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Land Use Changes in the Eastern Neighborhoods

Over the past five to six years, and until very recently, the value of real estate in San Francisco increased tremendously. Land for housing and office development in the City is limited and expensive and development was perceived as cumbersome and risky. Developers looking for land initially to accommodate residential projects, and then office buildings began to acquire lots in industrial districts once primarily occupied by PDR businesses. Industrial buildings and warehouses were converted to office space and homes.

Permissive zoning in the industrially zoned areas has always allowed a variety of non-PDR uses. During the boom of the late 1990s, the balance shifted between PDR uses and other uses in these areas, including big box retail, live/work units, multimedia, dot-com and high-end loft style office spaces. Many of these newcomers are able to pay higher rents. Competition for space in the Eastern Neighborhoods was difficult for PDR businesses, which often cannot afford the higher rents of the residential and office marketplace. As a result, some disruption of the PDR businesses and the PDR business clusters has occurred on industrially zoned land. The zoning in non-industrial districts often precludes these businesses from locating elsewhere in San Francisco. The interim Industrial Protection Zone adopted by the Planning Commission in August 1999 attempted to protect, for a limited period of time, some of the remaining industrial lands from the influx of housing.

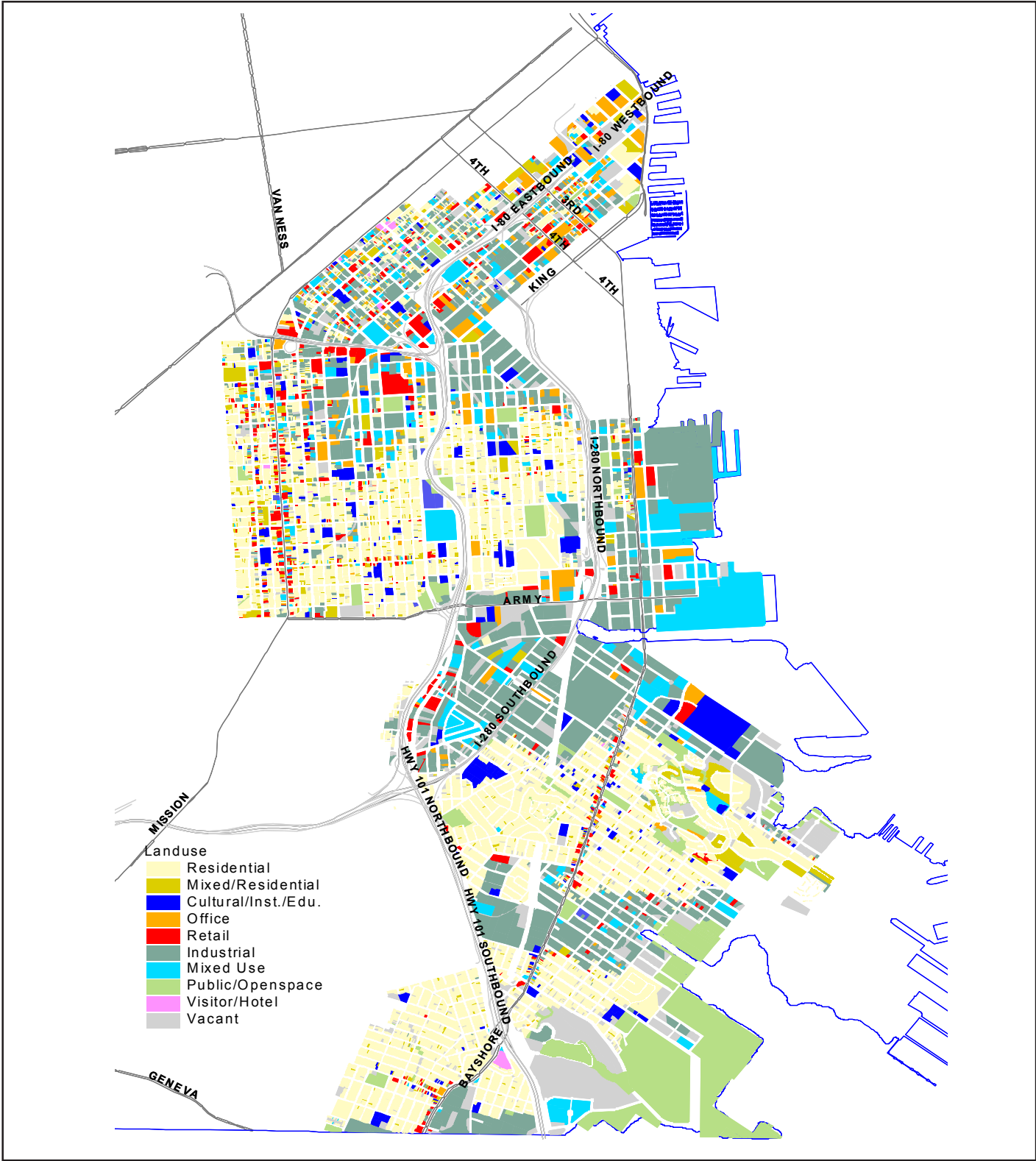


Figure 3.1.1 Generalized Land Use in the Eastern Neighborhoods - 2001

Current Land Use Patterns

The Eastern Neighborhoods have the widest mix of uses in the City. Residential, office, retail, production, distribution, and repair establishments coexist. Uses are mixed both horizontally and vertically, so the same parcel may contain offices, retail space, some production, distribution, and repair (PDR) activities and even housing. Figure 3.1.1 shows interplay of uses by illustrating the dominant activity on each parcel. The individual maps that follow (office, residential, PDR, cultural, institutional, retail/entertainment, medical and visitor) disaggregate the many layers of uses or activities that form the generalized land use map. Each of these maps shows each lot that contains establishments of a certain land use of any size.

Residential

The land use map (Figure 3.1.1) and the residential use map (Figure 3.1.2) show housing units in the Eastern Neighborhoods in March 2001. Of the 23,000 parcels that comprise this area, about 14,000 contain at least one unit of housing. The combined number of units on these lots is over 41,000 units. The vast majority of these units exist in predominantly residential areas such as portions of the Mission, Visitacion Valley, and South Bayshore. Live/work projects, however, comprise the bulk of units built since about 1996. These units have been built in industrial areas.

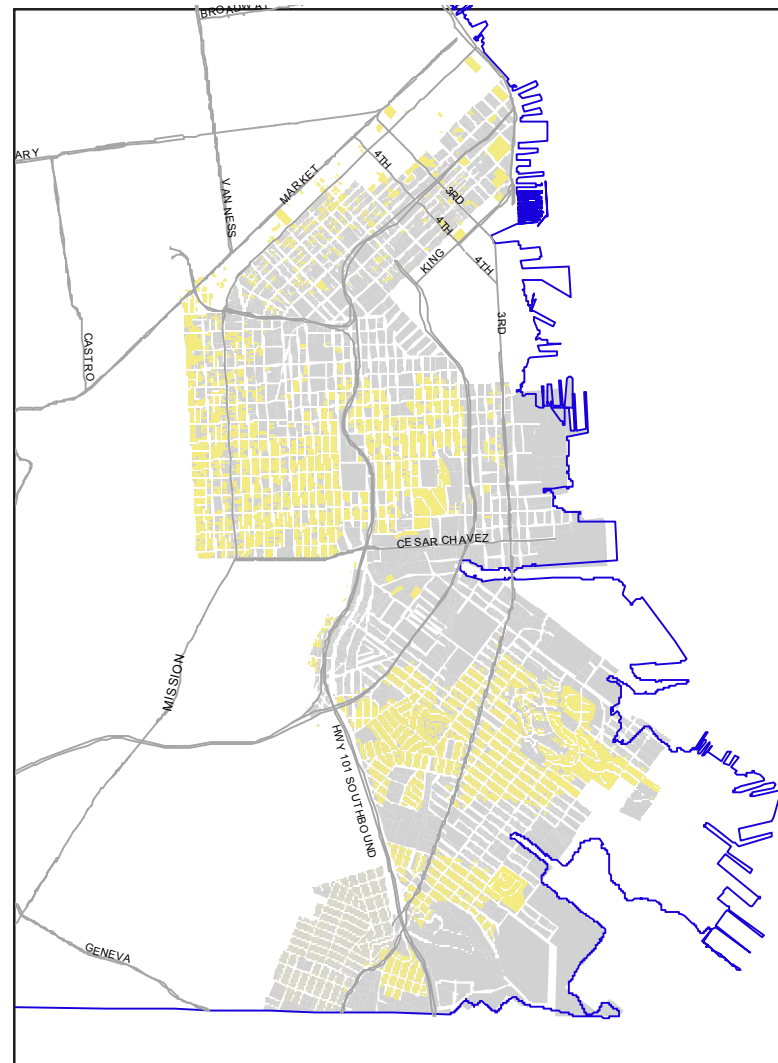


Figure 3.1.2 Location of Residential Units in the Eastern Neighborhoods - 2001



Although the new residents in the industrial areas may have originally appreciated lower housing costs and the unique location, some are now complaining about the lack of neighborhood amenities as well as the noises, odors, and the hustle and bustle of industrial activities in close proximity to their homes.



