HAUSRATH
ECONOMICS
GROUP

SAN FRANCISCO'S EASTERN NEIGHBORHOODS REZONING SOCIOECONOMIC IMPACTS

DRAFT FOR PUBLIC REVIEW

A Report to

PLANNING DEPARTMENT
CITY AND COUNTY OF SAN FRANCISCO

Prepared by

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REZONING IN SAN FRANCISCO'S EASTERN NEIGHBORHOODS

SOCIOECONOMIC ANALYSIS

SUMMARY

This report presents the results of a socioeconomic analysis of the proposed rezoning for the Eastern Neighborhoods. The analysis evaluates proposed land use regulations that would affect the supply of housing and the production of affordable housing in the Eastern Neighborhoods and would change the land supply for PDR business activity. The analysis describes how the proposed rezoning actions would affect housing supply and location options for businesses in the Eastern Neighborhoods and compares these outcomes to what would otherwise be expected without the rezoning, assuming a continuation of recent development trends and *ad hoc* land use change. This comparison enables conclusions about what these different outcomes would mean for existing residents, workforce, and businesses in the Eastern Neighborhoods. The socioeconomic analysis of the rezoning proposal concludes generally that conditions would be better than otherwise expected for the Eastern Neighborhoods' residents and workforce and for PDR businesses and employment.

The proposed rezoning would almost double the housing development potential in San Francisco. This would mean more supply relative to demand and more housing choices for newcomers and for existing residents of the Eastern Neighborhoods. There would be less housing market pressure in these neighborhoods and therefore less displacement than otherwise expected. Without affirmative programs to preserve sites, one potential cost of the proposed rezoning would be a reduction in options for securing sites for affordable housing production.

By providing a stable land supply with restrictions that limit development of incompatible uses, the proposed rezoning would also result in better long-term outcomes for many PDR businesses. There would be some PDR displacement, but this would also be expected without the proposed rezoning. There would be a more diverse economic base and potentially more job opportunities in a more diverse range of activity that otherwise expected without the rezoning. The proposed land use regulations do not resolve the lingering tension between the need for incubator locations for emerging enterprises and the need to reserve a land supply for PDR where demand from higher-value uses and speculation do not disrupt traditional PDR clusters.

The socioeconomic analysis indicates that land use regulation alone is not adequate to address the wide range of community needs and planning goals. New financial resources, new programs, and interagency coordination to better target existing programs and resources are required to complement the proposed land use regulations.

The separate analysis of baseline data describing the characteristics of people living in the Eastern Neighborhoods, housing market conditions in the neighborhoods, business activity and employment located there, and development trends that have influenced the land use and socioeconomic characteristics of this part of the City documents existing needs, many of which would persist with or without the change in land use regulation represented by the rezoning. This analysis can be used to explore other policy options and implementation strategies to broaden the scope of the area plans.

INTRODUCTION

Purpose of this Report

This report has a twofold purpose. First, the report presents a socioeconomic analysis of the proposed rezoning for the Eastern Neighborhoods. The topics of that analysis include implications for housing supply and for housing options in the Eastern Neighborhoods; housing market implications, including discussion of displacement of existing residents; implications for land use mix and neighborhood character; implications for PDR business activity and employment, for economic diversity, and for job opportunities in San Francisco, particularly jobs for unskilled, low-wage workers, and the economically disadvantaged. The approach of the analysis is to compare conditions under the proposed rezoning to what would otherwise be expected if there were no rezoning and recent market trends and development patterns persisted.

The priority policies of San Francisco's General Plan—the master plan for guiding private development and allocating public resources to fulfill a common vision for the future—demand consideration of these topics. Specifically, the relevant priority policies are:

- Conserve and protect existing housing and neighborhood character to preserve the cultural and economic diversity of our neighborhoods;
- Preserve and enhance the City's supply of affordable housing;
- Maintain a diverse economic base by protecting industrial and service sectors from displacement and enhance future opportunities for resident employment and ownership in these sectors; and
- Preserve and enhance neighborhood-serving retail uses and future opportunities for resident employment in and ownership of such businesses.

Focusing on these concerns, the socioeconomic analysis of the proposed rezoning thereby provides the community, City staff, and decision-makers with a basis for refining proposed land use regulations during the on-going community planning process, to better achieve agreed upon goals.

The second purpose of this socioeconomic analysis is to describe existing conditions and trends for land use and development patterns, housing, population, business activity, and jobs in the Eastern Neighborhoods. This assessment provides baseline information to inform on-going community planning efforts, documenting existing needs in the Eastern Neighborhoods—existing deficits in terms of housing and job options for people living in these areas and suitable location options for businesses. Both the Housing Element and the Commerce and Industry Element of San Francisco's General Plan establish City policy to meet these types of needs.

The analysis of existing conditions and trends also establishes the context in which the rezoning proposals seek to balance competing demands for land. The description of land use trends, development patterns, land use conflicts, and housing and land market pressures in the Eastern Neighborhoods provides an indication of what would be expected to continue in the absence of rezoning proposals, at the same time that it makes the case for revising land use policies and zoning to better manage growth and change in this part of the City.

There are two things the analysis in this report is not. The report is not a needs assessment for community facilities and services in the Eastern Neighborhoods. In a separate effort, the Planning Department is evaluating existing needs and the impact of growth on the need for transportation, public protection, health care and human services, libraries, schools, child care, parks, open space, recreation, and neighborhood shops and services. The existing conditions and trends data analysis presented in this socioeconomic report provides important baseline information for use in that community needs assessment and in the public benefits proposals that will be proposed for adoption in concert with the Eastern Neighborhoods area plans and zoning controls.

This report is also not the environmental impact analysis of the proposed Eastern Neighborhoods rezoning, although the socioeconomic evaluation does present the type of data and analysis typically found in the Housing, Population, and Employment sections of an environmental impact report (EIR) in San Francisco. This report presents a greater depth and breadth of socioeconomic information than generally expected in EIRs, however. This analysis will form the basis for the relevant chapters of the Eastern Neighborhoods EIR.

This analysis is one of several consultant studies and staff and task force efforts that inform the community planning process and ultimately the resultant area plans, permanent zoning, benefits package, and implementation strategy for the Eastern Neighborhoods. Other inputs to the planning process include:

- Eastern Neighborhoods community needs assessment
- Eastern Neighborhoods public benefits package
- Supply/Demand Study for Production, Distribution, and Repair (PDR) in San Francisco's Eastern Neighborhoods
- Eastern Neighborhoods Environmental Impact Report
- Eastern Neighborhoods Community Health Impact Assessment (Department of Public Health)
- Findings and recommendations of the San Francisco Arts Task Force
- Findings and recommendations of the Back Streets Advisory Board
- Findings and recommendations of the Bioscience Task Force

- San Francisco's Economic Strategy (Mayor's Office of Economic and Workforce Development)
- Coordination with the Mayor's Office of Housing

The focus of this socioeconomic analysis is the land use regulation represented by the rezoning proposal. Land use regulations guide development patterns and the mix of uses in the City by defining the locations of allowed uses and the form and density of new development and by establishing controls on the demolition or conversion of existing buildings and uses. Land use regulations influence land value by conferring or limiting development rights on land parcels. Changes in land use regulations can be used to produce incentives to stimulate the private market to contribute to socially desirable objectives, such as producing affordable housing and preserving historic resources or open space.

Land use regulation is only one tool for achieving a city's goals and objectives for economic vitality, social equity, and environmental quality, however. Other tools include resource allocation through the annual budget process that prioritizes programs for workforce and business development, public protection, social services, housing, and education; public capital investment decisions; pricing policies implemented through taxes, fees, and other exactions; streamlining administrative procedures to encourage desired outcomes; and imposing performance standards on new development. Ultimately, the area plans could identify the full range of tools and interagency coordination that would be applied to achieve community goals for managing growth and change and improving existing conditions in the Eastern Neighborhoods.

Background on the Eastern Neighborhoods Planning and Rezoning Effort

For over a decade, the Eastern Neighborhoods have experienced some of the City's most dramatic changes in terms of land use, housing stock, population, and employment. These areas have been the focus of intense public policy debates over several different types of needs and appropriate tools to meet those needs: to manage industrial land conversion, to increase housing development potential, to increase affordable housing production, and to expand and improve housing options and job opportunities for existing residents, many of whom are economically disadvantaged.

There are about 1,500 acres of developable land (land area exclusive of streets, alleys, and other public rights-of-way) in the Eastern Neighborhoods that are the subject of the proposed area plans and rezoning (Central Waterfront, East SoMa, the Mission, and Showplace Square/Potrero Hill)—seven percent of the City's land supply. Most of this land is zoned for industrial, heavy commercial, and home and business service use (the latter limited to the South of Market areas). The businesses that find the location options in these traditionally "industrial" districts optimal for their location needs are an important component of San Francisco's economic diversity—supporting economic base sectors in the City, providing needed goods and services to other local business activity and to resident consumer markets, and providing important job resources for the local labor force. Production, distribution, and repair land use (land area used by PDR business activity) is the predominant land use in the Eastern Neighborhoods, representing 36 percent of the citywide PDR land use. Adding adjacent Western SoMa, these areas combined account for 40 percent of citywide PDR land use. Bayview / Hunter's Point is the other part of the City where PDR is a dominant land use.

Land use regulations are more relaxed in these industrial and heavy commercial districts than they are in most other parts of San Francisco. Therefore, while these areas are uniquely attractive to what San Francisco has labeled production, distribution, and repair business activities, under the right market conditions, development in these areas of market-rate housing and other uses that represent higher land values threatens the integrity and function of a land supply that, once converted, is unlikely to be recovered for its original use.

Other parts of the Eastern Neighborhoods are zoned for residential and neighborhood commercial use. The Mission, South of Market, Potrero Hill, and Dogpatch in the Central Waterfront are some of the oldest residential neighborhoods in San Francisco and have provided important affordable housing supply for working class households and newcomers to the City, including many immigrants.

In the face of marked increases in development activity and private investment in these areas, the Eastern Neighborhoods Community Planning process began in January 2002. The Planning Department analyzed development trends; researched production, distribution, and repair business activity; and convened community workshops. The Planning Department published zoning alternatives for subareas of the Eastern Neighborhoods, focusing on land use designations and height controls in 2003 (*Community Planning in the Eastern Neighborhoods: Rezoning Options Workbook*). The EIR process was initiated, and interim controls were adopted to stabilize the areas while the analysis was completed (*Resolution 16727, Eastern Neighborhoods Policies*).

To better understand the issues associated with managing growth and land use change in this part of the City, in 2004 when the interim controls were adopted, the Planning Commission and the Board of Supervisors requested a socioeconomic report on the Eastern Neighborhoods. The PDR study—*Supply/Demand Study for Production, Distribution, and Repair (PDR) in San Francisco's Eastern Neighborhoods* (Economic & Planning Systems, April 2005) and this socioeconomic analysis are the products generated in response to that request.

Initially, the socioeconomic analysis was to focus on Option B from the *2003 Rezoning Options Workbook*, representing the middle ground among options for promoting housing and stabilizing PDR land in the Eastern Neighborhoods. After a hiatus, the community planning process has resumed and rezoning proposals (as well as more robust area planning proposals) have evolved since publication of the *2003 Rezoning Options Workbook*. In the interest of providing more relevant and timely analysis, the socioeconomic analysis evaluates land use and zoning proposals that incorporate elements of the most recent proposals presented by the Planning Department at community workshops in 2006. The proposals analyzed remain most closely related to Option B in the *Rezoning Options Workbook*. It is expected that more refined policies, zoning controls, and implementation strategies will emerge over the course of the next months of the planning process.

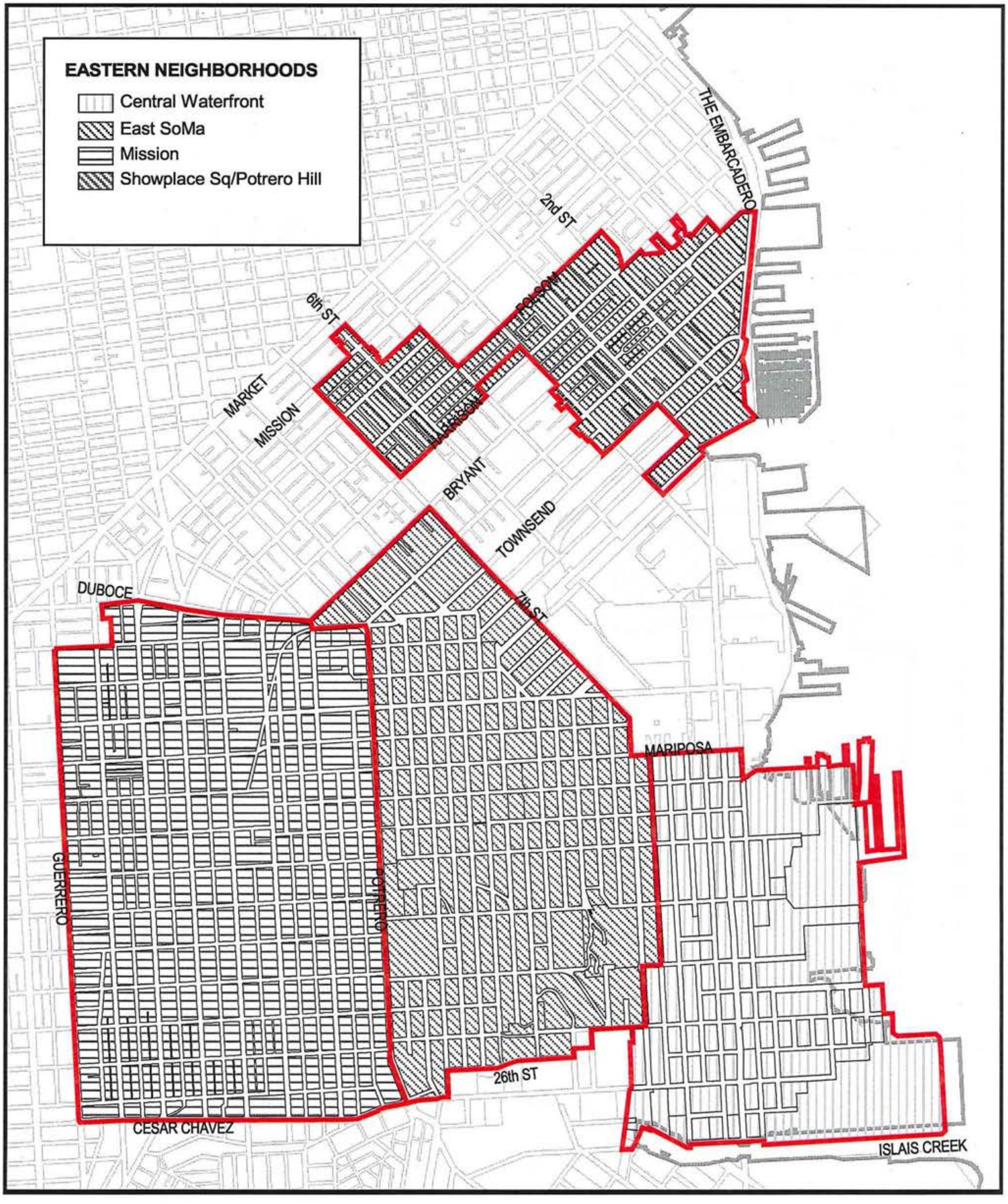
Notes on Geography

The planning area for this analysis

This report analyzes the following Eastern Neighborhoods: East SoMa, the Mission, Showplace Square/Potrero Hill, and the Central Waterfront **(Map 1)**. The Central Waterfront—part of the Better Neighborhoods Program—is combined with the remaining Eastern Neighborhoods for this socioeconomic analysis and for the EIR. It is adjacent to Showplace Square/Potrero Hill and the proposed area plan and zoning controls address the same land use planning and economic issues at stake in the other Eastern Neighborhoods. Bayview/Hunters Point is part of the Eastern Neighborhoods planning effort but is not analyzed here because the planning and environmental review process were completed separately as part of a Redevelopment Plan adoption. Visitacion Valley is also now part of a joint community planning process involving the San Francisco Redevelopment Agency and the Planning Department.

Treatment of Western SoMa

Western SoMa was originally included with East SoMa as part of the South of Market planning area in the community-based rezoning effort for the Eastern Neighborhoods that the Planning Department initiated in 2002 **(Map 2)**. During this process, community members in Western SoMa requested a separate community planning process. Therefore, no rezoning is proposed for Western SoMa at this time, while a citizens' taskforce develops a plan for Western SoMa. The analysis in this report includes data summaries for existing baseline Western SoMa housing, population, economic activity, and land use characteristics. The report also includes Western SoMa in the discussion of development trends. The report does not analyze potential rezoning in Western SoMa, but does give special attention to the characteristics of residents and businesses there.



Map 1

EASTERN NEIGHBORHOODS
PLANNING AREAS

0.25 0 0.25 0.5 0.75 Miles

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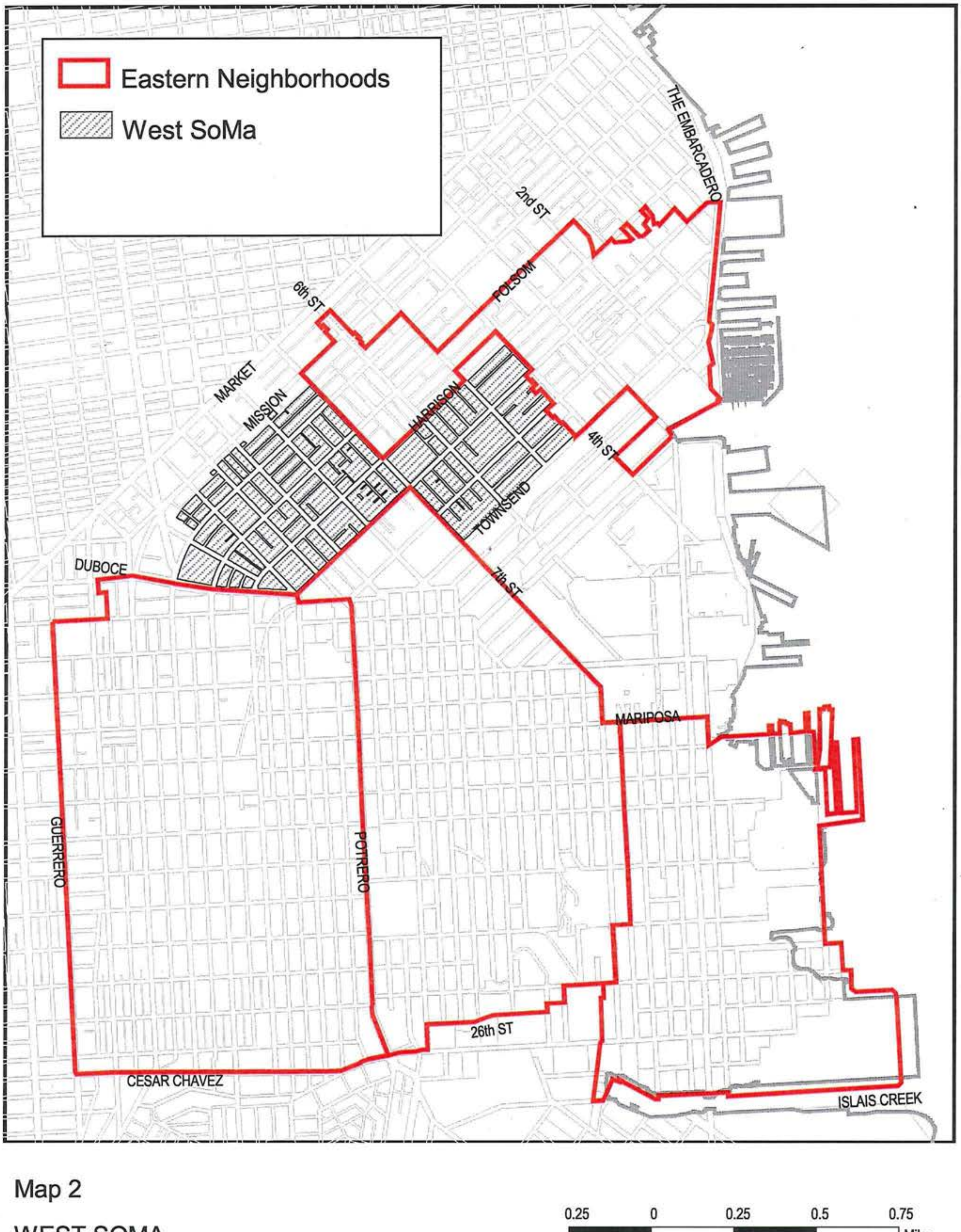

Map 2

WEST SOMA
AND EASTERN NEIGHBORHOODS
PLANNING AREAS

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Notes on Data Sources

The purpose of the socioeconomic data analysis in this report is to highlight similarities and differences between the neighborhoods and to compare the Eastern Neighborhoods as a whole to the rest of the City. For much of the analysis, indicators, rather than precise counts, are adequate and appropriate. This type of information is presented graphically (charts) as opposed to in tables.

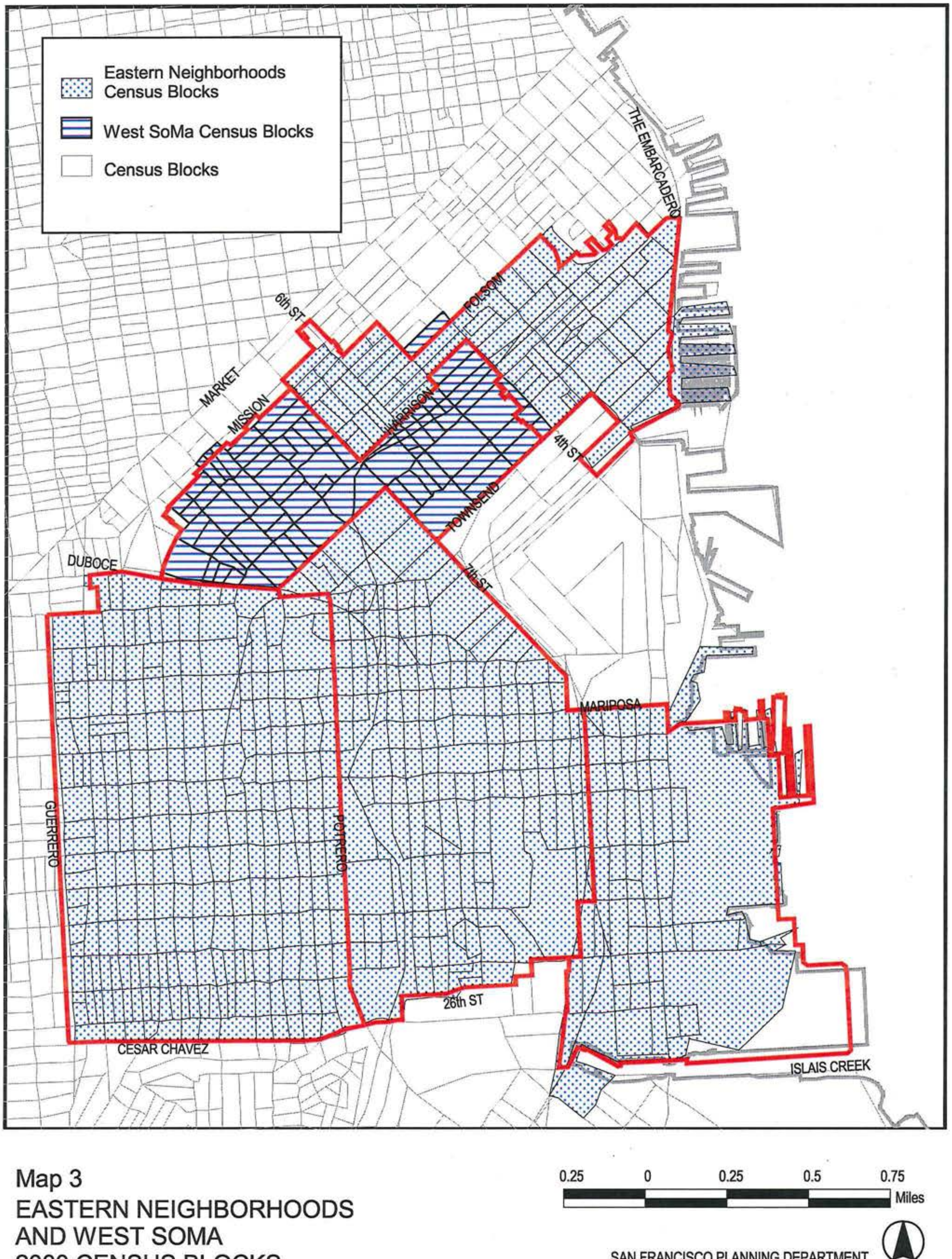
Much of the data describing the characteristics of residents and of the workforce are from the U.S. Census. Census data are the most reliable for small area analysis of housing stock, population, households, and workers by place of residence. Census 2000 is the most recent, reliable source of data for this type of analysis. Since 2000, the U.S. Census Bureau has produced updates of 2000 Census data with its American Community Survey (ACS). These updates of characteristics are only available at the geographic level of city totals, so they are not useful for an analysis that has subareas of the city as its primary focus. Moreover, the Census Bureau recommends using this ACS information (from a sample survey) to compare changes in characteristics over time, using relative measures as opposed to absolute quantities.

Use of 2000 as a baseline for much of the demographic analysis is not invalidated by the fact of what has occurred since then—especially the dot-com bust. Where possible, e.g., in describing job opportunities, unemployment, development trends, the housing market, and housing affordability, the analysis uses updated data.

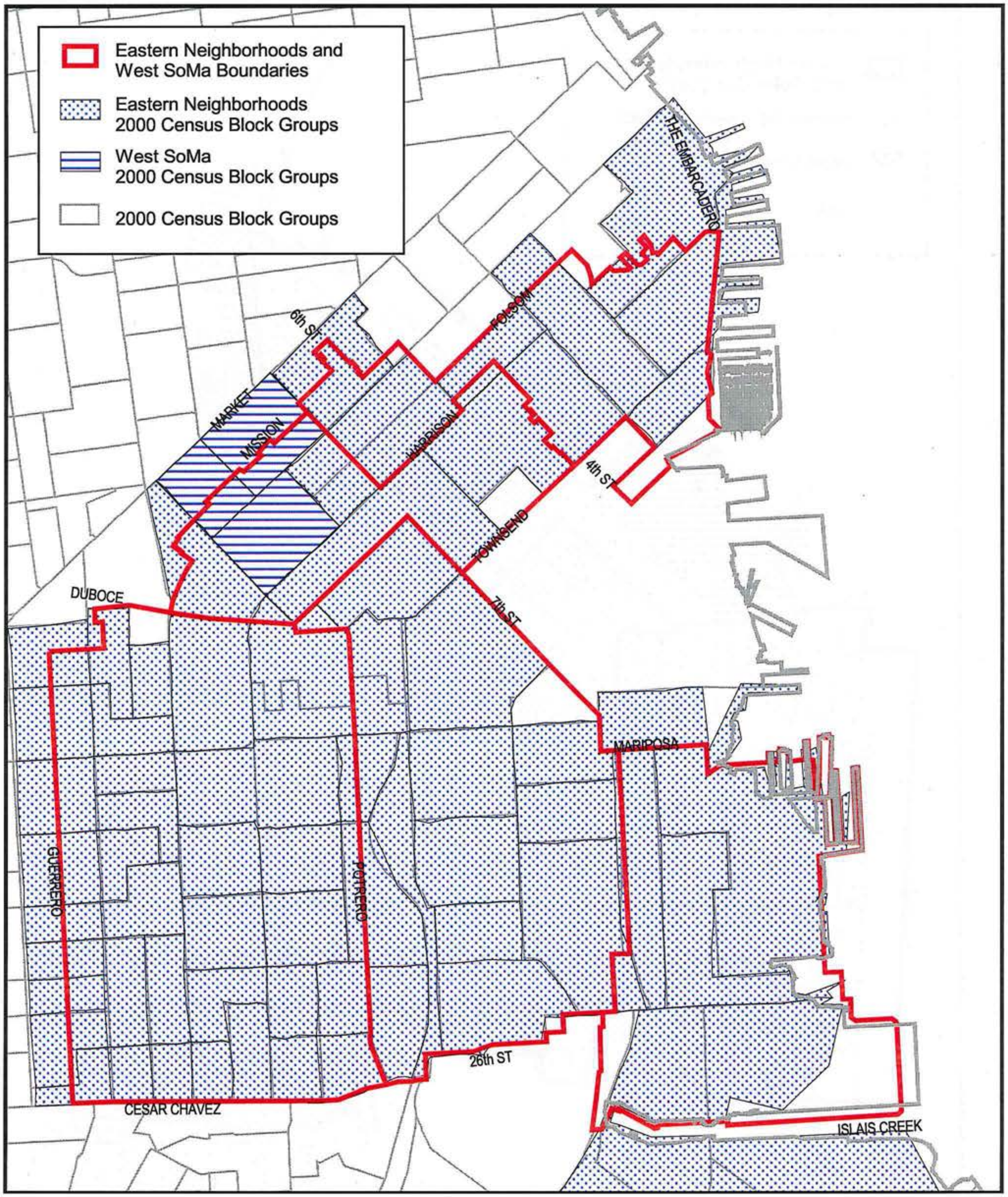
The boundaries for the detailed subarea analyses are necessarily defined by the smallest unit available from the relevant data sources—Census block or block group, zip code in the case of some market data and other City data summaries, and traffic analysis zone (TAZ) for small area projections. Although these data analysis boundaries are not coterminous with the planning areas, we have taken care to match the boundaries as closely as possible. The following **maps** show how analysis areas defined to summarize data from various sources align with the boundaries of the Eastern Neighborhoods:

- **Map 3** Eastern Neighborhoods and West SoMa: 2000 Census Blocks
- **Map 4** Eastern Neighborhoods and West SoMa: 2000 Census Block Groups
- **Map 5** Eastern Neighborhoods and West SoMa: Traffic Analysis Zones (TAZ)
- **Map 6** Eastern Neighborhoods and West SoMa: ZIP Code Boundaries
- **Map 7** Eastern Neighborhoods and West SoMa: MetroRent Boundaries

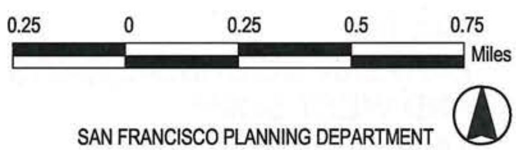
Data describing land use and the pipeline of development projects under review, approved, or under construction were provided by the Planning Department. Most of this data is current



Map 3
EASTERN NEIGHBORHOODS
AND WEST SOMA
2000 CENSUS BLOCKS



Map 4
EASTERN NEIGHBORHOODS
AND WEST SOMA
2000 CENSUS BLOCK GROUPS



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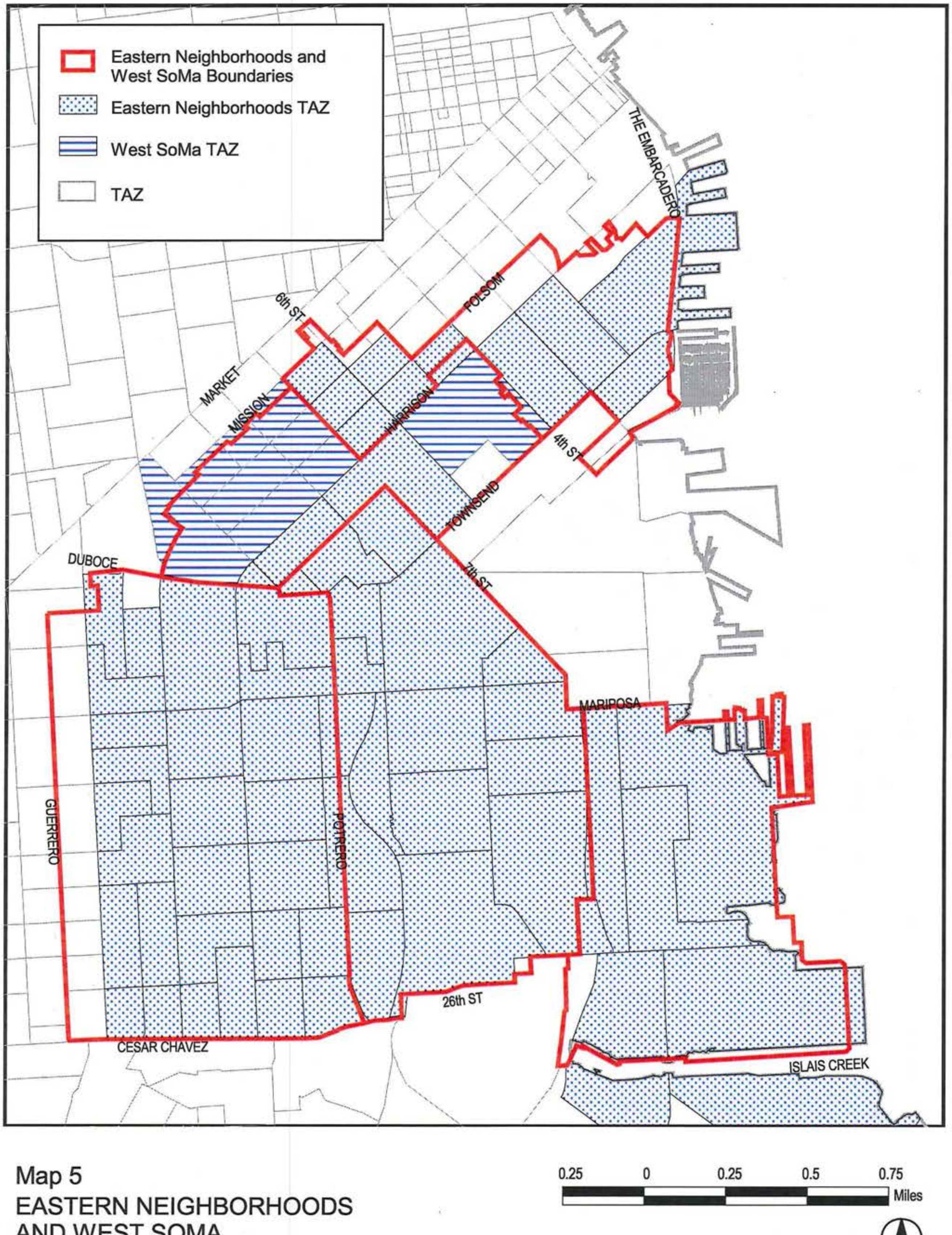
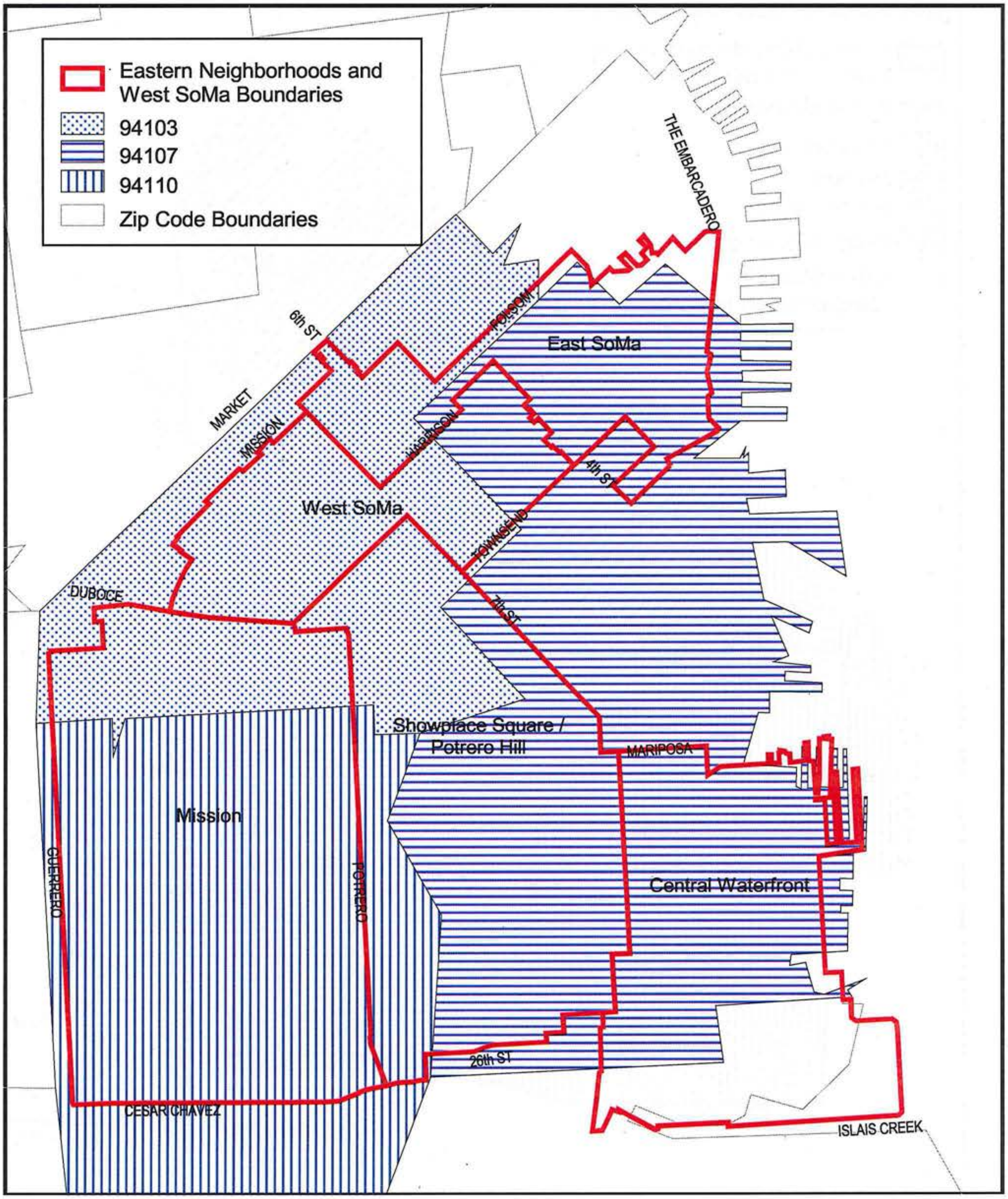


Map 5
EASTERN NEIGHBORHOODS
AND WEST SOMA
TAZ



Map 6
EASTERN NEIGHBORHOODS
PLANNING AREAS AND WEST SOMA
ZIP CODE BOUNDARIES

0.25 0 0.25 0.5 0.75 Miles

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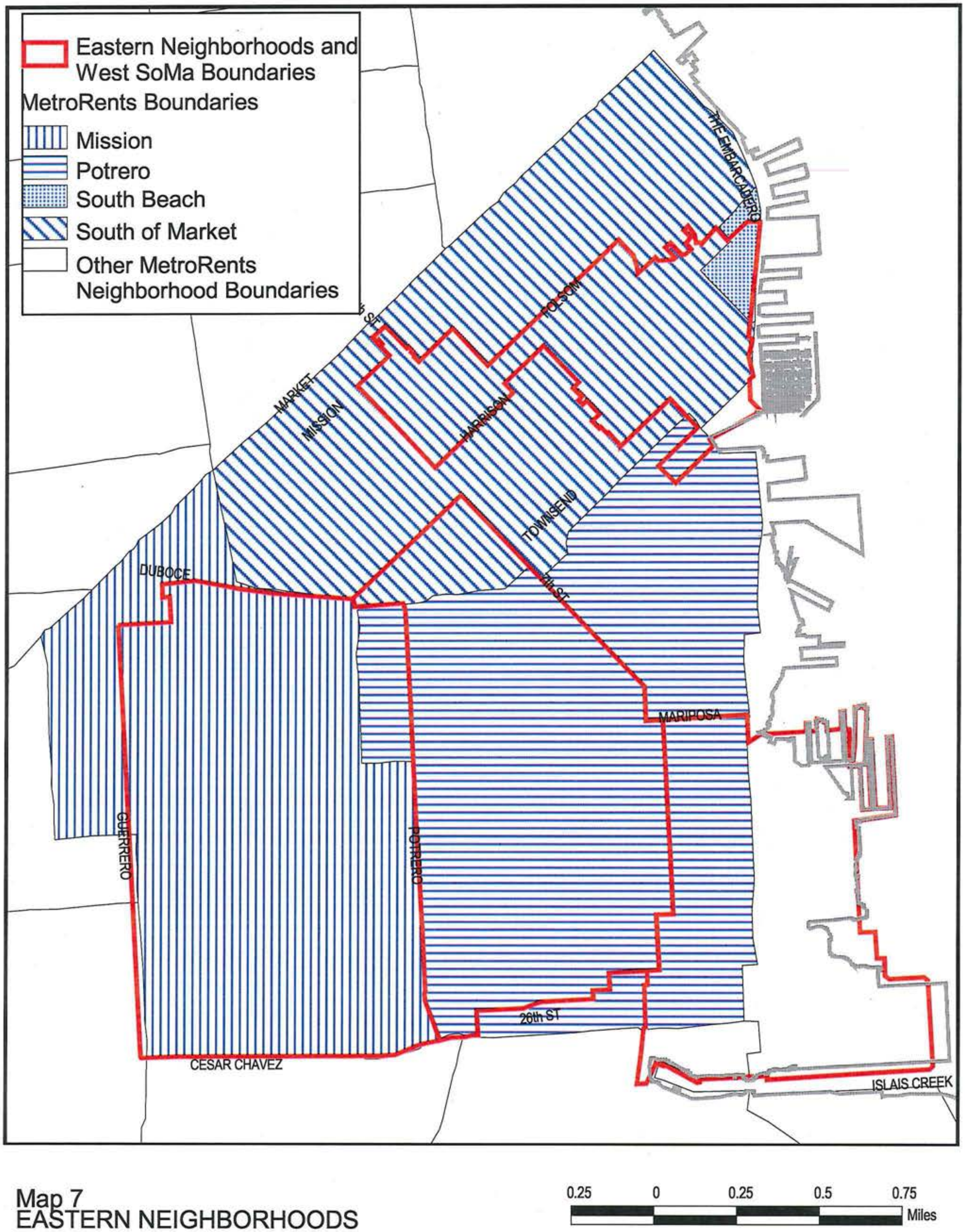

Map 7
EASTERN NEIGHBORHOODS
PLANNING AREAS AND WEST SOMA
MetroRents Boundaries

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through 2004 and 2005. Planning Department staff provided summaries for the geographic areas defined for the socioeconomic analysis.

Several reports have documented existing conditions and trends for PDR activity in San Francisco. In 2002, the Planning Department published *Industrial Land in San Francisco: Understanding Production, Distribution, and Repair*. That report expanded upon an effort undertaken in 1998—the *Citywide Land Use Study*—that described land use, economic activity, population and housing citywide with a focus on conditions, trends, prospects, and policy questions for the industrial areas. In April 2005, Economic & Planning Systems (EPS) produced an analysis for the Planning Department entitled *Supply/Demand Study for Production, Distribution, and Repair (PDR) in San Francisco's Eastern Neighborhoods*. The Planning Department also prepared estimates of existing (2000) and future (2025) PDR employment for the Eastern Neighborhoods that are the subject of the proposed rezoning (*Community Planning in the Eastern Neighborhoods: Rezoning Options Workbook*, February 2003, as revised in 2005 to be consistent with the neighborhood boundaries of the current rezoning proposal). The discussion of PDR activity in the Eastern Neighborhoods in this report draws from these other analyses.

Organization of the Report

Following this introduction, the report begins with a summary of findings from the analysis of existing conditions and trends. The many findings describe the population and workforce living in the Eastern Neighborhoods, the housing supply and housing market conditions, the types of businesses and number and types of jobs located there, with a particular focus on production, distribution, and repair business activity. The findings conclude with a description of land use trends and how much land use conversion is proposed by the development pipeline of projects under construction, approved, or under review. The next section of the report outlines the goals and objectives of the proposed rezoning. The focus is on how changes in land use regulations would affect housing supply potential and the supply of land for PDR business activity. The text describes proposed land use districts and identifies land use regulatory options for increasing housing supply.

The socioeconomic analysis of the proposed Eastern Neighborhoods rezoning follows the description of the intent of the proposed land use regulations. That analysis brings up needs that the proposed rezoning cannot adequately address. Those housing and business and employment needs are identified in the next brief section, prior to a digest of other potential policy, program, and investment options that could be applied to improve the prospects for satisfying community planning goals for housing and jobs in the Eastern Neighborhoods.

The detailed data analysis of existing conditions and trends concludes the report. The analysis includes reference to General Plan Housing Element and Commerce and Industry Element policies and highlights where the needs described in those policy documents intersect with the particular characteristics and conditions in the Eastern Neighborhoods. The figures referenced in this section of the report (Figures 1-60) are not integrated with the text but appear as a group at the end.

An Appendix provides background on city and regional population and employment—existing conditions, recent trends, and growth prospects. The population and employment scenarios prepared by the Planning Department to quantify the implications of the rezoning options for growth in San Francisco through a 2025 planning horizon are also presented in the appendix.

Findings of the Socioeconomic Data Analysis—Why Land Use Policy Change is Needed to Better Manage Growth and Development in the Eastern Neighborhoods[1]

Who lives in the Eastern Neighborhoods?

- About 70,000 people—10 percent of the City's population—live in the Eastern Neighborhoods. Most of these people (70 percent) live in the Mission.
- Among the Eastern Neighborhoods, children are concentrated in the Mission and Showplace Square/Potrero Hill, while the older population is concentrated in the Mission and East SoMa.
- The Eastern Neighborhoods have a greater racial and ethnic mix than the City overall, and the mix varies among neighborhoods. Almost 30 percent of the City's Latino residents live in the Eastern Neighborhoods, almost all (90 percent) of them live in the Mission—an established Latino cultural hub for San Francisco and the entire Bay Area.
- As is the case citywide, a high percentage of the people living in the Eastern Neighborhoods were born outside the United States.
- The foreign-born in the Eastern Neighborhoods are less likely than the foreign-born elsewhere in the City to have attained citizenship status. One in eight foreign-born non-citizen residents of San Francisco lives in the Mission.
- A high percentage of the people living in the Eastern Neighborhoods do not speak English at home. One third of native Spanish-speakers who have difficulty speaking English live in the Mission.
- The full spectrum of education levels is represented among adults living in the Eastern Neighborhoods, but a relatively large segment of the adult population has not graduated from high school.
- The mix of household types in the Eastern Neighborhoods is diverse and is remarkably similar to the overall mix of household types in the City.
- The concentration of SRO residential hotels, live/work units, loft housing, and new construction of smaller units South of Market explains much of the mix of household types in that area. Families and larger households occupy the larger units in flats, older apartment buildings, single-family houses, and public housing in the Mission and Potrero Hill areas. New live/work and loft housing began to predominate in the Central Waterfront in the late 1990s, attracting new residents and more smaller households.
- Four of every five households in the Eastern Neighborhoods are renters.

[1] These findings are supported by the detailed data analysis presented in this report beginning on page 47.

- Existing housing does not adequately meet the needs of families and larger households. The Mission, claiming more than half of the Eastern Neighborhoods housing stock, shows the greatest mismatch between housing type and housing need.
- Most households in the Eastern Neighborhoods are small, but a disproportionate share of the City's large households also live in the Eastern Neighborhoods—many in overcrowded housing units.
- The *Housing Element of the General Plan* identifies overcrowding as one of several "troublesome effects" of high housing costs in San Francisco and evidence of the need for more affordable housing. These households, most of which are renters, have a set of housing needs that are difficult to meet in San Francisco. Older housing stock in the Eastern Neighborhoods has provided housing options for large families or groups of individuals who need to share housing expenses. If housing market pressures and gentrification result in displacement for these households, suitable housing substitutes are extremely limited. Among possible results are: even more over-crowding, having to find even more money to pay for housing thereby reducing resources for other household needs or requiring more hours worked to increase household income, relocating to a more affordable housing market, or, in some cases, homelessness.
- Single-parent families as well as very large households that are renters in the Eastern Neighborhoods are particularly vulnerable to displacement. These types of households have housing needs that are not easily satisfied in San Francisco—lower-cost housing and units with more than two bedrooms.
- The full spectrum of household incomes is represented in the Eastern Neighborhoods. Lower income households are concentrated in the Mission and East SoMa.
- The poverty rate in the Eastern Neighborhoods is substantially higher than the poverty rate for the city as a whole. Across all age groups, the Eastern Neighborhoods house a disproportionate share of the city's poor. The concentration is most marked for children—almost 20 percent of the children living in poverty in San Francisco live in the Eastern Neighborhoods.
- Poor families are likely to live in overcrowded conditions; poor families and the elderly have the least resources to fall back on when faced with unexpected eviction or displacement.
- Renter households bear a higher housing cost burden than do owners. Housing cost burdens in San Francisco are particularly high for lower-income newcomers and new households, such as immigrants, young entry-level workers, artists, and students, as well as for existing residents who become unemployed or find themselves in the housing market not by choice but because they are displaced from their household and former housing unit.
- The Eastern Neighborhoods and the City overall are home to many households that have moved recently.

What are the characteristics of the housing stock in the Eastern Neighborhoods and how has the housing inventory changed over time?

- Through the first part of 2000, new residential development was concentrated in selected locations in the Eastern Neighborhoods—in East SoMa and the Central Waterfront. The total housing inventory is considerably larger in both the Mission and Showplace Square/Potrero Hill neighborhoods, and more than half of the units in those neighborhoods are old. Although there were additions to the housing stock during the 1990s, new housing shows as a relatively small percentage of the total in these Eastern Neighborhoods. New development has been concentrated in subareas of these neighborhoods, resulting in substantial localized change in land use and neighborhood character, and introducing a new housing market orientation.
- The existing housing inventory in the Eastern Neighborhoods includes important affordable housing resources—government subsidized housing, below-market-rate housing produced as a consequence of new market-rate development, and single-room-occupancy units in residential hotels.
- Historical development patterns, older building stock, and relatively lower land values have also enabled parts of these neighborhoods to retain a supply of lower-rent existing housing that remains a relatively affordable housing option for working class people, although statistics on over-crowding and rent burdens illustrate the lengths to which households must go to maintain even these options.
- Much of the new housing added in the City has been added in the Eastern Neighborhoods and in adjacent areas. This land use conversion and neighborhood transition are a critical part of the impetus for the proposed Eastern Neighborhoods rezoning.
- Live/work housing has transformed many scattered parcels and some entire blocks in each of the Eastern Neighborhoods. Planning Code provisions allowing live/work housing were originally intended to provide affordable, safe housing and studio space for artists and artisans. Developing live/work and loft housing became increasingly popular and profitable in the 1990s. The surge in new live/work units produced housing that was not affordable to working artists or to most San Franciscans. Furthermore, the new residential use was for the most part incompatible with nearby existing uses—primarily production, distribution, and repair businesses.

Housing market conditions and housing affordability

- Housing prices in San Francisco are among the highest in the region, and market-rate housing is not affordable to most existing San Francisco households. High housing prices contribute to out-migration to more affordable locations and limit the housing options for newcomers and other first-time buyers who would prefer centrally-located housing near the largest number of job opportunities.
- New market-rate housing added in the Eastern Neighborhoods is beyond the reach of most existing households; strong demand relative to supply keeps prices for existing housing out-of-reach of most existing households, as well.

- Rental housing remains somewhat more affordable than for-sale housing, but listing rents are high relative to the incomes of existing households.
- A shortage of affordable for-sale housing contributes to evictions and housing hardship for many evicted renters.

Workforce characteristics and the types of jobs held by workers living in the City

- Since 2000, the decrease in job opportunities has resulted in higher unemployment in San Francisco as well as a decrease in the number of people in the labor force—as people have either moved out of the City or have dropped out of the labor force—and a decrease in the number of City residents employed.
- Labor force participation is relatively high in the Eastern Neighborhoods, and the unemployment rate is higher than the citywide average.
- Although the City's labor pool overall is highly-educated, among potential workers in the Eastern Neighborhoods, a higher than average percentage lack even a high school diploma.
- Most workers living in San Francisco also work in the City, and this pattern describes workers living in the Eastern Neighborhoods, as well.
- Growth in job opportunities elsewhere in the region as well as changes to the characteristics of the housing supply and of the labor pool living in that housing in the Eastern Neighborhoods have contributed to a decline in the percentage of Eastern Neighborhoods residents who also work in San Francisco.
- The educational attainment of the City's labor pool has a direct bearing on the employment status of the City's residents. The generally lower education attainment for some residents of the Eastern Neighborhoods translates to a higher proportion of workers in lower-wage jobs that do not require college degrees.
- A disproportionate share of the City's residents holding occupations with lower skills requirements and lower wages lives in the Eastern Neighborhoods.
- Trends in the employment status of Eastern Neighborhoods residents indicate changing employment opportunities in San Francisco, as well as change in the composition of the labor force with the influx of new, market-rate housing. The percentage of workers employed in management, professional, technical, sales, and administrative support occupations has increased citywide and in the Eastern Neighborhoods, as economic growth is concentrated in the sectors employing these people. During this period, the number of residents employed in construction, maintenance, production, and transportation occupations declined throughout the City and in the Eastern Neighborhoods.
- A relatively high percentage of workers living in the Eastern Neighborhoods have low earnings and work in low-wage occupations. The households that rely on the earnings of these workers are among those households that have the most difficulty affording housing in San Francisco.

- A disproportionate share of the City's residents working in lodging, food, and personal services sectors, in repair and construction sectors, and in the information sector lives in the Eastern Neighborhoods.
- A high proportion of workers living in the Eastern Neighborhoods rely on sectors where work is seasonal and low-paying. Others work in sectors that provide entry-level options with more opportunities for advancement.

What types of businesses and how many jobs are located in the Eastern Neighborhoods?

- There are about the same number of people working in the Eastern Neighborhoods as live there.
- Although production, distribution, and repair (PDR) businesses employ the most people in the Eastern Neighborhoods, business activity in the Eastern Neighborhoods is almost as diverse as business activity in the rest of San Francisco.
- The Eastern Neighborhoods are the parts of the City that have land zoned for industrial uses and relatively permissive land use regulations. The result is an inventory of land and building space that has traditionally accommodated businesses favoring relatively low density building types, open yards for storing vehicles and equipment, low space costs, and separation from uses that are not tolerant of 24-hour operations, lights, noise, and truck traffic. In addition, the building space and locations have served an important "incubator" function in San Francisco's land use system—providing a foothold in the city for new industries, start-up businesses, and artistic endeavors that are important to the dynamics and vitality of the City's economy.
- PDR businesses employ San Franciscans: they provide jobs for an immigrant labor pool, for workers who do not speak English well and lack higher education in the U.S.
- PDR businesses offer entry-level jobs with upward mobility: on-the-job training and opportunities for advancement as skills develop.
- PDR business are located throughout the Eastern Neighborhoods and in Western SoMa and Bayview/Hunter's Point.
- Flexibility is a key characteristic of buildings used by PDR businesses and there is considerable variation in the sensitivity of PDR businesses to the costs of space.
- PDR businesses benefit from locating in clusters.
- The prospects for PDR business activity in the City are good assuming affordable, flexible space is available in suitable locations.

Examination of land use trends and development proposals

- Land use in the Eastern Neighborhoods reflects the area's history as one of the first locations for dense urban development in the growing City. A large portion of the land area *used* by PDR businesses in San Francisco is in the Eastern Neighborhoods. PDR land represents the largest single use of land in the planning area—about 40 percent of total land area.
- The current development pipeline is emblematic of the longer-term land use transitions within the City's land use system. Real estate market factors continue to favor new development in the former industrial areas of the Eastern Neighborhoods. Approved projects and development proposals convert industrially-zoned land and PDR building space to residential use with associated smaller amounts of retail, office, and institutional development.
- The pipeline of potential new residential development in San Francisco remains at near-record-high levels.
- Non-residential space in the development pipeline includes space in mixed-use projects and space in solely non-residential projects.
- Most of the loss of existing space as a result of development proposals is loss of PDR space. Overall, one-quarter of the residential and mixed-use projects in the Eastern Neighborhoods would displace PDR space.

GOALS AND OBJECTIVES OF THE PROPOSED REZONING FOR HOUSING AND JOBS

The proposed rezoning balances competing demands for land.

There are two primary objectives of the proposed rezoning: increase housing development potential in distinct mixed-use and residential districts in the Eastern Neighborhoods and provide a secure and predictable land supply for production, distribution, and repair businesses and other emerging business activities that depend on relatively lower-cost building space.

San Francisco's constrained land supply requires on-going reassessment of land use patterns and land use policies to best address competing needs for land and development capacity. To accommodate housing demand in San Francisco and increase efforts to meet needs for more affordable housing, attention turns to the industrial land in the Eastern Neighborhoods where conversion of industrial land to residential use could add significantly to housing development potential in the City. The Eastern Neighborhoods offer the potential for programming large numbers of units with lower marginal costs than infill projects in existing residential neighborhoods. Some areas of the City have already been converted from industrial use to residential districts—Rincon Hill, South Beach, Mission Bay. *Ad hoc* conversion to residential use has been underway in parts of the Eastern Neighborhoods for several years.

While adding to San Francisco's housing supply, these development trends under existing zoning have at the same time eroded the capacity of the Eastern Neighborhoods to provide affordable housing. Strong demand relative to supply increases prices and rents for existing housing in these areas. Competition for land from higher value uses that are not prohibited by existing zoning—including market-rate housing and large-scale retail and office use—has converted existing land resources and increased land values in the Eastern Neighborhoods, thereby reducing the availability of land for producing lower-priced and affordable housing.

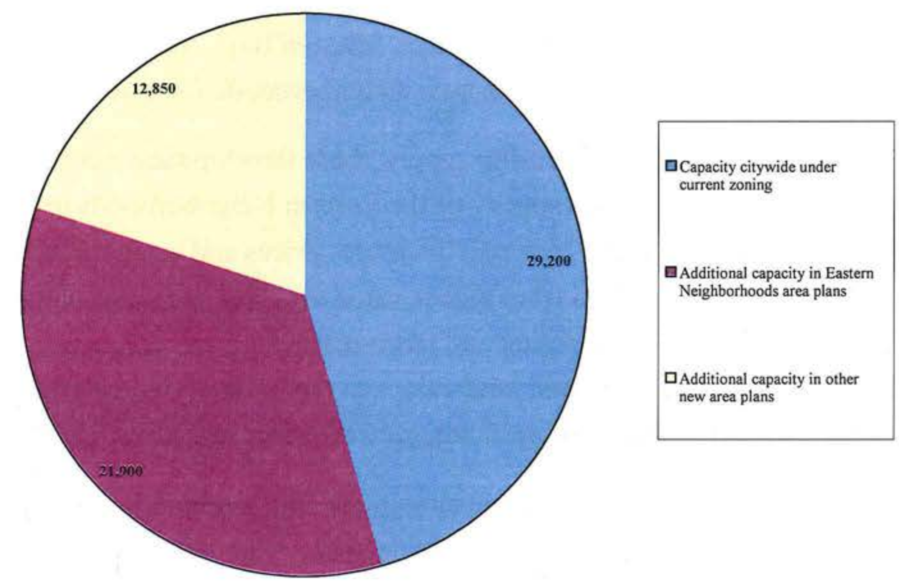
The encroachment of new market-rate housing in the City's remaining industrial districts, combined with competition for land and building space from other higher-rent-paying uses that are permitted in industrial districts, has also contributed to loss of affordable space for production, distribution, and repair business activity in San Francisco and the loss of these types of jobs in San Francisco.

Furthermore, planners, policy-makers, and the community acknowledge the importance of retaining the "incubator" function of industrial districts. Such districts typically offer location options for businesses that have limited ability to pay for building space. These can be PDR businesses or new, emerging economic activities that are to be encouraged because they offer prospects for growth in economic activity and jobs and contribute to the economic diversity of the City. In San Francisco, recent analysis has identified "digital media" companies, "clean technology" companies, and life sciences companies as particular targets for economic development efforts. Retaining existing PDR business activity and supporting new business growth depends on establishing new zoning districts for PDR-only-type business activity and promoting PDR space in mixed-use development.

Proposed land use districts and zoning controls increase housing supply potential and more carefully define the location, intensity, and character of space for business activity in the Eastern Neighborhoods.

The proposed Eastern Neighborhoods area plans and rezoning would almost double the housing development potential in San Francisco **(Chart 1)**. Under existing zoning, infill sites throughout the City that are suitable for residential development have the potential to provide an additional 29,000 units.[2] Estimates prepared by the Planning Department indicate that the proposed

Chart 1
Housing Potential Added by Eastern Neighborhoods Rezoning
(number of units)



Source: San Francisco Planning Department, 2003 Rezoning Options Workbook and Housing Element of the General Plan (2004).

rezoning would increase the housing development potential in the Eastern Neighborhoods by almost 22,000 units, representing *more than six times* the potential otherwise available in these areas under existing zoning (about 3,500 units).[3] Additional housing supply in other new area

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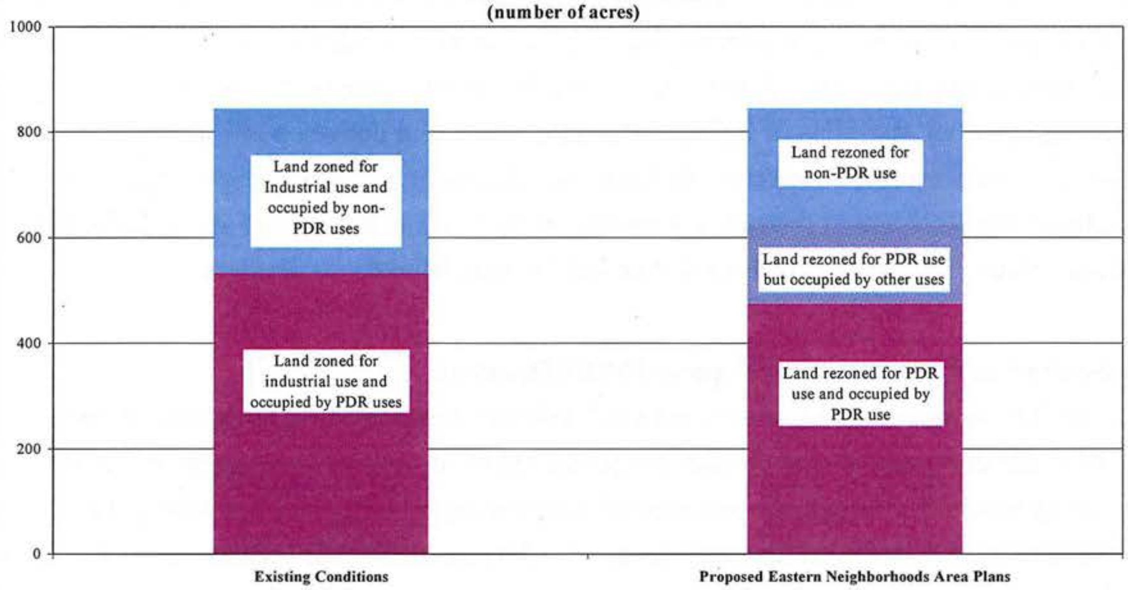
2 This estimate includes 6,000 units at Mission Bay and 1,600 units at Hunters Point Shipyard. It also includes about 3,500 units that could be added in the Eastern Neighborhoods under existing zoning.

3 This estimate is based on analysis presented in the 2003 *Rezoning Options Workbook* for Option B (page 121) and in the *Housing Element of the General Plan* (May 13, 2004), pages 83 - 102. In addition to new housing

plans would add another 13,000 units to the City's housing potential. Together, these land use plan and zoning changes would increase housing development potential in San Francisco to about 64,000 units.

While increasing the housing supply potential in proposed mixed use and residential zoning districts in parts of the Eastern Neighborhoods, the proposed rezoning would also establish other districts to provide a land supply reserved for PDR business activity. Under existing conditions, almost 40 percent of the land area zoned for industrial, heavy commercial, and home and business services is occupied by other uses—primarily housing office, and retail—while 60 percent is occupied by PDR uses (**Chart 2**). Under the proposed rezoning, almost all of that land occupied by PDR uses would be rezoned to exclude office, retail and residential use. In addition, the potential PDR land supply would include land now occupied by other uses but where new zoning and land use controls would support transition to PDR business activity. About one-quarter of the existing industrially-zoned land supply in the Eastern Neighborhoods would be rezoned for other uses, primarily to increase the housing supply potential, as described above.

