

File No. 240126

Committee Item No. 3

Board Item No. 7

# COMMITTEE/BOARD OF SUPERVISORS

## AGENDA PACKET CONTENTS LIST

Committee: Budget and Appropriations Committee Date March 20, 2024

Board of Supervisors Meeting Date March 26, 2024

### Cmte Board

- Motion
- Resolution
- Ordinance
- Legislative Digest
- Budget and Legislative Analyst Report
- Youth Commission Report
- Introduction Form
- Department/Agency Cover Letter and/or Report
- MOU
- Grant Information Form
- Grant Budget
- Subcontract Budget
- Contract/Agreement
- Form 126 – Ethics Commission
- Award Letter
- Application
- Public Correspondence

### OTHER (Use back side if additional space is needed)

- FYI Referral – Treasurer/Tax Collector 2/29/2024
- FYI Referral - Small Business Commission 2/29/2024
- TTX-SBC Presentation 3/20/2024
- \_\_\_\_\_
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Completed by: Brent Jalipa Date March 14, 2024

Completed by: Brent Jalipa Date March 21, 2024

1 [Business and Tax Regulations Code - Extending Waiver of Permit, License, and Business  
2 Registration Fees for Certain Small Businesses]

3 **Ordinance amending the Business and Tax Regulations Code to extend through**  
4 **June 30, 2025, the waiver of certain first-year permit, license, and business registration**  
5 **fees for specified small businesses that newly form or that open a new location.**

6  
7 NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.  
8 **Additions to Codes** are in *single-underline italics Times New Roman font*.  
9 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.  
10 **Board amendment additions** are in double-underlined Arial font.  
11 **Board amendment deletions** are in ~~strikethrough Arial font~~.  
12 **Asterisks (\* \* \* \*)** indicate the omission of unchanged Code  
13 subsections or parts of tables.

14 Be it ordained by the People of the City and County of San Francisco:

15 Section 1. Article 2 of the Business Regulations and Tax Code is hereby amended by  
16 revising Section 76.3, to read as follows:

17 **SEC. 76.3. WAIVER OF FIRST-YEAR PERMIT, LICENSE, AND BUSINESS**  
18 **REGISTRATION FEES.**

19 (a) **Definitions.** Unless otherwise defined in this Section 76.3, the terms used in this  
20 Section shall have the meanings given to them in Article 6 of the Business and Tax  
21 Regulations Code, as amended from time to time. For purposes of this Section 76.3, the  
22 following definitions shall apply:

23 “Business Registration Certificate” means a “registration certificate,” as defined in  
24 Section 852.2 of Article 12 of the Business and Tax Regulations Code, as may be amended  
25 from time to time.

1           “Business Registration Fee” means the tax imposed under Article 12 of the Business  
2 and Tax Regulations Code, as may be amended from time to time.

3           “City Departments” means the departments and agencies that issue any permit,  
4 license, or Business Registration Certificate, including but not limited to the Planning  
5 Department, Department of Building Inspection, Fire Department, Department of Public  
6 Works, Department of Public Health, Police Department, Entertainment Commission, Office of  
7 Cannabis, and Office of the Treasurer and Tax Collector.

8           “Commercial Use” means any non-residential use, other than a use at a business  
9 location operated from a home or other residential location or for a short-term residential  
10 rental use, as that term is defined in Section 41A.4 of Chapter 41A of the Administrative Code,  
11 as may be amended from time to time.

12           “Gross Receipts Tax Return” means the return reporting taxes imposed by  
13 Article 12-A-1 of the Business and Tax Regulations Code and filed in accordance with  
14 Article 6 of that Code.

15           “License Fees” means all license fees payable to the City, including but not limited to  
16 fees payable to the City under Sections 76.1 and 76.2 of this Article 2, relating to the  
17 operation of a business at a location that is for Commercial Use, but not including fees for  
18 licenses under Chapter 94A of the Administrative Code, as may be amended from time to  
19 time.