Production, Distribution, Repair (PDR)

Outside the residential areas of the Mission and South Bayshore, PDR activities occupy the largest amount of space in the Eastern Neighborhoods: almost 20 million sq. ft. (Figure 3.1.3)

Although office and residential uses have been migrating to the Eastern Neighborhoods for the past six years, these are not yet the dominant uses. It is worth noting that the PDR businesses that were able to hold onto their space in the last few years fared relatively well during the period of economic prosperity. These PDR businesses hired additional staff. When office vacancy rates began to rise due to the slowdown of Internet start-ups, industrial vacancy rates remained low. The average vacancy

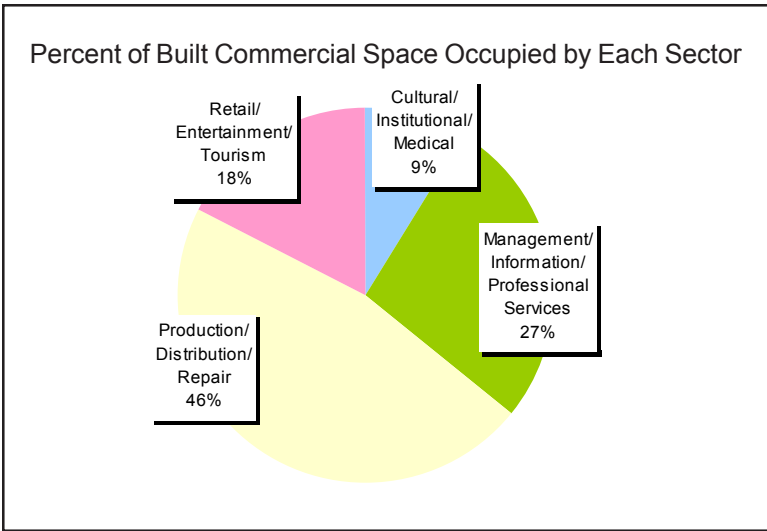


Figure 3.1.3 Percent of Built Commercial Space Occupied by Each Sector

rate ranges from 2 to 3.5 percent for typical industrial space. Due to the very limited and shrinking supply, demand for industrial and warehouse space remained quite high until recently. The average size of a PDR business is about 10,000 sq. ft. and the average monthly lease rate for industrial building space is just over \$1.00 per sq. ft.



Land Area Acreage by Land Use										
Neighborhood	Office	Production/ Distribution/ Repair	Retail/ Entertainment/ Tourism	Cultural/ Institutional	Non-Residential Mixed Use	Residential	Mixed Residential	Open Space	Vacant	Total
Mission	19	84	51	33	30	268	48	15	23	571
South Bayshore	25	434	35	75	81	416	40	319	226	1,651
ShowplaceSq./ CentralWaterfront	32	270	20	31	164	168	19	24	37	765
SoMa	52	113	29	16	48	58	27	7	54	404
Visitation Valley	1	44	6	7	1	183	4	7	18	271
Total	129	945	141	162	324	1,093	138	372	358	3,662

Figure 3.1.4 Land Area Acreage by Land Use

Office

Office is second largest non-residential activity in the Eastern Neighborhoods and occupies about 11.5 million sq. ft. of space. It is especially concentrated in the Transbay/Rincon Hill areas but it also exists throughout the larger SoMa district. (Figure 3.1.6)

The type of office space that came on the market in the last three to four years differs tremendously throughout the Eastern Neighborhoods. Most of the new space was either new construction or the highly sought after warehouse conversion. The adaptive re-use of older industrial warehouses involved enhancing and upgrading the existing open floor plans, high ceilings, historic



walls and historic faÁades. The new construction tried to emulate the conversions with large open floor plans, exposed infrastructure, and high ceilings.

As of 1999, the trend favoring industrial-style office space lured large office tenants away from downtown and southward into SoMa, south of Division Street into the northeastern part of the Mission, and into the Central Waterfront. This decentralization of the downtown coincided with the high demand for office space generated by start-ups as well as more established Internet firms and the seemingly limitless venture capital investments in Bay

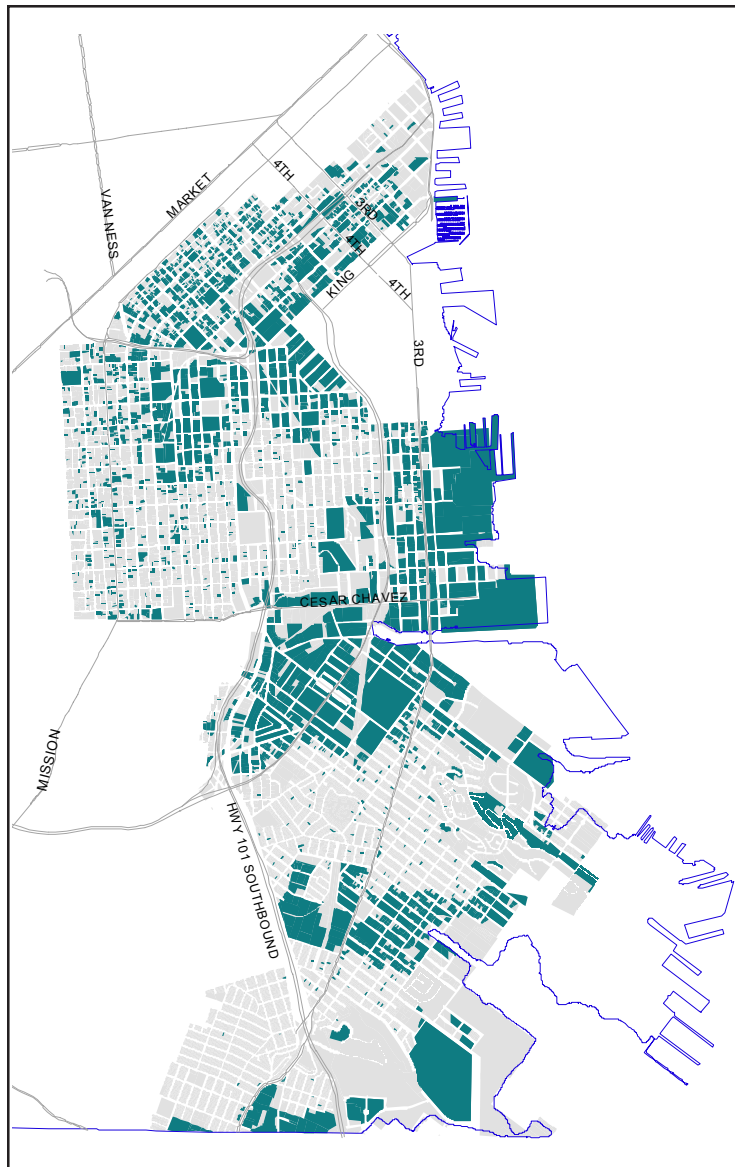


Figure 3.1.6 Location of PDR in the Eastern Neighborhoods

Area firms. It also came at a time when the interim Industrial Protection Zone precluded additional live/work development on certain industrially zoned lands.

