



SFMTA

Daniel Lurie, Mayor

Janet Tarlov, Chair
Stephanie Cajina, Vice Chair
Mike Chen, Director
Alfonso Felder, Director

Steve Heminger, Director
Dominica Henderson, Director
Fiona Hinze, Director

Julie Kirschbaum, Director of Transportation

February 2, 2026

The Honorable Daniel Lurie
Mayor of San Francisco
1 Dr. Carlton B. Goodlett Place, Room 200
San Francisco, CA 94102

The Honorable Rafael Mandelman
President, San Francisco Board of Supervisors
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102

The Honorable Myrna Melgar
Chair, San Francisco County Transportation Authority
Supervisor, District 7, San Francisco Board of
Supervisors
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102

RE: The Stronger Muni Fund Parcel Tax Legislation Transmittal

Dear Mayor Lurie, President Mandelman, and Chair Melgar,

The letter I sent to you on January 6, 2026, outlined a proposed parcel tax framework to address the San Francisco Municipal Transportation Agency's (SFMTA) budget deficit beginning this summer. Since then, we have advanced that framework into draft legislation, which is attached to this letter. The legislation builds directly on the earlier structure and incorporates additional detail as well as feedback received since then.

This legislation reflects the same guiding principles previously discussed: the measure aims to be fair, reasonable, and sufficient. The structure spreads responsibility across all property types, keeps costs low for homeowners, renters, and small businesses, and ensures that large properties contribute appropriately.

Key elements of the legislation include:

- **A progressive, square-footage-based approach**, making it the first parcel tax of its kind in San Francisco. Smaller homes pay a modest, flat tax while larger residential, multifamily, and commercial properties contribute proportionally more based on their size.



- **Targeted exemptions and protections** that accommodate differing needs, including full exemptions for Single Room Occupancy (SRO) units, exemptions for qualifying seniors, along with all property tax exemptions already provided under state law.
- **Measured limits on pass-throughs to renters in rent-controlled units**, allowing only a partial pass-through, subject to a fixed dollar cap. Importantly, this provision applies to existing leases ensuring predictability for tenants while preserving administrative clarity for landlords.
- **A structure that moderates impacts on multi-unit residential buildings**, with lower marginal rates and caps that ensure most residents of multi-unit buildings would pay less than the owner of a single-family residence.
- **Clear accountability and oversight provisions**, including dedicated use of funds for Muni service, establishment of a citizen's oversight committee, transparency requirements, and ongoing reporting to ensure revenues are used as intended.

Taken together, these elements are intended to balance revenue stability with moderation, and to align the measure with long-standing city policies around tenant protections, housing stability, and fiscal accountability.

In my letter sent to you on January 6, 2026, I noted that the measure would generate approximately \$183 million. I would like to take this opportunity to provide additional clarification. This figure is still accurate. However, after administrative costs, exemptions and deductions for SROs and seniors from the total revenue generated are subtracted, the SFMTA has estimated that it would receive approximately \$160 million to invest in service: \$150 million to fill the Muni funding gap and \$10 million for future Muni service improvements and expansion.

This parcel tax would provide a critical source of operating funding for the Muni system and represents one of three essential pillars needed to stabilize Muni's long-term financial future, alongside anticipated regional transit funding and continued internal accountability for cost controls at the SFMTA. We appreciate the continued collaboration with your offices to advance this shared priority for San Francisco.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Julie'.

