

BOARD of SUPERVISORS



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MEMORANDUM

TO: Katy Tang, Director, Small Business Commission
Kerry Birnbach, Commission Secretary

Small Business Commission, City Hall, Room 448

FROM: Victor Young, Assistant Clerk

A handwritten signature in black ink, appearing to read "Victor Young".

June 18, 2026

DATE:

SUBJECT: REFERRAL FROM BOARD OF SUPERVISORS
Budget and Finance Committee

The Board of Supervisors' Budget and Finance Committee has received the following legislation, which is being referred to the Small Business Commission for comment and recommendation. The Commission may provide any response it deems appropriate within 12 days from the date of this referral.

File No. 260693

Initiative Ordinance - Business and Tax Regulations Code - Excise Tax on Keeping Parcels Last Used as Grocery Stores or Pharmacies Vacant or Using Them Differently

Motion ordering submitted to the voters at an election to be held on November 3, 2026, an Ordinance amending the Business and Tax Regulations Code to impose an excise tax, commencing in tax year 2027, on persons keeping vacant or using differently parcels last used, in whole or in part, as formula retail grocery stores or formula retail pharmacies on or after January 1, 2017; and increasing the City's appropriations limit by the amount collected under the tax for four years from November 3, 2026.

Please return this cover sheet with the Commission's response to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

RESPONSE FROM SMALL BUSINESS COMMISSION - Date: _____

____ No Comment

____ Recommendation Attached

Chairperson, Small Business Commission

[Initiative Ordinance - Business and Tax Regulations Code - Excise Tax on Keeping Parcels Last Used as Grocery Stores or Pharmacies Vacant or Using Them Differently]

Motion ordering submitted to the voters at an election to be held on November 3, 2026, an Ordinance amending the Business and Tax Regulations Code to impose an excise tax, commencing in tax year 2027, on persons keeping vacant or using differently parcels last used, in whole or in part, as formula retail grocery stores or formula retail pharmacies on or after January 1, 2017; and increasing the City's appropriations limit by the amount collected under the tax for four years from November 3, 2026.

MOVED, That the Board of Supervisors hereby submits the following ordinance to the voters of the City and County of San Francisco, at an election to be held on November 3, 2026.

Ordinance amending the Business and Tax Regulations Code to impose an excise tax, commencing in tax year 2027, on persons keeping vacant or using differently parcels last used, in whole or in part, as formula retail grocery stores or formula retail pharmacies on or after January 1, 2017; and increasing the City's appropriations limit by the amount collected under the tax for four years from November 3, 2026.

NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
Additions to Codes are in *single-underline italics Times New Roman font*.
Deletions to Codes are in ~~*strikethrough italics Times New Roman font*~~.
Asterisks (* * * *) indicate the omission of unchanged Code subsections or parts of tables.

Be it ordained by the People of the City and County of San Francisco:

1 Section 1. The Business and Tax Regulations Code is hereby amended by adding
2 Article 29B, consisting of Sections 2966, 2967, 2968, 2969, 2970, 2971, 2972, 2973, 2974,
3 2975, and 2976, to read as follows:

4
5 **ARTICLE 29B: ABANDONED PHARMACY AND GROCERY TAX ORDINANCE**

6
7 **SEC. 2966. SHORT TITLE.**

8 *This Article 29B shall be known as the “Abandoned Pharmacy and Grocery Tax Ordinance,”*
9 *and the tax it imposes shall be known as the “Abandoned Pharmacy and Grocery Tax.”*

10
11 **SEC. 2967. FINDINGS AND PURPOSES.**

12 *(a) Access to affordable groceries and essential pharmacy services is fundamental to the health*
13 *and well-being of all San Franciscans.*

14 *(b) The loss of a grocery store or pharmacy, unlike most commercial closures, eliminates*
15 *residents’ ready access to food and essential medications, necessities with no readily available market*
16 *substitute, causing qualitatively greater and more immediate harm to surrounding communities than*
17 *the vacancy of other commercial property, particularly for residents without vehicles or other means to*
18 *travel.*

