

CHANGES TO REAL PROPERTY TRANSFER TAX

The Way It Is Now

The City collects a transfer tax on certain sales and long-term leases of real property in San Francisco. The transfer tax rate depends on the real property's sales price or value. The tax rate is 5.5% for properties with a sales price or value from \$10,000,000 to under \$25,000,000, and 6% for properties with a sales price or value of \$25,000,000 or more. Certain sales and leases are exempt from the tax or are subject to reduced rates.

Revenues generated from the transfer tax may be used 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

The proposed measure would reduce the current transfer tax by half for certain properties, and would establish a new transfer tax of approximately the same amount that the City could spend only on affordable housing and other specified purposes. The proposed measure would:

- Reduce the current transfer tax from 5.5% to 2.75% for properties with a sales price or value from \$10,000,000 to under \$25,000,000, and from 6% to 3% for properties with a sales price or value of \$25,000,000 or more;
- Impose a new transfer tax of 2.75% for properties with a sales price or value between \$10,000,000 and \$25,000,000, and 6% for properties with a sales price or value of \$25,000,000 or more;
- Apply the same exemptions and tax reductions from the current transfer tax to the new transfer tax;
- For the new transfer tax, exempt the first sale of real property within five years following completion of construction of new residential units on the property for certain properties; and
- Allow the City to secure bond debt with proceeds from the new transfer tax.

The City could spend revenue from the new transfer tax only as follows:

- At least 60% to affordable housing production programs, at least 50% of that amount to alternative models for permanent affordable housing and the remainder to multifamily affordable housing;
- At least 25% to acquisition or rehabilitation of affordable housing, at least 60% of that amount to new acquisitions of affordable housing and the remainder to rehabilitation and stabilization of existing affordable housing; and

- At least 10% to tenant stabilization/homelessness prevention programs, at least 50% of that amount to eviction defense and prevention and the remainder to emergency rental assistance.

For both the current and new transfer tax, the Board could amend the tax only to exempt rent-restricted affordable housing or to make other changes consistent with the stated purposes of the new transfer tax. All other changes would require voter approval.

All these changes would apply indefinitely until amended or repealed.

This measure would increase the City's spending limit for four years.