



Member, Board of Supervisors
District 8

City and County of San Francisco

RAFAEL MANDELMAN

September 13, 2022

Dear Controller Rosenfield and Treasurer Cisneros,

The COVID-19 pandemic has had profound impacts on where office work is performed. Remote and hybrid work became the overnight norm for many industries during the pandemic, vastly accelerating a long-term trend towards more flexible working arrangements between businesses and their employees. These impacts have been especially acute in cities like San Francisco that have a heavy economic reliance on the office sector and a high concentration of professional services industries that most easily adapt to remote work.

Last year San Francisco experienced the largest loss in population of any large city in the country.¹ Indications point to a particular loss in residents from the type of occupations that are most adaptable to remote work. To the extent that such shifts in where work is performed persist, it may have a significant impact on the City's economy and tax revenues. Since 2019, the City has already experienced major losses in its business taxes, largely because fewer workers in major tax-generating industries are physically working within San Francisco. Our post-COVID downtown recovery pandemic ranks dead-last in the nation, according to a June 2022 report from the Institute of Governmental Studies at the University of California, Berkeley.² Key indicators from the Controller Office's July 2022 economic recovery report likewise show that San Francisco remains behind peer cities in rates of employees returning to office, air travel, and public transit usage.³

The long-term persistence of these pandemic shifts are still not entirely clear, but their implications for the City's tax base and tax structure – which is heavily and increasingly dependent on revenue from commercial buildings and the businesses filling those buildings – are significant. Policymakers need to consider how these shifts will impact our tax structure and prepare for these long-term shifts.

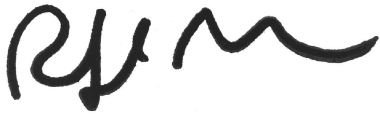
¹ Toukabri, Amel, Delbé, Crystal. *New Data Reveal Most Populous Cities Experienced Some of the Largest Decreases*. United States Census Bureau. May 26, 2021.

² Chapple, K., Leong, M., Huang, D., Moore, H., Schmahmann, L., & Joy Wang. (n.d.). (rep.). *The Death of Downtown? Pandemic Recovery Trajectories across 62 North American Cities*. June 2022.

³ Egan, Ted, Khan, Asim. *Status of the Re-Opening of the San Francisco Economy: July 2022*. Office of the Controller & Office of Economic Analysis, City and County of San Francisco. July, 29, 2022.

I am requesting that the Controller and Treasurer, by April 1, 2023, complete an analysis of these impacts and report back regarding the magnitude of these possible trends, long-term implications for the City's revenues, and potential issues and recommendations regarding the City's tax structure the City should consider as we navigate this period.

Sincerely,

A handwritten signature in black ink, appearing to read 'RfM', with a stylized flourish at the end.

Rafael Mandelman
Member, San Francisco Board of Supervisors

cc: Mayor
Office of the Controller
Office of the Treasurer and Tax Collector