



Member, Board of Supervisors
District 11

City and County of San Francisco

AHSHA SAFAÍ
安世輝

February 27, 2018

Barbara Carr and Members of the Ballot Simplification Committee
1 Dr. Carlton B. Goodlett Place
City Hall, Room 48
San Francisco CA, 94102
Via email to: publications@sfgov.org

Re: Recommended Edits -- *Additional Tax on Commercial Rents Mostly to Fund Housing and Homelessness Services.*

Dear Chair Packard and Members of the Ballot Simplification Committee:

Attached, please find my suggested edits for the "Way It Is Now," "The Proposal," and "A Yes Vote" sections of the above-referenced draft-ballot digest for the June 5, 2018 election. Please don't hesitate to contact me should you have any questions or comments, I may be reached at 415-554-7741.

Thank you for your consideration of these comments.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ahsha Safai".

Ahsha Safai
Supervisor, District 11

Ballot Simplification Committee - DRAFT for Consideration on XXXXX, 2018

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

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~~earns in San Francisco. Those revenues include rents payments received 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%.

Small bBusinesses 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 some businesses ~~receives~~ from the lease of commercial spaces in the City. The Controller estimates that the measure would generate \$70,000,000 annually.

This additional tax would ~~generally~~ not apply to businesses exempt from the existing gross receipt, including small businesses. 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, light-manufacturing, 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~~ the estimated \$70,000,000 collected annually from this additional tax as follows:

- 45% to help homeless adults, families, or youth ~~secure-move into~~ shelter or permanent housing ~~and to~~ exit homelessness;
- 10% to acquire, rehabilitate, ~~or and~~ operate single room occupancy (SRO) buildings and to create permanent affordable housing for very low income help people in households earning less than 50% of the AMI, especially ~~households with~~ seniors, veterans, persons with disabilities, or immigrants;
- 35% to prevent displacement and assist moderate and middle-income households by acquiring and rehabilitating rent-controlled apartments, preserving existing affordable housing, and creating new housing; 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 rent subsidies to for senior households and families earning less than 40% of the AMI that are in affordable income-restricted developments; and-
- Up to \$1,500,000 for any public purpose in fiscal year 2018-2019 and up to \$3,000,000 per fiscal year starting in fiscal year 2019-2020 for any public purpose.

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 affordable housing, affordable senior housing, and housing and services for people experiencing homelessness ~~services and for other public purposes.~~

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