



TODCO GROUP CENTRAL SOMA COMMUNITY PLAN KEY TOPIC:
“Community Commercial”: How to Keep Small-Scale Enterprise Working in Central SOMA

Throughout its post-industrial history, the predominant commercial character of Central SOMA has been defined by its hundreds of small businesses. Historically, these small businesses served Central City markets with an array of Production, Distribution, Repair, and Services (PDRS), and provided everyday services for the neighborhood's residents and workers.

Central SOMA's economy and local resident and worker populations have evolved over the decades, but the fundamental demand and opportunities for PDRS and neighborhood-oriented small business remain. They are taking new forms that are relevant to 21st Century SOMA, and some will ultimately come to define the character and spirit of SOMA just as previous generations did before. Unlike formula retail, small businesses contribute to the unique and evolving character of the neighborhood. **Small-scale enterprise plays a vital role in serving our community, and an important provision of our Central SOMA Community Plan is to assure the ability of small businesses of all kinds to locate, prosper, evolve, and be an integral part of Central SOMA. After all, small is beautiful.**

Central SOMA's Microbusinesses

An important sub-class of small businesses in Central SOMA today are “microbusinesses,” defined in this Community Plan as retail operating in a space of 1,000 square feet or less.

The two great hurdles for small businesses to open or expand in SOMA are a) finding retail space that is affordable to rent or buy in the current booming real estate market, and b) the substantial capital investment needed to build out retail/PDRS space. Microbusinesses have been successful in Central SOMA despite these challenges because, though small, they have access to a large customer base in this dense, transit-rich, centrally-located neighborhood.

Microbusinesses are small by conventional standards, but nonetheless have a major impact on Central SOMA. The main characteristics of microbusinesses are:

- **Microbusinesses provide essential neighborhood services and amenities to residents and workers**, such as shoe repair shops, cleaners, very small neighborhood restaurants, hair and nail salons, and other businesses that meet day-

to-day needs within walking distance of work or home.

- **Microbusinesses activate space that would not otherwise be utilized.** They are found in untraditional spaces with unusual layouts, small footprints, or undesirable locations, often on alleyways or “hole in the wall” locations. These spaces are too small for most chain stores.
- **Small retail spaces and storefronts are places where unique, diverse, and character-rich businesses can take hold.** Unlike formula retail, microbusinesses have tremendous place-making value, often reflecting the individual personality or vision of their operator. And by bringing activity to the street they enrich and define the distinct character of SOMA.
- **Microbusinesses provide excellent entry-level small business opportunities.** The cost of start-up for a microbusiness is modest, in the hundreds of thousands of dollars instead of millions, allowing new entrepreneurs to go into business. The cost to remodel a <1000 square foot existing space that has already been built out before is feasible for them at \$100+ per square foot. Larger spaces require proportionately larger initial investment many can’t afford. And new, unfinished “rough shell” storefront space in new developments require an investment of \$250+ per square foot to build out, so only small spaces <1000 square feet are at all feasible for many new entrepreneurs.
- **Microbusinesses owners are exceptionally diverse socially and culturally.** They range from the traditional Central SOMA microbusinesses started by members of the longtime immigrant, LGBT, PDRS workers, and arts communities to the New SOMA wave of food trucks, incubators, startups, hubs and pop-ups started by the newest generation of San Franciscans.

High land values and skyrocketing real estate costs in Central SOMA will put pressure on these microbusinesses. Some will be displaced as older buildings are demolished and replaced with new housing and offices. To offset this loss and add to the small retail spaces and storefronts in Central SOMA, our Community Plan calls for the following:

- **Microbusiness space for small-scale enterprise of all kinds should be required as a condition of approval** for most new office and large residential developments, especially along alleys.
- **In particular, storefront retail spaces of 1,000 square feet or less should be required adjacent to all street-level open spaces built for new office development.** Microbusinesses in these locations will help to activate office open spaces – which are so often dull and lifeless, especially on weekends – while providing all of the community-serving benefits listed above. (For more, see the key topic paper titled “Integrating Community Building Public Open Spaces and Private Green Spaces in New SOMA Office Development.”)

Emerging Microbusinesses and the New SOMA “Scene”

Microbusinesses are helping to shape the look and feel of New SOMA, particularly its food scene. Among New SOMA’s most popular and interesting lunch spots and coffee places are microbusinesses that, in spite of their small size, contribute noticeably to the character and street life of the neighborhood. These include spots in untraditional storefronts, as well as food trucks and pop-up markets that temporarily occupy space in the public areas.

