

SIX ON SIXTH

A Plan for Turning Around Sixth Street in One Year and for \$1 Million



SOUTH OF MARKET FOUNDATION

Roger Gordon
Executive Director
22 Battery Street, Suite 426
San Francisco, CA 94111
(415) 512-9676
Fax (415) 512-9677

June 18, 2001

Introduction

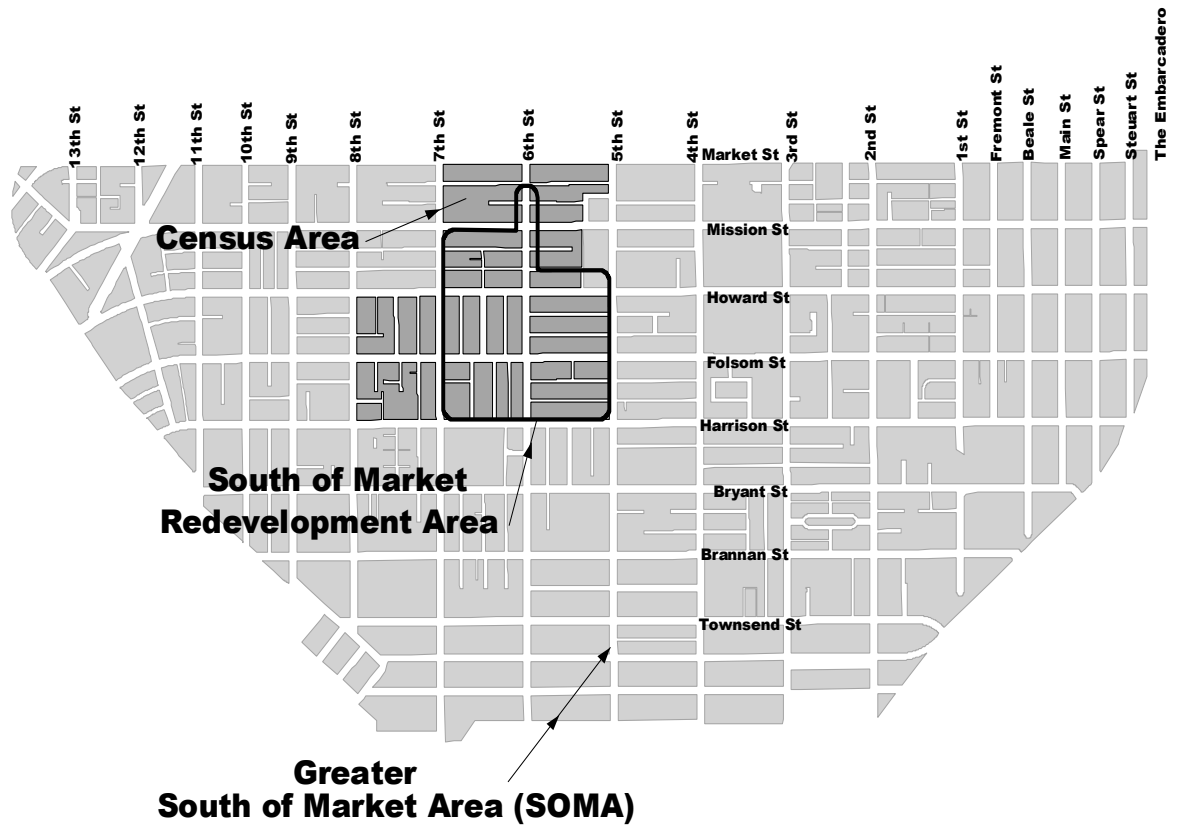
“Six on Sixth” is a plan for changing the character of Sixth Street by filling vacant storefronts and establishing at least six new or revitalized community-building businesses on it between now and June 6th of next year. Individually, these enterprises would not have a significant impact on the community, but together they can begin to turn the neighborhood around.

The primary tools of *Sixth on Sixth* are real estate improvement and business support loans and grants and community-led policing and residence improvement programs.

