

File No. 250891

Committee Item No. 9

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date October 15, 2025

Board of Supervisors Meeting Date _____

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Completed by: Brent Jalipa Date October 9, 2025

Completed by: Brent Jalipa Date _____

[Business and Tax Regulations Code - Tax Exclusion for Low-Income Housing Partnerships;
Commercial Vacancy Tax Exemption]

Ordinance amending the Business and Tax Regulations Code to exclude from gross receipts tax the gross receipts of low-income housing partnerships received from the lease of residential real estate beginning with the 2026 tax year; suspend the business registration certificate and fee requirements for those partnerships beginning with the registration year commencing April 1, 2026; exempt the City from the commercial vacancy tax retroactive to January 1, 2025; and exempt persons holding property to be used for City-sponsored affordable housing projects from the commercial vacancy tax retroactive to January 1, 2022, and refund commercial vacancy taxes paid by exempt persons.

NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
Additions to Codes are in *single-underline italics Times New Roman font*.
Deletions to Codes are in *~~strikethrough italics Times New Roman font~~*.
Board amendment additions are in double-underlined Arial font.
Board amendment deletions are in ~~strikethrough Arial font~~.
Asterisks (* * * *) indicate the omission of unchanged Code subsections or parts of tables.

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

Section 1. Article 6 of the Business and Tax Regulations Code is hereby amended by revising Section 6.8-1, to read as follows:

SEC. 6.8-1. CITY, PUBLIC ENTITY, AND CONSTITUTIONAL EXEMPTIONS.

(a) Nothing in Articles 6, 7, 8, 9, 10, 10B, 11, 12, 12-A-1, 21, 28, 29, 29A , 30, 32, or 33 shall be construed as imposing a tax upon:

(1) The City, ~~except for the Vacancy Tax (Article 29)~~;

1 (2) The State of California, or any county, municipal corporation, district, or
2 other political subdivision of the State, except where any constitutional or statutory immunity
3 from taxation is waived or is not applicable;

4 (3) The United States, or any of its agencies or subdivisions, except where any
5 constitutional or statutory immunity from taxation is waived or is not applicable; or

6 (4) Any person exempted from the particular tax by the Constitution or statutes
7 of the United States or the Constitution or statutes of the State of California.

8 * * * *

9
10 Section 2. Article 12 of the Business and Tax Regulations Code is hereby amended by
11 revising Section 853, to read as follows:

12 **SEC. 853. REGISTRATION CERTIFICATE – REQUIRED.**

13 * * * *

14 (f) (1) Beginning with the registration year commencing April 1, 2026, the requirements to
15 obtain a registration certificate and pay a fee under this Article 12 are suspended for Qualified
16 Lessors. For purposes of this subsection (f), the term “Qualified Lessor” has the same meaning as that
17 term is defined in Section 952.3(h) of Article 12-A-1 of the Business and Tax Regulations Code.

18 (2) The suspension in this subsection (f) shall apply only with respect to the Qualified
19 Lessor’s separate filing and payment obligations for its lease of residential real estate units. The
20 suspension shall not apply to any business activity related to any other space, either within the same
21 building or other buildings, that is not residential real estate.

22 (3) The Board of Supervisors may at any time, by ordinance, terminate the suspension
23 in this subsection (f) without such termination constituting a tax increase under Article XIII C of the
24 California Constitution.

1 Section 3. Article 12-A-1 of the Business and Tax Regulations Code is hereby
2 amended by revising Section 952.3, to read as follows:

3 **SEC. 952.3. GROSS RECEIPTS.**

4 * * * *

5 (h) (1) For tax years beginning on or after January 1, 2026, “gross receipts” shall not
6 include amounts received by a Qualified Lessor. For purposes of this subsection (h), the term
7 “Qualified Lessor” means a lessor of residential real estate, as the term residential real estate is
8 described in Section 954.1(c) of this Article 12-A-1, if the lessor of residential real estate is a limited
9 partnership in which the managing general partner is an eligible nonprofit corporation or eligible
10 limited liability company, meeting all of the requirements of Section 214(g) of the California Revenue
11 and Taxation Code.

12 (2) The exclusion in this subsection (h) shall apply only with respect to the Qualified
13 Lessor’s amounts received for its lease of residential real estate. The exclusion shall not apply to any
14 amounts received from any business activity related to any other space, either within the same building
15 or other buildings, that is not residential real estate.

