BAY AREA

Map shows just how bad the retail plunge has been in downtown S.F. versus the rest of the city

Without the presence of office workers who frequented downtown San Francisco, commerce in the area has not recovered.

Christian Leonard

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Nordstrom announced it will not be renewing its leases with Westfield San Francisco Centre in downtown San Francisco. Commercial activity in the area has struggled to recover from the pandemic despite recent gains, sales tax revenue data indicates.
Gabrielle Lurie/Associated Press

Even before Nordstrom's recent decision to close two San Francisco stores, shopping in the city's downtown area was floundering, sales tax revenue data shows.

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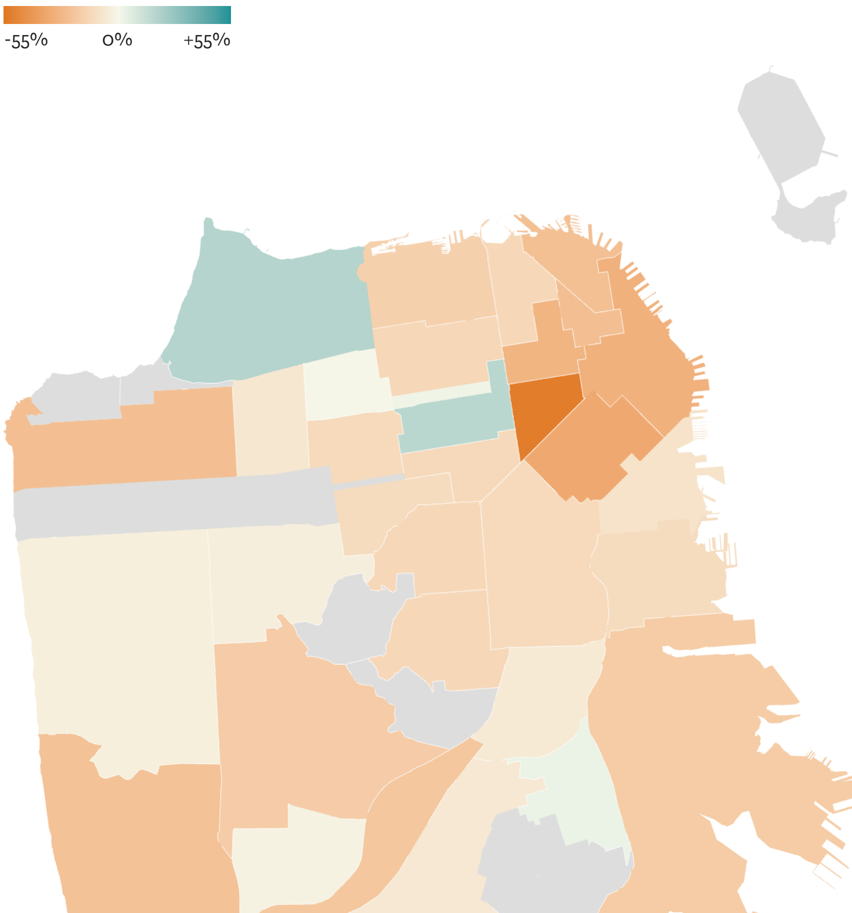
While sales tax isn't as important to San Francisco's finances as other revenue streams — most of the tax money goes to the state — it gives a sense of how consumer spending has changed over time. And downtown, the city's tax data shows, sales are still struggling the most of any neighborhood two years after the pandemic began.

San Francisco's sales tax revenue in 2022 was about $141 million, a nearly 22% decrease from the $181 million — adjusted for inflation — generated in 2019.

Downtown revenues dove even more. Revenue from business in the South of Market neighborhood fell by 34%, from $21 million in 2019 to $14 million in 2022. The Financial District/South Beach area, which still produces the most sales tax revenue of any neighborhood, dropped around 30% from $41 million to $28 million.

Changes in San Francisco neighborhoods' sales tax revenue, 2019 to 2022

In 2022 dollars. Gray areas reflect where no data was available or where less than $500,000 was generated in 2022.



Revenue generated by companies with multiple locations is averaged over the number of locations and included in the respective neighborhoods' totals.

Map: Christian Leonard / The Chronicle · Source: HdL Companies

The Tenderloin saw the biggest relative decline: nearly 53%, from $10 million to less than $5 million.

Some residential areas have fared better, though recovery has been uneven. Japantown is one of the few places in San Francisco where sales tax revenue is above pre-pandemic levels, albeit by less than 2%. The Western Addition is doing even better, with businesses there generating 17% more revenue last year than they did in 2019.

The difference between downtown and other parts of the city is particularly clear in certain industries. San Francisco supervisor Districts 3 and 6, which broadly encompass downtown, together produced more sales tax revenue in 2019 than the other districts combined. Since then, revenue from food and drug stores has plummeted 43% to $1.7 million from $3 million between 2019 and 2022, compared to a decline of 7% for other districts.

Revenue from restaurants and hotels in the tourism-heavy Districts 3 and 6 also fell by 40% to $16.8 million from $28 million over the same period, compared to 16% for the rest of the city.

Changes in San Francisco sales tax revenue by supervisorial district and industry, 2019-2022

In 2022 dollars. Totals do not include businesses with multiple locations.

