



# ECONOMIC HIGHLIGHTS

## Employment

**San Francisco's unemployment continues to decline.** San Francisco's year-to-date average unemployment rate dropped to 4.4% through October 2006, an 18% decline from the same period in 2005. Furthermore, October's unemployment rate was 3.8%, a nearly 22% decline from October of last year.

**San Francisco experienced its first positive job growth since 2000, adding 6,300 jobs to San Francisco's employment base in 2005,** according to recently released data (Fall 2006) from the State Employment and Development Department.

**Office vacancy rates continue to decrease.** The vacancy rate has declined steadily from a historic high of almost 23% in the second quarter of 2003, to the current overall vacancy rate of 13.3% in 3Q 2006. The declining vacancy rates are beginning to put upward pressure on asking rents, with citywide direct asking rental rates increasing more than 23% since the end of 2004, to a citywide average of \$33.60 per square foot, according to Cushman and Wakefield.

## Travel

**Travel to the City continues to increase.** Data from the Port, Airport and Convention and Visitor's Bureau point toward continued

for the first three quarters of the year, a 9.0% increase from the same period in 2005, while the occupancy rate is a healthy 77.1%, according to PKF Consulting.

## Tourism and Conventions

**Convention and visitor volume increases.** The San Francisco Convention and Visitors Bureau (SCFVB) reported a 4.1% increase in San Francisco visitors from 2004 to 2005, with a total of 15.7 million visitors last year. These visitors spent an estimated \$7.37 billion in the City last year, a 9.5% increase from 2004.

**Convention business maintains its momentum.** The SFCVB reports that convention business continues to be strong with increased booking activity and convention attendance. The Bureau completed a record-breaking fiscal year in 2004-05, booking 925 convention groups representing more than 2.2 million hotel room-nights over the next 16 years. SFCVB reports that 2006 is on pace to maintain or slightly exceed 2005 room night numbers.

## Retail

**Retail sales grew steadily in 2006,** consistent with economic recovery. Actual retail sales increased about 7.5% between 2Q 2005 and 2Q 2006, and 6.4% between 2Q 2004 and 2Q 2005, according to MBIA MuniServices Consulting.



# MOEWD

# QUARTERLY BRIEFING

## MESSAGE FROM THE DIRECTOR

As we report in our Economic Highlights section of this Quarterly Briefing, San Francisco is moving in the right direction. Visitors and conventions are back in record numbers. The unemployment rate continues to decrease. And after four consecutive years of job losses, we are experiencing job growth with 6,300 new jobs added in 2005.

While these are positives, we can still raise the bar even higher for San Francisco. The Mayor's Office of Economic and Workforce Development (MOEWD) is now in the process of finalizing San Francisco's Economic Development Plan, as mandated by Proposition I, which will identify the City's needs and future strategic priorities to ensure continued economic growth, job creation and a high quality of life for all San Franciscans. This plan will ensure that all this happens and more.

Revitalizing commercial corridors in underserved neighborhoods, creating Community Benefit Districts throughout the City, developing workforce opportunities for the City's most disadvantaged residents, moving important development projects forward, attracting new companies and supporting existing businesses – all of this and much more can be done. This MOEWD Quarterly Briefing gives a snapshot of our efforts to create positive economic change for all San Franciscans. Welcome to MOEWD.

Jesse Blout, Director

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San Francisco County Labor Force Growth, by Sector 2004 – 2005				
Title (NAICS Code)	2004	2005	No. Jobs	%
Natural Resources, Mining & Construction (15-00)	16,000	16,700	700	4.2%
Manufacturing (30-00)	12,300	11,800	-500	-4.2%
Wholesale Trade (41-00)	12,200	12,100	-100	-0.8%
Retail Trade (42-00)	42,400	43,200	800	1.9%
Transportation, Warehousing and Utilities (43-00)	15,400	14,700	-700	-4.8%
Information (Publishing, Broadcasting, Telecom, Broadcast, Internet) (50-00)	19,100	17,600	-1,500	-8.5%
Finance and Insurance (55-52)	45,600	45,900	300	0.7%
Real Estate and Rental and Leasing (55-53)	11,400	11,600	200	1.7%
Professional and Business Services (60-00)	100,400	104,800	4,400	4.2%
Educational and Health Services (65-00)	54,400	54,600	200	0.4%
Arts, Entertainment, and Recreation (70-71)	11,000	10,700	-300	-2.8%
Accommodation and Food Service (70-72)	59,800	61,100	1,300	2.1%
Other Services (Repair and Maint., Laundry, etc.) (80-00)	21,100	21,700	600	2.8%
Government (Fed, State, Local) (90-00)	81,500	82,400	900	1.1%
<b>Total</b>	<b>502,600</b>	<b>508,900</b>	<b>6,300</b>	<b>1.2%</b>