16 (3) For purposes of the exclusion in Section 952.3(d) of this Article 12-A-1 providing
17 that “any gross receipts of a pass-through entity which is subject to the gross receipts tax shall not also
18 constitute gross receipts of any owner of that entity,” a Qualified Lessor shall be deemed to be subject
19 to the gross receipts tax notwithstanding the exclusion in this Section 952.3(h).

20 (4) The Board of Supervisors may at any time, by ordinance, terminate the exclusion in
21 this subsection (h) without such termination constituting a tax increase under Article XIII C of the
22 California Constitution.

1 Section 4. Article 29 of the Business and Tax Regulations Code is hereby amended by
2 revising Section 2905, to read as follows:

3 **SEC. 2905. EXEMPTIONS AND EXCLUSIONS.**

4 (a) For only so long as and to the extent that the City is prohibited from imposing the
5 Vacancy Tax, any person upon whom the City is prohibited under the Constitution or laws of
6 the State of California or the Constitution or laws of the United States from imposing the
7 Vacancy Tax shall be exempt from the Vacancy Tax.

8 * * * *

9 (c) The City shall ~~not~~ be exempt from the Vacancy Tax.

10 * * * *

11 (e) For tax years beginning on or after January 1, 2022, persons that own commercial property
12 subject to a recorded restrictive covenant enforced by the Mayor's Office of Housing and Community
13 Development ("MOHCD") for the purpose of developing affordable housing thereon shall be exempt
14 from the Vacancy Tax with respect to that commercial property. If a person that qualifies for the
15 exemption under this subsection (e) pays or has paid the Vacancy Tax, the Tax Collector shall refund
16 or cause to be refunded the amount of that tax and any penalties, without interest, upon request of that
17 person. Such request for refund must be accompanied by a copy of the recorded restrictive covenant
18 and a certification by MOHCD. Any refund request under this subsection must be filed in writing on a
19 form prescribed by the Tax Collector within the later of (1) one year of payment of the tax or penalty,
20 as applicable, or (2) June 30, 2026.

21
22 Section 5. Effective Date; Retroactivity.

23 (a) This ordinance shall become effective 30 days after enactment. Enactment occurs
24 when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not
25

1 sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the
2 Mayor's veto of the ordinance.

3 (b) Upon the effective date of this ordinance, this ordinance shall be (1) retroactive to
4 January 1, 2025, insofar as it relates to the amendments to Section 6.8-1 of Article 6 of the
5 Business and Tax Regulations Code and Section 2905(c) of Article 29 of that Code, and (2)
6 retroactive to January 1, 2022, insofar as it relates to the addition of Section 2905(e) of
7 Article 29 of the Business and Tax Regulations Code.

8
9 Section 6. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors
10 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,
11 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal
12 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment
13 additions, and Board amendment deletions in accordance with the "Note" that appears under
14 the official title of the ordinance.

15
16 Section 7. Severability. If any section, subsection, sentence, clause, phrase, or word
17 of this ordinance, or any application thereof to any person or circumstance, is held to be
18 invalid or unconstitutional by a decision of a court of competent jurisdiction, such decision
19 shall not affect the validity of the remaining portions or applications of the ordinance. The
20 Board of Supervisors hereby declares that it would have passed this ordinance and each and
21 every section, subsection, sentence, clause, phrase, and word not declared invalid or
22 unconstitutional without regard to whether any other portion of this ordinance or application
23 thereof would be subsequently declared invalid or unconstitutional.

Section 8. Supermajority Vote Required. In accordance with Section 2811 of Article 28 of the Business and Tax Regulations Code and Section 2909 of Article 29 of the Business and Tax Regulations Code, passage of this ordinance by the Board of Supervisors requires an affirmative vote of two-thirds of the Board of Supervisors.

