Tax break for Twitter cost S.F. $40 million

Latest City Hall report tallies first 3 years of giveaways

By Mark Heiron

TWEET’s stock price is tumbling to new lows this year as its tax savings in San Francisco continue to grow.

The Central Market Street and Tenderloin Exclusion from the city’s payroll tax, the so-called Twitter tax break, saved Twitter and five other companies $53.6 million in 2014, the latest figures available, according to a report by Tax Collector David Augustine. He puts the tax break’s cost to the city at these many millions, plus an additional $6.1 million in previous years, for $39.8 million total since its March 2011 enactment.

The millions that the city didn’t get in 2014 derive from $2.5 billion in the total payroll of Twitter, Zendesk, Microsoft’s Yammer, Spottly, Zoosk and One Kings Lane.

San Francisco taxed payrolls at 1.5%, a levy the city is phasing out over five years in favor of a gross receipts tax, as per then-Supervisor Ross Mirkarimi’s 2012 Proposition E. In the phaseout, the payroll tax rate decreases each year. Amanda Kahn Fried, policy and legislative manager in the tax collector’s office, said that in 2014 the rate was 1.5%.

The city’s loss in 2014 is eight times what it missed out on the year before; the October report points out. In 2013, the uncollected tax would have been $4.2 million.

In 2012, the first year the tax exclusion was available, $1.9 million was forgone.

Payroll taxes boomed in 2014 mainly because Twitter went public in late 2013. Months later, its employees became eligible to cash their stock options, considered compensation and thus previously subject to the payroll tax.

The full cost of the Twitter tax break is a moving target as staffing and share value at the firm fluctuate. Documents Twitter made public in advance of its IPO led to varied guesses based on the number of stock options reported at the time.

The tax break represented a potential $140 million loss to the city. The city calculated in December 2013, in consultation with local CPA Jim McHale, who says he represents businesses in their dealings with City Hall, ‘I do a lot of controversy work, ‘ he said.

The $140 million estimate was based on a worst-case scenario but an unlikely occurrence, in which all Twitter’s outstanding stock options were cashed in at the price at the time. (tinyurl.com/CCeDec2013.) That was in December, when Twitter was trading at $56 and climbing. Twitter’s stock price quickly soared to $60 after it went public, but in 2016, it’s fallen below $20.

With McHale, The Extra also determined that each dollar of Twitter’s share value represented $1.9 million of lost city revenue.

The Chronicle, also working with McHale just prior to the November IPO, had pegged the tax break companies’ savings at $56 million, an amount based on employees cashing in their options at $18.50, midway in the expected IPO price range of $17 to $20.

As the legislation was being drafted by

Twitter alighted on Market Street in 2011, and brought immense change to the neighborhood.

TL getting its due?

5 years after passage, Tenderloin’s old guard evaluate law’s impact

NEXT MONTH it will be five years since San Francisco passed its most powerful piece of legislation in decades, the Twitter tax break. The Central Market and Tenderloin Payroll Expense Tax Exclusion ordinance is the catalyst that’s sparked the resurrection of seven blocks of Market Street, and is gentrifying the entire central city.

The ongoing transformation is far from complete. The ordinance also accelerated Mission District changes and has rippled throughout the city, touching every neighborhood.

Supervisors Jane Kim, David Chiu and six colleagues — taking action after Twitter’s letter to the mayor threatening to move out of San Francisco — hastily drafted and passed the tax break and related ordinances. Mayor Lee signed the key one into law the day after passage.

Lee publicly counts the tax break among his greatest achievements, though Kim, who represents the area, seldom mentions her role and didn’t respond to repeated requests to add her voice to that of some of her most respected constituents.

How much the tax break cost the city coffers had not been officially stated in substantive form until the tax collector made his annual report to the Board of Supervisors on its financial impact — $40 million as of 2014 and climbing rapidly.

Given that this stretch of Market Street had dozens of storefronts vacant before the tax break passed, and the entire city has reaped an economic bonanza — in that sense, the ransom S.F. paid Twitter & Co. has been priceless.

On the other hand, the cost of gentrifying the central city and the shredding of its safety net, in human terms is incalculable.

