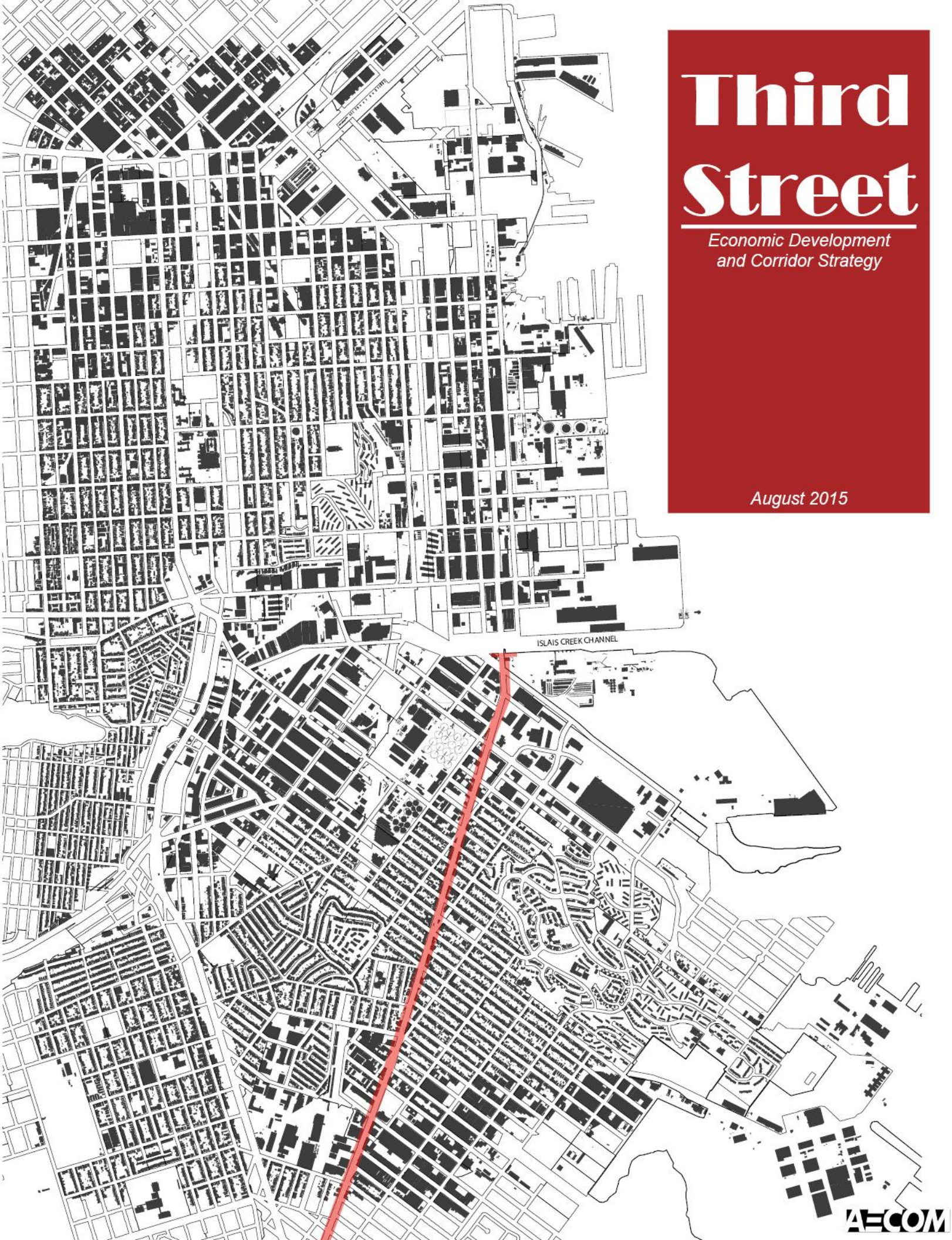
Third Street

Economic Development and Corridor Strategy

August 2015



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EXECUTIVE SUMMARY

BACKGROUND

Located in the Bayview neighborhood of San Francisco, Third Street is a lively and diverse 1.5 mile long retail corridor serving over 18,000 local residents. Historically, Bayview has housed much of San Francisco's industry, including the San Francisco Naval Shipyard, in the areas adjacent to the residential neighborhoods. The neighborhood community has a high proportion of the residential family households in comparison with the rest of households in San Francisco. For over a century, the Third Street corridor has served as a community and shopping space for its residents. Adding to the rich mix of mixed-use, residential and industrial character of Bayview, the Third Street corridor and surrounding areas offer a deeply cultural commercial experience. Due to its high importance to the local community and historic ties, Third Street has been the focus of multiple previous economic studies. While these studies and planning efforts have generated some economic improvements in the neighborhood, the corridor still struggles with high commercial vacancy. The Bay Area Local Initiatives Support Coalition (LISC) and the City of San Francisco have engaged the Sustainable Economics Group at AECOM to prepare this report and develop an economic action plan to facilitate additional economic activity along Third Street, especially for the commercial establishments.

STUDY PURPOSE AND APPROACH

The purpose of the Third Street Economic Development and Corridor Strategy is to establish short and interim economic strategies to encourage and invigorate commercial activity along the Bayview Third Street corridor. The report identifies key issues facing the corridor, synthesizes community priorities, and defines strategic objectives and priority actions that the Third Street retail corridor stakeholders, LISC, and other partners can undertake to improve social, economic, and physical conditions in the district. Ultimately, the action plan provides strategies which can be utilized by all partners in future economic development efforts along the corridor.

The study was initiated by the Economic Development on Third (EDoT)/Bay Area LISC for Third Street in October 2014. It includes demographic and economic analyses, a physical and lands use assessment, a survey of 91 shoppers that was deployed in person and through an online poll, 20 stakeholder interviews, and a community meeting with interested residents of the neighborhood. Based on findings, preliminary strategy recommendations were developed and presented to the community at the community meeting organized by LISC on July 14, 2015. Reviews from this meeting and the stakeholders helped refine and prioritize strategies. This report emphasizes existing resources, potential partners, and opportunities in the community.

FINDINGS

This report captures a combination of economic conditions and specific opportunities that are open to the Third Street retail corridor

based on the current conditions and changing trends in the neighborhood.

Three key points emerge from this study's primary research, analysis, and stakeholder input.

1. The Third Street corridor represents a valuable market opportunity for economic development. With the rest of city facing great development pressures, Bayview emerges as one of the very few neighborhoods that are still affordable, family friendly, and welcoming. Its deep heritage as a community has long supported and sustained local businesses, and will continue to provide a safe haven for new ventures.
2. While Third Street presents some anchor large scale redevelopment opportunities, it also has the potential for smaller scale renovation and site assembly facilitated by strategic acquisition. This, along with continued support from the city, will ensure continued unparalleled investments opportunities.
3. The neighborhood's increased spending power from residents and employees presents an untapped opportunity for the Third Street. The successes in the Dogpatch neighborhood, as well as many other planned and proposed projects will translate into increased spending potential, add foot-traffic to our rapidly changing retail corridor.

COMMUNITY ASSETS

The study sources identified the following **community assets** which make the Bayview and Third Street, in particular, a unique and vibrant commercial district.

1. ***Family-oriented community:*** Bayview has a greater share of families with children compared to the City overall, with nearly **two-thirds of residents under 35 years**. Young families typically have greater retail needs than households without children. Shoppers also note that the presence of families on the corridor also makes them feel safer spending time on Third Street.
2. ***Multicultural commercial district with strong African-American identity:*** The retail corridor has the potential to become a truly regional destination for African-American cultural goods and services. **Two-thirds of shoppers say they have been to a special event in the district**[1]. Many operations along the commercial corridor are family operated and are a part of the community's identity. In other words, Third Street has brand recognition which despite its current connotations can be built on through a Business Improvement District[2].
3. ***Competitive transit access:*** Shoppers view access to the Third Street as a double edged sword. While the MUNI and access to parking make it an easy retail destination, the schedule unpredictability and transit line, discourages shoppers from other parts of the City. Ease of access by car to other shopping destinations makes farther destinations

[1] The survey did not mention what kind of a special event was visited by the surveyors and therefore its specific mention is absent.
[2] A business improvement district (BID) is a defined area within which businesses are required to pay an additional tax (or levy) in order to fund projects within the district's boundaries. The BID is often funded primarily through the levy but can also draw on other public and private funding streams.

viable and increases the competition for convenience goods (day-to-day items used by the residents such as goods from a general store, grocery stores, etc.).

4. ***Large inbound workforce:*** Being within the Production, Distribution and Repair[3] zone of the City and with the offices of San Francisco Water Department and USPS, the community generates approximately 21,500 jobs and workers. Approximately 92% of these employees work in the district but live elsewhere. Along with MUNI passengers passing through the Third Street, this transient population represents an additional customer base to local businesses. The latent spending generated by them can be tapped during mid-day breaks and on their trips back home. The full potential and strategies will be discussed in greater detail in the rest of this report.
5. ***Portal to the community:*** The Third Street Retail corridor serves as the first contact for visitors from other areas, and therefore should be programmed and promoted as such. With the MUNI passing through the heart of the district, right along the retail corridor, these locally owned and operated businesses can help define the face of the community and its changing aspirations, attracting retailers and residents from other parts of the City to the district. For instance, programs at Mendell Plaza and the Opera Center can enhance the retail presence and bring the local retailers back into the public limelight.
6. ***New socio-economic groups moving into new developments***: The Bayview is one of the few relatively affordable, family-friendly neighborhoods left in the City of San Francisco. Proposed new construction in and around the area will attract higher income groups with families to these developments. The families will provide additional purchasing power in support of the retail corridor. In a similar vein, the development at Candlestick Park will also lead to increased potential for existing and additional retail on Third Street.
7. ***Identified sources of retail leakage and high potential for growth and development***: The retail leakage analysis (detailed in the retail section of the report) identifies the core retail sectors that see leakage of spending and the potential square feet of retail space that can be absorbed given the current purchasing power of the community. While these numbers point towards a great gap, they also help identify a huge opportunity for the retail corridor to re-define and establish itself.

CHALLENGES

The analysis also revealed the following **challenges** facing the focus area:

1. ***Public safety:*** The perception and reality of crime is very different in the Bayview neighborhood. It is this perception that acts as a detriment to shoppers spending more time on Third Street and strolling to discover new wares and services. Residents too tend to make trips only during daylight hours when they feel most secure. These patterns result in low foot traffic, especially in the evenings, forcing the businesses to close early. This lack of store-front activity and eyes on the street further reduce positive activity on the street and make it more vulnerable to safety threats. The shorter hours of operations therefore hurt not only the retailers, but also the shoppers. While the community might

[3] The Planning Department has adopted the term Production, Distribution and Repair or PDR to refer to the very wide variety of activities which have traditionally occurred and still occur in our industrially zoned areas.

justifiably be concerned with crime and safety in the corridor, the *perception* of high crime is harming the retail economy.

2. ***Failure of past initiatives and efforts to support retail:*** SF Shines and similar programs failed to take off on Third Street due to their rigid mandates. Store operators felt these programs did not benefit their businesses. Conversely, events planned in collaboration with existing businesses on their own have been perceived as better programmed activities that led to increased retail sales. However, many stakeholders mentioned that lack of support from the City made these activities difficult to implement, and their success not sustainable, in the long run.
3. ***Low capture of neighborhood retail sales and lack of retail diversity:*** Third Street represents nearly **40%** of occupied commercial space in the neighborhood but captures less **than 20%** of neighborhoods retail sales. More than half of local retail demand is met outside the neighborhood altogether. Shoppers in the district expressed desire for greater retail diversity, particularly for higher-quality goods and diverse store offerings (grocery stores in particular). With struggling existing businesses, increasing sales at these long-standing establishments will be as important to increasing business activity as additions to the retail inventory.
4. ***Concerns with MUNI and parking:*** Merchants and some residents pinpointed the unreliable MUNI connection as big problem for the community. While current sentiment is that ease of access from the City to the neighborhood via cars is a big asset to the neighborhood, parking poses a variety of problems. The perceived lack of safety prevents customers from strolling along the corridor, and most prefer to park very close to their shopping destination. So while existing parking in the neighborhood is underutilized, it is hard to find parking on the corridor near retail people want to shop at. Further, in case parking in close proximity is lacking, people prefer to drive to competing markets father away to shop. This further widens the zone of competitors that eat into Third Street's market share. Stakeholders mentioned that increased levels of patrolling could thwart unscrupulous activities in lots and help mitigate this problem. The impacts of more reliable MUNI access and better patrolled parking lots will bring positive results to Third Street visitors.
5. ***Inconsistent street conditions and inactive public spaces:*** The analysis finds that the corridor has great potential to be a pedestrian-friendly, local-serving node. While the corridor is well-positioned, existing physical conditions do not always encourage an active and safe street experience. Street conditions around the MUNI station area are not well defined as public spaces. The street conditions along the corridor too are inconsistent in design and more can be done to enhance the district's public spaces overall. Proper lighting, well-defined pedestrian corridors, and active public spaces will allow the community to take ownership of the corridor. Programmed events would help draw out residents and families to experience their community retail and enjoy the public space that is nestled along it.
6. ***Discontinuous retail experience:*** The current Third Street retail character is inconsistent, with varied retail conditions and big retail gaps in the middle. Many non-retail uses such as closed-off property lots, parking lots, or institutional uses that do not actively engage with pedestrians on the street, find a home on Third Street. This contributes towards one-sided, fragmented retail, and thus leaves a very weak retail image. Some essential characteristics, such as a closed loop, two-sided corridor, or retail anchors, are missing.

These lead to losses in potential foot traffic and call for a thoughtful effort to integrate all uses in the retail experience.

7. ***Hindered business capacity by tenancy difficulties:*** There is currently a gap in the business capacity of the existing tenants. Many of the historic businesses are family run practices from within the community. While these should be the highlight of the corridor, they should receive support for running in optimum capacity. Further, speculative development keeps many existing owners from making investments to the properties, further depreciating their valuation and rendering them unprofitable to new potential tenants.

OPPORTUNITY ANALYSIS

The Third Street corridor contains many sites that have the potential for development. While some of these might be empty (perhaps private) parking lots on the retail corridor, some are just lying vacant. These untapped lots undermine the coherence of the street as a shopping experience and diffuse its identity. The negative impact of these near-empty lots is further aggravated by underutilized parcels based on current zoning guidance. Underutilized parcels are ones with less than optimum build out and therefore less than optimum density. On the existing positives, Third Streets surrounding neighborhood has parking potential on its perpendicular roads and can build on its current capacity, thereby becoming one of the few parking-friendly shopping districts in the City.

Figure 10 highlights vacant and underutilized parcels with development potential, as well as retail storefronts listed as vacant as of December 2014. The listed parcels include vacant parcels to parking lots or undeveloped lots. Parcels are defined as underutilized in cases where the assessed value of built structures is less than the assessed land value. Parcels zoned for low-density residential or industrial uses, as well as parcels with below 10,000 square feet of land area, were excluded from the analysis. While these sites only account for opportunity analysis in redevelopment opportunities at a large scale, there are small major renovation and site assembly opportunities that could happen through strategic acquisition. Their success could pave the way for bigger redevelopment opportunities and are pivotal in reinvigorating the retail corridor. A complete list of underutilized parcels can be found in the Appendix.

Figure 1: Nodes of High Opportunities earmarked

The existing retail and the new ones that get planned on the corridor should use a height restriction revision that mandates the allowable building height of 45 feet, which is five feet higher than the current zoning code, for a better retail floor height. This current restriction can act as an impediment a good retail volume at the street level and could be detrimental to the health of retail on the corridor.

