements. Super Stores or Big Box Stores are physically large retail establishments and usually part of a chain that would be considered a formula retail use. Shared characteristics of Super Stores include:

- Large, free-standing, rectangular, generally single-floor structures;
- Structures that sit in the middle of a large parking lot that is meant to be vehicle accessible rather than pedestrian accessible<sup>80</sup>;
- Floor space several times greater than traditional retailers in the sector allowing for a large amount of merchandise<sup>81</sup>.

These Super Stores can generally be broken into two categories: general merchandise, which includes stores like Walmart and Target that sell a wide variety of goods and products and specialty stores, such as Best Buy, that focus on a specific type of product, such as technology. Conventionally, super stores are generally more than 50,000 square feet and sometimes approach 200,000 square feet. In San Francisco, single retail uses over 50,000 gross square feet require a Conditional Use authorization in all but the C-3 Zoning District. Single retail uses over 90,000 gross square feet are only permitted in some C-3 zoned areas and require a Conditional Use authorization. Uses over 120,000 gross square feet are prohibited in all but the C-3 Zoning District<sup>82</sup>. Existing large single-retail uses in San Francisco include the Target at City Center and Costco, which are both approximately 120,000 square feet. The Target at Fourth and Mission is approximately 85,000 square feet. Both Best Buy locations in San Francisco are approximately 50,000 square feet<sup>83</sup>.

Super Stores can affect the local economy in a variety of ways. They initially bring an influx of jobs to an area, due to the size of their operation compared to small businesses. However, this gain can be nullified over time as smaller businesses are put out of business because of their inability to match the low pricing and wide variety of a super store. A 2005 study found that the opening of a Walmart saw, on average, a 2.7 percent reduction in retail employment in the surrounding County<sup>84</sup>. In terms of tax revenue, studies indicate that

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<sup>80</sup> Douglas Kelbaugh, *Repairing the American Metropolis*, USA: University of Washington Press (2002) page 165

<sup>81</sup> CQ Researcher: Big-Box Stores. September 10, 2004.

<sup>82</sup> San Francisco Planning Code Section 121.6. Uses over 120,000 gross square feet that sell groceries, contain more than 20,000 Stockpiling Units (SKUs); and devotes more than 5% of its total sales floor area to the sale of non-taxable merchandise are prohibited in San Francisco.

<sup>83</sup> Best Buy on Harrison Street is approximately 46,743 square feet and Best Buy at City Center is approximately 55,000 square feet.

<sup>84</sup> David Neumark, Junfu Zhang and Stephen Circcarella. National Bureau of Economic Research, "The Effects of Wal-Mart on Local Labor Markets" (2005). Page 28 Retrieved from <http://www.nber.org/papers/w11782.pdf>

mixed-use is the most beneficial to the economy and big-box retailers do not significantly help the economy<sup>85</sup>. The standard for a super store (a large, single-floor structure), does not yield the same multiplier effect that comes from vertical expansion that can be seen in a dense mixed-use development.

In order to fully evaluate the impact of such a use, the Department recommends requiring a thorough economic impact report as part of the Conditional Use review of any proposed Super Store. The economic impact report would include the following assessments: 1) leakage analysis study; 2) an employment analysis study; and 3) fiscal impact study. Each of these three facets of the proposed study is discussed below.

1. **Leakage analysis study.** A leakage analysis estimates the net impact that a new retail use is likely to have on sales "leakage," defined as the difference between the buying power (demand) of the household and workforce population in a trade area and the actual sales (supply) in that same trade area<sup>86</sup>. For leakage studies, in particular, it's important to establish the appropriate size of the study area. Conducting a leakage study at a neighborhood level may be appropriate for smaller stores as this is the level where impacts may be identified. At the same time, conducting such a study for a wider area, such as at the citywide level, may not provide any information as any impact would be too small to be reliably projected. Further, the trade area of impact varies widely by store type and size and other factors. For this reason, the proposal would maintain flexibility in the size of the area to be studied. This numerical leakage analysis described above should be paired with a qualitative assessment of whether the new business would complement the existing merchandise selection in the area. For example, even in case where there may be no measurable unmet demand for a particular category of goods, a new store may add greater variety in the offerings available to shoppers, helping to bolster the strength of a cluster of similar retailers. In other cases, there may not appear to be any sales leakage because existing stores are capturing all of the expected sales, but the existing stores may not necessarily match evolving consumer preferences. Allowing flexibility for determining the appropriate trade area for analysis of each project and supplementing this number with qualitative assessments are key components to this study.

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<sup>85</sup> Philip Langdon. New Urban News, "Best bet for tax revenue: mixed-use development downtown" (2010) Retrieved from <http://bettercities.net/article/best-bet-tax-revenue-mixed-use-downtown-development-13144>

<sup>86</sup> Strategic Economics, San Francisco Formula Retail Economic Analysis, prepared for San Francisco Planning Department, June 2014.

2. **Employment analysis.** An analysis including the following employment information for the proposed project: a projection of both construction-related and permanent employment generated by the proposed project; an analysis of whether the proposed project will result in a net increase or decrease in permanent employment in the impact area; and a discussion of whether the employer is expected to pay a living wage relative to San Francisco's cost of living.
3. **Fiscal Impact.** The intent of the fiscal impact portion of the report would be to itemize public revenue created by the proposed project and public services needed because of the proposed project. This would be calculated based upon the net fiscal impact to the General Fund. Such estimates should be done using the city's current assumptions used in existing nexus studies (from area plan, transit, open space in-lieu fee and other impact fees) and should include any contributions the business would make through such impact fee payments.

This work shall be paid for by the applicant and shall be completed under the direction of Planning Department staff by an economic consultant firm identified as a pre-qualified firm by the City Office of Controller.

Lastly, the draft proposal does not include a multiplier study. As discussed earlier in this report multiplier studies provide interesting information on a grand scale. These studies form a solid basis for regulating formula retail differently than independent businesses. However, multiplier studies but cannot reliably project effects on local spending before a new store is open. Even if local spending numbers could be projected for a proposed store, this number would not provide a good framework for decision-makers because local spending by competitors would be unknown. For these reasons, a multiplier study is not included in the Commission's draft proposal.

**4. Define specific circumstances where a change of Formula Retail operator should be considered a change of use.**

The goals of the new definition and process for changes of formula retailers are threefold: 1) address any intensification of a formula retail use; 2) reduce visual impacts of standardization and homogenization by applying the Performance-Based Design Guidelines and 3) address formula retail uses that pre-date current formula retail controls.

**Existing Process.** Currently, the Planning Code requires a new Conditional Use authorization for any change of formula retail operator unless the change meets all the following criteria: 1) the new use must retain the same size, function and general merchandise; 2) the new use must be the result of a business being purchased by another formula retail operator who will retain all components of the existing retailer, including signage, name and general

merchandise. Any new operator is required to comply with all conditions of approval and must conduct the operation in the same general manner<sup>87</sup>.

The Planning Code is unclear on how formula retail uses that pre-date the Formula Retail controls are treated. While Planning Code Section 303(i)(7) specifies that any change from one formula retail use to another requires a new CU, it is contradictory to Section 178 which specifies that uses that existing lawfully prior to the requirement for a CU for that use are considered a "permitted conditional use". Permitted conditional uses can change to other uses as they are permitted in the district in which it is located. A strict reading of Section 178 would indicate that formula retail uses that were permitted prior to the formula retail controls went into effect are permitted to continue operation and change uses as dictated by the district in which it is located. Further, Section 182 permits nonconforming uses, such as existing formula retailers in districts that prohibit formula retail, to continue as nonconforming uses for up to 3 years after it ceases to operate. For example, the Walgreens in the Hayes-Gough NCT is a nonconforming use because it was permitted in 1999, prior to the formula retail ban in Hayes Valley. The current code is unclear as to whether Walgreens could change to another formula retail use, such as CVS, or not.

**Proposed Changes.** If a formula retail use is changing operator and not intensifying, the change of use would be an administrative review to ensure compatibility with the Performance-Based Design Guidelines<sup>88</sup>. A formula retail use which is changing operator and intensifying would require a new Conditional Use authorization. Intensification would be defined as any one of the following: 1) increased use size; 2) change of use category, including certain subcategories of uses; 3) change to formula retail chain that has more locations anywhere in the world; and 4) installation of commercial kitchen features. This approach is consistent with City policy and practice that Conditional Use runs with the land. A use cannot be re-evaluated unless it is demonstrated to be an enlargement or intensification of the use. These proposed changes to the processing of changes of formula retail operators will strengthen overall formula retail controls.

In regards to formula retail uses that existed prior to formula retail controls and never received a formula retail CU authorization, a "first" CU would be required. Formula retail, unique from other uses, must not only be determined to be necessary and desirable but also compatible with the district in terms of use concentration, use mix and visual characteristics. As such, if a formula retail use was operating in a district that requires CU authorization for

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<sup>87</sup> San Francisco Planning Code Section 303(i)(7)

<sup>88</sup> Performance-Based Design Guidelines that contradict original conditions of approval cannot be enforced. However, the Department believes these occurrences will be limited as aspects of the Performance-Based Design Guidelines are not standard conditions of approval.

formula retail, a first CU could be required when the use changes, whether or not it is determined to be an intensification. The justification for requiring the first CU is that the neighborhood and/or district may have changed significantly and the formula retail use was never evaluated to be compatible with the neighborhood. Following the first CU authorization, the aforementioned process for changes of operator based on intensification or non-intensification would apply.

## **5. Small Business Support.**

Small businesses contribute significantly to the unique neighborhood character of each district. Formula retail controls are largely driven by communities desire to level the playing field between large chains and small businesses. The Department has heard the public's concern regarding the challenges that small businesses faces in competing with large chains and recommends utilization of existing City resources as well as minor changes to the Planning Code that will support small businesses in San Francisco.

**A. Utilization of Office of Economic and Workforce Development (OEWD) resources.** The Department recommends further outreach and education to maximize utilization of OWEED programs to support neighborhood serving businesses. The Mayor's Office of Economic and Workforce Development offers small business support services intended to make them more competitive with formula retailers. These programs include:

- **Jobs Squad:** A two member team of City staff that conducts door to door outreach to small businesses around the City to connect them with help and information.
- **Technical Assistance Programs.** OEWD, the Small Business Assistance Center in City Hall, and OEWD-funded nonprofit organizations offer technical assistance to entrepreneurs seeking to launch, expand, or stabilize their small business. They also offer legal and leasing assistance.
- **Small Business Loan Programs.** OEWD and its partners offer a variety of loan programs to entrepreneurs seeking to launch, expand or stabilize their business. Loans can range from \$5,000 to \$1,000,000.
- **SF Shines Façade & Tenant Improvement Program.** SF Shines helps businesses in targeted corridors upgrade their storefront exterior and interior space by providing funding and staff support for design, project management, and construction.
- **Biz Fit SF.** Biz Fit SF provides focused assistance in targeted corridors to existing retailers and restaurants that may be at risk of displacement.
- **Healthy Retail SF.** Healthy Retail SF provides technical assistance in targeted corridors to retailers seeking to increase access to healthy foods.
- **Storefront SF.** Storefront SF is a free internet tool for entrepreneurs seeking to lease or purchase storefront retail space to launch or expand their business.

**B. Remove restrictions on independent financial services.** Prior to formula retail controls Neighborhood Commercial Districts made many uses subject to CU authorization in an attempt to have more discretion in permitting commercial uses in neighborhoods. CUs for financial and limited financial services are on example. Now that formula retail controls

require CU authorization for financial and limited financial services the Department recommends permitted financial and limited financial services in the NCDs where they currently require a CU. This small change would allow independent financial and limited financial service to be permitted administratively and reduce the number of CUs filed, thereby reducing overall CU processing time. Districts that do not permit or have special provisions regarding financial and limited financial services will remain intact.

- C. **Allow Walk-Up Facilities without a three foot setback.** A walk-up facility is defined in Planning Code Section 790.140 and 890.140 as "a structure designed for the provision of pedestrian-oriented services when located on an exterior building wall, including window service, self-service operations and automated bank teller machines (ATMs)." In Neighborhood Commercial Districts, walk-up facilities are subject to CU authorization if they are not recessed three feet from the front property line (Section 145.2). It is believed that this requirement was put in place when ATMs were new technology and there was concern that people would queue up to use them and create sidewalk traffic. However, most ATMs are recessed three feet to avoid the CU requirement, resulting in poorly designed and in some cases unsafe or unsanitary ATMs. Review of CU applications since 2008 show that only 12 out of 2,150 (less than 1%) were for walk-up facilities. Only three were clearly for ATMs. The rest were for walk-up windows associated with restaurants or limited restaurants.

Removing the CU requirement for non-recessed walk-up facilities in combination with permitting a single formula retail ATM, in compliance with the Performance-Based Design Guidelines, is in response to articulated public comments that ATMs support small businesses. This reduction in process for walk-up facilities will benefit small businesses, improve ATM design, and reduce the number of CUs filed. Removing this requirement in conjunction with implementing the Performance-Based Design Guidelines will limit the dead wall space and branding while ensuring that cash for shoppers is easily accessible.

## ENVIRONMENTAL REVIEW

The proposed Ordinance and procedural changes are not defined as a project under CEQA Guidelines Sections 15378 and 15060(c)(2) because the proposal does not result in a physical change in the environment.

## PUBLIC COMMENT

The Department conducted extensive public outreach as part of the Department's Study and resulting policy recommendations. The Department has received formal written comments from the following individuals and organizations:

- Coblentz Patch Duffy & Bass LLP, representing the Power Center located at 555 Ninth Street.
- The Haight Ashbury Merchants Association

- 48 letters from commercial retail brokers
- Duboce Triangle Neighborhood Association
- Adriano Paganini, owner of Super Duper Burger and six other San Francisco restaurants
- Small Business Commission
- Tom Radulavich, Livable Cities
- Stacy Mitchell, Institute for Local Self-Reliance
- Small Business Commissioner Kathleen Dooley

The Department created a list of stakeholders with input from the Mayor's Office, the Office of Economic and Workforce Development and the Board of Supervisors. The stakeholders included representatives from local neighborhood organizations, merchant organizations, commercial realtors and brokers, formula retailers, independent retailers, the Chamber of Commerce, the Small Business Commission and the Planning Commission. Focus group meetings were conducted in January, March, and May of 2014.

The Department created and maintained a website "Planning Study of Formula Retail" at [www.sf-planning.org/formularetail](http://www.sf-planning.org/formularetail). Any interested party was able to sign up for updates on the Department's Study and resulting policy recommendations via this website. There are approximately 132 subscribers receiving updates from this website.

In addition to public comment received through the focus group process and inquiries from the website, there have been four public hearings at the Planning Commission intended to gather additional public comment. Hearings were held in July 2013 and January, February and April 2014.

Since the hearing on May 22, 2014 additional outreach has been conducted and comments have been received. The Planning Department's proposal was presented to the San Francisco Council of District Merchants and the Chamber of Commerce Small Business Advisory Council. Meetings were conducted and phone calls and emails were exchanged with members of the public. Additional public comments received include:

- Daniel Weaver, Executive Director, Ocean Avenue Association
- Ilene Dick, San Francisco BOMA to the Small Business Commission
- Regina Dick-Endrizzi, Director, Office of Small Business on behalf of the Small Business Commission
- Fillmore Merchants Association
- Fisherman's Wharf District
- International Franchise Association
- Wells Fargo Bank
- Stacy Mitchell, Institute for Local Self-Reliance
- Carleton Hoffman

<b>RECOMMENDATION:</b>	<b>Recommendation of Adoption of Proposed Ordinance and Commission Guide for Formula Retail.</b>
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**Executive Summary**  
**Hearing Date: July 17, 2014**

**CASE NO. 2013.0936U**  
**Formula Retail Controls**

**Attachments:**

- Exhibit A: Background Documenting the History of San Francisco's Formula Retail Controls
- Exhibit B: Market Street Map
- Exhibit C: Draft *Commission Guide for Formula Retail*
- Exhibit D: Public Comment
- Exhibit E: Draft Planning Commission Resolution Adopting Planning Code Text Changes
- Exhibit F: Draft Planning Commission Ordinance



## SAN FRANCISCO PLANNING DEPARTMENT

### Exhibit A

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#### BACKGROUND:

#### DOCUMENTING THE HISTORY OF SAN FRANCISCO'S FORMULA RETAIL CONTROLS

In 2004, the Board of Supervisors adopted San Francisco's first formula retail controls, which added Section 703.3 ("Formula Retail Uses") to the Planning Code to provide both a definition of formula retail and a regulatory framework that intended, based on the findings outlined in the Ordinance, to protect a "diverse base with distinct neighborhood retailing personalities comprised of a mix of businesses."<sup>1</sup> The Ordinance established the existing definition for formula retail as a "type of retail sales activity or retail sales establishment which, along with eleven or more other retail sales establishments, maintains two or more of the following features: a standardized array of merchandise, a standardized façade, a standardized décor and color scheme, a uniform apparel, standardized signage, a trademark or a servicemark."<sup>2</sup> The Ordinance required Neighborhood Notification pursuant to Planning Code Section 312 for formula retail uses, Conditional Use (CU) Authorization for specific area of Cole and Carl Streets and Parnassus and Stanyan Streets and a prohibition on formula retail in the Hayes-Gough Neighborhood Commercial District.

The 2004 Ordinance established a precedent for formula retail controls; a number of amendments in quick succession added districts in which formula retail uses require CU authorization.

In 2005:

- Amendments added the requirement for a CU for formula retail uses in the Haight Street NCD and the NC-2 District along Divisadero Street between Haight and Turk Streets<sup>3</sup>.
- Amendment added a prohibition on formula retail uses in the North Beach NCD<sup>4</sup>.

In 2006:

- Amendment added formula retail CU controls to the Japantown Special Use District (SUD)<sup>5</sup>.

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<sup>1</sup> Ordinance Number 62-04, Board File 031501, available on-line at:  
<https://sfgov.legistar.com/LegislationDetail.aspx?ID=473759&GUID=A83D3A84-B457-4B93-BCF5-11058DDA5598&Options=ID|Text|&Search=62-04> (March 20, 2014).

<sup>2</sup> Planning Code Section 703.3(b)

<sup>3</sup> Ordinance Nos. 8-05 (Haight Street) and 173-05 (Divisadero Street) Available online at:  
<http://sfgov.legistar.com/Legislation.aspx>.

<sup>4</sup> Ordinance No. 65-05, available online at: <http://sfgov.legistar.com/Legislation.aspx>.

<sup>5</sup> Ordinance No. 180-06, available online at: <http://sfgov.legistar.com/Legislation.aspx>.

- Planning Code Section 803.6 was added to the Planning Code, requiring CU authorization for formula retail uses in the Western SoMa Planning Area SUD.<sup>6</sup>

In 2007:

- San Francisco voters approved Proposition G, the "Small Business Protection Act" which amended the Planning Code by adding Section 703.4 required CU authorization for formula retail uses (as defined in the Code) proposed in any NCD.<sup>7</sup> Proposition G also noted that nothing precluded the Board of Supervisors from "adopting more restrictive provisions for conditional use authorization of formula retail use or prohibiting formula retail use in any Neighborhood Commercial District."

In 2012:

- The Planning Code was amended to include "Financial Services" as a use type subject to formula retail controls<sup>8</sup>.

There have been a number of recently enacted policy and legislative changes to formula retail controls which can be reviewed in Table 1.

On April 11, 2013, the Planning Commission adopted Resolution Number 18843, which set forth a policy that provides the first quantitative measure for concentration in the Upper Market Neighborhood<sup>9</sup>. This Resolution established a formula for calculating the visual impacts of formula retail uses on a street frontage and determined that if the concentration of formula retail linear frontage is greater than or equal to 20 percent of the total linear frontage of all parcels located within 300 feet of the subject property and also zoned neighborhood commercial, the Planning Department staff shall recommend disapproval.

On June 13, 2013, then-Planning Commission President Fong directed staff to review and analyze planning controls for formula retail uses in San Francisco due to the numerous pending proposals to change these controls.

On June 19, 2013, the Board of Appeals ruled that if a company has signed a lease for a location (even if the location is not yet occupied) those leases count toward the 11 establishments needed

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<sup>6</sup> Ordinance No. 204-06. Available online at: <http://sfgov.legistar.com/Legislation.aspx>.

<sup>7</sup> The text of the Proposition, as well as arguments for (drafted by then-Supervisors Peskin, Sandavol, Ammiano, Daly, Mirkarimi, Gonzalez and the nonprofit San Francisco Tomorrow) and against (draft by then-Supervisors Elsbernd and Alioto-Pier) are available online here: <http://smartvoter.org/2006/11/07/ca/sf/meas/G> (March 20, 2014)

<sup>8</sup> Ordinance No. 0106-12

<sup>9</sup> The Upper Market Neighborhood is defined in the Resolution as Market Street from Octavia Boulevard to Castro Street. The Resolution is available online at: [http://www.sf-planning.org/ftp/files/legislative\\_changes/form\\_retail/formretail\\_18843.pdf](http://www.sf-planning.org/ftp/files/legislative_changes/form_retail/formretail_18843.pdf)

to be considered formula retail<sup>10</sup>. The Board discussed, but did not act on, web-based establishments.

On June 25, 2013 Supervisor Weiner's ordinance amended the Department of Public Works Code to restrict food trucks that are associated with formula retail establishments in the public right-of-way<sup>11</sup>. The change of note is that for this restriction, the formula retail definition includes "affiliates" of formula retail restaurants, which includes an entity that is owned by or has a financial or contractual agreement with a formula retail use.

On August 7, 2013 Supervisor Kim's Interim Controls for retailers with frontage on a stretch of Market Street were enacted. This Resolution imposed interim zoning controls requiring Conditional Use authorization for certain formula retail uses, as defined, on Market Street, from 6<sup>th</sup> Street to Van Ness Avenue until February 2015<sup>12</sup>. This resolution expanded formula retail controls to include fringe financial services within the interim control area.

On June 24, 2014, Supervisor Weiner introduced Interim Controls for Formula Retail Uses in the Castro Street NCD. This Resolution imposes interim zoning controls requiring CU authorization by the Planning Commission for a proposed use that has been determined to be formula retail, even if the project sponsor subsequently removes one or more distinguishing formula retail use features from the project proposal<sup>13</sup>.

Table 1: Summary of Recent, Proposed and Interim Changes to Formula Retail Controls

Legislative or Policy Change	Type of Action	Status
<b>Modifies the definition of formula retail in the Upper Fillmore Neighborhood Commercial District</b> to include retail with 11 or more establishments anywhere in the world, and establishments where 50% or more of stock, shares, etc. are owned by a formula retail use.	BOS Ordinance (Farrell) [BF 130735]	Pending Committee Action

<sup>10</sup> Appeal No. 13-030 is available online at  
<http://www.sfgov3.org/Modules/ShowDocument.aspx?documentID=4949>

<sup>11</sup> Board File No. 120193 is available online at  
<https://sfgov.legistar.com/View.ashx?M=F&ID=2557049&GUID=5250C736-26C0-40EF-B103-4321F058992C>

<sup>12</sup> Resolution Number 305-13 [Board File No. 130712] is available online:  
<https://sfgov.legistar.com/View.ashx?M=F&ID=2588632&GUID=63B9534F-8427-400B-A2FF-A17A25081C23>

<sup>13</sup> Board File No. 140736 is available online at  
<https://sfgov.legistar.com/View.ashx?M=F&ID=3143384&GUID=DF29D5B2-7B1F-4570-93AE-2DAAC973895F>

Exhibit A: Background Documenting the History of  
San Francisco's Formula Retail Controls  
Hearing Date: July 17, 2014

CASE NO. 2013.0936U  
Formula Retail Controls

<b>Establishes the Fillmore Street Neighborhood Commercial District</b> between Bush and McAllister Streets. The proposal seeks to weight the community voice over other considerations, generally weight the hearing toward disapproval, legislate a requirement for pre-application meeting (which is already Planning Commission policy), and codify criteria for approval related to the concentration of existing formula retail.	BOS Ordinance (Breed)  [BF 120814]	Pending Before Board Land Use Committee
<b>Establishes the Divisadero Street Neighborhood Commercial District</b> between Haight and O'Farrell Streets. The proposal seeks to weight the community voice over other considerations, generally weight the hearing toward disapproval, legislate a requirement for pre-application meeting (which is already Planning Commission policy), and codify criteria for approval related to the concentration of existing formula retail.	BOS Ordinance (Breed)  [BF 120796]	Pending Before Board Land Use Committee
<b>Created 18-month interim controls on Market Street</b> between Sixth Street and Van Ness Avenue (the Central Market area). A conditional use authorization is required for any formula retail fronting on Market Street in this area.	BOS Resolution (Kim)  [BF 130712]	Enacted Expires Feb 2015
<b>Modifies the definition of formula retail in the Hayes-Gough Neighborhood Commercial Transit District</b> to include retail with 11 or more establishments anywhere in the world, and establishments where 50% or more of stock, shares, etc. are owned by a formula retail use.	BOS Ordinance (Breed)  [BF 130468]	Pending Before Board Land Use Committee
<b>Third Street Formula Retail Restricted Use District (RUD)</b> modifies the zoning controls on Third Street and expands the applicability of Formula Retail controls citywide. This mixed-use district had some parcels where CU was not required for FR. Now all parcels in this RUD require CU for the establishment of CU. Certain changes to existing entitled FR locations citywide now trigger the need for a new CU hearing.	BOS Ordinance (Cohen)  [BF 130372]	Enacted
<b>Fulton Grocery Special Use District (SUD).</b> The Planning Commission recently recommended this SUD, which would create an exception to the current prohibition on Formula Retail in the Hayes Gough NCT so as to allow the Commission to consider a Formula Retail grocer by CU.	BOS Ordinance (Breed)  [BF 131085]	Enacted
<b>Expands the Citywide definition of formula retail</b> to include businesses that have 11 or more outlets worldwide, and to include businesses that are at least 50% owned by a formula retail business; expands application to other types of retail uses (e.g., "Adult Entertainment," "Automobile Service Station," "Hotel, Tourist," "Tobacco Paraphernalia Establishment"); requires the Planning Commission to consider economic impact on other businesses in the area as part of the CU process; expands noticing procedures for formula retail applications.	BOS Ordinance (Mar)  [BF 130788]	Pending Before Board Land Use Committee
<b>Creates the first quantitative basis for evaluating concentration of formula retail in the Upper Market Neighborhood Commercial District and Neighborhood Commercial Transit District.</b> Planning Department staff will recommend disapproval of any project that brings the concentration of formula retail within 300 feet of the subject property to 20% or greater of total linear store frontage.	Planning Commission Policy  [Commission Reso. 18843]	Adopted

Exhibit A: Background Documenting the History of  
San Francisco's Formula Retail Controls  
Hearing Date: July 17, 2014

CASE NO. 2013.0936U  
Formula Retail Controls

<b>Board of Appeals ruling.</b> Established that if a company has signed a lease for a location (even if the location is not yet occupied), the lease counts towards the 11 establishments needed to be considered formula retail.	Board of Appeals ruling	
<b>Amended the Department of Public Works code to restrict food trucks that are associated with formula retail establishments.</b> For this restriction, the formula retail definition includes "affiliates" of formula retail restaurants, which includes an entity that is owned by or has a financial or contractual agreement with a formula retail use.	BOS Ordinance (Wiener) [BF 120193]	Enacted
<b>Interim controls requiring Conditional Use authorization for any use determined to be Formula Retail even if the sponsor subsequently removed distinguishing features in the Castro NCD.</b> Any use determined to be a formula retail use by the Planning Department that subsequently removes one or more distinguishing formula retail features is still subject to CU authorization in the Castro NCD for a period of 18 months.	BOS Resolution (Weiner) [BF 140736]	Pending Mayor's Signature

Acronyms:

BOS: Board of Supervisors  
BF: Board File Number  
CU: Conditional Use authorization  
N/A: Not Applicable

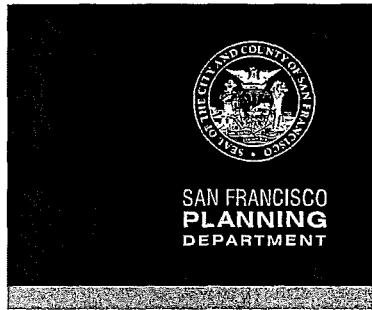


Market Street Parcels

ZONING DISTRICT

- C-3-G
- P

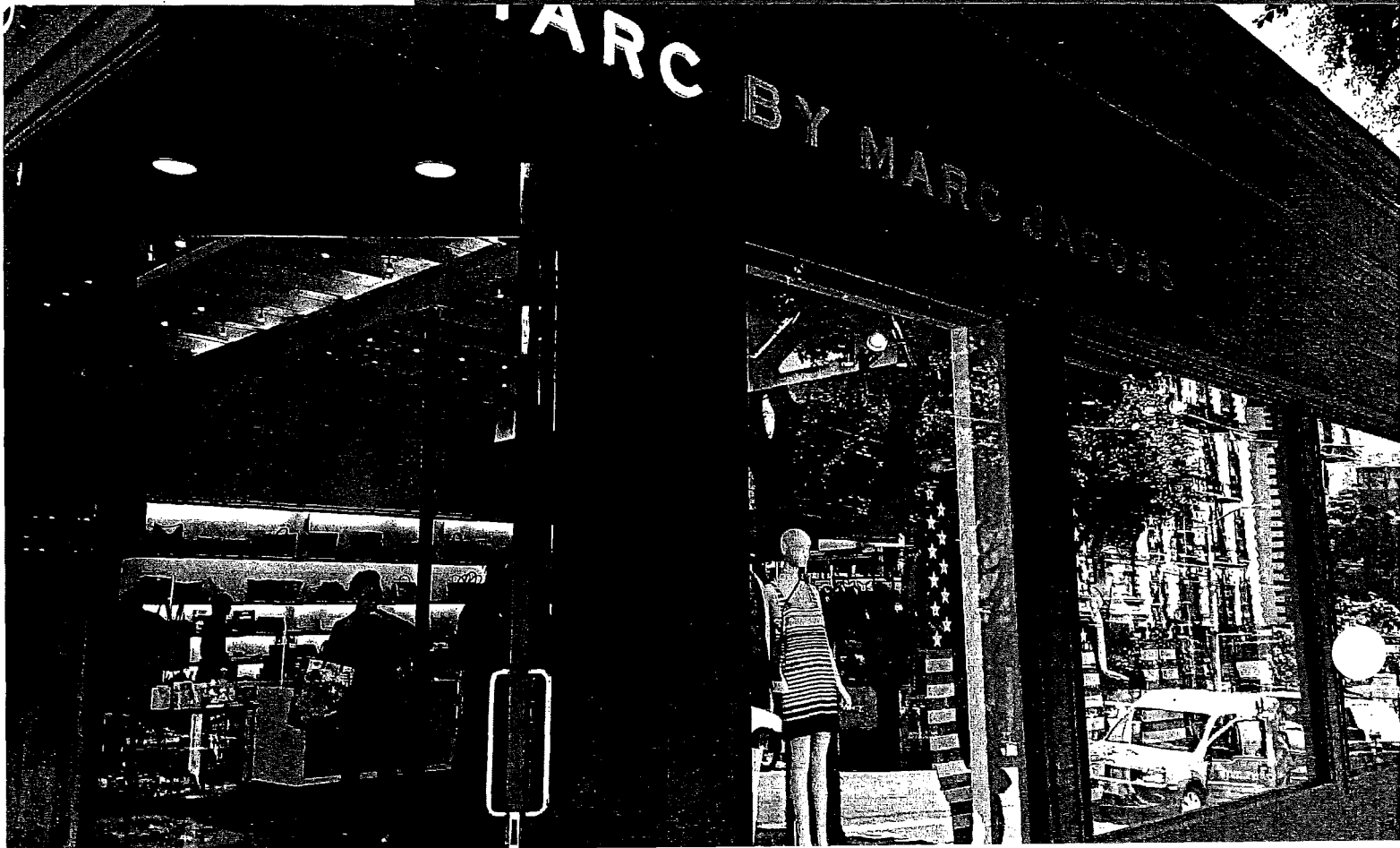
1,000 Feet



# Commission Guide for Formula Retail

DETERMINING LOCATIONAL APPROPRIATENESS AND  
PERFORMANCE-BASED DESIGN GUIDELINES

San Francisco PLANNING DEPARTMENT | JULY 2014







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PLANNING  
DEPARTMENT

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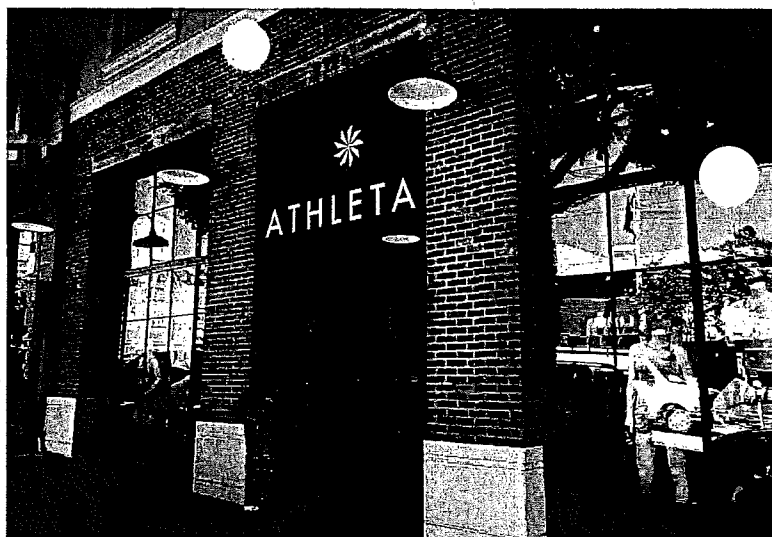
Gary Chen, *Graphic Design*

In addition to the project team, this work was informed by the formula retail stakeholder group and the project consultant, Strategic Economics.

**The purpose of this document is to evaluate the appropriateness of each individual formula retail establishment's use, design, and necessity, to help preserve the character of the City's neighborhoods.**



Photos by Matthew Dito



## PURPOSE

The Commission Guide to Formula Retail is intended to maintain the character and aesthetic qualities of San Francisco neighborhoods. It is designed to encourage harmony between retailers and the districts they reside in.

This document seeks to promote such harmony in two ways. First, the document establishes the methodology the Department will use in evaluating the appropriateness of the formula retail use in the neighborhood. Second, this document articulates Performance-Based Design Guidelines to ensure that the proposed formula retail use is aesthetically compatible with the neighborhood.

## RELEVANT CODE SECTIONS

*Section 303.1:* Conditional Use Authorization for Formula Retail Establishments

*Section 703.3:* Neighborhood Commercial Districts and Formula Retail Uses

*Section 803.6(c):* Formula Retail Uses in the MUG District, UMU District, Chinatown Mixed Use Districts and in the Western SOMA Special Use District

*Article 6:* Signs

*Article 11:* Preservation of Buildings and Districts of Architectural, Historical, and Aesthetic Importance in the C-3 Districts

## INTRODUCTION

Formula retail can act as a homogenizing force in neighborhoods if its presence overwhelms neighborhood character. Formula retail, by nature, is repetitive. If not properly regulated, this repetition can detract from San Francisco's vibrant neighborhoods by inundating them with familiar brands that lack the uniqueness the City strives to maintain.

San Francisco is a city of surprises. Its diverse and distinct neighborhoods are identified in large part by the character of their commercial areas. This feeling of surprise invites both residents and visitors alike to explore the City.

Urban neighborhood streets should invite walking and bicycling. The City's mix of architecture contributes to a strong sense of neighborhood community within the larger City. Many formula retail concepts are developed and refined in suburban locations. Standard store design that primarily accommodates automobile traffic may not work in dense, transit-oriented cities.

The Performance-Based Design Guidelines can improve pedestrian walkability and encourage more walking in neighborhoods by helping to preserve a safe, aesthetically pleasing area that feels connected from beginning to end. This is achieved by improving pedestrian accessibility and by creating stores with unique visual identities that also don't overpower one another.



While any one formula retail establishment may fit well in a neighborhood, overconcentration of formula retail can degrade the character of a street.

Illustration by Raven Keller  
for The Bold Italic

The increase of formula retail businesses in the City's neighborhood commercial areas, if not monitored and regulated, will hamper the City's goal of a diverse retail base with distinct neighborhood retailing personalities comprised of a mix of businesses.

These standards are intended to lessen the visual impacts that the repetitiveness of formula retail brings by first evaluating whether the formula retail use is either necessary or desirable in the neighborhood. See a discussion of this topic in Part I: Determining Locational Appropriateness. Once the use is deemed appropriate, the next step is to ensure aesthetic compatibility. For more information on this topic, see Part II: Performance-Based Design Guidelines.

While a factor in the homogenization of neighborhoods, formula retail does provide lower-cost goods and services, and is generally recognized to provide more employment opportunities to minorities and low-income workers. Formula retail is neither good nor bad – and it

plays an irrefutable role in the City. To best accentuate the benefits of formula retail, the City should regulate it with care, helping to reduce its standardized features.

San Francisco needs to protect its vibrant small business sector and create a supportive environment for new business innovations. One of the eight Priority Policies of the City's General Plan resolves that "existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses enhances."

The Planning Department recognizes the benefits formula retail can bring to the City. Where the use would provide a necessary or desirable addition to the neighborhood, staff will work with applicants to improve their aesthetics, including signage, storefront design, transparency, and pedestrian accessibility, to help them successfully integrate into San Francisco's neighborhoods.

# I. Determining Locational Appropriateness

For every conditional use authorization the Planning Commission must determine if the proposed use is necessary or desirable for the community and compatible with the neighborhood, per Planning Code Sec. 303(c)(1). Beyond the general consideration of "necessary or desirable," the Commission reviews five more specific criteria in consideration of conditional use authorization for formula retail. This document establishes the methodology the department will use in assessing these five determining criteria, as required by Planning Code Sec. 303.1.

Determining location appropriateness should be by informed quantitative and qualitative analysis. In general, professional discretion should be used to identify factors not specifically required in this document. For example, if a daily need use is located immediately outside the selected appropriate vicinity, it should still be discussed in the case report. In addition to analyzing the five Planning Code required criteria, professional analysis of location appropriateness should include the following:

**A characterization of the district as a whole**, based on the stated intent of the district as well as how the district has evolved since it was created. Describe the scale and massing of buildings and uses. Discuss the dominant design orientation people vs. auto-orientation. Consider if the district can be described in other ways: family oriented, entertainment district, culturally-specific, for example. Determine whether there are capital improvements or large development projects in the pipeline.

**A characterization of the immediate vicinity of the proposed establishment location.** This can be 300 feet or a quarter mile based on the size and nature of the District. A distance of a quarter-mile is a standard metric to describe comfortable walking distance that would generally be appropriate. However, for very small districts such as the Upper Market District quarter mile would be approximately half of the district and therefore a reduced radius such as 300' would provide a greater differentiation of the area from the larger district. Larger

districts and districts that are adjacent to or near other commercial districts should use the larger, quarter mile radius to describe vicinity. The vicinity concentration should include all commercial uses, not just those within the same Zoning District.

**A description of the commercial nature of the district.**  
Are there retail anchors or clusters present or developing? Are there retail or other trends emerging?

**Identification of long term vacancies and/or any commercial use related issues and concerns.**

**A characterization of the demographics of the District.**  
Are there a large number of singles, or seniors, or culturally-specific groups? Are there a large number of families with children that may explain a concentration of certain types of retail uses? Demographic trends, where applicable, should also be identified. Is there a demographic shift underway?

**Identification of the unique characteristics of the District and/or neighborhood, where appropriate.**

The five criteria and methodology for analyzing locational appropriateness should be examined as described below:

**Existing concentrations of formula retail uses within general vicinity of the proposed project.**

- The concentration of formula retail uses as a percentage of all ground floor commercial uses within the district must first be established.
- Based on the size and nature of the district, identify the appropriate "vicinity" of the proposed project. The measure of vicinity is intended to differentiate the concentration levels near the proposed project from the overall concentration levels of the district. Generally, a comfortable walking distance of ¼ mile should be used. However, for smaller districts concentrations within a ¼ mile may be similar to the district measure, in which case a closer distance of 300' would be more appropriate. Staff discretion in determining the appropriate vicinity is required.
- Calculation shall include all parcels that are wholly or partially located within the selected radius that are also zoned commercial or contain commercial uses.

→ An evaluation of the linear frontage concentration of formula retail establishments within the selected vicinity shall be done.

→ An evaluation of the linear frontage concentration of formula retail establishments within a ¼ mile walk. Concentration is based on the Upper Market Neighborhood Commercial District methodology, adopted as policy by the Planning Commission on April 11, 2013 per Resolution No. 18843 and as summarized below. Staff will calculate the concentration of formula retail linear frontage within a ¼ mile walk of the subject property. Corner parcels are more heavily weighted when counting linear frontage due to their greater aesthetic impacts.

→ The methodology is as follows: for each property, including the subject property, the total linear frontage of the lot facing a public right-of-way is divided by the number of storefronts. Formula retail storefronts and their linear frontage are separated from the non-formula retail establishments and their linear frontage. The final calculations are the percentages (%) of formula retail and non-formula retail frontages (half of a percentage shall be rounded up).

→ An evaluation of the number of formula retail uses as a percentage (%) of all commercial uses within the selected vicinity. This calculation will count all ground floor storefronts as a commercial use.

→ The Department does not identify an ideal concentration threshold because it varies significantly by Neighborhood Commercial District. This variation is based on pre-existing uses, vacancy rates, massing and use sizes, and neighborhood needs. Comparisons of the formula retail concentration to citywide numbers and to comparable neighborhoods are encouraged.

**The availability of other similar uses within the district and within the vicinity of the proposed project.**

- An evaluation of similar retail uses within the district requires a concentration calculation of retail sales and/or service uses that offer the similar products or services to those being proposed. This concentration shall be based on the number of available uses as a percentage of all commercial uses.
- Using the same selected appropriate vicinity as identified in criterion 1B, an evaluation and accompanying map shall be produced showing the location of similar uses throughout the vicinity. If no similar uses are available within the vicinity or district, the closest offerings may be identified.

**The compatibility of the proposed formula retail use with the existing architectural and aesthetic character of the district.**

- Use the Performance-Based Design Guidelines to ensure compatibility with the signage, storefront design, storefront transparency, and pedestrian accessibility.
- Identify the business' place in the District (corner, anchor, recessed from street) and whether it is in a protected viewshed in the General Plan.

**The existing retail vacancy rates within the district.**

- Identify current vacancy rates in district and compared to historic vacancy rates, if this information is available.
- Identify vacancies within the selected vicinity and discuss the conditions and potential impacts of vacant buildings within the selected vicinity.

**The existing mix of Citywide-serving retail uses and daily needs serving retail uses within the appropriate vicinity of the proposed location.** Neighborhood Commercial Districts are intended to serve the daily needs of the neighborhood residents. As such, daily needs service retailers are those that provide goods and services that residents want within walking distance of their residence or workplace.

→ The following uses are considered "Daily Needs" uses:

- Limited Restaurant, as defined by Planning Code Sec. 790.90
- Specific Other Retail, Sales, and Services, as defined by the following subsections of Planning Code Sec 790.102
  - (a) General Grocery
  - (b) Specialty Grocery
  - (c) Pharmaceutical drugs and personal toiletries
  - (e) Self-service Laundromats and dry cleaning
  - (f) Household goods and services
  - (g) Variety merchandise, pet supply stores, and pet grooming services
  - (l) Books, music, sporting goods, etc.
- Personal services, as defined by Planning Code Sec. 790.116
- Limited Financial Service, as defined by Planning Code Sec. 790.1120, and/or Financial Service, as defined by Planning Code Sec. 790.110
- Specific Trade Shops as defined by the following subsections of Planning Code Sec. 790.124
  - (1) Repair of personal apparel, accessories, household goods, appliances, furniture and similar items, but excluding repair of motor vehicles and structures
  - (6) Tailoring

→ Evaluate the provision of daily needs for the immediate vicinity in relation to the district's defined intent. Some districts are intended to only support residents. Conversely, the district may be intended to meet resident needs and wider shopping or tourist needs.

## II. Performance-Based Design Guidelines



### FORMULA RETAIL SIGNAGE

This section establishes design guidelines to ensure the aesthetic compatibility of formula retail uses.

Signage creates visual impacts which affect how residents feel about their neighborhood and play a role in the attraction of visitors who are important to the City's economy. Signs serve as markers and create individual identities for businesses that add to the greater identity of a neighborhood and district, hence the need for guidelines to ensure compatibility between businesses and their surroundings.

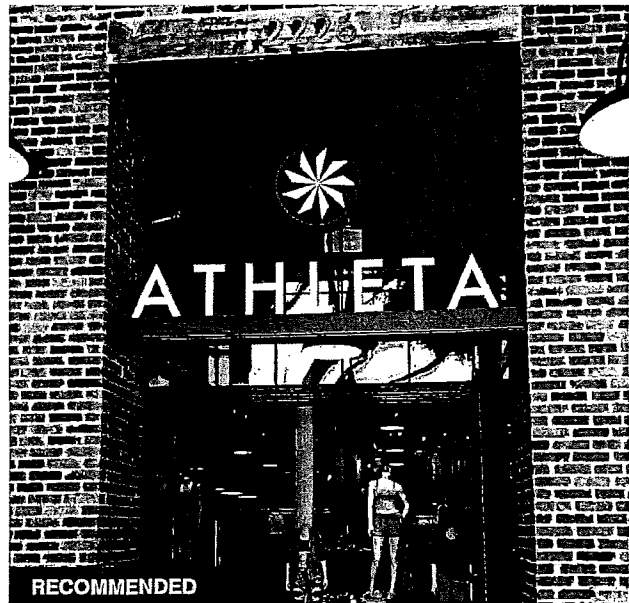
Formula retail uses can have a homogenizing effect on neighborhood character. This is largely due to standardized signage and branded features that promote recognition. These Performance-Based Design Guidelines seek to minimize the uniform aspects of formula retail signage.

Business signs are generally regulated to ensure an appropriate and equitable degree of commercial communication without contributing to visual clutter.

Photos by Matthew Dito



Scale of sign is inappropriate and extends beyond the storefront entrance.



Sign does not extend out and beyond the width of the storefront opening.

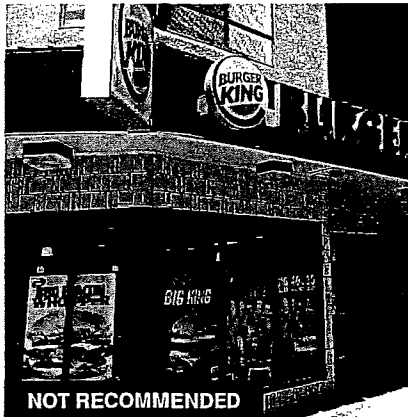
Signage guidelines for formula retail business signs<sup>1</sup> are as follows:

- Signs should not extend beyond width of the storefront opening.
- Signage, painted on glass doors, windows, and transoms, where the sign does not exceed 25% of the glazed area, is permitted.
- Sign depth should be reduced by placing the transformer in a remote location and not housed within the sign itself.
- Signs that are located on the inside of a storefront should be setback a minimum of 6" from the display glass.
- Scale of signs and placement on the building should be appropriate to the elements of the building and the character of the neighborhood.
- One sign per tenant shall be permitted. A ground floor establishment with a corner storefront may have one sign on each building façade.

- Upper story establishments with a corner storefront may have one sign adjacent to the building entrance. It should be a small identification sign or plaque, installed adjacent to the ground floor entrances.
- Signs should be constructed of durable high-quality materials that retain their characteristics within a high-traffic area over time.
- Signage is to be scaled and placed primarily for pedestrian legibility, and secondarily for vehicular visibility.
- Materials should be compatible with the craftsmanship, and finishes associated with the District. Glossy or highly reflective surfaces will not be approved.
- Signs should be attached in a manner that avoids damaging or obscuring any of the character-defining features associated with the subject building. Signs should be attached in a manner that allows for their removal without adversely impacting the exterior of the building.

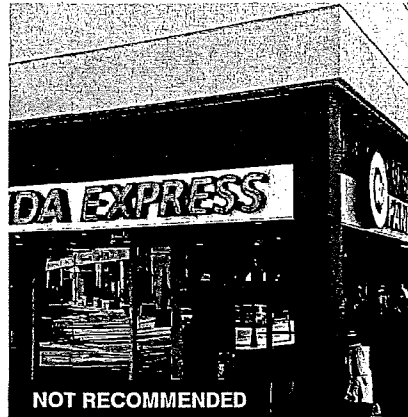
<sup>1</sup> A business sign is defined as a sign which directs attention to a business, commodity, service, industry, or other activity which is sold, offered, or conducted, other than incidentally, on the premises upon which such sign is located, or to which it is affixed.





**NOT RECOMMENDED**

There is an excessive number of wall signs attached to the building facade, and the windows are covered, preventing visibility.



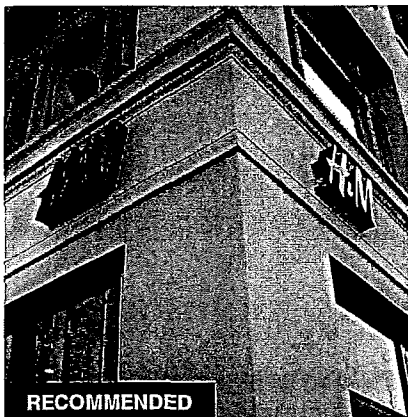
**NOT RECOMMENDED**

Sign is directly lit with visible lighting conduits.



**NOT RECOMMENDED**

Scale, placement, and design of sign are inappropriate to the building and its surroundings.



**RECOMMENDED**

A corner storefront with one sign on each building facade, as permitted.



**RECOMMENDED**

Sign is indirectly lit with a reduced profile due to a light emitting diode (LED) method of illumination.



**RECOMMENDED**

Sign is attached above the entrance bay, and does not detract from the buildings aesthetic qualities.

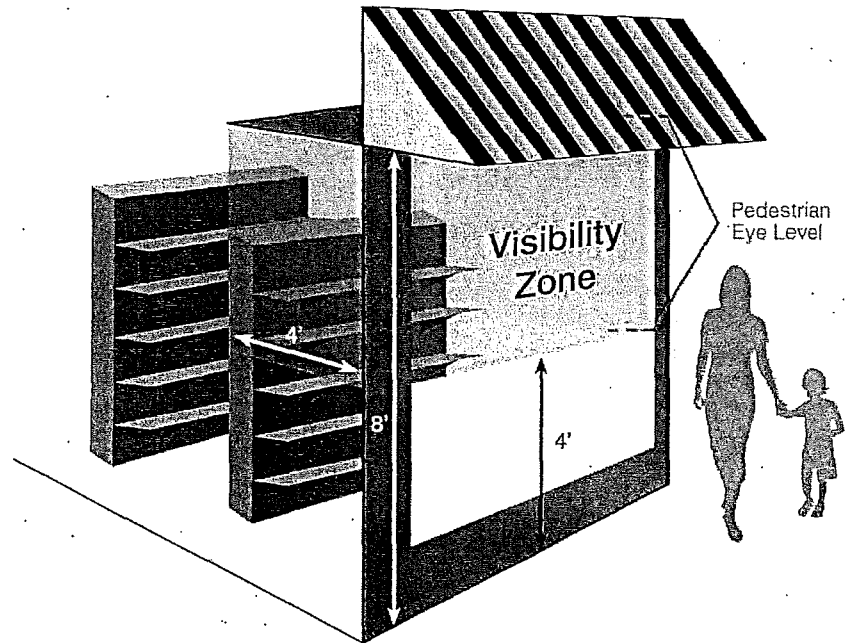
- Signs should be externally illuminated, or appear to be indirectly illuminated, such as by installing an external fixture to illuminate the sign or by using a reverse channel halo-lit means of illumination.
- Signs should have an opaque background that does not transmit light and text.
- Signs should be minimized in profile or depth, for example, by using a light emitting diode method of illumination.

- Sign legibility shall be of minimum appropriate intensity to be visible while not being visually dominating.
- Signage lights should be dimmed or off when business is closed.
- Businesses should not use exterior digital or LED screens to amplify branding beyond the signage limits.

## FORMULA RETAIL TRANSPARENCY

A transparent storefront welcomes customers inside with products and services on display, discourages crime with more “eyes on the street”, reduces energy consumption by allowing natural light into stores, and enhances the curb appeal and value of the store, as well as the entire neighborhood. As mentioned earlier, successful city living depends on surprise to maintain interest. Even if the formula retailer is familiar, a view into the store may spur interest in the people and products inside.

The City strives to ensure that tenant spaces remain transparent to the exterior, contribute to the activity of the public realm and do not devolve into de facto sign boards for tenants.



### Visibility Requirements

To ensure visibility into active spaces, any fenestration provided at eye level must have visibility beyond a window display and into the store.

The following definitions apply:

- **Pedestrian Eye Level:** the space between 4 feet and 8 feet in height above the adjacent sidewalk level, following the slope if applicable.
- **Visibility to the Inside of the Building:** the area inside the building within 4 feet of the window surface at pedestrian eye level must be 75% open to perpendicular view.

Therefore, any fenestration of frontages with active uses must have visibility to the inside of the building with at least 75% open to perpendicular view with a

4-foot by 4-foot “visibility zone” at pedestrian eye level. In addition, 60% of all street frontages must be transparent windows, while any railings or grillwork placed in front of or behind storefront windows must be at least 75% transparent at a perpendicular view.

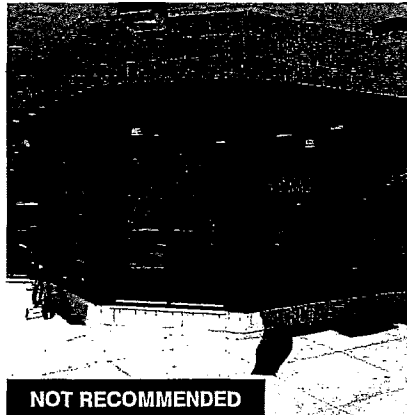
To ensure visibility, business signs may not exceed 1/3 the area of the window in which the sign is located. The Department will work with applicants to improve visibility wherever possible.

The Performance-Based Design Guidelines require formula retail applicants to work with staff to determine what transparency improvements can be made. Changes required may include converting windows to transparent glazing, relocating shelving and displays away from windows, or removing security grilles and other window coverings.



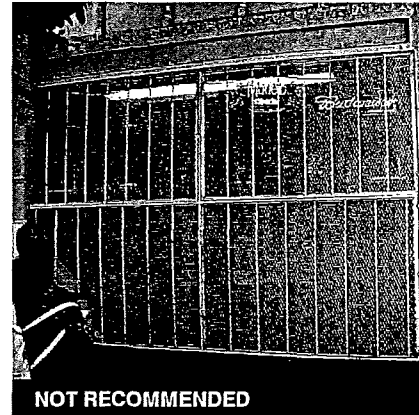
**NOT RECOMMENDED**

Views through the frontage fenestration are obstructed by advertising signs and business identifiers.



**NOT RECOMMENDED**

The 4-foot by 4-foot visibility zone inside the establishment is obstructed by excessive signage.



**NOT RECOMMENDED**

The security grille does not have at least 75% transparency at a perpendicular view.



**RECOMMENDED**

The space between 4 feet and 8 feet above the sidewalk has at least 75% of its frontage fenestrations open to perpendicular view.



**RECOMMENDED**

Limited window signage maximizes visibility inside the store.



**RECOMMENDED**

The security grille allows for visibility of at least 75% at a perpendicular view.

### What This Means For Formula Retail Use

1. Windows that have been covered over with boards, film, or paint must be restored to transparency.
2. Security gates or grillwork on the inside or outside of the window glass must be primarily transparent (at least 75% open to perpendicular view).
3. Shelving, display cases, appliances, and other items placed within four feet of the window glass must be no taller than four feet or be primarily transparent (at least 75% open to perpendicular view).
4. All exterior signs must have a sign permit or must be removed.
5. Business signs affixed to the window (painted or adhered to the glass) can be no larger than one-third the size of the window on which they are placed.

## FORMULA RETAIL STOREFRONT DESIGN

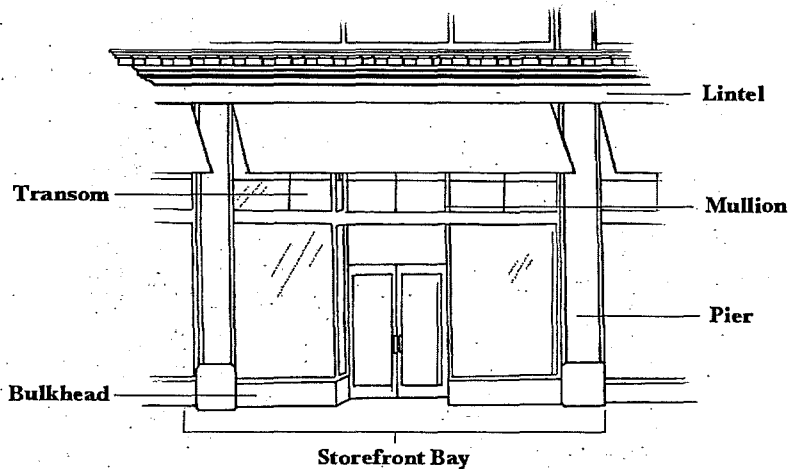
Storefront design can be used to extend branding beyond the dimensions of signage. To maintain emphasis on architecture and to prevent formula retail from overwhelming neighborhood character, it's important to prevent facades from becoming defacto branding opportunities.

Historic qualities present in a storefront should be preserved and maintained, as well as integrated into additions or modifications made to the storefront. The most successful storefronts combine contemporary design with sensitivity to the character defining storefront components.



### Storefront Components

The components of Performance-Based Design Guidelines for Storefront Design are: facades and street walls, corner lots, storefront bays, entrances, bulkheads, and display windows.



#### TYPICAL FEATURES INCLUDE:

**Bulkhead:** The low paneled base of a storefront bay that supports the glazing and elevates merchandise for pedestrian viewing.

**Façade Materials:** Original exterior cladding, typically brick, wood or stone provide a sense of permanence, scale and texture and often convey the work of skilled craftsmen.

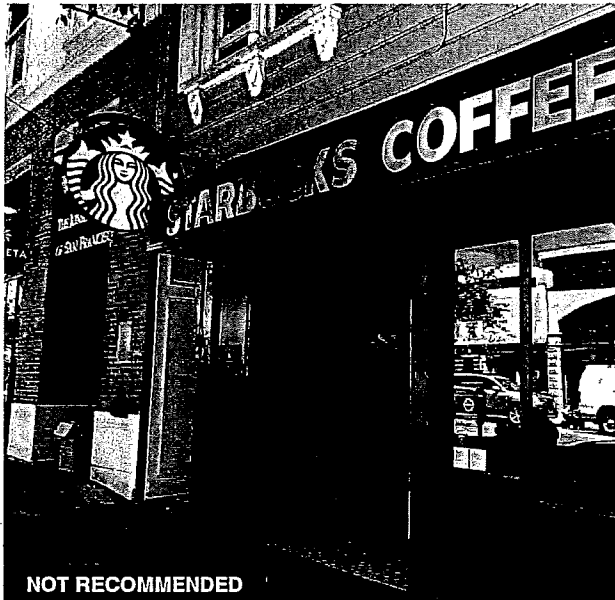
**Lintel:** The horizontal structural element that spans above the storefront bays to support the weight of the upper façade.

**Mullion:** The vertical element that separates window units or storefront glazing; typically not a structural support for the building.

**Pier:** The vertical structural or decorative elements, also known as a column, which supports and/or frames the glazing.

**Storefront Bay:** Defined by the height of the lintel and separated by piers, a storefront bay is composed of bulkhead, glazing, transom, and entry.

**Transom:** The small, operable or inoperable framed windows above the glazing and below the lintel that filter light into the ground floor space; sometimes sheltered by awnings.



Design, including colors, finish, and texture, is inconsistent with the surrounding buildings.



Storefront design is consistent with surrounding buildings, and the setback creates a continuous street wall and edge.

## Façades and Street Walls

The façade is the exterior wall of the building, or frontage, and should utilize traditional building materials such as terra cotta, brick, stone, and scored stucco. The color should be limited to different tones of one color, and said color should be similar in profile to the surrounding buildings. Buildings should have a finished texture that is smooth and painted with a satin or light finish. Color washing an entire storefront to extend branding detracts from the character of a neighborhood and will not be permitted.

The design should remain consistent with surrounding buildings in the neighborhood. As such, the setback should be as such that it creates a consistent, continuous street wall and edge.

## Corner Lots

Many buildings on corner lots exhibit special features that emphasize the corner and add accent to both intersecting streets, providing visual interest to pedestrians. Corner entrances, storefront windows, and displays that extend along both street facades emphasize corner lots are encouraged.

Where entrances are not located at the corner, storefront windows should turn the corner, in addition to windows on each side of the building.

## Storefront Bays

Appropriate alignment and proportions of the storefront bay are critical in creating a unified appearance within the district.

Windows should be consistent in height and design with storefront doors to create a cohesive appearance, however, slight variations in alignment can add visual interest. Piers and lintels should be treated and designed as a single component. The lintel establishes the top of the storefront bay, visually separating it from upper floors. Proper proportions must be maintained between windows and the lintel. Elements such as signs and awnings that obscure the spacing of the bays or other elements that define those bays should be avoided. Colors should be similar in profile to the surrounding buildings, and limited to different tones of one color.

## Entrances

Typically, entrances are recessed by about two to six feet from the sidewalk, allowing for protection from the rain; providing additional display frontage, and creating a rhythm of defined commercial spaces. Together, these features can establish a sense of scale and identify business entrances. In San Francisco, entrances for people should be emphasized and entrances for cars should be minimized.

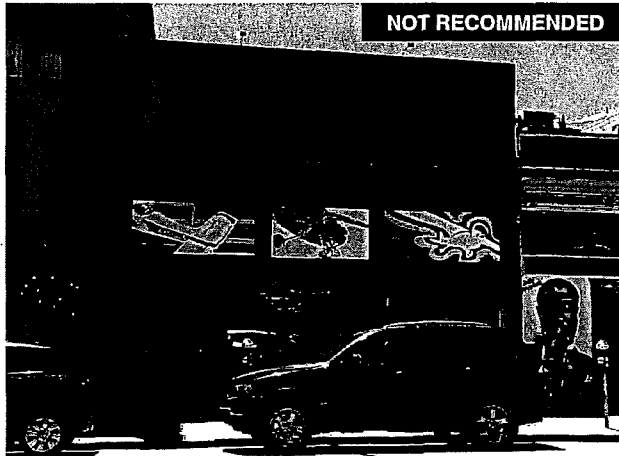
A service door may also exist for access to building systems.

## Bulkhead

The bulkhead is the one to two foot high based of the building, upon which the storefront display window is placed. Traditionally, bulkheads are made of painted wood, decorative metal, small ceramic tiles, or masonry. Replacements should match or be compatible with original materials. Bulkheads should be consistent with surrounding buildings in the neighborhood, and are typically between 18 inches and 24 inches.

## Storefront Displays

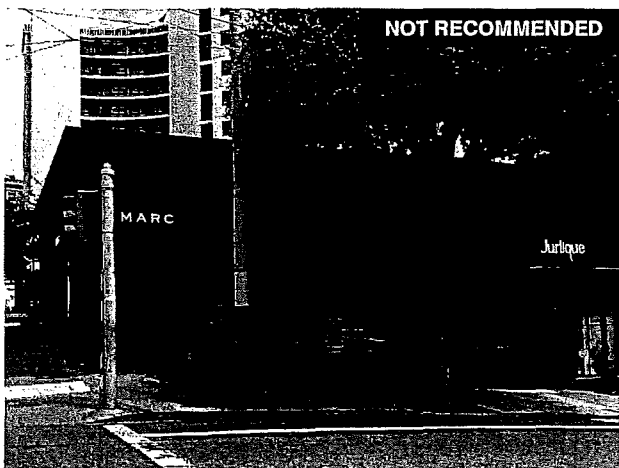
Storefront display windows typically consist of large panes of plate glass set in metal or wood frames, with the primary purpose of allowing passerby to see goods or services available inside. Individual panes of a window are separated by mullions, which should be as narrow and as limited in number as possible. This maximizes visibility into interior activity and merchandising.



Colorwashing a building facade in branded color serves as oversized signage and is not permitted.



Transparent display with simple, effective signage on the bulkhead.



While the establishment utilizes the corner lot with its entrance, the facade and bulkhead are incompatible with the surrounding buildings.

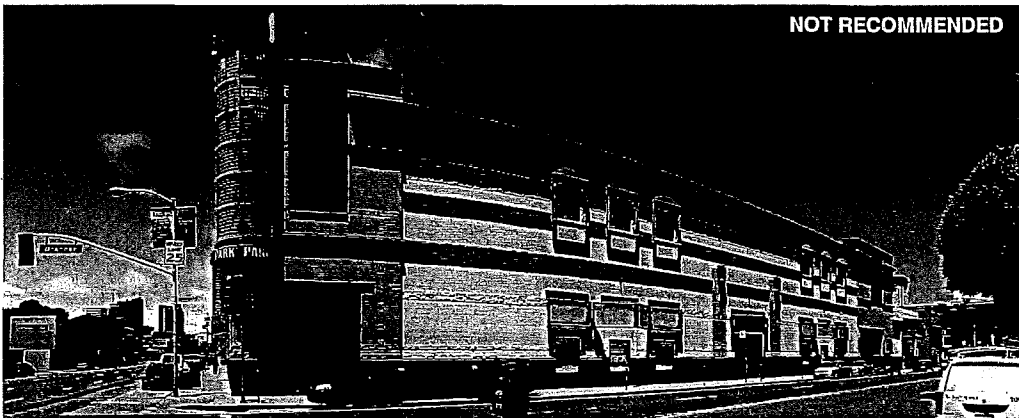
Photos by Matthew Dito

## PEDESTRIAN ACCESSIBILITY

Ensuring that businesses are easily accessible creates a more inviting environment in commercial neighborhoods. For smaller formula retail establishments, pedestrian accessibility is usually not a problem. Larger formula retail establishments, however, tend to limit and control entrances. A suburban design may cater to those who arrive by car. In order to preserve the City's walkable character, formula retail in particular must be designed for pedestrians. Entrances that are distinguishable from the façade of a building invite and allow pedestrian access. Entrances should be located in a manner that keeps with the rhythm established by surrounding buildings. This consistency creates a familiarity that draws the attention of pedestrians.

Requirements for pedestrian accessibility are as follows:

- All businesses must have an ADA compliant entrance
- Corner lot locations should have at least an entrance on the corner, or one on each street
- Improve the pedestrian environment with clearly visible, easy, safe routes to business entries, including through parking lots and to the public sidewalk and transit stops.
- Provide pedestrian access onto the site from the main street on which the business is located.
- All existing street-facing doors, with the exception of emergency and service entrances, shall remain unlocked and open to the public during regular business hours.



The business entrance is not distinguishable from the corner lot window, and is located in a manner that does not utilize or promote pedestrian access to the building.



Business entrances are distinguishable from the building facade with a consistent rhythm that creates a familiarity to draw attention of pedestrians. Entrances are also visually compatible with the entrances to upper residences.

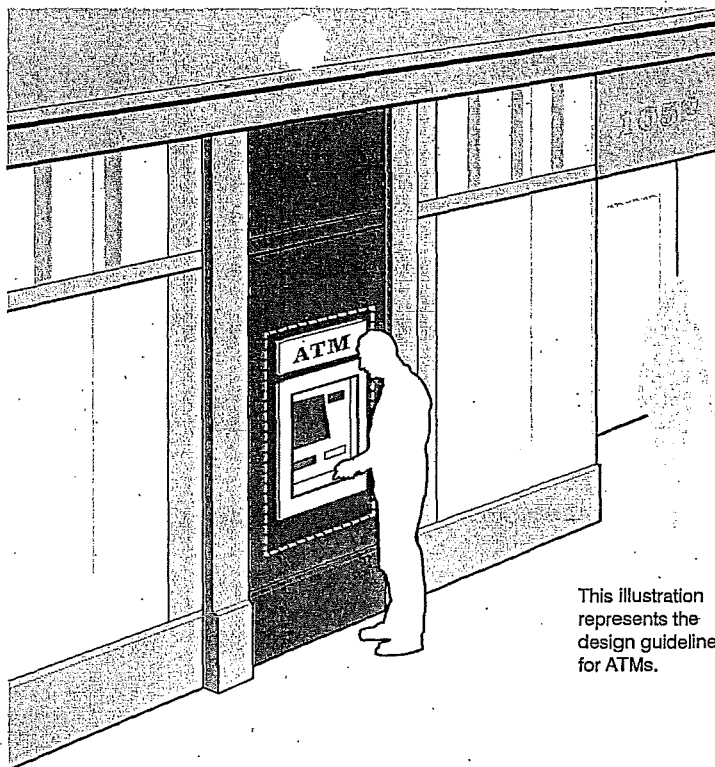
Photos by Matthew Dito

## LIMITED FINANCIAL SERVICES

Limited Financial Services are defined in Planning Code Sections 790.111 and 890.111 as a retail use which provides banking services, when not occupying more than 15 feet of linear frontage or 200 square feet of gross floor area. Automated teller machines (ATM), if installed within such a facility or on an exterior wall as a walk-up facility, are included in this category. A Conditional Use authorization is required for all Limited Financial Services that are also a formula retail use, with the exception of single automated teller machines located within another use that are not visible from the street [Sec. 303.1(b)(13)].

When placing an ATM, the feature should be integrated into the overall composition of the storefront, so as to not detract from the architecture or the quality of the pedestrian experience.

A single ATM at a street façade may be permitted without conditional use authorization if the machine meets the Performance-Based Design Guidelines in this document. A single automated teller machine may not be permitted at the street front if it compromises the storefront's ability to meet other Performance-Based Design Guidelines, including visibility and transparency goals.



This illustration represents the design guidelines for ATMs.

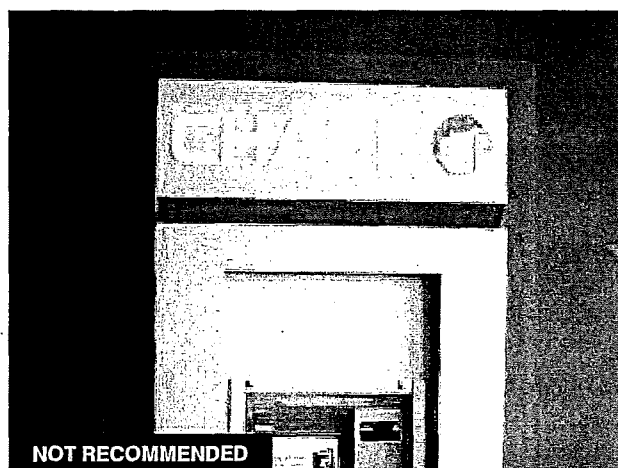
General guidelines for ATMs are as follows:

- Minimize lighting elements and brightness intensity.
- Areas using materials that need to be lit, or backlit, should be minimized.
- ATMs should be proportionate to the storefront or building facade.
- Framing elements should be used, as appropriate, to integrate ATMs into the facade composition.
- Architectural quality should be maximized.

Photos by Matthew Dito



This requires a conditional use permit because there is more than one ATM at the street front.



Colorwashing a building facade in branded color serves as oversized signage and is not permitted.





SAN FRANCISCO  
PLANNING  
DEPARTMENT

**FOR MORE INFORMATION:**  
Call or visit the San Francisco Planning Department

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1650 Mission Street, Suite 400  
San Francisco CA 94103-2479

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WEB: **<http://www.sfplanning.org>**

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1660 Mission Street, First Floor  
San Francisco CA 94103-2479

TEL: **415.558.6377**  
*Planning staff are available by phone and at the PIC counter.  
No appointment is necessary.*

July 7, 2014

Land Use and Economic Development Committee  
San Francisco Board of Supervisors  
1 Dr. Carlton B. Goodlett Place  
City Hall, Room 244  
San Francisco, CA 94102

Re: File No. 140844  
Interim Zoning Controls - Formula Retail Uses in the Castro Street NCD

Dear Members of the Land Use and Economic Development Committee:

This office represents the AIDS Healthcare Foundation ("AHF"), an independent nonprofit healthcare organization dedicated to providing cutting-edge medicine and advocacy to patients living with HIV/AIDS. AHF has provided needed healthcare to underserved safety-net patients in San Francisco for 12 years. We write to oppose the above-captioned interim zoning controls on the grounds that their enactment would violate the California Environmental Quality Act ("CEQA") and contains other flaws.

The proposed interim zoning controls would subject a proposed project to conditional use review under Planning Code Section 303(i) as a formula retail use, even if that project is revised so that it no longer constitutes a formula retail use. The controls appear targeted at AHF, which is the sponsor of one such project in the Castro NCD, a medical office and pharmacy (BPA No. 201311121689) that has received Planning Department approval. If the proposed controls are enacted, AHF's project will be subject to a conditional use application and many months of delay – and it may never receive discretionary approval from the Planning Commission.

AHF's project site, 518 Castro Street, is already under lease and will remain vacant until the project receives final approval. The delays caused by the proposed controls will cause the project site to remain a vacant storefront indefinitely. To the extent there are other project sites that are or will be affected by the proposed controls, they will also likewise remain vacant. The perpetuation of vacant storefronts will cause blight and urban decay. *See Exhibit A, attached hereto.* These impacts must be analyzed under CEQA, and a "no physical change" determination is wholly inappropriate. *See Exhibit B, attached hereto.*

For example, neighboring tenants recently noticed that 518 Castro Street's vacant entryway was being occupied by a homeless person, who had lit a fire there. The risk to the neighborhood's welfare is obvious.

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SAN FRANCISCO  
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Land Use and Economic Development Committee

July 7, 2014

Page 2

Additionally, the proposed interim zoning controls have the purpose and result of retroactively invalidating project approvals that have already been secured, thereby implicating due process rights. To the extent the proposed controls are intended to apply specifically to the AHF project – as it appears from the history of the proposed controls – they may constitute impermissible spot zoning.

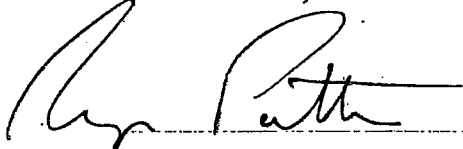
The proposed medical office and pharmacy will be relocated to Castro Street from nearby Church Street, where AHF's lease has expired. If the Castro Street office is not completed, many of AHF's patients would have to travel to AHF's Oakland office. This would be difficult for many of AHF's patients, who are low-income and have transportation challenges. Worse yet, if the Church Street clinic closes before the Castro Street clinic opens, more than 250 patients risk falling out of adherence to their treatment regimens, creating a public health risk.

Lastly, AHF objects to the proposed controls being rushed through the legislative process. Aside from receiving insufficient environmental review, the last-minute scheduling of today's hearing has hampered AHF's and other members of the public's ability to present evidence to the committee.

AHF respectfully requests that this committee reject the proposed interim zoning controls. If the controls are enacted, AHF is prepared to file suit to enforce its rights.

Very truly yours,

ZACKS & FREEDMAN, P.C.



Ryan J. Patterson

ZACKS & FREEDMAN, P.C.  
235 MONTGOMERY STREET, SUITE 400  
SAN FRANCISCO, CALIFORNIA 94104

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6 Tel: (415) 956-8100  
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8 Attorneys for AIDS Healthcare Foundation

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SAN FRANCISCO BOARD OF SUPERVISORS

DECLARATION OF ADAM  
OUDERKIRK

File No.: 140763  
Re: Interim Zoning Controls - Formula  
Retail Uses in the Castro Street NCD

I, Adam Ouderkirk, declare as follows:

1. I am the Senior Director of Program and Business Development for the AIDS Healthcare Foundation. I make this declaration based on facts personally known to me, except as to those facts stated on information and belief, which facts I believe to be true.

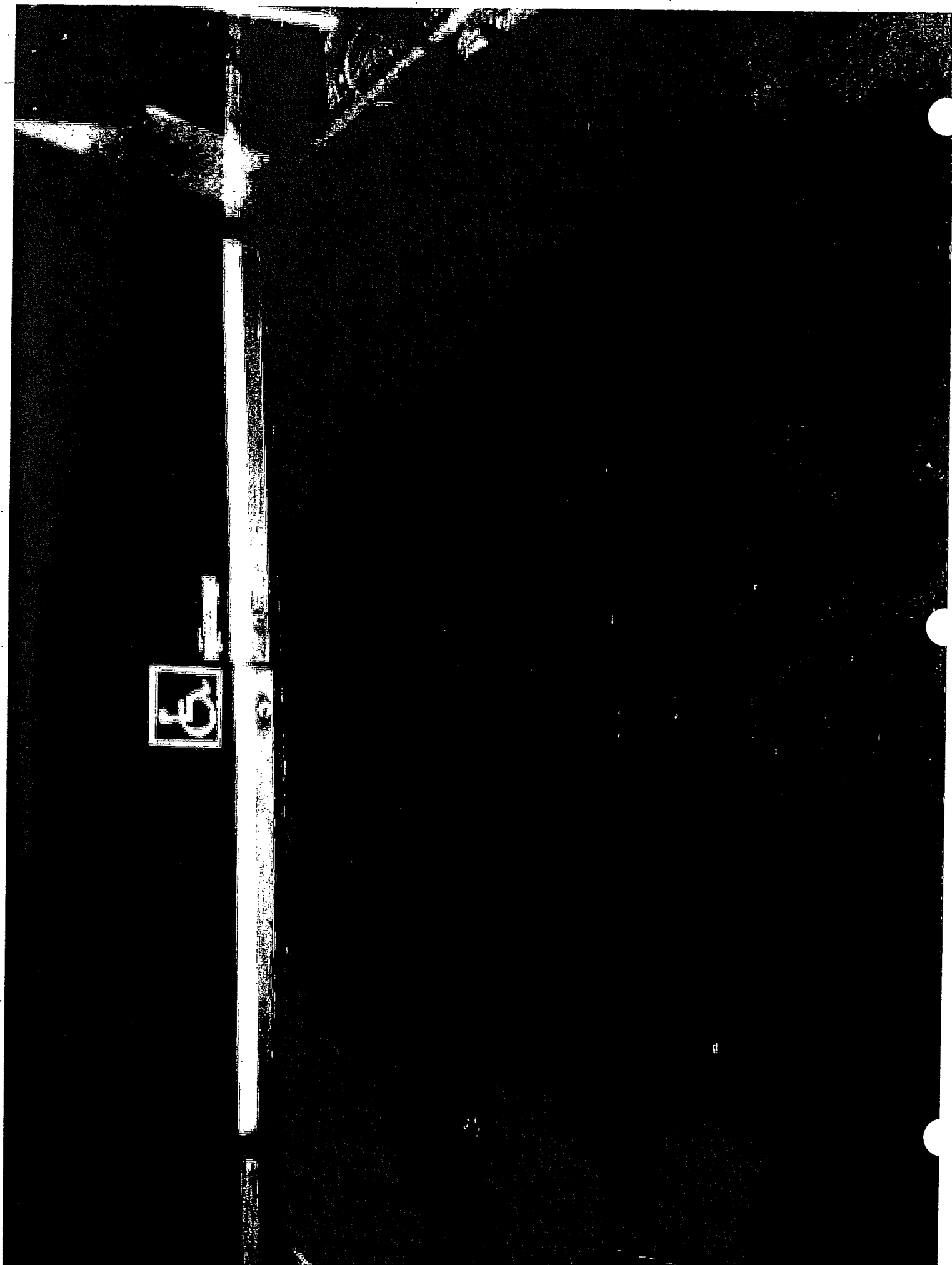
2. I took photos of vacant storefronts on Castro Street on or about July 5, 2014. Attached as Exhibit A is a true and correct copy of those photos.

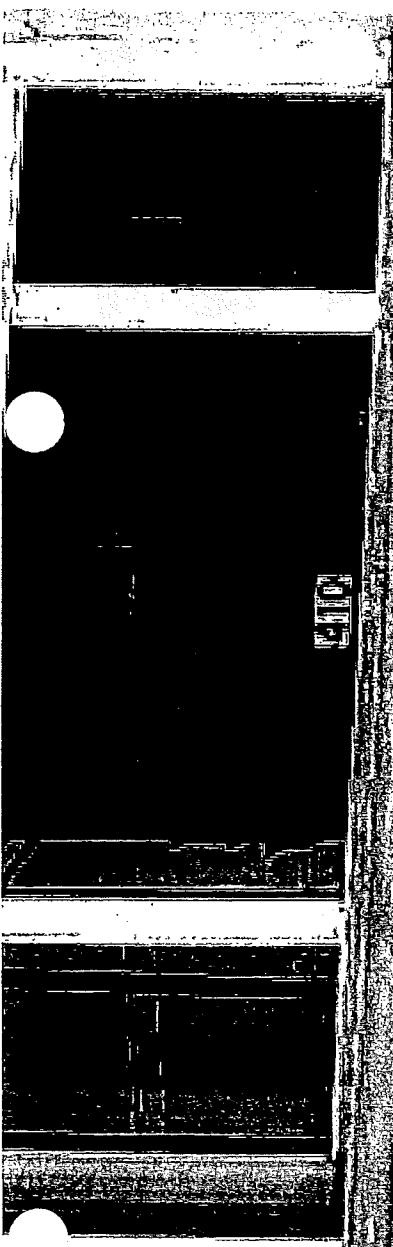
I declare under penalty of perjury that the foregoing is true and correct, and that this was executed on July 7, 2014, at San Francisco, California.

  
Adam Ouderkirk

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**EXHIBIT A**





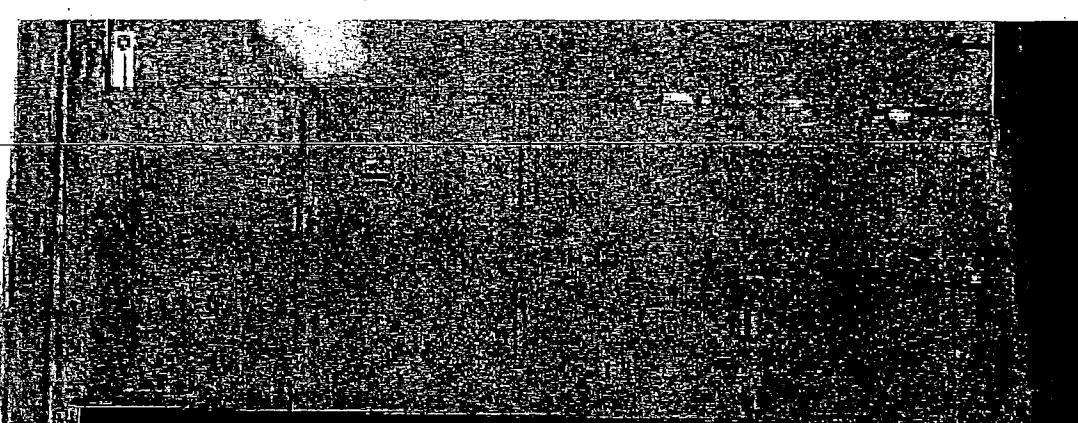
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Columbia  
SOUTH BRANCH

# Retail for Lease

Patricia Woodruff  
South Branch  
415 788 3100



PATIO CAFE

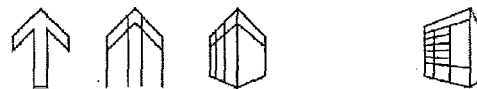




# **San Francisco Formula Retail Economic Analysis**

June 2014

*prepared for:*  
**San Francisco Planning Department**



**STRATEGICECONOMICS**

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## EXECUTIVE SUMMARY

The City and County of San Francisco (City) has regulated formula retail – defined as “a type of retail sales activity or retail sales establishment which, along with eleven or more other retail sales establishments located in the United States,” maintains certain standardized features – since the mid-2000s. The regulations are intended to protect San Francisco’s “diverse retail base” and the “distinct neighborhood retailing personalities” of the city’s different neighborhood commercial districts. This report provides a comprehensive look at formula retail establishments in San Francisco and the City’s formula retail controls. It is intended to inform policy recommendations that City staff will make to the Planning Commission.

This executive summary highlights the key findings and conclusions of the report. It reviews the role that existing formula retail establishments play in San Francisco’s neighborhoods, the impacts of the City’s existing formula retail controls, and the potential effects of certain proposed changes to the controls.

### Background

In 2013, concerns about rapid change in San Francisco’s retail market sparked renewed interest in the issue and prompted a number of proposals to revise the City’s policies. In response to these proposals, the Planning Commission directed the Planning Department to review and assess the overall issue of formula retail in San Francisco. The Planning Department selected Strategic Economics to provide data and analysis of San Francisco’s formula retail establishments and controls.

This report describes the results and methodology of the analysis. The study involved the first comprehensive effort to identify, map, and characterize all of San Francisco’s existing formula retail establishments, as well as extensive research into topics such as the employment and real estate impacts associated with formula retail. The study also included in-depth case studies of the role that formula retail plays in three of San Francisco’s neighborhood commercial districts: Upper Fillmore, Ocean Avenue, and Geary Boulevard (14<sup>th</sup> to 28<sup>th</sup> Avenues). At key points throughout the study, the results were presented to focus groups of stakeholders and the Planning Commission, and the analysis was augmented and revised to reflect feedback from focus group participants, the Planning Commission, and City staff.

The Office of the Controller has also prepared an economic analysis in response to proposed changes to San Francisco’s formula retail policies. In February 2014, the Controller’s Office of Economic Analysis released its report, which included an analysis of consumer price and local spending differences between formula and independent retailers and an evaluation of the overall economic impact of expanding the City’s formula retail controls.<sup>1</sup> In order to avoid duplicating efforts and maximize the overall number of topics that could be studied, Strategic Economics did not conduct additional research on these topics.

### Report Purpose and Limitations

This report is intended to provide data and technical analysis to inform policy recommendations that City staff will make to the Planning Commission. It provides information about specific economic and land use concerns raised by community members and policymakers, but does not make recommendations. Planning Department staff will draw on the information in this report, public comment, and other sources to determine whether changes to the definition of formula retail, the formula retail conditional use application process, or applicable geographic areas of the City’s formula retail controls would improve neighborhood character or economic vitality.

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<sup>1</sup> See City and County of San Francisco Office of the Controller – Office of Economic Analysis, “Expanding Formula Retail Controls: Economic Impact Report,” February 12, 2014, <http://sfcontroller.org/Modules/ShowDocument.aspx?documentid=5119>.

The analysis drew on the best available sources of data on existing businesses in San Francisco in order to compare the characteristics of formula and independent businesses to the extent possible. Due to the limitations of existing data sources, it was not possible to precisely replicate the City's definition of formula retail. In order to address questions that were not possible to answer directly with local data, the analysis also drew on available national data (for example, on minority hiring practices). While national data are useful in understanding larger trends and providing context for local trends, conditions in San Francisco may not be fully consistent with those national trends. Strategic Economics also used interviews with San Francisco real estate brokers and comments provided by real estate professionals, merchants, and other stakeholders at the focus groups to supplement available data. These and other limitations of the analysis are discussed in more detail throughout the study.

## Key Findings

### San Francisco's Retail Market Conditions

**San Francisco's rapidly expanding economy has fueled one of the hottest retail markets in the country.<sup>2</sup>** The city's low unemployment rate and growing household incomes have led to a booming commercial real estate sector, characterized by rising rents and low vacancies. Terranomics, a real estate firm focused on the retail sector in Northern California, reported that asking rents for freestanding and street level retail space increased 10 to 15 percent between mid-2012 and mid-2013 in the city as a whole. The citywide retail vacancy rate is very low (estimated at 4.5 percent in the fourth quarter of 2013<sup>3</sup>). At the national level, many large retail chains have gone into expansion mode as the U.S. economy has recovered, reportedly focusing expansion plans on dense, urban environments like San Francisco.<sup>4</sup>

**The city's strong retail market, combined with national retail trends, is creating challenges for some small businesses.** Some small, independent businesses have struggled to keep up with rising rents even as the city's economic growth has attracted new national brands and allowed other independent retailers to expand. On a national scale, the retail market is experiencing a shift towards higher-end, comparison shopping stores, a trend that may in part reflect a regional and national decline in consumer demand from the middle class, accompanied by strong growth in retail sectors serving either the most affluent households or struggling, low-income households.<sup>5</sup> In addition, brick-and-mortar retail stores are increasingly facing competition from online retailers.

**While San Francisco's retail market is among the strongest in the country, rents, vacancy rates, and other retail conditions vary significantly by location within the city.** The citywide retail vacancy rate remains very low, but vacancies are significantly higher in some districts, as is discussed in more detail below. Some retail districts across the city and the region are finding it increasingly difficult to fill retail space with retail stores (i.e., businesses selling goods directly to consumers) as the number of potential retail tenants has shrunk due to competition with e-commerce and the consolidation of national retail brands. Real estate professionals have noted a local and nationwide shift toward retail uses that do not compete directly with online sales, such as restaurants, grocery stores, other food stores, personal services, tax preparation, automotive services, and dry cleaners.<sup>6</sup>

<sup>2</sup> ChainLinks retail Advisors, *Fall/Winter 2013 Retail Review & Forecast*, Fall/Winter 2013.

<sup>3</sup> Terranomics, "San Francisco County Retail Report," Fourth Quarter 2013.

<sup>4</sup> Cassidy Turley, *National Retail Review*, Spring 2014, <http://www.ctbt.com/Web/Download-Research-File.aspx?id=E8196E98-CDAE-4AAE-8A8C-31B3AD67591E>.

<sup>5</sup> Nelson D. Schwartz, "The Middle Class Is Steadily Eroding. Just Ask the Business World.," *The New York Times*, February 2, 2014, <http://www.nytimes.com/2014/02/03/business/the-middle-class-is-steadily-eroding-just-ask-the-business-world.html>.

<sup>6</sup> ChainLinks retail Advisors, *Fall/Winter 2013 Retail Review & Forecast*.

## Existing Formula Retail Establishments and San Francisco's Neighborhoods

### *How Many Formula Retailers Are There?*

**There are approximately 1,250 formula retail establishments in San Francisco, accounting for 12 percent of all retailers.** These are retail establishments that, if they were to propose a new location in San Francisco today, would most likely be considered formula retailers. Formula retail occupies an estimated 11.2 million square feet of building area, accounting for 31 percent of San Francisco's retail square footage. (See Chapter III for more information.)

**Formula retail appears to be significantly less prevalent in San Francisco compared to the national average.** Although exactly comparable numbers for other cities are not available, 32 percent of all retail establishments in the U.S. are associated with firms that include 10 or more outlets.<sup>7</sup> (See Chapter III for more information.)

**The prevalence of formula retail varies significantly by business type and size.** For example, 49 percent of San Francisco's coffee shops are formula retail, compared to 11 percent of all restaurants. The vast majority of pharmacies over 3,000 square feet and supermarkets over 10,000 square feet are formula retailers, while smaller establishments are much more likely to be independent retailers. More than 80 percent of all banks are formula retail. (See Chapter III for more information.)

### *Who Are They?*

**Most formula retailers are affiliated with large companies with many outlets.** Only 5 percent of formula retail establishments in San Francisco are associated with businesses with fewer than 20 total branches or subsidiaries, while another 4 percent are associated with businesses that have between 20 and 50 locations. Nearly 25 percent of the city's formula retail establishments are associated with companies that have between 50 and 1,045 branches and subsidiaries, while 50 percent are associated with companies that have more than 1,045 locations. (See Chapter IV for more information.)

**Most formula retailers have headquarters outside of California.** Slightly less than one-third (28 percent) of the city's formula retailers are headquartered in California, with half of those headquartered in San Francisco. Approximately half (54 percent) are headquartered elsewhere in the United States, while 10 percent are headquartered outside the United States. Another 8 percent of formula retail establishments are independently owned franchises (e.g., franchise locations that are not owned by the parent company); the location of the franchise owners is unknown. (See Chapter IV for more information.)

### *Where Are They?*

**Formula retail is most highly concentrated in places that do not have formula retail controls and in neighborhood shopping centers.** Overall, formula retail accounts for 25 percent of retail establishments in commercial/mixed-use zoning districts without formula retail controls, compared to 10 percent of retail establishments in commercial/mixed-use zoning district with controls (a category that includes all of the city's neighborhood commercial districts). Formula retail is most highly concentrated in Downtown, South of Market, and the northeastern waterfront, where new formula retail is permitted without a conditional use (CU) authorization. There are also significant concentrations of formula retail in shopping centers, including those where new formula retail requires a CU authorization – such as Lakeshore Plaza, the Laurel Village Shopping Center, and Geary and Masonic – as well as in Stonestown Galleria, where formula retail is not regulated. (See Chapter III for more information.)

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<sup>7</sup> U.S. Census Bureau, "Table EC0744SSSZ3: Retail Trade: Subject Series - Estab and Firm Size: Summary Statistics for Single Unit and Multiunit Firms for the United States: 2007," 2007 Economic Census. Includes all retail trade establishments (NAICS codes 44-45).

**Some neighborhood commercial districts that serve high-income neighborhoods and/or draw significant numbers of visitors and shoppers from around the city and region also have higher-than-average concentrations of formula retail.** Examples include Union Street, Polk Street, and Upper Fillmore. These neighborhood commercial districts have high sales volumes, serve neighborhoods with particularly high population densities and average resident incomes, and are increasingly becoming known as regional shopping destinations. (See Chapters III and VIII for more information.)

**Formula retailers choose locations based on the factors that all retailers tend to consider in making location decisions.** These factors include customer traffic and sales volume in particular shopping districts, the demographics of surrounding neighborhoods, and the visibility and accessibility of particular storefronts. Retailers also benefit from clustering with other retailers; a concentration of retail activity creates a destination that offers variety and selection, attracting more shoppers. (See Chapters III and VI for more information.)

#### *What Do They Look Like?*

**Formula retailers generally occupy larger spaces than independent retailers do.** Overall, nearly 85 percent of San Francisco's formula retailers occupy more than 3,000 square feet, while 80 percent of independent retailers occupy 3,000 square feet or less. (See Chapters III and IV for more information.)

**The relationship of formula retail to neighborhood character otherwise varies significantly depending on the type of business and the district where it is located.** For example, in Upper Fillmore, formula retail establishments tend to locate in Victorian buildings with limited parking, reflecting both the existing building stock in the district and the fact that formula retail in Upper Fillmore generally caters to comparison shoppers who are likely to drive or take transit to the district and then walk from store to store. In contrast, formula retail establishments on Ocean Avenue and Geary Boulevard are more likely to locate in single-story retail buildings with significant parking. Many of the formula retailers on Ocean Avenue and Geary Boulevard sell groceries and other personal goods that shoppers often buy in large quantities and may prefer to transport in a car. (See Chapter VIII for more information.)

#### *What Goods and Services Do They Provide?*

**Formula retail establishments can serve local daily needs or cater to regional shoppers, depending in part on their location.** For example, in Downtown, parts of South of Market, and the northeastern waterfront – areas where formula retail is generally not regulated – formula retail stores and restaurants serve a mix of workers, shoppers, and visitors from around the city, region, and world. The most common types of formula retail in these districts include apparel and accessory stores, health and beauty stores, and specialized retail stores. Some neighborhood commercial districts such as Upper Fillmore are also emerging as regional shopping destinations, and have significant clusters of both formula and independent clothing stores, beauty stores, and other regional-serving businesses. In general, however, pharmacies, grocery stores, banks, and other uses that serve residents' daily needs account for much of the formula retail in neighborhood commercial districts and other commercial/mixed-use zoning districts where formula retail is subject to controls. (See Chapters III and VIII for more information.)

#### *How Do They Affect the Neighborhoods Where They Are Located?*

**Compared to independent retailers, formula retailers may be willing and able to pay higher rents in some highly desirable neighborhood commercial districts that serve local residents, shoppers from around the region, and tourists.** Landlords in San Francisco's most attractive retail markets (e.g., Upper Fillmore) often require letters of credit guaranteeing 6 to 12 months' worth of rent. Prospective tenants may also find it necessary to pay either landlords or existing tenants "key money" in order to secure a

lease. Start-ups and other independent retailers often find it difficult to meet these requirements.<sup>8</sup> (See Chapters VI and VIII for more information.)

**However, there does not appear to be a consistent relationship between the approval of a new formula retail conditional use application and the subsequent direction of local rents and vacancies.** While formula retailers could potentially afford to pay higher rents in some individual transactions, retail market trends over time are primarily related to regional and national economic cycles. (See Chapter VI for more information.)

**The effects of formula retailers on the neighborhoods where they are located varies depending on the type of retail, the character of the neighborhood commercial district, local real estate market trends, and other factors.** For example, a formula retailer that serves as an anchor and draws new customers to a revitalizing neighborhood commercial district can have a positive effect on other retailers in the district, and potentially lead to increased sales and rents. In addition to attracting new customers, national and regional retailers often have more resources to invest in improving façades and interiors compared to independent businesses. In the Ocean Avenue Neighborhood Commercial Transit District, for example, a new Whole Foods has attracted new customers and contributed to efforts to revitalize the area. Other formula retailers could detract from the attractiveness or distinctive feel of a district. In Upper Fillmore, for example, an increase in formula retail has led to concerns about the district losing its distinctive feel and a loss of neighborhood-serving businesses. (See Chapter VIII for more information.)

**Formula retail establishments can be challenging to involve in merchant and community organizing and outreach.** Beyond drawing new customers and making physical improvements to their storefronts, many formula retail stores contribute few other benefits to the neighborhoods where they are located. Community members note that it is challenging to establish ongoing relationships with most formula retailers because the managers rotate between stores or do not have the authority to make decisions. As a result of this management structure, local merchants associations report that few formula retailers are active participants in their efforts to organize events and activities. (See Chapter VIII for more information.)

### *What Wages and Benefits Do They Offer Employees?*

**Employment practices in San Francisco vary as much or more by retail subsector and firm size as by whether a business is formula or independent.** On average, retail stores and restaurants in San Francisco pay similar wages regardless of whether the business has just one location in California (“single-site” firms, which served as a proxy for independent retailers in the employment analysis due to limitations of the employment data), or is part of a company with multiple locations in the state (“multiple-site” firms).<sup>9</sup> However, these averages mask large pay differences within some retail subsectors. In some subsectors (e.g., electronics and appliance, furniture, health and personal care, and grocery stores) workers at multiple-site stores earned *more* than workers at single-site stores, while in other subsectors (e.g. automobile parts and accessories, liquor, shoes, and sporting goods stores), workers at multiple-site stores earned *less* than workers at single-site stores. Firms with multiple sites do tend to employ significantly more workers than firms with a single location, although some of the difference may

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<sup>8</sup> Based on interviews with real estate brokers and merchant association representatives; see list of interviewees in Appendix E.

<sup>9</sup> National data from the 2007 Economic Census show that retail firms with fewer than 10 outlets in the United States paid an average of \$27,500 per employee, per year. In comparison, firms with 10 or more outlets paid an average of \$20,800 per employee per year. However, employment data by number of outlets were not available for San Francisco.

be due to scheduling and other business practices (e.g., multiple-site firms may tend to hire more part-time or temporary workers).<sup>10</sup> (See Chapter V for more information.)

Both nationally and in San Francisco, retail stores and restaurants generally provide fewer benefits compared to other types of businesses. Local and national studies have also shown that firms with fewer than 20 employees – a category that includes most independent retailers – are less likely to offer health insurance, paid time off, and other benefits compared to firms with more than 20 employees, a category that includes most formula retailers. However, San Francisco’s labor laws raise the floor, so that firms in all industries are required to offer higher pay and better benefits compared to their counterparts elsewhere in the country, although small firms are exempt from some requirements.<sup>11</sup> (See Chapter V for more information.)

### Effects of San Francisco’s Existing Formula Retail Controls

#### *The Conditional Use Application Process*

**Excluding pending applications, 75 percent of formula retail conditional use applications have been approved.** However, this approval rate may under-represent the impact of the controls in reducing the prevalence of formula retail, as the application process discourages some formula retailers from considering locations in districts with controls. (See Chapters II and III for more information.)

**The formula retail conditional use process creates disincentives for formula retailers to locate in San Francisco’s neighborhood commercial districts.** According to brokers who work with chain retailers, obtaining a formula retail CU authorization typically takes 6 to 12 months and can cost tens of thousands of dollars, including fees for attorneys, architects, and community outreach consultants and other costs. As a result, brokers report that many formula retailers will not propose a new location in San Francisco’s neighborhood commercial districts unless they feel confident that their application is likely to be approved. Some formula retailers are reportedly unwilling to consider locations in San Francisco’s neighborhood commercial districts at all. (See Chapters VI and VIII for more information.)

**However, formula retailers’ willingness to go through the formula retail conditional use application process depends on conditions in specific districts.** Formula retailers are more likely to submit applications in neighborhoods with strong market demand for new retail and where they anticipate a positive reception by the community. (See Chapters VI and VIII for more information.)

**In general, community reaction to formula retail CU applications appears to depend on factors such as the potential impacts on competing businesses, and whether prospective formula retail tenants are filling long-standing vacancies and/or meeting perceived community needs.** In Upper Fillmore, for example, community members have raised concerns about large, established brands competing with independent retailers, the decline in businesses that serve daily needs, and the perception that formula retailers are less engaged with the community than independent businesses. Along Ocean Avenue, however, many formula retailers are seen as providing valuable neighborhood services, although it can be challenging to establish ongoing relationships with them. Along Geary Boulevard, the community has generally supported CU applications for formula retail that fills long-standing needs, but organized to oppose formula retail that competed with existing small businesses. (See Chapter VIII for more information.)

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<sup>10</sup> Data on part-time versus full-time worker status by industry and number of outlets are not available from any known source.

<sup>11</sup> Michael Reich, Ken Jacobs, and Miranda Dietz, eds., *When Mandates Work: Raising Labor Standards at the Local Level*, 2014, <http://www.ucpress.edu/book.php?isbn=9780520278141>.



**The formula retail conditional use authorization process allows the Planning Commission to exercise discretion and respond to case-by-case concerns raised by community members.** The majority of formula retail CU applications have been approved. However, in cases where community members have reached a clear consensus that a proposed formula retailer is not desirable and appeared at Planning Commission hearings, CU authorizations have often been denied or withdrawn. (See Chapters II and VIII for more information.)

### *Neighborhood Effects of the Formula Retail Controls*

**The formula retail controls are one of many land use regulations that the City places on the type, scale, and appearance of retail activities allowed in any given location within San Francisco.** For example, in most NCDs, any proposed retail use over a certain size (typically between 2,000 and 4,000 square feet) requires a separate use size CU authorization. Other provisions of the Planning Code regulate the types of retail uses allowed in particular districts, the dimensions of retail buildings, and the size and appearance of retail signage. Zoning and other land use controls are inherently limited to regulating the type and scale of land use activities and the overall dimensions of the structures in which these activities occur. Thus, the formula retail controls do not directly regulate hiring or employment practices or other features of how businesses are operated once they have been established, but are instead focused on regulating where *new* formula retail establishments may locate.<sup>12</sup> (See Chapters I and II for more information.)

**The relatively low concentration of formula retail in commercial/mixed-use neighborhoods with formula retail controls in place suggests that the controls are successfully limiting the amount of formula retail in the city's neighborhood commercial districts, although other factors are also likely at play.** In addition to the City's formula retail controls, other factors that could affect the concentration of formula retail in different neighborhoods include the prevalence of formula retail before the controls went into effect and the different retail markets that various commercial districts serve. (See Chapter III for more information.)

**By creating disincentives for formula retailers to locate in San Francisco's neighborhood commercial districts, the formula retail controls may help lower costs for independent retailers.** By making neighborhood commercial districts less attractive for formula retailers, formula retail controls may help lower rents in some districts, reducing costs for independent retailers. (See Chapter VI for more information.)

**The City's formula retail controls may be a contributing factor in some long-term vacancies, particularly of larger storefronts.** Brokers report that large, deep spaces may sit empty for extended periods of time if a formula retail CU application is disapproved or withdrawn, and that these vacant spaces can act as a drag on the vibrancy and overall performance of the surrounding district. Formula retailers can generally fill more floor space than independent retailers, and can more often afford to make needed tenant improvements and pay the rents required to lease larger storefronts. However, while the formula retail controls may make leasing some spaces more challenging, obsolete building designs, significant maintenance needs, and challenging locations also likely contribute to long-term vacancies in many cases. (See Chapter VIII for more information.)

**While it might be ideal to encourage property owners to subdivide or redevelop large, vacant retail spaces, there are significant limitations to this approach.** Some large retail buildings are not possible

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<sup>12</sup> However, the City may place conditions of approval on new formula retail establishments through the formula retail conditional use process, which may relate to hiring practices, community engagement, or other aspects of business operations. The City also has other mechanisms for regulating employment and business practices. For example, San Francisco is nationally known for its minimum wage ordinance and other progressive labor laws.

to subdivide into multiple smaller storefronts that would be more suitable for independent businesses because of structural or design issues. In terms of redevelopment potential, some vacant retail buildings that are too big for most independent retailers are located on parcels that are too small to support enough residential units to justify the expense of the demolition and construction. Other vacant retail buildings may present other challenges for redevelopment. For example, the vacant, former Walgreens building in the Geary Boulevard case study area is wedged between two other retail buildings, making it a very challenging site for any new construction. (See Chapter VIII for more information.)

### Implications of Potential Changes to Formula Retail Controls

The Planning Commission and Board of Supervisors are considering a number of different ordinances that would, among other changes, expand the definition of formula retail to include additional land uses, businesses that have 11 or more other outlets located anywhere in the world, and businesses that are majority owned by a formula retail use subject new land uses to formula retail controls. Other proposals would create quantitative thresholds for determining the appropriate level of concentration of formula retail in neighborhood commercial districts. In addition to the changes to the formula retail controls that are under consideration, stakeholders have also raised concerns about the impacts of the formula retail controls on small businesses that are captured by the City's current definition of formula retail. The data and analysis performed as part of this study led to the following findings about the implications of these potential changes.

#### *Expanding the Definition of Formula Retail*

**Changing the definition of formula retail to include international chains with 11 or more other establishments anywhere in the world could have a significant effect in certain neighborhoods, but is unlikely to affect many businesses citywide.** Citywide, 10 percent of businesses with 11 or more other corporate family members are part of a corporation that is headquartered outside of the U.S. However, the vast majority of international businesses already have a long-established presence in the U.S. and qualify as formula retail under the current Planning Code. Therefore, changing the definition is unlikely to have widespread effects in the city overall. However, this proposed policy change is particularly relevant in highly attractive shopping districts like Upper Fillmore, where international (as well as domestic) businesses are reportedly accelerating plans to open before they reach the threshold for formula retail<sup>13</sup>. Other international chains have chosen to open their first San Francisco locations in neighborhoods with a strong ethnic identity, such as Japantown, Chinatown, or the Mission. (See Chapter VII for more information.)

**Expanding the formula retail definition to include establishments that are owned by formula retail businesses is also likely to affect a small number of potential new businesses.** This proposed policy change is designed to address several recent cases of new or proposed establishments that did not have to go through the formula retail CU process even though they were owned by formula retailers, such as Jack Spade in the Mission (owned by Liz Claiborne) and Athleta and Evolution Juice in Upper Fillmore (owned by The Gap and Starbucks, respectively). Citywide, however, subsidiaries – defined as companies that are more than 50 percent owned by another corporation – account for only 3 percent of retail businesses in San Francisco that have 12 or more corporate family members. Most of these would already qualify as formula retail under the existing Planning Code, because they have 11 or more other locations of the same trade name in the U.S. (See Chapter VII for more information.)

**Expanding the application of formula retail controls to other types of land uses could affect a significant number of businesses considering new locations in San Francisco, and make it more challenging to fill vacant storefronts in some neighborhood commercial districts.** As the retail

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<sup>13</sup> Based on interviews with real estate brokers, merchant association representatives, and residents; see list of interviewees in Appendix E.

industry has become increasingly consolidated and brick-and-mortar retail stores are forced to compete with online sales, non-retail uses are playing an increasingly important role in filling vacant retail space. Personal, business, and medical services play a particularly important role in some of San Francisco's more struggling retail districts. For example, while Upper Fillmore's high sales volumes and reputation as a shopping destination continue to attract many retail stores and keep vacancies low, non-retail uses occupy a significant share of storefronts on Geary Boulevard and Ocean Avenue (40 percent and 56 percent, respectively). Given these trends, expanding formula retail controls to include new land uses could make it more difficult to maintain healthy vacancy rates (i.e., vacancy rates of no more than 10 percent) in some neighborhood commercial districts. Moreover, many personal, business, and medical services – such as hair and nail salons, gyms, and dialysis centers – serve residents' daily needs and align with the City's vision of neighborhood commercial districts as providing a range of neighborhood-serving commercial uses. (See Chapters VI and VIII for more information.)

### *Creating Thresholds for Concentration of Formula Retail*

**The appropriate concentration of formula retail for neighborhood commercial districts varies significantly depending on existing conditions and the community's preferences.** The existing concentration of formula retail varies significantly across the city, and communities often react differently to formula retail CU applications depending on factors such as the potential impacts on competing businesses and whether prospective formula retail tenants are filling long-standing vacancies and/or meeting perceived community needs. Given this variation, it is not possible to define an ideal level of concentration for formula retail that could apply across multiple neighborhood commercial districts. (See Chapters III and VIII for more information.)

### *Reducing Impacts on Small Businesses*

**Changing the definition of formula retail to businesses with at least 20 or 50 other establishments (rather than the current 11) would exempt some fast-growing start-ups, while still capturing the vast majority of large, established chains.** Examples of fast-growing start-up businesses that have recently qualified as formula retail include Philz Coffee, with 14 locations in the Bay Area; San Francisco Soup Company, with 16 locations in the Bay Area; and Pet Food Express, which recently reached approximately 50 stores in the Bay Area, Sacramento, and Carmel. Overall, however, only 5 percent of formula retailers in San Francisco are associated with businesses with fewer than 20 total branches or subsidiaries. Another 4 percent have between 20 and 50 locations. The remaining formula retailers are either franchises (about 17 percent) or have more than 50 locations (nearly 75 percent). (See Chapters I and VII for more information.)

**Franchisees and other small businesses may need more assistance in navigating formula retail and other land use controls and negotiating rents.** The formula retail controls affect some small businesses as well as larger, national chains. These include rapidly growing start-up companies (e.g., Philz Coffee, San Francisco Soup Company) as well as some franchisees (i.e., individuals or small companies that purchase the right to use the trademark and other standardized features from a large brand). Providing these businesses with technical assistance in navigating the formula retail controls and other land use controls could help mitigate the impacts of the controls. Small businesses may also benefit from additional assistance in negotiating with landlords in neighborhood commercial districts where rents are rising rapidly. (See Chapters I and VIII for more information.)

## I. INTRODUCTION

The issue of formula retail in San Francisco's neighborhoods has attracted significant attention from the city's policymakers and residents in recent months. San Francisco has regulated formula retail – defined as “a type of retail sales activity or retail sales establishment which, along with eleven or more other retail sales establishments located in the United States,” maintains certain standardized features – since the mid-2000s. Uses subject to this definition include most retail stores, restaurants, bars, liquor stores, banks, retail services,<sup>14</sup> and movie theaters. Under the current San Francisco Planning Code, new formula retail in the city's neighborhood commercial districts either is prohibited or requires conditional use authorization.

In 2013, concerns about rapid change in San Francisco's retail market sparked renewed interest in the issue and prompted a number of proposals to revise the formula retail policies. In response to these proposals, the City and County of San Francisco (City) contracted with Strategic Economics to provide data and analysis of San Francisco's formula retail establishments and controls. This report describes the results and methodology of Strategic Economics' analysis, which is intended to inform policy recommendations that City staff will make to the Planning Commission. The study involved the first comprehensive effort to identify and map all of San Francisco's existing formula retail establishments, as well as extensive research into topics such as the employment and real estate impacts associated with formula retail. At key points throughout the study, the results were presented to focus groups of stakeholders and the Planning Commission, and the analysis was augmented and revised to reflect feedback from focus group participants, the Planning Commission, and City staff.

The Office of the Controller has also prepared an economic analysis in response to proposed changes to San Francisco's formula retail policies. In February 2014, the Controller's Office of Economic Analysis released its report, which included an analysis of consumer price and local spending differences between formula and independent retailers and an evaluation of the overall economic impact of expanding the City's formula retail controls.<sup>15</sup> In order to avoid duplicating efforts and maximize the overall number of topics that could be studied, Strategic Economics did not conduct additional research on these topics.

### Background

The San Francisco Board of Supervisors (BOS) adopted the City's first formula retail controls in 2004, with the goal of protecting San Francisco's “diverse retail base with distinct neighborhood retailing personalities.” The BOS found that “the standardized architecture, color schemes, décor and signage of many formula retail businesses can detract from the distinctive character” of San Francisco's neighborhood commercial districts (NCDs), which the City envisions as mixed-use districts that support a range of neighborhood-serving commercial uses. In addition to protecting the distinctive aesthetic character of the NCDs, the ordinance was intended to “protect [San Francisco's] vibrant small business sector and create a supportive environment for new small business innovations,” in recognition that “the unregulated and unmonitored establishment of additional formula retail uses may unduly limit or eliminate business establishment opportunities for smaller or medium-sized businesses . . . and unduly skew the mix of businesses towards national retailers in lieu of local or regional retailers.”<sup>16</sup>

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<sup>14</sup> Retail services include laundromats, dry cleaning, pet grooming, and copy centers.

<sup>15</sup> See City and County of San Francisco Office of the Controller – Office of Economic Analysis, “Expanding Formula Retail Controls: Economic Impact Report,” February 12, 2014, <http://sfcontroller.org/Modules/ShowDocument.aspx?documentid=5119>.

<sup>16</sup> Ordinance Number 62-04, Board File 031501, available online at: <http://sfgov.legistar.com/LegislationDetail.aspx?ID=473759&GUID=A83D3A84-B457-4B93-BCF5-11058DDA5598&Options=ID|Text|&Search=62-04>

Initially, the City's formula retail controls were limited to a few specific NCDs (including the Hayes-Gough NCD and certain blocks in the Haight/Cole Valley area). However, in 2007, San Francisco voters approved Proposition G, which amended the Planning Code to require conditional use (CU) authorizations for new formula retail outlets in all of the city's NCDs. Because Proposition G was a voter-approved ballot initiative, the provision of the Planning Code that requires a CU authorization for new formula retail in the NCDs can only be changed through another ballot process. However, other aspects of the controls – such as the definition of formula retail, the use types that are subject to formula retail controls, and the criteria for consideration of formula retail CU applications – can be amended through the typical legislative process. For example, in 2012 the BOS expanded the controls to cover banks, credit unions, and savings and loans.<sup>17</sup>

The formula retail controls are one of many land use regulations that the City places on the type, scale, and appearance of retail activities allowed in any given location within San Francisco. For example, in most NCDs, any proposed retail use over a certain size (typically between 2,000 and 4,000 square feet) requires a separate use size CU authorization.<sup>18</sup> Other provisions of the Planning Code regulate the types of retail uses allowed in particular districts, the dimensions of retail buildings, and the size and appearance of retail signage. Zoning and other land use controls are inherently limited to regulating the type and scale of land use activities and the overall dimensions of the structures in which these activities occur. Thus, the formula retail controls do not directly regulate hiring or employment practices or other features of how businesses are operated once they have been established, but are instead focused on regulating where *new* formula retail establishments may locate.<sup>19</sup>

### Recent Concerns Related to Formula Retail and the Formula Retail Controls

Over the past several years, a number of concerns have drawn significant new attention to the City's formula retail policies. The increased attention to the issue has played out in the context of San Francisco's rapidly expanding economy, which has fueled one of the hottest retail markets in the country.<sup>20</sup> As the U.S. economy has recovered, many national retail brands have gone into expansion mode, reportedly focusing expansion plans on dense, urban environments like San Francisco.<sup>21</sup> At the same time, many retail sectors are facing increased competition with online sales. As a result of these local and national trends, some small, independent businesses have struggled to keep up with rising rents even as the city's economic growth has attracted new national brands and allowed other independent retailers to expand.

In this context, residents, businesses, and policy makers have raised a number of concerns, including some that are directly related to the impacts of the City's formula retail controls and others that are also tied to broader retail market trends. Some of the specific concerns that have been raised in the debate over formula retail include:

- **High-profile cases of nationally or internationally known brands that have recently proposed or opened locations in San Francisco but were not subject to the City's formula retail controls.** These include brands with dozens or hundreds of locations internationally but fewer than 11 other locations in the United States when they opened in San Francisco (e.g., The

<sup>17</sup> For a more detailed discussion of the history of formula retail controls in San Francisco, and a complete description of the definition of formula retail, see "Formula Retail Controls Today and Tomorrow," Memorandum to the Planning Commission by Sophie Hayward, Legislative Planner and Jenny Wun, Legislative Intern, July 15, 2013.

<sup>18</sup> See Appendix B for additional information on use size controls by zoning district.

<sup>19</sup> However, the City may place conditions of approval on new formula retail establishments through the formula retail conditional use process, which may relate to hiring practices, community engagement, or other aspects of business operations. The City also has other mechanisms for regulating employment and business practices. For example, San Francisco is nationally known for its minimum wage ordinance and other progressive labor laws.

<sup>20</sup> ChainLinks retail Advisors, *Fall/Winter 2013 Retail Review & Forecast*.

<sup>21</sup> Cassidy Turley, *National Retail Review*.

Kooples, Cotélaç, and Sandro, three clothing boutiques that recently opened in the Upper Fillmore); brands that are found in many department stores or are owned by formula retail companies but have few brick-and-mortar stores under their own trademark (e.g., Jack Spade, Joie); and companies that have dozens of outlets in the United States but do not fall among the use types to which the controls apply (e.g., Chevron gas station, Equinox gym).