20           “Permit Fees” means the fees payable to the City upon application for and issuance of  
21 any permit, including but not limited to permits subject to Article 1 of the Business and Tax  
22 Regulations Code, for the establishment, modification, and/or operation of a Commercial Use,  
23 but not including fees for permits under Chapter 94A of the Administrative Code, as may be  
24 amended from time to time.

1           “Qualified Business” means either a Qualified New Business or a Qualified Business  
2 With New Location.

3           “Qualified Business With New Location” means a person that (1) commences business  
4 at a new business location that is for Commercial Use, as reported to the Tax Collector, after  
5 commencing business within the City at a different location, and (2) reported \$5,000,000 or  
6 less in annual San Francisco Gross Receipts or estimated San Francisco Gross Receipts on  
7 its most recently filed Gross Receipts Tax Return, application for a Business Registration  
8 Certificate, or renewal of a Business Registration Certificate.

9           “Qualified New Business” means a person that (1) applies for an initial Business  
10 Registration Certificate in accordance with Section 856 of Article 12 of the Business and Tax  
11 Regulations Code, (2) has \$5,000,000 or less in estimated San Francisco Gross Receipts for  
12 the calendar year in which the person commences business within the City, and (3) has a  
13 registered business location that is for Commercial Use as reported on the person’s  
14 application for a Business Registration Certificate or any update to that registration  
15 information provided to the Tax Collector. A “Qualified New Business” shall not include a  
16 continuing business that applies for a new Business Registration Certificate as a result of a  
17 change in its ownership or the form of how the business is held.

18           “San Francisco Gross Receipts” has the same meaning as used in Section 855 of  
19 Article 12 of the Business and Tax Regulations Code, *as may be amended from time-to-time*.

20           (b) **Waiver for Qualified New Businesses.** All Permit Fees, initial License Fees, and  
21 the initial Business Registration Fee shall be waived for each Qualified New Business as  
22 follows:

23           (1) Permit Fees and initial License Fees shall be waived, provided the Qualified  
24 New Business has filed the application for the permit or initial license on or after July 1, 2023  
25 and during the one-year period beginning on the date the Qualified New Business

1 commenced business within the City, and the Qualified New Business has a Business  
2 Registration Certificate at the time it files the application for the permit or initial license. The  
3 waiver in this Section 76.3(b)(1) shall not apply to (A) any fees for the renewal of a license or  
4 (B) any fees collected by the City on behalf of any federal, state, or other local government  
5 agency.

6 (2) The initial Business Registration Fee shall be waived, provided the Qualified  
7 New Business has filed the application for an initial Business Registration Certificate in  
8 accordance with Section 856 of Article 12 of the Business and Tax Regulations Code, and  
9 that application was filed on or after July 1, 2023. The waiver in this Section 76.3(b)(2) shall  
10 not apply to any fees for the renewal of a Business Registration Certificate.

11 (c) **Waiver for Qualified Businesses With New Location.** All Permit Fees and initial  
12 License Fees shall be waived for each Qualified Business With New Location. The waiver in  
13 this Section 76.3(c) shall apply to applications for a permit or initial license filed by the  
14 Qualified Business With New Location on or after July 1, 2023, provided the Qualified  
15 Business With New Location files the application during the one-year period beginning on the  
16 date the Qualified New Business With New Location commenced business at the new  
17 business location and has registered the new business location with the Tax Collector no later  
18 than the time it files the application for the permit or initial license, and shall apply only to  
19 Permit Fees and initial License Fees with respect to that new business location. The waiver in  
20 this Section 76.3(c) shall not apply to (1) any fees for the renewal of a license, and (2) any  
21 fees collected by the City on behalf of any federal, state, or other local government agency.

22 \* \* \* \*

23 (j) The waiver of fees provided by this Section 76.3 shall expire by operation of law at  
24 the end of the day on June 30, 2024<sup>5</sup>. No Permit Fees, initial License Fees, or Business  
25 Registration Fees shall be waived for applications for permits, licenses, or Business

1 Registration Certificates filed on or after July 1, 2024<sup>5</sup>. ~~By~~As of December 31, 2025<sup>6</sup>, the City  
2 Attorney ~~shall~~is authorized to cause this~~e~~ Section 76.3 to be removed from the Business and  
3 Tax Regulations Code.