Julie Kirschbaum
Director of Transportation



SFMTA

Attachment 1: Proposed Parcel Tax Structure

Category	Square Footage Tiers	Rate
Single Family Residential Parcels (SFR) <i>Parcel Tax = Base Rate + Marginal Rate(s)</i>		
SFR Base Rate Applies to first 3,000 SF		
SFR, Marginal Rate 1 Applies to any building square footage from 3,001 SF to 5,000 SF	3,001 - 5,000 SF	\$0.42 per SF
SFR, Marginal Rate 2 Applies to any building square footage above 5,000 SF	5,001+ SF	\$1.99 per SF
Multifamily Parcels (MF) <i>Parcel Tax = Base Rate + Marginal Rate(s)</i>		
MF Base Rate Applies to first 5,000 SF	0 - 5,000 SF	\$249
MF, Marginal Rate 1 Applies to any building square footage above 5,000 SF	5,001+ SF	\$0.195 per SF
MF Cap		\$50,000
Non-Residential Parcels (Non-Resi) <i>Parcel Tax = Base Rate + Marginal Rate(s)</i>		
Non-Resi Base Rate Applies to first 5,000 SF	0 - 5,000 SF	\$799
Non-Resi Marginal, Rate 1 Applies to any building square footage from 5,001 SF to 50,000 SF	5,001 - 50,000 SF	\$0.76 per SF
Non-Resi Marginal, Rate 2 Applies to any building square footage from 50,001 SF to 250,000 SF	50,001 - 250,000 SF	\$0.84 per SF
Non-Resi Marginal, Rate 3 Applies to any building square footage over 250,000 SF	250,001+ SF	\$0.99 per SF
Non-Resi Cap		\$400,000

Attachment 2: Proposed Parcel Tax Legislation

**PROPOSED INITIATIVE ORDINANCE TO BE SUBMITTED BY THE
MAYOR TO THE VOTERS AT THE NOVEMBER 3, 2026 ELECTION.**

[Under Charter Sections 3.100(16) and 2.113(b), this measure must be submitted to the Board of Supervisors and filed with the Department of Elections no less than *45 days prior* to deadline for submission of such initiatives to the Department of Elections set in Municipal Elections Code Section 300(b).]

[Initiative Ordinance - Administrative, Business and Tax Regulations Codes - Parcel Tax for Municipal Transportation Agency]

Ordinance amending the Administrative Code and Business and Tax Regulations Code to impose a parcel tax to fund the transit operations of the Municipal Transportation Agency; and increasing the City's appropriations limit by the amounts collected under the parcel tax, for four years from November 3, 2026.

NOTE: **Unchanged Code text and uncodified text** are in plain font.
Additions to Codes are in *single-underline italics Times New Roman font*.
Deletions to Codes are in ~~strikethrough italics Times New Roman font~~.
Asterisks (*) indicate the omission of unchanged Code subsections or parts of tables.

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

Section 1. Findings and Purposes.

(a) Public transportation provided by the San Francisco Municipal Transportation Agency ("SFMTA") is a core public service that supports the City's economic vitality,

environmental goals, public health, equity, and mobility for residents, workers, students, seniors, and people with disabilities.

- (b) The COVID-19 pandemic caused an unprecedented and prolonged decline in transit ridership and fare revenue, creating structural financial challenges that continue even as ridership gradually recovers.
- (c) The SFMTA faces an annual budget deficit of over \$300 million (the “budget gap”) once the remaining pandemic relief funding from the federal, state, and regional governments is fully expended.
- (d) The SFMTA has been reducing the deficit through operational and fiscal efficiency improvements.
- (e) Nearly 90% of the SFMTA’s budget goes directly into running Muni transit service or raising revenue to support it. Without a stable source of new funding, bus and rail lines could be eliminated, late-night service cut, transit service frequency reduced, and affordability programs relied upon by low-income riders, seniors, and people with disabilities canceled.
- (f) A locally controlled revenue source is needed to stabilize transit operations, prevent near-term cuts, and invest in service while the economy recovers.
- (g) This measure is intended to generate sufficient revenue to address the budget gap and enhance transit service, and its structure is intended to distribute the cost fairly for San Francisco residents and businesses.
- (h) Other than the costs of administration, the revenue from the parcel tax imposed by this measure is required to go to the SFMTA for transit operations expenses and thus the revenue will be part of the SFMTA’s operating budget. Under Federal and State law, as a recipient of Federal and State funds, the SFMTA is required to complete an annual audit by an independent auditor, consistent with generally accepted auditing standards. These audits would include audits of the revenue and expenditure of this tax.

(i) The purpose of the parcel tax imposed by this measure is to stabilize Muni and close the budget gap while San Francisco's economy continues to recover and while tax revenues, grants, parking fees, and Muni fares recover along with it.

