July 31, 2026

To: Chair Packard and Members of the Ballot Simplification Committee

℅ Clerk Karlie O'Toole

Via email to: BSC.clerk@sfgov.org, publications@sfgov.org, karlie.otoole@sfgov.org

Re: Changes to Real Property Transfer Tax — Request for Reconsideration of Approved Digest

Dear Chair Packard and Members of the Ballot Simplification Committee:

Thank you for your work finalizing the digest for this measure. We write to request five changes to the approved digest, described below with the exact language to be replaced and the exact replacement language, so that they may be located and applied as efficiently as possible.

1. The digest mischaracterizes the measure as funding "only alternative housing models" and "housing production" rather than affordable housing.

The measure, as reviewed and approved by the City Attorney's Office, is titled the "Affordable Housing Guarantee Act." Its *own* text states clearly that the ordinance's purpose is to dedicate existing transfer tax revenue "exclusively to the protection, preservation, and production of affordable housing in San Francisco." By law, at least 85% of all funds must be spent on affordable housing production or preservation, and the remaining funds must be spent on tenant stabilization and homelessness prevention– also affordable housing protection, as defined under the measure's own terms. <u>There is no category of spending under this measure that is not affordable housing.</u>

The digest's use of "alternative housing models" does not simply omit a word– it misrepresents the structure of the law. Every dollar spent on housing production under this measure, (60% of total funds), is spent within a single legal category: "Affordable Housing Production Programs" (Section 1114.2(c)(1)), as administered by the Mayor's Office of Housing and Community Development. (A representative from the Office of Economic and Workforce Development inaccurately claimed several times during today's presentation that they would be dispersing the funds – this is critically and categorically not true.) That "Affordable Housing Production Programs" category has two parts, and both parts fund affordable housing: at least half goes to "Alternative Models for Permanent Affordable Housing" — affordable housing delivered through alternative ownership and financing structures, such as resident-owned and community land trust models (Section 1114.2(c)(1)(A)). And the remainder goes to conventional "Multifamily Affordable Housing" (Section 1114.2(c)(1)(B)). The word "Alternative" in the statute modifies how the affordable housing is financed and delivered – *not* whether it is affordable housing. <u>There is no category of housing production funded by this measure that falls outside affordable housing.</u>

Even accepting, for the sake of argument, the incorrect premise that alternative models of affordable housing are not "affordable housing," the digest's use of "only" is still misleading and factually incorrect. Alternative Models for Permanent Affordable Housing accounts for, at most, 30% of total funding. 55% of all funds— 30% for conventional multifamily affordable housing production and at least 25% for affordable housing preservation and acquisition— has no relationship to alternative or social housing models at all. A majority of the measure's funding, by law, goes to conventional affordable housing production and preservation. Describing the measure as funding “only... alternative housing models” is inaccurate under either reading of the statute.

This mischaracterization appears in the digest in four places: the phrase "alternative housing models and housing assistance" (or its near-identical variant, "alternative housing and housing assistance") appears three times, and the term "housing production," without the word "affordable," appears once more in the first spending bullet, which is confusing for voters in part because it’s inaccurate, as stated by one of the co-drafters at this morning’s meeting. Each instance should be corrected as follows.

Location # 1: The Proposal section, first sentence

“Proposition __ would dedicate half of the transfer tax revenues when certain real estate of $10,000,000 or more changes hands, to be spent only on alternative housing models and housing assistance.”

> **Requested change #1:** Replace “to be spent only on alternative housing models and housing assistance” with “to be spent only on affordable housing programs and housing assistance.”

Location #2: The Proposal section, sentence introducing the spending bullets

“The City could spend revenue from the new transfer tax only on alternative housing and housing assistance as follows:”

> **Requested change #2:** Replace “only on alternative housing and housing assistance as follows” with “only on affordable housing programs and housing assistance as follows.”

Location #3: The Proposal section, first spending bullet

“At least 60% for housing production, with at least half to social housing developments;”

> **Requested change #3:** Replace this bullet with: “At least 60% for affordable housing production, with at least half to affordable social housing developments;”

Location #4: “A YES Vote Means” paragraph

“...to be spent only on alternative housing models and housing assistance.”

> **Requested change #4:** Replace “to be spent only on alternative housing models and housing assistance” with “to be spent only on affordable housing programs and housing assistance.”

