

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

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March 12, 2021

TO: Budget and Appropriations Committee
FROM: Budget and Legislative Analyst 
SUBJECT: March 17, 2021 Budget and Appropriations Committee Meeting

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<p>Item 1 File 20-1364 <i>(Continued from February 24, 2021)</i></p>	<p>Department: Mayor’s Office of Housing & Community Development</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance would appropriate \$20.1 million from the General Reserve and transfer \$10.05 million to the COVID-19 Rent Resolution and Relief Fund and \$10.05 million to the Housing Stability Fund. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In November 2020, San Francisco voters approved Proposition I, which increased the transfer tax on high-value property transactions. According to the Controller’s FY 2020-21 Six-Month Budget Status Report, this tax is expected to generate \$20.1 million in new General Fund revenues net of baseline allocations in FY 2020-21 and these revenues were not included in the FY 2020-21 appropriation ordinance. • In August 2020, the Board of Supervisors approved a resolution stating the Board’s intention to appropriate revenue generated by Proposition I to the COVID-19 Rent Resolution and Relief Fund and the Housing Stability Fund. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The \$20.1 appropriation is the amount of new General Fund revenue expected to be generated by Proposition I in FY 2020-21. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • The proposed ordinance would provide \$10.05 million to the COVID-19 Rent Resolution and Relief Fund to provide grants to landlords who have unpaid rent related to COVID-19. Under that fund’s enabling legislation, such grants could cover 50 to 65 percent of unpaid rent but landlords receiving grants must waive all unpaid rent. However, the City has received rent relief funding from the federal government and the State will also administer a program in San Francisco with rent relief funds received from the federal government. The City’s program rules are expected to be finalized in late April 2021 or May 2021. The State program would forgive 80 percent of unpaid rent for households making up to 80 percent of area median income and who have been unemployed for more than ninety days. Because they may provide greater relief to landlords, the federally funded rent relief grants may reduce participation in grant program funded by the COVID-19 Rent Resolution and Relief Fund. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Because the proposed ordinance is consistent with Board of Supervisors policy, we recommend approval of the proposed ordinance. However, we recommend that the Board of Supervisors request a report back from MOHCD regarding the final implementation rules for the distribution of the direct allocation of federal rent relief funding. 	

MANDATE STATEMENT

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

According to the Controller's Six-Month Budget Status Report, the Controller is projecting a \$125.2 million General Fund Surplus in FY 2020-21. Although certain General Fund revenues, such as business taxes, sales tax, hotel room tax, are projected to be lower than originally budgeted, these are more than offset by higher than budgeted property taxes, excess Education Revenue Augmentation Fund receipts, and transfer taxes.

Since the issuance of the Controller's FY 2020-21 Six-Month Budget Status Report, the Board of Supervisors has approved or is considering legislation that would impact the FY 2020-21 General Fund budget, summarized in Exhibit 1 below.

Exhibit 1: Legislation Altering the FY 2020-21 General Fund Budget

File	Description	Estimated Cost FY 2020-21 (\$ million)
Approved by Board, Pending Mayor signature		
	Waiver of Business Registration Fees and Certain	
20-1415	License Fees	(15.0)
21-0031	Accessory Dwelling Unit permit services	(0.2)
Subtotal, Approved by Board, Pending Mayor Signature		(15.2)
March 17, 2021 Budget & Appropriations		
20-1364	Rent Relief & Social Housing	(20.1)
21-0138	Business Registration Fees Deferral	(32.0)
21-0177	Small Business Grants & Loans	(20.0)
21-0178	Arts Appropriation	(17.0)
21-0215	Summer Youth Programming	(15.0)
Subtotal, March 17, 2021 Budget & Appropriations		(104.1)
Not Yet Calendared		
21-0214	Fentanyl Task Force & Overdose Prevention	(6.7)
Subtotal, Not Yet Calendared		(6.7)
Total		(126.0)

Source: Budget & Legislative Analyst

Notes: File 21-0138 would defer revenues until FY 2021-22. Files 21-0031 & 21-1364 draw from the General Reserve, which, per Administrative Code Section 10.60, must be restored in the subsequent fiscal year.

As shown above, the Board of Supervisors has approved legislation that would reduce the projected \$125.1 FY 2020-21 General Fund surplus by \$15.2 million, leaving a projected FY 2020-21 General Fund surplus \$110 million. The March 17, 2021 Budget & Appropriations Committee is considering FY 2020-21 General Fund supplemental appropriations totaling \$104.1 million and legislation introduced but not yet calendared would reduce the FY 2020-21 General Fund surplus by \$6.7 million. If all the legislation in Exhibit 1 above is approved, the entire projected FY 2020-21 General Fund surplus would be appropriated, used to backfill decreased revenues, or committed to restoring the General Reserve.

Unpaid Residential Rent in San Francisco

In the October 27, 2020 Budget and Legislative Analyst's Office report, "Estimate of unpaid residential rent in San Francisco due to COVID-19 pandemic and related public health orders", we estimated that the unpaid residential rent in San Francisco between April 2020 and September 2020 totaled between \$81.3 million and \$196.2 million. Given the ongoing above average unemployment rate in the City, the actual amount of unpaid rent from September 2020 to present is likely higher than those estimates. In response to the pandemic, the Board of Supervisors has taken the following actions.

Funds

In November 2020, the Board of Supervisors amended Chapter 10 of the Administrative Code to create two funds: The Housing Stability Fund (File 20-1183) and the COVID-19 Rent Resolution and Relief Fund (File 20-0611).

Dedication of New General Revenues

In November 2020, San Francisco voters approved Proposition I, which increased the transfer tax on high-value property transactions. According to the Controller's FY 2020-21 Six-Month Budget Status Report, this tax is expected to generate \$20.1 million in new General Fund revenues net of baseline allocations in FY 2020-21, which were not included in the FY 2020-21 appropriation ordinance. The Controller's Statement on Proposition I in the November 2020 ballot estimates that the tax could generate \$196 million per year, on average, but that the revenue would likely be extremely volatile and could generate between \$13 million and \$346 million annually.

