

D. Population, Housing, Business Activity, and Employment

This section describes existing conditions (generally, as of 2000) and trends for population, housing, business activity and jobs in the Eastern Neighborhoods and compares future conditions assuming rezoning as proposed in the three options to what would otherwise be expected under a base case without rezoning. That analysis is the basis for a discussion of impacts for population growth; housing demand and supply; affordable housing; residential, business, and worker displacement; and job opportunities.

This section also discusses growth-inducing effects of the proposed project. Section 15126 of the state CEQA Guidelines states that an EIR must discuss the “growth-inducing impact of the proposed project.” This requirement is further explained in Section 15126.2(d), where it is stated that an EIR must evaluate how a project “could foster economic or population growth, or the construction of additional housing, either directly or indirectly, in the surrounding environment,” including how a project could “remove obstacles to population growth.” Potential indirect and cumulative effects of growth must also be evaluated. As stated in Section 15126(d), “It must not be assumed that growth in any area is necessarily beneficial, detrimental, or of little significance to the environment.” This section contains the EIR’s examination of direct growth-inducing impacts on population, housing, business activity, and employment. However, the entire Eastern Neighborhoods Rezoning project is potentially growth-inducing, in that it would remove barriers to housing and population growth throughout wide areas of the study area and would result in secondary, and cumulative effects due to that growth. To the extent that these indirect and cumulative effects can be reasonably forecast, they are analyzed in the appropriate topic areas of this EIR.

Environmental Setting

Introduction

The information that follows is derived from the following report: *San Francisco’s Eastern Neighborhoods Rezoning—Socioeconomic Impacts*, Draft for Public Review, prepared for the Planning Department by Hausrath Economics Group, March 29, 2007. Charts and other figures that illustrate the existing conditions described below are presented in the included in the full report in socioeconomic impacts.

Regional Setting

Population and Housing

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.⁷¹ There were 329,700 households in San Francisco, and the average household size was 2.3 persons-per-household.

Since 2000, there has been a marked increase in housing in San Francisco. This City's official housing inventory counts 356,000 housing units in 2005, an increase of 11,220 units from April 2000 through 2005.⁷² State of California Department of Finance estimates show 357,000 housing units in the City as of January 1, 2006.

There are, however, considerable differences in the assessment of what has happened to San Francisco's population over this same period. 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. **Table 17** summarizes population estimates from each source. The official state estimates prepared by the Department of Finance show an *increase*

**TABLE 17
POPULATION ESTIMATES FOR SAN FRANCISCO**

		Source
April 1, 2000	776,733	U.S. Census, Decennial Census
July 1, 2006	802,561	State of California Department of Finance
July 1, 2006	744,041	U.S. Census, Annual Population Estimates
2000 – 2006 change	25,918 (32,692)	DOF Census

in the number of people living in the City—an increase of about 26,000 people from April 2000 through July 1, 2006. The official federal estimates prepared by the U.S. Census show a *decrease* in San Francisco's population; the federal estimates show 33,000 fewer people living in San Francisco in 2006 than were counted in the 2000 Census.⁷³

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. The differences are evident not only in estimates for San Francisco, but also in estimates for other Bay Area counties and for the state overall. The disparities are the subject of on-going discussions among federal and state demographers.

⁷¹ 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.

⁷² San Francisco Planning Department, *San Francisco Housing Inventory*, October 2006.

⁷³ These estimates are the most recent releases from the State Department of Finance (Official State Estimates, released in December 2006) and the U.S. Census (Annual Population Estimates, released March 27, 2007). The Census estimates for July 1, 2006 show an increase from estimated population for July 1, 2005—741,025. This is the first year since the April 2000 Census count that the Census Annual Population Estimates show a net year-to-year increase in San Francisco's population.

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 14,000 people between April 2000 and July 1, 2006. The estimates diverge significantly on migration—most significantly on internal or domestic migration. **Table 18** presents the comparison of the July 1, 2006 estimates and the components of the 2000-2006 change as estimated by each agency.

While the state estimates show about 10,000 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 almost two times the state estimates—101,000 people moving out of the City and County of San Francisco over these six years, compared to 53,000 people moving out. Review of the annual estimates for each intervening year indicates that the federal estimates of net domestic migration are consistently about twice as high as the state estimates.

TABLE 18
COMPONENTS OF CHANGE FOR SAN FRANCISCO POPULATION ESTIMATES

	2000 (April 1)	U.S. Census Annual Population Estimates		California Department of Finance Official State Estimates	
		2006 (July 1)	Change from April 1, 2000	2005 (July 1)	Change from April 1, 2000
Total population	776,733	744,041	(32,692)	802,651	25,918
Births			53,399		52,742
Deaths			(38,673)		(38,774)
Net International Migration			55,105		65,087
Net Domestic Migration			(101,397)		(53,137)
Residual			(1,126)		-
			(32,692)		25,918

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

State analysts have validated their estimation methodology against Census counts in 2000. 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 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 described above. 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.

Jobs and Business Activity

There were about 600,000 people working in San Francisco in 2004.⁷⁴ This estimate includes full-time and part-time wage and salary employment as well as proprietors employment (the self-employed and partners in partnerships).⁷⁵ 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 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.

⁷⁴ 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.

⁷⁵ 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."

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 city's economy has remained quite diverse. No one sector accounts for more than 20 percent of total employment. 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 accounts for almost half (45 percent) of government employment in San Francisco. San Francisco also benefits from a substantial state and federal government presence.
- **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.
- **Education and health services and business, civic and advocacy associations** represent an increasing share of economic activity in the City, serving City residents also a regional market.
- **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. 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. 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 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. 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.

Employed Residents and Commuters

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. 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.

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. 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.

Local Setting

Characteristics of the Population

The Eastern Neighborhoods are home to about 70,000 people, just under 10 percent of the City's population (**Table 19**). Almost all of these people live in households; less than five percent are classified as group quarters population. The households and household population are not evenly distributed across the four Eastern Neighborhood planning areas. Households and population are concentrated in the Mission—home to 60 percent of the households and 70 percent

TABLE 19
POPULATION IN THE EASTERN NEIGHBORHOODS AND IN SAN FRANCISCO, 2000

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

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 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 each of the four 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. The average household is notably smaller in the Central Waterfront and in East SoMa, and just under the citywide average in the Showplace Square/Potrero Hill area.

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.⁷⁶

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. Over 90 percent of the children in the plan area under the age of 18 live 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

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. 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

⁷⁶ 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.

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 Islander⁷⁷—about the same as the citywide average. The racial and ethnic character of these Eastern Neighborhoods was fairly stable during the 1990s.

As is the case citywide, a high percentage of the people living in the Eastern Neighborhoods (almost 40 percent of the total) were born outside the United States. 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 are 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. Citywide, almost 60 percent of the foreign-born are citizens, while in the Eastern Neighborhoods, only 40 percent are citizens. 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.

A high percentage (46 percent) 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. Overall in the Eastern Neighborhoods, the propensity of the population to be linguistically isolated (living in households where the primary language is not English and no person aged 14 or over speaks English at least “very well”) 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.

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. 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.

⁷⁷ Almost all Asian and Pacific Islanders in East SoMa are Filipino.

Characteristics of Households

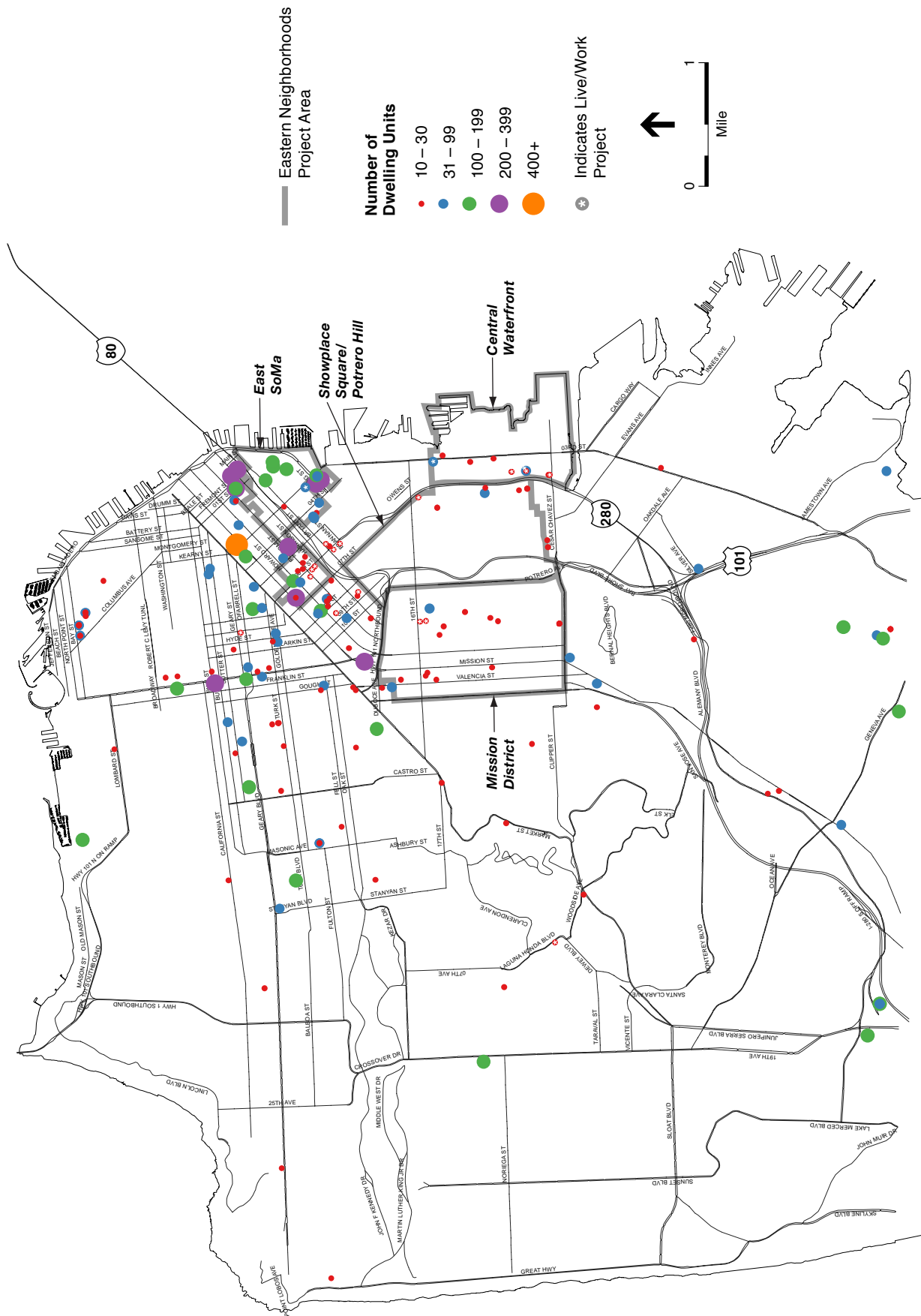
There were just over 26,000 households in the Eastern Neighborhoods in 2000—eight percent of all households in San Francisco. The mix of household types in the Eastern Neighborhoods is diverse and is remarkably similar to the overall mix of household types in the City.

