

Mission Street Corridor Economic Analysis

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City of San Francisco
Office of Economic and Workforce Development



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I. INTRODUCTION

The City of San Francisco Office of Economic and Workforce Development (OEWD) is considering zoning changes, strategies and policies to support existing businesses and attract new neighborhood-serving businesses to Mission Street. This report provides an understanding of Mission Street’s changing character, business mix, and retail performance, as well as an assessment of both the type and quality of jobs available to residents. The findings in the report are intended to inform OEWD as it develops strategies to assist existing retailers in expanding their market and sustain and enhance the economic vitality of the corridor.

The analysis in this report draws on a variety of quantitative and qualitative data sources, including retail sales tax data, change of use permit data, demographic and employment data, multiple site visits, and a survey of ground floor uses on Mission Street that OEWD conducted in May 2017, as well as more than 15 interviews with local business owners, store managers, and real estate brokers. This report also incorporates findings from the Calle 24 retail study completed by Strategic Economics in January 2017.

The remainder of this introduction describes the Mission Street study area and its trade area. Following the introduction, the report is organized as follows:

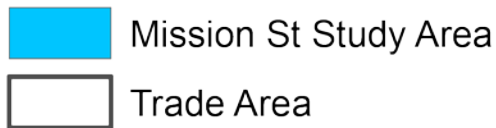
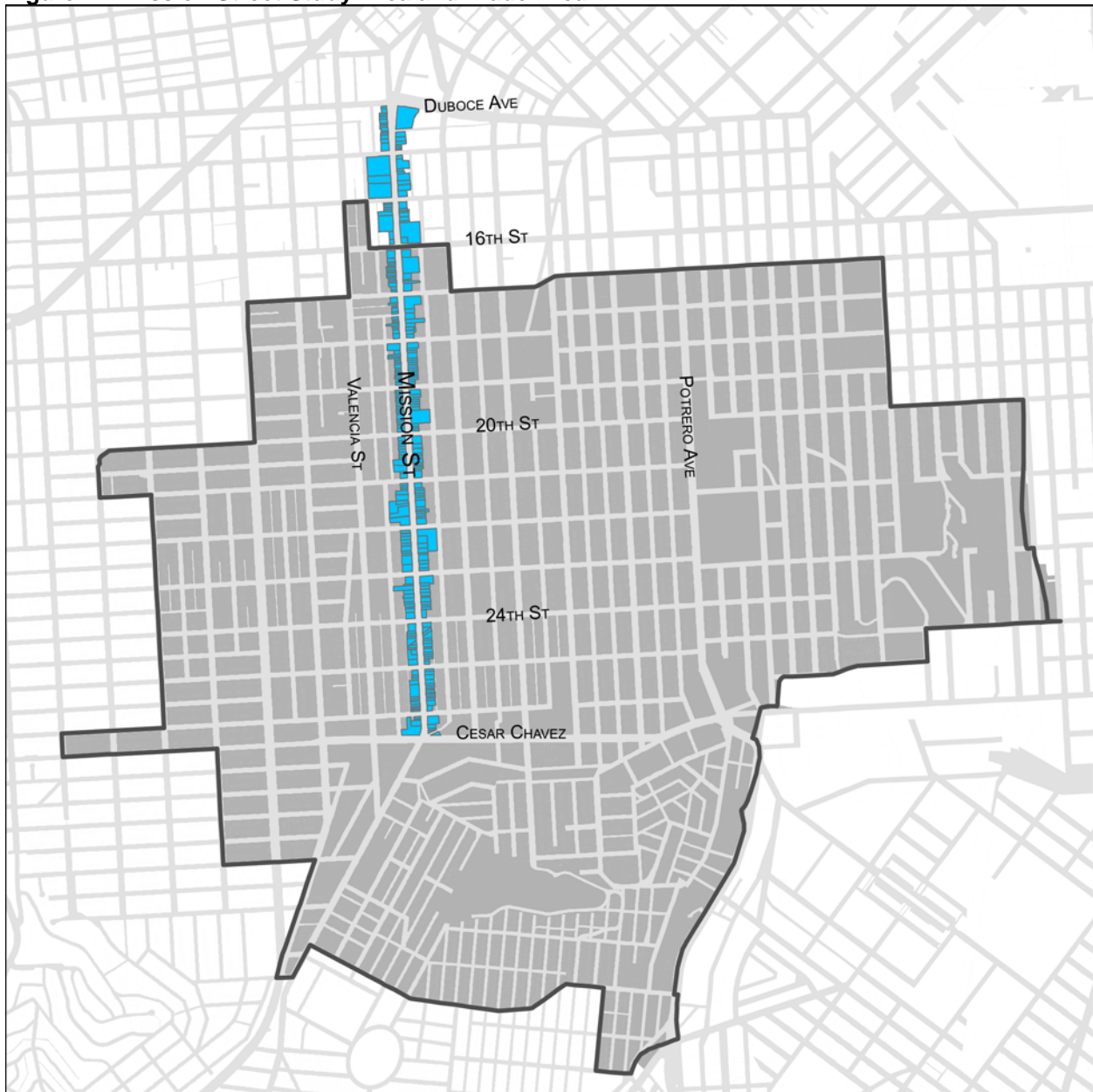
- **Section II** summarizes the key findings and conclusions from the analysis.
- **Section III** describes historic development patterns, the existing land use context including the current mix of ground floor uses, the land use controls that govern development and changes of use on the corridor, and recent trends in change of use permits.
- **Section IV** provides an overview of commercial real estate market trends on Mission Street.
- **Section V** summarizes the changing characteristics of residents, workers, and visitors in the trade area based on findings from the Calle 24 retail study, in order to provide context on how the market for goods and services has changed in recent years.
- **Section VI** analyzes the retail and restaurant mix and performance of Mission Street including a detailed analysis of the existing business mix, a discussion of changes in use, and findings from interviews with local businesses on the challenges they face in adapting to changing retail conditions.
- **Section VII** assesses employment in the corridor, including the number of jobs by type of business and the implications of the corridor’s business and employment mix in terms of access to high-quality employment opportunities for residents of the Mission District.

STUDY AREA AND TRADE AREA

Figure I-1 provides a map of the geographies used throughout this analysis. These include:

- **Mission Street Study Area:** The study area stretches along Mission Street from Cesar Chavez Street to the south to Duboce Street at the northern edge of the Mission District. The study area is referred to as “Mission Street” or “the corridor” throughout this report.
- **Trade Area:** For consistency, this study uses the same trade area as that used in the Calle 24 study. The trade area is intended to capture the households who are likely to shop on the main commercial corridors in the Mission on a daily basis, including residents of the Inner Mission neighborhood as well as some parts of adjacent neighborhoods, including the eastern part of Noe Valley and the northern section of Bernal Heights.

Figure I-1. Mission Street Study Area and Trade Area



Sources: City of San Francisco, 2016;
Strategic Economics, 2017.



II. SUMMARY OF KEY FINDINGS

This chapter summarizes the key findings from the interviews, data analysis, and research conducted for this study. Each of the findings summarized below are discussed in more detail in later sections of the report.

KEY CHARACTERISTICS OF THE CORRIDOR

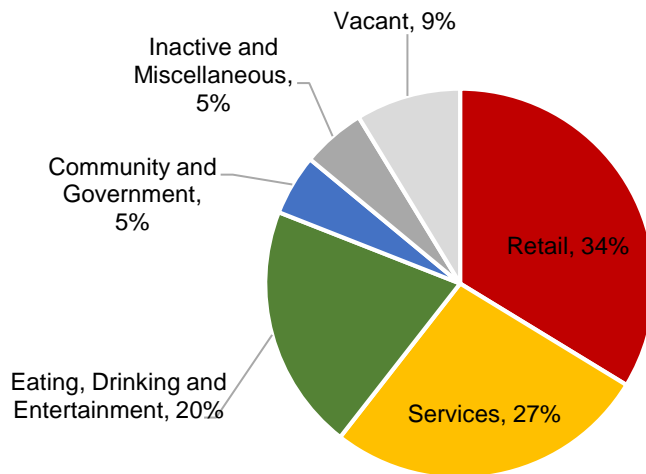
As the main arterial and commercial center of the Mission District, Mission Street has played a range of important historic and cultural roles for residents of the district and all of San Francisco. In the early 20th century, Mission Street was known as the “Mission Miracle Mile” and served as a key shopping and transportation corridor with iconic buildings that housed department stores and theaters. In the second half of the 20th century, the Mission District grew increasingly Latino, and developed a strong culture of Latino neighborhood activism and public art, exemplified by the Mission Muralismo movement. Since the 1990s, and accelerating in recent years, the Mission has seen an influx of new residents with higher purchasing power accompanied by soaring residential and commercial rents. Despite recent changes, the Mission District continues to be home to one of the largest concentrations of Latinos in the city and Mission Street itself continues to be anchored by many Latino businesses as well as arts and cultural organizations.

Since the 1990s, and accelerating in recent years, the Mission has seen an influx of new residents with higher purchasing power accompanied by soaring residential and commercial rents. Because of the Mission’s central location and transit accessibility the neighborhood has attracted many new educated, younger, higher-income residents. This process of gentrification has been accompanied by a significant decline in the number of Hispanic residents and families with children living in the Mission.

Despite recent changes, the Mission District continues to be home to one of the largest concentrations of Latinos in the city and Mission Street itself continues to be anchored by many Latino businesses as well as arts and cultural organizations. Today the Mission Street corridor is home to Latino-owned businesses, historic and modern murals, and social and cultural institutions important to Latinos, such as the Mission Cultural Center for Latino Arts and Instituto Familiar de la Raza.

Today Mission Street includes a diverse business mix that provides neighborhood-serving goods and services, as well as restaurants and services that serve a more regional customer base. As Figure II-I shows, the ground floor storefronts on Mission Street are occupied by a mix of traditional retail (i.e., stores that sell products to the general public); services (including personal, financial, and medical services); and eating and drinking places. The upper floors include a range of office uses (including medical, professional, and tech firms) and some residential uses. In comparison to Valencia Street, which is characterized by a concentration of high-end stores and restaurants, Mission Street has a variety of businesses serving low- and moderate-income households as well as higher-income households. Typically, grocery stores and other types of local-serving retail draw local customers during the day, while bars, restaurants and nightclubs bring in a younger, more affluent clientele at night, from the neighborhood and beyond. Medical and social service providers also attract clients from outside the neighborhood, as well as serving local residents.

Figure II-1: Ground Floor Commercial Uses by Category: Mission Street, May 2017



Sources: City of San Francisco, Office of Economic and Workforce Development, 2017; Strategic Economics, 2017.

The corridor includes distinctive clusters of retail and services that are concentrated in certain segments. In general, the blocks between 16th and 24th Street are more intensely developed, have a higher density of storefronts, and attract the most foot traffic throughout the day and into the evening. The segment between Duboce and 16th Streets has relatively few storefronts, a high vacancy rate, and a number of services and housing-related uses on the ground floor. The corridor is also less densely built out south of 24th Street, where there is a prevalence of one- to two-story buildings and several surface parking lots. Some of the distinctive clusters of retail and services within the corridor segments include:

- Auto services and repair cluster, concentrated between Duboce and 16th Streets.
- Restaurants and nightlife, concentrated between 16th and 24th Streets with a particular concentration of higher end establishments between 20th and 24th Streets.
- Clothing, jewelry, and accessory stores, located throughout the corridor but with a cluster of shoe stores, primarily located between 20th and 24th.
- Medical and social services including doctors' offices, dentists, optometrists, and pharmacies is located on the corridor particularly between 20th and 21st Streets.

Unlike other corridors in the Mission, Mission Street's retail mix also includes formula retail businesses. Formula retail stores and other chains occupy seven percent of ground floor storefronts on the corridor. These include restaurants, cell phone stores, and drugstores. While these retailers are sometimes perceived as diminishing neighborhood character, they may also provide affordable products to local residents as well as employment opportunities for low- and moderate-income workers.

Businesses on Mission Street provide a range of different job opportunities. Figure II-2 summarizes indicators related to expected job growth and quality for the four major industry groups that provide employment on the corridor, including the projected rate of regional employment growth, minimum educational level for a typical entry-level position, and availability of middle-wage jobs. More than half of the 3,460 jobs located on the corridor are in the retail, food and beverage, and personal services industries, which provide significant entry-level employment opportunities for people with a high school degree or less, but tend to be relatively low paying. In contrast, health and educational services and office-based

industries (specifically professional and technical services) have been identified as sectors with some of the most middle-wage jobs (jobs earning \$18-\$30 an hour) in the Bay Area, based on an analysis by SPUR in the *Economic Prosperity Strategy* for the Bay Area. These jobs typically require an Associate's Degree or higher level of education. All of these job categories are expected to grow regionally in the coming decades, with the fastest growth in health and education as well as office-based industries such as professional, scientific, and technical services.

Figure II-2: Job Growth and Quality Indicators by Industry Group

Industry Group	Mission Street Jobs (2017) ¹	Regional Growth Projection (2015-2040) ¹	Middle-Wage Employment Opportunities ²	Minimum Educational Requirements
Retail and Services	1,041	Moderate	Low	High school or less
Food and Beverage	643	Moderate	Low	High school or less
Health, Educational, and Social Services	662	Fast	High	Associate's degree or higher
Office-Based Industries	776	Fast	High	Associate's degree or higher

¹ Dun and Bradstreet, 2017.

² Moderate: 5-10% projected increase in regional employment for relevant sectors; Fast: 30-40 projected increase in regional employment for relevant sectors. Based on ABAG, March 2017.

³ Industry groups that account for the most middle-wage jobs (jobs earning \$18-\$30 an hour) in the Bay Area. Based on SPUR, *Economic Prosperity Strategy: Improving Economic Opportunity for the Bay Area's Low- and Moderate-Wage Workers*, October 2014. Figure by Strategic Economics, 2017.

RETAIL AND RESTAURANT PERFORMANCE

This section describes retail and restaurant performance on the Mission Street corridor in the context of citywide as well as national retail trends. The findings below draw on a review of literature on national and regional retail trends, interviews with local business owners, and an analysis of sales tax data.

For the purposes of this analysis, Strategic Economics modeled gross sales based on data from sales tax revenues in three categories: restaurants and hotels (including bars and nightlife); food and drugs; and general consumer goods. Sales of some goods, including prescription drugs and food for consumption at home, are also nontaxable. Strategic Economics used assumptions about the share of taxable sales to estimate gross retail sales in these categories.¹ Other sales categories were excluded because data are not available (on nontaxable services), or to protect confidentiality. See Chapter VI of the report for additional discussion of the exclusions and assumptions involved in the analysis.

All figures below are adjusted for inflation and stated in 2016 dollars.

Retail and restaurant sales on Mission Street have grown steadily over the past decade, increasing more quickly than sales in the City overall. Total estimated retail and restaurant sales on the corridor increased by 30 percent between 2007 and 2016, from \$190 million to \$247 million (after adjusting for inflation). Average sales per establishment grew by 11 percent over the course of the decade, increasing

¹ Specifically, the analysis assumes that sales tax was collected for 25 percent of sales at food and drug stores, and 75 percent of sales in general consumer goods.

from an estimated \$732,500 in 2007 to \$814,910 in 2016. In comparison, total retail and restaurant sales in the City of San Francisco grew by 12 percent between 2007 and 2016, while on a per-establishment basis citywide sales increased by 11 percent during this time (Figure II-2). As discussed below, sales growth on Mission Street was driven by increasing restaurant sales; traditional retail on the corridor has struggled.

Restaurants have driven sales growth on the corridor as Mission Street has emerged as a dining and nightlife destination. Total restaurant and hotel sales on Mission Street increased by 113 percent between 2007 and 2016. In comparison, citywide restaurant and hotel sales increased by 44 percent during this time (Figure II-2). Most of the sales in this category are likely from restaurants, bars, and entertainment venues, since there are few hotels on the corridor. From the available data, it is not possible to determine the extent to which overall sales increases were related to growth at existing (or “same store”) locations rather than (or in addition to) sales at new locations, or to assess how much of the sales growth can be attributed to increased prices versus increased sales volume. Anecdotally, however, the corridor attracted many new restaurants during this time period, including higher priced establishments.

On average, traditional retail stores on Mission Street are experiencing a decline in sales. Although total estimated food and drug sales on the corridor increased between 2007 and 2016, average sales per-establishment decreased by 21 percent. At the same time, per-establishment sales in general consumer goods declined by 11 percent. Strategic Economics estimated total sales in these categories by assuming that 25 percent of food and drug sales and 75 percent of general consumer sales were taxable in every year; however, in actuality the share of taxable sales may vary from year to year, affecting the trend.

The growth of restaurants, accompanied by a challenging environment for traditional retail, in part reflects citywide and national trends; however, these trends appear to be accentuated on Mission Street. Regionally and nationally, most of the growth in retail demand has occurred in sectors that do not compete directly with online sales, including restaurants, personal services (for example, hair and nail salons and fitness centers), and grocery stores. However, traditional retail on Mission Street appears to be struggling somewhat compared to citywide trends. Between 2007 and 2016, average citywide sales for establishments in the food and drug category increased by 17 percent (compared to a decline on Mission Street), while average sales at general consumer goods stores decreased citywide but slightly less than on Mission Street (Figure II-2). Note that the citywide data include other neighborhood commercial districts, but also regional-serving malls and districts like Union Square.

The segment of the corridor between 20th and 24th Street generates the most sales, followed by the 16th to 20th Street segment. The 20th to 24th Street segment generated an estimated \$113 million in total retail and restaurant sales in 2016, while 16th to 20th Street generated \$64 million in sales. Sales in both segments expanded significantly between 2007 and 2016 (by 30 percent and 56 percent, respectively) reflecting the rapid expansion in restaurant sales as well as a smaller but significant increase in total food and drugs sales. Sales and the rate of sales growth are significantly slower north of 16th and south of 24th Streets.

Real estate brokers report that demand for space has slowed in the last 12 months, and some business owners have noted a decline in sales as well during that period. Real estate brokers noted that vacancies have increased and rents have flattened over the past year. Some business owners also report that sales have begun to slow in the last year, a trend they attributed to a range of factors including a loss of long-time customers due to demographic change, a decline in spending by Latino customers due to fears related to the political climate, and increased competition with online sales. Citywide, retail and restaurant sales declined in 2016 for the first time since 2009. The rate of sales growth on Mission Street moderated between 2015 and 16, but did not decline overall (although sales of general consumer goods did continue to decline slowly).

