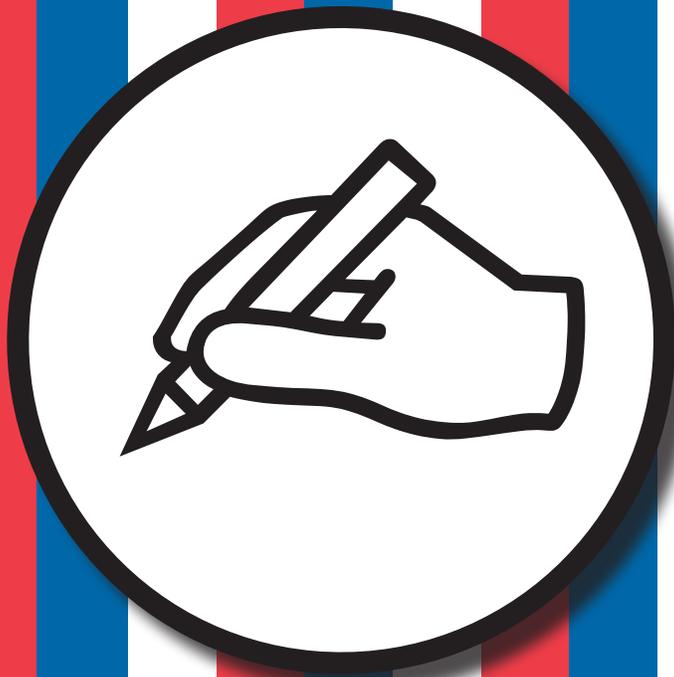


# SAN FRANCISCO VOTER GUIDE NOVEMBER 2012

Ballot analysis and recommendations



**Prop. A**  
City College  
Parcel Tax  
Yes

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**Prop. B**  
Parks Bond  
Yes

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**Prop. C**  
Housing Trust Fund  
Yes

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**Prop. D**  
Consolidating  
Municipal Elections  
Yes

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**Prop. E**  
Gross Receipts Tax  
Yes

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**Prop. F**  
Water and  
Environment Plan  
No

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**Prop. G**  
Repealing Corporate  
Personhood  
No position

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ORDINANCE



City College Parcel Tax

## Parcel Tax to Support City College Operations

Levies a tax of \$79 per parcel for eight years, generating approximately \$14 million per year to support the operations of the City College of San Francisco.

### What it does

Proposition A levies a tax of \$79 per parcel in the City and County of San Francisco for eight years, which is projected to generate approximately \$14 million per year to support the operations of the City College of San Francisco (CCSF). Parcel tax payments cannot be passed through to renters, and senior citizens are not exempt from payment under state law.

The proceeds of Prop. A will help offset state budget cuts by preventing instructor layoffs and maintaining essential courses such as writing, math, science and others that help prepare students for four-year universities. The measure will also create a citizens' oversight committee appointed by the college's board of trustees to ensure that expenditures are for authorized academic purposes only.

### Why it's on the ballot

Founded in 1935, CCSF is the largest public, two-year community college system in California. With nine campuses and more than 100 instructional locations, CCSF serves nearly 90,000 students per year and is the sole public institution for junior and community college services in San Francisco. For many years, CCSF has served as one of the primary partners delivering workforce-development programs for the city, including coursework for nurses and technical professionals and special programs for those pursuing careers in culinary arts and hospitality.

Community colleges throughout California have been hit hard by the recession. Since fiscal year 2007-08 — when state funding reached a high of 61 percent of all CCSF funding — the college has lost a total of \$57 million (17 percent) of its state funding allocation. Between fiscal year 2010-11 and fiscal year

2011-12 alone, state funding was reduced by \$11.6 million, or 6 percent of CCSF's total budget of \$194.7 million. If California Proposition 30 (Governor Brown's Sales and Income Tax Increase) is not approved by voters, CCSF will face an additional \$10.3 million reduction in the current fiscal year.

In addition to these financial troubles, CCSF is facing an accreditation crisis. Shortly after the college's board of trustees placed Prop. A on the ballot, it received notification from the Accrediting Commission for Community and Junior Colleges of the Western Association of Schools and Colleges that CCSF had received a rating of "show cause," the lowest possible while still maintaining accreditation. This rating triggered a series of requirements for the college, including development of an action plan by October 15, 2012 (100 days after the commission announced its findings) detailing strategies to address the organizational and budgetary concerns cited by the Accrediting Commission. The threat of CCSF losing its accreditation is quite real.

CCSF is an independent taxing jurisdiction, separate from the City and County of San Francisco. The San Francisco Community College Board of Trustees — the governing body for CCSF — placed Prop. A on the ballot in an attempt to mitigate significant state funding reductions. All parcel taxes require a two-thirds majority of votes for approval.

While this is the first parcel tax put to voters to support operations at CCSF, two general obligation bonds have also passed in recent years to support the college's capital needs, in 2001 (\$195 million) and 2005 (\$246.3 million). However, parcel tax funds are used differently than general obligation bonds. Bond funds can be used only for capital projects such as the construction or renovation of facilities, whereas parcel tax funds can be used to support general operating expenses such as staff and facilities maintenance.

### Pros

- CCSF faces a combination of intense recessionary forces that have significantly impacted the college's ability to serve its students. State funds have been reduced by \$57 million in just five years. Prop. A is a way to mitigate the effects of these reductions.
- Prop. A could help save the college from further "trigger" cuts in the current fiscal year. If the governor's tax measure is unsuccessful in November, automatic reductions will take effect in January 2013, and CCSF will be forced to find \$10.3 million in additional cuts beyond what has already been identified.
- CCSF is a San Francisco institution that ably supports the city's workforce-training programs and provides an affordable path for San Franciscans to achieve a college education. These funds are an important investment in that mission.