Vacant and underutilized parcels are most concentrated at the intersections of Third Street and Underwood Avenue and Third Street and Innes avenue (just at the edge of the focus area). These intersections display the most potential for development given the underutilization on these nodes and should be targeted first for future development by the OEWD. They also represent the potential two locations that can reprogrammed as the start and end of Third Street retail front. Maps of each Opportunity discussed are attached in the appendix.

The corridor displays distinct differentiation in the edges that contain the two edges of Third Street. While one of the edges (as marked) has a distinctly retail character, the facing edge is more institutional in nature and sees less of retail foot traffic.

Further, the corridor is too long to be treated as a coherent retail street. One of the core strategies would be to re-envision the overall character of the Third Street and potentially segment the corridor based off on its distinct characters. For example, while the middle segment of the corridor, from Palau Avenue to Van Dyke Avenue segments itself with a more distinct retail character, while the segments at the two ends are less retail in their nature. This could therefore become the node of activity and revitalization for the project. It would have the potential to transform the rest of the corridor, pulling the section from Galvez Avenue to join the retail experience and allow the bigger blocks after van dyke to form the complementary housing development for the region.

Airbnb markets Bayview as a neighborhood with an artistic and on-the-fringe feel, families, and soul food. It notes the determined community that spearheads community improvements.

RECOMMENDATIONS SUMMARY

Based on the findings, AECOM proposes strategies to diversify the district's retail offering, promote the district as a regional destination, encourage a clean and safe shopping environment, activate and enhance the public realm, and foster civic capacity.

1. **Recognize nodes and build on strongest traits**: The retail along Third Street has varied retail character and distinct physical characteristics. While one side of the corridor is predominantly institutional, the other forms the dominant retail edge (Figure 1). This, along with an inconsistent retail experience, creates three discrete zones (Figure 2):

   - Evans Avenue to Oaksdale Avenue presents a predominantly non- continuous retail block with many empty lots and automobile workshops.
   - Oakdale Avenue towards VanDyke Avenue consists mainly of smaller retail with a continuous façade and increased zone of retail activity.
   - Van Dyke Avenue to Paul Avenue has many large blocks with few active store fronts on Third Street. This segment sees diminished pedestrian activity and is PDR dominated.[4]

   A focused development strategy should differentiate these zones and their strengths to prioritize and diversify investment efforts. For example, while the portion of the street between Van Dyke Avenue and Bayview Street has distinctly consistent smaller retail storefronts, it also has the most consistent and continuous retail activity. This along with a presence of parking lots across the street would position this section as the best part of the corridor to start infill development. The aim here would be to build on strengths as a retail corridor and build outwards to fill in the gaps on the retail section.

[4] The extents of these sections are not definite and only form a loose boundary.

[5]

Figure 2: Corridor Edges

Figure 3: Nodes of Distinct Character

[5] All sources are AECOM 2014-2015 unless noted otherwise

2. **Leverage retail gaps to build retail diversity:** Core intervention areas emerge by overlaying the existing map of opportunity sites (which overlay vacant lots, parking spaces, underutilized lots, and some lots with a higher improved value than the assessed value)[6]. These gaps and opportunities should be leveraged to infill underutilized parcels. Combining smaller parcels for bigger footprints, increasing the height limit for at grade retail, and bringing in missing retail groups on the corridor will add density, better retail experience and much needed purchasing power and eyes on the street. The district can be marketed as an International cultural center, with year-round succession of thematic events that prominently feature local merchants.

   The following chart exhibits the supportable square feet for retail segments on Third Street based off the Retail Leakage analysis, which identifies the uncaptured potential spending in the neighborhood. Given the identified segments, and the opportunity sites, we can easily triangulate the best development strategies for the corridor.

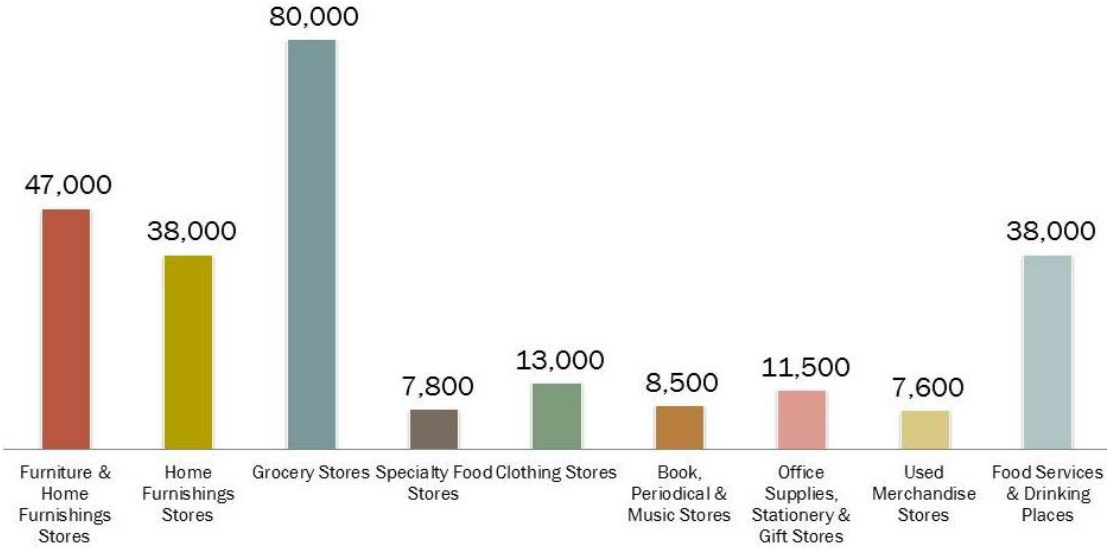

Figure 4: Recommended Supportable Mix for Third Street, based on the Retail Leakage Analysis

3. **Foster the perception of safety and ownership of Third Street to the community:** Third Street will benefit greatly with the community taking ownership of the street as their own. The community should work with the City of San Francisco and local businesses to develop a Business Improvement District that will help invest in the Safety Ambassador program and advocate for increased policing on the street and parking lots. These proactive measures will help provide support to the community to bring the street back as a safe public space for the community and also help create a platform to represent the interests of the corridor. The Business Improvement District can be actively engaged in creating partnerships with existing businesses or even with new developers, to make investments in the public realm, and participate in programs that support the community and retail activity on the street.

[6] All maps have been included in the Appendix.

INTRODUCTION

AREAS OF ANALYSIS

This report focuses on Third Street in the Bayview, a diverse neighborhood in southeast San Francisco. The report uses key terms which are defined here.

The *Study Area* refers to the parcels along a 1.5 mile section of Third Street beginning at Evans Avenue and extending to Paul Avenue (refer to Figure 4). The strategy specifically is focused on the economic advancement of these parcels through increased business activity. The Study Area has experienced relatively stagnant retail activity over the last 10 years. This is in spite of rising incomes and employment in the market area, and with the increasing spending potential of the community.

The Neighborhood refers to a one quarter mile radius adjacent to the corridor study area. This zone was defined as the *Trade Area* by the Invest in Neighborhoods Study. The neighborhood boundaries are a quarter mile, or less than a 10 minute walk, from the Third Street Corridor. This represents roughly the district where residents may buy their day to day retail goods.

The Community boundaries are defined by the zip code within Bayview neighborhood (94124). This roughly coincides with the five minute drive time area around the corridor and represents the larger catchment area for the comparable retail purchases.

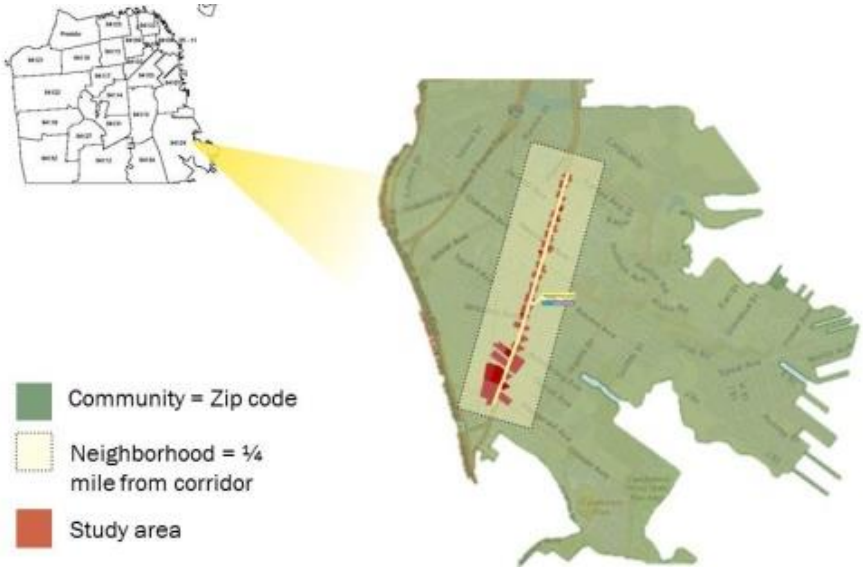

Figure 5: Bayview Trade Area

Source: AECOM 2014

The total estimated purchasing power in the Community is estimated at approximately $250 Million.

AUDIENCE FOR THE REPORT

While this study was initiated by LISC and later supported by EDoT, it is the outcome of an involved stakeholder and community engagement process. It strives to provide an unbiased and qualitatively informed report of existing conditions, given the rapidly changing economic and market climate around the neighborhood. The findings and recommendations serve to identify and support the many opportunities in the Third Street retail corridor and in long term for the Bayview community.

BAYVIEW HISTORY

Bayview is one of San Francisco's oldest and authentically diverse communities. Its history includes contact between early Spanish explorers and native Ohlone dwellers along the shores of Islais Creek, one of seven major watersheds in the Southeast part of San Francisco. Today, Islais Landing and the adjacent Bayview Gateway Park are being developed as an uplifting entrance and welcome to the varied Bayview neighborhoods. Following California statehood in 1850, the land we now know as the Bayview- Hunters Point district was subdivided into rural ranch-lands and gardens, with these parcels then sold to a diverse group European settlers and '49ers. Between 1860 and 1910, the area evolved into San Francisco's most consistently and ethnically varied community, with British merchants and landowner-farmers, Scandinavian and German boat builders at India Basin; Italian and German homebuilders and ranchers in central Bayview. A number of Chinese shrimp camps were present along the India Basin shoreline near Hunters Point in the 1870's, with Italian, Maltese, and Portuguese truck farmers in the Bayview from 1890's and French tannery workers and Mexican and southwestern vaqueros at Butchertown since 1900.

Nearby Hunters Point established the areas industrial history, beginning with the construction of the San Francisco Dry Dock at Hunters Point in 1866. Today's Third Street alignment was then known as 'Railroad Avenue', following its earlier use as a plank road stagecoach and railroad line. Renamed in 1910, the corridor we know today as the commercial and retail axis within central Bayview was intersected by a series of alphabetically named streets (A-Amador, B-Bancroft, E-Evans, T-Thomas, P-Paul, etc.), with the area between Kirkham and Williams Avenue lined with small shops, merchant warehouses and storefronts. In 1940, the U.S. Navy purchased the old Hunters Point Dry Dock (the Shipyard) for use during WWII. During this period, the population of the district increased significantly as thousands of African Americans moved to Hunters Point from Louisiana, Texas and Mississippi, and worked in the naval shipyard. A solid, growing, middle-class community was established throughout the neighborhoods within Bayview, with many single family homes built between 1940 and 1970.

Figure 6: Third Street in the Bayview, c. 1920s.[7]

ECONOMIC CHALLENGES AND OPPORTUNITIES

Closure of the Hunters Point Naval Shipyard in 1974 precipitated significant job loss in the area, with the commercial and retail opportunities impacted further due to the decommissioning of the Naval base in 1991. Additional challenges related to neglect, the impact of urban drug use and isolation created a series of stressors over the past couple of decades. Yet investments, both public and private, continue along the Third Street corridor, with substantial examples of both since 2008, following the construction of the Third Street Light Rail, or T-Train. The area also boasts unusually warm weather, retains a vibrant and authentically diverse culture, is the City's neighborhood with largest percentage of homeowners, and has thousands of small businesses in

Figure 7: Third Street views

adjacent industrial areas of South Basin, Oakinba and India Basin. The transportation system

[7] Source: http://foundsf.org/index.php?title=Shopping_in_the_Bayview,_1920s, accessed June 2015

enables trips that are minutes to downtown: a half mile from Hwy.101 and 280 North/ South; 1.5 miles from Dogpatch and UCSF-Mission Bay; 15 minutes from the San Francisco airport.

In addition to its local retail and restaurant offering, a distinguishing feature of the corridor is its rich network of institutional services, including churches, libraries and social spaces (such as Mendel Plaza), which serve as draw additional visitors to the area. Combined, residents and the industrial employees form the customer base for the neighborhood serving retail of the corridor.

Taxable sales have decreased along the Third Street Corridor with a drop of almost 27.5% over ten years, and 13% over the last year (2013 to 2014).[8]

Although myriad intersecting issues persist which could potentially thwart development and future progress, the resident stakeholders, property and business owners remain as dedicated, generous and positive participants in the planning and implementation for the future of the area. Newer residents and business owners to the area are also engaged in the planning process. While encouraged by new, peripheral developments including a redeveloped shipyard, additional housing and nearby parks, these Bayview-based participants and related, associated agencies now recognize a sense of urgency with respect to delivering on a revitalized commercial corridor along Third Street. Major developments surrounding the Bayview and not located on Third Street business corridor, while not specifically serving the neighborhood itself, could draw customers from the historical 'connecting thread' that is Third Street. This commercial corridor, witnessing new private investment and interest, could also result in changes to the social, cultural, and physical character of the neighborhood. Retaining Bayview's historic authenticity, diversity and genuine character, while returning a vibrant Third Street business and retail alignment to the neighbors and families who reside in the adjacent neighborhoods, is a call to action and a rare opportunity.

[8] The Taxable Sales Data is sourced from the Office of Economic and Workforce Development. Transactions reporting sales tax are included as a part of this study. There might be a tendency to under-report sales if stores have non-receipt cash transactions.

Figure 8: Third Street Study Area

PARTICIPANTS AND STAKEHOLDERS

Participants in this study included:

- Invest in Neighborhoods San Francisco
- Mayor's office
- Community members
- AECOM

Stakeholders for the Third Street Economic Development and Corridor Strategy include existing business owners in the community, members of the Economic Development on Third group, and Bayview residents and employees who participated in the community meeting held July 14, 2015.

METHODOLOGY AND PROCESS

The work included four phases carried out over the next six months, as shown in Figure 9. The project team initiated the project in late September 2014, defining the purpose of the strategy, a list of stakeholders to engage and a scope of work.

