

LEGISLATIVE DIGEST

[Business and Tax Regulations Code - Transfer Tax Reduction for Union Labor-Built and Union Pension Fund-Financed Housing]

Ordinance amending the Business and Tax Regulations Code to reduce the real property transfer tax rates from 5.5% to 3% when the consideration or value of the interest or property conveyed is at least \$10,000,000 but less than \$25,000,000; and from 6% to 3% when the consideration or value of the interest or property conveyed equals or exceeds \$25,000,000, for transfers of certain properties with at least 12% rent restricted affordable units, that were constructed using union labor, and had a debt or equity investment of at least \$25,000,000 from a union pension fund at the time of the transfer; and affirming the Planning Department's determination under the California Environmental Quality Act.

Existing Law

Since 2008, the voters have increased the real property transfer tax on the transfer of properties with a consideration or value of \$5 million or more from 0.75% of consideration or value to between 2.25% and 6%, depending on the consideration or value. (November 2008 Prop. N; November 2010 Prop. N; November 2016 Prop. W; and November 2020 Prop. I). In March 2024, the voters passed Proposition C, which permits the Board of Supervisors to exempt transfers from all or any part of the transfer tax.

Amendments to Current Law

This ordinance would partially exempt transfers of certain residential rental properties that meet each of the following four requirements:

- (1) At the time of the transfer at least 12% of the residential units on the property, calculated by excluding any density bonus units, are, or concurrently with such transfer become, subject to a recorded restriction that:
 - (a) Limits the maximum household income for each residential rental unit to no more than 110% of area median income;
 - (b) Limits the maximum monthly rent for each residential rental unit to no more than one-twelfth of 30% of 110% of the area median income;
 - (c) Provides for the regulation, monitoring, and enforcement of the recorded restriction by a governmental agency; and
 - (d) Has a remaining term of at least 55 years from the date of the transfer.

- (2) On or after June 3, 2014, received a certificate of final completion and occupancy for a newly-constructed building.
- (3) All on-site construction of the newly-constructed building was performed by workers represented by a labor organization and that were paid prevailing wages.
- (4) At least one year before and through the date of the transfer, one or more qualified pension plans (defined in the ordinance as requiring, among other things, that they be bargained and maintained by a labor organization or benefit individuals represented by a labor organization) collectively held a \$25 million debt or equity investment in the single property being transferred, and each such investor maintained and enforced a policy requiring that all construction work be performed by workers represented by a labor organization with respect to that investor's portion of the \$25 million investment.

For properties with a consideration or value of at least \$10 million but less than \$25 million, the ordinance would reduce the transfer tax rate from 5.5% to 3% of the consideration or value of the property transferred. For properties with a consideration or value of \$25 million or more, the ordinance would reduce the transfer tax rate from 6% to 3% of the consideration or value of the property transferred.

The Office of Labor Standards Enforcement would certify that the conditions of the exemption have been met.

This exemption would apply to transfers that occur on or after the effective date of the ordinance. For transfers of property that received a certificate of final completion and occupancy before the effective date of the ordinance, this exemption would expire on June 30, 2029. For transfers of property that received a certificate of final completion and occupancy on or after the effective date of the ordinance, this exemption would expire on December 31, 2033.

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