Untraditional Storefronts:

- Several microbusinesses are clustered in small spaces fronting the neighborhood’s alleys. On Ritch St. between Brannan St. and Townsend St., Centro Coffee and Farmerbrown’s Little Skillet (one of the 10 best places in America for Fried Chicken according to Bon Appetit magazine) turn the alley into a meet-up for nearby office workers every day around lunch time, despite a noticeable lack of outdoor seating and streetscaping.



The order window at Farmerbrown’s Little Skillet on Ritch Alley (left) and neighboring Café Centro (top right). Two women sit down for coffee on the historic loading dock across the alley from Café Centro (bottom right).

- A handful of businesses have been carved out of larger storefronts. Chrome Coffee runs out of a corner of the Chrome Store (messenger bags and apparel) on Fourth St. The storefront of Elite Audio Systems on Folsom St. is a hip coffee bar (it doubles as the entry way to the boutique showroom in the back). Box Kitchen is a popular takeout restaurant run out of the kitchen of the Tempest Bar on Natoma Alley. The side door to the kitchen doubles as an order window.



Chrome Coffee Bar (left) and Box Kitchen (right) are literal “hole in the wall” microbusinesses. Chrome Coffee Bar is carved out of a corner of the Chrome Store’s frontage onto Fourth St. Box Kitchen runs out of the kitchen of the Tempest Bar and its order window opens onto Natoma Alley.

Food Trucks:

- Food trucks can now be found everyday serving lunch crowds throughout Central SOMA, some on a regular schedule at the same spot, and others on a semi-regular basis. The Melt (grilled cheese sandwiches) parks a truck in front of Pacific Bicycles; Los Compadres (Mexican) parks at the entrance to a public parking lot at Second Street and Dow Place; Linda’s Catering (Ramen and Sushi) parks on Townsend St. near Fourth St.; La Fisheria parks in a corner of the Shell gas station parking lot at Fifth St. and Folsom St. Off the Grid, the self-proclaimed “roaming mobile food extravaganza,” hosts a pop-up market every weekday at Fifth St. and Minna Alley (the site of the old S.F. Examiner building) with six food trucks and dozens of folding chairs for the crowds that gather for lunch.

Food trucks have transformed the food scene in Central SOMA over the last few years, but the long-term effect of the food truck surge for the community is unclear. They undeniably enliven the neighborhood while they’re here, but they leave the neighborhood on nights and weekends, except for the all-day Street Eats Food Park on 11th Street. And food trucks create new competition for existing neighborhood restaurants, especially the modest priced and ethnic cuisine businesses. It is yet to be seen if the neighborhood will be able to provide enough market demand to support both.



Minna Alley closes daily for Off the Grid (left), which brings in four or more food trucks. Organizers set up seating and occasionally hire a band to entertain lunch crowds. La Fisheria food truck (right) parks in the otherwise empty corner of the Shell gas station at Fifth St. and Folsom St.

Pop-Up Markets, Mercados, and Farmers' Markets:

- Pop-up markets provide part-time tiny retail spaces in the form of booths and stalls for a handful of small entrepreneurs. On some regular schedule they offer lunch options, crafts, and fresh produce shopping for the neighborhood's residents and workers in available locations throughout Central SOMA. Some examples are a weekly Farmers Market on Yerba Buena Lane near Market Street, a semi-regular Mercado at the well-designed outdoor POPOS at the office complex at 303 Second Street, and a new coffee stall outside Public Bikes that caters to the South Park crowds.

The popularity of these New SOMA microbusinesses (long lines are a given at certain spots during peak hours) speak to the utility and value they offer to the Neighborhood's residents and workers. Some may be destined to become future Neighborhood icons – and several arguably already are. A very successful few will graduate to bigger retail spaces over time.

Several of the New SOMA microbusinesses are expansion sites for local businesses moving into a second or third location. **These expansions are solid evidence that small entrepreneurs can survive and flourish in SOMA, even if they operate out of small or untraditional spaces that formula retail would not – or could not – make use of.** Café Centro in South Park also serves the nearby Chrome Café, and it has a smaller second location on Ritch Alley. Farmerbrown's Little Skillet, the "offshoot" of the full-service Farmerbrown's Restaurant (Mason St. and Market St.), is itself set to expand into the space next door that was formerly occupied by the 330 Ritch night club.