- **Potential impacts of the formula retail controls on relatively small or start-up retailers that are captured by the City's definition of formula retail.** Examples of start-up businesses that have grown rapidly and now qualify as formula retail include Philz Coffee, with 14 locations in the Bay Area; San Francisco Soup Company, with 16 locations in the Bay Area; and Pet Food Express, which recently reached approximately 50 stores in the Bay Area, Sacramento, and Carmel. In addition, some small business advocates have raised concerns over impacts on small franchisees – i.e., individuals or companies who purchase the right to use the trademark and other standardized features from a large, national brand. Examples of franchises subject to the formula retail controls include restaurants like Subway, Taco Bell/KFC, Jamba Juice, and Extreme Pizza and stores such as RadioShack and The Great Frame Up.
- **Concern that the expansion of formula retail is exacerbating the pressures facing small retail, restaurant, and personal service businesses in San Francisco.** Small businesses have raised a concern that formula retailers are willing and able to pay higher rents than independent retailers, contributing to rapidly rising rents in the city's NCDs. Stakeholders have also raised concerns that some landlords prefer formula retailers or other national brands over independent retailers, and may hold retail space off the market until a national tenant can be found.<sup>22</sup>
- **Concern that the formula retail controls are contributing to long-term vacancies and other challenges that some neighborhood commercial districts continue to face even as the city's overall economy has expanded.** While the citywide retail vacancy rate remains very low (estimated at 4.5 percent in the fourth quarter of 2013<sup>23</sup>), vacancies are significantly higher in some NCDs. For example, the vacancy rates in the Ocean Avenue NCD and on Geary Boulevard (14<sup>th</sup> to 28<sup>th</sup> Avenues) were estimated at 10 percent and 6 percent, respectively in late 2013/early 2014.<sup>24</sup> Policymakers have expressed particular concerns over long-term commercial vacancies in some NCDs.<sup>25</sup> Real estate brokers report that the formula retail controls make it more difficult to fill vacancies, particularly of large spaces (more than 3,000 square feet). At the same time, some retail districts across the city and the region are finding it increasingly difficult to fill retail space with retail stores (i.e., businesses selling goods directly to consumers) as the number of potential retail tenants has shrunk due to competition with e-commerce and the consolidation of national retail brands. Real estate professionals have noted a local and nationwide shift toward retail uses that do not compete directly with online sales, such as restaurants, grocery stores, other food stores, personal services, tax preparation, automotive services, and dry cleaners.<sup>26</sup>
- **Growing concern that new retailers – both formula and independent – are increasingly serving a luxury or high-end market and do not serve residents' daily needs.** Stakeholders in some higher-income neighborhoods have observed that long-standing retail uses that once provided affordable goods and services to serve residents' "daily needs" – for example, hardware stores, corner stores, and laundromats – are being replaced by new stores that predominantly sell high-end "comparison goods" such as jewelry, clothes, shoes, and

<sup>22</sup> As discussed in Chapter VI, national retailers typically have better credit and can sign longer leases than small, independently owned retailers, reducing the risk to the landlord that the tenant will be unable to pay their rent.

<sup>23</sup> Terranomics, "San Francisco County Retail Report," Fourth Quarter 2013.

<sup>24</sup> Sources: OEWD, December 2013; Ocean Avenue Association, February 2014.

<sup>25</sup> San Francisco Budget and Legislative Analyst, "Preventing and Filling Commercial Vacancies in San Francisco," August 20, 2013.

<sup>26</sup> ChainLinks retail Advisors, *Fall/Winter 2013 Retail Review & Forecast*.

furniture that most households purchase only occasionally (and tend to compare before purchasing). Meanwhile, residents of some lower-income neighborhoods have faced a lack of affordable grocery stores, drug stores, and other daily needs-serving establishments for many years. At a broad level, the shift towards higher-end, comparison shopping stores may in part reflect a regional and national decline in consumer demand from the middle class, accompanied by strong growth in retail sectors serving either the most affluent households or struggling, low-income households.<sup>27</sup> More locally, as rents have risen in many of San Francisco's shopping districts, daily needs-serving establishments with relatively low profit margins may not be able to afford the increased rent burden. In other cases, the business owner may retire, sell their building or lease in order to take advantage of high real estate prices, or close shop for other reasons.

- **Concerns about differences in hiring practices and the quality of jobs offered by formula and independent retailers.** San Francisco's residents and elected officials place a high priority on providing high-quality, well-paying jobs that employ a diverse range of residents. Residents and stakeholders have raised concerns about whether formula and independent retailers offer jobs of comparable quality and hire a diverse workforce, and whether the formula retail controls have unintended effects on overall job creation in the city.

In response to these and other concerns, a number of proposals to revise the City's formula retail controls have recently come before the BOS. These legislative proposals include expanding the controls to cover new areas of the city, changing the definition of formula retail in certain geographic areas or citywide, adjusting the criteria for approving a formula retail CU, and changing the notification procedures for CU applications. In addition, the Planning Commission and Board of Appeals have made several recent policy decisions affecting the way the existing formula retail controls are applied.<sup>28</sup>

### **Purpose of this Report**

In reaction to the multiple legislative proposals related to formula retail, the Planning Commission directed the Planning Department to review and analyze the overall issue of formula retail in San Francisco. The Planning Department selected Strategic Economics to conduct this study, which is intended to provide a comprehensive, data-driven profile of San Francisco's existing formula retail establishments and to address specific economic and land use concerns raised by community members and policymakers. Department staff will draw on the information in this report, public comment, and other sources to determine whether changes to the definition of formula retail, the formula retail CU process, or applicable geographic areas of the City's formula retail controls would improve neighborhood character and economic vitality.

Strategic Economics worked with Planning Department staff to identify the specific issues that are assessed in this study. The Department also convened several focus groups, where stakeholders were asked to provide feedback on potential research topics and preliminary findings. Through this process, the following topics were selected for in-depth analysis:

- The geographic distribution of existing formula retail in San Francisco in relation to formula retail controls, neighborhood demographics, and other local characteristics;
- Characteristics of San Francisco's formula retail establishments (e.g., size of establishments, types of goods sold, headquarters locations) compared to the city's independent retail establishments;
- Employment differences between formula and independent retail;

<sup>27</sup> Schwartz, "The Middle Class Is Steadily Eroding. Just Ask the Business World."

<sup>28</sup> Chapter II provides a complete list of recently adopted or proposed legislation and policy changes related to formula retail.

- The relationship among formula retail controls, formula retail businesses, and the real estate market;
- The potential impacts of changing the Planning Code's definition of "formula retail" as proposed by several of the ordinances under consideration before the BOS; and
- The functions that formula retail establishments play in different NCDs throughout the city, including formula retail's role in serving the daily needs of residents' as opposed to regional shoppers, and the extent to which formula retail adds or detracts from the aesthetic character and economic vibrancy of the city's NCDs.

## **Report Organization**

The report is organized into the following chapters:

- Chapter I (this introduction) provides background and describes the purpose of this report.
- Chapter II reviews the City's existing and proposed formula retail controls, including the volume and approval rate of formula retail CU applications that have been submitted since the controls went into effect.
- Chapter III assesses the prevalence of existing formula retail establishments in San Francisco and the spatial distribution of formula retail by zoning control and subarea within the city.
- Chapter IV discusses the characteristics of San Francisco's existing formula retail establishments in more detail.
- Chapter V analyzes differences in employment between formula and independent retail, in terms of number of workers employed, wages, and benefits,
- Chapter VI focuses on the relationship among formula retail controls, formula retail businesses, and the real estate market.
- Chapter VII evaluates the potential effect of changing the Planning Code definition of "formula retail."
- Chapter VIII provides case studies of the role that formula retail plays in three of San Francisco's NCDs: Upper Fillmore, Ocean Avenue, and Geary Boulevard (14<sup>th</sup> to 28<sup>th</sup> Avenues).
- Chapter IX provides a concluding summary of findings from the analysis.

Appendix A discusses in detail the methodology used to identify and characterize established formula retail establishments. Appendix B provides information on use size controls by zoning district. Appendix C provides the definitions of land uses that Supervisor Eric Mar's proposed legislation would add to the formula retail controls. Appendix D includes additional maps and tables from the analysis of demographic and economic characteristics discussed in Chapter III. Appendix E provides a list of participants who attended the stakeholder focus groups, as well as other individuals interviewed as part of the study.



## II. SAN FRANCISCO'S FORMULA RETAIL CONTROLS

This chapter provides additional background on San Francisco's existing formula retail controls and the various legislative and policy changes that have been proposed or adopted in recent months. The chapter also evaluates the volume and approval rate for formula retail conditional use applications, as one indicator of the effect that the controls have had in limiting formula retail in San Francisco's neighborhood commercial districts.

### Existing and Proposed Formula Retail Controls

As discussed in Chapter I, the Board of Supervisors adopted San Francisco's first formula retail (FR) use controls in 2004 in a few specific districts. In subsequent years, a number of ordinances expanded the controls to additional districts. In 2007, San Francisco voters approved Proposition G, which requires conditional use (CU) authorizations in all of the city's neighborhood commercial districts.

Today, new formula retail is prohibited or requires CU authorization in much of San Francisco. In addition to these basic controls, additional controls have been enacted in some specific locations, typically in response to concerns regarding over-concentration of certain formula retail uses or the impacts on neighborhood character caused by larger formula retail stores. Figure II-1 shows the locations where formula retail controls are currently in place; Figure II-2 summarizes specific controls that apply only in certain zoning districts (marked in dark orange in Figure II-1).

Under the current Planning Code, "formula retail" is defined as "a type of retail sales activity or retail sales establishment which, along with eleven or more other [i.e., at least 12 total, including the proposed establishment] retail sales establishments located in the United States, maintains two or more of the following features: a standardized array of merchandise, a standardized façade, a standardized décor and color scheme, a standardized uniform, standardized signage, a trademark or a servicemark."<sup>29</sup> Use types subject to this definition generally include restaurants, bars, liquor stores, retail stores and service establishments, banks, and movie theaters. Some uses that are often considered retail in other contexts – for example, hair salons, gyms, health care outlets, gas stations, home mortgage centers, tax service centers, and auto dealerships – are not currently subject to San Francisco's formula retail controls. The controls apply only to uses that have sought development approvals since the formula retail controls were enacted; existing formula retail establishments are not subject to new restrictions enacted after a property received entitlements.<sup>30</sup>

The formula retail controls are one of many land use regulations that the City places on the type, scale, and appearance of retail activities allowed in any given location in San Francisco. For example, in most NCDs, any proposed retail use over a certain size (typically between 2,000 and 4,000 square feet) requires a separate use size CU authorization.<sup>31</sup> The Planning Code also includes separate provisions for large-scale retail; retail uses over 90,000 square feet in the C-3 zoning districts and 50,000 square feet in all other zoning districts require CU authorization, while retail over 120,000 square feet is generally prohibited.<sup>32</sup> Other provisions of the Planning Code regulate the types of retail uses allowed in particular districts, the dimensions of retail buildings, and the size and appearance of retail signage.

In 2013, a number of additional legislative and policy changes to the formula retail controls were proposed or adopted, including proposed ordinances that would modify the definition of formula retail

<sup>29</sup> San Francisco Planning Code, Sections 303(i)(1), 703.3, and 803.6(c).

<sup>30</sup> "Entitlements" are approvals for the right to develop a property for a desired purpose or use.

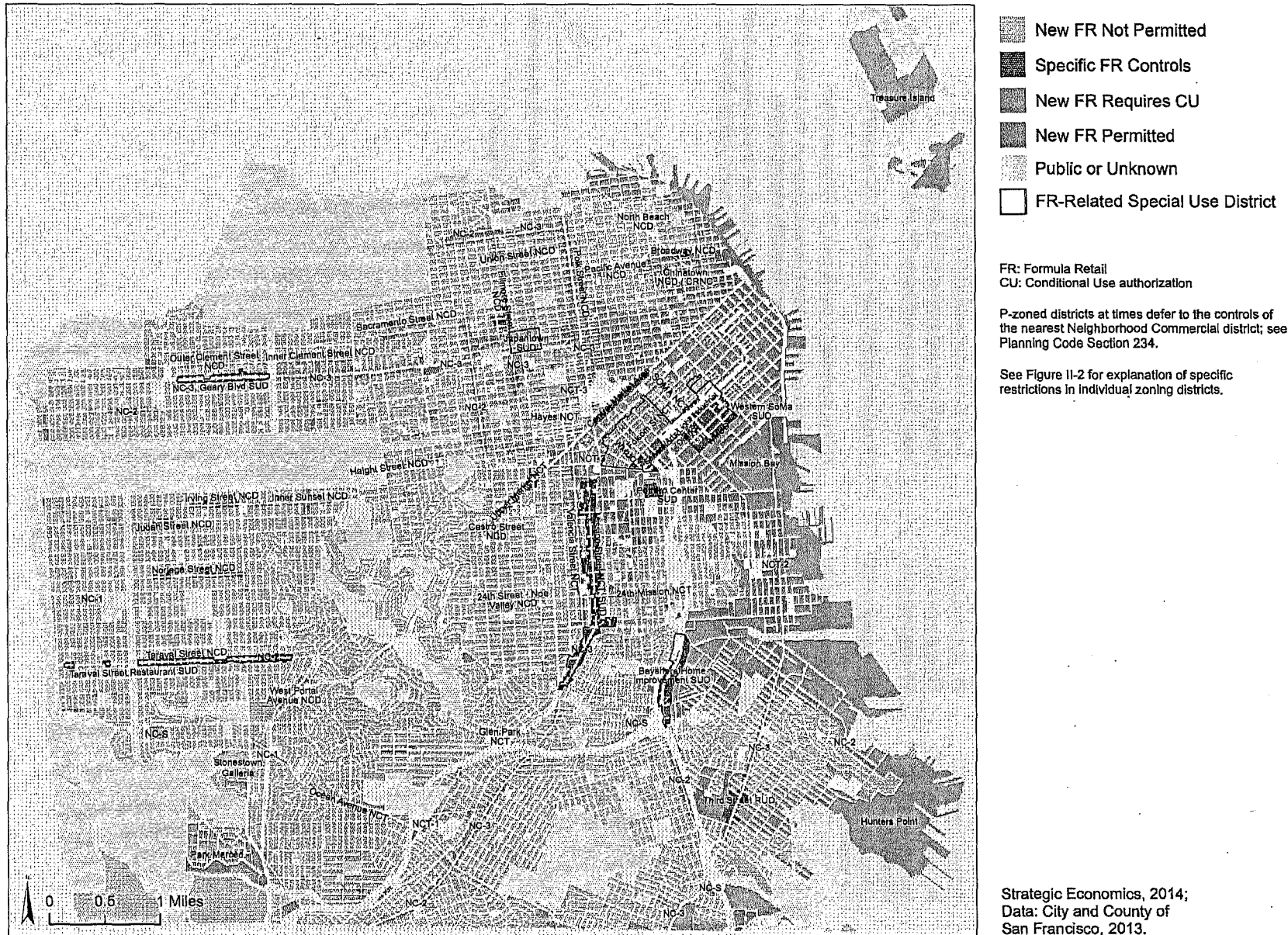
<sup>31</sup> See Appendix B for additional information on use size controls by zoning district.

<sup>32</sup> San Francisco Planning Code, Section 121.6.

*June 2014*

and expand the areas in which controls apply. The various proposed ordinances would expand the formula retail controls to cover new areas of the city; change the definition of formula retail in certain areas or citywide; adjust the criteria for approving formula retail CU applications; and/or expand noticing procedures for CU applications. Figures II-3 and II-4, respectively, provide a map and summary of proposed or recently adopted legislation and policy changes.

Figure II-1. Existing Formula Retail Controls in San Francisco



*Figure II-2. Summary of Existing Specific Formula Retail Controls Applicable in Individual Zoning Districts*

<b>Zoning District</b>	<b>Underlying FR Control</b>	<b>Specific Restriction</b>
Fillmore Street NCD (Upper Fillmore)	FR requires a CU	FR Restaurants and Limited Restaurants not permitted
Broadway NCD	FR requires a CU	FR Restaurants and Limited Restaurants not permitted
Mission Street FR Restaurant SUD	FR requires a CU	FR Restaurants and Limited Restaurants not permitted
Taraval Street Restaurant SUD	FR requires a CU	FR Restaurants and Limited Restaurants not permitted
Geary Boulevard FR Pet Store and Restaurant SUD	FR permitted	FR Pet Supply Store not permitted; Formula Retail Restaurants and Limited Restaurants not permitted
Taraval Street NCD	FR requires a CU	Trade Shops are subject to FR controls
Noriega Street NCD	FR requires a CU	Trade Shops are subject to FR controls
Irving Street NCD	FR requires a CU	Trade Shops are subject to FR controls
WSoMa Mixed-Use Office District (WMUO)	FR requires a CU	FR not permitted if use is over 25,000 square feet
Service/Arts/Light Industrial District (SALI)	FR requires a CU	FR not permitted if use is over 25,000 square feet
Upper Market NCT	FR requires a CU	CU required for Limited Financial Services and Business or Professional Services (18-month interim control)
Central Market Area Bayshore Boulevard Home Improvement SUD	FR permitted	CU required for FR fronting on Market Street between Sixth Street and Van Ness Avenue (18-month interim control)
Third Street Formula Retail RUD	FR permitted Mixed zoning: in some zoning districts within this SUD FR requires CU and in some districts FR is permitted	FR over 10,000 square feet requires CU  Any new FR requires CU
Potrero Center Mixed- Use SUD	FR requires a CU	Relieves FR requirements for parcels which would otherwise require a CU

This table summarizes the specific formula retail controls applicable in certain zoning districts, as shown in Figure II-1.

**Acronyms:**

FR: Formula retail

CU: Conditional use authorization

NCD: Neighborhood Commercial District

NCT: Neighborhood Commercial Transit District

SUD: Special Use District

RUD: Restricted Use District

Source: City and County of San Francisco, 2013.

Figure II-3. Recently Proposed or Adopted Location-Specific Changes to San Francisco's Formula Retail Controls

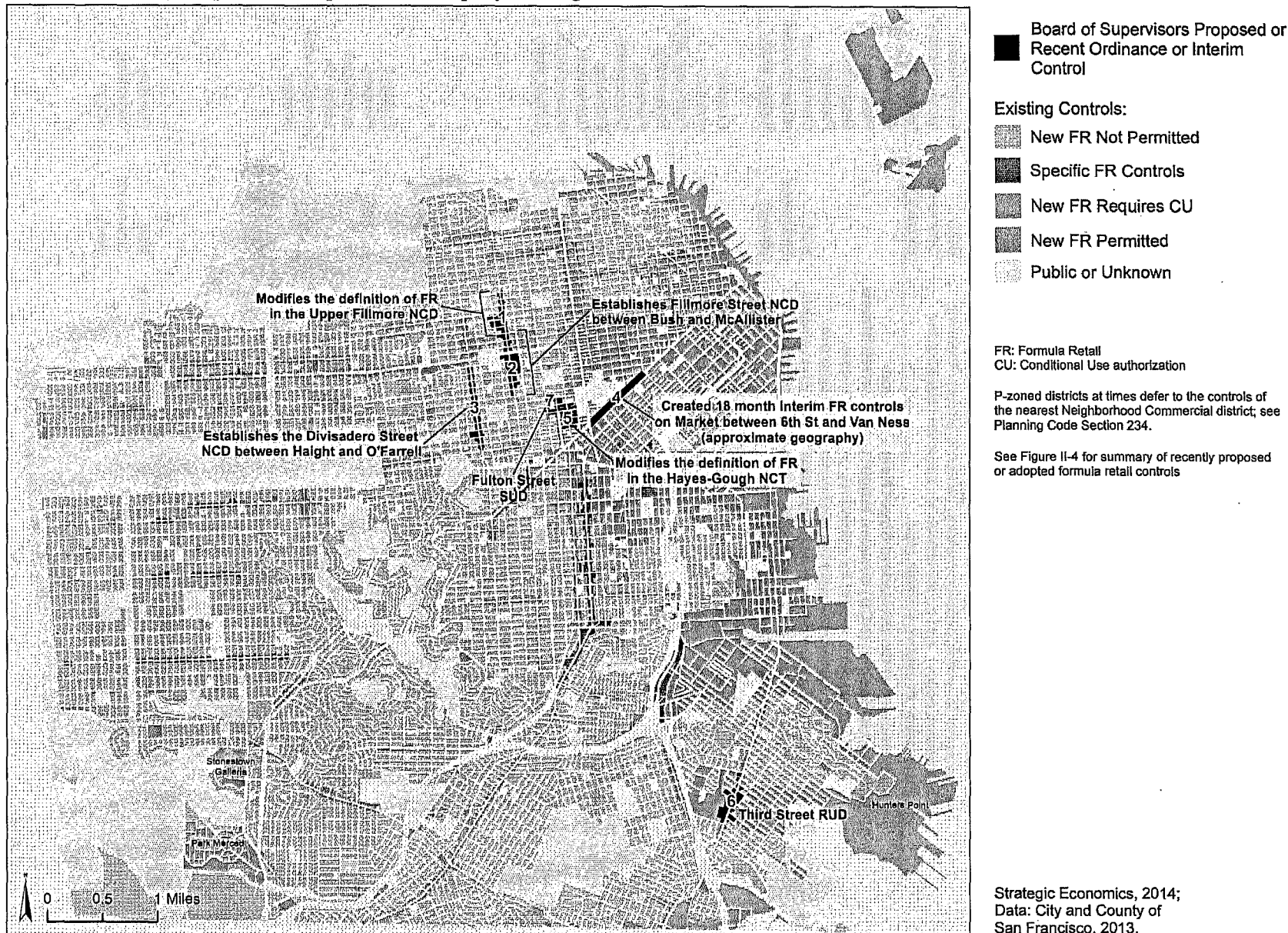


Figure II-4. Summary of Recently Proposed or Adopted Changes to San Francisco's Formula Retail Controls

Map Key (a)	Legislative or Policy Change	Type of Action	Status
1	<b>Modification to the definition of formula retail in the Upper Fillmore Neighborhood Commercial District (NCD)</b> to include retail with 11 or more establishments anywhere in the world, and establishments where 50% or more of stock, shares, etc. are owned by a formula retail use.	BOS Ordinance (Farrell)	Pending committee action
2	<b>Establishment of the Fillmore Street Neighborhood Commercial District (NCD) between Bush and McAllister Streets.</b> The proposal seeks to weight the community voice over other considerations, generally weight the hearing toward disapproval, legislate a requirement for pre-application meeting (which is already Planning Commission policy), and codify criteria for approval related to the concentration of existing formula retail.	BOS Ordinance (Breed)	Referred to Planning Department; Planning Commission recommended further study
3	<b>Establishment of the Divisadero Street Neighborhood Commercial District (NCD) between Haight and O'Farrell Streets.</b> The proposal seeks to weight the community voice over other considerations, generally weight the hearing toward disapproval, legislate a requirement for pre-application meeting (which is already Planning Commission policy), and codify criteria for approval related to the concentration of existing formula retail.	BOS Ordinance (Breed)	Referred to Planning Department; Planning Commission recommended further study
4	<b>Establishment of 18-month interim controls on Market Street between Sixth Street and Van Ness Avenue (the Central Market area).</b> A conditional use authorization is required for any formula retail fronting on Market Street in this area.	BOS Ordinance (Kim)	Enacted; expires February 2015
5	<b>Modification of the definition of formula retail in the Hayes-Gough Neighborhood Commercial Transit District (NCT)</b> to include retail with 11 or more establishments anywhere in the world, and establishments where 50% or more of stock, shares, etc. are owned by a formula retail use.	BOS Ordinance (Breed)	Referred to Planning Department; Planning Commission recommended further study
6	<b>Modification of zoning controls in the Third Street Formula Retail Restricted Use District (RUD) and expansion of applicability of formula retail controls citywide.</b> This mixed-use district had some parcels where CU was not required for formula retail. Now all parcels in this RUD require CU for the establishment of CU. Certain changes to existing entitled formula retail locations citywide now trigger the need for a new CU hearing.	BOS Ordinance (Cohen)	Enacted
7	<b>Creation of the Fulton Grocery Special Use District (SUD).</b> The Planning Commission recently recommended this SUD, which would create an exception to the current prohibition on formula retail in the Hayes Gough NCT so as to allow the Commission to consider a formula retail grocer by CU.	BOS Ordinance (Breed)	Pending committee action on formula retail change
N/A	<b>Expansion of the citywide definition of formula retail</b> to include businesses that have 11 or more outlets worldwide, and to include businesses that are at least 50% owned by a formula retail business; expands application to other types of retail uses (e.g., "Adult Entertainment," "Automobile Service Station," "Hotel, Tourist," "Tobacco Paraphernalia Establishment"); requires the Planning Commission to consider economic impact on other businesses in the area as part of the CU process; expands noticing procedures for formula retail applications.	BOS Ordinance (Mar)	Pending committee action

Map Key (a)	Legislative or Policy Change	Type of Action	Status
N/A	<b>Creation of the first quantitative basis for evaluating concentration of formula retail in the Upper Market Neighborhood Commercial District and Neighborhood Commercial Transit District.</b> Planning Department staff will recommend disapproval of any project that brings the concentration of formula retail within 300 feet of the subject property to 20% or greater of total linear store frontage.	Planning Commission Policy	Adopted
N/A	<b>Board of Appeals ruling.</b> Established that if a company has signed a lease for a location (even if the location is not yet occupied), the lease counts toward the 11 establishments needed to be considered formula retail.	Board of Appeals ruling	
N/A	<b>Amendment of the San Francisco Public Works code to restrict food trucks that are associated with formula retail establishments.</b> For this restriction, the formula retail definition includes "affiliates" of formula retail restaurants, which includes an entity that is owned by or has a financial or contractual agreement with a formula retail use.	BOS Ordinance (Wiener)	Passed

(a) See Figure II-3.

Acronyms:

BOS: Board of Supervisors

CU: Conditional use authorization

N/A: Not applicable

Source: City and County of San Francisco, 2013.

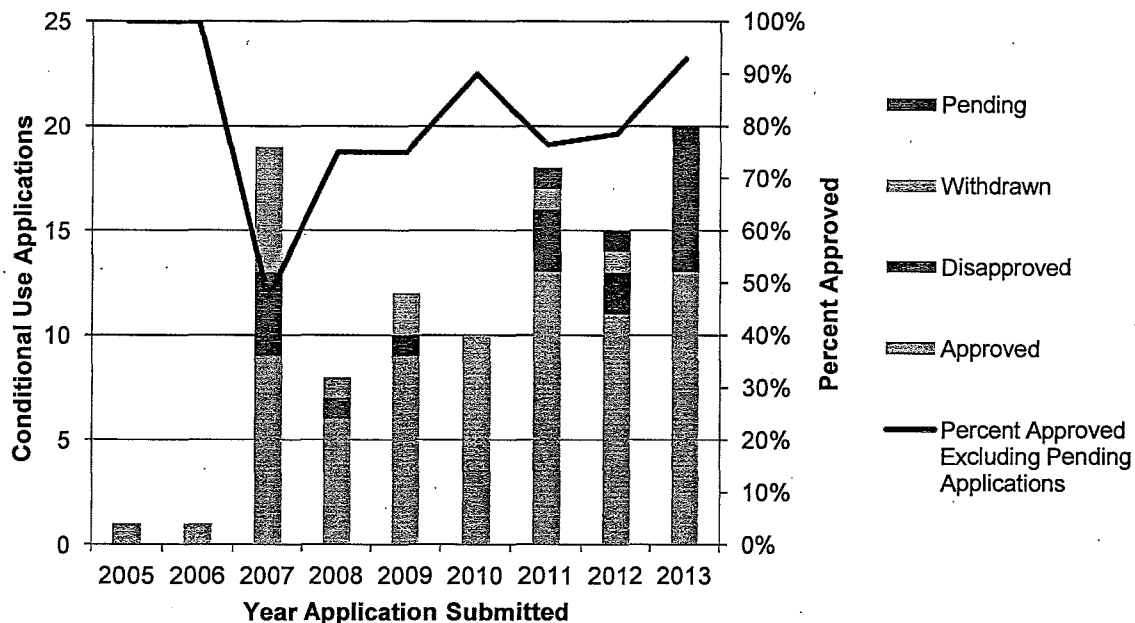
## Formula Retail Conditional Use Applications

San Francisco's formula retail CU process is intended to allow the Planning Commission to determine whether each formula retail applicant is necessary, desirable, and consistent with the general character of the neighborhood. This discretionary determination is informed by public comment generated by required neighborhood notifications. Each formula retail applicant in neighborhoods with controls in place must prove to the Commission that the specific business will improve the neighborhood. In making this determination, the Commission is required to consider the following five criteria:

1. The existing concentrations of formula retail uses within the district.
2. The availability of other, similar retail uses within the district.
3. The compatibility of the proposed formula retail use with the existing architectural and aesthetic character of the district.
4. The existing retail vacancy rates within the district.
5. The existing mix of citywide-serving retail uses and neighborhood-serving retail uses within the district.

The Planning Department has received approximately 100 formula retail conditional use applications since the formula retail regulations went into effect. Figure II-5 shows formula retail CU applications by year filed and action taken. Figure II-6 provides a map of formula retail CU applications by status. Key findings are as follows.

*Figure II-5. Formula Retail Conditional Use Applications by Year Application Was Filed and Action Taken, 2004-January 2014*



Sources: City and County of San Francisco, 2013; Strategic Economics, 2014.

**Conditional use activity has varied significantly over time, following broader economic trends.** In 2007, the first year that CU authorizations were required for formula retail in most neighborhoods, 19 formula retail CU applications were filed with the Planning Department (Figure II-5). During the nationwide recession between 2008 and 2010, formula retail CU applications fell to between 8 and 12 a

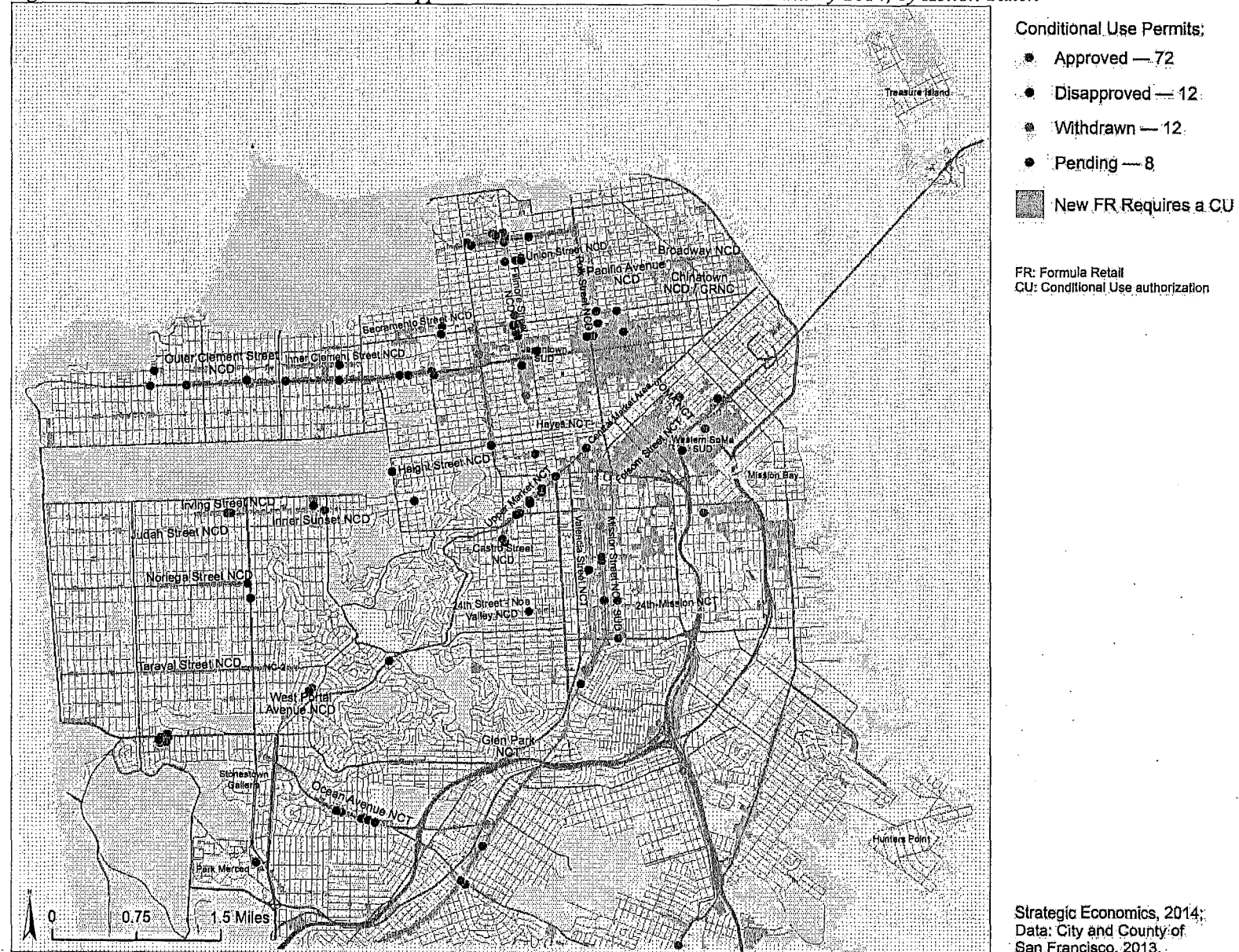


year. As the economy has recovered, so have the number of formula retail CU applications. In 2013, the Planning Department received 20 applications, an all-time high. Six of these (30 percent) have not yet been resolved.

**Excluding pending applications, 75 percent of all formula retail CU applications have been approved.** However, the approval rate varies from year to year. As shown in Figure II-5, fewer than half of formula retail CU applications that were submitted in 2007 were eventually approved. Since then, 75 percent or more of applications have been approved every year. Although the number of CU applications appears to correlate with broader economic conditions, the approval rate does not.

**The general decline in applications and higher approval rate since 2007 may reflect self-selection on the part of formula retailers.** The decline in applications and increase in approval rates suggests that formula retailers have become more selective in submitting CU applications since the controls first went into effect in most neighborhoods. According to real estate brokers, many formula retailers will not propose a new location in San Francisco's neighborhood commercial districts unless they feel at least somewhat confident that their CU application is likely to be approved. Some formula retailers are reportedly unwilling to consider locations in San Francisco's neighborhood commercial districts at all. To the extent that the formula retail CU process discourages formula retailers from considering locations in districts with controls, the CU application and approval rates may under represent the impact of the controls in reducing the prevalence of formula retail.

Figure II-6. Formula Retail Conditional Use Applications Received between 2004 and January 2014, by Action Taken



### III. SAN FRANCISCO'S FORMULA RETAIL: HOW MUCH IS THERE AND WHERE IS IT LOCATED?

Using data purchased by the City and County of San Francisco from Dun & Bradstreet (D&B), a commercial vendor, Strategic Economics identified, mapped, and analyzed existing retailers that would most likely be considered "formula retail" if the businesses were to propose a new location in San Francisco today.<sup>33</sup> (As described in Chapter II, the City's formula retail controls apply only to applicants seeking to establish a new retail location in certain districts, not to existing outlets.)

This chapter describes key findings from this analysis, which provided a broad look at the prevalence of formula and independent retail in San Francisco by type, and the spatial distribution of formula and independent retail by zoning control and subarea within the city. The chapter also evaluates formula retail conditional use applications by geographic subarea. The analysis presented in this chapter was intended to answer questions such as:

- How much formula retail does San Francisco already have, and of what type?
- How does the concentration of formula retail vary across San Francisco? Understanding the existing concentration of formula retail in different parts of the city may provide some baseline for making future decisions about appropriate concentration levels.<sup>34</sup>
- Is formula retail less prevalent in neighborhood commercial districts and other zoning districts where formula retail controls are in place?
- In addition to the controls, what other factors might contribute to the spatial distribution of formula retail? For example, how does the prevalence of formula retail correspond with population and employment density, resident incomes, visitor traffic, regional access, and other factors that retailers typically consider in determining where to locate?
- Which parts of the city have attracted the most formula retail conditional use applications, and how do formula retail CU approval rates vary within the city?

Information presented in subsequent chapters is also relevant to many of these questions. Chapter IV provides a more in-depth look at other characteristics of San Francisco's existing formula retail establishments, including square footage, headquarters location, and the number of outlets in formula retail chains. Chapter VIII provides three case studies that explore in more detail the functions that formula retail establishments play in different neighborhood commercial districts, including formula retail's role in serving the daily needs of residents' as opposed to regional shoppers, and the extent to which formula retail adds or detracts from aesthetic character and economic vibrancy.

#### Prevalence of Formula Retail in San Francisco

Key findings from the citywide analysis are described below.

**There are approximately 1,250 formula retail establishments in San Francisco, accounting for 12 percent of all retailers.** These are retail establishments that, if they were to propose a new location in San Francisco today, would most likely be considered formula retailers. Formula retail occupies an estimated

<sup>33</sup> Appendix A provides a complete description of the methodology used to conduct the analysis and limitations associated with the data.

<sup>34</sup> The existing concentration of formula retail uses within a district is one of the criteria that the Planning Commission is required to consider in hearing a request for a formula retail CU authorization, but concentration levels have been interpreted differently in different places. The Planning Commission recently created the first quantitative measure of formula retail concentration in Upper Market, and some of the legislation before the Board of Supervisors would codify a quantitative measure of concentration.

11.2 million square feet of building area, accounting for 31 percent of San Francisco's retail square footage. Figure III-1 shows the total number of formula and independent retail establishments and square feet by use type.

**In contrast, 32 percent of all retail establishments in the U.S. are associated with firms that include 10 or more outlets.**<sup>35</sup> This national average is calculated from the 2007 Economic Census, and does not exactly match San Francisco's definition of formula retail or the methodology used to identify formula retail in this analysis. Despite these caveats, however, formula retail appears to be significantly less prevalent in San Francisco when compared to the national average.

**Stores account for the majority of San Francisco's formula retail, followed by restaurants, bars, and cafés.** Nearly 60 percent of the city's formula retail establishments are stores, defined as establishments that sell goods to the public (e.g., groceries, auto parts, pet supplies, jewelry, etc.). Twenty-three percent are restaurants, bars, or cafés, and 18 percent are banks, credit unions, or savings and loans (Figure III-1). The remaining two percent are retail services, a category that includes copy centers, pet care (excluding veterinary) services, laundromats, and dry cleaners. In comparison, 69 percent of San Francisco's independent retail establishments are stores, 25 percent are restaurants, 6 percent are retail services, and less than 1 percent are financial services. The distribution of formula and independent uses is similar on a square footage basis.

**Banks, credit unions, and savings and loans make up less than 20 percent of the city's total formula retail establishments, but more than 80 percent of all banking establishments are formula retailers.** There are approximately 260 retail banks, credits unions, and savings and loans in San Francisco, of which 220 are formula retail (Figure III-1).

*Figure III-1. Formula and Independent Retail by Use Type: Number of Establishments and Square Feet*

Use Type	Formula Retail	% of Total Formula Retail	Independent Retail	% of Total Independent Retail	Formula Retail as a % of All Retail
<b>Number of Establishments</b>					
Stores	720	58%	6,500	69%	10%
Restaurants & Bars	280	23%	2,350	25%	11%
Retail Services	30	2%	590	6%	4%
Banks, Credit Unions, S&L	220	18%	40	0%	84%
<b>Total</b>	<b>1,250</b>	<b>100%</b>	<b>9,480</b>	<b>100%</b>	<b>12%</b>
<b>Square Feet</b>					
Stores	6,880,200	61%	15,320,700	63%	31%
Restaurants & Bars	1,911,600	17%	7,428,200	30%	20%
Retail Services	230,600	2%	1,436,900	6%	14%
Banks, Credit Unions, S&L	2,179,800	19%	189,000	1%	92%
<b>Total</b>	<b>11,202,100</b>	<b>100%</b>	<b>24,374,800</b>	<b>100%</b>	<b>31%</b>

Acronyms: S&L: Savings and loans  
Columns may not add due to rounding.

Sources: Dun & Bradstreet, 2012; Strategic Economics, 2014. Based on Dun & Bradstreet business data that have not been independently verified; all numbers are approximate.

<sup>35</sup> U.S. Census Bureau, "Table EC0744SSSZ3: Retail Trade: Subject Series - Estab and Firm Size: Summary Statistics for Single Unit and Multiunit Firms for the United States: 2007," 2007 Economic Census. Includes all retail trade establishments (NAICS codes 44-45).

The most common types of formula retail stores in San Francisco include apparel and accessories stores, pharmacies, specialized retail stores, other health and personal care stores, electronics and appliance stores, and supermarkets and other grocery stores. Figure III-2 shows the most common types of formula and independent retail stores (i.e., businesses that sell goods to the public) in San Francisco, by number of establishments and square feet. "Specialized retail stores" include produce, auto parts, pet supply, office supply, and gift stores; the "other health and personal care" category includes cosmetic and beauty stores, eyeglass stores, and health food/supplement stores. Note that while these are the most common types of formula retail stores, there are many more independent retailers than formula retailers of each type. For example, the 240 apparel and accessory formula retail stores account for just 15 percent of all apparel and accessory retailers in the city. Formula retail accounts for the highest percentage of stores in the pharmacy and drug store (49 percent), other health and personal care store (20 percent), apparel and accessories (15 percent), and electronics and appliance (15 percent) categories.

The most common types of independent stores are specialized retail stores; apparel and accessories stores; supermarkets and other grocery stores; sporting goods, hobby, books, and music stores; and furniture and home furnishings stores.

*Figure III-2. Most Common Types of Formula and Independent Retail Stores in San Francisco*

Most Common Types of Formula Retail Stores		Number of Stores	% of All Stores in Category	Square Feet	% of All Square Feet in Category
1	Apparel & Accessories	240	15%	2,150,400	41%
2	Pharmacies & Drug Stores	90	49%	937,600	81%
3	Other Specialized Retail Stores	70	4%	666,100	15%
4	Other Health & Personal Care Stores	60	20%	375,400	39%
5	Electronics & Appliances	60	15%	459,300	37%
6	Supermarkets & Other Grocery Stores	50	7%	745,800	29%
7	Furniture & Home Furnishings	30	7%	626,500	35%
8	Other Food Stores	30	8%	145,600	16%
9	Convenience & Liquor Stores	30	10%	76,900	13%
10	Building Materials & Garden Supplies	30	9%	146,100	16%
Most Common Types of Independent Retail Stores		Number of Stores	% of All Stores in Category	Square Feet	% of All Square Feet in Category
1	Other Specialized Retail Stores	1,700	96%	3,819,200	85%
2	Apparel & Accessories	1,410	85%	3,037,300	59%
3	Supermarkets & Other Grocery Stores	710	93%	1,793,300	71%
4	Sporting Goods, Hobby, Book, Music	680	97%	1,623,300	92%
5	Furniture & Home Furnishings	430	93%	1,176,100	65%
6	Other Food Stores	340	92%	768,400	84%
7	Electronics & Appliances	310	85%	793,600	63%
8	Building Materials & Garden Supplies	270	91%	770,000	84%
9	Other Health & Personal Care Stores	260	80%	598,200	61%
10	Convenience & Liquor Stores	250	90%	530,700	87%

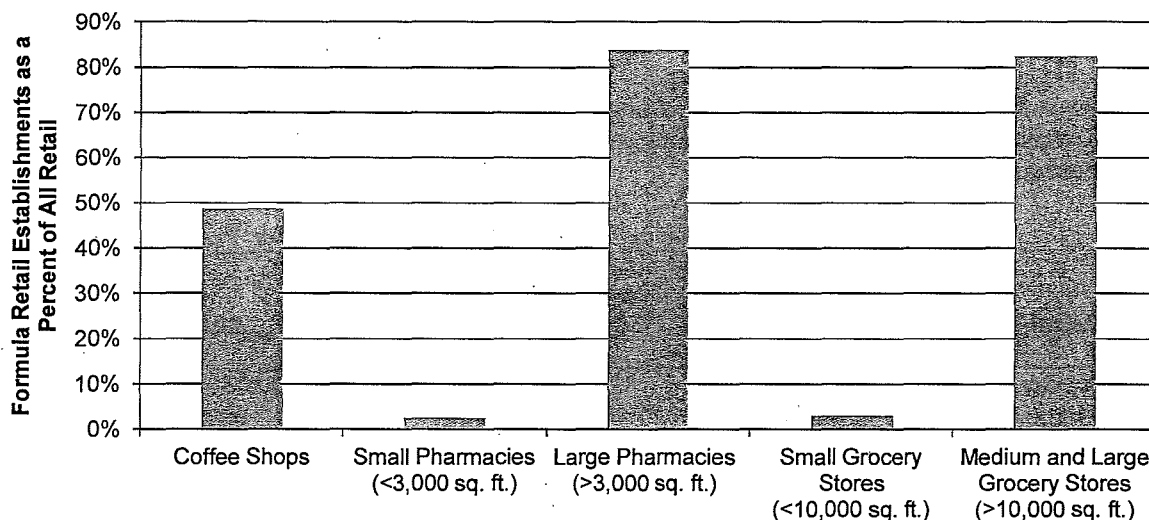
"Other specialized retail stores" include produce, auto parts, pet supply, office supply, gift stores, florists, and others.

"Other health and personal care stores" include cosmetic and beauty stores, eyeglass stores, and health food/supplement stores.

Sources: Dun & Bradstreet, 2012; Strategic Economics, 2014. Based on Dun & Bradstreet business data that have not been independently verified; all numbers are approximate.

Within the broad categories of business establishments, there is significant variation in the prevalence of formula retail. For example, Figure III-3 shows formula retail establishments as a percent of all retail establishments for coffee shops, pharmacies, and grocery stores. While 11 percent of all restaurants are formula retail, 49 percent of all coffee shops are formula retail. For supermarkets and pharmacies, the prevalence of formula retail varies significantly by size of establishment. The vast majority of pharmacies over 3,000 square feet and supermarkets over 10,000 square feet are formula retailers, while smaller establishments are much more likely to be independent retailers.

Figure III-3. Formula Retail as a Percent of All Retail in Category: Coffee Shops, Pharmacies, and Grocery Stores



Acronyms:

sq. ft.: Square feet

Sources: Dun & Bradstreet, 2012; Strategic Economics, 2014. Based on Dun & Bradstreet business data that have not been independently verified; all numbers are approximate.

### The Spatial Distribution of Formula Retail

The prevalence of formula retail varies significantly not only by type of use, but also by location within the city. In general, retail establishments – whether formula or independent – tend to cluster in concentrated nodes with high customer traffic, good visibility, and easy vehicle and pedestrian access. A concentration of retail activity creates a destination that offers variety and selection, attracting more shoppers. In addition to providing critical mass, successful shopping districts are often anchored by a large, name-brand retailer (such as a grocery store, major pharmacy, or department store) that drives business to smaller retailers in the same district. A cluster of similar businesses, such as restaurants or clothing boutiques, can also act as an anchor. In addition to the characteristics of the shopping district, retailers also typically consider neighborhood population and employment density, resident incomes, other demographic characteristics, and visitor traffic in selecting their locations.

This section explores the spatial distribution of formula retail in order to understand how the concentration of retail – and specifically formula retail – varies across San Francisco in relation to factors such as the presence of formula retail controls and demographic and employment characteristics. Because San Francisco has over 100 separate zoning districts and dozens of distinct neighborhoods – including approximately two dozen named neighborhood commercial districts (NCDs) and neighborhood commercial transit districts (NCTs) – it was not possible to study the concentration of formula retail for each potentially relevant geographic area. Instead, Strategic Economics worked with City staff to identify

four zoning district categories based on where formula retail is subject to controls and the predominant types of use allowed (commercial/mixed-use, residential, or industrial), and nine geographic subareas that broadly reflect the mix of zoning districts, existing land use characteristics, market conditions, and demographic characteristics in different parts of San Francisco.<sup>36</sup>

The methodology and key findings from the zoning district and geographic subarea analyses are described below.

### Formula and Independent Retail by Zoning District Category

Figure III-4 shows formula and independent retail – including number of establishments and total square feet – by zoning district category. The four zoning district categories are:

- Commercial/mixed-use (MU) zoning districts with formula retail controls: Includes all of the City's NCDs, as well as other predominantly commercial or mixed-use districts where formula retail either is not permitted or requires a conditional use authorization.<sup>37</sup>
- Commercial/MU zoning districts with no formula retail controls: Includes the City's community business (C-2) and downtown commercial (C-3) districts, as well as other predominantly commercial or mixed-use districts where formula retail is permitted without conditional use authorization.<sup>38</sup> Generally, this category includes most of the Financial District and the waterfront, as well as Stonestown Galleria, Park Merced, Mission Bay, and Hunters Point.
- Industrial zoning districts with no formula retail controls: Includes the heavy commercial (C-M), light industrial (M-1), and heavy industrial (M-2) districts, as well as all production, distribution, and repair (PDR) districts.<sup>39</sup> Formula retail is permitted without a conditional use authorization in these districts.
- Residential zoning districts with formula retail controls: Includes the City's predominantly residential districts.<sup>40</sup> Formula retail is not permitted in these districts.

Key findings from the zoning district analysis are described below.

**In commercial/mixed-use zoning districts, formula retail is much less concentrated in districts that have controls in place than in districts that do not.** Formula retailers account for 10 percent of the retail establishments and 24 percent of the retail square feet in commercial/MU districts with controls in place. In comparison, 25 percent of the retail establishments and 53 percent of the retail square feet in commercial/MU districts without controls are formula retail (Figure III-4).

**Likewise, commercial/mixed-use zoning districts with controls in place have many more independent retailers than districts without controls.** As shown in Figure III-4, commercial/MU districts with formula retail controls have approximately the same number of formula retailers (about 600) as commercial/MU districts with no controls. However, the former districts have many more independent

<sup>36</sup> An early version of the geographic subarea analysis used the City's eleven Supervisorial Districts as the basis for analysis, to reflect the nature of the legislative proposals related to formula retail. However, feedback from the stakeholder focus groups indicated that the Supervisorial Districts were not the most relevant unit of analysis, so the subareas were revised to better reflect the city's neighborhoods and retail market conditions.

<sup>37</sup> In addition to all NCDs, this category includes the following districts: CCB, CRNC, CVR, MUG, RC-3, RC-4, RCD, RED-MX, SALI, UMU, WMUG, WMUO, the Japantown SUD, the Western SoMa SUD, and the Bayshore Boulevard Home Improvement SUD.

<sup>38</sup> In addition to all C-2 and C-3 districts, this category includes the Hunters Point, Mission Bay, and Park Merced districts as well as MUO, MUR, RH DTR, RSD, SB-DTR, SLI, SPD, SSO, TB DTR, and UMU.

<sup>39</sup> With the exception of that part of the PDR-2 district that falls within the Bayshore Boulevard Improvement SUD.

<sup>40</sup> Includes RH-1, RH-2, RH-3, RM-1, RM-2, RM-3, RM-4, RTO, RED, and RTO-M districts.

retailers (5,240 establishments, occupying an estimated 13.5 million square feet) compared to the districts without controls (1,880 establishments, or 5.4 million square feet). As a result, formula retailers account for a much lower percentage of retail establishments in commercial/MU districts with controls than in those districts without controls.

**There are very few formula retail establishments in industrial and residential zoning districts.** Formula retail accounts for only six percent of all retail establishments in industrial zoning districts and two percent of all retail establishments in residential zoning districts (Figure III-4).

**The relatively low concentration of formula retail in zoning districts with controls may reflect the influence of the City's formula retail controls, as well as other factors.** Other factors that could affect the concentration of formula retail in different zoning districts include the prevalence of formula retail before the controls went into effect and the different retail markets that various commercial districts serve.

*Figure III-4. Formula and Independent Retail by Zoning District: Number of Establishments and Square Feet*

Zoning District Categories	Formula Retail	% of Total Formula Retail	Independent Retail	% of Total Independent Retail	Formula Retail as a % of All Retail
<b>Number of Establishments</b>					
Commercial/MU With FR Controls	570	46%	5,240	55%	10%
Commercial/MU No FR Controls	620	49%	1,880	20%	25%
Industrial No FR Controls	20	2%	370	4%	6%
Residential With FR Controls	40	3%	1,980	21%	2%
<b>Total (All Districts)</b>	<b>1,250</b>	<b>100%</b>	<b>9,470</b>	<b>100%</b>	<b>12%</b>
<b>Square Feet</b>					
Commercial/MU With FR Controls	4,243,600	38%	13,458,700	55%	24%
Commercial/MU No FR Controls	6,076,200	54%	5,395,400	22%	53%
Industrial No FR Controls	190,900	2%	1,267,300	5%	13%
Residential With FR Controls	691,500	6%	4,253,300	17%	14%
<b>Total (All Districts)</b>	<b>11,202,100</b>	<b>100%</b>	<b>24,374,900</b>	<b>100%</b>	<b>31%</b>

Acronyms:

MU: Mixed-use

FR: Formula retail

Columns may not add due to rounding.

Sources: Dun & Bradstreet, 2012; Strategic Economics, 2014. Based on Dun & Bradstreet business data that have not been independently verified; all numbers are approximate.



### Formula and Independent Retail by Geographic Subarea

Figure III-5 shows the geographic subareas that were defined for the purposes of this analysis. The subareas were intended to generally reflect the mix of zoning districts, existing land use characteristics, market conditions, and demographic characteristics in different parts of the city, and do not reflect specific Planning Department boundaries or other City policy.<sup>41</sup>

The subarea analysis is based on a series of maps, tables, and charts that illustrate the following factors:

- Number of retail establishments per 1,000 residents (Figure III-6).
- Prevalence of formula and independent retail by geographic subarea (Figure III-7) and zoning district category (Figure III-8).
- Concentration of formula retail, measured as formula retail establishments as a percentage of total retail establishments per square mile (Figure III-9).
- Formula retail conditional use applications by geographic subarea (Figure III-10).
- Spatial distribution of selected retail types – grocery stores, restaurants and bars, and apparel and accessories stores – that exemplify different retail location patterns (Figures III-11, III-12, and III-13).

This section also incorporates information on population and employment density, resident incomes, and visitor traffic (as indicated by density of hotels).<sup>42</sup> Appendix D provides the complete set of demographic and employment maps and tables prepared for this analysis, along with maps of total existing retail establishments (formula and independent) per square mile and formula retail establishments per square mile. In addition to this data analysis, the section also incorporates qualitative findings drawn from discussions with stakeholders and Strategic Economics' understanding of the San Francisco retail market.

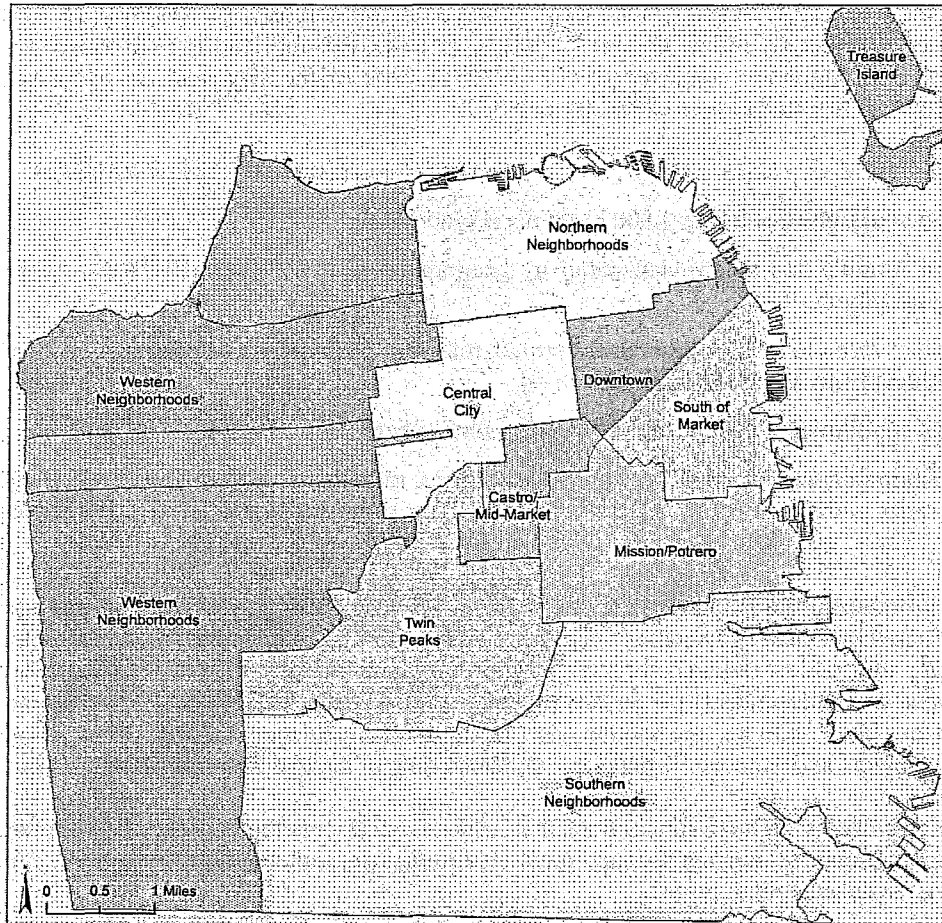
Key findings are described below in three sub-sections that respectively discuss the concentration of retail and prevalence of formula retail by subarea, formula retail conditional use authorizations by subarea, and the special distribution of selected retail types.

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<sup>41</sup> Treasure Island was excluded from the subarea analysis because there are no formula retail establishments on the island.

<sup>42</sup> The case studies in Chapter VIII explore a wider range of demographic factors in more detail.

Figure III-5. Geographic Subareas



Strategic Economics, 2014.

Data: City and County of San Francisco, 2013.

### *Concentration of Retail and Prevalence of Formula Retail by Geographic Subarea*

The following findings discuss the concentration of retail and prevalence of formula retail by subarea, in relation to factors such as population and employment density, resident income, visitor traffic, and the presence of formula retail controls. These demographic and neighborhood characteristics are factors that retailers often consider in selecting locations, and therefore help explain why formula retail is more concentrated in some locations than in others.

**Downtown has a large total amount of retail and a significantly higher concentration of formula retail compared to the other subareas.** Downtown has an average of 48 total retail establishments per 1,000 residents (Figure III-6), reflecting the many non-resident workers,<sup>43</sup> regional shoppers, and tourists that this subarea attracts as San Francisco's central business district and a "regional center for comparison shopper retailing and direct consumer services."<sup>44</sup> Consistent with the City's vision of Downtown as a regional shopping destination, larger use sizes (up to 90,000 square feet in the C-3 District) are permitted than in the NCDs, and formula retail is not subject to controls in most parts of the subarea.

<sup>43</sup> 67 percent of Downtown workers commute in from outside of San Francisco, significantly higher than the citywide average (59 percent of all workers employed in San Francisco live outside the city).

<sup>44</sup> San Francisco Planning Code, Section 210.3. C-3 Districts: Downtown Commercial.

Downtown also has a particularly high concentration of formula retail, accounting for 22 percent of all retail establishments – more than twice the percentage in any other subarea (Figure III-7). In keeping with the absence of formula retail controls in this subarea, 90 percent of formula retail establishments are located in commercial/MU districts with no controls (Figure III-8). Within Downtown, formula retail is particularly highly concentrated in regional shopping and entertainment destinations such as Union Square, the Westfield Centre, the Financial District, and the waterfront (Figure III-9).

**Like Downtown, South of Market (SoMa) has a relatively large amount of retail compared to the subarea's population, and a high share of formula retail establishments.** After Downtown, SoMa has the second highest ratio of retail to population, at 23 retail establishments per 1,000 residents (Figure III-6). The significant amount of retail in SoMa may reflect residents' high incomes (the average household income in SoMa is \$139,890, compared to the citywide average of \$107,560). SoMa also attracts visitors to attractions such as AT&T Park and the Yerba Buena Center. Formula retail accounts for 12 percent of all retail establishments in SoMa, more than all other subareas except Downtown and the Western Neighborhoods (Figure III-7). In addition to the demographics and visitor attractions, formula retailers may also be drawn to parts of this subarea that are characterized by the availability of large, modern storefronts with off-street parking and convenient freeway and transit access. Most of the commercial areas in SoMa are not subject to formula retail controls, and some of the controls that are in place were implemented as recently as 2013. Slightly more than half (56 percent) of formula retail in the subarea is located in zoning districts with no controls (Figure III-8).

**The Northern Neighborhoods subarea has the highest total number of retailers, reflecting this subarea's high population density, high household incomes, and significant visitor traffic.** As shown in Figure III-6, the Northern Neighborhoods have the most total retail establishments in the city (2,250), or 21 retail establishments per 1,000 residents. Retailers are likely attracted to this subarea's high population density (49 persons per acre, compared to an average of 31 persons per acre for the city as a whole), high average household income (\$124,150, compared to \$107,560 for the city overall), and significant visitor traffic (the Northern Neighborhoods have the second highest number of hotels in the city, after Downtown).

*Figure III-6. Total Retail Establishments per 1,000 Residents*

	Total Retail Establishments	Total Population	Total Retail Establishments per 1,000 Residents
Downtown	1,970	41,009	48
Northern Neighborhoods	2,250	106,816	21
Western Neighborhoods	1,730	184,950	9
South of Market	700	30,026	23
Southern Neighborhoods	1,190	199,097	6
Central City	930	70,162	13
Mission/Potrero	970	56,381	17
Castro/Mid-Market	470	31,313	15
Twin Peaks	480	58,680	8
<b>Total</b>	<b>10,730</b>	<b>806,149</b>	<b>13</b>

Columns may not add due to rounding.

Sources: Dun & Bradstreet, 2012; U.S. Census Bureau, 2008-2012 American Community Survey; Strategic Economics, 2014. Based on Dun & Bradstreet business data that have not been independently verified; all numbers are approximate.

Figure III-7. Formula and Independent Retail by Geographic Subarea: Number of Establishments and Square Feet, 2012

Subareas	Formula Retail	% of Total Formula Retail	Independent Retail	% of Total Independent Retail	Formula Retail as a % of All Retail
<b>Number of Establishments</b>					
Downtown	430	34%	1,540	16%	22%
Northern Neighborhoods	220	18%	2,030	21%	10%
Western Neighborhoods	210	17%	1,520	16%	12%
South of Market	80	7%	620	7%	12%
Southern Neighborhoods	80	6%	1,110	12%	7%
Central City	70	6%	860	9%	8%
Mission/Potrero	60	5%	910	10%	6%
Castro/Mid-Market	40	3%	430	5%	9%
Twin Peaks	40	3%	440	5%	8%
<b>Total (All Subareas)</b>	<b>1,250</b>	<b>100%</b>	<b>9,480</b>	<b>100%</b>	<b>12%</b>
<b>Square Feet</b>					
Downtown	4,409,300	39%	4,160,200	17%	51%
Northern Neighborhoods	1,902,600	17%	5,160,500	21%	27%
Western Neighborhoods	1,622,800	14%	3,633,200	15%	31%
South of Market	891,700	8%	1,873,400	8%	32%
Southern Neighborhoods	639,500	6%	2,754,600	11%	19%
Central City	525,300	5%	2,168,500	9%	20%
Mission/Potrero	497,300	4%	2,415,800	10%	17%
Castro/Mid-Market	373,600	3%	1,158,600	5%	24%
Twin Peaks	326,900	3%	999,000	4%	25%
<b>Total (All Subareas)</b>	<b>11,202,100</b>	<b>100%</b>	<b>24,374,800</b>	<b>100%</b>	<b>31%</b>

Columns may not add due to rounding.

Sources: Dun & Bradstreet, 2012; Strategic Economics, 2014. Based on Dun & Bradstreet business data that have not been independently verified; all numbers are approximate.

While the Northern Neighborhoods subarea has a high number of total retail establishments, formula retail accounts for a slightly lower-than-average percentage of all retail in this subarea. Formula retail accounts for 10 percent of all the retail establishments in the Northern Neighborhoods, slightly lower than the citywide average of 12 percent (Figure III-7). However, there are specific locations within the Northern Neighborhood where formula retail is more concentrated. About 40 percent of formula retail in the Northern Neighborhoods is located in places without controls (Figure III-8), mainly at well-known, waterfront tourist destinations such as Ghirardelli Square and Fisherman's Wharf. Certain neighborhood commercial districts such as Lombard Street, Union Street, Polk Street, and Upper Fillmore also have slightly above average concentrations of formula retail (Figure III-9). These NCDs serve neighborhoods with particularly high population densities and average resident incomes, and are also increasingly becoming known as regional shopping destinations.

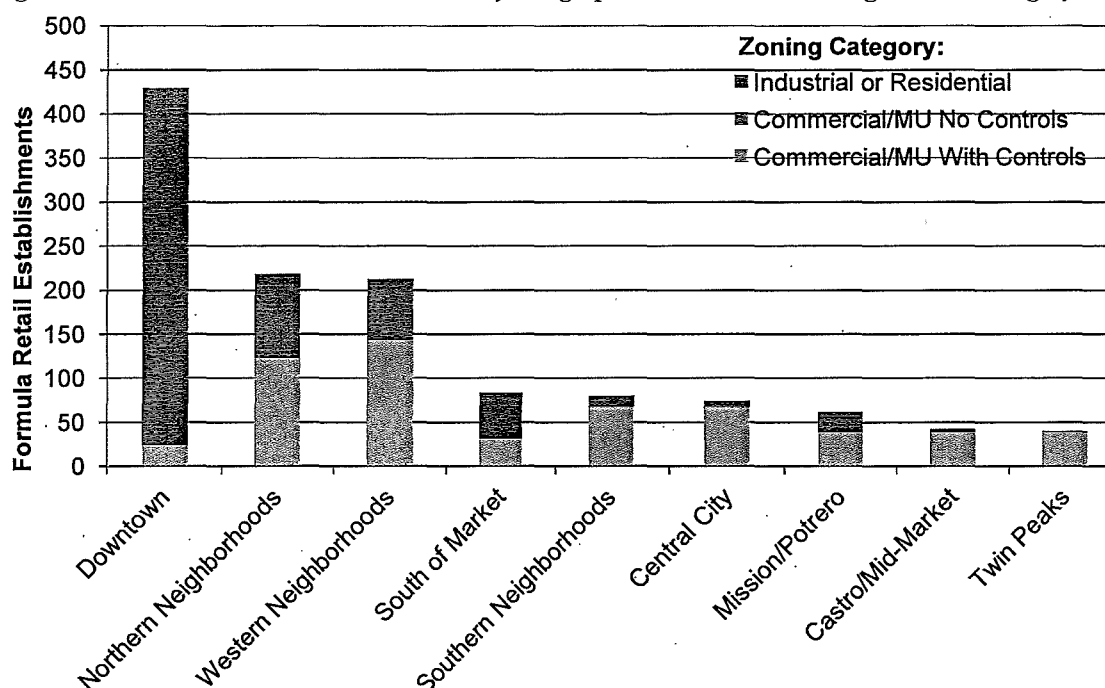
The Western Neighborhoods subarea has a relatively high share of formula retail establishments, concentrated at major shopping centers. Although the Western Neighborhoods have a lower-than-average number of retailers compared to the subarea's overall population (9 retailers per 1,000 residents, as shown in Figure III-6), approximately 12 percent of retailers in the subarea are formula – the citywide average, but a higher share than in most other subareas. Within the Western Neighborhoods, formula retail is concentrated at shopping centers such as Laurel Village Shopping Center, the intersection of Geary and Masonic (north of Golden Gate Park), Stonestown Galleria and Lakeside Plaza (south of Sloat

Boulevard). With the exception of Stonestown Galleria, formula retail requires a conditional use authorization in all of these shopping centers. Stonestown Galleria accounts for approximately 30 percent of formula retail establishments in the subarea (Figure III-8).<sup>45</sup>

**In all other subareas, formula retail accounts for less than 10 percent of all retail establishments. In the Southern Neighborhoods, Central City, Mission/Potrero, Castro/Mid-Market, and Twin Peaks subareas, formula retail accounts for less than 10 percent of all establishments and no more than 25 percent of all retail square feet (Figure III-7). These subareas differ significantly in their demographic and market conditions. However, in all five subareas, most of the commercial development is located in neighborhood commercial districts which have had formula retail controls in place since at least 2007. NCDs are intended as mixed-use corridors that support neighborhood-serving commercial uses on lower floors and housing above. These districts typically provide convenience goods and services to the surrounding neighborhoods as well as limited comparison shopping goods for a wider market.**

**Most commercial areas in the Southern Neighborhoods, Central City, Mission/Potrero, Castro/Mid-Market, and Twin Peaks subareas are subject to formula retail controls. Reflecting this fact, formula and other retail establishments in these subareas are primarily located in neighborhood commercial districts and other areas that are subject to formula retail controls (Figure III-8).**

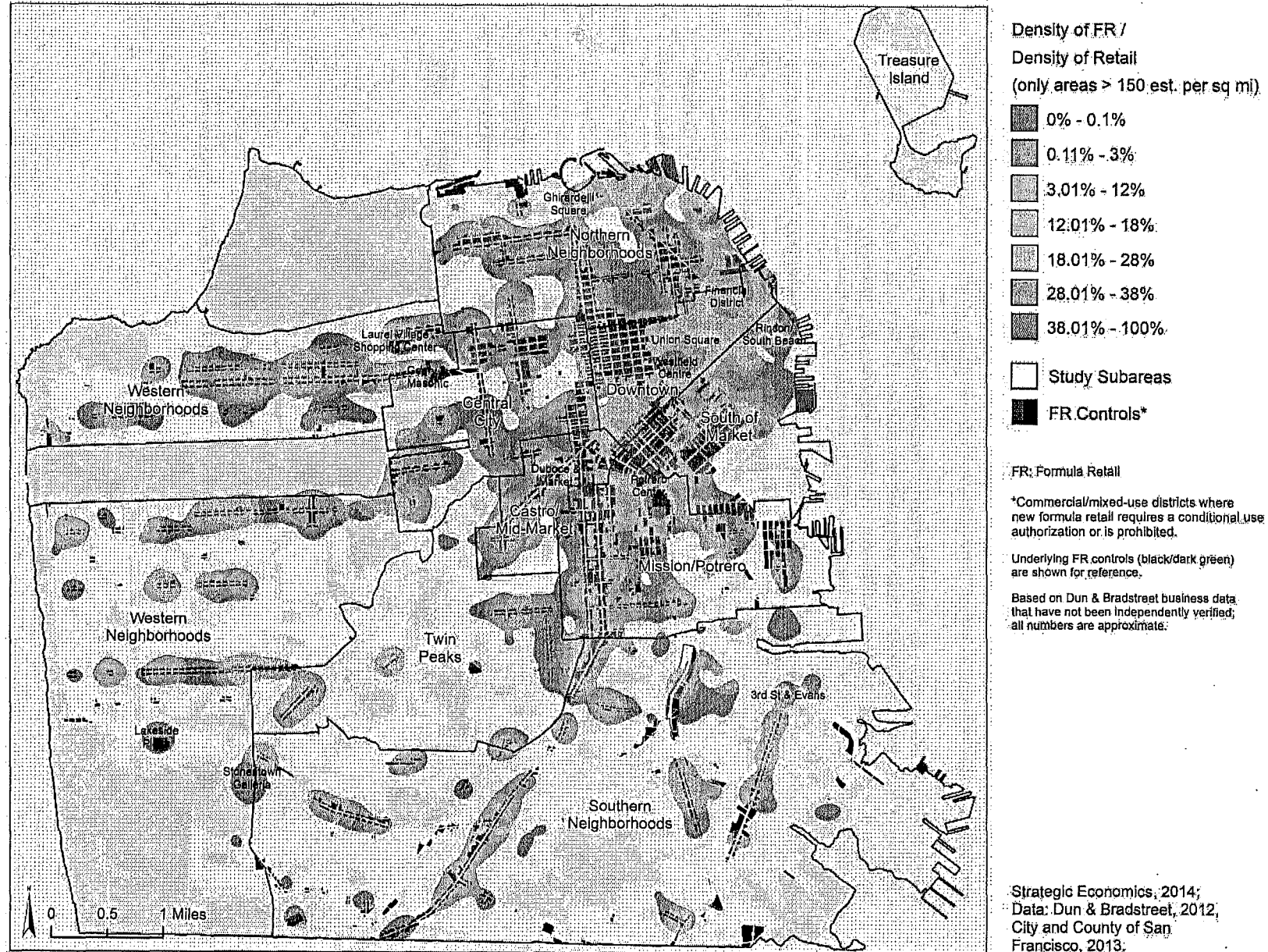
Figure III-8. Formula Retail Establishments by Geographic Subarea and Zoning District Category, 2012



Sources: Dun & Bradstreet, 2012; Strategic Economics, 2014. Based on Dun & Bradstreet business data that have not been independently verified; all numbers are approximate.

<sup>45</sup> Stonestown Galleria and Park Merced are the only other commercial/MU districts in the Western Neighborhoods that are not subject to formula retail controls. However, very little retail of any kind is currently located at Park Merced.

Figure III-9. Formula Retail Concentrations (Formula Retail as a Percent of Total Existing Retail Establishments)



### Formula Retail CU Applications by Geographic Subarea

This section describes formula retail CU application and approval rates by geographic subarea.

**The Western Neighborhoods have attracted the most formula retail CU applications, reflecting the many shopping centers in this subarea.** As shown in Figure III-9, the Western Neighborhoods have attracted 24 formula retail CU applications, accounting for nearly a quarter of all such applications in the city. Of those applications that have been resolved, 82 percent have been approved. Many of the formula retail CU applications in this subarea are located in shopping centers such as Lakeside Plaza, Laurel Village, and Geary and Masonic, where they are typically approved. However, Geary Boulevard, Clement Street, Irving Street, and Noriega Street have also attracted some CUs over the years, with more mixed approval rates (see Figure II-6 in Chapter II for a map of CUs by action taken).

**The Northern Neighborhoods, Central City, Southern Neighborhoods, and Castro/Mid-Market have each attracted more than a dozen formula retail CU applications, while the other subareas have only attracted a handful.** Note that in most of Downtown and SoMa, formula retail does not require a CU authorization. There does not appear to be a direct correlation between number of applications and demographics at the subarea level. For example, of the four subareas with the highest application rates, the Northern Neighborhoods and Castro/Mid-Market subareas have average household incomes that are above the citywide average, while the Central City and Southern Neighborhoods have below-average household incomes.

**Formula retail CU application approval rates are lowest in the Southern Neighborhoods, Castro/Mid-Market, and Mission/Potrero subareas.** In most subareas, at least 75 percent of all formula retail CU applications have been approved. However, in the Southern Neighborhoods, Castro/Mid-Market, and Mission/Potrero subareas, fewer than 70 percent have been approved (Figure III-9). While all three of these subareas also have relatively low concentrations of existing formula retail establishments (Figure III-7), the subareas otherwise vary significantly in terms of market conditions and demographics. The low approval rates may reflect prevailing community sentiment, rather than any quantifiable characteristics that the three subareas share.

*Figure III-10. Formula Retail Conditional Use Applications by Geographic Subarea and Action Taken*

Subarea	Action Taken					% of Citywide Total Applications	% Approved in Subarea (a)
	App- roved	Disapp- roved	With- drawn	Pen- ding	Total Applications		
Western Neighborhoods	18	2	2	2	24	23%	82%
Northern Neighborhoods	13	4			17	16%	76%
Central City	9	1	2	4	16	15%	75%
Southern Neighborhoods	10		5		15	14%	67%
Castro/Mid-Market	7	3	1	1	12	12%	64%
Mission/Potrero	5	1	2		8	8%	63%
Downtown	4				4	4%	100%
South of Market	3	1			4	4%	75%
Twin Peaks	3			1	4	4%	100%
<b>Total</b>	<b>72</b>	<b>12</b>	<b>12</b>	<b>8</b>	<b>104</b>	<b>100%</b>	<b>75%</b>

(a) Excluding pending applications

Sources: City and County of San Francisco, 2013; Strategic Economics, 2014.

### *Spatial Distribution of Selected Retail Types*

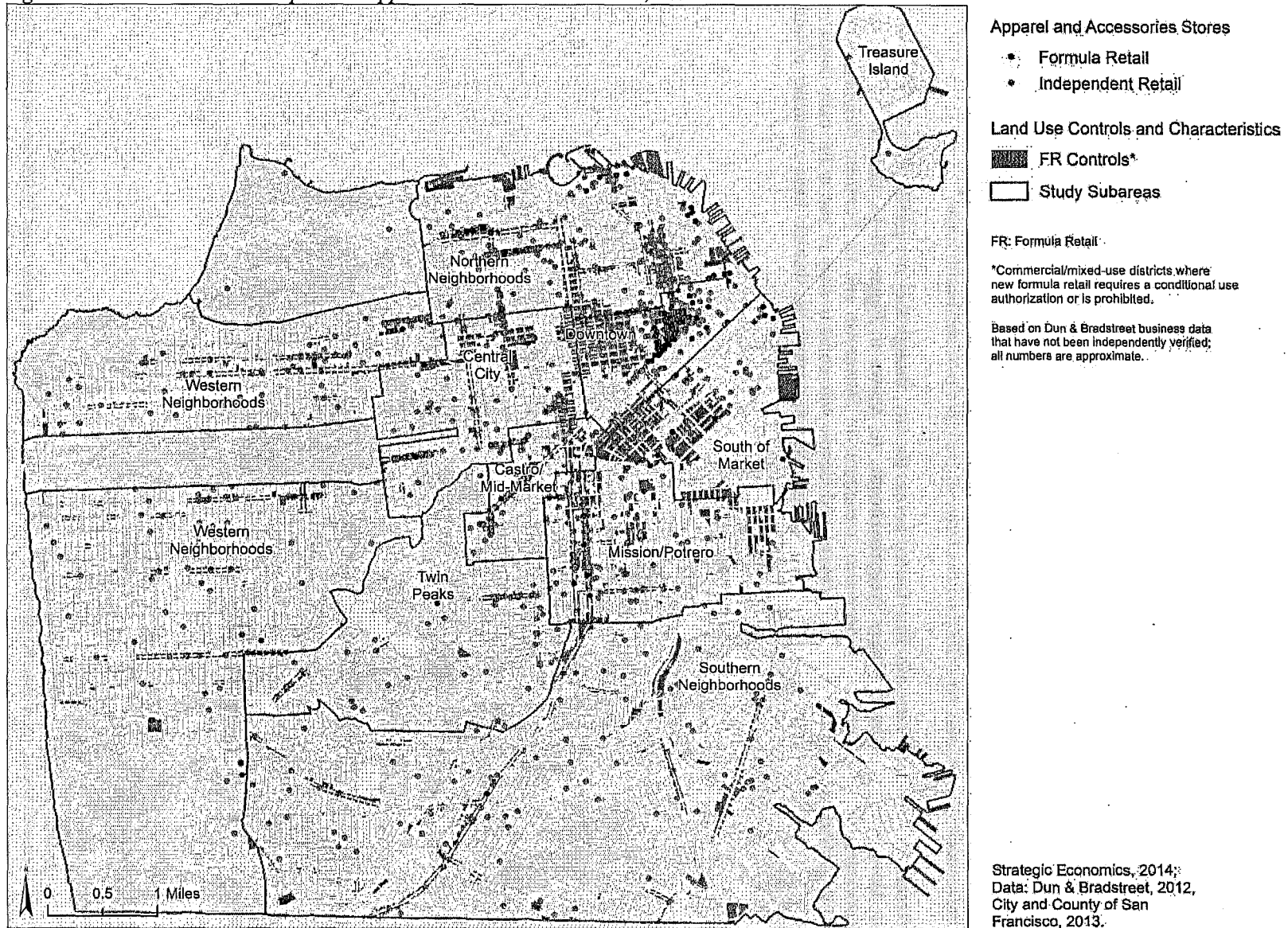
The following findings describe how selected types of retailers – including both formula and independent retail – are distributed across the city in relation to factors that retailers often consider in selecting their locations. The three retail use types discussed below were selected to illustrate the distinct location patterns of different types of retail. Apparel and accessories stores sell “comparison goods” – products like clothes, shoes, furniture, and cars – that shoppers like to test and compare before purchasing. Grocery stores, on the other hand, serve residents’ daily needs. Depending on their price point and location, restaurants and bars can either draw residents and workers on a daily basis, or serve as a special destination for visitors, shoppers, residents, and workers. As discussed below, these different functions lead to distinct spatial patterns.

**Comparison retailers, such as apparel and accessories stores, are especially likely to cluster together in concentrated nodes.** Comparison retailers are particularly likely to benefit from co-locating with similar retailers in destinations where shoppers can walk from store to store, particularly in locations that benefit from strong regional accessibility, high population densities and household incomes, and/or significant visitor traffic. For example, Figure III-9 shows how both independent and formula apparel and accessory stores tend to cluster, but formula retail is particularly concentrated in specific locations. The vast majority of formula retail apparel and accessory stores are located in the Union Square/Westfield Centre area of Downtown. Union Square is the city’s premier retail destination, known for its luxury boutiques and high-end department stores. With its central location and excellent transit access, the district draws many tourists and shoppers from across the city and region. There are no formula retail controls in place in this part of Downtown.

There are also a number of neighborhood commercial districts with apparel and accessory clusters. Most of these districts require a conditional use authorization for new formula retail, and tend to have a mix of both formula and independent apparel and accessory stores as well as other stores (e.g., shoes, home furnishings) and restaurants. In the Northern Neighborhoods, high-end shopping districts such as North Beach, Chestnut Street, Union Street, and Upper Fillmore offer a range of apparel and accessory stores, home furnishings, and other specialty items. These districts benefit from strong local buying power (reflected in high local population densities and high average household incomes) as well as significant visitor traffic. Other neighborhood shopping districts with strong concentrations of accessory and apparel stores, such as Mission Street, serve more moderate income parts of the city and offer more affordable products.



Figure III-11. Formula and Independent Apparel and Accessories Stores, 2012



**Retailers that serve daily needs, such as grocery stores, are more evenly dispersed in neighborhood commercial districts – although some low-income areas like the Tenderloin and Bayview are less-well served by full-service supermarkets.** Figure III-12 shows formula and independent grocery stores by size (greater or fewer than 10,000 square feet). Grocery stores often serve as anchors for clusters of convenience-oriented retail that draw from a local market, typically within a one-mile radius. While both independent and formula grocery stores are located throughout the city, they are more concentrated in the northeastern subareas where population densities are highest (the Northern Neighborhoods, Central City, Downtown, Castro/Mid-Market, and Mission/Potrero). Less densely populated areas in the Southern and Western Neighborhoods have fewer grocery stores. For example, there are nearly 2 grocery stores for every 1,000 residents in the Northern Neighborhoods and 1.4 grocery stores per 1,000 residents in Mission/Potrero. In comparison, there are approximately 0.6 grocery stores for every 1,000 residents in the Southern and Western Neighborhoods.<sup>46</sup> Downtown and the Southern Neighborhoods have a particularly low concentration of formula retail grocery stores, which tend to be significantly larger than independent grocers and may offer a wider range of fresh produce and health foods.<sup>47</sup>

**Restaurants and bars are also distributed across the city, though they are particularly concentrated in Downtown and the Northern Neighborhoods.** As shown in Figure III-13, there is a significant concentration of formula and independent restaurants in Downtown and the Northern Neighborhoods, likely serving residents, Downtown workers, and visitors who come to shop or stay at the many hotels in these subareas. However, most of the city's neighborhood commercial districts have a number of both formula and independent restaurants.

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<sup>46</sup> The citywide average is 0.9 grocery stores per 1,000 residents.

<sup>47</sup> As discussed above, more than 80 percent of all medium and large grocery stores (over 10,000 square feet) in San Francisco are formula retail.

Figure III-12. Formula and Independent Grocery Stores, 2012

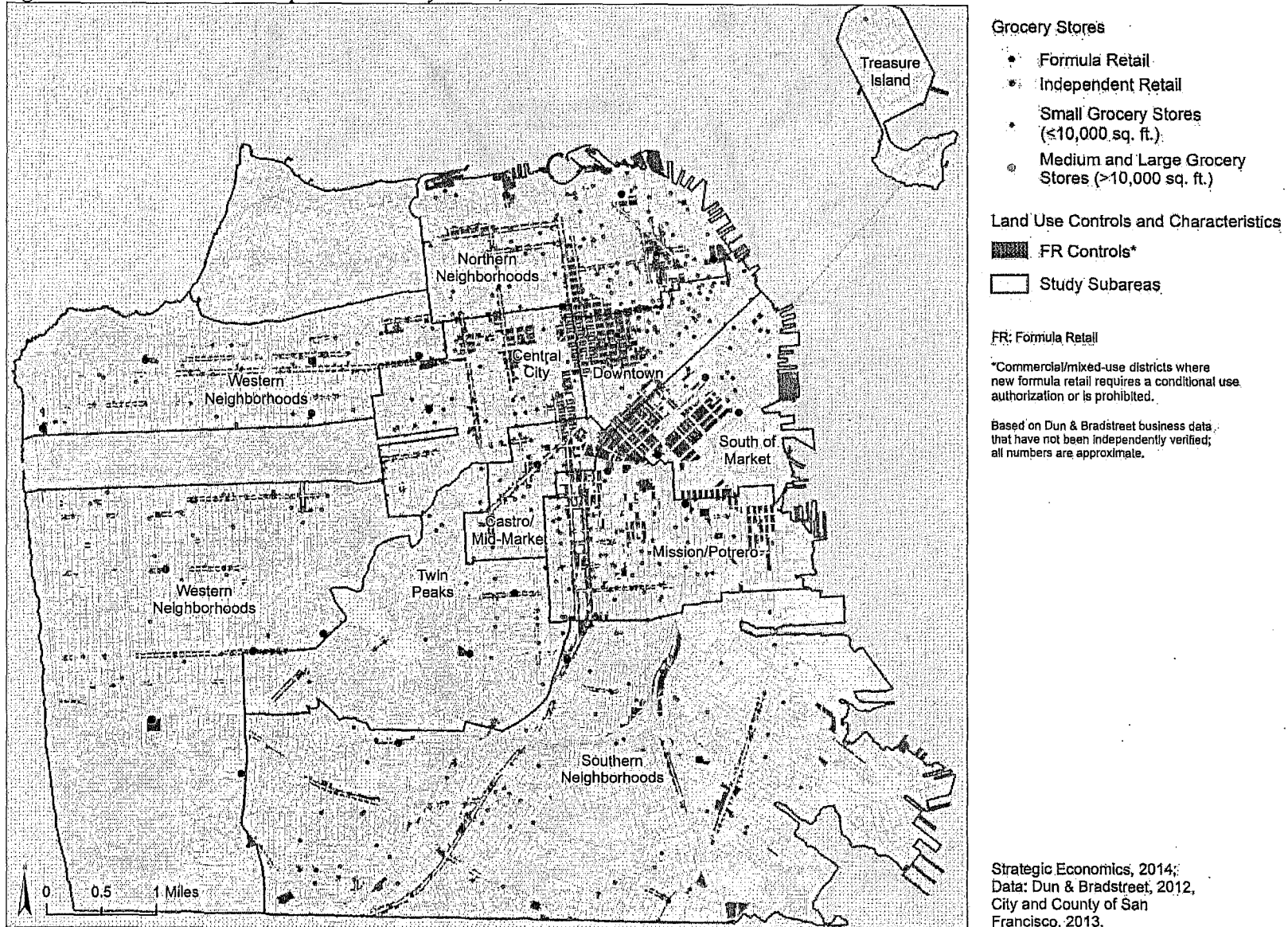
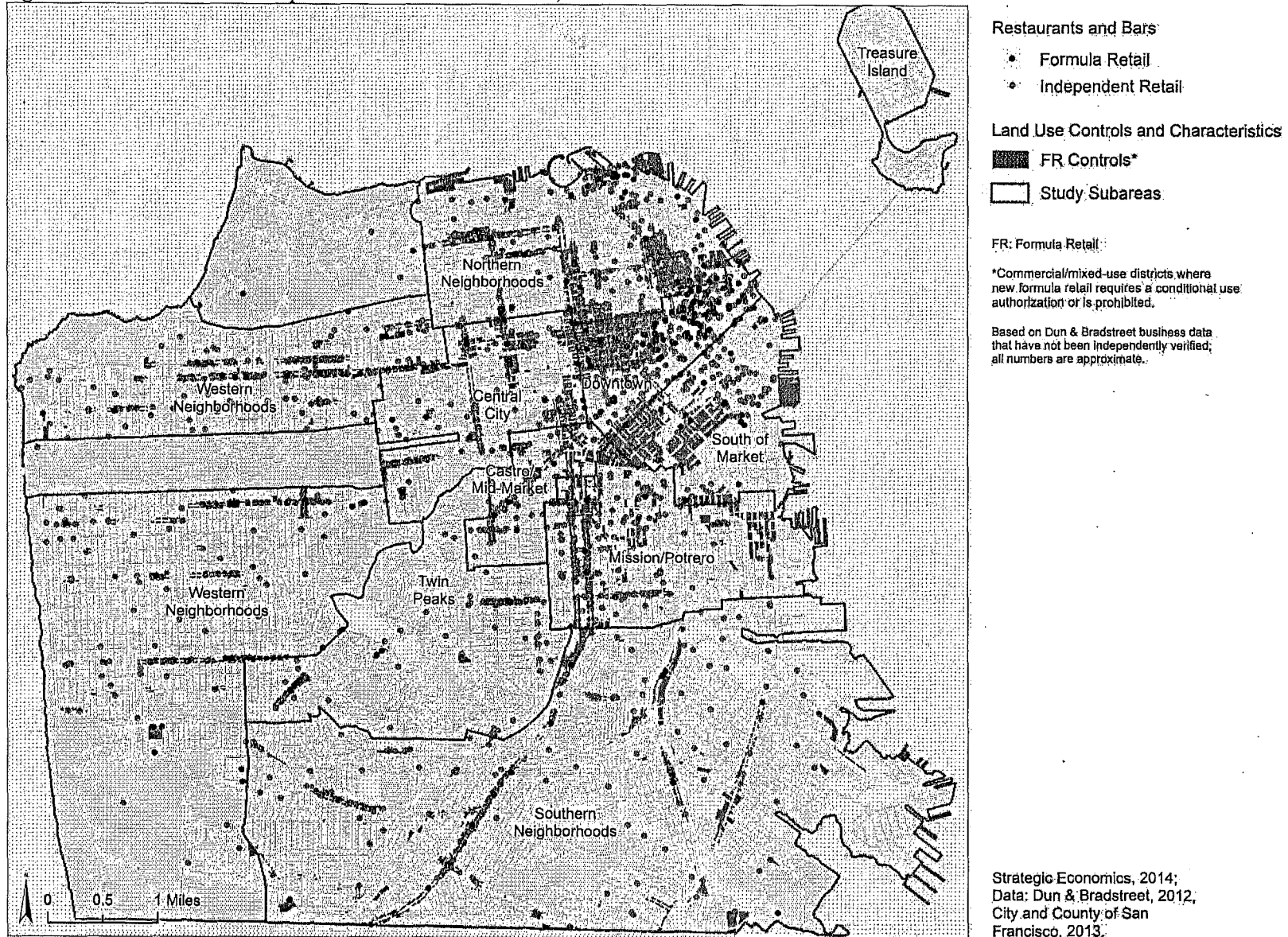


Figure III-13. Formula and Independent Restaurants and Bars, 2012



## Conclusions

Formula retail accounts for 12 percent of all retail establishments in San Francisco and 31 percent of the city's total retail square footage. Although exactly comparable numbers for other cities are not available, formula retail appears to be significantly less prevalent in San Francisco compared to the national average. In the U.S. overall, 32 percent of all retail establishments are associated with firms that include 10 or more outlets.<sup>48</sup>

In general, the spatial distribution of formula retail is highly correlated with the spatial distribution of independent retail, indicating that formula retail location decisions remain strongly influenced by the propensity of retailers to cluster in concentrated nodes with high customer traffic, good visibility, and easy vehicle and pedestrian access.

However, formula retail is generally much less concentrated in districts that have controls in place than in districts that do not. Formula retail is most highly concentrated in Downtown, SoMa, and the northeastern waterfront. These areas are least regulated, and also attract significant numbers of visitors and workers from elsewhere in the city and region. In contrast, while the Western Neighborhoods also have a significant concentration of formula retail, formula retail in this subarea tends to cluster in shopping centers, including those where new formula retail requires a CU authorization – such as Lakeshore Plaza, the Laurel Village Shopping Center, and Geary and Masonic – as well as in Stonestown Galleria, where formula retail is not regulated. There are also significant concentrations of formula retail in NCDs in the Northern Neighborhood subarea, such as Union Street, Polk Street, and Upper Fillmore. These NCDs serve neighborhoods with particularly high population densities and average resident incomes, and are also increasingly becoming known as regional shopping destinations. Formula retail is less concentrated in most of the rest of the city, where most of the commercial development is located in NCDs that have had formula retail controls in place since at least 2007.

This difference suggests that the City's formula retail controls may be successfully limiting the amount of formula retail in the city's neighborhood commercial districts, although other factors are also influencing the prevalence of formula retail in different neighborhoods. For example, given that the City has only received approximately 100 formula retail CU applications since the first controls went into effect in 2004, the prevalence of formula retail in most neighborhoods today strongly reflects conditions before the controls went into effect. The implementation of controls in certain neighborhoods could also have had the effect of pushing new formula retail into areas that are not regulated, such as Downtown and most of SoMa.

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<sup>48</sup> U.S. Census Bureau, "Table EC0744SSSZ3: Retail Trade: Subject Series - Estab and Firm Size: Summary Statistics for Single Unit and Multiunit Firms for the United States: 2007," 2007 Economic Census. Includes all retail trade establishments (NAICS codes 44-45).

## IV. CHARACTERISTICS OF SAN FRANCISCO'S FORMULA RETAIL

This chapter examines San Francisco's existing formula retail establishments in more depth, providing additional information on characteristics of the city's retail including:

- Size (square feet) of formula retail establishments, compared to independent retailers;
- Most common types of formula retail uses, compared to independent retailers;
- Headquarters locations of formula retailers; and
- Number of outlets in formula retail chains.

Most of the analysis described below compared the commercial/mixed-use (MU) districts with formula retail controls to those commercial/MU districts without controls.<sup>49</sup> This analysis was intended to shed light on how formula retail establishments compared to independent retail establishments in terms of business size and the types of goods and services they provide, and to explore how the presence of formula retail controls is correlated with the size, type of use, and other characteristics of formula retail establishments. The findings described in this chapter also shed light on some of the issues that stakeholders have raised about the impacts of the City's formula retail controls on small and independently owned businesses.

The findings described in this chapter are based on the 2012 Dun & Bradstreet dataset, and are therefore subject to the limitations of the data discussed in Appendix A.

### Size of Establishments

Figure IV-1 compares the distribution of store sizes for formula and independent retail establishments. Figure IV-2 compares store sizes of formula retail establishments located in commercial/MU districts with and without formula retail controls in place. Key findings include the following.

**On average, formula retail establishments are larger than independent retailers.** The median establishment size for formula retailers is 6,500 square feet, compared to 2,200 square feet for independent retailers. Overall, nearly 85 percent of formula retailers occupy more than 3,000 square feet, while 80 percent of independent retailers occupy 3,000 square feet or less (Figure IV-1).

**Approximately 10 formula retailers and 5 independent retailers are over 50,000 square feet, the threshold for San Francisco's large-scale retail controls.** In addition to the City's formula retail controls, the Planning Code includes a separate conditional use requirement for large-scale retail; retail uses over 90,000 square feet in the C-3 zoning districts and 50,000 square feet in all other zoning districts require CU authorization, while retail over 120,000 square feet is generally prohibited.<sup>50</sup> Fewer than one percent of existing formula retail establishments exceed the 50,000-square-foot threshold.

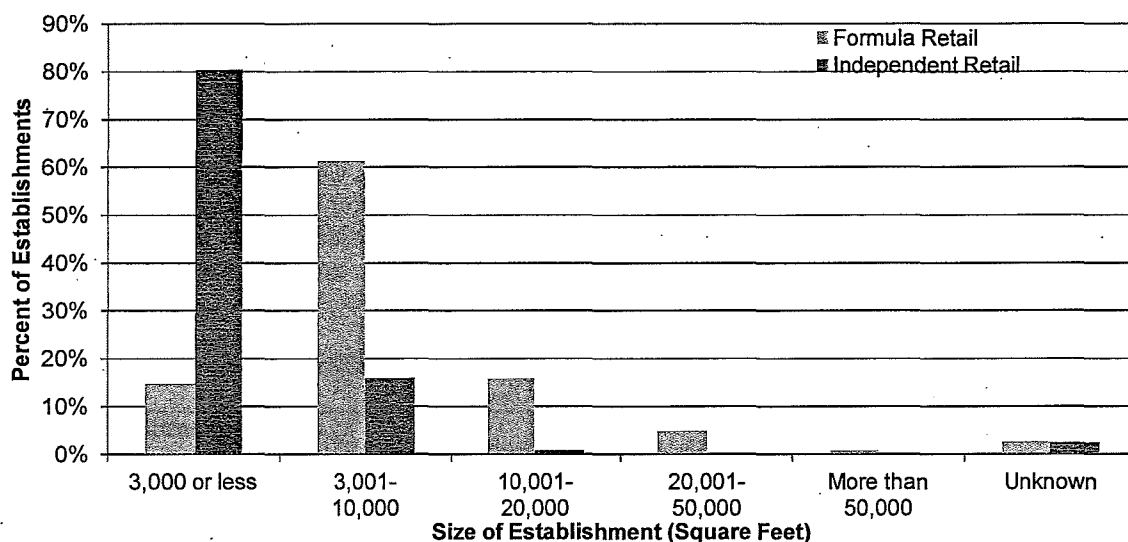
**Formula retail establishments in commercial/mixed-use districts with controls tend to be slightly smaller than in commercial/mixed-use districts without controls.** The median formula retail

<sup>49</sup> See Chapter III for a description of the commercial/MU zoning district categories. The industrial and residential zoning district categories have too few formula retail establishments to produce robust results for some of the more detailed factors discussed below. As discussed above in Chapter III, the data shown throughout this report have been aggregated in order to ensure that the results are robust. In general, statistics based on fewer than 20 establishments were considered unreliable and are not shown.

<sup>50</sup> San Francisco Planning Code, Section 121.6.

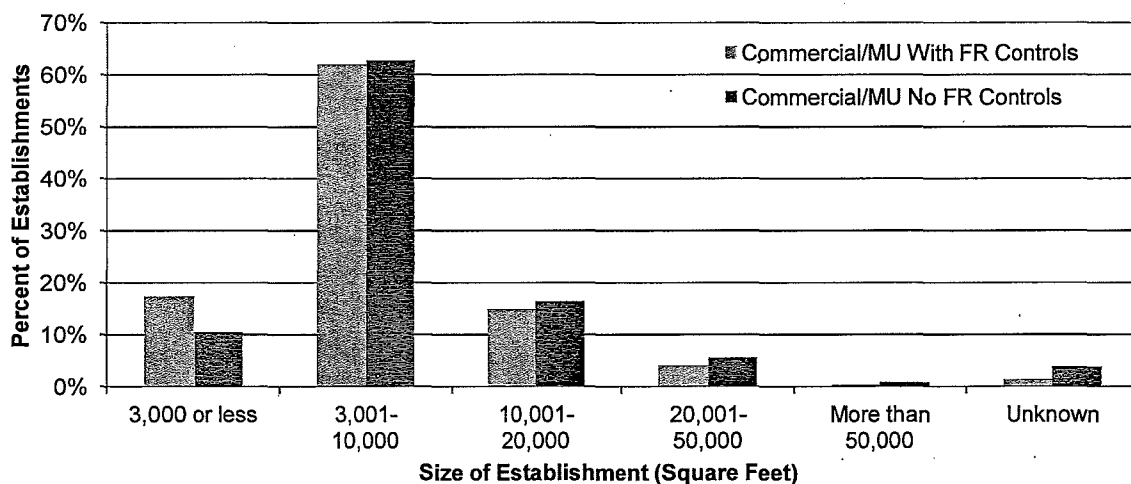
establishment size in the commercial/MU districts with controls is 6,400 square feet, compared to 6,900 square feet in commercial/MU districts with controls, 6,100 square feet in industrial districts, and 4,000 square feet in residential districts. Commercial/MU districts with controls also tend to have fewer formula retail establishments over 10,000 square feet and more establishments occupying 3,000 square feet or less compared to districts without controls (Figure IV-2).

Figure IV-1. Formula and Independent Retail Establishments by Store Size



Sources: Dun & Bradstreet, 2012; Strategic Economics, 2014. Based on Dun & Bradstreet business data that have not been independently verified; all numbers are approximate.

Figure IV-2. Formula Retail Establishments by Store Size: Commercial/Mixed-Use Zoning Districts with and without Formula Retail Controls



Acronyms:

MU: Mixed-use

FR: Formula retail

Sources: Dun & Bradstreet, 2012; Strategic Economics, 2014. Based on Dun & Bradstreet business data that have not been independently verified; all numbers are approximate.



## Types of Uses

Figure IV-3 compares formula retail use types in commercial/MU districts with and without controls. Figures IV-4 and IV-5 show the most common types of formula and independent stores (i.e., businesses that sell goods to the public) in commercial/MU districts with and without controls, respectively. Key findings about types of formula retail are described below.

**Compared to commercial/mixed-use districts without controls, commercial/mixed-use districts with controls have fewer formula retail stores and more formula retail banks.** There are approximately 290 formula retail stores in commercial/MU districts with controls, accounting for 51 percent of formula retail establishments and 8 percent of all stores in those districts (Figure IV-3). In commercial/MU districts without controls there are 390 formula retail stores, accounting for 63 percent of formula retail establishments and 23 percent of all stores. In contrast, the majority of formula banks are located in commercial/MU districts with controls (140, compared to 80 in districts without controls).<sup>51</sup> On a square-footage basis, the distribution of formula retail use types is more similar; in both types of commercial/MU districts, stores account for about 60 percent of formula retail square feet, banks account for about 20 percent, restaurants and bars account for slightly less than 20 percent, and retail services make up the remainder.

*Figure IV-3. Formula Retail Establishments by Use Type: Commercial/Mixed-Use Zoning Districts with and without Formula Retail Controls*

Use Type	Commercial/MU With FR Controls			Commercial/MU Without FR Controls		
	Formula Retail	% of Total Formula Retail	Formula Retail as a % of All Retail	Formula Retail	% of Total Formula Retail	Formula Retail as a % of All Retail
<b>Number of Establishments</b>						
Stores	290	51%	8%	390	63%	23%
Restaurants & Bars	130	22%	8%	140	23%	23%
Retail Services	10	2%	4%	10	2%	12%
Banks, Credit Unions, S&L	140	24%	87%	80	12%	84%
<b>Total</b>	<b>570</b>	<b>100%</b>	<b>10%</b>	<b>620</b>	<b>100%</b>	<b>25%</b>
<b>Square Feet</b>						
Stores	2,545,600	60%	25%	3,531,000	58%	52%
Restaurants & Bars	690,100	16%	13%	1,172,400	19%	40%
Retail Services	151,300	4%	16%	79,300	1%	24%
Banks, Credit Unions, S&L	856,600	20%	90%	1,293,500	21%	96%
<b>Total</b>	<b>4,243,600</b>	<b>100%</b>	<b>24%</b>	<b>6,076,200</b>	<b>100%</b>	<b>53%</b>

Acronyms:

S&L: Savings and loans

MU: Mixed-use

FR: Formula retail

Columns may not add due to rounding.

Sources: Dun & Bradstreet, 2012; Strategic Economics, 2014. Based on Dun & Bradstreet business data that have not been independently verified; all numbers are approximate.

<sup>51</sup> Note that San Francisco's formula retail controls only expanded to include banks, credit unions, and savings and loans in 2012.



In commercial/mixed-use districts with formula retail controls in place, the most common types of formula retail stores include pharmacies and drug stores, other specialized retail stores, apparel and accessory stores, and supermarkets and other grocery stores. The most common types of independent retail stores in commercial/MU districts with formula retail controls are specialized retail stores (e.g., auto parts, office supply, and pet supply stores), apparel and accessories, and supermarkets and other grocery stores (Figure IV-4). These store types, particularly the prevalence of supermarkets and pharmacies, reflect the neighborhood-serving function of many of the City's neighborhood commercial districts (NCDs).

Stores in commercial/mixed-use districts without controls are less diverse, with apparel stores accounting for the majority of formula retailers. Other health and personal care stores (i.e., cosmetic and beauty stores, eyeglass stores, and health food/supplement stores) are the second most common type of formula retail store (Figure IV-5). Apparel stores are also the most common type of independent retail establishments in these districts, followed closely by specialized retail stores.

*Figure IV-4. Most Common Types of Formula and Independent Retail Stores in Commercial/Mixed-Use Zoning Districts with Formula Retail Controls*

Most Common Types of Formula Retail Stores	Establishments	% of All Stores in Category	Square Feet	% of All Square Feet in Category
1 Pharmacies & Drug Stores	60	48%	633,800	82%
2 Other Specialized Retail Stores	40	4%	286,800	13%
3 Apparel & Accessories	40	5%	298,500	16%
4 Supermarkets & Other Grocery Stores	40	8%	568,400	33%
5 Electronics & Appliances	30	18%	202,200	38%
Most Common Types of Independent Retail Stores	Establishments	% of All Stores in Category	Square Feet	% of All Square Feet in Category
1 Other Specialized Retail Stores	880	96%	1,902,200	87%
2 Apparel & Accessories	730	95%	1,528,400	84%
3 Supermarkets & Other Grocery Stores	430	92%	1,139,400	67%
4 Sporting Goods, Hobby, Book, Music	300	97%	827,700	92%
5 Other Food Stores	200	95%	434,700	89%

"Other specialized retail stores" include produce, auto parts, pet supply, office supply, gift stores, florists, and others.

Sources: Dun & Bradstreet, 2012; Strategic Economics, 2014. Based on Dun & Bradstreet business data that have not been independently verified; all numbers are approximate.

*Figure IV-5. Most Common Types of Formula and Independent Retail Stores in Commercial/Mixed-Use Zoning Districts without Formula Retail Controls*

Most Common Types of Formula Retail Stores	Establishments	% of All Stores in Category	Square Feet	% of All Square Feet in Category
1 Apparel & Accessories	200	35%	1,837,700	67%
2 Other Health & Personal Care Stores	40	39%	265,300	59%
3 Other Specialized Retail Stores	30	8%	259,000	23%
4 Electronics & Appliances	30	20%	254,600	47%
5 Pharmacies & Drug Stores	30	66%	237,900	88%
Most Common Types of Independent Retail Stores	Establishments	% of All Stores in Category	Square Feet	% of All Square Feet in Category
1 Apparel & Accessories	370	65%	905,100	33%
2 Other Specialized Retail Stores	340	92%	873,800	77%
3 Electronics & Appliances	110	80%	287,000	53%
4 Sporting Goods, Hobby, Book, Music	90	92%	211,800	80%
5 Supermarkets & Other Grocery Stores	80	90%	193,400	66%

"Other specialized retail stores" include produce, auto parts, pet supply, office supply, gift stores, florists, and others.

"Other health and personal care stores" include cosmetic and beauty stores, eyeglass stores, and health food/supplement stores.

Sources: Dun & Bradstreet, 2012; Strategic Economics, 2014. Based on Dun & Bradstreet business data that have not been independently verified; all numbers are approximate.

### Other Characteristics of Formula Retail

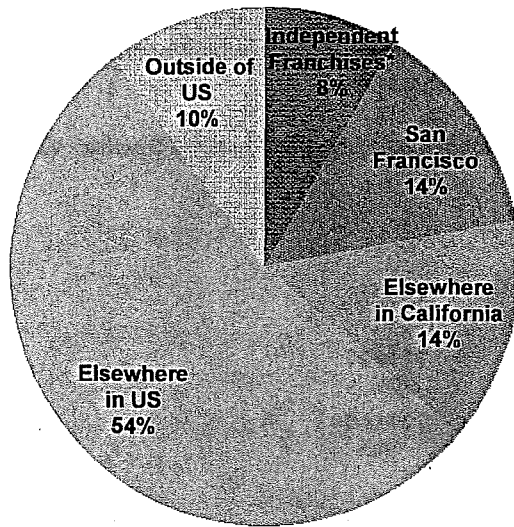
Figure IV-6 shows the distribution of formula retail establishments by the location of their headquarters. Figure IV-7 compares headquarter locations in commercial/MU districts with and without formula retail controls. Figure IV-8 shows formula retail establishments by the number of associated corporate family members (branches and subsidiaries). Findings are discussed below.

**Approximately 28 percent of the city's formula retailers are headquartered in California, with half of those headquartered in San Francisco.** As shown in Figure IV-6, another 8 percent of formula retail establishments are independently owned franchises (e.g., franchise locations that are not owned by the parent company); the location of the franchise owners is unknown. Ten percent of formula retailers are headquartered outside the United States.<sup>52</sup>

**Commercial/mixed-use districts with formula retail controls are home to more independently owned franchises and California-based companies than districts without controls.** Figure IV-7 compares the headquarters locations of formula retail establishments located in commercial/MU districts with and without controls.

<sup>52</sup> Note that a small percentage of these may not technically qualify as formula retailers, as discussed in Chapter VII.

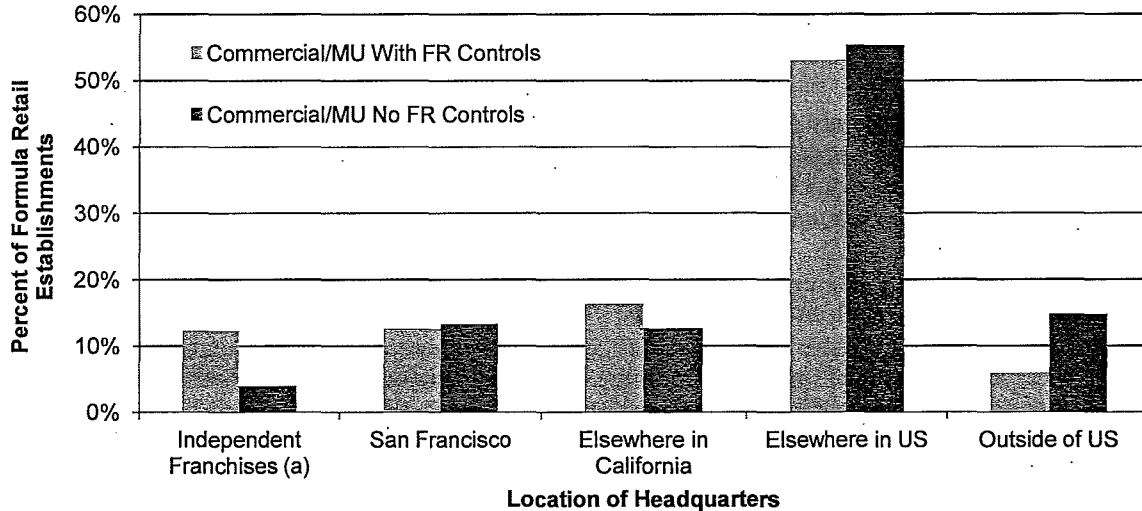
Figure IV-6. Formula Retail Establishments by Location of Headquarters



\*Franchises that are not owned by or legally linked to the parent company; headquarters location unknown.

Sources: Dun & Bradstreet, 2012; Strategic Economics, 2014. Based on Dun & Bradstreet business data that have not been independently verified; all numbers are approximate.

Figure IV-7. Formula Retail Establishments by Location of Headquarters: Commercial/Mixed-Use Zoning Districts with and without Formula Retail Controls



(a) Franchises that are not owned by or legally linked to the parent company; headquarters location unknown.

Acronyms:

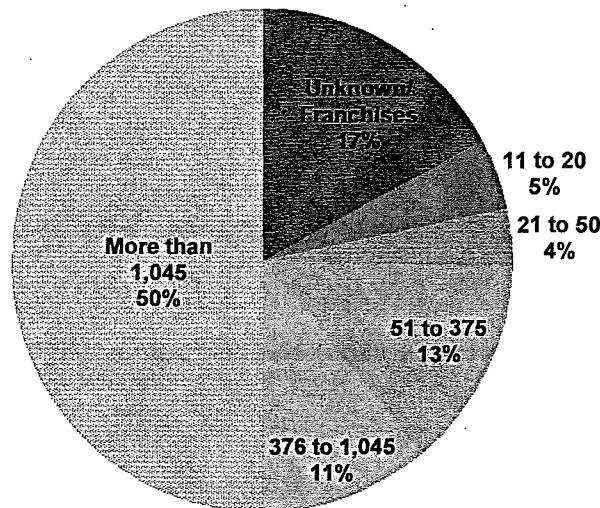
MU: Mixed-use

FR: Formula retail

Sources: Dun & Bradstreet, 2012; Strategic Economics, 2014. Based on Dun & Bradstreet business data that have not been independently verified; all numbers are approximate.

**Three-quarters of San Francisco's formula retail establishments are associated with companies that have more than 50 branches and subsidiaries.** The breakdown of formula retail by number of family members (Figure IV-8) is similar in commercial/MU districts with and without controls, except that, as discussed above, districts with controls have more franchises.

*Figure IV-8. Formula Retail Establishments by Number of Corporate Family Members (Branches and Subsidiaries)*



Sources: Dun & Bradstreet, 2012; Strategic Economics, 2014. Based on Dun & Bradstreet business data that have not been independently verified; all numbers are approximate.

## Conclusions

Formula retail establishments tend to be significantly larger than independent retail establishments. Overall, nearly 85 percent of formula retailers occupy more than 3,000 square feet, while 80 percent of independent retailers occupy 3,000 square feet or less. Most formula retailers are affiliated with large companies with many outlets, and are headquartered outside of California.

Formula retail is much less concentrated in commercial/MU districts with controls than in districts without, and formula retail establishments tend to be smaller in districts with controls in place. In addition, formula retail is more likely to take the form of neighborhood-serving stores (supermarkets or pharmacies) and banks, credit unions, and savings and loans in commercial/MU districts with controls than in those without. These differences may reflect the influence of the City's formula retail controls, as well as other factors such as the prevalence of formula retail before the controls went into effect and the different retail markets that various commercial districts serve. For example, many of the districts with controls are predominantly daily needs-serving. In contrast, the districts without controls include shopping districts that serve a large number of workers, regional shoppers, and out-of-town visitors, as well as San Francisco residents.

## V. EMPLOYMENT AND FORMULA RETAIL

San Francisco's residents and elected officials place a high priority on providing high-quality, well-paying jobs that employ a diverse range of residents. The City has some of the most progressive labor laws in the country, and many residents and stakeholders have raised concerns about the quality of jobs offered by formula retail. This chapter examines differences in employment between formula and independent retail in terms of number of workers employed, wages, and benefits.<sup>53</sup> Because of the limitations of the data and the literature, firm size (number of establishments and/or number of employees, as available) is used as the best available proxy for understanding the differences between formula and independent retailers in San Francisco. The chapter also draws on national data in order to provide context and address questions that were not possible to answer directly with local data.<sup>54</sup> However, as discussed below, it was not possible to fully address several of the issues raised by stakeholders (for example, about the differences in minority hiring and part-time employment between formula and independent firms) due to lack of data.

### Background and Methodology

Studying how formula and independent retailers in San Francisco differ in terms of employment and job quality factors is challenging for a number of reasons. Relatively few sources provide data on employment at the local level, and the data they provide are limited by the types of information collected from individual employers and by the need to protect the privacy of workers and firms. As a result of these constraints, detailed data on the demographics of workers or part-time versus full-time status are only available at the national level, through sources that do not distinguish between independent and formula retailers.<sup>55</sup>

Adding to the challenge, the definition of "formula retail" in the San Francisco Planning Code is very specific and is neither reflected in the literature on retail employment nor possible to exactly replicate with available data sources. Moreover, previous studies on retail employment have generally focused on comparing jobs and job quality at different types of retail chains (e.g., grocery stores versus electronics retailers, or supercenters versus traditional grocery stores), or on assessing the wages and economic impact of Walmart and other "supercenters,"<sup>56</sup> rather than the broader employment practices of chain versus independent retailers.

This chapter is based on an analysis of employment data provided by the California Employment Development Department from the Quarterly Census of Employment and Wages, supplemented by a literature review of local and national studies that have examined retail or restaurant employment by subsector or size of business. The chapter also draws on results from a survey that researchers at U.C. Berkeley conducted in 2009 that collected information on the health and paid sick leave benefits offered

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<sup>53</sup> The City and County of San Francisco's Office of Economic Analysis recently released a separate study of formula retail that assessed (among other topics) the effect of formula v. independent retail on the city's broader economy, including the multiplier effects created by consumer spending as it circulates through the economy and expands overall employment. This analysis focuses more narrowly on understanding the wages and benefits offered by different types of retailers.

<sup>54</sup> Note that employment in San Francisco may not be fully consistent with national trends.

<sup>55</sup> For example, the Current Population survey provides data on the demographics of employees by industry and firm size, but only at the national level. The U.S. Census Bureau's American Community Survey and Longitudinal-Employer Household Dynamics program provide local-level information on worker characteristics (e.g., age, race, ethnicity, educational attainment), but not by firm size or number of outlets.

<sup>56</sup> There are no Walmart stores located in San Francisco, and the City has separate land use controls governing large-scale retail. (Retail uses over 90,000 square feet in the C-3 zoning districts and over 50,000 square feet in all other zoning districts require CU authorization; retail over 120,000 square feet is generally prohibited. See San Francisco Planning Code, Section 121.6.)

by firms in San Francisco and elsewhere in the Bay Area. These data sources are described in more detail below. The chapter focuses on retail stores – i.e., businesses that sell goods to the general public – and restaurants.<sup>57</sup>

## Findings

The following sections provide a review of San Francisco's unique labor laws and national employment trends in the retail and restaurant industries, followed by an analysis of employment, wages, and benefits in San Francisco retail and restaurant industries.

