OFFICE OF THE CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO

Greg Wagner
Controller

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Deputy Controller

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

July 14, 2026

RE: File 260692 – Initiative Ordinance – Real Property Transfer Tax Foreclosure Exemption

Dear Ms. Calvillo,

Should the proposed initiative ordinance be approved by the voters, in my opinion, it would significantly increase the City's Real Property Transfer Tax revenues although the amount generated each year would be unpredictable and likely to change significantly year-to-year. The measure could bring an average of $100 million to $150 million annually over the first five years. The total revenue in any given year will be highly dependent on the number of foreclosures and real estate conditions. It is likely that revenue increases would be highest in the near term then decline significantly over time.

The City currently exempts property foreclosures from its Real Property Transfer Tax, which imposes a tax ranging from 0.5% to 6% on properties' values when they are sold. The proposed ordinance would retain the existing exemption for foreclosures of residential and mixed-use properties with fewer than five residential units. However, the proposed ordinance would remove the foreclosure exemption from other property types and subject those transfers to the tax at the same rates as non-foreclosed properties.

The revenue generated by this measure will be highly dependent on the number of foreclosures and distressed properties in the City. The number of distressed properties has risen since the COVID-19 pandemic because of the decline in property values resulting from the pandemic. If real estate recovers quickly and the number of foreclosures decreases, the proposed ordinance would bring in less revenue. But if the real estate market does not recover quickly and the number of foreclosures remains high, the proposed ordinance will generate more revenue.

For context, in FY 2021-22, before the City's real estate market declined due to the pandemic, the proposed ordinance would have generated $3.2 million. However, several years later in FY 2025-26, the proposed ordinance would have generated $232.5 million. Based on the City's experience in the early 1990s recession and the Great Recession in the late 2000s, the number of foreclosure related transactions will likely fall over a four-to-six-year period back to non-crisis levels.

Revenue from this proposed measure is likely to be significantly more unpredictable than the current property transfer tax. It falls on a very narrow and highly cyclical portion of property transfers in the City. There may be years where the proposed measure generates next to no new tax revenue. While not included in this measure, the Mayor and the Board of Supervisors could take actions to reduce the impact of the unpredictability by adopting financial policies like those for the existing Real Property Transfer Tax.

Sincerely,

Greg Wagner
Controller

Note: This analysis reflects our understanding of the proposal as of the date shown. At times further information is provided to us which may result in revisions being made to this analysis before the final Controller's statement appears in the Voter Information Pamphlet.