Status Report

A summary of San Francisco government actions affecting the operations of the commercial buildings and The City's economic well being.

Major Change in SF Business Taxes Proposed

The Mayor and the Board of Supervisors have reached an accord on converting the current business tax program from one based on payroll to one based on gross receipts. BOMA has been very involved in the discussions on a fair rate for the real estate industry, and, as part of a total package that also raises the annual business licensing fees, funds an affordable housing trust fund, and does not increase the real estate transfer tax rates, has agreed to a gross receipts rate that will gradually, over five years, replace the payroll tax for all businesses in San Francisco – including real estate. This new tax structure will be submitted to the city's voters in November and would need a 50% + 1 to pass. Gross receipts are less any real estate or parking taxes paid by the property. **BOMA is neither supportive or opposed to this tax measure.** Here are additional details:

The current payroll tax is 1.5% on payrolls that exceed $250,000/year. The proposed gross receipts tax rate for real estate is .285% on the first $5 million in revenues and .30% on revenues above $5 million. The gross receipts tax applies only to revenues collected on properties located in the City and County of San Francisco. If passed in November, the gross receipts tax will be phased in over five years, starting in 2014, gradually replacing the payroll tax. The rate for real estate revenues above $25 million will increase to .325% in 2020. The new annual business licensing fees will climb from $25–$500/year to $90–$35,000/year.

Firms with less than $1M in annual revenues will not pay a gross receipts tax, but will pay a slightly higher annual business licensing fee.

BOMA San Francisco urges its members with properties in the City to review their leases to ensure the above tax increases, if passed by the voters, can be fairly apportioned under the terms of the building's leases.

For further updates, visit www.bomasf.org/advocate and www.bomasanfrancisco.blogspot.com

SPECIAL SPONSORED REPORT

The World is Going Mobile – What About Your Building?

You probably own a "smart phone" and a laptop that has a wireless function that can connect to your company's network. You probably bring one or both to the office. Now multiply that by 50% of the employees of every tenant in your building. If this is too abstract, focus on the chief executive of a tenant that is rushing from his office to the elevator to the ground floor lobby or garage in the building and loses reception on his smart phone multiple times along the way. What does that do to enhance the tenant experience and branding of the building as a first-class office building?

At its most basic, a DAS is a targeted wireless system that distributes the signals of licensed carriers as well as unlicensed "wi-fi" signals – if enabled – within a building through a design that increases coverage areas and boosts bandwidth capacity. And while we refer to a DAS as "wireless," as with everything in a building, a significant amount of equipment, cabling, and antennas are required to create a "wireless" experience.

There are two types of systems – dedicated carrier and multi-carrier systems, with the multi-carrier most often being "hosted" either by a third party integrator or a carrier. Dedicated systems are often found in single tenant buildings where a company has a preferred provider; multi-tenant office buildings should go the route of "neutral host" multi-carrier systems.

Most providers need a minimum of 10 years to get a return on their capital investment (which can be in excess of $2MM), and ask for multiple extension options. In certain circumstances, the owner may agree to assume ownership and management responsibility. "Future proofing" upgrades are an important consideration, as is exclusivity, coordination with other building systems, and antenna placement issues.

One thing is clear – the demand for more bandwidth and coverage within commercial buildings for wireless devices is on a significant and irreversible growth trajectory. The outdoor "macro" network is overloaded and buildings need to think "inside out" not "outside in." For certain larger tenants, a leasing decision includes, as an RFP item, the availability or right to install a DAS. Building management should consider whether and how a DAS system can enhance a building's value.

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