APPROVED AS TO FORM:
DAVID CHIU, City Attorney

By: /s/
KERNE H. O. MATSUBARA
Deputy City Attorney

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LEGISLATIVE DIGEST

[Business and Tax Regulations Code - Tax Exclusion for Low-Income Housing Partnerships; Commercial Vacancy Tax Exemption]

Ordinance amending the Business and Tax Regulations Code to exclude from gross receipts tax the gross receipts of low-income housing partnerships received from the lease of residential real estate beginning with the 2026 tax year; suspend the business registration certificate and fee requirements for those partnerships beginning with the registration year commencing April 1, 2026; exempt the City from the commercial vacancy tax retroactive to January 1, 2025; and exempt persons holding property to be used for City-sponsored affordable housing projects from the commercial vacancy tax retroactive to January 1, 2022, and refund commercial vacancy taxes paid by exempt persons.

Existing Law

Businesses engaging in business within the City generally must register with the Tax Collector and are subject to registration fees and gross receipts and other taxes. Certain organizations that are exempt from income taxation under the California Revenue and Taxation Code or the Internal Revenue Code are exempt from the City's registration fees and gross receipts taxes. The City also imposes a commercial vacancy tax, which is an annual excise tax on persons keeping ground floor commercial space in certain neighborhood commercial districts and certain neighborhood commercial transit districts vacant, to fund assistance to small businesses. The City is not exempt from the commercial vacancy tax.

Amendments to Current Law

For tax years beginning on or after January 1, 2026, and registration years beginning on or after April 1, 2026, this ordinance would exclude from gross receipts tax the gross receipts of low-income housing partnerships received from leasing of residential real estate, and suspend the business registration certificate and fee requirements for those partnerships. Qualifying partnerships would be limited partnerships that lease residential real estate and whose managing general partner is a nonprofit corporation or limited liability company that meets the requirements of the welfare exemption for low-income rental housing in Section 214(g) of the California Revenue and Taxation Code. The gross receipts exclusion would only apply to the qualifying partnership's receipts from the lease of residential real estate.

Retroactive to January 1, 2025, this ordinance would exempt the City from the commercial vacancy tax. Retroactive to January 1, 2022, this ordinance would exempt persons holding property to be used for City-sponsored affordable housing projects from the commercial vacancy tax. This ordinance also would authorize refunds, without interest, of commercial vacancy taxes, penalties, and interest paid to the City that were overpaid as a result of the retroactive application of this ordinance.

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Items 8 & 9 Files 25-0890 & 25-0891	Department: Mayor's Office of Housing and Community Development (MOHCD)
EXECUTIVE SUMMARY	
Legislative Objectives • File 25-0890 is an ordinance that would temporarily exempt transfers of certain rent-restricted affordable housing from the Real Property Transfer Tax, retroactive to transfers on or after April 12, 2024. • File 25-0891 is an ordinance that would: (1) exclude from the Gross Receipts Tax the gross receipts of low-income housing partnerships received from the lease of residential real estate beginning with the 2026 tax year; (2) suspend the Business Registration Certificate and fee requirement for those partnerships beginning with the registration year commencing April 1, 2026; (3) exempt the City from the Commercial Vacancy Tax retroactive to January 1, 2025; and (4) exempt persons holding property to be used for City-sponsored affordable housing projects from the Commercial Vacancy Tax retroactive to January 1, 2022 and refund commercial vacancy taxes paid by exempt persons. Key Points • Developers and operators of affordable housing properties may be subject to paying the City's Real Property Transfer Tax (at a reduced rate), Gross Receipts Tax, Business Registration Fees, and Commercial Vacancy Tax. The City is not exempt from paying the Commercial Vacancy Tax, which may be assessed on future affordable housing sites. MOHCD has introduced legislation to reduce taxes and fees on affordable housing to ease financial challenges for development and reduce administrative burdens. • Under the proposed ordinances, certain affordable housing properties would be exempt from the Real Property Transfer Tax, with refunds for eligible taxes paid since April 12, 2024. Qualified lessors paying would be exempt from paying Gross Receipts Tax on rents received for residential real estate and from obtaining a business registration certificate and paying business registration fees for the lease of residential real estate. The City would be exempt from paying the Commercial Vacancy Tax, retroactive to January 1, 2025, and commercial property owners subject to a recorded restrictive covenant for developing affordable housing would also be exempt, retroactive to January 1, 2022. Fiscal Impact • The City would refund approximately \$4 million in received taxes, assuming that subjected property owners request refunds, and that all requests meet eligibility requirements. The annual fiscal impact is approximately \$3 million in foregone revenue, which may vary significantly on an annual basis. Recommendation • Approval of the proposed ordinances is a policy matter for the Board of Supervisors.	

