

ADDITIONAL TAX ON GROSS RECEIPTS OF BUSINESSES FOR AFFORDABLE RENTAL HOUSING PROGRAM

The Mayor's Office of Housing and Community Development ("MOHCD") coordinates City housing policies and provides financing to develop, rehabilitate and purchase affordable housing. MOHCD funds its programs through taxes, fees, bonds, grants and other sources. The affordable housing projects financed by MOHCD provide rental housing at rents below market rates. MOHCD does not currently manage any rental housing in San Francisco.

The City collects a gross receipts tax on businesses. The City generally collects this tax based upon the total gross amount of revenues a business receives in San Francisco. The City also collects an additional tax on gross receipts in San Francisco over \$50 million to fund services for persons experiencing homelessness. With certain exceptions, the City also collects an additional tax on gross receipts from the lease of commercial space in San Francisco to fund child care and education. If gross receipts are subject to this commercial rents tax, they are not also subject to the gross receipts tax to fund homeless services for persons experiencing homelessness.

The proposed measure would impose an additional tax on businesses with gross receipts in San Francisco over \$25 million to fund a new City program to purchase, construct, rehabilitate, and manage affordable rental housing ("Program"). This additional tax would generally not apply to certain non-profit organizations, businesses exempt from local taxes, or to gross receipts that are either exempt from the gross receipts tax or subject to the commercial rents tax.

The proposed Program would seek to purchase or create up to 30,000 rental units through the acquisition of existing rental housing and construction of new rental housing. The City would own this housing, and MOHCD and the City's Planning Department would manage and oversee the Program. The rent for this housing would generally not exceed 25% of a tenant's gross income.

Under this Program, when MOHCD acquires existing rental housing with any tenants, the tenants could stay in their rental units. If the housing requires any rehabilitation that displaces tenants, the affected tenants would have a right to return to their rental units or to comparable units if their original units no longer exist.

The Program would generally require any persons who apply for this rental housing to live or work in San Francisco at the time they apply. The City would select new tenants by lottery and seek to distribute the available housing across income levels.

The proposed Program would place its rental housing near rapid public transit facilities and certain amenities, such as child care facilities. The Program would also create community councils to participate in the planning and management of this rental housing.

In addition to funding the Program, revenue from the additional proposed tax would also be used for rapid public transit with more frequent service, child care and related educational facilities, and administration of the tax itself.

The Board of Supervisors may later amend this proposal by a majority vote, consistent with the measure's purposes and with certain limitations.