Section 2. The Business and Tax Regulations Code is hereby amended by adding Article 18, consisting of Sections 1801 to 1815, to read as follows:

SEC. 1801. SHORT TITLE.

This Article 18 shall be known as the "Stronger Muni Fund Parcel Tax Ordinance", and the tax it imposes shall be known as the "Stronger Muni Fund Parcel Tax".

SEC. 1802. DEFINITIONS.

For purposes of this Article 18, the following definitions shall apply:

"Assessor" means the Assessor-Recorder of the City and County of San Francisco, or the Assessor-Recorder's designee.

"Building Area" means the following:

(a) For a Single-Family Residential Parcel, the Building Area shall be:

(1) For all Single-Family Residential Parcels other than residential condominiums or Cooperative Apartments, the total non-exempt square footage of all finished living areas, measured from the exterior wall surfaces, but excluding attached garages, openings between floors, porches, decks, balconies, and chimneys.

(2) For residential condominiums and Cooperative Apartments, the total non-exempt interior square footage of the individual unit, excluding any square footage attributable to common, parking, or storage areas.

(b) For a Multifamily Residential Parcel, the Building Area shall be the total non-exempt square footage of all finished living areas, measured from the exterior wall surfaces, including interior common areas of stairways, hallways, and storage rooms, but excluding unfinished basements or other unfinished areas, exterior common areas such as open stairways and hallways, and storage and parking areas.

(c) For a Non-Residential Parcel, the Building Area shall be:

(1) For all Non-Residential Parcels other than non-residential condominiums, the total non-exempt square footage of all finished areas, including rentable mezzanines, measured from the exterior wall surfaces, including interior common areas of stairways, hallways, and storage rooms, but excluding unfinished basements or other unfinished areas, exterior common areas such as open stairways and hallways, and storage and parking areas.

(2) For non-residential condominiums, the total non-exempt interior square footage of the individual unit, excluding any square footage attributable to common, parking, or storage areas.

(d) For a Mixed-Use Parcel, the Building Area shall be the sum of the Building Areas of the Single-Family Residential, Multifamily Residential, and Non-Residential portions of the Parcel, as applicable, calculated as if each such portion was a separate Parcel.

“City” means the City and County of San Francisco.

“Controller” means the Controller of the City and County of San Francisco, or the Controller’s designee.

“Cooperative Apartment” means a Dwelling Unit held by a Cooperative Housing Corporation that has a separate Assessor’s parcel number.

“Cooperative Housing Corporation” means a real estate development in which legal title to real property is vested in a corporation, and membership in the corporation, by stock ownership, is coupled with the exclusive right to possess a portion of the real property.

"Dwelling Unit" means a house, apartment, mobile home, live/work unit, group of rooms, or single room that is designed as separate living quarters, other than a unit designed for occupancy primarily by travelers, vacationers, or other transient occupants. Separate living quarters are those in which the occupants live and eat separately from any other persons in the building, and which have a kitchen and direct access from the outside of the building or through a common hall. For purposes of this Article 18, a Dwelling Unit shall not include a unit in a nursing home, residential care facility, or other similar facility. No accessory dwelling unit, junior accessory dwelling unit, or housekeeping room shall be considered a separate "Dwelling Unit" for purposes of the Tax, provided that the non-exempt square footage associated with any accessory dwelling unit, junior accessory dwelling unit, or housekeeping room shall be included as Building Area for purposes of the Tax.

"Fiscal Year" means the period starting July 1 and ending on the following June 30.

"Group Housing" means a building or portion thereof that provides lodging, or both meals and lodging, without individual or limited cooking facilities and kitchens, by prearrangement for 30 days or more at a time, and that does not qualify as a Dwelling Unit.

"Mixed-Use Parcel" means a Parcel with at least one non-exempt square foot of Building Area that, if considered as a separate Parcel, would constitute a Single-Family Residential Parcel or Multifamily Residential Parcel, and at least one non-exempt square foot of Building Area that would, if considered as a separate Parcel, not constitute either a Single-Family Residential Parcel or Multifamily Residential Parcel.

