SPUR POLICY BRIEF
FEBRUARY 2026

Reinventing Downtown

A new model to revitalize San Francisco’s urban center

Acknowledgments

This report was generously funded by JPMorgan Chase.

Authors
Sujata Srivastava, SPUR
Ben Rosenfield, SPUR
Bob Gamble, Gamble Strategies

Special thanks to Tyler Brandon, Sarah Dennis Phillips, Tom Lockard, Leigh Lutenski, Chris Lynch, Jesse Smith, Anna Van Degna

Edited by Melissa Edeburn and Ren Steen
Designed by Shawn Hazen

Contents

Introduction

The scale of the transformation needed in downtown San Francisco calls for a new approach to urban revitalization. The downtown district faces a historically high office vacancy rate of more than 30%, shuttered storefronts, and deteriorating public infrastructure. Even before the COVID-19 pandemic, downtown San Francisco faced significant challenges, including traffic congestion, insufficient housing, and a lack of affordable commercial spaces that priced out nonprofits, artists, and small businesses.

As the city grapples with an oversupply of commercial spaces and anemic street activity, San Francisco's leaders have an opportunity to reimagine downtown to create more housing, boost entrepreneurship, and nurture arts and entertainment. Success in this effort is critical not just to the vitality of downtown but also to the city as a whole, given the importance of downtown's economy for generating revenues to provide services in all of San Francisco's neighborhoods. Downtown San Francisco plays a central role in the city's economy, acting simultaneously as the region's largest transportation hub and densest office and employment center, as well as a major tourism destination and a vibrant cultural and entertainment district. According to analysis prepared by the SF Downtown Economic Core Collaborative, Downtown San Francisco accounts for 40% of the city's General Fund tax base, serves as the employment location for 40% of San Franciscans, and holds 42% of the city's small businesses.

The Importance of Downtown

5% OF SAN FRANCISCO'S LAND AREA

40% OF THE CITY'S GENERAL FUND TAX BASE

70% OF THE CITY'S OFFICE SPACE

65% OF THE CITY'S HOTEL ROOMS

42% OF THE CITY'S SMALL BUSINESSES

40% OF CITY RESIDENTS' EMPLOYMENT

Source: This analysis is based on a downtown geography composed of the five community benefit districts in the city's central business core, encompassing the Financial District, Yerba Buena, East Cut, Union Square, and the Mid-Market areas. Tax revenue estimates are for 2023 and rely on parcel-level information for property taxes received from the Controller's Office; sales tax and related revenues draw from data available at the SF Open Data Portal (https://data.sfgov.org/Economy-and-Community/Sales-Tax-by-Zip-Code/ytk4-yncf/about_data); hotel tax allocations using hotel room counts in the area received from the Hotel Council; business tax, other tax revenues, and employment information is drawn from a report published by the Board of Supervisors Budget & Legislative analysis in 2024 (https://sfbos.org/sites/default/files/BLA.DowntownSF.Economy%20Tax.022423.pdf). These results should be treated as estimates for the area and are provided for illustration.

The public sector plays a crucial role in downtown economic development by providing regulatory relief and financial incentives for revitalization projects. But that's not enough in today's climate, especially given dwindling public resources at the local level and sclerotic decision-making processes. Troubled downtown sites like the San Francisco Centre face an uncertain future without clear, effective processes for rethinking and revitalizing them. The scale of transformation needed for downtown revitalization will require the city to establish a quasi-public authority empowered to implement projects such as affordable housing, infrastructure, parks, the public realm, and affordable spaces for small businesses, community organizations, and the arts.

This brief outlines SPUR's research on models for the proposed authority and its recommendations for establishing it.

The proposed authority should:

- **Execute publicly approved plans**
- **Be staffed by a multi-disciplinary team with real estate, marketing, business development, legal, and finance expertise**
- **Provide financing and incentive packages for catalytic projects**
- **Deliver public realm improvements**
- **Operate for 20 years to oversee long-term projects**
- **Be funded by public and private sources**

The Value-Add of a Downtown Revitalization Authority

Currently the responsibilities and authority for implementing downtown revitalization in San Francisco are dispersed. For example, capital projects such as public realm improvements are vetted by the multi-departmental Capital Planning Committee (CPC), which makes recommendations to the mayor and the Board of Supervisors for approval of expenditure plans and debt issuance.[1] This fragmented decision-making process makes it challenging for the city to take a comprehensive approach to public realm investments in a targeted area.

