Resolution urging the Planning Department to report on potential candidates for adaptive reuse in the Downtown core; urging the Planning Department and Department of Building Inspection to issue public facing criteria for members of the public and stakeholder property owners on potential office conversion to residential eligibility; and urging the Planning Department, City Controller and Treasurer Tax Collector to investigate private market restraints on adaptive reuse, including shareholder and REIT agreements that restrict conversion or the offering of commercial space for competitive rates, and local, state and federal tax policies that disincentivize the productive or adaptive reuse of properties that would otherwise be ripe for conversion.

WHEREAS, In December 2022, the vacancy rate of office space in Downtown San Francisco rose to between 23.7 and 27.6 percent, by some estimates nearly seven times the pre-pandemic 2019 vacancy rate of just 4 percent; and

WHEREAS, Though pre-pandemic office space vacancies had been impacted by a rise in remote work, a market trend embraced early on by San Francisco's high concentration of technology and finance companies, the pandemic emergency and related public health restrictions accelerated that trend; and

WHEREAS, While San Francisco's office space recession is not unique among cities across the country, it has nevertheless contributed to a decrease in foot traffic, less business patronage, and a hollowed out downtown; and

WHEREAS, The staggering increase in office space vacancies coincides with a generational housing crisis and state mandates for the construction of over 82,000 homes, of which 46,000 must be affordable to low- and moderate-income households; and
WHEREAS, In January 2023, the Budget and Legislative Analyst released a report (the BLA Report) on repurposing commercial real estate for residential use; and

WHEREAS, The BLA Report cites adaptive reuse programs in Los Angeles and New York that have facilitated the conversion of commercial office space to residential housing, whereas others have pointed to Calgary, Alberta as a model for transforming downtown commercial areas into diverse, thriving neighborhoods; and

WHEREAS, While the BLA Report calls for reduced regulatory hurdles, they fail to acknowledge that all residential uses are principally permitted throughout the downtown C-3 zoning districts, with no density limits or minimum parking requirements; and

WHEREAS, The development community has nevertheless signaled that conversion from office space to residential space is costly and unfeasible, despite some indication that viable candidates for conversion would cost less than bottom-up construction; and

WHEREAS, Another impediment to conversions is the comparatively lower market price for residential space as compared to commercial office space, with some estimates placing the asking price for commercial office space as high as $60 per square foot, a number which has reportedly declined in recent years but remains much higher than residential rental prices; and

WHEREAS, The commanding price for commercial office space presents additional challenges for shareholder- and REIT-financed properties, which can be bound by restrictive covenants that prevent adaptive reuse or the offering of space for more competitive rates; and

WHEREAS, A recent report by JK Dineen of the San Francisco Chronicle nevertheless inspires renewed interest in identifying prime candidates for office-to-residential conversion; now, therefore, be it

RESOLVED, That the Board of Supervisors of the City and County of San Francisco urges the Planning Department to report to the Board of Supervisors a comprehensive list of

Supervisors Peskin; Mandelman, Dorsey, Chan, Safai, Stefani

BOARD OF SUPERVISORS
buildings in Downtown San Francisco that are potential candidates for commercial office to residential conversion; and, be it

FURTHER RESOLVED, That the Board of Supervisors further urges the Planning Department, in collaboration with the Department of Building Inspection, to issue public facing criteria for members of the public and stakeholder property owners to assess the viability of converting commercial office space to residential use; and, be it

FURTHER RESOLVED, That the Board of Supervisors urges the Planning Department, in collaboration with the Office of the City Controller, the Office of the Treasurer and Tax Collector, and other appropriate city partners, to investigate private market restraints on adaptive reuse, including shareholder and REIT agreements that restrict conversion or the offering of commercial space for competitive rates, and local, state and federal tax policies that disincentivize the productive or adaptive reuse of properties that would otherwise be ripe for conversion.
Resolution urging the Planning Department to report on potential candidates for adaptive reuse in the Downtown core; urging the Planning Department and Department of Building Inspection to issue public facing criteria for members of the public and stakeholder property owners on potential office conversion to residential eligibility; and urging the Planning Department, City Controller and Treasurer Tax Collector to investigate private market restraints on adaptive reuse, including shareholder and REIT agreements that restrict conversion or the offering of commercial space for competitive rates, and local, state and federal tax policies that disincentivize the productive or adaptive reuse of properties that would otherwise be ripe for conversion.

February 14, 2023 Board of Supervisors - ADOPTED
Ayes: 11 - Chan, Dorsey, Engardio, Mandelman, Melgar, Peskin, Preston, Ronen, Safai, Stefani and Walton

File No. 230153

I hereby certify that the foregoing Resolution was ADOPTED on 2/14/2023 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

I hereby certify that the foregoing resolution, not being signed by the Mayor within the time limit as set forth in Section 3.103 of the Charter, or time waived pursuant to Board Rule 2.14.2, became effective without her approval in accordance with the provision of said Section 3.103 of the Charter or Board Rule 2.14.2.

Angela Calvillo
Clerk of the Board