Background

Sixth Street, between Market and Howard Streets, is one of the most blighted areas of San Francisco. Despite years of effort by the City and by many groups and individuals, this two-block stretch remains a center of urban squalor. Illegal drugs are sold and used openly, public drinking is widespread, stolen goods are bought and sold, sanitation is nearly nonexistent, and public indecency is

Demographic Statistic Boundaries



commonplace. Many families have left the neighborhood (as have many of the better businesses) and the sidewalks and structures are dirty and in poor repair. These factors combine to form a concentrated area of urban decay that has resisted every remedy tried to date. Even the Bay Area's prolonged economic expansion, which had such a profound effect on the rest of the South of Market area, had little impact on Sixth Street. The South of Market Foundation, a nonprofit community economic development corporation, has been retained by the City to develop an economic revitalization plan for the area.

Demographics

Sixth Street is the main commercial corridor for the South of Market Earthquake Recovery Area (SOMERA) – an eight square block area bordered by Fifth Street to the east, Seventh Street to the west, Market Street to the north and Harrison to the south. Approximately 5,761¹ people live in the area, up from 3,567 in 1990.

The Sixth Street neighborhood is very diverse, containing Asian/Pacific Islanders and whites in equal proportion (34% each), blacks (15%), Latinos (11%) and others (6%). Approximately 38% of the population is under 35.²

On average, households in the SOMERA district have become wealthier in the last decade. Median household income in 2000 was \$25,308, compared with \$16,224 in 1990. By 2005, 41% of households are expected to earn more than \$35,000 per year, compared with only 34% today.³

SOMERA also contains one of the highest concentrations of Single Room Occupancy (SRO) hotels in the City. Its 27 hotels contain 963 rooms and are home to nearly 746 people⁴, most of whom rely upon Social Security, General Assistance or other public support.

The Commercial Environment

There are 55 storefronts on Sixth Street between Market and Howard Streets of which 15 are currently vacant (including five (5) which are either boarded up or otherwise off the market). Four buildings are undergoing major renovation (including two damaged by fire) and there is one vacant lot.

Along this two-block stretch there are also nine (9) restaurants, six (6) bars and nightclubs, five (5) liquor/grocery stores, six (6) pawn/jewelry shops, four (4) nonprofit/religious institutions, and one (1) theater. There are also 19 Single Room Occupancy (SRO) hotels.

There are two noteworthy retail clusters on Sixth Street: The first is on the east side of the street between Natoma and Howard. Most of the storefronts there are vacant and the buildings façades are quite deteriorated. The other "hot spot" is on the west side of Sixth between Market and Stevenson Streets. The area is unsanitary and there are many individuals loitering in front of the restaurants and stores there. This area of Sixth is notorious for drug dealing and there has been at least one shooting incident there in the past two months.

¹ Census 2000 Redistricting Summary File

² 2000 Consolidated Analysis Centers, Inc. estimate

³ *ibid*

⁴ S.F. Department of Building Inspection, 10/15/00

Building New Businesses

Neighborhood serving businesses and the positive pedestrian traffic they will attract will do much to change the character of Sixth Street. The South of Market Foundation has identified a group of businesses that are robust enough to withstand the current environment and that can also cater to both the area's low-income residents and families in the surrounding streets and alleys. Our strategy is to introduce the businesses in phases, beginning with the most robust ones:

Phase I: Summer 2001 – Summer 2002

Type	Concept
Bakery	Serving the surrounding neighborhood and delivering to local retailers
Delicatessen	"Mom and Pop" deli serving hotel residents and other customers
Bike Repair Shop	Geared to attract cyclists who commute, bike couriers and others who won't be daunted by the Sixth Street environment
Café	Similar to cafés found throughout the Mission (not Starbucks)
Jazz Club	Very simple storefront design (think East Village)
Training Center/ Lecture Room	For use by local nonprofits (e.g., SF Aids Foundation) and later by a credit union or bank for financial education classes
Used Book or CD Store	Not as large as Amoeba Records, but a place to browse and spend some time
Martial Arts Studio	Capoeira, Tae Kwon Do, self defense classes, yoga

Economic Barriers to Growth

Healthy communities incorporate a balanced mix of residential, service and commercial uses. Single-family homes, apartments, groceries, banks, gas stations, bars and restaurants all have their place in a neighborhood. *Six on Sixth* is an attempt to restart the cycle of individual, commercial, and public investment on Sixth Street that healthy neighborhoods enjoy. There are two conditions that must be overcome if this is to happen:

1. Rents on Sixth are so low that it does not make financial sense for property owners to make the tenant improvements needed to put long-vacant storefronts back on the market.
2. The area is so depressed that only undercapitalized and predatory businesses are willing to locate there.