Considering the Eastern Neighborhoods together, the proportion of single-person households (36 percent) is just slightly below the proportion of single-person households citywide. 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 single-room occupancy (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, while the Mission also includes a number of SRO buildings concentrated near the 16th and Mission Streets intersection. New live/work and loft housing began to predominate in the Central Waterfront in the late 1990s, attracting new residents and more smaller households. **Figure 11** depicts recent new residential (including live/work) development in San Francisco, including the project area. **Figure 12** displays SRO hotels by number of dwelling units in the Eastern Neighborhoods and the rest of San Francisco, while **Figure 13** shows public housing in the project area and citywide.

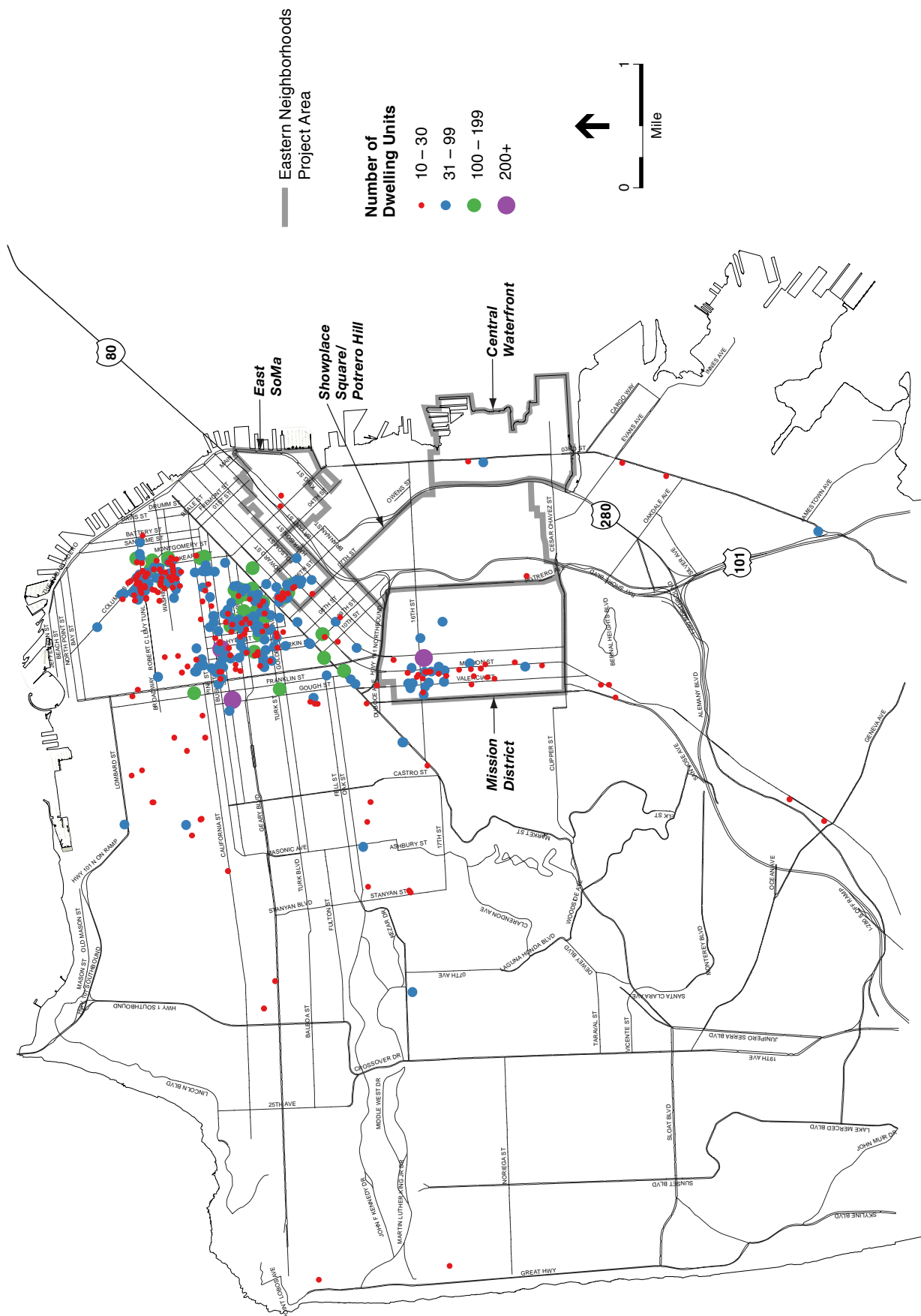
As is the case citywide, families with children (both married-couple families and single-parent families) are the smallest household group in the Eastern Neighborhoods. Married-couple families with children represent 12 percent of Eastern Neighborhoods households—the same as the citywide average. These 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, while just eight percent of all City households are in the Eastern Neighborhoods. 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-



Case No. 2004.0160E: Eastern Neighborhoods Rezoning and Area Plans (203091)
Figure 11
 Recent Major Residential Development
 in San Francisco, 2000-2005

SOURCE: San Francisco Planning Department

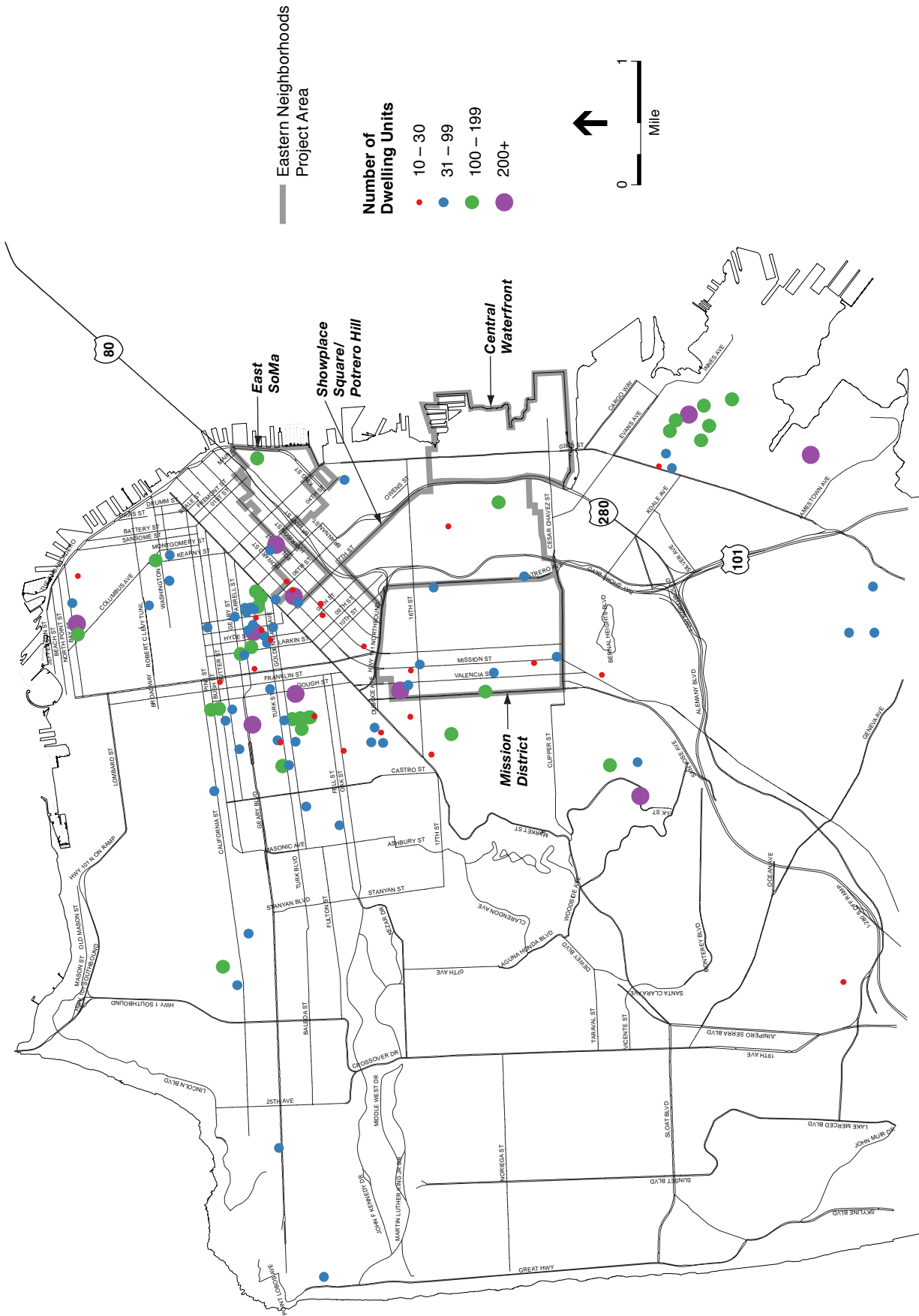


SOURCE: San Francisco Planning Department

Case No. 2004.0160E: Eastern Neighborhoods Rezoning and Area Plans (203091)

Figure 12

Single Room Occupancy Hotels in San Francisco



Case No. 2004.0160E: Eastern Neighborhoods Rezoning and Area Plans (203091) **Figure 13**
Public Housing
in San Francisco

SOURCE: San Francisco Planning Department

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.

Most of San Francisco's households are renters, and 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. 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. Just over 80 percent of housing in the Mission is rental.

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. 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 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.

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. 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.

Consistent with the predominance of rental housing stock in the City and in the Eastern Neighborhoods, all types of households are renters. Because renter households are more vulnerable to displacement, this analysis examines the population living 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.

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. 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.

The full spectrum of household incomes is represented in the Eastern Neighborhoods. Lower income households are concentrated in the Mission and East SoMa. In those neighborhoods in 2000, median household income was 80 – 90 percent of the citywide median of \$55,200 in 1999 dollars.⁷⁸ (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.⁷⁹ 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.

The poverty rate in the Eastern Neighborhoods is substantially higher than the poverty rate for the city as a whole. 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.⁸⁰ 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

⁷⁸ 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.

⁷⁹ 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.

⁸⁰ 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

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). 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. 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.

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. 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 is also indicative 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.

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. 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 in 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 2000.⁸¹ 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.

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.

⁸¹ 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.

Characteristics of the Housing Stock

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 20**). 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.

