



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: February 24, 2026

IBA Report Number: 26-05

Rules Committee Docket Date: February 25, 2026

Item Number: 1

Fiscal Impact Analysis of the Proposed “Empty Homes Tax”

OVERVIEW

The proposed Empty Homes Tax (EHT) ordinance would create a new tax on owners of vacant, residential homes who keep these units vacant for 183 or more days in a calendar year, with the intended policy goal of incentivizing units to return to the long-term housing market and increase the City’s General Fund revenue.¹

Certain exemptions would be provided, including but not limited to primary residences, units leased to a tenant(s) or occupied by family, and owners unable to occupy or rent a unit for specified reasons. If approved, the new tax would become effective January 1, 2027.

Vacant units in calendar year 2027 would be taxed at a rate of \$8,000, and that rate would increase to \$10,000 in subsequent years. Corporate owned vacant units would be taxed an additional \$4,000 in 2027, which would increase to \$5,000 in subsequent years. Beginning in calendar year 2029, tax rates would be adjusted annually by regional inflation.

Our Office estimates that the proposal would have a net positive fiscal impact ranging between \$12.1 million (conservative) to \$23.8 million (optimistic) in the first year of implementation, which could increase to \$15.3 million (conservative) to \$30.0 million (optimistic) in the second year. As the tax rate increases in the second year, there could be a higher number of individuals seeking an exemption to avoid the tax, which could partially offset additional revenue from tax

¹ According to the proposal, additional revenue gained by the measure may be deposited into the General Fund to fund any general municipal services designated by the City Council and may include rental assistance, constructing, acquiring, and rehabilitating affordable housing and infrastructure.

rate increases. Should this measure have the intended effect of reducing the number of vacant units as more units are rented or occupied over time, tax revenue from this measure in future years would decline over time.

As we will discuss, vacancy taxes in California are both relatively new and untested in large, major metropolitan cities like San Diego; consequently, there is a high degree of uncertainty surrounding this report's revenue projections. Should this measure progress to the ballot, our Office will work with the City's Chief Financial Officer and City Auditor to further refine revenue projections for the measure's Fiscal Impact Statement.

BACKGROUND

Residential vacancy taxes, also known as empty home taxes, are taxes imposed on properties that are left unoccupied for an extended period. The intended purpose of these taxes is to return empty or under-utilized residential properties to the long-term housing market and bring in additional revenue for the taxing municipality.

Vancouver, Canada enacted one of the first residential empty homes tax in North America in 2017, and Oakland, California soon followed suit enacting a vacant property tax in 2018. In 2024, a new empty homes tax was enacted in Berkeley, California.

At the January 2026 City of San Diego [Rules Committee](#), Councilmember Elo-Rivera introduced an ordinance to be placed on the June 2026 primary election that proposed taxing *both* empty homes *and* whole home short-term rentals; however, that proposal did not pass out of Rules Committee.

The proposal being presented at the February 2026 Special Rules Committee similarly seeks to place an ordinance on the June 2026 primary election ballot, but the proposal would tax *only* empty homes and *not* short-term rentals.

SUMMARY OF PROPOSED EMPTY HOMES TAX ORDINANCE

The full language of the draft ordinance can be viewed [here](#), but this language may be amended by the Rules Committee and City Council before a final vote to place the measure on the June 2026 ballot.

Empty homes are defined as any residential dwelling unit (e.g. single-family home, condominium, duplex, townhome, apartment, etc.) that is left vacant for more than half a calendar year (183 days or more).

The proposal would tax owners of empty homes at an annual rate of \$8,000 the first year of implementation and \$10,000 in subsequent years.

In the first year, an additional annual tax of \$4,000 would be applied to empty second homes that are corporate owned, meaning *not* owned by a natural person (ex. limited liability companies, corporations, real estate investment trusts, irrevocable trusts, etc.). The additional corporate ownership tax rate would increase to \$5,000 in the following year.

The base tax and additional corporate ownership tax would be adjusted annually in accordance with the Consumer Price Index for all Urban Consumers (CPI-U) for the San Diego-Carlsbad area.²

Owners of empty second homes may seek an exemption from the tax for the following reasons:

1. *Disaster*: Two-year period following the unit being made uninhabitable by a natural disaster;
2. *Four units or less*: All units on a property with four or fewer separate residential units where the owner uses any unit as their primary residence, so long as they are not the owner of any other residential units in the City;
3. *Homeowner*: The unit is the primary residence of the owner;
4. *Lease*: The unit is leased to a tenant under a bona fide lease;
5. *Military service*: The owner is temporarily relocated pursuant to military orders;
6. *Non-ownership*: Period the unit was not owned by the current owner;
7. *Owner death*: Two-year period following the death of an owner who occupied the unit; or
8. *Owner in care*: The owner who occupied the unit is in a medical care facility.

If this proposal is approved by voters in the June 2026 primary election, it would become effective on January 1, 2027, and the first tax bills would be mailed out in the first quarter of calendar year 2028 for homes presumed to be empty for 183 days or more in calendar year 2027.

