

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST
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Policy Analysis Report

To: Supervisor Preston
From: Budget and Legislative Analyst's Office
Re: Residential Vacancies in San Francisco
Date: January 31, 2022



Summary of Requested Action

Your office requested that the Budget and Legislative Analyst conduct an analysis on the number of residential vacancies in San Francisco, reasons for vacancies, comparison to other cities, and policy options for addressing vacancies based on other jurisdictions.

For further information about this report, contact Fred Brousseau at the Budget and Legislative Analyst's Office.

Executive Summary

- San Francisco's housing shortage can be measured in a number of ways. San Francisco Planning Department records show an increase in housing units of 7.2 percent between 2010 and 2019 whereas U.S. Census Bureau data shows population growth of 9.5 percent. The share of units for sale or rent that are vacant in San Francisco is lower than in many other U.S. cities and counties but its share of total units vacant for all reasons is higher than in comparable jurisdictions.
- With an uptick in housing production in San Francisco since 2016, it appears that the City is likely to meet its State-generated Regional Housing Needs Allocation (RHNA) target for January 31, 2015 through January 31, 2023 of 28,869 new units. However, the distribution of units by affordability level shows that San Francisco has already exceeded its RHNA target for market rate housing but has under-produced housing compared to the goal for very low, low, and moderate income households.
- With approximately only one year remaining to meet the RHNA goals for 2015-2023, San Francisco is 10,617 units short for affordable housing but has produced 6,000 units of market rate housing in excess of the RHNA target. In 2020, only twenty

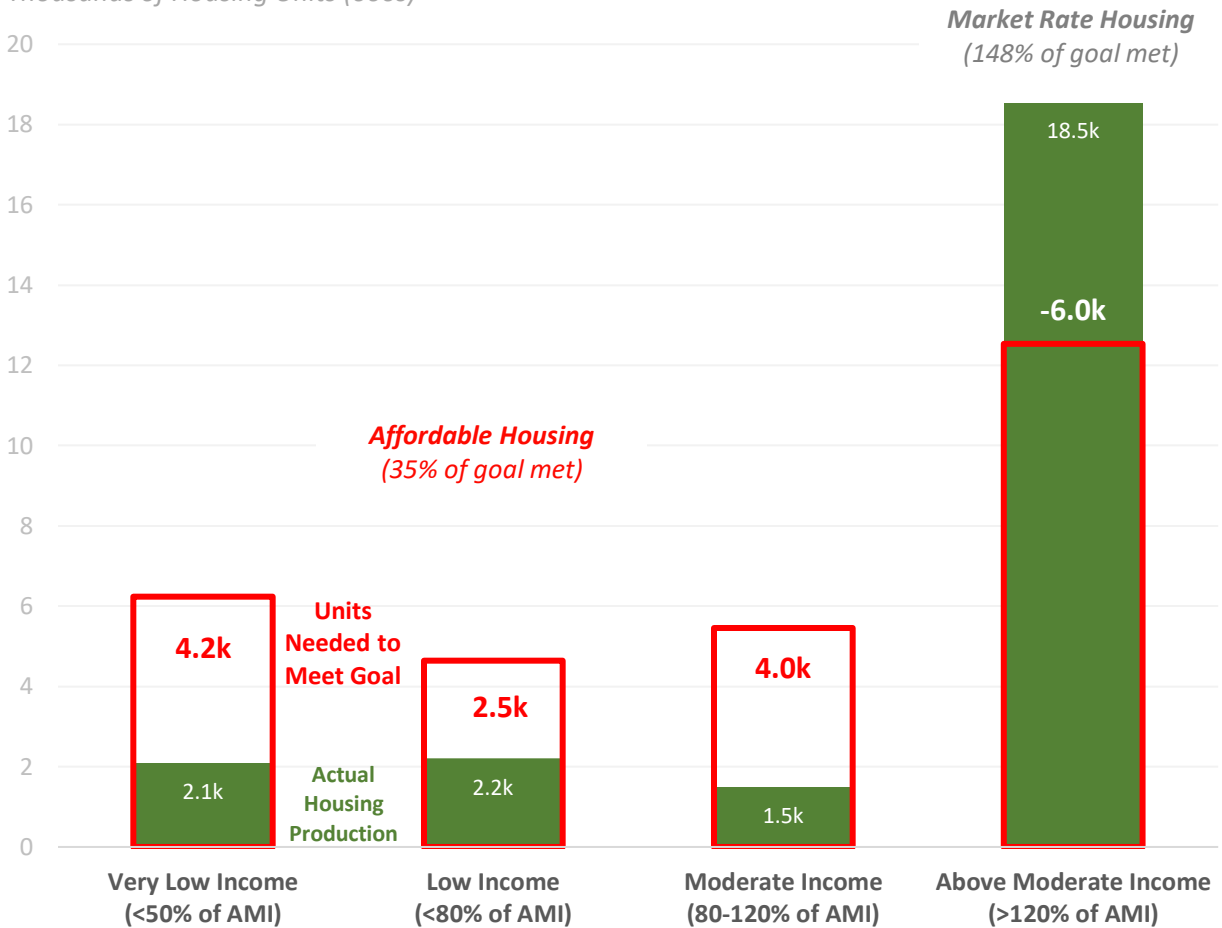
Budget and Legislative Analyst

percent of the 4,044 housing units added were affordable for very low, low, and moderate income households.

- Exhibit A shows the discrepancies between the RHNA goals for 2015-2023 and actual housing production between 2015 and 2020 by affordability level.

Exhibit A: Actual Housing Production Compared to Housing Goals from Regional Housing Needs Allocation by Household Affordability Level, 2015-2023 (as of end of 2020)

Thousands of Housing Units (000s)



Source: San Francisco Planning, San Francisco Housing Inventory 2020; RHNA eight-year cycle runs from January 31, 2015 to January 31, 2023.

- New housing added between 2015 and 2020 has been largely concentrated in the Financial District, SOMA, and the Mission district. SF Public Works data shows that much of the new housing recorded in San Francisco during this period has been condominiums. Though the SF Public Works condominium data reports units

recorded as opposed to Planning Department data reporting units completed, a comparison of the two data sources show that condominiums make up the majority of new housing units added in the City.

Vacant housing units in San Francisco

- In 2019, the most recent year reported, there were 40,458 total housing units vacant in San Francisco, or approximately ten percent of the City's 406,399 housing units.¹ Vacant units were concentrated in SOMA, Downtown, and the Mission District, or generally the same areas where new housing construction has been concentrated. While a certain level of vacancy can be expected due to normal turnover of housing units, some units may be vacant due to owner preferences and actions that are inconsistent with policy goals of maximizing the City's housing stock for residents. Exhibit B shows the distribution of those vacant units by cause, as reported in the U.S. Census Bureau's American Community Survey (ACS).

¹ The 2020 U.S. decennial census reported vacant units in San Francisco for 2020 in November 2021. We have not used this data as it does not include reasons for vacancy yet, as is provided for the annual ACS data, and due to insufficient information on the impact of the COVID-19 pandemic on data collection processes, response rates, and imputed estimates at the local level.

Exhibit B: Vacant San Francisco Housing Units by Reason and Category Definitions, 2019

ACS Vacant Unit Category	2019 Estimate		Definition
	#	%	
For Rent	7,241	18%	Vacant units offered for rent and vacant units listed for rent or for sale
Rented, Not Occupied	2,405	6%	Vacant units that have been rented (i.e. compensation has been paid or agreed upon) but where the renter has not yet moved in.
For Sale Only	1,307	3%	Vacant units offered for sale only (i.e. does not include vacant units that are listed for sale or for rent)
Sold, Not Occupied	8,039	20%	Vacant units that have been sold but where the new owner has not yet moved in
Seasonal, Recreational, or Occasional Use	8,565	21%	Vacant units used or intended for use part time or occasional use throughout the year. This includes units used seasonally or recreationally, such as second or non-primary housing units, and timeshares.
Other Vacant	12,991	32%	Vacant units that don't fall into any of the categories above. This can include units held vacant for personal or family reasons, units requiring or undergoing repair, corporate housing, ² units held for use by a caretaker or janitor, units subject to legal proceedings, units being kept vacant for a future sale, etc.
Total	40,458	100%	

Source: US Census Bureau, American Community Survey (1-year estimates, Table B25004); US Census Bureau, [2019 American Community Survey Subject Definitions](#)

- **Sold but not Occupied** units, shown in Exhibit B, was the fastest growing segment of vacant housing in San Francisco over five years through 2019. This type of vacancy may be due to owners buying new units while they are still under construction but it may also be due to owners purchasing them as investments or cash havens with no intention of moving in or renting them out. In such a situation, a City policy intervention may be useful to incentivize the conversion of some of these units to occupied housing.
- Units that are occupied only for **Seasonal, Recreational, or Occasional Use** include second (or third or more) homes that sit vacant except for when the owners or their guests come to the City for limited duration visits. Depending on the owners' situations, such visits could be infrequent, producing externalities such as reduced neighborhood vitality and lack of support for small businesses in the neighborhood.

² Definition for "Other Vacant" taken from Current Population Survey/Housing Vacancy Survey documentation and assumed to be the same for ACS. ACS definitions not found on Census website or related documents.

- Vacant units classified as **Other** in the ACS include those that are vacant pending completion of repairs, pending a change in owner or owner family use, units being used for non-residential purposes such as equipment storage, units rented as corporate housing, units the owner wants to keep tenant-free for an eventual sale, units where the occupant is in a medical or residential care facility, and other explanations. Some of these situations could be appropriate for policy interventions to increase the City's housing supply.

Vacancy tax policy intervention

- Like some U.S. cities, Vancouver, British Columbia, imposed an Empty Homes Tax on certain vacant units in 2016. The tax is a surcharge on the assessed value of vacant units, identified through a self-registration process. The city reports that their overall vacancy rate decreased from 4.3 to 3.1 percent as a result of the tax and that 1,676 units were returned to occupancy in 2018, followed by an additional 220 in 2019. This number is expected to decline in subsequent years, seemingly a sign that the tax is having its intended impact.
- Vancouver's Empty Homes Tax generated the equivalent of approximately \$21.3 million US dollars in 2019, the net proceeds of which were used by the city for affordable housing initiatives. Exemptions to the tax are provided for reasons such as the property being in the process or being transferred, the owner being in a care facility, and others. The city has been sued several times over this tax.
- U.S. cities that have imposed vacancy taxes include Washington, D.C. and the City of Oakland. Washington, D.C.'s tax is \$5 for every \$100 of assessed value for vacant properties and \$10 for every \$100 of assessed value for blighted properties, which are also covered by the tax. The city reported generating \$9.4 million in gross revenue in 2016.
- The City of Oakland's vacancy tax applies to vacant housing units or land occupied for less than 50 days per year. The city charges a flat fee of between \$3,000 and \$6,000 per housing unit or parcel, depending on the use. In 2020 the city reported gross revenues from the tax of \$7.3 million. Both Oakland and Washington, D.C. provide exemptions for certain types of vacancies.
- San Francisco currently has a commercial property vacancy tax in place, adopted by the voters in 2020. The tax is charged based on the linear feet of street-facing vacant commercial property. While a tax on vacant residential properties would not lend itself to the same structure as the commercial vacancy tax, and California state law

places limitations on increases in property tax assessments similar to what has been established in Vancouver, B.C. and Washington, D.C., the City of Oakland parcel tax approach appears to be the most feasible for San Francisco if the City chooses to adopt such a tax. The tax would require voter approval under Proposition 218.

- Assuming an estimated 4,600 to 7,300 vacant units in San Francisco that would be subject to a vacancy tax, we estimate San Francisco could generate between \$12.2 and \$61.2 million per year in net revenue initially, or an amount in between depending on whether it adopts a tax similar to Oakland's on the low side or Vancouver, B.C.'s on the high side. Our mid-range net revenue estimate is approximately \$38.9 million per year.
- The City of Vancouver reported a 21.2 percent reduction in vacant units the first year after its vacancy tax was adopted and another 3.5 percent reduction in the second year, for a total of 1,896 units returned to occupancy. To the extent the tax is effective in encouraging units to become occupied for housing, the number of vacant units and revenues generated would likely decrease in the future, as has been the experience in Vancouver.
- Barcelona, Spain authorized fines for properties vacant more than two years in 2007. The city instituted an empty homes registry in 2016 and increased the severity and use of these fines in recent years. In addition, the regional government has granted local governments authority to impose: (1) temporary repossession of units vacant for more than two years for use as affordable rental housing for between four to ten years before they are returned to the owner (implemented in 2016); and, (2) compulsory sale of properties vacant for more than two years at 50 percent of market value. Barcelona has targeted 194 empty housing apartments under the compulsory sale measure as of July 2020, out of 2,021 empty housing units identified in its housing registry.
- Exhibit C presents a summary of policy intervention alternatives that the City and County of San Francisco could consider based in part on the examples presented above, with some variations added.

