

LEGISLATIVE DIGEST

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

Ordinance amending the Business and Tax Regulations Code to exempt certain transfers of rent-restricted affordable housing occurring on or after January 1, 2021, from the increased transfer tax rates when the consideration or value of the interest or property conveyed equals or exceeds \$5,000,000; and affirming the Planning Department’s determination under the California Environmental Quality Act.

Existing Law

Since 2008, the transfer tax on the transfer of properties with a consideration or value of \$5 million or more has increased from 0.75% of consideration or value to between 2.25% and 6% of consideration or value depending on the consideration or value (Prop. N of November 2008, Prop. N of November 2010, Prop. W of November 2016, and Prop. I of November 2020). Existing law provides that the Board of Supervisors (the “Board”) can exempt transfers of rent-restricted affordable housing, as defined by the Board, from these transfer tax increases. In 2019, the Board exempted transfers of property under the Community Right to Purchase Act (“COPA”) from these increases.

Amendments to Current Law

This ordinance would extend the partial exemption to transfers of residential rental properties that are legally restricted to be exclusively affordable in a manner that meets the specific requirements of the ordinance, including limits on tenant income and rents paid for each unit. The Mayor’s Office of Housing and Community Development would certify that the restrictions on the property meet these requirements. This exemption would be retroactive to January 1, 2021. This ordinance would not change the exemption for COPA properties. Both exemptions would expire on June 30, 2024.

Under this legislation, transfers of properties that meet the requirements described above would pay transfer tax at a rate of \$3.75 per \$500 of consideration or value (0.75%), and not these higher rates:

Property Consideration or Value	Rate/\$500
\$5 million to less than \$10 million	\$11.25 or 2.25%
\$10 million to less than \$25 million	\$27.50 or 5.50%
\$25 million or more	\$30 or 6.00%

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