In addition to providing a launching ground for new neighborhood-scale retail, microbusinesses bring a vibrant new street life into formerly neglected pockets of Central SOMA. Most notably, **small retail spaces and food trucks are contributing to the activation of the neighborhood's alleys.** Sections of Ritch Alley, Natoma Alley, Minna

Alley and others are noticeably busier during certain parts of the day because of the foot traffic generated by New SOMA microbusinesses. Our Community Plan includes recommendations for alleyway improvements aimed at creating new open spaces and integrated new pedestrian routes.

To support the small SOMA entrepreneurs of today and tomorrow and keep this positive Neighborhood-Building New SOMA scene going strong, **our Central SOMA Plan proposes:**

- **Proactive City initiatives to improve Central SOMA's alleyways**, which are already home to a sizable number of the Neighborhood's microbusinesses. The creation of a "Central SOMA Living Alleys Program" should be included as an implementation item in the city's plan and be acted upon as an immediate follow-up item, resulting in the adoption of detailed designs and secured funding.
- **Planning for the siting of food trucks as part of the alleyway revitalization efforts.** Central SOMA's network of alleyways include a number of sites suitable for food trucks (e.g. Clementina Alley and Gallagher Lane and the Lapu Lapu block, see Chapter 4: Neighborhood Building Opportunities at the Block/Alley Level). Our Community Plan includes food trucks as a component of the Neighborhood Building Toolkit that should be incorporated as an element of the Alleys Program for Central SOMA.
- **Provisions for the inclusion of pop-up markets as a condition of the approval for POPOS office open spaces, where appropriate**, to activate the space and increase the number of low-overhead small business opportunities available to local entrepreneurs. Community markets may be particularly helpful in activating POPOS sited along alleyways, and might prove to be an essential ingredient in the programming for the proposed Levi Plaza South (see Chapter 4: Creating a Marvelous New SOMA Public Space: "Levi Plaza South").
- **Planning for the expansion of SOMA's network of parklets**, which can be an invaluable amenity for small restaurants and cafés without the space for patio seating (e.g. Darwin Café on Ritch Alley). The San Francisco Planning Commission's decision to make the approval of several new large office buildings contingent upon their inclusion of a parklet (including 333/345 Brannan St. and 270 Brannan St.) demonstrate the more active role the city can and should play in bringing parklets to areas that can benefit from the addition of well-designed community space.
- **Permit for temporary pop-up retail at appropriate sites in the neighborhood's public areas.** The festive environment created daily at Off The Grid demonstrates the potential that public markets and outdoor retail stalls can make in enlivening an underutilized alley. Streamlined permitting, as well as guidelines on street furniture and public programming (live music, etc.) could be established to provide a successful template for new venues.

Traditional SOMA Microbusinesses and Where They Are

Storefronts with small footprints provide affordable space to small businesses that provide essential neighborhood services to Central SOMA. These traditional microbusinesses are shoe repair shops, dry cleaners, small neighborhood restaurants and other neighborhood-serving retail establishments. They are clustered in a variety of small storefront locations across the neighborhood:

- **The majority of traditional microbusinesses in Central SOMA are located in older commercial buildings or on narrow or irregular lots.** Old building stock often included smaller retail spaces than are typically built today. Examples in include the City Gourmet Deli and the South Park Cleaners on Third St. and corner stores, like Jack's Market at Third St. and Stillman St. South Park is bordered by irregular lots that host a number of small establishments like the Grasshopper Salon.



City Gourmet Deli and South Park Cleaners on Third Street.

- **Clusters of microbusinesses have formed to serve specialized needs.** In an older commercial retail building on the 200 block of Townsend St., a mini-green retail district has taken root with Gluten Free Grocery (in a space just over 1,000 square feet); the D'Urso Juice Bar and Deli (occupying two small storefronts); and Greenstreets Cleaners, a green dry cleaner in the large corner unit. Together with GSP Guitar Solo, the green small businesses share frontage with a parklet that occupies three parking spaces.
- **Several newer Central SOMA developments have included microbusinesses in order to better integrate themselves into the fabric of the neighborhood.** The SFMTA Moscone Center Parking Garage on Third St. includes pocket retail space at street-level, a solution that simultaneously avoids a street-level void in the form of a blank façade and creates small-scale retail opportunities for the neighbors and workers.