MANDATE STATEMENT

City Charter Section 2.105 states that all legislative acts shall be by ordinance, approved by a majority of the members of the Board of Supervisors.

Business and Tax Regulations Code Section 2909 states that the Board of Supervisors may amend or repeal the Commercial Vacancy Tax with a two-thirds vote.

Business and Tax Regulations Code Section 2811 states that the Board of Supervisors may amend the Homelessness Gross Receipts Tax with a two-thirds vote.

BACKGROUND

Real Property Transfer Tax

The City's Real Property Transfer Tax imposes a one-time tax ranging from 2.25 percent of consideration or value for transfers with a consideration or value of \$5 to 10 million to six percent of consideration or value for transfers with a consideration or value of at least \$25 million.¹ The tax also applies to leases of 35 years or more. Prior to April 12, 2024, the Board of Supervisors had been authorized to partially exempt rent-restricted affordable housing from the Real Property Transfer Tax. Under this authority, the Board of Supervisors reduced the transfer tax on rent-restricted affordable housing on transactions over \$5 million to 0.75 percent, rather than the standard rates of 2.25 to 6.00 percent, through 2030 (File 23-1007). In March 2024, San Francisco voters approved Proposition C, which authorized the Board of Supervisors to amend or repeal the Real Property Transfer Tax by ordinance, effective April 12, 2024.²

Transfer Taxes Applied to Affordable Housing Projects

Examples of transactions involving affordable housing projects that may trigger the Real Property Transfer Tax are described below. If the property qualifies as "rent-restricted affordable housing", the following transactions may qualify for the reduced transfer tax rate:

1. Properties acquired under the Community Opportunity to Purchase Act;
2. Existing affordable housing multifamily projects that received Low-Income Housing Tax Credits, when the limited partner (tax credit investor) exits the partnership around Year 15 (Year 15 Exits), thus changing the ownership structure even if the nonprofit controlling the project does not change;
3. Existing affordable multifamily projects that receive Low-Income Housing Tax Credits when the project is refinanced to allow for capital improvement requiring a new limited partnership (resyndication) even if the nonprofit controlling the project does not change;

¹ A smaller tax ranging from 0.5 percent to 0.75 percent of the consideration or value applies to transfers with consideration or value of over \$100 but under \$5 million.

² Proposition C was ostensibly a waiver of the Real Property Transfer Tax from transfers related to office to residential conversions. However, it also authorized the Board of Supervisors to amend or repeal the tax without voter approval (although increases to the tax would require voter approval).

4. Existing affordable multifamily projects that are sold to another nonprofit operator when the existing operator can no longer operate the site because they are going out of business or for another reason; or
5. HOPE SF accelerated conversion units, when the San Francisco Housing Authority rehabilitated and then sold remaining public housing units at HOPE SF sites (such as Sunnydale and Potrero) to a nonprofit affiliate (SFHA Housing Corporation).

Other Business Taxes and Fees

Other business taxes and fees that may apply to affordable housing developers and operators include the Gross Receipts Tax, Business Registration Fees, and Commercial Vacancy Tax.

Gross Receipts Tax and Business Registration Fees

In general, San Francisco businesses are required to pay a Gross Receipts Tax, including on gross receipts from real estate business activities. In 2026, the Gross Receipts Tax for this category of business activities ranges from 0.413 percent of San Francisco gross receipts up to \$1 million to 0.435 percent of San Francisco gross receipts over \$1 billion. Many affordable housing providers in San Francisco are limited liability companies (LLC) or limited partnerships (LP) that are required to pay the Gross Receipts Tax. These LLCs and LPs generally are also required to pay annual Business Registration Fees, which in 2026 range from \$55 for businesses with under \$100,000 in San Francisco gross receipts to \$60,000 for businesses with over \$200 million in San Francisco gross receipts. In the middle range, the fees range from \$625 for businesses with \$1-1.5 million in gross receipts to \$6,500 for businesses with \$15-25 million in gross receipts. Entities that receive City funding are required to be in tax compliance to receive payments under City loan agreements.

