


**CITY AND COUNTY OF SAN FRANCISCO**  
**BOARD OF SUPERVISORS**  
**BUDGET AND LEGISLATIVE ANALYST**

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**REVISED 7/9/2019**

July 9, 2019

**TO:** Government Audit and Oversight Committee  
**FROM:** Budget and Legislative Analyst   
**SUBJECT:** July 11, 2019 Special Government Audit and Oversight Committee Meeting

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<p><b>Item 1</b> <b>File 19-0547</b></p>	<p><b>Department:</b> Human Rights Commission (HRC)</p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <p>The proposed ordinance amends the Administrative Code to create an Office of Racial Equity as a division of the Human Rights Commission, with authority to (1)(a) create a citywide Racial Equity Framework, (b) assist City departments with the development of Racial Equity Action Plans, (c) analyze and report on the impact of ordinances on racial equity, and (d) carry out various other policy and reporting functions regarding racial equity; (2) require City departments to create Racial Equity Action Plans and to provide annual updates on such Plans; (3) require City departments to designate employees as racial equity leaders; and (4) require the Department of Human Resources to produce an annual report concerning racial equity in the City workforce.</p> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• The City currently does not have an office of equity.</li> <li>• The Human Rights Commission leads a number of initiatives, in partnership with other City departments, to address disparate outcomes for certain racial and other groups that traditionally have not been treated equitably by institutions such as government.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• The Human Rights Commission intends to add three new positions in FY 2019-20 and an additional new position in FY 2020-21 to staff the Office of Racial Equity for initial startup. The new positions are estimated to cost \$355,783 in FY 2019-20 and \$618,295 in FY 2020-21.</li> <li>• Funding for the three new positions in FY 2019-20 and one new position in FY 2020-21 in the new Office of Racial Equity, totaling four positions, is included in the FY 2019-20 and FY 2020-21 budget pending before the Board of Supervisors.</li> <li>• The proposed ordinance requires five total positions in the Office of Racial Equity. The Human Rights Commission anticipates that one more position will be added in two years, or FY 2021-22. Funding for one additional position would need to be included in the FY 2021-22 budget, subject to Board of Supervisors approval.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• Approval of the proposed ordinance is a policy matter for the Board of Supervisors.</li> </ul>	

## MANDATE STATEMENT

City Charter Section 2.105 states that the Board of Supervisors shall act only by written ordinance or resolution.

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

## BACKGROUND

The City has a number of initiatives underway to address disparate outcomes for certain racial and other groups that traditionally have not been treated equitably by institutions such as government.

The Human Rights Commission leads implementation of the Government Alliance on Race and Equity (GARE) framework in San Francisco, a model and set of tools developed by GARE, a national organization, to assist governments in implementing changes in their policies and procedures to address systemic biases against certain racial groups. Over 20 City departments currently participate in San Francisco's GARE activities, and representatives of these departments meet twice a month. During the first year of participation, department representatives received training in implicit bias. Representatives then worked within their own departments to develop an Equity Action Plan.

The Human Rights Commission has a Policy and Social Justice Division that leads the GARE model implementation, and provides staff trainings on the topics of institutional racism and racial and socioeconomic inequities. The Human Rights Commission collaborates with groups supporting communities of color to address the impacts of racial disparities and develop strategies to decrease discrimination and bias and close gaps (academic, health, income, wealth, etc.) through the My Brother's and Sister's Keeper Initiative, and hosts several Equity Ambassador workshops and activities with middle and high school students. The Human Rights Commission also investigates complaints about discrimination filed with the office.

In partnership with the Office of Economic and Workforce Development, the Human Rights Commission leads a workforce alignment committee to address racial disparities in the City's workforce, and launched an equity fellowship program focused on addressing the challenges of African Americans in the Fillmore District.

## DETAILS OF PROPOSED LEGISLATION

The proposed ordinance amends the Administrative Code to create an Office of Racial Equity as a division of the Human Rights Commission, with authority to (1)(a) create a citywide Racial Equity Framework, (b) assist City departments with the development of Racial Equity Action Plans, (c) analyze and report on the impact of ordinances on racial equity, and (d) carry out various other policy and reporting functions regarding racial equity; (2) require City departments to create Racial Equity Action Plans and to provide annual updates on such Plans; (3) require City departments to designate employees as racial equity leaders; and (4) require

the Department of Human Resources to produce an annual report concerning racial equity in the City workforce.

Under the proposed ordinance, the office shall be staffed by no fewer than five full-time equivalent (FTE) employees, including a Director, Deputy Director, and three policy analysts.

## FISCAL IMPACT

According to Ms. Sheryl Davis, Executive Director of the Human Rights Commission, the department intends to add three new positions in FY 2019-20 to staff the Office of Racial Equity for initial startup, with one position anticipated to be added over each of the next two years, in FY 2020-21 and FY 2021-22, in the Administrative Analyst series. Ms. Davis anticipates that the three new positions in FY 2019-20 would be filled in or after October 2019 and the new position in FY 2020-21 would be filled in October 2020. Based on the anticipated hiring date, the new positions are estimated to cost \$355,783 in FY 2019-20 and \$618,295 in FY 2020-21, as shown in Table 1 below.

