Mr. John Arntz
Department of Elections
City Hall 1 Dr. Carlton B. Goodlett Place Room 48
San Francisco, CA 94102-4689

August 15, 2022

RE: Proposition M – Tax on keeping residential units vacant

Dear Mr. Arntz,

Should the proposed ordinance be approved by the voters, in my opinion, it could result in additional revenue to the City exceeding $20 million annually.

If the number of residential vacancies were similar to average vacancies from 2011 to 2020, and if this measure did not induce property owners to fill vacant residential units more quickly than they did during this period, we estimate it would result in an annual revenue increase to the City of $20 million in tax year 2024, $30 million in tax year 2025, and $37 million in tax year 2026. However, if the tax achieves its stated purpose of reducing the number of residential vacancies, it will result in lower revenue. The proposed tax is a dedicated tax and proceeds would be deposited into the Housing Activation Fund.

The proposed ordinance would amend the City’s Business and Tax Regulations Code and Administrative code to impose an excise tax on owners of vacant residential units in buildings with three or more units if those owners have kept those units vacant for more than 182 days in a tax year. Starting in 2024, the tax would be $2,500 to $5,000, depending on the size of the unit. In 2025, the tax would increase to $2,500 to $10,000, depending on the size of the unit and whether the owner kept the property vacant in the prior year. In 2026, the tax rate would increase to a maximum of $20,000 if the owner kept that same unit vacant for three consecutive years. The tax rate would be adjusted annually in accordance with the increase in the Consumer Price Index and would expire on December 31, 2053.

The proposed ordinance would establish the Housing Activation Fund. The Fund would provide rental subsidies and fund the acquisition, rehabilitation, and operation of multi-unit buildings for affordable housing.

Sincerely,

Janice Levy
Ben Rosenfield
Controller

Note: This analysis reflects our understanding of the proposal as of the date shown. At times further information is provided to us which may result in revisions being made to this analysis before the final Controller’s statement appears in the Voter Information Pamphlet.