"Multifamily Residential Parcel" means a Parcel with more than one Dwelling Unit or with Group Housing, where the entire Parcel is designed to be used for living purposes, but not primarily for travelers, vacationers, or other transient occupants. A Multifamily Residential Parcel shall not include a nursing home, residential care facility, or other similar facility.

"Non-Residential Parcel" means a Parcel that is not a Single-Family Residential Parcel, a Multifamily Residential Parcel, Mixed-Use Parcel, or Unimproved Parcel.

"Parcel" has the meaning set forth in Section 1803.

"SFMTA" means the San Francisco Municipal Transportation Agency or its successor agency, department, or office.

"Single-Family Residential Parcel" means a Parcel with only one Dwelling Unit, where the entire Parcel is designed for living purposes, but not primarily for travelers, vacationers, or other transient occupants.

"Single Room Occupancy (SRO) Unit" means a Dwelling Unit or Group Housing room consisting of no more than one occupied room with a maximum gross floor area of 350 square feet and meeting the Housing Code's minimum floor area standards. The unit may have a bathroom in addition to the occupied room. As a Dwelling Unit, it would have a cooking facility and bathroom. As a Group Housing room, it would share a kitchen with one or more other SRO unit(s) in the same building and may also share a bathroom.

"Unimproved Parcel" means a Parcel with no buildings.

"Tax" means the Stronger Muni Fund Parcel Tax imposed by this Article 18.

"Tax Collector" means the Tax Collector of the City and County of San Francisco, or the Tax Collector's designee.

SEC. 1803. PARCEL.

(a) "Parcel" means a unit of real estate in the City, except a possessory interest, with an Assessor's parcel number as shown on the most current official assessment roll of the Assessor on July 1 of the Fiscal Year for which the Tax is imposed. However, all of the following conditions shall apply:

(1) A Parcel created by a subdivision map approved in accordance with the Subdivision Map Act (Division 2 (commencing with Section 66410) of Title 7 of the Government Code) shall be

deemed to be a single assessment unit and shall not be deemed, on the basis of multiple Assessor's parcel numbers assigned by the Assessor, to constitute multiple assessment units.

(2) A Parcel that has not been subdivided in accordance with the Subdivision Map Act (Division 2 (commencing with Section 66410) of Title 7 of the California Government Code) may be deemed to constitute a separate assessment unit only to the extent that the Parcel has been previously described and conveyed in one or more deeds separating it from all adjoining property.

(b) If the Parcel identified pursuant to subsection (a)(1) or (a)(2) is not consistent with the property's identification by Assessor's parcel number, it shall be the responsibility of the Parcel owner to provide the SFMTA with written notice of the correct Assessor's parcel number of taxable Parcels pursuant to this Section 1803 within 90 days after the date of the initial tax bill containing the Tax.

(c) Notwithstanding subsections (a) and (b), each Assessor's parcel number in a Cooperative Housing Corporation property shall be deemed to constitute a separate Single-Family Residential Parcel for purposes of the Tax.

SEC. 1804. IMPOSITION; EFFECTIVE DATES.

(a) Unless otherwise provided in this Article 18, on July 1 of each Fiscal Year there is hereby imposed an annual Tax as provided in this Article 18 on each Parcel in the City for the purposes described in Section 1810.

(b) Commencing with Fiscal Year 2028-2029, all dollar amounts in Sections 1805 and 1806 of this Article 18 and Section 37.3(a)(12) of Chapter 37 of the Administrative Code shall be adjusted annually in accordance with the increase in the Consumer Price Index: All Urban Consumers for the San Francisco/Oakland/Hayward Area for All Items as reported by the United States Bureau of Labor Statistics, or any successor to that index, as of December 31 of the preceding year, beginning with December 31, 2027, with all dollar amounts per square foot rounded down to the nearest tenth of a cent and all other dollar amounts rounded down to the nearest dollar.

(c) The Tax shall take effect on July 1, 2027 for Fiscal Year 2027-2028, and shall continue in effect for each Fiscal Year thereafter until June 30, 2042, after which date it shall expire by operation of law.

SEC. 1805. CALCULATION OF THE TAX.

(a) Single-Family Residential Parcels. For each Single-Family Residential Parcel, the Tax shall be calculated as follows:

(1) If the Building Area is not over 3,000 square feet, the Tax shall be \$129.