Figure II-3: Retail and Restaurant Sales: Mission Street and San Francisco, 2007 and 2016 (2016 Dollars)

	Mission Street			San Francisco		
	2007	2016	Change, 2007-2016	2007	2016	Change, 2007-2016
Estimated Retail and Restaurant Sales						
Total ¹	\$189,889,509	\$246,713,695	30%	\$14,645,967,529	\$16,333,757,866	12%
By Category ²						
Restaurants and Hotels ³	\$42,153,645	\$89,786,939	113%	\$3,662,523,253	\$5,286,994,486	44%
Food and Drugs ⁴	\$46,380,530	\$56,556,862	22%	\$3,882,638,647	\$4,829,077,862	24%
General Consumer Goods ⁵	\$69,062,662	\$67,002,357	-3%	\$7,100,805,629	\$6,217,685,518	-12%
Average Per-Establishment Sales						
Total ¹	\$732,457	\$814,909	11%	\$816,159	\$904,416	11%
By Category ²						
Restaurants and Hotels ³	\$563,928	\$957,727	70%	\$788,487	\$979,617	24%
Food and Drugs ⁴	\$1,952,864	\$1,538,962	-21%	\$2,805,375	\$3,280,624	17%
General Consumer Goods ⁵	\$490,676	\$436,497	-11%	\$595,905	\$555,597	-7%

¹ Includes sales in restaurants and hotels, food and drugs, and general consumer goods; excludes sales in autos and transportation, fuel and service stations, building and construction, and business industry.

² Excludes Duboce to 16th Street (data by category were not available for this segment due to confidentiality restrictions).

³ Includes bars, nightlife, and entertainment.

⁴ Assumes that 25% of the total sales in this category are taxable.

⁵ Assumes that 75% of the total sales in this category are taxable.

Sources: City of San Francisco, 2017; HdL, 2017; Strategic Economics, 2017.

CORRIDOR STRENGTHS AND WEAKNESSES

This section summarizes the strengths and weaknesses of the retail environment, based on interviews with business owners and real estate brokers.

Mission Street's excellent transit access and foot traffic, the increasing buying power of residents in the trade area, and increased regional visitation appear to be driving the overall growth in sales, and especially in restaurant sales. The Mission Street corridor benefits from excellent transit access and foot traffic, particularly between the BART stations at 16th Street and 24th Street. In part because of its accessibility, Mission Street has emerged as a regional destination for dining and nightlife over the past decade. At the same time, the trade area has experienced an influx of new, high-income residents with significant purchasing power. A number of newer businesses have moved to the corridor to sell goods and services at a higher price point, for visitors and new residents with higher disposable income. Some long-standing businesses have also adapted to the Mission's new demographics and customer base by adding new products that appeal to a broad range of consumers at a variety of price points.

However, traditional retailers on the corridor face a number of challenges. These include:

- **Increasing competition with online sales** as ecommerce expands into new product categories, including apparel, shoes, groceries, and health and beauty.
- **Lack of an online presence or other advertising strategy**, especially for struggling independent businesses with limited resources.
- **A loss of long-time customers**, especially for businesses that relied on Latinos, families, and lower-income households (all groups that have declined in the trade area in the last ten years).
- **Customer parking and vehicle access challenges.** While business owners describe the corridor's transit access and foot traffic as major assets, many are concerned that the corridor is not friendly enough to shoppers who drive to the Mission. Business owners believe that parking and vehicle access challenges have worsened with the implementation of the red bus lanes.
- **Challenges with hiring and retaining workers** due to the high cost of living in San Francisco and competition with other industries; however, some business owners interviewed do not have this challenge, either because they have long-term employees, or because they are operating on such narrow margins that they are only able to employ family members.
- **Costs of complying with City regulations, including minimum wage and other labor laws.** This was a concern for larger businesses that employ multiple (non-family) workers.
- **Concerns about the management and maintenance of public space**, especially north of 16th Street and south of 24th Street.

Filling long-term vacancies on the corridor also remains a challenge. The overall vacancy rate on the corridor as of May 2017 was 14 percent. This includes vacant spaces (9 percent of total storefronts) that are currently empty, but are being marketed for a new lease, as well as inactive spaces (5 percent of total) that are not currently being marketed but are being remodeled to prepare for a new use. Brokers noted that the vacancy rate has increased over the last year, and that a number of spaces have been vacant for 6-9 months or longer. Business owners noted that long-term vacancies negatively affect the street environment and reduce foot traffic. Some of the challenges associated with filling longer-term vacancies include:

- **Larger, deeper storefronts** that appeal to a limited number of tenants and are challenging to subdivide.

- **Buildings that require substantial rehabilitation**, including buildings that are subject to historic preservation restrictions.
- **Cost and time associated with complying with City regulations**, including change of use permit requirements, formula retail conditional use authorizations, the permits required for renovation, and other requirements.

CORRIDOR OPPORTUNITIES AND THREATS

Mission Street may be experiencing a structural shift in the amount of traditional retail that can be supported. In particular, the decline in general consumer goods sales on the corridor appears to reflect a citywide trend that has persisted throughout a decade characterized by a recession, but also by significant economic expansion. The decline in this category also reflects the challenges that retailers nationally are facing due to oversupply relative to demand, especially as online sales grow.

As retail consolidates, restaurants and services are playing an increasingly important role in filling storefronts across the country. The trend towards an increase in restaurants is particularly notable on Mission Street, which has emerged as a regional dining and nightlife destination. However, it is important to note that more “experiential” uses such restaurants and services are playing an increasingly important role in filling storefront vacancies throughout the city, the region, and the country. These uses have so far been relatively insulated from competition with online sales, although the emerging trend of delivery services may be creating new challenges (as well as potential opportunities) for restaurants in particular.

However, there are opportunities to help the long-standing businesses on the corridor compete more effectively. The analysis suggests that there are opportunities for the City to provide assistance in several areas, including:

- **Expanding small and independent businesses’ access to online marketing**, as well as supporting partnerships with delivery services.
- **Continuing to attract uses that bring shoppers to the corridor.** According to some business owners and brokers, this could include formula retail or other “destination” retail. Restaurants and entertainment uses also attract many visitors; however, there may be a mismatch between the time of day when diners patronize the corridor (i.e., evenings) versus when retail shops are generally open.
- **Addressing parking and other customer access concerns.**
- **Supporting businesses as they experiment with strategies for cutting costs and increasing sales**, including reducing any regulatory barriers that may prevent traditional retailers from adding food and alcohol sales, holding events, or co-locating with complimentary businesses.
- **Revisiting regulatory barriers that may contribute to long-term vacancies.**
- **Connecting local retailers and restaurant owners with graduates from local workforce training programs in the hospitality sector.**
- **Continuing to solicit input from business owners**, to ensure that business owners as well as other stakeholders have a voice in decision-making.

III. LAND USE CONTEXT

This section describes the land use context on Mission Street today, including:

- Historic development patterns and existing land uses on the corridor, focusing on the mix of ground floor uses as documented in a May 2017 survey of the corridor; and
- The zoning controls that regulate changes of use and new development;
- Recent trends in change of use permits.

HISTORIC DEVELOPMENT PATTERNS AND EXISTING LAND USES

Mission Street has been an important retail and entertainment destination since the early 20th century. The “Mission Miracle Mile” was a key shopping and transportation corridor with iconic buildings that housed department stores and theaters.

The corridor and the Mission District as a whole were profoundly transformed by the rise of the car culture and the construction of the BART system. As in other parts of the city and region, Mission Street saw a removal of its streetcar rails in 1949, which were replaced by buses. Despite this change, the neighborhood, and particularly Mission Street, remained a retail and entertainment destination in San Francisco. However, the construction of BART, which took place between 1967 and 1973 and involved tearing up Mission Street to allow for the construction of the subway, was a heavy blow to local businesses. The lengthy construction period was a significant challenge to local retailers, who were very dependent on foot traffic.

Mission Street functions as the neighborhood’s commercial spine and is also a regional transportation corridor. Mission Street is a major transit corridor that connects San Francisco’s downtown to its most southern neighborhoods. Within the neighborhood, Mission Street functions as a wide boulevard with a vibrant pedestrian atmosphere, which is reinforced by the presence of two major BART stations at 16th and 24th Streets, and several major bus lines.

Mission Street’s current mix of land uses reflects this historic development pattern. Because of the street’s historic development, storefronts are larger and wider than in other areas of the Mission, attracting retail and high-end restaurants that require more space.

Some of the largest historic buildings are now empty for a variety of factors. Challenges with leasing these spaces include the high cost of rehabilitating historic buildings, and the fact that the spaces are suited to a relatively small subset of tenants who need a significant amount of floor area and can afford the rent (which, although cheaper than other spaces on a per square foot basis, is still higher in total compared to a smaller space). According to some brokers, these spaces would be well suited to house modern formula retailers; however, the City’s formula retail controls (discussed below) serve as a disincentive for formula retailers who might otherwise consider locating on the corridor.

In recent years, the corridor and the trade area have attracted some new, higher density residential development. Most of the new development has taken the form of high-end condominiums with ground floor retail space. For the Mission District as a whole, an additional 2,600 residential units (including 650 affordable units) were in the development pipeline as of the first quarter of 2017. The trade area’s changing

demographics, including the influx of new, higher income residents, and the resulting effects on demand for retail are discussed in Section V of this report.

GROUND FLOOR COMMERCIAL USES

This section analyzes the mix of ground floor commercial uses on the corridor based on a survey that OEWD conducted in May 2017. In total, there are 436 recorded ground floor spaces on the Mission Street corridor, excluding ground floor residential uses.

Figure III-1 summarizes ground floor commercial uses (also referred to as “storefronts” below) on the corridor by major category. **Figure III-2** provides more detailed information on ground floor uses by subcategory. Retail and services businesses represent the two most common uses, followed closely by eating, drinking and entertainment establishments. As shown in the figures:

- **Retail stores account for 34 percent of all ground floor commercial uses on the corridor (147 storefronts).** The most common types of retail stores are clothes and accessories shops (including shoes), followed by cell phones, other electronics, and games; variety and sports stores; grocery and specialty food stores; and jewelry stores.
- **Services represent another 27 percent of ground floor commercial uses on the corridor (117 storefronts).** Personal services businesses (mostly salons) and financial services businesses (particularly commercial banks and check cashing establishments) are most common. Medical services businesses are also present in significant numbers on the corridor, particularly optometrists and dentist offices.
- **Eating, drinking and entertainment establishments represent 20 percent of all ground floor commercial uses on the corridor (89 storefronts).** This category is dominated by restaurants, which represent 70 percent of eating, drinking and entertainment businesses on the corridor.
- **Community and government establishments represent 5 percent of ground floor commercial uses (22 storefronts).** This category includes non-profits, churches and other religious centers, and public service providers such as a navigation center for the homeless, the San Francisco Parole and Community Services Division, and UCSF’s Mission Mental Health Services.
- **Vacant and inactive spaces account for 14 percent of the total (61 storefronts).** “Vacant” spaces (38 storefronts, or 9 percent of total) are currently empty, but are being marketed for a new lease. “Inactive and miscellaneous” (23 storefronts, or 5 percent of total) are not currently being marketed, but most are being remodeled to prepare for a new use.

The ground floor uses survey also highlighted some other distinguishing characteristics of the corridor, including:

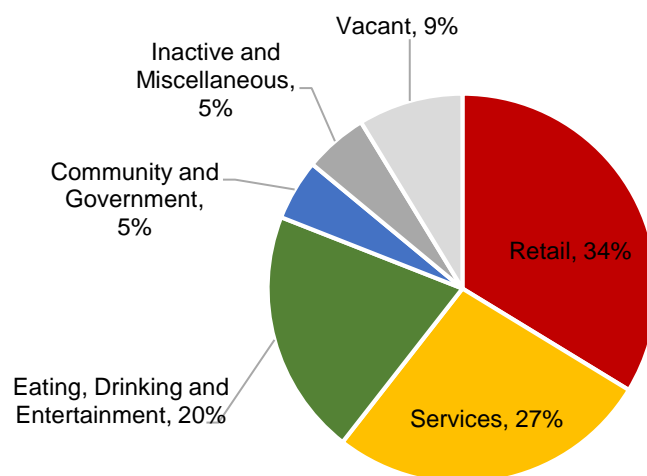
- **Prevalence of formula retail and other chains:** Formula retail stores and other chains represent seven percent of establishments on the corridor, as shown in **Figure III-3**.² Most of these

² San Francisco defines formula retail as “a type of retail sales activity or retail sales establishment that has eleven or more other retail sales establishments in operation, or with local land use or permit entitlements already approved, located anywhere in the world,” and maintains certain standardized features. Most of the types of businesses included in the retail, services, food and beverage category are subject to this definition. “Other chains” includes retail, food, personal and financial services establishments that either 1) fall into use categories that are not regulated as formula retail, and have more than one location in the world; or 2) fall into use categories that are regulated as formula retail, but have between one and ten other locations in the world. See Section VII for more details on how formula retail and other chains were identified for the purposes of this analysis.

businesses are retail stores (particularly drug stores, clothing and shoe stores, and cell phone stores) and financial services establishments (commercial banks). Note that most of the formula retail on the corridor opened prior to the enactment of the City’s formula retail controls, and therefore did not require a conditional use authorization.

- **Diversity of languages spoken:** While conducting the survey, OEWD staff spoke with the business owner or store manager on duty to determine the primary language spoken. Although Spanish remains the predominant language other than English, the business owners and managers on the corridor speak a variety of languages. Of the 375 storefronts for which this information was recorded, 51 percent spoke English, 34 percent spoke Spanish, 10 percent spoke Chinese, and 5 percent spoke another language (**Figure III-4**).
- **Nightlife cluster:** Overall, 14 percent of storefronts are open after 8 p.m. The majority of these are restaurants and bars, as well as a few theaters or other entertainment venues.
- **Business owner occupancy:** An estimated nine percent of businesses own their space, protecting them from potential evictions or rent increases.

Figure III-1: Mission Street Corridor Ground Floor Commercial Uses by Category



Sources: City of San Francisco, Office of Economic and Workforce Development, 2017; Strategic Economics, 2017.

Figure III-2: Mission Street Corridor Ground Floor Uses by Category

Category	Number of Businesses	Share of Total Businesses
Retail		
Clothes & Accessories	30	7%
Cell Phones, Other Electronics & Games	21	5%
Variety and Sports Stores	20	5%
Groceries and Specialty Food Stores	19	4%
Jewelry Stores	12	3%
Pharmacies, Health and Beauty Supply Stores	11	3%
Liquor and Convenience Stores	6	1%
Other Retail	28	6%
Retail Total	147	34%
Services		
Personal Services	35	8%
Financial Services	31	7%
Medical Office	18	4%
Professional Services	10	2%
Other Services	23	5%
Services Total	117	27%
Eating, Drinking and Entertainment		
Restaurants	62	14%
Bars	12	3%
Bakeries and Cafés	8	2%
Theaters, Night Clubs and Venues	7	2%
Eating, Drinking and Entertainment Total	89	20%
Community and Government		
Non-Profits	12	3%
Religious Centers	6	1%
Public Services	4	1%
Community and Government Total	22	5%
Inactive and Miscellaneous¹	23	5%
Vacant²	38	9%
Total	436	100%

¹ "Inactive and miscellaneous" spaces are not currently being marketed, but most are being remodeled to prepare for a new use.

² "Vacant" spaces are currently empty, but are being marketed for a new lease.

Sources: City of San Francisco, Office of Economic and Workforce Development, 2017; Strategic Economics, 2017.

Figure III-3: Chain and Formula Retail Businesses by Category, Mission Street Corridor

Category	Formula Retail ¹	Other Chain Retail ²	Total Formula and Other Chain Retail	All Storefronts	Chain and Formula Retail as Share of All Storefronts
Retail	11	3	14	119	12%
Services	8	3	11	117	9%
Eating, Drinking and Entertainment	0	4	4	89	4%
Total	19	10	29	436	7%

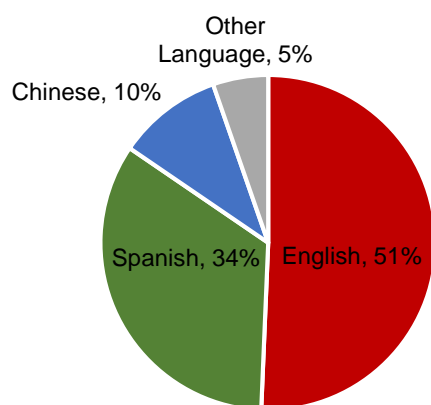
¹ Formula retail includes establishments that meet the definition in San Francisco's Planning Code, to the extent that the data allows.

² Other chains include all retail, food, personal, and financial service locations with more than one global family member as identified by Dun & Bradstreet.

See Section VII for more details on how formula retail and other chains were identified for the purposes of this analysis.

Sources: City of San Francisco, Office of Economic and Workforce Development, 2017; Dun & Bradstreet, 2017; Strategic Economics, 2017.

Figure III-4: Language Spoken by the Business Owner or Store Manager



Sources: City of San Francisco, Office of Economic and Workforce Development, 2017; Strategic Economics, 2017.