## PROP A

### Cons

- CCSF is facing the loss of the institution's accreditation. Investing taxpayer dollars while CCSF is rectifying significant administrative challenges will further exacerbate the problem and allow trustees to avoid difficult decisions about the college's future.
- Prop. A does not provide any protections against further reductions in state funding. CCSF has already weathered more than \$50 million in state funding reductions in recent years; providing additional local funds could set a dangerous precedent that could help justify further reductions.
- The size and scale of Prop. A is not sufficient to address CCSF's ongoing financial woes. CCSF needs to identify a larger and more permanent source of funds to support its worthy mission.

### SPUR's analysis

City College is a tremendous asset to San Francisco and an integral component of the city's workforce-training network. It serves nearly 90,000 students each year and offers one of the largest English as a second language (ESL) programs in the city. CCSF is an invaluable community resource, as well as a vital partner for the city's workforce-training needs.

State budget reductions in recent years have impacted community colleges throughout the state, but CCSF has not successfully adapted to its new operating environment. Financial difficulties alone, however, are not sufficient to justify support for this measure; Prop. A will merely provide the college with enough funding to temporarily stave off further reductions. The trustees and chancellor must show that they understand the need for institutional transformation and a sustainable funding strategy for CCSF. The Accrediting Commission's requirement of an action plan has forced discussion of long-term, systemic issues at CCSF. We are hopeful that CCSF's response will address them.

Given the severe reductions in state funds, there is a compelling case to be made for additional funding for CCSF. The timing and circumstances surrounding this ballot measure have created additional challenges for the college, but we believe Prop. A is an interim step in the right direction.

## SPUR recommends a "Yes" vote on Prop. A

## GENERAL OBLIGATION BOND



### Parks Bond

## Clean and Safe Neighborhood Parks Bond

Authorizes the city to issue \$195 million in general obligation bonds to fund capital maintenance, repair and improvements to facilities throughout the San Francisco parks system.

### What it does

Proposition B is a \$195 million general obligation bond to fund capital repair, maintenance and improvements to parks facilities throughout San Francisco as part of the city's 10-year capital plan. Funds will be allocated to neighborhood parks; waterfront parks and open spaces; failing playgrounds; the Community Opportunity Fund; regional parks; and forestry, trails and water conservation.

Specifically, bond proceeds will be used to fund the following:

- \$99 million for 15 neighborhood parks, including pools, playgrounds and recreation centers. Parks will be selected based on community feedback, physical condition, the variety of amenities offered, seismic safety risk and neighborhood density.
- \$34.5 million for waterfront parks and open spaces, including Agua Vista Park, Piers 43 and 70, Warm Water Cove, Islais Creek and a new park on the northeast waterfront.
- \$15.5 million for failing playgrounds, including upgrades to and replacement of dilapidated equipment and facilities across the city.
- \$12 million for the Community Opportunity Fund, a program that leverages private matching funds for community-based programs.
- \$21 million to improve Golden Gate Park, Lake Merced and McLaren Park.
- \$13 million for replacement of dangerous trees, trail improvement and water-conservation improvements such as updated irrigation systems.

The repayment of the bonds will come from the portion of the property tax already devoted to bond repayment and will not require an increase in the tax rate.

## PROP B

### Why it's on the ballot

Prop. B was proposed by the San Francisco Recreation and Parks Department (RPD) and placed on the ballot by the mayor and the Board of Supervisors as part of the city's 10-year capital plan. All general obligation bonds require a two-thirds majority of votes for approval.

The bond is the third in a series to help address a significant capital deficiency in the city's parks system; San Francisco voters approved two previous bonds in 2000 (\$110 million) and 2008 (\$185 million).

### Pros

- The RPD has significant capital needs after years of neglect and disinvestment. General obligation bonds are a responsible way to ensure that improvements are made — with voter support — while not jeopardizing declining operating funds.
- This measure is included in the city's 10-year capital plan, which means it is being put forward as other bonds are retired and will not increase the property tax burden on San Francisco residents.
- The RPD has made significant strides in recent years to improve planning and delivery of bond-funded projects. By the time ballots are cast on Prop. B, every project from the 2008 bond will be under way or completed, affecting more than 60 parks across the city.



Dolores Park Works (CC BY-SA 2.0)

### Cons

- The RPD has a significant operating deficit that needs to be addressed. The department also has sizeable capital needs, but it does not make sense to spend money improving buildings or restoring parks if the funds are not available to open or maintain those facilities once they've been restored. There is a direct link between operating funds and the maintenance of capital assets, and the city needs to make a sustained commitment to operations in order to support any capital program.
- The list of parks and improvement projects included in the bond does not consistently reflect documented needs. Political considerations dilute the impact of these funds on sites that desperately need investment but may not have the political or community support necessary to secure funding.

### SPUR's analysis

Since the passage of the city's capital plan in 2005, SPUR has been very supportive of financing for capital improvements that are coordinated, thoroughly planned and responsibly delivered. The RPD has not always satisfied these criteria, but improvements in the department's capital planning team in recent years have restored some confidence that funds will be managed responsibly and projects delivered on time. This bond has been rigorously planned, and the department has done a good job of preparing for efficient project delivery.

It is important to note that Prop. B is part of a much larger debate about parks funding and the significant needs of the department. The RPD has lost more than 25 percent of its revenue from the General Fund since 2005 and reduced its workforce by 15 percent since 2004. This uncertainty has led to a number of operational efficiencies, but ultimately the needs of the department far outstrip the resources allocated. SPUR's 2011 report *Seeking Green* explored the department's operating deficit of more than \$30 million per year and a capital maintenance deficiency in excess of \$1.4 billion.

