

File No. 240126

Committee Item No. 3

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Appropriations Committee Date March 20, 2024

Board of Supervisors Meeting Date _____

Cmte Board

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| ☐ | ☐ | Grant Information Form |
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| ☐ | ☐ | Contract/Agreement |
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OTHER (Use back side if additional space is needed)

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| ☒ | ☐ | <u>FYI Referral – Treasurer/Tax Collector 2/29/2024</u> |
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| ☐ | ☐ | _____ |
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Completed by: Brent Jalipa Date March 14, 2024

Completed by: Brent Jalipa Date _____

[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.

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

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

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

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

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

“Business Registration Certificate” means a “registration certificate,” as defined in Section 852.2 of Article 12 of the Business and Tax Regulations Code, as may be amended 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, 2024⁵. 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, 2024⁵. ~~By~~As of December 31, 2025⁶, the City
2 Attorney ~~shall~~is authorized to cause this~~se~~ 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
Chief Tax Attorney

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25

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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Item 3 File 24-0126	Department: Office of the Treasurer-Tax Collector (TTX)
EXECUTIVE SUMMARY	
Legislative Objectives - 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. Key Points - 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. 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 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. - 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. Recommendation - Approval of the proposed ordinance is a policy matter for the Board of Supervisors.	

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, 2024.¹

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

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

Source: Open Data SF

¹ 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.

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

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



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San Francisco 94102-4689
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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.

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](#)

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