The city has created multiple special entities over the decades to implement urban revitalization in specific areas of San Francisco, such as the Office of Community Investment and Infrastructure, the Transbay Joint Powers Authority, and the Treasure Island Development Authority. But all of them are limited in their scope and authority to execute land use changes and provide public financing (Exhibit 1).

EXHIBIT 1

Urban Revitalization Entities in San Francisco

The following entities focus on specific geographic areas and have limited scope and authority to make land use changes, approve permits, and provide public financing.

ENTITY	GEOGRAPHIC FOCUS	LAND USE AUTHORITY	FINANCING CAPACITY
Office of Community Investment and Infrastructure State-enabled successor agency to the city's former redevelopment agency	Mission Bay, Transbay, and Hunters Point/ Bayview	Can approve and negotiate projects that are in redevelopment plans.	Collects and distributes tax increment revenues in former redevelopment areas.
Transbay Joint Powers Authority Joint powers authority	Transbay District	Can negotiate real estate deals. Can acquire, develop, and lease properties in the district. As a practice, all permits are approved by the Board of Supervisors.	Can establish financing districts and make capital investments in infrastructure and real estate.
Treasure Island Development Authority Nonprofit public benefit agency	Treasure Island Naval Station	Development agreement limits leasing and permitting authority. Can negotiate real estate deals within the purview of the master plan and with Board of Supervisors approval.	All financing is approved through Board of Supervisors.

[1] The city administrator chairs the CPC. Other members include the president of the Board of Supervisors, the mayor's budget director, the controller, the city planning director, the director of Public Works, the airport director, the executive director of the Municipal Transportation Agency, the general manager of the Public Utilities System, the general manager of the Recreation and Parks Department, and the executive director of the Port of San Francisco.

SPUR proposes a downtown revitalization entity with greater authority to plan and deliver projects, negotiate real estate contracts, and provide public funding for capital and development projects. It would be staffed by legal, financial, land use, economic development, and marketing experts. Most importantly, it would pursue a comprehensive approach that treats downtown as a whole district rather than delivering projects on a piecemeal basis.

Other proposals have also recommended creating a new entity that is focused on downtown revitalization in San Francisco. In the spring of 2023, the Urban Land Institute convened a panel of advisers who recommended forming an independent downtown revitalization authority with the capacity to plan and finance real estate projects, infrastructure, and office-to-residential conversions and to support priorities such as arts, culture, and small businesses.[2] Later that year, SFNext, a project of the *San Francisco Chronicle*, proposed creating a new Downtown San Francisco Resiliency and Development Authority charged with land use planning, real estate development, permitting, and economic development in the downtown district.[3]

The following use cases illustrate how SPUR's proposed authority would enable revitalization projects more effectively.

2 Urban Land Institute, "Advisory Services Panel Report: San Francisco, CA," May 25, 2023, https://knowledge.uli.org/reports/aspr/2023/san-francisco-ca-advisory-services-panel-report.

3 "Create quasi-public agency to drive downtown revival," *San Francisco Chronicle,* November 13, 2023, https://www.sfchronicle.com/sf/article/downtown-revitalization-agency-18450894.php.

Use Cases

Major Real Estate Projects

Photo: Courtesy Beyond My Ken, via Wikimedia Commons.

San Francisco Centre

The 1.5 million-square-foot shopping center located on Market Street is now completely vacant. It sits on several parcels with a portion located on land leased from the San Francisco Unified School District. The troubled site has been an indicator of downtown's struggles. Recently, when the owners defaulted on their loan, the lenders took control of the site in an auction — at a small fraction of its pre-pandemic value. The city has not led any efforts to reimagine the site, but designers and business leaders have proposed reuse options that range from a soccer stadium to a mixed-use housing, office, and hotel complex.

