



May 4, 2020

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 – 364 Bush 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 364 Bush Street resulting from the March 9, 2018 legal entity ownership change involving SBUS Bush Street LLC. The amount of delinquent transfer tax, penalties and interest totals \$308,700 (as of May 4, 2020), as further described below.

On March 9, 2018, Royal Phoenix, LLC purchased a 60% membership interest in SBUS Bush Street, LLC, the legal entity holding title to the real property located at 364 Bush Street. This created an assessable change in ownership event for both property taxes and transfer taxes. Transfer tax in the amount of \$9,000 for this event was cashiered on March 16, 2018 as Document # 2018-K590503, based on a purchase price of \$1,200,000 for the membership interest transferred. However, the transfer tax basis is not the amount paid to acquire the legal entity; rather, the tax basis for transfer tax is the market value of realty transferred as a result of the legal entity ownership change, per Section 1114(b) of Article 12-C of the City and County of San Francisco Business and Tax Regulations Code.

On June 6, 2019, the Assessor-Recorder completed its valuation of the March 9, 2018 event. The Assessor-Recorder determined that the market value of the real estate, exclusive of non-realty, tangible and intangible personal property, was \$8,975,000, or \$7,775,000 more than what was declared at the time of recording. This value differential results in a transfer tax liability of an additional \$192,938.

On March 4, 2020, the Assessor-Recorder recorded a Notice of Delinquent Real Property Transfer Taxes and Deficiency Determination on the property as Document # 2020-K911290. The same day, the Assessor-Recorder issued a demand letter via certified US Mail to the seller and buyer (Royal

Phoenix, LLC and SBUS Bush Street, 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 April 2, 2020.

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 364 Bush Street (APN 0269-004).

Sincerely,

/s/ CARMEN CHU

Carmen Chu
Assessor-Recorder