### Local and National Context

**San Francisco is nationally known for its progressive laws aimed at improving pay, access to health care, and paid sick leave for all workers, particularly lower-wage workers.**<sup>58</sup> Figure V-1 shows those local labor laws that apply to most businesses located in San Francisco. (Other mandates, not shown, apply only to employers with contracts or leases with the City.) The City's minimum wage applies to all workers in San Francisco, except for individuals who are the parents, spouses, domestic partners, or children of the employer. The Paid Sick Leave Ordinance also applies to all employees, although employees at larger firms (with 10 or more workers) can accrue more hours of sick leave. The Health Care Security Ordinance and Family Friendly Workplace Ordinance both apply only to workers with 20 or more workers nationwide, and larger firms (100 or more workers) are required to provide more generous health care benefits.<sup>59</sup>

**Most formula retailers are likely subject to the Health Care Security and Family Friendly Workplace Ordinances.** Given that formula retail establishments must, by definition, have at least 12 locations in the U.S., it is likely that nearly all formula retailers have at least 20 employees nationwide. On the other hand, many independent retailers are likely to be exempt from these laws. For example, as discussed below, San Francisco retail stores with just one location in California employed an average of 8 workers in 2012, while restaurants with a single location employed an average of 15 workers. Independent estimates suggest that, overall, about 25 percent of San Francisco workers at for-profit firms are employed at companies that are exempt from the Health Care Security Ordinance.<sup>60</sup>

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<sup>57</sup> Banks, credit unions, and savings and loans are also subject to the City's definition of formula retail (as are a few types of retail services). However, the banking industry includes a wide range of occupations with very different pay and benefit levels, and it was not possible to differentiate between retail banking jobs and other types of jobs.

<sup>58</sup> Reich, Jacobs, and Dietz, *When Mandates Work: Raising Labor Standards at the Local Level*.

<sup>59</sup> The national Affordable Care Act does not preempt San Francisco's Health Care Security Ordinance; employers subject to the ordinance are required to continue meeting the Health Care Security Ordinance spending requirement for eligible employees in 2014. Source: City and County of San Francisco: Labor Standards Enforcement, "HCSO and the Affordable Care Act," October 21, 2013, <http://sfgsa.org/index.aspx?page=6306>.

<sup>60</sup> Reich, Jacobs, and Dietz, *When Mandates Work: Raising Labor Standards at the Local Level*, chap. 5.

Figure V-1. San Francisco Labor Laws

Law	Employer Applicability	Requirement	Effective Date
Minimum Wage Ordinance	All employers with employees who work in San Francisco more than two hours per week, including part-time and temporary workers*	All employees who work in San Francisco more than two hours per week, including part-time and temporary workers, are entitled to the San Francisco minimum wage (\$10.74 per hour as of January 2014).	February 2004
Paid Sick Leave Ordinance	All employers** with employees who work in San Francisco, including part-time and temporary workers	All employees who work in San Francisco, including part-time and temporary workers, are entitled to paid time off from work when they are sick or need medical care, and to care for their family members or designated person when those persons are sick or need medical care.	February 2007
Health Care Security Ordinance***	Employers with 20 or more employees nationwide, including part-time and temporary workers (and non-profit employers with 50 or more employees)	Employers must spend a minimum amount (set by law) on health care for each employee who works eight or more hours per week in San Francisco. The expenditure rate varies by employer size; in 2014, for-profit businesses with 20 to 99 employees nationwide are required to spend \$1.63 per worker per hour paid; employers with 100+ employees nationwide are required to spend \$2.44 per worker per hour paid.	January 2008
Family Friendly Workplace Ordinance	Employers with 20 or more employees nationwide, including part-time and temporary workers	Employers must allow any employee who is employed in San Francisco, has been employed for six months or more by the current employer, and works at least eight hours per week on a regular basis to request a flexible or predictable working arrangement to assist with care-giving responsibilities.	January 2014

\*Individuals who are the parents, spouses, domestic partners, or children of the employers are not covered by the San Francisco Minimum Wage Ordinance.

\*\*For employees of employers for which fewer than 10 persons work for compensation during a given week, there is a cap of 40 hours of accrued paid sick leave; for employees of other employers, there is a cap of 72 hours of accrued paid sick leave.

\*\*\*Note that the national Affordable Care Act does not preempt San Francisco's Health Care Security Ordinance; employers subject to the ordinance are required to continue meeting the Health Care Security Ordinance spending requirement for eligible employees in 2014.

Source: City and County of San Francisco Labor Standards Enforcement, 2014.

**Nationally, retail stores and restaurants tend to provide workers with lower wages, more limited benefit coverage, and fewer and more irregular work hours compared to other industries.** The relatively low wages, limited benefit coverage, and higher likelihood of part-time and non-standard working hours at retail stores and restaurants are related to the pressure facing firms in these industries to compete on low pricing and customer convenience (e.g., to be open long hours and on weekends and holidays).<sup>61</sup>

<sup>61</sup> Francoise Carré, Chris Tilly, and Diana Denham, "Explaining Variation in the Quality of U.S. Retail Jobs" (presented at the Annual Meeting of the Labor and Employment Relations Association, Denver, CO, 2010), <http://www.russellsage.org/sites/all/files/Carre-Tilly-Retail%20job%20quality-LERA-01.03.10-final-rev2.pdf>, Francoise Carré and Chris Tilly, *Short Hours, Long Hours: Hour Levels and Trends in the Retail Industry in the United States, Canada, and Mexico*, Upjohn Institute Working Paper 12-183 (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2012), <http://www.econstor.eu/handle/10419/64322>; Annette D. Bernhardt, *The Future of Low-Wage Jobs: Case Studies in the Retail Industry*, IEE Working Paper (Institute on Education and the Economy, Teachers

**However, there is significant variation in pay and job quality within the retail sector.** For example, some firms pay more and provide better benefits to attract better talent, reduce turnover, and increase productivity. Examples include many electronics, hardware, and high-end clothing stores that compete for customer business based on quality of service and where knowledgeable salespersons are often highly valued. In contrast, other stores put a higher priority on low costs and low prices, and tend to pay lower wages.<sup>62</sup> Walmart is the classic example; workers there earn approximately 12 percent less than other retail workers and 14.5 percent less than workers at large retailers, and rely heavily on public programs for health care and other needs.<sup>63</sup> Beyond business strategy, other factors that influence retail job quality include state and local labor laws, unionization, and the competitiveness of the local labor market.<sup>64</sup>

**Studies have shown that large firms are generally more likely to offer better health care coverage, hire more minorities, and comply with labor laws compared to smaller firms.** For example, a 2012 national survey sponsored by the Kaiser Family Foundation found that 61 percent of small firms (those employing 3 to 199 workers) offered workers health insurance, compared to 98 percent of firms with 200 workers or more. Firms with fewer than 10 workers were least likely to offer health insurance to employees, with only 50 percent of firms of this size offering coverage in 2012. Workers at small firms were also responsible for paying a higher share of costs than workers at large firms.<sup>65</sup> A 2001 national survey of employers and households found that larger firm size was associated with hiring significantly more African-Americans.<sup>66</sup> A 2009 survey of 4,500 low-wage workers in New York, Chicago, and Los Angeles found that while labor law violations occur at firms of all sizes, workers at small companies (employing fewer than 100 workers) were significantly more likely to experience violations.<sup>67</sup>

These differences between small and large firms may have to do with a number of factors, including awareness of labor laws, hiring methods, and financial resources.

**Nationally, retail firms with fewer than 10 outlets tend to pay higher average wages than firms with more than 10 outlets.** National data from the 2007 Economic Census show that retail firms with fewer than 10 outlets in the United States paid an average of \$27,500 per employee, per year. In comparison, firms with 10 or more outlets paid an average of \$20,800 a year. Overall, retail firms with fewer than 10 outlets employ fewer workers per establishment and per million dollars in sales. However, excluding motor vehicles and parts, gasoline stations, and non-store retailers (industries that San Francisco does not typically regulate as formula retail), firms with fewer than 10 outlets actually employ slightly more workers per million dollars in sales (5.8) compared to firms with 10 or more outlets (5.1). These differences may in part reflect differences in the number of hours that employees are scheduled to work; the Economic Census does not provide information on hours worked or part- versus full-time status of workers by firm size.

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College, Columbia University, 1999),

<http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.41.885&rep=rep1&type=pdf>.

<sup>62</sup> Carré, Tilly, and Denham, "Explaining Variation in the Quality of U.S. Retail Jobs."

<sup>63</sup> Jacobs, Graham-Squire, and Luce, *Living Wage Policies and Big-Box Retail: How a Higher Wage Standard Would Impact Walmart Workers and Shoppers*.

<sup>64</sup> Carré, Tilly, and Denham, "Explaining Variation in the Quality of U.S. Retail Jobs."

<sup>65</sup> Nirmita Panchal, Matthew Rae, and Gary Claxton, *Snapshots: A Comparison of the Availability and Cost of Coverage for Workers in Small Firms and Large Firms* (Kaiser Family Foundation, December 5, 2012), <http://kff.org/private-insurance/issue-brief/snapshots-a-comparison-of-the-availability-and-cost-of-coverage-for-workers-in-small-firms-and-large-firms/>.

<sup>66</sup> Philip Moss and Chris Tilly, *Stories Employers Tell: Race, Skill, and Hiring in America* (Russell Sage Foundation, 2001).

<sup>67</sup> Annette D. Bernhardt et al., *Broken Laws, Unprotected Workers: Violations of Employment and Labor Laws in America's Cities* (Center for Urban Economic Development, 2009).



The data shown in Figure V-2 are only available at the national level. However, the following section explores San Francisco employment and wage trends using a different proxy for formula versus independent firms, based on whether firms have one or more outlets in California.

*Figure V-2. U.S. Retail Firms by Number of Establishments: Average Jobs per Establishment, Jobs per Million Dollars in Sales, and Annual Average Wages, 2007*

	Jobs per Establishment	Jobs per Million Dollars in Sales	Average Annual Wages per Employee
<b>All Retail</b>			
Firms with fewer than 10 outlets	7.8	3.5	\$27,500
Firms with 10 or more outlets	26.4	4.3	\$20,800
<b>Excluding Motor Vehicles and Parts, Gasoline Stations, and Non-store Retailers</b>			
Firms with fewer than 10 outlets	6.7	5.8	\$22,900
Firms with 10 or more outlets	30.1	5.1	\$20,000

Sources: U.S. Census Bureau, Economic Census, 2007; Strategic Economics, 2014.

### Employment and Wages at Retail Stores and Restaurants in San Francisco

This section provides findings on employment and wages, based on an analysis of employment data provided by the California Employment Development Department (EDD) from the Quarterly Census of Employment and Wages (QCEW) program. QCEW employment data are derived from quarterly tax reports that California employers are required to submit to the EDD under state and federal unemployment insurance laws. The data count all workers who are covered by unemployment insurance and who worked during, or received pay for, a given pay period. Business owners, self-employed workers, unpaid family members, and certain farm and domestic workers are excluded from the employment counts.<sup>68</sup> EDD does not provide information on part-time versus full-time worker status<sup>69</sup> or number of hours worked; such information is not available at the local level from any known data source.

For the purposes of this study, the EDD created a customized report for the City and County of San Francisco that provided employment and wage data for selected industries (at the four-digit North American Industry Classification System [NAICS] level) in the retail, restaurant, and finance sectors. The data were provided for two categories of firms:

- 1) Firms located in San Francisco that have a single location in California (referred to as “single-site” firms below).
- 2) Firms located in San Francisco that have multiple worksites in California (“multiple-site” firms).

Note that this definition of “multiple-site” firms does not exactly match the definition of “formula retail” in the Planning Code. However, the EDD data represent the best available proxy for studying the differences in employment and wages at formula and independent retailers.

<sup>68</sup> Bureau of Labor Statistics, “Employment and Wages Online,” 2010, <http://www.bls.gov/cew/cewbultn10.htm#Employment>.

<sup>69</sup> Some studies suggest that the distinction between part- and full-time jobs in the retail industry has become less about number of hours worked, and more about status, wage levels, and access to a benefits package. Many retail managers in the U.S. report shortening the number of hours guaranteed to full-time workers, while increasing the number of hours worked by part-time employees (who typically receive lower hourly pay and fewer benefits). Carré and Tilly, *Short Hours, Long Hours*.

Complete results are provided in Figures IV-3 through IV-5. Key findings from the analysis are discussed below.

**Approximately 47 percent of San Francisco's retail workers and 18 percent of the city's restaurant workers are employed at firms with multiple locations in California.** In total, approximately 40,200 people worked in retail stores located in San Francisco in 2012, while another 52,600 worked in the city's restaurants. Of these workers, 19,000 were employed at stores with multiple sites in California, while 9,400 were employed at multiple-site restaurants.

**Within the retail sector, the industries that employ the most people in San Francisco include grocery stores (7,000 workers), clothing stores (6,900 workers), department stores (4,500 workers), and health and personal care stores (4,100 workers).**<sup>70</sup> Several other industries each employed between 1,000 and 2,000 workers in 2012, including electronics and appliance stores; specialty foods stores; home furnishings stores; building materials and supplies dealers; other miscellaneous store retailers; sporting good, hobby, and musical instrument stores; and office supply, stationery, and gift stores.

**More than 60 percent of workers in the city's health and personal care, clothing, grocery, and department store industries are employed at firms that have multiple sites in California.** Eighty percent of health and personal care workers, 66 percent of clothing store workers, and 64 percent of grocery store workers were employed at multiple-site firms in 2012. Employment data by number of worksites are not available for department stores due to confidentiality concerns, but 15 out of San Francisco's 16 department stores had multiple sites in the state. In several other industries – including shoe stores; sporting goods, hobby, and musical instrument stores; electronics and appliance stores; lawn and garden equipment stores; and other general merchandise stores – just over half of all workers were employed at multiple-site firms.

**On a per-establishment basis, firms with multiple sites tend to employ more workers in San Francisco than firms with a single location.** On average, multiple-site restaurants employed 27 workers per establishment in 2012, compared to 15 workers for single-site restaurants. Similarly, multiple-site stores employed an average of 23 workers per store in 2012, compared to 8 workers per single-site store. These averages mask significant variation in the average number of workers employed among different types of stores, but multiple-site stores employ more workers per establishment in almost every retail category. For example, multiple-site grocery stores employed an average of 91 workers, compared to 9 workers per store for single-site grocery store. In comparison, multiple-site health and personal care stores employed 15 workers per store, compared to 6 workers per store for single-site firms in the same industry.

Note that these differences may be due in part to different scheduling practices; multiple-site firms may tend to hire more part-time or temporary workers. In addition, the average number of employees per store may reflect underlying differences in single- and multiple-site businesses. For example, Chapter IV shows that formula retail establishments tend to occupy bigger floor plates than independent businesses, and larger businesses would be expected to employ more workers. Other factors may be specific to particular types of retail. For example, the grocery store category includes both supermarkets – which have large floor plates and employ dozens of workers – and small, independently owned corner stores.

**Retail stores and restaurants are among the lowest-paying industries in the city, but there is significant variation in pay within the retail sector.** In 2012, the average wage for all workers employed by privately owned firms in San Francisco was \$1,680 per week.<sup>71</sup> In comparison, the average

<sup>70</sup> The health and personal care stores category includes pharmacies and drug stores, cosmetics stores, optical goods stores, and other health and personal care stores.

<sup>71</sup> All wages assume a 50-week work year.

weekly wage for San Francisco workers was \$815 at retail stores and \$490 at restaurants. However, employers in some retail subsectors paid significantly higher average wages. In the electronics and appliance store, home furnishings, automobile dealer,<sup>72</sup> and furniture store categories, workers earned an average of \$1,200 to \$1,600 a week. Other retail jobs tend to pay much less. For example, workers at sporting goods/musical instrument stores, shoe stores, lawn and garden equipment stores, specialty food stores, gasoline stations, and book, periodical, and music stores were paid less than \$575 a week on average in 2012.

As with the average number of workers per store, average pay rates likely reflect a range of factors including the ratio of full-time to part-time workers, the number of workers who worked the full year, and the number of individuals in high-paying versus low-paying occupations within each industry.<sup>73</sup>

**The difference in average pay rate between single- and multiple-site stores and restaurants also varies significantly by industry.** On average, single- and multiple-site stores and restaurants pay very similar wages. However, the averages obscure large differences within some industries. For example, in the electronics and appliance, furniture, office supplies/stationery/gift, other general merchandise, health and personal care, and grocery store industries, workers at multiple-site stores earned between \$110 and \$1,285 a week *more* than workers at single-site stores. However, at stores selling automobile parts and accessories, liquor, shoes, sporting goods, used merchandise, home furnishings, and other miscellaneous goods, workers at multiple-site stores earned between \$120 and \$1,630 *less* than workers at single-site stores.

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<sup>72</sup> Note that automobile dealers are not currently covered by San Francisco's formula retail controls.

<sup>73</sup> State of California Employment Development Department, Quarterly Census of Employment and Wages, 2012; Strategic Economics, 2014.

Figure V-3. Total Workforce by Industry (Retail, Restaurant, and Finance) and Single- versus Multiple-Site Firms: San Francisco, 2012

		Total Workforce (a)			
NAICS Code	Industry	Single-Site Firms	Firms with Multiple Sites	Total, All Firms	Firms with Multiple Sites as % of All Firms
Stores					
4451	Grocery Stores	2,523	4,550	7,072	64%
4481	Clothing Stores	2,307	4,578	6,885	66%
4521	Department Stores	*	*	4,461	*
4461	Health and Personal Care Stores	792	3,256	4,048	80%
4431	Electronics and Appliance Stores	924	996	1,920	52%
4452	Specialty Food Stores	1,570	212	1,782	12%
4422	Home Furnishings Stores	1,166	615	1,781	35%
4441	Building Material and Supplies Dealers	922	513	1,435	36%
4539	Other Miscellaneous Store Retailers	983	366	1,349	27%
4511	Sporting Goods, Hobby, Musical Instrument Stores	617	680	1,297	52%
4532	Office Supplies, Stationery, Gift Stores	671	455	1,125	40%
4482	Shoe Stores	406	588	993	59%
4411	Automobile Dealers (b)	600	299	900	33%
4529	Other General Merchandise Stores	416	425	841	51%
4483	Jewelry, Luggage, Leather Goods Stores	525	285	810	35%
4471	Gasoline Stations (b)	511	200	711	28%
4533	Used Merchandise Stores	400	269	669	40%
4453	Beer, Wine, and Liquor Stores	417	77	494	16%
4512	Book, Periodical, and Music Stores	282	210	492	43%
4421	Furniture Stores	284	158	442	36%
4413	Automotive Parts, Accessories, and Tire Stores	181	141	322	44%
4531	Florists	176	0	177	0%
4442	Lawn and Garden Equipment and Supplies Stores	81	87	167	52%
	Total Stores	16,753	18,956	40,172	47%
Restaurants					
7225	Restaurants	38,120	8,364	46,483	18%
7224	Drinking Places (Alcoholic Beverages)	3,230	0	3,230	0%
7223	Special Food Services (b)	1,903	983	2,887	34%
	Total Restaurants	43,253	9,347	52,600	18%
Banks, Credit Unions, Savings & Loans					
5221	Depository Credit Intermediation	912	10,949	11,861	92%

(a) Average monthly employment in 2012.

(b) Use not subject to San Francisco's formula retail controls.

\*Suppressed to preserve confidentiality

"Single-Site Firms" are firms that reported one worksite in California; "Firms with Multiple Sites" reported multiple worksites in California.

Acronyms:

NAICS: North American Industry Classification System

Sources: State of California Employment Development Department (EDD), Quarterly Census of Employment and Wages, 2012; Strategic Economics, 2014. Based on EDD data that have not been independently verified.

Figure V-4. Average Workers per Establishment by Industry (Retail, Restaurant, and Finance) and Single- versus Multiple-Site Firms: San Francisco, 2012

NAICS Code	Industry	Average Workers per Establishment		
		Single-Site Firms	Firms with Multiple Sites	All Firms
Stores				
4451	Grocery Stores	9	91	22
4481	Clothing Stores	10	28	17
4521	Department Stores	*	*	297
4461	Health and Personal Care Stores	6	15	12
4431	Electronics and Appliance Stores	9	15	11
4452	Specialty Food Stores	9	10	9
4422	Home Furnishings Stores	14	27	16
4441	Building Material and Supplies Dealers	9	21	11
4539	Other Miscellaneous Store Retailers	5	25	7
4511	Sporting Goods, Hobby, Musical Instrument Stores	8	28	12
4532	Office Supplies, Stationery, Gift Stores	5	12	6
4482	Shoe Stores	15	14	14
4411	Automobile Dealers (a)	67	75	69
4529	Other General Merchandise Stores	10	71	18
4483	Jewelry, Luggage, Leather Goods Stores	5	13	6
4471	Gasoline Stations (a)	10	7	9
4533	Used Merchandise Stores	7	13	9
4453	Beer, Wine, and Liquor Stores	5	19	6
4512	Book, Periodical, and Music Stores	9	22	13
4421	Furniture Stores	5	11	6
4413	Automotive Parts, Accessories, and Tire Stores	7	11	8
4531	Florists	3	N/A	3
4442	Lawn and Garden Equipment and Supplies Stores	5	14	8
	Total Stores	8	23	14
Restaurants				
7225	Restaurants	16	28	17
7224	Drinking Places (Alcoholic Beverages)	10	N/A	10
7223	Special Food Services (a)	24	20	22
	Total Restaurants	15	27	17
Banks, Credit Unions, Savings & Loans				
5221	Depository Credit Intermediation	31	36	35

(a) Use not subject to San Francisco's formula retail controls.

\*Suppressed to preserve confidentiality

"Single-Site Firms" are firms that reported one worksite in California; "Firms with Multiple Sites" reported multiple worksites in California.

Acronyms:

N/A: Not applicable (no firms fall in these categories)

NAICS: North American Industry Classification System

Source: State of California Employment Development Department (EDD), Quarterly Census of Employment and Wages, 2012; Strategic Economics, 2014. Based on EDD data that have not been independently verified.

Figure V-5. Average Weekly Pay per Employee by Industry (Retail, Restaurant, and Finance) and Single-versus Multiple-Site Firms: San Francisco, 2012

		Average Weekly Pay per Employee (a)				
NAICS Code	Industry	Single-Site Firms	Firms with Multiple Sites	All Firms	Difference (b)	% Difference
Stores						
4451	Grocery Stores	\$523	\$634	\$595	\$111	18%
4481	Clothing Stores	\$575	\$631	\$611	\$56	9%
4521	Department Stores	*	*	\$757	*	*
4461	Health and Personal Care Stores	\$923	\$1,141	\$1,098	\$218	19%
4431	Electronics and Appliance Stores	\$982	\$2,267	\$1,648	\$1,285	57%
4452	Specialty Food Stores	\$508	\$447	\$500	-\$61	-14%
4422	Home Furnishings Stores	\$2,124	\$495	\$1,561	-\$1,629	-329%
4441	Building Material and Supplies Dealers	\$926	\$858	\$902	-\$68	-8%
4539	Other Miscellaneous Store Retailers	\$1,066	\$681	\$962	-\$385	-57%
4511	Sporting Goods, Hobby, Musical Instrument Stores	\$683	\$466	\$573	-\$217	-47%
4532	Office Supplies, Stationery, Gift Stores	\$486	\$745	\$588	\$259	35%
4482	Shoe Stores	\$639	\$424	\$512	-\$214	-51%
4411	Automobile Dealers (c)	\$1,507	\$1,592	\$1,534	\$85	5%
4529	Other General Merchandise Stores	\$534	\$773	\$655	\$240	31%
4483	Jewelry, Luggage, Leather Goods Stores	\$1,095	\$1,062	\$1,085	-\$34	-3%
4471	Gasoline Stations (c)	\$488	\$449	\$477	-\$38	-9%
4533	Used Merchandise Stores	\$894	\$475	\$726	-\$419	-88%
4453	Beer, Wine, and Liquor Stores	\$635	\$428	\$603	-\$207	-48%
4512	Book, Periodical, and Music Stores	\$483	\$409	\$452	-\$74	-18%
4421	Furniture Stores	\$1,116	\$1,560	\$1,273	\$444	28%
4413	Automotive Parts, Accessories, and Tire Stores	\$837	\$718	\$784	-\$118	-16%
4531	Florists	\$593	N/A	\$592	N/A	N/A
4442	Lawn and Garden Equipment and Supplies Stores	\$538	\$484	\$508	-\$55	-11%
	Total Stores	\$823.19	\$821	\$815	-\$2	0%
Restaurants						
7225	Restaurants	\$490	\$494	\$494	\$3	1%
7224	Drinking Places (Alcoholic Beverages)	\$431	N/A	\$431	N/A	N/A
7223	Special Food Services (b)	\$472	\$664	\$539	\$191	29%
	Total Restaurants	\$485	\$512	\$493	\$26	5%
Banks, Credit Unions, Savings & Loans						
5221	Depository Credit Intermediation	\$2,284	\$2,900	\$2,852	\$616	21%

(a) Assumes 50-week work year.

(b) Average weekly pay for firms with multiple sites, minus average weekly pay for single-site firms.

(c) Use not subject to San Francisco's formula retail controls.

\*Suppressed to preserve confidentiality

"Single-Site Firms" are firms that reported one worksite in California; "Firms with Multiple Sites" reported multiple worksites in California.

Acronyms:

N/A: Not applicable (no firms fall in these categories)

NAICS: North American Industry Classification System

Source: State of California Employment Development Department (EDD), Quarterly Census of Employment and Wages, 2012; Strategic Economics, 2014. Based on EDD data that have not been independently verified.

### Employee Benefits

In 2009, two years after the adoption of San Francisco's Paid Sick Leave Ordinance and one year after the adoption of the Health Care Security Ordinance, researchers at U.C. Berkeley surveyed 1,010 firms in San Francisco and elsewhere in the Bay Area on their health benefit and paid sick leave offerings. Results were broken down by firm size (number of workers at location) and, for paid sick leave, by industry.<sup>74</sup> Note that all results discussed below are based on data gathered prior to the adoption of the Affordable Care Act (ACA), which introduced a series of policies designed to improve access to health coverage. Most of provisions of the ACA went into effect at the beginning of 2014.

This section discusses the results of the survey. Figures V-6 and V-7 show the percent of surveyed firms that offered health insurance and the deductible of the most popular health plans by firm size and location. Figure V-8 shows the percent of surveyed firms that offered paid sick leave by firm size and industry. Key findings are as follows.

**Firms in San Francisco were more likely to offer health insurance than firms elsewhere in the Bay Area in 2009.** In San Francisco, 99 percent of large firms (100 or more employees) and 92 percent of medium firms (20 to 99 employees) offered health insurance in 2009, compared to 96 percent of large firms and 90 percent of medium firms elsewhere in the Bay Area (Figure V-6).

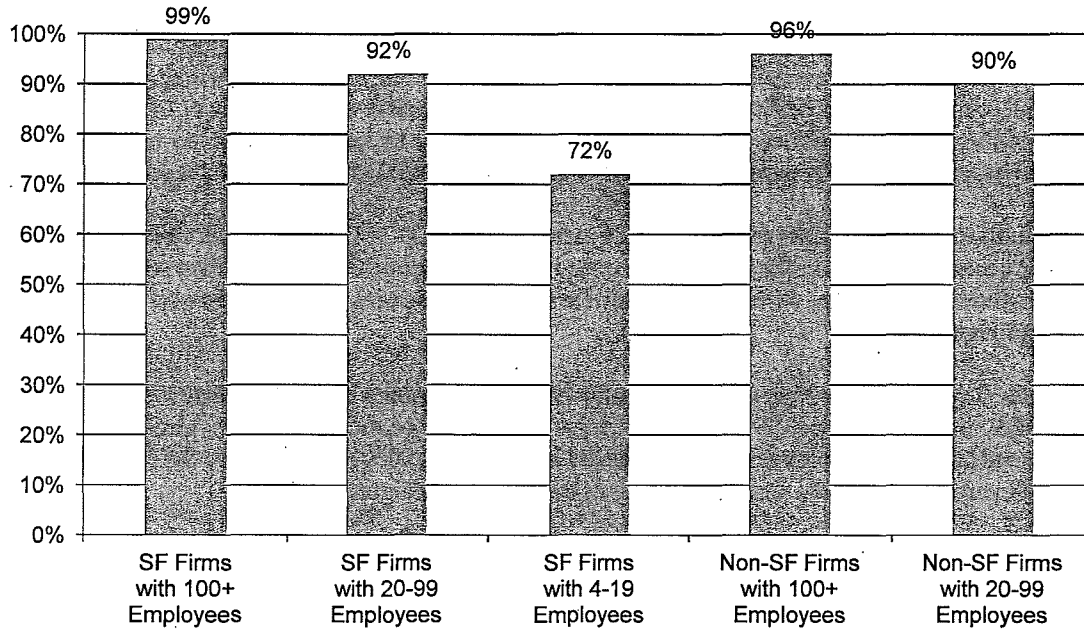
**Compared to large firms, small firms were less likely to offer health insurance and more likely to offer policies with higher deductibles.** In San Francisco, just over 70 percent of small firms (4 to 19 employees) offered insurance in 2009 (Figure V-6). Of those firms that offered insurance, small firms were much more likely than medium or large firms to have a high deductible (more than \$1,000) for the most popular plan (Figure V-7). The 2009 survey did not collect data on small firms located elsewhere in the Bay Area, but the percentage of small firms offering insurance in San Francisco appears to be high by national standards. As a point of comparison, a national study by the Kaiser Foundation found that only 50 percent of firms with fewer than 10 workers offered health insurance to their employees in 2012.<sup>75</sup>

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<sup>74</sup> As discussed above, formula/multiple-site retail stores and restaurants tend to be significantly larger than independent/single-site businesses. The results shown below were reported in William H. Dow, Arindrajit Dube, and Carrie Hoverman Colla, *Bay Area Employer Health Benefits Survey: Health Benefits Report 2009* (University of California Berkeley, May 2010), <http://www.irle.berkeley.edu/cwed/wp/healthbenefits10.pdf>; and Vicky Lovell, "Universal Paid Sick Leave," in *When Mandates Work: Raising Labor Standards at the Local Level* (Berkeley: University of California Press, 2014), 197–225.

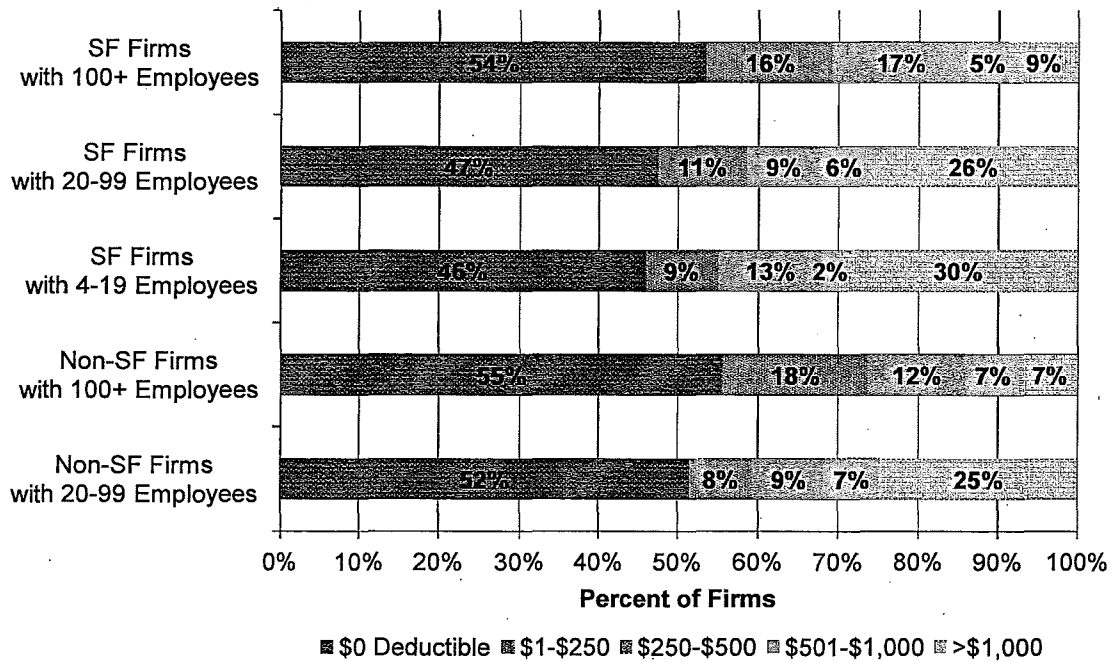
<sup>75</sup> Panchal, Rae, and Claxton, *Snapshots*.

Figure V-6. Percent of Firms that Offered Health Insurance by Firm Size and Location (San Francisco versus Elsewhere in the Bay Area), 2009



Source: "Bay Area Employer Health Benefits Survey: Health Benefits Report 2009."

Figure V-7. Deductible of Most Popular Health Plan, by Firm Size and Location (San Francisco versus Elsewhere in the Bay Area), 2009



Source: "Bay Area Employer Health Benefits Survey: Health Benefits Report 2009."



While the majority of San Francisco firms provided paid sick leave in 2009, paid sick leave was less common at small businesses and businesses in the leisure and hospitality and retail and wholesale trade sectors. The 2007 Paid Sick Leave Ordinance mandated that all employees who work in San Francisco, including part-time and temporary workers, are entitled to paid time off from work when they or their family members are sick or need medical care. As of 2009, 82 percent of all firms in San Francisco indicated that they were in compliance with the law (Figure V-8). In comparison, 78 percent of very small businesses (fewer than 10 employees), 62 percent of businesses in the hospitality trade, and 78 percent of businesses in the retail and wholesale trade provided paid sick leave.<sup>76</sup>

*Figure V-8. Percent of San Francisco Firms Providing Paid Sick Leave by Number of Workers and Sector, 2009*

	<b>% of Firms Providing Paid Sick Leave</b>
<b>Number of Workers at Firm (All Industries)</b>	
1 to 9	78.4%
10 to 24	92.0%
25 to 49	97.5%
50 or More	99.4%
<b>Sector (All Firm Sizes)</b>	
Leisure and Hospitality	62.1%
Retail and Wholesale Trade	77.9%
<b>All Firms</b>	<b>82.1%</b>

Sources: Bay Area Employer Health Benefits Survey, 2009; Calculations by Lovell, 2014.

## Conclusions

Employment practices vary as much or more by retail subsector and firm size as by whether a business is “formula” or “independent.” On average, single- and multiple-site retail stores and restaurants in San Francisco pay similar wages. However, these averages mask large pay differences within some retail subsectors. Firms with multiple sites do tend to employ significantly more workers than firms with a single location, although some of the difference may be due to scheduling and other business practices (e.g., multiple-site firms may tend to hire more part-time or temporary workers).

Both nationally and in San Francisco, retail stores, restaurants, and smaller firms typically provide fewer benefits compared to other types of businesses. However, San Francisco’s labor laws raise the floor, so that firms in all industries are required to offer higher pay and better benefits compared to their counterparts elsewhere in the country (although small firms are exempt from some requirements).

<sup>76</sup> For most types of firms, the percentage offering paid sick leave in 2009 represented a significant increase from before the Paid Sick Leave Ordinance went into effect. Prior to the implementation of the ordinance, only 64 percent of very small firms (fewer than 10 workers), 24 percent of hospitality firms, and 62 percent of retail and wholesale trade firms offered paid sick leave.

## **VI. FORMULA RETAIL AND THE REAL ESTATE MARKET**

This chapter explores the relationships among the commercial real estate market in San Francisco's neighborhood districts, formula retail controls, and formula retail establishments. In addition to qualitatively assessing the roles that formula retail and the controls play in neighborhood districts based on interviews and focus groups with local real estate professionals, merchants, and other stakeholders (listed in Appendix E), Strategic Economics used data from CoStar, a commercial vendor, to examine whether the approval, disapproval, or withdrawal of conditional use (CU) applications is correlated with either increases or decreases in area rental rates and vacancies in selected neighborhood districts.

### **Background and Methodology**

Although individual brokers and businesses have many anecdotes about the impact of either formula retail controls or formula retail businesses on the commercial real estate market, it is difficult to isolate and measure those impacts on a citywide or even neighborhood basis. The performance of neighborhood commercial districts is constantly shifting due to broader economic trends and other factors, and each of San Francisco's individual shopping districts has its own unique character and serves a distinct market, making the districts difficult to compare. Moreover, no known sources collect reliable data – especially time series data – on rents and vacancies in neighborhood-serving districts.

In order to explore the relationship between formula retail and the real estate market in light of these challenges, this chapter draws on multiple qualitative and quantitative sources. These include comments provided by real estate brokers, merchant association representatives, and other stakeholders during the first round of focus groups; interviews with several additional San Francisco real estate brokers; published broker reports;<sup>77</sup> and a case study analysis of CoStar data.

CoStar contacts brokers, owners, and developers on a quarterly basis, surveying them about vacancies, asking rents, rents from recent transactions, tenants, and other information. In San Francisco, CoStar tracks more than 7,000 retail buildings, most of which are located in and around Downtown. Although CoStar maintains the largest and most comprehensive database of commercial real estate information in the country, the brokers interviewed for this chapter cautioned that the data should be interpreted with great care. CoStar's information is self-reported by real estate brokers, many of whom withhold rental rates in order to protect their competitive position. In addition, many properties are not listed on CoStar. Small landlords in neighborhood commercial districts are particularly unlikely to list their properties with CoStar. Despite these limitations, CoStar remains the only available source for neighborhood-level data on rents and vacancies and – given that the data are collected by a single source using a consistent method over time – can at least be expected to capture broad trends over time.

Strategic Economics used the CoStar database to collect quarterly data on rents and vacancies in neighborhood commercial districts (NCDs). After collecting data on a number of NCDs located throughout the city, Strategic Economics selected for further analysis four districts that had attracted at least four to six conditional use applications since 2007, and for which CoStar reported a sufficient number of transactions in most quarters to produce meaningful data on rents and vacancies. These districts are the Mission Street Neighborhood Commercial Transit District (NCT), the Ocean Avenue NCT, Lombard and Chestnut Streets between Fillmore and Divisadero Streets, and Geary Boulevard

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<sup>77</sup> Terranomics Retail Services, "San Francisco Retail Report," Second Quarter 2013; Marcus & Millichap, "Market Overview: San Francisco Market Overview," Third Quarter 2013; CoStar, "The CoStar Retail Report: San Francisco Retail Market," Year-End 2013.

between 28<sup>th</sup> and Masonic Avenues.<sup>78</sup> For comparison, data were also collected on the broader submarkets in which the neighborhood commercial districts are located.<sup>79</sup>

## Findings

### Understanding the Retail Market

Retail rents and vacancies are influenced by many factors, including broader economic trends, the location of specific neighborhoods and storefronts, and landlord and tenant expectations. This section discusses some of the general factors that influence local retail markets.

**Fundamentally, retail real estate markets are driven by demand for goods and services.** Consumer demand is strongly affected by the performance of the regional, national, and global economy.

**At the local level, rents and vacancies vary significantly depending on location, reflecting the customer traffic and sales volume that different locations are expected to yield.** For example, rents will tend to be higher and vacancies lower in shopping districts that draw many visitors from across the region or serve a neighborhood with high average incomes, factors that typically generate high retail sales volumes. Retailers also benefit from clustering with other retailers; a concentration of retail activity creates a destination that offers variety and selection, attracting more shoppers.

**Successful shopping districts are often anchored by a large, name-brand retailer that drives business to smaller retailers in the same district.** A cluster of similar businesses, such as restaurants or clothing boutiques, can also act as an anchor.

**National retailers typically seek large, prominent storefronts, while mom-and-pop retailers are often better suited for (and can better afford) smaller, shallower spaces.** The location and characteristics of any given storefront will also affect how long the property stays vacant, the types of tenants that the space can attract, and the rent that the landlord can charge. Retail tenants typically prefer spaces that are highly visible and accessible to prospective shoppers, but individual tenants often have very specific requirements for the kind of space that they occupy. For example, restaurants require specific utility connections and ventilation improvements.

**Landlords often perceive a benefit in renting to national or regional chains.** The expectations and resources of individual landlords and tenants will affect the terms of any given transaction. For instance, landlords often perceive a benefit in renting to chains, which typically have better credit and can sign longer leases than small, independent retailers, lowering the risk that the tenant will be unable to pay its rent.<sup>80</sup> Landlords also have an interest in renting a vacant space and beginning to collect rent as soon as possible.

**Regulations that restrict the potential range of tenants – such as controls on where formula retail can locate – would be expected to drive down rents and increase vacancies.** Land use regulations can affect the real estate market by constraining the supply or viability of retail space. Some zoning regulations, like formula retail controls, effectively limit the viability of retail space by restricting the types of tenants that are permitted in particular locations or increasing the time and cost of receiving

<sup>78</sup> Several districts were initially included in the analysis but had to be discarded due to insufficient data. These include the Polk Street NCD, Lakeside Plaza, and the Upper Fillmore NCD.

<sup>79</sup> CoStar divides San Francisco into several submarkets. The Mission Street and Ocean Street NCTs are located in the "Southern City" submarket, which includes the area south of 16<sup>th</sup> Street and west of Highway 101. Lombard/Chestnut and Geary are located in the "West of Van Ness" submarket, which includes the area west of Van Ness Avenue and north of 16<sup>th</sup> Street.

<sup>80</sup> Sources: interviews and focus groups with local real estate professionals, merchants, and other stakeholders (see Appendix E); Terranomics, 2013.

entitlements. These types of regulations would be expected to decrease rents and increase vacancy rates. On the other hand, zoning regulations can also effectively limit the supply of retail space by restricting the location, amount, or type of retail development that can occur. Regulations that limit supply would typically be expected to increase rents and decrease vacancy rates. In addition to the formula retail controls, the San Francisco Planning Code includes many other provisions that restrict the ability of property owners to develop new space, and the types of tenants that are permitted in certain locations.

### **San Francisco's Commercial Real Estate Market and Formula Retail**

**San Francisco's retail market is among the strongest in the country, but rents vary significantly by location within the city.** San Francisco's low unemployment rate and growing household incomes have led to a booming commercial real estate sector. Terranomics, a real estate firm focused on the retail sector in Northern California, reported that asking rents for freestanding and street level retail space increased 10 to 15 percent between mid-2012 and mid-2013 in the city as a whole. Average asking rents in the second quarter of 2013 ranged from \$20 per square foot per year (NNN<sup>81</sup>) in some outlying areas to between \$50 and \$60 in the heart of the Financial District and \$100 to \$200 at Union Square.<sup>82</sup> These rents reflect the range of sales volumes that stores can expect to generate in different locations within the city.

**The formula retail regulations create disincentives for formula retailers to locate in San Francisco's neighborhood commercial districts.** According to brokers who work with chain retailers, obtaining a formula retail CU authorization typically takes 6 to 12 months and can cost tens of thousands of dollars, including fees for attorneys, architects, and community outreach consultants and other costs. As a result, brokers report that many formula retailers are unwilling to consider locations in San Francisco's neighborhood commercial districts. In addition, because of the time, cost, and uncertainty associated with the CU process, formula retailers often insist on leases that give the tenant the right to terminate if the tenant does not succeed in obtaining the necessary entitlements, and/or to delay paying rent until the entitlements are issued.

**The formula retail regulations also create costs and uncertainty for landlords, but market conditions in the most attractive markets may still favor formula retailers.** For landlords, these provisions mean that signing a formula retailer as a tenant can entail significant opportunity costs (i.e., no rent for 6 to 12 months) and uncertainty. On the other hand, many landlords in San Francisco's most attractive retail markets (e.g., Upper Fillmore) require letters of credit guaranteeing 6 to 12 months' worth of rent, and/or charge several thousand dollars in "key money" as a condition of signing the lease.<sup>83</sup> Start-ups and other independent retailers often find it difficult to meet these requirements.<sup>84</sup>

**Formula retail controls may help lower costs for independent retailers, but most of these retailers are not suited for spaces with large floor plates.** By making neighborhood commercial districts less attractive for formula retailers, the formula retail controls likely help create lower-cost opportunities for independent retailers who cannot compete for space in San Francisco's premium retail locations. However, most independent retailers are best suited for smaller storefronts; as discussed in Chapter IV, 80 percent of independent retailers occupy 3,000 square feet or less, while 85 percent of formula retailers occupy more than 3,000 square feet. Brokers report that large, deep spaces may sit empty for extended

<sup>81</sup> In a triple net (NNN) lease, the tenant agrees to pay all real estate taxes, building insurance, and maintenance on the property in addition to rent and utilities.

<sup>82</sup> Terranomics, 2013.

<sup>83</sup> Note that "key money" can refer to payments that new tenants make either to a landlord in order to secure a lease, or to an existing tenant for the right to assume the tenant's lease.

<sup>84</sup> Sources: interviews and focus groups with local real estate professionals, merchants, and other stakeholders (see Appendix E); Terranomics, 2013.

periods of time if a formula retail CU application is disapproved or withdrawn, and that these vacant spaces can act as a drag on the vibrancy and overall performance of the surrounding district.<sup>85</sup>

**A formula retailer that serves as an anchor can have a positive effect on neighboring retailers and the local real estate market, while other formula retailers may detract from the economic health of a district.** As discussed in Chapter V, most of the literature on the economic impact of chain retail has focused on Walmart or other big box stores.<sup>86</sup> However, San Francisco's formula retail controls cover a wide range of business types and big box stores are very rare in the city; as shown in Chapter IV, only five percent of the city's formula retail establishments are between 20,000 and 50,000 square feet, while less than one percent are more than 50,000 square feet.

As a result, it is impossible to generalize about the impact of formula retail on neighboring retailers or the broader real estate market based on previous studies. However, the experience of brokers, merchants, and other stakeholders illustrates that different formula retailers can have different neighborhood impacts.

For example, a formula retailer that serves as an anchor and draws new customers to a neighborhood commercial district can have a positive effect on other retailers in the district, and potentially lead to increased sales and rents. In the Ocean Avenue Neighborhood Commercial Transit District, for example, a new Whole Foods has attracted new customers and contributed to efforts to revitalize this area. (See Chapter VIII for more information.)

Other formula retailers could detract from the attractiveness or distinctive feel of a district. Upper Fillmore is an example of how an influx of formula retail can lead to concerns about a district losing its distinctive feel. Among other concerns, local residents and merchants have noticed a decline in the number of businesses that serve residents' daily needs. (See Chapter VIII for more information.)

**Regional and national economic trends appear to be the most important factor affecting the performance of neighborhood commercial districts.** Figures VI-1 through VI-4 show formula retail CU application activity (approved, disapproved, and withdrawn applications) compared to average rents and vacancy rates in selected neighborhood commercial districts.<sup>87</sup> For comparison, the charts also show average rents and vacancy rates in the broader submarkets, as defined by CoStar. Overall, rents began to fall in 2008 or 2009 as the national economy plunged into recession, and began to increase again in 2011 or 2012 as the economy recovered. Formula retail CU application activity is also strongly correlated with the business cycle, with most of the applications occurring before or after the recession. Vacancy rates are much more volatile, likely reflecting the outsize effect that one or two newly vacated or filled storefronts can have on the average vacancy rate in a small area.

**Formula retail conditional use applications that were approved in 2008 or 2009 were generally followed by a decrease in rents; applications approved after 2011 were generally followed by an increase in rents.** This pattern reflects the over-riding importance of the business cycle in driving the

<sup>85</sup> The Planning Commission considers neighborhood vacancy rates in deciding whether to issue formula retail CU authorizations.

<sup>86</sup> For example, see John Haltiwanger, Ron Jamin, and Cornell John Krizan, *Mom-and-Pop Meet Big-Box: Complements or Substitutes?*, Working Paper (Cambridge, MA: National Bureau of Economic Research, September 2009), <http://www.sciencedirect.com/science/article/pii/S0094119009000643>; David Neumark, Junfu Zhang, and Stephen Ciccarella, *The Effects of Wal-Mart on Local Labor Markets*, Working Paper (Cambridge, MA: National Bureau of Economic Research), accessed February 18, 2014, <http://www.nber.org/papers/w11782.pdf>; Emek Basker, "Job Creation or Destruction? Labor Market Effects of Wal-Mart Expansion," *Review of Economics and Statistics* 87, no. 1 (February 1, 2005): 174–83, doi:10.1162/0034653053327568.

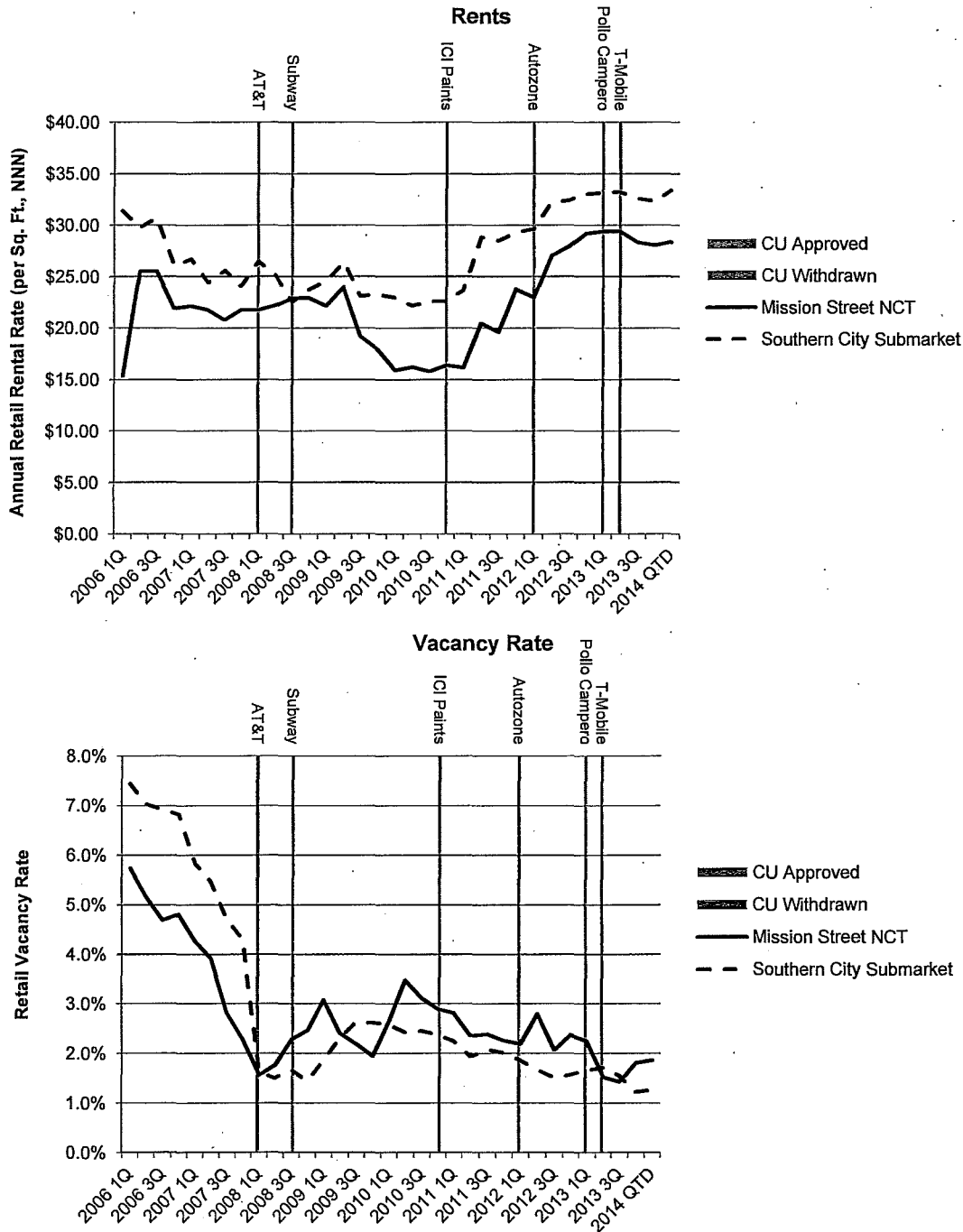
<sup>87</sup> Note that CUs are shown in the quarter in which final Planning Department action took place. Leases may have been signed as many as 6 to 12 months prior to Planning Department action on the CU; for CUs that were approved, the formula retailer in question may not open until several months later.

retail market. The Lombard/Chestnut area (Figure VI-3) showed a slightly different pattern; rents continued to go up for several quarters after Apple and Urban Outfitters were approved in 2007 and 2008, with the dip in rents slightly delayed and more shallow compared to the other districts. This may in part reflect the fact that Apple and Urban Outfitters helped support an increase in rents by attracting new customers to the area; on the other hand, the Lombard/Chestnut area may simply have performed better due to other underlying strengths.

## **Conclusions**

The impact of formula retail and formula retail controls on the real estate market in San Francisco's neighborhood commercial districts is as complex and varied as the districts themselves. While landlords typically perceive a benefit in renting to national or regional chains because these businesses can afford higher rents, are often able to sign longer leases, and typically have better credit than independent retailers, San Francisco's formula retail controls effectively create other disincentives for landlords to rent to formula retailers and for formula retailers to locate in the city's neighborhood commercial districts. Based on the selected neighborhoods for which data were available, there does not appear to be a consistent relationship between the approval of a new formula retail CU and the subsequent direction of local rents and vacancies. Rather, retail market trends over time appear to be primarily related to regional and national economic cycles. Moreover, different formula retailers likely have different neighborhood impacts; a new retailer can have a positive, negative, or neutral effect depending on the extent to which it contributes to the overall attractiveness of the district and attracts new customers. These effects are explored in more detail in the neighborhood case studies in Chapter VIII.

Figure VI-1. Rents, Vacancies, and Formula Retail Conditional Use Application Activity in the Mission Street Neighborhood Commercial Transit District, 2006-January 2014



The Southern City Submarket stretches south of 16th Street to the Daly City border, and west of Highway 101 to the shoreline.

Acronyms:

CU: Conditional use application

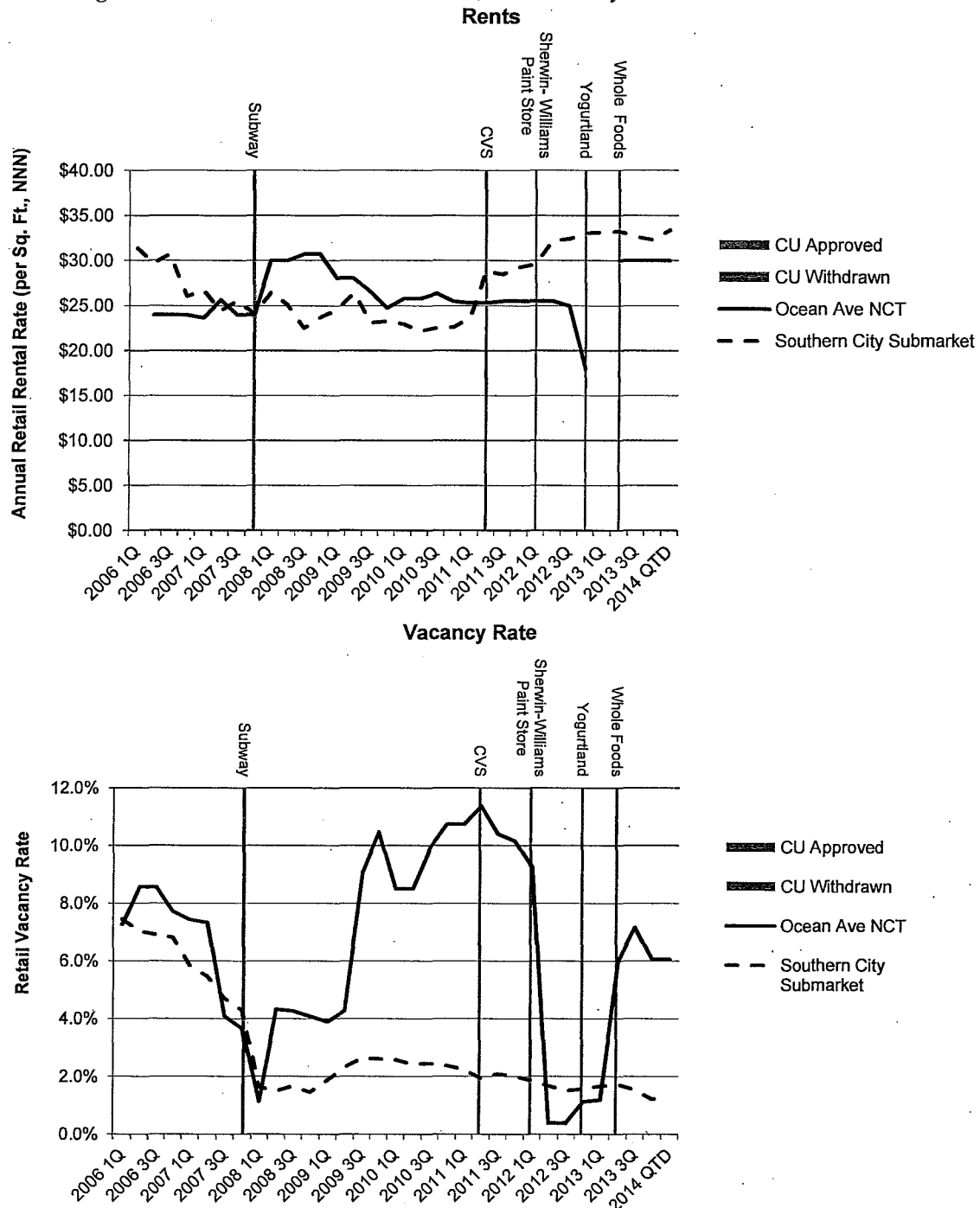
NCT: Neighborhood commercial transit district

NNN: Triple net

Sources: CoStar, 2014; City and County of San Francisco, 2014; Strategic Economics, 2014.

Rents and vacancies based on CoStar data that have not been independently verified.

Figure VI-2. Rents, Vacancies, and Formula Retail Conditional Use Application Activity in the Ocean Avenue Neighborhood Commercial Transit District, 2006-January 2014



The Southern City Submarket stretches south of 16th Street to the Daly City border, and west of Highway 101 to the shoreline.

Acronyms:

CU: Conditional use application

NCT: Neighborhood commercial transit district

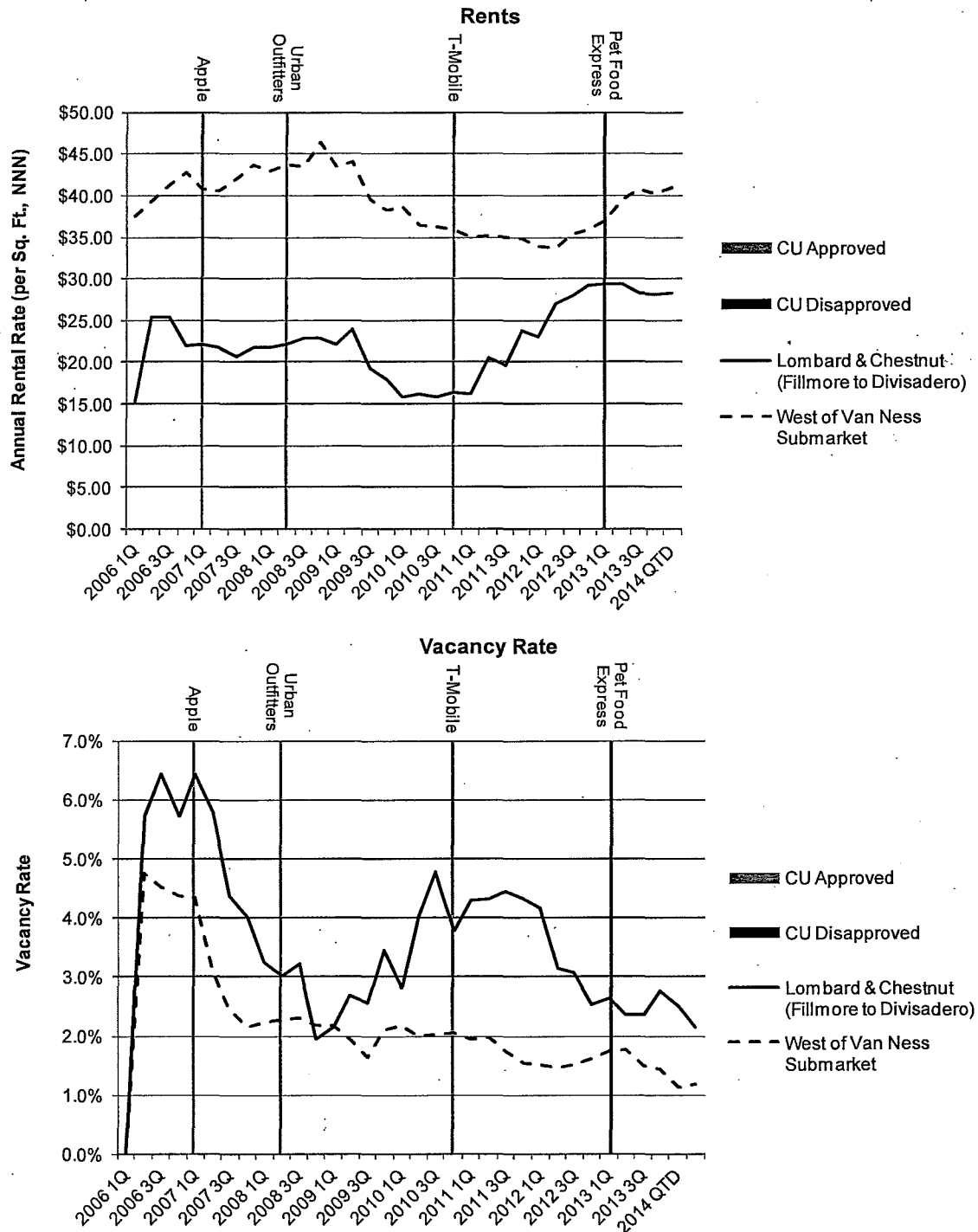
NNN: Triple net

Sources: CoStar, 2014; City and County of San Francisco, 2014; Strategic Economics, 2014.

Rents and vacancies based on CoStar data that have not been independently verified.



Figure VI-3. Rents, Vacancies, and Formula Retail Conditional Use Application Activity on Lombard and Chestnut Streets (Fillmore Street to Divisadero Street), 2006-January 2014



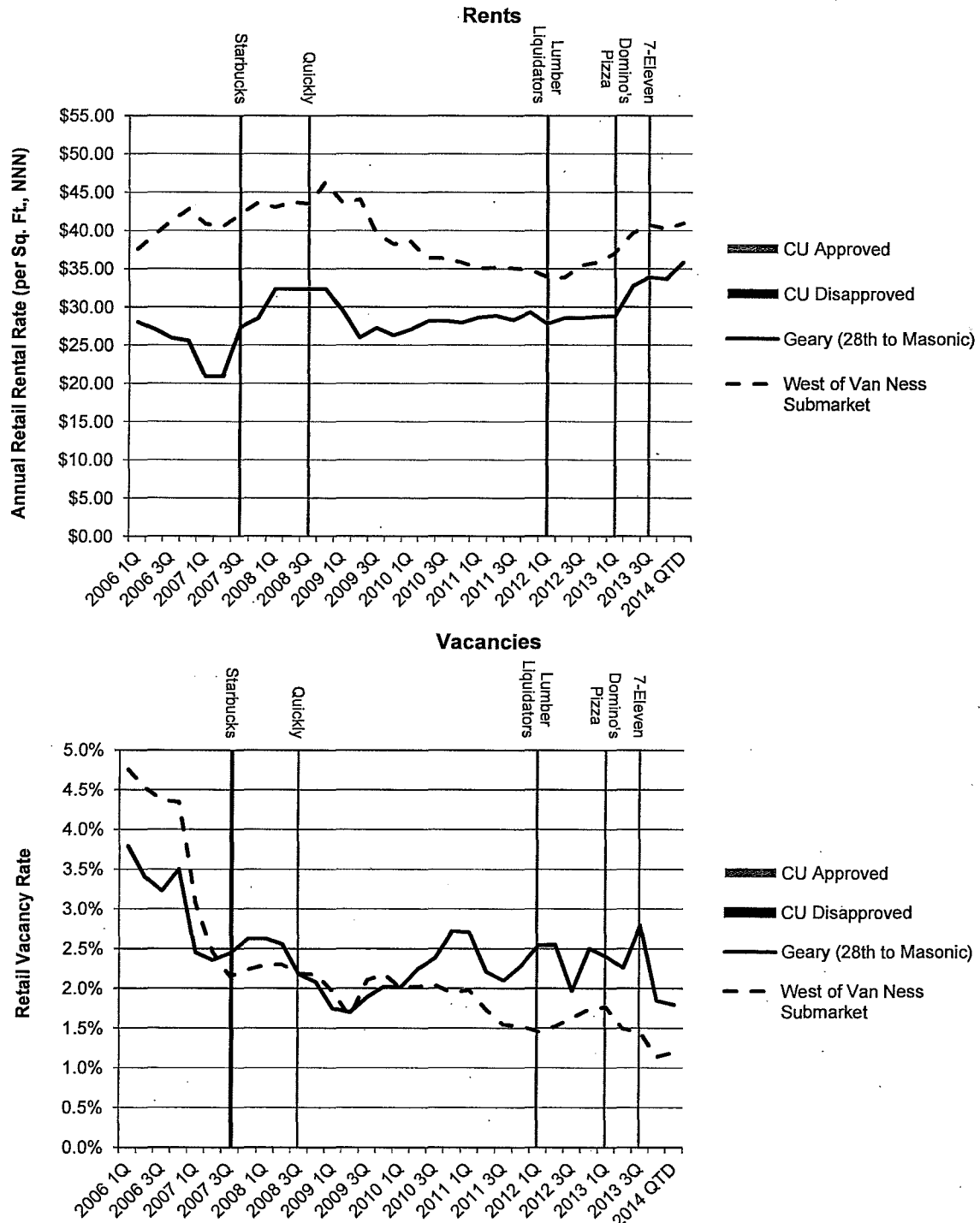
The West of Van Ness Submarket stretches west from Van Ness Avenue and north of 16th Street to the shoreline.

Acronyms:

CU: Conditional use application; NNN: Triple net

Sources: CoStar, 2014; City and County of San Francisco, 2014; Strategic Economics, 2014. Rents and vacancies based on CoStar data that have not been independently verified.

Figure VI-4. Rents, Vacancies, and Formula Retail Conditional Use Application Activity on Geary Boulevard (28<sup>th</sup> Avenue to Masonic Avenue), 2006-January 2014



The West of Van Ness Submarket stretches west from Van Ness Avenue and north of 16th Street to the shoreline.

Acronyms:

CU: Conditional use application; NNN: Triple net

Sources: CoStar, 2014; City and County of San Francisco, 2014; Strategic Economics, 2014.

Rents and vacancies based on CoStar data that have not been independently verified.

## VII. CHANGING THE DEFINITION OF FORMULA RETAIL

This chapter assesses the potential effect of changing the definition of “formula retail” in the San Francisco Planning Code, as proposed in various ordinances under consideration before the Board of Supervisors.

### Background and Methodology

As summarized in Chapter II, the Planning Code currently defines formula retail as “a type of retail sales activity or retail sales establishment which, along with eleven or more other retail sales establishments [i.e., 12 total, including the proposed establishment] located in the United States, maintains two or more of the following features: a standardized array of merchandise, a standardized façade, a standardized décor and color scheme, a standardized uniform, standardized signage, a trademark or a servicemark.”<sup>88</sup> Use types subject to this definition generally include restaurants, bars, liquor stores, retail stores and service establishments, banks, and movie theaters. On the other hand, some uses that are often considered retail in other contexts – for example, hair salons, gyms, health care outlets, gas stations, home mortgage centers, tax service centers, and auto dealerships – are not currently subject to the City’s formula retail controls.

The Board of Supervisors is considering a number of ordinances that would alter the City’s formula retail controls. Among other proposed changes, the various ordinances could potentially affect the definition of formula retail in three key ways:

1. Change the definition of a formula retail use to include businesses that have 11 or more other retail establishments located *anywhere in the world*; currently, formula retail is defined based on the number of establishments located in the U.S. only.
2. Expand the definition of formula retail to include establishments “where fifty percent (50%) or more of the stock, shares, or any similar ownership interest . . . is owned by a formula retail use, or a subsidiary, affiliate, or parent of a formula retail use, even if the establishment itself may have fewer than eleven other retail sales establishments permitted or located in the world.”
3. Apply the definition to new land uses; these are listed Figure VII-1 and defined in Appendix C.

Ordinances proposed by Supervisors Mark Farrell and London Breed would make the first two changes listed above (including businesses with 11 or more locations anywhere in the world or where 50 percent or more of the company is owned by a formula retail use) to the definition of formula retail in selected neighborhood commercial districts only. An ordinance proposed by Supervisor Eric Mar would make all three changes to the citywide definition of formula retail.

In order to evaluate the potential impact of these changes, Strategic Economics assessed how many *existing* business establishments in San Francisco would be considered “formula retail” under these proposals. Note that establishments that are already entitled in San Francisco would not be subject to changes in the formula retail controls unless such a business opened a new location within the city. However, San Francisco’s existing businesses are the best available proxy for understanding the types of businesses that are likely to consider locating in San Francisco in the future. Moreover, existing businesses may be affected by the controls if they propose to open a new location in the city. The analysis was performed using information on headquarters location, business status (whether a business is a subsidiary, branch, franchise, or headquarters), number of global corporate family members (chains and

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<sup>88</sup> San Francisco Planning Code, Section 303(i)(1).

subsidiaries), and type of industry included for each establishment in the 2012 Dun & Bradstreet (D&B) dataset.

## Findings

**Expanding the definition of formula retail to apply to businesses with eleven or more outlets worldwide would likely affect a limited number of businesses.** Ten percent of businesses with 12 or more corporate family members are part of a corporation that is headquartered outside of the U.S. However, the vast majority of these have long-established presences in the U.S. and already qualify as formula retail under the current Planning Code.<sup>89</sup> This includes many of the rapidly expanding, international brands that already have a presence in San Francisco or have recently proposed a new location, such as Pollo Campero (Central American-based fast food restaurant), Aesop (Australian-based perfume and body products store), Loving Hut (international vegan restaurant), Daiso (Japanese home products), and Uniqlo (Japanese clothing store).<sup>90</sup> Many (though not all) of these international chains have chosen to open their San Francisco locations in neighborhoods with a strong ethnic identity, such as Japantown, Chinatown, or the Mission.

The proposed change would affect a limited number of international companies that have fewer than 12 establishments in the U.S., but more in other countries. Books Kinokuniya (Japanese bookstore with dozens of locations in Japan and other countries, including eight establishments in the U.S. and one in San Francisco's Japantown) and Muji (Japanese retailer that sells a variety of household goods, with eight locations in the U.S., including one in San Francisco) are examples of brands that could be affected by the change if they proposed a new location in districts where formula retail is regulated.

**Similarly, expanding the definition to include establishments that are majority-owned by formula retail businesses is also likely to affect a small number of potential new businesses.** This proposed policy change is designed to address several recent cases of new or proposed establishments that did not have to go through the formula retail CU process even though they were owned by formula retailers, such as Jack Spade in the Mission (owned by Liz Claiborne) and Athleta and Evolution Juice in Upper Fillmore (owned by The Gap and Starbucks, respectively). Based on the businesses that are already located in San Francisco, however, this proposed change is unlikely to have a wide-ranging effect. Subsidiaries – defined as a corporation that is more than 50 percent owned by another corporation and has a different legal business name from its parent company – account for only 3 percent of retail businesses in San Francisco that have 12 or more corporate family members. Most of these would already qualify as formula retail under the existing Planning Code, because they have 12 or more locations of the same trade name in the U.S.<sup>91</sup>

**Expanding the application of formula retail controls to other types of land uses would affect a more significant number of potential applicants.** Figure VII-1 shows the estimated number of establishments that fall into the land use categories that Supervisor Mar's proposed legislation would add to the list of

<sup>89</sup> For example, highly recognizable brands like T-Mobile (based in Germany), 7-Eleven (headquartered in Japan), The Body Shop (headquartered in England), and Sephora (based in France) account for many of the 130 businesses headquartered outside of the United States. Note that because the majority of businesses headquartered overseas have at least 12 outlets in the U.S., these businesses were generally considered to be "formula retail" for the purposes of the study and are included in the statistics provided in Chapters III and IV.

<sup>90</sup> Uniqlo has 17 locations in California, New Jersey, New York, and Connecticut; however, when the brand opened its first San Francisco location in 2012 it had just four other locations in New York and New Jersey. Carolyn Said, "Uniqlo Opens S.F. Store," *SFGate*, October 4, 2012, <http://www.sfgate.com/business/article/Uniqlo-opens-S-F-store-3919489.php#src=fb>.

<sup>91</sup> Note that because the majority of subsidiaries have at least 12 outlets in the U.S., these businesses were generally considered to be "formula retail" for the purposes of the study and are included in the statistics provided in Chapters III and IV.

uses potentially subject to formula retail regulations. Appendix C provides definitions for the land uses, as excerpted from the Planning Code. Many of the land uses included in the legislation cover types of businesses that people often think of as retail but that are not currently covered by the definition of formula retail, such as salons, gyms, and other personal service establishments; automobile sales, rentals, service, and repair; and gas stations. In addition, wholesale companies, administrative offices, business or professional service companies, medical clinics, and hotels would also be affected.

Based on the industry (North American Industry Classification System [NAICS]) codes recorded in the D&B dataset, an estimated 21,330 existing businesses in San Francisco most likely fall into one of these land use categories. Of these 860 (4 percent) could potentially be considered formula retail based on the number of corporate family members recorded in the D&B database (Figure VII-1).

*Figure VII-1. Land Uses Included in Supervisor Eric Mar's Proposed Legislation: Potential Number of Formula Retail Establishments*

Land Use	Potential Formula Retail Establishments (a)	Estimated Total Establishments	Potential Formula Retail Establishments as a % of Total
Automobile Sale or Rental	50	210	24%
Automotive Gas Station	40	120	31%
Automotive Service Station and Repair	20	580	4%
Hotel, Tourist	90	550	16%
Service, Administrative	140	4,590	3%
Service, Business or Professional	150	2,960	5%
Service, Fringe Financial	30	210	16%
Service, Medical	80	4,960	2%
Service, Personal & Massage Establishment	50	2,160	2%
Trade Shops	30	690	4%
Wholesale Sales	160	3,470	4%
Other (b)	30	830	4%
<b>Total</b>	<b>860</b>	<b>21,330</b>	<b>4%</b>

(a) Includes franchises and businesses with 12 or more total global corporate family members (branches or subsidiaries).

(b) Includes ambulance service, animal hospital, automobile parking, automotive wash, other entertainment, mortuary, and storage land uses.

Certain land uses (light manufacturing, limited service financial, adult entertainment, neighborhood agriculture, large-scale agriculture) were excluded from the analysis because no corresponding North American Industry Classification System (NAICS) codes were identified; remaining land uses (tobacco paraphernalia establishments, gift store tourist oriented, jewelry store) were excluded because they are already covered under existing formula retail legislation.

Columns may not add due to rounding.

Sources: Dun & Bradstreet, 2012; Strategic Economics, 2014. Based on Dun & Bradstreet business data that have not been independently verified; all numbers are approximate.

## Conclusions

Changing the definition of formula retail to include subsidiaries of formula retailers or international chains with fewer than 11 other establishments in the U.S. is unlikely to have a wide-reaching effect, although some potential applicants would be affected. On the other hand, expanding the application of formula retail controls to other types of land uses could affect a significant number of businesses considering new locations in San Francisco.

## VIII. NEIGHBORHOOD CASE STUDIES

This chapter provides case studies of the role that formula retail plays in San Francisco's neighborhood commercial districts, focusing on three such districts: the Upper Fillmore Neighborhood Commercial District (NCD), the Ocean Avenue Neighborhood Commercial Transit District (NCT), and Geary Boulevard between 14<sup>th</sup> Avenue and 28<sup>th</sup> Avenue.<sup>92</sup> As envisioned in the San Francisco Planning Code, NCDs are primarily intended to provide retail goods and services for the immediately surrounding neighborhoods. One of the main purposes of the City's formula retail controls is to protect the distinct character of San Francisco's NCDs, as well as the diversity of businesses and merchandise available in the NCDs.

In order to explore how formula retail establishments and the formula retail controls fit into this vision, the case studies discuss the different functions that formula retail establishments can play in serving local residents and workers versus shoppers from elsewhere in the city or region. The case studies also examine how new and existing formula retail establishments and the City's formula retail controls contribute to or detract from the overall aesthetics and economic vitality of the districts, and how the formula retail conditional use (CU) process has proceeded in different neighborhoods. As discussed in Chapter II, the CU process is intended to allow the Planning Commission to determine whether each formula retail applicant is necessary, desirable, and consistent with the general character of the neighborhood, a decision that is informed by public comment.<sup>93</sup>

The case studies were selected to represent a diverse spectrum of San Francisco's neighborhood commercial districts, including a wide range of geographic locations, physical contexts, retail functions, and neighborhood demographics. Upper Fillmore, located in the Northern Neighborhoods subarea (as defined in Chapter III), is a rapidly changing district that in recent years has seen a significant shift in the types of retailers occupying local storefronts. The district's pedestrian-scaled streets, well-maintained Victorian buildings, and location in one of San Francisco's highest income neighborhoods has attracted a growing number of new high-end formula clothing stores and other chain retail establishments.

In contrast, Ocean Avenue and Geary Boulevard were among the 25 neighborhoods selected for the Invest in Neighborhoods Initiative, a program of the Mayor's Office of Economic and Workforce Development (OEWD) that focuses City resources on neighborhoods demonstrating economic need and potential for growth. Ocean Avenue is a walkable, compact shopping district in the Southern Neighborhoods subarea, with many commercial buildings dating from the 1920s, 1930s, and 1940s.<sup>94</sup> The district has a range of formula and independent retailers that serve the daily needs of residents and students from nearby City College of San Francisco, and has experienced significant new public and private investment beginning with a Better Neighborhoods planning and rezoning effort that started in the early 2000s. The Geary Boulevard case study area, located in the Outer Richmond, is a diverse commercial district known for Chinese, Korean, Irish, and Russian retailers and restaurants. The district both serves daily shoppers from the surrounding, moderate income neighborhoods and attracts shoppers from around the region,<sup>95</sup> reflecting the high daily traffic that Geary Boulevard carries as one of San

<sup>92</sup> The Geary Boulevard case study area is zoned NC-3 (moderate scale commercial), but is not a named NCD.

<sup>93</sup> Strategic Economics and City staff intentionally selected three NCDs where formula retail is subject to conditional use authorization and not prohibited, since there are no current proposals to expand the districts where formula retail is prohibited.

<sup>94</sup> City and County of San Francisco, *Balboa Park Station: An Area Plan of the General Plan of the City and County of San Francisco*, 2009, <http://www.sf-planning.org/Modules/ShowDocument.aspx?documentid=1983>.

<sup>95</sup> San Francisco Office of Economic and Workforce Development Invest in Neighborhoods Program, "Geary Boulevard Neighborhood Profile, February 2013, <http://oewd.org/IIN.aspx>.

Francisco's major arterial corridors. The district has not been the subject of a major rezoning effort, but is undergoing a planning process to bring bus rapid transit (BRT) to the area by 2019.

### Case Study Methodology

The case studies are based on a range of quantitative and qualitative research methods. To the extent possible for each case study, Strategic Economics conducted the following tasks:

- Site visits.
- Review of existing resources, including (as available for each district) Invest in Neighborhood reports from the Mayor's Office of Economic and Workforce Development, newspaper articles, blogs, and other relevant websites.
- Interviews with two to three stakeholders, including a representative from the local merchants' association, a commercial real estate broker, and/or a representative from a local residents' association.<sup>96</sup>
- Characterization of existing formula and independent retail establishments, based on the 2012 Dun & Bradstreet dataset and (as available for each district) recent storefront inventories conducted by the Invest in Neighborhoods Program, local merchants' associations, and the San Francisco Commercial Brokers' "Formula Retail Mapping Project."
- Assessment of formula retail conditional use (CU) applications over time.
- Examination of demographic data in the surrounding "primary trade area" (defined as Census Tracts located within a half-mile radius of each shopping district<sup>97</sup>), including data on population and household density, household types, household income, and race and ethnicity.
- Analysis of City sales tax data, including data on the number of stores and restaurants reporting sales tax and average sales tax revenues generated per establishment between 2002 and 2013. Note that because of the way the City collects sales tax data, sales tax revenues were only available for businesses with one location in San Francisco (referred to as "single-site" businesses below).<sup>98</sup> While most of these are likely to be independent retailers, some "single-site" businesses may have 11 or more other locations outside of the city.
- Analysis of CoStar real estate data on rents and vacancies over time (as available for each district).<sup>99</sup>
- Survey of "auto-oriented" parcels, including surface parking lots, parking garages, and gas stations. The surveys were based on parking data collected by SF Park in 2011, as updated and verified using Google Maps and Google Streetview.

The following sections discuss the results of the analysis performed for each case study.

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<sup>96</sup> A list of interviewees is provided in Appendix E.

<sup>97</sup> A one-mile radius is a common rule of thumb for defining the trade area for most daily needs-serving uses. However, a half-mile radius better captures the primary trade area for San Francisco's neighborhoods given the city's geographic barriers and the density of neighborhood commercial districts in the city.

<sup>98</sup> Firms with more than one site in San Francisco report all sales tax revenues to one central location; it is not possible to determine how much of the revenues originated from any particular location.

<sup>99</sup> CoStar maintains the largest and most comprehensive database of commercial real estate information in the country, but the data are subject to significant limitations. CoStar's information is self-reported by real estate brokers, many of whom withhold rental rates in order to protect their competitive position. In addition, many properties are not listed on CoStar.

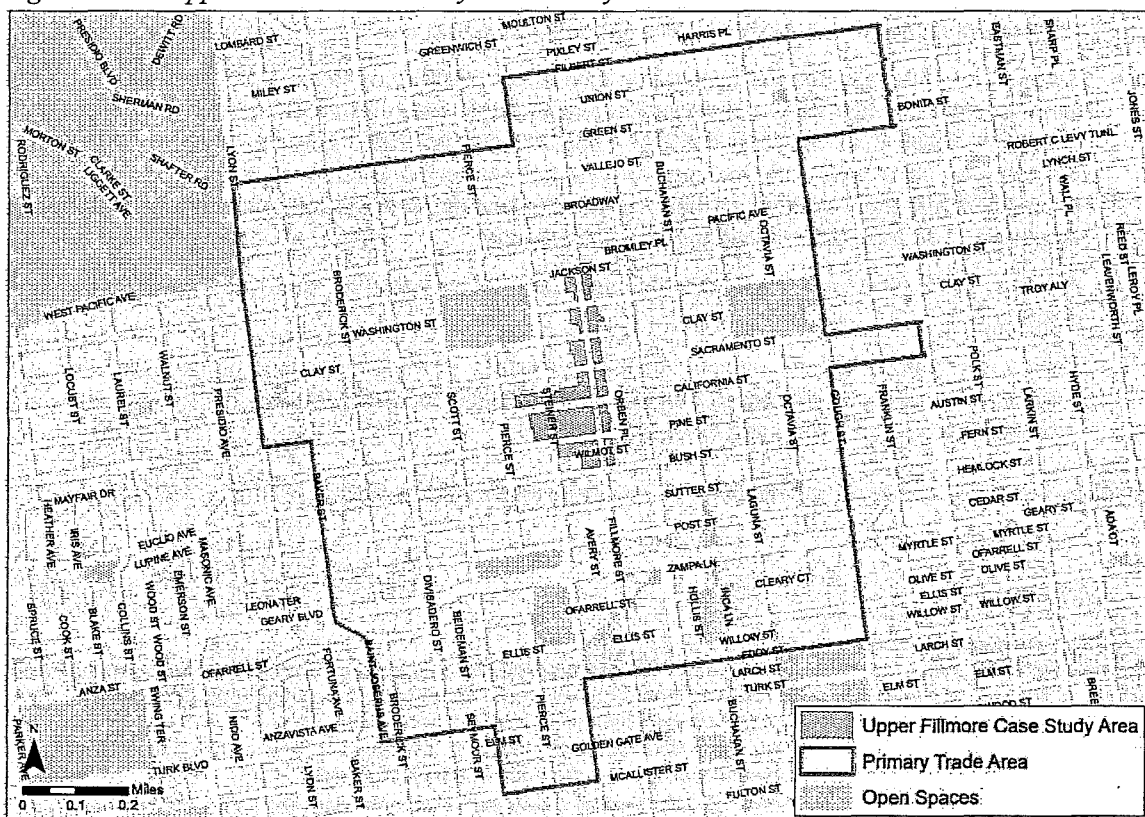
## Upper Fillmore Neighborhood Commercial District

The Upper Fillmore NCD (shown in Figure VIII-1) is a long-standing retail and restaurant district that serves one of San Francisco's highest-income neighborhoods and is currently emerging as a high-end fashion destination. High-end stores and restaurants – including both formula and independent retailers – are drawn to Upper Fillmore by the demographics of the surrounding neighborhood, the district's pedestrian-oriented, Victorian shopping environment, and the advantages of co-locating with similar retailers in a district that is becoming a regional destination.

In recent months, formula retail has become a controversial topic in Upper Fillmore as the neighborhood has attracted a number of new high-end formula clothing stores and other chain retail establishments. As the mix of retail in the district has changed, residents have raised concerns about a loss of neighborhood-serving businesses, while some independent retailers have expressed unease over competition from national brands. In response to these concerns, Supervisor Mark Farrell introduced legislation in July 2013 that would amend the San Francisco Planning Code to expand the definition of formula retail in the Upper Fillmore NCD. Supervisor Farrell's proposed legislation would tighten the City's formula retail controls in Upper Fillmore to cover retail with 11 or more other establishments anywhere in the world, and establishments where 50 percent or more of stock or shares are owned by a formula retail use.

The following sections discuss the retail dynamics in Upper Fillmore, the formula retail conditional use applications that have been submitted, local demographic, sales, and market trends, and the relationship between formula retail and the district's urban form.

Figure VIII-1. Upper Fillmore Case Study and Primary Trade Area



The "Primary Trade Area" is defined as those Census Tracts located within a half-mile radius of each shopping district.

Sources: City and County of San Francisco, 2013; Strategic Economics, 2014.



### Retail Dynamics

**Upper Fillmore has attracted a significant concentration of retail stores and restaurants, including a large number of high-end apparel and beauty stores.** As of early 2014, 68 stores and 27 restaurants and bars were located in Upper Fillmore (Figure VIII-2). Of the 68 stores, more than half sold apparel and jewelry or other accessories. Another 6 stores were in the “other health and personal care” category, which predominantly consists of cosmetics stores (Figure VIII-3). In addition to the use types shown in Figures VIII-2 – which are all regulated under the City’s formula retail controls – the Upper Fillmore district is also home to a number of salons, spas, and other personal service establishments that are not regulated as formula retail.<sup>100</sup> The cluster of fashion boutiques, beauty stores, and restaurants in the district work together to create a regional destination, attracting residents and visitors who come to patronize multiple establishments.

**Compared to citywide averages, Upper Fillmore has a high concentration of formula retail establishments.** Formula retail accounts for 20 percent of all retail establishments and 15 percent of restaurants and bars in the case study area. In comparison, in the city as a whole, 10 percent of stores and 11 percent of restaurants and bars are formula retail (Figure VIII-2). Formula retail accounts for a particularly high share of apparel and accessories stores and furniture and home furnishings stores compared to citywide averages (Figure VIII-3).

*Figure VIII-2. Formula and Independent Retail Establishments by Use Type: Upper Fillmore Neighborhood Commercial District, Early 2014*

Use Type	Upper Fillmore NCD				San Francisco (a)
	Formula Retail	Independent Retail	Total	Formula Retail as a % of Total	Formula Retail as a % of Total
Stores	14	54	68	21%	10%
Restaurants & Bars	4	23	27	15%	11%
Retail Services	0	5	5	0%	4%
Banks, Credit Unions, S&L	3	0	3	100%	84%
Movie Theaters	0	1	1	0%	N/A
<b>Total</b>	<b>21</b>	<b>83</b>	<b>104</b>	<b>20%</b>	<b>12%</b>

(a) San Francisco data are from the 2012 Dun & Bradstreet dataset, and have not been independently verified.

Use types shown are subject to formula retail controls.

Acronyms:

S&L: Savings and loans

N/A: Not available

Sources: Dun & Bradstreet, 2012; San Francisco Commercial Real Estate Brokers, “Formula Retail Mapping Project,” 2014; Strategic Economics, 2014. All numbers are approximate.

<sup>100</sup> A detailed storefront inventory (like those provided by the OEWD for Ocean Avenue and Geary Boulevard) was not available for the Upper Fillmore case study area.

*Figure VIII-3. Retail Stores by Type: Upper Fillmore Neighborhood Commercial District, Early 2014*

Store Type	Upper Fillmore NCD				San Francisco (a)
	Formula Retail	Independent Retail	Total	Formula Retail as a % of Total	Formula Retail as a % of Total
Apparel & Accessories	10	28	38	26%	15%
Other Retail Stores (b)	1	10	11	9%	4%
Other Health & Personal Care (c)	1	5	6	17%	20%
Furniture & Home Furnishings	1	3	4	25%	7%
Sporting Goods, Hobby, Book, Music	0	4	4	0%	3%
Supermarkets & Other Grocery	0	3	3	0%	7%
Convenience, Liquor, & Other Food	1	1	2	50%	10%
<b>Total</b>	<b>14</b>	<b>54</b>	<b>68</b>	<b>21%</b>	<b>10%</b>

(a) San Francisco data are from the 2012 Dun & Bradstreet dataset, and have not been independently verified.

(b) Includes florists, gift stores, stationery stores, art galleries and framing stores, used merchandise stores, and other miscellaneous retailers.

(c) Includes cosmetics and beauty stores, eyeglass stores, and health supplement stores.

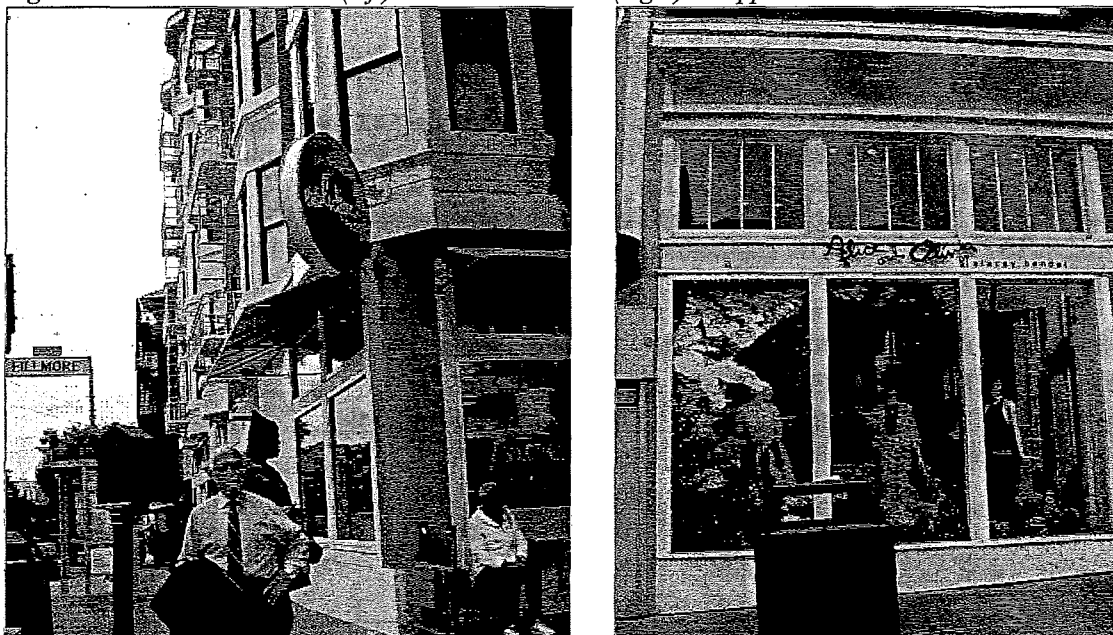
Sources: Dun & Bradstreet, 2012; San Francisco Commercial Real Estate Brokers, "Formula Retail Mapping Project," 2014; Strategic Economics, 2014. All numbers are approximate

Brokers and local stakeholders report that international companies, formula retail subsidiaries, and other fast-growing brands are “racing” to open locations in Upper Fillmore before they meet the definition of formula retail. According to brokers, some international and fast-growing domestic chains are accelerating plans to open in the popular shopping district before they reach the threshold for formula retail, in order to secure a location without going through the formula retail CU application process. For example, rapidly expanding clothing boutiques like Alice + Olivia, Roberta Freymann, Steven Alan, and James Perse reportedly opened locations in Upper Fillmore shortly before reaching the 11-store threshold. Several international chains with significant presences in other countries that recently opened in the district – such as The Kooples, Cotélaç, and Sandro (three French clothing lines) – did not require formula retail CU authorizations because they had fewer than 11 other locations in the United States. Other recently opened businesses, such as Evolution Juice and Athleta, are owned by large formula retail uses (Starbucks and The Gap, respectively) but did not require formula retail CU authorizations because the Planning Code currently defines formula retail based on trademark and branding, rather than ownership.<sup>101</sup>

Supervisor Farrell’s legislation would address concerns about the international chain retailers and subsidiaries by expanding the definition of formula retail in the Upper Fillmore NCD to include retail with 11 or more other establishments anywhere in the world, and establishments where 50 percent or more of stock or shares are owned by a formula retail use.

<sup>101</sup> “Getting to 11,” *The New Fillmore*, June 1, 2012, <http://newfillmore.com/2012/06/01/getting-to-11/>.

*Figure VIII-4. Evolution Juice (left) and Alice + Olivia (right) in Upper Fillmore*



Source: Strategic Economics, 2014.

**Local residents and merchants have noticed a decline in the number of businesses in the district that serve residents' daily needs.** The case study area does include several independent grocery stores, including a Mollie Stone's Market, the Mayflower Market, and Gino's Grocery Company. The district also has an independent movie theater, one of the few left in the city. Several pharmacies, including a Walgreens and the pharmacy at the California Pacific Medical Center, are located immediately outside the boundaries of the Upper Fillmore Neighborhood Commercial District. However, stakeholders have voiced concerns about the loss in recent years of a hardware store, laundromat, dry cleaners, and other stores serving daily needs.

**The decline in daily needs-serving retailers and service providers reflects the fact that these businesses tend to have lower profit margins than stores that sell comparison goods.** In general, daily needs-serving businesses typically have lower profit margins than businesses that sell comparison goods. As a result, brokers and other stakeholders report some daily needs-serving businesses have been unable to afford increased rents, or decided to take "key money" – i.e., a payment for the right to assume an existing tenant's lease – from a comparison goods retailer and close shop. (As discussed below, both formula and independent retailers have reportedly paid key money on Upper Fillmore.) Meanwhile, at least one business owner who owned his building decided he could make more money by renting his space to another retailer than by continuing to operate his own store. In other cases, long-time business owners may simply have retired.

**Some community members have raised concerns that formula retailers are less engaged with the community than independent retailers; however, no enforcement actions have been filed with the Planning Department.** Concerns about formula retailers' lack of community participation have been

raised on local blogs,<sup>102</sup> and in public comments for at least one formula retail CU application in Upper Fillmore.<sup>103</sup>

### Formula Retail Conditional Use Activity

Despite the controversies over formula retail in Upper Fillmore, all five formula retail conditional use applications filed in the case study area have been approved by the Planning Commission and none of these approvals have been appealed to the Board of Supervisors. Figure VIII-5 shows the formula retail CU applications that have been filed in Upper Fillmore since CU authorization was first required in 2007. Four of the five applications were for clothing stores; the fifth (Kiehl's) is a cosmetics and skin care store.<sup>104</sup>

*Figure VIII-5. Formula Retail Conditional Use Applications in Upper Fillmore Neighborhood Commercial District, 2007 - January 2014*

Business Name	Address	File Date	Action Date	Action Taken
Polo Ralph Lauren	2040 Fillmore St	2007	2008	Approved with conditions
Black Fleece	2223 Fillmore St	2009	2009	Approved with conditions
Bo Concept (a)	1928 Fillmore St	2010	2010	Approved with conditions
Kiehl's	1971 Fillmore St	2010	2011	Approved with conditions
Rag & Bone	2060 Fillmore St	2013	2014	Approved with conditions

(a) Bo Concept has since closed.

Sources: City and County of San Francisco, 2014; Strategic Economics, 2014.

However, there was one appeal over whether a proposed tenant should be subject to the City's formula retail controls. The Planning Department initially determined that German-based clothing brand Oşka was not a formula retail use. After a local boutique owner appealed, the Board of Appeals subsequently ruled that Oşka did qualify as a formula retailer, because the company had 11 other establishments in the U.S. including two signed leases.<sup>105</sup> Oşka subsequently decided not to formula retail CU application in this location.

### Demographics, Sales, and Market Trends

The high population density and high household incomes in the Upper Fillmore trade area are a key factor in the district's appeal to high-end retailers, including high-end formula and other chain retailers. Figures VIII-6 through VIII-9 provide an overview of the selected demographics for the Census Tracts in the half-mile radius around the Upper Fillmore NCD. According to retail brokers, the high disposable incomes of many residents – as evidenced by the trade area's high population density (Figure VIII-6), high average incomes (Figure VIII-6), and high share of single-person households (Figure VIII-7) – are a primary reason that high-end retailers are attracted to Upper Fillmore.

<sup>102</sup> Barbara Kate Repa, "Polo's Promises Go Unfulfilled," *The New Fillmore*, April 2, 2010, <http://newfillmore.com/2010/04/02/polos-promises-go-unfulfilled/>.

<sup>103</sup> San Francisco Planning Department, Planning Commission Final Motion No. 17578, April 10, 2008.

<sup>104</sup> Sterling Bank and Chase Bank received conditional use authorizations in 2006 and 2011, respectively, for establishing new financial services institutions. However, the two banks did not require formula retail CUs because they were entitled before financial services were added to the definition of formula retail in the Planning Code in 2012.

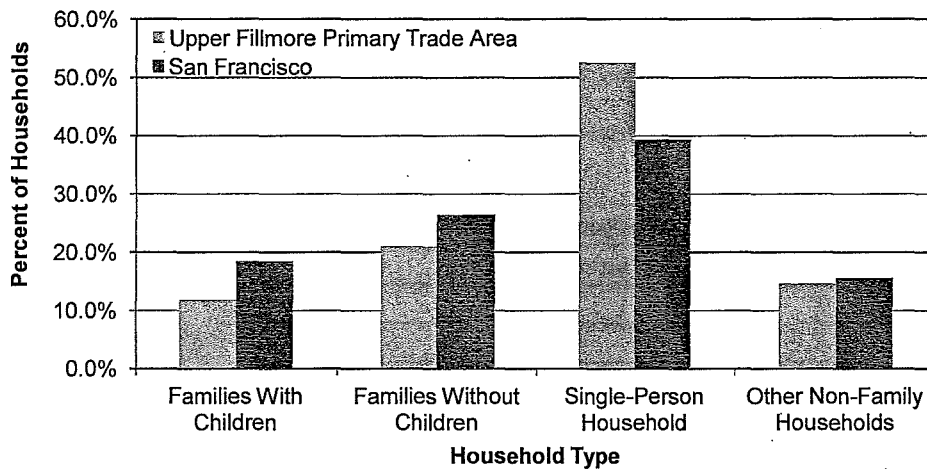
<sup>105</sup> Barbara Kate Repa, "Oşka Stirs Chain Store Fight on Fillmore," *The New Fillmore*, March 3, 2013, <http://newfillmore.com/2013/03/03/oska-stirs-chain-store-fight-on-fillmore/>; "City Tightens Chain Store Limits," *The New Fillmore*, May 31, 2013, <http://newfillmore.com/2013/05/31/city-tightens-chain-store-limits/>.

Figure VIII-6. Population, Households, and Average Household Income: Upper Fillmore Primary Trade Area and San Francisco, 2012

	Upper Fillmore Primary Trade Area	San Francisco
Population	35,331	807,755
Number of Households	19,552	340,839
Average Household Size	1.8	2.4
Population Density (People per Acre)	44.6	31.4
Households per Acre	24.7	13.2
Average Household Income	\$136,050	\$107,520

Sources: U.S. Census Bureau American Community Survey, 2008-2012; Strategic Economics, 2014.

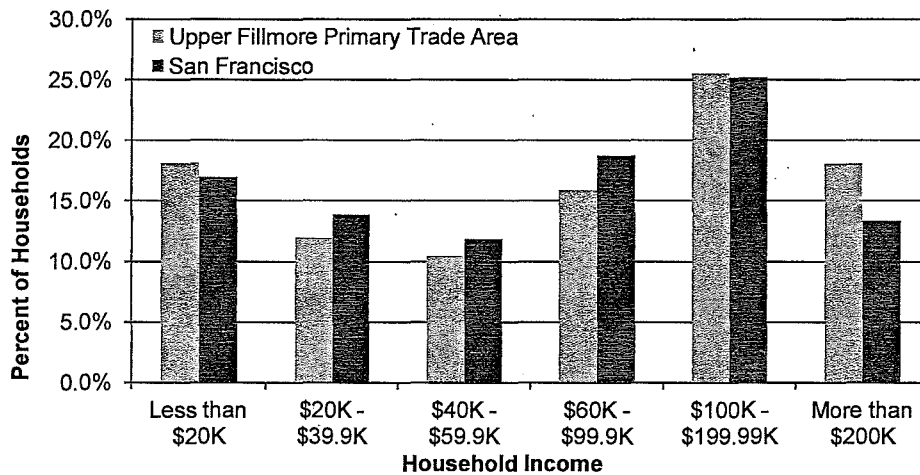
Figure VIII-7. Households by Type: Upper Fillmore Primary Trade Area and San Francisco, 2012



Sources: U.S. Census Bureau American Community Survey, 2008-2012; Strategic Economics, 2014.

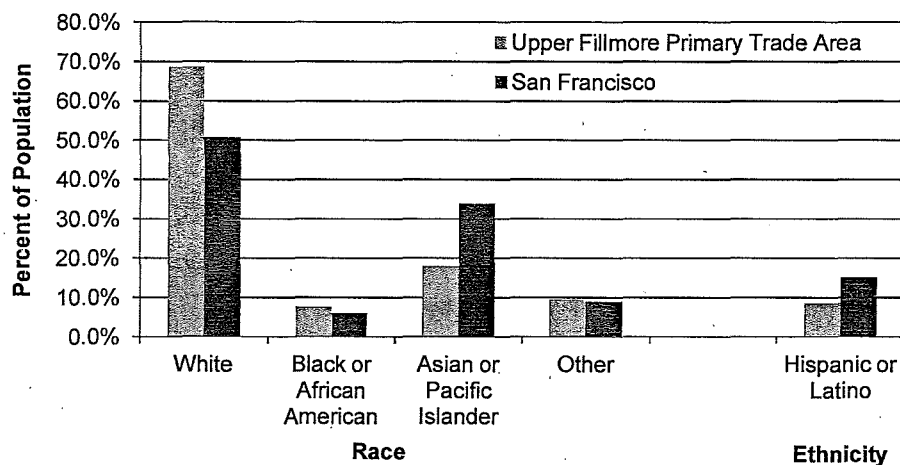
However, many neighborhood residents are unlikely to be able to afford the high-end products available for sale in the commercial district. Despite the trade area's high average incomes, the neighborhood has a higher percentage of households earning less than \$20,000 a year compared to the citywide average, reflecting the presence of several low-income housing developments in the area (Figure VIII-8). Indeed, residents observe that some of the single-person households in the area are seniors living on fixed incomes and in subsidized or rent-controlled housing. A very high percentage of the population is white – nearly 70 percent in the trade area, compared to 50 percent of the city's entire population. However, African-Americans make up a slightly higher share of the population than in San Francisco overall, a legacy of the area's history as a center of African-American culture (Figure VIII-9).

Figure VIII-8. Households by Income Level: Upper Fillmore Primary Trade Area and San Francisco, 2012



Sources: U.S. Census Bureau American Community Survey, 2008-2012; Strategic Economics, 2014.

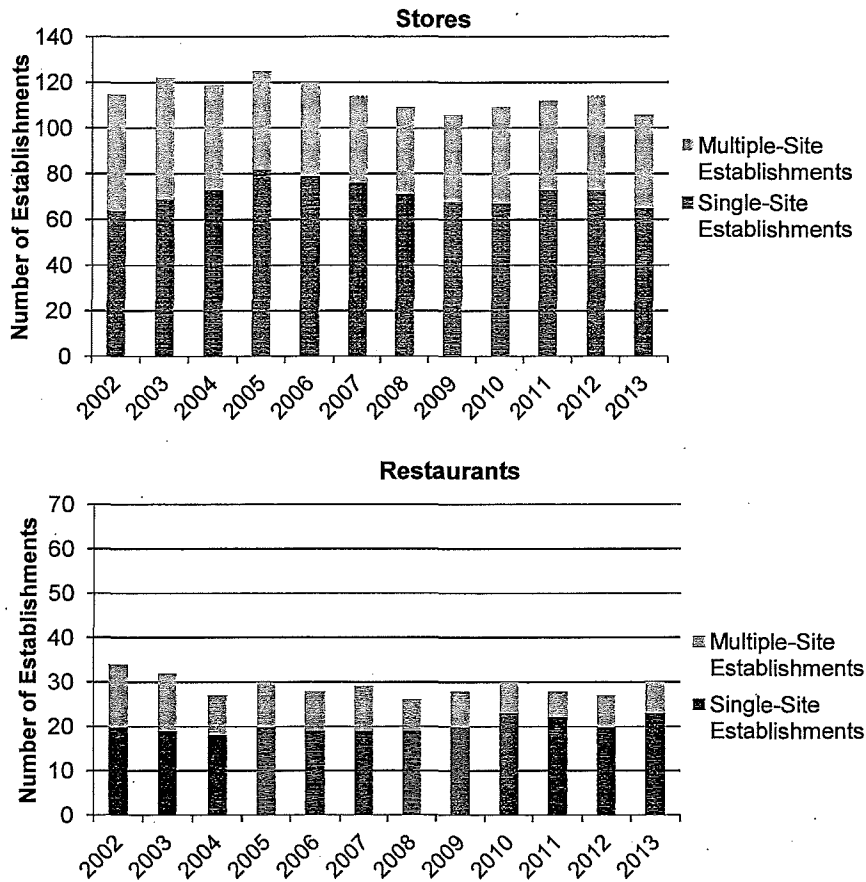
Figure VIII-9. Population by Race and Ethnicity: Upper Fillmore Primary Trade Area and San Francisco, 2012



Sources: U.S. Census Bureau American Community Survey, 2008-2012; Strategic Economics, 2014.

Despite the reported increase in formula retail establishments and other chains on Upper Fillmore, the number of single-site establishments in the case study areas was approximately the same in 2013 as in 2002. Figure VIII-10 shows the number of restaurants and retail stores in the Upper Fillmore that reported just one location in San Francisco (“single-site” establishments) or more than one location in San Francisco (“multiple-site” establishments). Note that in Upper Fillmore in particular, some single-site businesses are national or international brands with just one location in the city. As Figure VIII-10 shows, the number of stores has fluctuated over time, generally tracking regional economic conditions. There were approximately the same number of single-site stores (63) and restaurants (23) in Upper Fillmore in 2013 as in 2002.

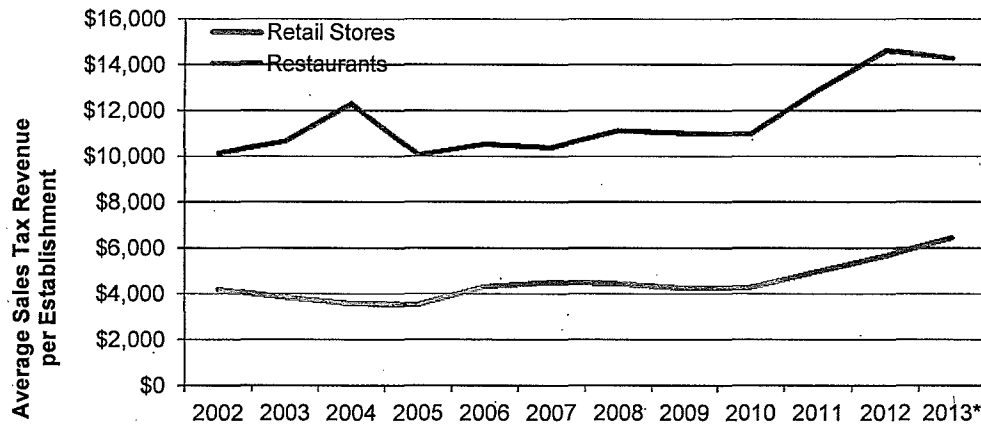
Figure VIII-10. Single- and Multiple-Site Stores and Restaurants Reporting Sales Tax in the Upper Fillmore Neighborhood Commercial District, 2002-2013



"Single-Site" establishments had one location in San Francisco; "multiple-site" establishments had more than one location in the city.  
Sources: San Francisco Office of Economic Analysis, 2014; Strategic Economics, 2014.

**Single-site establishments are performing very strongly.** Figure VIII-11 shows the average sales tax revenue generated by single-site restaurants and stores. As discussed below, single-site restaurants and bars in the Upper Fillmore generate significantly more revenue on average than restaurants and bars in the Ocean Avenue and Geary Boulevard case study areas. Sales have increased rapidly since the economy began to recover in 2010, although restaurant sales dipped slightly between 2012 and 2013.

Figure VIII-11. Average Sales Tax Revenue Per Single-Site Establishment: Upper Fillmore Neighborhood Commercial District, 2002-2013 (Adjusted to 2013 Dollars)



"Single-Site" establishments are firms that reported one location in San Francisco.

\*Includes estimate of fourth-quarter sales tax revenues for 2013, based on average revenues in first three quarters of the year.

Sources: San Francisco Office of Economic Analysis, 2014; Strategic Economics, 2014.

Reflecting the high sales volume in the district, brokers report that rents are increasing rapidly and there are few if any long-term vacancies in the district. Rents in Upper Fillmore have reportedly reached \$140 per square foot in some recent transactions, significantly above retail rents in other neighborhood commercial districts.<sup>106</sup> According to brokers and recent articles and reports, new tenants in Upper Fillmore often secure their leases before storefronts become vacant.<sup>107</sup> For example, two storefronts that were vacant as of early 2014 at 2060-66 California Street (a former Royal Ground Coffee Shop and a laundromat, shown in Figure VIII-12) were already leased to Rag & Bone, a formula retail clothing boutique.

<sup>106</sup> Renee Frojo, "Fillmore Street Hits New Fashion Heights," *San Francisco Business Times*, May 4, 2012, <http://www.bizjournals.com/sanfrancisco/print-edition/2012/05/04/fillmore-street-hits-new-fashion-heights.html>.

Reliable CoStar data on rents were not available for this case study area.

<sup>107</sup> Ibid.; San Francisco Commercial Real Estate Brokers, *Formula Retail Mapping Project*, 2014.



*Figure VIII-12. The Former Royal Ground Coffee Shop at Fillmore and California Streets, Site of a Future Rag & Bone Clothing Boutique (a Formula Retail Use Approved by the Commission in February 2014)*



Source: Strategic Economics, 2014.

High rents and the need to pay “key money” to secure space make it challenging for new daily needs-serving businesses to locate in the district. Some recent transactions have reportedly involved the exchange of “key money,” where a business that wants to locate on the street pays an existing tenant for the right to assume the tenant’s lease. Both formula and independent retailers have reportedly paid key money, but this type of payment – combined with the area’s high rents – poses a significant barrier for start-ups and other small businesses with limited financial resources, including daily needs-serving businesses that typically have lower profit margins than high-end clothing stores and other comparison good retailers.

### Neighborhood Character

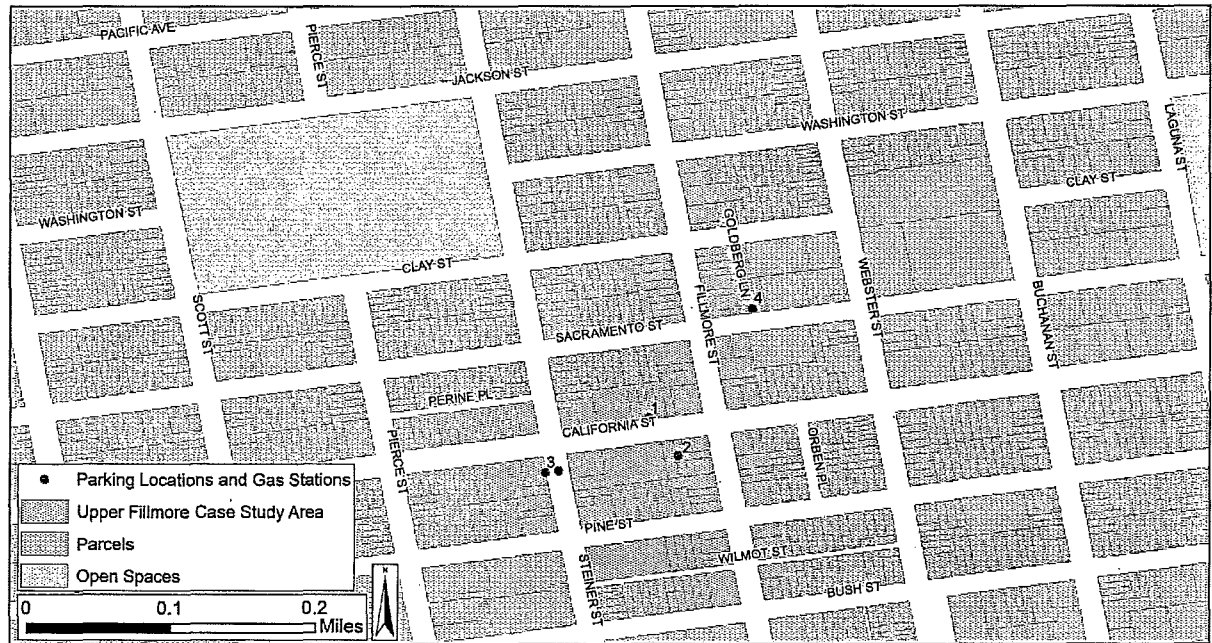
**Upper Fillmore’s pedestrian-scaled streets, well-maintained Victorian buildings, and the size and quality of the retail spaces create an attractive shopping environment.** Brokers report that the visual appeal of the Victorian buildings is one of the key factors that attract both formula and independent retailers to Upper Fillmore.

**Formula retail establishments in Upper Fillmore generally locate in medium-sized storefronts.** On average, formula retailers occupy slightly more space than independent retailers in Upper Fillmore – about 5,900 square feet per establishment, compared to an average of 2,900 per independent retailer.<sup>108</sup>

**While the stores may be larger, formula retail establishments in Upper Fillmore still tend to locate in Victorian buildings with limited parking.** Figure VIII-13 shows where public and private parking lots, as well as gas stations, are located in the Upper Fillmore NCD, as well as which establishments they serve. None of the formula retailers in the district are located on parcels with large surface parking lots.

<sup>108</sup> Based on data from the 2012 Dun & Bradstreet database that have not been independently verified.

Figure VIII-13. Auto-Oriented Uses (Parking Locations and Gas Stations): Upper Fillmore Neighborhood Commercial District



1. Public Parking Lot  
48 Spaces

2. Mollie Stone Market  
Private Lot  
60 Spaces

3. Shell Gas Station & Service Center  
Private Lot  
18 Spaces

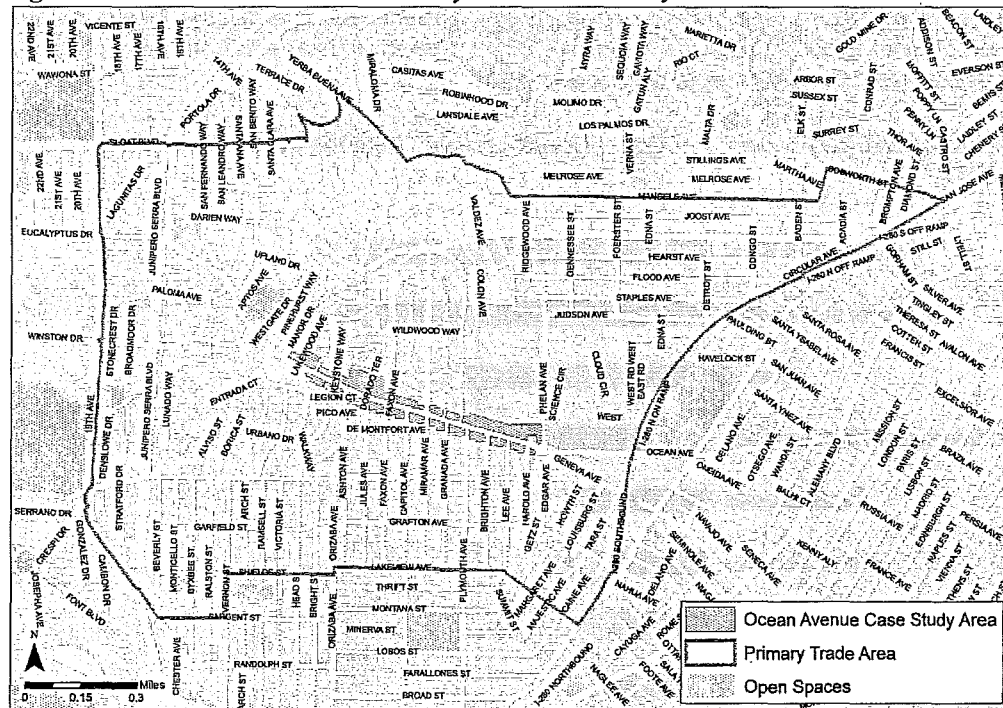
4. Unknown Retail  
Private Lot  
Unknown Spaces

Formula retail establishments are noted in bold.  
Sources: SF Park, 2011; Strategic Economics, 2014.

