



NORMAN YEE

February 28, 2018

RE: Appeal regarding "Additional Tax on Commercial Rents Mostly for Child Care and Education" Approved Digest

Dear Committee Members Packard, Anderson, and Patterson:

Thank you for your time and diligence in reviewing the language of the "Additional Tax on Commercial Rents Mostly for Child Care and Education" digest. I am writing to respectfully request re-consideration of additional points for clarification:

1. Correcting The Proposal language regarding who would be subject to the commercial rent tax increase.

In the current Proposal, "businesses" are the only actors identified as being subject to paying the tax. I would recommend expanding The Proposal to include "businesses and corporations," as the largest leases of commercial space in San Francisco are by Oracle, Bank of America, UCSF, Airbnb Inc., Twitch, Adobe, Lyft Inc., Slack Technologies Inc., Fitbit Inc. and Charles Schwab & Co.¹

For many voters, who turn to the digest to better understand who the commercial rent tax will affect, the term "business" and "businesses" will bring to mind local, mom and pop and small businesses. In fact, the data shows that some of the largest companies in the world will be most impacted by our legislation. It is therefore most accurate to refer to those affected by the commercial rent tax as "businesses and corporations".

2. Revise language in A "YES" Vote Means to clarify the intent of the Proposition to expand quality early education programs within the City by raising the commercial rent tax rate on specific taxable commercial spaces.

I would like to recommend the following revision for clarity:

A "YES" Vote Means: If you vote "yes," you want to fund quality early care and education for young children, and other general purposes by imposing a new gross receipts tax of 1% on the revenues a business or corporation receives from the lease of warehouse space in the City, and 3.5% on revenues a business receives from the lease of some commercial spaces in the City.

¹ <https://www.bizjournals.com/sanfrancisco/slideshow/2017/05/02/10-biggest-sf-office-lease-lyft-slack-adobe-airbnb.html>

It is understood that the intent of the Board was to mirror as closely as allowable The Digests for both commercial tax Propositions, but I ask for this revision to clarify the differential factor between the two measures for the voters. The intent of the Proposition is to expand quality early care and education as funded by an increase in the commercial rent tax, and it is my opinion that the "YES" Vote Means section should reflect this intent.

3. Remove the italicized clause, as it does not pertain to our legislation.

The Additional Tax on Commercial Rents Mostly to Fund Housing and Homelessness Services specifically includes language in their legislation warranting "*Proposition _ and _ concern the same tax and if both are adopted by the voters, the one with the most votes will be enacted.*" Our Proposition though, only includes standard language regarding conflict with another Proposition that includes the same subject matter. In this case the subject matter in reference would be quality early care and education, not the tax in question.

In Section 6 of Additional Tax on Commercial Rents Mostly to Fund Housing and Homelessness Services the legislation specifically states, "If the voters adopt this measure and any other measure related to the taxation of gross receipts from the lease of commercial space in properties in the City."

The Additional Tax on Commercial Rents Mostly for Child Care and Education legislation language in contrast states, "In the event that another measure or measures on the same ballot seeks to affect the same subject matter." Our Proposition highlights the conflict of "subject matter" which the authors understand to reference the expansion of early care and education, not the revenue source utilized to achieve the expansion.

It is this clear distinction that leads me to request that the italicized clause be removed from our Digest.

Sincerely,



Norman Yee
Supervisor, District 7



NORMAN YEE

APPROVED DIGEST by BSC wed 2/28

The Way It Is Now: The City collects a gross receipts tax on many businesses **and corporations** 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 .285% to .3%

~~Proposition __ and __ concern the same tax and if both 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% on the revenues a business **or corporation** receives from the lease of warehouse space in the City; and
- 3.5% on the revenues a business **or corporation** receives from the lease of other commercial spaces in the City.

This additional tax would generally not apply to businesses **and corporations** exempt from the existing gross receipts tax.

It would also not apply to revenues received from leases to businesses **or corporations** 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 use 15% of funds collected from this additional tax for any general purpose.

The City would use the remaining 85% of the funds from this additional tax for:

- Quality early care and education for children from newborns through age 5 whose parents are very low income to low income;
- Quality early care and education for children from newborns through age 3 whose parents are low to middle income whose parents do not currently qualify for assistance;

**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.*

- Investment in services that support physical, emotional and cognitive development of children from newborns through age 5; and
- Increased compensation for people who provide quality early care and education for children from newborns through age 5.

A “YES” Vote Means: If you vote “yes,” you want to ~~impose a new gross receipts tax of 1% on the revenues a business or corporation receives from the lease of warehouse space in the City, and 3.5% on revenues a business receives from the lease of some commercial spaces in the City to fund quality early care and education for young children, and other general purposes.~~

fund quality early care and education for young children, and other general purposes by imposing a new gross receipts tax of 1% on the revenues a business or corporation receives from the lease of warehouse space in the City, and 3.5% on revenues a business receives from the lease of some commercial spaces in the City.

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

Additional Tax on Commercial Rents Mostly for Child Care and Education *

Digest by the Ballot Simplification Committee

Status: Approved digest

On: Wednesday, February 28, 2018

Members: Packard, Anderson, Patterson

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% on the revenues a business receives from the lease of warehouse space in the City; and
- 3.5% on the revenues a business receives from the lease of other commercial spaces 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) Industrial~~ 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 non-formula 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 or from government entities.

The City would use 15% of funds collected from this additional tax for any general purpose.

The City would use the remaining 85% of the funds from this additional tax for:

- Quality early care and education for children from newborns through age 5 whose parents are very low income to low income;
- Quality early care and education for children from newborns through age 3 whose parents are low to middle income and do not currently qualify for assistance;
- Investment in services that support physical, emotional and cognitive development of children from newborns through age 5; and

**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.*

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- Increased compensation for people who provide quality early care and education for children from newborns through age 5.

A "YES" Vote Means: If you vote "yes," you want to impose a new gross receipts tax of 1% on revenues a business receives from the lease of warehouse space in the City, and 3.5% on revenues a business receives from the lease of some commercial spaces in the City to fund quality early care and education for young children, and for other general purposes.

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