

TRANSFER TAX BALLOT MEASURE MARCH 2024

Office of Mayor London N.
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Office of Economic &
Workforce Development

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Roadmap to San Francisco's Future

- This measure is part of Mayor Breed's **Roadmap to San Francisco's Future**, a nine-strategy plan to position Downtown San Francisco for its next chapter. One strategy is to facilitate new uses and flexibility in buildings.
- Earlier this year legislation was approved and enacted to ensure flexible zoning to accommodate the widest possible range of activities and uses Downtown.
- That legislation established an Adaptive Reuse Program to simplify the approval process and streamline requirements for converting underutilized office buildings into housing.
- Over the summer, the City also issued a Request for Interest (RFI) to learn more about the financial and regulatory challenges faced by specific residential conversions.

Policy Rationale for Transfer Tax Waiver

- The City currently has over 30 million square feet of vacant office space (35% vacancy).
- Converting a portion of this vacant space to housing will have several important benefits:
 - Creating new housing supply to help us meet our aggressive housing goals
 - Revitalizing Downtown, increasing foot traffic, supporting local retailers, restaurants and nightlife, creating a 24 hour Downtown
 - Reducing office vacancy, especially for Class B and C buildings
- However, office to residential conversions are not currently financially feasible.
- The City's transfer tax is one of the key costs making these projects unfeasible.

Details on Transfer Tax Waiver

- Transfer tax waived on the first transfer *after* a non-residential to residential conversion
- Waiver is limited to first 5 million square feet of converted space
- To be eligible projects must:
 - Receive planning approval before 1/1/2030
 - Receive a first construction document within three years
 - Transfer the property by 12/31/2054
- Properties that are partially converted can get the tax waiver on the converted portion of the transferred property. Tax would still be due on the portion that is not converted.

Additional Changes in Ballot Measure

- Would allow BoS to expand this transfer tax waiver program by Ordinance (additional time, expanding the 5 million square foot cap, etc.)
- Allows BoS to make additional changes, reductions, and waivers to transfer tax by Ordinance - not currently allowed and would align transfer tax with other local taxes.
- Updates office allocation process to align with office to residential conversions, providing long term flexibility to ensure our downtown can grow and respond to a changing economy:
 - Adds demolished and converted office space back into the annual allocation, which prevents the baseline from being reduced.
 - Allows projects to demolish and replace office space without allocation – will ease path of seismic updates where simple renovation is not financially or technically feasible.