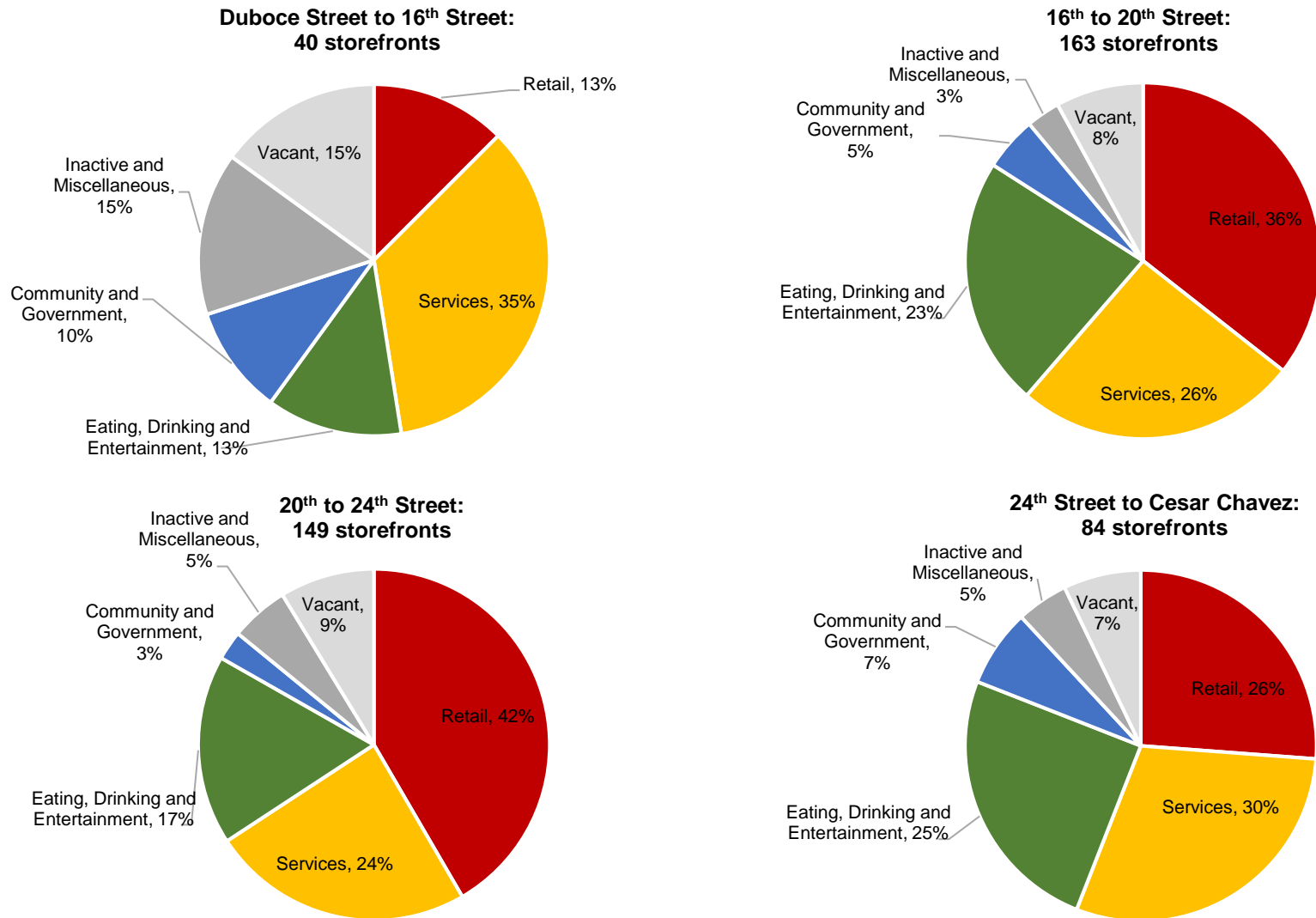
Ground Floor Commercial Uses by Segment

For the purposes of the analysis, the corridor was divided into four segments that reflect major landmarks like the BART stations, as well as the differing land use characteristics along the corridor. **Figure III-5** compares the mix of uses in each segment. **Figure III-6** shows the number of businesses open after 8 p.m. in each segment. Many types of businesses are spread throughout the corridor. For example, there are clothing stores, grocery stores, and restaurants located along the length of Mission Street. However, there are also distinctive clusters of certain types of uses. Key clusters and other defining characteristics of each segment are described below:

- Duboce Street to 16th Street:** This segment has the smallest number of storefronts (40) and the highest vacancy rate (30 percent of spaces are vacant or inactive). Although residential uses were not recorded in the ground floor survey, a visual inspection indicates that this segment has the highest prevalence of housing-related uses (including garages) on the ground floor. The predominant commercial use in this segment of the corridor is services, including a cluster of auto services/repair businesses. Two of the corridor's public service providers (the navigation center and the San Francisco Parole and Community Services Division) are located on this segment.

- **16th Street to 20th Street:** With 163 storefronts, this segment contains the most storefronts and the lowest vacancy rate (11 percent including vacant and inactive). Slightly more than one-third of the storefronts are retail businesses. Services and eating, drinking, and entertainment each account for another quarter of storefronts. The retail in this segment is diverse, including clothing, jewelry, art supply and furniture, grocery, and a wide variety of other stores. Historically this segment included a cluster of used clothing stores; however, two major used clothing stores (Thrift Town and Goodwill) recently closed. The segment also includes a significant nightlife cluster of 24 businesses (mostly restaurants and bars) open after 8 p.m. This segment and the segment to the south (20th to 24th Street) attract the most foot traffic throughout the day and into the evening.
- **20th Street to 24th Street:** This segment contains the second highest number of storefronts (149), has a 14 percent vacancy rate. The segment also includes a large vacant lot on the northwestern corner of 22nd Street, resulting from a recent fire (not counted in the vacancy rate). The segment has a large concentration of retail (42 percent of the segment's spaces), and includes several notable clusters of related businesses, including clusters of medical offices and pharmacies, shoe stores (e.g., Skechers, Shiekh Shoes, Payless ShoeSource), and nightlife (anchored by Foreign Cinema and the Alamo Drafthouse).
- **24th Street to Cesar Chavez Street:** This segment has 84 storefronts, and a vacancy rate of 12 percent (including vacant and inactive spaces). Retail; services; and eating, drinking and entertainment businesses each account for 25-30 percent of the storefronts. This segment is less densely built out than the segments to the north, with one- to two-story buildings and a few small surface parking lots.

Figure III-5: Ground Floor Commercial Uses by Category and by Segment, Mission Street Corridor



Sources: City of San Francisco, Office of Economic and Workforce Development, 2017; Strategic Economics, 2017.

Figure III-6: Businesses Open After 8pm, Mission Street Corridor

Mission Street Segment	Number of Businesses Open After 8PM	Total Storefronts	Businesses Open After 8PM as a Share of Storefronts in Segment
Duboce Street to 16th Street	4	40	10%
16th Street to 20th Street	24	163	15%
20th Street to 24th Street	18	149	12%
24th Street to Cesar Chavez Street	16	84	19%
Total	62	436	14%

Sources: City of San Francisco, Office of Economic and Workforce Development, 2017; Strategic Economics, 2017.

LAND USE CONTROLS AND PERMITTING

Figures III-7 and III-8 show the planning controls and other regulations that relate to new commercial uses on the corridor and surrounding trade area. The Mission Street study area is zoned for commercial uses, but there are a number of planning controls related to specific commercial uses that have been enacted in response to neighborhood concerns over time. The Mission Alcohol Beverage Special Use District (SUD), prohibiting new liquor stores, was enacted in 1996 at a time when the presence of many liquor stores in the Mission was perceived as contributing to the decline of the neighborhood. New bars may be allowed, subject to a conditional use authorization, and only if they use a liquor license transferred from another bar within the SUD. In 2007, an ordinance was adopted to prohibit new fringe financial services such as check cashing and payday lending establishments, in response to concerns about predatory lending practices and the potential for fringe financial uses to displace other financial service providers such as charter banks. In 2012, the Mission Street Formula Retail Restaurant Subdistrict prohibited all formula retail restaurants from locating on Mission Street between Cesar Chavez Street and Randall Street. With the exception of restaurants, other new formula retailers can locate on the corridor if they receive a conditional use permit (per the same formula retail regulations that apply to neighborhood commercial districts throughout the city).³

In addition to these controls on commercial uses, **Figure III-7** also shows the Interim Zoning Controls adopted for the Mission in 2016 in response to concerns about the pace of development and displacement in the neighborhood.⁴ The interim controls placed special requirements on projects that involve the loss of rent-controlled dwelling units, and require applicants of medium and large development projects (i.e., projects greater than 25,000 square feet or 25 units) to provide additional information on their neighborhood impact.

According to real estate brokers interviewed for this report, the permitting process is seen as a significant challenge for many prospective tenants, and the time required to navigate the process deters some tenants from pursuing a location on the corridor. Brokers consider the change of use permitting process to be particularly slow and unpredictable (often taking 6-9 months or longer), creating challenges for lease

³ The Planning Code defines formula retail as a type of retail sales activity or retail sales establishment that has eleven or more other retail sales establishments in operation, or with local land use or permit entitlements already approved, located anywhere in the world. In addition to the eleven or more other retail sales establishments located in the world, formula retail maintains two or more of the following features: a standardized array of merchandise, a standardized facade, a standardized decor and color scheme, a uniform apparel, standardized signage, a trademark or a servicemark.”

⁴ The Interim Zoning Controls apply from Cesar Chavez to Division Street, between Mission Street (both sides) to Potrero.

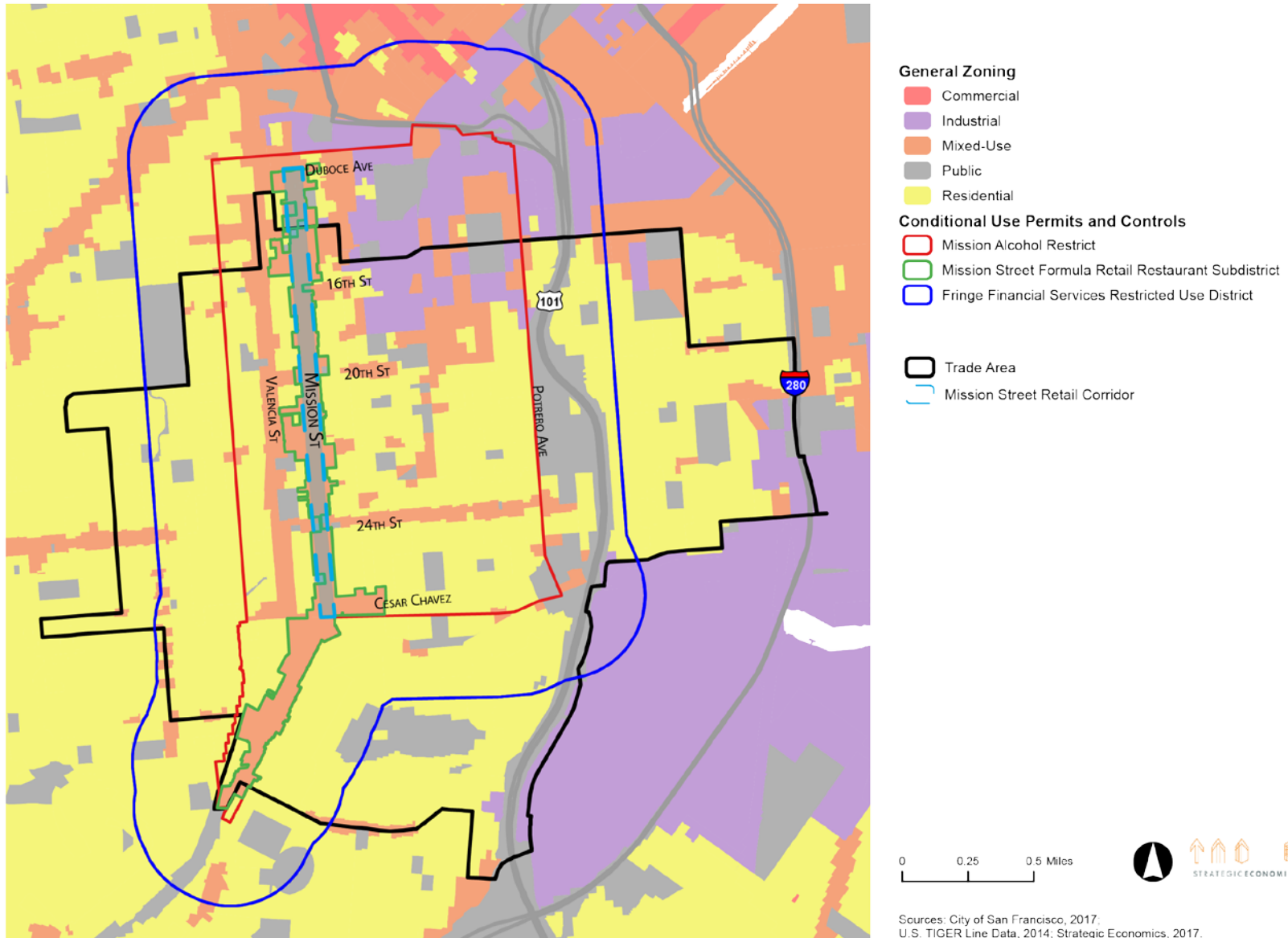
negotiations (since either the property owner will not receive rent during the permitting process, or the tenant will have to pay rent for an extended period before the business can open). The formula retail conditional use authorization process creates similar challenges for potential formula retail tenants and landlords. Prospective restaurant and office tenants have also found it challenging to comply with ADA and fire safety building code requirements related to exit and egress requirements (e.g., requirements for a second door), especially in historic buildings.

Figure III-7. Special Land Use Controls Affecting Mission Street

Control Name	Description	Source	Year Effective
Mission Alcohol Beverage Special Use District (SUD)	No new liquor stores are permitted within the subdistrict. However, new bars may be allowed using a liquor license transferred from another bar within the SUD, subject to a conditional use authorization.	San Francisco Planning Code, Section 249.6	1996
Fringe Financial Services Restricted Use District	No new fringe financial services are permitted in the district. A fringe financial service is defined as a retail sales and service use that provides banking services and products to the public and is owned or operated by a “check casher” or a “licensee” as defined by the California Financial Code. Additionally, no new fringe financial service shall be permitted within a quarter mile of an existing fringe financial service.	San Francisco Planning Code, Chapter 249.35	2007
Mission Street Formula Retail Restaurant Subdistrict	Restaurant uses (including those that do not allow consumption on the premises, have seating, or serve alcohol) that are also formula retail uses (operating 11 or more locations worldwide) are not permitted in this subdistrict. Other new formula retail uses require a conditional use authorization.	San Francisco Planning Code, Chapters 781.5; 790.90; 790.91	2012
Mission 2016 Interim Zoning Controls*	The interim controls stipulate that certain projects within the boundaries of the Mission Interim Controls areas, from Cesar Chavez to Division Street, between Mission Street (both sides) to Potrero, require additional application information, analysis and staff review. Applicants must provide additional information on impacts of their project depending on project size and the potential loss of rent controlled dwelling units. Projects that provide 33 percent or more units to low- and moderate-income households, and projects with exclusive PDR uses or mixed-use projects that include PDR, may be exempt.	Resolution No. 19865	1/14/2016

*Not shown on map.
Strategic Economics, 2017.

Figure III-8. Land Use Controls in and Around the Trade Area



CHANGE OF USE PERMITS

Figures III-9 and III-10 show completed changes of use permits between 2010 and 2017. During this time period, there were a total of 31 change of use permits completed with the Planning Department. (Note that this does not necessarily reflect the full extent of change that occurred on the corridor during this time, as changes in tenancy that do not involve a change of use – such as turnover from one restaurant to another restaurant – do not require a change of use permits). While it is difficult to draw any conclusions given the limited number of permits during this time, observations include:

- **The most common types of changes of use were 1) changes from retail to another use and 2) changes from a variety of uses to food and beverage handling (restaurants).** There were 15 changes of use from retail to another use, and nine changes of use to food and beverage handling. A total of five permits were for a change from retail to food and beverage handling, and three permits were for a change from food and beverage handling to retail. As discussed below in Section VI, these trends are consistent with a shift – which is being experienced by commercial districts around the region and the country – away from traditional brick-and-mortar retail towards restaurants, services, and other uses that do not compete directly with online sales.
- **There is no clear pattern in the type or number of permits completed over time.** The number of permits has varied over time, with no clear pattern in either the number of permits or types of uses involved in any given year.

Figure III-9. Completed Change of Use Permits by Existing and Proposed Use, 2010-2017

EXISTING USE	PROPOSED USE											Total
	Apartment-ments	Barber/Beauty Salon	Clinic - Medical/ Dental	Food/ Beverage Handling	Health Studio & Gym	Massage Parlor	Office	Recreation Building	Retail Sales	School	Theater	
2-Family Dwelling	2											2
Barber/Beauty Salon				1					1			2
Food/Beverage Handling									3			3
Laundry/Laundromat				1								1
Manufacturing							1					1
Massage Parlor		1										1
Office				1	1							2
Public Assembly/Other				1								1
Retail Sales		2	2	5	1	1	1	1		1	1	15
Storage Shed	1											1
Vacant Lot	2											2
Total	5	3	2	9	2	1	2	1	4	1	1	31

Source: San Francisco Planning Department, 2017; Strategic Economics, 2017.

Figure III-10. Completed Changes of Per Permits by Year, 2010-2017

	2010	2011	2012	2013	2014	2015	2016	2017	Total
Total Completed Changes of Use	2	6	1	7	5	3	2	5	31
Completed Changes of Use from Retail	2	3	0	2	3	1	2	2	15
Completed Changes of Use to Food/Beverage Handling	1	3	1	3	0	0	0	1	9

Source: San Francisco Planning Department, 2017; Strategic Economics, 2017.

IV. COMMERCIAL REAL ESTATE MARKET TRENDS

This section analyzes commercial real estate market trends on the Mission Street corridor, drawing from citywide broker reports, interviews with local commercial brokers and business owners, and the survey of ground floor uses produced by OEWD.

At the citywide scale, San Francisco's retail real estate market remains among the tightest in the nation, and retail leasing in neighborhoods such as the Mission remains active despite a national and regional trend towards consolidation. Low unemployment rates, high household incomes, and record tourism are driving demand for retail in San Francisco. Citywide, retail space availability remains limited, with Cushman & Wakefield reporting an overall vacancy rate of 2.4 percent in the first quarter of 2017. However, this represents a slight uptick over 2016, when the average vacancy rate was 2.1 percent.⁵ Despite a national increase in retail chain closures in recent years, several retailers opened new locations in San Francisco's neighborhoods in the first quarter of 2017, including a new Grocery Outlet on South Van Ness Avenue in the Mission and two Cole Hardware stores in SoMa⁶ and North Beach.⁷

Rents for retail space on Mission Street and in the trade area overall have increased rapidly since the end of the last recession, but the growth has begun to slow in the last year. According to brokers, asking rents for ground floor retail space on Mission Street are currently between \$2.50 and \$3.50 per square foot (triple net). However, many of business owners interviewed for this report had long-term leases signed before the surge in rents, and reported paying lower rental rates per square foot. Rental rates vary greatly depending on the quality of the building and the size of the space (smaller spaces tend to have higher rental rates per square foot). Retail spaces located near BART stations, and generally between 16th Street and 24th Street, also command higher rental rates. Real estate brokers indicate that after several years of strong growth, retail rental rates on the corridor have flattened or even begun to decline over the last 12 months.