Commercial Vacancy Tax

The City charges a Commercial Vacancy Tax on owners of certain vacant ground-level commercial spaces in certain commercial corridors. The tax ranges from \$250 to \$1,000 per linear foot of frontage depending on how long the space has been vacant. The City or affordable housing developers sometimes purchase properties that include vacant commercial space for future affordable housing development. While the Mayor's Office of Housing and Community Development (MOHCD) tries to fill these spaces with interim uses when feasible, they sometimes require extensive rehabilitation that would not make sense if the building would soon be demolished. The City is required to pay the Commercial Vacancy Tax on City-owned properties.

For example, MOHCD paid \$712,944 in FY 2021-22 through FY 2023-24 for the Commercial Vacancy Tax at 1979 Mission Street, the site of three future affordable housing projects. As a former Walgreens, the building would not have been usable for an interim activity without considerable repair to make it Code compliant. Those tax payments were drawn from the Housing Trust Fund.

MOHCD has introduced legislation to reduce taxes and fees on affordable housing to ease financial challenges for development and reduce administrative burdens.

DETAILS OF PROPOSED LEGISLATION

File 25-0890 is an ordinance that would amend the Business and Tax Regulations Code to temporarily exempt transfers of certain rent restricted affordable housing from the Real Property Transfer Tax, retroactive to transfers on or after April 12, 2024, and affirm the Planning Department's determination under the California Environmental Quality Act (CEQA).

File 25-0891 is an ordinance that would amend the Business and Tax Regulation Code to:

1. Exclude from the Gross Receipts Tax and potentially the Homelessness Gross Receipts Tax³ the gross receipts of low-income housing partnerships received from the lease of residential real estate beginning with the 2026 tax year;
2. Suspend the Business Registration Certificate and fee requirements for those partnerships beginning with the registration year commencing April 1, 2026;
3. Exempt the City from the Commercial Vacancy Tax retroactive to January 1, 2025; and
4. Exempt persons holding property to be used for City-sponsored affordable housing projects from the Commercial Vacancy Tax retroactive to January 1, 2022, and refund commercial vacancy taxes paid by exempt persons.

Because File 25-0891 amends the Commercial Vacancy Tax and potentially the Homelessness Gross Receipts Tax, approval requires at least a two-thirds affirmative vote of the Board of Supervisors.

Real Property Transfer Tax (File 25-0890)

As discussed above, there are different scenarios where affordable housing developments may be subject to the Real Property Transfer Tax, with reduced rates applying in certain circumstances. To qualify for the complete exemption under the proposed ordinance, the transfer must have occurred on or after April 12, 2024, and at the time of the transfer the properties either: (1) had the welfare exemption under Section 214 of the California Revenue and Taxation Code⁴ for at least 90 percent of residential units in the property; or (2) were wholly owned by one or more nonprofit organizations and were being transferred to one or more entities who intend to comply with the welfare exemption for at least 90 percent of residential units in the property and certify to MOHCD that an application for the welfare exemption will be submitted to the County Assessor within specified time limits. The property must have affordability restrictions for at least 55 years, with at least 35 years remaining in the term from the date of transfer. These affordability restrictions include, in addition to other restrictions, that all rent-restricted units must have an income limit at initial occupancy of no greater than 120 percent of Area Median Income (AMI), and the average of all units must not exceed a defined "Low Income Threshold" (generally defined as 80 percent of AMI).

³ The proposed ordinance would only impact the Homelessness Gross Receipts Tax in the unlikely event that a low-income housing partnership receives more than \$25 million from leasing property in the residential building.

⁴ Section 214 of the California Revenue and Taxation Code provides an exemption from property taxes (including for bonded indebtedness) for properties used exclusively for religious, hospital, scientific, or charitable purposes, which includes certain affordable housing.

According to the Assessor-Recorder's Office, 10 affordable housing providers have paid \$3,953,291 in transfer taxes since April 12, 2024, when the ordinance would retroactively go into effect. To obtain a waiver of the tax, or to request a refund for taxes paid during this period (without interest), the property owner must obtain a certificate from MOHCD confirming that the property transferred was for the type of rent-restricted affordable housing subject to this complete exemption. Requests for refunds must be made by June 30, 2026. The proposed ordinance would expire December 31, 2030.

Other Business Taxes and Fees (File 25-0891)

As discussed above, affordable housing developers and operators may be subject to the Gross Receipts Tax, Business Registration Fees, and Commercial Vacancy Tax.