Phase II: Fall 2002 – Summer 2003

Type	Concept
Bank or Credit Union	Similar to Northeast Community FCU in Tenderloin. Low fees and no minimum balances
Grocery Store/ Supermarket	Large enough to attract residents from the surrounding streets and alleys
Pharmacy	Meeting the needs of hotel and other residents
Dry Cleaners	Serving residents, commuters and office workers. Local deliveries.
Hardware Store	Serving homeowners and renters
Library/Reading Room	Serving hotel residents and families. Internet access
Post Office	Providing mail box services, money orders
Traditional/Alternative Medicine Center	Serving hotel residents and local communities (esp. ethnic groups)
Florist	Serving local residents, businesses and commuters

Real Estate Improvement Loans

This fall the City will make its first real investment on Sixth Street in over a decade – a street beautification program that will include new sidewalks, repaved streets and new streetlamps. Unless follow-up investments are made, however, the impact of these cosmetic changes will quickly dissipate.

Many of the properties on Sixth Street have been boarded up for years and are in need of major electrical and plumbing work. The South of Market Foundation will make low-cost loans available to property owners along Sixth Street to allow them to improve these spaces. Funds will also be used to beautify existing storefronts (e.g., removing bars, redesigning entryways, installing new awnings and signage, etc.) as well as building facades.

Real Estate Loans

Use of Funds	Rationale	Total Fund Amount
Storefront Beautification	Improved signage and store entry design would reduce litter and sanitation problems and encourage pedestrian and drive-by traffic.	\$50,000
Façade Improvement	It would greatly improve the look of Sixth Street if buildings were cleaned however there is no incentive for property owners to do so as it will not directly result in higher rents.	\$80,000
Tenant Improvements	Rents are too low to finance the expensive improvements required to lease out long-vacant storefronts. Without inexpensive financing, storefronts will remain vacant.	\$460,000
Total Real Estate Loans		\$590,000

Business Financing

Financing will be made available to relocate and expand businesses onto Sixth Street. Businesses already on Sixth will also play an important role in *Six on Sixth*. Owners who operate community-building establishments will be assisted in developing business plans for the refurbishment, expansion or diversification of their establishments.

Business Loans

Use of Funds	Rationale	Fund Amount
Rent Subsidies	Subsidies will help to attract strong businesses onto Sixth Street.	\$125,000
Start-up	Strong businesses and experienced managers have many options for locating their businesses. The availability of start-up capital will make Sixth Street a less risky proposition for them.	\$270,000
Expansion/ Renovation	Businesses on Sixth Street already know the environment and have ideas for improving their operations but lack access to capital.	\$60,000
Total Business Loans		\$455,000

Loan Forgiveness

Property owners and businesspeople will be encouraged to take advantage of these resources by means of a loan forgiveness program that will give them credit for meeting community-serving goals in the management, marketing and maintenance of their enterprises. Examples of forgiveness criteria include:

1. Agreeing not to lease to adult-themed (i.e., pornographic) businesses
2. Agreeing not to lease to a liquor store or agreeing to otherwise limit alcohol sales
3. Keeping continuous business operations on site for a fixed period
4. Maintaining a clean and tidy building appearance
5. Hiring local residents
6. Participating in street beautification and policing programs
7. Adopting residential property management guidelines
8. Making additional improvements to the property

Other Environmental Factors

Community Based Policing

Of course not all the undesirable activities on the Street will subside as the environment becomes less hospitable for them. Therefore, a strong message will be sent both to those who detract from the community and those who can help improve it. A community-based policing effort on Sixth Street, planned and implemented with full community support and participation, will be a key part of the revitalization effort.

A police sub-station on Sixth might be effective in improving the environment and reducing drug crimes. The vacant retail space in the Seneca Hotel (40 6th Street) across Stevenson Street is an ideal spot for it.

Hotel Improvement

SRO residents and owners also want to build a strong community. It has been shown that active professional hotel management can result in significant improvements in the character of the hotels and their surroundings.

