

California and Local Measures on the November Ballot

While the focus in November is on the top of the ticket, Californians will confront a formidable ballot on November 3, 2020. Propositions 15, 19, and 21 will impact California real estate and we include an overview of these propositions below.

San Francisco voters have 13 San Francisco propositions to consider in addition to state and federal offices and measures. The local propositions address an array of topics, including governance, affordable housing, taxes, and permits. Some of the key measures impacting San Francisco businesses are summarized below. Except where indicated, the measures require a simple majority vote to pass.

California Ballot Measures

Proposition 15: Split Roll Tax for Commercial/Industrial Properties.

Proposition 15 would remove certain limitations established under Proposition 13 (passed in 1978) that place a 2 percent cap on increases to assessed property values. The proposed “split roll” would assess property taxes on certain commercial and industrial properties based on fair market value rather than purchase price. Commercial and industrial properties with a fair market value of \$3 million or less would be exempt from Proposition 15 reassessment, but if an owner of such a property owns other commercial or industrial properties in California, those properties would also count against the \$3 million limit for the exemption. The proposed split roll would not change the overall property tax rate, nor would it apply to residential or agricultural property. Read more in “California State Ballot Includes Major Property Tax, Rent Control Measures.”

Proposition 19: Change Assessed Value Calculations for Residential Property. California law currently allows certain homeowners—such as those who are over age 55, severely disabled, or victims of wildfires or other natural disasters—to transfer their assessed property values to replacement residences intra-county, and to certain other counties that have adopted local ordinances allowing for reciprocity. Proposition 19 would expand the exemption to all

replacement residences state-wide for these specified groups of homeowners. Read more in “California State Ballot Includes Major Property Tax, Rent Control Measures.”

Proposition 21: Expansion of Local Residential Rent Control. Proposition 21 is one of several measures proposed in recent years by the voters and in the Legislature to expand local rights to enact residential rent control. State law currently limits local rent control laws by exempting single-family housing units with separate, alienable title (such as condos, townhouses and single-family homes) and newly constructed housing completed on or after February 1, 1995. It also allows landlords to reset rent after a tenant vacates. Read more in “California State Ballot Includes Major Property Tax, Rent Control Measures.”

San Francisco Ballot Measures

Proposition A: Health, Parks and Streets Bond. Proposition A would authorize issuance of general obligation bonds of up to \$487.5 million for capital projects across three primary categories: mental health, substance abuse, and homelessness; parks, open space, and recreation facilities; and street maintenance and repair. The projects funded by Proposition A are recommended in the City’s 10-year capital plan and are generally viewed as supporting employment and economic recovery in the wake of the COVID-19 public health crisis. Read more in “Another Daunting San Francisco Ballot.”

Proposition B: Department of Public Works. This Charter Amendment would make substantial changes to the Department of Public Works (DPW) at a time when complaints about the condition of San Francisco streets are widespread. It would create a new Public Works Commission to oversee the Department and a new Department of Sanitation and Streets to perform a number of functions currently within the jurisdiction of DPW. Functions to be transferred to the Department of Sanitation and Streets include street cleaning and maintenance and street tree maintenance. Read more in “Another Daunting San Francisco Ballot.”

Proposition F: Business Tax Overhaul. Proposition F would amend the San Francisco Charter and City Ordinances in significant ways. These include eliminating the payroll expense tax, ultimately increasing the Gross Receipts Tax

rates, and increasing the number of small businesses that are exempt from the Gross Receipts Tax. Overall rates for some businesses would increase, with the new rates phased in over a 3-year period effective in 2021. There would also be temporary tax decreases for certain industries that have been heavily impacted by economic impacts from COVID-19. Read more in “Another Daunting San Francisco Ballot.”

Proposition H: Save Our Small Businesses Initiative. This Initiative Ordinance, submitted to the voters by Mayor Breed, would make numerous changes to the San Francisco codes governing storefront commercial uses and small businesses. It would, among other things, streamline and expedite the City permitting process for principally permitted storefront uses in the City’s Neighborhood Commercial zoning districts, allow eating and drinking uses in those districts to offer workspaces, and remove certain neighborhood notice requirements for new principally permitted businesses. It would also make changes to facilitate the use of outdoor spaces by eating and drinking establishments and other businesses. Read more in “Another Daunting San Francisco Ballot.”

Proposition I: Real Estate Transfer Tax. Proposition I, an Initiative Ordinance submitted to the voters by five members of the Board of Supervisors, would increase the real property transfer tax on transfers of property valued between \$10 million and less than \$25 million from 2.75 percent to 5.5 percent, and the rate on transfers valued at \$25 million or more from 3 percent to 6 percent. Read more in “Another Daunting San Francisco Ballot.”

Proposition J: Parcel Tax for San Francisco Unified School District. This Initiative Ordinance, submitted to the voters by Mayor Breed, would impose an annual tax of \$288 on each parcel in the City to generate \$50 million in annual revenue to support the San Francisco Unified School District for salaries and educational improvements. The School District has faced the threat of budget cuts and layoffs in recent years, and Proposition J aims to address these budget shortfalls. Read more in “Another Daunting San Francisco Ballot.”

Proposition K: Affordable Rental Units. This Initiative Ordinance, submitted to the voters by a unanimous Board of Supervisors vote, would authorize the City of San Francisco to own, develop, construct, acquire, or rehabilitate up to 10,000

affordable rental units, fulfilling the requirement of the California Constitution that the City seek voter approval for public low-income rental housing. Read more in “Another Daunting San Francisco Ballot.”

Proposition L: Business Tax Based on Executive to Employee Pay Comparison. Proposition L, submitted to the voters by a unanimous Board of Supervisors vote, would create an additional tax on San Francisco businesses whose highest-paid managerial employee has a salary exceeding the business’s median employee compensation by a ratio of 100 or more to 1. The increased tax would vary between those larger businesses subject to the Administrative Office Tax, and smaller businesses subject to the Gross Receipts Tax, with larger businesses paying an additional tax between 0.4 percent to 2.4 percent of their San Francisco payroll expense, and smaller businesses paying an additional tax between 0.1 percent to 0.6 percent of their San Francisco gross receipts. Read more in “Another Daunting San Francisco Ballot.”

Measure RR: Caltrain Tax. This measure would authorize a 0.125 percent sales tax increase in San Francisco, San Mateo, and Santa Clara counties to provide \$100 million of annual funding for the Caltrain rail system. Caltrain has historically received 70 percent of its funding from rider fares; however, with ridership down as much as 95 percent due to the COVID-19 pandemic, there is some uncertainty around Caltrain’s future financial stability. This funding would cover operational costs to allow Caltrain service to continue through the pandemic while fare revenue remains low, while also providing longer-term financial support for Caltrain to electrify its trains, offer affordable fare options for low-income riders, and expand train service in accordance with its 2040 Strategic Plan. Read more in “Another Daunting San Francisco Ballot.”

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