The migration of office space away from Market Street created yet another juxtaposition of uses and rental rates in the Eastern Neighborhoods. By early 2000, rents for office space ranged from \$40/sq. ft. to \$85/sq. ft. while vacancies were less than three percent. Such a scenario directly impacted the lease rates and land values of adjacent non-office uses in industrially zoned areas.

These all have changed. By the final days of 2001, the office vacancy rate in South of Market was over 45 percent and rental rates averaged \$22/sq.ft. for office space. Rents fell most dramatically in office space furthest from the downtown core. Convenient transit options, support services, and daytime amenities for employees are highly sought after when businesses are looking for space to buy or lease. Falling rents and high vacancy rates attract businesses back to space closer to these desirable downtown core amenities.



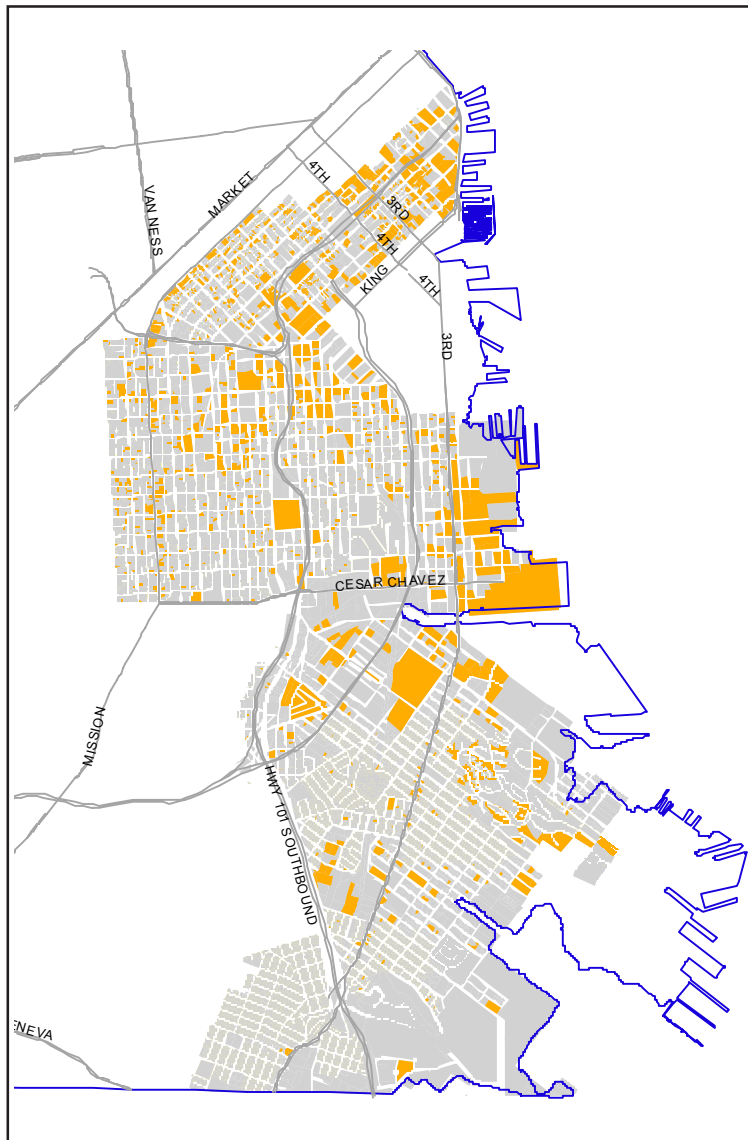


Figure 3.1.6 Location of Offices in the Eastern Neighborhoods

The average office space size in the Eastern Neighborhoods is about 7,500 sq. ft. Other than the large newer office developments, most office space in this area serves smaller businesses or is accessory to a larger retail or PDR use.



Retail

Retail/entertainment and visitor activities occupy over 7.5 million sq. ft. of space within the Eastern Neighborhoods and are found primarily along neighborhood commercial corridors. (Figure 3.1.7)

The role of retail in the SoMa is not as large as it is in the Mission. Retail establishments in the Eastern Neighborhoods average about 5,000 sq. ft. and vary from the local serving neighborhood grocer to the larger regional clothing or furniture store. There are also many large and small restaurants, bars and cafes. The most notable influx of new retail has come in the form of eating and drinking establishments. Retail rental rates increased with the general rise in real estate value in San Francisco. In the