2. Omission of the measure's mandatory audit requirement

The digest does not mention the measure's mandatory annual audit requirement. The measure requires the Controller to conduct a mandatory annual audit of the House SF Fund and report the results to the Board of Supervisors each year (Business and Tax Regulations Code Section

1114.1(b)). This is directly comparable to language the Committee approved for the June 2026 Proposition A digest (Earthquake Safety and Emergency Response Bond), which included the following paragraph:

“Proposition A would require the Citizens’ General Obligation Bond Oversight Committee to review how these bond funds are spent.”

We request a parallel sentence for this measure, placed in the same position — as its own paragraph immediately before “A YES Vote Means” — so it can be added with minimal disruption to the approved digest.

> **Requested change #5:** Add the following paragraph immediately before “A YES Vote Means”: “Proposition __ would require the Controller to conduct a mandatory annual audit of the House SF Fund and report the results to the Board of Supervisors.”

We sincerely appreciate the Committee's consideration of these requests given the tight timeline and are happy to provide any additional information that would be helpful. Given that the members did not receive the measure proponents’ official timestamped email transmittal to the Clerk from yesterday of requested changes until the Clerk handed out hard copies today, we would appreciate an affirmative confirmation of receipt and dispersal to members of this request.

Respectfully,

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Digest by the Ballot Simplification Committee
Status: Approved Digest — Redline of Requested Changes
On: Thursday, July 30, 2026
Members: Packard, Wong, Bella, Paxton, Pon
Deadline to Request Reconsideration: 12:50 p.m. on Friday, July 31, 2026

Note: ~~Struck-through red text~~ shows requested **deletions**; **underlined blue bold text** shows requested **insertions**.

The Way It Is Now: The City collects a transfer tax when most real estate changes hands. The tax rates depend on the property's sales price or value and the two highest tax rates are:

- 5.5% for properties between $10,000,000 and under $25,000,000, and
- 6% for properties at $25,000,000 or more.

Some real estate transfers are exempt from the tax or are subject to reduced rates.

Revenues generated from the transfer tax may be spent for any governmental purpose.

The Board of Supervisors (Board) may amend, reduce, suspend, or repeal the transfer tax without voter approval. Voters must approve any increase of the transfer tax.

State law limits the total revenue, including tax revenue, the City may spend each year. The voters may approve increases to this limit for up to four years.

The Proposal: Proposition __ would dedicate half of the transfer tax revenues when certain real estate of $10,000,000 or more changes hands, to be spent only on ~~alternative housing models~~ **affordable housing programs** and housing assistance. Specifically, the measure would:

For properties with a sales price or value between $10,000,000 and under $25,000,000:

- Reduce the current transfer tax from 5.5% to 2.75%
- Impose a new transfer tax of 2.75%

For properties with a sales price or value at $25,000,000 or more:

- Reduce the transfer tax from 6% to 3%
- Impose a new transfer tax of 3%

The same exemptions and tax reductions from the current transfer tax would still apply to the new transfer tax.

The new transfer tax would also exempt the first sale of certain multifamily real estate if it is sold within 5 years of completion of new residential units.

The City could spend revenue from the new transfer tax only on ~~alternative housing~~ **affordable housing programs** and housing assistance as follows:

- At least 60% for **affordable** housing production, with at least half to **affordable** social housing developments;
- At least 25% towards the acquisition or rehabilitation of affordable housing, with at least 60% to acquisition of existing housing units;
- At least 10% to tenant stabilization/homeless prevention programs, with at least half to eviction defense and prevention; and
- Up to 5% for administration of the new tax revenue.

The Board could only change the transfer tax consistent with the purpose of the tax. All other changes would require voter approval.

Proposition __ would approve an unlimited number of new affordable housing units for low-income households funded by revenue from the new transfer tax.

Proposition __ would increase the City's spending limit for four years.

Proposition __ would require the Controller to conduct a mandatory annual audit of the House SF Fund and report the results to the Board of Supervisors.

A "YES" Vote Means: If you vote "yes," you want to dedicate half of the transfer tax revenues when certain real estate of $10,000,000 or more changes hands, to be spent only on ~~alternative housing models~~ **affordable housing programs** and housing assistance.

A "NO" Vote Means: If you vote "no," you do not want to make these changes.