TABLE 20
HOUSING INVENTORY IN THE EASTERN NEIGHBORHOODS AND IN SAN FRANCISCO, 2004

	East SoMa	Mission	Showplace Square/Potrero Hill	Central Waterfront	All Eastern Neighborhoods	Western SoMa	Total City
Total Housing Units ¹	6,703	16,683	5,742	739	29,867	2,475	356,494
Percent of City Total	1.9%	4.7%	1.6%	0.2%	8.4%	0.7%	100.0%
Percent of Eastern Neighborhoods	22%	56%	19%	2%	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	1,628	1,735	16	49	3,428	99	20,015
Percent of City Total	8.1%	8.7%	0.1%	0.2%	17.1%	0.5%	100.0%
Percent of Eastern Neighborhoods	47%	51%	1%	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.

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

The count of housing units in **Table 20** 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. 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. 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 below-market-rate housing 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, the existence of older building stock, and the relatively lower land values in the Eastern Neighborhoods has meant that portions of the study area retain a supply of lower-rent 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.

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, and these units represent just over 10 percent of the overall housing supply (**Table 20**). 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.

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. 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 (see **Table 21**). The proportion of units lost due to demolitions has declined, and there has been an increase in the net gain due to alterations.

TABLE 21
HOUSING PRODUCTION TRENDS, 2000 – 2004

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

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

There have been substantial recent changes in the housing stock in the Eastern Neighborhoods. 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 21**). 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.⁸² 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.

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.

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 22**, 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. 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

⁸² 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.

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 22
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, and most early live/work units were conversions of former industrial buildings and warehouses. Subsequently, builders began developing new live/work units that were initially classified by the Planning and Building Codes as commercial space, with the result that units that were, in fact, residences were constructed without the open space that would have been required for units defined as residential, and with lesser fees imposed to offset school impacts. The result was a boom in live/work and loft housing in the 1990s, as builders made profits and buyers purchased relatively lower-cost dwellings. However, the loopholes in the live/work provisions 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 resulting disruption of traditional land use patterns in part prompted the interim controls in 1999 that created Industrial Protection Zones that 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.

A closer look at the changes by neighborhood shows that the larger scale new construction was the predominant characteristic of new development activity in East SoMa and the Central Waterfront. 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 has 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 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 23**). 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 23
PROFILE OF VACANT HOUSING UNITS, 2000

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

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.⁸³

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-

⁸³ Real Estate Research Council of Northern California, *Northern California Real Estate Report*, Second Quarter 2006.

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 \$680,000.⁸⁴ 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.

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 24**). 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 24
SALES PRICES FOR HOUSING BY NEIGHBORHOOD, 2005

Neighborhood	Median Sales Price, 2005 ¹	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

⁸⁴ 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.

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 25** 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.

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

TABLE 25
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.

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

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.⁸⁵

⁸⁵ MetroRent, Inc., 2004 and 2006, data supplied by the San Francisco Planning Department.

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. 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. 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 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 medium- to 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 26**). 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 26
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.

SOURCES: 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 26**). 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. 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 households may end up homeless.

The Eastern Neighborhoods and vicinity⁸⁶ 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. 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 area 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

⁸⁶ 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 César Chávez. 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.

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.

Workforce Characteristics and the Types of Jobs Held by Workers Living in the City

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.

As shown in **Table 27**, 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 27
EMPLOYMENT STATUS OF THE WORKING-AGE POPULATION, 2000

<i>Population 16 years and older</i>	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. 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. 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.

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. 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.

Most workers living in San Francisco also work in the City. Overall, 77 percent of employed residents of San Francisco held jobs in San Francisco in 2000.⁸⁷ In the Eastern Neighborhoods

⁸⁷ 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/)

and in Western SoMa, the percentage was about the same as this citywide average. 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.

Citywide, there has been a gradual decline in the percentage of the City's employed residents who also work in the City. During the 1990s, the decline slowed. 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. 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.

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 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.

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.

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 percentage 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.

A disproportionate share of the City's residents holding occupations with lower skills requirements and lower wages lives in the Eastern Neighborhoods. 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 28**.

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 \$22,000.⁸⁸

TABLE 28
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 Neighbor- hoods	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.

SOURCES: 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.

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.

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.

⁸⁸ 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.

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 of employed residents. 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.

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.⁸⁹ 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 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.

⁸⁹ 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.

A relatively high percentage of workers living in the Eastern Neighborhoods have low earnings (income from employment) 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. In the Eastern Neighborhoods and Western SoMa, earnings levels are lower than the citywide average. 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.

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. 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.

Citywide and across each of the Eastern Neighborhoods and Western SoMa, four industrial sectors employ 50 to 60 percent of all employed residents. 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. The differences shown in **Table 29** reinforce the profile of neighborhood workforce characteristics described above in terms of occupations.

TABLE 29
TOP FOUR INDUSTRY SECTORS FOR WORKERS LIVING IN SAN FRANCISCO,
THE EASTERN NEIGHBORHOODS AND WESTERN SOMA
(IN TERMS OF NUMBERS EMPLOYED)

Industries	Eastern Neighborhoods						Western SoMa
	San Francisco	All Eastern Neighborhoods	East SoMa	Mission	Showplace Square/Potrero Hill	Central Waterfront	
Professional, scientific, management, administrative services	1	1	1	1	1	1	1
Educational, health and social services	2	2	4	3	2	3	
Retail trade	3			4	4	2	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%	55%	58%	61%	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.

SOURCES: 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.

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.

Characteristics of Business and Jobs in the Eastern Neighborhoods

In 2000, there were about 73,000 jobs in the Eastern Neighborhoods, about the same number of people working in the Eastern Neighborhoods as lived there.⁹⁰ Together these areas accounted for just over ten percent of all employment in San Francisco (**Table 30**). 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.

⁹⁰ 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.

**TABLE 30
EMPLOYMENT BY BUSINESS ACTIVITY FOR THE EASTERN NEIGHBORHOODS AND
THE REST OF THE CITY, 2000**

	Business Activity (see definitions below)						Percent of Total
	MIPS	PDR	Retail	Visitor	CIE	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.

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.

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. 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/Hunters 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 the high 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.

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.

PDR businesses employ San Franciscans, and 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. There are notable differences in the skills ladder for PDR occupations and retail and low-wage service occupations that also have minimal education requirements. 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. 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.⁹¹

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

⁹¹ 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

throughout the Mission: larger traditional facilities and new digital media 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.

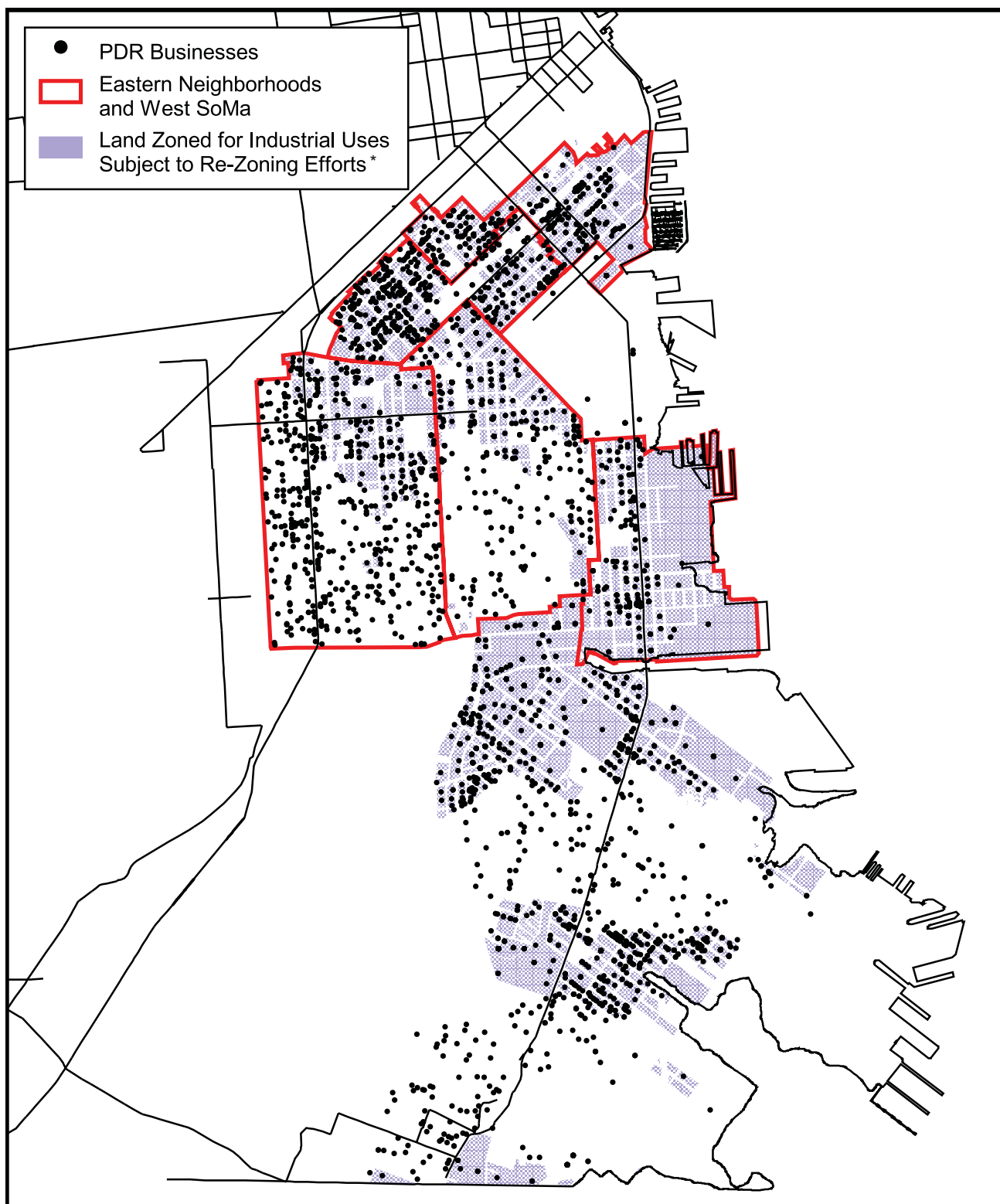
It is also important to remember that PDR businesses are located elsewhere in the broader Eastern Neighborhoods planning area as originally set forth in the Planning Department's 2003 draft *Rezoning Options Workbook*. Planning Department estimates show about 10,000 PDR jobs in Western SoMa and 18,000 PDR jobs in Bayview/Hunters Point in 2000. Two-thirds of PDR employment in San Francisco is located in these combined areas on the east side of the City.

Figure 14 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 businesses are located on land zoned for PDR use.⁹² 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.⁹³ In the 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 use districts. Overall, for the Eastern Neighborhoods (and including Western SoMa), roughly 20 percent of PDR employment is located outside of the heavy commercial, industrial, and service districts where they are permitted uses.

⁹² 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.

⁹³ Economic & Planning Systems, in *Supply/Demand Study for Production, Distribution, and Repair (PDR) in San Francisco's Eastern Neighborhoods*, April 15, 2005. Available on the internet at: <http://www.sfgov.org/site/uploadedfiles/planning/Citywide/pdf/14158FinRpt1.pdf>. This report is also available for review by appointment at the Planning Department, 1650 Mission Street, Suite 400, in File No. 2004.0160E.