Exhibit C: Summary of Vacancy Tax and Policy Options

Policy Option	Description	Case Studies/ Examples	Ease of Implementation
Flat Vacancy Tax	Fixed flat fee for vacant units triggered based on specified vacancy criteria (i.e. length of time vacant, secondary homes, etc.). With the same fee imposed on all vacant units, it would not reflect the specific proportional negative impact or cost of vacancy imposed by each vacant property.	Oakland, CA	Voter approval required. Relatively easy to implement administratively.
Variable Vacancy Tax	Vacancy tax which varies based on specific criteria in order to provide a stronger link between the tax and the negative impact or cost of vacancy imposed. a) Property value (i.e., 1.25% of assessed value as in Vancouver, BC or \$5 per \$100 of assessed value as in Washington, DC). b) Property or owner characteristics, i.e. size of vacant property, length of time vacant, number of vacant units owned c) Local area characteristics, i.e. neighborhood vacancy rates ('high' vs. 'low' vacancy areas)	Washington, DC; Vancouver, BC (Canada)	Voter approval required. Moderate to Difficult to implement administratively (depending on complexity of design/criteria).
Non-Tax Based Option	Temporary expropriation or possession by the City of vacant units that meet certain criteria. This could be similar to the Barcelona model where long-term vacant units are expropriated and then rented as affordable housing for several years before being returned to their owners. This could be difficult to implement in the U.S. due to constitutional rights regarding the protection of private property interests and restrictions on expropriation for public purposes.	Barcelona, Spain	Difficult to implement
Combined Tax & Incentive Options	Combination of one of the vacancy tax options mentioned above along with an option for the City or community based organizations to make an offer to purchase properties that are vacant for several years in a row. This could be linked to the City's existing Affordable Housing acquisition funding or programs such as the Small Sites Program or Community Opportunity to Purchase Act. ³	NA	Voter approval required for tax. Moderate/ Difficult to implement administratively.

Source: Budget & Legislative Analyst

Other vacancy tax considerations

- Establishment of a vacancy tax in San Francisco would require a mechanism to identify vacant units. The new housing registry in San Francisco being established pursuant to legislation adopted by the Board of Supervisors in January 2021 will contain information on all residential units in the City subject to the City's Rent Stabilization and Arbitration Ordinance. The registry offers a place for data on vacant units to be collected and used for City programs addressed at reducing vacancies that could be used for housing. It will provide vacancy status information for many, but not all, housing units in the City; an amendment to the legislation establishing the housing registry would be needed to cover non-rental housing units.

- While a vacancy tax could encourage owners of housing units being held vacant for reasons other than normal turnover to occupy them, provide them as rental housing, or would provide funding to help with affordable housing initiatives, it should be considered as one of a number of policy tools to increase housing supply in San Francisco. Since there are many reasons housing units are held vacant, some at no fault of the owner, no tax should result in all vacant units being taxed or becoming occupied. The City would need to define vacancy explicitly, determine appropriate financial incentives, and identify reasonable exemptions if decisionmakers conclude that a vacancy tax should be imposed in San Francisco to further housing policy goals.

³ Information on the San Francisco Community Opportunity to Purchase Act is available [here](#) and the Small Sites Program [here](#)

Policy Options

The Board of Supervisors could:

1. **Improve information and data on the number of vacant homes and reasons for vacancy.** Consider amending the legislation adopted in January 2021 establishing a City housing registry so that it expands the existing ordinance to collect vacancy data on all housing including owner occupied housing and units not subject to the City Rent Stabilization and Arbitration Ordinance. Request the Rent Board to produce information annually on the number of vacant homes based on data provided for the Housing Inventory, this could be done alongside consideration of the vacancy tax interventions suggested in this report.
2. **Request advice from the City Attorney on legally permissible options for implementing a Residential Vacancy Tax.**
3. **Consider establishing a Residential Vacancy Tax subject to the following principles:**
 - a. Balance cost-effective financial incentives with reasonable exemptions for legitimate vacancies and activities that would return a unit to the market (e.g., renovations, etc.)
 - b. Consider how revenues would be spent to further support housing affordability policy goals or address root causes of housing shortages
 - c. Require City staff to collect and report data on baseline vacancy and reasons/ types of vacancy as part of this option as well as the occupancy status of previously vacant properties (i.e. similar to the City of Vancouver).

Project Staff: Fred Brousseau, Cody Xuereb

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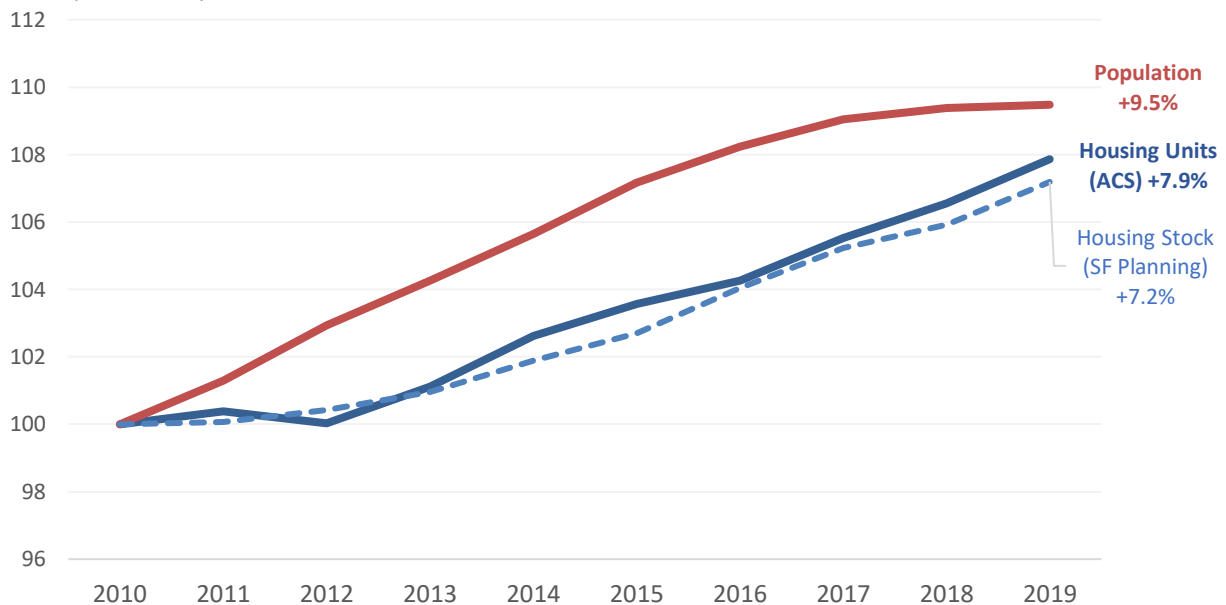
1) Background: Housing Supply and Demand Trends in San Francisco

Unaffordable Housing: Population Growth over the Past Decade Has Outpaced Housing Supply Growth

In reviewing estimates of vacant housing in San Francisco, it is useful to consider the context of the City's housing market overall which has been plagued by an affordability problem for many years. Housing production in San Francisco has not kept up with population growth over the past decade though it has picked up since 2016. Exhibit 1 shows that, according to U.S. Census Bureau survey data, San Francisco's resident population grew by 9.5 percent from 2010 to 2019 whereas the number of housing units increased by 7.9 percent. San Francisco Planning Department housing inventory data, based on actual housing units completed, indicates housing stock has grown by 7.2 percent, or slightly less than the Census Bureau estimate, over this period. While annual housing production has increased since 2016, and even exceeded population growth through 2019, a slow-down in population growth over this period may also be a symptom of constrained housing supply. Between 2010 and 2019, 219,500 jobs were added in San Francisco, increasing from 543,500 in 2010 to 763,000 in 2019. Clearly, many of these workers did not choose to live in the City, some by choice but others due to the cost of housing, or may have displaced City residents who left due to the cost of housing.

Exhibit 1: San Francisco Population and Housing Growth, 2010 - 2019

Index (2010 = 100)



Source: US Census Bureau, American Community Survey (ACS); San Francisco Planning, San Francisco Housing Inventory 2020

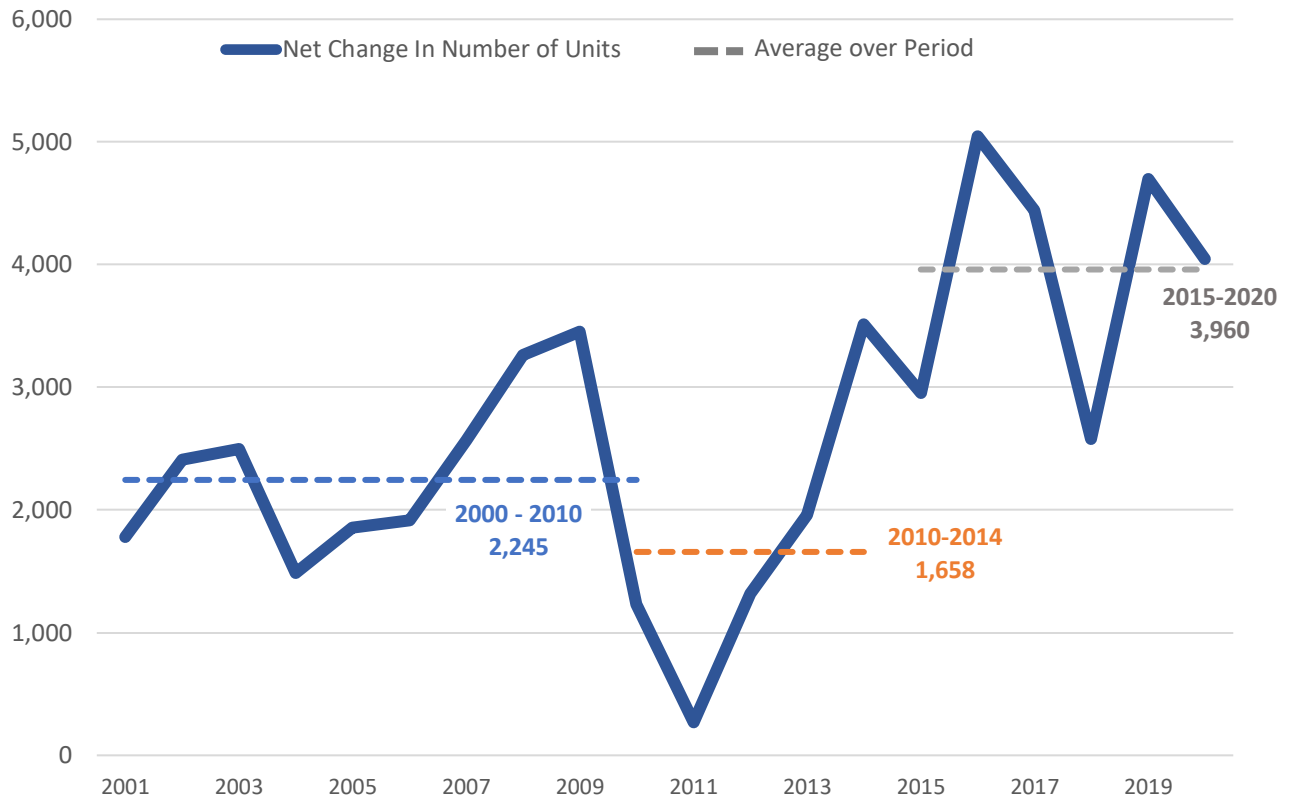
Total Housing Production in San Francisco is expected to Meet State Target Overall, but Affordable Housing Production is Well below Targets

In 2020, a net of 4,044 housing units were added to the housing stock, down 14 percent compared to 2019 but still 31 percent above the 10-year City average (3,082 units per year). Exhibit 2 shows that an average of 3,960 housing units were added annually from 2015 to 2020, almost two and half times the number of units added from 2010 to 2014. Over 90 percent of units added were from new construction (3,957) rather than through the alterations of existing units (439). Of new units added in 2020, only 20 percent (818 units) were affordable for very low, low, and moderate income groups (defined as below 120% of Area Median Income or \$138,500 for a family of 3 in 2020⁴), a decrease from an average of 1,037 affordable units per year from 2015 through 2020. Just over half of the affordable units in 2020 were “inclusionary units,” i.e., affordable housing units required as part of construction of larger market rate development (generally projects with 10 or more units).

⁴ MOHCD, [2020 Unadjusted Area Median Income \(AMI\) for HUD Metro Fair Market Rent Area \(HMFA\) that Contains San Francisco.](#)

Exhibit 2: Net Housing Units Added in San Francisco, 2001 – 2020

Net Change in Housing Units



Source: San Francisco Planning, San Francisco Housing Inventory 2020

Exhibit 3: Net Housing Units Added vs. Regional Housing Needs Allocation, and Population in San Francisco, 2015-2020

Year	Total Housing Stock ¹	Net Change in Housing Units ²	Annual Avg. No. of New Units Needed (RHNA) ³	Population ⁴	% Annual Change in Population
2015	382,549	2,954	3,609	863,010	1.4%
2016	387,595	5,046	3,609	871,512	1.0%
2017	392,036	4,441	3,609	878,040	0.7%
2018	394,615	2,579	3,609	880,696	0.3%
2019	399,313	4,698	3,609	881,549	0.1%
2020	403,357	4,044	3,609	-	-
Total	-	23,762	21,652	-	-

Source: ¹ U.S. Census, American Community Survey (ACS 2015) and SF Planning; ² San Francisco Planning, San Francisco Housing Inventory 2020; ³ San Francisco Regional Housing Needs Allocation (RHNA) for the planning period 2015-2023, based on total RHNA of 28,869 for the period prepared by California Department of Housing and Community Development and Association of Bay Area Governments; ⁴ U.S. Census, ACS

While overall housing production is likely to meet the State-required Regional Housing Needs Allocation target (RHNA)⁵ for San Francisco in terms of total units constructed, this is driven primarily by over-performance in market rate housing production. Exhibit 3 below shows that while San Francisco has surpassed its RHNA goal for 2015-2023 for market rate housing by 48 percent, only 35 percent of the affordable housing unit production goal had been met as of the end of 2020. While two years remain, the City currently needs 10,617 units to meet its housing goals for Very Low, Low, and Moderate Income groups. This data only includes actual units completed and does not include housing permits issued for affordable or market housing. Additionally, draft RHNA housing allocations for the upcoming 2023-2031 planning period indicate San Francisco will have to plan for 82,069 units, of which 46,598 will be for Very Low,

⁵ The Regional Housing Needs Allocation (RHNA) is a multi-year housing unit needs target prepared by the State Housing and Community Development Department which each local jurisdiction in California must factor into its state-mandated Housing Element as part of their General Plan. The RHNA sets the amount of housing need that must be planned. San Francisco's specific RHNA is determined by the Association of Bay Area Governments based on a regional housing total set by the Housing and Community Development Department. The current RHNA planning period is for the eight years running from January 31, 2015 to January 31, 2023.