The vacancy rate on Mission Street has also reportedly increased in the last year. As discussed in the previous section, the overall vacancy rate in the corridor is 14 percent (although the vacancy rate is significantly higher north of 16th Street). This includes vacant properties that are currently being marketed for lease (9 percent) and inactive properties, many of which are being renovated for a new user (5 percent). A typical rule of thumb is that 10 percent is a healthy vacancy rate for a neighborhood commercial corridor. Brokers familiar with the corridor believe that the current vacancy rate represents a slight increase over previous years. Several of the largest spaces on the corridor have been vacant for many months or even years. These larger spaces are typically more difficult to lease than other spaces, because they are more expensive to rent on a total monthly basis (though cheaper on a per square foot basis) and fit the needs of only a subset of potential tenants. The space previously occupied by Thrift Town, at the intersection with 17th Street, is an example of space which could potentially be challenging to lease, given its size.

Brokers report that most of the interest in renting vacant ground floor space on Mission Street comes from potential tenants that are not traditional retailers, such as restaurants, bars, gyms, fitness centers, and salons. Other interested potential users include medical offices (which typically want to locate on the ground floor to allow for walk-ins), cell phone operators (which are already clustered on the corridor), some clothing stores and formula retailers. Brokers have also noticed interest from tenants such as liquor stores (despite the fact that the Mission Alcohol Beverage Special Use District prohibits the

⁵ Note that these low vacancy rates may be skewed by the fact that brokerage firms collect real estate data primarily from the northeast quadrant of the City, particularly (for retail) in Union Square.

⁶ The Cole Hardware store in SoMa relocated from Mission Street after a fire.

⁷ Cushman & Wakefield, "San Francisco MarketBeat: Retail Q1 2017."

establishment of new liquor stores) and dollar stores; however, brokers report that property owners generally prefer other, higher-end tenants. Some potential tenants (including restaurants and retailers) would prefer to locate on Valencia Street, but instead consider locations on Mission Street because the rents are lower. As discussed in the previous section, the permitting process presents a barrier for some potential tenants, including ground floor office, restaurants, and formula retailers.

Mission Street has a small but active office market. Brokers report that there is strong demand for office space in the Mission, particularly for Mission Street locations near BART. In addition to medical office users, the corridor is particularly attractive for non-profits and tech companies who want to be located near transit. Rent levels are much lower than those in the Downtown, and are on par with those commanded by retail space on the corridor. Office tenants typically locate on the upper floors, but brokers note that tenants are interested in ground floor spaces, although zoning regulation prevents them from locating there without obtaining a change of use. The strong demand may be due to the spillover from the greater Downtown, which currently has vacancies at record lows and rents at record highs.⁸

⁸ In and around the financial district, the average asking rent was \$73 per square foot per year in the first quarter of 2017, and the vacancy rate was 8.3 percent – well below the rule of thumb for a healthy office market (10 percent). Source: JLL, “San Francisco Office Insight: Q1 2017.”

V. CONSUMER MARKET CHARACTERISTICS

This section provides a brief overview of key characteristics and trends of the different sources of demand for retail on Mission Street, including trade area residents, workers, former residents of the neighborhood, and other visitors. The section summarizes findings from the Calle 24 Retail Study Background Report, which provides more detailed information on trade area demographics and employment.

TRADE AREA RESIDENTS

As of 2014, there were 75,400 residents and 30,600 households living in the trade area. The number of households in the trade area has been increasing (by about 1,600, or nearly 6 percent between 2000 and 2014) even as the total population declined slightly (by 1.6 percent between 2000 and 2014) – reflecting a decline in the average household size (from 2.6 persons per household in 2000, to 2.4 persons per household in 2014).

Household incomes in the trade area are sharply polarized, with 30 percent of households making less than \$50,000 a year and 30 percent making \$150,000 or more. In comparison, only about 11 percent of households in San Francisco as a whole earn \$150,000 or more. San Francisco also has much higher shares of households in lower- and middle-income categories (**Figure V-1**).

This represents a significant change from 2000, when the Mission District was home to more middle-income households and many fewer high-income households. The number of households earning \$150,000 increased dramatically, from just over 6,000 in 2000 to 9,500 in 2014. The number of households earning less than \$25,000 also increased by about 745 during this time. At the same time, the number of households earning between \$50,000 and \$99,999 declined by about 2,300 (**Figure V-2**).

Some of the new high-income households live in new housing units. Based on Census data, the total number of housing units in the trade area increased by about 1,600 between 2000 and 2014. During this time the Mission District saw several luxury condo developments. As of spring 2017, prices for new condos in the Mission started at \$700,000 for a one-bedroom and just under \$1 million for a two-bedroom.⁹ In order to afford housing at this price level, a household would need to have significant savings for a down payment (or in some cases, for an all-cash offer), and make at least \$165,000 (for a one-bedroom) or \$225,000 (for a two-bedroom).¹⁰ As the loss of middle-income households indicates, however, there has also been a shift in the types of households living in existing housing units.

Other significant demographic changes since 2000 include:

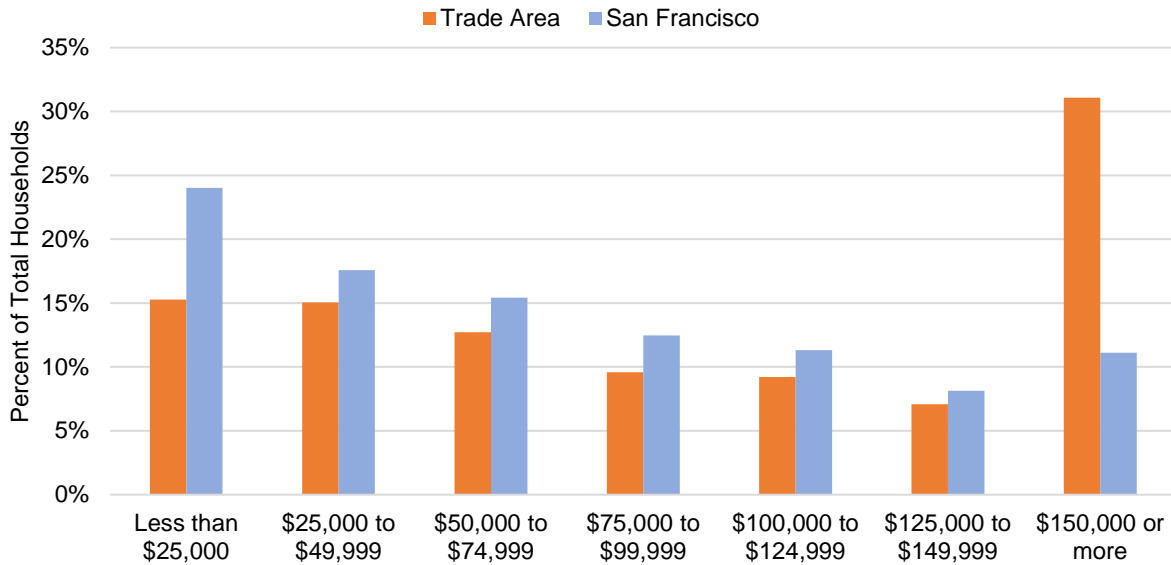
- **Declining number of Latino residents.** Latinos accounted for 15 percent of the trade area population in 2014, down from 33 percent in 2000. Despite this decline, the trade area continues to be home to one of the largest concentrations of Latinos in the City.
- **A decline in the number of families with children.** Families with children represented 18 percent of households in the trade area in 2014, down from 20 percent in 2000.
- **An increasing number of homeowners.** Although more than two-thirds of households rent, the trade area has added nearly 2,200 new homeowners since 2000.

⁹ Polaris Pacific, April 2017.

¹⁰ Assumes a 20 percent down payment, 4.25 percent interest rate, \$500 monthly HOA dues, and standard utility cost, property tax, and insurance assumptions.

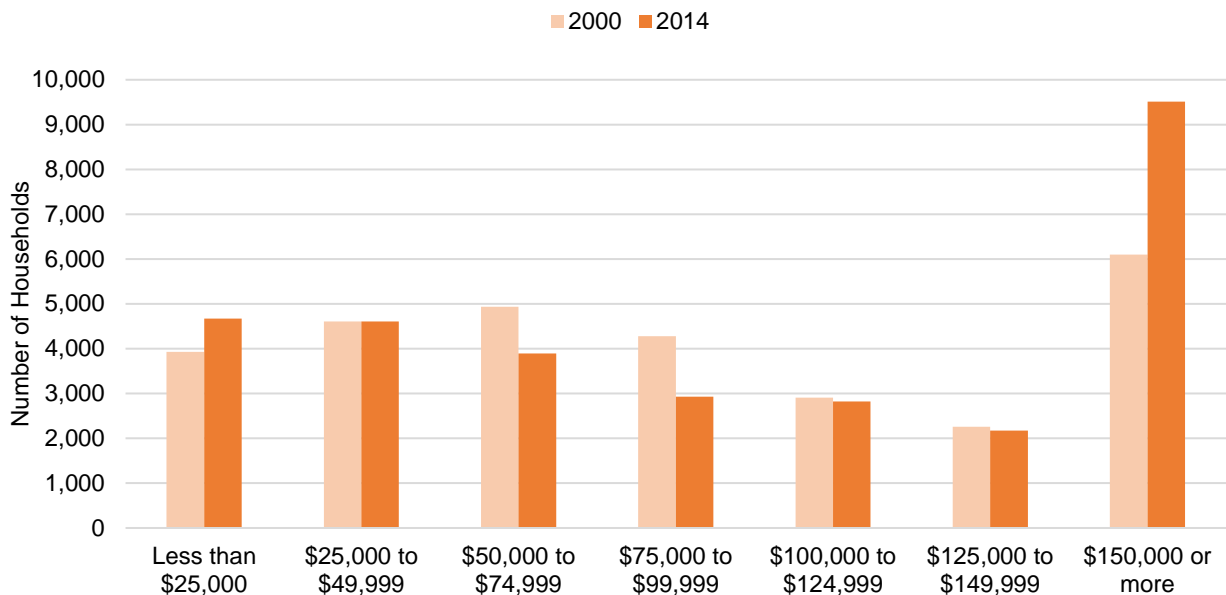
- Increases in the number of highly educated households and workers in professional and managerial occupations.** Between 1990 and 2014, the share of trade area residents with a college degree or higher increased from 29 percent to 58 percent, and is now higher than the citywide average of 53 percent. Almost 60 percent of employed residents in the trade area worked in professional and managerial occupations in 2014, up from 45 percent in 2000

Figure V-1: Percent of Total Households by Income: Trade Area and City of San Francisco, 2014



Source: American Community Survey 5-Year Estimates, 2010-2014; Strategic Economics, 2016.

Figure V-2: Number of Households by Income: Trade Area, 2000 and 2014



Sources: U.S. Decennial Census 2000; American Community Survey 5-Year Estimates, 2010-2014; Strategic Economics, 2016.

OTHER SOURCES OF DEMAND

In addition to trade area residents, other sources of demand for retail on Mission Street include:

- **Trade area employees:** Approximately 24,000 workers are employed in the trade area, of whom 88 percent commute from outside the neighborhood. As discussed in the Calle 24 Background Report, these workers are primarily employed in accommodation, food services and retail (36 percent), health care and social assistance (16 percent), and professional and managerial services (12 percent). One-quarter of trade area workers are Latino. Workers may buy food or shop on the corridor on their way to and from home, or during lunch.
- **Former residents:** According to local business owners, former residents of the neighborhood who identify as Latino occasionally come back to the trade area in order to shop or attend events at churches or other cultural institutions. However, some business owners also note that business from former neighborhood residents is declining.
- **Destination shoppers:** Some business owners on the Mission Street corridor report that they attract customers from around the city who come specifically to shop at their establishments. Businesses that attract destination shoppers tend to provide a unique product or service that is not easily found elsewhere (e.g., unique fabrics in bulk), or maintain long-term relationships with their clients (e.g., doctor's offices).
- **Other visitors from around the region and beyond:** According to local business owners, the trade area has been attracting an increasing number of regional, national, and international visitors who come to the Mission District for its food, nightlife, cultural institutions, and murals. Although local statistics are not available, the San Francisco Travel Association estimates that total visitation to San Francisco has grown from 17.7 million visitors in 2009, to 25.2 million in 2016. Meanwhile, visitor spending has grown from \$5.4 billion in 2009, to \$9 billion in 2017.¹¹

IMPLICATIONS FOR LOCAL RETAIL

The trends discussed above, particularly the changes in the trade area's demographics, present both opportunities and challenges for retail on the Mission Street corridor. Some of the opportunities for retailers include:

- **Increased buying power:** Despite the slight decrease in trade area population between 2000 and 2014, the significant increase in the number of households earning \$150,000 or more suggests that total demand for goods and services in the trade areas has increased. Higher income households spend more in all categories, but as discussed in the text box below, they spend disproportionately more on entertainment, clothing and shoes, restaurants, and alcoholic beverages compared to lower income households.
- **Growing demand from visitors:** Visitors from outside the neighborhood are particularly attracted to restaurants, drinking places, and nightlife.

However, as discussed below, the overall increase in trade area buying power does not necessarily translate into increased sales for long-standing local retailers. Some of the challenges posed by the shifting consumer market include:

- **Loss of long-time customers:** Some long-standing businesses on the corridor have struggled as long-time customers have left the neighborhood. This loss is a particular challenge for businesses

¹¹ San Francisco Travel Association Research, Visitor Volume and Direct Spending Estimates: 2016," February 22, 2017, <https://sftravel.ent.box.com/s/m4pxqir9bz1tv2f6p8bnbprsr88g0vmb>.

that cater to the Latino population. For example, one business owner noted that “Many of our clients are Latinos. . . Many of our clients used to live and work in the neighborhood but they’ve had to move away to Richmond, San Pablo, Antioch, Pittsburg, Oakland. They still work in the neighborhood, and that’s why they come to us. When they find work elsewhere, they stop coming here.”

- **Shift in consumer preferences and buying patterns:** Generational shifts are creating challenges for many commercial districts that have traditionally catered to Latinos. Younger Latinos appear less interested in the types of products that stores in these districts have historically sold, such as jewelry, bridal, and quinceañera dresses.¹² At the same time, consumers in all groups are making an increasing share of purchases on the Internet; on-line sales accounted for approximately 12 percent of all retail and food services purchases nationwide in December 2016.¹³

The next section provides a more in-depth look at shifting consumer preferences and buying patterns, and discusses how these trends in consumer demand are affecting the mix and performance of retail on the corridor.

¹² For more information on the changing Latino consumer market, see the literature review in the Calle 24 Retail Study Final Report (prepared by Strategic Economics for OEWD, December 30, 2016).

¹³ U.S. Census Bureau, Monthly Retail Trade and Food Services Survey, June 2017.

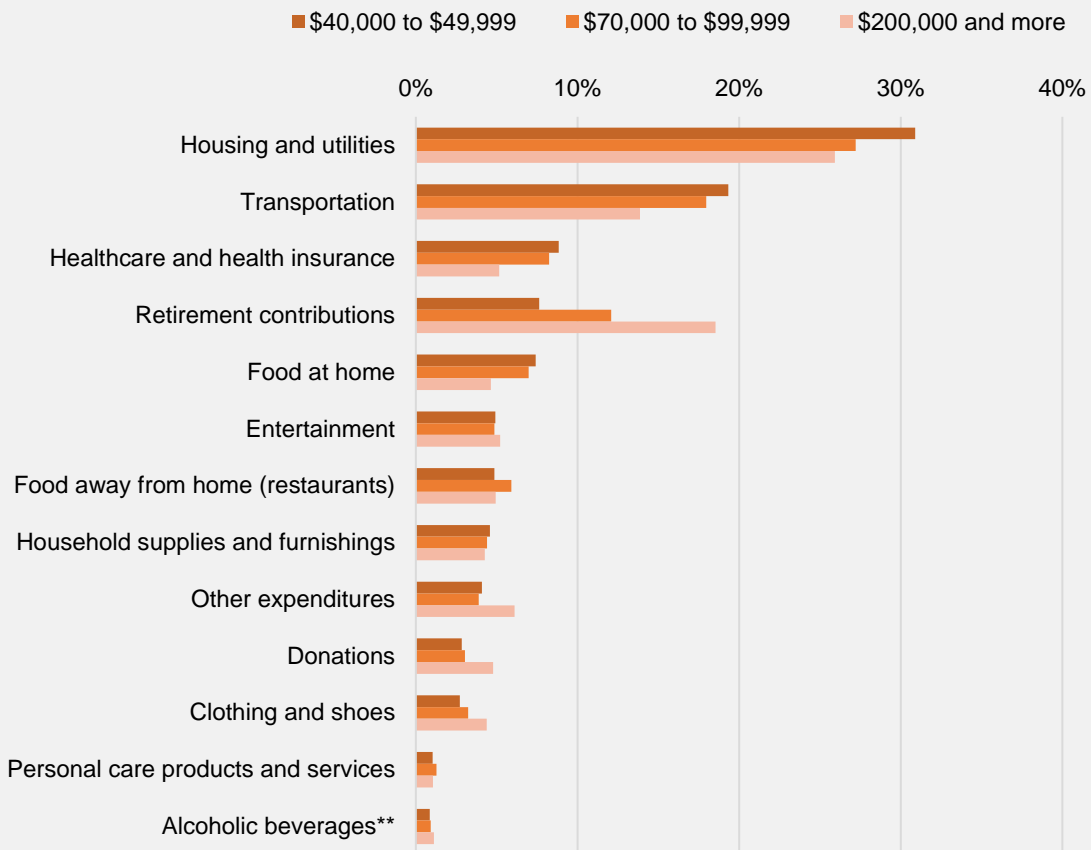
SPENDING PATTERNS BY INCOME LEVEL

The U.S. Bureau of Labor Statistics conducts an annual survey of consumer spending. The following figures compare spending patterns for households earning \$40,000 to \$49,999 a year (approximately 40-50 percent of San Francisco area median income, or AMI), \$70,000-\$99,999 (approximately 70-100 percent of AMI), and \$200,000 and more (approximately 200% of AMI and up, and the income range required to afford a new two-bedroom condo in the trade area). In general, lower income households dedicate a higher percentage of their expenditures to basic necessities such as housing, transportation, healthcare and food at home. Higher-income households spend more on all categories, but they spend disproportionately more on entertainment, clothing and shoes, restaurants, and alcoholic beverages. Note that the data shown are national averages; San Francisco households of all incomes likely spend a higher percentage of their incomes on housing.

Total Average Expenditures by Income Levels: U.S. Consumers, 2015

	\$40,000 to \$49,999	\$70,000 to \$99,999	\$200,000 and more
Approximate Percentage of SF Area Median Income (AMI)*	40-50% AMI	70-100% AMI	≥200% AMI
Average Annual Income (Before Taxes)	\$44,568	\$83,413	\$314,010
Average Annual Expenditures	\$42,529	\$66,008	\$158,731

Average Annual Household Expenditures by Category (as a Percent of Total)



*Approximate AMI level for a three-person household in the San Francisco area.