Source: State of California Employment Development Department (EDD), Labor Market Information Division.

Professional and business services had the largest gain with 4,400 new jobs, followed by food service and hotel workers (1,300 jobs), and construction (600 jobs). Sectors with losses include manufacturing (500 jobs), information (1,500 jobs, mostly in the telecommunications and internet service provider industries), and transportation, warehousing and utilities (700 jobs).

## Office Market Trends

**For the 13th consecutive quarter, the San Francisco office market has experienced strong positive net absorption,** with a total of nearly 4.5 million net square feet leased in the last 3 1/4 years, according to Cushman & Wakefield. More than half of this net absorption has occurred in the last 5 quarters, with about 2.3 million square feet absorbed, indicative of continuing strength in the office market.

strengthening of this important sector of San Francisco's economy:

Cruise ship activity continues to increase. Through the first 10 months of 2006, there were 76 ship calls to San Francisco, bringing more than 200,000 passengers, a 9% increase in passenger volume compared to the first 10 months of 2005.

International SFO passenger traffic continues to show strength, with current-month and year-to-date international passenger exceeding 2005 levels. Year-to-date figures in 2006 indicate that international traffic has increased 4.1% compared to the same period in 2005.

## Hotel Occupancy

**Hotel sector continues to strengthen.** The hotel sector continues its recovery, with both occupancy and average daily rates (ADR) in 2006 increasing over 2005 figures. Hotels city-wide reported an ADR of \$166.90

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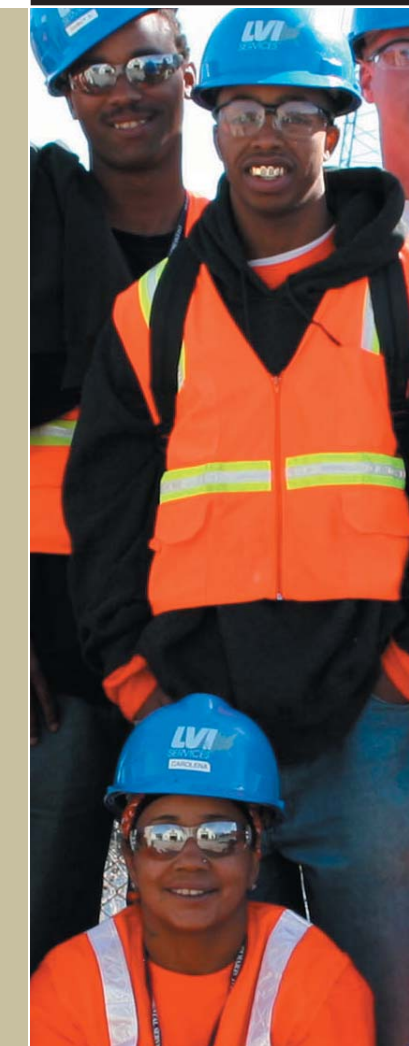
## CityBuild Places 250 Residents in Construction Careers in First Year

**Construction is booming in San Francisco. There are several billion dollars worth of public works and private construction projects underway and billions more in the pipeline. To help contractors meet local hiring goals, MOEWD recently launched CityBuild, a comprehensive workforce development program that trains and places low-income San Franciscans in construction careers. In the first year of operation, CityBuild has placed over 250 local residents in high paying jobs in the construction trades.**

CityBuild is a collaborative effort involving city government, local labor unions, contractors, community-based organizations and City College. It operates as a one-stop shop for training and placement of individuals in construction related jobs. For those who already have construction

training, CityBuild matches qualified workers with employers. Those interested in learning a trade can enroll in the CityBuild Academy, a rigorous 14-week pre-apprenticeship training program led by the Northern California Carpenters Regional Council and based at the Evans Campus of City College. In addition to hands-on experience and classroom training, the Academy offers support services for students through partnerships with community-based organizations. Already 88 students have graduated from CityBuild Academy, of which 78 are working in the trades, an 88% placement rate.