Low, and Moderate Income groups. This represents an almost threefold increase in the new units needed per year compared to the current RHNA planning period.⁶

Exhibit 3: Actual Housing Production Compared to Housing Goals from Regional Housing Needs Allocation by Household Affordability Level, 2015-2022 (as of end of 2020)

Thousands of Housing Units (000s)



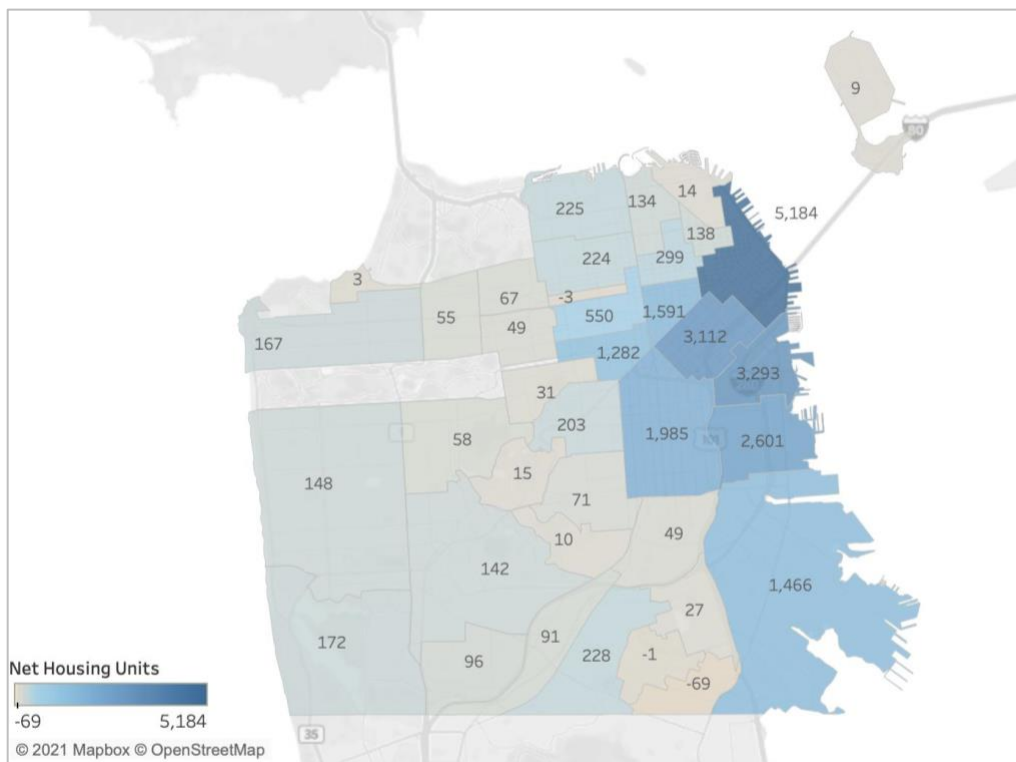
Source: San Francisco Planning, San Francisco Housing Inventory 2020

⁶ In the current 2015-23 planning period, San Francisco is required to plan for 28,869 units in total, or 3,609 per year. This is increasing to 82,069 housing units for the 2023-31 planning period, or 10,259 per year. The share of affordable and market rent housing is not expected to change, though the share of Very Low Income housing units is increasing from 22 percent of the total to 25 percent. Source: https://abag.ca.gov/sites/default/files/documents/2021-05/ABAG_2023-2031_Draft_RHNA_Plan.pdf

New Housing Supply is Concentrated in Multi-Unit Buildings in the Downtown and South of Market Areas, with a Few Exceptions

New housing units built between 2015 and 2020 have been primarily concentrated in high density buildings in the northeastern parts of the City. Exhibit 4 shows 5,184 units were added between 2015 and 2020 in the Financial District neighborhood, followed by 3,293 units in Mission Bay, and 3,112 units in the South of Market area. San Francisco Planning data estimates that 93 percent of new units added between 2011 and 2020 were in buildings with 20 or more units, even though these only make up around 30 percent of the City’s total housing stock.

Exhibit 4: Net Housing Units Added by Neighborhood, 2015-2020*



Source: San Francisco Planning, San Francisco Housing Inventory 2020

Note: Neighborhoods are based on “analysis neighborhoods” created by the Mayor’s Office of Housing and Community Development, Department of Public Health, and Planning to provide consistency in reporting data on socio-economic, demographic, environmental, and City-funded services.

Condominium Construction and Conversion Trends

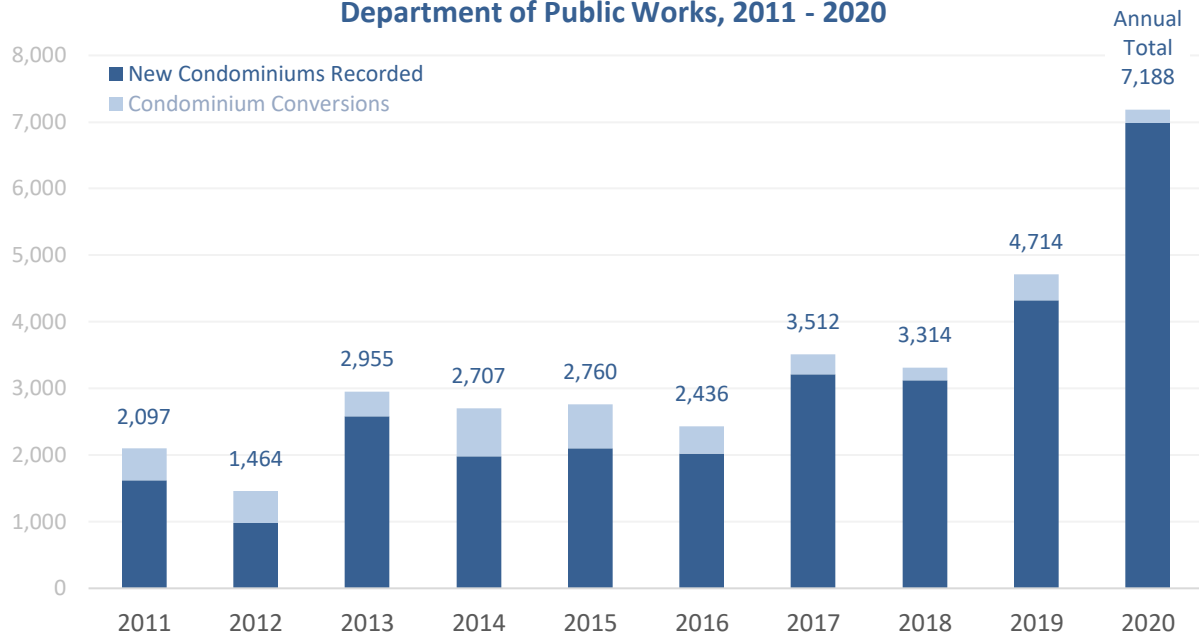
While difficult to estimate precisely, condominiums continue to make up a significant share of new housing in the City. According to June 2021 Zillow home value data, a typical condominium in San Francisco was valued at \$1.28m, around 25 percent less than single family residences, valued at \$1.70 million.⁷

Data on condominium construction and conversions is tracked separately by San Francisco Public Works (SFPW); the specific number of condominium units completed in each year is not reported in the Planning Department's Housing Inventory. Instead, Planning reports the number of condominiums "recorded" per year by SFPW (i.e. when a subdivision and final parcel map are approved), which can occur at any point in the development process from plan submission to after construction is completed.

As shown in Exhibit 5 below, 6,987 new condominiums and 201 conversions were recorded by SFPW in 2020, an increase of 52 percent compared to 2019 and 1.5 times greater than the 2011 to 2019 average. The SFPW condominium totals are greater than the 4,044 total new units reported above by the Planning Department as the SFPW data includes projects not yet completed and projects from the previous year, as well as newly completed condominiums. Only newly constructed condominiums receiving certificates of occupancy are included in the Planning Department's housing stock count (i.e., the 4,044 units reported for 2020) though they are not separately identified. The SFPW condominium count can also include units that are later offered as apartments for rent. Despite the measurement differences between the Planning and SFPW data, condominiums likely make up a large portion of new construction counted by the Planning Department

⁷ Based on [Zillow Home Value Index data](#), a seasonally-adjusted measure of a typical home value in the 35th to 65th percentile range by value.

Exhibit 5: New Condominiums and Condominium Conversions (Units) Recorded by the Department of Public Works, 2011 - 2020



Source: San Francisco Planning, San Francisco Housing Inventory 2020 (based on San Francisco Public Works data)

Note: The number of new condominiums recorded by San Francisco Public Works each year does not correspond with the number of net new housing units reported by the Planning Department as new condominiums recorded by SFPW includes condominiums that have not been completed yet, new condominiums completed in previous years, and condominiums later offered for rent. Condominium conversions are capped at 200 per year by local ordinance but the actual total recorded can exceed this as it may include some units approved in prior years.

2) Estimates of Vacant Residential Units in San Francisco

Available Information on Residential Vacancies

Given the information presented above about the shortfall in new affordable housing construction in San Francisco in recent years, housing that remains vacant for extended durations is worth considering as a potential source of increased housing supply in some cases.

Timely information on vacant residential units in San Francisco is not currently recorded directly. Instead, data from surveys and postal service data can be used to estimate the number of vacant units, the reasons for vacancy, and their distribution throughout the City. These surveys define and capture vacancy in different ways, leading to divergences in the estimated number and distribution of vacant units. However, in January 2021, the Board of Supervisors authorized the

Rent Board to establish a Housing Registry and required all residential housing owners in buildings with 10 or more units covered by the City's Rent Stabilization and Arbitration Ordinance to provide certain information on the occupation and rental of certain properties starting July 1, 2022. Owners of condominiums and units in buildings with less than 10 units will be required to provide this information starting March 1, 2023. Vacancy information should be available for rental units that are not owner-occupied during part or all of the year. Amending the legislation to include the vacancy status of all residential units would provide the data necessary on all vacancies for all residential units Citywide.

The U.S. Census Bureau administers two large-scale surveys which provide regular high-quality data on residential vacancies in San Francisco County and the Metro Area: the annual American Community Survey (ACS) and the quarterly Current Population Survey/Housing Vacancy Survey (CPS/HVS). The ACS is a large annual national survey with a sample size of 3.5 million housing units which provides data on vacancies at the census tract level (a geographic unit of varying size but smaller than a zip code area), as well as several types of vacant units, but has a reporting lag of about nine to twelve months.⁸ The ACS defines units as vacant if they are vacant at the time of the survey or if the current resident is only residing there for less than two months. Units under construction are counted as vacant only if they are "closed to the elements" (i.e., they have finished walls, ceilings, windows, and doors).

The CPS/HVS is a national survey with a much smaller sample size compared to the ACS of 72,000 housing units. This survey provides quarterly data but is only available at the multi-county Metro area level (Metropolitan Statistical Area or MSA) and provides vacancy rates for homeowner and rental vacancies only.⁹ Unlike the ACS, the CPS/HVS rental and homeowner vacancy rates exclude vacancies related to seasonal, occasional, or other uses and therefore only provides an indication of vacancies for units on the market for sale or rent. Units that are rented or sold but are not yet occupied are also excluded.

The U.S. Census Bureau also collects information on vacant units as part of the national decennial census. The main difference with the surveys mentioned above is that the decennial census is

⁸ The sample size for San Francisco County was 7,748 housing units for the 2019 1-year ACS. US Census Bureau, [Table B98001: Unweighted Housing Unit Sample](#).

⁹ Around 10,800 units responding to the survey are vacant and around half of these are interviewed as part of the Housing Vacancy Survey. Weighted estimation methodologies are used to adjust the national sample to produce metro area estimates. [US Census Bureau, Current Population Survey/ Housing Vacancy Survey Sources & Accuracy Statement](#).

mailed to every residential address in the U.S. providing a more accurate enumeration of all housing units (as of April 1 of the census year). For addresses that do not respond, the U.S. Census Bureau uses a combination of in-person follow-up, administrative data reconciliation (i.e. IRS records, etc.), and data imputation. While COVID-19 delayed in-person follow-up operations, preliminary data quality metrics released by the Census Bureau for California indicate similar response rates to the last census at the state and national level.¹⁰ For the 2010 Census, vacancy was defined similarly to the ACS, however, the full technical documentation for the 2020 Census was not available at the time of the writing of this report. The decennial census does not provide a breakdown of vacancy by type. We have not included data from the decennial census (released on Nov. 30, 2021) in this report due to this limitation and given insufficient information on the impact of the COVID-19 pandemic on data collection and response rates at the local level.¹¹

Vacancy data is also available for use by governmental and non-profit entities from the U.S. Postal Service (USPS) through an agreement with the U.S. Housing and Urban Development Department. This data provides information on the number of vacant addresses at the census tract level and is produced quarterly. USPS vacancy data relies on postal workers observing and reporting an apparent vacancy or residents reporting their units as vacant. It therefore is a useful source but likely excludes housing units that have not been so reported. A second category of “No Stat” addresses captures addresses where mail is undeliverable for a variety of reasons including addresses under construction, PO boxes with a “fictitious” street address, or multiple units without individual delivery (i.e. gated community or some apartment buildings).

Data from these sources is presented in the following sections.