FISCAL AND POLICY DISCUSSION

BENCHMARKING TO OTHER CITIES

To help inform early revenue estimates and potential implementation challenges, our Office conducted a benchmarking study that reviewed similar taxes in other cities along with associated tax revenues collected. As summarized in the [table below](#), our benchmarking identified four major cities that charge additional taxes on vacant residential units or parcels: Berkeley, California; Oakland, California; Washington, D.C.; and Vancouver, Canada. Similar to San Diego's Empty Homes Tax proposal, vacancy taxes in other cities aim to encourage the use of underutilized properties to increase housing supply, typically as a long-term rental or an owner-occupied

² According to the U.S. Bureau of Labor Statistics, the CPI-U for the San Diego-Carlsbad area increased by an annual average of 3.2% over the last forty years, 1986 to 2025.

residence, while also disincentivizing real estate speculation.³ Notably, only Berkeley structures its tax as an excise tax, similar to the San Diego proposal, but tax rates under Berkeley’s ordinance differ from the San Diego proposal for some comparable property types.⁴ The remainder of this section highlights notable themes across the benchmarked cities. Additional benchmarking details can be found in [Appendix 1](#) of this report.

Jurisdiction <i>Tax Type</i>	Effective Year	Tax Structure	Vacancy Definition	Estimates vs Actuals	
				Units	Revenue
Berkeley, California Measure M: Empty Homes Tax <i>Excise Tax</i>	CY 2024	<ul style="list-style-type: none"> • \$3,000: Duplexes, condominiums, single-family homes and townhouses • \$6,000: All other residential units Amounts double after Year 1. Adjusted to regional CPI.	Unoccupied, uninhabited, or unused, for more than 182 days in a calendar year	1,128 → 615 units (-45.5%)	\$4.9M ave → \$3.5M (-28.6%)
Oakland, California Measure W: Vacant Property Tax <i>Special Parcel Tax</i>	FY 2021	<ul style="list-style-type: none"> • \$3,000: Condominium, duplex, or townhome unit under separate ownership; parcel with ground floor commercial activity allowed but vacant • \$6,000: Residential/non-residential/undeveloped parcel 	In use less than 50 days in a calendar year	1,430 ave → 1,552 parcels (8.5%)*	\$8.6M ave → \$7.4M (-13.8%)
Washington, D.C. Vacant Real Property Tax <i>Property Tax</i>	CY 2003	<ul style="list-style-type: none"> • \$5 per \$100 assessed value: Vacant commercial & residential properties • \$10 per \$100 assessed value: Blighted Properties 	Not occupied by owner or other permitted persons on a regular or habitual basis	3,330 → 2,900 parcels (-12.1%)	\$15.9M → \$37.9M (137.7%)
Vancouver, Canada Empty Homes Tax <i>Property Tax</i>	CY 2017	Percentage of the property’s assessed taxable value, initially 1% but currently 3%	Unoccupied for more than 6 months during calendar year	2,538 → 979 units (-61.4%)	\$38.0M → \$35.0M (-7.9%)

CY= calendar year; FY = fiscal year; Ave = average (provided when city had range of estimates)

*Staff assumed 60-75% exempt.

³ In addition to vacant residential properties, Oakland and Washington, D.C. tax undeveloped or blighted parcels to encourage development and blight remediation.

⁴ The tax amounts in Berkeley doubled in the second year of implementation to \$6,000 and \$12,000. Even with this increase, San Diego proposal’s flat tax of \$8,000 then \$10,000 starting in the second year is higher than the \$6,000 flat tax in Berkeley for certain property types, particularly condominiums, duplexes, townhomes, and single-family homes.

Initial Units and Revenues Typically Overstated

Benchmarking in other cities shows that early estimates of tax revenues have been highly uncertain, given unknown response behavior and exemption activity. Early estimates of the number of units or parcels subject to vacancy taxes in benchmarked cities were typically higher than actually realized, which ultimately affected revenue generation. For instance, Berkeley initially estimated that slightly more than 1,100 units would be subject to their tax, but leading up to their first tax collection only 615 units were identified as subject to the tax, a drop of 45.5%. Most other cities saw similar trends, with the exception of Oakland where 60% to 75% of parcels were initially assumed to be exempt. In most cases, there were corresponding declines from initial revenue estimates ranging from 7.9% to 28.6%, except for Washington D.C., where an ad valorem tax and proactive reclassification of taxable properties resulted in revenue growth since initial implementation.

