

File No. 210741

Committee Item No. 1

Board Item No. 36

# COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget & Finance Committee

Date July 21, 2021

Board of Supervisors Meeting

Date July 27, 2021

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Completed by: Linda Wong Date July 15, 2021

Completed by: Linda Wong Date July 23, 2021

1 [Waiver of Permit, License, and Business Registration Fees for Certain New Small  
2 Businesses Locations]

3 Ordinance waiving certain first-year permit, license, and business registration fees for  
4 businesses that either (1) commence engaging in business within the City from  
5 November 1, 2021, through October 31, 2022, have estimated first-year San Francisco  
6 gross receipts of \$2,000,000 or less, and have a registered business location that is for  
7 storefront ground floor commercial use and not formula retail uses, and have gross  
8 receipts in the next three tax years of \$10,000,000 or less, or (2) open a new business  
9 location for ground floor commercial use and not formula retail use, reported  
10 San Francisco gross receipts of \$2,000,000 or less on its most recent return, and have  
11 gross receipts in the next three tax years of \$10,000,000 or less; and refunding any  
12 waived fees paid to the City.

13  
14 NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.  
15 **Additions to Codes** are in *single-underline italics Times New Roman font*.  
16 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.  
17 **Board amendment additions** are in double-underlined Arial font.  
18 **Board amendment deletions** are in ~~Arial font~~.  
19 **Asterisks (\* \* \* \*)** indicate the omission of unchanged Code  
20 subsections or parts of tables.

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

22 Section 1. Background, Purpose, and Findings.

23 (a) San Francisco is home to thousands of small businesses, employing hundreds of  
24 thousands of workers. Small businesses are the lifeblood of our neighborhoods and our  
25 communities. While many have managed to stay afloat during the COVID-19 pandemic and

1 economic downturn, adjust to quickly shifting guidelines and practices, and creatively promote  
2 new ways of doing business, many have not, and have not survived.

3 (b) The City seeks a robust and equitable recovery that revives the small business  
4 sector, gets service and retail workers back to work, reassures San Franciscans that  
5 neighborhood corridors are still there for them to gather, shop, and dine, and attracts visitors  
6 to enjoy all that is special and unique about our City.

7 (c) In March 2021, the San Francisco Budget and Legislative Analyst issued a report  
8 estimating unpaid commercial rent in San Francisco through December 2020 due to the  
9 COVID-19 pandemic and related public health orders. The report estimated that, while  
10 non-payment of rent from retail chains had recovered slightly from spikes early in the  
11 pandemic, between 52% and 63% of small local businesses had not been able to pay rent in  
12 full and that unpaid commercial rent ranged from \$172 million to \$404 million, with almost all  
13 of that – 89% to 98% – owed by storefront retail, services, restaurants, and bars. Commercial  
14 eviction protections, lease renegotiations, and other strategies will allow some, but not all, of  
15 these small businesses to continue to operate.

16 (d) Prior to the pandemic, neighborhoods across the City were already seeing a  
17 proliferation of vacant storefronts. To ensure vibrant commercial corridors, the City must  
18 focus not only on sustaining existing businesses but also on addressing vacancies. In order  
19 to lower the barriers that new businesses face before they open their doors, San Francisco  
20 voters passed Proposition H in November 2020, a package of commercial permit streamlining  
21 changes, and pending legislation would expand those streamlining changes. To further lower  
22 those barriers, complement the permit process changes, remove the financial barrier that City  
23 fees create for prospective small business owners, and support a full and fast recovery of the  
24 City's commercial corridors and small businesses, this ordinance will waive ~~City~~ certain City  
25 first-year permit, initial license, and initial business registration fees for many new small

1 businesses and certain first-year permit and initial license fees for many small businesses that  
2 open a new ground floor location.

3 (e) Small businesses are an effective economic development pathway for communities  
4 of color and an alternative to minimum wage jobs for working class San Franciscans.  
5 According to a 2015 paper published by the Brookings Institution, “Business ownership can  
6 catalyze social mobility. . . . African American entrepreneurs are both more likely to move into  
7 higher income groups than are African American nonentrepreneurs, . . [and] successful  
8 entrepreneurship is correlated with wealth, savings, job satisfaction, and economic mobility.”  
9 A recent article by What Works Cities stated, “[S]mall business entrepreneurship has long  
10 served as an important vehicle of economic mobility for families. In many immigrant  
11 communities and communities of color, owning a business and hiring neighbors and  
12 community members is a way to build wealth for their families and create vibrant  
13 communities.” Among its benefits, this ordinance will encourage and support small business  
14 entrepreneurship in immigrant communities and communities of color, though its reach will be  
15 broader and its impact will be across-the-board and citywide.