The South of Market Foundation will work with residents, owners, and community-based organizations to develop and implement property improvement initiatives, including uniform admissions criteria, conduct rules, visitor policies, and grievance procedures, as well as facility improvement goals. For hotel owners who also own retail property, adoption of these operating standards will be a key requirement for loan forgiveness.

Conclusion

No single program will bring about the desired changes on its own, but once change begins and the natural cycle of investment by property owners, businesses, residents and the City takes hold, then Sixth Street will be able to rejoin San Francisco's other colorful neighborhoods as a vibrant and positive contributor to the City's character.



Business Case

Bakery

Description

A local bakery will add to the diversity and personality of 6th Street. It will attract a customer base that requires catering, wholesale orders of baked goods, and individual orders. It will enhance the experience of being on 6th Street because of the great smells produced from the shop and attractive window displays.

Operating between the hours of 8:00am – 6:00pm, the bakery will be an added resource to (and draw from) the services of existing businesses on 6th Street.

REQUIRED IMPROVEMENTS (ESTIMATED)

Tenant Improvement cost:	<u>Cost</u>	<u>Total</u>
Rent Subsidy:	Month	<u>Cost</u>
(\$ /sq ft)	1-6	
	Total	

Neighborhood Impact

- Affordable
- Serves SRO Residents
- Serves local workers
- Employs two or three local residents
- Extended hours of operation

Next Steps

- Outreach to established operators
- Development of a detailed business plan
- Planning of Tenant Improvements

Financials and Operations (Estimated)

Sales:	
Break Even Time:	
Start Up Cost:	
Operating Margin:	

Criteria for Loan Forgiveness

- Participation in community building activities
- Employment of SoMa community workforce
- Participation in street cleaning and beautification programs



Business Case
Bike Shop

Description

Cycling is an integral part of San Francisco’s culture. Located close to downtown, 6th Street is perfectly situated to attract commuters, bike couriers, and other customers

Operating between the hours of 10:00am – 6:30pm, the bike shop will provide bike repair, equipment rental, parts and accessories. The shop will employ a knowledgeable staff of 2-3 full-time local-resident employees.

Neighborhood Impact

- Affordable
- Serves SRO Residents
- Serves local workers
- Employs two or three local residents
- Extended hours of operation

Next Steps

- Outreach to established operators
- Development of a detailed business plan
- Planning of Tenant Improvements

Criteria for Loan Forgiveness

- Participation in community building activities
- Employment of SoMa community workforce
- Participation in street cleaning and beautification programs

Required Improvements (Estimated)

Tenant Improvement cost:	<u>Cost</u>	<u>Total</u>
Rent Subsidy: (\$ /sq ft)	<u>Month</u>	<u>Cost</u>
	1-6	
	Total	

Financials and Operations (Estimated)

Sales:	
Break Even Time:	
Start Up Cost:	
Operating Margin:	



Business Case

Coffee House

Description

An independent coffee house will reflect the individuality and community spirit of 6th Street. The shop can build a business relationship with the local bakery and deli. It may also display local art and be an informal meeting place.

Keeping the hours of 7:00am – 8:00pm, the shop will serve pastries, bagels, and coffee drinks.

Neighborhood Impact

- Affordable
- Serves SRO Residents
- Serves local workers
- Employs two or three local residents
- Extended hours of operation

Next Steps

- Outreach to established operators
- Development of a detailed business plan
- Planning of Tenant Improvements

Criteria for Loan Forgiveness

- Participation in community building activities
- Employment of SoMa community workforce
- Participation in street cleaning and beautification programs

Required Improvements (Estimated)

Tenant Improvement cost:	<u>Cost</u>	<u>Total</u>
Rent Subsidy:		<u>Cost</u>
(\$ /sq ft)	<u>Month</u> 1-6	
	Total	

Financials and Operations (Estimated)

Sales:	
Break Even Time:	
Start Up Cost:	
Operating Margin:	



Business Case

Self-Defense, Yoga and Martial Arts School

Description

Martial arts and self defense training provides students with both physical and mental strength. As one of the few training schools in the downtown area, students will be drawn from the surrounding neighborhood and nearby offices. Reduced rates for youths will be provided as well as a structured teen program. Local workforce development programs could partner with the school for special one- or multi-day classes.

