File No. 260118 **Committee Item No.** 1
Board Item No. 3

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Appropriations Committee **Date** June 17, 2026
Board of Supervisors Meeting **Date** July 21, 2026

Cmte Board

Cmte	Board	
☐	☐	**Motion**
☐	☐	**Resolution**
☒	☒	**Ordinance**
☒	☒	**Legislative Digest**
☒	☒	**Budget and Legislative Analyst Report**
☐	☐	**Youth Commission Report**
☒	☒	**Introduction Form**
☒	☒	**Department/Agency Cover Letter and/or Report**
		• **SBC Response 2/27/2026**
☐	☐	**MOU**
☐	☐	**Grant Information Form**
☐	☐	**Grant Budget**
☐	☐	**Subcontract Budget**
☐	☐	**Contract/Agreement**
☐	☐	**Form 126 – Ethics Commission**
☐	☐	**Notice of Award/Award Letter**
☐	☐	**Application**
☐	☐	**Public Correspondence**

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

Cmte	Board	
☒	☒	FYI Referral 2/6/2026
☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	

Completed by: Brent Jalipa **Date** June 11, 2026
Completed by: Brent Jalipa **Date** June 23, 2026

FILE NO. 260118 AMENDED IN COMMITTEE 6/17/2026 ORDINANCE NO.

[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, 2027,~~ 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 until the earlier of: July 1, 2027, or the date on which all funds appropriated to reimburse departments for the waived fees have been expended.

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 and Tax Regulations 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.

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

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

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

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

"License Fees" means all license fees payable to the City, including but not limited to fees payable to the City under Section 76.1 of this Article 2, relating to the operation of a business at a location that is for Commercial Use, but not including fees for licenses under Chapter 94A of the Administrative Code, as may be amended from time to time.

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

"Qualified Business" means either a Qualified New Business or a Qualified Business With New Location.

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

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

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

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

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

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

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

* * * *

(j) The waiver of fees provided by this Section 76.3 shall expire by operation of law on the earlier of: (1) ~~at the end of the day~~ ~~on June 30~~ July 1, 2027~~6~~, or (2) 30 days after the Office of the Treasurer and Tax Collector provides written notice to the Board of Supervisors that all funds appropriated to reimburse departments for the waived fees have been expended. No Permit Fees, initial License Fees, or Business Registration Fees shall be waived for applications for permits, licenses, or Business Registration Certificates filed on or after the date the fee waiver under this Section 76.3 expires as provided in the previous sentence. ~~July 1, 20276~~. As of December 31, 2028~~7~~, the City Attorney is authorized to cause this Section 76.3 to be removed from the Business and Tax Regulations Code.

Section 2. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors intends to amend only those words, phrases, paragraphs, subsections, sections, articles, numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal Code that are explicitly shown in this ordinance as additions, deletions, Board amendment additions, and Board amendment deletions in accordance with the “Note” that appears under the official title of the ordinance.

Section 3. Effective Date; Retroactivity.

(a) This ordinance shall become effective ~~at 12:00 a.m.~~ on the 31st day after enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the Mayor's veto of the ordinance.

(b) If the effective date of this ordinance is on or after July 1, 2026, this ordinance, upon its effective date, shall be retroactive to July 1, 2026.

APPROVED AS TO FORM:
DAVID CHIU, City Attorney

By: */s/ Bradley A. Russi*
BRADLEY A. RUSSI
Deputy City Attorney

FILE NO. 260118

REVISED LEGISLATIVE DIGEST
(Amended in Committee, 6/17/2026)

[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 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 until the earlier of: July 1, 2027, or the date on which all funds appropriated to reimburse departments for the waived fees have been expended.

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, 2026.

Amendments to Current Law

This ordinance would extend the "First Year Free" program through the earlier of: (1) July 1, 2027, or (2) 30 days after the Office of the Treasurer and Tax Collector provides written notice to the Board of Supervisors that all funds appropriated to reimburse departments for the waived fees have been expended. It would not apply to permits, licenses, or business registration certificates filed on or after that date.

Background

At a meeting on June 17, 2026, the Budget and Finance Committee amended this ordinance to provide that the fee waiver may expire earlier than July 1, 2027, if the funds appropriated to reimburse departments for the waiver have been expended.