16 (f) The Board of Supervisors finds that it is reasonable to waive first-year permit,  
17 license, and business registration fees for certain ~~new~~ small businesses whose business  
18 location is for ~~storefront~~ ground floor commercial use and not Formula Retail uses. The Board  
19 of Supervisors further finds that while small businesses with one or few locations have been  
20 especially impacted by the economic downturn, Formula Retail businesses, in general, are  
21 better positioned to navigate the economic downturn due to the fact that Formula Retail  
22 establishments have multiple locations.

23  
24 Section 2. Definitions.

25 For purposes of this ordinance, the following terms shall have the following meanings:

1 "Business Registration Certificate" means a "registration certificate," as defined in  
2 Section 852.2 of Article 12 of the Business and Tax Regulations Code.

3 "Business Registration Fee" means the tax imposed under Article 12 of the Business  
4 and Tax Regulations Code.

5 "City" means the City and County of San Francisco.

6 "City Departments" means the departments and agencies that issue any permit,  
7 license, or Business Registration Certificate, the fees for which are subject to waiver under  
8 Sections 3(a) and 3(b) of this ordinance, including but not limited to the Planning Department,  
9 Department of Building Inspection, Fire Department, Department of Public Works, Department  
10 of Public Health, Police Department, Public Utilities Commission, Entertainment Commission,  
11 Office of Cannabis, and Office of the Treasurer and Tax Collector.

12 "Commercial Use" means any of the following uses: Sales and Services, Retail;  
13 Entertainment, Arts and Recreation Use; or Social Service or Philanthropic Facility, as those  
14 terms are defined in Section 102 of the Planning Code; or COVID-19 Relief and Recovery use  
15 as defined in Section 205.7(b) of the Planning Code. "Commercial Use" shall not include any  
16 Formula Retail use as defined in Section 303.1(b) of the Planning Code. For purposes of this  
17 Section 2, references to the Planning Code are to that Code as of November 1, 2021.

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

21 "License Fees" means all license fees payable to the City, including but not limited to  
22 fees payable to the City under Sections 76.1 and 76.2 of Article 2 of the Business and Tax  
23 Regulations Code, relating to the operation of a business at a location that is for  
24 ~~Storefront~~ ground floor Commercial Use, and not including fees for licenses under  
25 Chapter 94A of the Administrative Code, as may be amended from time to time.

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

6 "Person" has the meaning set forth in Section 6.2-15 of Article 6 of the Business and  
7 Tax Regulations Code.

8 ~~"Public Right of Way" means the dedicated public alleys, boulevards, courts, lanes,  
9 roads, sidewalks, spaces, streets, and ways within the City, which are under the permitting  
10 jurisdiction of the Department of Public Works.~~

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

13 "Qualified Business With New Location" means a Person that (a) commenced business  
14 within the City before November 1, 2021 and holds a valid Business Registration Certificate,  
15 (b) commences business at a new business location that is for ground floor Commercial Use  
16 on or after November 1, 2021 and on or before October 31, 2022, as reported to the Tax  
17 Collector, and (c) reported \$2,000,000 or less in annual San Francisco Gross Receipts or  
18 estimated San Francisco Gross Receipts on its most recently filed Gross Receipts Tax  
19 Return, application for a Registration Certificate, or renewal of a Registration Certificate.

20 "Qualified New Business" means a Person that (1) applies for a Business Registration  
21 Certificate in accordance with Section 856 of Article 12 of the Business and Tax Regulations  
22 Code indicating its date of commencing business within the City on or after November 1, 2021  
23 and on or before October 31, 2022, (2) has \$2,000,000 or less in estimated San Francisco  
24 Gross Receipts for the calendar year in which the Person commences business within the  
25

1 City, and (3) has a registered business location that is for ~~Storefront~~ground floor Commercial  
2 Use as reported on the Person's application for a Business Registration Certificate.

3 "San Francisco Gross Receipts" has the same meaning as used in Section 855 of  
4 Article 12 of the Business and Tax Regulations Code.

5 ~~"Storefront Commercial Use" means the commercial use of the ground floor of any~~  
6 ~~portion of a building or structure, where such ground floor is adjacent or tangent to a Public~~  
7 ~~Right of Way, other than Formula Retail uses as defined in Section 303.1(b) of the Planning~~  
8 ~~Code.~~

9 "Tax Collector" has the meaning set forth in Section 6.2-19 of Article 6 of the Business  
10 and Tax Regulations Code.

11 "Tax Year" has the meaning set forth in Section 6.2-20 of Article 6 of the Business and  
12 Tax Regulations Code.

13  
14 Section 3. Waiver of Certain Permit, License, and Business Registration Fees.