¹⁰<https://www.census.gov/programs-surveys/decennial-census/decade/2020/planning-management/process/data-quality.html#metrics>

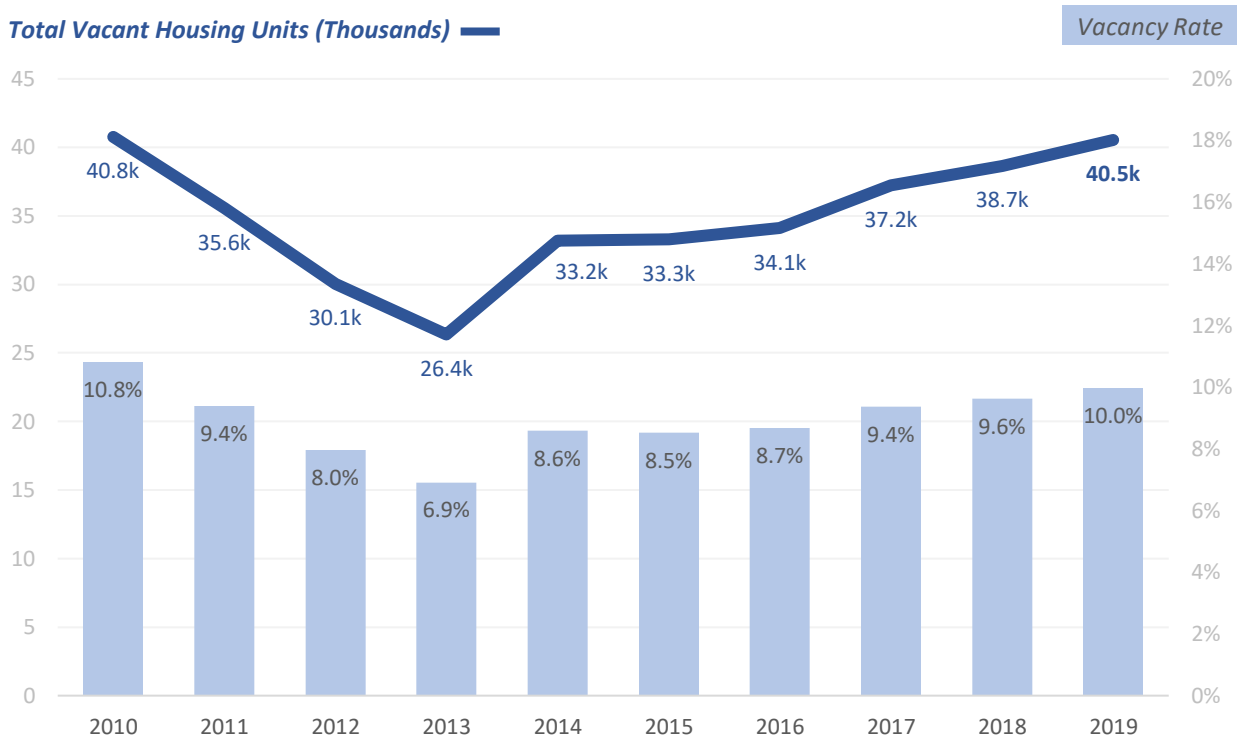
¹¹ See more discussion of data quality issues here:

https://www.census.gov/library/workingpapers/2021/acs/2021_CensusBureau_01.html

Total Number of Vacant Residential Units in San Francisco

According to Census data, the total number of vacant units in San Francisco has increased by about 20 percent since 2015, to 40,500 units in 2019, similar to the rate in 2010 following the aftermath of the Great Recession.¹² This increase has outpaced the number of new residential units as the vacancy rate has increased from 8.5 percent in 2015 to 10 percent in 2019 whereas housing units grew by 4.2 percent during that period. The 2010 to 2019 vacancy trend is shown in Exhibit 6.¹³

Exhibit 6: Vacant Units in San Francisco County by Year, 2010 - 2019



Source: US Census Bureau, American Community Survey (1-year estimates)

¹² The vacancy rate is the number of vacant units relative to the total number of housing units.

¹³ We have not included data from the 2020 American Community Survey (released on Nov. 30, 2021) as the U.S. Census Bureau has labelled this data as “experimental” given concerns about data quality due to the impact of the COVID-19 pandemic on data collection and response rates. See more discussion of data quality issues here:

https://www.census.gov/library/workingpapers/2021/acs/2021_CensusBureau_01.html

Vacancy Estimates from the 2020 Decennial Census

According to the latest decennial census, there were 34,777 vacant housing units in San Francisco County as of April 1, 2020, or a vacancy rate of 8.6 percent. This rate is lower than the ACS vacancy rate of 10.0 percent for 2019, but shows an increase compared to the 2010 decennial census vacancy rate of 8.3 percent.¹⁴ However, the decennial Census also had lower vacancy rates than the ACS and other Census Bureau surveys for the prior two censuses. As discussed above, there is not yet enough information to assess the quality of the decennial census data at the county level to understand what impacts the COVID-19 pandemic had on the data collection and imputation methods used and the resulting impact on estimates of vacancy. Additionally, given the decennial Census measured vacancy on April 1, 2020, it is possible the estimates showed higher than usual occupancy due to the Shelter in Place public health order in place at that time. Given these limitations and the absence of cause of vacancy data in the decennial census results published to date, we urge caution in comparing the 2019 ACS and 2020 decennial census vacancy estimates and have chosen not to use the 2020 decennial census data for this report.

Vacant Units by Reason or Type of Vacancy

The American Community Survey (ACS) captures data on the reason a unit is vacant based on in-person observation or interviews with current residents or other knowledgeable persons.¹⁵ In addition to whether a unit is vacant or not, vacant units are further grouped into categories based on the reason the unit is vacant at the time of the interview by ACS representatives. Exhibit 7 provides the estimated number of vacancies by category in San Francisco in 2019 as well as a description of each category.

¹⁴ See US Census Bureau, Census 2020, Table H1.

¹⁵ If an individual survey respondent indicates they will be occupying a housing unit for two months or less, the unit is counted as vacant and the reason for vacancy is obtained through an interview. If a unit is identified as vacant with no one living in the unit, ACS interviewers will try to contact other people who may have knowledge about the unit's status, such as neighbors, property managers, landlords, or others. Source: US Census Bureau, [American Community Survey 2019 Subject Definitions](#)

Exhibit 7: Vacant Units by Reason in San Francisco County and Category Definitions, 2019

ACS Vacant Unit Category	2019 Estimate		Definition
	#	%	
For Rent	7,241	18%	Vacant units offered for rent and vacant units listed for rent or for sale
Rented, Not Occupied	2,405	6%	Vacant units that have been rented (i.e. compensation has been paid or agreed upon) but where the renter has not yet moved in
For Sale Only	1,307	3%	Vacant units offered for sale only (i.e. does not include vacant units that are listed for sale or for rent)
Sold, Not Occupied	8,039	20%	Vacant units that have been sold but the new owner has not yet moved in
Seasonal, Recreational, or Occasional Use	8,565	21%	Vacant units used or intended for use part time or occasional use throughout the year. This includes units used seasonally or recreationally, such as second or non-primary housing units, and timeshares.
Other Vacant	12,991	32%	Vacant units that don't fall into any of the categories above. This can include units held vacant for personal or family reasons, units requiring or undergoing repair, corporate housing, ¹⁶ units held for use by a caretaker or janitor, units subject to legal proceedings, etc.
Total	40,458	100%	

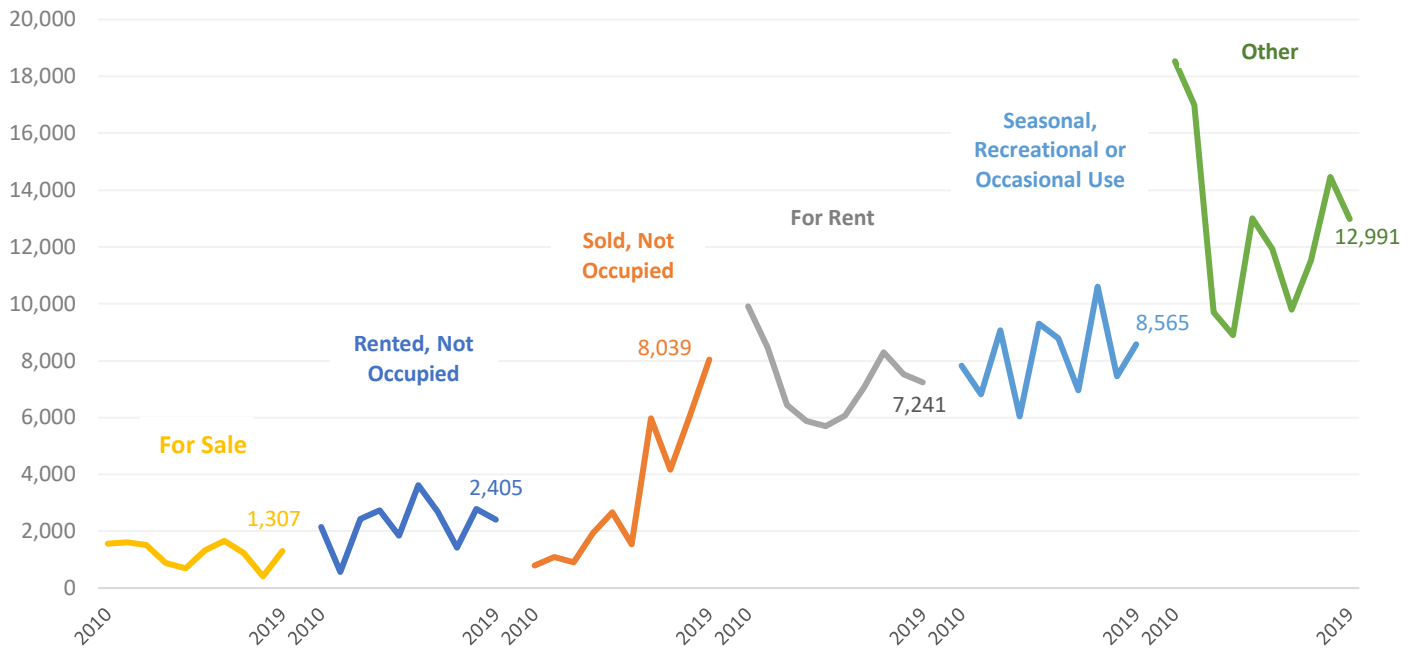
Source: US Census Bureau, American Community Survey (1-year estimates, Table B25004); US Census Bureau, [2019 American Community Survey Subject Definitions](#)

Based on Census data, the composition of vacant units has remained relatively constant since 2015, with the exception of units sold but not yet occupied, which increased from 5 percent of all vacant units in 2015 to 20 percent in 2019 (8,039 units). Units being held vacant for “other” reasons continues to represent the single largest vacancy type, with 32 percent (12,991 units) held vacant for this reason in 2019, followed by units vacant for seasonal, recreational, or occasional use (8,565 units). Exhibits 8 and 9 below show the trends in vacant unit types from 2010 to 2019.

¹⁶ Definition for Other Vacant taken from Current Population Survey/Housing Vacancy Survey documentation and assumed to be the same for ACS. ACS definitions not found on Census website or related documents.

Exhibit 8: San Francisco Vacant Units by Type of Vacancy, 2010 - 2019

Number of Vacant Units by Type



Source: US Census Bureau, American Community Survey (1-year estimates)

Exhibit 9: Vacant Units by Reason in San Francisco County, 2010-2019

Reason for Vacancy	2010	2015	2019	Change 2015 - 2019	
				#	%
Other vacant	18,533	11,937	12,991	1,054	8.8%
Seasonal, recreational, or occasional use	7,815	8,776	8,565	-211	-2.4%
For rent	9,911	6,064	7,241	1,177	19.4%
Sold, not occupied	794	1,547	8,039	6,492	419.7%
Rented, not occupied	2,142	3,620	2,405	-1,215	-33.6%
For sale only	1,570	1,338	1,307	-31	-2.3%
Grand Total	40,765	33,282	40,548	7,266	21.8%

Source: US Census Bureau, American Community Survey (1-year estimates)

As mentioned above, according to prior Census Bureau research in 2012, common “other” reasons listed for vacant units include personal or family reasons (around 19 to 21 percent nationally), a unit requiring repairs or being repaired (13 to 15 percent and 9 to 10 percent, respectively), a unit in foreclosure (11 to 12 percent), or other reasons such as storage, extended

absence, legal proceedings, preparing to sell or rent, abandoned units, or other write-in reasons (42 to 48 percent in total).¹⁷