Operating between the hours of 7:00am – 8:00pm, the studio would provide morning, afternoon and evening classes and employ a knowledgeable staff of 1-2 full time employees. A limited number of students will work in the studio in exchange for free or reduced cost classes.

Neighborhood Impact

- Affordable
- Serves SRO Residents
- Serves local workers
- Employs two or three local residents
- Extended hours of operation

Next Steps

- Outreach to established operators
- Development of a detailed business plan
- Planning of Tenant Improvements

Criteria for Loan Forgiveness

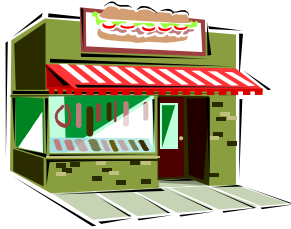
- Participation in community building activities
- Employment of SoMa community workforce
- Participation in street cleaning and beautification programs

Required Improvements (Estimated)

Tenant Improvement cost:	<u>Cost</u>	<u>Total</u>
		1500 sq ft
Rent Subsidy: (\$ /sq ft)	<u>Month</u>	<u>Cost</u>
	1-6	
	Total	

Financials and Operations (Estimated)

Sales:	
Break Even Time:	
Start Up Cost:	
Operating Margin:	



Business Case

Delicatessen

Description

As a community building business, a deli will bring into the neighborhood a unique personality as well as a needed service. It will also attract and retain customers that historically have not come to 6th Street to purchase their lunches.

With the arrival of the Federal Building, the street will see an increase in neighborhood activities and foot traffic. A deli will be able to serve local residents and workers.

Operating between the hours of 8:00am – 8:00pm, the deli will serve breakfast, lunch, and light dinners. It will also bring the added benefit of drawing upon the SoMa workforce for the store's employees. The deli will employ two or three full-time workers.

Neighborhood Impact

- Affordable
- Serves SRO Residents
- Serves local workers
- Employs two or three local residents
- Extended hours of operation

Next Steps

- Outreach to established operators
- Development of a detailed business plan
- Planning of Tenant Improvements

Criteria for Loan Forgiveness

- Participation in community building activities
- Employment of SoMa community workforce
- Participation in street cleaning and beautification programs

Required Improvements (Estimated)

Tenant Improvement cost:	Cost	Total
		800 sq ft
Rent Subsidy: (\$ /sq ft)	Month	Cost
	1-6	
	Total	

Financials and Operations (Estimated)

Sales:	
Break Even Time:	
Start Up Cost:	
Operating Margin:	



Business Case

Used Merchandise Store

Description

A used merchandise store on 6th Street will provide low-cost goods such as:

- Clothing,
- Shoes,
- Books,
- Small Appliances

The shop will also purchase items in good condition from patrons. Space for a community bulletin board will be incorporated into the shop.

Operating between the hours of 10:00am – 6:00pm six days a week, the stop will employ one or two community residents.

Neighborhood Impact

- Affordable
- Serves SRO Residents
- Serves local workers
- Employs two or three local residents
- Extended hours of operation

Next Steps

- Outreach to established operators
- Development of a detailed business plan
- Planning of Tenant Improvements

Criteria for Loan Forgiveness

- Participation in community building activities
- Employment of SoMa community workforce
- Participation in street cleaning and beautification programs

Required Improvements (Estimated)

Tenant Improvement cost:	<u>Cost</u>	<u>Total</u>
Rent Subsidy:	<u>Month</u>	<u>Cost</u>
(\$ /sq ft)	1-6	
	Total	

Financials and Operations (Estimated)

Sales:	
Break Even Time:	
Start Up Cost:	
Operating Margin:	