4  
5 Section 2. Effective Date; Retroactivity.

6 (a) This ordinance shall become effective 30 days after enactment. Enactment occurs  
7 when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not  
8 sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the  
9 Mayor’s veto of the ordinance.

10 (b) If the effective date of this ordinance is on or after July 2, 2024, this ordinance shall  
11 be retroactive to July 1, 2024.

12  
13 Section 3. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors  
14 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,  
15 numbers, letters, punctuation marks, charts, diagrams, and any other constituent parts of the  
16 Business and Tax Regulations Code that are explicitly shown in this ordinance as additions,  
17 deletions, Board amendment additions, and Board amendment deletions in accordance with  
18 the “Note” that appears under the official title of the ordinance.

19  
20 APPROVED AS TO FORM:  
21 DAVID CHIU, City Attorney

22 By: /s/ Scott M. Reiber  
23 SCOTT M. REIBER  
24 Chief Tax Attorney

25  
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**LEGISLATIVE DIGEST**

[Business and Tax Regulations Code - Extending Waiver of Permit, License, and Business Registration Fees for Certain Small Businesses]

**Ordinance amending the Business and Tax Regulations Code to extend through June 30, 2025, the waiver of certain first-year permit, license, and business registration fees for specified small businesses that newly form or that open a new location.**

Existing Law

The “First Year Free” program currently waives permit, initial license, and initial business registration fees for businesses that have estimated first-year San Francisco gross receipts of \$5,000,000 or less, have a registered business location that is for commercial use other than for a home-based business or short-term residential rental use, and have actual San Francisco gross receipts of \$15,000,000 or less in the calendar year of, or in any calendar year during the three full calendar years following, the date the business commenced business within San Francisco. It also waives permit and initial license fees for businesses that opened a location in the City for commercial use other than for a home-based business or short-term residential rental use, reported San Francisco gross receipts of \$5,000,000 or less on their most recent return, and have actual San Francisco gross receipts of \$15,000,000 or less in the calendar year of, or in any calendar year during the three full calendar years following, the date the businesses opened the new location. The “First Year Free” program expires on June 30, 2024.

Amendments to Current Law

This ordinance would extend the “First Year Free” program through June 30, 2025. It would not apply to permits, licenses, or business registration certificates filed on or after July 1, 2025.

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<p><b>Item 3</b> <b>File 24-0126</b></p>	<p><b>Department:</b> Office of the Treasurer-Tax Collector (TTX)</p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed ordinance would amend the Business and Tax Regulations Code to extend the waiver of certain first-year permit, license, and business registration fees for specified small businesses that newly form or open a location (First Year Free program) by one year through June 30, 2025.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• In July 2021, the Board of Supervisors approved an ordinance waiving first-year permit, license, and business registration fees for certain small businesses. The goal of the waiver program, referred to as the “First Year Free” program, was to provide relief to small businesses during the City’s recovery from the COVID-19 pandemic. The Board of Supervisors has approved ordinances expanding the fee waivers to all business types and extending the program through June 2024. The Treasurer-Tax Collector administers the First Year Free program, which has enrolled 6,533 businesses as of March 11, 2024.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• According to the Treasurer-Tax Collector’s Office, in FY 2023-24, the First Year Free program has waived approximately \$1,017,327 through March 8, 2024. Using a straight-line projection, this would amount to approximately \$1,483,433 for the full fiscal year. In FY 2022-23, the program waived a total of \$1,649,977 in fees.</li> <li>• In addition to the fee waivers, the First Year Free program funds two off-budget full-time equivalent (FTE) positions. The total cost to fund both positions in FY 2024-25, if filled, is approximately \$342,177. The Treasurer-Tax Collector’s office also anticipates information technology costs to support the program in an amount not to exceed \$100,000.</li> <li>• As of March 8, 2024, the available balance for the First Year Free program is approximately \$3,013,528. If the proposed ordinance is not approved, approximately \$2.2 million would be available for the FY 2024-25 for other purposes.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• Approval of the proposed ordinance is a policy matter for the Board of Supervisors.</li> </ul>	



**MANDATE STATEMENT**

City Charter Section 2.105 states that all legislative acts shall be by ordinance, approved by a majority of the members of the Board of Supervisors.

