**BOMA Advocacy Update: Grocery/Pharmacy Vacancy Tax Withdrawn**

July 21, 2026

**Executive Summary:** Supervisor Bilal Mahmood proposed a significant vacancy tax on former grocery and pharmacy stores. BOMA SF opposed the tax and secured protections for property owners. The proposal has been withdrawn, and the policy focus is now shifting towards incentives, regulatory relief, and practical tools to reactivate vacant grocery and pharmacy spaces.

**The Proposal**

Supervisor Bilal Mahmood's Affordable Groceries Act proposed two November ballot measures: a vacancy tax on former chain grocery and pharmacy locations, and a separate incentive package to attract new operators and streamline approvals.

The tax targeted properties last used as a grocery store or pharmacy after 2017. Rates increased from $3 per square foot in year one, to $5 in year two, and $10 in year three and beyond. A separate $5 per square foot tax applied if the space was re-leased for non-grocery or non-pharmacy use. Notably, the tax was calculated on the entire parcel area, not just the former store footprint.

**BOMA's Position**

BOMA supported the goal of restoring grocery and pharmacy access, but the tax was the wrong tool. The tax penalized property owners for closures they did not control, created risk for mixed-use and multi-tenant buildings, discouraged productive reuse, and added another cost to downtown at the exact time the City needed to focus on recovery.

Vacancies do not arise from insufficient penalties. Store economics, safety concerns, theft, permitting delays, large floorplates, and redevelopment timelines drive closures. A vacancy tax does not address these challenges and could worsen them by discouraging owners from reactivating spaces with other viable tenants.

**BOMA's Achievements**

BOMA engaged early with Supervisor Mahmood and clearly communicated our position: retain effective incentives, but do not hold commercial property owners responsible for a broader policy issue.

During negotiations, BOMA secured significant changes that would have reduced the impact on members:

**Key Changes**

- **Property owner exemption:** The tax would not apply to property owners unless they were themselves operating as a chain grocery store or pharmacy.

- **No tax when an owner re-tenants the space:** If a property owner leased the space to a non-grocery or non-pharmacy tenant, neither the owner nor the new tenant would be subject to the “different use” tax.
- **Tenant responsibility clarified:** If a chain grocery or pharmacy tenant, such as Walgreens, subleased the space to a non-grocery or non-pharmacy use, the tenant, not the property owner, would be responsible for the tax.
- **Incentives advanced:** The discussion shifted to tools such as gross receipts tax credits, Conditional Use relief, and addressing barriers to subdividing or reactivating large retail spaces.

**Outcome**

After sustained concerns from BOMA SF, other business groups, the Mayor’s team, and members of the Board of Supervisors, Supervisor Mahmood withdrew the vacancy tax proposal. He is still moving forward with several of the incentive-based policies discussed during negotiations.

BOMA will continue to monitor these discussions and engage with policymakers on future legislation. We remain committed to advancing practical solutions that help San Francisco attract grocery stores and pharmacies, protect property owners, and support the City's long-term economic recovery.