

The Examiner

ECONOMIC ENGINES » HOSPITALITY

Developments emerge in dining, hotels

High-rises, new restaurants help S.F. service industry rise after dot-com bust doldrums

By Kate Williamson
Examiner Staff Writer

It's a given in the hospitality industry that restaurants and hotels will change ownership often. Hotels are bought and sold as investments by major financiers while restaurants open, shutter and change hands at a frenzied pace.

But in San Francisco, The City's largest industry will see something new within a year: the opening of a major hotel and two major restaurants built from the ground up.

Pat Kuleto Restaurants, the owner of high-end establishments Farallon, Jardiniere and Boulevard, is building two new similarly-priced restaurants in Rincon Park between Folsom and Harrison streets. Likewise, The Examiner has already reported on the InterContinental San Francisco, the new contemporary-style business-traveler hotel being built at 888 Howard St. and scheduled for an early 2008 opening.

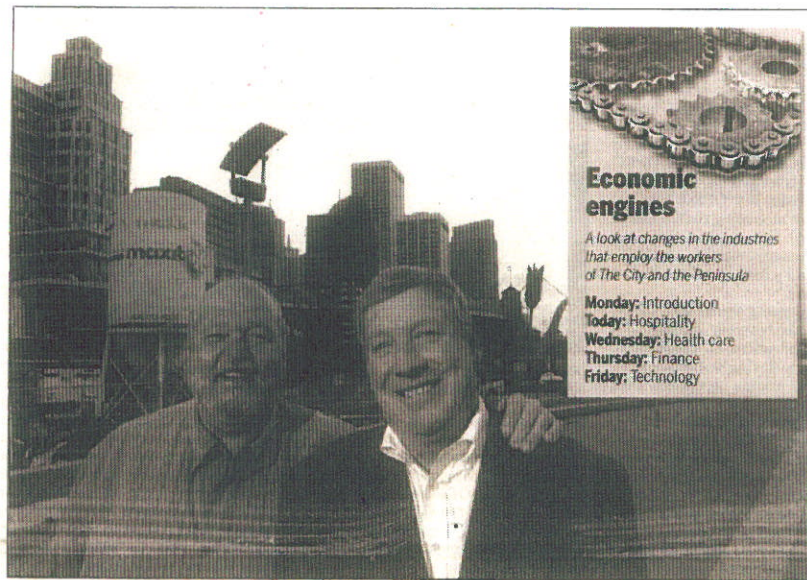
The new construction is notable in a town that has not seen much new building in either hotels or restaurants in decades, especially given the high cost of building materials and lack of land, local industry watchers have said. More typical have been updates to restaurants as part of the recent rush of hotel renovations, according to Kevin Westlye, president of the Golden Gate Restaurant Association.

"That [the Kuleto project] will be the most high-profile opening in years," Westlye said. "Also, it's a fabulous location."

The new Kuleto restaurants will be Waterbar, a seafood restaurant, and Epic Roasthouse, a fire-cooking restaurant, according to Kuleto Director of Project Development Pete Sittnick. Each will do dinner seven nights a week and weekend brunches. They will have approximately 200 seats inside and share an extra 100 seats on an outdoor piazza between the two buildings.

When finished, the two restaurants combined will employ as many as 300 people, Sittnick said.

"One of the challenges right now



Economic engines

A look at changes in the industries that employ the workers of The City and the Peninsula

Monday: Introduction
Today: Hospitality
Wednesday: Health care
Thursday: Finance
Friday: Technology

Pat Kuleto, left, and Pete Sittnick are building two restaurants in The City from the ground up. — Jason Steinberg/Special to The Examiner

is that the cost of doing business in San Francisco is so far above what you find in either suburban locations or other competitive cities," Sittnick said. "That's made it prohibitive for the larger-scale restaurants to open in San Francisco, so what you've seen is a lot of smaller, more neighborhood restaurants."

"For us, when you look at the partners that are involved ... San Francisco is where we've grown up in the restaurant business and we feel a very strong commitment to The City."

The new construction and attendant jobs come at an interesting time, when San Mateo hospitality-watchers are reporting a bevy of new restaurants down the Peninsula, particularly in the city of San Mateo itself, including wine bars.

San Francisco entrepreneurs, meanwhile, eyeing high labor costs, are said to be looking at more relaxed restaurant concepts that are cheaper to staff, as well as locations outside The City.

"There's been a trend of new restaurants opening, but that's because the economy's been good," said Richard Milkovich, managing partner

Hospitality

Hospitality* — hotels and food service — is San Francisco and San Mateo County's top industry by number of employees. While the numbers show recent growth, employment in the sector hadn't returned to its dot-com heights by 2005, the most recent data year available — though the number of individual hotels and restaurants has grown. The following chart compares the number of both types of establishments (hotels and restaurants) and employees for three years along with the year 2000, prior to the dot-com bust.

THE THREE-YEAR SPREAD ... AND THE YEAR 2000

		2005	2004	2003	2000
San Francisco	Establishments**	3,358	3,311	3,284	3,256
	Employees	61,108	59,233	57,530	65,566
San Mateo County	Establishments	1,654	1,571	1,558	1,497
	Employees	26,881	25,072	25,877	28,759

* Total wages of all food-service and accommodation employees in San Francisco and San Mateo County, 2006: \$2.17 billion**

* Figures based on U.S. Census Bureau County Business Patterns

** "Establishments" refers to individual hotels and restaurants

*** U.S. Bureau of Labor Statistics, preliminary 2006 data

of 231 Ellsworth in San Mateo, who added that the move to casual eateries isn't limited to San Francisco. "I think it's become more of a trend in the desire of the dining public."

... kwilliamson@examiner.com

