



November 14, 2023

Chair of the Budget and Finance Committee, Supervisor Chan
Members of the Budget and Finance Committee, Supervisors Mandelman and Safai

Re: Legislative File No. 231007, Transfer Tax Exemption for Affordable Housing

Dear Chair Chan and Supervisors Mandelman and Safai,

On behalf of Mission Housing Development Corporation, I am writing in support of the Transfer Tax Exemption for Affordable Housing (File No. 231007). Mission Housing is one of the largest nonprofit housing organizations in San Francisco, currently serving approximately 3,000 residents in 1,600 units, with 1,000 additional 100 percent affordable homes under development. This ordinance addresses an unintended consequence of local and state legislation with real impacts to San Francisco's affordable housing portfolio and its tenants.

Mission Housing Development Corporation, like most non-profit affordable housing organizations, has 0.01% ownership interest in limited partnerships (LPs) created to own properties financed with Low-Income Housing Tax Credits (LIHTC). The other 99.99% interest is held by investors who finance the property's development in exchange for tax credits. Both the investors and Mission Housing are responsible for ensuring compliance with federal LIHTC rules for 15 years. Typically, upon the expiration of the 15-year federal compliance period, investors will exit the partnership and be substituted by an affiliate of the project sponsor. Unlike other partner reorganizations or ownership sales, LIHTC Year 15 exits offer no financial benefit to limited partners. Since 2017, however, these exits have been assessed just like any other property transfer.¹

As a result, non-profit affordable housing organizations have received transfer tax bills as high as \$2.4 million despite no new funds flowing into the project. To address this oversight, this ordinance will reduce the transfer tax rate for Year 15 investor exits so long as there are at least 35 years remaining in their affordability covenant. It will also apply retroactively to transfers occurring since January 1, 2017.

We urge the Budget and Finance Committee to support this much needed legislation for which there is recent precedent.² It will relieve pressure from operating budgets and reserves already challenged with high vacancy rates, low rent collections, and increased operating expenses, and allow organizations like ours to reinvest savings into capital improvements and staffing. Our housing will be better stewarded, our tenants better served as a result.

Sincerely,

A handwritten signature in blue ink, appearing to be "Sam Moss", with a stylized, overlapping loop structure.

Sam Moss, Executive Director

Mission Housing Development Corporation

¹ As of 2017, the treatment of partnership interest transfers changed at the State and Local level to address the fact that commercial properties sometimes transfer by selling partnership interests rather than selling property to avoid reassessment. The fix to close the commercial property transfer loophole inadvertently caught up affordable housing owned by partnerships that were created to utilize tax credits.

² In 2021, Prop I trailing legislation (File No. 210937) reduced the transfer tax rate for affordable housing developments being refinanced and rehabilitated at or after Year 15. This second piece of trailing legislation reduces the transfer tax rate for affordable housing that at Year 15 either does not need rehab or cannot secure financing to cover the rehab needed.

From: [John Avalos](#)
To: [Chan, Connie \(BOS\)](#); [Safai, Ahsha \(BOS\)](#); [Mandelman, Rafael \(BOS\)](#); [Jalipa, Brent \(BOS\)](#)
Cc: [Peskin, Aaron \(BOS\)](#); [Stefani, Catherine \(BOS\)](#); [Engardio, Joel \(BOS\)](#); [Preston, Dean \(BOS\)](#); [Ronen, Hillary](#); [Charlie Sciammas](#); [Dorsey, Matt \(BOS\)](#); [Melgar, Myrna \(BOS\)](#); [Walton, Shamann \(BOS\)](#); [katie Lamont](#); [Doug Shoemaker](#); [Whitney Jones](#); [Sam Moss](#); [maurillo leon](#)
Subject: Budget and Finance Committee: item 3 Transfer Tax Exemption for Affordable Housing (File No. 231007).
Date: Wednesday, November 15, 2023 10:41:02 AM

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Dear Chair Chan and Supervisors Mandelman and Safai

- On behalf of the Council of Community Housing Organizations, I'd like to express our strong support of the Transfer Tax Exemption for Affordable Housing (File No. 231007).
- CCHO represents 22 mission-driven community development organizations rooted in neighborhoods throughout San Francisco working to prevent displacement, stabilize local communities, and acquire and develop affordable housing. We appreciate Supervisor Dean Preston's work on this legislation.
- This ordinance addresses voter-approved legislation that increased San Francisco's estate transfer tax and inadvertently created an unexpected consequences for nonprofit housing developers who form temporary limited partnerships to finance the production and rehabilitation of affordable housing for San Francisco's lowest income residents, offering a public good – stable and affordable housing– as the only benefit.
- After 2017, affordable housing organizations like Tenderloin Neighborhood Development Corporation, Mercy Housing, Chinatown Community Development Center, and Mission Housing must use their limited and stretched affordable housing dollars to pay hundreds of thousands if not millions of dollars in new transfer taxes as their partnerships dissolve at the planned 15 year buyouts.
- The result is a huge financial burden to non profit housers with real impacts to the operations of San Francisco's affordable housing stock and on the residents who rely on well-managed and maintained housing.
- For the City to claw back precious dollars for an application of the real estate transfer tax that was never intended, only exacerbates the lack of coherency between prioritizing the city's affordable housing goals and the city's need for solvency.
- The Budget Analyst costs out the loss of general fund money at \$30 to \$45m between 2017 and 2030. Because this tax increase draws down precious public funds needed for the operation of affordable housing, the loss of general fund monies pales in comparison to the greater public good to affordably house low income San Franciscans.

- It also relieves pressure on housers' operating budgets and reserves already challenged with high vacancy rates, low rent collections, and increased operating expenses, and allows organizations to reinvest savings into capital improvements and staffing. Affordable housing will be better stewarded and tenants better served as a result.

This legislation is about untying the hands of affordable housing organizations who only want to do their best to house San Francisco's families, seniors, and most vulnerable residents.

We urge the Budget and Finance Committee to support this much needed legislation.

Yours truly,

JOHN AVALOS (he/him/his)

Executive Director

Council of Community Housing Organizations

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Phone: 415-359-8367

Pronouns: He/Him/His