

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 cursive script, 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. 260692

**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.

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

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

3 **Motion ordering submitted to the voters at an election to be held on November 3, 2026,**
4 **an Ordinance amending the Business and Tax Regulations Code to, beginning**
5 **March 1, 2027, eliminate the real property transfer tax foreclosure exemption for the**
6 **transfer of all properties other than the transfer of residential and mixed-use properties**
7 **with fewer than five residential units, and to make other non-substantive clarifications**
8 **to the real property transfer tax; and increasing the City's appropriations limit by the**
9 **amount of real property transfer tax collected for four years from November 3, 2026.**

10
11 MOVED, That the Board of Supervisors hereby submits the following ordinance to the
12 voters of the City and County of San Francisco, at an election to be held on
13 November 3, 2026.

14
15 **Ordinance amending the Business and Tax Regulations Code to, beginning**
16 **March 1, 2027, eliminate the real property transfer tax foreclosure exemption for the**
17 **transfer of all properties other than the transfer of residential and mixed-use properties**
18 **with fewer than five residential units, and to make other non-substantive clarifications**
19 **to the real property transfer tax; and increasing the City's appropriations limit by the**
20 **amount of real property transfer tax collected for four years from November 3, 2026.**

21
22 NOTE: **Unchanged Code text and uncoded text** are in plain font.
23 **Additions to Codes** are in *single-underline italics Times New Roman font*.
24 **Deletions to Codes** are in ~~strikethrough italics Times New Roman font~~.
25 **Asterisks (* * * *)** indicate the omission of unchanged Code subsections or parts of tables.

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

2 Section 1. Article 12-C of the Business and Tax Regulations Code is hereby amended
3 by revising Sections 1101, 1108.2, and 1111, to read as follows:

4
5 **SEC. 1101. SHORT TITLE.**

6 This Article 12-C shall be known as the "Real Property Transfer Tax Ordinance;" ~~and the~~
7 ~~tax it imposes shall be known as the "Real Property Transfer Tax." It is adopted pursuant to the~~
8 ~~authority contained in Part 6.7 (commencing with Section 11901) of Division 2 of the Revenue and~~
9 ~~Taxation Code of the State of California.~~

10
11 **SEC. 1108.2. EXEMPTION; DEEDS IN LIEU OF FORECLOSURE, ETC.**

12 (a) Any tax imposed pursuant to this ~~ordinance~~ Article 12-C shall not apply with respect
13 to any deed, instrument, or writing to a beneficiary or mortgagee, which is taken from the
14 mortgagor, trustor, or trustee, as a result of or in lieu of foreclosure of a qualified residential
15 property as defined in subsection (b), or of interests in a legal entity directly or indirectly owning a
16 qualified residential property, to the extent of any transfer tax otherwise due with respect to such
17 qualified residential property; provided, that such tax shall apply to the extent that the
18 consideration or value for the transfer of a qualified residential property, or the fair market value of
19 the qualified residential property that experienced a change of ownership under California Revenue
20 and Taxation Code Section 64 for the transfer of interests in a legal entity directly or indirectly owning
21 a qualified residential property, exceeds the unpaid debt, including accrued interest and cost of
22 foreclosure. Consideration, value, or fair market value, as applicable; the unpaid debt amount,
23 and identification of grantee as beneficiary or mortgagee shall be noted on said deed,
24 instrument or writing or stated in an affidavit for tax purposes.

1 **(b) For purposes of subsection (a), a “qualified residential property” means a single-family**
2 **residence, condominium, cooperative unit, single live/work unit, multifamily residential property with**
3 **fewer than five residential units, or mixed-use property with fewer than five residential units and only a**
4 **single floor of non-residential space. A qualified residential property shall not include a property with**
5 **a unit or units designed for occupancy primarily by travelers, vacationers, or other transient**
6 **occupants.**

7 **(c) Notwithstanding any other provision of this Article 12-C, the tax imposed with respect to**
8 **any deed, instrument or writing to a beneficiary or mortgagee, which is taken from the mortgagor,**
9 **trustor, or trustee, as a result of or in lieu of foreclosure, if such transfer is not subject to the exemption**
10 **in subsection (a), shall be based on the fair market value of the interest or property conveyed (not**
11 **excluding the value of any lien or encumbrances remaining thereon at the time of sale), or the fair**
12 **market value of all real property that experienced a change in ownership under California Revenue**
13 **and Taxation Code Section 64 as a result of the transfer, as applicable, and shall not be based on**
14 **consideration.**

15
16 **SEC. 1111. RECORDING PAYMENT OF TAX; DEPOSIT OF TAX TO GENERAL FUND.**

17 **(a) The Real Property Transfer Tax is a general tax.** The County Recorder shall collect the
18 tax hereby imposed and deposit the same to the General Fund to be expended for any City
19 purposes. The County Recorder shall not record any deed, instrument or writing subject to the
20 tax imposed by this Article 12-C unless the tax is paid.

21 * * * *

22
23 Section 2. Scope of Ordinance. In enacting this ordinance, the People of the City and
24 County of San Francisco intend to amend only those words, phrases, paragraphs,
25 subsections, sections, articles, numbers, punctuation marks, charts, diagrams, or any other

1 constituent parts of the Municipal Code that are explicitly shown in this ordinance as additions
2 or deletions, in accordance with the “Note” that appears under the official title of the
3 ordinance.

4
5 Section 3. Appropriations Limit Increase. Pursuant to California Constitution
6 Article XIII B and applicable laws, for four years from November 3, 2026, the appropriations
7 limit for the City shall be increased by the aggregate sum collected by the levy of the tax
8 under Article 12-C of the Business and Tax Regulations Code as amended by this ordinance.

9
10 Section 4. Effective Date; Operative Dates.

11 (a) Effective Date. This ordinance shall become effective on the eleventh day after the
12 date the official vote count is declared by the Board of Supervisors.

1 (b) Operative Dates. The amendments to Section 1108.2 of Business and Tax
2 Regulations Code Article 12-C in this ordinance shall become operative on March 1, 2027,
3 and shall apply to transfers occurring on or after that date. The amendments to
4 Sections 1101 and 1111 of Business and Tax Regulations Code Article 12-C in this ordinance
5 are declaratory of existing law and shall become operative immediately upon the effective
6 date of this ordinance.

7 APPROVED AS TO FORM:

8 DAVID CHIU, City Attorney
9

10 By: /s/ Carole F. Ruwart
11 CAROLE F. RUWART
Deputy City Attorney

12 4937-8206-9143, v. 15
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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.