In August 2020, the Board of Supervisors approved a resolution stating the Board's intention to appropriate revenue generated by Proposition I to the COVID-19 Rent Resolution and Relief Fund and a Social Housing Program Fund (File 20-0708).¹

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would appropriate \$20.1 million from the General Reserve and transfer \$10.05 million to the COVID-19 Rent Resolution and Relief Fund and \$10.05 million to the Housing Stability Fund.

¹ In File 20-1183, the Housing Stability Fund was originally titled the Social Housing Program Fund.

Monies in the Housing Stability Fund may be used for the acquisition, preservation, and development of affordable housing. The Mayor's Office of Housing and Community Development (MOHCD) has the authority to create rules and regulations for use of monies in the Housing Stability Fund, which are also subject to recommendations from an oversight board.

Monies in the COVID-19 Rent Resolution and Relief Fund may be used to provide grants to landlords who agree to waive unpaid rent related to COVID-19. Such grants may cover up to 50 percent of unpaid rent (and up to 65 percent for landlord with ten or fewer units) up to \$3,000 per unit per month. Landlords must waive all unpaid rent for the period covered by the grant.

Existing MOHCD COVID-19 Emergency Rental Assistance Program

In response to the pandemic, the Mayor's Office of Housing and Community Development (MOHCD) has provided \$10.2 million in grants to ten existing MOCHD non-profit service providers to distribute emergency rental assistance.² In addition, MOHCD provided \$10.4 million to non-profit service providers to provide eviction-related legal services (Tenant Right to Counsel Program). Non-profits receiving grants identify and prioritize clients for receiving rental assistance.

Federal Rental Assistance Funding

The 2021 Consolidated Appropriations Act (second COVID relief bill), enacted in December 2020, provided \$25 billion for rental assistance, with distributions to states and to directly to large counties for distribution to renters and landlords. San Francisco received \$26.2 million in direct federal funding. MOHCD is the City's lead agency for distributing the direct federal rental assistance and is currently developing implementation procedures, which are expected to be final in late April 2021 or May 2021.

In addition, the State of California received \$1.5 billion of which \$28.2 million is reserved for its program to serve San Francisco tenants and landlords. The State program rules prioritize households making 50% of area median income or below but grants may go to household making up to 80% area median income. In addition, households must have been unemployed for 90 or more days. The relief may be applied to unpaid rent incurred between April 2020 and March 2021. Grants will cover 80% of unpaid rent if landlords agree to forgive the remaining 20% of unpaid rent. If not, tenants would receive grants of 25% of the amount of unpaid rent.

As of this writing, Congress approved a third COVID relief package that includes additional funding for rental assistance to be allocated to states and high-need localities. The funding has similar household income and hardship requirements to the State-allocated funding rules. Final allocations to the City are uncertain as of this writing, but MOHCD estimates that the City could receive an additional \$21 million directly and the State an additional \$1.2 billion of which \$22.6

² The ten non-profit providers are Catholic Charities, Collective Impact, Eviction Defense Collaborative, Homies Organizing the Mission to Empower Youth (HOMEY), La Raza Community Resource Center, Mission Neighborhood Centers, Native American Health Center, Q Foundation, Rafiki Coalition for Health & Wellness, and Young Community Developers.

million will be reserved for San Francisco, for a total of \$98 million of federal funding for San Francisco rent relief.

FISCAL IMPACT

As noted above, the proposed ordinance will appropriate \$20.1 million from the General Reserve and transfer \$10.05 million to the COVID-19 Rent Resolution and Relief Fund and \$10.05 million to the Housing Stability Fund. The \$20.1 million appropriation is the amount of new General Fund revenue expected to be generated by Proposition I in FY 2020-21.

POLICY CONSIDERATION

The proposed ordinance would provide \$10.05 million to the COVID-19 Rent Resolution and Relief Fund to provide grants to landlords who have unpaid rent related to COVID-19. Exhibit 1 below summarizes the three rent relief funding sources in San Francisco and their funding sources, eligibility rules, and impact on unpaid rents. If the Board of Supervisors approves the proposed ordinance, total available funds to provide rent relief to San Francisco residents would be \$64.5 million, not including the estimated \$43.6 million from the third COVID relief bill.

Exhibit 1: Rent Relief Funding Sources

Funding Source	Known Amount (\$ million)	Household Eligibility	Impact on Unpaid Rent
COVID-19 Rent Resolution and Relief Fund	\$10.05	No restrictions	50% of unpaid rent (or 65% if small landlord) up to \$3,000 per month per unit
State	\$28.20	Up to 80% AMI and 90+ days of unemployment	80% of unpaid rent (or 25% paid to tenants if landlord does not forgive unpaid rent), April 2020 – March 2021
Federal (Direct to City)	\$26.20	Under development by MOHCD	Under development by MOHCD

Source: Budget & Legislative Analyst

Note: Exhibit 1 above does not include the estimated \$43.6 million from the third COVID relief bill, as the amounts allocated directly to the City and the via the State is not yet final. Funds from the third COVID relief bill would increase available rent relief funding to an estimated \$108.05 million.

As noted above, grants from the COVID-19 Rent Resolution and Relief Fund could cover 50 to 65 percent of unpaid rent but landlords receiving grants must waive all unpaid rent. However, grants funded by direct federal funding could cover up to 100 percent of unpaid rent, depending on local implementation procedures, which are currently under development by MOHCD. State-administered federal funding may be used to forgive 80% of unpaid rent incurred between April 2020 and March 2021.