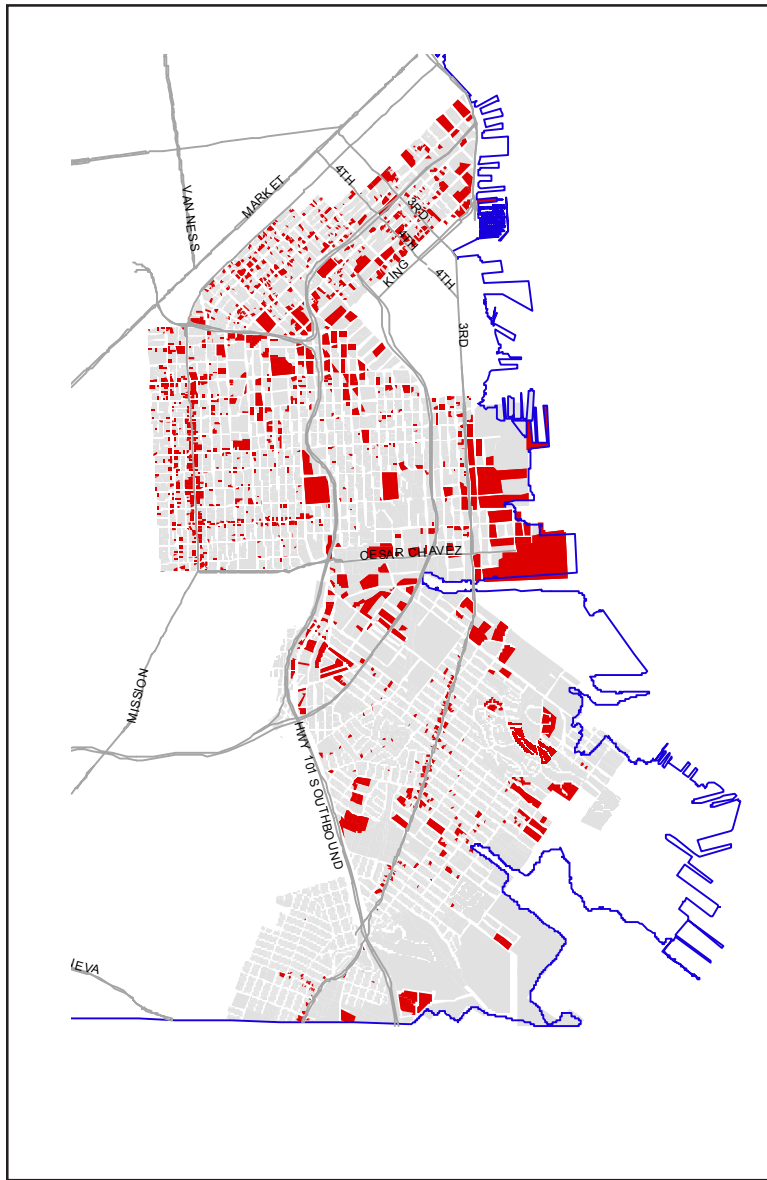


Figure 3.1.7 Location of Retail in the Eastern Neighborhoods

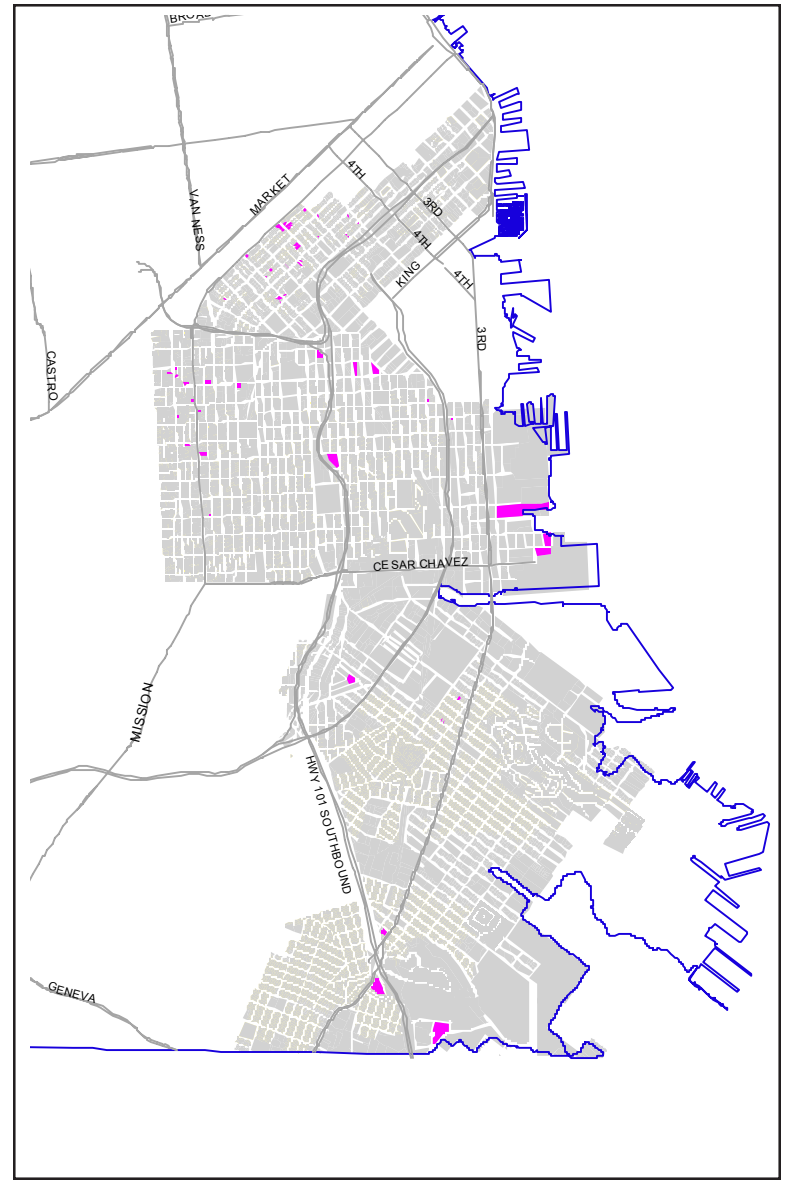


Figure 3.1.8 Location of Visitor Sector in the Eastern Neighborhoods

Mission, for example, rental rates range from \$0.30 per sq. ft. per month for leases held over 10 years, to \$3.00 per sq.ft. per month for restaurant spaces acquired at the height of the economic boom. Rents as of the end of 2001 have fallen to an average of \$1.50 per sq.ft. per month for retail space along Mission Street or Valencia Street.

Industrial Land Shrinkage Over the Past 50 Years

San Francisco industrial lands have changed and shrunk over time. (Figure 3.2.1) Different uses have been given priority for development due to the changing needs of the City and its

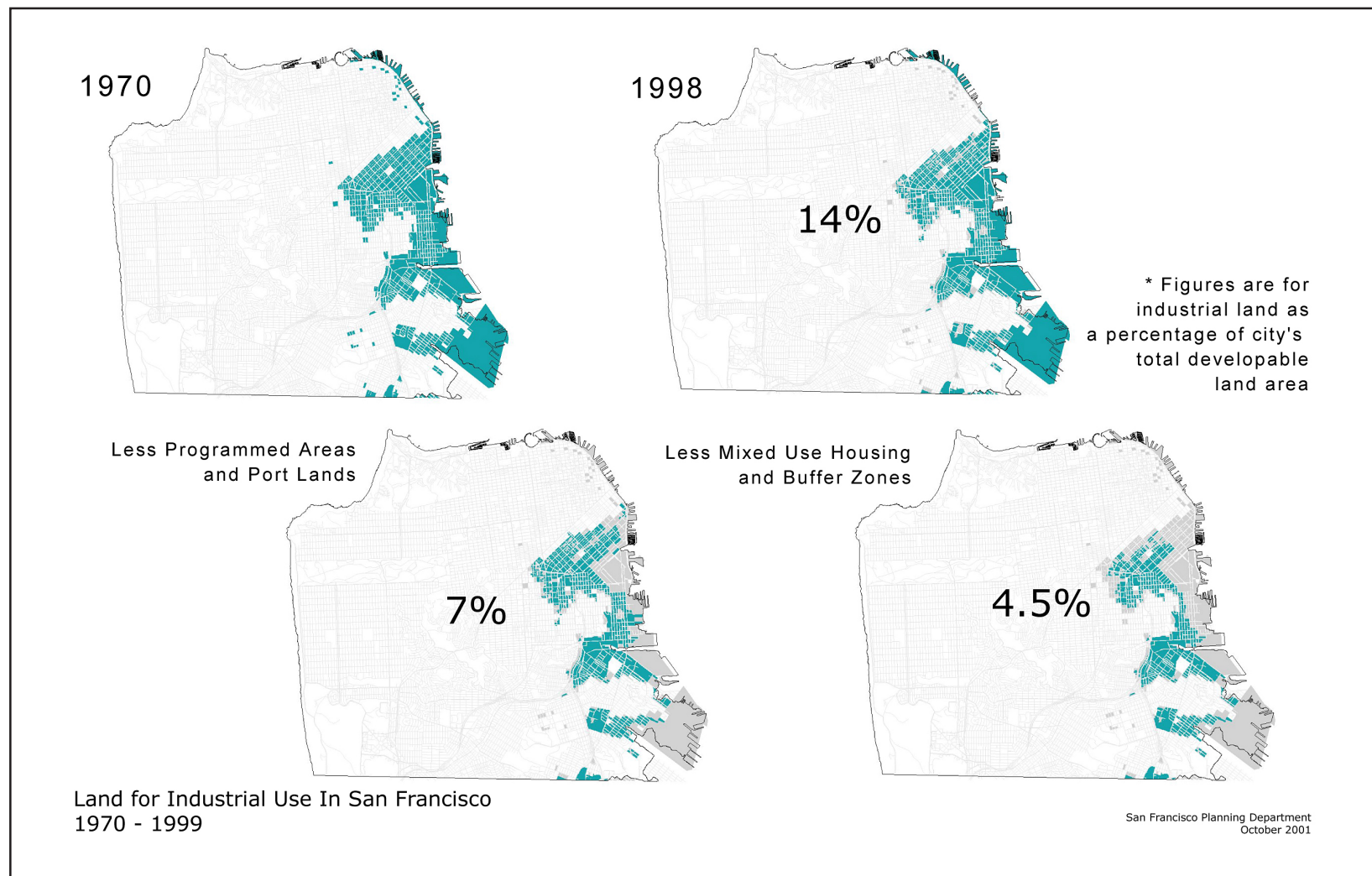


Figure 3.2.1 Industrial Lands Shrinkage, 1970-1999



citizens. Often the industrial areas were seen as the leftover use in the overall planning of San Francisco's future. Fifteen percent of San Francisco's buildable land has zoning which permits industrial uses. Over half of that land has been programmed through a variety of land use plans for activities which are generally not production, distribution, or repair.

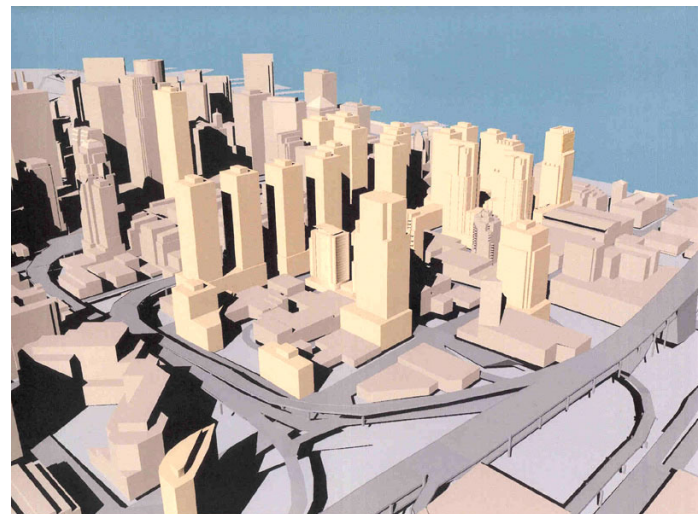
The Industrial Protection Zones, introduced as Interim Controls in August 1999, divided the remaining non-programmed seven percent of industrially zoned land between that which would be protected and that which could be used to increase the City's housing supply. Since 1999, only 4.5 percent of the City's industrial land remains to serve the needs of the PDR sector in San Francisco. If this 4.5 percent is further reduced, most PDR businesses will find it difficult to locate in San Francisco. This is the last remaining industrially zoned land. Space and land for other uses, appropriately zoned, exist in other areas of San Francisco.

