

Vacancy Tax*

Digest by the Ballot Simplification Committee

Status: Draft for Consideration
On: Tuesday, November 26, 2019
Members: Packard, Anderson, Girardin, Patterson

Deadline to Request Reconsideration: TBD

The Way It Is Now: The City and County of San Francisco (“City”) currently does not tax owners or tenants that keep commercial property vacant.

Increasing tax revenue spending limits requires San Francisco voter approval.

The Proposal: Proposition ___ would impose an annual tax, starting January 1, 2021, on owners or tenants that keep ground floor retail or other commercial space vacant in certain commercial corridors within San Francisco. The tax would be based on two factors: the number of feet facing the street of ground level commercial space that an owner or tenant has kept vacant, and how long that commercial space has been kept vacant. The tax would apply as follows:

- For keeping space vacant in the 2021 tax year, owners or tenants would pay a tax of \$250 per street-facing foot for that tax year.
- For keeping space vacant in the 2022 tax year, owners or tenants would pay a tax for that year of either:
 - o \$500 per street-facing foot if the space was kept vacant in the prior tax year, 2021; or
 - o \$250 per street-facing foot if the space was not kept vacant in the 2021 tax year.
- For keeping space vacant in 2023 and later tax years, owners or tenants would pay a tax in each year the space is vacant of:
 - o \$1,000 per street-facing foot if they kept that space vacant in that tax year, and the space was kept vacant in both of the previous two tax years;
 - o \$500 per street-facing foot if the \$1,000 rate does not apply and if they kept that space vacant in that tax year and the space was kept vacant in the immediately preceding tax year; or
 - o \$250 per street-facing foot if they kept that space vacant in that tax year and the space was not kept vacant in the immediately preceding tax year.

An owner or tenant would be liable for the tax only if that person has kept commercial space vacant for more than 182 days in a year. Some days would not count as vacant days, including certain periods when: an application has been filed for certain types of building or conditional use permits; a building permit has been issued for construction, rehabilitation, or repair of the space; or a fire or natural disaster has damaged the space and made it unusable.

The tax could apply to tenants under the following circumstances:

- If the owner rents out the commercial space, then the City would impose the tax on that tenant instead.
- If a tenant rents out the commercial space to another person (a “subtenant”), then the City would impose the tax on the subtenant instead.

**Working title, for identification only. The Director of Elections determines the title of each local ballot measure; measure titles are not considered during Ballot Simplification Committee meetings.*

A limited exception to the tax would apply for a tenant or subtenant that has a two-year or longer lease agreement and has operated a business in the leased space for at least 183 days in a row.

Proposition __ would apply to the City, but not to certain non-profit organizations.

The City would use moneys raised from the tax to fund assistance for small businesses in San Francisco.

Proposition __ would increase the City's annual tax revenue spending limit for four years.

A "YES" Vote Means: If you vote "yes," you want the City, starting in tax year 2021, to tax owners or tenants that keep vacant ground floor commercial spaces in certain commercial corridors in San Francisco, and to use such tax revenues to assist small businesses in San Francisco.

A "NO" Vote Means: If you vote "no," you do not want to approve this tax.