Item 4 **File 26-0118**	**Department:** Office of the Treasurer-Tax Collector (TTX)

EXECUTIVE SUMMARY

Legislative Objectives

- The original legislation in this File 26-0118 would extend the First Year Free Program by one year through June 2027. However, because the Mayor's proposed FY 2026-27 – FY 2027-28 budget does not provide funding for the program, the Budget & Finance Committee will consider an amendment to the proposed ordinance.
- The proposed amended ordinance would amend the Business Regulations and Tax Code to extend the First Year Free program until the earlier of: June 30, 2027, or all funds appropriated to reimburse departments for the waived fees have been expended.

Key Points

- The First Year Free program waives fees for most new businesses generating less than $5 million in gross receipts in San Francisco. Businesses are currently automatically enrolled in the First Year Free program immediately upon registering with the Office of the Treasurer and Tax Collector (TTX), provided they meet the eligibility criteria. With the wind down, TTX will coordinate with other City Departments to stop enrolling businesses in First Year Free. The proposed extension would allow businesses that qualified for First Year Free in FY 2025-26 to receive all fee waivers to which they are currently entitled.

Fiscal Impact

- To provide funding for the wind down, OEWD is transferring $881,000 from the Small Business Assistance Fund, which is funded by Commercial Vacancy Tax revenues and can only be used for small business assistance. According to Amanda Fried, Assistant Treasurer, approximately $600,000 of the $881,000 is needed for FY 2025-26 First Year Free fee waivers and $281,000 is needed for fee waivers in FY 2026-27 for current program participants.

Policy Consideration

- According to data provided by TTX, the average business had $1,120 in fees waived in 2025. Given the cost of labor and real estate in San Francisco, the $1,120 in fee waivers is unlikely to have a meaningful impact on small business formation but, in the aggregate, does have a meaningful impact on the City's General Fund, which funded the program at a cost of $2.5 million in FY 2025-26. The Board of Supervisors should approve the proposed ordinance to wind down the program. As an alternative to First Year Free, the City could consider shifting fee due dates for new small businesses so that they have time to generate sufficient working capital to pay the fees.

Recommendation

- Approve the proposed ordinance.

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

In July 2021, the Board of Supervisors approved an ordinance temporarily waiving first-year permit, license, and business registration fees for certain small businesses as an economic recovery tool from the impact of the COVID-19 pandemic (File 21-0741). Since its initial adoption, the program has returned to the Board each year for extension and approval. In some extensions, the Board has approved minor modifications – primarily expanding business eligibility – which are summarized in Exhibit 1 below.

Exhibit 1: First Year Free Legislative History and Key Changes

BOS File	Period	Eligibility
21-0741	11/1/21 – 10/31/22	• Less than $2 million in gross receipts • Non-formula retail business[1] • Have a registered business location on the ground floor
22-0970	11/1/22 – 6/30/23	• Less than $5 million in gross receipts
23-0664	7/1/23 – 6/30/24	• Less than $5 million in gross receipts
24-0126	7/1/24 – 6/30/25	• Less than $5 million in gross receipts
25-0259	7/1/25 – 6/30/26	• Less than $5 million in gross receipts

Source: BOS Files noted above.

The current program waives or refunds all first-year fees except those related to Shared Spaces (Administrative Code 94A). It applies to businesses with $5 million or less in San Francisco gross receipts and requires that businesses operate from a location registered for commercial use. Home-based businesses and short-term rentals remain ineligible.

The original legislation in this File 26-0118 would extend the First Year Free Program by one year through June 2027. However, because the Mayor's proposed FY 2026-27 – FY 2027-28 budget does not provide funding for the program, the Budget & Finance Committee will consider an amendment to the proposed ordinance to extend the program for one year or until all funds appropriated to reimburse departments for waived fees have been expended.

[1] Formula retail businesses have 11 or more establishments with standardized features, per Planning Code Section 303.1.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend the Business Regulations and Tax Code to extend the First Year Free program until the earlier of: June 30, 2027, or all funds appropriated to reimburse departments for the waived fees have been expended.