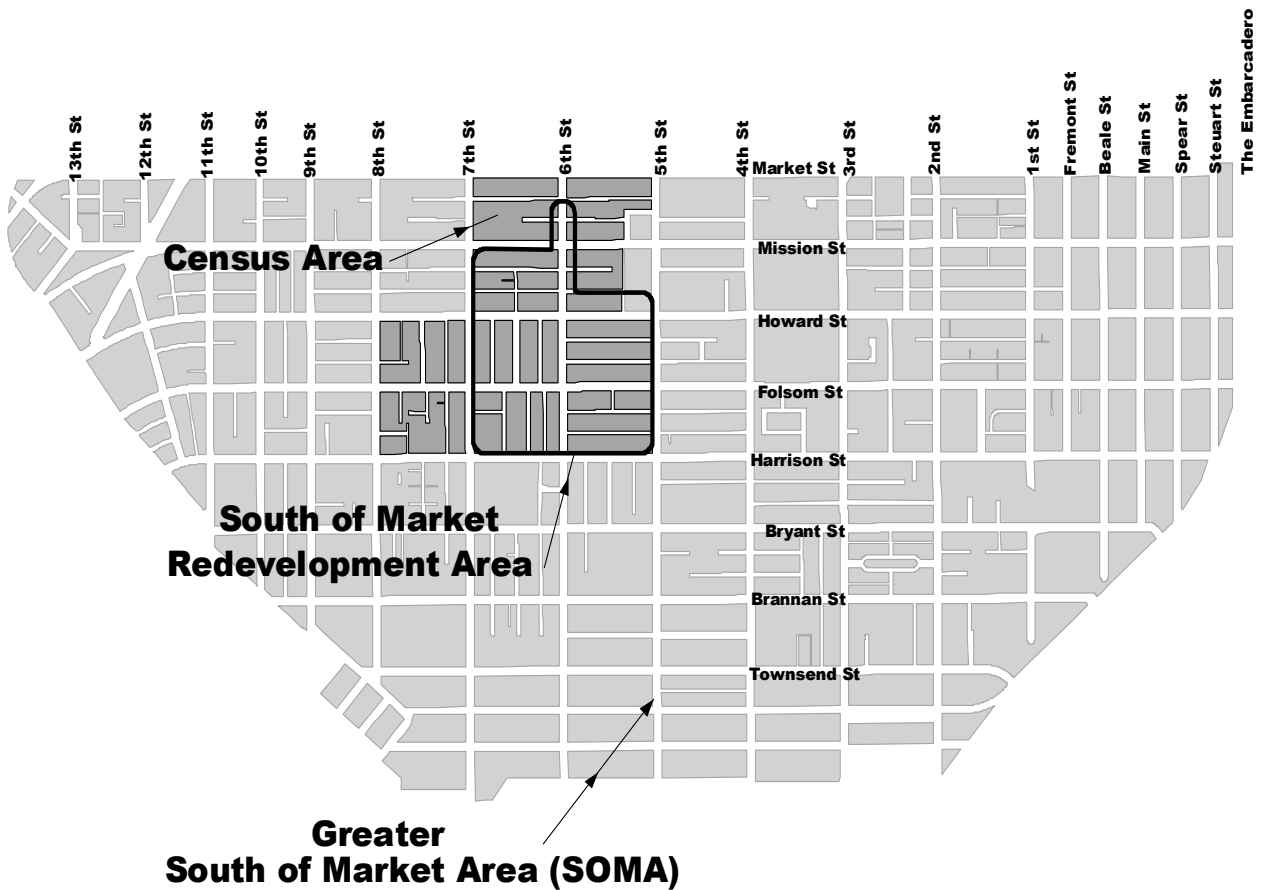
June 2001 Demographic Update⁵

Population: Census 2000

According to Census 2000 redistricting data, there are 5,761 residents in the South of Market Redevelopment area – almost 30% of the total population of the Greater South of Market area (19,812). Figure 1 shows that although the boundaries of the census block group do not exactly match those of the South of Market Redevelopment Area, they serve as a close approximation for study.

Figure 1

Demographic Statistic Boundaries



⁵ Refer to endnotes for an explanation of methodology and boundaries

Population by Race, 1990-2000

The racial composition of the South of Market Redevelopment Area is growing steadily in Asian/Pacific Islanders and decreasing in whites (see table 1). In the year 2000, Asian/Pacific Islanders emerge as the ethnic majority, with this trend intensifying in the year 2005.