In most cases, high initial estimates underrepresented subsequent high exemption activity once laws were in place, with many property owners claiming exemptions from taxes or opting to sell their properties to avoid the tax. The number of properties subject to vacancy taxes can also decline over time, which can be an intended consequence as more properties are occupied, a trend seen in Vancouver. ***This underscores that it is appropriate to assume a high drop-off or exemption rate and decreasing revenue over time.***

Data Clean-Up Challenges

Despite existing infrastructure to collect vacancy data, Berkeley encountered data clean-up challenges. Berkeley's Rent Stabilization Board (Rent Board), which administers their tax, maintains a centralized database where units subject to their local rent ordinance must be annually registered, and information on vacancy and tenancy must be regularly updated. Hence, their Rent Board already collected vacancy information critical to projecting empty homes tax implementation impacts and revenues prior to implementation of their vacancy tax. Even with this existing, regularly updated data source for vacant units, city staff from Berkeley noted significant data clean-up was still necessary. Some property owners claimed exemptions leading up to the first tax collection, sometimes because their property had already been rented long-term or were owner-occupied, without them having previously informed the Rent Board. ***Although the current proposal is structured as an excise tax similar to Berkeley, additional implementation challenges (including a higher probability for data corrections) may arise, as the City of San Diego lacks a regulatory body analogous to the Berkeley Rent Board and is unable to leverage existing property data and tax systems to the same extent.*** While this report uses data from San Diego's Rental Unit Business Tax as a proxy for this type of data, as we will discuss it is likely this proxy is less accurate than the data used by Berkeley its initial projections.

Impact on Housing Affordability

Although a central goal of an empty homes tax is to lower housing costs by increasing supply, research into the impacts of vacancy taxes on housing affordability appears limited. One [2024 study](#) on Vancouver’s Empty Homes Tax found that the tax lowered their vacancy rate by 21% between 2016 and 2021, but did not affect new housing construction or average rents – suggesting that the tax had little discernible impact on housing affordability. The researchers speculate that high demand in Vancouver’s rental market could be entrenched in a high-rent equilibrium where landlords can set a high asking rent with little regard to housing supply or risks of deterring prospective renters, or that landlords could be passing potential future taxes onto tenants. Housing affordability is generally improved if there is a *significant* increase in housing supply, which localities typically try to address through a number of avenues, of which a vacant home tax is just one tool.

FISCAL IMPACT MODEL

In order to analyze the fiscal impact of the proposed empty homes tax, two data components need to be known: (1) how many homes are vacant each calendar year for 183 days or more and (2) how many vacant units are then subject to the tax because they are not eligible for exemptions.

Empty Home Data Source

To estimate the number of vacant residential units in the City of San Diego that may be subject to the proposed tax, we used self-reported exemption data from the City Treasurer’s Rental Unit Business Tax (RUBT). RUBT is assessed annually on anyone who owns or operates a rental property in the City. From an implementation perspective, each owner receives a homeowners’ exemption claim form with each residential property purchase or transfer, which allows them to claim the property as their primary residence.⁵ If a property does *not* receive a [homeowner’s tax exemption](#), the City presumes the property to be subject to the RUBT and sends them a [bill](#) based on the property type and number of units. There are [nine \(9\) exemptions to RUBT](#) that an owner can claim, one of them being that the property is not available to be rented any part of the year because it is vacation home or second home.

In calendar year 2025, there were 5,115 units that received an exemption from paying the RUBT because they certified, under penalty of perjury, that the home was exempted because it was a vacation home or second home.

This report uses the self-reported RUBT exemption data for vacation homes and second homes as the proxy for the number of empty homes potentially subject to the proposed tax. There are limitations with the use of this RUBT exemption data. For instance, this dataset does not capture residential units that may otherwise meet the definition of vacancy and therefore be subject to the

⁵ If a property owner claims a property as a primary residence, the County Assessor provides that owner a homeowner’s tax exemption that provides a savings of \$70 on annual property taxes.

tax, such as rental units experiencing extended periodic vacancies, a short-term rental that is occupied less than 183 days in a year, or other vacancies not captured in the RUBT exemption data.

Empty Home Type and Location

The proposed empty homes tax has different rates for units owned by natural persons (e.g. individual, revocable living trust, etc.) than corporate owned unit (e.g. corporation, real estate investment trust, irrevocable trusts, etc.). To determine the number of units owned by natural persons versus corporate owned properties, property ownership names as they appear on title records were keyword searched for descriptors like Corp, Inc, Ltd, LLC, and irrevocable. Of the 5,115 total units reported as vacation or second homes, 43, or 0.8%, were flagged as corporate owned.

[Appendix 2](#) of this report shows the location of the 5,115 units by City Council District and Community Plan Area.

Excluded Units

While our initial estimates assume there are 5,115 units that could be subject to the tax, there are several ways the actual base of taxable units could decrease. Owners may be excluded from having to pay the Empty Homes Tax because they claim an exemption from the tax, convert the unit to a short, medium, or long-term rental, claim a qualifying exemption from the RUBT other than the unit being a vacation home or second home, sell the unit, report increased occupancy days, or illicitly avoid paying the tax. Therefore, the actual taxable number of empty homes will likely be lower than 5,155 units.

To develop a fiscal impact for the proposal, we largely looked to the Empty Homes Tax in Berkeley, California, as it is the most comparable to the proposed tax, including its definition of vacancy, the structure of the tax as an excise tax, and similar enforcement levels assumed to occur in San Diego if enacted. While Berkeley's tax has only been in effect since 2024, and Berkeley's tax data and housing market are different than San Diego's, the publicly available tax receipt data from Berkeley serve as anchors for our model.

As mentioned, when Berkeley's Empty Homes Tax was placed before voters in November 2022, their Rent Board estimated that 1,128 units were vacant.⁶ In November 2025, the Rent Board reported that after the first tax billing, only 615 units were estimated to be subject to the tax.⁷ This represents a 45.5% drop between the initial estimated number and the actual number of units subject to the tax.