The existence of the State rental assistance program, which forgives up to 80 percent of unpaid rent for households making up to 80 percent area median income, may reduce incentive for landlords to accept grants funded by the COVID-19 Rent Resolution and Relief Fund. As of this writing, MOCHD is developing rules for distributing the direct federal funds but expects they will be final in late April 2021 or May 2021. Depending on the final implementation rules, this program may also reduce landlord willingness to receive grants from the COVID-19 Rent Resolution and Relief Fund.

Because the proposed ordinance is consistent with Board of Supervisors policy, we recommend approval of the proposed ordinance. However, we recommend that the Board of Supervisors request a report back from MOHCD regarding the final implementation rules for the distribution of the direct allocation of federal rent relief funding.

RECOMMENDATIONS

1. Request a report back from MOHCD regarding the final implementation rules it is developing for the distribution of direct allocation of federal rent relief funding.
2. Approve the proposed ordinance.

<p>Item 2 File 20-0178</p>	<p>Departments: City Administrator & Arts Commission</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> The proposed supplemental appropriation ordinance would appropriate \$17,029,295 from unappropriated FY 2020-21 property tax revenues to the following uses: (1) \$11,228,000 to the City Administrator’s Grants for the Arts Program, (2) \$604,428 for the Arts Commission’s Cultural Centers, (3) \$4,409,000 for the Arts Commission’s Cultural Equity Endowment, and (4) \$787,867 for the Arts Impact Endowment. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> Section 515.01 of the Business and Tax Regulation Code specifies that 1.5 percentage points of the 14 percent hotel tax must be deposited into a Hotel Room Tax Fund and allocated to Grants for the Arts, the Cultural Equity Endowment, Cultural Centers, Cultural Districts, and the Arts Impact Endowment. According to the Controller’s FY 2020-21 Six-Month Budget Status Report, these programs are all experiencing revenue deficits due to lower than budgeted hotel tax revenues. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> The proposed supplemental appropriation ordinance would fund the projected deficits for the Grants for the Arts and the Cultural Equity Endowment programs. The remaining \$2 million deficit in the Cultural Centers program net of the proposed supplemental appropriation will be accommodated by deferring planned capital improvements. The \$0.9 million remaining deficit for the Arts Impact Endowment will be accommodated by reducing the number of planned grants to artists and organizations in future grant making cycles. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> Because the proposed appropriation funds projected deficits in the Grants for the Arts, Arts and Cultural Equity Endowments, and Cultural Centers programs that would otherwise have been funded by Hotel Tax revenues, the Budget and Legislative Analyst Office recommends approval. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> Approve the proposed ordinance. 	

MANDATE STATEMENT

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

According to the Controller’s Six-Month Budget Status Report, the Controller is projecting a \$125.2 million General Fund Surplus in FY 2020-21. Although certain General Fund revenues, such as business taxes, sales tax, hotel room tax, are projected to be lower than originally budgeted, these are more than offset by higher than budgeted property taxes, excess Education Revenue Augmentation Fund receipts, and transfer taxes.

Since the issuance of the Controller’s FY 2020-21 Six-Month Budget Status Report, the Board of Supervisors has approved or is considering legislation that would impact the FY 2020-21 General Fund budget, summarized in Exhibit 1 below.

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20-1415	License Fees	(15.0)
21-0031	Accessory Dwelling Unit permit services	(0.2)
Subtotal, Approved by Board, Pending Mayor Signature		(15.2)
March 17, 2021 Budget & Appropriations		
20-1364	Rent Relief & Social Housing	(20.1)
21-0138	Business Registration Fees Deferral	(32.0)
21-0177	Small Business Grants & Loans	(20.0)
21-0178	Arts Appropriation	(17.0)
21-0215	Summer Youth Programming	(15.0)
Subtotal, March 17, 2021 Budget & Appropriations		(104.1)
Not Yet Calendared		
21-0214	Fentanyl Task Force & Overdose Prevention	(6.7)
Subtotal, Not Yet Calendared		(6.7)
Total		(126.0)

Source: Budget & Legislative Analyst

Notes: File 21-0138 would defer revenues until FY 2021-22. Files 21-0031 & 21-1364 draw from the General Reserve, which, per Administrative Code Section 10.60, must be restored in the subsequent fiscal year.

As shown above, the Board of Supervisors has approved legislation that would reduce the projected \$125.1 FY 2020-21 General Fund surplus by \$15.2 million, leaving a projected FY 2020-21 General Fund surplus \$110 million. The March 17, 2021 Budget & Appropriations Committee is considering FY 2020-21 General Fund supplemental appropriations totaling \$104.1 million and legislation introduced but not yet calendared would reduce the FY 2020-21 General Fund surplus by \$6.7 million. If all the legislation in Exhibit 1 above is approved, the entire projected FY 2020-21 General Fund surplus would be appropriated, used to backfill decreased revenues, or committed to restoring the General Reserve.

DETAILS OF PROPOSED LEGISLATION

The proposed supplemental appropriation ordinance would appropriate \$17,029,295 from unappropriated FY 2020-21 property tax revenues to the following uses: (1) \$11,228,000 to the City Administrator's Grants for the Arts Program, (2) \$604,428 for the Arts Commission's Cultural Centers, (3) \$4,409,000 for the Arts Commission's Cultural Equity Endowment, and (4) \$787,867 for the Arts Impact Endowment.

Section 515.01 of the Business and Tax Regulation Code specifies that 1.5 percentage points of the 14 percent hotel tax must be deposited into a Hotel Room Tax Fund and allocated to Grants for the Arts, Cultural Equity Endowment, Cultural Centers, Cultural Districts, Arts Impact Endowment, and necessary refunds as determined by the Treasurer-Tax Collector. According to the Controller's FY 2020-21 Six-Month Budget Status Report, these programs are all experiencing revenue deficits due to lower than budgeted hotel tax revenues.