**BACKGROUND**

**First Year Free Program**

In July 2021, the Board of Supervisors approved an ordinance waiving first-year permit, license, and business registration fees for certain small businesses (File 21-0741). The goal of the waiver program, referred to as the “First Year Free” program, was to provide relief to small businesses during the City’s recovery from the COVID-19 pandemic. In November 2022, the fee waivers were expanded to all business types and extended through June 2023 (File 22-0970). In July 2023, the Board of Supervisors retroactively approved an ordinance to codify the First Year Free program and extend it through June 2024 (File 23-0664). The Treasurer-Tax Collector administers the First Year Free program, which has enrolled 6,533 businesses as of March 11, 2024.<sup>1</sup>

**Program Eligibility**

Both new small businesses and existing small businesses with new locations that have up to \$5 million or less in gross receipts in San Francisco are eligible for free waivers through June 2024.

In addition, fee waivers may be revoked if a business that originally qualified for a fee waiver had more than \$15 million in gross receipts in San Francisco in the calendar year of or in any of the three calendar years following the date the business commenced or opened a new location.

The number of new business location openings from 2018 through 2023, regardless of business size, is shown in Exhibit 1 below.

**Exhibit 1: New Business Location Openings, 2018 through 2023**

<b>Year</b>	<b>Business Location Openings</b>
2018	19,556
2019	19,132
2020	14,286
2021	15,365
2022	14,660
2023	13,220
<b>Total</b>	<b>96,219</b>

Source: Open Data SF

<sup>1</sup> According to Amanda Fried, Treasurer-Tax Collector Chief of Policy and Communications, not every business that has enrolled in the program has received a monetary benefit.

**DETAILS OF PROPOSED LEGISLATION**

The proposed ordinance would amend the Business Regulations and Tax Code to extend the First Year Free program by one year through June 2025. The proposed ordinance makes no other changes to the program.

**FISCAL IMPACT**

According to the Treasurer-Tax Collector's Office, in FY 2023-24, the First Year Free program has waived approximately \$1,017,327 through March 8, 2024. Using a straight-line projection, this would amount to approximately \$1,483,433 for the full fiscal year. In FY 2022-23, the program waived a total of \$1,649,977 in fees.

In addition to fee waivers, the First Year Free program funds two off-budget full-time equivalent (FTE) positions, a 1634 Principal Account Clerk, which is currently filled, and a 4310 Commercial Division Assistant Supervisor, which is currently vacant. The total cost to fund both positions in FY 2024-25, if filled, is approximately \$342,177. The Treasurer-Tax Collector's office also anticipates information technology costs to support the program in an amount not to exceed \$100,000.

As of March 8, 2024, the available balance for the First Year Free program is approximately \$3,013,528. According to Tajel Shah, Chief Assistant Treasurer, the Treasurer-Tax Collector's office anticipates that the existing balance is sufficient to fund the program in FY 2024-25 and additional funding will not be requested in the FY 2024-25 budget.

If the proposed ordinance is not approved, approximately \$2.2 million would be available for FY 2024-25 for other purposes.