- **Two large residential developments host ground-level space for microbusinesses to provide amenities that would attract and retain tenants.** Museum Parc and SOMA Apartments, two large residential projects developed in the 1980s on opposite sides of Third Street at Folsom Street, purposefully included small street-level retail spaces. SOMA Apartments street-level has five businesses in small storefronts 10 to 25 feet in width, with footprints of just a few hundred square feet. The project’s marketing materials for continue to promote the “on-site dining, convenience store and dry cleaners” as community amenities.



The marketing materials for the Archstone South Market Apartments advertise the retail space it rents at ground-level on Fourth Street as an amenity for residents.

- **The S.F. Planning Commission has taken the action of requiring the inclusion of micro retail spaces as a condition of approval for three recent office developments in SOMA,** at 270 Brannan St. and at two adjacent office buildings at 333 and 345 Brannan St. The Planning Commission based their decision in part on the desirability of retaining small business opportunities in the neighborhood as it undergoes great changes, and in part to ensure space for businesses that might serve the people that will come to Central SOMA to work in these office buildings. This should be a routine requirement for all future Central SOMA projects
- **PENDING:** Analysis of 303 Folsom ground-floor retail to propose a preferred balance of regular business: microbusiness.

Formula Retail Creates Neighborhood Dead Zones

Much formula retail is antithetical to community character by its very nature. This is especially true with fast food and restaurant businesses. Where formula retail is widespread it creates a district with diminished neighborhood life, especially on nights and weekends. **An egregious example of this in eastern SOMA is the Transbay Terminal area where, despite massive new office and residential developments and dozens of formula retail storefronts within them, there is no semblance of a real “neighborhood” at all.** Even the King Street retail block in Mission Bay North, anchored by a Safeway neighborhood market, is dominated instead by national chains like Amici’s pizza, Unami Burger, and Lucky Strike bowling thanks to the adjacent Giants Ballpark.

But of course there are some varieties of formula retail that do contribute needed neighborhood services – supermarkets certainly. And there are commercial services that are not practically available any other way, like Fed Ex/UPS. There are also local places that succeed and grow to formula retail size (defined by the City in section 703.3 of the San Francisco Planning Code as 12 locations), like SOMA’s original Extreme Pizza, now a national chain, and others. **All formula retail cannot be regulated as if it were all the same.**

Experience with new office development in Central SOMA shows that to the extent developers include any ground-level retail space in their buildings, most of it is designed for and rented to formula retail operations like chain restaurants and fast food – Starbucks, Subway, etc.). Most close up soon after 5PM on weekdays and very few are open on weekends.

Central SOMA is already an burgeoning office development district, with more than 4 million square feet of new office development currently proposed, approved, or under construction here, with much more to come based on the rezoning that is proposed by both the Planning Department’s draft Central SOMA Plan and this Community Plan (See Central SOMA “Pipeline” Development Projects Key Topic Paper). **It is imperative that the expansion of office development does not result in the continued growth of neighborhood-deadening formula retail, which would homogenize the distinctive character of SOMA and detract from an active and vibrant 7 day a week Neighborhood urban life.**



Chain Store “Dead Zone”: The ground-level view of the 200 Third St. office building looking South (left) and the same stretch looking North (right). This stretch of chain retail could easily be mistaken for a strip mall in Anywhere, USA, but it is directly across busy Third St. from the Moscone Convention Center.

Formula retail consistently operates with a competitive economic advantage over the neighborhood’s independent retail sector and small-time entrepreneurs – it can afford higher rents and readily leverage greater capital financing. But this Community Plan envisions policies to prioritize entry-level small-business opportunities, which are at the foundation of our neighborhood’s unique identity and character. **So to reach their full potential, Central SOMA small businesses will require protection from the proliferation of chains and formula retail in the retail categories where small entrepreneurs could succeed.**

