

Cost to S.F. for Twitter's tax cut nears \$130 million

Stock options push total to 6 times the city's estimate

By MARK HEDIN

AS INFORMATION TRICKLES out from the buttoned-up Twitter offices since the tech firm went public, the cost of keeping the company in town is becoming clearer.

At today's prices, it's way over \$100 million — more than twice the pre-IPO projections reported in the Chronicle.

In March 2011, Twitter, outgrowing its Folsom Street space, mulled where to situate an expansive new headquarters. Twitter executives wrote Mayor Lee to say that unless the city did something about the 1.5% payroll tax, it was outta here. Word leaked that former Walmart space in Brisbane, which assesses businesses only \$15 per employee per year, was the rumored destination.

The payroll tax is the city's No. 2 revenue source, but Supervisors Jane Kim and David Chiu then sponsored legislation that excluded most city payroll tax for any company occupying or moving into specifically designated mid-Market buildings and major portions of the Tenderloin. The Twitter tax break freezes payroll taxes at qualifying companies for up to six years at the level of their first year in the 'hood.

Tax break in hand, in mid-2011 Twitter leased space at the Furniture Mart at 1355 Market St. and moved in six months later.

So, for purposes of the tax exclusion,

Twitter's base year is 2012, its payroll tax obligation set at that level for up to six years — as long as it complies with the terms of the tax exclusion law.

The city budget analyst's office had pegged Twitter's savings over the life of the tax break to be about \$22 million, based on an expected 2,650 new hires at an average annual salary of \$102,000.

Left out of the city's calculation was the fact that many tech employees get "equity compensation"

— stock options and outright grants of stock — as part of their pay. These financial instruments promise employees highly discounted or no-cost shares when and if the company goes public.

In Securities and Exchange Commission filings just prior to going public Nov. 4, Twitter revealed it had distributed 128 million shares of stock options and grants that employees could buy for an average of \$1.84 per share, according to San Francisco CPA Jim McHale.

Typically, a company is liable for payroll taxes on the difference between what the employee pays for a share and the actual value of the stock at the time the employee cashes in, McHale said. Some Twitter employees can begin cashing in their options in mid-February.

Without the tax break, Twitter would have been required to pay the 1.5% payroll tax on that difference.

In mid-December, a bit more than a month after going public, Twitter shares were more than \$58 and climbing. Multiply the 128 million options and grants times \$56 per share times 1.5% and the city po-

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Artist recycles 'essence' of TL

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CENTRAL CITY



SAN FRANCISCO

'HAPPINESS IS CRITICAL'



Norbert Charles, in his SRO room, is a volunteer at Curry Senior Center. He was recently diagnosed with several life-threatening diseases, including two types of cancer. He is now also a patient at Curry receiving palliative care.

Pain, pain go away

Palliative care in Tenderloin more than just meds

STORY AND PHOTOS BY JOHN BURKS

NORBERT CHARLES worked for seven years as a volunteer at Curry Senior Center, helping Tenderloin neighbors with failing health. He showed them movies, took them on field trips, helped with bingo. A strapping big guy, everybody knew his name and his booming laugh. "Made me feel good to be here and help out," Charles says, "and I tried to show that."

Then, six months ago, his own health took a stark downturn. Heart failure, chronic obstructive pulmonary disease, rheumatoid

arthritis, and stomach and colon cancer all struck at once. He's lost 50 pounds, down from 182, and now cruises Curry Center in a wheelchair rigged with an oxygen tank.

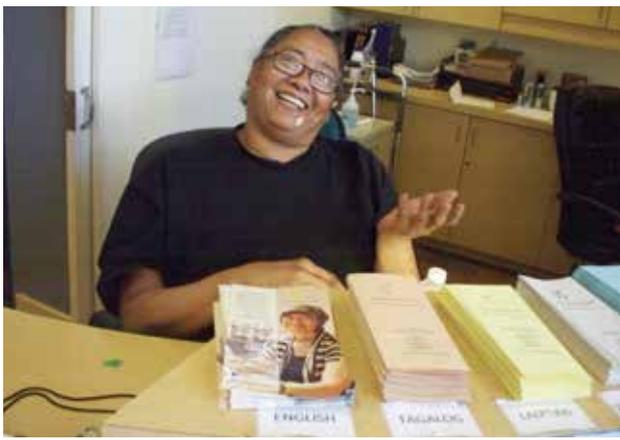
"One thing that hasn't changed is that I'm here just about every day, hanging out with my people," Charles, 67, says, smiling. "Wouldn't rather be anywhere else. With my mama long gone, all my family gone, nobody but me, Curry is like my family. They make me feel needed. Being alone and being lonely — that's two different things."

On this sunny November day he is stationed near the Curry clinic's entryway, just across from the receptionist's desk, serving as unofficial greeter, ever positive. Now he's the beneficiary of the sort of volunteerism he once donated — and receiving the sort of health care most of us eventually require.

Earlier this year, this reporter attended a symposium at Stanford Medical School on health care for seniors emphasizing palliative care and hospice. The objective of the New American Media symposium, sponsored by the California Health Care Foundation, was to help journalists better explain palliative care — pain management and more — to their communities. Only a relative handful of Americans understand that palliative care is different from hospice care, surveys show.

Senior health providers in the Tenderloin and western SoMa are keenly aware of the differences, and have been for decades. Charles, for example, receives both palliative care and curative care. Palliative, so he hurts less. Curative, to halt or at least slow down his several diseases. He gets along now on eight separate curative prescriptions and two palliative prescriptions (Tylenol, oxycodone). A similar combination of curative and palliative care is credited with having kept human rights icon Nelson Mandela alive till 95 through repeated hospital stays for lung disease.

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Receptionist Susan Snipes is quick to jump up and bug Curry regulars: "They're more like friends than clients."