

**LEGISLATIVE DIGEST**

[Initiative Ordinance - Business and Tax Regulations Code - Real Property Transfer Tax Foreclosure Exemption]

**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, beginning March 1, 2027, eliminate the real property transfer tax foreclosure exemption for the transfer of all properties other than the transfer of residential and mixed-use properties with fewer than five residential units, and to make other non-substantive clarifications to the real property transfer tax; and increasing the City’s appropriations limit by the amount of real property transfer tax collected for four years from November 3, 2026.**

Existing Law

The City’s real property transfer tax applies to transfers of real property in the City. Existing law partially exempts from this tax transfers where the lender forecloses upon the property or where the borrower transfers the property to the lender in lieu of foreclosure (a “deed in lieu of foreclosure”). In such cases, tax applies only to the extent the consideration or value exceeds the unpaid debt on the property, including accrued interest and foreclosure costs.

Amendments to Current Law

For transfers on or after March 1, 2027, the proposed measure would remove the partial exemption described above for transfers of all properties other than single-family residences, multi-family residential properties with fewer than 5 residential units, and mixed-use properties with fewer than five residential units and only a single floor of non-residential space.

For transfers to the lender by foreclosure or deed in lieu of foreclosure that are no longer subject to the partial exemption, the transfer tax base would be the fair market value of the property being transferred to the lender.

The ordinance would also make non-substantive changes declarative of existing law and would increase the City’s appropriation limit under Article XIII B of the California Constitution by the amount of real property transfer tax collected for four years from November 3, 2026.