



October 13, 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 Pursuant to San Francisco Business and Tax Regulations Code Section 1115.1(a) for 2-16 Turk Street, San Francisco ("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 on January 1, 2021 due to a legal entity ownership change involving 25 Mason Street LLC, Live + Learn Urban Fund, LLC, and Live + Learn Urban Fund JV, LLC. The delinquent transfer tax, penalties and interest totaled \$2,264,240 (as of August 18, 2023). As of October 18, 2023, the delinquent taxes, penalties and interest will total \$2,291,520 due to an additional two months of accrued interest; interest will continue to accrue at a rate of 1% a month, or fraction thereof, on the amount of delinquent tax, exclusive of penalties and interest.

On January 1, 2021, Live + Learn Urban Fund, LLC obtained a controlling 55.83% interest in Live + Learn Urban Fund JV, LLC. Live + Learn Urban Fund JV, LLC owned 100% of the ownership 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 was an assessable change in ownership event for both property taxes and transfer taxes, and transfer taxes were due on the fair market value of the property transferred.

On July 6, 2023, the Assessor-Recorder determined that the fair market value of the real estate, exclusive of non-realty, tangible and intangible personal property, as of January 1, 2021 was \$24,800,000, resulting in a transfer tax liability of \$1,364,000.

On July 18, 2023, the Assessor-Recorder recorded a Notice of Delinquent Real Property Transfer Taxes and Deficiency Determination on the property as Document # 2023050049. The total amount due was \$2,264,240, comprised of \$1,364,000 of taxes and \$900,240 in penalties and interest (if paid by August 18, 2023).

The same day, the Assessor-Recorder issued a demand letter via certified US Mail and email to all parties (25 Mason Street LLC, Live + Learn Urban Fund, 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 August 18, 2023.

On August 11, 2023, 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 would be able to pay by the end of 2023. On August 29, 2023, the Assessor-Recorder informed the taxpayer that it would be requesting a hearing with the Board of Supervisors to initiate lien proceedings.

Based on the foregoing and the attached Report, 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 for the January 1, 2021 transfer of the real property located at 2-16 Turk Street (APN 0340-004).

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Torres', with a stylized flourish at the end.

Joaquín Torres
Assessor-Recorder