Grants for the Arts

This program, administered by the City Administrator's Office, makes operating grants to cultural non-profits. According to the Controller's Six-Month Budget Status Report, this program has a FY 2020-21 revenue deficit of \$11.2 million.

Cultural Centers

This program, administered by the Arts Commission, supports operation, maintenance, and programming of City-owned community cultural centers to assure that these cultural centers remain open and accessible. According to the Controller's Six-Month Budget Status Report, this program has a FY 2020-21 revenue deficit of \$2.6 million. The City's four cultural centers are: African-American Art and Cultural Complex, Bayview Opera House, Mission Cultural Center for Latino Arts, SOMArts.

Cultural Equity Endowment

This program, administered by the Arts Commission, provides grants for San Francisco artists and arts organizations, with priority given to racial and other diversity. According to the Controller's Six-Month Budget Status Report, this program has a FY 2020-21 revenue deficit of \$4.4 million.

Arts Impact Endowment

The Arts Impact Endowment, jointly administered by the Arts Commission and Grants for the Arts, provides grants to artists and arts organizations as determined by a cultural services allocation plan. According to the Controller's Six-Month Budget Status Report, this program has a FY 2020-21 revenue deficit of \$1.7 million.

FISCAL IMPACT

Exhibit 2 below shows the impact of the proposed supplemental appropriation on the projected deficits for the three aforementioned arts programs, which are in deficit due to decreased hotel tax revenues.

Exhibit 2: Impact of Proposed Supplemental Appropriation

Program	Projected Revenue Deficit	Proposed Supplemental Appropriation	Remaining Deficit
Grants for the Arts	(11.2)	11.2	0.0
Cultural Centers	(2.6)	0.6	(2.0)
Cultural Equity Endowment	(4.4)	4.4	0.0
Arts Impact Endowment	(1.7)	0.8	(0.9)

Source: Controller's FY 2020-21 Six-Month Budget Status Report and Budget & Legislative Analyst

As shown above, the proposed supplemental appropriation ordinance would fund the projected deficits for the Grants for the Arts and the Cultural Equity Endowment programs.

According to Mr. Kevin Quan, Finance Manager at the Arts Commission, the remaining \$2 million deficit in the Cultural Centers program net of the proposed supplemental appropriation will be accommodated by deferring planned capital improvements. The \$0.9 million remaining deficit for the Arts Impact Endowment will be accommodated by reducing the number of planned grants to artists and organizations in future grant making cycles.

POLICY CONSIDERATION

Because the proposed appropriation funds projected deficits in the Grants for the Arts, Arts and Cultural Equity Endowments, and Cultural Centers programs that would otherwise have been funded by Hotel Tax revenues, the Budget and Legislative Analyst Office recommends approval.

RECOMMENDATION

Approve the proposed ordinance.

<p>Item 3 File 21-0177</p>	<p>Department: Office of Economic and Workforce Development (OEWD)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> The proposed ordinance would appropriate \$20 million from property tax revenue so that OEWD could administer financial relief to small businesses harmed by Covid-19 in the form of grants and loans. The \$20 million would be allocated to two grant programs administered by OEWD: \$12.4 million to Small Business COVID Relief grants, and \$7.6 million to Small Business COVID Relief loans. 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> The proposed grant program of \$12.4 million is intended for more than 1,000 low-income small businesses across the City that were “most impacted by Shelter in Place orders” and that have not accessed state or federal financial programs. According to OEWD, the eligibility criteria for the proposed new grant program are still under development and will seek to prioritize businesses owned and operated by low-income households, minorities, and women and those serving communities of color and opportunity neighborhoods. Grant amounts will vary from \$5,000 to \$25,000 based on the business’s number of full-time equivalent employees. The proposed loan program of \$7.6 million is intended to “complement and expand” existing local, state, and federal initiatives to provide financial relief to small businesses. According to OEWD, the City will partner with the existing state loan program, California Rebuilding Fund, to invest an initial \$3.4 million to support minority- and women-owned businesses and businesses serving historically under-invested neighborhoods. An initial \$2 million of lending capital will be used to leverage state funding and private capital in order to yield up to \$10 million of total lending capital for San Francisco-based small businesses. An initial \$1.4 million will be used to lower the interest rate otherwise available through the California Rebuilding Fund program from 4.25 percent to 0 to 1.0 percent. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> The proposed ordinance would appropriate \$20 million of general property tax revenue to OEWD in the current fiscal year, FY 2020-21, to fund Covid-19 financial relief for small businesses 	
<p style="text-align: center;">Policy Consideration</p>	
<ul style="list-style-type: none"> According to the Controller’s Six-Month Budget Status Report, the Controller is projecting a \$125.2 million General Fund Surplus in FY 2020-21. The Board of Supervisors has approved legislation that would reduce the projected \$125.1 FY 2020-21 General Fund surplus by \$15.2 million, leaving a projected FY 2020-21 General Fund surplus \$110 million. The March 17, 2021 Budget & Appropriations Committee is considering FY 2020-21 General Fund supplemental appropriations totaling \$104.1 million and legislation introduced but not yet calendared would reduce the FY 2020-21 General Fund surplus by \$6.7 million. 	
<p style="text-align: center;">Recommendation</p>	
<ul style="list-style-type: none"> Approval of the proposed ordinance is a policy matter for the Board of Supervisors. 	

MANDATE STATEMENT

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

Since the Covid-19 pandemic began, the Board of Supervisors has approved a number of measures to support small businesses, including:

- Waiver of business registration and license fees and payroll expense taxes for restaurants and food service businesses with annual San Francisco gross receipts up to \$750,000 and for entertainment venues with annual San Francisco gross receipts up to \$20 million (File 20-1260).
- Waiver of business registration and license fees in FY 2020-21 for certain businesses impacted by the Shelter-in-Place orders earning up to \$25 million in San Francisco gross receipts (File 20-1415).