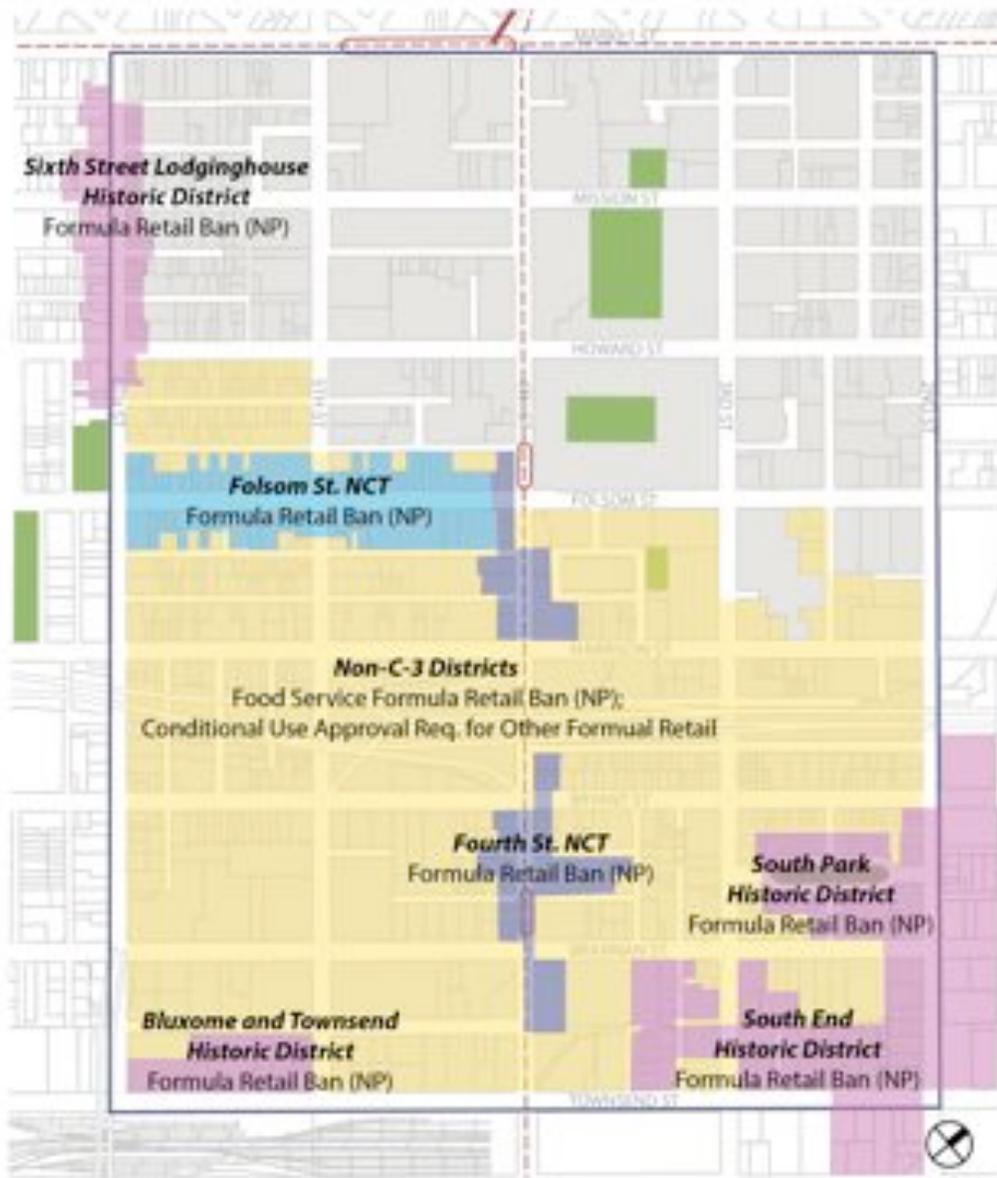
While the Planning Department’s Draft Plan does not propose any additional requirements to limit the development of formula retail, our Central SOMA Plan proposes that:

- **Formula food-service chains will be classified “NP” – Not Permitted – for all non-C-3 zoning district within Central SOMA.** This would apply to the following use categories: bar; drive-up facility; eating and drinking use; restaurant, large-fast food; restaurant, small self-service; restaurant, full-service; take-out food; specialty food, self-service.
- **Other non-food-service formula retail uses will be classified “CU” – Conditional Use – and must apply for Conditional Use Authorization before the Planning Commission.** There is such a wide range of business types that are formula retail that no general rule makes sense – some have their place, even in a neighborhood. Thus, approval for non-food-service formula retail should be closely evaluated on a project-by-project basis, and consideration should be made for the potential benefits or downsides for residents and workers, as well as the impact on SOMA small businesses.
- **Formula retail will be completely prohibited (NP) inside the boundaries of the historic districts within Central SOMA,** including the South End Historic District (both within the existing district and the proposed expansion area), the Bluxome and

Townsend Warehouse Historic District, the South Park Historic District, and the Sixth Street Lodginghouse Historic District. This designation will help to retain the historic character of these districts

- **Formula retail restrictions will be strengthened within the Folsom and Fourth Street Neighborhood Commercial Transit Districts (NCTs) to completely prohibit formula retail (changing its current classification of CU to NP).** Our Community Plan would extend the F-NCT zoning two blocks eastward along Folsom Street from Sixth Street to the Yerba Buena Central Subway Station (see Chapter 4: New Zoning and Development Controls). This update is in keeping with the intent of the NCT zoning designation, which was designed to create traditional shopping districts in order to better provide neighborhood-serving retail and commercial businesses.