Except for One Kings Lane and Zoosk, the tax break companies all have made significant contributions to the area, with Twitter’s $5 million NeighborNest the single costliest benefit.

Despite the enormity of the Twitter tax break — tens of millions of dollars in public giveaways and many millions more spent benefitting the neighborhood — no news outlet but The Extra regularly reports on how the legislation is playing out since its inception.

Five years is a long enough to put the tax break’s impacts into perspective. We asked Tenderloin stakeholders, mostly the folks who were here before the changes, whether they think that the neighborhood has gotten its due. This report reveals mixed feelings and strong views. These quotes are from phone interviews and email answers to questions. The emails were edited to match The Extra’s style and for clarity — not for content. Their quotes start on page 4...
KIDS’ TEETH: The bad news is that by kindergarten more than half of California kids have decayed teeth, according to Children Now. Tooth problems make kids of all ages miss 874,000 days of school every year, and those with tooth pain are four times more likely to do poorly in school. Tooth decay is the most common chronic illness among school-age kids, four times more prevalent than childhood asthma. The good news: University of the Pacific’s Arthur A. Dugoni School of Dentistry is hosting its annual “Give Kids a Smile” fair, Feb. 27, 10 a.m.-2 p.m., 155 Fifth St. Youngsters may be drawn by the fair’s games, prizes, entertainment, petting zoo, face painting and balloon art, but the sweetener is free dental exams, cleaning, orthodontic evaluations and fluoride treatments — services worth $100 per child. Kids up to 17, accompanied by a parent, are eligible, no appointment needed. More info: PediatriC Clinic. (415) 929-6550.

HEALTHY FOOD CHOICES: Making better dietary choices every day can improve your health. That’s the message of four free classes beginning Feb. 1 at the Main Library presented by The Arc San Francisco. The one-hour classes, which can be taken individual- ly or as a series, teach easy alternatives to some of the most common health mistakes. Each class focuses on one aspect of living a healthier life: alternatives to soda and sugary beverages (Feb. 1), the dangers of fast food (Feb. 8), eating in moderation (Feb. 22), and diet and exercise (Feb. 29). The Arc San Francisco, a nonprofit, serves people with developmental disabilities by promoting self-determination, dignity and quality of life. The classes, 11 a.m.-noon in the library’s fifth-floor Learn- ing Studio, are open to the public.

SENIOR VITALITY: Curry Senior Center launched a one-year pilot, Project Senior Vitality, in 2014 to test whether low-income seniors living alone would benefit physically and reduce their isolation if they used personal wi-fi tracking devices to monitor their health and iPads to access the Internet from their own apartments (tinyurl.com/CEoC2014). The pilot thrust seven Curry residents into the cyber age with equipment, technology tutors and other supports. Among the many evaluation findings, participants would have benefited from more in-depth iPad training at the start: women experience social isolation more keenly than men; most valuable in reducing isolation was connecting with family and friends through social media; sensors are likely to have acute or chronic medical problems that reduce their program participation significantly. “We learned so much,” says Curry Executive Director David Kong. “Now it’s clear which seniors are ready for the training and how best to train them.” Besides the original project members invited to participate in Phase 2 of the program, beginning now, Program Coordinator Angela DeMarto hopes to add 15 other Curry clients living in seven Tenderloin SROs. ■

Smart money by Marjorie Bergo

**KIDS’ TEETH**

The bad news is that by kindergarten more than half of California kids have decayed teeth, according to Children Now. Tooth problems make kids of all ages miss 874,000 days of school every year, and those with tooth pain are four times more likely to do poorly in school. Tooth decay is the most common chronic illness among school-age kids, four times more prevalent than childhood asthma. The good news: University of the Pacific’s Arthur A. Dugoni School of Dentistry is hosting its annual “Give Kids a Smile” fair, Feb. 27, 10 a.m.-2 p.m., 155 Fifth St. Youngsters may be drawn by the fair’s games, prizes, entertainment, petting zoo, face painting and balloon art, but the sweetener is free dental exams, cleaning, orthodontic evaluations and fluoride treatments — services worth $100 per child. Kids up to 17, accompanied by a parent, are eligible, no appointment needed. More info: Pediatric Clinic. (415) 929-6550.