⁶ Berkeley Municipal Code Chapter 7.54, Empty Homes Tax, [berkeley.municipal.codes/BMC/7.54](https://www.berkeley.ca.gov/government/city-council/municipal-code-chapter-7.54).

⁷ Berkeley Rent Board, 2025 Ordinance Amendments presentation, November 20, 2025.

Several differences between the Berkeley tax and the San Diego proposal could impact the proportion of units that may seek exemptions or otherwise be ineligible for the proposed tax:

1. *Data accuracy*: Berkeley had a pre-existing Rent Board that required reporting on vacant rental units, but San Diego does not. Using the self-reported RUBT second home or vacation home exemption data as a proxy for vacancy introduces additional uncertainty, and because of this, San Diego may see more data clean-up issues than Berkeley experienced;
2. *Intended Taxpayer*: Berkeley's tax was targeted towards vacant *rental* properties owned by investors with carrying costs and lost revenue opportunities when units sit vacant. The Berkeley tax created an additional carrying cost that further incentivized finding tenants for vacant units, especially as those units already existed as rentals.

In San Diego, the proposed tax is more directly targeted at owners who have a second home or vacation property in the City, and those properties are typically not available for rent any part of the year.⁸ This may indicate that San Diego's owners have more financial means to absorb the tax as a new ongoing carrying cost for owning the property. However, since the properties may be less likely to enter the rental market, as opposed to already being in the rental market like in Berkeley, owners may be more likely to change their behavior to seek exemptions such as selling their property, identifying potential loopholes, or otherwise seeking ways to avoid the proposed tax; and

3. *Tax Amount*: Berkeley's tax amount was \$3,000 in the first year and \$6,000 in subsequent years for vacant single-family dwellings, condos, duplexes or townhomes, and \$6,000 in the first year and \$12,000 in subsequent years for all other vacant residential units. As noted in the [summary section](#), San Diego's proposed taxing method would be similar, but the tax would in many cases be a larger amount than Berkeley's \$6,000 tax, at \$8,000 (or \$12,000 for corporate owned units) in the first year and \$10,000 (or \$15,000 for corporate owned) in the second year, depending on whether the property is corporate owned. This may induce additional behavior changes.

Berkeley experienced 45.5% of units initially estimated as subject to their tax ultimately being exempt from it; similar or larger exemption rates were also seen in Oakland and Vancouver. ***Therefore, we believe it is appropriate to model an excluded unit range between 45% (optimistic) and 65% (conservative) of the total number of potential units that could be billed under the proposed EHT.***

⁸ As noted earlier, while the current proposal seems targeted primarily at second homes and vacation homes, it may nevertheless apply to other residences that are vacant for 183 or more days of the year regardless of whether their owners declare them to be second or vacation homes.

Estimated Additional Net Revenue

Our Office projects that if this measure passes, the City would receive estimated additional net revenue ranging between \$12.1 million (conservative) and \$23.8 million (optimistic) in the first year of implementation, which could increase to \$15.3 million (conservative) to \$30.0 million (optimistic) in the second year. As the tax increases in the second year there could be a higher number of individuals seeking exemption or avoidance of the tax which could offset Year-2 revenue growth associated with increased tax rates.⁹ Over the longer term, should this measure have the intended effect of reducing the number of vacant units as more units are rented or occupied over time, tax revenue from this measure would decline.

FY 2028 (Year 1) Estimated Fiscal Impact						
All Empty Homes: 5,115						
Exclusion Rate		45%	50%	55%	60%	65%
Units Subject to Tax		2,812	2,557	2,301	2,045	1,790
Estimated Revenue (\$ in millions)	High (+10%)	\$23.8	\$21.6	\$19.3	\$17.1	\$14.8
	Median	\$21.7	\$19.6	\$17.6	\$15.5	\$13.5
	Low (-10%)	\$19.5	\$17.6	\$15.8	\$14.0	\$12.1
FY 2029 (Year 2) Estimated Fiscal Impact						
Estimated Revenue (\$ in millions)	High (+10%)	\$30.0	\$27.2	\$24.4	\$21.5	\$18.7
	Median	\$27.3	\$24.7	\$22.2	\$19.6	\$17.0
	Low (-10%)	\$24.5	\$22.2	\$19.9	\$17.6	\$15.3

This revenue range is derived from the expected potential universe of empty homes (5,115), the potential range of owners that may be excluded from paying the tax (45% to 65%), expected City costs to implement the tax, and a 10% contingency-band for uncertainty. The two largest drivers of this revenue estimate are the estimated number of empty homes and the potential number of excluded units. While we model some additional revenue not derived directly from the EHT but that may result from its enactment, like RUBT revenue, it is presumed to be de minimis.¹⁰

Administration and Enforcement

The Empty Homes Tax ordinance designates the City Treasurer’s Office (CTO) as the City department responsible for administering and enforcing the tax. The work would include, but is not limited to, educating taxpayers about the new tax, sending out bills, processing and validating exemptions, corresponding with taxpayers, administering appeals, penalties, and refunds, supervising IT system enhancements to automate workflows, and conducting audits. The staffing

⁹ While estimates in this report do not reflect an increase in the number of properties seeking exemptions in the second year, our Office is currently discussing the potential of including such impacts in the Fiscal Impact Statement for the measure with the Chief Financial Officer and City Auditor.