**Includes all alcoholic beverage consumption, whether consumed in or outside the home.

Source: U.S. Bureau of Labor Statistics, Consumer Expenditure Survey, 2015; Strategic Economics, 2017.

VI. RETAIL AND RESTAURANT PERFORMANCE

This section describes retail and restaurant performance on the Mission Street corridor in the context of national and regional retail trends. The findings below draw on a review of literature on national and regional retail trends, interviews with local business owners, and an analysis of sales tax data.

NATIONAL AND REGIONAL CONTEXT

The Calle 24 Retail Study included a review of literature on national and regional retail trends, and on the changing Latino consumer market. The literature review found that demand for brick-and-mortar retail space in local shopping districts throughout the Bay Area and the U.S. is increasingly driven by businesses that do not compete directly with online shopping. Growing sectors in recent years have included restaurants, personal services (for example, hair and nail salons), grocery stores, and specialty retailers (e.g., clothing boutiques) that provide goods or offer services that cannot be readily obtained online.

As discussed in the previous section, many commercial districts that have traditionally catered to Latinos are facing challenges, reflecting a generational shift in demand and increasing competition. At the same time, as the Latino population has expanded throughout the Bay Area (and the U.S.), the availability of Latino goods, services, and cultural events has also increased, creating more competition for long-standing Latino retail districts like the Mission.

In the year since the research and analysis for the Calle 24 report was completed, online sales have continued to grow rapidly, and a highly publicized, national wave of store closures has sent concerns rippling through the retail industry. Meanwhile, the political climate has created new fears among some Latinos. Some of the potential implications of these trends for Mission Street include:

- **Emerging competition – as well as potential partnerships – with online platforms in new retail categories:** While online sales still only accounted for 12 percent of total retail and food services sales in the U.S. in December 2016, this sector has accounted for about a quarter of the growth in sales since 2010.¹⁴ The rate that online sales are growing appears to be increasing in recent quarters, driven by a single company – Amazon – which, according to one analysis, accounted for 53 percent of online sales growth in the U.S. in 2016.¹⁵ Amazon has also been expanding into new product categories, including apparel, shoes, food, and health and beauty.¹⁶ The online retailer is on track to become the largest apparel retailer in the U.S., and with the purchase of Whole Foods in June 2017, may now be poised to expand its grocery market share in the dense, urban and suburban markets where Whole Foods stores are located (and may serve a base for delivery services).¹⁷ At the same time, however, the expansion of independent delivery services (such as Instacart and Caviar) may create opportunities for existing, brick-and-mortar retailers to reach their customers in different ways.
- **Continued attractiveness of walkable, urban neighborhoods for retailers in the face of industry consolidation:** Recent national news reports have focused on large-scale retail chain closures and layoffs in the first half of 2017. In addition to increasing competition from online

¹⁴U.S. Census Bureau, Monthly Retail Trade and Food Services Survey, June 2017.

¹⁵ Ken Cassar, “Echo Turns up the Volume on Amazon’s Ambitions as Audacious Bets Pay off,” Slice Intelligence, February 1, 2017, <https://intelligence.slice.com/echo-turns-volume-amazons-ambitions-audacious-bets-pay-off/>.

¹⁶ Ibid.

¹⁷ Garrick Brown, “What Amazon’s Acquisition of Whole Foods Really Means...A Conversation with Ben Conwell and Garrick Brown,” Cushman & Wakefield Retail Newline, June 21, 2017, <http://blog.cushwake.com/americas/retail-newsline-what-amazons-acquisition-of-whole-foods-really-meansa-conversation-with-ben-conwell-and-garrick-brown.html>.

sales, an oversupply of retail is contributing to these closures. However, several reports have noted that store closures appear to be concentrated in suburban retail districts.¹⁸ Many retailers increasingly prefer urban retail corridors, which offer access both to a higher density of potential customers, as well as to segments of the population (such as Millennials or Latinos) that tend to locate in dense urban areas. While these trends may not fully insulate urban retail districts from the impacts of a consolidating industry, urban corridors such as those in the Mission District may fare better than those in more suburban locations.

- **Growing concerns about economic and political insecurity among some Latino consumers may affect spending:** A recent report on the economic security of Latinos in California found that statewide, Latinos experienced an increase in median household income and a decline in the poverty rate between 2011 and 2015. The number of businesses owned by Latinos in California and the overall purchasing power of the Latino market has also increased substantially in recent years. At the same time, however, Latinos as a group face greater economic insecurity, including much lower average incomes, wealth, and access to health care and quality education, compared to non-Hispanic whites in California.¹⁹ The 2016 election also appears to have worsened the outlook of at least some Latinos. A national survey of Latinos conducted by the Pew Research Center conducted in late 2016 found that while Latinos nationwide were divided about what a Donald Trump presidency would mean for their place in America, a rising share believe the situation of Latinos in the U.S. is worsening and that about half of those surveyed are worried about the deportation of someone they know. Latinos who are in the country without documentation are particularly concerned about reports of increased deportation efforts.²⁰

Retailers on Mission Street are grappling with many of these issues. In interviews, several retailers discussed the impact of online sales, the potential for partnerships with delivery services, and concerns that long-time Latino consumers are pulling back on spending. These and other trends on the corridor are discussed in more detail below.

OPPORTUNITIES AND CHALLENGES FOR RETAIL ON THE CORRIDOR

Strategic Economics interviewed 12 business owners and managers on the Mission Street corridor. The findings below stem from these conversations and highlight the opportunities and challenges for retail on the corridor.

Mission Street's location and the changing consumer market present some opportunities for growth. In particular, key opportunities include:

- **Excellent regional accessibility and significant foot traffic.** The Mission Street corridor benefits from excellent accessibility (both by car and transit) and foot traffic, particularly between the

¹⁸ Henry Grabar, "The Retail Apocalypse Is Suburban," Slate, April 18, 2017, http://www.slate.com/articles/business/metropolis/2017/04/the_retail_apocalypse_is_suburban.html; Travis M. Andrews, "America Is 'Over-Store' and Payless ShoeSource Is the Latest Victim," Washington Post, April 5, 2017, <https://www.washingtonpost.com/news/morning-mix/wp/2017/04/05/america-is-over-stored-and-payless-shoesource-is-the-latest-victim/>.

¹⁹ National Council of La Raza, *Latinos in the Golden State: An Analysis of Economic and Demographic Trends*, January 2017, <http://publications.nclr.org/handle/123456789/1678>.

²⁰ Pew Research Center, "Latinos and the New Trump Administration," February 23, 2017, <http://www.pewhispanic.org/2017/02/23/latinos-and-the-new-trump-administration/>.

BART stations at 16th Street and 24th Street. The regional accessibility is a particular benefit for destination retailers that offer a specialty product or service that is difficult to find elsewhere in the city (or online). All the business owners interviewed acknowledged that the corridor's foot traffic is an important asset of their location, and many underscored the need to fill existing retail vacancies with attractive tenants that will draw customers from the entire city, to ensure the corridor continues to attract shoppers.

- **Growing demand for restaurants and food stores.** As Mission Street has emerged as a regional destination for dining and nightlife, restaurants and other food stores (including everything from taquerias to bakeries to fine dining establishments) have emerged as a successful business category. As discussed below, restaurants have accounted for most of the sales growth on the corridor in the last ten years.
- **Increased local buying power.** A number of newer businesses have moved to the corridor to sell goods and services at a higher price point, for visitors and new residents with higher disposable income. At the same time, some older businesses have adapted to the Mission's new demographics and customer base by adding new products that appeal to a broad range of consumers at a variety of price points.

However, retailers on Mission Street are struggling to adapt both to the challenging national retail environment and more local changes. The main challenges identified by business owners include:

- **Competition with online sales.** Most owners of retail businesses describe the competition with online shopping platforms as one of their main challenges. Very few of the interviewed business owners had an online retail presence, but most of them were thinking of the positioning of their products with regards to those available on online platforms. To maintain a competitive advantage, some businesses sell products that cannot be bought online, or organize community events that draw customers to their store. Others, such as jewelry businesses doing repairs, have seen an increase in their service activities, compared to their retail activities.
- **Lack of an online presence or other advertising strategy.** For many independent businesses, outreach and advertisement is challenging due to the level of resources required. Businesses that are already struggling find it particularly difficult to identify the most cost-effective platforms on which to advertise, or to efficiently use social media to attract customers.
- **Demographic changes.** The challenges experienced by some businesses on the Mission Street corridor are also due to demographic changes that the neighborhood has undergone in recent years. Businesses that relied on customer segments such as Latinos, families with children, and lower-income households, have seen their sales diminish. Many business owners who have been in operation for over 5 years say many of their customers moved away from the Mission and occasionally travel from other parts of the region (primarily the East Bay) to shop at their business.
- **Customer parking and vehicle access.** Many business owners are concerned that the corridor is not friendly enough to shoppers who drive to the Mission. Almost all business owners interviewed believe that the creation of the red bus lanes and the turning restrictions have negatively impacted their sales. Business owners were particularly worried that the implementation of the red bus lanes reduced the availability of parking and the attractiveness of the corridor to drivers. Generally, many business owners felt that they had not been adequately included in discussions prior to the painting of the red bus lanes.
- **Hiring and retaining workers.** A few interviewed business owners expressed their difficulties hiring workers. Many prospective employees cannot afford to live near the corridor on the wages that local businesses can offer. However, some business owners interviewed do not have this

challenge, either because they have long-term employees, or because they are operating on such narrow margins that they are only able to employ family members

- **Costs of complying with City regulations, including minimum wage and other labor laws.** This was a concern for larger businesses that employ multiple (non-family) workers.
- **Concerns about safety, cleanliness, and disorder.** Business owners had concerns about the maintenance and management of public space, especially north of 16th Street and south of 24th Street. Business owners located south of 24th Street brought up the space formerly occupied by The Fizzery (and subsequently occupied by an alleged illegal gambling house and brothel) as an example of where the City could have done more to address local concerns promptly.

In general, those business owners on Mission Street who were struggling appeared most concerned about declining sales. In contrast, business owners on 24th Street (during interviews conducted in the summer of 2016) were more concerned about the rising cost of doing business and the risk that they would be displaced. This may reflect the particular concerns of the specific business owners interviewed; different conditions on the two corridors (there is more space and a higher vacancy rate on Mission Street); or differences in the time periods when the interviews were conducted (some business owners reported that retail sales have slowed since 2016, while brokers suggest that demand for space and growth in rental rates have slowed).

Long-standing businesses have used many different strategies to remain profitable in the face of these challenges. Some of the strategies that business owners are using include:

- **Expanding the selection of products or services offered:** For example, adding products in response to specific customer requests, carrying “Made in the USA” products, or expanding on what was once a side activity (such as jewelry repairs, check cashing, or passport photos).
- **Fostering good community relations:** For example, holding community events and open houses to attract new customers.
- **Reducing costs:** For example, by co-locating in a shared space with other businesses, narrowing the inventory to only stock goods that are in higher demand, or lowering their mark-up. Some business owners rely on family members to work for them in order to help reduce costs.
- **Taking advantage of online marketing and partnership opportunities:** Businesses with more resources – and particularly formula retailers, which benefit from their parent company’s websites and marketing resources – may find online sales to be complimentary rather than competitive, since they can take advantage of so-called “omni-channel” strategies where products can be browsed, sold, and returned either online or in the store. Several independent businesses with limited resources are able to use their popularity on websites such as Yelp to attract more customers. Business owners in the food services sector recognized the importance of integrating food delivery into their business model, and were considering options to provide food delivery services (although none of the business owners interviewed had actually implemented this strategy as of yet).
- **Working multiple jobs:** A few of the interviewed business owners had to work an additional job in order to keep their own business open.

RETAIL AND RESTAURANT SALES TRENDS

This section examines sales trends over time for retail and restaurants on Mission Street, based on an analysis of sales tax data. Sales tax data were provided by the San Francisco Controller’s Office and HdL, the consultant that the City uses to administer and analyze sales tax data. For the purposes of this analysis, Strategic Economics modeled gross retail and restaurant sales on Mission Street and in the City of San Francisco based on data from sales tax revenues, using three categories provided by HdL:

- **Restaurants and hotels** (including bars and nightlife);
- **Food and drugs** (i.e., grocery and drug stores); and
- **General consumer goods** (a category that includes most other retail shops).

Other sales categories were excluded because data are not available (on nontaxable services), or to protect confidentiality. Specifically, the following exclusions and assumptions apply:

- **Excluded retail sales categories:** Sales in HdL’s autos and transportation, fuel and service stations, and building and construction categories were generally excluded because of confidentiality restrictions.²¹
- **Business-to-business sales:** This analysis excludes sales in HdL’s business and industry category, which generally corresponds to business-to-business (i.e., non-retail) sales.²²
- **Nontaxable services:** Because the analysis is based on sales tax revenues, the analysis does not include personal, financial, or other services (which are not subject to sales tax in California).
- **Modeling sales at stores with more than one location in San Francisco:** Estimated sales at independent and chain stores are included in both the Mission Street and citywide data. However, because stores with multiple locations in San Francisco only report total sales in the city, HdL estimates per-store sales for individual businesses by dividing the citywide total by the number of locations citywide.
- **Modeling nontaxable retail sales:** Sales of some goods, including prescription drugs and food for consumption at home, are also nontaxable. Strategic Economics used assumptions about the share of taxable sales by business category to estimate gross retail sales. Specifically, the analysis assumes that sales tax was collected for 25 percent of sales at food and drug stores, and 75 percent of sales in general consumer goods.

All figures below are adjusted for inflation and stated in 2016 dollars.

Overall Sales Trends in the Corridor

Figures VI-1 and VI-2 provides line graphs of sales trends over time on Mission Street and in San Francisco, in total and on per-establishment basis respectively. **Figure VI-3** provides a table comparing estimated retail and restaurant sales on Mission Street and in San Francisco in 2007 and 2016, overall and by sales category.

The Mission Street corridor has seen a steady growth in sales in the last decade. Total estimated retail and restaurant sales on the corridor increased by 30 percent between 2007 and 2016, from \$190 million to \$247 million. Average sales per establishment grew by 11 percent over the course of the decade, increasing from an estimated \$732,500 in 2007 to \$814,910 in 2016.

Retail and restaurant sales on Mission Street have proven more resilient and have grown more quickly than in the City overall. Total San Francisco retail and restaurant sales declined significantly between 2007 and 2009 (the national recession), grew rapidly between 2009 and 2015, and then declined

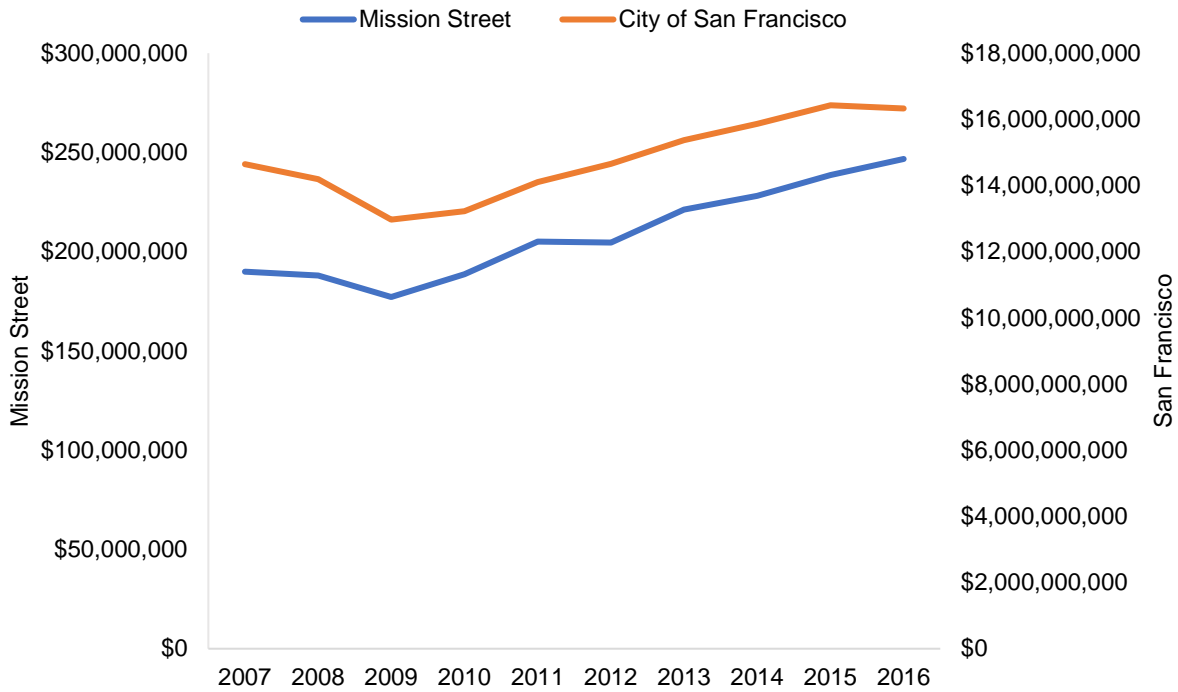
²¹ However, sales in these categories are included in the total for the Duboce to 16th Street segment (there were too few stores in this segment to disaggregate by category, given confidentiality restrictions).

²² However, sales in this category are included in the total for the Duboce to 16th Street segment (there were too few stores in this segment to disaggregate by category, given confidentiality restrictions).

again slightly in 2016. In comparison, Mission Street sales have been relatively steady or growing throughout this period. Overall, total estimated retail and restaurant sales in the City of San Francisco grew by 12 percent between 2007 and 2016, compared to a 30 percent increase on Mission Street.