(2) If the Building Area is over 3,000 square feet but not over 5,000 square feet, the Tax shall be the sum of (A) \$129; and (B) \$0.42 multiplied by the Building Area over 3,000 square feet.

(3) If the Building Area is over 5,000 square feet, the Tax shall be the sum of (A) the maximum amount that could be due under subsection (a)(2); and (B) \$1.99 multiplied by the Building Area over 5,000 square feet.

(b) Multifamily Residential Parcels. For each Multifamily Residential Parcel, the Tax shall be calculated as follows:

(1) If the Building Area is not over 5,000 square feet, the Tax shall be \$249.

(2) If the Building Area is over 5,000 square feet, the tax shall be the sum of (A) \$249; and (B) \$0.195 multiplied by the Building Area over 5,000 square feet, up to a maximum Tax of \$50,000.

(c) Non-Residential Parcels. For each Non-Residential Parcel, the Tax shall be calculated as follows:

(1) If the Building Area is not over 5,000 square feet, the Tax shall be \$799.

(2) If the Building Area is over 5,000 square feet but not over 50,000 square feet, the Tax shall be the sum of (A) \$799; and (B) \$0.76 multiplied by the Building Area over 5,000 square feet.

(3) If the Building Area is over 50,000 square feet but not over 250,000 square feet, the Tax shall be the sum of (A) the maximum amount that could be due under subsection (c)(2); and (B) \$0.84 multiplied by the Building Area over 50,000 square feet.

(4) If the Building Area is over 250,000 square feet, the Tax shall be the sum of (A) the maximum amount that could be due under subsection (c)(3); and (B) \$0.99 multiplied by the Building Area over 250,000 square feet, up to a maximum Tax of \$400,000.

(d) Mixed-Use Parcels. For each Mixed-Use Parcel, the Tax shall be calculated as follows:

(1) If the total Building Area is not over 5,000 square feet, the Tax shall be \$799.

(2) If the total Building Area is over 5,000 square feet, the Tax shall be the sum of the following, up to a maximum Tax of \$400,000:

(A) The Tax computed as if the Single-Family Residential Building Area or Multifamily Residential Building Area portion of the Parcel was considered a separate Parcel, reduced by \$129 if such separate Parcel would be a Single-Family Residential Parcel or reduced by \$249 if such separate Parcel would be a Multifamily Residential Parcel; and

(B) The Tax computed as if the Non-Residential Building Area portion of the Parcel was considered a separate Parcel.

(e) Unimproved Parcels. For each Unimproved Parcel, the Tax shall be calculated as follows:

(1) If the square footage of the land area of the Unimproved Parcel is not over 2,000 square feet, the Tax shall be \$0.

(2) If the square footage of the land area of the Unimproved Parcel is over 2,000 square feet, the Tax shall be \$392.

SEC. 1806. EXEMPTIONS AND DEDUCTIONS.

(a) Parcels on which no ad valorem property tax is levied for the Fiscal Year shall be exempt from the Tax.

(b) The Building Area located in portions of Parcels on which no ad valorem property tax is levied for the Fiscal Year shall be exempt from the Tax and shall not be included in the determination of a Parcel's Building Area.

(c) Any Parcel in which an individual who is 65 years of age or older before July 1 of the Fiscal Year owns a beneficial interest, where such individual occupies a Dwelling Unit in the Parcel as the individual's principal residence, shall be entitled to the following:

(1) If the Parcel is a Single-Family Residential Parcel, the Parcel shall be exempt from the Tax.

(2) If the Parcel is a Multifamily Residential Parcel, the Tax shall be reduced by \$249 for each Dwelling Unit in the Parcel that is not otherwise exempt from the Tax if an individual who is 65 years of age or older before July 1 of the Fiscal Year who owns a beneficial interest in the Parcel occupies that Dwelling Unit as the individual's principal residence. The reduction under this Section 1806(c)(2) shall not reduce the Tax below \$0 and no portion of the reduction shall be refundable.