Chart 2
Rezoning Stabilizes PDR Land Supply
(number of acres)



Source: San Francisco Planning Department

potential in the Mission and Showplace Square/Potrero Hill areas, the estimate for the Eastern Neighborhoods includes Central Waterfront housing development potential. All South of Market housing development potential is included in the estimate since most of that would be in East SoMa. Housing development potential added through other planning efforts (Market Octavia, Balboa Park, South Bayshore, and Visitacion Valley) are included in the estimates of supply added in other new area plans.

This new land use template for the Eastern Neighborhoods requires new permanent zoning classifications in parts of the Eastern Neighborhoods currently zoned for industrial use. This covers areas of the Central Waterfront, Mission, East SoMa, and Showplace Square/Potrero Hill neighborhoods that have C-M, M-1, or M-2 zoning. East SoMa's existing home and business service zoning districts (SLI, SSO, RSD, and SLR zoning –already mixed-use in intent) would be refined. In addition, existing residential enclave zoning and neighborhood commercial zoning would be reinforced and expanded there. Large areas of residential zoning in the Mission and Showplace Square/Potrero Hill would remain essentially unchanged. Neighborhood commercial zoning would be strengthened in the Mission and expanded in Showplace Square/Potrero Hill. For comparison to the proposed rezoning, **Box 1** on the following page outlines the use limitations under existing industrial, heavy commercial, and home and business service zoning districts in the Eastern Neighborhoods. The objectives and specific features of the new zoning classifications are summarized below.

Mixed-use Residential Districts

These zoning district would promote high-density housing and a flexible mix of smaller neighborhood-serving retail and commercial uses, appropriate for development to take advantage of major transit investments. Restrictions on the size of non-residential uses would prohibit the development of large-scale retail and office uses. In the new area plans and implementing zoning amendments, specifics of building size and residential density controls would be tailored to existing conditions and to appropriate future development patterns in each neighborhood. A large Mixed-use Residential district is proposed in the Central Waterfront along Third Street and Tennessee Street. A majority of East SoMa will become Mixed-use districts.

Employment and Business Development/PDR Districts

These districts would establish more restrictive non-residential zoning to replace industrial districts where currently almost all uses are permitted as of right or conditionally (see **Box 1**). This zoning would encourage conservation of the existing building stock to retain appropriate space in appropriate locations for production, distribution, and repair business activity. There would be controls on demolition of existing industrial space, and new construction would be limited to PDR space—space suitable for a variety of types of businesses but in which large-scale office or retail uses would not be allowed. Incubator space for businesses, including PDR businesses that can afford the higher cost of new development, is envisioned. Compared to existing zoning, this designation would be more restrictive because there would be more stringent controls on office, retail, and housing development: housing would be prohibited, and only small office and retail uses would be allowed.

BOX 1

EXISTING ZONING IN THE EASTERN NEIGHBORHOODS

Zoning Districts		Permitted Uses	Conditional Uses	Uses Not Permitted
C-M	**Heavy Commercial**	Wholesale, storage, light manufacturing, retail, office, assembly and entertainment, minor auto and other repair, other home and business services, auto sales and rental, group housing, residential care, clinic, social services, child care, school.	Dwelling units, hotel/motel, hospital/medical center.	Major auto repair, building materials and contractor's equipment storage, auto wrecking.
M-1	**Light Industrial**	Manufacturing, wholesale, storage, retail, office, assembly and entertainment, auto and other repair, other home and business services, auto sales and rental, residential care, clinic, social services, child care, school.	Dwelling units, group housing, hospital/medical center, residential care, hotel/motel, auto-wrecking.	Junkyard.
M-2	**Heavy Industrial**	Manufacturing, wholesale, storage, retail, office, assembly and entertainment, auto and other repair, other home and business services, auto sales and rental, clinic, social services.	Dwelling units, group housing, hotel/motel, auto-wrecking.	Hospital/medical center, residential care, child care, school.
RSD	**Residential/ Service Mixed Use**	Retail, general commercial, home and business services, arts activity, work space of design professionals, light industrial, wholesale sales, auto repair and service, parking, dwelling units, SRO units, live/work units with arts or other permitted use, child care, school.	Group housing, residential care , assembly and social service, office or live/work units in historic buildings, live work units with conditional use, vehicle tow service.	General office, hotel, movie theatre, nighttime entertainment, adult entertainment, heavy industrial, open lot vehicle storage, hospital/medical center, all other live/work units.
SLR	**Service/Light Industrial/ Residential**	Retail, general commercial, home and business services, arts activity, work space of design professionals, light industrial, wholesale sales, auto repair and service, parking, dwelling units, SRO units, live/work units with arts or other permitted use, child care, school.	Group housing, residential care, assembly and social service, office or live/work units in historic buildings, live/work units with conditional use, vehicle tow service.	General office, hotel, movie theatre, nighttime entertainment, adult entertainment, heavy industrial, open lot vehicle storage hospital/medical center, all other live/work units.
SLI	**Service/Light Industrial**	Retail, general commercial, home and business services, arts activity, work space of design professionals, light industrial, auto repair and service, parking, open lot vehicle storage, live/work units with arts or other permitted use, child care, school.	Group housing, low-income housing, SRO units, residential care, assembly and social service, office or live/work units in historic buildings, vehicle tow service.	General office, hotel, movie theatre, nighttime entertainment, adult entertainment, heavy industrial; dwelling units (except low income), all other live/work units, hospital/medical center.
SSO	**Service/ Secondary Office**	Office, retail, general commercial, home and business services, arts activity, light industrial, wholesale sales, auto repair and service, parking, live/work units, SRO units, hospital/medical center, child care, school.	Dwelling units, group housing, residential care, assembly and social service, nighttime entertainment, vehicle tow service.	Open lot vehicle storage.

In these Eastern Neighborhoods, two areas for Employment and Business Development/{PDR are proposed. This designation would cover most of the Central Waterfront, surrounding the new Mixed-use Residential district proposed on either side of Third Street north of 25th. The second area would cover some of what is now zoned for industrial use in the northeast Mission, extending across Potrero and Division to cover a few blocks in the Showplace Square/Potrero Hill neighborhood. In Showplace Square/Potrero Hill some blocks along 7th Street, between 17th and 18th Street along the old rail right-of-way, and along Pennsylvania south of 22nd Street would be designated for Employment and Business Development/PDR.

Urban Mixed-Use /Mixed Use PDR Districts

These mixed-use districts would encourage transitional development patterns between business and employment districts and predominantly residential neighborhoods, thereby buffering potentially incompatible land uses. By contrast to the other new districts, new development in these mixed-use districts would be expected to be a true mix of uses—combining new housing with smaller scale retail and commercial use and those types of production, distribution, and repair activities that can coexist with housing. Retail, office, and housing uses would be allowed, but non-PDR development would be required to also provide PDR space.

Mixed-use zoning is proposed for Showplace Square/Potrero Hill for the blocks south of 16th Street that border established residential neighborhoods and for the blocks along Seventh and Bryant Streets where Showplace Square/Potrero Hill meets Mission Bay and Western SoMa. This zoning is also proposed where similar conditions prevail in the Mission—for the blocks on the edges of the current industrial district, where on-residential land use transitions to residential, generally south of Mariposa and west of Shotwell. These are areas that have already evolved to a place where there is a generally compatible mix of certain types of production, distribution, and repair activity and existing residential use or, in the case of Showplace Square/Potrero Hill adjacent to Mission Bay, have the potential to develop as that kind of district.

Design and Showroom District

This district is intended to protect the unique cluster of Showplace Square design-related PDR businesses and buildings. Intensive industrial uses and housing would be prohibited, and only small office and retail uses would be allowed. Protecting the existing building stock for showroom and related interior design PDR uses would be a priority in this district.

Arts District

The Arts District is proposed for a small area in Showplace Square/Potrero Hill to encourage uses that are compatible with and benefit from the presence of the California College of Arts. In addition to PDR (especially arts activities and design-related PDR), only small office and retail uses and institutional-related student housing would be allowed. Any non-student housing would be required to provide art-PDR space.

East SoMa Mixed-use Districts

The original proposal for rezoning in East SoMa (Option B in the 2003 *Rezoning Options Workbook* that resulted from community planning workshops in 2002) would have designated almost all of East SoMa Mixed-use Residential. There would also be neighborhood commercial zoning on transit-oriented street frontages. As described above, the Mixed-use Residential district would support expansion of high density housing while at the same time promoting a mix of smaller-scale non-residential uses consistent with retaining the existing mix of building space and business activity.

The revised proposal for East SoMa translates the existing zoning articulated in the *South of Market Plan* adopted in 1990—Service Light Industrial (SLI), Service Secondary Office (SSO), Residential Service (RSD), and Residential Enclave Districts—to a more refined set of mixed use zoning designations. The specifics of the proposed new controls encourage housing development, make small office development easier in appropriate locations, and require new development to also provide PDR space in other locations. In addition, the underlying industrial zoning for the Rincon Point/South Beach Redevelopment Area is proposed to be changed to be consistent with the mixed-use, high-density residential neighborhood that has been built there, and the Ballpark Vicinity Special Use District controls would be incorporated in the proposed East SoMa land use controls.

Consistent with the South of Market planning framework outlined in Option B of the *Rezoning Options Workbook*, the result for East SoMa is a rezoning proposal that encourages more higher density housing within a matrix of designations that both support retention of PDR business activity and encourage smaller scale mixed-use development. To add more housing supply potential in East SoMa, the proposed rezoning increases height limits for housing in certain locations and eliminates existing parcel-based density controls on the number of dwelling units allowed.

Land use policies and zoning to increase housing supply and address housing needs

To date, the community planning process and Planning Department staff efforts have identified a number of regulatory options to increase housing production in rezoning the Eastern Neighborhoods. While increasing housing supply potential overall is an important objective of the rezoning, regulatory options for housing production put a special emphasis on affordable housing and on housing for families, because of both citywide needs and the particular needs of the people already living in the Eastern Neighborhoods. Because the area plans continue to evolve, this analysis lists generically the types of options under consideration, focusing on those options related to land use regulation. (Other program and investment options to assist in meeting these goals and objectives are discussed after the evaluation of the proposed rezoning.)

In conjunction with the Mixed-use Residential, Urban Mixed-use , and East SoMa zoning districts described above, the following land use regulatory tools could be implemented:

- Eliminate conditional use requirements for housing,
- Increase height limits for housing in certain areas,
- Eliminate residential density maximums that set a limit to the number of units that can be developed on a parcel using ratios of units to lot size,
- In transit-rich areas, revise residential parking requirements to eliminate the minimum parking requirement of one space per dwelling unit,
- Prohibit live/work development,
- Target new units, especially below-market-rate units, to families and larger households by requiring a minimum number of bedrooms for a percentage of units in larger housing development projects,
- Identify areas where only affordable housing would be allowed,
- Where new zoning regulations have increased by-right development potential, require a higher percentage of affordable housing than otherwise required through the City's Inclusionary Affordable Housing Program, and
- Require off-site inclusionary affordable housing to be built within the same plan area in areas designated for housing,
- Increase the incentives to build affordable housing on-site (2006 amendments to the Inclusionary Affordable Housing Program require that 20 percent of total units be below-market-rate if provided off-site and reduce that percentage to 15 percent of the total for below-market-rate units provided on-site).

How the proposed rezoning would work in each of the Eastern Neighborhoods

Central Waterfront

The proposed rezoning for the Central Waterfront would build on the established character of a mixed use working neighborhood. Proposed land use districts would establish controls designed to preserve land and buildings for production, distribution, and repair uses, especially south of 23rd Street by limiting options for competitive uses, restricting demolition and conversion, and requiring replacement PDR space. The proposed mixed use residential district extending north of 25th Street between Tennessee and Illinois, encompassing most of the blocks on either side of Third Street and Tennessee would encourage housing. This zoning district is very flexible—

allowing a mix of residential, retail, and commercial uses; it would not require PDR as part of new development. The rezoning would significantly expand the supply of land zoned to accommodate residential development to the north and south of the existing Dogpatch neighborhood. The mixed use residential areas emphasize higher-density development centered on the new transit nodes along Third Street.

East SoMa

The rezoning proposal for East SoMa emphasizes higher density housing, neighborhood-serving ground floor retail space, and smaller scale commercial and office uses. The proposed zoning would retain service-light industrial, service-secondary office, and residential-service districts, with neighborhood commercial uses encouraged along transit corridors. The zoning is intended to support a development pattern consistent with proximity to downtown and investment in east-west and north-south transit corridors through East SoMa. Height limits would be increased on major streets to be consistent with the height of some existing newer buildings and to accommodate more housing while allowing for attractive and functional ground floor retail spaces in mixed use buildings.

Mission

The objective of proposed rezoning for the Mission is to support and protect the existing mix of uses and density of development. In the northeast corner of the Mission—in most of the Northeast Mission Industrial Zone –the proposed rezoning would introduce use restrictions and controls on demolition and replacement of existing space. Other changes in zoning would encourage mixed-use development on the edges of that employment and business development district, to provide a transition to the residential and commercial mixed use areas that predominate in the bulk of the Mission blocks. Housing development would be encouraged by appropriate zoning and changes in height limits along streets well-served by transit: Mission and Valencia. Height limits would be refined in some limited areas, to create incentives for new development where there are major development opportunity sites. The proposed rezoning would retain the density and character of existing residential areas and neighborhood commercial districts in the Mission.

Showplace Square / Potrero Hill

The emphasis of the proposed rezoning for Showplace Square/Potrero Hill is on mixed-use and residential infill, paired with requirements to provide new PDR space and prevent conversions of PDR space to residential use. Large scale office and retail uses would be prohibited. The blocks along 16th and 17th Streets would be expected to develop as a primarily residential neighborhood supported by neighborhood and transit-oriented commercial development along an upgraded 16th

Street transit corridor. To protect the renovated and re-used brick warehouse buildings and the showroom uses that occupy them, special restrictions would be imposed limiting incompatible uses in the design and showroom district Arts and design-related PDR uses would be encouraged to take advantage of particular opportunity sites around the California College of Arts where this neighborhood borders Mission Bay.

Impacts of the Proposed Rezoning for Housing, Population, Business Activity, and Jobs

This section of the report describes the impacts of the proposed rezoning from a socioeconomic perspective. Throughout, assessment is based on comparison of expected outcomes under the proposed rezoning to what would otherwise be expected in the absence of the rezoning. Generally, compared to a continuation of existing trends, the proposed rezoning would offer benefits in terms of housing choice and housing affordability. These benefits would accrue to newcomers as well as to existing residents. The proposed rezoning would also result in better long-term outcomes for most PDR businesses—a stable land supply with restrictions that limit development of incompatible uses. The result would be a more diverse economy providing more job opportunities for San Franciscans.

The analysis also indicates that land use regulation alone is not adequate to address the wide range of community planning goals. These include, among others:

- producing housing that the market does not easily provide—affordable housing for families, for large households, for artists, for low-income elderly and for disabled people;
- harnessing for the neighborhood the benefits of local-serving economic development;
- improving the employment and earnings prospects for the economically disadvantaged; and
- growing new businesses that offer a sustainable source of jobs and income for San Franciscans.

New financial resources, new programs, and interagency coordination to better target existing programs and resources are required to complement the proposed land use regulations.

Housing and Population

The proposed rezoning would result in more housing supply potential in the Eastern Neighborhoods and in San Francisco than would be the case under existing plans and zoning. This would mean more supply relative to demand and more housing choices for residents of the Eastern Neighborhoods.

There would be more housing development potential in San Francisco under the proposed rezoning than without it. Housing development potential in the Eastern Neighborhoods would increase by about 22,000 units, effectively doubling the housing development potential in San Francisco.

Proposed use districts and zoning controls would create certainty for residential developers and for neighbors by defining Mixed-use Residential districts where housing was permitted and large-scale non-residential uses were not permitted. Increased heights and elimination of dwelling unit density maximums would increase housing supply potential. Reduced parking requirements would lower housing development costs.

More housing supply potential also means more below-market-rate housing as a result of application of the recently amended Inclusionary Affordable Housing Program requirements to housing projects of five or more units. On-going refinements of the area plans are focusing on means to strengthen the application of the Inclusionary Affordable Housing Program in conjunction with the rezoning of the Eastern Neighborhoods.

With the proposed rezoning, there would be more housing supply potential to meet demand across a number of market segments. Generally, housing prices and rents for both new and existing housing, including vacated rental units, would be lower than would be the case with the more limited housing supply potential in these areas under existing zoning and continuation of existing market trends. Under the proposed rezoning, there would be less demand pressure to convert existing rental housing stock to relatively affordable for-sale housing. Under these less constrained market conditions, there also would be more housing options for newcomers. Furthermore, existing residents who have to find new housing would have more options for remaining in these areas of San Francisco than they would without the additional supply of both market-rate and affordable units. As evidenced by existing conditions and trends in the local housing market, strong demand and constrained supply focus market pressure on the older, existing housing stock in centrally-located residential neighborhoods such as the Mission and Potrero Hill. Low and moderate income residents who are displaced as a result, as well as low and moderate income newcomers, bear the financial and social costs of the resultant increase in housing values and market prices and rents.

The proposed rezoning would result in less displacement than otherwise expected in the face of continued demand for housing in San Francisco.

The Mission, Potrero Hill, Central Waterfront, and South of Market neighborhoods are the neighborhoods that have experienced some of the most extreme increases in housing prices for existing for-sale housing and for rental housing. Displacement of long-term, lower-income residents as a result of gentrification has been a particular concern in the Mission. Overcrowding of multi-generational households including families with children and displacement of these and other types of existing households have been among the costs of high demand for housing from people who can afford to pay more for housing and are attracted to these close-in neighborhoods. By adding housing supply potential in these neighborhoods, the proposed Mixed-use Residential districts would provide a relief valve reducing these housing market pressures. The result would be less displacement than otherwise expected.

The proposed rezoning would better define the character of residential development in the Eastern Neighborhoods.

Under existing zoning moderate amounts of incremental, opportunistic residential development in industrial districts would be expected to continue. More large-scale retail or office uses would be likely on the edges of existing residential neighborhoods where site conditions were advantageous.

By providing definition where none now exists, the proposed rezoning would guide more intensive residential development to locations where conditions were amenable to full-scale neighborhood development, with complementary convenient retail stores and personal services. Requirements to also construct new PDR space in Mixed-use districts and prohibitions on housing development in Employment and Business Development/PDR districts would discourage the type of incompatible residential development that has been the pattern throughout much of the Eastern Neighborhoods. Existing residential districts in the Mission, Showplace Square, Potrero Hill and Central Waterfront would be strengthened, with the intent to limit new supply to compatible infill.

While the proposed rezoning would introduce new residential neighborhoods in former industrial districts resulting in a significant land use change over time, the full complement of new zoning districts would likely result in stronger residential character and neighborhood commercial character for both new and existing residential areas than would otherwise be the case.

The additional population accommodated by new housing would provide support for more local-serving retail and personal services in the Eastern Neighborhoods.

This would mean more support for both existing and new neighborhood businesses. Property owners would benefit from higher occupancy of ground floor space. There would also be new local business opportunities. Proposed zoning regulations would limit the scale of new development to smaller floor area development types. There would be more local shopping and personal service options and potentially more convenient, affordable options for existing residents than is currently the case.

Programs to support locally-owned or operated businesses, businesses that contribute to the cultural character of the area, and organizations and businesses that serve the needs of lower-income households may be required as part of a complementary plan—outside of land use regulations—to manage neighborhood economic development without a loss in valued neighborhood character in these transitioning Eastern Neighborhoods.

By rationalizing the land use mix in the Eastern Neighborhoods, the proposed rezoning would change some of the very land use conditions that have made it possible to provide large amounts of affordable housing there.

Relatively lower land values and a rougher mix of land uses than found in most other parts of the City have made parts of the Eastern Neighborhoods conducive to the production of lower cost housing. Prime opportunities have included rehabilitating older buildings with small units and developing high-density new development in pioneering residential locations. A potential cost of the proposed more rational set of use districts would be reducing such opportunities, particularly the options for new development sites.

In some parts of the Eastern Neighborhoods, current area plan proposals would require that increases in housing development potential conferred by the rezoning be restricted to affordable housing or to housing for families and other large households. Other proposals would identify parcels in mixed-use residential areas for permanently affordable housing. These could be public parcels or parcels otherwise acquired to be held in trust for affordable housing development. Substantial housing programming and financial resources above and beyond land use regulation would be required to realize the benefits of such proposals for affordable housing.

Business Activity and Employment

The proposed rezoning would reduce the land supply for PDR uses in the Eastern Neighborhoods. This would result in eventual displacement of existing PDR business activity and employment from those areas proposed to be rezoned Mixed-Use Residential.

Some of the PDR businesses on land not proposed to be zoned for PDR are "adaptive" and would continue to operate as they have, while development patterns would be expected to change around them. Some of these businesses own their facility. Others are compatible with a mix of uses and are willing to pay to retain their current location because the nature of their operations makes alternatives less desirable. These businesses are willing to pay more because they can pass on the higher costs of a more valuable location to their customers.

Over time, however, most existing PDR businesses on land not zoned for PDR would be expected to leave these areas as the real estate market would favor residential, retail, and other higher-value uses in those areas. Some would find suitable locations elsewhere in the City; others would relocate outside San Francisco. Still others would go out of business. Under existing zoning, this has been the trend in these Eastern Neighborhoods. The extent of displacement would depend primarily on how sensitive the business was to moving and other relocation costs.

Over the long-term, the rezoning proposal offers the possibility of more location advantages for PDR activity in San Francisco and therefore more PDR business activity and jobs than would otherwise be the case if there were no rezoning.

The rezoning would also establish Employment and Business Development districts/PDR and Mixed-Use districts where PDR use would be a priority. In those districts, the controls on demolition of existing PDR buildings and the requirement to replace PDR space, combined with prohibitions on residential, large retail, and large office development, would raise the costs associated with non-PDR development (compared to other locations) and would result in more retention of existing space and more development of new space targeting PDR uses than would otherwise be the case.

The proposed Employment and Business Development/PDR districts and Mixed-Use/PDR districts in the Eastern Neighborhoods are preferred to continuation of existing conditions in which PDR land supply is not stabilized and *ad hoc* incursions of incompatible and higher-value uses gradually undermine the characteristics that make these locations suitable for clusters of PDR businesses, resulting in displacement and the disruption of networks necessary for remaining business to thrive.

Over the longer-term, much existing PDR activity in the Employment and Business Development/PDR and Mixed-Use/PDR districts would be expected to remain. Furthermore, as their function and location advantages were established under the proposed rezoning, there would be increases of PDR activity in these districts.

Under the proposed rezoning, the heart of the Northeast Mission Industrial Zone, the Central Waterfront south of 25th, and Inner and Outer Bayview would be formalized as San Francisco's PDR business districts. These districts, along with Western SoMa (depending on the outcome of the community planning process for that area), would become suitable locations for PDR businesses willing to relocate to remain in San Francisco, and they would become a location of choice for growing PDR business activity.

PDR businesses most likely to be displaced would be those not located on land to be zoned Employment and Businesses Development/PDR or Mixed-Use/PDR.

In any one sector such as manufacturing, wholesale trade, construction, repair, distribution, or transportation, the diversity of PDR activity in San Francisco includes businesses that cover a large tolerance range with respect to space and location preferences and sensitivity to space costs. Therefore, it is not possible to make definitive conclusions about displacement and particular sectors. Generally, however, high-value-added businesses (businesses that can charge a premium for their product or service, that customize their work to short product life-cycles) and businesses that have strong linkages to other sectors of the San Francisco economy, including labor force needs, would be most likely to relocate within the City, either within these Eastern Neighborhoods or in other similar locations. Types of businesses most likely to relocate outside of San Francisco rather than take on higher costs of a San Francisco location include:

- Businesses that require large single-story warehouses or open yards,
- Businesses that produce or distribute commodity products or provide services that have numerous low-cost substitutes,
- Businesses that have relatively low transportation costs,
- Businesses for whom proximity to customers and suppliers is not as important as other aspects of operations,
- Businesses that are not reliant on short delivery lead times; and
- Businesses that serve a more regional market area.

There would be more local-serving business activity, employment, and job and business opportunities in the Eastern Neighborhoods under the proposed rezoning than otherwise expected.

Residential development of a certain critical mass would provide demand to support neighborhood retail, commercial, and personal services businesses in these neighborhoods. By contrast to a continuation of existing development trends, it is more likely with the proposed rezoning that non-residential development in the Eastern Neighborhoods would occur at a smaller-scale, as part of developing neighborhood commercial districts. Large-scale retail oriented to a broader regional market would not be permitted, and large-scale office uses would not be permitted. Under existing zoning, this type of development is not prohibited, and these uses would be expected to continue to develop in the Eastern Neighborhoods on larger, underutilized parcels.

The difference in the character and orientation of business opportunities and jobs in the Eastern Neighborhoods would likely result in more employment overall and a more diverse range of employment options in San Francisco. Many of the larger-scale uses prohibited in the Eastern Neighborhoods have other location options in the City.

As noted above, land use regulations are only a starting point for defining the orientation of economic activity. Business development programs and financial resources provided by public programs and non-profit agencies more than likely would be required to fully implement the intent of the rezoning for neighborhood economic development.

There are likely to be conflicts between the two goals of, on the one hand, providing appropriate land and buildings to accommodate PDR demand and, on the other hand, looking to these same use districts to provide location options for emerging industries targeted as part of an economic development strategy.

The Eastern Neighborhoods could be attractive locations for businesses that fall somewhere in the middle of a continuum between downtown office uses and production, distribution, and repair—businesses that often combine office and processing or production functions under one roof. Compared to traditional production, distribution, and repair businesses, these businesses are more likely to use high technology equipment and processes. Some of these businesses would fall within the PDR categories identified by the Planning Department. Others, particularly those more oriented to research and development, would not. The types of businesses identified by the Mayor's Office as key to future long-term economic development in San Francisco—biotechnology, digital media, and clean technology—are representative of those technological, knowledge-based sectors that pose some regulation questions for the proposed rezoning.

While some elements of the emerging industries may be appropriate for PDR land, others may have alternative location options and permitting them in Employment and Business Development/PDR districts or Mixed-Use/PDR districts would disrupt the particular character and threaten the traditional PDR activity that those districts are intended to accommodate.

New PDR space in the Eastern Neighborhoods might be just the type of incubator space that would jump-start a cluster of clean technology companies in San Francisco. New PDR space in the Eastern Neighborhoods might provide options for the small biotechnology start-ups that are not yet ready for Mission Bay's planned bioscience campus, where millions of square feet of research and development space are planned. Offering locations for smaller scale knowledge-based technology companies in new PDR space in the Eastern Neighborhoods would also provide a relief valve for the kind of demand pressure that displaced so many lower-rent-paying uses from existing space in these areas during the dot-com boom.

On the other hand, opening to technology companies districts that were established to provide a stable reserve of land and building space for PDR uses introduces the prospect of competition from higher-value uses, speculation, and displacement of PDR from those very districts. Land use definitions and regulations may not be adequate to distinguish businesses that would contribute to the incubator function of Employment and Business Development and Urban Mixed-use districts from those that have other location options and would undermine the particular intent of these districts.

Over the longer term, the stabilization of a PDR land supply would result in a more diverse economic base and potentially more job opportunities in a more diverse range of activities than otherwise expected without the rezoning.

Without rezoning, competition for land, incompatible land uses, and no regulation of demolition and displacement of PDR activity would result in an even less adequate supply of land and building space for PDR activities. With or without rezoning, there would be displacement of PDR businesses and some of those displaced businesses would relocate outside the City or go out of business.

This would mean some San Franciscans who have limited formal education or who are immigrants who do not speak English well would lose opportunities for local, higher wage jobs that offer good opportunities for advancement. Many of these people are existing residents of the Eastern Neighborhoods. Some workers would face a longer commute. San Francisco residents and businesses that rely on PDR services would experience longer delivery times or higher costs for PDR services. San Francisco residents and businesses would have fewer local options for PDR services and would either pay more for the local option or find an alternative provider elsewhere.

While these impacts of PDR job loss would be expected due to the proposed rezoning of industrial land for housing, the losses and resultant impacts would be similar under expected future conditions without rezoning. Furthermore, the proposed rezoning offers the prospect for stemming longer-term further decline attributable to inadequate space and competition from other uses. The proposed Employment and Business Development/PDR districts and Mixed-Use/PDR districts offer some land use certainty and guidance where it is now lacking. These land use regulatory tools could work in concert with interagency coordination and economic development efforts to broaden the base of job opportunities across a range of skill and experience levels in San Francisco, thereby resulting in better employment outcomes for more San Franciscans than would otherwise be the case.

NEEDS THAT PERSIST WITH OR WITHOUT THE PROPOSED REZONING

Housing Needs

San Francisco's role as a major employment center, tourist destination, and port-of-entry, as well as the City's physical appeal and reputation for stimulating and nurturing creative and non-traditional perspectives means high demand for housing and high prices and rents across all segments of the market. Because market-rate housing is in high demand and developers can be expected to bring supply to the market to meet this demand, the need is particularly great for affordable housing for moderate, low, and very-low income households. Given the costs of construction and development in San Francisco, new affordable housing requires substantial subsidy and is thus dependent on limited public funding, redevelopment, non-profit community-based housing providers, and initiatives such as San Francisco's Inclusionary Affordable Housing Program and Office Affordable Housing Production Program.

San Francisco's official estimates of housing need are provided by the Association of Bay Area Governments (ABAG) as required by state law. The needs are defined in terms of housing market factors: accommodating projected demand (due to both household growth and the need to turn commuters into residents) and increasing the vacancy rate to provide more choice and less upward pressure on prices and rents. To satisfy these needs, ABAG establishes goals for increases in annual housing production. ABAG estimates that annual production averaging about 2,700 units per year would meet needs associated with household growth and commuting. The City increases the production goal to 2,850 units per year to achieve a higher vacancy factor.

Increasing housing production is a large component of a strategy to address housing needs. It is partly accomplished by the planning to increase housing development potential in the Eastern Neighborhoods as evaluated in this report, but also requires changes to the approval and permitting processes.

Furthermore, a substantial component of the housing need is for affordable housing production. ABAG estimates that almost two-thirds of the production should be affordable to moderate-, low-, and very-low-income households. Meeting the needs for these segments of the market requires changing land use regulations **and** marshalling additional resources and implementation actions. In particular, substantial financial resources are required to bridge the gap between land and development costs and the resources that very low, low, and moderate income tenants or first-time buyers can be expected to pay for housing.

Table 1 shows how affordable housing production in San Francisco over the 1999 – 2005 period has tracked with the housing need goals set for the City for that period by ABAG and the

California Department of Housing and Community Development (HCD). As a consequence of relatively high rates of housing production in the City over this period, at the end of 2005, San Francisco was three-quarters of the way to meeting the *overall* housing production goal. Market-rate units account for almost two-thirds (65 percent) of total production—exceeding the target amount, and production of housing affordable to low and moderate income households is substantially below the target amount. The situation is better for very low income units. Allocation of public funds for affordable housing, development activity by non-profit housing developers, and other efforts and resources have enabled the City to achieve about 70 percent of the ABAG goal for meeting the housing needs of very low income households.

TABLE 1
HOUSING PRODUCTION TARGETS, 1999-June 2006 and ACTUAL PRODUCTION, 1999-2005
Including Acquisition and Rehabilitation of Existing Units as Permitted by HCD Guidelines

	ABAG/HCD Regional Housing Needs Determination (RHND) Production Goals 1999-June 2006		Actual New Housing Production and Acquisition/Rehabilitation 1999 - 2005		
Income Category	**No. of Units**	**% of Total**	**No. of Units**	**% of Actual Production**	**% of RHND Goal**
Very Low (< 50% AMI)	5,244	25.7%	3,666	24.1%	69.9%
Low (50-79% AMI)	2,126	10.4%	1,097	7.2%	51.6%
Moderate (80-120% AMI)	5,639	27.7%	555	3.7%	9.8%
Market (over 120% AMI)	7,363	36.1%	9,870	65.0%	134.0%
TOTALS	**20,372**	**100.0%**	**15,188**	**100.0%**	**74.6%**

SOURCE: San Francisco Planning Department, *Housing Inventory* 2000, 2001-2004, 2005.

In addition, there are special categories of people who have particular housing needs and are therefore especially vulnerable when demand for housing exceeds supply to the extent that it does in San Francisco. The City's *Housing Element* identifies 11 such special population groups and notes that many in these vulnerable populations fall into more than one group, i.e., many of the homeless are mentally ill, some elderly are physically disabled, some immigrants also have low incomes and large families. The special population groups of concern and their estimated need for permanent housing are presented below.

Population Group	Number and Type of Units Needed
Homeless	3,500 units in shelters, transitional housing, SROs, some small and large family units
Mentally ill	2000 beds in board and care and institutional facilities
Physically disabled	3,177 accessible units of all types
Elderly	1,500 studio and one bedroom units in senior housing projects
Low income minorities	Rehabilitation of existing units and housing subsidies and more larger units, generally
Families with children	4,000 units of two-or-more bedroom family housing
Low-income singles	Preservation of SRO housing stock; more housing supply generally
Students	1,000 dorm rooms or studios
New immigrants	Small and large family housing
Terminally ill patients	3,000 beds in board and care and institutional facilities
Artists	1,500 units of affordable live/work space

SOURCE: City and County of San Francisco, *Housing Element of the General Plan*, Adopted May 13, 2004.

Some of the people who fall into these special needs groups live in the Eastern Neighborhoods. In particular, low income households, including many larger families, are concentrated in the Eastern Neighborhoods and these neighborhoods have a disproportionate share of crowded housing units. In the Mission and East SoMa, over 40 percent of the population are immigrants. Artists are also a notable element of housing demand in the Eastern Neighborhoods. These are the types of people and households most vulnerable to the housing market consequences of neighborhood change. Rezoning proposals affect the housing options for these groups, either directly through new housing construction or indirectly through housing market effects of changes in supply and demand. It is also true that making substantial progress to meeting many of these needs demands more than land use regulation.

Business and employment needs

San Francisco's *Commerce and Industry Element* sets forth goals for evaluating land use and other public policy directions that guide economic development. Economic vitality, social equity, and environmental quality are the three lenses offered. In establishing objectives for commerce and industry in the City, many of which the Element acknowledges are largely beyond the realm of local control—particularly land use control, the Element identifies several needs that have resonance for Eastern Neighborhoods planning:

- a diverse economic base,
- locations for business expansion and relocation,
- adequate land area to retain existing industries free from encroachment of incompatible land uses,

- expanded employment opportunities for city residents, particularly the unemployed and economically disadvantaged,
- employment stability, decent wages, and opportunities for advancement,
- job training and retraining to provide the skills needed in the labor market,
- assistance for arts activities, and
- relatively inexpensive space for "incubator" industries.

The Eastern Neighborhoods provide among the most important land resources in the City for nurturing new enterprises and for retaining those PDR business activities that have provided jobs at decent wages with opportunities for advancement for unskilled and semi-skilled workers. A large component of that workforce also lives in the Eastern Neighborhoods. Many live in households that are stretched thin financially, depending on multiple jobs and multiple wage-earners to meet expenses for housing, food, health care, and other necessities. These workers and households are among those most likely to benefit from efforts to retain PDR business activity in San Francisco. As is the case with housing needs, land use regulation is only one component of a comprehensive strategy to improve conditions for those businesses and workers most vulnerable to dislocation as a result of development trends and land conversion.

Other Policy/Program/Investment Options to Meet Housing and Employment Needs and to Improve Prospects for PDR Business Activity and the Job Opportunities it Provides

Housing and neighborhood

- Require on-site affordable family units
- Identify sites for permanently affordable housing and provide financial resources to acquire and develop that housing
- Increase financial resources for subsidizing low and very low income housing in San Francisco
- Impose fees on new development to expand public facilities and services to meet the needs related to growth
- Allocate more public and non-profit resources to meet the persistent needs for low and very low income housing, including housing for the homeless and for others who have need of support services
- Target public/private investment in neighborhood services and facilities to existing residential districts in the Eastern Neighborhoods
- Require neighborhood improvements as part of new residential development projects

Business and employment

- Make land and affordable PDR building space part of the development plan for the Hunter's Point Shipyard
- Secure surplus Port backlands for long-term PDR use
- Retain PDR land and building supply in Western SoMa
- Develop recommendations through the Back Streets Advisory Board for methods of providing affordable PDR building space and other tools to support retention of important PDR business activity in San Francisco
- Work with the Mayor's Office of Economic and Workforce Development to resolve potential conflicts between economic development strategies and land use planning for the remaining industrial districts. Focus on defining activities in ways that can be regulated by the planning code and zoning ordinance.
- Identify resources for workforce development to focus on appropriate education and training for low-wage workers, the unemployed, and immigrants.
- Identify community-based-organizations to monitor neighborhood economic development trends and provide needed business support resources.

EXISTING CONDITIONS AND TRENDS—POPULATION, HOUSING, JOBS, LAND USE, AND DEVELOPMENT

This section describes the characteristics of the people living and working in the Eastern Neighborhoods and the types of businesses and economic activity located there. The Eastern Neighborhoods are described with reference to citywide patterns and any particular concentrations of population groups are identified.[4] The section also presents information changes in neighborhood characteristics over time and on the real estate market and development trends in the planning area. Analysis identifies land use and development trends that the rezoning would shape, characteristics that are indicative of neighborhood transition, as well as populations and issues of concern for land use, housing, and economic development policy. This part of the socioeconomic analysis is concerned with documenting existing needs, primarily those related to housing options and employment opportunities.

Understanding the Eastern Neighborhoods in terms of these characteristics provides a guide for land use policy and for public facility and community service planning. This data can inform needs assessment for community facilities and services, for housing, and for workforce development and economic development planning. To better target facility planning and services, community planning efforts can sharpen the focus even further by identifying subareas within these neighborhood where particular population groups (such as youth, elderly, families with children, single-parent families, non-English-speakers, or immigrants) are concentrated.

Who lives in the Eastern Neighborhoods?

The Eastern Neighborhoods are home to about 70,000 people, just under 10 percent of the City's population **(Table 2)**. Almost all of these people live in households; less than five percent are classified as "group quarters" population.[5] The households and household population are not evenly distributed across the four Eastern Neighborhood planning areas **(Figure 1)**. Households and population are concentrated in the Mission—home to 60 percent of the households and 70 percent of the household population in the four Eastern Neighborhoods. At the other end of the spectrum, less than two percent of the Eastern Neighborhoods households and population were

4 While the discussion highlights the differences and similarities among the four Eastern Neighborhoods, the large number of people living in the Mission relative to the other neighborhoods means that the characteristics of households and population in the Mission dominate planning area patterns and that the numbers of people or households of almost any type are larger in the Mission than in any of the other Eastern Neighborhoods. At the other end of the spectrum, a relatively small number of people live in the Central Waterfront; within that neighborhood, features that stand out because they are common to a high percentage of the neighborhood population represent only a small number of people in the context of the overall Eastern Neighborhoods population.

5 The U.S. Census Bureau classifies people living in such places as dormitories, group homes, shelters, nursing homes, and correctional facilities as group quarters population.

located in the Central Waterfront in 2000. Showplace Square/Potrero Hill and East SoMa each house 15 – 20 percent of the Eastern Neighborhoods population. Adjacent Western SoMa is home to a relatively small number of people compared to all of the other Eastern Neighborhoods except the Central Waterfront.

At just under three persons per household, the average household in the Mission is 30 percent larger than the average household in San Francisco **(Figure 2)**. The average household is notably smaller in the Central Waterfront and in East SoMa, and just under the City average in the Showplace Square/Potrero Hill area.

TABLE 2
POPULATION IN THE EASTERN NEIGHBORHOODS AND IN SAN FRANCISCO
2000

	Central Waterfront	East SoMa	Mission	Showplace Square/ Potrero Hill	All Eastern Neighbor-hoods	Western SoMa	Total City	EN % of City
Population	907	9,516	48,458	11,518	**70,399**	5,318	776,733	**9%**
Household Population	814	8,511	47,274	11,245	**67,844**	3,524	756,976	**9%**
Households	463	4,899	15,812	5,242	**26,416**	1,689	329,700	**8%**
Persons per household	**1.76**	**1.74**	**2.99**	**2.15**	**2.57**	**2.09**	**2.30**	
Group Quarters Population	93	1,005	1,184	273	2,555	1,794	19,757	**13%**
Group quarters percentage of total population	10%	11%	2%	2%	4%	34%	3%	

NOTE: The estimates of population and households by neighborhood in this table are based on Census block data. This is the smallest unit at which Census data are available. The Planning Department provided the correspondence between Census block and neighborhood boundary. Census block data were not available at the time the land use forecast for the rezoning options (LUA 2002) was prepared. The year 2000 estimates for each neighborhood developed for the LUA 2002 were based on census tract allocations prepared by the Association of Bay Area Governments (ABAG) for *Projections 2002*, other census tract information, and the Planning Department's land use database. As a result of the difference in methods attributable to data availability, the estimates presented in the Appendix of this report elsewhere as the base year for the LUA 2002 differ from the estimates presented above, which represent a closer match to the boundaries of the neighborhoods defined for the rezoning.

SOURCE: U.S. Census Bureau, *Census 2000*

About 2,500 of the people living in the Eastern Neighborhoods, less than five percent of the planning area population, are classified as "group quarters" population. Even so, the Eastern Neighborhoods claim a somewhat disproportionate share of the city's group quarters population—13 percent of the group quarters population, compared to nine percent of the total population. Most of the group quarters population lives in the Mission and East SoMa, with about equal numbers in each area; 83 percent of the total Eastern Neighborhoods group quarters population live in non-institutional settings such as rooming houses, group homes, shelters, and halfway houses in the Mission and East SoMa. Notably, the group quarters population in the adjacent Western SoMa neighborhood (about one-third of the population in that neighborhood) includes inmates at San Francisco County jail facilities at the Hall of Justice and at 425 7th Street. Those inmates account for two-thirds or more of the Western SoMa group quarters population.[6]

Among the Eastern Neighborhoods, children are concentrated in the Mission and Showplace Square/Potrero Hill, while the older population is concentrated in the Mission and East SoMa.

Generally, the age distribution of the population in the Eastern Neighborhoods mirrors that of the City overall, although, in the Eastern Neighborhoods, a somewhat higher percentage of the population is under 18 years of age and a lower percentage of the population is elderly **(Figure 3)**. Over 90 percent of the children under 18 are in the Mission and in Showplace Square/Potrero Hill. The other areas house very small numbers of children. The older population—people aged 65 and older—live mostly in the Mission and East SoMa. These areas combined house 85 percent of the older population of the Eastern Neighborhoods. Studying the variation in age distribution can inform assessment of needs for different types of public facilities and support services.

The Eastern Neighborhoods have a greater racial and ethnic mix than the City overall, and the mix varies among neighborhoods.

Only one-third of the Eastern Neighborhoods' population is white, and more than 40 percent of the population is Hispanic **(Figure 4)**. The racial and ethnic mix varies quite a bit among the Eastern Neighborhoods. Almost 30 percent of the City's Latino residents live in the Eastern Neighborhoods, almost all (90 percent) of them live in the Mission—an established Latino cultural hub for San Francisco and the entire Bay Area. Central Waterfront and Showplace Square/Potrero Hill have the highest percentages of white residents—68 percent and 56 percent respectively, and of Black residents—13 percent and 15 percent respectively. Asian and Pacific Islanders are generally under-represented in the Eastern Neighborhoods, with the exception being East SoMa, where just under one-third of the population is Asian or Pacific Islander[7]—about the same as the citywide average. The racial and ethnic character of these Eastern Neighborhoods was fairly stable during the 1990s.

Concentrations of particular ethnic groups such as Latinos in the Mission and Filipinos in East SoMa provide a critical mass of support for such neighborhood services as ethnic groceries and

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6 This estimate is based on capacities for the various San Francisco County Jail facilities as stated in *San Francisco Jails: An Investigative Visit*, A Report of the 2005-2006 Civil Grand Jury for the City and County of San Francisco (June 26, 2006). The high proportion of this inmate group quarters population skews the population characteristics for Western SoMa, so direct comparison to the characteristics of the population of the Eastern Neighborhoods is not attempted.

7 Almost all Asian and Pacific Islanders in East SoMa are Filipino.

eating places. Community-based-organizations that serve the needs of a non-English-speaking population can also provide services more efficiently by locating in neighborhoods where their service population is concentrated. These dependencies illustrate some of the potential costs of disrupting these community and cultural networks and the benefits of providing an environment that can sustain affordable housing options for immigrants.

As is the case citywide, a high percentage of the people living in the Eastern Neighborhoods were born outside the United States.

Nationally, San Francisco ranks as one of the top 10 cities in the number of foreign-born residents. Thirty-seven percent of the City's population was foreign-born in 2000. In the Eastern Neighborhoods overall, a somewhat higher percentage—closer to 40 percent of the total—was foreign-born **(Figure 5)**. The profile varies among neighborhoods. In the Central Waterfront and Showplace Square/Potrero Hill, the foreign-born are a relatively small share of the total population; 15 – 20 percent of the population were not born in the U.S. On the other hand, in East SoMa and the Mission, 40 – 45 percent of the population is foreign-born.

The foreign-born in the Eastern Neighborhoods are less likely than the foreign-born elsewhere in the City to have attained citizenship status. One in eight foreign-born non-citizen residents of San Francisco lives in the Mission.

These (along with the related factors of ability to speak English and educational attainment, both of which are described below) are important characteristics of the local labor pool; they are part of the information needed to evaluate local employment options that fit the needs of local residents and to target workforce development efforts. Citywide, almost 60 percent of the foreign-born are citizens, while in the Eastern Neighborhoods, only 40 percent are citizens **(Figure 6)**. Non-citizens are concentrated in the Mission, where 65 percent of the foreign-born are not citizens. In fact, the Mission is home to 13 percent of the City's foreign-born, non-citizen population, but only seven percent of all City residents live in the Mission. The next largest number of foreign-born in the Eastern Neighborhoods lives in East SoMa. There, the foreign-born are more likely to be citizens; the percentage that are citizens is the same as for the City overall.

The foreign-born population increased at almost twice the rate of citywide population growth during the 1990s. The increase in the foreign-born population accounts for three-quarters of the net change in population in San Francisco between 1990 and 2000. The changes have been less marked in the Eastern Neighborhoods, but the pattern varies by neighborhood **(Figure 7)**. East SoMa saw the greatest percentage change, with a doubling of the foreign-born population between 1990 and 2000. By contrast, in the Mission, there was essentially no net change in the foreign-born population. Both the Central Waterfront and Showplace Square/Potrero Hill experienced moderate increases in the foreign-born population.

A high percentage of the people living in the Eastern Neighborhoods do not speak English at home. One third of native Spanish-speakers who have difficulty speaking English live in the Mission.

Almost half (46 percent) of the population of San Francisco speaks a language other than English at home. The percentage is somewhat higher (52 percent) in the Eastern Neighborhoods, consistent with the higher proportion of foreign-born population **(Figure 8)**. These patterns are quite a bit different from national averages, but similar to averages for California. Nationally, only 18 percent of the population speak a language other than English at home, and in California, 40 percent of the population do. Furthermore, nationally, 55 percent of non-English-speakers speak English very well, while the pattern is inverted in San Francisco: 55 percent of non-English-speakers speak English only well, not well, or not at all. This population—people who live in households where the primary language is not English and no person aged 14 or over speaks English at least "very well"—is defined by the U.S. Census Bureau as "linguistically isolated".

Overall in the Eastern Neighborhoods, the propensity of the population to be linguistically isolated is about the same as it is citywide—55 percent of the non-English-speaking population and 30 percent of the total population. Although the Eastern Neighborhoods have proportionally more people who speak a language other than English at home, a sizeable number of those people (25 percent) speak English very well. Citywide, 21 percent of non-English-speakers speak English very well.

Again, as is the case with many of the other variables, the patterns vary considerably by neighborhood **(Figure 9)**. Most non-English speakers live in the Mission and speak Spanish; 60 percent of the population of the Mission lives in households where English is not the primary language. While 40 percent of those people speak English very well, more than half—60 percent—do not. These people are a large share of the City's linguistically isolated Spanish speakers. One-third of the neighborhood's population qualifies as linguistically isolated. A substantial majority of the people living in the Central Waterfront and Showplace Square/Potrero Hill neighborhoods speak only English (85 percent and 67 percent, respectively), and linguistic isolation is relatively rare, at half or less of the citywide average rate. In East SoMa, almost 60 percent of the population speaks only English. Among non-English-speakers, Asian and Pacific Island languages predominate, but the rate of linguistic isolation is slightly lower than the citywide average of 25 percent.

During the 1990s, there was a small increase citywide in the percentage of the population that did not speak English at home, consistent with the increase in the foreign-born population. In the Eastern Neighborhoods overall, the percentage actually declined **(Figure 10)**. Furthermore, the percentage of non-English-speakers who are linguistically isolated declined in the Eastern Neighborhoods overall **(Figure 11)**. The pattern for the Eastern Neighborhoods is dominated by characteristics of the Mission where there was little net change in the foreign-born population, illustrating a link between English-speaking ability and stable neighborhood residence patterns.

The full spectrum of education levels is represented among adults living in the Eastern Neighborhoods, but a relatively large segment of the adult population has not graduated from high school.

Compared to the citywide average, a higher proportion of the Eastern Neighborhoods population 25 years and older does not have a high school diploma **(Figure 12)**. Fully 25 percent of the adult population in the Eastern Neighborhoods has not attained this minimum education level. The percentage is highest in the Mission, where almost 30 percent do not have a high school diploma. In the other Eastern Neighborhoods, college degrees and higher levels of education are more common—approaching 50 and 60 percent of the population 25 years and older in Showplace Square/Potrero Hill and the Central Waterfront. Compared to the Mission, however, these areas have relatively small populations; more people with college degrees and graduate or professional degrees live in the Mission than in all of the other Eastern Neighborhoods combined.

During the 1990s, education levels rose across the board and the differences between the Eastern Neighborhoods and the rest of the City narrowed. In 1990, almost one-third of the Eastern Neighborhoods population 25 years and older did not have a high school diploma. Citywide, 22 percent did not. In the Eastern Neighborhoods, only about one-quarter of the adults had at least a college degree, compared to 35 percent citywide in 1990. In all neighborhoods, the number of adults achieving higher levels of education increased during the 1990s, while the number without a high school diploma stayed about the same.

As with other indicators of neighborhood change, this trend is explained by several factors: an increase in education levels within long-time resident households (the children of immigrants tend to achieve higher levels of education than their parents); residents of new housing have higher education levels on average than existing residents; and some newcomers who move into existing housing have higher education levels than former residents.

The mix of household types in the Eastern Neighborhoods is diverse and is remarkably similar to the overall mix of household types in the City.

There are just over 26,000 households in the Eastern Neighborhoods in 2000—eight percent of all households in San Francisco. Considering the Eastern Neighborhoods together, the proportion of single-person households (36 percent) is just slightly below the proportion of single-person households citywide **(Figure 13)**. The pattern varies by neighborhood: half and more of the households in the Central Waterfront and East SoMa are single-person households, and the percentage is lower than the area-wide average in the Mission. The household composition in Western SoMa is very similar to that in East SoMa, although an even higher percentage of all households in Western SoMa are single-person households.

The variation in household types among neighborhoods is to some extent a function of the characteristics of the housing stock in each area. The concentration of SRO residential hotels, live/work units, loft housing, and new construction of smaller units South of Market explains much of the mix of household types in that area. Families and larger households occupy the larger units in flats, older apartment buildings, single-family houses, and public housing in the Mission and Potrero Hill areas. New live/work and loft housing began to predominate in the Central Waterfront in the late 1990s, attracting new residents and more smaller households.

As is the case citywide, families with children (both married-couple families and single-parent families) are the smallest household group in the Eastern Neighborhoods. Married-couple families with children represent 12 percent of Eastern Neighborhoods households—the same as the citywide average. These households are concentrated in the Mission and account for only a small share of households elsewhere in the Eastern Neighborhoods. Single-parent families with children are a smaller number of households in the Eastern Neighborhoods and citywide, but they are a disproportionate share of Eastern Neighborhoods households. Thirteen percent of the City's single-parent families live in the Eastern Neighborhoods, compared to eight percent of all households. These households are concentrated in the Mission and also make up a relatively large share of the households in the Showplace Square/Potrero Hill neighborhood (10 percent of all households in that neighborhood).

Families without children and other non-family households (two or more unrelated people living together) are well-represented in the Eastern Neighborhoods as they are citywide. They are well-represented across all of the Eastern Neighborhoods, ranging from 37 percent of all households in East SoMa to 47 percent of all households in Showplace Square/Potrero Hill.

The most notable change during the 1990s in the mix of household types in San Francisco has been the decline in the number and percentage of families with children. Citywide, the number of married-couple families and the number of single-parent families was lower in 2000 than in

1990. These same changes are reflected in the changing mix of households in the Eastern Neighborhoods.

Four of every five households in the Eastern Neighborhoods are renters.
Renter-occupied housing accounts for almost two-thirds of the City's occupied housing. This is the inverse of the national average, where two-thirds of the housing stock is owner-occupied. The high percentage of renters is typical of large cities; in New York, Los Angeles, Chicago, Dallas, and Houston, renters were a majority of households in 2000.

The proportion of renter-occupied housing is even higher in the Eastern Neighborhoods, where, in 2000, almost 80 percent of occupied units were rental units **(Figure 14)**. The share varies by subarea, ranging from a high of almost 90 percent renter occupancy in East SoMa to 60 percent renter occupancy in the Central Waterfront and Showplace Square/Potrero Hill neighborhoods. As described in more detail below, the rental housing stock in the Eastern Neighborhoods houses many who are faced with high rents relative to household income: for almost 40 percent of renter households, rent requires more than 30 percent of household income.

There have been some notable changes in tenure as a result of housing development activity and trends in the City's housing market. Overall, there has been a small decline in the percentage of units that are renter-occupied in the Eastern Neighborhoods, while, citywide, between 1990 and 2000, there was no change in the proportion of the housing stock that was renter-occupied. In the Eastern Neighborhoods, the most notable changes were in the Central Waterfront and East SoMa, where most of the new units added appear to be owner-occupied units, resulting in a substantial decrease in the proportion of the local housing stock that is renter-occupied.

Existing housing does not adequately meet the needs of families and larger households.
The number of bedrooms in a housing unit is an indicator of whether or not housing is suitable for families and other types of larger households. San Francisco's housing stock is dense, particularly in the eastern parts of the City. So the City overall has a high proportion of units (46 percent) with no bedrooms or only one-bedroom **(Figure 15)**. In the Eastern Neighborhoods, the share is substantially higher—fully 54 percent of all housing units have one bedroom or less. Most of these units are in the Mission, but 80 percent of the units in East SoMa fall in this category of small, non-family units. The relatively large proportion of units with no bedrooms in the Central Waterfront in 2000 (30 percent of the total inventory there) likely reflects the structural characteristics of the live/work units and loft-style housing added in the 1990s.

In all of the Eastern Neighborhoods except East SoMa the percentage of larger units—units having two or more bedrooms—is about the same as the citywide average distribution. Thirty percent of units citywide were two-bedroom units in 2000, and the percentage of two-bedroom units ranges from 28 percent in the Mission to 43 percent in Showplace Square/Potrero Hill. Twenty-four percent of units citywide have three or more bedrooms, and the percentage ranges from 20 percent in the Mission to 26 percent in Showplace Square/Potrero Hill.

The Mission, claiming more than half of the Eastern Neighborhoods housing stock, shows the greatest mismatch between housing type and housing need. Overcrowding is greatest in the Mission, where the most families live and where the percentage of larger housing units (units with two or more bedrooms) is lowest. The City's *Housing Element* identifies large households, including multi-generational families, as a population group that should receive particular attention with respect to housing policy and housing services because the existing housing inventory does not provide well for their needs. The result is unacceptable levels of overcrowding.

Most households in the Eastern Neighborhoods are small, but a disproportionate share of the City's large households also live in the Eastern Neighborhoods—many in overcrowded housing units.

As noted above, there are marked differences in average household size among the Eastern Neighborhoods **(Table 1 and Figure 2)**. Although the Eastern Neighborhoods have a substantial number of smaller households (overall 65 percent are one- and two-person households), there are also a relatively large number of households with four or more people **(Figure 16)**. These households are concentrated in the Mission, where 20 percent of households have four or more people. The 1990s brought very little change in these patterns.

These large households translate to crowded housing units **(Figure 17)**. In the Eastern Neighborhoods, 18 percent of households are classified as "crowded" (defined by the U.S. Census Bureau as more than one person per room). The citywide average is 12 percent. In the Eastern Neighborhoods, almost three quarters of these "crowded" households are "severely crowded" (defined as more than 1.5 persons per room). Fully 16 percent of the City's severely crowded households are found in the Eastern Neighborhoods. There are crowded households throughout the Eastern Neighborhoods, but the percentages are particularly high in the Mission, East SoMa, and Central Waterfront.

San Francisco's *Housing Element of the General Plan* identifies overcrowding as one of several "troublesome effects" of high housing costs in San Francisco and evidence of the need for more affordable housing. These households, most of which are renters, have a set of housing needs that are difficult to meet in San Francisco. Older housing stock in the Eastern Neighborhoods has provided housing options for large families or groups of individuals who need to share housing expenses. If housing market pressures and gentrification result in displacement for these households, suitable housing substitutes are extremely limited. Among possible results are: even more over-crowding, having to find even more money to pay for housing thereby reducing resources for other household needs or requiring more hours worked to increase household income, relocating to a more affordable housing market, or, in some cases, homelessness.

Overcrowding (more than one person per room) increased citywide between 1990 and 2000, a result of the extreme housing market pressures at the end of the 1990s caused by the dot-com-fuelled surge in demand meeting limited increases in supply. In the City overall, the number of severely crowded units increased by one third between 1990 and 2000. The change was not as dramatic in the Eastern Neighborhoods where there was only a 16 percent increase in the number of severely overcrowded units. Almost all of that increase was measured in two neighborhoods—East SoMa and the Central Waterfront, where is it likely symptomatic of a mismatch between family/household size and the size of available affordable housing, as well as of the particular changes in the housing stock and housing market in those neighborhoods that accompanied the dot-com boom. (These changes in the housing stock are discussed in a subsequent section of the report.) Both East SoMa and the Central Waterfront were especially attractive to the dot-com workforce and to other new San Francisco residents pioneering in areas where new live/work and loft housing was constructed at a rapid pace in the late 1990s. The unique characteristics of live-work units (a mezzanine/loft instead of a separate bedroom) may also contribute to the "overcrowding" statistics.

Single-parent families as well as very large households that are renters in the Eastern Neighborhoods are particularly vulnerable to displacement.

Consistent with the predominance of rental housing stock in the City and in the Eastern Neighborhoods, all types of households are renters **(Figure 18)**. Because renter households are more vulnerable to displacement, it is important to focus on who lives in rental housing in the Eastern Neighborhoods. Across all of the Eastern Neighborhoods, single-parent families are a disproportionate share of renters, meaning the percentage of single-parent families that are renters is substantially higher than the percentage of all households that are renters. In the Mission and East SoMa, 85 to 95 percent of single-parent families are renters. It is interesting to note that citywide, single-parent families are somewhat under-represented among renter households **(Figure 19)**.

While a large share of renter households are single-person households (45 percent citywide and 37 percent in the Eastern Neighborhoods), there are also a large number of very large households that are renters, particularly in the Eastern Neighborhoods **(Figure 20)**. One-quarter of the City's renter households of six-or-more people live in the Eastern Neighborhoods. In East

SoMa, 96 percent of households of four or more people are renters; in the Mission, 83 percent of households with four or more people are renters.

Both of these types of households—single-parent families and large households—have housing needs that are not easily satisfied in San Francisco: lower cost housing and units with more than two bedrooms. The vulnerability and the needs of these existing residents of the Eastern Neighborhoods are important considerations for devising policies and priorities to guide neighborhood change, as well as for allocating other housing and community services resources.

The full spectrum of household incomes is represented in the Eastern Neighborhoods. Lower income households are concentrated in the Mission and East SoMa.

Twelve percent of households in the Eastern Neighborhoods have incomes below $10,000 per year; nine percent have incomes of $150,000 or more **(Figure 21)**. The Eastern Neighborhoods house a disproportionate number of lower income households, however, particularly East SoMa and the Mission. In those neighborhoods in 2000, median household income was 80 – 90 percent of the citywide median of $55,200 in 1999 dollars **(Figure 22)**.[8] In Western SoMa, median household income was even lower—70% of the citywide median measured in the 2000 Census. With household incomes less than 80 percent of the citywide median, almost half of East SoMa and Mission households fall into the low income and very low income categories.[9] A substantial percentage of Showplace Square/Potrero Hill households also fall into the lower income categories—particularly the very low income category. Overall, however, this neighborhood and the Central Waterfront do not show the same concentration of lower income households evident elsewhere in the Eastern Neighborhoods **(Figure 23)**.

Income averages do not fully capture disparities in the income distribution. This can be measured by the ratio of lower income to higher income households within each neighborhood. For this analysis, the ends of the income distribution are defined as the household income categories that capture the bottom 25 percent and the top 25 percent of households in San Francisco. Thus, for San Francisco, the number of households having incomes less than $25,000 is about equal to the number of households having incomes of $100,000 or more; the ratio of low income to high income households is .94-to-one, indicating a rough balance between the two

[8] The median measures the mid-point of a distribution—half of the households have incomes below the median and half have incomes above the median. This measure is more representative of the norm than an average measure that can be skewed by extremes at either end of the distribution.

[9] The Department of Housing and Urban Development defines income categories for the purpose of determining eligibility for federal housing assistance. These categories are widely used to analyze housing affordability and eligibility for a variety of housing programs. "Very low income" households have incomes below 50 percent of area median income. "Low income" households have incomes from 50 – 80 percent of area median income. "Moderate income" households have incomes from 80 – 120 percent of area median income.

ends of the income distribution **(Figure 24)**. A lower ratio indicates the predominance of high income households, and a higher ratio indicates the predominance of low income households.

For the Eastern Neighborhoods overall, the ratio of 1.28-to-1 indicates generally a higher incidence of low income households, compared to the rest of the City. The ratios vary dramatically at the level of the individual neighborhoods, however. The Mission and East SoMa have ratios of 1.7-to-1 and 1.5-to-1, respectively, indicative of substantially more low income than high income households. Almost 90 percent of the low income households in the Eastern Neighborhoods live in the Mission and East SoMa. By contrast, the ratios are substantially lower than one in the Showplace Square/Potrero Hill (.6-to-1) and the Central Waterfront (.35-to-1). In these neighborhoods, high income households outnumber low income households by almost two to one. With a ratio of 2.3-to-one, the pattern is reversed in Western SoMa, where the lowest income households outnumber the highest income households by more than two to one.

The poverty rate in the Eastern Neighborhoods is substantially higher than the poverty rate for the city as a whole.

Poverty statistics describing the population in the Eastern Neighborhoods are consistent with the findings about household income in the Eastern Neighborhoods. In the Eastern Neighborhoods, 17 percent of the population lives in poverty, according to federal poverty definitions; the rate is 11 percent for San Francisco overall **(Figure 25).**[10] This includes people living alone or with other unrelated individuals, as well as families of all types, e.g., two or more adults with children or one adult with one or more children. Only in the Central Waterfront (with a relatively small population) is the poverty rate (at six percent) less than the citywide average of 11 percent. In East SoMa, the poverty rate (21 percent) is almost twice the city average.

Across all age groups, the Eastern Neighborhoods house a disproportionate share of the city's poor. The concentration is most marked for children. While the Eastern Neighborhoods house 10 percent of the City's population of children (those under 18 years of age), these neighborhoods house twice that proportion of children in poverty (19 percent of the city total).