CURRENT PROCESS

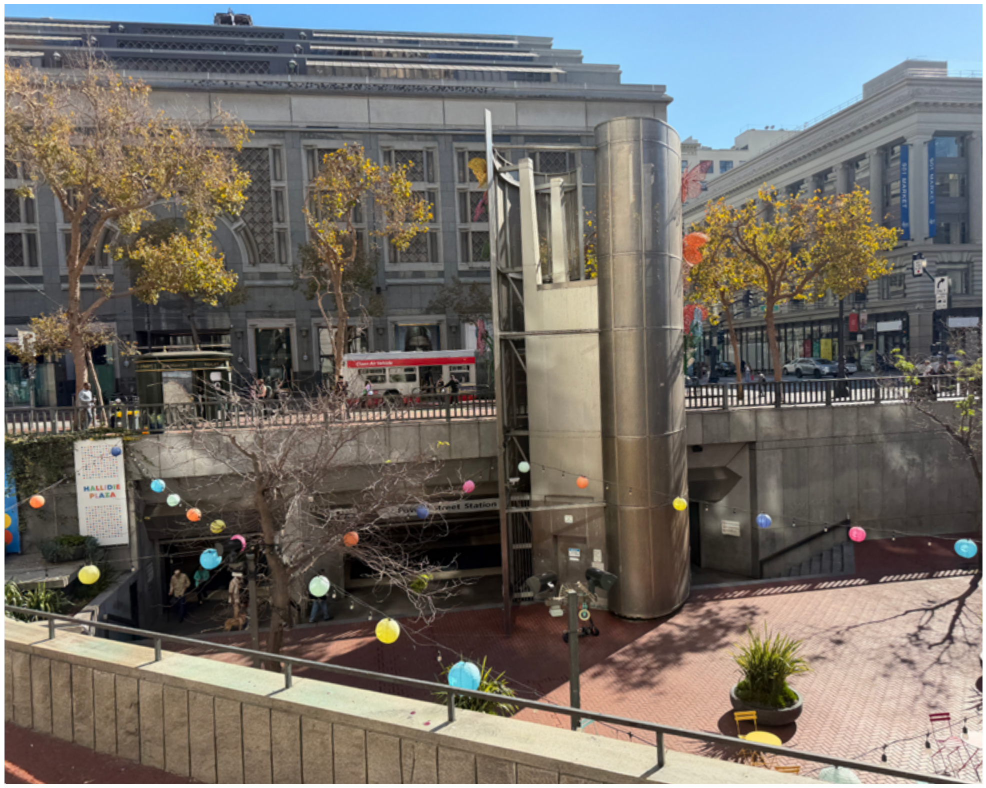
The city's Office of Economic and Workforce Development (OEWD) monitors troubled real estate assets and meets with interested parties, but it takes no action until a new owner proposes a project. City staff from various departments work through entitlements, which takes two to three years and includes zoning and California Environmental Quality Act review. OEWD leads negotiations on development agreements that sometimes involve public financing or other tools. The financing package requires consensus among city departments. A development agreement requires discretionary approvals from the Planning Commission, the Board of Supervisors, and other bodies, and is often revised by newly elected leaders. The small number of staff executing this work constrains the volume of projects that can be supported.

VALUE-ADD OF A NEW AUTHORITY

The proposed authority would partner with the current property manager or receiver to ideate and solicit proposals for sites ripe for revitalization, including the San Francisco Centre. The authority would provide a clear path to entitlements and access to its revenue streams. Clarifying terms and financing upfront would generate interest and ideas much more quickly than the current process. The authority would collaborate with other departments and agencies to arrange any land assembly or fee interests. It would work with the property manager or receiver to enhance conditions in the interim phase, potentially in partnership with the private sector.

Public Realm Projects

Photo: Evan0512, via Wikimedia Commons



Hallidie Plaza

Hallidie Plaza, a public space at the base of Market Street and Powell Street that connects to the Powell Street BART station and the cable car, is a major destination for employees, visitors, and residents. Built in the 1970s, the plaza requires extensive investments to address disability access and to make it a more welcoming gathering space for everyone. The plaza is one of many large public spaces in San Francisco that require upgrades, but capital funding is limited and implementation is slow.

CURRENT PROCESS

The city incrementally allocates small amounts of funding to address the most significant public realm needs as they arise, but it cannot assemble sufficient funding for large-scale public space renovations due to other pressing capital infrastructure needs. The Planning Department can lead a public realm planning process to redesign key spaces, which the city's Capital Planning Committee then adopts. If funding is available for a capital project, the department typically takes control of project drawings and construction, often requiring public processes that add time and cost to a project's completion.

VALUE-ADD OF A NEW AUTHORITY

Authority staff would coordinate with the city's capital planning staff and outside firms to design a comprehensive set of new public realm improvements to facilitate the broader transformation of downtown, coordinating them with planned private development goals, projects, and activities. Staff would assemble public capital dollars and private funding to support the projects, including coordinating procurement. Private developers or the authority would maintain improvements.

