

Real Estate Transfer Tax Exemption and Office Space Allocation*

Digest by the Ballot Simplification Committee

Status: Draft for Consideration
On: Tuesday, November 28, 2023
Members: Packard, Anderson, Unruh, Wong

Deadline to Request Reconsideration: TBD

The Way It Is Now: The City collects a real estate transfer tax on most property sales in San Francisco. The tax also applies to leases that are for 35 years or longer. The tax rate usually depends on the total sale (or lease) price and ranges from 0.50% to 6.00%. The money collected from this tax goes into the City's General Fund and the City may spend it for any public purpose.

The Board of Supervisors (Board) may partially exempt from the tax any transfers at a price of \$5 million or more for properties with rent restricted affordable housing. But the voters must approve other changes to the tax.

The voters have approved a limit on the amount of new office space the City permits each year for new development. The City does not increase that limit when an owner converts existing office space to a different use or demolishes it. Nor does the City credit any existing office space that the owner demolishes as part of a new development project.

The Proposal: Proposition ___ would exempt from the transfer tax the first time an owner transfers a property after converting the property from a commercial use to a residential use. If the property has a mix of uses, the exemption would apply only to the portion of the property that the owner converted to residential use. The exemption would be available for up to a total of 5 million square feet of converted property in San Francisco.

Proposition ___ would authorize the Board to amend the transfer tax by ordinance, without further voter approval, to reduce the tax, create new exemptions, or suspend or repeal the tax. The voters must still approve any increase of the tax.

Proposition ___ would change how the City calculates the amount of office space available for development permits. It would increase the annual limit that the City can allocate for new office space to include any office space since January 1, 1986 that has been converted to a residential or other use, or that was demolished. For a project proposing to demolish existing office space and construct new office space, the measure would allow the City to allocate the demolished space to the project.

A "YES" Vote Means: If you vote "yes," you want to:

- Exempt from the transfer tax the first transfer of a property after the owner converted the property from a commercial to a residential use.
- Authorize the Board to decrease the transfer tax without further voter approval, but not to increase it.
- Increase the annual limit the City can permit for new office space to account for existing office space converted to another use or demolished, and allow the City to reduce a project's required office space allocation by the amount of any existing office space demolished on the site.

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

**Working title, for identification only. The Director of Elections determines the title of each local ballot measure; measure titles are not considered during Ballot Simplification Committee meetings.*