*Note: Land subject to rezoning outside Eastern Neighborhood Project Area is in redevelopment plan areas within Bayview-Hunters Point, including Areas A and B, India Basin Industrial Park, and Bayview Industrial Triangle, as well as Visitacion Valley Redevelopment Survey Area.



SOURCE: San Francisco Planning Department

Case No. 2004.0160E: Eastern Neighborhoods Rezoning and Area Plans (203091)

Figure 14
PDR Businesses on Land Currently Zoned
for Industrial Uses and Subject to Rezoning

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 generally not prohibited.⁹⁴

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.⁹⁵ 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 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.

⁹⁴ As described in Section IV.B, Plans and Policies, current Planning Commission policies under Commission Resolutions 16202 and 16727 discourage residential use in portions of the project area designated for PDR uses.

⁹⁵ 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*, 2005 (see Note 93, p. 217).

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 often 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. For example, measured by percentage of all employment in the Eastern Neighborhoods East SoMa includes key clusters of PDR establishments in the areas of publishing, arts, audio/visual, and vehicle-related business. Clusters in the Mission include audio/visual and fashion (garment) industries. Showplace Square's primary employment concentrations involve the interior design industry, arts, and fashion, while the Central Waterfront's major job center is in transportation.⁹⁶ 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.

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

⁹⁶ Economic & Planning Systems, Inc., *Supply/Demand Study for Production, Distribution, and Repair*, 2005 (see Note 93, p. 217).

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.

Future Context for PDR Business Activity in San Francisco

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 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; and 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.

Growth Context: The Bay Area Region and San Francisco

Regional Scenario for Population and Employment Growth

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*, *Projections 2005*, and *Projections 2007*) 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 500,000 households and 1.4 million people between 2000 and 2025 and about 1.2 million jobs (**Table 31**). 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 assumptions regarding 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 the *Projections 2005* 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 31
REGIONAL SCENARIO FOR HOUSEHOLD POPULATION, HOUSEHOLDS, AND EMPLOYMENT:
1990, 2000, AND 2025

	1990	2000	2025	1990 - 2000		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.

2025 No-Project Scenario for Population and Employment Growth

The 2025 No-Project 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. Staff of the San Francisco County Transportation Authority prepared an allocation to planning areas in San Francisco of a citywide 2025 growth scenario derived from *Projections 2002*, and not considering the proposed rezoning options or other aspects of the Planning Department's Citywide Action Plan (which includes the Better Neighborhoods planning process, the Downtown Neighborhoods Initiative, and other programs to encourage housing citywide). This allocation is considered the 2025 No-Project scenario, which is the No-Project Alternative for purposes of this EIR. (See the Analysis Assumptions section at the beginning of Chapter IV for additional information on how this scenario compares to the growth forecasts that were developed for the proposed Eastern Neighborhoods rezoning project.)

Households and Household Population

The 2025 No-Project 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 No-Project scenario (**Table 32**). 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 No-Project 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 No-Project 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, Hunters Point, and Transbay. This was prior to the initiation of Better Neighborhoods, Eastern Neighborhoods, Mid Market and other community planning initiatives. At 760 households per year on average, the No-Project scenario is reflective of the relatively low level of housing production occurring in the City in the late 1990s and is far below the amount required to begin to address housing needs in San Francisco. 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 No-Project scenario for household growth in San Francisco through 2025.

The No-Project 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

TABLE 32
NO-PROJECT 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.

SOURCES: San Francisco Planning Department and Hausrath Economics Group.

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 2025 No-Project household projection for this part of San Francisco.

Under the No-Project 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 markedly under the No-Project scenario. Overall, the No-Project 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 2025 No-Project 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 No-Project 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 2025 No-Project 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 33**). The share of regional employment located in San Francisco continues to decline over time according to this No-Project forecast scenario.

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 No-Project 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 No-Project 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 2025 No-Project 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 No-Project 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 No-Project 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 No-Project 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

**TABLE 33
NO-PROJECT 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

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.

Regulatory Setting

General Plan

Priority Policies

Several of the priority policies of San Francisco's General Plan establish the City's interest in affordable housing, economic diversity, and a broad range of employment opportunities for residents. 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.

Commerce and Industry Element

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.

One of the three overall goals of the Commerce and Industry Element is “to assure that all segments of the San Francisco labor force benefit from economic growth.” The 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.

Housing Element

The Housing Element of the *General Plan* describes housing needs and identifies the capacity for new housing in the city based on land supply and site opportunities. The Element focuses on the City's critical need for affordable housing.

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.

As noted in Section IV.B, Plans and Policies, the proposed Eastern Neighborhoods area plans include objectives and policies that would encourage the production of more affordable housing, the implementation of which would enhance the City's ability to meet the affordable housing production goals in the Housing Element.

Table 34 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.

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: the homeless, mentally ill, physically disabled, elderly, low income minorities, families with children, low-income singles, students, new immigrants, terminally ill patients, and artists. Many

TABLE 34
HOUSING PRODUCTION TARGETS, 1999-JUNE 2006 AND ACTUAL PRODUCTION, 1999-2005
INCLUDING ACQUISITION AND REHABILITATION OF EXISTING UNITS
AS PERMITTED BY HCD GUIDELINES

Income Category	ABAG/HCD Regional Housing Needs Determination (RHND) Production Goals 1999-June 2006		Actual New Housing Production and Acquisition/Rehabilitation 1999 - 2005		
	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 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 needs for these groups amount to thousands of units in shelters, transitional housing, SROs, board and care facilities and institutions; senior housing projects, two-or-more bedroom family units, dorm rooms, and live-work space.

The Housing Element contains objectives, policies and implementation programs designed to set the City on a course to meeting these needs as well as generalized needs for more housing production and affordable housing supply in particular.

Impact Analysis

Significance Criteria

The proposed rezoning could have a significant effect on population and/or employment if it would:

- Induce substantial growth or concentration of population,
- Displace a large number of people (involving either housing or employment), or
- Create a substantial demand for additional housing in San Francisco, or substantially reduce the housing supply.

Methodology

The impact analysis is based on assessment of 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 (such as allowing housing within industrial zones through Conditional Use authorization on a project-by-project basis, site-specific rezoning to permit housing, and other similar case-by-case approaches). This comparison enables conclusions about what these different outcomes would mean for population growth; for housing demand and supply; and for existing residents, workforce, and businesses in the Eastern Neighborhoods.

Rezoning Scenarios for Population and Employment Growth

The scenarios for San Francisco population and employment under the proposed rezoning alternatives were developed by the San Francisco Planning Department and first introduced in the February 2003 draft report *Community Planning in the Eastern Neighborhoods: Rezoning Options Workbook*. The Department prepared three scenarios to illustrate the likely outcomes under alternative rezoning proposals for the Eastern Neighborhoods. With the exception of modifications to reflect changing planning area boundaries and some new pipeline projects, the scenarios presented in this EIR are essentially the same as those outlined in 2003 for the *Rezoning Options Workbook*.⁹⁷

The Eastern Neighborhoods rezoning is not the only factor that distinguishes the scenarios for Options A, B, and C from the 2025 No-Project scenario based on *Projections 2002* and described above. All of the rezoning options scenarios assume more housing production in San Francisco between 2000 and 2025 than projected by ABAG in *Projections 2002* (and assumed in the No-Project scenario). A more aggressive housing scenario (more than 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 No-Project scenario (760 units per year on average). The housing 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, Hunters 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.

⁹⁷ 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.

Households and Household Population

Under all of the proposed rezoning options, an additional 36,500 households are forecast for San Francisco between 2000 and 2025 (**Table 35**). This is almost two times the amount of household growth forecast under the No-Project scenario. The average annual net addition of housing under the rezoning scenarios (1,400 – 1,500 units per year) remains well below housing production targets to meet housing needs, however. As noted above, the City’s Housing Element established a short-term housing production target of 2,850 units per year for the 1999 – 2006 period.

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

Under all rezoning options, 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, Hunters 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. Through the 2025 planning horizon, the amount of household and population growth in the rest of the City would vary depending on the rezoning option for the Eastern Neighborhoods. Options with lower amounts of household and population growth in the Eastern Neighborhoods (Options A and B) would see more household and population growth in the rest of the City. Option C would result in the smallest amount of household and population growth in the rest of the City through 2025.

The rezoning scenarios show 20 – 27 percent of the citywide increase in households occurring in the Eastern Neighborhoods, higher than the 15 percent under the 2025 No-Project scenario. For Option A, 9,000 additional households in the Eastern Neighborhoods is three times the number of households forecast for these areas under the No-Project scenario. (Although smaller amounts of industrial land would be rezoned for housing and mixed uses under Option A compared to Options B and C, Option A results in this amount of housing because of the assumption that 2,500 units of housing would be developed in the Central Waterfront, east of Illinois Street.⁹⁸) The estimated 7,400 additional households in the Eastern Neighborhoods under Option B is more than double the amount of housing production forecast for these areas under the No-Project scenario. Option C would result in the greatest amount of housing production—almost 10,000 housing units in the Eastern Neighborhoods—3.4 times the amount forecast under the No-Project

⁹⁸ Because Option A assumes potential future reuse of the Potrero Power Plant site for housing, the number of residential units forecast under this option is greater than under Option B, despite the fact that Option A would result in the least extensive rezoning of industrial lands to residential and mixed-use residential districts of the three options. Without residential use assumed at the power plant site, Option A would result in a net addition of 6,515 new housing units, rather than the 9,015 new units shown in the table.

TABLE 35
REZONING SCENARIO FOR THE EASTERN NEIGHBORHOODS AND THE REST OF THE CITY
HOUSEHOLDS AND HOUSEHOLD POPULATION, 2000 - 2025

	East SoMa	Mission	Showplace Square/ Potrero Hill	Central Waterfront	Eastern Neighbor- hoods	Rest of City	Total City	Eastern Neighbor- hoods Share of Total City
Households								
2000	4,899	15,812	5,242	463	26,416	303,287	329,703	8%
Option A								
2025	7,193	16,594	7,536	4,108	35,431	331,655	367,086	10%
Change 2000 - 2025	2,294	782	2,294	3,645	9,015	28,368	37,383	24%
Percent Change	47%	5%	44%	787%	34%	9%	11%	
Option B								
2025	7,407	16,930	7,877	1,587	33,801	332,410	366,211	9%
Change 2000 - 2025	2,508	1,118	2,635	1,124	7,385	29,123	36,508	20%
Percent Change	51%	7%	50%	243%	28%	10%	11%	
Option C								
2025	7,982	17,866	9,133	1,293	36,274	330,046	366,320	10%
Change 2000 - 2025	3,083	2,054	3,891	830	9,858	26,759	36,617	27%
Percent Change	63%	13%	74%	179%	37%	9%	11%	
Household Population								
2000	8,511	47,274	11,245	814	67,844	689,123	756,967	9%
Option A								
2025	12,349	50,602	14,655	7,424	85,030	751,460	836,490	10%
Change 2000 - 2025	3,838	3,328	3,410	6,610	17,186	62,337	79,523	22%
Percent Change	45%	7%	30%	812%	25%	9%	11%	
Option B								
2025	12,710	51,575	15,294	2,742	82,321	752,127	834,448	10%
Change 2000 - 2025	4,199	4,301	4,049	1,928	14,477	63,004	77,481	19%
Percent Change	49%	9%	36%	237%	21%	9%	10%	
Option C								
2025	13,688	54,351	18,104	2,189	88,332	746,418	834,750	11%
Change 2000 - 2025	5,177	7,077	6,859	1,375	20,488	57,295	77,783	26%
Percent Change	61%	15%	61%	169%	30%	8%	10%	

NOTE: The estimates for the Eastern Neighborhoods in 2000 do not match those in the table in the Project Description because these estimates 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 (from Table 1 in the Analysis Assumptions at the beginning of Chapter IV) to the 2000 base year estimate. Compared to forecasts of neighborhood growth presented elsewhere in this EIR, the resultant population totals in this table incorporate the same absolute growth for each neighborhood under each option, and comparable levels of relative growth, with the only exception being the relative growth for the Central Waterfront, which as shown in this table is greater, because this table uses a lower baseline.