TODCO Group Central SOMA Community Plan
Formula Retail Restrictions



This Community Plan proposes no additional restrictions on formula retail within the portions of Central SOMA within C-3 zoning districts (including C-3-R, C-3-O, and C-3-S). Outside the C-3 Districts, the Community Plan would ban food service formula retail and require that all other formula retail be allowed only if it obtained a Conditional Use Permit. Along the Folsom St. and Fourth St. Neighborhood Commercial Transit (NCT) districts, which are designed to be neighborhood-serving shopping centers, a full formula retail ban is proposed. In the four historic districts that fall within or partially within Central SOMA, a full formula retail ban is likewise proposed.

The Role of Collective Workspace for Today's Small Entrepreneurs

SOMA has always been a center for the segments of the economy that are today drawn to collective workspaces. In its past, SOMA provided a home for such endeavors through readily available cheap space in old industrial buildings (though sometimes illegally or in buildings that were not up-to-code). But these "Class C" buildings are rapidly shrinking in number as they are upgraded to Class B office space thanks to today's hot market or demolished for new housing or commercial development. **So a new emerging model of collective workspaces is filling some of that need as this commercial gentrification makes SOMA unaffordable to start-ups, low-margin, and non-profit endeavors.**

Co-working spaces provide desk space and use of shared facilities (bathrooms, meeting spaces, reception, etc.) to freelance workers, businesses or nonprofits with a small number of employees, and startups not ready for permanent office space. This type of workspace is highly flexible, as "tenants" can move in and out on an as-needed or short-term (even daily) basis. It is generally cheaper to work from a co-working space than from a typical office, at least one in downtown San Francisco. The setup allows for easy socialization and casual conversations among workers from different companies and industries. These encounters create opportunities for cross-company collaboration and discussion, and produce a social office vibe that is well-liked by many employees in today's workforce.

There are various shared workspace models here and around the nation. Central SOMA's ecosystem of co-working spaces includes a wide variety of operations. Mission*Social (972 Mission St.), Sandbox Suites (404 Bryant), Hatch Today (645 Harrison), and Citizen Space (425 Second St.) are all marketed as affordable, flexible, and fun alternatives to traditional office space.

Several of SOMA's co-working spaces are outwardly mission-driven, presenting themselves as agents that are reshaping the way the office segment of the economy is structured to better cater to creative and socially beneficial endeavors.

- Hub SoMa, located in the old S.F. Chronicle Building, is a preeminent example. According to its website, Hub SoMa has 20,000 square feet of co-working space, including 125 workspaces at open desks and 20 private offices for use by social enterprises.
- Renaissance Entrepreneurship Center, at Fifth Street and Clementina Alley, is a non-profit with specific programs targeted at low-to- moderate income individuals. In addition to renting space at reasonable rates, the Center provides training, coaching, and classes to members.
- WeWork (156 Second St.), provides members with affordable health care and touts the opportunities for cross-collaboration and social interaction as key selling points – WeWork's website describes its regular social events as "an integral part of the WeWork experience."

Operating along a similar model to the co-working spaces are collective workspaces for non-office uses called "hackerspaces." These are a blend of DIY'ism and tech. They are

guided by the philosophy that by allowing for flexible production space they can serve a capacity-building role for the community and also serve as an incubator for a renewed local manufacturing movement.

- TechShop SF (926 Howard St.) provides shop workspace and a wide variety of industrial equipment and tools (welding equipment, wood working equipment, industrial sewing machines, etc.) to members, as well as a wide variety of classes on the use of their equipment. TechShop’s website acclaims that it has provided “the tools and support” that have helped to “launch dozens of companies and create thousands of new jobs in the process” from its seven locations across the country.
- For two months during the summer of 2013, a warehouse at 1131 Mission St. was rented for a volunteer-programmed space called Freespace, which functioned as a mix of community center, artist studio, and co-working venue. A self-described “civic hack experiment,” Freespace published a downloadable toolkit based on its two-month run in the hopes of inspiring similar uses in vacant or underutilized buildings.