19 *(c) Formula Retail Grocery Store and Formula Retail Pharmacy uses typically occupy large*
20 *commercial spaces with configurations, including oversized footprints, surface parking, and specialized*
21 *infrastructure, that reflect the operational requirements of large chain operators and that present*
22 *distinct re-tenanting challenges when vacated, imposing materially greater harm on surrounding*
23 *neighborhoods than the closure of smaller operations.*

24 *(d) San Francisco has experienced a significant and accelerating loss of Formula Retail*
25 *Grocery Stores and Formula Retail Pharmacies, leaving neighborhoods across the City without ready*

1 access to food and essential medications. Multiple Formula Retail Grocery Stores have closed across
2 San Francisco neighborhoods since 2017, including locations serving the Mid-Market, Oceanview,
3 Fillmore, and Bayview Districts. Formula Retail Pharmacies have similarly withdrawn from
4 San Francisco at scale.

5 (e) Food insecurity is directly linked to poor health outcomes and increased public
6 expenditures. According to the 2023 San Francisco Biennial Food Security and Equity Report
7 published by the San Francisco Department of Public Health, the most recent estimate available places
8 the annual healthcare cost of food insecurity in San Francisco at \$204.6 million. A 2023 study
9 published in Health Affairs found that food-insecure families incur 20% greater total healthcare
10 expenditures than food-secure families, an annual difference of \$2,456 per family, regardless of
11 insurance coverage type.

12
13 **SEC. 2968. DEFINITIONS.**

14 Unless otherwise defined in this Article 29B, the terms used in this Article shall have the
15 meanings given to them in Article 6 of the Business and Tax Regulations Code, as amended from time
16 to time. For purposes of this Article 29B, the following definitions shall apply:

17 “Affiliate” means a person under common majority ownership or common control with any
18 other person, whether that ownership or control is direct or indirect. An Affiliate includes but is not
19 limited to a person that majority owns or controls any other person or a person that is majority owned
20 or controlled by any other person.

21 “Construction Period” means the three-year period following the date that the City issues a
22 building permit for repair, rehabilitation, or construction with respect to the portion of a Parcel that is
23 a Covered Property, provided that if the City issues multiple building permits to or for the benefit of
24 one or more persons in the Taxpayer’s Group for the same Parcel, the three-year Construction Period
25

1 shall mean only the three-year period following the issuance of the first building permit to or for the
2 benefit of anyone in the Taxpayer's Group.

3 "Covered Property" means a Parcel or portion of a Parcel whose last use of at least
4 365 consecutive days as of December 31, 2026, was as a Formula Retail Grocery Store or Formula
5 Retail Pharmacy, and that last use did not terminate prior to January 1, 2017. Beginning in tax
6 year 2028, a Parcel or portion of a Parcel shall no longer be a "Covered Property" for a tax year and
7 all subsequent tax years if, between January 1 and December 31 of the tax year immediately preceding
8 the tax year, that Parcel or portion of a Parcel was used for more than 182 days (or more than 183
9 days during a leap year), whether consecutive or nonconsecutive, by any single person (including all
10 Related Persons and Affiliates of that person) for any purpose other than as a continuation of the
11 Formula Retail Grocery Store or Formula Retail Pharmacy use that existed prior to January 1, 2027.

12 "Disaster Period" means the two-year period following the date that the portion of a Parcel
13 that is a Covered Property was severely damaged and made unusable due to a natural disaster.

14 "Formula Retail" means a location operated by a business that both:

15 (1) has eleven or more other locations in operation, or with local land use or permit
16 entitlements already approved, located anywhere in the world; and

17 (2) maintains two or more of the following features: a standardized array of
18 merchandise, a standardized facade, a standardized decor and color scheme, uniform apparel,
19 standardized signage, a trademark or a servicemark. For purposes of this subsection (2):

20 (A) Standardized array of merchandise means 50% or more of in-stock
21 merchandise from a single distributor bearing uniform markings.

22 (B) Trademark means a word, phrase, symbol, or design, or a combination of
23 words, phrases, symbols, or designs that identifies and distinguishes the source of the goods from one
24 party from those of others.

1 (C) Servicemark means a word, phrase, symbol, or design, or a combination of
2 words, phrases, symbols, or designs that identifies and distinguishes the source of a service from one
3 party from those of others.