Programmed Land

A substantial portion of San Francisco's historically industrial land has been programmed for other uses. About eight percent of San Francisco's total land is contained in Mission Bay, South Beach, Hunter's Point Shipyard, or is controlled by the Port of San Francisco. (Figure 3.3.1) Programmed development in these areas will dramatically change the landscape of San Francisco and will alter the mix of land uses in and around the Eastern Neighborhoods. The greatest impact of these plans will be in the area around the waterfront south of downtown. The plans described below will take place on land that historically supported maritime and other PDR activities.

Transbay Survey Area and Rincon Hill

The San Francisco Redevelopment Agency, in coordination with the San Francisco Planning Department, has developed and adopted a land use and urban design concept plan for the Transbay Survey Area (Figure 3.3.1) and the Rincon Hill area. The ultimate goal is to use a strong, recognizable urban form to foster a pedestrian-oriented place to live and work. Transbay will serve as a portal to the City, with regional views for its residents. Planners hope to utilize its strategic location—just south of Market Street and north of Mission Bay—to link the major modes of transportation (the Bay Bridge, highways, buses and



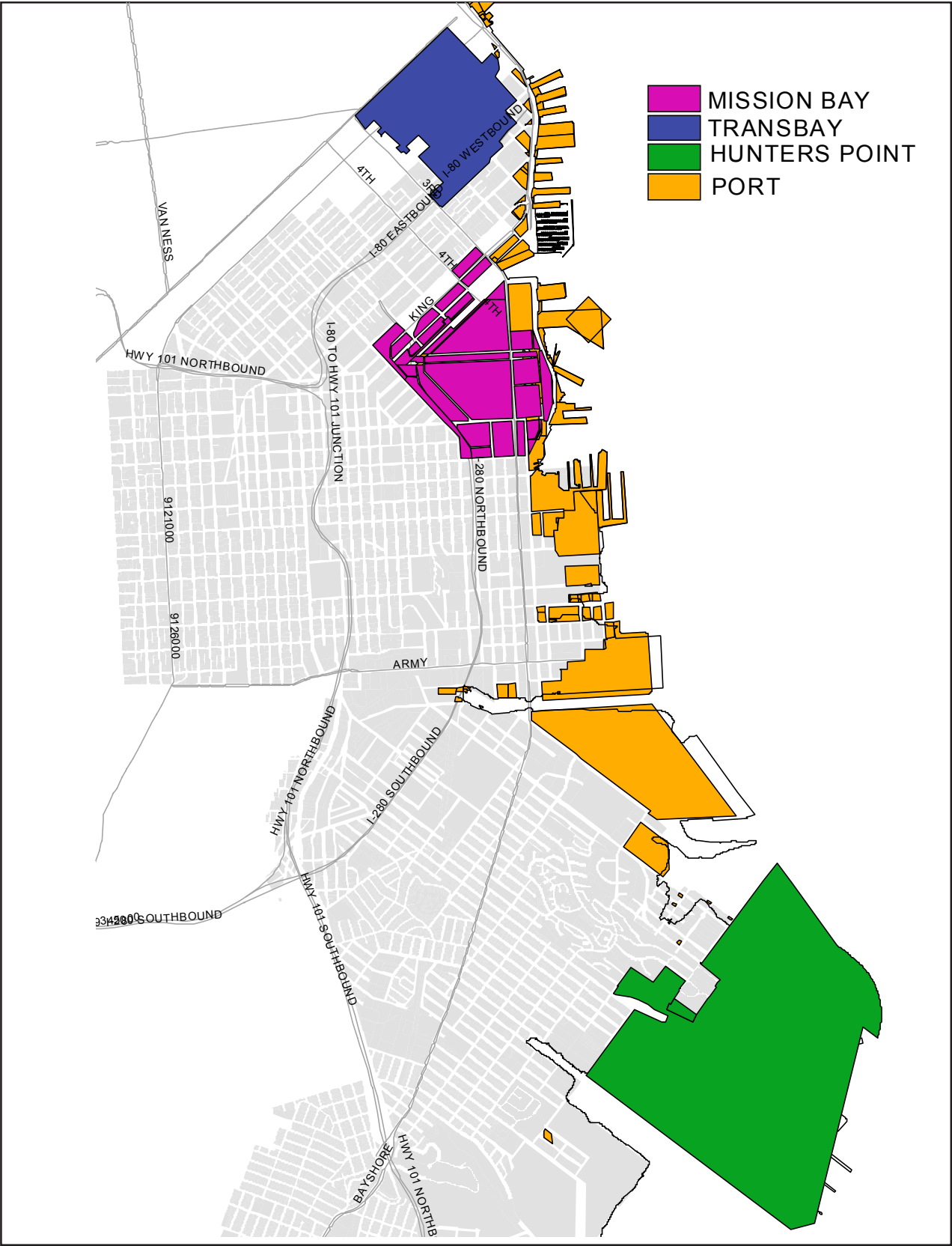


Figure 3.3.1 Location of Programmed Land

the train) to the existing retail, financial, multimedia, cultural, residential, and waterfront uses of San Francisco. In 1998, the Redevelopment Agency removed Rincon Hill from its Transbay Survey Area and assigned the Planning Department the task of examining Rincon Hill's zoning, height and bulk regulations. These changes will facilitate increased opportunities for both residential and commercial uses.

The Redevelopment Agency is currently working on a redevelopment plan and design plan for the Transbay Survey Area. The projected distribution of land uses within the Transbay Survey Area includes: 4,670 dwelling units; 355,440 sq.ft. of retail space; 1,184,590 sq.ft. of office space; and 475,600 square footage of hotel space. The Rincon Hill rezoning effort could create the potential for 4,500 dwelling units and 500,000 sq.ft. of office and other commercial space.

Port of San Francisco

The Port of San Francisco has adopted a Waterfront Land Use Plan for the port property along the waterfront. (Figure 3.3.1)

The South Beach/China Basin portion of the Waterfront Land Use Plan extends from Pier 22 to Mariposa Street. Existing land use activities nearby include: Pacific Bell Park; South Beach, a residential and commercial neighborhood; and the Pier 50 Port maintenance facility. This former industrial area is well on its way to becoming a vibrant mixed-use residential community. The new light-rail, open space improvements, public-oriented activities, and economic strength of the supporting commercial establishments help link this neighborhood with the rest of the City and the waterfront. They also help maintain much valued maritime uses and promote a pedestrian-oriented and transit friendly neighborhood.

Recent projects and works in progress in this area include: the Brannan Street Wharf-Bayfront Park along the Embarcadero from Piers 30-38; the Bryant Street Pier cruise ship terminal and hotel; the China Basin Shoreline Park; and the MUNI Metro extension.



The Southern Waterfront subarea of the Waterfront Land Use Plan extends from Mariposa Street to India Basin. The current activities and existing patterns in this area include: San Francisco Dry Dock; the MUNI yard Western Pacific site; Pier 72 expansion; Pier 80 active deep-water cargo terminal; Pier 70 DPT impound yard; Moscone Center Operations; various industrial uses, and some vacant land. The vision for the area is to expand cargo and maritime related activities, restore some natural habitats, improve public access routes and create additional recreation spaces. Interim uses will be allowed to generate revenue.

Recent and future projects in the Southern Waterfront include the MUNI Metro extension and the Pier 70 Opportunity Area's mixed-use commercial and arts development.