Industry	Districts 3 and 6	Other districts
Autos and transportation	2.1%	28%
Building and construction	−31.3%	−17%
Food and drugs	−42.9%	−6.9%
General consumer goods	−14.1%	−13.5%
Restaurants and hotels	−40.3%	−16.1%
Total sales tax	−32.2%	−11%

Table: Christian Leonard / The Chronicle • Source: HdL Companies

Notably, revenue generated by the sale of general consumer goods, a category that includes department stores, dipped by 14% in the downtown area, a similar figure to other districts. But the data doesn't include businesses with multiple locations in the city, like Whole Foods or Nordstrom. San Francisco also only publishes industry-specific sales tax data on the district and census block levels, not by neighborhood.

There are many factors behind downtown's commerce woes. The area suffered a string of closures of major retailers during — and even before — the pandemic. And without office workers, most of whom have not returned to the area, many small businesses are struggling to stay afloat.

Robbie Silver, executive director of the Downtown San Francisco Partnership, pointed out that more recent data shows some progress. The Financial District's sales tax revenues jumped by 19% between 2021 and 2022, from $24 million to $28 million. And the Tenderloin rose 48% from $3 million to nearly $5 million.

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"Are we close to pre-pandemic levels? Absolutely not," said Silver, whose organization collects a special tax from property owners to improve downtown. "But at least we're looking at a forward trajectory."

Still, the overall loss of downtown commerce has serious impacts on the city's finances. As sprawling office spaces go unused, their market values fall. If the market value for a building falls below its previously assessed value — which determines how much property tax the owners pay — the owner can request a reassessment from the city.

That lost property tax, which the city expects to total between $100 million and $200 million by 2028, means less money for San Francisco's public services.

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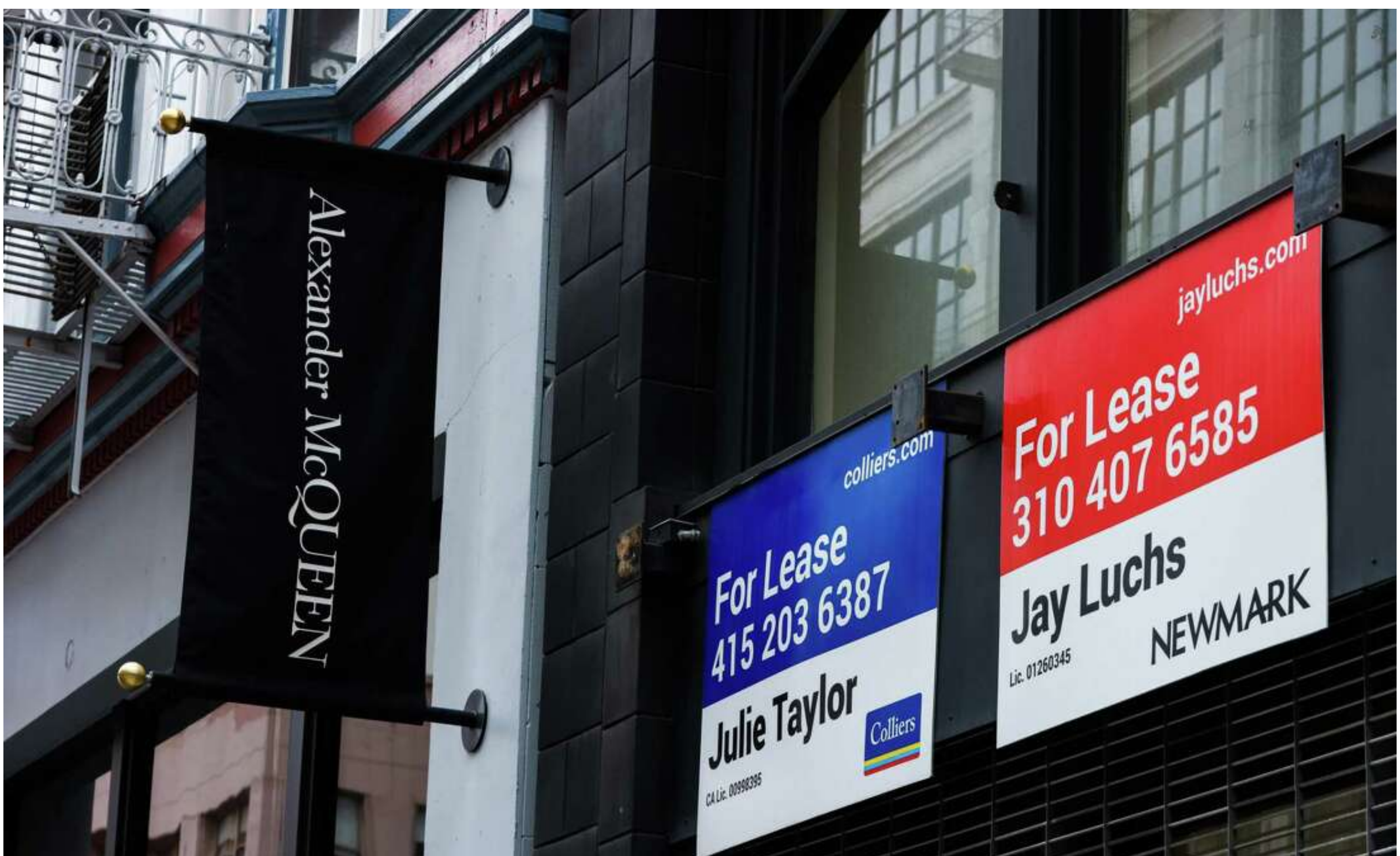

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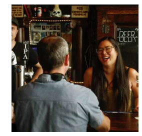

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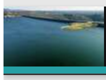

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