15 (a) All Permit Fees, initial License Fees, and the initial Business Registration Fee shall  
16 be waived for each Qualified New Business. The waiver in this Section 3(a) shall apply to  
17 applications for a permit, initial license, or initial Business Registration Certificate filed by the  
18 Qualified New Business on or after November 1, 2021 and on or before October 31, 2022.  
19 The waiver in this Section 3(a) shall not apply to (1) any fees for the renewal of a license or  
20 Business Registration Certificate, and (2) any fees collected by the City on behalf of any  
21 federal, state, or other local government or agency.

22 (b) All Permit Fees and initial License Fees shall be waived for each Qualified  
23 Business With New Location. The waiver in this Section 3(b) shall apply to applications for a  
24 permit or initial license filed by the Qualified Business With New Location on or after  
25 November 1, 2021 and on or before October 31, 2022, and shall apply only to Permit Fees

1 and initial License Fees with respect to the new business location that is for ground floor  
2 Commercial Use opened by that Qualified Business With New Location on or after  
3 November 1, 2021 and on or before October 31, 2022. The waiver in this Section 3(b) shall  
4 not apply to (1) any fees for the renewal of a license, and (2) any fees collected by the City on  
5 behalf of any federal, state, or other local government or agency.

6 (c) (1) If the Tax Collector determines, based on any information in the Tax  
7 Collector's possession or that may come into the Tax Collector's possession, that a Person  
8 claiming a waiver under Section 3(a) or (3)(b) of this ordinance was not entitled to that waiver,  
9 the Tax Collector shall issue a determination to such Person voiding the waiver, and  
10 demanding payment of the unpaid Permit Fees, License Fees, and/or Business Registration  
11 Fee, plus penalties and interest accruing on such fees under Business and Tax Regulations  
12 Code Section 6.17-1.1, calculated based on the original due date of the applicable fee. Such  
13 notice shall be issued under the rules in Section 6.11-2(b) and (c) of the Business and Tax  
14 Regulations Code.

15 (2) Except in the case of fraud, or in the case of an intent to evade this  
16 ordinance, the Business and Tax Regulations Code, or rules and regulations issued or  
17 promulgated by the Tax Collector, in all of which cases there is no statute of limitations, every  
18 Tax Collector determination under Section 3(c)(1) shall be served within three years after the  
19 date that the Person claimed the waiver under Section 3(a) or (3)(b). The Person may agree  
20 in writing to extend this three-year period for service of a notice of a determination.

21 (3) All Tax Collector determinations under this Section 3(c) shall be final and  
22 are immediately due and payable to the Office of the Treasurer and Tax Collector. Any  
23 Person that wishes to challenge a Tax Collector determination under this Section 3(c) must  
24 pay the taxes, penalties, and interest due and file a claim for refund with the Controller under  
25 Government Code Sections 900 et seq.



1           (d) (1) If a Qualified Business has more than \$10,000,000 in San Francisco Gross  
2 Receipts in the calendar year of, or in any Tax Year during the three full-year Tax Years  
3 following, the date the Qualified Business commenced business within San Francisco or  
4 opened a new business location for ground floor Commercial Use, as applicable, any waiver  
5 under Section 3(a) or Section 3(b) of this ordinance shall be revoked retroactively for that  
6 Qualified Business.

7           (2) The Tax Collector shall issue a determination that the Qualified Business  
8 exceeded the \$10,000,000 threshold in Section (3)(d)(1) of this ordinance, which  
9 determination may be based on the Qualified Business's Gross Receipts Tax Return or any  
10 other information in the Tax Collector's possession or that may come into the Tax Collector's  
11 possession. Such notice shall be issued under the rules in Section 6.11-2(b) and (c) of the  
12 Business and Tax Regulations Code.

13           (3) Except in the case of fraud, or in the case of an intent to evade this  
14 ordinance, the Business and Tax Regulations Code, or rules and regulations issued or  
15 promulgated by the Tax Collector, or in the case of failure to file a Gross Receipts Tax Return  
16 for the Tax Year in which the Qualified Business exceeded the \$10,000,000 threshold, in all of  
17 which cases there is no statute of limitations, every Tax Collector determination under this  
18 Section 3(d) shall be served within three years after the date that a Gross Receipts Tax  
19 Return was due for the Tax Year in which the Qualified Business exceeded the \$10,000,000  
20 threshold or three years after that return was filed for that period, whichever is later. The  
21 Qualified Business may agree in writing to extend this three-year period for service of a notice  
22 of a determination.