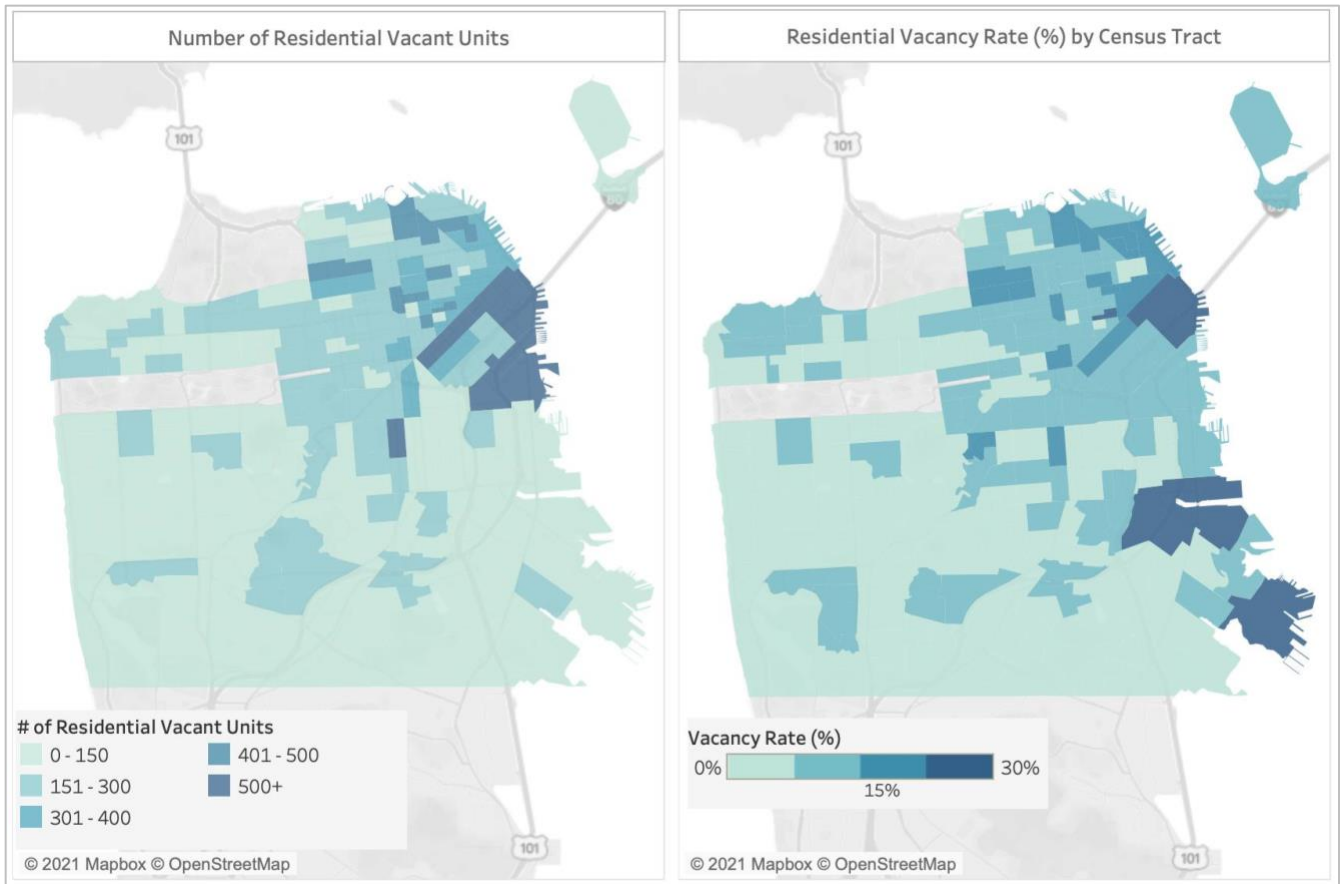
Distribution of Vacancies Across San Francisco

According to the American Community Survey, vacancies in San Francisco were concentrated primarily in the Downtown/Financial District, Mission Bay, Mission, and South of Market areas in 2019, as shown in the left-hand panel of Exhibit 10. Overall, 10 percent of all vacant units (3,551 units) were located in just two census tracts along Market Street, even though these areas only represent around five percent of total housing units in the City.¹⁸

¹⁷ Melissa Kresin (2013), *'Other' Vacant Units: An Analysis from the Current Population Survey/ Housing Vacancy Survey*. Presentation at the Annual Meeting of the Population Association of America.

¹⁸ Based on vacant units with census tract location data. Vacancy data at the census tract level does not sum to the total number of vacant units at the County level as data for some census tracts is not published due to disclosure and privacy concerns. Data on around 5,000 vacant units is not included in the census tract-level data.

Exhibit 10: Vacant Units and Vacancy Rates by Census Tract in San Francisco County, 2019



Source: US Census Bureau, American Community Survey (1-year estimates)

Note: Vacancy data at the Census Tract level does not sum to the total number of vacant units at the County level as data for some census tracts is not published due to disclosure and privacy concerns. Data on around 5,000 vacant units is not included in the census tract-level data.

The right-hand panel in Exhibit 10 above also shows the vacancy rate (i.e., the number of vacant units as a share of the total number of housing units) by Census Tract. This indicates that vacancy rates are also greatest in the eastern sections of the City (i.e. Financial District, South of Market, and Mission neighborhoods) with the exception of some areas of the Bayview/Hunters Point and Pacific Heights neighborhoods.

As discussed in Section 1 of this report, new construction in San Francisco over the last five years has been concentrated in many of the same areas where vacant units are concentrated. Because there are a multitude of reasons a housing unit can be vacant, as discussed further below, there

is no one conclusion that can be drawn about the nature of vacant units in San Francisco or whether or not most vacant units could be made available for housing if the correct policy incentives were in place. However, it seems reasonable to assume that at least some owners are making discretionary choices to keep their units vacant that could be addressed through policy interventions to encourage those owners to make their units available for housing or for the owner to otherwise compensate for the social costs of keeping their unit(s) vacant.

Reasons for Vacant Housing Units

Possible explanations for vacant housing units in San Francisco include the following. As can be seen, reasons for vacant units range from occupants being away for extended durations for medical or other care to investors “parking” cash in real estate for investment purposes, but not to use as a primary residence. While owners certainly have the right to use their properties as they see fit within the confines of local zoning, building, health and other laws, the Board of Supervisors could consider incentives such as a vacancy tax to discourage extended vacancies based on discretionary choices by owners for financial or other reasons that have a social cost to the City and further constrain housing supply. To ensure this policy targets discretionary vacancies only, the Board of Supervisors could also consider a series of exemptions to a vacancy tax for vacancies that are caused through no fault of the owner (e.g., owner in an extended care facility).

The range of explanations for units held vacant based on Census Bureau analysis are set out below. As can be seen, some represent choices made by a homeowner which could be influenced by a City policy intervention to expand housing supply whereas others represent circumstances outside of the homeowner’s control (e.g., going into a care facility for an extended duration) where a City policy intervention would be less appropriate.

Potential reasons identified by the Census Bureau for units being held vacant include:

- the unit has been sold but not occupied because the buyer has not yet been able to move in,
- the unit is sold but not occupied because the buyer is using the property for investment purposes and doesn’t intend to live in it,
- the owner of the unit is in a care facility of some sort for an extended duration,
- the unit is under foreclosure,
- the unit is a second or other non-primary home and is only occupied occasionally (this seems particularly likely in the downtown and South of Market neighborhoods where

- there are concentrations of newly constructed housing units, particularly condominiums),
- the unit is being left vacant for personal or family reasons, which could cover a wide range of situations such as not wanting to rent or sell the unit, keeping it vacant for eventual use by a family member, or other reasons,
 - the unit is being used intermittently for corporate housing,
 - the unit is being repaired, or the owner intends to repair it at some time in the future,
 - the unit is being held vacant to avoid rent control regulations in instances when the owner wants to sell the unit without tenants,
 - the unit is being used for a non-residential purpose such as storing business supplies and equipment, furniture, or other materials,
 - the owner plans to demolish the unit or it has been condemned, and
 - other reasons.

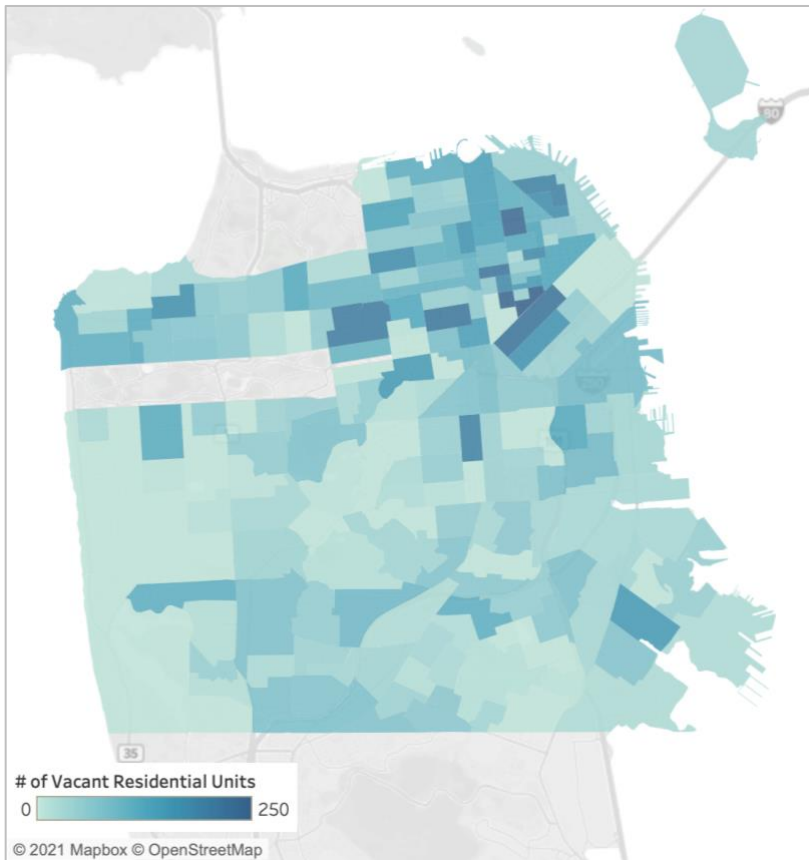
Geographic Distribution of Vacant Units by Type/ Reason

The geographic distribution of the three most common types of vacancies identified in the 2019 American Community Survey, i.e., “Other”, Sold but not Occupied, and Seasonal, Recreational, or Occasional uses, are shown in Exhibits 11 to 13 below. While this information provides additional insight, given the relatively small number of respondents at the census tract level, small differences between areas should be treated with caution as they may not be statistically significant.

Units classified as vacant for “Other” reasons, shown in Exhibit 11, are distributed across the City with the majority located in the northern half of the City, including particular concentrations in the Tenderloin (1,011 units), Nob Hill (912 units), Outer Richmond (815 units), Pacific Heights (746 units), and Mission (677 units) neighborhoods. As mentioned above, this could include units being held vacant for personal or family reasons, units being repaired, corporate housing, or other reasons.

Another common reason asserted by some property owners for units being held off the market is rent control and rent regulations. While we were unable to verify the importance of this specific factor from the data available, the financial incentive to hold a unit vacant to avoid rent control would likely be relatively time-limited in a market with rising house prices given the costs associated with holding a unit vacant (i.e. forgoing rental income). Additionally, the low homeowner vacancy rates for San Francisco indicates a relatively short turnaround time for selling vacant homes.

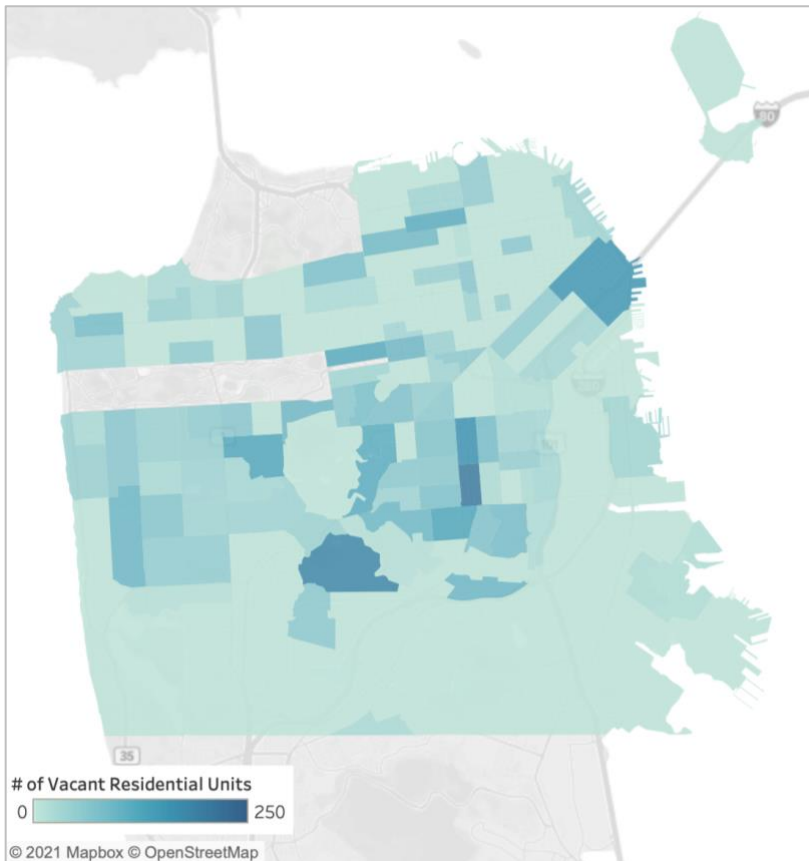
Exhibit 11: “Other” Vacant Units by Census Tract in San Francisco County, 2019



Source: US Census Bureau, American Community Survey (1-year estimates)

Vacant units sold but not occupied by the new owner yet, shown in Exhibit 12, appear to partially overlap areas where new housing units were added between 2015 and 2020, such as the Mission and South of Market, or SOMA, with the exception of several census tracts in the Twin Peaks and Sunset/Parkside neighborhoods. New units that were reported sold and were close to complete (i.e., closed to the elements) would likely be included in this category based on the American Community Survey definitions. The most common neighborhoods with vacant units sold but not yet occupied included the Mission (621 units), Sunset/Parkside (565 units), Noe Valley (434 units), Castro/Upper Market (348 units), West of Twin Peaks (307 units), and Inner Sunset (294 units) neighborhoods.