In light of the RPD's significant needs and recent improvements, there is no question that Prop. B is a worthy and necessary continuation of the department's capital improvement program. But the gap in operating funds is a real problem that needs to be addressed. We hope that Prop. B will be the last bond measure put before voters to fund capital improvements until the city finds a serious solution for the department's ongoing operating needs.

## SPUR recommends a "Yes" vote on Prop. B

CHARTER AMENDMENT



**Housing Trust Fund**

**Affordable Housing Trust Fund and Housing Production Incentives**

Creates a dedicated funding source for affordable housing production in San Francisco for 30 years.

**What it does**

Proposition C creates a source of funding for affordable housing by dedicating a portion of San Francisco's discretionary budget to affordable housing for the next 30 years. This Housing Trust Fund will receive \$20 million in its first year, with subsequent increases to a maximum of \$50 million annually, generating approximately \$1.34 billion over the life of the fund, \$1.2 billion of which will go to affordable housing.

The primary purpose of the Housing Trust Fund will be to help build new affordable housing. The city typically funds permanently affordable housing for households at 60 percent of the Area Median Income or below (approximately \$62,000 per year for a family of four or \$43,000 for an individual). The Housing Trust Fund will also provide down-payment assistance to moderate-income families (i.e., a four-person household earning approximately \$80,000 to \$120,000 per year), as well as foreclosure prevention assistance and funding for energy efficiency, safety and accessibility upgrades.

The Housing Trust Fund will also help encourage the development of new moderate-income housing. Under San Francisco's inclusionary housing ordinance, developers of new housing must build a certain percentage of their units as moderate-income housing. Those units can be built within the project itself (on-site housing) or separately from the project (off-site housing), or developers can instead pay a fee that will help fund future affordable housing construction. The Housing Trust Fund reduces the on-site inclusionary requirement by 20 percent for most projects (for example, if a project is currently required to make 15 percent of units affordable to moderate-income households, that requirement could be reduced to 12 percent), thereby making it more attractive to developers to build the units on site. Additionally, the Housing Trust Fund caps the existing fees developers must pay on new affordable

housing projects, except in neighborhoods where future zoning changes would allow taller buildings with more units. The cap will create certainty and make it easier for developers to plan around a stable fee structure, leading to increased housing production.

Additionally, the Housing Trust Fund creates a Complete Neighborhoods Infrastructure Grant Program. Funded between \$2 million and \$5 million annually, this program will provide approximately \$120 million of funding for public infrastructure such as parks, streetscape improvements and public lighting to support new residential growth.

**Why it's on the ballot**

Prop. C is a measure developed by the Mayor's Office of Housing in collaboration with housing stakeholders including SPUR, affordable housing advocates, and developers of both market-rate and affordable housing.

All dedicated spending measures require voter approval because they change the City Charter. Unlike other dedicated spending measures, however, Prop. C is largely funded by money that was previously devoted to affordable housing before the state eliminated its redevelopment agencies in 2011. Under redevelopment, cities could capture future gains in property taxes that resulted from redevelopment projects in a process known as tax-increment financing. Approximately half of San Francisco's tax-increment financing was spent on affordable housing.

In the absence of redevelopment agencies, those tax-increment funds will now flow into San Francisco's General Fund. The Housing Trust Fund recaptures the portion of tax-increment financing that had previously gone to housing, as well as a portion of funds that previously went to developing new infrastructure.

**Pros**

- San Francisco continues to experience a housing crisis. There is a significant gap between current market-rate rents and what low-income households can afford to pay. San Francisco is one of the most expensive cities in the country for housing. At the same time, the elimination of redevelopment agencies has further diminished resources for affordable housing in California. We need a permanent source of funding for affordable housing.
- This measure supports the production of housing overall, including moderate-income units, which will help reduce the cost of housing for all income levels. Moderate-income households often earn too much to benefit from affordable housing programs yet cannot afford to purchase market-rate housing.
- San Francisco enjoys some of the best transit west of the Mississippi. By increasing the amount of housing at all income levels in places well served by transit, we can encourage

## PROP C

people to use sustainable transportation modes, reducing our ecological footprint and promoting a sustainable region.

- Although this measure contains a dedicated spending requirement, it is structured to have minimal impact on the General Fund. The measure is funded largely by recapturing redevelopment funds that had previously gone to affordable housing, and the Housing Trust Fund will grow only as former redevelopment tax-increment funds become available. The measure will receive \$20 million in its first year and increase to \$50 million annually, expiring completely after 30 years.

## Cons

- This measure doesn't go far enough in addressing the affordability problem. The need for affordable housing in San Francisco is significant. Producing a unit of affordable housing can cost hundreds of thousands of dollars. Although funding from the Housing Trust Fund will be matched with state and federal funds, the overall amount is not enough to solve the housing crisis.
- This measure constrains future boards of supervisors from making legislative changes to any part of the Housing Trust Fund. If this measure passes, all aspects of the Housing Trust Fund — including the General Fund allocation and any caps on affordable housing fees — can only be altered by a vote

of the people. Since we do not know what the future holds, this measure may make it more difficult for future boards to respond flexibly to policy challenges that we cannot predict.

## SPUR's analysis

With the elimination of redevelopment agencies, the Housing Trust Fund is critical to addressing San Francisco's housing crisis. Without this measure, badly needed affordable housing funds will be diverted to other uses. The measure encourages the production of moderate-income housing and supports the production of housing overall. It recaptures funds that were otherwise used to support affordable housing production and includes provisions to help minimize the impact on the General Fund. This measure is a significant step forward for affordable housing in San Francisco and will go a long way toward producing housing at all income levels, one of SPUR's core values.

## SPUR recommends a "Yes" vote on Prop. C



Bruce Damonte for David Baker + Partners Architects

Funded through redevelopment, Community Housing Partnership's Drs. Julian and Raye Richardson Apartments provides 120 units of supportive housing for very low-income formerly homeless residents. Without a new local source of funding for affordable housing, it will be extremely difficult to build new supportive housing in San Francisco.