4 (D) Decor means the style of interior furnishings, which may include but is not
5 limited to, style of furniture, wall coverings or permanent fixtures.

6 (E) Color Scheme means a selection of colors used throughout, such as on the
7 furnishings, permanent fixtures, and wall coverings, or as used on the facade.

8 (F) Facade means the face or front of a building, including awnings, looking
9 onto a street or an open space.

10 (G) Uniform Apparel means standardized items of clothing including but not
11 limited to standardized aprons, pants, shirts, smocks or dresses, hats, and pins (other than name tags)
12 as well as standardized colors of clothing.

13 (H) Signage means a Business Sign as defined in Section 602.3 of the Planning
14 Code, as that section existed on June 1, 2026.

15 “Grocery Store” means a store that qualifies as “Grocery, General,” as defined in Section 102
16 of the Planning Code, as that section existed on June 1, 2026.

17 “Parcel” means a unit of real estate, except a possessory interest, in the City with an Assessor’s
18 parcel number as shown on the most current official assessment roll of the Assessor as of July 1 of the
19 tax year for which the Abandoned Pharmacy and Grocery Tax is imposed.

20 “Pharmacy” means a store that qualifies as a “Pharmacy,” as defined in Section 102 of the
21 Planning Code, as that section existed on June 1, 2026, except where the pharmacy is an accessory to a
22 hospital or other medical facility.

23 “Related Person” means a spouse or domestic partner, child, parent, or sibling (these latter
24 three relationships including biological, adoptive, and “step” relationships; and the sibling
25 relationship also including half-siblings).

1 "Taxpayer's Group" means for each taxpayer, with respect to each Parcel that contains a
2 Covered Property, the taxpayer, any current or former co-owner or co-tenant of the taxpayer, and any
3 Related Person or Affiliate of the taxpayer or the taxpayer's current or former co-owner or co-tenant.

4 "Used Differently" (or put to "Different Use") means used for any purpose other than as a
5 Grocery Store or Pharmacy for more than 182 days (or more than 183 days during a leap year),
6 whether consecutive or nonconsecutive, in a tax year.

7 "Vacant" means unoccupied, uninhabited, or unused for more than 182 days (or more than
8 183 days during a leap year), whether consecutive or nonconsecutive, in a tax year. Notwithstanding
9 the previous sentence, a person shall not be considered to have kept a building or structure Vacant
10 during a Construction Period or Disaster Period if that Construction Period or Disaster Period applies
11 to that person for that Parcel or portion of a Parcel that is a Covered Property. In determining
12 whether a person has kept the Covered Property Vacant, days within the Construction Period and
13 Disaster Period shall be disregarded if that Construction Period and/or Disaster Period applies to that
14 person for that Parcel or portion of a Parcel that is a Covered Property.

15
16 **SEC. 2969. IMPOSITION OF TAX.**

17 (a) Except as otherwise provided in this Article 29B, commencing in tax year 2027, the City
18 imposes an annual Abandoned Pharmacy and Grocery Tax on keeping Parcels or portions of Parcels
19 that are Covered Properties Vacant or Used Differently. The tax on keeping Parcels or portions of
20 Parcels that are Covered Properties Vacant is in subsection (c), and the tax on keeping Parcels or
21 portions of Parcels that are Covered Properties Used Differently is in subsection (d).

22 (b) The Abandoned Pharmacy and Grocery Tax is imposed for general governmental purposes.
23 Proceeds from the tax shall be deposited in the City's general fund and may be expended for any
24 purposes of the City.

1 (c) The tax on keeping Parcels or portions of Parcels that are Covered Properties Vacant in a
2 tax year shall be as follows:

3 (1) For the 2027 tax year, \$3 per square foot of land area of the entire Parcel on which
4 the Covered Property is located, regardless of how much of the Parcel the Covered Property occupies.

