

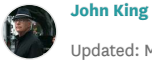


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BAY AREA

S.F.'s empty office space could hold 11,000 new homes — but only with City Hall's help, report says



John King

Updated: March 28, 2023 12:19 p.m.

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The two towers of One Market Plaza (center) are at a scale that could allow conversion housing, suggests a new report, although that early 1970s office project is not specifically named.

Guy Wathen/The Chronicle

San Francisco's Financial District remains a dim shadow of what it was before the pandemic, but reports and studies on how to revive the district are booming.

The latest comes from the policy research group SPUR and the local chapter of the Urban Land Institute: an analysis that suggests more than 10,000 housing units could be created within the shells of older office buildings — but only if the city primes the pump by lowering fees and affordable housing requirements.

While the full study will be published later this spring, the executive summary was released Tuesday. It comes as City Hall and business groups work to hammer out specific policy proposals on how to make it easier to find new life for high-rises that might be obsolete, given the determined popularity of working from home for employees in jobs where that is an option.

“We want to inform policy sooner rather than later,” said Sujata Srivastava, the head of SPUR’s San Francisco office. “Everyone understands that downtown is in distress. This is a different moment, and we’re in a different reality.”

The structures that are the most promising candidates for conversion, according to the summary, are high-rises where the upper floors are no more than 20,000 square feet, roughly equal to the towers of One Market Plaza at the foot of Market Street. There should be an ample number of elevators, and they shouldn't be too far from the outer windows. There also should be a good mix of views.

Using those standards, if 40% of the existing vacant space within northeast San Francisco was turned into housing, 11,200 units could be created.



Resident Emmet Dettweiler does yoga on the roof of the 100 Van Ness apartment building in San Francisco in 2021. The building at 100 Van Ness was an office-to-housing conversion.
Gabrielle Lurie/The Chronicle

The study assumes that the average apartment would be 650 square feet. But it also assumes that such conversions would make economic sense for developers — and that is unlikely given that San Francisco rents have fallen during the pandemic while construction costs have climbed. As for the city's array of development fees, they are among the highest in the nation.

"Everyone gets a little bit of shock when they look at the costs involved," Srivastava said.

To counteract this, the executive summary of the new plan makes a range of recommendations on how the city might prime the pump:

- Elected officials could remove or reduce the fees connected with the requirement that new housing downtown must provide 75 square feet of outdoor space for each residential unit. That standard would be a deal-breaker since existing towers sit within what already is "a highly dense urban environment," the report points out.
- City rules that 21.5% of new rental housing must be reserved for lower-income residents could be waived. One reason, suggests the report, is that commercial towers since 1980 already have been required to pay linkage fees to help build affordable housing.
- The permit process for office building conversions could be loosened by, for instance, exempting these projects from environmental reviews. This is reasonable, the summary argues, since such projects "involve existing buildings and require no new construction of transit, infrastructure, or other public facilities."



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Some changes already are in the works: Mayor London Breed and Supervisor Aaron Peskin on Monday, for instance, announced they've crafted a proposed zoning update that would loosen requirements that all multifamily housing projects include a sizable number of two- and three-bedroom units. It also would allow housing above the first floor of retail buildings in the Union Square district.

The cumulative impact of small changes could be substantial, suggests developer Eric Tao.

"We need to put these (changes) in place so that things can happen," said Tao, who is president of the San Francisco chapter of the Urban Land Institute.

At the same time, Tao cautioned that City Hall's support won't be enough to spark a wave of conversions.

Drought Map



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Updated to include drought zones while tracking water shortage status of your area, plus reservoir levels and a list of restrictions for the Bay Area's largest water districts.

“It takes a lot of capital” to remake a structure designed for offices, not apartments, Tao said. “The housing market isn’t promising enough right now to lure people to take a risk.”

In addition to SPUR and the institute, the architecture firm Gensler and the real estate consulting firm HR&A Advisors collaborated on the report.

The report teased in the new summary is one of many initiatives to jump-start an area that for generations has been taken for granted as a key source of city revenues. Now, with remote work embraced or accepted by many downtown firms and with such tech giants as Facebook laying off workers, the early expectations that downtown’s daytime population would rebound have not panned out.

Mayor Breed in February released a [“Roadmap to Downtown San Francisco’s Future”](#) done in collaboration with civic and business groups. The Planning Department and the city’s Office of Economic and Workforce Development are studying how to [reinvalidate and repopulate](#) the central core. Last summer’s [“action plan”](#) from the nonprofit Downtown SF called for drawing new populations to the Financial District with tactics like pop-up entertainment on pedestrianized alleyways.

Observers who specialize in urban economics say there’s no single cure for downtown’s ills.

“Cities will need to use every tool in their toolkit,” said Egon Terplan, a former planning director at SPUR. He now lectures at UC Berkeley’s College of Environmental Design. “The starting point is, we need to rethink what is the purpose and future of a downtown within a city and a region.”