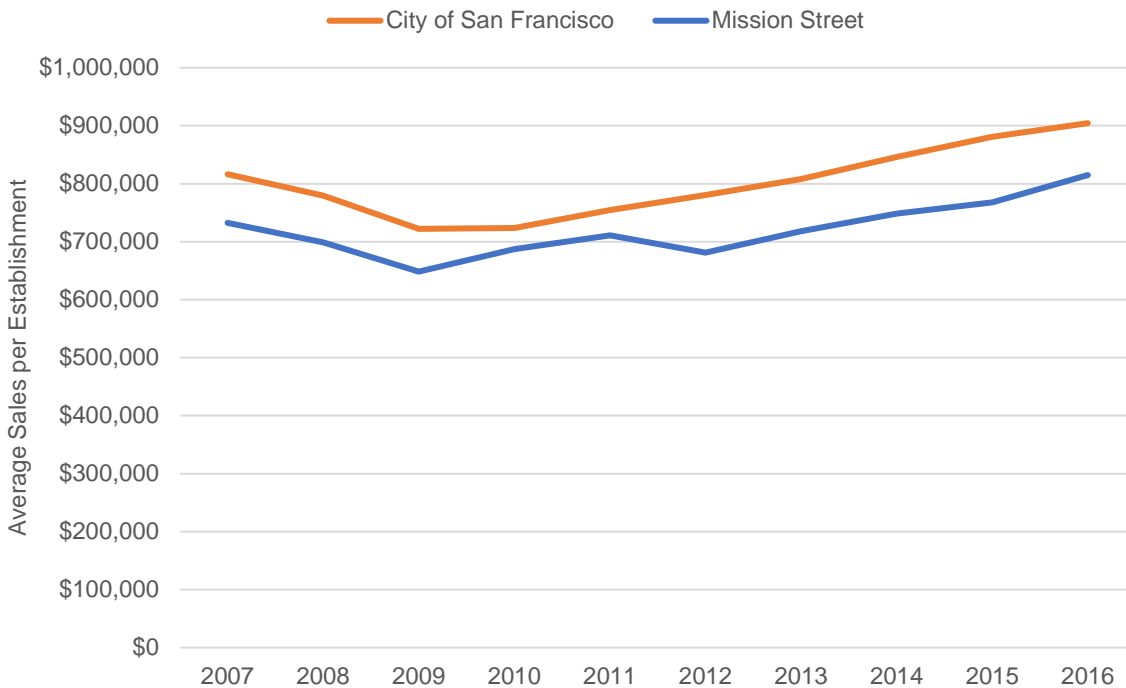
On an average, per-establishment basis, Mission Street stores have lower sales compared to the citywide average. Average per-establishment sales increased by 11 percent between 2007 and 2016, both on Mission Street and citywide.

Figure VI-1: Total Estimated Retail and Restaurant Sales Over Time: Mission Street and San Francisco, 2007-2016 (2016 Dollars)



Sources: City of San Francisco, Office of Economic and Workforce Development, 2017; HdL, 2017; Strategic Economics, 2017.

Figure VI-2: Estimated Retail and Restaurant Sales per Establishment: Mission Street Corridor and City of San Francisco, 2007-2016 (2016 Dollars)



Sources: City of San Francisco, Office of Economic and Workforce Development, 2017; HdL, 2017; Strategic Economics, 2017.

Figure VI-3: Retail and Restaurant Sales: Mission Street and San Francisco, 2007 and 2016 (2016 Dollars)

	Mission Street			San Francisco		
	2007	2016	Change, 2007-2016	2007	2016	Change, 2007-2016
Estimated Retail and Restaurant Sales						
Total ¹	\$189,889,509	\$246,713,695	30%	\$14,645,967,529	\$16,333,757,866	12%
By Category ²						
Restaurants and Hotels ³	\$42,153,645	\$89,786,939	113%	\$3,662,523,253	\$5,286,994,486	44%
Food and Drugs ⁴	\$46,380,530	\$56,556,862	22%	\$3,882,638,647	\$4,829,077,862	24%
General Consumer Goods ⁵	\$69,062,662	\$67,002,357	-3%	\$7,100,805,629	\$6,217,685,518	-12%
Average Per-Establishment Sales						
Total ¹	\$732,457	\$814,909	11%	\$816,159	\$904,416	11%
By Category ²						
Restaurants and Hotels ³	\$563,928	\$957,727	70%	\$788,487	\$979,617	24%
Food and Drugs ⁴	\$1,952,864	\$1,538,962	-21%	\$2,805,375	\$3,280,624	17%
General Consumer Goods ⁵	\$490,676	\$436,497	-11%	\$595,905	\$555,597	-7%

¹ Includes sales in restaurants and hotels, food and drugs, and general consumer goods; excludes sales in autos and transportation, fuel and service stations, building and construction, and business industry.

² Excludes Duboce to 16th Street (data by category were not available for this segment due to confidentiality restrictions).

³ Includes bars, nightlife, and entertainment.

⁴ Assumes that 25% of the total sales in this category are taxable.

⁵ Assumes that 75% of the total sales in this category are taxable.

Sources: City of San Francisco, 2017; HdL, 2017; Strategic Economics, 2017.

Sales by Category

Figures VI-4 and VI-5 show total estimated sales and average sales per establishment by major sales category (restaurants and hotels, food and drugs, and general consumer goods) from 2007 through 2016. This section describes sales trend by major business. The data in this section were only available for the segments of the corridor between 16th Street and Cesar Chavez.²³

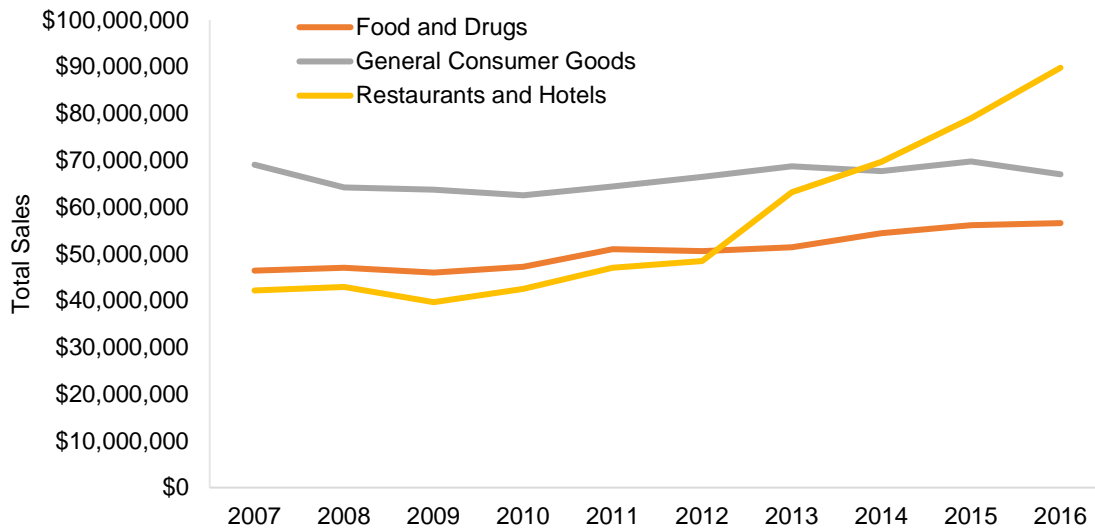
Restaurants are driving sales growth on the corridor. Total restaurant and hotel sales on Mission Street increased by 113 percent between 2007 and 2016. In comparison, citywide restaurant and hotel sales increased by 44 percent during this time. Note that most of the sales in this category are likely from restaurants, bars, and entertainment venues, since there are few hotels on the corridor. From the available data, it is not possible to determine the extent to which overall sales increases were related to growth at existing (or “same store”) locations rather than (or in addition to) sales at new locations, or to assess how much of the sales growth can be attributed to increased prices versus increased sales volume. Anecdotally, however, the corridor attracted many new restaurants during this time period, including higher priced establishments.

Estimated sales in the food and drugs category have increased slightly on a total basis since 2007, despite a sharp decrease in per-establishment sales during the recession. Strategic Economics estimated total sales in these categories by assuming that 25 percent of food and drug sales and 75 percent of general consumer sales were taxable in every year; however, in actuality the share of taxable sales may vary from year to year, affecting the trend. Based on this analysis of sales tax data, per-establishment sales declined sharply between 2007 and 2009, and only began to recover in 2014. In comparison, average citywide sales for establishments in the food and drug category increased between 2007 and 2016. Despite the decline in per-establishment sales, estimated total food and drugs sales on Mission Street continued to grow modestly throughout the decade, because the total number of establishments increased slightly.

Sales in the general consumer goods category have declined by three percent since 2007. On both a per establishment and total sales basis, sales in this category declined over the past decade. Sales also decreased citywide in this category. For the purposes of this analysis, Strategic Economics assumed that 75 percent of sales in the general consumer goods category were taxable.

²³ Disaggregated data were not available for the Duboce Street to 16th Street segment because of confidentiality restrictions related to the small number of businesses in the segment.

Figure VI-4: Estimated Total Sales by Business Category: Mission Street, 16th Street to Cesar Chavez Street, 2007-2016 (2016 Dollars)

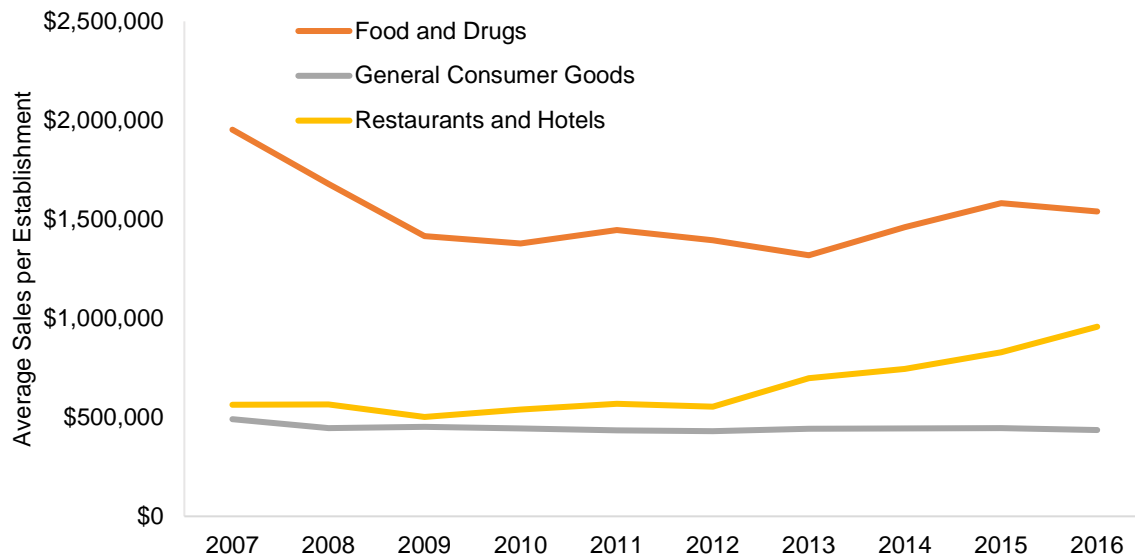


Notes:

- Food and Drugs: Assumes that 25% of the total sales in this category were taxable.
- General Consumer Goods: Assumes that 75% of the total sales in this category were taxable
- Restaurants and Hotels: Includes bars, nightlife, and entertainment.

Source: City of San Francisco, Office of Economic and Workforce Development, 2017; HdL, 2017; Strategic Economics, 2017.

Figure VI-5: Estimated Average Sales per Establishment by Business Category: Mission Street, 16th Street to Cesar Chavez Street, 2007-2016 (2016 Dollars)



Notes:

- Food and Drugs: Assumes that 25% of the total sales in this category were taxable.
- General Consumer Goods: Assumes that 75% of the total sales in this category were taxable
- Restaurants and Hotels: Includes bars, nightlife, and entertainment.

Sources: City of San Francisco, Office of Economic and Workforce Development, 2017; HdL, 2017; Strategic Economics, 2017.

Sales by Corridor Segment

Figure VI-6 shows sales by segment and category in 2007 and 2016. Figure VI-7 shows sales per establishment.

- **Duboce Street to 16th Street:** Total sales for businesses on the segment increased only 3 percent between 2007 and 2016, compared to a 30 percent increase for the corridor overall. However, average sales per establishment (nearly \$1.8 million in 2016) was much higher compared to other segments, presumably reflecting the fact that Walgreens makes up a high share of total sales in this segment.²⁴
- **16th Street to 20th Street:** This segment experienced the greatest growth in sales between 2007 and 2016 (a 56 percent increase), driven mostly by rapid growth in the restaurants and hotels category (which increased by 93 percent).
- **20th Street to 24th Street:** This segment has the corridor's strongest sales in most business categories, both in terms of total sales and average sales per establishment. Between 2007 and 2016, sales in the restaurants and hotels category increased by 130 percent as the area became increasingly well known for its destination restaurants.
- **24th Street to Cesar Chavez Street:** The southernmost segment of the corridor has relatively low sales compared to the 16th to 20th Street and 20th to 24th Street segments – reflecting both that there are fewer businesses south of 24th Street, but also that businesses tend to perform less strongly on a per-establishment basis.

²⁴ Because of Walgreens' presence, the estimated sales reflect an assumption that only 50% of sales in this segment are taxable.

Figure VI-6: Estimated Sales by Segment and Business Sector: Mission Street, 2007 and 2016, (2016 Dollars)

	Total Estimated Sales		2007-2016	
	2007	2016	Change	% Change
Duboce to 16th Street				
Subtotal	\$32,292,673	\$33,367,536	\$1,074,864	3%
16th Street to 20th Street				
Food and Drugs	\$7,979,488	\$11,627,640	\$3,648,152	46%
General Consumer Goods	\$18,689,549	\$24,363,590	\$5,674,041	30%
Restaurants and Hotels	\$14,733,262	\$28,484,774	\$13,751,512	93%
Subtotal	\$41,402,299	\$64,476,004	\$23,073,705	56%
20th Street to 24th Street				
Food and Drugs	\$20,636,524	\$29,065,325	\$8,428,801	41%
General Consumer Goods	\$46,176,352	\$36,837,469	-\$9,338,882	-20%
Restaurants and Hotels	\$20,588,575	\$47,334,454	\$26,745,879	130%
Subtotal	\$87,401,451	\$113,237,249	\$25,835,798	30%
24th Street to Cesar Chavez				
Food and Drugs	\$17,764,518	\$15,863,897	-\$1,900,620	-11%
General Consumer Goods	\$4,196,761	\$5,801,297	\$1,604,536	38%
Restaurants and Hotels	\$6,831,808	\$13,967,711	\$7,135,903	104%
Subtotal	\$28,793,087	\$35,632,906	\$6,839,819	24%
Total Sales, Mission Street	\$189,889,509	\$246,713,695	\$56,824,186	30%

Sources: City of San Francisco, Office of Economic and Workforce Development, 2017; HdL, 2017; Strategic Economics, 2017.

**Figure VI-7: Estimated Average Sales per Establishment by Segment and Business Category:
Mission Street, 2007 and 2016 (2016 Dollars)**

	Sales per Establishment		2007-2016	
	2007	2016	Change	% Change
Duboce to 16th Street				
Average	\$1,614,634	\$1,779,602	\$164,968	10%
16th Street to 20th Street				
Food and Drugs	\$1,329,915	\$1,011,099	-\$318,816	-24%
General Consumer Goods	\$350,977	\$371,963	\$20,986	6%
Restaurants and Hotels	\$521,531	\$716,598	\$195,067	37%
Average	\$473,169	\$552,257	\$79,088	17%
20th Street to 24th Street				
Food and Drugs	\$2,427,826	\$2,152,987	-\$274,839	-11%
General Consumer Goods	\$645,823	\$571,124	-\$74,700	-12%
Restaurants and Hotels	\$831,862	\$1,753,128	\$921,266	111%
Average	\$834,381	\$1,078,450	\$244,069	29%
24th Street to Cesar Chavez				
Food and Drugs	\$1,920,488	\$1,350,119	-\$570,369	-30%
General Consumer Goods	\$262,298	\$246,864	-\$15,434	-6%
Restaurants and Hotels	\$314,106	\$517,323	\$203,217	65%
Average	\$612,619	\$572,416	-\$40,203	-7%
Average, Mission Street	\$732,457	\$814,909	\$82,452	11%

Sources: City of San Francisco, Office of Economic and Workforce Development, 2017; HdL, 2017; Strategic Economics, 2017.

VII. EMPLOYMENT

This section assesses the range of existing employment opportunities on Mission Street and the implications for job quality and access to job opportunities in industries with significant employment. Note that whereas Section III focused on the mix of uses on the ground floor, this section includes all employment along the corridor, including at establishments located on upper floors.

Following a discussion of the data source and methodology, the section includes an overview of the overall employment mix on Mission Street is summarized below, as well as more detailed analysis and discussion of selected industry groups.

DATA SOURCE AND METHODOLOGY

This section includes an analysis of employment data collected by Dun & Bradstreet. Dun & Bradstreet is a commercial data vendor that collects data on physical location, industry, employment, company structure and other factors from a variety of sources, including business self-reporting. For the purposes of this analysis, Strategic Economics categorized each business on Mission Street by industry group using the North American Industry Classification System (NAICS codes) included in the data. Strategic Economics also used information available in the Dun & Bradstreet dataset to identify formula retailers.²⁵ Note that all the employment numbers in this report include both full time and part time workers; data on part time versus full time worker status by industry are not available.

In addition to the employment data analysis, this section includes qualitative findings from a review of previous studies and articles. Potential opportunities for job growth in each major industry group are also discussed, based on the most recent regional employment projections available from the Association of Bay Area Governments (ABAG).

EMPLOYMENT OVERVIEW

For the purposes of this analysis, employment and establishments on Mission Street were divided into four categories (or industry groups) that generally reflect the types of land use that the businesses typically occupy. Figure VII-1, below, shows the number of jobs and establishments by industry group. Figure VII-2 summarizes indicators related to expected job growth and quality for each of the major industry groups, including the projected rate of regional employment growth, minimum educational level for a typical entry-level position, and availability of middle-wage jobs. The four industry groups are:

- **Retail, Personal Services, and Financial Services.** This category includes businesses that are accessible to the general public and are typically located in ground floor storefronts. The category encompasses a broad spectrum of businesses, including retail stores selling consumer goods (groceries, clothing, electronics, etc.), personal services (hair and nail salons, tattoo parlors, etc.), gyms, retail banks and check cashing stores, and real estate and insurance brokers. Several small hotels on Mission Street were also included in this category.²⁶ There are 207 businesses in this

²⁵ Based on NAICS code and number of global locations. This methodology was developed for the San Francisco Planning Department for the 2014 *San Francisco Formula Retail Analysis* and is described in Appendix A of that report. The list of NAICS codes used to identify formula retailers was updated for this analysis to reflect recent changes to the definition of formula retail in the Planning Code and changes to the NAICS system (NAICS codes 517210, 517110, 517911, 522320, and 522390 were added).

²⁶ These industry categories were defined using the North American Industry Classification System (NAICS). See Appendix A for a full list of NAICS codes included in the retail, food, personal, and financial services category.