¹⁰ Additional revenue impacts could result from potentially increased property sales, though given uncertainties surrounding this we do not model them.

levels and costs to conduct this additional workload are subject to change and can be phased in over time, but the CTO estimated the new tax may need three (3) new Administrative Aide II positions and one (1) new Sr. Management Analyst, in addition to one-time IT systems upgrades. A conservative estimate of \$1.0 million in implementation and enforcement costs are accounted for in the Fiscal Impact Model results shown on the previous page.

Violations of the EHT ordinance would be considered a misdemeanor punishable by fines or imprisonment, though the tax amount may nevertheless provide an incentive for owners to find legal or illicit means of avoiding the tax.

The EHT ordinance does provide the CTO with authorities to enforce the tax and establish administrative regulations. However, since it will be challenging to create a “bright-line test” for the standard of documentary proof required to demonstrate that a taxed unit is not vacant, there will likely be an unknowable number of self-reported exemptions and other tax avoidance strategies that will be difficult to enforce.¹¹

Fiscal Impact Assumptions and Limitations

In order to estimate fiscal impacts of the proposal, our Office made various assumptions based on limited data available. We believe these assumptions are appropriate given time and data constraints, though it is important to note potential limitations. Key assumptions and limitations are detailed below.

Assumptions

- We assume that the tax would become effective on January 1, 2027 and that the Empty Homes Tax would be billed, exemptions processed, and revenue received by March 31, 2028 (Third quarter of FY 2028). Delays could impact the fiscal impact estimate.
- We assume that operational and enforcement costs in the City Treasurer’s Office will total \$1.0 million, based on their own internal analysis, and that this will be the only City expense to effectuate the tax. A key variable in fiscal modeling is the level to which the City can enforce the proposed tax and the level to which property owners will comply. In discussions with Berkeley it was apparent that enforcement is difficult, especially without dedicated resources and a process that relies on self-certification. Berkeley is still looking at ways to improve and potentially leverage technology for enforcement. We expect that San Diego will face similar challenges.
- We assume that all units subject to the EHT (i.e. not excluded) will pay the full amount by the delinquency date.

¹¹ While utility (water and power) usage may seem to be a good barometer for vacancy, utility usage presents issues, such as clearly defining a “vacancy” threshold, false positives from appliances and systems left running when no one is home, and false negatives from occupied homes that use minimal utilities. While Berkeley, with the most analogous tax, has a Rent Board which requires owners of rental properties to report vacancy data, staff from Berkeley noted that there are few second or vacation homes in that City and their enforcement there is therefore targeted towards rentals.

- While having minimal fiscal impact, we assume that 50% of the units that are excluded from the EHT will instead pay the RUBT, which is approximately \$55.00.
- While having a minimal fiscal impact due to the limited number of corporate-owned empty homes our existing dataset suggests, we assume that corporate-owned empty homes will have the same exclusion rate as non-corporate empty homes.

Limitations

- We are unable to estimate the number of homes that may be sold as a result of this tax due to the complexity of and level of assumptions needed to make such an estimate.
- We are unable to estimate the amount of revenue that may be collected from penalties, as we do not have data or estimates on the collection rate for similar taxes' penalties.
- While we estimate the total proportion of properties that may be excluded from the tax, we do not estimate the number of excluded properties associated with each unique allowable exemption and avoidance strategy.
- We cannot estimate the number of properties that may be excluded from paying the tax on a property specific basis (e.g. Unit A is more likely to pay the tax than Unit B which is more likely to become a rental unit).
- We cannot confidently estimate the number of vacant residential units that may be subject to this tax but that are not captured in the RUBT dataset, such as short-term rentals that rent for less than 183 days or corporations that own homes not reflected in our current dataset.
- Our Office had limited time to analyze this measure and solicit stakeholder feedback.

CONCLUSION

If the proposed Empty Homes Tax is placed on the ballot and approved by voters, it will generate additional net General Fund revenue and will likely add additional residential units to the rental market. However, the potential magnitude of the revenue and housing impact is highly dependent on owner behavior and City enforcement. Since residential vacancy taxes are a relatively new policy tool in California, their impacts on revenue and housing availability are not well studied. While we can use existing City data to estimate potential revenues, this report outlines limitations to that data. If the measure is successful in encouraging owners of vacant residential properties to rent or sell those properties to occupants, revenue from this measure would be expected to decline over time, though given the goal of adding additional housing to the City, this would not be a negative outcome.

Should the Rules Committee approve this measure, our Office will work with the Chief Financial Officer and the City Auditor on the fiscal impact statement for this measure, as required by the Municipal Code. Although they provided feedback on our fiscal impact estimates prior to the

release of this report, given the time constraints their feedback has only been preliminary, and consequently our analysis may be further refined over the next two weeks.