(3) If the Parcel is a Mixed-Use Parcel:

(A) If the total Building Area is not over 5,000 square feet, the Tax shall be as calculated under Section 1805(d)(1) with no reduction.

(B) If the total Building Area is over 5,000 square feet, the portion of the Tax calculated under Section 1805(d)(2)(B) shall be as calculated under Section 1805(d)(2)(B) with no reduction, and the portion of the Tax calculated under Section 1805(d)(2)(A) shall be:

(i) If the portion of the Parcel subject to Section 1805(d)(2)(A) would be treated as a Single-Family Residential Parcel if considered a separate Parcel: \$0; or

(ii) If the portion of the Parcel subject to Section 1805(d)(2)(A) would be treated as a Multifamily Residential Parcel if considered a separate Parcel: Reduced by \$249 for each Dwelling Unit in the Parcel that is not otherwise exempt from the Tax if an individual who is 65 years

of age or older before July 1 of the Fiscal Year who owns a beneficial interest in the Parcel occupies that Dwelling Unit as the individual's principal residence. The reduction under this Section 1806(c)(3)(B)(ii) shall not reduce the portion of the Tax calculated under Section 1805(d)(2)(A) below \$0, shall not reduce the portion of the Tax calculated under Section 1805(d)(2)(B), and no portion of the reduction shall be refundable.

(d) The Building Area of any SRO Unit, including the Building Area of any kitchen, bathroom, or other facilities shared by the SRO Unit and other SRO Units, shall be exempt from the Tax and shall not be included in the determination of a Parcel's Building Area.

(e) To claim an exemption or deduction from the Tax under subsections (c) or (d), the owner must submit an application to the SFMTA by the deadline set by the SFMTA. The application shall be accompanied by such evidence as the SFMTA deems necessary to determine eligibility for the exemption or deduction. The SFMTA shall prepare forms for this purpose. Exemptions or deductions granted under subsections (c) or (d) shall be automatically renewed in subsequent Fiscal Years absent a change in a material fact. The owner of a Parcel receiving an exemption or deduction under subsections (c) or (d) must notify the SFMTA if the Parcel no longer qualifies for the exemption or deduction.

SEC. 1807. COLLECTION AND ADMINISTRATION.

(a) The Tax shall be collected by the City in two approximately equal installments in the same manner and on the same dates as established by law for the collection of ad valorem property taxes, except as otherwise provided in this Article 18. The collection of the Tax shall be subject to the regulations and procedures governing the collection of ad valorem property taxes by the City, including, without limitation, the imposition of penalties, fees, and interest on the failure to remit or the delinquent remittance of the Tax, and refunds of Taxes, penalties, fees, and interest, except that a claim

for refund of Taxes, penalties, fees, or interest must be filed in writing with the Controller within one year of payment of the Tax pursuant to any procedures established by the City.

(b) The SFMTA shall administer the Tax, except that the Tax Collector shall oversee the collection and receipt of the proceeds of the Tax. The Assessor-Recorder's Office and Office of the Treasurer and Tax Collector shall provide technical assistance to the SFMTA, upon the SFMTA's request, to administer the Tax.

SEC. 1808. REGULATIONS.

The SFMTA is authorized to promulgate rules and regulations to implement this Article 18.

SEC. 1809. DEPOSIT OF PROCEEDS.

All monies collected under this Article 18 shall be deposited to the credit of the Stronger Muni Fund, established in Administrative Code Section 10.100-338, which shall be a category four fund under Administrative Code Section 10.100-1. The Fund shall be maintained separate and apart from all other City funds and shall be subject to appropriation. Any balance remaining in the Fund at the close of any Fiscal Year shall be deemed to have been provided for specified purposes within the meaning of Charter Section 9.113(a) and shall be carried forward and accumulated in the Fund for the purposes described in Section 1810.

SEC. 1810. EXPENDITURE OF PROCEEDS.

(a) Subject to the budgetary and fiscal provisions of the Charter, monies in the Stronger Muni Fund shall be appropriated on an annual or supplemental basis and used exclusively for the following purposes:

(1) To the SFMTA, Tax Collector, and other City Departments, for implementation and administration of the Tax and administration of the Stronger Muni Fund.