SOURCES: San Francisco Planning Department and Hausrath Economics Group.

scenario. Under each of the proposed rezoning options, the percentage of the City's households and household population living in the Eastern Neighborhoods would increase.⁹⁹

⁹⁹ This projection through 2025 does not represent buildout of the housing supply potentials created under the proposed rezoning options because full buildout (i.e., every parcel developed to its maximum permitted density and height) is not considered realistic. For example, the forecasts for the Mission represent 15 – 30 percent of the potential for new residential development that would be created under the proposed rezoning, (based on estimates

Housing development and increases in population would occur in all of the neighborhoods. The Central Waterfront, which has the least amount of housing now, would experience the greatest relative change under all of the rezoning options. The largest percentage increase (almost eight times more housing and population) would be in the Central Waterfront under Option A—with 2,500 housing units added east of Illinois Street. Options B and C would result in two to three times more housing production in the Central Waterfront over the forecast period. In both East SoMa and Showplace Square/Potrero Hill, the housing production under Option A would represent about a 45 percent increase (most of it in the Showplace Square sub-area) over the base year inventory, Option B a 50 percent increase, and Option C a 60 – 70 percent increase. Each neighborhood would accommodate about one-third of the household growth forecast for the Eastern Neighborhoods between 2000 and 2025 under the all of the rezoning options, ranging from 2,300 additional households in each neighborhood under Option A to 3,100 – 3,900 additional households in each under Option C. The Mission, with the largest base of existing households, would experience the smallest relative change of any of the neighborhoods, from a five percent increase in households (less than 1,000 households) under Option A to almost a 15 percent increase (2,100 households) under Option C. The largest numerical change in households would occur in Showplace Square/Potrero Hill under Option C, where almost 3,900 new households are projected through 2025 (mostly in Showplace Square) under the option that rezones the most industrial land for residential and mixed uses.

Compared to the No-Project scenario through 2025, proposed rezoning would result in the following incremental differences in housing production and associated population growth for each of the Eastern Neighborhoods:

- Central Waterfront—four times the No-Project amount (Option C) to 16 times the No-Project amount (Option A with housing east of Illinois¹⁰⁰),
- Showplace Square/Potrero Hill—3.5 times the No-Project amount (Option A) to six times the No-Project amount (Option C),
- The Mission—two times the No-Project amount (Option A) to five times the No-Project amount (Option C), and
- East SoMa—45 percent more than the No-Project amount (Option A) to almost two times the No-Project amount (Option C).

of housing supply potential for the three options presented in the draft *Rezoning Options Workbook*) and the forecasts for Showplace Square/Potrero Hill represent 40-60 percent of the capacities for new residential development in that subarea.

¹⁰⁰ As stated in Footnote 98, p. 231, the assumption of future housing development at the Potrero Power Plant site somewhat skews the assumed residential growth for Option A.

Business Activity and Employment

Through the 2025 forecast period, the rezoning options—each having different locations and amounts of land designated for PDR and UMU—would result in only small differences for total employment in the City. Total employment would range from a high of 766,000 jobs in 2025 under Option A to a low of 759,000 jobs in 2025 under Option C. Each projection is within one percent of the No-Project employment projection for San Francisco (about 765,000 jobs). In the Eastern Neighborhoods, total employment in 2025 (82,000 – 85,000 jobs) would be essentially the same under the No-Project scenario and the rezoning options (with somewhat more employment growth under Option C). The differences would be in the mix of types of business activity and jobs.

The proposed rezoning of the Eastern Neighborhoods to permit housing in some areas now zoned for industrial uses and to restrict housing and large office and retail uses in other locations would make a difference in the number of PDR businesses and jobs in the Eastern Neighborhoods and in San Francisco overall. Options that reserved less land for PDR use would also result in more growth of other types of business activity and jobs in some of the Eastern Neighborhoods—a shift of what would otherwise be expected elsewhere in the City during the forecast period. **Table 36** shows the projected changes in PDR and all other employment types through 2025 by neighborhood for each rezoning option. **Figure 15** summarizes the total 2025 PDR business activity overall in the City under each rezoning option.

Prospects for PDR business activity and jobs in the Eastern Neighborhoods would be most favorable under rezoning Option A. This option would reserve the most land in the Eastern Neighborhoods for PDR and UMU and would rezone the least land to allow housing and large office and retail use. As in the No-Project scenario, through 2025 there would be an overall loss of PDR jobs in the Eastern Neighborhoods under Option A, compared to the 2000 baseline condition, but the loss of jobs would not be as great as expected under a No-Project scenario with a continuation of existing trends. Some growth of PDR business activity would be expected in the Central Waterfront and Showplace Square/Potrero Hill and modest net declines would be expected in the Mission, where rezoning for PDR use would stabilize the largest land supply for these types of businesses.

Option A shows growth of other types of business activity and employment in the Eastern Neighborhoods as well, although less than under the No-Project scenario, in which large office and retail use would not be so restricted, and less than under the other rezoning options. This type of business activity and employment would instead be expected in other parts of the City under rezoning Option A, when the location choices in the Eastern Neighborhoods would be the most limited. Option C represents the other end of the range of the proposed alternatives for PDR business activity and jobs in the Eastern Neighborhoods. Through 2025, there would be a loss of almost 9,500 PDR jobs in the Eastern Neighborhoods overall (a decline of 30 percent from levels of employment in 2000). Some of the businesses and jobs formerly located in the Mission, East

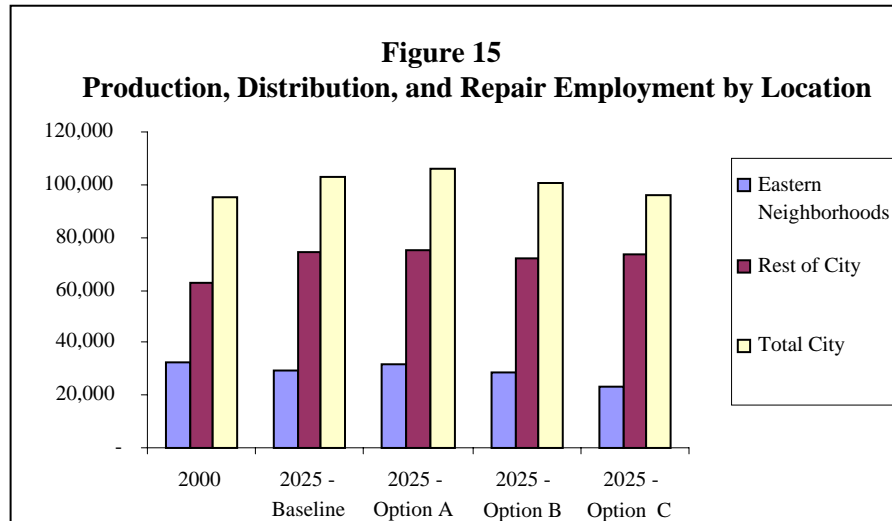
TABLE 36
REZONING SCENARIO FOR THE EASTERN NEIGHBORHOODS AND THE REST OF THE CITY:
EMPLOYMENT, 2000 - 2025

	East SoMa	Mission	Showplace Square/ Potrero Hill	Central Waterfront	Eastern Neighbor- hoods	Rest of City	Total City	Eastern Neighbor- hoods Share of Total City
Production, Distribution, and Repair								
2000	6,579	12,071	6,966	6,851	32,467	63,080	95,547	34%
Option A								
2025	5,357	11,210	7,718	7,175	31,460	74,757	106,218	30%
Change 2000 - 2025	(1,222)	(861)	752	324	(1,007)	11,677	10,671	
Percent Change	-19%	-7%	11%	5%	-3%	19%	11%	
Option B								
2025	5,099	11,038	5,176	7,038	28,351	72,064	100,415	28%
Change 2000 - 2025	(1,480)	(1,033)	(1,790)	187	(4,116)	8,984	4,868	
Percent Change	-23%	-9%	-26%	3%	-13%	14%	5%	
Option C								
2025	5,122	5,602	5,063	7,211	22,998	73,265	96,263	24%
Change 2000 - 2025	(1,457)	(6,469)	(1,903)	360	(9,469)	10,185	716	
Percent Change	-22%	-54%	-27%	5%	-29%	16%	1%	
All Other Employment								
2000	11,013	11,038	13,769	4,368	40,188	498,700	538,888	7%
Option A								
2025	14,215	13,291	18,736	4,672	50,914	609,305	660,218	8%
Change 2000 - 2025	3,202	2,253	4,967	304	10,726	110,605	121,330	9%
Percent Change	29%	20%	36%	7%	27%	22%	23%	
Option B								
2025	15,649	14,125	19,374	4,653	53,801	606,720	660,522	8%
Change 2000 - 2025	4,636	3,087	5,605	285	13,613	108,020	121,634	11%
Percent Change	42%	28%	41%	7%	34%	22%	23%	
Option C								
2025	16,278	22,637	18,699	4,580	62,195	600,861	663,056	9%
Change 2000 - 2025	5,265	11,599	4,930	212	22,007	102,161	124,168	18%
Percent Change	48%	105%	36%	5%	55%	20%	23%	

SOURCE: San Francisco Planning Department

SoMa, and Showplace Square/Potrero Hill would relocate within San Francisco to areas that have been identified through the Eastern Neighborhoods and Better Neighborhoods planning processes and the Citywide Action Plan as important nodes for existing and future PDR business activity, including West SoMa and the Bayview Hunters Point industrial districts. This type of relocation would reduce the potential PDR loss on a citywide basis.