In discussing this proposal, the Committee and Councilmembers may wish to consider the following:

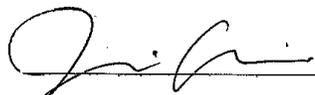
- Clarifying whether short-term rentals that are occupied less than 183 days are intended to be subject to the tax;
- Discussing whether or how the City should identify residential units not captured in our RUBT-based estimates that may be subject this tax, and consider how the City’s data collection methods may be limited in capturing changes in vacancy status (e.g., rental units that sit vacant due to extensive environmental remediation needs); and
- Consider the following situations for exemptions based on our benchmarking analysis:
 - Whether new construction/building permits should be subject to the tax given the need for additional housing supply;
 - Whether new owners whose property was deemed vacant prior to acquisition should be subject to the tax;
 - Whether owners who are actively trying to lease or sell their property should be subject to the tax (though without safeguards, establishing this exemption could create perverse incentives as seen in Washington D.C.).



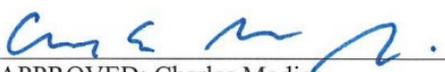
Amy Li
Senior Fiscal and Policy Analyst



Noah Fleishman
Senior Fiscal and Policy Analyst



Jillian Andolina
Deputy Director



APPROVED: Charles Modica
Independent Budget Analyst

Appendix 1: Additional Analysis on Benchmarked Cities

Additional analysis between vacancy or empty homes taxes in benchmarked cities of Berkeley, California; Oakland, California; Washington, D.C.; and Vancouver, Canada is described below:

- *Property Tax vs. Excise Tax:* Whereas three cities charge an additional *property* tax on empty or vacant homes, only the City of Berkeley structures its tax as an *excise* tax, which is aligned with this proposal. For context, parcel taxes in California require two-thirds voter approval to pass, while local general-purpose taxes to raise unrestricted revenue, such as the proposal, pass by a simple majority.
- *Flat Tax:* The cities of Berkeley and Oakland charge a flat tax with residential units subject to a \$3,000 or \$6,000 tax, depending on the unit or parcel type. The tax amounts in Berkeley doubled in the second year of implementation to \$6,000 and \$12,000, respectively. Even with this increase, we note the proposal’s flat tax of \$8,000 then \$10,000 starting in the second year is higher than the \$6,000 flat tax in Berkeley and Oakland for certain property types, particularly condominium, duplexes, townhomes, and single-family homes. Notably, California State law prohibits parcel taxes based on property values.
- *Ad valorem Tax:* Washington, D.C. and Vancouver both tax as a percentage of assessed value, effectively ranging from 1% to 10% based on the property type. Based on 2024 data, units subject to the 3% Empty Homes Tax in Vancouver paid on average \$36,000 more, due to high assessed values of units subject to the tax (around \$2.0 million compared to \$1.9 million for all other properties not subject to the tax). In Washington, D.C., the average tax surcharge per property was approximately \$13,000 in FY 2024.
- *Exemptions:* As seen in the table below, all benchmarked cities included a range of exemptions, with the most exemptions being vacancies due to development or rehabilitation, natural disasters, owner death, and other considerations to an owner’s health.

Exemption	San Diego*	Berkeley	Oakland	Washington, D.C.	Vancouver
Development, building permit, active construction, or rehabilitation		✓	✓	✓	✓
Natural disaster, hazardous conditions	✓	✓	✓		✓
Owner death	✓	✓	✓		✓
Owner impairment, in care, or disability	✓	✓	✓		✓
Lease period	✓	✓			✓
Owner-occupied or homeowner exemption	✓	✓			✓
Court order			✓	✓	✓
Non-profit organization		✓	✓		
Very low income or financial hardship			✓	✓	
Environmental remediation		✓			

Exemption	San Diego*	Berkeley	Oakland	Washington, D.C.	Vancouver
Family in residence	✓				
Legacy owner hardship	✓		✓		
Actively seeking rent/sell				✓	
New inventory					✓
Non-ownership period	✓				
Property transfer					✓
Qualified military service	✓		✓		
Secondary residence for medical reasons					✓

* Subject to change.

- Implementation Costs:* Implementing an empty homes tax requires a tax billing and collection system. Benchmarked cities that levy the tax as an additional property tax can use existing property tax systems to reduce some costs, though implementation costs may still be notable. For example, Vancouver requires approximately 180,000 property owners notify the City annually of the status of any owned property. In a [June 2017 report](#), Vancouver projected first three-year implementation costs at CAD \$7.4 million (approximately \$6.8 million in 2025 USD, or an average of \$2.3 million per year) for staffing, technical support, professional services, hardware, software, and contingencies, even with leveraging its existing property assessment and taxation system. At time of proposal, Oakland estimated operational costs at \$450,000 annually for three employees, and one-time costs of \$100,000 to establish a web portal and maintain a registry. Berkeley indicated no additional resources were dedicated to tax implementation, as these activities integrated into the normal course of business.
- Exemption Refinements:* As previously discussed, all benchmarked cities include a range of exemptions to their empty homes taxes. Despite extensive exemptions, some benchmarked cities continued refining and clarifying exemptions based on implementation feedback to avoid inequitably taxing owners in certain circumstances. For example, prior to the first taxes being collected, Berkeley amended its tax in October 2025 to include exemptions for properties undergoing environmental remediation or hazardous materials cleanup, as well as for cases where sudden health issues prevent an owner from renting out a property. Similarly, in late 2025, Oakland created an exemption for new owners whose parcel was deemed vacant prior to acquisition.
- Tax Noncompliance:* Benchmarked cities have identified cases of tax noncompliance as owners attempt to evade the tax. For instance, Washington D.C. allows an exemption for properties listed for rent or sale for a specified period, which some owners exploit by setting prices far above market rates to keep properties vacant while avoiding the vacancy tax. Additionally, annual audits in Vancouver found a 4.1% to 3.0% non-compliance rate in recent years, based on more than 14,000 complete audits each year.

