

July 23rd, 2024

Hon. Mayor James Coleman and Members of the City Council
City Hall
400 Grand Ave.
South San Francisco, CA 94080

RE: Update to Business License Tax Structure

Dear Mr. Mayor and Members of the City Council;

As representatives of the life sciences industry, directly employing over 400,000 Californians, California Life Sciences wishes to **share our concerns** regarding the recent **proposed implementation of an excessive per-employee business license tax (BLT)** in South San Francisco, and to **urge that the city adopt proposed Option 1 (\$55 per employee at larger companies) along with a cap** if South San Francisco proceeds with the BLT increase. California Life Sciences represents over 1,200 entities representing pharmaceutical, biotechnology, medical technology, and academic research institutions throughout California. While we understand that a challenging fiscal year may be on the horizon and that policymakers might have to make difficult choices regarding South San Francisco's tax revenues and budget deficit, we believe that implementing an excessive per-employee BLT without an overall cap, will dramatically and negatively impact companies investing in research and development in South San Francisco and **compromise the city's long-term economic health**. As such, California Life Sciences urges the city council to proceed with the most moderate BLT increase – Option 1 along with a maximum cap – if it chooses to proceed at all, as its neighboring cities such as Foster City and Redwood City have done in recent weeks in order to remain competitive to the business community.

As our biotechnology companies continually evaluate worldwide investment decisions, California's tax incentives have previously encouraged them to invest in California because the state recognized the value of high-quality research and the jobs and tax revenue that comes when that research turns into locally-manufactured products. This has kept California at the epicenter of the life sciences industry, birthing and sustaining thousands of companies, employing millions of Californians, and innovating countless products that save lives and revolutionize quality-of-life. The life sciences industry provides a unique return on investment with respect to research and development (R&D). Nationwide, life sciences companies have collectively invested more than \$1 trillion dollars in R&D since 2000, establishing the biopharmaceutical sector as the most R&D-intensive industry in the U.S. economy. In fact, the biopharmaceutical industry invests approximately six times more in R&D as a percentage of sales than all other manufacturing industries.

We understand that ongoing structural deficits have led South San Francisco to consider ameliorating those budgetary headwinds with a per-employee BLT. While we are concerned about raising the per-employee BLT due to its potential to undercut South San Francisco's long-term economic health, we wish to underscore that a more moderate approach like Option 1 is preferable along with a cap than more excessive alternatives.

We respectfully urge you to select Option 1 in favor of its alternatives, and we remain eager to engage with the City Council as fiscal questions move forward. If you have any additional questions, please feel free to contact me at schung@califesciences.org.

Sincerely,

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

Sam Chung
VP, State Government Relations
California Life Sciences