

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

Digest by the Ballot Simplification Committee

Status: Draft for Consideration

On: Wednesday, February 28, 2018

Members: Packard, Anderson, Patterson

Deadline to Request Reconsideration: TBD

The Way It Is Now: The City collects a gross receipts tax on many businesses operating in San Francisco. That tax is generally based on the total gross revenue a business receives in San Francisco. Those revenues include rents from leasing commercial property, such as office buildings, warehouses and other industrial buildings, and retail spaces.

For gross revenues between zero and five million dollars, the maximum rate for the City's gross receipts tax applicable to commercial rents is 0.285%. For gross revenues above five million dollars, the maximum rate for the City's gross receipts tax applicable to commercial rents is 0.3%. Beginning in 2021, for gross revenues over \$25 million, the maximum rate for the City's gross receipts tax applicable to commercial rents will be 0.325%.

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

The Area Median Income ("AMI") is a level of income based on all incomes earned within San Francisco. Half of all households in San Francisco have incomes above this level and half have incomes below it.

The Proposal: Proposition ___ would, in addition to the existing gross receipts tax, impose a new gross receipts tax of 1.7% on the revenues a business receives from the lease of commercial spaces in the City.

This additional tax would generally not apply to businesses exempt from the existing gross receipt. 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 lumber yards.
- The retail sale of goods and services directly to consumers; or
- Arts activities or entertainment activities.

This additional tax would also not apply to revenues received from certain non-profit organizations.

Under Proposition ___, the City could use \$3,000,000 per fiscal year starting in fiscal year 2019-2020 for any public purpose, and could use up to \$1,500,000 for any public purpose in fiscal year 2018-2019. The City would be required to use the remaining revenues collected from this additional tax as follows:

- 45% to help homeless adults, families, or youth secure temporary or permanent housing and exit homelessness;
- 10% to acquire, rehabilitate, or operate single room occupancy (SRO) buildings and to help people in households earning less than 50% of the AMI, especially households with seniors, veterans, persons with disabilities, or immigrants;

**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.*

- 35% to acquire and rehabilitate rent-controlled apartment buildings to protect vulnerable residents from displacement, and to create permanently affordable homes for households earning, on average, approximately 80% of the AMI, and to create and preserve housing for households that earn between 70% and 150% of AMI; and
- 10% to provide permanent subsidies to senior households earning less than 40% of the AMI that are in income-restricted developments.

A "YES" Vote Means: If you vote "yes," you want to impose a new gross receipts tax of 1.7% on the revenues a business receives from the lease of specified commercial spaces in the City to fund low-and middle-income housing and homelessness services and for other public purposes.

A "NO" Vote Means: If you vote "no," you do not want to make these changes.