The extension would allow businesses that qualified for First Year Free in FY 2025-26 to receive all fee waivers to which they are currently entitled. First Year Free waives Department of Building Inspection fees, however many of those fees only come due after permits are approved, so there can be up to a year delay between when a business files for a building permit and when they would receive a fee waiver under the First Year Free program.

Program Administration

The program employs two full-time permanent positions to administer its operations: one 4310 Commercial Division Assistant Supervisor and one 1634 Principal Account Clerk. In the FY 2025-26 – FY 2026-27 budget process, these positions moved from the First Year Free project to TTX's General Fund for operations.

Businesses are currently automatically enrolled in the First Year Free program immediately upon registering with the Office of the Treasurer and Tax Collector (TTX), provided they meet the eligibility criteria at the time of registration. With the wind down, TTX will coordinate with other City Departments to stop enrolling businesses in First Year Free.

FISCAL IMPACT

As noted above, the proposed FY 2026-27 – FY 2027-28 budget does not include funding for the First Year Free program. TTX has spent $2,406,087 out of the $2,500,000 budget for First Year Free in FY 2025-26, so only $90,339 remains available for spending as of June 1, 2026.

To provide funding for the wind down, OEWD is transferring $881,000 from the Small Business Assistance Fund, which is funded by Commercial Vacancy Tax revenues and can only be used for small business assistance. According to Amanda Fried, Assistant Treasurer, approximately $600,000 of the $881,000 is needed for FY 2025-26 First Year Free fee waivers and $281,000 is needed for fee waivers in FY 2026-27 for current program participants. The $881,000 from OEWD is carryover funding from unspent FY 2024-25 revenues that were never programmed, so transferring the funding for First Year Free does not impact another small business assistance program.

Historical Program Cost

According to data provided from TTX, the First Year Free program has provided over $7.6 million in fee relief from its inception in November 2021 through December 2025. Total fees generated grew by approximately 23 percent from calendar year 2024 to calendar year 2025. Annual fee relief by department is shown in Exhibit 2 below.

Exhibit 2: Annual Fee Relief by Department (by Calendar Year)

Department	2021 (2 Months)	2022	2023	2024	2025	Total
CPC	-	$7,102	$26,214	$79,461	$130,033	$242,810
DBI	-	456,574	797,379	1,128,884	1,438,513	3,821,350
DPH	3,829	148,560	222,541	269,812	296,639	941,381
DPW	-	5,793	20,578	90,473	79,805	196,649
ENT	3,042	22,366	23,365	125,776	91,034	265,583
FIR	-	-	-	-	20,118	20,118
POL	-	816	15,374	10,705	5,518	32,413
TTX	6,489	303,697	577,882	538,763	704,790	2,131,621
Total	**$13,360**	**$944,908**	**$1,683,333**	**$2,243,874**	**$2,766,450**	**$7,651,925**

Source: TTX

POLICY CONSIDERATION

The First Year Free program was originally established in response to the COVID-19 pandemic as a means of alleviating the financial hardships felt by small businesses due to pandemic-related disruptions. While originally designed as a form of emergency pandemic relief, the program's stated goals have shifted towards an incentive program for businesses to form and expand by reducing the financial burden of start-up fees during first-year operations. According to data provided by TTX, the average business had $1,120 in fees waived in 2025. Given the cost of labor and real estate in San Francisco, the $1,120 in fee waivers is unlikely to have a meaningful impact on small business formation but, in the aggregate, does have a meaningful impact on the City's General Fund, which funded the program at a cost of $2.5 million in FY 2025-26. The Board of Supervisors should approve the proposed ordinance to wind down the program. As an alternative to First Year Free, the City could consider shifting the due dates of fees for small businesses so that they have time to generate sufficient working capital to pay the fees.

RECOMMENDATION

Approve the proposed ordinance.

