

August 1, 2016

RE: The Draft Digest “Real Estate Transfer Tax”

Dear Committee Members Packard, Anderson, Fasick, Fraps, Jorgensen:

On behalf of AFT 2121, I am writing to request that the Committee consider revising the “Real Estate Transfer Tax” digest in the following ways in order to ensure voters understand the measure fully:

1. Use more specific language in the title because not all real property is affected by this tax. A title that reflects the change, such as “Real Estate Transfer Tax for Ultra-Luxury Properties,” would better convey the scope of the tax and the impact on the average voter.

Rationale: The measure’s changes to the real estate transfer tax rates will not affect the pocketbooks of the vast majority of San Franciscans. The cost of living—in particular, the cost of housing—is a top concern for San Francisco residents, and that’s why a title that clarifies that the new tax rate will only impact sales on ultra-luxury properties (those worth \$5 million and more) is crucial. This is a tax on very wealthy individuals and corporations who can well afford a small tax increase, and the tax will bring additional needed revenue to our city for the benefit of all San Franciscans.

2. Add additional lines to the second chart so that the charts are comparing apples to apples. In the second chart, the tiers listed as “More than \$250,000 and less than \$1,000,000” and “At least \$1,000,000 and less than \$5,000,000” should indicate that there is no change in the tax rate for these property categories.

Rationale: As drafted, the first chart includes the tax rate for properties “More than \$250,000 and less than \$1,000,000” and “At least \$1,000,000 and less than \$5,000,000,” but the second chart does not. For voters to understand the measure, they need to see the full range of tiers and to see more clearly which rates would go up. For the majority of voters, there would be no change since properties under \$5 million are likely to be most relevant to voters. For the average voter to understand whether their tax rate is going up under the proposal, the lower sale price properties should be included in both charts—this will aid in comparing the “The way it is now” and “The proposal” sections.

The digest can also clarify what the measure does and does not do by stating, in the text of the proposal:

- That the measure would also “create a new tax rate for properties sold for more than \$25 million.”
- That “The tax rate does not change for properties sold for less than \$5 million.”

3. State that both commercial and residential real estate are affected by these new tax rates.

Rationale: The measure applies to the sale of residential and commercial properties. For a voter to evaluate the impact of this measure, it is important to know the scope of the proposal to have a sense of how much revenue it could raise.

On the following page, please find the suggested changes described above in “track changes” format:

1. The Title:
Real Estate Transfer Tax for Ultra-Luxury Properties

2. Under The Proposal:

Sale Price of Real Estate	Tax Rate
<u>More than \$250,000 and less than \$1,000,000</u>	<u>No change</u>
<u>At least \$1,000,000 and less than \$5,000,000</u>	<u>No change</u>
At least \$5,000,000 and less than \$10,000,000	2.25%
At least \$10,000,000 and less than \$25,000,000	2.75%
At least \$25,000,000 and above	3.00%

Under The Proposal:

(Paragraph 1) Proposition ____ would increase the transfer tax rate for real estate with a sale price of more than \$5 million, including leases of 35 years or more, and create a new tax rate for properties sold for more than \$25 million. The tax rate does not change for properties sold for less than \$5 million:

3. Under The Way It Is Now:

(Paragraph 1) The City collects a transfer tax on most sales of residential and commercial real estate in San Francisco. The tax also applies to leases with a term of 35 years or more. The tax rate usually depends on the real estate's sale price. The current transfer tax rates are

Under The Proposal:

(Paragraph 1) Proposition ____ would increase the transfer tax rate for residential and commercial real estate with a sale price of more than \$5 million, including leases of 35 years or more

Thank you for your consideration and the hard work you do on behalf of voters in San Francisco.
Sincerely,

Thank you for your consideration.

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Alisa Messer
Political Director, AFT Local 2121
City College of San Francisco Faculty