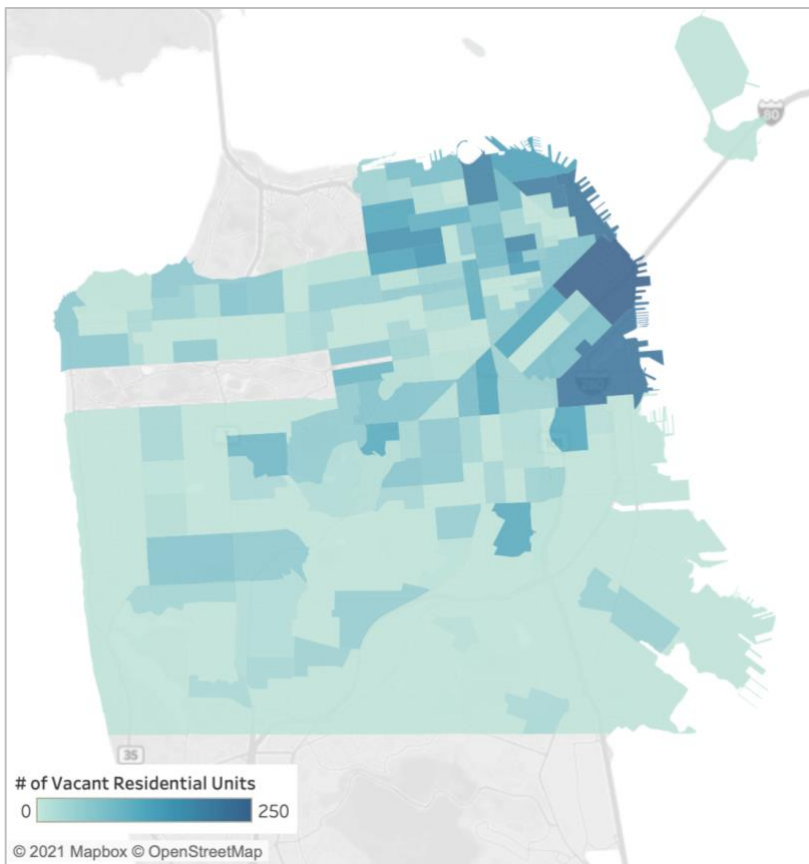
Exhibit 12: Sold, Not Occupied Vacant Units by Census Tract in San Francisco County, 2019



Source: US Census Bureau, American Community Survey (1-year estimates)

Units that were reported as vacant due to Seasonal, Recreational, or Occasional use, shown in Exhibit 13, were, not surprisingly, concentrated in the Financial District/Downtown, SOMA, and other tourist hubs in the northeast section of the City. This included the Financial District/ South Beach (1,857 units), Nob Hill (718 units), Pacific Heights (746 units), Russian Hill (462 units), Mission (437 units), and Marina (414 units) neighborhoods. As mentioned above, the total number of vacant units due to seasonal, recreational, or occasional use has declined as a share of total vacant units from 26 percent in 2015 to 21 percent 2019 but is up from 19 percent in 2010.

Exhibit 13: Seasonal, Recreational, or Occasional Use Vacant Units by Census Tract in San Francisco County, 2019



Source: US Census Bureau, American Community Survey (1-year estimates)

Comparing San Francisco Vacancy Rates to Other Major Cities

Overall Vacancy Rates

Compared to other large counties and city-counties in the United States, San Francisco had slightly lower than median homeowner and rental vacancy rates in 2019 (0.9 and 3.0 percent, respectively) but a slightly higher total vacancy rate (10 percent), all of which indicates a tight housing market and a relatively higher number of housing units being held off the market. Some homeowner and rental vacancy is inevitable as part of usual turnover in housing markets related to owners/landlords and buyers/tenants matching. San Francisco's low homeowner and rental vacancy rates likely indicate tighter housing markets where housing placed on the market is quickly bought or rented. However, total vacancy rates also include vacancies related to units being held "off the market," such as homes used for occasional or recreational use or homes being held for other reasons, and may be more amenable to policy intervention.

As shown in Exhibit 14, San Francisco had the lowest rental vacancy rate of the group of comparison jurisdictions and the second lowest homeowner vacancy rate, reflecting the tight rental market and high buyer demand for San Francisco housing. The City had the fourth highest total vacancy rate, behind New York (14 percent), Philadelphia (10.4 percent), and Suffolk County, MA (10.3 percent). Taken altogether, this indicates a relatively tight housing market (with one exception discussed below) for properties listed for rent or sale and that units held off the market for other reasons appear to be contributing to this higher total vacancy rate.

Exhibit 14: Vacancy Rates and Vacant Units for Selected Counties, 2019

County	Vacancy Rate by Type			Housing Units by Type	
	Homeowner Vacancy	Rental Vacancy	Total (All Vacancies)	Vacant Units	Total Units
Cook County, Illinois (Chicago area)	1.80%	4.60%	9.90%	218,539	2,204,152
District of Columbia	1.90%	7.00%	9.70%	31,244	322,814
Harris County, Texas (Houston area)	2.00%	8.70%	9.40%	170,857	1,818,241
King County, Washington (Seattle area)	1.50%	4.10%	6.50%	62,597	970,358
Los Angeles County, California (Los Angeles area)	1.10%	4.00%	7.00%	251,025	3,579,423
New York County, New York (Manhattan)	2.60%	4.60%	14.00%	124,727	892,930
Philadelphia County, Pennsylvania (City of Philadelphia)	1.10%	4.60%	10.40%	72,148	691,653
San Diego County, California (San Diego area)	1.10%	4.80%	8.20%	101,489	1,233,923
Suffolk County, Massachusetts (Boston area)	0.80%	3.90%	10.30%	35,493	345,438
Median	1.5%	4.6%	9.7%		
San Francisco County	0.9%	3.0%	10.0%	40,548	406,399

Source: US Census Bureau, American Community Survey 2019 (1-year)

Vacancy Rates by Reason or Type

As discussed, and presented above, the American Community Survey (ACS), collects data on the reason a housing unit is vacant, including normal turnover (i.e., units for sale or rent), units rented or sold but not yet occupied (which may be part of normal turnover or may be investment properties for which the owner’s primary goal is something other than providing housing), and occasional, seasonal, or other uses. Exhibit 15 provides a comparison of reasons for vacancy by type for selected large counties and city/counties for 2019. San Francisco was generally at or near the median (50th percentile) for most categories, except for units that were sold but not yet occupied by the new owner. San Francisco had the second highest share of units vacant for this reason (2.0 percent), behind only Suffolk County, MA (Boston area). This category represented 20 percent of all vacant units in San Francisco. Vacancy rates near or below the median for the other sale and rental turnover categories indicate a relatively tight housing market in San Francisco.

Exhibit 15: Vacancy Rates for Units for Sale or Rent for Selected Counties, 2019

County	For rent	For sale only	Rented, not occupied	Sold, not occupied	Total Vacant
Cook County, Illinois (Chicago area)	1.9%	0.9%	0.3%	0.3%	9.9%
District of Columbia	4.0%	0.7%	0.3%	0.3%	9.7%
Harris County, Texas (Houston area)	4.0%	1.0%	0.4%	0.5%	9.4%
King County, Washington (Seattle area)	1.8%	0.8%	0.5%	0.5%	6.5%
Los Angeles County, California (Los Angeles area)	2.1%	0.5%	0.4%	0.3%	7.0%
New York County, New York (Manhattan)	3.2%	0.6%	1.5%	0.5%	14.0%
Philadelphia County, Pennsylvania (City of Philadelphia)	2.1%	0.5%	0.6%	0.5%	10.4%
San Diego County, California (San Diego area)	2.1%	0.6%	0.5%	0.3%	8.2%
Suffolk County, Massachusetts (Boston area)	2.4%	0.3%	1.4%	2.1%	10.3%
Median	2.1%	0.6%	0.5%	0.5%	9.8%
San Francisco County	1.8%	0.3%	0.6%	2.0%	10.0%

Source: US Census Bureau, American Community Survey 2019 (1-year)

The American Community Survey (ACS) data also shows that 2.1 percent of all housing units in San Francisco were vacant due to seasonal, recreational, or occasional use, the third highest share among large cities, behind New York (4.9 percent) and San Diego counties (2.5 percent). This information is displayed in Exhibit 16. While this category includes a number of situations, it also covers second or non-primary homes.

Exhibit 16 shows that vacancy due to “other” reasons, i.e., anything not covered above, represented 3.2 percent of all housing units, slightly above the median (3.1 percent), and lower than three other large-city counties, Philadelphia (6.2 percent), Cook County (5.9 percent), Washington, D.C. (3.3 percent). As discussed above, the “other” category includes units held for occupancy for caretakers, units held vacant for personal reasons of the owner, corporate housing, units not ready for rent or sale (e.g., subject to probate court, etc.). This could also include units being renovated but additional data on the composition of the “other” category is not available.

Exhibit 16: Vacancy Rates for Units Vacant for Seasonal or Other Reasons, 2019

County	Seasonal, recreational, or occasional use	Other vacant	Total Vacant
Cook County, Illinois (Chicago area)	0.6%	5.9%	9.9%
District of Columbia	1.0%	3.3%	9.7%
Harris County, Texas (Houston area)	0.4%	3.1%	9.4%
King County, Washington (Seattle area)	1.0%	1.9%	6.5%
Los Angeles County, California (Los Angeles area)	0.9%	2.8%	7.0%
New York County, New York (Manhattan)	4.9%	3.2%	14.0%
Philadelphia County, Pennsylvania (City of Philadelphia)	0.4%	6.2%	10.4%
San Diego County, California (San Diego area)	2.5%	2.1%	8.2%
Suffolk County, Massachusetts (Boston area)	1.7%	2.4%	10.3%
Median	1.0%	3.1%	9.8%
San Francisco County	2.1%	3.2%	10.0%

Source: US Census Bureau, American Community Survey 2019 (1-year)

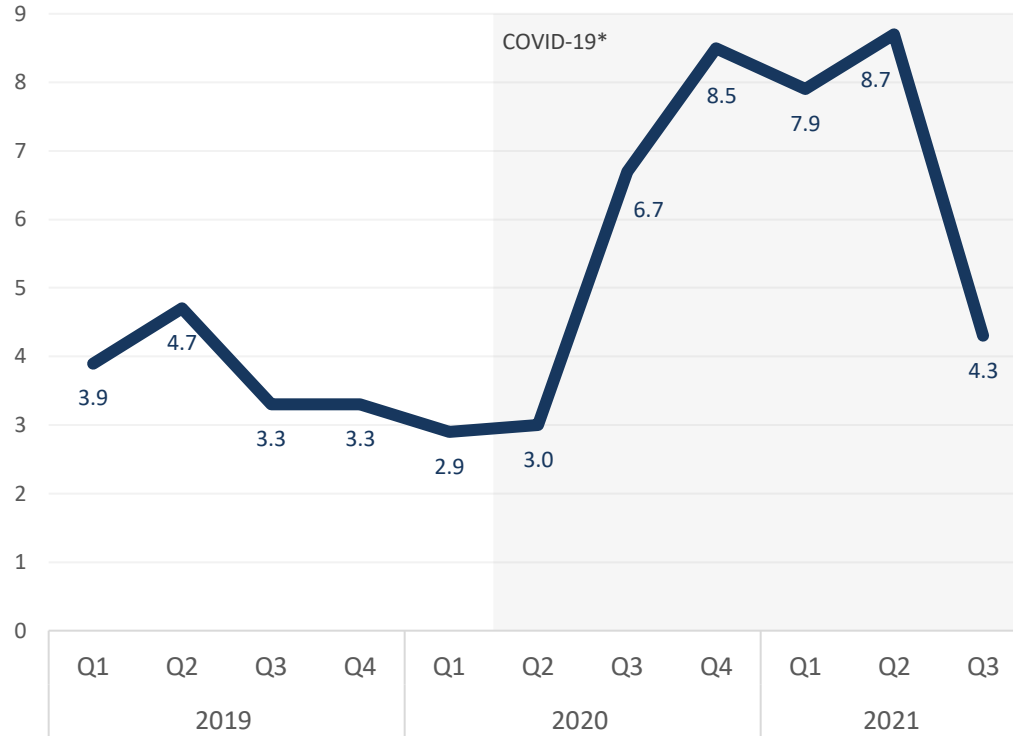
Impact of the COVID-19 Pandemic on Residential Vacancy Rates

The COVID-19 pandemic and related public health restrictions had a direct and significant impact on residential vacancy rates according to separate U.S. Census survey data.¹⁹ As shown in Exhibit 17, the residential rental vacancy rate in the San Francisco Metro Area increased from 2.9 percent in the first quarter of 2020 to 7.9 percent in the first quarter of 2021, increased to a pandemic high of 8.7 percent in the second quarter, then declined to 4.3 percent in the third quarter of 2021. The San Francisco Metro Area includes Marin, San Mateo, Contra Costa, and Alameda counties.

¹⁹ Based on the Housing Vacancies and Homeownership Survey (CPS/ HVS).