**HEALTHY FOOD CHOICES**

Making better dietary choices every day can improve your health. That’s the message of four free classes beginning Feb. 1 at the Main Library presented by The Arc San Francisco. The one-hour classes, which can be taken individually or as a series, teach easy alternatives to some of the most common health mistakes. Each class focuses on one aspect of living a healthier life: alternatives to soda and sugary beverages (Feb. 1), the dangers of fast food (Feb. 8), eating in moderation (Feb. 22), and diet and exercise (Feb. 29). The Arc San Francisco, a nonprofit, serves people with developmental disabilities by promoting self-determination, dignity and quality of life. The classes, 11 a.m.-noon in the library’s fifth-floor Learning Studio, are open to the public.

**SENIOR VITALITY**

Curry Senior Center launched a one-year pilot, Project Senior Vitality, in 2014 to test whether low-income seniors living alone would benefit physically and reduce their isolation if they used personal wi-fi tracking devices to monitor their health and iPads to access the Internet from their own apartments (tinyurl.com/CEoC2014). The pilot thrust seven Curry residents into the cyber age with equipment, technology tutors and other supports. Among the many evaluation findings, participants would have benefited from more in-depth iPad training at the start: women experience social isolation more keenly than men; most valuable in reducing isolation was connecting with family and friends through social media; sensors are likely to have acute or chronic medical problems that reduce their program participation significantly. “We learned so much,” says Curry Executive Director David Kong. “Now it’s clear which seniors are ready for the training and how best to train them.” Besides the original project members invited to participate in Phase 2 of the program, beginning now, Program Coordinator Angela DeMarto hopes to add 15 other Curry clients living in seven Tenderloin SROs. ■

**Smart money by Marjorie Bergo**
Supervisors Jane Kim and David Chiu, the city budget analyst had valued the tax break at only $2.2 million over its six-year lifetime, which perhaps encouraged the supervisors’ support.

The issue of luring tech firms to the abandoned storefronts of mid-Market had simmered for months before boiling over in early March 2011 when Twitter wrote to the mayor, threatening to move outside San Francisco if the city didn’t make it worth its while to stay. (sfgate.com/CECMay2013) The city took the bait, and quickly put its offer into law. Kim and Chiu ultimately were joined by colleagues Mark Farrell, Malia Cohen, Scott Weiner and Carmen Chu, who added their names as co-sponsors of the Twitter tax break. Section 906.5 of the city’s Business and Tax Regulation Code. Also supported by Supervisors Sean Biereder and Eric Mar, the board passed the measure 8-3 on April 19, 2011. John Avalos, Mirkarimi and David Campos dissented. Mayor Lee signed it into law the next day.

Companies with payrolls exceeding $1 million that claim the exclusion are required to enter into community benefit agreements (CBAs) they negotiate annually with City Administrator Naomi Kelly. Anticipating gentrification, the ordinance sought to give the neighborhood something in return for the inevitable transformation. It required the tech companies to commit to benefiting the community. But the ordinance didn’t specify how development as a result of the tax break, “...on ways to mitigate its potentially unwanted effects” and “can provide useful advice to the Mayor City Administrator and Board of Supervisors on the administration of the Central Market Street and Tenderloin Area Payroll Expense Tax Exclusion.”

According to Kim’s legislation, the CAC was to weigh each agreement for its benefits, then “provide useful advice” as to whether the neighborhood was getting what it needed.

The city administrator was put in charge of negotiating the agreements, which she did, without consulting the committee. Kelly not only has not solicited the committee’s advice, she has snubbed it. In January 2014, she signed all six companies CBAs, though the CAC endorsed only Zendesk’s agreement. (sfgate.com/CCEFeb2014) The CAC role is “only advisory” former chair Peter Maistck noted repeatedly at CAC meetings.

Twitter and most of the others have always guarded the amount of their tax savings closely. The tax collector’s annual report contains the cost of the tax break in aggregate. Asked to apportion 2014’s $33.6 million of lost revenue by company, Fried refused, saying of the report: “Everything outside of the (one-page) report falls within the taxpayer confidentiality law.”

