

Additional Tax on Commercial Rents Mostly to Fund Housing and Homeless Services *

Digest by the Ballot Simplification Committee

Status: Final digest

On: Monday, March 5, 2018

Members: Packard, Anderson, Patterson, Raveche

Deadline to Request Reconsideration: 4 p.m. on Thursday, March 1

The Way It Is Now: The City collects a gross receipts tax from many businesses receiving revenue from the lease of commercial property, such as office buildings, warehouses and other industrial buildings, and retail spaces. The current tax rate ranges from 0.285% to 0.3%.

Businesses with \$1 million or less in total gross revenues within San Francisco are generally exempt from the gross receipts tax. Certain other businesses are also exempt, including some nonprofit organizations, banks and insurance companies.

Propositions __ and __ concern the same tax. If both measures are adopted by the voters, the one with the most votes will be enacted.

The Proposal: Proposition ____ would impose an additional gross receipts tax of 1.7% on revenues some businesses receive from the lease of commercial space in the City. This additional tax would generally not apply to businesses exempt from the existing gross receipts tax.

It would also not apply to revenues received from leases to businesses engaged in:

- Production, Distribution or Repair (PDR) uses. PDR uses include a variety of business-related uses such as industrial, automotive, storage and wholesale. They also include uses by small businesses such as furniture makers, recording studios, auto repair shops, plumbing supply stores, art studios and lumberyards;
- The retail sale of goods and services directly to consumers; or
- Arts or entertainment activities.

This additional tax would also not apply to revenues received from certain nonprofit organizations.

The City would be required to first use between \$1.5 million and \$3 million of the total collected tax per fiscal year for any general purpose.

The City would be required to use all remaining revenues collected from this new tax as follows:

- 45% to help homeless adults, families or youth move into temporary shelter or permanent housing;
- 35% to acquire and rehabilitate rent-controlled apartment buildings to protect vulnerable residents from displacement, and to create permanently affordable homes for middle-income households;
- 10% to acquire, rehabilitate or operate single room occupancy (SRO) buildings and to help house people with extremely low and very low incomes, especially seniors, veterans, persons with disabilities, or immigrants; and
- 10% to provide permanent rent subsidies to extremely low-income senior households that are in income-restricted developments.

**Working title, for identification only. The Director of Elections determines the title of each local ballot measure; measure titles are not considered during Ballot Simplification Committee meetings.*

A "YES" Vote Means: If you vote "yes," you want to impose a new gross receipts tax of 1.7% on revenues a business receives from the lease of some commercial spaces in San Francisco to fund homeless services, extremely low- to middle-income housing and other general purposes.

A "NO" Vote Means: If you vote "no," you do not approve this tax.