Under rezoning Option C, PDR job loss would be particularly acute in the Mission (a loss of over 50 percent from employment levels in 2000), in Showplace Square/Potrero Hill (a loss of about 30 percent), and in East SoMa (a loss of about 20 percent). In these areas under Option C, no land would be rezoned to accommodate only PDR or mixed uses without residential use.



As a consequence, levels of housing production and of other types of employment growth associated with office, retail, and institutional business activity would be highest in the Eastern Neighborhoods under this rezoning option and higher than under the No-Project scenario. Some of the retail and commercial business activity would be attributable to increases in neighborhood-serving business activity as the residential population would be highest under this rezoning option. Other types of growth in business activity represent the continued attractiveness of these relatively close-in locations on the edge of the downtown for a variety of types of office, institutional, and larger-scale retail business activity.

Under rezoning Option B through 2025, the scenario for business activity and employment falls between the limits defined by Option A and Option C. Through 2025, there would be a net decline of 4,100 PDR jobs in the Eastern Neighborhoods—a 13 percent reduction in this type of employment in the Eastern Neighborhoods from the 2000 baseline.

In East SoMa and Showplace Square/Potrero Hill, Option B would result in outcomes through 2025 that were most similar to Option C and the No-Project scenario—loss of 25 – 30 percent of the year 2000 PDR job base. Losses would be less in these areas under Option A.

In the Mission, Option B would be most similar to Option A and the 2025 No-Project scenario—loss of about 10 percent of the year 2000 PDR job base. As noted above, losses would be substantially greater in the Mission under Option C—more than 50 percent of the year 2000 PDR job base, with the bulk of this change anticipated to occur in the NEMIZ.

The Option B scenario for other employment growth (office, retail, entertainment, institutional, educational and other employment) is essentially the same as the No-Project scenario in both the

Eastern Neighborhoods and the rest of the City. There would be more growth in the Eastern Neighborhoods than under Option A and less growth than under Option C, primarily reflecting differences in population-serving economic activity associated with household growth under the rezoning options. The inverse holds for the rest of the city—less growth in the rest of the City than under Option A and more growth in the rest of the City than under Option C, since most of this type of business activity and employment is assumed to shift from alternative substitute locations outside the Eastern Neighborhoods, depending on the rezoning scenario.

The *People's Plan*, a project variant for the Mission District described in Chapter III, Project Description (see p. 17), proposes a similar land use scheme to that of Option B, although it would include overlay zones to further limit certain changes, such as an overlay zone that would require no net loss of auto service PDR space along South Van Ness Avenue from Division Street to 18th Street, and a Mixed-Use/PDR area that would farther north and east than would comparable zoning under Option B. Another variant for the Mission, a plan put forth by the Mission Coalition for Economic Justice and Jobs (MCEJJ; see p. 18), calls for more flexibility in permitted land uses in the NEMIZ, including “NEMIZ Mixed-Use” zone south of 16th Street, which would allow for a broad mix of uses similar to existing industrial zoning. There are no growth projections for the *People's Plan* or the MCEJJ plan comparable to those for the three rezoning options analyzed in detail in this EIR, and therefore no quantification of population and job growth for these variants is possible. However, both variants would, like the project options, increase the amount of land devoted to housing, and the number of residential units, in the Mission. Because the *People's Plan* proposes a land use scheme similar to that of Option B but includes additional zoning restrictions noted above, it would be expected to result in an increase in population between that of Options A and B. The MCEJJ plan, which would allow more flexibility in land uses, would likely result in an increase in population between that of Options B and C.

Like Option B, the *People's Plan* would retain PDR floor area in the NEMIZ, and would also add additional protections for PDR businesses and jobs, resulting in PDR employment totals likely between those of Options A and B. The MCEJJ plan, by permitting property and business owners more discretion as to uses, would not necessarily retain the NEMIZ as a center of PDR employment, thus resulting in PDR employment closer to that of Option C. Other employment totals would be anticipated to be between those of Options A and b for the *People's Plan*, and approaching those of Option C for the MCEJJ plan.

Impacts on Aspects of Population, Housing, Business Activity, and Employment

In general, “Economic or social effects of a project shall not be treated as significant effects on the environment” (California CEQA Guidelines, Sec. 15131(a)). However, “Economic or social effects of a project may be used to determine the significance of physical changes caused by the

project” (CEQA Guidelines, Sec. 15131(b)). That is, a physical change brought about by a project may be determined to be significant if it results in substantial adverse social or economic changes.

In the case of the proposed Eastern Neighborhoods Rezoning and Area Plans project, no direct physical changes would occur with adoption of the rezoning and area plans. However, as described herein, implementation of the rezoning and area plans is anticipated to result in indirect physical changes, including the construction of more or less housing, as varying densities, depending on the rezoning option implemented. Some of this housing would be developed in place of or in lieu of PDR uses. Thus, the question to be answered, with respect to population, housing, business activity, and employment, is whether these indirect physical changes brought about by the project would result in social or economic effects that would be substantial and adverse, such that the physical changes would be considered significant effects on the environment. This question is explored in various contexts below.

Impacts of Population Growth and the Concentration of Population

The proposed rezoning would increase the housing supply potential in San Francisco, thereby resulting in more population growth in the City and a greater concentration of regional population in San Francisco than would be the case without the rezoning. Relative to what would otherwise be expected, Option A would result in the smallest increase in population and Option C would result in the largest. Rezoning under Option B would fall towards the middle of the range.

Thus, the project would induce substantial growth and concentration of population in San Francisco. However, this effect, in itself, would not necessary be adverse, and could be beneficial in some sense. From a regional perspective, these population scenarios would have positive impacts. Compared to the No-Project scenario, there would be more housing options in San Francisco and a broader range of housing prices and rents. This would better satisfy regional demand for housing in San Francisco, and would reduce the air quality and other negative environmental impacts associated with regional commuting. Option C would offer the most positive outcome from this perspective, followed by Option B, and then by Option A.¹⁰¹

From a citywide perspective, the rezoning options would increase population and the concentration of population in certain parts of the Eastern Neighborhoods. This would increase demand for neighborhood-serving retail and personal services. There would be more retail spending supporting retail activity in existing neighborhood commercial districts and support for higher occupancies of existing space and new neighborhood commercial space. There would be new business opportunities in the Eastern Neighborhoods, and some existing businesses would benefit from higher levels of sales. Other existing businesses might be displaced by operations that better-served new markets. Option A would result in the least of these types of economic

¹⁰¹ As stated in Footnote 98, p. 231, the assumption of future housing development at the Potrero Power Plant site somewhat skews the assumed residential growth for Option A. Nevertheless, Option A would represent the least amount of change throughout the Eastern Neighborhoods.

impacts and Option C would result in the most. Impacts under Option B would be in the middle of the range.

The proposed rezoning would result in economic impacts potentially displacing existing neighborhood-serving businesses because, despite potential increases in business activity, some smaller, marginally profitable, and locally owned businesses would be likely to be displaced as economic conditions improve, landlords begin to increase commercial rents, and more strongly capitalized businesses seek to locate in improving neighborhoods. Improvement measures in Chapter V, Mitigation and Improvement Measures, to assist local businesses could reduce the less-than-significant physical effects of potential displacement of neighborhood-serving uses.

Other sections of this EIR address the significance of this growth for environmental considerations such as transportation, air quality, noise, and parks and open space. It is also understood that this growth would impact existing needs related to the building blocks of healthy neighborhoods: health care and human services, libraries, public protection, schools, child care, parks and recreation, open space, transportation, and neighborhood shops and services, among others. These topics are the subject of a companion Eastern Neighborhoods community needs assessment and public benefits recommendations proposed to be included in the area plans.

Impact on the Demand for Housing in San Francisco

The proposed rezoning would not create a substantial demand for housing in San Francisco. Housing demand in the City is a function of regional economic and employment growth, the relative attraction of San Francisco as a residential location to various segments of the market, and the preferences and ability to pay of existing residents and of those who move to the region. The potential for increased neighborhood-serving retail and personal services notwithstanding, the proposed rezoning would not substantially increase the overall economic growth potential in San Francisco and would not result in substantially more primary employment growth than otherwise expected in the City or the region.¹⁰² In fact, the options that rezone the most industrial land for housing and residential mixed uses would result in the loss of existing PDR jobs and less potential growth in PDR jobs than might otherwise occur in San Francisco. As described below, Option C would result in the greatest loss of PDR jobs and the least ability of the City to retain and grow PDR businesses in San Francisco. Option A would result in the smallest loss of PDR jobs and, among the rezoning options, the greatest ability to retain and grow PDR business activity. Option B would fall in the middle of this range.

The loss of PDR jobs could have the a number of possible implications for housing demand. This is because, as shown in Table 36, the decline in PDR employment in the Eastern Neighborhoods would translate into a citywide loss of PDR jobs, because so much of the City's PDR

¹⁰² Neighborhood-serving retail and services tend to "follow" new housing to a neighborhood, and their employment does not tend to generate increased population or housing demand, unlike employment generators such as the tourism and semiconductor industries, which have a more regional and global market.

employment is in the Eastern Neighborhoods. However, the same table notes that non-PDR employment would be almost the same citywide, regardless of rezoning option.¹⁰³

Demand for housing in the City would be reduced if workers and their households relocated to be closer to a new place of employment outside San Francisco or if PDR businesses that might have located in San Francisco instead chose another location option outside the City, because of constrained land supply. Housing demand that would otherwise be present under Option A, with the most land reserved for PDR use and the most PDR activity retained in San Francisco, would not be as great under Option C, where the options for PDR business activity in the Eastern Neighborhoods would be substantially less. Compared to Option C, Option B would result in a more moderate reduction in housing demand otherwise associated with PDR business activity under Option A. On the other hand, existing residents who lost their jobs and wages as a result of the displacement or closure of PDR business activity would add to the need for lower-cost and affordable housing in San Francisco. Among the rezoning options, Option C would result in the most potential to result in displaced employees with reduced incomes in need of more affordable housing, while Option A would result in the least. The outcome under Option B would fall in the middle of the range.

San Francisco residents who lost their jobs in PDR businesses when market pressures and land use changes in former industrial land rezoned for residential and mixed uses resulted in those businesses closing or relocating outside the City would add to the need for affordable housing in the City. These impacts would be greatest under Option C and least under Option A. Impacts under Option B would fall in the middle of the range. Aspects of the proposed rezoning project would help to ameliorate the potential effects of residential displacement. For example, the project includes strategies to require on-site affordable dwelling units sized to accommodate families in new residential and mixed-use construction. An improvement measure in Chapter V, Mitigation and Improvement Measures, to enhance the production and retention of affordable housing could reduce the less-than-significant physical effects of potential displacement of residents who suffer employment loss as a secondary effect of the proposed project.