### Ocean Avenue Neighborhood Commercial Transit District

The Ocean Avenue NCT (shown in Figure VIII-14) is a compact, walkable commercial district located in the southwestern part of the city, directly west of City College of San Francisco. The district is located within a 10- to 20-minute walk of Balboa Park BART Station and directly off of I-280, and is served by three Muni Metro lines and several bus lines. Beginning with the Balboa Park Station Better Neighborhoods planning process in the early 2000s, the district has undergone significant revitalization. Recent public and private investments include a new Avalon Bay apartment project with a Whole Foods on the ground floor, a new public library, and a redesigned bus terminal. The Mayor's Office of Economic and Workforce Development recently selected Ocean Avenue for the Invest in Neighborhoods program, focusing City resources on the district. Meanwhile, the Ocean Avenue Association became a community benefit district (CBD)<sup>109</sup> in 2010, allowing the organization to generate assessment revenues that – together with grant funds from the City and other organizations – have paid for new trees and landscaping, street and sidewalk cleaning, public safety, marketing, technical assistance for small businesses, and other programs.<sup>110</sup>

Figure VIII-14. Ocean Avenue Case Study Area and Primary Trade Area



The "Primary Trade Area" is defined as those Census Tracts located within a half-mile radius of each shopping district. Sources: City and County of San Francisco, 2013; Strategic Economics, 2014.

<sup>109</sup> Community benefit districts are a type of assessment district, in which property or business owners elect to pay an assessment in order to fund activities such as street and sidewalk cleaning, public safety, and marketing programs. CBD programming is typically administered by a local merchants' association.

<sup>110</sup> Marisa Lagos, "Ocean Avenue Making Waves in Ingleside," *San Francisco Chronicle*, October 1, 2013, <http://www.sfgate.com/bayarea/article/Ocean-Avenue-making-waves-in-Ingleside-4857792.php#src=fb>; John King, "Students, Residents Come Together on S.F.'s City College Hill," *San Francisco Chronicle*, December 18, 2013, <http://www.sfgate.com/bayarea/place/article/Students-residents-come-together-on-S-F-s-City-5073095.php#src=fb>; J.K. Dineen, "Building beyond the Boom," *San Francisco Business Times*, June 28, 2013, <http://www.bizjournals.com/sanfrancisco/print-edition/2013/06/28/building-beyond-the-boom.html>; John King, "Exciting, Enticing: Housing That Fits in," *San Francisco Chronicle*, February 17, 2013, <http://www.sfgate.com/bayarea/place/article/Exciting-enticing-housing-that-fits-in-4284949.php#src=fb>.

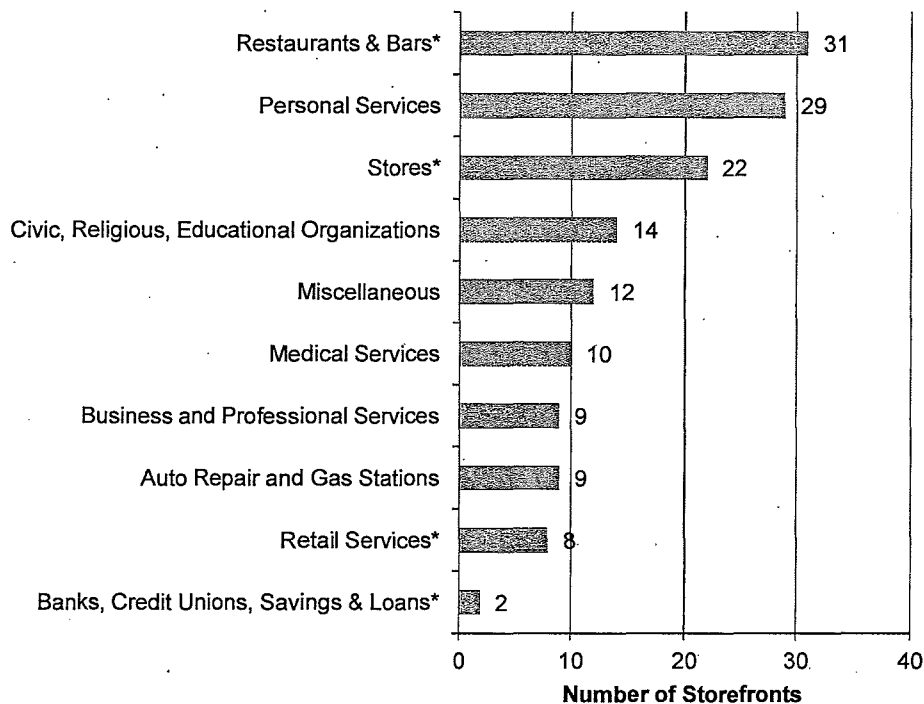
Formula retail establishments in the Ocean Avenue NCT provide goods and services that serve the daily needs of local residents, workers, and students, and have contributed to the ongoing revitalization of the district. However, the corporate structure of formula retail establishments has also posed a barrier to involving formula retailers in efforts to organize and improve the area.

The following sections discuss the retail dynamics in the case study area, the formula retail conditional use applications that have been submitted, local demographic, sales, and market trends, and the relationship between formula retail and the district's urban form.

### Retail Dynamics

**In contrast to Upper Fillmore, many storefronts on Ocean Avenue are tenanted with personal services, civic organizations, medical services, and other uses that are not subject to formula retail controls.** Figure VIII-15 shows the number of storefronts on Ocean Avenue by type. Uses that are subject to the formula retail controls are indicated with an asterisk. Of the approximately 146 occupied storefronts in the case study area, 83 storefronts (or 56 percent) are occupied by uses that are not subject to the controls. Most of these businesses are independent, but some are chains or franchises. Examples of chains or franchises in the case study area that are not considered formula retail under the Planning Code definition include 24 Hour Fitness, Union 76, Valero, Rai Care Centers of Northern California (a dialysis center), and the Avalon Bay Communities leasing center.

*Figure VIII-15. Occupied Storefronts by Type: Ocean Avenue Neighborhood Commercial Transit District, Early 2014*



\*Use type subject to formula retail controls.

Sources: Dun & Bradstreet, 2012; OEWD Invest in Neighborhoods, 2013; Strategic Economics, 2014.  
All numbers are approximate.

**Formula retail accounts for 16 percent of the retail establishments in the district.** Figure VIII-16 provides additional detail on those use types that are subject to formula retail controls, including the

number of formula retail establishments by category. In total, there are 10 known formula retail establishments on Ocean Avenue: 5 stores, 4 restaurants, and 1 bank. Compared to the citywide average, formula retailers make up a particularly high share of retail stores on Ocean Avenue.

*Figure VIII-16. Formula and Independent Retail Establishments by Use Type: Ocean Avenue Neighborhood Commercial Transit District, Early 2014*

Use Type	Ocean Avenue NCT				San Francisco (a)
	Formula Retail	Independent Retail	Total	Formula Retail as a % of Total	Formula Retail as a % of Total
Stores	5	17	22	23%	10%
Restaurants & Bars	4	27	31	13%	11%
Retail Services	0	8	8	0%	4%
Banks, Credit Unions, S&L	1	1	2	50%	84%
<b>Total</b>	<b>10</b>	<b>53</b>	<b>63</b>	<b>16%</b>	<b>12%</b>

(a) San Francisco data are from the 2012 Dun & Bradstreet dataset, and have not been independently verified.

Use types shown are subject to formula retail controls.

Acronyms:

S&L: Savings and loans

Sources: Dun & Bradstreet, 2012; OEWD Invest in Neighborhoods Initiative, 2013; Ocean Avenue Association, 2014; Strategic Economics, 2014. All numbers are approximate.

**Many of the formula and independent retail stores in the district serve the daily needs of residents, workers, and students.** Figure VIII-17 shows the types of retail stores in the district by type. The formula retail stores on the street include a 7-11 convenience store, two pharmacies (CVS and Walgreens), and the new Whole Foods. Much of the independent retail also serves daily needs, although some independent, specialized retailers – e.g., a furniture store, an appliance store, a sewing supplies store – also likely attract shoppers from elsewhere in the city or region.

*Figure VIII-17. Retail Stores by Type: Ocean Avenue Neighborhood Commercial Transit District, Early 2014*

Store Type	Ocean Avenue NCT				San Francisco (a)
	Formula Retail	Independent Retail	Total	Formula Retail as a % of Total	Formula Retail as a % of Total
Other Retail Stores (b)	0	6	6	0%	4%
Convenience & Liquor Stores	1	3	4	25%	10%
Furniture and Appliances	0	3	3	0%	11%
Sporting Goods, Hobby, Book, Music	0	3	3	0%	3%
Apparel & Accessories	0	2	2	0%	15%
Pharmacies & Drug Stores	2	0	2	100%	49%
Building Materials & Garden Supplies	1	0	1	100%	9%
Supermarkets & Other Grocery	1	0	1	100%	7%
<b>Total Stores</b>	<b>5</b>	<b>17</b>	<b>22</b>	<b>23%</b>	<b>10%</b>

(a) San Francisco data are from the 2012 Dun & Bradstreet dataset, and have not been independently verified.

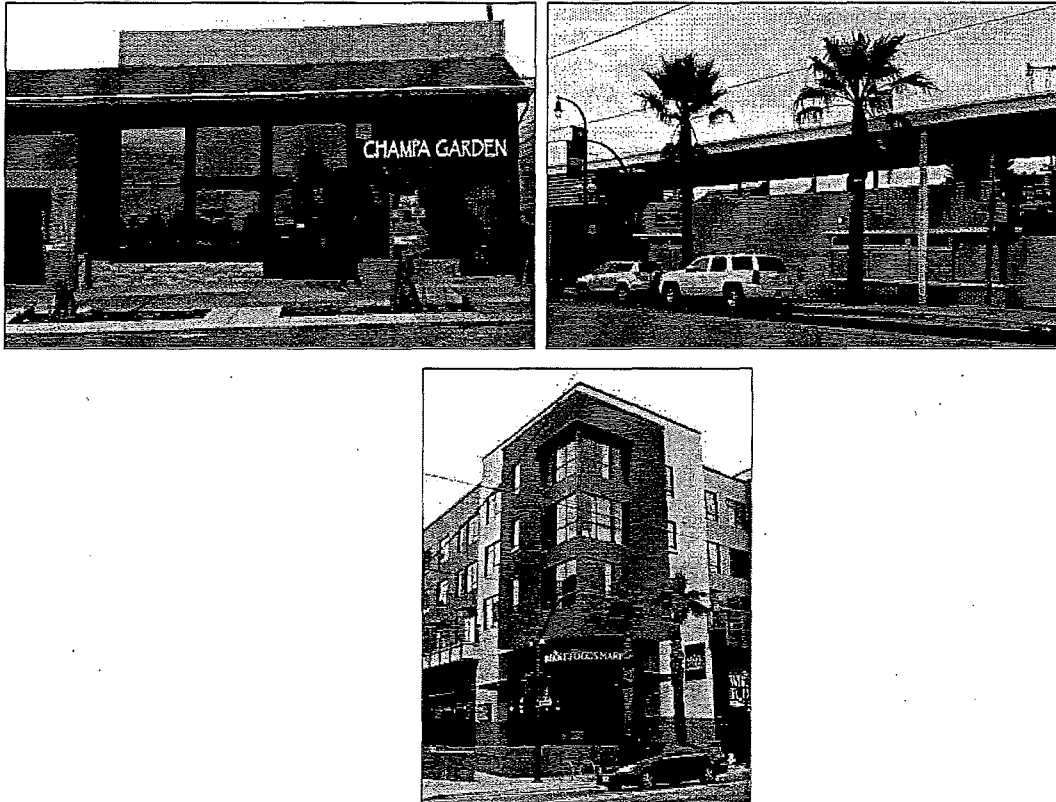
(b) Includes fruit and vegetable market, dollar store, pawn shop, framing store, sewing supplies store.

Sources: Dun & Bradstreet, 2012; OEWD Invest in Neighborhoods Initiative, 2013; Ocean Avenue Association, 2014; Strategic Economics, 2014. All numbers are approximate.

**Both formula and independent retailers have contributed to the effort to revitalize Ocean Avenue.** The new Whole Foods, which opened in 2013, filled a long-standing need for a grocery store in the Ingleside area and reportedly attracts shoppers from across the Southern Neighborhoods. Champa Gardens, a Southeast Asian restaurant in Oakland, opened a second location near Ocean Avenue in 2013, drawing additional attention to the district. According to the Executive Director of the Ocean Avenue Association, many formula retailers are also active participants in the community. For example, Whole Foods regularly donates meeting space, food, and resources to the community. Other formula retailers encouraged their landlords to vote in favor of establishing the CBD, and regularly provide volunteers for community events.

**However, community members note that it is challenging to establish ongoing relationships with formula retailers because the managers rotate between stores or do not have the authority to make decisions.** On the other hand, independent businesses can present different challenges. For instance, many small businesses need assistance in maintaining a well-kept façade, or in putting together a business plan.

*Figure VIII-18. The New Champa Garden Restaurant (left), Ingleside Branch of the San Francisco Public Library (right), and Avalon Bay/Whole Foods Development (bottom)*



Source: Strategic Economics, 2014.

#### Formula Retail Conditional Use Applications

Since 2007, the case study area has attracted six formula retail conditional use applications; all but one has been approved. Figure VIII-21 shows the formula retail CU application activity in the district. Residents reportedly opposed the Subway location because the proposed formula retail restaurant would have competed with nearby Viking's Giant Submarines, an independent retailer.

*Figure VIII-19. Formula Retail Conditional Use Applications in Ocean Avenue Neighborhood Commercial Transit District, 2007-January 2014*

Business Name	Address	File Date	Action Date	Action Taken
Subway	1326 Ocean Avenue	2007	2007	Withdrawn
CVS Pharmacy	1760 Ocean Avenue	2011	2011	Approved with conditions
Sherwin-Williams Paint Store	1415 Ocean Avenue	2011	2012	Approved with conditions
Yogurtland	1250 Ocean Avenue	2012	2012	Approved with conditions
Fresh & Easy (a)	1830 Ocean Avenue	2012	2012	Approved with conditions
Whole Foods Market	1150 Ocean Avenue	2012	2013	Approved with conditions

(a) Approved but never opened.

Sources: City and County of San Francisco, 2014; Strategic Economics, 2014.

### Demographic, Sales, and Market Trends

The primary trade area around the Ocean Avenue Neighborhood Commercial Transit District has relatively high household incomes, a high share of families, and a high proportion of Asian residents. Figures VIII-20 through VIII-23 provide selected demographic characteristics for the Census Tracts in the half-mile radius around the Ocean Avenue case study area. Compared to the city as a whole, the primary trade area has relatively high household incomes (Figures VIII-20 and VIII-21), many families with and without children (Figure VIII-22), and a high share of Asian residents (Figure VIII-23). Both formula and independent retailers have adapted their offerings to reflect the neighborhood's demographics. For example, Beep's Burgers – an independent burger joint that has been on Ocean Avenue since 1962 – now offers teriyaki bowls as well as burgers,<sup>111</sup> while the Whole Foods deli was recently serving bánh mì sandwiches.

However, the half-mile radius captures portions of a number of distinct neighborhoods with different demographic characteristics. On the west side of the primary trade area, St. Francis Wood and the Ingleside Terrace/Merced Heights neighborhoods are more affluent, while the Ingleside and Sunnyside neighborhoods to the east have lower average incomes.

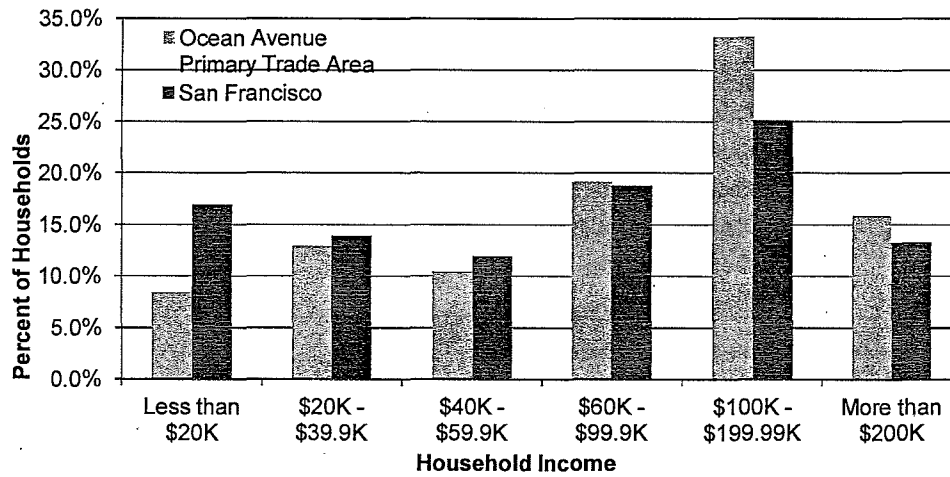
*Figure VIII-20. Population, Households, and Average Household Income: Ocean Avenue Primary Trade Area and San Francisco, 2012*

	Ocean Avenue Primary Trade Area	San Francisco
Population	30,968	807,755
Number of Households	10,095	340,839
Average Household Size	3.1	2.4
Population Density (People per Acre)	25.0	31.4
Households per Acre	8.1	13.2
Average Household Income	\$123,499	\$107,520

Sources: U.S. Census Bureau American Community Survey, 2008-2012; Strategic Economics, 2014.

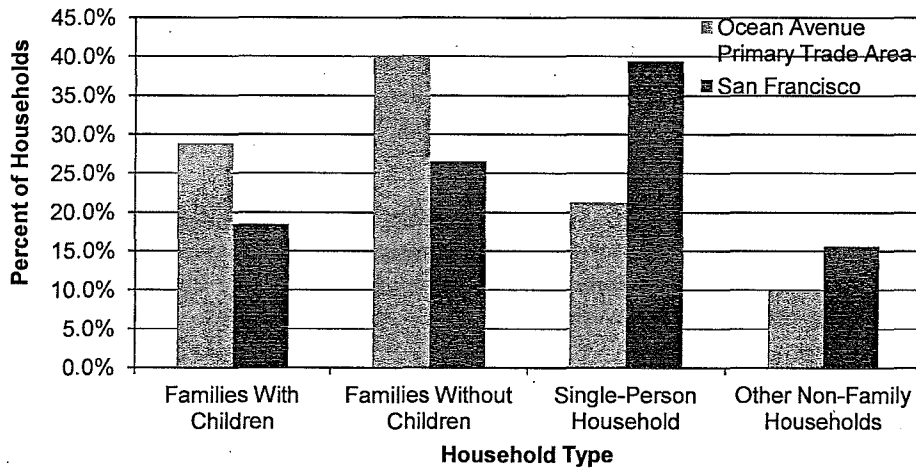
<sup>111</sup> King, "Students, Residents Come Together on S.F.'s City College Hill."

Figure VIII-21. Households by Income Level: Ocean Avenue Primary Trade Area and San Francisco, 2012



Sources: U.S. Census Bureau American Community Survey, 2008-2012; Strategic Economics, 2014.

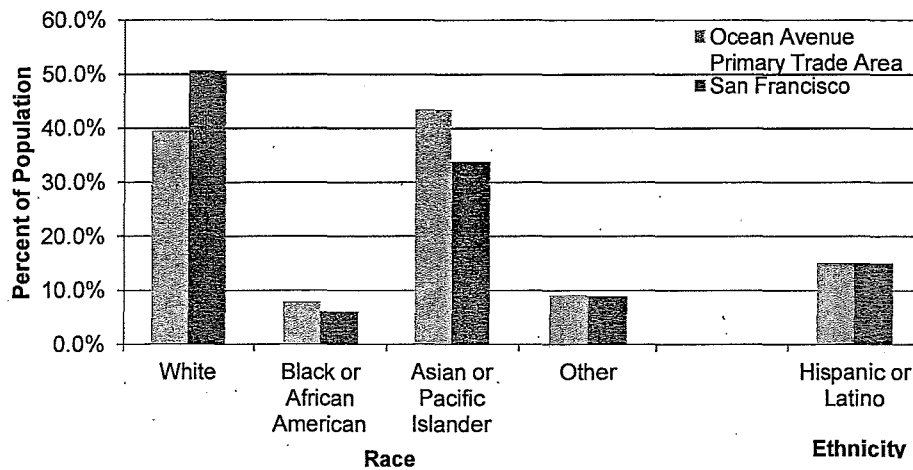
Figure VIII-22. Households by Type: Ocean Avenue Primary Trade Area and San Francisco, 2012



Sources: U.S. Census Bureau American Community Survey, 2008-2012; Strategic Economics, 2014.



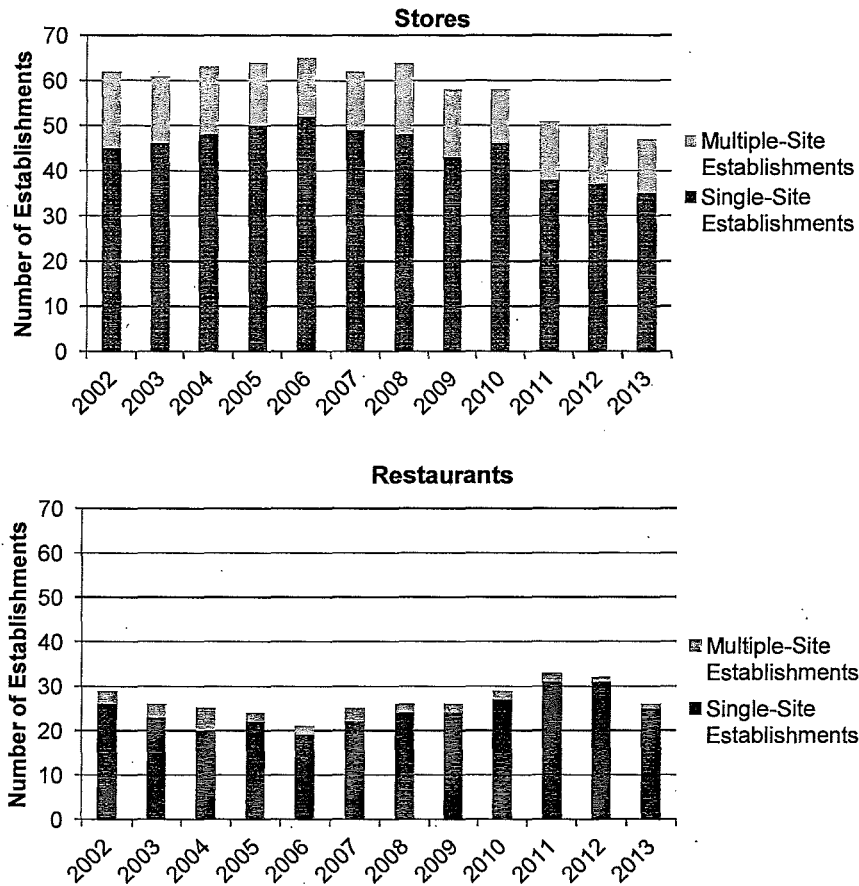
Figure VIII-23. Population by Race and Ethnicity: Ocean Avenue Primary Trade Area and San Francisco, 2012



Sources: U.S. Census Bureau American Community Survey, 2008-2012; Strategic Economics, 2014.

**The number of stores reporting sales tax has gone down over time, while the number of restaurants has fluctuated with the economy.** Figure VIII-24 shows number of stores and restaurants on Ocean Avenue with one location in San Francisco (“single-site establishments”) or more than one location in San Francisco (“multiple-site establishments”). The total number of stores reporting sales tax revenues declined from 62 in 2002, to 47 in 2013. Single-site stores accounted for 74 percent of all stores on Ocean Avenue in 2013, approximately the same share as in 2002. The overall decline in stores may be linked to national trends; across the country, the number of potential retail tenants has shrunk due to competition with e-commerce and the consolidation of national retail brands. Traditional retail spaces across the country are increasingly being filled with personal, financial, and medical service uses.

Figure VIII-24. Single- and Multiple-Site Stores and Restaurants Reporting Sales Tax in the Ocean Avenue Neighborhood Commercial Transit District, 2002-2013

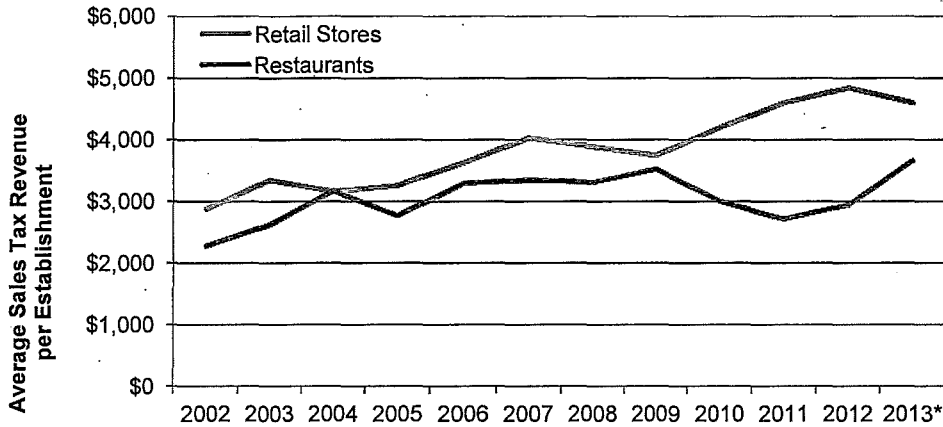


"Single-Site" establishments had one location in San Francisco; "multiple-site" establishments had more than one location in the city.

Sources: San Francisco Office of Economic Analysis, 2014; Strategic Economics, 2014.

**Sales tax revenues from single-site establishments have recovered since the recession.** Figure VIII-25 shows average sales tax revenue per single-site establishment in the Ocean Avenue NCT. In 2013, retail stores on Ocean Avenue generated an average of \$4,500 in sales tax revenues per store, slightly higher than average sales tax revenues for stores in the Geary case study area (\$3,700 per store in 2013) and lower than in Upper Fillmore (\$6,500 per store). Restaurants on Ocean Avenue reported lower sales tax revenues (an average of \$3,700 per restaurant) than restaurants on Geary Boulevard (\$5,400 per restaurant) or in Upper Fillmore (\$14,300 per restaurant).

*Figure VIII-25. Average Sales Tax Revenue Per Single-Site Establishment: Ocean Avenue Neighborhood Commercial Transit District, 2002-2013 (Adjusted to 2013 Dollars)*



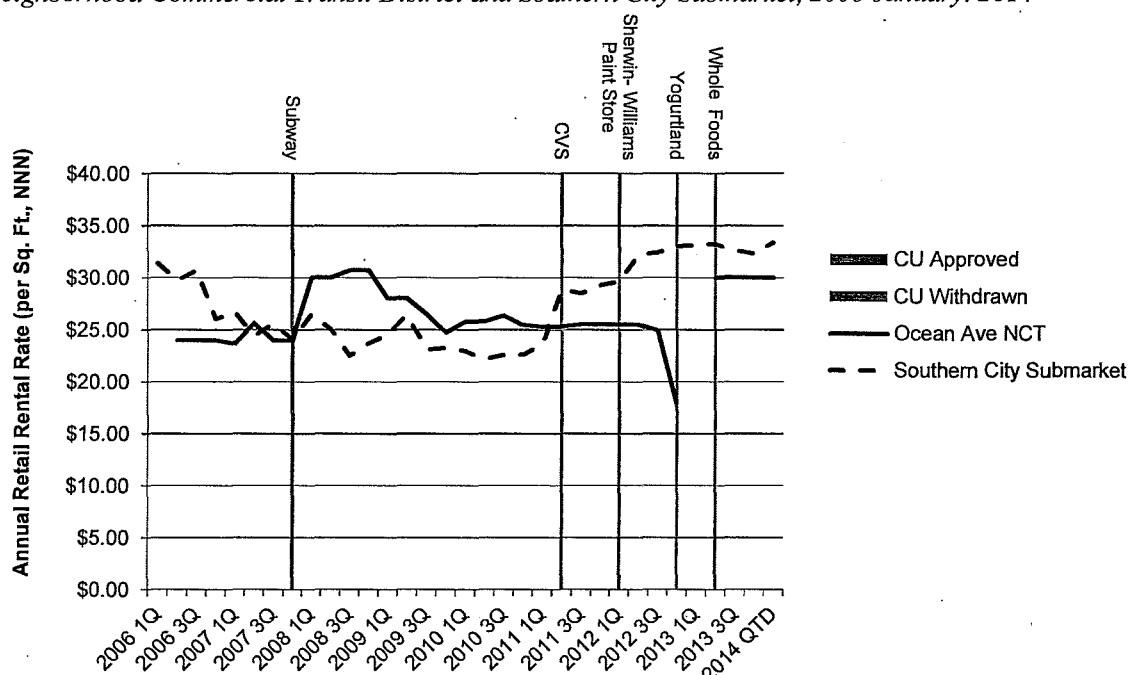
"Single-Site" establishments are firms that reported one location in San Francisco.

\*Includes estimate of fourth-quarter sales tax revenues for 2013, based on average revenues in first three quarters of the year.

Sources: San Francisco Office of Economic Analysis, 2014; Strategic Economics, 2014.

**Rents in the commercial district appear to be strengthening, while the vacancy rate is stable.** Figure VIII-26 shows rental data from CoStar for the Ocean Avenue NCT and Southern City commercial real estate submarket (defined by CoStar), as well as the quarter when formula retail conditional use applications were approved or withdrawn. While rents in a small area can fluctuate significantly from quarter to quarter due to one or two transactions, the available data indicate that rents in the case study area increased at the end of 2013. Inventories conducted by OEWD and the Ocean Avenue Association found that the vacancy rate declined slightly, from 11 to 10 percent of all storefronts, between February 2013 and February 2014.

Figure VIII-26. Rents and Formula Retail Conditional Use Application Activity in the Ocean Avenue Neighborhood Commercial Transit District and Southern City Submarket, 2006-January, 2014



Fresh & Easy is not shown because store never opened, although a CU application was approved.

The Southern City Submarket stretches south of 16th Street to the Daly City border, and west of Highway 101 to the shoreline.

Acronyms:

CU: Conditional use application

NCT: Neighborhood commercial transit district

NNN: Triple net

Sources: CoStar, 2014; City and County of San Francisco, 2014; Strategic Economics, 2014.

Rents based on CoStar data that have not been independently verified.

**Formula retail controls may be among the many factors contributing to some long-term vacancies, along with design challenges, maintenance needs, and other issues.** For example, a 17,300-square-foot former Rite Aid at the corner of Ocean Avenue and Dorado Terrace has been vacant for approximately five years, creating a gap in activity that stretches for nearly half a block (Figure VIII-27). The space was developed in the 1980s as part of a mixed-use development and was originally occupied by Safeway.<sup>112</sup> The most recent tenant, Rite Aid, closed in 2009, when the company sold the Ocean Avenue store and seven other locations to Walgreens. Walgreens still holds the lease, pays monthly rent on the building, and must approve any new tenants – a common arrangement that allows a national retailer to keep out competitors. The space requires significant improvements in order to be suitable for a new tenant. According to the listing broker, a formula retail tenant would be in the best position to invest in the needed tenant improvements and occupy the large floor plate, but potential formula retail tenants have been unwilling to consider the location because of concerns about the CU authorization process. However, a Fresh and Easy grocery store successfully applied for a formula retail CU authorization to locate in the space in 2012, although the store never opened (Fresh & Easy scaled back its expansion plans around this time due to the company's financial troubles). Design challenges may also be contributing to the difficulty of leasing the space. The building has only a few, small windows and an entry that is recessed from the street, making it unappealing for many retailers, and has structural issues that make it difficult to further subdivide.

<sup>112</sup> It has since been subdivided; the other unit in the building is occupied by 24 Hour Fitness.

*Figure VIII-27. Vacant Storefront at Ocean Avenue and Dorado Terrace (1830 Ocean Avenue)*



Source: Strategic Economics, 2014.

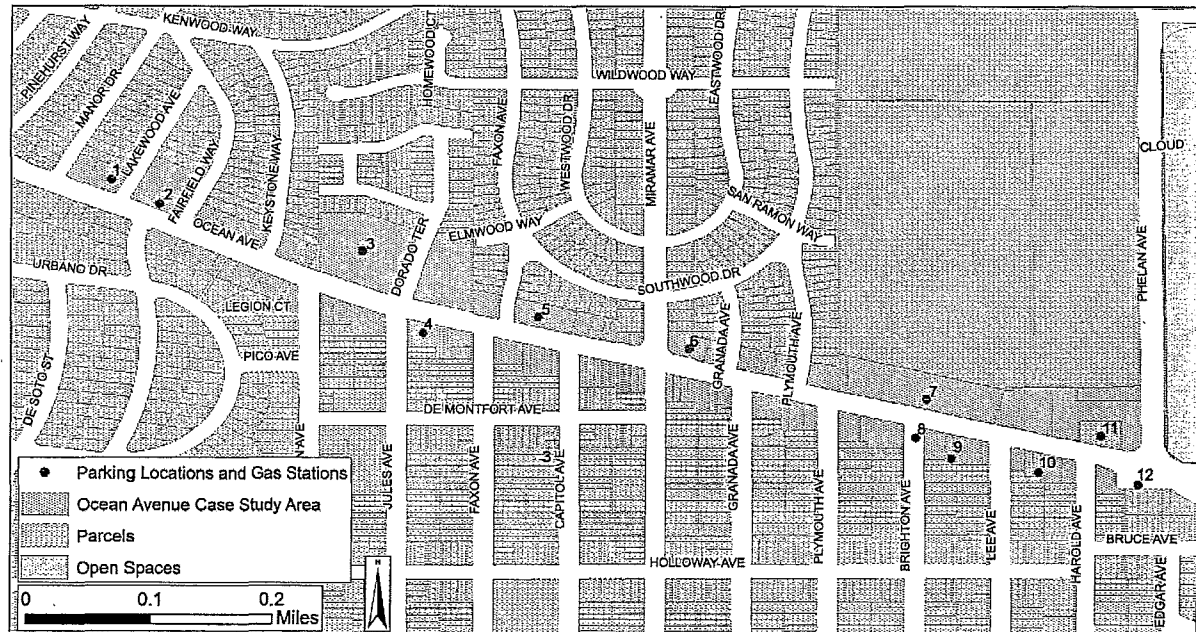
### Neighborhood Character

**Ocean Avenue is a walkable, compact shopping district, with many commercial buildings dating from the 1920s, 1930s, and 1940s.** Although many of the older buildings have a distinct architectural character, others are in need of façade improvements. As discussed above, approximately 10 percent of the storefronts on Ocean Avenue are vacant, and 56 percent are occupied by non-retail uses.

**Unlike in Upper Fillmore, many of the formula retailers on Ocean Avenue occupy auto-oriented buildings with significant surface parking.** Figure VIII-28 shows parking lots, garages, and gas stations in the case study area. As noted in bold, many of the surface lots serve formula retailers, including Taco-Bell/KFC and 7-Eleven, Walgreens, and McDonalds (the Whole Foods garage is tucked behind the building). There are also three gas stations in the case study area; gas stations are not currently regulated as formula retail.<sup>113</sup>

<sup>113</sup> Note that data on the size of formula versus independent storefronts were not available for the Ocean Avenue case study area, because the Dun & Bradstreet data (which provide square footage information) were substantially modified and updated for this case study area.

Figure VIII-28. Auto-Oriented Uses (Parking Locations and Gas Stations): Ocean Avenue Neighborhood Commercial Transit District



- |  |  |   |  |
|--|--|---|--|
| 1. <b>Taco Bell/KFC/7-Eleven</b><br>Private Lot<br>22 Spaces | 2. <b>Voice of Pentacost High School</b><br>Private Lot<br>25 Spaces         | 3. <b>Vacant Retail</b><br>Private Garage<br>60 Spaces    | 4. <b>Valero Gas Station</b><br>Private Lot<br>15 Spaces |
| 5. <b>Walgreens</b><br>Private Lot<br>20 Spaces              | 6. <b>Ocean Avenue Service &amp; Gas Station</b><br>Private Lot<br>14 Spaces | 7. <b>Whole Foods</b><br>Private Garage<br>Unknown Spaces | 8. <b>McDonalds</b><br>Private Lot<br>29 Spaces          |
| 9. <b>Fenced Off Lot</b><br>Private Lot<br>22 Spaces         | 10. <b>Beeps Drive-In</b><br>Private Lot<br>11 Spaces                        | 11. <b>Fire Station</b><br>Private Lot<br>20 Spaces       | 12. <b>76 Gas Station</b><br>Private Lot<br>12 Spaces    |

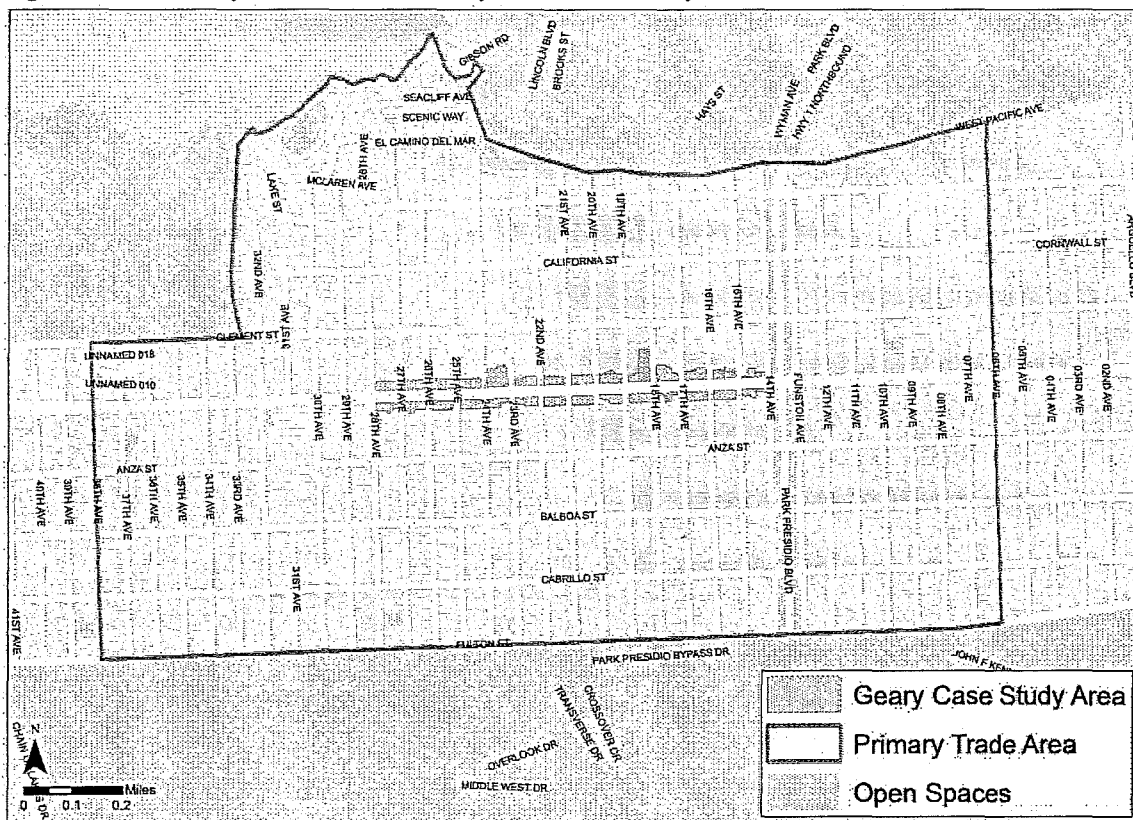
Formula retail establishments are noted in bold.  
Sources: SF Park, 2011; Strategic Economics, 2014.

### Geary Boulevard (14<sup>th</sup> to 28<sup>th</sup> Avenues)

The Geary Boulevard case study area (shown in Figure VIII-29) is a diverse commercial district known for its dim sum and Korean restaurants, Irish bars, and Russian bakeries and grocery stores. The district is also home to many personal care establishments and neighborhood-serving shops, including a number of formula retail fast food restaurants, banks, and other chain stores. Together, this wide variety of retail offerings serves locals while also attracting specialty shoppers from around the Bay Area. The district also benefits from an active merchants' association and a well-organized residents' association. At the same time, however, the case study area faces physical challenges including poorly maintained sidewalks, buildings, and signage, as well as many long-term small businesses that could benefit from façade and other tenant improvements. Geary Boulevard itself is a major east-west arterial with fast-moving traffic. As a result of these physical conditions and the length and disparateness of the commercial district, the case study area struggles to present a distinct identity.<sup>114</sup>

The following sections discuss the retail dynamics in the case study area, the formula retail conditional use applications that have been submitted, local demographic, sales, and market trends, and the relationship between formula retail and the district's urban form.

Figure VIII-29. Geary Boulevard Case Study Area and Primary Trade Area



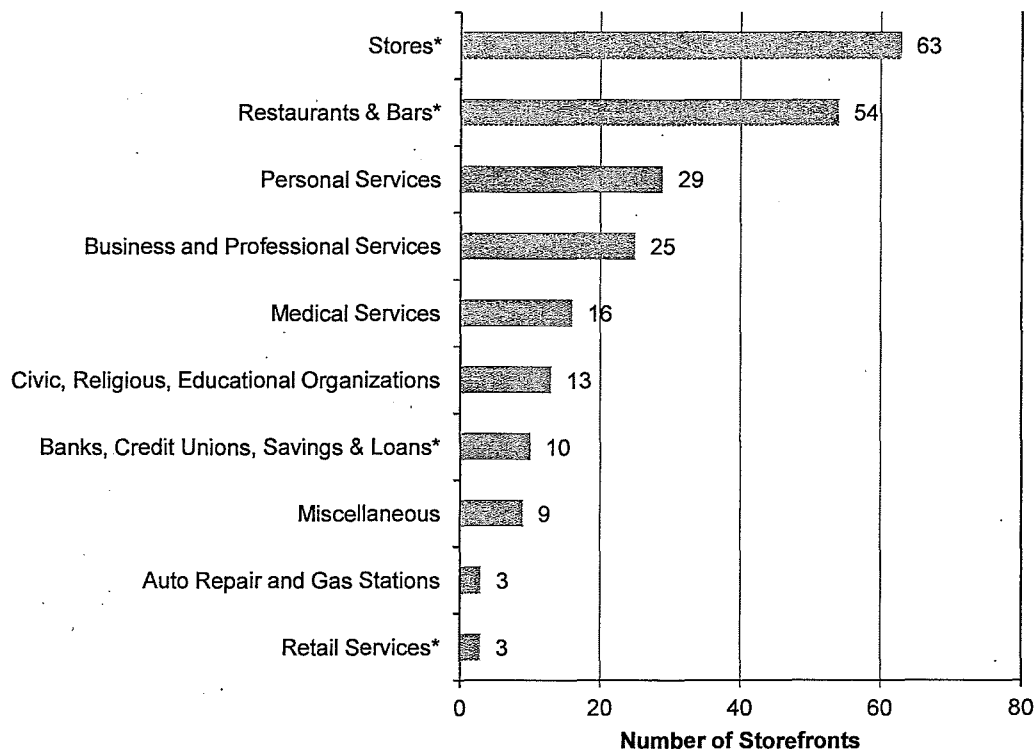
The "Primary Trade Area" is defined as those Census Tracts located within a half-mile radius of each shopping district.  
Sources: City and County of San Francisco, 2013; Strategic Economics, 2014.

<sup>114</sup> San Francisco Office of Economic and Workforce Development Invest in Neighborhoods Program, "Geary Boulevard Neighborhood Profile, February 2013, <http://oewd.org/IIN.aspx>.

### Retail Dynamics

Stores, restaurants, banks, and retail services occupy approximately 60 percent of the storefronts in the Geary Boulevard case study area. Figure VIII-30 shows the approximately 225 occupied storefronts in the case study area by type. Personal services, business and professional services, medical services, and other uses that are not regulated as formula retail occupy approximately 40 percent of the storefronts in the district – slightly lower than on Ocean Avenue, where non-retail uses account for 56 percent of all storefronts. The Invest in Neighborhoods program has identified an “overabundance of nail salons, massage parlors and day spas” (i.e., personal services) as one of the challenges facing the neighborhood.<sup>115</sup> While most of the non-retail uses are independent businesses, examples of chains and franchises that would not be considered formula retail under the Planning Code include Jiffy Lube, Best Cuts, H&R Block, All State Insurance, Farmers Insurance, and State Farm Insurance.

Figure VIII-30. Occupied Storefronts by Type: Geary Boulevard Case Study Area, Early 2014



\*Use type subject to formula retail controls.

Sources: Dun & Bradstreet, 2012; OEWD Invest in Neighborhoods, 2013; Strategic Economics, 2014.

All numbers are approximate.

**Formula retail accounts for 16 percent of all retail establishments, but only 11 percent of stores and 9 percent of restaurants and bars are formula retail.** Figure VIII-31 shows those uses that are subject to the City’s formula retail controls. The overall proportion of formula retail (16 percent) is skewed

<sup>115</sup> San Francisco Office of Economic and Workforce Development Invest in Neighborhoods Program, “Geary Boulevard Neighborhood Profile.”



upwards by the many formula retail banks in the case study area. The share of formula retail stores and restaurants in the case study area is comparable to citywide averages.

*Figure VIII-31. Formula and Independent Retail Establishments by Use Type: Geary Boulevard Case Study Area, Early 2014*

Use Type	Geary Boulevard Case Study Area				San Francisco (a)
	Formula Retail	Independent Retail	Total	Formula Retail as % of Total	Formula Retail as % of Total
Stores	7	56	63	11%	10%
Restaurants & Bars	5	49	54	9%	11%
Retail Services	0	3	3	0%	4%
Banks, Credit Unions, S&L	9	1	10	90%	84%
<b>Total</b>	<b>21</b>	<b>109</b>	<b>130</b>	<b>16%</b>	<b>12%</b>

(a) San Francisco data are from the 2012 Dun & Bradstreet dataset, and have not been independently verified.

Use types shown are subject to formula retail controls.

Acronyms:

S&L: Savings and loans

Sources: Dun & Bradstreet, 2012; OEWD Invest in Neighborhoods Initiative, 2013; Ocean Avenue Association, 2014; Strategic Economics, 2014. All numbers are approximate.

The Geary Boulevard case study area is home to a wide range of formula and independent retail stores serving both residents' daily needs and providing more specialized goods. Figure VIII-32 shows retail stores by type in the case study area. The district's formula retail stores include both daily needs-serving retailers (such as a new Grocery Outlet, a Walgreens pharmacy, and several convenience stores) and more specialized/comparison shopping stores such as an Aaron Brothers framing store, a Radio Shack, and a Ross Dress for Less department store.

*Figure VIII-32. Retail Stores by Type: Geary Boulevard Case Study Area, Early 2014*

Retail Store Type	Geary Boulevard Case Study Area				San Francisco (a)
	Formula Retail	Independent Retail	Total	Formula Retail as % of Total	Formula Retail as % of Total
Other Retail Stores (b)	1	15	16	6%	4%
Furniture & Appliances	1	10	11	9%	11%
Supermarkets & Other Grocery	1	5	6	17%	7%
Apparel & Accessories	0	5	5	0%	15%
Convenience & Liquor Stores	2	3	5	40%	10%
Bakeries	0	5	5	0%	N/A
Pharmacies & Drug Stores	1	4	5	20%	49%
Building Materials & Garden Supplies	0	3	3	0%	9%
Other Health & Personal Care Stores	0	3	3	0%	20%
Sporting Goods, Hobby, Book, Music	0	3	3	0%	3%
Department Stores	1	0	1	100%	7%
<b>Total</b>	<b>7</b>	<b>56</b>	<b>63</b>	<b>11%</b>	<b>10%</b>

(a) San Francisco data are from the 2012 Dun & Bradstreet dataset, and have not been independently verified.

(b) Includes florists, framing stores, produce markets, office supply, gift, jewelry, and tobacco stores.

N/A: Not available

Sources: Dun & Bradstreet, 2012; OEWD Invest in Neighborhoods Initiative, 2013; Ocean Avenue Association, 2014; Strategic Economics, 2014. All numbers are approximate.

### Formula Retail Conditional Use Applications

The community has generally supported conditional use applications for formula retail that fills long-standing needs, but organized to oppose a formula retail use that competed with existing small businesses. Figure VIII-33 lists the formula retail CU applications that have been filed in the Geary Boulevard case study area since CU authorizations for formula retail were first required in 2007. A Grocery Outlet was approved and opened in late 2013 in a 13,500-square-foot space formerly occupied by Cala Foods. According to local stakeholders, community members generally supported the application because it helped fill a need for grocery stores. On the other hand, many community members organized to oppose an Unleashed by PetCo store location that was proposed for 5411 Geary Boulevard, because it competed with existing independent pet stores in the area. In response to opposition to the PetCo store, the Board of Supervisors passed legislation in 2011 that bans formula retail pet supply stores in the case study area. The PetCo application was subsequently withdrawn.

*Figure VIII-33. Formula Retail Conditional Use Applications in Geary Boulevard Case Study Area, 2007-January 2014*

Business Name	Address	File Date	Action Date	Action Taken
Unleashed by PetCo	5411 Geary Blvd	2011	Not applicable	Withdrawn
Grocery Outlet	6333 Geary Blvd	2013	2013	Approved with conditions
Kelly Moore Paint	5411 Geary Blvd	2013	Not applicable	Withdrawn

Sources: City and County of San Francisco, 2014; Strategic Economics, 2014.

### Demographic and Market Trends

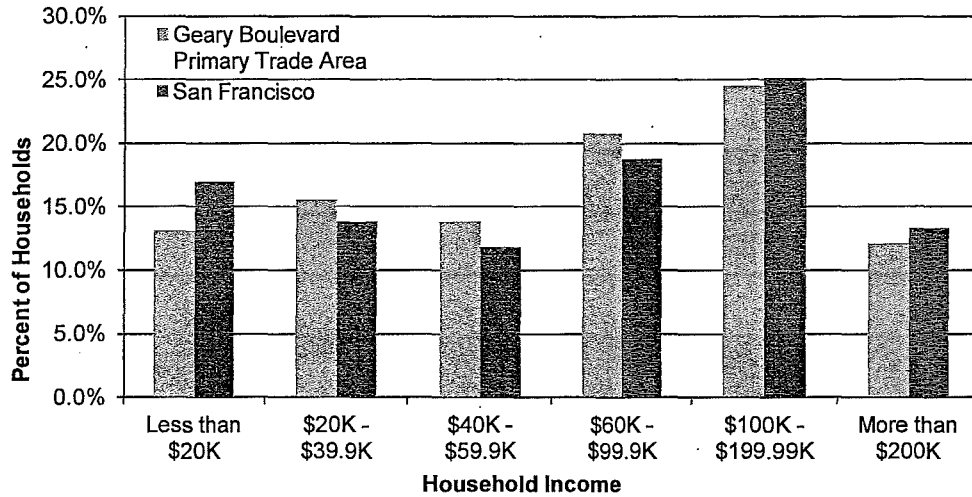
The half-mile radius around the Geary Boulevard case study area is home to many moderate-income households, including many families. Figures VIII-34 through VIII-37 provide selected demographic characteristics for the Census Tracts in the half-mile radius around the Geary Boulevard case study area. The population density in the Geary Boulevard primary trade area (40 people per acre) is nearly as high as in the half-mile surrounding Upper Fillmore (44 people per acre), but in contrast to Upper Fillmore slightly more than half of all households in the Geary trade area are families (Figure VIII-36). The average household income around Geary is slightly lower than the citywide average of \$107,500 (Figure VIII-34). Compared to San Francisco as a whole, a high proportion of households in the Geary trade area earn between \$20,000 and \$99,999 a year (Figure VIII-35). Asian and white residents account for a nearly equal share of the population (Figure VIII-37).

*Figure VIII-34. Population, Households, and Average Household Income: Geary Boulevard Primary Trade Area and San Francisco, 2012*

	Geary Boulevard Primary Trade Area	San Francisco
Population	50,429	807,755
Number of Households	20,308	340,839
Average Household Size	2.5	2.4
Population Density (People per Acre)	40.2	31.4
Households per Acre	16.2	13.2
Average Household Income	\$104,067	\$107,520

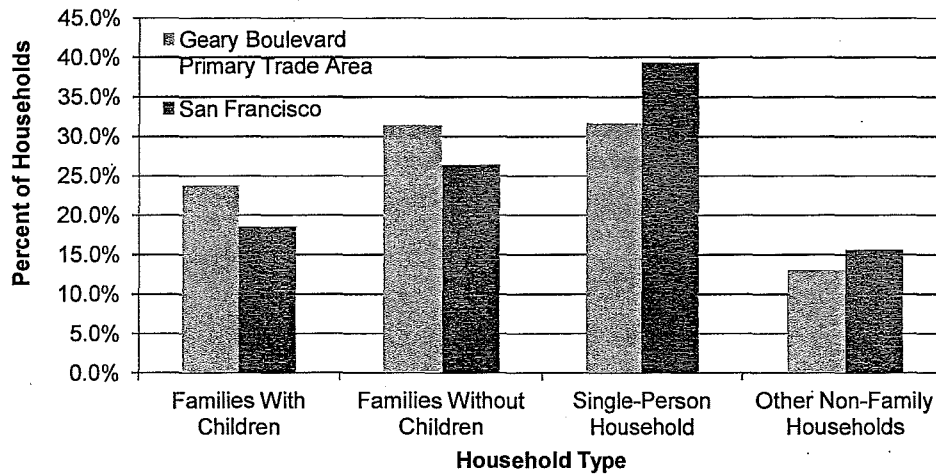
Sources: U.S. Census Bureau American Community Survey, 2008-2012; Strategic Economics, 2014.

Figure VIII-35. Households by Income Level: Geary Boulevard Primary Trade Area and San Francisco, 2012



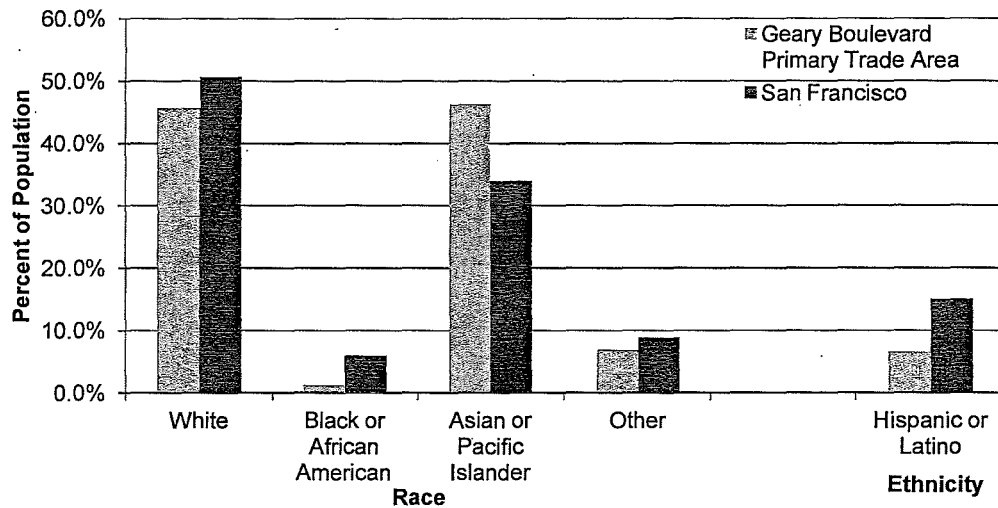
Sources: U.S. Census Bureau American Community Survey, 2008-2012; Strategic Economics, 2014.

Figure VIII-36. Households by Type: Geary Boulevard Primary Trade Area and San Francisco, 2012



Sources: U.S. Census Bureau American Community Survey, 2008-2012; Strategic Economics, 2014.

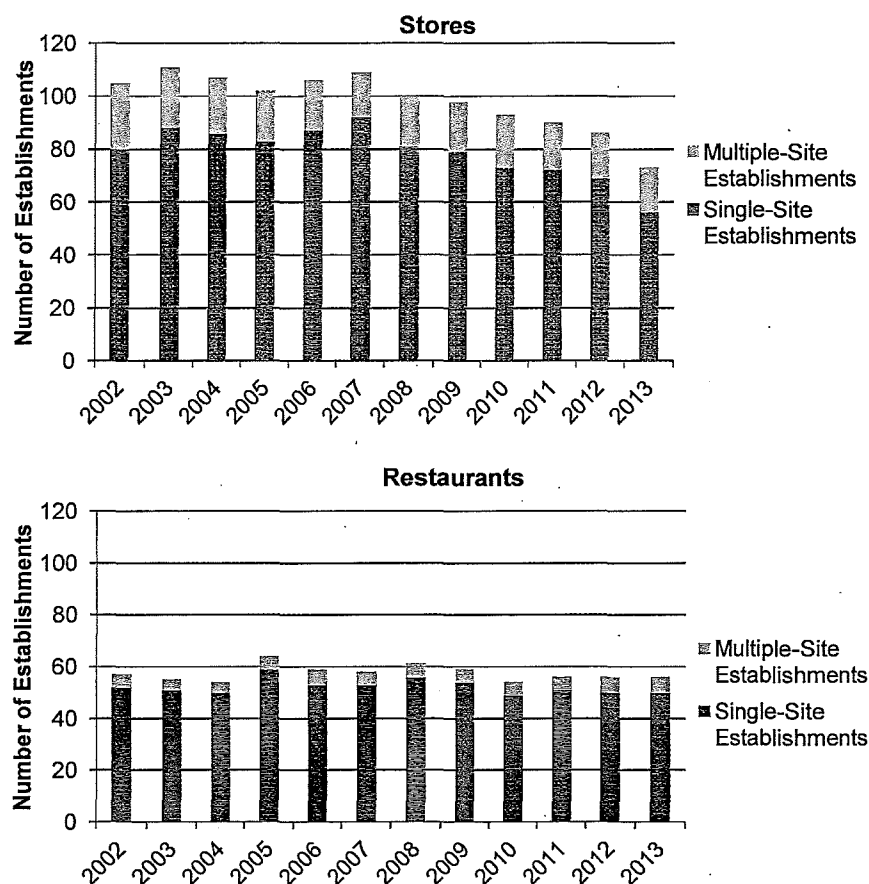
Figure VIII-37. Population by Race and Ethnicity: Geary Boulevard Primary Trade Area and San Francisco, 2012



Sources: U.S. Census Bureau American Community Survey, 2008-2012; Strategic Economics, 2014.

**The number of stores reporting sales tax has declined over time, while the number of restaurants has remained stable.** As shown in Figure VIII-38, the number of stores (including both single-site and multiple-site establishments) has declined steadily since 2007. As on Ocean Avenue, this trend likely reflects the challenges that traditional brick-and-mortar retail stores are facing nationwide. Meanwhile, the number of restaurants has remained stable. For both stores and restaurants, single-site establishments accounted for approximately the same percentage of total establishments in 2013 as in 2002.

Figure VIII-38. Single- and Multiple-Site Stores and Restaurants Reporting Sales Tax in the Geary Boulevard Case Study Area, 2002-2013

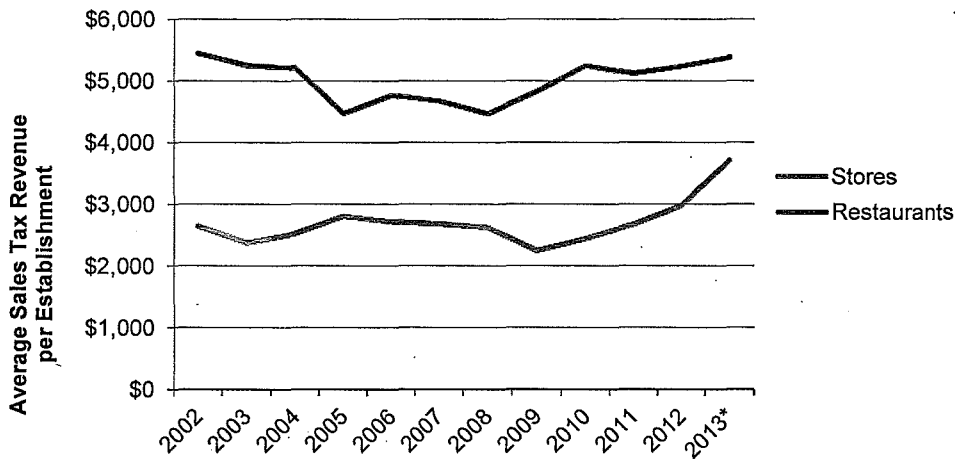


"Single-Site" establishments had one location in San Francisco; "multiple-site" establishments had more than one location in the city.

Sources: San Francisco Office of Economic Analysis, 2014; Strategic Economics, 2014.

Since the recession, sales tax revenues from single-site establishments have recovered strongly. Figure VIII-39 shows average sales tax revenue per single-site establishment in the Geary Boulevard case study area. In 2013, stores in the case study area generated an average of \$3,700 in sales tax revenues per establishment, slightly lower than average per-store revenues on Ocean Avenue (\$4,600 per establishment) and significantly lower than in Upper Fillmore (\$6,500). Restaurants on Geary Boulevard reported higher sales tax revenues (an average of \$5,400 per establishment) than restaurants on Ocean Avenue (\$3,700), but significantly lower revenues than restaurants in Upper Fillmore (\$14,300).

Figure VIII-39. Average Sales Tax Revenue Per Single-Site Establishment: Geary Boulevard Case Study Area, 2002-2013 (Adjusted to 2013 Dollars)



"Single-Site" establishments had one location in San Francisco.

\*Includes estimate of fourth-quarter sales tax revenues for 2013, based on average revenues in first three quarters of the year.

Sources: San Francisco Office of Economic Analysis, 2014; Strategic Economics, 2014.

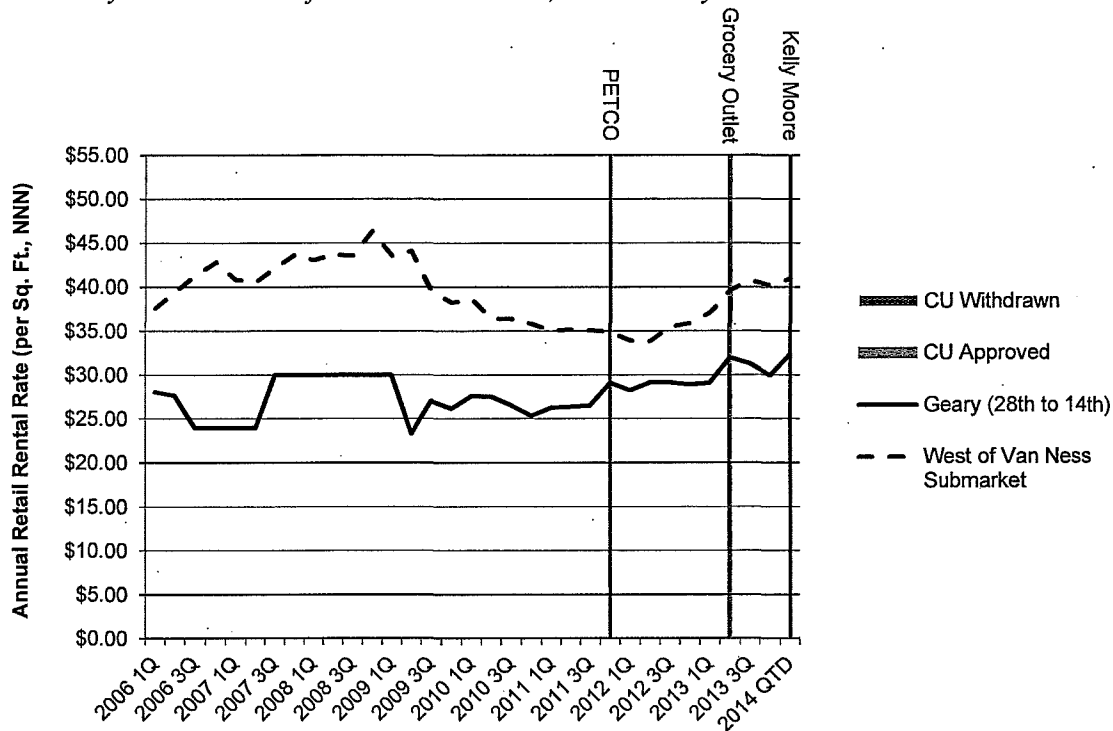
**Reflecting increasing sales volumes, rents in the district are reportedly rising while the vacancy rate has declined over the past year.** Figure VIII-40 provides CoStar data on rents for the Geary Boulevard case study area and West of Van Ness commercial real estate submarket (defined by CoStar), and shows the quarter when formula retail conditional use applications were approved or withdrawn. According to CoStar, rents have risen slightly in the case study area since early 2011. Local merchants have also raised concerns about an upward pressure on rents.<sup>116</sup> Storefront inventories conducted by OEWD in February 2013 and December 2013 show the vacancy rate falling from eight percent to six percent over the course of the year.

**Several large, long-vacant storefronts have proved challenging to fill with traditional retail uses.** For example, a 5,000-square-foot former Walgreens site at 5411 Geary Boulevard (shown in Figure VIII-41) has been vacant for a number of years. As discussed above, Unleashed by PetCo submitted a formula retail CU application for the space in 2011, which was withdrawn amid significant controversy. An application for a Kelly Moore paint store in 2013 was also withdrawn. In early 2014, the space was leased by Hi-Five Sports, an indoor sports facility that will include a large basketball court for private events, classes, and practice.<sup>117</sup> As an athletic facility and the company's first brick-and-mortar location, Hi-Five Sports did not require a formula retail CU authorization.

<sup>116</sup> Ibid.

<sup>117</sup> Thomas K. Pendergast, "Proposal for New Petco Store on Geary Draws Public Ire," *The Richmond Review*, February 2011, <http://www.sfrichmondreview.com/archives/richmondreview/2011editions/Feb11/petco.html>; Joshua Sabatini, "Petco Barred from San Francisco's Geary Street by Pet-Supply Chain Ban," *The San Francisco Examiner*, July 27, 2011, <http://www.sfoxaminer.com/sanfrancisco/petco-barred-from-san-franciscos-geary-street-by-pet-supply-chain-ban/Content?oid=2178777>; "Hi-Five Sports Zone Moving into Former Walgreens Space near 18th & Geary," *Richmondsfblog.com*, March 6, 2014, <http://richmondsfblog.com/2014/03/06/hi-five-sports-zone-moving-into-former-walgreens-space-near-18th-geary/>.

Figure VIII-40. Rents and Formula Retail Conditional Use Application Activity in the Geary Boulevard Case Study Area and West of Van Ness Submarket, 2006-January 2014



The West of Van Ness Submarket stretches west from Van Ness and north of 16th Street to the shoreline.

Acronyms:

CU: Conditional use application; NNN: Triple net

Sources: CoStar, 2014; City and County of San Francisco, 2014; Strategic Economics, 2014.

Rents based on CoStar data that have not been independently verified.

Figure VIII-41. Long-Term Vacant Storefront in the Geary Boulevard Case Study Area (5411 Geary Boulevard)



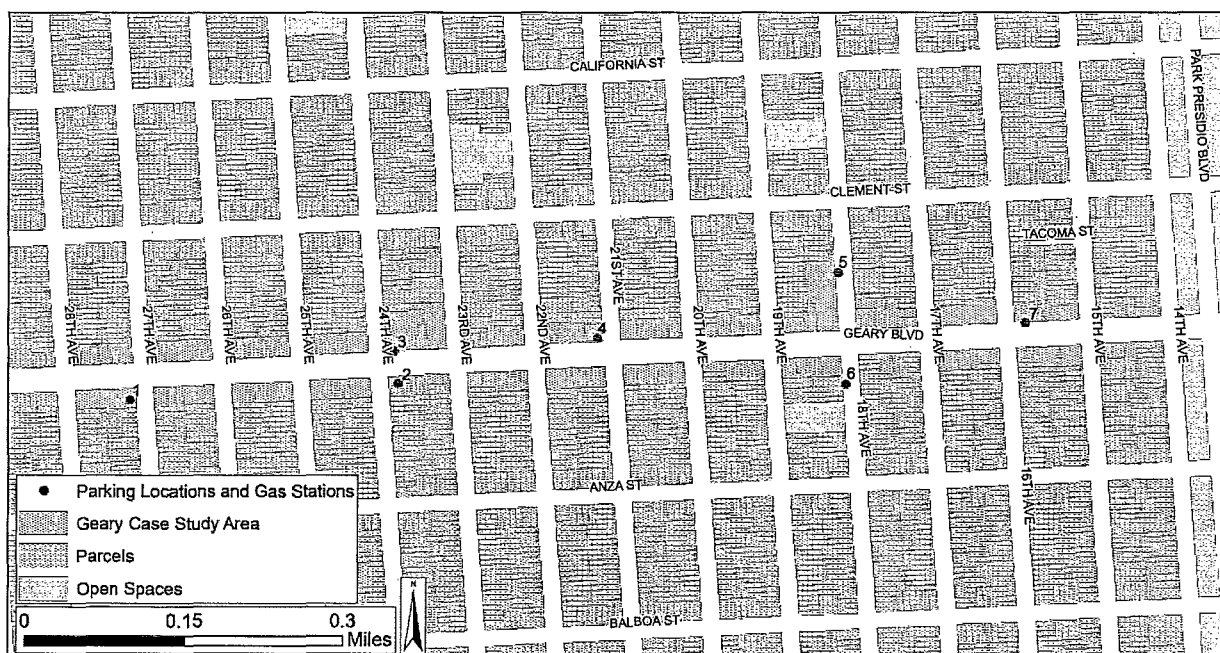
Source: Strategic Economics, 2014.

### Neighborhood Character

The Geary Boulevard case study area faces physical challenges including poorly maintained sidewalks, buildings, and signage, as well as many long-term small businesses that could benefit from façade and other tenant improvements. Geary Boulevard itself is a major east-west arterial with fast-moving traffic. As a result of these physical conditions and the length and disparateness of the commercial district, the case study area struggles to present a distinct identity.

Most of the private parking facilities in the Geary Boulevard case study area serve formula retail uses. Figure VIII-42 shows the location of auto-oriented uses, including public and private parking lots and gas stations, in the case study area.<sup>118</sup> Formula retail uses – including Grocery Outlet, First Republic Bank, Walgreens, Ross, and Blockbuster – occupy three of the four parcels with private parking lots or garages. The fourth private parking lot serves a gas station.

Figure VIII-42. Auto-Oriented Uses (Parking Locations and Gas Stations): Geary Boulevard Case Study Area



1. Private Parking Lot  
31 Spaces  
Store closed or no signage

2. First Republic Bank  
Private Lot  
Eight Spaces

3. Chevron Gas Station  
Private Lot  
15 Spaces

4. Public Parking Lot  
21 Spaces

5. Public Parking Lot  
52 Spaces

6. Public Parking Lot  
34 Spaces

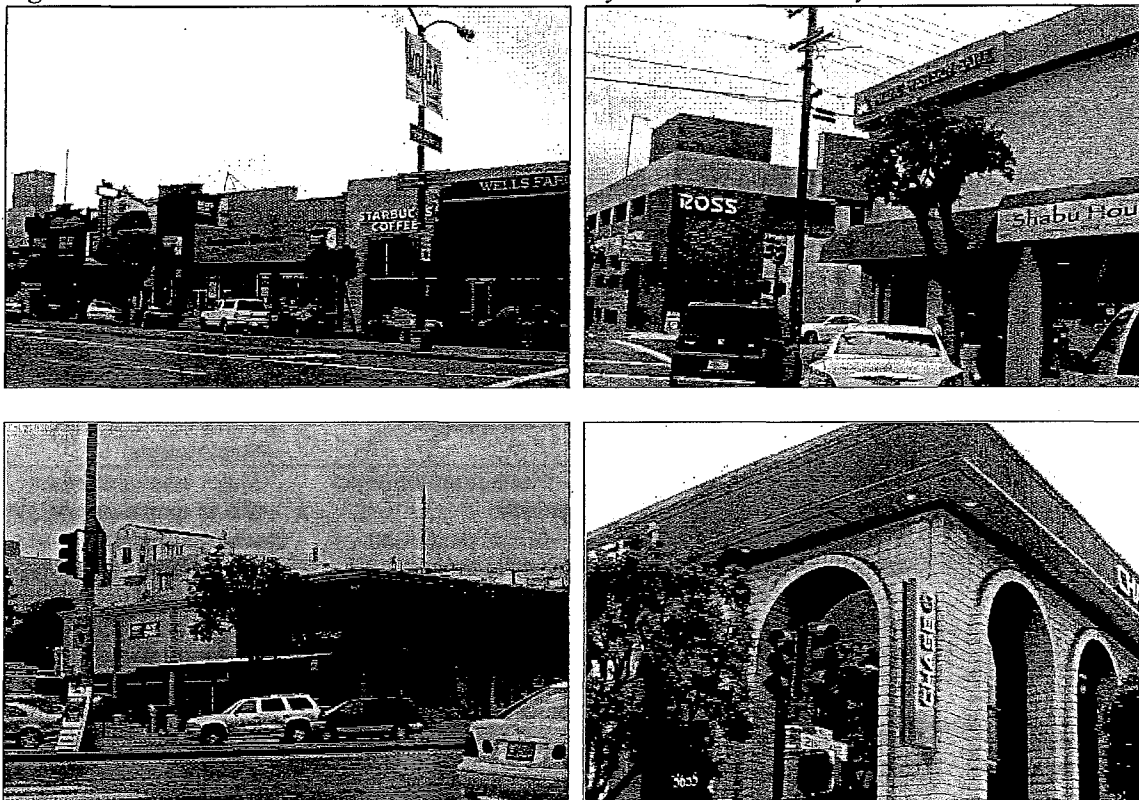
7. Walgreens/Ross/Blockbuster  
Private Garage  
150 Spaces

Formula retail establishments are noted in bold.  
Sources: SF Park, 2011; Strategic Economics, 2014.

<sup>118</sup> Note that data on the size of formula versus independent storefronts were not available for the Geary Boulevard case study area, because the Dun & Bradstreet data (which provide square footage information) were substantially modified and updated for this case study area.



Figure VIII-43. Selected Formula Retailers in the Geary Boulevard Case Study Area



Source: Strategic Economics, 2014.

## Conclusions

Figure VIII-44 summarizes some of the characteristic features of the three neighborhood case study areas. Taken together, the case studies suggest the following conclusions.

**Depending on their location, formula retail establishments can serve local daily needs or cater to regional shoppers.** In Upper Fillmore, formula retailers are part of a cluster of high-end fashion boutiques that serves many shoppers from across the city and region as well as high-income residents. Meanwhile, community members have expressed concerns about a loss of independent daily needs-serving businesses, which tend to have lower profit margins and thus struggle to afford the district's high rents. On Geary Boulevard and Ocean Avenue, most formula and independent retail businesses tend to be in categories that serve residents' and workers' daily needs, such as grocery stores, drug stores, banks, and coffee shops. However, as a major arterial, Geary Boulevard has more comparison shopping – including formula and independent retailers – compared to Ocean Avenue.

**The urban form of formula retail establishments in the case study areas varies significantly, depending on the characteristics of existing built space in the district and the type of function that the retailers serve.** In Upper Fillmore, formula retail establishments tend to locate in Victorian buildings with limited parking, although on average formula retailers occupy larger storefronts than independent retailers. In contrast, formula retail establishments on Ocean Avenue and Geary Boulevard are more likely to locate in auto-oriented buildings with significant parking. This difference reflects the eras when the districts were developed and existing types of buildings in the case study areas – after all, most of the

formula retail has located in existing buildings – as well as the different functions that formula retail plays in the different neighborhoods. Formula retail in Upper Fillmore generally caters to comparison shoppers who are likely to drive or take transit to the district and then walk from store to store. On the other hand, much of the formula retail on Ocean Avenue and Geary Boulevard sell groceries and personal goods that many shoppers buy in large quantities and prefer to transport in a car.

*Figure VIII-44. Summary of Selected Case Study Area Characteristics*

	<b>Upper Fillmore</b>	<b>Ocean Avenue</b>	<b>Geary Boulevard (14th to 28th Avenues)</b>
<b>Retail Mix</b>	--High-end apparel and beauty stores, home furnishings --Limited daily needs-serving stores --Restaurants	--Personal services, civic organizations, medical services --Many daily needs-serving stores --Restaurants	--Personal services, civic organizations, medical services --Mix of daily needs-serving stores and comparison shopping --Restaurants
<b>Neighborhood Character</b>	--Pedestrian-oriented shopping streets --Traditional Victorian mixed-use buildings --Limited off-street parking for formula and independent retail	--Pedestrian-oriented arterial --Mix of single-use retail buildings and mixed-use development --Several surface parking lots serving formula retailers	--Major arterial corridor --Mix of single-use retail buildings and mixed-use development --Several surface parking lots and garages serving formula retailers
<b>Trade Area Demographics</b>	--High household incomes --Small household sizes	--Moderate to high household incomes --Many families	--Moderate household incomes --Many families
<b>Concentration of Formula Retail (Formula Retail as a % of Total Retail Establishments)</b>	20% (does not include international chains and formula retail subsidiaries)	16%	16%
<b>Formula Retail Conditional Use Applications Since 2007</b>	Five; all approved	Six; one withdrawn, five approved	Three; two withdrawn, one approved
<b>Average Sales Tax Revenues per Single-Site Establishments</b>	\$6,500 (stores) \$14,300 (restaurants)	\$4,600 (stores) \$3,700 (restaurants)	\$3,700 (stores) \$5,400 (restaurants)
<b>Retail Vacancy Rate (Late 2013/Early 2014)</b>	Effectively zero	10%	6%

Source: Strategic Economics, 2014.

**Personal, business, and medical services play an important role in filling vacant retail space in daily needs-serving districts like the Ocean Avenue and Geary Boulevard case study areas, reflecting national retail market trends.** While Upper Fillmore's high sales volumes and reputation as a shopping destination continues to attract many retail stores and keep vacancies low, non-retail uses occupy a significant share of storefronts on Geary Boulevard and Ocean Avenue (40 percent and 56 percent, respectively). Moreover, the latter two case study areas both experienced decreases in the number of retail stores reporting sales tax revenues between 2002 and 2013. This trend reflects the challenge that cities across the country are facing in filling retail space with traditional retail activities as the industry has

become increasingly consolidated, with chain stores dominating much of the retail landscape. More recently, brick-and-mortar retail stores have also been forced to compete with online sales. Increasingly, cities, landlords, and brokers rely on businesses that do not typically face competition from Internet-based retailers (e.g., restaurants, food stores, and personal services), or that offer specialized customer service or a unique shopping experience (e.g., high-end clothing stores). Given these trends, expanding formula retail controls to include personal, business, and medical services could potentially make it more difficult to maintain healthy vacancy rates (i.e., vacancy rates of no more than 10 percent) in some NCDs.

**The City's formula retail controls may make some spaces more challenging to lease, especially larger buildings that are often best suited for formula retailers.** Brokers report that the controls make leasing large (>3,000 square foot) spaces particularly challenging, because formula retailers can generally fill more floor space than independent retailers and can more often afford to make needed tenant improvements and pay the rents required to lease larger storefronts. On the other hand, formula retail controls are likely only one of many factors contributing to long-term vacancies. For example, the vacancy of the former Rite Aid space on Ocean Avenue is directly tied to corporate restructurings of national chains (the space became vacant when the Rite Aid was purchased by Walgreens; a Fresh & Easy that was approved for the site never opened, due to the company's larger financial problems). The storefront, which occupies the ground floor of a mixed-use building, also suffers from significant design challenges including structural issues that make it difficult to subdivide.

**Formula retail establishments often have the resources to improve storefronts with challenging physical conditions and can serve as anchors in revitalizing neighborhoods, but can also be challenging to involve in merchant and community organizing and outreach.** The Whole Foods on Ocean Avenue is an example of a formula retail business that has helped bring new customer traffic to a struggling corridor. On the other hand, community members note that it is challenging to establish ongoing relationships with many formula retailers because the managers rotate between stores or do not have the authority to make decisions.

**The City's formula retail controls generally serve as a disincentive for formula retail establishments to locate in NCDs, but formula retailers' willingness to go through the formula retail conditional use application process depends on conditions in specific districts.** The Upper Fillmore and Ocean Avenue case study areas have each attracted five to six formula retail CU applications since the controls went into effect in 2007, suggesting that at least some formula retail establishments have determined that demand for their goods and services is strong enough in these neighborhoods to outweigh the cost and uncertainty of the CU process. Indeed, all of the CU applications in Upper Fillmore and all but one on Ocean Avenue have been approved. On the other hand, the Geary Boulevard case study area has only attracted three formula retail CU applications, of which two have been withdrawn. The lower application rate on this part of Geary Boulevard likely reflects more challenging market conditions, as indicated by the lower average household incomes in the trade area and lower sales volume for retail stores compared to the other two case study areas. The significant community opposition that PetCo Unleashed encountered may also serve as a deterrent for new formula retail CU applicants.

**Community reaction to formula retail conditional use applications appears to depend on the potential impact on competing businesses and whether prospective formula retail tenants are filling long-standing vacancies or meeting perceived community needs.** In Upper Fillmore, for example, community members have raised concerns about large, established brands competing with independent retailers, the decline in businesses that serve daily needs, and the perception that formula retailers are less engaged with the community than independent businesses. Along Ocean Avenue, however, many formula retailers are seen as providing valuable neighborhood services, although it can be challenging to establish ongoing relationships with them. Along Geary Boulevard, the community has generally supported CU

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applications for formula retail that fills long-standing needs, but organized to oppose formula retail that competed with existing small businesses.

**The City's formula retail CU application process allows the Planning Commission to exercise discretion and respond to case-by-case concerns raised by community members.** When considering a request for a formula retail CU, the Planning Commission is required to consider criteria such as the existing concentration of formula retail uses, the availability of other similar retail uses, the existing retail vacancy rates, the existing mix of citywide- and neighborhood-serving uses, and the compatibility of the proposed project with the existing architectural and aesthetic character of the district.

## APPENDIX A. DATA SOURCES AND METHODOLOGY: IDENTIFYING EXISTING FORMULA RETAIL

As summarized in Chapter III, Strategic Economics identified formula and independent retail establishments using a database of all businesses in San Francisco purchased in 2012 from Dun & Bradstreet (D&B). D&B is a commercial vendor that collects and sells data on businesses, assigning each establishment in its database a unique, location-specific Data Universal Numbering System (D-U-N-S®) Number. D&B also collects a wide range of data points on each individual establishment including business name, trade name, address, annual sales volume, number of employees, square feet of establishment, year opened, line of business, and corporate linkages, including categorizing each establishment by whether it is a single location, branch, headquarters, or subsidiary. The City and County of San Francisco geocoded each establishment based on the address provided by D&B.

The 2012 D&B database includes approximately 82,000 business establishments located in San Francisco. In order to identify formula and other retail establishments, Strategic Economics used the following methodology:

1. **Identifying retail:** Strategic Economics used the North American Industry Classification System (NAICS) codes<sup>119</sup> that D&B provides for each establishment in the dataset to identify types of businesses that would most likely be subject to the definition of formula retail in the San Francisco Planning Code.<sup>120</sup> Figure A-1 shows the NAICS codes considered to be “retail” under this definition, based on the Planning Code and discussions with Planning Department staff. Retail establishments were grouped into broad “use types” for the purposes of the analysis: stores; restaurants, bars, and cafes; retail services; banks, credit unions, and savings and loans.<sup>121</sup> Note that some uses that are often considered retail in other contexts – for example, hair salons, gyms, health care outlets, gas stations, home mortgage centers, tax service centers, and auto dealerships – are not currently subject to San Francisco’s formula retail controls, and were therefore excluded from the definition of retail for the purposes of this analysis. Establishments located at San Francisco International Airport were also excluded from the analysis.
2. **Identifying formula retail:** Formula retailers were identified as retail establishments with 12 or more global corporate family members – i.e., branches and subsidiaries – as identified by D&B. D&B defines a branch as “a secondary location of a business. . . It will have the same legal business name as its headquarters, although branches frequently operate under a different trade [name].” A subsidiary is defined as “a corporation that is more than 50 percent owned by another corporation.”<sup>122</sup>

<sup>119</sup> NAICS is the standard code system used by federal statistical agencies for classifying business establishments.

<sup>120</sup> As stated in Section 303(i)(2) of the Planning Code, the following uses (as defined in Article 7 and Article 8 of the Planning Code) are subject to the definition of formula retail: “Bar,” “Drive-up Facility,” “Eating and Drinking Use,” “Liquor Store,” “Sales and Service, Other Retail,” “Restaurant,” “Limited-Restaurant,” “Take-Out Food,” “Sales and Service, Retail,” “Service, Financial,” “Movie Theater,” and “Amusement and Game Arcade.” In addition, in the Taraval Street Neighborhood Commercial District (NCD), Noriega Street NCD, and Irving Street NCD, “Trade Shops” are also subject to the formula retail controls. Trade shops are defined in Section 790.124 as “a retail use which provides custom crafted goods and/or services for sale directly to the consumer, reserving some storefront space for display and retail service for the goods being produced on site...” including repair of personal apparel, accessories, household goods, appliances, and furniture; upholstery services; carpentry; building, electrical, painting, roofing, furnace or pest control contractors; printing of a minor processing nature; tailoring; and other artisan craft uses, including fine arts uses.

<sup>121</sup> Trade shops (in the Taraval, Noriega, and Irving Street NCDs), movie theaters, and arcades were also initially included in the definition of “retail,” as these uses are subject to the definition of formula retail in the Planning Code. However, the analysis identified no trade shops (in the relevant NCDs) or arcades that could be considered formula retail, and the number of movie theaters in the database was too small (fewer than 20) to draw any meaningful conclusions. Therefore, these uses have been excluded from the analysis.

<sup>122</sup> Dun & Bradstreet, “Glossary of D&B Terms,” <https://www.dnb.com/product/birgloss.htm>.

Businesses with fewer than 12 corporate family members, including businesses with a single location, were categorized as “independent” retail establishments.

3. **Limited data cleaning:** The dataset was too large to permit verification of all records. Strategic Economics conducted a limited assessment of the data, focusing on specific business types (movie theaters, coffee shops, pet stores, banks, grocery stores, pharmacies, and wholesale establishments<sup>123</sup>). This process involved searching for known formula and independent retail establishments, as identified using Internet store locators, Yelp, and other websites, in order to verify the NAICS code, number of branches, and locations of establishments. Following this assessment, Strategic Economics made limited corrections to the data, including changing inaccurate NAICS codes (for example, re-categorizing retail grocery stores with wholesale NAICS codes) and reclassifying businesses that were incorrectly identified as either formula or independent based on the number of corporate family members listed in the D&B database. In order to maintain consistency across the dataset, Strategic Economics did not add establishments that were missing from the data or remove closed establishments, businesses with incorrect addresses, or duplicate locations.

### Interpreting the Analysis

In general, the analysis is limited by the information available in the D&B dataset and the quality of the data, which has not been independently verified. The data shown throughout this report have been aggregated in order to ensure that the results are robust.<sup>124</sup> Nevertheless, the results should be interpreted with the understanding that the analysis has some limitations, including the following:

- **The methodology used to identify formula retail does not exactly match the City’s definition of formula retail.** Strategic Economics used the industry codes<sup>125</sup> that D&B provides for each establishment in the dataset to identify types of businesses that would most likely be subject to the definition of formula retail in the Planning Code. These codes approximate, but do not exactly correspond to, the specific retail uses subject to the definition of formula retail under the Planning Code. In addition, the analysis relied on the number of global corporate family members (including chains and subsidiaries) as a proxy for formula status, the only such indicator available. In contrast, the definition of formula retail in the Planning Code only includes establishments located in the United States and is based on standardized branding, signage, and other aesthetic factors, irrespective of ownership.
- **The data are static.** All results are from D&B’s 2012 dataset. Although the City has purchased D&B data going back to 2004 for other purposes, the number of global corporate family members – the data field that served as the basis for identifying formula retail establishments – is not available in most previous years.
- **Data on individual businesses (including industry, number of employees, and square footage) are largely self-reported and/or modeled by D&B, and have not been independently verified.** In addition, some types of data (e.g., annual sales, year opened) are only available for a limited number of businesses in the dataset; this analysis only used variables for which data were available for most establishments.
- **Not all businesses are included in the dataset, and businesses that close or relocate may not be removed.** Although the D&B is commonly considered the best commercial source of business data, the dataset is missing some businesses and includes others that are closed or have relocated, as well as some duplicate locations.

<sup>123</sup> A number of retail establishments were miscategorized as Wholesale Trade (NAICS code 42).

<sup>124</sup> For example, findings based on fewer than 20 establishments were considered unreliable and are not shown.

<sup>125</sup> The North American Industry Classification System (NAICS) is the standard code system used by federal statistical agencies for classifying business establishments.

Figure A-1. North American Industry Classification System Codes Included in Definition of Retail, by Use Type

NAICS Code	Description	Use Type
441310	Automotive Parts & Accessories Stores	Stores
442110	Furniture Stores	Stores
442210	Floor Covering Stores	Stores
442291	Window Treatment Stores	Stores
442299	All Other Home Furnishings Stores	Stores
443111	Household Appliance Stores	Stores
443112	Radio, Television, & Other Electronics Stores	Stores
443120	Computer & Software Stores	Stores
443130	Camera & Photographic Supplies Stores	Stores
444110	Home Centers	Stores
444120	Paint & Wallpaper Stores	Stores
444130	Hardware Stores	Stores
444190	Other Building Material Dealers	Stores
444210	Outdoor Power Equipment Stores	Stores
444220	Nursery, Garden Center, & Farm Supply Stores	Stores
445110	Supermarkets & Other Grocery (except Convenience) Stores	Stores
445120	Convenience Stores	Stores
445210	Meat Markets	Stores
445220	Fish & Seafood Markets	Stores
445230	Fruit & Vegetable Markets	Stores
445291	Baked Goods Stores	Stores
445292	Confectionery & Nut Stores	Stores
445299	All Other Specialty Food Stores	Stores
445310	Beer, Wine, & Liquor Stores	Stores
446110	Pharmacies & Drug Stores	Stores
446120	Cosmetics, Beauty Supplies, & Perfume Stores	Stores
446130	Optical Goods Stores	Stores
446191	Food (Health) Supplement Stores	Stores
446199	All Other Health & Personal Care Stores	Stores
448110	Men's Clothing Stores	Stores
448120	Women's Clothing Stores	Stores
448130	Children's & Infants' Clothing Stores	Stores
448140	Family Clothing Stores	Stores
448150	Clothing Accessories Stores	Stores
448190	Other Clothing Stores	Stores
448210	Shoe Stores	Stores
448310	Jewelry Stores	Stores
448320	Luggage & Leather Goods Stores	Stores
451110	Sporting Goods Stores	Stores
451120	Hobby, Toy, & Game Stores	Stores
451130	Sewing, Needlework, & Piece Goods Stores	Stores
451140	Musical Instrument & Supplies Stores	Stores
451211	Book Stores	Stores
451212	News Dealers & Newsstands	Stores
451220	Prerecorded Tape, Compact Disc, & Record Stores	Stores
452111	Department Stores (except Discount Department Stores)	Stores
452112	Discount Department Stores	Stores
452910	Warehouse Clubs & Supercenters	Stores
452990	All Other General Merchandise Stores	Stores
453110	Florists	Stores
453210	Office Supplies & Stationery Stores	Stores
453220	Gift, Novelty, & Souvenir Stores	Stores
453310	Used Merchandise Stores	Stores
453910	Pet & Pet Supplies Stores	Stores
453920	Art Dealers	Stores

NAICS Code	Description	Use Type
453930	Manufactured (Mobile) Home Dealers	Stores
453991	Tobacco Stores	Stores
	All Other Miscellaneous Store Retailers (except Tobacco Stores)	Stores
453998	Stores	Stores
512131	Motion Picture Theaters (except Drive-Ins)	Movie Theaters and Arcades (a)
512132	Drive-In Motion Picture Theaters	Movie Theaters and Arcades (a)
722110	Full-Service Restaurants	Restaurants, Bars, Cafes
722211	Limited-Service Restaurants	Restaurants, Bars, Cafes
722212	Cafeterias	Restaurants, Bars, Cafes
722213	Snack & Nonalcoholic Beverage Bars	Restaurants, Bars, Cafes
722330	Mobile Food Services	Restaurants, Bars, Cafes
722410	Drinking Places (Alcoholic Beverages)	Restaurants, Bars, Cafes
323114	Quick Printing	Retail Services
812310	Coin-Operated Laundries & Drycleaners	Retail Services
812320	Drycleaning & Laundry Services (except Coin-Operated)	Retail Services
812910	Pet Care (except Veterinary) Services	Retail Services
812921	Photofinishing Laboratories (except One-Hour)	Retail Services
238350	Finish Carpentry Contractors	Trade Shops (a)
323110	Commercial Lithographic Printing	Trade Shops (a)
323111	Commercial Gravure Printing	Trade Shops (a)
323113	Commercial Screen Printing	Trade Shops (a)
323116	Manifold Business Forms Printing	Trade Shops (a)
323117	Books Printing	Trade Shops (a)
323118	Blankbook, Looseleaf Binders, & Devices Manufacturing	Trade Shops (a)
323119	Other Commercial Printing	Trade Shops (a)
323121	Tradebinding & Related Work	Trade Shops (a)
323122	Prepress Services	Trade Shops (a)
811411	Home & Garden Equipment Repair & Maintenance	Trade Shops (a)
811412	Appliance Repair & Maintenance	Trade Shops (a)
811420	Reupholstery & Furniture Repair	Trade Shops (a)
811430	Footwear & Leather Goods Repair	Trade Shops (a)
811490	Other Personal & Household Goods Repair & Maintenance	Trade Shops (a)
522110	Commercial Banking	Banks, Credit Unions, Savings & Loans
522120	Savings Institutions	Banks, Credit Unions, Savings & Loans
522130	Credit Unions	Banks, Credit Unions, Savings & Loans
713120	Amusement Arcades	Movie Theaters and Arcades (a)

(a) Trade shops (in the Taraval, Noriega, and Irving Street NCDs), movie theaters, and arcades were also initially included in the definition of "retail," as these uses are subject to the definition of formula retail in the Planning Code. However, the analysis identified no trade shops (in the relevant NCDs) or arcades that could be considered formula retail, and the number of movie theaters in the database was too small (fewer than 20) to draw any meaningful conclusions. Therefore, these uses have been excluded from the analysis.

Acronyms:

NAICS: North American Industry Classification System

Source: Strategic Economics, 2014.



## APPENDIX B. SAN FRANCISCO'S USE SIZE CONTROLS

The following tables provide information on the use size limitations in San Francisco's neighborhood commercial districts (Figure B-1) and other commercial districts (Figure B-2), and on the City's conditional use requirements for large-scale retail (Figure B-3).

*Figure B-1. Article 7 Zoning Districts – Use Size Limitations*

Zoning District	Use Size Limit (a)
North Beach NCD	2,000 square feet Nonresidential uses over 4,000sqft not permitted, except for Movie Theater
Castro Street NCD	2,000 square feet Nonresidential uses over 4,000sqft not permitted, except certain Large Institutions as defined in Sec. 715.21.
Pacific Avenue NCD	2,000 square feet
Inner Clement Street NCD	
Inner Sunset NCD	
Outer Clement Street NCD	
Upper Fillmore Street NCD	
Haight Street NCD	
Polk Street NCD	2,500 square feet
Sacramento Street NCD	
Union Street NCD	
24 <sup>th</sup> Street-Mission NCT	
24 <sup>th</sup> Street-Noe Valley NCD	
West Portal Avenue NCD	2,500 square feet Nonresidential uses over 4,000sqft not permitted
NC-1, NCT-1	
Broadway	
Hayes-Gough NCT	
Upper Market Street NCD	3,000 square feet
Upper Market Street NCT	
Valencia Street NCD	
NC-2, NCT-2	
SoMa NCT	
Ocean Avenue NCT	
Glen Park NCT	
Folsom Street NCD	3,500 square feet
Noriega Street NCD	
Taraval Street NCD	
Judah Street NCD	
Irving Street NCD	
NC-3, NCT-3, Mission Street	
NC-S	6,000 square feet
Excelsior-Outer Mission NCD	

(a) Use size indicated is principally permitted. Use sizes greater than those indicated require a Conditional Use authorization from the Planning Commission unless otherwise prohibited.

Source: San Francisco Planning Code, Section 121.2.

*Figure B-2. Article 8 Zoning Districts – Use Size*

<b>Zoning District (Planning Code Section)</b>	<b>Use Size Restrictions (Square Feet)</b>
Chinatown Visitor Retail (811.1)	P up to 2500 C for 2501-5000 Restaurants up to 5000 P
Chinatown Residential NCD (812.1)	P up to 2500 C 2501 – 4000
RED (813)	No retail
South Park (814)	Retail up to 5000/lot C for 5000 bar or liquor store
SLR (816)	No use size limitations
SLI (817)	Financial services up to 4000 and other criteria
Rincon Hill Res MU (827)	P up to 25,000 C Above No individual ground floor tenant may occupy more than 75' of frontage for a depth of 25' on Folsom Street
South Beach Downtown Res (829)	P up to 25,000 C Above
MUG (840)	All Retail: P up to 25,000/lot; Above 25,000 permitted if the ratio of other permitted uses to retail is at least 3:1 Formula Retail: C subject to use size of retail
MUR (841)	Formula Retail permitted, no use size restrictions
MUO (842)	All Retail: P up to 25,000/lot
UMU (843)	All Retail: P up to 25,000/lot; above 25,000/lot permitted if ratio of other permitted uses to retail is at least 3:1. P up to 3999 per use, C over 4000 per use
WMUG (844)	P up to 10,000/lot; Above not permitted; C for Formula Retail
WMUO (845)	P up to 10,000/lot; C up to 25,000; above not permitted Formula Retail: C up to 25,000; not permitted above
SALI (846)	Retail: P up to 10,000/lot; C up to 25,000; above not permitted Formula Retail: C up to 25,000/lot; above not permitted
Red-MX (847)	Retail and Formula Retail not permitted – except with C in a Historic Building; Limited Restaurants and Restaurants are P up to 1250/lot area, C above and not permitted if in excess of 1 FAR;

## Acronyms:

P = Principally Permitted

C = Conditional Use Authorization required

FAR = Floor Area Ratio

Source: San Francisco Planning Code, Article 8.

*Figure B-3. Large Scale Retail Use Conditional Use Requirements*

Single Retail Use Size	Conditional Use Requirements
Over 50,000 gsf	Requires Conditional Use authorization in all but the C-3 Zoning District
Over 90,000 gsf	Requires Conditional Use authorization in C-3 Zoning District, unless already prohibited
Over 120,000 gsf	Prohibited in all but the C-3 Zoning District
Over 120,000 gsf AND sells groceries, contains more than 20,000 Stockpiling Units (SKUs); and devotes more than 5% of its total sales floor area to the sale of non-taxable merchandise	Prohibited in all Zoning Districts

Acronyms:

Gsf = Gross Square Feet

Source: San Francisco Planning Code, Section 121.6.

## APPENDIX C: DEFINITIONS OF LAND USES INCLUDED IN SUPERVISOR ERIC MAR'S PROPOSED LEGISLATION

An ordinance proposed by Supervisor Eric Mar would, among other changes, add the following land uses to the definition of formula retail in the San Francisco Planning Code.

*Figure C-1. Land Uses Included in Supervisor Eric Mar's Proposed Legislation: Definitions*

Land Use	Definition (Excerpted from San Francisco Planning Code)
Ambulance Service	A retail use which provides medically related transportation services.
Animal Hospital	A retail use which provides medical care and accessory boarding services for animals, not including a commercial kennel....
Automobile Parking	A use which provides temporary parking accommodations for private vehicles whether conducted within a garage or on an open lot, excluding accessory parking...and community residential parking....
Automobile Sale or Rental	A retail use which provides vehicle sales or rentals whether conducted within a building or on an open lot.
Automotive Gas Station	A retail automotive service use which provides motor fuels, lubricating oils, air, and water directly into motor vehicles and without providing automotive repair services, including self-service operations which sell motor fuel only.
Automotive Service Station and Automotive Repair	Service Station: A retail automotive service use which provides motor fuels and lubricating oils directly into motor vehicles and minor auto repairs; Repair: A retail automotive service use which provides any of the following automotive repair services when conducted within an enclosed building having no openings....
Automotive Wash	A retail automotive service use which provides cleaning and polishing of motor vehicles....
Entertainment, Adult	A retail use which includes the following: adult bookstore...adult theater...and encounter studio....
Entertainment, Other	A retail use, other than adult entertainment...which provides live entertainment, including dramatic and musical performances, and/or provides amplified taped music for dancing on the premises, including but not limited to Places of Entertainment and Limited Live Performance Locales, as defined in Section 1060 of the Police Code, and which is adequately soundproofed or insulated so as to confine incidental noise to the premises. Other entertainment also includes a bowling alley, billiard parlor, shooting gallery, skating rink and other commercial recreational activity, but it excludes amusement game arcades, as defined in Section 790.4 of [the Planning] Code and regulated in Section 1036 of the Police Code.
Gift Store Tourist Oriented	A retail use which involves the marketing of small art goods, gifts, souvenirs, curios, novelties to the public, particularly those who are visitors to San Francisco rather than local residents.
Hotel, Tourist	A retail use which provides tourist accommodations, including guest rooms or suites, which are intended or designed to be used, rented, or hired out to guests (transient visitors) intending to occupy the room for less than 32 consecutive days.
Jewelry Store	A retail use which primarily involves the sale of jewelry to the general public.
Large-Scale Urban Agriculture	The use of land for the production of food or horticultural crops to be harvested, sold, or donated that occur: (1) on a plot of land 1 acre or larger or (2) on smaller parcels that cannot meet the physical and operational standards for Neighborhood Agriculture.
Light Manufacturing, Wholesale Sales	Light Manufacturing: A nonretail use which provides for the fabrication or production of goods, by hand or machinery, for distribution to retailers or wholesalers for resale off the premises, primarily involving the assembly, packaging, repairing, or processing of previously prepared materials.... Wholesale Sales: A nonretail use which exclusively provides goods or commodities for resale or business use, including accessory storage....

Land Use	Definition (Excerpted from San Francisco Planning Code)
Neighborhood Agriculture	A use that occupies less than 1 acre for the production of food or horticultural crops to be harvested, sold, or donated and comply with the controls and standards herein. The use includes, but is not limited to, home, kitchen, and roof gardens. Farms that qualify as Neighborhood Agricultural use may include, but are not limited to, community gardens, community-supported agriculture, market gardens, and private farms.
Service Limited, Financial	A retail use which provides banking services, when not occupying more than 15 feet of linear frontage or 200 square feet of gross floor area.
Service, Personal and Massage Establishment	Personal Service: A retail use which provides grooming services to the individual, including salons, cosmetic services, tattoo parlors, and health spas, or instructional services not certified by the State Educational Agency, such as art, dance, exercise, martial arts, and music classes. Massage Establishment: Massage establishments are defined by Section 1900 of the San Francisco Health Code. The massage establishment shall first obtain a permit from the Department of Public Health pursuant to Section 1908 of the San Francisco Health Code. Massage establishments shall generally be subject to Conditional Use authorization.
Storage	A retail use which stores within an enclosed building household goods or goods and materials used by other businesses at other locations, but which does not store junk, waste, salvaged materials, automobiles, inflammable or highly combustible materials, or wholesale goods or commodities. It shall include self-storage facilities for household goods.
Tobacco Paraphernalia Establishments	Retail uses where Tobacco Paraphernalia is sold, distributed, delivered, furnished or marketed from one person to another.
Trade Shop	A retail use which provides custom crafted goods and/or services for sale directly to the consumer, reserving some storefront space for display and retail service for the goods being produced on site....

Source: San Francisco Planning Code, Sections 790 and 890, February 2014.

## **APPENDIX D. DEMOGRAPHIC AND ECONOMIC ANALYSIS**

This appendix provides the following additional maps and tables created as part of the subarea analysis:

- Map of total existing retail establishments (formula and independent) per square mile (Figure D-1)
- Map of total existing formula retail establishments per square mile (Figure D-2)
- Map of population density by Census Tract (Figure D-3)
- Table summarizing population and household density by geographic subarea (Figure D-4)
- Map of employment density by Census Block (Figure D-5)
- Table summarizing employment density by geographic subarea (Figure D-6)
- Map of average household income by Census Tract (Figure D-7)<sup>126</sup>
- Map of households earning less than \$20,000 a year by Census Tract (Figure D-8)
- Table summarizing household incomes by geographic subarea (Figure D-9)
- Hotels and motels by subarea (Figure D-10)

Note that in the map of average household income (Figure D-5), darker colors indicate higher-income areas; in the map of households earning less than \$20,000 a year (Figure D-6), darker colors indicate higher concentrations of low-income households.

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<sup>126</sup> Average (mean) household income rather than median household income was used for this analysis because the former indicator more closely represents residents' buying power.

Figure D-1. Total Existing Retail Establishments (Formula and Independent) per Square Mile, 2012

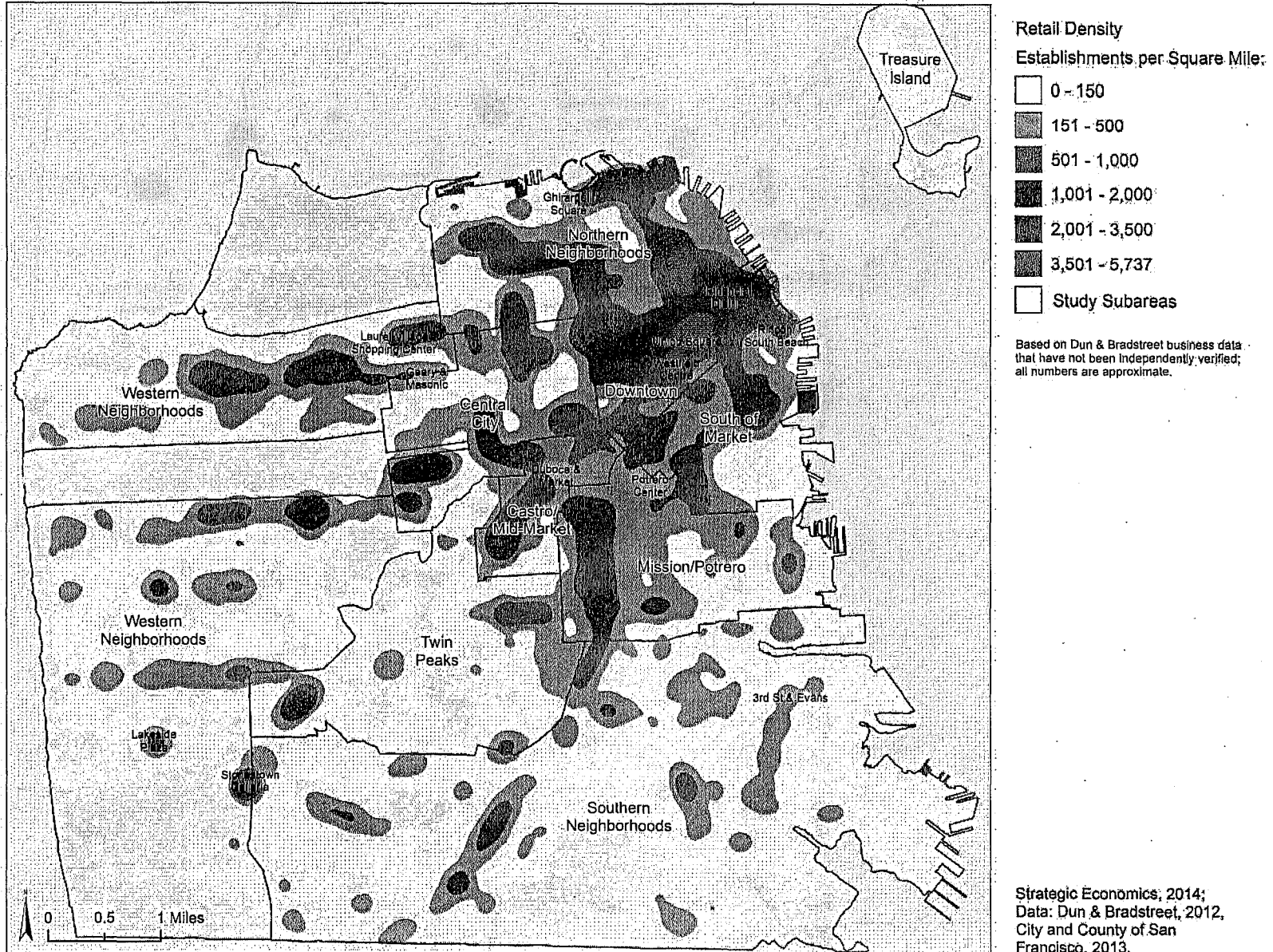


Figure D-2. Existing Formula Retail Establishments per Square Mile, 2012

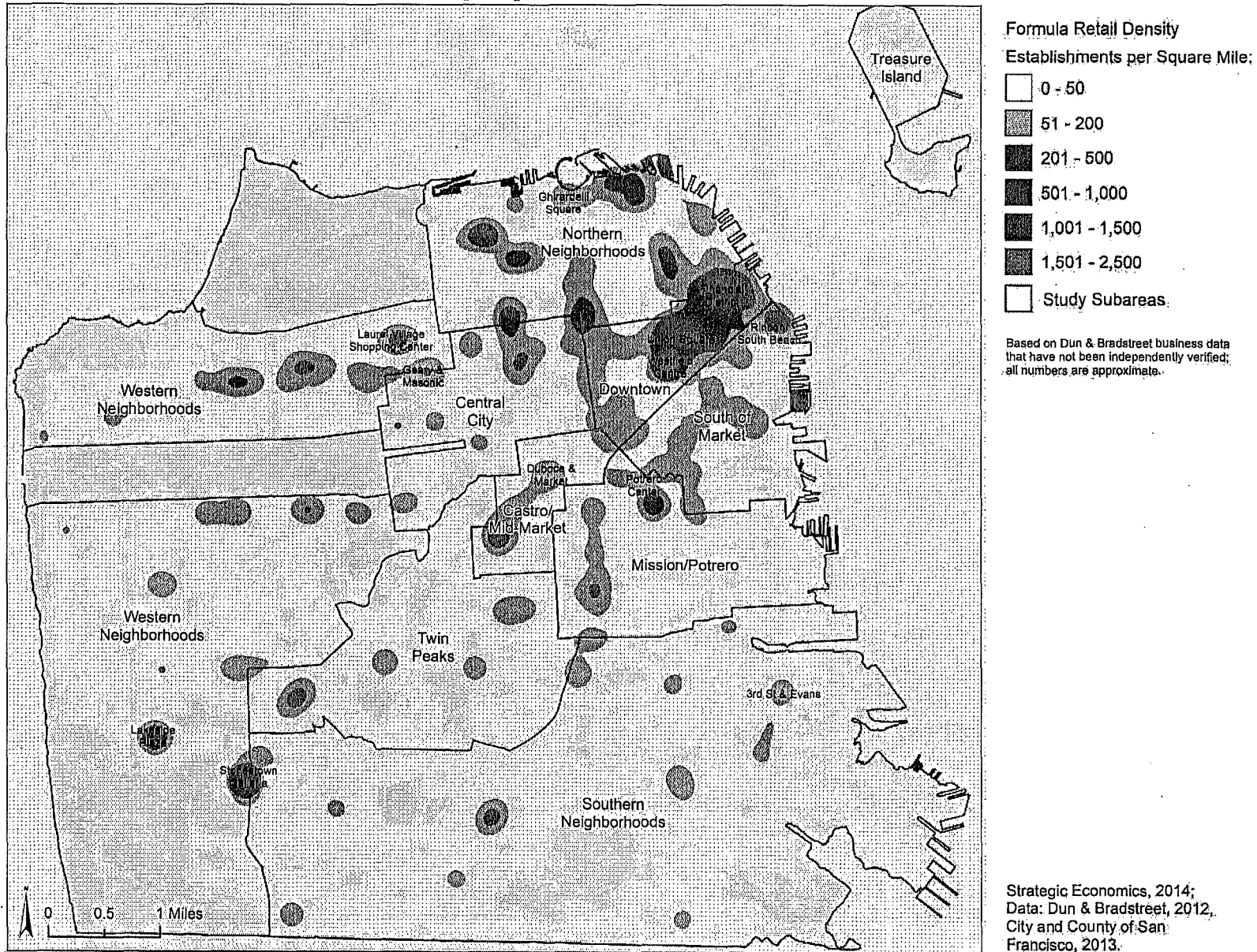
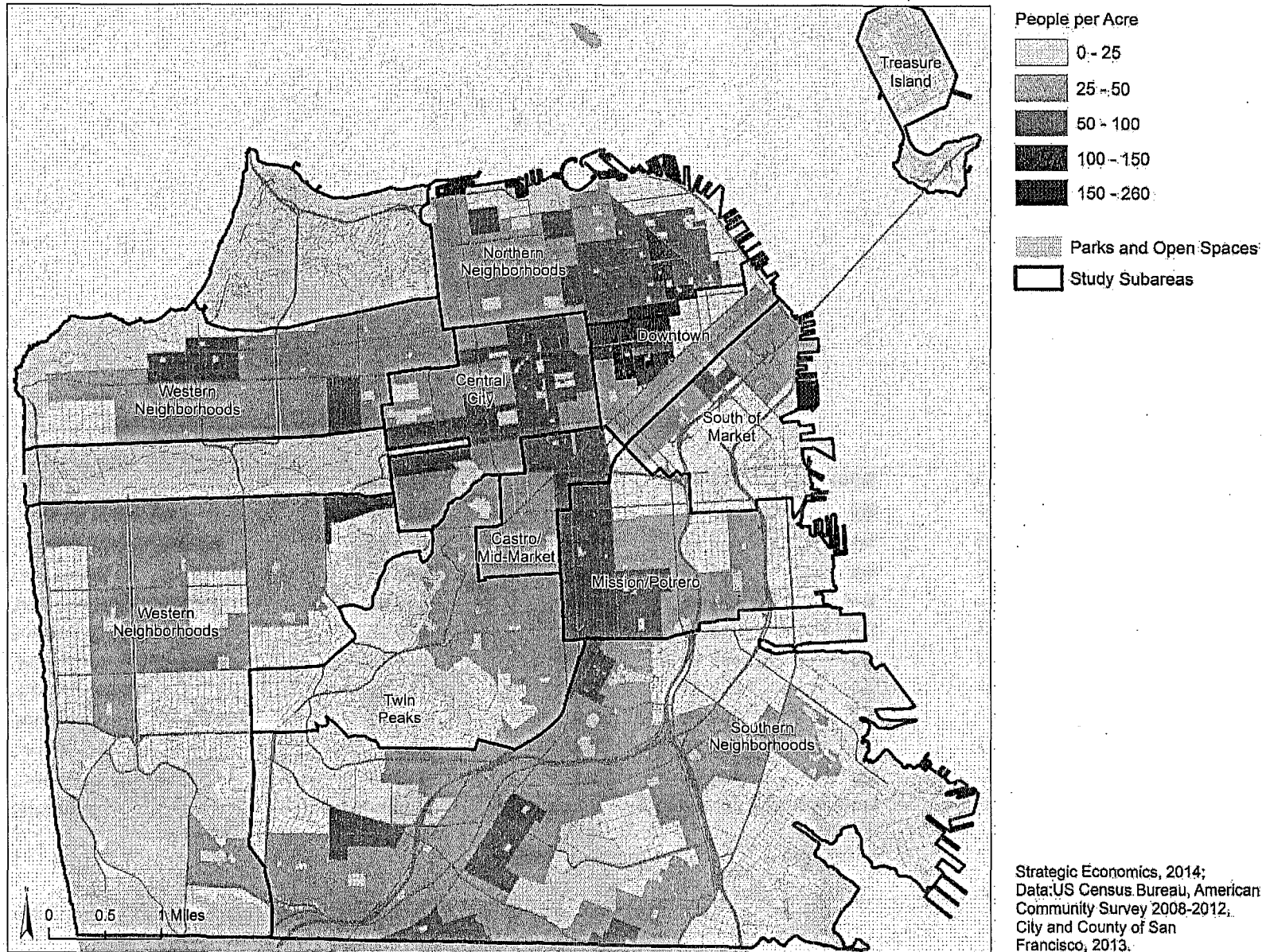




Figure D-3. Population Density by Census Tract, 2012



*Figure D-4. Average Population and Household Density by Subarea, 2012*

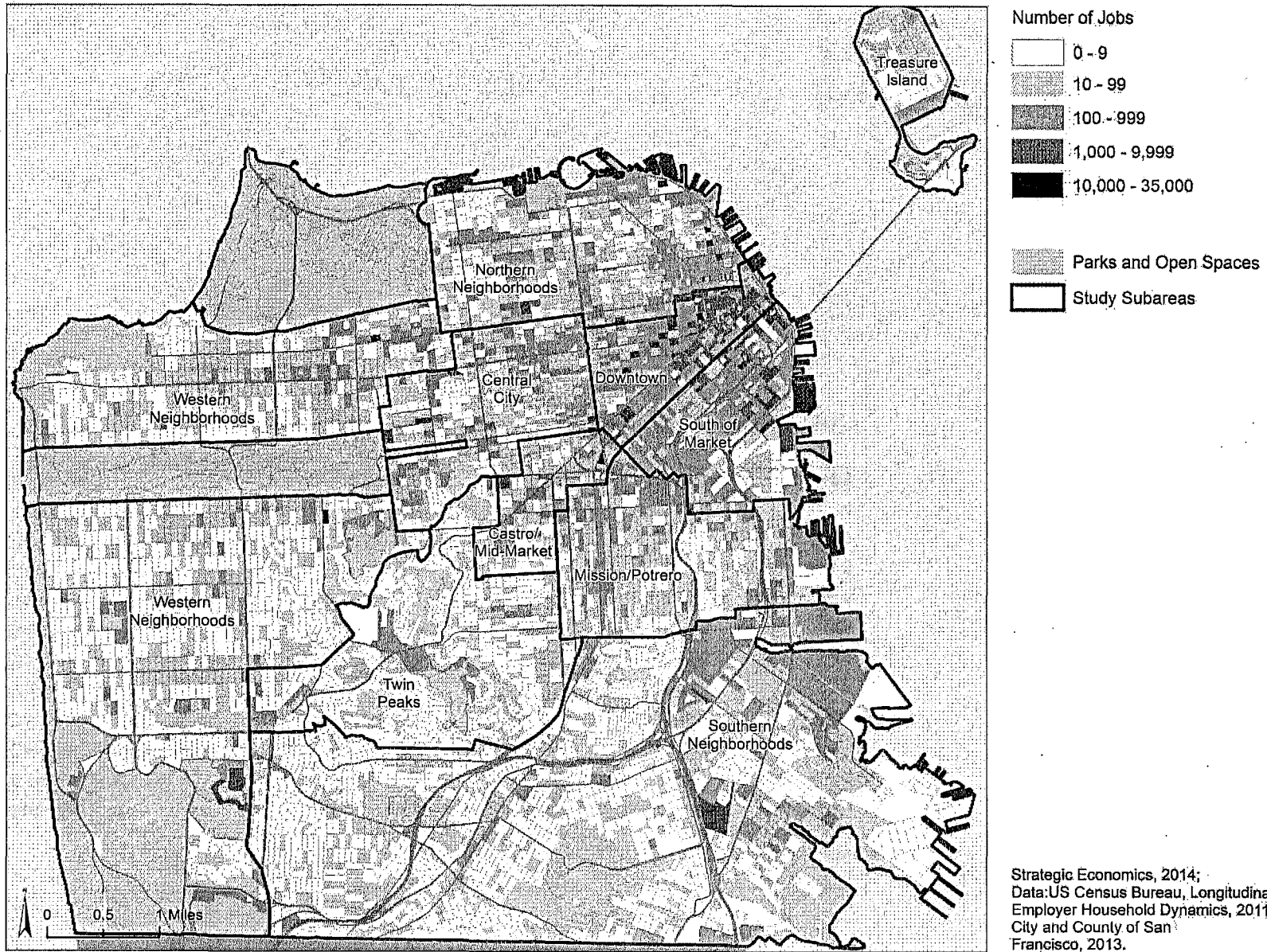
Subareas	Population	Percent of Total Population	Households	Percent of Total Households	Acres (a)	Population Density (Persons per Acre)	Household Density (Households per Acre)
Castro/Mid-Market	31,313	4%	15,975	5%	655	48	24
Central City	70,162	9%	34,983	10%	1,436	49	24
Downtown	41,009	5%	24,536	7%	606	68	40
Mission/Potrero	56,381	7%	22,583	7%	1,740	32	13
Northern Neighborhoods	106,816	13%	58,881	17%	2,185	49	27
South of Market	30,026	4%	15,579	5%	1,343	22	12
Southern Neighborhoods	199,097	25%	58,761	17%	8,055	25	7
Twin Peaks	58,680	7%	27,235	8%	2,465	24	11
Western Neighborhoods	184,950	23%	71,077	21%	5,543	33	13
Treasure Island (b)	22,692	3%	8,200	2%	1,475	15	6
<b>Total</b>	<b>801,126</b>	<b>100%</b>	<b>337,810</b>	<b>100%</b>	<b>25,504</b>	<b>31.4</b>	<b>13.2</b>

(a) Excluding major open spaces and parks.