CHARTER AMENDMENT



Consolidating Municipal Elections

Consolidating Odd-Year Municipal Elections

Consolidates the election cycle of city attorney and treasurer with the election for mayor and eliminates odd-year elections every four years.

What it does

San Francisco has seven citywide offices, each of which is elected every four years. Currently, the elections for these offices are staggered, and only two or three occur in any given year. The assessor-recorder and the public defender were last elected in 2010, and the mayor, district attorney and sheriff in November 2011. The last election for the city attorney and treasurer took place in November 2009, and the next election for these seats is November 2013. Add in the even-year elections for San Francisco’s 11 district supervisors (half were last elected in 2008, the other half in 2010), and the result is that San Francisco currently holds an election every November. (See timeline at right.)

Proposition D is a city charter amendment that eliminates one election every four years by moving the election for city attorney and treasurer to align with the election for mayor, district attorney and sheriff. As a transition, it stipulates that the next election for city attorney and treasurer in November 2013 will be for a half term (two years); incumbents will then stand for election in November 2015, a consolidated election also including mayor, district attorney and sheriff. Thereafter, the elections for mayor, city attorney, district attorney, sheriff and treasurer will be held every four years; elections for assessor-recorder and public defender will continue to be held in even-numbered years. As a result, there will be no municipal elections held in San Francisco in 2017, 2021, 2025 and every four years thereafter.

This measure also clarifies local term limits for city supervisors. Supervisors can currently serve a maximum of two contiguous terms; serving more than two years of a four-year term counts as one full term if the supervisor is appointed to the position. Not covered by current regulations are supervisors who are appointed shortly before a half-term election and then win that subsequent election, or those who

How Does Consolidation Change the Election Schedule?

Citywide offices and city supervisors are elected every four years. Currently, the elections are staggered, resulting in a municipal election every year. Prop. D gradually moves city attorney and treasurer elections, resulting in no elections in 2017, 2021 and every four years thereafter — and saving the city \$4.3 million for each election not held.

2005	City Attorney, Treasurer
2006	Assessor-Recorder, Public Defender, Supervisors in Districts 2, 4, 6, 8, 10
2007	Mayor, District Attorney, Sheriff
2008	Supervisors in Districts 1, 3, 5, 7, 9, 11
2009	City Attorney, Treasurer
2010	Assessor-Recorder, Public Defender, Supervisors in Districts 2, 4, 6, 8, 10
2011	Mayor, District Attorney, Sheriff
2012	Supervisors in Districts 1, 3, 5, 7, 9, 11
2013	City Attorney, Treasurer (half term election)
2014	Assessor-Recorder, Public Defender, Supervisors in Districts 2, 4, 6, 8, 10
2015	Mayor, District Attorney, Sheriff, City Attorney, Treasurer
2016	Supervisors in Districts 1, 3, 5, 7, 9, 11
2017	NO ELECTION (\$4.3 million savings)
2018	Assessor-Recorder, Public Defender, Supervisors in Districts 2, 4, 6, 8, 10
2019	Mayor, District Attorney, Sheriff, City Attorney, Treasurer
2020	Supervisors in Districts 1, 3, 5, 7, 9, 11
2021	NO ELECTION (\$4.3 million savings)

## PROP D

are elected to a half term and assume office for more than two years of that four-year term. Under the measure, serving more than two years as a supervisor will count as a full term for supervisors who are appointed, elected or any combination thereof.

### Why it's on the ballot

Proposition D is a city charter amendment placed on the ballot by the Board of Supervisors. Charter amendments require approval by a simple majority of voters.

Many major cities hold races for municipal offices in years when there is not a corresponding election for either president or governor. Holding local races in a different year allows local residents to focus their attention on citywide races. Given that there are seven citywide offices in San Francisco, the elections for local citywide officials have been spread across two elections (with the exception of the assessor-recorder and public defender, who run in the same election as supervisors). This means that San Francisco holds a municipal election every year, costing the city approximately \$4.3 million per election.

It is relevant to note that the sitting city attorney ran for mayor in the November 2011 election. He did not win that election but remains city attorney and must continue to provide legal support to the mayor on important policy and legal matters. Prop. D requires that a sitting city attorney choose between running for re-election and running for a separate office, since one cannot run simultaneously for two elected offices.

The portion of this measure that clarifies term limits for supervisors is the result of a legal challenge mounted by a former supervisor. At issue was the question of whether or not that supervisor could serve an additional term after having been appointed in 2004, winning a special election that November to complete the term to 2006, and winning a subsequent election for a full four-year from 2006 to 2010. The courts deemed the appointment starting in 2004 to be a full term and did not allow that supervisor to run again in 2010.

### Pros

- The measure will save \$4.3 million for each election not held. This equates to average annual savings of approximately \$1 million resulting from one fewer election every four years.
- Prop. D could result in a higher percentage of city voters selecting the city attorney and treasurer. Consolidated elections for citywide offices will likely focus voter attention and candidate resources, increasing voter turnout.
- With the exception of the assessor-recorder and public defender, the measure will prevent a sitting citywide official from running for mayor and subsequently remaining in their office if unsuccessful. This will prevent politically difficult transitions for citywide officials.

### Cons

- This measure could increase the cost of running for city attorney and treasurer. When the elections for these two offices are consolidated with elections for mayor, district attorney and sheriff, more candidates will be competing for limited advertising space without any corresponding increase in supply. Hence, the price of running for office will likely go up.
- With more citywide offices on one ballot, voters are less likely to have a full understanding of the distinctions among the many candidates. This is particularly true in a ranked-choice voting environment where voters will select up to three candidates across five offices, a total of 15 separate candidates in one election.