Table 1⁶

Population by Race, Redevelopment Area, 1990 - 2005

	1990	2000	2005
White	39%	30%	26%
Asian/Pacific Islander	29%	37%	40%
Latino	16%	20%	21%
African American	14%	12%	11%
Other/American Indian	2%	1%	2%

Source: CACI

Household Income: 1990-2000

Figure 2 shows the trend in household incomes for the South of Market Redevelopment Area. The South of Market Redevelopment Area's income distribution profile lags behind that of Greater South of Market by about 10 years. That is, in 2000, household income distribution is very similar to that of Greater South of Market in 1990 where all three income categories are almost evenly divided. This is a significant change from 1990, when nearly half of the households in this area were living below the poverty level. **In the year 2005 this trend is projected to continue, with households earning over \$35,000 climbing to over 40%, and those living in poverty decreasing to 28%.**

Single Room Occupancy (SRO) Housing

It is likely that this increase in household income has occurred only in households living off of Sixth Street. This is because the large number Single Room Occupancy (SRO) hotels on Sixth Street continue to contain primarily poverty-level households. Between 1990 and 2000, 230 units of low-income housing were

⁶ **Source:** 1990 figures: CACI/1990 U.S. Census, 2000 and 2005 figures: CACI projections, 10/2000

refurbished and 442 units were constructed in the Greater South of Market area, for a total of 672 newly available low-income units⁷ Of these, 268 of the units were located directly on Sixth Street: 140 new units were constructed with the addition of the Knox Hotel and a total of 128 units were refurbished in the Sunnyside Hotel (53) and the Rose Hotel (75). Including the aforementioned additions, the number of Single Room Occupancy (SRO) beds on Sixth Street increased from a total of 695 units in 1990 to a total of 963 units in 2001⁸. Further, the rehabilitation of the Delta Hotel on Sixth Street will add 140 new SRO beds.

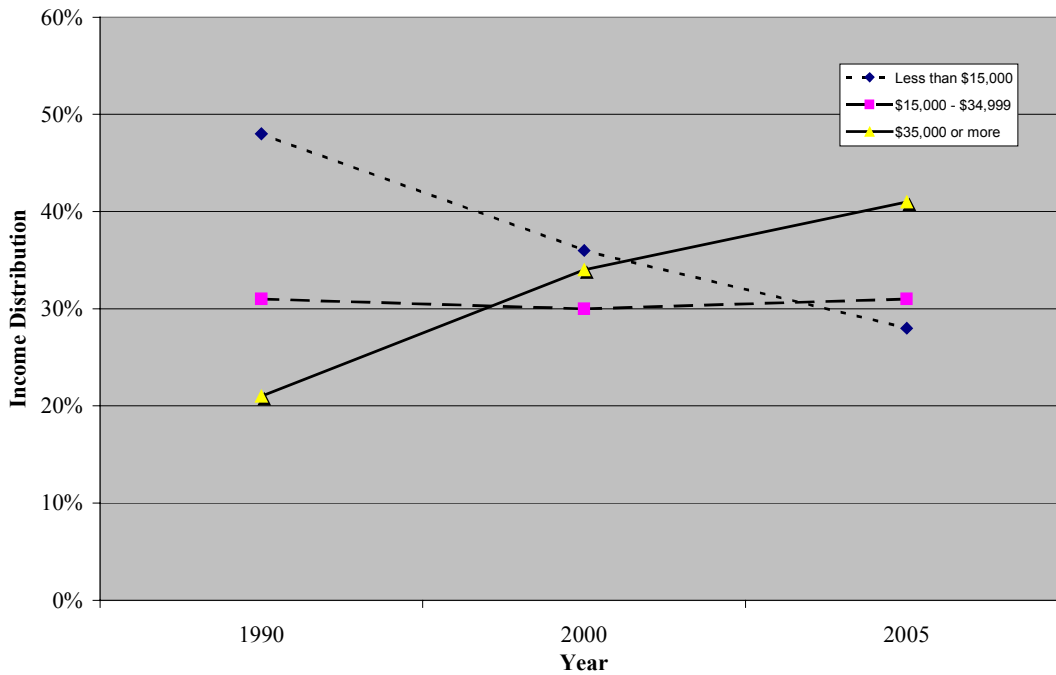
Figure 2

Household Income, Redevelopment Area: 1990 - 2005

	1990	2000	2005
Less than \$15,000	48%	36%	28%
\$15,000-\$34,999	31%	30%	31%
\$35,000 or more	21%	34%	41%