(b) Not included in subarea analysis.

Source: U.S. Census Bureau, 2008-2012 American Community Survey; Strategic Economics, 2014.

Figure D-5. Employment Density by Census Block, 2012



Strategic Economics, 2014;  
Data: US Census Bureau, Longitudinal  
Employer Household Dynamics, 2011,  
City and County of San  
Francisco, 2013.

June 2014

Figure D-6. Employment Density by Subarea, 2012

Subarea	Jobs	% of Total Employment	Acres (a)	Employment Density (Jobs per Acre)
Castro/Mid-Market	44,669	8%	655	68
Central City	47,934	8%	1,436	33
Downtown	194,443	33%	606	321
Mission/Potrero	28,698	5%	1,740	16
Northern Neighborhoods	86,531	15%	2,185	40
South of Market	71,516	12%	1,343	53
Southern Neighborhoods	38,992	7%	8,055	5
Twin Peaks	6,591	1%	2,465	3
Western Neighborhoods	61,109	10%	5,543	11
Treasure Island (b)	5,346	1%	1,475	4
<b>Total</b>	<b>585,829</b>	<b>100%</b>	<b>25,504</b>	<b>23</b>

(a) Excluding major open spaces and parks.

(b) Not included in subarea analysis.

Source: U.S. Census Bureau, Longitudinal Employer-Household Dynamics Program, 2011; Strategic Economics, 2014.

Figure D-7. Average Household Income by Census Tract, 2012

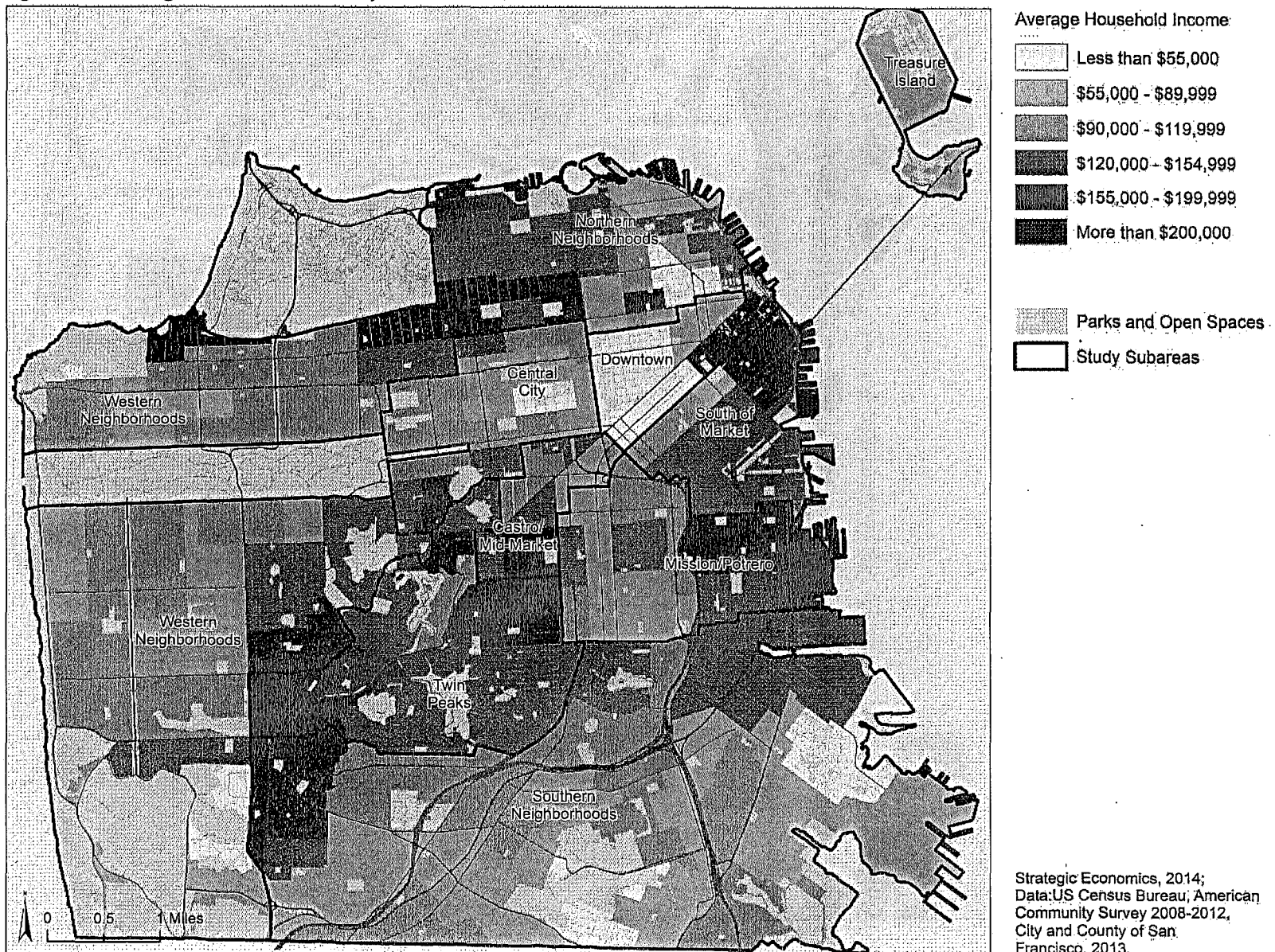
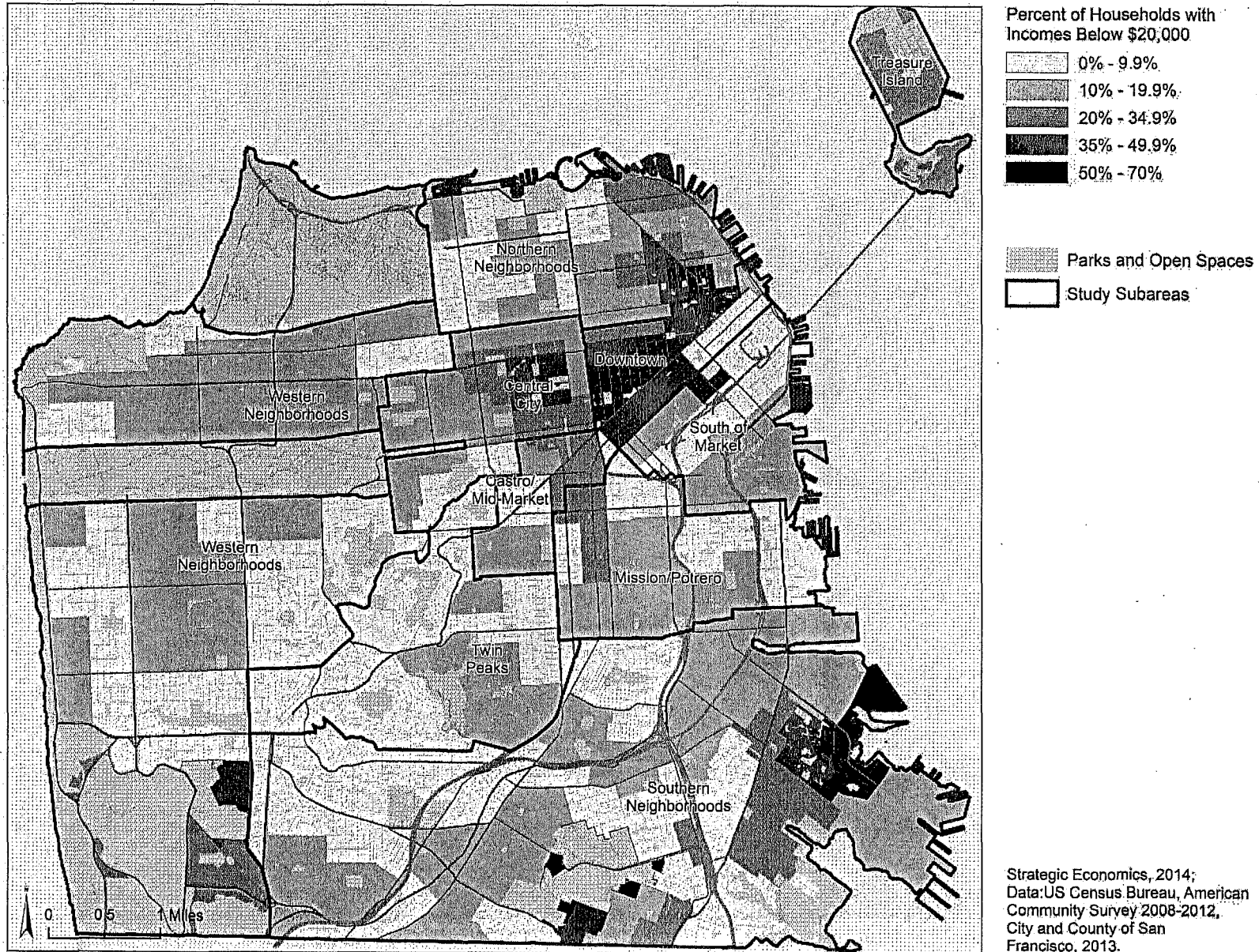




Figure D-8. Percent of Households with Household Incomes Below \$20,000 by Census Tract, 2012



Strategic Economics, 2014;  
Data: US Census Bureau, American  
Community Survey 2008-2012,  
City and County of San  
Francisco, 2013.

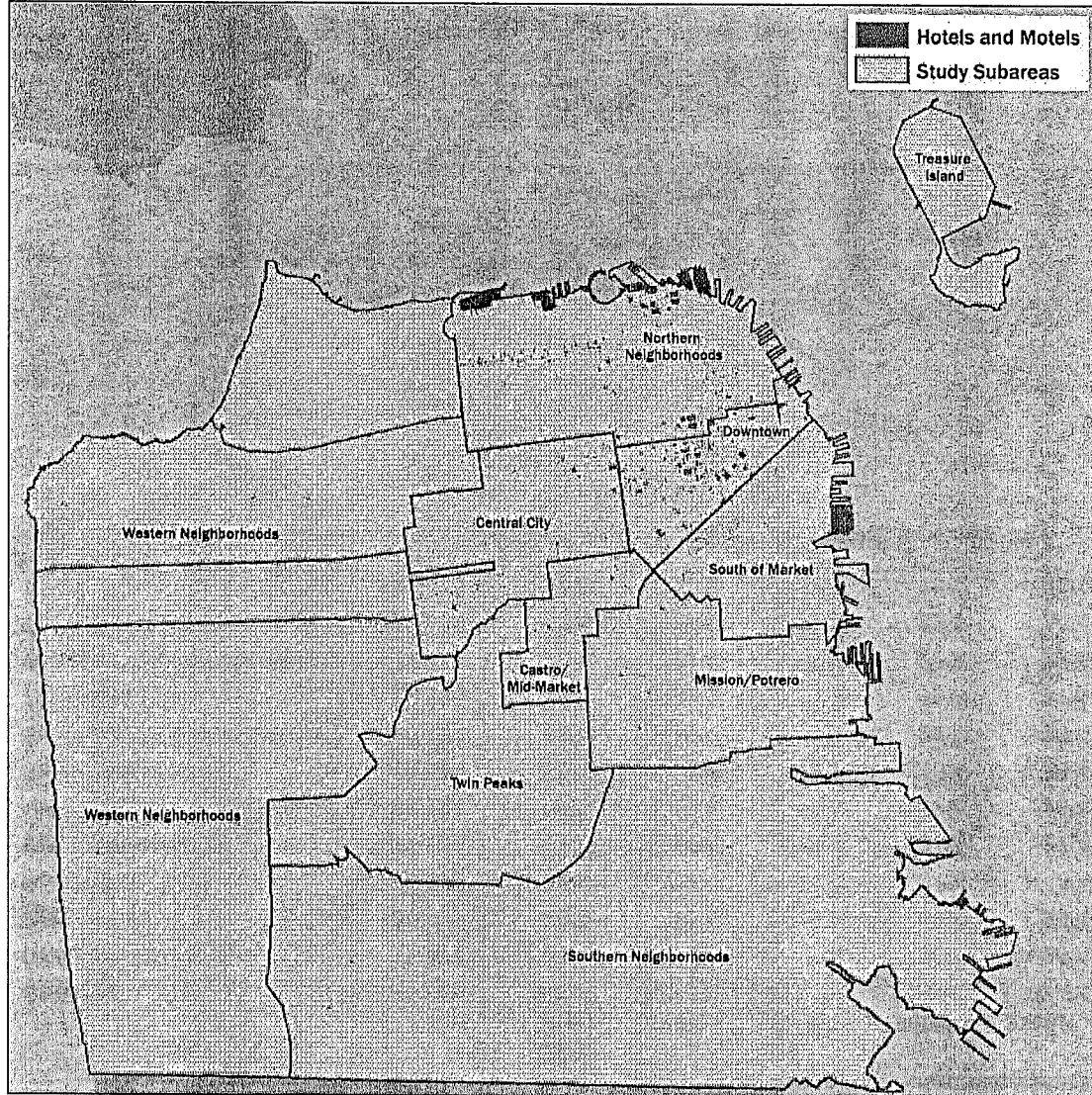
Figure D-9. Household Incomes by Subarea, 2012

Subarea	Total Households	Percent of Households in Income Bracket						Average Household Income
		Less than \$20K	\$20K - \$39.9K	\$40K - \$59.9K	\$60K - \$99.9K	\$100K - \$199.9K	More than \$200K	
Castro/Mid-Market	15,975	17%	14%	12%	18%	26%	14%	\$110,208
Central City	34,983	20%	13%	12%	19%	25%	11%	\$99,307
Downtown	24,536	46%	22%	11%	11%	8%	2%	\$40,221
Mission/Potrero	22,583	11%	14%	13%	18%	27%	17%	\$117,086
Northern Neighborhoods	58,881	18%	13%	10%	17%	26%	16%	\$124,152
South of Market	15,579	18%	9%	10%	13%	28%	22%	\$139,886
Southern Neighborhoods	58,761	13%	16%	14%	22%	26%	9%	\$92,449
Twin Peaks	27,235	8%	9%	10%	18%	31%	25%	\$145,412
Western Neighborhoods	71,077	13%	13%	13%	22%	27%	12%	\$107,416
Treasure Island (a)	10,568	13%	17%	12%	22%	24%	13%	\$114,167
<b>Total</b>	<b>340,178</b>	<b>17%</b>	<b>14%</b>	<b>12%</b>	<b>19%</b>	<b>25%</b>	<b>13%</b>	<b>\$107,559</b>

(a) Not included in subarea analysis.

Source: U.S. Census Bureau, Longitudinal Employer-Household Dynamics Program, 2011; Strategic Economics, 2014.

Figure D-10. Hotels and Motels by Subarea, 2012



Source: City and County of San Francisco, 2014.



## APPENDIX E. FOCUS GROUP PARTICIPANTS AND INTERVIEWEES

At key points throughout the study, the analysis was presented to focus groups of stakeholders. Strategic Economics also interviewed several local stakeholders to supplement the comments provided at the focus group meetings. Figures E-1 and E-2 list participants from the focus groups held in January and March 2014. Figure E-3 lists additional stakeholders who were interviewed for the analysis.

*Figure E-1. January Focus Group Participants*

<b>Name</b>	<b>Affiliation</b>
DeeDee Workman	SF Chamber
Ben Lazzareschi	CBRE (Commercial Realtors)
Margo Schaub	Gap
Amy Cohen	OEWD
Jordan Klein	OEWD
Nick Pagoulatos	Supervisor Mar's Office
Vinny Eng	Tartine Bakery
Evette Davis	CVS/BergDavis Public Affairs
Roy Chan	CCDC
Tracy Everwine	Central Market CBD
Hut Landon	SF LOMA
Christin Evans	Haight Ashbury Merchant Group
President Fong	Planning Commission
Commissioner Borden	Planning Commission
Commissioner Moore	Planning Commission
Regina Dick-Endrizzi	Small Business Commission Staff
Pamela Mendelsohn	Colliers
Debbie Kartiganer	Safeway
Tom Rocca	7 Hills Development
Lesley Lionhardt	Union Street Merchants
Danny Yadegar	DTNA
Commissioner Dooley	Small Business Commission
Paul Wermer	Paul Wermer
Christian Murdock	Small Business Commission Staff
Ilene Dick	BOMA

*Figure E-2. March Focus Group Participants*

<b>Name</b>	<b>Affiliation</b>
Stephen Cornell	Brownies Hardware
John Todgya	B andB Pet Supplies
Daniel Bergerac	Castro Merchants FKA MUMC
Lesley Lionhardt	Union Street Merchants
Steven Currier	Outer Mission Merchants
Larry Corrande	HVNA
Danny Yadegar	DTNA - Duboce Triangle
Paul Wermer	Upper Fillmore
Ron Case	Lower Polk Neighbors
Jaqueline Flin	Bayview CAC
Evette Davis	Pharmacies - Berg Davis
Miriam Zouzounis	Arab Grocers
Chris Wright	SF Committee on Jobs
Debbie Kartiganer	Safeway
Kim Winston	Starbucks
Lou Giraudo	Boudin Bakery
Ilene Dick	BOMA
Pam Mendolsohn	Colliers
Tom Rocco	7 Hills Development
Commissioner Dooley	Small Business Commissioner
Commissioner Borden	Planning Commissioner
Christian Murdock	Small Business Commission
Director Regina Dick-Endrizzi	Small Business Commission
Commissioner Monetta White	Small Business Commissioner
Jorge Rivas	MOEWD

*Figure E-3. Additional Interviewees*

<b>Name</b>	<b>Affiliation</b>
David Blatteis	Blatteis Realty Co., Inc.
David Fishbein	Runyon Group
David Heller	Greater Geary Merchants Association
Ben Lazzareschi	CBRE
Ross Portugeis	Colliers International
Thomas Reynolds	Fillmore Merchants Association
Julie Taylor	Cornish & Carey Commercial Newmark Knight Frank
Dan Weaver	Ocean Avenue Association
Chris Wright	Planning Association for the Richmond



# SAN FRANCISCO PLANNING DEPARTMENT

## Executive Summary Policy Discussion and Initiation of Planning Code Text Changes

HEARING DATE: MAY 22, 2014

*Project Name:* Formula Retail and Large Controls  
*Case Number:* 2013.0936UT  
*Initiated by:* Planning Department  
*Staff Contact:* Kanishka Burns, Project Manager  
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*Reviewed by:* AnMarie Rodgers, Senior Policy Advisor  
[anmarie.rodgers@sfgov.org](mailto:anmarie.rodgers@sfgov.org), 415-558-6395  
*Recommendation:* Initiation of Planning Code Text Changes

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### Proposed Policy Changes and Planning Code Amendments

#### The Way It Is Now:

**Definition:** The Planning Code includes an identical definition of "Formula Retail" in three locations: Section 303(i)(1), 703.3, and 803.6(c). The definition of formula retail hinges on the following 2 characterizations:

1. **Number of Establishments:** The Planning Code defines a formula retail use as retail sales activity or retail sales establishment with 11 or more other retail sales establishments located in the United States, including leases held<sup>2</sup>.
2. **Features:** A formula retail use maintains two or more of the following features:
  - a standardized array of merchandise,
  - a standardized façade,
  - a standardized décor and color scheme,
  - a uniform apparel,
  - standardized signage, a trademark or a servicemark.

<sup>1</sup> Formula Retail is defined in Section 703.3 of the Planning Code as : "a type of retail sales activity or retail sales establishment which, along with eleven or more other retail sales establishments located in the United States, maintains two or more of the following features: a standardize array of merchandise, a standardized façade, a standardized décor and color scheme, a uniform apparel, standardized signage, a trademark or a servicemark."

<sup>2</sup> On June 19, 2013, the Board of Appeals adopted findings related to Appeal No. 13-030 that set a precedent to consider lease agreements equivalent to brick and mortar store that should count towards the threshold for becoming a formula retailer. <http://www.sfgov3.org/Modules/ShowDocument.aspx?documentID=4949>

3. **Use Category.** In addition, the Planning Code adds the following uses to the definition of retail, for purposes of formula retail regulation. Section 303(i)(2) refines the definition of formula retail to include the following specific retail uses:

- Bars (defined in Section 790.22);
- Drive-Up Facilities (Section 790.30);
- Eating and Drinking Use, Take Out Food, Limited Restaurants, and Restaurants (Sections 790.34, 790.122, 790.90 and 790.91);
- Liquor Stores (Section 790.55);
- Sales and Service, Retail (Section 790.104);
- Financial Service (Section 790.110);
- Movie Theatre, Amusement & Game Arcade (Sections 790.64 and 790.4), and
- Trade Shop (Section 790.14)<sup>3</sup>

The formula retail controls described in Articles 7 and 8 refer to Section 303(i)(2) for the above listed uses. The exception to this list is "Trade Shop", a use defined in Section 790.124, which is only subject to the formula retail controls when proposed in the Taraval Street NCD, Noriega Street NCD and the Irving Street NCD.<sup>4</sup>

**Zoning Districts that Control Formula Retail.** Retail uses that fall into the category of formula retail, as described above, may be permitted, prohibited, or may require Conditional Use authorization, depending on the zoning district in which the use is proposed. In addition, there are specific controls or combinations of controls that apply only in certain districts.

Controls for formula retail uses are summarized in Figure 1 and Table 1, which show that formula retail uses typically require Conditional Use authorization in NC districts, are generally not permitted in residential districts<sup>5</sup> and are permitted in downtown and South of Market industrial districts. Formula retail is subject to the same controls as all commercial uses in residential zoning districts.

Within a number of zoning districts, however, formula retail controls are further refined and differ from the basic uses and controls that apply to formula retail, as shown in the "Specific Restrictions" column of Table 1. These controls have typically been added in response to concern regarding over-concentration of certain uses, perceived threats to independent business and the related threat of neighborhood homogenization, or the impacts to neighborhood character caused

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<sup>3</sup> Trade Shops are only defined as Formula Retail uses in Taraval Street NCD, Noriega Street NCD and Irving Street NCD.

<sup>4</sup> Section 790.124 defines Trade Shop as: "A retail use which provides custom crafted goods and/or services for sale directly to the consumer, reserving some storefront space for display and retail service for the goods being produced on site..." includes: repair or personal apparel, accessories, household goods, appliances, furniture and similar items, but excluding repair of motor vehicles and structures; upholstery services; carpentry; building, plumbing, electrical, painting, roofing, furnace or pest control contractors; printing of a minor processing nature; tailoring; and other artisan craft uses, including fine arts uses.

<sup>5</sup> Planning Code Section 209.8 prohibits commercial establishments in R Districts, with the exception of Limited Corner Commercial Uses in RTO Districts (Section 231). Commercial establishments are permitted in RC-3 and RC-4 Zoning Districts.

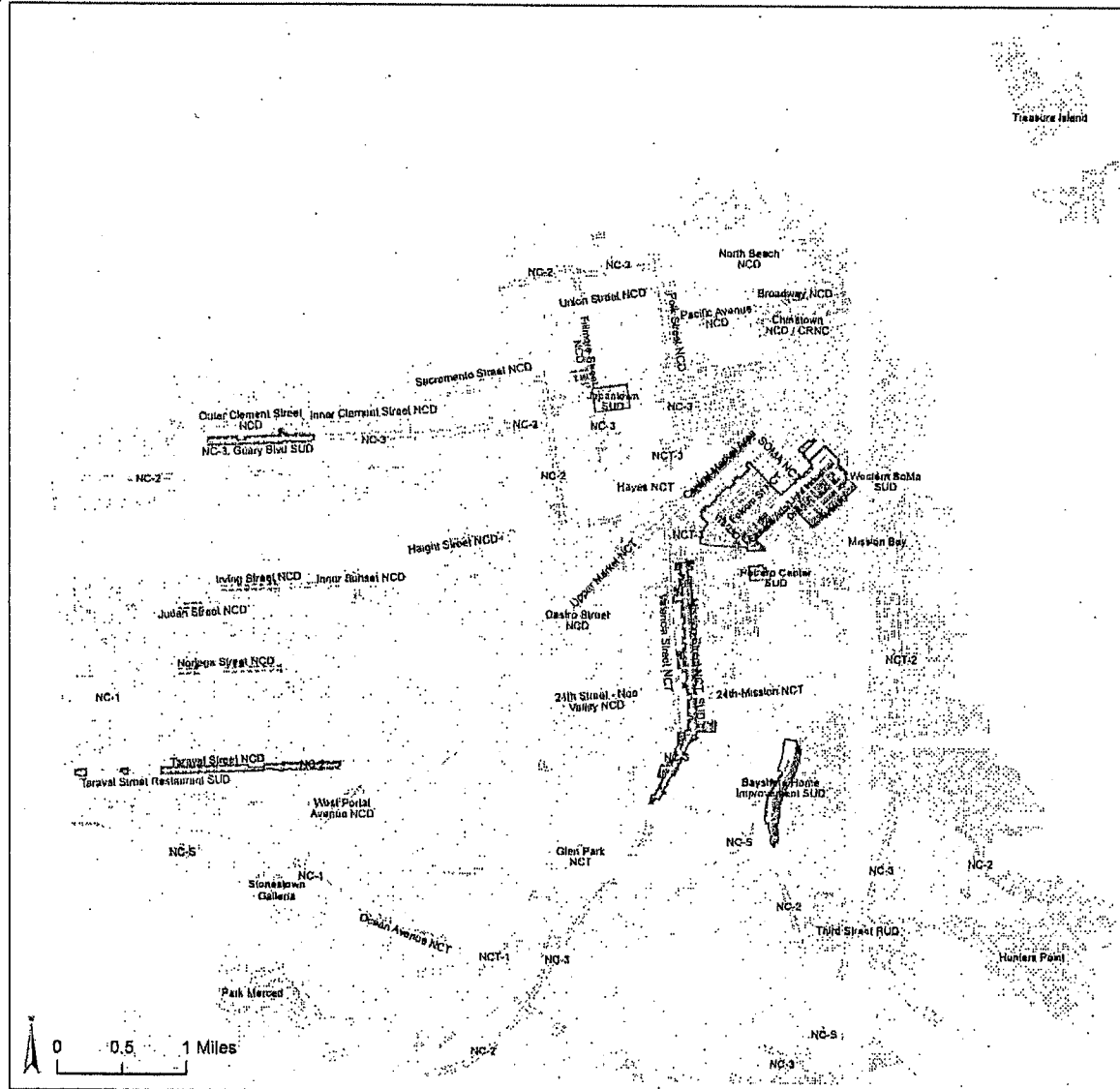
by large use sizes within geographic area. Examples of these specific controls include the stipulation that Trade Shops (defined in Section 790.124) are subject to formula retail controls in certain NC districts in the Sunset, and that Pet Supply stores are subject to the controls on Geary Boulevard – a district that does not restrict many other uses categorized as formula retail.

**Table 1. Summary of Existing Specific Formula Retail Controls Applicable in Individual Zoning Districts**

Zoning District	Underlying formula retail Control	Specific Restriction
Upper Fillmore NCD	Conditional Use	Formula retail Restaurants and Limited Restaurants not permitted
Broadway NCD	Conditional Use	Formula retail Restaurants and Limited Restaurants not permitted
Mission Street formula retail Restaurant SUD	Conditional Use	Formula retail Restaurants and Limited Restaurants not permitted
Taraval Street Restaurant SUD	Conditional Use	Formula retail Restaurants and Limited Restaurants not permitted
Geary Boulevard formula retail Pet Store and Restaurant SUD	Permitted	Formula retail Pet Supply Store not permitted; Formula retail Restaurants and Limited Restaurants not permitted
Taraval Street NCD	Conditional Use	Trade Shops are subject to formula retail controls
Noriega Street NCD	Conditional Use	Trade Shops are subject to formula retail controls
Irving Street NCD	Conditional Use	Trade Shops are subject to formula retail controls
WSoMa Mixed-Use Office District (WMUO)	Conditional Use	Formula retail not permitted if use is over 25,000 square feet
Service/Arts/Light Industrial District (SALI)	Conditional Use	Formula retail not permitted if use is over 25,000 square feet
Upper Market NCT	Conditional Use	CU required for Limited Financial Services and Business or Professional Services (18-month interim control)
Central Market Area	Permitted	CU required for formula retail fronting on Market Street between 6th and Van Ness (18-month interim control)
Bayshore Boulevard Home Improvement SUD	Permitted	formula retail over 10,000 square feet requires CU
Third Street Formula Retail RUD	Mixed zoning: in some zoning districts within this SUD formula retail requires CU and in some districts formula retail is permitted.	Any new formula retail requires CU
Potrero Center Mixed-Use SUD	Conditional Use	Relieves formula retail requirements for parcels which would otherwise require a CU



# SAN FRANCISCO PLANNING DEPARTMENT



- New FR Not Permitted
- Specific FR Controls
- New FR Requires CU
- New FR Permitted
- Public or Unknown
- FR-Related Special Use District

FR: Formula Retail  
CU: Conditional Use authorization

R-zoned districts at times defer to the controls of the nearest Neighborhood Commercial district; see Planning Code Section 234.

See Figure 2 for explanation of specific restrictions in individual zoning districts.

Interim Draft

Strategic Economics, 2014;  
Data: City and County of  
San Francisco, 2013.

Figure 1. Existing Formula Retail Controls in San Francisco



## SAN FRANCISCO PLANNING DEPARTMENT

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**Conditional Use Criteria.** When hearing a request for CU authorization for a formula retail use, Section 303(i)(3) outlines the following five criteria the Commission is required to consider in addition to the standard Conditional Use criteria set forth in Section 303(c):

1. The existing concentrations of formula retail uses within the district.
2. The availability of other similar retail uses within the district.
3. The compatibility of the proposed formula retail use with the existing architectural and aesthetic character of the district.
4. The existing retail vacancy rates within the district.
5. The existing mix of Citywide-serving retail uses and neighborhood-serving retail uses within the district.

**Changes of Use.** Planning Code Section 303(i)(7) requires that a change of use from one formula retail use to another formula retail use requires a new Conditional Use authorization. In addition, a new Conditional Use authorization is required when the use remains the same, but the operator changes, except if the new retailer meets the following two criteria:

1. Where the formula use establishment remains the same size, function and with the same merchandise, and
2. Where the change in the formula retail operator is the result of the "business being purchased by another formula retail operator who will retain all components of the existing retailer, including but not limited to signage for the premises, the name of the premises and the general merchandise offered on the premises."

When the exceptions apply and no new Conditional Use authorization is required, all conditions of approval that were imposed with the first authorization remain associated with the entitlement.

**Large-Scale Retail Uses.** Planning Code Section 121.6 establishes controls for large-scale retail uses as follows:

- All districts, except the C-3: require Conditional Use authorization for any retail use between 50,000- 120,000sf. Retail uses above 120,000 sf is prohibited.
- C-3 District: require Conditional Use authorization for any retail use over 120,000sf. In addition, the establishment of a single retail use in excess of 120,000 gross square feet in a C-3 Zoning District shall be prohibited if it would sell groceries; contain more than 20,000 Stockkeeping Units (SKUs); and devote more than five percent (5%) of its total sales floor area to the sale of non-taxable merchandise.

When the Commission considers such large-scale retail uses, Section 303(j) provides that in addition to the standard CU criteria, the Commission shall also consider:

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1. The extent to which the retail use's parking is planned in a manner that creates or maintains active street frontage patterns;
2. The extent to which the retail use is a component of a mixed-use project or is designed in a manner that encourages mixed-use building opportunities;
3. The shift in traffic patterns that may result from drawing traffic to the location of the proposed use; and
4. The impact that the employees at the proposed use will have on the demand in the City for housing, public transit, childcare, and other social services.

### **The Way It Would Be:**

The Planning Department is proposing that the Commission consider the following changes to formula retail controls.

1. **Refine the definition of formula retail, while maintaining a balance.**
  - A. **Numerical Threshold and Definition.** Increase numerical threshold and broaden definition to include more uses and businesses.
  - B. **Location of Establishments.** Expand the definition of formula retail by including international locations and entitled locations.
  - C. **Use Categories.** Expand the definition of formula retail to include the following uses as formula retail uses:
    1. Limited Financial Service
    2. Fringe Financial Service
    3. Business and Professional Service
2. **Expand formula retail controls to areas of concern**
  - A. **Require Conditional Use authorization for formula retail establishments with frontage on Market Street between 6<sup>th</sup> Street and the intersection of Franklin Street, 12<sup>th</sup> Street and Market Street, in the C-3-G District.** Permanent controls to replace the existing interim controls on this portion of Market Street regarding specific formula retail uses.<sup>6</sup>
3. **Focus review on issues of most importance to residents.**
  - A. **Strengthen review criteria and process for new formula retail in districts with controls.** The existing Code provides a loose framework for formula retail review that has been applied inconsistently. Adopt Performance-Based Review Standards as directed by the Code.
  - B. **Look more closely at Super Stores.** Require an economic impact statement to evaluate large-scale retail uses.
4. **Create a Performance-Based Formula Retail Administrative Review for less impactful formula retail.** Allow a focused review process for changes of formula retail to formula

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<sup>6</sup> Resolution Number 305-13 [Board File No. 130712] is available online: <https://sfgov.legistar.com/View.ashx?M=F&ID=2588632&GUID=63B9534F-8427-400B-A2FF-A17A25081C23>



retail; where aesthetic impacts are minimized; there is no change of use category or size of use; and the project is not controversial. After public notice, when controversy arises, provide for a full formula retail review by the Planning Commission at a public hearing.

5. **Small Business Support.** Small businesses contribute significantly to the unique neighborhood character of each district. The Department recommends further outreach and education by OWED to maximize utilization of their programs to support neighborhood serving businesses.

## BACKGROUND

In 2004, the Board of Supervisors adopted San Francisco's first formula retail controls, which added Section 703.3 ("Formula Retail Uses") to the Planning Code to provide both a definition of formula retail and a regulatory framework that intended, based on the findings outlined in the Ordinance, to protect a "diverse base with distinct neighborhood retailing personalities comprised of a mix of businesses."<sup>7</sup> The Ordinance established the existing definition for formula retail as a "type of retail sales activity or retail sales establishment which, along with eleven or more other retail sales establishments, maintains two or more of the following features: a standardized array of merchandise, a standardized façade, a standardized décor and color scheme, a uniform apparel, standardized signage, a trademark or a servicemark."<sup>8</sup> The Ordinance required Neighborhood Notification pursuant to Planning Code Section 312 for formula retail uses, Conditional Use (CU) Authorization for specific area of Cole and Carl Streets and Parnassus and Stanyan Streets and a prohibition on formula retail in the Hayes-Gough Neighborhood Commercial District.

The 2004 Ordinance established a precedent for formula retail controls; a number of amendments in quick succession added districts in which formula retail uses require CU authorization.

In 2005:

- Amendments added the requirement for a CU for formula retail uses in the Haight Street NCD and the NC-2 District along Divisadero Street between Haight and Turk Streets<sup>9</sup>.
- Amendment added a prohibition on formula retail uses in the North Beach NCD<sup>10</sup>.

In 2006:

- Amendment added formula retail CU controls to the Japantown Special Use District (SUD)<sup>11</sup>.

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<sup>7</sup> Ordinance Number 62-04, Board File 031501, available on-line at: <https://sfgov.legistar.com/LegislationDetail.aspx?ID=473759&GUID=A83D3A84-B457-4B93-BCF5-11058DDA5598&Options=ID|Text|&Search=62-04> (March 20, 2014).

<sup>8</sup> Planning Code Section 703.3(b)

<sup>9</sup> Ordinance Nos. 8-05 (Haight Street) and 173-05 (Divisadero Street) Available online at: <http://sfgov.legistar.com/Legislation.aspx>.

<sup>10</sup> Ordinance No. 65-05, available online at: <http://sfgov.legistar.com/Legislation.aspx>.

- Planning Code Section 803.6 was added to the Planning Code, requiring CU authorization for formula retail uses in the Western SoMa Planning Area SUD.<sup>12</sup>

In 2007:

- San Francisco voters approved Proposition G, the "Small Business Protection Act" which amended the Planning Code by adding Section 703.4 required CU authorization for formula retail uses (as defined in the Code) proposed in any NCD.<sup>13</sup> Proposition G also noted that nothing precluded the Board of Supervisors from "adopting more restrictive provisions for conditional use authorization of formula retail use or prohibiting formula retail use in any Neighborhood Commercial District."

In 2012:

- The Planning Code was amended to include "Financial Services" as a use type subject to formula retail controls<sup>14</sup>.

There have been a number of recently enacted policy and legislative changes to formula retail controls which can be reviewed in Table 2.

On April 11, 2013, the Planning Commission adopted Resolution Number 18843, which set forth a policy that provides the first quantitative measure for concentration in the Upper Market Neighborhood<sup>15</sup>. This Resolution established a formula for calculating the visual impacts of formula retail uses on a street frontage and determined that if the concentration of formula retail linear frontage is greater than or equal to 20 percent of the total linear frontage of all parcels located within 300 feet of the subject property and also zoned neighborhood commercial, the Planning Department staff shall recommend disapproval.

On June 13, 2013, then-Planning Commission President Fong directed staff to review and analyze planning controls for formula retail uses in San Francisco due to the numerous pending proposals to change these controls.

On June 19, 2013, the Board of Appeals ruled that if a company has signed a lease for a location (even if the location is not yet occupied) those leases count toward the 11 establishments needed

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<sup>11</sup> Ordinance No. 180-06, available online at: <http://sfgov.legistar.com/Legislation.aspx>.

<sup>12</sup> Ordinance No. 204-06. Available online at: <http://sfgov.legistar.com/Legislation.aspx>.

<sup>13</sup> The text of the Proposition, as well as arguments for (drafted by then-Supervisors Peskin, Sandavol, Ammiano, Daly, Mirkarimi, Gonzalez and the nonprofit San Francisco Tomorrow) and against (draft by then-Supervisors Elsbernd and Alioto-Pier) are available online here: <http://smartvoter.org/2006/11/07/ca/sf/meas/G> (March 20, 2014)

<sup>14</sup> Ordinance No. 0106-12

<sup>15</sup> The Upper Market Neighborhood is defined in the Resolution as Market Street from Octavia Boulevard to Castro Street. The Resolution is available online at: [http://www.sf-planning.org/ftp/files/legislative\\_changes/form\\_retail/formretail\\_18843.pdf](http://www.sf-planning.org/ftp/files/legislative_changes/form_retail/formretail_18843.pdf)

to be considered formula retail<sup>16</sup>. The Board discussed, but did not act on, web-based establishments.

On June 25, 2013 Supervisor Weiner's ordinance amended the Department of Public Works Code to restrict food trucks that are associated with formula retail establishments in the public right-of-way<sup>17</sup>. The change of note is that for this restriction, the formula retail definition includes "affiliates" of formula retail restaurants, which includes an entity that is owned by or has a financial or contractual agreement with a formula retail use.

On August 7, 2013 Supervisor Kim's Interim Controls for retailers with frontage on a stretch of Market Street were enacted. This Resolution imposed interim zoning controls requiring Conditional Use authorization for certain formula retail uses, as defined, on Market Street, from 6<sup>th</sup> Street to Van Ness Avenue until February 2015<sup>18</sup>. This resolution expanded formula retail controls to include fringe financial services within the interim control area.

Table 2: Summary of Recent, Proposed and Interim Changes to Formula Retail Controls

Legislative or Policy Change	Type of Action	Status
<b>Modifies the definition of formula retail in the Upper Fillmore Neighborhood Commercial District</b> to include retail with 11 or more establishments anywhere in the world, and establishments where 50% or more of stock, shares, etc. are owned by a formula retail use.	BOS Ordinance (Farrell)	Pending Committee Action
<b>Establishes the Fillmore Street Neighborhood Commercial District</b> between Bush and McAllister Streets. The proposal seeks to weight the community voice over other considerations, generally weight the hearing toward disapproval, legislate a requirement for pre-application meeting (which is already Planning Commission policy), and codify criteria for approval related to the concentration of existing formula retail.	BOS Ordinance (Breed)	Referred to Planning Department; Planning Commission recommended further study
<b>Establishes the Divisadero Street Neighborhood Commercial District</b> between Haight and O'Farrell Streets. The proposal seeks to weight the community voice over other considerations, generally weight the hearing toward disapproval, legislate a requirement for pre-application meeting (which is already Planning Commission policy), and codify criteria for approval related to the concentration of existing formula retail.	BOS Ordinance (Breed)	Referred to Planning Department; Planning Commission recommended further study

<sup>16</sup> Appeal No. 13-030 is available online at:

<http://www.sfgov3.org/Modules/ShowDocument.aspx?documentID=4949>

<sup>17</sup> Board File No. 120193 is available online at:

<https://sfgov.legistar.com/View.ashx?M=F&ID=2557049&GUID=5250C736-26C0-40EF-B103-4321F058992C>

<sup>18</sup> Resolution Number 305-13 [Board File No. 130712] is available online:

<https://sfgov.legistar.com/View.ashx?M=F&ID=2588632&GUID=63B9534F-8427-400B-A2FF-A17A25081C23>

**Executive Summary**  
**Hearing Date: May 22, 2014**

**CASE NO. 2013.0936U**  
**Formula Retail Controls**

<b>Created 18-month interim controls on Market Street</b> between Sixth Street and Van Ness Avenue (the Central Market area). A conditional use authorization is required for any formula retail fronting on Market Street in this area.	BOS Ordinance (Kim)	Enacted Expires Feb 2015
<b>Modifies the definition of formula retail in the Hayes-Gough Neighborhood Commercial Transit District</b> to include retail with 11 or more establishments anywhere in the world, and establishments where 50% or more of stock, shares, etc. are owned by a formula retail use.	BOS Ordinance (Breed)	Referred to Planning Department; Planning Commission recommended further study
<b>Third Street Formula Retail Restricted Use District (RUD)</b> modifies the zoning controls on Third Street and expands the applicability of Formula Retail controls citywide. This mixed-use district had some parcels where CU was not required for FR. Now all parcels in this RUD require CU for the establishment of CU. Certain changes to existing entitled FR locations citywide now trigger the need for a new CU hearing.	BOS Ordinance (Cohen)	Enacted
<b>Fulton Grocery Special Use District (SUD).</b> The Planning Commission recently recommended this SUD, which would create an exception to the current prohibition on Formula Retail in the Hayes Gough NCT so as to allow the Commission to consider a Formula Retail grocer by CU.	BOS Ordinance (Breed)	Pending Committee Action on FR change
<b>Expands the Citywide definition of formula retail</b> to include businesses that have 11 or more outlets worldwide, and to include businesses that are at least 50% owned by a formula retail business; expands application to other types of retail uses (e.g., "Adult Entertainment," "Automobile Service Station," "Hotel, Tourist," "Tobacco Paraphernalia Establishment"); requires the Planning Commission to consider economic impact on other businesses in the area as part of the CU process; expands noticing procedures for formula retail applications.	BOS Ordinance (Mar)	Pending Committee Action
<b>Creates the first quantitative basis for evaluating concentration of formula retail in the Upper Market Neighborhood Commercial District and Neighborhood Commercial Transit District.</b> Planning Department staff will recommend disapproval of any project that brings the concentration of formula retail within 300 feet of the subject property to 20% or greater of total linear store frontage.	Planning Commission Policy	Adopted
<b>Board of Appeals ruling.</b> Established that if a company has signed a lease for a location (even if the location is not yet occupied), the lease counts towards the 11 establishments needed to be considered formula retail.	Board of Appeals ruling	
<b>Amended the Department of Public Works code to restrict food trucks that are associated with formula retail establishments.</b> For this restriction, the formula retail definition includes "affiliates" of formula retail restaurants, which includes an entity that is owned by or has a financial or contractual agreement with a formula retail use.	BOS Ordinance (Wiener)	Passed

Acronyms:  
 BOS: Board of Supervisors  
 CU: Conditional Use authorization  
 N/A: Not Applicable

## ISSUES AND CONCERNS

Formula Retail controls began in selected areas in 2004 and were adopted citywide as the Small Business Protection Act in 2006<sup>19</sup>. Now that the Department and the Commission have had 10 years of experience applying the formula retail controls and with benefit of the recent local studies, we can review the original intentions of the Act and evaluate their current and future applicability. It seems many of the concerns originally identified by the voters remain relevant in today's discussion. From the focus groups and public hearings this year, it seems the primary concerns with formula retail include 1) a displacement of critical goods and services to meet daily needs within the neighborhood; 2) a homogenization of the neighborhood's aesthetic; and 3) that formula retailers be of less economic benefit than nonformula retailers. These expressed concerns are amplified as the use size of the formula retailer increases. The issues and potential impacts are subjective. As such, the Conditional Use process provides the best remedy as this process allows for case by case analysis and the discretion of the Commission. Our department's core findings are that the existing conditional use process is working and can be adjusted to better serve the residents.

San Francisco's retail brokers completed a study of 28 neighborhood commercial streets in early 2014 and found that successful retail districts include the characteristics described below. All of these characteristics were further emphasized in similar studies conducted by the Office of Economic Analysis, the Planning Department and San Francisco Budget and Legislative Analyst.

- **Massing:** two blocks of shops have greater potential to become a popular shopping destination than two stores on a residential street;
- **Tenant Mix:** the healthiest and most viable retail environments offer a mix of retailers who vary in size; offerings; and date of conventional and cutting edge, established and newly established;
- **Visibility:** particularly if a store is on a corner, will impact whether shoppers will visit and increase the perceived presence of the establishment in the neighborhood;<sup>20</sup>

**Importance of Distinct & Diverse Neighborhoods to the City.** The Office of Economic Analysis (OEA) report "Expanding Formula Retail Controls: Economic Impact Report" (hereinafter "The OEA Report") found that formula retail controls may have an effect on the City's economy, through their effect on the City's neighborhoods. Proposition G was passed by a wide majority and can be read as evidence that many residents do not favor the unrestricted growth of formula retail in their neighborhoods. The OEA Report's analysis of the Bay Area housing market suggests that San Francisco residents pay a premium to live in the City and neighborhood quality

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<sup>19</sup> Proposition G, added 11/7/2006

<sup>20</sup> Formula Retail Mapping Project, Colliers International, 2014 [http://www.sf-planning.org/ftp/files/legislative\\_changes/form\\_retail/formretail\\_BOS\\_brokers\\_study\\_Formula\\_Retail\\_Final.pdf](http://www.sf-planning.org/ftp/files/legislative_changes/form_retail/formretail_BOS_brokers_study_Formula_Retail_Final.pdf)

is included in the price of housing. However, the OEA is unable to quantify the impact of the presence of formula retailers on this neighborhood premium, if any. Consequently, the OEA Report recommends that the impact of formula retailers on neighborhood quality be weighed by directing the Commission to consider both the opinions of neighborhood residents and whether a proposed store could prevent "blight"<sup>21</sup>.

As the center of neighborhood activity and through the shared use of commercial facilities, the commercial street plays the vital sociological role of linking neighborhood residents to one another and to the neighborhood.<sup>22</sup> Indeed, the orientation and development of a commercial street is a significant factor in determining a successful and interesting neighborhood.<sup>23</sup> The commercial street is perhaps the greatest source of vitality and character of a city neighborhood.<sup>24</sup> Neighborhood character is intimately related to a variety of commercial uses, and leads to broader diversity as Jane Jacobs observed in *The Death and Life of Great American Cities*:

*Whenever we find a city district with an exuberant variety and plenty of commerce, we are apt to find that it contains a good many kinds of diversity also, including variety of its population and other uses. This is more than a coincidence. The same physical and economic conditions that generate diverse commerce are intimately related to the production, or the presence of other kinds of city variety.*<sup>25</sup>

According to recommendations made by the Planning Commission in September 1980 to the Board of Supervisors, the importance of the sociological function a locally-oriented commercial street performs was recognized<sup>26</sup>. The Neighborhood Commercial Rezoning Study found that such character and orientation should be preserved and encouraged.<sup>27</sup> The recommendations put forth by the Planning Department today seek to continue working toward the ideal balance of commercial diversity to create and maintain unique neighborhoods as they evolve.

**Small Businesses.** Existing formula retail controls generally consider the neighborhood impacts when formula retailers locate in San Francisco neighborhoods. However, if the City also wants to protect the small business sector, there should be a focus on supporting small businesses to make

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<sup>21</sup> Expanding Formula Retail Controls: Economic Impact Report, Office of Economic Analysis, February 12, 2014, Pages 20 and 28.

<sup>22</sup> Suzanne Keller, *The Urban Neighborhood: A Sociological Perspective* 1968, page 103.

<sup>23</sup> Mark Cohen, San Francisco's Neighborhood Commercial Special Use District Ordinance: An Innovative Approach to Commercial Gentrification, *Golden Gate University Law Review*, Vol. 13, Issue 2, September 3, 2010, Page 367 <http://digitalcommons.law.ggu.edu/cgi/viewcontent.cgi?article=1300&context=ggulrev>

<sup>24</sup> Jane Jacobs, *The Death and Life of Great American Cities* (1961) page 148

<sup>25</sup> Jane Jacobs, *The Death and Life of Great American Cities*, (1961), page 148.

<sup>26</sup> San Francisco Board of Supervisors Res. 432-80, 451-80 through 457-80 (1980).

<sup>27</sup> San Francisco Dept. of City Planning, *Neighborhood Commercial Rezoning Study: Proposed Article of the Planning Code for Neighborhood Commercial Districts* (January 1983); Department of City Planning, City and County of San Francisco, Memorandum to Dean Marcris (March 7, 1983).

them more competitive rather than hindering formula retailers. Through the process of developing the "San Francisco Formula Retail Economic Analysis" (The Department's Study), staff and consultants conducted one on one interviews and worked with small groups including independent retailers, small business owners, merchants associations, formula retailers, commercial brokers, neighborhood representatives and other stakeholders. The Department's Study found that landlords often perceive a benefit in renting to large established chains, which typically have better credit and can sign longer leases than independent retailers, lowering the risk that the tenant will be unable to pay its rent<sup>28</sup>. Conversely, the formula retail Conditional Use process may create a disincentive for formula retailers to be located in areas with controls.

**Economic Viability.** Small businesses have raised concerns that formula retailers are willing and able to pay higher rents than independent retailers, contributing to rapidly rising rents in the City's NCDs. Stakeholders have also raised concerns that some landlords prefer formula retailers or other established brands over independent retailers<sup>29</sup>.

The development conditions and constraints of small infill sites may be one explanation. In terms of redevelopment potential, some vacant retail buildings that are too big for independent retailers are located on parcels that are too small to support enough residential units to justify the expense of demolition and new construction. Vacant retail buildings may present other challenges for redevelopment, based on location, adjacent uses, historical preservation and cost.

Department policy encourages mixed use developments, with ground floor retail and housing above. In Neighborhood Commercial Districts where height limits typically only allows 4 stories, the ground floor retail space accounts for a quarter of the entire development. For these projects, developers report difficulty in securing financing from a bank without a stable, known tenant. Developers must secure financing partners and lenders who want the stability of a commercial tenant with a strong credit rating and branding and name recognition. San Francisco developers prefer to have a mix of commercial tenants (both independent and formula retailers), however the credibility of the formula retailer is what provides confidence for the lender. Formula retailers will typically be better equipped to sign long term leases and can provide the stability and activation that lenders look for<sup>30</sup>. In addition, formula retailers often serve as an anchor to energize a new development and bring foot traffic to a redevelopment area<sup>31</sup>. Sophisticated developers recognize that part of what makes San Francisco a desirable place to live is the

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<sup>28</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 64.

<sup>29</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 64.

<sup>30</sup> Planning Department and OEWD Developer Roundtable, March 28, 2014

<sup>31</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 27.

unique nature of its neighborhoods and seek to find a balance between formula retailers that can activate a neighborhood, energize lenders and anchor independent retailers to create a thriving district.

**Changing Nature of Retail.** As San Francisco continues to grow, underutilized parcels redeveloped as mixed use developments increase the amount of available commercial space<sup>32</sup>. As of 2012, 26 percent of the 55,471 establishments in San Francisco were retail establishments<sup>33</sup>. Commercial uses occupy 17 percent of the City's 46.9 square miles of land area and mixed uses occupy an additional seven percent (7%)<sup>34</sup>. Combined with the increasing amount of commercial space, residents express concern over the long-term commercial vacancies in some NCDs, as evidenced by the request of Supervisor Mar's office to prepare a policy analysis report on preventing and filling commercial vacancies. The Budget and Legislative Analyst report on commercial vacancies found that some reasons for commercial vacancies include building owners that purposely keep their retail space vacant to avoid investment and/or speculate that rents will increase significantly in the near future, absentee landlords who are less fervent about keeping their property occupied and large formula retail establishments resulting in the closure of nearby small non-formula retail establishments<sup>35</sup>.

Real estate brokers report that the formula retail controls make it more difficult to fill vacancies, particularly of large spaces (more than 3,000 square feet). Cities across the country are finding it increasingly difficult to fill retail space with retail stores (i.e. businesses selling goods directly to consumers) as the number of potential retail tenants has shrunk due to competition with e-commerce and the consolidation of national retail brands<sup>36</sup>. As consumers seek an experience rather than a specific product, real estate professionals note a nationwide shift toward retail uses that do not compete directly with online sales<sup>37</sup>. Uses which may be appropriate in retail spaces include eating and drinking uses, grocery stores, personal services, financial advising, automotive services and dry cleaners.<sup>38</sup>

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<sup>32</sup> San Francisco is not alone in this trend. Nationwide the amount of retail space per person is increasing.

<sup>33</sup> San Francisco Planning Department, Commerce and Industry Inventory, 2012, Page 18.

<sup>34</sup> San Francisco Planning Department, Commerce and Industry Inventory, 2012, Page 20.

<sup>35</sup> San Francisco Budget and Legislative Analyst, "Preventing and Filling Commercial Vacancies in San Francisco," August 20, 2013.

<sup>36</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 11.

<sup>37</sup> ChainLinks Retail Advisors, Fall/Winter 2013 Retail Review and Forecast.

<sup>38</sup> Stakeholders have expressed concern over e-commerce grocery services such as Amazon Fresh and Google Express. However, both of these services shop at local stores in many instances and make brick and mortar supplied specialty products delivery available through their websites. Amazon Fresh does maintain its own grocery distribution centers which compete directly with brick and mortar grocers.



The Department's Study's review of the Ocean Avenue NCT found that the total number of stores reporting sales tax revenues declined from 62 in 2002 to 47 in 2013. The overall decline in stores may be linked to national trends including e-commerce competition and the consolidation of national retail brands. Traditional retail spaces across the country are increasingly being filled with service-oriented uses such as personal, financial and medical service uses<sup>39</sup>. These findings indicate that service-oriented uses play an important role in both filling vacancies and meeting the daily needs of neighborhood residents.

**Daily Needs Serving Uses.** Neighborhood Commercial Districts are intended to serve the daily needs of residents living in the immediate neighborhood. The Department's Study found that formula retail can often serve the function of meeting daily needs; however, some Districts report loss of daily needs uses due to an inundation of formula retailers that target larger citywide or regional audiences. The City strives to ensure that goods and services that residents need for daily living are available within an easy walking distance and at an affordable price. These establishments include: corner markets and grocery stores, cafés and limited restaurants, drug stores and pharmacies, hardware and general variety stores, dry cleaners and laundry facilities, banking and financial institutions, personal services and some trade shops such as those that provide tailoring, alterations, shoe repair and furniture repair.

Establishments that serve daily needs and those that are considered formula retail are neither mutually exclusive nor overlapping categories. For example, banks and financial institutions are subject to formula retail controls; however, most people value having a bank within walking distance of their residence and workplace. Pharmacies and drug stores also tend to predominantly be formula retailers but are a desired use in NCDs. Pharmacies, grocery stores, banks and other uses that serve residents' daily needs account for much of the formula retail in NCDs and other mixed use districts with formula retail controls in place<sup>40</sup>.

**Retail Clusters.** Comparison goods are products like clothes, shoes, furniture and cars. They are items shoppers like to test and compare before purchasing. Comparison retailers, such as apparel

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([https://fresh.amazon.com/Category?cat=spotlight&appendmp=true&pf\\_rd\\_s=center-5&pf\\_rd\\_p=1808047122&pf\\_rd\\_t=101&pf\\_rd\\_i=1&pf\\_rd\\_r=15OK7R6BD56K84GC450Y;http://online.wsj.com/news/articles/SB10001424127887324798904578526820771744676;https://www.google.com/shopping/express/?gclid=CLiu2r2HrL4CFQGTfgodJEgAZA#HomePlace=s=0&c=24&mall=SanFrancisco](https://fresh.amazon.com/Category?cat=spotlight&appendmp=true&pf_rd_s=center-5&pf_rd_p=1808047122&pf_rd_t=101&pf_rd_i=1&pf_rd_r=15OK7R6BD56K84GC450Y;http://online.wsj.com/news/articles/SB10001424127887324798904578526820771744676;https://www.google.com/shopping/express/?gclid=CLiu2r2HrL4CFQGTfgodJEgAZA#HomePlace=s=0&c=24&mall=SanFrancisco))

<sup>39</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 94.

<sup>40</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 26.

and accessories stores, are especially likely to cluster together in concentrated nodes. Comparison retailers are particularly likely to benefit from co-locating with similar retailers in destinations where shoppers can walk from store to store. We see this trend not only in the Downtown and Union Square area but also in some Neighborhood Commercial Districts like the Upper Fillmore and Hayes Valley. These retail clusters can provide convenience to shoppers and help to create a neighborhood identity.

At the same time, there is growing concern that such clusters, both formula and independent, are increasingly serving a luxury or high-end market and may be displacing businesses that serve residents' daily needs. Stakeholders, including people from both the Upper Fillmore and Hayes Valley neighborhoods, have observed that long-standing retail uses that once provided affordable goods and services to serve daily needs are being replaced by stores that predominantly sell jewelry, clothing shoes and furniture – items that most households purchase only occasionally<sup>41</sup>. The shift towards higher-end, comparison shopping stores may in part reflect a regional and national decline in consumer demand from the middle class, accompanied by strong growth in retail sectors serving either the most affluent households or struggling low-income households<sup>42</sup>.

**Expanding Use Types.** Business and professional services such as tax preparation firms, realtors and insurance agencies offer a retail sale or service and making them subject to formula retail controls would be consistent with the spirit and intent of the Act. Independent business and professional services account for approximately 95 percent of existing business and professional services in San Francisco. The remaining five percent bear the hallmarks of formula retail uses with standardized signage, décor and services<sup>43</sup>.

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<sup>41</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 11.

<sup>42</sup> Nelson D. Schwartz, "The Middle Class is Steadily Eroding. Just Ask the Business World", The New York Times. February 2, 2014, [www.nytimes.com/2014/02/03/business/the-middle-class-is-steadily-eroding-just-ask-the-business-world.html](http://www.nytimes.com/2014/02/03/business/the-middle-class-is-steadily-eroding-just-ask-the-business-world.html).

<sup>43</sup> Dun & Bradstreet, 2012; Strategic Economics, 2014. Based on Dun & Bradstreet business data that have not been independently verified; all numbers are approximate.

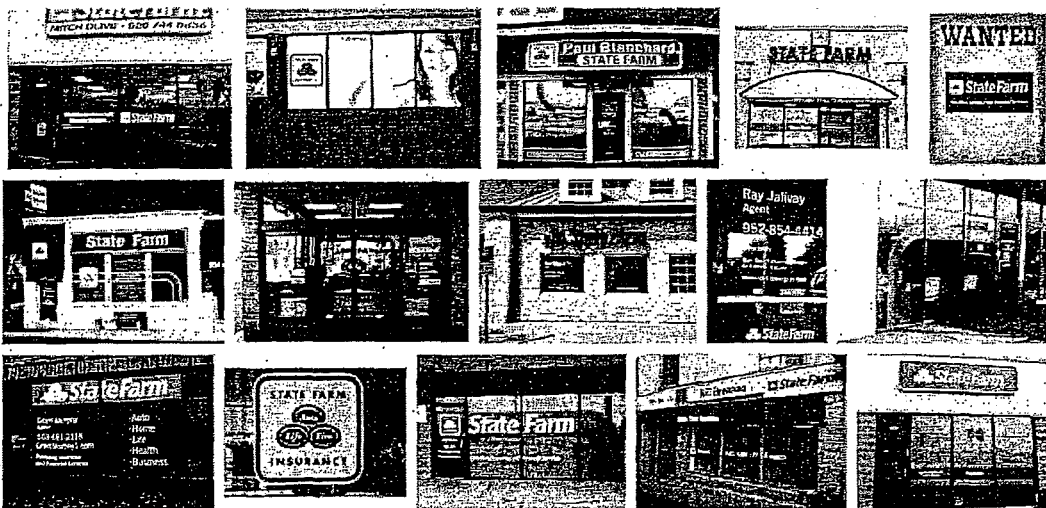


Figure 2: State Farm Insurance offices (Business and Professional Service) nationwide

Gyms are one personal service use in particular that need a larger space than generally available in an NCD and would require a Conditional Use if they proposed merging storefronts in excess of what is principally permitted. While gyms are generally thought of as chains with a large space required (24 Hour Fitness, Equinox and Curves are some examples) there are also smaller (use size) fitness studio chains such as Pop Physique, Soul Cycle and Dailey Method. These smaller personal services uses are more likely to be aesthetically compatible with a NCD due to their use size as well as serve a daily need of residents.

**Parent and Subsidiary Companies.** Some of the pending Ordinances include expanding the definition of formula retail to include subsidiary companies. Subsidiaries are defined as establishments "where 50 percent or more of the stock, shares, or any similar ownership interest of such establishment is owned by a formula retail use, or a subsidiary, affiliate or parent of a formula retail use, even if the establishment itself may have fewer than 11 retail sales establishments located anywhere in the world."<sup>44</sup> The Department's Study found that expanding the definition to include establishments that are majority-owned by formula retail businesses is also likely to affect a small number of potential new businesses<sup>45</sup>. This proposed policy change is designed to address several recent cases of new or proposed establishments that did not have to go through the formula retail Conditional Use process even though they were owned by formula retailers, such as the Jack Spade store in the Mission (owned by Fifth and Company, the same

<sup>44</sup> Board File No. 130486 Legislative Digest <https://sfgov.legistar.com/View.ashx?M=F&ID=2516654&GU-ID=F9DAA5F2-CDBF-4089-AFAE-3BA772DCADDE>

<sup>45</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 117.

holding company that owns Kate Spade an established formula retailer), and Athleta and Evolution Juice in the Upper Fillmore (owned by The Gap and Starbucks, respectively). However, based on the businesses that are already located in San Francisco, this proposed change is unlikely to have a wide-ranging effect. Citywide, subsidiaries account for only three percent of retail businesses in San Francisco that have 12 or more corporate family members. Most of these would already qualify as formula retail under the existing Planning Code, because they have 12 or more locations of the same trade name in the United States<sup>46</sup>.

The Department believes that San Francisco is an international city that seeks to attract innovative business development<sup>47</sup>. San Francisco is attractive to start ups and experimental services based on its ideal nature of a densely packed city with a high concentration of educated, young, urban professionals and its relationship to the greater Bay Area region<sup>48</sup>. Many established corporations choose San Francisco as one of their primary testing locations for new concepts<sup>49</sup>. Gap Inc. opened its first Athleta store in San Francisco in 2011. There are now over 50 Athleta locations across the country. Starbucks opened its second Evolution Fresh location in San Francisco in 2012 and even today there are only four locations. Starbucks is a Seattle based companies (the three other Evolution Fresh stores are in Washington) with its Evolution Fresh production facility located outside Los Angeles<sup>50</sup>. Black Fleece, a subsidiary of formula retailers Brooks Brothers, opened its second location in San Francisco in 2009. There are still only two Black Fleece locations (the other is in New York City). These concept stores were tested in San Francisco and continue to be successful. At the time of their opening, they did not have standardized features meeting the formula retail definition and with the exception of Athleta, they still do not. Without the standardized features, these businesses do not contribute to the

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<sup>46</sup> Note that because the majority of subsidiaries have at least 12 outlets in the U.S., these businesses were generally considered to be "formula retail" for the purposes of the study.

<sup>47</sup> The Atlantic, "The World's 26 Best Cities for Business, Life and Innovation" by Derek Thompson published on May 6, 2011 lists San Francisco as the 3<sup>rd</sup> most successful international city, ranked #1 in percent of population with higher education and #2 in entrepreneurial environment and life satisfaction (<http://www.theatlantic.com/business/archive/2011/05/the-worlds-26-best-cities-for-business-life-and-innovation/238436/#slide24>). San Francisco ranked #6 in Price Waterhouse Coopers 2012 analysis of a city's performance and functionality by evaluating ten indicators across 60 variables to reveal how well-balances a city is for both businesses and residents ([http://www.baruch.cuny.edu/nycdata/world\\_cities/cities-favorable\\_characteristics.htm](http://www.baruch.cuny.edu/nycdata/world_cities/cities-favorable_characteristics.htm)). The Office of Economic and Workforce Development houses an International Trade and Commerce Division to attract new international business (<http://www.oewd.org/International.aspx>).

<sup>48</sup> Mike Elgan, "Why San Francisco Today is Like Every City Tomorrow" September 28, 2013, [http://www.computerworld.com/s/article/9242772/Why\\_San\\_Francisco\\_today\\_is\\_like\\_every\\_city\\_tomorrow](http://www.computerworld.com/s/article/9242772/Why_San_Francisco_today_is_like_every_city_tomorrow)

<sup>49</sup> The New York Times, David Leonhardt, January 23, 2014 [http://www.nytimes.com/2014/01/23/business/upward-mobility-has-not-declined-study-says.html?\\_r=0](http://www.nytimes.com/2014/01/23/business/upward-mobility-has-not-declined-study-says.html?_r=0)

<sup>50</sup> Los Angeles Times, Tiffany Hsu, October 8, 2013 <http://www.latimes.com/business/money/la-fi-mo-starbucks-evolution-fresh-juice-20131008.0.1952256.story#axzz30Trx6E29>

homogenization of a street face and neighborhood. In fact, the businesses are unique and draw people who are attracted to a new concept that can only be found here to the neighborhood

As specialty retailers face more and more competition from fast-fashion and online retailers, spin-off brands have become more ubiquitous. The Ann Taylor brand launched Loft in 1996, J. Crew launched Madwell in 2009 and Kate Spade has Kate Spade Saturday. The spin off brands are intended to capture the interest of younger customers or in some cases retain customers as they age. Spin off brands "give consumers a reason to shop at their physical stores once again with a new brand" and can help to retain brick and mortar retailers<sup>51</sup>.

While generally, subsidiaries are thought of as large established corporations funding a new concept to compete with existing businesses; subsidiary regulations can also affect small business owners. A local business owner, Adriano Paganini, owns 14 restaurants including seven Super Duper Burgers. The remaining restaurants are neighborhood serving unique restaurant concepts including Beretta, Delarosa, Starbelly, Pesce, Lolida and most recently, Uno Dos Tacos. Per Mr. Paganini's letter to the Board, he prides himself on crafting one-of-a-kind concepts to unique neighborhoods<sup>52</sup>. While Super Duper Burgers is not currently a formula retail use, it is on its way to becoming one if more than 11 locations open. If the definition of formula retail is expanded to include subsidiaries, all restaurants that Mr. Paganini owns more than 50 percent of may be considered formula retail establishments (after Super Duper Burgers reached 11 locations) and any new restaurant concepts would be subject to Conditional Use authorization. If Mr. Paganini wished to open a clothing store it would also be considered formula retail because he also owns at least 50 percent of a formula retail chain.

Including subsidiaries is not only counter intuitive to small business growth and active neighborhood commercial districts; but also it would be extremely challenging to apply consistently. The formula retail evaluation process would require applicants to complete an affidavit certifying that the proposed business is not 50 percent or more owned by a company that also owns a formula retail use. In order to evaluate the application, the Department would need to evaluate the concentration of formula retail existing within the district. To truly assess these existing levels, it seems the Department should confirm that the ownership of all of the other retail sales and service establishments. The Planning Department would only investigate and verify these statements based on complaints. The Department would not be able to verify ownership stakes in companies that are not publically traded. Including subsidiaries would mostly affect large corporations whose ownership structures are subject to change at any time.

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<sup>51</sup> Fashionista, Lauren Sherman, March 26, 2014 "Spin-Off Brands Are on the Rise"  
<http://fashionista.com/2014/03/the-rise-of-spin-off-brand#awesm=-oD1KVicGqVivw3I>

<sup>52</sup> Adriano Paganini, Letter to the Board of Supervisor (Attached in Public Comments)

When Jack Spade was trying to open in the Mission it was owned by Liz Claiborne Inc., which also owned Kate Spade. In February 2014 the ownership company was known as Fifth and Pacific Companies and is now known as Kate Spade & Company. Fifth and Pacific Companies is not a formula retailer, so again, the proposed definition to capture subsidiaries would not capture Jack Spade as it's owning corporation is not a formula retailer. Further, these large corporations regularly change names, ownership structures and buy and sell subsidiaries. Corporations could easily create separate holding companies to avoid formula retail controls.

The very definition of "formula retail" requires standardized features that make a use a "formula" use. In this case, the effort to include subsidiaries seems to conflict with the defining characteristics of the use. Further review of a proposed formula retail use is identifying the concentration of formula retail uses within a given area. However, because Staff cannot review every potential business to determine their ownership structure, this concentration number would not be accurate. The proposed use would be considered formula retail by one part of the definition (ownership and financing) while the other uses in the area would be considered formula retail by another part of the definition (number of locations and standardized features). Expanding the formula retail definition to include subsidiaries is not recommended as it would constrain business development and innovation, be inconsistently applied and further complicate an existing process with minimal, if any, benefit.

**Recirculation of Local Dollars.** Often called the "multiplier effect", recirculation describes higher spending by local, non-formula retailers, generating positive multiplier effects as dollars circulate throughout the local economy, further expanding both spending and employment. One of the main concerns voiced by the public at both the Commission hearings and stakeholder meetings is that formula retailers do not recirculate tax revenue within the local economy. According to an average of ten studies conducted by Civic Economics, a much cited firm that produces studies comparing independent and formula retailers, spending by independent retailers generated 3.7 times more direct local spending than that of national chains.<sup>53</sup> Studies by this firm indicate that the percentage of revenue returned to the local economy may be as high as 52 percent for local businesses, and 13.6 percent for national chains<sup>54</sup>. When it comes to restaurants, 78.6 percent of independent restaurant revenue is returned to the local economy compared to 30.4 percent of restaurant chains<sup>55</sup>. The OEA Report found that formula retail controls primarily affect the economy by changing the retail prices paid by consumers, the

<sup>53</sup> The American Independent Business Alliance. "Ten New Studies of the 'Local Economic Premium'". Published October 2012. Retrieved at <http://www.amiba.net/resources/studies-recommended-reading/local-premium> on 5/10/14.

<sup>54</sup> Civic Economics, "Indie Impact Study Series", Summer 2012, retrieved from <http://www.localfirst.org/images/stories/SLC-Final-Impact-Study-Series.pdf>

<sup>55</sup> Civic Economics, "Indie Impact Study Series", Summer 2012, retrieved from <http://www.localfirst.org/images/stories/SLC-Final-Impact-Study-Series.pdf>

amount of local spending by retail businesses, commercial rents and vacancy rates and the perceptions of neighborhood quality. In general, chain stores charge lower prices, but may spend less within the local economy. Research by the Office of Economic Analysis suggests that local retailers may spend up to 9.5 percent more within the local economy than chain stores, but charge prices that average 17 percent more. In stark contrast to the Civic Economic Reports, the OEA Report determined that, on balance, the economic benefits of greater local spending by non-formula retailers are outweighed by higher consumer prices<sup>56</sup>.

**Employment.** The public has voiced concerns about differences in hiring practices and the quality of jobs offered by formula and independent retailers. As gathered from public comment at Planning Commission hearings and focus group meetings, the overwhelming public sentiment is that formula retail in San Francisco is more diverse in hiring practices and more willing to hire workers without experience and provide training. However, it has been difficult to substantiate these experiences with data. Studying employment and job quality factors as they related to formula retail has proved challenging. The Department's Study found relatively few sources that provide data on employment at the local level. The data found was limited by the need to protect the privacy of workers and firms. As a result of these constraints, detailed data on the demographics of workers or part-time versus full-time status are only available at the national level, through sources that do not distinguish between independent and formula retailers. Adding to this challenge, the definition of "formula retail" in our Planning Code is very specific and is neither reflected in the literature on retail employment nor possible to exactly replicate with available data sources.

The Department's Study found that nationally, retail stores and restaurants tend to provide workers with lower wages, more limited benefit coverage and fewer and more irregular work hours compared to other industries. These industries face pressure to compete on low pricing and customer convenience (e.g. to be open long hours and on weekends and holidays).<sup>57</sup> There is also significant variation in pay and job quality within the retail sectors. For example, some firms

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<sup>56</sup> City and County of San Francisco, Office of the Controller, Office of Economic Analysis, "Expanding Formula Retail Controls: Economic Impact Report", February 12, 2014 [http://www.sf-planning.org/ftp/files/legislative\\_changes/form\\_retail/formretail\\_130788\\_economic\\_impact\\_final.pdf](http://www.sf-planning.org/ftp/files/legislative_changes/form_retail/formretail_130788_economic_impact_final.pdf)

<sup>57</sup> Francoise Carre, Chris Tilly and Diana Denham, "Explaining Variation in the Quality of U.S. Retail Jobs" (presented at the Annual Meeting of the Labor and Employment Relations Association, Denver, CO, 2010), <http://www.russellsage.org/sites/all/files/Carre-Tilly-Retail%20job%20quality-LERA-01.03.10-final-rev2.pdf>; Francoise Carré and Chris Tilly, *Short Hours, Long Hours: Hour Levels and Trends in the Retail Industry in the United States, Canada, and Mexico*, Upjohn Institute Working Paper 12-183 (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research., 2012), <http://www.econstor.eu/handle/10419/64322>; Annette D. Bernhardt, *The Future of Low-Wage Jobs: Case Studies in the Retail Industry*, IEE Working Paper (Institute on Education and the Economy, Teachers College, Columbia University, 1999), <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.41.885&rep=rep1&type=pdf>.

pay more and provide better benefits to attract better talent, reduce turnover and increase productivity. Examples include many electronics, hardware and high-end clothing stores that compete for customer business based on quality of service and where knowledgeable salespersons are often highly valued. In contrast, other stores put a higher priority on low costs and low prices, and tend to pay lower wages.<sup>58</sup> Walmart is the classic example; workers there earn approximately 12 percent less than other retail workers and 14.5 percent less than workers at large retailers and rely heavily on public programs for health care and other needs.<sup>59</sup> Beyond business strategy, other factors that influence retail job quality include state and local labor laws, unionization, and the competitiveness of the local labor market.<sup>60</sup>

Nationally, retail firms with fewer than 10 outlets tend to pay higher average wages than firms with more than 10 outlets. Studies have shown that large firms are generally more likely to offer better health care coverage, hire more minorities and comply with labor laws compared to smaller firms<sup>61</sup>. A 2001 national survey of employers and households found that larger firm size was associated with hiring significantly more African-Americans<sup>62</sup>. These differences between small and large firms may have to do with a number of factors, including awareness of labor laws, hiring methods and financial resources.

While there is significant variation in the provision of benefits and hiring practices, San Francisco's progressive labor laws raise the floor for all workers. San Francisco is nationally known for its progressive laws improving pay, access to health care and paid sick leave for all workers, particularly lower-wage workers.<sup>63</sup> Table 3 shows the required provisions of employment benefits in San Francisco based on firm size and employment status. Because benefits such as paid sick leave and health care are applicable based on the number of employees, firms with more employees will be required to provide more benefits. Most formula retailers are likely to be subject to the Health Care Security and Family Friendly Workplace Ordinance given that they have more than 11 locations and therefore will have more than 20 employees.

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<sup>58</sup> Carré, Tilly, and Denham, "Explaining Variation in the Quality of U.S. Retail Jobs."

<sup>59</sup> Ken Jacobs, Dave Graham-Squire, and Stephanie Luce, *Living Wage Policies and Big-Box Retail: How a Higher Wage Standard Would Impact Walmart Workers and Shoppers*, Research Brief (UC Berkeley Center for Labor Research and Education, 2011), <http://www.mef101.org/Issues/Resources/11-0428%20-%20Bigbox%20Living%20Wage%20Policies.pdf>.

<sup>60</sup> Carré, Tilly, and Denham, "Explaining Variation in the Quality of U.S. Retail Jobs."

<sup>61</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 53.

<sup>62</sup> Philip Moss and Chris Tilly, *Stories Employers Tell: Race, Skill, and Hiring in America* (Russell Sage Foundation, 2001).

<sup>63</sup> Michael Reich, Ken Jacobs, and Miranda Dietz, eds., *When Mandates Work: Raising Labor Standards at the Local Level*, 2014, <http://www.ucpress.edu/book.php?isbn=9780520278141>.



Table 3: San Francisco Labor Laws

Law	Employer Applicability	Requirement	Effective Date
<b>Minimum Wage Ordinance</b>	All employers with employees who work in San Francisco more than two hours per week, including part-time and temporary workers*	All employees who work in San Francisco more than two hours per week, including part-time and temporary workers, are entitled to the San Francisco minimum wage (\$10.74 per hour as of January 2014).	February 2004
<b>Paid Sick Leave Ordinance</b>	All employers** with employees who work in San Francisco, including part-time and temporary workers	All employees who work in San Francisco, including part-time and temporary workers, are entitled to paid time off from work when they are sick or need medical care, and to care for their family members or designated person when those persons are sick or need medical care.	February 2007
<b>Health Care Security Ordinance</b>	Employers with 20 or more employees nationwide, including part-time and temporary workers (and non-profit employers with 50 or more employees)	Employers must spend a minimum amount (set by law) on health care for each employee who works eight or more hours per week in San Francisco. The expenditure rate varies by employer size; in 2014, for-profit businesses with 20 to 99 employees nationwide are required to spend \$1.63 per worker per hour paid; employers with 100+ employees nationwide are required to spend \$2.44 per worker per hour paid.	January 2008
<b>Family Friendly Workplace Ordinance</b>	Employers with 20 or more employees nationwide, including part-time and temporary workers	Employers must allow any employee who is employed in San Francisco, has been employed for six months or more by the current employer, and works at least eight hours per week on a regular basis to request a flexible or predictable working arrangement to assist with care-giving responsibilities.	January 2014

**Neighborhood Character & Homogenization.** The intent of the neighborhood commercial districts is to provide convenience retail goods and services, primarily during the daytime hours. While the commercial intensity of the district varies, each district has its own scale and character description in the zoning control table. The districts feature commercial on the lower floors with residential uses above. The largest of these districts not only serve the immediate neighbors but also may offer a wide variety of comparison and specialty goods and services for the surrounding neighborhoods. Even in these cases, however, the Code is clear that a special emphasis on neighborhood-serving businesses is paramount<sup>64</sup>. Beyond that, each district begins with a description of the character so that future development can be compatible with the overall

<sup>64</sup> Planning Code Section 710-745. The largest NC district, NC-3, maintains an emphasis on neighborhood serving businesses.

character. The very nature of the Commission's discretion on Conditional Use applications requires that neighborhood compatibility be considered with each authorization. Certain neighborhoods may be more defined by uniqueness than other neighborhoods. For instance, the vice president of the Valencia Street Merchants Association described the relationship between formula retail and this neighborhood by stating, "We appreciate you can go a mile on Valencia Street and not see one formula-retail store," in the *New Yorker*<sup>65</sup>. As quoted earlier in this report, the OEA Report described an economic value to San Francisco that is inherent in its desirability as a unique city. This sentiment is reflected in other cities too. "The reaction is largely driven by sameness," says Dick Outcalt, a partner in Outcalt & Johnson Retail Strategists in Seattle. "The populace is more empowered protecting the feel of a community because they realize that commercially, aesthetically and from the property value standpoint, uniqueness has value<sup>66</sup>."

While homogenization is a factor, community participation is also part of neighborhood character. During the Department's stakeholders reported difficulty in garnering the involvement of formula retail managers who often needed remote approval from corporate offices. The Department's Study found that community members in the Ocean Avenue NCT note that it is challenging to establish ongoing relationships with formula retailers because the managers rotate between stores or do not have the authority to make decisions<sup>67</sup>. New York City also had concern about the loss of "mom-and-pop" stores being replaced by Whole Foods, TJ Maxx, and Sephora. When asked by the *New York Times* about the issue, a neighbor replied, "We've lost a lot of feeling of being a community. There's a sense of community that comes from living with small merchants whom you get to know<sup>68</sup>."

When considering the appearance for a new formula retail establishment, these businesses, are ubiquitous and diminish the unique qualities of a shopping street. Under the Planning Code, formula retail establishments are defined as "an...establishment which, along with eleven or more other retail sales establishments...maintains two or more [standardized] features". In other words, formula retailers are stores with multiple locations and a recognizable "look" or appearance. What makes a look recognizable in this case, is the repetition of the same characteristics of one store in multiple locations. The sameness of formula retail outlets, while

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<sup>65</sup> Lauren Smiley. "What It Means to Keep Chain Stores Out of San Francisco" September 20, 2013. *The New Yorker*. Retrieved from <http://www.newyorker.com/online/blogs/currency/2013/09/what-it-means-to-keep-chain-stores-out-of-san-francisco.html>

<sup>66</sup> Haya El Nasser. "Cities put shackles on chain stores" July 20, 2004. *USA Today*. Retrieved from <http://sustainableconnections.org/ex-pdfs/USA%20Today%20Cities%20put%20shackles.pdf>

<sup>67</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 91.

<sup>68</sup> Joseph Berger. "Fear (and Shopping) When Big Stores Move In" June 4, 2010. *The New York Times*. Retrieved from [http://www.nytimes.com/2010/06/05/nyregion/05metjournal.html?\\_r=2&](http://www.nytimes.com/2010/06/05/nyregion/05metjournal.html?_r=2&)

providing clear branding for consumers, counters the general direction existing land use controls which value unique community character. The standardized characteristics that are found other places provide some level of homogenization. Formula retailers cannot be unique because there are at least 11 others with the same look.

This effect has an impact on tourists and locals alike. A quick stroll through "Yelpers" review of Fisherman's Wharf elicits the following quotes<sup>69</sup>:

- *"This place is gross... and reeks of chain restaurants and poor examples of badly executed notions of Americana."*
- *"This area has some restaurants but they are chains or have only average food."*
- *"Restaurants are a mix of chains and tourist favorites."*
- *"Understandably, there are cheesy chain restaurants, expensive ventures for the kids and family, and more people crammed into one area than all of the rest of the city. There will be lots of distractions, gimmicky souvenirs to be sold, but that's not to say it's all a bad time."*
- *"It is fun to walk and window-shop here. Also, you can choose between fine seafood restaurants and street kiosk to satisfy any craving. The problem: too many chain restaurants spoil an area that should be an authentic neighborhood of San Francisco."*

While Fisherman's Wharf is not subject to formula retail controls, the sentiment above is a good indicator of some general reactions to a perceived overabundance of formula retail.

**The Conditional Use Process.** The Department's Study and the OEA Report found that the Conditional Use process is working to retain unique neighborhood character. The relatively low concentration of formula retail in commercial and mixed-use neighborhoods with formula retail controls in place suggest that the controls are successful in limiting the amount of formula retail in the City's Neighborhood Commercial Districts<sup>70</sup>. The Conditional Use process creates disincentives for formula retailers to locate in NCDs. The upfront time and financial investment required to go through the Conditional Use process results in many formula retailers being unwilling to consider locating in the NCDs. However, formula retailers are more likely to submit applications in neighborhoods with strong market demand for new retail and where they anticipate a positive reception by the community. The process empowers the local community by giving community members the power to keep unwanted formula retail uses out. Excluding pending applications, 75 percent of formula retail Conditional Use applications have been

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<sup>69</sup> User reviews from Fisherman's Wharf Yelp! page. Retrieved on May 9, 2014 from <http://www.yelp.com/biz/fishermans-wharf-san-francisco-3>

<sup>70</sup> Page 28 of The Department's Study determined that formula retailers account for ten percent of the retail establishments in commercial/mixed-use districts with controls in place, while they account for 25 percent of the retail establishments in commercial/mixed-use districts without controls.

approved<sup>71</sup>. In cases where community members have reached a clear consensus that a proposed formula retailer is not desirable and appeared at Planning Commission hearings, the applications have often been denied or withdrawn. In general, community reaction to formula retail Conditional Use applications appears to depend on factors such as the potential impacts on existing and beloved businesses and whether the prospective formula retail tenants are filling long-standing vacancies and/or meeting unmet community needs.

Conversely, the City's formula retail controls may be a contributing factor in some long-term vacancies, particularly of larger storefronts. Brokers report that large, deep spaces may sit empty for extended periods of time if a formula retail Conditional Use application is disapproved or withdrawn, and that these vacant spaces can act as a drag on the vibrancy and overall performance of the surrounding district. Formula retailers can generally fill more floor space than independent retailers, and can more often afford to make needed tenant improvements and pay rents required to lease larger storefronts. While formula retail controls may make leasing some spaces more challenging, obsolete building designs, significant maintenance needs and challenging locations also likely contribute to long-term vacancies in many cases. There are significant limitations to the approach that formula retail controls encourage property owners to subdivide or redevelop large, vacant retail spaces. Some large retail buildings are not possible to subdivide into multiple smaller storefronts that would be more suitable for independent businesses because of structural or design issues<sup>72</sup>.

The Conditional Use process allows evaluation on a case by case basis and for consideration of community input. One recent example is Pet Food Express, a locally based chain that would have activated a long vacant building, potentially promoted additional commercial investment, provided two services that were not being provided in the neighborhood, increased street front transparency and improved the streetscape<sup>73</sup>. The project sponsor provided an economic impact study and had 42 speakers in favor of the project and 41 speakers opposed<sup>74</sup>. The controversial project was ultimately found to not be necessary or desirable and was disapproved.

**Lack of clarity in existing Code.** The existing Code establishes that the "Planning Commission shall develop and adopt guidelines which it shall employ when considering any request for discretionary review." The Code then lays out five criteria for consideration, which have not been interpreted or clarified. Review of previous staff prepared case reports indicates inconsistent application of these criteria.

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<sup>71</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 5.

<sup>72</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 6.

<sup>73</sup> Case No. 2013.0128C, heard on August 8, 2013

<sup>74</sup> Planning Commission Minutes for Case No. 2013.0128C, heard on August 8, 2013

**1. Existing concentrations of formula retail uses within the district.**

Review of previous staff prepared case reports indicates that this criterion is not reviewed consistently. Some reports include a count of the entire NCD and some include a count within the general "vicinity". The application of what was the "vicinity" varied by planner. The Planning Commission adopted policy for Upper Market Street neighborhood that established a method for calculating concentration based on linear commercial frontage of all NC zoned parcels within 300 feet of the subject property. The policy stipulated that if a proposed formula retail use would result in a concentration greater than 20 percent, the Planning Department would recommend disapproval of the case. This policy has been enacted since April 2013 and resulted two cases being disapproved by the Planning Commission, a Starbucks that would have brought the concentration to 21 percent and a Chipotle that would have brought the concentration to 36 percent. While the Duboce Triangle Neighborhood Association has been pleased with the implementation of this policy, members of the Commission have expressed a desire to revisit this methodology, prior to broader application.

The Department's Study found that the appropriate concentration of formula retail for districts varies significantly depending on existing conditions and the community's preferences. Communities often react differently to formula retail Conditional Use applications depending on factors such as the potential impacts on competing businesses and whether prospective formula retail tenants are filling long standing vacancies and/or meeting perceived community needs. Given this variation, the Department's Study found that it is not possible to define an ideal level of concentration for formula retail that could apply across multiple zoning districts<sup>75</sup>. However, looking at the concentration by number of existing formula versus non-formula retailers as well as the amount of linear frontage of each business use type would be a useful metric for comparison.

- 2. Availability of other similar retail uses within the district.** This criterion directs staff to review whether the goods and/or services proposed are currently being provided in the district. There is no additional direction provided on how these similar retail uses are dispersed within the district as well as no analysis of similar retail uses in commercial areas immediately adjacent to the district or even the proposed location in some cases. A literal interpretation of this criterion may lead staff evaluating a proposal for formula retail along Geary Street in the Richmond (NC-3 Zoning District) to not only examine the availability of similar retail uses on the contiguous Geary NC-3 but also within the all of

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<sup>75</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 8.

the NC-3 zoned parcels which exist as far away as Mission Street in the Outer Mission neighborhood. For this criteria and the one above, it seems that the important question is not whether these goods are provided anywhere within the zoning district, but rather within the zoning district that is an easy walk.

3. **Compatibility of the proposed formula retail use with the existing architectural and aesthetic character of the district.** Most formula retail Conditional Use applications include solely interior tenant improvements and signage. Signage is administratively approved per Planning Code Article 6 and generally permitted separate from the Conditional Use authorization. However, the Conditional Use process allows for the Commission to exercise discretion and negotiate reduced visual impacts with project sponsors. Given the concerns around potential homogenization of neighborhoods by formula retail, more specific aesthetic and architectural features of concern should be identified for review of this criterion.
4. **Existing retail vacancy rates within the district.** Like most data, vacancy rates are most useful when comparisons can be drawn. There is currently minimal tracking of vacancy rates in commercial districts and it is not maintained consistently. There is also no comparison to a healthy vacancy rate, which the Department's Study identifies as ten percent. The Department has access to vacancy rates in both the Retail Broker's Study and the Invest in Neighborhoods project. Using these existing data sources as a starting point, vacancies should be considered in relation to the proximity to the proposed site. The Department should work to update this information with each formula retail application and through subsequent studies so that time-series data may be established to demonstrate how various neighborhoods change over time.
5. **Existing mix of Citywide-serving retail uses and neighborhood-serving retail uses within the district.** As discussed earlier, many residents are concerned about the loss of neighborhood or daily needs serving retail uses. The Department's Study found that many of the districts with controls are predominantly daily needs-serving. This existing criterion provides no guidance of what is considered neighborhood-serving retail versus Citywide-serving. Similar to concentrations, there is no one ratio that fits all NCDs. The distribution of neighborhood serving uses is also not considered, even though many NCDs stretch for miles and residents are unlikely to travel only within their NCD to have their needs met. Due to the lack of guidance provide, this criterion too is evaluated inconsistently.

## REQUIRED COMMISSION ACTION

The Commission is being asked to initiate the attached Ordinance. If initiated today, the Department would ask the Commission to take an action on the draft Ordinance and associated Performance-Based Review Standards for formula retail review on or after June 5, 2014.

## POLICY RECOMMENDATIONS AND BASIS FOR RECOMMENDATIONS

The Department recommends that the Commission retain the existing framework of Conditional Use authorization, while making some changes to better respond to issues of concern and to facilitate consideration of formula retail uses which enrich a neighborhood. The proposal seeks to maintain the original intent of formula retail controls while adding rigor and consistency to the process. The specific recommendations of the Department and a discussion of why the changes are being proposed follows:

1. **Refine the definition of formula retailer, while maintaining a balance.** Increase the numerical threshold from 11 to 20 and broaden the definition to include more use types and businesses located outside of United States. In addition to physical establishments, locations that are permitted or entitled by the local jurisdiction would now be added toward the threshold for formula retail. The Department recommends not counting merely signed leases without any land use entitlements towards this threshold.

**A. Numerical Threshold.** Formula retail is currently defined as a retail establishment which, along with 11 or more retail sales establishments located in the United States, maintains two or more standardized features. When a qualifying use applies for the twelfth or more location and the new application is located in a zoning district with formula retail controls, it is required to procure Conditional Use authorization from the Planning Commission. When the original formula retail legislation was proposed in 2003, the definition of formula retail was four or more locations<sup>76</sup>. Through the Board of Supervisor's review of the ordinance, the number was increased to 11 to avoid negatively impacting small businesses.

Blue Bottle and Philz Coffee recently reached 14 locations and San Francisco Soup Company has 16 locations. These businesses are now considered formula retail and reviewed under the same process as much larger businesses such as Starbucks (over 20,000 locations) and Subway (over 40,00 locations). According to the San Francisco Formula Retail Economic Analysis, approximately half of San Francisco's formula retail establishments are associated with companies that have more than 1,045 branches and subsidiaries. Only five percent of formula retail establishments in San Francisco are

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<sup>76</sup> Board File No. 031501 <https://sfgov.legistar.com/View.ashx?M=F&ID=704645&GUID=36C7A18F-7673-4720-BDCD-8A7F0FCE9DC6>

associated with businesses with fewer than 20 total branches<sup>77</sup>. Raising the number of locations to 20 would mean that relatively small businesses such as Blue Bottle Coffee, Philz Coffee and Patxi's Pizza are no longer considered formula retail. The formula retail definition would continue to capture the majority of well-known formula retailers (such as Safeway, Wells Fargo, Peets Coffee, Gap) as well as some medium-sized businesses that have grown substantially, such as Umami Burger, Boudin, Extreme Pizza and the Cheesesteak Shop. Retailers such as Steven Alan, James Perse and Athleta would continue to be defined as formula retailers. Meanwhile, the number of smaller businesses such as Super Duper Burger and San Francisco Soup Company can continue to grow in San Francisco<sup>78</sup>.

The Department recommends counting locations that are permitted or entitled towards the numerical threshold. As previously discussed, a Board of Appeals ruling required that leases held count as potential locations toward meeting the formula retail threshold. However, leases are private agreements between landlords and tenants and cannot be independently verified. Leases are sometimes held for years before a retailer operates in a location. The long vacant former Walgreens on Ocean Avenue and the proposed Pet Food Express location on Lombard Street are local examples of this phenomenon. An entitled or permitted location is one that has already been approved to operate by a local jurisdiction. The proposed establishment would have at this point invested time and money in ensuring an operation. Further, entitlements and permits are public record and can be independently verified. These pending locations which have received land use approvals have a much greater likelihood of coming to fruition and should therefore be counted toward the numerical threshold of 20. This proposed change should address the concern of formula retail establishments coordinating their openings in an effort to circumvent San Francisco's formula retail controls.

- B. Location of Establishments.** Similarly, including international locations toward the 20 locations would balance the increase in number of locations while still allowing small businesses to grow. Data on the number of establishments located internationally were not available; however, by looking at the headquarters of formula retailers we can get an approximation of where retailers are primarily located. According to the Department's Study, within San Francisco, only 10 percent of businesses with 12 or more corporate family members are part of a corporation that is headquartered outside the United

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<sup>77</sup> This number is based on the number of existing formula retailers in San Francisco, i.e. those with more than 11 locations.

<sup>78</sup> Numbers are based on individual websites, accessed 4/7/2014.



States<sup>79</sup>. A vast majority of these have long established presences in the U.S. and already qualify as formula retail under the current Planning Code. For example, highly recognizable brands such as T-Mobile (based in Germany), 7-Eleven (headquartered in Japan), The Body Shop (headquartered in England) and Sephora (based in France) account for many of the 130 businesses headquartered outside of the U.S.

The proposal to include internationally based retailers who desire to open a flag ship U.S. location are unlikely to be hindered by formula retail controls, as flagship stores are likely to be located in a major regional shopping center such as Union Square, which does not have formula retail controls. When Japan-based Uniqlo opened its first west coast store in Union Square, it had 1,132 stores in 13 countries. The U.S. COO said, "We chose San Francisco because it's a hotbed of global technological innovation."<sup>80</sup> San Francisco is a desired retail location and will continue to be so.

By increasing the number of global locations to 20, businesses such as Uniqlo, Muji, Daiso, Loving Hut, Aesop and Oskia would continue to be formula retailers. The proposed increase can expect to capture approximately the same number of formula retailers that are currently captured. The number of retailers that would newly be captured is very small<sup>81</sup>.

C. **Use Categories.** The Department recommends expanding the definition of formula retail to include Limited Financial Service, Fringe Financial Service and Business and Professional Service.

1. **Limited Financial Service** is defined in Planning Code Section 790.112 as "*A retail use which provides banking services, when not occupying more than 15 feet of linear frontage of 200 square feet of gross floor area. Automated teller machines, if installed within such facility or on an exterior wall as a walk-up facility, are included in this category; however, these machines are not subject to the hours of operation...*" These uses tend to be ATMs but there is nothing in the Code that prevents a small branch from opening under this

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<sup>79</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 3.

<sup>80</sup> Carolyn Said, "Uniqlo Opens S.F. Store," *SFGate*, October 4, 2012, <http://www.sfgate.com/business/article/Uniqlo-opens-S-F-store-3919489.php#src=fb>.

<sup>81</sup> Strategic Economics reported that almost all (if not all) of the businesses with locations in San Francisco that are headquartered outside the U.S. and are currently captured by the definition of formula retail would still be captured by the definition of formula retail if the threshold was raised to 20 locations worldwide. Only one instance of an internally based retailer that may not meet the 20 location threshold was found. This example was Sheng Kee Bakery, which has 12 U.S. locations but is headquartered in Taiwan. The company appears to have locations in Taiwan, Singapore and Canada but it is unclear if they are all actually the same company. If they are the same company, there are fewer than 8 locations outside the U.S. (Reported via email on May 6, 2014).

use category and it is therefore analogous to Financial Services, which are already subject to formula retail controls. The number of Limited Financial Service uses that would be captured by this definition change are not available because the data combines this use category with Financial Services in general. The proposal includes an exemption for Limited Financial Services that are located within another use and that are not visible from the street. Supervisor Weiner's Interim Controls in the Upper Market Street NCT currently requires Conditional Use authorization for all Limited Financial Service uses, indicating a community desire to more heavily regulate these uses.

Board File No, 12-0047, which adopted Financial Services as a use category subject to formula retail controls found that Limited Financial Service uses would allow smaller size financial services with less of an impact on the aesthetic character and vibrancy of a NCD. While banking services are a desired neighborhood serving use, a bank of ATMs or an ATM vestibule do not contribute to the vibrancy of street activity. Limited Financial Services, similar to Financial Services, tend to include maximum signage serving as advertising and branding on a street face. San Francisco is not unique in dealing with the aesthetic impacts that banking services have on neighborhood commercial districts. New York City addressed this issue in the Upper West Side neighborhoods by limiting the width of bank storefronts to no more than 25' wide. The concern there, however, was that the small fine grained nature of the existing neighborhood commercial district was being eroded by larger storefronts. San Francisco's NCDs generally feature storefronts that are 15 to 25', necessitating further controls applied to Limited Financial Services.

2. **Fringe Financial Service.** Fringe Financial Service is defined in Planning Code Section 790.111 as *"A retail use that provides banking services and products to the public and is owned or operated by a "check casher" as defined in California Civil Code Section 1789.31, as amended from time to time, or by a "licensee" as defined in California Financial Code Section 23001(d), as amended from time to time."* Fringe Financial Services are regulated within the Fringe Financial Service Restricted Use District (Sec. 249.34 of the Planning Code) because they have the *"potential to displace other financial service providers, including charter banks, which offer a much broader range of financial services, as well as other desired commercial development in the City, which provides a broad range of neighborhood commercial goods and services."* The Fringe Financial Service RUD only applies to the Mission Alcoholic Beverage District SUD, the North of Market Residential SUD, the Divisadero Street Alcohol RUD, the Third Street Alcohol RUD and the Haight Street Alcohol RUD. By applying the definition of formula retail to fringe financial services, the Department will be better equipped to evaluate future locations in Neighborhood Commercial Districts, as well as evolving Mixed Use Districts. Supervisor Kim's Interim Zoning Controls on Market Street require

Conditional Use authorization for new Fringe Financial Service that front on Market Street between 6<sup>th</sup> Street and Van Ness Avenue, demonstrating a community desire to further control Fringe Financial Services. Currently, there are 10-20 fringe financial uses within San Francisco that have more than 20 locations<sup>82</sup>.

3. **Business and Professional Service.** Defined in Planning Code Section 790.108 as “A retail use which provides to the general public, general business or professional services, including but not limited to, architectural, management, clerical, accounting, legal, consulting, insurance, real estate brokerage, and travel services. It also includes business offices of building, plumbing, electrical, painting, roofing, furnace or pest control contractors...It does not include research service of an industrial or scientific nature in a commercial or medical laboratory, other than routine medical testing and analysis by a health-care professional or hospital.” Expanding the definition of formula retail to include business and professional services will apply to businesses such as H&R Block, the UPS Store, Kinkos, and real estate and insurance offices such as Coldwell Banker and State Farm Insurance. These businesses often seem to present the standardized features that determine when multiple outlets should be considered formula retail and therefore should be captured in the definition.

## 2. Expand formula retail controls to areas of concern.

- A. **Require Conditional Use authorization for formula retail establishments with frontage on Market Street between 6<sup>th</sup> Street and 12<sup>th</sup> Street.** Long-standing policies adopted in the General Plan acknowledge the importance of Market Street as the city’s cultural and ceremonial spine. Given this elevated importance to the image of the City, the Department recommends permanent formula retail controls to replace the current interim controls along Market Street and expanding the area of controls from Van Ness to 12<sup>th</sup> Street. In January 2010, the Mayor’s Office of Economic and Workforce Development launched the Central Market Partnership, a public/private initiative to renew and coordinate efforts to revitalize the Central market neighborhood. In November 2011, the Mayor released the Central Market Economic Strategy. In July 2013, Supervisor Kim sponsored legislation to place interim formula retail controls on Market Street between Van Ness and 6<sup>th</sup> Street in order to ensure that new development retained a unique neighborhood character.

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<sup>82</sup> Source: Dun & Bradstreet, 2012; Strategic Economics, 2014. Based on Dun & Bradstreet business data that have not been independently verified; all numbers are approximate and includes branches or subsidiaries located anywhere in the world.

This portion of Market Street is zoned C-3-G: Downtown General Commercial and had no restrictions on formula retail uses, prior to the adoption of interim controls. The C-3-G District is described in Planning Code Section 201.3, "This district covers the western portions of downtown and is composed of a variety of uses: Retail, offices, hotels, entertainment, clubs and institutions, and high-density residential. Many of these uses have a Citywide or regional function, although the intensity of development is lower here than in the downtown core area. As in the case of other downtown districts, no off-street parking is required for individual commercial buildings. In the vicinity of Market Street, the configuration of this district reflects easy accessibility by rapid transit."

Between 2011 and 2013, 17 new companies moved into the Central Market area. As this area experiences major growth, now is the time to ensure the land use controls create a neighborhood that is worthy of the importance of the street. Over 5,571 residential units are under construction or approved and 40 additional development projects are in the pipeline<sup>83</sup>. Central Market is a burgeoning mixed-use neighborhood and formula retail controls will help shape the future development of the neighborhood. The Department recommends applying the existing Conditional Use process to formula retail establishments that front on Market Street between 12<sup>th</sup> Street and 6<sup>th</sup> Street in order to ensure the development of balanced neighborhood character rather than producing a bland or generic retail presence. The approach itself is balanced in applying only to storefronts with a frontage on Market Street rather than the entire Central Market area. Key to this proposal is careful review of the uses visible from the right-of-way. The Conditional Use process will ensure that formula retail establishments that locate visibly on the central part of Market Street will be compatible with the development neighborhood character and uses.

As the City continues to attract new businesses to this emerging retail corridor, there is a desire to preserve and attract neighborhood retail that is in keeping with the character of this historic area. Since 2011, 13 new small businesses have located in the Central Market area, with five additional businesses planning to open soon<sup>84</sup>. Through

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<sup>83</sup> Central Market Turnaround 2011 – 2013, San Francisco Office of Economic and Workforce Development, November 1, 2013. (Attached)  
<http://www.oewd.org/media/docs/Central%20Market/CENTRAL%20MARKET%20TURNAROUND%2011-1-13.pdf>

<sup>84</sup> Central Market Turnaround 2011 – 2013, San Francisco Office of Economic and Workforce Development, November 1, 2013. (Attached)  
<http://www.oewd.org/media/docs/Central%20Market/CENTRAL%20MARKET%20TURNAROUND%2011-1-13.pdf>

the Department's Study, neighborhood merchants voiced concern that they see a pattern of independent startup businesses that turn a neighborhood around and are then forced out through rent increases. Startups take the risk of locating in transitional neighborhoods and help to improve the neighborhood through their presence and investment. This is generally due to these more risky neighborhoods being affordable to startup businesses. They draw in more foot traffic and as the neighborhood improves and becomes less risky, established businesses want to locate there. These established businesses tend to be formula retailers and are typically better capitalized, have better credit and can pay higher rents and commit to longer leases which may negatively impact the start-up businesses that played a key role in revitalizing a neighborhood. In the Central Market area there are already ten formula retail limited restaurants (fast food) and two formula retail pharmacies<sup>85</sup>. The unregulated and unmonitored establishment of additional formula retail uses may unduly limit or eliminate business establishment opportunities for startup businesses, many of which tend to be non-traditional or unique. Recent additions to this part of Market Street include Littlejohn's Candies, Beer Hall, Huckleberry Bicycles, Alta and Little Griddle. These business owners took a risk and made an investment on a transitional part of Market Street and are paving the way for future economic development in the City's historic core. Their efforts should not be hampered by a proliferation of formula retailers that can significantly alter neighborhood character.

The Department further recommends expanding formula retail Conditional Use controls beyond the interim control boundary of Van Ness Avenue to 12<sup>th</sup> Street and Franklin Street as the western boundary. Franklin Street and 12<sup>th</sup> Street divide the NCT-3 zoning district in the Upper and Central Market neighborhoods and should be included in the permanent controls to ensure consistent application on Market Street.

### **3. Focus review on issues of most importance to residents.**

- A. Strengthen review criteria and process for new formula retail in Districts with formula retail controls in place.** Planning Code Section 703.3(h) (Formula Retail Uses) includes the language "The Planning Commission shall develop and adopt guidelines which it shall employ when any considering request for discretionary review made pursuant to this Section." The Section goes on to list the following five criteria for consideration of formula retail uses. The Department proposes developing formula retail review guidelines in a Performance-Based Review Standards document as directed by the

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<sup>85</sup> Interim Zoning Controls – Specific Formula Retail Uses on Market Street, from 6<sup>th</sup> Street to Van Ness Avenue, Board File No. 130712, Resolution No. 305-13, page 2  
<https://sfgov.legistar.com/View.ashx?M=F&ID=2588632&GUID=63B9534F-8427-400B-A2FF-A17A25081C23>

current Code. The Performance-Based Review Standards will provide clarity to staff and increase rigor in the implementation of the five Conditional Use criteria existing in Planning Code Section 303(i)(3).

**Consistent Data & Description Contextualized, When Possible.** The Performance-Based Review Standards will include direction to staff on how to construct consistent reports for the Commission's consideration. The reports for the Commission should include uniform assessments of key neighborhood features such as demographics, trends, a qualitative characterization the nature of the District, including massing, use size, anchors, and clusters. Data on the retail character should consistently describe vacancies, the amount of formula and no-formula retailers, as well as the prevalence of uses that meet daily needs. The data should be contextualized with comparisons to City-wide data and other Districts, where available. The Review Standards will provide interpretation and guidance to staff, applicants, and the public about how to apply the existing formula retail Conditional Use review criteria as detailed below.

**Area of Comparison: Defined Radius Instead of Zoning District.** The existing codified evaluation criteria require analyzing the proposed use in the context of the entire zoning district. Most residents can identify their Neighborhood Commercial District, however Eastern Neighborhoods and Mixed Use Zoning Districts are not linear districts that residents can easily identify. Even NCDs that are linear can stretch over a mile, much greater than typical walking distance or a perceived "neighborhood". Rather than evaluating the zoning district, the Department recommends amending the evaluation area to a quarter mile of the proposed location for criterion evaluating concentration of formula retail, use mix and neighborhood service uses as specified below. The radius of a quarter mile will capture the uses that residents can walk to and serve as better indicator of impact. Using the quarter mile radius will capture uses in the walkable area that are not in the same District. For example, Mission and Valencia are parallel adjacent NCDs but currently, a formula retail proposal in the Mission NCD would not evaluate uses in the Valencia NCD even though they are separated by a block. Similarly, the NC-3 zoning district on Geary Boulevard stretches over two miles. The western side of Geary is very different from the middle and eastern sides. But residents along middle Geary Boulevard are very likely to consider middle Clement Street their neighborhood. Using the quarter mile radius would seek evaluation of all walkable commercial uses from a proposed formula retailer. Again, a literal interpretation of the existing criterion may to a meaningless evaluation of formula retail throughout the "zoning district" which may include parcels as far away as those on Geary Street in the Richmond with parcels having the same zoning designation on Mission Street in the Outer Mission neighborhood.

**Specifically, how the existing criteria would be evaluated.** Below is a discussion of the existing criteria with the proposed changes as well as a further guidance to staff that

would be provided in the Performance-Based Review Standards. No thresholds are provided that would require staff to recommend approval or disapproval on any one criterion, rather guidance is provided to ensure review of the project, the District and the immediate area holistically.

1. **The existing concentrations of formula retail uses within ~~the district~~ a ¼ mile radius of the proposed location, (hereinafter "within a ¼ mile walk<sup>86</sup>").** Staff will inform the Commission discussion of concentration of formula retail by providing:
  - a. A discussion of linear frontage concentration of formula retail establishments based on the Upper Market NCD and NCT methodology, adopted as policy by this Commission on April 11, 2013. Staff will be directed to calculate the concentration of formula retail linear frontage within a ¼ mile walk of the subject property. By counting linear frontage, corner parcels are more heavily weighted due to their greater aesthetic impacts.  
The Department does not identify an ideal concentration threshold because it varies significantly by Neighborhood Commercial District. This variation is based on pre-existing uses, massing and use sizes and what the neighborhood demonstrates a need for.
2. **The availability of other similar retail uses within ~~the district~~ a ¼ mile walk of the proposed location.**
  - a. A discussion of similar retail uses as well as mapping their locations within a ¼ mile walk. Similar retail uses include those within the same land use category as well as retailers that provide similar goods and/or services. A comparison of similar uses and their locations will demonstrate how uses are scattered throughout the walkable area.
3. **The compatibility of the proposed formula retail use with the existing architectural and aesthetic character of the district.**
  - a. Compare the aesthetic characteristics of proposed formula retail to the nature of the district, addressing whether or not the use size is consistent with existing character, whether signage is appropriate and compatible, and whether the storefront design is more or less pedestrian-scaled than the district as a whole. Under the existing Conditional Use review, formula retail uses are subject to the same signage review as all uses. Otherwise the existing review is entirely administrative under Article 6 of the Planning Code. While the Commission and Staff can request and recommend that signage be reduced or altered to be more compatible with the District, it cannot be required, with the exception of Article 11 Conservation Districts and Known Historical Resources.

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<sup>86</sup> Within a ¼ mile walk is defined as all parcels that are wholly or partially located within a 1/4 mile radius of the subject property and are also zoned commercial or contain commercial uses.

- b. Provide discussion of the visual impact of the proposed formula retail location including identifying its place in the District (corner, anchor, recessed from street) and whether it is in a protected viewshed in the General Plan.
- c. **Apply the proposed Performance-Based Review Standards to all Formula Retail Applications.** These criteria would include specifications on how the façade appears and would include; signage, storefront transparency and pedestrian-oriented design.
  - i. **Minimized Standard Business Signage.** Signage controls exist in Article 6 of the Planning Code to protect the distinctive appearance of San Francisco and its unique geography, topography, street patterns, skyline and architectural features. These controls encourage sound practices and lessen objectionable effects in respect to the size and placement of signs. Signage creates visual impacts which play a role in the attraction of tourists and other visitors who are so important to the economy of the City and County. Signs serve as markers and create individual identities for businesses that add to the greater identity of a neighborhood and district<sup>87</sup>. The Department recommends adoption of signage guidelines as part of the Performance-Based Review Standards that would also apply to all Conditional Use review for formula retail and that would be the focus of the proposed Performance-Based Formula Retail Review. Formula retailers going through the Conditional Use process would have to comply with these guidelines and conform to Department discretion regarding signage.
  - ii. **Maximized Storefront Transparency and Pedestrian-oriented Design.** The vitality of a district's streetscape is dependent on the existence and success of storefront business. In response to changing marketing and advertising strategies designed to draw in customers, storefronts are the most commonly altered architectural feature in commercial buildings. The purpose of storefront design standards are to protect and enhance the character of a neighborhood by encouraging storefront design that allows tenants to successfully convey their image and products, compliment the public realm and respect the architectural features of the building and character of the district<sup>88</sup>. A transparent storefront welcomes customers inside with products and services on display, discourages crime with more "eyes on the street", reduces energy consumption by letting in natural light, and enhances curb appeal and value of the store and the entire

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<sup>87</sup> San Francisco Planning Department, General Planning Information, Signs, November 2012.

<sup>88</sup> San Francisco Planning Department, Design Standards for Storefronts for Article 11 Conservation Districts, Draft November 2012.



neighborhood<sup>89</sup>. The Planning Department strives to ensure that tenant spaces remain transparent to the exterior, contribute to the activity of the public realm and do not evolve into de facto sign boards for tenants. Planning Code Section 145.1(c)(6) requires that "frontages with active uses that are not residential or PDR must be fenestrated with transparent windows and doorways for no less than 60 percent of the street frontage at the ground level and allow visibility to the inside of the building". While this code section is reviewed as part of the Conditional Use review process for formula retail uses, businesses are not required to alter their storefronts to meet the Code requirement. In most cases, a business will occupy an existing storefront that does not meet the requirement and cannot make significant alterations to a potential historic resource. However, if the existing storefront has opaque glazing or security gates or grillwork that obscures visibility, adoption of the Performance-Based Review Standards would require altering the storefront, where possible, to meet the Code requirement.

4. **The existing retail vacancy rates within the district.**
  - a. Identify current vacancy rates in district and historic vacancy rates, as this information becomes available in the future.
  - b. Identify commercial spaces that are long term vacancies and analyze potential factors contributing to long term vacancies
5. **The existing mix of Citywide-serving retail uses and ~~neighborhood-serving~~ daily needs serving retail uses within the district a ¼ mile walk of the proposed location.** This criterion in particular seems to be difficult to interpret and apply consistently. The Code has an existing definition of "neighborhood serving" but no definition of "citywide-serving". As NCDs are intended to serve the daily needs of the neighborhood residents' daily needs serving retailers are those that provide goods and services that residents want within walking distance of their residence or workplace. To apply the principles behind this criterion and the intent of NCDs, the Department recommends changing the criterion as follows:
  - a. Establish a definition of "Daily Needs" with the following use types as adopted in the Implementation Document.<sup>90</sup> The Department cautions against codified this definition as resident needs are evolving and the intent of the Implementation Document is to be responsive to these changes. For example, if Wells Fargo filed a Conditional Use application and it was found that the neighborhood lacked

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<sup>89</sup> San Francisco Planning Department, Standards for Storefront Transparency, Planning Code Requirements for Commercial Businesses, November 2013.

<sup>90</sup> Corresponding definitions apply to zoning districts within Article 8 of the Planning Code.