### SPUR's analysis

This is a simple and useful reform. It will simultaneously save money, reduce unnecessary elections and result in higher average voter turnout without making any structural changes to the city government. It retains odd-year elections for most citywide offices, preventing national and state elections from overshadowing local candidates. The only downsides are the slight increase in costs for running for treasurer and city attorney and the greater burden on voters, who will have to wade through the distinctions among more candidates for local races. But the measure will also require candidates for citywide offices to decide whether to commit to those offices or step down to run for mayor, preventing politically difficult transitions of power. On balance this measure improves the election process in San Francisco. This is common-sense reform that we wholeheartedly support.

## SPUR recommends a "Yes" vote on Prop. D

**ORDINANCE**



**Gross Receipts Tax**

**Enact Gross Receipts Tax and Phase Out Payroll Expense Tax**

Replaces San Francisco’s tax on total payroll with a progressive tax on gross receipts resulting from business activities in San Francisco and raises \$28.5 million in revenue through a revised business license fee.

**What it does**

Proposition E is an ordinance that changes how the City and County of San Francisco collects taxes from businesses. The city currently collects a tax equivalent to 1.5 percent of payroll expense (the total amount paid to compensate employees) from all businesses with a payroll of more than \$250,000. The tax generates approximately \$410 million annually. San Francisco

is the only large city in California that levies its entire business tax based on payroll.

Prop. E eliminates the payroll tax and instead creates a gross receipts tax — a tax on a company’s total gross revenues — with rates that increase with a company’s earnings. It also significantly increases the number of businesses paying the city’s business tax to as many as 15,500 from only 7,500 in 2010.

Prop. E divides business taxpayers into seven rate schedules that bundle industries by their ratios of payroll to gross receipts. (See proposed tax-rate categories below.) This structure generally mirrors that used in other California cities with gross receipts taxes, but it simplifies that structure with fewer schedules.

Businesses with less than \$1 million in gross receipts are exempt from the gross receipts tax. Rates are marginal — meaning a tax rate is applied only to revenue in the corresponding bracket, similar to an income tax — and they increase as companies earn more. Conversely, companies pay a lower rate if they earn less. (See sample schedule on page 10.) In contrast, the current payroll tax is a uniform rate of 1.5 percent above \$250,000, regardless of earnings or business type or size.

Prop. E also creates a new category for the administrative office activities of companies headquartered in San Francisco. Companies in this category have more than 1,000 employees and \$1 billion in revenue, and their San Francisco payroll makes up more than 50 percent of their administrative or management services compensation. Instead of paying a gross receipts tax, these companies will continue paying the city’s

**Proposed Gross Receipts Tax Rates**

Under Prop. E, businesses are grouped into seven tax-rate categories based on their ratio of payroll to gross receipts. Within each category, rates increase as a company earns more.

Category	Rate Range
Retail trade, wholesale trade, certain types of services (maintenance, laundry, civic organizations)	0.075% to 0.16%
Manufacturing, transportation and warehousing, information, biotechnology, clean technology, food services	0.125% to 0.475%
Accommodations, utilities, arts, entertainment, recreation	0.30% to 0.40%
Private education, private health services, administrative and support services, miscellaneous activities	0.525% to 0.65%
Construction	0.30% to 0.45%
Financial services, insurance, professional services, scientific and technical services	0.40% to 0.56%
Real estate, rental and leasing	0.285% to 0.30%

**PROP E**

**Sample Gross Receipts Schedule Under Prop. E**

Schedule 1: Retail trade, wholesale trade and certain types of services

Gross Receipts	Tax Rate
\$0 to \$1,000,000	0.000%
\$1,000,001 to \$2,500,000	0.100%
\$2,500,001 to \$25,000,000	0.135%
\$25,000,001 and higher	0.160%

payroll expense tax but at a reduced rate of 1.4 percent of payroll.

One interesting feature of Prop. E is that it honors tax exemptions granted in recent years but allows the city to eliminate existing tax shelters. In the past several years, the Board of Supervisors has approved or renewed payroll tax exemptions for biotechnology companies, for stock-based compensation and for companies relocating to the Mid-Market area of the city. The value of those exemptions will be honored for the duration of their current agreements. However, businesses located on federal properties, such as the Presidio of San Francisco, will now be required to pay the gross receipts tax. These businesses were explicitly excluded from payroll taxes under the Presidio Trust Act, the law that created the Presidio National Park.

While originally designed to be “revenue neutral” (i.e., to simply replace the city’s payroll tax revenue, not increase it), Prop. E also generates an additional \$28.5 million for the General Fund by changing the city’s business license fee structure. Business license fees in San Francisco currently range from \$25 to \$500 depending on business payroll. New rates will range from \$75 to \$35,000 and be based on gross receipts and industry. These changes will apply to all businesses in San Francisco and will increase automatically with inflation.

Given the complexity of such a fundamental change in the city’s business tax structure, Prop. E will take effect over a five-year period starting in 2014. Payroll tax rates will gradually be reduced while gross receipts tax rates are phased in. This will allow the city to meet its revenue assumptions and ensure constant receipts. If the gross receipts tax is not generating projected amounts at the end of the phase-in process, some small payroll tax may remain; likewise, if the gross receipts tax yields more revenue than projected, rates will only be phased in until they yield the same revenue as the previous payroll tax.

**Why it’s on the ballot**

Prop. E was placed on the ballot by a unanimous vote of the Board of Supervisors. The mayor and board president asked the city controller to develop a revenue-neutral replacement for the city’s payroll expense tax. Following a months-long outreach process that involved hundreds of meetings with stakeholders in a range of industries, the controller proposed a transition to a gross receipts tax and accompanying adjustment to the city’s business license fee structure. Prop. E generates \$28.5 million from changes to the city’s business license fees.