5 (2) For the 2028 tax year:

6 (A) For each Parcel on which the Covered Property was not kept Vacant by any
7 person for tax year 2027, \$3 per square foot of land area of the entire Parcel on which the Covered
8 Property is located, regardless of how much of the Parcel the Covered Property occupies; and

9 (B) For each Parcel on which the Covered Property was kept Vacant by any
10 person for tax year 2027, \$5 per square foot of land area of the entire Parcel on which the Covered
11 Property is located, regardless of how much of the Parcel the Covered Property occupies.

12 (3) For the 2029 tax year and subsequent tax years:

13 (A) For each Parcel on which the Covered Property was not kept Vacant by any
14 person in the immediately preceding tax year, \$3 per square foot of land area of the entire Parcel on
15 which the Covered Property is located, regardless of how much of the Parcel the Covered Property
16 occupies;

17 (B) For each Parcel on which the Covered Property was kept Vacant by any
18 person in the immediately preceding tax year but not kept Vacant by any person in the tax year
19 immediately preceding that tax year, \$5 per square foot of land area of the entire Parcel on which the
20 Covered Property is located, regardless of how much of the Parcel the Covered Property occupies; and

21 (C) For all situations in which neither subsection (c)(3)(A) nor (c)(3)(B) of this
22 Section 2969 applies, \$10 per square foot of land area of the entire Parcel on which the Covered
23 Property is located, regardless of how much of the Parcel the Covered Property occupies.

1 (d) The tax on keeping Parcels or portions of Parcels that are Covered Properties Used
2 Differently in a tax year shall be \$5 per square foot of land area of the entire Parcel on which the
3 Covered Property is located, regardless of how much of the Parcel the Covered Property occupies.

4 (e) The Abandoned Pharmacy and Grocery Tax shall be payable by the person that kept Vacant
5 or Used Differently the Parcel or portion of the Parcel that is a Covered Property in a tax year, which
6 shall be: (1) the owner or owners of the Parcel on which the Covered Property is located during the
7 period of Vacancy or Different Use, if the Parcel or portion of the Parcel on which the Covered
8 Property is located is not leased; (2) the lessee or lessees of the Parcel or portion of the Parcel on
9 which the Covered Property is located during the period of Vacancy or Different Use, if that Parcel or
10 portion of a Parcel is leased but not subleased; or (3) the sublessee or sublessees of the Parcel or
11 portion of the Parcel on which the Covered Property is located during the period of Vacancy or
12 Different Use, if that Parcel or portion of a Parcel is subleased.

13 (f) A person shall be liable for the Abandoned Pharmacy and Grocery Tax only if that person
14 has kept Vacant or Used Differently the Parcel or portion of the Parcel that is a Covered Property in a
15 tax year. A person shall be deemed to have kept that Parcel or portion of a Parcel Vacant or Used
16 Differently in a tax year if that person and all Related Persons and Affiliates of that person,
17 individually or collectively, have kept that Parcel or portion of a Parcel Vacant or Used Differently for
18 more than 182 days (or more than 183 days during a leap year) in that tax year.

19 (g) Not more than one tax shall be imposed under this Section 2969 with respect to any
20 Covered Property by reason of multiple liable owners, lessees, or sublessees, although the square
21 footage of the lot area of the same Parcel may be used to calculate the tax for more than one Covered
22 Property. If there are multiple liable owners, lessees, or sublessees, each such person shall be jointly
23 and severally liable for the Abandoned Pharmacy and Grocery Tax.

1 (h) This Abandoned Pharmacy and Grocery Tax is in addition to the Vacancy Tax in Article 29,
2 and a person shall be subject to both taxes, if applicable, with respect to the same property.

3
4 **SEC. 2970. EXEMPTIONS.**

5 (a) An organization that is exempt from income taxation by Chapter 4 (commencing with
6 Section 23701) of Part 11 of Division 2 of the California Revenue and Taxation Code or Subchapter F
7 (commencing with Section 501) of Chapter 1 of Subtitle A of the Internal Revenue Code of 1986, as
8 amended, as qualified by Sections 502, 503, 504, and 508 of the Internal Revenue Code of 1986, as
9 amended, shall be exempt from taxation under this Article 29B, only so long as those exemptions
10 continue to exist under state or federal law.

