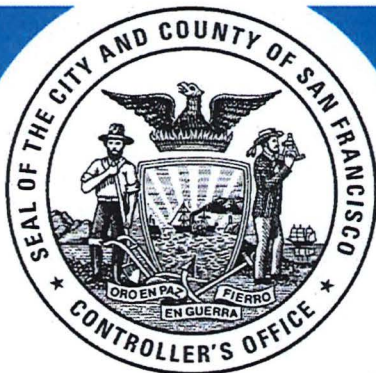


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# Economic and Fiscal Impact of 2019 IPOs in San Francisco



**CITY & COUNTY OF SAN FRANCISCO**

Office of the Controller  
Office of Economic Analysis  
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04.24.2019

# Background

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- Over the past ten years, the information technology industry has grown very rapidly in San Francisco.
- In 2008, the industry comprised 4% of private employment and 7% of total private wages and salaries in the city. By 2017, these figures had risen to 13% and 24%, respectively.
- Over 4,900 active technology start-ups were founded in the city between 2008 and 2018, and over \$134 billion in venture capital was invested in San Francisco-area companies during that period.
- Several of these start-ups have grown to the point that they are planning for, or have had, an Initial Public Offering (IPO) of their stock. These IPO events permit outside investors to purchase shares on the stock market, and also create an opportunity for early investors and employees to exercise stock options and sell shares.
- To the extent these investors and employees live the San Francisco area, wealth created through IPOs has broader impacts on the city's economy and finances.