(2) Refunds of any overpayments of the Tax, including any related penalties, interest, and fees.

(3) All remaining amounts to the SFMTA for transit operations expenses.

(b) Notwithstanding subsection (a), no monies in the Stronger Muni Fund shall be used for the efficiency review in Section 1811 of this Article 18.

(c) Commencing with a report filed no later than February 15, 2029, covering the Fiscal Year ending on June 30, 2028, the Controller shall file annually with the Board of Supervisors, by February 15 of each year, a report containing the amount of monies collected in and expended from the Stronger Muni Fund during the prior Fiscal Year, the status of any project required or authorized to be funded by this Section 1810, and such other information as the Controller, in the Controller's sole discretion, shall deem relevant to the operation of this Article 18.

SEC. 1811. EFFICIENCY REVIEW.

Subject to the fiscal provisions of the Charter, the SFMTA must conduct or participate in a financial efficiency review conducted by a third-party consultant that identifies: (a) cost-saving measures implemented since Fiscal Year 2022-2023, (b) early action strategies that would assist SFMTA in delivering increased or improved service and enhanced customer experiences with existing resources, (c) cost-saving measures to reduce one-time and ongoing fixed and variable costs, and (d) a comprehensive assessment of development financing strategies to maximize the value of SFMTA's real property assets. The study must consider administrative, operating, and capital costs, must be completed by April 1, 2028, and must be submitted and presented to the SFMTA Board of Directors.

SEC. 1812. OVERSIGHT.

By the first date that funds are appropriated from the Stronger Muni Fund, the SFMTA Board of Directors shall designate a citizens' group to review the revenues and expenditures of the Tax at a minimum of every two years, consistent with the budget process in Charter Section 8A.106.

SEC. 1813. AMENDMENT OF ORDINANCE.

The Board of Supervisors may amend or repeal this Article 18 by ordinance by a majority vote and without a vote of the people except as limited by Articles XIII A and XIII C of the California Constitution.

SEC. 1814. SEVERABILITY.

(a) Except as provided in Section 1814(b), if any section, subsection, sentence, clause, phrase, or word of this Article 18, 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 this Article. The People of the City and County of San Francisco hereby declare that, except as provided in Section 1814(b), they would have adopted this Article 18 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 Article or application thereof would be subsequently declared invalid or unconstitutional.

(b) If the imposition of the Stronger Muni Fund Parcel Tax is held in its entirety to be facially invalid or unconstitutional in a final judicial decision, the remainder of this Article 18 shall be void and of no force and effect, and the City Attorney shall cause it to be removed from the Business and Tax Regulations Code.

SEC. 1815. SAVINGS CLAUSE.

No section, clause, part, or provision of this Article 18 shall be construed as requiring the payment of any Tax that would be in violation of the Constitution or laws of the United States or of the Constitution or laws of the State of California.

Section 3. Chapter 37 of the Administrative Code is hereby amended by revising Sections 37.3 and 37.8, to read as follows:

SEC. 37.3. RENT LIMITATIONS.

(a) **Rent Increase Limitations for Tenants in Occupancy.** Landlords may impose rent increases upon tenants in occupancy only as provided below and as provided by subsections 37.3(d) and 37.3(g):

* * * *

(12) *Parcel Taxes.* A landlord may impose increases based on a passthrough of up to 50% of the parcel tax imposed under Business and Tax Regulations Code Article 18 up to a maximum passthrough of \$65 per unit per year, adjusted for inflation pursuant to Section 1804(b) of Article 18 of the Business and Tax Regulations Code. However, a landlord may not impose this passthrough on a unit the square footage of which is exempt from the parcel tax under Article 18. Additionally, a landlord may not impose this passthrough on a unit where the initial base rent was set on or after

June 1, 2027.

* * * *

SEC. 37.8. ARBITRATION OF RENTAL INCREASE ADJUSTMENTS.

* * * *

(e) Hearings.