From 1970 to 2001, San Francisco’s business tax system required companies to pay either the city’s gross receipts tax or the city’s payroll tax, whichever was greater. Los Angeles employed a similar tax structure, which was struck down following a legal challenge by a number of large companies in 1999. When the San Francisco law was challenged following that decision, the city settled the suit and agreed to a settlement of approximately \$80 million. The city subsequently eliminated the gross receipts tax altogether and applied a tax of 1.5 percent of payroll to all businesses. Meanwhile, Los Angeles implemented a gross receipts tax.

Since the settlement of that legal challenge and the transition to a payroll-based business tax, San Francisco’s business community has maintained that the city’s payroll tax is unfair to businesses and stifles employment growth. In multiple instances since 2001, the city has granted payroll tax exemptions to major companies in order to keep them from leaving San Francisco once they grew large enough to be impacted by the payroll tax. Reform of the city’s payroll tax structure has been attempted at least three times in the last decade, but those efforts were ultimately unsuccessful.

Under California Prop. 218, all measures that create new taxes or sources of revenue must be submitted to the voters for approval. In most elections, these actions require the approval of two-thirds of voters; however, in elections where voters elect state legislative representatives — such as 2012 — measures that generate funds for general or discretionary purposes only require the approval of 50 percent plus one voter.

## Pros

- Prop. E properly aligns incentives for job creation. Payroll taxes punish job growth by increasing the marginal cost of every job created; a tax on gross receipts instead captures the value created by the goods and services produced.
- Prop. E introduces a progressive rate structure to the city's business tax; those who make more will pay according to their means. Under the existing payroll tax, all businesses pay 1.5 percent of payroll, regardless of their ability to pay.
- This proposal will raise \$28.5 million of new revenue for the General Fund by adjusting the business license fee schedule, which has not been adjusted in nearly 30 years.

## Cons

- While Prop. E aligns incentives for job creation, it does not address the consumption of resources or related behaviors. SPUR has long held that business taxes should encourage positive behaviors while taxing waste and pollution to discourage environmentally damaging behavior.
- Missing from this proposal is any discussion about the administrative impact of the conversion to a gross receipts tax system. Given the complexity of administering this measure and enforcing it, the city will be taking on a significant administrative burden at an annual cost estimated at \$6 million to \$8 million.
- The city faces a significant budget deficit and requires additional funding to support existing programs and services. This proposal does little to address those needs.

## SPUR's analysis

SPUR has long advocated for a transition away from San Francisco's payroll tax. While this gross receipts tax proposal is not ideal (SPUR has long preferred a tax on undesirable environmental activities), Prop. E does a better job of encouraging job creation than the city's current payroll tax. In fact, the Controller's Office estimates that the transition alone will result in nearly 2,000 new jobs.

The city also successfully convened an unprecedented process involving hundreds of businesses and other stakeholders to develop this proposal. The mayor, controller and Board of Supervisors should be commended for their commitment to a collaborative process.

Though not the original intention, Prop. E also generates additional revenue for the city's General Fund. These funds are not explicitly programmed, but strong commitments have been made to direct funds to SPUR priorities such as affordable housing and the proposed Housing Trust Fund, as well as to Muni maintenance and operations.

There is no question that Prop. E is complicated, but few transitions of this magnitude are ever simple. Prop. E does start to address some of the difficulties the city has had attracting business since the adoption of the payroll tax, by combining progressive taxation with incentives that will encourage businesses not only to start in San Francisco but to stay here as they grow. And while there is no question that there are both winners and losers in this transition, the average business will see its tax bill drop as more businesses become payers.

Collaboration seldom yields perfection. But on balance, this proposal moves San Francisco in the right direction.

## SPUR recommends a "Yes" vote on Prop. E

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over the  
details  
so you  
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ORDINANCE



Water and Environment Plan

## Water Sustainability and Environmental Restoration Planning Act

Requires the city to develop a long-term plan for improving water quality and reliability, remediating environmental damages caused by the water supply system, and identifying new water and renewable energy supplies so that Hetch Hetchy Valley could be returned to the National Park Service.

### What it does

Located in Yosemite National Park, Hetch Hetchy Reservoir is the first segment in a 160-mile, gravity-fed water supply and delivery system that serves 2.6 million Bay Area residents. More than 85 percent of the regional water system's supply comes from the Tuolumne River, and Hetch Hetchy is the first, largest and most important reservoir in that water system. Because of Hetch Hetchy's high elevation and pristine surroundings, water from this reservoir does not have to be filtered. It is some of the highest-quality drinking water in the country.

The San Francisco Public Utilities Commission (SFPUC) manages the system primarily for water supply, but the Hetch Hetchy power system also generates 1.7 million megawatts per year of hydroelectric power to support municipal services in the city. San Francisco constructed the O'Shaughnessy Dam and Hetch Hetchy Reservoir following the passage of the federal Raker Act of 1913, which enabled the city to secure a reliable source of water following the 1906 earthquake and fire.

Proposition F requires the city to plan for significant changes to this water supply and delivery system. Under Prop. F, the SFPUC must develop two plans related to the decommissioning of the Hetch Hetchy Reservoir:

1) A Water Sustainability Plan that will identify local and diverse water sources — e.g., groundwater, storm water,

gray water, recycled water and the potential for conservation to make more water available — in order to improve San Francisco's water reliability and sustainability. The plan will also have to identify sufficient renewable energy sources to offset the loss of production from hydropower.

2) An Environmental Restoration Plan that will remediate the impacts of the water system, addressing the loss of flow in the Tuolumne River, storm water releases to the Pacific Ocean, and water storage in Yosemite National Park.

