



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller
Todd Rydstrom
Deputy Controller

Ms. Angela Calvillo
Clerk of the Board of Supervisors
1 Dr. Carlton B. Goodlett Place Room 244
San Francisco, CA 94102-4689

July 7, 2020

RE: File 200654 – Ordinance to increase real property transfer tax on properties of at least \$10,000,000

Dear Ms. Calvillo,

The proposed ordinance would increase the real property transfer tax assessed on transfers in excess of \$10 million and would in my opinion generate significant but volatile additional revenues for government services.

The ordinance would increase the property transfer tax rate on transactions valued between \$10 million and less than \$25 million from 2.75% to 5.5%, and the rate on transactions valued at \$25 million and above from 3% to 6%. Applying these tax rates and current estimated property values to transactions that occurred during the most recent economic cycle (FY2008-2009 to FY2019-2020), annual revenue resulting from this proposition would have ranged from a low of \$13 million to a high of \$346 million, with an average of \$196 million. However, doubling the tax rate on these transactions would likely lead to a variety of tax avoidance behaviors that are difficult to project in both form and timing. Changes in sales prices, volume, and transaction form, as well as effects on new construction, could affect both transfer tax and property tax revenues.

Thus while we estimate that the proposed ordinance may result in average additional revenue of \$196 million per year, it is important to note this is the City's most volatile revenue source and estimates based on prior years' activity may not be predictive of future revenues. The proposed tax measure would further increase the volatility of this source.

Sincerely,

Michael Wylie FOR
Ben Rosenfield
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.