The project included two foci with the following sub-tasks:

1. Review of background materials
    - Economic and Demographic analysis
    - Physical and Land use assessment
    - Intercept surveys of 91 shoppers on Third Street conducted by Andrea Baker Consulting

- Stakeholder interviews with businesses, property owners, community members, and public agencies

2. Real Estate assessment

Multiple studies have focused on existing economic conditions in Bayview over recent years. In order to build upon previous studies, AECOM reviewed the following reports:

- Bayview Invest in Neighborhoods profile and data
- The San Francisco Foundation District 10 Demographic Profile
- Bayview Hunters Point Area Plan
- 2003 Conley Consulting Group 'Third Street Retail Assessment'
- 2008 Social Compact's the 'San Francisco Neighborhood Market DrillDown'
- 2014 Third Street Corridor SWOC Analysis by the Renaissance Entrepreneurship Center

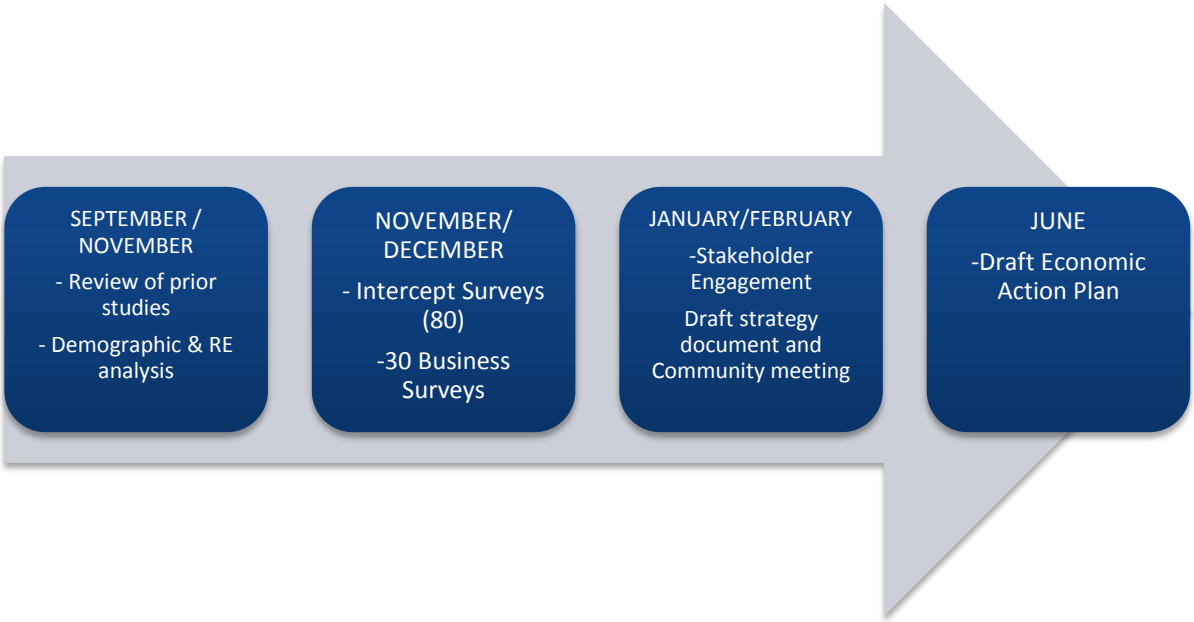

Figure 9: Project Phases

STRATEGY RECOMMENDATIONS

The findings from the economic analysis, case studies, stakeholder interviews, and surveys form the basis of Third Street Economic Development and Corridor Strategy. Preliminary strategies identified below are designed to diversify the district's retail offering, promote the district as a regional destination, encourage a clean and safe shopping environment, activate and enhance the public realm, and foster civic capacity. Community stakeholders met on July 24, 2015 to prioritize action items within each of the five strategy areas that best make use of the limited resources of the district and its public and private sector partners.

While some of the action items presented in the matrix below are framed in terms of what the Business Improvement District can do to further Third Street's economic revitalization, most items will require partnership and continued dialogue with public sector agencies (the City and County of San Francisco, Office and Workforce Development), other non-profit organizations (such as LISC), foundations and corporate investors, and other partners and neighborhood stakeholders.

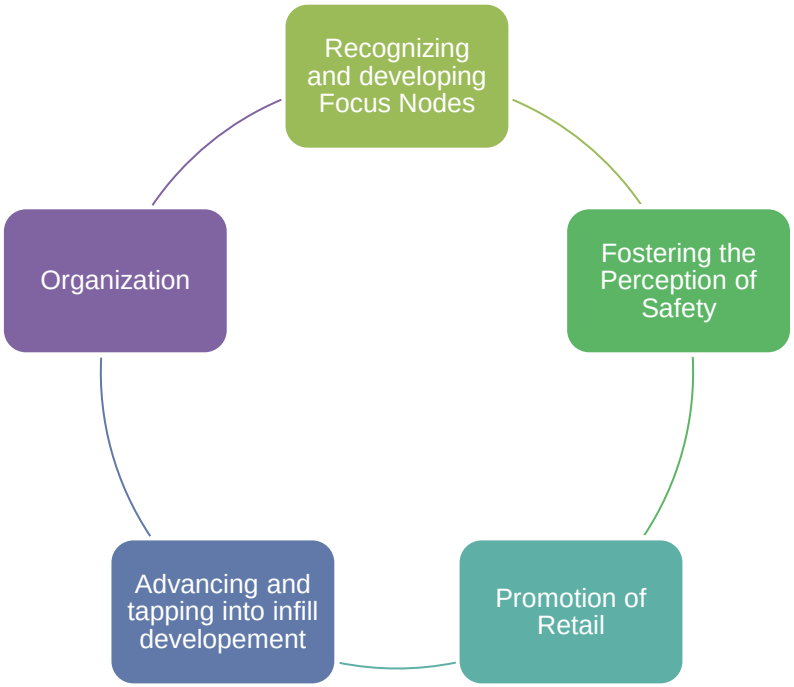

Figure 10: Corridor Strategy Areas

DETAILED STRATEGY

This report recommends two complementary phases for strengthening Third Street corridor retail activity.

The **short-term goal** is to strengthen retail activity on Third Street. By aiming to increasing sales revenues for existing retailers and support new businesses to add variety, we can start to build on the strengths of Third Street. This could be done by re-enforcing the reality of safety and actively building on the parking potential around Third Street. These two would help bring greater foot-traffic, capturing increased spending potential groups too. A Business Improvement District would also help implement programs such as Safety Ambassadors on the corridor. Such proactive measures would help retain existing customers and their support and enable a long term sustainable retail strategy.

The **longer-term strategy** would build on the longer more forward looking goals to further expand retail, build density and programmed public space along the corridor, and present Third Street as the face of the Bayview community. Increased surveillance, having more shoppers, and engaging residents to take ownership of the public space would advance the character of Third Street as not just a community retail district but a pedestrian- and family friendly shopping destination. The Business Improvement District could facilitate investments in the public realm by partnering with developers and creating increased density through new projects along the corridor. These improvements in the overall well-being and economic strength would not only bring varied new retail options and shoppers in the neighborhood, but would add additional "eyes" on the corridor. The presence of the Third Street MUNI line further augments the cause of future transit-oriented development characteristics being adopted, and a slow tapering reliance on automobiles. This long term goal in planning for the retail corridor will enable sustaining a healthy and inclusive retail expansion.

For both these short term and long term goals to be met, we developed and shared the following multi-pronged strategies that provide an enabling roadmap.

Strategy 1) Recognizing and Developing Focus Nodes
Realization and identification of the varied retail characteristics along Third Street and development of diverse retail offerings along the nodes of attractions identified.
A. **Identification of Third Street as the gateway to the community.**
B. **Recognize and develop nodes of focused intervention and development. Segmenting the corridor based on the existing features identified and narrowing down the scope of development. Priority action zones can also be determined through this exercise.**
C. **Work with the City of San Francisco and local brokers to close retail gaps in grocery, furniture goods through business attraction and/or helping existing establishments offer products in greatest demand.**
D. **Work with City to market opportunity sites, including former re-development parcels, to housing and commercial developers and to increase purchasing power.**

Strategy 2) Fostering the Perception of Safety
Contributing towards fostering a collective identity of a safe neighborhood with eyes on the street. Reduce the reality and perception of crime in the district and encourage a clean, safe and orderly street environment.

A.	**Could help install the safety ambassador program for the neighborhood and help in changing the safety perception.**
B.	**Install better street lighting system for the street as well as the storefronts.**
C.	**Encourage reporting on 311 for adequate response by the city to the neighborhood's challenges.**
D.	**Attract children friendly development in the neighborhood and invest in resources that can be used by the younger demographic**
E.	**Advocate for increased secure police presence for checking into the parking lots and activities during the afternoon.**
F.	**Prioritize development of underutilized sites at all nodes identified to ensure continuous active storefronts. Lack of dead segments along the corridor will discourage activity that is not conducive to retail.**
G.	**Intensify activity at the Mendell plaza and make it an exemplary family-oriented public space.**
H.	**Encourage business/property owners to replace barred windows and doors with subtler security measures (following Crime Prevention through Environmental Design principles) to avoid broadcasting security threat. Will help change perception of street afterhours. Better lit storefronts will also add to street security.**
I.	**Continue street maintenance program as well as efforts to address sources of littering / trash.** - **Continue enforcement of illegal waste dumping;** - **Initiate campaign promoting collective responsibility in keeping Bayview clean.**

Strategy 3) Promotion of Retail	
Extend visitor stays and build on district identity through enhancements to the public realm.	
A.	**Work with city to amplify code enforcement related to the public realm and adjacent buildings.** a. **5ft increase in the height (storefront are better), provides a more natural retail experience** b. **Street vending regulations;** c. **Signage.**
B.	**Ensure a retail loop is developed for visitors. In case the circuit is difficult to build, the corridor should have anchors at start and finish to re-emphasize the identity of the corridor.**
C.	**Increase business capacity throughout the street via bringing in new tenants that meet the retail gap.**
D.	**Capture daytime spending in the region via promotional activities during the day and aggressive marketing.**
E.	**Build on the identity of the corridor as a community driven retail experience. Goods and services offered should build on this identity statement.**
F.	**Work with property/business owners to form design standards for the district, focused on improvements to signage, visibility, lighting, and facades.**
G.	**Consider adoption of flexible parking benefit district (as piloted in Montclair District) to free up parking spaces near key commercial nodes and raise funds for additional public realm enhancements**
H.	**Ensure a year-round succession of district events. Encourage ties with sister retail corridors/neighborhoods to support and manage events for Third Street.** a. **Organize merchant-led promotion event which could include a promotional map and special offers at dozens of local stores.**
I.	**Advocate for removal of barriers to business development/expansion particularly for amenities that are complementary to transit-oriented development:** a. **Working with the city to expedite processes that allow businesses to cluster and**

support each other; b. **Permitting advice for existing businesses seeking to expand their offering.** c. **Increase sales of existing businesses by promoting the district as a cultural destination** d. **Guidance and support to businesses for increasing hours of operation and allowing for more open hours in the neighborhood.** e. **Create simple marketing website for the corridor that builds on the district's identity as an African American/multicultural center and highlights culinary and ethnic retail offerings.**

Strategy 4) Advancing and tapping into infill development
A. **Encourage the development of higher density family oriented development that would increase the spending potential in the neighborhood.**
B. **Continue advocacy for streetscape investments and a cohesive urban design strategy for the corridor with public spaces.**
C. **Create visibility of active open space elements along the Third Street corridor.**

Strategy 5) Organization
Create future capacity within the community to build a Business Improvement District (BID) to carry out corridor strategy.
A. **Develop a BID for Third Street that can continually foster an advocacy profile and involve merchants and future developers in setting agenda.** - **Dedicate staff time to city advocacy on zoning, permitting, policing and other issues included in the economic strategy. Overcome challenges of existing parcelization and advocate for deeper building footprints and higher ceiling to foot height in new developments along the corridor.** - **Work with the city and the community to advocate means of increased purchasing power in the neighborhood.**
B. **Explore additional and sustainable funding sources for BID activities, including:** - **Assessment increases;** - **City state/grants;** - **Parking benefit district.** - **Value capture of new development to the public realm.**
C. **Broaden participation and clarify roles of BID advisory board in executing the strategy. Create working committees for each strategy area with participation from property and business owners and other volunteers.**
J. **Provide suite of programs for anchor businesses (primarily restaurants) with greatest potential to attract visitors:** - **Tax and permitting advice;** - **Financing to acquire buildings;** - **Façade improvement funds for successful, long-standing businesses in the area.**

BAYVIEW CONTEXT

DEMOGRAPHICS

Approximately 35,000 residents live within the trade area representing 4% percent of the City of San Francisco's population. At 7,150 residents per square mile, population density within the neighborhood is less than double of the citywide average. This therefore not only represents less household per mile as compared to the City, it also means a smaller spending potential in the area overall.

Of the total 9,700 households that constitute the Bayview communities, nearly half (45%) are family households with children, a share significantly higher than the City overall (San Francisco City is at 18%). We see a lot of young children in the neighborhood and the potential for more family oriented retail and community facilities. The trade area's median age is also below the City's median, and nearly 60% of residents are under the age of 35. Out of these, 20% of the population of Bayview is under 14 years (vs the 11.4% citywide average) and therefore reinforces a young, children focused community. These families with young children are an important market segment for retailers since these households generally spend more on retail goods than non-childless households within the same income bracket. Needless to say, ensuring a safe family-friendly shopping environment will be a core condition towards the corridor's continued success.

Table 1: Trade Area Demographic Overview

	Bayview Trade Area	San Francisco
Population	35036	827589
Population Density (per sq. mi)	7,150	17,650
Households	9774	356328
Family HH with Children	44.50%	18.40%
Median Age	35.1	39.2
% of Residents under 35	50%	43%
% of Population under 14	20%	11.40%
Historical Annual Growth (2000-2010)		
Households	0.07%	0.48%
Population	0.09%	0.36%
Projected Annual Growth (2014-2018)		
Households	1.45%	0.99%
Population	1.48%	0.91%

Source: AECOM 2014, ESRI Business Analyst 2014

Armed with younger demographic and family friendly households, the area is attracting investment from young families in the City. The shopper intercept survey (presented in a subsequent section) aligns with the general observations within the community about the

changing demographic. 40% of these interviews were from new residents who had spent less than 5 years in the neighborhood.

The BID's primary trade area includes 35,000 residents, 9,700 households, and a high concentration of young families.

The population of the neighborhood area has stayed relatively flat since 2000, while the period from 2010 to 2014 has seen modest growth of 1.48% annually, which is more than the annual growth seen by the City at 0.99%. This forecast does not take into account planned and proposed development within the neighborhood, such as the Hunter's point redevelopment, and others which should add another 700 households in the near future.

Table 2: Trade Area Education, Employment and Income

	Bayview Trade Area	San Francisco	U.S.
Adults (25+) with a H.S. degree or less	50.70%	26.30%	
Workforce participation	89.00%	94%	
Income			
Median HH Income	$43,500	$76,084	$53,046
% of HH earning above $50,000	880	4370	
Per Capita Income	$17,360	$44,550	$28,150
Disposable Income Concentration (per sqm.)	100M	575M	

Source: AECOM 2014, ESRI Business Analyst 2014

The BID's primary trade area includes 35,000 residents, 9,700 households, and a high concentration of young families.

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RESIDENTS

Over 18,680 people live within a one-quarter mile radius of the Bayview Third Street corridor. Its population is younger than San Francisco's and more diverse than the San Francisco average. Bayview also has a higher proportion of children under 18 years old and a lower proportion of residents over 60 years old. It has a higher proportion of African-American, Latino, and Native American, Hawaiian, and Pacific Islander residents than San Francisco overall. There are about 6,770 housing units in the area, mostly single-family structures – a proportion higher than that

found citywide. More homeowners live in households[9] in the Bayview neighborhood than in San Francisco (32% vs the 25% in the City). The neighborhood also has a higher proportion of family households than is found in San Francisco overall.

At 7,150 residents per square mile, population density within the trade area is less than half of the citywide average with lower incomes per household. Despite having lower per capita and median incomes, residents support a combined $100 million in disposable income per square mile. It should be noted that these estimates do not include the recent homebuyers in the neighborhood with significantly higher income households than the existing residents.