23           (4) A Qualified Business may petition the Tax Collector for a redetermination of  
24 the determination issued under this Section 3(d) under the rules in Business and Tax  
25 Regulations Code Sections 6.13-1 through 6.13-6. The full amount of any Permit Fees,

1 License Fees, and/or Business Registration Fee waived under Section 3(a) or Section 3(b)  
2 and revoked under this Section 3(d) shall be due and payable without interest by the Qualified  
3 Business to the Office of the Treasurer and Tax Collector upon the later of the expiration of  
4 the period for filing a petition for redetermination under Business and Tax Regulations Code  
5 Section 6.13-1, and the date the Tax Collector's decision on a timely filed petition for  
6 redetermination becomes final under Business and Tax Regulations Code Section 6.13-4.

7 (5) A Qualified Business that fails to pay the Permit Fees, License Fees, and/or  
8 Business Registration Fee due and payable by the due date under Section 3(d)(4) shall be  
9 treated as delinquent and subject to the penalties and interest in Business and Tax  
10 Regulations Code Section 6.17-1.1, calculated commencing on the payment due date under  
11 Section 3(d)(4).

12 ~~(b) No penalties shall be imposed on a Qualified New Business with respect to the~~  
13 ~~payment of any fees waived under Section 3(a). A misrepresentation or misstatement by any~~  
14 ~~Person regarding eligibility for the waiver authorized by Section 3(a) that results in the~~  
15 ~~underpayment of any Permit Fees, License Fees, and/or the Business Registration Fee shall~~  
16 ~~be subject to the penalties applicable to those fees.~~

17 ~~(e)~~ City Departments and the Tax Collector shall implement the waiver of fees under  
18 Section 3(a) and Section 3(b) and the refunding of any fees under Section 4 of this ordinance.

19  
20 Section 4. Refund of Waived Fees Paid to City.

21 Any fee waived under Section 3(a) or Section 3(b) of this ordinance that has been  
22 collected by the City shall be refunded, without interest, upon request of the payer of the fee.  
23 Any refund request under this Section 4 must be filed in writing with the Tax Collector within  
24 one year of payment of the fee.  
25

1 Section 5. Effect of Fee Waiver.

2 (a) Notwithstanding Article 1 and Article 2 of the Business and Tax Regulations Code,  
3 the failure of a Person to pay any Permit Fees and/or License Fees waived under Section 3(a)  
4 and Section 3(b) of this ordinance shall not preclude the Person from continuing to do or  
5 perform the act or carry on the business, trade, profession, or calling for which City law  
6 requires the permit or license.

7 (b) The waiver of a Person's Business Registration Fee under Section 3(a) of this  
8 ordinance shall not relieve a Person from the registration and other applicable requirements  
9 under Articles 6 and 12 of the Business and Tax Regulations Code, except for the payment of  
10 that Person's waived Business Registration Fee. If a Person satisfies the registration and  
11 other applicable requirements under Articles 6 and 12 of the Business and Tax Regulations  
12 Code, except for the payment of any waived Business Registration Fee, such Person shall be  
13 treated for all purposes as if they had paid the Business Registration Fee.

14  
15 Section 6. Information Collection and Reporting.

16 The Tax Collector shall collect information on the number of Qualified ~~New~~-Businesses  
17 by supervisorial district that received a waiver of one or more fees under Section 3(a) and  
18 Section 3(b) of this ordinance, the business activity codes under the North American Industry  
19 Classification System of those Qualified ~~New~~-Businesses by supervisorial district, and the  
20 fees and total amounts waived in the aggregate. The Tax Collector shall submit a report to  
21 the Board of Supervisors no later than ~~April~~ June 15, 2022 on the information collected for the  
22 ~~four~~ six-month period, November 1, 2021 through ~~February 28~~ April 30, 2022.



**LEGISLATIVE DIGEST**  
**(Amended in Committee 7/14/2021)**

[Waiver of Permit, License, and Business Registration Fees for Certain New Small Business Locations]

**Ordinance waiving certain first-year permit, license, and business registration fees for businesses that either (1) commence engaging in business within the City from November 1, 2021 through October 31, 2022, have estimated first-year San Francisco gross receipts of \$2,000,000 or less, have a registered business location that is for ground floor commercial use and not formula retail use, and have gross receipts in the next three tax years of \$10,000,000 or less, or (2) open a new business location for ground floor commercial use and not formula retail use, reported San Francisco gross receipts of \$2,000,000 or less on its most recent return, and have gross receipts in the next three tax years of \$10,000,000 or less; and refunding any waived fees paid to the City.**

Existing Law

Persons commencing business within the City must obtain a registration certificate from the Tax Collector and pay an initial registration fee covering the period from the commencement date through the next June 30th. They must annually renew their registrations and pay a registration renewal fee for the upcoming fiscal year beginning July 1. They pay fees for the application and/or issuance of various City permits, including, for example, building permits and permits that are required to operate their business. They also pay initial license fees to operate their business and pay license renewal fees that generally are due and payable to the Tax Collector on March 31 of each year.