The Office of Economic and Workforce Development (OEWD) has \$19.6 million in available funds, funded by private contributions and reallocation of existing General Fund monies, to administer financial relief programs for small businesses, including the following:

Loan Programs (\$14.6 million)

- SF Hardship Emergency Loan Program (SF HELP) has distributed \$8,463,927 out of a total available of \$9,450,000 in zero-interest loans to 302 small businesses, with businesses receiving an average of \$28,026. Launched April 2020.
- African American Small Business Revolving Loan Fund has distributed \$1,598,000 out of a total available of \$2,700,000¹ in zero-interest loans to 36 small businesses, with an average loan amount of \$44,389 (with up to 20 percent of the loan amount forgivable). Launched July 2020.
- Latino Small Business Fund (SF HELP extension) has distributed \$516,000 out of a total available of \$2,475,000 in zero-interest loans to 15 small businesses, with an average loan amount of \$34,400. Launched December 2020.

Grant Programs (\$5.0 million)

- Resiliency Grant Fund has distributed a total of \$2.5 million in available funds, including \$1 million to 128 small businesses in Phase 1, with an average grant amount of \$7,850. Phase 2 awarded \$1.5 million to 230 small businesses using a lottery system to distribute grants across the City, with an average grant amount of \$6,522. Launched March 2020.

¹ New funds have been announced, but are not yet active.

- SF Shines for Reopening has committed \$1,118,250 to 295 businesses (\$433,732 of which has been distributed) out of a total available of \$1,414,465. Storefront businesses or non-profits that are open to the public can receive \$2,000 to \$5,000 grants to reimburse for expenses, such as fixtures, furniture, equipment, minor storefront improvements, or design services. Launched October 2020.
- Neighborhood Mini-Grants provided a total of \$942,500 to 322 small businesses in historically underserved communities, with businesses receiving an average grant of \$2,927. Launched May 2020.
- Women’s Entrepreneurship Mini-Grants provided a total of \$160,000 in \$2,000 mini-grants to 77 women-owned small businesses. Launched June 2020.

The federal government has established the following financial relief programs for small businesses administered by the U.S. Small Business Administration (SBA):

- The Paycheck Protection Program provides loans that help businesses retain their workforce during the Covid-19 pandemic. According to OEWD, a total of \$3.2 billion was provided from March through December 2020 to 22,215 San Francisco businesses, with an average loan amount of \$145,009. The data show that 17,541 businesses reported a total of 216,325 jobs retained, or, an average of 12 jobs retained per business reporting these data.
- Covid-19 Economic Injury Disaster Loans provide economic relief to small businesses and non-profit organizations that are currently experiencing a temporary loss of revenue. According to OEWD, a total of \$936.8 million was provided from March through December 2020 to 15,012 San Francisco-based small businesses, self-employed individuals or sole proprietorships, or non-profits, with an average loan amount of \$62,400.
- The federal SBA also provides Express Bridge Loans to small businesses that currently have a business relationship with an SBA Express Lender to access up to \$25,000 quickly; debt relief to existing SBA loan borrowers during the Covid-19 pandemic; and Shuttered Venue Operators Grants for emergency assistance for eligible venues affected by the Covid-19 pandemic.

The state provides a California Small Business Covid-19 Relief Grant Program available to small businesses or non-profits operating in California, with a total of \$2 billion available statewide and grant awards ranging from \$5,000 to \$25,000.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would appropriate \$20 million from property tax revenue so that OEWD could administer financial relief to small businesses harmed by Covid-19 in the form of grants and loans. The \$20 million would be allocated to two grant programs administered by OEWD: \$12.4 million to Small Business COVID Relief grants, and \$7.6 million to Small Business COVID Relief loans.

The proposed grant program of \$12.4 million is intended for low-income small businesses across the City that were “most impacted by Shelter in Place orders” and those that have not accessed state or federal financial programs. While the ordinance notes that more than 2,000 small businesses would receive assistance, OEWD expects that more than 1,000 small businesses would actually be served due to the expected grant amounts ranging from \$5,000 to \$25,000. According to OEWD, the eligibility criteria for the proposed new grant program are still under development, using input from community stakeholders and incorporating lessons learned from previous small business financial relief efforts.

The OEWD plans to target the new grant program to the following types of small businesses:

- Businesses owned and operated by low-income households, minorities, and women;
- Long-standing and community anchor businesses;
- Businesses serving communities of color and within commercial corridors serving opportunity neighborhoods (Bayview, Chinatown, Excelsior, Fillmore, Mission, and Tenderloin);
- Businesses most impacted by Shelter in Place closure orders, such as hair salons and barbershops, gyms and fitness centers, entertainment venues, and bars; and
- Businesses that were unable to access grant support from local, state, or federal sources.

Grant amounts are expected to vary up to \$25,000 based on the size of the business, as measured by the number of full-time equivalent employees. Recipients will be required to have a San Francisco location and/or a license to operate.

The proposed loan program of \$7.6 million is intended to “complement and expand” existing local, state, and federal initiatives to provide financial relief to small businesses. According to OEWD, the City will partner with the existing state loan program, California Rebuilding Fund, to invest an initial \$3.4 million to support minority- and women-owned businesses and businesses serving historically under-invested neighborhoods:

- The OEWD is planning to allocate \$2 million for lending capital, which will be used to leverage state funding and private capital in order to yield up to \$10 million of total lending capital for San Francisco-based small businesses.
- The OEWD is planning to allocate \$1.4 million to lower the 4.25 percent interest rate otherwise available through the California Rebuilding Fund loan program to zero to one percent.

The OEWD says it plans to assess the results of the initial \$3.4 million allocation to inform how the remaining \$4.2 million—of the total \$7.6 million—should be allocated between lowering the interest rate and/or providing additional lending capital through the California Rebuilding Fund, or to potentially invest in other loan products.