**Table 1: Office of Racial Equity Salary and Benefits**

Position	FY 2019-20		FY 2020-21	
	FTE	Amount	FTE	Amount
0922 Manager I	0.77	\$151,798	1.00	\$206,027
1408 Principal Clerk	0.77	96,891	1.00	131,476
9772 Community Development Specialist	0.77	107,094	1.00	145,321
1823 Senior Administrative Analyst	0.00	0	0.77	135,471
<b>Total</b>	<b>2.31</b>	<b>\$355,783</b>	<b>3.77</b>	<b>\$618,295</b>

According to Ms. Davis, funding for the three new positions in FY 2019-20 and one new position in FY 2020-21 in the new Office of Racial Equity, totaling four positions, is included in the FY 2019-20 and FY 2020-21 budget pending before the Board of Supervisors.<sup>1</sup>

As noted above, the proposed ordinance requires five total positions in the Office of Racial Equity, subject to the budgetary and fiscal provisions of the Charter. If the Board of Supervisors were to approve the proposed resolution, funding for one additional position would need to be included in the FY 2021-22 budget, subject to Board of Supervisors approval.

## RECOMMENDATION

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

<sup>1</sup> Funding for the 0922 Manager I and 9772 Community Development Specialist positions were included in the Mayor's proposed budget for the Human Rights Commission. The Budget & Finance Committee added funding for the 1408 Principal Clerk position to the Human Rights Commission budget through the add-back process.

<p><b>Item 3</b> <b>File 19-0549</b></p>	<p><b>Department:</b> [Select Board, Commission, or Department]</p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed ordinance would amend the Business and Tax Regulations Code to (1) increase the daily transient occupancy tax exemption amount from less than \$40 to less than \$52; (2) increase the weekly transient occupancy tax exemption from less than \$100 to less than \$130; and (3) require review between September 2022 and September 2024 of the exemption amounts by the Controller for the purpose of considering adjustments.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• San Francisco taxes the transient occupancy of hotel guest rooms, often called the hotel tax. The hotel tax is calculated as a percentage of the rent for the occupancy of a hotel guest room in San Francisco. Currently, under the San Francisco Business and Tax Regulation Code Article 7, Section 506, hotels are exempt from the tax if their daily rent is less than \$40 day or \$100 per week. The Controller’s Office must review the exemption amounts every three to five years and recommend adjustments to the Board of Supervisors if appropriate. The Board of Supervisors last amended the code in 2015 (File 14-1146).</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• Since FY 2015-16, the first full year of the current exemption level, the City has foregone \$2,985,563 in general fund revenue due to the exemption. This represents 0.26 percent of the total \$1,140,200,000 the City collected in hotel taxes.</li> <li>• According to the Controller’s Office, if all hotel owners with current rates of less than \$40 per day or \$100 per week increase their rates to the maximum exempt level, the City would receive at least \$237,000 less per year in hotel tax revenue.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• Approval is a policy matter for the Board of Supervisors.</li> </ul>	

## MANDATE STATEMENT

According to Charter Section 2.105, all legislative acts shall be by ordinance and require the affirmative vote of at least a majority of the members of the Board of Supervisors.

## BACKGROUND

The City and County of San Francisco taxes the transient occupancy of hotel guest rooms, often called the hotel tax. The hotel tax is calculated as a percentage of the rent for the occupancy of a hotel guest room in San Francisco. Currently, the San Francisco Business and Tax Regulation Code Article 7, Section 506, exempts hotels from the tax if their daily rent is less than \$40 day or \$100 per week.

The Controller's Office must review the exemption amounts every three to five years and recommend adjustments to the Board of Supervisors if appropriate. The Board of Supervisors last amended the code in 2015 (File 14-1146).

## DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend the Business and Tax Regulations Code to (1) increase the daily transient occupancy tax exemption amount from less than \$40 to less than \$52; (2) increase the weekly transient occupancy tax exemption from less than \$100 to less than \$130; and (3) require review between September 2022 and September 2024 of the exemption amounts by the Controller for the purpose of considering adjustments.

The recommended increases are based on a report completed by the Controller's Office in May 2019. The Controller's Office considered the cost of living and the impact on the City's revenue when reviewing the exemption level. Between 2014 and 2018, the Controller's Office estimates that the average daily rate for hotel rooms less than \$75 in Northern California increased by 29.6 percent, from \$47.47 in 2014 to \$61.53 in 2018.

## FISCAL IMPACT

Since FY 2015-16, the first full year of the current exemption level, the City has foregone \$2,985,563 in general fund revenue due to the exemption. This represents 0.26 percent of the total \$1,140,200,000 the City collected in hotel taxes, as shown in Table 1 below.

**Table 1: Hotel tax and exemptions from the past three fiscal years**

Fiscal Year	Hotel Tax Collected (approximate)	Hotel Tax Foregone	Percentage of Hotel Tax Foregone of Total Tax Collected
FY 2015-16	\$387,700,000	\$1,014,513	0.26%
FY 2016-17	370,300,000	1,180,458	0.32%
FY 2017-18	382,200,000	790,592	0.21%
<b>Total</b>	<b>\$1,140,200,000</b>	<b>\$2,985,563</b>	<b>0.26%</b>

Source: Controller's Office

In FY 2017-18, exemptions were taken by 21 hotels, representing a 14 percent decrease in the number of hotels taking the exemption, or 24 hotels, in FY 2016-17.

According to Ms. Michelle Allersma, Director of Budget and Analysis at the Controller's Office, if all hotel owners with current rates of less than \$40 per day or \$100 per week increase their rates to the maximum exempt level, the City would receive at least \$237,000 less per year in hotel tax revenue; therefore the foregone hotel tax revenue to the City would increase by 30 percent, from approximately \$790,000 per year to \$1,027,000 per year.

## **RECOMMENDATION**

Approval is a policy matter for the Board of Supervisors.