

G3 Consulting, Inc.

To: Ms. London Breed, Mayor of San Francisco
Mr. Rodney Fong, San Francisco Chamber of Commerce

From: G3 Consulting, Inc.

Subject: Discover Correlation between Crime Levels and Office Vacancies to Improve Lease Taxation Revenues.

San Francisco is not alone in the struggle for economic stability. Dubbed "The Golden City" during the 19th century Gold Rush for its promise of wealth and prosperity, the city successfully capitalized on this vision for decades. It attracted various tourists and residents drawn to the city's beautiful vistas, and later, the tech start-ups energized by the concentration of venture capital firms.

But in the wake of the COVID-19 pandemic, the Golden City has lost some of its luster.

Myriad factors contribute to the city's overall revenue loss. According to *The San Francisco Standard*, property taxes are the single largest source of local tax revenue for the town. In the fiscal year 2020 to 2021, the city earned \$2.34 billion from property taxes, more than triple its \$722.6 million in revenue from business taxes. Nested within the property tax revenues, retail, and commercial tax revenue accounts for one-fifth of the city's overall revenue, yet building vacancies, crime, and the departure of major retailers dominate news headlines – directly impacting consumer and retailer confidence and leaving a \$740 million hole in the city budget. Robust remote work policies have left commercial properties unoccupied, peaking at 34%, above the national average of 21%. A lack of workers physically present in once-thriving financial districts drastically reduced the customer reach for small-to-large brick-and-mortar businesses. The impact of organized retail theft and crime left customers and residents feeling less safe and confident in their city experience, which then contributed to a mass retail exodus from dense, high-traffic areas.

We recognize that sole-source solutions do not exist. Progress and economic growth must be collaborative, and success is measurable in the aggregate. We propose a deliberate, two-prong approach to encourage a retail revival and foster constituent and consumer confidence in San Francisco businesses by focusing on an intrinsic need: safety.

1. Private Security Partnerships. Offer subsidies to businesses hiring private security firms to 1) provide a robust security presence to deter theft, which will then 2) reduce and redirect municipal law enforcement responses from incidents of petty crime. The integration of private security along with public efforts will ensure a more unified and practical approach to public safety.
2. Tax incentives. Structure a tiered tax relief program with greater tax incentives for businesses committing to longer leases at a non-variable rate. This method can motivate companies to move into the city and stay long-term, ideally fostering stability within the commercial real estate market. In addition, assisting with renovations and upgrades to

comply with accessibility policies will also attract more tenants considering city office space.

While the cost-benefit analysis may vary based on the business size, the cost of doing nothing is greater. Regarding retail crime's overall cost to business, California ranked 16th worst in the nation, averaging \$489 per resident (this accounts for lost product costs, higher insurance rates, increased costs of goods, and other categories.) Theft has contributed to the retail exodus, and more than 29 million square feet of commercial property in San Francisco remains unoccupied. Presently, the 2% annual increases in property tax rates have resulted in a 69% increase in appeals to tax bills, and an anticipated \$85 million will be refunded to owners for 2022; this rate could be offset by offering long-term locked-in rates for occupants. Attracting new and returning businesses increases tax revenue, and increasing customer traffic in retail spaces will contribute to enduring business presence and replenish sales tax revenues.

The effectiveness of these measures is evaluated through ongoing monitoring of crime rates and leasing activity, as well as feedback from local businesses and residents. The success will be demonstrated by achieving reduced crime rates, increased lease uptake, and favorable shifts in public perception of safety and commercial viability in San Francisco. This detailed assessment will ensure that our plans effectively rejuvenate the downtown area and satisfy the community's requirements.

Finally, our proposal presents a data-driven and strategic approach to renewing San Francisco's economic landscape and addressing critical issues for the city's economy and overall well-being. This project is about more than money; it is about restoring the city's safety, charm, and prosperity. By implementing these changes, San Francisco will be able to shine as a light of innovation and community well-being once more. We urge the Mayor and the Chamber of Commerce to take advantage of this opportunity, which has the potential to usher in a new era of growth and stability for San Francisco.

Analytics Term Project :: Proposal

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