

Alert | State & Local Tax (SALT)



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San Francisco's BUILD Act: Proposed Transfer Tax Reductions to Stimulate Housing and Commercial Development

On Feb. 25, 2026, San Francisco Mayor Daniel Lurie and District 5 Supervisor Bilal Mahmood introduced the **Balanced Update to Incentivize Local Development (BUILD) Act**, a legislative package designed to reduce transfer tax rates on large real estate transactions to revitalize stalled housing projects and stimulate economic development. By proposing a significant rollback of transfer tax increases that were implemented in 2020, the BUILD Act aims to make San Francisco more competitive with other major cities while maintaining revenue neutrality through targeted reforms.

Summary of Proposed BUILD Act Changes

Transfer Tax Rate Reductions

The BUILD Act would reduce San Francisco's transfer tax rates to pre-2020 levels for large transactions:

- Properties valued at \$10 million to \$25 million: Rate would decrease from 5.5% to 2.75% (a 50% reduction)
- Properties valued at \$25 million and above: Rate would decrease from 6% to 3% (a 50% reduction)

The legislation would not affect transfer tax rates for single-family residences or property transfers below \$10 million, which would remain at current levels.

Current San Francisco Transfer Tax Structure

Under the existing ordinance ([Article 12-C of the Business and Tax Regulations Code](#)), San Francisco imposes a tiered transfer tax system:

- \$100 to \$250,000: \$2.50 per \$500 (0.5%)
- \$250,000 to \$1 million: \$3.40 per \$500 (0.68%)
- \$1 million to \$5 million: \$3.75 per \$500 (0.75%)
- \$5 million to \$10 million: \$11.25 per \$500 (2.25%)
- \$10 million to \$25 million: \$27.50 per \$500 (5.5%)
- \$25 million and above: \$30 per \$500 (6%)

Elimination of Deed in Lieu of Foreclosure Exemption

To maintain revenue neutrality, the BUILD Act includes a companion ballot measure for November 2026 that would eliminate the transfer tax exemption for certain foreclosure transactions. Currently, Section 1108.2 of the San Francisco ordinance exempts deeds taken “as a result of or in lieu of foreclosure,” provided the consideration does not exceed the unpaid debt. Assessor-Recorder Joaquín Torres noted a “dramatic increase in the number of high-value commercial transfers claiming the exemption.” Because ending this exemption would increase tax on deed-in-lieu transactions, it cannot be enacted by ordinance alone; **it must be approved by voters**, unlike the transfer tax decreases. The mayor’s package targets the November 2026 ballot for this change.

If the ballot measure passes, lenders and borrowers who use deed-in-lieu agreements as an alternative to foreclosure would face the transfer tax on the full value of the transferred property. Depending on the property’s value, this could result in a transfer tax obligation ranging from 2.25% (for properties valued between \$5 million and \$10 million) up to 3% under the BUILD Act proposed rate reductions. While the BUILD Act would lower documentary transfer tax (DTT) for arm’s-length sales of large commercial properties, the elimination of the deed-in-lieu exemption could simultaneously increase the effective DTT burden on asset transfers where lenders previously paid nothing.

Economic Impact and Rationale

Housing Development Incentives

The legislation aims to address San Francisco’s housing crisis by making development projects more financially viable. The city estimates that reducing transfer tax rates could save housing developers \$32,850 per unit, representing up to 5% of total development costs. With approximately 50,000 entitled but unbuilt housing units in the city’s pipeline, the reforms target projects that are approved but economically infeasible under current tax rates.

Labor and Business Support

The legislation has garnered support from major labor organizations, including the San Francisco Building and Construction Trades Council, North Coast States Carpenters Union, and Laborers Union Local 261, as well as the San Francisco Chamber of Commerce. Supporters argue that unlocking stalled projects would create thousands of union construction jobs.

Legislative Process and Authority

Lowering transfer taxes under the BUILD Act can be implemented through legislation rather than a ballot measure due to Proposition C, passed in March 2024, which amended the city charter to allow transfer tax decreases (but not increases) through ordinance. This provides the Board of Supervisors with authority to reduce rates without voter approval, while maintaining the requirement for voter approval to raise rates.

The transfer tax portion of the BUILD Act was introduced to the Board of Supervisors on **Feb. 24, 2026**. In order to pass, there is a 30-day hold for the bill, a budget hearing, and two votes by the Board of Supervisors to enact the legislation. If the reductions are enacted, the ordinance would become operative on **July 1, 2026**.

Unlike legislation to enact a tax rate decrease, the elimination of the deed in lieu of foreclosure exemption, an effective rate increase, will still be subject to voter approval on the November 2026 ballot. Should the deed in lieu of foreclosure exemption survive the ballot box, the legislative transfer tax decreases would be unaffected.

Takeaway

The BUILD Act represents a significant policy shift aimed at stimulating San Francisco's real estate market and housing production through strategic tax reduction. By rolling back 2020 transfer tax increases while closing exemption loopholes, the legislation seeks to incentivize residential and commercial development for property valued over \$10,000,000. Property owners, developers, and investors may wish to monitor the legislation's progress and consider the potential impact on transaction costs as well as the consequences of ending the deed in lieu of foreclosure exemption.

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