Ordinance amending the Business and Tax Regulations Code to exempt certain transfers of rent-restricted affordable housing occurring on or after January 1, 2021, from the increased transfer tax rates when the consideration or value of the interest or property conveyed equals or exceeds $5,000,000; and affirming the Planning Department’s determination under the California Environmental Quality Act.

Be it ordained by the People of the City and County of San Francisco:

Section 1. The Planning Department has determined that the actions contemplated in this ordinance comply with the California Environmental Quality Act (California Public Resources Code Sections 21000 et seq.). Said determination is on file with the Clerk of the Board of Supervisors in File No. 210937 and is incorporated herein by reference. The Board affirms this determination.

Section 2. Legislative Findings.

The City is facing a crisis of a shortage of affordable rental housing. This ordinance would promote the creation and preservation of rent-restricted affordable housing by exempting transfers of rent-restricted affordable housing from the higher real property transfer
tax rates applicable to transfers of real property where the consideration or value of the
interest or property conveyed is $5,000,000 or more. This ordinance would also promote the
continued viability of recently transferred rent-restricted affordable housing by including in the exemption from these higher rates transfers of such rent-restricted affordable housing that occurred between January 1, 2021 and the effective date of the ordinance.

Section 3. Article 12-C of the Business and Tax Regulations Code is hereby amended by revising Section 1108.6, to read as follows:

SEC. 1108.6. PARTIAL EXEMPTION FOR RENT-RESTRICTED AFFORDABLE HOUSING.

COMMUNITY OPPORTUNITY TO PURCHASE ACT.

(a) Definitions. For purposes of this Section 1108.6:

"Area Median Income" means the median income as published annually by MOHCD for the City and County of San Francisco, derived in part from the income limits and area median income determined by the United States Department of Housing and Urban Development, or its successor agency, for the San Francisco County metro fair market rent area, adjusted solely for household size, but not for high housing cost area.

"MOHCD" means the Mayor's Office of Housing and Community Development, or its successor agency, department, or office.

"Recorded Restriction" means a document, agreement, or instrument, recorded with the County Recorder, that restricts the use of the property against which the document, agreement, or instrument is recorded.

"Rent-Restricted Affordable Housing" means a property described under either of the following subsections (1) or (2):

(1) A property transferred under Section 41B.6 of the Administrative Code, as that Section 41B.6 existed as of June 3, 2019; or
(2) A Residential Rental Property that satisfies both of the following subsections (2)(A) and (2)(B):

(A) Meets the requirements of either of the following subsections (2)(A)(i) or (2)(A)(ii):

(i) Prior to and up to the time of the transfer for which an exemption is claimed under this Section 1108.6, was granted a welfare exemption by the County Assessor under California Revenue and Taxation Code Section 214(g) for all residential units in the property; or

(ii) Prior to and up to the time of the transfer for which an exemption is claimed under this Section 1108.6, was unoccupied, uninhabited, or unused for residential or commercial purposes and contained no structures for which such uses were legally permissible; and

(B) At the time of the transfer for which an exemption is claimed under this Section 1108.6 is, or concurrently with such transfer becomes, subject to a Recorded Restriction with a remaining term of no less than 55 years from the later of the date of the transfer or the date the property becomes available for residential rental use under such Recorded Restriction, provided that such Recorded Restriction, at a minimum:

(i) limits the maximum household income for each residential rental unit at initial occupancy to no more than 120% of Area Median Income; and

(ii) sets a maximum household income limit applicable at initial occupancy for each residential rental unit ("Unit Maximum Income") such that the average of all Unit Maximum Incomes in the property does not exceed 80% of Area Median Income; and

(iii) limits the maximum monthly rent for each residential rental unit to no more than either:

a. the tenant-paid portion of the contract rent as determined by the San Francisco Housing Authority for residential tenants holding Section 8 vouchers or certificates; or
b. one-twelfth of 30% of the Unit Maximum Income; or

c. if the household income of the residential tenants in a residential rental unit exceeds the Unit Maximum Income after initial occupancy, one-twelfth of 30% of the household income of the residential tenants; and

(iv) provides for the regulation, monitoring, and enforcement of the restrictions in this subsection (2)(B) by a governmental agency.

For purposes of this subsection (2)(B) only, a “residential rental unit” does not include a unit for an onsite property manager.

“Residential Rental Property” means a property that may only be used to rent to residential tenants, including an onsite property manager, and excluding travelers, vacationers, or other similarly transient individuals, except that it may include: (1) up to 30% of the square footage of all floors other than the ground floor for non-profit space serving residents and/or the community, such as childcare centers, health clinics, or job training centers; and (2) any amount of square footage of the ground floor for non-residential space.

“Section 41B.6 of the Administrative Code, as that Section 41B.6 existed as of June 3, 2019” means the text of Section 41B.6 in Ordinance No. 79-19, on file with the Clerk of the Board of Supervisors in File No. 181212.

(a) (b) Exemption from Increased Tax Rate. As authorized by the last sentence of Section 1102 of this Article 12-C, the increased tax rates imposed by subsections (d), (e), and (f) of Section 1102 shall not apply with respect to any deed, instrument, or writing that effects a transfer of Rent-Restricted Affordable Housing under Section 41B.6 of the Administrative Code, as that Section 41B.6 exists as of the effective date of this Section 1108.6. The lower tax rate imposed by subsection (c) of Section 1102 shall apply to the entire consideration or value of the interest or property conveyed by a deed, instrument, or writing that is subject to the exemption in this subsection (a)(b).
(b)(c) Requirements for Exemption.