Impact on the Supply of Housing in San Francisco¹⁰⁴

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. Under existing zoning, infill sites throughout the City that are suitable for residential

¹⁰³ Although, as indicated in Section IV.A, Land Use, there is projected to be a substantial increase in office, retail, and cultural, institutional, and educational employment in the project area under all options—and particularly under Option C and the No-Project scenario—these increases would not similarly translate into citywide changes, but would instead reflect a redistribution of employment within San Francisco.

¹⁰⁴ The numbers discussed in this section represent total housing supply potential on undeveloped parcels and soft sites as defined by the San Francisco Planning Department and described in the following footnote. As such, they are greater than the scenarios of projected net additional housing development through 2025 presented earlier. Those projections represent alternative scenarios for development of a portion of that housing potential over a specified planning horizon.

development (including the potential for about 3,500 units in the Eastern Neighborhoods) have the potential to provide an additional 29,000 units of housing.¹⁰⁵ The proposed rezoning would almost double the housing supply potential in San Francisco. Estimates prepared by the Planning Department indicate that additional housing supply would range from 16,000 (under Option A without adding the potential for housing units east of Illinois) to 26,500 (under Option C).¹⁰⁶ The City's Housing Element also identifies additional housing supply potential in other new area plans would add another 12,000 - 14,000 units to the City's housing potential. Together, these land use plan and zoning changes would increase housing supply potential in San Francisco to about 60,000 – 70,000 units.

Compared to what would otherwise be expected as existing trends continued without rezoning, there would be more supply relative to demand, and more housing choices. There would be also be expected to be more (relatively) affordable housing units developed because more housing supply potential also means more below-market-rate housing as a result of application of the 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 and other ways to increase affordable housing production in conjunction with the rezoning of the Eastern Neighborhoods.

The draft *People's Plan* (March 2005), a project variant for the Mission area, includes specific objectives aimed at retaining and increasing affordable housing, including to “Preserve and improve the existing rent-controlled housing in the Mission District”; “Preserve and improve the existing residential hotels and supportive housing in the Mission District”; “Encourage development of new permanently affordable housing for extremely low to moderate-income individuals, families and seniors in the Mission District, protecting the existing uses that provide working-class jobs”; and “Improve access to homeownership opportunities that are affordable to low- and moderate-income families in the Mission District.” Policies in the *People's Plan* call for, among other things, improving tenant protection, retaining rent-controlled dwelling units and other housing stock for low- and moderate-income residents; improving access to affordable housing and improving conditions therein; and assisting Mission residents with home purchases.

With each of the options for Eastern Neighborhoods rezoning, there would be more housing supply potential to meet demand across a number of market segments. The types of implications for housing choice and housing prices and rents are described below. Compared to conditions

¹⁰⁵ 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.

¹⁰⁶ This estimate is based on analysis presented in the 2003 *Rezoning Options Workbook* (page 121) and in the Housing Element of the *General Plan* (May 13, 2004), pages 83 - 102. In addition to new housing 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, Bayview-Hunters Point, and Visitacion Valley) are included in the estimates of supply added in other new area plans.

without the rezoning, Option A would result in the least of these types of impacts, Option C would result in the most, and Option B would fall in the middle of the range.

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 (such as through condominium conversions and the tenants-in-common process). Under the less constrained market conditions expected with the proposed rezoning, 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.

Impact on the Land Supply for Affordable Housing

Relatively lower land values, a more gritty and wide-ranging mix of land uses than found in most other parts of the City, and rezoning in 1978 that reduced housing development potential in the western parts of the City have made parts of the Eastern Neighborhoods attractive as the last, best option for the production of substantial amount of lower cost housing in San Francisco. Prime opportunities have included rehabilitating older buildings with small units and developing high-density new development in pioneering residential locations, such as the former industrial areas of the South of Market neighborhood. A potential cost of the proposed more rational set of use districts would be reducing such opportunities, particularly the options for new development sites.

It is not clear, however, that continuation of the existing less-restrictive zoning districts would result in a more favorable outcome for the land supply for affordable housing. Without rezoning, market forces are likely to continue to increase land values in the Eastern Neighborhoods. In the absence of a moratorium on market-rate development, rational property owners can be expected to continue to maximize their return from market-rate development potential. As has been the trend in the Eastern Neighborhoods under existing zoning, land speculation flourishes when zoning districts impose fewer restrictions on permitted uses. For example, M (industrial) use districts permit the widest variety of uses, including housing (with Conditional Use authorization).

Reserving a land supply for affordable housing is likely to require significant financial resources, comparable to those exercised by the San Francisco Redevelopment Agency, in addition to land use planning efforts. This is because the cost of land in San Francisco, and in the Bay Area in general, is relatively much higher than in most U.S. locations, meaning that development of units affordable to those other than relatively higher-income households frequently requires subsidies, particularly as to land costs. Construction costs are also higher in the Bay Area than in many other locations. Affordable housing ranks high among the numerous potential compensating strategies that have been proposed in exchange for greater development rights and/or density bonuses granted as part of the area plans and rezoning.

The proposed area plans include objectives and policies that would encourage the production of more affordable housing through means such as identification of appropriate sites, including publicly owned sites, for below-market-rate housing; increasing the percentage of affordable housing units required in new projects in certain areas, particularly where rezoning permits increased density; requiring a certain percentage of residential units be family-sized; and taking specific steps to reduce the cost of housing production, among other things. (See Appendix B for a complete list of draft area plan objectives and policies.)

Displacement Impacts

Residential Displacement

The proposed rezoning would result in less displacement than otherwise expected as a result of housing demand and market preferences 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 by rezoning some existing M (industrial) use districts to mixed-use residential districts, the proposed rezoning would provide a relief valve reducing these housing market pressures without directly affecting existing residents. The result would be less residential displacement than otherwise expected.

Displacement impacts for existing residents are not solely a function of housing supply, however. The characteristics of the proposed zoning districts would influence the mix of uses in these formerly industrial areas and the ultimate neighborhood character. That neighborhood character influences housing market orientation and the desirability of neighborhoods as residential locations. Therefore, separate from the absolute magnitude of new housing supply, there might be

spillover impacts of the rezoning options that influence residential displacement from existing housing.

Among the rezoning options, Option A would add the least to housing supply and would be most similar to the No-Project scenario in terms of potential displacement of existing residents. Under Options B and C, more housing demand would be met by new housing supply developed in the Eastern Neighborhoods. Under Option A, that unmet housing demand would result in more demand for the existing housing stock, higher prices and rents, and overcrowding and displacement for existing residents.

While Option C would add the most to housing supply, the predominance of residential mixed-use zoning districts in Option C, as opposed to more and larger districts where PDR use would be a priority, as in Option B, might offset some of the positive housing market impacts of Option C's housing supply. With the loss of nearby PDR business activity that characterizes former industrial lands, Option C's residential mixed-use districts have the potential to evolve into higher-value housing areas than would be the case under Option B. The associated demand could result in gentrification of existing nearby residential areas and displacement of lower income households.

Option B would add more housing supply than Option A while reserving more land area in the midst of the Mission (especially the NEMIZ), East SoMa, and Showplace Square for PDR business activity. For the reasons noted above, this balance might result in better outcomes from the perspective of displacement of existing residents than would be expected under Option C.

Substantial changes in neighborhood residential character might occur under Option C in particular. These changes would influence demand for older existing housing in parts of the Eastern Neighborhoods and could result in displacement of existing residents as more neighborhoods could be transformed into mixed-use areas (i.e., be designated MUR use districts) with housing a predominant land use (see Figure 3, Proposed Use Districts, p. 15, in Chapter III, Project Description), more residential and mixed-use development, and a concomitant increase in land values. Existing residents in rental housing could be displaced by rising rents if they were in non-rent-controlled (newer) buildings¹⁰⁷ or if owners of rental housing were to convert units to tenancies-in-common or condominiums, or simply remove units from the market to pursue other options, such as new construction. As noted above, the proposed rezoning project would help to ameliorate the potential effects of residential displacement by, for example, a requirement that on-site affordable dwelling units, sized to accommodate families, be provided in new residential and mixed-use construction. Improvement measures in Chapter V, Mitigation and Improvement Measures, to enhance the production and retention of affordable housing could reduce the less-than-significant physical effects of potential displacement of residents who suffer employment loss as a secondary effect of the proposed project.

¹⁰⁷ In general, the City's Rent Stabilization and Arbitration Ordinance applies to buildings consttuted prior to June 1979.

As stated in the Setting, many of the people who have needs for more affordable housing because they are overcrowded or have to dedicate very high percentages of household income to housing live in the Eastern Neighborhoods. Some of the people who fall into the Housing Element's 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, frequently rental units over which residents have limited control. 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 households most vulnerable to displacement as one of 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, as substantial financial resources are required for development of substantial numbers of affordable housing units.

Business/Worker Displacement

All of the proposed rezoning options would reduce the land supply otherwise available under existing zoning 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 from industrial or heavy commercial districts (M-1, M-2, and C-M zoning) to mixed-use residential districts. Option A would result in the least amount of this PDR business displacement, and Option C would result in the most. Displacement under Option B would fall in the middle of the range.

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 those areas rezoned to mixed-use residential districts as the real estate market would favor residential, retail, and other higher-value uses in those areas. Some PDR businesses 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.

PDR businesses most likely to be displaced would be those not located on land to be zoned Employment and Business Development (EBD) or Urban Mixed-Use (UMU). 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.

Under all of the rezoning options, PDR businesses would be displaced from existing locations, primarily those on land proposed to be rezoned to residential or mixed-use residential districts. These impacts would be greatest under Option C and least under Option A. Impacts under Option B would fall in the middle of the range. An improvement measure in Chapter V, Mitigation and Improvement Measures, to support PDR businesses could reduce the project's indirect and less-than-significant effects on displacement of such uses.¹⁰⁸

Displacement of PDR businesses (with some going out of business and others relocating outside the City) 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 lose their jobs; others would face a longer commute or perhaps be forced to relocate. San Francisco residents and businesses that rely on PDR services would experience longer delivery times or higher costs for PDR services.

¹⁰⁸ As a part of this strategy, the Planning Department is proceeding with development of PDR-oriented use districts in the recently created Bayview-Hunters Point Redevelopment Area.

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.

San Francisco residents who lost their jobs in PDR businesses when market pressures and land use changes in former industrial land rezoned for residential and mixed uses resulted in those businesses closing or relocating outside the City would need enhanced employment development services and training. These impacts would be greatest under Option C and least under Option A. Impacts under Option B would fall in the middle of the range. An improvement measure in Chapter V, Mitigation and Improvement Measures, to assist employees of PDR businesses could reduce the project's indirect and less-than-significant effects on displacement of such workers.

Over the longer term, however, rezoning under Options A or B would offer the possibility of more location advantages for PDR activity in parts of the Eastern Neighborhoods and therefore more PDR business activity and jobs than would otherwise be the case if there were no rezoning and housing, office, and large-scale retail were allowed to continue to convert industrial land. Rezoning Options A and B would establish EBD and UMU districts where PDR use would be a priority and housing and large scale retail and office development would not be allowed. Except in the Central Waterfront, Option C would not establish any such districts in the other Eastern Neighborhoods. In those PDR-amenable 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 in the longer-term without rezoning.