1. Limited Restaurant, as defined by Planning Code Sec. 790.90
2. Specific Other Retail, Sales and Services as defined by the following subsections of Planning Code Sec. 790.102
  - (a) General Grocery;
  - (b) Specialty Grocery;
  - (c) Pharmaceutical drugs and personal toiletries;
  - (e) Self-service Laundromats and dry cleaning;
  - (f) Household goods and services;
  - (g) Variety merchandise, pet supply stores and pet grooming services;
  - (l) Books, music, sporting goods, etc.
3. Personal services, as defined by Planning Code Sec. 790.116
4. Limited Financial Service (Planning Code Sec. 790.1120) and/or Financial Service (Planning Code Sec. 790.110)
5. Specific Trade Shops as defined by the following subsections of Planning Code Sec. 790.124
  - (1) Repair of personal apparel, accessories, household goods, appliances, furniture and similar items, but excluding repair of motor vehicles and structures;
  - (6) Tailoring

B. Look more closely at Super Stores with an economic impact report. Require an economic impact report for big box retail uses that are over 50,000 sf in most districts and that are over 120,000 sf in the C-3 district. Super Stores or Big Box Stores are physically large retail establishments and usually part of a chain that would be considered a formula retail use. Shared characteristics of Super Stores include:

- Large, free-standing, rectangular, generally single-floor structures;
- Structures that sit in the middle of a large parking lot that is meant to be vehicle accessible rather than pedestrian accessible<sup>91</sup>;
- Floor space several times greater than traditional retailers in the sector allowing for a large amount of merchandise<sup>92</sup>.

<sup>92</sup> CQ Researcher: Big-Box Stores. September 10, 2004.

These Super Stores can generally be broken into two categories: general merchandise, which includes stores like Walmart and Target that sell a wide variety of goods and products and specialty stores, such as Best Buy, that focus on a specific type of product, such as technology. Conventionally, super stores are generally more than 50,000 square feet and sometimes approach 200,000 square feet. In San Francisco, single retail uses over 50,000 gross square feet require a Conditional Use authorization in all but the C-3 Zoning District. Single retail uses over 90,000 gross square feet are only permitted in some C-3 zoned areas and require a Conditional Use authorization. Uses over 120,000 gross square feet are prohibited in all but the C-3 Zoning District<sup>93</sup>. Existing large single-retail uses in San Francisco include the Target at City Center and Costco, which are both approximately 120,000 square feet. The Target at Fourth and Mission is approximately 85,000 square feet. Both Best Buy locations in San Francisco are approximately 50,000 square feet<sup>94</sup>.

Super Stores can affect the local economy in a variety of ways. They initially bring an influx of jobs to an area, due to the size of their operation compared to small businesses. However, this gain can be nullified over time as smaller businesses are put out of business because of their inability to match the low pricing and wide variety of a super store. A 2005 study found that the opening of a Walmart saw, on average, a 2.7 percent reduction in retail employment in the surrounding County<sup>95</sup>. In terms of tax revenue, studies indicate that mixed-use is the most beneficial to the economy and big-box retailers do not significantly help the economy<sup>96</sup>. The standard for a super store (a large, single-floor structure), does not yield the same multiplier effect that comes from vertical expansion that can be seen in a dense mixed-use development.

In order to fully evaluate the impact of such a use, the Department recommends requiring a thorough economic impact report as part of the Conditional Use review of

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<sup>93</sup> San Francisco Planning Code Section 121.6. Uses over 120,000 gross square feet that sell groceries, contain more than 20,000 Stockpiling Units (SKUs); and devotes more than 5% of its total sales floor area to the sale of non-taxable merchandise are prohibited in San Francisco.

<sup>94</sup> Best Buy on Harrison Street is approximately 46,743 square feet and Best Buy at City Center is approximately 55,000 square feet.

<sup>95</sup> David Neumark, Junfu Zhang and Stephen Circcarella. National Bureau of Economic Research, "The Effects of Wal-Mart on Local Labor Markets" (2005). Page 28 Retrieved from <http://www.nber.org/papers/w11782.pdf>

<sup>96</sup> Philip Langdon. New Urban News, "Best bet for tax revenue: mixed-use development downtown" (2010) Retrieved from <http://bettercities.net/article/best-bet-tax-revenue-mixed-use-downtown-development-13144>

any proposed Super Store. The economic impact report would include specified assessments and projections, including, 1) an assessment of the effect that the proposed superstore will have on retail operations and employment in the same market area, including construction-related employment; 2) an estimation of change in sales tax to be paid to the City; specifying if the change would be a net increase or decrease; 3) a projection of the costs of public services and public facilities resulting from the construction and operation of the proposed superstore and the incidence of those costs, including the cost to the state, city, or county of any public assistance that employees of the proposed superstore will be eligible for based on the wages and benefits to be paid by the proposed superstore; 4) a leakage study to determine if the superstore would be recapturing sales that are currently occurring outside the City; and 5) a multiplier study to estimate change whether an increase or decrease in recirculation of local dollars could be expected. This work shall be paid for by the applicant and shall be completed under the direction of Planning Department staff by an economic consultant firm identified as a pre-qualified firm by the City Office of Controller.

**4. Create a Performance-Based Formula Retail Administrative Review process for aesthetic review of less impactful formula retail, while still providing for the option of full Conditional Use authorization when a project is controversial.**

The goal of Performance-Based Formula Retail Review is to allow for a focused review of aesthetic impacts and performance where a formula retail establishment has already been authorized<sup>97</sup> for the site; where the use is not expanding in size nor changing use category; and where the project itself is not controversial. If a formula retail conditional use has already been granted at the site, the Commission has already established the compatibility of formula retail use at this location. Therefore, the Administrative Review process would center on the Performance-Based Review Standard for criteria three regarding aesthetic compatibility (Sec. 303(i)(3)(C) in the proposed Ordinance). As discussed earlier in Recommendation 3, the Department proposes enriching this review to require specifics for signage, storefront transparency and pedestrian design standards that would apply to formula retailers that are eligible for the Performance-Based Review. However, if there is controversy around the project and after public notice a member of the public or a Commissioner would request a Discretionary Review hearing, then the Commission hearing

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<sup>97</sup> The Performance Based Formula Retail Review process would not apply to grandfathered formula retail establishments that pre-date the current formula retail controls. If a formula retail establishment that did not receive Conditional Use authorization is changing to another formula retail establishment, regardless of use category, a full Conditional Use review and hearing would be required. The proposed formula retail establishment would be treated as a new formula retail use. For example, if the McDonald's on Haight Street wanted to change to a Burger King, a new formula retail Conditional Use application would be required because the original McDonald's did not procure a Conditional Use to operate a formula retail use at that site.

would focus on the full criteria that would be apply under a traditional Conditional Use authorization for formula retail (Section 303(i)(3)(A-H)<sup>98</sup>) in the proposed Ordinance).

**Minimized Standard Business Signage.** As described earlier, the Department recommends adoption of signage guidelines as part of the Performance-Based Review Standards for all formula retail. Even projects that would go through this administrative process should be reviewed to confirm that the site meets the Commission's newly adopted Standards. Formula retailer that opts for the Performance Based Review would have to comply with these guidelines and conform to Department discretion regarding signage.

**Storefront Transparency and Pedestrian design is maximized.** As mentioned earlier, while this code section is reviewed as part of the existing Conditional Use review process for formula retail uses, businesses are not required to alter their storefronts to meet the Code requirement. Adding this requirement to the Performance-Based Formula Retail Review would enable the Department to ensure that the entitlement is not granted until the property meets this requirement.

**Process.** Formula retailers who qualify for the Performance Based Formula Retail Review would be required to conduct a Pre-Application meeting prior to filing their Performance Based Formula Retail Review application with the Department. A Performance Based Review is examined by staff to ensure compliance with the objectives above. A draft letter is written informing the applicant of the recommendation and any recommended conditions of approval. A public notice is mailed to the Planning Commission and neighborhood groups and the notice is posted at the Project Site. The posted notice would inform the public of the type of application, and an expiration date for the notice with instructions on how to request a hearing if desired. Any interested party may requests a Discretionary Review hearing, in writing, up to 5pm on the date of notice expiration. If a request for public hearing is made, the item will be scheduled for hearing before the Planning Commission. The hearing would require its own mailed and posted notice for the hearing and the Commission may consider not only the aesthetic compatibility criteria (Section 303(i)(3)(C) in the proposed Ordinance) per the Administrative Review, but also all of the proposed criteria (Section 303(i)(3)(A-H) in the proposed Ordinance) at the hearing.

**Apply the Aesthetic Criteria from the Commission's Performance-Based Formula Retail Standards for Changes of formula retail tenants that retain the same size and use category.**

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<sup>98</sup> These criteria in the proposed ordinance would be: (A) The existing concentrations of formula retail uses within a ¼ mile of the proposed project. (B) The availability of other similar retail uses within a ¼ mile of the proposed project. (C) The compatibility of the proposed formula retail use with the existing architectural and aesthetic character of the district. (D) The existing retail vacancy rates within a ¼ mile of the proposed project. (E) The existing mix of Citywide-serving retail uses and neighborhood daily needs-serving retail uses within a ¼ mile of the proposed project the district. (F) Additional relevant data and analysis set forth in the Performance Review Standards adopted by the Planning Commission. (G) If required by Section 303(j) for Large Retail Uses, preparation of an economic impact study. H) Notwithstanding anything to the contrary contained in Planning Code Article 6 limiting the Planning Department's and Planning Commission's discretion to review signs, the Planning Department and Planning Commission may review and exercise its discretion to require changes in the time, place and manner of the proposed signage for the proposed formula retail use.

Conditional Use authorizations are land use entitlements that correspond to a parcel. Formula retail uses have been interpreted in the Planning Code to be a separate, unique land use category in its own right and therefore a new Conditional Use is required upon the change of operator. The Planning Code currently requires new Conditional Use authorization when there is any change of formula retail use. For example, Tully's Coffee on Cole Street was converted to a Peet's Coffee with no change in use size or use category (limited restaurant), yet a new Conditional Use was required<sup>99</sup>. This is a common occurrence in City's shopping centers (Lakeshore Plaza, City Center at Geary and Masonic and 555 9th Street shown in Figure 3, Figure 4 and Figure 5). These shopping centers have formula retail controls in place but are almost entirely occupied by formula retail tenants and have essentially always been that way. They share similar large scale massing, parking lots and are oriented internally, away from pedestrian and street activity.

Even though these shopping centers are known for formula retail and considered appropriate locations for formula retail, as evidenced by the lack of Conditional Use disapproval at these locations, every time there is a change of tenant, the new formula retail tenant is required to seek new Conditional Use authorization. Formula retail uses in Neighborhood Commercial and mixed use districts that have been granted a Conditional Use authorization have already been evaluated for use and visual compatibility. Requiring a new Conditional Use for each tenant change adds to the cost of doing business, as review and processing time is significant. This expense is justified when there could be a negative impact to the neighborhood. However, for sites where the formula retail use has already been authorized; where homogenization of the neighborhood character has been addressed through the Performance-Based Review Criteria for aesthetic considerations; and where the project, itself is deemed to not be controversial as no DR hearing was requested, the Department recommends using this new Administrative Formula Retail Review rather than the full Conditional Use review. The Administrative Review would be a reduced process that focuses on increasing people-centered design and decreasing a homogenized aesthetic while maintaining a balance of uses, as use category changes would not be permitted to go through the reduced process. The Administrative Review includes the performance-based standards for sign controls, transparency and fenestration controls and urban design controls designed to allow already permitted uses to continue operating as formula retailers as well as addresses the need for visual improvements in the future.

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<sup>99</sup> Case No. 2012.1507C at 919 Cole Street, heard on April 18, 2012, Planning Commission Motion No. 18847 [http://50.17.237.182/docs/Decision\\_Documents/CPC\\_Motions\\_and\\_Resolutions/18847.pdf](http://50.17.237.182/docs/Decision_Documents/CPC_Motions_and_Resolutions/18847.pdf)



Figure 3: Rendering of City Center at Geary and Masonic. Recently, the Commission approved multiple Conditional Use authorizations for this site without controversy. This site can be expected to see additional tenant turn-over in the future and may not benefit from review beyond aesthetic compatibility.

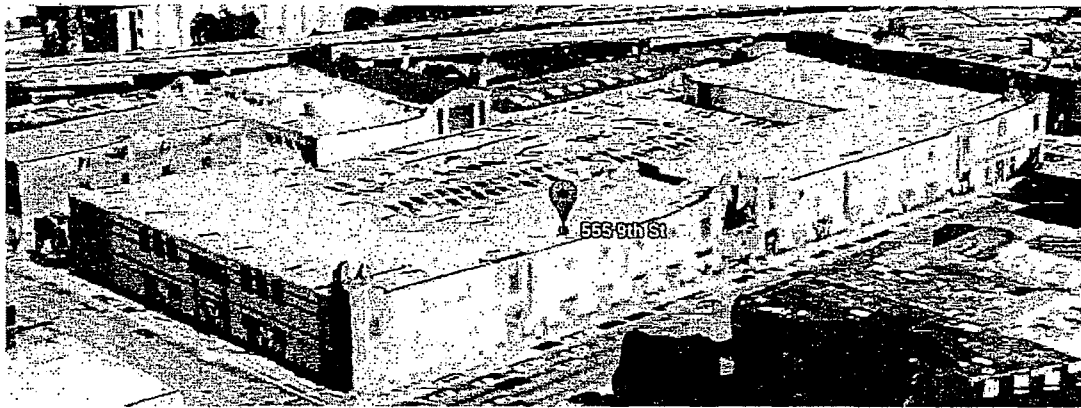


Figure 4: Aerial view of the Power Center at 555 9th Street. The Planning Commission considered an ordinance [BF 120083] that would have allowed formula retail uses without the need for Conditional Use authorization in 2012. At that time, the Commission expressed general comfort with formula retail use but desired capacity to improve the aesthetic functions of this site and improve the pedestrian orientation. See Commission Resolution 18581. The Administrative Review process proposed in this document seeks to provide the commission with this capacity while removing unneeded review for the larger Conditional Use process.



Figure 5: Lakeshore Plaza at 1501 Sloat Boulevard. This is another site that frequently experiences turnover in formula retail tenants and rarely do those entitlements engender opposition. When there is controversy, however, the proposed Administrative Review, could be elevated to a hearing before the Commission that would all the Commission full discretion on the project.

## 5. Small Business Support

Small businesses contribute significantly to the unique neighborhood character of each district. The Department recommends further outreach and education to maximize utilization of OWED programs to support neighborhood serving businesses.

Utilization of Office of Economic and Workforce Development (OEWD) resources. The Mayor's Office of Economic and Workforce Development offers small business support services intended to make them more competitive with formula retailers. These programs include:



- **Jobs Squad:** A two member team of City staff that conducts door to door outreach to small businesses around the City to connect them with help and information.
- **Technical Assistance Programs.** OEWD, the Small Business Assistance Center in City Hall, and OEWD-funded nonprofit organizations offer technical assistance to entrepreneurs seeking to launch, expand, or stabilize their small business. They also offer legal and leasing assistance.
- **Small Business Loan Programs.** OEWD and its partners offer a variety of loan programs to entrepreneurs seeking to launch, expand or stabilize their business. Loans can range from \$5,000 to \$1,000,000.
- **SF Shines Façade & Tenant Improvement Program.** SF Shines helps businesses in targeted corridors upgrade their storefront exterior and interior space by providing funding and staff support for design, project management, and construction.
- **Biz Fit SF.** Biz Fit SF provides focused assistance in targeted corridors to existing retailers and restaurants that may be at risk of displacement.
- **Healthy Retail SF.** Healthy Retail SF provides technical assistance in targeted corridors to retailers seeking to increase access to healthy foods.
- **Storefront SF.** Storefront SF is a free internet tool for entrepreneurs seeking to lease or purchase storefront retail space to launch or expand their business.

## ENVIRONMENTAL REVIEW

The proposed Ordinance and procedural changes are not defined as a project under CEQA Guidelines Sections 15378 and 15060(c)(2) because the proposal does not result in a physical change in the environment.

## PUBLIC COMMENT

The Department conducted extensive public outreach as part of the Department's Study and resulting policy recommendations. The Department has received formal written comments from the following individuals and organizations:

- Coblentz Patch Duffy & Bass LLP, representing the Power Center located at 555 Ninth Street
- The Haight Ashbury Merchants Association
- 48 letters from commercial retail brokers
- Duboce Triangle Neighborhood Association
- Adriano Paganini, owner of Super Duper Burger and six other San Francisco restaurants
- Small Business Commission
- Tom Radulavich, Livable Cities
- Stacy Mitchell, Institute for Local Self-Reliance
- Small Business Commissioner Kathleen Dooley

The Department created a list of stakeholders with input from the Mayor's Office, the Office of Economic and Workforce Development and the Board of Supervisors. The stakeholders included representatives from local neighborhood organizations, merchant organizations, commercial realtors and brokers, formula retailers, independent retailers, the Chamber of Commerce, the Small Business Commission and the Planning Commission. Focus group meetings were conducted in January, March, and May of 2014.

The Department created and maintained a website "Planning Study of Formula Retail" at [www.sf-planning.org/formularetail](http://www.sf-planning.org/formularetail). Any interested party was able to sign up for updates on the Department's Study and resulting policy recommendations via this website. There are approximately 132 subscribers receiving updates from this website.

In addition to public comment received through the focus group process and inquiries from the website, there have been four public hearings at the Planning Commission intended to gather additional public comment. Hearings were held in July 2013 and January, February and April 2014.

<b>RECOMMENDATION:</b>	<b>Recommendation of Initiation of Proposed Ordinance and Consideration of Adoption of Proposed Ordinance on or after June 5, 2014.</b>
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**Attachments:**

- Market Street Map
- San Francisco Planning Department, General Planning Information, *Signs*
- San Francisco Planning Department, *Design Standards for Storefronts for Article 11 Conservation Districts*
- San Francisco Planning Department, *Standards for Storefront Transparency*
- Public Comment

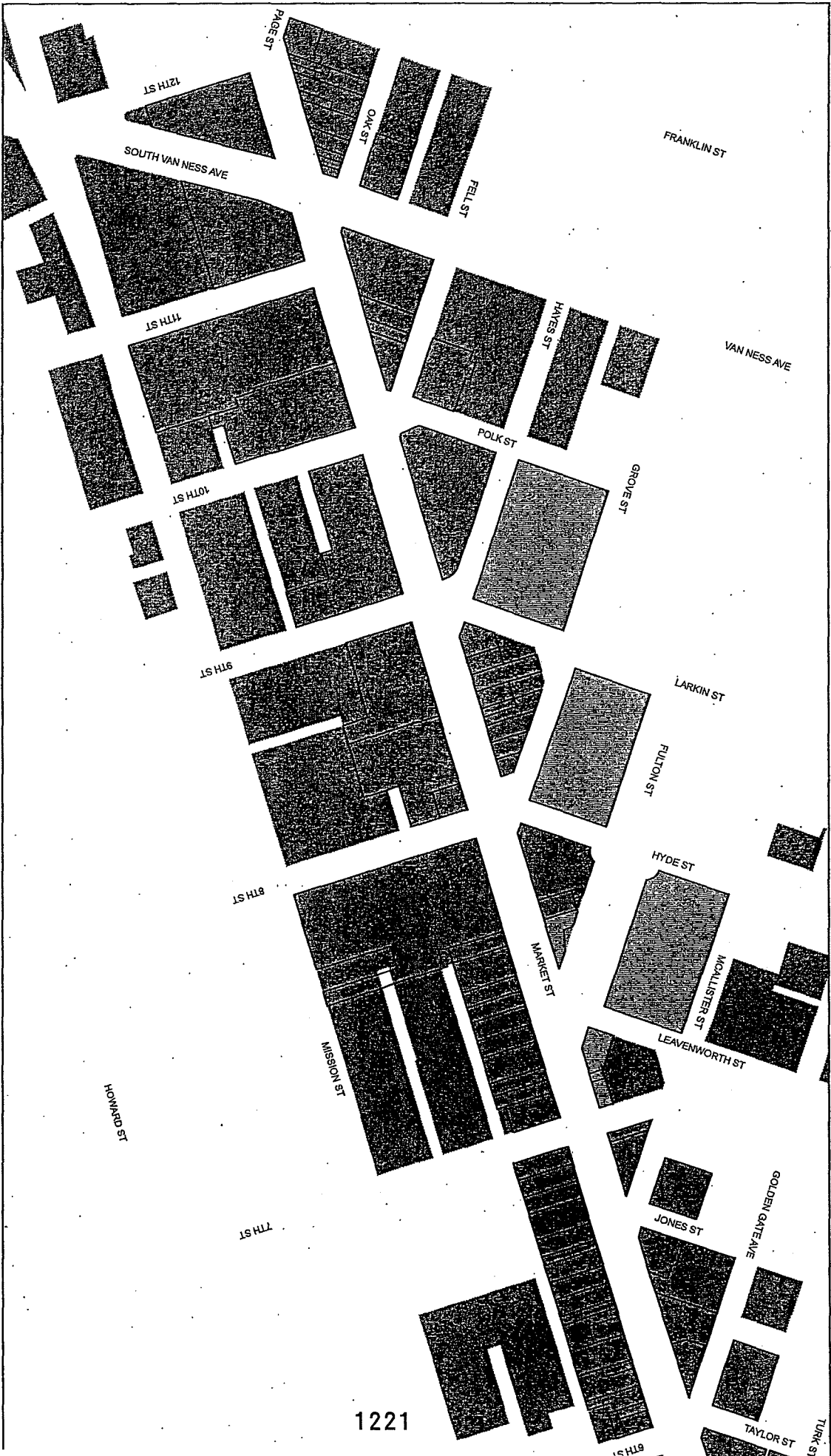
## **EXHIBIT A**



Market Street Parcels

ZONING DISTRICT  
 C-3-G  
 P

1" = 1,000 Feet







SAN FRANCISCO  
PLANNING  
DEPARTMENT

## GENERAL PLANNING INFORMATION

# Signs

Planning Department  
1650 Mission Street  
Suite 400  
San Francisco, CA  
94103-9425

T: 415.558.6378  
F: 415.558.6409

Date:  
**November 2012**

Subject:  
**Sign Controls, Planning Code Article 6**

## Introduction

The San Francisco General Plan sets forth a comprehensive set of policies that intend to guide, control, and regulate growth and development. Zoning law which implements these principles are codified in the San Francisco Planning Code in order to promote and protect public health, safety, peace, morals, comfort, convenience and general welfare of San Francisco and its residents. Sign controls are found predominately in Article 6 of the Planning Code and exist for the following reason:

- To safeguard and enhance property values in residential, commercial and industrial areas.
- To protect public investment in and the character and dignity of public buildings.
- To protect open spaces and thoroughfares.
- To protect the distinctive appearance of San Francisco due to its unique geography, topography, street patterns, skyline and architectural features.
- To provide an environment that promotes the development of business in the City.
- To encourage sound practices and lessen objectionable effects in respect to size and placement of signs.
- To aid in the attraction of tourists and other visitors who are so important to the economy of the City and County.
- To reduce hazards to motorists and pedestrians traveling on the public way; and thereby to promote the public health, safety and welfare.

In order to accomplish the purposes stated above, a permit is required to install, replace, reconstruct, expand, intensify, or relocate any sign unless it is specifically exempted from the regulations. Signs must conform to the provisions set forth in Article 6 and other applicable sections of the Planning Code.

# Sign Definitions

## Definition of a Sign

A sign is defined as any structure, part thereof, or device or inscription which is located upon, attached to, or painted, projected or represented on any land or right-of-way, or on the outside of any building or structure including an awning, canopy, marquee or similar appendage, or affixed to the glass on the outside or inside of a window so as to be seen from the outside of the building, and which displays or includes any numeral, letter, word, model, banner, emblem, insignia, symbol, device, light, trademark, or other representation used as, or in the nature of, an announcement, advertisement, attention-arrester, direction, warning, or designation by or of any person, firm, group, organization, place, commodity, product, service, business, profession, enterprise or industry.

## Business Sign

A sign which directs attention to a business, commodity, service, industry or other activity which is sold, offered, or conducted, other than incidentally, on the premises upon which such sign is located, or to which it is affixed.

## Identifying Sign

An identifying sign is a sign for a use listed in Article 2 of the Planning Code as either a principal or a conditional use permitted in an R District, regardless of the district in which the use itself may be located. Such sign serves to tell only the name, address and lawful use of the premises upon which the sign is located, or to which it is affixed. A bulletin board of a public, charitable or religious institution, used to display announcements relative to meetings to be held on the premises, shall be deemed an identifying sign.

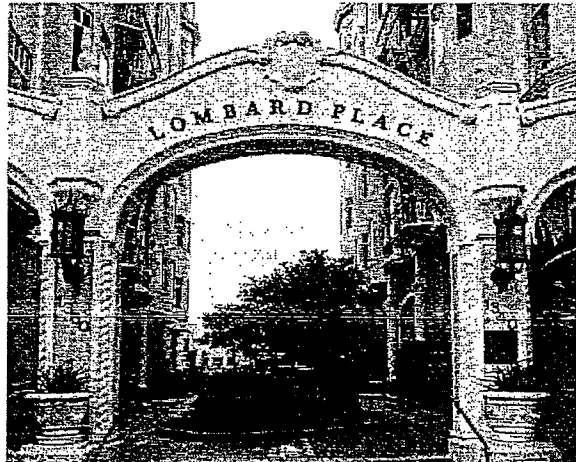
## General Advertising Sign

A General Advertising Sign is a sign, legally erected prior to the effective date of Section 611 of the Planning Code, which directs attention to a business, commodity, industry or other activity which is sold, offered or conducted elsewhere than on the premises upon which sign is located, or to which it is affixed, and which is sold, offered or conducted on such premises only incidentally if at all.

No new general advertising signs shall be permitted at any location within the City and County of San Francisco as of March 5, 2002, when voters approved Proposition G.



Example of a business sign



Example of an identifying sign



Example of a general advertising sign



### *Automobile Service Stations*

There are special standards for automobile service stations. Generally two oil company signs are permitted per site with varying height and area determined by proximity to a property line and the zoning district the property is located in.

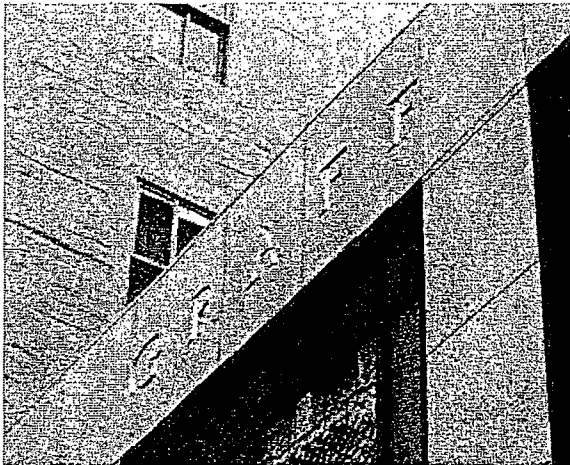
### *Nonconforming Sign*

If a sign was lawfully installed but no longer conforms to the requirements of the Planning Code, it may continue to remain but can not be replaced, intensified, or expanded in any way except to conform to current standards. A change in copy of a nonconforming sign is only allowed if it is for the same business, otherwise it would be considered a new sign and would need to be made conforming. A nonconforming sign that is voluntarily removed may not be replaced. However, if a sign is destroyed by fire or other calamity it may be replaced subject to the criteria set forth in Sections 181(d) and 188(b) of the Planning Code.

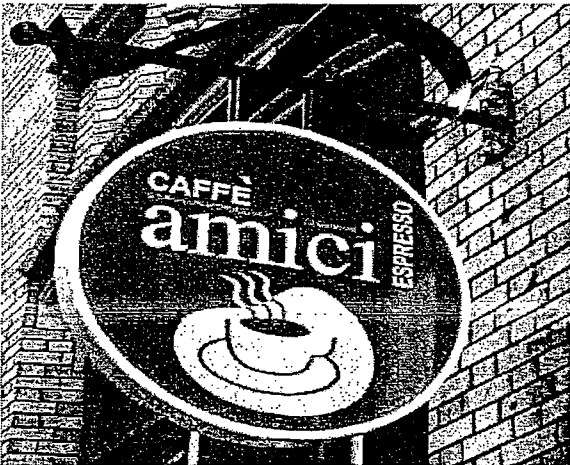


Example of a gas station, free standing sign

## Sign Types



Example of a wall sign



Example of a projecting sign



Example of an awning sign

### *Wall Sign*

A sign painted directly on the wall or placed flat against a building wall with its copy parallel to the wall to which it is attached and not protruding more than the thickness of the sign cabinet. The sign cabinet can not be thicker than necessary to accommodate the electrical box. This is thought to be no more than one foot. One must show such necessity to provide an electrical box thicker than one foot.

A window sign could be a wall sign if the wall is completely made of glass. Typically wall signs are located above the storefront transom. Wall signs consisting of individual letters mounted to the building facade are encouraged; large, opaque sign panels behind individual letters are discouraged.

Wall signs should be centered on horizontal surfaces, within bays or over storefront openings and should not extend above, below, or beyond the storefront the related business occupies.

### *Projecting Sign*

A projecting business sign extends beyond a street property line or a building setback line. A sign placed flat against a wall of a building parallel to a street or alley shall not be deemed to project for purposes of this definition. A sign on an awning, canopy or marquee shall be deemed to project to the extent that such sign extends beyond a street property line or a building setback line.

### *Sign on Awnings or Marquees*

A sign on an awning or marquee is another type of a projecting sign. Awnings, canopies and marquees are defined in Article 7 of the Planning Code, and regulated by Section 136.1 of the same code, and they may not be allowed in certain zoning districts.

A sign on an awning, canopy or marquee shall be considered to project to the extent that such sign extends beyond a street property line or a building setback line. Since awnings and marquees have many faces, all sign copy on each face shall be computed within one rectangular perimeter formed by extending lines around the extreme limits of writing, representation, or any figure of similar character depicted on the surface of the face of the awning or marquee.

### Window Sign

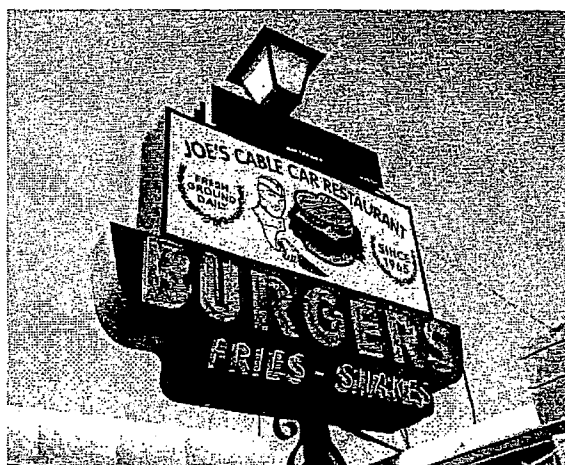
A sign painted directly on the surface of a window glass or placed in front of or behind the surface of a window glass. Generally frontages with active uses that are not residential or PDR must be fenestrated with transparent windows and doorways for no less than 60 percent of the street frontage at the ground level and allow visibility to the inside of the building. The installation of any window sign must comply with these transparency requirements.



Example of a window sign

### Freestanding Sign

A freestanding sign is supported by columns or post and is in no part supported by a building. Height limitations for freestanding signs vary by zoning district. Freestanding signs for automobile service stations have separate and distinct regulations from other freestanding business signs.



Example of a freestanding sign

### Roof Sign

A sign or any portion thereof erected or painted on or over the roof covering any portion of a building, and either supported on the roof or on an independent structural frame or sign tower, or located on the side or roof of a penthouse, roof tank, roof shed, elevator housing or other roof structure.



Example of a roof sign

## Illumination



Example of a nonilluminated sign



Example of an indirectly illuminated sign



Example of a directly illuminated sign

The character of signs and other features projecting from buildings are an important part of the visual appeal of a street and the general quality and economic stability of neighborhoods. Opportunities exist to relate these signs and projections more effectively to street design and building design.

Physical characteristics of signs set them apart. Whether signs are directly illuminated, indirectly illuminated, nonilluminated, projecting, single or multiple, at the appropriate height or contained in the adequate area, the physical features set signs apart not only from each other, but also from where they are or not allowed.

### *Methods and Standards of Illumination*

- Signs should appear to be indirectly illuminated.
- Text logos should be individually illuminated.
- Lighting conduits should be internal and not visible.
- Signs should have an opaque background that does not transmit light with the text and logos individually illuminated.
- There should be no flash or display animation, or moving text on a sign.
- In order to reduce the depth and profile of a sign, the transformer should be located in a remote location and not housed within the sign itself.
- A sign may also be reduced in profile or depth by using a light emitting diodes ("LED") method of illumination. For more information on LED lighting, please contact your sign contractor.

### *Nonilluminated Sign*

A sign which is not illuminated, either directly or indirectly.

### *Indirectly Illuminated Sign*

A sign illuminated with a light directed primarily toward such sign and so shielded that no direct rays from the light are visible elsewhere than on the lot where said illumination occurs. If not effectively so shielded, such sign shall be deemed to be a directly illuminated sign.

### *Directly Illuminated Sign*

A sign designed to give forth artificial light directly (or through transparent or translucent material) from a source of light within such sign, including but not limited to neon and exposed lamp signs.

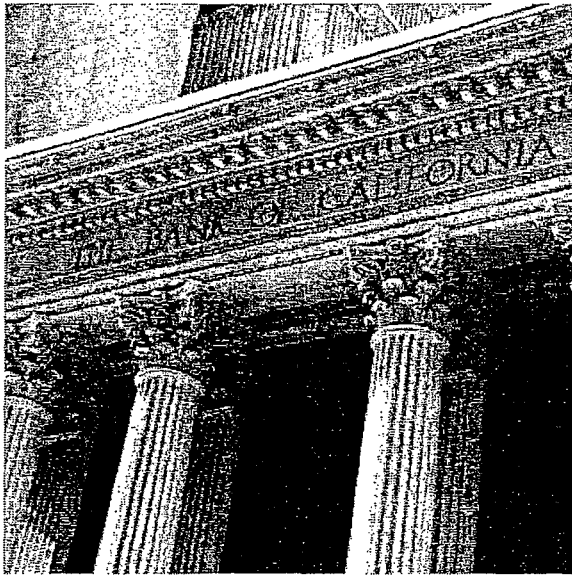
# How to Measure Signs

## *Area of a Sign*

The entire area within a single continuous rectangular perimeter formed by extending lines around the extreme limits of writing, representation, emblem, or any figure of similar character, including any frame or other material or color forming an integral part of the display or used to differentiate such sign from the background against which it is placed; excluding the necessary supports or uprights on which such sign is placed but including any sign tower. Where a sign has two or more faces, the area of all faces shall be included in determining the area of the sign, except that where two such faces are placed back to back and are at no point more than two feet from one another, the area of the sign shall be taken as the area of one face if the two faces are of equal area, or as the area of the larger face if the two faces are of unequal area.

## Vintage Signs, Signs on Historic Buildings & Signs in Historic Districts

Signs proposed for installation on historical, architectural and aesthetic landmarks, as well as in any historic or conservation district are subject to specialized review concerning design, materials, placement and number, and methods of illumination and attachment. Sign permits in historic districts must be accompanied by an Administrative Certificate of Appropriateness Application and sign permits in conservation districts must be accompanied by a Minor Permit to Alter Application.



Example of a historic sign

### *Historic Sign and Historic Sign Districts*

A historic sign is a sign which depicts a land use, a business activity, a public activity, a social activity or historical figure or an activity or use that recalls the City's historic past, as permitted by Sections 303 and 608.14 of the Planning Code.

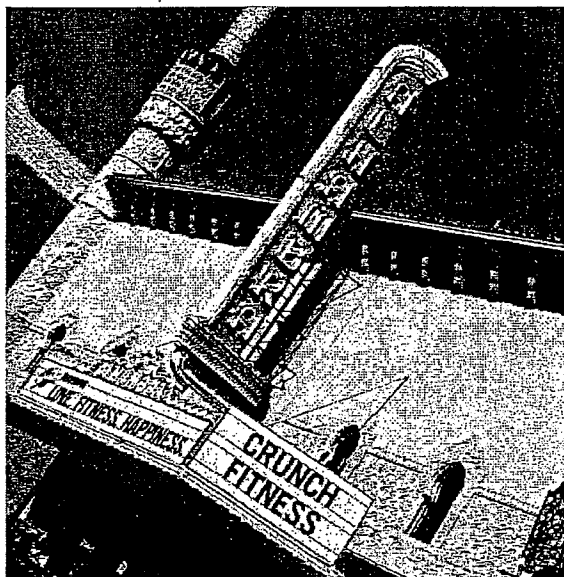
A historic sign district is a specific geographic area depicted on the Zoning Map of the City and County of San Francisco, pursuant to Section 302 of this Code, within which historic signs may be permitted by Conditional Use authorization by the Planning Commission pursuant to Sections 303 and 608.14 of the Planning Code.



Example of a vintage sign

### *Vintage Signs*

Signs which depict in text or graphic form a particular residential, business, cultural, economic, recreational, or other valued resource which is deemed by the Planning Commission to be a cultural artifact that contributes to the visual identity and historic character of a City neighborhood can be designated and shall be considered a vintage sign and allowed to be restored, reconstructed, maintained and technologically improved on a property by Conditional Use authorization of the Planning Commission.



Example of a historic movie theater sign

#### *Historic Movie Theater Projecting Sign*

A Historic Movie Theater Sign is a projecting business sign attached to a Qualified Movie Theater, as defined in Section 188(e)(1) of the Planning Code. Such signs are typically characterized by (i) perpendicularity to the primary facade of the building, (ii) fixed display of the name of the establishment, often in large lettering descending vertically throughout the length of the sign; (iii) a narrow width that extends for a majority of the vertical distance of a building's facade, typically terminating at or slightly above the roofline, and (iv) an overall scale and nature such that the sign comprises a significant and character defining architectural feature of the building to which it is attached.

#### *Historic Movie Theater Marquee Sign*

A Historic Movie Theater Marquee Sign is a marquee, as defined in Section 790.58, attached to a Qualified Movie Theater, as defined in Section 188(e)(1).

# Signs within Article 11 Conservation Districts

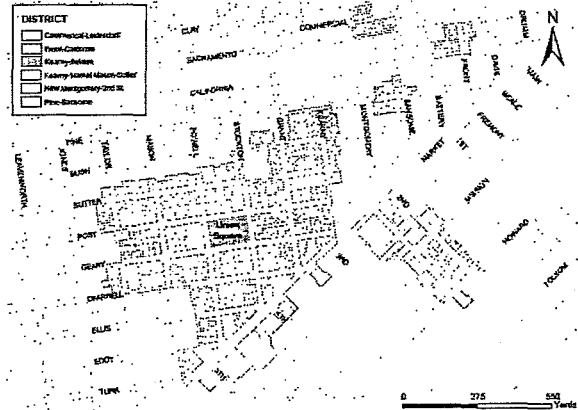
## Introduction

Signs are a vital part of all Downtown businesses. They serve as markers and create individual identities for businesses. Storefront signs are often the most common feature to be modified.

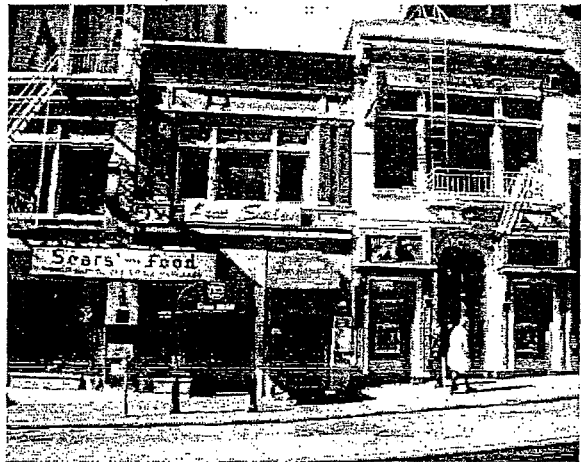
Article 11 of the Planning Code is the basic law governing preservation of buildings and districts architectural importance in the C-3 Districts (mostly downtown) of San Francisco.

These following standards are based on the Secretary of the Interior's Standards for the Treatment of Historic Properties and are meant to provide tenants and property owners with clear design guidance for all new commercial signs. Conformance with these standards authorizes the Department to administratively approve signage without a Historic Preservation Commission public hearing. Please note that the Sign Standards will be used by the Department to evaluate all new sign permit applications and while only those proposals that meet the standards will be approved, the Department will review all proposals on a case-by-case basis.

The information within this document is divided into general requirements for all signs and those requirements that are specific to each type. The general requirements address materials, methods of attachments, and methods of illumination. Additional requirements by sign type are outlined to address size, number, and location. All subsections are meant to provide clear instructions to meet the minimum requirements of this document. There are also images to serve as examples and to better express the intent of the standards.



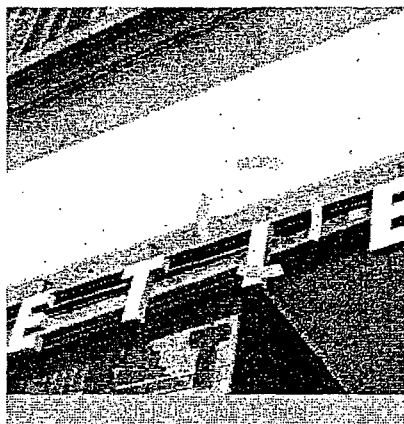
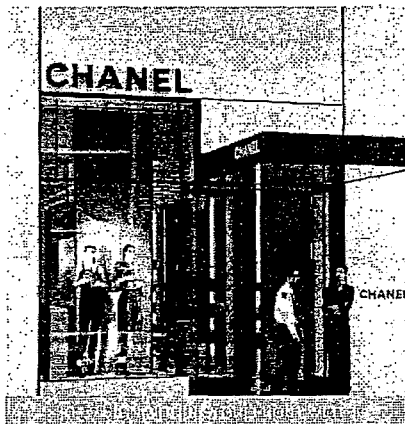
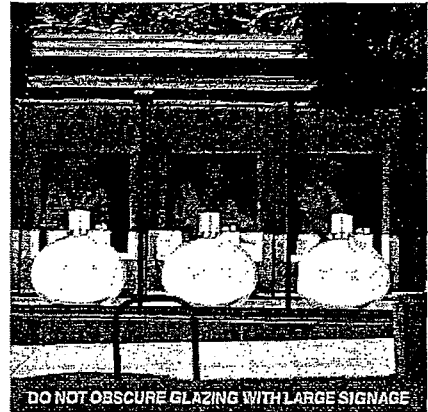
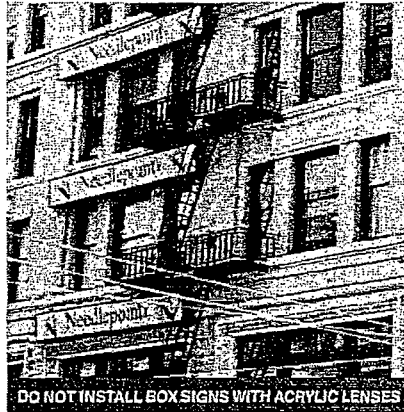
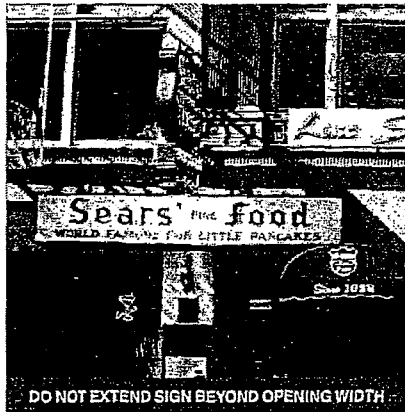
Map of Downtown Article 11 Historic Districts



The purpose of this document is to avoid overwhelming and confusing streetscapes as shown above. In this example the signs and awnings do not correspond well to the appropriate business, extend over bays and storefronts, and they obscure the architectural features of the buildings.



## Requirements for Signs within Article 11 Conservation Districts



### General Requirements

- Signs may not extend beyond the width of the storefront opening.
- Signage, painted on glass doors; windows, and transoms, where the sign does not exceed 25% of the glazed area, is permitted.
- Non-illuminated letters or logos may be pin-mounted into the masonry if it is mounted into the mortar joints.
- Reduce the depth of signs, by placing the transformer in a remote location and not housed within the sign itself.
- Signs may be pin-mounted on a thin raceway that is mounted flat and horizontally within the signband or spandrel.
- Signs that are located on the inside of a storefront should be setback a minimum of 6" from the display glass.
- Small identification signs or plaques for second and third story tenants installed adjacent to the ground floor entrances are permitted.

### Not Permitted

- General advertising signs and banners;
- Internally illuminated box signs with glass or plastic lenses;
- Internally illuminated fabric signs or awnings; and flashing signs,
- Moving signs, strobe lights, or signs that project an image on a surface
- Signage above the architectural base of the building

### Sign Permits

- Business signs may be permitted as of right, or with conditions depending on the zoning districts and depending on their features such as type, area, number, material, illumination, animation, etc.
- In conservation districts a sign permit must be accompanied by a Minor Permit to Alter Application. (Article 11)
- In historic districts, a sign permit must be accompanied by an Administrative Certificate of Appropriateness Application. (Article 10)

### *Number and Placement of Signs*

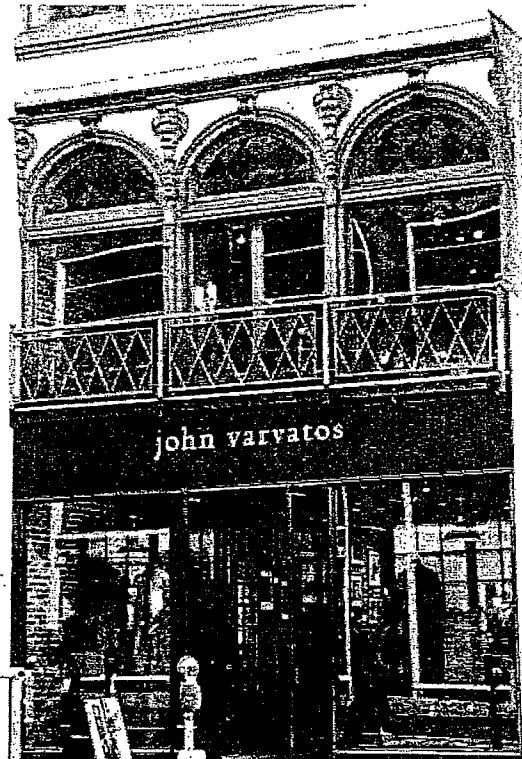
- Scale of signs and placement on the building shall be appropriate to the elements of the building and historic applications.
- One sign per ground floor tenant may be permitted.
- In buildings with more than one ground floor commercial tenant, one sign per establishment is permitted.
- The placement of the sign shall be in close proximity to the establishment that is identified on the sign.
- A ground floor establishment with a corner storefront may have one sign on each building façade.
- Upper story establishments are allowed to have one sign adjacent to the building entrance.

### *Materials*

- Signs shall be constructed of durable high-quality materials that retain their characteristics within a high-traffic area over time.
- Materials shall be compatible with the color, craftsmanship, and finishes associated with the district. Glossy or highly reflective surfaces will not be approved.

### *Method of Attachment*

- All signs shall be attached in a manner that avoids damaging or obscuring any of the character-defining features associated with the subject building.
- For non-terra cotta masonry buildings, signs shall be anchored through mortar joints or attached to the jamb of a non-historic storefront system.
- Under no circumstances shall a sign be anchored to any cast iron or terra cotta elements of a building.



Example of one sign per store



Example of compatible and non-glossy sign materials

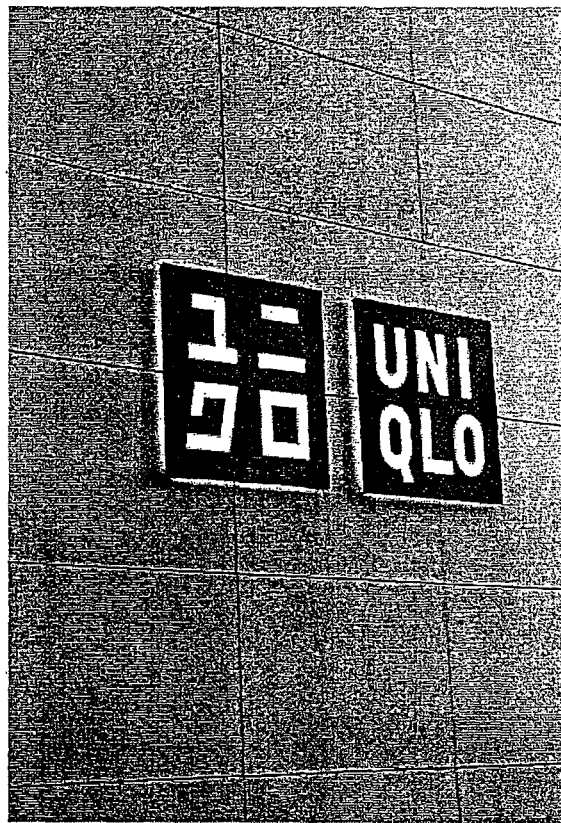


Example of sign attachment

- Signs shall be attached in a manner that allows for their removal without adversely impacting the exterior of the subject building.
- The visibility of conduit and raceways associated with a sign shall be minimized; however, if raceways must be exposed, they should be finished to match the facade or integrated into the overall design of the sign.

#### *Methods of Illumination*

- All signs shall appear to be indirectly illuminated or externally illuminated such as by installing an external fixture to illuminate the sign or by using a reverse channel halo-lit means of illumination.
- All signs shall have an opaque background that does not transmit light and text. Logos shall be individually illuminated.
- Unless a sign has been determined to be of historic significance, no sign or awning should flash or display animation or moving text.
- In order to reduce the depth and profile of a sign, the transformer should be located in a remote location and not housed within the sign itself.
- A sign may also be reduced in profile or depth by using a light emitting diode (LED) method of illumination. For more information on LED lighting please contact your sign contractor.
- All conduit required for all new signage must be concealed and may never be attached or left exposed on the face of the building, the sign structure, or the sign itself.



Example of an indirectly-lit sign with a shallow profile.

## Projecting Signs

When used incorrectly, blade signs create visual clutter, overwhelm pedestrians and drivers with visual stimulation, and obscure or damage architectural details of the building. The standards below detail the various sizes and locations that generally respect the character of the district. All proposals will be evaluated on a case-by-case basis.

### Size and Placement

- Scale of signs and placement on the building shall be appropriate to the elements of the building and historic applications.
- Signs shall relate to the character-defining features of the building.
- Signs near the base of the building shall relate to the pedestrian scale.
- Signs shall not extend above the roof line.
- Covering, altering or obscuring architectural details or window openings shall be avoided.
- Projecting signs shall be located on or immediately adjacent to the storefronts corresponding to the business and shall not extend below, above, or across other storefronts or along a frontage associated with a different use.

### Location

- Projecting signs may not be located above the window sill of the first residential floor of a building, nor shall any portion of a sign be located at a height above the lintel of the corresponding storefront, unless it has been determined by the Planning Department Preservation Staff or the Historic Preservation Commission that an alternate location is acceptable in order to avoid obscuring or adversely impacting the character-defining features of the subject building.
- Signs shall be located in an area that does not obscure any of the building's character-defining features.
- Important factors to be considered are:
  - The amount of linear street frontage occupied by the business
  - The overall character-defining features of the building
  - The width of the sidewalk
  - The number of adjacent existing and potential establishments within the subject building
  - The floor-to-ceiling height of the commercial space visible from the public right-of-way.



LEFT: These overscaled signs overpower the building and the storefront. This excessive application of signs is discouraged.

RIGHT: The blade sign is attached according to the standards; it is anchored through the mortar joints, avoiding damage to the masonry.

## Wall Signs

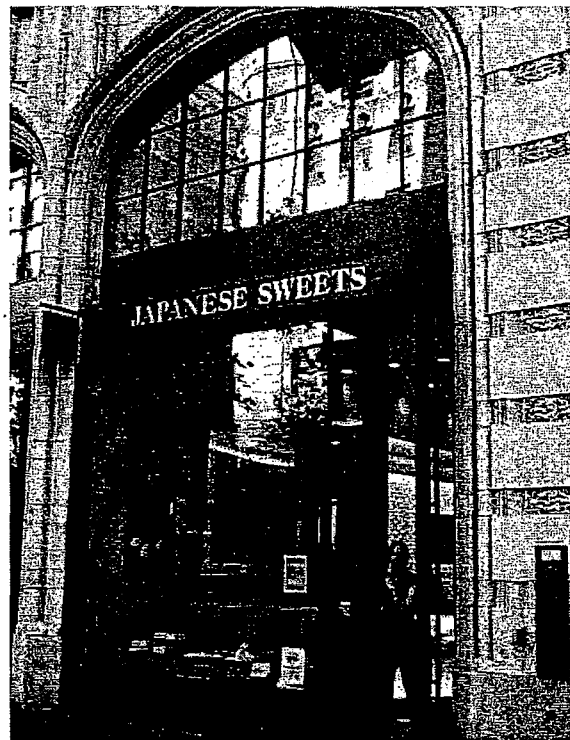
Wall signs are commonly comprised of signboards or individual die-cut letters that run parallel to the facade of a building. Often paired with a blade sign, wall signs have increased in size and number throughout the districts. Today, there are a number of examples throughout the city where wall signs appear at an overwhelming scale and blanket significant architectural details. When used correctly, wall signs express individuality, attract customers, and respect the architectural features of the building. The standards below detail the various sizes and locations that generally respect the character of the district. In general, the size of wall signs will be evaluated on a case-by-case basis.

### *Size and Placement*

- Scale of signs and placement on the building shall be appropriate to the elements of the building and historic applications. Wall signs consisting of individual letters mounted to the facade are encouraged.
- Large opaque sign panels behind individual letters are discouraged.
- Wall signs covering, altering, or obscuring architectural details or window openings should be avoided.
- Wall signs that obscure, cover, damage, or alter architectural elements such as friezes, lintels, spandrels, and historic sign bands will not be approved.
- Wall signs shall be located at a height that relates to a pedestrian scale.
- Wall signs shall be centered on horizontal surfaces, within bays or over storefront openings and shall not extend above, below, or beyond the storefront the related business occupies.
- Wall signs shall maintain a physical separation between all tenant signage so that it is clear which signs relate directly to the respective business.

### *Location*

- Wall signs shall be located in an area that does not obscure any of the character-defining features associated with the subject building.
- The location of wall signs allowed for any one establishment will be based on the following factors:
  - The amount of linear street frontage occupied by the business;
  - The cumulative number and location of business signs attached to the subject building, including all existing and proposed signage.



This wall sign is centered on the storefront, scaled proportionally to sign band and does not alter any character-defining features. This treatment is recommended.

## Sign Permits

### Permits

Certain kinds of signs that do not require a permit are listed in Section 603 and the following list below:

- 1) Unless otherwise prohibited, a sign painted or repainted on a door or window in an NC, C, or M district.
- 2) Ordinary maintenance and minor repairs which do not involve replacement, alteration, reconstruction, relocation, intensification or expansion of the sign.
- 3) Temporary sale or lease signs, temporary signs of persons and firms connected with work on buildings under actual construction or alteration, and temporary business signs.
- 4) A mere change of copy on a sign the customary use of which involves frequent and periodic changes of copy (i.e. theater marquee). A change in copy for all other signs (including a change of business name), change from general advertising to business sign, and any increase in sign area shall constitute a new sign and require a permit.

A permit is needed to install, place, replace, reconstruct or relocate, expand, change business sign copy, intensify in illumination or other aspect, or expand in area or dimension for all signs. Sometimes a permit may not be required under the Building Code (i.e. painted non-illuminated or projecting signs up to 2.5 square feet) but is still required to be reviewed under the Planning Code.

### Permit Application

When a permit is required for a sign, a permit should be filed with the Central Permit Bureau of the Department of Building Inspection together with a permit fee and the completed permit application shall be accompanied by construction documents that include the following:

- A plot plan that shows the location of the proposed sign as well as all other existing signs on the site and their dimensions. The length of the business frontage along the public right-of-way and sidewalk should be indicated.
- Scaled front and lateral elevation drawings of the building with the sign including the dimensions, materials, and any other required details of construction as necessary depending on sign type.
- Detailed drawings of the proposed sign copy.
- Photographs of the entire subject site.

Your application to install or alter a sign will not be reviewed if any of the above listed materials are missing.

Nothing in the sign regulations shall be deemed to permit any use of property that is otherwise prohibited by the Planning Code, or to permit any sign that is prohibited by the regulations of any special sign district or the standards or procedures of any Redevelopment Plan or any other Code or legal restriction.



SAN FRANCISCO  
PLANNING  
DEPARTMENT

**FOR OTHER PLANNING INFORMATION:**  
Call or visit the San Francisco Planning Department

**Central Reception**  
1650 Mission Street, Suite 400  
San Francisco CA 94103-2479

TEL: 415.558.6378  
FAX: 415.558.6409  
WEB: <http://www.sfplanning.org>

**Planning Information Center (PIC)**  
1660 Mission Street, First Floor  
San Francisco CA 94103-2479

TEL: 415.558.6377

*Planning staff are available by phone and at the PIC counter.  
No appointment is necessary.*



SAN FRANCISCO  
**PLANNING**  
DEPARTMENT

# Design Storefr for Article 11

HISTORIC PRESERVA



KEARNY-MASON-MARKET-SUTTER CONSERVATION DISTRICT





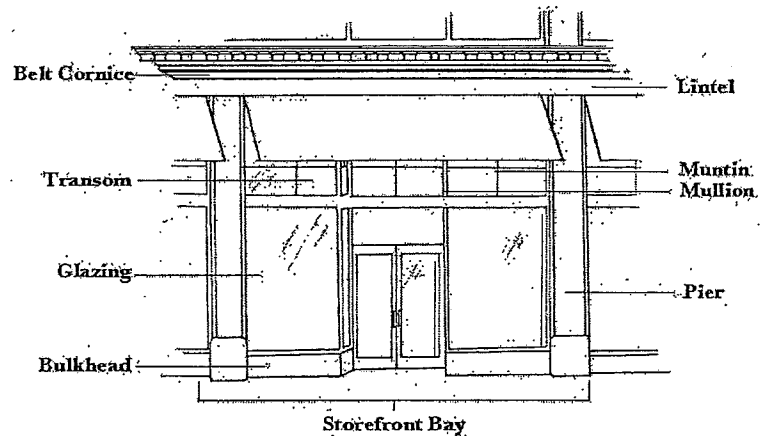


## INTRODUCTION

The San Francisco Conservation Districts make up some of the most important commercial centers for visitors and residents in San Francisco. The vitality of the Districts' streetscapes are dependent on the existence and the success of storefront businesses. In response to changing marketing and advertising

## STOREFRONT COMPONENTS

Existing historic storefronts in the Conservation Districts date from the late 19th to early 20th century. There are a number of elements that make up the architectural features of a historic storefront. The repetition of these features creates a visual unity on the street that should be preserved. Collectively, they establish a sense of place, provide a "human scale" and add rich detail to the public realm.



ANATOMY OF A FACADE

**Belt Cornice:** A projecting, horizontal molding, similar to a cornice, separating parts of a façade, especially used to delineate the first and second floors.

**Bulkhead:** The low paneled base of a storefront bay that supports the glazing and elevates merchandise for pedestrian viewing.

**Facade Materials:** Original exterior cladding, typically brick, wood or stone provide a sense of permanence, scale and texture and often convey the work of skilled craftsmen.

**Glazing:** The large panes of clear glass within the storefront bay where goods and services are displayed and supported by the bulkhead and framed by the piers.

**Lintel:** The horizontal structural element that spans above the storefront bays to support the weight of the upper façade.

**Mullion:** The vertical element that separates window units or storefront glazing; typically not a structural support for the building.

**Muntin:** The small molding or bar that separates the individual panes of a multi-paned window, such as in a transom.

**Pier:** The vertical structural or decorative elements, also known as a column, which supports and/or frames the glazing.

**Storefront Bay:** Defined by the height of the lintel and separated by piers; a storefront bay is composed of bulkhead, glazing, transom, and entry.

**Transom:** The small, operable or inoperable framed windows above the glazing and below the lintel that filter light into the ground floor space; sometimes sheltered by awnings.

## COURSE OF ACTION

Determining the appropriate course of action depends upon the overall integrity, or how much historic storefront components remain at the ground level. The integrity should be taken into consideration before determining the best approach for rehabilitation. While there is no hard-and-fast rule that can be stated, it is important that a deliberate, thoughtful process be employed in which the following questions are answered:

What are the characteristics of the base of the building?

The storefront may be intact, modified or contemporary. If many or all of the historic elements are missing, a simplified new interpretation of those elements may be appropriate. On the other hand, if the building is 95% intact, with only the bulkhead missing and information about the original design is available, then an accurate reconstruction would be preferred.

What are the characteristics of nearby or adjacent storefronts?

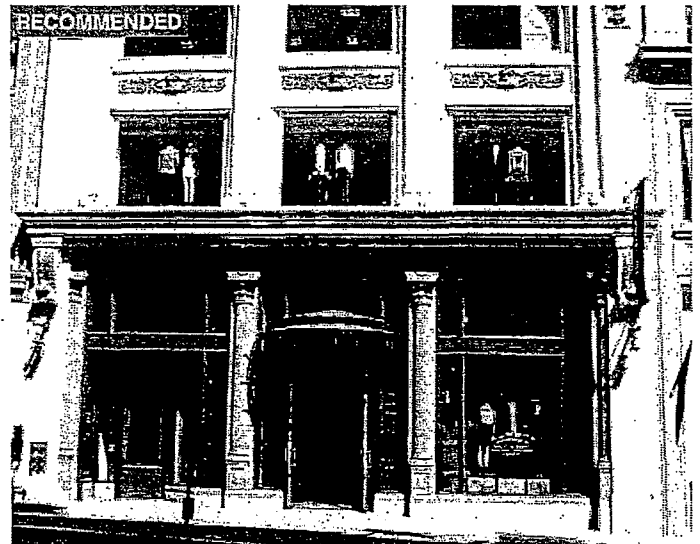
If the storefront is one of three similar all in a row, and one of the three retain its historic details, then reconstruction of the altered storefronts would be a preferred option. Another more flexible option would be a rehabilitation based on a simplified design, as long as typical storefront components are incorporated into the design.

What is the significance of the property?

Sometimes previous alterations to historic buildings acquire significance of their own. These historically significant alterations should be preserved.



This storefront retains historic elements such as the transoms, bulkheads and piers.



The contemporary storefront above has maintained many of the typical historic features of early 20th century commercial architecture.



The rehabilitation project above preserved historic elements, such as the terra cotta tiles and cast iron framework. However, many other historic elements were missing, such as the transom windows and storefront pier material, were reconstructed based on historic documentation. It is common to use more than one approach in a rehabilitation project.



Removing, obscuring, or damaging historic features through installation of new features is discouraged, such as this historic beltcourse partially concealed with an aluminum panel.

## GENERAL RECOMMENDATIONS

The Storefront Standards for the Conservation Districts are based on general recommendations that apply to rehabilitation. Rehabilitation acknowledges the need to alter a historic property to meet continuing or changing uses while retaining the property's historic character.

In order to be compatible with historic storefronts, new storefronts should follow the standards set out in this document, which provide for flexibility in design review. Designing new features to be subordinate to historic features creates a balance of new and old, allowing features to be seen as products of their own time, yet be compatible with remaining historic elements of the facade. The most successfully rehabilitated storefronts combine contemporary design with sensitivity to the historic storefront components.

### Preserve

Preserve the storefront's historic style, form, materials, proportions, and configuration when it is intact. Distinguish between historic materials and inappropriate past interventions. Do not remove, obscure, or damage historic character-defining features.

### Repair

Repair historic features that are damaged based on adequate evidence using identical or similar materials that convey the same form, design, and overall visual appearance as the historic feature in terms of details, finish, and color. Repair is preferred over replacement.

### Replace

When repair is not possible, replacement of the original design based on historic documentation or physical evidence is preferred. Do not reconstruct details from speculation that could give a false impression of the history of the building. If evidence is missing, consider a simplified interpretation of historic elements. Also, consider the retention of previously-installed compatible alterations.

## STOREFRONT EVALUATION

### HISTORIC VS. ALTERED

To help determine if you have a historic storefront, look for the following storefront characteristics that are typically shared among commercial architecture of this period:

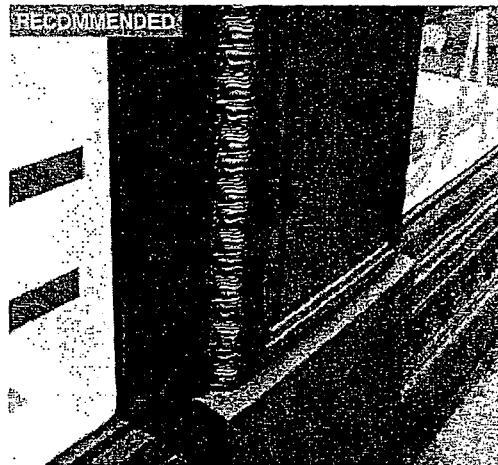
Buildings undergo alterations over time. To determine how a historic storefront design has been altered over time, notice the location of the glazing, bay, cornice, and entrances on the existing building to provide clues.

### Historic Storefronts

- Bulkheads: Primarily rectangular in design, of frame, natural stone or tile construction, and often with raised patterns.
- Glazing: Merchants in the early 20th century relied on extensive window displays to advertise their goods and the installation of large sheets of plate glass provided maximum exposure.
- Large Central or Corner Entrances: Many commercial buildings historically had large central or corner entrances of single or double doors.
- Transoms: Over the display windows and entrances were transom windows, usually made of clear, textured, leaded, or stained glass, allowing light into the building and additional areas of signage and display.
- Cast Iron Pilasters: To support the weight of the masonry above the storefront, decorative cast iron columns or masonry piers were often added.

### Altered Storefronts

- Glazing: If the display windows have small panes rather than very large panes of glass, they have most likely been replaced.
- Bay: If there is irregular spacing among the bays where a storefront pier does not align with the upper facade piers, it is most likely a non-historic storefront.
- Beltcourse: If the beltcourse or watertable is not visible or has been removed, or if the lintel is not defined within the storefront, the height has likely been altered.
- Entrances: If the building entrance is no longer in the historic location or made of contemporary materials, it has been replaced.



The profile on this pier and bulkhead are indicative of historic commercial architecture and should be preserved.



The historic wood panel ceiling in this recessed entry is historic and should be retained.

## FAÇADE & STREET WALL

Historically, storefronts were integrated into the overall façade design, with the same treatment used for all tenant spaces within a structure. However, as tenants have modified their individual sections of the storefront, the overall design intent of some buildings has become lost. The storefront and upper façade should create a single architectural image by aligning architectural framework within the design and using similar cladding materials. The following recommendations supplement Article 11.

### Materials

Buildings within Conservation Districts are traditionally clad in masonry materials, which include terra cotta, brick, natural stone, and smooth or scored stucco, over a supporting structure. If historic material is discovered when the existing cladding is removed, Department Preservation Staff must be notified immediately. If significant historic features remain, it must be retained and the storefront approvals may be changed to reflect this new condition. Storefronts with no remaining historic architectural components may be re-clad or replaced with new modern materials when no historic fabric remains. If replacement material is necessary, use materials that are compatible in texture and physical makeup.

#### RECOMMENDED:

- **Cladding Materials:** Utilize traditional building materials: Terra cotta, brick, simulated or natural stone and scored stucco convey permanence and should be used when architecturally appropriate. New brick should match the color and type of historic brickwork. Particular attention should be paid to the point at which different materials join together. These 'edges' should be clean and organized.
- **Profile:** The replacement façade material should be similar in profile to the traditional cladding material.
- **Color:** The number of exterior colors should be limited to different tones of one color. Choice of colors should be determined by the nature of the building's historic character, and colors of building elements should relate to each other. Traditional materials are generally colored light or medium earth tones, including white, cream, buff, yellow, and brown. (See Section 6 related Appendices in Article 11 Districts).
- **Texture:** Smooth and painted with a satin or flat finish.
- **Vandalism Precaution:** Quick, consistent and complete removal of graffiti discourages "tagging." Surfaces treated with antigraffiti clear coatings resist penetration of graffiti and simplifies graffiti removal, while not altering the natural surface appearance. Antigraffiti clear coatings also protect against weathering and environmental-related stains, contributing to a well-maintained appearance.
- **Durability & Maintenance:** Materials used near sidewalks and adjacent to building entrances should be highly durable and easily maintained.

#### NOT RECOMMENDED:

- **Cladding Materials:** Although painted wood and metal are sometimes used for window sashes, bulkheads and ornament; decorative concrete block, applied false-brick veneer, vinyl or aluminum siding, cedar shakes, textured plywood, EFIS materials and plastic are not appropriate for use on buildings within the Districts.
- **Obstruction of Historic Building Materials:** Do not cover, damage or remove historic building materials.



These three storefronts have been individually designed and altered. They neither relate to each other nor the historic building materials. This application is discouraged.



The building above contains multiple storefronts that have a consistent alignment and composition. This creates a cohesive façade while maintaining storefront distinction.



The street wall to the left lacks horizontal alignment and a cohesive composition, which results in a disconnected overall appearance.



The horizontal features of the three commercial businesses to the left are aligned. Each storefront relates to the others which results in a cohesive street wall.



## Design

The configuration of a storefront façade refers to the relationship between, and general proportions of, various storefront infill components, such as door location, setback, bulkhead, display window dimensions, transom windows, historic materials and details. Together the storefront design provides clarity and lends interest to the façade, which maintains the interest of pedestrians.

### RECOMMENDED:

- **Alignment:** Alignment of horizontal features on building façades is one of the strongest characteristics of the street and should be preserved. Typical elements to keep in alignment with others in the block include: window moldings, top of display windows and belt cornices. This helps reinforce the visual harmony of the district.
- **Setback:** Most storefronts extend right up to the sidewalk, known as "zero setback," resulting in a consistent street wall.
- **Composition:** The wall-to-window ratio; storefront height; window spacing, height, and type; roof and cornice forms; materials and texture should present a visually-balanced composition, complementary to adjacent storefronts to provide a sense of cohesiveness in the district without strict uniformity.

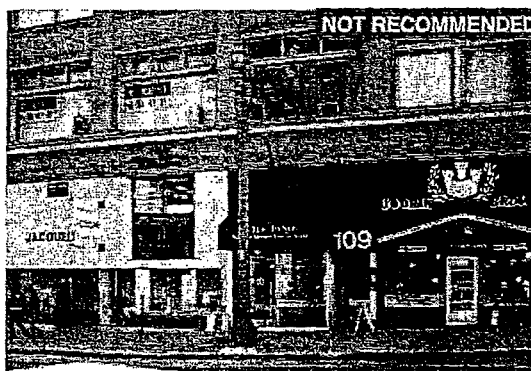


These buildings have no ground level setbacks, which creates a defined street wall and edge. The horizontal elements are consistently aligned along each building and the entire street wall relates to create a cohesive block.

- **Simplified Interpretation:** Where a historic storefront is missing, and no evidence of its character exists, a simplified interpretation is appropriate. Take cues from building patterns, scale, and proportions of nearby buildings and storefronts. An alternative storefront design must continue to convey the characteristics of typical historic storefronts in the Conservation Districts.
- **Storefront Distinction:** A single building containing multiple storefronts should distinguish each storefront, while maintaining building unity. Separate buildings should remain visually distinct. See Interim Storefront Solutions, "Storefront Rehabilitation Program" in this document.

### NOT RECOMMENDED:

- **Color:** Inappropriate colors include fluorescents, bright primary hues and black as an overall façade color.
- **Blank Walls:** If visible from a public way, blank walls should be softened by incorporating painted signage, artistic murals and, where possible, fenestration is encouraged.
- **Exact Replication:** Infill construction should clearly be contemporary and not be exact historic reproductions that could confuse an observer.



This storefront has undergone a number of inappropriate alterations. The most obvious, black paint, provides too much contrast with the streetwall and is discouraged.

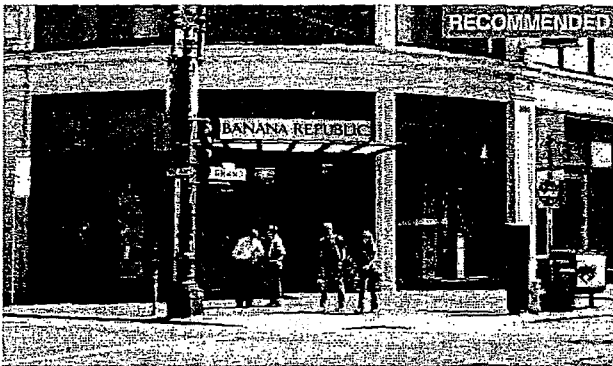


## CORNER LOTS

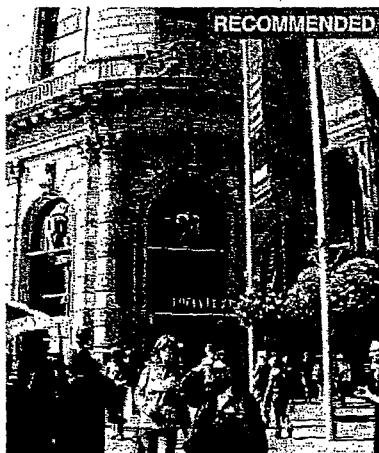
Many buildings on corner lots exhibit special features that emphasize the corner and add accent to both intersecting streets, providing visual interest to pedestrians.

### RECOMMENDED:

- **Emphasis of Corner Lot:** Corner entrances, storefront windows, and displays that extend along both street façades are examples of elements that emphasize corner lot locations and are encouraged.
- **Windows:** Where entrances are not located at the corner, storefront windows should turn the corner. There should be one or two storefront windows on each side of the building, this draws the interest of the pedestrian.



These corner lot storefronts have incorporated corner entrances and displays that extending along both side elevations. This is encouraged.



## STOREFRONT BAY

The individual storefront bay is defined by the height of the lintel and separated by piers. Appropriate alignment and proportions of the storefront bay are critical in creating a unified appearance within the district.

### RECOMMENDED:

- **Alignment of Storefront:** Within a single storefront, windows should be consistent in height and design with storefront doors to create a cohesive appearance; however, slight variations in alignment can add visual interest.
- **Piers:** Piers at the sides of a storefront should be visible and match the upper façade. If historic piers exist under the modern cladding, the historic piers should be uncovered, repaired and left exposed. If historic piers do not exist under the modern cladding, new piers should replicate the historic materials in terms of details, finish, color and overall visual appearance.
- **Design Modifications:** When making modifications, treat and design the piers and lintel as a single architectural component. The lintel establishes the top of the storefront bay, visually separating it from the upper floors.
- **Storefront Infill:** Typically composed of the bulkhead, glazing, transom, and entry. Keeping these components within the historic bay minimizes visual discontinuity.
- **Proportion:** Maintain proper proportions of the storefront bay. Typically, the glazing extends from the bulkhead to the lintel and between the piers.

### NOT RECOMMENDED:

- **Alignment:** Major deviations in the alignment of a storefront and between adjacent buildings disrupt the visual continuity of the street and should be avoided.

- **Obstruction:** Elements such as signs and awnings that obscure the spacing of the bays and/or the elements that define those bays should be avoided.
- **Size:** Any enlargement or reduction in the size of the storefront opening, such as infill with opaque or solid materials, should be avoided.

BELOW: The lintel and pier are clearly visible and serve to separate the storefront from the upper façade and adjacent storefronts, making each storefront visually distinct.



ABOVE: The accumulation of signage blocks the storefront openings and appears haphazard. This application is discouraged.

## ENTRANCES

Typically, historic buildings have an entrance to each storefront in addition to one main entrance to upper floors, opening directly onto the sidewalk. A service door may also exist for access to building systems.

### Primary Storefront Entry

Traditionally, storefront entrance doors were made with full-height glass framed in wood or metal, with a transom window often set directly above the door. The entries are typically recessed 2'-6" to 6' from the sidewalk, which allows protection from the rain and wind, creates additional display frontage, and the repetition of recessed entries provides a rhythm of defined commercial spaces that helps establish a sense of scale and identifies business entrances. The recessed areas are paved with mosaic tiles, terrazzo, or patterned concrete. Historically, these paved areas within the recess were viewed as an opportunity for the business name, typically in mosaic tile or inlaid metal letters. The ceilings of recessed areas were finished with stucco or wood panels.



ABOVE: This building has a large storefront double door entrance with excellent transparency from the sidewalk. This is typical of historic storefront design and is encouraged.

**RECOMMENDED:**

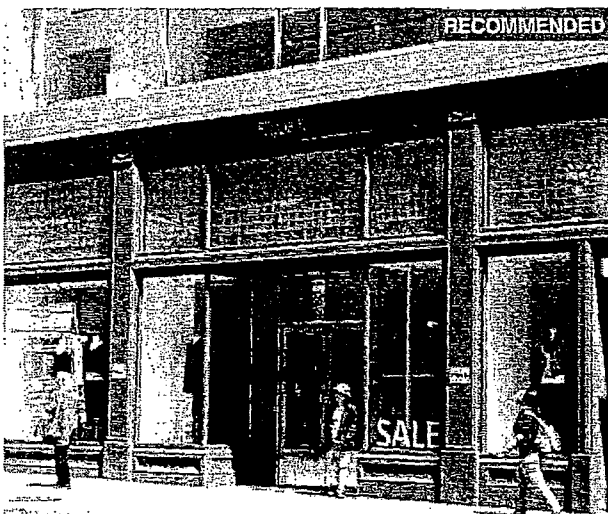
- **Preservation:** Retention of the historic door and entry system, whether recessed or flush with the public walk, is encouraged.
- **Maintain Historic Position:** The depth and configuration of storefront entrances should be maintained. Where applicable, do not infill a historic recessed theatre entrance (partially or completely).
- **Replacement Doors:** If an entrance is missing, a new entrance may be reconstructed with historic documentation. If using a new compatible design, it should be based upon the traditional design elements. Aluminum or bronze doors can be made more compatible by being painted a dark color, and by selecting a design in the proportions of the historic door.
- **Preservation and ADA Compliance:** Entries must comply with the accessibility requirements of the Americans with Disabilities Act. Preserve historically significant doors and reuse if possible. Qualified

historic buildings may use the alternative provisions of the California Historical Building Code (CHBC) to preserve significant historic features when upgrading buildings. If preservation is not an option, replace with a new door of the same design that is compatible with the storefront's style and material.

- **Design:** Differentiate the primary entrance from the secondary access to upper floors by maintaining each entry within its own bay. Entries should be clearly marked, provide a sense of welcome and easy passage. They should be located on the front of buildings.

**NOT RECOMMENDED:**

- **Reconstruction:** Avoid recreating designs based on conjecture rather than clear documentation.
- **New Entrances:** Do not locate new entrances on a primary façade where it would alter or change the position of the piers and function of the historic primary entrance.



These contemporary entry doors have been located within the historic storefront. Original cast iron elements such as columns, bulkheads and the prism glass transoms have been restored. This treatment is recommended.



This historic storefront entrance includes a traditional door made primarily of glass and framed in bronze.

## Secondary Entry

The main building door, giving access to upper floors, is similar in appearance, but less impressive than the storefront door.

### RECOMMENDED:

- **Loading and Building Service Entrances:** May be glazed or solid doors and should be located on the side or rear of buildings, whenever possible, or shared with other adjacent businesses. When not possible, they should be located away from corners or street intersections and away from main entrances and primary storefront displays.
- **Maintain Position:** Recessed storefront entrances should be maintained. Where an entry is not recessed, maintain it in its historic position, where possible.

### NOT RECOMMENDED:

- **Non-Use:** Do not seal secondary doors shut in an irreversible manner. Any work that is done must be reversible so that the door can be used at a later time, if necessary.

## Door Materials

### RECOMMENDED:

- **Predominant Glazing:** All primary entrance doors should be predominantly glazed with a painted wood or brushed metal frame.
- **Door Frame:** Wider metal frames are generally encouraged over narrow frames.
- **Door Features:** Maintain features that are important to the character of the historic door, including the door, door frame, threshold, glass panes, paneling, hardware, detailing transoms and flanking side lights.
- **Historic Design:** If historic design is not known, use a wood-framed or metal-framed glass door in a traditional design.

### NOT RECOMMENDED:

- **Door Frame:** Avoid unfinished aluminum or stainless steel frames.



RECOMMENDED



NOT RECOMMENDED

LEFT: The double doors are emphasized by the recessed entry, which also creates additional window display space to draw in pedestrians.

RIGHT: This door is not predominately glazed and is inconsistent with the building's architectural character.

## BULKHEAD

In the Conservation Districts, storefront display windows were traditionally placed upon a one to two foot high solid base, also called a bulkhead. The bulkhead serves two functions: it raises a window display closer to eye level, to take advantage of the line of vision and to more effectively showcase merchandise to better capture the attention of the pedestrian; and it acts as a kickplate, that, compared to glazing, can better withstand the impact of window shoppers' shoes.

### RECOMMENDED:

- **Preservation:** Restore historic bulkhead finishes, where they remain. Contact Planning Department Staff to obtain more information on specific treatments recommendations for various finishes.



- **Materials:** Historic bulkheads are typically made of painted wood, decorative metal, small ceramic tiles, or masonry. Replacements should match or be compatible with such materials. Wood or metal bulkheads should be articulated with paneling or molding.
- **Height:** The storefront bulkhead should be of a consistent height and appearance with the historic one that exists on the building. Depending on topography and where physical or documentary evidence is unavailable, the bulkhead should generally be between 18" and 24".
- **Consistency:** If a portion of the historic bulkhead exists, the new portions of the bulkhead should match.

### NOT RECOMMENDED:

- **Materials:** Corrugated aluminum, shingles, artificial siding, plywood, EIFS, and clear or unfinished aluminum are not permitted.



ABOVE RIGHT: The replacement tilework that makes up the bulkhead should match the historic materials which have been preserved on the pier to its right.

ABOVE LEFT: The preservation of historic elements, such as this decorative bulkhead is encouraged.

BELOW LEFT: This simple storefront has retained the original marble bulkhead, entry door surround and transom. This is encouraged.

## STOREFRONT DISPLAY WINDOWS

The storefront display windows within the Conservation Districts typically consist of large panes of plate glass set in metal or wood frames with the primary purpose of allowing passersby to see goods or services available inside. The historic metal framing systems have a particularly narrow profile in comparison to modern aluminum storefront framing systems. Vertical framing elements were sometimes omitted at the entry recess corners, with just a butt-joint between the two panes of glass. Most storefront display windows have been altered or replaced.

### RECOMMENDED:

- **Preservation:** The functional and decorative features, such as the historic frame, sash, muntins, mullions, glazing, and sills of a historic window should be preserved.
- **Materials:** The storefront should be transparent by use of clear glass in doors and storefront areas allowing visibility into and out of the store to create an engaging and dynamic retail environment.

- **Mullion Profile:** Mullions separate individual panes of a window and should be as narrow and as limited in number as possible to maximize visibility into interior activity and merchandising. The mullion profile should be a darkly painted wood or a dark colored pre-finished or painted metal.
- **Blocked-out Windows:** Large pane glazing should be reintroduced if the historic glazing is no longer intact.

### NOT RECOMMENDED:

- **Materials:** Vinyl, plastic, clear or unfinished aluminum, and other reflective materials are not permitted.
- **Broken or Boarded Windows:** These negatively impact businesses and the district and should be fixed in a timely manner.
- **Plexiglas:** Replacement materials instead of glass should be avoided.

A pre-finished aluminum storefront frame was installed flush with the face of the cast iron pier, which flattens the profile and reduces the dominant role of certain architectural features.



The pictured storefront framing system is much wider than what was used historically and, therefore, should be avoided.



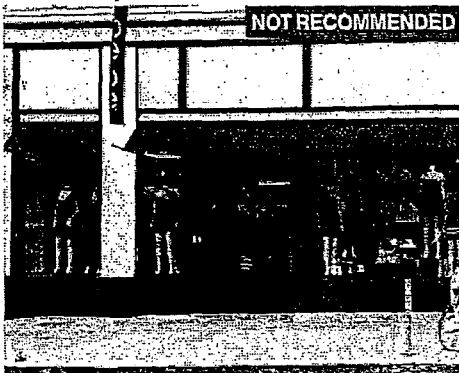
This new storefront has large expanses of glazing that were inspired by historic drawings of the building.



- **Operable Windows:** Sliding, hinged or folding windows are discouraged because of the number of divisions they create within an opening – this minimizes visibility between interior and exterior activities when windows are closed. However, operable windows designed with very limited divisions and large glazing similar to traditional ground floor storefronts will be considered.
- **Recessed Window:** The window glazing should not be deeply recessed in the window frame, as this was not done historically and does not convey a period effect.



This new storefront was recreated based on historic photographs. It features appropriate proportions, materials, and signage. This is recommended.



Opaque or painted glass should not be used within the transom windows. If clear glass cannot be used, translucent patterned glass is a preferred alternative. This restricts light entering the store and is not recommended.

## TRANSOMS

Transom windows, located above the main display windows and entries, are a common feature of commercial storefronts. The placement of these windows was made possible by generously proportioned tall ceilings within the commercial interiors. Transom windows were often operable and provided ventilation to the interior. Transom windows were typically glazed with clear or textured panes of glass and set in wood or metal frames. In recent years, transom windows have been altered by painting the glazing; installing mechanical louvers; replacing glazing with plywood panels; installing signboards that cover the windows; or installing interior suspended ceilings. In some cases, the windows have been completely removed and infilled.

### RECOMMENDED:

- **Frame Materials:** The transom frame above the entrance doors and display windows should match the material and finish of the storefront.
- **Replacement Glass:** If the historic transom glass is missing and no physical or documentary evidence exists, install new glass, and ensure that it is a consistent size and configuration. Clear glass is encouraged; however translucent or patterned glass is also compatible. Consider the use of operable transom windows while installing new or reconstructed transoms.

### NOT RECOMMENDED:

- **Blocked-out Windows:** Avoid blocked-out transom windows. If the transom must be blocked, retain the glass, but consider using a translucent finish to retain the historic design intent and storefront proportions.



## BUILDING SYSTEMS

### RECOMMENDED:

- **Location:** A building's mechanical, electrical and plumbing systems should be located in an interior room or a rooftop mechanical penthouse. When exterior installation is required, systems should be located on a non-visible facade away from public view.
- **Concealment:** If exterior equipment cannot be located on a non-visible facade, efforts should be taken to minimize their visual impact by covering with a decorative metal grille. A grille in combination with an awning may be used where appropriate.

### NOT RECOMMENDED:

- **Location:** When located on a visible exterior facade, the building's mechanical, electrical and plumbing systems should not obscure or remove historic architectural features or enlarge the openings or framework.
- **Concealment:** Use of an awning to cover a building's mechanical, electrical and plumbing systems provides only partial concealment and systems will remain visible to pedestrians.

The decorative architectural grills below have been installed to conceal mechanical intake and exhaust louvers. The grills have been incorporated into the storefront design. This treatment is recommended.



The open security grates below are installed on the interior so that when open, all mechanisms are concealed, which is encouraged. They also allow merchandise to be viewed even when the store is closed.





## SECURITY

Many security measures create the impression that the retail area is unsafe, particularly when gates are rolled down and locked. This does not contribute to a pedestrian-friendly environment and it ultimately hurts business. A series of rolled-down, solid metal security doors present a long, featureless façade at the sidewalk, which is unsightly and generally out of character with the architecture of buildings within the Districts. Transparent security doors provide the same level of security as solid grates, and allow lighted window displays to be seen at night, accommodating both design and security considerations.

### RECOMMENDED:

- **Security Door Design:** Security doors should be installed on the inside of the storefront, with the housing mechanisms and guide rails concealed. They can be hidden behind an architectural element, tucked into a framed pocket opening, mounted on the interior, or mounted high enough above the glazing system so as to remain unseen from the sidewalk.

- **Grilles:** The use of open or mesh grilles is encouraged because they have less impact on historic features. Grilles should be made of decorative metal in a configuration that is suitable for the scale and design of the entrance. They can also be simple metal grilles that are fully concealed when open.

### NOT RECOMMENDED:

- **Security Door Design:** Scissor-type security gates, solid roll-down grates and permanent metal bars installed either on the inside or outside of windows are discouraged.
- **Exterior Security Doors:** Security door housing should not be mounted to storefront exteriors; this contributes to the clutter on the exterior and can damage and obscure architectural features.



LEFT: When an external security grate is installed, its operational mechanism should be hidden from view. When fully retracted, the security grate should be concealed within the facade or behind the cladding.

RIGHT: The external roll-down security grate has its housing mechanism clearly in view from the street, which is discouraged.

## SEISMIC UPGRADES

Seismic strength within buildings is achieved through the reinforcement of structural elements. Steel braced frames are added to resist lateral loads arising from winds or earthquakes.

### RECOMMENDED:

- **Location:** A braced frame should be placed within the exterior wall (between the exterior masonry and the interior finish). Diagonal structural braces should be located within the interior space, setback from ground floor display windows.
- **Structural Design:** Different configurations can be utilized to minimize their effect on the existing architecture. Utilizing moment frames can minimize the effect on the existing architecture if properly designed to conform to the historic opening sizes.

### NOT RECOMMENDED:

- **Location:** For historic buildings, exterior applications of bracing are not appropriate. Braces penetrating the exterior of the storefront or placed within the storefront display area should be avoided.
- **Structural Design:** Reinforced seismic walls should not enclose storefront openings.

### Reference Material:

The Preservation Committee of the American Institute of Architects San Francisco Chapter prepared the *Architectural Design Guide for Exterior Treatments of Unreinforced Masonry Buildings during Seismic Retrofit*, November 1991, for the San Francisco Planning Department, the Landmarks Preservation Advisory Board and the City Planning Commission to assist in the application and review of seismic upgrade methods.

The seismic bracing is clearly visible and detracts from the historic facade. This application is discouraged.



## INTERIM STOREFRONT SOLUTIONS

Some of the design standards may take more time and money to implement than others. In the interim, building owners of vacant storefronts and tenants during renovation can take some simple measures that can serve as place holders until permanent rehabilitation occurs at the storefront.

### RECOMMENDED:

- **Cleaning and Painting:** These simple solutions offer dramatic improvements to a façade. This provides a well-maintained appearance and ensures a long life for many traditional façade materials.
- **Protect against vandalism and graffiti:** Apply a removable clear acrylic shielding to the glazing and treat façade materials with an anti-graffiti coating.
- **San Francisco Article 11 Conservation Districts Signs & Awnings Standards:** Comply with the recommendations detailed in these standards.
- **Storefront Rehabilitation Program:** For buildings with multiple tenant storefronts that have been subjected to inconsistent alterations over the years, consider a long-term plan that will serve as a guide for current and future tenants to better create visual continuity among all of the building's storefronts. Please contact the Department Preservation Staff for consultation.
- **San Francisco's "Art in Storefronts" Program:** This innovative program temporarily places original art installations by San Francisco artists in vacant storefront windows to reinvigorate neighborhoods and commercial corridors while engaging local artists. Art in Storefronts is a pilot program in collaboration with the Mayor's Office of Economic and Workforce Development and Triple Base Gallery.



The "Everything is OK" installation by artists, Christopher Simmons and Tim Belonax, fills a vacant storefront on Market Street.



For more information:

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San Francisco Arts Commission  
Tel: 415-252-2598  
E-mail: [robynn.takayama@sfgov.org](mailto:robynn.takayama@sfgov.org)



## GENERAL MERCHANDISING REQUIREMENTS

Acknowledging that store branding and identification often extends beyond the application of signage and awnings to the exterior of a tenant building, the purpose of these requirements is to give the Planning Department, owners and tenants a tool to ensure that tenant spaces remain transparent to the exterior, contribute to the activity of the public realm, and do not evolve into de facto sign boards for tenants.

Planning Department approval is granted provided that the following storefront transparency requirements are applied to the ground-floor and sometimes the 2nd floor windows where applicable:

- All windows must be of clear glass.
- Any translucent, opaque films, or adhesive signage applied to or installed directly behind storefront glass should not exceed one-third of the glass area.
- Any shelving, counter, or partitions over 3' in height must be setback a minimum of 10' from the inside face of the storefront glass or must be 75% open and transparent.
- All signage applied to or installed directly behind storefront glass should not exceed one-third of the glass area.
- Solid roll-down security doors should not be installed on either the exterior of the building or behind any storefront openings.
- Blinds, shades, or curtains are not allowed at the ground-floor level open and transparent.



ABOVE: The large glass with jewelry display windows highlights merchandise, while allowing visibility into the store, which is encouraged.

CENTER: The large pane of glass combined with movable mannequins below allow clear visibility into the store, which is encouraged.

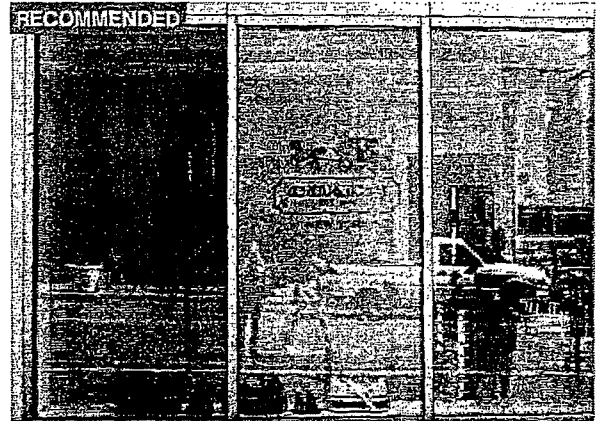
BELOW: The translucent shelving that supports this window shoe display increases visibility from the street, which is encouraged.

Typical movable window display items such as mannequins, small display podiums, and merchandise that permit clear visibility into the interior of the tenant space are permitted and encouraged.

The Planning Department is authorized to grant on a case-by-case basis flexibility from the requirements cited above in order to respond to site-specific constraints or for the exceptional projects that demonstrate to create a positive pedestrian experience.

Retail establishments that meet the definition of a department store as defined in this document are exempt from the visual merchandising requirements of this document except at the following storefront locations within the building:

- All customer entrances and the storefront windows at the ground and 2nd floor immediately adjacent to those entrances.
- All storefront corner windows at the ground and 2nd floor located at an intersection and on both street elevations.



The partition is set back behind the storefront display and takes up no more than one third of the glass area.

The Planning Department acknowledges the unique factors and the historic tradition associated with visual merchandising of large department stores due to their size, location, and variety of merchandise. In addition, the transformation of department store windows, such as during holidays, holds as much historic significance as the buildings in which they occupy.

For the purposes of this document a department store is defined as a single retail establishment located within a building that provides XXXXX square feet devoted to the sale of a wide range of durable goods and at the same time offering the choice of multiple merchandise lines, at variable price points, in all product categories.

## REFERENCES

1. Applications for Permits to Alter, City and County of San Francisco Municipal Planning Code, Article 11, Section 1111. <http://www.municode.com/Resources/gateway.asp?pid=14139&sid=5>
2. Dangers of Abrasive Cleaning to Historic Buildings, The National Park Service Preservation Brief 6 <http://www.nps.gov/history/nps/tps/briefs/brief06.htm>
3. How to Document a Building's History, San Francisco Planning Department Preservation Bulletin 16, Appendix B
4. Kearny-Market-Mason-Sutter Conservation District, City and County of San Francisco Municipal Code Planning Code, Article 11, Appendix E <http://www.municode.com/Resources/gateway.asp?pid=14139&sid=5>
5. Kearny-Market-Mason-Sutter Signs & Awnings Standards
6. The National Park Service Secretary of the Interior's Standards for Rehabilitation: <http://www.nps.gov/history/nps/TPS/tax/rhb/stand.htm>
7. Preservation of Buildings and Districts of Architectural, Historical, and Aesthetic Importance in the C-3 Districts, City and County of San Francisco Municipal Code Planning Code, Article 11 <http://www.municode.com/Resources/gateway.asp?pid=14139&sid=5>
8. Rehabilitating Historic Storefronts, The National Park Service Preservation Brief 11 <http://www.nps.gov/history/nps/tps/briefs/brief11.htm>



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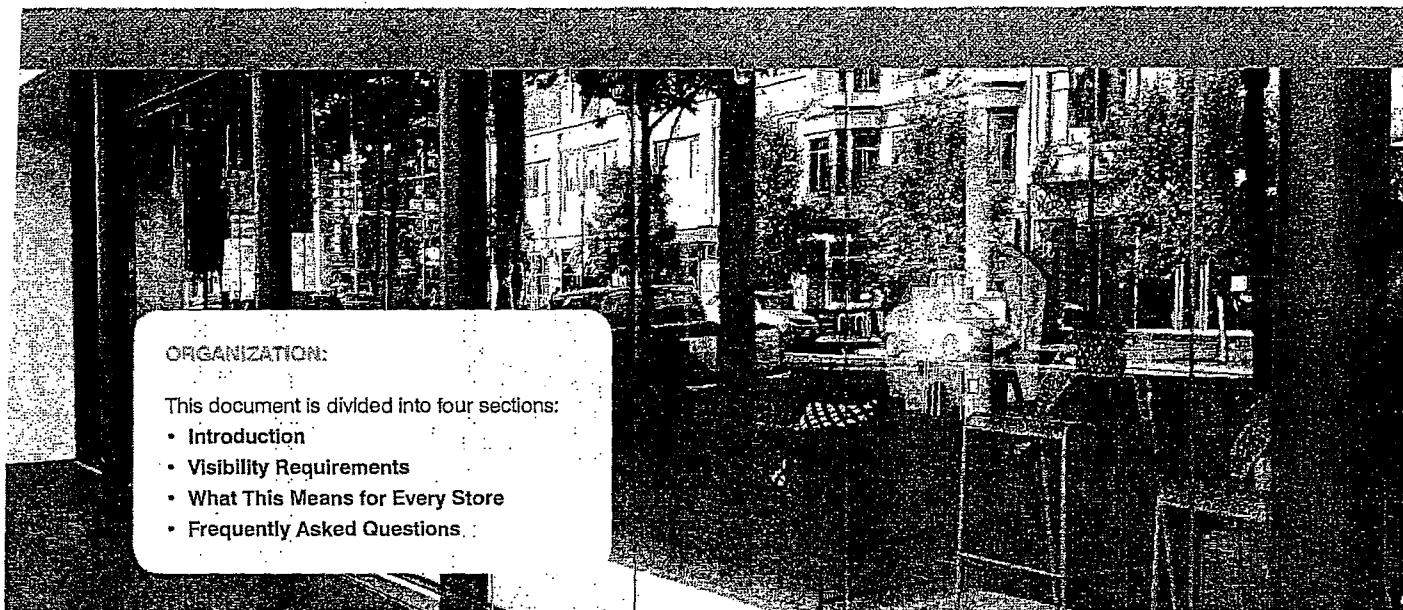
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*Planning staff are available by phone and at the PIC counter.  
No appointment is necessary.*



SAN FRANCISCO  
**PLANNING**  
DEPARTMENT

# Standard Storefront Transp

PLANNING CODE REC  
COMMERCIAL BUSINE



## Introduction

The storefront is arguably the most valuable space in a store and should be used to full advantage. A transparent storefront welcomes customers inside with products and services on display, discourages crime with more "eyes on the street," reduces energy consumption by letting in natural light, and enhances the curb appeal and value of the store and the entire neighborhood. For these reasons the San Francisco Planning Code requires that storefronts must maintain transparent windows that allow visibility into the store. This handout explains these requirements.



## Visibility Requirements

Section 145.1(c)(6) of the Planning Code requires that "frontages with active uses that are not residential or PDR must be fenestrated with transparent windows and doorways for no less than 60 percent of the street frontage at the ground level and allow visibility to the inside of the building."

To ensure visibility into active spaces, any fenestration of active uses provided at pedestrian eye level must have visibility to the inside of the building. The following definitions apply:

- 1) **Pedestrian Eye Level** includes the space that is between 4 feet and 8 feet in height above the adjacent sidewalk level, following the slope if applicable.



ABOVE: Window signs should be limited in size and number to maximize visibility inside the store.



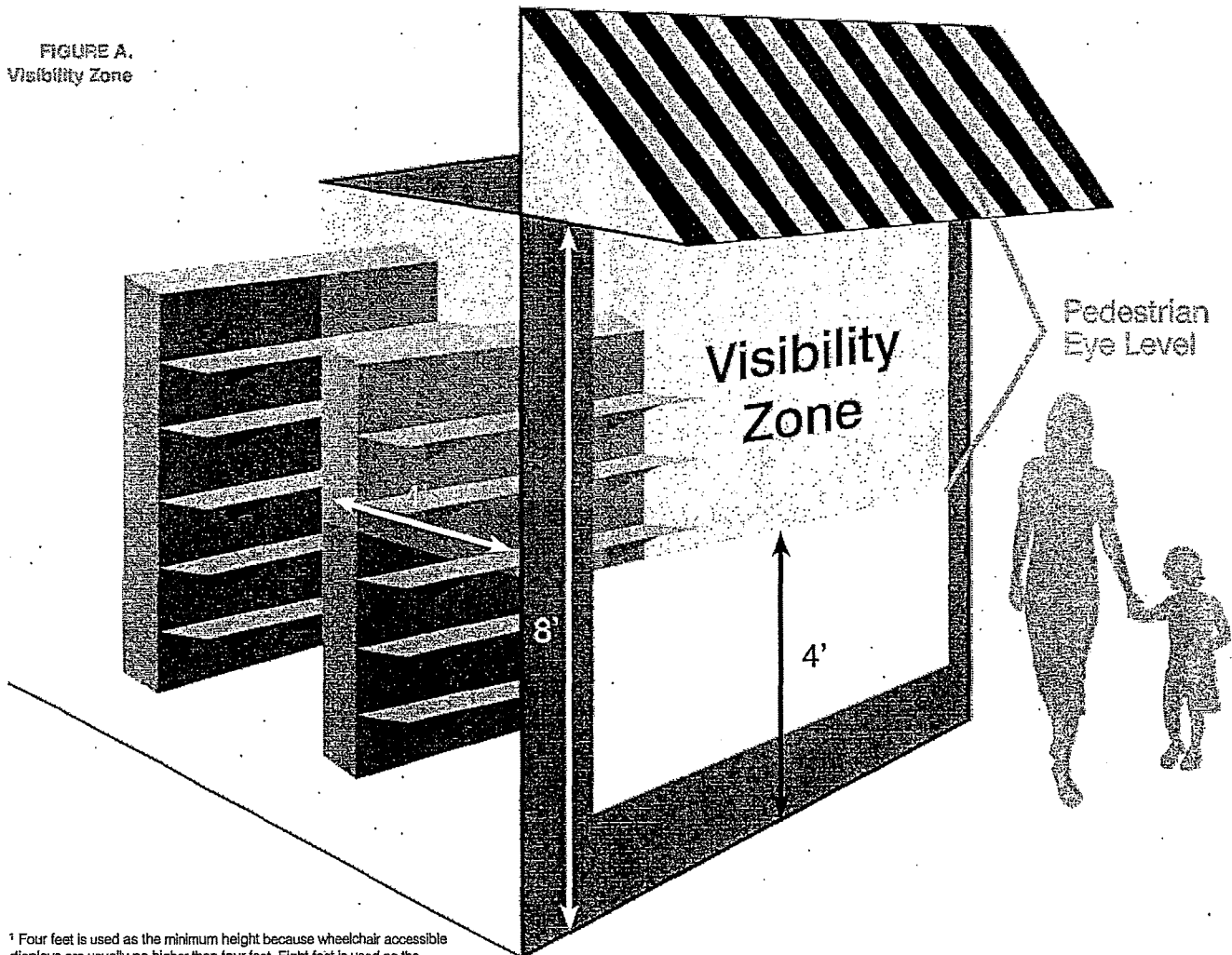
- 2) **Visibility to the Inside of the Building** means that the area inside the building within 4 feet from the surface of the window glass at pedestrian eye level is at least 75 percent open to perpendicular view.

Therefore, any fenestration of frontages with active uses must have visibility to the inside of the building with at least 75 percent open to perpendicular view within a 4-foot by 4-foot "visibility zone" at pedestrian eye level. This visibility zone is located between 4 feet and 8 feet in height above sidewalk level and extends 4 feet from the surface of the window glass inside the building<sup>1</sup>. Section 145.1(c)(7) of the Planning Code requires that decorative railings or grillwork placed in front of or behind the storefront windows must also

be at least 75 percent open to perpendicular view. Greater transparency, including expanded "visibility zones", may be required in buildings designated under Article 10 or 11 of the Planning Code (see FAQs on page 6).

Notwithstanding the above visibility requirement, individual products for sale or used in service and on display inside the building are not restricted; and, window signs not exceeding 1/3 the area of the window on or in which the signs are located are not restricted if such signs are permitted by the Planning Code<sup>2</sup>. For more info about business signs, please refer to the Sign Handout on our website at [www.sfplanning.org](http://www.sfplanning.org).

FIGURE A.  
Visibility Zone

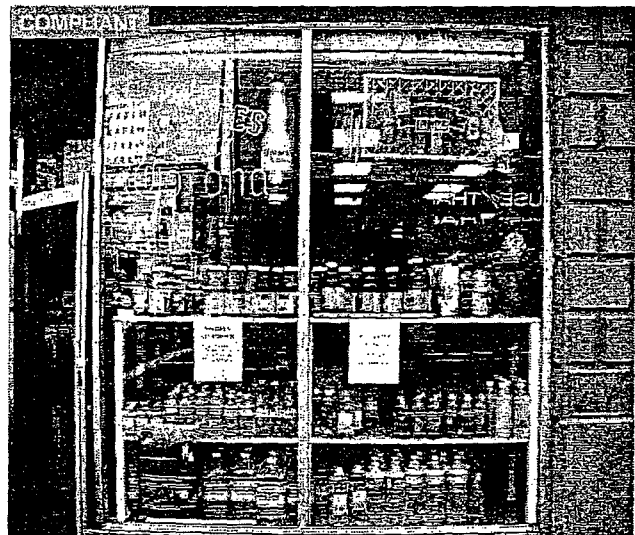
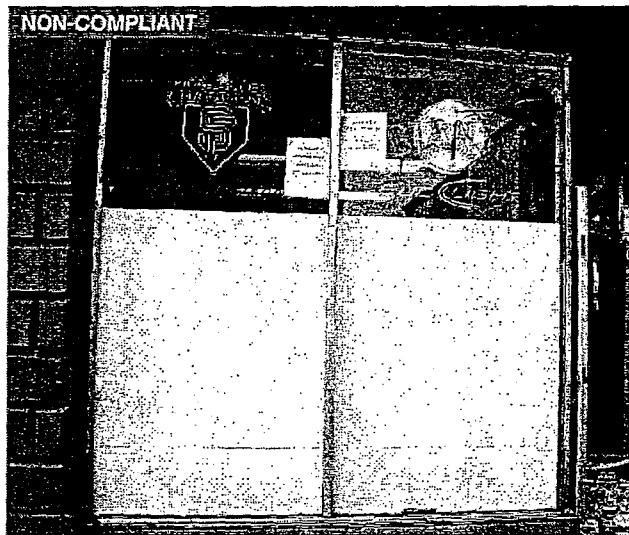


<sup>1</sup> Four feet is used as the minimum height because wheelchair accessible displays are usually no higher than four feet. Eight feet is used as the maximum height because overhead awnings must maintain an eight-foot clearance above the sidewalk. Four feet is used as the minimum depth because it allows the minimum three-foot path of travel required for wheelchairs plus additional space for a display. Seventy-five percent openness is used because it matches the existing required openness for security gates and grillwork in Section 145.1(c)(7) of the Planning Code.

<sup>2</sup> Window signs that are affixed or adhered directly to the window glass do not require a sign permit. All other business signs must have a sign permit or they are illegal and must be removed.

## What This Means for Every Store

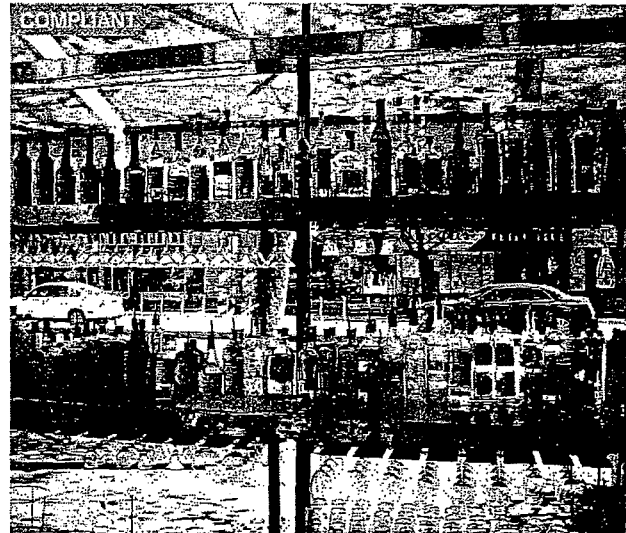
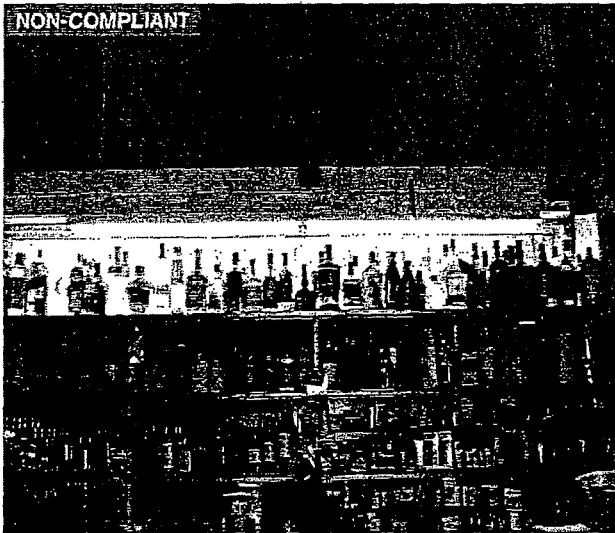
Every merchant and store owner should be sure that their storefront is in full compliance with the Planning Code. Below are the five most common violations to look for.



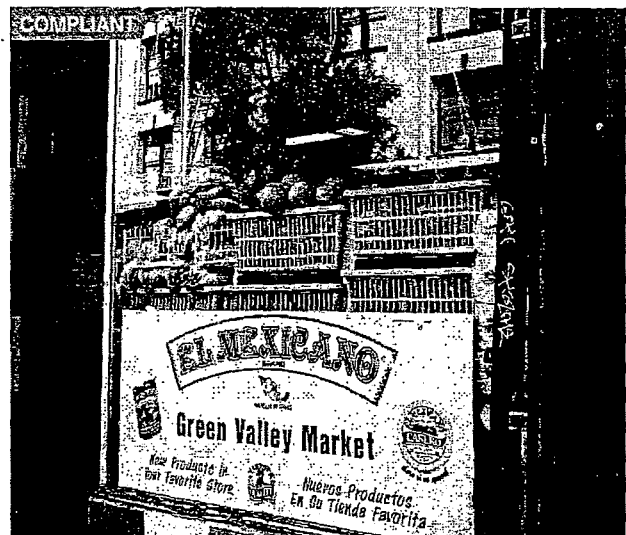
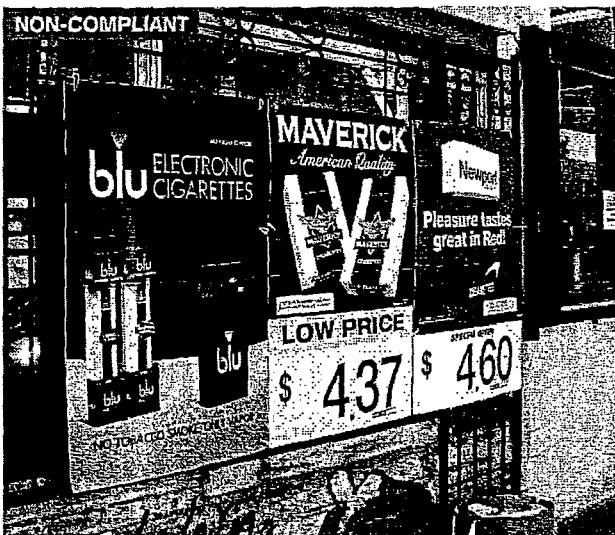
1) Windows that have been covered over with boards, film, or paint must be restored to transparency.



2) Security gates or grillwork on the inside or outside of the window glass must be primarily transparent (at least 75% open to perpendicular view).



- 3) Shelving, display cases, appliances and other items placed within four feet of the window glass must be no taller than four feet or be primarily transparent (at least 75% open to perpendicular view).



- 4) All exterior signs must have a sign permit or must be removed.
- 5) Business signs affixed to the window (painted or adhered to the glass) can be no larger than one-third the size of the window in which they are placed.

## Frequently Asked Questions

If my building does not have 60% of its ground floor façade fenestrated with windows and doors do I have to add them?

If your building was legally built with less than the current 60% required fenestration, it is "grandfathered in," which means it is legally non-complying with regard to the fenestration. In that case all of the existing storefront windows (up to the 60% standard) must be transparent and provide visibility to the inside.

If my windows have been covered over for several years, aren't they also grandfathered in?

Unless the windows were covered over with a lawfully issued building permit they are not grandfathered in and you must restore them to comply with the storefront transparency requirement.

If I have a display case within four feet of the window that is filled with products for sale, do I have to reduce the number of products on display so that it is 75 percent open?

Only the display furniture and equipment (when empty) must be 75 % open to view for any portion higher than four feet. Products used in sales or service within a display are not restricted.

Do I need a building permit to rearrange my store to comply?

In most cases you do not need a building permit to simply rearrange or replace display furniture, but

you should check with the Department of Building Inspection at 415-558-6088 to be sure.

What if I don't comply?

Until you fully comply with the transparency requirement, you may be subject to enforcement action. In that case there could be a hold on all permit activity for the property ultimately resulting in penalties accruing at a rate of up to \$250 per day.

Are there any additional requirements for historic properties?

Display fixtures may require a greater setback and area than the minimum "visibility zone" defined in this document. You may also be required to provide more than the minimum 60 percent transparency for windows along the ground- and second-floor street frontage. Please consult with a Department Preservation Planner at the Planning Information Center for additional guidance

What assistance is available?

The Office of Economic and Workforce Development has numerous technical and financial assistance programs available to help small businesses that are pursuing improvements to their business. For more information, see OEWD's web site:

<http://oewd.org/Neighborhood-Grants-Loans.aspx>



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May 8, 2014

**VIA MESSENGER**

Planning Commission President Cindy Wu  
c/o Kanishka Burns, Project Manager, Planner  
San Francisco Planning Department  
1650 Mission Street, Suite 400  
San Francisco, CA 94103-2479

Re: Formula Retail Controls

Dear President Wu:

Our firm represents the owners of the 149,000 square foot retail shopping center located at 555 Ninth Street (the "Power Center"). The Power Center's tenants include a number of national retailers, including Bed, Bath & Beyond, Nordstrom Rack, Pier 1 Imports, Trader Joe's, Peet's Coffee and Tea, Chase Bank, and Wells Fargo. Consistent with the findings in the Planning Department's recent economic study of formula retail, the Power Center's large floor plates, combined with its on-site parking and location on busy arterial streets near the freeway on- and off- ramps make it particularly well suited for large formula retail tenants, but *not* well suited for small, independently owned retail outlets. Nevertheless, the Power Center property was rezoned to UMU as part of the Eastern Neighborhoods planning effort and is, therefore, subject to Conditional Use authorization for new formula retail tenants. In the case of the Power Center, this means a CU authorization is required for nearly any change in tenants at the property.

The Department's economic study indicates that formula retail controls have been effective at preserving the uniqueness we all love about the City's traditional neighborhood commercial districts ("NCDs"). The NCDs operate as the "Main Street" for their respective neighborhoods – providing not just retail goods and services, but a center of gravity for the neighborhood and a distinct sense of place. We understand and support the strong public policy rationale for protecting the unique neighborhood character of the City's NCDs.

In contrast, the Department's study points out that formula retail controls on large retail spaces outside the traditional NCDs actually have a negative impact on the City's economy. For buildings like the Power Center, formula retail controls make it more difficult for owners to find high quality tenants willing to endure the time, expense and uncertainty of the CU approval process, and can lead to lengthy vacancies that decrease sales tax revenue for the City, reduce employment, and undermine the viability of other retail outlets in the surrounding area.

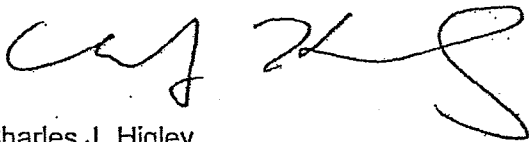
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Planning Commission President Cindy Wu  
May 8, 2014  
Page 2

A successful shopping center like the Power Center provides numerous benefits to the City's economy and its residents. The Power Center does approximately \$110 Million in annual sales, generating significant sales tax revenue for the City. In addition, the Power Center's tenants employ about 440 people. Although we do not have data regarding the socio-economic characteristics of these employees, the Department's report points out that larger formula retail outlets are not only more likely to hire a greater number of employees per sales dollar than their smaller competitors, but they are also more likely to employ minorities. This finding echoes a point made by the Economic Opportunity Council of San Francisco at the Commission's January 23, 2014, hearing on formula retail. The Power Center also provides convenient access to affordable, everyday shopping items, which makes San Francisco more livable for a broad range of income earners. In many cases, shoppers would be unlikely to purchase these types of goods from independent retailers. More likely, they would drive over the Bay Bridge or south to another jurisdiction to find similar discount stores, taking their tax dollars with them.

The City's current zoning controls implicitly acknowledge that there are certain areas where formula retail uses are acceptable and even desirable (e.g., Union Square, Potrero Center). Given its nature, history and location, we certainly believe the Power Center is another such place. We urge you to recommend an exemption from the formula retail controls for established formula retail oriented shopping centers like the Power Center that are outside of traditional NCDs. We look forward to working with you to make sensible changes to the City's formula retail controls that encourage beneficial economic activity while preserving the City's small-scale neighborhood retail culture.