Economic Development Incentives

Private University

Attracting a new private university is one potential strategy to diversify the city's economic base, fill empty buildings, and bring more students and faculty to the downtown area. In the last few years, city leaders have been in discussions with colleges and universities to explore the opportunity.

CURRENT PROCESS

The city rarely provides economic development incentives for catalytic projects like universities, even when they offer significant economic benefits. To create an economic incentive program, the city first needs to establish a special fund with annual allocations. Because any such fund is subject to annual appropriations and budget negotiations, the availability of the incentives is unpredictable and politicized.

VALUE-ADD OF A NEW AUTHORITY

The authority would have the flexibility to dedicate a portion of its ongoing revenues to catalytic projects, for example, a private university. These revenues could operate as a non-recourse, low-interest loan. Loan terms could be structured for three to five years, from construction financing through project completion, with loan repayments recycled into new projects. The new entity would work with private parties to access capital from public and private markets to accelerate improvements, including offering targeted incentives and subsidies as needed for each project.

Proposed Powers and Duties of the Revitalization Authority

Planning and Project Delivery

The existing planning code for downtown districts is highly flexible and consistent with most types of mixed-use development. The new authority would create a new capital plan for public realm projects to support new uses in the downtown area and then execute them. The capital plan would be developed and approved after the authority is formed, clarifying public objectives and expediting planning, permitting, and project delivery, thereby reducing costs. California Environmental Quality Act review and other approvals for the area as a whole would be put in place up front, further shortening and simplifying the process for subsequent projects.

The staff supporting this process would be co-located with those working on financing and other development incentives to ensure an ongoing focus on accelerating reinvestment in the designated areas.

Real Estate Powers and Incentives

Although the city can already acquire and sell land, the process is slow and cumbersome. The powers required to undertake real estate transactions more expeditiously are needed when private development cannot proceed without such public intervention. These powers could be used to combine or reconfigure parcels, to hold land temporarily, and to strike deals with private developers to accelerate reinvestment. Such powers should be used only when necessary because of these measures' potentially high cost. The needed powers could be exercised through owner participation agreements, similar to the way the city has used development agreements.

To help drive the repositioning of underutilized public and private real estate assets, the authority would both make and take loans and grants. With these loans and grants, and with subsidies, incentives, and secured credit lines, the authority would facilitate identified projects and priorities. Staff would seek public and private grants and resources, including those available from various state and federal government programs and agencies.

Marketing and Business Attraction

Many cities around the country have developed and effectively utilized aggressive marketing strategies to increase the visibility of investment opportunities. Because of its sustained economic success, San Francisco has not needed to do so until now. Today, given the economic conditions downtown, a sustained marketing effort is needed to ensure San Francisco remains competitive and continues to attract new companies. The new authority would sustain these efforts rather than pursue them on an ad hoc basis. The authority's marketing function would be integrated with financing, real estate, and regulatory functions to ensure appropriate follow-up and implementation as opportunities arise.