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[10] Poverty status is measured for all people except those in institutions, college dormitories, military group quarters, and unrelated individuals under age 15. The Census Bureau uses a set of money income thresholds that vary by family size and composition to determine who is in poverty. Unrelated individuals living alone or in a household with others are treated as single-person families. The thresholds were originally defined in the 1960s, based on evaluation of food budgets and what portion of income families spent on food. If family (or individual) total income is less than the threshold, then that family and every individual in it is considered in poverty. The official poverty thresholds do not vary geographically so they are not sensitive to regional or local variations in the cost of living, but they are updated using the Consumer Price Index for national changes in the cost of living. The official poverty definition uses money income before taxes and does not include capital gains or non-cash benefits (such as public housing, Medicaid, and food stamps). http://www.census.gov/hhes/www/poverty/povdef.html - 2

Three-quarters of that population of poor children live in the Mission. In the Central Waterfront and Showplace Square/Potrero Hill neighborhoods, children are a higher share of the people in poverty than is the case citywide and higher than would be expected based on the age distribution of the population in those neighborhoods **(Figure 26)**. In East SoMa, the population in poverty mirrors more closely the age distribution of the population—relatively few children and proportionally more working age and elderly people. Among the Eastern Neighborhoods, East SoMa has the highest proportion of elderly people living in poverty.

The *Housing Element of the General Plan* identifies the needs of these types of existing residents of the Eastern Neighborhoods, in particular poor families and poor elderly, as requiring particular attention. Poor families are likely to live in overcrowded conditions; poor families and the elderly have the least resources to fall back on when faced with unexpected eviction or displacement. Homeless families are a growing segment of the City's homeless population.

Citywide, the number of people in poverty and the poverty rate declined during the 1990s, and this was also the case in most of the Eastern Neighborhoods **(Figure 25)**. The overall trend likely is the result of a number of different factors: real income growth for some households, households leaving the City have lower per capita incomes than those who remain, and households moving into the City have higher per capita incomes than the existing average. In the Eastern Neighborhoods, increases in economic opportunities and wages in some sectors that employ people living in these areas, new housing development marketed to higher income households, combined with housing turnover following from strong demand for the existing housing stock all contributed to neighborhood changes reflected in the decline in the poverty rate. (The poverty rate also declined nationally during the 1990s. On the other hand, California was one of ten states plus the District of Columbia where the poverty rate increased during the 1990s.)

Among the Eastern Neighborhoods, only in East SoMa did the number of people in poverty and the rate of poverty increase during the 1990s. In this neighborhood, several large housing projects in the Rincon Point-South Beach redevelopment project area were completed and occupied in the early 1990s. Two projects are entirely for low-income residents, and the others have significant numbers of units for low income households.

Renter households bear a higher housing cost burden than do owners.

Overall, about 35 percent of households in the Eastern Neighborhoods face housing costs that claim a burdensome percentage of their household income. According to the U.S. Census and the Department of Housing and Urban Development (HUD), a household is considered financially burdened by housing costs if those costs equal or exceed 30 percent of household income. Housing cost burdens in San Francisco are particularly high for lower-income newcomers and new households, such as immigrants, young entry-level workers, artists, and students, as well as for existing residents who become unemployed or find themselves in the housing market not by choice but because they are displaced from their household and former housing unit.

The pattern of housing cost burden for renters in the Eastern Neighborhoods mirrors the pattern for San Francisco as a whole **(Figure 27)**. In almost two out of every five renter households (about 40 percent of renter households), rent is greater than 30 percent of household income, and for a high percentage of these financially-burdened households, rent is 50 percent or more of household income. These households are classified as "severely rent-burdened" by HUD and housing program planners and managers. Among Eastern Neighborhoods, the highest percentages of financially-burdened households are in East SoMa, and the percentage is equally high in Western SoMa. On the other hand, in the Mission and Showplace Square/Potrero Hill neighborhoods, higher than average shares of households devote 30 percent or less of household income to rent.

These financial burden patterns for renters reflect to some extent the residential mobility and housing turnover described below. Because of rent control, longer-term tenure in a housing unit—as evidenced for a substantial percentage of Mission and Showplace Square/Potrero Hill households—translates to more affordable rent levels with respect to household income. At the same time, in San Francisco's housing market many such long-term tenants face substantial increases in housing cost burdens if they are displaced from their rent controlled unit.

The pattern can also be evidence of income disparity within these neighborhoods, where rent levels may be relatively affordable for higher income households while, at the same time, a high percentage of households have lower incomes and high rent burdens. "Overwhelming rent burdens" are cited in the *Housing Element of the General Plan* among the evidence of need for affordable housing production in San Francisco.

Owner households are more likely to be older, have higher incomes, and be more stable. As a result, a lower percentage of these households are financially burdened by their housing costs. In 2000, in the Eastern Neighborhoods and in San Francisco as a whole, the costs of ownership equaled or exceeded 30 percent of household income for 30 percent of owner households **(Figure 28)**. The comparable percentage for renter households was 37 percent. As with renter households, the highest burdens were in the neighborhoods with new housing stock and a high percentage of recent movers—East SoMa and the Central Waterfront. Because the inventory of owner-occupied housing is not large is these neighborhoods—accounting for less than five percent of all occupied housing units in the Eastern Neighborhoods, these burdens affect a relatively small number and percentage of area households.

The Eastern Neighborhoods and the City overall are home to many households that have moved recently.

In 2000, one in five households had moved in the 15 months preceding the Census enumeration, i.e., between January 1999 and April 2000 **(Figure 29)** [11]. Reflecting the substantial additions to the housing stock in parts of the Eastern Neighborhoods during the 1990s as well as turnover of residents in the existing housing stock attributable to strong housing demand, there were proportionally more households that had moved within the previous five years in those neighborhoods than in the rest of the City; in 2000, over half of households (57 percent) had moved in the last five years. In 2000 for the rest of the City, less than 50 percent of households had moved within the preceding five years. As a corollary, households in the Eastern Neighborhoods were less likely to be long-term residents. Citywide, one-third of households had lived in their home more than 10 years. In the Eastern Neighborhoods overall, the percentage was 24 percent long-term residents in 2000.

In neighboring Western SoMa, there is evidence of even more moving and turnover of households. Almost three-quarters (72 percent) of Western SoMa households had moved within the last five years at the time of the 2000 Census. Only 15 percent of Western SoMa households had not moved in more than 10 years.

Residential mobility during the 1990s tracks changes to the housing stock. Where there were increases to the housing stock, the proportion of movers is high. Households were more stable in neighborhoods that have larger amounts of older units and where new housing is not as large a part of the inventory. For example, more than one-third of the households in the East SoMa and Central Waterfront neighborhoods were new to their housing unit between January 1999 and April 2000. In the Mission and Showplace Square/Potrero Hill neighborhoods, the proportion of recent movers was less than or equal to the citywide average. In those neighborhoods, almost 30 percent of the households had lived in the same housing unit for at least 10 years, just under the citywide average. In the East SoMa and Central Waterfront neighborhoods, only 10 – 15 percent of households had been in the same housing unit for more than one decade.

What are the characteristics of the housing stock in the Eastern Neighborhoods and how has the housing inventory changed over time?

Through the first part of 2000, new residential development was concentrated in selected locations in the Eastern Neighborhoods.

The recent rapid pace of change in the housing inventory in parts of the Eastern Neighborhoods is evident in Census data classifying housing units according to when they were built **(Figure**

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[11] This discussion is limited to length of residency in a particular housing unit. Movers include households that may be long-term residents of a neighborhood but have moved recently to a new housing unit.

30). In the 15 months preceding April 2000, the Census counted 1,700 newly constructed units in San Francisco. Almost one-third were in the Eastern Neighborhoods, and the large majority of those were in East SoMa. In 2000, in East SoMa, almost 40 percent of the housing stock had been built in the preceding 10 years and almost 60 percent was new since 1980. The other area showing major change in housing inventory in the last decade was the Central Waterfront, where 20 percent of the housing stock (one in five units) was built in the 1990s.

The housing inventory is considerably larger in both the Mission and Showplace Square/Potrero Hill neighborhoods, and more than half of the units in those neighborhoods are old—dating from before 1940. Although there were additions to the housing stock during the 1990s, new housing shows as a relatively small percentage (less than 10 percent) of the total in these Eastern Neighborhoods. As indicated above, however, new development has been concentrated in subareas of these neighborhoods, resulting in substantial localized change in land use and neighborhood character, and introducing a new housing market orientation to these areas.

The existing housing inventory in the Eastern Neighborhoods includes important affordable housing resources.

At the end of 2004, there were almost 30,000 housing units in the Eastern Neighborhoods—eight percent of the total housing stock in San Francisco **(Table 2)**. Over half (55 percent) of those units were in the Mission (16,700 units), and most of the rest were split about evenly between East SoMa (6,700 units) and Showplace Square/Potrero Hill (5,700 units). There were only about 740 housing units in the Central Waterfront at the end of 2004. There were about 2,500 housing units in Western SoMa in 2004—less than one percent of the City's housing stock.

The count of housing units in **Table 3** includes government-subsidized affordable housing. There are about 2,000 units of this primarily rental housing stock in the Eastern Neighborhoods, just over 10 percent of the citywide inventory **(Figure 31)**. Many of these developments are for families; some developments are limited to seniors and or disabled residents. In the Eastern Neighborhoods, most of this housing is in East SoMa and the Mission. Examples of larger projects include Steamboat Point and Delancey Street in the Rincon Point/South Beach Redevelopment Project Area in East SoMa; Mendelsohn House, San Lorenzo House, and the Knox Hotel on Sixth Street elsewhere in East SoMa; Bernal Dwellings, Bethany Center, and Plaza del Sol in the Mission; and Potrero Terrace on Potrero Hill.

These affordable housing units represent a relatively large share of the housing inventory in East SoMa, where they are 11 percent of the count of official housing units. In neighboring Western SoMa, affordable housing units are an even larger share of the total, accounting for 14 percent of all units in the area.

TABLE 3
HOUSING INVENTORY IN THE EASTERN NEIGHBORHOODS AND IN SAN FRANCISCO
2004

	Central Waterfront	East SoMa	Mission	Showplace Square/ Potrero Hill	All Eastern Neighborhoods	Western SoMa	Total City
Total Housing Units[1]	739	6,703	16,683	5,742	**29,867**	2,475	**356,494**
Percent of City Total	0.2%	1.9%	4.7%	1.6%	8.4%	0.7%	100.0%
Percent of Eastern Neighborhoods	2%	22%	56%	19%	100%		
Affordable Housing[2]	-	752	940	238	**1,930**	349	**18,426**
Percent of City Total	-	4.1%	5.1%	1.3%	**10.5%**	1.9%	100.0%
Percent of Eastern Neighborhoods	-	39%	49%	12%	100%		
Percent of Total Units by Area	-	11%	6%	4%	**6%**	14%	5%
Residential Hotel Units[3]	49	1,628	1,735	16	**3,428**	99	**20,015**
Percent of City Total	0.2%	8.1%	8.7%	0.1%	**17.1%**	0.5%	100.0%
Percent of Eastern Neighborhoods	1%	47%	51%	1%	100%		

[1] The estimates of total housing units by neighborhood in this table start with Census block data for 2000. This is the smallest unit at which Census data are available. The Planning Department provided the correspondence between Census block and neighborhood boundary. Census block data were not available at the time the land use forecast for the rezoning options (LUA 2002) was prepared. The year 2000 estimates for each neighborhood developed for the LUA 2002 were based on census tract allocations prepared by the Association of Bay Area Governments (ABAG) for *Projections 2002*, other census tract information, and the Planning Department's land use database. This estimates for 2004 presented in this table add housing unit changes by neighborhood to the 2000 block-level data for each neighborhood. As a result of the difference in methods attributable to data availability, the estimates presented elsewhere as the base year for the LUA 2002 may not appear consistent with the estimates presented above, which represent a closer match to the boundaries of the neighborhoods defined for the rezoning.
[2] This count of affordable housing was compiled by the Planning Department based on lists provided by the San Francisco Redevelopment Agency and the San Francisco Housing Authority. The units counted are primarily subsidized rental housing for very low income tenants (households that have incomes less than 50 percent of the area median income). This unit count does not include other types of affordable housing such as below-market-rate units in market-rate housing development (sometimes referred to as "inclusionary units" because they are required as a result of San Francisco's Inclusionary Affordable Housing policy).
[3] Residential hotel units are shown separately in the table because they are an important part of the housing stock in the Eastern Neighborhoods.

SOURCE: U.S. Census Bureau, *Census 2000* and San Francisco Planning Department.

This count of government-subsidized housing is not the complete picture of affordable housing resources in the Eastern Neighborhoods. Inclusionary housing units produced as a result of City policy requiring that below-market-rate housing also be produced as a condition of approval for larger market-rate housing projects are not counted in these estimates. Many of the City's resources for increasing the supply of permanently affordable housing have been applied in the Eastern Neighborhoods in recent years; this includes funding for non-profit organizations to acquire and rehabilitate buildings thereby increasing and improving the affordable housing supply. (The residential hotels discussed below have benefited from a substantial portion of these resources.) Furthermore, historical development patterns, older building stock, and relatively lower land values have also enabled parts of these neighborhoods to retain a supply of lower-rent existing housing that remains a relatively affordable housing option for working class people, although statistics on over-crowding and rent burdens illustrate the lengths to which households must go to maintain even these options.

Residential hotels contribute to the inventory of affordable housing.

Units in residential hotels are also an important part of the affordable housing stock in San Francisco, particularly in the Eastern Neighborhoods. There are over 3,400 units in 87 residential hotel buildings in the Eastern Neighborhoods, however, and these units represent just over 10 percent to the overall housing supply (**Table 3 and Figure 31**). The number of units is split about evenly between East SoMa and the Mission. In East SoMa, residential hotel units are almost 25 percent of the total housing supply.

Some residential hotels are operated by non-profit organizations that have rehabilitated the buildings and operate them as permanently affordable housing. In the Eastern Neighborhoods, almost one-third of the residential hotel units are run by non-profits; citywide, only 20 percent are. Non-profit operators are equally active in the Mission and in East SoMa (**Figure 32**).

Much of the new housing added in the City has been added in the Eastern Neighborhoods and in adjacent areas.

The *San Francisco Housing Inventory* (July 2005) describes the characteristics of the existing housing stock and trends in housing construction in San Francisco (**Figure 33 and Figure 34**). Over the 15-year period from 1985 through 1999, about 20,000 housing units were built in San Francisco. The net change in units, after accounting for demolitions and alterations, was 18,111 for the period. The average annual rate of net new production was about 1,200 units per year. More recently, the pace of housing production has increased significantly, averaging almost 2,000 units per year over the five year period 2000 to 2004, when over 10,000 units were completed. The proportion of units lost due to demolitions has declined, and there has been an increase in the net gain due to alterations.

There have been substantial recent changes in the housing stock in the Eastern Neighborhoods. These changes and the longer-term trends they represent are a critical part of the impetus for the proposed Eastern Neighborhoods rezoning. Increases in the housing supply and housing development proposals in areas zoned for industry combined with market-induced changes in the character of older residential neighborhoods prompted community and political interest in updating land use policy and zoning controls to better address these development pressures and associated community planning issues.

From April 2000 – 2004, over 2,400 new units were constructed in the Eastern Neighborhoods, almost one-quarter of the total housing construction in the City during this time period **(Table 4 and Figure 35)**. After accounting for demolition, there was a net increase of over 2,000 housing units in the Eastern Neighborhoods, 20 percent of the net increase in housing citywide.[12] Most of the changes in the housing stock (fully 60 percent of the net change) occurred in East SoMa. The development activity in that neighborhood has resulted in a 24 percent increase in the East SoMa housing inventory. Although only about 250 units were added in the Central Waterfront during this time period, the increase is large relative to the small base of existing housing stock. New units added since April 2000 have increased the Central Waterfront housing inventory by over 50 percent. Conversely, the percentage changes are small in the Mission and Showplace Square/Potrero Hill neighborhoods, where the base existing inventories are considerably larger **(Figure 36)**.

In Western SoMa, there were also substantial additions to the housing inventory between 2000 and 2004—a net addition of about 660 units, representing a seven percent increase in the inventory. The magnitude of the change was not as great as in the Eastern Neighborhoods, however. Notably, in Western SoMa, many of the additions were the result of alterations of existing buildings. In Western SoMa, a large percentage of the increase in housing is attributable to affordable housing development, such as Soma Studios and Family Apartments with 162 units (new construction) of very-low-income rental units at 8th and Howard.

12 HOPE VI replacement housing projects in the Mission have a disproportionate influence on the changes in the housing stock in that subarea during this time period. At the beginning of the time period, the new units constructed include the 160-unit New Bernal Dwellings replacement housing. At the end of the time period, the Valencia Gardens demolition occurred, accounting for 70 percent of total units demolished in the Eastern Neighborhoods during this time period. These units are being replaced with 260 units in flats and townhouses, but that new construction was not complete when this inventory was prepared so the replacement units are not counted in these housing stock changes.

TABLE 4
HOUSING PRODUCTION TRENDS
2000 – 2004

	Eastern Neighborhoods						
Changes to the Housing Stock	**Central Waterfront**	**East SoMa**	**Mission[1]**	**Showplace Square/ Potrero Hill**	**Total**	**Western SoMa**	**Total City**
New Units Constructed	256	1,305	558	293	2,412	484	10,248
Units Demolished[2]	(1)	(37)	(291)	(17)	(346)	(10)	(874)
Net Units Gained or (Lost) by Alteration	(1)	10	23	-	32	187	593
Total Net Change	**254**	**1,278**	**290**	**276**	**2,098**	**661**	**9,967**
	Percent of Eastern Neighborhood Total				**Eastern Neighbor-hoods as % of City Total**	**Western SoMa as % of City Total**	
New Units Constructed	10.6%	54.1%	23.1%	12.1%	23.5%	4.7%	
Units Demolished[2]	0.3%	10.7%	84.1%	4.9%	39.6%	1.1%	
Net Units Gained or (Lost) by Alteration	-3.1%	31.3%	71.9%	0.0%	5.4%	31.5%	
Total Net Change	**12.1%**	**60.9%**	**13.8%**	**13.2%**	**21.0%**	**6.6%**	

[1] The 160-unit New Bernal Dwellings low-income rental replacement housing in the Mission was completed in 2002 and the 246-unit Valencia Gardens in the Mission was demolished in 2004. The Valencia Gardens replacement housing (not completed at the time of this inventory so not included in the count of units constructed) includes 260 units in flats and townhouses.

[2] The demolition of the Valencia Gardens units without counting the replacement units means that the net change in units during this time period is not representative of prevailing conditions.

SOURCE: San Francisco Planning Department

Live/work housing has transformed many scattered parcels and some entire blocks in each of the Eastern Neighborhoods.

Live/work units have been part of the increase in the City's housing supply since the late 1980s. A total of about 4,500 live/work units in 290 buildings have been added to the housing stock from 1987 through June 2005, as shown in **Table 5**, accounting for almost one in five units added to the San Francisco housing inventory over this time period.

Almost all of that development activity has happened in the Eastern Neighborhoods—63 percent in the Eastern Neighborhoods covered by the proposed rezoning and another 27 percent in Western South of Market **(Figure 37)**. The large South of Market area (East and West combined) has undergone the most absolute change as a result of live/work development, accommodating more than half of total development activity, or 2,400 housing units. The

Central Waterfront, Mission, and Showplace Square/Potrero Hill areas have each accommodated 500 – 600 live/work units over this period.

Live/work development activity has resulted in the most substantial change in the housing inventory in relative terms in the Central Waterfront. In that neighborhood, live/work units now represent about two-thirds of the housing stock. Since about 1990, live/work development has more than doubled the housing inventory in the Central Waterfront.

TABLE 5
LIVE/WORK COMPLETED
1987- JUNE 2005

	No. of Structures	No. of Units	% of Total Structures	% of Total Units
Eastern Neighborhoods	**163**	**2,832**	**56.4%**	**63.2%**
Central Waterfront	29	495	10.0%	11.0%
East SoMa	69	1,135	23.9%	25.3%
Mission	36	612	12.5%	13.7%
Showplace Square/Potrero Hill	29	590	10.0%	13.2%
Rest of the City	**126**	**1,651**	**43.6%**	**36.8%**
Western SoMa	92	1,243	31.8%	27.7%
TOTAL	**289**	**4,483**	**100.0%**	**100.0%**

Source: San Francisco Planning Department

The Planning Code provisions allowing live/work housing were originally intended to provide affordable, safe housing and studio space for artists and artisans. Most of the first official live/work units were conversions of former industrial buildings and warehouses where high ceilings, flexible space, sweat equity, and minimal improvements combined to satisfy the needs of artists willing to live in relatively unfinished and unconventional conditions.

Subsequently, builders, tapping the strong demand for ownership housing in San Francisco, translated these industrial loft conversions to new construction that was initially classified by the Planning and Building Codes as commercial space. Development of live/work and loft housing became increasingly popular and profitable in the 1990s. The surge in new live/work units produced housing that was not affordable to working artists or to most San Franciscans. Furthermore, the new residential uses were for the most part incompatible with nearby existing uses—primarily businesses engaged in production, distribution, and repair.

The disruption of traditional land use patterns prompted the interim controls in 1999 that created Industrial Protection Zones and separate Mixed Use Districts where housing and associated residential neighborhood planning would be encouraged. Those interim controls—established with some variations as area policies by resolutions in 2001 and 2004—were the genesis of the rezoning proposals currently under development for the Eastern Neighborhoods.

The scale and density of recent housing development activity stands in stark contrast to the residential building types that historically characterized the Eastern Neighborhoods. Until about 20 years ago, the older residential neighborhoods of the Mission and Potrero Hill and the residential enclaves South of Market and in the Central Waterfront (Dogpatch) defined the characteristics of the housing supply in the Eastern Neighborhoods. As late as 2000, 60 percent of Eastern Neighborhoods' housing units were in buildings of less than 10 units, and more than half of those were in two-to-four unit buildings. By contrast, about 80 percent of the recent increase in housing in the Eastern Neighborhoods has been in buildings of 20 units or more (**Figure 38**).

A closer look at the changes by neighborhood shows that the larger scale new construction was the predominant characteristics of new development activity in East SoMa and the Central Waterfront **(Figure 39)**. Three-quarters of the new housing units added recently were added in East SoMa—mostly in large high-rise and mid-rise development projects. In East SoMa, five projects of greater than 100 units each account for a total of over 950 units—60 percent of the net increase in housing in this area between 2000 and 2004. In the Central Waterfront, the great majority of new housing as been in projects of 20 – 50 units each, representing a major change in density and intensity of residential development.

Smaller scale development (including live/work development) occurred throughout the Eastern Neighborhoods. These projects have been concentrated in the Mission and Showplace Square/Potrero Hill, however. Smaller projects of less than 20 units account for two-thirds of the increase in housing in these neighborhoods.

Live/work development activity has averaged about 15 units per building and is included in these summaries of recent changes in the housing stock. As noted above, on a relative basis, live/work construction has made the most difference to the Central Waterfront housing inventory. In the other neighborhoods, although live/work development has not represented such a large addition to the housing inventory in the aggregate, the concentration of live/work development in a few locations (areas of industrial or mixed commercial zoning) and, alternatively, the opportunistic appearance of projects on available sites, have added new important new elements to the housing market and to neighborhood character. In these areas, the result has often represented a considerable change not only in land use, but also in the size and scale of prevailing development, and in the market orientation of the housing stock.

The characteristics of the vacant housing stock offer insights into the place of the Eastern Neighborhoods in the City's housing market.

Data from 2000 provide an interesting snapshot of those vacant units **(Table 6)**. In 2000, although there were almost 17,000 units classified as vacant in San Francisco, only 6,500 of them were available for sale or for rent, and most of those were for rent. The vacancy rate was extremely low: the citywide vacancy rate for rental housing was three percent and the vacancy rate for for-sale housing was one percent. In the Eastern Neighborhoods, the rental market was somewhat tighter, with a two percent vacancy rate, while there was a bit more room in the for-sale market, with a three percent vacancy rate. Vacancy rates were higher in the Eastern Neighborhoods because of the recent additions to the housing supply in those areas—particularly in East SoMa. In 2000, almost one-in-five vacant, available, for-sale housing units in San Francisco were in the Eastern Neighborhoods, and most of those (60 percent) were in East SoMa.

TABLE 6
PROFILE OF VACANT HOUSING UNITS
2000

	Central Waterfront	East SoMa	Mission	Showplace Sq./Potrero Hill	All Eastern Neighbor-hoods	Western SoMa	San Francisco	EN share of City Total
Total Vacant Housing Units								
For rent	6	203	222	44	475	49	5,594	8%
For sale only	3	96	46	22	167	5	910	18%
Rented or sold, not occupied	4	21	59	29	113	6	1,419	8%
For seasonal, recreational, or occasional use	5	108	52	28	193	12	3,762	5%
For migrant workers	-	32	2	-	34	-	79	43%
Other vacant	4	66	200	101	371	53	5,063	7%
Total	**22**	**526**	**581**	**224**	**1,353**	**125**	**16,827**	**8%**
Rental Housing Vacancy Rate	**2%**	**5%**	**2%**	**1%**	**2%**	**4%**	**3%**	
For-Sale Housing Vacancy Rate	**2%**	**13%**	**2%**	**1%**	**3%**	**1%**	**1%**	
Percent Distribution by Category of Vacancy by Neighborhood								
For rent	27%	39%	38%	20%	35%	39%	33%	
For sale only	14%	18%	8%	10%	12%	4%	5%	
Rented or sold, not occupied	18%	4%	10%	13%	8%	5%	8%	
For seasonal, recreational, or occasional use	23%	21%	9%	13%	14%	10%	22%	
For migrant workers	0%	6%	0%	0%	3%	0%	0%	
Other vacant	18%	13%	34%	45%	27%	42%	30%	
Total	100%	100%	100%	100%	100%	100%	100%	

SOURCE: U.S. Census Bureau, *Census 2000*

Of other units classified as vacant, eight percent both citywide and in the Eastern Neighborhoods were units that were rented or sold but not yet occupied. Among the Eastern Neighborhoods, there were higher than average shares in this category in the Mission, Showplace Square/Potrero

Hill, and Central Waterfront. This is indicative of on-going housing turnover and an active housing market.

Citywide, over 20 percent of vacant units are held by their owners for seasonal, recreational, or occasional use. This includes time-share units, second homes for people with another primary residence, pied-à-terres, and corporate apartments held by businesses for employee and business travel use. In the Eastern Neighborhoods, generally, a smaller percentage of vacant units falls into this category; most of these units in San Francisco are located in and around the downtown area. Nevertheless, occasional vacant units are more than 20 percent of all vacant units in the Central Waterfront and East SoMa. Anecdotal information on more recent additions to the housing inventory in East SoMa in particular indicates that the current percentage is likely higher; the target markets for some new housing developments include second-home buyers and buyers who will use the units as pied-à-terres.

Finally, the category of "other vacant" is substantial—almost as large as the "vacant for rent" category citywide and in the Mission. This category includes any units that do not fall into the other categories. Most notably, it includes units held vacant by personal reasons of the owner. This includes both units that are uninhabitable (e.g., some public housing units) and others suitable for occupancy that have been removed from the housing market. These other types of vacant units are a high proportion of all vacant units throughout the Eastern Neighborhoods; in the Mission they are one-third of all vacant units, and in Showplace Square/Potrero Hill they are 45 percent of all vacant units, more than the vacant-for-sale and for-rent combined.

Examination of housing market conditions and housing affordability

Housing prices in San Francisco are among the highest in the region, and market-rate housing is not affordable to most existing San Francisco households

Throughout the state and the region during the 1980s and 1990s, housing production did not keep pace with demand associated with employment growth, in-migration, and household formation. Housing price increases reflect this imbalance between supply and demand. More recently, housing production levels increased at the same time that employment opportunities fell off dramatically. Nevertheless, historically low mortgage interest rates contributed to maintaining housing price levels in spite of the significant downturn in economic activity in the region. In April 2006, market prices for single-family houses in the Bay Area were more than double price levels observed in 1999. In April 2006, the median sales price for new housing in the Bay Area was $630,000 and the median for existing housing was about $600,000. New home prices in the Bay Area are 30 to 50 percent higher than new home prices in neighboring San Joaquin and

Stanislaus counties, and prices for existing homes in the Bay Area are 60 – 80 percent higher than those in the neighboring counties.[13]

This house price differential contributes to out-migration from high-priced housing markets in the center of the region. It also limits the options for newcomers and other first-time buyers in those central areas close to the largest number of job opportunities.

Housing prices in San Francisco are among the highest in the region; considering prices for both new and existing housing, only Marin County had consistently higher price levels throughout 1990s. In 2005, the median price for houses sold in San Francisco was $737,000—$135,000 (20 percent) higher than the regional median price of $602,000. The price differential between San Francisco and the region has narrowed from 2000/2001, when there was a 40 percent difference in median price levels. Increased supply in the City, shifts in demand to other locations in response to high housing prices in the City, as well as an increase in the inventory of smaller, relatively lower priced units such as tenancies-in-common explain some of these trends.

New market-rate housing added in the Eastern Neighborhoods is beyond the reach of most existing households; strong demand relative to supply keeps prices for existing housing out-of-reach of most existing households, as well.

Strong housing demand, new ownership housing construction in the Eastern Neighborhoods, and, in East Soma, Redevelopment Agency planning and investment, have been responsible for introducing a higher-end housing market to these former industrial areas and older residential neighborhoods on the eastern side of the City. The average price for new market-rate housing in the Eastern Neighborhoods, based on initial sales during the 2000 – 2003 period, was about $680,000 **(Figure 40)**.[14] On average, prices for new market-rate units in the Eastern Neighborhoods were about 30 percent greater than the citywide average price for new units during this period.

As with many of the factors analyzed, there are notable differences among the neighborhoods. Prices were highest in the South of Market area, where by far the greatest number of units were developed. As a result, these more expensive units dominate the planning area average. Average prices for new units were lower than the citywide average in the other Eastern Neighborhoods. Among possible reasons for the higher average prices for South of Market units are price premiums for proximity to downtown, to the waterfront, and to new neighborhood amenities, as well as premiums for larger-scale, high-rise construction with views.

[13] Real Estate Research Council of Northern California, *Northern California Real Estate Report*, Second Quarter 2006.

[14] Although the data are somewhat outdated, they are representative of recent and on-going trends in the for-sale housing market in San Francisco and of the changing role of parts of the Eastern Neighborhoods in that market.

More recent sales data for all housing types (re-sales as well as new housing) indicate more parity among the Eastern Neighborhoods and continued strong demand relative to supply **(Table 7)**. The median sales price in San Francisco in 2005 was $740,000. In the Mission, the median was exactly the same as the citywide median. Price levels in the South of Market and Potrero Hill areas were about 10 percent lower. The data also show substantial year-to-year increases in median prices, reflecting changes in inventory characteristics, as well as market pressures. Increases in the South of Market were highest, with median prices in 2005 almost 25 percent higher than prices in 2004. The median price in the Mission increased by almost 15 percent, consistent with the pattern citywide. Price increases were less marked in the Potrero Hill neighborhood.

TABLE 7
SALES PRICES FOR HOUSING BY NEIGHBORHOOD, 2005

Neighborhood	Median Sales Price, 2005[1z]	Percent Change from Prior Year
South of Market	$ 651,000	22%
Potrero Hill/Central Waterfront	$ 685,000	5%
Mission	$ 739,000	14%
San Francisco	$ 740,000	15%

NOTE: Neighborhoods are defined by zip code: South of Market is 94103, Potrero Hill is 94107, and the Mission is 94110.
[1] Median sales price for new and existing units, including single-family residences and condominiums.

SOURCE: DataQuick

In spite of evidence that the rapid increase in housing prices may have begun to slow in 2006, house prices in San Francisco remain at record-high levels. New market-rate housing in the Eastern Neighborhoods is a large component of that high-priced supply, and strong demand continues to result in record-high prices for much of the older housing stock as well. By standard measures of affordability, this market-rate housing is beyond the means of most existing residents of the Eastern Neighborhoods. **Table 8** shows the household income required to purchase a median-priced unit in each neighborhood and compares that income to the household incomes of existing residents. These prices require household incomes of $180,000 to $200,000. Applying standard criteria for measuring the relationship between house price and household income, less than 10 – 15 percent of existing households can afford these prices. The mismatch between house price and income is most obvious in the Mission, where almost no existing households can afford the median-priced unit.

TABLE 8
HOUSING PRICES COMPARED TO HOUSEHOLD INCOME, BY NEIGHBORHOOD, 2005

Neighborhood	Median Sales Price, 2005[1]	Household Income Required[2]	Percent of Households that Cannot Afford Median Housing Price[3]
South of Market	$ 651,000	$180,000	88%
Potrero Hill/Central Waterfront	$ 685,000	$189,000	85%
Mission	$ 739,000	$203,000	98%
San Francisco	$ 740,000	$203,000	93%

NOTE: Neighborhoods are defined by zip code: South of Market is 94103, Potrero Hill is 94107, and the Mission is 94110.

1 Median sales price for new and existing units, including single-family residences and condominiums.

2 Income required is based on factors used by the San Francisco Mayor's Office of Housing to estimate pricing for affordable housing in 2006 under San Francisco's Inclusionary Housing Program. The factors include assumptions about the percent of income available for housing, annual condo fees and taxes, interest rates, and down payment percentages.

3 Based on an estimated 2005 household income distribution for each neighborhood that assumes that the change in income distribution in each neighborhood between 2000 and 2005 was the same as the change in income distribution estimated for the City overall over that period. The analysis compared the San Francisco household income distribution estimated by the 2005 American Community Survey conducted by the U.S. Census to the San Francisco household income distribution from the 2000 Census.

SOURCE: DataQuick, San Francisco Mayor's Office of Housing, U.S. Census, and Hausrath Economics Group.

Rental housing remains somewhat more affordable than for-sale housing, but listing rents are high relative to the incomes of existing households.

The rental housing market is the largest component of the housing market citywide and in the Eastern Neighborhoods. Rent levels in San Francisco are by far the highest in the region; the least expensive asking rent in San Francisco (about $1,550-$1,630 per month on average for all unit sizes in the Richmond or the Sunset) is more expensive than the average rent all other in other Bay Area counties.[15]

For most existing residents and newcomers, rents are the most important housing market indicator. After falling from peak levels in 2000 and 2001, average listing rents citywide and in the Eastern Neighborhoods are increasing **(Figure 41)**. In the South of Market and Potrero Hill/Central Waterfront neighborhoods, average listing rents in 2005 and 2006 have surpassed 2001 averages and are higher than the citywide average. Average asking rents in the Mission remain about 10 percent lower than the citywide average.

Average listing rents in the South of Market were the highest across all City neighborhoods in early 2006 **(Figure 42)**. Because of the concentration of larger scale new development activity in this part of the City in recent years, it is likely that these South of Market averages are heavily

15 MetroRent, Inc., 2004 and 2006, data supplied by the San Francisco Planning Department.

influenced by large projects that may not be representative of the overall characteristics of the rental housing sub-market in this part of the City. Nevertheless, the data underscore the shift in housing market orientation represented by new high density, higher-end housing.

The annual household income required to afford the average listing rent in the Eastern Neighborhoods ranges from $76,000 in the Mission to $130,000 in the South of Market neighborhoods **(Table 9)**. With average rent levels this high, the options for lower income households are extremely limited and, as described above, many households take on severe rent burdens.

TABLE 9
LISTING RENTS COMPARED TO HOUSEHOLD INCOME, BY NEIGHBORHOOD, 2005

Neighborhood	Average Listing Rent, 2006 (2nd qtr.)[1]	Household Income Required[2]	Percent of Households that Cannot Afford Average Asking Rent[3]
South of Market	$ 3,238	$130,000	80%
Potrero Hill/Central Waterfront	$ 2,642	$106,000	63%
Mission	$ 1,902	$76,000	73%
San Francisco	$ 2,090	$84,000	66%

NOTE: The neighborhood boundaries do not match precisely with Eastern Neighborhood planning area boundaries. Nevertheless, the listing rents are generally representative of the rental market in the planning areas.
1 Average listing rent for all unit sizes.
2 Income required is based on the assumption that households should spend no more than 30 percent of their income for housing costs. This is a standard threshold used in many housing programs. Households paying more than 30 percent are defined as "rent burdened".
3 Based on an estimated 2005 household income distribution for each neighborhood that assumes that the change in income distribution in each neighborhood between 2000 and 2005 was the same as the change in income distribution estimated for the City overall over that period. The analysis compared the San Francisco household income distribution estimated by the 2005 American Community Survey conducted by the U.S. Census to the San Francisco household income distribution from the 2000 Census.

SOURCE: Metro Rent, U.S. Census, and Hausrath Economics Group.

Throughout most of the Eastern Neighborhoods, market-rate rents are out-of-reach of proportionally more households than is the case in the rest of the City **(Table 9)**. Citywide, two-thirds of existing households cannot afford average listing rents. The share that cannot afford market-rate rents is about the same in the Potrero Hill/Showplace Square and Central Waterfront neighborhoods. In the Mission and South of Market neighborhoods, 70 – 80 percent of existing households cannot afford units marketed at the average listing rent.

A shortage of affordable for-sale housing contributes to evictions and housing hardship for many evicted renters.

The San Francisco Rent Board publishes eviction statistics by zip code that offer another indicator of housing market dynamics in the Eastern Neighborhoods. Although evictions affect a relatively small number of households every year, these data illustrate housing market pressures, particularly those attributable to a shortage of affordable for-sale housing, and resultant disruptions in the rental housing market—disruptions for evicted renters.

The negative impacts of eviction fall on people who find themselves—not by choice—faced with limited housing options in one of the most expensive rental housing markets in the country. The options for evicted households depend on their financial resources and their mobility. Evicted households may move in with others to share housing costs. Other might take on a higher housing cost burden or might move out of the City to find affordable housing. In extreme cases, evicted individuals may end up homeless.

Three San Francisco zip codes most closely corresponding to the Eastern Neighborhoods cover the Mission, South of Market, and Potrero Hill/Central Waterfront neighborhoods. The geographic area covered is larger than the particular boundaries of the Eastern Neighborhoods planning area; in addition to the Eastern Neighborhoods planning area, it covers Western SoMa and the Outer Mission south of Cesar Chavez. In 2000, there were 33,000 renter-occupied housing units in these zip codes, while there were 20,700 renter-occupied units in the smaller Eastern Neighborhoods planning area.

The Eastern Neighborhoods and vicinity (the larger geographic area defined by zip codes as described above) accounted for about 15 percent of the renter-occupied housing in San Francisco in 2000. More than half of the units (55 percent) were in the Mission. A disproportionate share of owner-move-in (OMI) evictions and reports of alleged wrongful evictions have occurred in the Eastern Neighborhoods **(Figure 43)**. The eviction activity is concentrated in the Mission.

Cumulatively, the reported evictions represent a relatively large share of Eastern Neighborhoods households. If we assume that each report represents a unique housing unit and household, reports of alleged wrongful evictions from 1998 through 2006 affected about one-quarter of renter households and OMI eviction notices from 1995 through 2006 affected another five percent of Eastern Neighborhoods renter households. In the rest of the City, the comparable percentages were about ten percent for alleged wrongful evictions and OMI evictions combined.

From 1994 through June 2006, 20 percent of all OMI eviction notices were filed in the are of the Eastern Neighborhoods, and 73 percent were from the Mission. From 1990 through June 2006, 23 percent of all reports of alleged wrongful eviction were generated by tenants living in these areas. Seventy percent of these reports were from tenants in the Mission.

Finally, citywide, almost 1,000 Ellis Act eviction petitions have removed about 3,500 units from the rental market in the 20 years since July 1986. Almost all of that activity has happened in the last eight years; 95 percent of the petitions accounting for 90 percent of the units have been filed since 1998. The last two years have seen the second and third highest count of units removed from the market by means of Ellis petitions. (The highest count was 880 units in 1999-2000.) These last two years of Ellis Act eviction data are published showing detail by zip code. Over the 2004-06 reporting periods, of the 934 units for which Ellis petitions were filed, 25 percent were in the Eastern Neighborhoods zip codes. Just over 60 percent of these were in the Mission.

For both OMI evictions and reports of alleged wrongful eviction, the number of filings and notices each year in the Eastern Neighborhoods and vicinity has followed the rise and fall of filings and notices in the rest of the City. The number of OMI eviction notices filed spiked in 1997-98 **(Figure 44)**. In that year, 1,400 notices were filed citywide, 300 of which were filed on units in the Eastern Neighborhoods. By 2005-2006, annual filings had dropped to the levels below those of the mid-1990s. In 2005-2006, 248 notices were filed citywide, representing about 20 percent of the annual filings of a few years earlier. Reports of alleged wrongful eviction increased each year through the late 1990s, peaking at almost 1,000 per year citywide in 1999-2000 **(Figure 45)**. In that year, there were 239 reports in the Eastern Neighborhoods. The number of reports filed annually dropped for each of the next five years, then showed a 15 percent increase during the most recent annual reporting period. In 2005-2006, the number of annual reports (445 citywide) was less than half of the peak number filed in 2000. The level remains above the number of reports filed annually in the early 1990s, however.

Workforce characteristics and the types of jobs held by workers living in the City.

One of the three overall goals of the *Commerce and Industry Element of the San Francisco Master Plan* is "to assure that all segments of the San Francisco labor force benefit from economic growth".[16] The following discussion describes the City's labor force and the characteristics of those residents of the City who are employed. The labor force in the Eastern Neighborhoods is emphasized, and the characteristics of workers living in the Eastern Neighborhoods are compared to workers living elsewhere in the City. The discussion provides background for evaluating the implications of the proposed Eastern Neighborhoods rezoning for the City's labor force, particularly for those who also live in the Eastern Neighborhoods.

[16] Department of City Planning, *Commerce and Industry: An Element of the Master Plan of the City and County of San Francisco*, page I.2.2.

A healthy percentage of San Francisco's labor force is employed; the size of the labor pool is a function of job opportunities.

As shown in **Table 10**, about 428,000 of the people living in San Francisco were employed in 2000, according to the U.S. Census, representing 63 percent of the working age population (the population 16 years of age and older) and 95 percent of the civilian labor force (those 16 years of age and older working or looking for work). These employed residents hold jobs in San Francisco and elsewhere.

TABLE 10
EMPLOYMENT STATUS OF THE WORKING AGE POPULATION, 2000

Population 16 years and older	676,376	
In Labor Force	448,669	66 percent of working age population
In Armed Forces	237	
Civilian labor force:	448,432	
Employed	427,823	63 percent of working age population and 95 percent of civilian labor force
Unemployed	20,609	
Not in labor force	227,707	34 percent of working age population

SOURCE: U.S. Census Bureau, *Census 2000*

Since 2000, the decrease in economic activity in the nation and particularly in San Francisco and the rest of the Bay Area has resulted in higher unemployment in the City, a decrease in the labor force—as people have either moved out of the City or have dropped out of the labor force—and a decrease in the number of City residents employed. The California Employment Development Department (EDD) estimates there were 400,000 employed residents of San Francisco in 2005—28,000 less than in 2000, but about the same number as employed in 1998. The number of City residents actively looking for work and unemployed has declined from a peak of almost 32,000 in 2002 to 21,500 in 2005. With the fall off in local and regional job opportunities, this reduction is primarily a consequence of potential workers moving out of the City or leaving the labor force.

Labor force participation is relatively high in the Eastern Neighborhoods, and the unemployment rate is higher than the citywide average.

In 2000, about 50,000 people living in the Eastern Neighborhoods were in the labor force. This translates to a labor force participation rate of 68 percent **(Figure 46)**. This is a slightly higher rate of labor force participation than pertained citywide (66 percent of the working age population) and even higher than the national rate (64 percent) and the statewide rate (62 percent). In Western SoMa, labor force participation, at less than 50 percent, was low compared to both Eastern Neighborhoods and citywide averages.

A disproportionate share of San Francisco's unemployed live in the Eastern Neighborhoods—16 percent of the unemployed live in these neighborhoods while 11 percent of the working age population and of employed residents live there. At 6.6 percent in 2000, the unemployment rate in the Eastern Neighborhoods was two percentage points above the citywide unemployment rate **(Figure 47)**. The unemployment rate was higher than the citywide average in all neighborhoods except the Central Waterfront, where the relatively small population is almost entirely of working age, and almost all of them were working in 2000. The unemployment rate was even higher in Western SoMa. It is highly likely that the number of unemployed Eastern Neighborhoods residents has increased since 2000 and that the unemployment rate in the Eastern Neighborhoods remains higher than the citywide average.

During the 1990s, San Francisco's labor force grew in step with population growth for the working age population, and there was no change in labor force participation. The unemployment rate was lower in 2000 than it was in 1990, in the Eastern Neighborhoods and in the rest of the City. Although unemployment remains high there, the change was most dramatic in Western SoMa, where unemployment exceeded 20 percent of the labor force in 1990.

In 1990 as in 2000, the Eastern Neighborhoods were home to a disproportionate share of the unemployed, housing 10 percent of the working age population and 10 percent of employed residents, but 15 percent of unemployed San Franciscans. In 1990, the unemployment rates in East SoMa and the Central Waterfront were about 14 percent—more than two times the citywide average. (These areas have lower populations so small shifts in the absolute number of employed and unemployed have a large influence on percentages and rates.) In the Mission and Showplace Square/Potrero neighborhoods, the employment patterns were more like the citywide average.

Although, the City's labor pool overall is highly-educated, among potential workers living in the Eastern Neighborhoods, a higher than average percentage lack even a high school diploma.

People who have at least a high school diploma represent 80 percent of the City's labor pool, and most of those (45 percent of the total labor pool over aged 25) have college degrees or graduate degrees. Nationwide, the percentage of people who have college or graduate degrees is only 24 percent, and the California average is 27 percent. In San Francisco, almost one of every six working age people has a graduate or professional degree.

The educational profile for potential workers living in the Eastern Neighborhoods shows a higher percentage without a high school diploma and a lower percentage having advanced degrees. Almost 15 percent of the City's working age population without a high school diploma lives in the Eastern Neighborhoods, primarily in the Mission. While the citywide average shows 19 percent of the working age population have not graduated from high school, in the Eastern Neighborhoods and Western SoMa, 25 percent have not.

The relatively high educational attainment of the City's labor force is a foundation of the City's competitive advantage with respect to economic growth. **Figure 48** compares the education of employed residents across labor markets in California. San Francisco ranks highest in terms of the percentage of employed residents holding at least a college degree. Bay Area counties tend to have the highest percentages having college degrees or graduate/professional degrees and the lowest percentages with no high school diploma.

Most workers living in San Francisco also work in the City, and this pattern describes workers living in the Eastern Neighborhoods, as well.

Overall, 77 percent of employed residents of San Francisco held jobs in San Francisco in 2000.[17] In the Eastern Neighborhoods and in Western SoMa, the percentage was about the same as this citywide average **(Figure 49)**. Among all workers living in the Eastern Neighborhoods, those living in the Mission and Central Waterfront neighborhoods are most likely to work in San Francisco.

The share of the City's employed population working in San Francisco has eroded since the 1960s when almost all employed residents (94 percent) worked in the City **(Figure 50)**. During the 1990s, the likelihood of City residents working in San Francisco did not change as much as it had in prior decades, however. Citywide, in 1990, about 80 percent of employed residents worked in San Francisco, three percentage points greater than the 2000 share.

This pattern held true in Western SoMa and in all of the Eastern Neighborhoods except the Central Waterfront, where the share of residents working in San Francisco actually increased from 1990 to 2000 **(Figure 51)**. As in 2000, workers living in the Eastern Neighborhoods and in Western SoMa were somewhat more likely to work in the City than workers living elsewhere in San Francisco. In 1990, the likelihood of working in San Francisco was highest in East SoMa and the Mission, as well as in Western SoMa.

Growth in job opportunities elsewhere in the region as well as a changing housing supply and resident workforce in the Eastern Neighborhoods have contributed to a decline in the percentage of Eastern Neighborhoods residents who also work in San Francisco.

The decrease in the percentage of the City's employed population that also works in the City is a function of the increase in job opportunities elsewhere in the region. More recently, the changes evident between 1990 and 2000 for the Eastern Neighborhoods may also reflect changes in the

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[17] Metropolitan Transportation Commission, County-to-County Commuting in the San Francisco Bay Area, 1960 – 2000 (http://www.mtc.ca.gov/maps_and_data/datamart/census/county2county/)

composition of the employed population living in these neighborhoods. The new market-rate housing stock has attracted new types of households whose workers are more likely to work outside of the City. The stereotype of the high tech workers moving into live-work and loft housing near San Francisco freeway on-ramps and commuting to jobs in San Mateo and Santa Clara counties is the prime example of this phenomenon.

The educational attainment of the City's labor pool has a direct bearing on the employment status of the City's residents.

The City's *Commerce and Industry Element* describes the particular employment needs of people living in the City who lack the skills or education to take advantage of the most promising employment opportunities in high growth economic sectors. To achieve social equity goals, policies in the *Commerce and Industry Element* are directed to meet the needs of these unemployed and economically disadvantaged residents.

Although, as noted above, the City's labor force is generally highly educated, the education and training possessed by San Francisco residents spans a range from very high to very low. This is reflected in the wide range of occupations and earnings for San Francisco residents. The generally lower educational attainment for some residents of the Eastern Neighborhoods translates to a higher proportion of workers in lower-wage jobs that do not require college degrees.

Half of the employed residents of San Francisco work in management and professional occupations, generally occupations that require college or advanced degrees and prior work experience. About one-quarter work in sales and office support occupations. Sales positions in the financial, insurance, and real estate sectors require college degrees or vocational degrees. Other sales occupations require prior work experience, and still others are entry-level positions offering on-the-job training. Of the balance of San Francisco's employed residents, most are in service occupations. College degrees and prior training are not required, and wage levels are low. About 10 percent of the working population of San Francisco holds jobs in construction, repair, maintenance, production, or transportation occupations. These occupations cover a range of skill levels mostly relating to prior on-the-job training.

A disproportionate share of the City's residents holding occupations with lower skills requirements and lower wages lives in the Eastern Neighborhoods.

Most of the employed residents of the Eastern Neighborhoods (86 percent) work in management, professional, sales, office, and service occupations. Only 13 percent work in the traditional "blue collar" occupations: construction, maintenance, production, and transportation. In Western SoMa, an even smaller percent of employed residents work in these "blue collar" occupations, and a higher percent work in sales and office occupations. At this least-detailed summary level, the distribution for the Eastern Neighborhoods is generally similar to the pattern for all employed residents in San Francisco **(Figure 52)**.

There are a few noteworthy distinctions, however. Employed residents living in the Eastern Neighborhoods are under-represented in the management, professional, and related occupations group and in the sales and office occupations group. The percentage difference is small because these are the largest occupational groups for San Francisco—representing almost 320,000 workers or three-quarters of the employed population of the City. The distinctions are greater in the smaller occupational groups, the groups where workers living in the Eastern Neighborhoods are a disproportionately large share of the total. At one extreme, 30 percent of the City's population employed in farming, forestry, or fishing occupations (less than 500 people overall) live in the Eastern Neighborhoods. Among workers in service occupations, 15 percent live in the Eastern Neighborhoods, and the percentage is similar for the construction, maintenance, production, and transportation occupational groups.

A more fine-grained look at the occupations and wages of San Francisco's employed residents is revealing. This analysis examines the ten occupations employing the most San Franciscans, at a more detailed occupational classification. The analysis was conducted for the City as a whole, the Eastern Neighborhoods overall, and for each neighborhood, as well as for Western SoMa. The top ten occupations represent from 72 percent (for all of San Francisco) to 84 percent (for the Central Waterfront) of the respective group of workers. For each area, the top ten occupations were ranked in terms of the number of workers employed. Results are summarized for the City overall, for the Eastern Neighborhoods overall, and for Western SoMa in **Table 11**.

TABLE 11
TOP TEN OCCUPATIONS FOR WORKERS LIVING IN SAN FRANCISCO, THE EASTERN NEIGHBORHOODS, AND WESTERN SOMA
(IN TERMS OF NUMBERS EMPLOYED)

Occupations	Rank in San Francisco overall	Rank in Eastern Neighborhoods	Rank in Western SoMa	Mean Annual Wage
Office and administrative support	1	1	1	$ 38,380
Management occupations, except farmers and farm managers	2	2	2	$ 111,220
Sales and related occupations	3	3	4	$ 45,750
Food preparation and serving related occupations	4	4	5	$ 21,560
Arts, design, entertainment, sports, and media occupations	5	5	3	$ 60,150
Computer and mathematical occupations	6	6	6	$ 85,540
Education, training, and library occupations	7	8		$ 52,350
Production occupations	8	9	8	$ 33,660
Business operations specialists	9		9	$ 70,670
Financial specialists	10		7	$ 70,670
Building and grounds cleaning and maintenance		7	10	$ 27,160
Personal care and service occupations		10		$ 30,720
Percent of employed residents in top ten occupations	72%	74%	82%	

NOTE: Occupations are ranked in terms of the number of workers employed from 1 to 10, with number 1 employing the most workers. A shaded cell means the occupation did not rank in the top ten among workers living in this area.

SOURCE: U.S. Bureau of the Census, *Census 2000;* U.S. Department of Labor Bureau of Labor Statistics, *Metropolitan Area Occupational Employment and Wage Estimates*, San Francisco PMSA, November 2004; and Hausrath Economics Group.

For San Francisco and the Eastern Neighborhoods overall, the list and the ranking of top ten occupations is identical through the first six occupations. The list is also identical for Western SoMa, but there are differences in the ranking. For the City overall and for the Eastern Neighborhoods, in order of number of workers, highest to lowest, the top-ranked occupations are: office and administrative support; management; sales; food preparation and serving; arts, design, entertainment, and media; and computer programmers, engineers, and analysts. Among the top six, arts and design occupations rank higher in Western SoMa than they do in Eastern Neighborhoods and the City overall. Education and training occupations and production occupations are in the top ten for both the City overall and for the Eastern Neighborhoods.

The wages for these occupations employing the most San Franciscans and residents of the Eastern Neighborhoods cover a wide range. Management occupations are at the high end of the range, with average annual wages of $111,000. Food preparation and serving occupations are at the low end of the range at annual average wages of $22,000.[18]

Among all city workers, business specialists and financial specialist occupations that have relatively high wage levels rank in the top ten, but do not make the list for the Eastern Neighborhoods overall. They are among the top ten in Western SoMa. In the Eastern Neighborhoods, the top ten occupations are filled out by cleaning and maintenance occupations and personal care occupations, occupations for which the average wage is low—50 – 60 percent of the average across all occupations. Cleaning and maintenance occupations are also among the top ten in Western SoMa.

As shown in **Table 12**, the rank order of the occupations employing the most workers varies by neighborhood, although the predominance of office employment in San Francisco is evident in that office occupations—both high-wage management occupations and lower-wage office and administrative support occupations—are ranked among the top three in each neighborhood, including Western SoMa.

Among the notable differences, in the Mission, where by far the greatest number of workers live, low-wage food preparation occupations rank number two in terms of numbers employed. In the Central Waterfront, with less than 1,000 workers in 2000, this occupational group and education, production, and cleaning and maintenance occupations are not represented among the top ten occupations employing the most workers. Instead, Central Waterfront employed residents work in relatively high-wage business operations occupations and other higher-wage occupations that are not represented among the top ten in any of the other Eastern Neighborhoods: healthcare (diagnosing, treatment, and technical occupations rank number four in the Central Waterfront); life, physical, and social science occupations; and fire fighting and law enforcement occupations. The workers living in the Showplace Square/Potrero Hill neighborhood are similar to those in the Central Waterfront. Production occupations and cleaning and maintenance occupations do not rank in the top ten. Instead, a relatively high percentage of the workers living in this neighborhood are employed in business operations occupations, and this is the only neighborhood in which high-wage legal occupations appear in the top ten (at number eight). The Mission is the only neighborhood where construction trades workers (occupations that garner mid-level wages) rank in the top ten (at number ten). In East SoMa and Western SoMa, the rankings are relatively similar. These are the only neighborhoods where financial specialist occupations rank among the top ten.

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[18] Wage levels are based on 2004 averages for the San Francisco PMSA (San Francisco, Marin, and San Mateo counties). The U.S. Department of Labor Bureau of Labor Statistics prepares the estimates based on survey data collected from employers in all industry sectors.

TABLE 12
TOP TEN OCCUPATIONS BY NEIGHBORHOOD
(IN TERMS OF NUMBERS EMPLOYED)

	Rank of Occupations for Workers in Each Neighborhood					
Occupations	**Central Waterfront**	**East SoMa**	**Mission**	**Showplace Square/ Potrero Hill**	**Western SoMa**	**Mean Annual Wage**
Office and administrative support	2	3	1	2	1	$ 38,380
Management occupations, except farmers and farm managers	1	1	3	1	2	$ 111,220
Sales and related occupations	5	2	4	4	4	$ 45,750
Food preparation and serving related occupations		5	2	7	5	$ 21,560
Arts, design, entertainment, sports, and media occupations	3	6	5	3	3	$ 60,150
Computer and mathematical occupations	7	4	9	5	6	$ 85,540
Education, training, and library occupations		10	7	6		$ 52,350
Production occupations		9	8		8	$ 33,660
Business operations specialists	6	7		9	9	$ 70,670
Financial specialists		8			7	$ 70,670
Building and grounds cleaning and maintenance			6		10	$ 27,160
Personal care and service occupations	8			10		$ 30,720
Healthcare practitioners and technical occupations	4					$ 74,560
Life, physical, and social science occupations	9					$ 73,010
Fire fighting, prevention, and law enforcement workers	10					$ 96,000
Construction trades workers			10			$ 54,370
Legal occupations				8		$ 106,610
Percent of employed residents in top ten occupations	84%	79%	74%	76%	82%	

NOTE: Occupations are ranked in terms of the number of workers employed from 1 to 10, with number 1 employing the most workers. A shaded cell means the occupation did not rank in the top ten among workers living in this area.

SOURCE: U.S. Bureau of the Census, *Census 2000;* U.S. Department of Labor Bureau of Labor Statistics, *Metropolitan Area Occupational Employment and Wage Estimates*, San Francisco PMSA, November 2004; and Hausrath Economics Group.

Trends in the employment status of Eastern Neighborhoods residents indicate changing employment opportunities in San Francisco, as well as change in the composition of the labor force with the influx of new, market-rate housing.

The percentage of workers employed in management, professional, technical, sales, and administrative support occupations has increased citywide and in the Eastern Neighborhoods, as economic growth is concentrated in the sectors employing these people.[19] Since 1990, there has been a particularly large percentage increase in the number of residents employed in these types of occupations in the Eastern Neighborhoods, a 50 percent increase compared to a 20 percent increase citywide. Much of that change is likely attributable to the emergence of new types of

[19] There were major revisions to the Standard Occupational Classification system in the late 1990s, so close comparison of 1990 and 2000 occupation data is not recommended. At the least-detailed summary level, the categories remain roughly parallel, so it is possible to discern broad shifts.

economic activity in this part of the City—Mission Bay/UCSF development and high technology expansion—and the changes in the housing inventory, particularly the addition of higher-priced new housing affordable only to higher-income households.

During this period, the number of residents employed in construction, maintenance, production, and transportation occupations declined throughout the City and in the Eastern Neighborhoods. On a percentage basis, the shift was about equal, implying no greater or lesser change in the Eastern Neighborhoods than in the City overall.

A relatively high percentage of workers living in the Eastern Neighborhoods have low earnings and work in low-wage occupations. The households that rely on the earnings of these workers are among those households that have the most difficulty affording housing in San Francisco.

Earnings measures income from employment. In the Eastern Neighborhoods and Western SoMa, earnings levels are lower than the citywide average **(Figure 53)**. The proportion of residents of the Eastern Neighborhoods working less than 35 hours per week—less than full-time—is only one percentage point greater than the citywide average (21 percent compared to 20 percent). Therefore, almost all of the difference is attributable to generally lower wages and the higher proportion of low-wage occupations among workers living in the Eastern Neighborhoods.

Almost one-half of the people with earnings in the Eastern Neighborhoods earn less than \$25,000 per year, while the comparable percentage citywide is 40 percent. In Western SoMa, over half earn less than \$25,000 per year. Compared to their overall representation among the city's workforce, people living in the Eastern Neighborhoods and in Western SoMa are over-represented among those earning less than \$12,500 per year and those earning between \$12,500 and \$25,000 per year and under-represented among the higher earners.

The average for the Eastern Neighborhoods overall masks some considerable variation among the neighborhoods, largely reflective of different occupations and associated wages and salaries. Three quarters of the workers with low earnings (earnings less than \$25,000 per year) live in the Mission. In the Central Waterfront, East SoMa, and Showplace Square/Potrero Hill neighborhoods, 50 percent of the workers have annual earnings of \$45,000 or more. In the Mission, less than 20 percent have annual earnings in this range.

Language barriers and lack of particular education and/or training pre-requisites mean that it is difficult for these workers to move into higher-wage occupations. Furthermore, these less skilled and less-educated workers have difficulty finding new jobs if they are laid off because their options are more limited to start.

At low wage levels, households must combine the earnings of several wage-earners to afford housing and other necessities. These types of workers and the households they support are particularly vulnerable to lay-offs, reductions in hours worked, or job losses because employers move or go out of business.

The City's *Commerce and Industry Element* identifies the employment needs of the economically disadvantaged and the under- or marginally-employed as a primary focus of public efforts related to the City's economic development. Towards this end, the *Commerce and Industry Element* promotes land use policies and economic incentives to retain and expand employment opportunities for unskilled and semi-skilled workers while at the same time emphasizing policies to encourage growth of business activities that provide more opportunities for advancement. The *Commerce and Industry Element* recognizes that supportive worker education and training programs are required to bridge the gap between these types of opportunities and those in the labor pool who lack the necessary skills and/or education.

A disproportionate share of the City's residents working in lodging, food, and personal services sectors, in repair and construction sectors, and in the information sector lives in the Eastern Neighborhoods.

At the relatively aggregate level of 14 industrial sectors, workers living in the Eastern Neighborhoods and in Western SoMa are employed in a roughly similar mix of industries as are all workers living in San Francisco **(Figure 54)**. Notable differences are the lower percentage of Eastern Neighborhoods and Western SoMa residents working in education, health, and social services and the higher percentage of Eastern Neighborhoods and Western SoMa residents working in the lodging and food services sector. A lower than average percentage of Eastern Neighborhoods residents work in the financial sector, and a higher than average percentage work in repair, maintenance, and personal services sectors. In Western SoMa, the percentage of employed residents working in both the financial sector and in information services is relatively high.

Across all industries, 11 percent of the employed residents of San Francisco live in the Eastern Neighborhoods. In some industries, the share of workers living in the Eastern Neighborhoods is higher than this average. This is the case for the lodging and food service sector (15 percent of City residents working in that sector live in the Eastern Neighborhoods), repair and personal services and construction sectors (14 percent live in the Eastern Neighborhoods), and the information sector (12 percent live in the Eastern Neighborhoods). Also, as noted above in the description of workers by occupation, although the numbers are small, a large share of City residents employed in the agriculture and fishing industries lives in the Eastern Neighborhoods.

A high proportion of workers living in the Eastern Neighborhoods rely on sectors where work is seasonal and low-paying. Others work in sectors that provide entry-level options with more opportunities for advancement.

Citywide and across each of the Eastern Neighborhoods and Western SoMa, four industrial sectors employ 50 to 60 percent of all employed residents. Ranking the sectors in terms of the number of residents employed reveals some distinctions in the way that each neighborhood's workers relate to the local economy. The differences shown in **Table 13** reinforce the profile of neighborhood workforce characteristics described above in terms of occupations.