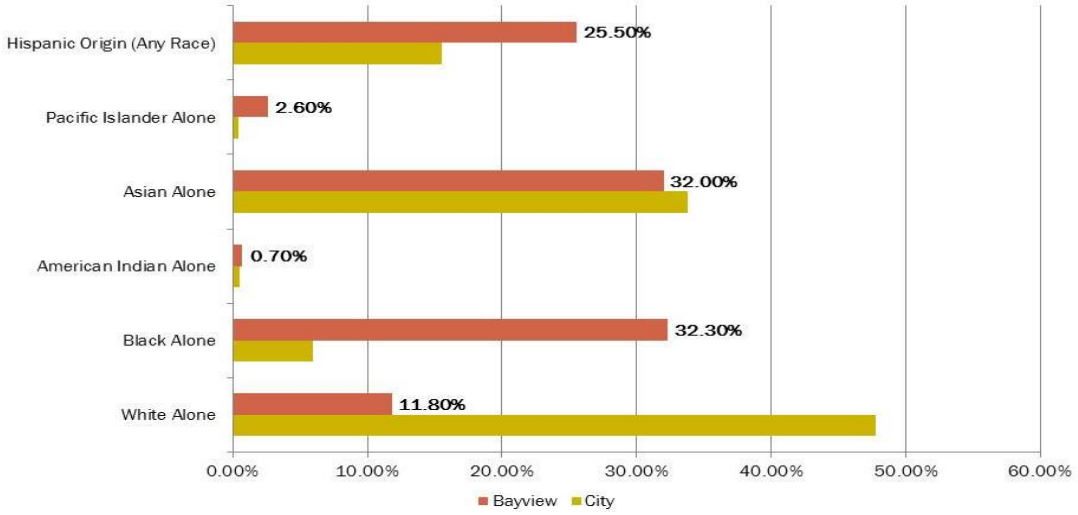


Figure 11: Existing Community Racial Mix, Census Data accessed 2014

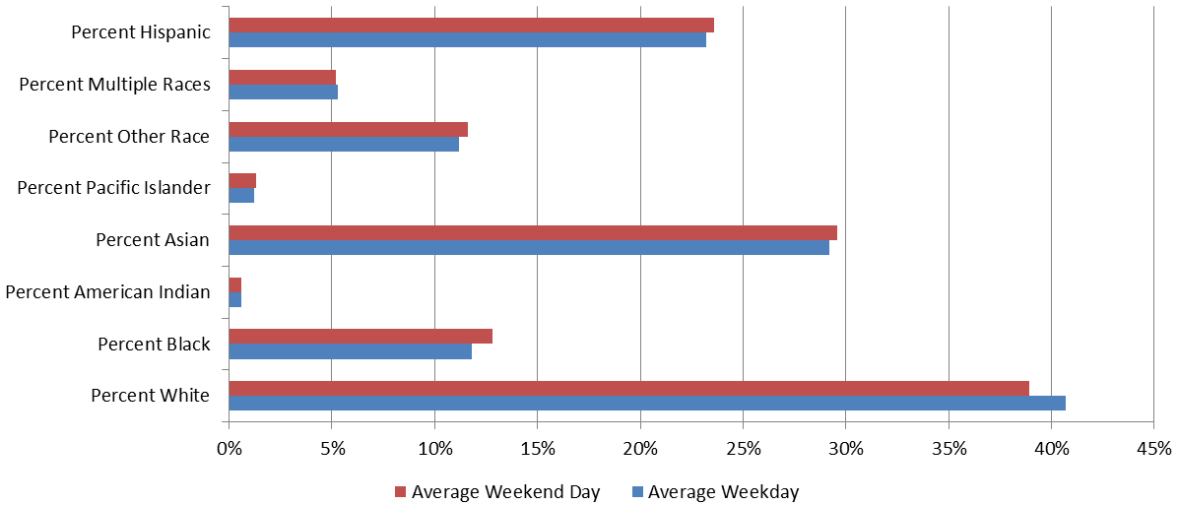


Figure 12: Visitor Racial Mix, StreetLight Data

[9] The U.S. Census defines Household to include all the persons who occupy a housing unit as their usual place of residence. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

Through these two varied charts we see that while existing ethnic makeup of the community that forms the residents of the Bayview is pre-dominantly non-white, the visitors to the Third Street retail corridor[10] (not necessarily shoppers) show a complete reversal of the trend. It is therefore curious to note that local goods offered have failed to attract customers with similar histories and ethnic backgrounds, a strength that yet needs to be built upon.

While it is perceptibly easier to park in Bayview than the rest of the City, parking is still an issue for the neighborhood and the retail corridor especially. Despite the available options, the perception of being unsafe in the neighborhood drives visitors to park as close as they can to retail establishments. A potential customer thus does not circulate around the district and directly shops at the destination. If they walked around, they would be exposed to other retail items, which might result in an additional spending by the consumers. This process would help increase the per capita spending of existing and newly captured customers and would also help support new retail establishments.

While the commercial space inventory in the Bayview is half of that in the Excelsior district, it has less space per capita in the district-- 26 sq. ft. for Bayview compared to 29 sq. ft. for Excelsior. This implies a latent potential for new retail. We also see an interesting trend showing higher retail sales per square feet in the Bayview, at $278/sq. ft., compared to $158/sq. ft. in the Excelsior. While both these retail sales figures are quite far behind the $415/sq. ft. in the City, the Bayview still over performs on a per square foot basis.

The single family homes in Bayview constitute some of the few more affordable housing options when compared to other areas in San Francisco. It remains a popular area for families with one of the highest proportions of households with children; families are increasingly priced out of other parts of the City. Tracking the recent (2014-15 Zillow estimates) housing sales in the neighborhood, the median sales price is approximately $600,000, which indicates a median income of approximately **$140,000** (AECOM 2014). This median household income for the new population in the neighborhood of Bayview is within the **Top 19% tier** of the population of the existing community, and would indicate addition of higher disposable income of 70 Million dollars.

While historically this neighborhood has been predominantly African America, with 32% of the population of Black Alone ethnic makeup, there has been a steady increase in the representation of other communities in the region. The Asian and Hispanic Population have an increased presence in the neighborhood and are projected to show continued growth in the population share of Bayview.

10

WORKERS/EMPLOYEES

The neighborhood consists of typically PDR uses. While the gross rents per sf for office lease in the area are quite low, it is home for 1,640 businesses which create approximately 21,000 jobs in the community. The average income of an employee in Bayview is around 75% of the annual mean wages for all jobs in San Francisco. This could be due to the concentration of construction and manufacturing jobs in the area, followed by wholesale trade and transportation and warehousing. The two major public sector employers in the area are the San Francisco Water Department and USPS.

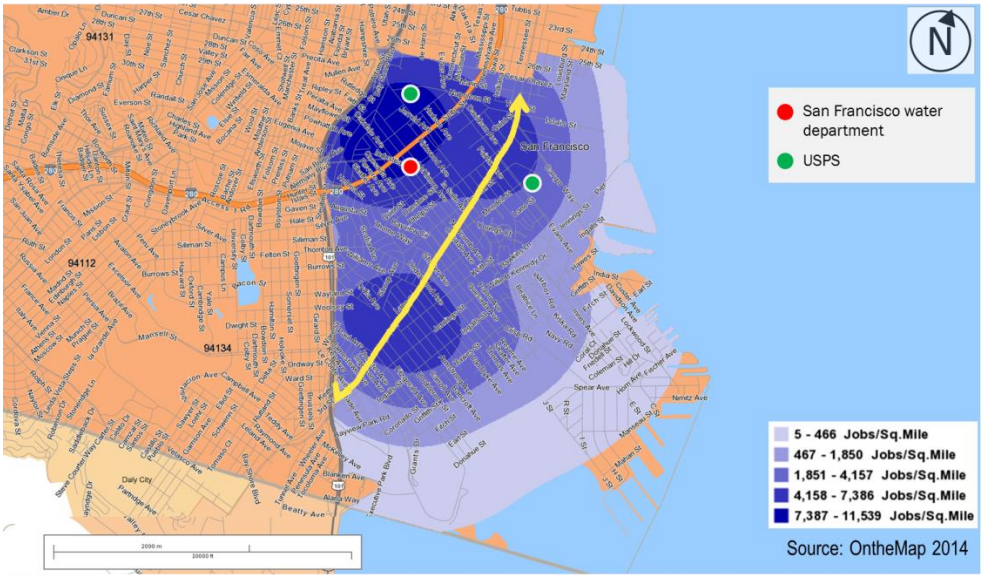
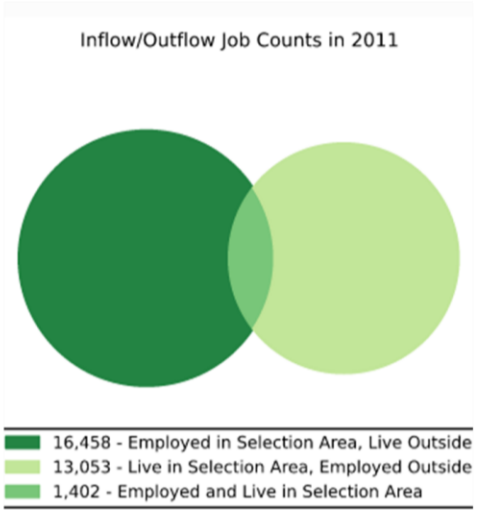


Figure 13: Concentration of workers in the Bayview



Inter-city

San Francisco city, CA	38.50%
Oakland city, CA	5.60%
Daly City city, CA	4.70%
South San Francisco city, CA	2.80%

Origin within San Francisco

94124	Bayview	7.80%
94112	Balboa park	5.00%
94110	Bernal heights	3.90%
94134	Vis valley area	3.90%

Figure 14: Origin of workers in the Bayview

Despite this strong job base in the region, only around 8% of the workers who work in the area originate from Bayview. The dominant sectors of employment in the area have seen job growth in the recent months with 900 new employees being added in the industrial sector for the neighborhood, and another 1000 projected new employees.

Additional workers add $4 million in spending potential to the neighborhood retail.

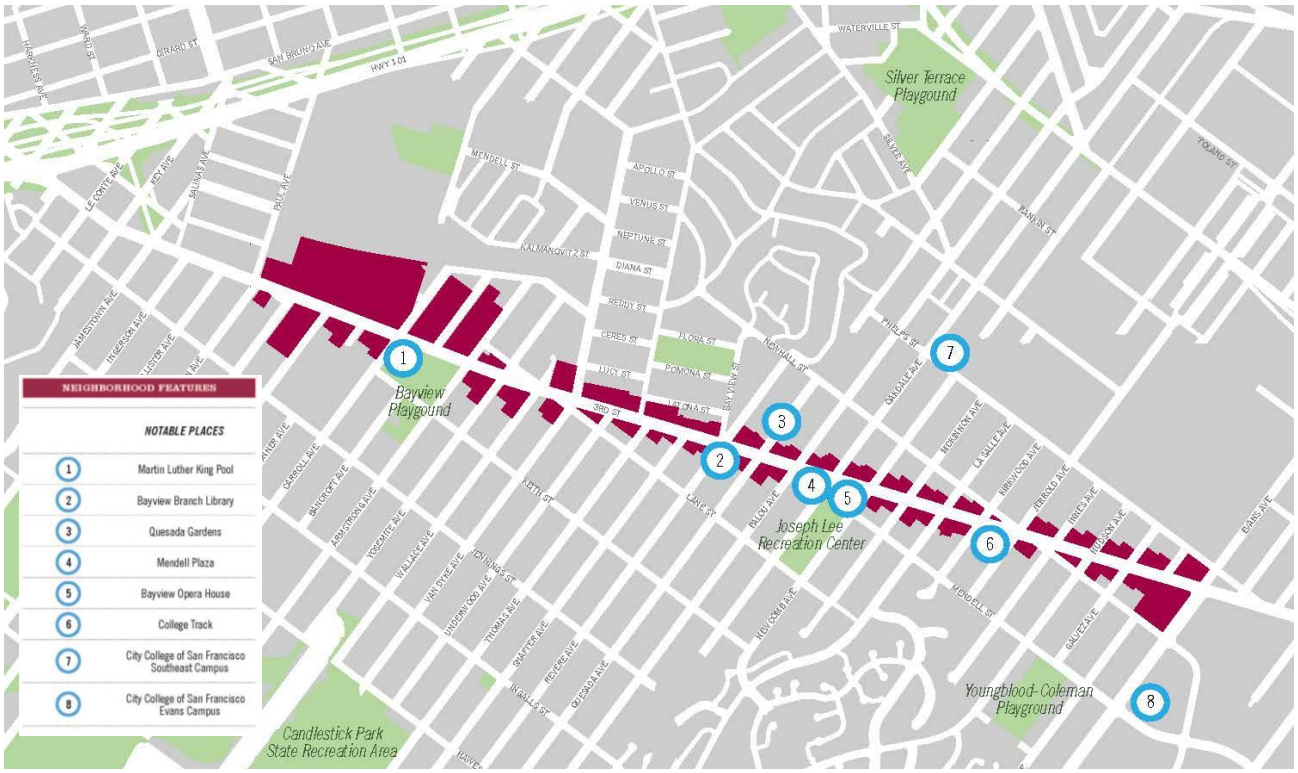


Figure 15: Existing Neighborhood features

HEALTH, EDUCATION, FINANCIAL AND SOCIAL INSTITUTIONS

Notable places in the study area are represented on Figure 14.

The study area contains a diverse mix of land uses. The commercial corridor contains the majority of notable places, but there are others located a few blocks off of Third Street.

TRANSIT ACCESSIBILITY

Bayview is easily accessible by both transit as well as car. In 2007, full service of the 'T' Muni Metro Line began running along Third Street through the entire study area. The T line connects the Bayview neighborhood with other neighborhoods of San Francisco running from the Embarcadero along the eastern edge of San Francisco southwards all the way into the Bayview neighborhood. In San Francisco, 32,700 people ride the T-line daily.[11] T-Line stops are distributed throughout the study area, making this line a convenient means of transportation for Bayview

[11] SFMTA

residents to travel down Third Street or to access other neighborhoods in San Francisco. A ne way trip on the K/T line takes 30 minutes from the Embarcadero.

Multiple other Muni routes are located near the study area including lines 29, 54, 44, 23 and 19. These lines primarily run north to south, perpendicular to Third Street, and see around 50,000 boarding's along their entire trips daily. The vehicular traffic counts are comparable to the Excelsior, and provides relative ease of access through wide roads, and plenty of parking in the neighborhood.

Figure 16: Transit along Third Street

VACANT LOTS AND VACANT STOREFRONTS

Third Street corridor sees a higher percentage of vacancy as compared to the entire Bayview. Comparing the City (1.8%) to the Bayview (2.9%) we see that the 4.3% vacancy for Third Street is the highest in retail. Some of these could be in the form on unoccupied built structures, or open lots. The map attached highlights vacant parcels on the Third Street corridor, with development potential, as well as retail storefronts listed as vacant as of December 2014.

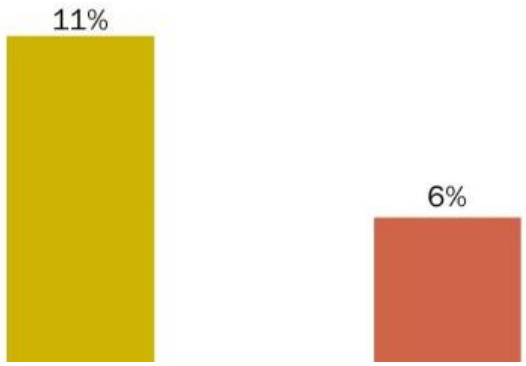


Figure 17: Vacant Parcel Comparison

Vacant parcels are different from parking or undeveloped lots. While vacant parcels are the ones that currently sit either with no development on them and are thus, lacking existing development. The Underdeveloped lots are ones where the existing development is lower than the permitted density by zoning. Thus, any lot which has less than the permissible density would qualify as an underutilized lot. The parking lots on the street have been defined as such, and we see that the perpendicular streets off the Third Street have ample right of way to allow for parking opportunities.[12]

CRIME: PERCEPTION AND REALITY

Public safety along Third Street is a primary concern for business owners and residents. Hotspots of criminal activities are reported at the intersections at Evans Avenue and Oakdale Avenue.[13]

Perceptions of crime and blight have long been associated with the Bayview neighborhood.[14] Although crime events do still occur in Bayview, incidents are relatively low compared with San Francisco overall. To compare crime incidents in the Bayview community with the City overall, data was gathered from the San Francisco Police Department (SFPD) as well as the Office of Economic and Workforce Development.