Under Options A and B, the proposed EBD districts and UMU districts in the Eastern Neighborhoods would result in better long-term outcomes for PDR business activity and jobs than would 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. Outcomes would be better under Option A than Option B, since more land would be designated for PDR and UMU, compared to conditions under Option C, which would dedicate more areas with in study area as MUR, and to the No-Project Alternative, which would not establish a PDR-only use district.

Over the longer term, much existing PDR activity in the EBD and UMU districts would be expected to remain. Furthermore, as their function and location advantages were established under the proposed rezoning with Option A or Option B, there would likely be increases of PDR activity in these districts. Under Options A and B, the heart of the Northeast Mission Industrial Zone, the Central Waterfront south of 25th Street, and the 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 more 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.

Over the longer term, the stabilization of a PDR land supply could 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. The proposed EBD districts and UMU districts 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.

The draft *People's Plan* (March 2005), a project variant for the Mission area, includes specific objectives to strengthen local employment and economic conditions, including, "Promote the Mission District as a regional Latino hub and cultural/arts activity district by retaining the Latino and diverse character of the Mission District"; "Encourage balanced economic development along the Mission's Commercial Corridors, promoting family and locally-oriented businesses, services and uses"; "Improve employment opportunities and programs that prepare local residents, especially low-income and immigrants, for sustainable employment in fields with potential job ladders"; "Protect and expand light industrial activities that provide employment opportunities for local unskilled and semiskilled workers"; "Promote family and locally-oriented businesses, services and uses in the Mission District"; and "Foster locally-owned small business enterprise and entrepreneurship." Policies in the *People's Plan* call for, among other things, preserving the Mission's distinct identity and its community services uses and art spaces, encouraging mixed-use housing, to strengthen the commercial corridors, prohibiting upper-floor commercial development with the exception of space for community-serving, encouraging active street fronts, expanding job training, including collaboration with schools, early community participation in new commercial development, employment priority for local residents, promotion of industrial expansion, including light industrial incubator spaces, and of artisan businesses, avoiding encroachment of incompatible land uses on viable industrial activity, provision of relocation assistance to displaced light industrial firms, promotion of local family-serving businesses, street vendors, family entertainment, and community services, ensuring that new non-residential projects serve the retail, service and employment needs of local residents, particularly those less affluent.

The MCEJJ plan (which is limited to the NEMIZ) would promote more variety of land uses in the NEMIZ, including office and retail, which could be mixed with PDR uses within the neighborhood and within structures. MCEJJ argues that the greater flexibility in permitted land uses would provide for a more healthy local economy and would also avoid many existing PDR

uses becoming non-conforming uses—and thereby be limited in future expansion or change—if their location were rezoned to a use district that does not permit PDR. The MCEJJ plan would also allow residential uses within more of the NEMIZ than would the *People's Plan* or any of the rezoning options other than Option C.

Conclusion

Based on the foregoing, the following conclusions can be drawn:

First, the project would induce substantial growth and concentration of population in San Francisco. In fact, as stated in Chapter III, Project Description, one of the four citywide goals that serve as the “project sponsor’s objectives” for the proposed Eastern Neighborhood Rezoning and Area Plans project is:

Increase Housing: To identify appropriate locations for housing in the City’s industrially zoned land to meet a citywide need for more housing, and affordable housing in particular.

As is shown here and elsewhere in this EIR, the increase in population that would be expected to occur as a secondary effect of the proposed rezoning and adoption of the proposed area plans would not, in itself, result in adverse physical effects, and would serve to advance some key City policy objectives, such as decreasing the air quality impacts of development by coordination of land use and transportation decisions (*General Plan* Air Quality Element Objective 3); provision of new housing, especially permanently affordable housing, in appropriate locations which meets identified housing needs and takes into account the demand for affordable housing created by employment demand (Housing Element Objective 1); encouragement of higher residential density in areas adjacent to downtown, in underutilized commercial and industrial areas proposed for conversion to housing, and in neighborhood commercial districts where higher density will not have harmful effects, especially if the higher density provides a significant number of units that are affordable to lower income households (Housing Element Policy 1.1); identification of opportunities for housing and mixed-use districts near downtown and former industrial portions of the City (Housing Element Policy 1.2); identification of opportunities for housing and mixed-use districts near downtown and former industrial portions of the City (Housing Element Policy 1.3); establishment of public transit as the primary mode of transportation in San Francisco and as a means through which to guide future development and improve regional mobility and air quality (Transportation Element Objective 11); and giving first priority to improving transit service throughout the city, providing a convenient and efficient system as a preferable alternative to automobile use (Transportation Element Objective 20).

Moreover, implementation of any one of the proposed project options would result in more housing options and a broader range of housing prices and rents, compared to conditions under the No-Project scenario without implementation of the proposed rezoning and area plans, potentially resulting in a better match between housing supply and demand in San Francisco than

would otherwise be the case while potentially providing benefits such as a reduction in traffic and vehicle emissions if San Francisco workers could live closer to their jobs. Option C would provide the greatest number of additional housing units, and Option A, the least, with Option B in the middle of the range. The proposed population increase could also generate economic growth by increasing demand for neighborhood-serving retail and personal services, although some existing businesses could be displaced by other businesses that might better serve new residents. Furthermore, the additional population would increase demand for other City services (parks, libraries, health care and human services, police and fire protection, schools, and child care), which are the subject of a separate community needs assessment and public benefits recommendations proposed to be included in the area plans.

Second, none of the proposed project options would directly result in displacement of residents. As stated above, each of the proposed rezoning options would result in less displacement as a result of housing demand than otherwise expected under the No-Project scenario, because the addition of more new housing in the Eastern Neighborhoods would provide some relief for housing market pressures without directly affecting existing residents. Option C, with the most new housing units, would potentially provide the greatest such market relief (through provision of the greatest potential overall supply of housing), and Option A, the least, with Option B in the middle of the range.

However, residential displacement is not solely a function of housing supply, and the proposed project could result in indirect, secondary effects on neighborhood character—through gentrification—that could result in some displacement of existing residents over time. In particular, under Option C, which would add the most new housing and would also displace the greatest amount of PDR use, newly rezoned districts have the potential to evolve into higher-value housing areas than would be the case under Options A or B. The associated demand could result in gentrification of existing nearby residential areas and displacement of lower income households. Moreover, lower-income residents of the Eastern Neighborhoods, who also disproportionately live in crowded conditions and in rental units, are among the most vulnerable to displacement resulting from neighborhood change. The proposed rezoning project would, however, help to ameliorate the potential effects of residential displacement by, for example, a requirement that on-site affordable dwelling units, sized to accommodate families, be provided in new residential and mixed-use construction.

Likewise, none of the proposed project options would directly result in displacement of businesses or employment. However, all of the proposed rezoning options would reduce the land supply otherwise available under existing zoning and No-Project conditions for PDR uses, contributing to eventual displacement of some existing PDR business activity and employment. Option A would result in the least amount of this PDR business displacement, and Option C would result in the most, with Option B in the middle. Over time, the real estate market would favor residential, retail, and other higher-value uses, leading to PDR displacement, either to other

locations in the City or outside San Francisco, and to some business closures. While this has been an existing trend, it would be expected to accelerate in areas rezoned for non-PDR uses. Some of PDR businesses, particularly those on land they own and those for whom proximity to San Francisco customers is important, would continue to operate while development patterns changed around them.

Displacement of PDR businesses would, in turn, result in some San Franciscans, including Eastern Neighborhoods residents, with limited education, skills, and language abilities losing opportunities for local, higher wage jobs that offer good opportunities for advancement. Residents who lost their PDR jobs in PDR businesses would add to the need for lower-cost and affordable housing in San Francisco.

Over the longer term, rezoning under Options A or B would offer the possibility of more location advantages for PDR activity in parts of the Eastern Neighborhoods and therefore more PDR business activity and jobs than under the No-Project scenario, as EBD and UMU districts would be established where PDR use would be a priority. Option C, on the other hand, would not establish any such districts except in the Central Waterfront, and would be expected to result in substantially greater PDR displacement than Options A or B. Much existing PDR activity in the new EBD and UMU districts would be expected to remain, and possibly even increase under these options in the heart of the Northeast Mission Industrial Zone, the Central Waterfront south of 25th Street, and the Bayview (outside the Eastern Neighborhoods), which would be formalized as San Francisco's PDR business districts and, potentially along with Western SoMa (depending on the outcome of the community planning process there), would become more suitable locations for the City's PDR activity. Under the No-Project scenario, in contrast, competition for land, incompatible land uses, and no regulation of demolition and displacement of PDR activity would result in an even lesser supply of land and building space for PDR activities, as *ad hoc* conversion of industrial land to housing and other uses would be expected to continue in accordance with recent trends.

Third, the project would not create a substantial demand for additional housing in San Francisco, or substantially reduce the housing supply. As stated above, the proposed project would not substantially increase the overall economic growth potential in San Francisco and would not result in substantially more primary employment growth than otherwise expected in the City or the region, because most of the employment growth that would result from new housing in the Eastern Neighborhoods would be in neighborhood-serving retail and services, which are employment categories that tend to respond to increased population, not employment that precedes or leads to population growth.

Instead, implementation of the proposed rezoning and area plans would increase the housing supply potential in the Eastern Neighborhoods and citywide, compared to conditions under the No-Project scenario without implementation of the proposed rezoning and area plans, resulting in

more supply relative to demand, more housing choices, and more (relatively) affordable housing units developed than without the project, because the Inclusionary Affordable Housing Program would require below-market-rate units be developed in conjunction with market-rate projects of five or more units. Therefore, housing prices and rents for both new and existing housing would generally 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. Additionally, the project would reduce pressure to convert existing rental housing stock to relatively affordable for-sale housing (such as through condominium conversions and the tenants-in-common process), compared to No-Project conditions.

Still, for-sale housing in the Eastern Neighborhoods (and citywide) is likely to remain too expensive for most residents, underscoring the importance of providing and maintaining “affordable” (below-market-rate, or BMR) housing. A possible secondary impact of the proposed project would be a reduction in the number of sites where City-funded and other subsidized BMR housing units could be built, particularly in regard to new development sites. However, continuation of the existing less-restrictive zoning would result in continued increase in land values in the Eastern Neighborhoods, which would also result in elimination of potential BMR housing sites, albeit on a more *ad hoc* basis.

In summary, it is concluded that, on balance, the anticipated increase in population and density under each of the three proposed rezoning options would not result in significant adverse physical effects on the environment. This EIR identifies several Improvement Measures in Chapter V that could serve to offset some of the adverse, but less-than-significant, effects of the proposed project with regard to potential indirect displacement of local-serving businesses, production and retention of affordable housing, and support for PDR businesses in the Eastern Neighborhoods.