(1) Except as provided in subsection (c)(2), every person claiming the exemption under subsection (a)(b) must:

(4A) Obtain from MOHCD the Mayor’s Office of Housing and Community Development, or its successor agency, department, or office, a certificate confirming that the deed, instrument, or writing effects a transfer under Section 41B.6 of the Administrative Code of Rent-Restricted Affordable Housing.

(2B) Submit the certificate described in subsection (b)(c)(1)(A) of this Section 1108.6 to the County Recorder at the time such person submits the affidavit described in subsection (c) or (d) of Section 1111.

(2) Notwithstanding the requirements in subsection (c)(1), every person claiming the exemption under subsection (b) for a deed, instrument, or writing that effects a transfer of Rent-Restricted Affordable Housing, when that deed, instrument, or writing is delivered on or after January 1, 2021, but prior to July 1, 2022, may do the following in lieu of the procedures described in subsection (c)(1):

(A) Obtain from MOHCD a certificate confirming that the deed, instrument, or writing effected a transfer of Rent-Restricted Affordable Housing.

(B) By December 31, 2022, submit the certificate described in subsection (c)(2)(A) of this Section 1108.6 to the County Recorder, along with a request for refund of the tax paid on the transfer subject to the certificate that exceeds the rates described in Section 1102(c). The County Recorder may authorize the Controller to refund these amounts, without interest, without the need for a refund claim.

This subsection (c)(2) shall not apply where the deed, instrument, or writing effects a transfer under Section 41B.6 of the Administrative Code, as that Section 41B.6 existed as of June 3, 2019.
(3) Failure to timely satisfy the requirements in this subsection (c) renders the transfer ineligible for the exemption.

(e)(d) Operative Dates.

(1) This Section 1108.6 shall apply to all deeds, instruments, or writings that effect a transfer of Rent-Restricted Affordable Housing other than deeds, instruments, or writings that effect a transfer under Section 41B.6 of the Administrative Code, as that Section 41B.6 existed as of June 3, 2019, that are or have been delivered on or after January 1, 2021, the effective date of the ordinance in Board File No. 181212, but on or before the sunset date in subsection (d)(e).

(2) This Section 1108.6 shall apply to all deeds, instruments, or writings that effect a transfer under Section 41B.6 of the Administrative Code, as that Section 41B.6 existed as of June 3, 2019, that are or have been delivered on or after June 3, 2019, but on or before the sunset date in subsection (e).

(d)(e) Sunset Date. This Section 1108.6 shall expire by operation of law on June 30, 2024, and shall not apply to any deeds, instruments, or writings that are delivered on or after July 1, 2024.

Section 4. Effective Date; Retroactivity.

(a) Effective Date. This ordinance shall become effective 30 days after enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the Mayor’s veto of the ordinance.

(b) Retroactivity. Upon its effective date, and consistent with Section 1108.6(d)(1) of the Business and Tax Regulations Code as amended by this ordinance, the ordinance shall be retroactive to January 1, 2021, insofar as it pertains to all deeds, instruments, or writings that effect a transfer of Rent-Restricted Affordable Housing other than deeds, instruments, or
writings that effect a transfer under Section 41B.6 of the Administrative Code, as that Section 41B.6 existed as of June 3, 2019, that are or have been delivered on or after January 1, 2021.

Section 5. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors intends to amend only those words, phrases, paragraphs, subsections, sections, articles, numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal Code that are explicitly shown in this ordinance as additions, deletions, Board amendment additions, and Board amendment deletions in accordance with the “Note” that appears under the official title of the ordinance.

Section 6. Severability. If any section, subsection, sentence, clause, phrase, or word of this ordinance, or any application thereof to any person or circumstance, is held to be invalid or unconstitutional by a decision of a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions or applications of the ordinance. The Board of Supervisors hereby declares that it would have passed this ordinance and each and every section, subsection, sentence, clause, phrase, and word not declared invalid or unconstitutional without regard to whether any other portion of this ordinance or application thereof would be subsequently declared invalid or unconstitutional.

Section 7. Undertaking for the General Welfare. In enacting and implementing this ordinance, the City is assuming an undertaking only to promote the general welfare. It is not assuming, nor is it imposing on its officers and employees, an obligation for breach of which it is liable in money damages to any person who claims that such breach proximately caused injury.
APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

By: /s/ Carole F. Ruwart
CAROLE F. RUWART
Deputy City Attorney
Ordinance amending the Business and Tax Regulations Code to exempt certain transfers of rent-restricted affordable housing occurring on or after January 1, 2021, from the increased transfer tax rates when the consideration or value of the interest or property conveyed equals or exceeds $5,000,000; and affirming the Planning Department’s determination under the California Environmental Quality Act.

October 20, 2021 Budget and Finance Committee - RECOMMENDED

October 26, 2021 Board of Supervisors - PASSED ON FIRST READING
Ayes: 11 - Chan, Haney, Mandelman, Mar, Melgar, Peskin, Preston, Ronen, Safai, Stefani and Walton

November 02, 2021 Board of Supervisors - FINALLY PASSED
Ayes: 11 - Chan, Haney, Mandelman, Mar, Melgar, Peskin, Preston, Ronen, Safai, Stefani and Walton

I hereby certify that the foregoing Ordinance was FINALLY PASSED on 11/2/2021 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

London N. Breed
Mayor

Date Approved: 11/2/21