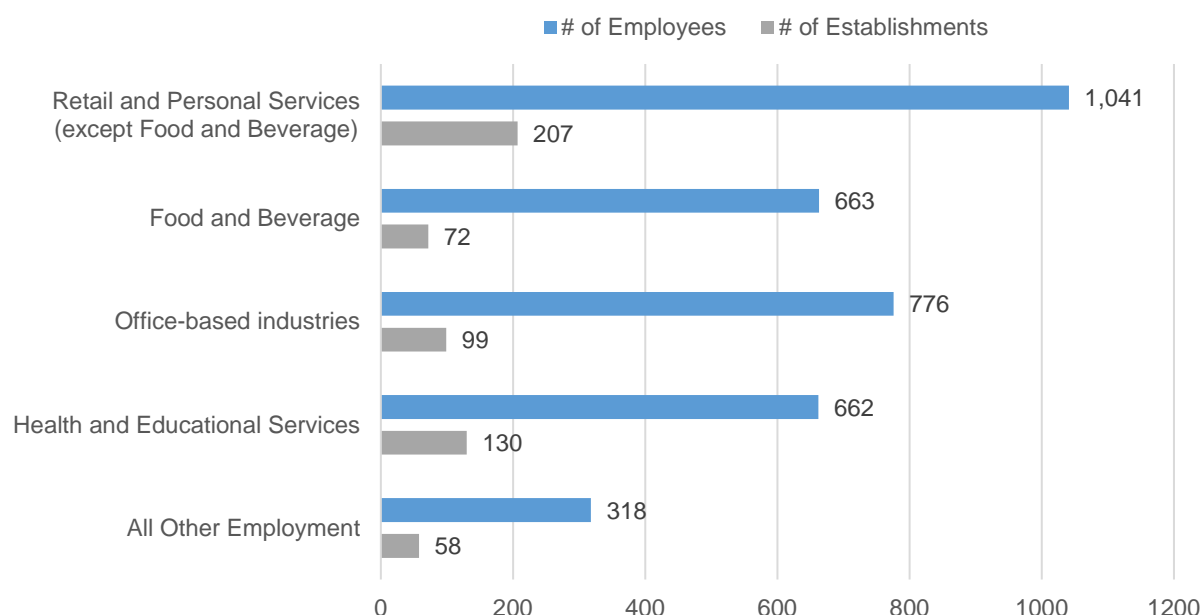
industry group on Mission Street, accounting for 1,041 workers or 30 percent of all employment on Mission Street.

- **Food and Beverage:** This category includes restaurants, bars, bakeries, and other eating and drinking places. Like other types of retail and services, these businesses are accessible to the general public and are typically located in ground floor storefronts. There are 72 food and beverage businesses employing 663 workers on the corridor, or 19 percent of all employment on Mission Street.
- **Health, Educational, and Social Services.** These businesses are frequently semi-public, with many of them occupying street level retail spaces and others in upper floor offices. Common examples on Mission Street include doctors' offices, clinics, outpatient centers, schools, and tutors. Health, educational, and social services account for 130 businesses and 662 jobs, or 19 percent of total employment, mostly in doctors' offices and outpatient treatment centers.
- **Office-Based Industries.** Office-based industries include businesses in information, professional and technical services, and public administration. These businesses are not typically open to the public and are generally located in upper floor offices or in standalone office buildings. There are 99 office-based employers on Mission Street, accounting for 776 employees, or 22 percent of all jobs. These jobs are primarily in small to medium sized firms across a variety of industries such as design firms; print and film publishers, editors, and producers; attorneys; accountants; and other small businesses.
- **All Other Industries.** This category includes industrial, manufacturing, and transportation and warehousing jobs. Examples on Mission Street are small clothing manufacturers, couriers, and contractors. There are 60 of these businesses on Mission Street, employing 388 workers, or 10 percent of all employment on Mission Street.

As shown in Figure VII-2, the region is expected to add jobs in all of the major industry groups through 2040, with health and educational services and office-based industries projected to experience the fastest growth. Retail and services and food and beverage provide significant entry-level employment opportunities for people with a high school degree or less, but tend to be relatively low paying. In contrast, health and educational services and office-based industries (specifically professional and technical services) have been identified as sectors with some of the most middle-wage jobs (jobs earning \$18-\$30 an hour) in the Bay Area, based on an analysis by SPUR in the *Economic Prosperity Strategy* for the Bay Area. These jobs typically require an Associate's Degree or higher level of education.

The following sections provide a more detailed analysis of employment for the major industry groups, focusing on the types of jobs on Mission Street and the quality of jobs found in each industry group in terms of wages, benefits, and opportunities for advancement. Retail, services, food, and drinking are considered together since these jobs share some common trends.

Figure VII-1: Employees and Establishments by Industry Group: Mission Street, 2017



See Appendix A for the complete list of NAICS codes for each industry group.
Source: Dun and Bradstreet, 2017; Strategic Economics, 2017.

Figure VII-2: Job Growth and Quality Indicators by Industry Group

Industry Group	Mission Street Jobs (2017) ¹	Regional Growth Projection (2015-2040) ¹	Middle-Wage Employment Opportunities ²	Minimum Educational Requirements
Retail and Services	1,041	Moderate	Low	High school or less
Food and Beverage	643	Moderate	Low	High school or less
Health, Educational, and Social Services	662	Fast	High	Associate's degree or higher
Office-Based Industries	776	Fast	High	Associate's degree or higher

¹ Dun and Bradstreet, 2017.

² Moderate: 5-10% projected increase in regional employment for relevant sectors; Fast: 30-40 projected increase in regional employment for relevant sectors. Based on ABAG, March 2017.

³ Industry groups that account for the most middle-wage jobs (jobs earning \$18-\$30 an hour) in the Bay Area. Based on SPUR, *Economic Prosperity Strategy: Improving Economic Opportunity for the Bay Area's Low- and Moderate-Wage Workers*, October 2014. Figure by Strategic Economics, 2017.

RETAIL, SERVICES, FOOD AND BEVERAGE

Figure VII-3 shows the top employment industries in the retail, services, food, and beverage group. The industries employing the most workers include food and beverage (primarily restaurants and bars), cell phone stores, health and personal care stores (primarily pharmacies), grocery stores, specialty food stores, and jewelry, luggage, and leather goods stores. There is also significant employment in financial services establishments, including at banks, pawn shops, check cashing, and short-term loan businesses.

Implications for employment opportunities are described below, focusing on restaurants, retail stores, and financial services, which provide most of the employment in this category. The section also includes a discussion of job numbers and employment practices at formula retailers and other chains, compared to independent businesses.

Figure VII-3: Employees in Retail, Services, Food and Beverage by Industry: Mission Street, 2017

Description	# of Employees
Food and Beverage (Restaurants, Bars, Etc.)	663
Cell Phone Stores	182
Health and Personal Care Stores	127
Banks	85
Grocery Stores	58
Specialty Food Stores	56
Jewelry, Luggage, and Leather Goods Stores	52
Pawn Shops and Short-Term Loans	45
Personal Care Services	39
Shoe Stores	38
Used Merchandise Stores	34
Electronics and Appliance Stores	33
Clothing Stores	24
Other Amusement and Recreation Industries	21
All Other Retail	247
Total Retail, Services, Food and Beverage	1,704

Source: Dun & Bradstreet, 2017; Strategic Economics, 2017.

Retail stores and restaurants offer many entry level jobs with some opportunities for advancement.

These industries offer opportunities for workers with a high school degree or less education to find entry level employment and to move into higher paying jobs – for example, by being promoted to management or receiving training in the culinary arts. Restaurant workers with more experience may also be able to find higher-paying jobs in fine dining establishments.²⁷ According to the most recent projections published by the Association of Bay Area Governments (ABAG), the retail industry and the arts, recreation, and entertainment industry (of which restaurants make up a large share) together account for more than twenty percent of the region’s total existing jobs, and these industries are projected to continue to grow modestly.²⁸

However, these industries tend to provide workers with lower wages, more limited benefit coverage, and fewer and more irregular work hours compared to other industries. Retail and restaurants pay among the lowest average wages of all industries in San Francisco.²⁹ The relatively low wages, limited benefit coverage, and higher likelihood of part-time and non-standard working hours at retail stores and restaurants are related to the pressure facing firms in these industries to compete on low pricing and customer convenience (e.g., to be open long hours and on weekends and holidays).³⁰ San Francisco’s high minimum wage, Paid Sick Leave Ordinance, Formula Retail Employee Rights Ordinance, and other employer protections (shown below in Figure VII-5) offer more protections for workers compared to other cities. For example, restaurant workers in San Francisco were three times more likely to have access to paid sick days compared to workers in the rest of the Bay Area according to a 2016 survey.³¹ However, compliance with local labor laws requires significant administrative overhead, and is not universal.

Within the retail industry, there is significant variation in pay and job quality. For example, some businesses pay more and provide better benefits to attract better talent, reduce turnover, and increase productivity. Examples include many electronics, hardware, and high-end clothing stores that compete for customer business based on quality of service, and where knowledgeable salespersons are often highly valued. In contrast, stores that put a higher priority on low costs and low prices tend to pay lower wages.³² In recent years, the retail industry has also drawn attention for offering part-time jobs with unpredictable work hours (for example, using “on-call” scheduling, or waiting until the last minute to finalize workers’

²⁷ The median hourly wage in fine dining restaurants in 2016 was \$19.66 for men and \$16.32 for women, compared to \$15.76 for men and \$14.55 for women in all restaurants. Source: Restaurant Opportunities Centers United, June 2016.

²⁸ Association of Bay Area Governments and Metropolitan Transportation Commission, *Plan Bay Area 2040: Draft Supplemental Report*, March 2017.

²⁹ Strategic Economics, *San Francisco Formula Retail Analysis*, prepared for the San Francisco Planning Department, 2014, http://www.sf-planning.org/ftp/files/legislative_changes/form_retail/Final_Formula_Retail_Report_06-06-14.pdf.

³⁰ Francoise Carré, Chris Tilly, and Diana Denham, “Explaining Variation in the Quality of U.S. Retail Jobs” (presented at the Annual Meeting of the Labor and Employment Relations Association, Denver, CO, 2010), <http://www.russellsage.org/sites/all/files/Carre-Tilly-Retail%20job%20quality-LERA-01.03.10-final-rev2.pdf>; Francoise Carré and Chris Tilly, *Short Hours, Long Hours: Hour Levels and Trends in the Retail Industry in the United States, Canada, and Mexico*, Upjohn Institute Working Paper 12-183 (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research., 2012), <http://www.econstor.eu/handle/10419/64322>; Annette D. Bernhardt, *The Future of Low-Wage Jobs: Case Studies in the Retail Industry*, IEE Working Paper (Institute on Education and the Economy, Teachers College, Columbia University, 1999), <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.41.885&rep=rep1&type=pdf>.

³¹ Restaurant Opportunities Center of the Bay Area, Restaurant Opportunities Centers United, and Bay Area Restaurant Industry Coalition, “Behind the Kitchen Door: The Promise of Opportunity in the San Francisco Bay Area Restaurant Industry,” June 2016.

³² Carré, Tilly, and Denham, “Explaining Variation in the Quality of U.S. Retail Jobs.”

schedules). This concern led to San Francisco passing the Formula Retail Employee Rights Ordinance in 2014 (Figure VII-5).³³

Recently, particular attention has been drawn to poor workplace conditions, wage violations, and other labor issues at restaurants in San Francisco and elsewhere in the Bay Area. The 2016 survey of restaurant workers in the San Francisco Bay Area found that 73 percent of restaurant workers did not receive a raise in the last year, and 14 percent of tipped workers reported that management took a share of their tips. Bay Area restaurant owners, labor attorneys, and others have noticed a recent uptick in lawsuits filed by restaurant workers, charging that employers withheld wages and tips or violated other labor laws.³⁴ The 2016 survey also found that workers of color were paid \$6.12 an hour less than white workers, and that white workers were disproportionately employed in higher paying, front-of-the-house positions. However, in the absence of more comprehensive data, it is not clear whether restaurants are more frequently cited for workplace violations than retail stores, personal service providers, or other workplaces.

Restaurants and retailers that implement “high road” labor practices may benefit from improved productivity and reduced turnover. Throughout the Bay Area, the retail and food services industries are experiencing a labor shortage. The industries’ challenges in attracting and retaining workers is linked to the low wages offered by a business model with thin margins, and by the escalation of the cost of living in the region.³⁵ However, some businesses have succeeded in attracting and retaining their workers by providing living wages and benefits, prioritizing applications from within the community at all experience levels, and focusing on disenfranchised workers. Examples of restaurants known for high road labor practices in San Francisco include Arizmendi Bakery, Blue Bottle Coffee, and Cala Restaurant. These employers have committed to providing higher than minimum wages for tipped and untipped workers, higher than minimum sick days, and offer at least 50 percent of their promotions internally.³⁶

Financial services establishments offer some entry-level jobs with opportunities for advancement, although there is limited information about the types of jobs in this industry on Mission Street. For example, the majority of bank teller positions require a high school degree, and can lead to more highly paid positions as a personal banker or loan officer.³⁷ However, much of the employment in this sector located on Mission Street is in check cashing and payday loan businesses. Academic research on employment practices at check cashing and payday loan establishments appears to be limited, but these types of businesses are often criticized by consumer advocacy groups for other issues related to their lending practices.

FORMULA RETAIL AND OTHER CHAINS

Strategic Economics identified formula retail, other chain retail, and independent establishments using the following definitions and methodology:

- **Formula retail:** San Francisco defines formula retail as “a type of retail sales activity or retail sales establishment that has eleven or more other retail sales establishments in operation, or with local

³³ The Formula Retail Employee Rights Ordinance is also known as the “Retail Workers Bill of Rights.” The law became effective in 2015.

³⁴ Dominic Fracassa, “SF restaurants’ employees hungry for valid paychecks,” *San Francisco Chronicle*, April 16, 2017.

³⁵ See, for example: Annie Sciacca, “Bay Area Restaurants Struggle to Keep Workers as Living Costs Rise,” *Bay Area News Group*, May 12, 2016, http://www.mercurynews.com/bay-area-news/ci_29884761/bay-area-restaurants-search-workers; Jonathan Kauffman, “Restaurants Finding Workers Among the Disadvantaged,” July 2, 2016, <http://www.sfchronicle.com/food/article/Restaurantsfindingworkersamongthe8338643.php>.

³⁶ Restaurant Opportunities Center United, “Diners Guide,” 2017.

³⁷ O*Net Resource Center, <https://www.onetcenter.org/database.html>.

land use or permit entitlements already approved, located anywhere in the world,” and maintains certain standardized features. Most of the types of businesses included in the retail, services, food and beverage category are subject to this definition.³⁸ Most new formula retail requires a conditional use permit on Mission Street, except that restaurants that qualify as formula retail are prohibited. However, establishments that pre-date the City’s formula retail regulations (first established in the mid-2000s) were not subject to these requirements.

- **Other chains:** This category includes retail, food, personal and financial services establishments that either 1) fall into use categories that are not regulated as formula retail, and have more than one location in the world; or 2) fall into use categories that are regulated as formula retail, but have between one and ten other locations in the world.
- **Independent establishments:** This category includes all retail, food, personal, and financial services businesses with only one location in the world.

Figure VII-4 shows employment in retail, food, personal, and financial services by type of retail location. Key findings are discussed below.

Most retail, restaurant, and service jobs on Mission Street are at independently owned stores. Independent businesses employ more than two-thirds of all workers in the retail, food, personal, and financial services category. Formula retail establishments employ another 25 percent, while other types of chains account for just 6 percent of employment.

However, formula retail businesses employ more employees per establishment than other chains and independent locations. Formula retailers employ approximately 18 people per establishment. In comparison, other chains employ just seven people per establishment, and independent locations employ just five. Note that some of these jobs may be part time.

Studies on wages and labor practices at formula retailers or other chain retailers are limited. Most studies on retail employment have focused on comparing jobs and job quality at different types of retail chains (e.g., grocery stores versus electronics retailers, or supercenters versus traditional grocery stores), or on assessing the wages and economic impact of Walmart and other “supercenters,” rather than the broader employment practices of chain versus independent retailers. The discussion below is based largely on findings from the 2014 *San Francisco Formula Retail Analysis* prepared for the San Francisco Planning Department by Strategic Economics, which included a literature review of local and national studies that have examined retail or restaurant employment by size of business as a proxy for formula retail/chain status.

³⁸ Uses subject to this definition include most retail stores, restaurants, bars, liquor stores, banks and fringe/limited financial services (e.g., pawn shops and check cashing establishments), retail services (such as laundromats, pet grooming, and copy centers), personal services (such as salons and gyms), and movie theaters.

Figure VII-4: Establishments and Employees by Store Type: Mission Street, 2017

	Employees		Establishments		Jobs per Establishment
	Number	% of Total	Number	% of Total	
Formula Retail ¹	423	25%	23	8%	18
Other Chains ²	109	6%	15	5%	7
Independent Establishments	1,152	68%	239	86%	5
Total Retail, Food, Personal and Financial Services	1,684	100%	277	100%	6

¹ Formula retail includes establishments that meet the definition in San Francisco's Planning Code, to the extent that the data allows.

² Other chains include all retail, food, personal, and financial service locations with more than one global family member as identified by Dun & Bradstreet.

Source: Dun & Bradstreet, 2017; Strategic Economics, 2017.

National studies have shown that large firms are generally more likely to comply with labor laws and hire more minorities compared to smaller firms. A 2001 national survey of employers and households found that larger firm size was associated with hiring significantly more African-Americans.³⁹ A 2009 survey of 4,500 low-wage workers in New York, Chicago, and Los Angeles found that while labor law violations occur at firms of all sizes, workers at small companies (employing fewer than 100 workers) were significantly more likely to experience violations.⁴⁰ These differences between small and large firms may have to do with a number of factors, including awareness of labor laws, hiring methods, and financial resources.

Compared to large firms, small firms in San Francisco have historically been less likely to offer health insurance and more likely to offer policies with higher deductibles. In San Francisco, just over 70 percent of small firms (4 to 19 employees) offered insurance in 2009. Of those firms that offered insurance, small firms were much more likely than medium or large firms to have a high deductible (more than \$1,000) for the most popular plan.⁴¹ The percentage of small firms offering insurance in San Francisco appears to be high by national standards. As a point of comparison, a national study by the Kaiser Foundation found that only 50 percent of firms with fewer than 10 workers offered health insurance to their employees in 2012.⁴²

³⁹ Philip Moss and Chris Tilly, *Stories Employers Tell: Race, Skill, and Hiring in America* (Russell Sage Foundation, 2001).

⁴⁰ Annette D. Bernhardt et al., *Broken Laws, Unprotected Workers: Violations of Employment and Labor Laws in America's Cities* (Center for Urban Economic Development, 2009).