Hunters Point Shipyard

The Hunters Point Shipyard Redevelopment Plan, along with a companion document called iDesign for Development, was formulated by the Redevelopment Agency with the Hunters Point Shipyard Citizens Action Committee following years of community planning that included numerous workshops and meetings. The 500 acres of peninsula jutting off San Francisco's eastern shoreline had been created as bay infill during the rapid wartime expansion of the City. (Figure 3.3.1)

The naval shipyard was closed in 1974, causing major economic disruption to the neighboring Bayview Hunters Point community. Until then the shipyard provided a vital source of livelihood and job training to this predominantly African American community. The closure also left a major environmental problem for the largely industrial lands and the cost of clean-up could hamper full re-use.

The Hunters Point Redevelopment Plan envisages the former shipyard as transforming into a vibrant mini-city with places to live, work, and play. A core element of the planned community will celebrate the Hunters Point African-Americans' cultural, musical and entrepreneurial legacy at the shipyard. Three phases of development, covering a period of 25 years to the year 2025, will result in four distinct, yet interdependent districts: Lockwood Landing, a cultural and commercial destination with mixed uses along the water; a film and media production district that will take full advantage of the shipyard's expansive industrial structures; an industrial district with light production and maritime uses; and the Hill Neighborhoods, a primarily residential area catering to a variety of income levels.

Mission Bay

The Mission Bay Plan (Figures 3.3.1, 3.3.2) has been adopted and is being carried out by the San Francisco Redevelopment Agency. The vision for this future neighborhood is one of a vibrant, livable community with a mix of housing and job opportunities. The new campus of the University of California, San Francisco will be the centerpiece of Mission Bay. Land use plans include allocations for the biotech and medical industries as well as general office, retail and housing. Housing types are planned for all socio-economic groups and services like daycare are planned as well. Attention to good architectural and urban design is included in the vision of this transit and pedestrian oriented community.

Mission Bay North encompasses land between Townsend, Third Street, Seventh Street and Mission Creek. The existing uses in

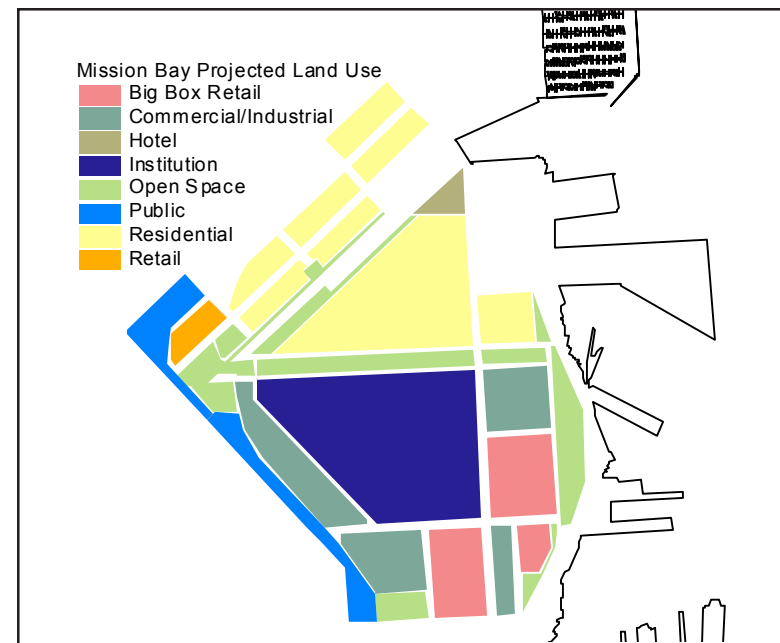


Figure 3.3.2 Mission Bay Land Use Map

this neighborhood consist of residential, PDR and retail. The authorized development, scheduled to take place over the next 30 years, consists of the following: 500,000 sq. ft. commercial (including office space exempted from the City's annual office development limits); 5,000 sq. ft. neighborhood serving retail; 3,000 units of housing and six acres of open space. Major current and approved projects include: 1,916 units of housing; 98,690 sq. ft. of office space; 137,885 sq. ft. of retail space and 13,312 sq. ft. allocated for other uses. Projects currently under review, but not yet approved, are 245 units of housing and 1,102 sq. ft. retail.

Mission Creek, Seventh Street, Mariposa and the waterfront delineate Mission Bay South. Development, scheduled to occur over the next 30 years, includes: 3,090 housing units; 335,500 sq. ft. of retail; 5,953,000 sq. ft. of office (subject to the City's annual office development limits); and 2,650,000 sq. ft. devoted to the UCSF campus. Under construction, or planned for the near future, are 562,236 sq. ft. office; 6,938 sq. ft. of retail; 152,828 sq. ft. of research & development and 236,821 sq. ft. allocated for other uses.

Current and Future Development

Since 1998, builders in the City have completed 500 major projects in the Eastern Neighborhoods. Currently, there are over 300 projects in progress and 300 parcels with proposed projects that may take shape over the next few years. These parcels, with their changing uses, total 473 acres of land or 12 percent of the Eastern Neighborhoods. When added to the pre-programmed lands of Transbay, Mission Bay, Hunters Point and the Port, almost 2,300 acres of land in San Francisco has been or upon approval, will be subject to a major change in use and occupancy. The entire body of land known as the Eastern Neighborhoods is almost 4,000 acres or just over 5,700 acres if combined with the programmed areas mentioned above. Over a third of this land will have changed in use or composition over the course of the next two decades.

Recently Completed Projects

Eighty percent of the major projects recently completed in the Eastern Neighborhoods are residential. (Figure 3.4.2) Of these residential projects, over 1,500 units or 63 percent of the total

units built since 1998 are located in SoMa. These housing projects in SoMa follow the pattern of the Eastern Neighborhoods overall in that 40 percent of its units are live/work. Of the non-residential projects completed in the past four years, SoMa also leads in development activity. Over 100 non-residential projects were added to the existing building stock over the past four years and more than 40 percent are in SoMa. Of all these newly completed developments, office is the most common, with PDR, cultural, institutional, medical, and educational uses following in order.

Over 40 percent of the projects completed within the past four years were completed in 1999, the high point of recent construction activity in San Francisco. The number of completed projects slowed down almost 70 percent by 2001. (Figure 3.4.1)

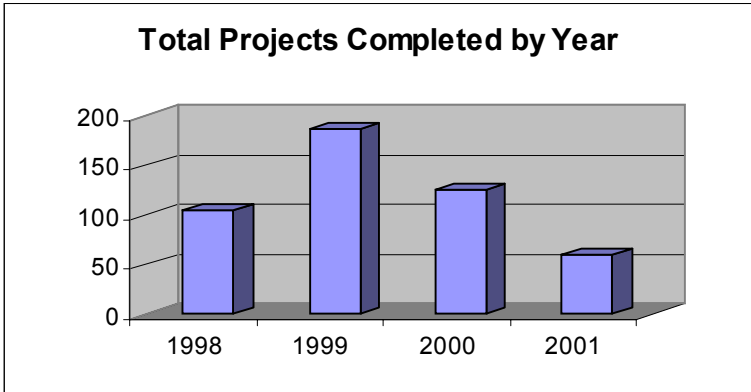


Figure 3.4.1 Total Projects Completed by Year in the Eastern Neighborhoods

Completed Projects by Land Use 1998-2001							Total in Eastern Neighborhoods
LAND USE	SOMA	Mission	Showplace Square/Potrero	Bayview	Visitation Valley	Total	
Residential Units	63%	9%	12%	11%	1%	100%	2,545
Office	59%	26%	15%	0%	0%	100%	34
Retail	53%	32%	0%	16%	0%	100%	19
Production/Distribution/Repair	35%	13%	22%	30%	0%	100%	23
Cultural/Institutional/Educational/Medical	29%	29%	10%	24%	10%	100%	21
Parking/Antennae	20%	40%	40%	0%	0%	100%	5

Figure 3.4.2 Projects Completed by Land Use

Projects Approved or Under Construction

Projects not yet built, but already approved, can be expected to be completed in the next two to three years. The volume of projects approved indicates continued construction activity into the near future. (Figures 3.4.3, 3.4.4, 3.4.5, 3.4.6) Not all of these project are for new construction. Some include renovations of existing buildings and conversion from the original use to either residential or commercial. Seventy percent of approved development is for residential projects. Almost 3,000 residential units are under construction and about 900 of these projects are live/work. Although almost half of the projects are in South Bayshore, SoMa will gain the most new units. The 50 projects approved or under construction in SoMa are higher density projects and are scheduled to yield over 2,000 units. Projects approved or under construction in Bayview and Visitacion Valley are nearly all for single-family homes. Office, retail and PDR developments all combine to share the remaining 30 percent of approved projects or under construction.