TABLE 13
TOP FOUR INDUSTRY SECTORS FOR WORKERS LIVING IN SAN FRANCISCO, THE EASTERN NEIGHBORHOODS AND WESTERN SOMA
(IN TERMS OF NUMBERS EMPLOYED)

		Eastern Neighborhoods					
Industries	**San Francisco**	**All Eastern Neighbor-hoods**	**Central Waterfront**	**East SoMa**	**Mission**	**Showplace Square/ Potrero Hill**	**Western SoMa**
Professional, scientific, management, administrative services	1	1	1	1	1	1	1
Educational, health and social services	2	2	3	4	3	2	
Retail trade	3		2		4	4	3
Finance, insurance, and real estate	4	4		2			4
Accommodation and food services		3		3	2		2
Manufacturing			4				
Information						3	
Percent of residents employed in top four industry sectors	56%	55%	61%	61%	55%	58%	57%

NOTE: Industry sectors are ranked in terms of the number of workers employed from 1 to 4, with number 1 employing the most workers. A shaded cell means the industry did not rank in the top four among workers living in this area.

SOURCE: U.S. Bureau of the Census, *Census 2000* and Hausrath Economics Group.

For San Francisco as a whole, those sectors are (in descending rank order): professional, technical, management, and administrative services; education, healthcare, and social services; retail trade; and finance, insurance, and real estate. Indicative of the dominance of the corporate management and business services sectors, in all of the Eastern Neighborhoods and Western SoMa, professional, technical, management and administrative services businesses also employ the most residents. The education, healthcare, and social services sector also ranks among the top four in each of the Eastern Neighborhoods but not in Western SoMa. Retail trade ranks among the top four in all neighborhoods except East SoMa. After this, the rankings diverge.

In the Mission, home to most Eastern Neighborhoods workers, lodging and food services ranks second, employing 14 percent of all workers living in the Mission. This sector also ranks among the top four in East SoMa (at number three) and in Western SoMa (at number two).

East SoMa is the only Eastern Neighborhood where finance, insurance, and real estate ranks in the top four sectors. People who work in the nearby Financial District are a target market for much of the new market-rate housing in East SoMa. This sector also ranks among the top four among Western SoMa workers.

Showplace Square/Potrero Hill is the only Eastern Neighborhood where the information sector ranks among the top four. Publishing (including software publishing); motion picture, video, and sound recording; broadcasting and telecommunications; and data processing and internet and other information services all fall within this major sector. These are the types of businesses most closely associated with new technology industries in the San Francisco and Bay Area economies. The Showplace Square/Potrero Hill area has been a preferred location for these types of businesses, as well as a preferred place of residence for the young adults employed in these businesses, in San Francisco and south of the City.

Manufacturing ranks among the top four sectors in the Central Waterfront, employing almost 10 percent of the relatively small number of workers living in that least densely populated of the Eastern Neighborhoods. This sector ranks seventh or eighth citywide and in each of the other Eastern Neighborhoods. Central Waterfront workers employed in manufacturing could be employed in a wide range of businesses. Likely candidates—considering the industrial composition of San Francisco and the rest of the region—include apparel, printing, food and beverages, computers and electrical equipment, and electronic products and appliances.

<u>What types of businesses and how many jobs are located in the Eastern Neighborhoods?</u>

There are about the same number of people working in the Eastern Neighborhoods as live there.

In 2000, there were about 73,000 jobs in the Eastern Neighborhoods.[20] Together these areas accounted for just over ten percent of all employment in San Francisco **(Table 14)**. There were more jobs in Western SoMa than in any one of the Eastern Neighborhoods in 2000. There were about 24,000 people working in Western SoMa, about four percent of total employment in the City.

[20] This section describes business activity and jobs by place of work. Some of these employ people living in San Francisco and living in the Eastern Neighborhoods—the labor pool of workers by place of residence described in the preceding section.

By contrast to the situation for housing and population, however, jobs in these Eastern Neighborhoods were fairly evenly distributed among the neighborhoods. Historically in the City's land use system, the industrially-zoned lands have been locations for business activity and jobs, and relatively distinct parts of these planning areas—the residential districts in the Mission and Potrero Hill—have been locations for substantial amounts of housing. While most jobs in 2000—one-third of the total—were in the Mission, both Showplace Square/Potrero Hill and East SoMa each claimed 25 – 30 percent of Eastern Neighborhoods jobs. About 15 percent of total Eastern Neighborhoods employment was located in the smaller Central Waterfront district in 2000.

TABLE 14
EMPLOYMENT BY BUSINESS ACTIVITY FOR THE EASTERN NEIGHBORHOODS AND THE REST OF THE CITY
2000

	Business Activity (see definitions below)						
	MIPS	**PDR**	**Retail**	**Visitor**	**CIE**	**Total**	**Percent of Total**
Eastern Neighborhoods							
Mission	3,508	12,071	4,718	42	2,764	**23,103**	32%
Showplace Sq./Potrero Hill	6,827	6,966	1,988	-	4,954	**20,735**	29%
East SoMa	8,688	6,579	1,412	150	758	**17,587**	24%
Central Waterfront	3,526	6,851	558	102	184	**11,221**	15%
Subtotal	**22,549**	**32,467**	**8,676**	**294**	**8,660**	**72,646**	100%
Rest of City	**269,025**	**63,080**	**87,929**	**20,029**	**121,648**	**561,711**	
Western SoMa	8,399	10,436	3,803	225	1,515	**24,378**	
Total	**291,574**	**95,547**	**96,605**	**20,323**	**130,308**	**634,357**	
Percent Distribution by Business Activity							
Eastern Neighborhoods	**31%**	**45%**	**12%**	**0%**	**12%**	**100%**	
Rest of City	**48%**	**11%**	**16%**	**4%**	**22%**	**100%**	
Western SoMa	**34%**	**43%**	**16%**	**1%**	**6%**	**100%**	
Eastern Neighborhoods Share of City Total	**8%**	**34%**	**9%**	**1%**	**7%**	**11%**	

NOTE: The employment categories used in this analysis (which was originally prepared by the Planning Department in 2002) are based on classifications developed in the late 1990s to represent groups of businesses with similar functions, job types, and space use characteristics. The classifications rely on employment defined by the Standard Industrial Classification (SIC) System that was used until 2001 to describe and categorize types of business and economic activity. The North American Industry Classification System (NAICS) replaces the SIC system. Categories of employment developed using NAICS are not directly comparable to the categories used in this table.
MIPS: Management, information, and professional services
PDR: Production, distribution, and repair
Retail: Retail and entertainment, including amusements, recreation, and personal services
Visitor: Hotels and other lodging
CIE: Cultural, institutional, and educational facilities and services, including medical and healthcare services

SOURCE: San Francisco Planning Department (Land Use Allocation 2002), October 2003.

Although production, distribution, and repair (PDR) businesses employ the most people in the Eastern Neighborhoods, business activity in the Eastern Neighborhoods is almost as diverse as business activity in the rest of San Francisco.

PDR businesses account for almost half (45 percent) of all jobs in the Eastern Neighborhoods **(Figure 55)**. These businesses also employ the most people in Western SoMa (43 percent of total jobs). Just under one-half (45 percent) of all PDR employment in San Francisco is located in the Eastern Neighborhoods and Western SoMa. Other concentrations of PDR business activity are in the Bayview/Hunter's Point area. There are also a substantial number of smaller PDR businesses—repair, distribution, transportation, construction companies—located in neighborhood commercial districts throughout the City.

PDR includes a variety of businesses engaged in manufacturing, arts and design, construction, wholesale trade, distribution, transportation, storage, repair, and maintenance. It includes traditional "industrial" activities and repair shops, as well as high-value-added production and distribution activities. Examples of the latter may include custom consumer-goods production, digital media and audio-visual production, internet services, and the production and distribution functions of telecommunications, wireless communications, health care, and biomedical technology firms. Because of the importance of this sector in these Eastern Neighborhoods, it is described in more detail below.

Management, information, and professional services is the next largest category of both Eastern Neighborhoods' and Western SoMa business activity, measured in terms of employment. Almost one-third of the jobs in these areas are in this category. This category includes what are traditionally considered office jobs (legal, architecture, engineering, accounting, management, marketing, advertising, financial, and real estate services, public administration), as well as businesses involved in research, communications, and information processing, including new technology, media, and internet-related companies.

Retail and entertainment is also part of the mix of economic activity in the Eastern Neighborhoods, representing 12 percent of all jobs, a lower percentage than pertains in the rest of the City. Well-developed residential districts within these neighborhoods (Potrero Hill and the Mission) support nearby neighborhood-serving retail establishments. Retail businesses and employment are particularly important in the Mission, where retail jobs are 20 percent of total employment. Retail businesses in the Mission serve both neighborhood and citywide markets. The area's stores, eating establishments, history, and cultural and visual and performing arts attractions attract tourists and other out-of-town visitors. The Mission's function as a destination in turn supports the relatively high level of retail employment in the neighborhood.

Retail activity also claims a relatively high share of total employment in Western SoMa (16 percent of all jobs). Western SoMa is home to numerous clubs and entertainment venues that serve citywide and visitor markets. Both Civic Center performing arts venues and the cluster of lodging facilities in the area also support higher levels of retail activity and jobs in Western SoMa.

The lodging component of the visitor sector is not a significant contributor total economic activity in these Eastern Neighborhoods. Although many of the area's residents work in the visitor sector, the lodging facilities where they work are located elsewhere (Downtown, Van Ness Corridor, Fisherman's Wharf). There is also a cluster of lodging establishments located in the adjacent Western SoMa and many larger hotels near Yerba Buena Gardens and the Moscone Convention Center South of Market. As noted above, much of the retail activity and employment in the Mission is attributable to that neighborhood's function in San Francisco's visitor economy.

There is a sizable component of cultural and institutional economic activity in the Eastern Neighborhoods. This category accounts for 12 percent of total employment, a smaller share than is found in the rest of the City. This diverse classification includes education, health care, social services, visual and performing arts, and advocacy organizations, including much of the non-profit sector. Many of the larger institutions in this category are population-serving and are located throughout the City. Others are concentrated in the downtown and Civic Center. The establishments located in the Eastern Neighborhoods include some large institutions (San Francisco General Hospital), local schools, colleges and vocational schools, as well as smaller performance and exhibit venues, and social service and other non-profit entities. This category broadens the base of economic activity and jobs in the Eastern Neighborhoods.

Why do we care about production, distribution, and repair (PDR) economic activity in the Eastern Neighborhoods?

As described above, production, distribution, and repair (PDR) economic activity is the largest single component of business activity and employment in the Eastern Neighborhoods, accounting for about 32,000 jobs in these four neighborhoods. These are the parts of the City that have land zoned for industrial uses and relatively permissive land use regulations. The result is an inventory of land and building space that has traditionally accommodated businesses favoring relatively low density building types, open yards for storing vehicles and equipment, low space costs, and separation from uses that are not tolerant of 24-hour operations, lights, noise, and truck traffic. In addition, the building space and locations serve an important "incubator" function in San Francisco's land use system—providing a foothold in the city for new industries, start-up businesses, and artistic endeavors that are important to the dynamics and vitality of the City's economy.

The Commerce and Industry Element of the Master Plan supports retention of these types of businesses to ensure economic diversity, support the economic base sectors to which many PDR businesses are linked, and to provide relatively well-paying employment opportunities for the those people in San Francisco's labor force who have limited formal education. Land use planning efforts over the last several years in the Eastern Neighborhoods have focused on managing the land use changes brought about by demand in these locations from uses that are willing to pay more for land and building space than do the existing businesses historically located in these districts.

PDR businesses employ San Franciscans.

About 70 percent of PDR businesses surveyed by the Planning Department for the 2002 PDR study indicated that they employed San Francisco residents. One-third responded that 70 percent or more of their employees lived in San Francisco. Twenty five percent responded that their employees lived in the immediate area, i.e., the Eastern Neighborhoods Community Planning Areas of Bayview, Mission, South of Market, and Showplace Square/Potrero Hill.

These results are reinforced by the Census data analysis describing the occupations and industries that employ residents of the Eastern Neighborhoods. A relatively high percentage of the workers living in the Eastern Neighborhoods are employed in construction, maintenance, production, and transportation occupations in what would be considered typical PDR industries. Furthermore, these types of jobs have historically relied upon the immigrant labor pool. As in other large port-of-entry cities, San Francisco's immigrant labor pool has been an important competitive advantage for companies that have come to rely on that workforce. This population benefits in return, since jobs in production, distribution, and repair businesses provide opportunities for workers who do not speak English well and lack higher education in the U.S.

PDR businesses offer entry-level jobs with upward mobility: on-the-job training and opportunities for advancement as skills develop.

Many PDR jobs do not require college degrees. Just over 50 percent of the PDR businesses responding to the Planning Department survey indicated that, on average, non-managerial staff had no more than a high school diploma.

There are notable differences in the skills ladder for PDR occupations and retail and low-wage service occupations that also have minimal education requirements **(Figure 56)**. Production, distribution, and repair occupations are more evenly distributed across a range of experience levels. Considering all production, construction, transportation, and repair and maintenance occupations in San Francisco, occupations are relatively evenly divided among entry-level jobs with the most minimal experience requirements (short-term, or 30-day, on-the-job training), jobs requiring moderate-term (one – twelve months) on-the-job training, and jobs requiring long-term (one year or more) on-the-job training. Although the share of jobs in more experienced levels of these occupational groups diminishes, there are positions for supervisors, managers, and inspectors, and for operators, technicians, and mechanics with specialized skills. These positions command higher wages. By contrast, most sales and service occupations are limited to those having only the lowest entry-level requirements: 85-90 percent of food preparation and serving jobs and building and grounds cleaning and maintenance occupations require only short-term on-the-job training. Personal care service occupations and sales occupations are also heavily weighted towards the minimal experience entry-level end of the spectrum. Across all of these occupation groups there are very few positions (with associated higher wages) that fall in the categories requiring more work experience.

Wage levels in production, distribution, and repair occupations are consistently higher than wage levels in sales and service occupations **(Figure 57)**. In 2004, median hourly wages for food preparation and serving, sales occupations, buildings and grounds maintenance, and personal care and other service occupations in San Francisco, San Mateo, and Marin counties ranged from \$9 - \$15 per hour. Median hourly wages for construction, production, repair and maintenance, and transportation occupations ranged from \$13 per hour to \$26 per hour, almost twice the wage level for sales and service occupations.[21]

PDR business are located throughout the Eastern Neighborhoods.

In the Central Waterfront, they line Illinois Street, extending into Port land east of Illinois; they occupy parcels fronting Third Street, particularly south of 23rd, and, skirting the Dogpatch residential neighborhood, they are the predominant land use in the blocks that extend west to the freeway and the slope of Potrero Hill. In East SoMa, PDR businesses are concentrated in the blocks south of the freeway and north of Townsend, between Fourth Street and about mid-block between Second and Third Streets. A second set of PDR businesses is located north of the freeway, along Harrison and Folsom and some of the alleyways that line those blocks east of Yerba Buena Gardens and Moscone Convention Center. In East SoMa, the broad east-west streets (Folsom, Harrison, Bryant, and Brannan) have been important locations for PDR activity. PDR businesses are widely distributed throughout the Mission: larger traditional facilities and new digital production establishments in the Northeast Mission Industrial Zone and smaller garages, workshops, arts-related, and other production operations in the commercial and residential blocks that make up the rest of the neighborhood. In the Showplace Square/Potrero Hill neighborhood, PDR businesses are more concentrated in the design and wholesale showroom district south of Division Street and the large adjacent blocks that front on 7th Street, bordering Mission Bay. The blocks of industrial zoning south of 16th Street also support a variety of manufacturing, distribution, design-related, and other PDR businesses. There are some PDR businesses operating in the residential and neighborhood commercial parts of Potrero Hill, but not to the same extent as is found in the Mission.

It is also important to remember that PDR businesses are located elsewhere in the broader Eastern Neighborhoods planning area. Planning Department estimates show about 10,000 PDR jobs in Western SoMa and 18,000 PDR jobs in Bayview/Hunter's Point in 2000. Two-thirds of PDR employment in San Francisco is located in these combined areas on the east side of the City.

Map 8 illustrates the locations of PDR businesses in the broader Eastern Neighborhoods planning area. The map also indicates where PDR businesses are located on land zoned for industrial use and subject to rezoning and where PDR businesses are located on land not currently zoned for those uses.

Not all PDR business are located on land zoned for PDR use.[22] The 2005 Supply/Demand Study for PDR identifies, for each neighborhood, PDR employment on land not zoned for PDR. In the Central Waterfront and Showplace Square/Potrero Hill, almost all PDR activity is on land designated for PDR; less than 10 percent of PDR employment is on land zoned for residential or neighborhood commercial use. South of Market (including both East SoMa and Western SoMa), 25 percent of PDR employment is on land not zoned for PDR, and in the Mission almost one-third of PDR employment is located outside the industrial district. Overall, for the Eastern Neighborhoods, roughly 20 percent of PDR employment is located outside of the heavy commercial, industrial, and service districts where they are permitted uses.

It is also the case that not all land in the industrial, heavy commercial, and service/light industrial zoning districts is in PDR use. Land use tends to be quite mixed in these districts. Office, retail, live/work, and residential uses are not prohibited. Until development pressures elsewhere in the City sought an outlet in what had been perceived as under-developed locations, land use change was not as highly scrutinized in these areas as elsewhere in the City.

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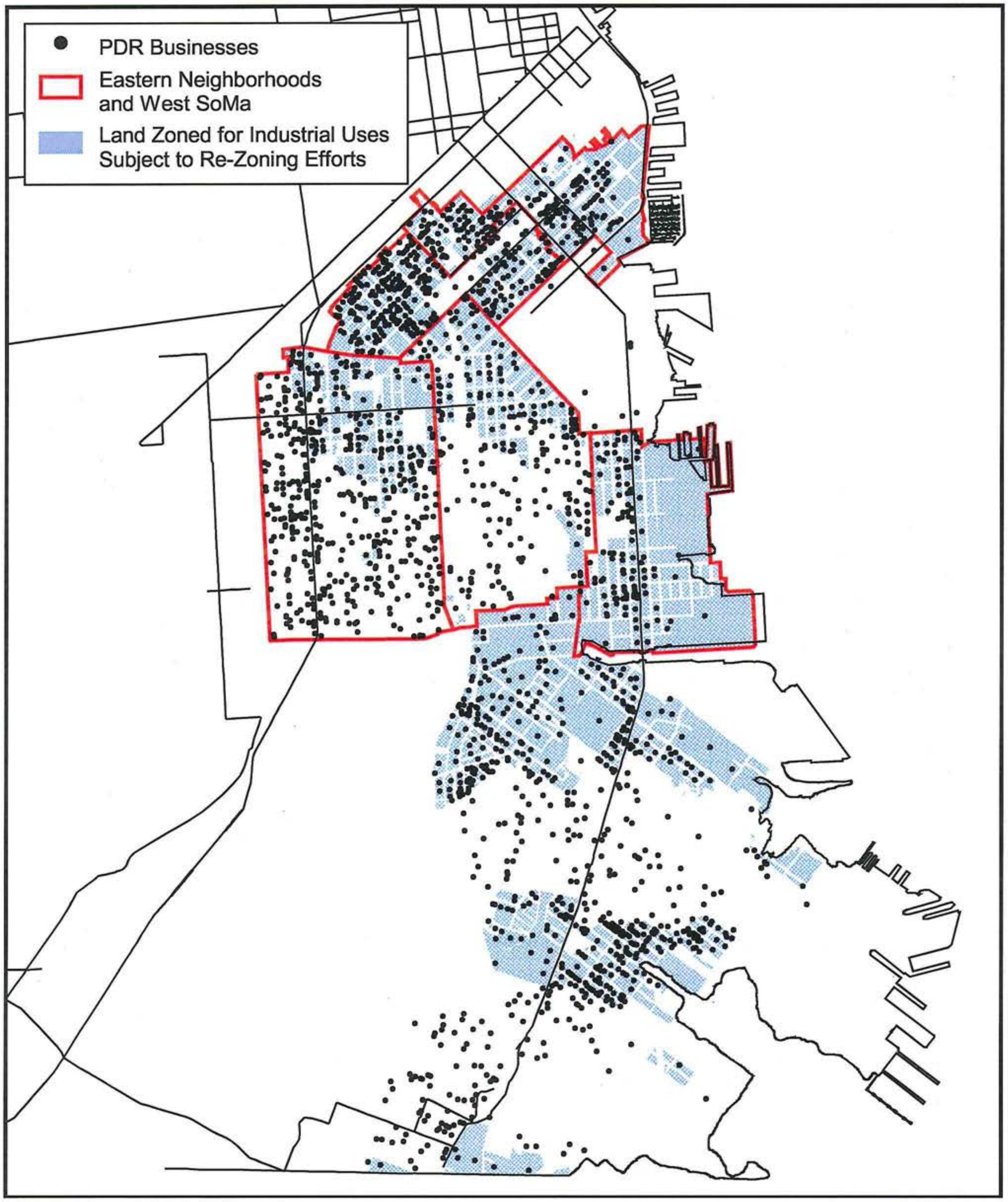
21 U.S. Department of Labor, Bureau of Labor Statistics, November 2004 Metropolitan Area Occupational Employment and Wage Estimates, San Francisco PMSA (Marin. San Francisco, and San Mateo counties) http://stats.bls.gov/oes/current/oes_7360.htm

22 Under existing zoning in these Eastern Neighborhoods, zoning categories that allow PDR activities include: C-1, C-M, M-1, M-2, RSD, SLI, SLR, SPD, and SSO.



Map 8
PDR BUSINESSES IN
LAND CURRENTLY ZONED FOR INDUSTRIAL USES
AND SUBJECT TO RE-ZONING

SAN FRANCISCO PLANNING DEPARTMENT

Flexibility is a key characteristic of buildings used by PDR businesses and there is considerable variation in the sensitivity of PDR businesses to the costs of space.

PDR businesses are located in a variety of building types, and any one particular building often houses a diverse collection of PDR businesses. The buildings that accommodate PDR businesses are adaptable to changing business operations and can accommodate multiple business functions in one location. These businesses do not require costly finishes, and public reception areas are not a high priority. More important are open plans to accommodate the people and equipment required for various production processes, high ceilings, and loading docks. Some businesses require ground floor locations, while others operate well in upper-story space. Some PDR businesses relying on vehicles for pick-up and delivery require good transportation access. Other businesses require open yards to store vehicles and equipment.

Some PDR businesses in San Francisco own their buildings.[23] These businesses are the least sensitive to space costs but may be influenced by real estate market conditions where selling the property for a higher value use would generate significant economic returns for the property owner.

Businesses that lease their space range from some of the lowest-rent payers to businesses that can afford to pay higher rents, approaching those expected of non-downtown office users. Rent-paying ability is directly related to location preferences and the trade-offs between location and cost of space. Specialized PDR businesses for whom proximity to customers, suppliers, or particular labor networks is critical are able to pass along space costs to customers as part of the cost of doing business. Examples include auto repair operations, furniture repair shops, and interior design showrooms that have customers willing to pay for the convenience of a local provider, as well as custom video processing, digital printing, or building materials production that depend on particular networks of suppliers, labor, and customers. Businesses that have high costs for transportation (for supplies, labor, or products) are more willing to pay premiums for convenient locations. Other PDR businesses in more competitive lines of work are likely to be more sensitive to the costs of space.

The density of the business activity also influences sensitivity to space costs. PDR businesses that require large floor areas for vehicles, equipment, inventory, or production processes can afford relatively low rent on a per square foot basis and are vulnerable to competition from higher-rent paying uses. These businesses often also require open accessory yards. Examples of

[23] About 30 percent of PDR businesses own their property, according to a Planning Department survey of PDR business owners, cited by Economic & Planning Systems, in *Supply/Demand Study for Production, Distribution, and Repair (PDR) in San Francisco's Eastern Neighborhoods*, April 15, 2005.

these types of businesses are vehicle and equipment rental and repair, construction materials and services, animal care services, arts production, and wholesale trade and distribution operations.

PDR businesses that can operate more compactly, such as printing operations, food processing, video and audio processing, apparel and accessories manufacturing, and design studios can afford to pay higher rents and can adapt their operations to higher cost building types or locations. Particular space characteristics are not the priority input factor for these businesses. When faced with higher space costs, they will use space more efficiently to maintain a location that offers access to the higher priority inputs of labor or materials or particular advantages of market access or clustering, described below.

PDR businesses benefit from locating in clusters.

Clusters are businesses of like kind taking advantage of the characteristics of a particular location or set of buildings. Clusters enable businesses to share resources and services and exchange information. Access to a particular labor pool or proximity to a particular customer base are other reasons for business clustering. While this interdependence can stimulate innovation and economic expansion and provide a support system for businesses in trouble, it also means that loss of a cluster's critical mass may result in more widespread business closures and job losses.

The 2002 Planning Department report on industrial land use and PDR business activity identifies the building types that predominate in the different Eastern Neighborhoods and the locations of various clusters of PDR activities. The 2005 Supply/Demand Study for PDR also identifies industry clusters by subarea within the Eastern Neighborhoods.

East SoMa and Western SoMa offer primarily small floor plate structures, many with second and third story loft space. There are also a number of garages, mostly along the east-west streets. Showplace Square is characterized by single and multi-story showrooms, while the North Potrero area has mostly single story, medium floor plate buildings, many with accessory open yards. The Central Waterfront offers a wide range of building types: medium and large floor plate buildings, single-story and multi-story structures, and accessory yards. In the industrial areas of the Mission, there are medium and large floor plate buildings, single-story and multi-story structures, and some accessory yards. Elsewhere in the Mission, PDR businesses occupy garages and upper floor lofts of commercial buildings. South of these Eastern Neighborhoods, in the Bayview, PDR locations are characterized by medium- and large-floor-plate, single-story buildings, often with accessory yards. **Box 2** on the following page links these building and location characteristics with the clusters of similar PDR activities in each neighborhood.

BOX 2
BUILDINGS AND LOCATIONS / PDR CLUSTERS

Building Types / Location Characteristics	PDR Clusters
East SoMa	
Small floor plates Garages Upper floor lofts Proximity to Downtown	Printing and publishing Paper products manufacturing and distribution Broadcasting and telecommunications Graphic design Auto repair and auto body repair Sound recording/film production Parking/towing
Showplace Square / Potrero Hill	
Building Types / Location Characteristics	**PDR Clusters**
Showrooms Medium floor plates Single-story and multi-story buildings Accessory yards Freeway access Proximity to residential neighborhoods	Wholesale jewelry, furniture, appliances, auto parts Import/export trading Graphic design Small scale manufacturing Garment manufacturing Arts activities Animal services Shipping and delivery services Construction services and materials wholesale Heavy equipment wholesale
Central Waterfront	
Building Types / Location Characteristics	**PDR Clusters**
Medium and large floor plates Single-story and multi-story buildings Accessory yards Freeway access	Vehicle and equipment rental Transportation services Food distribution Printing services Paper products manufacturing and distribution Graphic design Garment manufacturing Appliance repair and distribution Other repair and maintenance services Construction services and materials wholesale
Mission	
Building Types / Location Characteristics	**PDR Clusters**
Medium and large floor plates Single story and multi-story buildings Accessory yards Upper floor lofts Garages Proximity to residential neighborhoods	Printing services Auto repair and auto body repair Photography services Broadcasting Sound recording/film production Garment and accessories manufacturing Wholesale apparel Import/export trading Utilities Food processing Animal services Landscape maintenance services Arts activities

The building type/location characteristics/PDR cluster chart highlights the diversity of this economic activity. While there are clear location preferences for some PDR businesses, others are more adaptable. Some are particularly sensitive to space costs, while others can afford higher rents. PDR activities cluster for different reasons. Some cluster in areas with open yards and freeway access because of they rely on storage and distribution. Others cluster together to create efficiencies for clients and customers. Showrooms and auto repair are examples of these types of clusters. Other PDR activities such as small manufacturers seek out inexpensive open plan floor plates as are available in the upper floors of older multi-story commercial and industrial buildings.

The prospects for PDR business activity in the City are good assuming affordable, flexible space is available in suitable locations.

The bulk of the larger manufacturing and distribution businesses that had historically located in urban centers left San Francisco in the 1970s and 1980s. A combination of push-and-pull factors common to industrial location patterns nationally and influenced market forces beyond the control of local land use policy dictated this relocation. Older industrial facilities no longer met the standards of modern production and distribution techniques. Increasing congestion and increase in property values in the City made suburban and exurban locations more attractive and affordable. Firms gained better access to a wider range of the growing regional market by relocating to the suburbs or the metropolitan fringe.

A core of production, distribution, repair, construction, and transportation activities remains in San Francisco. Many of those establishments serve business and resident markets in the City. They are likely to remain in the City over the longer-term provided they can find locations and building types that satisfy their facility needs and cost structures. Businesses most likely to remain and grow are in the following categories: printing and publishing, audio-visual production and services, interior design, art and performance production, construction, custom manufacturing, and motor vehicle repair/parts supply businesses. These businesses have some combination of the following characteristics: ability to pass on increases in costs to customers; strong linkages to San Francisco markets; operations that are adaptable to higher density building types; operations that are compatible with a mixed use environment.

New and yet to emerge technologies will also sustain an evolving PDR presence in San Francisco in the future. Some elements of digital media, internet publishing and broadcasting, communications, biotechnology, nanotechnology, and clean/alternative energy businesses have the characteristics of PDR activity, particularly at early stages of their development. To the extent that space suitable for PDR uses is also *incubator* space, it will accommodate firms in these emerging industry categories.

Examination of land use trends and development proposals in the Eastern Neighborhoods

This section of the report focuses on recent land use change and on proposed development, describing how the planning area has evolved over time within the City's land use system. Analysis of the pipeline of new development projects in the Eastern Neighborhoods highlights the current incarnation of development pressure and land use transition.

Land use in the Eastern Neighborhoods reflects the area's history as one of the first locations for dense urban development in the growing City.

The Eastern Neighborhoods cover 1,480 developable acres—seven percent of San Francisco's land area—not counting streets, alleys, and other public rights-of-way **(Table 15)**. These areas are some of the oldest areas of urban development in San Francisco. Historically, residential, commercial, and industrial uses grew side by side, before modern zoning controls to segregate uses were applied. The current diversity of use in the Eastern Neighborhoods grows out of both those historic development patterns and more recent real estate market and land use trends that have residential, retail, and office uses moving into areas that had been more exclusively "industrial" in character.

A large portion of the land area *used* by production, distribution, and repair (PDR) businesses in San Francisco is located in the Eastern Neighborhoods; the 570 acres of land classified as in PDR use represent 36 percent of the total PDR land in the City. Most of the rest of the land in use by PDR businesses is in the Bayview and in Western SoMa. PDR land represents the largest single use of land in the Eastern Neighborhoods—about 40 percent of the total and is the distinguishing feature of these areas from the perspective of the City's land use system. Interestingly, residential land and residential mixed use land cover just over 500 acres in the Eastern Neighborhoods. At 35 percent of the total land area in these neighborhoods, residential use is a large part of the mix. In the rest of the City, 45 percent of the land is in residential use.

Figure 58 shows the percentage distribution of land area by use for the Eastern Neighborhoods, Western SoMa, and the other parts of the rest of the City. The importance of PDR use to the landscape of the Eastern Neighborhoods and Western SoMa is very clear in this figure. What is surprising is the mix of other uses. Under existing zoning, residential land use is almost as large as PDR land use in the Eastern Neighborhoods. Relatively large shares of the City's retail and entertainment land and cultural, institutional, and educational land are located in the Eastern Neighborhoods, as is 12 percent of the City's office land. Parks and open space and visitor uses are under-represented in the Eastern Neighborhoods and Western SoMa.

TABLE 15
SAN FRANCISCO LAND AREA BY LAND USE IN 2004
(ACRES)

Land Use Category	Total City	Eastern Neighbor-hoods	Western SoMa	Percent of City Total: Eastern Neighbor-hoods	Percent of City Total: Western SoMa
Cultural, Institutional, Educational & Other Public Facilities	1,292.79	89.61	6.14	7%	~
Mixed Uses	1,176.08	76.73	28.79	7%	2%
Offices	363.30	42.47	10.48	12%	3%
Parks and Open Space	6,096.83	48.62	0.23	1%	~
Production, Distribution and Repair	1,582.38	567.81	62.72	36%	4%
Residential	9,774.35	477.21	20.23	5%	~
Residential Mixed Use	222.85	42.00	3.95	19%	2%
Retail/Entertainment	512.13	87.34	20.06	17%	4%
Visitor	67.35	1.52	1.56	2%	2%
Vacant	550.91	47.13	11.18	9%	2%
Total	**21,638.96**	**1,480.44**	**165.34**	**7%**	**1%**

SOURCE: San Francisco Planning Department Land Use 2004 database

As locations for business activity in San Francisco, the former industrial districts including these Eastern Neighborhoods as well as Western SoMa, Mission Bay, and Bayview/Hunter's Point have been in a state of transition for many years. An earlier exodus of large-scale manufacturing and warehouse uses left an inventory of underutilized buildings and land area. First, office activities that needed larger sites and small offices seeking affordable space near downtown migrated to the South of Market area. In the 1990s, "multi-media" and dot-com businesses occupied under-utilized, often multi-story, industrial buildings in the South of Market, Inner Mission, Central Waterfront, and Potrero Hill neighborhoods, following the lead of the design and showroom cluster that transformed parts of North Potrero into Showplace Square in the 1980s. More recently, in a former warehouse and distribution hub, UCSF has started to occupy new facilities at their Mission Bay campus, and this new residential neighborhood and the ballpark at China Basin have begun to attract retail and other population-serving businesses to the area.

Capitalizing on these real estate trends and guiding future development patterns, most of the formerly industrial land that hugged San Francisco's eastern bay shoreline has been planned and programmed for mixed use redevelopment. Intensive development is now proceeding under these plans: Rincon Hill/Transbay, Rincon Point/South Beach, Mission Bay, Hunters Point.

The Port of San Francisco also controls land in maritime and industrial use along San Francisco's Bayshore. Prospects for re-use and redevelopment are more limited on Port land. In the Central Waterfront, the Waterfront Land Use Plan reserves land for maritime use, consistent with the governing "public trust doctrine" directing such important waterfront resources to be reserved for water-dependent use, including industrial maritime, waterborne commerce, and public assembly and recreation. To finance infrastructure improvements and public benefits that are key objectives of the Waterfront Land Use Plan, however, revenue-generating non-maritime uses are allowed in some mixed-use opportunity areas, including a portion of Pier 70 and the former Western Pacific property north of Pier 80 in the Central Waterfront. (The latter property has since become the site for the Metro East Light Rail Maintenance and Operations Facility.) In the absence of demand for land for maritime use and pending project sponsors willing to assume the risk and make the investment in redeveloping the opportunity areas, the Port allows interim uses consistent with the underlying industrial zoning. As such, these waterfront areas have become an important part of the San Francisco's industrial land supply.

The current development pipeline is emblematic of the longer-term land use transitions within the City's land use system.[24]

Real estate market factors continue to favor new development in the former industrial areas, including the Eastern Neighorhoods. In the Eastern Neighborhoods, approved projects and development proposals convert industrially-zoned land and PDR building space to residential use with associated smaller amounts of retail, office, and institutional development.

The pipeline of potential new residential development in San Francisco remains at near-record-high levels. As of March 2006, the housing development pipeline totaled 21,800 additional units, counting units in projects that have applications filed with the Planning Department, approved projects that have permit applications filed with the Department of Building Inspection, projects that have approved and issued building permits, and projects that are under construction. As shown in **Figure 59**, about one-third of the total are not yet approved; they have applications filed and are in the midst of the planning process. About half of the units are in projects that are approved and are in some stage of the building permit process, but not yet under construction. Twenty percent of the units in the residential development pipeline (5,400 units) were under construction as of the March 31, 2006.

Of this total, 176 projects representing 7,000 units were in the Eastern Neighborhoods. This amounts to 27 percent of all the units in the residential development pipeline. In the Eastern Neighborhoods as in the rest of the City, about one-third of the units in the pipeline are in the planning review stage—not yet approved. Just over 3,000 units (45 percent) are approved and at some stage of the building permit process. In the Eastern Neighborhoods, one-quarter of the

[24] The development pipeline information presented here represent project status as of the end of the first quarter (end of March) 2006.

units in the residential development pipeline (about 1,700 units) are were under construction in early 2006. **Table 16** presents the detail on the residential pipeline for the Eastern Neighborhoods.

TABLE 16
RESIDENTIAL PIPELINE BY PLANNING APPLICATION AND BUILDING PERMIT STATUS
(NET NEW UNITS AS OF MARCH 31, 2006)

Pipeline Status	Central Waterfront	East SoMa	Mission	Showplace Square/ Potrero Hill	All Eastern Neighborhoods	Western SoMa	Total City	Eastern Neighborhoods Share of Total City
Planning Application Filed	35	873	590	745	**2,243**	632	7,956	28%
Planning Approved	195	232	274	8	**709**	135	3,329	21%
Bldg. Permit Application Filed	174	531	498	799	**2,002**	80	5,788	35%
Bldg. Permit Approved/Issued	110	1	47	156	**314**	103	3,493	9%
Under Construction	24	659	460	531	**1,674**	345	5,411	31%
	538	**2,296**	**1,869**	**2,239**	**6,942**	**1,295**	**25,977**	27%
Percent of total units	**8%**	**33%**	**27%**	**32%**	**100%**			

NOTE: Net new residential units after adjusting proposed project totals for demolition of existing units. Detail from Planning Department Case Tracking and Department of Building Inspection data from Permit Tracking, as of March 31, 2006.

SOURCE: San Francisco Planning Department

Some of these projects are permanently affordable housing, sponsored by non-profit housing developers, that will add to the inventory of that type in the Eastern Neighborhoods. Examples include 18th and Alabama Apartments (151 units), 275 10th Street Supportive Housing (140 units), 10th and Mission family housing (135 units), 9th and Jessie Senior Housing (107 units), and Mission Street Studios (100 units). Some of the other projects will include on-site below-market-rate units.

The distribution of pipeline units among the Eastern Neighborhoods shows a fairly even distribution of about 2,000 units each in East SoMa, the Mission, and Showplace Square/Potrero Hill. The Central Waterfront shows a smaller number of pipeline units. According to this snapshot of the pipeline, East SoMa is no longer the primary focus of proposed new residential development activity.

The table also shows detail for the residential development pipeline in Western SoMa. Thirty one residential development projects totaling about 1,300 units are either under review, approved, or under construction. This amounts to five percent of the total residential development pipeline in the City.

Non-residential space in the development pipeline includes space in mixed-use projects and space in solely non-residential projects. **Table 17** presents the detail by land use for the Eastern

Neighborhoods, Western SoMa, and the City overall. Citywide, 2.1 million sq. ft. of net additional office space is in the development pipeline. One million sq. ft. of this office space is under construction, another one million sq. ft. has been approved; and about 600,000 sq. ft. are under review. None of the major new office projects is in the Eastern Neighborhoods. The non-residential pipeline includes a similar amount of retail/entertainment space (2.0 million sq. ft. of net additional space). Unlike the situation for office development, a substantial part (20 percent) of the net additional retail/entertainment space in the pipeline is located the Eastern Neighborhoods. More than half of this development citywide is in approved projects that are either under construction or in some stage of the building permit process; in the Eastern Neighborhoods, two-thirds of the net additional retail/entertainment space in the pipeline is approved or under construction. The pipeline for visitor accommodations totals 845,000 sq. ft. of net additional space, and institutional, educational, and medical facilities plan another 748,000 sq. ft. of net additional space. Only a small amount of the development pipeline for visitor accommodations is in the Eastern Neighborhoods and 15 percent of the institutional, educational, or medical space is in projects in the Eastern Neighborhoods.

TABLE 17
NON-RESIDENTIAL PIPELINE BY LAND USE
(NET ADDITIONAL BUILDING SPACE AS OF MARCH 31, 2006)

Non-residential Land Use	Central Waterfront	East SoMa	Mission	Showplace Square/ Potrero Hill	Eastern Neighborhoods	Western SoMa	Total City	Eastern Neighborhoods Share of Total City
Office	-	(79,404)	23,124	(38,909)	**(95,189)**	(14,275)	**2,133,077**	**0%**
Retail and Entertainment	50,265	96,044	61,235	204,833	**412,377**	30,116	**2,039,904**	**20%**
Visitor	-	49,500	-	-	**49,500**	41,000	**845,442**	**6%**
Cultural, Institutional and Educational	-		74,287	12,000	**86,287**	25,600	**651,041**	**13%**
Medical	-	20,000	-	-	**20,000**	-	**96,908**	**20%**
Production, Distribution and Repair	(196,350)	(185,027)	(320,970)	(213,008)	**(915,355)**	(55,250)	**(1,550,966)**	**59%**
Total net additional non-residential development	**(146,085)**	**(98,887)**	**(162,324)**	**(35,084)**	**(442,380)**	**27,191**	**4,215,406**	

NOTE: Some of the new non-residential development is in mixed-use projects and the residential units in those projects are shown in Table 16. Some of the net loss of production, distribution, and repair building space shown in this table is attributable to some of the residential projects detailed in Table 16. Detail from Planning Department Case Tracking and Department of Building Inspection data from Permit Tracking, as of March 31, 2006.

SOURCE: San Francisco Planning Department

The Western SoMa pipeline of potential development activity for these types of new development projects looks similar to that in the Eastern Neighborhoods plan areas. The pipeline results in a small net loss of office space and modest net additions to the inventory of retail/entertainment, visitor accommodations, and cultural/institutional space.

Most of the loss of existing space as a result of development proposals is loss of PDR space. Some of the development projects in the pipeline require the demolition or conversion of existing space. In some cases, office, retail, or residential space is demolished or converted. As shown in **Table 17** most of the loss of existing space is building space currently or formerly occupied by production, distribution, or repair activities, however. The citywide development project pipeline shows a net loss of about 1.6 million sq. ft. of PDR space to accommodate conversion or new construction. Two-thirds of this loss of PDR space will occur because of development projects that are under construction or approved. There are some projects in the pipeline that would add PDR space. These are generally smaller projects, so the net result summarized by planning area is a net loss of PDR building space. For example, , there are two market-rate housing projects (one in the Central Waterfront and one in Showplace Square/Potrero Hill) that have a PDR component. The Central Waterfront mixed-use project includes 20,500 sq. ft. of PDR space with 27 housing units, and the Showplace Square/Potrero Hill mixed-use project includes about 5,000 sq. ft. of PDR space with 41 housing units. **Table 18** shows the detail for the loss of production, distribution, and repair space by neighborhood and by project status in the pipeline.

TABLE 18
PIPELINE STATUS OF PRODUCTION, DISTRIBUTION, AND REPAIR BUILDING SPACE
(NET ADDITIONAL BUILDING SPACE AS OF MARCH 31, 2006)

Neighborhood	Planning Application Filed	Planning Approved/Building Permit Issued	Under Construction	Totals
Central Waterfront	(27,740)	(168,610)	-	**(196,350)**
East SoMa	(48,659)	(118,843)	(17,525)	**(185,027)**
Mission	(239,475)	(81,495)	-	**(320,970)**
Showplace Sq./Potrero Hill	(10,663)	(171,055)	(31,290)	**(213,008)**
Total Eastern Neighborhoods	**(326,537)**	**(540,003)**	**(48,815)**	**(915,355)**
Rest of City	**(191,857)**	**(306,210)**	**(137,544)**	(635,611)
Western SoMa	(5,775)	(22,450)	(27,025)	**(55,250)**
Total City	**(518,394)**	**(846,213)**	**(186,359)**	**(1,550,966)**

NOTE: There are some projects in the pipeline that would add PDR space. These are generally smaller projects, so the net result summarized by planning area is a net loss of PDR building space.

SOURCE: San Francisco Planning Department, Department Case Tracking and Department of Building Inspection data from Permit Tracking, as of March 31, 2006.

Within each of the Eastern Neighborhoods, Western SoMa, and the rest of the City, the development pipeline would result in the loss of building space for PDR uses. Most of the loss of PDR building space is in the Eastern Neighborhoods; over 900,000 sq. ft. (60 percent of the citywide total) would be lost in the Eastern Neighborhoods. These losses are distributed across all four plan areas, each show net losses of 200,000 – 300,000 sq. ft. **(Figure 60)**. A notably small amount of PDR space would be lost as a result of the development pipeline in Western SoMa; only about 55,000 sq. ft. would be lost to accommodate new development or conversion to other uses. The relatively large net loss of PDR space in other parts of the rest of the City would occur in the Bayview, Hunter's Point, and Visitacion Valley areas, and in other parts of the City such as Mid-Market and Polk Street.

Almost all of the PDR demolition or conversion in the Eastern Neighborhoods would be the consequence of residential or mixed-use development, some of which would include affordable housing **(Table 19)**. Overall, one-quarter of the residential or mixed-use projects in the Eastern Neighborhoods pipeline would displace PDR building space. These projects are among the larger residential development projects—representing one-half of all residential units in the pipeline. The proportion of projects and units resulting in the displacement of PDR building space is greatest in the Central Waterfront and East SoMa. In Showplace Square/Potrero Hill a smaller percentage of the projects, but large projects representing 55 percent of all Showplace Square/Potrero Hill units in the pipeline, would displace PDR building space. In the Mission, a smaller percentage of projects and units would displace the largest amount of PDR building space.

TABLE 19
RESIDENTIAL PROJECTS IN THE PIPELINE THAT WILL DISPLACE PDR BUILDING SPACE

	Central Waterfront	East SoMa	Mission	Showplace Square/ Potrero Hill	Total Eastern Neighborhoods	Rest of City: Western SoMa	Rest of City: All the Rest
Number of Projects	5	19	12	9	45	7	55
Number of New Units	285	1,316	577	1,223	3,401	403	3,064
Net Loss of PDR (sq ft)	(246,850)	(185,027)	(326,620)	(217,848)	(976,345)	(55,250)	(857,481)
Percent of Projects[1]	42%	49%	15%	20%	26%	23%	6%
Percent of New Units	53%	57%	31%	55%	49%	31%	17%
Ratio of PDR space lost to units added	**(866)**	**(141)**	**(566)**	**(178)**	**(287)**	**(137)**	**(280)**

[1] Number of residential or mixed use projects in the pipeline that will displace PDR building space as a percent of all projects in the pipeline that have housing units (residential only and mixed-use projects).

SOURCE: San Francisco Planning Department.

The loss of PDR building space as a result of residential and mixed-use development in the pipeline would range from 185,000 sq. ft. in East SoMa to over 325,000 sq. ft. in the Mission. A notably smaller amount of space in Western SoMa would be displaced, but the number is quite high for other parts of the City. **Table 19** also shows the ratio of net PDR space lost per housing unit gained. The ratio is lowest in East SoMa (and in Western SoMa)—about 140 square feet of

PDR lost per unit developed—where relatively large housing projects are proposed on PDR sites. The ratio is highest in the Central Waterfront—866 square feet of PDR lost per unit developed. In the rest of the City, outside of Western SoMa, the ratio of PDR space lost to new residential development in the pipeline is about the same as the average for the Eastern Neighborhoods.

Under San Francisco's Inclusionary Housing Policy, some portion (10 – 15 percent—or somewhat more depending on the timing and conditions of project approval) of these units in projects that will displace PDR building space are expected to be "below-market-rate" units affordable to households whose incomes do not exceed 100 percent of median income. None of these Eastern Neighborhoods pipeline projects that would displace PDR building space would be 100 percent affordable housing.

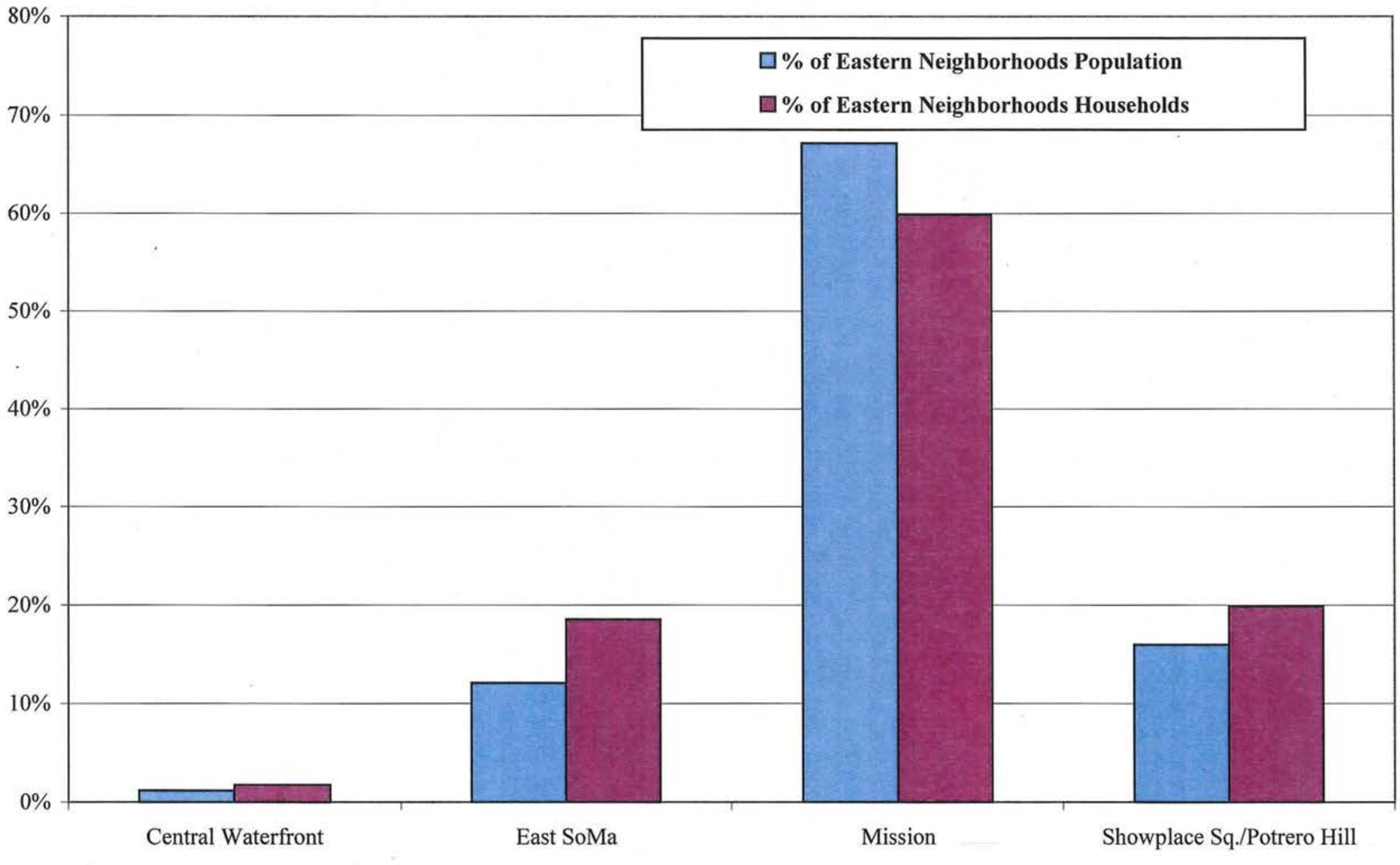
Elsewhere in the City, there are currently three 100 percent affordable housing projects in the pipeline that would displace PDR building space. These are larger projects. One approved project is in Western SoMa, another is on Polk Street, and one project is proposed in the Mid-Market planning area. Combined, these three projects would produce about 525 affordable housing units and would displace about 44,000 sq. ft. of PDR building space (83 sq. ft. of PDR space lost per unit, on average).

Details of the development pipeline in the Eastern Neighborhoods:

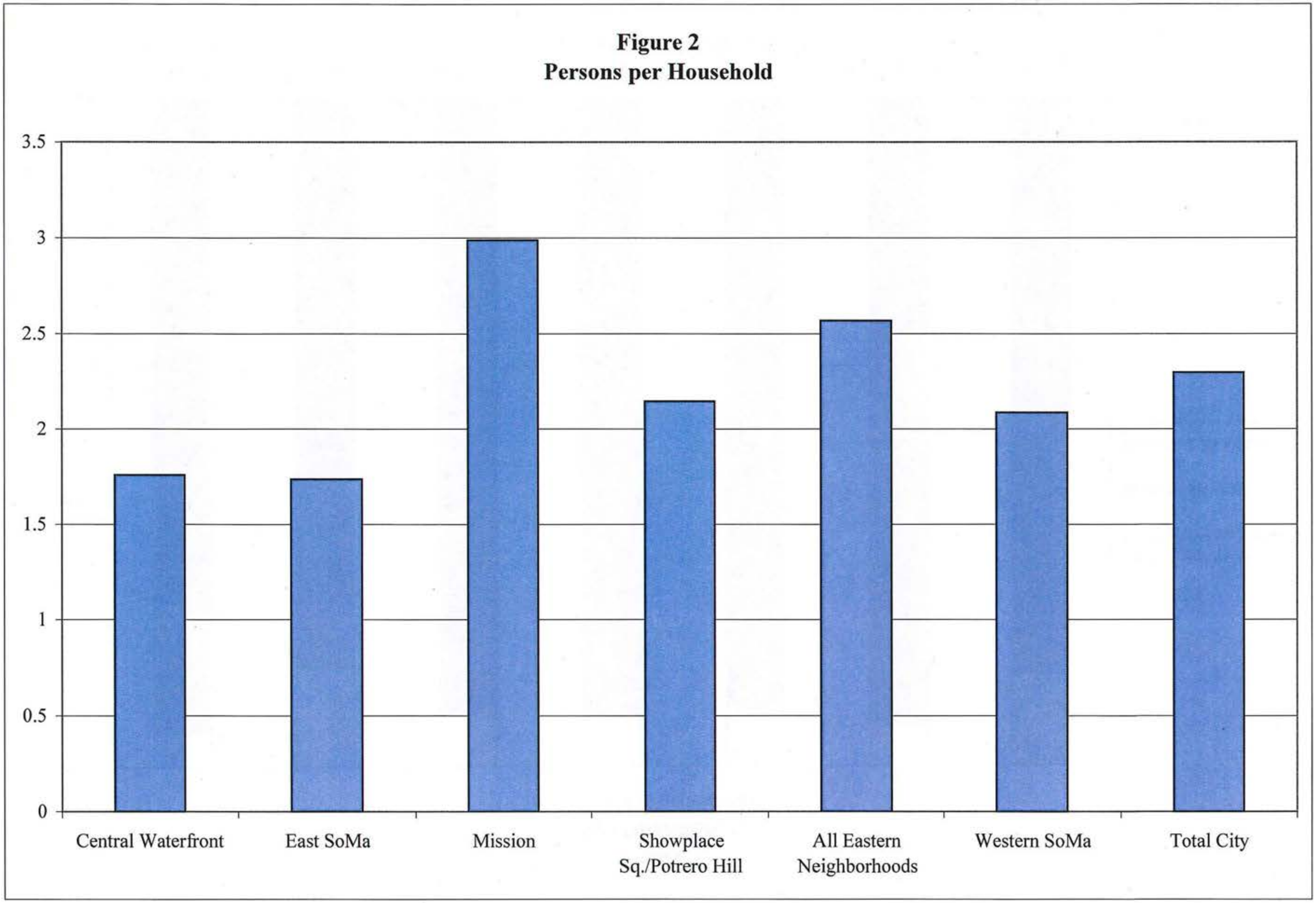
- In the **Central Waterfront**, there are 14 projects in the development pipeline, four of which have not been approved and are still in the review process. All but two of all Central Waterfront pipeline projects are residential or mixed-use projects that would add overall about 540 housing units in the Central Waterfront. The pipeline of development projects would add about 50,000 sq. ft. of retail space as well, all in approved projects. Housing and retail development in approved projects would mean the loss of about 170,000 sq. ft. of PDR space as a result of either demolition or conversion. Projects still in the review process propose to demolish or convert another 30,000 sq. ft. of PDR space. A recent large addition to the inventory of PDR space in the Eastern Neighborhoods is in the Central Waterfront. A project adding 224,000 sq. ft. was completed in 2005, so it is no longer included in the development pipeline.

- Most of the development pipeline in **East SoMa** is in approved projects; 85 percent of the 43 projects in the development pipeline are approved, in the building permit process, or under construction. Most of the pipeline projects are residential or mixed-use and would increase the housing inventory in this neighborhood by 2,300 units. About 60 percent of the housing units are in approved projects, and most of those units are under construction The non-residential pipeline consists of about 96,000 sq. ft. of retail space and 20,000 sq. ft. of medical space. In addition, this is the only Eastern Neighborhood where new visitor lodging development is proposed. The development pipeline in East SoMa would result in the loss of about 185,000 sq. ft. of PDR space, as well as the loss of some existing office space. Most of the demolition and/or conversion of PDR space (75 percent of the total) will result from projects that have been approved and are in some stage of the building permit or construction process.
- The **Mission** is the largest of these Eastern Neighborhoods and also has the most projects in the development pipeline: 86 projects as of March 31, 2006. Most of the projects in the Mission (80 of 86) are residential or mixed-use with some housing. These projects would add almost 1,900 housing units to the housing inventory of this neighborhood. Compared to the other Eastern Neighborhoods, the pipeline in the Mission is characterized by a larger number of smaller projects. The non-residential development pipeline in the Mission includes a small amount of office space (23,000 net additional sq. ft.), 61,000 sq. ft. of retail/entertainment space, and 74,000 sq. ft. of institutional or educational space. This pipeline of residential, non-residential, and mixed-use development activity would result in the loss of about 320,000 sq. ft. of PDR space. Most of this conversion or demolition (75 percent) would be attributable to projects that are not yet approved.
- There are a total of 49 projects in the **Showplace Square/Potrero Hill** development pipeline—including some of the largest projects proposed across all of the Eastern Neighborhoods. Almost all of the projects are residential or mixed use. The residential development pipeline in Showplace Square/Potrero Hill totals over 2,200 units in 45 projects. Most of those units (two-thirds) are in approved projects. The non-residential development pipeline consists of a relatively large amount of retail/entertainment space (over 200,000 sq. ft.) and smaller amounts of new or converted office space and educational or institutional space. Overall pipeline projects would reduce the office inventory in this area. About 210,000 sq. ft. of PDR space would be demolished or converted as a consequence of some of the projects in this development pipeline. Almost all of that loss (95 percent) is associated with projects that have been approved.