11 (b) Any person other than the owner, lessor, or sublessor of the Covered Property as of
12 January 1 of the tax year or any member of their Taxpayer's Group who, during a tax year, purchases
13 a Covered Property, or becomes the lessee or sublessee of a Covered Property, and who certifies to the
14 Tax Collector that they intend to use the Covered Property as a Grocery Store or Pharmacy, regardless
15 of whether the Covered Property was previously used as a Formula Retail Grocery Store or Formula
16 Retail Pharmacy, shall be exempt from this Abandoned Pharmacy and Grocery Tax for that tax year
17 and the two successive tax years. The exemption in this Section 2970(b) shall not apply to a person
18 who either: (1) purchases a Covered Property from any member of their Taxpayer's Group; or (2)
19 leases or subleases a Covered Property from any member of their Taxpayer's Group.

20 (c) For only so long as and to the extent that the City is prohibited under the Constitution or
21 laws of the State of California or the Constitution or laws of the United States from imposing the
22 Abandoned Pharmacy and Grocery Tax, any person upon whom the City is thereby prohibited from
23 imposing the Abandoned Pharmacy and Grocery Tax shall be exempt from the Abandoned Pharmacy
24 and Grocery Tax.

1 **SEC. 2971. ADMINISTRATION.**

2 *Except as otherwise provided under this Article 29B, the Abandoned Pharmacy and Grocery*
3 *Tax shall be administered pursuant to Article 6 of the Business and Tax Regulations Code.*

5 **SEC. 2972. TECHNICAL ASSISTANCE TO THE TAX COLLECTOR.**

6 *The Assessor-Recorder's Office, Planning Department, and Department of Building Inspection,*
7 *or the successors to those departments or offices, shall provide technical assistance to the*
8 *Tax Collector, upon the Tax Collector's request, to administer the Abandoned Pharmacy and Grocery*
9 *Tax.*

11 **SEC. 2973. AMENDMENT OF ORDINANCE.**

12 *The Board of Supervisors may amend or repeal this Article 29B by ordinance by a two-thirds*
13 *vote and without a vote of the people except as limited by Articles XIII A and XIII C of the California*
14 *Constitution.*

16 **SEC. 2974. NON-SEVERABILITY.**

17 *If any part or application of this Article 29B is found in a final decision by a court of competent*
18 *jurisdiction to be invalid or unconstitutional, this Article in its entirety shall have no force or effect.*

20 **SEC. 2975. SAVINGS CLAUSE.**

21 *No section, clause, part, or provision of this Article 29B shall be construed as requiring the*
22 *payment of any tax that would be in violation of the Constitution or laws of the United States or of the*
23 *Constitution or laws of the State of California.*

1 **SEC. 2976. CONFIDENTIALITY.**

2 Notwithstanding Section 6.22-1 of Article 6 of the Business and Tax Regulations Code, the
3 Tax Collector may make public the following information, from whatever source derived, regarding
4 each Parcel where the Parcel or portion of the Parcel is a Covered Property:

5 (a) The name of the person or persons required to file a return for any tax year with respect to
6 the Parcel;

7 (b) The name of the person or persons required to pay the Abandoned Pharmacy and Grocery
8 Tax with respect to the Parcel;

9 (c) The address and block and lot number of the Parcel;

10 (d) Whether the Parcel or portion of the Parcel that is a Covered Property was kept Vacant or
11 Used Differently during a tax year;

12 (e) The rate of the Abandoned Pharmacy and Grocery Tax applicable to the Parcel for a tax
13 year; and

14 (f) The existence and substance of any certification submitted pursuant to Section 2970(b).

15 Section 2. Appropriations Limit Increase. Pursuant to California Constitution
16 Article XIII B and applicable laws, for four years from November 3, 2026, the appropriations
17 limit for the City shall be increased by the aggregate sum of the tax imposed by Article 29B of
18 the Business and Tax Regulations Code.

19 Section 3. Effective Date. The effective date of this ordinance shall be the eleventh
20 day after the date the official vote count is declared by the Board of Supervisors.

