

Matt Gonzalez

ECONOMY

Putting San Franciscans First: Employing San Franciscans and Creating Sustainable Communities Builds Our Economy

Many lessons were learned from the dot-com bust of a few years ago. Poor decisions were made which invested our city's economic infrastructure too heavily in the high-tech sector.

Our city cannot grow without a strong economy. To spur economic growth, my administration will focus on the following three points:

1. Diversify the economy by not investing exclusively in a couple of sectors. San Francisco deserves a balanced economy
2. Structure a New Business Tax that is not based on number of employees (this discourages businesses from creating jobs)
3. Support Small Business Development

DIVERSIFY THE ECONOMY

Boom and Bust is Not An Economic Development Plan

When it comes to "economic development" the historic stance of City Hall, including the Mayors Office has been "anything goes", passively accepting whatever the latest fad of the business community may be, regardless of the needs of existing residents and businesses of San Francisco or the environmental costs of that fad.

Twenty years ago the business fad was 'San Francisco as corporate headquarters' which saw over thirty million square feet (that's the equivalent of 60 Transamerica pyramids) of office building added to downtown. Then the commercial real estate bust happened and between 1989 and 1991 the City lost 50,000 jobs.

Five years ago it was the "dot com boom" in which business demanded, again, "expedited permit processing" and endless expansion of only one sector of our economy. By 2000 the bust had happened and another 50,000 or so jobs vanished, leaving economic chaos in its wake.

This "boom and bust" cycle, in which painful lessons learned are quickly forgotten, and the same old mistakes are made again and again –a civic economic amnesia- must end.

Certain realities must be acknowledged by all of us:

- a. San Francisco must develop an economic policy which has at its heart the creation and retention of jobs, held by San Franciscans, which pay enough to afford the cost of living in San Francisco;

b. the City cannot rely simply on business to set the economic agenda but must itself define the economic needs of its residents;

c. the retention of existing businesses which employ San Franciscans is as much a priority as the attraction of new businesses;

d. San Franciscans must realize that it is business and employed San Franciscans which pay the local taxes necessary to maintain the level of public services needed for a vibrant and human urban life;

e. you cannot have a viable urban economy that is not consistent with environmental realities of sustainability;

f. true economic development sustains communities- strengthens public education, neighborhood serving retail, the arts, community based development initiatives, enhanced local employment opportunities-, existing communities are not destroyed for "economic development".

We simply cannot leave this vital civic necessity to the whims of hot shot developers and business consultants.

First Source Hiring Program

Enforce and fully fund the City's "First Source Hiring Program" which requires any commercial development over 25,000 s/f needing City Planning approval to provide entry level jobs to qualifying San Francisco residents. The problem is that the Planning Department has ignored its responsibility and often fails to apply the ordinance in its commercial approvals and the Mayors Office has authorized minimum staffing for this critical program. Vigorous enforcement and full staffing for this crucial program will be priorities in a Gonzalez administration.

Educating Our Workforce

The primary challenge facing the next Mayor of San Francisco is securing sustainable employment opportunities for San Franciscans. The key responsibility of the City in securing such employment opportunities is insuring that the City's "human infrastructure" is so skilled that businesses will compete with each other to employ them.

Sustainable economic development means that public resources should be used to invest in San Franciscans, not tax breaks to corporations.

San Francisco has three major universities and the largest city college system in the United States. These critically important educational resources must be mobilized to serve the educational needs of our youth but also the continuing educational needs of a skilled workforce. Our primary, middle and high schools must be partners with these higher educational institutions, offering our residents, young and old, an integrated, educational opportunity vital to our economic future.

Currently no such integrated system exists. Each institution is separate, requirements for entrance incompatible, skills taught only roughly related to the employment needs of San Franciscans.

As Mayor, I will focus on bringing the educational infrastructure of San Francisco – universities, colleges and the SFUSD - together and along with business and community leaders devise an integrated educational program which is aimed at offering San Franciscans the ability to learn the skills- for employment and for personal growth- needed for the 21st century. I will then implement that program.