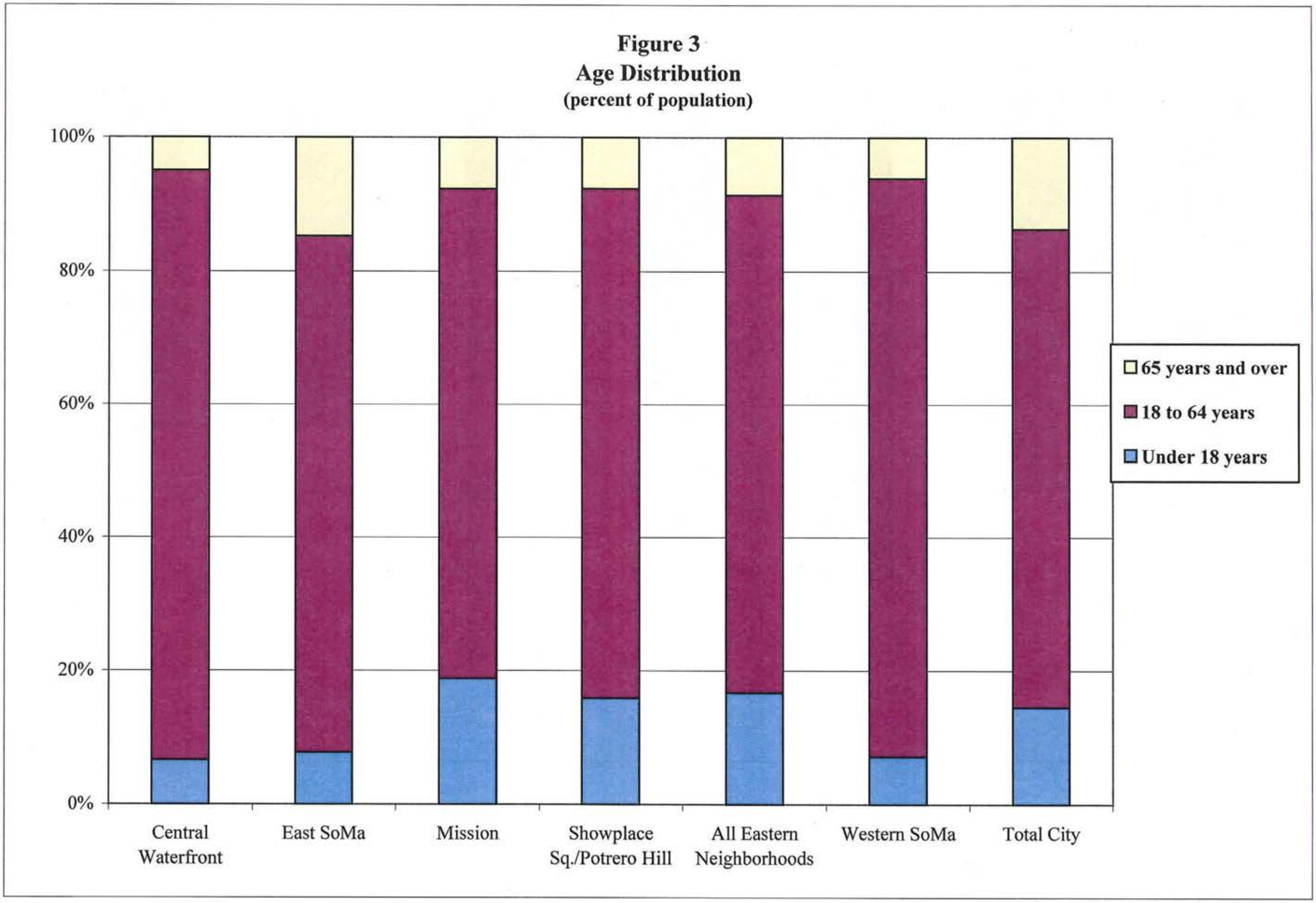
Figure 1
Households and Household Population in the Eastern Neighborhoods
(distribution by neighborhood)



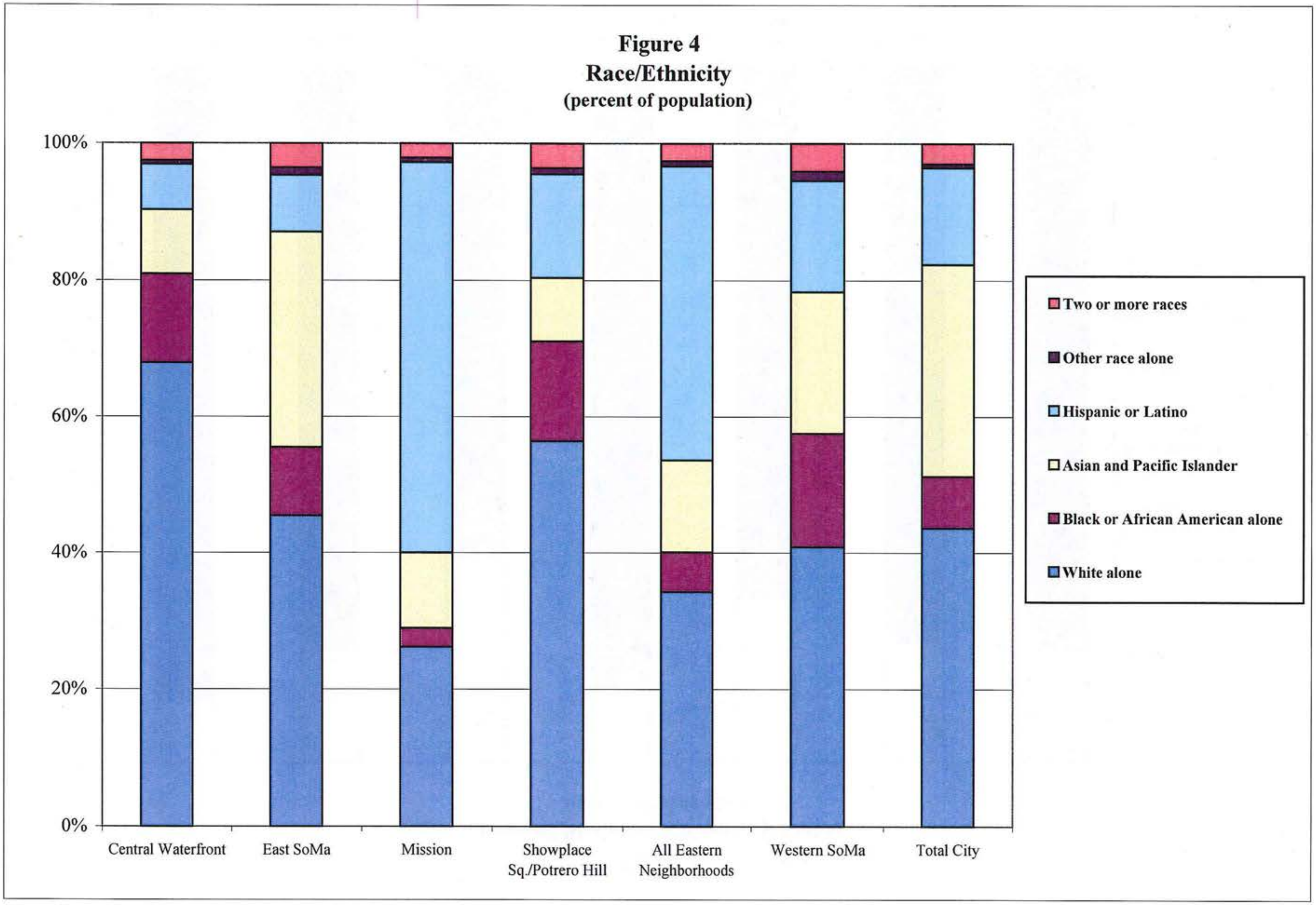
Source: Census 2000



Source: Census 2000

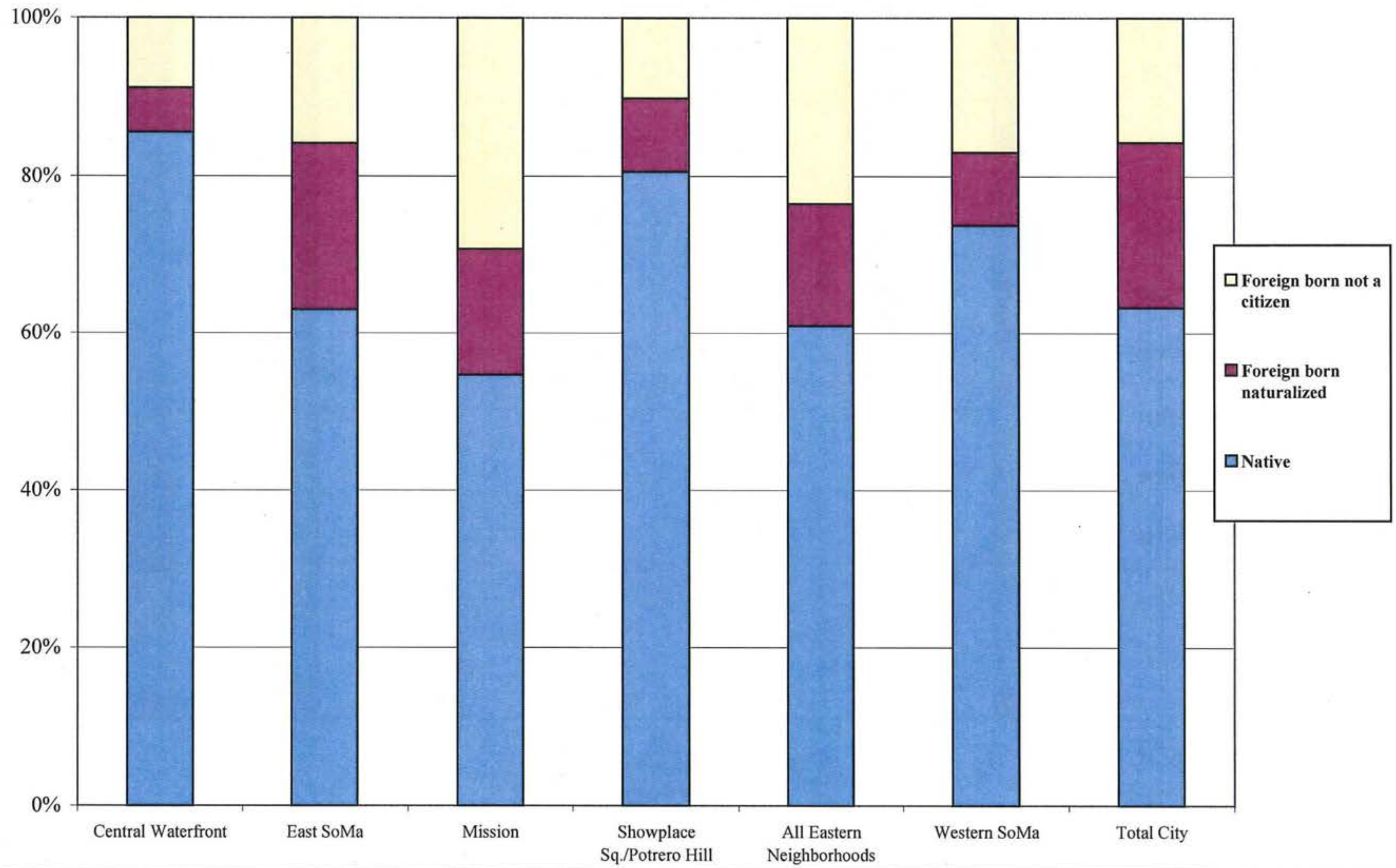


Source: Census 2000

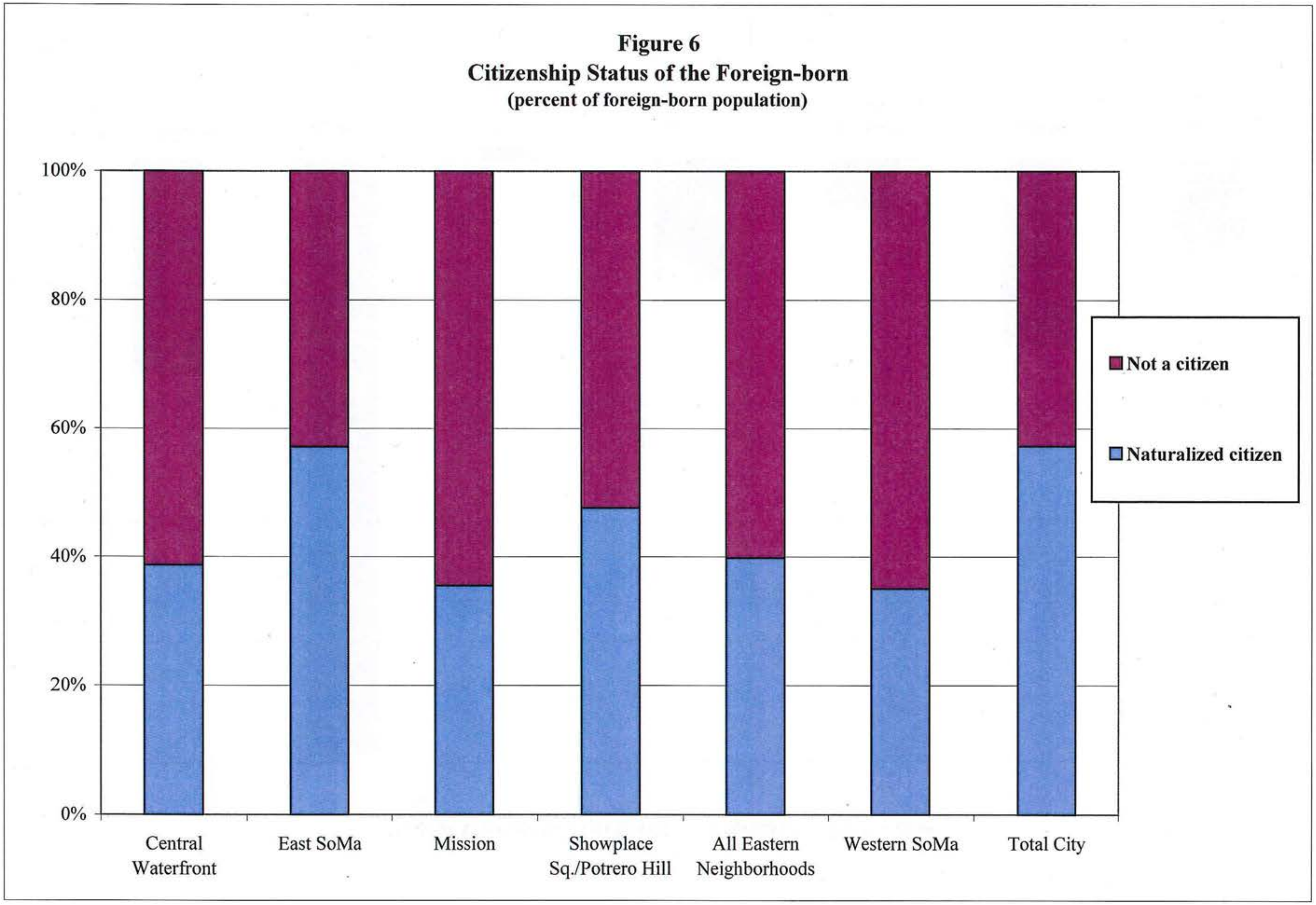


Source: Census 2000

Figure 5
Place of Birth and Citizenship Status
(percent of population)

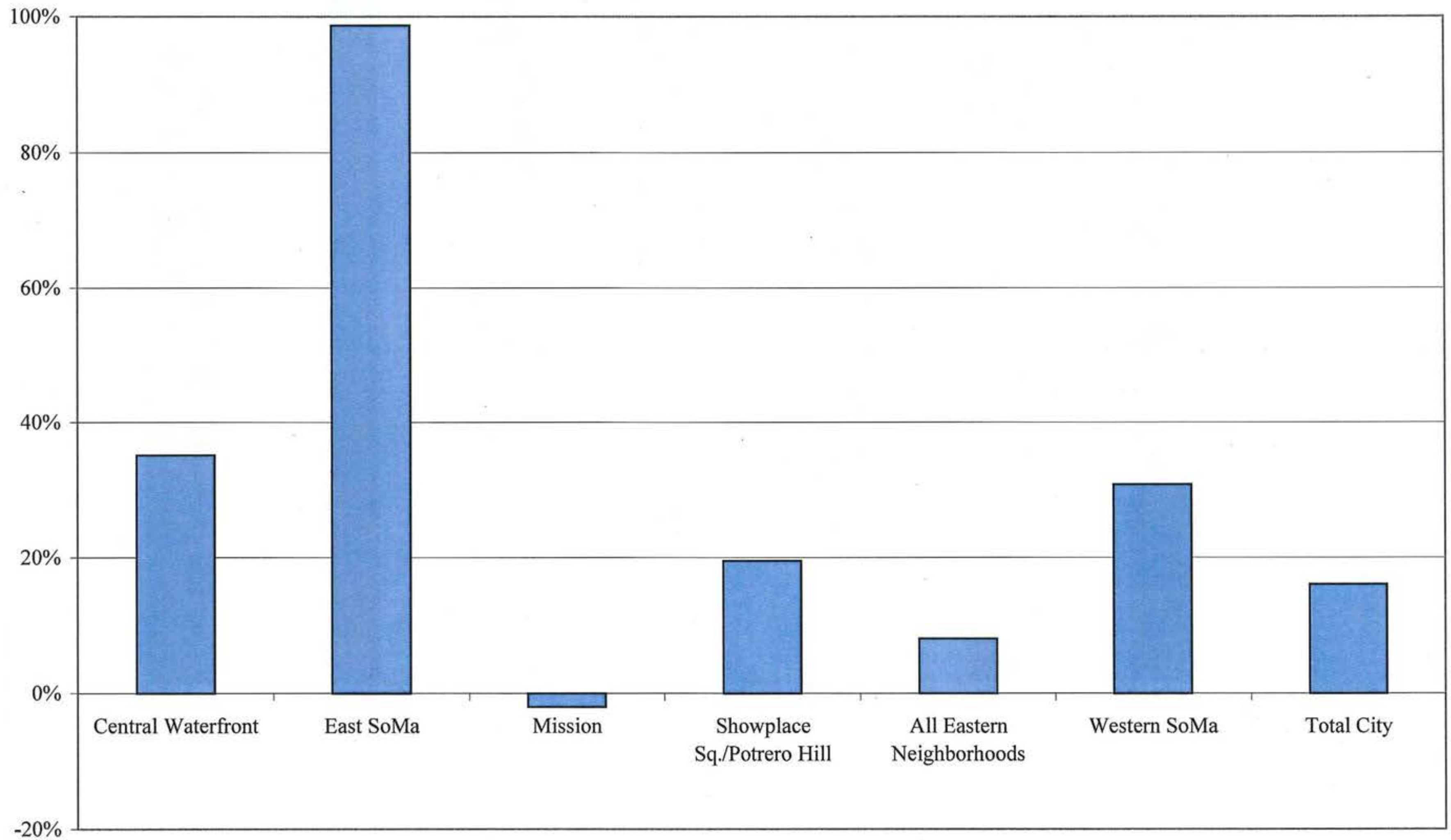


Source: Census 2000



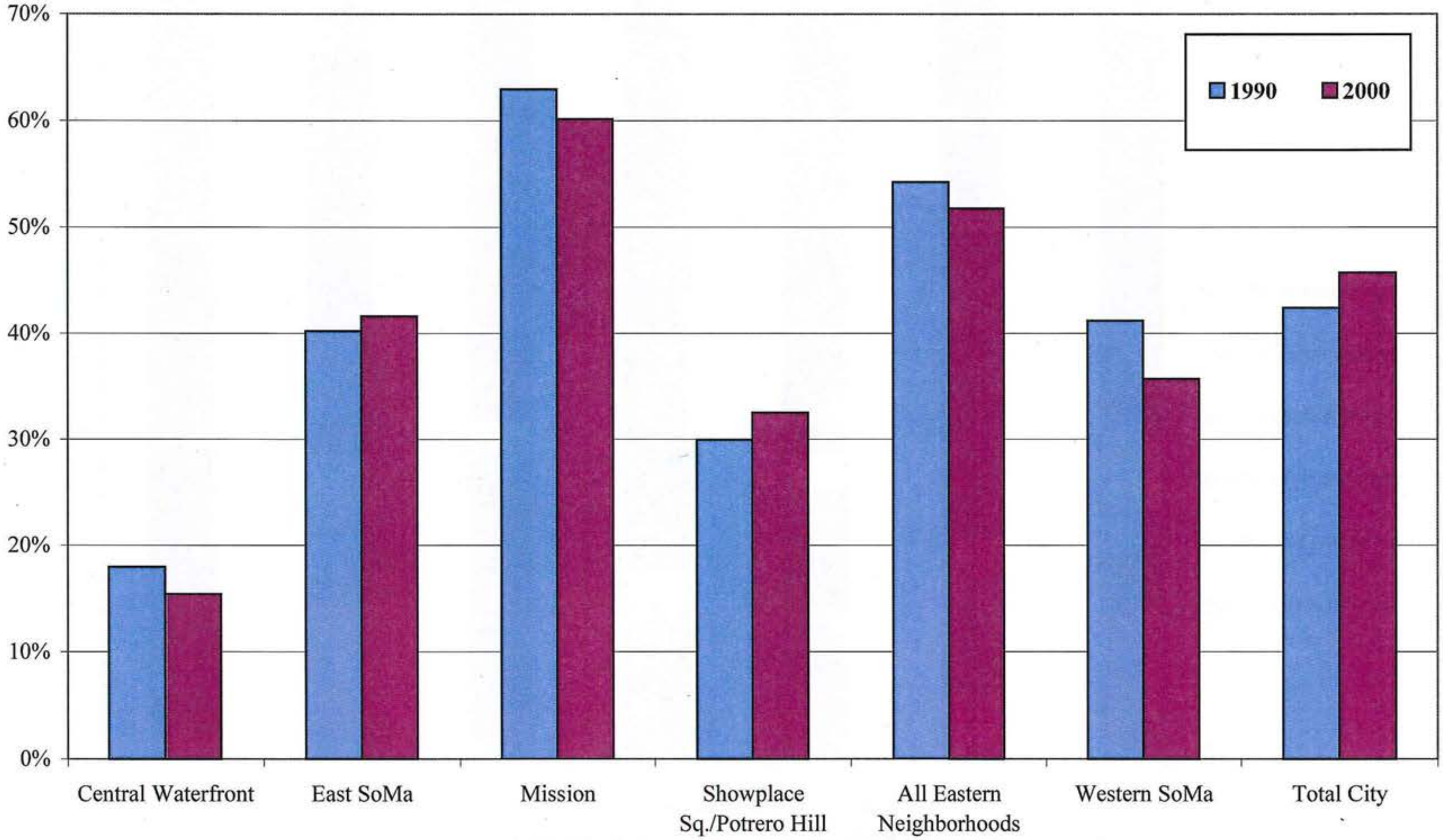
Source: Census 2000

Figure 7
Percent Change in Foreign-Born Population, 1990 - 2000

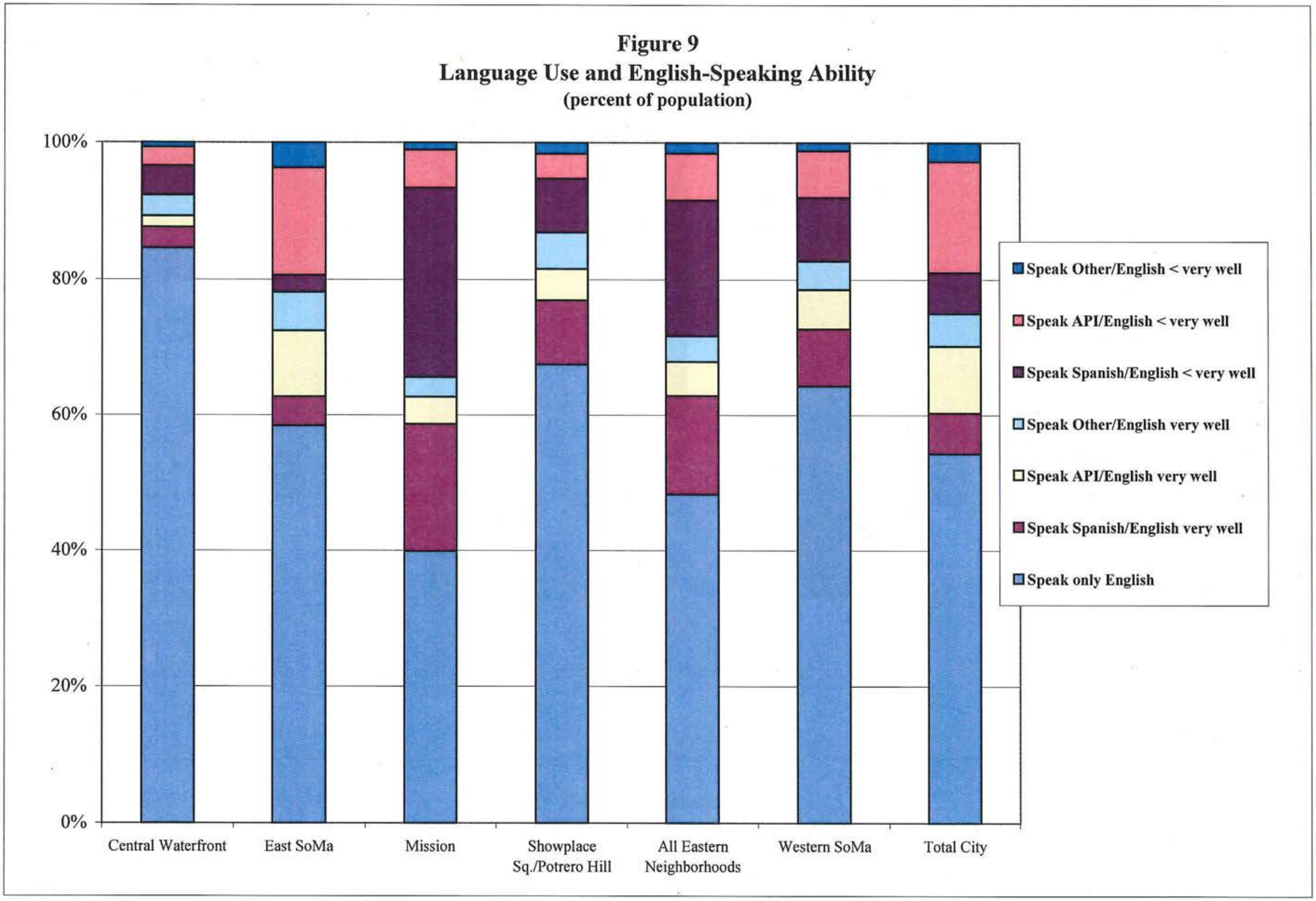


Source: 1990 Census and Census 2000

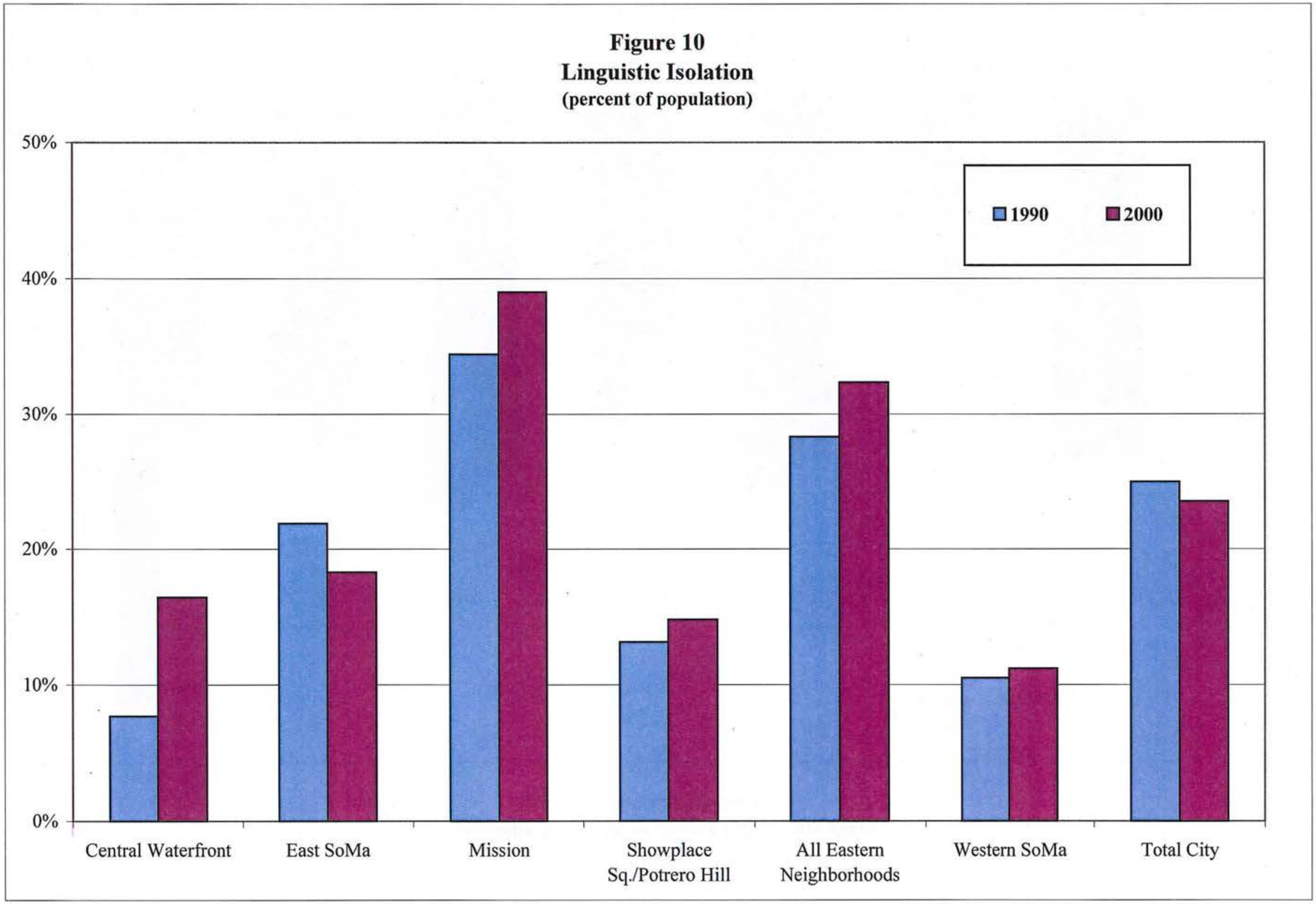
Figure 8
People who Speak Other than English at Home
(percent of population)



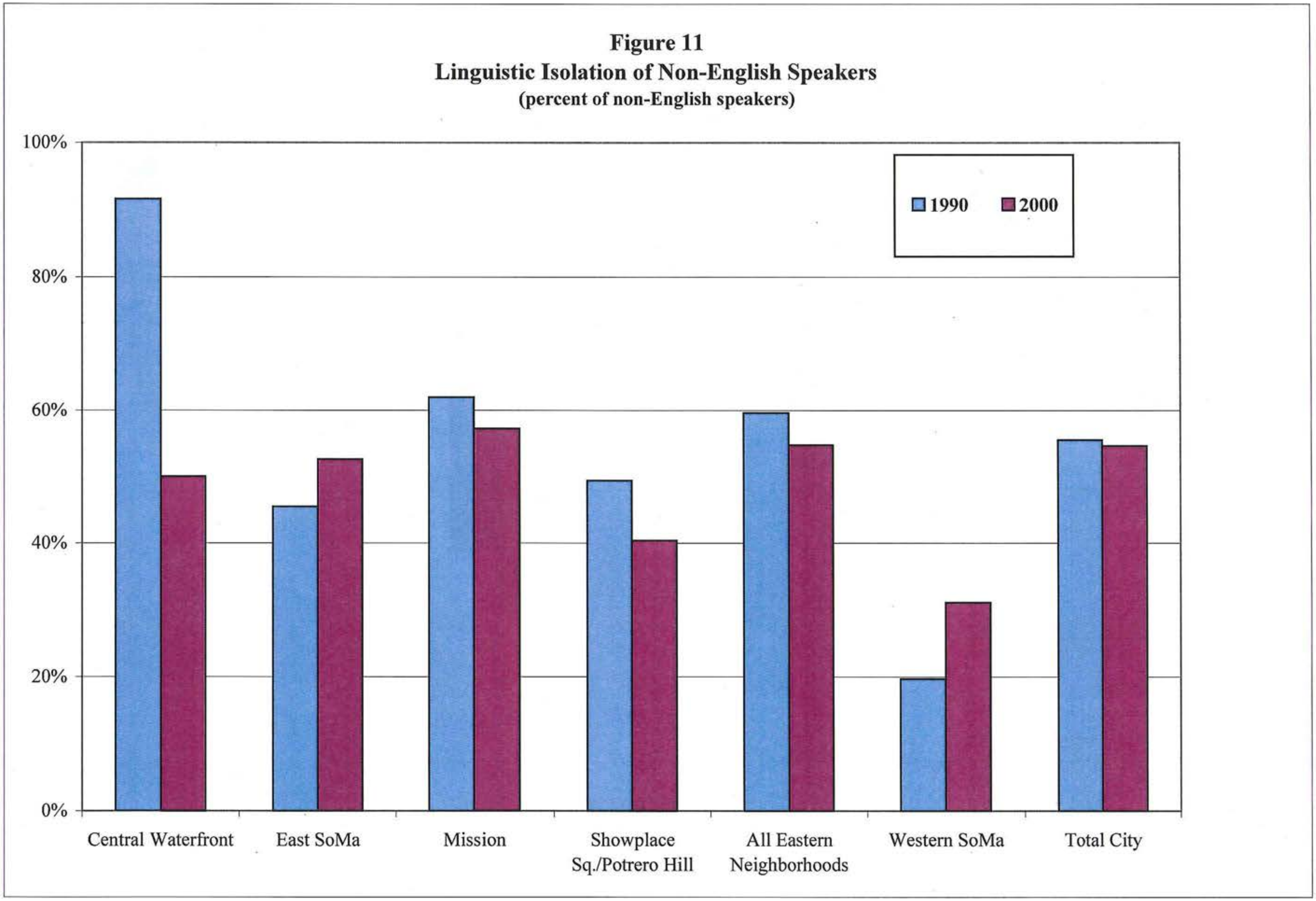
Source: 1990 Census and Census 2000



Source: Census 2000

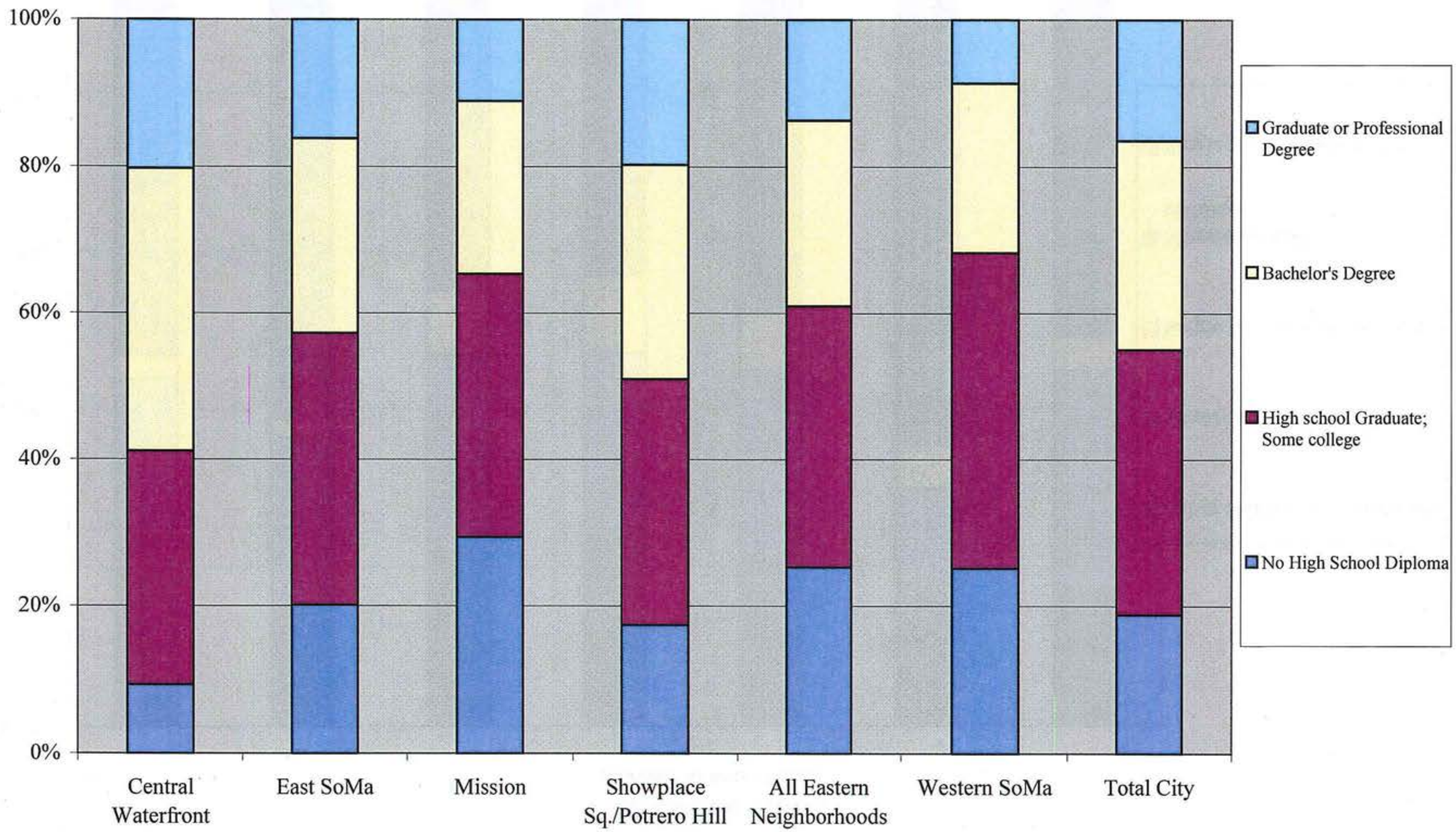


Source: 1990 Census and Census 2000

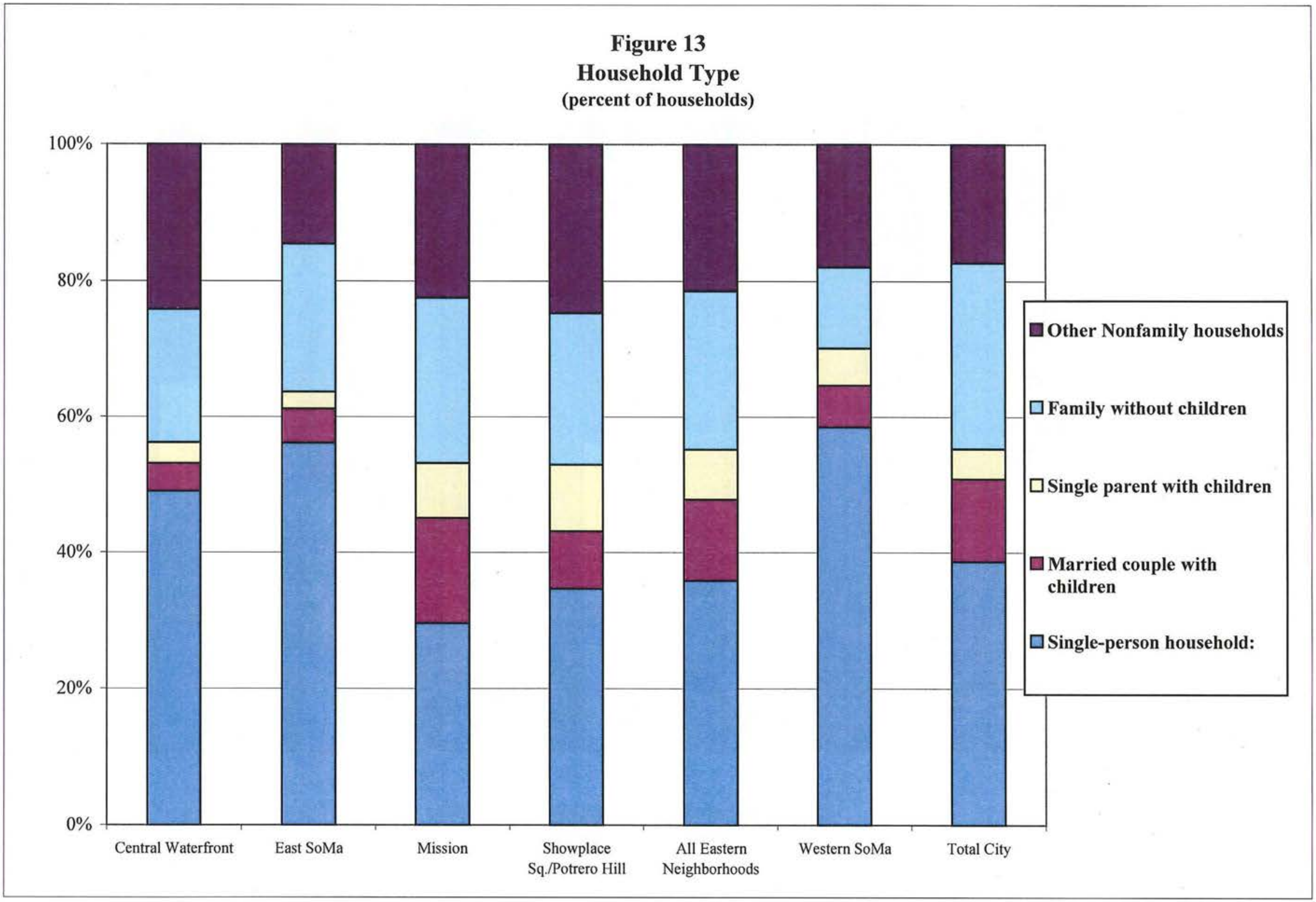


Source: 1990 Census and Census 2000

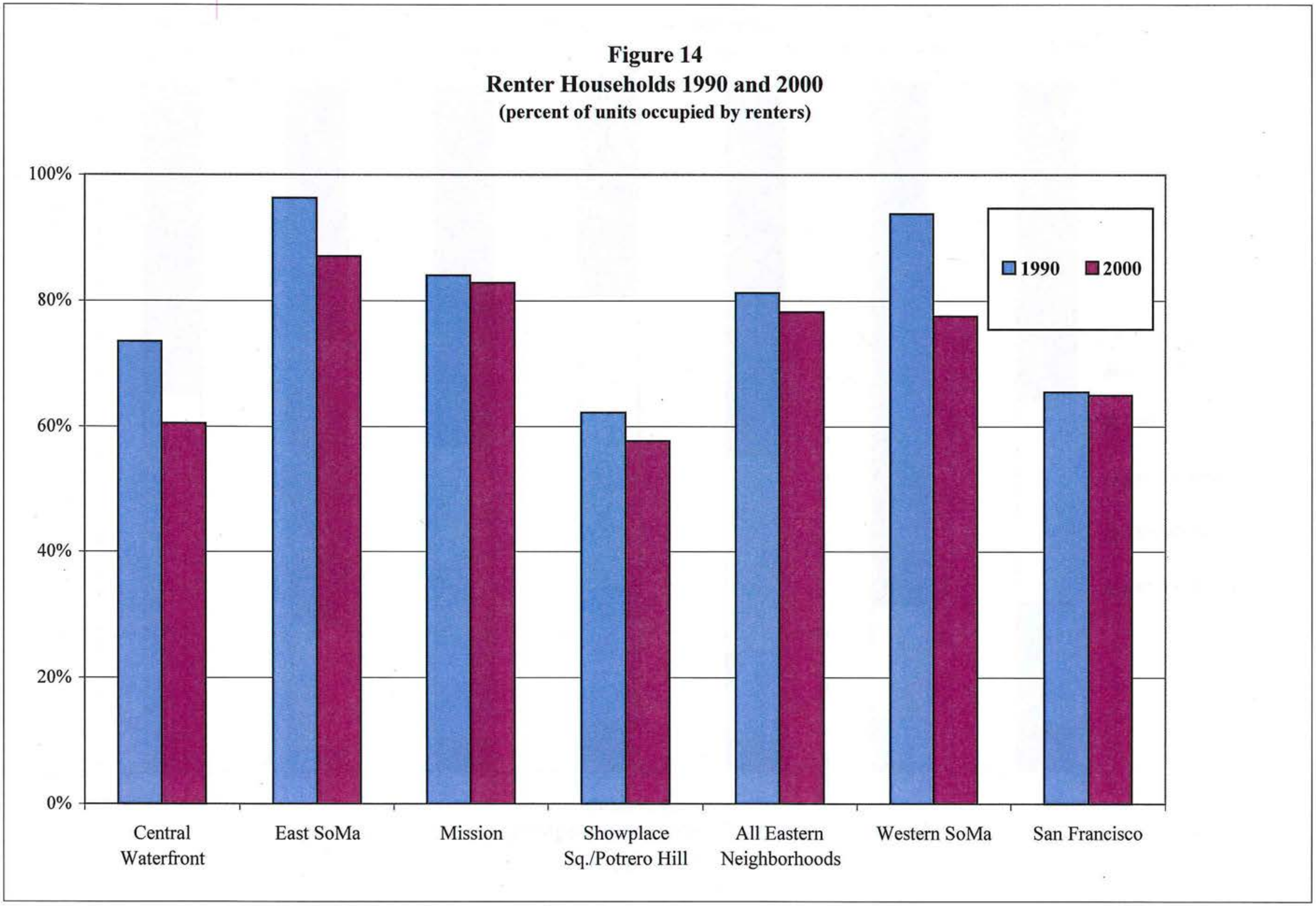
Figure 12
Educational Attainment
(percent of the working-age population)



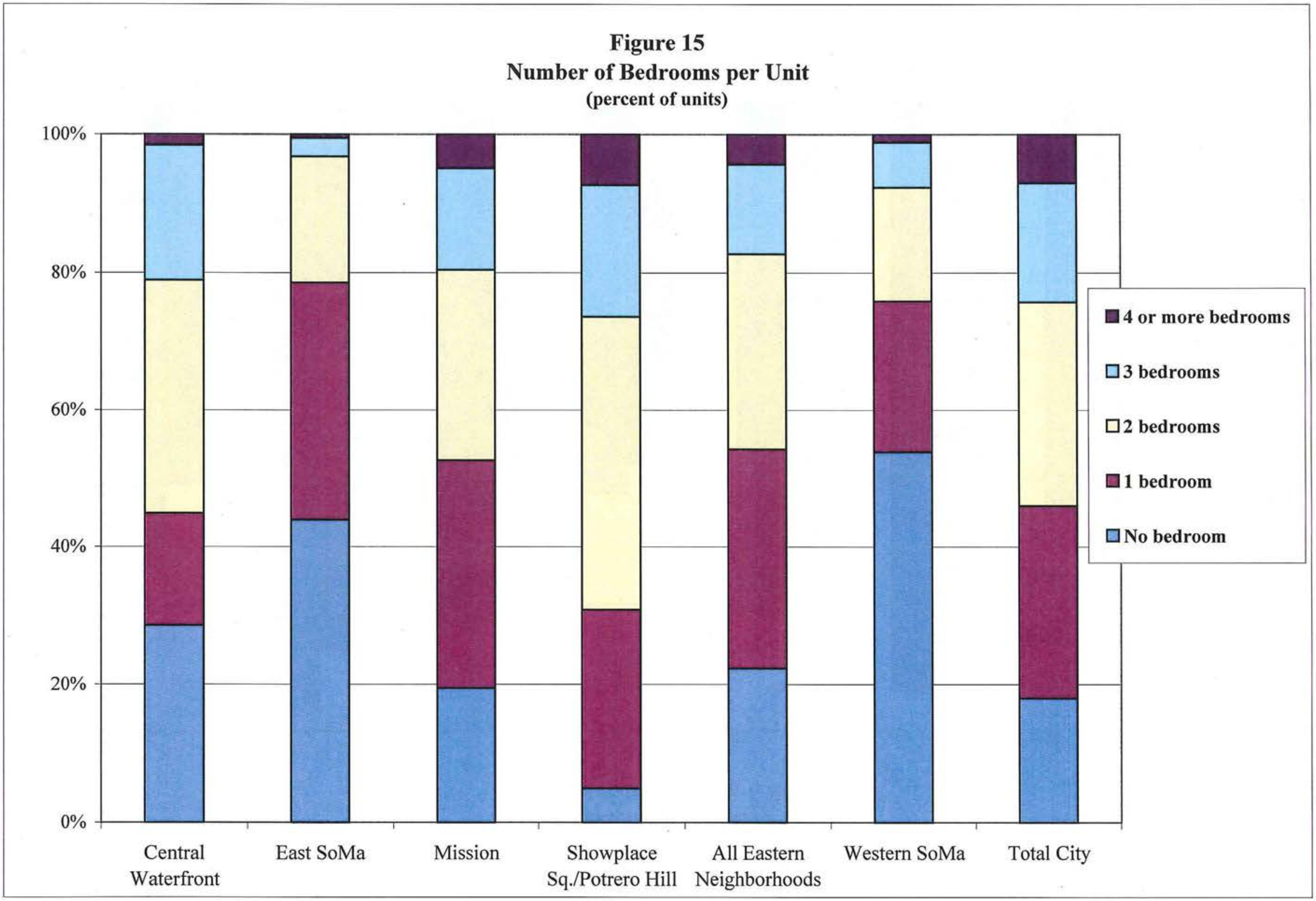
Source: Census 2000



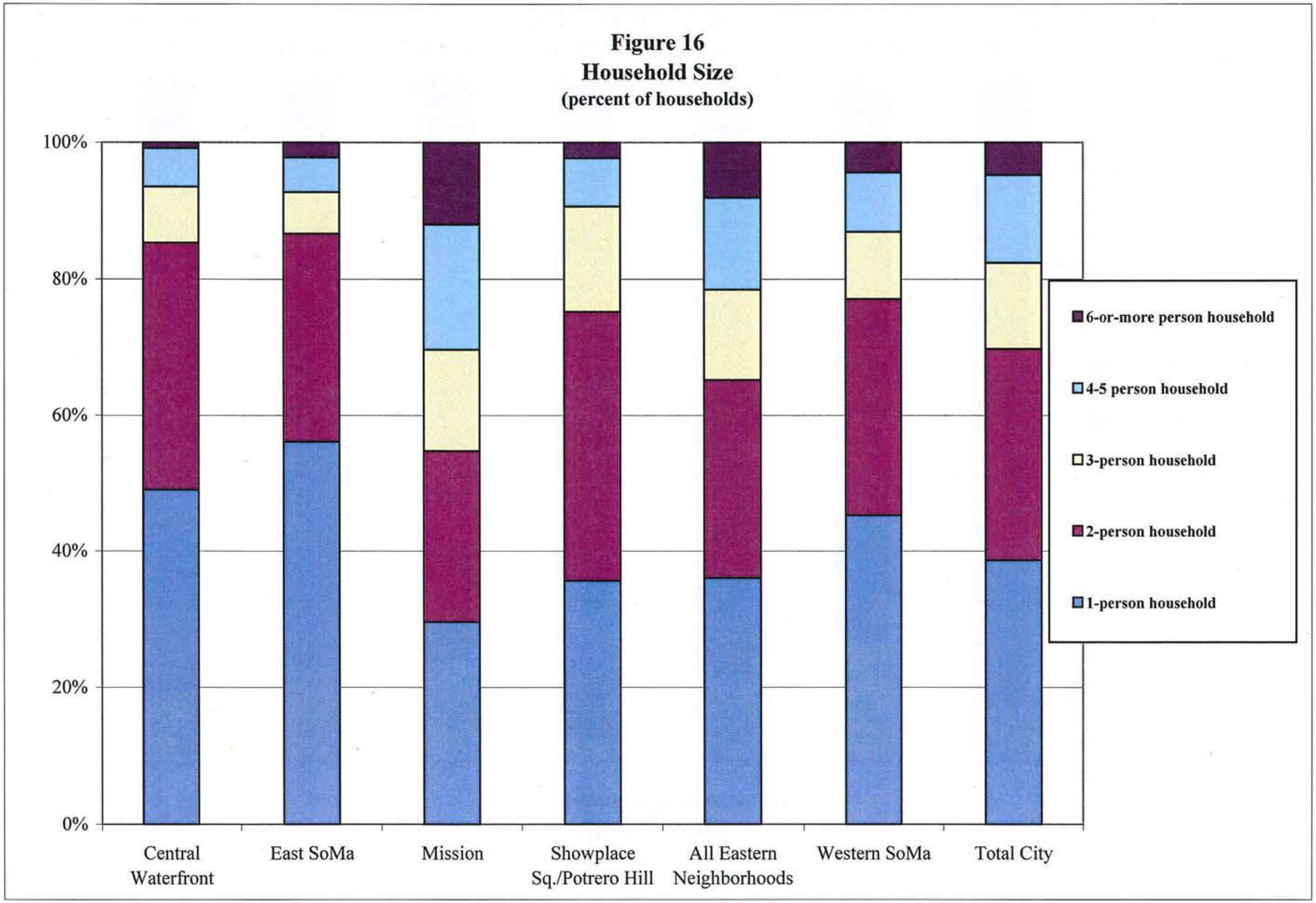
Source: Census 2000



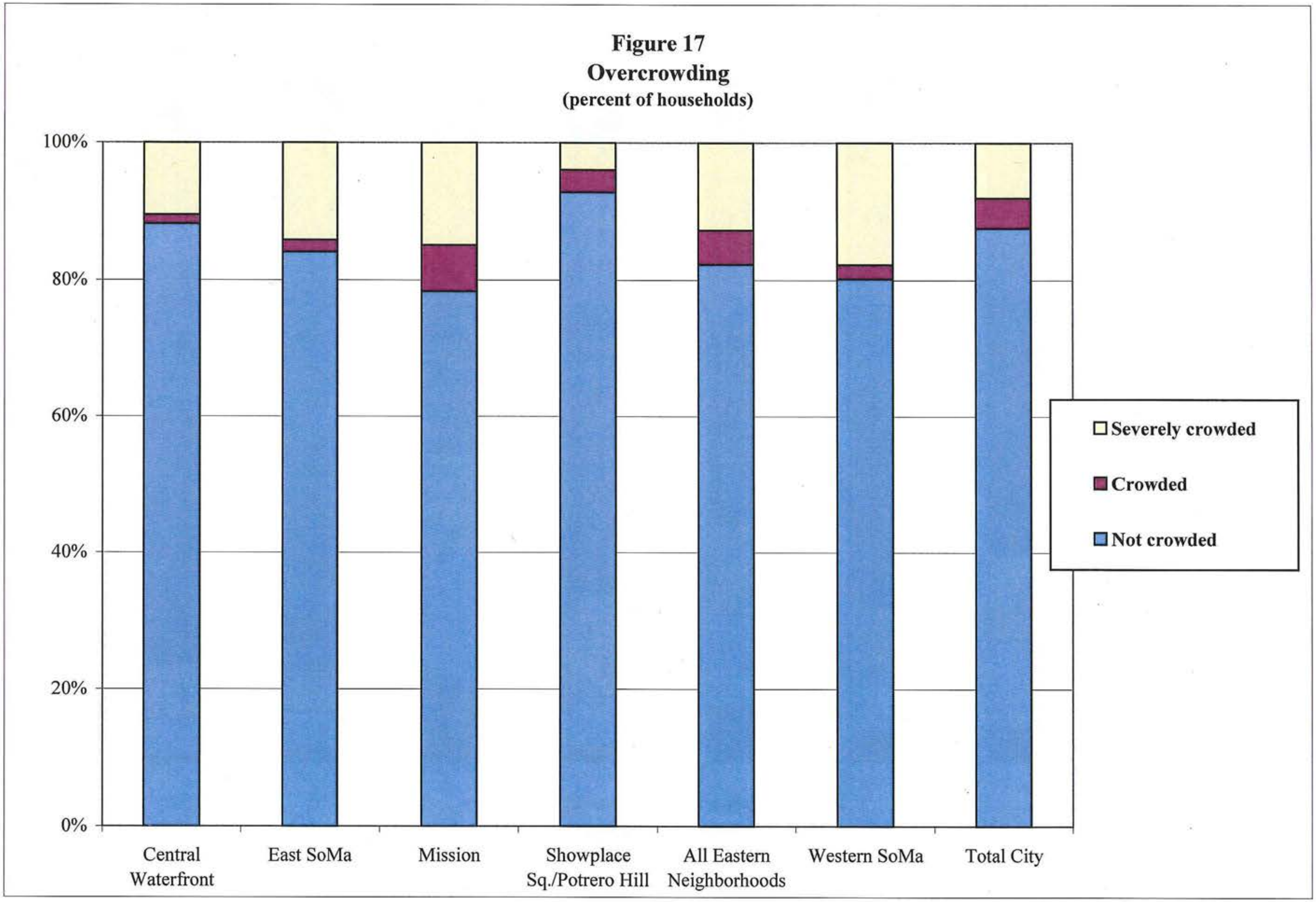
Source: 1990 Census and Census 2000



Source: Census 2000

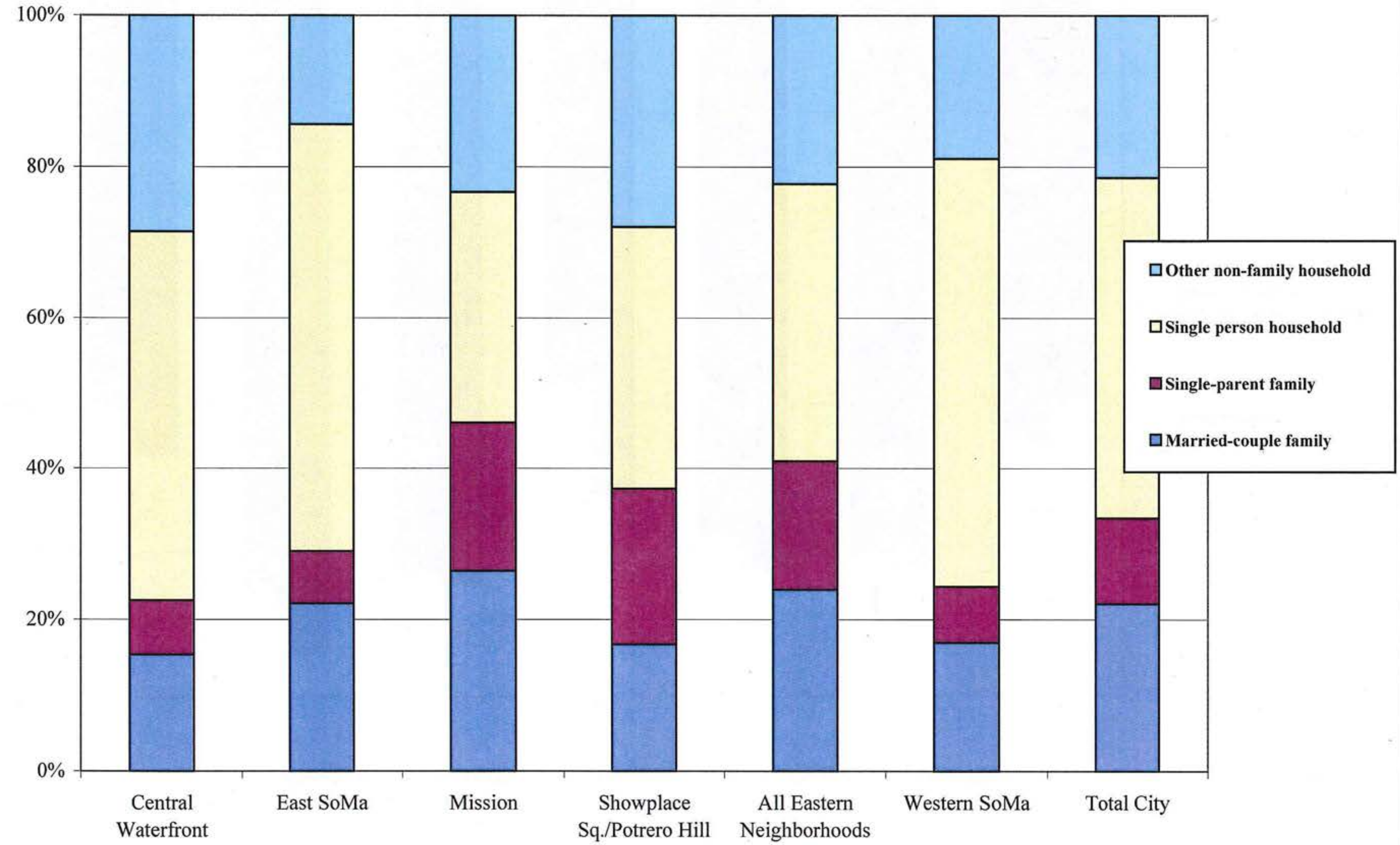


Source: Census 2000



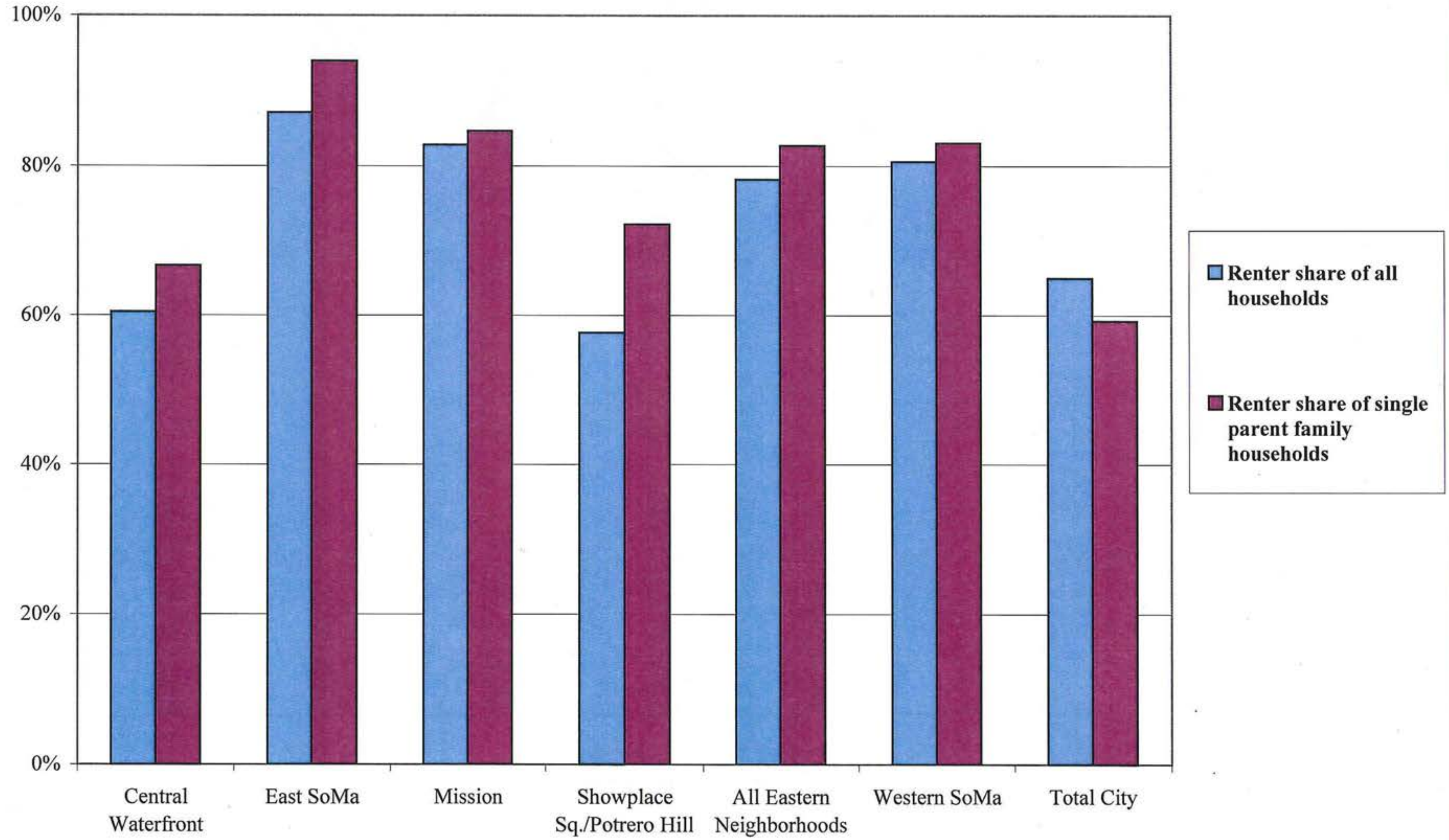
Source: Census 2000

Figure 18
Renter Households by Type
(percent of renter households)

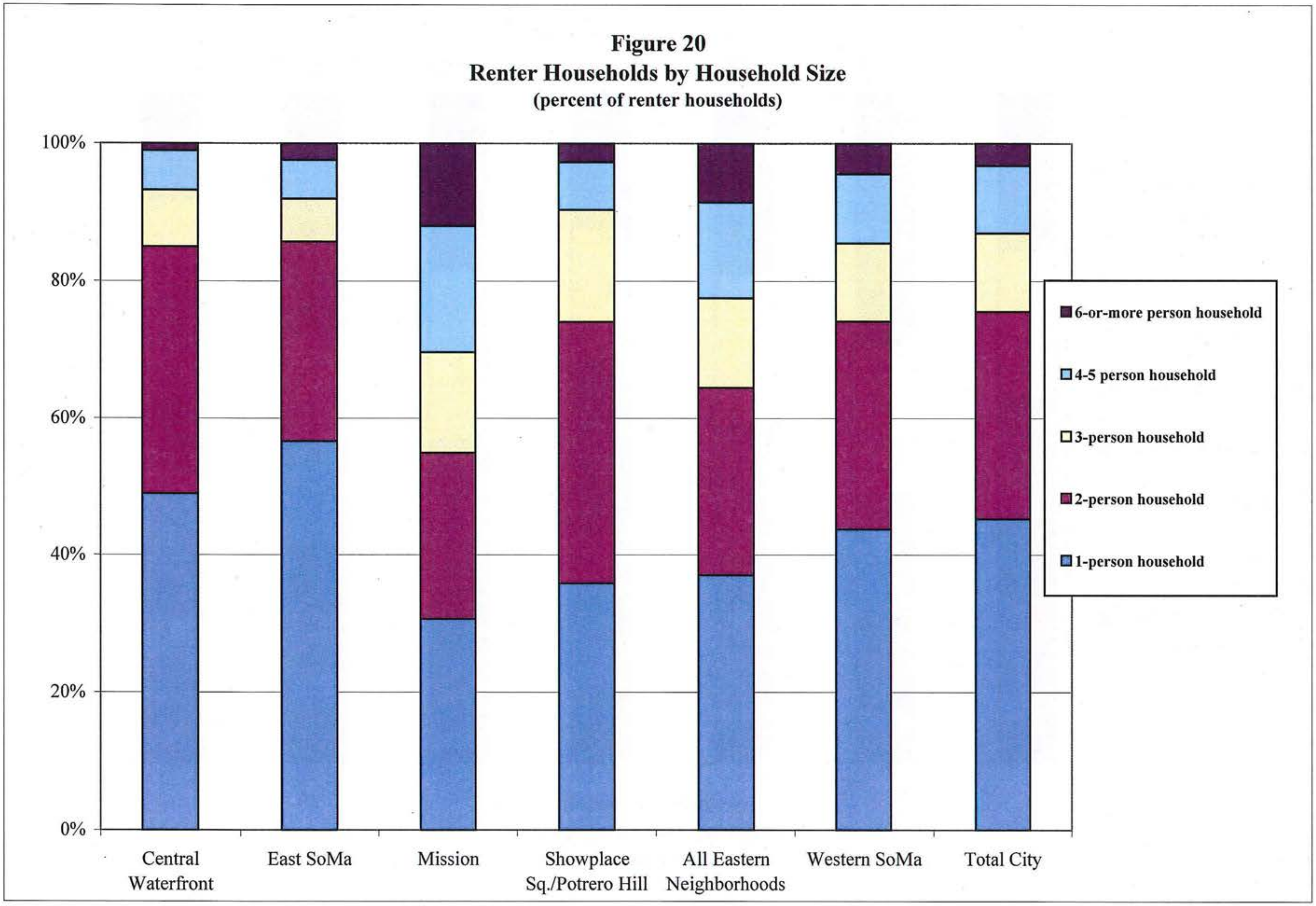


Source: Census 2000

Figure 19
Single Parent Families are a Disproportionate Share of Renter Households