The SFPD logs crime incidents in the 'SFPD Crime Incident Reporting System'. Data logged by the SFPD reveals that the majority of the crimes logged in the Bayview neighborhood in 2013 were categorized as theft, assault, or 'other offenses'. Crime heat mapping indicates crime 'hotspots' concentrated around the intersections of Third Street and Newcomb Avenue, Oakdale Avenue, Palou Avenue, Quesada Avenue, Revere Avenue, and Van Dyke Avenue.[15]

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[12] It should be duly noted that all three, vacant lots, underutilized lots, and parking lots are distinct in their character and have been mapped as such.

[13] Source: SFPD incidents data, November 2009-October 2012

[14] Larceny/Theft includes all petty and grand theft shoplifting instances recorded for the city.

[15] San Francisco Police Department 2014 Incidents.

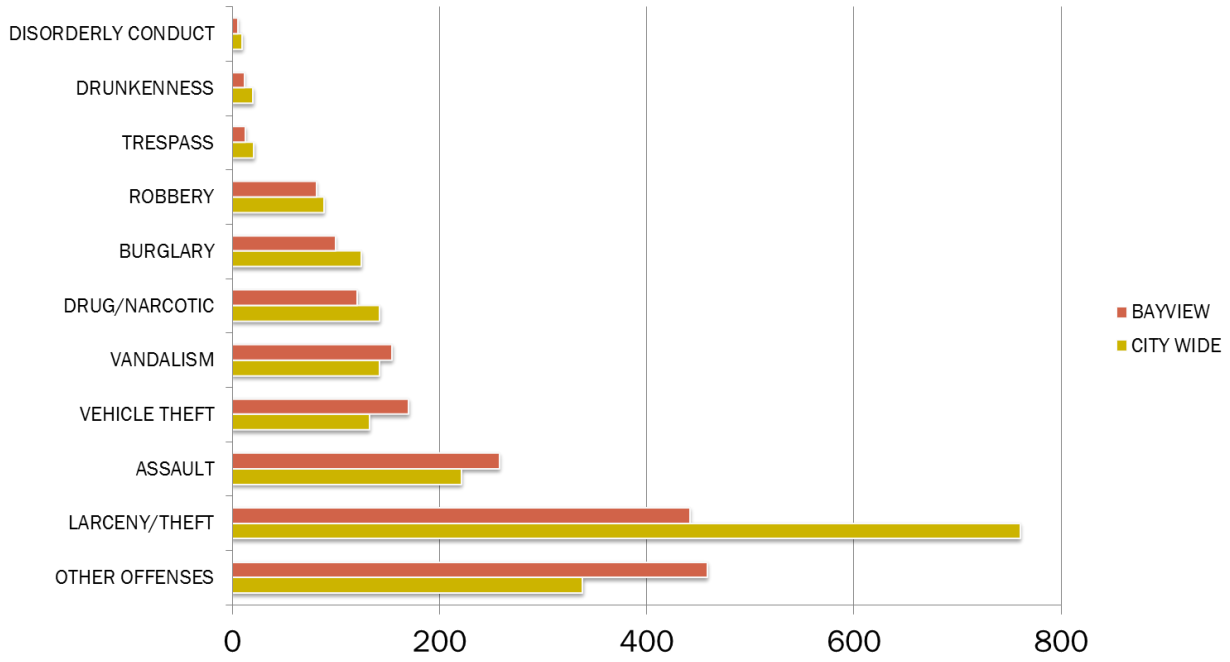


Figure 18: Crime Reports in Bayview

STAKEHOLDER PERCEPTIONS

The project team's intercept survey confirms that Third Street is challenged by the reality that local residents within the catchment area do not necessarily consider Third Street to be their primary shopping district. While the majority of the shoppers claimed they knew the corridor's retail offerings (89%), they also mentioned that they do not shop here. Around 20% of the visitors on the corridor came to the neighborhood for work. The majority of shoppers surveyed were employees at local offices and arrived at the shopping destinations by car. The commonly cited advantage of the corridor was access by public transit (37%), and the presence of local merchants with local goods to offer (14%).

The most desired improvements in the district included enhancing the public realm, bringing in a greater variety of businesses, and most importantly, a higher security presence (cited by over half of respondents).

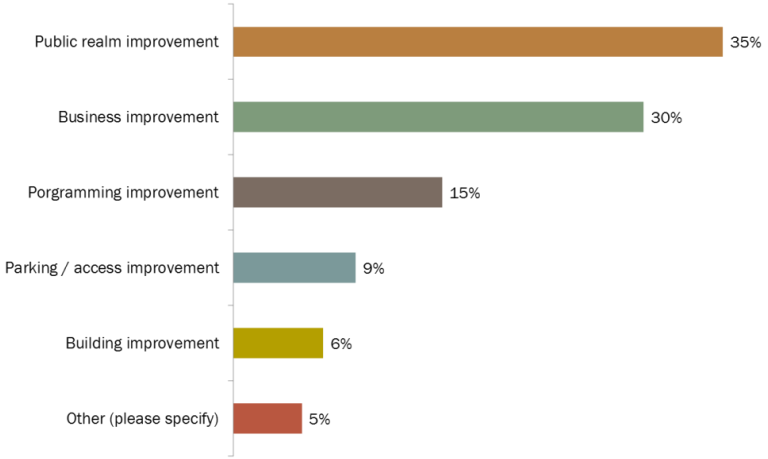


Figure 19: Intercept Survey Results: What would make shopping more enjoyable?

LAND USE

EXISTING LAND USE

Refer to Figure 20 for the existing land uses along and surrounding the Third Street corridor.

Figure 20: Study Area Zoning

The approximately 26 block stretch along Third Street that comprises the study area includes a variety of land uses. According to the San Francisco Assessor, the land within the community (zip code) is primarily comprised of industrial, commercial and residential uses. Industrial uses make

up 46% of the land area. Commercial uses account for approximately one quarter of the land use (25%) and residential is 17% of the land area. Of the total land area within the community, 6% of the land area is vacant.

Table 3: Trade Area Land Use Distribution

Built Area Land Use	Community (Bayview)	Study Area
Industrial	45%	44%
Residential	23%	41%
Commercial	16%	9%

DESIGNATED ZONING / HEIGHT AND BULK

Table 3 illustrates the Zoning categories in the study area. Figure 22 captures the height and bulk limits on parcels within the study area.

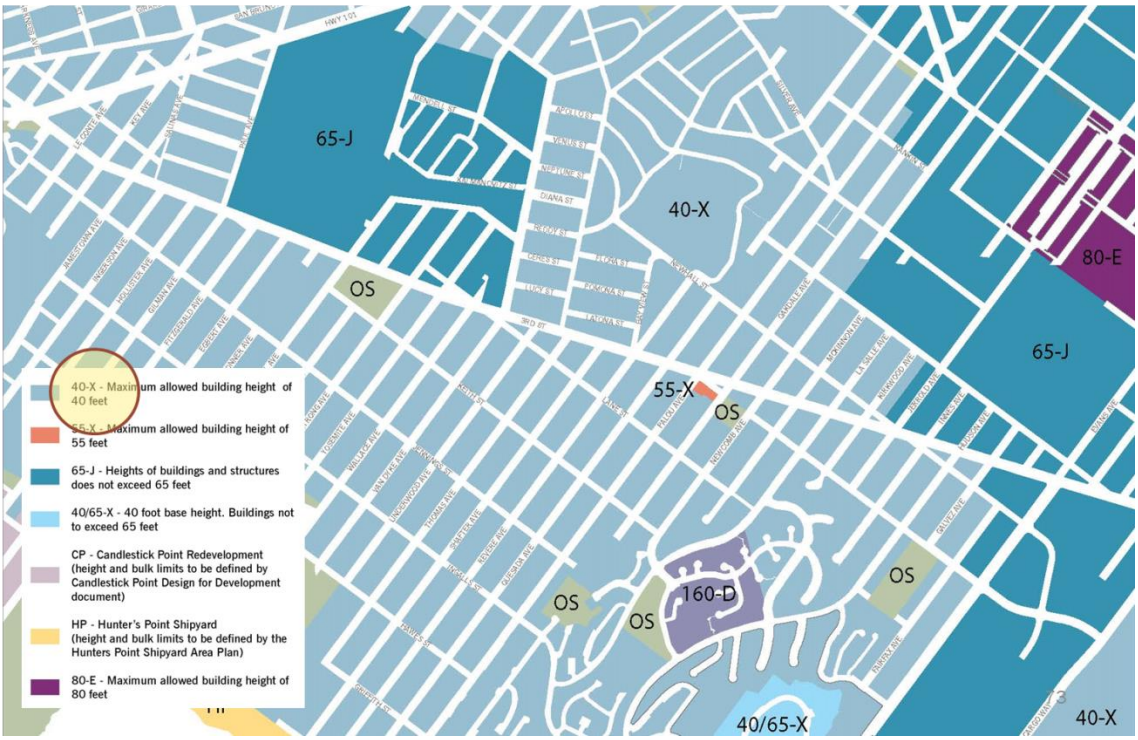


Figure 21: Designated Heights and Bulk

The majority of the parcels directly fronting Third Street are zoned 'NC-3 Neighborhood Commercial-Moderate Scale'. Districts zoned NC-3 are zoned to provide convenience goods and neighborhood-serving goods and services such as eating and drinking establishments, entertainment, financial services amongst others. This zoning designation and the 40-x height and bulk category dictate a maximum height of 40 feet for buildings. Moving outwards from Third Street, the majority of the parcels are one and two-family residential (RH-1 and RH-2). These parcels zoned for residential uses also have a 40-x height category, meaning that buildings within this zone can be built to a maximum of 40 feet. Many of the parcels surrounding the study area are M-1 Light Industrial or Production, Distribution, and Repair (PDR). Allowed uses in M-1 are broad but include X, Y, and Z.

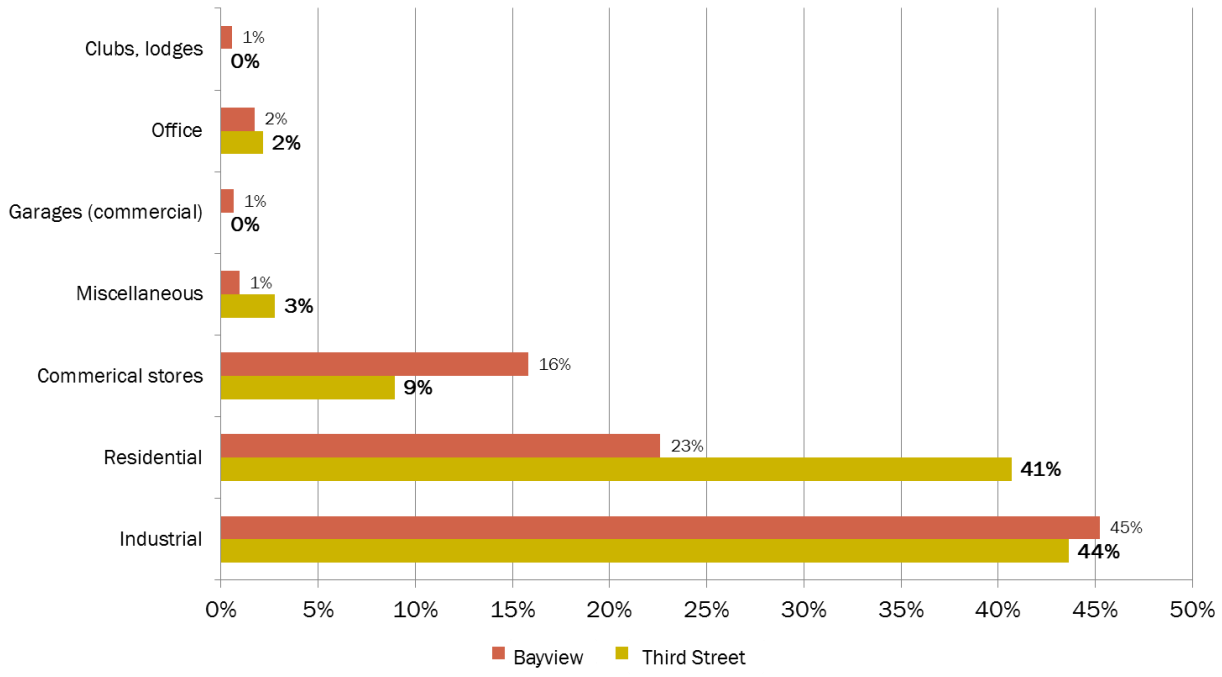


Figure 22: Use Distribution

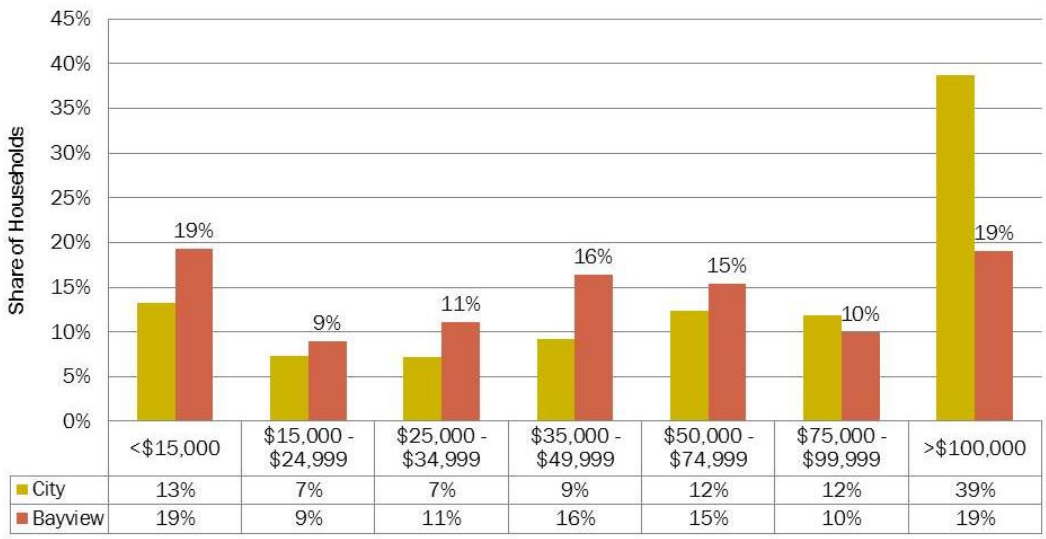
ANALYSIS

ECONOMIC ANALYSIS

EMPLOYMENT AND INCOME

As estimated in the 2010 Census and the 2014 American Community Survey, Bayview residents have lower levels of education, lower rates of workforce participation and lower incomes than the City overall (Table and Figure). The unemployment rate in the neighborhood is much higher than the City overall. While the median HH income is around 60% of the City median income, the per capita income falls lesser (40% of City) than this because of the bigger family units and higher number of dependents than the City overall. We see however that while the city has a skewed representation of high income individuals, the state and national trends are more in line with the income distribution of Bayview.

