

File No. 230628

Committee Item No. _____

Board Item No. 44

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: _____

Date: _____

Board of Supervisors Meeting

Date: July 11, 2023

Cmte Board

- Motion
- Resolution
- Ordinance
- Legislative Digest
- Budget and Legislative Analyst Report
- Youth Commission Report
- Introduction Form
- Department/Agency Cover Letter and/or Report
- MOU
- Grant Information Form
- Grant Budget
- Subcontract Budget
- Contract/Agreement
- Form 126 – Ethics Commission
- Award Letter
- Application
- Public Correspondence

OTHER

- Delinquency Report - 11/8/22 _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____

Prepared by: Lisa Lew

Date: July 7, 2023

Prepared by: _____

Date: _____

1 [Report of Delinquent Real Property Transfer Taxes]

2

3 **Resolution confirming report of delinquent real property transfer tax under**
4 **Business and Tax Regulations Code, Section 1115.1(c), for Assessor's Parcel Block**
5 **No. 0340, Lot No. 004 (2-16 Turk Street), and directing transmission of said report to**
6 **the Controller and Tax Collector for collection and deposit into the General Fund.**

7

8 WHEREAS, The Office of the Assessor-Recorder issued demand letters to the owners
9 of Assessor's Parcel Block No. 0340, Lot No. 004 (2-16 Turk Street) for unpaid transfer tax
10 liability, plus penalties and interest, and per Section 1115(d) of Article 12-C of the Business
11 and Tax Regulations Code, recorded a Notice of Delinquent Real Property Transfer Taxes,
12 and mailed a copy of the recorded notice, indicating that the Assessor-Recorder would
13 initiate lien proceedings if the delinquency was not paid; and

14 WHEREAS, On May 26, 2023, the Assessor-Recorder requested that the Board of
15 Supervisors initiate proceedings to impose a lien under Business and Tax Regulations Code,
16 Section 1115.1(a) for the total unpaid balance against the real property transferred by
17 Document 2022026378, Assessor's Parcel Block No. 0340, Lot No. 004 (2-16 Turk Street),
18 and confirm costs outlined in said Report of Delinquent Real Property Transfer Taxes; now,
19 therefore, be it

20 RESOLVED, That the Report of Delinquent Real Property Transfer Taxes is
21 hereby confirmed by the Board of Supervisors for Assessor's Parcel Block No. 0340, Lot
22 No. 004 (2-16 Turk Street); and, be it

23 FURTHER RESOLVED, That a copy of this Resolution and a copy of the Report of
24 Delinquent Real Property Transfer Taxes confirmed by the Board of Supervisors shall be
25 transmitted to the Controller and Tax Collector of the City and County, whereupon it shall

1 be the duty of said officers to add the amount of the delinquent transfer tax, penalties,
2 and interest to the next regular bill for property taxes levied against the respective parcel
3 of land, and shall be collected at the same time and in the same manner as ordinary City
4 and County property taxes are collected, and shall be subject to the same procedure
5 under foreclosure and sale in case of delinquency under the laws of the City and County
6 and of the State of California; and, be it

7 FURTHER RESOLVED, That all monies received in payment of the transfer tax,
8 interest and penalties shall be credited to the General Fund.

9
10 /s/
11 _____
12 **Recommended**
13 **Joaquín Torres**
14 **Assessor Recorder**
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**Report to the City and County of San Francisco Board of Supervisors
Pursuant to San Francisco Business and Tax Regulations Code Section 1115.1(a)
2-16 Turk Street, San Francisco**

The San Francisco Assessor-Recorder has determined that insufficient transfer tax was paid on the transfer of real property located at 2-16 Turk Street resulting from the December 15, 2021 legal entity ownership change involving 25 Mason Street LLC. Transfer taxes for this event were cashiered on March 15, 2022 as Document # 2022026378.

A Notice of Delinquent Real Property Transfer Taxes and Deficiency Determination was recorded on November 8, 2022 as Document # 2022100929 (attached); the delinquent taxes, penalties and interest total \$1,852,448 (as of December 9, 2022). As of July 21, 2023, the delinquent taxes, penalties and interest will total \$1,941,264 due to an additional seven months of accrued interest.