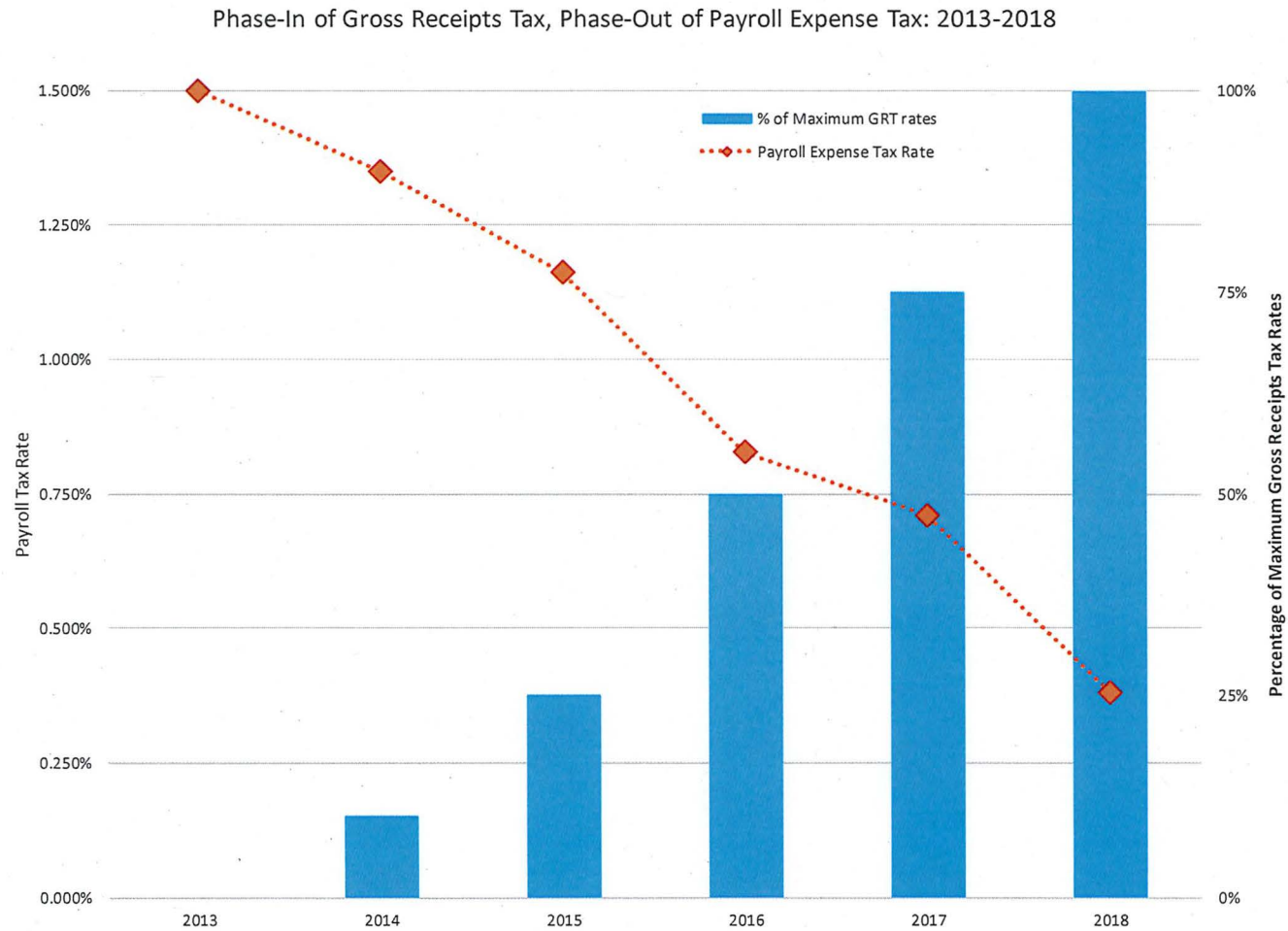
# History of Local Tax Policies

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- Repeal of the City's Gross Receipts Tax - 2001
- Reform Efforts – 2002, 2004, 2010
- Biotechnology and Cleantech Payroll Expense Tax Exclusions – 2004/5
- Central Market Payroll Expense Tax Exclusion - 2011
- Pre-IPO Stock-Based Compensation - 2011
- The new Gross Receipts Tax and Payroll Expense Tax Phase-Out - 2012

# Phase-In of the Gross Receipts Tax

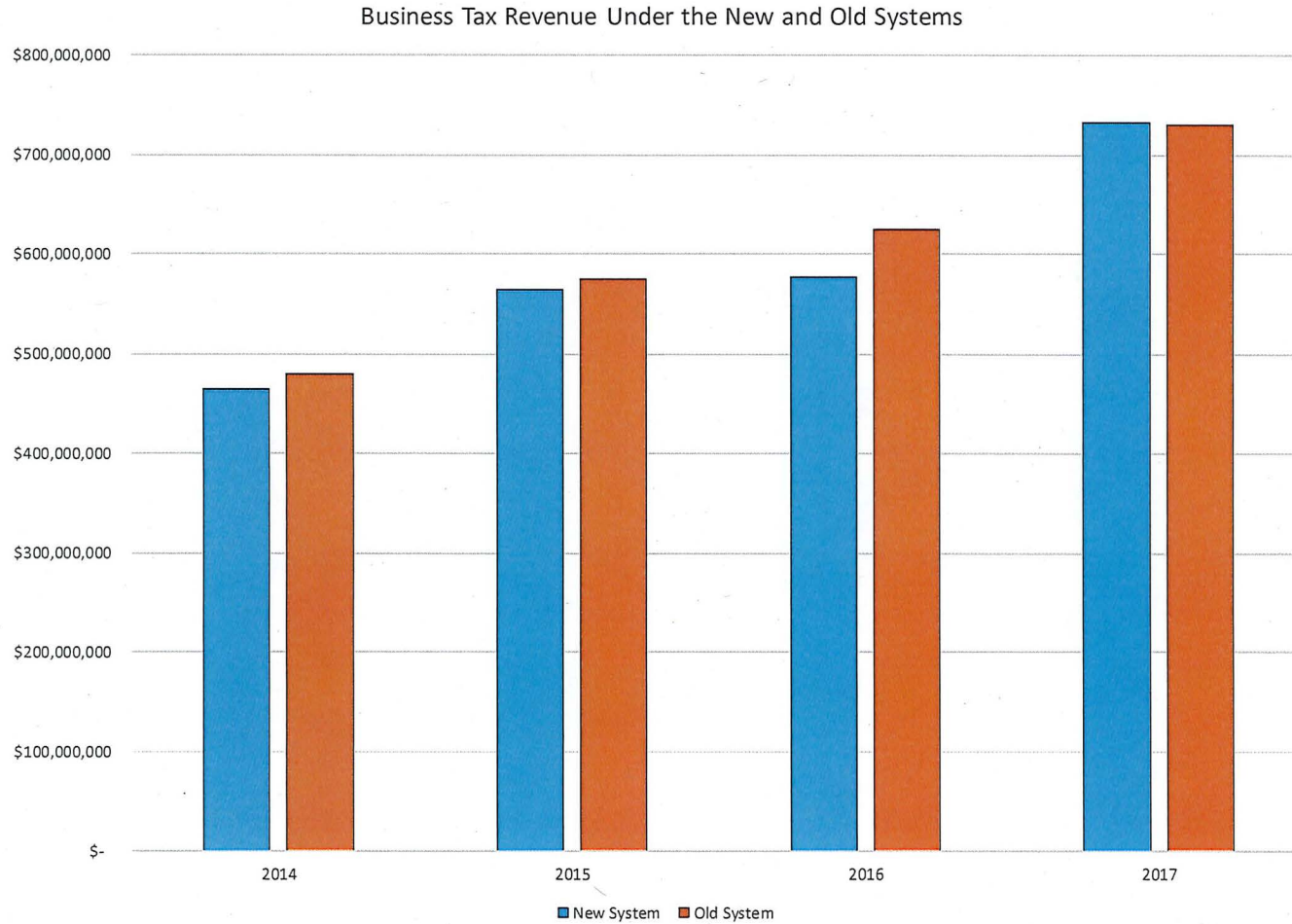
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Source: Office of the Treasurer

