

LEGISLATIVE DIGEST

[Business and Tax Regulations Code - Transfer Tax Exemption for Affordable Housing]

Ordinance amending the Business and Tax Regulations Code to temporarily exempt transfers of certain rent-restricted affordable housing from the real property transfer tax, retroactive to transfers on or after April 12, 2024; and affirming the Planning Department's determination under the California Environmental Quality Act.

Existing Law

Since 2008, the voters have increased the real property transfer tax on the transfer of properties with a consideration or value of \$5 million or more from 0.75% of consideration or value to between 2.25% and 6%, depending on the consideration or value. (November 2008 Prop. N; November 2010 Prop. N; November 2016 Prop. W; and November 2020 Prop. I). Until April 12, 2024, the Board of Supervisors had the authority to partially exempt transfers of rent-restricted affordable housing. Pursuant to this authority, the Board provided a partial exemption for transfers of rent-restricted affordable housing, applying a rate of 0.75% instead of the standard rates of between 2.25% and 6%. In March 2024, the voters passed Proposition C, which, effective April 12, 2024, permits the Board of Supervisors to exempt transfers from all or any part of the transfer tax.

Amendments to Current Law

This legislation would fully exempt transfers of rent-restricted affordable housing properties on or after April 12, 2024, if at the time of the transfer the properties either (1) had the property tax welfare exemption for at least 90% of the residential units in the property; or (2) were wholly owned by certain nonprofit organizations and were being transferred to a person or legal entity who intended to apply for and hold the property in compliance with the welfare exemption for at least 90% of the residential units in the property. This legislation would not change the existing partial exemption for other rent-restricted affordable housing properties, keeping the existing tax rate of 0.75%. Both exemptions expire on December 31, 2030.

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