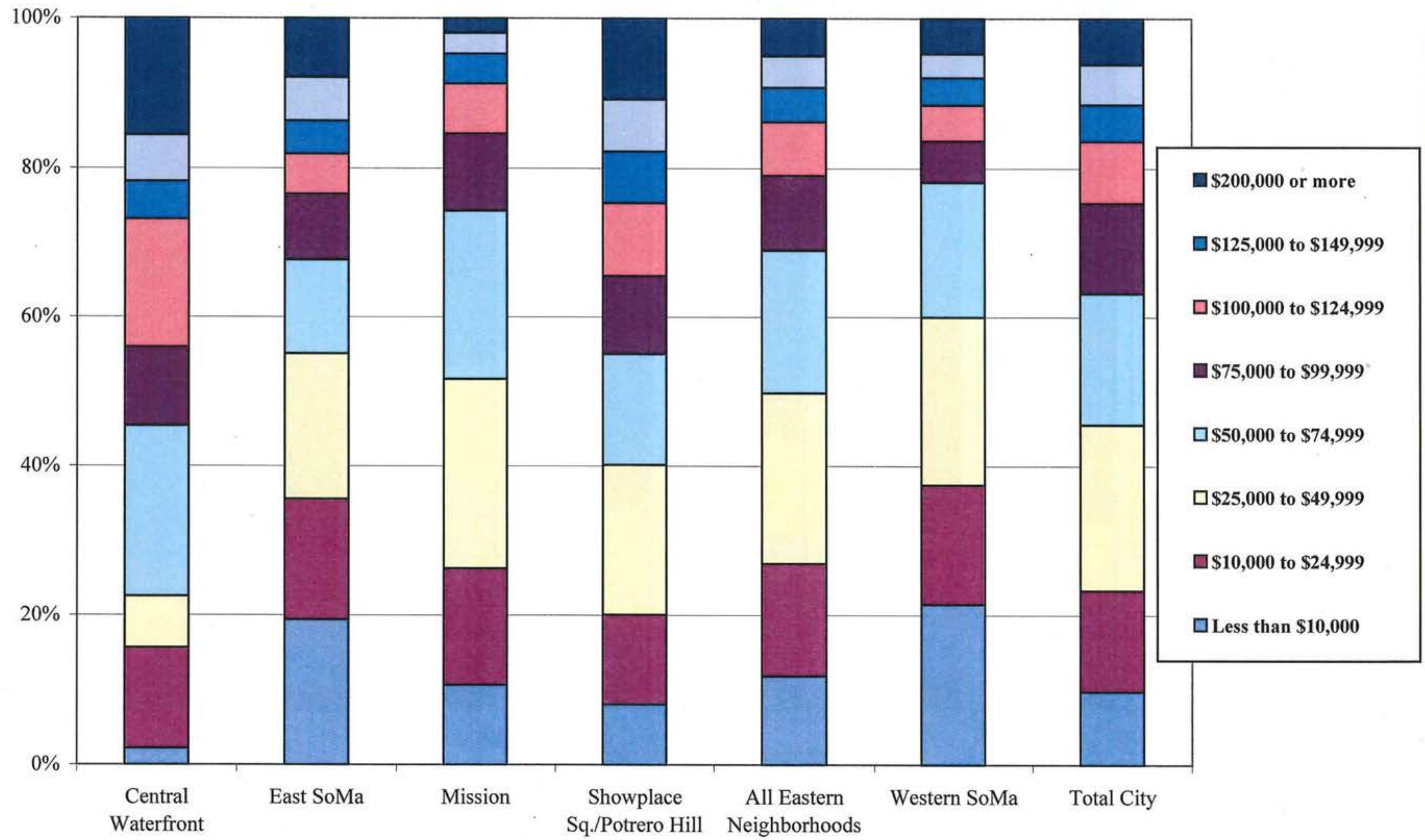


Source: Census 2000

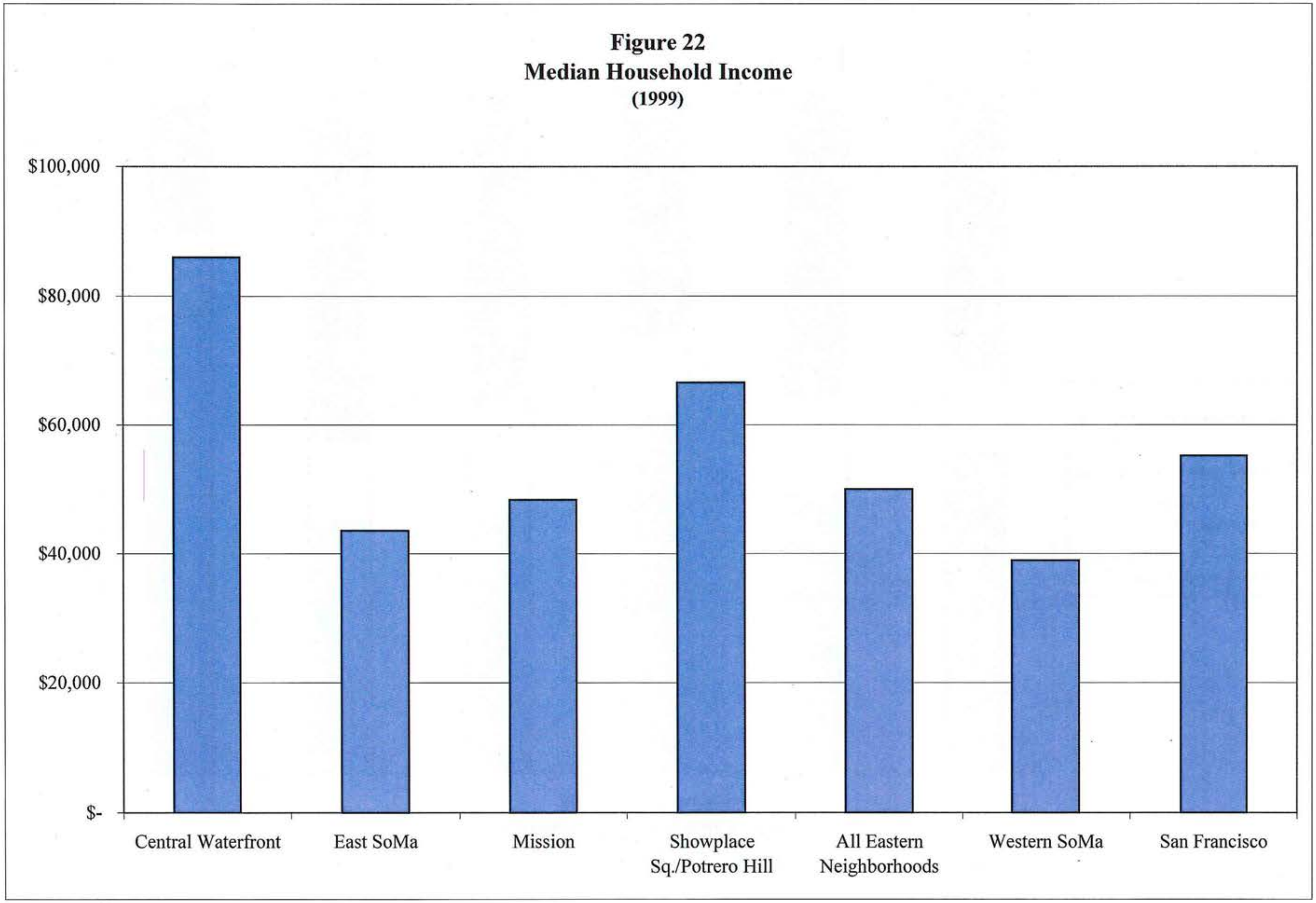


Source: Census 2000

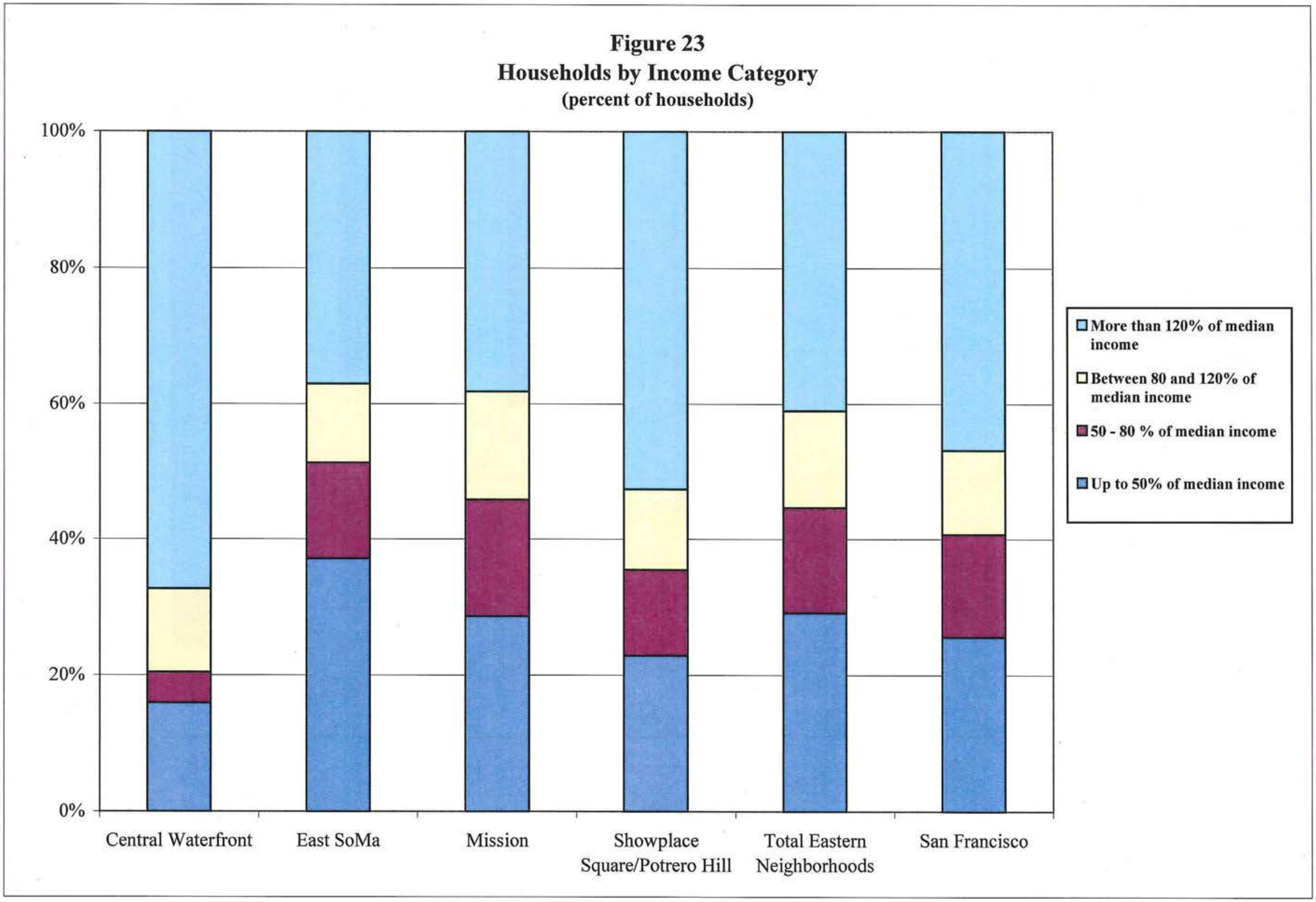
Figure 21
Household Income Distribution
(percent of households)



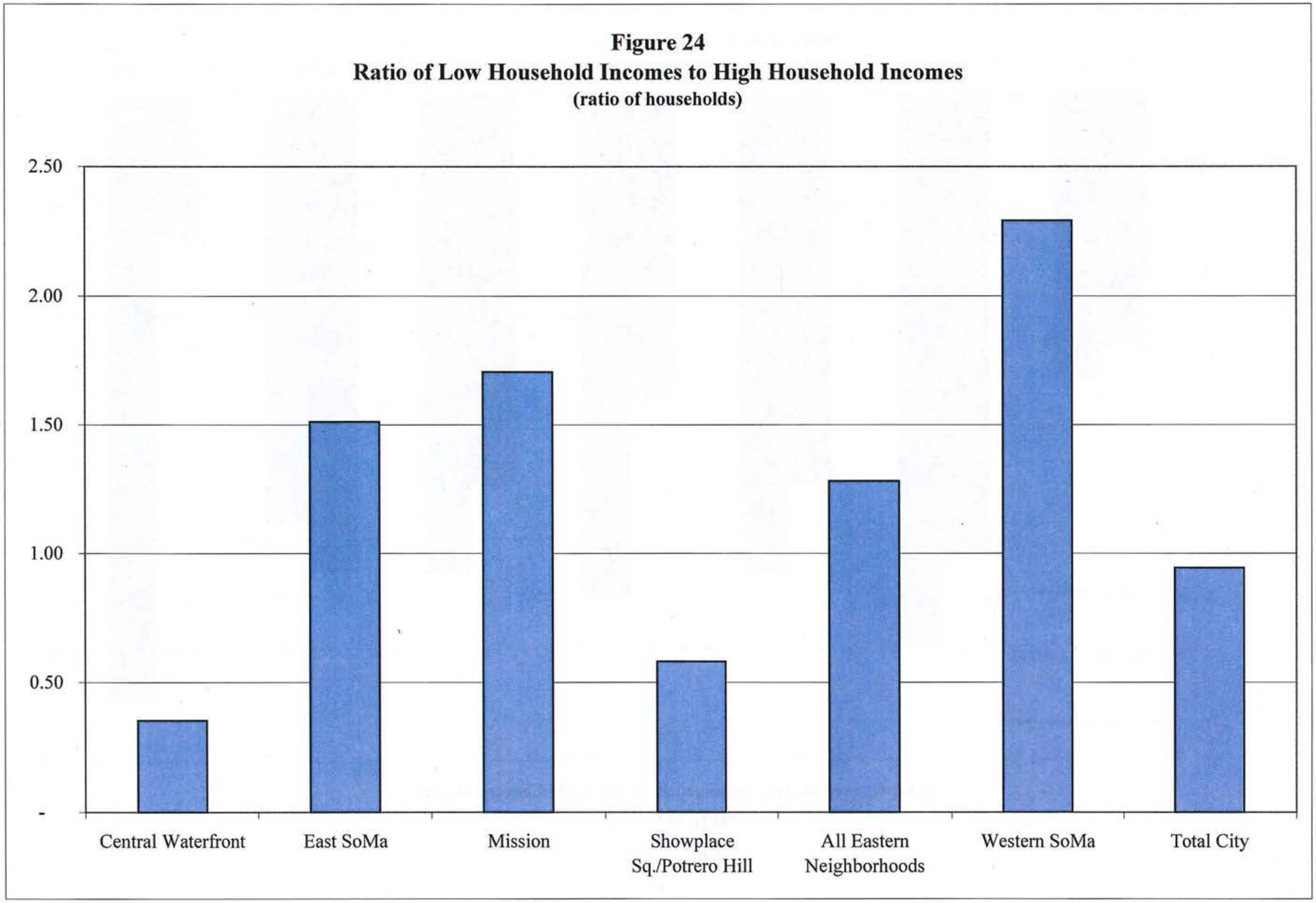
Source: Census 2000



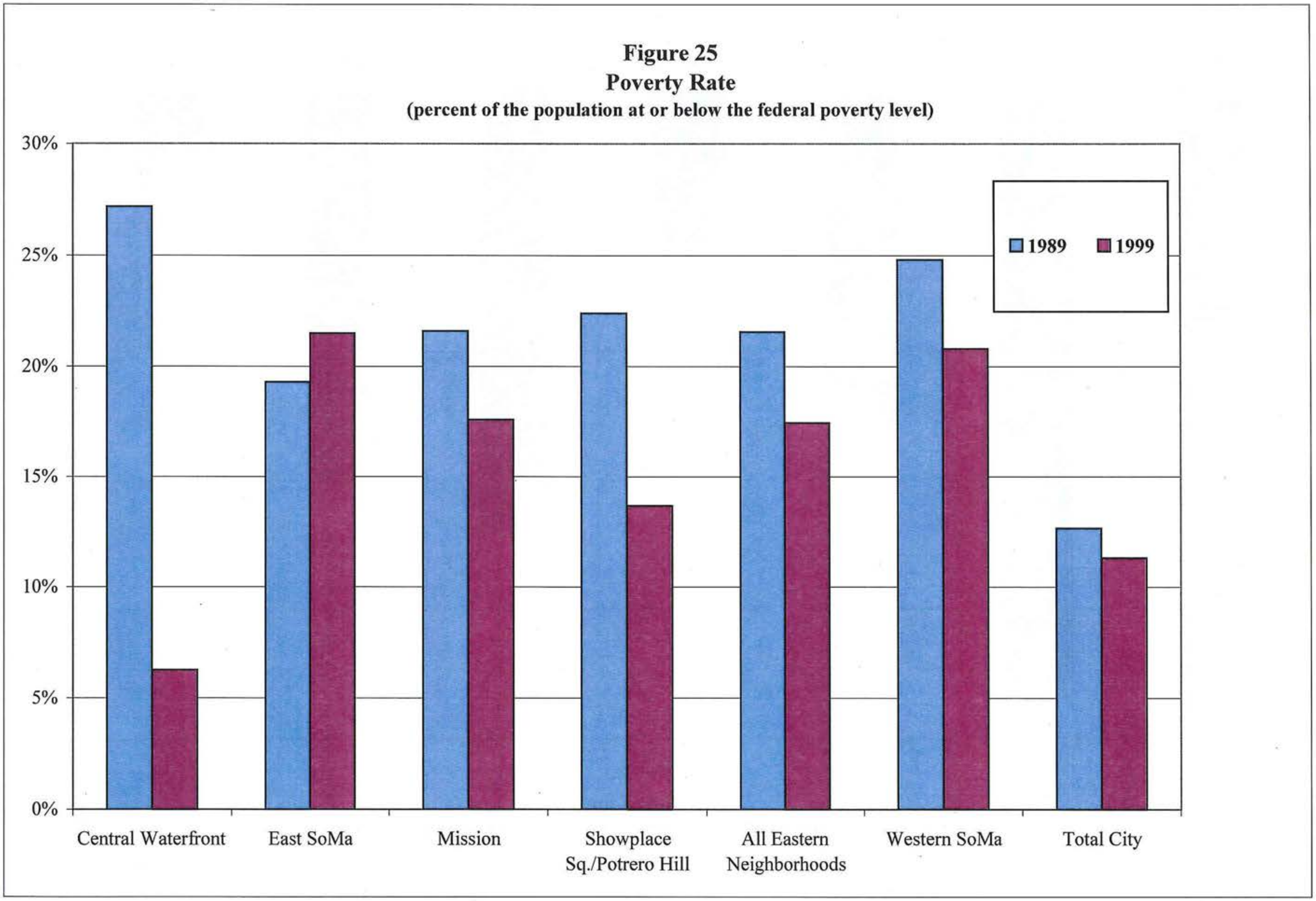
Source: Census 2000



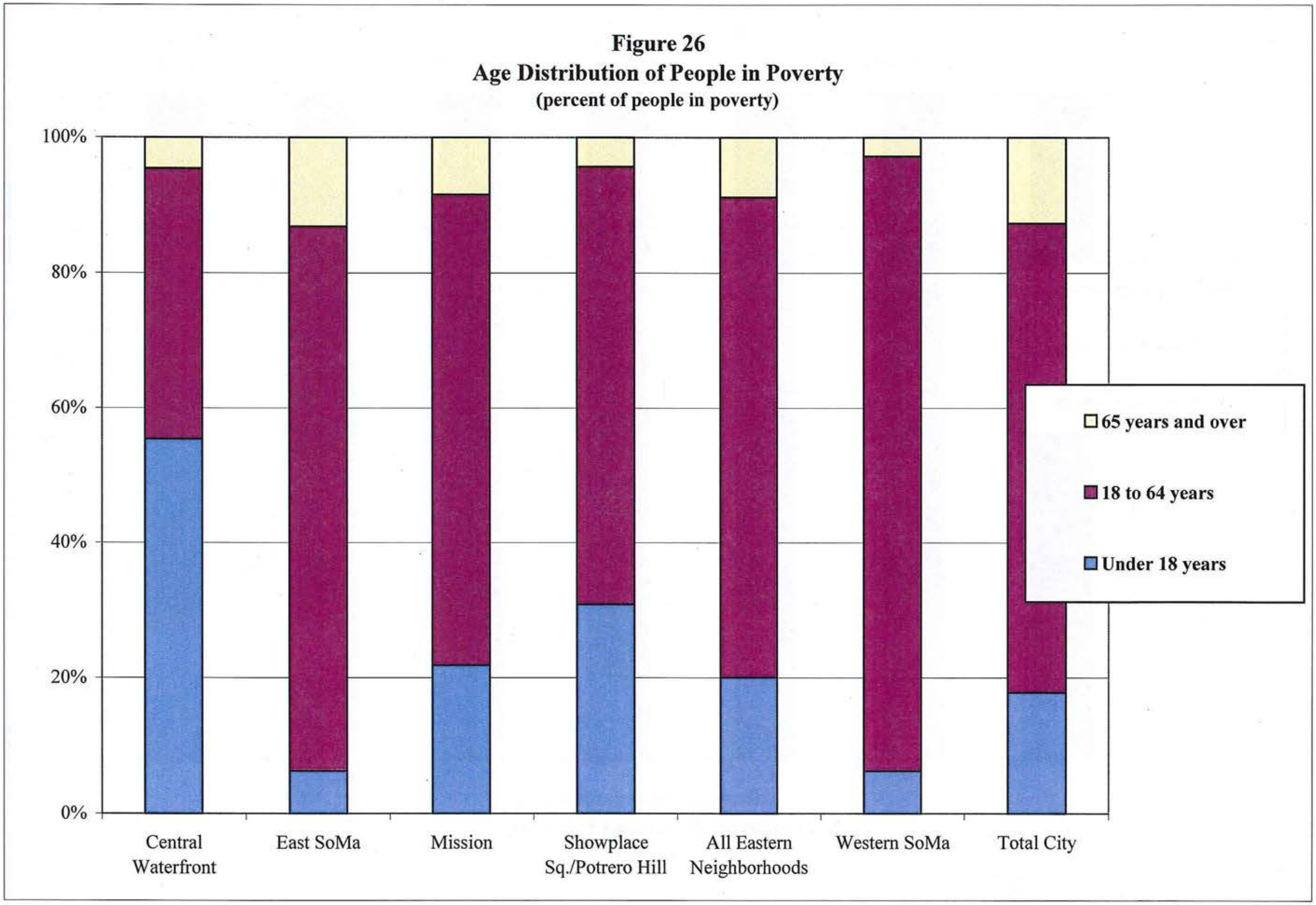
Source: Census 2000



Source: Census 2000

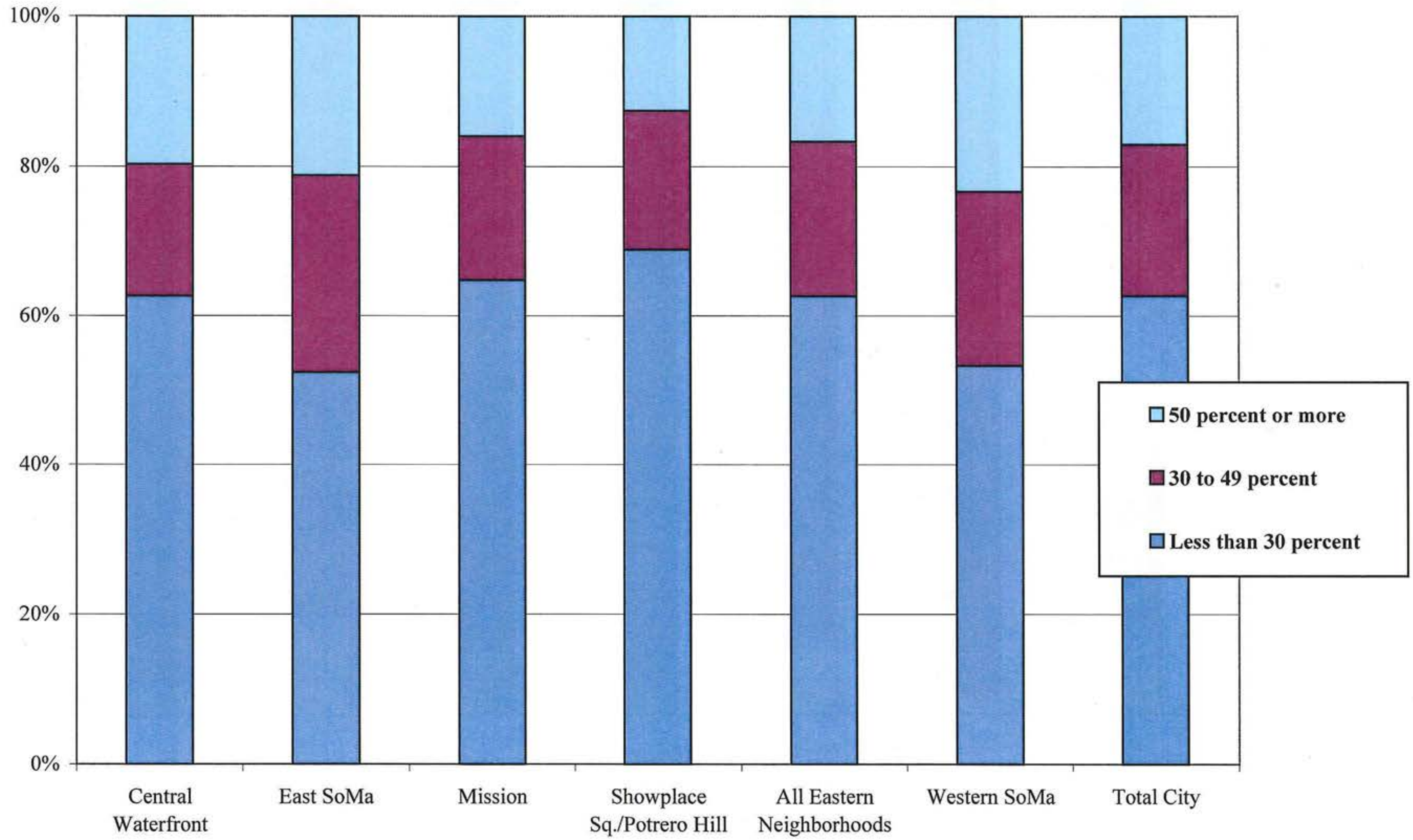


Source: 1990 Census and Census 2000

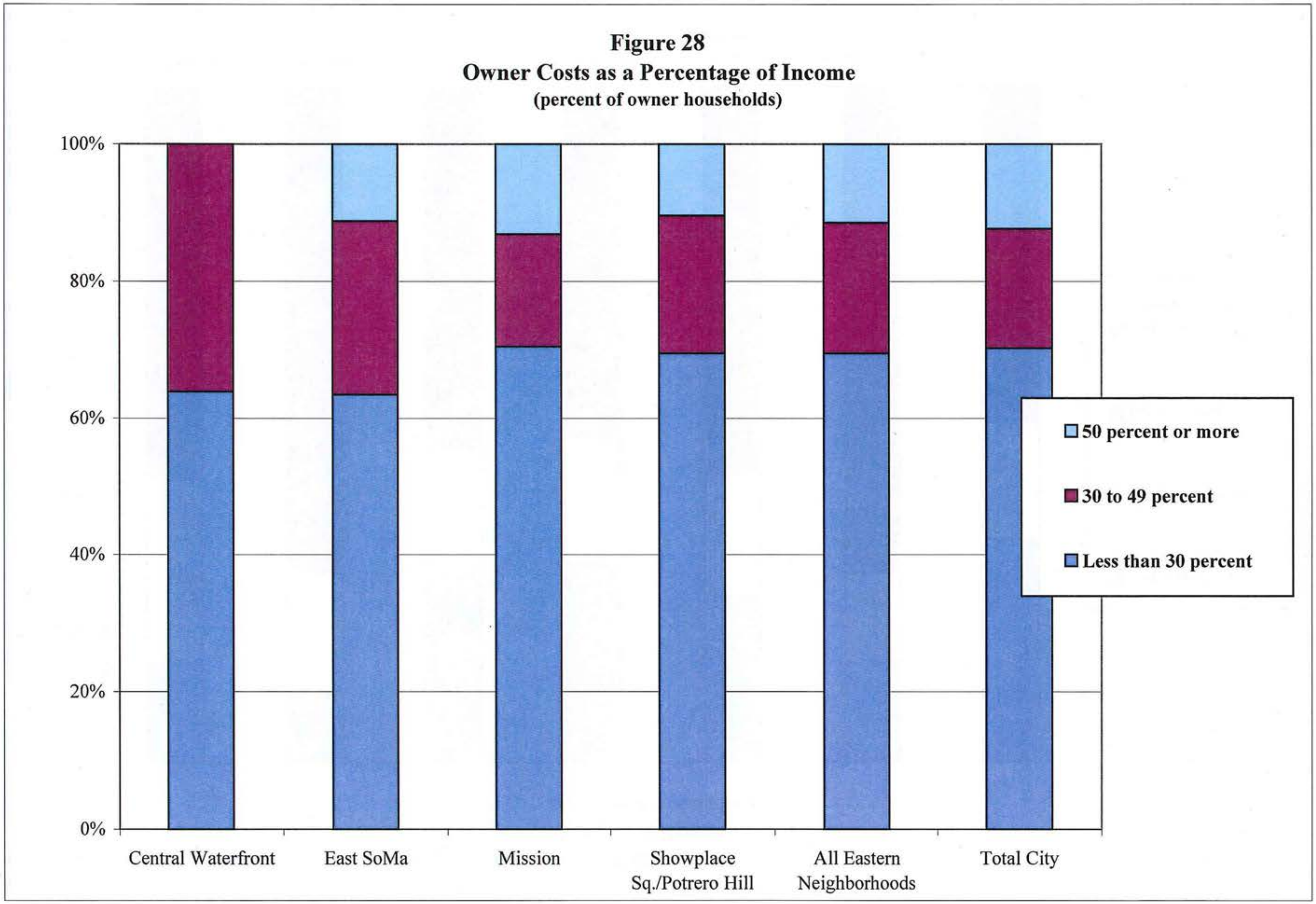


Source: Census 2000

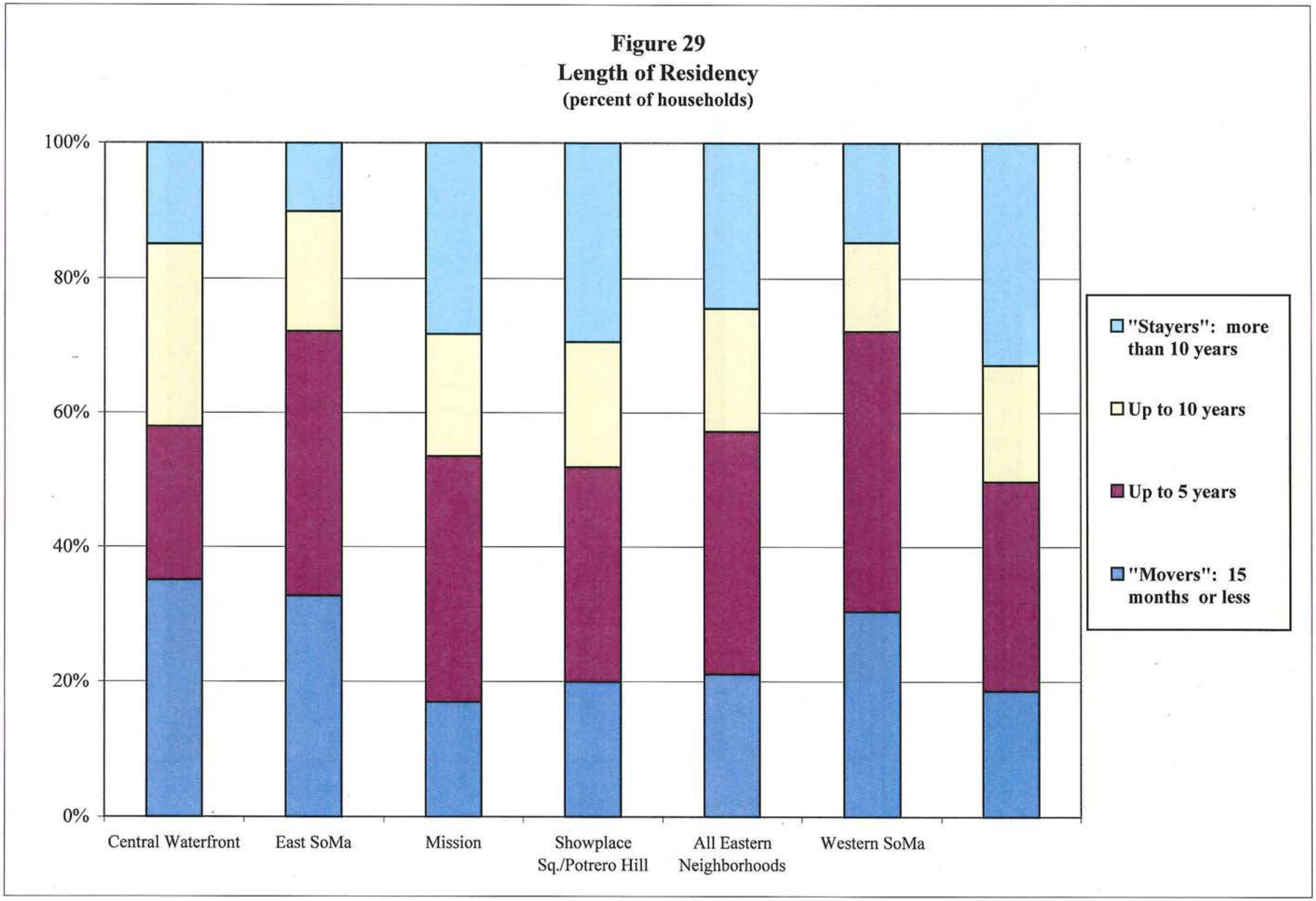
Figure 27
Rent as a Percentage of Income
(percent of renter households)



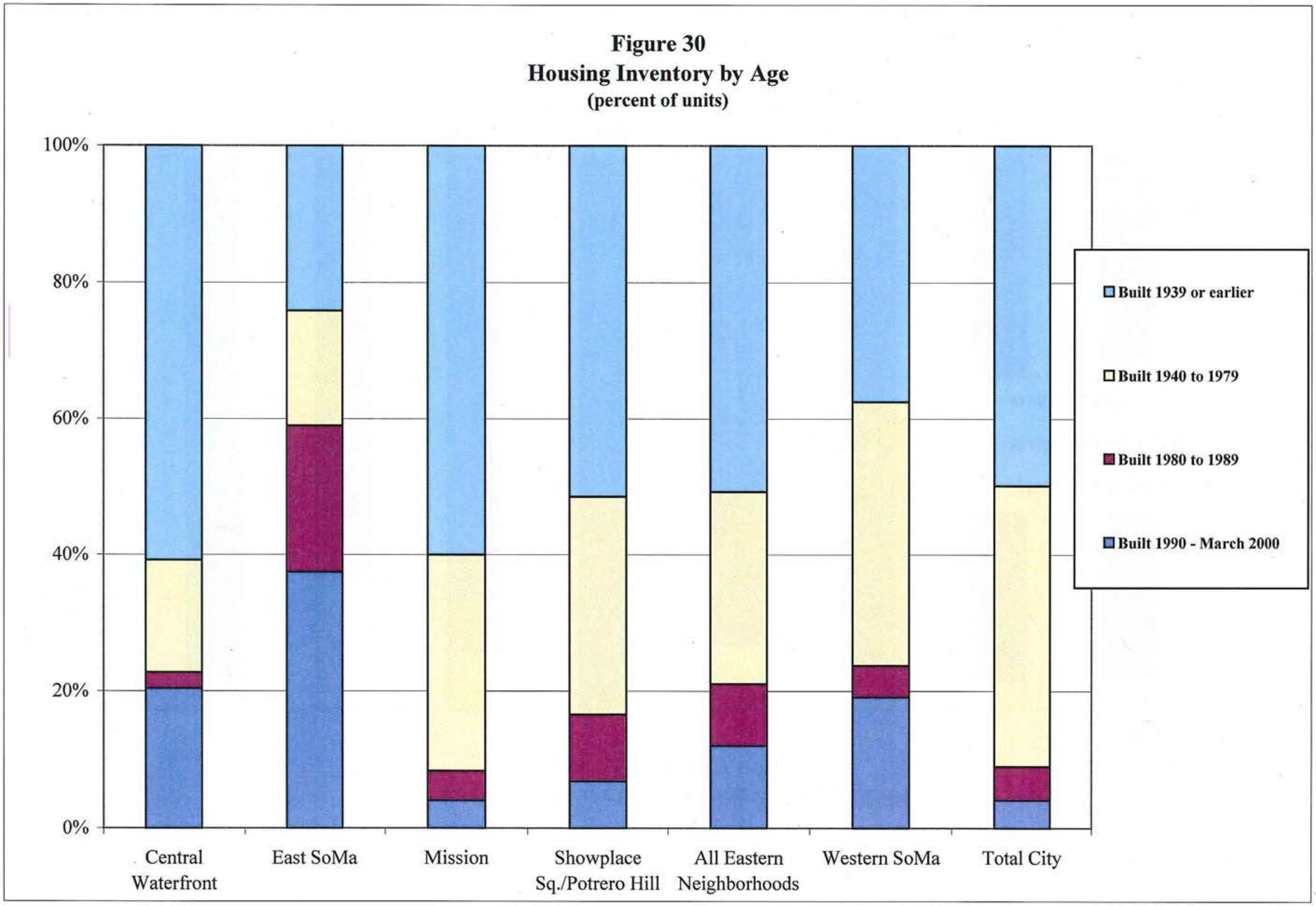
Source: Census 2000



Source: Census 2000

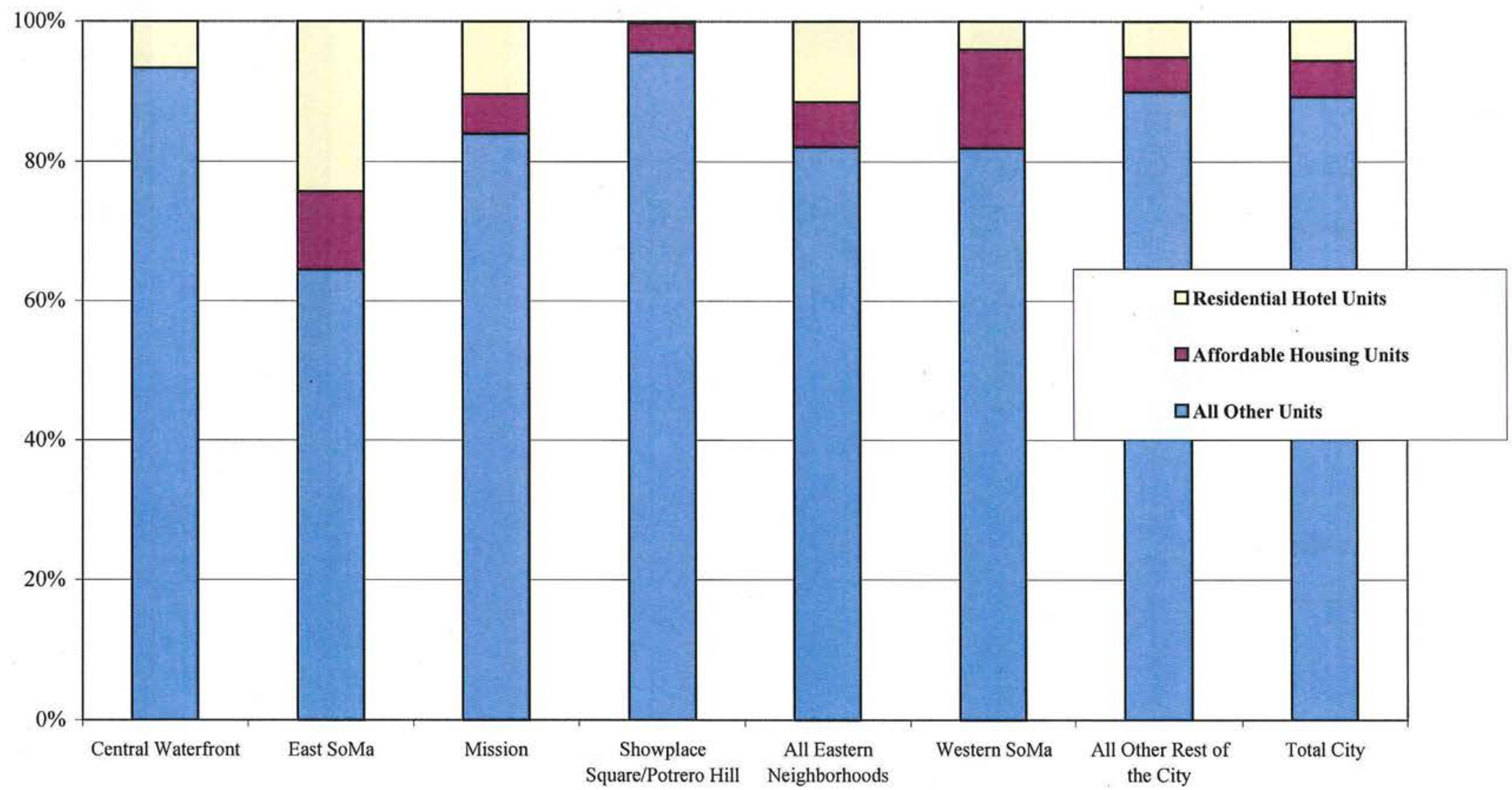


Source: Census 2000



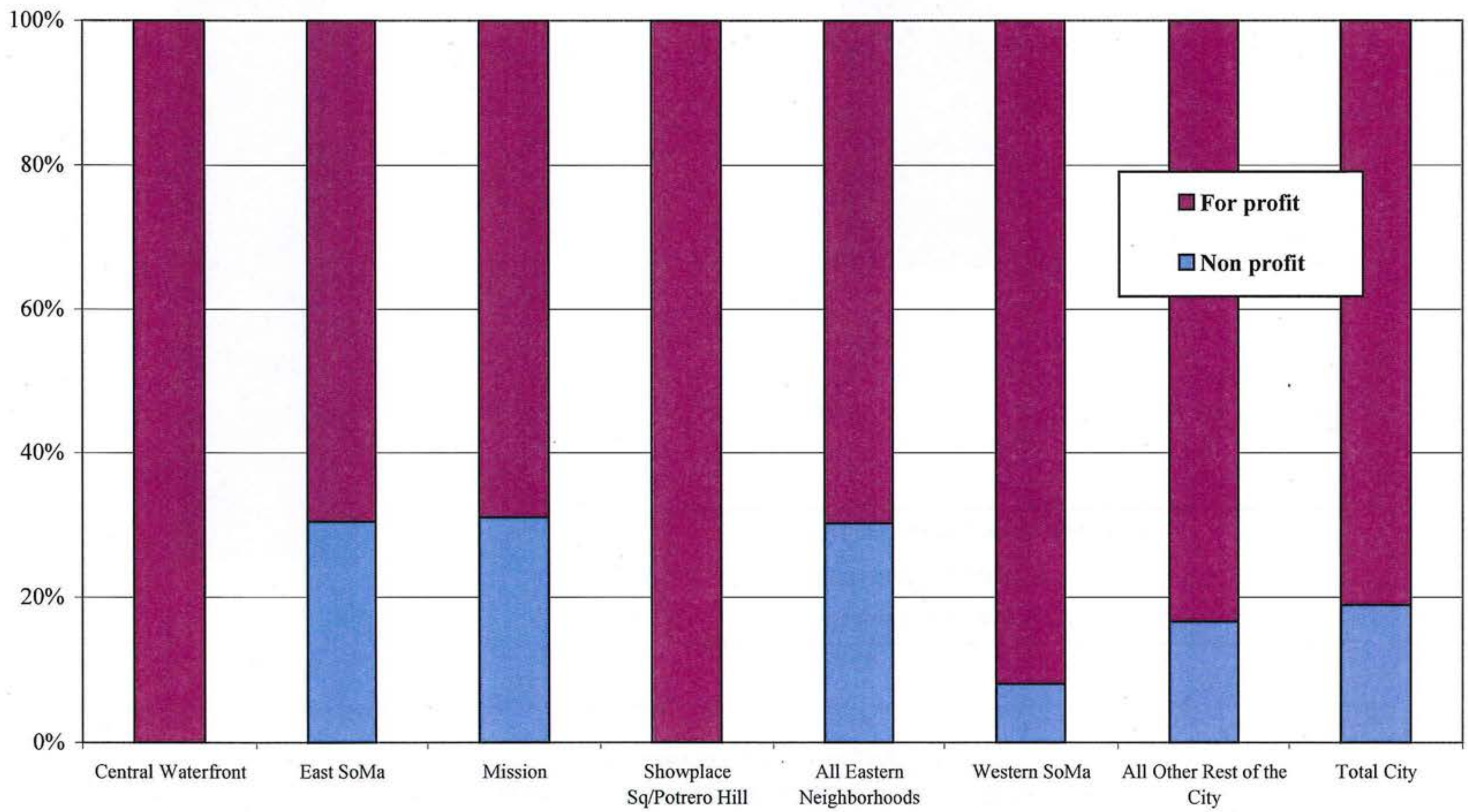
Source: Census 2000

Figure 31
Expanded View of the Housing Inventory, 2004
(percent of units by type)



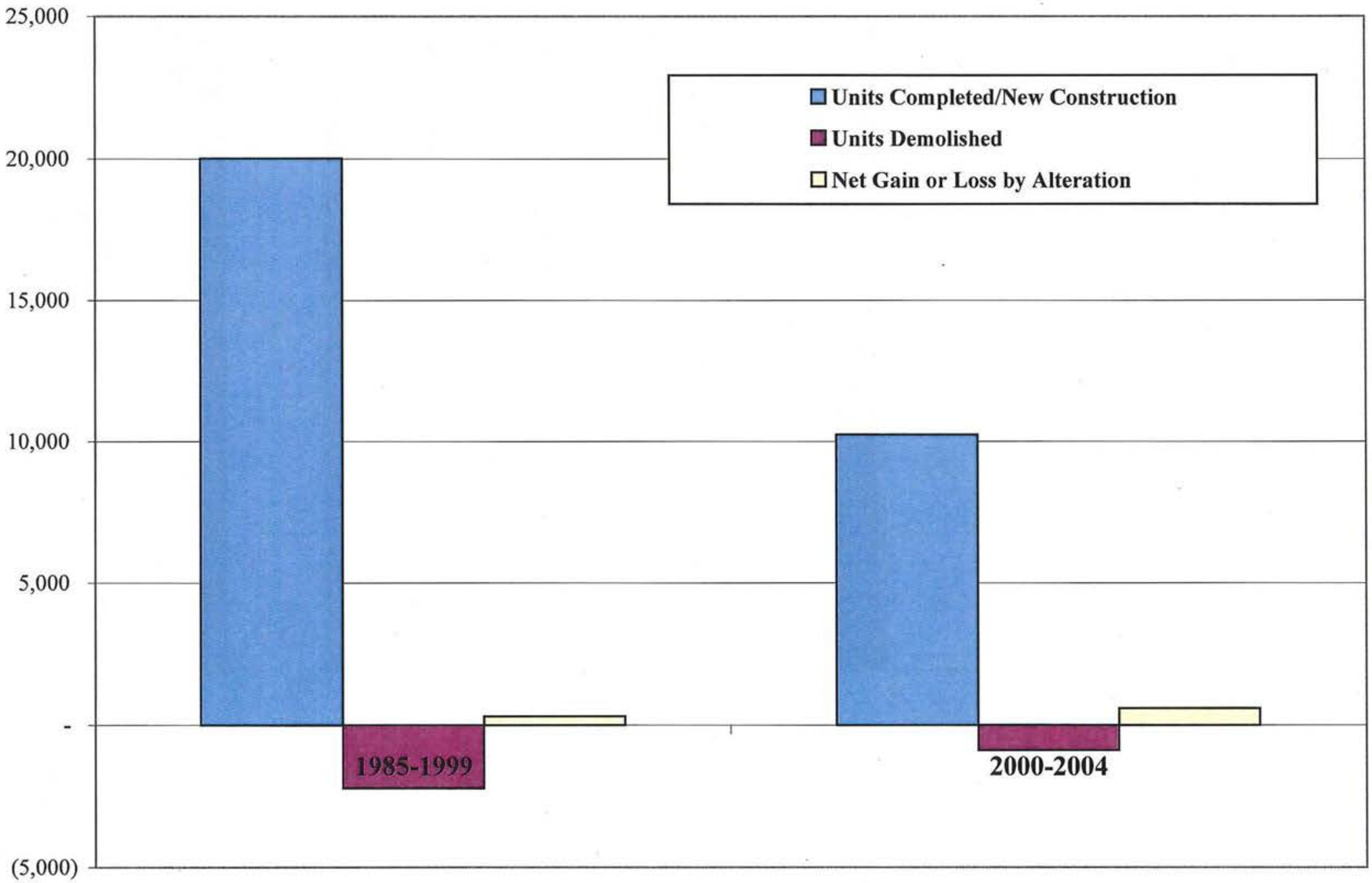
Source: San Francisco Planning Department

Figure 32
Extent to which Residential Hotels are Operated by Non-Profit Organizations
(percent of units in 2005)

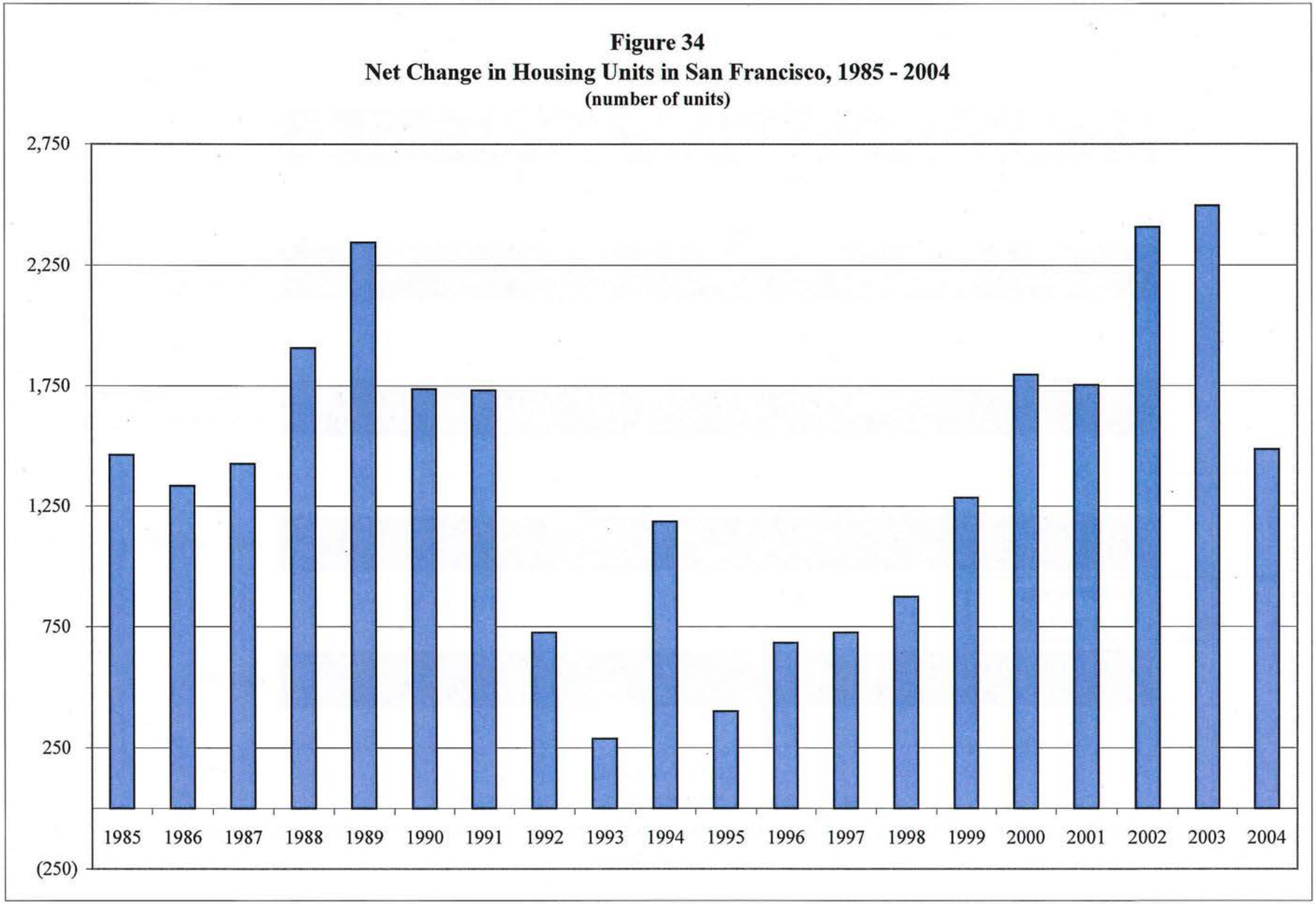


Source: San Francisco Planning Department

Figure 33
Changes in the Housing Inventory 1985 - 2004
(number of units by category)

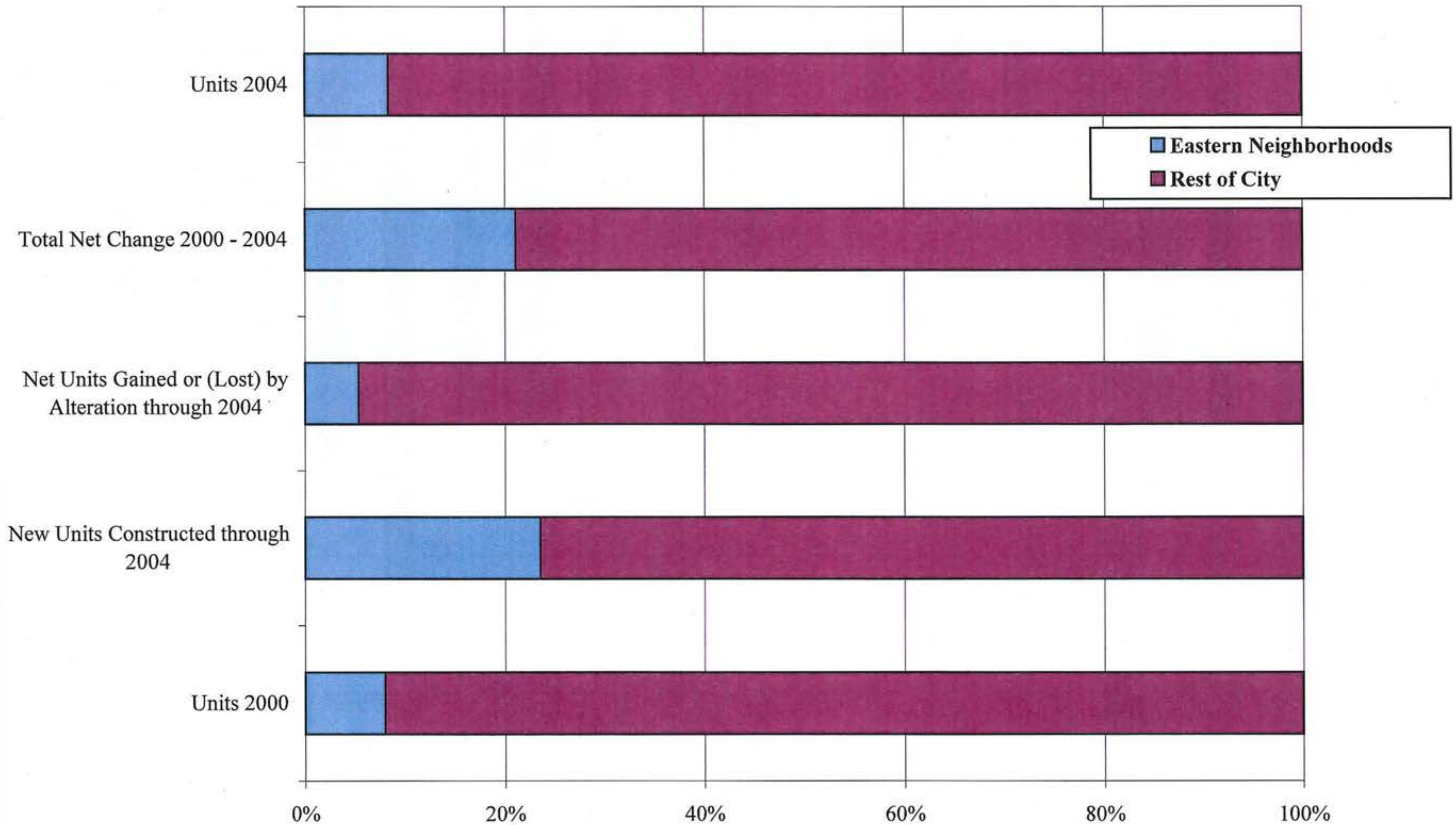


Source: San Francisco Planning Department



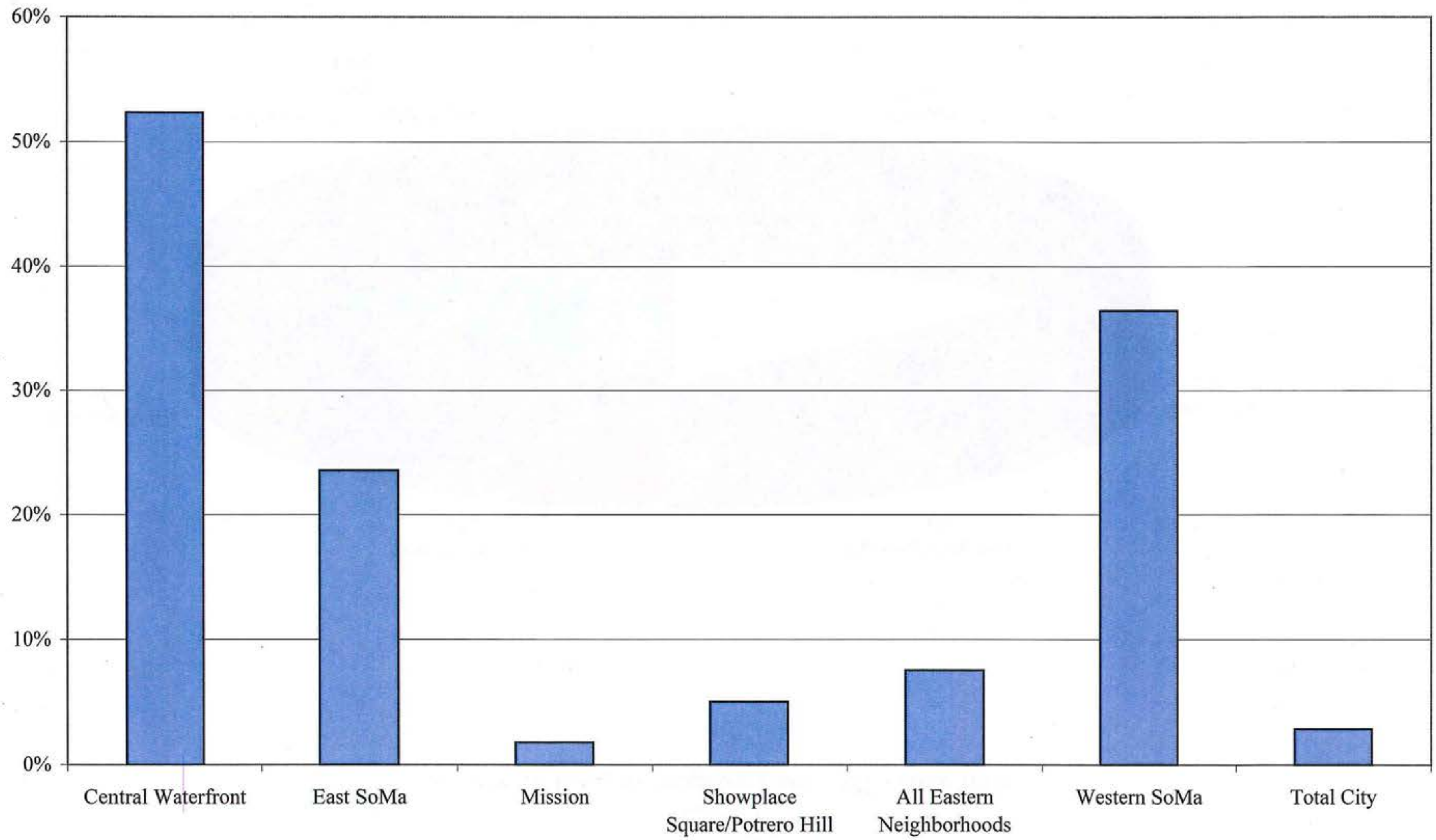
Source: San Francisco Planning Department

Figure 35
Housing Inventory Change in the Eastern Neighborhoods compared to Housing Inventory Change in the Rest of San Francisco, 2000 - 2004
(percent of units)



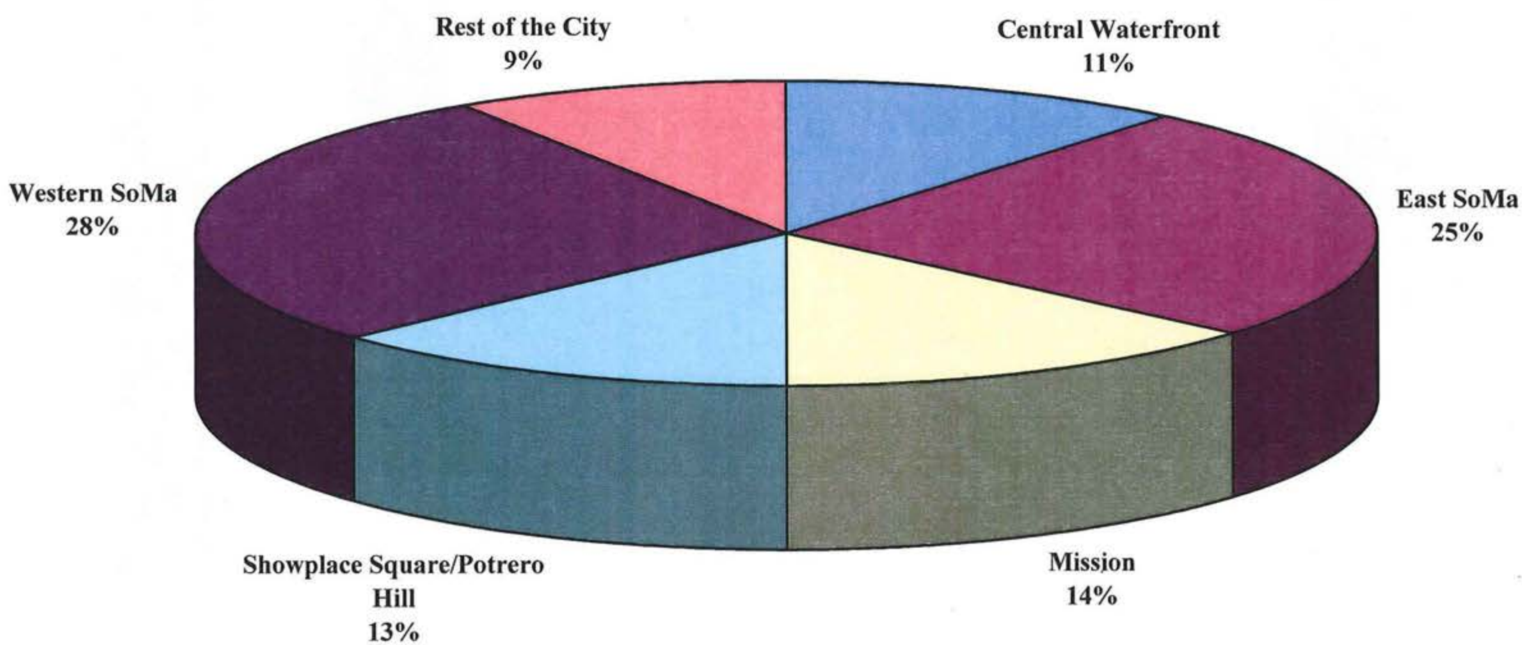
Source: San Francisco Planning Department

Figure 36
Percent Change in the Number of Housing Units by Neighborhood, 2000 - 2004