FISCAL IMPACT

The proposed ordinance would appropriate \$20 million of general property tax revenue to OEWD in the current fiscal year, FY 2020-21, to fund Covid-19 financial relief for small businesses, as displayed in Exhibit 1 below.

Exhibit 1: OEWD Supplemental Appropriation, Sources and Uses of Funds

SOURCES	Amount
Unallocated General Property Taxes	\$20,000,000
USES	Amount
Covid-19 Small Business Relief Grants	\$12,400,000
Covid-19 Small Business Relief Loans	7,600,000
Total	\$20,000,000

Source: File 21-0177

POLICY CONSIDERATION

According to the Controller's Six-Month Budget Status Report, the Controller is projecting a \$125.2 million General Fund Surplus in FY 2020-21. Although certain General Fund revenues, such as business taxes, sales tax, hotel room tax, are projected to be lower than originally budgeted, these are more than offset by higher than budgeted property taxes, excess Education Revenue Augmentation Fund receipts, and transfer taxes.

Since the issuance of the Controller's FY 2020-21 Six-Month Budget Status Report, the Board of Supervisors has approved or is considering legislation that would impact the FY 2020-21 General Fund budget, summarized in Exhibit 2 below.

Exhibit 2: Legislation Altering the FY 2020-21 General Fund Budget

File	Description	Estimated Cost FY 2020-21 (\$ million)
Approved by Board, Pending Mayor signature		
	Waiver of Business Registration Fees and Certain	
20-1415	License Fees	(15.0)
21-0031	Accessory Dwelling Unit permit services	(0.2)
Subtotal, Approved by Board, Pending Mayor Signature		(15.2)
March 17, 2021 Budget & Appropriations		
20-1364	Rent Relief & Social Housing	(20.1)
21-0138	Business Registration Fees Deferral	(32.0)
21-0177	Small Business Grants & Loans	(20.0)
21-0178	Arts Appropriation	(17.0)
21-0215	Summer Youth Programming	(15.0)
Subtotal, March 17, 2021 Budget & Appropriations		(104.1)

File	Description	Estimated Cost FY 2020-21 (\$ million)
Not Yet Calendared		
21-0214	Fentanyl Task Force & Overdose Prevention	(6.7)
Subtotal, Not Yet Calendared		(6.7)
Total		(126.0)

Source: Budget & Legislative Analyst

Notes: File 21-0138 would defer revenues until FY 2021-22. Files 21-0031 & 21-1364 draw from the General Reserve, which, per Administrative Code Section 10.60, must be restored in the subsequent fiscal year.

As shown above, the Board of Supervisors has approved legislation that would reduce the projected \$125.1 FY 2020-21 General Fund surplus by \$15.2 million, leaving a projected FY 2020-21 General Fund surplus \$110 million. The March 17, 2021 Budget & Appropriations Committee is considering FY 2020-21 General Fund supplemental appropriations totaling \$104.1 million and legislation introduced but not yet calendared would reduce the FY 2020-21 General Fund surplus by \$6.7 million. If all the legislation in Exhibit 1 above is approved, the entire projected FY 2020-21 General Fund surplus would be appropriated, used to backfill decreased revenues, or committed to restoring the General Reserve.

RECOMMENDATION

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

<p>Item 4 File 21-0215</p>	<p>Department: Department of Children, Youth and their Families (DCYF)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance would appropriate \$15,000,000 from property tax revenues to the Department of Children, Youth, and Their Families (DCYF) for summer programming, learning, and activities for youth for FY 2020-21. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • Due to the COVID-19 pandemic, San Francisco Unified School District (SFUSD) public schools have been closed since March 2020. DCYF has proposed a basic Summer Program to assist approximately 10,000 students by providing safe and enriching activities designed to address mental, social, and emotional needs cited by mental health experts. The program would be funded by the proposed \$15 million General Fund appropriation and by \$25 million provided by the Crankstart Foundation, for a total program budget of \$40 million. The City’s funding would only provide basic programming, such as staff, food, and supplies. The Crankstart funding would provide curriculum enhancements to the program to address emotional, social well-being, and learning loss. • The program would utilize approximately 50 Community Based Organizations (CBOs) that have already contracted with DCYF. The CBOs would operate programs in approximately 85 Community and School-Based Hubs set up throughout the City. DCYF would use an equity lens to prioritize residents of public housing and single-room occupancy hotels, families experiencing homelessness, children in foster care, English language learners, low-income families, and communities of color. If DCYF is unable to fully expend the proposed \$15,000,000 appropriation on the Summer Program, DCYF would consider using the remaining funding on scholarships to private summer camps. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • DCYF estimates that the proposed appropriation would fund approximately 10,000 slots at a rate of \$1,500 per student for the approximate nine-week program (program length may vary), or approximately \$667 per slot per month. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • According to the Controller’s Six-Month Budget Status Report, the Controller is projecting a \$125.2 million General Fund Surplus in FY 2020-21. The Board of Supervisors has approved legislation that would reduce the projected \$125.1 FY 2020-21 General Fund surplus by \$15.2 million, leaving a projected FY 2020-21 General Fund surplus \$110 million. The March 17, 2021 Budget & Appropriations Committee is considering FY 2020-21 General Fund supplemental appropriations totaling \$104.1 million and legislation introduced but not yet calendared would reduce the FY 2020-21 General Fund surplus by \$6.7 million. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approval of the proposed ordinance is a policy matter for the Board of Supervisors. 	

MANDATE STATEMENT

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

BACKGROUND

Due to the COVID-19 pandemic, San Francisco Unified School District (SFUSD) public schools have been closed since March 2020. According to the Department of Children, Youth, and their Families (DCYF), isolation has inhibited the social and emotional development of students and caused severe mental health issues. In an open letter in January 2020, more than 30 pediatricians at UCSF, Benioff Children's and Chan Zuckerberg Hospitals, wrote to advocate for San Francisco public schools to reopen. According to DCYF staff, the use of distance rather than in-person learning has particularly impacted children from low-income families or marginalized with pre-existing inequities.