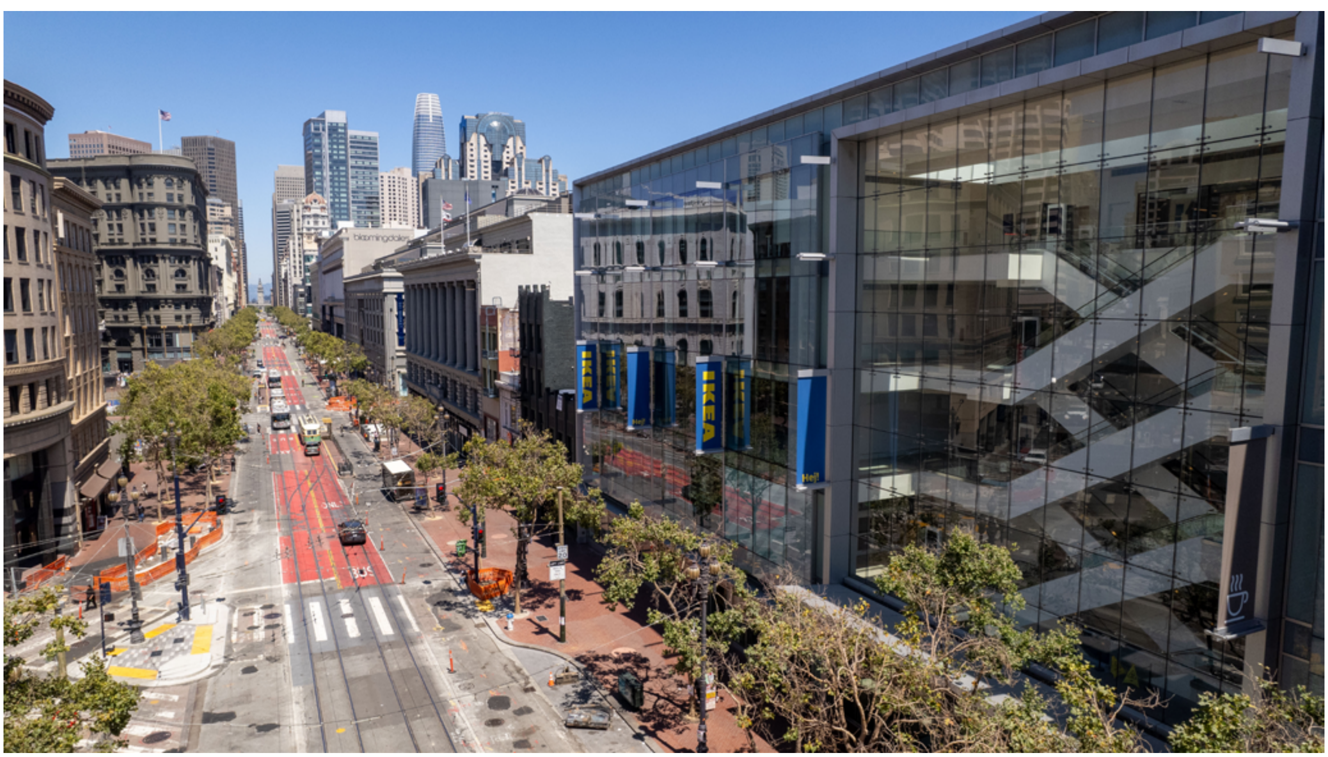
Public Financing Powers

To support its objectives, the new authority should have the expertise and legal authority to use a full range of public financing tools, including property-based financing districts, as well as other revenue sources and debt financing backed by city revenues.

Enhanced infrastructure financing districts (EIFDs) are an effective tool in San Francisco, allowing the city to allocate future property tax revenues generated from new development projects (known as tax-increment financing) to fund capital infrastructure, facilities, and affordable housing. In 2025, the city established a new financing district, enabled by state legislation (Assembly Bill 2488), which expands EIFD law to allow San Francisco to reinvest future property tax revenue to close the financing gap for office-to-residential conversion projects.

Certain types of catalytic development projects may be ineligible under state EIFD law. Community facilities districts (CFDs), widely used in Mission Bay, can provide early-stage funding for projects without drawing on existing public funds. CFDs can finance many types of development and infrastructure projects and can provide ongoing operating and maintenance support.

Photo: Sergio Ruiz



Downtown San Francisco has several former redevelopment areas, such as the Transbay District spanning most of downtown south of Market Street, which limits the opportunity to leverage new property tax revenues in those areas. Therefore, the city should explore additional financing tools supported by other sources such as business taxes or parking revenues.

Whichever option is chosen, the formation of the financing district should broadly permit future assignments of revenue streams to the authority to facilitate financial tools, with specific allocations approved as part of subsequent area plans to meet specified goals and deliverables. Yet other financing tools include certificates of participation, limited-obligation bonds, and other forms of debt supported by the General Fund or other public assets. The proposed authority would be able to craft financing plans tailored to particular area plans and projects while maintaining appropriate fiscal policies to protect public services.

Proposed Resources and Structure

Funding

The proposed authority would need an early source of funding for startup and operations, as well as to make initial grants or investments in projects, which would then generate revenues to reinvest in future years. Initial funding is unlikely to come from property tax revenues, given the decrease in assessed values in downtown San Francisco and the presence of other tax increment districts in the area.

Private/corporate philanthropy might pursue a one-time capital campaign to meet at least a portion of the initial funding need. But public funding sources will be needed for the authority's initial phase. These sources could include incremental business tax revenues generated in the downtown area, which would diminish over time as property values rise. For illustrative purposes, 0.3% of business taxes generated downtown yields approximately $5 million in revenue per year. Structuring the funding as a share of incremental revenues would protect the city's General Fund.