Bayview has a dominant presence of the middle class, and an almost equal representation of all income segments.



	<$15,000	$15,000 - $24,999	$25,000 - $34,999	$35,000 - $49,999	$50,000 - $74,999	$75,000 - $99,999	>$100,000
City	13%	7%	7%	9%	12%	12%	39%
Bayview	19%	9%	11%	16%	15%	10%	19%

Figure 23: Income Levels in the Bayview

PSYCHOGRAPHIC ANALYSIS

Tapestry segmentation analysis evaluates socio-economic characteristics in a trade area to estimate spending behaviors as a function of the regional, demographic and (see tapestry analysis reports for more data on the methodology of this search). While these may be indicative of the socio-economic makeup of the community, it gives some interesting insights on the spending patterns, shopping preferences and media most commonly used as means of entertainment.

Core psychographic analysis results for Bayview residents indicate higher vehicle ownership per household and a higher attendance to a sit down chain family restaurant. The residents had lower smartphone and computer ownership, and lesser participation in recreational activities such as watching a movie or a theater performance.

Figure 24: Tapestry Analysis

BUSINESS CONDITIONS

The Third Street corridor is dotted with small storefronts located on the ground floor of older, mixed-use residential buildings. There are a few strip retail structures, stand-alone retail buildings, and relatively newer developments (estimated to date from the late 1980s or early 1990s). A handful of national retailers, primarily fast food and drug stores (e.g., McDonalds), have introduced nodes of increased sales activity in the Corridor. However, most of the merchants on

Third Street are small mom-and-pop type merchants with little representation from national or regional chains. [16]

Table 4: Business Mix on Third Street

	Number	Share
Electronics & Appliance Stores	2	1%
Gasoline Stations	5	2%
General Merchandise Stores	5	2%
Health & Personal Care Stores	8	3%
Non-store Retailers	7	3%
Motor Vehicle & Parts Dealers	11	4%
Sporting Goods, Hobby, Book & Music Stores	12	5%
Clothing & Clothing Accessories Stores	22	9%
Furniture & Home Furnishings Stores	26	10%
Miscellaneous Store Retailers	29	11%
Building Materials, Garden Equip. & Supply Stores	38	15%
Food Services & Drinking Places	42	16%
Food & Beverage Stores	49	19%

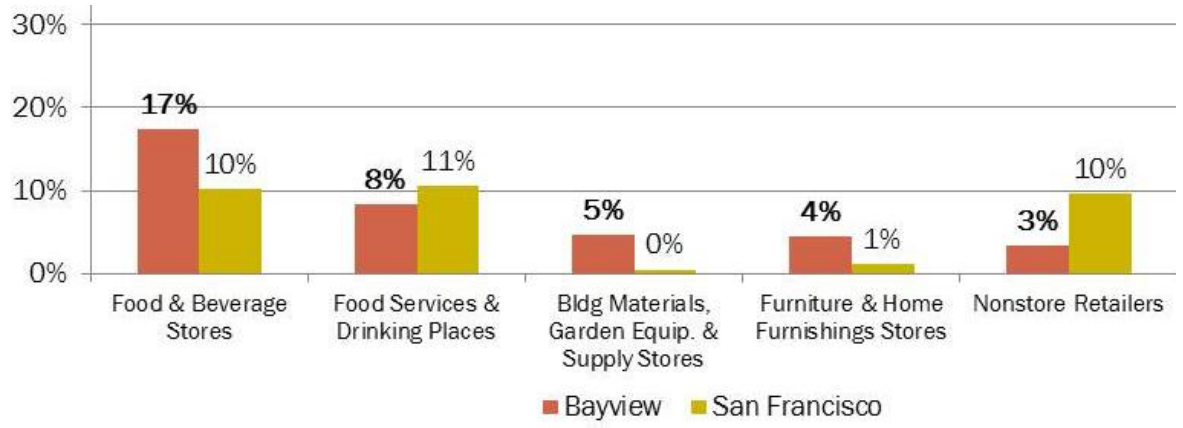


Figure 25: Top 5 Retail Sales Categories

RETAIL DEMAND AND SPENDING OPPORTUNITIES

Third Street offers affordable dining choices and a handful of retail shops. While a majority of Bayview residents said they are aware of the offering on the retail corridor, they choose to not make this their main shopping destination due to safety concerns and low quality of goods (as surveyed). Sales tax captured in the district has declined by 16% since 2006, compared with 17% growth citywide. New businesses opened following the 2007 installation of the Third Street Light Rail, but many had closed during the construction period due to diminished foot traffic. With

[16] Drop in "taxable sales" refer to a decrease in taxable sales for the defined region.

strong neighborhood support and assistance from the City, moderately-priced food establishments have been attracted to Third Street, but these businesses are struggling and require more assistance and pedestrian traffic in order to thrive.

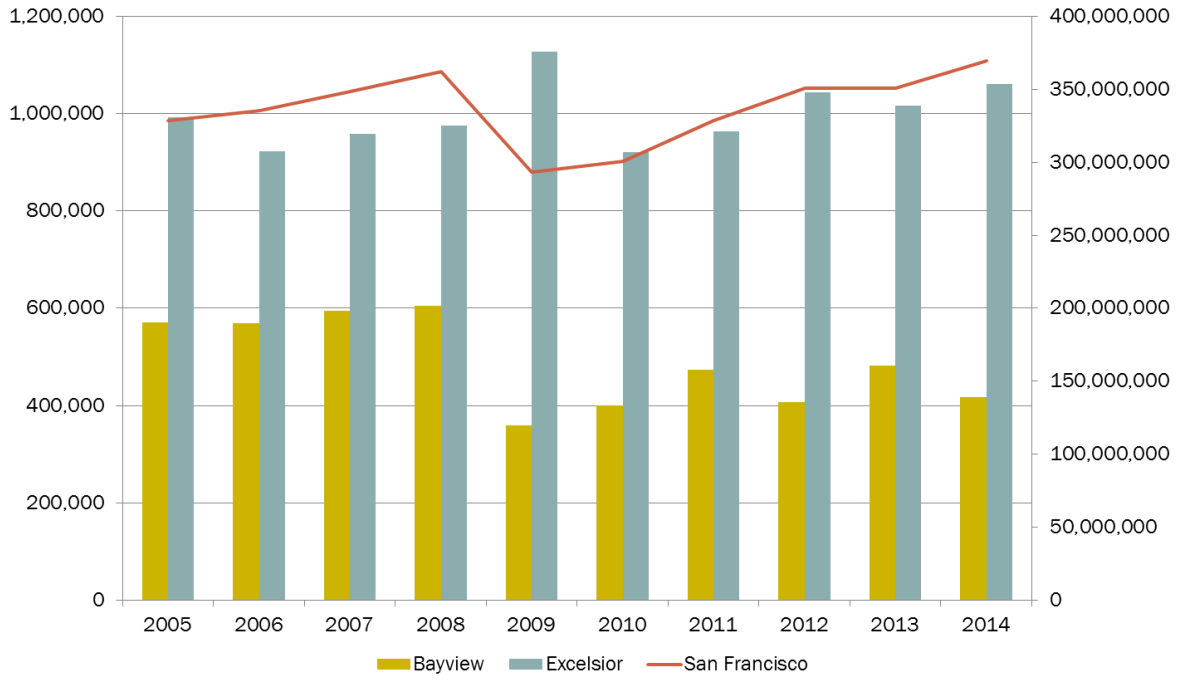


Figure 26: Retail Sales Comparison, 2nd Quarter, 2014

Based on feedback from shoppers, business owners and a detailed analysis of retail spending patterns, the corridor is in the strongest position to attract new grocery, furniture and home furnishings, building material, and garden equipment supply stores. The cultural aspect of the retail corridor could be further enhanced by programmatic intervention and collaboration within the retail businesses on the corridor, or with partners across the City.

PIPELINE PROJECTS[17]

Planned projects in the Bayview include 7,500 sq. ft. of educational and social services. PDR (Production, Distribution and Repair zones) spaces total 242,000 sq. ft. in the upcoming projects. More than 700 new residential units are proposed, along with 150,000 sq. ft. for the expansion of public administration and professional work spaces. There is also the possibility of a potential 750,000 sq. ft. urban retail center at Candlestick Point Lennar Group.

Executive Park	101 Executive Park Boulevard	107 new residential units	Completed
Candlestick	101 Donahue Street	63 new residential units	Under Construction
Bayshore	201 Donahue Street	25 new residential units	Under Construction
Hunters Point Shipyard	200 Coleman Street	12 new residential units	Under Construction
Hunters Point Shipyard	198 Coleman Street	12 new residential units	Under Construction
Hunters Point Shipyard	201 Friedell Street	12 new residential units	Under Construction
Bayshore	50 Jerrold Avenue	34 new residential units	Under Construction
Bayshore	401 Innes Avenue	35 new residential units	Under Construction

Figure 27: Pipeline projects

[17] As of December 2014. Newer projects for all uses (Residential, PDR, Retail, Mixed-Use etc.) might have be proposed, or might have reached an advanced stage of development at the time the report is published.

REAL ESTATE ANALYSIS

Bayview businesses face high vacancies due to low sales, less returns on investment and increasing incidents of shoplifting. The perception of lack of safety reduces pedestrian traffic, making it economically unviable to maintain business operations. Existing ownership issues also plague the retail corridor. Transferring ownership within families has led to rapid depreciation of many successful stores. Talking to local merchants, AECOM found that speculative investment in retail real estate also seems to drive inaction for upgrade and maintenance, cumulatively deteriorating the retail street.

The total retail goods demand within the trade area may be as high as $250 million or 25% greater than earnings reported by just the residents, based on resident earnings in the formal economy, estimates of informal earnings and potential spending by inflow customers. Total retail demand in the trade area (which includes spending by employees in the region, informal economy etc.) combined is estimated to be between $350 million to $390 million.

Currently, the trade area currently loses $98 million in spending potential and net retail sales just within the Bayview neighborhood.

OFFICE AND INDUSTRIAL

Table 5: Office and Industrial Space Conditions

Office lease		
	Bayview	City
Gross Rent Per SF	$17.88	$46.41
Vacancy Rate	8.7%	7.0%
Existing SF	402,000	113,774,000

Industrial lease		
	Bayview	City
Rent Per SF	$12.35	$16.51
Vacancy Rate	4.2%	3.7%
Existing SF	11,843,000	28,856,000

Source: AECOM 2014, Costar

Both the Industrial and office real estate in the neighborhood is cheaper than the City overall and consist of core industries such as Construction and manufacturing, which have seen sustained employee growth in the past few years. The industrial absorption in the past year saw a total of approximately 270,000sq. ft. being absorbed, with 80,000sq. ft. of space being constructed currently and another 240,000 in proposal and planning stages. This growth over all will result in adding 1000 new employees in the community, a majority of who live outside the trade area, and will add to the economic growth and spending potential for Retail.

RESIDENTIAL

The Bayview is one of the more affordable neighborhoods in San Francisco City and therefore shows a higher percentage of owner occupied housing (32%) vs the City (25%), however it sees lesser asking rates and higher vacancy. Despite its past slow performance in the past years, the residential market in the neighborhood is rapidly changing. Bayview's rental market has seen a growth of almost 50% from 2012 to 2014, $2,272/month in 2012 to, $3,358/month in 2014, and the dingle family home values have seen a one year change of approximately 17%, which is a 63%

growth from 2012. The rates are forecasted to grow by 4.9% this year. These rates reflect in $599,000 as the current Median listing price, $540,000 Median sale price.

Table 6: Trade Area Housing Conditions

	Bayview Trade Area	San Francisco
Total Housing Units	11,026	387,602
% Renter Occupied	68%	75%
% owner Occupied	32%	25%
Rental Market Conditions		
Current Asking Rate, 1 bedroom	2800	3060
Vacancy Rate	6.60%	3.70%
For Sale Market Conditions		
Median Sale Price, 2014	$600,000	$950,000
change since last one year	17.20%	12.40%

Source: AECOM 2014, Costar, Zillow 2014

The result of these increased rental rates and home values is the opening up of the market to a different demographic and income level to the neighborhood. This income segment forms the top 19% of the population of the existing community and will contribute up to $70M in disposable income to the neighborhood. 40% of this amount comes from the development of new housing units in the region.

The median home sales price of $600,000 would indicate median income of approximately **$140,000** (AECOM 2014) for the new population who are investing in the neighborhood.

RETAIL

Table 7: Trade Area Retail Market Conditions

	Bayview Trade Area	Excelsior	San Francisco
Inventory	$459,000	$981,000	$50,000,000
Availability	5.60%	1.10%	2.80%
Avg. Asking Rent	$16	$32	$40
SF per capita	26 sq. ft.	29 sq. ft.	61 sq. ft.
Retail Sales/sf	$278	$158	$415
Asking Rents/sales	6%	10%	9.5%+

Source: AECOM 2014, Costar, Zillow 2014

The Real Estate inventory of retail on Third Street is similar in size with that of Excelsior. However both the availability and asking rents are almost half. The street sees high vacancy due to low sales, less returns on investment, and increasing incidents of shop-lifting. While mostly older tenants remain, the new ones have moved quickly, due to the wide prevalent perception of Bayview and particularly Third Street being unsafe. This is turn discourages foot-traffic, and makes

it economically unviable to hold operations for retail business. This notoriety drives lack of maintenance and loss of tenants; as many shops require extensive repairs and fit-outs before lease.

Figure 28: Vacant Storefronts

RETAIL SPENDING POTENTIAL

This study estimates the purchasing power of residents and other visitors in order to identify opportunities for increasing business activity in the district, through the recapture of retail spending by local customers who shop for certain goods outside the district.

Demand for retail, food and beverage items in the trade area is primarily determined by the incomes of residents in the trade area. Resident spending includes the reported incomes of area residents, as captured by the U.S. Census and reviewed earlier in this analysis, and informal sources of income not necessarily reported to the Internal Revenue Service, such as day labor wages and tips. In order to paint a complete picture of retail spending power, this section of the analysis considers both informal and formal sources of resident income.

While an intercept survey determined that residents do not make up the majority of shoppers in the district, inflow customers, including workers and transit riders, represent a strong source of demand for goods within the trade area. This retail spending analysis considers potential retail demand within the trade area of inflow customers as well as residents.

RESIDENT SPENDING

As mentioned above, estimated baseline discretionary income available for retail and food and beverage spending by trade area residents is $250 (approx.) million. This estimate uses consumer expenditure data to calculate the share of total reported resident income that goes to retail and food purchases. Reported income is based on U.S. Census data, which does not generally reflect informal sources of income.

The resident disposable income per square mile is around a $100 Million for the neighborhood, which is a much lesser spending potential per square mile when compared with the rest of the City at $575M.

The informal economy may boost purchasing power in the trade area by as much as 9%.

Assuming that the informal economy accounts for a similar percentage of resident earnings today, the informal economy would add up to $23 million to local purchasing power, bringing the total to $400 million.

INFLOW CUSTOMER SPENDING

Every weekday, the trade area draws approximately 20,000 inbound workers primarily in the wholesale, utilities, warehousing and manufacturing sectors with construction as a close second and many MUNI riders who pass through the corridor (who also primarily live outside the station area and include a portion of inbound workers). A study by the International Council of Shopping Centers finds that urban office workers spend between $75 and $168 per week near their work, depending on their incomes and the availability of retail offerings. BART reports that riders spend approximately $400 million at San Francisco retailers, which equates to approximately $20 per weekday rider per week. To account for differences in the retail offering and inbound customer profile of the Bayview compared to a downtown setting, these benchmark spending factors were adjusted downward to reflect a reasonable capture of inbound worker spending. Assuming weekly per capita office worker demand in the trade area

of $45 per person (10% of the median per capita income per month), retail demand by inbound customers adds another $100 million annually to the trade area's purchasing power.