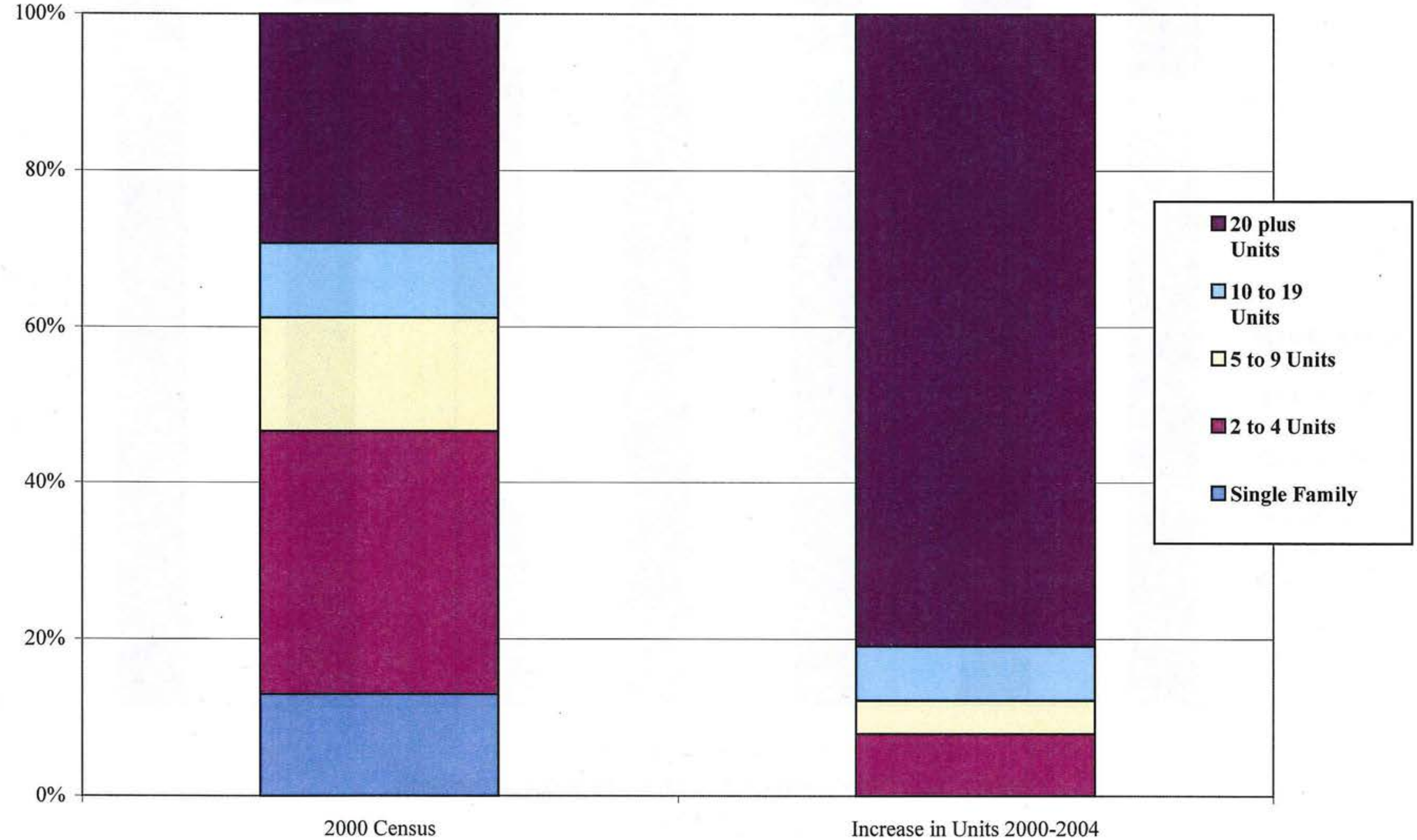
Source: San Francisco Planning Department

Figure 37
Live/work Units by Neighborhood, 1987 - June 2005

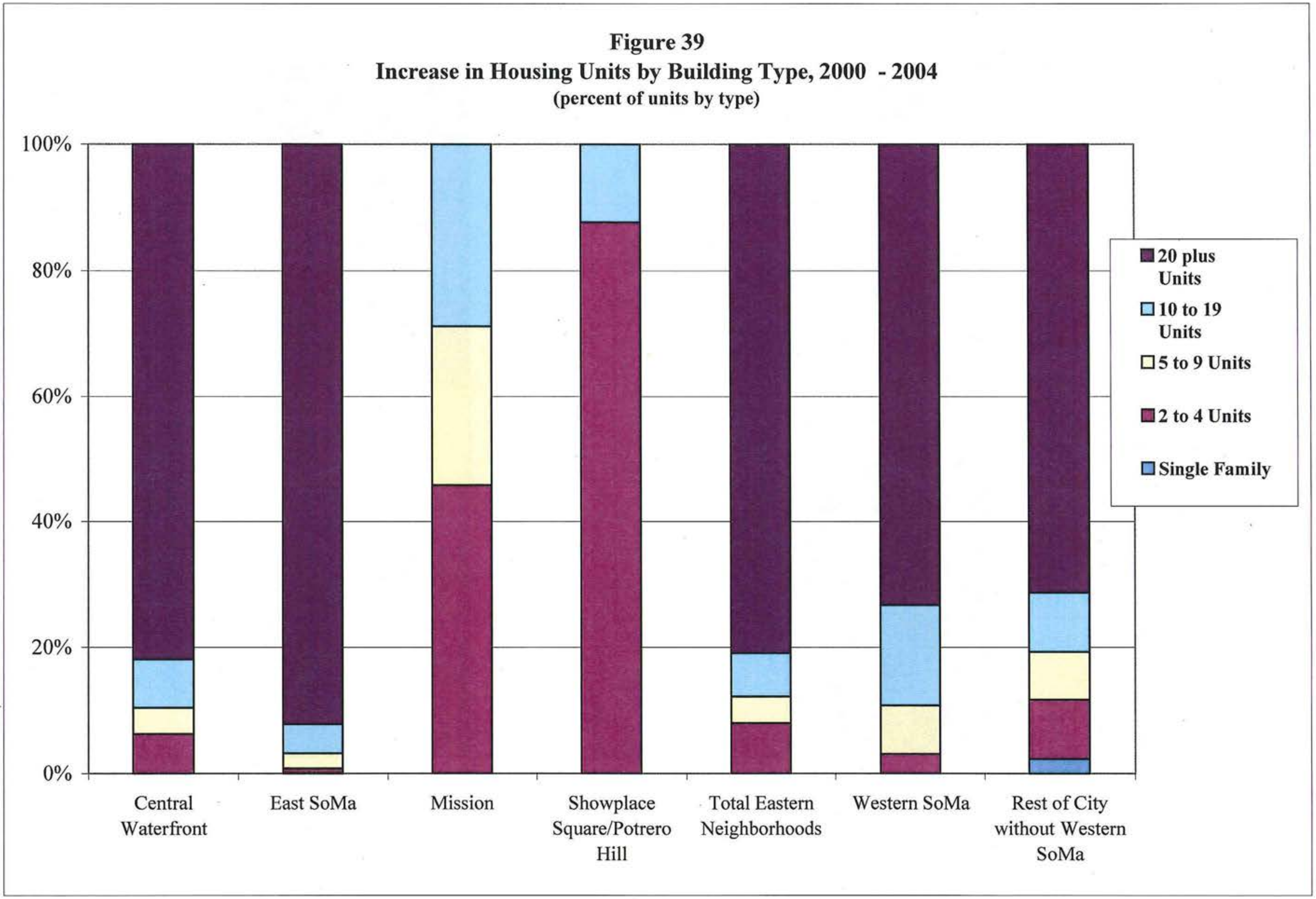


Source: San Francisco Planning Department

Figure 38
Eastern Neighborhoods Housing by Building Type, 2000 compared to New Construction 2000-2004
(percent of units by type)



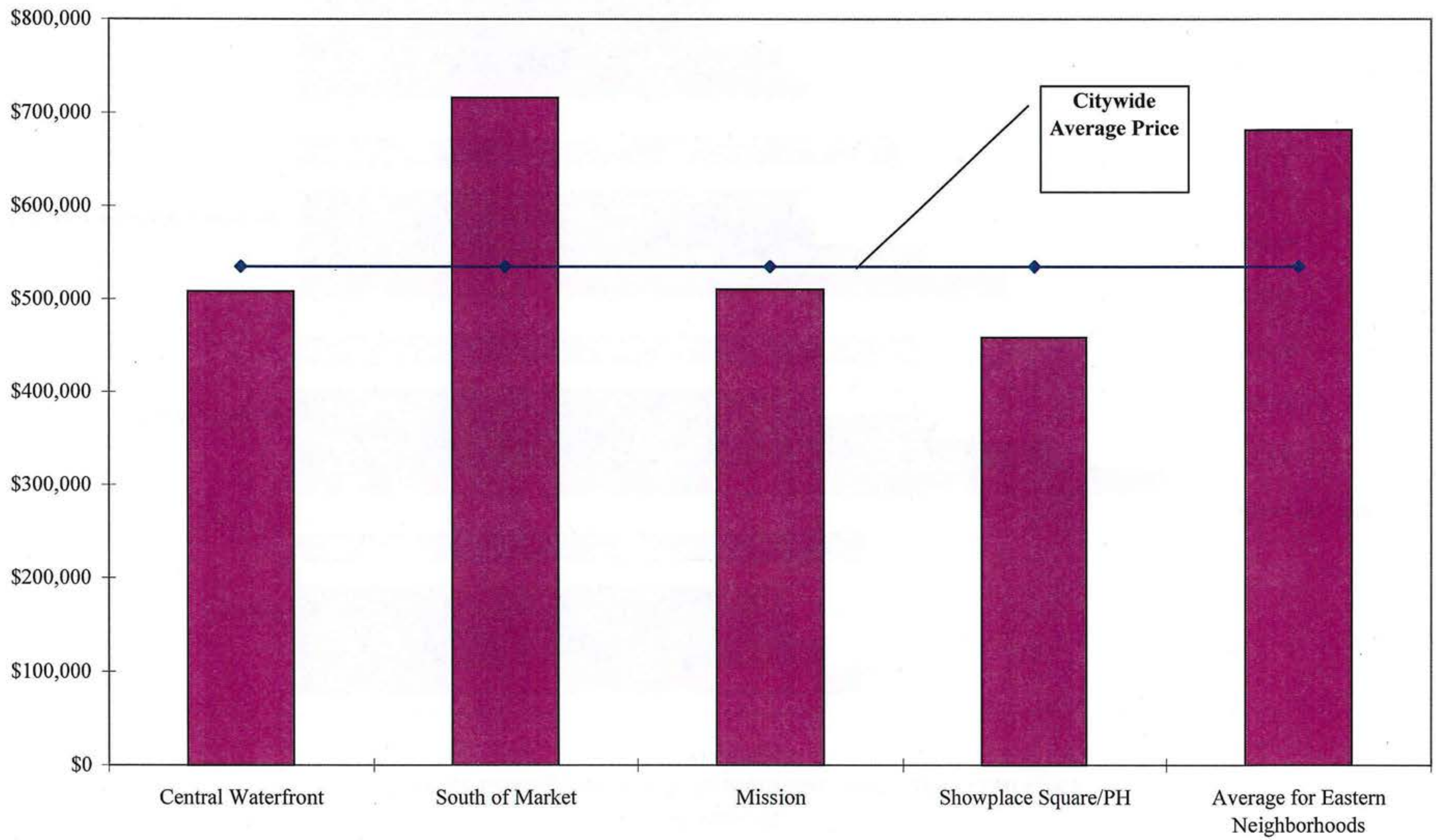
Source: Census 2000 and San Francisco Planning Department



Source: San Francisco Planning Department

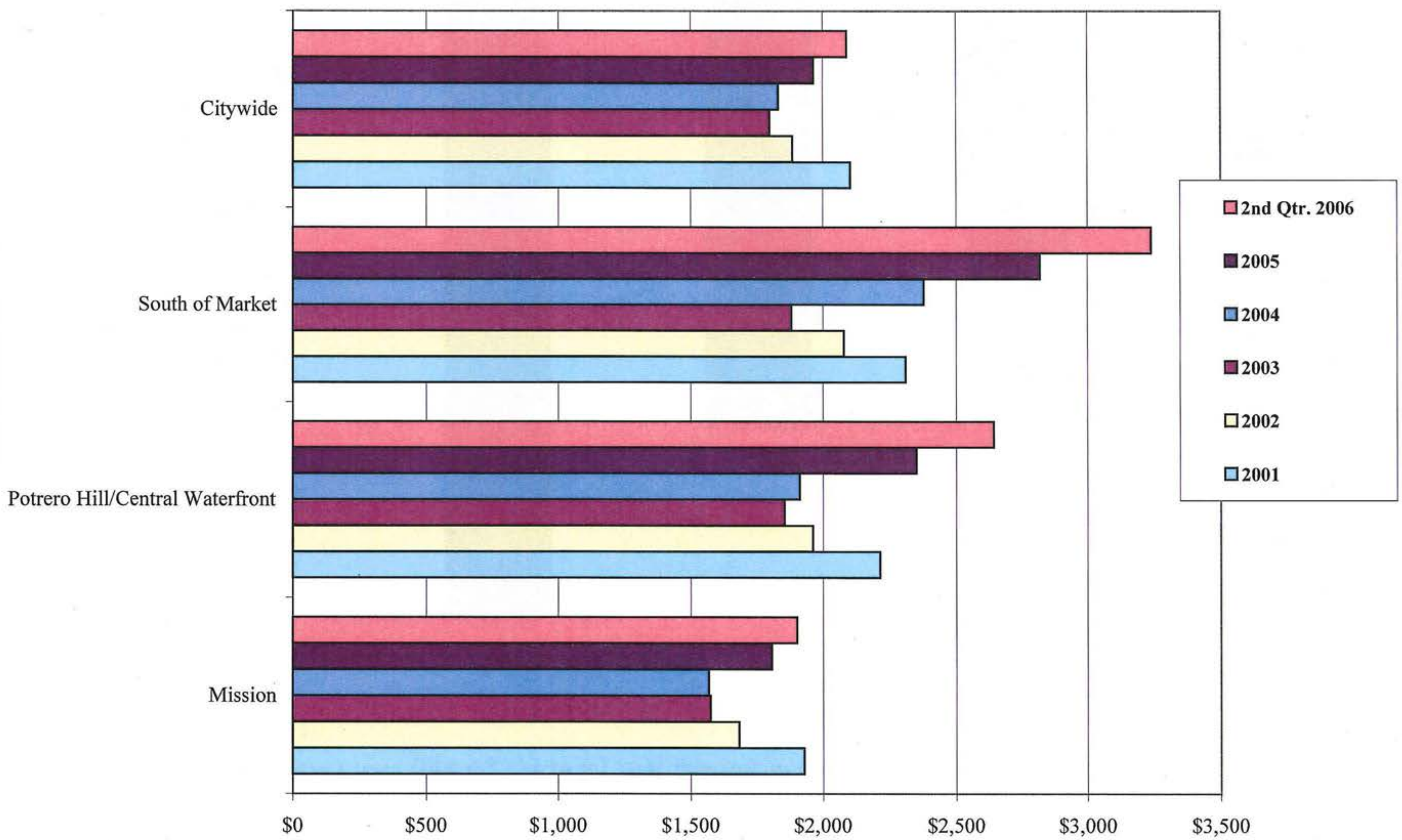
Figure 40

Initial Market Rate Housing Prices for New Housing in the Eastern Neighborhoods, 2000 - 2003



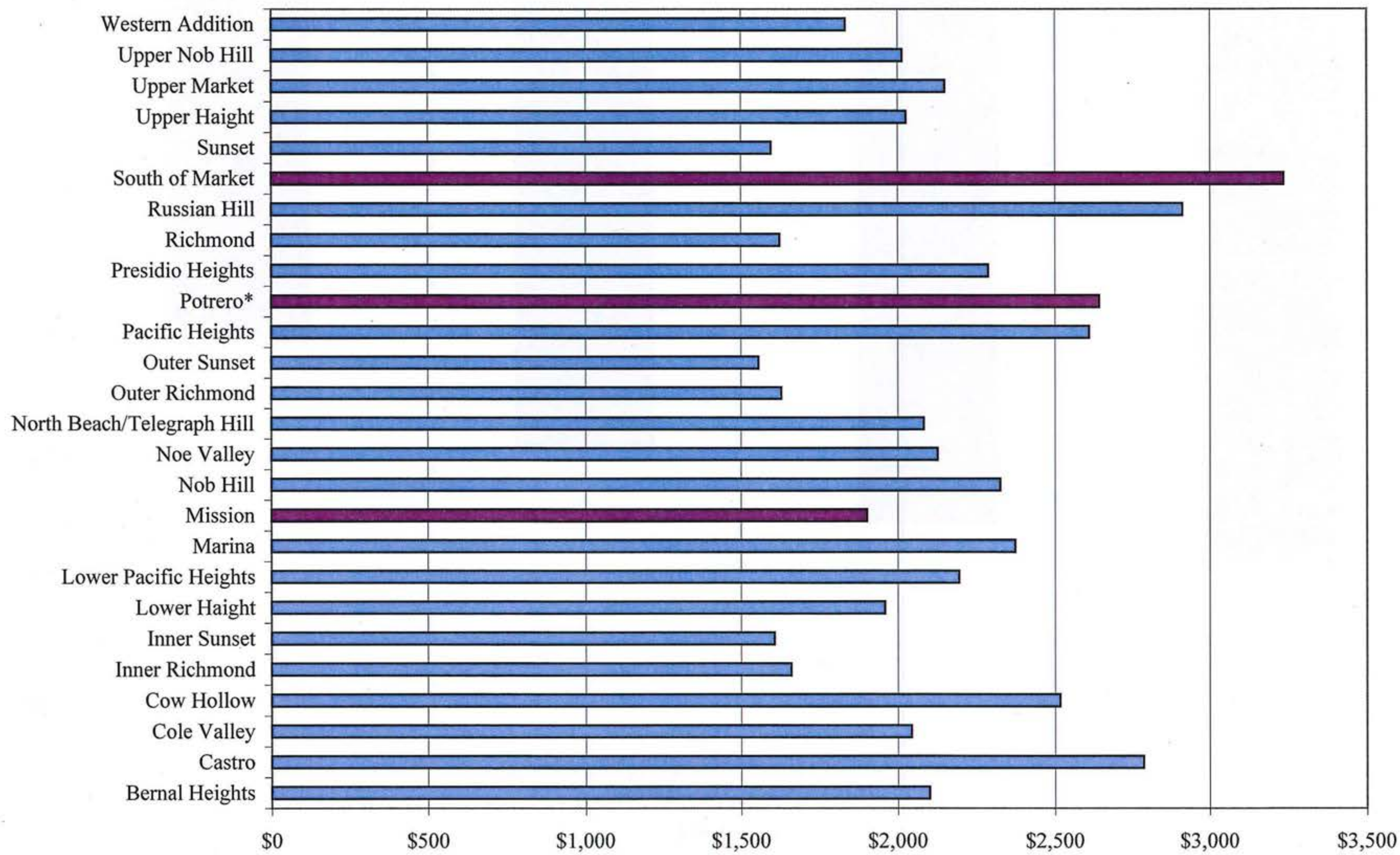
Source: MetroScan, San Francisco Assessor's Office

Figure 41
Average Listing Rents by Neighborhood, 2001 - 2006 (2nd Qtr.)
(all unit sizes)

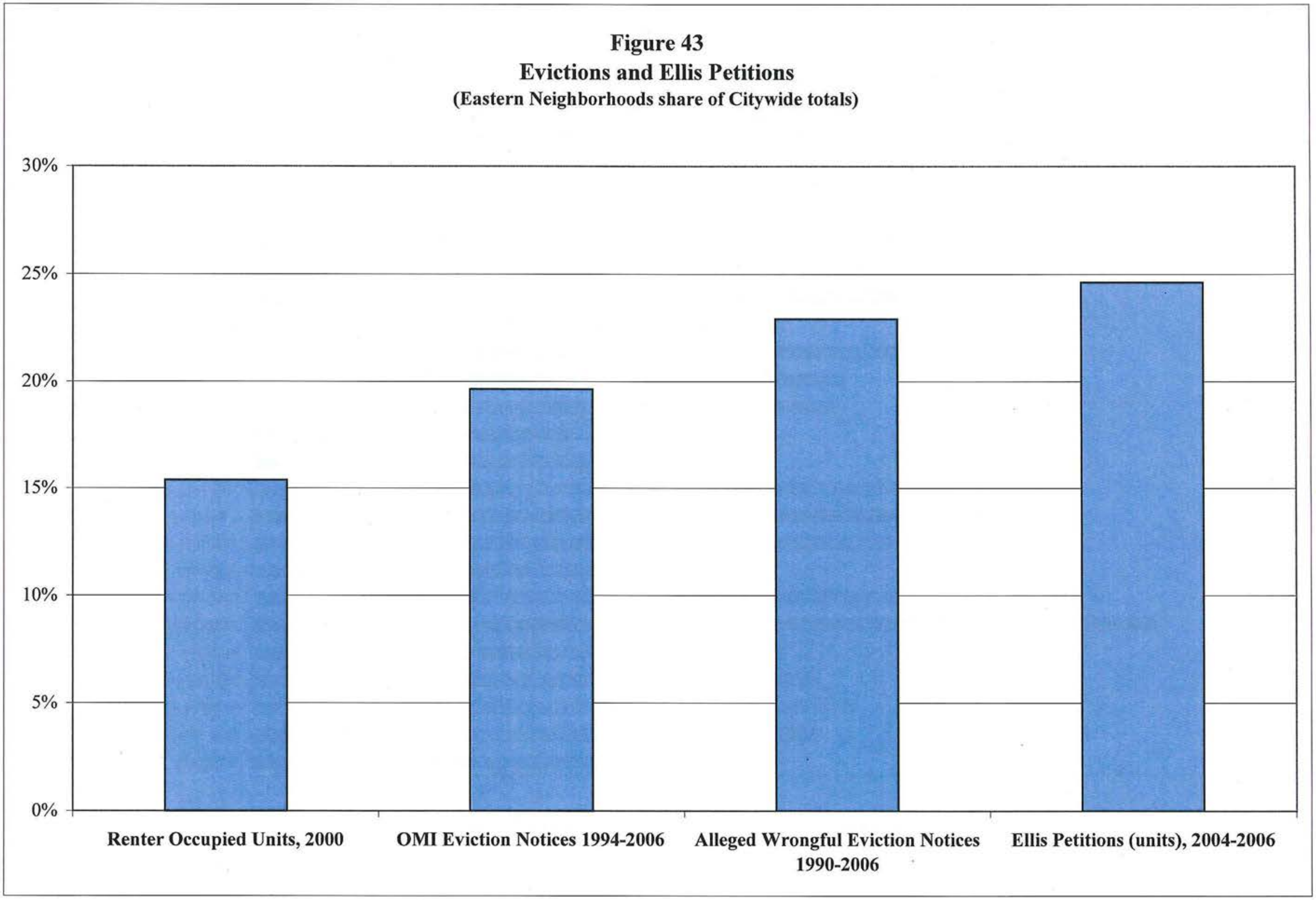


Source: MetroRent, Inc.

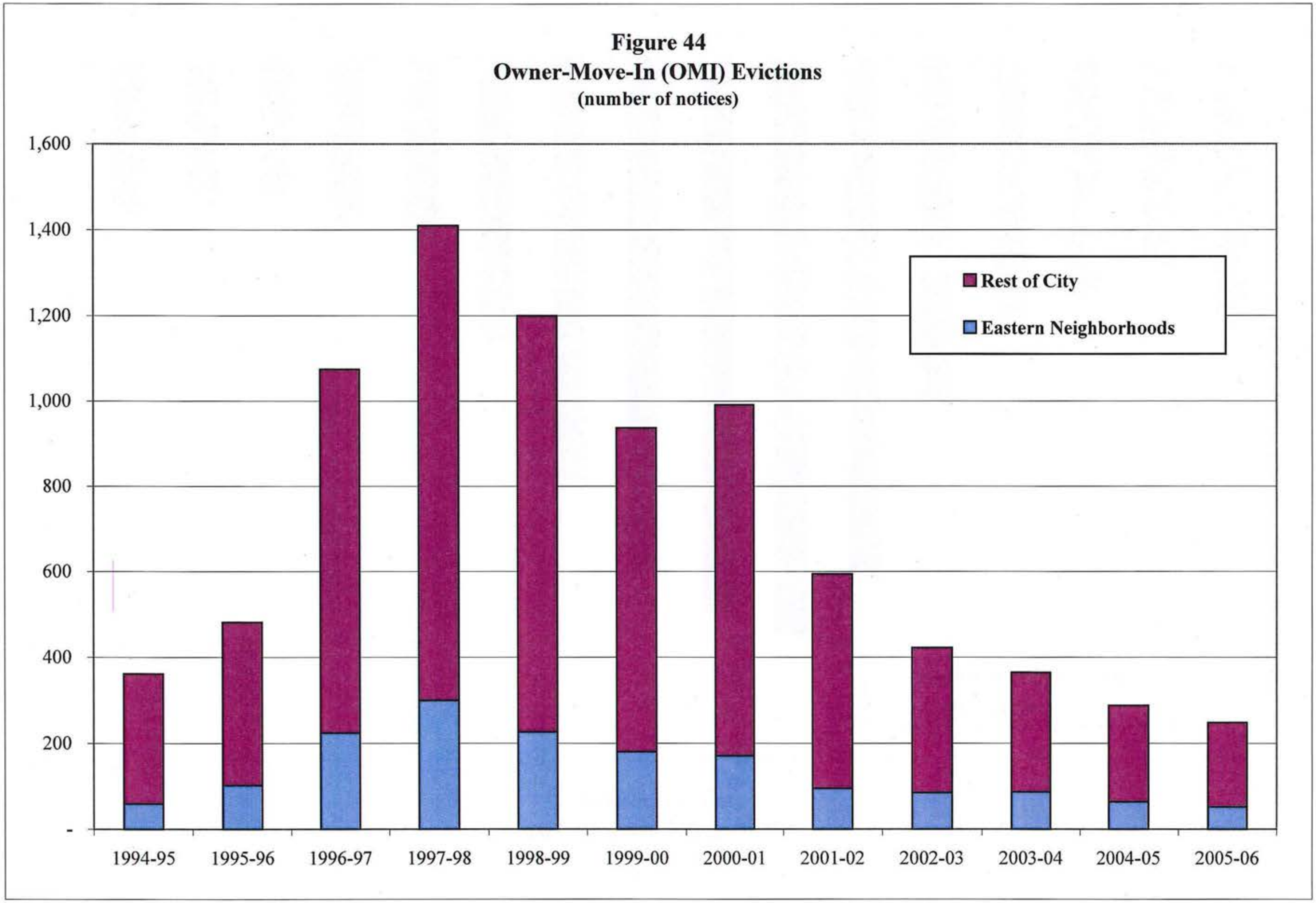
Figure 42
Average Listing Rents by Neighborhood, 2006 (2nd quarter)



Source: MetroRent, Inc.

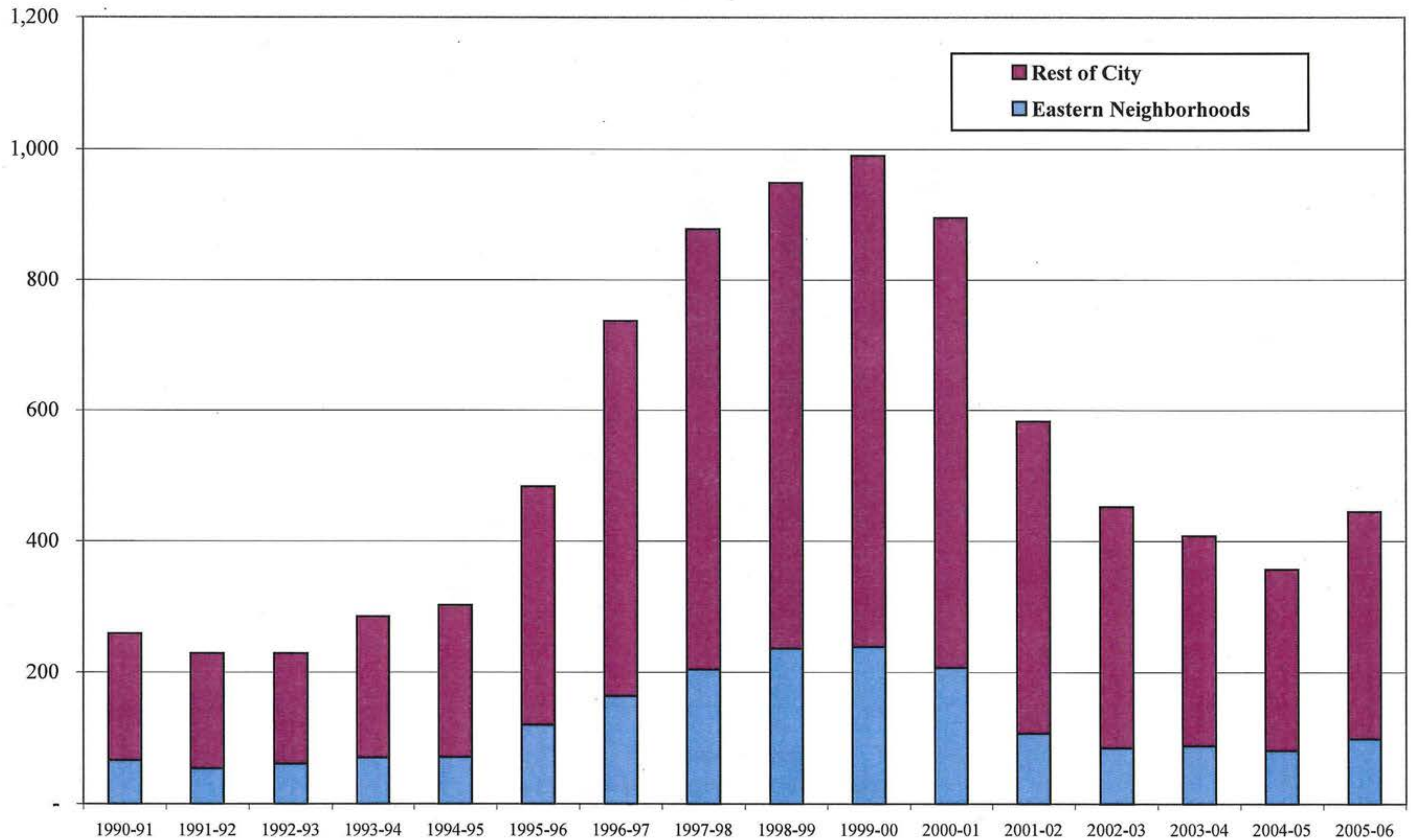


Source: San Francisco Rent Board Annual Statistical Report, FY 2005-06 and Census 2000



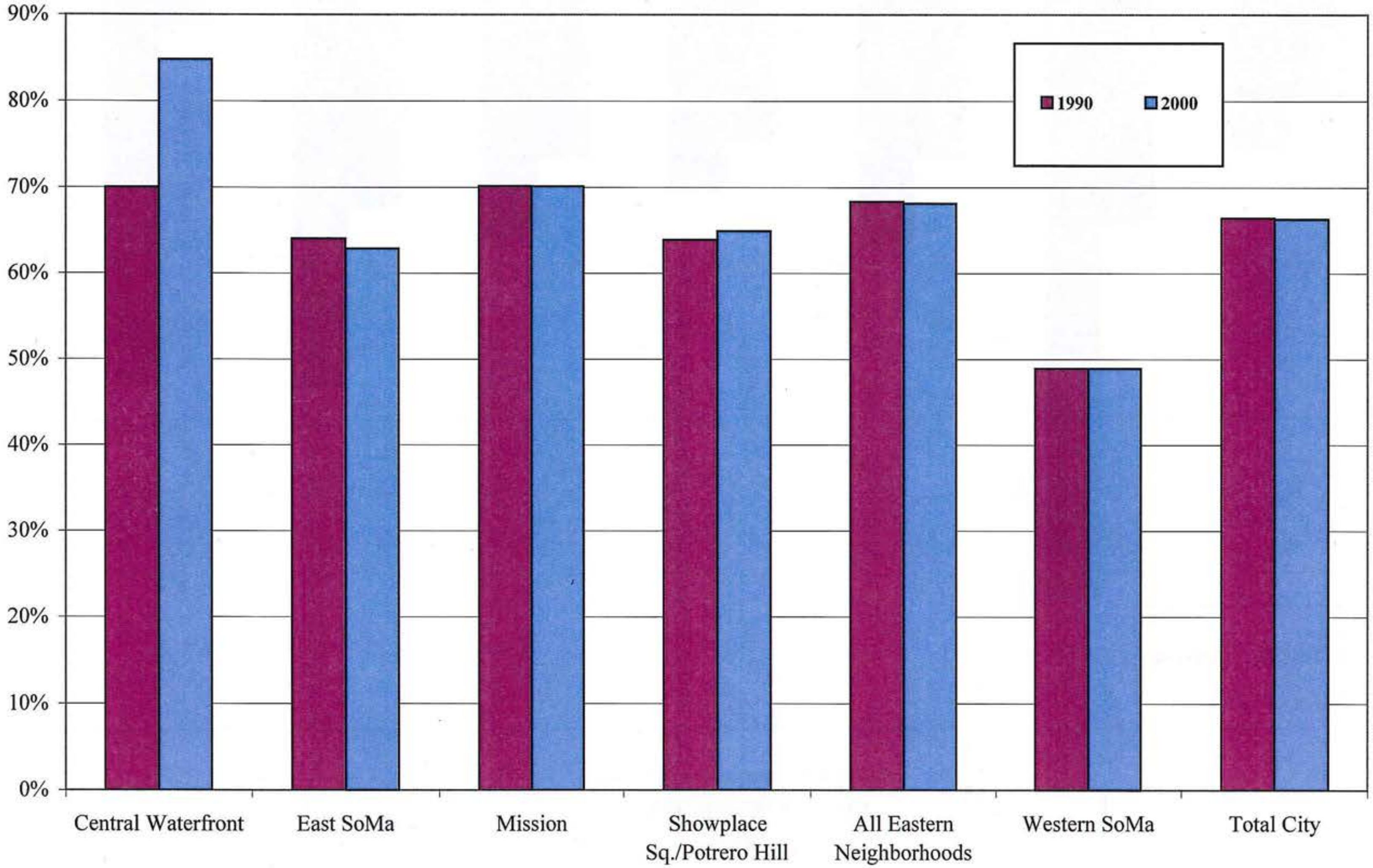
Source: San Francisco Rent Board Annual Statistical Report, FY 2005-06

Figure 45
Alleged Wrongful Evictions
(number of reports)



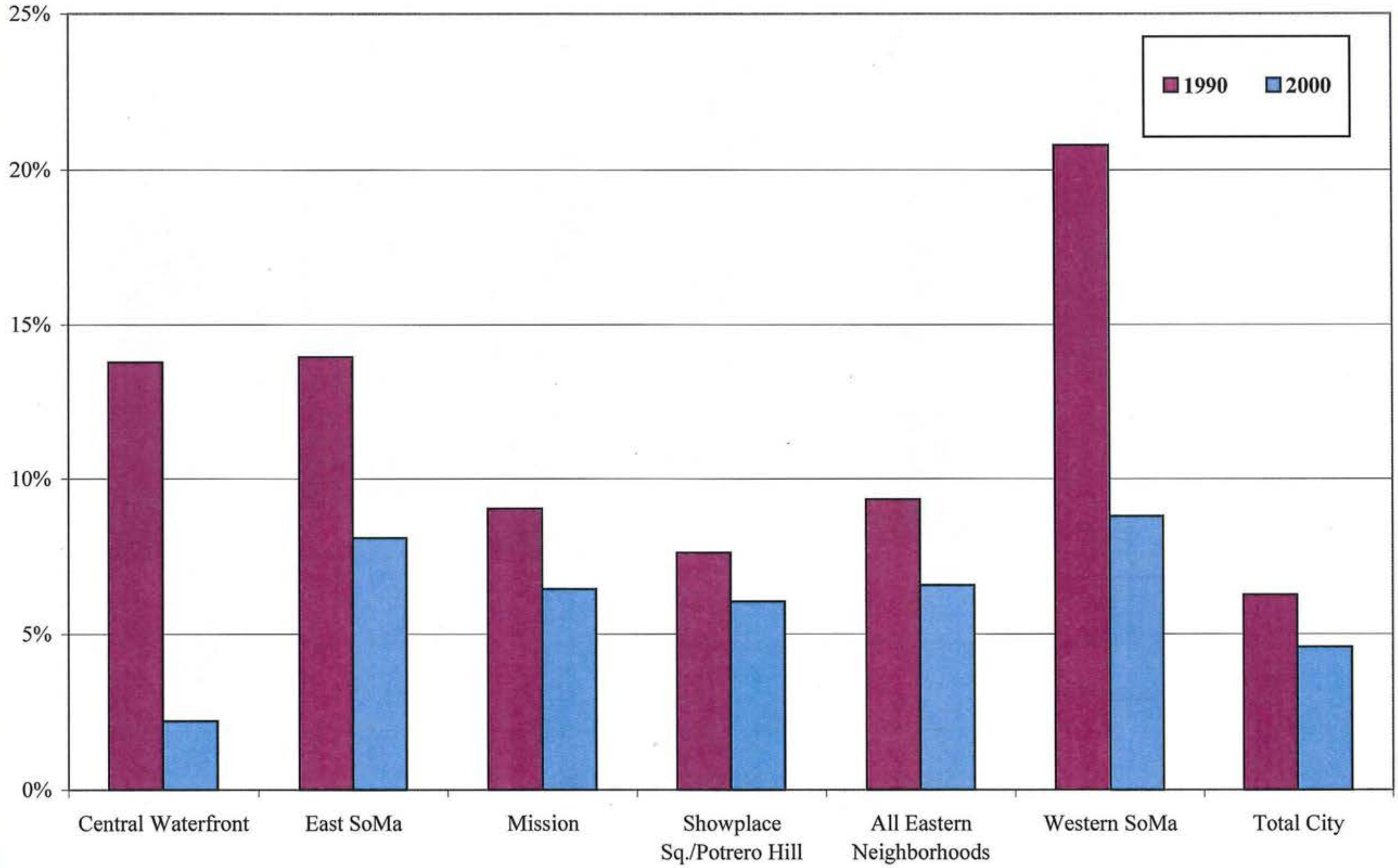
Source: San Francisco Rent Board Annual Statistical Report, FY 2005-06

Figure 46
Labor Force Participation
(percent of population 16 years and older)



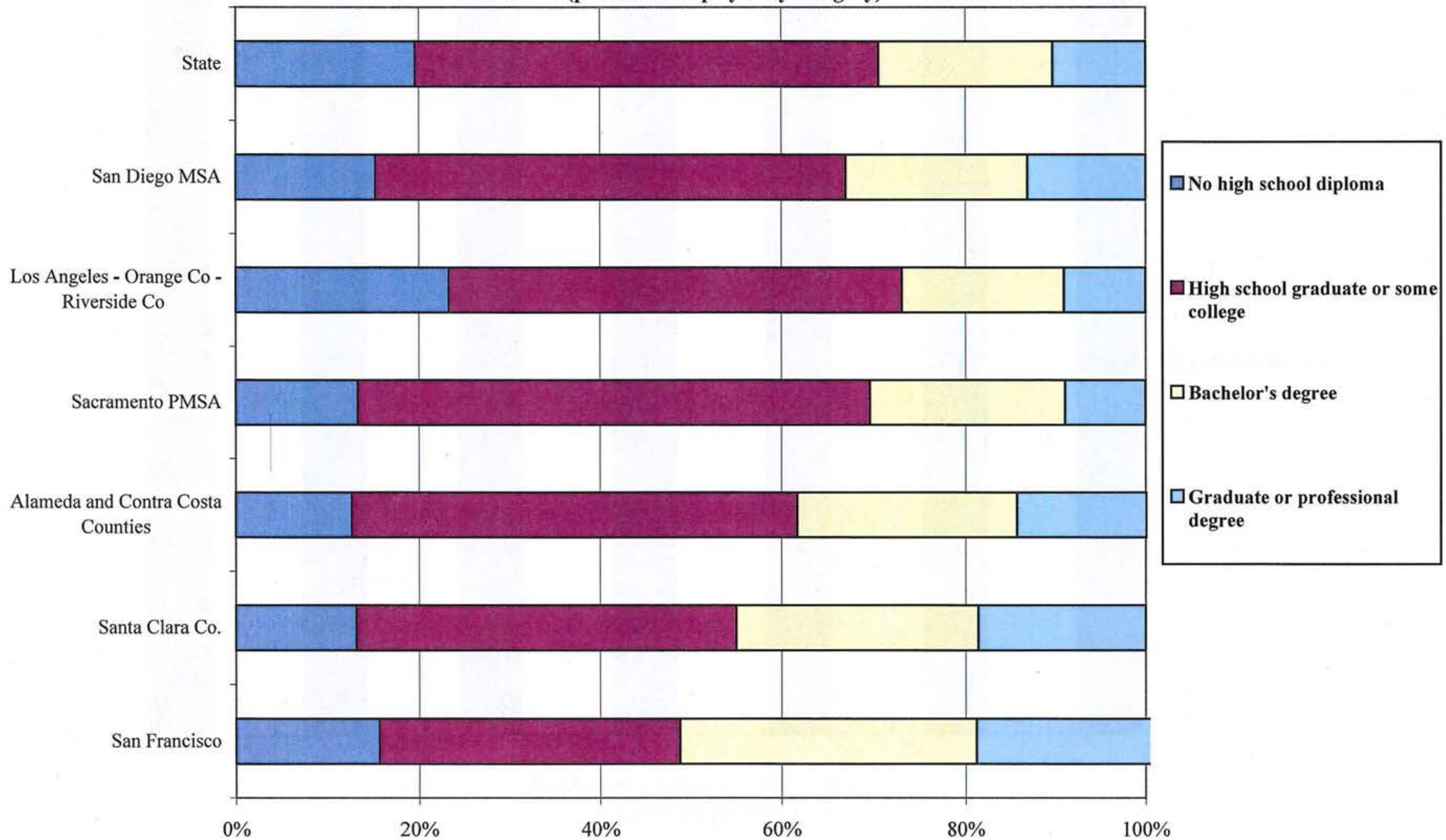
Source: 1990 Census and Census 2000

Figure 47
Unemployment Rates
(percent of civilian labor force)



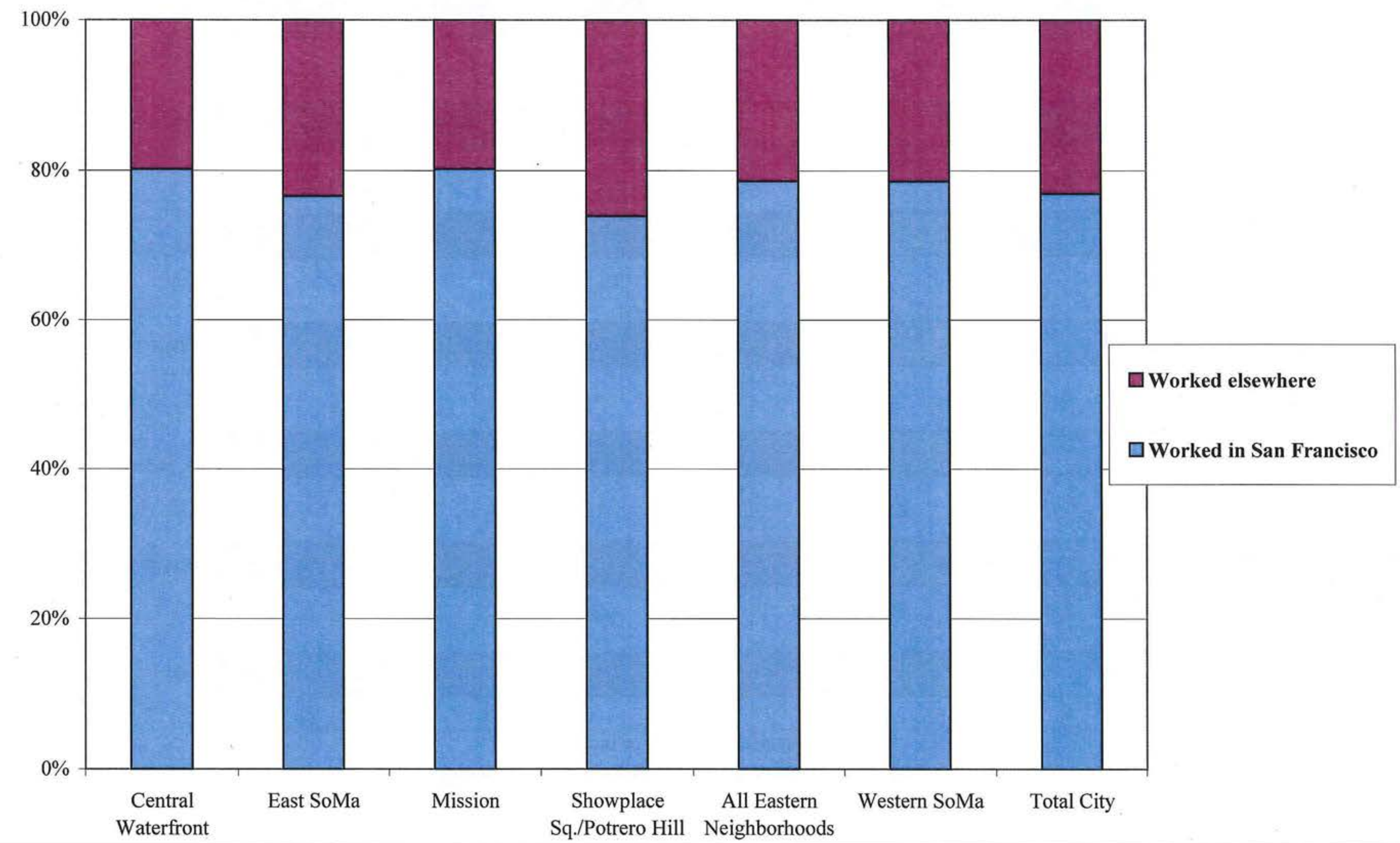
Source: 1990 Census and Census 2000

Figure 48
Educational Attainment of Employed Residents
(percent of employed by category)



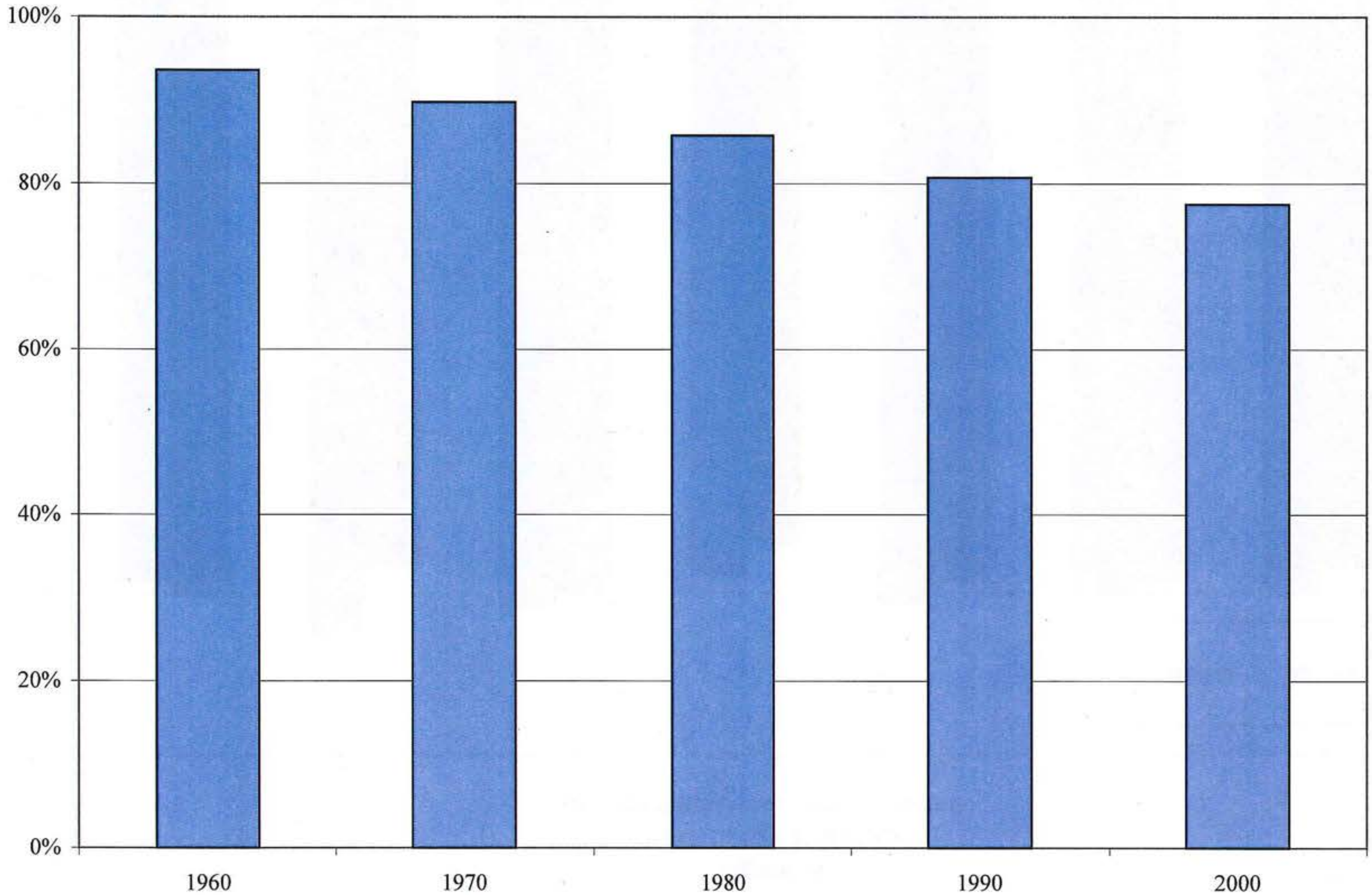
Source: U.S. Census Bureau, American Community Survey, 2004

Figure 49
Place of Work, 2000
(percent of workers by place of residence)



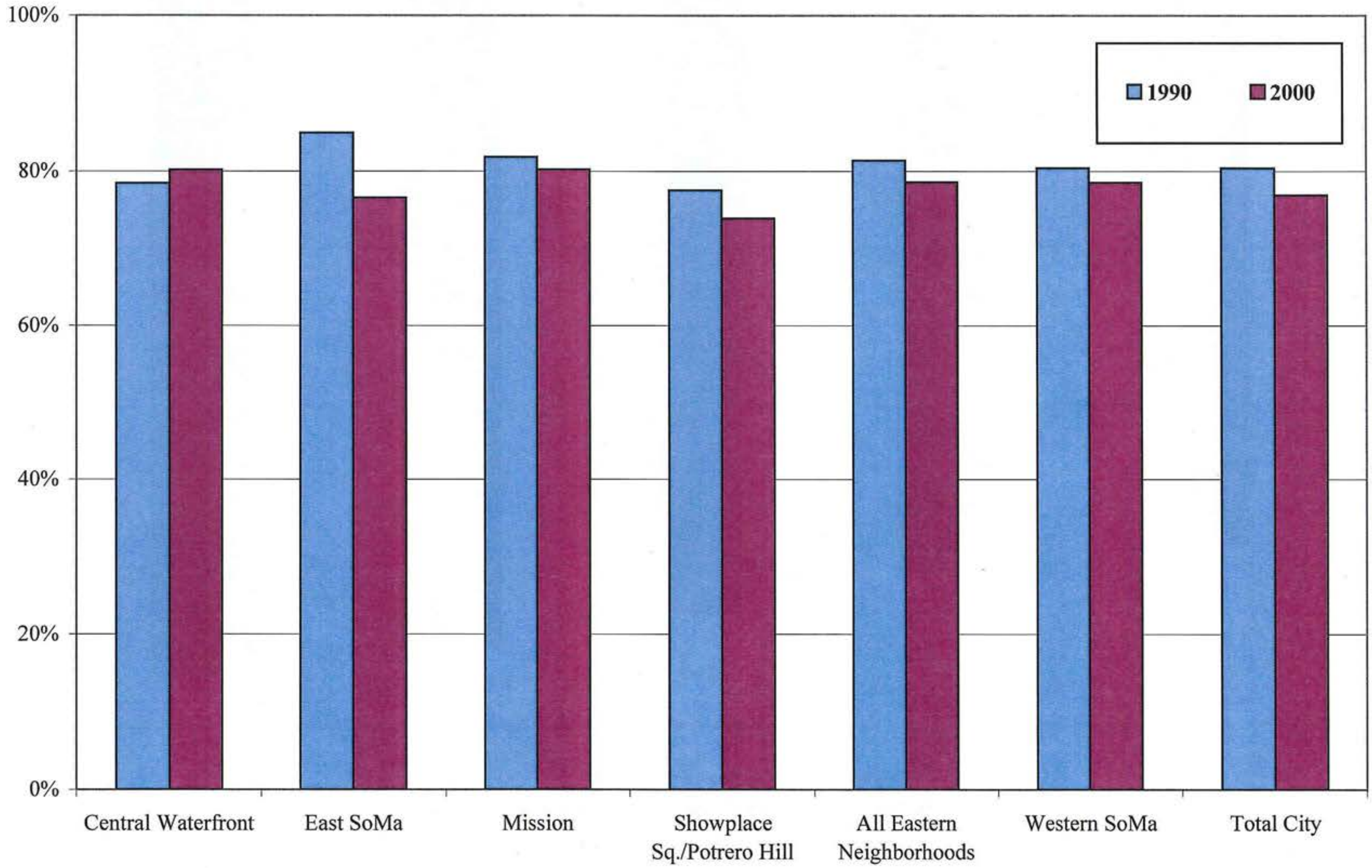
Source: Census 2000

Figure 50
San Francisco Employed Residents Working in San Francisco
(percent of employed residents)

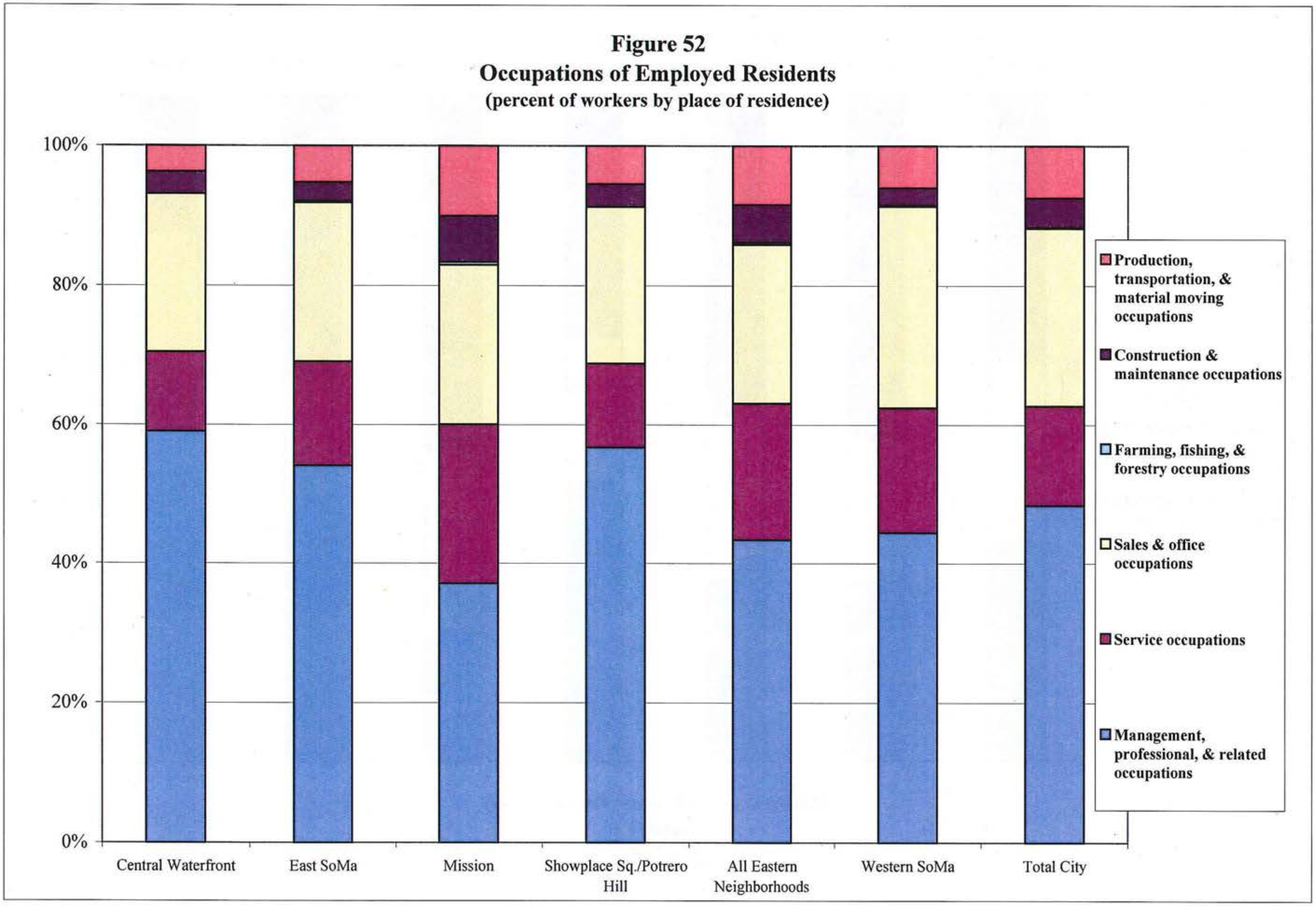


Source: 1960 - 2000 Decennial Census summarized by the Metropolitan Transportation Commission

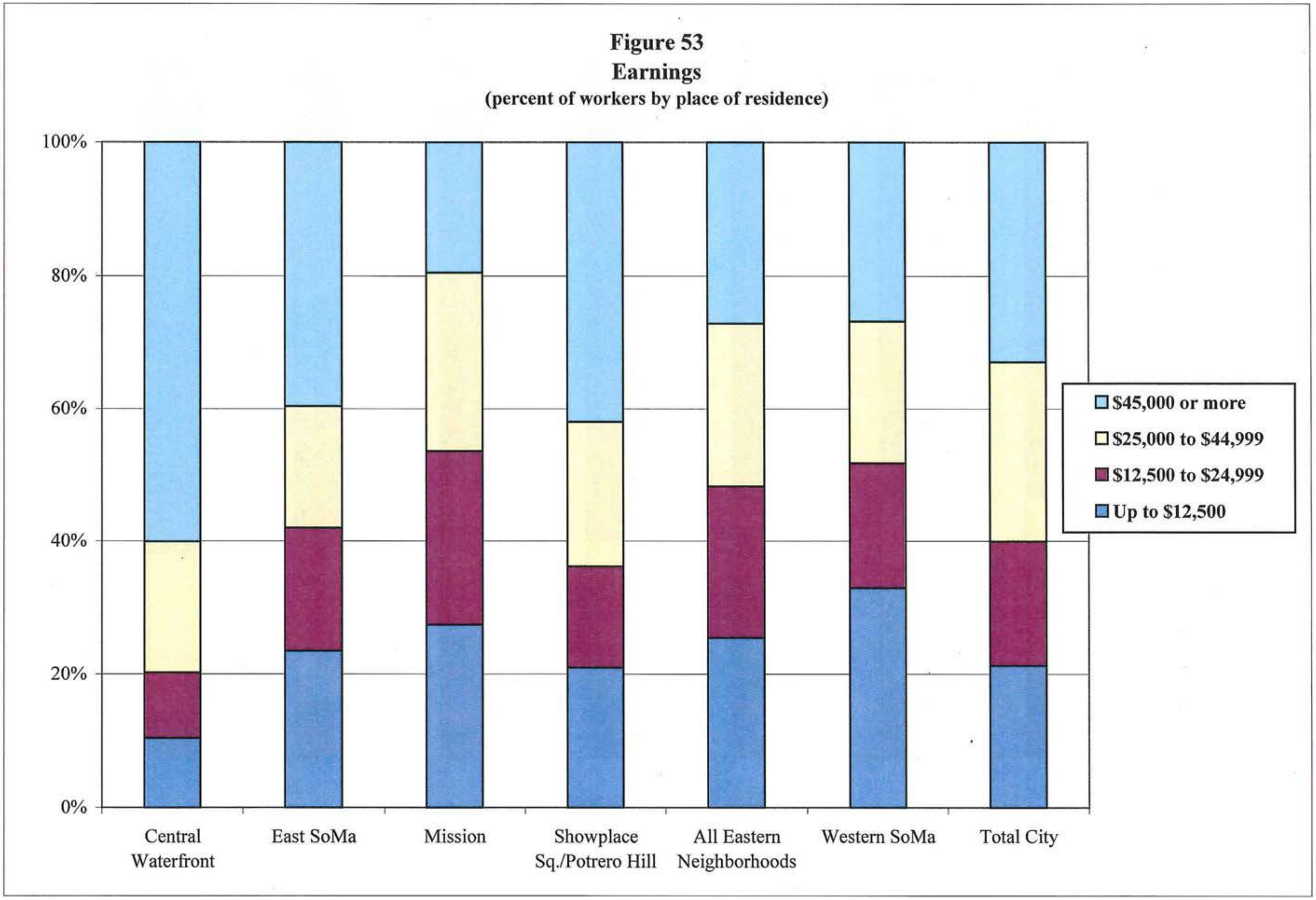
Figure 51
Work in San Francisco
(percent of workers by place of residence)