**RECOMMENDATION**

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

March 20, 2024

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**Treasurer & Tax Collector**  
CITY AND COUNTY OF SAN FRANCISCO

# First Year Free

Presented by Amanda Fried, TTX and Katy Tang, Office of Small Business



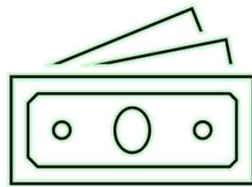
# First Year Free

First Year Free to supports San Francisco small businesses as they recover from the pandemic. Since November 1, 2021:

**6,533 First Year Free Enrollments**



**\$1,413,000**  
DBI



**\$909,000**  
TTX



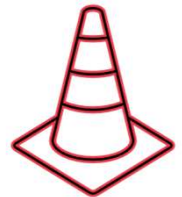
**\$401,000**  
DPH



**\$64,000**  
ENT



**\$39,000**  
CPC



**\$29,200**  
DPW

**Total Waived: \$2.96 million**



# First Year Free Extension

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Ordinance extends program for one year to June 30, 2025.

## Program Overview

- Waives the cost of initial registration fees, initial license fees, first-year permit, and other applicable fees for qualifying new businesses and new locations of existing businesses.
- To Qualify:
  - \$5 million or less in San Francisco gross receipts.
  - Registered location that is for commercial use.
  - Not a home-based business or short-term rental.
- Requires repayment if a business has more than \$15 million in San Francisco gross receipts in the year the business commenced or in any of the three years following.





# How do businesses enroll in First Year Free?

## New Business Registration (new business)



BUSINESS REGISTRATION

- Organization Type**
- Business Identification
- Change of Ownership
- Ownership Information
- Business Officers
- Business Activities
- Business Information
- Taxes and Fees
- Location Details
- Review & Submit

### Organization Type

What is the organization type of this business? \*

Is this business a non-profit? \*  Yes  No

Continue

## Account Update (new location, existing business)



ACCOUNT UPDATE

To begin Account Update, enter:

Your seven (7) digit Business Account Number

The last four (4) digits of your Tax Identification Number

Your eight (8) character Online PIN

Login

City and County of San Francisco ©2000-2020



# Amount Waived by Fiscal Year

	Total \$ Waived	Waived by Department						
		DBI	TTX	DPH	ENT	CPC	DPW	POL
FY 2021-22*	\$288,715	\$88,160	\$103,498	\$79,434	\$9,670	\$4,568	\$2,569	\$816
FY 2022-23	\$1,649,977	\$868,781	\$529,267	\$192,842	\$21,987	\$23,945	\$10,698	\$2,454
FY 2023-24*	\$1,017,042	\$455,830	\$359,927	\$128,580	\$32,737	\$10,838	\$15,925	\$13,204

\* Partial Fiscal Year

# First Year Free Program Impact

“My dream of having a restaurant came true. I walked into the Office of Small Business not knowing what to do or how to start, but was able to get through the permitting process quickly and benefit from the First Year Free program.”

*Andrea Alfaro, owner, **El Mil Amores***



El Mil Amores, located at 2780 21st St. In the Mission District, saved \$11,000 in waived fee through the First Year Free Program.



Tala Wine, located at 4625 Mission St in the Excelsior district, opened in May 2023 and benefitted from the First Year Free Program.

“When I first started my online wine club and shop, opening a physical location was a dream, but also a risk. First Year Free saved my business thousands of dollars while we were renovating our space and preparing to open. It helped give me an edge as Tala Wine got up and running.”

*Tala Drzewieski, owner of **Tala Wine Co.***



## More examples of the impact of First Year Free include:

- **Mamahuhu Restaurant:** \$17,000 in fees waived when opening their second location
- **Anomaly:** Michelin-starred restaurant opened with the help of \$13,000 in fees waived
- **Style By Lana:** a new salon had \$5,000 in fees waived
- **Cassava Restaurant:** \$7,000 in fees waived
- **Glaze Donuts,** \$16,000 in fees waived when it expanded to its second location
- *And thousands more!*



Mamahuhu, 3991 24 St, Noe Valley



Anomaly, 2600 Sutter St, Lower Pacific Heights



**Treasurer & Tax Collector**  
CITY AND COUNTY OF SAN FRANCISCO

# Questions?

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BOARD of SUPERVISORS



City Hall  
1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco 94102-4689  
Tel. No. (415) 554-5184  
Fax No. (415) 554-5163  
TDD/TTY No. (415) 554-5227