Amendments to Current Law

This ordinance would waive initial registration fees, initial license fees, and permit fees for each qualified new business where the applications for the business registration certificate, initial license, or permit are filed by the qualified new business on or after November 1, 2021, and on or before October 31, 2022. A qualified new business is a business that: (1) applies for a registration certificate in accordance with Section 856 of Article 12 of the Business and Tax Regulations Code indicating its date of commencing business within the City on or after November 1, 2021 and on or before October 31, 2022; (2) has \$2,000,000 or less in estimated San Francisco gross receipts for the calendar year in which the business commences within the City; and (3) has a registered business location that is for one of the following ground floor commercial uses (excluding formula retail uses): retail sales and services; entertainment, arts, and recreation; or a social service or philanthropic facility.

This ordinance would also waive the initial license fees and permit fees for each qualified business with a new location where the applications for the initial license or permit are related to the new location and are filed by the qualified business with a new location on or after

November 1, 2021, and on or before October 31, 2022. A qualified business with a new location is a business that: (1) commenced business within the City before November 1, 2021 and holds a valid business registration certificate; (b) commences business at a new business location on or after November 1, 2021 and on or before October 31, 2022, that is for one of the following ground floor commercial uses (excluding formula retail uses): retail sales and services; entertainment, arts, and recreation; or a social service or philanthropic facility; and (c) reported \$2,000,000 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 registration certificate, or renewal of a registration certificate.

Fees charged for other than registration certificates, permits, and initial licenses (e.g., impact fees) are not subject to waiver under this ordinance. The waiver for qualified new businesses and qualified businesses with a new location also would not apply to: (1) any permit issued under the Places for People Program or, if adopted, the Shared Spaces Program, under Chapter 94A of the Administrative Code; (2) the renewal of any license or registration certificate; and (3) any fees collected on behalf of any federal, state, or other local government agency. This ordinance would refund any waived fees paid to the City, upon written request of the qualified new business filed within one year of payment of the fee.

If a business originally subject to waiver has more than \$10,000,000 in San Francisco gross receipts in the calendar year of, or in any calendar year during the three full-year calendar years following, the date the business commenced business in San Francisco or opened a new qualified business location in San Francisco, any waiver under this ordinance will be revoked retroactively, and the business will be required to remit to the City all waived amounts.

### Committee Amendments

The amendments in committee on July 14, 2021, did the following:

- Expanded the locations qualifying for the waiver to include ground floor businesses that are not adjacent to a public right-of-way;
- Expanded the waivers to include certain existing small businesses that open a new qualified location, in addition to new small businesses;
- Limited the types of business locations qualifying for the waiver to the following uses (excluding formula retail uses): retail sales and services; entertainment, arts, and recreation; or a social service or philanthropic facility; and
- Added provisions revoking previously granted waivers for businesses with more than \$10,000,000 in San Francisco gross receipts in the calendar year of, or in any calendar year during the three full-year tax years following, the date the business commenced in San Francisco or opened a new qualified business location in San Francisco, and requiring such businesses to pay back any such previously waived fees.

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<b>Item 1</b> <b>File 21-0741</b> <i>(Continued from July 14 meeting)</i>	<b>Department:</b> Treasurer-Tax Collector
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed ordinance would waive new business registration, new licenses fees, and all permit fees for qualified businesses for a one-year period between November 2021 and October 2022.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• Qualified businesses are defined as businesses that (a) obtain a new business registration certificate between November 2021 and October 2022, (b) have \$2 million or less in gross receipts in San Francisco, and (c) have a registered business location that is ground floor. The proposed waivers would not apply to renewals of licenses or business registrations or fees collected by the City for other governments or if businesses have more than \$10 million in gross receipts in any of the three following years. Formula retail businesses, which are defined as business that have eleven or more establishments with standardized features, do not count as qualified businesses.</li> <li>• The Treasurer-Tax Collector plans to administer the proposed waiver program. The Department will create a database of qualifying new businesses that will enable other City departments that collect license and permit fees to validate eligibility for the proposed waivers.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• The value of the fees waived by the proposed ordinance is estimated by the Controller and Treasurer-Tax Collector to be between \$12 million and \$17.4 million in FY 2021-22 and between \$7.5 million and \$12.5 million in FY 2022-23. The range of the estimate is a function of the number of assumed qualifying businesses, which is estimated to be between 968 and 1,613, based on 2019 business activity.</li> <li>• The FY 2021-22 – FY 2022-23 Budget and Appropriation Ordinance pending at the Board of Supervisors (File 21-0643) includes a \$12 million General Fund account for this program in FY 2021-22, which would cover the low-end estimated cost of the program in that year. The funding will be used to credit departments that waive the proposed fees.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <p>Because funding for the program is included in the budget approved by the Budget &amp; Appropriations Committee, we recommend approval of the proposed ordinance.</p>	

