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DEPARTMENT OF ELECTIONS

OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller
Todd Rydstrom
Deputy Controller

Mr. John Arntz
Department of Elections
City Hall 1 Dr. Carlton B. Goodlett Place Room 48
San Francisco, CA 94102-4689

March 12, 2018

RE: Proposition D - Ordinance setting a gross receipts tax for housing and homeless services

Dear Mr. Arntz,

Should the proposed ordinance be approved by the voters, in my opinion, it would generate additional net annual revenue to the City of approximately \$70 million. The proposed ordinance would raise the gross receipts tax paid by commercial landlords in San Francisco. The revenues from the tax would be designated for affordable housing programs and homelessness programs, except that \$3.0 million annually, adjusted for inflation in subsequent years, would be available for any public purpose. Total tax collections would change over time at the rate of inflation of commercial rents in the City.

The current gross receipts tax was passed by the voters in November 2012 and replaced the former 1.5% payroll tax with a gross receipts tax that varies by the size and type of business. Commercial landlords generally pay a rate between 0.285% and 0.3% of gross receipts currently. The proposed ordinance would add a new tax of 1.7% for most commercial spaces, in addition to the current gross receipts tax.

The proposal exempts commercial landlords with less than \$1.0 million in gross receipts, rents paid from non-profit tenants, arts, industrial uses, and retail uses as well as other exemptions required under State law. We estimate that these exemptions represent approximately 22% of the tax base, and therefore that 78% of commercial rents paid in the city would be subject to the tax.

As noted above, total tax revenues that would be generated are estimated to be approximately \$70 million annually based on the current tax base, exemptions and rates, and would change over time at the rate of inflation of commercial rents in the City.

Sincerely,


Ben Rosenfield
Controller

Note: This analysis reflects our understanding of the proposal as of the date shown. At times further information is provided to us which may result in revisions being made to this analysis before the final Controller's statement appears in the Voter Information Pamphlet

