

LEGISLATIVE DIGEST

[Initiative Ordinance - Business and Tax Regulations, Administrative Codes - Excise Tax on Keeping Commercial Property Vacant]

Motion ordering submitted to the voters, at an election to be held on March 3, 2020, an Ordinance amending the Business and Tax Regulations Code and Administrative Code to impose an excise tax on persons keeping ground floor commercial space in neighborhood commercial districts or neighborhood commercial transit districts vacant, to fund assistance to small businesses; increasing the City's appropriations limit by the amount collected under the tax for four years from March 3, 2020; and affirming the Planning Department's determination under the California Environmental Quality Act.

Existing Law

The City currently does not tax the keeping of real property vacant.

Amendments to Current Law

This ordinance would impose an annual tax, effective January 1, 2021, on persons that keep ground floor commercial space in neighborhood commercial districts or neighborhood commercial transit districts vacant. The tax would be \$1,000 per linear foot of street-facing frontage of vacant ground floor commercial space.

Commercial space would be considered vacant if it is unoccupied, uninhabited, or unused for more than 182 days, whether consecutive or nonconsecutive, in a year. Days during the following periods would not count as vacant days: (1) the one-year period following the date that the City issues an initial building permit for repair, rehabilitation, or construction of a building or structure, (2) the one-year period following the date that a building or structure was severely damaged and made uninhabitable or unusable due to fire or natural disaster, and/or (3) the six-month period following the date that an initial application for a conditional use permit is filed with the City.

A person would be liable for the tax only if that person has kept commercial space vacant for more than 182 days in a year. A person would be deemed to have kept commercial space vacant for more than 182 days in a year if that person and persons related to or affiliated by common ownership or control with that person, individually or collectively, keeps that space vacant for more than 182 days in that year. The City would not be exempted from the tax.

The tax would be payable by the owner of the vacant commercial space. If the vacant commercial space is leased, the tax would be imposed on the lessee and not the owner. If the vacant commercial space is subleased, the tax would be imposed on the sublessee and not the owner or sublessor. Not more than one annual tax would be imposed with respect to

a particular commercial space. If there are multiple liable owners, lessees, or sublessees, each such person would be jointly and severally liable for the tax.

The tax would be dedicated to funding assistance to small businesses in the City.

This ordinance would increase the City's appropriations limit under Article XIII B by the amounts collected from this tax, for four years from March 3, 2020.

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