SAN FRANCISCO
OFFICE OF SMALL BUSINESS

CITY AND COUNTY OF SAN FRANCISCO
DANIEL L. LURIE, MAYOR

OFFICE OF SMALL BUSINESS
DIRECTOR KATY TANG

February 27, 2026

Ms. Angela Calvillo, Clerk of the Board
City Hall Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

RE: BOS File 260118 – Extending Waiver of Permit, License, and Business Registration Fees for Certain Small Businesses - Support

Dear Ms. Calvillo,

On February 23, 2026, the Small Business Commission (the Commission) heard BOS File 260118 – Extending Waiver of Permit, License, and Business Registration Fees for Certain Small Businesses. Lorenzo Rosas, Legislative Director for Supervisor Sherrill, presented the legislation, which would extend the First Year Free program for an additional year. The First Year Free Program supports new businesses in San Francisco by waiving the costs of initial license and permit fees for qualifying businesses.

The Commission noted that new businesses face significant up-front costs, and First Year Free helps to alleviate those financial challenges. It also sends a positive message to new and prospective business owners that encourages them to locate in San Francisco. The Commission voted to support this legislation with four aye votes and three absences. Please feel free to contact me should you have any questions.

Sincerely,

Katy Tang
Director, Office of Small Business

BOARD of SUPERVISORS

City Hall
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San Francisco 94102-4689
Tel. No. (415) 554-5184
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M E M O R A N D U M

TO: José Cisneros, City Treasurer, Office of the Treasurer and Tax Collector
Sarah Dennis Phillips, Director, Planning Department
Patrick O'Riordan, Director, Department of Building Inspection
Dean Crispen, Fire Chief, Fire Department
Carla Short, Director, Public Works
Daniel Tsai, Director, Department of Public Health
Derrick Lew, Police Chief, Police Department
Maggie Weiland, Executive Director, Entertainment Commission
Nikesh Patel, Director, Office of Cannabis

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

DATE: February 6, 2026

SUBJECT: PROPOSED ORDINANCE INTRODUCED

The Board of Supervisors' Budget and Finance Committee has received the following proposed Ordinance, introduced by Supervisor Stephen Sherrill:

File No. 260118

Ordinance amending the Business and Tax Regulations Code to extend, through June 30, 2027, 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
Dan Sider, Planning Deaprtment
Audrey Merlone, Planning Department
Lisa Gluckstein, Planning Department
Patty Lee, Department of Building Inspection
Tate Hanna, Department of Building Inspection
Theresa Ludwig, Fire Department
Davis Steinberg, Public Works
Ian Schneider, Public Works
Dr. Naveena Bobba, Department of Public Health
Sneha Patil, Department of Public Health
Steven Lopez, Police Department
Carl Nicita, Police Department
Giannina Miranda, Police Department
Jeremy Schwartz, Office of Cannabis

Introduction Form

(by a Member of the Board of Supervisors or the Mayor)

I hereby submit the following item for introduction (select only one):

- ■ 1. For reference to Committee (Ordinance, Resolution, Motion or Charter Amendment)
- ☐ 2. Request for next printed agenda (For Adoption Without Committee Reference)
  (Routine, non-controversial and/or commendatory matters only)
- ☐ 3. Request for Hearing on a subject matter at Committee
- ☐ 4. Request for Letter beginning with "Supervisor [ ] inquires…"
- ☐ 5. City Attorney Request
- ☐ 6. Call File No. [ ] from Committee.
- ☐ 7. Budget and Legislative Analyst Request (attached written Motion)
- ☐ 8. Substitute Legislation File No. [ ]
- ☐ 9. Reactivate File No. [ ]
- ☐ 10. Topic submitted for Mayoral Appearance before the Board on [ ]

The proposed legislation should be forwarded to the following (please check all appropriate boxes):

☐ Small Business Commission ☐ Youth Commission ☐ Ethics Commission

☐ Planning Commission ☐ Building Inspection Commission ☐ Human Resources Department

General Plan Referral sent to the Planning Department (proposed legislation subject to Charter 4.105 & Admin 2A.53):

☐ Yes ☐ No

(Note: For Imperative Agenda items (a Resolution not on the printed agenda), use the Imperative Agenda Form.)

Sponsor(s):

Sherrill

Subject:

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

Long Title or text listed:

Ordinance amending the Business and Tax Regulations Code to extend, through June 30, 2027, 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.

Signature of Sponsoring Supervisor: /s/ Stephen Sherrill