Pursuant to San Francisco Business and Tax Regulations Code section 1115.1, the Assessor-Recorder requests that the Board initiate proceedings to impose a lien for the unpaid tax, together with penalties and interest, against the real property described in the attached Notice of Delinquent Real Property Transfer Taxes, and summarized below.

Property Location/Situs: 2-16 Turk Street
Assessor's Parcel Numbers: 0340-004
Change in Ownership Date: 12/15/2021
Delinquency Date: 01/14/2022

Responsible Person(s): 25 MASON STREET LLC
Live + Learn Urban Fund JV, LLC
301 N CANON DR STE 305
BEVERLY HILLS, CA 90210

MONARCH JV, LLC
301 N CANON DR STE 305
BEVERLY HILLS, CA 90210

Recording Request by and when
Recorded return to:



Doc # **2022100929**

City and County of San Francisco
Office of the Assessor-Recorder
1 Dr. Carlton B. Goodlett Place
City Hall, Room 190
San Francisco, CA 94102

City and County of San Francisco
Joaquin Torres, Assessor – Recorder

11/8/2022	2:07:20 PM	Fees	\$0.00
Pages	1 Title 345 DS	Taxes	\$0.00
Customer	023	Other	\$0.00
		SB2 Fees	\$0.00
		Paid	\$0.00

**NOTICE OF DELINQUENT REAL PROPERTY TRANSFER TAXES
AND DEFICIENCY DETERMINATION**

(Filed pursuant to San Francisco Business and Tax Regulations Code Section 1115)

**THIS IS TO NOTIFY YOU THAT TAX LIEN PROCEEDINGS WILL BE INITIATED IF PAYMENT OF
OUTSTANDING TAXES, PENALTIES, and INTEREST ARE NOT REMITTED WITHIN 30 DAYS OF THIS NOTICE**

The Responsible Entities named herein are liable to the City and County of San Francisco for the total unpaid delinquent transfer taxes, penalties and interest for the properties as set forth herein:

Property Location/Situs: 2-16 Turk Street
Assessor's Parcel Numbers: 0340-004
Change in Ownership Date: 12/15/2021
Delinquency Date: 01/14/2022
Responsible Person(s): 25 Mason Street LLC
Monarch JV, LLC

The Responsible Person(s) is liable to the City and County of San Francisco for the total unpaid amount as set forth below:

Tax Paid on 03/15/2022	\$1,364,000.00
Total Tax Due	<u>\$2,632,800.00</u>
Delinquent Amount	\$1,268,800.00
+ 25% Delinquency Penalty	\$317,200.00
+ 10% Delinquency Penalty	\$126,880.00
+ Interest (@ 1%/mo)	<u>\$139,568.00</u>
TOTAL Due if paid by 12/09/2022	\$1,852,448.00

The total amount due includes penalties and interest. Additional interest will continue to accrue at the rate of one (1.0) percent per month as prescribed by law.

Under San Francisco Business and Tax Regulations Code Section 1115.1, if the total amount due is not remitted within 30 days of the recordation date of this notice, this office will initiate proceedings at a noticed hearing before the San Francisco Board of Supervisors to impose a lien for the unpaid tax, together with penalties and interest, against the real property described in this delinquency notice.



Joaquín Torres, Assessor-Recorder
City and County of San Francisco

By: 
Kurt Fuchs, Recording and Transactions Manager

Dated: 11/9/2022



May 26, 2023

Angela Calvillo, Clerk of the Board
Board of Supervisors
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689

RE: Requesting that the Board of Supervisors Initiate Tax Lien Proceedings under San Francisco Business and Tax Regulations Code section 1115.1 for Delinquent Real Property Transfer Taxes – 2-16 Turk Street, San Francisco

Dear Ms. Calvillo:

The Assessor-Recorder hereby submits the attached report to the City and County of San Francisco Board of Supervisors under Section 1115.1(a) of Article 12-C of the San Francisco Business and Tax Regulations Code. This matter involves delinquent real property transfer taxes related to the transfer of real property located at 2-16 Turk Street resulting from the December 15, 2021 legal entity ownership change involving 25 Mason Street LLC, Monarch JV, LLC, and Live + Learn Urban Fund JV, LLC. The amount of delinquent transfer tax, penalties and interest totals \$1,852,448 (as of December 9, 2022), as further described below.

