



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 – 988-992 Howard 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 988-992 Howard 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 988-992 Howard Street on December 31, 2019, due to a legal entity ownership change involving Plaza Apartment Associates, L.P., Plaza Apartments GP LLC, Taylor Family Housing, Inc., and The Housing Outreach Fund XI Limited Partnership. The delinquent taxes, penalties and interest totaled \$1,147,932.50 (as of November 10, 2022). As of October 15, 2023, the delinquent taxes, penalties and interest will total \$1,222,650.00 due to an additional eleven 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 December 31, 2019, Taylor Family Housing purchased a 99.99% membership interest in Plaza Apartment Associates, L.P., the legal entity holding title to the real property located at 988-992 Howard Street (Assessor Parcel Number 3725-025).

On November 2, 2021, the Assessor-Recorder became aware that this was an assessable change in ownership event for both property taxes and transfer taxes, and that transfer taxes were due on the fair market value of the property transferred.

On September 30, 2022, the Assessor-Recorder determined that the fair market value of the real estate, exclusive of non-realty, tangible and intangible personal property, as of December 31, 2019 was \$24,700,000, resulting in a transfer tax liability of \$679,250.

On October 6, 2022, the Assessor-Recorder recorded a Notice of Delinquent Real Property Transfer Taxes and Deficiency Determination on the property as Document # 2022092550. The total amount due was \$1,147,932.50, comprised of \$679,250 of additional taxes and \$468,682.50 in penalties and interest (if paid by November 10, 2022).

The same day, the Assessor-Recorder issued a demand letter via certified US Mail and email to all parties 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 November 10, 2022.

On November 10, 2022, the Assessor-Recorder received notification from the taxpayer through its partner, TNDC, that it was considering not paying the transfer tax because it could not afford to and because it questioned the valuation used as the tax basis. The Assessor-Recorder reached out to the taxpayer on December 12, 2022 to inquire about payment and to advise them of the Assessment Appeals Board process to dispute the property tax valuation, explained the transfer tax refund process, and advised them that interest will continue to accrue until payment is made.

On August 1, 2023, the Assessor-Recorder again reached out to the taxpayer to inquire about payment and to advise that if payment was not received, the Assessor-Recorder would 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 December 31, 2019 transfer of real property located at 988-992 Howard Street (APN 3725-025).

Sincerely,

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

Joaquín Torres
Assessor-Recorder