Putting San Franciscans at the center of our economic development will pay dividends far exceeding the incremental costs of implanting this program.

RESTUCTURING OUR BUSINESS TAX

In order to evaluate the unfair business tax currently in place, it is useful to examine the context under which the tax was developed.

Prior to our payroll-only tax, businesses paid a tax based on either payroll or gross receipts. The late nineties brought several court challenges to this tax system. The challenges came from big businesses who, while never proving discrimination themselves, claimed a theoretical loophole could exist whereby a business would be unfairly disadvantaged under the interstate commerce protections. By 2000, the lawsuit had grown to 52 of San Francisco's largest corporations suing the city under a taxation system that not a single one of them could demonstrate had discriminated against them.

In a 7-3 vote, the Board of Supervisors approved a settlement which cost our city approximately \$80 million with an additional shortfall of \$35 million per year. I opposed this settlement because I knew it was unfair, and would serve as a disincentive for businesses to locate to our city, and for businesses who are already here, to hire more employees. I was one of three Supervisors (the others were Chris Daly and Gerardo Sandoval) to vote against this settlement.

Pursuant to the business tax settlement, the city collects business tax based exclusively on payroll. This must be changed.

This is not a good measure because it serves as a deterrent to businesses employing more people. At a time when we are trying to kick-start our economy and create more jobs, it is antithetical to have a payroll-based tax.

We ought to restore our tax to accommodate a form of taxation based on a gross receipts model and be sure that it is an equitable divide between large corporations and smaller, neighborhood businesses. We need to bring back balance

SUPPORTING SMALL BUSINESS

Small business in San Francisco are job creators and therefore must be seen as important economic resources for the future. Besides being ignored by past administrations, small businesses face four key hurdles in San Francisco: first, steeply rising commercial rents; second, the loss of banking services in many

neighborhood commercial areas making daily banking transactions difficult; third, poorly planned transit and delivery resources available to them and their customers; finally, growing competition from national chain stores.

- My administration will task the newly formed Small Business Commission with recommending to me actions to be taken to stabilize commercial rents including state legislation necessary to achieve commercial rent control. I will then call a “summit” of the City’s Sacramento delegation and facilitate the introduction of that legislation.
- Seeking new banking services with branches in neighborhoods no longer served will be a goal of my administration
- MUNI and DPT will be tasked to work with neighborhood merchants in developing transit and traffic plans able to increase public transit and deliveries to merchants and their businesses.
- Additional local protections need to be developed to protect effected small businesses from the predatory pricing polices of national based chain stores, including a required “economic impact” analysis on local small business as a condition of any Planning department action approving any new chain store use.

The Arts: San Francisco’s Ignored Economy

A very special category of “small business” in San Francisco is that complex of activities known collectively as “the arts”. Like other small businesses arts groups in San Francisco have long been ignored and marginalized as a major contributor to a sustainable urban economy. The facts would indicate that they should be taken far more seriously than they are. Consider the following facts reported by the Chamber of Commerce:

- One in 11 jobs in San Francisco are related to the arts through employment in such sectors as graphic design, advertising, architecture, publishing, broadcast and film.
- Arts organizations provide a \$1.3 billion boost to the local economy.
- The arts are the fourth-largest growth industry in San Francisco.
- The San Francisco Bay Area has the largest arts attendance per capita among US metropolitan areas.
- 50 percent of visitors to San Francisco from nearby communities say museum attendance is a reason for their visit; another 40 percent come to the city for live theater.

Arts groups have needs currently unmet by City program and policies. Chief among them is the need for affordable space, not only for performances but also for housing. My administration will tackle that issue. I have proposed a property transfer tax, similar to ones in place Berkeley and Oakland, which would be assessed on properties valued at over two million dollars. It is my intention that the funds raised would be used to acquire land for affordable housing and non-profit development.