⁴¹ William H. Dow, Arindrajit Dube, and Carrie Hoverman Colla, *Bay Area Employer Health Benefits Survey: Health Benefits Report 2009* (University of California Berkeley, May 2010), <http://www.irl.berkeley.edu/cwed/wp/healthbenefits10.pdf>; and Vicky Lovell, "Universal Paid Sick Leave," in *When Mandates Work: Raising Labor Standards at the Local Level* (Berkeley: University of California Press, 2014), 197–225.

⁴² Nirmita Panchal, Matthew Rae, and Gary Claxton, *Snapshots: A Comparison of the Availability and Cost of Coverage for Workers in Small Firms and Large Firms* (Kaiser Family Foundation, December 5, 2012), <http://kff.org/private-insurance/issue-brief/snapshots-a-comparison-of-the-availability-and-cost-of-coverage-for-workers-in-small-firms-and-large-firms/>.

In San Francisco, formula retailers and other large businesses are subject to additional labor laws, beyond those required of smaller businesses. Figure VII-5 shows the local labor laws that apply to most businesses located in San Francisco. (Other mandates, not shown, apply only to employers with contracts or leases with the City.) Formula retailers are also subject to the City's Formula Retail Employee Rights Ordinances, which provides specific protections for formula retail employees around scheduling and layoffs related to mergers and acquisitions. Other laws – such as the City's minimum wage and Paid Sick Leave Ordinance – apply broadly to nearly all workers in San Francisco. The Health Care Security Ordinance, Family Friendly Workplace Ordinance, Fair Chance Ordinance, and Parental Leave Ordinance apply only to employers that meet a certain size threshold. Many independent retailers are likely to be exempt from these laws based on their size, although some independent businesses may be more likely than others to reach the size thresholds. For example, an independent restaurant may be more likely to reach the 20 part-time employee threshold for complying with these regulations, compared to an independent retailer.

Figure VII-5: San Francisco Labor Laws

Law	Employer Applicability	Requirement	Effective Date
Minimum Wage Ordinance	All employers with employees who work more than two hours per week, including part-time and temporary workers*	All employees who work two or more hours per week in San Francisco, including part-time and temporary workers, are entitled to the San Francisco minimum wage (\$14.00 per hour as of July 2017) for each hour worked within the City of San Francisco.	February 2004, Amended November 2014
Paid Sick Leave Ordinance	All employers** with employees who work in San Francisco, including part-time and temporary workers	All employees who work in San Francisco, including part-time and temporary workers, are entitled to paid time off from work when they are sick or need medical care, and to care for their family members or designated person when those persons are sick or need medical care.	February 2007, amended January 2017
Health Care Security Ordinance***	Employers with 20 or more employees nationwide, including part-time and temporary workers (and non-profit employers with 50 or more employees)	Employers must spend a minimum amount (set by law) on health care for each employee who works eight or more hours per week in San Francisco. The expenditure rate varies by employer size; in 2017, for-profit businesses with 20 to 99 employees nationwide are required to spend \$1.76 per worker per hour paid; employers with 100+ employees nationwide are required to spend \$2.64 per worker per hour paid.	January 2008
Family Friendly Workplace Ordinance	Employers with 20 or more employees nationwide, including part-time and temporary workers	Employers must allow any employee who is employed in San Francisco, has been employed for six months or more by the current employer, and works at least eight hours per week on a regular basis to request a flexible or predictable working arrangement to assist with care-giving responsibilities.	January 2014
Fair Chance Ordinance	Employers with 20 or more employees nationwide, including part-time and temporary workers	Employers are prohibited from asking for arrest and conviction records on a job application, and prohibits employers from considering arrests not leading to a conviction; participation in diversion programs; convictions that have been dismissed, expunged, or otherwise invalidated; juvenile convictions; non-felony convictions; convictions older than 7 years.	August 2014
Paid Parental Leave Ordinance	Employers with 50 or more employees nationwide, including part-time and temporary workers****	Employers are required to provide up to 6 weeks of supplemental compensation to employees who receive California Paid Family Leave benefits to bond with a new child. Employees are eligible if they have worked for the employer longer than 180 days, work a minimum of 8 hours a week, and 40 percent of their hours are in San Francisco.	January 2017

<p>Formula Retail Employee Rights Ordinances++</p>	<p>Formula Retail Businesses with 40 or more locations worldwide and 20 or more employees in San Francisco</p>	<ul style="list-style-type: none"> • Employers must offer any extra work hours to current qualified part-time employees before hiring new employees or using contractors or staffing agencies. • If the Formula Retail Establishment is sold, successor employer must retain employees, who worked for the former employer for at least six months, for at least 90 more days after sale. • Employers must provide new employees with a good faith written estimate of minimum scheduled shifts per month and the days and hours of those shifts. • Employers must provide employees with their schedules two weeks in advance. • If changes are made to an employee's schedule with less than seven days' notice, the employer must pay the employee a premium of 1 to 4 hours of pay at the employee's regular hourly rate (depending on the amount of notice and the length of the shift). • If an employee is required to be "on-call," but is not called in to work the employer must pay the employee a premium of 2 to 4 hours of pay at the employee's regular hourly rate (depending on the amount of notice and the length of the shift). 	<p>2015</p>
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*Individuals who are the parents, spouses, domestic partners, or children of the employers are not covered by the San Francisco Minimum Wage Ordinance.

**For employees of employers for which fewer than 10 persons work for compensation during a given week, employees must be able to accrue at least 48 hours of paid sick leave or provide an advance of 24 hours or three days of paid sick leave and allow them to accrue up to 40 hours. Employers with 10 or more employees must allow them to accrue at least 72 hours of paid sick leave. In each case, all employees must accrue one hour of paid sick leave for every 30 worked.

***Note that the national Affordable Care Act does not preempt San Francisco's Health Care Security Ordinance; employers subject to the ordinance are required to continue meeting the Health Care Security Ordinance spending requirement for eligible employees in 2017.

**** This requirement applies to employers with 50 or more employees total (worldwide) as of January 1, 2017, employers with 35 or more employees as of July 1, 2017, and employers with 20 or more employees as of January 1, 2018.

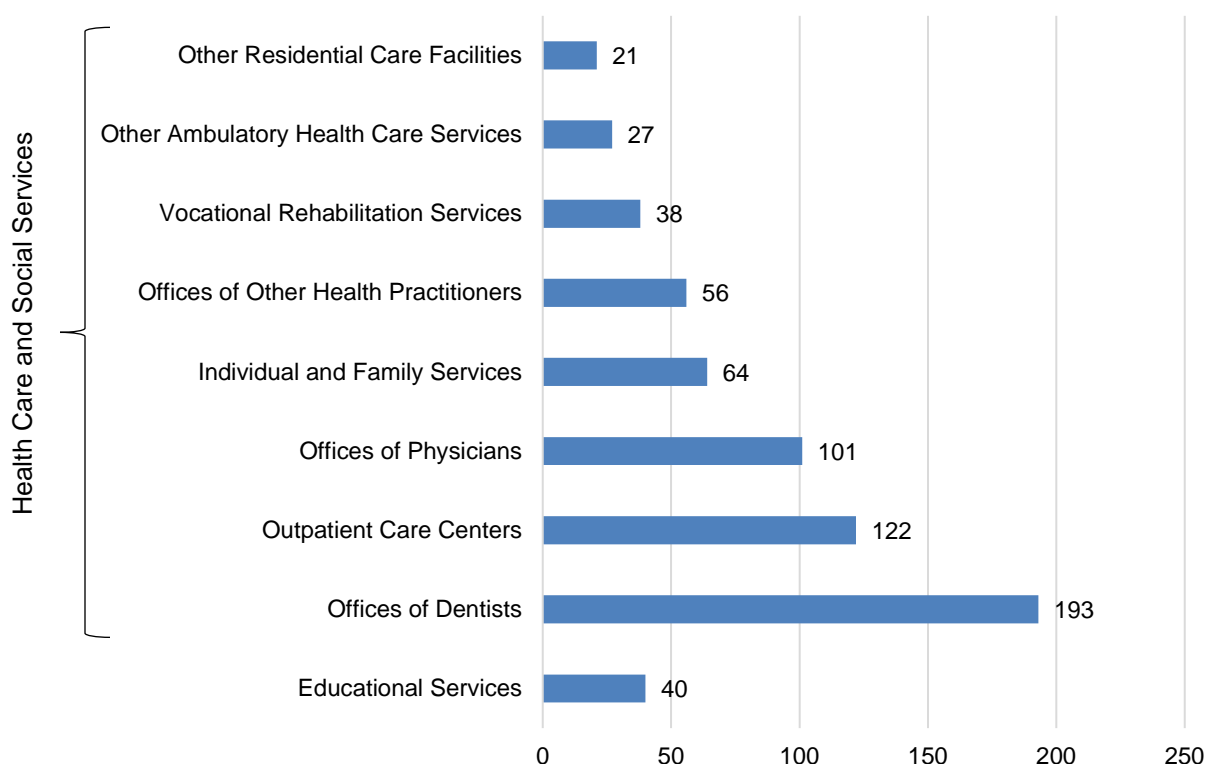
++ Also known as the "Retail Workers Bill of Rights." Employers do not have to provide "predictability pay" or payment for on-call shifts if any of the following conditions apply: Operations cannot begin or continue due to threats to Employees or property; Operations cannot begin or continue because public utilities fail; Operations cannot begin or continue due to an Act of God or other cause not within the Employer's control (such as an earthquake); Another Employee previously scheduled to work that shift is unable to work and did not provide at least seven days' notice; Another Employee failed to report to work or was sent home; The Employer requires the Employee to work overtime ; or The Employee trades shifts with another Employee or requests a change in shifts.

Source: City and County of San Francisco Labor Standards Enforcement, 2017.

HEALTH, EDUCATIONAL, AND SOCIAL SERVICES

Figure VII-6 shows the distribution of employment in the health and educational services category by industry. Most of the employment in this industry group is in health care and social assistance, with only 40 jobs in educational services. Employment is concentrated at outpatient care facilities (primarily community health clinics and dialysis centers) and individual health providers such as doctors, dentists, and counselors. Implications for employment opportunities are described below.

Figure VII-6: Health, Educational, and Social Services Employment by Industry: Mission Street, 2017



Source: Dun & Bradstreet, 2017; Strategic Economics, 2017.

Health and educational services are growing industries that offer opportunities for middle wage jobs with low barriers to entry. Health, educational, and social services are expected to account for nearly forty percent of new jobs in the region between 2010 and 2040.⁴³ In the *Economic Prosperity Strategy* for the Bay Area, SPUR found that health and educational services provide a large share of both existing middle wage jobs and projected future middle wage job openings in the region.⁴⁴ Middle wage jobs are defined as jobs paying \$18 to \$30 an hour. Expanding the number of middle wage jobs, and creating career pathways that allow low-wage workers to access those jobs, is one key component of addressing income inequality. While many careers in health and educational services require an associate's degree or other technical

⁴³ Association of Bay Area Governments and Metropolitan Transportation Commission, *Plan Bay Area 2040: Draft Supplemental Report*, March 2017.

⁴⁴ SPUR, *Economic Prosperity Strategy: Improving Economic Opportunity for the Bay Area's Low- and Moderate-Wage Workers*, October 2014.

training, they also provide opportunities for upward mobility. For example, some of the occupations within the healthcare industry that offer the most middle wage job opportunities and the lowest barriers to employment include medical secretaries; medical assistants; and licensed and practical vocational nurses.

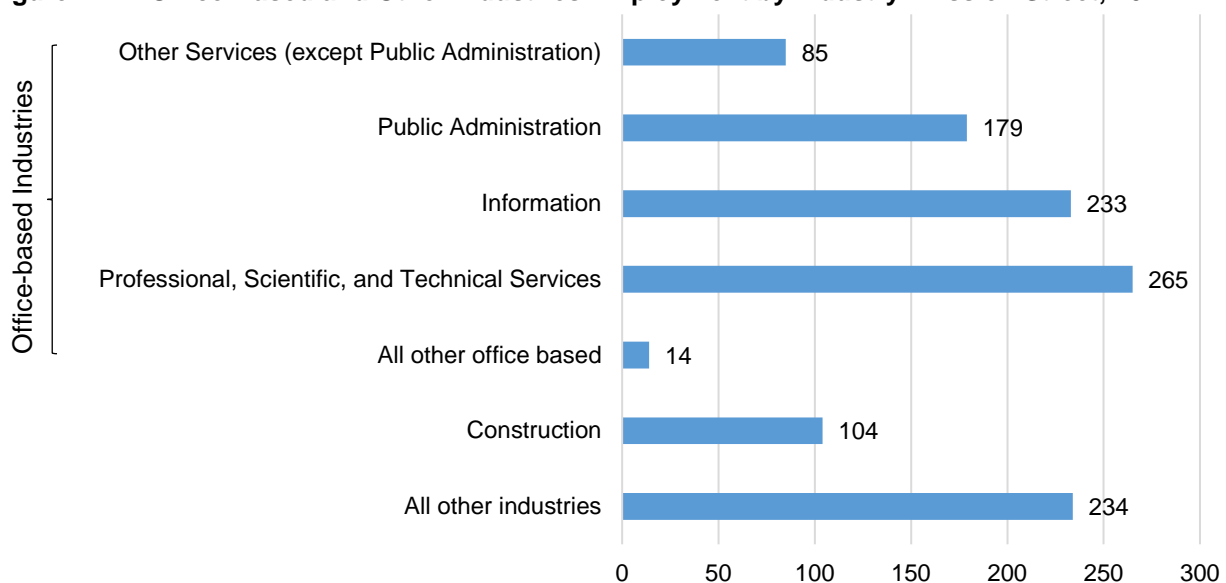
OFFICE-BASED AND OTHER INDUSTRIES

Figure VII-7 shows the distribution of employment in the office-based industries and all other industries. Most office-based workers are in professional, scientific, and technical services, information, and public administration. Examples of professional, scientific, and technical services businesses on Mission Street include law and accounting firms, design firms, and some software companies. The information industry also includes several software design firms, as well as a few small publishing houses and music and film production companies. Public administration is dominated by one large employer, a parole office.

The all other industries category covers a wide spectrum of employment industries, including manufacturing; transportation and warehousing; construction; and administration and waste management. Construction is the largest single industry under this category. Construction firms in the corridor are primarily small contractors that each employ a few employees.

Implications for employment opportunities are described below.

Figure VII-7: Office-Based and Other Industries Employment by Industry: Mission Street, 2017



Source: Dun & Bradstreet, 2017; Strategic Economics, 2017.

While many jobs in office-based industries require high levels of educational attainment, they also offer middle skilled, middle wage job opportunities. As identified in the *Economic Prosperity Strategy*, some of the occupations within these industries that offer the most middle and high wage job opportunities and the lowest barriers to employment include:

- **Office, administrative, and computer support:** Office supervisors, administrative assistants, secretaries, bookkeepers, accounting clerks, computer support specialists.

- **Sales:** customer service and sales representatives.⁴⁵

Office-based industries are projected to grow quickly in the coming decades, with the employment in the professional services expanding by more than 40 percent regionwide by 2040. However, most of the new middle wage employment opportunities are expected to come from turnover (i.e. replacement of retiring workers).

⁴⁵ SPUR, *Economic Prosperity Strategy: Improving Economic Opportunity for the Bay Area's Low- and Moderate-Wage Workers*, October 2014.

VIII. APPENDIX

The following table shows the list of NAICS codes included in the retail, services, and food and beverage category for the purposes of the employment analysis (Section VII).

Figure VIII-1: NAICS Codes Included in the Retail, Services, and Food and Beverage Category
(Continued on the following page)

NAICS Code	Description
Retail and Services	
4234	Professional and Commercial Equipment and Supplies Merchant Wholesalers
4236	Household Appliances and Electrical and Electronic Goods Merchant Wholesalers
4237	Hardware, and Plumbing and Heating Equipment and Supplies Merchant Wholesalers
4239	Miscellaneous Durable Goods Merchant Wholesalers
4242	Drugs and Druggists' Sundries Merchant Wholesalers
4243	Apparel, Piece Goods, and Notions Merchant Wholesalers
4244	Grocery and Related Product Merchant Wholesalers
4249	Miscellaneous Nondurable Goods Merchant Wholesalers
4412	Other Motor Vehicle Dealers
4413	Automotive Parts, Accessories, and Tire Stores
4421	Furniture Stores
4422	Home Furnishings Stores
4431	Electronics and Appliance Stores
4441	Building Material and Supplies Dealers
4451	Grocery Stores
4452	Specialty Food Stores
4453	Beer, Wine, and Liquor Stores
4461	Health and Personal Care Stores
4471	Gasoline Stations
4481	Clothing Stores
4482	Shoe Stores
4483	Jewelry, Luggage, and Leather Goods Stores
4511	Sporting Goods, Hobby, and Musical Instrument Stores
4512	Book Stores and News Dealers
4529	Other General Merchandise Stores
4531	Florists
4532	Office Supplies, Stationery, and Gift Stores
4533	Used Merchandise Stores
4539	Other Miscellaneous Store Retailers
4541	Electronic Shopping and Mail-Order Houses
5171	Wired Telecommunications Carriers (Cell Phone Stores)
5172	Wireless Telecommunications Carriers, except Satellite (Cell Phone Stores)
5179	Other Telecommunications (Cell Phone Stores)
5221	Depository Credit Intermediation (Retail Banks)
5222	Nondepository Credit Intermediation (Pawn Shops, Check Cashing, and Short-Term Loans)
5223	Activities Related to Credit Intermediation
5231	Securities and Commodity Contracts Intermediation and Brokerage
5241	Insurance Carriers
5242	Agencies, Brokerages, and Other Insurance Related Activities
5311	Lessors of Real Estate
5312	Offices of Real Estate Agents and Brokers
5313	Activities Related to Real Estate
5322	Consumer Goods Rental

NAICS Code	Description
7114	Agents and Managers for Artists, Athletes, Entertainers, and Other Public Figures
7139	Other Amusement and Recreation Industries
7211	Traveler Accommodation
8114	Personal and Household Goods Repair and Maintenance
8121	Personal Care Services
8123	Drycleaning and Laundry Services
8129	Other Personal Services
Food and Beverage	
7223	Special Food Services
7224	Drinking Places (Alcoholic Beverages)
7225	Restaurants and Other Eating Places
3118	Bakeries and Tortilla Manufacturing

Source: North American Industry Classification System, 2017; Strategic Economics, 2017.