Very truly yours,



Charles J. Higley

CJH:rmg

cc: Supervisor Jane Kim  
John Rahaim, Director, Planning Department  
Amy Cohen, Office of Economic and Workforce Development  
AnMarie Rodgers, Planning Department

**Burns, Kanishka (CPC)**

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**From:** Christin Evans <christin@booksmith.com>  
**Sent:** Tuesday, May 06, 2014 5:59 PM  
**To:** Johnston, Conor (BOS); Burns, Kanishka (CPC)  
**Subject:** HAMA's position on Formula Retail recommendations

Conor,

I attended the final focus group with policy recommendations on formula retail at the Planning department today.

I think I had the same reaction as you did which was to applaud the report and planning department's drafted recommendations with the exception of the recommendation on subsidiaries. We were pleased to see that recommendation is to include international chains in the updated definition of formula retail.

HAMA's position maintains that subsidiaries should be included in the definition of formula retail. Additionally, we discussed in today's focus group that in the same affidavit planning should also count the number of planned locations for a new business line, such as Starbuck's Evolution Fresh or Liz Claiborne's Jack Space menswear stores. If companies are planning to have 20+ locations within 5 years they should be required to have undergo a conditional use process.

Companies with large resources are able to pay the modest CU costs and it creates a situation where the chain store is compelled to engage with the local community that they will be serving. In the end, its better for the business too because they become more sensitive to local concerns and learn of opportunities to contribute to the commercial area's vibrancy (street fairs, holiday lights, public realm planning, etc).

Chain stores and stores with significant economies of scale are a burden to the city when they use larger trucks on city streets for deliveries. They also detract from the local character with their homogenous signage. They can negatively impact the quality and selection of goods & services available in a community. They send their profits (almost always) out of the city and the state. And, they historically have not participated in the public realm planning processes or the beautification and marketing initiatives of the NCDs. For all these reasons, we feel there should be a higher bar that seeks the community's permission for a national or international chain or its subsidiary to open in an NCD.

And, as for the planners concerns that there is difficulty in accurately determining the number of locations a business has or is planning, this information is already collected from the company in an affidavit submitted to the city at the time they propose to enter the NCD. If a company is untruthful about this and its proven at a later date that can be addressed in the form of punitive measures such as the reopening of the CU, fines or denial of future permits.

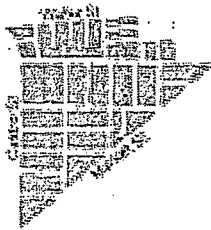
Thanks for Supervisor Breed's & your leadership on this issue. We hope the the Planning department will revise its recommendations before they are presented in a few weeks to include subsidiaries and planned locations.

Sincerely,  
Christin

--  
Christin Evans

owner, The Booksmith on twitter and facebook  
board member, Haight Ashbury Merchants Association (HAMA)  
partner, Berkeley Arts & Letters  
director, Keplers 2020





## **Duboce Triangle Neighborhood Association**

**PMB # 301, 2261 Market Street, San Francisco, CA 94114**

**(415) 295-1530 / [www.dtna.org](http://www.dtna.org)**

August 12, 2013

### **Response to Proposed Study "Economic Analysis of Formula Retail"**

**Attn: AnMarie Rogers**

**CC: John Rahaim, Director of SF Planning Department**

**Amy Cohen, Director of Neighborhood Business Development, OEWD**

**All members, SF Planning Commission**

**All members, SF Board of Supervisors**

The study of formula retail on a citywide scale is long overdue. Concern around the issue has grown, and the Planning Commission is often forced to make controversial decisions with minimal economic analysis to reference. Community members who have attended Commission hearings know well the arguments that are made on either side.

Those supporting formula retailers cite consistent quality of product, job creation, and financial contributions to community organizations. Those opposed draw attention to the increasing retail rents that result, pressure upon local businesses, the conformity of building design and the diversion of expenditure away from the local economy. A firm understanding of those economic impacts that result from formula retailers is indeed needed.

It is our concern, however, that the proposed Scope of Work is both unfortunately broad and dramatically underfunded. Additionally, the proposed analysis seems partially positioned to redefine the classification of formula retail – which may take away from more important questions regarding economic impact. Given the outpour of interest in formula retail controls, for reasons economic and beyond, analysis should focus on the impact of formula retail but more specifically on the impact of formula retail controls.

This letter aims to provide greater focus to the Scope of Work with the intention to produce a more useful economic analysis and potentially reduce the Study's cost. There is a real concern that analysis will come back and say "\_\_\_\_\_ varies considerably depending on \_\_\_\_\_", offering an understanding minimally expanded upon what is already known.

In the sense that Hayes Valley may be more comparable to Downtown Boulder than other parts of San Francisco, a thorough literature review of existing retail studies in US markets is strongly encouraged prior to any further analysis. A ten-year review of retail studies, conducted by Austin-based Civic Economics, is found here:  
<http://www.civiceconomics.com/app/download/6521669704/The+Civic+Economics+of+Retail.pdf>

Also attached is a study conducted by Civic Economics titled, "The San Francisco Retail Diversity Study", which highlights the \$200M economic impact made possible with a shift to local consumption.

#### Overall Assessments

- 1) Neighborhood case studies will provide little utility without sufficient analysis to understand neighborhood context and changing market pressures. Case studies may require an extensive amount of time. An extensive literature review should be prioritized, and may offer guidance into the format of neighborhood case studies.

#### Economic Assessments

- 1) The process of Conditional Use permitting allows for more intensive neighborhood contextual analysis, and often allows for the imposition of controls to mitigate for externalities. A level of deterrence is inherent to the process. Given the Planning Department's analysis however, which concludes that 75% of formula retail CUs have been approved since 2004, it would appear such deterrence is only preventing one quarter of applicants from opening up new locations in San Francisco. The percentage of small businesses that do not consider San Francisco due to the City's permitting process may be worth studying as well, but the permitting process exists for a reason. The study of how CUs discourage potential businesses may be unwarranted.
- 2) There is concern that any study of rental rates may have difficulty accounting for localized economic development and rapidly changing real estate prices. A statistical analysis to control for these factors would be time intensive and would likely yield inconclusive results. While neighborhood-level analysis is encouraged, this level of analysis should be pursued with no more than two neighborhoods so as to yield meaningful conclusions.
- 3) District-specific market evaluation, with a focus on particular business types, will be informative. Those businesses most affected by formula retailers (ie. restaurants, grocers, etc.) should be a focus of this evaluation.
- 4) A better understanding of repercussive business loss after formula retail openings is important.
- 5) In addition to the proposed study of one-for-one formula retail replacement in the same location, the study should analyze one-for-one replacement within a zoning district (such as C3) as well.
- 6) The classification of formula retailers should not be reconsidered. While differences between businesses of this category exist, the grouping of multi-location enterprises remains a useful one. Any location-count threshold for CU will be somewhat arbitrary, but the existing 11-store threshold has become an established convention. We encourage the Planning Department to use data from the Controller's office to assess how many businesses have multiple location in SF, and to expand formula retail analysis to include international locations, but discourage any reconsideration of the existing 11-store threshold.
- 7) As written, it is difficult to understand Item 7.

## Neighborhood Character Assessments

- 1) The forecast of qualitative impacts is desirable beyond the scope of this Study. What would prove most useful is for the consultant to develop a methodology to do such qualitative analysis any time a formula retail location is proposed. It will be difficult to generalize qualitative impacts according to districts as classified in this item (retail controls, high concentration of formula retail, low concentration of formula retail), due to the myriad factors that affect a neighborhood's context.

## Large Economic Assessments

- 1) Comparative analysis of other cities may be easiest conducted as a literature review, and more affordably executed by City staff. Any literature review should precede new analysis, to prevent duplicative research.
- 2) Analysis of multiplier effect should occur at the local level but also at the regional level, taking into consideration the effect of supply chain wages, cost advantages, distribution networks, etc.

We conclude by strongly encouraging the Department to consider firms *not* pre-qualified under San Francisco Controller's Office Pre-Qualified pool that have expertise in the field of formula retail analysis – firms referenced in the Planning Department's own memorandum authored July 25, 2013 like Civic Economics and Ridley & Associates. We request a waiver to allow for their participation in the RFP.

We also encourage the Department to conduct such a study on a regular basis, potentially every ten years.

We look forward to working with the selected consultant to better understand the retail markets we all know very well.



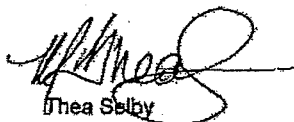
Pat Tura

Duboce Triangle  
Neighborhood Assoc.



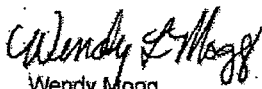
Gary Weiss

Eureka Valley  
Neighborhood Assoc.



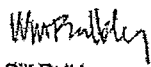
Thea Selby

Lower Haight  
Merchant Assoc.



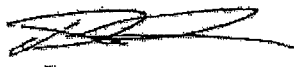
Wendy Moog

San Francisco Locally  
Owned Merchants Alliance



Bill Bulkeley

Hayes Valley  
Neighborhood Assoc.



Deena Davenport

Valencia Corridor  
Merchants Assoc.



SMALL BUSINESS COMMISSION  
OFFICE OF SMALL BUSINESS



CITY AND COUNTY OF SAN FRANCISCO  
EDWIN M. LEE, MAYOR

August 13, 2013

Sophie Hayward  
Planning Department  
City and County of San Francisco  
1650 Mission St., Suite 400  
San Francisco, CA 94103

Dear Ms. Hayward:

At a regular meeting of the Small Business Commission on August 12, 2013, you presented general information pertaining to existing and proposed Planning Code formula retail (FR) land use controls, as well as briefly described a draft request for proposals (RFP) the Planning Department intends to issue for the study of various topics related to FR in San Francisco. The Commission requests that you include in the RFP scope of work several items with relevance for small businesses. The RFP in certain instances already covers topics identified by the Commission, and where appropriate, I have referenced the draft document and provided clarifying information. Where the RFP may not already address a topic, I have summarized the Commission's intent.

Contained in Draft RFP

*Overall Assessments, Paragraph 1*

- Consider whether FR uses have served, or could serve, as anchors for neighborhood stability and/or revitalization in certain circumstances.

*Economic Assessments, Paragraph 3*

- Include consideration of non-wage benefits, to include healthcare and vacation/sick leave, when calculating differences between FR and non-FR employers.
- Add a category of analysis to total employment, wage, and benefit differentials that reflects franchise vs. corporate store ownership, in addition to non-FR ownership. Franchisees, while supported in certain ways by a corporate franchise system, are in many respects still similar to independent business owners. Given this similarity, their businesses may offer greater wages and benefits than corporate-owned FR locations.
- Forecast sales tax and other revenues that may return to San Francisco as a result of limited FR development in select categories outside neighborhood commercial districts, especially in terms of large retail stores. There will always exist a certain demand for FR goods, and adjacent jurisdictions have historically satisfied that demand by allowing development of FR

uses in locations convenient to San Francisco residents. Understanding potential fiscal impacts of responsible FR development within San Francisco is important.

#### *Economic Assessments, Paragraph 4*

- Assess impacts on existing non-FR businesses caused by new FR businesses opening nearby. It may be useful to evaluate impacts in scenarios of direct competition (e.g. the impact of a Peet's Coffee & Tea on an existing independent coffee shop) and indirect competition (e.g. "spillover" to nearby retailers caused by a new Walgreens pharmacy). Spillover impacts may already be considered in *Economic Assessments, Paragraph 3*.
- Assess neighborhood impacts caused by FR delivery vehicles. FR stores often have larger or more varied inventories, or may require more frequent replenishment, than independent businesses.

#### *Economic Assessments, Paragraph 5*

- Analyze variations between lease terms and durations for FR tenants in neighborhood commercial districts when considering replacement of one FR use for another. Often, formula retailers enter longer term leases than independent businesses. When a formula retailer departs during the lease period due to business considerations and continues to pay an elevated lease rate common for FR business types, landlords may opt for a space to remain vacant until another formula retailer willing to pay an equal or greater lease rate is located. Include an assessment of the prevalence and impacts of such vacancies.

#### *Economic Assessments, Paragraph 6*

- Catalog descriptive characteristics (i.e. business type, square footage, linear frontage, off-street parking, revenues) for each FR use studied. Several commissioners raised the issue of differentiating among FR uses based on the likely scale of their impacts. One focus of the discussion was on the proximity of impacts, where a Quiznos sandwich shop may affect an area of different size than a Target retail store. The Commission conceived of immediate neighborhood impacts, district-wide impacts, and city-wide impacts, with some consideration given to the convenient accessibility of these uses by those outside the immediate neighborhood, especially in terms of off-street parking availability. Discussion also covered assessing the impacts caused by different categories of FR uses, where food uses may have different impacts than retail uses.

### *Neighborhood Character Assessments, Paragraph 1*

- Determine the economic impacts on nearby businesses caused by new FR uses located in neighborhood commercial districts that possess consistent architecture, signage, lighting, and scale, when formulaic designs are not adapted to the local context. Many FR locations appear out of place in the neighborhoods where they are located.

### *Larger Economic Assessments, Paragraph 2*

- Add a category of analysis to local economy multiplier effects that reflects franchise vs. corporate store ownership, in addition to non-FR ownership. Franchisees, while supported in certain ways by a corporate franchise system, are in many respects still similar to independent business owners. They are likely to reside locally and, therefore, may retain a greater share of profits locally than corporate-owned FR locations.

### Additional Topics of Interest

#### *Online-only retailers*

- Identify local, national, or international examples of online-only retailers opening storefronts in settings similar to San Francisco's neighborhood commercial districts. Many online-only retailers, such as Amazon.com, have substantial resources similar to traditional national or international retailers, but without a sufficient number of outlets to qualify them as FR uses. Currently, they are able to open in neighborhood retail corridors without the scrutiny of FR controls, yet may have the ability to unduly impact the local marketplace. Furthermore, their online trade in broad categories of goods (i.e. clothing, electronics, jewelry), and corresponding ability to frequently display new varieties of inventory, may make assessing and regulating potential impacts difficult.

#### *Expanding product offerings*

- Determine the frequency in which FR uses expand beyond their initial product offerings into new categories of business. While all FR uses in neighborhood commercial districts require conditional use (CU) review prior to opening, it is not clear whether approvals limit their ability to expand into other categories. A pharmacy, while initially considered for sale of medicine and personal convenience items, may later expand into grocery and alcohol sales, as one example. More and more businesses are evolving beyond discrete retail categories into selling the greatest possible variety of goods, with unclear impacts for surrounding neighborhoods.

*Neighborhood notoriety and economic success*

- Examine relationships between neighborhoods with zero or few FR establishments and their prominence in travel/shopping media coverage. Is the prevalence (or absence) of FR related to the breadth of coverage, and does that impact the economic success of businesses in the neighborhoods.

*Geographic origins of formula retailers*

- Evaluate whether FR impacts vary by the geographic origin of the businesses. In particular, assess impacts in consideration of whether the formula retailer was originally founded in San Francisco and expanded until it met the definition of FR, or whether the business originated outside San Francisco and is now entering the local market. Determine whether the socioeconomic impacts of formula retailers of San Francisco origin vary from those of non-San Francisco origin.

Thank you for providing an opportunity for the Small Business Commission to comment on the Planning Department's proposal.

Sincerely,



Regina Dick-Endrizzi  
Director, Office of Small Business

Cc: AnMarie Rodgers, San Francisco Planning Department

To Whom It May Concern: Board of Supervisors  
As it Concerns Me: Adriano Paganini

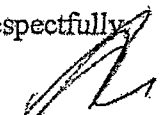
I write as a means of airing my concerns for the latest restrictions being considered in this round of San Francisco's Anti-Formula-Retail legislation. As an entrepreneur, I constantly embrace the opportunity to assess facts, to adjust my thinking, and to make changes as reason and ability will allow. As such, I write hoping that the Board of Supervisors operates in this same way.

Of particular concern to me is any restriction that takes my business entities – various restaurants that took years to conceptualize, implement, and grow to relevance – and suddenly brands them as a sort of big, bad, automatic, and singular commercial entity. I would not dare to think of them in such a way. If I did, they would fail almost immediately. Likewise, as the Board reevaluates how to shape and nurture the bursting commercial landscape of this brilliant city, failure is imminent when decisions are made to categorize, to limit, or to restrict entrepreneurs with growing concepts like mine. As the Board waves a flag to preserve the existing character and one-of-a-kind style that is San Francisco, why take several one-of-a-kind businesses I have created and treat them as if they are a dime-a-dozen?

Of my thirteen entities, seven of them are Super Duper Burgers while the rest are full-service restaurant concepts. Though the Super Dupers would seem on track to be reasonably labeled as Formula Retail, something still is missing from all this legislation and labeling – even after 16 amendments. My business can be described as “locally grown” “grass-fed” “fresh-daily” “better-for-you” “all compostable” “made in-house” and is the mind-set that fuels Super Dupers’ success: a success that comes *because* the one-of-a-kind San Francisco asks for it. Imagine a McDonalds at 2304 Market Street instead of the Super Duper that currently sits there. Of course, the affect and the experience would be a completely different one: both at the customer level and in regards to the over-all face of the neighborhood. Super Duper is not McDonalds, and yet anticipated legislation would see it as such. I resent the attempts by the Board of Supervisors to categorize my efforts and my business to ultimately restrain me from doing further business in the city I love and support.

Even worse is the legislation that aims to tally up all my singular-concept restaurants and bundle them with my name under the Formula Retail heading. Five years ago we opened Beretta in the Noe/Mission area as one of the first full-service restaurants to bring craft cocktails and delicious food to the every-day diner. Delarosa brings fun, easy, family-friendly food to a vibrant Marina crowd. Starbelly delights the neighboring Castro diners with its laid-back farm-to-table core and its enchanting patio picnic ambiance. Pesce invites the adult seafood connoisseur to enjoy something fresh, light, and Italian *outside* of North Beach. Lolinda draws from its surrounding Mission neighborhood to offer Latin American cuisine at a variety of levels. And, the list will go on... so far as legislation allows. It is one of my greatest joys to find a neighborhood, figure out what it seeks at the core, and then work day and night to put it there. When all is said and done, I employ 550 people giving one-of-a-kind San Francisco hand-tailored versions of exactly what it wants.

For me and people like me, these stores are all my back-yard. I live here, I pay taxes here, my children go to school here, and I would like to continue to do business here without such a defining label as the Board contemplates. I understand and cherish the character that is this city, and I also understand and embrace the many changes that come with rapidly evolving technology, economics, and civil development. I am happy to do my business according to the rules and in the proximity of bigger-business and next generation entrepreneurs-in-the-making, alike. I certainly don't have the answers for how best to cultivate and nurture the appropriate enterprises in this city. That is not what I do. However, in such a dynamic city, it seems that words like “limit” and “restrict” are the wrong kind of words to include in legislation regarding progress. Especially when they limit those who are similar to me: generating ideas custom-made for San Francisco.

Respectfully  
  
Adriano Paganini





SMALL BUSINESS COMMISSION  
OFFICE OF SMALL BUSINESS



CITY AND COUNTY OF SAN FRANCISCO  
EDWIN M. LEE, MAYOR

May 14, 2014

Cindy Wu, President  
Planning Commission  
1650 Mission St., Suite 400  
San Francisco, CA 94103-2414

**Subj: Small Business Commission Response to Planning Department's "San Francisco Formula Retail Economic Analysis"**

Dear President Wu:

The Small Business Commission conducted detailed discussions of the Planning Department's "San Francisco Formula Retail Economic Analysis" at its regular meetings on April 28 and May 5, 2014, voting 7-0 on the latter date to adopt the recommendations contained herein. The Commission is grateful to have had the expert assistance of Planning Department staff Kanishka Burns and AnMarie Rodgers during the formula retail (FR) working groups held over several months while developing the Analysis as well as for the presentation by Ms. Burns at the Commission's April 28 meeting. With their guidance, the Commission reached consensus on many specific policy topics presented in the Analysis or otherwise known to be under consideration in the various pending legislative proposals to amend FR controls.

You are surely aware of the Commission's interest in formula retail regulations and their impacts on small businesses. It is from this position of great interest that the Commission offers its recommendations on many specific and a few general matters relating to potential amendments to FR controls. Wherever possible, the Commission has attempted to inform its recommendation with the quantitative and qualitative findings of the Formula Retail Economic Analysis. It is the Commission's belief that reforms to the controls will be most successful if based on data rather than preconceived notions or unsubstantiated claims. I thank you in advance for your serious consideration of the Small Business Commission's positions as communicated in this letter.

#### SMALL BUSINESS COMMISSION RECOMMENDATIONS

##### *Formula Retail Controls -- Overall*

Generally, the Commission agreed that existing controls were functioning as designed and allowing for substantial community input into the decision making process of whether to grant a conditional use (CU) authorization. The relatively low prevalence of FR uses in most areas of the City when compared to national statistics is suggestive of the efficacy of the controls. Thus, the Commission perceived little need to dramatically reform existing FR controls at this time.

SMALL BUSINESS COMMISSION  
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##### SMALL BUSINESS COMMISSIONERS:

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PAUL TOUR-SARKISSIAN  
MONETTA WHITE  
REGINA DICK-ENDRIZZI, DIRECTOR

SUBJ: SMALL BUSINESS COMMISSION RESPONSE TO PLANNING DEPARTMENT'S  
"SAN FRANCISCO FORMULA RETAIL ECONOMIC ANALYSIS" (5/14/2014)

*Conditional Use Authorization Process*

Despite the generally well-structured FR controls in place currently, the Commission observed another statistic suggesting the CU review process continues to be problematic for many business types, including formula retailers. The Analysis found the typical timeframe for CU review of FR uses ranging from 6 to 12 months, and associated costs reaching into the tens of thousands of dollars. Such protracted reviews, when compared to relatively high approval rates upwards of 75 percent, indicate a CU review process that can function more efficiently with little chance of detriment to community character.

Formula retail applicants should be afforded the opportunity to request review under a process similar to that of the Planning Commission's Small Business Priority Processing Pilot Program ("SB4P"). Reviewing FR applications under such a process would expedite reviews for those uses a neighborhood deems desirable, while reserving the greatest scrutiny for controversial applications. Under an SB4P-type process, applicants that have satisfied neighborhood concerns would reduce by months their entitlement review timeline, while neighborhoods would reserve the opportunity to oppose an FR application and request a full review by the Planning Commission. To safeguard against frivolous requests for full review, the Planning Commission should consider establishing a minimum threshold for the number of appellants, possibly related to a proportion of population or to the number of parcels within a certain distance. The process should remain accessible for the community, but not prone to abuse.

Should it prove undesirable or infeasible to allow all FR applications to proceed under an expedited process, then the procedure should at a minimum apply to the subset of applications for like-to-like FR uses triggered by a change in business name or ownership that currently must undergo the full CU process.

*Conditional Use Authorization Findings*

As part of its concerns related to the CU process, the Commission identified the first finding required by Planning Code Section 303(c) to be particularly problematic. The Commission identified the requirement that a proposed FR use be "necessary or desirable" for the neighborhood or community too indefinite to be of much help to the Planning Commission when deciding whether a use is appropriate in a given location. Rather, the Commission suggested supplementing findings required for an FR use with a more specific standard that such use is "unavailable within walking distance" of the proposed location. A common measure of walking distance is one-quarter mile, which if adopted in this context, would add a quantitative component to the highly qualitative set of findings currently associated with CU review of FR uses.

*Worldwide Locations*

The Commission determined that worldwide locations should be considered in the calculation of 11 or more establishments used to determine whether a business is subject to FR controls. While the report suggested this could impact as few as 10 percent of formula retailers, it is a sensible application of the regulations used to identify branded entities with formulaic characteristics, especially in a globally connected city such as San Francisco.

*Subsidiary Ownership*

The Commission determined that subsidiaries majority-owned by one or more parent entities that would themselves be subject to FR controls should be subject to same. Again, while the report identified 3 percent of FR establishments that would be impacted by such a change, it is a reasonable extension of the regulations to prevent evasion of FR controls through creative corporate structuring. Subsidiary businesses that are

SUBJ: SMALL BUSINESS COMMISSION RESPONSE TO PLANNING DEPARTMENT'S  
"SAN FRANCISCO FORMULA RETAIL ECONOMIC ANALYSIS" (5/14/2014)

sufficiently unique from their parent entities and that do not exhibit two or more standardized features common with 11 or more other locations would remain exempt from FR controls, regardless of their parent ownership. Adopting this change would simply place the burden on majority FR-owned businesses to demonstrate their uniqueness as part of the review process rather than being exempt from FR regulations entirely.

*Expanding Controls to Additional Service Uses*

The Commission determined that the FR definition should include an expanded list of personal service, business service, and medical service uses. A primary focus of the FR controls in place currently is to retain "distinct neighborhood retailing personalities" while minimizing "standardized architecture, color schemes, décor and signage ... that can detract from the distinctive character" of neighborhoods. To the extent this focus continues to be relevant, service uses must be included.

The Analysis cautions that expanding FR controls to include more service uses may exacerbate vacancy rates in neighborhoods where services are playing an increasingly important role. The Commission disagrees with this contention as other findings in the report suggest that rents and vacancy rates are more closely correlated to overall macroeconomic conditions. Furthermore, the Commission believes that distinct neighborhood architecture and unique retail and service offerings provide the greatest chance for long-term commercial corridor viability.

*Concentration*

The Commission believes that controls relating to density, concentration, and/or distance between FR uses should be set within specific NCD zoning districts, not in a citywide standard. The Analysis suggests that development patterns, population density, and other unique neighborhood characteristics make application of a uniform density standard problematic. The Commission agrees with this assertion. It also interprets the report's findings that clustering of FR uses within a merchant corridor makes locating there more attractive to other formula retailers. Thus, adjusting controls to reduce the density of FR in a corridor may reduce future pressure from additional formula retailers.

ADDITIONAL CONSIDERATIONS

The Commission acknowledges that the Analysis was designed to assess only the current extent of FR in San Francisco and the impacts of the City's existing FR controls. In the pursuit of that goal, its authors proved relatively successful. In addition to the topics presented above that have recently been the subject of discussion among the Board of Supervisors and Planning Commission, the Small Business Commission would also like to provide some suggestions of areas for future study, as follows:

*Commercial Lease Provisions*

The City should investigate the possibility of regulating certain provisions of leases for commercial retail spaces. Requirements related to security deposits, letters of credit, pre-paid rent, and so-called "key money" deserve special attention. The Analysis identified some evidence that landlords are requiring substantial security deposits, letters of credit for 6-12 months rent, and additional fees before agreeing to leases. All of these factors skew in favor of formula retailers to the disadvantage of independent businesses. Perhaps it is possible to amend the City's Administrative Code to regulate the content of leases to restore a more balanced competitive environment for businesses of all sizes and to remove excessive requirements that stifle competition.

SUBJ: SMALL BUSINESS COMMISSION RESPONSE TO PLANNING DEPARTMENT'S  
"SAN FRANCISCO FORMULA RETAIL ECONOMIC ANALYSIS" (5/14/2014)

*New Criterion for Formula Retailers*

The Analysis describes a well-known trend towards online retail for the purchase of an increasingly broad array of goods. Previously restricted to so-called "comparison" goods, online retailers have recently begun expansion into same-day delivery of groceries and other every day convenience items. Should this trend continue, the prevalence of retailers in neighborhood commercial districts might begin to diminish. In their place, service uses – which are difficult to replicate online – may play a larger role in neighborhood corridors.

As the influence of online retailers with large sales volumes but few physical locations continues to increase, it may be prudent to develop a new method of regulating such uses. Since their adoption, FR controls have evolved beyond a mere mechanism to preserve unique neighborhood aesthetics into a tool for ensuring a balanced variety of goods and services offered by businesses of all sizes. The changing nature of neighborhood retail as well as a shift in the focus of FR controls may require a revised methodology for identifying FR uses.

The Planning Department has previously communicated its perceived limitations in regulating certain business characteristics via land use controls. It believed that crafting land use regulations based on business revenue or net income, for instance, could prove challenging due to limited access to such information and unfamiliarity of Planning Department staff with business-centric data. Therefore, any newly developed regime for FR regulation built on these elements may be best situated in another City agency.

Future analysis should be conducted to inform the development of an expanded methodology for defining and regulating FR uses. The Commission found itself dissatisfied with the adequacy of using physical locations as the primary measure of a FR business. In the Commission's view, an online business's fleet of delivery trucks or deployment of unmanned merchandise pickup locations are equally as indicative of a formula retailer as are physical locations. It believed there are additional criteria to rely upon in making a determination of FR status, but lacked sufficient information to make a recommendation on what those criteria are at this time.

More study is necessary to keep pace with the changing dynamics of retail as the influence of online businesses increases. An effort of this sort would benefit from being relieved of the particular time constraints impacting the current evaluation of FR controls.

*Adopting New Redevelopment Tools*

The Analysis describes the effect large vacant spaces can have on neighborhood commercial corridors. It found that nearly 85 percent of formula retailers occupy more than 3,000 square feet, while 80 percent of independent retailers occupy 3,000 square feet or less. More often than not, these spaces are suitable only for formula retailers whose standard floor plans rely on large floor areas, and whose corporate resources can sustain the increased monthly per-square foot rents. Vacancies tend to persist until an interested formula retailer is identified.

Property owners frequently cite architectural challenges as the main reason preventing them from demising such spaces into small business-friendly storefronts. When creating smaller storefronts is possible, it may be too expensive to make economical sense for some property owners. In other cases, structural elements of a building may truly prove infeasible to overcome. In either case, the City can do more to incentivize the redevelopment of these types of properties that drag on the vibrancy of neighborhood commercial districts.

The Planning Department should partner with the Office of Economic and Workforce Development to assess the feasibility of developing tailored redevelopment tools to assist property owners with large-scale reconfiguration or redevelopment of their difficult to lease buildings. It may be possible to provide grants or low-cost loans to reduce owner barriers to reconfiguring those buildings with potential for reuse but for lack of

SUBJ: SMALL BUSINESS COMMISSION RESPONSE TO PLANNING DEPARTMENT'S  
"SAN FRANCISCO FORMULA RETAIL ECONOMIC ANALYSIS" (5/14/2014)

owner funding and/or skilled architectural expertise. For those buildings that truly cannot be reconfigured, one of the following options may be appropriate:

1. Provide a housing density bonus to mixed-use property owners that commit to redeveloping their properties and to reserving ground floor commercial space in suite sizes of 2,500 square feet or less. Redevelopment under these parameters would provide right-size space for independent retailers as well as provide additional housing units.
2. Establish a certification process for buildings deemed truly too difficult to reconfigure, or unsuitable for density bonus redevelopment, to allow them to retain their large spaces. Criteria applied to review these properties should be very restrictive.

The City can be more actively involved in seeking better outcomes for outmoded buildings in neighborhood commercial corridors.

*Improved Monitoring of Changes in FR Uses*

The Planning Department may consider developing improved monitoring procedures for FR uses once they have been approved. Several examples exist where formula retailers, generally in the pharmacy or food market categories, have expanded into new product lines that were not initially considered during their CU reviews. A common example is that of a large pharmacy which indicated sales of medicine and sundries when first reviewed, but that has since expanded into selling alcohol, groceries, and other items unrelated to those originally reviewed. Neighborhoods deserve a right to individually consider those expanded uses. The FR controls should explicitly indicate expansions of approved uses require new CU review, and a periodic reinspection program may prove useful to identify violators.

Thank you for considering the Small Business Commission's comments on this very important topic. I applaud the Planning Commission and Planning Department for their thoughtful attention to this matter, which has been part of a long-running conversation among the small business community and at the Small Business Commission. Please feel free to contact me should you have any questions.

Sincerely,



Regina Dick-Endrizzi  
Director, Office of Small Business

cc: Jason Elliot, Mayor's Office  
Todd Rufo, Office of Economic and Workforce Development

## Burns, Kanishka

---

**From:** Stacy Mitchell <[smitchell@ilsr.org](mailto:smitchell@ilsr.org)>  
**Sent:** Saturday, March 01, 2014 2:12 PM  
**To:** Burns, Kanishka  
**Subject:** Re: Formula Retail Study Presentation at 2/27 Planning Commission Hearing

March 1, 2014

Dear Ms. Burns,

Thank you for the opportunity to provide comments on the Phase 1 Report (Draft) of the San Francisco Formula Retail Economic Analysis (dated Feb. 18, 2014).

In general, the draft report provides a great deal of very useful information that will help inform citizens and policymakers. It is well constructed and clearly written.

I had a couple of comments with regard to the issue brief on "Employment and Formula Retail." On page 31, the report finds, "On a per-establishment basis, firms with multiple sites tend to employ more workers in San Francisco than firms with a single location." As the report goes on to note, it's hard to do an apples-to-apples comparison of employment because multi-location retail establishments are, on average, larger than single-location establishments.

Another source of data that would offer a more accurate picture of job creation is the U.S. Census Bureau's 2007 Economic Census. There is a dataset that breaks out revenue, employment, and annual wages according to the number of establishments the retail firm has. Looking at all retail firms except for "motor vehicle and parts dealers" and "nonstore retailers," the data show that retail firms with under 10 establishments create 52.8 jobs per \$10 million in sales, compared to 45.4 jobs per \$10 million in sales for retailers with 10 or more establishments.

The difference in employment is almost certainly a little bit larger than this, because most chains self-distribute their goods (employing people in their warehouses), whereas independents rely on wholesalers who have their own employees, which of course are not counted in the figure above.

This Census data also show that retailers with fewer than 10 locations pay average annual wages per employee of \$21,877 compared to \$19,950 for those with 10+ locations. (Since these are annual wages, though, it's of course impossible to know how hourly rates compare.)

Thank you again for the opportunity to comment on this draft.

Sincerely,  
Stacy Mitchell  
Senior Researcher  
Institute for Local Self-Reliance  
207-774-6792  
[smitchell@ilsr.org](mailto:smitchell@ilsr.org)

On Feb 28, 2014, at 5:14 PM, "Burns, Kanishka" <[kanishka.burns@sfgov.org](mailto:kanishka.burns@sfgov.org)> wrote:

Hi Stacy,

You can submit them directly to me.

Thanks,

Kanishka Burns

PLANNER

[www.sfplanning.org](http://www.sfplanning.org) | 415.575.9112

---

**From:** Stacy Mitchell [mailto:[smitchell@ilsr.org](mailto:smitchell@ilsr.org)]

**Sent:** Friday, February 28, 2014 2:13 PM

**To:** Burns, Kanishka

**Subject:** Re: Formula Retail Study Presentation at 2/27 Planning Commission Hearing

Hi Kanishka,

I had a few comments I wanted to share on the draft of phase 1 of the study. To whom and how should I submit those?

Thanks,  
Stacy

On Feb 21, 2014, at 4:40 PM, planningnews <[planningnews@sfgov.org](mailto:planningnews@sfgov.org)> wrote:

<image001.png>

Hello all,

I'm writing to you, as an "interested party," to let you know that there is an item related to Formula Retail on the February 27th Planning Commission agenda. If you wish to continue receiving notifications regarding Formula Retail and the economic study, please sign-up here to confirm your continued interest.

Item 11 on the February 27, 2014 agenda will be an informational presentation to the Commission to provide an update on the economic study commissioned by the Planning Department focused on analyzing impacts of formula retail controls on San Francisco's neighborhoods. We have completed Phase 1 of the two phase study. Our memo to the

Commission can be read [here](#).

In addition to next week's hearing, we will present updates on the study to the Planning Commission. The tentative dates for the additional hearings are as follows:

1. March 27 (during Phase Two of the study);
2. April 24 (at the completion of Phase Two); and
3. TBA Date (Commission consideration of Department recommendations for policy changes).

Additional information on the economic study can be found on the [Planning Department's website](#). I hope that this information is helpful; please feel free to contact me with questions.

Best,

**Kanishka Burns**

[kanishka.burns@sfgov.org](mailto:kanishka.burns@sfgov.org)

(415) 575-9112

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中文詢問請電: (415) 575-9010

Para información en Español llamar al: (415) 575-9010

Para sa impormasyon sa Tagalog tumawag sa: (415) 575-9121

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<image002.png>

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<image009.gif>

+  
Stacy Mitchell  
Institute for Local Self-Reliance  
<http://www.ilsr.org>



Tel: 207-774-6792

Twitter: <https://twitter.com/stacyfmitchell>

The Hometown Advantage Bulletin

<http://bit.ly/hometown-advantage>

+

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Tel: 207-774-6792

Twitter: <https://twitter.com/stacyfmitchell>

The Hometown Advantage Bulletin

<http://bit.ly/hometown-advantage>

TEDx Talk: Why We Can't Shop Our Way to a Better Economy

<http://www.ilsr.org/ted>

## Burns, Kanishka (CPC)

---

**From:** Kathleen Dooley <kathleendooley@att.net>  
**Sent:** Wednesday, April 16, 2014 7:25 PM  
**To:** Burns, Kanishka (CPC)  
**Subject:** Formula retail report conclusions

**Follow Up Flag:** Follow up  
**Flag Status:** Completed

Kanishka,

After reading the entire report today, I have one major point I would like to make. I am strongly opposed to the idea of allowing "local" businesses such as Pet Food Express or Philz to be allowed a much higher number of outlets before they are considered FR. When any business expands beyond 11 outlets, they have become FR and have all the benefits of any other chain. This is simply the price they need to pay for expansion. If this suggestion had been in place when Pet Food Express tried to open in several NCD's, utilizing their now large corporate structure to pay for a flotilla of lawyers and lobbyists unavailable to other independents, they would have been exempted from the CU process that allowed these neighborhoods to decide it was not a desirable addition and led to their CU's to be denied. Locally originated or not, all businesses that have met the threshold to be considered FR need to go through the CU process. These are no longer mom and pop businesses even if they started out that way. Let the CU process decide if they are a good addition or not to a NCD.

Kathleen

**From:** [IDick@fbm.com](mailto:IDick@fbm.com)  
**To:** [Rodgers, AnMarie](#)  
**Cc:** [Rahaim, John](#); [KenC@boma.com](mailto:KenC@boma.com)  
**Subject:** BOMA's comments on Formula Retail Study.  
**Date:** Monday, August 12, 2013 12:19:42 PM  
**Attachments:** [image006.png](#)  
[2013-08-12 letter to A. Rodgers @ Planning Dept..pdf](#)

---

Attached please find BOMA-SF's comments on the proposed scope of the Formula Retail Study.

Thanks,

**Ilene R Dick**  
*Spc Counsel Attny*  
[idick@fbm.com](mailto:idick@fbm.com)  
415.954.4958

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Farella Braun + Martel LLP

**From:** [cl@ggenuity.com](mailto:cl@ggenuity.com)  
**To:** [Rodgers, AnMarie](mailto:Rodgers.AnMarie@sfgov.org)  
**Subject:** Comment on Formula Retail Study Scope of Work  
**Date:** Monday, August 12, 2013 8:41:35 AM

---

Dear Planning Department,

This letter is written in response to the July/August 2013 Economic Analysis of Formula Retail scope of work.

The scope of work mentions determining the effect of introduction of and changes to formula retail establishments on nearby non-formula businesses. This is relevant to much of our city, however certain areas of San Francisco have exhibited prolonged high commercial vacancy rates and suffer from blight associated with abandoned buildings.

In particular, areas of the Bayview neighborhood of San Francisco have a large commercial vacancy rate. The effect of formula retail on a neighborhood is different when it competes with non-formula businesses vs. when it enters an area that is generally underserved by retail.

The Economic Analysis of Formula Retail should include analysis of the effect of formula retail on areas that are generally underserved.

Best regards,  
Jonathan Germain  
Bayview resident

> Dear Interested Party,  
> Last week the San Francisco Planning Commission held a hearing on formula retail. You can review the materials that were before the commission here: <http://commissions.sfplanning.org/cpcpackets/2013.0936U.pdf>. In response, the Commission passed a resolution authorizing a study of the issue and seeking public comment on the scope of that study. Attached is  
> the draft scope. To provide comment on the scope of work for this study,  
> please reply to  
> [AnMarie.Rodgers@sfgov.org](mailto:AnMarie.Rodgers@sfgov.org) <<mailto:AnMarie.Rodgers@sfgov.org>> .  
> We encourage comment on this scope by August 5, 2013--> Comment period now  
> extended to August 12, 2013.  
> Due to the multiple proposals pending to amend the City's formula retail  
> controls, the City seeks to secure a consultant and complete the study by  
> this fall so that the pending proposals to change formula retail can be informed by data and public comment. The Department will schedule a hearing on the draft study prior to completion of the study. After completion of the study, the Department will use the study to make policy  
> recommendations to the Planning Commission. Ultimately and with benefit of  
> public comment, the Commission will make policy recommendations to the Board of Supervisors.  
> This effort will be strengthened with your involvement. If you are receiving this email, you are already on our contact list. Others may

subscribe to the list titled i°legislative updatesi± by enrolling here:

<http://signup.sfplanning.org/>

> AnMarie Rodgers, Manager

> Legislative Affairs

> Planning Department©|City and County of San Francisco

> 1650 Mission Street, Suite 400, San Francisco, CA 94103

> Direct: 415.558.6395©|Fax: 415.558.6409

> Email: [anmarie@sfgov.org](mailto:anmarie@sfgov.org)<<mailto:anmarie@sfgov.org>>

> Web:

> <http://www.sf-planning.org/LegislativeAffairs><<http://www.sf-planning.org/index.aspx?page=2832>>

Property Info Map: <http://propertymap.sfplanning.org/>

> [facebook-logo-square]<<https://www.facebook.com/sfplanningdept>>

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> <<http://www.youtube.com/sfplanning>>

**From:** [Paul Werner](#)  
**To:** [Rodgers, AnMarie](#)  
**Cc:** [ptura@me.com](#); [Stefan, Catherine](#)  
**Subject:** Comments of Formula Retail Economic Study  
**Date:** Friday, August 09, 2013 12:35:09 PM  
**Attachments:** [Comments re FR scope of work v.2.pdf](#)

---

AnMarie,

my comments on the draft scope of work are in the attached pdf file.

these comment reflect my analysis, and do not necessarily represent to views or comments of any organization

Cheers,  
Paul

--

Paul Wermer Sustainability Consulting  
2309 California Street  
San Francisco, CA 94115

+1 415 929 1680  
[paul@pw-sc.com](mailto:paul@pw-sc.com)

[www.pw-sc.com](http://www.pw-sc.com)

**From:** Higley, Charles J.  
**To:** Rodgers, AnMarie  
**Cc:** DWong@spiholdings.com; Peter Meier (PMeier@spiholdings.com); "Low, Allan E. (Perkins Cole)"; Duffy, Pamela  
**Subject:** Comments re Formula Retail Study Scope  
**Date:** Monday, August 12, 2013 3:00:46 PM  
**Attachments:** image002.png

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Dear Ms. Rodgers:

We have reviewed the Planning Department's draft request for proposals for an Economic Analysis of Formula Retail. On behalf of our client, SPI 555 9th Street, LLC, we recommend that the scope include a task directing the consultant to identify existing examples within the City where formula retail centers are appropriately located and provide a benefit to the City and its residents.

Understanding where formula retail is currently working well in the City will inform decisions about where and what types of formula retail controls the City should adopt. This analysis seems particularly relevant to the "Neighborhood Character Assessments" section.

In addition, we recommend that the "Larger Economic Assessments" section review successful formula retail centers in the City and the benefits they provide. This section should also consider the effects of "leakage" of retail activity to neighboring jurisdictions where desirable outlets are not available in the City or are inadequate to address market demand.

Thanks for your consideration of these recommendations. We look forward to working with the Department as this process moves forward.

**CJ Higley**

---

**Coblentz  
Patch Duffy  
& Bass LLP**

One Ferry Building, Suite 200  
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**From:** [jason henderson](#)  
**To:** [Rodgers, AnMarie](#)  
**Subject:** Formula Retail & 555 Fulton  
**Date:** Friday, July 26, 2013 6:43:49 PM

---

Hi AnMarie,

Long time no see. Hope you are well. I just got notice that you are putting together a economic study on formula retail.

I have a suggestion I'd like to talk with you about, based on 555 Fulton an parking.

As you know Fulton Street Ventures (FSV) is requesting a legislative amendment to the formula retail ban in Hayes Valley. The rationale of FSV is that the grocery store project is only "economically viable" with the elimination of the formula retail ban.

**Another way to look at this is that only a chain store can afford the lease FSV will expect to recoup their development expenses.**

At this point FSV has not presented us with a true or accurate assessment of economic viability. This takes us to parking.

The Market and Octavia Plan allows, by right, a commercial ratio of 1:500 (1 parking space for each 500 square feet of commercial/ retail space) at 555 Fulton. At 32,800 square feet of retail, this would amount to 66 spaces for the grocery store. However, the previous developer asked for more retail parking. The Planning Commission granted them an increase in the commercial parking beyond the permitted amount – to 77 spaces. In 2010 HVNA objected to the excess parking request (from 66 to 77) but we did not press this issue very hard.

How does parking impact "economic viability" for the project? I have surveyed several experts and they all give me this ballpark cost range: \$80-\$100,000 per parking space in an underground garage. All of them say these dollar amounts are dated and probably higher. This excludes the opportunity land costs, the operations and maintenance, etc. This is just to build a single parking space. A proposed grocery store in the Tenderloin penciled out at \$100,000 per space, and this was a factor in why they did not end up with a store there. Also, grocery store parking requires more electrical, lighting, security, and air ventilation than residential.

**77 (parking spaces) x \$100,000 (cost per space)= \$7.7 million dollars!!!!**

The cost of parking is transferred to the tenant (i.e the grocer) and then to the shoppers.

The parking for the grocery store at 555 Fulton is going to literally "drive-up" the rents for whoever leases the store space. This makes it more difficult to find an indepent, non chain, affordable grocer and will also translate into higher food prices, since grocers transfer the cost of parking onto ALL shoppers regardless of whether they drive or not.

The HVNA T & P committee has urged the developer to consider eliminating ALL or most of the retail parking, thus lowering construction and operating costs, and providing a truly local, walkable and bikeable grocery store.

I guess is sum - how does parking drive up rents this making formula retail appear to be the only economically viable option for a grocery store?

--  
Jason Henderson  
San Francisco, CA  
94102

**From:** Jeremy Blatteis  
**To:** Rodgers, AnMarie  
**Subject:** Formula Retail  
**Date:** Monday, August 12, 2013 5:24:46 PM  
**Attachments:** DOC081213-08122013162608.pdf

---

Dear Ms. Rogers,

Please find enclosed a signed letter regarding the ongoing discussion of formula retail in San Francisco.

Thanks,

Jeremy F. Blatteis  
Blatteis Realty Co., Inc.  
44 Montgomery Street, Suite 1288  
San Francisco, CA 94104  
CA Broker LIC# 01460566  
Direct: 415-321-7493  
Email: [jfblatteis@blatteisrealty.com](mailto:jfblatteis@blatteisrealty.com)  
Fax: 415-981-4986  
[www.sfretail.net](http://www.sfretail.net)

Blatteis Realty Co., Inc. founded in San Francisco in 1922, was one of the first real estate firms to specialize in retail leasing and brokerage. Today, the company has a national focus on the leasing and sales of high profile properties and bringing a select portfolio of retailers and restaurants to the San Francisco Bay Area.

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**From:** Jeremy Blatteis  
**To:** Rodgers, AnMarie  
**Cc:** Farrell, Mark  
**Subject:** Formula Retail  
**Date:** Monday, August 12, 2013 5:26:16 PM  
**Attachments:** DOC081213-08122013163545.pdf

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Dear Ms. Rogers,

Enclosed please find a short letter reflecting Blatteis Realty's opinion on the proposed further tightening of so called formula retail. Our San Francisco Supervisors should understand that further restrictions on "formula retail tenants" will only harm our City's economy.

PS: I am proud to say that I am speaking as a lifelong San Franciscan!

Thank You,

Jeremy F. Blatteis  
Blatteis Realty Co., Inc.  
44 Montgomery Street, Suite 1288  
San Francisco, CA 94104  
CA Broker LIC# 01460566  
Direct: 415-321-7493  
Email: [jfblatteis@blatteisrealty.com](mailto:jfblatteis@blatteisrealty.com)  
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**From:** Geoffrey Cullen  
**To:** Rodgers, AnMarie  
**Subject:** Formula Retail Comment  
**Date:** Wednesday, July 31, 2013 3:26:43 PM

---

Hello,

I wanted to quickly state my support of supporting local business by continuing to ban formula retail chains in certain areas of the city. I am specifically involved in the Mission district and concerned of the "Jack Spade" company moving into the former Adobe Books location. Jack Spade is owned by a larger chain but only has 10 stores in the US and 13 globally. Simply the fact that a company is owned by a larger chain qualifies them in my opinion, to be considered a chain. I ironically consider myself a libertarian but believe that individuals have the right to group together and have a say in what type of community they live in. This fact along with the obvious financial benefits to the local community and the cultural impact in which a local store can have has me in full support of opposing retail chains and maintaining a great balance to our vibrant community. Thanks so much for your time and attention to this issue.

Best,

Skip Cullen

[skipcullen19@gmail.com](mailto:skipcullen19@gmail.com)

**From:** Richard Gumbiner  
**To:** Rodgers, AnMarie  
**Subject:** formula retail consultant study  
**Date:** Sunday, August 11, 2013 10:43:36 AM  
**Attachments:** 184F6DA4-C0C8-487A-8926-F14B68BAC45A[13].png  
90767366-E2F7-4B96-B0F5-069CFCC31A82[13].png

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Ms. Rodgers,

I am writing out of concern for the process for the consultant selection and study for the formula retail issue.

I would like to ask that the study include the following:

1. **DEFINITION OF PROBLEM:** specifically what perceived problem is causing the need to consider a "ban" on a particular business enterprise in our city
2. **DEFINITION OF FORMULA RETAIL:** What should define formula retail? How did the current definition arise (arbitrary choice of 11 stores- research history)? How would the agreed definition and resulting ban solve the problem? Does the ban include quasi-retail formula businesses in our retail districts, like State Farm Insurance or Coldwell Banker Real Estate offices? Would it include a Shell or Valero Gas Station? What if a famous chef opens a restaurant under a certain name, but he also owns many other restaurants under different names? Is this formula retail? The definition needs to be extensively spelled out. Why is a business defined by the federal government as a "small-business" being considered the same as a huge corporation by the City of San Francisco? (compare with federal Small Business Administration definitions).
3. **CHANGES OVER TIME:** What happens if a local grown business (like Philz Coffee), through their successful operation, suddenly finds themselves expanded to the size of "formula retail"? What happens to companies that currently have leases that might be "banned"? Are the leases canceled by the City regulation? Is their option to extend their lease canceled by the City regulation? Would owners of properties be compensated for "taking of their property" if leases are canceled or lease rights (under California law) is taken away by the City?
4. **POINT OF VIEW:** This study needs to view all aspects of the situation. In addition to concerns of merchants, local consumers and neighborhood residents should be polled about their views and shopping needs and whether they would object to removal of formula retail businesses from their communities.

Thank you for including these topics in the scope of work for the consultant's formula retail study.

Sincerely,

**Rich Gumbiner, Broker Associate**  
CA DRE Lic#00763869



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**From:** [Komal Panjwani](#)  
**To:** [Rodgers, AnMarie](#)  
**Subject:** Formula Retail Control Study Comments  
**Date:** Monday, August 12, 2013 5:08:24 PM  
**Attachments:** [SF Beautiful Formula Retail comment 08.12.13.docx](#)

---

Hello AnMarie Rodgers,

Please find attached our comments for the scope of work for the study on impacts of formula retail.

Best,  
Komal Panjwani  
Intern  
San Francisco Beautiful  
100 Bush Street | Suite 1812 | San Francisco, CA | 94104

(415) 421.2608 | [komal@sfbeautiful.org](mailto:komal@sfbeautiful.org)

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**From:** Jean Yaste  
**To:** Rodgers, AnMarie  
**Subject:** Formula retail hearing - public comment  
**Date:** Wednesday, July 31, 2013 7:01:40 PM

---

Hello Ms. Rodgers,

I am writing to express my concern, as a new (5 years) resident of SF, that our city please update our definition of "formula retail."

In the case of Jack Spade, I feel it is a formula retailer due to the fact that it shares financial resources with a multi-national corporation. In order for the formula retailer law to protect small businesses in SF, it must be updated to consider the number of retail stores AND how much money the chain is able to pull from. Jack Spade shares financial resources with a huge corporation with hundreds of outlets, it is that corporation with hundreds of outlets, they simply "rebranded" it. Please do not let our cultural commons vanish into thin air at the behest of corporations that don't have the good sense I say enough is enough.

Thank you in advance for your good judgment in this matter.

Best,  
Jean Yaste  
SF resident  
Director at SFCLT

**From:** Terry Brumbaugh  
**To:** Rodgers, AnMarie  
**Cc:** Lesley Leonhardt  
**Subject:** Formula Retail in San Francisco  
**Date:** Wednesday, July 31, 2013 12:46:05 PM

---

Greetings Anmarie,

My name is Terry Brumbaugh and I have a small retail jewelry store on Union Street. I support Formula retail on our street. Having Sur La Table open on this street can only be of a great benefit to all merchants. We seriously need more traffic as Union Street has gone through many changes since 2008. A known store like many Formula retail have a draw, as they are familiar brands. Traffic is what makes a street vibrant and I think I can speak for many merchants here, that we need more. We have actually lost 3 Formula retail establishments in the last year and that has proven to hurt other businesses.

--

Terry Brumbaugh  
Union Street Goldsmith  
[www.UnionStreetGoldsmith.com](http://www.UnionStreetGoldsmith.com)  
[\(415\) 776-8048](tel:4157768048)

Regards, Terry Brumbaugh

**From:** [Stephanie Hong](#)  
**To:** [Rodgers, AnMarie](#)  
**Cc:** [Lesley Leonhardt](#)  
**Subject:** Formula Retail in SF  
**Date:** Saturday, August 03, 2013 10:46:02 AM

---

I am interested in participating. Thanks.

--

Best,

Stephanie

Stephanie Hong  
Chief Operating Officer  
VPSF Inc dba Real Food Company  
2140 Polk Street  
San Francisco, CA 94109  
[www.realfoodco.com](http://www.realfoodco.com)  
[www.facebook.com/realfoodcompany](https://www.facebook.com/realfoodcompany)  
[www.linkedin.com/in/hongstephanie](https://www.linkedin.com/in/hongstephanie)

415.518.3451 cel phone  
415.723.7231 fax

*"The goal of Real Food Company is to provide our neighborhoods with natural, organic, and local groceries in a manner which strives for the greatest possible harmony with nature and our communities. We look for quality and integrity in our products and we strive to exemplify that in the service that we provide."*

P.S. Since I might be emailing you during off hours, please feel free to ignore this email until regular business hours. Thank you!

**From:** [Lazzareschi, Ben @ San Francisco](#)  
**To:** [Rodgers, AnMarie](#)  
**Subject:** Formula Retail Letters Cornish & Carey, NKF Retail Group  
**Date:** Tuesday, August 13, 2013 10:58:03 AM  
**Attachments:** [FR recomendation C&C NKF.docx](#)

---

AnMarie,

Attached is a signed letter from Cornish and Carey Commercial's Retail real estate group.

Please review as part of the public comment section for the consultant study.

Thank you,

BML

Ben Lazzareschi | Vice President | Lic. 01414579  
CBRE | Retail Services  
101 California Street, 44th Floor | San Francisco, CA 94111  
T 1.415.772.0335 | F 1.415.772.0459 | C 1.415.810.8546  
[ben.lazzareschi@cbre.com](mailto:ben.lazzareschi@cbre.com) | [www.cbre.com/ben.lazzareschi](http://www.cbre.com/ben.lazzareschi)

**Retail 24/7**

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**From:** Neuburger, Tom  
**To:** Rodgers, AnMarie  
**Subject:** Formula Retail Letters Cornish & Carey, NKF Retail Group  
**Date:** Tuesday, August 13, 2013 11:35:48 AM  
**Attachments:** FR recommendation C&C NKF.docx

---

Dear Ms. Rodgers:

The City of San Francisco's pending study on Formula Retail (FR) is extremely important. The gravity of these findings will have a major impact on the economy of this world class city.

The study will dramatically affect the City's retail leasing landscape. Restricting market rent through Formula Retail laws will effect property values, property tax and sales tax revenue and deter retail concepts from coming to San Francisco. In an attempt to create diversity and protection for local business by blocking efforts of FR defined boutiques, restaurants, financial institutions, and other tenants, ill-conceived or politically motivated codes will have the opposite effect. Restrictive Formula Retail codes will foster a monoculture of untested concepts and tenants that survive in an artificial business environment.

Please take the points and issues of the attached letter into consideration. Please contact any one of the signees for consultation or opinion.

**Tom Neuburger**  
Senior Associate  
Cornish & Carey Commercial  
Newmark Knight Frank  
Retail Services  
One Bush Street, Suite 400  
San Francisco, CA 94104  
D 415.445.5129  
C 510.206.6001  
F 415.445.8885  
[tneuburger@ccareynkf.com](mailto:tneuburger@ccareynkf.com)  
RE License #01856424

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**From:** Neuburger, Tom  
**Sent:** Tuesday, August 13, 2013 10:37 AM  
**To:** 'Mendelsohn, Pamela'; [ben.lazzareschi@cbre.com](mailto:ben.lazzareschi@cbre.com)  
**Cc:** [cbaird@terranomics.com](mailto:cbaird@terranomics.com); [jfblatteis@blatteisrealty.com](mailto:jfblatteis@blatteisrealty.com); Cecconi, Anne; [mikechid@vmade.com](mailto:mikechid@vmade.com); [jcrane@f-sc.com](mailto:jcrane@f-sc.com); [rdiaz@terranomics.com](mailto:rdiaz@terranomics.com); Elliott, Erika; [tessegian@terranomics.com](mailto:tessegian@terranomics.com); [victor@fandelretail.com](mailto:victor@fandelretail.com); [david@runyongroup.com](mailto:david@runyongroup.com); [carol@cgiretail.com](mailto:carol@cgiretail.com); [richard@starboardnet.com](mailto:richard@starboardnet.com); Hoke, Karen; [mholmes@retailwestinc.com](mailto:mholmes@retailwestinc.com); [chris.homs@terranomics.com](mailto:chris.homs@terranomics.com); Johnson, Vikki; [ben.lazzareschi@cbre.com](mailto:ben.lazzareschi@cbre.com); [jmoskowitz@edwardplantcompany.com](mailto:jmoskowitz@edwardplantcompany.com); [kazuko.morgan@cushwake.com](mailto:kazuko.morgan@cushwake.com); [eric@fandelretail.com](mailto:eric@fandelretail.com); Natunewicz, Ann; [jennifer.pelino@cushwake.com](mailto:jennifer.pelino@cushwake.com); [tplant@edwardplant.com](mailto:tplant@edwardplant.com); Portugeis, Ross; [laura.sagues@cbre.com](mailto:laura.sagues@cbre.com); [libby@seifel.com](mailto:libby@seifel.com); - Agents Retail (SF)  
**Subject:** Formula Retail Letters Cornish & Carey, NKF Retail Group

Pam and Ben – Thank you for spearheading this effort. Signatures from Cornish & Carey's Retail Group are attached.

Tom Neuburger

Senior Associate  
Cornish & Carey Commercial  
Newmark Knight Frank  
Retail Services  
One Bush Street, Suite 400  
San Francisco, CA 94104  
D 415.445.5129  
C 510.206.6001  
F 415.445.8885  
[tneuburger@ccareynkf.com](mailto:tneuburger@ccareynkf.com)  
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---

**From:** Ricci, Daniela [<mailto:Daniela.Ricci@colliers.com>] **On Behalf Of** Mendelsohn, Pamela  
**Sent:** Monday, August 12, 2013 9:51 AM  
**To:** [ben.lazzareschi@cbre.com](mailto:ben.lazzareschi@cbre.com); Mendelsohn, Pamela  
**Cc:** [chaid@terrnomics.com](mailto:chaid@terrnomics.com); [jfblatteis@blatteisrealty.com](mailto:jfblatteis@blatteisrealty.com); Cecconi, Anne; [mikechid@vmade.com](mailto:mikechid@vmade.com); [jcrane@f-sc.com](mailto:jcrane@f-sc.com); [rdiaz@terrnomics.com](mailto:rdiaz@terrnomics.com); Elliott, Erika; [tessegian@terrnomics.com](mailto:tessegian@terrnomics.com); [victor@fandelretail.com](mailto:victor@fandelretail.com); [david@runyongroup.com](mailto:david@runyongroup.com); [carol@cgiretail.com](mailto:carol@cgiretail.com); [richard@starboardnet.com](mailto:richard@starboardnet.com); Hoke, Karen; [mholmes@retailwestinc.com](mailto:mholmes@retailwestinc.com); [chris.homs@terrnomics.com](mailto:chris.homs@terrnomics.com); Johnson, Vikki; [ben.lazzareschi@cbre.com](mailto:ben.lazzareschi@cbre.com); [jmoskowitz@edwardplantcompany.com](mailto:jmoskowitz@edwardplantcompany.com); [kazuko.morgan@cushwake.com](mailto:kazuko.morgan@cushwake.com); [eric@fandelretail.com](mailto:eric@fandelretail.com); Natunewicz, Ann; Neuburger, Tom; [jennifer.pelino@cushwake.com](mailto:jennifer.pelino@cushwake.com); [tplant@edwardplant.com](mailto:tplant@edwardplant.com); Portugeis, Ross; [laura.sagues@cbre.com](mailto:laura.sagues@cbre.com); [libby@seifel.com](mailto:libby@seifel.com)  
**Subject:** REMINDER: Formula Retail Letters

Hello,

This is a reminder to send in your personal letters to the Planning Committee; specifically, to the email below:

[anmarie.rodgers@sfgov.org](mailto:anmarie.rodgers@sfgov.org)

If you have not had time to write a personal letter, would you consider signing the attached document and sending to the address above? If you do so, please let me know.

Thank you,

Pamela Mendelsohn

**Pamela Mendelsohn**  
Senior Vice President | Retail Services Group  
Real Estate License # 00953050  
**Direct +1 415 288 7811**  
Main +1 415 788 3100 | Fax +1 415 433 7844  
[pamela.mendelsohn@colliers.com](mailto:pamela.mendelsohn@colliers.com)

**Colliers International**  
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San Francisco, CA 94111 | United States  
[www.colliers.com](http://www.colliers.com)



**From:** [Jennifer Pelino](#)  
**To:** [Rodgers, AnMarie](#)  
**Cc:** [Kazuko Morgan](#)  
**Subject:** Formula Retail Recommendation  
**Date:** Tuesday, August 13, 2013 10:58:53 AM  
**Attachments:** [image001.png](#)  
[FR Recommendation Jennifer Pelino.pdf](#)  
[FR Recommendation Kazuko Morgan.pdf](#)  
[ATT00001.txt](#)

---

Anmarie,

I am writing in concern for the process in the consultant selection and study for the formula retail issue. Please find attached our recommendation.

Thank you for your consideration.

Jennifer

Jennifer Pelino Lic. #01901824

Retail Services



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[jennifer.pelino@cushwake.com](mailto:jennifer.pelino@cushwake.com)



425 Market Street, Suite 2300

San Francisco, CA 94105



**From:** [Sagues, Laura @ San Francisco DT](#)  
**To:** [Rodgers, AnMarie](#)  
**Subject:** Formula Retail Recommendations  
**Date:** Monday, August 12, 2013 7:13:21 PM  
**Attachments:** [FR Recommendations Laura Sagues.pdf](#)

---

Ms. Rodgers,

Please see attached regarding the proposed changes, I hope that you will take the time to consider these thoughtful points.

Best,  
Laura

Laura Sagues | Lic. 01888298  
CBRE | Urban Retail  
101 California Street, Suite 4400 | San Francisco, CA 94111  
T 415.772.0122 | F 415.772.0459 | C 415.640.2295  
[laura.sagues@cbre.com](mailto:laura.sagues@cbre.com)

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**From:** [Rhonda Diaz Caldewey](#)  
**To:** [Rodgers, AnMarie](#)  
**Subject:** Formula Retail Scope of Work  
**Date:** Monday, August 12, 2013 4:58:44 PM  
**Attachments:** [SFPRINTER2721.pdf](#)

---

Dear Planning Committee,

I join my commercial real estate retail industry colleagues in signing the attached commentary and recommendation for the Formula Retail Study. In addition, I recommend that the study also evaluate:

1. The financial harm caused to property owners -- specifically those who rely on income as part of their livelihood or retirement plan
2. The fees collected by the city to date from various formula retail conditional use efforts and how those additional dollars have benefitted the City,
3. The branding impact on the City of San Francisco from that of a city that was once diverse and open to new ideas...to a city that has adopted extreme ideas that benefit few, and harm many (loss of property value, loss of jobs, loss of associated manufacturing and distribution facilities, etc.). This is feedback about the current perception of our city that I receive on a weekly basis from retailers all over the world.
4. The potential branding impact on tourism in our city as it segues from one that is a multi-faceted collection of retail concepts from around the world as well as locally, to that of a one-dimensional character of local or small businesses only.
5. Comment on the business life cycle of brands as they jump from one store to the critical mass number of say 25, and the resulting economies of scale.
6. The impact on our future retail innovation and entrepreneurship -- two hallmarks of our San Francisco pride -- when its influence by and access to all good ideas is restricted.

Regards,  
Rhonda Diaz Caldewey  
Partner  
Terranomics

**From:** [Jessica Birmingham](#)  
**To:** [Rodgers, AnMarie](#)  
**Subject:** Formula Retail Scope of Work  
**Date:** Monday, August 12, 2013 4:38:18 PM  
**Attachments:** [SKMBT\\_C65413081216330.pdf](#)

---

Hi AnMarie,  
Attached please find my letter as recommendation on the Formula Retail Scope of Work.

Thanks,  
Jessica

**Jessica Birmingham**  
Associate Vice President  
201 California Street, Suite 800 San Francisco, CA 94111

D 415-677-0452 O 415-781-8100 M 415-265-6075 F 415-956-3381  
[jbirmingham@terrnomics.com](mailto:jbirmingham@terrnomics.com) [www.terrnomics.com](http://www.terrnomics.com) vcard  
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**From:** Christopher Homs  
**To:** Rodgers, AnMarie  
**Subject:** Formula Retail Scope of Work  
**Date:** Tuesday, August 13, 2013 9:28:42 AM  
**Attachments:** FRSW 8.12.13.pdf

---

Hello Ms. Rodgers:

Please find attached a letter containing input and suggestions for expansion of the Formula Retail Scope of Work.

Thank you for your consideration.

Regards,  
Chris

**Christopher Homs**  
Vice President  
201 California Street, Suite 800 San Francisco, CA 94111

D 415-677-0456 O 415-781-8100 M 212-300-3299 F 415-956-3381  
[chris.homs@terrnomics.com](mailto:chris.homs@terrnomics.com) [www.terrnomics.com](http://www.terrnomics.com) [vcard](#)  
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**From:** Jamie Whitaker  
**To:** Rodgers, AnMarie  
**Cc:** Veneracion, April  
**Subject:** Formula Retail Study Comments - South of Market in particular  
**Date:** Sunday, August 11, 2013 7:57:14 PM

---

Hi AnMarie,

Thank you for the opportunity to offer comments on the Planning Commission's request for a study of formula retail in San Francisco.

As some background, I live in the Rincon Hill neighborhood in the South of Market District. There are about 6,000 residents today with plans for about 20,000 residents living in SoMa east of 2nd Street in new dwellings in the Rincon Hill Area Plan or Transbay Redevelopment Plan zones.

The existing businesses are very much oriented to serve the weekday, 8am to 5pm 150,000 or so office workers who commute to the area. The existing businesses tend to close up at 3 pm on Friday and not re-open until Monday morning. Exceptions to that rule are mostly expensive, business expense or special occasion restaurants such as Prospect, Boulevard, Chaya, Waterbar, One Market, and Epic Roast House which may as well not exist for those of us who do not think \$25 for a burger is "normal."

I'd like to suggest that the study consider how the following design characteristics self-select which businesses end up leasing or buying commercial spaces in the South of Market District, especially Rincon Hill (which I consider the entire area south of Market Street to the Bryant Street and east of 2nd Street), South Beach, and Mission Bay:

1) Design/Function of Commercial Spaces: What are the sizes of the commercial spaces approved? How do the sizes of the commercial spaces being approved/built affect the ability of small businesses to afford leases or purchases of these new spaces? Are the spaces built with proper ventilation for full kitchens - and if not, why not? How does the design influence the profitability potential of smaller, casual dining restaurants or retail businesses?

2) Lack of Public Infrastructure: How does the absence of the 12-Folsom bus line east of 2nd Street affect the attractiveness/potential profitability for commercial spaces east of 2nd Street? For a neighborhood that went through the Planning Commission and Board of Supervisors under the notion that it was a transit oriented development neighborhood, how does the removal of the 12-Folsom bus line deter casual dining and other neighborhood serving businesses from locating in Rincon Hill? Public parks often play the role of anchor tenant - or a major destination, so-to-speak, for residents to meet and provide foot traffic to and from; How is the discriminatory policy of the San Francisco Recreation and Parks Department, despite the \$16 million and growing in general fund allocated property tax revenues Rincon Hill pays to the City each year, to ignore the need for public parks and open spaces paid for by the General Fund east of 2nd Street in Rincon Hill affecting the attractiveness of the area for neighborhood-serving businesses like sporting goods, gourmet markets, or casual dining/take out restaurants?

3) Parking: How does the recently implemented, discriminatory \$7 per hour "event

pricing" and "evening" 6pm - 10pm evening active parking metering affect the ability of businesses to survive within the SFMTA's "Mission Bay/Giants Ballpark Parking Zone?" How does the fact that metered parking is free after 6pm in every other part of San Francisco influence the decisions of consumers to avoid shopping our businesses along the SoMa waterfront? With the Giants Ballpark game attendees (and maybe Warriors Arena attendees in the future) acting as an unprecedented consumption of street parking around businesses like Hi-Dive, Delancey Street Restaurant, and Pawtrero Dog Food and Bath, how can the City modify the parking meter rules directly near our businesses to discourage Giants game attendees from sucking up the metered parking and killing our existing businesses on event nights? Perhaps 1.5 hour time limit with "normal" parking meter pricing instead of the \$7 per hour event pricing? It is still discriminatory and harms local businesses because no other area of the City has so many parking metered spaces and no other area has meters running after 6pm on weekdays and weekends.

4) Design of Residential Dwellings: How does the small, 220 foot minimum size dwellings in South of Market affect businesses' choices to locate in the area? How does the transient nature of the dwellings' small sizes, which discourage long-term residency in the area and push families out of South of Market regularly because the Planning Department does not require more 2-bedroom and 3-bedroom units, affect the desirability of the area for retail/dining businesses to locate in SoMa and Rincon Hill in particular?

5) Traffic Congestion: Weekday evening traffic congestion harms the health and well-being of residents, and documented very well by the City's epidemiologists in the Department of Public Health's Environmental Health Division. How does the traffic congestion gridlock affect the hours of operation of businesses in SoMa? How does the removal of street parking on week day evenings for additional traffic lanes impact the businesses in the area? How does it affect the attractiveness of the area to businesses? What should be done to both improve the lifespans of residents and the availability of neighborhood serving businesses to help discourage residents from adding to the traffic congestion due to the need to drive out of the area (which has not 12-Folsom bus service anymore, since December 5, 2009) to obtain a casual dining experience or neighborhood serving business goods or services?

6) Public Safety: When Gordon Biersch restaurant at 2 Harrison Street converted its use from restaurant to office space for Mozilla, the neighborhood lost our thread of public safety due in the evenings near the Folsom/Harrison MUNI Metro station because we lost our eyeballs on the streets on that corner after 5pm. How do we stop ground floor retail spaces from getting converted to office spaces by way of landlords jacking up lease rates beyond what makes economic sense for restaurants like Gordon Biersch? How do we make sure that businesses moving into the ground floor retail spaces stay open past 3pm and open up on the weekends - do we ban doctor offices? Lawyers? Dentists? Banks? How do pawn shops, paycheck cashing, and liquor stores affect public safety? How does the attraction of ticket scalpers, panhandlers, and criminals to an area hosting large events like Giants or Warriors games affect the desirability for a family to open a business who may not be able to afford replacing smashed windows or painting over graffiti constantly?

Some miscellaneous comments:

- South of Market's commercial corridor focus needs to be Folsom Street, but the SFMTA is not helping us by delaying the implementation of a 2-way Folsom Street to

improve pedestrian safety and so on from the water to Division Street.

- South of Market's Rincon Hill residents have to drive to get to a grocery store. No one is going to walk across traffic sewers like 1st Street or Folsom Street with a cart full of groceries when they make over \$100,000 per year and can afford to own a car. How does the City first get a commercial space built that is intended and large enough for a major grocery retailer like Trader Joe's? How does the City help influence such a store to move into the area to help residents stick with the idea of walking instead of driving to destinations such as grocery stores?

- Chain stores are welcomed along the SoMa waterfront, in my opinion, if the alternative is empty storefronts with unattractive window hangings or regular vandalism as an alternative.

- How does Rincon Hill grow as a residential neighborhood sitting in the shadow of the Bay Bridge and 150,000+ daily office workers who treat the area like an obstacle with expendable pedestrians to run over? More succinctly, when does SoMa get some respect from City Hall?

Thank you!

jamie whitaker  
201 harrison st. apt. 229  
san francisco, ca 94105-2049

**From:** [zonalhome@gmail.com](mailto:zonalhome@gmail.com) on behalf of Zonal  
**To:** [Rodgers, AnMarie](#)  
**Cc:** [Johnston, Conor](#)  
**Subject:** formula retail study  
**Date:** Friday, July 26, 2013 12:06:14 PM

---

hello AnMarie

Conor has informed me that you will be convening a "study group" to look into developing a more defined definition of the "formula retail" regulations for the planning commission.

I would like to offer my assistance in any role that i am able, to assist with this very important issue. I can, as President of the Hayes Valley Merchants and as Board member of The Council of District Merchants and of The Hayes Valley Neighborhood Assn., also offer my assistance in creating a dialogue with these groups.

I feel that there are many issues that we should study regarding an affective set of planning code rules that will serve to both protect small business in San Francisco, while still serving the needs of commercial growth for San Francisco.

I have been a merchant in Hayes Valley for 23 years and have over the years opened ( and closed ) locations of my store on Fillmore St., Polk St., 9th and Lincoln as well as Palo Alto and Berkeley. I feel that this has given me a very broad understanding of the needs of Hayes Valley as well as other neighborhoods of San Francisco and the Bay Area.

thank you  
russell pritchard

--

Zonal  
568 Hayes Street San Francisco, CA 94102  
415.255.9307  
[Zonalhome.com](http://Zonalhome.com)



**From:** [Lazzareschi, Ben @ San Francisco](#)  
**To:** [Rodgers, AnMarie](#)  
**Subject:** Formula Retail Study  
**Date:** Monday, August 12, 2013 1:42:27 PM  
**Attachments:** [FR recommendation document.docx](#)

---

AnMarie,

Please find the attached recommendations for the FR study.

Other retail brokers are likely sending you this signed document as well.

Best,

BML

**From:** Felicia  
**To:** Rodgers, AnMarie  
**Subject:** Formula Retail Study  
**Date:** Wednesday, July 31, 2013 12:22:28 PM

---

No time to study all the proposal details but would like to say there's nothing more discouraging and disappointing than the experience of a shopping mall with the feeling if you've been to one, you've pretty much been to them all.

I live walking distance to West Portal. There are still many small businesses which are a delight to experience though for my taste there are too many banks and real estate offices plus the ubiquitous Walgreens. I keep hoping the deversity of the West Portal shopping area will not decline any further into a formula retail environment. There are still quite a few San Francisco neighborhoods that have maintained their individual and deverse environs such as Noe Valley and Bernal Heights.

My hope is that all the small San Francisco shopping areas will be allowed according to strict regulations to stay with small businesses and maintain their individual neighborhood character.

Felicia Zeiger  
824 Garfield Street  
San Francisco 94132

**From:** Marsha Garland  
**To:** Rodgers, AnMarie  
**Subject:** formula retail study  
**Date:** Thursday, August 01, 2013 3:04:39 PM

---

Dear AnMarie:

I might well have been the first person in the city to say no to formula retail when I opposed Starbucks invading North Beach 20 plus years ago. I went on to oppose Starbucks again a few years later, then RiteAid, then various other businesses. I have thought long and hard about this subject.

Here is my input.

We are all hypocrites when it comes to formula retail. I defy anyone to say they don't use formula retail whether it's Target, Staples, Costco, Safeway, Trader Joe's, Whole Foods, BevMo, etc.

My suggestion is that retail formula be allowed on major corridors such as Van Ness, Lombard (between Van Ness and Divisadero), Bayshore, Bay, etc. Small businesses rarely do well on those streets and formula retail stores flourish. And, of course, retail formula restricted on neighborhood serving streets like Chestnut, Union, Columbus, Grant Avenue, Irving, etc. That way there's a market share for everyone.

You've probably already dealt with this so forgive me if I'm redundant.

Hope all is well.

Marsha

Marsha Cowen Garland  
Garland Public & Community Relations  
535 Green Street  
San Francisco, CA 94133  
marshagarland@att.net  
415/531/2911

**From:** [Johnson, Vikki](#)  
**To:** [Rodgers, AnMarie](#)  
**Subject:** Formula retail study  
**Date:** Monday, August 12, 2013 7:01:17 PM  
**Attachments:** [August 2013.pdf](#)

---

Dear Ms. Rodgers: Attached please find a signed letter in support of reconsideration and further study for the formula retail legislation being proposed. Thanks you.

**Vikki Johnson**

Senior Managing Director | Retail Services Group  
Real Estate License # 00931040  
**Direct +1 415 288 7808**  
Main +1 415 788 3100 | Fax +1 415 433 7844  
[vikki.johnson@colliers.com](mailto:vikki.johnson@colliers.com)

**Colliers International**

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San Francisco, CA 94111 | United States  
[www.colliers.com](http://www.colliers.com)

**From:** Cameron Baird  
**To:** Rodgers, AnMarie  
**Subject:** Formula Retail Study  
**Date:** Monday, August 12, 2013 4:19:41 PM  
**Attachments:** FR recommendation doc.docx

---

Anmarie,  
Please see attached.

**Cameron Baird**  
Vice President - *Terranomics Retail Services*



201 California Street, Suite 800 | San Francisco, CA 94111  
Direct 415-568-3406 | Main 415-781-8100 | Cell 415-948-9952 | Fax 415-956-3381  
[cbaird@terrانomics.com](mailto:cbaird@terrانomics.com) | [www.terrانomics.com](http://www.terrانomics.com) | Lic 01503816

**FACEBOOK** | **LinkedIn**

**From:** Janet Crane  
**To:** Rodgers, AnMarie  
**Cc:** Ben @ San Francisco Lazzareschi; Pamela Mendelsohn; Richard Gumbiner  
**Subject:** Formula Retail study: comments on proposed scope in RFP  
**Date:** Sunday, August 11, 2013 3:12:17 PM

---

Dear AnMarie:

As an architect who has worked with retail clients of all sizes, FR and non FR, in many locations and zoning districts in SF and in other cities for decades, I and my colleagues are very concerned about the chaotic, emotional and one sided way the current crop of FR proposals are being handled.

We support Planning's proposal to study the topic to bring some factual evidence to the discussion and would ask that the Department stick to its guns and not recommend approval of any FR proposals until a satisfactory study has been completed and reviewed.

Here are my comments of the scope of work in the study RFP:

1. It is shocking to those who understand the importance of the retail industry to SF to think that anything of quality can come out of a \$40,000 study for this scope. The results of such a study would be suspect since it could not research the subjects in depth. There is very little organized data on the topics in the RFP and most information will have to come from original research. \$80 - \$100,000 is a more appropriate budget. The City should not undertake this study until it is properly budgeted.

**2. FR stores come in a wide range of shapes and sizes, so that certain requested comparisons between generic FR and non FR stores might vary 360 degrees depending on which FR store was chosen to study. Ignoring this fact could put into question the validity of much of this study. This is a problem with the discussions on FR in general: generalizing about very disparate businesses and using the prejudicial term "chain store" for small companies with 11 or 12 or even 20 stores nationally.**

3. Our group suggests that we or the City convene a Technical Advisory Group to work with the City and Consultant on this study. A TAG would be comprised of knowledgeable people who understand the retail market and retail business concerns and who are willing to share data and provide feedback for the study. The group has to be hand picked, and it needs to include representatives from a wide variety of perspectives. It should include a couple of small businesses who are vocal against formula retail and those who support a balanced approach to FR, to make sure that all concerns are heard. The TAG does not have to meet very often, but is a resource and sounding board for the Consultant. For example, here are potential participants: retail developers, retail brokers, small and large retail businesses that are both formula and non-formula retailers, urban economists, retail customers and retail business incubators/supporters, such as SF Made, SF Renaissance, The Hub.

4. Some language in the RFP is slanted to the concept that FR disadvantages non FR. For example, para. 4 under Economic Assessments.

"Examine the impact that new FR businesses may have on existing non FR businesses: procure and examine information about existing non FR businesses that

have closed or experienced reduced income in the immediate facility following the opening of a fR business".

In this case, the text should also ask for examples where FR helps and supports non FR stores like the Apple store on Chestnut etc.

5. Include in the study an assessment of the impact of discouraging international retailers with small cutting edge brands to open in SF.

Please take this policy discussion very seriously and make sure that it is evaluated from a much broader perspective than is being discussed now.

Best regards,  
Janet

---

Janet Crane  
Freebairn-Smith & Crane  
Planning, Urban Design, Architecture  
442 Post Street  
San Francisco CA 94102  
415 398 4094  
[jcrane@f-sc.com](mailto:jcrane@f-sc.com)

---

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Freebairn-Smith & Crane  
Planning, Urban Design, Architecture  
442 Post Street  
San Francisco CA 94102  
415 398 4094  
[jcrane@f-sc.com](mailto:jcrane@f-sc.com)

**From:** Elliott, Erika  
**To:** Rodgers, AnMarie  
**Subject:** Formula Retail  
**Date:** Monday, August 12, 2013 10:18:16 AM  
**Attachments:** FR recommendation doc.docx

---

Thank you for your consideration

EE

Erika Elliott  
Vice President

---

Comish & Carey Commercial  
Newmark Knight Frank  
Retail Services  
One Bush Street, Suite 400  
San Francisco, CA 94104



D 415.445.5124 F 415.445.8885  
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**From:** [Eric Muhlebach](#)  
**To:** [Rodgers, AnMarie](#); [anmarie.rodgers@sfgov.org](mailto:anmarie.rodgers@sfgov.org)  
**Cc:** [Mendelsohn, Pamela](#); [Lynne Bremer](#); [Victor Fandel](#); [Richard Muhlebach](#); [Lazzareschi, Ben @ San Francisco](#)  
**Subject:** Formula Retail  
**Date:** Monday, August 12, 2013 7:45:34 PM  
**Attachments:** [Formula Retail-Ann Marie-Additinal Scope 081213.pdf](#)  
[Petition Letter 081213.pdf](#)

---

Hi Anmarie,

First let me please apologize if I have your name misspelled. I have seen your name spelled two different ways on the planning website.

We would like to contribute to the scope of study for Formula Retail. Please find our letter attached. Also, please find the petition letter.

Thank you and best regards!

Eric Muhlebach  
Fandel Retail Group  
650 5th Street # 405  
San Francisco, CA 94107  
t 415.538.8355

License # 01318688

**From:** Ricci, Daniela  
**To:** Rodgers, AnMarie  
**Subject:** FW: Formula Retail Letters Cornish & Carey, NKF Retail Group  
**Date:** Tuesday, August 13, 2013 11:23:50 AM  
**Attachments:** FR recommendation C&C NKF.docx

---

Cornish and Carey's Retail Group also signed the Formula Retail Recommendation petition.

**Pamela Mendelsohn**

Senior Vice President | Retail Services Group

Real Estate License # 00953050

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Main +1 415 788 3100 | Fax +1 415 433 7844

[pamela.mendelsohn@colliers.com](mailto:pamela.mendelsohn@colliers.com)

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San Francisco, CA 94111 | United States

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**From:** Dee Dee Workman  
**To:** Egan, Ted; Rodgers, AnMarie  
**Subject:** FW: Formula Retail Study/Additional Points to Consider  
**Date:** Monday, July 29, 2013 2:20:33 PM

---

Hi Ted and AnMarie,

A couple of additional points for you to consider in your formula retail studies – thanks. Dee Dee

*It would be great to do a "basket study" (examine the cost of buying everyday goods such as cereal, milk, health and beauty products, etc. at formula retail stores vs. non-formula retail stores) and to do some sort of leakage analysis (how much in sales/sales tax the city is losing to nearby cities). Those are two key elements which I don't think are part of the picture yet.*

Dee Dee Workman  
Director of Public Policy  
San Francisco Chamber of Commerce  
235 Montgomery Street, Suite 760  
San Francisco, CA 94104-2803  
Direct Line: 415-352-8851; cell: 415-533-8130  
Fax: 415-392-0485  
[dworkman@sfchamber.com](mailto:dworkman@sfchamber.com)  
[www.sfchamber.com](http://www.sfchamber.com)

**From:** Ricci, Daniela on behalf of Mendelsohn, Pamela  
**To:** Rodgers, AnMarie  
**Subject:** FW: REMINDER: Formula Retail Letters  
**Date:** Tuesday, August 13, 2013 11:21:27 AM  
**Attachments:** FR recomendation doc MichaelChidambaram.pdf

---

Here is Michael Chidambaram's signed Formula Retail petition.

**Pamela Mendelsohn**  
Senior Vice President | Retail Services Group  
Real Estate License # 00953050  
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San Francisco, CA 94111 | United States  
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**From:** [LYNNENEW@aol.com](mailto:LYNNENEW@aol.com)  
**To:** [Rodgers, AnMarie](mailto:Rodgers, AnMarie)  
**Cc:** [paul@pw-sc.com](mailto:paul@pw-sc.com)  
**Subject:** Fwd: Comments of Formula Retail Economic Study  
**Date:** Sunday, August 11, 2013 8:40:28 PM  
**Attachments:** [CommentsreFRscopeofworkv.2.pdf](#)

---

Please see the attached comments re Formula Retail Economic Study that were originally sent to you August 9 by Paul Wermer. Paul has been having computer problems, and wanted to make sure you received his comments within the comment period.

If you have any questions, Paul can be reached by phone at 415 640 1028. Do not rely on reaching him via email at this time.

Thank you.

Lynne Newhouse Segal

---

From: [paul@pw-sc.com](mailto:paul@pw-sc.com)  
To: [anmarie.rodgers@sfgov.org](mailto:anmarie.rodgers@sfgov.org)  
CC: [ptura@me.com](mailto:ptura@me.com), [catherine.stefani@sfgov.org](mailto:catherine.stefani@sfgov.org)  
Sent: 8/9/2013 12:34:47 P.M. Pacific Daylight Time  
Subj: Comments of Formula Retail Economic Study

AnMarie,

my comments on the draft scope of work are in the attached pdf file.

these comment reflect my analysis, and do not necessarily represent to views or comments of any organization

Cheers,  
Paul

--

Paul Wermer Sustainability Consulting  
2309 California Street  
San Francisco, CA 94115

+1 415 929 1680  
[paul@pw-sc.com](mailto:paul@pw-sc.com)

[www.pw-sc.com](http://www.pw-sc.com)

**From:** Mica  
**To:** Rodgers, AnMarie  
**Subject:** Fwd: Legislative Update: Formula Retail Study  
**Date:** Friday, July 26, 2013 8:46:40 PM

---

Please relay this to whomever is responsible that the link to sign up to for Legislative updates at the bottom of this email does not work.

Also, please request on my behalf that this email be resent and the time period for comment be extended by however many days it takes until corrected.

Regards,

Mica I. Ringel  
485 Potrero Avenue, Unit C  
San Francisco, CA 94110

----- Forwarded message -----

**From:** San Francisco Planning Department <Planning.NoReply@sfgov.org>  
**Date:** Fri, Jul 26, 2013 at 1:29 PM  
**Subject:** Legislative Update: Formula Retail Study  
**To:** M <supermica@gmail.com>

[View this email in your browser](#)



Dear Interested Party,

Yesterday the San Francisco Planning Commission held a hearing on formula retail. You can review the materials that were before the commission here:

<http://commissions.sfpplanning.org/cnpackets/2013/0936U.pdf>.

In response, the Commission passed a resolution authorizing a study of the issue and seeking public comment on the scope of that study. Attached is the draft scope. We encourage comment on this scope by August 5, 2013. To provide comment on the scope of work for this study, please reply to [AnMarie.Rodgers@sfgov.org](mailto:AnMarie.Rodgers@sfgov.org).

Due to the multiple proposals pending to amend the City's formula retail controls, the City seeks to secure a consultant and complete the study by this fall so that the pending proposals to change formula retail can be informed by data and public comment. The Department will schedule a hearing on the draft study prior to completion of the study. After completion of the study, the Department will use the

study to make policy recommendations to the Planning Commission. Ultimately and with benefit of public comment, the Commission will make policy recommendations to the Board of Supervisors.

This effort will be strengthened with your involvement. If you are receiving this email, you are already on our contact list. Others may subscribe to the list titled "legislative updates" by enrolling here: <http://signup.sfp Planning.org/>

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You are receiving this email because you opted in at our website or at a neighborhood meeting, or you submitted a public comment on this topic.

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San Francisco Planning Department  
1650 Mission Street, Suite 400  
San Francisco, California 94103

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**From:** Springer, Matt  
**To:** Rodgers, AnMarie; Alice Rogers  
**Subject:** Mission Bay/South Beach retail  
**Date:** Saturday, August 03, 2013 6:03:38 PM

---

Hi AnMarie-

I've been discussing this with Alice Rogers already but wanted to drop you a line in reference to your e-mail below. I'm also on the board of the South Beach / Rincon / Mission Bay Neighborhood Association, and a resident of Berry St since 2007 (SF since 2003). I see two major problem areas with retail: King St and the nascent 4th St south of the channel. I have nothing against chains (I'm ecstatic that Target opened in the Metreon), but would want to see a healthy number of unique and local establishments as well. For example, having Panera and Safeway on the corner is useful, but when you add Amicis, Subway, Starbucks, and previously Quiznos, it starts to feel more like a cookie cutter suburb. (Philz is a bright spot, although ironically, they recently grew larger than 11 locations!) I hope that we can enable on King st, and attract on 4th St, more unique places like Nama and Tsunami.

Which brings us to the other issue, variety. Our ethnic fare in the neighborhood is entirely Japanese and Mexican, many times over (unless you consider Italian to be ethnic). An Asian fusion place is slated to open, but it seems even generic suburbs have their Thai, Indian, etc. restaurants and we don't. I hope that such businesses can be attracted, especially to 4th st, and that they can be priced such that the students, middle income residents, and affordable housing residents in the region can patronize them, unlike many of the restaurants over on Brannan.

I used to live near 9th and Irving, so I'm spoiled...

Thanks for your consideration,  
Matt Springer

**From:** "Rodgers, AnMarie" <[anmarie.rodgers@sfgov.org](mailto:anmarie.rodgers@sfgov.org)>  
**Subject:** Extended Comment until 8/12: Formula Retail Study  
**Date:** July 30, 2013 10:31:24 AM PDT  
**To:** "Rodgers, AnMarie" <[anmarie.rodgers@sfgov.org](mailto:anmarie.rodgers@sfgov.org)>

Dear Interested Party,

Last week the San Francisco Planning Commission held a hearing on formula retail. You can review the materials that were before the commission here:  
<http://commissions.sfplanning.org/cpcpackets/2013.0936U.pdf> In response, the Commission passed a resolution authorizing a study of the issue and seeking public comment on the scope of that study. Attached is the draft scope. To provide comment on the scope of work for this study, please reply to [AnMarie.Rodgers@sfgov.org](mailto:AnMarie.Rodgers@sfgov.org).

We encourage comment on this scope by August 5, 2013 → [Comment period now](#)



extended to August 12, 2013.

Due to the multiple proposals pending to amend the City's formula retail controls, the City seeks to secure a consultant and complete the study by this fall so that the pending proposals to change formula retail can be informed by data and public comment. The Department will schedule a hearing on the draft study prior to completion of the study. After completion of the study, the Department will use the study to make policy recommendations to the Planning Commission. Ultimately and with benefit of public comment, the Commission will make policy recommendations to the Board of Supervisors.

This effort will be strengthened with your involvement. If you are receiving this email, you are already on our contact list. Others may subscribe to the list titled "legislative updates" by enrolling here: <http://signup.sfplanning.org/>

**AnMarie Rodgers, Manager  
Legislative Affairs**

Planning Department | City and County of San Francisco  
1650 Mission Street, Suite 400, San Francisco, CA 94103  
Direct: 415.558.6395 | Fax: 415.558.6409  
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Web: <http://www.sf-planning.org/LegislativeAffairs>  
Property Info Map: <http://propertymap.sfplanning.org/>

<image001.png>

<image002.png>

<image003.png>

<image004.png>

<Formula Retail Study Scope of Work.pdf>

**From:** [Michael Chidambaram](#)  
**To:** [Rodgers, AnMarie](#)  
**Subject:** Public comment on Formula Retail Scope of Work  
**Date:** Monday, August 12, 2013 6:35:02 PM  
**Attachments:** [FR recommendation.doc MichaelChidambaram.pdf](#)  
**Importance:** High

---

Hi Anmarie,

Please find my signed comment attached.

Best Regards,

Michael Chidambaram  
*Partner*

**Vandermade Commercial Real Estate**  
300 Montgomery Street, Suite 450  
San Francisco, California 94104  
**Off:** 415.592.5999 Ext.101 | **Cell:** 415.710.1005 | **Fax:** 415.592.5988  
[mike@vmade.com](mailto:mike@vmade.com) | [www.vmade.com](http://www.vmade.com) | DRE # 01340988

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**From:** [Jon Buchwald](#)  
**To:** [Rodgers, Ann Marie](#)  
**Cc:** [SouthBeachRinconMissionBayNeighAssn@yahooogroups.com](#)  
**Subject:** Re: [SBRMBNA] Extended Comment until 8/12: Formula Retail Study [5 Attachments]  
**Date:** Tuesday, July 30, 2013 8:45:01 PM  
**Attachments:** [image001.png](#)  
[image002.png](#)  
[image003.png](#)  
[image004.png](#)

---

Hi Ann Marie.

I've got one suggested change to the attached PDF [change is in square brackets below]:

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.

[  
Further conduct a series of 10-20 half-hour open-ended qualitative interviews with prospective tenants and location decision makers probing for the following:

- a) Key value drivers in location selection
- b) Perceived differences between formula vs. non-formula areas
- c) Process for selecting a location
- d) Reasons/triggers for a decision to move

The mix of potential tenants should include businesses of different types and sizes, from various areas; around half from formula and half from non-formula.

Conduct a qualitative analysis of the interviews, identifying themes that cut across different types of retailers and locations, provide insight into what drives retailers to move in or out of a formula retail area, and how the decision is made.

]

The reason for the above is that the decision maker is a business that may move in or out of the area, as opposed to a realtor. Letting them respond to open-ended questions will uncover what they value, what motivates them, and how they think when making decisions about locations, without limiting them to discrete choices.

If the above already has been done or is in plan, then please accept my apology for sending you a long and unnecessary email.

If you have any thoughts or questions, please don't hesitate to reply.

Jon Buchwald

---

**From:** Alice Rogers <[arcomnsf@pacbell.net](mailto:arcomnsf@pacbell.net)>  
**To:** [SouthBeachRinconMissionBayNeighAssn@yahooogroups.com](#);  
[southparkneighbors@yahooogroups.com](#)  
**Sent:** Tuesday, July 30, 2013 7:26 PM  
**Subject:** [SBRMBNA] Extended Comment until 8/12: Formula Retail Study [5 Attachments]

Hi Neighbors,

If you have views on formula retail in our neighborhood(s), please send them on to AnMarie Rodgers (per info below) before August 12th. Supervisor Jane Kim is especially interested in having our neighborhood views represented.

The Giants have indicated a strong interest in neighborhood-oriented, small scale retail in their proposed Seawall Lot 337 development, and--separately--a working task force is forming through the neighborhood association to proactively advocate to get our empty retail/services spaces leased to merchants who will be popular in our 'hood. (Look for a survey soon!) So getting our streetscapes activated is a hot topic.

Regards,  
Alice Rogers

Begin forwarded message:

**From:** "Rodgers, AnMarie" <[anmarie.rodgers@sfgov.org](mailto:anmarie.rodgers@sfgov.org)>  
**Subject:** Extended Comment until 8/12: Formula Retail Study  
**Date:** July 30, 2013 10:31:24 AM PDT  
**To:** "Rodgers, AnMarie" <[anmarie.rodgers@sfgov.org](mailto:anmarie.rodgers@sfgov.org)>

Dear Interested Party,

Last week the San Francisco Planning Commission held a hearing on formula retail. You can review the materials that were before the commission here: <http://commissions.sfplanning.org/cpcpackets/2013.0936U.pdf> In response, the Commission passed a resolution authorizing a study of the issue and seeking public comment on the scope of that study. Attached is the draft scope. To provide comment on the scope of work for this study, please reply to [AnMarie.Rodgers@sfgov.org](mailto:AnMarie.Rodgers@sfgov.org) .

We encourage comment on this scope by August 5, 2013 → [Comment period now extended to August 12, 2013.](#)

Due to the multiple proposals pending to amend the City's formula retail controls, the City seeks to secure a consultant and complete the study by this fall so that the pending proposals to change formula retail can be informed by data and public comment. The Department will schedule a hearing on the draft study prior to completion of the study. After completion of the study, the Department will use the study to make policy recommendations to the Planning Commission. Ultimately and with benefit of public comment, the Commission will make policy recommendations to the Board of Supervisors.

This effort will be strengthened with your involvement. If you are receiving this email, you are already on our contact list. Others may subscribe to the list titled "legislative updates" by enrolling here: <http://signup.sfplanning.org/>

**AnMarie Rodgers, Manager  
Legislative Affairs**

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1650 Mission Street, Suite 400, San Francisco, CA 94103  
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Web: <http://www.sf-planning.org/LegislativeAffairs>  
Property Info Map: <http://propertymap.sfplanning.org/>



**From:** Thomas Reynolds  
**To:** Rodgers, AnMarie  
**Subject:** Re: Extended Comment until 8/12: Formula Retail Study  
**Date:** Tuesday, July 30, 2013 11:32:54 AM  
**Attachments:** [chains3-13.pdf](#)

---

Hi AnMarie,

Attached is a letter spelling out the concerns of the Fillmore Merchants Association and requesting help from our supervisors. Applying the chain store ordinance to the Upper Fillmore NCD is having a devastating effect on neighborhood services by creating a gold rush of corporate stores to Fillmore Street before they "get to 11" in the U.S.

A study of this issue is great, but our concerns are immediate. The nature of our neighborhood is changing very quickly. Simply extending the ordinance to include all stores — not just those in the U.S. — would be a helpful first step.

Thomas R. Reynolds, President  
Fillmore Merchants Association  
2184 Sutter Street #155  
San Francisco, CA 94115  
415.441.4093

<http://www.FillmoreStreetSF.com>

On Jul 30, 2013, at 10:31 AM, Rodgers, AnMarie wrote:

Dear Interested Party,

Last week the San Francisco Planning Commission held a hearing on formula retail. You can review the materials that were before the commission here: <http://commissions.sfplanning.org/cpcpackets/2013.0936U.pdf> In response, the Commission passed a resolution authorizing a study of the issue and seeking public comment on the scope of that study. Attached is the draft scope. To provide comment on the scope of work for this study, please reply to [AnMarie.Rodgers@sfgov.org](mailto:AnMarie.Rodgers@sfgov.org).

We encourage comment on this scope by August 5, 2013 → [Comment period now extended to August 12, 2013.](#)

Due to the multiple proposals pending to amend the City's formula retail controls, the City seeks to secure a consultant and complete the study by this fall so that the pending proposals to change formula retail can be informed by data and public comment. The Department will schedule a hearing on the draft study prior to completion of the study. After completion of the study, the Department will use the study to make policy recommendations to the Planning Commission. Ultimately and with benefit of public comment, the Commission will make policy recommendations to the Board of Supervisors.

This effort will be strengthened with your involvement. If you are receiving this email, you are already on our contact list. Others may subscribe to the list titled "legislative updates" by enrolling here: <http://signup.sfplanning.org/>

**AnMarie Rodgers, Manager  
Legislative Affairs**

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Web: <http://www.sf-planning.org/Legislative.Affairs>  
Property Info Map: <http://propertymap.sfplanning.org/>  
<image001.png> <image002.png> <image003.png> <image004.png>

<Formula Retail Study Scope of Work.pdf>

**From:** [Dee Dee Workman](#)  
**To:** [Egan, Ted](#); [Rodgers, AnMarie](#)  
**Subject:** RE: Formula Retail Study/Additional Points to Consider  
**Date:** Monday, July 29, 2013 2:28:06 PM

---

Thanks Ted. AnMarie is there a chance the leakage issue would be included in your study?

Dee Dee

Dee Dee Workman  
Director of Public Policy  
San Francisco Chamber of Commerce  
235 Montgomery Street, Suite 760  
San Francisco, CA 94104-2803  
Direct Line: 415-352-8851; cell: 415-533-8130  
Fax: 415-392-0485  
[dworkman@sfchamber.com](mailto:dworkman@sfchamber.com)  
[www.sfchamber.com](http://www.sfchamber.com)

---

**From:** Egan, Ted [<mailto:ted.egan@sfgov.org>]  
**Sent:** Monday, July 29, 2013 2:21 PM  
**To:** Dee Dee Workman; Rodgers, AnMarie  
**Subject:** RE: Formula Retail Study/Additional Points to Consider

Dee Dee-

The basket study is a part of our scope. The leakage analysis is not, as it would be a large effort to estimate leakage and hard to connect that to formula retail policy. It is something the city should do at some point, but not something we can do in the next month.

Ted

Ted Egan, Ph.D.  
Chief Economist, Office of Economic Analysis  
Controller's Office  
City and County of San Francisco  
City Hall, Room 316  
San Francisco, CA 94102  
(415) 554-5268

---

**From:** Dee Dee Workman [<mailto:dworkman@sfchamber.com>]  
**Sent:** Monday, July 29, 2013 2:19 PM  
**To:** Egan, Ted; Rodgers, AnMarie  
**Subject:** FW: Formula Retail Study/Additional Points to Consider

Hi Ted and AnMarie,

A couple of additional points for you to consider in your formula retail studies – thanks. Dee Dee

*It would be great to do a "basket study" (examine the cost of buying everyday goods such as cereal, milk, health and beauty products, etc. at formula retail stores vs. non-formula retail stores) and to do some sort of leakage analysis (how much in sales/sales tax the city is losing to nearby cities). Those are two key elements which I don't think are part of the picture yet.*



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Director of Public Policy  
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Fax: 415-392-0485  
[dworkman@sfchamber.com](mailto:dworkman@sfchamber.com)  
[www.sfchamber.com](http://www.sfchamber.com)

**From:** [zonalhome@gmail.com](mailto:zonalhome@gmail.com) on behalf of Zonal  
**To:** [Rodgers, AnMarie](#)  
**Cc:** [Johnston, Conor](#); [Brown, Vallie](#); [larry cronander](#)  
**Subject:** Re: Gym announcing opening at gough and hayes , more than 11 locations  
**Date:** Thursday, July 25, 2013 2:16:20 PM

---

hello AnMarie et al

my first thought is that we have reached a point where the formula retail ban definition needs to be expanded to any and all businesses with 11 or more locations, no matter what type of business....retail, restaurants , gyms....anything "branded" as a corporate entity. wordage should be added to make certain to include a sole owner of a franchise, which is the situation with this gym, cardio barre.

perhaps now is also the time to initiate the "internet" corporate / branded retailer who decides to start opening brick and mortar stores.....as a point of reference, Amazon.

thanks  
russell

On Thu, Jul 25, 2013 at 12:29 PM, Rodgers, AnMarie <[anmarie.rodgers@sfgov.org](mailto:anmarie.rodgers@sfgov.org)> wrote:

Yes, I have advised Conor that gyms are not currently considered a use that would be subject to formula retail controls.

Today the Planning Commission will be discussing numerous potential changes to the regulation of formula retail. We welcome your thoughts on the issue.

AnMarie

Please excuse the brevity of this response and any typos therein. This note was sent from a phone.

On Jul 25, 2013, at 12:17 PM, "Zonal" <[Russell@zonalhome.com](mailto:Russell@zonalhome.com)> wrote:

hello all  
here is a page of planning code.....looks like gyms are excluded !?

<http://www.sf-planning.org/index.aspx?page=2839>

look forward to hearing from city attorney and / or planning. perhaps we need to take a look at more protection? one of the small business commissioners brought up the very valid and likely possibility of an internet company like Amazon could open a brick and mortar location and it could happen in Hayes Valley !!

we have decided that to open in Hayes Valley , all business must be first approved by a selection committee of merchants who have been in Hayes Valley for 15 or more years !! how does that sound ?

russell

On Thu, Jul 25, 2013 at 11:37 AM, Zonal <[Russell@zonalhome.com](mailto:Russell@zonalhome.com)> wrote:  
hello all

gyms should be covered as the ban refers to services ; sales and services, other retail. this gym has a branded identity and does sell branded retail items.....

russell

On Thu, Jul 25, 2013 at 10:31 AM, Johnston, Conor <[conor.johnston@sfgov.org](mailto:conor.johnston@sfgov.org)> wrote:

Hi AnMarie,

Please see the email below from Russell Pritchard of HVMA (CC:ed here).

He is concerned about a franchise gym that will be opening in Hayes Valley. My reading of the Planning Code (and I could well be wrong, and this may be a question for the City Attorney) is that gyms do NOT meet the definition of a retailer. Can you speak to this?

703.3 which defines formula retail says:

**(c) "Retail Sales Activity or Retail Sales Establishment"**  
shall include the uses defined in Section 303(i)(2) of this Code.

303(i)(2) says:

**(2) "Retail Sales Activity or Retail Sales Establishment."**  
For the purposes of subsection (i), a retail sales activity or retail sales establishment shall include the following uses, as defined in Article 7 and Article 8 of this Code: "Bar," "Drive-up Facility," "Eating and Drinking Use," "Liquor Store," "Sales and Service, Other Retail," "Restaurant," "Limited-Restaurant," "Take-Out Food," "Sales and Service, Retail," "Service, Financial," "Movie Theater," and

"Amusement and Game Arcade."

Gyms do not appear to be included.

Conorj

---

**From:** [zonalhome@gmail.com](mailto:zonalhome@gmail.com) [mailto:[zonalhome@gmail.com](mailto:zonalhome@gmail.com)] **On Behalf Of**  
Zonal  
**Sent:** Wednesday, July 24, 2013 4:38 PM  
**To:** Brown, Vallie; Johnston, Conor; larry cronander  
**Subject:** Gym announcing opening at gough and hayes , more than 11 locations

hello vallie and conor

<http://hayeswire.com/2013/07/new-gym-coming-to-corner-of-haight-and-gough.html#more-8889>

as announced on [hayeswire.com](http://hayeswire.com), new gym cardio barre opening in the old market space at gough and hayes, by my count on their website they have more than 11 locations....this is a formula retail / service

<http://cardiobarre.com/studios/>

can you check with planning and see what is up ? this should not be happening

--

thanks

russell

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Zonalhome.com

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**From:** [Lazzareschi, Ben @ San Francisco](mailto:Lazzareschi_Ben@San.Francisco)  
**To:** [Rodgers, AnMarie](mailto:Rodgers_AnMarie)  
**Subject:** RE: Legislative Update: Formula Retail Study  
**Date:** Monday, July 29, 2013 4:06:07 PM  
**Attachments:** [image006.png](#)  
[image007.png](#)  
[image008.png](#)  
[image009.png](#)

---

AnMarie,

Thank you for providing me with this information. Myself and others in the industry will be provided feedback and comment by August 15<sup>th</sup>.

Thank you again.

Best,

BML

Ben Lazzareschi | Vice President | Lic. 01414579  
CBRE | Retail Services  
101 California Street, 44th Floor | San Francisco, CA 94111  
T 1.415.772.0335 | F 1.415.772.0459 | C 1.415.810.8546  
[ben.lazzareschi@cbre.com](mailto:ben.lazzareschi@cbre.com) | [www.cbre.com/ben.lazzareschi](http://www.cbre.com/ben.lazzareschi)

**Retail 24/7.**

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**From:** Rodgers, AnMarie [<mailto:anmarie.rodgers@sfgov.org>]  
**Sent:** Friday, July 26, 2013 1:32 PM  
**Subject:** Legislative Update: Formula Retail Study

Dear Interested Party,

Yesterday the San Francisco Planning Commission held a hearing on formula retail. You can review the materials that were before the commission here:

<http://commissions.sfplanning.org/cpcpackets/2013.0936U.pdf> In response, the Commission passed a resolution authorizing a study of the issue and seeking public comment on the scope of that study. Attached is the draft scope. We encourage comment on this scope by August 5, 2013. To provide comment on the scope of work for this study, please reply to [AnMarie.Rodgers@sfgov.org](mailto:AnMarie.Rodgers@sfgov.org).

Due to the multiple proposals pending to amend the City's formula retail controls, the City seeks to

secure a consultant and complete the study by this fall so that the pending proposals to change formula retail can be informed by data and public comment. The Department will schedule a hearing on the draft study prior to completion of the study. After completion of the study, the Department will use the study to make policy recommendations to the Planning Commission. Ultimately and with benefit of public comment, the Commission will make policy recommendations to the Board of Supervisors.

This effort will be strengthened with your involvement. If you are receiving this email, you are already on our contact list. Others may subscribe to the list titled "legislative updates" by enrolling here: <http://signup.sfplanning.org/>

**AnMarie Rodgers, Manager  
Legislative Affairs**

Planning Department | City and County of San Francisco  
1650 Mission Street, Suite 400, San Francisco, CA 94103  
Direct: 415.558.6395 | Fax: 415.558.6409  
Email: [anmarie@sfgov.org](mailto:anmarie@sfgov.org)  
Web: <http://www.sf-planning.org/LegislativeAffairs>  
Property Info Map: <http://propertymap.sfplanning.org/>



**From:** Dee Dee Workman  
**To:** Egan, Ted; Rodgers, AnMarie  
**Cc:** Jim Lazarus  
**Subject:** RE: Your Formula Retail Study/Memos from Chamber working group attached  
**Date:** Monday, July 29, 2013 2:08:07 PM  
**Attachments:** Formula Retail Comments on Draft Work Proposal 7 24 13.docx  
Formula Retail Memo REVISED 7 29 13.docx

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Hi Ted and AnMarie,

I've attached two memos that I hope you will find useful regarding your studies of formula retail. The first, dated July 29 (revised), 2013, is a revised memo that our working group, made up of Chamber members who are both formula retailers and small business advocates, sent to London Breed at her request after we met with her to discuss her Fillmore/Divis NCD and Hayes-Gough NCT legislation, all of which have formula retail restrictions in the current language (she agreed to hold off on the NCD legislation for now at our request but is going ahead with the NCT legislation, scheduled for August 1 at Planning). I've revised this memo to reflect the group's current thinking on the issues.

The second memo, dated July 24, 2013, is our group's emailed responses (put in one document) to the draft RFP for the economic consultant who will carry out a study of formula retail for the Planning Dpt. and OEWD. The responses were sent to you, AnMarie Rogers, at your request on July 24<sup>th</sup>. Your RFP doesn't reflect our comment/suggestions so we're hoping you will integrate them as appropriate going forward.

Collectively the memos contain thoughtful suggestions of criteria to consider when evaluating the cost/benefits of formula retail in San Francisco, both for CU permits as well as for the studies you both are carrying out. We hope you will use them to help inform and guide your work on this issue.

Please keep us informed as you progress with your studies. If it would be helpful to meet with our group as you gather information, we would of course be very willing to set that up.

Thanks very much,

Dee Dee

Dee Dee Workman  
Director of Public Policy  
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Fax: 415-392-0485  
[dworkman@sfchamber.com](mailto:dworkman@sfchamber.com)  
[www.sfchamber.com](http://www.sfchamber.com)



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**From:** Egan, Ted [<mailto:ted.egan@sfgov.org>]  
**Sent:** Friday, July 26, 2013 12:29 PM  
**To:** Dee Dee Workman  
**Cc:** Jim Lazarus  
**Subject:** RE: Your Formula Retail Study

Hi Dee Dee,

Prompted by Sup. Kim's legislation and others that are pending, we are doing a broad city-wide look at the economic impact of formula retail.

Our study is going to involve studying sales tax data and doing price surveys at retailers to try and answer questions like:

1. What retail types have been growing and declining, both across the city and in Market Street area specified by the legislation?
2. What has been the relative growth, in number of businesses and sales, of formula and non-formula retail by type and neighborhood within the city?
3. To what extent do formula and non-formula retail differ in the location of their ownership (SF-based or not) and legal form of organization?
4. To what extent do consumers face different prices at formula and non-formula retail?

We are hoping to issue our report in mid-September, and are working on it at the moment. If you have any thoughts on the scope or questions, feel free to give me a ring.

Best,  
Ted

Ted Egan, Ph.D.  
Chief Economist, Office of Economic Analysis  
Controller's Office  
City and County of San Francisco  
City Hall, Room 316  
San Francisco, CA 94102  
(415) 554-5268

---

**From:** Dee Dee Workman [<mailto:dworkman@sfcchamber.com>]  
**Sent:** Friday, July 26, 2013 11:55 AM  
**To:** Egan, Ted  
**Cc:** Jim Lazarus  
**Subject:** Your Formula Retail Study

Hi Ted,

At the Planning Commission hearing on formula retail yesterday I spoke with AnMarie Rogers who said you are carrying out your own economic study on the issue. The Chamber has convened a working group made up of formula retailers and small businesses advocates and it would be very

helpful to us to know the scope of your study and how it will integrate with the study the Planning Dpt/OEWD will carry out.

Thanks very much,

Dee Dee

Dee Dee Workman  
Director of Public Policy  
San Francisco Chamber of Commerce  
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San Francisco, CA 94104-2803  
Direct Line: 415-352-8851; cell: 415-533-8130  
Fax: 415-392-0485  
[dworkman@sfchamber.com](mailto:dworkman@sfchamber.com)  
[www.sfchamber.com](http://www.sfchamber.com)

**From:** Matthew Holmes  
**To:** Rodgers, AnMarie  
**Subject:** Retail West Position  
**Date:** Monday, August 12, 2013 2:58:12 PM  
**Attachments:** Retail West Chain Store Piece.docx

---

Anne Marie,

This letter further elaborates on our firms opinions regarding the Formula store debate that is occurring in our city.

Please call me if you have any questions.

Sincerely Yours,

Matt

Matthew F. Holmes, Principal

**retailwest**

1105 Battery Street

San Francisco, CA 94111

415-292-2680 (direct)

415-601-8337 (cell)

415-775-1858 (fax)

[www.retailwestinc.com](http://www.retailwestinc.com)

**From:** Don Enochson  
**To:** Rodgers, AnMarie  
**Subject:** San Francisco formula retail controls  
**Date:** Saturday, July 27, 2013 4:36:56 PM

---

The plan to examine issues by comparing neighborhoods is a very good idea. Hopefully, you will be able to find comparable neighborhoods. That has been a problem in other academic economic impact studies. The only caution I have is to be very careful in the selection of a competent consultant to do the work. Some of the consultants out there are doubtful. I would suggest approaching local academic institutions encouraging them to apply.

As the executive summary points out, there has been a study of potential economic impacts of formula retail completed in San Francisco. However, the conclusion that non-formula retail generates greater economic impacts for the local economy was not supported by the facts. When the La Boulange Bakery proposal for West Portal came up someone cited that study. It did not take much effort at all to identify its flaws. That SF study used impact findings (multipliers) from the Andersonville study to determine economic impacts in San Francisco and San Mateo. That alone is highly questionable. But the validity of the Andersonville multipliers is also questionable. One needs only to read the abstract to spot major methodological flaws. Further, neither the San Francisco nor the Andersonville study provided source data or calculations. It can't be replicated or verified. At a minimum I would not use those folks for this study.

**From:** [Natunewicz, Ann](#)  
**To:** [Rodgers, AnMarie](#)  
**Subject:** SOW for Formula Retail Study  
**Date:** Monday, August 12, 2013 7:02:19 PM  
**Attachments:** [Natunewicz\\_Colliers\\_081213.pdf](#)

---

Dear Ms. Rodgers:

Just adding my voice to those of my colleagues with respect to the upcoming study on formula Retail in San Francisco.

Thank you for your consideration,

**Ann T. Natunewicz**  
Vice President | Retail Services  
Colliers San Francisco  
DRE #01935970

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**From:** [Ricci, Daniela](#) on behalf of [Mendelsohn, Pamela](#)  
**To:** [Rodgers, AnMarie](#)  
**Cc:** [Mendelsohn, Pamela](#)  
**Subject:** Thoughts on Formula Retail  
**Date:** Tuesday, August 13, 2013 10:00:37 AM  
**Attachments:** [Formula Retail Recommendations.pdf](#)  
[MISCONCEIVED NOTIONS ABOUT RETAIL.docx](#)  
[Resume Experience.pdf](#)

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Dear Ms. Rodgers:

Attached is a signed Formula Retail Recommendation Petition, and some of my personal comments I want to share with you regarding the pending study on Formula Retail. I've also attached a summary of my experience along with a list of many of the transactions I have been involved in. If you look it over, you will see that I work with many startup restaurants and retailers – I did Lululemon's and Diptyque's first U.S. stores, G-Star's second, Kiehl's second, and Rejuvenation's third, along with many other firsts for San Francisco; most importantly, all of them were small mom n' pops at one time. I appreciate startups and love working with them; all of these tenants should have a place in our neighborhoods irrespective of how many stores they have now, and all serve to add to the unique character and flavor of our special shopping streets. I think the answer to the Formula Retail issue is BALANCE.