Exhibit 17: Rental Vacancy Rate in the San Francisco-Oakland-Hayward Metro Area, 2019Q1 to 2021Q3

Rental Vacancy Rate (%)



Source: US Census, Housing Vacancies and Homeownership Survey (CPS/ HVS)

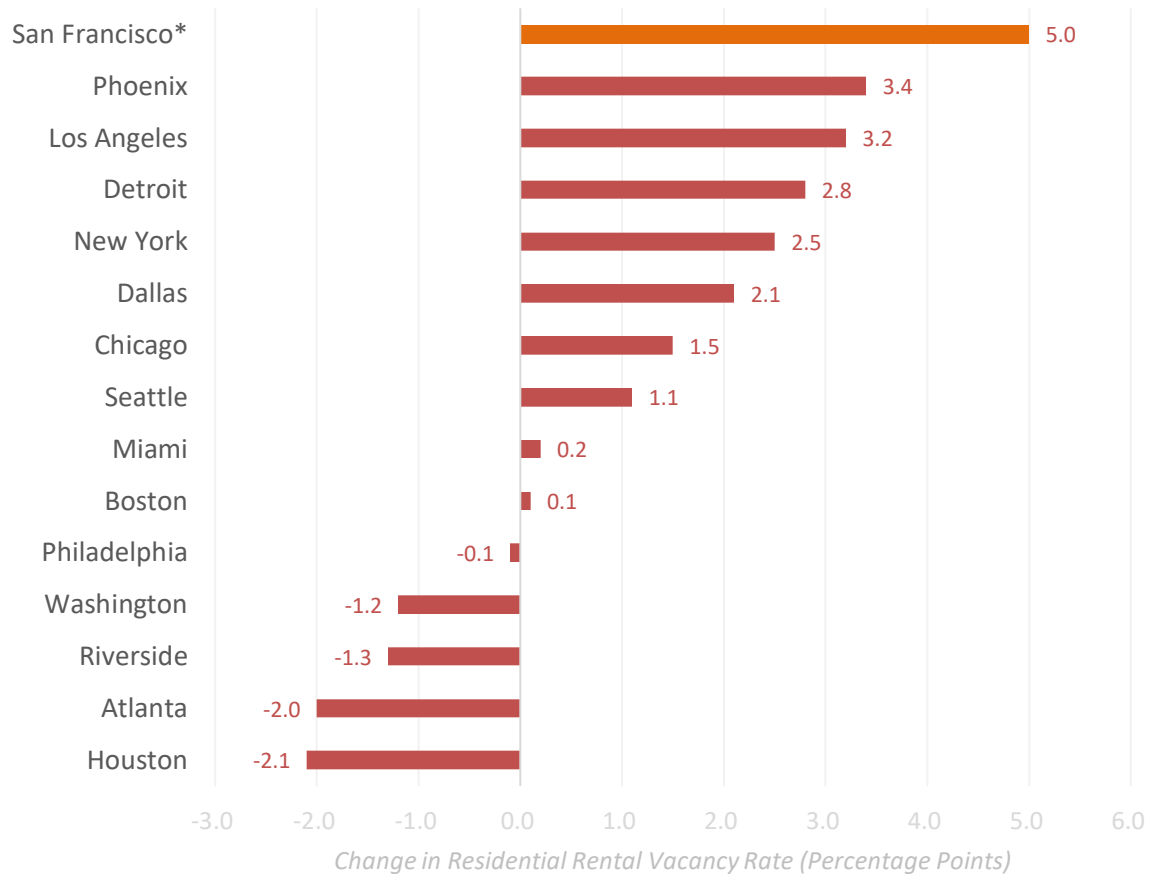
Notes: San Francisco MSA includes San Francisco, Marin, San Mateo, Contra Costa, and Alameda counties.

* Shows full calendar year quarters covered by COVID-19 Shelter in Place or related public health orders.

San Francisco Metro Area had the Largest Increase in Residential Rental Vacancy Rates among Large Metropolitan Areas

As shown in Exhibit 18, in the first quarter of 2021 the San Francisco Metro Area had the largest percentage point increase in residential rental vacancy rates among the top 15 largest metro areas in the country compared to the same quarter in 2020 and now ranks 4th in terms of vacancy rates among this group.

Exhibit 18: Pandemic-related Change in Residential Rental Vacancy Rate from 2020 to 2021 (1st Quarter) for the Top 15 Largest Metro Areas



Source: US Census, Housing Vacancies and Homeownership Survey (CPS/ HVS)

Notes: Metro Areas are based on US Census Metropolitan Statistical Areas (MSA).

*San Francisco MSA includes San Francisco, Marin, San Mateo, Contra Costa, and Alameda counties.

3) Case Studies from Other Jurisdictions and Policy Implications

Social and Economic Costs of Vacant Units and Policy Options

Recent research shows that high-housing costs have negative impacts on economic opportunity, health, income inequality, productivity, homelessness, and climate change as individuals who are unable to afford housing in high-wage and service-rich areas are pushed further away from

these areas and the opportunities they provide.²⁰ While new housing supply can be a primary contributor to affordability, particularly if targeted and priced for low and moderate income households, large numbers of vacant units in cities with existing housing shortages can also impact affordability by further restricting supply. In these types of housing markets, property owners of vacant units can produce an externality or an external social cost which is borne by others in the housing market. According to economic theory, the presence of externalities can cause markets to perform sub-optimally, as market price incentives do not account for these external social costs.

While there are many reasons why a unit might be held vacant, as discussed above in this report, imposing a tax on units that remain vacant for an extended period to “price in” external social costs is one policy option for correcting this type of market failure.²¹ Such a tax ensures that price incentives faced by property owners are aligned with the total social cost of their actions. Vacancy taxes implemented in other cities have also been justified as a way to increase revenue for initiatives aimed at improving housing affordability (i.e. using the tax revenue for rent subsidy programs, affordable housing development, etc.). Funds generated could also be used to provide assistance to property owners who need to make repairs to their housing unit before they can put it on the market but do not have the resources to do so at present.

A review of evidence on the design and impact of taxes targeted at reducing the number of vacant units is presented below. Other policy options for addressing vacant units include mandating that the vacant units be placed on the market within a certain amount of time or providing other financial incentives to vacant property owners, both of which may be difficult to implement, not cost-effective, and subject to legal challenge.

²⁰ Jenny Schuetz (2020), *To improve housing affordability, we need better alignment of zoning, taxes, and subsidies*. Brookings Institution Big Ideas Brief. [Published online.](#); Pamela Blumenthal, J.R. McGinty, & R. Pendall (2016), *Strategies for Increasing Housing Supply in High-Cost Cities*. Urban Institute. [Published online.](#)

²¹ Such taxes are commonly referred to as “Pigouvian taxes.”

Vacancy Tax Case Studies

Vancouver Empty Homes Tax

In 2016, the Canadian city of Vancouver, British Columbia became one of the first cities in North America to implement a dedicated tax to target vacant units as a way to generate revenue to improve housing supply and affordability. The Vancouver Empty Homes Tax originally provided for an additional tax of one percent assessed on the value of properties that were occupied less than six months during the year and did not qualify for one of eight exemptions. In 2019, the tax for an average home in Vancouver was approximately \$12,200 (U.S. Dollars or USD) and the average tax assessed on vacant units was \$14,500, or 18.8 percent more. The tax was increased to 1.25 percent of assessed value in 2020. All residential property owners are required to declare whether their unit is vacant or not under the tax program and the City of Vancouver conducts audits to check for compliance. Net revenues from the tax are used to fund affordable housing initiatives including housing subsidies and land acquisition.

Tax exemptions available for City of Vancouver property owners with vacant units include: 1) death of owner; 2) redevelopment or major renovation (includes awaiting permit); 3) owner or occupant in hospital or care facility; 4) local rental restriction; 5) second home but employed locally; 6) property in process of being transferred; 7) court order; and 8) not usable for occupancy. The most common exemption used was transfer of property.

According to data from the City of Vancouver, the total number of vacant units decreased between 2017 and 2019 as a result of the tax and the number of vacant units subject to the tax decreased by 25.4 percent.²² This has resulted in 1,896 units being returned to occupancy overall and 645 fewer units subject to the vacancy tax since the tax was implemented. Of vacant units taxed in 2018, the city reports around 24 percent were subsequently rented out in 2019 (477 units) and another 13 percent were owner-occupied (259 units). The overall vacancy rate has reduced by about 1.1 percent between 2017 and 2019, from 4.3 percent to 3.1 percent. Additionally, the tax has generated \$23 million Canadian dollars per year in net revenues, approximately \$13,400 per taxed vacant unit (around \$19.4 million and \$10,242 USD, respectively). Net revenues have covered initial one-time implementation costs of \$7.5 million and on-going annual operating costs of \$2.5 million Canadian dollars.

²² City of Vancouver (2020) *Empty Homes Tax Annual Report*

While the City of Vancouver Empty Homes Tax has led to a reduction in the number of vacant homes, several issues with the approach have been identified. First, the pace in reducing vacant homes has slowed significantly since the first year of implementation, with only a 3.5 percent reduction in total vacant homes in 2019 compared to 2018, relative to a 21.2 percent reduction in 2018 after the law was first implemented. Additionally, over two-thirds of all vacant units identified received an exemption, and this share has grown each year since 2017, potentially diluting the impact of the tax (though this can also be seen as a sign that the tax has been effective as there are fewer non-exempt vacant units in the city over time). Third, while a significant amount of revenue has been generated through the tax, the actual collection rate was around 74 percent in 2019, indicating potential non-compliance or successful appeals of tax assessments. Fourth, data on vacant homes collected indicates that vacant units tend to have a significantly higher value than average units, with the typical vacant unit valued at about 19 percent more than the citywide average. Finally, the City of Vancouver has been sued numerous times by property owners objecting to various aspects of the tax. While this hasn't stopped the program, consideration should be given to this aspect of the cost of administering such a program.

Other US Cities with Vacancy Taxes

Aside from Vancouver, at least two U.S. cities have implemented forms of a vacancy tax: Washington, D.C., and Oakland, California. While the Oakland measure was only implemented in 2018, the Washington, D.C. model has been in place since 2011. The design of these taxes differs significantly from Vancouver's, but relatively little information on the impact of either of these taxes is available. The Oakland Vacant Property Tax, enacted by voters, uses a significantly less stringent definition of vacancy than the City of Vancouver: residential, commercial, and undeveloped property must be used for only 50 days per year to be considered occupied and the tax, at \$3,000 to \$6,000 per unit or parcel depending on the property type, is much less than Vancouver's. In 2018, the Oakland Finance Department expected the tax to cost \$425,000 annually to administer, in addition to \$100,000 one-time startup costs. Revenues were estimated at up to \$10 million annually for the ballot measure.²³ Vacancy tax exemptions allowed by the City of Oakland include: 1) very low income, 2) financial hardship, 3) non-financial hardship, 4) exceptional circumstances, 5) active construction, 6) building permit application, 7) low-income senior, 8) disabled owner, 9) non-profit, and, 10) substantially complete planning application.

²³ Kathleen Pender (Jan. 26, 2019), *Oakland's vacant-property tax takes effect, sparking hope - and alarm*. San Francisco Chronicle. [Accessed online](#).

According to the Oakland Finance Department, in the first year of implementation in 2020, approximately \$7.284 million was collected in revenue from 1,916 properties deemed vacant at an annual cost of approximately \$820,000 (11.3 percent). Operating costs cover identifying, noticing, and administering the program. Oakland's program also requires the City to identify potentially vacant units and provide notice to these property owners prior to assessing the tax, which may add additional costs compared to the Vancouver program which puts the onus on property owners to declare their unit as not subject to the vacancy tax. It is also worth noting that multi-unit buildings owned by a single entity were considered occupied as long as at least one unit was occupied which may lead to a number of vacant units going untaxed.

Washington, D.C. established special assessment rates for vacant and blighted properties starting in 2011 of \$5 per every \$100 of assessed value and \$10 per every \$100 of assessed value, respectively. This compares to \$0.85 per \$100 assessed value for non-vacant residential properties. However, identification of vacant properties relies primarily on self-reporting or City-inspection following a complaint. Estimates from 2016, indicate that these taxes generate around \$9.4 million in revenue per year with annual administrative costs estimated to be approximately \$645,000.²⁴ As discussed above, the overall vacancy rate in Washington, D.C. in 2019 was 9.7 percent, slightly below San Francisco's vacancy rate of 10 percent. However, Washington's rental and homeowner vacancy were both significantly higher than San Francisco's (7 percent and 1.9 percent, respectively, compared to 3 percent and 0.9 percent), indicating a less tight housing market when compared to San Francisco.

Other International Examples: Barcelona, Spain

While a comprehensive review of international residential vacancy policy interventions was not possible for this report, Barcelona, Spain was identified as a case study of more interventionist approaches to addressing vacant units. Following a wave of foreclosures after the 2007 recession in Spain, vacant and abandoned homes and apartments were identified as a significant issue for both housing affordability and crime. While fines for properties vacant more than two years have been authorized since 2007, Barcelona instituted an empty homes registry in 2016 and increased the severity and use of these fines in recent years, levying a €2.8 million fine (\$3.4 million USD)

²⁴ "Vacancy Tax and Empty Homes Penalty", City Legislative Analyst, City of Los Angeles, June 8, 2020.

on two investment companies in 2019 for holding just two multi-unit residential buildings vacant.^{25,26}

The regional government has also granted local governments additional powers to tackle vacancies including: (1) temporary repossession of units vacant for more than two years for use as affordable rental housing for between four to ten years before they are returned to the owner (implemented in 2016); and, (2) compulsory sale of properties vacant for more than two years at 50 percent of market value (implemented in 2019). Barcelona has targeted 194 empty housing apartments under the compulsory sale measure as of July 2020, out of 2,021 empty housing units identified in its housing registry.²⁷

Policy and Fiscal Implications for San Francisco

While the case studies of policy interventions come from different housing contexts, some key lessons emerge from the design and implementation of these approaches for San Francisco, including:

- **Vacancy tax as part of a comprehensive housing strategy:** Given the limited number and scale of vacancies as a source of new housing, any vacancy policy intervention (e.g., vacancy tax), should be considered alongside other policies to increase housing supply or improve affordability of existing stock.
- **A vacancy tax could increase available housing units in San Francisco:** Assuming a similar reduction in non-market vacant units as Vancouver (by applying the reduction in Vancouver's vacancy rate to the total housing stock in San Francisco²⁸), San Francisco could see a reduction of 3,900 vacant units within one year of implementing a vacancy tax and 4,560 units within two years. This would be equivalent to around 90 percent or more of the average

²⁵ Feargus O'Sullivan (Mar. 15, 2019), *In Need of Housing, Barcelona Fines Landlords for Long-Vacant Buildings*. Bloomberg CityLab. [Accessed online.](#)

²⁶ Conversion rate of 1 euro = 1.21 US Dollars as of June 14, 2021.