Although still a young program, it is clear that CityBuild is benefiting businesses as much as residents. "CityBuild has streamlined the way we work with the City and given us access to highly trained individuals that we hope to retain. We look forward to working with them again," said Ruben Diaz, Vice President for Webcor Builders. And CityBuild Director, Chris Iglesias recently won the 2006 Municipal Executive Award for his leadership in developing and implementing CityBuild. For more information on CityBuild, please contact Chris Iglesias at (415) 554-6512.



## FULFILLING THREE DECADES OF PROMISES

In 1974, the Navy closed the Hunters Point Shipyard. Left behind was a contaminated 500-acre site generating little in the way of economic opportunity. For the next 30 years, the City worked with the community to get the Shipyard cleaned up in hopes of someday beginning the transformation of the waterfront parcel into a vibrant community.

Today, after more than a decade of active planning and hundreds of community meetings, the master developer for the Shipyard, Lennar-BVHP Partners, has begun construction. When completed, the first phase of development will include approximately 1,600 homes, nearly 33 acres of parks, and other community-designed benefits. The creation of this new neighborhood will provide new opportunities for the surrounding Bayview Hunters Point community, with more than 30% of the development done

by local Bayview developers and over 30% of the housing units affordable at Bayview income levels.

The Hunter's Point Shipyard Project is coordinated and managed by the Of-

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fice of Base Reuse and Development within MOEWD, which manages major public-private development projects for the City. Working in conjunction with the San Francisco Redevelopment Agency, the Office of Base Reuse and Development is effectively keeping this complicated project on track.

Indeed, as a result of the excellent progress to date, the Shipyard was named the 2006 Base Redevelopment Community of the Year by the Association of Defense Communities, the national organization dedicated to helping communities address the challenges and opportunities associated with closed military installations.

## INDUSTRY NEWS

### Clean Tech Financing Roundtable

Over 50 Bay Area finance and banking leaders joined Mayor Gavin Newsom in September for a roundtable on sustainable banking and green building finance. Participants learned about local start-up banks with green lending strategies, established banks that are greening their operations and a new project to create valuation tools for financing green building. The roundtable was part of Mayor Newsom's ongoing comprehensive clean technology initiative, which is aimed at growing a "green collar" workforce and promoting a cleaner and healthier environment. For more information, please contact Dina Mackin, MOEWD's Clean Technology Manager at (415) 554-6268.

### FibroGen Plants a Stake in Mission Bay

On September 27, 2006 FibroGen announced it will move its corporate headquarters from South San Francisco to Mission Bay, becoming the anchor tenant in a new 450,000 square foot laboratory building being developed by Shorenstein and SKS at 406 Illinois Street. FibroGen has a lease on 239,000 square feet of space in the building and is the largest biotech company to locate in San Francisco to date. In 2005, the City passed the Biotech Payroll Tax Exemption, which provided a key incentive to FibroGen to move to Mission Bay. FibroGen will initially house 200 employees when it moves in 2008 but intends to grow significantly in the coming years.

## SF: A CENTER OF GLOBAL BUSINESS

When San Francisco was recently named the top US city by Conde Nast for the fourteenth consecutive year, the Convention and Visitor's Bureau was not the only one celebrating. MOEWD's Office of International Trade and Commerce knows that our reputation as a premiere tourist destination is often a key factor in businesses deciding to locate here.

San Francisco is an international community with unmatched diversity and vibrancy. Thirty nine percent of our resident population is foreign born, and almost half speak a language other than English at home. We are home to over 84 consulates. Businesses from around the globe chose to locate here because we offer an unparalleled opportunity to connect to the world. As a result, international business development is booming. Some recent notable activities include:

- ▶ New flight services to and from San Francisco by overseas airlines such as Qantas and Air New Zealand.
- ▶ Relocation of Cathay Pacific Airlines' North American headquarters from Los Angeles to San Francisco.
- ▶ Opening of new offices for the German American Chamber of Commerce, the Paris Region Economic Development Office, and the first USA – Vietnam Trade Office.
- ▶ Opening of Hong Kong Shanghai Bank's retail banking office.
- ▶ Expansion of the Canadian and Australian Consulate Trade and Investment Offices and the addition of the new Consulate of Ukraine.
- ▶ Expansion of Royal Bank of Canada's private banking operations with a major new office in the Financial District
- ▶ Opening of Barclays Global Investors' new headquarters.