DCYF has proposed a basic Summer Program to assist approximately 10,000 students by providing safe and enriching activities designed to address mental, social, and emotional needs cited by mental health experts.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would appropriate \$15,000,000 from unallocated property tax revenues to DCYF for summer programming for youth for FY 2020-21.

According to Ms. Denise Payton, DCYF Chief Financial Officer, the proposed appropriation would provide foundational funding for approximately 10,000 student slots to participate in approximately nine weeks of Summer Programming in the summer of 2021, with session duration varying by design. SFUSD has identified approximately 26,244 students eligible to return to in-person learning in "Phase 2A," which is the highest priority group in SFUSD's reopening plan.¹ According to Ms. Payton, DCYF anticipates filling all 10,000 slots in the Summer Program that this \$15 million Supplemental supports. DCYF's expansion is dictated by state-mandated ratio of two staff per 14 student cohort, which may be updated as San Francisco moves from one tier to another. Other limitations include site space, social distancing guidelines, funding and resource limitations.

According to Ms. Payton, the program would utilize approximately 50 Community Based Organizations (CBOs) that have already contracted with DCYF. The CBOs would operate programs in approximately 85 Community and School-Based Hubs set up throughout the City.² DCYF would use an equity lens to prioritize residents of public housing and single-room occupancy hotels, families experiencing homelessness, children in foster care, English language learners, low-

¹ SFUSD's "Phase 2A" includes pre-kindergarten through 5th grade students, as well as special education students.

² During the 2020-21 school year DCYF established the Community Hubs Initiative, in partnership with the Recreation and Park Department, City Library, and other City departments. The Community Hubs Initiative provides support to K-12 SFUSD students in distance learning, prioritizing children and youth with high levels of need.

income families, and communities of color. If DCYF is unable to fully expend the proposed \$15,000,000 appropriation on the Summer Program, DCYF would consider using the remaining funding on scholarships to private summer camps.

According to Ms. Payton, DCYF would engage with an evaluation contractor specializing in education, out-of-school time programs, and community building and equity to objectively assess the program and provide outcomes reporting.

FISCAL IMPACT

The proposed ordinance would appropriate \$15,000,000 from unallocated property tax revenues to the DCYF for the Summer Program.

According to Ms. Payton, DCYF estimates that the proposed appropriation would fund approximately 10,000 slots at a rate of \$1,500 per student for the approximate nine-week program (program length may vary), or approximately \$667 per slot per month. In comparison, the Community Hubs Initiative, which is serving approximately 2,000 slots for nine months throughout the school year, has cost the City approximately \$60 million, or approximately \$3,333 per slot per month.

The proposed \$15 million appropriation would be augmented by a \$25 million contribution from the Crankstart Foundation, for a total program budget of \$40 million. The City's funding would only provide basic programming, such as staff, food, and supplies. The Crankstart contribution would provide curriculum enhancements to the program to address emotional, social well-being, and learning loss.

POLICY CONSIDERATION

According to the Controller's Six-Month Budget Status Report, the Controller is projecting a \$125.2 million General Fund Surplus in FY 2020-21. Although certain General Fund revenues, such as business taxes, sales tax, hotel room tax, are projected to be lower than originally budgeted, these are more than offset by higher than budgeted property taxes, excess Education Revenue Augmentation Fund receipts, and transfer taxes.

Since the issuance of the Controller's FY 2020-21 Six-Month Budget Status Report, the Board of Supervisors has approved or is considering legislation that would impact the FY 2020-21 General Fund budget, summarized in Exhibit 1 below.

Exhibit 1: Legislation Altering the FY 2020-21 General Fund Budget

File	Description	Estimated Cost FY 2020-21 (\$ million)
Approved by Board, Pending Mayor signature		
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Subtotal, Approved by Board, Pending Mayor Signature		(15.2)
March 17, 2021 Budget & Appropriations		
20-1364	Rent Relief & Social Housing	(20.1)
21-0138	Business Registration Fees Deferral	(32.0)
21-0177	Small Business Grants & Loans	(20.0)
21-0178	Arts Appropriation	(17.0)
21-0215	Summer Youth Programming	(15.0)
Subtotal, March 17, 2021 Budget & Appropriations		(104.1)
Not Yet Calendared		
21-0214	Fentanyl Task Force & Overdose Prevention	(6.7)
Subtotal, Not Yet Calendared		(6.7)
Total		(126.0)

Source: Budget & Legislative Analyst

Notes: File 21-0138 would defer revenues until FY 2021-22. Files 21-0031 & 21-1364 draw from the General Reserve, which, per Administrative Code Section 10.60, must be restored in the subsequent fiscal year.

As shown above, the Board of Supervisors has approved legislation that would reduce the projected \$125.1 FY 2020-21 General Fund surplus by \$15.2 million, leaving a projected FY 2020-21 General Fund surplus \$110 million. The March 17, 2021 Budget & Appropriations Committee is considering FY 2020-21 General Fund supplemental appropriations totaling \$104.1 million and legislation introduced but not yet calendared would reduce the FY 2020-21 General Fund surplus by \$6.7 million. If all the legislation in Exhibit 1 above is approved, the entire projected FY 2020-21 General Fund surplus would be appropriated, used to backfill decreased revenues, or committed to restoring the General Reserve.