In addition, SPUR recommends that a portion of the funding be set aside for affordable housing development and preservation, small-business assistance, and other community-serving uses to ensure that public investment results in a more inclusive downtown.

Once the proposed authority is established, it can fund its activities by capturing future revenues from the development of underutilized city assets, including vacant city properties, city garages, and other underutilized streets, alleys, or rights-of-way.

While the funding sources described above will not meet all of downtown San Francisco's investment needs, they could provide valuable supplements to the proposed authority's operations.

Interdisciplinary Skill Set and Management Focus

The knowledge and skills described above exist in some form within city government, but they are not all organized to focus on downtown revitalization. Equipping a single organization with the relevant subject matter expertise would improve the city's economic development outcomes. As shown by Denver's Downtown Development Authority, the creation of a revitalization authority can mitigate the unique problems downtowns face and accelerate their transformation in positive ways.

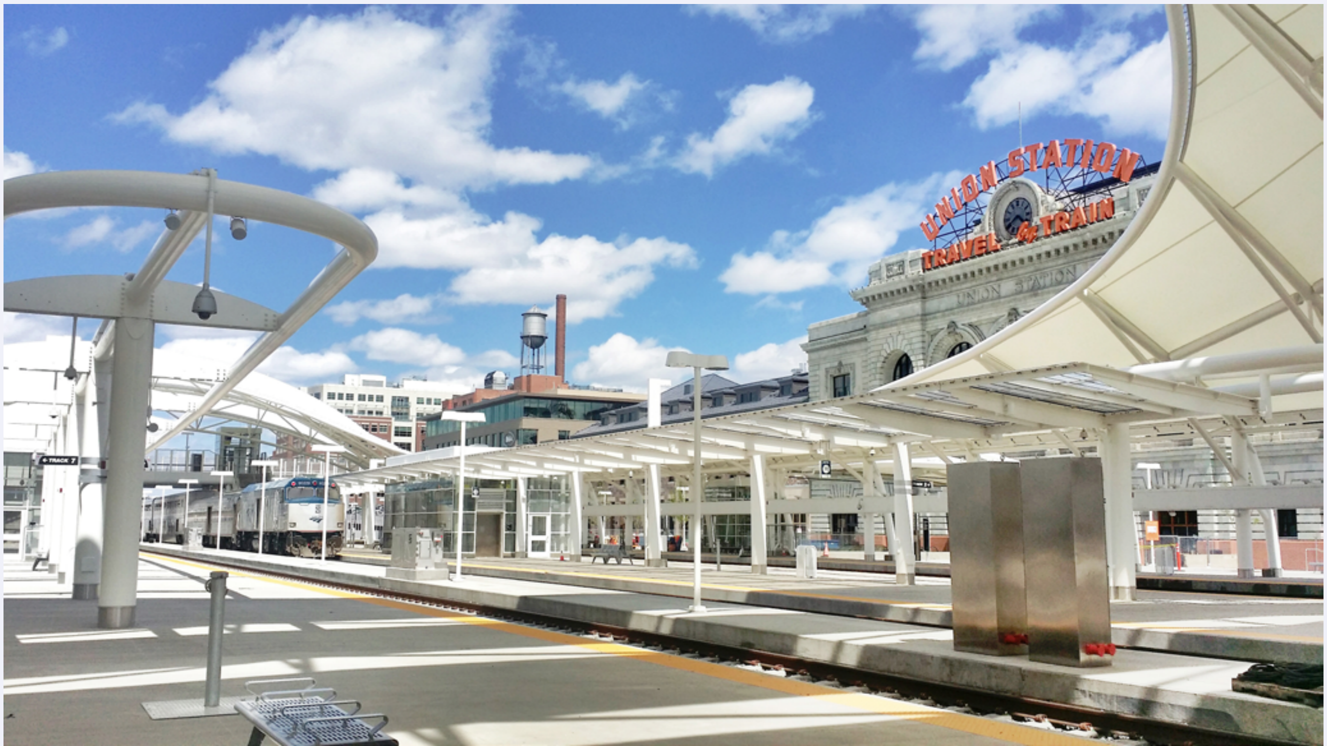
City and County of Denver's Downtown Development Authority

The Denver Downtown Development Authority (DDA) was established under Colorado statute, which allows for the formation of a quasi-governmental agency charged with promoting health, safety, and prosperity within a central business district. The DDA's governing board is appointed by the mayor and approved by the City Council. The DDA's investments are guided by a "plan of development," created through extensive public engagement and Planning Board review and approved by the City Council. The development plan establishes long-term goals for revitalization, growth, and capital improvements within the downtown district. It specifies the categories of projects that are eligible for investment, but it gives the DDA flexibility to invest within those categories.