Appendix 2: Empty Homes by Council District and Community Plan Area

Council District	Empty Units
District 1	1,561
District 2	775
District 3	1,275
District 4	92
District 5	430
District 6	351
District 7	411
District 8	68
District 9	152
Total	5,115

Community Plan Area	Empty Units
Downtown	818
La Jolla	752
Pacific Beach	413
Peninsula	326
University	293
Uptown	271
Clairemont Mesa	205
Rancho Bernardo	189
Mission Beach	187
Mission Valley	165
Navajo	150
Mira Mesa	139
Carmel Valley	123
Linda Vista	97
Torrey Pines	94
North Park	84
Black Mountain Ranch	73
Rancho Penasquitos	64
Ocean Beach	52
Tierrasanta	46
Skyline-Paradise Hills	45
Eastern Area	42
Otay Mesa-Nestor	40
Kensington-Talmadge	39

Scripps Miramar Ranch	38
College Area	36
City Heights	29
Carmel Mountain Ranch	28
Normal Heights	23
Serra Mesa	22
Greater Golden Hill	21
Miramar Ranch North	21
Kearny Mesa	21
Pacific Highlands Ranch	20
Fairbanks Ranch CC	19
Southeastern San Diego	18
Encanto Neighborhoods	17
Sabre Springs	17
Via De La Valle	16
Torrey Highlands	13
Otay Mesa	13
Del Mar Mesa	11
Torrey Hills	9
San Ysidro	6
Torrey Pines	4
Old Town San Diego	3
Midway-Pacific Highway	2
Rancho Encantada	1
Total	5,115

Appendix 3: Fiscal Impact Model for Empty Homes Tax (EHT) Proposal

Variables		Notes
Base EHT Rate (1st Year)	\$ 8,000	Definitions: 1. Orange cells are inputs (variable) that can be edited. Everything else is formulas. 2. Corporate Empty Homes (Corp. EHs) are those where the owner's name included the keywords: corp, inc, ltd, llc, or irrevocable. 3. Excluded EHs are the percentage of Total EHs that are projected to not pay the EHT because they are legally excluded (e.g. owner occupied), change their behavior (e.g. become long-term rental), or evade paying the tax. Assumptions: 4. We assume that the tax would become effective on January 1, 2027 and that the Empty Homes Tax would be billed, exemptions processed, and revenue received by March 31, 2028 (Third quarter of FY 2028). Delays could impact the fiscal impact estimate; 5. We assume that operational and enforcement costs in the City Treasurer's Office will total \$1.0 million; 6. We assume that all units subject to the EHT (i.e. not excluded from billing) will pay the full amount by the delinquency date; 7. While having minimal fiscal impact, we assume that 50% of the units that are excluded from the EHT will instead pay the RUBT, which is approximately \$55.00; and 8. While having a minimal fiscal impact due to the limited number of corporate-owned empty homes our existing dataset suggests, we assume that corporate empty homes will have the same exclusion rate as non-corporate empty homes. Rational for EHs Excluded from Tax: 9. Anchored modeling on Berkeley because it was the most similar comparison based on: vacancy definition, tax structure, and likely similar enforcement level. 10. Berkeley experienced a 45.5% reduction from preliminary estimates to actual taxable units (capturing exemptions, behavioral changes, administrative corrections). Berkeley provides San Diego with the closest correction factor. 11. 45% is the optimistic scenario. 15% differential and sensitivity are warranted because: (a.) San Diego lacks a regulatory body analogous to the Berkeley Rent Board and is unable to leverage property data to the same extent to get vacancy status. Assuming a 45% drop off may overstate San Diego's data accuracy leading to more optimistic revenue projection. (b.) Proposal's fee of \$10k plus corporate fee of \$5k is higher than Berkeley's fee of \$6k for condo, duplex, townhome, and single-family homes (c.) A 45% to 65% sensitivity band is also in line with observed drop-off rates from other benchmarked cities like Oakland and Vancouver. Limitations: 12. We are unable to estimate the number of homes that may be sold as a result of this tax due to the complexity of and level of assumptions needed to make an estimate; 13. We are unable to estimate the amount of revenue that may be collected from penalties as we do not have data or estimates on the collection rate for similar taxes; 14. We cannot estimate the number of properties that may be excluded from paying the tax for each unique allowable exemption and avoidance strategy; 15. We cannot estimate the number of properties that may be excluded from paying the tax on a property specific basis (e.g. Unit A is more likely to pay the tax than Unit B which is more likely to become a rental unit); 16. We cannot confidently estimate the number of vacant residential units that may be subject to this tax but are not captured in the RUBT dataset; and 17. Our Office had limited time to analyze this measure and solicit stakeholder feedback.
Base EHT Rate (2nd Year+)	\$ 10,000	
Corp. EHT Add'l (1st Year)	\$ 4,000	
Corp. EHT Add'l (2nd Year+)	\$ 5,000	
EH Growth	0.0%	
Excluded EH Range (Optimistic)	45.0%	
Excluded EH Range (Conservative)	65.0%	
RUBT Pay Rate	50.0%	
Treasurer Costs	\$ 1,000,000	
Contingency Range	10.0%	