**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**

A Budget & Legislative Analyst’s March 2021 report estimated that San Francisco businesses had between \$174.1 million \$404.5 million in unpaid commercial rent during April 2020 to December 2020 related to COVID-19. The Controller’s June 2021 Report on the Status of the Re-opening of the San Francisco Economy estimated that more than 45% of the small businesses remained closed. In response to the pandemic, the Board of Supervisors has approved legislation waiving or deferring payroll taxes, business registration, and license fees for certain existing businesses during FY 2019-20 through FY 2021-22 (Files 20-1260 and 20-1415). According to the proposed ordinance, waiving registration, permit, and license fees for new small businesses will support the City’s equitable economic recovery from COVID.

**DETAILS OF PROPOSED LEGISLATION**

The proposed ordinance would waive new business registration, new licenses fees, and all permit fees for qualified businesses for a one-year period between November 2021 and October 2022. Qualified businesses are defined as businesses that (a) obtain a new business registration certificate between November 2021 and October 2022, (b) have \$2 million or less in gross receipts in San Francisco, and (c) have a registered business location that is ground floor. The proposed waivers would not apply to renewals of licenses or business registration or fees collected by the City for other governments or if businesses have more than \$10 million in San Francisco gross receipts in any of the three following years. Formula retail businesses, which are defined in Section 303.1 of the Planning Code as business that have eleven or more establishments with standardized features, do not count as qualified businesses.

**Implementation**

According to Ms. Amanda Fried, Chief of Policy & Communications at Treasurer-Tax Collector, the Treasurer-Tax Collector plans to administer the proposed waiver program. The Department will create a database of qualifying new businesses that will enable other City departments that collect license and permit fees to validate eligibility for the proposed waivers. As noted below, a General Fund account has been established to credit departments for waived fees.

**FISCAL IMPACT**

Exhibit 1 below summarizes the fiscal impact of the proposed ordinance. As noted above, qualified businesses are defined as those having a new business registration issued between November 2021 and October 2022 so that the waived fees would occur in FY 2021-22 and in FY



2022-23. Exhibit 1 below shows the estimated value of business registration, license, and permit fees waived by the proposed ordinance in each department.

**Exhibit 1: Value of Fees Waived by Proposed Ordinance (\$ million)**

	FY 2021-22			FY 2022-23		
	Low	Mid	High	Low	Mid	High
Planning	3.61	4.21	5.26	2.25	3.01	3.76
Building Inspection	4.42	5.15	6.44	2.76	3.68	4.60
Public Health	1.50	1.75	2.19	0.94	1.25	1.56
Fire	0.48	0.56	0.71	0.30	0.40	0.50
Police	0.52	0.61	0.76	0.33	0.44	0.55
Entertainment	0.44	0.52	0.65	0.28	0.37	0.46
Public Works	0.55	0.64	0.80	0.34	0.46	0.57
Public Utilities	0.03	0.04	0.05	0.02	0.03	0.04
Treasurer	0.27	0.32	0.40	0.17	0.23	0.28
<b>Subtotal, Fees Waived</b>	<b>11.83</b>	<b>13.81</b>	<b>17.26</b>	<b>7.40</b>	<b>9.86</b>	<b>12.33</b>
Treasurer-Tax Collector Administrative Costs	0.17	0.17	0.17	0.12	0.12	0.12
<b>Total Cost</b>	<b>12.00</b>	<b>13.97</b>	<b>17.42</b>	<b>7.52</b>	<b>9.98</b>	<b>12.45</b>

Source: Controller and Treasurer-Tax Collector

As shown above, the value of the fees waived by the proposed ordinance is estimated by the Controller and Treasurer-Tax Collector to be between \$12 million and \$17.4 million in FY 2021-22 and between \$7.5 million and \$12.5 million in FY 2022-23. The range of the estimate is a function of the number of assumed qualifying businesses, which is estimated to be between 968 and 1,613, based on 2019 business activity.

The FY 2021-22 – FY 2022-23 Budget and Appropriation Ordinance pending at the Board of Supervisors (File 21-0643) includes a \$12 million General Fund account for this program in FY 2021-22, which would cover the low-end estimated cost of the program in that year. The funding will be used to credit departments that waive the proposed fees. To the extent that actual waived revenues exceed this appropriation, revenue shortfalls may result, which may impact current and future fiscal year budgetary planning if other revenue forecasts do not perform above budgeted levels by a like amount. Because funding for the program is included in the budget approved by the Budget & Appropriations Committee, we recommend approval of the proposed ordinance.

**RECOMMENDATION**

Approve the proposed ordinance.