Both plans will be overseen by a five-member task force made up of water agency managers and appointees of the Board of Supervisors representing various interest groups. The plans will be completed and submitted to the city attorney by November 2015, and then a city charter amendment implementing those plans will be prepared for the board and a public hearing. The ordinance specifies that the cost of the plans shall not exceed 0.5 percent of funds authorized by voters for the SFPUC's Water System Improvement Program, or approximately \$8 million.

### Why it's on the ballot

Restore Hetch Hetchy, a nonprofit organization, collected voter signatures to place Prop. F on the ballot.

The idea to drain the Hetch Hetchy Reservoir has been around since the late 1980s. Prior to being dammed, the Hetch Hetchy Valley was home to thousands of species and was revered for its scenic beauty. The proposal to dam the valley was famously opposed by John Muir and the Sierra Club and attracted national attention.

Over the last 35 years, the idea to decommission the reservoir has been studied extensively by the Environmental Defense Fund (EDF); the U.S. Bureau of Reclamation; the National Park Service; the University of California, Davis and several state agencies. In 2006, California's Department of Water Resources (DWR) and Department of Parks and Recreation evaluated cost estimates from feasibility studies conducted between 1988 and 2005. DWR's meta-study found cost estimates ranging from \$2 billion to \$10 billion for restoration and replacement of water and power sources, administration and other related costs. Restore Hetch Hetchy and EDF's own studies support a lower cost estimate, ranging from \$1 billion to \$2 billion.

### Pros

- Several feasibility studies, including those conducted by the U.S. Bureau of Reclamation, the National Park Service and UC Davis, have concluded that draining Hetch Hetchy is possible and could create additional recreational benefits.
- This measure does not actually authorize removing the dam or restoring the Hetch Hetchy Valley. It only requires planning studies in support of that goal.

**PROP F**



Cowgirl Jules (CC BY-NC 2.0)

Hetch Hetchy Reservoir in Yosemite National Park

**Cons**

- Water is scarce in California, and developing new large sources of supply will be extremely costly and contentious. Without Hetch Hetchy, the SFPUC will face an 18 percent shortfall in meeting the Bay Area’s water demand in dry years (which occur about 20 percent of the time); sufficient alternative water supplies have not been identified to meet that need.
- It’s not wise to remove viable water storage facilities when a growing population is creating additional demand and climate change is threatening existing resources. Unlike other water storage facilities in California, Hetch Hetchy is protected from near-term climate change because of its high elevation.
- San Francisco does not own or have rights to create new water storage by expanding downstream reservoirs such as Don Pedro Reservoir. Replacing the storage in Hetch Hetchy by enlarging other reservoirs in the system could cause new ecological damage — including flooding miles of the wild and scenic section of the Tuolumne River. It will also be extremely costly and may not even be permitted by state and federal agencies.
- Without Hetch Hetchy, San Francisco will very likely have to build and operate a water filtration plant to filter Tuolumne River supplies. Today, we avoid this because the quality of water drawn from Hetch Hetchy is so pure. According to estimates, the cost of a filtration facility could range from \$1 billion to \$3.8 billion.
- Without hydroelectricity derived from the Hetch Hetchy system, the city will have to site, permit and build a power source generating a minimum of 40 megawatts to 90

megawatts of renewable power to serve municipal uses such as schools, public transit, San Francisco International Airport and city-owned buildings.

- The measure will duplicate ongoing planning efforts to create and utilize alternative water supplies such as groundwater and recycled water. The SFPUC has been doing this planning for years already.

**SPUR’s analysis**

The idea of restoring the Hetch Hetchy Valley to its original, pristine condition is a romantic vision that would create a remarkable new place for recreation and natural habitat in Yosemite National Park. However, a number of significant obstacles make it impractical for the city to implement this vision.

Not only will a full cost-benefit analysis and other planning studies likely cost tens of millions of dollars, but the actual cost to restore and develop alternative water and energy supplies to close the gap will be a minimum of \$2 billion to \$10 billion. The measure identifies no resources from city, state, federal or private sources to pay for this. The SFPUC is also in the process of investing \$4.6 billion of voter-approved funds in seismic and other upgrades to the regional water system, which begins at Hetch Hetchy and ends in San Francisco’s distribution system, supplying 18 water agencies along the way. SFPUC ratepayers have made a tremendous investment in the long-term viability of this system, a process that took more than 10 years to plan and approve. Requiring ratepayers to also fund the dismantling of that investment — or even the study of such a thing — is an inappropriate use of funds.

Additionally, the loss of the Hetch Hetchy Reservoir will decrease the Bay Area’s water and energy security, requiring the development of new water storage — possibly in reservoirs not owned by San Francisco — and new water and energy supplies. Such new supplies will be extremely costly, are not guaranteed to have the low greenhouse gas emissions profile that Hetch Hetchy water and power currently do, and could actually worsen the city’s progress toward climate change goals while increasing our vulnerability to drought. The \$8 million expense in planning studies called for by the measure could be put to far better use in reinforcing ongoing water conservation, energy efficiency and other city programs.

**SPUR recommends a “No” vote on Prop. F**

## DECLARATION OF POLICY



### Repealing Corporate Personhood

## Policy Opposing Corporate Personhood

Calls on San Francisco's congressional delegation to support a constitutional amendment that limits the amount of money corporations can spend to influence elections, opposes artificial corporate rights and opposes giving corporations rights intended for human beings.

### What it does

Proposition G is a non-binding declaration of policy calling on the city's congressional representatives to support a constitutional amendment that would limit corporate campaign contributions, oppose artificial corporate rights and prevent corporations from having rights that were intended for human beings. Such an amendment would reverse the decision of the 2010 court case *Citizens United v. the Federal Election Commission*, as well as previous cases.