The market will continue to supply co-working space as long as demand exists and an adequate supply of Class C and Class B office space suitable for it remains. As covered elsewhere in this Community Plan (see Chapter 3: The Complete Tech Industry Office Continuum), new office development in Central SOMA almost without exception produces “Class A” office space – that is, high-end, high-rent buildings that are designed with major Tech companies in mind. That smaller Tech startups and many other industries will be priced out of new development speaks to the importance of retaining an adequate supply of less expensive spaces in older buildings. As mentioned, **our Community Plan proposes restrictions on mergers of small lots to discourage the demolition of 2+ story buildings that will supply a long-term supply of smaller commercial space and thus help to maintain space for a broader spectrum of commercial office users.** (See Chapter 4: Protecting Vital Space for the Future by Restricting Mergers of Small Lots).

TODCO Group Central SOMA Community Plan
Central SOMA Collective Workspaces



The collective workspaces of Central SOMA, which are primarily for-profit shared office facilities, but also include the non-profit business development organization Renaissance Entrepreneurship Center, the mission-driven Hub SoMa, and the industrial “hackerspace” TechShop SF. It is too early to say if these collective workspaces will come to fill the void left by the cheap old industrial buildings that once attracted small entrepreneurs and startups, or if some will contribute to the commercial gentrification of Central SOMA.

Retaining/Renewing SOMA's PDRS Small Businesses: Key Factors

SOMA has not been an major industrial area for decades, but its character and identity is still very much shaped its many PDRS small businesses (Production, Distribution, Repair, and Services). While the ongoing commercial gentrification of SOMA has pushed some PDRS small businesses out of the neighborhood, others can survive, evolve, and prosper given proximity to the Central Business District and many potential customers.

The greatest challenge for PDRS small businesses is the loss of affordable building space as old buildings change to office use or are demolished to make way for new office and residential development. As in many other “warehouse districts” across the country, nearly all of SOMA’s one-time industrial buildings have been “adapted” for new uses over the decades.

When the SOMA’s arts community first established itself here beginning in the 1970s, the many old vacant industrial buildings offered cheap space for workshops, galleries, performance venues, and artists’ residences. Then in the 1990’s the loft apartments that artists popularized eventually became a hot real-estate product, pricing out many of the artists and shifting the neighborhood into a center for luxury condo construction. The office market similarly embraced the loft aesthetic, and new construction now often mimics the open floor plans found in large industrial buildings.

While nearly all the one-time industrial buildings have changed use, a significant number continue to house PDRS businesses. SOMA contains a mix of traditional PDRS uses (such as auto service shops, the S.F. Flowermart, and independent printers), and newly emerging uses and industries (such as breweries and wineries). The economic advantage/necessity for PDRS businesses remaining near the Central Business District of San Francisco will remain strong for many of them. **Recent experience demonstrates the ways in which the PDRS model has remained viable despite the expense of doing business in a high-cost urban area:**

- **New high-value specialized PDRS businesses are capable of generating higher sales per square foot of building area than old PDRS businesses ever did.** The PDRS businesses that survive will tend to be less space-intensive, and they will tend to specialize on high-end markets. This evolution is observable in SOMA’s auto services industry, which increasingly specializes in expensive cars catering to a Central Business District professional clientele. Another example are high-end custom manufacturing and craft work PDRS businesses, which will always need to showcase their work to customers and clients near the CBD. For businesses such as these, a showroom or studio in a central location makes sense (for example, the Arc Wood and Timbers Studio for reclaimed wood on Clyde Alley, the Elite Audio Systems boutique showroom on Folsom Street).
- **PDRS businesses that must locate in San Francisco but cannot afford other, even higher-cost locations may move to Central SOMA.** The automotive industry is the primary example of this. American-car dealerships have moved out of the city (the last hold-out was the Ford dealership on Market and Dolores, which is now a new luxury condos development with a Whole Foods market), but the global luxury

brand dealerships must stay close to their customers and maintain a brick and mortar presence in the city. They may choose to cash out of sites on the Van Ness corridor in favor of SOMA, which is more PDRS-friendly and is a good venue for auto sales. Mercedes moved from Van Ness to 9th and Bryant where they have more space, an efficient new building, and visibility from the freeway.