That was the story from Twitter, too. “We can’t reveal the amount of the tax break,” Colin Crowell, Twitter vice president of global policy, told this reporter during an interview days after he appeared in the city’s Christmas party at City Hall, which was drenched in blue lights that in the end cost the big blue bird about $30,000.

In September 2015, just before it announced $36 million in layoffs of all of its 11,000 employees in San Francisco, Twitter staffing stood at 2,500 in San Francisco and 4,500 worldwide. A spokesperson emailed The Extra. The total number of employees in San Francisco at the six CBA firms that claimed the tax exclusion in 2014 was 3,482, according to the tax collector’s report.

Twitter’s spokesperson, though, reverting to her employer’s accustomed aloofness, told The Extra she was unable to “specify either how many of those layoffs were within San Francisco, or how many employees were working at its Market Street headquarters at any particular time since the company moved there.”

Zendesk had 396 employees in San Francisco at the end of September 2014, a spokesperson told The Extra.

 Zendesk’s spokesperson said that in 2014 the company had about twice as many employees as the 130 it has now. “Twitter’s biggest benefit to the community can be found on the Hayes Street side of Fox Plaza, where its so-called NeighborNest opened last year. Twitter touts it as a ‘family friendly learning center.’ It began as a resource for clients of Compass Family Services, with plans to expand its availability to other organizations, which now include Catholic Charities and Hamilton Family Center in late January, Twitter staff, repeatedly asked for more details, were preoccupied with changes in the company’s executive ranks.

The current CBAs for Twitter, Yammer and Zendesk are multiyear agreements that will see them through almost to the sunsetting of the tax exclusion in May 2019. The law says the companies can claim it for six of the eight years it’ll survive on the books. Zendesk was the first and only company to get the credit in 2012, the others got it the next year. But the CBAs that Zendesk, Twitter and Yammer signed in December 2014 will carry them through 2018, the end of their tax break eligibility.

Along with its update on the Twitter tax break, the tax collector’s report also detailed the costs to the city of various other tax breaks to businesses operating anywhere in San Francisco. These include: the Clean Technology Payroll Tax Exclusion, the Stock Based Compensation Tax Payroll Exclusion, the Biotechnology Payroll Expense Tax Exclusion and the Net New Payroll Expense Tax Exclusion.

In 2014, the combined loss to city coffers of those breaks was $10.764,808—less than a third of what the six Tenderloin/Mid-Market firms received from the Twitter tax break. For 2015’s numbers, check back in the fall.
Wealth at the end of the line of tax

Displacement getting worse

As an assemblage of about 80 San Francisco health and human service nonprofits, (I see) two major impacts on our sector. The first is the displacement of nonprofits. Some of these nonprofits are located in rent-controlled buildings, and the tech companies are looking for space to expand. This is putting a strain on the nonprofits, especially those that provide services to low-income and vulnerable populations. They are having difficulty finding affordable space to maintain their operations. The second major impact is on the tech industry itself. The tech companies are often unaware of the social impacts of their growth. This is because they are often not held accountable for the displacement of nonprofits and other community organizations. The tech industry needs to be more mindful of the impact of their growth on the local community.

Benefits to the community

There is another benefit of the tech industry's growth that is often overlooked: the creation of jobs. The tech industry is a major employer, and the jobs they create are often well-paying and in-demand. This is good news for the local economy, as it helps to create a more prosperous and equitable community. The tech industry can also help to attract other industries to the area, which can further boost the local economy. Additionally, the tech industry is often located in areas that are underserved, such as the Tenderloin. This can help to bring much-needed resources and services to these communities.

Benefits just aren't there

As a community nonprofit that was displaced due to rent growth in our tech converted building, I don’t think we have benefited from the tech tax break. We have seen an increase in rents, but we have not recovered that lost income. We have had to raise our prices to offset the increased costs, which has put a strain on our clients. We have also had to reduce services, which has impacted our ability to serve those in need.