	Fiscal Year: Excluded EH Rate:	Two Year Fiscal Impact Model									
		FY 2028					FY 2029				
		45%	50%	55%	60%	65%	45%	50%	55%	60%	65%
Base	# of EH	5,072	5,072	5,072	5,072	5,072	5,072	5,072	5,072	5,072	5,072
	Total # of EH	5,115	5,115	5,115	5,115	5,115	5,115	5,115	5,115	5,115	5,115
	# of Corp. EH	43	43	43	43	43	43	43	43	43	43
Taxable	# of EH Subject to Tax	2,789	2,536	2,282	2,028	1,775	2,789	2,536	2,282	2,028	1,775
	# of Corp. EH Subject to Tax	23	21	19	17	15	23	21	19	17	15
	Total # of EH Subject to Tax	2,812	2,557	2,301	2,045	1,790	2,812	2,557	2,301	2,045	1,790
Fiscal Impact	Base Tax	\$ 8,000.00	\$ 8,000.00	\$ 8,000.00	\$ 8,000.00	\$ 8,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00
	Corp. Tax	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00
	EH Tax Revenue	\$ 22,312,000.00	\$ 20,288,000.00	\$ 18,256,000.00	\$ 16,224,000.00	\$ 14,200,000.00	\$ 27,890,000.00	\$ 25,360,000.00	\$ 22,820,000.00	\$ 20,280,000.00	\$ 17,750,000.00
	Corp. EH Revenue	\$ 276,000.00	\$ 252,000.00	\$ 228,000.00	\$ 204,000.00	\$ 180,000.00	\$ 345,000.00	\$ 315,000.00	\$ 285,000.00	\$ 255,000.00	\$ 225,000.00
	Total EH Revenue	\$ 22,588,000.00	\$ 20,540,000.00	\$ 18,484,000.00	\$ 16,428,000.00	\$ 14,380,000.00	\$ 28,235,000.00	\$ 25,675,000.00	\$ 23,105,000.00	\$ 20,535,000.00	\$ 17,975,000.00
	RUBT Revenue	\$ 55.00	\$ 55.00	\$ 55.00	\$ 55.00	\$ 55.00	\$ 55.00	\$ 55.00	\$ 55.00	\$ 55.00	\$ 55.00
	RUBT Revenue	\$ 63,277.50	\$ 70,317.50	\$ 77,357.50	\$ 84,397.50	\$ 91,410.00	\$ 63,277.50	\$ 70,317.50	\$ 77,357.50	\$ 84,397.50	\$ 91,410.00
	Gross Revenue	\$ 22,651,277.50	\$ 20,610,317.50	\$ 18,561,357.50	\$ 16,512,397.50	\$ 14,471,410.00	\$ 28,298,277.50	\$ 25,745,317.50	\$ 23,182,357.50	\$ 20,619,397.50	\$ 18,066,410.00
	-Less Treasurer Costs	\$ (1,000,000.00)	\$ (1,000,000.00)	\$ (1,000,000.00)	\$ (1,000,000.00)	\$ (1,000,000.00)	\$ (1,030,000.00)	\$ (1,030,000.00)	\$ (1,030,000.00)	\$ (1,030,000.00)	\$ (1,030,000.00)
	Net Revenue	\$ 21,651,277.50	\$ 19,610,317.50	\$ 17,561,357.50	\$ 15,512,397.50	\$ 13,471,410.00	\$ 27,268,277.50	\$ 24,715,317.50	\$ 22,152,357.50	\$ 19,589,397.50	\$ 17,036,410.00
Contingency Range (10%)	High (+)	\$ 23,816,405.25	\$ 21,571,349.25	\$ 19,317,493.25	\$ 17,063,637.25	\$ 14,818,551.00	\$ 29,995,105.25	\$ 27,186,849.25	\$ 24,367,593.25	\$ 21,548,337.25	\$ 18,740,051.00
	Low (-)	\$ 19,486,149.75	\$ 17,649,285.75	\$ 15,805,221.75	\$ 13,961,157.75	\$ 12,124,269.00	\$ 24,541,449.75	\$ 22,243,785.75	\$ 19,937,121.75	\$ 17,630,457.75	\$ 15,332,769.00