I am available should you want any confidential rent comps or just to discuss your thoughts on this complicated issue facing all of us, and the citizens and visitors of the City. I really appreciate the time you are devoting to resolving this matter and will do whatever I can to help you.

Sincerely,

**Pamela Mendelsohn**

Senior Vice President | Retail Services Group  
Real Estate License # 00953050

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**From:** Portugeis, Ross  
**To:** Rodgers, AnMarie; Hayward, Sophie  
**Subject:** Union Square BID Public Affairs Meeting  
**Date:** Wednesday, August 07, 2013 1:55:22 PM

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Hi AnMarie and Sophie,

It was nice to meet you and thanks for taking the time to discuss FR with the Union Square Public Affairs Committee yesterday.

I hope that you can get an thorough economic analysis of the impacts (negative and positive) of formula retail and the same for our current related ordinances. If your economic analyst wants to interview stakeholders as part of the process I am available. I can speak as a retail commercial real estate broker and as a citizen who lives in the City (in fact I live in the same house in which I was born and raised now - yes, I did leave "home" - for about 25 years and came back 10 years ago).

Good luck with the project. And if you are interested here's a link to my occasional blog. If you scroll down to my October 13, 2012 "Hay Conundrum" blog - you won't have far to scroll because I don't post that much - it's relevant to this topic.

Best,

Ross

Ross Portugeis  
Senior Vice President  
Colliers International  
DRE Lic. # 01712682

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## SAN FRANCISCO PLANNING DEPARTMENT

### Draft Planning Commission Resolution Planning Code Amendment Initiation

HEARING DATE: MAY 22, 2014

*Project Name:* Formula Retail & Large-Scale Retail Controls  
*Case Number:* 2013.0936UT  
*Initiated by:* Planning Department  
*Staff Contact:* Kanishka Burns, Project Manager  
[kanishka.burns@sfgov.org](mailto:kanishka.burns@sfgov.org), 415-575-9112  
*Reviewed by:* AnMarie Rodgers, Senior Policy Advisor  
[anmarie.rodgers@sfgov.org](mailto:anmarie.rodgers@sfgov.org), 415-558-6395  
*Recommendation:* Initiation of Planning Code Text Changes

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Planning  
Information:  
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ADOPTING A RESOLUTION INITIATING AMENDMENTS TO THE PLANNING CODE TEXT CHANGES TO AMEND THE DEFINITION OF FORMULA RETAIL TO INCLUDE BUSINESSES THAT HAVE 20 OR MORE OUTLETS WORLDWIDE; EXPAND THE APPLICABILITY OF FORMULA RETAIL CONTROLS TO OTHER TYPES OF USES; REQUIRE CONDITIONAL USE AUTHORIZATION FOR FORMULA RETAIL ESTABLISHMENTS IN THE C-3-G DISTRICT WITH FACADES FACING MARKET STREET, BETWEEN 6TH STREET AND 12TH STREET; EXPAND THE APPLICABILITY OF FORMULA RETAIL CONTROLS TO CREATE A NEW ADMINISTRATIVE REVIEW PROCESS FOR THE AUTHORIZATION OF A NEW FORMULA RETAIL OPERATOR AT A PARCEL THAT HAD PREVIOUSLY RECEIVED A CONDITIONAL USE AUTHORIZATION FOR THE SAME FORMULA RETAIL USE TYPE AND SIZE, INCLUDING NEW NOTIFICATION PROCEDURES, PERFORMANCE STANDARDS, AND A PROCESS FOR REQUIRING CONDITIONAL USE AUTHORIZATION WHEN THE PERFORMANCE STANDARDS ARE NOT MET OR UPON REQUEST; REMOVE THE REQUIREMENT FOR CONDITIONAL USE AUTHORIZATION WHEN A FORMULA RETAIL ESTABLISHMENT CHANGES OPERATOR BUT REMAINS THE SAME SIZE AND USE CATEGORY AND INSTEAD REQUIRE THE NEW ADMINISTRATIVE REVIEW; AMEND THE CONDITIONAL USE CRITERIA FOR LARGE-SCALE RETAIL USES TO REQUIRE AN ECONOMIC IMPACT STUDY AND ESTABLISH NEW FEES FOR SAID STUDY; AND ADOPTING PLANNING CODE SECTION 302 FINDINGS, AND FINDINGS OF CONSISTENCY WITH THE GENERAL PLAN AND THE PRIORITY POLICIES OF PLANNING CODE SECTION 101.1.

#### PREAMBLE

Whereas, in 2004 the Board of Supervisor adopted San Francisco's first formula retail controls in three neighborhoods to provide a definition of formula retail and a regulatory framework that intended to



protect a "diverse base with distinct neighborhood retailing personalities comprised of a mix of businesses;"<sup>1</sup> and

Whereas, a number of amendments in quick succession added other formula retail controls to other district and neighborhoods, demonstrating growing concern around the proliferation of chain stores in San Francisco; and

Whereas, in 2007 San Francisco voters adopted Proposition G, the "Small Business Protection Act" which required Conditional Use authorization in all Neighborhood Commercial Districts; and

Whereas, Resolution Number 18843, adopted on April 11, 2013, set forth a policy that provides the first quantitative measure for concentration in the Upper Market Neighborhood, which established a formula for calculating the visual impacts of formula retail uses on a street frontage and determined that if the concentration of formula retail linear frontage is greater than or equal to 20% of the total linear frontage of all parcels located within 300 feet of the subject property and also zoned neighborhood commercial, the Planning Department shall recommend disapproval; and

Whereas, the summer of 2013 saw five ordinances introduced at the Board of Supervisors to alter the definition and implementation of formula retail controls; and

Whereas, on June 13, 2013, then-Planning Commission President Fong directed staff to review and analyze planning controls for formula retail uses in San Francisco due to the numerous pending proposals to change these controls; and

Whereas, the Board of Appeals ruled on June 19, 2013, that if a company has signed a lease for a location (even if the location is not yet occupied) those leases count toward the 11 establishments needed to be considered formula retail, and, while discussed, no action was taken on web-based establishments; and

Whereas, on June 25, 2013, Supervisor Weiner's ordinance Department of Public Works Code to restrict food trucks that are associated with formula retail establishments in the public right-of-way, including affiliates of formula retail restaurants; and

Whereas, the Planning Commission passed Resolution Number 18931 in July 2013, recommending to the Board of Supervisors that the issue of Formula Retail be further studied, with a focus on the economic, neighborhood, and visual impacts of the existing formula retail controls, as well as the anticipated impacts due to the potential expansion of controls; and

Whereas, in 2013-2014 the Planning Department commissioned a study prepared by Strategic Economics which described the existing formula retailers in San Francisco; the impact of these formula retailers on

---

<sup>1</sup> Ordinance Number 62-04, Board File 031501, available on-line at <https://sfgov.legistar.com/LegislationDetail.aspx?ID=473759&GUID=A83D3A84-B457-4B93-BCF5-11058DDA5598&Options=ID|Text|&Search=62-04> (March 20, 2014).

San Francisco's neighborhoods; the wages and benefits of formula retailers; the effects of San Francisco's existing formula retail controls; and current issues revolving around formula retail in the City; and

Whereas, in February 2014, Office of the Controller prepared an economic analysis in response to proposed changes to San Francisco's formula retail policies, which included an analysis of consumer price and local spending differences between formula and independent retailers and an evaluation of the overall economic impact of expanding the City's formula retail controls.

WHEREAS, the proposed legislation is intended to resolve the aforementioned issues; and

WHEREAS, the Planning Commission (hereinafter "Commission") conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Ordinance on May 22, 2014; and

Whereas, the Planning Department has determined that the proposed Ordinance will not result in a direct or reasonably foreseeable indirect physical change on the environment, and therefore no further environmental review is required, as set forth in the California Environmental Quality Act Section 15060(c)(2); and

WHEREAS, the Commission has heard and considered the testimony presented to it at the public hearing and has further considered written materials and oral testimony presented on behalf of Department staff and other interested parties; and

WHEREAS, the all pertinent documents may be found in the files of the Department, as the custodian of records, at 1650 Mission Street, Suite 400, San Francisco; and

WHEREAS, the Commission has reviewed the proposed Ordinance:

MOVED, that pursuant to Planning Code Section 302(b), the Planning Commission Adopts a Resolution of Intent to Initiate amendments to the Planning Code;

AND BE IT RESOLVED, That the Planning Commission authorizes the Department to prepare for the public hearing to consider the above referenced Planning Code amendments contained in the draft ordinance, approved as to form by the City Attorney in Exhibit B, to be considered at that publicly noticed hearing on or after June 5, 2014.

AND BE IT FURTHER RESOLVED, that the Planning Commission may consider adoption of the 2014 Formula Retail policy recommendations and associated text amendments to the Planning Code on or after June 5, 2014.

## FINDINGS

Having reviewed the materials identified in the preamble above, and having heard all testimony and arguments, this Commission finds, concludes, and determines as follows:

- With the experience of applying the formula retail controls over the last ten years and the benefit of the recent Study "San Francisco Formula Retail Economic Analysis", the originally identified concerns of the voters remain relevant. The Departments core findings are that the Conditional Use process is working and can be adjusted to better serve residents.
- Resident concerns include a displacement of critical goods and services to meet the daily needs of the neighborhood, a homogenization of the neighborhood's aesthetics and that formula retailers are of less economic benefit than nonformula retailers.
- The Office of Economic Analysis (OEA) report "Expanding Formula Retail Controls: Economic Impact Report" was unable to quantify the impact of the presence of formula retailers on premium that residents pay to live in the City's unique neighborhoods. However, the report found the uniqueness of San Francisco's neighborhoods is based on a combination of unique visual characteristics and a sense of community fostered by small merchants and resident relationships. A formula retail establishment is determined by its recognizable look which is repeated at every location, therefore, detracting from the unique community character.
- The OEA report found that non-formula retailers may spend up to 9.5 percent more within the City economy than chain stores, but charge prices that average 17 percent more. The Report determined that, on balance, the economic benefits of greater local spending by non-formula retailers are outweighed by higher consumer prices.<sup>2</sup>
- The Planning Department commissioned a report by Strategic Economics that found the existing formula retail Conditional Use process creates a disincentive for formula retailers to be located in the NCDs.<sup>3</sup> This report also found formula retail controls continue to be a useful tool in promoting small, startup businesses.
- Neighborhood Commercial Districts are intended to preserve the unique qualities of a district while also serving the daily needs of residents living in the immediate neighborhood; however community members have reported loss of daily needs uses due to inundation of formula retailers that target larger citywide or regional audiences<sup>4</sup>. The City strives to ensure that goods and services that residents require for daily living are available within walking distance and at an affordable price. Establishments that serve daily needs and formula retail establishments are neither mutually exclusive nor overlapping.

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<sup>2</sup> City and County of San Francisco, Office of the Controller, Office of Economic Analysis, "Expanding Formula Retail Controls: Economic Impact Report", February 12, 2014 [http://www.sf-planning.org/ftp/files/legislative\\_changes/form\\_retail/formretail\\_130788\\_economic\\_impact\\_final.pdf](http://www.sf-planning.org/ftp/files/legislative_changes/form_retail/formretail_130788_economic_impact_final.pdf)

<sup>3</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 5.

<sup>4</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 110.

- When considering the appearance for a new formula retail establishment, these businesses, are ubiquitous and diminish the unique qualities of a shopping street. Under the Planning Code, formula retail establishments are defined as "an...establishment which, along with eleven or more other retail sales establishments...maintains two or more [standardized] features". In other words, formula retailers are stores with multiple locations and a recognizable "look" or appearance. What makes a look recognizable in this case, is the repetition of the same characteristics of one store in multiple locations. The sameness of formula retail outlets, while providing clear branding for consumers, counters the general direction existing land use controls which value unique community character. The standardized characteristics that are found other places provide some level of homogenization. Formula retailers cannot be unique because there are at least 11 others with the same look.
- San Francisco is an international city that seeks to attract innovative business development. Established corporations as well as new startups choose San Francisco to test new concepts and ideas. Citywide, subsidiaries account for only three percent of retail businesses in San Francisco formula retail businesses and most of these would already qualify as formula retail under the existing Planning Code because they have 12 or more locations in the United States. Expanding the definition of formula retail to include subsidiaries is not recommended as it would constrain business development and innovation, be inconsistently applied and further complicate an existing process with minimal, if any, benefit.
- The National Bureau of Economic Research published a study titled "The Effects of Wal-Mart on Local Labor Markets" examined one specific brand of superstore, Wal-Mart, and found a negative effect on overall retail employment<sup>5</sup>. Specifically, this report found, "The employment results indicate that a Wal-Mart store opening reduces county-level retail employment by about 150 workers, implying that each Wal-Mart worker replaces approximately 1.4 retail workers. This represents a 2.7 percent reduction in average retail employment. The payroll results indicate that Wal-Mart store openings lead to declines in county-level retail earnings of about \$1.4 million, or 1.5 percent.
- Similarly, studies indicate that in terms of tax revenue, mixed-use is the most beneficial to the economy, while big box retailers do not significantly help the economy<sup>6</sup>. This is largely due to property taxes. The standard for a super store (a large, single-floor structure), does not yield the same multiplier effect that comes from vertical expansion that can be seen in a dense mixed-used

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<sup>5</sup> David Neumark, Junfu Zhang, and Stephen Ciccarella. National Bureau of Economic Research, "The Effects of Wal-Mart on Local Labor Markets." Originally published 2005, revised on July 31, 2007. Journal of Urban Economics. Volume 67, Issue 1 (2010). Retrieved from <http://www.nber.org/papers/w11782.pdf>. Page 28.

<sup>6</sup> Philip Langdon. New Urban News, "Best bet for tax revenue: mixed-use downtown development." Published September 13, 2010. Retrieved from <http://bettercities.net/article/best-bet-tax-revenue-mixed-use-downtown-development-13144> on May 14 2014.

development. The sales tax is negligible, because even the increase in sales is offset by lower prices in super stores.

1. **General Plan Compliance.** The proposed Ordinance is consistent with the following Objectives and Policies of the General Plan:

**I. COMMERCE & INDUSTRY ELEMENT**

THE COMMERCE AND INDUSTRY ELEMENT OF THE GENERAL PLAN SETS FORTH OBJECTIVES AND POLICIES THAT ADDRESS THE BROAD RANGE OF ECONOMIC ACTIVITIES, FACILITIES, AND SUPPORT SYSTEMS THAT CONSTITUTE SAN FRANCISCO'S EMPLOYMENT AND SERVICE BASE.

**OBJECTIVE 2**

MAINTAIN AND ENHANCE A SOUND AND DIVERSE ECONOMIC BASE AND FISCAL STRUCTURE FOR THE CITY.

**Policy 2.3**

Maintain a favorable social and cultural climate in the city in order to enhance its attractiveness as a firm location.

*The proposed changes in both the Ordinance and the Commission's review procedures would further strengthen the attractiveness of the City as a unique place to live, work, and pursue recreational interests, by encouraging more diversified business uses, which strengthens the distinct nature of the surrounding neighborhoods. Very large retail sales and service uses should be carefully evaluated for their economic impact on the area.*

**OBJECTIVE 3**

PROVIDE EXPANDED EMPLOYMENT OPPORTUNITIES FOR CITY RESIDENTS, PARTICULARLY THE UNEMPLOYED AND ECONOMICALLY DISADVANTAGED.

**Policy 3.4**

Assist newly emerging economic activities.

*Formula Retail establishments can typically pay more for lease space and commit to longer lease contracts, whereas emerging economic activities typically cannot. Adding rigor to the review of Formula Retail applications could help relieve pressure on emerging economic activities and ease the process of finding affordable commercial spaces to lease.*

**OBJECTIVE 6**

MAINTAIN AND STRENGTHEN VIABLE NEIGHBORHOOD COMMERCIAL AREAS EASILY ACCESSIBLE TO CITY RESIDENTS.

**Policy 6.1**

Ensure and encourage the retention and provision of neighborhood-serving goods and services in the city's neighborhood commercial districts, while recognizing and encouraging diversity among the districts.

*By encouraging independent, small businesses, the proposed changes help to enhance the diversity of the City's neighborhoods and their shopping areas. The added rigor in consideration of neighborhood-serving goods intended to meet the daily needs of residents will further the retention and addition of these valuable goods and services, whether provided by a formula retail or nonformula retail establishment. Neighborhood commercial areas vary widely in function, form, design, and character, and the proposed changes to Commission review would ease the approval of formula retailers that would meet such unmet needs for daily needs while also providing a critical review of formula retail establishments that would displace critical daily need uses. Overall, the changes would help to prevent any one area from becoming saturated by familiar brands and promotes the retention of unique character and diversity.*

#### **Policy 6.2**

Promote economically vital neighborhood commercial districts which foster small business enterprises and entrepreneurship and which are responsive to economic and technological innovation in the marketplace and society.

*The proposed changes are intended to create a balance between Formula Retail and independent owned businesses by establishing a more rigorous and data driven method of analysis balance with a qualitative analysis of the District, neighborhood and walking area. Having a healthy mix of these two types of businesses would promote vital commercial districts throughout the City, which could help foster small business enterprises and entrepreneurship.*

#### **Policy 6.7**

Promote high quality urban design on commercial streets.

*The proposed changes to aesthetic review and functionality of the façade would help to clarify design expectations for signage and performance standards. They are intended to help neighborhoods give their commercial areas a lively character and ensure pedestrian-oriented design. By seeking an active visual identity which performs and is distinct from formulaic designs will create an inviting atmosphere beneficial to businesses and neighbors alike.*

### **II. TRANSPORTATION ELEMENT**

#### **Market Street**

Market Street should be honored and protected as San Francisco's visual and functional spine. The City should engage in a comprehensive redesign of Market Street from the Embarcadero to Castro Street. Improvements to Market Street should emphasize its importance for pedestrians, cyclists, and transit.

### **III. URBAN DESIGN ELEMENT**

#### **Principles for City Pattern 16**

Certain streets, because of unusual width or direction, are important form elements in themselves, giving identity to districts and order to the city structure.

COMMENT: Columbus Avenue and Market Street are examples of such streets. Any major interruptions of these streets would reduce their value as form elements.

#### IV. MARKET AND OCTAVIA PLAN

##### Policy 1.1.5

Reinforce the importance of Market Street as the city's cultural and ceremonial spine.

Market Street has historically been the city's most important street. New uses along Market Street should respond to this role and reinforce its value as a civic space. Ground-floor activities should be public in nature, contributing to the life of the street. High-density residential uses are encouraged above the ground floor as a valuable means of activating the street and providing a 24-hour presence. A limited amount of office use is permitted in the Civic Center area as part of the overall mix of activities along Market Street.

*The General Plan recognizes the critical importance of Market Street as the City's "cultural and ceremonial spine". Special care should be given to ensure the retail service and sales offerings enrich both the aesthetics and the function of the spine. The proposed changes include expansion of formula retail controls on a developing portion of Market Street that will function as this burgeoning neighborhoods commercial street and ensures development of unique neighborhood character on this significant street.*

2. The proposed replacement project is consistent with the eight General Plan priority policies set forth in Section 101.1 in that:

- A) The existing neighborhood-serving retail uses will be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses will be enhanced:

*Stakeholders have raised concerns that some landlords prefer formula retailers or other established brands over independent retailers<sup>7</sup>. Formula retailers will typically be better equipped to sign long term leases and can provide the stability and activation that lenders seek<sup>8</sup>. In addition, formula retailers often serve as an anchor to energize a new development and bring foot traffic to a redevelopment area<sup>9</sup>. The proposed Ordinance and performance-based review procedures include changes that will further a balance of existing and new neighborhood serving uses to meet residents' needs, further small business development, and maximize employment opportunities.*

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<sup>7</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 64.

<sup>8</sup> Planning Department and OEWD Developer Roundtable, March 28, 2014

<sup>9</sup> Strategic Economics, "San Francisco Formula Retail Economic Analysis", prepared for San Francisco Planning Department. April 10, 2014 Draft Document, Page 27.

- B) The existing housing and neighborhood character will be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods:

*By adopting the proposed amendments, the Planning Commission's intends to conserve and protect neighborhood character by ensuring a balance of formula and independent retail that does not erode existing neighborhood character and provide uses critical to daily living within an easy walk and without the need for auto-generated trips.*

- C) The City's supply of affordable housing will be preserved and enhanced:

*The proposed Ordinance and procedural changes will have no adverse effect on the City's supply of affordable housing.*

- D) The commuter traffic will not impede MUNI transit service or overburden our streets or neighborhood parking:

*The proposed Ordinance and procedural changes will not result in commuter traffic impeding MUNI transit service or overburdening the streets or neighborhood parking. In fact, the proposed changes are intended to improve neighborhood services so that more daily needs can be met within an easy walk, decreasing demand for auto-generated trips.*

- E) A diverse economic base will be maintained by protecting our industrial and service sectors from displacement due to commercial office development. And future opportunities for resident employment and ownership in these sectors will be enhanced:

*The proposed Ordinance would consider changes to the industrial or service sectors or future opportunities for resident employment or ownership in these sectors, through the addition of an economic analysis of new large retail uses. The changes were designed to increase economic opportunities for all residents through entrepreneurship, business ownership and employment.*

- F) The City will achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake.

*Preparedness against injury and loss of life in an earthquake is unaffected. Any new construction or alteration associated with a use would be executed in compliance with all applicable construction and safety measures.*

- G) That landmark and historic buildings will be preserved:

*Landmarks and historic buildings would be unaffected by the proposed amendments and procedural changes. Should a proposed use be located within a landmark or historic building, such site would be evaluated under all applicable Planning Code provisions and comprehensive Planning Department policies.*



Draft Resolution  
Hearing Date: May 22, 2014

CASE NO. 2013.0936UT  
Proposed Formula Retail Control and  
Large-Scale Retail Control Amendments

- H) Parks and open space and their access to sunlight and vistas will be protected from development:

*The City's parks and open space and their access to sunlight and vistas would be unaffected by the proposal. It is not anticipated that permits would be such that sunlight access, to public or private property, would be adversely impacted.*

I hereby certify that the Planning Commission ADOPTED the foregoing Resolution on May 22, 2014.

Jonas P. Ionin  
Commission Secretary

AYES:

NAYS:

ABSENT:

ADOPTED: May 22, 2014

## **EXHIBIT B**



FILE NO.

ORDINANCE NO.

[Planning Code – Formula Retail and Large-Scale Retail Controls]

Ordinance amending the Planning Code to amend the definition of formula retail to include businesses that have 20 or more outlets worldwide; expand the applicability of formula retail controls to other types of uses; require Conditional Use Authorization for formula retail establishments in the C-3-G district with facades facing Market Street, between 6th Street and the intersection of Market Street, 12th Street and Franklin Street; expand the applicability of formula retail controls to create a new administrative review process for the authorization of a new formula retail operator at a parcel that had previously received a Conditional Use Authorization for the same formula retail use type and size, which will include new notification procedures, performance standards, and a process for requiring Planning Commission review when the performance standards are not met or upon request; delete the requirement for Conditional Use authorization when a formula retail establishment changes operator but remains the same size and use category and instead require the new administrative review; amend the Conditional Use criteria for Large-Scale Retail Uses to require an economic impact study and establish new fees for said study; and adopting findings, including environmental findings, Section 302 findings and findings of consistency with the General Plan and Planning Code Section 101.1.

NOTE: Unchanged Code text and uncodified text are in plain Arial font.  
Additions to Codes are in single-underline italics Times New Roman font.  
Deletions to Codes are in ~~strikethrough italics Times New Roman font~~.  
Board amendment additions are in double-underlined Arial font.  
Board amendment deletions are in ~~strikethrough Arial font~~.  
Asterisks (\* \* \* \*) indicate the omission of unchanged Code subsections or parts of tables.

1 Be it ordained by the People of the City and County of San Francisco:

2 Section 1. Findings.

3 (a) The Planning Department has determined that the actions contemplated in this  
4 ordinance comply with the California Environmental Quality Act (California Public Resources  
5 Code Sections 21000 et seq.). Said determination is on file with the Clerk of the Board of  
6 Supervisors in File No. \_\_\_\_\_ and is incorporated herein by reference.

7 (b) On \_\_\_\_\_, the Planning Commission, in Resolution No. \_\_\_\_\_, adopted  
8 findings that the actions contemplated in this ordinance are consistent, on balance, with the  
9 City's General Plan and eight priority policies of Planning Code Section 101.1. The Board  
10 adopts these findings as its own. A copy of said Resolution is on file with the Clerk of the  
11 Board of Supervisors in File No. \_\_\_\_\_, and is incorporated herein by reference.

12 (c) Pursuant to Planning Code Section 302, this Board finds that this Planning Code  
13 Amendment will serve the public necessity, convenience, and welfare for the reasons set forth  
14 in Planning Commission Resolution No. \_\_\_\_\_ and the Board incorporates such reasons  
15 herein by reference.

16  
17 Section 2. The Planning Code is hereby amended by revising Subsections 303(i) and  
18 303(j), to read as follows:

19 \* \* \* \*

20 (i) **Formula Retail Uses.**

21 (1) **Formula Retail Use.** A formula retail use is hereby defined as a type of  
22 retail sales activity or retail sales establishment which, if the requested application were to be  
23 approved, would have ~~has~~ twenty eleven or more other retail sales establishments in operation, or  
24 with local land use or permit entitlements already approved, located in the United States anywhere in  
25 the world. In addition to the twenty eleven establishments either in operation or with local land use

1 or permit entitlements approved for operation, the business maintains two or more of the  
2 following features: a standardized array of merchandise, a standardized facade, a  
3 standardized decor and color scheme, uniform apparel, standardized signage, a trademark or  
4 a servicemark.

5 (A) Standardized array of merchandise shall be defined as 50% or more  
6 of in-stock merchandise from a single distributor bearing uniform markings.

7 (B) Trademark shall be defined as a word, phrase, symbol or design, or a  
8 combination of words, phrases, symbols or designs that identifies and distinguishes the  
9 source of the goods from one party from those of others.

10 (C) Servicemark shall be defined as word, phrase, symbol or design, or a  
11 combination of words, phrases, symbols or designs that identifies and distinguishes the  
12 source of a service from one party from those of others.

13 (D) Decor shall be defined as the style of interior furnishings, which may  
14 include but is not limited to, style of furniture, wall coverings or permanent fixtures.

15 (E) Color Scheme shall be defined as selection of colors used  
16 throughout, such as on the furnishings, permanent fixtures, and wall coverings, or as used on  
17 the facade.

18 (F) Facade shall be defined as the face or front of a building, including  
19 awnings, looking onto a street or an open space.

20 (G) Uniform Apparel shall be defined as standardized items of clothing  
21 including but not limited to standardized aprons, pants, shirts, smocks or dresses, hat, and  
22 pins (other than name tags) as well as standardized colors of clothing.

23 (H) Signage shall be defined as business sign pursuant to Section 602.3  
24 of the Planning Code.

1           (2) "Retail Sales Activity or Retail Sales Establishment." For the purposes  
2 of this subsection (i), a retail sales activity or retail sales establishment shall include the  
3 following uses, as defined in Articles 1, 7, and Article and 8 of this Code: "Bar," "Drive-up  
4 Facility," "Eating and Drinking Use," "Liquor Store," "Sales and Service, Other Retail,"  
5 "Restaurant," "Limited-Restaurant," "Take-Out Food," "Sales and Service, Retail," "Service,  
6 Financial," "Movie Theater," and "Amusement and Game Arcade," "Service, Limited Financial,"  
7 "Service, Business or Professional," and "Service, Fringe Financial."

8           (3) **Conditional Use Criteria.** With regard to a conditional use authorization  
9 application for a formula retail use, the Planning Commission shall consider, in addition to the  
10 criteria set forth in Subsection (c) above, the criteria below and the Performance-Based Standards  
11 adopted by the Planning Commission to implement the criteria below.

12                   (A) The existing concentrations of formula retail uses within a 1/4 mile of  
13 the proposed project the district.

14                   (B) The availability of other similar retail uses within a 1/4 mile of the  
15 proposed project the district.

16                   (C) The compatibility of the proposed formula retail use with the existing  
17 architectural and aesthetic character of the district.

18                   (D) The existing retail vacancy rates within a 1/4 mile of the proposed  
19 project the district.

20                   (E) The existing mix of Citywide-serving retail uses and neighborhood  
21 daily needs-serving retail uses within a 1/4 mile of the proposed project the district.

22                   (F) Additional relevant data and analysis set forth in the Performance  
23 Review Standards adopted by the Planning Commission.

24                   (G) If required by Section 303(j) for Large Retail Uses, preparation of an  
25 economic impact study.

1                    (H) Notwithstanding anything to the contrary contained in Planning Code  
2                    Article 6 limiting the Planning Department's and Planning Commission's discretion to review signs,  
3                    the Planning Department and Planning Commission may review and exercise discretion to require  
4                    changes in the time, place and manner of the proposed signage for the proposed formula retail use.

5                    **(4) Conditional Use Authorization Required.** A Conditional Use Authorization shall  
6                    be required for a formula retail use in the following zoning districts unless explicitly exempted:

- 7                    (A) All Neighborhood Commercial Districts in Article 7;
- 8                    (B) All Mixed Use-General Districts in Section 840;
- 9                    (C) All Urban Mixed Use Districts in Section 843;
- 10                    (D) All Residential-Commercial Districts as defined in Section 206.3;
- 11                    (E) Japantown Special Use District as defined in Section 249.31;
- 12                    (F) Chinatown Community Business District as defined in Section 810.1;
- 13                    (G) Chinatown Residential/Neighborhood Commercial District as defined in  
14                    812.1;
- 15                    (H) Western SoMa Planning Area Special Use District as defined in 823;
- 16                    (I) Residential Transit-Oriented Districts as defined in 206.4 and 206.5;
- 17                    (J) Limited Conforming Use/Non-Conforming Use in RH-RM-RTO and RED  
18                    Districts.

19                    (K) The establishment of any new formula retail establishment in the C-3-G  
20                    District with frontage on Market Street, between 6<sup>th</sup> Street and the intersection of Market Street, 12th  
21                    Street and Franklin Street.

22                    **(5) Formula Retail Uses Not Permitted.** Formula Retail Uses are not  
23                    permitted in the following zoning districts:

- 24                    (A) Hayes-Gough Neighborhood Commercial Transit District;
- 25                    (B) North Beach Neighborhood Commercial District;



1 (C) Chinatown Visitor Retail District;

2 (D) Upper Fillmore District does not permit Formula Retail uses that are  
3 also Restaurant or Limited-Restaurant uses as defined in Section 790.90 and 790.91;

4 (E) Broadway Neighborhood Commercial District does not permit Formula  
5 Retail uses that are also Restaurant or Limited-Restaurant uses as defined in Section 790.90  
6 and 790.91;

7 (F) Mission Street Formula Retail Restaurant Subdistrict does not permit  
8 Formula Retail uses that are also Restaurant or Limited-Restaurant uses as defined in  
9 Section 790.90 and 790.91;

10 (G) Geary Boulevard Formula Retail Pet Supply Store and Formula Retail  
11 Eating and Drinking Subdistrict does not permit Formula Retail uses that are also either a  
12 Retail Pet Supply Store or an Eating and Drinking use as set forth in Section 781.4;

13 (H) Taraval Street Restaurant Subdistrict does not permit Formula Retail  
14 uses that are also Restaurant or Limited-Restaurant uses as defined in Section 790.90 and  
15 790.91;

16 (I) Chinatown Mixed Use District does not permit Formula Retail uses that are  
17 also Restaurant or Limited-Restaurant uses as defined in Section 790.90 and 790.91.

18 (6) ~~Neighborhood-Commercial~~ Notification and Design Review. Any  
19 building permit application for a "formula retail use" as defined in this section ~~and located within~~  
20 ~~a Neighborhood Commercial District in Article 7~~ shall be subject to the ~~Neighborhood Commercial~~  
21 ~~Notification and~~ Design Review Procedures of Section 312 of this Code, unless the proposed  
22 formula retail use is subject to the process set forth in the Planning Commission's Performance-Based  
23 Review, as described in Section 303(i)(9), in which case the notice procedures described in that  
24 subsection shall apply.

1                   (7) **Change in Use.** A change from one formula retail use to another requires  
2 a new Conditional Use Authorization, whether or not a Conditional Use Authorization would  
3 otherwise be required by the particular change in use in question. This Conditional Use  
4 Authorization requirement also applies in changes from one Formula Retail operator to another within  
5 the same use category. A new Conditional Use Authorization shall not apply to a change in a  
6 formula use retailer that meets the following criteria:

7                   (A) the formula use operation remains the same in terms of its size, ~~function~~  
8 ~~and general merchandise offering and use category~~ as determined by the Zoning Administrator,  
9 ~~and~~

10                  (B) ~~the change in the formula retail use operator is the result of the business being~~  
11 ~~purchased by another formula retail operator who will retain all components of the existing retailer~~  
12 ~~and make minor alterations to the establishment(s) such as signage and branding the new application~~  
13 complies with the Performance Review Standards adopted by the Planning Commission, as such  
14 Standards may be amended by subsequent Planning Commission action.

15                  (C) the required public notification for the Performance Review Standards has been  
16 provided as described in Section 303(i)(9), and

17                  (D) there has been no request made to the Department to bring the proposed project  
18 to the Planning Commission for a discretionary review hearing.

19                  The new operator shall comply with all conditions of approval previously  
20 imposed on the existing operator, including but not limited to signage programs and hours of  
21 operation; and shall conduct the operation generally in the same manner; and shall comply with  
22 the Performance Review Standards as described in Section 303(i)(9), and offer essentially the same  
23 ~~services and/or type of merchandise;~~ or seek and be granted a new Conditional Use  
24 Authorization.  
25

1           **(8) Determination of Formula Retail Use.** In those areas in which "formula  
2 retail uses" are prohibited, any building permit application determined by the City to be for a  
3 "formula retail use" that does not identify the use as a "formula retail use" is incomplete and  
4 cannot be processed until the omission is corrected. Any building permit approved that is  
5 determined by the City to have been, at the time of application, for a "formula retail use" that  
6 did not identify the use as a "formula retail use" is subject to revocation at any time.

7           In those areas in which "formula retail uses" are subject to the provisions of subsection  
8 303(i)(6) or 303(i)(9), any building permit application determined by the City to be for a "formula  
9 retail use" that does not identify the use as a "formula retail use" is incomplete and cannot be  
10 processed until the omission is corrected. Any building permit approved that is determined by the City  
11 to be for a "formula retail use" that does not identify the use as a "formula retail use" shall be void and  
12 in order to be reconsidered, shall comply with the requirements in subsection (i)(6) or (i)(9), as  
13 applicable.

14           If the City determines that a building permit application or building permit subject to this  
15 Section of the Code is for a "formula retail use," the building permit application or holder bears  
16 the burden of proving to the City that the proposed or existing use is not a "formula retail use."

17           (9) Performance Review Standards. Certain applications for Formula Retail uses, which  
18 meet the criteria below, may be reviewed by Department staff pursuant to the Performance Review  
19 Standards adopted by the Planning Commission, unless other requirements of this Code require a  
20 Planning Commission hearing. The applicant shall also pay an administrative fee to compensate  
21 Planning Department and City staff for its time reviewing the project under this subsection, as set forth  
22 in Section 360 of this Code.

23           (A) Adherence to Performance Review Standards. The proposed project shall satisfy  
24 the Commission's adopted Performance Review Standards for Formula Retail as described in Sec.  
25 (i)(3)(C) for the design of the façade and signage.

1                    (B) Public Notice. Upon determination that an application is in compliance with the  
2                    requirements of the Code and the Commission's Performance Review Standards for Formula Retail,  
3                    the Planning Department shall give notice of the application as follows:

4                    (i) Mailed and Posted Notice. The Department shall cause a notice to be posted  
5                    on the site pursuant to rules established by the Zoning Administrator and shall cause a written notice  
6                    describing the proposed project to be sent in the manner described below. This notice shall be in  
7                    addition to any other required notices required by the Municipal Code and shall have a format and  
8                    content determined by the Zoning Administrator. It shall include a description of the proposal  
9                    compared to any existing improvements on the site with dimensions of the basic features, elevations  
10                   and site plan of the proposed project including the position of any adjacent buildings, exterior  
11                   dimensions and finishes, a graphic reference scale, existing and proposed uses and commercial or  
12                   institutional business name, if known. The notice shall describe the project review process and shall set  
13                   forth the mailing date of the notice and the expiration date of the notification period. Written notice  
14                   shall be mailed to the notification group which shall include the project sponsor, tenants of the subject  
15                   property, the Planning Commission, relevant neighborhood organizations as described in Section  
16                   312 (d)(2)(C), and all individuals having made a written request for notification for a specific parcel or  
17                   parcels pursuant to Planning Code Section 351(g).

18                   (ii) Notification Period. Notwithstanding the notice requirement set forth in  
19                   Planning Code Section 312, all building permit applications shall be held for a period that is the longer  
20                   of 10 calendar days from either the date of the mailed notice or posting at the project site.

21                   (iii) Elimination of Duplicate Notice. The notice provisions of this Section may  
22                   be waived by the Zoning Administrator for building permit applications for projects that have been, or  
23                   before approval will be, the subject of a duly noticed public hearing before the Planning Commission  
24                   or Zoning Administrator, provided that the nature of work for which the building permit application is  
25                   required is both substantially included in the hearing notice and is the subject of the hearing.

1                                    (iv) Requests for Mandatory Discretionary Review. A request for the  
2                                    Planning Commission to hold a Discretionary Review hearing for a specific building permit  
3                                    application shall be considered by the Planning Commission if received by the Planning Department  
4                                    no later than 5:00 p.m. of the last day of the notification period as described under Subsection (i)(9)(B)  
5                                    above, and consistent with guidelines adopted by the Commission. The project sponsor of a building  
6                                    permit application may request a Discretionary Review by the Planning Commission to resolve  
7                                    conflicts between the Director of Planning and the project sponsor concerning requested modifications  
8                                    to comply with the Performance Review Standards for Formula Retail. If a timely request is made for  
9                                    Discretionary Review by the Commission for a permit that would otherwise only be subject to the  
10                                   Performance Review Standards for Formula Retail, then the Commission shall hold a Discretionary  
11                                   Review hearing and consider the proposed project and all of the criteria described in Sec.(i)(3)(A-H) at  
12                                   such hearing.

13                                (10) Findings. The Planning Commission or Planning Department shall adopt findings for  
14                                approval of a Formula Retail use as established in Section 703.3(a).

15                                **(j) Large-Scale Retail Uses.** With respect to applications for the establishment of  
16                                large-scale retail uses under Section 121.6, in addition to the criteria set forth in Subsections  
17                                (c) and (d) above, the Commission shall consider the following:

18                                (1) The extent to which the retail use's parking is planned in a manner that creates  
19                                or maintains active street frontage patterns;

20                                (2) The extent to which the retail use is a component of a mixed-use project or is  
21                                designed in a manner that encourages mixed-use building opportunities;

22                                (3) The shift in traffic patterns that may result from drawing traffic to the location of  
23                                the proposed use; and

24                                (4) The impact that the employees at the proposed use will have on the demand in  
25                                the City for housing, public transit, childcare, and other social services.

1           (5) An economic impact study. The Planning Department shall prepare an economic  
2 impact study using qualified city staff or shall select a consultant from a pool of pre-qualified  
3 consultants to prepare the economic impact study required by this subsection. The analysis, in the form  
4 of a study, shall be considered by the Planning Commission in its review of the application. The  
5 applicant shall bear the cost of paying the consultant for his or her work preparing the economic  
6 impact study, and any necessary documents prepared as part of that study. The applicant shall also  
7 pay an administrative fee to compensate Planning Department and City staff for its time reviewing the  
8 study, as set forth in Section 359 of this Code. The study shall evaluate the potential economic impact  
9 of the applicant's proposed project, including:

10           (A) Employment. The report shall include the following employment  
11 information: a projection of both construction-related and permanent employment generated by the  
12 proposed project; an analysis of whether the proposed project will result in a net increase or decrease  
13 in permanent employment in the impact area; and the effect on wages and benefits of employees of  
14 other retail business and community income levels in the impact area.

15           (B) Public Services. A projection of the costs of public services and facilities,  
16 including transit, childcare, and social services resulting from the operation of the proposed project  
17 and incident of those costs, including costs to the State or City and County of San Francisco of any  
18 public assistance that employees of the proposed store will be eligible for based on the wages and  
19 benefits to be paid by the proposed project.

20           (C) Public Revenue. A projection of the potential changes to sales tax revenue,  
21 property taxes, impact fee assessments, and other public revenue that would be generated by the  
22 proposed project.

23           (D) Leakage Study. An analysis of whether the proposed project will result in a  
24 net increase or decrease in the City's capture of spending by area residents on items that would  
25 otherwise be purchased outside the City & County of San Francisco.

1                    (E) Local Multiplier/Recirculation Study. An analysis of whether the proposed  
2 project will result in a net increase or decrease of commercial activity within the City & County of San  
3 Francisco economy if the proposed project is approved. This study shall describe whether the  
4 recirculation of dollars would increase or decrease in the following categories: 1) direct spending by  
5 the proposed project and the spending of its competitors; 2) indirect spending that the supporting  
6 businesses of the proposed project and its competitors in the impact area spend; and 3) induced  
7 spending by the employees of the proposed project, the employees of its local competitors in the impact  
8 area and the employees of supporting businesses.

9                    (F) Impact Area. The area to be studied for potential economic impacts of the  
10 proposed project shall be determined by the City in consultation with the expert conducting the study.  
11 In no case shall the study area be less than 0.5 miles nor greater than 3.5 miles.

12                    \* \* \* \*

13                    Section 3. The Planning Code is hereby amended by revising Section 703.3 to read as  
14 follows:

15                    (a) Findings.

16                    (1) San Francisco is a city of diverse and distinct neighborhoods identified in large  
17 part by the character of their commercial areas.

18                    (2) San Francisco needs to protect its vibrant small business sector and create a  
19 supportive environment for new small business innovations. One of the eight Priority Policies  
20 of the City's General Plan resolves that "existing neighborhood-serving retail uses be  
21 preserved and enhanced and future opportunities for resident employment in and ownership  
22 of such businesses enhances."

23                    (3) Retail uses are the land uses most critical to the success of the City's  
24 commercial districts.

1 (4) Formula retail businesses are increasing in number in San Francisco, as they  
2 are in cities and towns across the country.

3 (5) Money earned by independent businesses is more likely to circulate within the  
4 local neighborhood and City economy than the money earned by formula retail businesses  
5 which often have corporate offices and vendors located outside of San Francisco.

6 (6) Formula retail businesses can have a competitive advantage over independent  
7 operators because they are typically better capitalized and can absorb larger startup costs,  
8 pay more for lease space, and commit to longer lease contracts. This can put pressure on  
9 existing businesses and potentially price out new startup independent businesses.

10 (7) San Francisco is one of a very few major urban centers in the State in which  
11 housing, shops, work places, schools, parks and civic facilities intimately co-exist to create  
12 strong identifiable neighborhoods. The neighborhood streets invite walking and bicycling and  
13 the City's mix of architecture contributes to a strong sense of neighborhood community within  
14 the larger City community.

15 (8) Notwithstanding the marketability of a retailer's goods or services or the visual  
16 attractiveness of the storefront, the standardized architecture, color schemes, decor and  
17 signage of many formula retail businesses can detract from the distinctive character of certain  
18 Neighborhood Commercial Districts.

19 (9) The increase of formula retail businesses in the City's neighborhood  
20 commercial areas, if not monitored and regulated, will hamper the City's goal of a diverse  
21 retail base with distinct neighborhood retailing personalities comprised of a mix of businesses.  
22 Specifically, the unregulated and unmonitored establishment of additional formula retail uses  
23 may unduly limit or eliminate business establishment opportunities for smaller or medium-  
24 sized businesses, many of which tend to be non-traditional or unique, and unduly skew the  
25 mix of businesses towards *national formula* retailers in lieu of *local or regional unique or start-up*



1 retailers, thereby decreasing the diversity of merchandise available to residents and visitors  
2 and the diversity of purveyors of merchandise.

3 (10) If, in the future, neighborhoods determine that the needs of their  
4 Neighborhood Commercial Districts are better served by eliminating the notice requirements  
5 for proposed formula retail uses, by converting formula retail uses into conditional uses in their  
6 district, or by prohibiting formula retail uses in their district, they can propose legislation to do  
7 so.

8 (11) Formula retailers are establishments with multiple locations and standardized features  
9 or a recognizable appearance. Recognition is dependent upon the repetition of the same  
10 characteristics of one store in multiple locations. The sameness of formula retailers outlets, while  
11 providing clear branding for consumers, counters the general direction of certain land use controls and  
12 General Plan Policies which value unique community character and therefore need controls, in certain  
13 areas, to maintain neighborhood individuality.

14 (12) According to an average of ten studies done by the firm Civic Economics and published  
15 by the American Independent Business Alliance in October of 2012, spending by independent retailers  
16 generated 3.7 times more direct local spending than that of formula retail chains.

17 (13) According to a 2014 Study by the San Francisco Office of Economic Analysis (OEA)  
18 report "Expanding Formula Retail Controls: Economic Impact Report" formula retail controls may  
19 have an effect on the City's economy, through their effect on the City's neighborhoods.

20 (14) The OEA Report found that in general, chain stores charge lower prices and provide  
21 affordable goods, but may spend less within the local economy, and can be unpopular with some  
22 residents because they can be seen to diminish the character of the neighborhood. At the same time,  
23 this OEA Report found that excessively limiting chain stores can reduce commercial rents and raise  
24 vacancy rates.

1        (15) Through a 2014 study commissioned by the Planning Department, titled "San Francisco  
2        Formula Retail Economic Analysis," staff and consultants conducted one on one interviews and  
3        worked with small groups including independent retailers, small business owners, merchants  
4        associations, formula retailers, commercial brokers, neighborhood representatives and other  
5        stakeholders. The Study found that landlords often perceive a benefit in renting to large established  
6        chains, which landlords believe typically have better credit and can sign longer leases than local,  
7        independent retailers, lowering the risk that the tenant will be unable to pay its rent. The existing land  
8        use controls for formula retail create a disincentive for formula retailers to locate where those controls  
9        on formula retail uses apply.

10  
11        (b) **Formula Retail Use.** Formula retail use is hereby defined in Section 303(i), as a  
12        type of retail sales activity or retail sales establishment which, along with eleven or more other retail  
13        sales establishments located, maintains two or more of the following features: a standardized array of  
14        merchandise, a standardized facade, a standardized decor and color scheme, a uniform apparel,  
15        standardized signage, a trademark or a servicemark.

16        —— (1) Standardized array of merchandise shall be defined as 50% or more of in-stock  
17        merchandise from a single distributor bearing uniform markings.

18        —— (2) Trademark shall be defined as a word, phrase, symbol or design, or a combination  
19        of words, phrases, symbols or designs that identifies and distinguishes the source of the goods from one  
20        party from those of others.

21        —— (3) Servicemark shall be defined as word, phrase, symbol or design, or a combination  
22        of words, phrases, symbols or designs that identifies and distinguishes the source of a service from one  
23        party from those of others.

24        —— (4) Decor shall be defined as the style of interior finishings, which may include but is  
25        not limited to, style of furniture, wallcoverings or permanent fixtures.

1       ~~(5) Color Scheme shall be defined as selection of colors used throughout, such as on~~  
2 ~~the furnishings, permanent fixtures, and wallcoverings, or as used on the facade.~~

3       ~~(6) Facade shall be defined as the face or front of a building, including awnings,~~  
4 ~~looking onto a street or an open space.~~

5       ~~(7) Uniform Apparel shall be defined as standardized items of clothing including but~~  
6 ~~not limited to standardized aprons, pants, shirts, smocks or dresses, hat, and pins (other than name~~  
7 ~~tags) as well as standardized colors of clothing.~~

8       ~~(8) Signage shall be defined as business sign pursuant to Section 602.3 of the Planning~~  
9 ~~Code.~~

10       (c) **"Retail Sales Activity or Retail Sales Establishment"** shall include the uses  
11 defined in Section 303(i)(2) of this Code.

12       (d) **Formula Retail Uses Permitted.** Any use permitted in certain districts defined in  
13 Section 303 (i)(5)(A), which is also a "formula retail use" as defined in this Section, is hereby  
14 permitted.

15       (e) **Formula Retail Use Prohibited.** Notwithstanding subsection (d), certain districts  
16 may prohibit formula retail uses or a subset of formula retail uses as described in Section 303  
17 (i)(5).

18       (f) **Conditional Uses.** Notwithstanding subsections (d) or (e), a Conditional Use  
19 Authorization shall be required for a formula retail use in the zoning districts listed in Section  
20 303 (i)(4), unless explicitly exempted. Additional criteria to be used by the Planning  
21 Commission when considering granting conditional use permits to formula retail uses in these  
22 districts are listed in Section 303(i).

23       (g) **Neighborhood Commercial Notification and Design Review.** After the  
24 effective date of this Ordinance, any building permit application for a use permitted in a  
25 Neighborhood Commercial District which is also a "formula retail use" as defined in this

1 section shall be subject to the Neighborhood ~~Commercial~~ Notification and Design Review  
2 Procedures of Section ~~312-303(i)(6)~~ of this Code.

3 ~~(h) Discretionary Review Guidelines. The Planning Commission shall develop and adopt~~  
4 ~~guidelines which it shall employ when considering any request for discretionary review made pursuant~~  
5 ~~to this Section. These guidelines shall include but are not limited to consideration of the following~~  
6 ~~factors:~~

7 ~~—(1) Existing concentrations of formula retail uses within the Neighborhood Commercial~~  
8 ~~District.~~

9 ~~—(2) Availability of other similar retail uses within the Neighborhood Commercial District.~~

10 ~~—(3) Compatibility of the proposed formula retail use with the existing architectural and~~  
11 ~~aesthetic character of the Neighborhood Commercial District.~~

12 ~~—(4) Existing retail vacancy rates within the Neighborhood Commercial District.~~

13 ~~—(5) Existing mix of Citywide-serving retail uses and neighborhood-serving retail uses~~  
14 ~~within the Neighborhood Commercial District.~~

15 ~~(h) (i) Determination of Formula Retail Use. Section 303(i) establishes the process~~  
16 ~~for correcting omissions within~~ After the effective date of this Ordinance, in those areas in which  
17 "formula retail uses" are prohibited, any building permit application determined by the City to be  
18 for a "formula retail use" that does not identify the use as a "formula retail use," ~~is incomplete~~  
19 ~~and cannot be processed until the omission is corrected. Any building permit approved after the~~  
20 ~~effective date of this Ordinance that is determined by the City to have been, at the time of application,~~  
21 ~~for a "formula retail use" that did not identify the use as a "formula retail use" is subject to revocation~~  
22 ~~at any time.~~

23 ~~—After the effective date of this Ordinance, in those areas in which "formula retail uses" are~~  
24 ~~subject to the Neighborhood Commercial Notification and Design Review provisions of subsection (g),~~  
25 ~~any building permit application determined by the City to be for a "formula retail use" that does not~~

1 identify the use as a "formula retail use" is incomplete and cannot be processed until the omission is  
2 corrected. After the effective date of this Ordinance, any building permit approved that is determined  
3 by the City to be for a "formula retail use" that does not identify the use as a "formula retail use" must  
4 complete the Neighborhood Commercial Notification and Design Review required in subsection (g).

5 ~~—If the City determines that a building permit application or building permit subject to this~~  
6 ~~Section of the Code is for a "formula retail use," the building permit applicant or holder bears the~~  
7 ~~burden of proving to the City that the proposed or existing use is not a "formula retail use."~~

8  
9 Section 4. The Planning Code is hereby amended by revising Section 803.6 to read  
10 as follows:

11 (a) **Findings.** The findings for Formula Retail controls are set forth in Section 703.3(a).

12 ~~—(1) San Francisco is a city of diverse and distinct neighborhoods identified in large part by~~  
13 ~~the character of their commercial areas.~~

14 ~~—(2) San Francisco needs to protect its vibrant small business sector and create a~~  
15 ~~supportive environment for new small business innovations. One of the eight Priority Policies of the~~  
16 ~~City's General Plan resolves that "existing neighborhood serving retail uses be preserved and~~  
17 ~~enhanced and future opportunities for resident employment in and ownership of such businesses~~  
18 ~~enhances."~~

19 ~~—(3) Retail uses are the land uses most critical to the success of the City's commercial~~  
20 ~~districts.~~

21 ~~—(4) Formula retail businesses are increasing in number in San Francisco, as they are in~~  
22 ~~cities and towns across the country.~~

23 ~~—(5) Money earned by independent businesses is more likely to circulate within the local~~  
24 ~~neighborhood and City economy than the money earned by formula retail businesses which often have~~  
25 ~~corporate offices and vendors located outside of San Francisco.~~

1       —(6) ~~Formula retail businesses can have a competitive advantage over independent~~  
2 ~~operators because they are typically better capitalized and can absorb larger startup costs, pay more~~  
3 ~~for lease space, and commit to longer lease contracts. This can put pressure on existing businesses and~~  
4 ~~potentially price out new startup independent businesses.~~

5       —(7) ~~San Francisco is one of a very few major urban centers in the State in which housing,~~  
6 ~~shops, work places, schools, parks and civic facilities intimately co-exist to create strong identifiable~~  
7 ~~neighborhoods. The neighborhood streets invite walking and bicycling and the City's mix of~~  
8 ~~architecture contributes to a strong sense of neighborhood community within the larger City~~  
9 ~~community.~~

10       —(8) ~~Notwithstanding the marketability of a retailer's goods or services or the visual~~  
11 ~~attractiveness of the storefront, the standardized architecture, color schemes, decor and signage of~~  
12 ~~many formula retail businesses can detract from the distinctive character of certain Neighborhood~~  
13 ~~Commercial Districts.~~

14       —(9) ~~The increase of formula retail businesses in the City's neighborhood commercial areas,~~  
15 ~~if not monitored and regulated, will hamper the City's goal of a diverse retail base with distinct~~  
16 ~~neighborhood retailing personalities comprised of a mix of businesses. Specifically, the unregulated~~  
17 ~~and unmonitored establishment of additional formula retail uses may unduly limit or eliminate business~~  
18 ~~establishment opportunities for smaller or medium-sized businesses, many of which tend to be non-~~  
19 ~~traditional or unique, and unduly skew the mix of businesses towards national retailers in lieu of local~~  
20 ~~or regional retailers, thereby decreasing the diversity of merchandise available to residents and~~  
21 ~~visitors and the diversity of purveyors of merchandise.~~

22       —(10) ~~If, in the future, neighborhoods determine that the needs of their Neighborhood~~  
23 ~~Commercial Districts are better served by eliminating the notice requirements for proposed formula~~  
24 ~~retail uses, by converting formula retail uses into conditional uses in their district, or by prohibiting~~  
25 ~~formula retail uses in their district, they can propose legislation to do so.~~

1           **(b) Formula Retail Uses.**

2           **(1) Formula Retail Uses Permitted as a Conditional Use.** Formula retail uses  
3 ~~*within Article 8 districts require Conditional Use Authorization as described within Section 303(i). are*~~  
4 ~~*permitted in the MUG District, UMU District, Western SoMA Special Use District, the Chinatown*~~  
5 ~~*Community Business District and the Chinatown Residential Neighborhood Commercial District only*~~  
6 ~~*as a conditional use. When considering an application for a conditional use permit under this Section,*~~  
7 ~~*the Planning Commission shall consider the criteria defined in Section 303(i) of this Code.*~~

8           **(2) Formula Retail Uses Prohibited.** The establishment of new formula retail  
9 uses ~~*within Article 8 districts is prohibited as described within Section 303(i). in the Chinatown Visitor*~~  
10 ~~*Retail District is prohibited. The establishment of new Restaurant or Limited Restaurant uses that are*~~  
11 ~~*also defined as formula retail in any Chinatown Mixed Use Districts is prohibited.*~~

12           **(c) Formula Retail Use Defined.** Formula retail use is hereby defined in Section  
13 ~~*303(i). as a type of retail sales activity or retail sales establishment which, along with eleven or more*~~  
14 ~~*other retail sales establishments located in the United States, maintains two or more of the following*~~  
15 ~~*features: a standardized array of merchandise, a standardized façade, a standardized décor and color*~~  
16 ~~*scheme, a uniform apparel, standardized signage, a trademark or a servicemark.*~~

17           ~~*—— (1) Standardized array of merchandise shall be defined as 50% or more of in stock*~~  
18 ~~*merchandise from a single distributor bearing uniform markings.*~~

19           ~~*—— (2) Trademark shall be defined as a word, phrase, symbol or design, or a combination*~~  
20 ~~*of words, phrases, symbols or designs that identifies and distinguishes the source of the goods from one*~~  
21 ~~*party from those of others.*~~

22           ~~*—— (3) Servicemark shall be defined as word, phrase, symbol or design, or a combination*~~  
23 ~~*of words, phrases, symbols or designs that identifies and distinguishes the source of a service from one*~~  
24 ~~*party from those of others.*~~

1       ~~(4) Decor shall be defined as the style of interior finishings, which may include but is~~  
2 ~~not limited to, style of furniture, wallcoverings or permanent fixtures.~~

3       ~~(5) Color Scheme shall be defined as selection of colors used throughout, such as on~~  
4 ~~the furnishings, permanent fixtures, and wallcoverings, or as used on the facade.~~

5       ~~(6) Facade shall be defined as the face or front of a building, including awnings,~~  
6 ~~looking onto a street or an open space.~~

7       ~~(7) Uniform Apparel shall be defined as standardized items of clothing including but~~  
8 ~~not limited to standardized aprons, pants, shirts, smocks or dresses, hat, and pins (other than name~~  
9 ~~tags) as well as standardized colors of clothing.~~

10       ~~(8) Signage shall be defined as business sign pursuant to Section 602.3 of the Planning~~  
11 ~~Code.~~

12       ~~(9) "Retail Sales Activity or Retail Sales Establishment" shall include the uses defined~~  
13 ~~in Section 303(i)(2).~~

14  
15       **(d) Determination of Formula Retail Use.** Section 303(i) establishes the process for  
16 correcting omissions on any building permit application determined by the City to be a "formula retail  
17 use" that does not identify the use as a "formula retail use." If the City determines that a building  
18 permit application or building permit subject to this section of the Code is for a "formula retail use,"  
19 the building permit applicant or holder bears the burden of proving to the City that the proposed or  
20 existing use is not a "formula retail use."

21  
22       ~~(e) Permit Application Processing. After the effective date of this ordinance, any building~~  
23 ~~permit application determined by the City to be for a "formula retail use" that does not identify the use~~  
24 ~~as a "formula retail use" is incomplete and cannot be processed until the omission is corrected.~~



Section 5. The Planning Code is amended by revising Section 350(g), to read as follows:

Section 350. Fees, General

\*\*\*\*

(g) Fee Adjustments.

(1) The Controller will annually adjust the fee amounts specified in Sections 350-358~~359~~ by the two-year average consumer price index (CPI) change for the San Francisco/San Jose Primary Metropolitan Statistical Area (PMSA). For a listing of the Department's current fees inclusive of annual indexing for inflation, reference the Schedule of Application Fees available on the Department website.

Section 6. The Planning Code is amended by adding new Section 359, to read as follows:

Sec. 359. Economic Impact Study for Large Scale Retail Use.

The fee to review an economic impact study, as required by Section 303(j)(5), shall be \$3,500.00, plus any additional time and materials as set forth in Section 350(c).

Sec. 360 Performance Review for Formula Retail Use.

The fee to provide performance review for formula retail uses as required by Section 303(i)(9), shall be the standard building permit fee, plus time and materials as set forth in Section 350(c).

Section 7. The Planning Code is amended by revising Section 209.8, to read as follows:

SEC. 209.8. COMMERCIAL ESTABLISHMENTS IN R DISTRICTS.

RH	RH	RH	RH	RH	RM	RM	RM	RM		RT	OR	CRC	
-1	-1	-1	-2	-3	-1	-2	-3	-4	RT	-M	-3	-4	
(D)	(S)												

(a) Except for massage establishments as noted in Section 218.1; retail, personal service or other commercial establishment is permitted as a principal use on the ground floor or below of a building if permitted as a principal use on the ground floor in an NC-3 District, unless otherwise specified in this Code.

(b) Except for massage establishments as noted in Section 218.1, retail, personal service or other commercial establishment is permitted as a conditional use on the ground floor or below of a building if permitted as a conditional use on the ground floor in an NC-3 District, unless otherwise specified in this Code.

(c) Except for massage establishments as noted in Section 218.1, retail, personal service or other commercial establishment is permitted as a conditional use above the ground floor of a building if permitted as a principal or conditional use on the ground floor in an NC-3 District, unless otherwise specified in this Code.

										C	C	(d) Formula Retail Use, as defined in Section <del>703.3(b)</del> 303(i) of this Code.
							P	P	P	P		(e) Any use meeting the standards and limitations set forth in Section 231: Limited Corner Commercial Uses in RTO Districts.
										C	C	(f) Non-residential use exceeding 6,000 gross square feet.
										P	P	(g) Liquor Store on the ground floor, as defined in Section 790.55 of this Code, unless otherwise specified in this Code.
												(h) Drive-up Facility, as defined in Section 790.30 of this Code.
										P	P	(i) Walk-up Facility, as defined in Section 790.140 of this Code, is permitted as a principle use on the ground floor if recessed 3 feet; requires a conditional use if not recessed.
										P	P	(j) Outdoor Activity Area, as defined in Section 790.70 of this Code, if in front; requires a conditional use if elsewhere.

Section 8. The Planning Code is amended by revising Section 218, to read as follows:

**SEC. 218. RETAIL SALES AND PERSONAL SERVICES.**

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C-2	C-3-O	C-3-O (SD)	C-3-R	C-3-G	C-3-S	C-M	M-1	M-2	PDR-1-G	PDR-1-D	PDR-1-B	PDR-2	
													<b>SEC. 218. RETAIL SALES AND PERSONAL SERVICES.</b>  The uses specified in this Section shall not include any use first specifically listed in a subsequent Section of this Code.  (a) Retail business or personal service establishment.
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												<p>*Subject to the limitations of Section <u>121.6</u> and 121.8.</p> <p><u># C for the establishment of new formula retail establishments, as described in Sec. 303(i), with frontage on Market Street between 6<sup>th</sup> Street and 12th Street.</u></p>

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Section 9. The Planning Code is amended by revising Section 219 to read as follows:





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(b) Professional and business offices, as defined in 890.70, larger than 5,000 gross square feet in size and offering on-site services to the general public.

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									P in desi g- nate d land mar k build - ings.	P in desi g- nate d land mar k build - ings.			
P	P	P	C#	P	P	P	P	P	NP, unle ss in a desi g- nate d land - mar k build	NP, unle ss in a desi g- nate d land - mar k build	P und er 5,00 0 gsf *#	P und er 5,00 0 gsf #	(c) Other professional and business offices, as defined in 890.70, above the ground floor. In the C-3-R District, in addition to the criteria set forth in Section 303, approval shall be given upon a determination that the use will not detract from the district's primary function as an area for comparison shopper retailing and direct consumer services.

[illegible]

[illegible]

1 Section 10. Effective Date. This ordinance shall become effective 30 days after  
2 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the  
3 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board  
4 of Supervisors overrides the Mayor's veto of the ordinance.

5 Section 11. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors  
6 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,  
7 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal  
8 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment  
9 additions, and Board amendment deletions in accordance with the "Note" that appears under  
10 the official title of the ordinance.

11  
12 APPROVED AS TO FORM:  
13 DENNIS J. HERRERA, City Attorney

14 By:

  
15 ANDREA RUIZ ESQUIDE  
Deputy City Attorney

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BOARD of SUPERVISORS



City Hall  
Dr. Carlton B. Goodlett Place, Room 244  
San Francisco 94102-4689  
Tel. No. 554-5184  
Fax No. 554-5163  
TDD/TTY No. 554-5227

August 19, 2014

File No. 140844

Sarah Jones  
Environmental Review Officer  
Planning Department  
1650 Mission Street, 4<sup>th</sup> Floor  
San Francisco, CA 94103

Dear Ms. Jones:

On July 29, 2014, the Planning Commission introduced the following legislation:

**File No. 140844**

**Ordinance amending the Planning Code to amend the definition of Formula Retail to include businesses that have 19 or more outlets worldwide; expand the applicability of Formula Retail controls to other types of uses; require Conditional Use authorization for Formula Retail establishments in the C-3-G district with facades facing Market Street, between 6th Street and the intersection of Market Street, 12th Street and Franklin Street; delete the requirement for Conditional Use authorization when a Formula Retail establishment changes operator but remains the same size and use category; define intensification and abandonment for Formula Retail uses; require Formula Retail uses to comply with performance guidelines; amend the Conditional Use criteria for Large-Scale Retail Uses except for General and Specialty Grocery stores, to require an economic impact study and establish new fees for said study; amend Neighborhood Commercial Districts that required Conditional Use for Financial and Limited Financial Services to principally permit Financial and Limited Financial Services; delete the Conditional Use requirement for Walk-Up Facilities that are not set back 3 feet; and adopting**

findings, including environmental findings, Planning Code, Section 302 findings, and findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

This legislation is being transmitted to you for environmental review.

Angela Calvillo, Clerk of the Board



By: Andrea Ausberry, Assistant Clerk  
Land Use & Economic Development Committee

Attachment

c: Joy Navarrete, Environmental Planning  
Jeanie Poling, Environmental Planning

Not defined as a project under CEQA Sections 15301.8 and 15060(c)(2) because it does not result in a physical change in the environment.

Joy  
Navarrete

Digitally signed by Joy Navarrete  
DN: cn=Joy Navarrete, o=Planning,  
ou=Environmental Planning,  
email=joy.navarrete@sfgov.org,  
c=US  
Date: 2014.09.09 14:48:10 -07'00'



BOARD of SUPERVISORS



City Hall  
Dr. Carlton B. Goodlett Place, Room 244  
San Francisco 94102-4689  
Tel. No. 554-5184  
Fax No. 554-5163  
TDD/TTY No. 554-5227

## MEMORANDUM

TO: Regina Dick-Endrizzi, Director  
Small Business Commission, City Hall, Room 448

FROM: Andrea Ausberry, Assistant Clerk, Land Use and Economic Development  
Committee, Board of Supervisors

DATE: August 19, 2014

SUBJECT: REFERRAL FROM BOARD OF SUPERVISORS  
Land Use and Economic Development Committee

The Board of Supervisors' Land Use and Economic Development Committee has received the following legislation, which is being referred to the Small Business Commission for comment and recommendation. The Commission may provide any response it deems appropriate within 12 days from the date of this referral.

**File No. 140844**

**Ordinance amending the Planning Code to amend the definition of Formula Retail to include businesses that have 19 or more outlets worldwide;**

**expand the applicability of Formula Retail controls to other types of uses;**

**require Conditional Use authorization for Formula Retail establishments in the C-3-G district with facades facing Market Street, between 6th Street and the intersection of Market Street, 12th Street and Franklin Street; delete the requirement for Conditional Use authorization when a Formula Retail establishment changes operator but remains the same size and use category; define intensification and abandonment for Formula Retail uses; require Formula Retail uses to comply with performance guidelines; amend the Conditional Use criteria for Large-Scale Retail Uses except for General and Specialty Grocery stores, to require an economic impact study and establish new fees for said study, amend Neighborhood Commercial**

**Districts that required Conditional Use for Financial and Limited Financial Services to principally permit Financial and Limited Financial Services; delete the Conditional Use requirement for Walk-Up Facilities that are not set back 3 feet; and adopting findings, including environmental findings, Planning Code, Section 302 findings, and findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.**

Please return this cover sheet with the Commission's response to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

\*\*\*\*\*

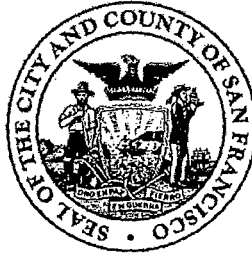
**RESPONSE FROM SMALL BUSINESS COMMISSION - Date: \_\_\_\_\_**

☐ **No Comment**

☐ **Recommendation Attached**

\_\_\_\_\_  
**Chairperson, Small Business Commission**

BOARD of SUPERVISORS



City Hall  
Dr. Carlton B. Goodlett Place, Room 244  
San Francisco 94102-4689  
Tel. No. 554-5184  
Fax No. 554-5163  
TDD/TTY No. 554-5227

August 19, 2014

**File No. 140844**

Sarah Jones  
Environmental Review Officer  
Planning Department  
1650 Mission Street, 4<sup>th</sup> Floor  
San Francisco, CA 94103

Dear Ms. Jones:

On July 29, 2014, the Planning Commission introduced the following legislation:

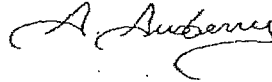
**File No. 140844**

**Ordinance amending the Planning Code to amend the definition of Formula Retail to include businesses that have 19 or more outlets worldwide; expand the applicability of Formula Retail controls to other types of uses; require Conditional Use authorization for Formula Retail establishments in the C-3-G district with facades facing Market Street, between 6th Street and the intersection of Market Street, 12th Street and Franklin Street; delete the requirement for Conditional Use authorization when a Formula Retail establishment changes operator but remains the same size and use category; define intensification and abandonment for Formula Retail uses; require Formula Retail uses to comply with performance guidelines; amend the Conditional Use criteria for Large-Scale Retail Uses except for General and Specialty Grocery stores, to require an economic impact study and establish new fees for said study; amend Neighborhood Commercial Districts that required Conditional Use for Financial and Limited Financial Services to principally permit Financial and Limited Financial Services; delete the Conditional Use requirement for Walk-Up Facilities that are not set back 3 feet; and adopting**

**findings, including environmental findings, Planning Code, Section 302 findings, and findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.**

This legislation is being transmitted to you for environmental review.

Angela Calvillo, Clerk of the Board



By: Andrea Ausberry, Assistant Clerk  
Land Use & Economic Development Committee

Attachment

c: Joy Navarrete, Environmental Planning  
Jeanie Poling, Environmental Planning

**BOARD of SUPERVISORS**



City Hall  
Dr. Carlton B. Goodlett Place, Room 244  
San Francisco 94102-4689  
Tel. No. 554-5184  
Fax No. 554-5163  
TDD/TTY No. 554-5227

August 19, 2014

Planning Commission  
Attn: Jonas Ionin  
1650 Mission Street, Ste. 400  
San Francisco, CA 94103

Dear Commissioners:

On July 29, 2014, the Planning Commission introduced the following legislation:

**File No. 140844**

**Ordinance amending the Planning Code to amend the definition of Formula Retail to include businesses that have 19 or more outlets worldwide; expand the applicability of Formula Retail controls to other types of uses; require Conditional Use authorization for Formula Retail establishments in the C-3-G district with facades facing Market Street, between 6th Street and the intersection of Market Street, 12th Street and Franklin Street; delete the requirement for Conditional Use authorization when a Formula Retail establishment changes operator but remains the same size and use category; define intensification and abandonment for Formula Retail uses; require Formula Retail uses to comply with performance guidelines; amend the Conditional Use criteria for Large-Scale Retail Uses except for General and Specialty Grocery stores, to require an economic impact study and establish new fees for said study; amend Neighborhood Commercial Districts that required Conditional Use for Financial and Limited Financial Services to principally permit Financial and Limited Financial Services; delete the Conditional Use requirement for Walk-Up Facilities that are not set back 3 feet; and adopting findings, including environmental findings, Planning Code, Section 302 findings,**

**and findings of consistency with the General Plan, and the eight priority policies  
of Planning Code, Section 101.1.**

The proposed ordinance is being transmitted pursuant to Planning Code Section 302(b) for public hearing and recommendation. The ordinance is pending before the Land Use and Economic Development Committee and will be scheduled for hearing upon receipt of your response.

Angela Calvillo, Clerk of the Board



By: Andrea Ausberry, Assistant Clerk  
Land Use and Economic Development Committee

- c: John Rahaim, Director of Planning  
Aaron Starr, Acting Manager of Legislative Affairs  
AnMarie Rodgers, Senior Policy Manager  
Scott Sanchez, Zoning Administrator  
Sarah Jones, Chief, Major Environmental Analysis  
Jeanie Poling, Environmental Planning  
Joy Navarrete, Environmental Planning

BOARD of SUPERVISORS



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San Francisco 94102-4689  
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TDD/TTY No. 554-5227

## MEMORANDUM

TO: Tiffany Bohee, Executive Director, Office of Community Investment and Infrastructure  
Ted Egan, Chief Economist, Office of Economic Analysis

FROM: Andrea Ausberry, Assistant Clerk, Land Use and Economic Development Committee, Board of Supervisors

DATE: August 19, 2014

SUBJECT: LEGISLATION INTRODUCED

---

The Board of Supervisors' Land Use and Economic Development Committee has received the following proposed legislation, introduced by the Planning Commission on July 29, 2014:

**File No. 140844**

**Ordinance amending the Planning Code to amend the definition of Formula Retail to include businesses that have 19 or more outlets worldwide; expand the applicability of Formula Retail controls to other types of uses; require Conditional Use authorization for Formula Retail establishments in the C-3-G district with facades facing Market Street, between 6th Street and the intersection of Market Street, 12th Street and Franklin Street; delete the requirement for Conditional Use authorization when a Formula Retail establishment changes operator but remains the same size and use category; define intensification and abandonment for Formula Retail uses; require Formula Retail uses to comply with performance guidelines; amend the Conditional Use criteria for Large-Scale Retail Uses except for General and Specialty Grocery stores, to require an economic impact study and establish new fees for said study; amend Neighborhood Commercial Districts that required Conditional Use for Financial and Limited Financial Services to principally permit Financial and Limited Financial Services; delete the Conditional Use requirement for Walk-Up Facilities that are not set back 3 feet; and adopting**

**findings, including environmental findings, Planning Code, Section 302 findings, and findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.**

If you have any additional comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c:   Natasha Jones, Commission of Community Investment and Infrastructure  
      Jay Liao, Office of Economic Analysis  
      Asim Khan, Office of Economic Analysis



October 3, 2014

Land Use and Economic Development Committee  
Board of Supervisors  
City Hall  
1 Dr. Carleton B. Goodlett Place  
San Francisco, CA 94102

**Re: Proposed Changes to Formula Retail Controls, File Numbers 140844 and 130788**

Dear Supervisors,

The Hayes Valley Neighborhood Association (HVNA) and the Hayes Valley Merchants Association (HVMA) have participated in the proposal and review process of the proposed changes to formula retail controls in San Francisco. Formula retail as presently defined in the Planning Code is not allowed in Hayes Valley (the Hayes / Gough NTCD). This is the result of years of advocacy by the HVNA and HVMA to encourage small businesses and entrepreneurs in Hayes Valley and to preserve the neighborhood's unique commercial attractiveness to visitors and residents alike.

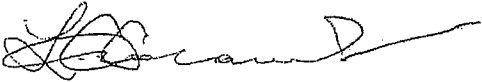
We believe the will of San Francisco's voters as expressed through Proposition G in 2006 is best represented by the adoption of Supervisor Mar's legislation, (Board File No. 130788) to revise formula retail controls in San Francisco and urge the Board to adopt it in its entirety at the Committee meeting of 10/6/14.

The HVNA and HVMA offer the following comments in support of Supervisor Mar's legislation (Board File No.: 130788) and in opposition to the Planning Department's legislation (Board file No. 140844):

- We remain opposed to expanding the maximum number of retail establishments from 11 to 20, an 81% arbitrary increase.
- We strongly urge the inclusion of parent and subsidiary companies in the definition of formula retail.
- We oppose reducing the CU review process in the case of replacing one-for-one retail.
- We believe that any revised changes to formula retail controls should explicitly maintain existing restrictions on formula retail in neighborhoods with pre-existing bans, such as Hayes Valley (the Hayes / Gough NTCD).

Thank you for your consideration.

Sincerely,



Lawrence Cronander  
Vice-President, Hayes Valley Neighborhood Association  
Chair, Business Relations Committee  
1800 Market Street, PMB 104  
San Francisco, CA 94102  
415.552.8950  
[vicepresident@hayesvalleysf.org](mailto:vicepresident@hayesvalleysf.org)

cc: Andrea Ausberry  
Conor Johnston





SMALL BUSINESS COMMISSION  
OFFICE OF SMALL BUSINESS



CITY AND COUNTY OF SAN FRANCISCO  
EDWIN M. LEE, MAYOR

June 30, 2014

President Cindy Wu  
San Francisco Planning Commission  
1650 Mission Street, Suite 400  
San Francisco, CA 94103-2414

**Subj: File No. TBD [Planning Code - Formula Retail and Large-Scale Retail Controls]**

Small Business Commission Recommendation: **Approval**

Dear President Wu:

At its meeting of June 9, 2014, the Small Business Commission heard a proposal from the Planning Department regarding legislation under consideration but not yet introduced at the Board of Supervisors (BOS). Thus, no file number is available. The legislation's title is "Planning Code – Formula Retail and Large-Scale Retail Controls." The Commission moved to recommend approval of the legislation at the aforementioned meeting.

The Small Business Commission applauded the Planning Department's efforts in undertaking a San Francisco Formula Retail Analysis ("Analysis"), which informed the recommendations in the legislation. The Commission recognized the Analysis as the first thorough quantitative and qualitative assessment of the state of formula retail (FR) and the effectiveness of existing regulations since BOS adoption of formula retail controls in 2004 and voter passage of Proposition G in 2006. The Analysis helped to dispel misinformation related to various aspects of formula retail operations, and enabled the Planning Department to recommend changes that will make the review process more sensible while continuing to preserve the character of neighborhood commercial corridors.

Findings in the Analysis led to specific provisions in the legislation that will be favorable to small businesses:

- Expand the application of FR controls to more business types (business/professional/limited financial/fringe financial services) and to those entities with an established international presence.
- Include stores located anywhere in the world when counting existing locations.
- Provide greater Planning Department and Planning Commission control of façade and signage design (Performance Review Standards), both important community concerns related to FR uses.
- Create an expedited review process for same-use changes in formula retailers that a neighborhood supports.
- Introduce a definite ¼-mile radius to the evaluation criteria for granting a conditional use authorization, while leaving concentration determinations to be decided at the neighborhood level.
- Require an Economic Impact Study for large-scale retail uses to better assess their impacts on the surrounding community and city as a whole.

SUBJ: FILE NO. TBD [PLANNING CODE - FORMULA RETAIL AND LARGE-SCALE RETAIL CONTROLS] (6/30/2014)

The Analysis even helped the Commission support an increase to a threshold of 20 locations from 12 locations. The finding that only 5% of FR establishments in the city have fewer than 20 total locations, combined with the expansion to new use categories, meant that on balance *more* formula retailers would be subject to controls, not fewer. The impact of the adjustment is expected to be minimal, with 95% of formula retail applications still subject to review under provisions in the legislation. Regarding subsidiaries, the Analysis demonstrated how the Planning Department would struggle with regulation of subsidiaries owned by formula retailers, and that the matter should be studied further before developing a policy proposal.

The Commission's determination to support this legislation reflected that, on balance, the legislation should benefit small businesses given its sensible improvements to formula retail controls. Thank you for considering the Commission's recommendation on this legislation. Please feel free to contact me should you have any questions.

Sincerely,



Regina Dick-Endrizzi  
Director, Office of Small Business

cc: Board of Supervisors  
Jason Elliot, Mayor's Office  
Aaron Starr, Planning Department  
Kanishka Burns, Planning Department  
AnMarie Rodgers, Planning Department

**Burns, Kanishka (CPC)**

---

**Subject:** FW: formula retail written agreements with neighborhood organizations

**From:** Ocean Avenue CBD [<mailto:info.oacbd@gmail.com>]  
**Sent:** Friday, June 20, 2014 6:26 PM  
**To:** Rodgers, AnMarie (CPC)  
**Subject:** Re: formula retail written agreements with neighborhood organizations

While transparency (windows) and signage are important, from my perspective of trying to establish a relationship with a giant retail chain that will involve our part of that chain in the affairs of the community, this does not really help much. These new regulations should help neighborhoods in establishing rules of relationship and engagement with large corporations. If a chain has a regular manager, that manager usually has to ask someone higher up to approve virtually anything. Another answer to a request is that no funding is available for anything having to do with community things. For example, I have been advised that the Target foundation only gives funding to projects in Minneapolis. Apparently they do fund things like the Yerba Buena Family Day, or a big piece of it. But those details are not readily available to try and establish a relationship because there are no records. From my research, the relationship between public sector and the profit focused private businesses is not defined well in most San Francisco neighborhoods, and not defined at all in regards to the CU process. Many chain stores do not offer any way to communicate with them without the intervention of City Hall. At some places like 24 Hour Fitness, if you ask to speak to a manager, they say no manager is available. When you ask for a call back, it never happens. Dan

Daniel Weaver  
Executive Director  
Ocean Avenue Association  
t: 650-273-6223  
e: [info.oacbd@gmail.com](mailto:info.oacbd@gmail.com)

On Fri, Jun 20, 2014 at 2:28 PM, Rodgers, AnMarie (CPC) <[anmarie.rodgers@sfgov.org](mailto:anmarie.rodgers@sfgov.org)> wrote:

Ahh, thanks for clarifying. Would you like to meet or have a phone conversation about the proposal? Pasted below is a brief summary. We're in the process of reviewing public comment on the proposal below for potential revisions and would like your input if possible. Here's a link to further info too: <http://commissions.sfplanning.org/cpcpackets/2013.0936T.pdf>

To help us get it right, community input and thorough research has guided the establishment of our four primary recommendations: Adjust the Definition, Establish Performance Standards, Reduced Process and Super Stores:

1. **Adjust the definition of formula retail.** We would overall strengthen the definition of "formula retail" by counting international locations and entitled but not yet built locations toward the new maximum of 20 retail establishments. We would also add new use categories to the definition to capture brands that are

not currently considered formula retail. This will enable smaller businesses room to grow while allowing for appropriate regulation of larger international brands and those that are more rapidly expanding with multiple un-built sites. We would also expand the controls of formula retail to Mid-Market, an area that calls for careful consideration during this period of rapid change and growth.

2. We recommend that **performance standards** be established for the Commission's review. In terms of aesthetics, we'll add pedestrian-friendly requirements, minimized signage and increased transparency.
3. **Reduced process when appropriate.** For sites that have previously been approved as formula retail, review would be centered on the aesthetic standards. If no objection is made after public notice, complying with the performance standards would signal the end of review. However, if a request has been made for further consideration, a full hearing before the commission would be scheduled.
4. Larger stores (over 50,000 in most districts and 120,000 downtown) would need to complete an **economic impact study** to inform the City of potential changes to tax revenue, employment levels, costs of public services needed by employees, and an examination of whether local spending would increase or decrease.

**AnMarie Rodgers**  
**Senior Policy Advisor**

Planning Department | City and County of San Francisco  
1650 Mission Street, Suite 400, San Francisco, CA 94103  
Direct: 415.558.6395 | Fax: 415.558.6409

Email: [anmarie@sfgov.org](mailto:anmarie@sfgov.org)

Web: <http://www.sf-planning.org/Legislative.Affairs>

Property Info Map: <http://propertymap.sfplanning.org/>



---

**From:** Ocean Avenue Association [<mailto:info.oacbd@gmail.com>]  
**Sent:** Friday, June 20, 2014 2:06 PM

**To:** Rodgers, AnMarie (CPC)  
**Cc:** Burns, Kanishka (CPC)  
**Subject:** Re: formula retail written agreements with neighborhood organizations

I was not at the 2nd meeting when new proposal was introduced. And no I do not understand what the changes are in the new version. Dan

Sent from my iPhone

On Jun 20, 2014, at 12:00 PM, "Rodgers, AnMarie (CPC)" <[anmarie.rodgers@sfgov.org](mailto:anmarie.rodgers@sfgov.org)> wrote:

Hi Dan,

Were you able to attend our stakeholder meeting where we described the proposal? Do you as ED of Ocean Ave understand the proposal? Let us know if you have questions or need information. I'd like to get your opinion.

Thanks,

**AnMarie Rodgers**  
**Senior Policy Advisor**

Planning Department | City and County of San Francisco  
1650 Mission Street, Suite 400, San Francisco, CA 94103  
Direct: 415.558.6395 | Fax: 415.558.6409

Email: [anmarie@sfgov.org](mailto:anmarie@sfgov.org)

Web: <http://www.sf-planning.org/Legislative.Affairs>

Property Info Map: <http://propertymap.sfplanning.org/>

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**From:** Ocean Avenue Association [<mailto:info.oacbd@gmail.com>]

**Sent:** Friday, June 20, 2014 11:54 AM

**To:** Rodgers, AnMarie (CPC)

**Cc:** Burns, Kanishka (CPC)

**Subject:** Re: formula retail written agreements with neighborhood organizations

People do not know about the proposed changes

Sent from my iPhone

On Jun 20, 2014, at 11:50 AM, "Rodgers, AnMarie (CPC)" <[anmarie.rodgers@sfgov.org](mailto:anmarie.rodgers@sfgov.org)> wrote:

Thanks for the note, Dan. Can you tell me, in general, what is the Ocean Ave reaction to the Commission's proposed changes to formula retail controls?

**AnMarie Rodgers**  
**Senior Policy Advisor**

Planning Department | City and County of San Francisco  
1650 Mission Street, Suite 400, San Francisco, CA 94103  
Direct: 415.558.6395 | Fax: [415.558.6409](tel:415.558.6409)

Email: [anmarie@sfgov.org](mailto:anmarie@sfgov.org)

Web: <http://www.sf-planning.org/Legislative.Affairs>

Property Info Map: <http://propertymap.sfplanning.org/>

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**From:** Ocean Avenue CBD [<mailto:info.oacbd@gmail.com>]

**Sent:** Thursday, June 19, 2014 7:19 PM

**To:** Burns, Kanishka (CPC); Rodgers, AnMarie (CPC)

**Subject:** Re: formula retail written agreements with neighborhood organizations

I reviewed Geary Blvd. and found nothing related to the community except that meetings were held. I assume there is no document relating to the Yerba Buena Target. Although I also found out that Target funds all or a big part of the YB CBD Family Day. Dan

Daniel Weaver

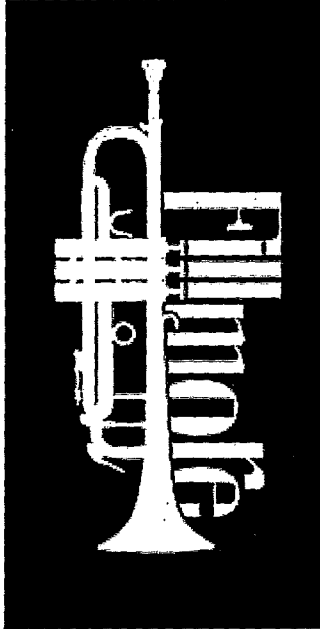
Executive Director

Ocean Avenue Association

t: [650-273-6223](tel:650-273-6223)

e: [info.oacbd@gmail.com](mailto:info.oacbd@gmail.com)





**FILLMORE  
MERCHANTS  
ASSOCIATION**

2184 Sutter Street #155  
San Francisco, CA 94115  
415.441.4093

*Dedicated to making the Fillmore a  
still better place to live and do business*

June 26, 2014

To the Planning Commission:

Re: Formula Retail

Your study conducted by Economic Analysts did an excellent job of identifying the issues created by the formula retail ordinance on Fillmore Street. While it is a no-brainer to add international stores, the proposed amendments to the Planning Code fail to address the issues the study identified on Fillmore Street in two important ways:

First, the proposed changes do not address the influx of fashion and cosmetics brands already sold in their own boutiques within department stores around the world, but just now opening stand-alone stores. If subsidiaries are not to be included, then some other way should be found to include these "stores within stores."

Second, the proposed changes do nothing to address the race the study identified by fashion and cosmetics brands to open on Fillmore before they "get to 11." Instead, by raising the number to 20 to accommodate a tiny fraction of businesses, the changes would encourage the race to continue to 20.

Sincerely,

**FILLMORE MERCHANTS ASSOCIATION**  
/s/ Thomas R. Reynolds, President

**From:** Stacy Mitchell  
**To:** Rodgers, AnMarie (CPC)  
**Subject:** formula business policy recommendation  
**Date:** Wednesday, May 28, 2014 12:18:29 PM

---

AnMarie,

Just wanted to say that I thought the department recommendations looked very solid. I'll be interested to see how this all plays out!

Very best,  
Stacy

+  
Stacy Mitchell  
Institute for Local Self-Reliance  
<http://www.ilsr.org>

Tel: 207-774-6792  
Twitter: <https://twitter.com/stacyfmitchell>

The Hometown Advantage Bulletin  
<http://bit.ly/hometown-advantage>

TEDx Talk: Why We Can't Shop Our Way to a Better Economy  
<http://www.ilsr.org/ted>

July 1, 2014

John Rahaim  
Director, San Francisco Planning Department  
City of San Francisco  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

**Re: Formula Retail in the C-2 / Fisherman's Wharf District**

Dear Mr. Rahaim:

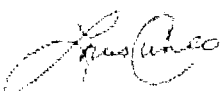
We understand that as part of the Planning Department's recent study on formula retail, extending formula retail controls into the Fisherman's Wharf District was considered but omitted from the final recommendations. We wanted to let you and your staff know that we were very grateful for this decision since our district is not advocating for this and is actually strongly opposed to creating these type of controls at the wharf.

With 6 large shopping centers that have their own parking garages/lots and half a dozen block long shopping centers, formula retail is essential to the mix of retail, restaurants and services offered at the wharf. We recently conducted our own survey of the district and learned that it contains only \*13% formula retail by current definitions which is less than the city average. The mix currently serves the 10 - 12 million annual visitors who often decide with their wallets what retail and restaurant establishments stay and go in this highly competitive neighborhood.

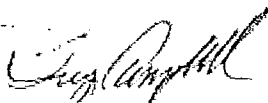
Just as Union Square has been carved out of formula retail controls, Fisherman's Wharf needs to be omitted from any future considerations. That said, we understand that standardized signage would help the overall aesthetics of our district which is why the FWCBD is convening a special committee to work with property owners, the Port of San Francisco and the Zoning Administrators Office on a comprehensive signage package for the district. In addition, we would also like to work on legislation to make Fisherman's Wharf a Special Use District to ensure that it remains a family friendly destination by banning adult entertainment and other businesses that could detract from Fisherman's Wharf standing as the #2 tourist destination in the State of California.

We look forward to continuing our collaboration with city staff and on behalf of the Fisherman's Wharf Community Benefit District (FWCBD), and its Board of Directors, thank you again for removing formula retail controls from your recent presentation to the City Planning Commission and for your continued support of Fisherman's Wharf.

Thank You,



Lou Cuneo  
President



Troy Campbell  
Executive Director

Cc: David Chiu, President of the Board Of Supervisors  
The San Francisco Planning Commission

**Burns, Kanishka (CPC)**

---

**From:** Carleton Hoffman <carletonhoffman@gmail.com>  
**Sent:** Sunday, July 06, 2014 6:51 PM  
**To:** Burns, Kanishka (CPC)  
**Cc:** Carleton Hoffman  
**Subject:** chain stores, Philz, Starbucks

hello,

i hope i have reached the right person.

i am regarding a quote in the SF Bay Guardian: "Right now, we would treat Philz the same way we treat Starbucks".

i want to encourage the Planning Department to do exactly that since my one experience with this place years ago left me with one disappointing cup of coffee containing cardamon i didn't ask for and i am sick and tired of all the publicity this place gets and its reputation as a trendy place to be seen. not only is the coffee not good but these places are increasing in number and, since apparently this guy wants to be as ubiquitous as Starbucks, the City should treat him as it does the huge international chain.

thank you for your attention.

Carleton Hoffman,

San Francisco



SMALL BUSINESS COMMISSION  
OFFICE OF SMALL BUSINESS



CITY AND COUNTY OF SAN FRANCISCO  
EDWIN M. LEE, MAYOR

May 14, 2014

Cindy Wu, President  
Planning Commission  
1650 Mission St., Suite 400  
San Francisco, CA 94103-2414

**Subj: Small Business Commission Response to Planning Department's "San Francisco Formula Retail Economic Analysis"**

Dear President Wu:

The Small Business Commission conducted detailed discussions of the Planning Department's "San Francisco Formula Retail Economic Analysis" at its regular meetings on April 28 and May 5, 2014, voting 7-0 on the latter date to adopt the recommendations contained herein. The Commission is grateful to have had the expert assistance of Planning Department staff Kanishka Burns and AnMarie Rodgers during the formula retail (FR) working groups held over several months while developing the Analysis as well as for the presentation by Ms. Burns at the Commission's April 28 meeting. With their guidance, the Commission reached consensus on many specific policy topics presented in the Analysis or otherwise known to be under consideration in the various pending legislative proposals to amend FR controls.

You are surely aware of the Commission's interest in formula retail regulations and their impacts on small businesses. It is from this position of great interest that the Commission offers its recommendations on many specific and a few general matters relating to potential amendments to FR controls. Wherever possible, the Commission has attempted to inform its recommendation with the quantitative and qualitative findings of the Formula Retail Economic Analysis. It is the Commission's belief that reforms to the controls will be most successful if based on data rather than preconceived notions or unsubstantiated claims. I thank you in advance for your serious consideration of the Small Business Commission's positions as communicated in this letter.

**SMALL BUSINESS COMMISSION RECOMMENDATIONS**

*Formula Retail Controls – Overall*

Generally, the Commission agreed that existing controls were functioning as designed and allowing for substantial community input into the decision making process of whether to grant a conditional use (CU) authorization. The relatively low prevalence of FR uses in most areas of the City when compared to national statistics is suggestive of the efficacy of the controls. Thus, the Commission perceived little need to dramatically reform existing FR controls at this time.

SMALL BUSINESS COMMISSION  
1 DR. CARLTON B. GOODLETT PLACE, ROOM 110  
SAN FRANCISCO, CA 94102  
415.554.6134 (PHONE)  
415.558.7844 (FAX)

**SMALL BUSINESS COMMISSIONERS:**

STEPHEN ADAMS  
KATHLEEN DOOLEY  
MARK DWIGHT  
WILLIAM ORTIZ-CARTAGENA  
IRENE YEE RILEY  
PAUL TOUR-SARKISSIAN  
MONETTA WHITE  
REGINA DICK-ENDRIZZI, DIRECTOR

SUBJ: SMALL BUSINESS COMMISSION RESPONSE TO PLANNING DEPARTMENT'S  
"SAN FRANCISCO FORMULA RETAIL ECONOMIC ANALYSIS" (5/14/2014)

*Conditional Use Authorization Process*

Despite the generally well-structured FR controls in place currently, the Commission observed another statistic suggesting the CU review process continues to be problematic for many business types, including formula retailers. The Analysis found the typical timeframe for CU review of FR uses ranging from 6 to 12 months, and associated costs reaching into the tens of thousands of dollars. Such protracted reviews, when compared to relatively high approval rates upwards of 75 percent, indicate a CU review process that can function more efficiently with little chance of detriment to community character.

Formula retail applicants should be afforded the opportunity to request review under a process similar to that of the Planning Commission's Small Business Priority Processing Pilot Program ("SB4P"). Reviewing FR applications under such a process would expedite reviews for those uses a neighborhood deems desirable, while reserving the greatest scrutiny for controversial applications. Under an SB4P-type process, applicants that have satisfied neighborhood concerns would reduce by months their entitlement review timeline, while neighborhoods would reserve the opportunity to oppose an FR application and request a full review by the Planning Commission. To safeguard against frivolous requests for full review, the Planning Commission should consider establishing a minimum threshold for the number of appellants, possibly related to a proportion of population or to the number of parcels within a certain distance. The process should remain accessible for the community, but not prone to abuse.

Should it prove undesirable or infeasible to allow all FR applications to proceed under an expedited process, then the procedure should at a minimum apply to the subset of applications for like-to-like FR uses triggered by a change in business name or ownership that currently must undergo the full CU process.

*Conditional Use Authorization Findings*

As part of its concerns related to the CU process, the Commission identified the first finding required by Planning Code Section 303(c) to be particularly problematic. The Commission identified the requirement that a proposed FR use be "necessary or desirable" for the neighborhood or community too indefinite to be of much help to the Planning Commission when deciding whether a use is appropriate in a given location. Rather, the Commission suggested supplementing findings required for an FR use with a more specific standard that such use is "unavailable within walking distance" of the proposed location. A common measure of walking distance is one-quarter mile, which if adopted in this context, would add a quantitative component to the highly-qualitative set of findings currently associated with CU review of FR uses.

*Worldwide Locations*

The Commission determined that worldwide locations should be considered in the calculation of 11 or more establishments used to determine whether a business is subject to FR controls. While the report suggested this could impact as few as 10 percent of formula retailers, it is a sensible application of the regulations used to identify branded entities with formulaic characteristics, especially in a globally connected city such as San Francisco.

*Subsidiary Ownership*

The Commission determined that subsidiaries majority-owned by one or more parent entities that would themselves be subject to FR controls should be subject to same. Again, while the report identified 3 percent of FR establishments that would be impacted by such a change, it is a reasonable extension of the regulations to prevent evasion of FR controls through creative corporate structuring. Subsidiary businesses that are

SUBJ: SMALL BUSINESS COMMISSION RESPONSE TO PLANNING DEPARTMENT'S  
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sufficiently unique from their parent entities and that do not exhibit two or more standardized features common with 11 or more other locations would remain exempt from FR controls, regardless of their parent ownership. Adopting this change would simply place the burden on majority FR-owned businesses to demonstrate their uniqueness as part of the review process rather than being exempt from FR regulations entirely.

*Expanding Controls to Additional Service Uses*

The Commission determined that the FR definition should include an expanded list of personal service, business service, and medical service uses. A primary focus of the FR controls in place currently is to retain "distinct neighborhood retailing personalities" while minimizing "standardized architecture, color schemes, décor and signage ... that can detract from the distinctive character" of neighborhoods. To the extent this focus continues to be relevant, service uses must be included.

The Analysis cautions that expanding FR controls to include more service uses may exacerbate vacancy rates in neighborhoods where services are playing an increasingly important role. The Commission disagrees with this contention as other findings in the report suggest that rents and vacancy rates are more closely correlated to overall macroeconomic conditions. Furthermore, the Commission believes that distinct neighborhood architecture and unique retail and service offerings provide the greatest chance for long-term commercial corridor viability.

*Concentration*

The Commission believes that controls relating to density, concentration, and/or distance between FR uses should be set within specific NCD zoning districts, not in a citywide standard. The Analysis suggests that development patterns, population density, and other unique neighborhood characteristics make application of a uniform density standard problematic. The Commission agrees with this assertion. It also interprets the report's findings that clustering of FR uses within a merchant corridor makes locating there more attractive to other formula retailers. Thus, adjusting controls to reduce the density of FR in a corridor may reduce future pressure from additional formula retailers.

ADDITIONAL CONSIDERATIONS

The Commission acknowledges that the Analysis was designed to assess only the current extent of FR in San Francisco and the impacts of the City's existing FR controls. In the pursuit of that goal, its authors proved relatively successful. In addition to the topics presented above that have recently been the subject of discussion among the Board of Supervisors and Planning Commission, the Small Business Commission would also like to provide some suggestions of areas for future study, as follows:

*Commercial Lease Provisions*

The City should investigate the possibility of regulating certain provisions of leases for commercial retail spaces. Requirements related to security deposits, letters of credit, pre-paid rent, and so-called "key money" deserve special attention. The Analysis identified some evidence that landlords are requiring substantial security deposits, letters of credit for 6-12 months rent, and additional fees before agreeing to leases. All of these factors skew in favor of formula retailers to the disadvantage of independent businesses. Perhaps it is possible to amend the City's Administrative Code to regulate the content of leases to restore a more balanced competitive environment for businesses of all sizes and to remove excessive requirements that stifle competition.

SUBJ: SMALL BUSINESS COMMISSION RESPONSE TO PLANNING DEPARTMENT'S  
"SAN FRANCISCO FORMULA RETAIL ECONOMIC ANALYSIS" (5/14/2014)

*New Criterion for Formula Retailers*

The Analysis describes a well-known trend towards online retail for the purchase of an increasingly broad array of goods. Previously restricted to so-called "comparison" goods, online retailers have recently begun expansion into same-day delivery of groceries and other every day convenience items. Should this trend continue, the prevalence of retailers in neighborhood commercial districts might begin to diminish. In their place, service uses – which are difficult to replicate online – may play a larger role in neighborhood corridors.

As the influence of online retailers with large sales volumes but few physical locations continues to increase, it may be prudent to develop a new method of regulating such uses. Since their adoption, FR controls have evolved beyond a mere mechanism to preserve unique neighborhood aesthetics into a tool for ensuring a balanced variety of goods and services offered by businesses of all sizes. The changing nature of neighborhood retail as well as a shift in the focus of FR controls may require a revised methodology for identifying FR uses.

The Planning Department has previously communicated its perceived limitations in regulating certain business characteristics via land use controls. It believed that crafting land use regulations based on business revenue or net income, for instance, could prove challenging due to limited access to such information and unfamiliarity of Planning Department staff with business-centric data. Therefore, any newly developed regime for FR regulation built on these elements may be best situated in another City agency.

Future analysis should be conducted to inform the development of an expanded methodology for defining and regulating FR uses. The Commission found itself dissatisfied with the adequacy of using physical locations as the primary measure of a FR business. In the Commission's view, an online business's fleet of delivery trucks or deployment of unmanned merchandise pickup locations are equally as indicative of a formula retailer as are physical locations. It believed there are additional criteria to rely upon in making a determination of FR status, but lacked sufficient information to make a recommendation on what those criteria are at this time.

More study is necessary to keep pace with the changing dynamics of retail as the influence of online businesses increases. An effort of this sort would benefit from being relieved of the particular time constraints impacting the current evaluation of FR controls.

*Adopting New Redevelopment Tools*

The Analysis describes the effect large vacant spaces can have on neighborhood commercial corridors. It found that nearly 85 percent of formula retailers occupy more than 3,000 square feet, while 80 percent of independent retailers occupy 3,000 square feet or less. More often than not, these spaces are suitable only for formula retailers whose standard floor plans rely on large floor areas, and whose corporate resources can sustain the increased monthly per-square foot rents. Vacancies tend to persist until an interested formula retailer is identified.

Property owners frequently cite architectural challenges as the main reason preventing them from demising such spaces into small business-friendly storefronts. When creating smaller storefronts is possible, it may be too expensive to make economical sense for some property owners. In other cases, structural elements of a building may truly prove infeasible to overcome. In either case, the City can do more to incentivize the redevelopment of these types of properties that drag on the vibrancy of neighborhood commercial districts.

The Planning Department should partner with the Office of Economic and Workforce Development to assess the feasibility of developing tailored redevelopment tools to assist property owners with large-scale reconfiguration or redevelopment of their difficult to lease buildings. It may be possible to provide grants or low-cost loans to reduce owner barriers to reconfiguring those buildings with potential for reuse but for lack of



SUBJ: SMALL BUSINESS COMMISSION RESPONSE TO PLANNING DEPARTMENT'S  
"SAN FRANCISCO FORMULA RETAIL ECONOMIC ANALYSIS" (5/14/2014)

owner funding and/or skilled architectural expertise. For those buildings that truly cannot be reconfigured, one of the following options may be appropriate:

1. Provide a housing density bonus to mixed-use property owners that commit to redeveloping their properties and to reserving ground floor commercial space in suite sizes of 2,500 square feet or less. Redevelopment under these parameters would provide right-size space for independent retailers as well as provide additional housing units.
2. Establish a certification process for buildings deemed truly too difficult to reconfigure, or unsuitable for density bonus redevelopment, to allow them to retain their large spaces. Criteria applied to review these properties should be very restrictive.

The City can be more actively involved in seeking better outcomes for outmoded buildings in neighborhood commercial corridors.

*Improved Monitoring of Changes in FR Uses*

The Planning Department may consider developing improved monitoring procedures for FR uses once they have been approved. Several examples exist where formula retailers, generally in the pharmacy or food market categories, have expanded into new product lines that were not initially considered during their CU reviews. A common example is that of a large pharmacy which indicated sales of medicine and sundries when first reviewed, but that has since expanded into selling alcohol, groceries, and other items unrelated to those originally reviewed. Neighborhoods deserve a right to individually consider those expanded uses. The FR controls should explicitly indicate expansions of approved uses require new CU review, and a periodic reinspection program may prove useful to identify violators.

Thank you for considering the Small Business Commission's comments on this very important topic. I applaud the Planning Commission and Planning Department for their thoughtful attention to this matter, which has been part of a long-running conversation among the small business community and at the Small Business Commission. Please feel free to contact me should you have any questions.

Sincerely,



Regina Dick-Endrizzi  
Director, Office of Small Business

cc: Jason Elliot, Mayor's Office  
Todd Rufo, Office of Economic and Workforce Development



**Franchising®**  
Building local businesses,  
one opportunity at a time.

July 8, 2014

San Francisco Planning Department

**RE: The International Franchise Association's Position on Formula Retail Control Proposals**

Dear Members of the San Francisco Planning Commission:

On behalf of the International Franchise Association (IFA), I write to express our position on the recent proposals by the San Francisco Planning Department and Supervisor Mar regarding policy changes and policy code amendments to formula retail controls.

As you know, recommendations by the San Francisco Planning Department and Supervisor Mar have been proposed to the Planning Commission which will consider action on formula retail controls on June, 10. The recommendations related to this issue will deeply impact the current and future development of franchising within the city, and potentially damage the equity that current franchises have in their local businesses. Conversely, the Commission could move to enact recommendations that would encourage and streamline formula retail procedures, growth and economic opportunity.

Currently, franchising in the city of San Francisco accounts for a significant part of the city's small businesses, or formula retail stores. Collectively, it generates more than \$2 billion in economic output through 1,435 franchise locations which employ nearly 16,000 employees. With an irrefutable impact on the city, franchising provides many San Franciscans with job opportunities and important goods and services. For this and other reasons set forth, the recommendations put forth by the Planning Department should encourage policy changes that promote and enhance formula business growth.

The IFA is generally supportive of the Planning Commission's recommendations. Specifically, lifting the longstanding formula retail threshold from 11+ to 20+ locations will allow for new business opportunity, job creation and robust economic growth. Notwithstanding, a less intensive administrative review and permit evaluation criteria will streamline business review processes. The current formula retail permit evaluation criteria are unfair to businesses in similar business format categories. Additionally, an evaluation process that considers specific variables rather than hard and fast concentration percentages will prevent discrimination and permitting delays.

Where significant concerns lie for the IFA, is within Supervisor Mar's proposed legislation. For example, requiring formula retailers to commission an "economic impact report" on locations with spaces greater than 3000 square feet, will delay processing and administrative reviews ultimately slowing franchise development. Locally owned franchise small businesses shouldn't be unfairly treated in regards to subsidiary retail definition.

The franchise small business model provides nearly 16,000 jobs to local San Franciscans and helps franchise owners achieve their entrepreneurial dreams. So, as you consider both proposals the IFA respectfully urges you not pick winners and losers among businesses, and support the Planning Commission's recommendations.

Please do not hesitate to contact me with any questions or further information.

Thank you,

A handwritten signature in dark ink that reads "Dean A. Heyl". The signature is written in a cursive, flowing style.

Dean Heyl  
Vice President, State Government Relations, Public Policy & Tax Counsel  
International Franchise Association

CC: Dee Dee Workman, San Francisco Chamber of Commerce

**Burns, Kanishka (CPC)**

---

**From:** Thomas Reynolds <trr@thomasreynolds.com>  
**Sent:** Thursday, June 26, 2014 12:02 PM  
**Cc:** Burns, Kanishka (CPC); Rodgers, AnMarie (CPC); Farrell, Mark (BOS)  
**Subject:** Re: Proposed Changes to Formula Retail Controls  
**Attachments:** fillmores-fashion.jpg; ATT00001.htm; chains6-26.pdf; ATT00002.htm

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

To the Planning Commission:

Your study conducted by Economic Analysts did an excellent job of identifying the issues created by the formula retail ordinance on Fillmore Street. While it is a no-brainer to add international stores, the proposed amendments to the Planning Code fail to address the issues the study identified on Fillmore Street in two important ways:

First, the proposed changes do not address the influx of fashion and cosmetics brands already sold in their own boutiques within department stores around the world, but just now opening stand-alone stores. If subsidiaries are not to be included, then some other way should be found to include these "stores within stores."

Second, the proposed changes do nothing to address the race the study identified by fashion and cosmetics brands to open on Fillmore before they "get to 11." Instead, by raising the number to 20 to benefit a tiny fraction of businesses, the changes would encourage the race to continue to 20. The article below from Women's Wear Daily makes clear that the Fillmore fashion race is still on.

Thomas R. Reynolds, President  
FILLMORE MERCHANTS ASSOCIATION  
2184 Sutter Street #155  
San Francisco, CA 94115  
415.441.4093

<http://www.FillmoreStreetSF.com>

CLOSED FOR THE WEEK

May 19, 2014

## Keeping Fillmore Street's Fashion Flavor

By KHANH T.L. TRAN

**Burns, Kanishka (CPC)**

---

**Subject:** FW: ATM's should not be included in CU process

-----Original Message-----

From: [Alfredo.Pedroza@wellsfargo.com](mailto:Alfredo.Pedroza@wellsfargo.com) [<mailto:Alfredo.Pedroza@wellsfargo.com>]

Sent: Thursday, May 29, 2014 8:07 PM

To: Cohen, Amy (MYR)

Subject: ATM's should not be included in CU process

Amy,

With 25% deposit market share (or thereabouts), we provide the ability for 1 in 4 residents in SF to access cash for free.

Merchants avoid paying interchange fees related to card swipes when cash is used for purchases.

Economic Benefits of having an ATM in the area for small businesses • Drives customer traffic to the area (helps drive business) o Provides local customers with a convenient distribution point to bank o We advertise the location to our customers in the surrounding areas o ATM will show up on our locator tool when customers search for an ATM in the area. Time Savings for business customers (time=money) o Nearby convenient location to make deposits means less time away from their business • Safety o Nearby ATMs provide business owners the convenience of making deposits throughout the day – less cash on hand and provides an option making deposits during daylight hours versus evening hours.

• Provides customers convenient cash access o Potentially savings from cash purchases for retailers versus credit card

Benefits of an ATM for business customers that bank with WF • Cash o ATMs provide immediate credit for cash deposits o Provides the customer with a breakdown of the bills on screen and will print the details on the receipt • Checks o Later cut-off times than the store for same day deposit (9PM) o Provides the customer with images of checks on the receipt • Convenience (time savings) o ATMs are available 24/7 and provides a convenient/easy way to make deposits without having to travel to a store o Able to make multiple deposits easily throughout the day

-----  
Alfredo Pedroza  
Senior Vice President  
California Director  
Local Government Relations

[Alfredo.Pedroza@wellsfargo.com](mailto:Alfredo.Pedroza@wellsfargo.com)

Typed with thumbs on a tiny blackberry - so please excuse my typos and my brevity.

BOARD of SUPERVISORS



City Hall  
1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco 94102-4689  
Tel. No. 554-5184  
Fax No. 554-5163  
TDD/TTY No. 554-5227

## NOTICE OF PUBLIC HEARING

LAND USE AND ECONOMIC DEVELOPMENT COMMITTEE

SAN FRANCISCO BOARD OF SUPERVISORS

NOTICE IS HEREBY GIVEN THAT the Land Use and Economic Development Committee will hold public hearings to consider the following proposals and said public hearings will be held as follows, at which time all interested parties may attend and be heard:

**Date:** Monday, October 6, 2014

**Time:** 1:30 p.m.

**Location:** Committee Room 263, located at City Hall  
1 Dr. Carlton B. Goodlett Place, San Francisco, CA

**Subject:** **File No. 130788.** Ordinance amending the Planning Code to expand the definition of Formula Retail to include businesses that have eleven or more outlets worldwide; and to include businesses 50% or more owned by Formula Retail businesses; expand the applicability of Formula Retail controls to other types of retail uses; expand the notification procedures for formula retail applications; require an economic impact study as part of the Formula Retail Conditional Use application; charge administrative fees to pay for staff review time of such studies; and making environmental findings, and findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

**File No. 140844** Ordinance amending the Planning Code to amend the definition of Formula Retail to include businesses that have 19 or more outlets worldwide; expand the applicability of Formula Retail controls to other types of uses; require Conditional Use authorization for Formula Retail establishments in the C-3-G district with facades facing Market Street, between 6th Street and the intersection of Market Street, 12th Street and Franklin Street; delete the requirement for Conditional Use authorization when a Formula Retail establishment changes operator but remains the

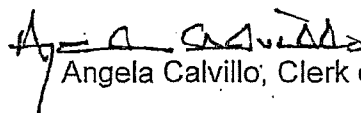
same size and use category; define intensification and abandonment for Formula Retail uses; require Formula Retail uses to comply with performance guidelines; amend the Conditional Use criteria for Large-Scale Retail Uses except for General and Specialty Grocery stores, to require an economic impact study and establish new fees for said study; amend Neighborhood Commercial Districts that required Conditional Use for Financial and Limited Financial Services to principally permit Financial and Limited Financial Services; delete the Conditional Use requirement for Walk-Up Facilities that are not set back three feet; and adopting findings, including environmental findings, Planning Code, Section 302, findings, and findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

If the legislation in File Nos. 130788 and 140844 both pass, new fees for preparation and review of an Economic Impact Study shall be charged to individuals applying for a Conditional Use authorization for a Formula Retail use. The applicant shall bear the cost to the consultant for preparation of the economic impact study and all necessary documents prepared as part of the study. The consultant shall be selected by the Planning Department from a pool of pre-qualified consultants. The applicant shall also pay a \$3,500 administrative fee to the Planning Department, including any additional time and materials as described in Planning Code, Section 350(c), to compensate City staff for their time reviewing the economic impact study.

If the legislation in File No. 140844 passes, a new fee shall be charged to individuals applying for a Conditional Use authorization for a Formula Retail use to provide performance review for Formula Retail uses equivalent to the standard building permit fee, in addition to any time and materials as described in Planning Code, Section 350(c).

In accordance with Administrative Code, Section 67.7-1, persons who are unable to attend the hearing on this matter may submit written comments to the City prior to the time the hearing begins. These comments will be made a part of the official public record and shall be brought to the attention of the Members of the Committee. Written comments should be addressed to Angela Calvillo, Clerk of the Board, Room 244, City Hall, 1 Dr. Carlton Goodlett Place, San Francisco, CA 94102.

Information relating to the proposed fees are available in the Office of the Clerk of the Board. Agenda information relating to these matters will be available for public review on Friday, October 3, 2014.



Angela Calvillo, Clerk of the Board

DATED: September 18, 2014  
PUBLISHED/POSTED: September 22 & 28, 2014

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SAN FRANCISCO, CA 94102

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CNS 2669536

#### NOTICE OF PUBLIC HEARING LAND USE AND ECONOMIC DEVELOPMENT COMMITTEE SAN FRANCISCO BOARD OF SUPERVISORS OCTOBER 6, 2014 - 1:30 PM COMMITTEE RM 263, CITY HALL 1 DR. CARLTON B. GOODLETT PLACE, SF, CA

NOTICE IS HEREBY GIVEN THAT the Land Use and Economic Development Committee will hold public hearings to consider the following proposals and said public hearings will be held as follows, at which time all interested parties may attend and be heard: File No. 130788. Ordinance amending the Planning Code to expand the definition of Formula Retail to include businesses that have eleven or more outlets worldwide, and to include businesses 50% or more owned by Formula Retail businesses; expand the applicability of Formula Retail controls to other types of retail uses; expand the notification procedures for formula retail applications; require an economic impact study as part of the Formula Retail Conditional Use application; charge administrative fees to pay for staff review time of such studies; and making environmental findings, and findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1. File No. 140844 Ordinance amending the Planning Code to amend the definition of Formula Retail to include businesses that have 19 or more outlets worldwide; expand the applicability of Formula Retail controls to other types of uses; require Conditional Use authorization for Formula Retail establishments in the C-3-G district with facades facing Market Street, between 6th Street and the intersection of Market Street, 12th Street and Franklin Street; delete the requirement for Conditional Use authorization when a Formula Retail establishment changes operator but remains the same size and use category; define intensification and abandonment for Formula Retail uses; require Formula Retail uses to comply with performance guidelines; amend the Conditional Use criteria for Large-Scale Retail Uses except for General and Specialty Grocery stores, to require an economic impact study and establish new fees for said study; amend Neighborhood Commercial Districts that required Conditional Use for Financial and Limited Financial Services to principally permit Financial and Limited Financial Services; delete the Conditional Use requirement for Walk-Up Facilities that are not set back three feet; and adopting findings, including environmental findings, Planning Code, Section 302, findings, and findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1. If the legislation in File Nos. 130788 and 140844 both pass, new fees for preparation and review of an Economic Impact Study shall be charged to individuals applying for a Conditional Use authorization for a Formula Retail use. The applicant shall bear the cost to the consultant for preparation of the economic impact study and all necessary documents prepared as part of the study. The consultant shall be selected by the Planning Department from a pool of pre-qualified consultants.

The applicant shall also pay a \$3,500 administrative fee to the Planning Department, including any additional time and materials as described in Planning Code, Section 350(c), to compensate City staff for their time reviewing the economic impact study. If the legislation in File No. 140844 passes, a new fee shall be charged to individuals applying for a Conditional Use authorization for a Formula Retail use to provide performance review for Formula Retail uses equivalent to the standard building permit fee, in addition to any time and materials as described in Planning Code, Section 350(c). In accordance with Administrative Code, Section 67.7-1, persons who are unable to attend the hearing on this matter may submit written comments to the City prior to the time the hearing begins. These comments will be made a part of the official public record and shall be brought to the attention of the Members of the Committee. Written comments should be addressed to Angela Calvillo, Clerk of the Board, Room 244, City Hall, 1 Dr. Carlton Goodlett Place, San Francisco, CA 94102. Information relating to the proposed fees are available in the Office of the Clerk of the Board. Agenda information relating to these matters will be available for public review on Friday, October 3, 2014..