Have vs. haven't

Generating wealth for cities is a good thing. Employment taxes represent an increased standard of living — in my case, increased wealth for our organization. But that's not the whole story. In fact, it's a bit more complex.

Beyond the block

Ultimately, for me, the story will hinge on displacement. In the Tenderloin and throughout San Francisco, the real estate gold rush results in significant production of affordable housing, then along with the other benefits of investment, the tech tax break will have been worthwhile. We are part of a coalition that is pushing market-rate developers to provide affordable housing as an inclusionary measure at no additional cost.

Break fuels private investment

The Tech tax break has resulted in the most private investment in the Tenderloin for nearly 50 years. It also had none of the displacement impacts in the Tenderloin project developments, as there has not been a single eviction in the TL since Twitter's arrival.

Benefits to the community

I’m going to a meeting today of nonprofits and I know that many people there think the city and the neighborhood got shafted by the tax break. In the years since it was implemented, Twitter has received cash donations from tech companies — I don’t know of the top of my head how much to, and I expect it amounts to hundreds of thousands of dollars for many Tenderloin Project Senior Vitality. A lot of this is standard corporate giving. I think it’s also a way for the tech companies to show that they are contributing to the Tenderloin neighborhood. But Caroline Barler is at Twitter and Tiffany Amsden at Zendik get and even have department for these CBAs.

Benefits just aren't there

As a community nonprofit that was displaced due to rent growth in our tech converted building, I don’t think we have benefited from the tech tax break. We have seen an increase in rents, but we have not recovered that lost income. We have had to raise our prices to offset the increased costs, which has put a strain on our clients. We have also had to reduce services, which has impacted our ability to serve those in need.

Bridging the Small Business Tech Divide will inform you about technologies to bring you more customers, earn more money, and work more efficiently. Sessions are from 4-7 pm.

Live or work in SoMA? Register, attend all four sessions, set goals and complete them, and graduate with a Free Laptop.

One month down, but 11 to go!

February 18 Building Customers
- Yelp
- Salesforce
- Air BNB

March 17 Access to Capital
- Kiva
- Indie Go Go
- Urban Solutions
- Nerd Wallet

April 21 Closing Ceremony
- Urban Solutions

Like what you see, continue the training sessions with the new cycle beginning in August.

Funded through the generosity of the SoMA Community Stabilization fund.

TO REGISTER: EMAIL INFO@URBANSOLUTIONSSF.ORG, OR CALL 415-553-4433 X 101
Residents Small be all downhill after that. She was a for women. It used to be you wouldn't moved to the Hartland in 2005, Ms. Ima-
“arlier she was fiercely independent, “ a woman said. Imanian was born in New York City, said one attendee who had known her since 2005. Ms. Ima-
kin to the former Shah of Iran. I told her she should stop smoking
“She always respected me, I respected
her. I’m happy she’s in a better place. “
Darrell Eugene Williams, a San Fran-
test to be there, as more people joined the gathering. Ms. Imanian’s long, beautiful black hair that fell to her waist.
“I was her hairdresser,” another said. “She always respected me, I respected her. I told her she should stop smoking cigarettes, she’d say, ‘I’m OK.’”
Ms. Imanian was also someone, said akin to the former Shah of Iran.
“arlier she was fiercely independent, “ another said. “She always respected me, I respected her. I’m happy she’s in a better place. “
Darrell Eugene Williams, a San Fran-

OUTREACH Advertising February 2016
Stay Connected To the City through SF311
The SF311 Customer Service Center is the single stop for residents to get information on government services and report problems to the City and City of San Francisco. And now, we even have more ways for you to stay connected to the City with our SF311 App and SF311 Explorer website.

The SF311 App lets you get information on City services and submit service requests on-the-go right from your smartphone. You can track your service requests through the app or through our new website, SF311 Explorer.

Download the SF311 App from your smartphone’s app store and visit the SF311 Explorer at explore311.sf.gov today!

