Shared Spaces Program: Economic Impact Report

CITY & COUNTY OF SAN FRANCISCO

Office of the Controller

Office of Economic Analysis

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Introduction

- The proposed legislation would streamline the approval and ongoing regulation of Shared Spaces in San Francisco. Shared Spaces are public spaces, such as sidewalks or parking lanes, that become permitted for a different use, such as dining, retail pickup, socializing, or street fairs.
- Shared Spaces are a continuation of a program known as Parklets, which were built by businesses in many parking spaces in the city during the 2010.
- During the pandemic, when restaurants and retailers were unable to serve customers indoors, the use of Shared Spaces expanded greatly, with thousands of businesses building outdoor dining areas.
- The proposed legislation, which clarifies the role of various City departments in reviewing and permitting Shared Spaces applications, could lead to many of these pandemic-era Shared Spaces becoming permanent.
- This report was prepared because the Office of Economic Analysis (OEA) determined that Shared Spaces could have a material impact on the City's economy.

Policy Background

- The legislation defines three types of Shared Spaces, which an inter-departmental committee will review and permit:
  - Sidewalk: the use of sidewalk space for commercial purposes, but not including tables and chairs for dining.
  - Curbside: the use of parking spaces for commercial purposes or public spaces.
  - Roadway: the use of streets for temporary uses. Longer-term street closures will be decided by the MTA Board of Directors and SFMTA.

Economic Impact Factors

- Permitting the use of public right-of-way space for commercial uses can create economic benefits, but potentially costs as well.
- On one hand, businesses investing in Shared Spaces have the potential to expand because of the availability of additional space. This could increase economic growth and employment opportunities at those businesses.
- On the other hand, expanding Shared Spaces involves the loss of space for transportation and circulation, which also has economic value. The loss of a parking space, for example, can affect customers who need to drive for shopping, and the businesses that depend on them.
- While there are many types of Shared Spaces, Curbside Shared Spaces for commercial purposes have been the most common. This report focuses on these Curbside uses, as described on the following pages.

Using Sales Tax Data To Study Parklet Impacts

- The Controller's Office maintains a database of quarterly sales tax payments by San Francisco businesses. Using this data, the OEA can measure quarterly changes in revenue for businesses that are directly or indirectly affected by Parklets or Shared Spaces.
- For each Parklet, we examined both the sales tax trends of the businesses that sponsored it, as well as other nearby businesses on the same city block. Because the City's General Fund receives a fixed 1% of taxable sales, the City's sales tax revenue is proportional to those sales.
- Although far more Shared Spaces installations have been installed since the beginning of the pandemic than there were Parklets during the 2010-19 period, this analysis focuses only on the pre-pandemic impacts of Parklets, for two reasons:
- First, the impact of Shared Spaces is likely to change after businesses fully re-open. The Parklet program, on the other hand, operated during a more normal economic period.
- Second, sales tax data has a significant time lag, and only a limited impact on sales can be seen from permits issued since the pandemic began.

Results of the Sales Tax Analysis

- To examine the effect of a Parklet, we measured the business's sales tax growth in the year following the permit and compared it to citywide sales tax growth for the same industry, over the same time.
- For businesses installing a Parklet, average quarterly revenues grew by 29%, or $56,000, in the year following the Parklet application date. Businesses in the same industry that did not install a Parklet saw their revenues, during the same time period, grow by only 10% on average.
- The faster revenue growth of Parklet businesses is statistically significant at the 90% confidence level, indicating that Parklets likely do have a positive impact on the revenue of those businesses.
- We measured the impact of Parklets of nearby businesses by measuring sales tax growth for every other business on the block that received a Parklet, again for one year after the permit date.
- For nearby businesses, there was no statistically-significant difference between their average growth, and other businesses in the same industry that were not in the same block as a Parklet. This means that, on average, there was neither a measurable benefit, or harm, from a nearby Parklet.

Implications and Conclusions

- The results from the sales tax data analysis provide some some answers to the economic issues raised by Shared Spaces.
- First, Parklets or Shared Spaces lead to significantly higher revenues for the businesses that invest in them. While this is not a surprising finding, given that businesses choose to make these private investment decisions, it does suggest a broader benefit to the city's economy.
- Second, Parklets did not create any significant benefit or harm to neighboring businesses. This could be because the loss of a single parking space did not meaningfully limit parking access to customers who chose to drive, or that there were few such customers for most businesses. Alternatively, it might be that Parklets expand foot traffic in the block, and that offsets any loss of access for customers who drive.
- These results are intended to provide general guidance to decision-makers, and do not imply that every Shared Space will create economic benefits without any harm. As more data becomes available, the OEA may continue to publish further analysis on this topic.

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