Table 8: Inflow of Customer Spending Potential

Inflow	Numbers	Weekly spending	Trade Area Adjustment	Adjusted weekly spending	Annual spending
Workers	21,400	$75 / person	50%	$45 / person	$100 million

Sources: AECOM 2014, LEHD On The Map 2011.

TOTAL TRADE AREA SPENDING POTENTIAL

Combining estimates of resident earnings in the formal economy with estimates of informal earnings and potential spending by inflow customers, this study finds that total retail demand within the trade area may be as high as $250 million or 25% greater than earnings reported by just the residents.

Total retail demand in the trade area is estimated to be between $350 million to $390 million.

Because of the great uncertainty involved estimating informal earnings and inflow customer spending potential, a more conservative scenario was developed by reducing all sources of retail spending but formal resident income by half, arriving at $335 million in retail demand for the trade area, or 25% greater than if only formal resident earnings were considered. This conservative estimate of total purchasing power in the trade area is used to estimate unmet retail demand in the next section of this report.

Table 9: Total Trade Area Retail Demand

	Base Scenario	Conservative Scenario (1)
Residents	$250 million	$250 million
Informal Economy	$23 million	$15 million
Workers	$99 million	$50 million
Total	$400 million	$335 million
% increase over resident-only estimate	50%	25%

Source: AECOM 2014
1 Conservative Scenario reduces capture of inflow and informal spending by 50%.

RETAIL SPENDING GAP

The retail spending gap represents the difference between buying power within a trade area and retail supply or sales within a trade area. When buying power exceeds demand, this presents an opportunity for new businesses to locate in the area or for existing businesses to reposition their offering to recapture spending that currently goes elsewhere.

More than $98 million in local retail demand is spent outside the trade area every year.

Currently, the trade area currently losses out on 98M, in the spending potential and the net retail sales for just within the neighborhood. The top retail categories that that display the majority of leakage in the district consists of Food and Beverage stores, followed by building materials and garden equipment supply stores. Next in the list lies furniture and home furnishing stores, which could help create a niche for Third Street for a citywide need.

Grocery stores, Furniture and Home Furnishing stores, and Food Services and Drinking Places present the strongest opportunities for catalyst projects within the corridor.

The focus area could support an additional grocery store of up to 80,000 square feet, furniture of up to 50,000 square feet, and one or more Food Service spaces of up to 40,000 square feet. These dimensions assume the focus area only recaptures retail spending that leaves the trade area altogether. In other words, new retailers to the focus area would not need to compete for customers with the larger trade area (i.e., outside of Bayview) to meet sales targets.

Other than the retail segments mentioned, we are seeing a national trend in increase in purchases in discounted retail stores and dollar stores. With the macro economy still recovering and peoples spending patterns being more conservative, budget spending is still up. Especially for Bayview, many new developments are adding new residents and the working population. Thus the spending potential is set to increase from 335 to 400 M within the neighborhood. Out of this total added a mount, around a 100 M -50M comes from the new residential HH that will move into the neighborhood, and around 40 to 20M is the spending that will be made by the

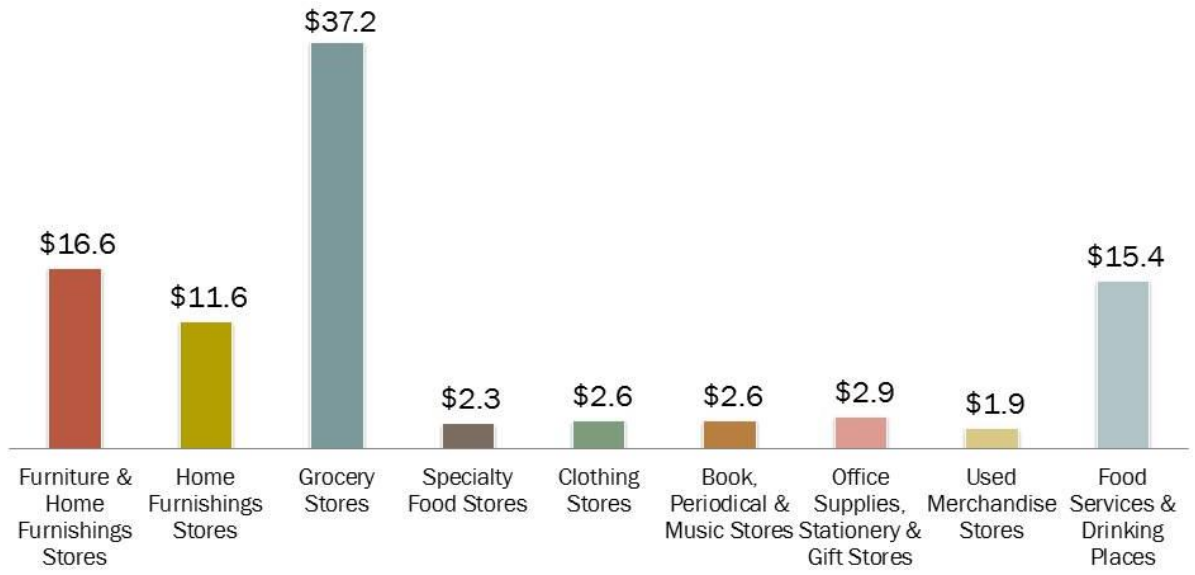


Figure 29: Spending Gap by Retail Category (Top Ten)

Source: AECOM 2014, ESRI Business Analyst 2014

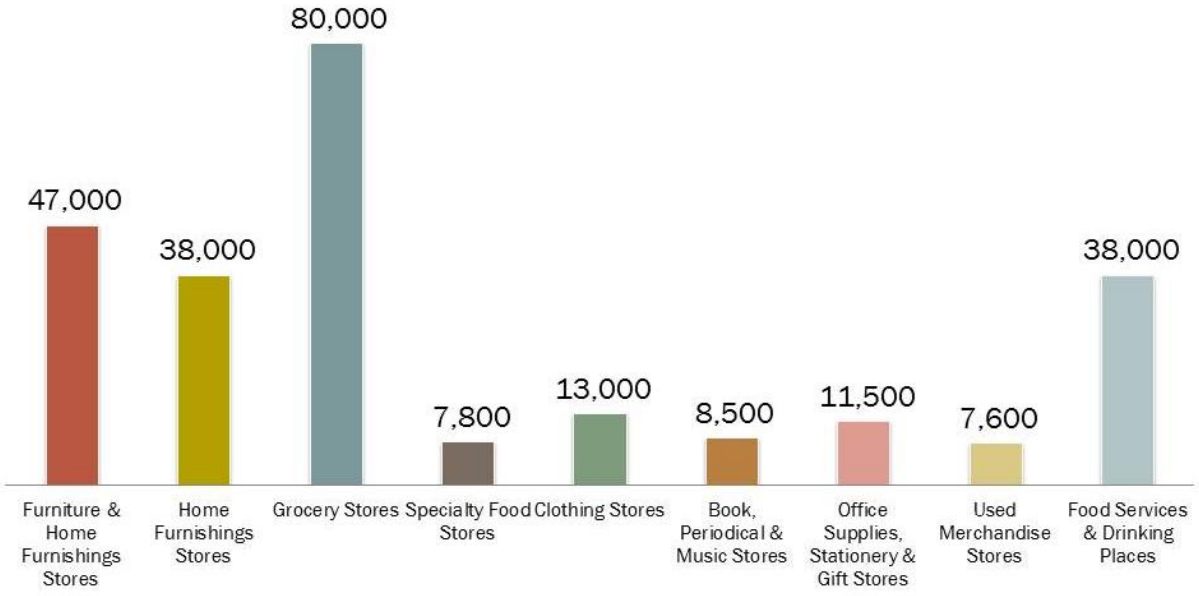


Figure 30: Maximum New Supportable Square Feed in Trade Area by Retail Category

Source: AECOM 2014, ESRI Business Analyst 2013
the most viable commercial development opportunities are highlighted in blue.
1 Assumes new development in corridor only recaptures spending that occurs entirely outside trade area.

ACKNOWLEDGEMENTS

The project team would like to thank the following participants who provided background information and economic development recommendations for this study:

IIN Project Team

- Marsha Murrington

Andrea Baker Consulting

- Andrea Baker
- Jennifer Quinn

APPENDIX

PEDESTRIAN INTERCEPT SURVEY

The purpose of the pedestrian survey was to gather a wide variety of impressions and opinions about the Third Street corridor to understand how to increase retail activity and foot traffic in the area by improving the experience of shoppers and other visitors. The pedestrian intercept survey was conducted by Andrea Baker Consulting during the month of November 2014. The surveyors approached persons walking along the retail corridor at the focus area:

Surveyors collected a total of 91 pedestrian surveys at various times of the day, days of the week and locations within the corridor. Roughly 65% of the respondents were Bayview residents and 57% had been working in Bayview. The surveyed population also showed higher percentage of newer residents who had been in the neighborhood for less than 5 years. Twenty percent of respondents had been in the neighborhood for less than a year. The survey demographic split was also a little varied than the representative demographic of the neighborhood. For instance, there were disproportionately fewer respondents under 25 years old, so the survey results may not be representative of the perception of youth in the neighborhood.

<5 yrs	41%
5 to 10 yrs	15%
10 to 20 yrs	25%
20 to 30 yrs	6%
more than 30 yrs	13%

Figure 32: Years spent as resident

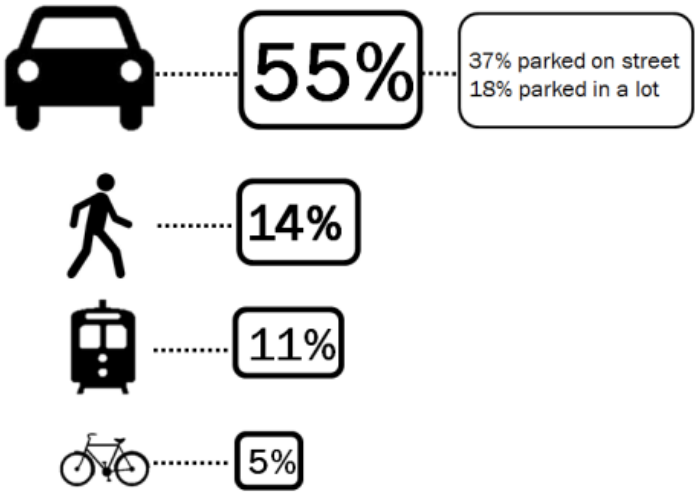


Figure 31: Mode of Transport

The survey revealed three key findings which contributed to this report's final recommendations.

1. **Neighborhood-Serving Shopping District:** The data suggest the district is primarily neighborhood-serving, with 60% of surveyed shoppers reporting that they live or work nearby. Roughly only one-third of shoppers who live nearby say they do not shop in the corridor, despite a resounding 89% suggesting that while existing residents know about the services offered, they are not loyal to the corridor, or perceive it as not the best option to shop in the neighborhood. When shoppers were prompted to name the types of stores they frequent on a regular basis outside the district, drug stores such as Walgreens (18%), full-service sit down restaurants and to-go restaurants combined (28%) and Bank/cash checking stores (13%) were the most common responses. Most people who did visit used their car to drive down to the retail street; however access perception was split at only 56% of the respondents feeling that the access to the street was good.
2. **Transit Access is both a Competitive Advantage and Weakness:** Most respondents (37%) said access to the corridor is good due to the proximity to the MUNI, conversely,24% of the interviewees who felt transit was lacking in the neighborhood felt Poor MUNI access (particularly, its infrequency and unreliability) contributed to the perception of poor access. Of the share of respondents who said access to Third Street was good, ease of parking and walkability of the neighborhood were stated as the prime causes. While access by car and the availability of parking space in the neighborhood adds to the accessibility, most customers also prefer to not park too far away from their destination due to the perception of unsafety and therefore might just prefer to keep driving out to a farther shopping destination. There is also difficulty in getting Uber access in the neighborhood and makes travel more difficult for visitors from outside the neighborhood.
3. **Safety Issues Compared to Other Commercial Districts:** Thirty-five percent of respondents said they felt unsafe in the retail street, compared to 21% who said safety was better, and 44% who said safety was about the same. In matters of safety, lack of security presence was cited as the district's primary weakness, while the level of street activity was considered its primary strength. The nature of Bayview Plaza as a family oriented public space made the residents feel safer, however, the visual disconnect of open space from the other side of the street due to the T-station and loitering were considered the main concerns for unsafe perception.

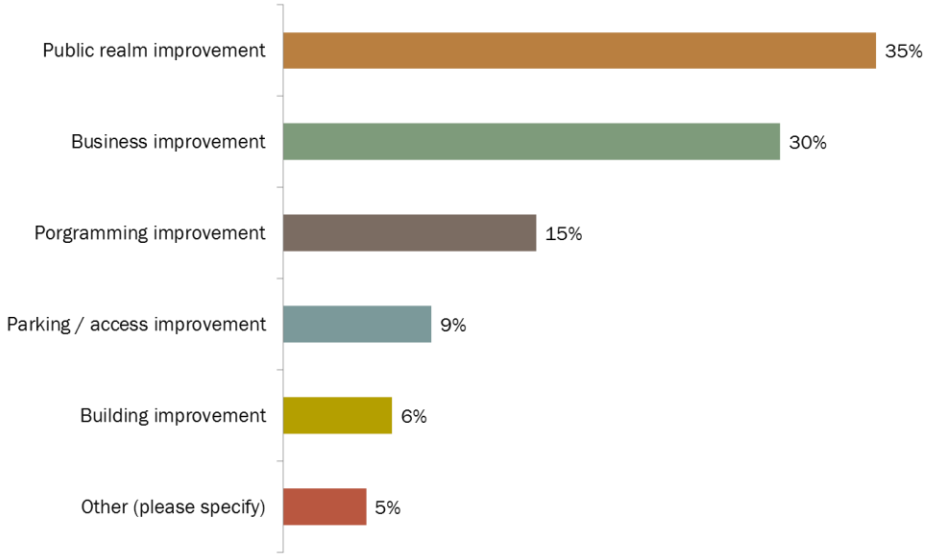


Figure 33: Responses to what would make shopping more enjoyable in the Third Street

BUSINESS SURVEYS

While participants felt a positive change on the streets in the neighborhood, and stated that the MUNI was a positive contributor that connects Bayview with the rest of the City, most felt the perception of safety of the corridor and the neighborhood in general was a deterrent to foot traffic. Many felt the need for the City to recognize the assets of the neighborhood and support its efforts in changing the face of the Third Street Retail corridor.

Some of the recurring concerns for all businesses were:

- How to capture the office workers leaving right after 5 from work, what retail offerings and services would help in this?
- How to support longer hours in retail (and more shifts for workers) with the existing low foot traffic?
- How could permitting for events be made easier to facilitate local businesses supporting each other?
- Immediate need for positive reinforcement of public perception of safety in the neighborhood through inclusion in City-led programs for retail development, (example: Sunday Streets)

STREETLIGHT DATA[18]

The StreetLight solution contextualizes anonymous location data (mobile devices) to measure consumer mobility patterns for a place. The software was used on a pilot basis with LISC and the city of San Francisco to gain new insights about the retail spending patterns in the Third Street Corridor.

- More visitors on a weekday versus the weekend shows that current residents do not access the retail over the holidays and therefore are currently weak supporters of the retail establishments on the corridor.
- Afternoon traffic is seen to be the highest, again suggesting that most employees in the area access the retail, while the numbers decline in the evening, the morning foot traffic is even lower. Focused efforts need to be made to assert the presence of retail options for both morning and evening offerings of goods and services. These could include establishments such as coffee shops, breakfast to go places, for the morning. The evening goods and night goods and services could include more cultural and community driven, higher engagement retail.