<b>Item 16</b> <b>File 21-0741</b>	<b>Department:</b> Treasurer-Tax Collector
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed ordinance would waive new business registration, new licenses fees, and all permit fees for qualified businesses for a one-year period between November 2021 and October 2022.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• Qualified businesses are defined as businesses that (a) obtain a new business registration certificate between November 2021 and October 2022, (b) have \$2 million or less in gross receipts in San Francisco, and (c) have a registered business location that is ground floor on a public right of way. The proposed waivers would not apply to renewals of licenses or business registrations or fees collected by the City for other governments. Formula retail businesses, which are defined as business that have eleven or more establishments with standardized features, do not count as qualified businesses.</li> <li>• The Treasurer-Tax Collector plans to administer the proposed waiver program. The Department will create a database of qualifying new businesses that will enable other City departments that collect license and permit fees to validate eligibility for the proposed waivers.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• The value of the fees waived by the proposed ordinance is estimated by the Controller and Treasurer-Tax Collector to be between \$12 million and \$17.4 million in FY 2021-22 and between \$7.5 million and \$12.5 million in FY 2022-23. The range of the estimate is a function of the number of assumed qualifying businesses, which is estimated to be between 968 and 1,613, based on 2019 business activity.</li> <li>• The FY 2021-22 – FY 2022-23 Budget and Appropriation Ordinance pending at the Board of Supervisors (File 21-0643) includes a \$12 million General Fund account for this program in FY 2021-22, which would cover the low-end estimated cost of the program in that year. The funding will be used to credit departments that waive the proposed fees.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <p>Because funding for the program is included in the budget approved by the Budget &amp; Appropriations Committee, we recommend approval of the proposed ordinance.</p>	

**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**

A Budget & Legislative Analyst's March 2021 report estimated that San Francisco businesses had between \$174.1 million \$404.5 million in unpaid commercial rent during April 2020 to December 2020 related to COVID-19. The Controller's June 2021 Report on the Status of the Re-opening of the San Francisco Economy estimated that more than 45% of the small businesses remained closed. In response to the pandemic, the Board of Supervisors has approved legislation waiving or deferring payroll taxes, business registration, and license fees for certain existing businesses during FY 2019-20 through FY 2021-22 (Files 20-1260 and 20-1415). According to the proposed ordinance, waiving registration, permit, and license fees for new small businesses will support the City's equitable economic recovery from COVID.

**DETAILS OF PROPOSED LEGISLATION**

The proposed ordinance would waive new business registration, new licenses fees, and all permit fees for qualified businesses for a one-year period between November 2021 and October 2022. Qualified businesses are defined as businesses that (a) obtain a new business registration certificate between November 2021 and October 2022, (b) have \$2 million or less in gross receipts in San Francisco, and (c) have a registered business location that is ground floor on a public right of way. The proposed waivers would not apply to renewals of licenses or business registration or fees collected by the City for other governments. Formula retail businesses, which are defined in Section 303.1 of the Planning Code as business that have eleven or more establishments with standardized features, do not count as qualified businesses.

**Implementation**

According to Ms. Amanda Fried, Chief of Policy & Communications at Treasurer-Tax Collector, the Treasurer-Tax Collector plans to administer the proposed waiver program. The Department will create a database of qualifying new businesses that will enable other City departments that collect license and permit fees to validate eligibility for the proposed waivers. As noted below, a General Fund account has been established to credit departments for waived fees.

**Potential Amendment**

According to the sponsor's office, amendments may be proposed in the July 14, 2021 Budget & Finance Committee meeting that include a revision to the definition of qualified businesses to exclude businesses that generate more than \$10 million in gross receipts in any of the three preceding tax years.

**FISCAL IMPACT**

Exhibit 1 below summarizes the fiscal impact of the proposed ordinance. As noted above, qualified businesses are defined as those having a new business registration issued between November 2021 and October 2022 so that the waived fees would occur in FY 2021-22 and in FY 2022-23. Exhibit 1 below shows the estimated value of business registration, license, and permit fees waived by the proposed ordinance in each department.

**Exhibit 1: Value of Fees Waived by Proposed Ordinance (\$ million)**

	FY 2021-22			FY 2022-23		
	Low	Mid	High	Low	Mid	High
Planning	3.61	4.21	5.26	2.25	3.01	3.76
Building Inspection	4.42	5.15	6.44	2.76	3.68	4.60
Public Health	1.50	1.75	2.19	0.94	1.25	1.56
Fire	0.48	0.56	0.71	0.30	0.40	0.50
Police	0.52	0.61	0.76	0.33	0.44	0.55
Entertainment	0.44	0.52	0.65	0.28	0.37	0.46
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Source: Controller and Treasurer-Tax Collector

As shown above, the value of the fees waived by the proposed ordinance is estimated by the Controller and Treasurer-Tax Collector to be between \$12 million and \$17.4 million in FY 2021-22 and between \$7.5 million and \$12.5 million in FY 2022-23. The range of the estimate is a function of the number of assumed qualifying businesses, which is estimated to be between 968 and 1,613, based on 2019 business activity.