* * * *

(4) Determination of the Administrative Law Judge: Rental Units. Based upon the evidence presented at the hearing and upon such relevant factors as the Board shall determine, the Administrative Law Judge shall make findings as to whether the landlord's proposed rental increase exceeding the limitations set forth in Section 37.3 is justified or whether the landlord has effected a rent increase through a reduction in services or has failed to perform ordinary repair and maintenance as required by State or local law; and provided further that, where a landlord has imposed a passthrough pursuant to this Chapter 37, the same costs shall not be included in the calculation of increased operating and maintenance expenses pursuant to this subsection (4). In making such findings, the Administrative Law Judge shall take into consideration the following factors:

(A) Increases or decreases in operating and maintenance expenses, including, but not limited to, water and sewer service charges; janitorial service; refuse removal; elevator service; security system; insurance for the property; debt service and real estate taxes as set forth in subsections (i) and (ii); reasonable and necessary management expenses as set forth in subsection (iii); and routine repairs and maintenance as set forth in subsection (iv).

(i) For petitions filed before December 11, 2017, the Rent Board may consider increased debt service and increased real estate taxes; provided, however, that if the property has been purchased within two years of the date of the previous purchase, consideration shall not be given to that portion of increased debt service which has resulted from a selling price which exceeds the seller's purchase price by more than the percentage

increase in the "Consumer Price Index for All Urban Consumers for the San Francisco-Oakland Metropolitan Area, U.S. Department of Labor" between the date of previous purchase and the date of the current sale, plus the cost of capital improvements or rehabilitation work made or performed by the seller.

(ii) For petitions filed on or after December 11, 2017, the Rent Board shall not consider any portion of increased debt service, or that portion of increased real estate taxes that has resulted from an increased assessment due to a change in ownership; provided, however, that the Rent Board may consider that portion of increased real estate taxes that has resulted from the completion of needed repairs or capital improvements with respect to any petition filed on or after December 11, 2017; and provided, further, that the Rent Board may consider increased debt service and increased real estate taxes in a petition filed on or after December 11, 2017 pursuant to Section 37.8(e)(4)(A)(i), if the landlord demonstrates that it had purchased the property on or before April 3, 2018 and that it had reasonably relied on its ability to pass through those costs at the time of the purchase. *Further, the Rent Board shall not consider any portion of increased costs attributable to the parcel tax imposed under Article 18 of the Business and Taxations Code.*

* * * *

Section 4. Article XIII of Chapter 10 of the Administrative Code is hereby amended by adding Section 10.100-338, to read as follows:

SEC. 10.100-338. STRONGER MUNI FUND.

(a) Establishment of Fund. The Stronger Muni Fund ("Fund") is established as a category four fund as defined in Section 10.100-1 of the Administrative Code, and shall receive all taxes.

penalties, interest, and fees collected from the Stronger Muni Fund Parcel Tax imposed under Article 18 of the Business and Tax Regulations Code.

(b) Use of Fund. Subject to the budgetary and fiscal provisions of the Charter, monies in the Fund shall be used exclusively for the purposes described in Section 1810 of Article 18 of the Business and Tax Regulations Code.

(c) The Controller shall report to the Board of Supervisors as required by subsection (c) of Section 1810 of Article 18 the Business and Tax Regulations Code.

Section 5. Appropriations Limit Increase. Pursuant to California Constitution Article XIII B and applicable laws, for four years from November 3, 2026, the appropriations limit for the City shall be increased by the aggregate sum of the tax imposed by Article 18 of the Business and Tax Regulations Code.

Section 6. No Conflict with Federal or State Law. Nothing in this measure shall be interpreted or applied so as to create any requirement, power, or duty in conflict with any federal or state law.

Section 7. Scope of Ordinance. In enacting this ordinance, the People of the City and County of San Francisco intend 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 or deletions, in accordance with the "Note" that appears under the official title of the ordinance.

Section 8. Severability. Except as provided in Section 1814(b) of Business and Tax Regulations Code Article 18 in Section 2 of this ordinance, 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 People of the City and County of San Francisco hereby declare that they would have adopted 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 9. Effective Date. The effective date of this ordinance shall be at 12:00 a.m. on the eleventh day after the date the official vote count is declared by the Board of Supervisors.

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SUBMITTED.

Date:

DANIEL L. LURIE
Mayor, City and County of San
Francisco