[18] Some caveats for the StreetLight Data findings are:

- It does not differentiate between employees and transactions at the retail space. We could assume that the sample size of data collected would be large enough to overcome this data shortcoming if it exists.
- It does not track spending, merely visitation, and therefore this visitation does not necessarily translate not spending for retail.
- Does not capture shoppers who do not carry cell phones.
- StreetLight Data predicts visitor profile information (race, demographics, and education levels) based on the origin location for these trips.

- While many customers are local, people who visit over the weekday (to work in this area) add significantly in supporting the retail establishments. The retail corridor is not a weekend destination.
- 49% of the visitors during the whole day are from the neighborhood (less than the percentage assessed during the consumer survey). The highest foot traffic from the residents is during the evening and then the morning, whereas non-residents make the majority of the shopper in afternoons.

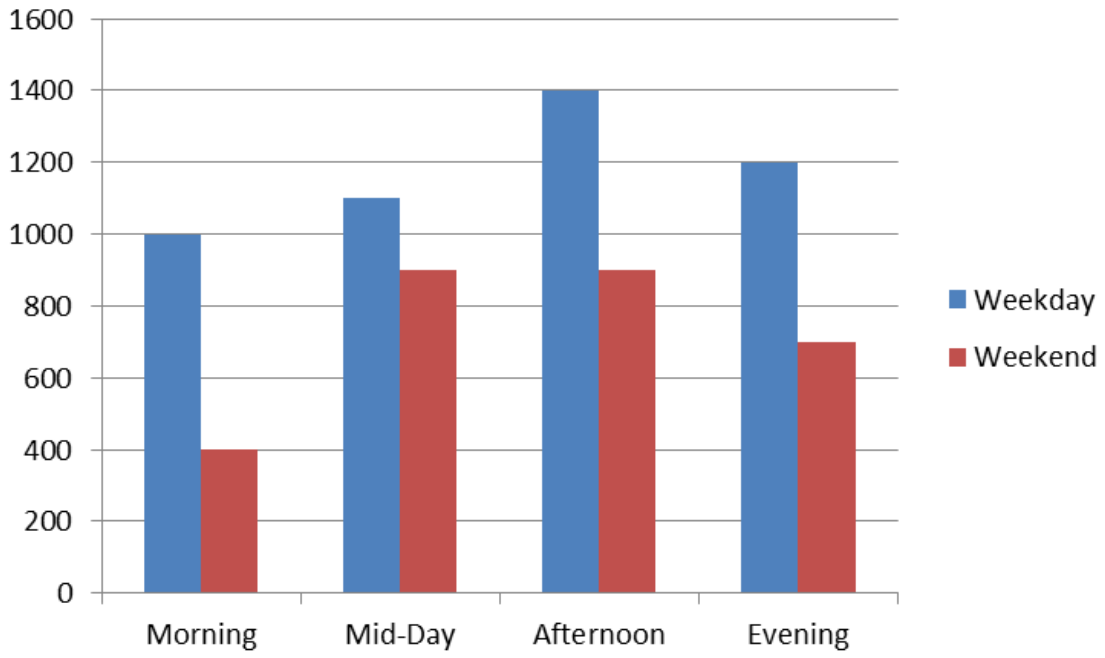


Figure 34: StreetLight analysis: Visitor counts

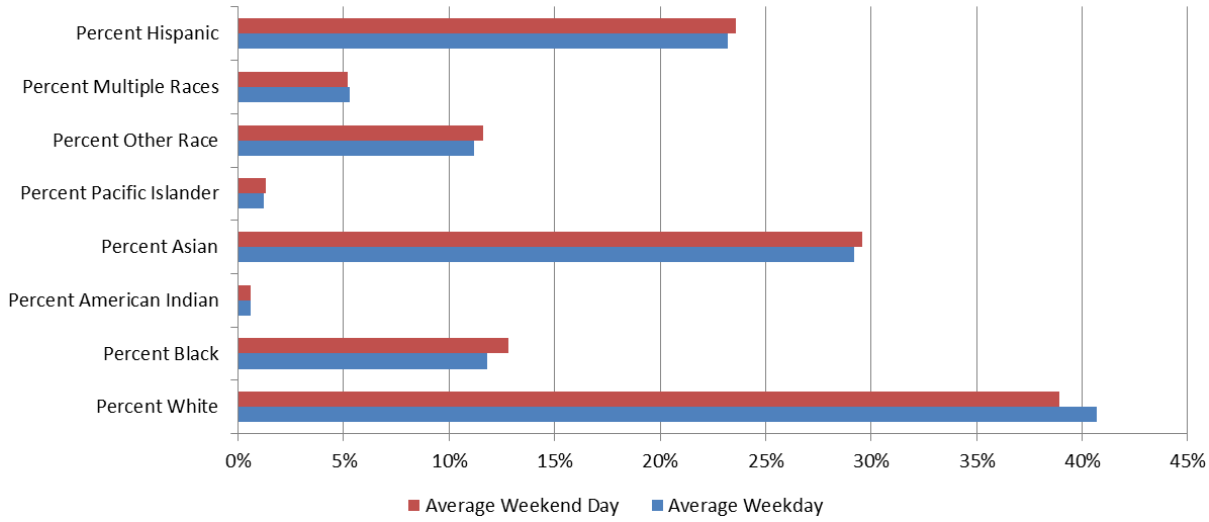


Figure 35: StreetLight Data analysis: Race of visitors

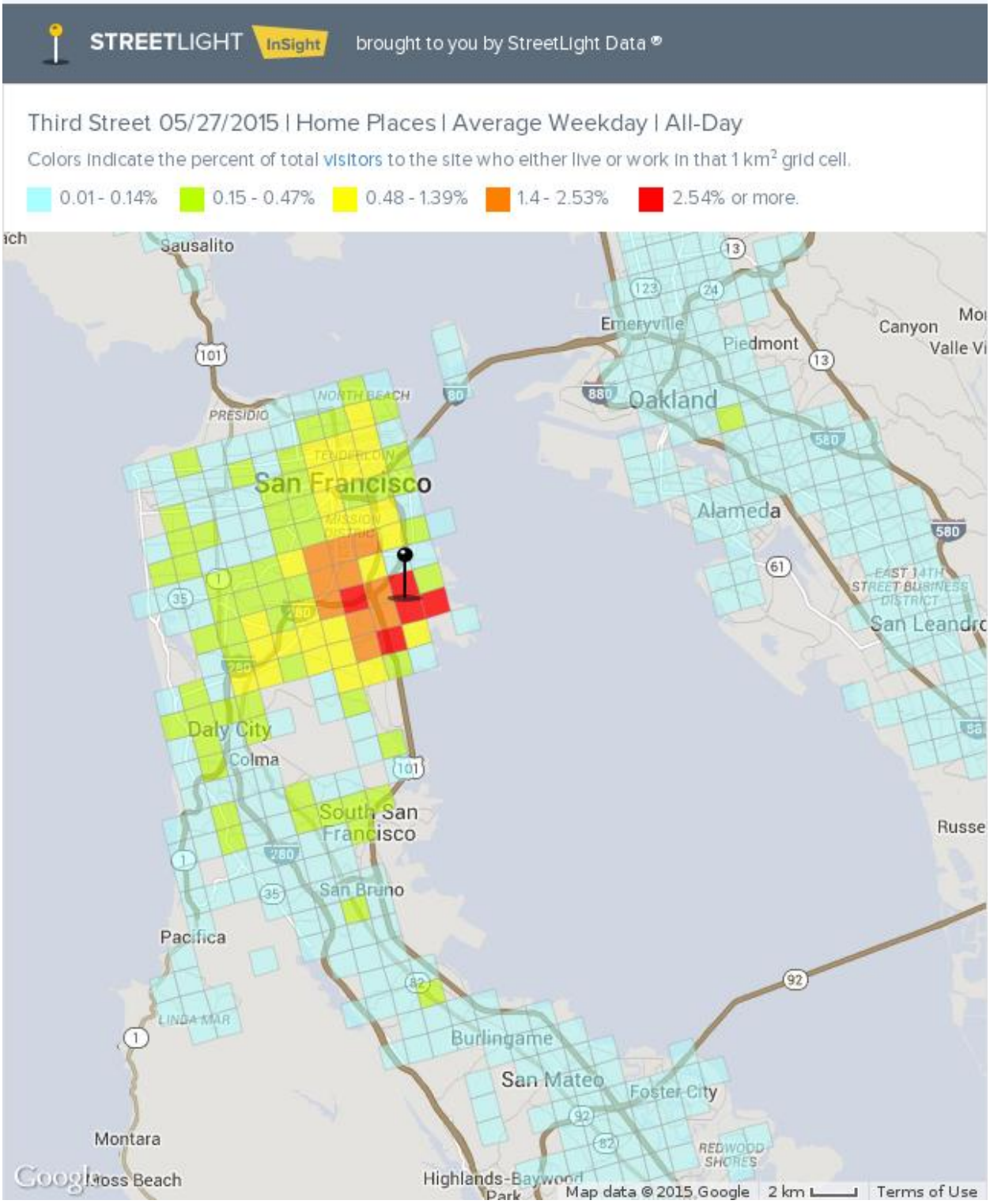


Figure 36: Home origin of visitors on Weekdays

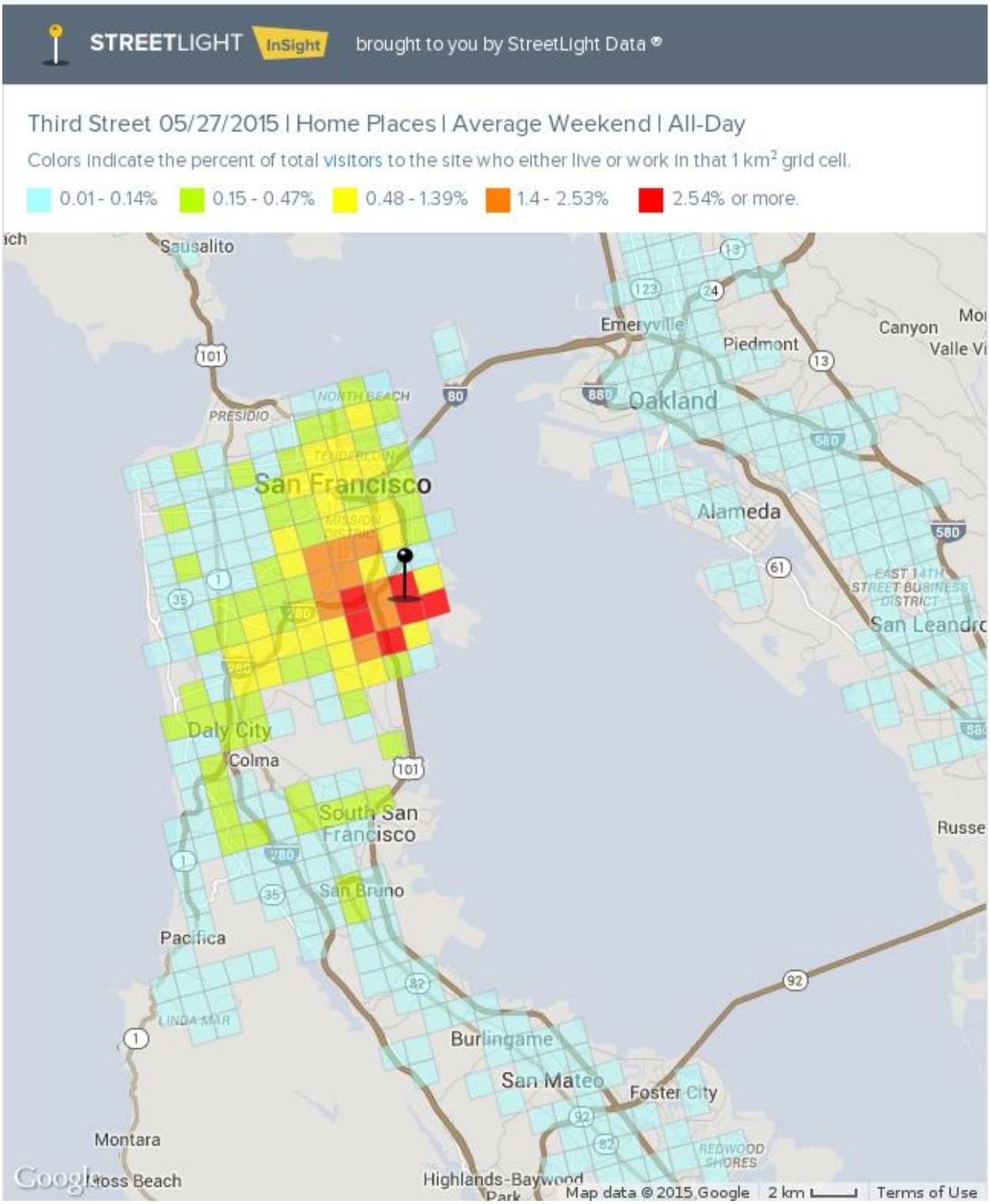


Figure 37: Home origin of visitors on Weekends

OPPORTUNITY SITES LIST VIA ASSESSED VALUE

Parcels are defined as underutilized in cases where the assessed value of built structures is less than the assessed land value. Parcels zoned for low-density residential or industrial uses, as well as parcels with below 10,000 square feet of land area, were excluded from the analysis. While this list of sites only accounts for opportunity analysis in redevelopment opportunities at a large scale, there are small major renovation and site assembly opportunities that could happen through strategic acquisition. Their success could pave the way for bigger redevelopment opportunities and are pivotal in reinvigorating the retail corridor.

- 3800 Third Street
- 5990 Third Street
- 4049 Third Street
- 5190 Third Street

Figure 38: Parcels with lesser build out than permissible guidelines

Figure 39: Parking Lots

Figure 40: Parcels with Improved value greater than Assessed value

YELP ANALYSIS

This analysis reviewed crowd-sourced reviews on Yelp in December 2014 to determine the type and rating of food establishments on Third Street. Nearly half of the food establishments are restaurants and 69% of reviewed establishments have a rating of at least 4 out of 5 stars.

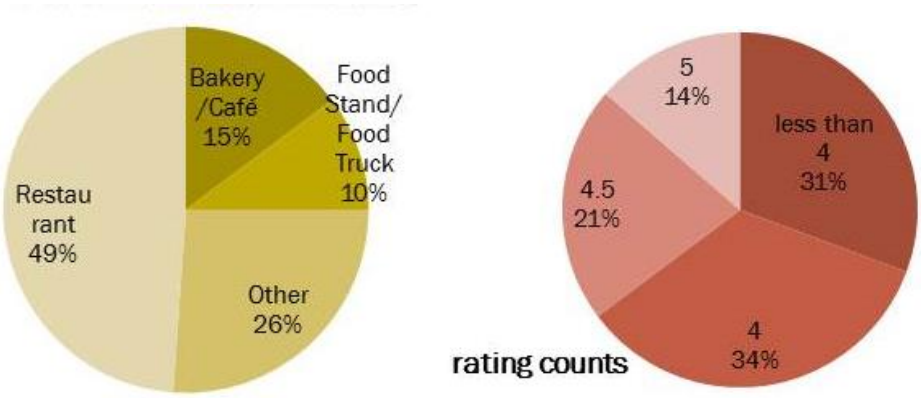


Figure 41: Yelp analysis of Food Establishments Reviewed for Third Street and the Rating counts

Third Street

Economic Development and Corridor Strategy

August 2015

AECOM