Source: CACI

Household Income, Redevelopment Area: 1990 - 2005



⁷ Source: San Francisco Redevelopment Agency

⁸ Source: San Francisco Department of Building Inspection - Hotel Unit Usage Report, 6/15/01

Age Distribution

Age distribution trends in both the Greater South of Market and the South of Market Redevelopment Area are the same. Both experienced a drop in the number of people between 20-34 years old and an increase in those between 35-64 years old, with barely any change in the very young or the elderly (see table 2). **The increase in people between 35-64 years old reflects the trend of increasing household incomes, as this cohort is the one most likely to have people with higher paying jobs.**

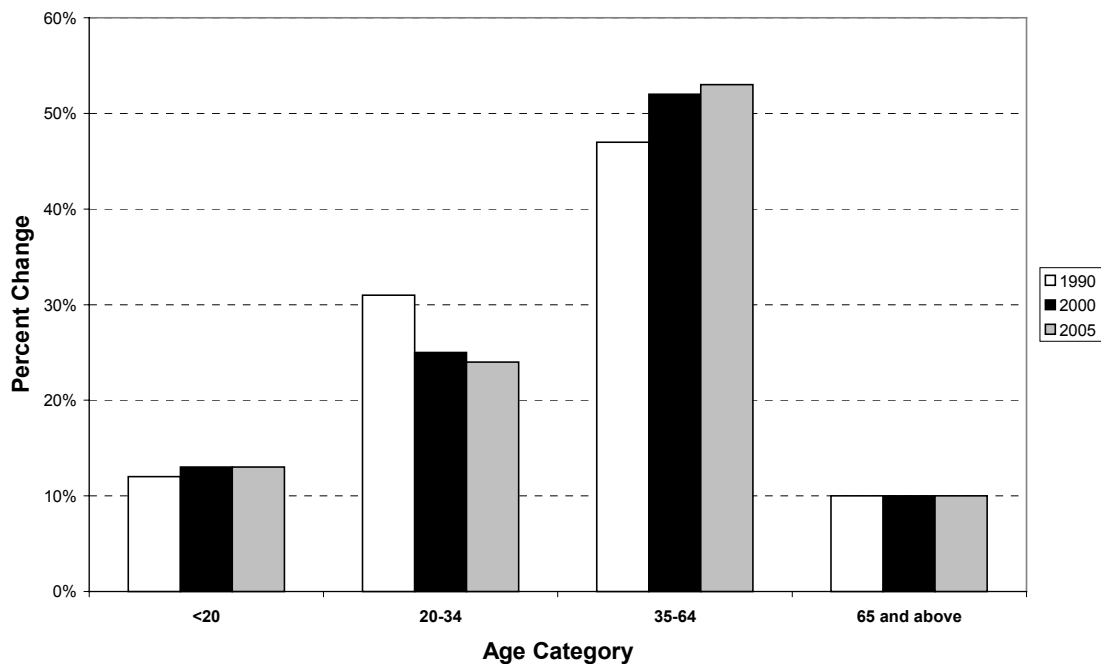
Table 2

Age Distribution, Redevelopment Area, 1990 - 2005

	1990	2000	2005
<20	12%	13%	13%
20 - 34	31%	25%	24%
35 - 64	47%	52%	53%
65 and above	10%	10%	10%

Source: CACI

Population by Age, Redevelopment Area: 1990-2005



ENDNOTES

¹ **Methodology:** Data sources for this analysis include demographic information for 1990, 2000, and projections for 2005 obtained from CACI, an international information technology company specializing in demographic statistical information. The 1990 data in this set come directly from the US Census. The 2000 data, with the exception of “Population by Race” figures, are based on sampled field studies, and are not based on the 2000 US Census, as the Census 2000 Summary File 1 (SF1, 100% data) is not yet available for the state of California. Current “Population by Race” figures are taken from the Census 2000 Redistricting Data Summary File. Data for 2005 are projections based on analysis of demographic, economic and political trends to date. Field verification and interviews enriched this data set.

Boundaries: Demographic analysis was performed via census block group aggregation. As the census block group was the smallest unit available for analysis, Sixth Street could not be isolated for study.