Residential Projects Approved or Under Construction						
	SoMa	Mission	Showplace Square	South Bayshore	Visitacion Valley	Total
Projects	50	36	42	102	22	230
Units	2176	192	333	211	24	2912

Figure 3.4.3 Residential Projects Approved or Under Construction

Office Projects Under Construction or Issued						
	SOMA	Mission	Showplace Sq	Bayview	Visitacion Valley	Total
Projects	16	5	5	3	0	29

Figure 3.4.4 Office Projects Under Construction or Issued

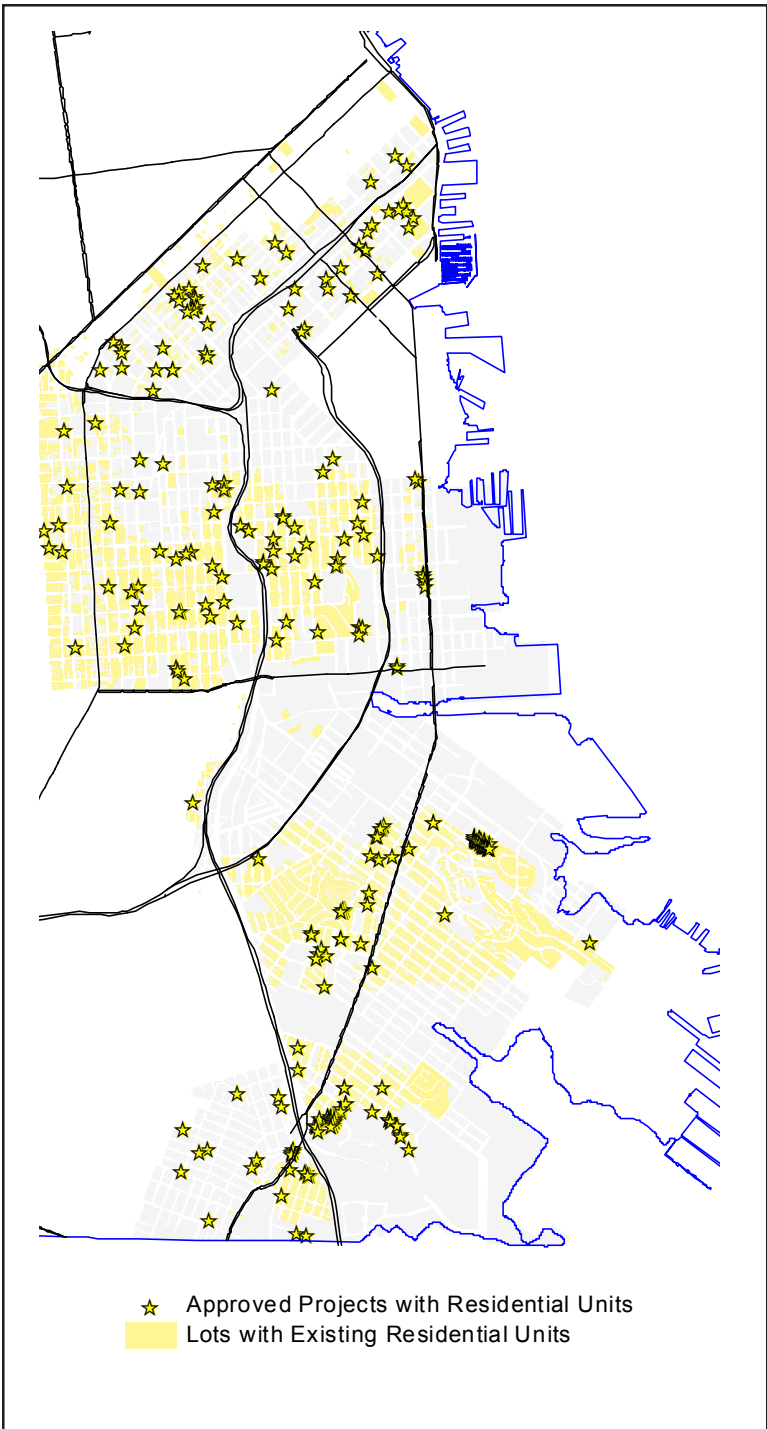


Figure 3.4.6 Residential Sites - Existing and Approved

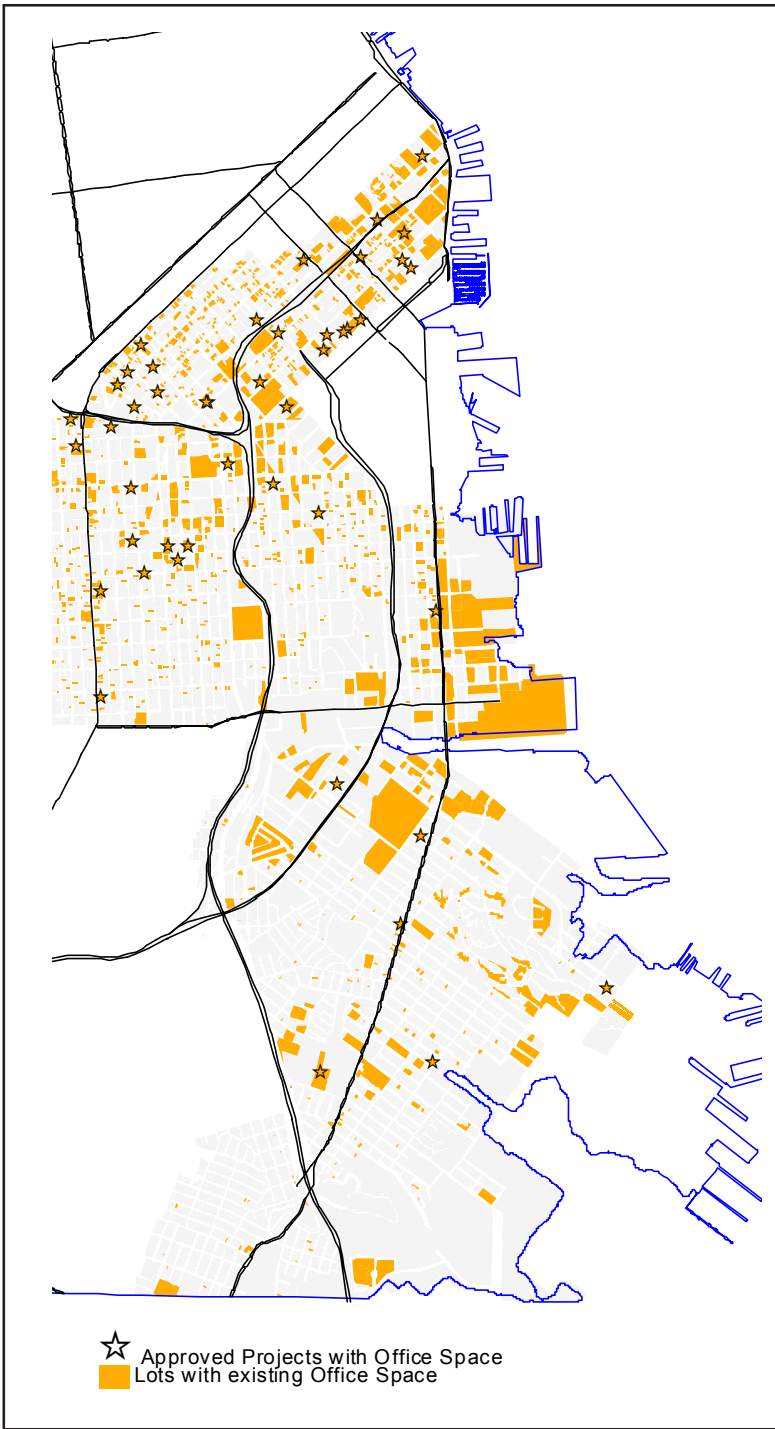


Figure 3.4.7 Office Sites - Existing and Approved

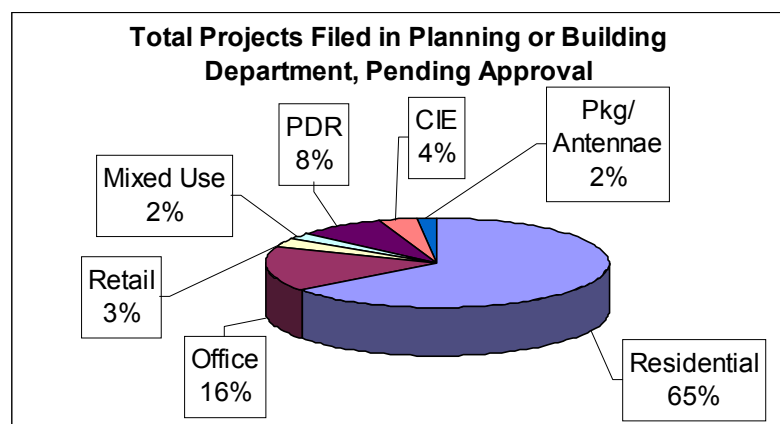


Figure 3.4.8 Total Projects Filed in Planning or Building Department, Pending Approval

Projects Under Review

In addition to the projects approved, under construction, and completed, there are over 230 projects in the Eastern Neighborhoods currently under consideration by the Planning and Building Departments. (Figure 3.4.7) There are also about 50 projects in the very earliest stages of conception. Project sponsors occasionally bring their ideas before planners to assess their projects' feasibility. Assessing the distribution of uses for these projects within the Eastern Neighborhoods provides a glimpse of changes that could occur in this area of San Francisco.



Over 60 percent of the projects filed or initially discussed with the Planning Department within the Eastern Neighborhoods contain at least one unit of housing. Only 15 percent of all projects filed or initially reviewed are office projects. The remaining 25 percent of the project applications are split between mixed-use, PDR, retail, churches, schools, parking garages, and telecommunication centers. Although filing of project applications slowed down significantly by the end of 2001, the nature of the projects filed indicate a will to build and especially a will to continue building housing in San Francisco.

If the project has been filed but not yet approved by the Building and Planning Departments, the project sponsor may assess the current financial risk and the timing and decide not to proceed. Since the downturn of the economy in early 2001, completion of projects approved or even under construction cannot be assumed. The majority of projects have continued through the development phases, although some construction projects in the Eastern Neighborhoods have been halted or postponed. In some cases

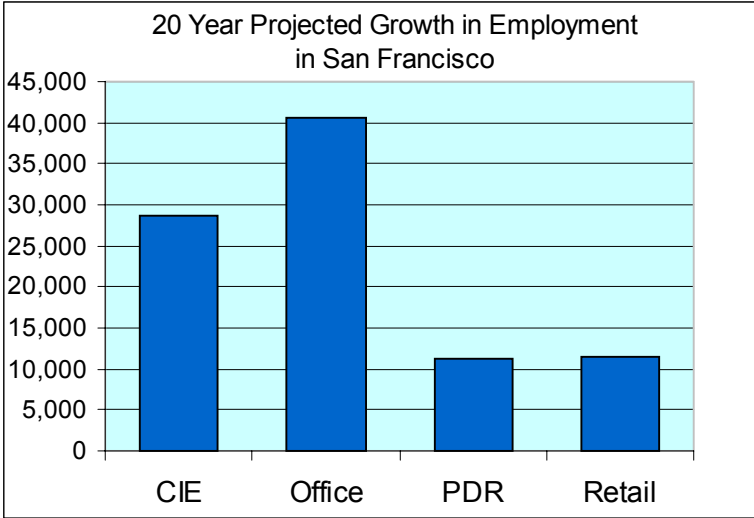


Figure 3.5.1 20 Year Projected Growth in Employment in San Francisco

of bad foresight, unwanted existing buildings have been demolished, leaving behind an empty lot. Some new buildings are now standing empty due to lack of demand.

Projected Growth and Building Capacity

Taken together, existing land use, programmed land use, and projects approved, under construction, or under review provide a picture of the changes taking place in the distribution of activities within the Eastern Neighborhoods. To further assess and anticipate change, planning efforts need to take into account the regional context provided by the Association of Bay Area Governments (ABAG). This regional body releases projections of household and employment growth every two years. Considering areas that have been programmed for new development, including Mission Bay, Transbay, Hunters Point, and the existing zoning in other areas, there is current capacity to meet these needs for space. Potential build-out in an area is based on lands that are occupied at 5 percent of that which is permitted under current zoning, height and bulk regulations. However, allocating this growth in areas where housing can be created in comfortable communities, and jobs and commerce can be effectively served by transportation, will require thoughtful planning.