Count on WIC for Healthy Families WIC is a federally funded nutrition program for Women, Infants, and Children. You may qualify if you are pregnant, breastfeeding, or just had a baby; or have a child under age 5; and have a low to medium income; and live in California. Newly pregnant women, migrant workers, and working families are encouraged to apply. WIC provides Nutrition Education and Health Information, medically needed support, checks for healthy foods (like fruits and vegetables), and referrals to medical providers and community services. You may qualify for WIC if you receive CalFresh (Food Stamps), or CalWORKs (TANF) benefits. A family of four can earn up to $3,739 before tax per month and qualify. Enroll early! Call today to see if you qualify and to make an appointment. Call City and County of San Francisco WIC Program at 415-575-5788.

Give Kids a Smile Day 2016 PSA Blurb: On February 18th, the San Francisco Department of Public Health’s Child Health and Disability Prevention (CHDP) program, together with the SF Dental Hygiene Society, will be hosting the Eighth Annual Give Kids A Smile Day at the San Francisco General Hospital WIC Office (2550-2552 23rd St., Bldg. 9). This event will provide free dental health education, and delivery of dental services into one fun-activity-filled day for San Francisco families. Children ages 0-10 can receive free dental screenings, cleanings, and fluoride varnish treatment, as well as health education for the whole family! Volunteers will also help connect children to dental homes if they are not already seeing a dentist. There will be giveaways such as toys, toothbrushes and toothpaste, and a raffle for more prizes! For more information please call 415-575-5713.

Board of Supervisors Regularly Scheduled Board Meetings
OPEN TO THE PUBLIC – Tuesdays, 7:00pm, City Hall Chamber, Room 250. Board of Supervisors
• February 5
• February 23

There will be no scheduled meetings on February 16.

City and County of San Francisco encourage public outreach. Articles are translated into Spanish to provide better public access. The newspaper makes every effort to translate the articles of general interest correctly. No liability is assumed by the City and County of San Francisco or the newspapers for errors and omissions.
ARTS EVENTS


Timeless Motion, SOMArts Cultural Center, 504 Brannan, Feb. 10 Mar 23. Seven moving image artists reveal the science and magic behind cinema through photography, collage, drawing, celluloid, sculptural installation and projected light. Opening reception and performances, Feb. 16, 6-9 p.m. Info: somarts.org

CYRUS STRING QUARTET

Cyrus String Quartet: Call & Repeon, Mentor Library, Koret Auditorium, Feb. 16, 7-2 p.m. This is the 17th year of the quartet’s pairing of classic masterpieces with new works that they commission. The call of this year’s event, on the theme of tragedy and comedy, is two Beethoven string quartets, Op. 18 No. 1 in F Major and Op. 135 in F Major, and the response is by composer Dan Coleman. Info: dpl.org.

SPECIAL EVENTS

The Blackest History Film Series, Main Library, Koret Auditorium, Feb. 6, 7, 27 and 28, noon-6 p.m. Multiple films commemorate what it means to be black in America and the Diaspora. Info: on specific films and times: sfpl.org/festivals/2011-2012.

5th Annual Valentine Broadsides Printing Event, Main Library, S.F. History Center 6th Fl., Feb. 6-2 4 p.m. Experience letterpress printing on the library’s 1909 Albion handpresses and take home a unique keepsake for your sweetheart. Info: sfpl.org.

NOWLED SCHEDULE

Regular Schedule

Tenant Associations Coalition of San Francisco, 1st Wednesday of each month, noon, 201 Turk St.

Cyrus String Quartet’s "Call & Response" performance is Feb. 15 at the Main Library

SPEAKING OF SAFETY

March 10, 2016

Leslie Kardos, MD

Update on PSA and Prostate Cancer Screening

Curts Ross, DO

February 10, 2016

Understanding and Preventing Shoulder Problems

Robotic Myomectomy and Fertility

Robert J. Purchase, MD

February 24, 2016

Waterworks-Overactive Bladder and Urinary Incontinence

Heidi Wittenberg, MD

March 16, 2016

All classes begin at 5:30 p.m. and are located at Saint Francis Memorial Hospital. Food and beverage will be served and parking is validated. To learn more or to reserve your seat, visit dignityhealth.org/saintfrancis, call 415.353.6755 or email robin.oconnor@dignityhealth.org.

Hello humankindness.