RECOMMENDATION

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

<p>Item 5 File 21-0138</p>	<p>Departments: Treasurer/Tax Collector (Treasurer/Tax Collector)</p>
<p>EXECUTIVE SUMMARY</p>	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance would extend the deadline for most businesses to pay the business registration fee for FY 2021-22 normally due on May 31, 2021 to November 1, 2021. A business registration certificate issued for FY 2020-21 would continue to be valid through November 1, 2021. The proposed ordinance would also temporarily suspend late-payment penalties through November 1, 2021 for certain weights and measures fees and point of sale station fees billed by the Treasurer/Tax Collector from March 17, 2020 through October 1, 2021, and refund any suspended penalty payments within one year or by December 31, 2021 <p>Key Points</p> <ul style="list-style-type: none"> • Since the Covid-19 pandemic began, the Board of Supervisors has taken action to waive or delay business registration and license fees due to the Treasurer/Tax Collector. In January, the Board of Supervisors waived business registration fees for certain restaurants, food service businesses, and entertainment venues; the Board also delayed the deadline to pay the business registration fee for FY 2020-21 for most other businesses from May 31, 2020 to April 30, 2021, and delayed the deadline for license fees normally due on March 31, 2020 and March 31, 2021 to November 1, 2021 (File 20-1260). Later, on March 2, 2021, the Board of Supervisors approved a waiver of FY 2020-21 business registration and license fees for certain San Francisco-based businesses impacted by the Shelter-in-Place orders that earned up to \$25 million in San Francisco gross receipts (File 20-1415). <p>Fiscal Impact</p> <ul style="list-style-type: none"> • The Controller’s Office estimates that the one-time deferral of business registration fees for most businesses to November 1, 2021 will lead to a one-time loss of \$32 million in revenue in FY 2020-21 that would be received in the subsequent fiscal year. Businesses would still be required to pay business registration fees for FY 2022-23, due on May 31, 2022. • According to the Controller’s Six-Month Budget Status Report, the Controller is projecting a \$125.2 million General Fund Surplus in FY 2020-21. The deferral of business registration fees, resulting in an estimated revenue reduction of \$32 million in FY 2020-21, would be offset by the projected \$125.2 million General Fund Surplus. <p>Recommendation</p> <ul style="list-style-type: none"> • Approval of the proposed ordinance is a policy matter for the Board of Supervisors 	

MANDATE STATEMENT

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

BACKGROUND

Since the Covid-19 pandemic began, the Board of Supervisors has taken action to waive or delay business registration and license fees due to the Treasurer/Tax Collector. In January, the Board of Supervisors waived business registration fees for certain restaurants, food service businesses, and entertainment venues; the Board also delayed the deadline to pay the business registration fee for FY 2020-21 for most other businesses from May 31, 2020 to April 30, 2021, and delayed the deadline for license fees normally due on March 31, 2020 and March 31, 2021 to November 1, 2021 (File 20-1260). Later, on March 2, 2021, the Board of Supervisors approved a waiver of FY 2020-21 business registration and license fees for certain San Francisco-based businesses impacted by the Shelter-in-Place orders that earned up to \$25 million in San Francisco gross receipts (File 20-1415).

In addition to collecting business registration and license fees, the Treasurer/Tax Collector collects fees on behalf of the Weights and Measures Program (administered by the Department of Public Health); the program is intended to protect consumers by ensuring the accuracy of any scales, taximeters, or other measuring devices used by businesses, according to the Treasurer/Tax Collector. This program levies two weights and measures fees on about 1,700 businesses:

- Registration Fee for Weighing and Measuring Devices. Businesses that use weighing and measuring devices for commercial purposes in the City must register those devices and pay annual registration and other fees, subject to a 100 percent late-payment penalty.
- Registration Fee for Automated Point of Sale Stations. Businesses that use so-called automated point of sale stations, such as scanners, for commercial purposes in the City must register those stations and pay annual registration and other fees, also subject to late-payment penalties of up to 100 percent of the amount of the fee.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would:

- Further extend the deadline for most businesses to pay the business registration fee for FY 2021-22 normally due on May 31, 2021 to November 1, 2021. A business registration certificate issued for FY 2020-21 would continue to be valid through November 1, 2021.
- Temporarily suspend late-payment penalties through November 1, 2021 for certain weights and measures fees and point of sale station fees billed by the Treasurer/Tax Collector from March 17, 2020 through October 1, 2021, and refund any suspended penalty payments within one year or by December 31, 2021.

FISCAL IMPACT

The Controller's Office estimates that the one-time deferral of business registration fees for most businesses to November 1, 2021 will lead to a one-time loss of \$32 million in revenue in FY 2020-21 that would be received in the subsequent fiscal year.¹ Businesses would still be required to pay business registration fees for FY 2022-23, due on May 31, 2022.

Businesses pay the weights and measures fees and point of sale fees by December 31, and late-payment penalties are assessed with the unified licensed fee bill. License fees have been waived for FY 2020-21 for certain San Francisco-based businesses impacted by the Shelter-in-Place orders earning up to \$25 million in San Francisco gross receipts (File 20-1415) and deferred for FY 2021-22 to November 1, 2021 (File 20-1260). The late-payment penalties for weights and measures fees and point of sale fees have historically been a negligible amount and would be suspended through November 1, 2021 as a result of the proposed ordinance.

POLICY CONSIDERATION

According to the Controller's Six-Month Budget Status Report, the Controller is projecting a \$125.2 million General Fund Surplus in FY 2020-21. Although certain General Fund revenues, such as business taxes, sales tax, and hotel room tax, are projected to be lower than originally budgeted, these are more than offset by higher than budgeted property taxes, excess Education Revenue Augmentation Fund receipts, and transfer taxes.

The deferral of business registration fees, resulting in an estimated revenue reduction of \$32 million in FY 2020-21, would be offset by the projected \$125.2 million General Fund Surplus. As noted above, businesses located in San Francisco would pay business registration fees in FY 2021-22 on November 1, 2021 and May 31, 2022.

RECOMMENDATION

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

¹ This estimate reflects the fiscal impact of Proposition F, a ballot measure approved by San Francisco voters in November 2020, which lowered business registration fees for small businesses earning up to \$1 million in San Francisco gross receipts, among other tax changes.