On December 15, 2021, Monarch JV, LLC purchased a 100% membership interest in 25 Mason Street, LLC, the legal entity holding title to the real property located at 2-16 Turk Street (Assessor Parcel Number 0340-004). This created an assessable change in ownership event for both property taxes and transfer taxes.

On March 15, 2022, 60 days past the delinquency date, the taxpayer wired payment for transfer taxes, penalties, and interest in the amount of \$1,732,280, which was cashiered as Document # 2022026378. Because payment was made after the delinquency date, a 25% penalty and 2% interest were included with the tax payment. The tax was calculated based on a declared market value of \$24,800,000.

On August 30, 2022, the Assessor-Recorder completed its valuation of the December 15, 2021 event. The Assessor-Recorder determined that the market value of the real estate, exclusive of non-realty, tangible and intangible personal property, was \$43,880,000, or \$19,080,000 more than what was declared at the time of recording. This value differential results in a transfer tax liability of an additional \$1,268,800.

On November 8, 2022, the Assessor-Recorder recorded a Notice of Delinquent Real Property Transfer Taxes and Deficiency Determination on the property as Document # 2022100929. The total amount due was \$1,852,448, comprised of \$1,268,800 of additional taxes and \$583,648 in penalties and interest (if paid by December 9, 2022).

The same day, the Assessor-Recorder issued a demand letter via certified US Mail and Email to all parties (25 Mason Street LLC, Monarch JV, LLC, and Live + Learn Urban Fund JV, LLC) for the unpaid transfer tax liability, plus penalties and interest per Section 1115 of Article 12-C of the City and County of San Francisco Business and Tax Regulations Code. A copy of the recorded Notice of Delinquent Real Property Transfer Taxes and Deficiency Determination was included in the demand letter. The demand letter included language indicating that the Assessor-Recorder would initiate lien proceedings if the delinquency was not paid by December 9, 2022.

On December 16, 2022, the Assessor-Recorder reached out to the taxpayer to inquire about payment. The taxpayer, through its general counsel Mr. Joshua Bird, replied that it was pulling funds together for the transfer tax liability and requested additional time to do so. Because the taxpayer was making good faith efforts to pay, the Assessor-Recorder agreed to hold off initiating any lien action. The revised amount owed, including additional interest, was communicated to the taxpayer with a message that interest will continue to accrue until payment is made, which was estimated to be by January 13, 2023.

On January 19, 2023, the Assessor-Recorder again reached out to the taxpayer to inquire about payment. Mr. Joshua Bird replied that a property sale it was relying on to fund the transfer tax liability was delayed and requested until the end of March 2023 to pay. The Assessor-Recorder revised the amount owed and communicated to the taxpayer with a message that interest will continue to accrue until payment is made, which was estimated to be by March 20, 2023.

On March 2, 2023, the Assessor-Recorder reached out to the taxpayer to inquire about payment due later that month. On March 9, 2023, Mr. Joshua Bird replied that there was a further delay in the property sale and requested an extension to July 2023 to pay. The Assessor-Recorder revised the calculation to include additional interest (if paid by July 21, 2023) and communicated the amount owed (\$1,941,264) to the taxpayer. On May 9, 2023, the Assessor-Recorder reached out to the taxpayer to inquire about payment. This inquiry was not answered.

Based on the foregoing, the Assessor-Recorder requests the City and County of San Francisco Board of Supervisors initiate proceedings to impose a lien under San Francisco Business and Tax Regulations Code section 1115.1 for the total unpaid balance against the real property located at 2-16 Turk Street (APN 0340-004).

Sincerely,

A handwritten signature in blue ink, consisting of a stylized 'JT' followed by a cursive 'Torres'.

Joaquín Torres
Assessor-Recorder