Gross Receipts Tax and Business Registration

Under the proposed ordinance, "qualified lessors" of residential real estate, defined as limited partnerships in which the managing general partner is an eligible nonprofit corporation or eligible limited liability company that have qualified for a welfare exemption under Section 214(g) of the California Revenue and Taxation Code would be exempt from paying Gross Receipts Tax on rents received for residential real estate. These qualified lessors would also no longer be required to obtain a business registration certificate and pay business registration fees for the lease of residential real estate. Gross receipts from other business activities, such as rent of commercial spaces, would not be exempt from the Gross Receipts Tax and would require these entities to obtain a business registration certificate and pay fees. The exemptions would be effective for the Gross Receipts Tax on January 1, 2026 and for the business registration year beginning April 1, 2026.

Commercial Vacancy Tax

Under the proposed ordinance, the City would be exempted from paying the Commercial Vacancy Tax, retroactive to January 1, 2025. In addition, commercial property owners subject to a recorded restrictive covenant for developing affordable housing, enforced by MOHCD, would be exempted from the Commercial Vacancy Tax, retroactive to January 1, 2022. Requests for refunds (without interest) must be filed by the later of one year of payment or June 30, 2026.

This ordinance does not have an expiration date.

FISCAL IMPACT

Under the proposed ordinances, the City would forego certain General Fund revenue from real property transfer tax, business tax, and business registration fee revenue from affordable housing sites and also refund certain Gross Receipts and Commercial Vacancy Tax revenue already received. The primary beneficiaries are affordable housing developers and operators, and the City in its role of financing affordable housing. However, it may also accelerate payment on MOHCD permanent financing loans, which are repaid to the City from net income from affordable housing projects, after all other operating expenses, mortgage payments, and reserve deposits are made.

Refunds

The proposed ordinances would require the City to refund Real Property Transfer Taxes from certain affordable housing properties paid on transfers since April 12, 2024 and Commercial Vacancy Taxes paid for tax years since January 1, 2022. According to the Assessor-Recorder's Office, the City has received \$3,953,291 in Real Property Transfer Taxes on affordable housing developments since April 12, 2024 that would potentially be subject to refund, depending on eligibility. According to the Treasurer-Tax Collector's Office, the City has received approximately \$30,000 in Commercial Vacancy Taxes from City-sponsored affordable housing sites since January 1, 2022. Overall, the City would refund approximately \$4 million, assuming that subjected property owners request refunds, and that all requests meet eligibility requirements.

Annual Fiscal Impact

On an ongoing basis, the City would waive Real Property Transfer Taxes, Gross Receipts Taxes, Business Registration Fees, and Commercial Vacancy Taxes related to certain affordable housing sites and partnerships. These are all General Fund revenues, except for the Commercial Vacancy Tax, which is deposited into the Small Business Assistance Fund. Based on recent data from the Treasurer-Tax Collector's and Assessor-Recorder's Offices, the Budget and Legislative Analyst estimates that the annual fiscal impact is approximately \$3 million, as shown in Exhibit 1 below.

Exhibit 1: Estimated Annual Tax and Fee Waivers

Tax/Fee	Estimated Annual Amount Waived
Real Property Transfer Tax	\$2,790,558
Gross Receipts Tax	209,502
Business Registration Fee	22,749
Commercial Vacancy Tax	10,000
Total	\$3,032,809

Source: BLA estimates based on Treasurer-Tax Collector's and Assessor-Recorder's Offices.

We note that these estimates may vary significantly on an annual basis. In particular, the Real Property Transfer Tax applies only to a small number of properties that change hands each year, so the annual revenue varies with the number of transactions of affordable housing properties. The Real Property Transfer Tax is already reduced by approximately 86 percent on certain affordable housing properties, so the impact of waiving the tax fully on a subset of those is relatively small. With the reductions in place, the average cost of the tax is approximately \$4,407 per unit.⁵

The proposed ordinances would also exempt the City from the Commercial Vacancy Tax. As currently implemented, the Commercial Vacancy Tax on affordable housing sites transfers funds from the Affordable Housing Trust Fund or other funding source for affordable housing to the Small Business Assistance Fund. Although this has no overall fiscal impact to the City, it does have

⁵ According to the Planning Department's database, eight of the affordable properties that paid \$3,578,595 in Transfer Taxes contain approximately 812 units. For two properties that paid \$374,696 in Transfer Taxes, the number of units were not reported.

a negative fiscal impact on funding available for the production of affordable housing. The City paid (and received) approximately \$790,490 in Commercial Vacancy Tax in 2024 (although not all of this amount may be directly related to affordable housing sites).