²⁷ Feargus O'Sullivan (Jul. 16, 2020), *Barcelona's Latest Affordable Housing Tool: Seize Empty Apartments*. Bloomberg CityLab. [Accessed online.](#)

²⁸ For simplicity, we also assume that the total number of housing units in San Francisco remains constant at 2019 levels reported in the American Community Survey. The Vancouver vacancy rate fell from 4.26 percent in the first year of the tax (2017) to 3.3 percent in 2018 and 3.14 percent in 2019. Around two-thirds of the decrease in vacant units came from vacant units exempt from the tax.

annual number of new housing units added over the last five years. This includes the indirect impact the Vancouver Empty Homes Tax had on vacant properties that were exempt from a tax assessment. At the upper end, assuming a similar percentage reduction in the total number of vacant units as observed in Vancouver, San Francisco could see a reduction of 8,560 vacant units in the 1st year and a total reduction of 9,684 vacant units within two years of implementing a vacancy tax.²⁹ However, the longer-term impact on housing supply is unknown and may be limited given the nature of vacant units. Additionally, data from Vancouver indicates that vacant units tend to be of higher value which could limit the direct impact on the supply of affordable housing for low- and middle-income residents. This estimate also assumes a vacancy tax similar in magnitude to Vancouver's which may be difficult to implement given legislative and constitutional restrictions on local property tax increases in California.

Adoption of a vacancy tax would be subject to the terms of California's Proposition 218, which requires voter approval for new local taxes. If the tax is designated as a general tax, with the proceeds to be used for general purposes, a simple majority approval would be required. If the tax were to be used for specific purposes (such as affordable housing), a two-thirds voter approval would be required. The two-thirds voter approval requirement for a special tax may not apply if the measure is placed on the ballot by citizen initiative.³⁰

- **A vacancy tax could generate between \$12.2 million and \$61.2 million in annual net revenue for the City depending on whether it adopts an approach more similar to Oakland on the low side, Vancouver on the high side, or something in between. The midrange of our estimates is \$38.9 million in annual net revenue.** Both the cities of Vancouver, B.C., and Washington, D.C. have established vacancy taxes that are based on a percentage of the vacant properties' assessed valuation. Oakland, on the other hand, has established a flat parcel tax ranging from \$3,000 - \$6,000 per vacant unit or parcel. Oakland's tax is collected through the Alameda County property tax collection system. Such an arrangement should be possible in San Francisco, with administrative costs incurred by the Treasurer-Tax Collector covered by the tax revenues generated. Given California state law regarding

²⁹ Estimated by applying the percentage reduction in the number of vacant units observed in Vancouver, B.C. after introducing the Vacant Homes Tax (23.9 percent) to the total number of vacant units estimated for San Francisco (40,458 units).

³⁰ See [City and County of San Francisco v. All Persons Interested in the Matter of Proposition C](#), 51 Cal. App. 5th 703 (2020) and similar rulings which found that Proposition 13 and 218 requirements only apply to local governments and elected bodies and not popular initiatives.

property tax rates, it does not seem likely that the City and County of San Francisco could readily impose a tax based on the assessed value of properties, as has been implemented in Washington, D.C., and Vancouver, B.C. However, in order to approximate the revenue from a more significant tax (i.e., akin to Vancouver, B.C.) or a tax that varies based on size or other property characteristic, we have included an upper-end tax estimate based on San Francisco's median home value.³¹ Additionally, given the data on the effect of the Vancouver vacancy tax and lack of data on the effect of Oakland's vacancy tax, the upper end estimate provides a more evidence-based approximation of the tax level that may be needed to significantly reduce residential vacancies.

Applying the tax structures discussed above could generate a range of revenue for San Francisco, as shown in Exhibit 19. Annual operating costs are estimated to be 11.3 percent of estimated annual revenue, based on operating costs reported by the City of Oakland.

³¹ Based on [Zillow Home Value Index](#) for San Francisco county of \$1,542,347, as of Dec. 31, 2021.

Exhibit 19: Net Revenue Scenarios Based on Residential Vacancy Tax Similar to the City of Oakland and Vancouver, B.C.

Inputs/ Assumptions	Low Estimate¹ (Low Vacancy/ Low Tax)	Mid-Range Estimate² (High Vacancy/ Moderate Tax)	High Estimate³ (Low Vacancy/ High Tax)
Tax Structure ⁴	\$3,000 per unit	\$6,000 per unit	\$15,000 per unit
Assumed SF vacant unit median value	NA	NA	\$1,500,000
Tax per unit	\$3,000	\$6,000	\$15,000
Assumed # of vacant units in SF	4,600	7,300	4,600
Estimated annual SF revenue	\$13,800,000	\$43,800,000	\$69,000,000
Estimated operating costs (11.3%) ⁵	\$1,554,000	\$4,931,000	\$7,768,000
Estimated Net Revenue	\$12,246,000	\$38,869,000	\$61,232,000

Source: BLA calculations based on US Census, American Community Survey 2019 (1-year estimates), City of Oakland, and City of Vancouver’s Empty Homes Tax Annual Report (2020). All revenue and cost estimates have been rounded to the nearest \$1,000 and vacant unit estimates to the nearest 10.

Notes: ¹ Low estimate calculated by applying the average percent of all housing units that were subject to the Vancouver Empty Homes Tax from 2017 to 2019 (1.1 percent) to the total number of housing units in San Francisco in 2019 (406,399) and a low tax rate of \$3,000 per unit, the low-end of the taxes imposed by the City of Oakland on vacant units and parcels.

² Mid-range estimate calculated by applying the percent of all vacant housing units identified in the ACS in the City of Oakland that were subject to the Oakland Vacant Property Tax in FY 2020-21 (18 percent) to the total number of vacant housing units in San Francisco in 2019 (40,458). High end of Oakland’s tax range, or \$6,000 per unit used for estimate.

³ High estimate calculated based on low estimate vacancy rate (1.1 percent) and Vancouver’s 1 percent of assessed value tax (prior to increase in 2020) applied to SF’s median home value (\$1,500,000).

⁴ Assumes tax is applied based on the number of vacant units rather than vacant parcels or properties given vacancy data analyzed from the ACS was at the unit-level. Taxing at the unit level ensures alignment between the wider economic and societal costs generated by a vacant unit and the tax incentive imposed.

⁵ Estimated Operating Costs are calculated as 11.3 percent of total revenue based on estimated operating costs for administering the Oakland Vacant Property Tax.

Summary of Policy Options

Exhibit 20 provides a summary of the some of the policy options available for addressing vacant residential units based on case studies and other best practices reviewed.

Exhibit 20: Summary of Vacancy Tax and Policy Options

Policy Option	Description	Case Studies/ Examples	Ease of Implementation
Flat Vacancy Tax	Fixed flat fee for vacant units triggered based on specified vacancy criteria (i.e. length of time vacant, secondary homes, etc.). With the same fee imposed on all vacant units, it would not reflect the specific proportional negative impact or cost of vacancy imposed by each vacant property.	Oakland, CA	Voter approval required. Relatively easy to implement administratively.
Variable Vacancy Tax	Vacancy tax which varies based on specific criteria in order to provide a stronger link between the tax and the negative impact or cost of vacancy imposed. d) Property value (i.e., 1.25% of assessed value as in Vancouver, BC or \$5 per \$100 of assessed value as in Washington, DC). e) Property or owner characteristics, i.e. size of vacant property, length of time vacant, number of vacant units owned f) Local area characteristics, i.e. neighborhood vacancy rates ('high' vs. 'low' vacancy areas)	Washington, DC; Vancouver, BC (Canada)	Voter approval required. Moderate to Difficult to implement administratively (depending on complexity of design/criteria).
Non-Tax Based Option	Temporary expropriation or possession by the City of vacant units that meet certain criteria. This could be similar to the Barcelona model where long-term vacant units are expropriated and then rented as affordable housing for several years before being returned to their owners. This could be difficult to implement in the U.S. due to constitutional rights regarding the protection of private property interests and restrictions on expropriation for public purposes.	Barcelona, Spain	Difficult to implement
Combined Tax & Incentive Options	Combination of one of the vacancy tax options mentioned above along with an option for the City or community based organizations to make an offer to purchase properties that are vacant for several years in a row. This could be linked to the City's existing Affordable Housing acquisition funding or programs such as the Small Sites Program or Community Opportunity to Purchase Act. ³²	NA	Voter approval required for tax. Moderate/ Difficult to implement administratively.

Source: Budget & Legislative Analyst

³² Information on the San Francisco Community Opportunity to Purchase Act is available [here](#) and the Small Sites Program [here](#)

Vacancy Tax Design Considerations

- **Tax level and design:** Given the wide range of vacancy tax rates implemented, any tax level adopted should balance a determination of the potential external social cost from holding a unit vacant as well as the importance of generating revenues for other affordable housing policies versus generating a direct financial incentive to return vacant units to the market. Additionally, pursuant to the State Constitution and Proposition 218, any new tax assessments must generally be approved by the voters before being enacted. A general tax not levied on properties would require a simple majority of voters to pass, whereas a special tax, where the tax is levied on properties or where revenues are earmarked for a specific purpose, requires a two-thirds majority of voters to pass. A two-thirds majority may not be required for a tax for a specific purpose if initiated by local residents, rather than the Board of Supervisors.
- **Other policy tools to address reasons for vacancies should be considered in conjunction with a vacancy tax:** If housing units are being held off the market due to the owner being unable to afford needed repairs or being unable to effectively market their unit for lease or sale, the Board of Supervisors could consider establishing or enhancing City programs to provide low interest loans for improvements and/or to provide assistance in marketing such properties conditional on owners bringing their units to market before they are required to pay a vacancy tax. Another potential reason for units being held off the market could be due to concerns with the time and cost needed to apply and secure relevant permits from the City. Improving information about and further simplifying the permitting process for simple renovations could address these concerns.
- **Effective monitoring and tracking of vacancies:** Ensure baseline data on vacant units and reasons for vacancy are collected to allow evaluation of the impact of any policy intervention and increase understanding of the reasons for vacancies. The City's new housing registry, established by ordinance adopted by the Board of Supervisors in January 2021, will be implemented starting in July 2022. Owners of residential housing units will be required to register their units with the City's Rent Board, including reporting (for rental units) whether their units are occupied or vacant. This information would be the best possible source of information to identify vacant units that would be subject to a vacancy tax or other policy interventions if the Board of Supervisors should adopt such programs. However, the housing registry legislation currently only requires vacancy information for housing units that are being rented. Housing units that are owner-occupied part of full-time and are vacant would not be captured. Including these units would require amending the adopted legislation that establishes the housing registry.

- **Vacancy must be precisely defined:** Since there are many reasons why housing units remain vacant beyond the common transitions between tenants or owners, it will be important for a program aimed at reducing vacancies to very precisely define allowable and non-allowable vacancies.
- **Reasonable and appropriate exemptions:** Given the various reasons units can be vacant and the limited information on reasons for non-market vacancies, reasonable exemptions for legitimate vacancies should be included in any policy to ensure the policy aims are supported and not hindered by the intervention.

San Francisco Commercial Vacancy Tax Ordinance

In designing any new vacancy tax, the Board of Supervisors could also look to the recently enacted Vacancy Tax Ordinance³³ which covers vacant commercial properties with frontage along specific commercial districts. The Vacancy Tax was passed by voters in March 2020 (Proposition D) but its implementation was delayed until 2022 by the Board of Supervisors in June 2020 due to the COVID-19 pandemic.

The ordinance defines vacant property as being unoccupied, uninhabited, or unused for more than 182 days (consecutive or not) in a tax year. Exceptions include one year for obtaining a building permit or tenant improvements, two years for improvements following damage, six months for obtaining a conditional use permit, and tax-exempt entities. The ordinance provides for a tax of \$250 per linear foot of frontage³⁴ for properties deemed vacant for one tax year and increases to \$500 and \$1,000 per linear foot for properties deemed vacant for two and three consecutive tax years, respectively. The Vacancy Tax is imposed on property owners of vacant space unless the space is leased or sub-leased. Revenues are to be deposited in a special revenue Small Business Assistance Fund. The Tax is administered by the City's Treasurer-Tax Collector with assistance from the Department of Public Works, Department of Building Inspection, and the Office of Economic and Workforce Development.

³³ San Francisco Business and Tax Regulations Code, Article 29 (Sec. 2901 – 2911).

³⁴ Based on taxable commercial space that is adjacent to a street or public right of way in a Named Neighborhood Commercial District or Commercial Transit District listed in Planning Code Sec. 201.

Policy Options

The Board of Supervisors could:

1. **Improve information and data on the number of vacant homes and reasons for vacancy.** Consider amending the legislation adopted in January 2021 establishing a City housing registry so that it expands the existing ordinance to collect vacancy data on all housing including owner occupied housing and units not subject to the City Rent Stabilization and Arbitration Ordinance. Request the Rent Board to produce information annually on the number of vacant homes based on data provided for the Housing Inventory, this could be done alongside consideration of the vacancy tax interventions suggested in this report.
2. **Request advice from the City Attorney on legally permissible options for implementing a Residential Vacancy Tax and other policy options presented in this report.**
3. **Consider establishing a Residential Vacancy Tax subject to the following principles:**
 - a. Balance cost-effective financial incentives with reasonable exemptions for legitimate vacancies and activities that would return a unit to the market (e.g., renovations, etc.),
 - b. Consider how revenues would be spent to further support housing affordability policy goals or address root causes of housing shortages,
 - c. Require City staff to collect and report data on baseline vacancy and reasons/ types of vacancy as part of this option as well as the occupancy status of previously vacant properties (i.e. similar to the City of Vancouver).