- **Successful PDRS businesses are adaptive to new conditions and capture emerging markets.** Several of SOMA’s “new PDRS” businesses include a retail component to maximize the income they generate on-site. ThirstyBear Brewing Company (Howard St.) and 21st Amendment (Second St.) are “brewpubs,” combining restaurants with on-site craft breweries. More are coming every year. Likewise, Bluxome Street Winery includes a tasting room and a Sonoma-esque events space for weddings and corporate events. The Factory (Clara St. and Forth St.) is another unique hybrid PDRS and retail model. It is a production house that provides service to independent fashion designers, but to support itself off-season, it also produces its own line of clothing, which it manufactures and sells on site.
- **PDRS small businesses that own their own buildings are in the best position to survive the commercial gentrification of SOMA.** This is self-evident, and some existing PDRS business do own their properties, notably auto repair shops. But there is no City program to assist or incentivize this.

Retaining/Expanding SOMA’s PDRS Small Businesses: Zoning Controls

The only intentionally pro-PDRS zoning designation in Central SOMA now is the existing West SOMA “SALI” (Service, Arts, Light Industrial) District generally south of the I-80 Freeway. New housing and office development are not permitted uses in the SALI, thus in theory reserving it for future PDRS businesses. However, the SALI zoning also allows new nightclubs, specialty retail, restaurants, and mid-box retail development (up to 25,000 ft in size), all of which can outbid PDRS businesses for raw land or spaces in older buildings. **Thus the actual impact of current SALI zoning for PDRS retention and new businesses is minimal.**

The Planning Department’s proposed Central SOMA Plan would rezone the entire SALI district east of Sixth Street into its “MUO” (Mixed-Use Office) District, which would remove all restrictions on housing and office development. It essentially abandons any extra support for future PDRS businesses here or the rest of Central SOMA, even though PDRS is one of the many uses allowed by MUO zoning anywhere. Practically, **MUO zoning alone is a death sentence for PDRS in SOMA.**

Our TODCO Central SOMA Community Plan instead proposes both new restrictions and new incentives for PDRS retention and expansion in Central SOMA that – unlike both current and proposed City zoning – would be sufficient to make a real and positive difference over the long term:

- **Require one-for-one on-site replacement of existing PDRS interior building space demolished or converted into any other use in the current SALI District.** This would include the crucial Flower Mart properties.
- **Continue the prohibition of new office development in the current SALI District on properties smaller than one acre.** This will continue the limited PDRS protection of the current SALI zoning from displacement due to office conversions of existing buildings in this limited part of Central SOMA.
- **Continue the prohibition of new residential development in the current SALI District, except for mixed-use development of sites larger than one acre adjacent to existing “RED” (Residential Enclave District) zones.** Residential development creates major compatibility conflicts with PDRS businesses and nighttime entertainment. Allowing it throughout the SALI area as DCP now proposes would create a timebomb of future community conflict, often bitter.
- **In all other non-C3 District areas of Central SOMA, require replacement PDR space equal to 0.75 FAR of the lot (or just the area of existing PDRS use if less than that) on any property where existing PDRS use is demolished or converted to other uses.** For example, conversion of an existing three story industrial loft building on a 10,000 sq ft lot to office use would require 7,500 sq ft of PDRS space be retained (presumably on the ground floor) while the rest could be converted to 22,500 sq ft of office space, or even residential space where allowed. **This would apply even to historic/architecturally “significant” buildings which otherwise can be converted to any use.**
- **Very crucially, adopt this Community Plan’s proposed restrictions on lot mergers in the non-C3 districts of Central SOMA to disincentivize demolition of the many existing smaller buildings on lots less than ½ acre in size.** Our Community Plan proposes prohibition of demolition of existing buildings with an FAR of 1.5 or more where there is a lot merger including that building. This will help maintain the long term supply of smaller commercial spaces for rent, many of which are sites for PDRS businesses (see Chapter 4: Protecting Vital Space for the Future by Restricting Mergers of Small Lots).
- **Establish a TDR program for property owners to sell the unused new development “air rights” of their existing buildings under the Central SOMA Plan to other new Central SOMA developments if those existing buildings are permanently dedicated to PDRS uses.** This would be real economic incentive for cash-flow oriented building owners to retain PDRS businesses, and would also make it feasible for some PDRS tenants to buy their buildings. Such a TDR system would also be utilized by owners of historically significant buildings in Central SOMA too, but without any restrictions on the future use of that small number of properties.

Overall, as a targeted package of zoning restrictions and incentives these provisions of our Central SOMA Community Plan will result in a permanent long term inventory of PDRS space in Central SOMA that will be utilized by the PDRS businesses of today and tomorrow that economically need to be located near downtown San Francisco. The Planning Department's proposed Plan will not.



PDRS properties proposed for or presently undergoing a change of use to commercial or residential, as of October 2013.