# Overall Revenue-Neutrality of the Tax Transition

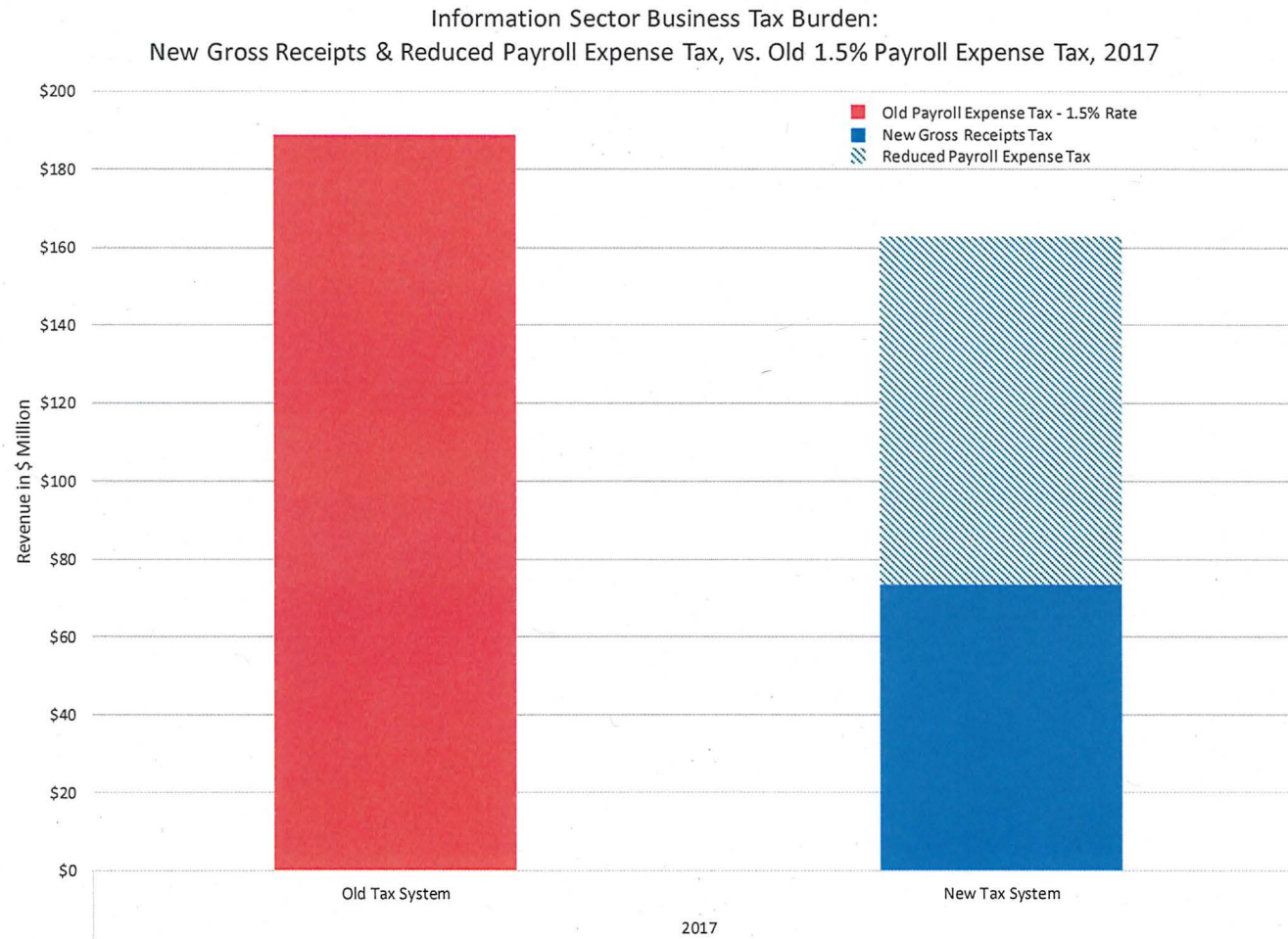
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Source: Office of the Treasurer