RECOMMENDATION

Approval of the proposed ordinances is a policy matter for the Board of Supervisors.



474 Valencia Street, Suite 280
San Francisco, CA. 94103
(415) 864-6432

September 9, 2025

San Francisco Board of Supervisors
1 Carlton B Goodlett Pl Ste 244,
San Francisco, CA 94102

Dear San Francisco Board of Supervisors,

On behalf of Mission Housing Development Corporation, I'm writing in support of Ordinances 250890, 250891 and the exemption of affordable housing pipeline sites from the Commercial Vacancy Tax. These ordinances were drafted in collaboration with San Francisco's affordable housing providers and are common sense fixes that will aid the industry's mission to affirmatively further fair housing throughout our city.

These are simple house-cleaning fixes which will:

- Reduce financial and administrative costs to San Francisco's Non-Profit Affordable Housing Developers and help us better focus on residents and building operations.
- Exempt transfer taxes on required 15-year refinancing deals.
- Remove fees and taxes that don't make sense for 100% affordable housing and only slow developments down.

These changes apply only to affordable housing and will help keep limited resources where they belong—supporting San Franciscans who need stable, and affordable homes.

Thank you for your leadership.

A handwritten signature in blue ink, appearing to read "SAM MOSS", is written over a horizontal line.

SAM MOSS
Executive Director
Mission Housing Development Corporation

BOARD of SUPERVISORS



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1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. (415) 554-5184
Fax No. (415) 554-5163
TDD/TTY No. (415) 554-5227

MEMORANDUM

TO: José Cisneros, Treasurer, Office of the Treasurer and Tax Collector
Daniel Adams, Director, Mayor's Office of Housing and Community Development
Adam Thongsavat, Liaison to the Board of Supervisors, Mayor's Office

FROM: Brent Jalipa, Assistant Clerk, Budget and Finance Committee

DATE: September 5, 2025

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Budget and Finance Committee has received the following proposed legislation, introduced by Mayor Daniel Lurie:

File No. 250891

Ordinance amending the Business and Tax Regulations Code to exclude from gross receipts tax the gross receipts of low-income housing partnerships received from the lease of residential real estate beginning with the 2026 tax year; suspend the business registration certificate and fee requirements for those partnerships beginning with the registration year commencing April 1, 2026; exempt the City from the commercial vacancy tax retroactive to January 1, 2025; and exempt persons holding property to be used for City-sponsored affordable housing projects from the commercial vacancy tax retroactive to January 1, 2022, and refund commercial vacancy taxes paid by exempt persons.

If you have any comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

- c. Amanda Kahn Fried, Office of the Treasurer and Tax Collector
Lydia Ely, Mayor's Office of Housing and Community Development
Maria Benjamin, Mayor's Office of Housing and Community Development
Sheila Nickolopoulos, Mayor's Office of Housing and Community Development
Kyra Geithman, Mayor's Office of Housing and Community Development
Julia Sabory, Mayor's Office of Housing and Community Development

OFFICE OF THE MAYOR
SAN FRANCISCO



DANIEL LURIE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Adam Thongsavat, Liaison to the Board of Supervisors
RE: Business and Tax Regulations Code - Tax Exclusion for Low-Income Housing Partnerships;
Commercial Vacancy Tax Exemption
DATE: September 2, 2025

Ordinance amending the Business and Tax Regulations Code to exclude from gross receipts tax the gross receipts of low-income housing partnerships received from the lease of residential real estate beginning with the 2026 tax year; suspend the business registration certificate and fee requirements for those partnerships beginning with the registration year commencing April 1, 2026; exempt the City from the commercial vacancy tax retroactive to January 1, 2025; and exempt persons holding property to be used for City-sponsored affordable housing projects from the commercial vacancy tax retroactive to January 1, 2022, and refund commercial vacancy taxes paid by exempt persons.

Should you have any questions, please contact Adam Thongsavat at adam.thongsavat@sfgov.org