### Why it's on the ballot

Proposition G was placed on the ballot by the Board of Supervisors. It is similar to a non-binding resolution the board passed unanimously in January 2012 opposing the *Citizens United* decision. Dozens of cities<sup>1</sup> and at least seven states<sup>2</sup> have passed similar resolutions and propositions, including the California State Assembly.

There are two conceptions of corporate personhood. The first simply bestows on corporations the ability to engage in many legal actions (e.g., to sue or be sued), a well-established jurisprudence that is widely accepted. However, corporate personhood also refers to the U.S. Supreme Court's recent decision that allows corporations to enjoy constitutional rights that were originally intended for human beings.

The U.S. Constitution makes no specific mention of corporations, yet more than a hundred years of legal

history define their rights. *Santa Clara County v. Southern Pacific Railroad* (1886) was the first in a series of cases that established the legal precedent of corporate personhood. In *Santa Clara County*, the Supreme Court dealt with taxation of railroad properties and held that the equal protection clause of the Fourteenth Amendment granted constitutional protections to corporations as well as to natural persons. Subsequent court decisions further reinforced the precedent: *Liggett v. Lee* (1933) prohibited citizens from enacting higher taxes on chain stores in defense of local businesses, also under the equal protection clause, and *First National Bank of Boston v. Bellotti* (1978) struck down state laws restricting corporate spending on ballot initiatives and referenda.

More recently, *Citizens United* addressed a corporation's right to spend money to advocate for or against political candidates. In early 2010, the Supreme Court ruled that corporations and unions have a free-speech right to influence federal elections. Prior to that decision, corporations and unions were restricted from spending money from their general treasuries to explicitly advocate for or against the election of a specific candidate. The *Citizens United* decision was based on the premises that corporations, like individuals, are entitled to free-speech rights and that spending money to influence an election is a form of political free speech.

Because of the *Citizens United* decision, along with a subsequent ruling in *SpeechNow.org v. Federal Election Commission*, the campaign spending restrictions were lifted. Corporations or unions can now spend unlimited amounts of money advocating for or against a candidate through a political action committee, or so-called super PAC, as long as those efforts are not coordinated directly with candidates or political parties.

### Pros

- Placing a policy statement on the ballot is a way for San Franciscans to directly express their opinion on the proposed constitutional amendment, which addresses an issue that is critical to the integrity and fairness of our country's democratic process. There is a long history in American politics of citizens at the city and state level expressing formal opinions about matters of national policy, from women's suffrage to civil rights. While these local statements are not always legally binding, they are still an important part of our democratic process, and they provide one of the avenues by which citizens can work to change the direction of the country.

1 See list of city resolutions at [www.pfaw.org/issues/government-the-people/citizens-united-v-fec-constitutional-remedies-list-of-local-state-and-f](http://www.pfaw.org/issues/government-the-people/citizens-united-v-fec-constitutional-remedies-list-of-local-state-and-f)

2 See map of states with resolutions at [www.amend2012.org](http://www.amend2012.org)

## PROP G



Matt H. Wade at Wikipedia (CC-BY-SA-3.0)

- Private corporations are not humans and should not be treated the same. A person is a private entity with rights and sovereignty. A corporation is a public entity with obligations and responsibilities. Citizens define the legal framework under which corporations and other economic entities exist. It is our right as sovereign citizens to make these decisions and create a structure for economic activities inside our country. We created corporations as a tool to further our economic prosperity; we are under no obligation to endow them with powers of personhood to affect our democratic process.
- The *Citizens United* decision has fundamentally altered the ability of individuals to affect the democratic process. While it is only the latest in a long series of Supreme Court cases on this issue, it is already proving itself to be very damaging to the integrity of our democratic process.

## Cons

- This policy statement is a non-binding measure that will have no impact on election law. There is very little chance that a constitutional amendment addressing the *Citizens United* decision will actually move forward. And the proposition duplicates a resolution already passed by the Board of Supervisors on the subject, a more appropriate mechanism for the adoption of a non-binding measure.
- The legal history of corporate personhood is highly complicated. There is no evidence that the authors of this ballot measure have fully grappled with the implications of repealing corporate personhood, and this measure does not present any alternative legal structure to replace the current doctrine. If we are to reject something as deeply woven into our legal, political and economic system as corporate personhood, we would be wise to understand more fully what will replace it.

## SPUR's analysis

Generally, SPUR does not favor using the ballot-initiative process for non-binding policy statements. However, the core issues raised by this measure address the heart of our democratic process and, as the city's good government organization, this falls squarely within our purview.

SPUR is deeply concerned about the ever-growing influence of money on the democratic process. In fact, there was nearly unanimous criticism of the *Citizens United* decision among the directors of our board during our ballot analysis discussions.

We are also sympathetic to the broader critique of corporate personhood, although we believe the implications of rescinding the record of Supreme Court decisions on this topic is extremely complicated and would affect many more issues than campaign spending alone.

As realists, however, we are aware that this non-binding vote by the people of San Francisco will have almost no impact on the trajectory of American democracy.

Weighing these various considerations, we ended up taking no position on the measure.

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## SPUR has no position on Prop. G

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Seven city measures will appear on the San Francisco ballot on November 6, 2012. As we do before every election, SPUR researched and analyzed each one. Our Ballot Analysis Committee heard arguments from both sides of the issues, debated the measures' merits and provided recommendations to our Board of Directors. The board then voted, with a 60 percent vote required for SPUR to make a recommendation.

For each measure, we asked: Is it necessary and appropriate to be on the ballot? Is it practical and, if enacted, will it achieve the result it proposes? And most importantly: Is it a worthy goal, one that will make San Francisco a better place to work and live?

The SPUR Board of Directors reviewed, debated and adopted this analysis as official SPUR policy on April 18, August 15 and September 19, 2012.

**SPUR Ballot Analysis Committee**

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SPUR's mission is to promote good planning and good government through research, education and advocacy.

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