# Information Sector Saved 14% From the Change

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Source: Office of the Treasurer

# Stock-Based Compensation Exclusion

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Year	Number of Businesses	Employees	Payroll Expense Tax Foregone (\$M)
2011	1	1,975	\$1.5
2012	2	2,134	\$3.4
2013	1	1,336	\$0.6
2014	0	0	\$0.0
2015	1	849	\$0.1
2016	1	1,348	\$0.6
2017	1	2,183	\$1.2
Annual Average	1	1,404	\$1.1

Source: Office of the Treasurer

# Central Market Exclusion

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Year	Number of Businesses	Employees	Payroll Expense Tax Foregone (\$M)
2011	2	131	\$0.0
2012	14	1,810	\$1.9
2013	11	2,722	\$4.2
2014	8	3,553	\$34.7
2015	8	3,878	\$15.8
2016	11	4,359	\$7.9
2017	9	3,743	\$5.6
Annual Average	9	2,885	\$10.0

Source: Office of the Treasurer



# Estimating the Impact of Three 2019 IPOs

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- Lyft – IPO date 3/28
- Pinterest – IPO date 4/18
- Uber – IPO date TBD
- Others potential IPO candidates have yet filed with the SEC:
  - Airbnb
  - Slack
  - Cloudflare
  - Postmates

# Compensation, Tax Revenue, Housing Prices

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	Low Estimate	High Estimate
Value of Stock-Based Compensation (SBC) (\$B)	\$4.0	\$11.5
Value of Payroll Expense Tax at current rate (\$M)	\$15.1	\$43.5
% workers who live in SF	50%	60%
Personal income, San Francisco (2017) (\$B)	\$106	\$106
SBC => % annual increase in personal income	0.9%	3.2%
SBC => % annual increase in SF housing prices	0.5%	1.9%
Rent increase @ \$4,393 median	\$24	\$81
Housing price increase @ \$1.35M median	\$7,245	\$25,005

Source: Securities and Exchange Commission; Bureau of Economic Analysis; Zillow; Controller's Office analysis

# End Notes

1. Source for employment and payroll trends: Bureau of Economic Analysis, QCEW
2. Source for Start-ups – Crunchbase
3. Source for Venture Capital – PWC Moneytree. “SF Area” means Bay Area north of the City of San Mateo.