



CITY AND COUNTY OF SAN FRANCISCO

LONDON BREED, MAYOR

OFFICE OF SMALL BUSINESS
REGINA DICK-ENDRIZZI, DIRECTOR

November 15, 2019

Ms. Angela Calvillo, Clerk of the Board
City Hall Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

RE: BOS File No. 191005: Initiative Ordinance - Business and Tax Regulations, Administrative Codes - Excise Tax on Keeping Commercial Property Vacant

Office of Small Business Recommendation to the Board of Supervisors: **Approval**

Dear Ms. Calvillo,

On October 28, 2019 the Small Business Commission (SBC or Commission) heard BOS File No. 191005: Initiative Ordinance - Business and Tax Regulations, Administrative Codes - Excise Tax on Keeping Commercial Property Vacant. Lee Hepner, Legislative Aide to Supervisor Aaron Peskin provided an overview of the legislation.

At that time, the Commission expressed their support for the intent of the motion, particularly as it relates to long term vacancies. The SBC's recommendation was to support the motion upon the condition that Supervisor Peskin work in concert with the Office of Small Business (OSB). Specifically, they recommended modified timelines relative to the named exceptions and an amendment that the 182 days to be consecutive only

The Office of Small Business very much appreciates Supervisor Peskin and Lee Hepner for working with OSB on its set of recommendations. The amended version of the Initiative Ordinance does satisfy these critical concerns:

1. The Vacancy Tax now poses significantly less of a risk to small businesses.
2. The Conditional Use Authorization Period, the Building Permit Application Period and the Construction Period are now reflective of realistic permitting processing times, and as such greatly reduces the risk that a small business could be assessed the tax while trying to open their business.
3. The vacancy tax has a three year tiered phase in period beginning at \$250 per linear foot in the first year, \$500 in the second year, \$1000.00 per linear foot in the third year and beyond. This significantly reduces the amount of the tax the property owner could potentially pass on to the tenant during lease negotiations.

OFFICE OF SMALL BUSINESS • SMALL BUSINESS COMMISSION

1 DR. CARLTON B. GOODLETT PLACE, ROOM 140, SAN FRANCISCO, CALIFORNIA 94102-4681

(415) 554-6408

4. As requested, The Disaster Period has been extended beyond one year to two years.

Considerations for trailing legislation:

1. The Board of Supervisors should consider providing the regulatory agency with guidance on how to address vacant properties where the property owner may be experiencing economic hardship. This is to ensure that applying this tax would not destabilize the property owner and expedite the sale of the property.
2. Require that the Controller or the Tax and Treasurers Office report out data relative to: number of property owners assessed the tax each year and how long the property has been vacant and; number of long term vacancies being leased; number of small business charged the tax and whether the tax was charged due to non-activation or during the permitting period of before opening; whether the tax assessment resulted in the sale of property; and an evaluation of properties available on the market.

The Office of Small Business was grateful for the opportunity to work with Supervisor Peskin and his staff and recommends that the Board of Supervisor support Vacancy Tax Initiative Ordinance. OSB looks forward to working with Supervisor Peskin or any member of the Board of Supervisors on any trailing legislation and the Tax and Treasurers Office in developing the guidelines for administering the tax.

Thank you for considering the Commission's and Department's comments. Please feel free to contact me should you have any questions.

Sincerely,



Regina Dick-Endrizzi
Director, Office of Small Business

cc: Aaron Peskin, Member, Board of Supervisors,
Sophia Kittler, Mayor's Liaison to the Board of Supervisors
Lisa Pagan, Office of Economic and Workforce Development
Linda Wong Clerk, Budget and Finance Committee