OFFICE OF THE CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO

Greg Wagner
Controller

ChiaYu Ma
Deputy Controller

Mr. John Arntz
Department of Elections
City Hall 1 Dr. Carlton B. Goodlett Place Room 48
San Francisco, CA 94102-4689

August 10, 2026

RE: Proposition I – Changes to Real Property Transfer Tax

Dear Mr. Arntz,

Should the proposed ordinance be approved by the voters, in my opinion, it would represent a moderate annual decrease of approximately $1 million to the City's overall revenues starting in Fiscal Year (FY) 2027-28. However, the ordinance would also shift $120 million per year of existing revenue from the more flexible General Fund to a special revenue fund dedicated to affordable housing programming and support. Because the ordinance would remove existing revenue from the General Fund, it would increase the City's projected General Fund deficit by $120 million annually.

The ordinance would lower the City's General Fund Real Property Transfer Tax rates established by Proposition I in November 2020 and subsequently establish a new Real Property Transfer Tax at near identical rates, which could only be used for specific affordable housing programs. The ordinance would reduce the Real Property Transfer Tax rate on transfers of properties with consideration or value from $10 million to under $25 million from 5.5% to 2.75%, and on transfers of properties with consideration or value of $25 million or more from 6% to 3%. This change would result in a reduction in revenue of $120 million from the City's General Fund, which the City can spend on any government purpose.

At the same time, the ordinance would establish a new Real Property Transfer Tax called the House SF Tax and collect the revenue in a special fund, the House SF Fund, which the City could only spend on specific affordable housing programs. The House SF Tax would tax transfers of properties with consideration or value between $10 million and $25 million at a rate of 2.75%, and transfers of properties with consideration or value of $25 million or more at 3%. The ordinance also includes a new exemption from the House SF Tax for certain recently constructed multi-family housing properties, reducing the collected revenue by approximately $1 million annually, so the proposed House SF Fund would generate approximately $119 million annually.

Because the ordinance would replace existing General Fund taxes with a new dedicated tax, it would limit the City's fiscal flexibility and increase the City's General Fund deficit, most recently projected at $741.7 million and $1.1 billion in FY 2028-29 and FY 2029-30, respectively.

The House SF special revenue fund and tax would represent the City's 24th voter-mandated funding requirement that limits the City's budget flexibility. For context, voter-mandated funding requirements currently total approximately $2 billion, or 30%, of the approximately $7 billion General Fund sources.

The proposed ordinance requires the City to appropriate the House SF Fund in the following ways: (1) no less than 60% must be spent on affordable housing production programs, (2) no less than 25% must be spent on preservation or acquisition programs, (3) no less than 10% must be spent on tenant stabilization or homelessness prevention programs, and (4) no more than 5% may be spent on the departmental administration of the Fund and administration of the House SF Tax.

The proposed ordinance would allow the Board of Supervisors to amend the Real Property Transfer Tax without voter approval only to exempt rent-restricted affordable housing or to make other changes consistent with the stated purposes of the House SF Tax. However, it would remove the existing authority of the Board of Supervisors to reduce, suspend, or repeal the Real Property Transfer Tax without voter approval. The proposed ordinance would also require the Controller's Office to perform an annual audit on the House SF Fund and file it with the Board of Supervisors.

Note that the proposed measure would change the duties of the Controller's Office, which has prepared this statement.

Sincerely,

Greg Wagner
Controller

Note: This analysis reflects our understanding of the proposal as of the date shown. At times further information is provided to us which may result in revisions being made to this analysis before the final Controller's statement appears in the Voter Information Pamphlet.