The Denver DDA, formed in 2008 by the City and County of Denver, originally had a development plan focused on the rehabilitation of Denver Union Station and the creation of a new transit-oriented community, with more than $400 million in local tax increment financing for related capital improvements. The plan was successful, resulting in $3.5 billion in private development projects from the city's infrastructure investment, according to the Denver Regional Transportation District's estimates. In 2024, the mayor and City Council passed an amended plan that expanded the DDA's scope beyond Union Station to a broader downtown area to address rising office vacancy, declining foot traffic, empty and inactive ground-floor spaces, and declining tax revenues. The amended plan's investment priorities include revamping the public realm and community gathering spaces, promoting the activation of ground-floor spaces, making transit and multimodal street improvements, and advancing equitable development, including affordable and mixed-income housing.

Denver Union Station

Photo: Isaac Kim



Governance

The proposed authority will need official public sanction while maintaining some degree of political and operational separation from the city. Because the authority's duties align with the city's management and day-to-day operations, appointments to this body should be made by the mayor, the city's chief executive officer. The authority's board of directors should have experience in real estate, finance, and various business sectors but should focus on the city's overall economic health.

The San Francisco Board of Supervisors would approve the establishment of the authority, including its governance structure, duties, and initial operating and staffing budget. The Board of Supervisors would approve the action plan for the area, including establishing measurable goals and the scope of work needed to achieve them. The Board of Supervisors would also approve an annual budget for the organization's ongoing operations, rather than controlling each line item. The Board of Supervisors would also approve any financing plans that required the use of debt beyond the authority's control. Once the city leadership approves the budget and action plan, individual projects would be delegated to the authority to deliver and oversee. The authority would develop its own regulations for land purchase and sale. Its personnel and purchasing functions would be separate from the city's to streamline decision-making.

The details of the authority's organizational design will need further development. SPUR recommends that the city create an entity that can provide high-level political accountability with an independent focus and operations.

Next Steps

Since SPUR first began this policy research, a new nonprofit organization, the San Francisco Downtown Development Corporation (DDC), has begun to raise and deploy private capital to catalyze the transformation of downtown San Francisco. Working closely with city, business, labor, and civic leaders, the DDC has raised $60 million in private, corporate, and philanthropic contributions. Since its founding in April 2025, the DDC has directed this capital to advance projects downtown, primarily in the city's newly established Hospitality Zone (Union Square, Yerba Buena, and around the Moscone Center) to support public safety, clean streets, business loans, public infrastructure, and arts and culture programming. Under the leadership of its new CEO, the DDC is evaluating options to create a sustainable entity with concrete, specific regulatory and financing capacity to play a greater role in supporting downtown's economic vitality.

This brief lays out SPUR's vision of the intended structure and responsibilities of a new downtown revitalization authority. The following recommendations are meant to inform city leaders and downtown stakeholders, including the DDC, as they reimagine the future of downtown San Francisco.

1. **Investigate the state legal framework for establishing a downtown authority.** The city should determine the detailed legal framework in which the proposed authority would operate in accordance with current state law. Some modifications of the authority's structure and responsibilities would be required if amendments to state law are not possible. This research could inform state law amendments that would facilitate the authority as proposed in this brief — amendments that, ideally, would be advanced in Sacramento during the 2026 legislative session.

2. **Secure state and local legislative approvals to create the authority.** Authorization of the authority will take a mix of legislative approvals, involving local and potential state law amendments. These approvals should be secured during 2026.

3. **Develop an investment plan for downtown.** As outlined above, the authority would help accelerate new real estate development projects, facilitate public realm projects, assist small businesses, attract new employers, and finance workforce housing. The city should employ a stakeholder engagement process to develop a more detailed funding and financing plan. The plan should specify how resources will be allocated to priorities identified by community partners. In addition, the plan should outline how the authority's governance will wind down once its objectives are achieved. Once completed, this plan would be presented to the city for consideration and approval.

SPUR

San Francisco | San José | Oakland

Through research, education, and advocacy, SPUR works to create an equitable, sustainable, and prosperous region.

We are a member-supported nonprofit organization. Join us.

Ideas + action for a better city
spur.org