Potential Buildout of Residential Units by 2020	
Eastern Neighborhoods	8,662
Downtown	5,792
Programmed Areas	15,170
Rest of City	3,251
Total	32,875

Figure 3.5.2 Potential Buildout of Residential Units

Projected Demand for Residential Units by 2020	
Eastern Neighborhoods	3,925
Downtown	2,332
Rest of City	10,463
Total	16,720

Figure 3.5.3 Projected Demand for Residential Units

ABAG's *Projections 2002* forecasts an increase of 34,000 San Francisco residents from 2000 to 2020. The Planning Department has disaggregated this growth to specific areas of the City based on existing development, programmed areas, and planned projects. This growth would result in the need for over 17,000 new housing units Citywide, or almost 900 per year. About 4,000 would be in the Eastern Neighborhoods. (Figure 3.5.2)

Another way of assessing future housing need is that used by the State. As described in Chapter 2, the California Department of Housing and Community Development (HCD) has calculated an annual need for San Francisco to produce about 2,700 new units to meet projected population and employment growth and to



achieve state policy goals that include decreased commuting. Considering programmed areas and current zoning, 30,000 new units could be accommodated throughout San Francisco. About 6,000 units could be accommodated in downtown, about 15,200 in the Programmed Areas, 8,700 in the Eastern Neighborhoods, and 3,300 in the rest of the city. (Figure 3.5.2) In the Eastern Neighborhoods, this potential development would mean devoting land to housing instead of other uses.

ABAG's *Projections 2002* expects that 30 million sq.ft. of new commercial space will be needed through 2020. (Figure 3.5.4) The geographic allocation of this growth, based on pipeline projects and programmed areas such as Transbay and Mission Bay, shows that about 150 million sq.ft. could theoretically be accommodated. (Figure 3.5.5) Under current zoning, 15 million sq.ft. could be built in downtown, 13.3 million sq.ft. in the Programmed Areas, 65.3 million sq.ft. in the Eastern Neighborhoods, and 55.7 million sq.ft. in the rest of the city. In the Eastern Neighborhoods, the Community Plan area with the greatest capacity over the next 20 years is South Bayshore, followed by Showplace Square/Central Waterfront.

It is, of course, unlikely that any of the areas will build to their maximum building potential in the next 20 years. In order to maintain the quality of life expected by San Franciscans, the City would have to increase other supporting land uses, public services and amenities such as open space and transportation. Nonetheless, these theoretical calculations show that San Francisco, including the Eastern Neighborhoods, has the capacity to meet future needs for space for housing and space for jobs. With thoughtful planning on the part of the involved communities, these needs can be met in attractive, accessible and efficient communities.



Net Demand for Commercial Square Footage by 2020	
Total Plan Areas	14,873,000
Downtown	5,100,000
Rest of City	12,900,000
Total	32,873,000

Figure 3.5.4 Potential Buildout of Commercial Square Footage

Net Demand and Potential Commercial Space by 2020	
	Potential Buildout in Square Footage
Total Plan Areas	65,300,000
Downtown	15,000,000
Rest of City	55,700,000
Total	136,000,000

Figure 3.5.5 Net Demand for Commercial Square Footage