21 APPROVED AS TO FORM:
22 DAVID CHIU, City Attorney

23 By: /s/ Charles E. Olson
24 CHARLES E. OLSON
25 Deputy City Attorney

4924-3064-9253, v. 19

LEGISLATIVE DIGEST

[Initiative Ordinance - Business and Tax Regulations Code - Excise Tax on Keeping Parcels Last Used as Grocery Stores or Pharmacies Vacant or Using Them Differently]

Motion ordering submitted to the voters at an election to be held on November 3, 2026, an Ordinance amending the Business and Tax Regulations Code to impose an excise tax, commencing in tax year 2027, on persons keeping vacant or using differently parcels last used, in whole or in part, as formula retail grocery stores or formula retail pharmacies on or after January 1, 2017; and increasing the City's appropriations limit by the amount collected under the tax for four years from November 3, 2026.

Background

Access to affordable groceries and essential pharmacy services is fundamental to the health and well-being of all San Franciscans. San Francisco has experienced a significant and accelerating loss of formula retail grocery stores. And it has simultaneously experienced a severe loss of formula retail pharmacies.

The loss of a grocery store or pharmacy, unlike most commercial closures, eliminates residents' ready access to food and essential medications, necessities with no readily available market substitute, causing qualitatively greater and more immediate harm to surrounding communities than the vacancy of other commercial property, particularly for residents without vehicles or other means to travel.

Formula retail grocery stores and formula retail pharmacies typically occupy large commercial spaces with configurations that reflect the operational requirements of large chain operators and that present distinct re-tenanting challenges when vacated.

Amendments to Current Law

To address the unique issues the closure of formula retail grocery stores and formula retail pharmacies creates, the proposed measure would impose a tax on keeping certain former formula retail grocery stores or formula retail pharmacies vacant, or using those properties for other purposes.

The tax would apply only if the last use of any portion of the property of at least 365 consecutive days as of December 31, 2026, was as a former formula retail grocery store or formula retail pharmacy. And it would not apply if that former use terminated prior to January 1, 2017. These properties are referred to as "Covered Properties."

An owner or lessee that keeps a Covered Property vacant during a tax year would be subject to a tax of \$3 per square foot of lot area in the first year that the Covered Property is kept vacant, \$5 per square foot in the second year that the Covered Property is kept vacant, and \$10 per square foot for each subsequent year that the Covered Property is kept vacant.

For this purpose, a Covered Property is vacant if it is unoccupied, uninhabited, or unused for more than 182 days (or more than 183 days in a leap year), whether consecutive or nonconsecutive, in a tax year.

An owner or lessee that uses a Covered Property for any purpose other than as a grocery store or pharmacy for more than 182 days (or more than 183 days during a leap year), whether consecutive or nonconsecutive, in a tax year, would be subject to a one-time tax of \$5 per square foot of lot area. For all tax years after the tax year in which this tax on different use is paid, no person would be subject to either the vacancy tax or the tax on different use with respect to that Covered Property. And if a Covered Property is used as a new grocery store or pharmacy for more than 182 days (or more than 183 days during a leap year), whether consecutive or nonconsecutive, in a tax year, no person would be subject to either the vacancy tax or the tax on different use with respect to that Covered Property, even though no person paid the \$5 per square foot tax on different use with respect to the use of that Covered Property.

If a person receives a building permit for the repair, rehabilitation, or construction with respect to a Covered Property, all days within the three-year period following issuance of that permit would not count toward the property being vacant. This exclusion period would only apply to the first building permit issued to the taxpayer or any related person with respect to that Covered Property. Similarly, days within a two-year period following the date that a Covered Property was severely damaged and made unusable by a natural disaster would not count toward the property being vacant.

If a person purchases or leases a Covered Property in a tax year from an unrelated person and certifies that they intend to use the Covered Property as a grocery store or pharmacy, such person would be exempt from the proposed taxes for the tax year in which they purchased or leased the property and the following two tax years. Certain non-profit organizations would also be exempt from the tax.

The proposed tax would be deposited into the General Fund, and could be used for any governmental purposes. The Board of Supervisors could amend or repeal the ordinance, but only with a two-thirds vote and only as consistent with the California Constitution.

The proposed measure would increase the City's appropriation limit under Article XIII B of the California Constitution by the amount of tax this measure imposes.