The FY 2021-22 – FY 2022-23 Budget and Appropriation Ordinance pending at the Board of Supervisors (File 21-0643) includes a \$12 million General Fund account for this program in FY 2021-22, which would cover the low-end estimated cost of the program in that year. The funding will be used to credit departments that waive the proposed fees. To the extent that actual waived revenues exceed this appropriation, revenue shortfalls may result, which may impact current and future fiscal year budgetary planning if other revenue forecasts do not perform above budgeted levels by a like amount. Because funding for the program is included in the budget approved by the Budget & Appropriations Committee, we recommend approval of the proposed ordinance.

**RECOMMENDATION**

Approve the proposed ordinance.



CITY AND COUNTY OF SAN FRANCISCO  
LONDON BREED, MAYOR

OFFICE OF SMALL BUSINESS  
REGINA DICK-ENDRIZZI, DIRECTOR

July 13, 2021

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 No. 210741: Waiver of Permit, License, and Business Registration Fees for New Small Businesses.

Small Business Commission Recommendation to the Board of Supervisors: **Approve**

This motion passed 5 to 0, with 2 absent.

Dear Ms. Calvillo,

On July 13, 2021, the Small Business Commission (SBC) conducted a duly noticed public hearing at a regularly scheduled meeting for BOS File No 210741: Waiver of Permit, License, and Business Registration Fees for New Small Businesses.

The SBC recommends the Board of Supervisor approve this ordinance. Incentivizing new businesses to open, particularly in ground floor commercial space will aid in San Francisco's rebuilding and economic recovery. These fee waivers will most definitely help to fill the vacancies that have resulted due to the pandemic, and it demonstrates the City's commitment in supporting equity owned businesses. The Small Business Commission thanks Supervisor Ronen, the Mayor and the full Board of Supervisors for securing \$12 million to fund the waivers.

The Small Business Assistance, in the Office of Small Business is now open to the public for walk-in business assistance and the majority of the counseling session are with individuals interested in opening a new business, with a significant number of sessions being conducted in Spanish and Chinese.

Thank you for considering the Commission's recommendation. Please feel free to contact me should you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Regina Dick-Endrizzi".

Regina Dick-Endrizzi  
Director, Office of Small Business

cc: Hillary Ronen, Member, Board of Supervisors,  
Sophia Kittler, Mayor's Liaison to the Board of Supervisors  
Lisa Pagan, Office of Economic and Workforce Development  
Linda Wong, Clerk of the Budget and Finance Committee



President, District 10  
BOARD of SUPERVISORS



City Hall  
1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco, CA 94102-4689  
Tel. No. 554-6516  
Fax No. 554-7674  
TDD/TTY No. 544-6546

**Shamann Walton**

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**PRESIDENTIAL ACTION**

Date: 6/30/2021

To: Angela Calvillo, Clerk of the Board of Supervisors

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Madam Clerk,  
Pursuant to Board Rules, I am hereby:

Waiving 30-Day Rule (Board Rule No. 3.23)

File No. 210741 Ronen

(Primary Sponsor)

Title. Waiver of Permit, License, and Business Registration Fees for New Small Businesses

Transferring (Board Rule No 3.3)

File No. 210741 Ronen

(Primary Sponsor)

Title. Waiver of Permit, License, and Business Registration Fees for New Small Businesses

From: Government Audit & Oversight Committee

To: Budget & Finance Committee


Assigning Temporary Committee Appointment (Board Rule No. 3.1)

Supervisor: \_\_\_\_\_ Replacing Supervisor: \_\_\_\_\_

For: \_\_\_\_\_ Meeting  
(Date) (Committee)

Start Time: \_\_\_\_\_ End Time: \_\_\_\_\_

Temporary Assignment:  Partial  Full Meeting

  
\_\_\_\_\_  
Shamann Walton, President  
Board of Supervisors

# Introduction Form

By a Member of the Board of Supervisors or Mayor

Time stamp  
or meeting date

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

- 1. For reference to Committee. (An Ordinance, Resolution, Motion or Charter Amendment).
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning : "Supervisor  inquiries"
- 5. City Attorney Request.
- 6. Call File No.  from Committee.
- 7. Budget Analyst request (attached written motion).
- 8. Substitute Legislation File No.
- 9. Reactivate File No.
- 10. Topic submitted for Mayoral Appearance before the BOS on

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

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

Sponsor(s):

Subject:

The text is listed:

Signature of Sponsoring Supervisor:

For Clerk's Use Only