The Office of International Trade and Commerce oversees all the international commercial affairs of the City as well as coordinates San Francisco's award-winning Sister City program. For more information please contact Mark Chandler, Director of the Office of International Trade at (415) 554-5628.



## SUPPORTING SAN FRANCISCO'S Small Businesses

The week of May 11 saw an infusion of excitement, education, and sales for small businesses all over San Francisco. From Bayview to the Marina to West Portal, over 2,000 small business representatives stood arm-in-arm to participate in San Francisco's Small Business Week. Kicking off with Mayor Newsom on May 11, the second annual Small Business Week was a boon for both shoppers and owners alike. For owners, Small Business Week was a chance to learn how best to maximize small business opportunities through classes and workshops on business planning, financing, human resources, technology management, and marketing. Shoppers found an abundance of bargains and selection at citywide sidewalk sales and special events. Besides offering great opportunities to shop, the events offered a boost to many of the City's commercial areas and locally-owned small businesses. For neighborhoods such as the Bayview 3rd Street corridor, the extra promotional marketing efforts were a welcome sight, attracting hundreds of locals and visitors.

The Office of Small Business sponsors Small Business Week to further promote and support San Francisco's small businesses. By combining ongoing services for entrepreneurs with larger citywide programs and initiatives, the Office of Small Business creates an environment that gives every business, no matter how big or how small, the opportunity to succeed. For more information, please contact the Office of Small Business at (415) 554-6134.

## CENTRAL MARKET:

### SAN FRANCISCO'S NEWEST COMMUNITY BENEFIT DISTRICT

On October 31st, property owners in Mid-Market voted overwhelmingly in favor of the Central Market Community Benefit District (CBD), marking the seventh CBD to be formed in San Francisco in the last two years.

CBDs, also known as Business Improvement Districts, are partnerships between the City and communities that allow property owners to assess themselves a small fee that can be used to fund neighborhood beautification projects, security services, graffiti removal, tree maintenance, marketing and promotions, and special events such as farmers markets and street festivals.

For years, the City only had one district, the Union Square BID, while cities such as Los Angeles and New York could claim dozens of such districts. Now, along with Central Market, CBDs can be found in Castro/Upper Market, Noe Valley, North Market/Tenderloin, Mission District, Fisherman's Wharf and the Fillmore. To date, these CBDs have raised over \$3.6 million.

## HELPING SAN FRANCISCO BUSINESSES SUCCEED

A thriving business community is essential to a city's economic health – that's why the Business Affairs division of MOEWD is dedicated to helping local business succeed.

The Business Affairs division works to attract and retain San Francisco businesses by supporting and promoting a myriad of business assistance programs, including:

- ▶ Clean Technology and Biotechnology Payroll Tax Credits
- ▶ Enterprise Zone Tax Credits
- ▶ Small Business Development
- ▶ Business Loan Programs
- ▶ Neighborhood and Commercial District Revitalization
- ▶ Job Referral, Training and Placement Assistance
- ▶ International Business Development
- ▶ Business Management Training and Technical Assistance
- ▶ Energy Efficiency Programs

For more information, please visit [www.sfgov.org/moewd](http://www.sfgov.org/moewd) or call (415) 554-6969. We look forward to working with you.

The initial success of the CBDs program has generated interest from numerous other districts, and the program's reach is expanding. Community leaders from Japantown, North Beach and Yerba Buena neighborhoods are currently working with MOEWD to explore the possibility of creating CBDs in their own communities.

Mayor Newsom had made the establishment of new CBDs a priority of his administration. In his recent State of the City address, the Mayor pledged additional funding in next year's budget to support this proven grassroots economic development tool. For more information, please visit [www.sfgov.org/moewd](http://www.sfgov.org/moewd) or call Lisa Pagan at (415) 554-6936.