## MEMORANDUM

TO: José Cisneros, City Treasurer, Office of the Treasurer and Tax Collector

FROM: Brent Jalipa, Assistant Clerk, Budget and Finance Committee

DATE: February 29, 2024

SUBJECT: PROPOSED ORDINANCE INTRODUCED

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The Board of Supervisors' Budget and Finance Committee has received the following proposed Ordinance, introduced by Mayor London Breed:

**File No. 240126**

**Ordinance amending the Business and Tax Regulations Code to extend through June 30, 2025, the waiver of certain first-year permit, license, and business registration fees for specified small businesses that newly form or that open a new location.**

If you have any comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Amanda Kahn Fried, Office of the Treasurer and Tax Collector

BOARD of SUPERVISORS



City Hall  
Dr. Carlton B. Goodlett Place, Room 244  
San Francisco 94102-4689  
Tel. No. (415) 554-5184  
Fax No. (415) 554-5163  
TDD/TTY No. (415) 554-5227

**MEMORANDUM**

TO: Katy Tang  
**Small Business Commission, City Hall, Room 448**

FROM: Brent Jalipa, Assistant Clerk  
Budget and Finance Committee

DATE: February 29, 2024

SUBJECT: REFERRAL FROM BOARD OF SUPERVISORS  
Budget and Finance Committee

The Board of Supervisors' Budget and Finance Committee has received the following proposed legislation, introduced by Mayor London Breed, which is being referred to the Small Business Commission for comment and recommendation.

**File No. 240126**

**Ordinance amending the Business and Tax Regulations Code to extend through June 30, 2025, the waiver of certain first-year permit, license, and business registration fees for specified small businesses that newly form or that open a new location.**

Please return this cover sheet with the Commission's response to Brent Jalipa, Budget and Finance Clerk, by email to: [brent.jalipa@sfgov.org](mailto:brent.jalipa@sfgov.org).

\*\*\*\*\*

**RESPONSE FROM SMALL BUSINESS COMMISSION - Date:** \_\_\_\_\_

\_\_\_\_ **No Comment**

\_\_\_\_ **Recommendation Attached**

\_\_\_\_\_  
**Chairperson, Small Business Commission**

**From:** [Trejo, Sara \(MYR\)](#)  
**To:** [BOS Legislation, \(BOS\)](#)  
**Cc:** [Paulino, Tom \(MYR\)](#); [Tang, Katy \(ECN\)](#); [Prager, Jackie \(BOS\)](#); [Ho, Calvin \(BOS\)](#); [Bell, Tita \(BOS\)](#); [Donovan, Dominica \(BOS\)](#); [REIBER, SCOTT \(CAT\)](#); [Fried, Amanda \(TTX\)](#); [FLETES, CHRISTINA \(CAT\)](#); [PRADHAN, MANU \(CAT\)](#); [PEARSON, ANNE \(CAT\)](#); [ZAREFSKY, PAUL \(CAT\)](#); [BUTA, ODAYA \(CAT\)](#); [SAPERSTEIN, ALLIE \(CAT\)](#)  
**Subject:** Mayor -- Ordinance -- First-Year-Free Extension  
**Date:** Tuesday, February 13, 2024 3:57:04 PM  
**Attachments:** [ORD 2024 FYF Extension.FINAL.DOCX](#)  
[DIG 2024 FYF Extension.DOCX](#)  
[CAT Approval.msg](#)

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Hello Clerks,

Attached is an Ordinance amending the Business and Tax Regulations Code to extend, through June 30, 2025, the waiver of certain first-year permit, license, and business registration fees for specified small businesses that newly form or that open a new location.

Please note, Supervisors Ronen, Engardio, Mandelman, and Stefani are cosponsors of this item.

Best regards,

**Sara Trejo**

Legislative Aide

Office of the Mayor

City and County of San Francisco

415.554.6141 | [sara.trejo@sfgov.org](mailto:sara.trejo@sfgov.org)