Source: 1990 Census and Census 2000

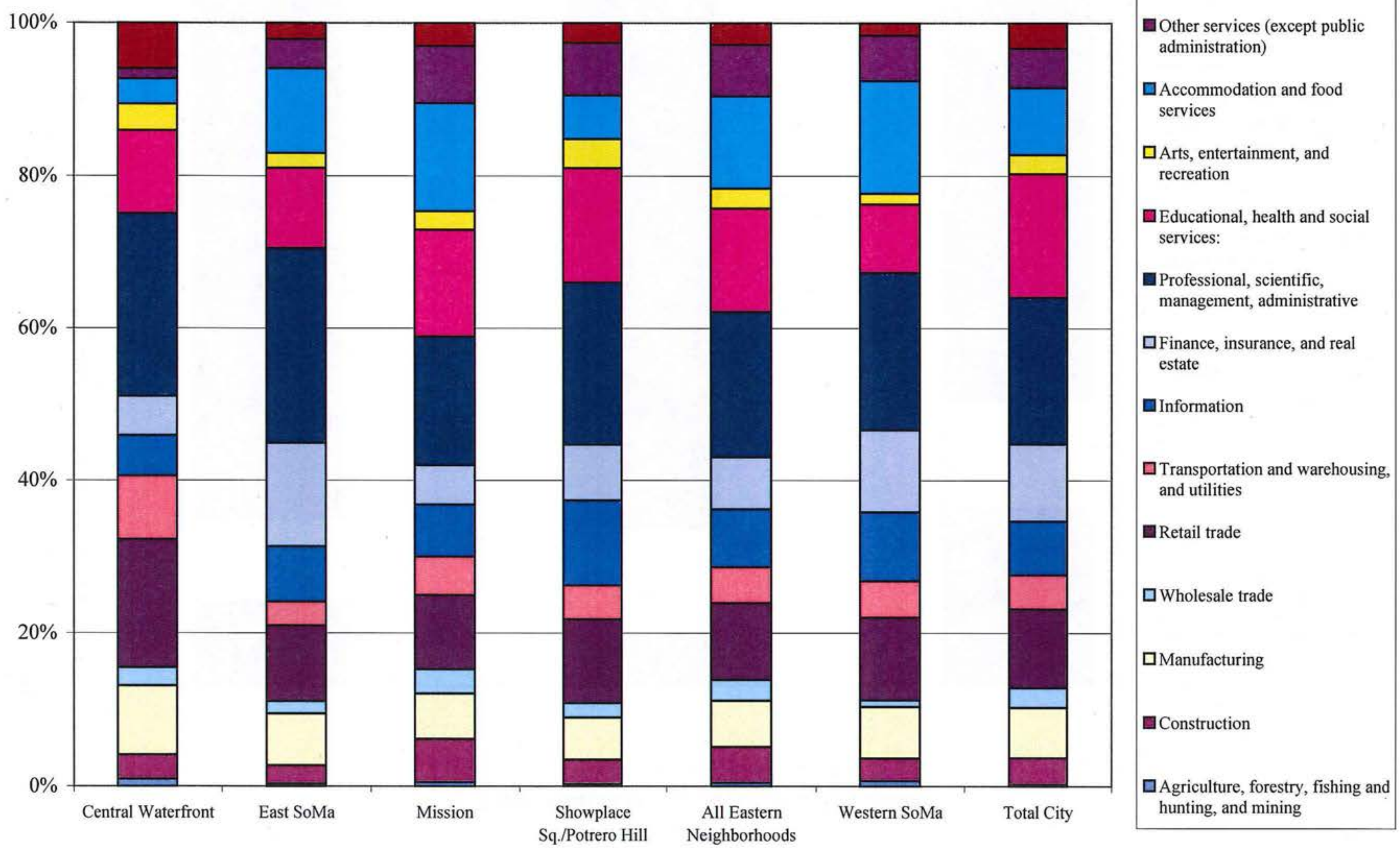


Source: Census 2000



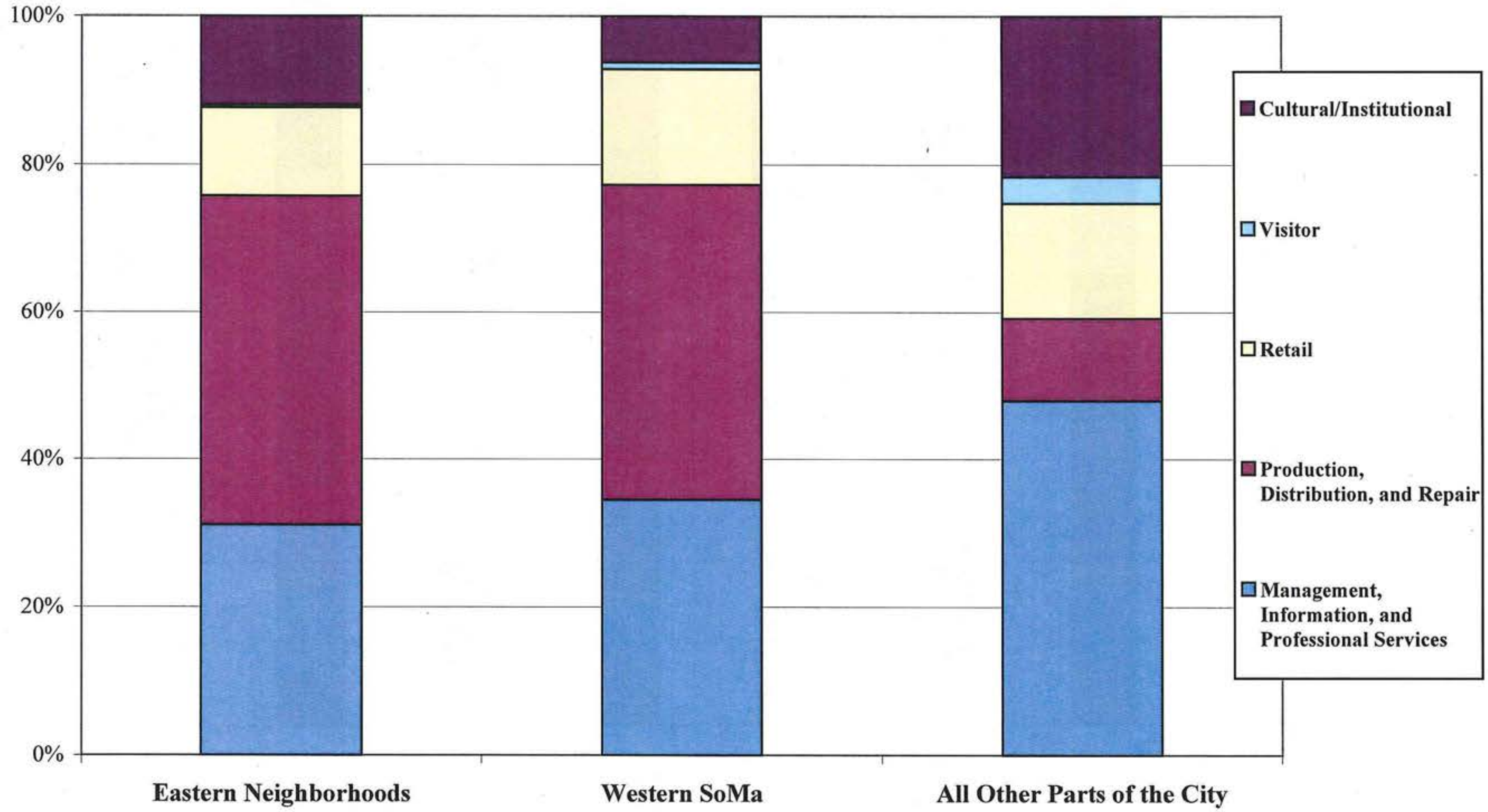
Source: Census 2000

Figure 54
Industry of Employed Residents
(percent of workers by place of residence)



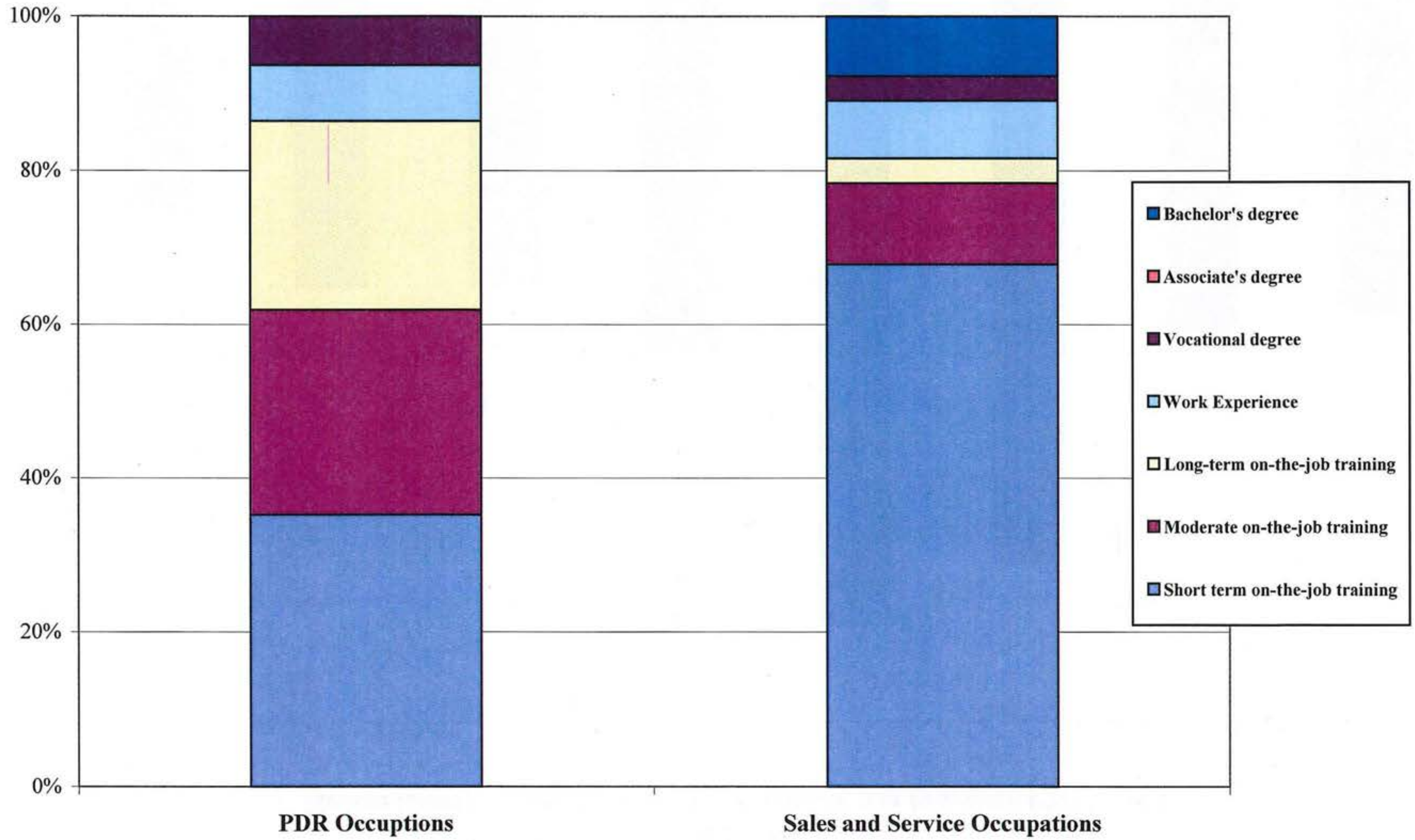
Source: Census 2000

Figure 55
Employment by Business Activity, 2000
(percent of jobs by place of work)



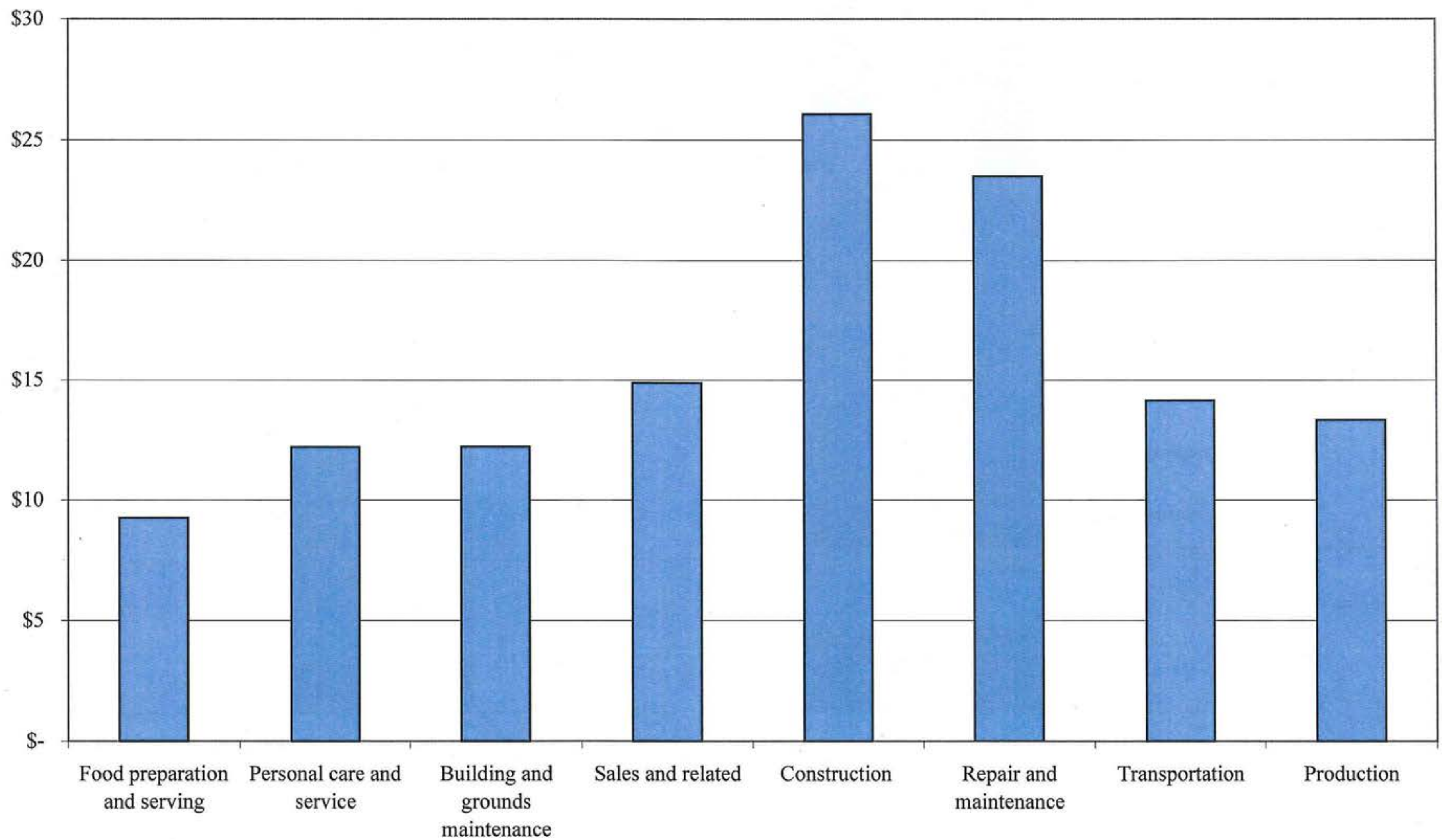
Source: San Francisco Planning Department

Figure 56
Comparison of the Skills Ladders for PDR and Sales/Service Occupations
(percent of positions by skill/experience level)



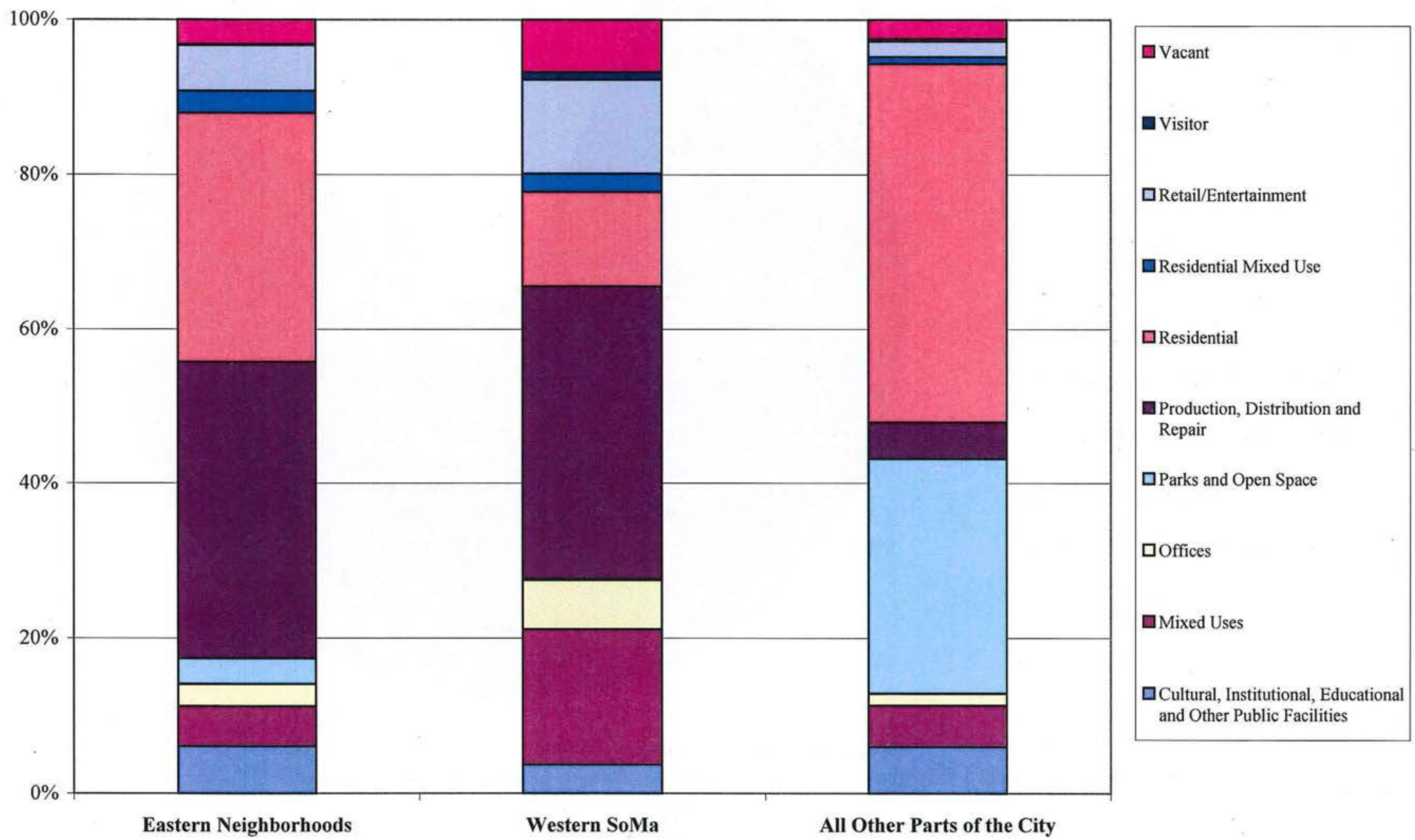
Source: U.S. Department of Labor, Bureau of Labor Statistics

Figure 57
Median Hourly Wages for Selected Occupations, San Francisco PMSA, 2004



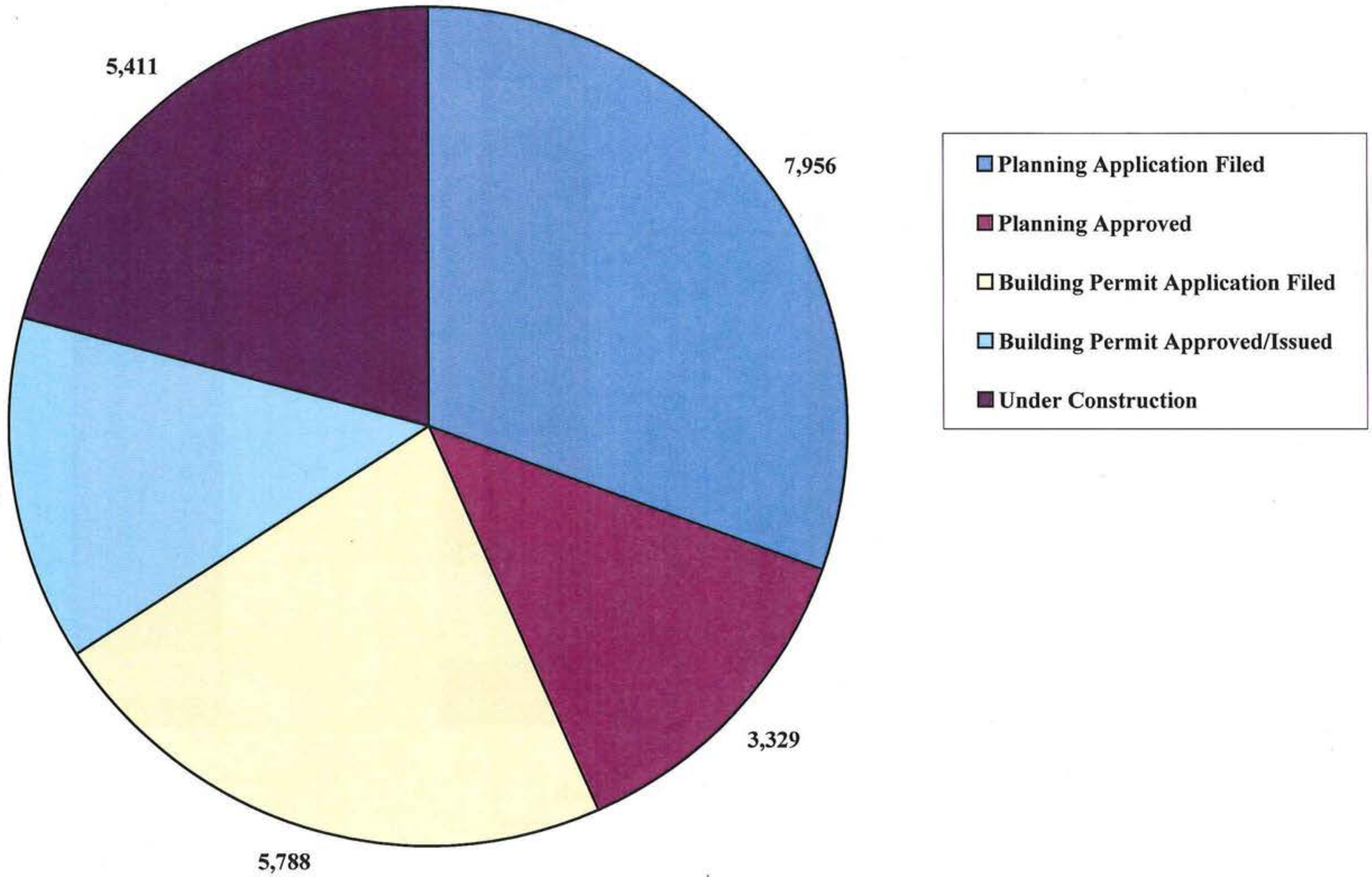
Source: U.S. Department of Labor, Bureau of Labor Statistics

Figure 58
Land Area by Use, 2004
(percent of acres)



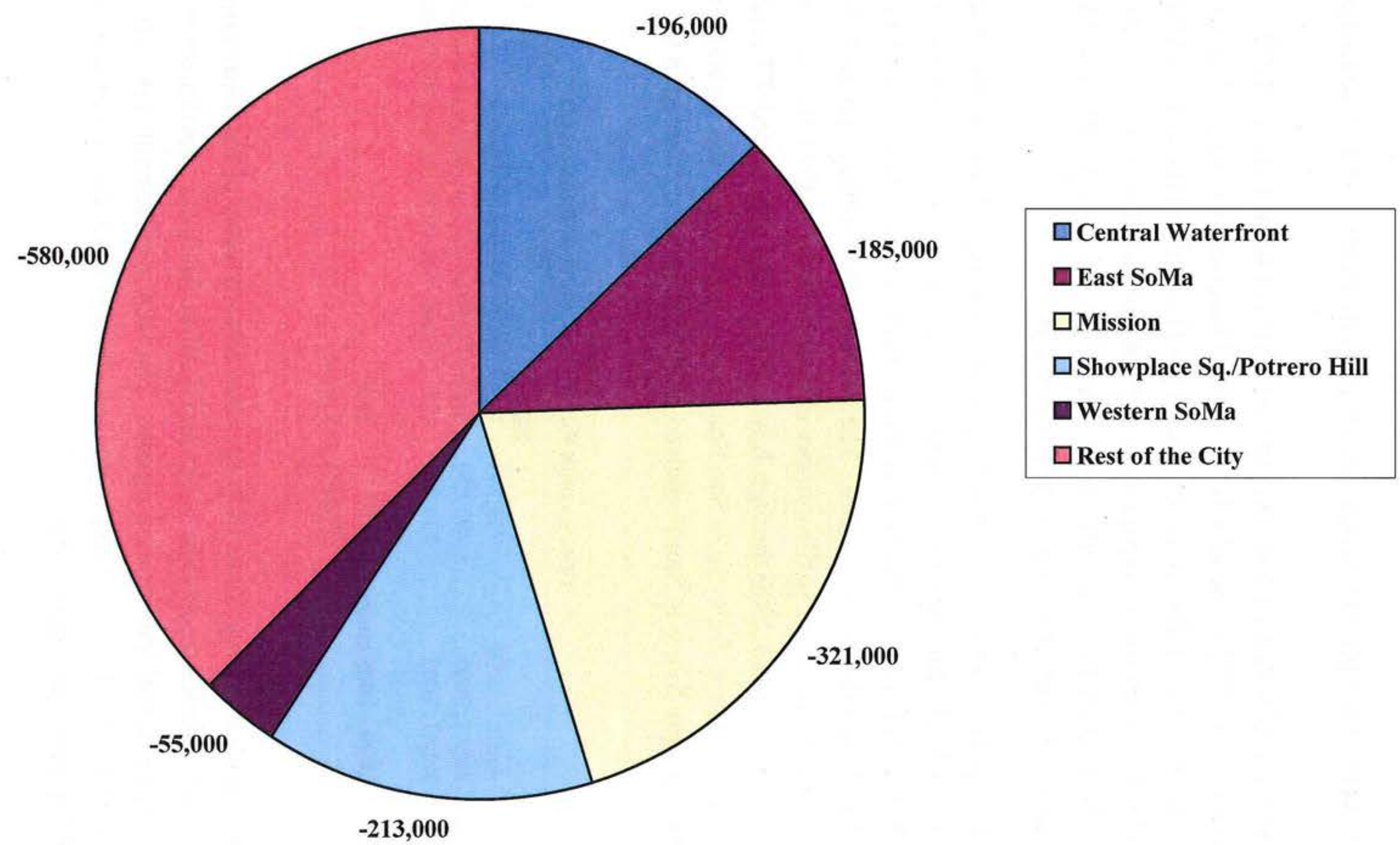
Source: San Francisco Planning Department Commerce and Industry Inventory, 2005

Figure 59
Residential Pipeline by Planning Application and Building Permit Status
(number of units as of March 31, 2006)



Source: San Francisco Planning Department Pipeline Summary Report - First Quarter 2006

Figure 60
Net Loss of PDR Space by Planning Area, Pipeline Projects as of March 31, 2006
(square feet of building space)



Source: San Francisco Planning Deparment, Pipeline Summary Report, March 31, 2006

APPENDIX

CITYWIDE AND REGIONAL CONTEXT FOR POPULATION AND EMPLOYMENT

SAN FRANCISCO'S POPULATION: INCREASING OR DECREASING?

In 2000, there were 777,000 people living in San Francisco, just over 11 percent of the total Bay Area population. The number of people occupying housing in the city (household population) totaled 757,000; others (the group quarters population) numbered about 20,000 residents, or 2.5 percent of the total living in the city. There were 329,700 households in San Francisco, and the average household size was 2.3 persons-per-household.

Both the state government and the federal government prepare annual estimates of local population—official estimates for the purpose of revenue allocation, among other things. As shown in **Table A.1**, there are significant differences in the assessment of what has happened to San Francisco's population since 2000. The official state estimates prepared by the Department of Finance show an *increase* in the number of people living in the City—an increase of about 18,000 people from April 2000 through July 1, 2005. The official federal estimates prepared by the U.S. Census show a *decrease* in San Francisco's population; the federal estimates show 37,000 fewer people living in San Francisco in 2005 than were counted in the 2000 Census.[1]

TABLE A.1
POPULATION ESTIMATES FOR SAN FRANCISCO

		Source
April 1, 2000	776,733	U.S. Census, Decennial Census
July 1, 2005	794,850	State of California Department of Finance
July 1, 2005	739,426	U.S. Census, Annual Population Estimates
2000 - 2005 change	18,117	DOF
	(37,307)	Census

The difference is surprising, since both agencies rely on many of the same primary data sources—vital statistics (registered births and deaths), Medicare enrollment records, federal income tax returns, and immigration reports. The DOF estimates also use drivers' license address changes. The Census incorporates information from the annual American Community Survey of San Francisco households.

[1] The Department of Finance releases the January 1 series of population estimates in May of each year. The estimates for San Francisco released in May 2006 show San Francisco's population reaching almost 799,000 by January 1, 2006, an increase of 5,700 over the updated population estimate for January 1, 2005 (792,952).

The state and federal estimates are in agreement on natural increase—the difference between births and deaths. Both show a net natural increase of about 11,000 people between April 2000 and July 1, 2005. The estimates diverge significantly on migration—most significantly on internal or domestic migration. **Table A.2** presents the comparison of the July 1, 2005 estimates and the components of the 2000-2005 change as estimated by each agency.

TABLE A.2
COMPONENTS OF CHANGE FOR SAN FRANCISCO POPULATION ESTIMATES

		U.S. Census Annual Population Estimates		California Department of Finance Official State Estimates	
	2000 (April 1)	2005 (July 1)	Change from April 1, 2000	2005 (July 1)	Change from April 1, 2000
Total population	776,733	739,426	**(37,307)**	794,850	**18,117**
Births			43,679		44,592
Deaths			(33,128)		(33,063)
Net International Migration			44,659		51,782
Net Domestic Migration			(91,409)		(45,194)
Residual			(1,108)		-
			(37,307)		**18,117**

SOURCE: U.S. Census Bureau and State of California Department of Finance.

While the state estimates show about 7,000 more international migrants than do the federal estimates, the key difference is the estimate of domestic migration—people moving between San Francisco and some other county in California or elsewhere in the U.S. While both sets of estimates show a net out-migration during this period, the federal estimates are two times the state estimates—91,000 people moving out of the City and County of San Francisco over these five years, compared to 45,000 people moving out. Review of the annual estimates for each intervening year indicates that the federal estimates of net domestic migration are consistently twice as high as the state estimates.

The state annual estimates track more closely the level of economic activity in the City. The state estimates show positive net migration in the early years of the period, from 2000 – mid-2002 and an increase in out-migrants as job opportunities are substantially reduced by late 2002-early 2003.

The Census annual population estimates are also influenced by the results of the new American Community Survey. Those results for San Francisco also show a decline in population. Analysts caution that those survey results are best used as indicators of the characteristics of the population—age distribution, race/ethnicity, employment status, income, household type, etc.—and are less reliable as estimates of absolute numbers.

The state estimates showing ongoing population growth in San Francisco are more consistent with the changes in the City's housing supply. City data show a net increase of about 10,000 housing units in San Francisco from the 2000 Census through 2004.[2] Even accounting for the observation that substantial numbers of the new units may not be occupied by households living full-time in San Francisco (some units are maintained as secondary housing in San Francisco for people whose permanent residence is elsewhere, and some units are maintained as corporate apartments), the dramatic population decline implied in the federal estimates is not consistent with this substantial increase in the housing stock. Furthermore, rental market data indicate a decline in the citywide apartment vacancy rate—to under four percent in 2006.

An increase in the City's population, consistent with the increased housing supply, represents a change from conditions of the 1980s and 1990s. During those decades, the growth of the City's population was not matched by an increase in housing supply. Therefore, population growth occurred as a result of increases in the number of people living in existing housing.

Business Activity and Employment in San Francisco

There were about 600,000 people working in San Francisco in 2004.[3] This estimate includes full-time and part-time wage and salary employment as well as proprietors employment (the self-employed and partners in partnerships).[4] Wage and salary jobs in San Francisco total about 503,600 in 2004. With the ratio of proprietors to wage and salary employment generally about one-to-five (or 20 percent), the self-employed add about 100,000 to the total employment count.

San Francisco's role as a place of work in the region has diminished over time as employment has grown at a faster rate in other parts of the region. In 1990, San Francisco claimed about 20 percent of total regional wage and salary employment—one in every five jobs. By 2004, 16 percent of Bay Area jobs were in San Francisco.

There have been significant fluctuations in the level of employment in San Francisco and elsewhere in the Bay Area over the past decade. While the region's economy in general

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2 San Francisco Planning Department, *Housing Inventory 2001-2004*, July 2005.

3 These estimates of employment by place of work count part-time and full-time jobs equally. People who hold more than one job may be counted more than once.

4 The estimate of total employment by place of work including partners and the self-employed is based on data from the U.S. Bureau of Economic Analysis (BEA) combined with estimates from the State of California Employment Development Department (EDD). The State data measure wage and salary employment by place of work and do not include the self-employed, a significant number in San Francisco, or unpaid family workers or private household workers. The more complete estimate of jobs by place of work combines this data with estimates of sole proprietors and partners from the BEA. The BEA estimates sole proprietors and partners using IRS tax returns which generally reflect the place of residence of the worker. Many of the self-employed work out of their home. Partnership tax returns generally reflect the address of the business enterprise. The BEA attributes "relatively little error" to labeling the combined data series "place of work'.

experienced strong growth through 2000 and regional employment levels were highest in 2000, the job loss in San Francisco has been more severe than the job loss in most other parts of the region, with the exception of Santa Clara County.

State data indicate *wage and salary jobs* peaked in San Francisco in 2000 at almost 600,000 jobs. From 1995 through the year 2000, the number of jobs in San Francisco increased by over 84,000. The same data series indicates that, by 2004, the city had lost 94,500 jobs, as employment levels returned to those of the mid 1990s. Over 60 percent of the job loss was concentrated in professional and business services and information sectors. While many of the job losses were in the technology and internet companies that fueled the boom in San Francisco economic activity in the late 1990s, there were also significant reductions in the level of employment in corporate management functions in San Francisco during this time period.

Through these fluctuations, the core of the city's economy has remained quite diverse. No one sector accounts for more than 20 percent of total employment, as shown in **Figure A.1**. There are some telling longer-term trends.

- **Government** employment is a significant and steady component of local economic activity, accounting for the second largest share of employment in the City after professional and business services. Local government, serving City residents and businesses, accounts for almost half (45 percent) of government employment in San Francisco. San Francisco also benefits from a substantial state government presence, as well as from Federal offices, many of which serve the western region from a base in San Francisco.
- **Leisure and hospitality** is also a fundamental element of the City's economic base. This sector includes the lodging industry, as well as eating and drinking places and arts, entertainment, recreation, and amusements. The sector overall had steady growth through most of the 1990s and has generally maintained employment levels across the board since 2002, never falling far below 2000/2001 levels. San Francisco is an attraction to international visitors and to leisure and business travelers from throughout the state and nation. The City also remains a regional arts and entertainment destination.
- **Education and health services and business, civic and advocacy associations** also benefit from San Francisco's role as a regional center. Medical and educational institutions, and social assistance programs that serve City residents also serve a regional market area. Other non-profit entities are included in this sector in this summary: business and professional associations, social and other advocacy organizations, unions, civic, and political organizations. This sector represents an increasing share of economic activity in the City.

- **Retail** stores account for about eight percent of total employment in San Francisco and have maintained that share throughout the boom and bust of the last decade. Trends in retail trade employment parallel those in the leisure and hospitality sector. San Francisco's appeal as a destination for leisure and business travel, conventions, and day trippers is important to the retail sector. The foundation of economic activity for retail trade, however, is the consumer spending of City residents and of people who work in San Francisco.
- The **financial activities** sector includes businesses engaged in banking, investment, insurance, real estate. From the Gold Rush, San Francisco has been a center of financial activity on the West Coast. Overall, this sector in the City did not experience the large swings in employment that marked information and other technology services during the dot-com period, although employment in some investment companies mirrored the technology companies' volatility. The 1990s saw significant declines in San Francisco employment in some financial institutions, with restructuring, acquisitions, and mergers playing a role. Employment in finance, insurance, and real estate has been relatively stable over the last few years.
- The **information** sector—newly defined with the 2002 revision to the national industrial classification system—is significant in San Francisco. Companies in this sector produce, distribute, and process information. This includes both traditional publishing and digital media production; motion picture, video, and sound recording; broadcasting; internet publishing and broadcasting; telecommunications; and internet service providers. The aggregate growth and decline in this sector in San Francisco from 1990 – 2004 is attributable almost entirely to the emergence and subsequent shake-out in the internet subset of information activities. Employment has been fairly stable in traditional publishing in San Francisco. Until the last year or so, there was growth in motion picture and sound recording and broadcasting employment. Overall, the employment decline has slowed. Industry-watchers tout good prospects for future growth in this sector in San Francisco as the broad adoption of high speed internet services and mobile devices creates demand for applications and content.

- The pattern of mid-period volatility trending towards stabilization is similar for the large and diverse **professional and business services** sector. This largest single category for employment in the City includes much of the economic activity attributable to San Francisco's historic role as a regional economic center. Many of the professional services located in the City (legal services, architecture, accounting, advertising, management consulting, and computer systems design) have maintained a large, stable base of employment, contributing to net employment gains between 1990 and 2004. Employment levels in administrative support services (employment services, facilities support, security) have followed closely the overall trend in San Francisco economic activity and employment—peaking in 2000 and stabilizing since then. It is the management/headquarters component of this sector that has declined most significantly in San Francisco. In 1990 almost 34,000 people were employed in company management functions in San Francisco. There was a slow but steady decline through the 1990s, and state data show a drop of about 17,000 jobs since 2000.
- Other sectors—**construction, manufacturing, wholesale trade, transportation, and warehousing, and repair and personal services**—make up about 13 percent of total wage and salary employment in San Francisco in 2004. As now classified, the employment in these sectors does not include employment in corporate headquarters or other administrative offices of larger manufacturing, construction, or transportation enterprises. That employment is categorized under business management services, which, as noted above, has experienced significant decline in San Francisco over the last 15 years. The economic activity classified here and counted in these 66,000 jobs represents a significant component of what has been defined as **production, distribution, and repair** in San Francisco. Employment in these activities was fairly steady through the recession of the early 1990's in San Francisco. Manufacturing, warehousing, and transportation have experienced steady declines in employment in the City since the late 1990's, corresponding with the technology boom. Wholesale trade has had a slower decline and appears more stable in the last few years, and there has been small growth in construction employment. Repair and personal services, primarily population-serving, has maintained a fairly stable level of employment, mirroring the broader trends in economic activity and population in the City.

THE LABOR MARKET FOR SAN FRANCISCO JOBS IS REGIONAL

The employed residents living and working in San Francisco hold 56 percent of the jobs in the City. Commuters from other Bay Area counties hold about 43 percent of San Francisco jobs, and commuters from neighboring counties outside of the Bay Area account for about one percent of San Francisco jobs. As with the percentage of City residents working in the City, the percentage of San Francisco jobs held by people also living in the City has declined over time **(Figure A.2)**. In 1960, San Francisco residents held almost three-quarters of the jobs in the City. The percentage declined to about 56 percent through 1980 and has remained at about that level ever since. These patterns are illustrative of the growth of Bay Area suburbs, San Francisco's role as a regional employment center, and the development of transportation systems designed to get commuters to central city jobs.

REGIONAL GROWTH CONTEXT

Projections of population and employment for the Bay Area are based on regional economic, demographic, and transportation assumptions and analysis of land use patterns and land availability. *Projections 2002*, published by the Association of Bay Area Governments (ABAG) in December 2001 continues to represent a trend-based "base case" forecast for the region. Subsequent projections prepared by ABAG (*Projections 2003* and *Projections 2005*) reflect a "smart growth" forecast for the Bay Area. Those scenarios incorporate smart growth policy assumptions, emphasizing infill development to revitalize central cities, support and enhance public transit, and preserve open space and agricultural land. There is not much difference between the base-case forecast and the smart growth scenarios at the regional level over the long-term. The differences lie in where the growth is assumed to occur.

In the *Projections 2002* base case scenario, the region is expected to gain about 1.4 million people between 2000 and 2025 and about 1.2 million jobs **(Table A.3)**. Rates of population and employment growth slow somewhat from those of the prior ten years. Housing production is expected to continue at about the same average pace—just over 20,000 units per year, region-wide. Incorporating regulatory and policy changes and government funding to increase housing production, the regional scenario in *Projections 2005* shows somewhat more household and population growth through 2025 (almost 600,000 households and 1.6 million people) over the 25-year period. On the other hand, regional employment growth is expected to be somewhat less robust in this updated scenario, as the lack of job growth in the early years of this decade has influenced expectations for the longer-term job outlook. *Projections 2005* forecasts an increase of about one million jobs in the Bay Area region through 2025.

TABLE A.3
REGIONAL SCENARIO FOR HOUSEHOLD POPULATION, HOUSEHOLDS, AND EMPLOYMENT: 1990, 2000, AND 2025

				1990 - 2000		2000 - 2025	
	1990	2000	2025	Number	Annual Rate	Number	Annual Rate
Household Population	5,869,683	6,640,972	8,068,600	771,289	1.2%	1,427,628	0.8%
Households	2,246,242	2,466,019	2,977,990	219,777	0.9%	511,971	0.8%
Jobs	3,206,080	3,753,670	4,932,590	547,590	1.6%	1,178,920	1.1%

SOURCE: Association of Bay Area Governments. *Projections 2002*, December 2001.

POPULATION AND EMPLOYMENT SCENARIOS FOR SAN FRANCISCO

Baseline scenario

The baseline scenario for growth in San Francisco is defined as the growth forecast for the City identified by ABAG in *Projections 2002*. The regional outlook incorporated in this scenario is described above. For San Francisco, this scenario illustrates what were considered to be the future prospects for the City, just after the 2000-2001 downturn, under existing zoning, with no land use policy changes to encourage housing production or other "smart growth" objectives. As is the case for the region overall, the long-term economic assumptions that underlie this base case scenario remain valid for planning purposes. Although the recovery for jobs has been slower than anticipated, the long-term outlook has not changed significantly. In 2002/2003, as part of the analysis for the Eastern Neighborhoods community planning process and for use in impact analysis of the proposed rezoning, Planning Department staff prepared an allocation of the citywide baseline scenario to planning areas in San Francisco.

Households and household population

The baseline scenario projects new households and continued population growth in San Francisco, although the City's share of regional population and household totals is expected to continue to decline, as has been the case since the 1980s. Household population would reach 800,000 in San Francisco in 2025 under the baseline scenario **(Table A.4)**. The annual growth rate of 0.2 percent per year is slower than the annual growth rate for population in the City during the 1990s (0.7 percent per year). Nevertheless the baseline scenario does not indicate a return to the pattern of population loss experienced from the 1950s through the 1970s. Modest population growth is consistent with the projected increase in the housing supply and a modest decrease in the average household size. It also assumes San Francisco continues to attract new residents and manages to keep existing residents.

This baseline scenario shows an increase of 19,000 households in San Francisco over the 25 years between 2000 and 2025. The underlying ABAG forecast limits significant new residential development to what were the primary programmed areas in 2001: Rincon Point/South Beach, Mission Bay, Hunter's Point, and Transbay. This was prior to Better Neighborhoods, Eastern Neighborhoods, Mid Market and other community planning initiatives. At 760 households per year on average, the baseline scenario is reflective of the relatively low level of housing production occurring in the City in the late 1990s. With a net increase of almost 2,000 units per year over the last five years, San Francisco has seen a boom in housing construction and housing proposals since ABAG's *Projections 2002* was prepared. Net new housing construction between 2000 and 2005 is about half of the total baseline scenario for household growth in San Francisco through 2025.

TABLE A.4
BASELINE SCENARIO FOR THE EASTERN NEIGHBORHOODS AND THE REST OF THE CITY
HOUSEHOLDS AND HOUSEHOLD POPULATION
2000 - 2025

	Eastern Neighborhoods	Rest of City	Total City	Eastern Neighborhoods Share of Total City
Households				
2000	26,416	303,287	329,703	8%
2025	29,287	319,494	348,781	8%
Change 2000 - 2025	2,871	16,207	19,078	15%
Percent Change	11%	5%	6%	
Household Population				
2000	67,844	689,123	756,967	9%
2025	74,129	725,088	799,217	9%
Change 2000 - 2025	6,285	35,965	42,250	15%
Percent Change	9%	5%	6%	

NOTE: The estimates for the Eastern Neighborhoods in 2000 do not match the *Eastern Neighborhoods EIR Initial Study* table because they are based on the more refined definition of neighborhoods, using Census block data. The 2025 estimates in this table are derived by adding the 2000 – 2025 increment for the Eastern Neighborhoods to the 2000 base year estimate.
SOURCE: San Francisco Planning Department and Hausrath Economics Group.

The baseline scenario allocates 15 percent of that household growth to the Eastern Neighborhoods. Although this is a high share for an area that until recently has not been a location for significant new housing development, the numbers are relatively small and do not fully capture recent housing development trends. The net additional housing construction in these Eastern Neighborhoods between 2000 and 2005 (2,100 units) accounts for almost three-quarters of the baseline household projection for this part of San Francisco.

Under the baseline scenario, although the Eastern Neighborhoods would accommodate a higher share of household growth than they do of the existing housing stock, the number of additional households would be small in the context of the total number of households in the City. Therefore, the share of the City's housing stock located in the Eastern Neighborhoods would not change under the baseline scenario. Overall, the baseline scenario assumes an increase of just over 10 percent in the number of households in the Eastern Neighborhoods. Reflecting a continuation of recent development trends, over half of that growth would occur in East SoMa, where the number of units would increase by about one-third. The substantial relative change is projected to continue in the Central Waterfront, where the number of households would increase by almost 50 percent. The baseline scenario shows very modest household growth in the Mission—an increase of less than 500 households over the 25-year period—and moderate growth in Showplace Square/Potrero Hill.

Under the baseline scenario, there would be a moderate increase in the household population in the Eastern Neighborhoods. The eight percent increase projected between 2000 and 2025 is a greater percentage change than projected for the rest of the City (five percent) and reflects primarily the distribution of new housing.

Employment

Under the baseline scenario, total employment in San Francisco would increase by 20 percent to almost 765,000 jobs; there would be net addition of about 130,000 jobs between 2000 and 2025, representing just over 10 percent of the 1.2 million additional jobs expected in the region by 2025 **(Table A.5)**. The share of regional employment located in San Francisco continues to decline over time according to this baseline forecast scenario.

TABLE A.5
BASELINE SCENARIO FOR THE EASTERN NEIGHBORHOODS AND THE REST OF THE CITY
EMPLOYMENT
2000 - 2025

	Eastern Neighborhoods	Rest of City	Total City	Eastern Neighborhoods Share of Total City
Production, Distribution, and Repair				
2000	32,467	63,080	95,547	34%
2025	29,091	74,226	103,317	28%
Change 2000 - 2025	(3,376)	11,146	7,770	-43%
Percent Change	-10%	18%	8%	
All Other Employment				
2000	40,188	498,700	538,888	7%
2025	53,218	607,619	660,837	8%
Change 2000 - 2025	13,030	108,919	121,949	11%
Percent Change	32%	22%	23%	

SOURCE: San Francisco Planning Department

Considering the City as a whole, there would be a net increase in employment across all major business activity groups. Management, information, and professional services and visitor lodging are the sectors expected to experience the strongest growth over this period. The baseline scenario shows a modest eight percent increase in employment in production, distribution, and repair business activities citywide and a 23 percent increase in employment associated with office, retail, and other business activity.

The share of San Francisco jobs located in the Eastern Neighborhoods would not change, but the composition of the jobs would change. Job losses in PDR business activities would be offset by increases in employment in office, retail, and other business activities. Total employment of about 82,000 jobs is forecast for the Eastern Neighborhoods in 2025 under the baseline scenario.

There would be a net decline of about 10 percent of PDR jobs in the Eastern Neighborhoods, with these job losses concentrated in the Showplace Square/Potrero Hill and East SoMa subareas. There would be a moderate decline of PDR jobs in the Mission and a small increase of PDR jobs in the Central Waterfront. The loss of PDR jobs is attributable to continuation of development patterns that ultimately favor higher-rent-paying uses, including housing, in areas where the mix of uses is not regulated. Real estate market pressures and the expansion of incompatible land uses contribute to the decline of PDR economic activity and jobs in the Eastern Neighborhoods under the baseline scenario. PDR employment would increase in the rest of the City—primarily in the Bayview-Hunters Point area and potentially in Western SoMa (attributable both to growth and to relocations from Eastern Neighborhoods), and there would be some smaller increases in the primarily neighborhood-serving PDR activity located throughout much of the rest of San Francisco.

The baseline scenario assumes strong growth of economic activity in the Eastern Neighborhoods outside of the PDR sectors. The rate of growth is faster than the rate of growth elsewhere in the City. Under the baseline scenario, there would be 13,000 more office, retail, and other non-PDR jobs in the Eastern Neighborhoods by 2025. Growth is expected in professional services, research, communications, media, and information-processing business activities. The education services and institutional sector also contributes to growth of employment in the Eastern Neighborhoods under the baseline scenario. Increased employment is expected in retail, entertainment , and personal services establishments. A moderate amount of medical services employment is expected as these locations become attractive to economic activity associated with the UCSF research campus and planned medical facilities in Mission Bay. Most of the growth would occur in the Showplace Square/Potrero Hill and East SoMa subareas. Moderate amounts of change are forecast for the Mission subarea, and relatively small amounts of change would occur in the Central Waterfront.

<u>Proposed rezoning scenario</u>

The scenario for San Francisco population and employment under the proposed rezoning was developed by the San Francisco Planning Department and first introduced in the February 2003 report *Community Planning in the Eastern Neighborhoods: Rezoning Options Workbook—First Draft*. The Department prepared three scenarios to illustrate the likely outcomes under alternative rezoning proposals for the Eastern Neighborhoods. The scenario presented here is based on Option B in the *Rezoning Options Workbook*. With the exception of modifications to reflect changing planning area boundaries and some new pipeline projects, it is essentially the same as the scenario outlined in 2003 for Option B.[5]

The Eastern Neighborhoods rezoning is not the only factor that distinguishes the Option B scenario from the baseline scenario based on *Projections 2002* and described above. The Option B scenario assumes significantly more housing production in San Francisco between 2000 and 2025 than projected by ABAG in *Projections 2002* (and assumed in the baseline scenario). A more aggressive housing scenario (about 35,000 units added instead of 19,000 units) assumes that production trends evident over the last 20 years are maintained. Data for the preceding twenty years of production in San Francisco show about 1,200 units added per year on average, substantially higher than the average annual net addition implied in the baseline scenario. The scenario also takes into account more recent development trends, including the relatively large number of projects developed and proposed that have 200 units or more. Finally, the scenario also assumes implementation of a number of pro-housing policies and programs in San Francisco. In addition to the larger programmed areas such as Mission Bay, Hunter's Point Naval Shipyard, and Rincon Hill, this includes planning for significant housing as part of the Better Neighborhoods efforts in the Market-Octavia, Balboa Park, and the Central Waterfront (analyzed here as one of the Eastern Neighborhoods); and planning near transit, such as the Geary Corridor and Glen Park. It also includes the housing initiatives considered as part of the rezoning of the Eastern Neighborhoods (including South Bayshore and Visitacion Valley) and other efforts designed to encourage affordable and market-rate housing near transit and services.

Households and household population

Under the proposed rezoning, an additional 36,500 households are forecast for San Francisco between 2000 and 2025 **(Table A.6)**. This is almost two times the amount of household growth forecast under the baseline scenario. Most of this growth (80 percent) would be in the rest of the City, outside the Eastern Neighborhoods. Likely locations include Mission Bay, Market-Octavia, Hunter's Point Naval Shipyard, Balboa Park, Glen Park, Rincon Hill, the C-3 district, Mid-Market, and on vacant or underutilized land in medium and high-density residential zones and neighborhood commercial districts. The rezoning scenario shows 20 percent of the household growth occurring in the Eastern Neighborhoods. The estimated 7,400 additional households is 2.5 times the number of households forecast for these areas under the baseline scenario, representing more than double the amount of housing production for these areas.

[5] Appendix B and Appendix C of *Community Planning in the Eastern Neighborhoods: Rezoning Options Workbook – First Draft*, February 2003 describe the methodology of the forecast and growth allocation.

Under the proposed rezoning, the percentage of the City's households and household population living in the Eastern Neighborhoods would increase.[6]

TABLE A.6
REZONING SCENARIO FOR THE EASTERN NEIGHBORHOODS AND THE REST OF THE CITY
HOUSEHOLDS AND HOUSEHOLD POPULATION
2000 - 2025

	Eastern Neighborhoods	Rest of City	Total City	Eastern Neighborhoods Share of Total City
Households				
2000	26,416	303,287	329,703	8%
2025	33,801	332,410	366,211	9%
Change 2000 - 2025	7,385	29,123	36,508	20%
Percent Change	28%	10%	11%	
Household Population				
2000	67,844	689,123	756,967	9%
2025	82,321	752,127	834,448	10%
Change 2000 - 2025	14,477	63,004	77,481	19%
Percent Change	21%	9%	10%	

NOTE: The estimates for the Eastern Neighborhoods in 2000 do not match the *Eastern Neighborhoods EIR Initial Study* table because they are based on the more refined definition of neighborhoods, using Census block data. The 2025 estimates in this table are derived by adding the 2000 – 2025 increment for the Eastern Neighborhoods to the 2000 base year estimate.
SOURCE: San Francisco Planning Department and Hausrath Economics Group.

Assuming the proposed rezoning and assuming more aggressive housing production elsewhere in the City, San Francisco's population would exceed 830,000 by 2025. With this amount of growth, San Francisco would maintain its current share of regional households and household population.

The number of households in the Eastern Neighborhoods would increase by about 30 percent under the proposed rezoning, compared to a more moderate 10 percent increase under the baseline scenario. Growth would occur in all of the neighborhoods. There would be a 50 percent increase in households in both East SoMa and Showplace Square/Potrero Hill; each neighborhood would accommodate about one-third of the household growth forecast for the Eastern Neighborhoods between 2000 and 2025 under the proposed rezoning (2,500 – 2,600 additional households in each neighborhood). Less than half of this increase in housing is

[6] This projection through 2025 does not represent buildout of the development capacity created under the proposed rezoning. For example, the forecast for the Mission represents about 20 percent of the capacity for new residential development that would be created under the proposed rezoning (based on estimates for Option B presented in the *Rezoning Options Workbook – First Draft* and the forecast for Showplace Square/Potrero Hill represents about 40 percent of the Option B capacity for new residential development in that subarea.

projected for the Central Waterfront and the Mission under the proposed rezoning. About 1,100 additional households are forecast for each of these neighborhoods.

Compared to the baseline scenario, the rezoning proposal through 2025 would result in five times as much housing production and household growth in the Central Waterfront, four times as much housing production and household growth in Showplace Square /Potrero Hill, almost three times as much growth in the Mission, and 60 percent more housing production and household growth in East SoMa.

Employment
Compared to the baseline scenario, there would be less total employment in San Francisco in 2025 under the proposed rezoning **(Table A.7)**. This is because land in the Eastern Neighborhoods that would otherwise continue to be available for non-residential use—much of which is in PDR use now—would be rezoned to accommodate substantial housing, and planning would encourage new residential neighborhoods there. By 2025, there would be a difference of about 4,000 jobs citywide. There would be more PDR job loss in the Eastern Neighborhoods than under the baseline scenario. The net decline of 4,100 PDR jobs would mean a 13 percent reduction in this type of employment in the Eastern Neighborhoods. The net change is made up of greater job loss in East SoMa, the Mission, and Showplace Square/Potrero Hill combined with somewhat less PDR job growth for the Central Waterfront. Under the proposed rezoning, a core of production, distribution, and repair activity remains and grows in the Central Waterfront, and, although location options in that neighborhood are more constrained than under the baseline scenario, that area becomes a potential location for PDR re-locating from other parts of the City.

The prospects for PDR business activity and employment in the rest of the City outside of the Eastern Neighborhoods are not fully resolved in the proposed rezoning scenario. Population – serving PDR businesses are likely to remain and grow in locations throughout the City. Both the Bayview Hunter's Point subarea and Western SoMa are important locations for PDR activity and could continue to fulfill this function. Both areas have been analyzed as part of the original Eastern Neighborhoods planning effort. Port-controlled land along the Central and Southern Waterfronts accommodates PDR use on an interim basis.

TABLE A.7
REZONING SCENARIO FOR THE EASTERN NEIGHBORHOODS AND THE REST OF THE CITY
EMPLOYMENT
2000 – 2025

	Eastern Neighborhoods	Rest of City	Total City	Eastern Neighborhoods Share of Total City
Production, Distribution, and Repair				
2000	32,467	63,080	95,547	34%
2025	28,351	72,064	100,415	28%
Change 2000 - 2025	(4,116)	8,984	4,868	-85%
Percent Change	-13%	14%	5%	
All Other Employment				
2000	40,188	498,700	538,888	7%
2025	53,801	606,720	660,522	8%
Change 2000 - 2025	13,613	108,020	121,634	11%
Percent Change	34%	22%	23%	

SOURCE: San Francisco Planning Department

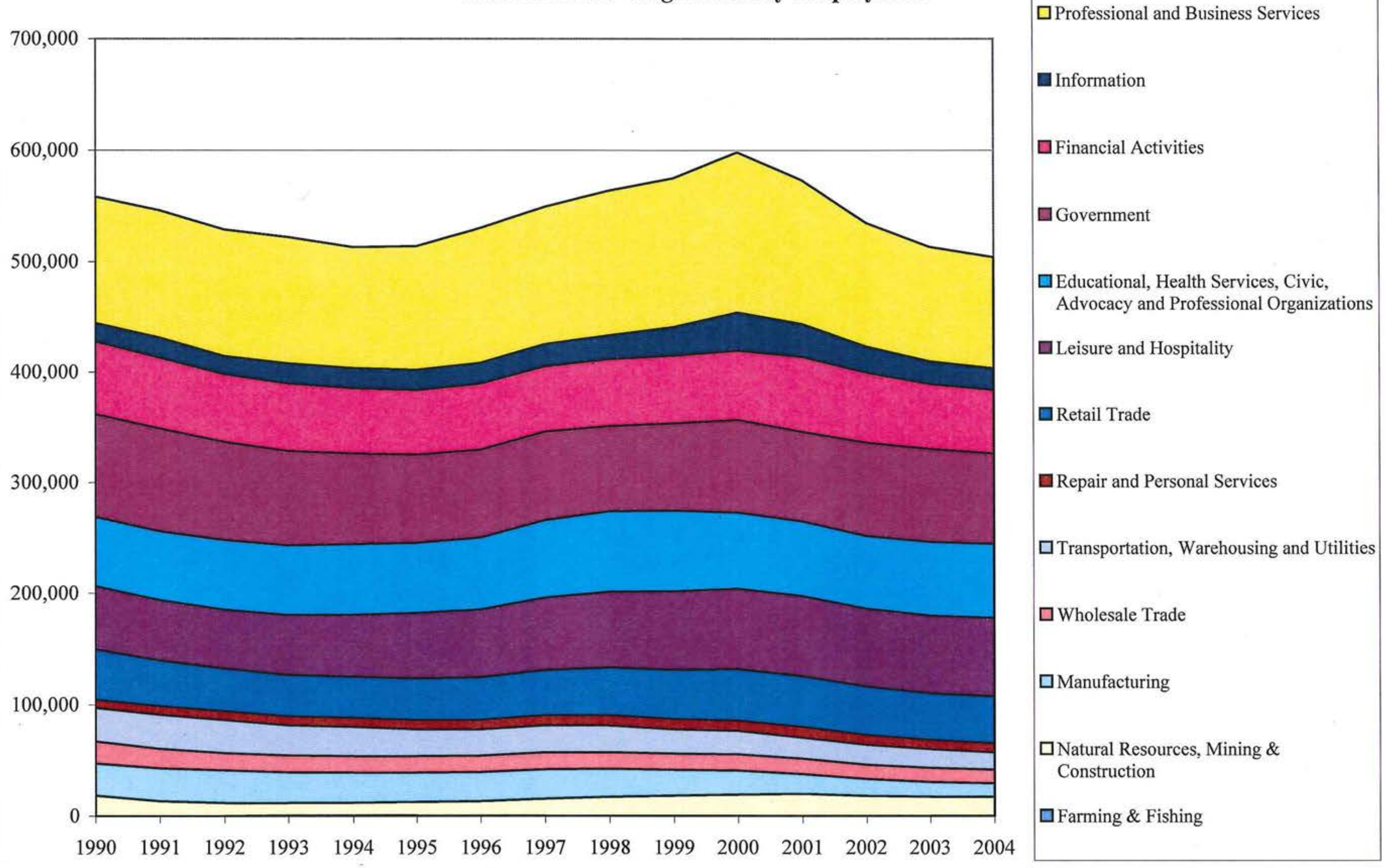
The proposed rezoning does not make a major difference in the employment growth scenario for office, retail, entertainment, institutional, educational and other employment in San Francisco. In the rest of the City, this job growth is identical to the baseline scenario—an increase of 22 percent (108,000 jobs) between 2000 and 2025.[7]

In the Eastern Neighborhoods, the proposed rezoning would result in relatively small differences from the baseline employment scenario for some of these other business activities. East SoMa would see the most difference; the employment growth scenario for the proposed rezoning shows more jobs in most other sectors (office, institutional, and retail/entertainment sectors) in that neighborhood. This reflects the likely effects of more flexible zoning than currently exists. It also represents the continued maturation of East SoMa as a residential neighborhood with an increasingly full range of population-serving retail and personal service uses. There would also be more retail, entertainment, and personal services employment in Showplace Square/Potrero Hill. In Showplace Square/Potrero Hill, the higher level of retail, entertainment, and personal services employment reflects the larger amount of new residential development compared to the baseline and the related emergence of neighborhood commercial development along an upgraded 16th Street transit corridor. In the Central Waterfront, parcels that might have accommodated

[7] More housing and population in the City than projected under the baseline scenario is likely to result in more population-serving economic activity. A subsequent forecast for San Francisco in which the housing production and population projections were integrated more fully with the employment projections would likely show more employment growth citywide in the retail, entertainment, recreation, and personal services sectors than is indicated in this rezoning scenario. The scenario does project these kinds of linkages and secondary effects in the Eastern Neighborhoods, as described below.

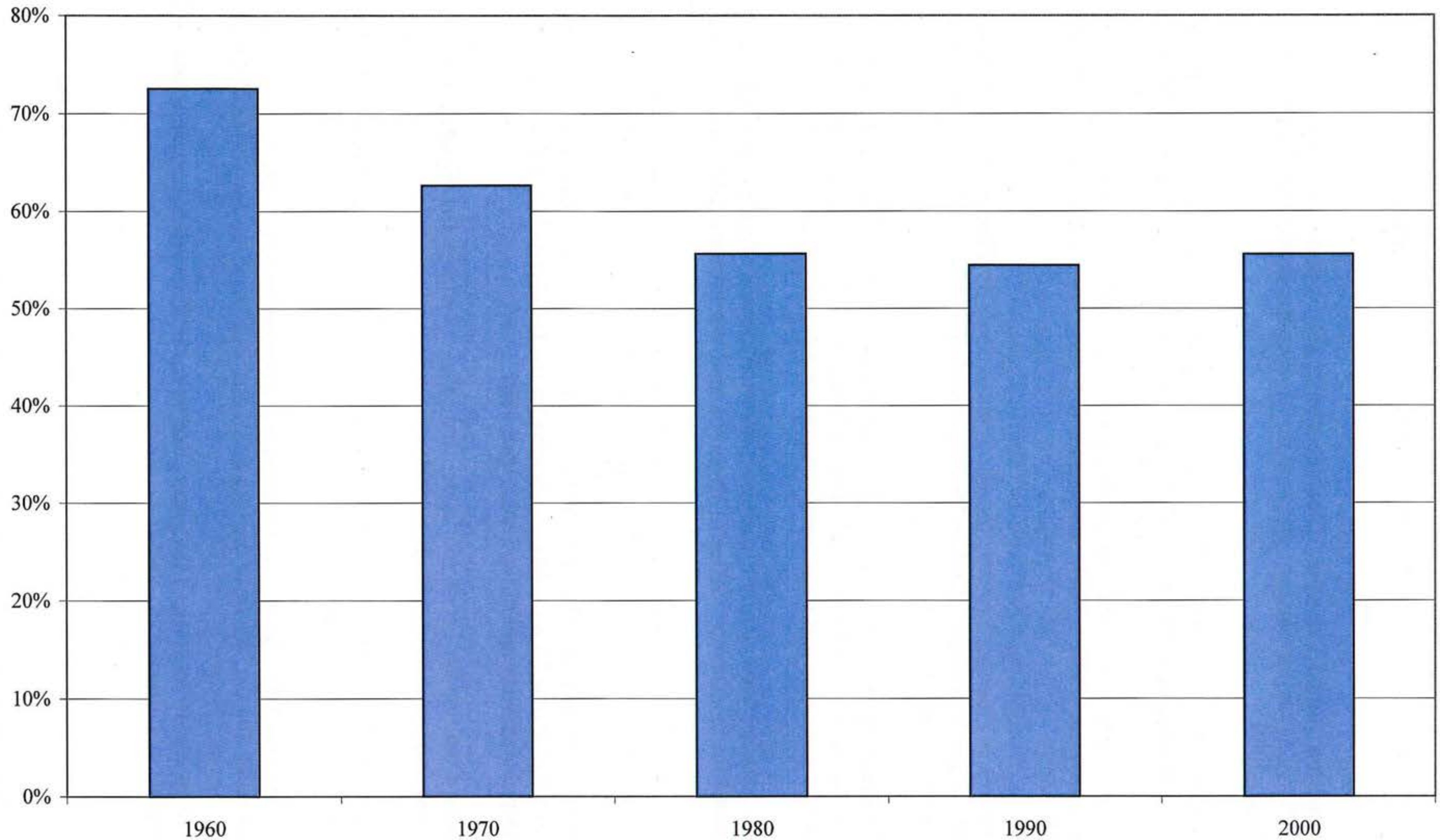
office development under the baseline scenario in that neighborhood adjacent to Mission Bay would instead be favored by residential development, resulting in less of office employment growth in this neighborhood under the rezoning scenario. In the Mission, more flexible zoning would encourage more smaller-scale office employment than expected under the baseline scenario, and there would be an intensification of retail activity over time.

Figure A.1
San Francisco Wage & Salary Employment



Source: State of California Employment Development Department, Annual Average Industry Employment, April 2006

Figure A.2
San Francisco Jobs held by Residents of San Francisco
(percent of jobs by place of work)



Source: 1960 - 2000 Decennial Census summarized by the Metropolitan Transportation Commission

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